

New Technologies Impact in Nowadays Shopping Centers Marketing

by

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Abstract. Shopping centers are an important aspect of the extremely dynamic life of the 21st century consumer. Nowadays, worldwide, shopping centers represent significant investments, remarking themselves with bold architectures and structures and an individual brand image. Retail markets are currently under transformation by a confluence of new retailing technologies, dramatic shifts in the demographic profile and preferences of more affluent and educated shoppers. Still in process of recovering from the devastating recession, retailers and landlords are facing a new set of challenges as Internet technology is transforming both consumer behavior and retailing business models. E-commerce² is upending traditional retailing strategies by greatly expanding shopping convenience, selection and affordability. Computers and mobile devices will mix the virtual and real shopping experiences and will affect how shopping centers are planned and managed, better accommodating the needs of individual shoppers to an “E”-model.

Key words: Shopping Centers, Retail Industry, Digital Challenge, Technology Change, E-Business

JEL classification: M31, O33

1 Introduction

The selected theme represents a relatively new subject for the Romanian marketing literature, on a domain situated at the intersection of the retail and the real estate areas: shopping centers.

Shopping centers are an important aspect of the extremely dynamic life of the 21st century consumer. Nowadays, worldwide, shopping centers remark themselves with bold architectures and structures, having an individual brand image and being managed centralized, by a specialized management. The shopping centers may cover different areas (from 5.000sqm up to 300.000-400.000sqm), may include a multitude of activities (retail, restaurants and coffee bars, exhibition areas, entertainment, cinema halls, various services – health, banking, beauty, supermarket, etc.), may have different themes and different shops structures, with various opening hours, etc.

In addition to that, these buildings may represent *works of art* and *contemporary architecture*, *points of attraction from the tourists point of view* and *drivers of the urban life*, being seen many times as “*the economic and cultural images of the age*” (Tuncer D., Alkibay S., Hosgör S, 2008).

Shopping malls dramatically reshaped retailing.

From the beginning the watchword for shopping center research was “*internalizing externalities*” (Carter C., 2009) – or *putting all together in one place*, in a way that becomes beneficial for all involved, because mall traffic is used optimally [otherwise there's lost revenue/profits].

As Rigby D. states, every 50 years or so, shopping industry undergoes a major change.

a. A century and a half ago, the growth of big cities and the rise of railroad networks made possible the *modern department store*.

b. Mass-produced automobiles came along 50 years later, and soon shopping malls lined with specialty retailers were dotting the *newly forming suburbs* and challenging the *city-based department stores*.

c. The 1960s and 1970s saw the spread of *discount chains*. Walmart, Kmart, and soon after, big-box “category killers” such as Home Depot, all of them undermining or transforming the *old-style mall*. (Rigby D. 2011)

Retail markets are currently under transformation by a confluence of **new retailing technologies, dramatic shifts in the demographic profile and preferences of more affluent and educated shoppers.**

Shopping industry either adapt or die out, as the **new wave takes volume from their stores** and make the remaining volume less profitable. (Rigby D, 2011).

Still in process of recovering from the devastating recession, retailers and landlords are facing a **new set of challenges** as **Internet technology is transforming both consumer behavior and retailing business models** (Nelson A. J., Billingsley A., 2012).

2 New Technology Impact on Shopping

Computers and mobile devices already influence the virtual and physical shopping experiences and will affect how shopping centers are designed and operated, better accommodating the needs of individual shoppers to an **E-business model**.

Competition for **online shopping** is increasing. Total 2012 e-commerce sales in the United States amounted to **US\$225.3 billion**, about 16% more than 2011. In comparison, total retail sales increased by 5% from 2011 to 2012, including much faster growth in the ecommerce category. E-commerce represented only 2.0% of total unadjusted retail sales for the fourth quarter of 2003 but grew to 6.2% by the end of 2012. **Forrester Research**, an American technology and market-research company, projects e-commerce sales in the United States for **2017 at \$370 billion**, which would represent about 10% of total retail sales. Although approximately 90% of retail sales will still be in the traditional format, US\$370 billion in sales, at an estimated average productivity of US\$400 per sf¹ (all retail space, not just shopping centers), is equivalent to 925 million sf of bricks-and-mortar selling space that, either may no longer be necessary, or may need to be re-deployed with other products or services, assuming no dramatic demand change (from income, population, market share, etc.). (Kircher, H. J., 2013).

The future reduction in retail space demand will create **significant new vacancies in existing centers**. Much of this vacant shopping center space can be absorbed through the addition of services, more eating-and-drinking

establishments, small offices serving local needs, financial institutions, libraries, art galleries/museums and other exhibits are also potential uses. Numerous shopping centers will be evolving into multi-functional business centers (Kircher, H. J., 2013). Nevertheless, Kircher sais, it is expected that the service tenants will be paying lower rents than traditional retailers, fact that will have financial impact on spaces performances.

On the other hand, **much digital retailing is now highly profitable**. Amazon's five-year average return on investment, for example, is 17%, whereas traditional discount and department stores average 6.5% (Rigby D., 2011).

As a local example, eMAG - the largest online retailer of Romania, announced the sales level during Black Friday 2013, of 250,000 products in the total value of 23 million euros (Realitatea.NET, 2013).

Also, in 2013, the local Romanian market volume of online credit card payments amounted to approximately 7 million transactions, of which more than 400,000 transactions were made from mobile devices, calculated at the average annual rate of 6% . In terms of the share of online transactions made on mobile devices, approximately 60% of these were completed on a smartphone, while 40% were carried out with the help of tablets. (Craciun R. 2014).

E-commerce is turning over the traditional retailing strategies by greatly expanding **shopping convenience, selection and affordability**. On top of this, mobile shopping is enhancing **product and price transparency**, often to the competitive disadvantage of physical retailers (Nelson A.J., Billingsley A. 2012).

Technological advancements are expected to decrease space demand as consumers obtain virtually anything they want online and experience the brand outside of the confines of the store (Benson A.; Panfel M.; Tubridy M., 2010).

One clear impact is the channel shift of retail sales away from traditional retailers and toward *Internet-only* retailers **with no physical presence** (such as *Amazon, eBay, eMAG*) and the *Internet divisions of* **“multi-channel”** retailers with both e-commerce and physical stores (such as Wal-Mart). The trend affects mainly two broad categories: products with a high value relative to shipping costs, and commodity items in which the products are relatively undifferentiated or easily compared online, making price the key

¹ Sf = square foot

determinant in the shopping decision (Nelson A.J., Billingsley A. 2012).

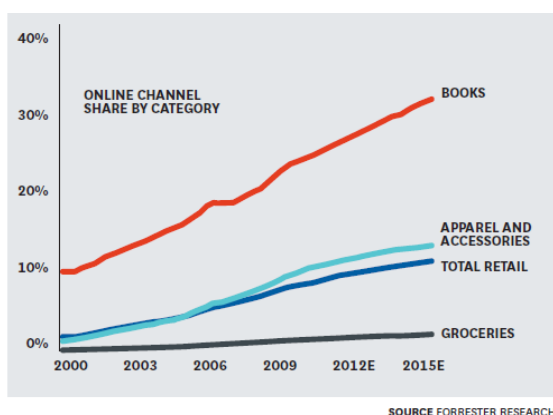


Figure 1. The threat threshold for physical retailers (Rigby D. 2011)

The digital revolution, for instance, has affected the *bookstores and the music/video stores*, rapidly shifting online. Similarly, *electronics stores* that have occupied significant amounts of space in power and lifestyle centers have also come under pressure. *Online groceries* increasingly became the “zone” for shoppers unable to find obscure, special or less popular products not stocked on traditional supermarket shelves (Beson A.; Panfel M.; Tubridy M., 2010) – see also Fig.1.

In addition, using the **Internet and mobile devices** (smart phones and tablets) **to research goods** before making purchases is reducing the traditional store function as a **showcase** and, consequently, **store size** (saving on rent, staffing, utilities and other operating expenses).

On the other hand, **advanced data collection and analytics** will allow shopping centers / retailers to look at purchase history, product preferences and consumer wish lists to **better tailor** their offerings towards the clientele. Retailers would be able to **predict new collections** sizes, styles and color preferences with increasing precision (Benson A.; Panfel M.; Tubridy M., 2010). These efficiencies will inevitably lead to a **revolution in shopping spaces concepts**.

At the same time, technology is enabling retailers to be more efficient, generating more sales. How? Retailers often face smaller sales losses when cutting back on the amount and range of merchandise at their stores—no need to stock every color in every size—so long as they can fulfill the delivery promise (*Less Holding, More Selling*).

One other significant way in which technology will affect the shopping center industry is that **shopping will become a more socially connected, interactive event**. “Landlords have realized that dining out is an experience consumers can't really replicate on the internet,” said Ryan Severino, senior economist and associate director of research for Reis Inc., a company that tracks commercial real estate. “They [landlords] want to entice people physically into the mall, and maybe they'll stick around and do a little shopping.” (Jennings L., 2013).

The modern-day landlord is a provider of space and services - as Steve Jobs explained: “You have to start with the consumer experience and work back towards the technology - not the other way round” (Smith A., 2013).

An evidence of a **paradigm shift** is for example the Mall of America, with a wide array of entertainment-oriented tenants’ attractions. The central theme-park Knott's Camp Snoopy, operated by Disneyland's Californian competitor, Knott's Berry Farm, is the most prominent example. Other amusement features include miniature golf course, Golf Mountain, and interactive virtual reality laser game Star-Base Omega and Underwater World Aquarium. Entertainment companies have been expanding into retailing for some time, and at the Mall of America Disney itself and movie competitor Warner Bros. are represented with their merchandise store concepts. Souvenirs and merchandising apparel and artifacts are also sold at the several Camp Snoopy and Mall of America outlets and at a number of themed restaurant of which Planet Hollywood and Rainforest Cafe are the most prominent. Danish toy manufacturer, LEGO, which also operates theme parks, features an experimental LEGO Imagination Center—a hybrid between a showroom, play area, and a store. (Csaba, F. F., Askegaard S., 1999).

Also, from now on, by the means of new technology, consumers may have more access to better information about *where to find stores in shopping centers, how to efficiently move around shopping centers, where there are sales, and if items they want are in stock or not*. The vast amount of information will allow shoppers to compare products and be more

knowledgeable about their options from outside a store.

This is not future anymore – as Biggar S. shows in 2012, *Path Intelligence* is one firm measuring “pings” as cell phones and other mobile devices connect to mobile network operators (AT&T, Verizon, Vodafone, etc.) inside shopping centers. Using technology developed out of MIT, Path Intelligence detects each ping on multiple sensors placed within the mall. Data derived from cell phones (and other mobile devices) enable mall owners, developers and operators to:

- Monitor the performance of each mall and across mall portfolios;
- Optimize the tenant mix for maximum attractiveness to local shoppers (based on **traffic data**: frequency, path, average time of visits, etc.);
- Measure the effectiveness of marketing events and promotions, etc. (Biggar S., 2012).

A recent example of this use of technology relates to **smartphone applications**. “*Shopkick*” for instance allows shopping-center owners and retailers to reward customers for Shoppers' awareness depends simply entering a center or a particular store. Incentives can be passed on to shoppers for scanning particular items and trying on clothing. This method to increase visits to retail locations benefits all involved (Benson A.; Panfel M.; Tubridy M., 2010). Another example is linked to Westfield Group. Westfield Group has set out to simplify the shopping experience in each of its **55 malls** throughout the U.S. with the launch of the first-of-its-kind product search feature, now available via the free **Westfield App**. This new feature incorporates the leading edge technology of **Google Commerce Search**, allowing shoppers to browse the merchandise offerings of retailers located in Westfield shopping centers. The new product search feature builds on Westfield's commitment to make shopping convenient, easy and fun, including existing Westfield App features, which include a **directory and map** for all 55 centers in the United States, **special retailer offers, movies show times, shopping hours and the ability to remember the location of a shopper's parked car**. (Westfield G, 2011).

At Meadowhall, using WiFi you could log on to the centre's website to check out the latest offers and events or utilize services such as Voucher Cloud for special offers or trials offered nationally.

Meanwhile, traditional retailers are covering on-line sales more difficult. Online sales account for less than 2% of revenue at Walmart and Target.

Nor are traditional retailers pioneering digital innovations in other channels, such as *mobile shopping* and *call centers*, or seamlessly integrating these technologies in their most important channel - physical stores (Rigby D., 2011)

2. The digital marketing challenge

According to ICSC (*International Council of Shopping Centers*), over the past few years, social and digital media have become an integral part of the retail / shopping centers industry, changing the way consumers shop and the way shopping center professionals do business (ICSC 2013).

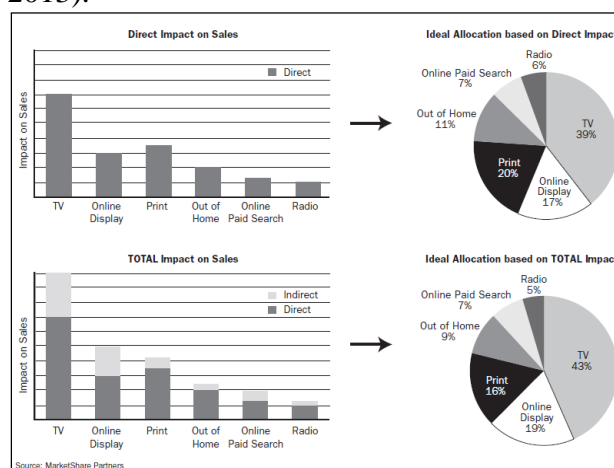


Figure 2. Ideal Media Allocation Based on Direct Impact vs. Total Impact on Sales (Reynar A., Phillips J., Heumann S., 2010)

To reach 50 million people, radio took 38 years, TV took 13 years, but **Facebook managed it in a mere nine months**. In the last years there has been a rush into **web advertising** and **social media networks** (Thornton A. 2010) - see also Fig. 2.

Romanian shopping centers themselves are trying to use **Facebook** to keep in touch with your potential customers, the most active ten projects having a portfolio of *Like's* of 150,000 users of social networking (data collected on 22 December 2011 - Moga C. 2011) .

Twitter mania has hit mall owners as well. Mall owners are all trying their hand at social media, employing **Twitter** and **Facebook** to generate

shopping-center buzz and touch customers. But it's not as easy as it looks. "*New media is a double-edged sword*". **While it presents easy and cost-effective entry, it also demands constant care and feeding** (Boccaccio K., 2009).

The mall's role as a meeting place is also a generator for a **virtual community**. The mall can help larger community better know one-another by user-generated content (e.g., a recent "giving initiative" at the Village of Rochester Hills). During this initiative, community members wrote via social media about people who have inspired them. Several of these "nominees" received a holiday gift certificate community to shop the Village, as well as broad recognition for their good work with an article about them published in Rochester Patch, a local e-zone owned by AOL Time Warner (Aikens, G., 2013). **Search engine optimization** techniques are also an essential ingredient in the digital marketing mix. Key search words can be bought to ensure that a centre gains prominence near the top of Google's all-important search criteria. **Relevance is vital, however. Big opportunities in digital are often twinned with traps.** Multi-

channel media approach can often be the most effective. (Thornton A. 2010).

ICSC (*International Council of Shopping Centers*) has also taken significant steps to help integrate social media and digital technology into the retail real estate industry through education, training and a mobile app available to its 60,000-plus members. ICSC's digital reach is substantial, with some 82,000 followers across **Facebook, Foursquare, Google-Plus, Instagram, Pinterest, Twitter** and **YouTube**. "*Social and digital media are no longer just experimental, they are a critical part of any business strategy involving multiple disciplines,*" said Jay Starr, a senior staff vice president and the chief global marketing officer at ICSC (ICSC 2013).

4 E-technology and the future of shopping

Online and offline experiences can be complementary (Rigby D. 2011).

Different customers will value parts of the shopping experience differently, but all are likely to want perfect integration of the digital and the physical – see **Table 1** (Rigby D., 2011).

Table. 1. Advantages of Digital and Physical Shopping (Rigby D., 2011)

Advantages of Digital	Advantages of Physical
- Rich product information	- Shopping as an event and an experience
- Customer reviews and tips	- Ability to test, try on, or experience products
- Editorial content and advice	- Personal help from caring associates
- Social engagement and two-way dialogue	- Convenient returns
- Broadest selection	- Instant access to products
- Convenient and fast checkout	- Help with initial setup or ongoing repairs
- Price comparison and special deals	- Instant gratification of all senses
- Convenience of anything, anytime, anywhere access	- Edited assortment

A multi-channel approach dramatically strengthens the link between the online shopper and the bricks-and-mortar ²store. Still, there's one time that nothing can meet the **emotional needs of the shopper** as well as the tangible merchandise of bricks-and-mortar store, and that's during **the holiday season** (Kramer P., 2009).

The ability of a retail center to unlock fervor **depends on the affection for the place that already exists**. The pre-existing level of affection for a place depends on a range of factors, such as *physical design, tenant mix and the fit between these and the surrounding demographic* (Aikens, G., 2013) – but this is subject for another discussion.

5 Conclusions

Computers and mobile devices will mix the virtual and real shopping experiences and will affect how shopping centers are planned and managed, better accommodating the needs of individual shoppers to an “E”-model.

The use of new technologies provides consumers with a more stimulating way of interacting, better adapted to nowadays needs and lifestyle.

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² Brick-and-mortar businesses are companies that have a physical presence and offer face-to-face customer experiences

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