

Mall Activation: unlocking the potential of brands to open up new opportunities for shopping centre stakeholders



Mall Activation



More than 700 Brands



Portugal & Spain



Specialty Leasing; Innovation;

KEY HIGHLIGHTS

- Innovation is crucial in all steps of development and management of retail real estate assets. Being innovative means to think outside the box, even in terms of leasing strategies. Sonae Sierra's specialty leasing concept (Mall activation) allow the company to generate additional revenue than the leasing of shops, maximizing income generation for both operators and asset owners through a range of innovative retail concepts.
- This strategy allows the entrance of new brands in shopping centres, creating a permanent sense of novelty for visitors, generating more rents for owners and allowing new small and local brands to grow.

SOLUTION

- Mall Activation solutions includes:
 - **Mall Letting** - Retail and brand promotion in the shopping centre through the rental of spaces in high traffic locations.
 - **Paid Services** - Services sales placed in impulse and tactical locations in the mall area, such as children's rides.
 - **Media Partners** - Creative and innovative brand activation or promotion programmes using television, digital advertising and mall decoration.
 - **Brand Activation** - Promotion and/or increase of brand awareness by the implementation of original ideas including 'Flash Stores' and co-branded events.

KEY NUMBERS

>5%

Additional rent revenue

+ 42

New Flash Store brands in Portugal and Spain

64

Flash Stores in Portugal and Spain

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Abstract

The retail revolution has set forth, heralding both exciting opportunities and complex challenges for shopping centre owners and managers. As new, digitally-enabled consumption patterns evolve, shopping centres are facing increasing pressure to attract and retain customers; offer a diverse tenant mix and compelling experiences in well-equipped, vibrant venues.

In this context, Sonae Sierra has a specialty leasing concept, the Mall Activation, designed to maximise income generation for operators and asset owners through a range of innovative retail concepts that can generate added value for owners unlocking the potential of brands and new business ideas to the benefit of retailers and entrepreneurs.

Moreover, Mall Activation effectively serves our vision of a shopping centre as a dynamic destination that offers visitors unique experiences. It enables us to create a constant sense of novelty for visitors, and capitalises on the changes shaking up the retail industry to bring benefits to a wider range of stakeholders in the communities where we operate.

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Introduction

Mall Activation, it's the business area that maximises income generation opportunities within the shopping centre. It is an area in which our Property Management team has channelled its efforts to generate added value for shopping centres and has enabled Sonae Sierra to cement its reputation for creativity and innovation in the sector.

By pushing us to explore and unleash the greater potential of the physical shopping centre space, Mall Activation gives rise to new and innovative retail concepts and practices which yield benefits for owners, managers, tenants and visitors alike. It generates new sources of income and introduces a more dynamic tenant mix as well as additional services to shopping centre users.

Background

Over the last decade we've seen unprecedented change in the retail industry. Digitally-equipped, savvy and connected consumers can discuss, browse, compare and purchase products anytime, anywhere. Shopping centres have become destinations of experience; places to be, not only to purchase.

With economic growth slowly emerging from the global recession, retail landlords have found themselves under more pressure than ever. Not only do they have to work harder to entice consumers into their centre, they must attract consumers to a physical location, proving that it can offer more than competing destinations or – indeed – than anywhere else. Engaging customers, investing in comfort and quality, conceiving, and launching new concepts, services and events costs time and money, and landlords are being stretched.

Sonae Sierra takes a view of a shopping centre as a living space that is continuously evolving. We pride ourselves on our ability to pilot innovative concepts to engage and entice consumers and our Property Management team continually seek opportunities to extract further value from the centres we manage. This approach helps us to maximise revenues, margins and assets' long-term values in line with investor

interests. Moreover, it allows us to anticipate consumer behavior trends and pioneer new tools and concepts ahead of the market in an increasingly fast-paced and competitive environment.

Challenge

In this context, Sonae Sierra set out to identify new strategies to unlock the potential of new and existing brands, and extract further value for the assets we manage in a win-win scenario. Based on our sustainability strategy, Mall Activation allows Sonae Sierra to support smaller-scale operators and conscious consumerism and to enrich the consumer experience and be flexible enough to accommodate for changing behaviour.

Solution

Given this challenge our Property Management team implemented four solutions that are segmented accordingly to the needs of the different operators. Mall Activation therefore is composed by:

- **Mall letting - Retail and brand promotion in the shopping centre through the rental of spaces in high traffic locations through concepts such as 'Shop Spot', 'Street Markets' and 'Expo Mall'.**
- **Paid Services - Services sales placed in impulse and tactical locations in the mall area, such as vending machines and children's rides.**
- **Media Partners - Creative and innovative brand activation or promotion programmes using television, digital advertising and mall decoration.**
- **Brand Activation - Brand motivation by means of original ideas including 'Flash Stores' and co-branded events.**

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By pursuing **Mall Activation**, Sonae Sierra's Property Management team has transformed traditional mall partnerships, pioneered new retail formats and launched new services. Furthermore, it has opened opportunities for local businesses and entrepreneurs, giving them access to a large commercial area where they can test their products and enhance their interaction with customers.

For this specialty leasing concept Sonae Sierra has created a structure fully adaptable to a high range of products and brands. This structure – **Shop Spot** – stands out for its design, product showcase capability and storage, allowing operators to expose a wider range of products as well to storage.

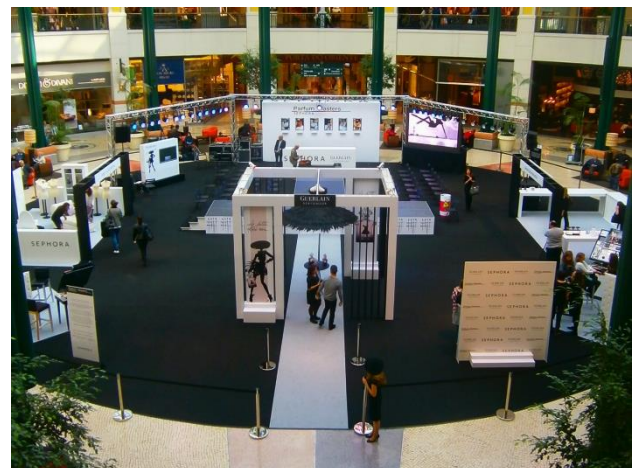
In Portugal and Spain, each year, more than **1800 Mall Letting contracts** are carried out, of which already **400** presupposes the use of Sonae Sierra **Shop Spots** to display the brands' products.



Sonae Sierra Shop Spot example

With **Flash Stores** – a new retail model for temporary store rental – Sonae Sierra offers four unique retail options to meet diverse retailer needs and enhance the tenant mix. These range from Pop-up Stores in high-traffic locations selling niche products, seasonal goods or exclusive collections to Coop Stores, the ideal starter format for small local businesses. We offer Lounge Stores to promote or test products or brands that demand interactivity and a close relationship with consumers, and Lab Stores where we work hand-in-hand with brands to help them consolidate their positioning.

Flash Stores become more relevant in a context of difficult commercialization of stores, and it is natural that the number of stores occupied in this context decreases in the proportion in which the number of vacant stores is also reducing in Shopping Centres. In 2017, **41 Flash Store contracts were made in Portugal, representing 97% of the total number of vacant Stores available for this concept.** During 2018, in a year in which stores occupancy rate in the portfolio of Portugal is around 97%, this model allows the growth perception both in clients and tenants that shopping centres are fully occupied. In addition, this concept is also relevant in the process of Shopping Centre refurbishments and expansions, where are frequently needs for short term contracts between the time that works occur and the actual or future tenant can occupy the store.



Brand Activation example

Through **media partnerships**, Sonae Sierra has allowed brands to explore different marketing opportunities through modern displays placed in strategic and frequented places. This includes key pass-by spaces in parking areas, mall decoration in high visibility locations such as lift doors, escalators and hanging displays. We have also explored other options for smaller, digital panels in selected areas to reach specific customer segments. Carefully crafted partnerships, such as with JCDecaux, Exterior Media and IWall for digital directories in Portugal, Italy and Spain respectively have enabled us to add to shopping centres' service component with zero capex and opex, plus a fixed and variable income.

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Media Partners example

“Considering that interaction is going to develop massively, we have finally joined together two valuable elements for advertisers with a plug ‘n’ play solution: digital and shopping centre.”

– Exterion Media, Advertising, Italy

Ultimately, these formats are building bridges with retailers at different stages in their development and attracting new, long-term customers to managed centres.

Sonae Sierra’s creativity and innovation in this area has become synonymous with best practice across the industry, leading to a raft of international recognition – including numerous awards at the ICSC Solal Marketing Awards.

“The first month couldn’t have been better, it is good to know that this option is available to test your business.”

– Dope LX, Retail, Portugal

Conclusion

Mall Activation delivers additional revenue that is worth **more than 5% of total rents** in the shopping centres we manage, proving itself as a long-term strategic success. But for Sonae Sierra, our clients, our tenants, partners and their brands, it’s worth a lot more. It has unlocked the potential of new and existing brands and enabled them to grow. And more, it has created the opportunity for small-scale businesses to bring fresh ideas to fruition.

In Portugal and Spain, each year, more than **2,700 contracts** in Mall Activation area. In 2017, Flash Stores concept represented an occupation of 55% of the total number of vacant units in Portugal and 97% of the number of stores available for this concept, once the remaining vacant stores were kept for ongoing leasing negotiations.

External research suggests that in an increasingly virtual world, resilient physical retail places need to cultivate diversity and vitality; a strong brand and identity; flexibility and agility to respond quickly to change; a ‘feel good’ ambience and community responsibility¹.

Mall Activation enables our centres to fulfil all these attributes while introducing innovative products and services that reinforce their status as cutting-edge consumer destinations and lucrative assets for investors.

For the years to come, Mall Activation area will continue to develop products and concepts that fits the different realities that are to come and follow the rising interest of the markets in **online sales, shared markets, and mindfulness activities**.

¹ Redefining Retail Places: The role of physical space in an increasingly virtual world', JLL, 2014