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CASE STUDY

How healthcare and wellbeing are shaping retail real estate

Published in 2021

Case Study | Executive Summary

HOW HEALTHCARE AND WELLBEING ARE SHAPING RETAIL REAL ESTATE

The health and wellness trend has created a dynamic range of concepts and brands which have become proven traffic drivers to shopping centres. Both during and post Covid-19, healthcare-focused occupiers are likely to boost the vitality of retail destinations still further.

Challenge

The Covid-19 pandemic has both amplified an interest in healthcare-focused concepts, while complicating access to shopping centres. While restrictions are likely to persist in the near term, the demand for healthcare and beauty formats, healthy food, fitness and general wellness themes, present clear opportunities for shopping centre owners and managers to improve sales and footfall.

The challenge involves successfully integrating these concepts into the offer, to drive higher cross-selling effects, while leveraging specific stores as traffic builders.

Health should equally be explored as a cross-category theme, permeating nearly every area of the shopping centre, in response to consumer expectations that their wellbeing should always be front of mind for retailers.

In this light, shopping centre managers must also revisit the F&B mix to better meet demand for emerging trends, ranging from healthy eating, to organic, vegan, and sustainability concerns, while expanding health food and grocery options.

Solution

Sonae Sierra research has identified a positive growth in sales metrics where the weight of the health & wellness category is increased in shopping centres.

The segment can be successfully positioned across multiple categories, from health & beauty, to F&B, groceries and services.

There is also significant potential to enlarge the scope and nature of offers in this category to capture synergies with other areas of retail. This in turn drives new visitor motives and profiles.

We have also successfully expanded ‘service-driven’ offers, such as pharmacies, clinics and specialised fitness clubs as new types of health-focused anchors.

Ultimately, shopping centre owners and operators are charged to explore the concept of the mall as a living example of fitness, supplying health driven events or experiences, and boosting their wellbeing overall.

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Outcome

Shopping centres with a diverse yet relevant mix have the power to create loyalty and high frequency visits; therefore, leasing strategies which successfully leverage the healthcare trend can improve the vitality and longevity of a retail destination, ultimately defending its value.

Highlights

- **Strong healthcare and wellness concepts can act as powerful traffic drivers in their own right, creating loyalty and increasing the frequency of visits**
- **The real power of the health trend is perhaps its ability to permeate multiple retail categories, responding to consumer desires that their wellbeing is front of mind at all times**
- **Diverse yet relevant healthcare & wellness concepts align with the demands of key demographics, and fit with urbanisation trends which require a broad offer under one roof**

Key Results

2.7pp
increase of H&W concepts in sales weight

H&W accounts for
10.3%
of total sales

The category increased
8pp
sales per m^2 and
6pp
rents per m^2
in 2019

Introduction

Healthcare & wellness is a powerful trend which has increasingly influenced the world of retail in recent years. The passions and concerns of health-focused consumers have supported the growth of concepts ranging from medical clinics and sports facilities to beauty services, healthy eating restaurants, health food stores and more.

In 2020, the global pandemic shone a powerful spotlight on health and hygiene issues right across the world. This produced a renewed consumer focus on areas ranging from preventative healthcare and sanitation to home workouts and mental health matters, with interest growing in the applications of telemedicine and telehealth.

FMCG Gurus' Research, "The Evolution of Consumer Attitudes During COVID-19" shows that as a result of Covid-19, some 59% of consumers in Europe are now more conscious about their health; and as many as 72% plan to eat and drink healthier. Meanwhile, 41% of US adults struggle with mental health issues, rising to 75% among 18-24-year-olds.

All this has compounded growing demand in shopping centres for healthcare and wellbeing concepts, which have already proved a high-performing category over the past decade.

Today representing a nuanced range of offers permeating many retail segments, new health focused players and concepts are likely to build traffic even more robustly in the future, whilst capturing an increased share of wallet, according to Sonae Sierra research.

The most established brands and operators now regard healthcare & wellness as a lifestyle theme, that shopping centres need to address from a holistic perspective, both in terms of offer and the physical shopping experience.

Key Trends

- Increasingly mainstream **retail clinics** are often operated by large scale players, including **retailers, healthcare operators and even health insurers**
- **Health clubs** are pursuing higher-end and some niche segments, as well as exploring specialist formats such as **fitness, dance and wellness studios**
- Wellbeing is actively merging with other categories and brands, bringing different concepts such as **fashion, fitness, food and beauty** into the same place
- Different, highly segmented **healthy food concepts** are emerging as destinations in their own right, such as **healthy eating, vegetarian and vegan food points**
- The food retail and grocery industry are evolving to tackle the trend of offer segmentation – such as **organic, natural and ethnic** - whilst exploring growing market niches, **from zero waste retail concepts, to 100% organic products formats**

Challenge

Shopping centre owners and managers are increasingly tasked with bringing diverse tenants into the mix, to survive economic headwinds and the challenges currently associated with bricks-and-mortar retail.

To stay ahead of the competition, a proactive focus on expanding a healthcare & wellbeing offer is essential to attract new visitor profiles, capture a greater share of wallet, and drive motivation for additional visits.

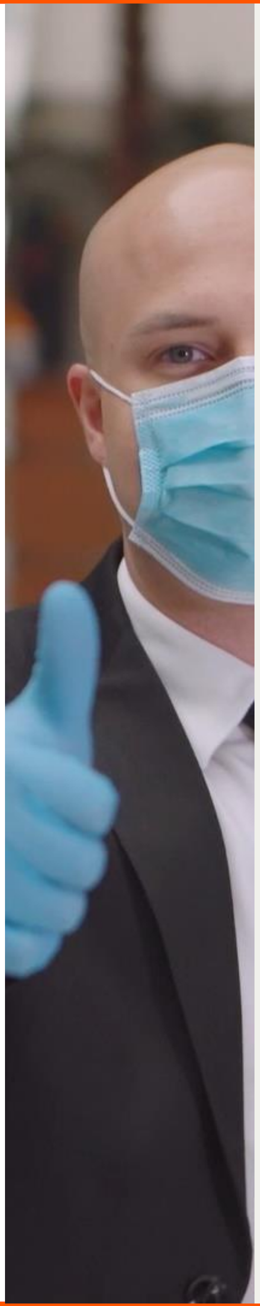
At the same time, these new concepts must be successfully integrated into the retail offer, to drive higher cross-selling effects and leverage specific stores as traffic builders, where they add value to niche lifestyle consumer segments.

Shopping centre managers must also reimagine and upgrade the food and beverage (F&B) mix and experience to better serve emerging trends, including both healthy eating and sustainability ideas.

They need to explore health as a cross-category theme, merging in specific solutions, while permeating other categories.

Furthermore, technology and forward-facing strategies must be employed to serve new shopping habits, from contactless and takeaway to a greater focus on organic products.

Certain new entrants in the health & wellness arena may also require support in adapting ideas for occupancy, where the concept was not originally designed to operate in shopping centres.



Pandemic Parameters

The Covid-19 pandemic has both boosted an interest in healthcare-focused concepts, while complicating access to shopping centres. Restrictions including social distancing, reduced occupancy and capped entries, queues and booking systems, as well as masks, hand sanitation and route paths have given shoppers a lot to think about.

Until the pandemic is under control, these challenges are here to stay. The new shopping reality will continue to change habits, and may well accelerate or generate consumer behaviours that could persist in the long term, such as:

Wellness and contactless: An increase in demand for contact-free interactions is rapidly automating operations, particularly in the areas of contactless ordering and delivery. Seamless mobile payment solutions and other technology can help visitors select the best times to visit, shorter routes, create catalogue and inventory access, plus pick & collect points, amongst other resources.

Food & Beverages: Healthy food and fresh food is increasingly prized by consumers, who are also more savvy in matters of sustainability, farm-to-table concepts, plus organic and vegan concerns.

Health & Beauty: With a revised sense of priorities, it is expected that consumers will limit spending on non-essentials, while their preference for shopping online will continue to strengthen.

Solution

Sonae Sierra's experienced teams have been studying occupier strategy for more than three decades. As well as building key relationships with major tenants and developing an eye for emerging trends, we have proved industry pioneers in making space for influential new concepts.

The current acceleration of the health and wellness trend is not only due to the pandemic. The impact of Millennials and Generation X consumers, increasingly focused on experience-led opportunities, while also nurturing a greater focus on their wellbeing, is colliding with powerful digital and urbanisation trends. **The way we work, live and play is in flux, as our cities grow even more dense, and new mobility concepts change how people get around.** These tendencies are increasing the demand for a broader range of services under one roof.

By answering specific consumer needs, a **number of categories are likely to gain even greater importance**. Amongst these, **healthcare** is set for continued growth beyond the end of the pandemic; while **personal beauty, pharma and food retail** are also on the rise.

The renewed focus on **hygiene, preventive health care, mental health, home workouts** and a greater use of telehealth means that consumers expect nearly every brand they interact with to become a healthcare brand, and prioritise their physical and mental wellbeing.

Sonae Sierra has identified a number of key opportunities within the sector. These include:

- Increasing the overall healthcare & wellbeing weight in a centre's GLA, to leverage the fact that it is a trendy, fast-growing, and profitable category
- Positioning health & wellbeing across multiple categories, from health & beauty, to F&B, groceries and services
- Enlarging the scope and nature of healthcare & wellbeing offers to capture synergies with other categories, drive new visiting motives and visitor profiles
- Develop 'service-driven' offers, such as pharmacies, clinics and specialised fitness clubs as new types of health-focused anchors
- Explore the shopping centre as a living example of fitness and health driven events or experiences

Potential Growth Areas

Health & Wellness

The health and wellness trend has increased demand for a broad mix of facilities and amenities, ranging from health clubs and pharmacies, to medical surgeries and hospitals.

Shopping centres that wish to capitalise on this trend should be capable of exploring the full range of possibilities to meet consumer demand. A comprehensive approach can capture fresh share-of-wallet pools and drive new visitor profiles and motives for visiting the centre.

New health club formats including low-cost models have appeared in recent years. They usually prove to be consummate traffic builders, generating high levels of loyalty and visit frequency, thanks to annual memberships and regular class formats. Operators generally range in size from 900 m2 to 4,700 m2.

When selecting a health club, consumers are influenced by factors including proximity, price and quality. The majority of health club visitors also make further purchases in the shopping centre, with F&B, groceries and fashion the most popular destinations.

Sonae Sierra has 7 shopping centres which directly incorporate health clubs in the mix, with another two that benefit from adjacent facilities. We have also opened hospitals covering around 2,600 m2 in two shopping centres under management. On average, this resulted in:

↑+10pp
in visits

↑+5pp
in sales

MOST IMPACTED CATEGORIES

↑+17pp
Health & Beauty

↑+9pp
F&B

↑+6pp
Fashion

Potential Growth Areas

Romania

Dance Schools

Dance schools differ from traditional gyms by appealing to families with children. They drive high frequency, high loyalty visits, thanks to subscription schemes, while also inspiring further purchases in the shopping centre.

Ana Dance School in ParkLake, Romania, offers modern dance, ballet, gymnastics and street dance lessons for children, a Dance Hall for teenagers, and Zumba & Kangoo jump classes that appeal to parents. The aesthetically pleasing environment promotes the practice of dance, gymnastics or ballet, while reserving a space for waiting parents. Occupying a 1,652 m2 unit, the school serves around 500 children through subscriptions. Despite indoor lessons being put on hold due to the pandemic, the school has successfully shifted classes to the park in front of the shopping centre.

Germany

Romania

Portugal

Healthy Food Stores

Health food and natural product stores have evolved significantly in recent years, adding a considerable range of concepts to tenant mixes.

Typically positioned in a different way from traditional supermarkets, they tend to attract alternative visitor types and meet niche requirements, particularly in the health, wellness and fitness segment. On average, they occupy 100 m2 units.

These stores are significant drivers of traffic, promoting loyalty and high frequency visits, in line with growing demand for special products. Options range from gluten free to low carb goods, vegan, vegetarian foods and supplements. Some stores also double as restaurants and cafes, providing dine in and takeaway options.

Potential Growth Areas

Germany


Italy


Portugal

Pharmacies and Parapharmacies

Pharmacies have increasingly appeared within our shopping centres in recent years, as they seek to increase the convenience factor for consumers. Often open for longer hours and providing greater comfort, they have sought to expand beyond the supply of prescription medicines.

Today's product lines include over-the-counter medicines, healthcare, beauty and skincare, baby food, supplements and more. These stores usually require at least 180 m2 of space, and attract regular and loyal shoppers.

Romania

Italy

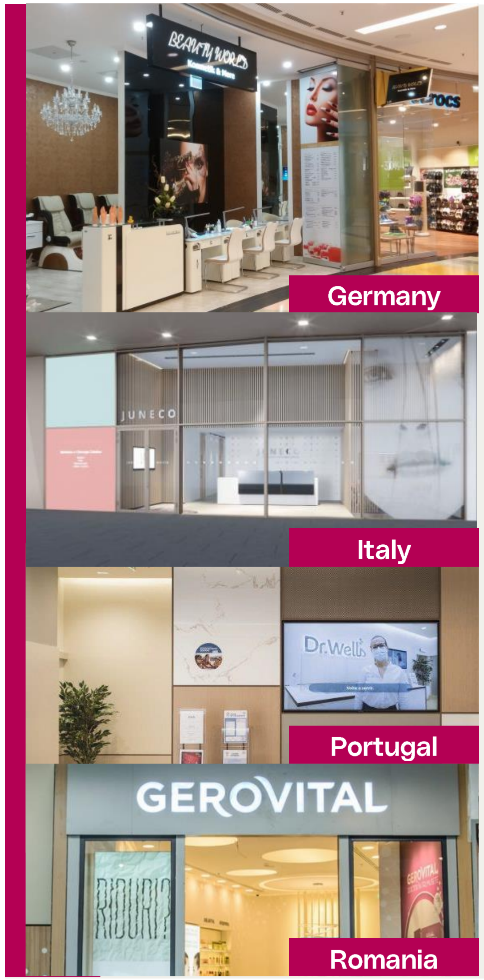
Romania

Healthy F&B

The entire world of food and beverage is being influenced by the healthy eating trend, and shopping centres are no different. Sonae Sierra has seen F&B brands evolve in recent years to include healthier ingredients and meal concepts. Brands and players who serve niche concepts, from vegan to organic and gluten free, successfully attract new kinds of visitors.

In turn, quick dining options in this area are no longer seen as 'fast food', with all its negative connotations, but rather as rapid, nutritious meals. These kinds of concepts usually occupy 80 m2 units on average.

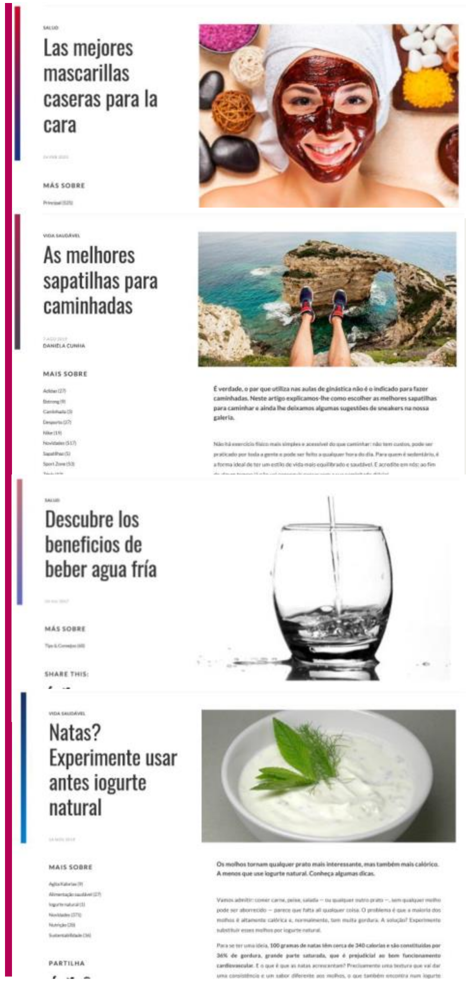
Potential Growth Areas



Beauty Services

Beauty services are responding to bespoke and specific customer demand to create segmented and niche offers. Sonae Sierra has seen new types of beauty services appear to boost the consumer convenience factor of having everything in one place.

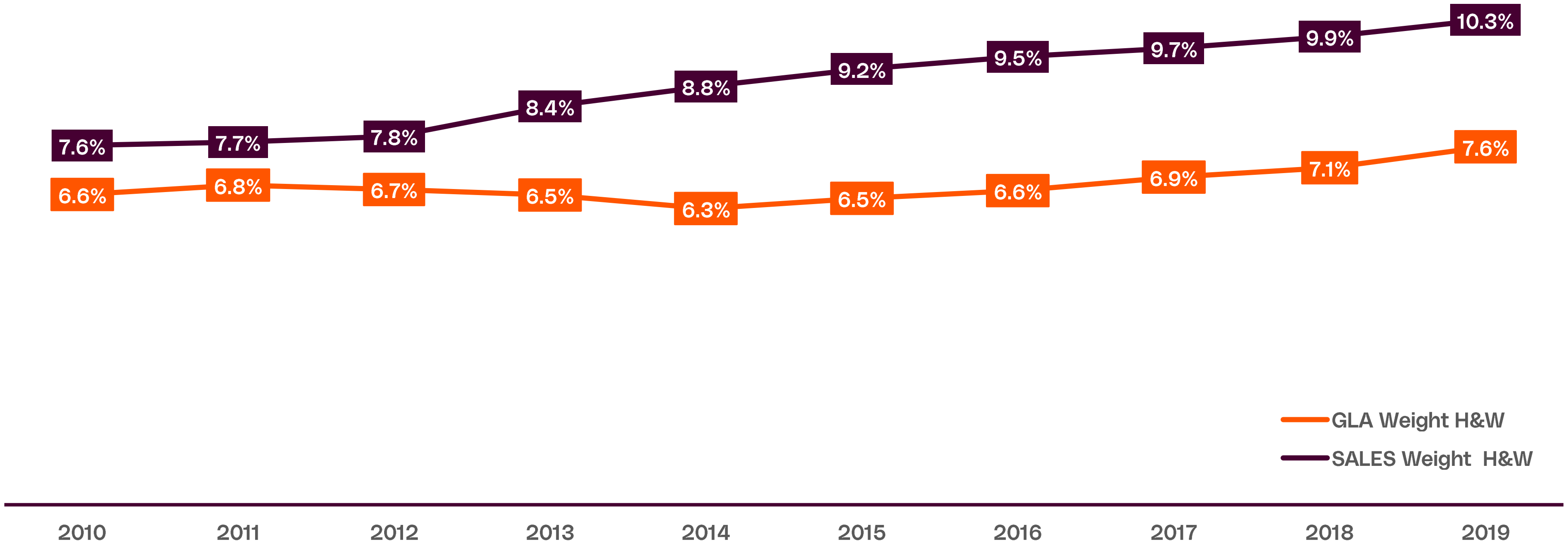
Some beauty services are often integrated with other concepts, such as medical clinics or hairdressers; but they are also appearing as niche, independent units, from brow and nail bars to units offering skincare or whole-body treatments. These stores usually require 50-100 m2 of space on average.



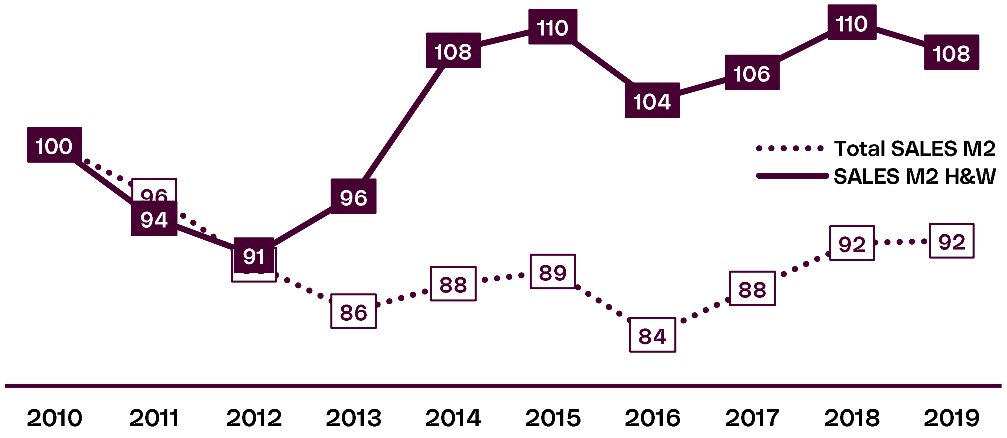
Web Content

Shopping centre websites and online magazines tend to provide a range of lifestyle content to attract consumers within a catchment area. In fact, Sonae Sierra research has found that articles about beauty, health and wellbeing tend to have higher pageviews, supporting a greater editorial focus on these areas.

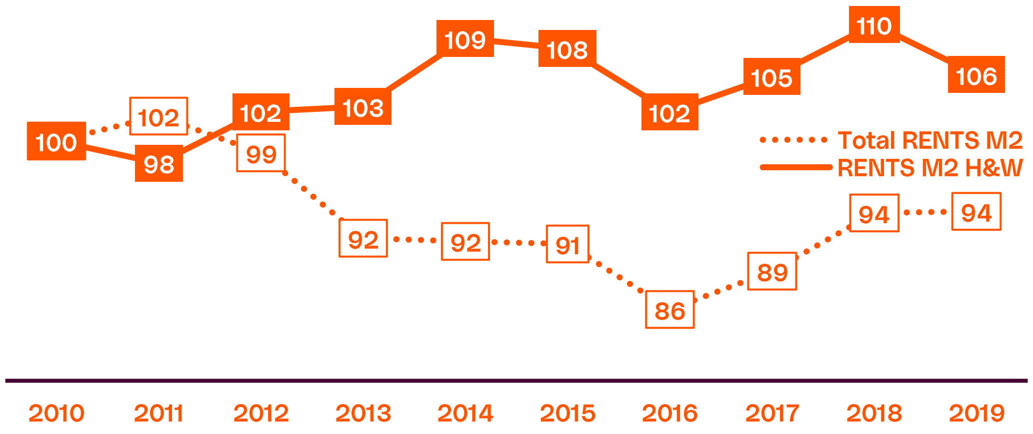
Health & wellbeing has increased weight in the last 10 years in gla (+1pp) and in sales (+2.7pp).



Health & wellbeing has evolved positively in sales m2 (+8pp) when compared with the overall sales by m2, meaning that it is an interesting growing category.



Health & wellbeing has evolved positively in rents m2 (+6pp) when compared with the overall rents m2, confirming the importance of the category.



Conclusion

Whilst Covid-19 times have proved challenging for retail real estate operators, a renewed focus on health, hygiene, fitness and wellbeing before, during and after the pandemic translates into an opportunity to boost footfall and consumer engagement within a shopping centre.

Shopping centres with a diverse yet pertinent mix have the power to create loyalty and more frequent visits; hence leasing strategies which successfully leverage the healthcare trend can improve the vitality and longevity of a retail destination, defending its value in the long term.

Sonae Sierra data has shown that where healthcare & wellness concepts were expanded across its centres over the last decade by a weight of just +1pp, it led to the following results:

↑+2.7pp
sales weight

↑10.3%
of total sales in 2019

↑+8pp
sales per m^2

↑+6pp
rents per m^2

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