



ALL TO PLAY FOR IN LIFESTYLE CENTRES

How leisure in retail creates footfall, entertainment and personality

An article by
Leisure Development Partners



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INTRODUCTION



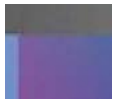
The retail landscape has changed beyond all recognition over the last two decades. LDP argues here that - rather than sounding the death knell for the sector - exciting opportunities and diversified new revenues await retail real estate operators who tap into the vast, long-lasting potential of leisure and entertainment.

Before the online shopping revolution, there was less pressure to diversify the mall's offering against the backdrop of persistently strong retail rents. But the growing demand for wholesome, 'grammable family experiences has resulted in the weekend shopping trip of the 80s and 90s falling sharply out of favour. Yet these established, readily-accessible destinations can reap the benefits of adding high quality leisure and entertainment - as long as they implement with care.

The impact of online retail on the traditional mall experience (easy price checking, convenience, free

returns...) is well documented. It does not mean that people are spending less, however. On the contrary, the EU's Retail Sales Growth year on year data shows average annualised growth of 2% between Jan 2000 and Sep 2018. The true issue facing retail operators is one of reduced footfall. Addressing dwindling footfall is something mall operators and investors must seek to positively impact the operation, if they have not started already.

It is too simplistic to blame the lower mall visits on the struggling mall anchors, namely the big department stores who are rapidly losing relevance to today's shoppers. Again, analysis in this area is plentiful and quite discouraging. From our discussions, what the traditional anchors are saying is, they need less space within the malls to remain viable. Looking at improved leisure and entertainment to fill the surplus square footage should be a priority for operators. But where to start? ■



THE ARGUMENT FOR LEISURE

The relationship between retail and leisure is a long-established one. Food & beverage is one long-adopted area that has historically enticed shoppers to stay longer and spend. Bowling centres or multi-screen cinemas have become the staple entertainment offer at many centres and so no longer represent a point of differentiation for the demanding consumer. Increasingly, then, retailers are looking at a more sophisticated approach to leisure and entertainment (or 'retailtainment') to bring back consumers in meaningful numbers. Shopping destinations realise that they need to create a dynamic, social entertainment environment. The typical catchment area for any given mall might be between 15 and 30 minutes: entertainment will typically draw visitors from much

further (some, often IP-driven, concepts such as KidZania, Dreamplay, NatGeo or Bear Grylls Adventure might draw from up to two hours away) thus widening the catchment of the shopping centre. This is the differentiation (from competing malls, and from online experience) that is required to drive visits.

Carefully selected entertainment concepts can also increase 'dwell time' at the mall but without eating into crucial shopping time. It is important to ensure the attractions are of the appropriate length of stay and character so that they work synergistically with the shopping centre. This is very much dependant on the characteristics of the market environment.

This can certainly have a positive impact on food & beverage sales. Some concepts will also >>

Time, Investment and Sophistication of Retail in a Market

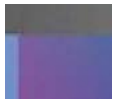
Retail Development Cycle

Basic Service and High Street Retail bring new product to market	Improving Retail brands increasingly important	Competitive Market specialist malls, brands critical, early centres undergo re-engineering	Near Satisfied Market planning challenging, entertainment driven retail, lifestyle retail and more sophisticated offers emerge
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Importance of Attractions to Retail Developers

No requirement, leisure must stand alone (opportunity in large markets)	Driver of footfall, FECs emerge	Quality attractions differentiate new centres and drive visits and enhance older centres	Increasingly sophisticated leisure used to differentiate and can even be mandatory - providing planning gain. The use of sophisticated IP and increasingly heavily invested attractions
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Opportunity to significantly benefit retail developers as core leisure anchor

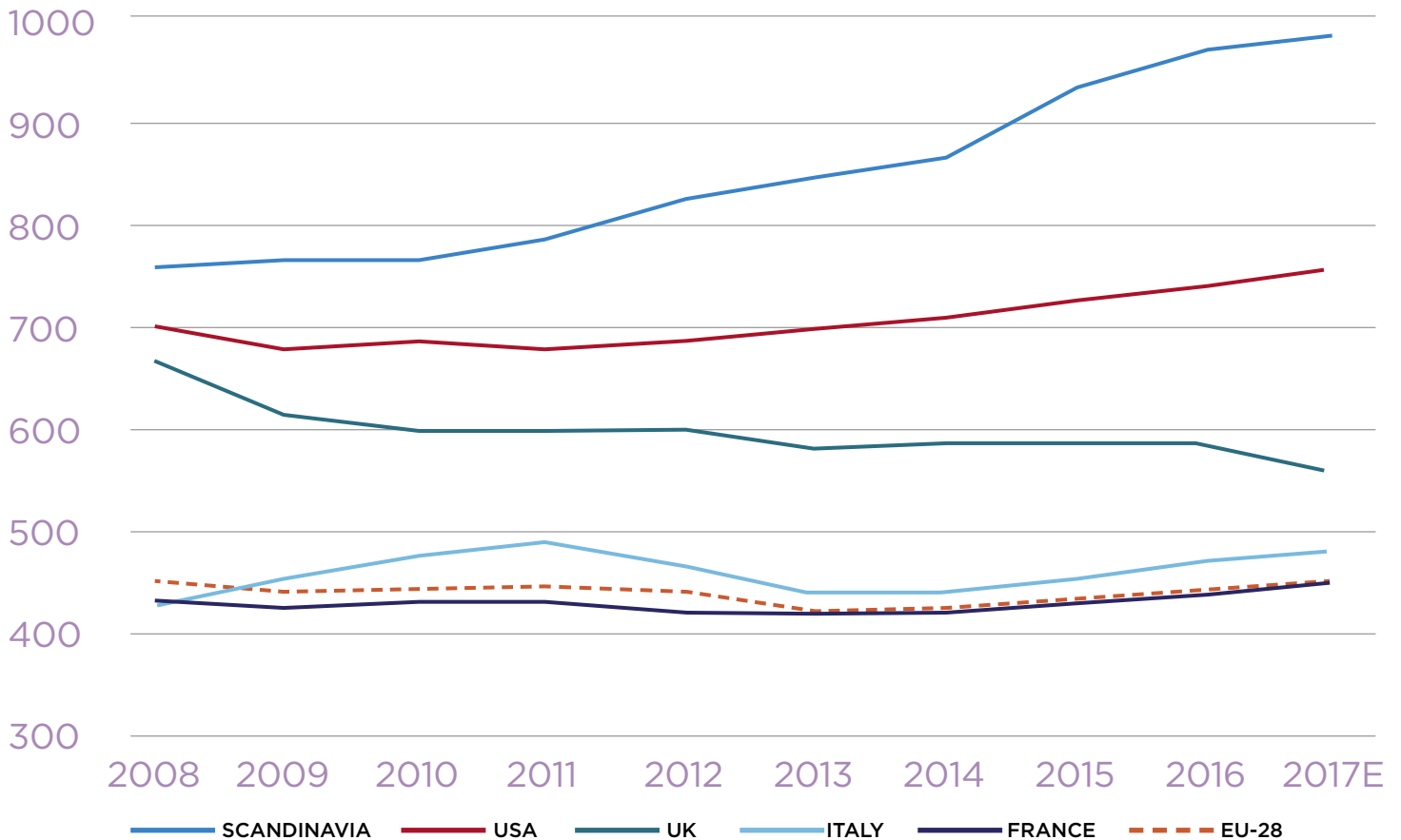


THE ARGUMENT FOR LEISURE

>> drive more repeat visits, with carefully selected attractions targeting underserved demographic groups. A great example is that for many, there is a perception that attractions are for families and children. In fact, today's 'grey market' have been consuming out of home enter-

tainment since their childhoods in the 60s and 70s and they do not intend to change this. This young-minded, often adventurous audience is an attractive opportunity in its own right and also very willing to spend on family members such as grandchildren. ■

Recreational and cultural services spending per capita by country in constant prices (base year 2010), 2008-2017 (€)



MEASURING IMPACT

It's important to remain mindful of the fact that the benefits of retailtainment are not easy to measure. Retail and leisure will remain entirely different sectors, with different drivers and, crucially, different investor return profiles. For example, the metrics that drive retail investment decisions (sales densities, rent etc) are easily benchmarked on a per sqm basis. If these same metrics were rigidly applied to leisure and entertainment, these attractions would most likely never go forward. However, if you view them as anchors (which is what they are), the benefits of

incorporating them into a retail destination can be justified.

When measuring the value of entertainment in a retail environment, developers and investors must 're-wire' expectations to look at the overall impact on the entire destinations rather than the individual unit/ space. Entertainment has a marked and proven impact on consumer behaviour which can be measured by increased footfall. Generally speaking, the success of attractions is measured by throughput as opposed to on a sales per sqm basis, and this is what really benefits the mall. ■



BENEFITS OF QUALITY CONTENT

Over the past few years, branded attractions of varying quality have grasped the opportunity offered by ready-present footfall. In what's becoming a crowded market place, retail developers

considering discussions around an IP-based entertainment installation should be conscious of a number of key variables to consider given the context of their specific location. >>

Look for high quality (well-known) concepts with repeatable/changeable content - keep it fresh

'Relationship' with the IP - look at whether the concept provides storylines, characters and a properly integrated experience or is it just some new signage at the entrance, some local advertising and a few rides. Companies such as iP2 Entertainment focus entirely on concepts specifically targeting retail with a focus on intellectual property such as Mattel, National Geographic, Dream-Works and so on.

Can they successfully leverage IP consumer product sales at the attraction?

A deep understanding of the longevity of the IP itself is required - you need to know it's going to remain popular in the long term (10 years min)

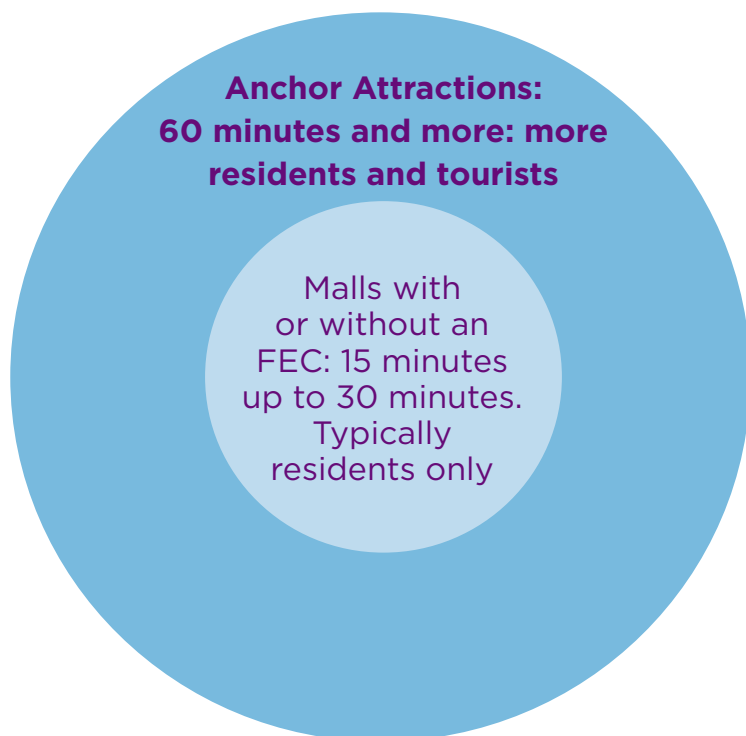
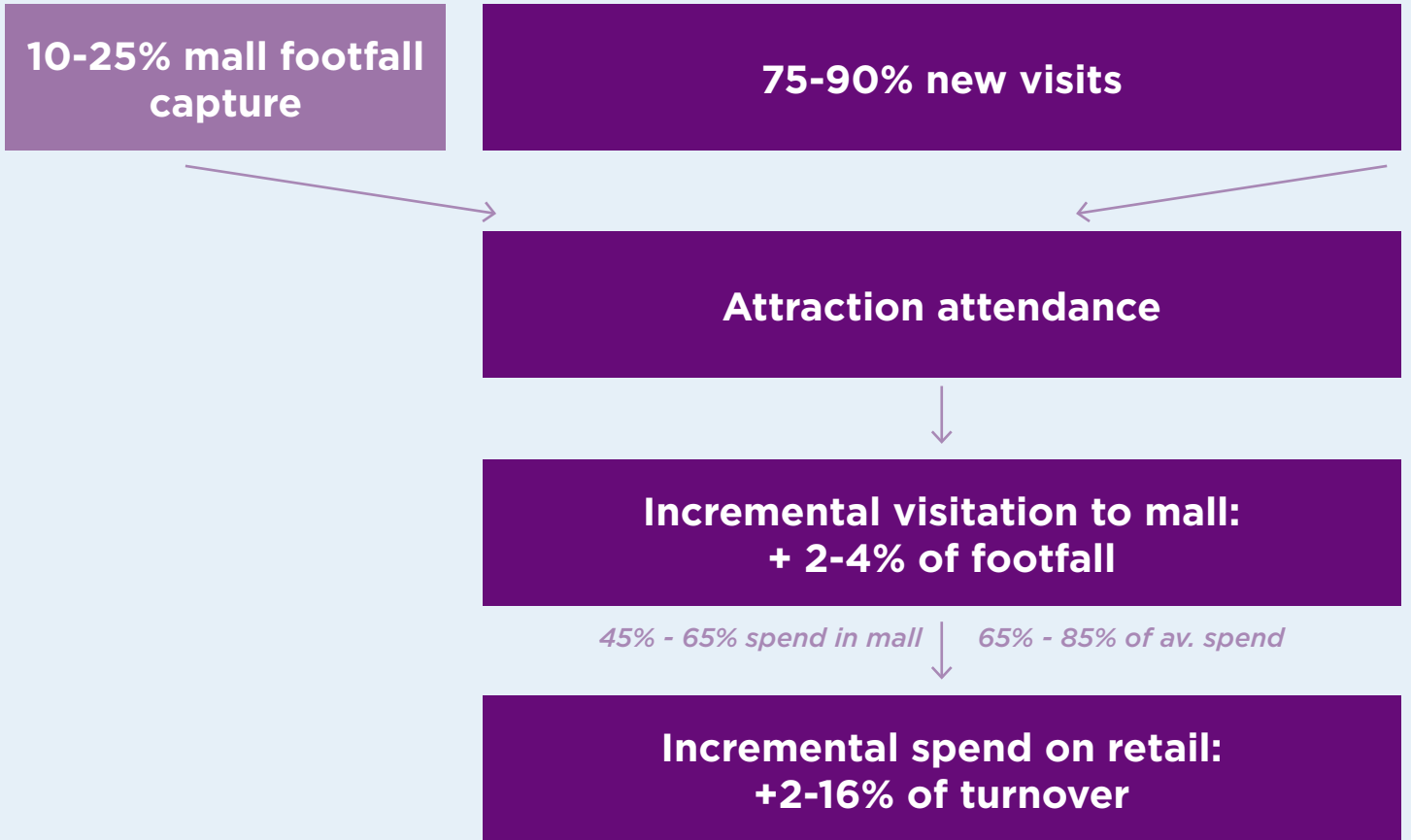
Take care with IPs that show an over-reliance on technology which may date the product quickly.



BENEFITS OF QUALITY CONTENT

>> Delivering content well suited to the available market at a reasonable capex and with a business case which makes sense for both landlord and operator are key to success for this project type. And the benefits are reciprocated. Being located in a mall

with a heavy existing footfall represents a real opportunity for the attractions. Rather than being in an isolated building, attractions can be well integrated within the mall benefitting from constant exposure to large volumes of shoppers.



LDP's research database shows that a normal play centre within a shopping mall (no brand, no storyline, no theming) draws on a small catchment market, much the same as the mall itself. At around 15-30 minutes it relies on high local repeats and does not add much in the way of incremental visitation to the mall. The addition of a strong, branded anchor attraction in this setting increases both propensity to visit and willingness to travel greater distances. This then opens up the crucial new markets - typically, up to 1-1.5 hours drive time, with the resultant footfall generating incremental spend for the retail tenants. These drive stronger visitation than regular FECs/ softplay.

Branded indoor parks such as DreamPlay, for example, offer theme park level experiences with much-loved world-class brands tailored to the market. High quality, theme park style experiences justify higher prices and our research illustrates an increased willingness to spend on admission and merchandise. In fact, our benchmark data in this area shows consumer spending that is closer to theme parks than smaller (non IP-based) family entertainment centres. ■



MAXIMISING SYNERGY IS KEY

Mall based attractions have already become the norm in many of the Middle Eastern markets (Dubai, with more retail space than any other country in the region, is the obvious example with a range of current and planned mall-based attractions). The lack of quality mall-based entertainment in some European markets can largely be attributed to the time they were developed - before the real importance of entertainment was realised, whereas destinations such as Dubai Mall had leisure and entertainment at the core of its planning from the outset.

In such a rapidly changing environment, with an abundance of available location-based entertainment concepts, how does a mall developer even begin to select an attraction that meets with the operator's objectives? Clearly, there is no one-size fits all approach here but through our extensive work in this area, LDP would stress that finding the strongest synergy between mall setting and a potential entertainment attraction is key. The conversation about future entertainment and leisure strategies must begin with deep knowledge of the existing mall and its current set-up. **So, consider the following key issues:**

- **Consider the physical setting of the mall space - its space and height will dictate what type of attractions will work. A concept such as KidZania will require rectangular boxes with no windows or columns breaking it up.**
- **Next, what is your understanding of average time spent at your mall? In our experience, somewhere between 2 to 4 hours is ideal because it tends to be long enough to draw a new catchment from further away but not too long to prohibit the browsing or F&B spend that the mall operators will quickly want to see evidence of.**
- **Next, it is key that the target user of the new attraction matches the true target demographic for the mall. A riskier - but potentially more rewarding - strategy is to seek out a new market, for instance the adventure sports enthusiasts - through the installation of a climbing wall or similar attractions. More significant concepts will drive new potential shoppers but remain realistic and understand your catchment and their motivation.**
- **Next, think about the seasonality of the current mall offer. Could a new attraction smooth out some of the bumps such as lower weekday visits? Edutainment and sports offers will typically appeal to school groups, for example.**
- **Financially, many of these concepts will require a tenant contribution, given the assumption that the IP will drive stronger attendance and profits. How much will this be and does this fit with the mall's financials? Often science, nature or cultural attractions will require a regular operational subsidy to be paid so if looking at this route, is this cost balanced out by benefits to the mall? Perhaps it's more viable to look at concepts that are capable of paying commercial or at least anchor rent?**

This final point is actually related to the first question any retail operator/developer should ask themselves. What are my goals? Do I want to increase footfall, catchment, stabilise footfall, increase spend etc. How will the attraction perform in the market context? Will it be a feasible and profitable operation? Answers to these questions will help you decide the level of cross subsidy you might be willing to make and the impact

that leisure can have on overall facility performance. Before investing in any major expansion or leisure development it is important to have a realistic appraisal of its possible attendance and economic performance over a period of time, in order to measure the positive benefits to the retail destination. A good blend of viable and varied leisure and entertainment elements can transform a retail centre to a lifestyle destination. ■

MAPIC wishes to thank **Leisure Development Partners** for this insightful article. **Leisure Development Partners** is the content partner of the Leisure event hosted by MAPIC on the 12th of November 2019 at the JW Marriott hotel, Cannes.

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