

The Shopping Center and Its Industry of Tomorrow

A Membership Perspective

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Abstract: In order to identify what shopping center professionals believe are the likely trends over the next 50 years, the ICSC Research Department conducted a “thought survey” of close to 1,000 ICSC members. Members were asked to look to the future and share their vision on the shopping center and its industry. Respondents indicated to what extent they agreed with the statements regarding the future characteristics of both shopping center properties and the shopping center industry.

An ancient African proverb says, “Tomorrow belongs to the people who prepare for it today.” With this perspective in mind, ICSC’s Research Department surveyed close to 1,000 ICSC members—between December 15, 2006, and January 8, 2007—as to how they view the state of the shopping center industry over the next 50 years. This “thought survey” attempted to identify what key trends might shape both shopping center properties and the shopping center industry in the future. Members were asked to rate each statement on a scale, ranging from “strongly agree” to “strongly disagree.” All responses were summarized as a weighted average using a scale from 0, equal to “strongly disagree” through 100, to equal “strongly agree.”

Although the survey was not comprehensive and no one is an oracle, it provides a small window on the future from an ICSC membership perspective. The structure of this report will first summarize the results of survey questions regarding shopping center properties (Chart 3-1) and then discuss the results for the shopping center industry (Chart 3-2).

The Dream of “Greener” and “Smarter” Shopping Centers

Mixed-use development, which is a “hot” issue for the shopping center industry today, is likely to grow to be even more important to the industry of the future. The majority of respondents strongly agreed that future shopping center properties will increasingly be part of mixed-use developments (85.1). ICSC members surely envision a marketplace characterized by the live-work-play environment provided by the mixed-use development.

With mixed-use development presently on the rise and forecasted to expand further, members also strongly agreed that shopping center properties will be more integrated with the surrounding community (82.1). The vision of industry professionals appears to include a greater cohesion between properties and society which will result in more efficiency, less waste and an improved quality of life for households in the community. Surveyed members were keen to endorse

the environment as a top long-term priority and that “greener” shopping center properties are the wave of the future. Respondents strongly agreed that the industry will utilize more sustainable energy sources and generally will be more eco-friendly (80.7).

However, this vision is less likely to come from smaller shopping centers with increased productivity (60.8), as members surveyed barely ranked this trend above “neutral.” Nevertheless, the respondents predict shopping centers of tomorrow will become more hybrid in terms of shopping center types (76.8) and be more vertically integrated through multi-level construction (70.9); both of these statements showed relatively strong agreement.

Enhanced Customer Experience

ICSC members strongly agreed that customer service will be improved in the future by offering more customized products and personalized services (80.3). In addition, store shopping will be enhanced with greater integration between virtual and in-store experiences (75.2).

Survey respondents envision that future innovations will shape the retail environment. Respondents agreed that bio-metric payment options (66.4) will be prevalent over the next 50 years as a common practice in the marketplace. Fingerprint and face recognition could possibly increase transaction efficiency, which could lead to shorter lines at the register and possibly increased store visits per trip to the shopping center. Furthermore, security systems in the shopping center of tomorrow will be less intrusive and more efficient as these systems become more robotic (62.4).

Two trends that received a lukewarm response from surveyed ICSC members specifically dealt with the future design and construction of shopping centers. The industry has a neutral outlook regarding the construction of below surface shopping center components (59.7), which implies less investment in new subterranean shopping center developments over the next half century. Based on the results, the least compelling trend regarding the shopping center property of tomorrow is the

Chart 3-1
Thinking of the future characteristics of shopping center properties, to what extent do you agree with the following statements? The shopping center property of tomorrow will...

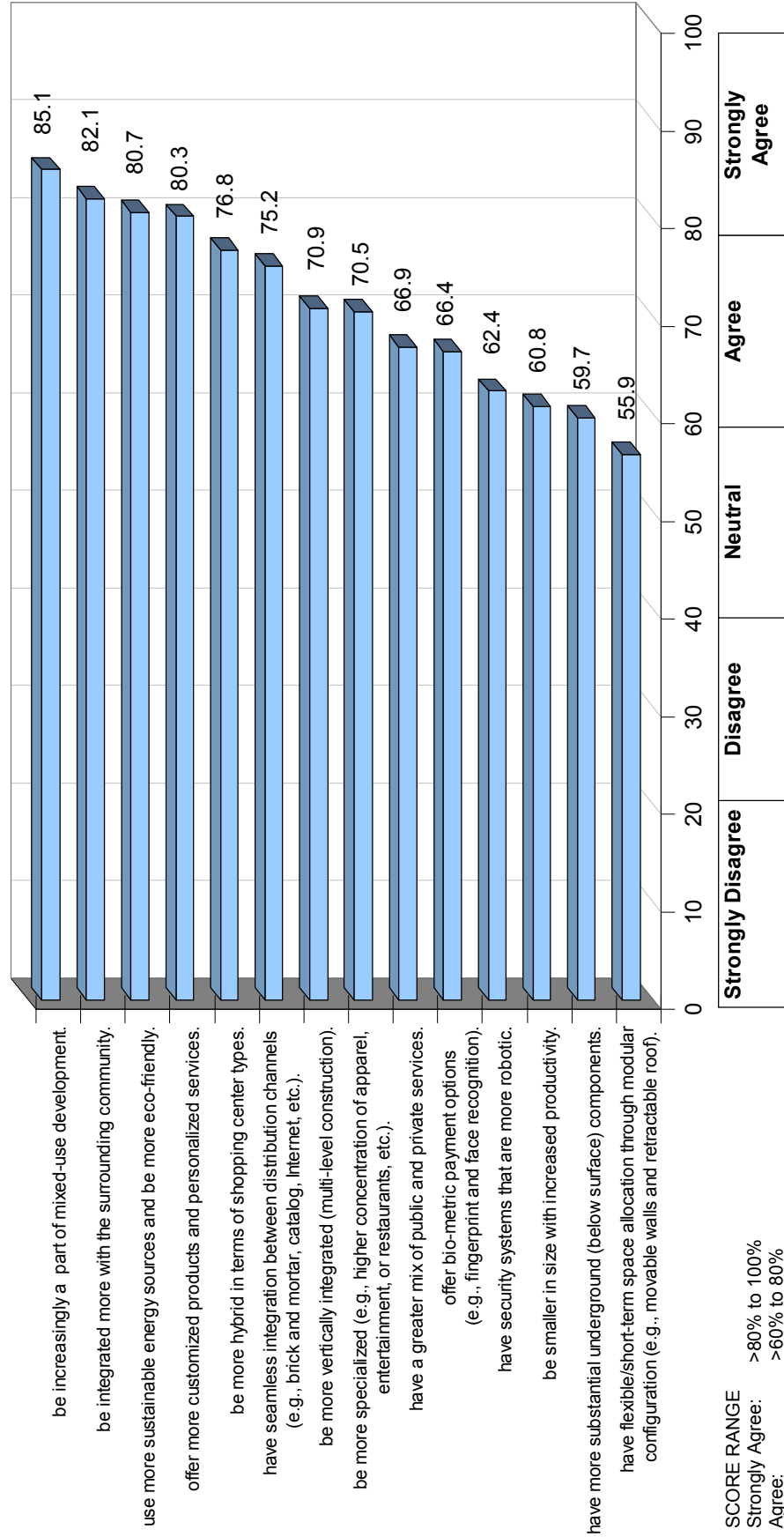
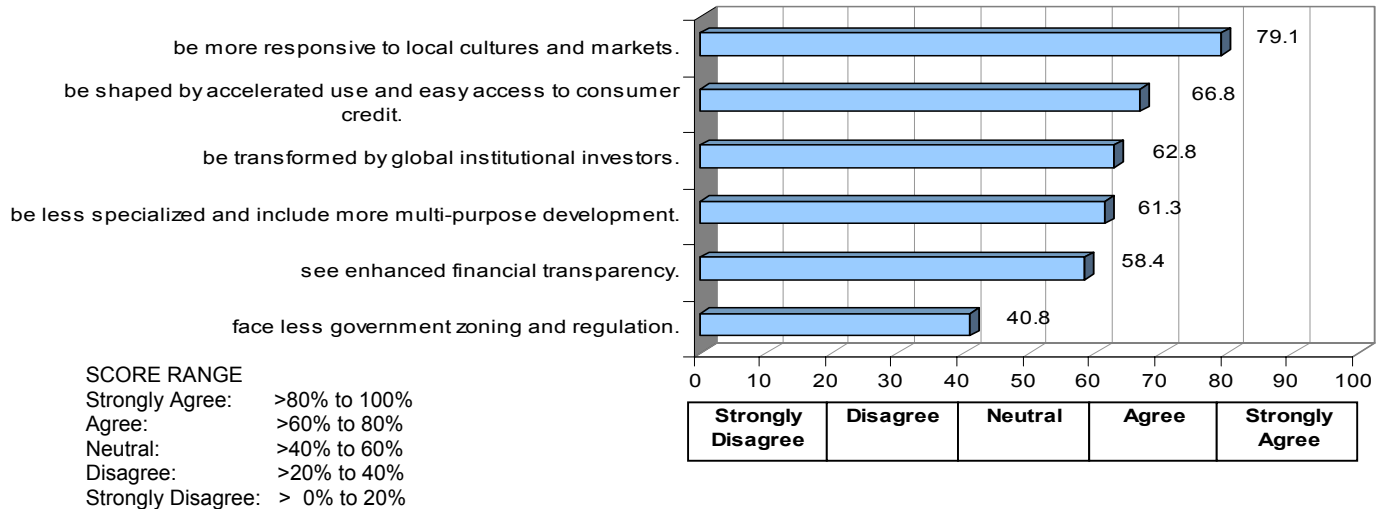




Chart 3-2

Thinking of the future characteristics of the shopping center industry, to what extent do you agree with the following statements? The shopping center industry of tomorrow will...



possibility of flexible/short-term space allocation through modular configuration (55.9).

Global Industry Integration Through Capital Markets

Respondents were generally less emphatic about the future of the shopping center industry than that of the shape of the shopping center itself. Over the next half century, the industry is likely to experience growth with many diverse cultures and markets. ICSC members are looking ahead to this global marketplace, where knowledge of local cultures could mean huge profits. The members surveyed agreed that the industry will be more responsive to local cultures and markets (79.1) than in the past.

Furthermore, the shopping center professionals surveyed tend to agree that the industry will be shaped by accelerated and easy access to consumer credit (66.8) and transformed by global institutional investors (62.8). They also predict the continued healthy expansion of financial markets around the world and the likely chance that the industry will see global REITs (real estate investment trusts) increase in number and presence in developing markets.¹

Along with optimism for the future of the industry, ICSC members surveyed expressed a concern on restrictive zoning and regulation around the world. With the lowest score (40.8) in the “thought survey,” members are less hopeful with the prospects that the industry will face less government zoning and regulation.

Transformation and Optimism

The perspective of ICSC members on the future displays the foresight and ability to dream of an improved shopping center through mixed-use development, sustainable design and advances in technology. In addition, ICSC members are expecting a prosperous industry that is highly dependent on growth outside of mature markets, such as the United States and Western Europe.

This year 2007 marks milestones for ICSC and the shopping center industry, as ICSC celebrates its 50th anniversary and the industry continues to grow. At this time, it is important to look to the past and dream of the future. As Eleanor Roosevelt once said, “*the future belongs to those who believe in the beauty of their dreams.*”

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¹ For a discussion of this evolving trend please refer to Michael Grupe’s article in this issue on pp. 11-15.