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Retail Trends in Focus

Retailtainment 2.0: Investing in Experience

INTRODUCTION

Retailtainment – the convergence of retail, leisure and entertainment – has entered mainstream lexicon in recent years as retail landlords and tenants realise that surviving ecommerce disruption requires a far more extensive offering than mere products.

More landlords are transforming their malls into retail destinations to create more engaging consumer experiences and build retention, while an increasing number of retailers are devoting more space and even entire stores to providing more personalised experiences to market their newest and most innovative goods and services.

Although retailtainment emerged relatively recently, it is evolving rapidly, with many landlords now making experiential retail a permanent feature of their malls and a host of specialised entertainment-based retailers emerging to cater to every niche.

This ViewPoint by CBRE Research explains the emergence of new experience and entertainment-related trades and provides real estate-related recommendations for landlords and retailers seeking to leverage this dynamic new trend into footfall, engagement and sales.

RETAILTAINMENT 2.0: INVESTING IN EXPERIENCE

RETAIL

BRISK EXPANSION BY EXPERIENCE-RELATED TRADES

1 INDOOR THEME PARKS

Typical Size Requirement
40,000 – 60,000 SQ. FT.



2 CINEMAS

Typical Size Requirement
20,000 – 30,000 SQ. FT.



3 SPORTS CLUBS

Typical Size Requirement
10,000 – 20,000 SQ. FT.
(Large-scale playground
may go up to 50,000 sq. ft.)



4 CHILDREN'S EDUTAINMENT CENTRES

Typical Size Requirement
10,000 – 20,000 SQ. FT.



5 GAMES ARCADES

Typical Size Requirement
10,000 – 20,000 SQ. FT.



6 STUDIOS

Typical Size Requirement
3,000-5,000 SQ. FT.



TIPS

SHOPPING MALL LANDLORDS

- Place experience at the core of your tenant mix
- Brand your properties as retailtainment hubs rather than shopping malls
- Leverage consumer analytics tools to obtain deeper insights into spending and lifestyle patterns

RETAILERS

- Tailor products and services to suit consumer demand for entertaining and personalised experiences
- Engage with developers at an early stage to design and configure retail space

CBRE RESEARCH

This report was prepared by the CBRE Asia Pacific Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and economic forecasting to real estate investors and occupiers around the globe.

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RETAILTAINMENT AND PREMIUMISATION

Growing consumer demand for fun and entertainment is driving strong spending on entertainment-based retail in Asia Pacific, with Euromonitor projecting that additional experience-based retail spending in the region will total US\$ 825 billion between 2018 and 2030.

An increasing proportion of this spending will be on high-value and personalised products and experiences as part of an overarching shift towards premiumisation.

For example, the coffee shop segment is now experiencing its third wave of growth in the form of niche outlets catering to enthusiasts demanding a quality, unique and craft-oriented experience they cannot recreate at home.

Starbucks' 30,000 sq. ft. Reserve Roastery in Shanghai features three coffee bars, in-house roasting, a tea bar and augmented reality elements designed by Alibaba.

Figure 1: Shanghai Starbucks Reserve Roastery



With shoppers now able to buy most products anywhere, anytime, shopping malls and brick-and-mortar stores must therefore fulfill consumers' desire for premium entertainment and enjoyment, rather than the basic procedure of purchasing and owning things.

As consumers choose to invest in experiences rather than products, retailtainment can provide a platform to compete with technology by brightening consumers' lives with real sights, smells and sounds, ensuring they continue to return.

THE EVOLUTION OF EXPERIENCE-RELATED TRADES

As consumer demand for experience prompts the emergence of new retail formats, shopping mall landlords can now select from a far broader range of options when introducing experience-related trades to their tenant mix.

Indoor theme parks

Most indoor theme parks, particularly the bigger formats, cater to children and young families. One of the largest occupiers in terms of square footage are global family/indoor entertainment centres, the growth of which in Asia Pacific is being driven by the increase in disposable income, the preference for indoor entertainment and the availability of diversified gaming and entertainment technology.

Leading operators in Asia Pacific include Legoland Discovery Centres, which now operate in Shanghai, Shenyang, Osaka, Tokyo, Beijing and Melbourne. Discovery Centres are smaller (40,000 – 60,000 sq. ft.) indoor versions of Legoland theme parks and feature LEGO models of local landmarks; educational displays explaining how LEGO bricks are manufactured; brick building classes; and 4-D movie theatres.

Cinemas

The drive towards premiumisation in Asia Pacific is particularly evident among traditional shopping mall tenants such as movie theatres (20,000 – 30,000 sq. ft.) which now comprise a broad range of concepts including upscale luxury venues that can provide the experiential element consumers are looking for.

AMC cinema in Pacific Place, Hong Kong, includes a VIP house called "The Oval Office" which offers a private lounge with free flow light refreshments; high-quality cooked food to order; premium adjustable leather recliners; and servers to deliver food direct to customers' seats at the press of a button.

Other cinemas are adopting new technology such as high resolution screens, moving seats and scents to provide a more immersive experience.

DID YOU KNOW?



China and **Japan** are the world's second and third largest film markets by gross box office revenue.

Source: Statista, 2018

Sports clubs

While gyms and yoga studios have been a mainstay of shopping malls' trade mix for some time, a host of new operators offering a broad range of sporting and fitness activities are emerging.

Japanese chain SpoCha (Sports Challenge), which is part of the ROUND1 amusement arcade group, offers a variety of indoor activities such as basketball, table tennis, rollerblading, dodgeball, archery and futsal, charging a flat fee for entry to a single large sized location (50,000+ sq. ft.).

There are also numerous smaller operators (10,000 – 20,000 sq. ft.) specialising in offering one of the above activities.

Children's edutainment centres

Also falling into the family entertainment centre category but with a stronger educational emphasis are children's edutainment centres (10,000 – 20,000 sq. ft.) featuring play areas, learning laboratories and equipment for fun learning experiences.

Chains such as KidZania provide an environment for children to act like grown-ups by role-playing various careers in a scaled-down replica of a real city while learning important behavioural and social skills such as decision-making, teamwork and money management.

KidZania operates in malls in Jakarta, Delhi NCR, Mumbai, Koshien, Tokyo, Busan, Seoul, Kuala Lumpur, Manila, Singapore and Bangkok, and plans to launch in Surabaya and Nagoya next year.

Providers catering to demand for STEAM (Science, Technology, Engineering, Art and Mathematics) learning are also entering this space, with the recently opened Techbob Discovery Centre in Repulse Bay, Hong Kong, helping children improve collaboration, questioning, problem-solving and critical thinking through fun games and activities.

Figure 2: KidZania in Korea



Image Credit: CBRE Research



Games arcades and eSports

Amusement or games arcades offering coin or token-operated video games and pinball machines have come a long way since their Golden Age from the late 1970s to the early 1990s.

Facing competition from home consoles, computer and mobile games, today's arcades provide immersive virtual reality experiences through custom built rides and props that include motion features, force feedback and sensors.

VR Station in Gangnam, Seoul, occupies 4,000 sq. m. across four storeys and features virtual reality games provided by Japanese firm Bandai Namco Entertainment Inc. along with a 4-D cinema and interactive media art. Games enable players – most of whom are in their 20s and 30s – to talk to teach other via a headset and include racing, first-person shooter, fishing, biking, surfing and flying formats.

Several shopping malls are also hosting facilities for competitive video gamers or eSports. Battle Arena at Jaya Shopping Centre in Petaling Jaya, Malaysia, contains 114 high-performance computers especially designed for gaming, dedicated booths for video game streamers, and VIP rooms for professional eSports teams to engage in training and competitions.

Studios

Enhancing the lifestyle component of shopping malls can also be achieved by introducing small-sized studios (3,000 – 5,000 sq. ft.) offering workshops and classes across a range of disciplines including cooking, painting and other arts and crafts.

ABC Cooking Studio operates several hundred outlets in Japan and over the past few years has expanded its presence to shopping malls in China, Hong Kong, Singapore, Malaysia, Korea, Taiwan, Thailand and Indonesia.

The studio offers cooking, bread, cake, washoku and wagashi lessons for different ages and abilities in a social and relaxed atmosphere.

Figure 4: ABC Cooking Studio in Hong Kong



Image Credit: ABC Cooking Studio, CBRE Research

CONCLUSION: INVEST IN EXPERIENCE

As Asia Pacific's increasingly sophisticated consumers demand a more personalised, interactive and memorable retail offering, CBRE advises landlords to place retailtainment at the core of their tenant mix and position their shopping malls as experience hubs rather than locations to purchase products.

In Singapore, CapitaLand's Funan Mall recently reopened in June of this year with a 200-metre indoor cycling path as new amenity. New tenants include Nikon's first standalone outlet and flagship experience hub, which also hosts the Nikon School which runs photography tutorials by professionals. Other unique features include an urban farm where farmers and chefs work together to grow produce to supply restaurants in the mall and a performance hall and studio hosting a local theater group.

Shopping mall landlords are also advised to leverage data-driven insights to guide leasing strategies and enhance asset performance. Leading-edge consumer analytics tools such as CBRE's Calibrate can help landlords benchmark competitor performance, increase share of wallet, and gauge the effectiveness of marketing campaigns.

This is especially useful for landlords of underperforming malls seeking to diagnose the causes of underperformance in their property, considering a repositioning exercise, and/or wanting to identify and respond to competitors that are affecting their sales.

For example, an analysis of a shopping mall's target consumers' most visited areas and activity after office hours may find they congregate in other malls with more drinking and dining establishments. This may indicate that an underperforming mall's inadequate F&B offering is why it is struggling to attract customers.

Finally, as deeper digital engagement and consumer demand for more personalised products and services prompts retailers to rethink shop rollout, format and footprint, retailers are advised to engage with developers at an early stage to design, configure and optimise their stores to ensure they continue to engage consumers. For example, sporting activities such as trampolining and bouldering require high ceilings, which need to be considered at the design stage.

Landlords should also adopt a more consumer-centric approach towards reviewing retailtainment tenant performance. Although such tenants may require longer lease terms and lack the capacity to pay high rents, they have a critical role to play in attracting and retaining consumers in this new era of retail experience.

DID YOU KNOW?



More than 200 activity-based leisure and entertainment retailers have opened in China's Tier I cities since 2018.

Source: CBRE Research, 2019

CBRE GLOBAL RESEARCH

This report was prepared by the CBRE Asia Pacific research team which forms part of CBRE Global Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate.

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