



CUSHMAN &  
WAKEFIELD

CELEBRATING  
**100**  
YEARS

Retail

# Unveiling the 21<sup>st</sup> Century Mall

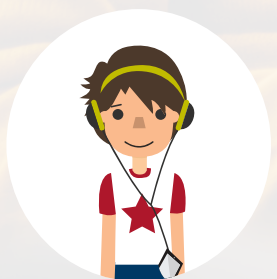
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## GENERATIONS AND WHO THEY ARE



### MILLENIALS

1980s to early 2000s

They expect more selectivity, personalisation and customisation in their products and services.

They are attracted by what credibility the product can add to their social media status and they use mobile technology to make informed decisions.

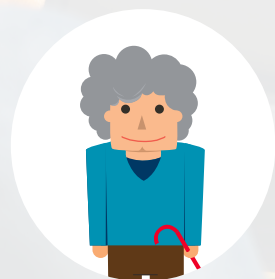


### GENERATION X

1960s to early 1980s

Smaller demographic cohort sandwiched between the "Millennials" and "Baby Boomers".

Wants convenience and variety from their physical shopping experience.



### BABY BOOMERS

1946 to early 1965

Demographic group born during post-World War II.



## Unveiling the 21<sup>st</sup> Century Mall

Demographic changes and new technologies are the two most important factors that will shake up the retail business in the coming decade. Millennials in particular, are demanding consumers who expect more selectivity, personalisation and customisation in their products and services, as compared to previous generations at the same age.

According to the Department of Statistics, Singapore has approximately 1.07 million millennials in 2016, placing them ahead of 0.85 million baby boomers but behind 1.23 millions of Generation X. Inevitably, millennials are likely to form the largest consumer group in the years to come, when they reach their prime working and spending years. Given their distinctive upbringing in the digital age, retailers will have to adjust and evolve quickly to keep pace with their changing needs, interests and tastes.

New technologies are also vastly transforming consumers' shopping experience. Today's smart consumers are a lot savvier, after being exposed to a multitude of options offline and online and are more empowered to make informed decisions via "word-of-mouth" recommendations and online reviews; gone are the days when shoppers simply rely on recommendations by sales assistants at brick-and-mortar stores. Flyers and in-store advertisements are becoming a thing of the past.

In a way, the traditional mode of cultivating customer relationship via physical stores is being disrupted. Millennials are capa-

ble of completing any type of transaction from groceries shopping to bulky furniture through simple apps on a mobile device, without even stepping out of their homes. It is far less preferable to go to a brick-and-mortar store when online purchases arrive within a few days and shipping is cheap. As such, retailers are losing grip on customer relationship with the new generation shoppers. They will have to re-think their advertising and promotion campaigns both online and offline, so as to engage customers on a more pro-active and interactive basis, perhaps far more frequently too.

In addition, speed and convenience ranks high when it comes to great shopping experience. Studies have shown that millennials do not mind paying more for efficiency, as they are amongst the most impatient group when it comes to waiting. Unfortunately, the inefficiencies in traditional retail malls tend to create a poor shopping experience which frustrates the millennials. As a result, e-commerce players emerge as winners, as they fill up the gap by creating seamless shopping experiences for these shoppers. With this power shift, shopping would have to be extremely targeted and engaging – retailers need to constantly fulfill what consumers want, rather than what consumers need.

In this report, we highlight how we envision a 21st century mall would look like, summarised into 10 key traits.



# THE 21<sup>ST</sup> CENTURY TOP TRENDS

## TREND 1: PREDICTIVE COMMERCE

Predictive commerce enable landlords and retailers to gain insights to shoppers' behavior in a particular location and at a particular time.



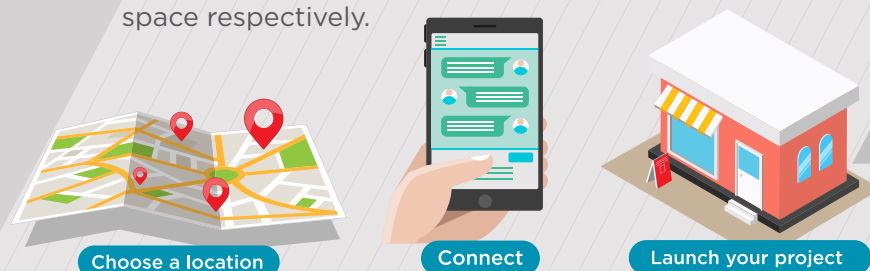
## TREND 2: E-COMMERCE SHOWROOMS

Shoppers can browse, touch and test a product in these showrooms before buying the item online.



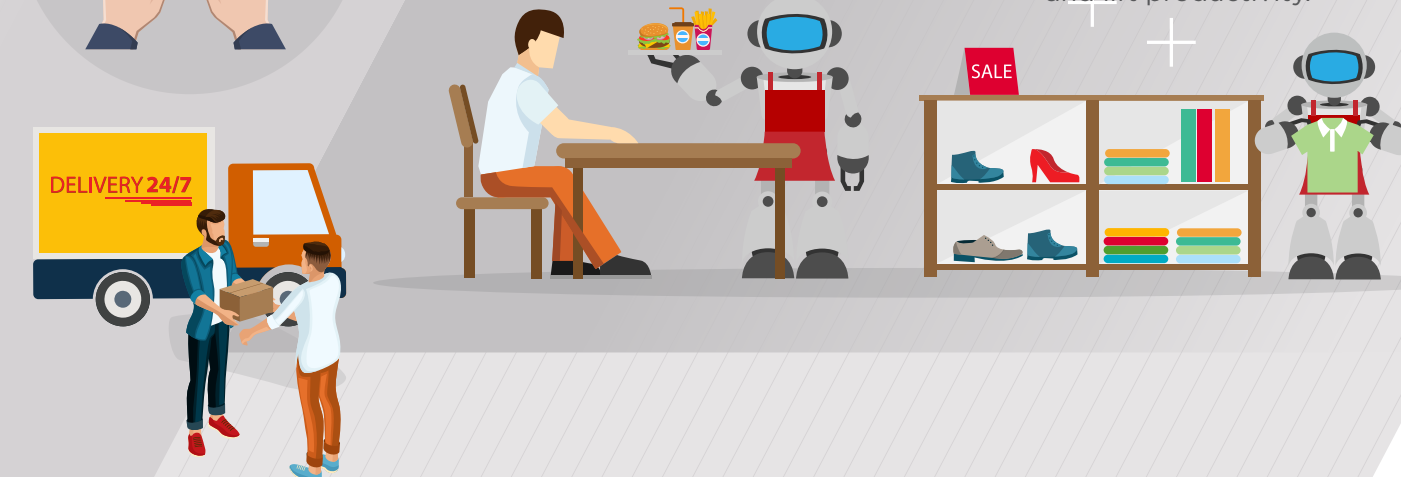
## TREND 3: THE AIRBNB OF RETAIL

Just like the equivalent of Airbnb, online platforms now allow landlords and merchants to list and rent short-term space respectively.



## TREND 4: ROBOT WORKERS

Customer-facing robots help ease manpower crunch and lift productivity.



## TREND 5: FOOD & EXPERIENCE COMMUNITIES

Cooking classes, pop-up vendors, food delivery to lockers, specialty food stores and even food trucks could displace the traditional notion of a food court.



## TREND 6: IMAGINARY RETAIL STORE

Virtual and augmented reality could bridge the gap between online and physical worlds into a single integrated platform.



## TREND 7: PAY IN A SECOND

Mobile payments to become more diversified, such as contactless payments and virtual reality payment systems.



## TREND 8: CUSTOMER AS PROMOTER

Via affiliate marketing, customers can share and promote their purchase. Any transaction made would result in a percentage of the retail profit credited to the customer as commission.



## TREND 9: CROWDFUNDING SITES AS NEW TENANTS

Creative and innovative crowdfunding projects now have a physical showcase platform to allow investors to preview the product before making a purchase.



## TREND 10: OMNICHANNEL

Physical stores are still important for online retailers to bridge the online and offline retail experience.





**TREND 1****PREDICTIVE  
COMMERCE**

In a world that is constantly connected, landlords and retailers are investing in technology such as Artificial Intelligence (AI) and machine learning to gain insights to shoppers' behaviour, and to learn what matters to the consumer in a particular location and at a particular time. Predictive retail could happen anywhere in the purchasing process i.e. before, during and after a purchase.

Data such as product information, deals, discounts and product recommendation could be transmitted to the shopper's phone as they stroll through the shopping centre. Restaurateurs can use trend tracking software to track their clientele's eating habits and preferences. For example, guest notes in OpenTable might indicate that their regular customer tends to order wine from Bordeaux or have his beef done medium-rare. This will help to make the ordering process more efficient and enjoyable.

**TREND 2****E-COMMERCE  
SHOWROOMS**

E-commerce giants could be the anchor tenants of tomorrow. They can easily be seen as the equivalent of tech giants such as Google, who are undeniably recognised as the darlings of office leasing landlords with space requirements in hundreds of thousands of square feet. In the context of retail space, e-commerce giants have the financial capacity to open a mega showroom, stocking all kinds of merchandises under one store.

This is not new in Southern California, where Amazon's physical store acts as a way of "showroom-ing". Besides showcasing products sold on Amazon, the store could also be a magnet of complimentary retailers, riding on the traffic of the e-commerce giant. It would not be surprising if these e-commerce showrooms potentially take over department stores of today.

**TREND 3****THE AIRBNB  
OF RETAIL**

Disruptive technologies will aim to change the way how businesses work. Just like the equivalent of Airbnb, online platforms are now providing new ways for a special group of merchants to rent short term retail space and for landlords to list them. Storefront has helped to match over 1,000 merchants to retail spaces in US, London, Paris, Amsterdam and Hong Kong. The platform offers everything from full retail stores that can be used as pop-up shops to shelf spaces in boutiques available on a temporary basis.

Nevertheless, as the leasing landscape becomes more competitive, the "value-add" in a retail leasing transaction becomes increasingly important especially for merchants who are looking to rent for the long term, or landlords who are aiming to attract higher-end and more credit worthy tenants. This can be done through the help of retail consultants who will advise retailers on locations and leasing strategies, bridging the gap between tenants and landlords, whilst taking care of each other's interest.

**TREND 4****ROBOT WORKERS**

Robots are a change of the inevitable as labour costs get increasingly more expensive. Already we are seeing flying drones at Timbré @ Substation as they bring plates of food and drinks to patrons. We could also see retailers use customer-facing robots that are designed to find products among the stockpile for customers and deliver the product to them. This way, front line retail employees can allocate more time interacting with customers, instead of spending time and effort on day-to-day manual tasks.

**TREND 5****FOOD & EXPERIENCE  
COMMUNITIES**

The mall of tomorrow will be anchored by food and experience as these components of retail are unlikely to be replaced by online options. Restaurants, cooking classes, pop-up vendors, food delivery to lockers, specialty food stores or even food trucks. These concepts could displace the traditional notion of a food court, by evolving as a community gathering place.





New developments in Singapore are catching up on this trend. OUE Downtown's Gallery Mall, which is opening its doors in June 2017, features a 4,000 sf social kitchen equipped with 10 cooking stations. Interested parties can book via an app or online. The landlord is also creating an auto deli where office workers are able to order food and pick it up at the assigned locker.

## TREND 6

### IMAGINARY RETAIL STORE

Take technology another step further and we could even envisage an imaginary retail store. Virtual (VR) and augmented reality (AR) have the potential to change how retail stores are defined as they could bridge the gap between the online and physical worlds into a single integrated platform.

VR engages the shopper in a simulated world, while AR makes virtual objects appear as though they are in the real world. China's e-commerce Alibaba has been the pioneers of the VR experience. US merchant Macy's partnered with Alibaba in its Singles Day shopping fun fair last November, selling affordable headsets that allowed Chinese shoppers to shop virtually at Macy's New York flagship store. Other brands such as Target, Costco, and Tokyo Otaku Mode are also collaborating with Alibaba to create a virtual shopping experience.

When Pokemon Go first came to town, some shopping malls quickly jumped onto the AR bandwagon and managed to woo some new customers, reporting increasing sales and shopper traffic. According to Pokemon Go, the number of companies signing licensing agreements has more than doubled from 70 before the release to roughly 160 some two months following the successful launch of the AR game in the entire Asia Pacific region.

VR currently has higher barriers to entry as it requires shoppers to invest in a headset or controller that have yet to be common household items. On the other hand, AR technology is more accessible as it only requires a smartphone.

## TREND 7

### PAY IN A SECOND

Technology will also change the way payments are made. In the past year, Singapore has become one of the leading markets in the world for contactless payments, with more than 4 million Visa payWave transactions in a month. According to Visa, transaction volume has jumped close to 70% year-on-year in 2016 for contactless payments through Visa-issued cards.

Moving forward, mobile payments will be more diversified. Singapore could evolve to have its own local payment methods for mobile like the Alipay and WeChatPay that China has adopted. In China, Alibaba has even pioneered a VR payment system that works by the recognition of a shopper nodding his head.

## TREND 8

### CUSTOMERS AS PROMOTERS

Customers will also play an important role in terms of promoting a retail business. Satisfied customers can now take on a more active role in marketing via social media as the internet becomes a highly collaborative space, given that social media has such an assertive presence in people's lifestyle today.

This concept, also known as affiliate marketing has taken off in the travel booking and F&B industry. Uber, Dropbox and Agoda are some of the companies which have been actively using affiliate marketing to promote their products or services. In this instance of a 21st century retail platform, a satisfied customer could share his purchase on social media by uploading a uniquely-coded product promotion link generated by the merchant. Any transaction made would result in a percentage of the retail profit credited to the customer as commission. The benefits are endless. Not only does the merchant get to accumulate savings by doing away with advertisement editorial and campaigns, customers are incentivised to spread the





### Not Just Another Mall

A must-have to have office, residential, hospitality components, co-working areas and event spaces to create a work-live-play environment. Health clubs and other non-traditional tenants will also become more prevalent to appeal to trendy customers.

### Flexible Themes

The mall of tomorrow would have more pop-up/temporary stores with flexible leases. There will be constant rotation of stores depending on the theme or “whats in” and “whats out” for the season.

### Technology

Landlords and major retailers will be investing heavily in technology designed to provide insights in shopper behavior. It also connects the physical and digital worlds of retailing. Geo fencing technology allows tenants to transmit offers to the shopper's phone as they stroll through the mall.

### Food Community

The mall of tomorrow is anchored by food & experience. There could be restaurants, cooking classes, pop-up vendors, food delivery to lockers, specialty food stores or even food trucks. These concepts are likely to displace the traditional notion of a food court, evolving as a community gathering place.

### Co-Working Space for Disruptors

Dedicated co-working space for retail and digital innovation that will connect retailers, digital innovators, shoppers and retailers all in one hub.

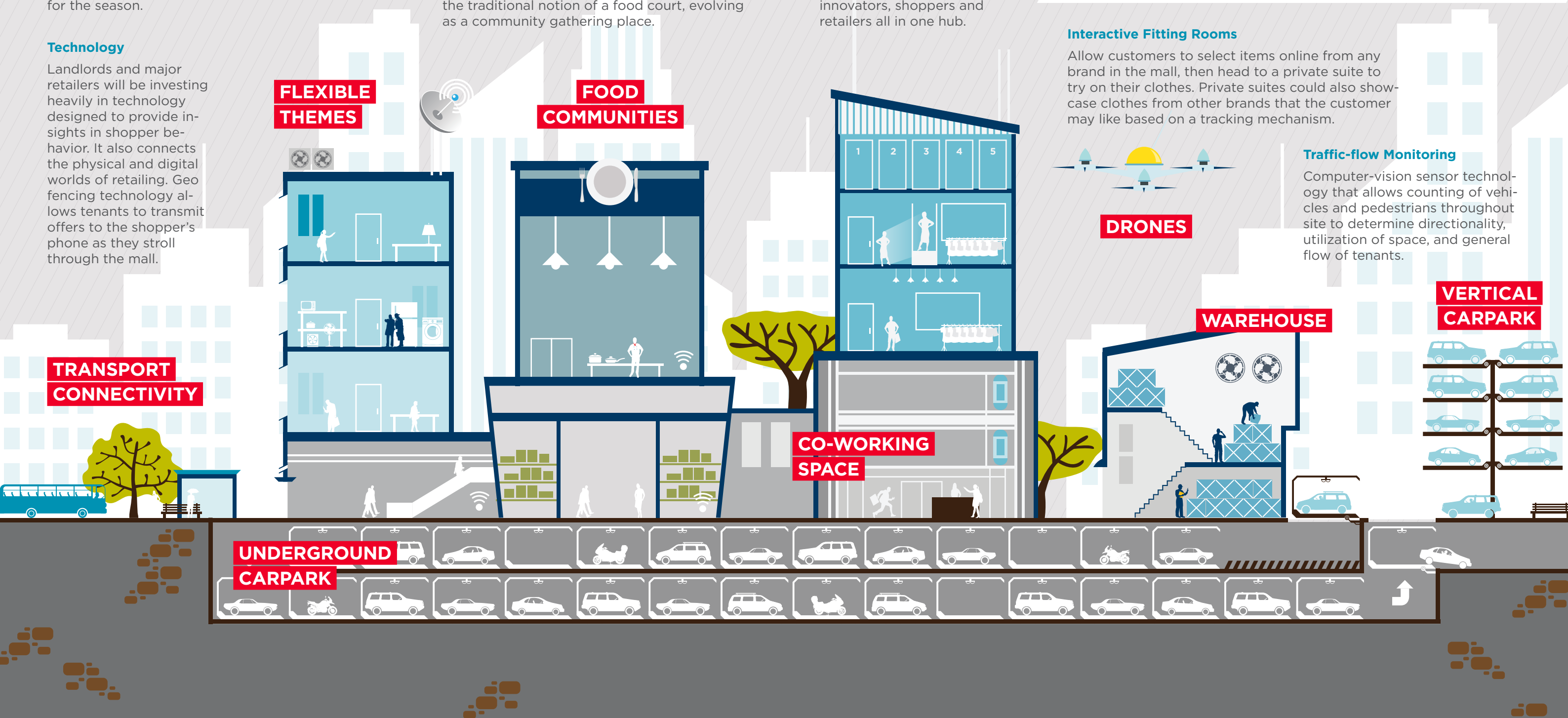
### Interactive Fitting Rooms

Allow customers to select items online from any brand in the mall, then head to a private suite to try on their clothes. Private suites could also showcase clothes from other brands that the customer may like based on a tracking mechanism.

### Traffic-flow Monitoring

Computer-vision sensor technology that allows counting of vehicles and pedestrians throughout site to determine directionality, utilization of space, and general flow of tenants.

# THE 21<sup>ST</sup> CENTURY MALL THE MALL OF THE FUTURE







word, which in turn can help retailers to maximise customer engagement and retention.

In the food and dining industry, “Atlis” app stood out because members of the app can ask for a specific kind of cuisine. Members of the app can put in their recommendations, and if their recommendation is chosen, they will be awarded with a commission, transferred directly to their PayPal account.

## TREND 9

### CROWDFUNDING SITES AS NEW TENANTS

The retail storefront scene will no longer be limited to simply conventional retailers. Last year saw Kickstarter, a crowdfunding platform for creative projects, enter Singapore’s brick and mortar scene. Under Kickstarter, interested people or investors can pledge a sum of money to help fund the project and, in return, potentially receive the finished product once the idea has been successfully curated. Kickstarter quoted that Singaporeans have spent nearly US\$30 million backing Kickstarter projects and make up a significant proportion of backers in the world. With its stores in Orchard Central and Millenia Walk, creative and innovative projects now have a physical showcase platform, which allows investors to preview the product before making a purchase.

## TREND 10

### OMNI-CHANNEL

Consumers today can easily shop in the comfort of their homes with their smart phones and tablets. Retailers need to recognise that digital is the way to go across the full value chain.

The Singapore Tourism Board is using WeChat and Baidu Connect, along with other online travel services and social review sites to reach out to independent Chinese travelers. Shaftesbury, a London property investment company collaborated with bloggers to launch a guide showcasing the diverse food offerings within their portfolio. From these initiatives, the paradigm shift in shopping is becoming more evident, and it is clear that the traditional retail model is inadequate in today’s context.

While brands have been going online, we have also seen online retailers opening physical stores. Such stores exist often not with the aim of in-store transactions, but to act as a platform to bridge the online and offline retail experience. For example in Singapore’s context, Zalora has had a pop-up shop in some malls to showcase its products to online shoppers. It is evident that the omni channel route will be more popular the next five years.



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