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The Rise of Retailtainment: Convergence of Leisure Entertainment and Retail

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Image: Hammerson's High Cross Centre in Leicester

Introduction

The Economics practice at AECOM is committed to exploring the changing nature of commercial real estate to shape a more positive future. This article seeks to better understand the current trends and leisure strategies utilised within retail centres to achieve a symbiosis.

With the impacts of recent trends explored in this article and heightening consumer expectations, retail is moving at a considerable pace. Department centres and retail stores alike are facing the threat of consumers substituting brick and mortar stores for cyber purchasing but now it is thought that 'retailtainment' might be the solution to lowering vacancy rates. First devised by American sociologist, George Ritzer, retailtainment is "the use of sound, ambience, emotion and activity to get customers interested in the merchandise and in the mood to buy"[i]. As leisure entertainment appears to be an emerging anchor for retail environments, this article will look at reasons for

the rise of this paradigm, consider examples of it in practice and suggest the importance of it for retail centres.

Leisure in Retail Space

Research by Experian forecasts that leisure time will continue to be important as we approach 2020[ii]. With consumers' expectations increasing, retail centres must offer people somewhere to shop, eat, work, and play in a unique cultural, social, and exciting environment. In 2014 the Head of Shopping Centre Leasing at Lunson Mitchenall explained that the key is not delivering 'better' shopping centres but creating relevant and engaging spaces which will attract and hold consumers' attention[iii]. Neil Hockin also says that there is now the need to introduce complementary uses such as leisure and catering but this comes at a cost and sometimes undesirable rates of return. With growing evidence to suggest that leisure is converging with retail, it is important to understand the underlying drivers of change.

Trends in Retail

Cyber Shopping

Cyber shopping has seen exponential growth over recent years. Growth in European online sales was 18% from 2013 – 2014 according to The Centre for Retail Research[iv]. It is no surprise that this trend is the main factor applying pressure on retail centres globally. With consumers spending less time visiting brick and mortar stores and more time taking advantage of the ease and convenience of online shopping, a change in the retail business model is needed. The rise of technology competent consumers could, however, be 'a positive' if retailers consider how interactive and technology led attractions could be integrated into their physical environs to help entice footfall.

Shopping as an Experience

Consumers are no longer just seeking a product but are increasingly seeing shopping as an experience; whilst on the supply side, retailers are focussing on creating in-store experiences. London's shopping district for example has seen a variety of in-store developments aimed at a range of different market demographics. Whilst the Disney Store houses animated trees and cartoons, Apple has introduced a studio for creative advice, and clothes retailer Abercrombie & Fitch imitate a loud nightclub scene to immerse its shoppers. ARUP's research on the future of

retail identifies this trend as a retail experience that appeals to the senses and therefore differentiates the shop floor from the online platform[v]. This is supported further by PWC who suggest that in 2015 shopping is to become more experiential as eating, being entertained and 'living' the shopping experience will take prominence[vi].

Fewer Stores

Deloitte's 2013 outlook on retail states that higher operating costs and consumers online opportunities will inherently mean fewer stores are required[vii]. Reductions in physical store space are forecast to reach as much as 30-40% over the next 3-5 years and this poses a challenge for retail centre management, yet also opportunity. With reduced physical stores, there is potentially vacant floor space to be strategically utilised for leisure and entertainment, which in turn can stimulate footfall and retail sales.

Omni-Channel Offering

The relationship between online and offline retail has been given its own term; Omni channel. International retail consultants Javelin Group describe this new trend as the seamless fulfilment between tablet, pc and in-store processes and communications[viii]. It recognises that it is important for brands to deliver a consistent measure to consumers through all channels. We would argue there is likewise a requirement for retail centres to do the same.

Connectivity

As retail centres continue to evolve, there is an increasing opportunity for retailers and leisure companies to work harmoniously. Food and beverage (F&B) outlets for example can benefit from being located close to entertainment attractions. Retail centre design is becoming more strategic in layout and integration with the surrounding environment. In addition to this, retail centre management might explore avenues to incentivise consumers by offering discounted packages across both retail and leisure anchors.

Trends Analysis

Retail centres must combat the threat of cyber shopping by creating a unique sense of place and creating distinctive experiences that cannot be achieved online or at home. ARUP's research on the future of retail suggests that technology will be a retail catalyst as smartphone

applications, contactless technology, augmented reality and face recognition software is starting to engage consumers. This falls in line with the trend that consumers are now seeking shopping as an experience. The prediction that there will be less traditional retail space required provides an opportunity for floor space to accommodate entertainment and leisure anchors. An integrated approach to marketing retail and leisure should optimise revenues.

Retailtainment in Practice

Whilst having some leisure and entertainment within a retail centres is not a new strategy, standard entertainment is no longer a point of differentiation. Aquariums, ride-based Family Entertainment Centres (FECs), indoor surfing and indoor snow centres are indicating that leisure anchors are evolving. This progression is due to the large positive impact they have on the retail environment and because such visitor attractions are capable of increasing the retail centre's sphere of influence up to an isochrone of two hours[ix]. Therefore, leisure attractions which once served as an amenity are now considered drivers of footfall.

Cinemas and bowling alleys were amongst the first types of leisure entertainment concepts integrated in retail centres. Whilst bowling alleys depend largely on the quality of service and experience, cinema attendance can be country and culture dependant. In addition to early developments incorporating cinemas and bowling alleys, retail centres also started creating sociable gaming environments. Bluewater shopping centre in the UK for example features a Sega Active zone with themed games as well as a 4D motion ride. However, as identified by Leisure Development Partners LLP, innovations of home entertainment such as online streaming and games consoles has displaced consumers from the once popular arcades, cinemas and bowling alleys[x].

In response to these trends, the Middle East is leading the development of ride-based FECs, followed by North America and a growing interest from Eastern Europe, whilst Western Europe is considered to be behind this curve. The leading role of the Middle East may be caused by the higher need for indoor entertainment in a harsh climate.

Dubai is one region that has embraced the rise of FECs. These centres stem from small amusement parks marketed towards families with young children up to teenagers. They have been an important development strategy to increase dwell time and further differentiate the retail space from its

cyber substitute. Families are being given the opportunity to combine their shopping, leisure and quality time under one roof. An integrated FEC attracts a wide demographic, offers an experience, maximises capacity and generates additional revenues through repeat visits and events. Dubai Mall in the UAE has an integrated FEC concept named KidZania. This concept, originally from Mexico, is a role play concept where children can pretend to be an adult in a fun, meaningful way. It is an 'edutainment' concept where skills can be acquired. In addition, Dubai mall offers an aquarium, underwater zoo and ice rink. We have seen an increasing demand for this concept and KidZania's are being rolled out in many geographies: their concept seems to strike a chord globally.

Madrid Xanadú is a large shopping mall and entertainment centre in Spain comprising 222 shops and eateries with additional anchors including a 15 screen cinema. The focal attraction however is an indoor ski run, Madrid Snowzone; much like Ski Dubai in the mall of the Emirates.

Les Halles in Paris was the second most visited retail centre in France in 2013 and elevates consumer interest by showcasing high profile chefs within high visibility areas. Consumers can enjoy, sample and even take part in cookery classes with well-known chefs within the retail centre. At AECOM we see this evolving trend of incorporating targeted leisure and entertainment concepts into retail centres is gathering speed. Currently, we are assisting a large theme park operator in assessing the viability of a custom-made retail entertainment concept. It is their vision to roll out this new concept throughout the countries they currently operate in. We expect more concepts to emerge that are devised to be incorporated into retail centres where they will increase footfall for the retail centre and where the retail centre in turn provides a captive audience.

Conclusion

The targets of these initiatives are to ultimately reduce vacancy rates and increase the future stability and viability of retail centres. Due to the effects of evolving trends, leisure has been identified as a credible option for retail centres to create a unique sense of place and offer consumers a point of difference and value added experience. There are notable case studies of retail centres that have already introduced the concept of retailtainment as well as examples of brands offering 'shopping as an experience'. Although the integration of leisure in retail is not a new strategy, leisure anchors are now increasingly evolving in an attempt to differentiate their offering. We argue that retail centres will do well to study their local markets and target gaps in differential leisure offerings to achieve a dual offering that helps stimulate footfall. Leisure and entertainment operators in turn will do well to leverage their brand and intellectual property by developing concepts that are easily integrated into a retail environment. We are currently working with a client who is exploring the viability of developing their own FEC offer for the markets they already operate themed entertainment in. We expect other retail operators and leisure operators to follow suit.

Endnotes

[i] | Ritzer, George, Enchanting a Disenchanted World: Revolutionizing the Means of Consumption

[ii] | Town Centre Futures 2020; Experian http://www.experian.co.uk/assets/business-strategies/white-papers/town-centre-futures-whitepaper.pdf

[iii] | Fit for the Future: How Shopping Centres are Adapting to Change; Lunson Mitchenall http://www.lunson-mitchenall.co.uk/fit-for-the-future-how-shopping-centres-are-adapting-to-change/

[iv] | Online Retailing: Britain, Europe and the US 2014; Centre for Retail Research http://www.retailresearch.org/onlineretailing.php

[v] | The Future of Retail; Arup http://www.arup.com/home/publications/future_of_retail.aspx

[vi] | Retailing 2015: New Frontiers; PWC https://www.pwc.com/es_CL/cl/publicaciones/assets/retailing2015.pdf

[vii] | The Changing Face of Retail; Deloitte http://www.deloitte.com/assets/Dcom-Germany/Local%20Assets/Images/06_CBuT/2013/CB_R_store_of_the_future_2013.pdf

[viii] | Omni-Channel Retail; Javelin Group http://www.javelingroup.com/retail_consulting_services/omni_channel_retail/

[ix] | Retailtainment, History, Trends and the Future; Leisure Development Partners http://www.blooloop.com/features/retailtainment-history-trends-and-the-future/30670#.VIgXYzGsWMI

[x] | Retailtainment, History, Trends and the Future; Leisure Development Partners http://www.blooloop.com/features/retailtainment-history-trends-and-the-future/30670#.VIgXYzGsWMI

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