



ICSC Master Narrative & Supporting Points

I. BUILDING COMMUNITIES

“Unlike any other “place,” shopping centers are built around the needs of communities, while building value in them, too.”

From Istanbul’s ancient Grand Bazaar to Seattle’s modern-day Bellevue Square, shopping centers build, revitalize and even place entire communities on the map.

- Shopping centers are located in every community across the U.S.—115,400+ in total. *(Source: ICSC U.S. Fact Sheet)*
- Shopping centers are integral to the social fabric of communities by providing a “third place.” They are community centers, providing a place to be with friends or family when not at work or home. Shopping is still a very social event. *(Source: ICSC Media Talking Points)*
- According to the U.S. Census Bureau, the value of shopping center construction reached nearly \$17.2 billion in 2015—a level not seen since 2008. Much of this was spent on redevelopment as the retail real estate industry has successfully constrained the amount of new supply being put into the pipeline. *(Source: U.S. Census Bureau)*
- Although the U.S. dominates in global shopping center GLA, the developing economies of Brazil, Russia, India and China are experiencing the most dramatic changes in their retail landscape across all regions globally. Each of these four economies has seen their shopping center inventory increase significantly over the past decade.

Shopping centers are cultural centers for communities, they bring people of all ages and interests together and an iconic place for consumers to shop, dine, workout or even ride a roller coaster.

- On average, American adults visit shopping centers 5.6 times per month. This equates to a total of approximately 1.4 billion visits per month for all adults. *(Source: ICSC April 2016 Consumer Engagement Survey)*
- During the 2016 holiday season, 70% of adult Americans – more than 170 million people – visited a mall. While 73% of those adults shopped, 45% dined at a restaurant or other eating establishment and 26% saw a movie. *(Source: ICSC 2016 Post-Holiday Shopping Survey)*



Retail's move toward mixed-use centers is creating a cultural shift where "signature" dining and experiences encourage foot traffic that stays longer, spends more and keeps it local.

- New developments anchored by high-end restaurants and surrounded by food markets, clothing stores, office space and residential areas are creating urban multi-use megaplexes focused on "placemaking." (Source: Bloomberg, "A \$20 Billion Megaproject's Key Ingredient: The Luxury Food Court")
- Shopping centers are meeting the needs of the changing health care landscape. According to a recent report by PwC's Health Research Institute, there are more than 3,000 retail health clinics currently in operation with one in three consumers having utilized their services. (December 2016)
- Leasing teams work very hard to find the "right" tenant that will best complement the shopping center and meet the needs of the surrounding community. Shopping centers are being far more creative in how they lease their space, with a rise in non-traditional tenants and anchor stores (e.g. Whole Foods or a gym as a mall anchor). (Source: ICSC Media Talking Points)
- Teavana's new concept store features a 23-foot communal "make table" where shoppers can sample teas and craft their own signature tea blend with the guidance of an in-store tea expert. Urban Outfitters' Brooklyn store, Space Ninety 8, offers five stories of retail space with an in-house restaurant operated by celebrity chef Ilan Hall, a rooftop bar, a marketplace to highlight the works of local designers and open space for pop-up shops. (Source: Bain & Company, Retail Holiday Newsletter 2015-2016)

II. FUELING ECONOMIES

"The combined power of two of the most influential industries supports the perpetual heartbeat of local, national and global economies."

Retail real estate is a catalyst of the global economy. A bellwether connecting Main Street and Wall Street, the industry's impact stretches from the wallet to the global exchange.

- The value of retail real estate stretches far beyond retail sales alone, in fact, the current value of shopping center real estate in the U.S. is \$1.3 trillion. (Source: ICSC Economic Impact Infographic 2016)
- The business of retail influences our entire economy, with a substantial impact on the communities where shopping centers reside; total shopping center sales yielded \$2.6 trillion in 2015. (Source: ICSC U.S. Fact Sheet)
- Shopping center sales make up about 15% of U.S. GDP. (Source: ICSC U.S. Fact Sheet)



- In China, total retail sales accounted for 44.5% of the GDP in 2015. There were 4,150 shopping centers in China in 2015. (Source: ICSC Country Fact Sheets)
- In Australia, total retail sales accounted for 17.9% of the GDP, and shopping center sales accounted for 8.4% of GDP in 2015. (Source: ICSC Country Fact Sheets)
- In the UK, total retail sales accounted for 18.9% of the GDP, and there were 1,520 shopping centers in 2015. (Source: ICSC Country Fact Sheets)
- In Mexico, total retail sales accounted for 15.2% of the GDP, and shopping center sales accounted for 3.8% of the GDP in 2014. (Source: ICSC Country Fact Sheets)
- In South Africa, total retail sales accounted for 15% of the GDP, and shopping center sales accounted for 11.5% of the GDP in 2014. (Source: ICSC Country Fact Sheets)

Shopping centers are vital resource for local communities, generating billions of tax dollars that fund critical city infrastructure from fire departments and schools, to play grounds and parks.

- Shopping centers generate \$167.3 billion annually in sales taxes, which help fund critical municipal services such as fire departments, police stations, schools and infrastructure like roadways and parks. (Source: ICSC Economic Impact Infographic 2016)
- Shopping centers are also responsible for the payment of \$25.7 billion in local property taxes—more than enough to cover the 2015 budget for the state of California, the world's eighth largest economy. (Source: ICSC Economic Impact Infographic 2016)

Retail real estate isn't just about collecting rent; it helps nearly 13 million Americans pay their rent. From folding tee shirts to developing tomorrow's urban megaplexes, the industry creates jobs.

- There are 12.8 million shopping center-related employees in the U.S. This accounts for 1 out of every 11 jobs. (Source: ICSC U.S. Fact Sheet)
- In 2015, the U.S. reached an all-time high of 15.6 million retail employees. (Source: ICSC U.S. Fact Sheet)
- Nearly one-third (30%) of Americans over the age of 18 have worked at a shopping center at some point in their lives. (Source: ICSC April 2016 Consumer Engagement Survey)
- For every 100 individuals directly employed at a U.S. regional shopping center, an additional 20 to 30 jobs are supported in the community due to multiplier effects. (Source: ICSC)



- More than 44% of retail occupations are completely unrelated to sales and include professions in information technology, logistics, and strategic management. (Source: *ICSC Economic Impact Infographic 2016*)
- In China, there were 182.2 million total wholesale and retail trade employees in 2014, making up 23% of total employees. (Source: *ICSC Country Fact Sheets*)
- In Australia, 1.3 million total retail employees made up 10.9% of total employees, and more than 720,000 total shopping center employees made up 6.3% of total employees in 2015. (Source: *ICSC Country Fact Sheets*)
- In the UK, there were 3,028,000 total retail employees making up 9.6% of total employees in 2015. (Source: *ICSC Country Fact Sheets*)
- In Mexico, more than 7.2 million total retail employees accounted for 24.3% of total employees, and over 600,000 total shopping center employees accounted for 8.4% of total employees in 2014. (Source: *ICSC Country Fact Sheets*)
- In South Africa, 930,000 total retail employees made up 10.3% of total employees, and 558,000 total shopping center employees accounted for 6.2% of total employees in 2014. (Source: *ICSC Country Fact Sheets*)

The lifeblood of small business owners, from mom and pop shops to boutiques, shopping centers attract customers that drive profits and keep them in business.

- The vast majority (88%) of U.S. shopping centers are convenience and neighborhood centers. Almost half of these are occupied by locally-owned businesses. (Source: *ICSC Economic Impact 2016*)
- More than 20% of shopping center tenants are in non-retail industries and include doctors and dentists, personal finance and tax professionals, and institutions of higher learning. (Source: *ICSC Economic Impact 2016*)
- In 2016, sales at small business retailers outpaced their larger competitors making small business a valuable revenue source for shopping centers while providing localized and unique experiences for consumers.



III. INSPIRING INNOVATION

“The industry’s far-reaching influence uniquely positions it to shape the practices, policies and technologies that impact the future of business and society.”

Today’s showrooms are shaping how consumers will interact, shop, pay and even run businesses of the future.

- Companies are becoming hyper focused on customer service and getting the perfect product to the right person the very first time – this is not solely to benefit brand loyalty, but to curb product returns which can account for a 10-20% loss in sales. *(Source: MIT’s Center for Transportation & Logistics.)*
- Forty percent of the evolved retailers analyzed in one study do not hold buyable inventory in store. Rather, retail formats act as showrooms; store associates place orders online, and the customer leaves empty-handed while their items are shipped home. *(Source: L2 Intelligence Report, 2016)*
- Bonobos bills over 20 of its stores as “guideshops,” where customers can try on clothing to finalize fit, but leave without their purchases. The showroom strategy has also worked well for customized clothing brands such as Proper Cloth, Indochino, and J.Hilburn, all of which operate showrooms that allow customers to receive personal fittings before their purchases are custom tailored. *(Source: L2 Intelligence Report, 2016)*
- Retailers are rushing to see how they can incorporate virtual and augmented reality into the shopping experience. Home Depot has started with home decorating tools and now clothing brands are experimenting with new ways to virtually try on clothes or even shop the shelves.
- Rebecca Minkoff teamed up with eBay to open a digitally connected flagship store that features oversized screens where consumers can browse additional products and request items to try on. Neiman Marcus’ Memory Mirror records 8-second videos of outfits to enable 360-degree views and side-by-side comparisons. Ralph Lauren debuted its own smart mirrors, which recognize the items that customers bring into the fitting room and provide options to request a different size or style. The mirrors operate in five languages and also allow users to change the fitting room lighting. *(Source: L2 Intelligence Report, 2016)*
- Other examples of new retail technologies besides magic mirrors and smart fitting rooms include: Apple Pay, RFID tags, inventory software, beacons, visual recognition apps, new point-of-sales (POS) checkpoints and delivery innovations.



Bricks and clicks are not an “either or,” they are a relationship. When done right, omni-channel is a sales driver, improving service and convenience, and delivering experiences that make brands relevant to consumers.

- Consumers’ changing habits are fueling an unprecedented investment by retailers to build out omni-channel services that provide seamless customer experiences both on and offline – this is not a shift in one direction or the other – it’s a two-way street.
- Millennials were more likely than any other generational group to shop at a physical location during the 2016 holiday season, further proof that brick and mortar is vital to future of the industry. *(Source: ICSC 2016 Holiday Shopping Report)*
- Pure-play retail can serve as a test market for products, helping to determine demand and consumer interest. If successful, brands like UNTUCKit, Warby Parker and Bonobos can then open their brick and mortar locations to target an even larger audience. In essence, online can lower the barriers to entry for entrepreneurs.
- Omni-channel shoppers shop more frequently and spend 3.5 times more than single-channel shoppers. *(Source: ICSC America’s Marketplace Report)*
- In-store conversion rates are four times higher than online-only conversion rates. *(Source: ICSC America’s Marketplace Report)*
- Once in a store, shoppers are much less likely than they are online to leave empty-handed. Store conversion rates average 25% to 45%, while online conversion is only 2% to 5%. *(Source: Bain & Company, Retail Holiday Newsletter 2015-2016)*
- Forty percent of customers spend more money than planned during in-store visits, vs. 25% of online shoppers. *(Source: Bain & Company, Retail Holiday Newsletter 2015-2016)*
- Digital channels and the ability to conduct research prior to a purchase have positioned consumers further along the purchasing funnel, making them more motivated and informed when they arrive at a store. During the 2016 back-to-school season, 62% of shoppers conducted research online before shopping in-store. *(Source: ICSC July 2016 Back-to-School Survey)*
- The vast majority (86%) of shoppers use a mobile device while shopping in-store. The top uses are to compare prices (58%), retrieve digital discounts/coupons (45%), view ratings (34%) and check availability (33%). *(Source: ICSC July 2016 Back-to-School Survey)*
- The rise of click-and-collect exemplifies the convergence of physical and digital retail. According to ICSC’s most recent consumer survey, one-third (33%) of shoppers purchased an item online to be picked up in-store; 84% of these shoppers then made additional purchases at that store or an adjacent store when picking up the item(s). *(Source: ICSC July 2016 Back-to-School Survey)*



- E-tailers with a physical presence enjoy greater organic site traffic and lower customer acquisition costs via paid search and email. (Source: *L2 Intelligence Report, 2016*)
- Nearly three quarters of multichannel retailers are more profitable than their single-channel counterparts, and Rent the Runway, Blank Label, Bonobos, and BaubleBar all report higher average order values in-store than online, where customers are more likely to make both high value and incremental purchases. (Source: *L2 Intelligence Report, 2016*)
- According to the U.S. Census, approximately 93% of all retail sales occur in a physical store, while e-commerce sales only account for about 7% of sales. Furthermore, the e-commerce total includes sales from the online channels of brick-and-mortar retailers. (Source: *U.S. Census Bureau*)

Amazon, Warby Parker and other online retailers recognize consumers' innate need to interact. Our industry was built on catering to this need, creating the defining moments that allow brands to establish emotional ties with consumers.

- There are people that will never buy a product that they cannot see and touch; as a result, businesses such as Amazon, Fabletics, and Warby Parker have all made the move from pure-play to omni-channel, instantly reaping the rewards of a larger consumer base.
- When polled about the reasons shoppers buy in-store rather than online, 60% of consumers cite the ability to see, touch, and try merchandise, 53% appreciate the ability to get product immediately, and 33% of consumers turn to stores to be certain about the fit and suitability of items. (Source: *L2 Intelligence Report, 2016*)
- Stores allow customers to interact directly with sales associates, who can encourage additional purchases and allay fit concerns, a process that Rent the Runway credits directly for its higher in-store transaction sizes. (Source: *L2 Intelligence Report, 2016*)

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