MEET OUR NEW CONSUMERS

With retail attempting to keep pace with a growing consumer culture that is underpinned by technology and convenience, it is no surprise that we are seeing consumers change, along with their shopping habits.

While more data is available to capture these new consumers, as a shopping centre investment manager, we can also add to this through the benefit of being able to observe new consumers and understand their needs as they visit our centres.

We’ve identified four emerging types of consumers that will influence how we think about our centres going forward.

- The Shop and Share Girl
- The Mindful Goddess
- The Reboot Man
- Forever Young couple

While trends such as omni channel retailing are affecting how people spend in the short term, it is also important to align this shift with longer term trends such as the changes in demographic patterns across Europe. These will arguably be more important on the impact on future shopping and retail spending.

Identifying new consumers also needs to recognise differences in consumer shopping habits across Europe, based on spending patterns, cultural differences and specific catchments characteristics. However, even with all these differences, there are some distinct patterns and profiles that are emerging which transcend these factors.

For example, people over 50 are no longer acting their age. The new ‘old’ generation are down-ageing: acting younger, both physically and mentally, and are much more spending than they ever did before.

In this paper we also find that young men are much more interested in retail sectors that were traditionally the preserve of women. No longer are they “hangers on” during shopping trips, which is illustrated by the rapid growth of men’s fashion and footwear sales.

This emergence of new customer profiles and new spending patterns, means that in today’s environment retailers need to work much harder to understand and meet consumers’ needs. That means more specific segmentation in an already complex omni-channel environment. Those retailers that are closest and most responsive to their customers will be the most successful.

In the rest of this paper, we give you an insight into these new consumers and how they are influencing and changing our shopping centre portfolio across Europe.
Today, younger men are much more interested in retail sectors that were traditionally the preserve of women, as the rapid growth of men’s fashion and footwear spending attests.
THE SHOP AND SHARE GIRL

- Aged 15-24
- Always carries her Smartphone and spends time on social networking sites
- Carries an expensive luxury branded handbag but most often shops at young appealing brands
- She expects instant gratification, as standard
- Shopping is about social and meeting with friends, and she never shops alone

The first thing we notice about the Shop and Share Girl in our shopping centres is that she always carries and uses her smartphone. Most of the time, this is for social purposes within her peer group. And, yes, while social networking has increasingly become a more popular activity for all internet users, it is significantly more important to young women. A demographic analysis of time spent on social networking sites in five leading European markets (France, Germany, Italy, Spain and United Kingdom) revealed that young women aged between 15-24 years were the most engaged audience. They spend an average of 8.4 hours on social networking sites every month 1).

An overall increase over the past years (from 11.7% to 16.3% of time spent on social networks as of total time online) shows the growing importance of social networking to women’s online experiences. This trend has important implications for social networking sites, both in terms of content as well as the user experience.

Not surprisingly, this young girl is very actively engaged with photo-sharing, and related sites have become a large part of her social networking experience. With camera-equipped phones, taking and posting photos online is particularly popular among younger web users and this is tied in integrally with her shopping experience. Younger age groups love the social aspects of shopping 2). For them shopping is meeting with friends, and shopping centres should offer them the places and services to support this – notably entertainment services such as cinemas and free wi-fi. Her perfect shopping experience is one that includes an awesome Instagram selfie that can be posted on Facebook.

But does she have money to spend while socialising, and if so, what will she be carrying in her shopping bag? She may already have some consumer debts such as on a credit or store card, but there is still lots of income to spend on shopping, technology, travel, and entertainment. In general she is not saving her money for a rainy day and would instead rather spend it on a luxury hand bag. She is part of the consumer group which has benefitted from luxury becoming more accessible among different age and income groups, and a bag from brands such as Michael Kors or DKNY is the must-have accessory.

At the same time, we have seen an increase in brands, many of them international, appealing to these younger females, with a taste for fast and affordable fashion. Today, these types of shops have become a life blood for our shopping centres with brands such as Forever 21, Primark, Mango and Inditex brands such as Pull & Bear and Zara, as well as retailers for the more edgier of the set with American Apparel and Urban Outfitters. These Shop and Share Girls are not always similar in their tastes as long as they can share the detail of their purchases.

Finally, we must not forget that she is part of the first generation of digital natives. This group is a very early adopter of new digital, social and mobile technologies. So, there is money left to spend on those and she will use these new tools to crowd source information from peers, even during the act of shopping. She will definitely use product reviews and assistance from her social networks before buying in an omni channel retail environment.

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1 Source: Comscore ‘Woman on the web’
2 Source: CBRE EMEA ‘How Consumers Shop 2014’
MINDFUL GODDESS

- Is aged 35-45
- Uses Pinterest and other apps to seek conformation before she buys
- Price-savvy and buys from high end and high street brands
- Into organic super foods and all natural products

This woman seeks quality, sustainability and personal wellbeing. She has become much more aware of both the source of her products (fair trade and organic are always considerations), and she buys quality, with products that will stand the test of time in her home and wardrobe.

One trend that is most relevant for the Mindful Goddess is the mixing and matching of brands within fashion. So, for instance, she wears a Burberry jacket with a Primark top to go with her Seven for all Mankind jeans. Her style is definitely more free and eclectic, rather than dressing like a prescriptive stereotype. So, when it comes to shopping we are not surprised to find our 40 year old Mindful Goddess walking into Forever 21 and Primark stores as well as the luxury brands. However, she won’t be carrying their branded bags as she will have recycled her own from home.

The Mindful Goddess is concerned more about her silhouette than her age and is therefore likely to be into yoga, rather than joining the gym. She is also interested in new super food concepts and in our shopping centres we see her enjoying new healthy food and juice concepts, at the food court as well as seeking natural cosmetics and food stores, all of which fit perfectly in with her mindful way of life.

In general, she has become more price savvy but at the same time she finds that her wardrobe is overstuffed. A survey recently among UK women concluded that, on average, women have 132 items of clothing while men have 43. Only 3% admitted to wearing all of the clothes in their wardrobe. To compensate for this she is now attending swapping parties with her friends. What started as an idea in the UK in 2007 has spread globally, with women swapping clothes, saving money and reducing some seriously overflowing wardrobes.

FIGURE 3 ITEMS IN WOMEN’S WARDROBES

<table>
<thead>
<tr>
<th>Item</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trousers/jeans</td>
<td>12</td>
</tr>
<tr>
<td>Shoes (pairs)</td>
<td>13</td>
</tr>
<tr>
<td>Underwear</td>
<td>36</td>
</tr>
<tr>
<td>Tee-shirts/tops</td>
<td>19</td>
</tr>
<tr>
<td>Jumper/cardigans</td>
<td>9</td>
</tr>
<tr>
<td>Coats/jackets</td>
<td>5</td>
</tr>
<tr>
<td>Dresses</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>132</strong></td>
</tr>
</tbody>
</table>

Source: By MailOnline

REBOOT MAN

- Aged 25-35
- Attaches growing importance to fashion identity and gadgets
- Out-spending women on fashion and footwear
- More luxury orientated and brand loyal
- Frequently buys online and expects good service in store

Our Reboot Man really cares about the way he looks. He is fashion conscious and has a preference for good quality fashion brands.

We are happy to see more young men shopping in our centres but it is too easy to forget that they just don’t enjoy shopping in the same way as women do. Reboot Man may also be a better target for shopping centre managers because they are more likely to make big purchases in one efficient visit, while women shop recreationally but buy less. According to latest research sales, menswear has been growing at a faster pace than women’s fashion over the past few years in the UK and Germany. So much so, that men are actually boosting retail sales and this is set to continue, with the menswear market anticipated to witness growth of 16% between 2011 and 2016. Men also appear to be less sensitive to economic downturns. Some retailers point out that men, regardless of a slowdown, will continue to buy their goods at the same rate.

But our Reboot Man is not only interested in fashion. In actual fact, they appear to have inverted Maslow’s hierarchy of needs. At the bottom of the pyramid – now the point of the pyramid as they in theory not as crucial as food and shelter - the more basic needs for Reboot Man includes, phone and other digital devices such as tablets. By far their biggest interest in our shopping centres is the electronics stores. He wants to be updated on the latest technologies and does not want to miss out on any gadgets. But, he is also spending on fashion and luxury goods. Nice leather bags, sunglasses, watches and more jewellery. In addition, we see an increase in spending in the health and beauty sector, a new category for our Reboot Man. This includes men’s skincare. Men are buying more skincare products than they used to, encouraged by high profile campaigns and growing brand awareness.

FIGURE 4 REBOOT MAN HIERARCHY OF NEEDS

1. Food & Beverages
2. Shelter
3. Skin and Beauty Products
4. Clothing and luxury goods
5. Electronic Gadgets

3 Source: Mintel
Our Reboot Man goes for quality products and he is far more brand loyal than our women. Once they like a shirt from a particular brand, they are willing to stick with this brand with no further search required. This may be a throwback from previous generations’ more “grab and run” approach but it bodes well for brand loyalty. This means, we don’t see him walking around our centres from shop to shop. He shops efficiently and the number of shop visits is kept to a minimum. When he visits one of our shopping centres, he expects quality, convenience and a high standard of service.

FOREVER YOUNG

• Aged 55+ but feel and behave as they are just turned 40
• Have time to shop and like socialising as part of the experience
• Keep healthy and have ‘forever young’ attitudes
• Love loyalty cards

An unprecedented and widespread ageing of the European population is taking place. Within the next ten years, 43% (today 36%) of the EU population will be over 50. Understanding this group is key; while the younger consumers might be more exciting, it is this group that is going to drive retail going forward. Our Forever Young consumer is aged between 55 and 65, but this upper limit might easily move to 70 or even 75 soon.

How this group shops and visits our centres is different from our other consumer groups. They are spending more on fashion than 20 years ago, as they want to feel stylish and modern regardless of their age. In their goal to stay “Forever Young”, they are looking for brands which might be thought of as targeting younger customers but can still work for them. They - particularly the female - have no desire to look like a teenager, nor do they want to dress like their parents.

The trend with fashion continues with other products; shoppers aged 50 and over are a dominant group within the health and beauty sector. On average, according to research in the UK, they spend 25% more compared with those under 50. They typically use an average of six skincare products each week versus fewer than five for younger women.

Forever Youngs are actually breaking the myth that what they do in our centres is sit and drink coffee. She will browse fashion stores that not necessarily marketed to her, and to relax she will not go to the food court but to quieter places to spoil herself with a nice coffee and lunch. She is very likely to visit to the department stores, and we might even see her entering the gym or health clubs; membership rates among the over 55s have increased significantly in recent years.

'Social engagement’ is an important part of The Forever Young shopping experience, with shopping centres becoming a focal point where they can interact with the people and retailers. They attend community events, for example, we have seen them attending technology training sessions in Apple stores. They still retain old fashion values, keen on high service levels with friendly salespeople and brand loyalty cards fit in with this profile. This means that using loyalty cards has become part of their shopping routine as they like the financial rewards or discounts. They also connect it with good service and being acknowledged by brands.

The Forever Young group may not be early adopters of new technologies but today they increasingly embrace the new opportunities to be connected as part of their shopping experience.

'To service the Forever Young consumers, shopping centres should consider offering more services, health-related retail and specific accessibility-enhancing features.'
HOW DO WE SERVE OUR CONSUMERS IN OUR SHOPPING CENTRES?

The consumers we introduced above are based on our close connection with consumers and retailers in our shopping centres across Europe. We constantly monitor which sector and tenant mix works best for the different shopping centre formats and different catchments. Some key trends we see in our portfolio are directly related to the shopping patterns of these different consumers.

Overall fashion continues to be a strong contributor to growth in our portfolio, both in floor space and growth of sales per sq. m. So, for our Shop and Share Girl, we have many new and often international well-known brands like Hollister and America Today coming into our shopping centres, while we supporting her sharing activities with offering wi-fi facilities.

The awareness of increased spending by men on fashion is certainly true in our portfolio. We have seen more specific men stores joining our retail offer, but in particular mixed fashion (often men and women’s wear) has seen a strong increase in floor space of 9% over the last three years. Retailers like Superdry and New Yorker are expanding their retail network rapidly. In addition, we see that in department stores for example, sales floors for men are expanding but often this comes with an upgrading of the menswear section to make it more attractive for them. When it comes to buying the latest gadgets, they are well served with concepts like Toys4boys and a sustainable rise of specialist electronics and mobile phone shops.

While we are very excited about new and young retailers opening stores in our centres, we have to be aware that the Forever Young group might have different needs. Understanding this group is very important because it will drive retail sales over the next years in many European countries. The main challenge will be to adapt to the ageing population and get to understand their specific tastes and demands. Although, in our portfolio the number of gyms has increased over time, this cannot be directly related to the Forever Young consumers. It is part of a more general trend that could also be true for our Reboot Man.

Fashion retailers often ignore the Forever Young and older generations by not directly marketing to them or offering differentiated services. Indeed, per head they might spend less on fashion but the overall group is growing and they are spending much more on this sector than their parents ever did. We expect that department stores could start to benefit from this oversight by individual fashion retailers. To service the Forever Young consumers, shopping centres should consider offering more services, health-related retail and specific accessibility-enhancing features.

Perhaps the sector where all our consumers fare well is health and beauty. Not only do we notice a strong increase of young and fashionable retailers in beauty and make up products like Kiko Milano but there is also a growth of retailers with a strong focus on health products (De Tuinen), very much appealing to our Mindful Goddess and Forever Young generation. With a strong performance and a significant rise of this sector within our shopping centre portfolio, up 6% between 2012 and 2014, we expect this sector to grow even further in the years to follow.

Over a long period, the number of restaurants and bars has been increasing in shopping centres. In many cases, it is seen to increase dwell time and adds to the potential spend per visit. Certainly we are seeing our Shop and Share Girl and Forever Young enjoying these facilities. Meanwhile, new concepts are arriving, where the Reboot man can have a drink while watching sports on big screens. In our portfolio, we have seen a strong rise in restaurants and bars to, but there is no basic rule for the optimum size of this sector in our shopping centres. A shopping centre that comes with more leisure components like a cinema, which might be more appealing to our young consumers groups, will have room for more bars and restaurants but apart from the consumer groups attracting, the optimum also depends on the type of centre, location and country in which it is located. Where across our consumer groups demand for this sector increases, consumers in Spain go out for dinner more often, this might not be so straightforward in western and northern markets.

Our four consumers have shown us that they are another factor that is influencing our range of centres with varying catchment demographics. Retailers are also recognising these new groups, so we must play a role as shopping centre investment managers to expand and revitalise our tenant mix as well as broaden our consumer services to appeal to a growing range of differentiated consumer groups.

‘In our portfolio, we have seen a strong rise in restaurants and bars to, but there is no basic rule for the optimum size of this sector in our shopping centres.’

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