



# Revolutionizing malls

## Opportunities knocking for brick-and-mortar retail

The demise of brick-and-mortar retail has been greatly embellished, but the forces of change cannot be discounted. As KPMG International's 2019 *Me, my life, my wallet* report made clear, customer habits and preferences are evolving, increasing demand for in-store innovations, personalized services, and physical-digital hybrid experiences. And though today online purchases represent just 10% of Canadian transactions, that number is on the rise.<sup>1</sup>

Now is no time for complacency. Staying ahead of the curve requires ongoing asset investments, market savviness, and a focus on re-inventing the customer experience. Shopping malls that continue to draw traffic through their doors will be those that leverage the latest technologies to create unique and connected shopping journeys (through the likes of mall apps, interactive displays, digital promotions, etc.) and become more than just a place to buy goods (e.g. via restaurants, theatres, gaming venues, and Instagram-worthy events). Similarly, retailers that thrive in the years ahead will be those that support customers beyond their purchase, wield customer data to hone their offerings, and use in-store interactions to spark omni-channel customer relationships.

### The impetus for change

By and large, Canadian mall developers are responding admirably to the forces at their front door. For some, the strategy has been to become a more integral part of their community (e.g. adding residential units and community facilities) or wield interactive technologies to deliver memorable in-store experiences. Common among these successful players, most importantly, is the willingness to adapt and follow the customers' lead.

Still, the threat of competition lingers. Online storefronts are turning up the heat for commodity-based retailers, while streaming services and virtual content providers are putting a strain on traditional movie, music, and gaming sellers. Coupled with customer trends and disruptive market entrants, retailers of all stripes are challenged to stay relevant within their market and seen among the crowd.

Transformation is rarely simple, but it is a part of doing business. Malls and individual commercial outlets that continue to redefine the shopping experience will continue to draw in customers, while those who do not, risk the competition closing the gap.

<sup>1</sup> Statista.com. E-commerce in Canada – statistics and facts.

“Developers and landlords who understand the changing face of retail – how Canadians across all demographics are changing in relation to where they shop, when they shop, and what pulls their attention - will succeed by creating environments that draw foot traffic, while allowing retailers to engage customers on their terms.”

**Lorne Burns**, National Industry Leader, Building, Construction & Real Estate, KPMG in Canada

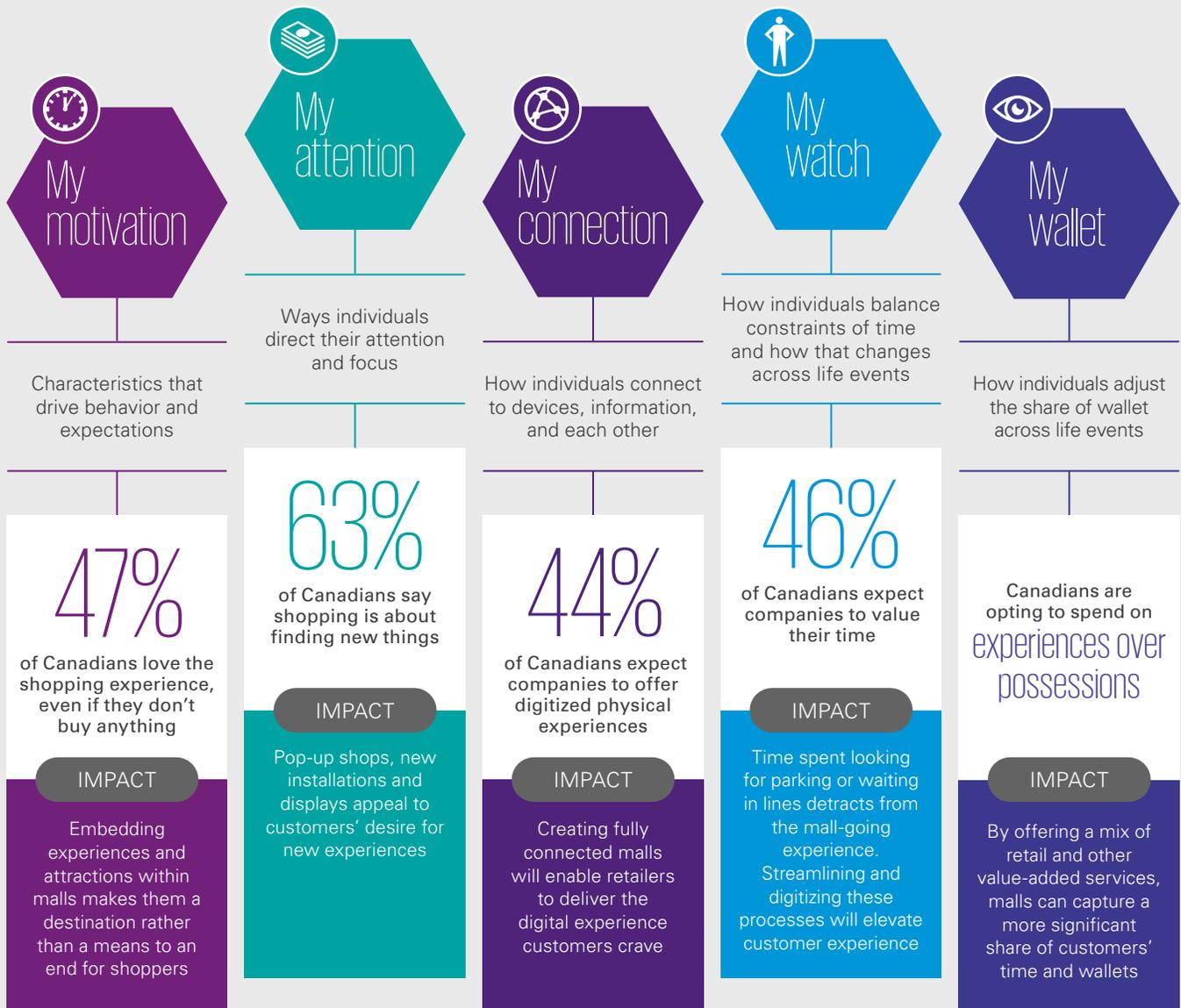


# The Five My's

## Understanding your customer

Customer choices have always been influenced and governed by multiple factors, but never has this been as complex and subject to disruption as it is today. The Five My's framework helps: identify what customers value in experiences; understand the moments that matter to them; recognize the connections that contextualize their lives, and learn about the trade-offs they make with time and money. How this group of factors works across an individual's different life stages is key to unlocking real insights and predicting what will drive the customer of tomorrow.

## The Five Mys and the Canadian customer



# The Six Pillars

## Designing customer experience excellence

Based on nearly a decade of research and more than two million evaluations across multiple markets, we have identified and validated six fundamental components of every great customer experience. The Six Pillars are inextricably intertwined and, when combined, provide a powerful mechanism to help decision-makers understand how a strong customer strategy is executed.

“Developers should design malls for “shoppers”. Progressive developers that embrace the experiential economy and become innovators within it, will be able to drive the foot traffic that their retail tenants need to thrive, enhancing their property values as a result.”

**Peter Hughes**, Customer & Digital Services Leader, KPMG in Canada



## The Six Pillars and the Canadian customer



### Personalization

Using individualized attention to drive an emotional connection

**53%** Using individualized attention to drive an emotional connection

#### IMPACT

Millennials and younger generations want to engage with companies on their terms – for malls, this means curating experiences and retailers that speak to their lifestyles



### Integrity

Being trustworthy and engendering trust

**46%** of Canadians trust retailers, making it the third most trusted industry in Canada

#### IMPACT

Customized messaging, such as location-based notifications, can be a great way to engage with mall-goers, but if misused, may raise data privacy concerns



### Expectations

Managing, meeting, and exceeding customer expectations

**47%** of Canadians believe that in the future, shopping will be about the experience

#### IMPACT

Projects in development need to be designed with experience in mind – accounting for space, infrastructure, and connectivity requirements



### Resolution

Turning a poor experience into a great one

**91%** of Canadians say the quick resolution of issues is essential

#### IMPACT

Poor customer service experiences travel quickly in the age of social media - issues need to be resolved swiftly and with quality



### Time and effort

Minimizing customer effort and creating frictionless processes

**57%** of Canadians expect companies to make things as easy as possible for them

#### IMPACT

Integrating additional services into the mall-going experience, such as grocery stores, babysitting services, car-washes, etc., can give customers more time to enjoy at the mall



### Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport

**10%** more Canadian females than males see shopping as a social experience

#### IMPACT

Not all mall-goers who walk through the door want to be there – consider how to engage “tag alongs”, such as partners, children, and friends

Source: All statistics quoted are from 2018 Me, my life, my wallet survey results.

## Developing a winning strategy for malls

**Make it a destination:** Canadians have yet to embrace online shopping as they do brick-and-mortar. Nevertheless, the gap is shrinking. To remain relevant, malls must explore ways to become “destinations” that offer more than the traditional shopping experience.

**If not, focus on being relevant:** Not all malls can become destinations. They can, however, take steps to become more relevant to their target buyers by continually re-investing and re-inventing the customer experience.

**Mixed developments:** More developers are opting for mixed-use commercial spaces that bring retailers, condo-owners, businesses, and even community services and venues under one roof. In so doing, the mall is becoming more of a fixture around which communities are being formed.

**Consider the non-traditional:** How else can your space be used? How can vacancies be re-purposed for public services? Entertainment? Promotions? Consider ways in which traditional retail spaces can be re-purposed for uniquely non-traditional uses.

**Respect the connected customer:** Customers – particularly, younger and more tech-savvy shoppers– want to share their experiences. Retailers and malls can plug into this preference by integrating mobile apps and digital interactions throughout their shopping experience.

**Use data wisely:** Customer data, be it collected through retailer apps or in-store engagements, can unlock vital customer insights. Even still, malls and retailers must act responsibly when collecting and using that data, as it takes only one data breach or misuse of trust to topple a brand’s image.

**Watch the market:** There’s always value in seeing how developers, landlords, and retailers in other jurisdictions are managing disruption – be it through new models, re-purposed spaces, or innovative offerings. After all, the market is evolving. Commercial stakeholders must recognize and respond to trends to stay relevant.

**Even the good have to get better:** Even the most thriving Canadian malls can’t afford to take their foot off the pedal. They must continue to study their markets, react to changes, and pursue new strategies to stay on customer radars.

For more information on the Canadian customer, the trends shaping the market, and what it all means for companies, read *Me, my Canadian life, my wallet*.

## Contact

Ready to start putting customers at the heart of your strategy? Contact one of our professionals today.

**Let’s do this.**



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