

# Rising Stores: Investing in future talent for sustainable value



 Rising Store	 12 new retail brands supported
 Portugal, Spain & Germany	 Speciality Leasing, Sustainability

## KEY HIGHLIGHTS

- Rising Store is creating shared value for our business, investors and the wider community by supporting new businesses and enhancing our offer to consumers.
- The retail contest fosters entrepreneurship and unlocks opportunities for small-scale and local business by providing strategic advice and discounted space at Sonae Sierra shopping centres.

## SOLUTION

- Rising Store benefits include:
  - Meeting visitor expectations by providing a diverse tenant mix and supporting small-scale local business and brands
  - Securing new rental income and boosting sales by fostering the retail brands of the future.
  - Scalable format that can be rolled out across multiple geographies.
  - Generating local and international recognition through positive press coverage and industry awards.

## KEY NUMBERS

**250**  
applications received

**12**  
winners announced

**1009%**  
Return on investment

**€115,000**  
Advertising Equivalent Value

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Rising Store



Portugal, Spain & Germany



12 new retail brands supported

Abstract

In today's challenging retail environment, rapidly advancing technology and changing consumer habits are altering the relationship between retailers and customers. Now more than ever, innovation is a core component of a successful retail strategy, pushing investors to offer new experiences that meet visitors' expectations.

Many consumers are actively seeking artisan products and unique shopping experiences, and are keen to support small-scale, sustainable business models. The results of our own visitor engagement support this: a recent survey of more than 600 visitors to our shopping centres in Portugal, Italy, Germany and Spain revealed that locally sourced products and services have a significant impact on visitors' purchasing decisions, and supporting local business are one of the most important features that visitors associate with a sustainable shopping centre.

Within this context, Sonae Sierra's Mall Activation team, supported by our Marketing and Sustainability teams, identified an opportunity to create shared value for our business, investors and the wider community by supporting new businesses and enhancing our offer to consumers. By providing a platform for entrepreneurs to launch their business ideas, we have introduced new retail concepts in our shopping centres to diversify our tenant mix and enhance retail sales.

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Our solution – ‘Rising Store’ – is a unique retail contest that helps creative people to bring new products to market by providing business coaching and rent-free space in our shopping centres. Now in its third year, the competition has attracted more than 250 applications across Portugal and Spain, delivered sustainable returns and brought international recognition for Sonae Sierra and our investors.

### Introduction

Creating shared value has been at the forefront of Sonae Sierra's business thinking since we launched our sustainability strategy in 2013. The strategy was born out of the challenging market conditions that followed the global financial crisis and which prompted us to focus on the value we can create in everything we do as a retail real estate owner, developer, manager and service provider.

While economic conditions have improved substantially since then, a legacy of unemployment continues to be a problem that affects young people in particular. Young entrepreneurs too face a range of barriers in bringing their business ideas to fruition: from lack of available capital to kick-start their initiative to obtaining visibility in a crowded market place and accessing professional advice. While the number of new businesses has increased over the past decade, entrepreneurs are continually faced with restraints that prevent their business ideas from becoming a reality.

Through the Future Fit Retail pillar of our sustainability strategy, we aim to create shared value by supporting our shopping centres, tenants and clients in adapting to future retail trends, pioneering new concepts, sustainability-orientated innovation and other relevant themes to boost footfall and sales. Central to our approach is engaging with our partners and clients to adopt innovative and sustainable retail strategies, create vibrant destinations and dynamic experiences by providing new retail concepts and promoting formats that support entrepreneurship, including start-ups, small and local businesses.

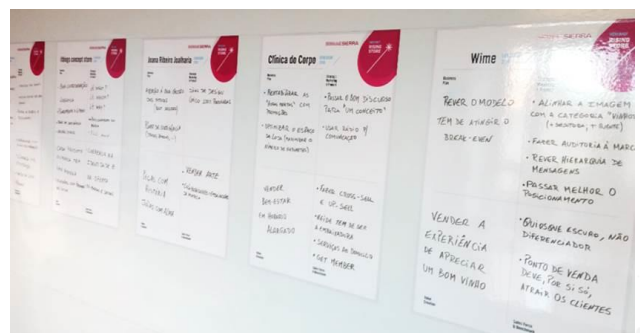
### Background

It was within this context that Sonae Sierra's Rising Store competition was launched in 2015 to diversify our shopping centres and increase sales, whilst supporting innovative new brands that would meet our diverse and wide consumer base.

Conceived as a competition, Rising Store aims to support entrepreneurs with first class business advice and rent-free space to turn their business ideas into reality. The initiative aims to bridge the gap that many businesses face to secure the investment and support that will ultimately bring their ambitions and goals into fruition, whilst complimenting and enhancing the retail sites in which they are located.

The competition invites individuals to submit their business ideas which are judged by a senior panel of experts from Sonae Sierra's Asset Management, Shopping Centre Management, Marketing and Innovation Teams, supported by representatives from Young & Rubicam, the Instituto de Negociação e Vendas (Negotiation and Sales Institute), the Associação Nacional de Jovens Empresários (National Association for Young Entrepreneurs) and the popular SharkTank business television show.

Judges assess the originality and robustness of the business concept, its potential for success and suitability for implementation in Sonae Sierra's shopping centres while taking into account the existing tenant mix. Winners receive support to develop and implement their business plan and a rent-free period of six months in a Sonae Sierra shopping centre, followed by a further six months at a discounted rent.



Jury's decision making process

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### Challenge

To be a success, the first Rising Store contest in Portugal had to attract the widest range of applicants as possible. But with a limited budget to get the competition up and running, the challenge facing the Mall Activation team was to reach as many entrepreneurs as feasible.

Leveraging our in-house expertise, the team created a microsite for applicants to submit their business plans. But it was clear a low-cost advertising campaign with a national reach had to be produced to reach our target number of applications. A two-pronged strategy was developed to drum up awareness. Firstly, a national promotional tour of 20 of Portugal's leading universities was conducted, supported by a poster campaign that reached 70 universities in total. While an email campaign with the popular SharkTank television show which invites entrepreneurs to pitch their business ideas to investors reached approximately 20,000 people across Portugal. Secondly, a communications campaign ran concurrently across thirteen shopping centres featuring banners and posters to raise awareness among visitors.

### Solution

The success of the communications campaign was evident from the high number of quality applications received. Having hoped to receive around 50 applications, in the first edition of contest received 110 applications over a two month period from November to the end of December 2015.

To whittle down the applications and select the five winning ideas, applicants had to be residents of Portugal, only one submission per applicant was allowed, and only companies that had been established in the previous 12 months were allowed. In the event of a tie, preference was given to individuals who had graduated on the last three years; were under 35 years of age; or were unemployed.

As well as six-month rent-free space in a Sonae Sierra shopping centre, the winning entries received support to boost their chances of success. They attended an idea

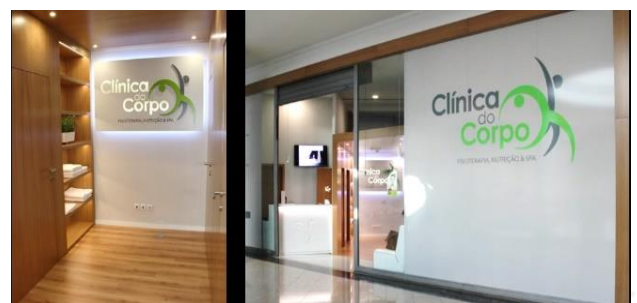
acceleration workshop and received specialist advice to develop their business plans focusing on branding, product range and marketing and communications to ensure that the businesses were successful once established.

As a result of the high response rate, support from various stakeholders and very positive feedback from tenants and customers, we launched the second edition of the contest in Portugal in 2017 and expanded it to our Spanish and German portfolios (operating under the 'First Store' brand). The 2017 edition received 159 applications competing for seven winning spots. The evaluation criteria were expanded to include concepts that could support our Future Fit Retail strategy, such as promoting positive behaviour change and more sustainable lifestyles among consumers, in particular eco-friendly and/or social products and concepts.

### Closure

The Rising Store competition demonstrates a scalable and innovative solution that responds to consumer demands while supporting the retail stars of the future. From the five winning entries in 2016, three of these have gone on to become long-term tenants generating additional rents for Sonae Sierra and positive incomes streams for their owners. They include:

- **Clínica do Corpo** – A wellness clinic that offers a wide variety of services in areas such as nutrition, physiotherapy, osteopathy and coaching. It has generated sales of €35.900 and agreed on a seven-year lease at ArrábidaShopping.





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- **IT Market** – A physical store from the itblogs.pt website which features hard-to-find fashion brands that were previously only available online. It has generated sales of €41,000 and agreed a one-and-a-half-year lease at Centro Colombo.



The rents generated from these successful projects represent a return on investment from the competition start-up costs of more than 1009%, while we have successfully created shared value by generating additional income at our assets, diversifying our tenant mix, delivering unique experiences to our customers and providing a once-in-a-lifetime opportunity for a wide group of young entrepreneurs.

Through the Rising Stores contest, Sonae Sierra has developed a novel programme that delivers both deliver social and economic value. Furthermore, the competition has earned Sonae Sierra and our investors local and international recognition. In Portugal, positive news coverage in local media has generated an advertising equivalent value of almost €115,000 and reached more than 1.2 million people; and most recently Sonae Sierra, Union Investment and 21 Media were awarded a Property Marketing Award 2017 in the retail category at Expo Real for First Store by Alexa.

- **Aiimatilde** – A design and accessory store for products inspired by the popular Matilde doll, such as jewellery, calendars, pens and beach towels. It has generated sales of €25,000 and has also agreed a one-and-a-half-year lease at GaiaShopping.



- A fourth winner – **WIME** – a personalised wine-tasting kiosk which helps people to choose their ideal wine by matching their taste preferences with different wine producers – has established a seasonal presence across our shopping centres following a successful trial at CascaiShopping.

