

## Executive Summary

More and more space almost always occupied by the same tenants catering to an amorphous public: intended to produce a secure return for investors, this mechanism has long shaped the retail property landscape. As the first decade of the 21st century draws to a close, it is gradually becoming clear that this situation cannot continue.

As retailers grapple with the consequences of the economic crisis, it is obvious that the widening gap between additional retail space and productivity per square meter is increasingly unsustainable. Moreover, demographic and sustainability trends on the one hand and economic and technological developments on the other will also have a tremendous influence in the psyche of tomorrow's consumers. What does this portend for the building and planning of new shopping centres, for the revitalization of older retail properties, and for the development of new locations? The signs are not easy to read – and are often contradictory: Is it possible to reconcile higher gas prices and green field development? Is the e-commerce boom reducing the need for new points of sale in the "real" world – or, on the contrary, does it generate a desire for more "human contact"? Should planning in greying Germany devote more space to the needs of seniors – or will this stigmatize and annoy a section of the population that is already difficult to define as a specific target group? What happens when the consumer's preference for more sustainability clashes with a limited budget? Where is retail most likely to make the mistake of betting on a short-lived trend? Which are the really relevant developments both online and offline?

This study looks at all these questions. It shows that now more than ever there is a need to rethink and to look ahead in retailing and in the retail property business. But even if the retail sector is moving towards a watershed, all the qualities that distinguished the enthusiastic retailer, the success-oriented centre planner, and the shrewd retail property strategist in the past will still be seminal in the coming decades: knowledge about the relevant social developments and trends, a passion for business, and a delight in experimentation. This study helps retailers to understand consumers' future value sets and to adapt themselves and their business model to social and economic realities. It identifies the most important drivers shaping the retail spaces of the future, and existing examples that already serve as industry's pioneers for the next decade, as it were. To this end, the Gottlieb Duttweiler Institute (GDI) has imagined the world of 2020.

To do so, it interviewed selected experts in the retail and real estate industries, architects, designers and consumer trend researchers about their views and visions of retailing and the effects on the future development and shape of retail property. This data forms the basis for the discussion and analysis of the most important developments and distils its insights into seven theses supported by relevant examples.

### **1. Positioning:**

#### **The run-of-the-mill mall will follow the run-of-the-mill customer into oblivion**

An overview of the 1a locations in Germany presents a similar picture in most cities today: large retail apparel chains dominate the offering; the percentage of chain stores will soon exceed the 70-percent mark. The situation is similar in malls. There is a growing danger that "more and more of the same" leaves little room for product differentiation, let alone individuality. For this reason, centre planners and individual retailers need to emphasize distinctive positioning and highlight themes. Without distinctive characteristics retail properties will fall victim to an enormous overstocking machine.

## **2. New Urbanism: Shopping centres rediscover city centres**

In the future, developers and retailers will take a greater interest in cities. Higher energy prices, a growing preference for short distance, and a new sense of community have refocused attention on urban locations. However, to restock cities with consumer spaces presupposes the ability to read them. Currently, cityscapes are in a process of change, new life styles and forms in the service society are mixing different spheres of life and producing new open and integrated concepts as alternatives to the closed megacomplexes on the edge of town.

## **3. Sustainability: Putting life into construction shells**

Save energy – splash out on empathy: This could be the credo for the sustainability trend in the construction and management of new retail properties. The energy efficiency incorporated into the construction shell should be replicated in the retail interior, through a point of sale that can react to consumers' needs, thereby demonstrating a business model that turns sustainability into a concrete proposition. Transporting the topic of nature into the city poses a particular challenge. If retail property succeeds in credibly harmonizing city and nature – two topics that appear to be contradictory at first sight – this would activate two important docking sites of the consumer of tomorrow.

## **4. Value Shift: Creating new locations**

Despite the boom in e-commerce, consumers are more interested than ever in authenticity. That is: seeing, hearing, smelling, and tasting "the real thing." Crumbling trust in the "big names" of the retail landscape and growing ethical demands on consumption create chances for individualists, and all the more so if these work together to generate "added-value concepts." By adopting the right approach, companies can present their own viewpoint as a proactive alternative to the bleak message of "more of the same": creating a new diversity in opposition to the existing mainstream. In this respect, learning from pioneers and professionals can also mean shaping a unique location based on a solid knowledge of the neighbourhood and frequency instead of bowing to the dictates and price terror of 1a locations.

## **5. Demographics: A second living room for Generation Gold**

In particular as demographics change – the greying of Germany – the focus of consumer experience is shifting. Generation Gold is an attractive target group for retailers, and the way to their minds and wallets is through more warmth, community and emotion and less strident, ephemeral fabrication. Borrowing from the philosophy of the third place, the object is to create retail spaces for a growing number of older people who welcome the chance to get out of their own four walls.

## **6. Proximity: Location is important and service even more so**

Not all consumers are free to shop where they want to. This is even truer in times of recession. To reach the consumers of the future, retailing will have to be more flexible and more accessible. Increasingly, retailers will have to learn to combine their merchandise with more customer-friendly, pre- and after-sales service and package them in formats that are better adapted to the localities, mobility and daily routes of their specific target group. Merchandizing alone is no longer the be-all and end-all of retailing, but part of a comprehensive service package.

## 7. Unstoring: Retailing moves out of the shop

Cyberspace, once its own world, has become a new dimension of reality as another layer of our perception. This is increasingly influencing our behaviour in the real world. Our relationships with one another and with objects will change radically. Thanks to mobile devices, in future we will be able to communicate and consume where we happen to be. Extrapolating, this may mean that retailing will no longer use brick-and-mortar shops (just) for selling, but increasingly for other functions, too: the retail space will be experimental ground, meeting place and test centre in the "real" world.

Yesterday, retail property was used as a place for trading. Tomorrow, retail property will be open to everything. Precisely what happens there will depend on consumers' desires; hence, the key is to recognize or arouse them at an early stage. Just how this is realized in the retail format will depend on retailers' intuition and imagination. How to present this in the income statement will depend on the retail property developer's ability to anticipate trends. It will be a good thing when all involved hold their own key to the future in their hand: knowledge about consumers' social and economic development. In 2020, too, customer orientation will still head every retail agenda.