The new era of “Experiential shopping” in Asia

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The new era of “experiential shopping”

Nowadays, experiential consumption has become an indispensable element of the shopping centres in Asia.

- Changing lifestyle habits and greater demand for experiential shopping are driving increased landlord demand for F&B tenants and those which can provide “experiential elements”. This is a common trend observed in Asia’s department stores and shopping malls.

- The concept of “experiential consumption” has garnered significant attention among shopping mall and department stores operators in Asia, and it will continue to exert great impact on Asia retail market.

- Illustrated with latest cases in Asia retail sector, this report covers the key tactics of shopping mall and department store operators in Asia in providing “experiential shopping” environment to customers.
What is “Experiential shopping”?

For shopping mall and department store operators, experiential shopping is about enlightening consumers with memorable experiences, through paying particular attention to the emotional engagement with consumers and providing them immersive shopping experiences and services.
Beyond shopping – creating memorable experiences for a new generation of sophisticated consumers

Unlike traditional shopping centres or department stores which focus heavily on merchandise and brands, high emphasis is placed on service offerings:

- **Art & Culture**
  - e.g. Theatre

- **Food & beverages (F&B)**
  - e.g. Restaurants, e.g. Cinemas

- **Entertainment**
  - e.g. Playhouse

- **Green**
  - e.g. Rooftop garden

- **Kids facilities**
  - e.g. Bookstores

- **Leisure & Lifestyle**
  - e.g. Hair salon

- **Services**
  - e.g. VR/AR centre

- **Technology**
Customer-centric approach

Creating a positive consumer experiences before, during and after they visit the shopping mall or department store:

Experiential shopping is to take into account the entire customer journey and engage them at every stage.
Key tactics of shopping mall and department store operators in Asia
F&B continues to be a major component

The common ratio of catering areas in shopping centres has risen from 10-20% in the past to more than 30%. Some new shopping malls have reached a tenant mixture as high as 50-60% for F&B.

The Printemps Paris Huaihai branch in China has just completed its renovation in 2016. It offers nearly 40% of its floor space to F&B tenants*.

A study conducted by Golden Eagle Retail Group has found that dining is critical for prolonging the stay of customers at their shopping centres. The study shows that customers who stay for more than three hours are the most likely to make purchases. Besides, a growing number of diners were posting photos of their food online, in addition to discussing it on social media with friends and family**.


10-20%  30%  50-60%

10-20%  30%  50-60%
F&B continues to be a major component (cont’d)

Food Opera at Ion Orchard, Singapore, an anchor tenant of the mall, was reopened in June 2016 after a facelift. The food court is now home to 27 stalls and mini restaurants, 15 of which are new to the space, which previously housed 25 vendors.

It is the first food atrium in Singapore to implement contactless digital payment methods like Visa payWave and Apple Pay*. 

More spaces for kids-oriented trades

The relaxation of one-child policy in October 2015 is set to boost greater consumer demand and consumption for children’s related trades.

Shopping mall and department store operators in Asia are endeavoring to offer more kids-oriented trades to attract family customers.

Moreover, areas for kid-oriented facilities in shopping malls are expanding rapidly in order to provide a enjoyable shopping experiences for customers.

Kids-oriented business in shopping malls is changing from retail-dominated to service-oriented including education, playing, dining, photography and other services.

Kids-related categories such as education centres and indoor playhouses are popular tenants.

New types of shops which aim to provide special experiences to children and families are growing within Asia.

**Kids-related trades in shopping centres**

- Retail
- Gaming and playground
- Education and development
- Children’s photography
- Maternity service
- Children’s catering
Kids-oriented facilities at Grandview Mall, Guangzhou

- Grandview Aquarium
- Grandview Kids Park
- Children’s playground
- Ice Rink
Targeted to serve families with children, Siam Paragon has allocated a large proportion of retail spaces to the category of “Edutainment and Exploration”, which comprises of special shops including cooking studio, sports and kids’ club, theme parks, language schools, art, music and dance schools, etc.

**KidZania** –
As one of the biggest shopping malls in Asia, Siam Paragon in Bangkok has introduced the 10,000 sqm KidZania indoor theme park to the mall in 2014. It is a worldwide popular role-playing theme park built to scale for children.

**Bangkok Sea Life Ocean World** –
Located in Siam Paragon, it is the largest aquarium in South East Asia. The aquarium covers approximately 10,000 sqm with hundreds of different aquatic species.
Adding lifestyle complementary facilities

• Many shopping malls and department stores are shifting their focus to providing a “lifestyle experience” for shoppers.

• Bookstores, handicraft workshops, florists, cooking studios and retailers which sell a wide variety of household and consumer goods are becoming increasingly popular.
Adding lifestyle complementary facilities (cont’d)

Shops and facilities with lifestyle elements at Joy City, Shanghai:

A florist on the rooftop
Art installation outside the rooftop restaurant
Art installation inside the mall
iYoo, a “paint bar”
The Sky Ring - Joy City, Shanghai introduced China’s first roof-top ferris wheel, which is 98 meters above the ground, in its Shanghai mall Phase II. It was opened in December 2015.

“The Ferris wheel attracts an average 1,500 guests daily. It has not only brought in considerable revenue itself, but it has boosted foot traffic and sales.”

Zhou Zheng, Chairman of Joy City

* SCMP, “Mainland shopping malls embrace entertainment and affordability in effort to woo consumers to bricks and mortar experience”, 12 July 2016.
New World Department Store – Shanghai Pujian branch introduced a giant “Happy Slide” in May 2016 in an attempt to create a happy shopping ambiance for shoppers. The slide is 20-meter high and 54-meter long, spanning across five floors. The journey of 'Happy Slide' only takes 16 seconds to ride.

“We keep bringing new ideas and new experiences to our customers. That’s why we came up with the idea this year to put the best slide in the shopping centre.”

Erica Lau, General Manager of Regional Marketing Communication, New World Department Store China Limited

*China Daily Asia. “Mall appeals to our inner child to lure customers”. 20 February 2016.
Adding amusement and green facilities (cont’d)

Other facilities with lifestyle and green elements at New World Department Store, Shanghai Pujian:

The piano stairways – The staircase is designed as a giant piano keyboard. Comprised of two sections with 34 steps, every stair on the Piano Stairways is equipped with an infrared device that makes music whenever a customer steps on it.

The rooftop garden - It offers a spacious environment and brings a greenery scene to children and parents who enjoy planting.
Terminal 21 Shopping Mall in Bangkok, Thailand implemented a “travelling-the-world” concept that places several world-famous attractions of different cities in the mall. The decorations have enhanced the shopping ambiance and created a pleasure shopping experience to shoppers.
Quartier Water Garden – a 3,000 sqm indoor garden created by EmQuartier, Bangkok creates a relaxing shopping atmosphere by featuring a pond and various types of plants and flowers, such as wild tropical orchids and ferns.
O2O model as a form of experiential shopping – Drawing online brands to physical stores

Some department stores or shopping malls have strategically brought in popular online retailers, hoping to leverage the popularity of these online brands to attract more traffic and customers.

LINE, an outstanding online social networking brand opened its LINE FRIENDS retail shop and café at Grandview Mall, Guangzhou in July 2016. The grand opening has received overwhelming responses by shoppers with long queues waiting to visit the shop.
O2O model as a form of experiential shopping – Drawing online brands to physical stores (cont’d)

I², CAPITAMALL SKY+, Guangzhou
Opened in July, 2016, I² carries merchandise of several renowned “Tao brands” (online brands originated from Taobao, Alibaba’s C2C platform). It adopts a business model of “fast fashion + café + mixed merchandise + O2O experience”.

Selected “Tao brands” include:
- INMAN
- CHUYU
- PASS
- QIUMAI
- REBERA
- VING
O2O model as a form of experiential shopping –
Upgrading in-mall/ in-store Internet technologies

Apart from providing free Wifi as a complementary mall facility, more shopping malls and department stores are upgrading in-mall/ in-store Internet technologies and other interactive installations.
O2O model as a form of experiential shopping – Upgrading in-mall/ in-store Internet technologies (cont’d)

New World Department Store supports mobile payment in-store; it has established iBeacon platform to send location-based messages and vouchers to customers so as to increase sales conversion rate*.

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*New World Department Store China Limited “Interim Report 2015/16”.

Photo source: http://cn.made-in-china.com/
Hopson One, a shopping mall in Shanghai, installed a “Hopson Tree” – a 10-metre high 360 degree LED panel with eight electronic interactive screens in the mall’s atrium.

Through face recognition, shoppers can play games with interactive operations on the screens, and interact with other shoppers in the mall.
Lotte Department Store, South Korea’s major chain department store, is going to introduce virtual fitting service, enabling customers to try on clothes without actually putting them on. By using a special mirror, the service provides a virtual reflection of the customer wearing the clothing by applying a 3D image of the product to the customers’ body.

In addition, in 3Q16, Lotte will install 3D foot measuring devices in selected shoe stores in its flagship store, as well as Jamsil and Yeongdeungpo branches.

“We’re trying to create a more convenient environment for our customers by making use of the latest advanced technologies. We’ll continue our efforts to make store visits a more pleasant shopping experience*."

*Retail News Asia, 3 June 2016. [http://www.retailnews.asia/lotte-tests-virtual-fitting-service/]
O2O model as a form of experiential shopping – Leveraging mobile apps to boost sales

In China, some shopping malls or department stores have developed their own apps – such as Feifan by Wanda Group) or partnered with third-party such as Alibaba’s Miao Street to launch their apps.

Feifan mobile app

Launched by Wanda Group in March 2015.

Features:
- Free WiFi
- Indoor navigation
- Purchase movie tickets
- Restaurant reservation
- Finding car parking space

Alibaba’s Miao Street

Launched by Alibaba in May 2015.

Features:
- Free WiFi
- Indoor navigation
- Purchase movie tickets
- Restaurant reservation
- Finding car parking space
- Instant messaging by “Miao Miao”
O2O model as a form of experiential shopping – 
Leveraging mobile apps to boost sales (cont’d)

Taipei 101 Mall’s mobile app offers interactive functions and comprehensive services. Key features include*

- Restaurant booking within 30 seconds
- Location-based function for car searching
- VIP points accumulation
- iBeacon to push marketing information and coupons to shoppers
- Games
- e-payment (latest function introduced since January 2016**)

O2O model as a form of experiential shopping – Leveraging mobile apps to boost sales (cont’d)

- **Central Department Store** in Bangkok, Thailand recently invested more than US$ 280,000 to develop a new mobile app - **Central Smart Shopper**. The mall targets 100,000 downloads by end of 2016*.

- The app allows customers to check marketing promotions and look for deals before shopping at the department store.

- Starting October 2016, the app will also support online shopping.

Experiential flagship stores – world’s first and largest

• In the past, many shopping malls and department stores were anchored by large supermarkets.

• Nowadays, shopping mall and department store operators are introducing unique flagship stores into their retail space, with a hope to differentiate themselves from their competitors, enrich customer experiences and drive more foot traffic. Very often, these flagship stores are the first and largest of its kind in the world.

Examples include children playgrounds which are first store of its kind in China:

The 1st Legoland Discovery Centre in China, Shanghai Parkside Plaza

The 1st Cocomong Playground (from Korea) in China, Shanghai Parkson Newcore

Photo source: http://www.xxxxbbs.com/thread/67321.html

Photo source: http://www.360doc.com/
Integrating food and lifestyle elements into retail stores

- Fashion retailers are adding experiential elements such as cafés and restaurants to enhance their store ambiance, enrich customer experiences and drive more footfall.

Recent examples include the cafés that are operated by international luxury:
Integrating food and lifestyle elements into retail stores (cont’d)

Hi Department Store at Grandview Mall, Guangzhou

• Opened in October 2012, it is the first store of Hi Department Store. With an area of 3,000 sqm, it is the first domestic upscale lifestyle department store to fully engage in direct merchandise sales. Unlike other traditional department stores relying heavily on the concessionary model, all Hi Department Store merchandise are sourced exclusively by in-house buyers.

• The store consists of Hi Café, Hi Book, and other shop-in-shops to enhance shopping experiences of customers.
Integrating food and lifestyle elements into retail stores (cont’d)

Fangsu Bookstore at Taikoo Hui, Guangzhou houses a bookstore, a fashion boutique, an art shop, and a café in one physical store. The retail-cum-lifestyle concept makes it a popular bookstore in China.
Sisyphe Park Books & UP Coffee is another popular chain bookstore in China that provides a lifestyle experience for customers. Apart from selling an array of books – mostly in Chinese but some in English, its Joy City Shanghai branch also includes retail sections and a café.
Emergence of new trade categories such as AR/VR centre

New trade categories with experiential elements in shopping centres have emerged in recent years, examples include:

- Augmented reality (AR)/Virtual reality (VR) centre
- Indoor escape game
- Haunted house game
- Indoor golf centre
- Indoor bowling
- Art & musical theatre
With virtual reality (VR) taking centre stage in 2016, many shopping centres are keen to bring in VR gaming centre to lure customers.

In Tokyo, Japan, DiverCity Tokyo Plaza introduced a 5,870 sqft VR experience centre named “VR Zone: Project I can”. Operated by Japan’s mobile and home video game publisher Bandai Namco, the centre will open from 15 April 2016 to mid-October 2016.

Offers customised shopping experiences

To cater to the growing demand for customised shopping experiences, more and more shopping malls in Asia are providing personal shopper service.

- For instance, in order to differentiate itself from the competition, The Shoppes at Marina Bay Sands, Singapore launched a new personal shopper service in June 2016*.

- Shoppers first fill out a form online to provide information about their style inspirations, size, availability, etc. The Shoppes then engages personal stylists from individual brands to pre-select pieces based on customers’ budget, style preferences and fashion penchants**.

Challenges

1. Huge investment cost and difficult to sustain

In order to keep abreast of the latest experiential retailing trends and technologies, shopping mall and department store operators have to invest huge amount of money to upgrade and revamp, both hardware and software facilities.

In many cases, these new ventures and initiatives involve huge capital investments. Operators also need to react quickly as technologies evolve in a rapid pace.
Challenges

2. Lower rental income

Shopping mall and department store operators have to bear the risk of lower rental income when undergoing tenant-mix adjustments. This is because the rental affordability and budget of non-retail tenants such as F&B, entertainment and education are generally lower than retail tenants.

3. May not translate into spending

How to integrate shopping experience and retail is still a big issue to shopping mall and department store operators. If a shopping mall creates more experiences but ultimately does not lead to higher revenue, it is regarded as failure. Sometimes, the longer the consumers stay in the mall or in the store may not mean that they would spend more.
Implications and Conclusions

As the level of consumption in Asia continues to rise, consumer needs become more refined and diverse. These needs must be met with corresponding improvement in shopping experiences.

Embrace the new concepts of experiential shopping

- Traditional shopping malls and department stores in Asia should continue to differentiate themselves and focus more on providing social and lifestyle experiences. They should embrace the new concepts of experiential shopping, which encompasses the shopping environment, the merchandise, the service provided before, during and after customers’ purchasing journey, and all other elements of customer experiences.

- We believe that experiential shopping will continue to be a key operation strategy for shopping mall and department store sectors, and will be manifested by wider scope and perspective within Asia in the coming years.
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