

Magazine RETAIL&food: interview with Gerard Groener, managing director at Ingka Centres

Ingka Centres owns and manages shopping malls in China, Russia, Europe and Italy, of course. How did you face the Coronavirus crisis in all these countries? In particular, what have you learnt from the crisis in China and how did you take advantages of this experience in order to optimise your organization in other countries?

Fighting Coronavirus in all our markets has first and foremost meant closely following the expert advice of local authorities and healthcare organizations, to protect the welfare of our co-workers, customers, and partners. Some actions we have taken and the timing of them, have differed slightly from market to market, depending on official advice. But the vast majority of our Meeting Places around the world have been closed, and we have taken measures to support our tenants and co-workers at this challenging time. We have waived rents for 2,000 of our tenants and have invested in measures to drive e-commerce traffic to their websites, and to help retailers work together to share home-delivery and click & collect services. In Russia, we used MEGA Online marketplace to support our tenants by driving traffic to their own ecommerce sites, as well as facilitating tenants to work together on hands free shopping and drive through collection sales. Our focus has remained on the long-term, ensuring we have the talent and the skills to swiftly bounce back from this challenge. We have supported our co-workers working from home and offered more flexible working and training. Ultimately, we believe that by working with all our stakeholders and supporting each other, we will come through this as a stronger community.

Because our Wuhan LIVAT Meeting Place is located in the Chinese city where the outbreak began, we were one of the first international businesses to encounter Coronavirus. We witnessed first-hand how important it was to take action quickly, together with our stakeholders. When COVID-19 came to our other markets in Europe and Russia, our experience in China meant we were better prepared than we otherwise might have been, with great examples of community building initiatives to keep us front of mind with tenants and the public. This ranged from digital initiatives such as providing an online touchpoint via a WeChat mini-program for our Livat Family loyalty members to observing Earth Hour across our MEGA malls in Russia. Our aim was to preserve a sense of collective community and hope.

We have now started re-open our Meeting Places in China after official advice confirmed it was safe to do so. To rebuild trust and confidence, we have temporarily introduced measures to encourage shoppers to maintain their distance from others. This includes graphics on the floor showing the right distance to stand apart, as well as extensive display advertising across our meeting places to encourage best practice in hand washing.

The Italian Government has decided to close temporarily all the shops, except super and hypermarkets, pharmacies and those are considered essential. So, many shopping malls work with only 3-4 shops that are open. What are the government decisions taken in other countries and how difficult and expensive is it for your group to guarantee this kind of services?

Most governments in Europe, Russia and China introduced similar restrictions to what you've seen in Italy, with only 'essential' shops selling food, medicines and so on, being allowed to open. So, at many of our Meeting Places supermarkets and pharmacies, for example, have indeed remained open to support people. With fewer stores open and increased hygiene measures in place, the cost per head has increased, but no more than we feel is reasonable. Ultimately the health and welfare of our communities is our

primary concern – and we are proud of everybody who has helped ensure these essential stores can remain safely open.

Now, the crisis in China is getting less severe. What's your strategy to restart and re-open in that country? What are your expectations?

As restrictions lift, we are delighted to have re-opened two of our Meeting Places in China after official advice confirmed it was safe to do so. But in line with this advice we are applying extra hygiene measures to keep people safe, this includes extra signs and display advertising to encourage good hand hygiene. To help the neighbourhoods in which we operate (in China and around the world) get back on their feet, we're committing €1.6m into community programmes to bring us all back together. At our LIVAT Wuxi Meeting Place in China we have created an outdoor park with incredible flowers and exotic plants, providing a special place for local people to relax at a time when many are still choosing not to travel far from home. Early indications from our research are that while consumers are keen to get back to a normal life, the dwell time in our Chinese malls is down slightly as people avoid staying in public places for too long and also by the fact that all the kids and entertainment facilities remain closed in accordance with the authorities restrictions. We expect this to return to normal levels gradually and are working with our communities to rebuild trust and confidence in visiting our Meeting Places as they re-open.

Ingka Centres has recently declared to renounce the rents from the tenants in all owned shopping malls worldwide. Why did you determine it, what is the purpose and what is the value of missed rents?

We took the decision to waive rents because again, we believe that by working together and supporting our tenants in these uncertain times, we will come through this as a stronger community. We didn't implement this solution worldwide, we just had a more tailored approach for each and every country and meeting place depending on local situation. It's something we could do immediately to help our tenants through the crisis. It's too early to quantify the costs relating to waiving rents, as this is a unique situation impacting on people and businesses in a way we have never experienced before. Our primary focus at this point is the safety of our stakeholders and minimising the spread of COVID-19. Ultimately, we believe that waiving rents is the right thing to do, and will positively support the short and long term performance of our business.

Ingka Centres has a 1 billion Euro investment project for a new development in China. Could this crisis delay this project and new investments worldwide in general?

For now we have two projects under construction and we have plans to start construction of the third one in the second half of the year. It's too early to tell whether there will be any significant delays to our projects or investments. But as you'd expect, the social restrictions imposed around the world to keep people safe could mean minor adjustments to timelines. In China, things are thankfully starting to return to normal and will hopefully continue to do so. Social restrictions there lasted for around three months, and it looks like the picture will be similar in most of our other markets. This scenario is unlikely to cause major delays to our investment programme, but like most major businesses at the moment, we are preparing for different eventualities. What we can confirm is that as and when things do return to normal, our new projects and investments will continue.

The concept of a shopping mall has been changing in last years, so they become some kind of meeting places where the customer's experience is getting more and more important. In your opinion, could this crisis have an impact on the shopping mall market, on the shopping mall concept, and also on customer's behaviour in the mid and long term?

Customer expectations of shopping malls have been changing and evolving for many years, and so long before COVID-19 we had begun to adapt to improve their relevance to the way we all live today. From providing safe and sustainable community spaces in which to gather and chat, to seamlessly blending physical and digital commerce through click and collect, many of the behaviours we were seeing before COVID-19 are likely to be accelerated. Physical retail is changing, and modern malls need to be built around community needs, a complementary mix of uses, digitalisation and sustainability. It's about being more relevant to customers and understanding how people want to spend their free time. It's why we are 'co-creating' our new and upgraded Meeting Places with local stakeholders in each market to ensure we have destinations for everybody that go far beyond shopping. People want places where they can shop, eat, work, live, relax, learn new things, exercise or meet friends – and we are building our Meeting Places around this need. Once COVID-19 abates, there will still be a demand for these mixed-use destinations. Long term we don't think people are going to stop visiting public places in case there is another pandemic.

eCommerce market share has been increasing fast, especially in the Far East, Northern Europe and the USA. In your opinion, could online shopping become more important as a consequence of Coronavirus crisis?

We could see growth in e-commerce as a result of Coronavirus, for the simple reason that people who hadn't traditionally shopped online may have started to during lockdowns and will continue to do so. But increased digitalisation should be positive for us and our tenants, by helping us reach customers in new ways and offer more convenient omnichannel experiences. Many of our malls already have online communities that bring people together for shopping, lifestyle and exchanging ideas, and they have been especially popular during the crisis. For example, at Tiare Shopping in Villesse we established the 'Tiare@Home' concept to support and entertain its community through Facebook. Together with tenants, people have been sharing ideas on things to do at home, kids games, tips for simple workouts, cooking and more. In the first week Tiare@Home reached 60,000 Italians. Online communities like these support us in gathering information to create more relevant, convenient physical retail. We expect our online communities will be used by more people in the future due to the crisis.

Going back to Italy, what are your projects to ramp up the performances of Elnòs Shopping and Tiare Shopping after the end of the lockdown? How important will the marketing strategies be?

We have been careful to preserve a sense of connection and community across our Meeting places throughout the lockdown. As we begin to re-open we expect to see changed behaviours such as lower dwell times from the public. In the first few weeks after re-opening, in-store and display marketing will play an important role in rebuilding trust and confidence that our Meeting Places are safe to visit.

During the lockdown we worked to create a sense of community at our ELNOS shopping mall through the #FacciamoInsieme initiative. This has created a sense of solidarity and helped raise funds for 20,000 face masks for vulnerable elderly people. As we look forward to reopening we want to build on this sense of community and help our partner tenants through marketing that rebuilds gradually footfall and encourages customers. Our experience from China is to take a back to basics approach and highlight how our malls offer everything under one roof – we are exploring different options with our tenants. While we expect it to be a little quieter than usual initially, we believe that with the right marketing strategy we can make real gains on popularity in the mid and long-term.