



IMAGE: UNSPLASH.COM/AMARIGLI/SHUTTER

BRICKS DRIVE CLICKS

A Physical Presence is Key to Consumer Engagement and Success.



A new survey of 7,000 European consumers by the International Council of Shopping Centers (ICSC) (see margin) supports the symbiotic relationship between the physical and digital worlds and dispels the notion that online channels are eroding the value of brick-and-mortar stores to consumers. ICSC found that over half of online shoppers say it is important for retailers to have a physical store presence as well, reinforcing the belief that today’s consumers are very much in charge of their journey and demand to shop in any combination of channels, utilising the easiest, shortest and most pleasurable path to accomplish their mission.

Tellingly, despite being regarded as the more digitally-connected generation, it is the Millennials, rather than their older counterparts, who see the greatest value in a physical presence when making online purchases. Almost two-thirds of Millennial online shoppers said that a local store is very important or somewhat important, compared with half of Gen X consumers and 45% of Baby Boomers. Given that Millennials are now entering their peak spending years, this bodes well for the continued success of bricks-and-mortar retailing.

The survey revealed that the primary motivations for shopping online from an omnichannel retailer are exclusive offerings, a wider selection of products that are available online, and the ability to collect, return or exchange items in-store, thereby avoiding shipping fees. This insight underpins the importance of the store in the overall shopping journey, playing a key

fulfilment and service role even if the transaction ultimately closes online.

RETAILERS LOSE CUSTOM WHEN THEY CLOSE A STORE

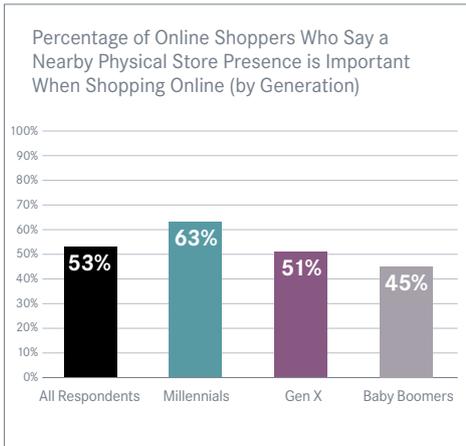
Indeed, the value that consumers place on being able to access a local store is so high that there are notable changes in shopping behaviour when a retailer closes a physical establishment.

Although the majority of consumers display brand loyalty by saying they would continue to buy from a retailer if it closed a nearby store (either moving online or to a different physical location), a noteworthy two-fifths of European consumers would no longer spend their money with that retailer—18% would switch to buying in-store from another retailer, 14% would switch to buying online from another retailer and 7% wouldn’t spend the money anywhere else. This represents a significant loss of the retailer’s existing custom in that catchment area, with the large majority of which going to a competing brand—something that retailers should consider carefully when making decisions about portfolio rationalisation.

The survey revealed that the presence of physical stores is a key driver of brand perception. A third of European consumers said that if a retailer closed a local store, one of the main reasons why they would no longer buy from that company is their concern that the retailer is not doing well and could go out of business.

ABOUT THE SURVEY

These findings are based on a survey of over 7,000 adults in seven European countries (France, Germany, Italy, the Netherlands, Poland, Spain and the UK), conducted between January 11 and 16, 2019 by Engine Group on behalf of ICSC.



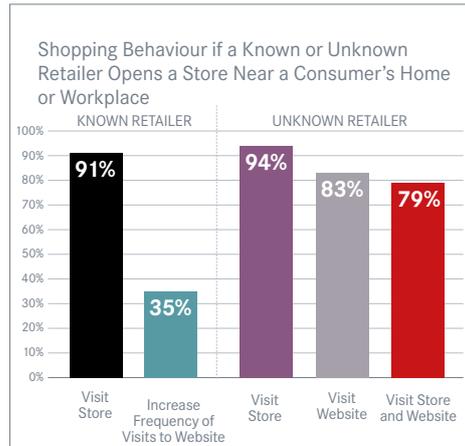
Stores also play a significant role in brand awareness as 28% of consumers who would no longer buy from a retailer that closes a store near them said that if they do not see the physical store, the retailer is no longer top of mind. A further key reason for the loss of custom when a retailer closes a local store is that consumers are no longer able to return/exchange items easily or receive customer service.

OPENING A STORE BOOSTS ONLINE TRAFFIC

The direct relationship between the online and physical channels is so marked that when a retailer opens a new store there is a positive impact on consumers' digital engagement. Approximately nine out of 10 (91%) consumers said that they would visit the new store but, importantly and in support of retailers' omnichannel strategies, 35% of consumers would increase the frequency of visits to the retailer's website as a direct result of a nearby store opening, regardless of whether or not they also visit the new establishment.

This trend is even more pronounced for unfamiliar retailers that may also include new and emerging retailers. An overwhelming 94% of consumers said they would visit a new local store of a previously unknown retailer and 83% would visit the retailer's website as a direct result of the presence of the new physical establishment that is of interest to them.

What is clear is that for today's channel-agnostic consumers, bricks and clicks is not an either/or decision. They move back and forth between the



SOURCE: ICSC RESEARCH

two throughout the shopping journey and expect the same experience across all channels. Approximately four-fifths (79%) of those surveyed said they would visit both the store and the website if an unfamiliar retailer opens a new store near their home or work—the majority of which would go to the store first. This supports the view that the physical and digital cannot function in silo—they invariably need to seamlessly co-exist and complement one another in order to preserve and enhance consumer engagement.

As Sarah Cole, Manager of International Research at ICSC based in London, highlights: "The survey results confirm what we have long suspected—stores continue to play a vital role in consumers' shopping journeys and are an integral part of a retailer's ecosystem, regardless of where the final transaction takes place. Positioning bricks against clicks paints a misleading picture and undervalues the role of the store in consumer engagement and building connections, particularly for unfamiliar retailers. The presence of physical stores builds trust and confidence in a brand and provides a crucial opportunity for consumers to access before and after-sale support, as well as fostering click-and-collect."

In short, physical stores are essential to any successful retail strategy. Not only do they drive online engagement, but they also positively impact brand perception and help to attract new customers. Those retailers that innovate and create a true omnichannel experience by leveraging the strengths of both physical and digital will meet the needs of today's informed and empowered consumers and will ultimately come out on top.

KEY STATS

- More than half of online shoppers say that when buying online it is important for that retailer to have a physical store presence near their home or work.
- Nearly two-thirds (63%) of Millennial online shoppers say that the presence of a local store is very important or somewhat important, compared with 51% for Gen X and 45% for Baby Boomers.
- If a retailer they currently patronise closes a local store, two-fifths of European consumers would no longer spend their money with that retailer.
- More than one-third (35%) of consumers would increase the frequency of visits to a known retailer's website as a direct result of a new store opening near their home or work.
- More than four-fifths (83%) of consumers would visit an unfamiliar retailer's website as a direct result of a nearby store opening.
- If an unfamiliar retailer opened a nearby store, 79% of consumers would visit both the store and the website, with the majority of these consumers going to the store first.



STEP AWAY FROM THE DESK: WHY ATTENDING A CONFERENCE IS MORE IMPORTANT THAN EVER

In a time-poor working week, we may find ourselves wondering how we can justify the expense and time away from the office that inevitably come with attending industry events. ICSC Europe Managing Director, Bill Kistler, interviews leading consumer behaviouralist, Ken Hughes, to ask “Are conferences really worth it?”

IMAGES: ICSC



BILL KISTLER: WHY DO YOU FEEL ATTENDING INDUSTRY EVENTS IS STILL WORTHWHILE?

KEN HUGHES: I think you have to consider the alternative—where you just stay at your desk. Sure, you could read all the blogs, social media posts and LinkedIn articles by the people who were actually there. But when you do that, you don't fully extract the relevance for your own business the way you would from actually engaging in the discussion and the debate that naturally happens at these events. You can't replicate that by just reading something.

KISTLER: WHAT DO YOU SAY TO THE ARGUMENT THAT TECHNOLOGY IS MAKING IN-PERSON CONFERENCES OBSOLETE?

HUGHES: People always say, “Oh, conferences won't exist in 10 years because people don't need to come together to impart knowledge.” And ultimately that's what conferences are: bringing people together to share knowledge. Knowledge can be shared in so many other ways today, so there's a theory that we don't need conferences because we can all watch an eight-minute video online or get the same inspiration from a TED talk.

But the reality is, we're so busy that even with the best intentions, we never actually make the time to really engage in thought leadership and knowledge sharing. So, I think conferences still serve a



With infinite knowledge available online 24/7, it's understandable that some increasingly question the need to attend conferences. Ken Hughes speaks around the world and has deep insights into the value of in-person connections at industry events. His compelling case for us to step away from our screens echoes the same challenge retail real estate faces with e-commerce.

huge role in simply carving out that space. And the face-to-face aspect puts you right in the same room with thought leaders, so you have no choice but to be present.

KISTLER: SO, YOU THINK THE NETWORKING ASPECT OF A CONFERENCE IS AS IMPORTANT AS KNOWLEDGE SHARING?

HUGHES: Networking is knowledge sharing! Humans are tribal, social animals. It's so important to share your challenges and frustrations with like-minded people and to talk about how what's happening economically, politically and technologically is affecting us all. The "off-stage" content you get as a conference delegate, not only socially but also from a mentoring perspective, is of huge value. There will be people in the room who might have been in the industry twice as long as you have, so there is a mentorship opportunity available for you to harness if you so choose.

KISTLER: HOW DO WE MAKE THE MOST OF THE OPPORTUNITIES AVAILABLE AT CONFERENCES?

HUGHES: Most people attending a conference arrive expecting to be passive for two days. It's a bit like the theatre—you go as part of the audience and you don't expect to get on stage and take part, do you? There's the "fourth wall". We really need to challenge that. To truly get value out of a conference you need to change your thinking before you arrive—you need to take a sense of ownership and think of it as your conference, not their conference.

KISTLER: SOUNDS LIKE THERE'S A PARALLEL BETWEEN WHAT'S HAPPENING IN THE RETAIL INDUSTRY AND THE CONFERENCE INDUSTRY!

HUGHES: I often speak at conferences on the topics of disruption and change and the importance of staying relevant, and yet it seems the event model itself hasn't changed for 20 years. No one wants to go to a conference and have the same experience they had last year, so there is a real need for conference organisers to innovate. It's actually very similar to the "death of retail" conversation in the media and definitely continues in the industry as a concern. Just as retailers



Ken Hughes is recognised as one of the world's leading authorities on consumer and shopper behaviour, advising some of today's biggest global brands on customer experience, strategy, retail trends, and the future of consumerism.

are looking for ways to better engage and entertain their customers, conferences need to think of their "customers" as participants, not just attendees!

Even once "pure-play" e-commerce companies like Amazon and Alibaba have realised that connecting with their customers in physical stores strengthens that relationship. There's a similar dynamic with conferences—personal connections are more meaningful, insights more lasting. Of course, neither retail nor conferences are dying. But they are changing fast. If you think you can navigate this transformation on your own, you're frankly a bit silly. Today's most relevant conferences and events need to tackle this topic and provide platforms for us all to come together and talk openly about these new, huge trends and how we can gear-up to bring our industry through this fantastic transformation.



BILL KISTLER
ICSC Executive Vice President & Managing Director – EMEA

ICSC is very fortunate to be working with Ken Hughes on transforming our upcoming annual conference "Space, Place and the Future of Retail" in Barcelona on April 10 to 11, 2019. His innovative insights into how to make a conference more engaging, entertaining and valuable promise to make this our best annual conference ever. He will both moderate the event and deliver one of the keynote presentations.



ADVOCACY IN THE EU – WHY IT MATTERS

BY JOOST KOOMEN, IMAGE: ICSC



An important judgement clarifying European rules on retail establishment; a very strict EU data protection regime; a binding number of charging points for e-vehicles for buildings with more than 10 parking spaces. These are a few examples of important, new rules for the retail property industry adopted by the EU in recent years—and together, they’re a good example of why European policymaking is increasingly important for our sector.



JOOST KOOMEN
Head of European Public Affairs at ICSC Europe

At the same time, 2019 is an election year for the EU. Brussels decision-makers are already preparing the policy agenda for the new mandate. They will be eager to receive good ideas and input from external stakeholders such as NGOs, individual companies, academia, local authorities, media and trade associations like ICSC Europe (where I am the new Head of European Public Affairs).

This provides an opportunity for ICSC Europe to shape the future EU policy agenda on issues that are important to the sector. Indeed, all these different stakeholders are active on the advocacy front in Brussels, very often on a daily basis. Many of them have some form of permanent establishment there. According to the EU Transparency Register—the EU’s official registry for lobbyists—11,902 organisations are registered to lobby the EU institutions, employing about 85,000 people. Our sector’s entire value chain is represented in Brussels, both our business partners and service providers as well as the (local) authorities that we engage with. Some of them have a very significant presence, such as the retail, e-commerce and food-and-beverage sectors, but also cities and regions are well represented.

Unfortunately, some serious misconceptions about retail real estate, in general, and about shopping centers, in particular, persist among policy makers and other stakeholders in both Brussels and beyond. These can, of course, have

a negative impact on achieving favourable policy outcomes on important themes for our sector such as, for example, sustainability, a level playing field between offline and online market participants, security, urban regeneration and social inclusion.

ICSC Europe and its working committees focused on public affairs have addressed these misconceptions and important EU policy issues in the last couple of years. They have managed to achieve positive outcomes on relevant EU proposals, such as the revision of the Energy Performance of Buildings Directive. Building on the good work done in the past, ICSC Europe has committed to its membership to become even more active on the EU advocacy front. At a time when the sector is facing massive challenges to its business model and political instability looms on the horizon in the EU, not least due to Brexit, it has decided to beef up its presence in Brussels by appointing a Head of European Public Affairs. A permanent establishment in Brussels enables ICSC Europe and its members to explain and communicate to EU stakeholders the important role the sector plays on a daily basis at this crucial point in time in the EU.

As ICSC Europe’s new Head of European Public Affairs, I am committed to working together with the membership to make sure that our voice is heard, and our views are part of all upcoming, relevant EU policy proposals. For me it’s clear that a sector that employs more than 6.3 million people, generates an annual turnover of more than 750 billion euros, and occupies a combined floor space (GLA sq m) comparable to the size of the entire city of Brussels deserves a seat at the table. Let’s face it, if you are not at the table, you’re on the menu!



About ICSC

ICSC serves the global retail real estate industry. We provide our 70,000+ member network in over 100 countries with invaluable resources, connections and industry insights, and actively work together to shape public policy.

For further information:

*info.europe@icsc.org
www.icsc.org*