



The future of *retail* is...



Good service over new technology

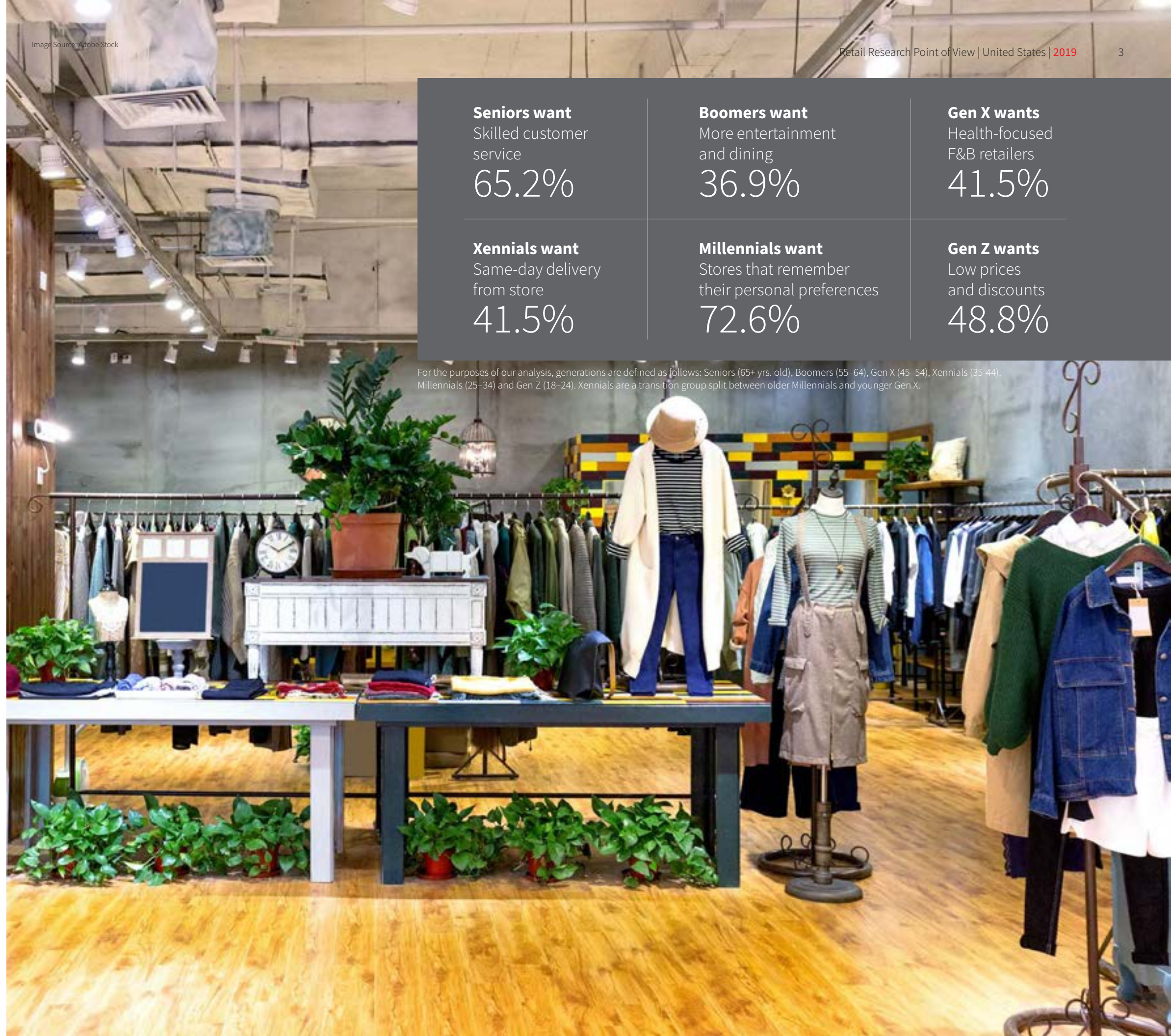
Technology, demographics and culture are all in a constant state of flux. The changing retail landscape will create new winners and losers. Retailers and landlords who anticipate change have the best chance for success.

To do this, understanding consumer expectations is vital.

We surveyed over 1,500 consumers* to find out what really matters to the American shopper and to discover which trends will have the biggest impact on the future of retail.

What did they tell us was most important to them? It wasn't magic mirrors or robot sales clerks. More than anything, they want skilled customer service, personalization, and convenience.

*Survey questions were asked of 1,526 adult consumers in the United States in March 2019.



Seniors want
Skilled customer
service
65.2%

Boomers want
More entertainment
and dining
36.9%

Gen X wants
Health-focused
F&B retailers
41.5%

Xennials want
Same-day delivery
from store
41.5%

Millennials want
Stores that remember
their personal preferences
72.6%

Gen Z wants
Low prices
and discounts
48.8%

For the purposes of our analysis, generations are defined as follows: Seniors (65+ yrs. old), Boomers (55–64), Gen X (45–54), Xennials (35–44), Millennials (25–34) and Gen Z (18–24). Xennials are a transition group split between older Millennials and younger Gen X.



Cool

When it comes to shopping for daily needs, people want value and efficiency. But they also want to be delighted. Novel restaurants, captivating entertainment and hot new retailers will propel shopper traffic and revenue in the future.

Fresh new stores and concepts

37.3 percent of shoppers expect to see new and innovative retailers in their centers in the next 10 years. 33.4 percent of shoppers want to see more entertainment and dining options and 15.9 percent want to see non-retail uses mixed into their shopping centers.

Customers will be demanding more from where they shop. It's not enough just to update the store roster once every 10 years. Keeping a finger on the pulse on new brands and concepts is key to maintaining a loyal shopper base.



Image Source: glossier.com

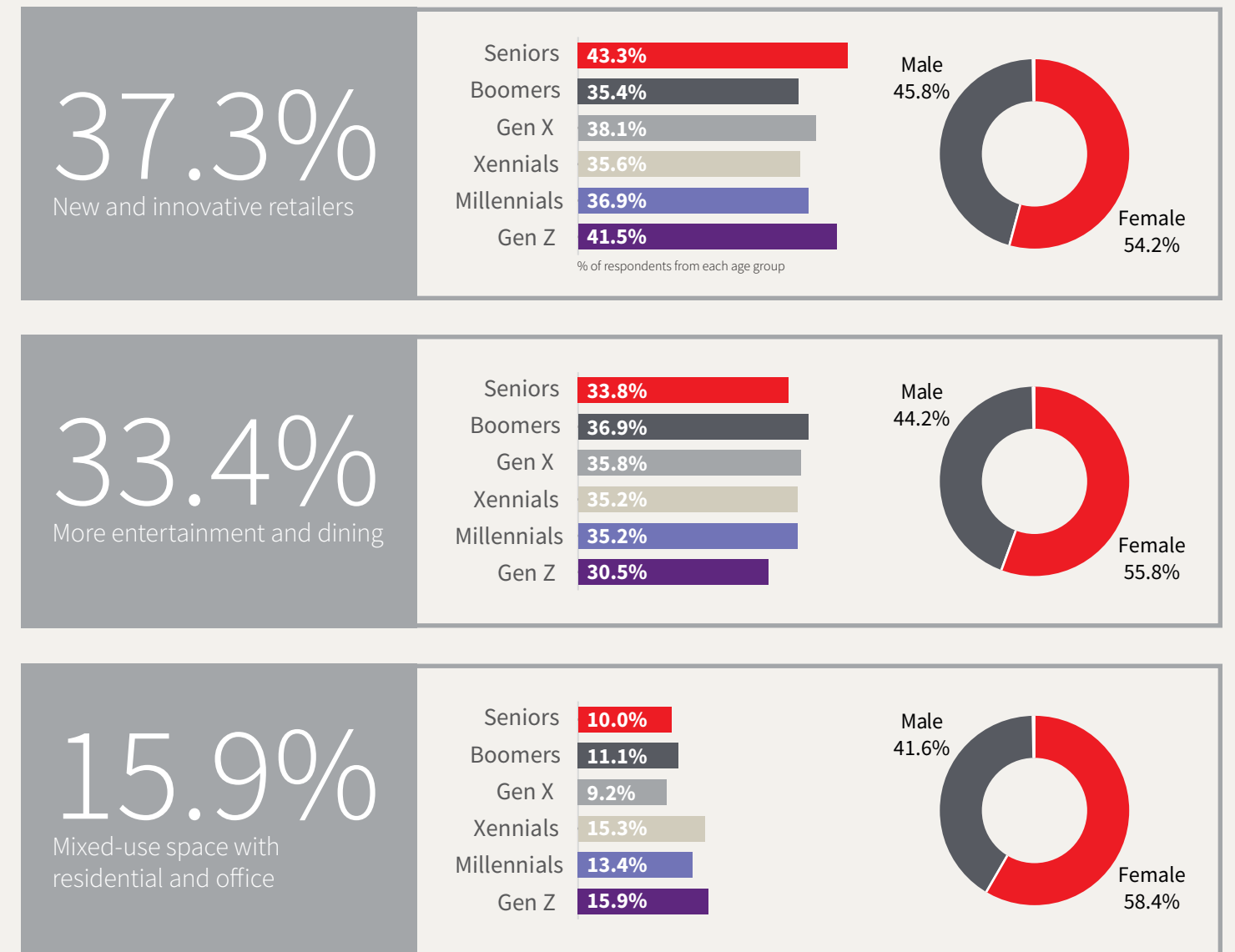
Glossier's two instagramable permanent locations in New York and Los Angeles cater to its shopper – outfitted with pink interiors filled with flowers and mirrors to fulfill consumers' quests for the perfect selfie. Its New York showroom generated more sales revenue per square foot than the average Apple store*, and the company plans to open five locations including stores in Miami and London.

Action item

Shopping centers will need to incorporate tenants that offer additional experiences outside of selling typical merchandise. Landlords may need to think beyond what used to be a typical lease. Some new emerging brands are not ready or able to sign long term leases but have enough of a following to make a short-term lease worthwhile.

*Forbes, "Glossier To Open New Flagship Store In New York", November 2018

“In the next 10 years, what will you expect from the places you shop?”



Source: JLL Research

Prioritize people

Over 90 percent of retail sales still take place in physical stores.* Shoppers want to interact with knowledgeable sales staff to learn about brands and products. These interactions happen within the walls of the store. In this age of heightened competition, shoppers are inundated with options but helpful customer service can build brand allegiance. A little more than half of all

shoppers said that personalized service from a store associate was a deciding factor in where they shopped.

Millennials and Gen Z are channel-agnostic, switching between researching, browsing and buying online and in physical stores. 72.6 percent of Millennials and 69.5 percent of Gen Z think it's important that a store remember their preferences.



Image Source: M. Gemi



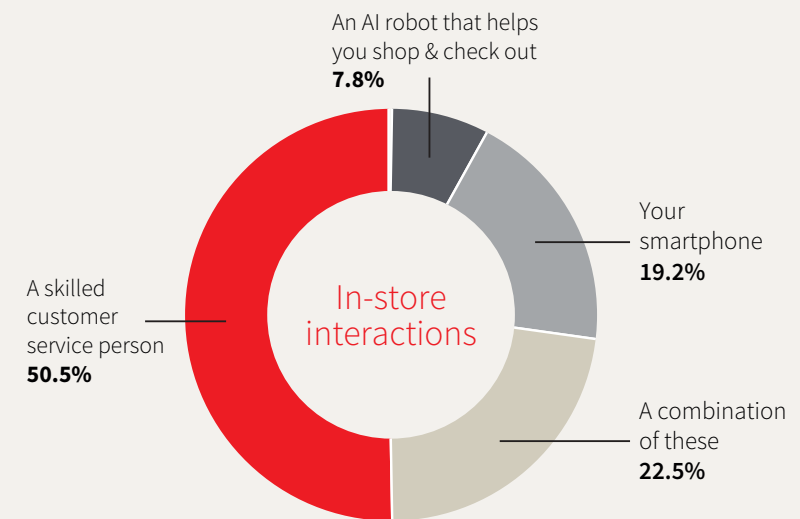
Case study: Luxury footwear e-commerce brand M. Gemi launched in 2015 with a showroom space dedicated to displaying its online shoes. The retailer's flagship was designed to create an experience for customers on their path to purchase with showroom stylists. M. Gemi's aim is to provide a seamless experience from start to finish – the store is cashless, digitally enabled with iPads and the final purchase is shipped within two days. M. Gemi recently opened a permanent store in Hudson Yards.

*Estimated Quarterly U.S. Retail Sales: Total and E-commerce, U.S. Census Bureau, 4th Quarter 2018

Action item

Shopping centers will need to focus on the in-person customer experience by curating tenants that emphasize the importance of skilled staff. Technology should support a seamless shopping experience but should not detract from human interactions.

“What can make your shopping experience better?”



“Is it important for a store to remember your preferences?”

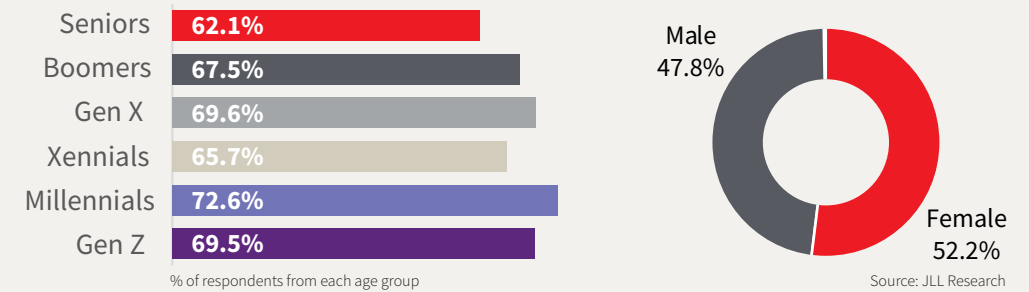


Image Source: Adobe Stock

Provide quality food options

Cook it and they will come!

Savvy landlords are adding more food and beverage and service retailers because consumers stick around longer when these are present. 40 percent of customers will also choose which center to shop at based on its food offerings. Transactions increase

up to 25 percent at centers with good F&B offerings and shoppers will spend up to 15 percent more.*

Quality food service options are finding their ways into shopping centers and in 10 years, the share of F&B space at malls will jump 12 percentage points to 26.0 percent.**



Image Source: The Food Hall at American Dream

Case study: The Food Hall at American Dream will be the first U.S. kosher food hall that features communal dining across 14 stalls, including a cooking studio. Revolving kitchens will showcase up-and-coming chefs and concepts.

Action item

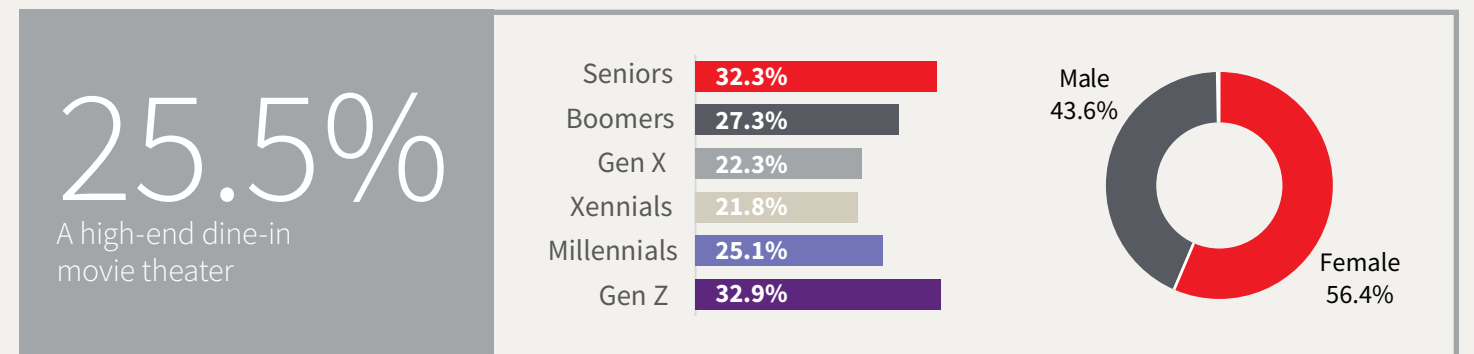
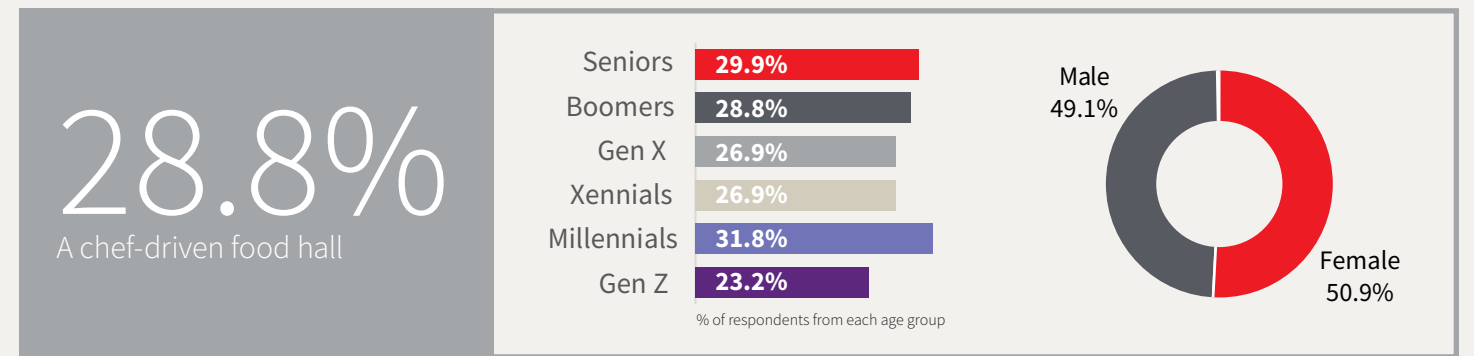
With more focus on foodservice in shopping centers than ever before, shopping center owners must not oversupply the market with tired formats. Balance is critical, but a focus on fresh, innovative brands and regularly changing offerings will deliver success.

*JLL Food Service Trends, 2019
 **ICSC, "Non-Retail Tenant Survey," May 2018



Image Source: Shutterstock

“What is important for a shopping center to have?”



Source: JLL Research

Shoppers want to be entertained

The growing demand for experience has led to a rising share in entertainment tenants like movie theaters, esports venues, performance spaces and adventure-themed destinations.

Gen Z is driving this demand for adventure-themed entertainment like indoor skydiving and arcades. 23.2 percent of Gen Z will also expect shopping centers to have virtual reality concepts to enjoy with friends and family.



Image Source: Urban Air Adventure Park Facebook Page

Case study: Urban Air Adventure Park has climbing walls, trampolines, indoor skydiving and laser tag. The entertainment concept takes spaces from 25,000 to 50,000 square feet and averages 15,000 customers per month. The concept plans to have 300 locations open by 2020.

Case study: Candytopia is an immersive social media destination. This four-month interactive art installation is a real-life Candyland with a marshmallow tsunami and flying candy unicorns. Candytopia currently has locations in Atlanta, Dallas and Minneapolis.



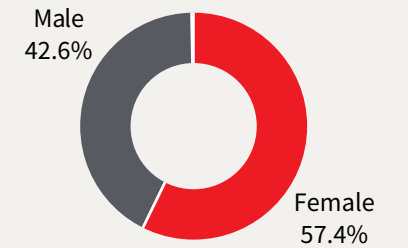
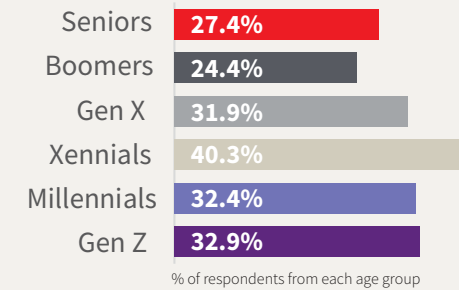
Image Source: Candytopia

Action item

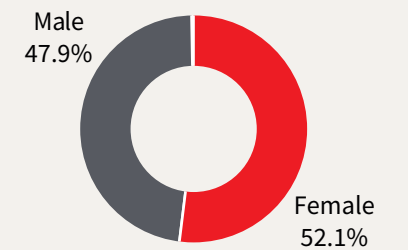
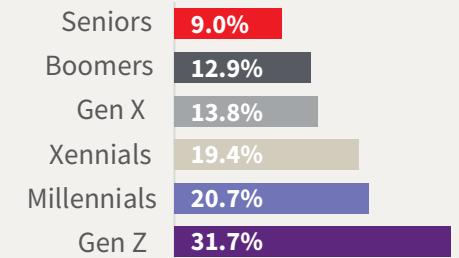
A new wave of shoppers is coming into spending power and shopping centers should take note of who is driving demand. Gen Z values experiences with friends.

“What entertainment options are important for a shopping center to have?”

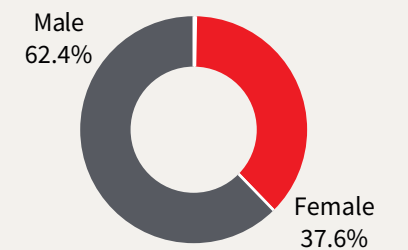
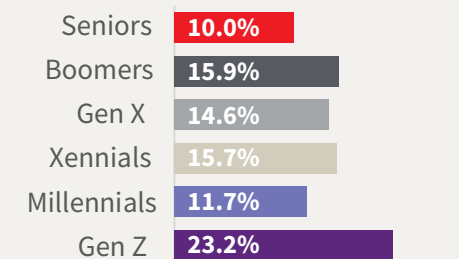
29.8%
Family-friendly entertainment



15.1%
Adventure-themed entertainment



14.4%
VR concepts



Source: JLL Research



Image Source: thyng.com

Case study: Thyng is an easy to use augmented reality app that offers users a new type of experience by scanning real-world objects to unlock digital content. Not only does it enable people to experiment with AR, but also provides a way for brands to reach consumers in a new way. Major clients-to-date include the Chicago Bulls, AT&T, Uniqlo and the University of Arizona.

Feeling good

Wellness has moved from a niche concept to a mainstream concern. Fueled by metrics-obsessed Millennials wearing smart devices and health-focused Boomers, the global wellness industry is now valued at \$4.2 trillion.

Wellness is a lifestyle

Driven by consumers for whom wellness is a status symbol, the global health and wellness economy has grown 12.8 percent in the last two years to \$4.2 trillion.* The definition of wellness is broad and encapsulates mental, physical and emotional health. It's about feeling happy, indulging in experiences that promote well-being and sharing those experiences with others.

41.2 percent of shoppers want to see open spaces with lawns or greenery in their centers and 37.6 percent want to see stores with healthy food options. It's clear that consumers are expecting shopping centers and retailers to provide opportunities that boost their wellness and provide spaces for relaxation.

Fitness centers and gyms are growing too. The number of fitness tenant move-ins at shopping centers grew by 13.8 percent from 2017 to 2018.** 17.4 percent of people from our survey want to see fitness concepts in their shopping centers.



Image Source: Honey and Velvet

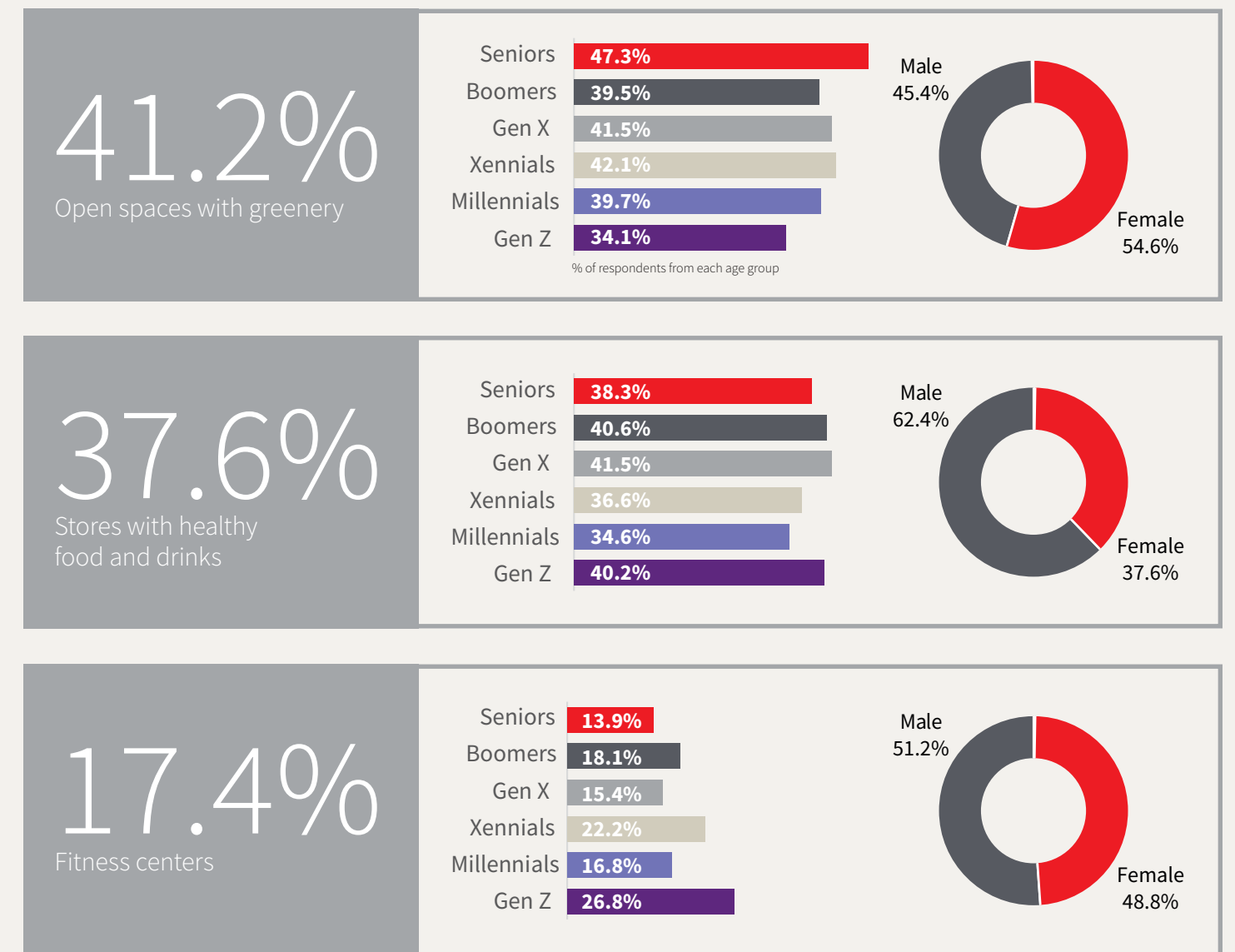
Case study: L.L. Bean found that people on average spend 95 percent of their time indoors. As part of the new “Be an Outsider” campaign launched last year, L.L. Bean built an outdoor coworking location in New York City’s Madison Square Park that promoted health and wellness, and showcased how its products enable a healthy outdoor lifestyle.

Action item

Wellness means different things to different people. It will be important to not just focus on new fitness trends which will come and go, but to design flexible spaces with wellness in mind. Open public space has unlimited options for programming to keep shoppers engaged and coming back for more. Shoppers also want healthy food options and places to workout.

**Wellness Now a \$4.2 Trillion Global Industry - With 12.8% Growth from 2015-2017,* Global Wellness Institute, October 6, 2018, press release.
 ***The Dawn of the Age of Omni-Fitness (Part I), ICSC 2019

“What wellness elements do you want to see in your shopping center?”



Convenient healthcare

Consumers want greater convenience, service and support from their healthcare provider. Shopping centers are disrupting the existing system by offering locations with more hours of operation, lower fees, and access to a patient base to extend medical services.

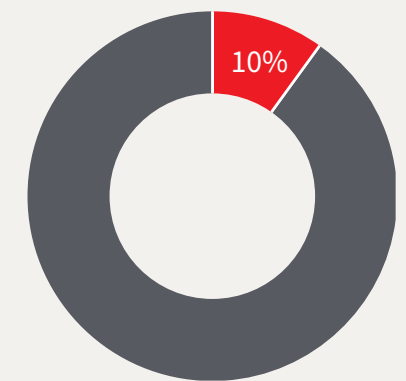
Shopping centers have also realized that healthcare services fit many of today's retail center goals by bringing in patients and employees who will frequent its other stores and restaurants.

According to JLL's Healthcare group, there has been a 47 percent growth in healthcare retail clinics in the past three years and the number of retail locations could double by 2022.



Image Source: Shutterstock

Only 10% of U.S. shopping centers have a healthcare-related tenant



Source: JLL Research



Image Source: modernhealthcare.com

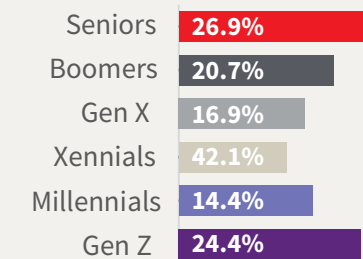
Case study: Walgreens Healthcare Clinics have more than 400 locations across the country, spanning 31 markets. The clinics offer convenient cost-effective prevention and wellness services. Walgreens maintains the second highest number of retail health clinics in the U.S.

Action item

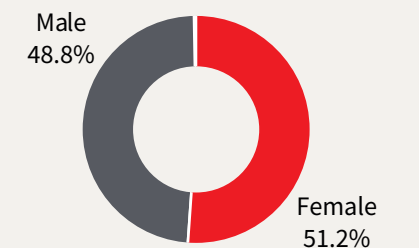
Owners and landlords should incorporate healthcare uses. Not only is it beneficial to the shopper, but physician and hospital groups often have high credit ratings that will add stability to the overall center.

“What wellness elements do you want to see in your shopping center?”

19.5%
Urgent care clinics



% of respondents from each age group



Easy tech

Consumers want a more interactive and seamless experience. Shopping centers and retailers now have the tools to bring an immersive experience and make shopping easier for consumers, while at the same time optimizing operations and becoming more efficient.

Harnessing technology for seamless shopping

Shoppers want a frictionless retail experience and many retailers believe that automation can make that happen. However, shoppers' daily experiences with clunky self-checkout registers and automated phone attendants have left them leery of robot retail.

And shoppers don't necessarily want to see some of this interactive technology in their stores. Only 11.3 percent of shoppers expect to see customer service robots in stores in 10 years. Shoppers are more focused on expediency and ease: 31.5 percent of shoppers expect to have seamless checkouts in 10 years. Technology will best be suited when it improves store efficiency rather than used as a gimmick.

When technology is used as part of the shopping experience, 30.8 percent of shoppers said they would like to see it used in electronics stores.



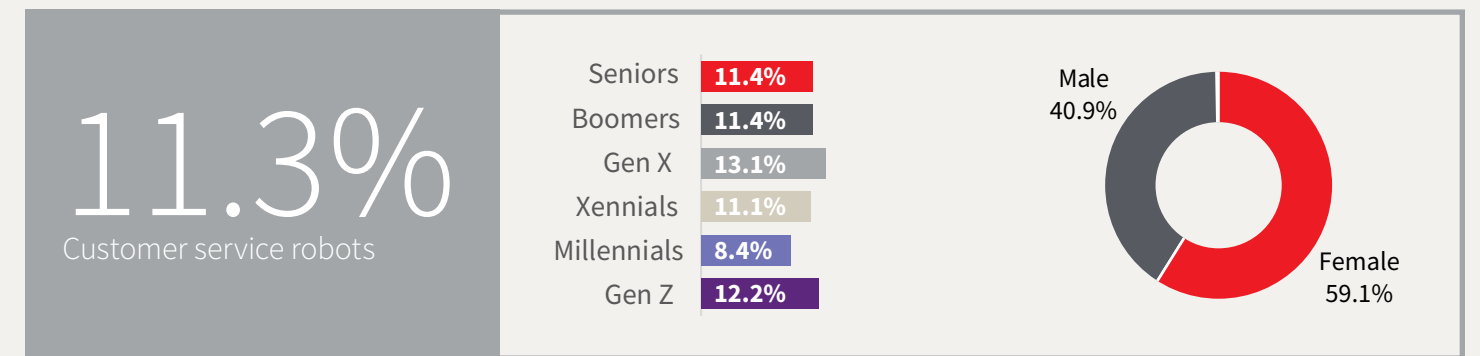
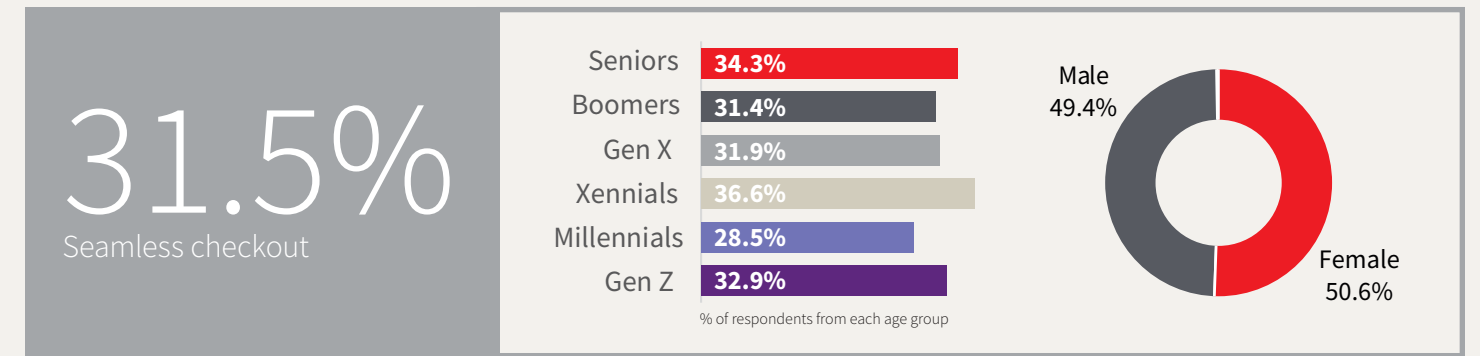
Image Source: Stockwell

Action item

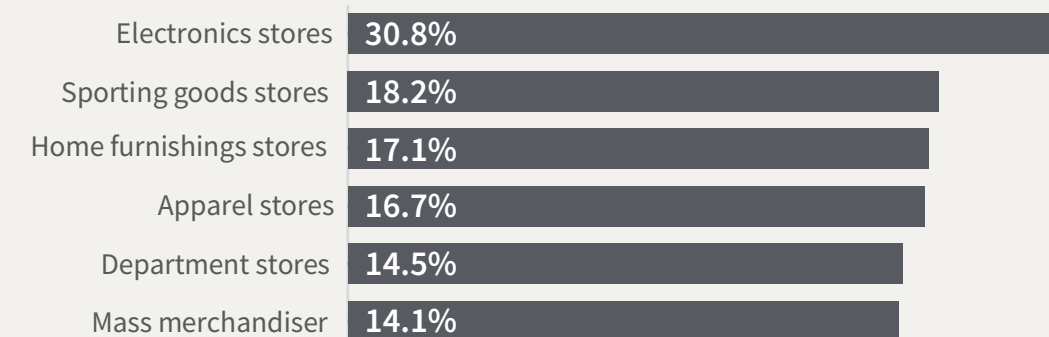
Shiny new technologies may seem like the right investment for retailers and shopping center owners but investment in back-of-house technology may better serve customers by facilitating a seamless shopping experience. Technology that improves logistics, efficiency and inventory management will be crucial in attracting and maintaining loyal customers.

Case study: Stockwell is an automated retail start-up that sells boxes of non-perishable and household items. Customers pick the items they want and a series of cameras track what is taken and charges the customer accordingly. Overtime, Stockwell expects to learn the trends and preferences of its shoppers and will adjust its offerings based on location and demographics.

“What will you expect from your stores in the next 10 years?”



“What stores do you want to use interactive technology?”



Same-day delivery for instant gratification

36.7 percent of shoppers will expect same-day delivery in the next 10 years. For that to become a reality, retailers will need to invest in smart logistics by leveraging existing locations as fulfillment centers, partnering with robotics companies to create smart warehouses, and employing self-driving vehicles to help with last mile costs.



Image Source: Neiman Marcus



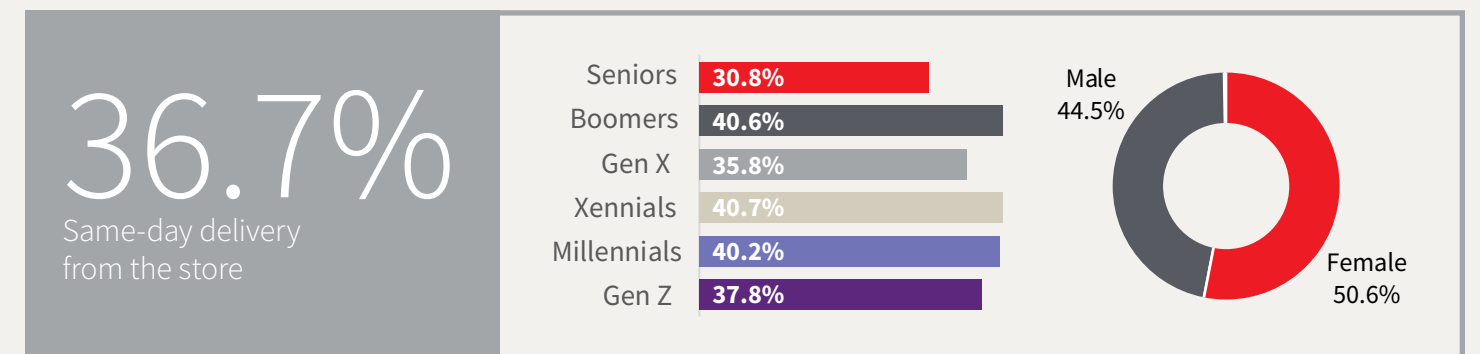
Image Source: Adobe Stock

Case study: Several department stores have launched programs to give same-day delivery options to customers in select cities. Bloomingdales, Nordstrom and Neiman Marcus will deliver orders within a few hours for an extra fee depending on the market. Nordstrom has launched Nordstrom Local, which doesn't carry any merchandise but serves as a pick-up location for orders placed online. Depending on product availability at nearby full Nordstrom stores, shoppers may be able to pick up items ordered the same day.

Action item

Shopping centers will have to dedicate space for centralized pick-up locations for customers wanting to buy online and pick-up in person for multiple stores. Centers should also plan to accommodate extra space for retailers that will enable them to ship from store. And even further in the future, centers may need to incorporate space for autonomous vehicle and drone deliveries.

“What will you expect from your stores in the next 10 years?”



Make access and navigation easier

Finding parking can be a huge pain, but a growing list of technologies is making it easier. Internet of Things (IoT) software is being developed that sends available parking spot locations to a driver's smartphone. 15.1 percent of shoppers will expect centers to have this type of technology to help them park in the next 10 years. And 26.1 percent of shoppers want technology that helps them navigate shopping centers.

And while only 33.1 percent of people expect to own a self-driving car in the next ten years, we expect that this percentage will grow significantly in the next two to three decades. By 2040, 95 percent of new vehicles sold will be fully autonomous*.



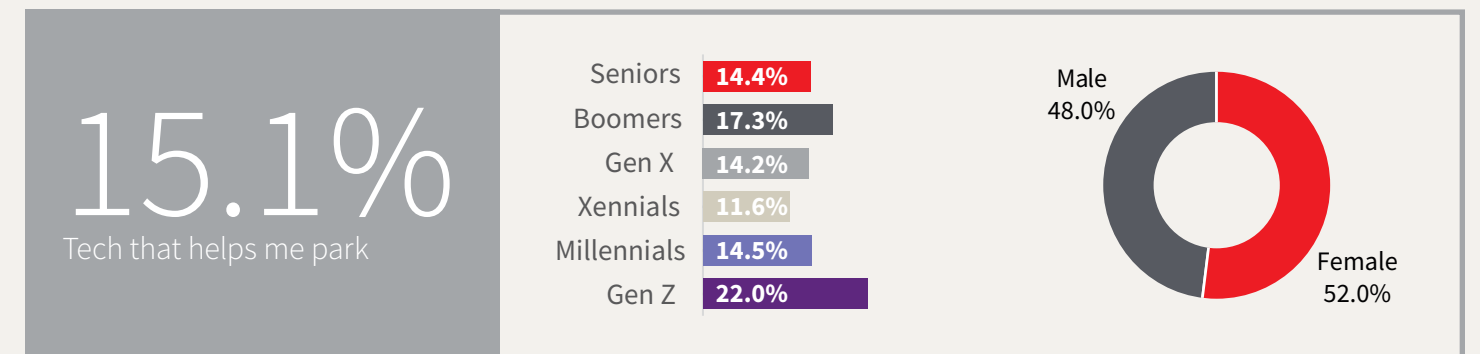
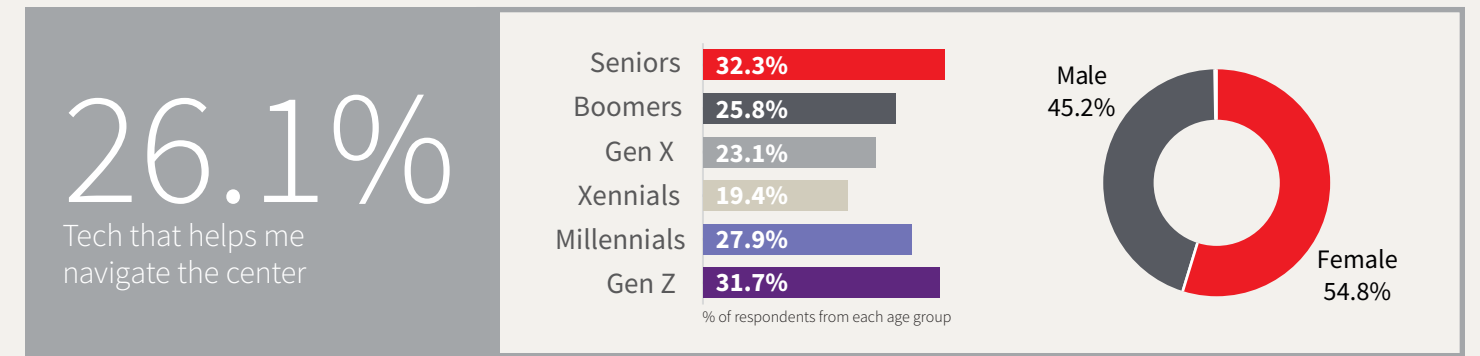
Image Source: technologyreview.com

Cast study: Dusseldorf Airport in Germany uses robot forklifts to valet park cars. Drivers check in through a mobile app and a robot valet carries the car to a reserved spot.

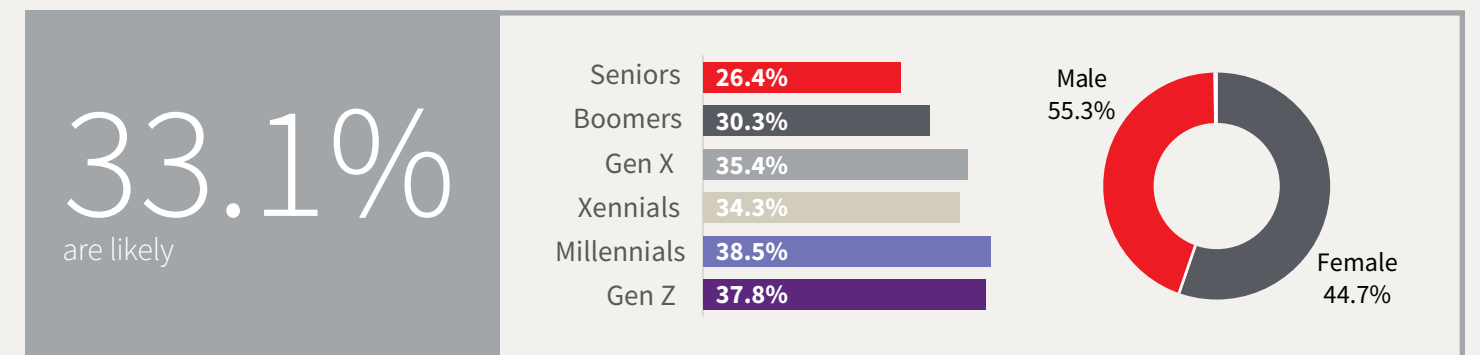
Action item

Expediency is key and a customer's ability to easily enter and exit a center could be the factor that decides where he or she will shop. Shopping centers should utilize navigation technology that smooths this process. Shoppers are also changing the way they get around their neighborhoods and cities. Centers should acknowledge these changes and the likelihood that transit modes will continue to evolve as technology advances, particularly around driverless cars, and invest in flexible infrastructure to prepare for these changes.

“What will you expect from your retail center in the next 10 years?”



“How likely are you to own or lease a self-driving car in the next 10 years?”



*McKinsey & Company, "Commercial Drones Are Here: The Future of Unmanned Aerial Systems," December 2017

Source: JLL Research

Sharing

There has been a growing demand for shared products and services. Millennials and Gen Z—who value access to many goods and services over ownership—are leading the charge.

Rental retail in the shared economy

A growing number of shoppers have become uneasy with consumer waste. The average shopper buys 60 percent more clothing than 15 years ago but keeps it for only half as long.*

Millennials and Gen Z, the generational groups most focused on their impacts to the environment, are becoming increasingly interested in product sustainability and minimizing carbon footprints. These consumers also value experiences over material goods and the majority of them will expect to rent certain goods rather than own.

57.3 percent of shoppers are willing to rent trendy, well-made products and more than 70 percent of Millennials and Gen Z are willing to partake in this sharing economy. 18.6 percent of all shoppers are most willing to rent goods from an electronics retailer, which makes sense considering the high price of the latest mobile phones and computers. 17.1 percent of shoppers are willing to rent sporting goods and 13.2 percent are willing to rent clothing.



Image Source: Rent the Runway

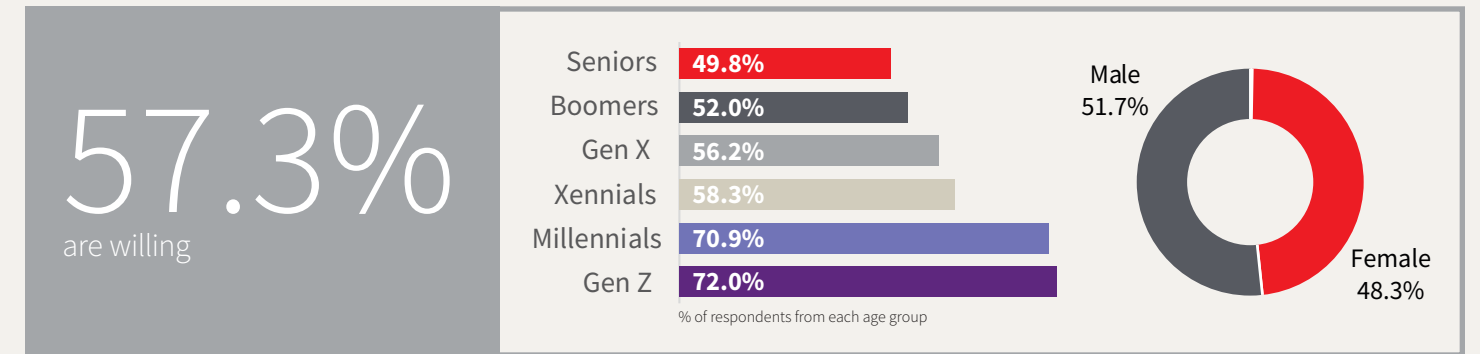
Case study: Rent the Runway and West Elm have joined forces to extend the rental concept to home design. Beginning this summer, the companies will offer 26 unique bundles to accessorize a living space including chairs, desks and bedding that customers will be able to rent.

Action item

The concept of renting goods is becoming more normalized than ever. The sharing economy continues to attract users especially in the Millennial and Gen Z groups. Attracting tenants that can appeal to this need will help shoppers stay engaged.

*McKinsey & Company, "The State of Fashion," 2019

“Would you be willing to rent trendy and well-made products from a store?”



“What type of goods would you be most likely to rent instead of buy?”



Source: JLL Research

Trends converge in retail marketplaces



Image Source: Adobe Stock

Retail marketplaces are a collection of mostly digitally native brands under one roof. There is a single operator that curates a tenant mix with new brands, products and concepts. Retail marketplaces are a physical, turn key solution for many growing brands.

Retail marketplaces represent a convergence of the most notable retail trends. They are able to host new and innovative retailers, provide dining opportunities to shoppers, employ skilled

customer service people and are integrating technology for a seamless shopping experience.

For smaller newer brands, retail marketplaces provide the opportunity to interact physically with consumers without the long-term commitment, costs or logistical hurdles of a typical lease. From the landlord's perspective, a regular rotation of new brands keeps the shopping experience fresh for customers.

Action item

Shopping centers with retail marketplaces can showcase new and emerging brands, giving customers unique shopping experiences that are constantly changing. Retail marketplaces also provide a flexibility so centers can remain fresh as retail concepts continue to evolve.

Case study: Appear Here is an online marketplace for pop-up spaces that connects more than 200,000 brands to retail locations in cities worldwide. Appear Here supports emerging and established brands and benefits landlords by connecting them to new and growing brands.



Image Source: appearhere.us

Case study: Neighborhood Goods curates spaces where cool, emerging brands can sell goods on a rotating basis. The store also has a bar and restaurant to increase the dwell time of its customers. The first Neighborhood Goods opened in Plano, Texas in 2018 and will be opening a second store in New York soon.



Image Source: Neighborhood Goods

Case study: Guesst is a digital platform for retail space-sharing. The platform connects existing retailers to brands that are interested in renting space within an already-functioning store. Retailers can host new and emerging brands creating a new experience for shoppers and in return makes it easier for newer brands to have a physical space.



Image Source: Adobe Stock

Achieve Ambitions



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About JLL Research

Jones Lang LaSalle's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial Real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivaled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

About JLL Retail

At JLL, we are passionate about retail. We deliver great experiences for shoppers – from high streets to shopping malls. As the leading third-party retail service provider, we have access to more than 2,000 centers totaling 164 million square feet under management, for lease and/or sale. Our more than 950 retail experts spanning over 40 markets, support 1,585 clients by delivering management solutions, restructuring or renewing leases and debt, providing disposition or investment strategies and/or evolving retail space to keep pace with the ever-changing consumer. See how we're helping our clients achieve their ambitions at us.jll.com/en/industries/retail, and subscribe to the Where We Buy podcast series at wherewebuy.show for real talk on the trends impacting retail.

