



ADG is introducing 39 community schemes to Moscow, with Angara the medium-size format.

Russia increases appetite for F&B

Many of Russia's retail centres are enjoying fresh impetus, thanks to the rapid rise of F&B. **Liz Morrell** looks at how food and leisure experiences are helping to drive growth in Russia — and why Poland is embracing digital

RUSSIA's downturn in retail turnover is on the rise once more, thanks to a growing appetite for food and beverage (F&B), and leisure experiences. Indeed, in Moscow's shopping centres, such experiences are becoming the main weapon in the battle to increase dwell times, according to Oksana Kopylova, head of retail and warehouse research at JLL, Russia and CIS.

"On average, cafes and restaurants occupy about 5% of GLA and 3% of GBA of

Moscow shopping centres," she says. "This increased by 1 percentage point in 2017. The importance of food operators is particularly evident in prime malls, where the F&B share is at about 9% of GLA. Developers are also allocating a growing share to dining areas in projects under construction. The F&B share in new projects is already above the average level of 5% at the planning stage."

"The growth of the F&B sector in Russia is the most discussed topic at the moment," adds Marina Malakhatko, director

and head of Moscow retail at CBRE. In 2017, around 90,000 F&B concepts were present in Russia, with 11,000 in Moscow. The food-market concept is a key trend and the food-hall concept is also actively expanding in the biggest Russian cities. Entertainment operators are also becoming more important than ever and now occupy around 12% of the GLA of Moscow shopping centres, according to Kopylova. The drive for entertainment is being driven by shifts in consumer behaviour, Malakhatko adds: "Millennials and Gen Zeds are pushing retail developers to construct more convenient and multi-functional space, attracting more and more entertainment concepts in malls."

"In recent years, retail real estate has changed a lot, and digital and entertainment have a strong influence," says Oxana Fedulova, marketing and sales

director at Russian developer Fortgroup. "Shopping malls are becoming more and more like the third living area for consumers — home and work and shopping mall." Russian consumers no longer visit malls simply for shopping, she adds. They have also become leisure destinations, where people come to visit restaurants, cinemas, food courts, family entertainment centres and fitness clubs. "Today, the big shopping concepts try to satisfy the demand of consumers as much as possible," she says.

Entertainment and leisure concepts have traditionally included offers such as cinemas, trampoline parks and edutainment centres. However, the last two years have seen newcomers such as virtual-reality (VR) parks and cyber sports clubs enter the market, as well as culinary and wine schools, hobby centres and art galleries.

An embracer of this more experience-based trend — and the company responsible for delivering a significant share of 2019/2020's planned retail space in Moscow — is ADG Group. The company's neighbourhood shopping-centre project, which has been showcased at MAPIC in recent years, is transforming 39 former cinemas into a new community mall concept. The project will see the debut of CJ CGV, the fifth largest cinema operator in the world, into Russia.

ADG says it has moved away from the traditional business model of a shopping centre to something that delivers a superior customer experience and satisfies the interests of local communities. At this year's MAPIC, it will be exhibiting the proof of concept for its three different-sized centres: small with Angara, medium with Budapest and large with Sofia. For these, leisure and entertainment will account for 40% of GLA, with half apportioned to the



Russian shoppers continue to favour stores over online.

cinema and half to the F&B component.

Grigory Pecherskiy, managing partner of ADG Group, says that research showed there was also potential for an edutainment offering within the neighbourhood centres. Accordingly, this will be introduced in the Angara scheme, which is due to open in March 2019. Although the space will cover less than 400 sq m GLA, the offering and rotation of the activities within

it, which range from a VR room to Lego Education and climbing walls, will be a new concept for shopping centres, Pecherskiy says. "We see customer experience as the continuation and an inseparable part of the neighbourhood-centres branding," he adds. "Our complex projects have three dimensions — physical, human and digital — and we want our brand to influence each of these parts. Literally, we want a person to

feel the brand through furniture design, the way they are treated at the concierge desk and the tone of voice of our marketing communications. We believe that only by moving systematically will we succeed in delivering the proper customer experience and building long-term relationships."

Grigory Pecherskiy,
ADG Group:

"Our complex projects have three dimensions — physical, human and digital — and we want our brand to influence each of these parts"

When it comes to digital, the opportunity is huge. E-commerce accounted for only 4% of the total Russia retail market turnover in 2017, according to JLL. And with less than a third of the population having shopped online via any digital channel — compared to 60%-70% in more advanced markets — the potential for growth is huge.

How quickly Russia will fulfil that potential remains to be seen, however. "In all, 24 million Russians are making online purchases and this number is growing rapidly every year," CBRE's Malakhatkko says. But she believes that physical retail will remain strong: "We still feel that physical stores will be expanding as, according to statistics, three out of four customers want to try a product before they buy it."



Fortgroup is transforming from retail to incorporate leisure and entertainment.

Marina Malakhatk,
CBRE: *“We still feel that physical stores will be expanding – according to statistics, three out of four Russian customers want to try a product before they buy it”*

Indeed, even digital retailers are following the physical path, according to Malakhatk: “The online stores are going offline. Bricks-and-mortar stores have been opened by I Am Studio, Marchelas and KupiVIP during

the past years. One of the biggest online fashion retailers in Russia — Lamoda — is going to open its first offline store by the end of 2018.”

Fortgroup’s Fedulova, meanwhile, identifies a number of emerging trends, from the growth of online services for goods delivery to developing digital communications with customers. The company is working hard to embrace these new trends and, at MAPIC this year, will be presenting its Moscow projects, acquired by the company in December 2017. These include five malls with a total GLA of around 500,000 sq m: Europolis Rostokino (previously called Zolotoy Vavilon Rostokino), Fort Otradnoe (previously Zolotoy Vavilon Otradnoe), Fort Yasenevo (previous-

ly Zolotoy Vavilon Yasenevo), Fort Kashirskoe (previously Goodzone) and Fort Shchokino (previously 5th Avenue). The company is also working on a new mall in Podolsk.

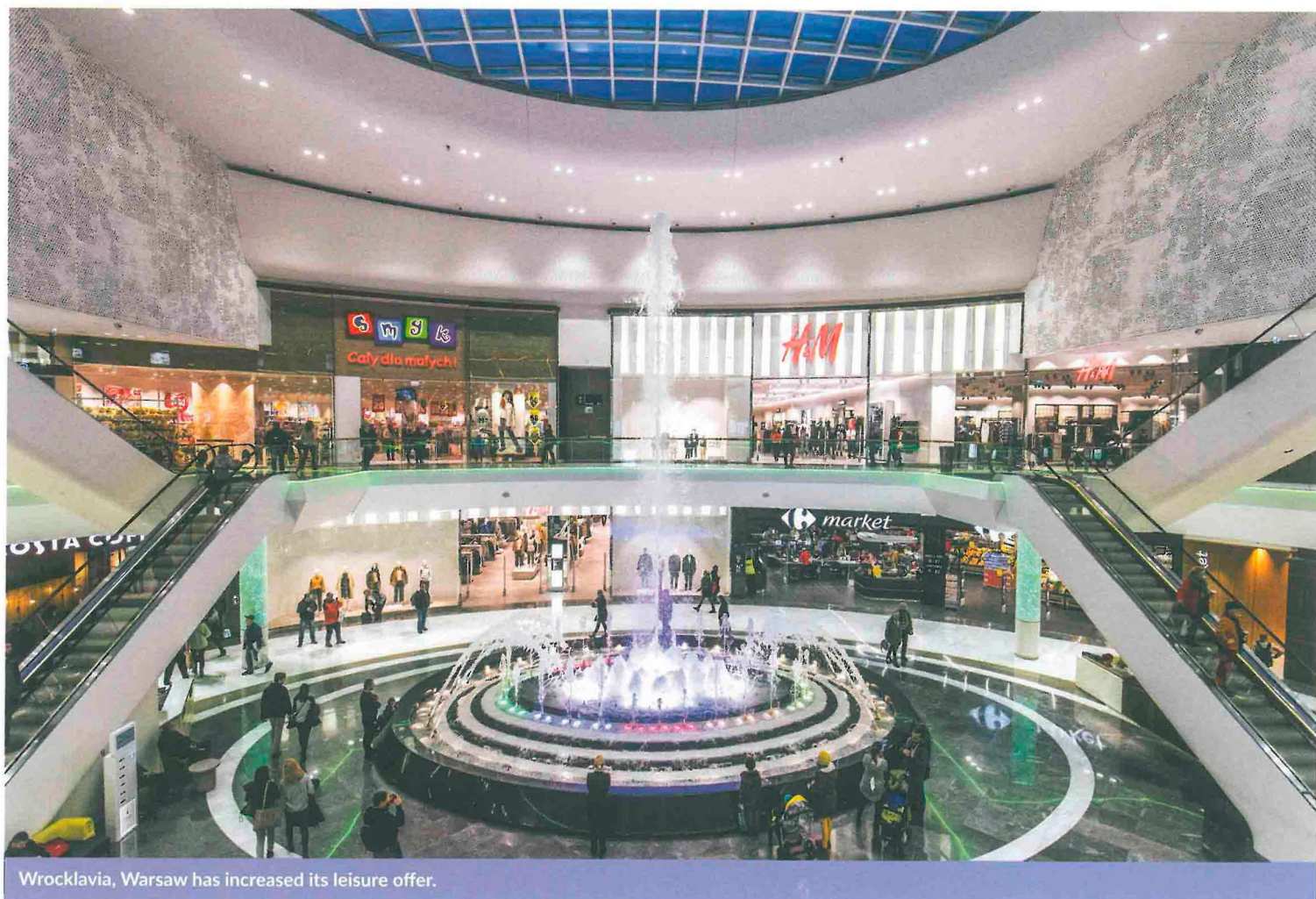
“Now we are working on their re-conception, including renaming, changes in design and planning solutions, tenant mix and marketing,” Fedulova says.

Russia may have suffered in recent years but, by adopting emerging trends and increasing the focus on food and leisure, it seems the tide is starting to turn. Poland, meanwhile, has been embracing digital with enthusiasm. While Russians may be slow to realise the benefits of digital, in Poland there has been a rush to embrace online retail. This is reinventing traditional shopping-centre

RUSSIAN BREAKFAST

THE 29th Russian Breakfast, organised by Impress Media, will be on November 15, at the Salon Diane in the Majestic hotel. The Russian Breakfast at MAPIC is a traditional venue for meeting and interacting with over 150 leaders within the retail real estate market in Russia. This year the main theme is new technologies and the related changes in the market and in the retail segment.

For registration contact:
Daria Chechel on
+ 7 499 490 04 79 or
d.chechel@impressmedia.ru



Wroclavia, Warsaw has increased its leisure offer.

REGIONS: RUSSIA AND CEE

development in the country, according to Monika Janczewska-Leja, head of retail advisory and transactions at Savills Poland. “The expansion of e-commerce has transformed the shopping basket of customers in Poland,” she says. “Today, many consumers choose to buy groceries, household items and clothing online, while a visit to a shopping centre is being increasingly associated with things to do, services, dining, sports and entertainment.”

This means one of the biggest challenges for the evolution of Polish shopping centres is to develop a range of unique offers that can compete with the services and features provided by online channels. “Offering experiences that have no direct online equivalents is a competitive advantage of traditional re-

tail channels,” Janczewska-Leja says. “These may include combining a product with a service — for example, the services of a make-up artist when buying beauty products.”

Monika Janczewska-Leja, Savills: “Offering experiences that have no direct online equivalents is a competitive advantage of traditional retail channels”

Poland’s retail real estate owners are well aware of this, Janczewska-Leja adds, pointing to the recent changes



Savills Poland's Monika Janczewska-Leja

that Unibail-Rodamco-Westfield has made to its retail schemes in Poland, including Warsaw's Arkadia and Galeria Mokotow. At both shopping centres, the proportion of space taken up by F&B, entertainment and leisure operators has been increased at the expense of retail floor space. "This helps to extend dwell times by offering customers

attractive leisure opportunities, ultimately boosting retail sales," she adds. This trend is evident in new openings, too. At Echo Investment's Galeria Libero in Katowice, the entertainment and F&B zones now occupy 6,500 sq m and 3,000 sq m respectively, accounting for 15% and 7% of the shopping centre's GLA. Meanwhile, at Unibail-Rodam-

co's Wroclavia in Warsaw, the Grand Kitchen concept and entertainment zone, which includes Cinema City, occupies 18% of the scheme's total area. "Poland's 18 largest cities with more than 150,000 inhabitants have approximately 400 shopping centres, with over 765 F&B tenants, operating nearly 2,100 outlets, in both regular islands and standalone build-

ings. There are also approximately 210 leisure operators with more than 400 outlets," Janczewska-Leja adds.

CONFERENCES & EVENTS AT MAPIC

DESTINATION: RUSSIA
Wednesday 14 November - 09.00-10.00
Conference Room 2 - Palais -1

DESTINATION: POLAND
Wednesday 14 November - 12.00-13.00
Conference Room 2 - Palais -1

INGKA CENTRES EXPANDS LEISURE AND F&B ACROSS RUSSIAN PORTFOLIO

INGKA Centres (formerly IKEA Centres) is unveiling major new parks and outdoor spaces across its portfolio of Russian malls, marking a key milestone in its vision to transform its 14 MEGA-branded Russian retail destinations. A new MEGA Park has just opened at MEGA Rostov-on-Don, following the opening of a

MEGA Park at MEGA Dybenko last year, with more scheduled to open in the coming months, including at the 100,000 sq m MEGA Ekaterinburg and at MEGA Khimki this autumn. These are part of a €2bn upgrade investment programme, with MEGA Parks designed to be family friendly community destinations, fea-

turing large areas devoted to playing sports, work out zones and children's playgrounds. Milen Gentchev, CEO of Ingka Centres Russia, says: "Anticipating guest expectations and constantly surprising them is fundamental to the long term development of our business in a more omni-channel world.

We believe in this vision, which is why we are upgrading our shopping centres to become meeting places for recreation, leisure and entertainment. As well as parks we are incorporating new F&B, cinemas, open air cafes, kids play areas, flexible workspace, and are extending malls to further improve our tenant mix."



Park life: MEGA Dybenko opened mid-2017