

Open mind
Greater value



CASE STUDY

Physical spaces and e-commerce: towards a better, seamless experience

Case Study | Executive Summary

PHYSICAL SPACES AND E-COMMERCE: TOWARDS A BETTER, SEAMLESS EXPERIENCE

New research from Sonae Sierra demonstrates that shopping centres success will continue to be driven by unrivalled, physical experiences, boosted by an ever-deeper relationship with e-commerce, while harnessing innovation to reinforce the online and offline shopping journey.

While today's consumers increasingly receive inspiration and the impulse to shop day and night through digital devices, key messages driving physical footfall persist. **Social and community aspects, the search for in-person expertise and loyalty to local trade all help motivate the physical shopping journey.**

Challenge

Today, physical stores are competing for shoppers who have fallen in love with the speed and convenience of e-commerce.

Electronic devices make it quick and easy for consumers to search for whatever they want and have products delivered to their homes, while also serving up social media channels and other online resources that stimulate and inspire the shopping journey.

At the same time, **shopping centre visitors have been shifting their spending habits toward experiences, preferring leisure, F&B and even tasks and services over acquiring things.**

Other trends, including a concern for greater differentiation, interest in value and off-price retail, plus shifting demographics, mean that shopping centres are forced to redefine their centrality in an increasingly crowded marketplace.

Solution

Sonae Sierra has adopted a strategy to leverage the successful performance of its centres, while taking advantage of the opportunities presented by the omnichannel trend.

Since the impact of e-commerce is highly varied across a geographically diverse shopping centre portfolio, frequent research and data collection is also vital. Different territories are subject to a range of forces influencing e-commerce penetration, meaning that **solutions must be tailored on a country-by-country and even asset-by-asset basis.**

Varying demographics, catchment areas and cultural factors all matter when optimising a centre for the digital dimension. Similarly, retail segments are diversely affected in different geographies in terms of the online shift, with electrical goods and fashion amongst the most vulnerable categories.

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Outcome

Although e-commerce penetration continues to grow rapidly, **shopping centres are still a highly valid retail channel, and will continue to remain relevant for the foreseeable future.**

Tailored, experience-led shopping centres, providing novelty and serving a range of needs – from retail to leisure and services – are best-placed for success. Equally, shopping centres which support their tenants' omnichannel strategies are likely to attract the strongest brands and inspire customer loyalty.

Highlights



- Sonae Sierra has devised a communication strategy focusing on **integrating offline and online communication, through dynamic sites, digital mupis, and harnessing influencers, social media and search functions more successfully.**



- Today, leading retail groups want their physical stores to provide a seamless link across shopping journeys which may begin or end online.



- In many cases, **technology provides a bridge to strengthen the relationship between the online and offline world,** improving everything from supply chains to logistics and data management, through to the shopping experience.

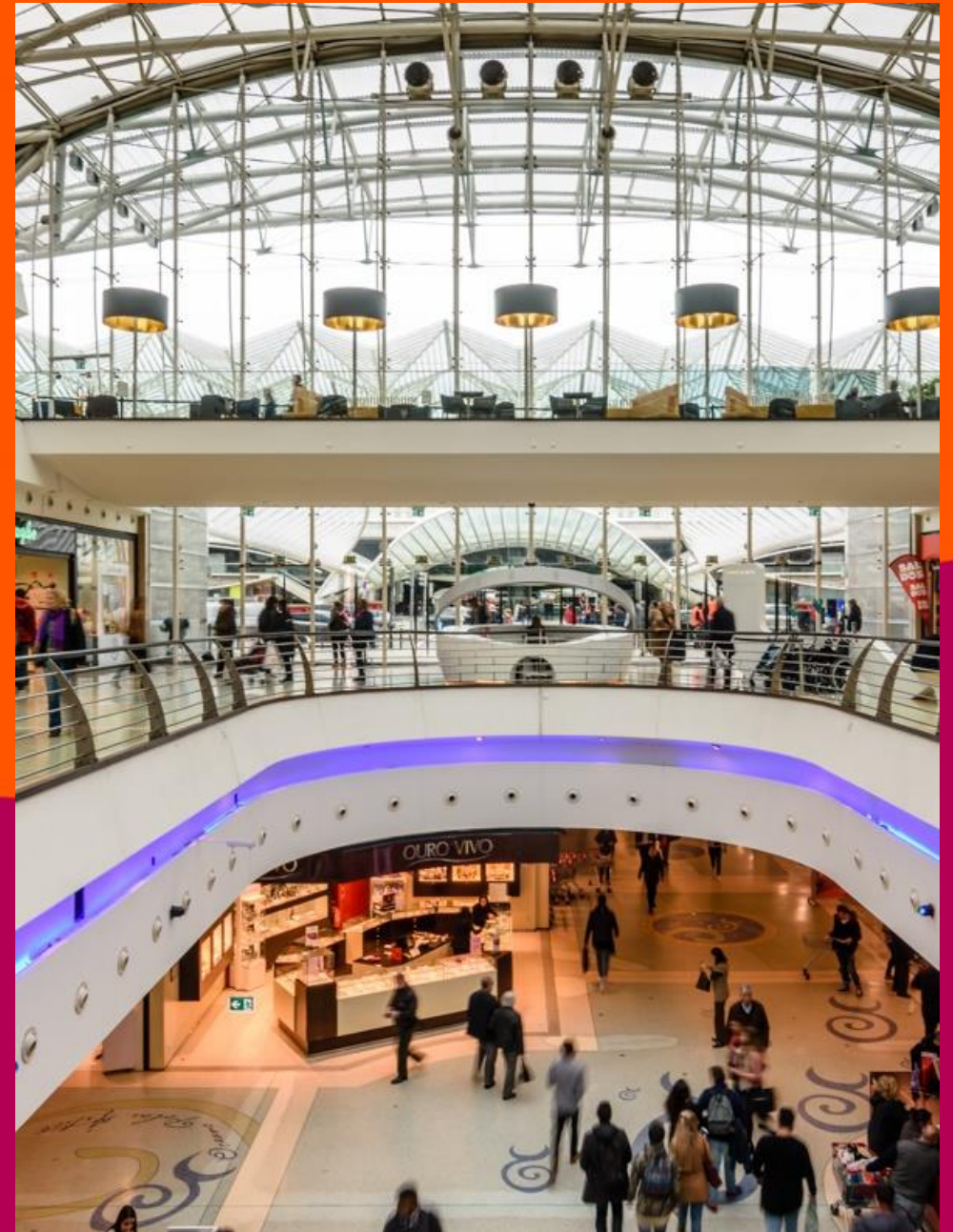
Abstract

Physical shopping destinations have an essential role in the retail ecosystem for supplying unrivalled experiences.

However, at the same time, cementing their place in the rapidly expanding online universe has never been more essential.

Shopping centre owners are today charged with reinforcing their assets' experiential dimension, while employing innovative tools to forge an ever more seamless omnichannel journey for tenants and consumers.

Sonae Sierra, with more than 30 years of experience in both navigating and leading the evolution of the real estate industry, is at the service of its investors, tenants, visitors, and other stakeholders to ensure that shopping centres can evolve to fit the industry's exciting future.



Introduction

The shopping centre industry is in a period of transition, caught between long-term factors including the shift to online shopping, and short-term impacts such as the global pandemic.

Research shows that the market share of shopping centres continues to grow overall, and that these formats outperform retail sales. Younger generations are still attracted to shopping centres, while the silver segment is an increasingly powerful spending force.

However, current forces shaping the future of physical retail include increased competition from e-commerce, a lack of differentiated shopping centres, and a **consumer base that is searching for value and craving experiences.**

Conventional shopping centres don't always reflect the way consumers live and shop today. What has worked in the past, will not work in the future.

In markets where e-commerce penetration is growing most rapidly, some shopping centres tend to underperform compared with the retail ecosystem as a whole.

It is clear that the shopping centre format is still relevant and can continue to thrive, as long as physical channels can complement and enhance digital ones.



Background

Although consumers are shopping differently, they are still shopping. Younger age groups – including Generation Z and Millennial shoppers – are amongst the most enthusiastic frequenters of shopping centres. However, while they often represent the largest percentage of total traffic, they are not always the largest source of revenue.

That is because the silver segment – pensioners and wealthy pre-pensioners – represent an increasingly important slice of shopping centre footfall and tend to be responsible for greater spending overall.

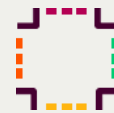
Furthermore, with demographic factors in flux, and spending from the younger age segments forecast to decrease in the future, retailers and shopping centre managers must take an active approach towards diversify the offer, while monitoring the changing situation. Other aspects include:



Consumers appreciate value and are shopping less frequently at full price stores. There is also shift in spending from discretionary goods to discretionary services.



This reflects a bigger shift towards consumers seeking experiences, and ultimately visiting shopping centres not only to buy objects, but enjoy the moment or fulfil tasks.



Nowadays, shoppers are just as or more likely to head to a retail destination for dining, entertainment, fitness, health and wellness appointments, information, classes, services etc.



Challenge

Today, physical stores are competing for shoppers who have fallen in love with the speed and convenience of e-commerce. Consumers can search online for exactly what they want, from anywhere, at any time, via their various electronic devices, and are stimulated to shop through social media and other online resources.

Traditional shopping centres used to be everything to everyone. Today, however, consumers are seeking products with more differentiation.

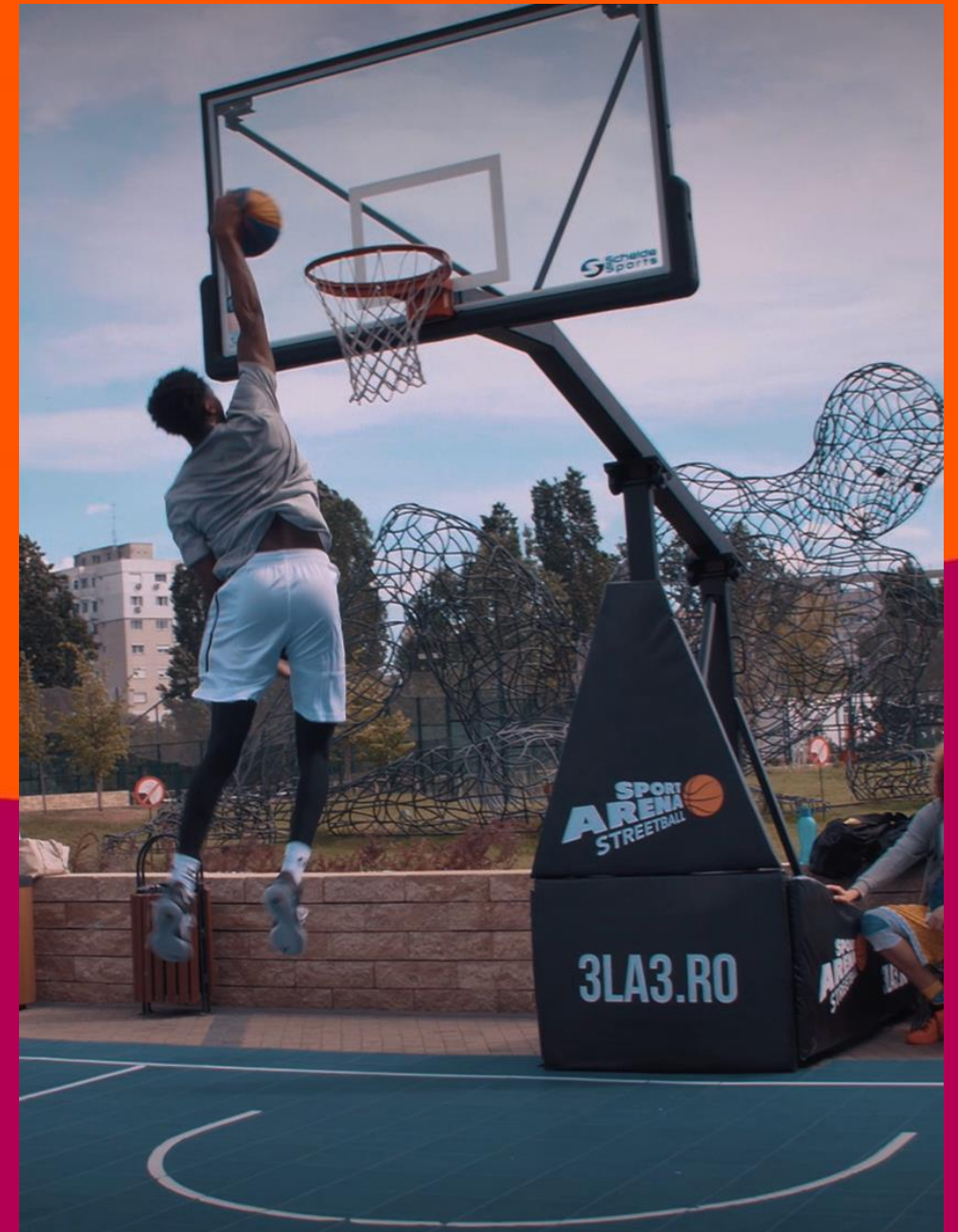
Off-price and fast fashion retailers offer compelling fashion at bargain price, with the off-price category one of the fastest growing segments in retail. However, consumer perception of value is not shaped solely by cost: shoppers also factor in whether or not they feel they are getting what they paid for.

Shoppers have been shifting their spending toward experiences. We have seen a trend in recent years of consumers choosing to spend on leisure activities and experiences rather than on goods.

According to Ypulse, some

61%

of millennials would rather have dinner at a new restaurant than buy a pair of shoes.



Covid-19 Impacts

The global pandemic has deepened the impact of the headwinds that were already affecting the retail industry. However, the imperfect provision of logistics facilities – particularly last-mile resources – mean that **markets are not always ready to respond to increased e-commerce demand**. Furthermore, delivery costs and times vary across markets, and payment methods required may not match consumer resources. **Similarly, lower-income, aging populations, digital illiteracy and a lack of trust for online businesses mean that e-commerce isn't appetising for all consumers.**

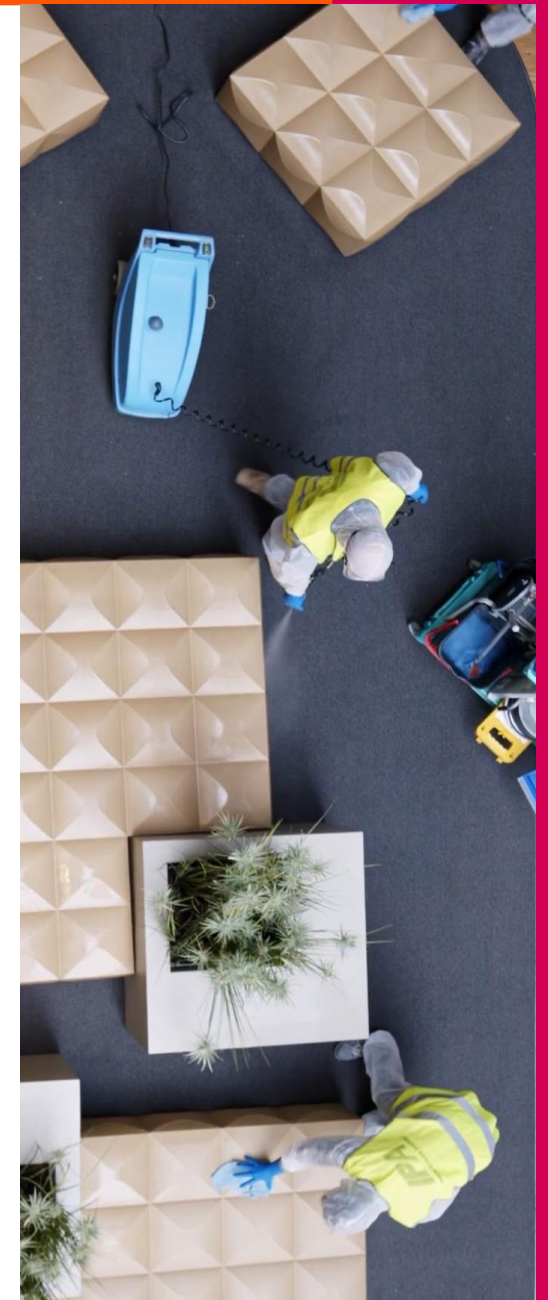
Across the markets in which Sonae Sierra is present, shoppers enthusiastically welcomed the post-lockdown relaunch of shopping centres, with the provision of hygiene protocols boosting confidence in physical retail destinations.

Features included the installation of disinfecting gel dispensers at the entrance to centres and in areas with the highest traffic, such as toilets and lifts. We also installed UV-powered handrail disinfection equipment on centre escalators, and added partitions in cashier areas to protect visitors and retail workers alike.

Sonae Sierra continues to support its tenants during this time with a series of pro-business initiatives, including the development and deployment of a digital platform to bring its shopping centres under management online.

Meanwhile, the Sierra Business Insights resource aggregates a set of inspiring initiatives implemented by companies and entities across various geographies and sectors of activity, to help to reduce the impact of Covid-19 for tenants.

Moving forward, experience-led shopping centres with a rich service offer, complemented by the right hygiene protocols, help fulfil visitors needs for human contact and a social life, while communicating a sense of responsibility and safety-first.



Solution

Sonae Sierra has adopted a strategy to leverage the successful performance of its centres, while taking advantage of the opportunities presented by the omnichannel trend.

In many cases, technology helps strengthen the relationship between the online and offline world, improving everything from supply chains to logistics and data management, through to the shopping experience.

Sonae Sierra Initiatives | NOVELTY & INNOVATION

Retail is expected to continue to be a big part of the shopping centre mix, but experiences and technology will grow to play a more prominent role in some properties. **The shopping centre of the future will be a space where the lines between the physical world, the virtual world and e-commerce merge.**

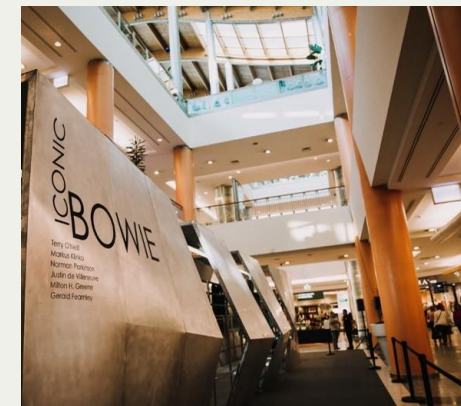
The best solutions address the need for a seamless consumer journey, and improve the whole e-commerce experience inside the shopping centre. Plus, they add novel and constantly evolving experiences.



VR experiences aim to bring Sierra shopping centres to the forefront of tech driven entertainment, in a social setting.



E-commerce services (e.g. Amazon lockers) deliver an omnichannel experience in-mall.



Limited duration events such as "Iconic Bowie", help drive excitement among consumers, especially younger ones, who tend to prioritise quality of experiences.

Solution

Sonae Sierra Initiatives | NOVELTY & INNOVATION

Today, consumers shop via multiple channels, using mobile devices and computers, looking to influencers, their peers on social media, and digitally-generated trends to help inform their decisions and purchases. Sonae Sierra has devised a communication strategy focusing on integrating offline and online communication, through dynamic sites, digital mupis, and harnessing influencers, social media and search functions more successfully.



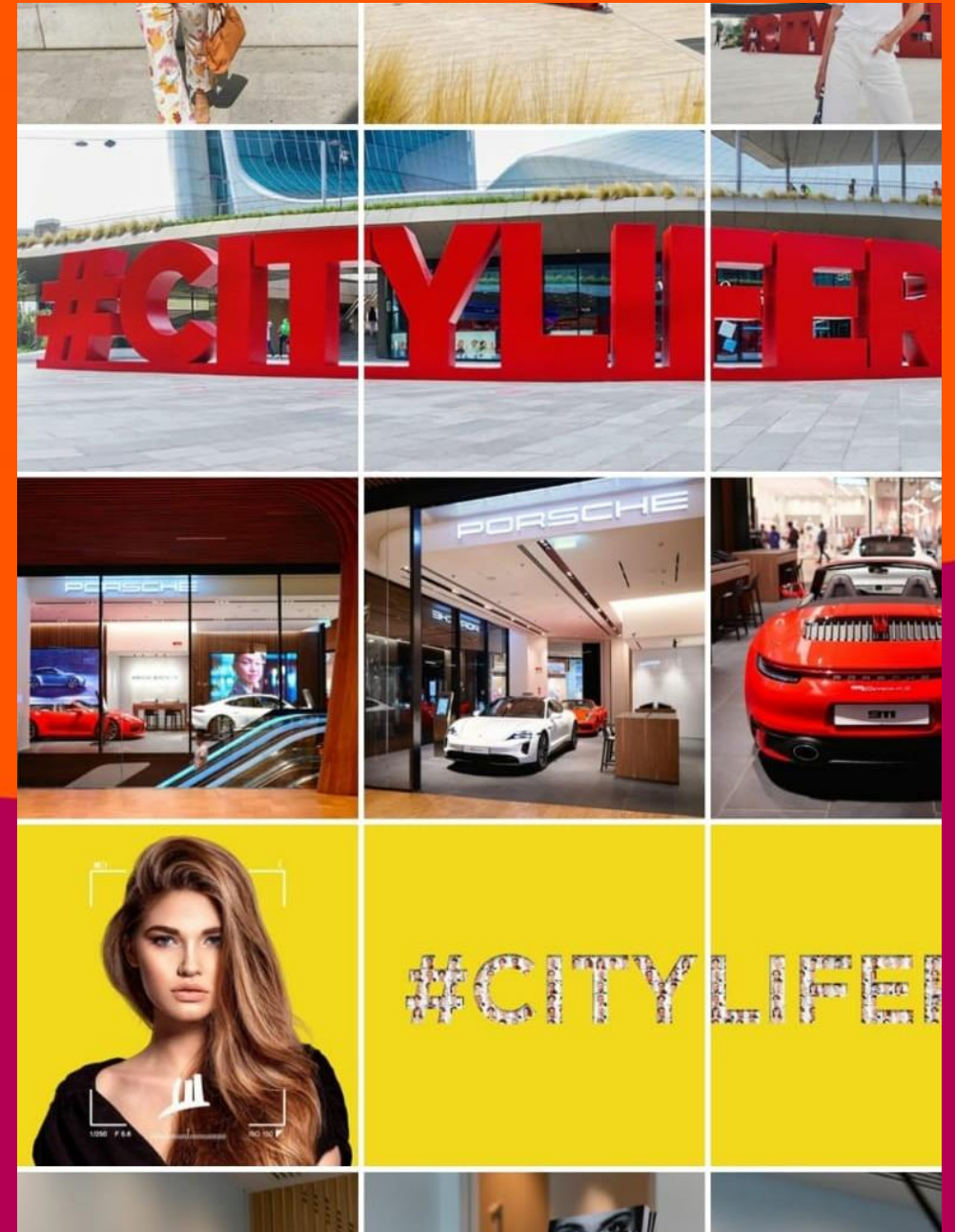
Newsletter, video and messaging strategies help deliver a true omnichannel experience.



Reinforcing content about leisure, entertainment and F&B caters to shoppers' continuing preference for spending on experiences at the expense of physical goods.



Relationships with consumers can be personalised through algorithms for greater efficiency and loyalty.



Solution

Sonae Sierra Initiatives | SUPPORTING TENANTS & VISITORS

Today, leading retail groups such as fast fashion giant Inditex want their physical stores to provide a seamless link across shopping journeys which may begin or end online.

Sonae Sierra supports its tenants' e-commerce ambitions with an improved in-mall response, including Amazon lockers and concierge services to improve the visitor experience and raise the frequency of repeat visits.

Luggage storage and mobility services – such as providing parking slots for city car sharing schemes – assist the transition to a consumer journey which converges offline with online



The provision of luggage storage in Lisbon has coincided with a parallel centre sales growth since its launch.

The 12-month pilot of DriveNow parking spaces at Centro Colombo in Lisbon resulted in 70% of the city's DriveNow fleet entering Colombo's parking facilities at least once.



Solution

Sonae Sierra Initiatives | DATA AS A TOOL & SERVICE

Proptech and start-up collaborations are driving smart-building improvements across Sonae Sierra's portfolio.



Image recognition technology enables a more effective management of parking facilities

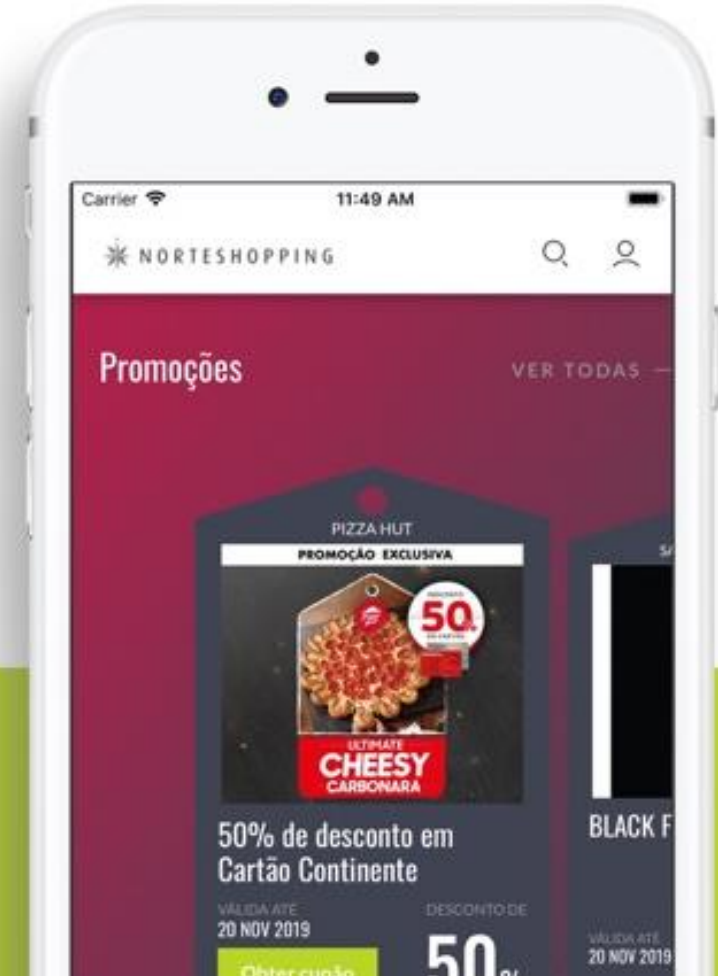


The development and deployment of Next Gen digital technology allows to be closer to our visitors and collect relevant data, such as new digital maps and mobile apps



Communication is improved by delivering relevant content for consumers, in the right channels and with the right format

Get the latest deals
and exclusive coupons



Solution

Sonae Sierra Initiatives ICONIC BOWIE | ARRÁBIDASHOPPING



The Bowie Project at ArrabidaShopping seized inspiration from rock music's greatest chameleon to dress the centre like David Bowie for 5 months.

Strategically designed to generate positive PR coverage from targeted ambassadors, media outlets (national and local), social media, VIPs, tenants, internal teams and the general public, resources such as the Iconic Bowie Exhibition and exclusive activations – from tribute showcases to cinema viewings and fashion shows – created a dynamic buzz around the centre.

Sonae Sierra Initiatives AI CHRISTMAS TREE | CITYLIFE



CityLife Shopping District caught the attention of Milan with a cutting-edge Christmas tree, backed by Huawei. The tech firm developed the first ever tree equipped with artificial intelligence, that could interact with visitors.

Complemented with a strong events calendar, including a switching-on ceremony featuring famous Italian singers and VIPs at the start of December, varied attractions lasted right through to 6 January.

Sonae Sierra Initiatives THE POOL BY JEN LEWIN | CENTRO COLOMBO



Bringing contemporary art into Centro Colombo has raised the mall's popularity with higher social classes over the last decade.

An interactive art piece "The Pool" by artist Jen Lewin was a particular highlight, consisting of a circular frame containing concentric circles created from interactive circular pads.

The installation's impact was boosted by four different activation moments to ensure consumer engagement, including a live concert, TedEx Lisbon flashmob, String Orchestra Concert and the Dance for Kindness 2014 Flashmob.

Solution

Sonae Sierra Initiatives DIGITAL ART TOTEM | MAX CENTER



Max Center installed one of the greatest works of Digital Art in Europe as part of its modernization project.

A totem with more than 160 m2 projecting images that completely changed the visiting experience of the shopping centre.

The digital content is diverse, including references to sports, music, architecture and art. This totem also includes interactive games that entertain visitors across all ages.

Sonae Sierra Initiatives PEPPER | CENTRO COLOMBO



Pepper is the new resident of Centro Colombo. The charismatic robot can communicate with visitors, expressing emotions and interacting in real time.

Pepper is one of the initiatives of Centro Colombo in the context of COVID-19, he welcomes our visitors, provides relevant information about shops and services and reinforces the safety and health measures available in the centre.

Conclusion

Although e-commerce penetration continues to grow rapidly, shopping centres are still an extremely valid retail channel, and will continue to remain relevant for the foreseeable future.

A recognition that e-commerce is not the enemy but a vital partner in future growth is the ultimate game-changer.

Technology and innovation can help the most successful centres develop parallel gateways to greater efficiency, while enhancing their unique, physical offer.

Ultimately, shopping centre success will continue to be driven by unrivalled, physical experiences, while also being strengthened by an ever-deeper relationship with e-commerce, harnessing innovation in turn to reinforce the online and offline shopping journey.



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