



WESTFIELD
HOW WE
SHOP NOW
WHAT'S NEXT?

Westfield

FOREWORD

I am delighted to introduce *How We Shop Now: What's Next?*

At Westfield, we know that we are in a transformative time for retail, where the advent of revolutionary changes in technology, society and the lives of consumers will continue to impact on our sector. The successful retailers of the future will be the ones which best recognise and adapt to these changes.

Bringing together new qualitative and quantitative research across five iconic cities, this report is part of Westfield's commitment to continuing to create the best retail experiences in the world, by understanding what consumers want and what retailers will need to do to in order to stay ahead of the changing world of global retail.

The trends of Pay-as-You-Go Retail, Classroom Retail, Lifestyle Loyalty, Enhanced Assistance, and Inside-Out Retail, about which you can read more in the report, begin to give us a picture of what consumers want the store of the future to look like.

Though these trends are by their nature not common practice in the retail industry as yet, many of the retailers that Westfield works with are already beginning to show signs of being early adopters of new technology, classroom retail and pay-as-you-go retail, as well as the other trends identified. Westfield will continue to work with retailers, consumers and experts in the coming years to understand where retail should be going, what consumers want most from their retail experiences, and what's next.

I hope this report will be stimulating and thought provoking for consumers, retailers and the retail industry, and others with an interest in our changing world.

Myf Ryan, Director of Marketing, UK and Europe

THE QUEST FOR NEXT:

We are in a new era of retailing, one that demands that businesses move faster than the speed of culture just to stand still. Today, if a trend is already being widely talked about, it's no longer a trend; it's already a part of retail history. In this report we look at the five trends powering what's next in retail.

In this new era, current trends have no value, the value lies in being able to identify what's next, not what's now.



How do you get to what's next? You get there by being at the forefront of technology and data, retail design and architecture, retail science, cultural change and, most importantly, human need around the globe.

As one of the leading global authorities on retail, Westfield has always been ahead of the curve and has always had its finger on the pulse of what's next. In the Westfield *How We Shop Now: What's Next* Report, Westfield marries its rich understanding of the drivers powering shopper behaviour, human need and cultural change with a deep exploration of what's coming down the line from multiple fields.

As well as leveraging the experience of the Westfield Labs team, Westfield has consulted experts across the fields of retail analytics, industry strategy and insight, retail science, design and architecture and digital innovation, as well as trend-hunters and major trends houses. They have mined this alongside quantitative consumer research across the US and UK with over 12,000 surveyed including boosts in the hub cities of London, New York, Los Angeles, San Francisco and San Diego. This has been supplemented with qualitative consumer interviews in New York and London, to create the definitive report on what's next for retail.



LONDON

LOS ANGELES

SAN DIEGO

NEW YORK

SAN FRANCISCO



THE BIG FIVE NEXT TRENDS:

In this report, you'll find the five trends that define what's next for retail. These five trends, collectively, signal a dynamic new era for retailing. An era in which the boundaries that define a shopping experience will become even more blurred – far beyond the channel blurring we have already witnessed.

This new era hails convergence at scale between ownership and borrowing models, shopping and learning experience, retail science and design, real and virtual encounters and monetary and lifestyle rewards. To find out what 'Next' looks like, read on...

TREND 1

1 PAY-AS-YOU- GO RETAIL

We have heard a lot about the rise of fast, disposable fashion over the last few years but now even this isn't fast enough. Shoppers today don't just want to change their wardrobes every few weeks, they want to change them day-by-day, in an easy, effortless, cost-effective way. In these challenging economic times, this just hasn't been possible. Until now.

There are early indications of a new retail model emerging. A model based on renting rather than owning the key pieces that we want, when we want them. A few years ago, there was a flurry of new rental brand launches including Rent the Runway, Girl Meets Dress and Vinted. Some worked but many failed because they required online ordering - which meant waiting - and tended to cater only for special occasions. The What's Next trend though is offline as much as online, and it is more every day and immediate than previous rental concepts that have launched.

The trend is going offline because people still do most of their shopping in physical stores and around three quarters of us say we still want to touch, feel and try out products in a physical store environment. Physical stores offer an opportunity to connect with brands and products and to be inspired by them in ways that are simply not possible online.

New launches are also making it easier to rent on the go in physical environments. Take Pimkie's Mini Fashion Bar as an example. Based in a hotel in Antwerp, it allows visitors to rent clothes and accessories appropriate for their trip and pay on check-out. They don't have to wait for an item to be delivered. It's there, ready for them when they need it.

We also see this trend in the fitness apparel space. At Westin and Fairmont Hotels in the US, guests can rent workout apparel and

footwear from leading brands for a nominal amount. At the Fairmont, they can also get an MP3 player and yoga mat.

Indeed, travel may well prove to be a trend accelerator in this regard.

As one of the Westfield How We Shop Now Retail Experts, Graeme McVie, from Precima, the retail analytics solution provider, explains, "When you're travelling, it can be a hassle to take exercise gear with you". He continues, "I can see trends like this increasing in popularity when people go travelling."

And once people try it and get used to it, it will be even more attractive - it could even extend to formal wear where it would save people from having to pack formal evening attire."

From our research, there is a real appetite for new rental models. Around a fifth of British and American shoppers say they are interested in renting from their favourite store and the appeal is even greater in cities, with nearly a third of Londoners and around a quarter of shoppers in Los Angeles and New York expressing interest.

The idea of renting is particularly appealing to Millennials, the so-called 'Generation Rent'. When asked if they were interested in renting from their favourite store, nearly half of 25-34-year-old Brits and over a third of 25-34-year-old Americans were keen. City-dwelling Millennials have an even greater desire to do this with 58% of Londoners, 45% of New Yorkers and 43% of Los Angeles shoppers claiming as much.

THE RISE OF RENTAL SUBSCRIPTIONS

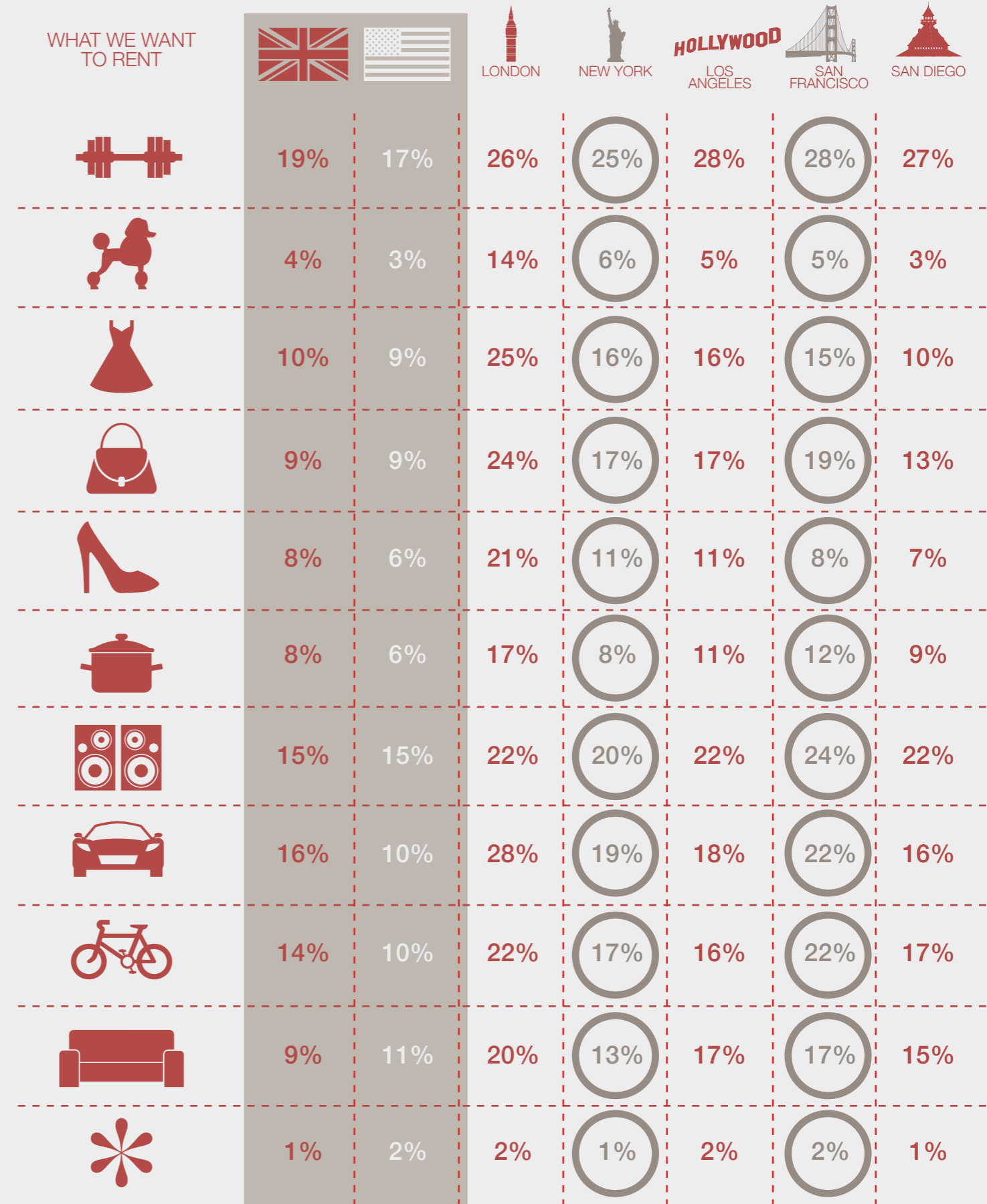
Not only are shoppers interested, but around a fifth of US and UK shoppers who expressed an interest in renting would be willing to spend £200 or more per month on unlimited clothing rent subscriptions. That represents a huge opportunity for retailers. Such subscriptions appeal even more to those living in major cities with 40% of Londoners and 22% of New Yorkers willing to spend £200 or more. And it gets even better. Such rental subscriptions carry the most appeal for the fashion-forward in these global fashion hubs, with 59% and 22% of the most confident fashion shoppers in London and New York respectively claiming they would spend more than £200 or more on a monthly unlimited subscription. This critical retail audience is willing to spend and spend big on rental.

There was also a significant difference between men and women in both London and New York, with over half (51%) of London males willing to spend more than £200 per month, compared with 29% of female capital-dwellers and 37% of New Yorkers males willing to spend this much, compared with 15% of females in the city.

"The driver behind this trend is consumers really valuing the flexibility of selecting an item for just one wear or use. This means you can choose something that no-one's ever seen you wearing before, or that works best for the occasion you've chosen it for, without having to commit to it or worry about whether you'll wear it again."

Myf Ryan, Westfield

So, there is the desire to rent and to spend significant sums doing so, but what would we choose to rent if we could?



1 PAY-AS-YOU- GO RETAIL

Overall, Brits and Americans have similar levels of interest in renting, though there are revealing differences in terms of category preferences. Though renting exercise equipment is the most desired by both, the Brits also have real appetite for cars and tech, followed by bicycles and clothing, while Americans rank tech second, followed by furniture, cars and bicycles and lastly clothing and fashion.

A different picture also emerges at the city level. Overall, urbanites have a far greater desire to pay-as-they-go across the board. For Londoners, as we might expect given the rise of city car-pooling and the high cost of living, cars rank top on their rental wish-list, followed by exercise equipment, but they then cite clothing and fashion accessories as their preferred rental items.

In fact, a quarter of Londoners would like to rent clothing and a fifth of them would rent footwear.

What we also see is that the most frequent shoppers of clothes, footwear and accessories across the UK are the ones with the greatest appetite for renting these items. More than a third of those who shop for these items more than three times a week would like to be able to rent clothing or footwear.

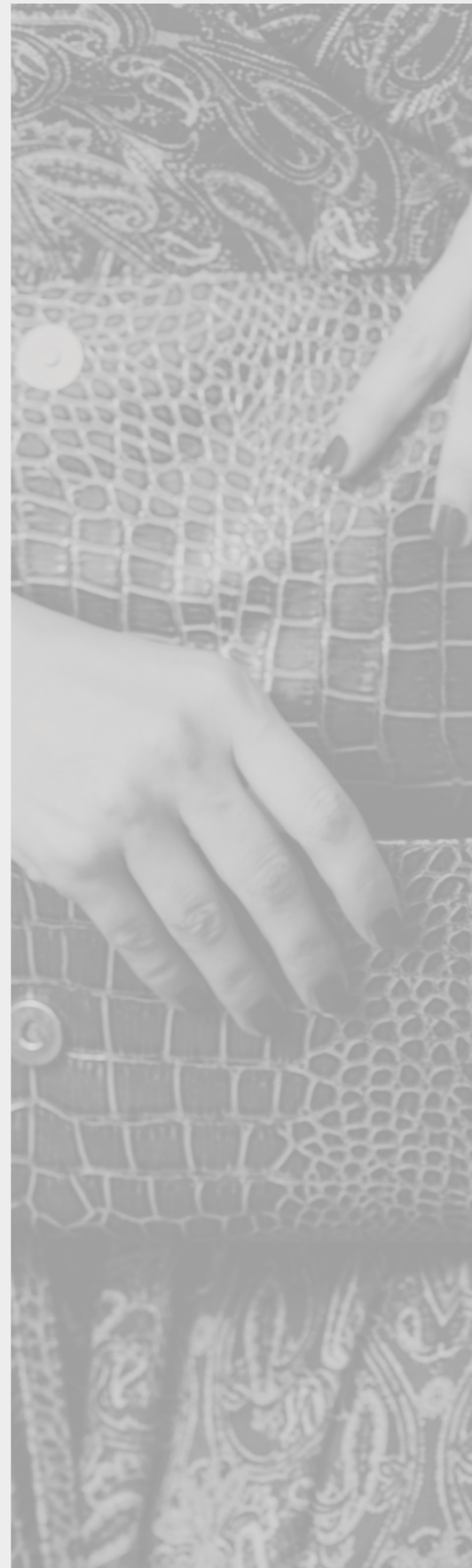
What we can conclude from this is that the rental model holds particular appeal to the very same high frequency, fashion-forward shoppers that most fashion retailers already have in their sights.

Furniture rental also appeals to a fifth of Londoners, suggesting a significant opportunity for homeware retailers.

By contrast, for those in our US cities, exercise equipment is the most desired rental item, followed by tech, though there is also significant interest in renting clothing here too, as well as furniture.

As a generational group, 25-34-year-old Millennials have the most desire for renting clothing and fashion accessories across the UK, including London, with over a third (38%) of those Millennials in the capital wishing to rent these items. However, across the US, and in each of our US cities surveyed, Millennials would rather rent exercise items.

However, the desire to rent doesn't mean that fashion buying will die out over time. One 27-year old male New York shopper told us: "If you can rent it and then have the option of buying it, then it would be good. I would consider renting jeans, shorts, sneakers."



It's also interesting to note that Westfield shoppers are three times more likely than average to want to rent clothing, footwear and accessories across both markets.

So pay-as-you-go renting may be more akin to trial purchasing than the rental models of old.

Westfield How We Shop Now Retail Expert Graeme McVie believes that adopting rental models will also help retailers adapt for the next season. "Think of someone that buys fashion clothing. If you did a good job of capturing the attributes of the different items that people rent in one season, you could get a really good sense for their preferences and needs and the types of items the individual could be interested in when the next season of fashion comes in. You could then proactively send communications featuring select items or even send the clothes to them proactively for free, and say 'Hey, if you try it and don't like it, you can send it back for free. If you keep it, we will charge you'."

Myf Ryan, Westfield Director of Marketing said, "Track forward and imagine where this movement might take physical retailing, not just within fashion, but across a wide range of retail areas. Could we get to the point where big-name retailers have hire-or-buy sections in store? We think so. We believe Pay-As-You-Go retail is coming to a mall, office and train station near you."

TREND 1

PAY-AS-YOU-GO RETAIL AT A GLANCE

Offer rental options or longer-term subscriptions, at the moment of need, to allow people to pay for items only when they need them.

Toolkit for Retailers:

Offer unlimited rental subscriptions as an alternative to buying within your stores. Offer subscriptions in store and online, to maximise reach. Use rental patterns to inform the next season's range.

RENTAL RISING

WHO IS INTERESTED IN RENTING FROM FAVOURITE STORES?

15% OF AMERICANS

17% OF BRITS

26% LOS ANGELES

25% NEW YORK

38% LONDON

35% OF MILLENNIALS

46% OF MILLENNIALS

In the US, Westfield shoppers on the East Coast are twice as interested in renting clothes from their favourite store than Westfield shoppers on the West Coast (**60% v 30%**)

ON THE GO RENTING

58% of Americans
&
51% of Brits
say they mostly or always shop in physical stores

40% of Brits and nearly a quarter (24%) of Americans get inspired when shopping in physical stores

77% of US shoppers
&
73% of Brits
prefer to touch, feel and try out products

SUBSCRIPTION RENTING

SPEND PER MONTH RESPECTIVELY ON AN UNLIMITED CLOTHING RENT SUBSCRIPTION

40% OF LONDONERS WOULD SPEND **£200**

23% OF NEW YORKERS WOULD SPEND **\$200**

RENTAL CATEGORIES

FITNESS:
24% of shoppers would rent exercise equipment (25% of New Yorkers, 28% of Los Angeleans and 26% of Londoners) and 16% would rent bicycles

HOME:
14% of shoppers would rent furniture and 10% would rent kitchenware

TECH:
19% of shoppers would rent consumer electronics, rising to 24% of shoppers in San Francisco

FASHION:
15% of us would rent clothing and 9% would rent fashion accessories. 25% of Londoners would rent clothing. 41% of frequent UK shoppers (3+ times a week) would rent clothing. 7% of shoppers would rent footwear, rising to 21% of Londoners

2 CLASSROOM RETAIL

Today's consumers want to be in control and control comes from being knowledgeable about the things that matter. The more we know about something, the more we can make informed decisions that make us feel in control of a situation. Knowing where things have come from or how they are made, helps us to make better purchasing decisions. Equally, the more we know, the more social status we have and therefore control over how we influence others. For example, knowing what is trending right now or where the cool new bars are, can give us social currency. Knowledge has become a new signifier of social status for this reason.

This need for control through knowledge explains why more and more of us are actively seeking out information on brands about everything from where products are sourced and how they are made, to what the company stands for and how it operates.

Shoppers like to know what a product is made of - particularly in the US - and how it should be used but there is also significant interest in how it can be repaired or recycled, nodding to the normalisation of sustainability. It is interesting to note given the focus in recent years on provenance, that geographic origin was of the least interest to shoppers we surveyed, with only around a third desiring this.

However, it's not just product knowledge we crave. Shoppers want retailers to impart knowledge about other things as well.

They are starting to think about retail spaces as an opportunity to learn new skills, not just to buy new things, and they want retailers to take on the role of teacher and actively give them 'lessons'.

Retail outlets can become learning environments as much as selling ones. And they are perfectly placed to do so, as Westfield How We Shop Now Retail Expert Liz Crawford from Match Marketing Group explains. "The physical presence of a store provides an opportunity for brand immersion, which is hard to replicate solely digitally."

When we asked consumers about this, around a third of shoppers expressed an interest in learning new lifestyle and creative skills at their favourite store, with Westfield shoppers engaging almost twice as much as this. At a city level, Londoners and then shoppers from Los Angeles were the most engaged in the idea, with over half of them expressing an interest. Almost half of New Yorkers and shoppers from San Francisco were also keen on the idea. They preferred these delivered as short modules rather than longer learning sessions, although with 14% of all shoppers and more than a fifth of mall shoppers spending more than three hours on an average non-food shop, a significant number certainly have the time to dwell longer.

TREND 2

When we look at exactly what shoppers want retailers to teach them, we can see that they are particularly keen on classes that inspire or ignite them to do things differently. Across the board, engagement is highest with classes in the area of health, wellbeing, fitness and appearance as well as inspiring, creative lessons and clubs around passion points.

In the UK and the US, shoppers want health and wellbeing tips or fitness sessions first and foremost, followed by inspiring learning sessions such as creative cookery, expert sessions and then clubs.



THE LESSONS, CLASSES OR CLUBS SHOPPERS WANT	UK	US	LONDON	NEW YORK	HOLLYWOOD LOS ANGELES	SAN FRANCISCO	SAN DIEGO
INSPIRING CLASSES E.G. CREATIVE COOKERY	25%	27%	42%	35%	36%	36%	39%
HEALTH, WELLBEING OR FITNESS	27%	29%	34%	39%	40%	39%	39%
EXPERT SESSIONS E.G. MAKE-UP MASTERCLASSES	20%	20%	31%	32%	30%	32%	31%
CLUBS E.G. BOOK CLUBS	19%	17%	23%	23%	21%	20%	23%
DIGITAL UPSKILLING	17%	12%	29%	18%	15%	17%	18%
SKILLS DEVELOPMENT E.G. MUSIC MAKING	15%	15%	30%	22%	23%	22%	21%
CO-CREATION OPPORTUNITIES	13%	14%	23%	20%	19%	18%	22%



2 CLASSROOM RETAIL

UK shoppers have greater appetite than their American counterparts for digital upskilling, though, with more than 17% of Brits interested in this, compared with only 12% of Americans. Londoners, in particular, have a real desire for retailer lessons in this area, with over a quarter of them voting for this.

US shoppers, by comparison, have greater desire for health, wellbeing and fitness, particularly in Los Angeles, arguably the fitness capital of the world, where 40% of shoppers are keen to see retailers give them the opportunity to learn and upskill.

There is clearly a huge opportunity for sportswear brands as well as other retailers with a broader health or wellbeing focus to offer classes and lessons in their outlets.



Helping people to develop skills around passions like music-making also appeals to a fifth of shoppers across both markets and holds twice this appeal for Londoners, reflective of the significant music scene in this city. Certainly, retailers would do well to root their lessons in audience passions and their desire to upskill around areas of interest outside of work.

There are a number of interesting examples of classroom retail in practice already. Whole Foods regularly host cookery classes and recently created an interactive space to share information on food originals and healthy eating. Nespresso, which opened at Westfield London in December 2015, offers Coffee Connoisseur classes – giving consumers the chance to learn more about coffee origins and taste profiles, and diamond specialist De Beers offers gemmological and gemology courses.

Elsewhere, EXPO Milano 2015 saw the launch of a six-month exhibition, called The Future Food District that imagined what this future retail environment could look like.

One enthused male New York shopper we spoke to felt the idea of classroom retailing was a winning idea. He said, *“It would be great, if they gave you free stuff!”*

Another consumer, a 27-year-old female graphic designer from London, said: *“If Hollister offered surfing lessons, I would go!”*

A 16-year old female student we spoke to in London was particularly animated by the idea of retailers teaching her how to make clothes.

Myf Ryan, Director of Marketing at Westfield said, *“We predict this trend will only accelerate and the learning aspects will go far beyond what retailers sell and the supply chain story. Retail outlets could become the new creative playgrounds and upskilling classrooms. The physical retail environment lends itself to this kind of experiential immersion.”*



TREND 2

CLASSROOM RETAIL AT A GLANCE

Offer product-based, lifestyle or upskilling lessons in retail environments

Toolkit for Retailers:

Identify the unmet shopper needs that fit with your brand and offer instore classes around these. Keep the classes short and modular but potentially longer for mall environments. Repeat regularly to maximise reach. Consider sales opportunities linked to the classes

TIME TO LEARN

18%
OF UK SHOPPERS

&

10% OF US
SHOPPERS SPEND
3+ HOURS ON
NON-FOOD SHOPS

28%
OF UK

&

15% OF US MALL
SHOPPERS SPEND
3+ HOURS ON
NON-FOOD SHOPS

PRODUCT LEARNING WHAT SHOPPERS WANT TO KNOW

**51% of UK &
58% of US shoppers**

What is the product
made of?

54% of shoppers

How best to use
a product?

51% of shoppers

How a product could be
repaired or recycled?

45% of shoppers

How a product was
produced?

38% of shoppers

The geographic origin
of a product?

CLASSROOM APPEAL

35% OF UK SHOPPERS AND **32%** OF US
SHOPPERS WANT TO LEARN NEW LIFESTYLE AND
CREATIVE SKILLS AT THEIR FAVOURITE STORE

66% OF UK AND 61% OF US WESTFIELD SHOPPERS AGREED WITH THIS

AT A CITY LEVEL:

56%
LONDON

51%
LOS ANGELES

49%
NEW YORK

46%
SAN FRANCISCO

42%
SAN DIEGO

Westfield shoppers are almost twice as interested in Classroom Retail as non shoppers (62% versus 32%)

LIFESTYLE LESSONS

Health and wellbeing

34% OF SHOPPERS WOULD LOVE
RETAILERS TO OFFER CLASSES
AROUND HEALTH, WELLBEING
OR FITNESS. IN THE US, **40%** OF
SHOPPERS IN LA WANT THIS AND **39%**
IN THE OTHER THREE US CITIES.

27% OF SHOPPERS WOULD
WELCOME EXPERT SESSIONS LIKE
MAKE-UP MASTERCLASSES

Creative Inspiration

34% OF SHOPPERS WANT
RETAILERS TO OFFER INSPIRING
CLASSES, WITH **42%** OF
LONDONERS CLAIMING THIS

21% OF SHOPPERS WANT LESSONS
IN SKILLS DEVELOPMENT. **30%** OF
LONDONERS AND
22% OF NEW YORKERS DESIRE THIS

Interest areas

21% OF SHOPPERS WANT CLUBS
AROUND INTEREST AREAS SUCH
AS BOOKS

Upskilling

29% OF LONDONERS
SPECIFICALLY WANT DIGITAL
UPSKILLING CLASSES

TREND 3

3 LIFESTYLE LOYALTY

How to drive loyalty is one of the perennial challenges that retailers wrestle with. While there was a loyalty scheme ‘tipping point’ a few years ago when a handful of retailers started to reward customers with points or loyalty stamps, when the majority got on the bandwagon each individual scheme became devalued.

Since then, retailers have experimented with novel ways to use technology to deliver rewards at the point of purchase or at other points in the user experience cycle. They have played with digital discounting and with personalised offers based on loyalty. But again, when everyone else follows suit, this approach becomes less effective.

Now there is real consumer desire for what we can call lifestyle loyalty schemes; schemes that reward customers based on criteria other than the transactional relationship they have with the retailer. As lifestyle-based schemes, they can more closely align to what a brand stands for and why it exists, rather than what it sells.

Walgreens is one example of this in practice today. Their new scheme allows members to earn points by being healthy. They track how much active exercise people get and duly reward them with discounts in store. This aligns neatly with their company goals to reduce obesity levels and it stretches the concept of points-mean-prizes far beyond spending patterns. It also creates a different kind of club, one which gives shoppers the gift of good health as well as ‘money-off’.

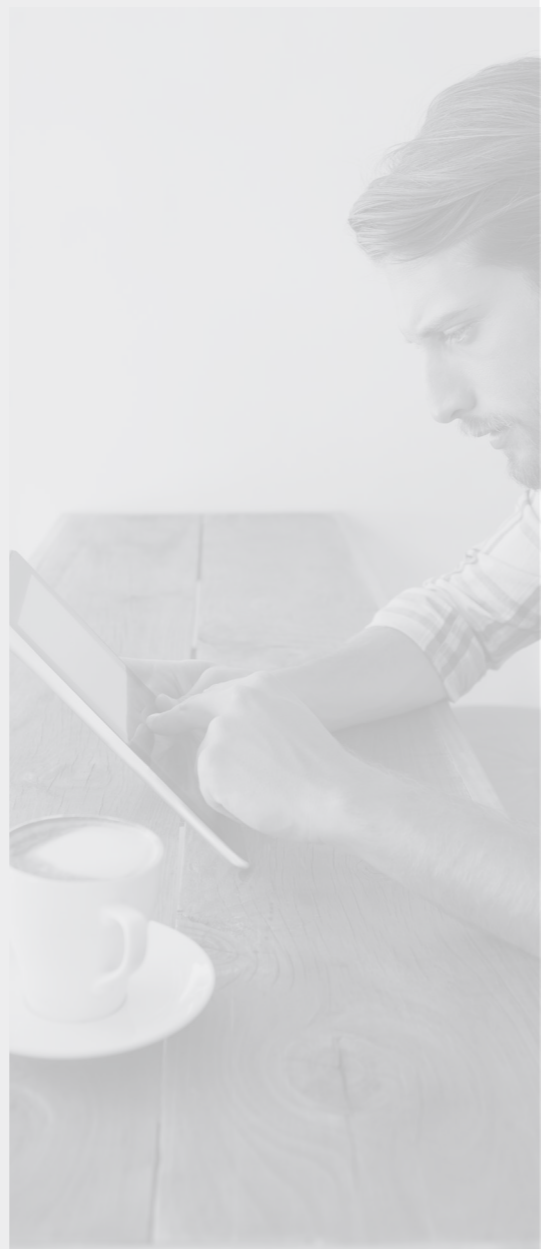
It turns the idea of loyalty on its head by saying ‘shop with us to feel better’ not ‘because you shop with us we’ll make you feel better’.

Westfield How We Shop Now Retail Expert Graeme McVie from Precima is familiar with the initiative and tells us: “The Walgreens program in itself has been an enormous success, over 100 million signed up and the number of active members is really high. Clearly a lot of those consumers see the value-added benefits of the program.”

In a similar vein, Nike recently launched a vending machine in New York where consumers can trade in their sweat for products. The more miles they log using their Nike FuelBand health tracker, the more merchandise they can get their hands on.

These examples herald a new era for loyalty schemes, one which allows retailers to forge more meaningful connections with shoppers.

Though at present, just over half of shoppers say they want to be rewarded based on spend, over a fifth say they want to be rewarded for good lifestyle choices that they make and around a sixth for sharing branded content or co-creating with a brand.



WHAT REWARDS SHOULD BE BASED ON	UK	US	LONDON	NEW YORK	HOLLYWOOD LOS ANGELES	SAN FRANCISCO	SAN DIEGO
PREVIOUS SPEND WITH THE BRAND	52%	52%	51%	59%	57%	57%	61%
GOOD LIFESTYLE CHOICES I HAVE MADE	20%	21%	29%	28%	27%	31%	31%
VOLUNTEER WORK OR CHARITABLE DONATIONS I HAVE MADE	13%	13%	26%	19%	18%	21%	19%
SHARING BRANDED CONTENT ON SOCIAL	16%	14%	27%	20%	18%	14%	18%
CO-CREATING NEW PRODUCTS FOR THE BRAND	15%	14%	24%	21%	20%	19%	18%

A significant minority also want to be rewarded for donating to a charity and doing voluntary work, areas traditionally associated with pure benevolence. Indeed, in London, more than a quarter of shoppers wanted to be rewarded for this, with the US cities not far behind.








In this new world, shoppers expect rewards for giving up their time, be that for a brand or for a charity or indeed, a social mission.

Across the board, Generation Zeds and Millennials are the most keen to receive rewards for non-transactional behaviours. Indeed, in the UK and US, more than a third of 16-24-year-olds and around a third of 25-34-year-olds want to be rewarded for good lifestyle behaviours. Rewards for the sharing of branded content holds particular appeal for Londoners, who are almost twice as likely to want this as shoppers in San Francisco.

When we look at specific behaviours, our research shows that positive sustainability behaviours, as well as health, fitness and family wellbeing will drive this trend forward.



WHAT SHOPPERS WANT TO BE REWARDED FOR

			 LONDON	 NEW YORK	 HOLLYWOOD LOS ANGELES	 SAN FRANCISCO	 SAN DIEGO
EATING A BALANCED DIET	17%	16%	18%	19%	17%	19%	18%
SPENDING TIME WITH FAMILY AND LOVED ONES	19%	20%	21%	17%	16%	16%	17%
MAKING SOUND FINANCIAL DECISIONS (E.G. SAVE MORE)	13%	16%	15%	18%	15%	18%	17%
GOING OFFLINE (E.G. SHUTTING OFF YOUR PHONE)	5%	7%	8%	8%	8%	9%	8%
CUTTING DOWN ON ALCOHOL INTAKE	7%	3%	7%	5%	4%	5%	4%
GETTING REGULAR EXERCISE	20%	23%	24%	27%	28%	29%	31%
RECYCLING	29%	23%	29%	24%	29%	29%	32%
DONATING TO CHARITY	13%	13%	16%	18%	17%	17%	17%
DOING VOLUNTEER WORK	10%	11%	13%	13%	13%	15%	15%
LEARNING A LANGUAGE	6%	5%	11%	8%	7%	7%	5%
LEARNING TO PLAY AN INSTRUMENT	3%	3%	7%	5%	5%	4%	3%
GETTING ENOUGH SLEEP	14%	13%	20%	16%	16%	16%	15%

3 LIFESTYLE LOYALTY

Recycling was the number one behaviour people wanted retailers to reward them for, across the board and interestingly, this was no more pronounced in the major cities than elsewhere in the UK or US. This may be because some retailers have already incentivised customers to minimise waste and reduce their use of plastic bags, to the extent that it has become normalised.

Even more interestingly, around a fifth of shoppers said they preferred to be rewarded for getting regular exercise and around a sixth, for getting a balanced diet, suggesting that shoppers need encouragement to get healthy or to stay on track and are turning to brands for that help. The West Coast cities are particularly keen on fitness-related loyalty schemes.

Westfield How We Shop Now retail expert Darius Pocha from JoyLab explains why these areas are so popular: 'I think that there's a move in product design, to make product habit-forming. So health and fitness is the first sector to take advantage of this. Essentially, the thing that people are most interested in is themselves and the well-being of their families. The next thing they're interested in is communicating things about themselves to other people. People have a tremendous appetite for data that describes their systems. And also for data that optimizes or hacks their experience.'

Around a fifth of shoppers also want to receive retailer rewards for spending time with loved ones, which could spark initiatives for retailers in the leisure sector. Interestingly, it is the youngest, 16-24 year old audience in both the US and UK who particularly crave rewards for having a work-life balance with time spent with loved ones, rather than family-aged shoppers. This may be because, as a generational group,

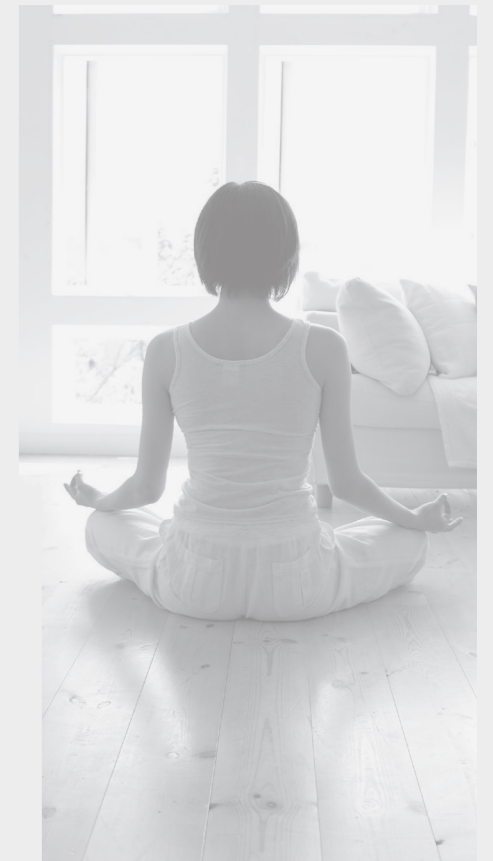
they are the least likely to be workaholics and may indeed still be adjusting to working life. What's also particularly interesting here is that though being rewarded for spending time with loved ones is important for the UK and US at large, it is relatively less important for urbanites in the major cities, with the notable exception of London.

By the same token, those living in the major cities are significantly more likely to want to be rewarded for getting enough sleep and marginally more likely to want to be rewarded for switching off digital devices. The lack of sleep seems to be a particular issue for Londoners, with a fifth of them citing this. Myf Ryan, Westfield Director of Marketing said, "These findings highlight major opportunities for retailers across the board to rethink their loyalty schemes in imaginative and distinctive ways moving beyond just spend rewards. It also provides a deeper and more personal connection with the shopper."

The good news for banks and other financial service providers is that around a sixth of US shoppers and 13% of UK shoppers said they wanted to be rewarded for making good financial decisions and this is even more pronounced in New York – the finance capital of America - and San Francisco.

Lifestyle loyalty schemes of the future could also tap into other shopper passion points and needs. For example, one avid 23-year-old bookaholic we spoke to in New York was keen to be rewarded for reading books, attending book events and writing book reviews. The right book store loyalty scheme will certainly engage her at a deep level.

When we talk about anything that relies on consumer data collection, we have to ask ourselves how willing people are to share the



personal information that will enable lifestyle-based loyalty schemes to work effectively.

When we asked UK consumers for their thoughts, we found that more than two thirds of 16-34-year-olds and over half of 35-44-year-olds were happy for their movements to be tracked through their smartphones when visiting a store, providing they had given their permission to do so and would receive something back in return. In the US, over half of 16-34-year-olds and 41% of 35-44-year-olds were happy to share their data with the same stipulations. Indeed, people are significantly more inclined to share their data if they believe they will get something back which is of value to them.

In both the UK and the US, shoppers are also more than twice as likely to share data if they do so in exchange for offers or discounts. More than half of US and UK shoppers would share data in exchange for discounts and this is significantly higher amongst Millennials. In London, 80% and in New York, 77% of these Millennials would be happy to exchange their data in this way. So data is not a barrier, providing the reward is of worth.

Lifestyle loyalty schemes are destined to work because there is an immediate and transparent two-way value exchange. For retailers, it builds the kind of brand affinity that money can't buy and does so in an ownable way. For shoppers, it helps them to better themselves and enriches their lives in truly meaningful and relevant ways.

Loyalty schemes are about to get a lot more exciting.



TREND 3

LIFESTYLE LOYALTY AT A GLANCE

Offer rewards based on good lifestyle behaviour, rather than just transactional behaviour

GENERAL REWARD BEHAVIOURS

20%
OF UK SHOPPERS

&

21% OF US SHOPPERS WANT TO BE REWARDED FOR GOOD LIFESTYLE BEHAVIOURS OF SOME KIND.

18% OF SHOPPERS WANT TO BE REWARDED FOR SHARING BRANDED CONTENT.

27% OF LONDONERS AND 20% OF NEW YORKERS WOULD WELCOME SOCIAL SHARING-BASED REWARDS.

31% OF SHOPPERS IN SAN FRANCISCO AND SAN DIEGO WANT REWARDS FOR GOOD LIFESTYLE BEHAVIOURS

42% OF UK AND **38%** OF US 16-24 YEAR OLDS WANT TO BE REWARDED FOR GOOD LIFESTYLE BEHAVIOURS

18% OF SHOPPERS WANT TO BE REWARDED FOR DONATING TO CHARITY OR VOLUNTEERING WORK

15% OF UK AND **14%** OF US SHOPPERS WANT TO BE REWARDED FOR CO-CREATION WITH 24% OF LONDONERS CLAIMING THIS

SPECIFIC REWARD BEHAVIOURS

RECYCLING AND SOCIAL GOOD:

27%

OF SHOPPERS WANT TO BE REWARDED FOR RECYCLING (29% in the UK, 23% in the US).

32% SAN DIEGO

29% SAN FRANCISCO

29% LOS ANGELES

29% LONDON

16%

OF SHOPPERS WANT TO BE REWARDED FOR DONATING TO CHARITY

18% NEW YORK

Toolkit for Retailers:

Identify the lifestyle behaviours that your shoppers want to be rewarded for
Build the infrastructure that allows you to measure and reward these
Be transparent about your data collection and ensure shoppers are comfortable with sharing their data for the rewards you are offering them

HEALTH, WELLBEING AND WORK-LIFE BALANCE:

20% of UK and **23%** of US shoppers said they preferred to be rewarded for getting regular exercise; 19% of UK and 20% of US shoppers wanted rewards for spending time with loved ones;

17% of shoppers want rewards for getting a balanced diet;

14% of UK and American shoppers wanted to be rewarded for getting enough sleep.

FINANCIAL:

16% of Americans

&

13% of UK shoppers want to be rewarded for making good financial decisions

18% NEW YORK & SAN FRANCISCO

DATA SHARING

66% of 16-24s,
55% of 25-34s and

41% of 34-44s are happy to share their data with permission and the promise of something in return

63% of shoppers would share data in exchange for discounts

SHOPPERS ARE MORE THAN TWICE AS LIKELY TO SHARE DATA IF IN EXCHANGE FOR OFFERS OR DISCOUNTS.

66% of US and **70%** of UK 25-34 year olds would share data in exchange for discounts.

London 25-34 year olds – 80%

New York 25-34 year olds – 77%

4 ENHANCED ASSISTANCE

TREND 4

We have been dabbling in virtual and augmented reality technology for some time. However, the initiatives to date have only helped us to escape reality in some way.

Now we are entering a new era in which the flow is in the other direction.

Reality and fantasy seamlessly merge to aid us in the real world, rather than to help us escape into a fantastical one.

Developments in the virtual reality (VR) and assisted reality (AR) space beyond gaming and leisure, as well as advances in related technological areas, can help us to live smarter, in ways we could never have imagined before.

The era of enhanced assistance is upon us.

There are already some examples of retailers using virtual reality technology such as Oculus Rift to help them tell their brand story and some are now starting to enhance reality by creating experiences that explain how things work or save us time. One real estate company, for example, is using the technology to show us round homes we might be interested in. Along similar lines, UK travel agent Thomas Cook used the technology to give customers tasters of the holiday they might want to buy.

More recently, Tommy Hilfiger used virtual reality in-store to bring their catwalk to life for shoppers.

The consumer desire is certainly there for this use of technology, particularly when it comes to helping people to visualise how items will look in their home and to understand how things work. We predict VR and other technologies used to enhance reality in a helpful way will become omnipresent over the next few years. More broadly, the role of digital in the customer retail experience will become even more important – to be delivered in a way that meets the changing needs of today's consumer and which actually makes their life easier.

Westfield is already enhancing the shopper journey, by testing an app to include remote parking access, food ordering and product search.



Shoppers are particularly keen on using virtual reality to experience how products will look in their home, enhancing their understanding of what will work best for them. Around half of shoppers across the major cities were interested in technology that could enable this.

There was also significant appetite for seeing virtual demonstrations, with more than a third of shoppers expressing interest here. Women are particularly keen to have retailers bring products to life using enhanced reality. New Yorkers are also marginally more engaged with this than their tech-led counterparts in California, with half of all shoppers in New York expressing an interest in virtual demonstrations.

Assistance in the changing room is also something that engages shoppers, with a third keen for virtual technology that can help them to try on clothes. Women expressed even more interest in this than men, which is particularly interesting given the emphasis that fashion retailers place on human assistance in female changing rooms. In fact, only around a third of all shoppers would prefer human to virtual assistance when establishing whether a product (or indeed a service) fits. Could this herald a complete rethink of the changing room experience?

Around a quarter of shoppers also wanted virtual assistance to help them understand what they're buying and how products are made. In fact, when they're in the browsing state, only just over a third prefer human to virtual assistance and even at the till point, less than half of all shoppers prefer human interaction. This last point is particularly interesting given the teething problems retailers have encountered with automatic pay points. We seem to have reached a tipping point already, where the benefits outweigh the downsides.

Westfield How We Shop Now Retail Expert Ryan Mullenix from NBBJ believes that the key to effective enhanced reality initiatives will be the power to surprise and delight with unexpected, discovery moments. "As we move into a VR and AR world, we're trying

to think of ways of getting that moment of surprise which is fundamental to true human experience."

Myf Ryan, Director of Marketing at Westfield said, "At Westfield, we focus on providing the ultimate shopping experience for our customers. The use of VR and AR can greatly enhance their shopping trip in our malls." Westfield How We Shop Now Retail Expert Graeme McVie expands on what else virtual assistance could enable: "If that technology evolves enough it could potentially mean going up to a touch screen saying, "Hey, I am going to buy a new TV, here's the size of my room, this is what I am going to watch on it and my budget is X."

Some of the major global players, from Apple and Baidu to Facebook and Samsung, are already involved in virtual concierge development. Though these are all online, virtual assistants are also expected to take 'physical' shape on shop floors, helping people to navigate their way through the shopper journey, find out more about a product or discover complementary items.

"If the retailers themselves don't develop those capabilities, then someone else is going to. And whoever owns the interaction with the customer will have control of the conversation."

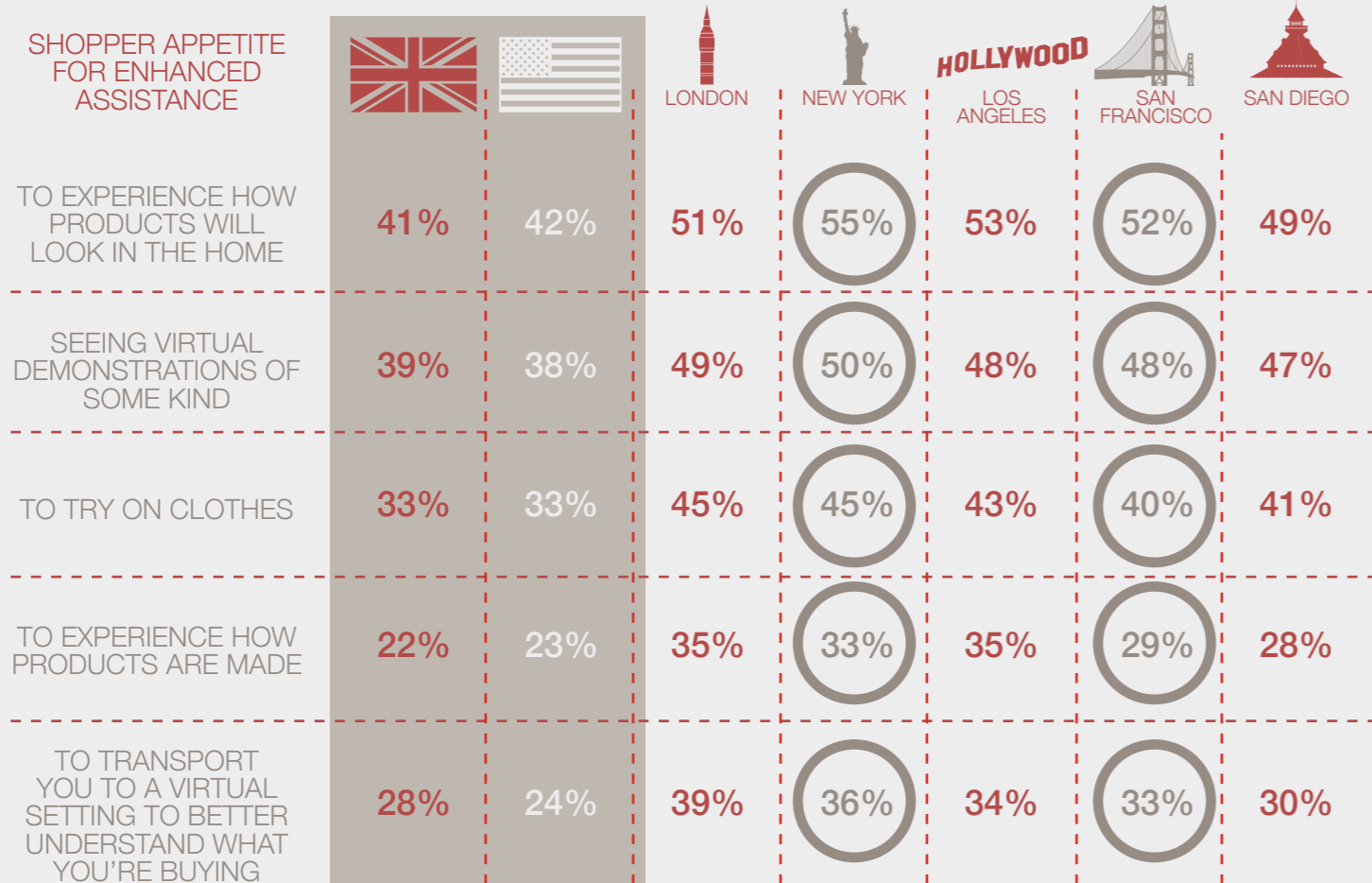
Graeme McVie, Precima



However, retailers need to tread carefully. Westfield How We Shop Now Retail Expert Darius Rocha from Joylab, the specialist customer experience agency, warns that enhanced assistance will only work if it is effortlessly integrated into the experience and won't cause embarrassment. "The technology that works is the technology with the lowest friction. By friction I mean; is it easy to implement? Is it the kind of thing that consumers would do without feeling embarrassed? Because they're visibly doing something strange in a shop. They're not going to do anything that makes them look odd. They are probably not going to wear a pair of glasses, or wave a phone or a tablet around. That is too much beyond their normal shopping experience."

Approached in the right way, enhanced assistance, powered by virtual reality, is the next big technological frontier for retailers.

SHOPPER APPETITE FOR ENHANCED ASSISTANCE



TREND 4

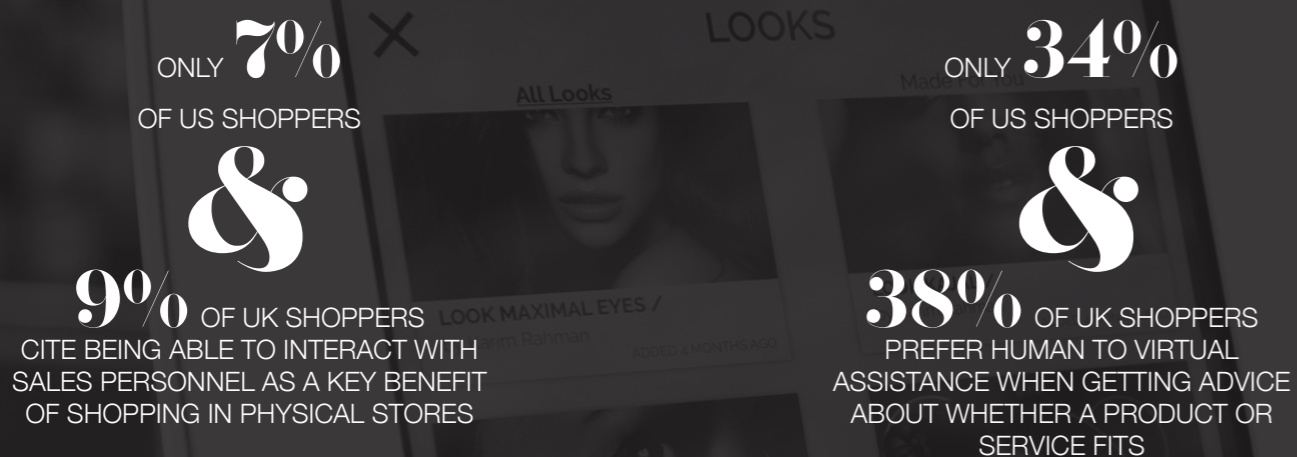
ENHANCED REALITY AT A GLANCE

Use virtual technology to provide real-world assistance instore in order to help shoppers visualise and understand what products and services do and to make them more relevant and easier to access. Use this technology to make the shopper journey as frictionless as possible at the most critical points.

Toolkit for Retailers:

Map the human assistance pain points in the shopper journey and replace with virtual assistance
Explore how virtual assistance can help people to browse instore
Consider how virtual assistance can help to aid product or service understanding
Look at where virtual assistance can provide that impartial view, to tip shoppers to purchase (such as in the changing room)

THE DECLINE OF HUMAN ASSISTANCE



ONLY **39%** OF US SHOPPERS AND **36%** OF UK SHOPPERS PREFER HUMAN TO VIRTUAL ASSISTANCE WHEN JUST BROWSING IN A STORE

LESS THAN HALF OF US (**47%**) AND UK (**46%**) SHOPPERS AND ONLY **34%** OF US 16-24 YEAR OLDS PREFER HUMAN TO VIRTUAL ASSISTANCE AT THE TILL-POINT.

THE LEAST CONFIDENT SHOPPERS ARE MORE KEEN ON AI ASSISTANCE (ONLY **32%** PREFER HUMAN ASSISTANCE VERSUS **43%** AMONGST THE MOST CONFIDENT SHOPPERS)

WHEN SHOPPERS WANT ENHANCED REALITY

41% of UK and **42%** of US shoppers want virtual assistance to see how products will look in the home, rising to over **50%** for individual cities.

45% of shoppers want to see virtual demonstrations

29% of shoppers think virtual assistance can help them experience how products are made

More women (**48%**) were keen on this than men (**42%**)

32% of shoppers want virtual assistance to transport them to a virtual setting to understand what they are buying

5 INSIDE-OUT RETAIL

Various studies show that we now spend more time staring at screens per day than we spend sleeping. One report from Silentnight, for example, found that Brits spend an average of 8 hours and 41 minutes on electronic devices each day.

All this time spent engaging with screens plays havoc with our body's sensory system. Our senses are designed to work together, that's how we learn best, so if we're overloading one sense over the others, it pushes everything off-centre. That's why we're now craving beautiful, harmonised multisensory experiences in the real world. It's our body's way of restoring the balance.

In this screen-dominated age, we're reaching for artificial sensory stimuli to supplement that lost feeling. We don't just want to smell the flowers or hear birdsong; we want to overload our senses with extraordinary 'supra-sensory' experiences that awaken all of them, all at once. And we want them in-store.

Retailers have known for decades that appealing to the senses can drive purchase and there are some great examples of sense-based retailer initiatives around the globe. Take Bloomingdale's baby powder scented zones, for example, or Hollister's nightclub style stores. More recently, retailers like Korean Gentle Monster, have created 'museum-retail' style experiences, which are context-led adventures through different themed settings. The stock is incidental to the sensory adventure.

These visual and tactile shopping experiences allow shoppers to browse items within a museum, theatre or art-inspired environment

that changes regularly. However, the examples major on one or two senses - usually vision and sometimes also sound or touch or smell. This new trend is about tapping into all of the sense at the same time. NBBJ's Ryan Mullenix explains, "Things that are more memorable, things that bring a returned customer – they engage many senses."

Westfield Director of Marketing Myf Ryan cited a recent Westfield UK campaign 'The Food Sensation' as a prime example of sensory retail in action. As part of the campaign, Westfield partnered with Sensory food consultants Condiment Junkie to create an immersive, taste explosion pop-up experience called Tongue Twister which invited visitors to travel through a Willy Wonka-esque environment that stimulated their taste buds and demonstrated how their sense of taste are profoundly influenced by what they see, hear and smell. "Our food culture has shifted from passive to active and consumers are looking for a true sensory experience when they dine."

"Increasingly, people want an experience not just a transaction from retail. The best retailers already understand that they will really need to think creatively to engage future consumers if they want to stay ahead of the curve," said Ryan.

To do this well, the multi-sensory experience needs to be engineered from the moment of store conception; the moment when architecture and design meets sensory science.

Westfield How We Shop Now Retail Expert Sam Stubblefield also comments on new

consumer expectations. "They don't just expect to walk up to a wall and touch a screen and get a directory; they expect us to think it through a little more than that...think about the projects as complete projects and not just traditional architecture with technology all over them."

Some retailers around the world are starting to experiment with this, such as the Sugamo Shinkin bank in Japan, which has designed a 'rainbow melody' exterior made of blocks designed to resemble musical notes. These blocks house fragrant plants like lavender, strategically placed to create constantly shifting rhythms of light inside. Sight, smell, sound and touch in one.

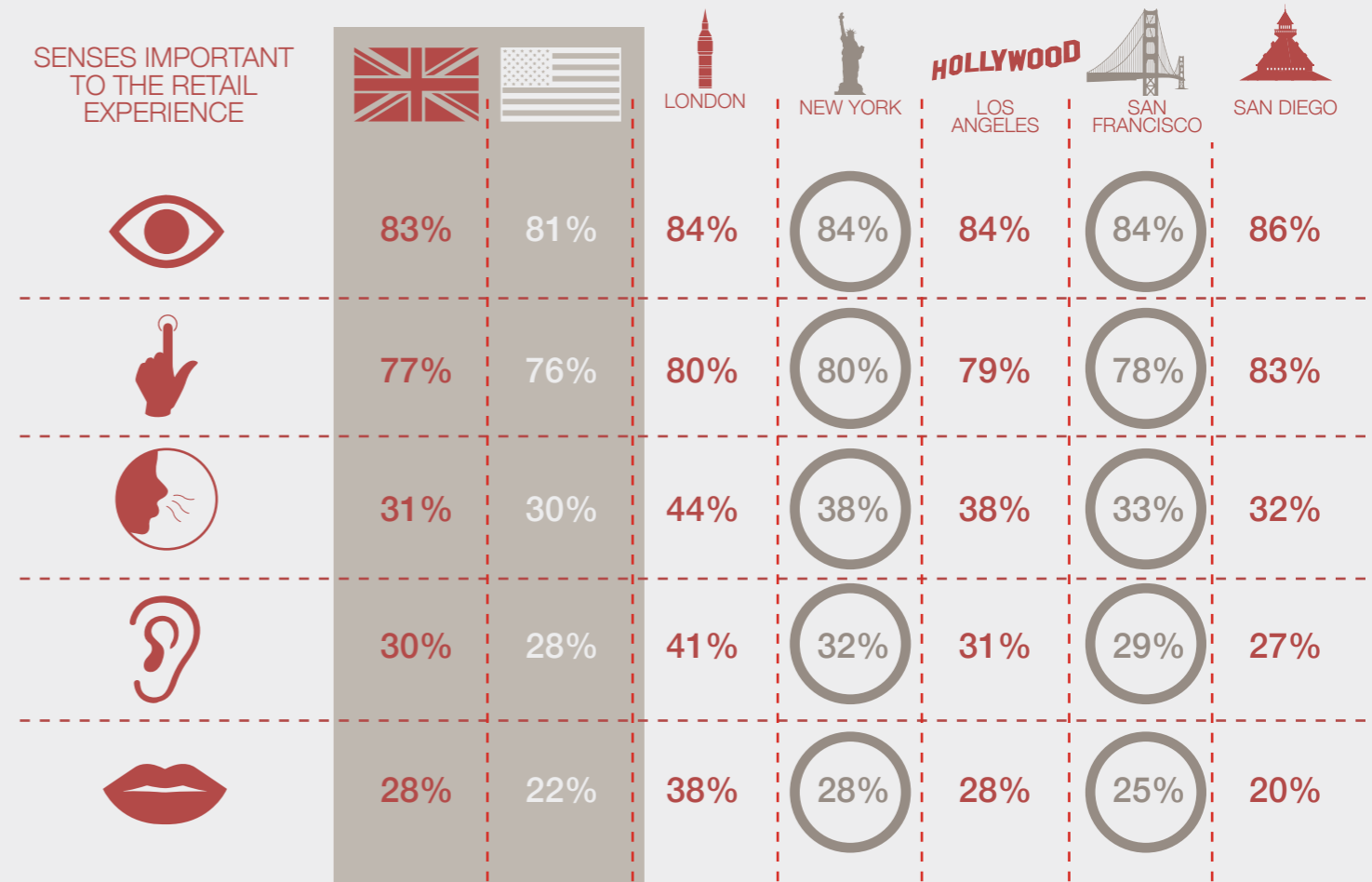
The newly launched Illuminum perfume store, designed by Italian architect Antonino Cardillo is another example. This space combines vision, texture and scent and features walls coated in volcanic ash sourced from Mount Vesuvius.

This is about having an inside-out approach to sensory engagement that is as beautiful as it is immersive and escapist. Westfield How We Shop Now Retail Expert Ryan Mullinix continues, "It's between the conscious and subconscious, that's where we like to be. It's not so much how it sounds but how it feels."

Our shopper research indicates that inside-out retail experiences will resonate deeply with consumers.

TREND 5

SENSES IMPORTANT TO THE RETAIL EXPERIENCE



When we asked shoppers which senses they felt enhanced the shopper experience, all five were deemed to be important to some degree. Vision and touch - the senses most associated with retail environments historically – unsurprisingly came out top, but just under a third of shoppers also called out smell and hearing. Taste was also deemed to be important to more than a fifth of shoppers.

Londoners put more weight on the importance of smell, hearing and taste than citizens from the US cities surveyed, which may be due to the rise of experiential retail initiatives in the food and drinks space within the Capital. Those in San Diego, by contrast, were the

most likely to say that vision and touch was important but the least likely, relatively speaking, to rate the other three senses as key.

In terms of the store environments themselves, our research shows that the right physical environments can influence the way we feel in a space. Indeed, physical displays were cited as the greatest source of inspiration when buying clothing and accessories, with over a third of shoppers claiming this. They are considered to be twice as inspirational to UK shoppers as suggestions from friends and family members and are the top source of inspiration for all but the youngest 16-24-year-old shoppers in both markets. The sensory

aspects of the product itself also matter to consumers with around two thirds of shoppers agreeing that it's important to feel and sense a product.

As we project forward, we expect retailers to create more inside-out sensory experiences to enhance our shopping experience. The retail outlets of the future will be shaped by scientists as well as architects and designers, to become engineered supra-sensory spaces that delight every sense.



INSIDE-OUT RETAIL AT A GLANCE

Work with scientists and architects to design stores from the inside-out that provide supra-sensory experiences, to accelerate sales

Toolkit for Retailers:

Focus on how shoppers feel instore and how you want them to feel. Work with architects and scientists to create sensory experiences that can implicitly influence shoppers instore. Make sure your sensory cues work in harmony with one another to create a single feeling. Vary sensory cues over time to continually surprise and delight shoppers. Go beyond vision and touch to explore the possibilities of scent, sound and taste. The more multi-sensory the experience – providing it is harmonised - the more memorable and persuasive it will be.

THE POWER OF SENSORY INTERACTION

64%
OF UK SHOPPERS



40%
OF UK SHOPPERS



66% OF US SHOPPERS
SAY IT IS IMPORTANT TO FEEL
AND SENSE A PRODUCT

33% OF US SHOPPERS
CITE PHYSICAL DISPLAYS AS
THE GREATEST SOURCE OF
INSPIRATION WHEN BUYING
CLOTHES AND ACCESSORIES

THE SENSES THAT MATTER MOST

84%
VISION

36%
SMELL

27%
TASTE

79%
TOUCH

32%
HEARING

RETAIL FAST FACTS

WHERE WE LIKE TO SHOP

45% OF US SHOPPERS SAY MALLS ARE THEIR PREFERRED RETAIL DESTINATION, THEIR TOP PHYSICAL RETAIL ENVIRONMENT.

Big shopping malls are the favourite physical retail environment for **16-24** year olds, in the UK overall and in London.

40% OF UK SHOPPERS AND **57%** OF LONDONERS SAY THEY PREFER SHOPPING IN A BIG SHOPPING MALL.

Retail parks were the least favourite physical shopping environment for US shoppers, with only **7%** claiming this was their preferred choice. In the UK, **35%** stated they preferred shopping there.

21% OF US AND **24%** OF UK SHOPPERS SOMETIMES, OFTEN OR ALWAYS RESEARCH ON SOCIAL MEDIA BEFORE BUYING.

42% OF US AND **49%** OF UK 25-34 YEAR OLDS RESEARCH ON SOCIAL MEDIA.

HOW OFTEN WE SHOP

27% OF UK SHOPPERS AND **18%** OF US SHOPPERS SHOP FOR CLOTHES, SHOES OR ACCESSORIES MORE THAN ONCE A WEEK

32% of UK women and **20%** of US women shop this category more than once a week

50% OF LONDONERS AND **41%** OF NEW YORKERS VISIT THE SHOPS MORE THAN ONCE A WEEK.

21% of Londoners and **14%** of New Yorkers go shopping more than 3 times per week.

54% OF UK AND **38%** OF US 25-34 YEAR OLDS SHOP FOR CLOTHES, SHOES OR ACCESSORIES MORE THAN ONCE A WEEK

HOW WE SHOP

45% OF US SHOPPERS AND **53%** OF UK SHOPPERS SAY THEY SOMETIMES, OFTEN OR ALWAYS BROWSE INSTORE BEFORE BUYING ONLINE. IN THE UK, MEN ARE MORE LIKELY TO DO THIS, BUT IN THE US, THE REVERSE IS TRUE.

60% of UK and **53%** of US shoppers say they browse retailer websites sometimes, often or always before buying in-store.

44% of UK and **43%** of US shoppers browse online reviews sometimes, often or always before buying in-store.

HOW WE PAY

20% HAD USED CASHLESS PAYMENTS.

75% overall said they hadn't used cashless in the past. A third among those who said they haven't used cashless payments said they were likely to in the future (**34%**).

22% OF UK SHOPPERS AND **41%** OF LONDONERS HAVE PAID CASHLESS.

31% of UK and **45%** of Londoners who hadn't used cashless payments yet said they are likely to try it in the future. **24%** of US shoppers said this.

ONLY **9%** OF US SHOPPERS HAVE PAID CASHLESS **19%** IN NEW YORK AND SAN FRANCISCO HAVE PAID CASHLESS.

20% of Londoners have used a buy button on their smartphone. **15%** of New Yorkers have used a buy button

HOW MUCH WE SPEND

MORE THAN A TENTH (**10%**) OF UK SHOPPERS SPEND MORE THAN £450 A YEAR. AND 9% OF US SHOPPERS SPEND MORE THAN \$700 PER YEAR ON CLOTHING

11% SPEND LESS THAN £50/\$50 A MONTH.

ONE in 5 OF BOTH MEN AND WOMEN SPEND OVER **£200** ON JEWELLERY PER YEAR (**19%**). **30%** OF LONDONERS SAID THIS, AND **24%** OF NEW YORKERS DID.

IN LONDON **6 out of 10** OF BOTH MEN AND WOMEN SPENT OVER **£200** ON CLOTHING.

41% OF UK SHOPPERS SPENDING MORE THAN £200 ON CLOTHING OVER THE COURSE OF A YEAR.

ONLY **6%** OF US SHOPPERS SPEND **\$450+** A YEAR ON CLOTHES. **11%** SPEND LESS THAN **£50 \$50** A MONTH.



A FINAL WORD

Collectively, our five Westfield How We Shop Now: What's Next trends point to a brave new world for the retail industry.

It is an era that presents major opportunities for retailers to gain a competitive advantage, not just versus other physical retailers but also against the growing army of online retailers, often in ways that would have been unimaginable even five years ago. This is arguably the most exciting time in retailer history.

However, achieving that competitive advantage demands that retailers cast the classic rule books aside and rethink everything from pricing models and store design to the retail experience and the relationships they forge with shoppers, as our trends have demonstrated.

Retailers need to adapt to the trends and the underlying drivers that are emerging right now. Standing still is never an option in retail but this is particularly true today. Boldness in this marketplace will take retailers far.

Our five power trends can help retailers to not only stay ahead of the zeitgeist but to do so in a way that is aligned with the needs and wants of tomorrow's shoppers. That's a potent recipe for retail success.



RESEARCH METHODOLOGY

The How We Shop Now: What's Next report is all about understanding the future of shopping. That's why we reached out to experts who are all in the forefront of their field in fashion and shopping but also architecture and design - Darius Pocha at Joylab, Graeme McVie at Precima, Sam Stubblefield and Ryan Mullenix from NBBJ and Liz Crawford, Match Marketing Group. Their expert commentary was complemented with observational studies and interviews with Westfield shoppers in London and New York where we could best understand the customer mindset - that is, while they were in the middle of shopping.

As a part of the What's Next report an online survey in eight markets was conducted between October 16th and November 6th. The survey was rolled out in the following markets: UK nationally, London, US nationally, New York, Los Angeles, San Francisco and San Diego. A total of 13,114 answers were collected amongst respondents aged 18 and older. To ensure results reflect reality as closely as possible, the respondents were sampled to represent the real demographic distribution with respect to age, gender and geographic place of residence in each market.

Sample size per market:

New York: 2355
Los Angeles: 2003
San Francisco: 1057
San Diego: 1019
US nationally: 2436
UK nationally: 2137
London: 2107
TOTAL: 13114



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