



A meal and mini-golf at Strokes

The

New

Retail

Hong Kong's malls are fast becoming spaces for living first, shopping second

Hong Kong's favorite sport is getting some brand new arenas, and you have millennials to thank for it.

"Shopping malls are being increasingly designed as centers for community. Shopping almost becomes secondary," says Kevin Tranbarger, Asia-Pacific Head of Retail Projects for JLL, one of the world's leading real estate companies.

Unlike their Baby Boomer parents, the millennial generation (born between 1981 and 1996) value interesting experiences over ownership of material goods, and are willing to travel far and wide for the perfect Instagram picture. Even if it is just to the mall.

Whether it's installing virtual fitting rooms, mini-golf

courses or even a go-kart racing track inside their premises, retailers and F&B outlets are becoming increasingly creative in their quest to hold the attention of millennial shoppers who expect more from their day at the mall than just a satisfying purchase.

Worth the investment? If you consider that millennials comprise 25 percent of the Asia-Pacific's total workforce population and spending power, then definitely.

Work, rest and play

A key part of Tranbarger's role is to help mall operators optimize their environments for the modern consumer.



Kevin Tranbarger

Today's mall operators have to think and compete like retailers. They have to consider their marketing, tenant mix and how to differentiate themselves from the competition, he says. Pacific Place in Admiralty is one example of a mall that's found a successful balance in its mix of tenants between entertainment, fitness and health, F&B outlets and office space.

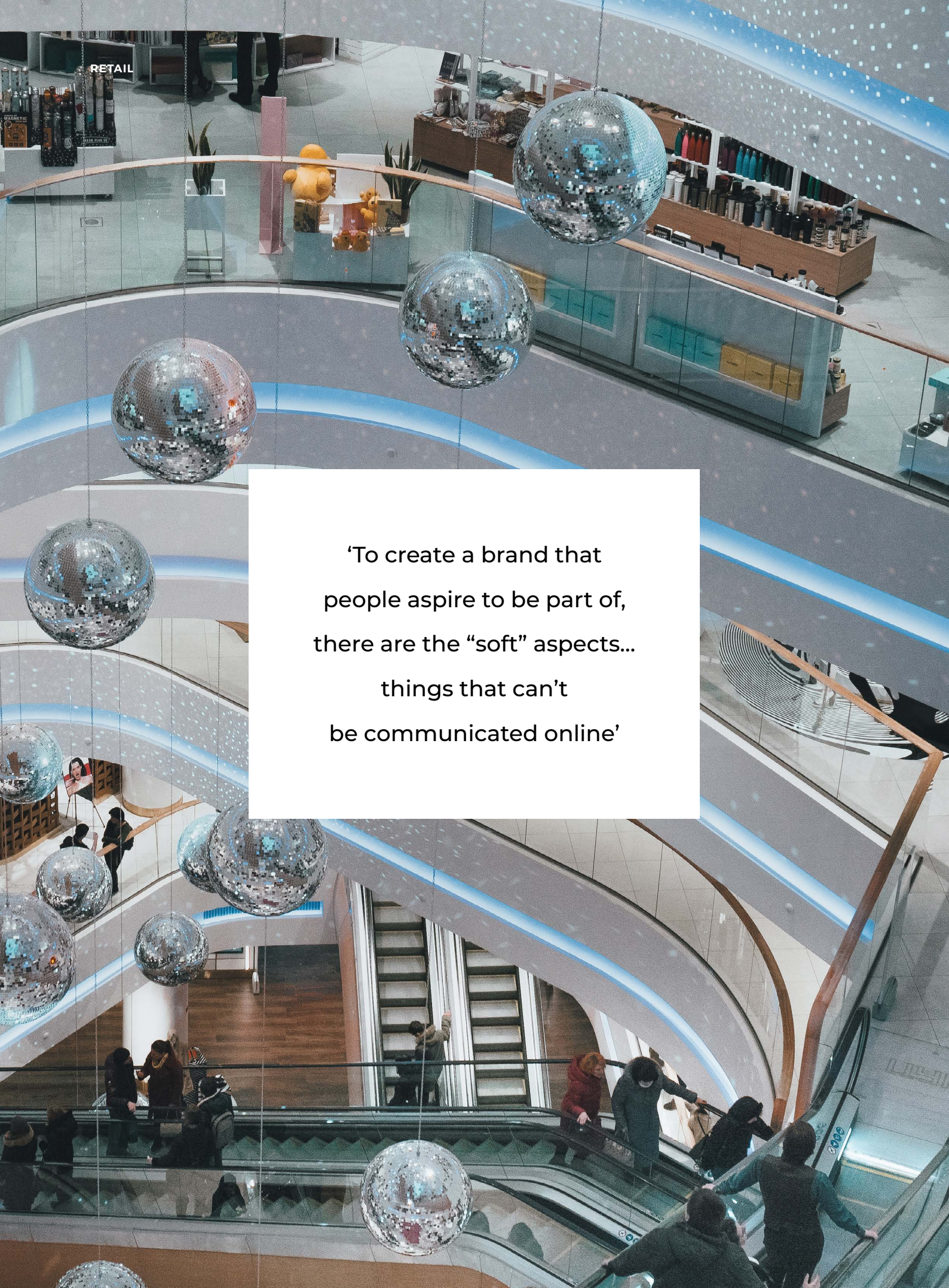
"People want to go somewhere for entertainment, have something to eat and make impulse buys," he says.

Tranbarger, who studied architecture in college, knows how physical design can influence consumer psychology and behavior. "From an architectural point of view, the common areas in malls have

traditionally been quite cold and open. Now they have displays pulling from different retailers that are going to draw you in and entertain you with interactive programs — everybody wins," he says.

F&B outlets have also jumped on the interactive experiences bandwagon. You can play a round of mini-golf while you wait for your food at Strokes in Causeway Bay, or load up on cocktails in between turns at Tikitiki bowling bar in Sai Kung.

Then there is the prolific mushrooming of health and fitness outlets all over Hong Kong's popular shopping districts. Appearing, in many cases, on the graves of former high-end designer stores. The global wellness movement being yet another trend that



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mall operators cannot ignore if they want to retain their millennial customers.

In any case, knowing your customer and where they shop is key — no two malls should be the same. “What won’t work is the ‘cookie cutter’ approach to retail still used in China, where the thinking goes ‘this one worked, let’s build another 20 of them,’” says Tranbarger.

Let’s get physical

We’ve all heard of the Retail Apocalypse — the fearsome name given to the viral closure of brick-and-mortar stores in the West, starting with North America back in 2010. Eight years on and things don’t seem to be looking up, with store closures in some countries hitting an all-time high in 2017, according to the Global Retail Trends 2018 report by KPMG. Just last month, the famed Sears Holdings became the latest victim when it filed for Chapter 11 bankruptcy protection.

Tranbarger, a 20-year retail career veteran, isn’t buying into the gloomy prognosis that physical stores are on their way out. Quite the opposite.

“People still like to interact with other people,” he says, citing Italian food hall/marketplace Eataly in New York City as an example of a place where “Like-minded people coming together brings people together.”

Then there is the aspiration factor.

“People still want to explore and want to touch [products]. For retailers wanting to create a brand that people aspire to be part of, there are the ‘soft’ aspects... things that can’t be communicated online,” he says.

Take luxury retail, a market Tranbarger knows well after a stint as vice president of DFS Group, the Hong Kong-based group best known for its duty free luxury outlets at airports worldwide and which is now owned by LVMH. Tranbarger’s time at DFS taught him that when it comes to luxury the mainland Chinese still prefer to shop in-store rather than online. This explains the staying power of high-end luxury brands in areas of Hong Kong frequented by Chinese tourists, such as Causeway Bay and Tsim Sha Tsui.

“When it comes to luxury, it is harder to tell the story online. The layer of service, like the customer service rep bringing you a glass a champagne while you shop, is missing,” he says.

Bricks and clicks

Why did e-commerce ever threaten the physical shopping experience if the latter is still so crucial?

Tranbarger says having an online strategy has become increasingly key in getting people off their couches and into stores, and that even the e-commerce stores are realizing they need a physical presence where customers can interact with the products.



GRANA's now-closed The Fitting Room

‘Losing a customer costs 10 times as much as gaining a new one’

Hong Kong-based online fashion store Grana is a great example. The brand opened its first physical store in Sheung Wan in 2015, which allowed customers to try clothes on before purchasing them online or in-store for at-home delivery. The aim was to address the problem of online shoppers returning goods because they didn't fit, and dissatisfaction with what came in the mail versus what they saw online, founder Luke Grana told Inside Retail at the time.

The Fitting Room has since closed, but Grana continues to host pop-up stores year-round globally to boost awareness of its online store. This omni-channel strategy seems to be working — after four years in business and having secured capital from investors including Alibaba, the company now ships its clothes to 70 countries worldwide, Luke Grana said last month.

Technology helps retailers get people through the door, but it also allows for greater personalization of products — something millennials appreciate and are willing to pay a premium for. Think custom-designed sneakers — a dream turned to reality for sportswear fans at the Nike store in Tsim Sha Tsui.

It's a lot to take in, but Tranbarger feels confident in the future of retail and is reassuring that bricks-and-mortar isn't going anywhere anytime soon. His advice to worried retailers is to know your customer, have a clear vision and to view challenges as opportunities. Finally, to view the customer in terms of their net worth over a lifetime and not per transaction.

“Losing a customer [on this basis] costs 10 times as much as gaining a new one,” he says.