**Press release**

**3 November 2020**



**Top retail brands are innovating and scaling in malls for the long term**

* **Pioneering retailers are reinventing the shopping experience by bringing technology in-store**
* **Malls with good landlords, locations, and retail mixes are first in line for retail innovations**

Leading retailers, including big online brands, are putting their long-term money on strong shopping malls backed by quality landlords.

The widespread narrative around consumers and retailers moving online, away from shops and malls, is primarily based on some trends within the UK and US markets. The high global visibility of these markets often leads to their trends being generalised to the rest of the world. However, South Africa and Poland are two markets showing different retail trends.

Craig Smith, Head of Research & Property at Anchor Stockbrokers, says, *"It is a simple function of supply and demand – from this standpoint the situation in Poland is far more favourable for physical retail than in the UK, US and South Africa."*

Johannesburg Stock Exchange (JSE) listed EPP, Poland's biggest retail landlord, has attracted a slew of big-name retailers to its shopping centres in the past six months, demonstrating high levels of confidence in shopping malls, EPP's assets and Poland's economy, despite the coronavirus pandemic.

New stores recently opened in EPP's portfolio include clothing and household goods dealer Pepco which has its roots in South Africa's Pepkor, French multinational retailer Carrefour, Poland's market leader in footwear CCC, the first in Poland Primark store as well as Hebe, W.KRUK, Super-Pharm, 50 style, and more. They have kept EPP's portfolio at a stable 96%-plus occupancy rate.

*"These new openings aren't just any stores. We are incredibly proud that leading retailers are investing in flagship stores and creating innovative retail firsts for the Central and Eastern Europe (CEE) region and the world within our portfolio of shopping centres,"* reports Tomasz Trzósło, CEO of EPP. *"At EPP we are open to different and pioneering concepts and excited to collaborate to find new ways to delight and serve our customers."* EPP's co-owned Galeria Młociny in Warsaw, for instance, has become a platform for exciting retail market leadership and innovation.

**Merging online and in-store with an ideal mix of fashion and technology**

eobuwie.pl, a market leader in online footwear and accessories sales in CEE, is scaling its operations by building a network of brick-and-mortar stores, including its latest one in EPP's Galeria Młociny where eobuwie.pl flawlessly combines online and offline shopping. It's esize.me innovation is available in-store, where customers can make a free 3D foot scan in order to obtain shoe recommendations. By saving their scan, customers can use it again at any time, whether shopping online or in-store. When shopping in-store customers can select products using a tablet, and within three minutes their selections will be delivered from the back storeroom to try. Shoppers can also select products to be delivered to the shop within 24 hours where they can then be tried and purchased, using an app. Thus, the eobuwie.pl stores effectively offer the complete online range – 80,000 products from 500 brands. Humanoid robots and automatic reserve-and-collect kiosks are also part of this innovative retail model.

Based on the success of the eobuwie.pl model, it has branched out to develop online multi-brand premium fashion platform Modivo, which is now present in 10 countries across CEE and Western Europe. Modivo's offering includes 70,000 products from some 250 brands, such as Guess, Tommy Hilfiger, Versace Jeans Couture, Victoria Beckham, Max Mara, and Michael Kors. It recently invested in its first brick-and-mortar 'store of the future' in an elegant fusing of fashion and technology, also in EPP's Galeria Młociny. Modivo's concept store merges online and in-store retail. Customers don't have to search rows of hangers or heaps of products to find the right size or colour, but rather use a tablet to select the items they like, which are then automatically delivered to a private fitting room that offers in-room concierge service and style advice, personalised lighting controls and the ability to call for other products without leaving the fitting room.

**Favourable physical retaildrivers**

Shopping centres play a prominent role in Poland's retail landscape, yet CEE's largest economy still has low shopping centre densities of 265 sqm per 1,000 residents (the South African Council of Shopping Centres most recently reported its country's shopping centre density at 430 sqm per 1,000 residents in 2018, when Australia and the US had 1,200 sqm and 2,400 sqm per 1,000 residents respectively) and no competing high-street retail. Adding to the appeal of existing retail stock, no new shopping centres are likely to be introduced to the Polish market in the short term.

Anchor's Smith points out that cultural nuances and consumer preferences are also factors. On this point, it is worth noting that Polish consumers shop online when they need to, but they prefer physical in-store contact with products. This is backed by the e-commerce share of total retail sales in Poland increasing from 5.6% in February 2020 to a lockdown peak of 11.9% in April, but reducing to near pre-COVID-19 levels of 6.1% in August. Of course, this and consumer behaviours such as shopping closer to home are still in flux as a consequence of the current pandemic.

But, says Smith, *"There is a widely held view that well-located shopping centres with appropriate tenant mixes that are in the hands of well-capitalised landlords will have a bright future notwithstanding any increase in e-commerce penetration."*

This is also true for South Africa. While the country does not currently enjoy the economic advantages of the Polish market, Smith believes there are also still opportunities in the physical retail sector in South Africa. *"One needs to be very selective and to understand market dynamics. For example, shopping centres in non-metropolitan and rural areas are, on average, holding up much better than their metropolitan counterparts. However, the reality is that, unlike Poland, South Africa has too many retail shopping centres. Thus, there is likely to be a divergence between suitably situated shopping centres with appropriate retail mixes that rest in the hands of landlords with favourable liquidity and balance-sheet strength, which will continue to outperform those of a lower quality, especially those owned by landlords in weaker financial positions."*

**Omnichannel retail strategies will continue to prize good shopping centres**

Like Poland, but to a lesser degree, South Africa is seeing online retailers adding mall stores to their sales channels. Kitchen and home store Yuppiechef, for instance, expanded its footprint to include physical retail stores in malls, citing that this will allow them to gain access to a broader market and allow the consumer to engage with the brand. Smith notes, however, that less than a handful of online retailers in South Africa have the brand awareness and critical mass to scale in terms of a physical footprint in malls in the short-term. That said, he sees existing and established brick-and-mortar retailers increasing their focus on enhancing and expanding their online offering.

Smith concludes*, "It has become clear that brick-and-mortar retailers, and traditional online retailers, are viewing the future of retail as being omnichannel. Retail landlords with financial clout, superior tenant mixes and good assets will be first in line to benefit."*

**ends**

**EPP**

EPP is the largest owner of retail real estate in Poland in terms of GLA. The company's portfolio comprises 32 projects (25 retail, 6 office and one multifunctional under planning) with a total value of over EUR 2 billion and more than one million square metres of lettable space. EPP's properties are located in the most attractive Polish cities with the highest consumer demand and growth potential. The company is committed to deliver the best possible rates of return to its shareholders by providing consumers with a unique shopping experience and tenants with attractive space and innovative solutions to help them develop their business. EPP, which operates like a REIT, is listed on the stock exchanges in Johannesburg (JSE) in the Republic of South Africa and Luxembourg (LuxSE Euro MTF). More information at [www.epp-poland.com](http://www.epp-poland.com).

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