Bricks-and-Mortar Retail in a Digital World

A research on the key characteristics of successful shopping areas

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P2 Report – Research Proposal

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Master Thesis – MSc Real Estate and Housing
Adaptive Reuse – A Sustainable Real Estate Strategy

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Preface

This report, known as P2 report, presents a research proposal for the master thesis part of the graduation track of the Master of Real Estate and Housing program of the University of Technology Delft. It is the second report in a series of five mandatory reports that document the graduation research from subject selection and draft research proposal to a final report elaborating on the then completed research. In this report I will elaborate and ground my draft research proposal and give some insight in the subject by a literature research. The research is guided by Dr. ir. Dion Kooijman and Dr. MSc. Hilde Remøy and connects to the graduation theme 'Adaptive Reuse – A Sustainable Real Estate Strategy', part of the Real Estate Management (REM) graduation Lab.

The subject of the proposed research, retail real estate, was chosen from a personal interest and the perceived lack of knowledge in the real estate sector concerning the new retail reality. The function of the thesis research is both educational and scientific. Educational in the sense both process and content related knowledge is gained by conducting the research. Scientific because the research aims to make a useful contribution to the body of knowledge of retail space and retail vacancy.

The report is split up in two parts. First of all the research proposal including problem statement, research objectives, research questions, a research strategy, and recommendations for further research. This part of the report is presented in chapter 1. The second part of the report covers the theoretical frame; a further identification of the research field by presenting the results of the literature conducted so far. This part is presented in chapter 2.

Léon van der Wal

Delft, 12-06-2014

Summary

Shifts on the retail sector and changed consumer behaviour have altered the demand for physical retail space. The way we shop and with it the demand for physical real estate is in a process of change. With the multi-channel retail environment new store concepts have emerged. The real estate specific demands of these new types of retail stores are not clearly defined. While new concepts are emerging Dutch retail centers witnessed an increase in vacancy. The emergence of online retailing has given the consumer an alternative for physical shopping and consumers show an increased willingness to travel for a shopping trip. Therefore the qualitative aspects of shopping centers are increasingly important.

In-depth knowledge concerning the mismatch between the new way of shopping and the existing retail stock is lacking. The proposed research will explore the mismatch between the characteristics demanded for retail space and the existing retail stock in Dutch inner city retail centres.

A literature review focused on the shifts in the retail sector showed a number of key changes: the emergence of online retailing, supply chain integration, dominance of large retail chains, internationalisation, and manufactures moving into retailing. As an affect of several changes in society including the increasing digitalisation and a drive for experience consumer behaviour has significantly changed. Offering experience is becoming increasingly important. This doesn't only hold for individual stores. Also for shopping areas as a whole the aspect of experience is of growing importance. Key in this is the shift from functional to funshopping.

An exploration of the vacancy problem on the Dutch retail market showed this issue is of growing importance.Increased competition amongst retail centres and trends on the retail market are affecting retail areas unequally, some retail clusters witness a strong increasing vacancy rate while the A1-locations in the big cities show a shortage of retail space. A number of factors on object and area level are driving the increase in vacancy on specific locations. For example the drive towards larger stores and accessibility issues is causing problems for secondary and tertiary sopping locations.

Teller and Elms (2010), Ooi and Sim (2007); Van der Krabben, Glaudemans, and Buck (2005), I&O Research (2011), and NRW (2014) provide a number of overviews of important retail space related factors . These publications are combined with findings presented throughout the report to derive a list of important factors (see appendix I).

The presented research proposal consists out a mixed method research of four methodologies: literature research, interviews, a Delphi research, and a test of demand and supply.

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1 Research proposal

1.1 Introduction

In the first chapter the general and personal study targets will be discussed alongside a personal motivation that led to the research topic of the thesis research presented in this report. In the later chapters the problem analysis will be discussed, the proposed research methodology and research schedule are presented, and the aimed end result is discussed. The report will end with a preliminary literature study followed by information concerning the organisation of the proposed research. A more detailed research proposal and thorough literature study will be developed in the second half of this semester.

1.1.1 Motivation

Even though I am interested and passionate about many facets related to the build environment including housing policy, the construction industry, and corporate real estate, I am most interested in commercial real estate. More in specific the relationship between the dynamic demand and a relatively static supply of real estate.

During my study abroad at the University of Melbourne, I attended a lecture presented by a guest lecturer working at the Australian founded company Urbis. The lecture covered the topic of retail real estate from high street shopping areas to out of town shopping malls. The main focus points of the lecture were the fundamentals of retail centre developments and specialist retail valuations. This lecture draw my attention to retail real estate. In my opinion one of the most interesting types of real estate due to the many actors and factors involved. Developing and managing an optimal functioning retail centre demands specialist knowledge and expertise.

During the past years e-commerce has been growing strong and the effects of this on physical real estate are becoming more and more apparent: vacancy rates are growing, new types of brick-and-mortar stores are emerging, while others are disappearing, and online retailers are opening physical retail stores. I have always had a broad personal interest. Topics like the digitalisation of society and the changing way people spend their time have always interested me. The combination of this broad interest, the rise of e-commerce, and my growing curiosity for retail real estate led to the decision to graduate on a topic related to the relation between physical retail and the 'new way of shopping'.

During the master of Real Estate & Housing I have gained a broad array of skills required to shape and manage the built environment including knowledge of real estate supply and demand on different scale levels. The changing demands from the three scale levels: society, organisation, and individual increase the imbalance between the supply and demand for retail real estate. Hereby affecting many stakeholders. In the thesis research I want to anticipate on current trends that are bound to expand in the near future and assess this mismatch between demand and supply.

In my vision there will always be a place for physical retail stores. Multi-channel retailing is the way to go and more and more retailers are realising this. However quantitatively I expect the demand for retail real estate to show a strong decrease over the coming years. Online shopping and other factors will continue to push up vacancy rates. The retail landscape is undergoing a radical transformation. On the one hand this results in a downturn for traditional retailing. Looking at it in a more positive way, this creates exciting new retail concepts and store types. A mix of different store types forms the new retail experience that consumers are looking for. In my vision research and expertise will

become even more crucial in the area of retail real estate and parties that lack the required knowledge will be left behind. Furthermore I expect city and town centre retail areas to be more and more managed as shopping malls.

1.1.2 Research Objective

The aim of the proposed research is to make the renewed requirements for retail space explicit and showing which qualitative factors underlay part of the vacancy issue. Many consider the vacancy issue on the Dutch retail space market as something pure quantitative and the proposed research aims to show this is only one part of the problem. Furthermore many so called experts make statements concerning the future of retail however what this means on property level is less widely discussed. That retail is increasingly becoming multi-channel and the role of physical shopping is changing is something stated by many authors including Rigby (2011), EIU (2012), and Luijten (2012). Research concerning the role of physical real estate in the changing retail landscape can provide useful information for practice and recommendations for further research can be given.

The proposed research aims to provide in depth knowledge concerning the real estate related characteristics of a number of relevant retail typologies. Gaining insight in the characteristics of retail store typologies enables statements to be made concerning the reuse potential of vacant properties. Consequently the research could contribute to a better fit between demand and supply of retail space. By connecting the qualitative aspects of demand and existing supply, the research opts to increase the understanding of vacancy on the Dutch retail market.

1.1.3 Personal Study Targets

My most important personal learning objectives are to gain in-depth knowledge concerning retail real estate. During the regular course of studies in Delft there isn't specifically focussed on retail real estate. I am very interested in commercial real estate and in my opinion retail is one of the most intriguing types of real estate. In retail property many elements come together: consumer behaviour, walk lines, catchment areas, local retailers, international retailers, and many other factors and actors. Developing and managing retail real estate demands a lot of expertise. Spending two semester researching is an unique opportunity to gain insight in this fascinating subject. One of my personal study targets for the graduation thesis is therefore to gain knowledge concerning commercial real estate and more in specific retail real estate. Trough a thesis placement in the real estate industry I hope to gain practical skills.

By conducting a research covering topics like the rise of E-commerce, experience economy, and other trends I aim to acquaint myself with an exciting and dynamic area. A lot of research has been conducted concerning the vacancy on the Dutch office market, including research focused on adaptive reuse of these vacant properties. However also the vacancy on the retail market has been growing steady over the past years and with the rise of E-commerce this trend is expected to hold. A personal learning objective is to anticipate on current trends that are bound to expand in the near future and conduct a thesis research that is relevant for practice, hereby contributing to the start of my professional career.

A final personal study target is to gain experience and expertise in setting up and conducting a research. The master thesis allows the further development of many skills including organisational, analytical, communication, and writing skills.

1.2 Problem analysis

In the following section the problem targeted in the proposed research will be formulated. By the use of literature the problem area will be outlined and a problem statement is made. The chapter starts with a preliminary literature study. Chapter 2 presents a more in-depth literature study.

1.2.1 Previous work

The retail market is very dynamic and over the past decade trends like the globalisation of the retail market and innovations lowering the time-to-market of products have drastically changed the retail market (DTZ, 2013). Shifts in society and changes in consumer behaviour alter the retail landscape. The rise of online shopping is one of the main drivers altering the shopping behaviour of consumers (Platform31, 2014, p. 5). Changing consumer shopping patterns make way for a new breed of retailers and some retail branches have almost completely disappeared from the shopping street. The way we shop is changing and this clearly affects retail real estate.

Changes in the retail sector

The rise of online shopping isn't an autonomic trend but is part of the digitalisation of society as a whole (Platform31, 2014, p. 41). Online shopping is expected to show a strong growth in the coming decade however physical retail isn't likely to disappear. Online shopping isn't the only factor influencing the way we shop: ''Consumers' wishes, requirements and expectations, their dietary behaviour and the value attached to leisure and consumption are changing constantly.''(Jos de Vries The Retail Company, 2002). The individualisation of society is combined with a growing demand for entertainment and experience (Wolf, 1999, p. 172). On the one hand, consumers demand convenience and quick solutions, while on the other hand a store needs to satisfy the individual wishes of consumers. Another important trend is the shift from functional to funshopping (Luijten, 2012). Shopping itself is seen as leisure. All these changed consumer wishes make major demands on range planning and the design of retail space.

Rabobank (2012) states that due to limited economic growth and a number of other factors, retailers have to and are shifting their strategy from market growth to gaining market share. The retail sector is undergoing an evolution in which three trends play a key role: vertical integration, Multichannel, and cooperation (Rabobank, 2012). Vertical integration in the supply chain has a number of effects including producers selling directly to costumer and becoming retailers. Multi-channel strategies are strongly influenced by the development of new technology and involves offering a range of retail channels (internet, mobile, social media, and physical stores) to the consumer. Internet has altered consumer behaviour: consumers switch easily between various retail channels, they are well informed, and transparency of product and price has significantly increased (Rabobank, 2012). With the development of online shopping pure play internet retailers emerged, for example Amazon and Coolblue. First many physical store based retailers opened online channels, now a new shift can be witnessed where online players are starting to moving to offline retailing (EIU, 2012, p. 7).

Movements on the retail space market

A research conducted in 2011 covering consumer flows in the Randstad area showed the frequency people shop has decreased since 2004 (I&O Research, 2011, p. 93). Consumer behaviour is also changing concerning the place where people shop. There has been a strong decline in the ability of shopping centres to bind local consumers (I&O Research, 2011, p. 65). And the spread in ability to attract and retain consumers between shopping centres has widened. Consumers are showing an

increased willingness to travel for their shopping trip. In other words: competition between shopping centres is increasing.

The retail real estate market is increasingly becoming a replacement and displacement market (NEPROM, 2010, p. 87). Outdated real estate and properties that don't fit the qualitative demands of retailers and consumers are left vacant. Compared to the growth in population the stock retail space has shown a strong increase (NEPROM, 2010, p. 91). The growth in retail space per inhabitant combined with a decreased consumer spending putting pressure on retail vacancy. The ratio physical retail floor space per capita has been increasing while a decrease would be expected considering the rise of online retailing. Even though the total floor space has been increasing the number of stores has decreased. In other words there has been an increase in floor area per store.

Over the past years the Netherlands has witnessed an increase in retail vacancy. The national average vacancy rate lies around 6,9%. However vacancy is strongly differentiated within the retail stock (Locatus, 2014a). On some shopping locations vacancy is below 3% while some areas witness a vacancy rates above 20%. As an effect of the growing importance of online retailing and the economic downturn vacancy issues are arising in more and more shopping areas (FGHbank, 2012, p. 25).

The direct impact of vacancy lies at the owner of the subject property and surrounding properties. Cashflow from rental income isn't obtained, fixed cost keep running, and the value of the property declines due to vacancy. Besides this vacant properties can have a bad influence on the image of building owners (NICIS, 2006). However the negative effects of vacancy don't solely affect private parties. A high vacancy rate on the commercial real estate market can have negative effects for municipalities due to the spill-over effect of bad image as well as effects on (social) safety (NICIS, 2006). As mentioned by Platform31 (2014, p. 42) retail vacancy is much more visible and has effect on area level at a much lower vacancy rate compared to vacancy on the office market.

Another trend on the retail space market is the growing importance of reuse of the existing stock. Approximately one third of the developments are redevelopments (NEPROM, 2010, p. 94). In 2010 Wienke Bodewes, director of NEPROM, already spoke about a new era of real estate development: ''A time in which developers once again can prove their added value in creativity, experience, and expertise by developing sustainable products and areas with a high level of functionality and experience value for the individual consumer and society as a whole.''(f.t.)[1] (NEPROM, 2010, p. 7).

Compared to the office market the retail development market has been less eager to adopt energy saving measures (NEPROM, 2010, p. 14). An important cause behind this is that for retail developments traditionally the tenant comes in the picture further up in the development process and the tenant is responsible for a part of the installations. However also for retail properties the minimum EPC value demanded in legislation has been increased and the market has shown a growing interest in increasing sustainability levels (NEPROM, 2010, p. 14). For the adaptation of sustainability in retail real estate the consumer is crucial.

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[1] Freely translated, being refered to as (f.t.).
Original citation in Dutch: Een tijd waarin ontwikkelaars op nieuw hun toegevoegde waarde in creativiteit, ervaring en kennis van zaken kunnen bewijzen door duurzame producten en gebieden te ontwikkelen met een hoge functionele en belevingswaarde voor de individuele consument en voor de maatschappij in haar geheel.

The Experience and Entertainment Economy

The theories of Wolf (1999) and Pine and Gilmore (1998) describe a number of shifts in society and economy. Wolf (1999) describes the growing importance of the factor of entertainment troughout the consumer economy and referes to this reshaped economy as the *Entertainment Economy*. According to the theory of Wolf (1999) entertainment has become the key differentiator in almost every aspect of the broader consumer economy. ''In choosing where we buy french fries, how we relate to political candidates, what airline we want to fly, what pajamas we choose for our kids, and which mall we want to buy them in, entertainment is increasingly influencing every one of these choices that each of us make every day.''(Wolf, 1999, p. 4).

Pine and Gilmore (1998) describe that more and more products and services are becoming commodities. Businesses therefore have to distinguish themselves trough the experiences they offer. According to Pine and Gilmore (1998) the economy is shifting from a Service to an *Experience Economy*. In this new economy ''Economists have typically lumped experiences together with services, but experiences are a distinct economic offering, as different from services are from goods. Today we can identify and describe this fourth economic offering because consumers unquestionably desire experiences, and more and more businesses are responding by explicitly designing and promoting them''(Pine & Gilmore, 1998).

Changing role of the physical store

Vacancy rates on the retail space market have increased and according to NRW (2014, p. 5) there is an increasing need for renewed concepts for physical retail space to compete with online shopping. The role of the physical store is changing due to the emergence of e-commerce and shifts in consumer behaviour. There are a number of factors that play a role in the future of physical retail about which there is a consensus amongst experts. For instance the growing importance of offering experience in physical retail is something mentioned in many publications including Pine and Gilmore (1998) and Parker and Weber (2013). However different authors also make some seemingly contradicting statements. For example concerning the store size of the 'new' retail store; do stores need more space to offer experience value, or do stores need less space by linking stores with home delivery possibilities.

Multi-channel retailing is the way to go and is changing the retail industry. Retailers that are not able to accept this new shopping environment and aren't able to adjust the role of physical stores are likely to be left behind. Customers are increasingly wanting everything: the advantages of digital channels such as price transparency, consumer reviews, and a broad selection, and the advantages of physical stores such as feeling touching and trying products, and personal service (Rigby, 2011). Multi-channel strategies have a number of benefits compared to a single retail channel strategy. Research for example suggests that multi-channel shoppers purchase more frequently, spend more per purchase and have a bigger loyalty to the retailer (Piercy, 2011). These benefits offer an explanation for the trend of online players entering physical retailing.

One of the important changes of the role of physical retail has been the shift from functional shopping to funshopping. Experience is of growing interest in the postmodern society including in the retail stores (Kooijman & Sierksma, 2007). An example of a response on this trend is the opening of so called flagship-stores where customers can test products in store that are focused on experience and brand building (NEPROM, 2010, p. 95). The concept of experience is not something new, in 2002 Jos de Vries The Retail Company already published a book about the importance of experience in

retail. This publication focuses almost solely on the link between experience and interior design of shops and marketing of retail formulas. However from the current trends can be concluded that experience goes further than clever marketing.

The future of retail
The role of physical retailing is changing. However predictions concerning the extend and pace of these changes should be put in perspective. For example the significance of online shopping is far smaller than many professionals initially predicted (Evers, Kooijman, & van der Krabben, 2011, p. 267). Bakos (2001) for example, made predictions concerning developments in the retail sector. Many aspects Bakos (2001) mentioned have become reality: significantly reduced search costs on both the physical and virtual retail market, increased price competition, and the increased usage of techniques by (online) retailers to target consumers with personalized product recommendations. However the pace of change, more specific the percentage of online versus total retail sales, has been lower than Bakos (2001) espected. Borenstein and Saloner (2001) even talked about the emergence of hybrid stores with a very broad range of items, but only a few of each particular product, acting as showrooms with online delivery possibilities.

Many statments about the future of retailing made in publications more than ten years ago, like those of Bakos (2001) and Borenstein and Saloner (2001), could still be made today. The revolutionary change in the retail sector predicted by some didn't occur yet. Statements concerning the future of retail made nowadays should therefore be put in perspective. Many predictions, including those of Bakos (2001) and Borenstein and Saloner (2001), are technology led. However Alexander and Freathy (2003) emphasize the importance of the social aspect when it comes to adopting a new technology, or even more so for structural changes in economy and society. An important factor mediating the technology-driven view is the so called 'social brake': to quote Alexander and Freathy (2003, p. 299) ''Just because a technological capability in existence does not mean consumers will automatically want to use it''.

Mahler (2000) and Alexander and Freathy (2003, p. 302) already talked about a multi-channel shopping environment more than ten years ago. As well Wolf (1999) acknowledged the potential of online shopping but didn't state physical stores would become replaced. Wolf (1999, p. 282) expected retail to split into two parts: one following the line of the entertainment economy, another focussed on convenience. The demand for convenience formats is driven by the growing pressure on free time, resulting in consumers focusing on solely the convenience and price aspect for many basic buying decisions (Wolf, 1999, p. 282). The entertainment driven stores on the other hand would be half theme park half store in the vision of Wolf (1999). Shopping as something to do rather than just buying something.

We cannot form absolute statement about how the retail environment will develop in the future. However changes in the retail environment are evolutionary rather than revolutionary (Alexander & Freathy, 2003, p. 298). Online retailing isn't expected to replace physical retail. At least not in the near future. Not only because of issues concerning delivery costs, especially the last mile remains an issue the delivery of online purchases, but more importantly because it requires a shift in shopping culture.

1.2.2 Emerging retail concepts

Caused by changes in the way we shop retail centres are currently changing in a rapid pace. Vacancy is increasing on the one hand and new types of physical retail stores are emerging on the other (Platform31, 2014, p. 3). ''In order to continue attracting consumers it is necessary to develop new concepts. As well the shop structure should be altered to meet the changed consumer demand'' (f.t.) (NEPROM, 2010, p. 91). Due to the changed role of physical retail space, new retail concepts have emerged and a number of these types are bound to grow in importance in the coming decade. The retail industry is reorienting and by anticipating on this the real estate industry can play an important role in keeping the retail space market healthy. In order to be able to do so, knowledge concerning the real estate demand of specific types of retail stores is essential.

That the new way of shopping involves new retail concepts is clear. However what these types are is less clear. A number of reports, made by institutions from various sectors, have been studied in order to get an overview of which types have been growing in importance and are bound to expand in importance. The results are summarised in table 1. The table presents an overview of which publications mention which concept. Six retail concepts have been identified: Brandstore, Showroom, Convenience format, Shop-in-Shop, Pick-up points, and Pop-up store. These concepts are indicated to fit the new way of shopping. For the six retail concepts a short description will be given in the following section.

Table 1: Retail concepts expected to expand in importance summarized by publication

	(DTZ, 2013)	(EIU, 2012)	(JLL, 2010)	(FGHbank, 2012)	(Platform31, 2014)	(Rabobank, 2012)
Brandstore	X		X			X
Experience store	X	X		X		X
Convenience focused	X	X				X
Shop-in-Shop	X				X	X
Pick-up point		X	X	X	X	X
Pop-up store			X		X	X

Brandstore

Flagship stores of brands or brandstores are high-end stores operated by a manufacturer. The rise of online shopping enabled producers to trade directly with consumers. For big producers like Adidas and Nike simply selling shoes in a sports store isn't sufficient anymore. These brands want to be in direct contact with their consumers: lifestyle and brand identity have to offer experience that will convince the consumer to purchase in store or online (DTZ, 2013). Flagships stores are brand building environments that enhance customer experience to distinguish the brand from its competitors, rather than making the most productive in-store sales in that particular store (Evers et al., 2011, p. 29; Pine & Gilmore, 1998; Wolf, 1999, p. 68).

In the classic supply driven business model products and knowledge on production is key, in the demand driven supply chain the consumer is key (Rabobank, 2012). Direct contact with consumers is therefore important. Some producers have already grabbed their chances and entered the retail

arena with own stores. The multi-channel retail environment is expected to result in an increasing number of brandstores on the main shopping streets (DTZ, 2013). Producers with strong brand names can leverage their brand name towards retail activities, possibly in cooperation with other parties. That brandstores demand a different kind of real estate than an average drugstore or home appliance store is obvious. Brands as Abercrombie & Fitch, NikeTown and Apple all have centrally planned strategies for brandstores in Europe (JLL, 2010). Recently Samsung also announced to roll out a network of brandstores in Europe (Garside, 2014).

Experience store
DTZ (2013) articulates the growing importance of experience in stores, the EIU (2012) is talking about what they call showrooms, and Rabobank (2012) mentions the term experience store. The experience store is the place where experience is given to the costumers and a reputation for service is established. A survey amongst retailers executed by CBRE (2013b) showed that while some retailers are considering to reduce the size of their stores, most retailers indicated they are seeking to create larger experiential stores that include digital tools like iPads for ordering online and interactive screens to show the full product range. According to EIU (2012, p. 7) a result of the ease of online shopping is that the showroom function of physical stores will become increasingly focused on brand visibility and service reputation. A Showroom is a channel for consumers to see, touch and try out good and it's less relevant that the purchase is made in store or trough another channel (EIU, 2012, p. 7).

The close connection to the before described Brandstore and the Showroom type becomes apparent when looking at a quote of JLL (2013): ''Many top-tier retailers will accept flagship space (often in the form of brand pavilions, which are effectively showroom style stores that showcase the brand) in iconic locations, and nothing less.''. The difference between the two types is that a Showroom store isn't connected to a single brand. Examples of online retailers that have been setting up showrooms are Amazon and Ebay. It is expected that in the next decade we will witness an increase in the number of pure-play retailers that are setting up permanent experience stores (EIU, 2012, p. 7).

Convenience format
Over the past decade so called ''traffic'' stores have increased in presence on A1-locations in shopping centres in the Netherlands (DTZ, 2013). Especially in the years prior to the economic downturn retailers emphasised on convenience formats (EIU, 2012, p. 7). The Economist Intelligence Unit expects that when income recovers the balance between price and convenience will again be shifted towards convenience. JLL (2010) also recognises the importance of easy shopping, they even go further and mention the chance of the appearance of unmanned 24-hour stores on European High Streets by the end of this decade. The definition of convenience formats used in this research is: ''Smaller, centrally located stores with a targeted product range supplying prepared foods and impulse goods that enables shoppers to meet more immediate needs.''(EIU, 2012, p. 8).

The convenience format is not only focused on food retailing like the AH to go, also for non-food retailers convenience formats are relevant. Overbosch (2012, p. 83) for instance indicates that under the influence of e-commerce a future proof strategy for electronic retailers should consists out of a number of different store types, including smaller stores on high traffic locations with a more targeted product range aimed at a niche or impulsive purchases.

Shop-in-Shop

The department store has gone through a significant transition. During the neigh ties the department store suffer from serious competition by shopping street retail stores. However by introducing the shop-in-shop concept the department stores managed to fight back (DTZ, 2013). Shop-in-shop involves that a portion of the retail space is rented out to other retailers. By the shop-in-shop strategy retailers like the V&D and the Bijenkorf aren't solely retailers anymore but also act as real estate exploiter. One of the benefits of this concept is that retailer can make use of the brand recognition of a shopping centre for joint marketing (Rabobank, 2012). The shop-in-shop concept is also being applied online. An example of this is the Wehkamp. Various retailers make use of the brand recognition, consumer traffic, and knowledge of Wehkamp and have an online Shop-in-Shop.

Platform31 (2014, p. 45) mentions a recent research that indicates two third of the pure online retailers are actively orientating on the possibilities to open an own store, pop-up store, or shop-in-shop. However the number of pure online retailers that operate a shop-in-shop is still very limited. Especially luxury brands represent a big portion of the retailers that make use of Shop-in-Shop stores.

Pick-up points

Many retailers are developing strategies that merges physical and online operations. For many chains this includes using physical presence to enhance the service offering of online channels. ''High street stores will be utilised as pick-up centres for the fast growing "click-n-collect" hybrid channel, where consumers buy online and then collect from a pre-agreed store instead of having to wait for the postman.''(EIU, 2012, p. 6). The so called last mile of delivery involves a relative big part of the expenses and pure online players have problems with costumers sending back products. These pick-up points therefore have a big potential considering they offer customer service and the possibility to handle the return of products. One of the major potential benefits for online players to have an offline presence is so called cross-channel loyalty. Customers with a high loyalty tend to use any one retailer more in all channels, their loyalty is extended to all areas of the business (Sharma & Melhrotra, 2007).

Over the past years the number of pick-up points has been growing strong. These points are often located in other stores, kiosks, or post offices, but in the near future this possibly shifts towards stand-alone service points (Platform31, 2014, p. 41). FGHbank (2012, p. 40) expects an increasing number of online retailers to create physical pick-up points. Of which a part will be stand-alone stores partly because costumers that go to a standalone pick-up centre are likely to make an additional purchase in store. An example of a retailer opening Pick-up points is the opening of offline stores by online retailer Coolblue.

Pop-up Store

Pop-up stores are temporary stores that are build up quickly and closed quickly. Pop up stores are often being used for temporary use of properties, for example in between of two lease periods, and plays on the trend of increasing vacancy in shopping centres. However on small scale this concept is also being used for permanent use of a property (Platform31, 2014, p. 43). Pop-ups are becoming a convincing alternative retail format; offering shopping areas a way to innovate, bring in manufacturer brands and tap into latent consumer spending (JLL, 2010). Examples of pop-up stores are the temporary shops Amazon set up in the United States as part of the Kindle-marketing campaign. The brand Sapph also has plans for opening pop-up stores. It considers to open t pop-up stores in a

number of Dutch cities, the shops would be opened for a period of three to six months (Rabobank, 2012).

1.2.3 Problem statement

The dynamics on the retail market is changing location preferences of retailers and new shopping concepts have emerged (Evers et al., 2011, p. 87).

▶ The way we shop and with it the demand for physical real estate is in a process of change. With the multi-channel retail environment new store concepts have emerged. The real estate specific demands of these new types of retail stores are not clearly defined.

▶ The emergence of online retailing has given the consumer an alternative for physical shopping and consumers show an increased willingness to travel for a shopping trip. Therefore the qualitative aspects of shopping centers are increasingly important.

▶ The Netherlands has witnessed an increase in retail vacancy. In comparison to office vacancy retail vacancy is much more visible and already has an impact on area level at much lower vacancy rates.

In-depth knowledge concerning the mismatch between the new way of shopping and the existing retail stock is lacking.

1.3 Aimed Research Result

The proposed research aims to counter the knowledge gab concerning the qualitative (mis)match in retail space by providing knowledge concerning the specific real estate demand of a number of relevant retail typologies. This demand will be linked with the current supply to indicate a possible mismatch.

1.3.1 End result

The proposed research will conclude in a threefold end result. A result positioned at the demand side of retail space, a result and the supply side, and finally the match between those two. The main research result of the proposed research is positioned at the demand side and consists out of a list of characteristics that fit are important for a successful shopping centre. In order words an overview of the qualitative demand of the researched typologies. The list will be made up of two categories:

- Area   (Factors like accessibility, footfall, leisure functions etc.)
- Object (Aspects directly related to the building like floor height and facade)

The elements that make up the qualitative demand will be ranked on importance. A number of these factors are of crucial importance and could be classified as veto-criteria. Next to a list of factors ranked on importance also the parameters connected to these factors form part of the end result. If for example proximity to public transport points is an important factor on area level for one or more types, it is also important to know what distance range is still perceived as suitable. The list with factors and values should give a good picture of the qualitative demand connected to the researched retail types. In its thesis research Arkenbout (2012) derived a comparable list of factors concerning office users of the creative sector. Remøy, Koppels, van Oel, and de Jonge (2007) also gave insight into the qualitative demand of specific office users but only provided an ordinal ranking of the most important demand factors without the values connected to these factors.

The list of important factors that form the qualitative demand can be used in a number of ways for multi-attribute decisions for actors active in the field of retail real estate. The list could for example be used for a number of so called ''noncompensatory'' decision making strategies. When confronted with complex choices among a number of alternatives people typically use ''noncompensatory'' strategies (Plous, 1993). One of these strategies is the conjunctive rule: ''Decision makers using the conjunctive rule eliminate any alternatives that fall outside certain predefined boundaries''(Plous, 1993). For example an investor can decide not to invest in properties that don't meet the five most important factors on area and object level. The veto criteria derived in the research are very important for this. Another decision making strategy where the list could be useful for is the lexicographic strategy:'' a decision maker using this strategy begins by identifying the most important dimension for comparison and choosing the most desirable alternative or alternatives on this dimension. If more than one alternative remains, the alternatives are compared on the next most important dimension, then the next, and so on until only one alternative is left.'' (Plous, 1993). The ordinal ranking on importance derived in the proposed research is crucial for this.

On the supply side the end result will be conclusions concerning the match between the researched retail typologies and a number of vacant retail properties. By connecting the characteristics retail types that fit the new way of shopping with a number of vacant retail properties statements can be made concerning the qualitative (mis)match between demand and the existing retail stock. FGHbank (2012, p. 153) states that new developments are necessary because it enables the supply to react on the changing demand of consumers and retailers in the dynamic market. Comparing the qualitative aspects of the demand and the existing stock can indicate if this statement is correct, or that the existing retail stock is sufficiently capable of meeting these changed demands. The mismatch indicates potential focus points for the revitalisation of retail areas and redevelopment potential for properties.

1.3.2 Target groups

The knowledge derived from the proposed research gives insight in the real estate characteristics of typologies fit for the 'new way of shopping'. These findings can be very useful for developers and investors in the development process of new retail supply, however the proposed research is primarily focused on providing knowledge for the potential reuse of the existing stock. Therefore key target groups are: building owners of retail space that is already vacant or is likely to become vacant in the near future, redevelopers of retail space, and real estate advisors.

Real estate advisors can be benefitted from the research findings when advising investors, developers, and retailers. For example when advising building owners to determine a marketing and/or building adjustment strategy for properties that are left vacant or have a high risk of vacancy. Also during investment advice the research is relevant considering it gives insight in the future use potential of a property. For (re)developers knowledge insight in the qualitative demand is essential. And because the proposed research also gives insight in the importance of the different factors, possible alternatives can be considered to determine which steps could best be taken to make a vacant property fit for use.

As mentioned before retail vacancy has influence on area level at much lower vacancy rates compared to office vacancy. Research that contributes to the building up of knowledge connected with the causes of vacancy and the potential of reuse of existing stock is therefore of relevance for society as a whole.

1.4 Research questions

Managing the built environment is an important but complex challenge. ''Addressing this challenge requires detailed knowledge of real estate supply and demand on different scale levels''(Prins et al., 2013, p. 5). Attention needs to be paid to the changing requirements of individuals, organisations and society as a whole. The proposed research opts to gain insight in the specific retail property characteristics demanded for a number of typologies that fit the changed demand for retail. Clients, designers, consultants, users, and managers have to make decisions in a context with many uncertainties (Prins et al., 2013). By getting in-depth knowledge concerning the qualitative demands for retail properties uncertainty can be reduced.

The following research questions have been formulated in order to counter the problems stated in the problem statement hereby contributing to a more balanced match between the demand and supply of retail space.

Main research question: What is the mismatch between the characteristics demanded for retail space and the existing retail stock in Dutch inner city retail centres?

Sub research questions:
- ▶ Q1: What are the trends on the retail market and what new retail types have emerged?
- ▶ Q2: What are the real estate characteristics of the experience store, convenience format, and the conventional store type?
- ▶ Q3: What are the characteristics of the vacant retail stock?

1.4.1 Research scope

Big box stores such as DIY and furniture stores, big supermarkets, as well as so called superstores are left outside the scope of this research. The reason for leaving these retail types outside the scope is that the real estate requirements of these types is relatively straightforward. Due to standardization there is no need for specialised development expertise and retail chains therefore often develop these stores themselves (Guy, 2003, p. 98).

As indicated by NICIS (2006) the reuse potential of a property is not solely determined by property characteristics: legislative and financial aspects also influence the reuse potential of an object. The proposed research will however be limited to the property specific characteristics on area and object level. Interior design aspects are left outside the scope as well. These aspects are retail formula specific and the research is written from a real estate/property students perspective. However some aspects of interior design influence object specific requirements of retail space and are thus indirectly included in the research.

The research will focus on city and town centres. These are the central shopping centres that in the classification of Locatus are divided into six categories: city centre, regional centre large, regional centre small, subregional centre large, subregional centre small, and subregional convenience centre. Most stores in the Netherlands are part of retail centres in these urban locations. City and town centre retail areas accommodate more than 53.000 outlets making up almost 10.5 million square meters. Compared to approximately 4.3 million square meters of supportive centres, 4.4 million square meters of big box retail parks and specialty centres, and 8.8 million square meters of solitary outlets (Locatus, 2014a).

The research is focused on a specific shopping centre type because different type of locations have different rationales. Central shopping locations have a different function than other retail centres as well as a different branch composition (Evers et al., 2011, p. 75). The vacancy problem in city and town centres is relatively urgent. Retail takes a prominent role in the functioning of urban areas (Evers et al., 2011, p. 16) and retail vacancy has affects on area level at relatively low vacancy rates (Platform31, 2014, p. 42). Of all retail area types regional centres show the highest vacancy rate on national average (Locatus, 2014a). Even though the research isn't focused on supportive centres some conclusions of both the literature study and the empirical research are also applicable to this category of retail developments.

1.4.2 Selection of typologies

The 'new way of shopping' changed the qualitative demand for retail space. This asks for new types of shops and retail properties (Platform31, 2014, p. 6). The new way of shopping affects both shopping centre and individual property. The emergence of new store typologies is the affect of the dynamic nature of the retail sector. New formulas and changes in retail operation alter the demand for retail space (Evers et al., 2011, p. 109). By researching the (renewed) qualitative demand for retail space, insight can be gained in the mismatch between the demand and the current retail space stock. There is not something as 'the physical store' and shifts on the retail market unevenly affect different stores types. Over the years a range of small store formats have been developed differing in scale, design, retail technique, and approach (Burt & Sparks, 2003, p. 25). By focussing the research on a number of specific types more in-depth knowledge concerning the qualitative demand can be retrieved.

The emerging retail concepts presented earlier in this report (table 1) have been used to define the store typologies on which the proposed research will focus. A number of the concepts summarized in table 1 don't refer to differing real estate objects but to elements of the store or the way the store is operated. The concepts mentioned in table 1 have led to two store typologies that will be researched: experience focused stores and convenience focused store. A third ''normal'' store type is being added to these two types. Focussing on experience led retailing on the one hand and convenience focused retailing on the other is in line with the vision of Wolf (1999). He believed retail would head into two paths: one convenience driven, and the other driven by entertainment and offering experiences (Wolf, 1999, p. 282). The growing importance of experience in the (consumer) economy is a central topic throughout publications by Pine and Gilmore (1998), Wolf (1999), and to a lesser extend Florida (2002). The demand for convenience formats is driven by the growing pressure on free time, resulting in consumers focusing on solely the convenience and price aspect for many basic buying decisions (Wolf, 1999, p. 282). Also the future store types derived by Overbosch (2012) are in line with the store types selected to be included in the research. In the master thesis by Overbosch (2012, p. 83) two of the three identified types for central retail locations are described as experience centres/showroom (''High traffic mega stores'' and '' City stores'') and the third type (''Specialty stores'') shows strong resemblance to the convenience format as described by the EIU (2012, p. 8).

The following three types will form part of the empirical research:

- *Conventional store*
- *Experience store*
- *Convenience format*

By focusing on these store typologies statements can be made if these types are actually recognised by experts as typologies with shared real estate characteristics (showed by the consensus reached in the Delphi) and foremost insight can be gained in a possible qualitative mismatch between types fitting the new way of shopping and the existing retail stock. Because specific store types are explored the research can show if these shops, differing in functionality, also differ in concern of real estate characteristics.

Conventional type
The conventional store is included in the research to be able to make conclusions concerning the difference between the researched specialist store types (experience stores and convenience formats) and a conventional store. Besides the contrasting aspect, incorporating the conventional store increases the relevance of the research considering a more significant part of the retail stock is included in the research. And as critically noted by Dawson, Findlay, and Sparks (2008, p. 17) the importance of highly differentiated retail spaces like experience focused stores shouldn't be overestimated considering much retailing remains functional and price and convenience are still key determinants in consumer preferences.

There are a number of alternatives for defining this normal type: a definition could be derived from literature or researcher judgement, the definition could be left open and would therefore be determined by the individual judgement of the participants of the Delphi, or the definition could be derived from interviews with experts. This research is based on the later. In this way influence of the researcher can be reduced and a definition can be provided to the Delphi participants, hereby avoiding confusion amongst the participants.

Looking at the largest retail chains gives an image about what could be considered a conventional type. Excluding supermarkets, big box retailers, superstores, and department stores the top 10 largest retailers in the Netherlands consists out of retailers in the branches of household goods (Blokker, Action, Xenos), drugstores (Kruidvat, Etos, DA), footwear (Scapino, Bristol), clothing (Zeeman), and toys (Intertoys) (Locatus, 2014b).

Experience store
The reason for the clustering of two types is that the function of the so called ''brandstore'' is in definition very similar to the retail type that is in many publications named ''experience store'' or ''showroom''. To quote real estate advisor and broker JLL ''Brand flagship stores are all about selling the experience''(JLL, 2010, p. 4). The most significant difference between the two types is that a brandstore only offers products from one brand in contrast to the showroom type. This is an operation related distinction. Concerning real estate demand these types are therefore clustered in the proposed research. The term experience store is also frequently used in news publications of for example PropertyNL. The essence of the definition of an experience store used in the proposed research is a store that is focused on offering experience rather than making direct in-store sales.

Convenience format
Convenience is an important factor in shopping decisions of consumers. Convenience adds value by saving time and effort for the shopping activity, something of increasing importance for consumers (Lloyd, Chan, Yip, & Chan, 2014). EIU (2012) and Overbosch (2012) provide strongly related descriptions of what in this research is referred to as a convenience format. The essence of the definition of a convenience format is a store focused on the ease of shopping and reducing time and effort spend on the shopping activity. Stores in this typology are smaller shops located at high traffic

locations offering a more targeted product range for consumers immediate needs or impulsive purchases (EIU, 2012; Overbosch, 2012, p. 83). In an overview of small store formats presented by Burt and Sparks (2003, p. 24) convenience stores are described as relatively small stores targeting the consumer requirement of time/convenience selling products for premium prices.

Pop-up, pick-up, and shop-in-shop
Pop-up stores are left outside the empirical part of the research. Pop-up stores are a very interesting concept. However in principle every store can be a pop-up store: a pop-up showroom, a pop-up pickup centre, and so on. The pop-up concept has more to do with the software than with the hardware. It refers to the way a real estate object is being operated. In the empirical part of the research there will therefore not be focussed on the pop-up store. That doesn't mean this type is less interesting for the future of retail. As indicated by Platform31 (2014, p. 41) pop-up stores are increasing in presence on shopping streets. For pick-up points the same rational applies. Virtually every store could be used to pick-up online purchased orders. Shop-in-shops will be left outside the empirical part because this type is located within a (department)store and are therefore bound to the real estate characteristics of the overlaying retail object. Permanent pop-up stores and stand-alone pick-up points could be types with specific property requirements.

Practical issues
Besides the before mentioned reasons there is also a practical argument for limiting the number of typologies in the empirical research. The maximum number of types that can be researched trough the proposed Delphi-method is three types. When more than three types would be included the participants of the Delphi can lose concentration and dedication to think thorough about their responses. Hereby jeopardizing the reliability of the outcomes of the research.

1.5   Conceptual model

The conceptual model shown in figure 1 illustrates the linkages of the key factors playing a role in the before described problem area. The dynamic retail environment is influenced by a range of technical and social factors. The trends on the retail market have led to what is sometimes, for example in Luijten (2012), referred to as ''the new way of shopping''. Consumer behaviour, changing retail strategies, the multichannel environment (other channels and physical retail space), and specific retail types form the new way of shopping. Other channels in this refer to retail channels including internet stores, smartphones, and social media.

The square labelled ''Store types – Qualitative match'' is highlighted because the focus of the proposed research lies on this aspect. Retail vacancy is not mentioned in the conceptual model because it is an effect of the qualitative (mis)match between qualitative aspects of the demand and the supply (and the quantitative balance between demand and supply but that is not the focus of this research). Linkage of the real estate space market, asset market and development industry is explained by Geltner, Miller, Clayton, and Eichholtz (2007, p. 23).
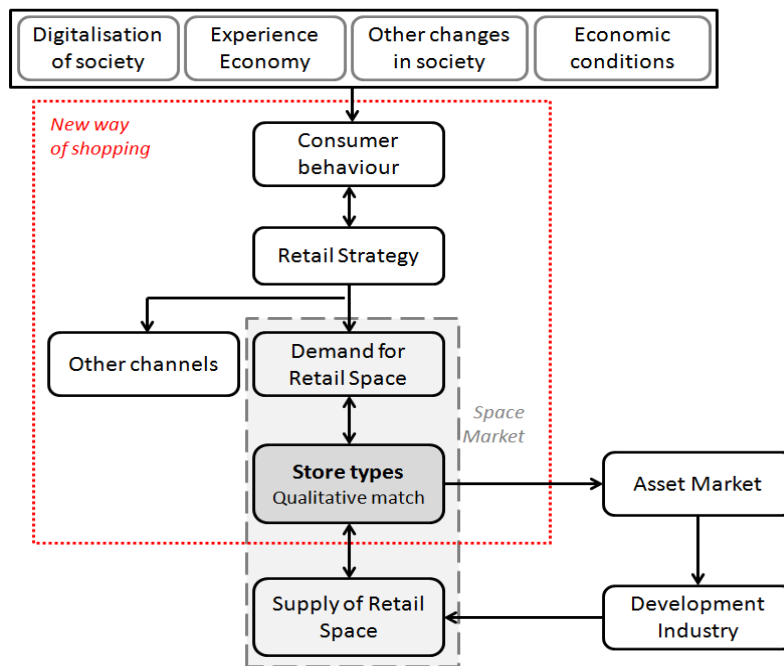
Figure 1: Conceptual model

When analyzing commercial real estate two key markets are relevant: the space market and the asset market (Geltner et al., 2007). On the space market tenants form the demand side and make demands concerning the physical characteristics of real estate space. The supply side of the space market is formed by the owners of real estate that rent space to tenants. Both supply and demand on the space market are location and type specific. Because of this real estate space markets are highly segmented geographically and by property type. Each of the space markets has different kind of tenants forming the demand side, and differ in physical, location, and architectural requirements on the supply side (Geltner et al., 2007).

The demand side of the real estate asset market is formed by the investors that are looking for future cash flows. While building users are seeking for physical assets, investors are seeking for financial assets and in principle do not care how these cash flows are generated (Geltner et al., 2007). The real estate asset market is part of the wider capital market and real estate therefore also has to compete with other forms of capital assets. The supply side of the real estate asset market is formed by developers, individuals, or investors that want to sell real estate.

The real estate space market and asset market are linked and related to each other. Direct and short run because the space market determines the cash flows a property can generate and structurally on the medium to long term by the property development industry (Geltner et al., 2007). The role of the development industry is to convert financial resources into physical space. The supply of real estate space is very inelastic (Geltner et al., 2007). Buildings have a high longevity and if demand drops space cannot easily be reduced in the short to medium term. As Geltner et al. (2007) state: ''addition of new increments to the stock of built space is primarily required only by economic growth or by structural changes in the economy and activity patterns.''. However the retail space market is increasingly becoming a replacement and displacement market (NEPROM, 2010, p. 86). Outdated retail space and properties that don't fit the qualitative demands of retailers and consumers are left vacant.

1.6   Relevance

The following section reflects on the relevance of the proposed research from a scientific and societal perspective. There will be made explicit what the added value and utilisation potential is of the research.

Scientific relevance

A multitude of publications have been made covering specific aspects relevant for retail space. However an overview and ranking of important factors specifically focussing on Dutch city and town centre retail areas is lacking. The literature review also didn't show any publication presenting an multi-disciplinary expert based ranking of issues important for retail space. The publications showing the most similarities to the proposed researched are Teller and Elms (2010) and Van der Krabben et al. (2005). Teller and Elms (2010) used a consumer survey to derive the most import factors determining attractiveness for three types of retail agglomerations. The publication of Van der Krabben et al. (2005) identified and ranked the most important location factors based on interviews with retailers. However this research has been conducted almost ten years ago, when online retailing wasn't by far as significant as it is today and before the economic downturn. Neither of the two is specifically focused on the Dutch situation nor do they cover aspects on object level.

Two publications of (former) TUDelft Real Estate & Housing students show significant linkages to my research: Overbosch (2012) and the research of Marthijn Keijzer (to be completed November 2014). The thesis of Overbosch (2012) explores the influence of online shopping and other trends in society on the real estate strategy of large electronic retailers. Even though my research wont focus on this type of retail in specific some elements of the thesis by Overbosch (2012) are very relevant. Especially the findings concerning the role of physical stores in multi-channel retailing and the future retail types Overbosch (2012) derived from its research. Marthijn Keijzer is researching the multi-channel shopping environment focussed on the perspective of the consumer. Together with the perspective of real estate professionals of this research these two research publications could form a wide exploration of the role of real estate in the multi-channel world.

The publication of Remøy et al. (2007) and thesis research of Arkenbout (2012) used the Delphi technique to gain insight into the qualitative demand for office space. The proposed research follows this research line by extending it to retail space. Gaining insight in the qualitative mismatch between the exsisting stock and the demand for retail space, contributes to the understanding of the complex problem of retail vacancy. In for example Evers et al. (2011) some indications are given concerning qualitative drivers of vacancy in Dutch retail centres. However there hasnt been fully aleborated on this. Exploring these aspect more into depth will contribute to the body of knowledge of research on retail vacancy.

Societal relevance

Stores and shopping areas have a prominent role in economy and society, as well they form arguably the most important function in urban areas (Evers et al., 2011, p. 16). With the development of the online retailing the consumer can shop anywhere and anytime they want. From their office by the use of their laptop or even when walking through their smart phone. Because consumers have the alternative to stay at home and shop from their couch, the qualitative aspects of physical retail space are becoming increasingly important for attracting consumers. A crowded shopping street is a sign of a successful and lively city (Evers et al., 2011, p. 16). Knowing which factors make up a successful shopping street is therefore very important. In the Netherlands the position of inner city retail

centres has been under pressure since the emergence of new shopping locations in the 70s (Evers et al., 2011, p. 89). With the growing influence of e-commerce the pressure on the inner city locations is expected to increase even more. NRW (2014, p. 4) stresses that while the virtual world is expanding the revaluation of the build environment is a necessity. An scientifically grounded exploration of the factors make up a successful shopping street is therefore highly relevant. Not only for a good functioning city as well as for financial returns on for example pension fund money invested in retail properties.

Utilisation potential
Platform31 (2014, p. 41) expects the vacancy rate on the retail space market to continue increasing with some inner cities clearly being losers or winners. The research findings can be used for determining the focus point for town centre management schemes, redeveloping retail properties and areas, and evaluating investment alternatives.

1.7   Research Methods

The proposed research strategy is a typological research formed by an mixed method approach. A literature research will be performed after which a number of interviews are conducted, retrieving qualitative data, followed by the more quantitative Delphi rounds. Whereby the Delphi technique forms the main research method. Because the research topic is a relatively recent phenomenon and goes into depth on a number of rather specific types an expert based research method is selected. Experts deal with retail space issues on a daily basis. An expert based research method is therefore expected to yield more reliable and complete results compared to a stated preference study amongst users of retail space (consumers and retailers).

The Delphi technique has been preferred considering the limitations of a focus group and because an important research outcome is the ranking of real estate related factors. For deriving a ranking the structured approach of the Delphi method has been acknowledged as one of the most appropriate research methods (Safian, Nawawi, & Sipan, 2013). During the Delphi research respondents will be encouraged to provide motivations for their responses. However to retrieve more in-depth (qualitative) data a mixed method research including interviews is proposed. A method based around a Delphi has been preferred over a pure qualitative, interview based, research because there is a significant body of knowledge covering different factors important for retail space (shown in chapter 2.2). However an up to date overview and insight in the relative importance is lacking. Combining the Delphi with interviews allows factors to be derived that are not present in the literature.

Figure 2 shows the proposed research schedule. The figure shows a difference between the research part that is focused on the demand side (indicated with orange tint) and the research part that focuses on the supply side (indicated with blue tint). The test on the qualitative match is the place where these two meet. As can be seen in the draft research schedule there are several point where information derived from the supply-side research part will be used in the formation of the demand-side research part. The supply part of the research will eventually result in a few test cases where the qualitative aspects of the demand for retail types will be tested on the characteristics of the supply.
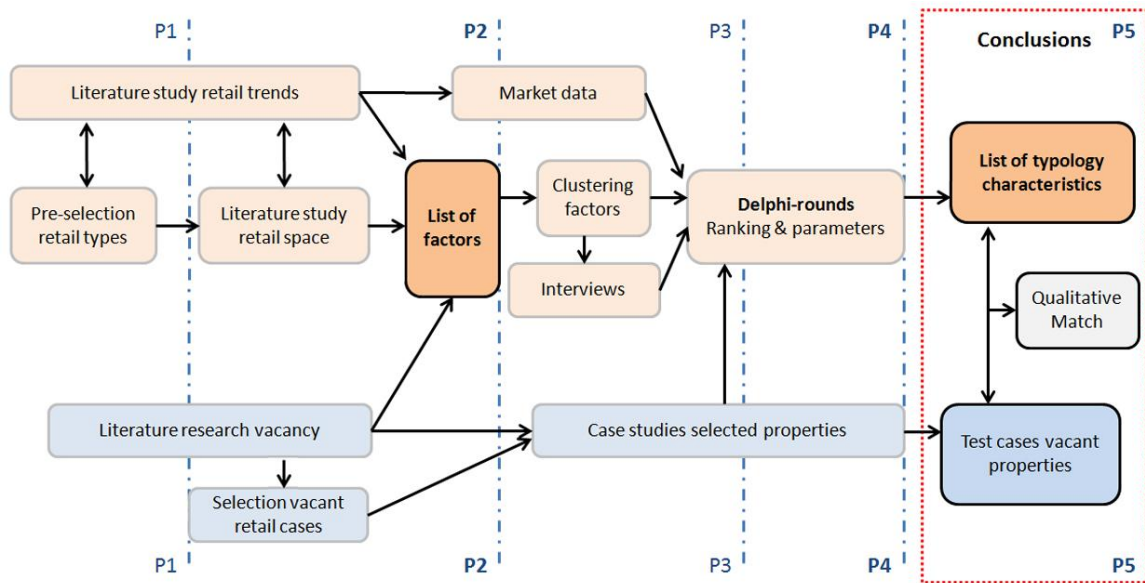
Figure 2: Draft research schedule

1.7.1 Literature research

The research will start with a literature research. The first sub research question: ''What are the trends on the retail market and what new retail types have emerged?'' will be answered trough literature research and the analysis of market data (shown in Appendix II). The focus of this research question lies on the literature research in the first half of the research (until P2). The findings concerning this sub research question are presented in chapter 2.1.

The literature research consists of the studying of master thesis research publications, professional publications, books, and scientific publications. The literature to be used is derived both from real estate specific publications and non real estate specific publications. For example in the field of marketing and business economics many relevant publications are made concerning multi-channel retailing. Also more general literature will be used for example publications covering the Experience Economy (Pine & Gilmore, 1999), the Entertainment Economy (Wolf, 1999), general retail theories, and handbooks for the development of retail space.

1.7.2 Interim result

The exploration of the retail types results in a list of factors that are important for retail space. The list consists out factors on area and object level. This forms the most significant interim result of the research. The list will be made by combining findings from literature research on trends, retail space, and vacancy. The list of factors forms the key starting point for setting up the Delphi-research and will therefore ideally be completed before the P2 evaluation moment. However the proposed research is an iterative process and the list of factors is therefore continuously being updated until the Delphi-research will actually take place. The interviews discussed in the following section are essential in this. The interim result can be found in appendix I.

1.7.3 Interviews

A number of interviews will be conducted in order to extend the list of factors derived as interim result. The interviews are also performed to collect in-depth qualitative data concerning the new way of shopping, more in specific the emergence of new retail store types, and the argumentation experts give for the factors they consider of crucial importance for retail space. The retail store types

on which the research will focus will be confirmed trough the interviews. As the respondents indicate other retail store types are of greater importance then the selection will be adjusted.

The interviews will take approximately one hour. The interview questions will cover the following topics:
- The most important factors for retail centres according to the expert. Provided with an description and argumentation.
- The most important factors for retail stores according to the expert. Provided with an description and argumentation.
- The interviewee will be asked which retail store type he/she considers to be an important emerging retail type: Permanent pop-up stores, stand alone pick-up points, experience stores, convenience formats, or none of the before mentioned.
- The interviewee will be asked to briefly describe a standard store.

The following experts will be contacted to check their willingness and availability for an interview:
- Maarten H.L. van Lit, Director LMBS retail
- Rene Vierkant, Director retail investment Syntrus Achmea
- Karen Strijker, Adjunct-director Retail serices DTZ Zadelhoff

More experts will be added to this list further in the process. There will be aimed for a minimum of four experts to be interviewed. Interviewees will be selected based on expected (contradicting) insights to be gained from the interview and willingness to participate.

1.7.4 Main research method – Delphi method
After the derived factors are structured and clustered the empirical research can be set up. Considering the new way of shopping is a relatively recent phenomenon a predominantly qualitative approach is preferred. In a predominantly quantitative research it would be hard to research this relatively new phenomenon due to data availability. And due to the fact that the proposed research goes into depth on a number of rather specific retail types the chance of absence of one or more key variables is also considerable. Trough a qualitative approach, more in-depth knowledge can be gathered concerning the theme and the rather specific qualitative demands of relatively new types of retail can be investigated. Therefore there will be made use of the *Delphi method.* A focus group has been considered as well however this research method has a number of limitations caused by the chance of the arise of so called group think and (Bryman, 2012, p. 517) mentions the method is also difficult to organize. Participants need to be persuaded to participate and need to turn up at a particular time. A Delphi on the other hand allows the involvement of a geographically spread out group of experts (Enserink et al., 2010, p. 122).

The Delphi approach is a flexible expert based method that can include questions of any sort that involve judgment (Gordon, 1994, p. 4). Due to the feedback component of the Delphi-technique participants are forced to think about and possibly revise their view. In this way a more reliable and considered response can be derived from the research. The Delphi method allows the capturing of a large spectrum of views and in the final report so called minority viewpoints could be included (Enserink et al., 2010, p. 122). The end result of the Delphi research will be a list of *factors* that are important for the defined retail typologies and *values/parameters* connected to these factors.

A Delphi research can focus on user typologies like the research of Remøy et al. (2007) or on property typologies. This research will focus on physical store typologies because retailers can, and often do, have a portfolio consisting out of multiple store types.

Delphi method

The Delphi technique originates from the late 1940's and was developed by the RAND, a US based ''think thank''(Sackman, 1974, p. 3). Over the years the Delphi method has been used as a systematic method for eliciting expert opinion in a variety of areas. Where the original Delphi technique was used for forecasting purposes. The reasoning behind the development of the Delphi was that, in comparison to nonexperts, experts are more likely to be correct concerning question in their field of knowledge (Gordon, 1994, p. 1). However, when experts were brought together in a conference room factors that have little to nothing to do with the issue were influencing the outcomes. Gordon (1994) sums up a number of examples: ''the loudest voice rather than the soundest argument may carry the day; or, a person may be reluctant to abandon a previously state opinion in front of his peers'' (Gordon, 1994, p. 1). The Delphi intents to remove these focus group related limitations.

The Delphi is named after the ancient Greek temple and oracle. In the Greek monastery knowledge was accumulated, ordered, and prophecies were made concerning a variety of subjects. This is similar to the principles underlying the Delphi method. The systematic set up of the Delphi by the RAND was designed to increase the change that the combined forecasts of different experts was better than any single expert opinion (Gordon, 1994, p. 1). For this the aspects of anonymity and feedback are considered crucial.

However the use of Delphi as a valid method has been criticised. In Sackman (1974) published by the RAND the Delphi method was evaluated. The main recommendation of the report was that the use of the Delphi method should be dropped until improvements were made concerning the collection, analysis, and use of data retrieved from the technique to meet scientific standards (Sackman, 1974, p. 70). However the potential advantages of the Delphi technique weren't denied. The report stated that: ''The originators of Delphi had the right instincts in responding to growing and pressing needs to enlist the active participation of geographically distributed professionals to work in concert assessing unknown and complex problems.''(Sackman, 1974, p. 72).

Over the years several research guidelines have been developed and extended concerning the use of the Delphi method (Remøy et al., 2007). Examples of these research guidelines are those published by Schmidt (1997) and Hasson, Keeney, and McKenna (2000). In their publication Hasson et al. (2000) stress the importance of a high degree of methodological precision and research rigour. The Delphi method is a group facilitation technique that seeks to transform expert opinion into group consensus trough a series of structured questionnaires (Hasson et al., 2000). The structured character of the Delphi is a distinct difference from focus group research. The original concept for the focus group was to interview participants in a relatively unstructured manner (Bryman, 2012, p. 503). The guidelines presented by Schmidt (1997) are focused particularly on using the Delphi technique for deriving a certain ranking.

The use of the Delphi technique has gone far beyond its original focus on technological forecasting. This is possible because the Delphi method is a flexible approach and there are a number of different Delphi formats (Hasson et al., 2000). In the research proposed in this document the Delphi ranking approach followed by multiple choice questions will be used to answer the sub research question 2:

''What are the characteristics of the ''new'' retail types?''. For a research focused on deriving a certain ranking, the Delphi method is one of the most suitable research methods (Safian et al., 2013). There are a number of research publications in which the Delphi method has been used to create a ranking of building and location factors in the field of real estate including Remøy et al. (2007), Arkenbout (2012) and Safian et al. (2013).

Interview and questionnaires
A Delphi survey consists out of a number of rounds whereby structured questionnaires are presented and completed by the participants. Hasson et al. (2000) suggest the initial questionnaire might be used to collect qualitative comments that are fed back to the participants in quantitative form in the second round. An alternative is to collect qualitative data trough interviews prior to the first round of the Delphi. In the research by Remøy et al. (2007) interviews were used to collect richer data and construct validation by asking the participants to react on the researchers interpretation. Another benefit of conducting interviews before setting out the first round of the Delphi is that in this way support is created amongst the participating experts hereby decreasing the chance of non-response.

Hasson et al. (2000) states that before the Delphi is implemented there should be a pilot test with a small group of individuals. When the there has been a pilot and the first round of structured questionnaires has been completed the data should be statistically analysed regarding group collective opinion. The results from the first round help to formulate the second round and this is repeated for the following rounds. Group members are informed concerning the status of their collective opinion by sending statistical information concerning the previous round to indicate items that have gained consensus. Participants are given the opportunity to change their opinions and are therefore stimulated to rethink their responds and issues that were initially missed or not regarded as important are being reconsidered (Hasson et al., 2000).

The number of rounds of the Delphi should be at least two, taking into account interviews are conducted before the first Delphi round and there needs to be a feedback round. The number of rounds before the Delphi is finalized is less clear. Hasson et al. (2000) for example state the process of controlled feedback should be repeated until consensus is reached or until the number of returns for each round decreases. In the research of Remøy et al. (2007) the Delphi was stopped after two rounds because the researchers considered the level of consensus reached on one of the aspects (in this case building characteristics) to be high and the consensus on the other researched aspect (in this case location characteristics) didn't show any significant improvement in consensus rate. Hasson et al. (2000) state that the meaning of ''consensus'' in relation to the studies aims should be clearly determined. For this Schmidt (1997) provides an overview of how Kendall's W reflects reliability of a ranking of issues created trough a Delphi, see table 1. Kendall's W is a coefficient by which agreement can be measured. This will be further elaborated in the section covering data analysis.

Table 2: Interpretation of Kendall's W (Schmidt, 1997)

Kendall's W	Interpretation	Confidence in Ranks
0.1	Very weak agreement	None
0.3	Weak agreement	Low
0.5	Moderate agreement	Fair
0.7	Strong agreement	High
0.9	Unusually strong agreement	Very high

Due to practical reasons the maximum number of retail types that can be researched in the Delphi is three types. When more than three types would be included the participants of the Delphi can lose concentration and dedication to thing thorough about their responses, hereby jeopardizing the reliability of the outcomes of the research. To improve convenience and speed of data gathering a web survey will be deployed. Bryman (2012, p. 674) states that the matter of non-response could be an issue when deciding to conduct an online survey; studies have indicated that an online survey typically has a lower response rate compared to postal questionnaires. However because the participants will be interviewed before the online Delphi starts this is not expected to form an issue in the proposed research.

Set up of the Delphi survey
Schmidt (1997) presents an example of how to set up a Delphi ranking survey. In the first round of the research participants were asked to come up with six important issues in rank order. Each issue the participants gave was described by the participant and provided with a rational for listing the factor. In the second round, respondents were asked to submit a top 20 based on a consolidated list of issues derived from the first round. Subsequently the researcher transformed these top 20 ranks to top-10 ranks. In the final round the participants were asked to rank these ten options. The mean ranks of the top-10 named issues were calculated for the second and third round. If two issues tie the size of the standard deviations can be used solve this.

In the research proposed in this document a similar approach will be deployed with exception from the first round. The first round will be replaced by interviews with experts. During the Delphi rounds, interaction between researcher and participant will be kept to a minimum. However the participating experts will be encouraged to provide a motivation for their ranking. The filling in of the ranking and the provision of the motivation will be clearly separated. The Delphi will follow the following structure:

Round 0: This round formed by interviews with a selection of the participating experts. The set up of the interviews is explained earlier in this chapter.

Round 1: A list of factors will be derived from the interviews conducted in round 0 and literature study. In round 1 this consolidated list of issues will be presented to the participating experts. Participants will be asked to make a personal top-15 on area and object level for each of the researched store types (as mentioned before a maximum of three types). Additional to the ranking they will be asked to indicate which issues they consider veto-criteria.

Round 2: Based on the rankings of the first round a top-10 is derived.. During round 2 the participants will be asked to rank these ten options. And the participants will be informed about how the expert group as a whole valuated the factors in round 1.

In the second round of the Delphi, after the ranking question, the participant will be shown a number of multiple choice questions. These questions are there to indentify the parameters/values connected to the ranked issues. A connecting multiple choice question will be made for all issues presented to the panel in the second round of the Delphi. The self-completion questionnaire part won't be introduced in the first Delphi round yet because this would lead to an overload of multiple choice questions. And as Bryman (2012, p. 235) states long questionnaires are rarely feasible because of possible ''respondent fatigue''. The answer possibilities should be all including and therefore it is important to add a so called ''other'' answer alternative.

Round 3: Dependent on the consensus reached a follow up round of the Delphi will be made presenting the expert panel with the same multiple-choice questions (possibly adjusted if respondents in the first round filled in the ''other'' answer alternative) accompanied with information concerning the group opinion and possibly another round of ranking.

Describing the types

As mentioned in chapter 4, three store types will be included in the Delphi. The three types will be described to the participants before the (ranking)questions will be presented to them. For describing the types caution is needed. The descriptions shouldn't provide steering information. Remøy et al. (2007) solved this by using typologies described by atelier V. These descriptions contain information concerning the function of the real estate objects but don't include statements concerning real estate characteristics. In the proposed research the standard type will be described by synthesizing input of interviewees. The experience store and convenience format will be described by combining descriptions given in literature as well as providing the dominant shopping purpose connected to the particular type. Two classifications of shopping motives will be used. Burt and Sparks (2003, p. 11) identify five types of shopping trips each fitting a different retail format (see table X). Consultancy firm DTNP uses a different classification consisting out: recreational shopping, essential shopping, comparative shopping, purposive shopping, and subordinate shopping (f.t.)[2] (Platform31, 2014, pp. 31-32). The (Dutch) descriptions of these shopping purposes can be found in Appendix III

Table 3: Types of shopping trips (Burt & Sparks, 2003, p. 11)

Purpose	Reason
Essential	Replenishment of stock items; primary shopping trip
Purposive	Clear purpose to trip; major item purchase
Leisure (or fun)	Social activity, occasionally ancillary to visit
Convenience	Time constrained, top-up trip, everyday purchases
Experimental	Unusual product or innovative method

The experience store is most strongly, although not exclusively, related to 'recreational shopping' of DTNP and the 'leisure' and 'experimental' shopping motives of Burt and Sparks (2003). The convenience format typology is connected to 'purposive' and 'subordinate shopping' of DTNP and the 'convenience' shopping purpose of Burt and Sparks (2003).

Panel composition

The reliability of a Delphi research is influenced by quantity, quality, and diversity of the participating experts. The key to a successful Delphi according to Gordon (1994, p. 6) is the selection of participants. Hasson et al. (2000) gives examples of research publications providing representative information by the use of a Delphi with as few as 15 participants or as many as 60 participants. Whereas Gordon (1994, p. 6) defines a typical Delphi to consist out of 15 to 35 participants. More participants obviously results in more data to be analysed. The size of the Delphi panel can be quite modest because the Delphi doesn't depend on statistical power but rather on group dynamics for creating consensus amongst experts (Remøy et al., 2007). The research by Remøy et al. (2007) was based on 18 participating experts and the master thesis of Arkenbout (2012) included respectively 28

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[2] Recreatief winkelen, boodschappen doen, vergelijkend winkelen, doelgericht aankopen, ondergeschikte aankopen

experts. For the research proposed in this document there will be aimed at using a panel of 20 experts.

Remøy et al. (2007) states that non-response is typically very low in a Delphi because participants most of the time personally confirm their participation. In the research of Redecker (2011) however there was a significant drop out of participants. The number of participants dropped from 70 in the first round to 60 in the second round. Because Redecker (2011) selected a big number of participants getting personal assured participation wasn't possible explaining the significant non-responds. As mentioned before, the research proposed in this document will include interviews to be conducted before the Delphi is set out hereby gaining support and increasing the responds rate. Face-to-face contact before the Delphi is started can be very useful, as Hasson et al. (2000) state: "the Delphi, unlike other methods, requires a continued commitment from participants being questioned about the same topic over and over again, using a slightly modified questionnaire each time.".

Anonymity is an important aspect of the Delphi and therefore the experts need to be assured none of their responses will be attributed to them by name (Gordon, 1994, p. 3). The anonymity in a Delphi could be described as "quasi-anonymity" considering that participants are known to the researcher but their opinions and judgement remain strictly anonymous (Hasson et al., 2000).

The participants of a Delphi are often selected using nonprobability sampling techniques (Hasson et al., 2000). Experts are not selected randomly but are selected for a purpose. The quality of the participants is important and should be carefully considered. So called snowballing by asking participants to recommend other experts should be avoided. As Bryman (2012, p. 203) states snowball sampling has been criticised for validity and ability to generalize. When asking experts to recommend other experts there is a high possibility the participant sample will consist out of experts that think alike, resulting in a high consensus but low discussion. Instead quota sampling will be applied based on their role in the real estate sector. With quota sampling the researcher determines if somebody is suitable for a particular subgroup. However quota sampling also has a number of criticisms (Bryman, 2012, pp. 203-204). One of the main criticisms is that a quota sample cannot be representative because the choice of respondents is left to the researcher. However in the case of the expert based Delphi method this could be considered an inevitability because it requires non-representative knowledgeable persons (Gordon, 1994, p. 6). The interviews preceding the Delphi will be conducted with a selection of the participating experts. As mentioned before, interviewees will be selected based on expected (contradicting) insights to be gained from the interview and willingness to participate.

The participants of the Delphi will be selected using some predetermined criterion. One of the criterion is that the experts should by properly diversified. The panel should consist of experts from various background representing the multi-actor environment in which real estate is being shaped. In the research of Safian et al. (2013) intended to incorporate all the concepts of building and location characteristics by including experts from valuation sector, architecture, property management and quantity surveyors. Arkenbout (2012) used 4 panels each consisting of 7 experts. The 4 panels included in the research were tenants (in this case representatives of the Creative Industry), architects, housing advisors, and real estate developers. Remøy et al. (2007) used a similar diversified group of participants with experts from architecture, real estate developers, facility advisors, real estate agents, and property investors as well as academics and government officials. In my research I propose the use of one panel consisting out of experts from architecture, real estate developers, real

estate advisors, property investors, tenants (in this case retailers), and academics. With a quote of 4 participants per expert group.

Linking these panel groups to the conceptual model shown in figure 1, investors are active in the asset market and the space market. Investors make up both the supply and demand side of the asset market and are positioned at the supply side of the space market as building owner (Geltner et al., 2007). The assessed risk and cash flows an investor expects to receive in the future are dependent on the physical characteristics of a property. Knowledge concerning the qualitative characteristics of retail types should therefore be present at parties investing in retail. The development industry links the asset market and the space market by converting financial capital into physical capital (Geltner et al., 2007). The qualitative characteristics of real estate is one of the key concerns of developers. Architects are included because they are the designers of the build environment and are expected to stress the importance of other aspects than the cash flow driven investor or developer. Retailers are positioned at the demand side of the retail space market and translate consumer wishes and demands derived from their business process into physical requirements. Advisors and experts from the academic world form a more independent role in the retail space market. Advisors are positioned in the middle of the before named parties and academics form an overarching expert group. Veto-criteria indicated by any one of these groups can be retrieved.

Data analysis
Data collected trough literature research, case studies, and short interviews will lead to a very long list of factors. When different terms are used for the same issue these should be grouped together in order to provide one description (Hasson et al., 2000). Several participants are likely to mention the same issues however by using different terms, therefore it is important to let the respondents describe each issue(Schmidt, 1997). These steps are taken in order to create an understandable list of factors to be presented in the first Delphi round. As mentioned before rounds will be analysed to indentify convergence and the level of consensus. From one round to another participants will be given feedback concerning the overall group judgment.

Following the example of a Delphi ranking described by Schmidt (1997) the top 20 indicated by the participants will be coded as 1 trough 10 for the top 10 most mentioned issues, and 0 for the bottom 10. The top 10 given in the following round will as well be coded as 1 trough 10. Based on these ranking a mean rank for each issue can be calculated. The Kendall W coefficient will be used to express group consensus. The Kendall method of measuring current agreement is the most popular for this purpose, mainly because it is very simple to apply (Schmidt, 1997). As mentioned before participants are asked to avoid ties in their ranking. This is because computing the Kendall's W is simpler and the results are cleared if ties are avoided in the ranking (Schmidt, 1997). The Kendall W will be calculated with the use of the software *IBM SPSS Statistics 20*. The consensus concerning the responses of the multiple chose questions will be expressed with descriptive statistics (mean, median, mode, range and standard deviation) also calculated with the use of SPSS.

Possible conclusions
More often than not, the expert panels move towards consensus; but even when no consensus is being reached the results of the Delphi are useful considering the reasons for differing view become clear (Gordon, 1994, p. 3). Findings from every round should be reported in a summarized format (Hasson et al., 2000).The proposed Delphi method doesn't only derive a ranking of the factors relevant for the researched types, the research gives insight in the distribution of opinions amongst

experts active in the real estate sector as well. Arguments for the extreme positions of the participating experts represent useful information as well (Gordon, 1994, p. 4). If for one of the subject retail store types no sign of consensus can be reached this would imply that the group of stores as described doesn't have a significant amount of shared real estate characteristics, and therefore doesn't represent a real estate typology.

1.7.5 Case studies vacant properties

The proposed research consists of a demand side research part, as described in the before mentioned section, and a supply side research part. The supply of retail space in the proposed research is explored in the form of a number of case studies of vacant retail properties. This research line answers the sub research question: ''What are the characteristics of the vacant retail stock?'' (shown in Appendix II). Test cases are conducted to make statements concerning the (mis)match between demand for physical retail space and the existing retail stock.

The vacant retail cases should be located in a regional shopping area where currently new supply is being planned or developed. The last selection criterion adds relevance to the research because from the end result could be concluded if that new supply was necessary to keep up with the changed qualitative demand. Or that this new supply only puts more pressure on the vacancy rate and the demand could have been (partly) met by reusing existing stock.

1.7.6 Comparing the results

An important research where the demand for multichannel shopping is approached from a consumers point of view is the research currently being conducted by Marthijn Keijzer (to be completed November 2014). The research of Marthijn Keijzer and findings from literature studied earlier in the process can be used to give some indication if the researched store types fit consumer demand in the multichannel shopping environment.

When the factors and parameters for the researched store types are known a link can be made to the qualitative aspects of the analysed vacant retail properties. Connecting supply and demand derives indications concerning the qualitative mismatch on the retail space market. This leads to the answering of the main research question: ''What is the mismatch between the characteristics demanded by ''new types'' of physical retail stores and the existing retail stock?''.

In summary the proposed research consists out of four methodologies: literature research, interviews, a Delphi research, and a test of demand and supply.

1.8 Further research and research limitations

In the following section the limitations of the proposed research will be discussed as well as a number of possibilities for further research will be indicated.

1.8.1 Research limitations

The research implications are limited to the Dutch situation. Due to the meshed character of the Dutch retail structure and considering the importance of local (shopping)culture, the conclusions can't be reflected on a different setting without first being critically assessed. Furthermore the research is focused on three store typologies that don't cover the wide range of the retail structure. The research doesn't intend nor imply to do so, however this is something that should be taken into account when studying the research implications.

Another limitation has to do with the fragmented ownership of inner city retail properties in the Netherlands. This fragmented ownership forms an obstacle for redevelopment of retail properties and shopping centres as a whole. However initiatives like town centre management offer possibilities to unite the multitude of owners and take measures that are in the collective interest.

1.8.2 Recommendations for further research

The conclusions from the research proposed in this document can form the starting point of further research. There are three main opportunities for further research: research focused on researching other retail typologies, research focused on retail vacancy, and the development of an assessment tool. The last mentioned is less self-evident and will be explained in the following paragraphs.

Part of the generic achievement levels of the curriculum of the MSc track of Real Estate & Housing is the ability to integrate design methods and design result into decision-making processes and evaluation processes in the areas of building, renewing and managing the built environment (Prins et al., 2013). The findings from the proposed research can form the starting point for the development of an assessment tool that enables the property specific requirements of retail store types to be integrated into the decision-making process of developers, planners and investors in a more systematic manner. Such a validated measurement and assessment tool could be useful for determining the potential future use of vacant retail stock. When a vacant building doesn't show any potential for any of the assessed retail typologies, transformation to a different function should be seriously considered.

Such a quick scan potential meter could form part of a comprehensive retail transformation guide. Most available transformation tools/guides are focussed on office vacancy. There already exists a universal transformation guide called the ''Herbestemmingswijzer'' (Reuse-guide) that has been developed by Hek, Kamstra, and Geraedts (2004). However this tool is rather general and doesn't give insight in the specific characteristics demanded by specific retail types.

The quick scan potential meter could form a quick and simple way to asses objects on the qualitative demand of a number of store typologies that are expected to expand in importance in the near future. The tool would not only function to determine the hypothetical fit but also to give insight in which aspects are limiting the reuse potential of an object. To develop such a tool two factors need to be derived by additional research: weights and a way to score input. Based on the list of property specific demand fitting retail types the relative importance of the different factors needs to be determined. This could be called a weight.

2 Theoretical framework

2.1 Trends on the retail market

The retail environment is dynamic in nature and the modern retail sector has undergone significant structural changes, including the emergence of new retailing techniques and the rise of large retail chains and new retail formats and forms (Burt & Sparks, 2003, p. 3). This chapter will cover the most significant trends in the retail sector and will begin with a number of theories concerning the reshaping of the (consumer)economy, followed by a more specific exploration of changes in the retail sector, concluded with a section covering changes in consumer behaviour.

2.1.1 Shifts in economy and society

The retail sector is dynamic in nature and shifts in society inevitably have an impact on the retail sector and ultimately on the demand and supply of retail space. As stated by Burt and Sparks (2003, p. 3): ''Reflecting as it does cultures and consumers, retailing is the primary conduit for production and consumption linkages in economies.''. Understanding shifts on the retail space market starts with exploring fundamental changes throughout the (consumer)economy and society. The following section will examine three theories concerning the reshaping of the economy. The first theory that will be discussed was formed by Florida (2002) and primarily concerns the emergence of a new key issue driving the economy. The two other theories discussed in this chapter originate from Wolf (1999) and Pine and Gilmore (1998). These publications have a bigger focus on the reshaping of the consumer economy. Even though the three theories presented originate from around fifteen years ago, many aspects mentioned are still very relevant today. The theories show a lot of similarities and concerning some topics they complement each other. Together they form a broad background upon which many specific trends witnessed today can be traced back to.

The creative class

Richard Florida is a professor in regional economic development and is founder of the *creative class* theory. With the help of findings from interviews and focus groups as well as the analysis of trends, Florida (2002) observes a fundamental shift in economy and the way developed societies are arranged. Central in his theory is the growing importance of the creative class as the key economic driver. The creative class is a high educated and well-paid segment of society active in a wide variety of industries, from arts to finance. The members of the creative class do not consciously consider themselves as a class but they do have a shared appreciation for creativity, individuality, difference, and merit (Florida, 2002). The creative class is made up of a so called 'super creative core' that consists out of member that produce new forms that are transferable and can be used throughout society, and 'creative professionals'' that need to draw on complex bodies of knowledge for the solving of specific problems.

According to the theory of Florida (2002) it is of great importance for companies as well as places to attract and retain people from the creative class. Florida (2002) identified a large-scale re-sorting of people among cities and regions. Some places are becoming centres for the creative class while others are bypassed or even witness an outflow of this group. Now, more than ever, are creativity and the creative class determining the prosperity of a region (Florida, 2002).

Location choices of members of the creative class are strongly determined by lifestyle related issues. This includes the presence of: a vibrant nightlife with music venues as well as theatres, facilities for cycling and outdoor activities, parks, and other lifestyle amenities. Real and authentic experiences in

the real world is what the creative class is looking for (Florida, 2002). They are attracted to places with a range of cafes, sidewalk musicians, bistros, and art galleries. The creative class isn't attracted to streets filled with chain stores, chain restaurants, and nightclubs. Florida (2002) states places are valued for their authenticity and uniqueness what comes from historical and renovated buildings, hip neighbourhoods, street culture, and original experiences. Instead of ordering a coffee in a chain restaurant that offers the same experience anywhere its located, creative class people prefer to drink a coffee in a local coffee-place located in a historic building, where you for example also can buy a book.

Entertainment economy

The *entertainment economy* is a theory explaining a shift in economy first published by Michael J. Wolf that, on the time of publishing was a, leading entertainment consultant. According to Wolf (1999, p. 4) entertainment content has become a key differentiator throughout the whole consumer economy. Entertainment is increasingly influencing all buying decisions we make; from buying cloths, to which airline we use, and how we relate to political candidates. Marketing of successful brands, products, and services is one of the most important techniques that the entertainment industry has passed on to the rest of the economy (Wolf, 1999, p. 6).

Starting point of the theory of the entertainment economy is the growing entertainment industry. However the importance of entertainment content goes far beyond the industries directly involved in entertainment. According to Wolf (1999, p. 26) we are currently living in a world of commerce where the lines between entertainment and non-entertainment are more and more blurring. With an increasing number of products and services being commoditized and an increasingly crowded marketplace consumer businesses need to be partly about entertainment in order to stand out. To quote Wolf (1999, p. 27): ''Companies now have to do something else with their businesses beyond instituting just-in-time inventory control or SAP enterprise automation. They have to create experience; they have to inform and amuse; they have to build a destination.''.

A fundamental factor driving the entertainment economy is the fun-focussed consumer. The way we spend our free time has changed: there is a growing emotional drive for fun. According to the theory of the entertainment economy fun is increasingly important for creating customer loyalty. Entertainment content enables products to speak directly to the emotions.

One of the most visible example of the growing importance of entertainment content in the broader economy is in retail (Wolf, 1999, p. 61). Some argue that retailing has become ''shopertainment'' or ''entertailing''. Entertainment content can help generating traffic to stores, and once that traffic is generated it can contribute keeping people parked at the store, and ultimately spend more money (Wolf, 1999, p. 61). During the 90s, after years of declining popularity of shopping malls, a new kind of retail centre made its introduction in the United States. Instead of the stores, entertainment had become the magnet to draw people. An examples of this is the Mall of America. This mall includes leisure functions as a comedy club, theatres, an aquarium, and even a theme park. The mall attracts around 40 million visitors per year, more than double the amount visiting the Niagra Falls.

But it is not only about attracting people and making people spend more time in store. Another role of entertainment content is illustrated by the emergence of experience focused big sized retail stores where decoration, lights, music, furniture, and employees take the consumer to the world according to Raplh Lauren or Tommy Hilfiger (Wolf, 1999, p. 68). These kind of stores are focused on making

people relate to the particular brand rather than making direct sales. Wolf (1999, p. 68) is talking about a transformation of stores from pure retail environments to brand-building environments. Creating a feeling about a brand ultimately leads to long-term allegiance to the brand, in other words repeated sales. The role of entertainment in brand-building is key to the entertainment economy, ''Entertainment is first and foremost a way to build brand image by enhancing a customer's experience.''(Wolf, 1999, p. 80).

Individuals all have a different taste, different needs, and different norms and values. However now and then trends arise when large groups of consumers decide to all buy the same product. Part of the explanation according to Wolf (1999) is that people want to feel part of a group. Society has witnessed a process of social fragmentation and this has strengthen the need to feel part of a larger community (Wolf, 1999, p. 172). Targeted audiences that offer a high level of commitment to a specific lifestyle, buying behaviour, and sometimes even set of believes are increasingly important for marketing purposes. Brands and products are increasingly connected to a particular lifestyle or group. Consumer goods are increasingly used to create communal feelings, giving consumers a sense of belonging to a community of consumers (Wolf, 1999, p. 38).

Experience economy
In an article published in 1998 corporate strategists Pine and Gilmore introduced the concept of the *experience economy*. In this article they argue that after the agrarian economy, industrial economy, and service economy, the experience economy is emerging. Economists have typically lumped experiences with services. However according to Pine and Gilmore (1998) these are distinct economic offerings and the experience economy forms a long-term fundamental shift in the structure of advanced economies. Consumers desire experiences and an increasing number of businesses are responding to this.

The service economy emerged when goods were increasingly being commoditized. Now when the same is happening to services, staging experiences is the next differentiating factor (Pine & Gilmore, 1998). The theory of the experience economy states experiences are the next stage of economic value by which businesses can differentiated themselves and can demand a price premium for. This is in line with the vision of Wolf that stated that by providing engaging experiences by amusing, arousing, and informing customers companies can stand out from their competitors (Wolf, 1999, p. 54). According to Pine and Gilmore (1998) an experience occurs when a company uses services as a stage, and goods as props, to engage individual customers in such a way a memorable event is created. Experiences are created in the interaction between the staged event and the mind of the engaged individual.

Many of the examples named by Wolf (1999) are as well mentioned by Pine and Gilmore (1998). For instance theme restaurants like the Hard Rock Cafe and brand building stores like Niketown. Pine and Gilmore (1998) talk about stores drawing in consumers by offering fun activities, displays, and promotional events. So called 'shoppertainment' or 'entertailing'. However experiences are more than entertainment; experiences are staged whenever customers are engaged in a memorable way (Pine & Gilmore, 1998). Another difference is the makeable character of what Wolf (1999) describes that attracts people while both Florida (2002) and Pine and Gilmore (1998) talk about the importance of authenticity.

Even though authenticity is important there are a number of generic principles important for the staging of an experience. Pine and Gilmore (1998) identify five key experience-design principles: theme the experience, harmonize the impressions with positive cues, eliminating negative cues, adding memorabilia, and engaging all five senses. The named theme and cues deserve additional explanation. According to Pine and Gilmore (1998) because a well-defined theme is important because without a theme around which to organize the encountered impressions, the experience will not result in a lasting memory. In these themed experiences cues are very important in communicating the experience. Cues range from physical architecture to the interaction with employees.

The creation of a theme as mentioned by Pine and Gilmore (1998) could relate to a lifestyle by focussing on lifestyle amenities and a retail mix fitting the lifestyle. In order to attract the economically powerful creative class a place should fit their lifestyle and offer the kind of experience this group is looking for (Florida, 2002). The importance of focussing on lifestyles is also confirmed by Wolf (1999, p. 107). The creative class is looking for a real street level culture including hip bars, local coffee places, experimental stores, and the like. The presence of historic buildings as well architecture and urban design are also important in creating a vibrant environment that is able to attract the creative class (Florida, 2002).

In a recent publication Pine and Gilmore reflect on the current state of the experience economy. Over the past two decades the offering of businesses has increasingly become intentionally experiential (Pine & Gilmore, 2014). Moving into mass customizing is the way to go according to Pine and Gilmore (2014); companies should make their offerings personal and fit the individual consumer. Another value-creating opportunity is to leverage digital technology to better integrate reality and virtuality (Pine & Gilmore, 2014). While Wolf (1999, p. 228) talks about the importance of advertising trough multiple channels, Pine and Gilmore (2014) clasify advertising as ''a phoniness-generating machine''. According to them companies should allocate their marketing budget on placemaking of both virtual and physical experience places. According to Pine and Gilmore (2014) authenticity is very important in these places considering authenticity is the new consumer sensibility. This vision is in line with the importance the creative class puts on real and authentic experiences (Florida, 2002).

2.1.2   Shifts in the retail sector

The retail sector is a dynamic sector and trends are changing the nature of modern retailing. Changes in retailing eventually lead to changes in retail space demand. The following section presents a number of key trends on the Dutch retail market. Similar trends are relevant in many western economies (Burt & Sparks, 2003, p. 22) however due to the local nature or retailing the affects of these trends differ.

Shifts in the supply chain

Supply chain integration is one of the trends on the retail market. There are generally speaking three systems of retail: a model with four actors (manufacturer, wholesaler, retailer, and consumer), a model with three actors (manufacturer, retailer, and consumer), and a model with only two actors (manufacturer and consumer). The retail sector has witnessed a shift from the four actor system towards a more integrated retail structure with less actors (Evers et al., 2011, p. 29). These retail structures are interesting because a more vertically integrated structure has a higher speed, more cost efficiency, a possible better alignment between product and consumer preferences, and more possibilities to deliver unique products (Rabobank, 2012). In the last decades retail chains have been

dominating the supply chain and often steer production (Evers et al., 2011, p. 29). Retailers as IKEA and the Inditex group act as so called supply chain directors (Rabobank, 2012). Retail chains have grown in both scale and scope hereby shifting the power in the supply chain towards the retailer (Dawson et al., 2008, p. 279).

Recently the use of the model with only two actors has been growing. Some manufacturers have strong brand names and trough online channels it has become easier for producers to sell directly to consumers. A number of manufacturers have grabbed their chances and also became retailers (Rabobank, 2012). A brandstore can serve marketing purposes to attract and retain costumers (Evers et al., 2011, p. 29). Taking these shifts into account it isn't surprising that over the last decade the number of brandstores in Dutch cities has notably increased (DTZ, 2013).

Blurring boundaries
There is not only a trend of supply chain integration also an integration of retail branches and retail with non-retail can be witnessed (Evers et al., 2011, p. 44). The distinction between retail sectors is blurring (Dawson et al., 2008, p. 275; Varley, 2006, p. 4). For example supermarkets have a growing offering of non-food products and lifestyle focused stores have a wide product range. Not only because of product range boundaries are blurring, also the lines between retail and non-retail are fading. In shopping areas and sometimes even within stores retail is being clustered with leisure and F&B (food and beverage) functions.

Increase in scale
There has also been a trend of up scaling in the retail sector. Retail chains have significantly grown in size and power (Dawson et al., 2008, p. 279). If managed correctly scale offers large benefits for retailers (Burt & Sparks, 2003, p. 27). As a result the number of independent retailers present on the main shopping areas has decreased significantly. According to DTZ (2013) retail chains have grown their presence on the main shopping streets from occupying 75% of the retail space in 2003 to 87% by 2012. In the big cities independent retailers are often found in the small and compact shopping areas adjacent to the A1-shopping area (DTZ, 2013). The growing presence of retail chains in retail centres is amongst others influenced by the fact that investors prefer these kind of retailers (Evers et al., 2011, p. 65). This trend has been criticized by professionals to have negative effects on the diversity of shopping centres. However amongst consumers the growing dominance of retail chains isn't so much considered an issue (Evers et al., 2011, p. 65). Besides an increase in scale concerning retail chains there has also been an increase in store size. Since the 80s the number of retail stores in the Netherlands decreased, while the total retail floor area increased (Evers et al., 2011, p. 30). Average floor size per store increased from 220 m^2 in 2004 to 265 m^2 in 2013 (Platform31, 2014, p. 42).

Globalisation
While the number of independent retailers is declining the presence of international retailers is increasing (Evers et al., 2011, p. 87). Retailing is increasingly becoming a global market (CBRE, 2013a). In the Netherlands especially Amsterdam has witnessed a strong growth in presence of international fashion brands (DTZ, 2013). Many international retailers have a primary focus on European top tier cities and only settle for the best stores on the best locations (JLL, 2013). This puts pressure on rents in super-prime locations. Even though the retail market is undergoing a process of globalisation, the Dutch market not excluded, local considerations are still crucial for the shaping of the retail sector. As

Burt and Sparks (2003, p. 5) state: ''Retailing must be responsive to the culture within which it operates''.

Fast fashion
Another driving force behind chances in the core shopping areas is the reduced economic lifespan of some products (DTZ, 2013). Retailers are constantly reacting on current trends and especially in the fashion branch there is a very short time-to-market of products. Because the economic lifespan of a product has reduced (from the viewpoint of the retailer) the available time to sell a product has decreased. Because a retailer has to sell the product before the new collection has arrived, the importance of being located on the best spot has increased (DTZ, 2013). This puts pressure on prices on the rents of stores on the best locations. According to DTZ (2013) this has changed to composition of the popular shopping locations; an increased presence of fast fashion and international retailers and a decreased number of retailers offering products that have a lower rotation speed.

Online retailing
One of the clearest developments of new concepts in the retail sector is the emergence of online shops (Evers et al., 2011, p. 87). Online retailers can be roughly divided into two types: retailers that are only active online sometimes referred to as pure-play retailers, and retailers that have an online and an offline presence. The last group are retailers with a so called multi-channel strategy. According to Luijten (2012) Multi-channel retailing is currently the big thing in the retail world. The simple split into two categories is less straightforward than it seems. For example some pure-play retailers are opening temporary stores that have predominantly a marketing function, for example eBay, and some are even opening fixed outlets, like Dutch online retailer Coolblue. Coolblue is one of the biggest online retailers in the Netherlands and has recently opened five physical stores. In these stores orders can be picked up and paid for, products can be returned, there is a repair service, and customer service is offered.

The significance of multi-channel retailing is also expressed by the fact that four of the ten biggest electronic retailers in the Netherlands have such a multi-channel strategy. The biggest online retailer of the Netherlands is Bol.com is owned by retail chain Ahold and reached a revenue of no less than 660 million Euros over the year 2013 (Twinkle100, 2014). The BAS Group (including Dixons, MyCom, and iCentre), H&M, and the Hema derived an online revenue of respectably 135 million, 125 million, and 120 million Euros (Twinkle100, 2014). In his thesis research Overbosch (2012, p. 10) refers to H&M as an successful multi-channel retailer in which physical stores and the online store create synergy. H&M for example offers its customer the possibility to return online orders at any of its stores, hereby lowering the threshold for online purchases (Overbosch, 2012, p. 10). How many stores are needed for H&M to keep benefitting from this synergy is however unclear. A study of Bhatnager and Siddhartha (2014) consisting out of a simulation, for example indicates the profitability of a multi-channel retailer is higher when a bigger portion of sales are generated trough the online channel. However this depends on a number of factors including the relative price elasticity.

Evers et al. (2011, p. 267) note the market share of the online retailing market is far smaller than some professionals initially expected in the early days of the concept. According to recent data online sales makes up around 5,7% of the total revenue in the retail sector (NRW, 2014). Including travel sales, insurances, and flight tickets online retailing even made up 10,5% of total retail revenue in 2012 (Thuiswinkel.org, 2014). The adaptation of online shopping difference between product ranges

whereby electronics and leisure related products show the highest online sales percentages (I&O Research, 2011, p. 63). In countries like Germany, France, and England online sales percentages are significantly higher (Platform31, 2014, p. 39). Even though online sales are still moderate in the Netherlands, the growth in online retailing is significant. From 2005 until 2008 Dutch online retailing showed growth percentages of around 30% year-on-year (Thuiswinkel.org, 2014). More recent growth percentages are more tempered. Growth figures over the year 2012 indicate a growth of around 9% for online retailing, while over the same year total retail sales dropped with almost 5% (Thuiswinkel.org, 2014). The number of online retailers in the Netherlands showed a strong growth (see figure 3). This can be explained by the relatively low entry barriers for setting up an online store.
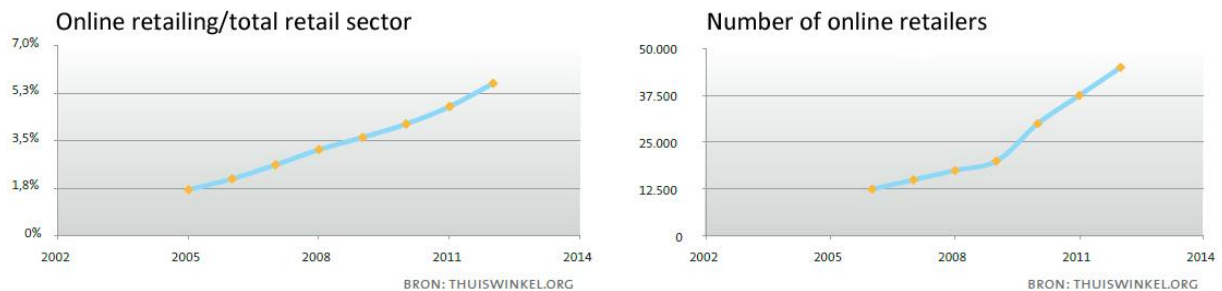

Figure 3: Online retailing in perspective (NRW, 2014)

The growth of online shopping puts pressure on retail prices and has led to declining revenues in physical stores, especially for retailers offering easily comparable products (Overbosch, 2012, p. 14). Stores that are able to enhance experience in store and benefit from the agglomeration of similar stores are likely to be less affected by competition from online shopping (Parker & Weber, 2013). But while online sales still make up only a small portion of the total retail sales, the internet is widely being used by consumers to orientate on future purchases. This increased transparency is affecting the retail structure and puts more pressure on retail revenue.

In Luijten (2012) Kooijman states most retailers have a strategy including both an online and offline retail channels. Not because this per se increases revenues but because consumers demand it and retailers want to get grip on their costumer. Rigby (2011) states customers are increasingly wanting everything: the advantages of digital channels such as price transparency, consumer reviews, and a broad selection, and the advantages of physical stores such as feeling touching and trying products, and personal service. Dawson et al. (2008, p. 336) refer to the online retailing as a ultra-competitive market and this is confirmed by the large number of online retailers. And considering the growing demand of consumers Rigby (2011) refers to, offline presence could form a means for online retailers to distinguish themselves from their competitors.

Because physical stores are able to offer the experience of physically shopping and offline sales still make up the fast majority of retail sales it can be concluded the emergence of online shopping didn't make the physical store otiose. However the online retail channel is structurally changing the retail industry. Developments in the online store format are far from over and retailers are still experimenting with the different possibilities this form of retailing has to offer (Evers et al., 2011, p. 114). As noted by Burt and Sparks (2003, p. 29) there are different models suiting different circumstances.

2.1.3 Shifts in consumer behaviour

Exploring the changes that have occurred throughout the Dutch society is needed to get a better understanding of changed demand for retail space. It is vital for retailers to be embedded in the culture of the economy and society in which they operate (Burt & Sparks, 2003, p. 5). As it is important that retailers understand and fit local consumers, it is important that the space in which these retailers operate fits the current shopping culture and consumer preferences. The role of physical places goes even further. Burt and Sparks (2003, p. 6) mention shopping spaces and retail operations themselves can condition and structure consumer moods and behaviours.

The economic downturn has the biggest impact on shopping areas on this moment (Platform31, 2014, p. 35). This report will not go into depth concerning aspects on which real estate parties have virtually no influence. However there should be noted the non-food retail sector has witnessed decreasing consumer spending since 2008 (Platform31, 2014, p. 37). And the chances are low that the Dutch economy will witness strong economic growth in the coming years. Also demographic trends like the ageing of the population lead to decreased consumer spending (NRW, 2014, p. 3). Retailers can no longer rely on the increase in market size as an effect of population growth. Instead of focussing on market growth retailers need to focus their strategies on gaining market share.

Various changes throughout society have implications on the retail sector and consequently on the demand for retail space. Burt and Sparks (2003, p. 10) identify three types of changes, shifts in: consumption, consumer behaviour, and shopping behaviour. In the coming section the key developments at these three levels are discussed and some key findings of the ''Koopstromenonderzoek'' (I&O Research, 2011) are presented.

Shifts in consumption

Trends in consumption are shifts in the general structure of demand and the quantity of specific goods consumed (Burt & Sparks, 2003, p. 10). Following the theories of Wolf (1999) and Pine and Gilmore (1998) consumption has shifted from functional goods towards services and more recent there has been a growing demand for experiences. Also the way people spend their free time has changed over the past decade. Wolf (1999, p. 41) argues that free time has become a commodity and because of this it has become more accepted that activities that used to be virtually for free, now involve a range of goods and services where has to be paid for. Many consumers have more free time and spend this time actively. This is reflected in a growth in stores selling goods related to sports and leisure (DTZ, 2013). Another trend in consumption is the increased price awareness (I&O Research, 2011, p. 95). The economic downturn has shifted consumption away from luxury retailers towards discounters (Evers et al., 2011, p. 55). The increased price awareness also influences consumer behaviour concerning where to shop. For example shopping centres with discount supermarkets are increasingly attracting consumers from neighbouring municipalities (I&O Research, 2011, p. 60).

Shifts in consumer behaviour: convenience

Consumer behaviour relates to the decisions consumers make concerning which of their needs they wish to satisfy and how, when, and where they are going to do so (Burt & Sparks, 2003, p. 10). One of the trends in consumer behaviour relates to convenience concerning time and location. The importance of time for consumers is something underlined in the entertainment economy. Wolf (1999, p. 35) states that: ''In a sense we are consumers not only of goods and services but of the fourth dimension time.'' Time and location convenience has become increasingly important and has

given rise to for example home delivery and retail at railway stations (Burt & Sparks, 2003, p. 10). Especially in the cities the Netherlands is moving towards a 24/7 economy (Platform31, 2014, p. 58). The growing acceptance and importance of the ability to shop on Saturdays and Sundays as indicated in I&O Research (2011, p. 116) confirms this.

Nowadays the starting point of a shopping trip is not per definition home: people for example shop on their way home from work (NRW, 2014, p. 7). Increasing time pressure stresses the importance of efficient time allocation. Combining shopping trips with other activities and shopping on the way to or from work fits this. I&O Research (2011, p. 114) indicate the number of people that regularly shop during the lunch break or after work has grown from 64% in 2004 to 73% in 2011. This concerns mostly food and personal care products. From all non-daily products, fashion items are purchased most often during these shopping trips (I&O Research, 2011, p. 114).

Shifts in consumer behaviour: funshopping
An important change in the role of physical retail is the effect of the shift from functional shopping to funshopping. Wolf (1999, p. 48) argues: ''Fun, usually in the form of entertainment content (or, at the very least, content that is entertaining), is an overriding cultural value among modern consumers.'' However funshopping refers to something else then adding leisure to attract consumers. With funshopping the activity of shopping itself is leisure. Retailing is not solely an economic transaction, in many cases it is also a social interaction (Burt & Sparks, 2003, p. 5). Looking at shopping as a social rather than a pure functional activity is the foundation of funshopping. Recreational shopping is the opposite of rational/comparison shopping and is based on the same principles as the experience economy of Pine and Gilmore (Evers et al., 2011, p. 34). Recreational shopping is related to compulsive shopping; a form of shopping whereby the shopping is being separated from the functional use of the purchased product (Evers et al., 2011, p. 34). Shopping is one of the favourite activities for Dutch people to spend their free time (Luijten, 2012). As Wolf (1999, p. 61) argues: shopping is increasingly seen as a leisure activity in itself. Inner cities are predominantly attracting consumers focused on funshopping (Evers et al., 2011, p. 90). Coincided with the rise of funshopping is an increased demand for food and beverage facilities that are open during daytime (Platform31, 2014, p. 59).

Shifts in consumer behaviour: experiences
With funshopping the activity of shopping is often more important than the products being acquired and therefore the experience a shopping centre offers is important (Evers et al., 2011, p. 90). The experience value a shopping centre has to offer is of growing importance for consumers (NRW, 2014, p. 6). The growing demand for experiences can be traced back to the concepts of the experience economy (Pine & Gilmore, 1998) and the entertainment economy (Wolf, 1999). An example of a reaction of retailers on this shift in consumer behaviour is the opening of so called flagship-stores that are focused on experience and brand connection (NEPROM, 2010). The successes of stores that have a strong marketing purpose, like factory-outlets and flagship stores, shows retail isn't solely about the distribution of products but also about all kind of social aspects (Evers et al., 2011, p. 29). Experience focused retailers are also chains like Lush! that makes buying soap into an experience. Another example are butchers and grocery stores. Platform31 (2014, p. 38) notes these kind of functional retailers are disappearing from the shopping streets while coffee, delicatessen and chocolate stores are increasing. DTZ (2013) argues main shopping streets are the place consumers go to for the shopping experience while functional shopping is done in neighbourhood shopping centres.

Shifts in consumer behaviour: digitalisation of society

Online retailing currently makes up only a small part of the total revenues in the retail industry. While online retailing isn't new and even almost fifteen years ago the concepts of multi-channel was already described by Mahler (2000). As Alexander and Freathy (2003, p. 299) argue: ''Just because there is a technological capacity in existence does not mean consumers will automatically want to use it.''. The emergence of online retailing is part of a more general digitalisation of society (Platform31, 2014, p. 45). More people are using internet on a regular base and the number of people owning smartphones or tablets is growing. People have a network on social media and big data is being used for an increasing number of purposes.

As mentioned before, retailers are increasingly using a multi-channel strategy. But internet doesn't only has a transaction function. It also increases the possibility to compare products and prices. These possibilities have significantly altered the orientation and purchase process of consumers (Platform31, 2014, p. 48). Consumers are increasingly using online retail channels. The ease of delivery, the possibility to offer broad product ranges, and in many cases lower prices have enabled online retailers to make people spend money online instead of in physical stores (DTZ, 2013). Whereby convenience forms one of the key motivations for customers to shop online (Jian, Yang, & Jun, 2013). Not for all products this is the case. Parker and Weber (2013) show that for niche products shoppers tend to value aspects as the ''thrill of the hunt'' and an air of authenticity, they focus less on convenience and efficiency. This image corresponds with the search for authentic experiences mentioned by Florida (2002).

According to Rigby (2011) all consumers have different preferences but increasingly want both the benefits online and offline retailing has to offer. Benefits of online channels include easy product comparisons and customer reviews, while the benefits of physical retailing involves aspects like personal help and convenient returns. Piercy (2011) showed consumers show positive cross channel behaviour. By offering physical and digital channels in an integrated way, a retailer enables customers to develop positive consumer behaviour. This includes increased customer loyalty and purchase involvement (Piercy, 2011). However by offering bad service in either one of the channels consumers are also likely to show negative behaviour towards a retailer. The shopping and orientation process has changed due to the digitalisation of society, but as Goodrich and De Mooij (2011) show shopping behaviour is still culture dependent and consumers show similar behaviour in online retailing as via conventional channels.

Even though the big cities have shopping centres offering a wide breath of products online shopping adaptation is relatively high. I&O Research (2011, p. 64) indicate one of the most important reason for this is that these areas have a relative high educated and young population. The 'koopstromen onderzoek' conducted in 2011 showed age still had a clear effect on the usage of online retail channels (I&O Research, 2011, p. 104). But with a growing portion of the population that grew up in a world with internet online retailing can be expected to continue to grow. And Platform31 (2014, p. 53) indicates that even within the group of elderly the usage of internet and online retailing is growing rapidly.

Shifts in shopping behaviour

Shopping behaviour refers to the processes during the shopping activity itself (Burt & Sparks, 2003, p. 10). The consumer has changed and so has the way retailers attract them, encourage them to buy, and create consumer loyalty. The fun component of shopping has increased and consumers expect to

be on occasions entertained (Burt & Sparks, 2003; Wolf, 1999). According to Burt and Sparks (2003, p. 10) more attention needs to be paid by retailers to elements of store design, ambience, and smell while not forgetting the balance between price, service, and quality. Another form of changed shopping behaviour is the demand for co-creation (Burt & Sparks, 2003, p. 10; Pine & Gilmore, 2014).

Shopping streams

The so called ''Koopstromenonderzoek'' (English: shopping stream research) conducted by I&O Research (2011) shows that especially for the non-daily sector binding power of shopping areas has decreased since the year 2004. This is true from both a provincial as a regional perspective. The retail sector selling daily products (food and personal care) also witnessed a decrease in binding percentage although this was only a small shift compared to the non-daily sector (I&O Research, 2011, p. 44). Binding refers to the ability of an area to bind its population to shop in their home area. One of the key variables causing the decreased binding power of shopping areas is the increased mobility of consumers. The average distance consumers travel for a shopping trip has increased over the years (I&O Research, 2011, p. 52). With the increased willingness to travel the quality a shopping centre has to offer is increasingly important. I&O Research (2011, p. 46) indicates cities with a strong inner-city shopping centre and factory outlet centres are attracting consumers from a wide range of regions. For more functional shopping trips that are performed more frequently inhabitants from larger cities are increasingly going to easy accessible, but complete, shopping centres in smaller municipalities (I&O Research, 2011, p. 62).

In all researched regions a significant part of the population purchases non-daily products outside their own region. I&O Research (2011, p. 65) states there has been a fundamental shift in orientation process of consumers and there was a strong decline in binding of consumers to shop in their own municipality. Regions with large cities often have a relatively strong binding power. This holds for the big four cities of the Netherlands as well as for middle sized municipalities like Alkmaar and Veenendaal. But also in regions with a relative evenly distributed population there are municipalities that have a significantly higher binding power, this is for example the case in Gorinchem (I&O Research, 2011, p. 47). Apparently some shopping areas are able to offer the aspects consumers are looking for while others fail in doing so. Especially large and middle sized cities are better able to bind consumers for non-daily products (I&O Research, 2011, p. 56). For daily products the outflow of consumer spending is relatively low but starts to increase for municipalities with a size of 20.000 to 50.000 inhabitants or lower. For the non-daily sector binding power decreases for municipalities with less than 100.000 inhabitants (I&O Research, 2011, p. 56). Also between cities from the same class sizes the ability to bind consumers differs. Especially the spread in binding strength between shopping centres for municipalities with up to 20.000 inhabitants has increased since 2004 (I&O Research, 2011, p. 59).

The frequency consumers shop decreased for both daily shopping and funshopping. Many consumers are increasingly going on an efficient shopping trip to an easily accessible but complete shopping centre once or twice a week (I&O Research, 2011, p. 65). For daily shopping most consumers go to locations that meet their demands and aren't too far from home. For funshopping distance is an important factor as well however consumers indicate the completeness a shopping centre offers is of even higher importance (I&O Research, 2011, p. 94).

2.1.4 Conclusion

There have been a number of interrelated game-changers in the retail sector: the emergence of online retailing, supply chain integration, dominance of large retail chains, internationalisation, and manufactures moving into retailing. As an affect of several changes in society including the increasing digitalisation and a drive for experience consumer behaviour has significantly changed. Offering experience is becoming increasingly important. This doesn't only hold for individual stores. Also for shopping areas as a whole the aspect of experience is of growing importance. Key in this is the shift from functional to funshopping. As an affect of the growing mobility of consumers competition between shopping centres has increased.

2.2 Retail real estate

In the following section the findings of the conducted literature review are presented. The literature research has been focused on the trends on the retail market, factors important for physical stores, and a brief exploration of the vacancy on the Dutch retail space market.

2.2.1 Important factors for retail space

Trough a literature research a number of overviews of retail space related factors were identified. Teller and Elms (2010) researched the determinants for attractiveness of retail agglomerations. And Ooi and Sim (2007) conducted a research focused on the magnetism of shopping centres. Both publications were based on a consumer survey. Furthermore three professional publications were used: Van der Krabben et al. (2005), I&O Research (2011), and NRW (2014).

A significant portion of retail literature is focused on planned shopping centres. However Teller and Elms (2010) show that many aspects that are important for explicitly planned shopping centres are generic and therefore relevant for all retail area types.

Attractiveness of retail agglomerations - Teller and Elms (2010)
Teller and Elms (2010) researched the factors determining attractiveness for three types of retail agglomerations: a town centre, a strip centre, and a regional shopping mall. The evaluated attractiveness effects patronage behaviour and is therefore very important for shopping centres. From the statistical analysis of a survey amongst consumers, five aspects were derived that could be considered important for the attractiveness of a town centre: retail tenant mix, atmosphere, orientation, infrastructure facilities, and product range. Whereby retail-related factors and atmosphere influenced attractiveness most significant. With atmosphere Teller and Elms (2010) unite consumers perception of a set of stimuli including light, temperature, cleanliness, and architecture. Orientation relates to the convenience of searching, locating, and accessing stores and is influenced by the arrangement of stores and the ease of orientation. Infrastructure facilities include ATM's, washrooms, and the like. Product range refers to the width and breath of products offered and is can be considered an effect of the retail tenant mix and the size of the shopping centre. The factors are summarized in table 4.

Table 4: Factors influencing retail agglomeration attractiveness (Teller & Elms, 2010)

Factors significant for Town centre retail areas	Description
Product range	Factor of retail tenant mix and cluster size
Retail tenant mix	The composition, the number and

	type of retail tenants	
Atmosphere	Function of light temperature, cleanliness, and architecture	
Infrastructure facilities	Public facilities including ATM's and washrooms	
Orientation	Influenced by layout and ease of orientation	

The literature study conducted by Teller and Elms (2010) also derived the factors accessibility and parking conditions while these two issues didn't show a significant correlation to attractiveness in the consumer survey. An explanation for this could be that these factors are dissatisfiers. Consumer are unlikely to recommend a shopping area to somebody they know because the parking facilities were so amazing. However if these facilities are below a certain standard it will negatively influence attractiveness. Non-retail tenant mix (including bars, eateries, entertainment facilities) was also a variable in the research but only appeared to be significant for regional malls. However Teller and Elms (2010) note that a historic view of the development of all the three researched clusters, shows retail and non-retail are increasingly complimenting each other.

Magnetism of shopping centres - Ooi and Sim (2007)
Ooi and Sim (2007) conducted a research focused on the magnetism of shopping centres. More in specific if the physical size and presence of a particular leisure function, the Cineplex, significantly influence the drawing power of a shopping centre. The research was focused on suburban shopping centres in Singapore and the research outcomes can therefore not be simply copied to the Dutch setting. However Ooi and Sim (2007) do provide a useful overview of factors important for the magnetism of a shopping centre. The magnetism of a shopping centre can be defined as the ability to: promote frequent visits from local residents, attract consumers that move across markets, and encourage both groups to spend more time and money during their visit (Ooi & Sim, 2007). The following factors are mentioned by Ooi and Sim (2007) to influence magnetism of a shopping centre: accessibility, parking, visibility, size of the shopping cluster, quality of facilities, expected utility from visit (proxied by the size of the centre), travel costs for consumer (proxied by distance), enhancement of shopping experience by providing exciting trade types and activities, image of the centre, tenant mix, tenant placement, and retail and non-retail anchor tenants. Ooi and Sim (2007) conducted a survey amongst consumers, asking the respondents which shopping mall they patronized and the main reasons for their choice. The findings of this survey are shown in table 5.

Table 5: Determinants of mall choice (Ooi & Sim, 2007)

	Magnetism of shopping centres	**% of responses**
Spatial factors	Proximity	64.2
	Centre size	26.5
	Car park	8.6
Tenant mix	Variety of tenants	62.7
	Complementary services	30.9
	Cineplex	29.3
Branding strategy	Management and promotions	32.8
	Reasonable prices	23.9
	Quality and prestige	14.1

The importance of providing complementary services and leisure functions indicate the social role suburban shopping centres fulfil in Singapore. Based on the number of consumers mentioning mall size as key determinant for mall choice this aspect seems to rank 6th in terms of importance. However larger shopping centres can offer a greater variety of shops and create a more pleasant shopping environment (Ooi & Sim, 2007). Further research by Ooi and Sim (2007) showed both Cineplex and mall size positively influence the duration of visits.

Location preferences of retailers - (Van der Krabben et al., 2005)
The demand for retail space is an effect of the location preferences of retailers. These location preferences should be aligned to consumer behaviour and are therefore dynamic. Based on interviews with international retailers Van der Krabben et al. (2005) made a ranking of importance for location factors. Retail centres that meet these location factors are popular locations for retailers. Considering the growing internationalisation of the retail landscape, the location preferences derived by Van der Krabben et al. (2005) give a good insight in the qualitative demand for retail space. However there should be noted to research was conducted almost ten years ago. As a result of shifts on the retail market, summarized in chapter 9, the location preferences are likely to have changed since this research was conducted. In figure 4 the results of Van der Krabben et al. (2005) are shown.

Vestigingsfactoren	Divergentie	Convergentie
Economisch profiel / omvang consumptieve bestedingen		●⟶
Verstedelijkingsgraad	⟵●	
Regelgeving / openingstijden		●⟶
Retailer mix	⟵●	
Autobereikbaarheid	⟵●	
Parkeermogelijkheden	⟵●	
Bezoekersstromen	⟵●	
Aanwezigheid van horeca en leisure	⟵●	
Vastgoedprijzen	⟵●	
Contractflexibiliteit	⟵●	
Uitbreidingsmogelijkheden		●⟶
Voorraadruimte		●⟶

● situatie 2004 ⟶ verwachting periode 2005 - 2010
Vestigingseisen food sector.

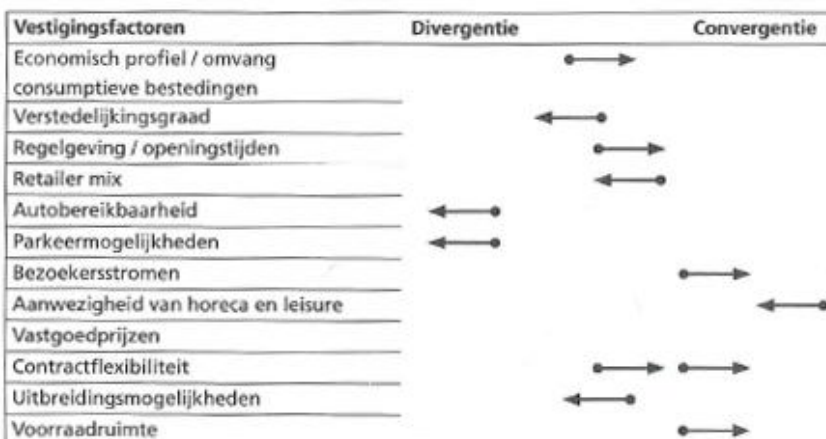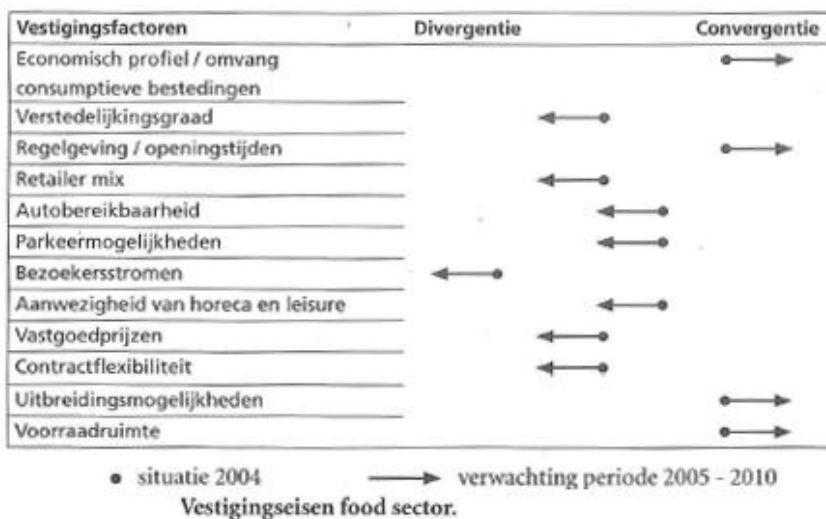| Vestigingsfactoren	Divergentie	Convergentie
Economisch profiel / omvang consumptieve bestedingen	●⟶	
Verstedelijkingsgraad	⟵●	
Regelgeving / openingstijden	●⟶	
Retailer mix	⟵●	
Autobereikbaarheid	⟵●	
Parkeermogelijkheden	⟵●	
Bezoekersstromen		●⟶
Aanwezigheid van horeca en leisure		⟵●
Vastgoedprijzen		
Contractflexibiliteit	●⟶	●⟶
Uitbreidingsmogelijkheden	⟵●	
Voorraadruimte		●⟶

Figure 4: Location preferences by Van der Krabben er al. (2005) published in (Evers et al., 2011)

Consumer evaluation retail areas - I&O Research (2011)

The success of shopping centres is dependent on the appreciation by consumers. I&O Research (2011) conducted a survey amongst Dutch consumers to get insight in the consumer appreciation of retail areas. Respondents were asked to rate the shopping centre they most frequently visit for daily products or for non-daily products. I&O Research (2011) used seven criteria for evaluating shopping centres (see table 6).

Table 6: Ranking criteria retail areas (I&O Research, 2011)

Criterion
Completeness retail offer
Safety shopping area
Accessibility by car
Accessibility by public transport
Atmosphere of area
Parking
Daytime F&B offer

The survey of I&O Research (2011, p. 97) indicates consumers were in general satisfied with the retail centres they frequently visit. Shopping centres that consumers visit for the purchase of daily purchases are particularly appreciated for their accessibility by car and parking facilities. While completeness of the retail offer, the atmosphere of the area, and accessibility by public transport received higher marks for funshopping.

Experience characteristics - NRW (2014)
According to NRW (2014, p. 6) the importance for retail centres for offering consumers experience is increasing. Competition between retail centres is increasing and especially for funshopping consumers show a willingness to travel a larger distance to shop at retail centres fitting their needs. According to NRW (2014, p. 6) the experience characteristics of a retail centre determine the ability to attract and retain consumers. In a report discussing the future proofing of Dutch retail centres a list of these experience characteristics is presented (see table 7).

Table 7: Experience characteristics of successful retail centres (NRW, 2014)

Experience characteristic	Description
Information value	Significance of area on cultural and historical level
Functional diversity	Diversity of retail branches and formulas as well as non-retail functions
Multi functionality	Mix of retail, services, F&B, residential, and so on
Special facilities	Differentiating factors from comparable retail centres
Spatial diversity	Layout and articulations
Contrast and integrity	Distinction from direct surroundings
Architectural design	Design in combination with function and furnishing of area
Rest areas	Including squares and terraces
Comfort	Ease of shopping, walkability
Dissatisfiers	Vacant properties, cleanliness, safety

2.2.2 Agglomeration effects

Many publications on agglomeration effects and retail centre anchors, are based on mall settings. In these controlled retail environments the positive effects of these concepts can be maximised. However the same effects apply to more emerged retail centres subject of this thesis research. The growing interest for applying techniques used in malls in inner-city settings (Burt & Sparks, 2003, p. 14) can also be witnessed in the Netherlands. An example of this is the Lijnbaan in Rotterdam. This shows the growing aknoledgement of the importance of maxmising the effects related to agglomorations and the use of anchors.

Since the early days of retail trade it has been acknowledged that advantages and economic benefits arise when retail activities are clustered (Damian, Curto, & Pinto, 2011). Clustering a number of stores, hereby forming a retail centre, offers advantages for both consumer and retailer. Consumers are attracted to retail agglomerations because these centres have a width offering of products and a richer shopping experience for example due to the presence of facilities and non-retail functions (Teller & Elms, 2010). For retailers advantages include sharing infrastructure and benefitting from the overall stream of consumers. So called ''spillover'' effects of profits amongst stores form an incentive for retailers to locate in retail clusters (Shanmugam, 2013). Agglomeration effects play an important role for retail locations (Guy, 2003). An example of an agglomeration are retail parks, centres of stores selling different but complementing goods. Agglomeration effects can also be established by clustering a group of competing stores. The offering of a wide variety in price, size, and style of a particular product group can make a strong attraction to consumers (Guy, 2003).

Konishi and Sandfort (2003) discusses two incentives for retail stores to cluster in an retail agglomeration. The first one concerns the aspect of convenience. For a consumer that wants to purchase products from different categories it is much more convenient to visit a cluster of stores that offers all these products. A department store on itself provides this to some degree and this also contributes to the use of this kind of store as an anchor tenant. A department store guarantees a kind of minimum utilisation. This is further explained in the section covering anchor-tenants.

The second incentive is that having multiple stores offering the same product category can provide the consumer more variety of this product. Stores may benefit from collocating even when they sell substitutes instead of complements when search costs for consumers are high (Konishi & Sandfort, 2003). Visitors of malls make a trade-off between the expected utility and search costs (required time and transportation costs) associated with the visit. The utility in this is influenced by store quality levels, prices, and the size of the retail centres which determines the breath of products offered (Shanmugam, 2013). A key advantage of having a large amount of retailers in a shopping centre is that this increases the chance of finding a suitable specialized commodity, hereby providing an incentive to invest time and travel costs in a visit to a retail cluster (Konishi & Sandfort, 2003; Shanmugam, 2013). As concluded by Konishi and Sandfort (2003) the underlying factor for collocation benefits is that the presence of a type of retailer contributes to the increase in consumer traffic.

2.2.3 Anchor tenants

Anchor-tenants have a great influence on the effectiveness of shopping centres (Damian et al., 2011). Anchor stores play an important role because they have the ability to attract consumers and non-anchor tenants. Some retailers are destinations by themselves and can transform local retail landscapes (Burt & Sparks, 2003, p. 14). Attracting these retailers to a retail centre is of significant

importance for developers and investors. According to Damian et al. (2011) an anchor store contains all or at least most of the following characteristics: it is large (in the setting of Portugal Damian et al. (2011) mention usually above 600m2 GLA), it is a chain store, has a strong brand, generates significant footfall, and has a widespread appeal and therefore would as well trade successfully as a stand-alone unit. The importance of a strong brand is also mentioned by Konishi and Sandfort (2003). They state that consumers are attracted by an anchor's name and are therefore more likely to visit the shopping location, causing a spill-over effect for stores nearby.

A common categorization of anchor-tenants is based on the quality of the goods sold by the retailer and the prestige of the brand (Shanmugam, 2013). Making use of these dimensions anchor-tenants could be ranked into three categories: upscale, mid-tier, and lower-tier anchors. Department stores function as anchors in many Dutch central shopping areas (DTZ, 2013). A good example of a lower-tier anchor in Dutch shopping centres is the Primark. Department stores as the Bijenkorf and the V&D, and large fashion retailers like Zara and H&M have traditionally been important anchors in Dutch retail centres (Evers et al., 2011, p. 55).

Besides quality of the sold goods and prestige of the brand, store type also might influences the impact an anchor store has. A big scale flagship store of let's say Tommy Hilfiger has presumably a stronger attracting effect than a regular outlet of the same brand. Even though non-anchor tenants vary in quality level as well, in particular the anchor store quality is of high strategic importance in retail developments (Shanmugam, 2013). Anchor tenants usually pay a lower rent and additional incentives might be needed to attract higher quality anchors.

The relationship between anchors and non-anchors is further complicated because there is also competition between anchor and non-anchor stores (Konishi & Sandfort, 2003; Shanmugam, 2013). An anchor store can offer complementary products however this doesn't has to be the case (Konishi & Sandfort, 2003). Shopping centres consist for example out of a number of specialty retailers of shoes and clothing, while a department store anchor also offers these products. If consumers would really be purely attracted to the brand name of the anchor tenant then locating nearby the anchor would unlikely result in positive effects for the non-anchor store. However because consumers make a trade-off between expected utility from a visit and search costs and a department store anchor offers the consumer a kind of guaranteed minimum level of surplus, more consumers are likely to choose the retail agglomeration (Konishi & Sandfort, 2003). On the moment the effect on traffic increase in larger than the reduced profit due to competition on the same products, it is interesting for a non-anchor to locate in the presence of a department store.

2.2.4 Leisure functions

Just as some retail stores, restaurants and entertainment destinations can function as anchors in retail centres, however contrary to anchor stores these functions do not compete with non-anchor stores (Shanmugam, 2013). Entertainment has become more important for enhancing the shopping experience (Ooi & Sim, 2007; Wolf, 1999). Studies have shown that enhancement of the shopping experience through the employment of exciting trade types and activities can serve to successfully attract shoppers (Ooi & Sim, 2007). Ooi and Sim (2007) also state that by offering leisure functions and complementary services a shopping centre can fulfil its secondary role of providing lifestyle and recreational facilities for a local community.

Shanmugam (2013) showed a positive relationship between the size of food courts and mall traffic and profit. In malls food courts generally consist out of a cluster of quick-service restaurants but higher quality restaurants can be found as well. In most Dutch inner-city locations a diversified F&B offering can be found, including coffee places as well as more up-market restaurants. Especially day-time F&B functions are important in connection to funshopping (I&O Research, 2011, p. 97).

The growing importance of entertainment in attracting consumers stressed by Wolf (1999) is also reflected in shopping centres. An example of this is the presence of movie theatres in shopping malls. A research conducted by Ooi and Sim (2007) showed movie theatres can function as non-retail anchors enhancing the ability of the shopping centre to attract consumers who move across markets. Besides the increase in magnetism of the shopping centre the presence of a so called Cineplex showed spill-over effects and a positive effect on the time spend per visit (Ooi & Sim, 2007). It can't be blindly assumed the exact same effects work in a inner city environment. However the Dutch situation also has witnessed the combination of cinemas and shops (Kooijman in (Luijten, 2012)). The combination of retail and leisure/F&B functions has saved Dutch inner city shopping centres during the 80s and early 90s (Evers et al., 2011, p. 44). During these times city centres witnessed strong competition from retail clusters on the periphery of the city. However partly due to the combination of retail and non-retail the inner city location survived. According to Kooijman fifteen years ago there was a focus on combining leisure and retail, both event based and the combination of functions, however this focus didn't prolong (Luijten, 2012).

2.2.5 Conclusion

As Varley (2006, p. 4) ''The actual location, layout, and design of a retailer might be considered a service, especially if those elements make the shopping process easier (by providing parking facilities, ease of access and home shopping alternatives, for example.'' A number of publications were found deriving a variety of factors that are claimed to be important for retail properties. Most publications studied so far focused predominantly on area aspects. Some key focus points are: accessibility, tenants mix, and experience offering. However also object related aspects are important. For example store is an important factor. Larger stores draw more costumers and often from a bigger distance (Evers et al., 2011, p. 61).

2.3 Vacancy on the retail market

Over the past decade the Netherlands has witnessed an increase in vacancy on the retail space market. Both quantitative and qualitative aspects drive vacancy. The qualitative aspects of retail centers are of growing important due to the increased competition between retail areas and online retailing as an growing alternative for physical shopping. Stores and shopping centres greatly influence the functioning of urban areas. And in comparison to office vacancy retail vacancy has an impact on area level at much lower vacancy rates. Exploring the nature of vacancy is therefore essential. This chapter will discuss the vacancy issues on the Dutch retail space market. Two types of city and town centre retail areas are explored into more detail.

2.3.1 Retail space market

The stock of retail space in the Netherlands has been growing strong over the past decennia. Since the year 2000 the retail floor space per inhabitant has increased with more than 10% (NRW, 2014, p. 5). However the economic downturn of 2008 has put pressure on consumer spending, especially in the non-food sector. On the same moment physical retailing is showing negative growth figures online retailing is still growing strong. As mentioned before the growth of online shopping has slowed

down from sales growth of around 30% year on year in the years preceding 2008, to a more moderate growth of just below 10% in 2012 (Thuiswinkel.org, 2014). The growing adaptation of online shopping, the slowing down of the economy, and a declining population growth put pressure on physical retail space in the Netherlands. Vacancy rates in Dutch retail centres are increasing. The current national average vacancy rate approximately 6,9% (measured on number of vacant outlets) (Locatus, 2014a). Some experts expect the vacancy to continue increasing during the coming years to around 10% (Platform31, 2014, p. 42). A certain level of vacancy is needed to allow the real estate space market to function (Geltner et al., 2007, p. 105). This is sometimes referred to as friction vacancy or natural vacancy. Platform31 (2014, p. 41) indicate this type of vacancy ranges between 2% for A1-locations and 4% for C-locations. The vacancy rate on the retail space market is still modest compared to the vacancy on the office market, however there are large differences in vacancy rate between and within shopping centres (Evers et al., 2011, p. 147). Vacant retail space is also much more visible compared to office vacancy and has affect on area level at much lower vacancy rates (Platform31, 2014, p. 42).

Replacement market
The market seems to respond to the increase in vacancy. In 2013 the growth in retail space stagnated for the first time this century (NRW, 2014, p. 5). And NEPROM (2010) indicates redevelopments are becoming a more significant part of the development activities for retail space. The retail space market is increasingly becoming a replacement and displacement market. Hek et al. (2004) mention floor size and layout (open plan), appearance of the building, and location to be key drivers in the replacement market of retail properties. Especially the importance of location characteristics are stressed by Hek et al. (2004). The quality of the location is according to Hek et al. (2004, p. 46) primarily formed by accessibility in the form of parking availability, infrastructure of various forms of transportation, the character of the area, quality level of the direct surroundings, and facilities in the vicinity of the locations.

Vacancy compared to city size
Comparing vacancy rates with the size of cities we see that cities between 30.000 and 100.000 inhabitants show the highest vacancy rate (Locatus, 2014a). This possibly is related to the ability of area the bind local consumers. Over the past decade binding strength has on average decreased for all area types. But especially municipalities with less than 50.000 inhabitants saw a significant decrease in consumers shopping in their home town (I&O Research, 2011, p. 60). Municipalities with less than 50.000 inhabitants show outflow of consumer spending exceeding inflow for both daily and non-daily retailing (I&O Research, 2011, p. 61). This while average retail floor space per inhabitant for cities between 10.000 and 50.000 inhabitants lays significantly above the national average (Locatus, 2014a). This indicates these small to middle sized cities are volatile for retail vacancy. The larger cities show a negative flow of consumer spending on daily products. Especially for cities with more than 200.000 inhabitants the outflow of consumers exceeds the inflow from consumers out other municipalities. However this is more than compensated for by the positive flow of consumer spending on non daily products (I&O Research, 2011, p. 61). This illustrates the importance of funshopping for the retail structure of these large retail centres.

Retail area types
Different types of shopping areas respond different on trends in the retail sector and shifts in consumer behaviour (NRW, 2014, p. 5). This is also reflected in the vacancy rates. Some areas like the centre of Schiedam face serious issues, while shopping areas like the city centre of Amsterdam or

Utrecht have a shortage of retail space (NRW, 2014, p. 5). Cities aren't only competing with each other also within urban areas there is competition between shopping areas. In the larger cities in the Netherlands inner city shopping centres are competing with city district centres (NRW, 2014, p. 7). Especially when there isn't a clear distinction between functional shopping and funshopping. Of all retail area types regional centres on average show the highest vacancy rate (see table 8). An overview of average vacancy rate per retail area can be found in Appendix IV. In the classification of Locatus regional centres are split up into two categories: Regional Centre Large and Regional Centre Small. The first named are shopping areas with 200 to 400 stores, the city centres of middle sized cities in the Netherlands. Regional Centre Small refers to shopping areas with 100 to 200 stores, the city centres of small sized cities in the Netherlands.

Table 8: Vacancy in the Netherlands per retail area type, January 2014 (Locatus, 2014a)

Retail Area Type	Number of Outlets	Average Retail Floor Space per Outlet	Vacancy rate (number of outlets)
City Centre	1.494	151	6,7 %
Regional Centre Large	1.956	177	10,7 %
Regional Centre Small	1.980	170	10,0 %
Subregional Centre Large	1.838	169	9,3 %
Subregional Centre Small	1.660	167	7,7 %
Subregional Convenience Centre	10	151	4,7 %
Total city & town centre	8.938	168	8,8 %
Total supportive centres	3.079	148	7,6 %
Total residual centres	384	1.198	7,6 %
Solitary Outlets	2.916	302	3,9 %
Total/Average	15.317	215	6,9 %

Vacancy on the retail space market is linked with factors like economy and demography. Retail centres located in underperforming parts of the Netherlands are logically more volatile for vacancy. However the retail centres that are able to adjust to the changed way of shopping are relatively stable and future proof (NRW, 2014, p. 8).

The threat for rising vacancy rates is currently causing a shift of capital being divested from locations with a less certain future perspective and invested in A1-locations in the large cities (Platform31, 2014, p. 43). Especially the big investment companies focus on the prime locations, hoping these offer more stable future cash flows. On the one hand does this work as a self fulfilling prophesy on the other does this create opportunities due to decreased property prices (Platform31, 2014, p. 43).

2.3.2 Vacancy in city and town centres

As stated in NRW (2014, p. 5) the vacancy problem on the retail space market is predominantly linked to specific locations. In the following section a number of different locations with vacancy problems will be discussed.

Vacancy in city centres and region centres

Even though there has been a restricting spatial planning policy some inner city shopping locations are struggling. Inner cities are mainly focused on funshopping, experience value is therefore important (Evers et al., 2011, p. 90). Especially secondary and tertiary shopping locations have troubles offering this experience. Furthermore these locations have problems with the perceived level of safety, aren't optimally connected to walking lines, are badly accessible and have parking

issues, and the size of the stores don't match with the demand of retailers (Evers et al., 2011, pp. 90-91). Both Evers et al. (2011) and Platform31 (2014, p. 41) expect vacancy issues to become apparent for an increasing number of secondary and tertiary shopping locations.

Some locations in large shopping centres that have been developed during the past five till then years face problems because they haven't fully positioned themselves in the market yet (NRW, 2014, p. 6). In line with the aspects named by Evers et al. (2011, pp. 90-91) to underpin vacancy on secondary and tertiary locations, NRW (2014, p. 7) states city centre and regional centre retail areas that aren't able to offer convenience and enhance funshopping will face increasing pressure. According NRW (2014, p. 7) the most important aspect for convenience are accessibility, parking, and compactness. Funshopping can be enhanced by creating a sense of place, couleur locale, and innovative shopping concepts (NRW, 2014, p. 7).

Vacancy in small scaled shopping centres
One of the key issues why small scale retail locations are under pressure is the up scaling in retail structure (Evers et al., 2011, p. 101). The minimum size of a shopping centre has increased (NRW, 2014, p. 6). As mentioned before, retail centres are in competition with each other and consumers are increasingly willing to travel larger distances for their shopping trips. For small scaled retail centres it is hard to offer the wide and in-depth product range that is needed to attract consumers. Shopping centres with for example two supermarkets and a few additional shops are successfully attracting consumers for shopping trips for daily products (NRW, 2014, p. 6). Another important factor is that some municipalities allow supermarkets in bigger retail centres to expand. Consequently consumers move towards these bigger supermarkets, hereby also negatively affecting the smaller retailers located in the small retail centres (Evers et al., 2011, p. 103).

2.3.3   Conclusion
There can be concluded the issue of vacancy on the Dutch retail market is of growing importance. However not all retail areas are affected to the same extent. Due to the increased competition amongst retail centres and trends on the retail market affecting retail areas unequally, some retail clusters witness a strong increasing vacancy rate while the A1-locations in the big cities show a shortage of retail space. A number of factors on object and area level are driving the increase in vacancy on specific locations. For example the drive towards larger stores and accessibility issues is causing problems for secondary and tertiary sopping locations.

3 Research preparations

In this chapter the intended further steps in the research process are presented. This includes the table of content of the final report (P5) and a proposed research planning.

3.1 Table of content of final report

Chapter 1 – Research set up

- Introduction
- Research questions
- Relevance
- Research method

Chapter 2 – Theoretical framework

- Trends on the retail market
- Factors important for retail space
- Retail vacancy

Chapter 3 – Empirical research

- Results interviews
- Results Delphi

Chapter 4 – Qualitative match

- Case studies properties
- Match of demand and existing supply

Chapter 5 – Research conclusion

Chapter 6 – literature

3.2 Planning

The start date of this thesis research was 10 February 2014. The research schedule is shown earlier in this report (figure 2). As shown in chapter 2 the theoretical frame has been set up. Hereby the first sub research question has been largely answered and the interim result was derived (shown in appendix I)

Before the P3 a start should been made in analysing the selected vacant retail properties, all interviews should have been conducted, and the first Delphi round should have been set up. The P3 is proposed to take place in the week of 13 till 17 October 2014.

Before the P4 all research results should have been collected. And a draft version of the final report (P5) will be presented. The P4 will take place in the week of 1 till 5 December and the P5 will take place in the week of 19 till 23 January 2015.

On this moment I have successfully finished all the courses, including free electives, of the Master programme.

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Appendix I – Interim result

	Factors	(Hek et al., 2004)	The Retail Book *	(Teller & Elms, 2010)	(Ooi & Sim, 2007)	(NRW, 2014)	(I&O Research, 2011)	(Van der Krabben et al., 2005)
Area level	Parking	X	X		X		X	X
	Access by public and private transport	X	X		X	X	X	X
	Character	X						
	Quality of surroundings	X						
	Cleanliness		X					
	Facilities	X		X	X			
	Leisure & entertainment		X		X			
	Exciting trade types and activities				X			
	Retail mix		X	X	X			X
	Catchment		X					
	Pedestrianised zones		X					
	Image		X		X			
	Perceived Safety		X				X	
	Vacancy rate		X					
	Place marketing		X					
	Atmosphere			X			X	
	Orientation			X				
	Product range			X				
	Size of centre				X			
	Anchor tenants				X			
	Distance to consumer				X			
	Tenant placement				X			
	Information value					X		
	Functional diversity					X		
	Multi functionality					X		
	Special facilities					X		
	Spatial diversity					X		
	Contrast and integrity					X		
	Architectural design					X		
	Rest areas					X		

	Comfort				X		
	Dissatisfiers				X		
	Daytime F&B					X	
	Economic profile						X
	Urbanisation grade						X
	Legislation						X
	Footfall						X
	F&B and leisure						X
Object level	Visibility			X			
	Store size	X	X				
	Layout (open floor)	X					
	Single floor		X				
	Appearance	X					
	Image		X				
	Access for goods delivery		X				
	Rental level						X
	Contract flexibility						X
	Extension opportunities						X
	Storage space						X

*The Retail Book refers to the book sections written by Burt and Sparks (2003) and Guy (2003)
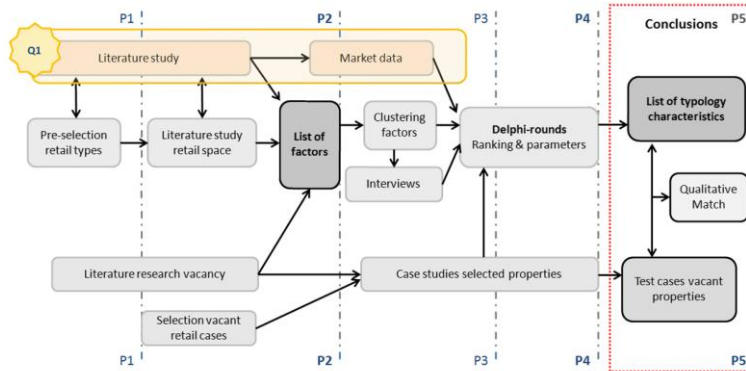
Appendix II – Visualisation of research method

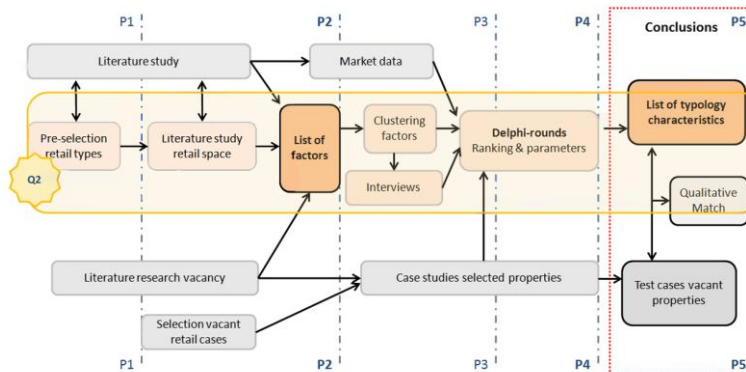Figure A1.1: Research line: ''What are the trends on the retail market and what new retail types have emerged?''

Figure A1.2: Research line: ''What are the characteristics of these ''new'' retail types?''
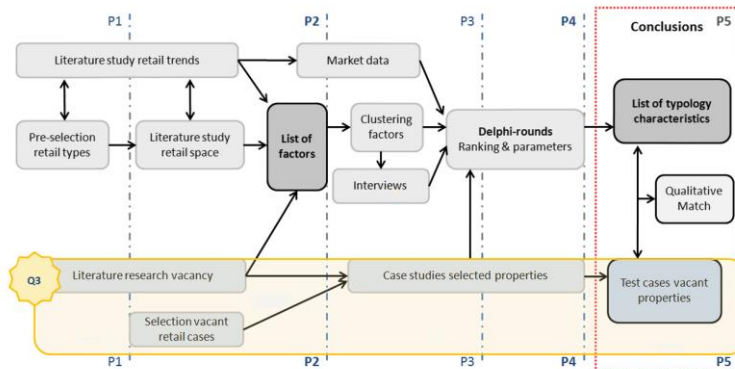

Figure A1.3: Research line :''What are the charcteristics of the vacant retail stock?''
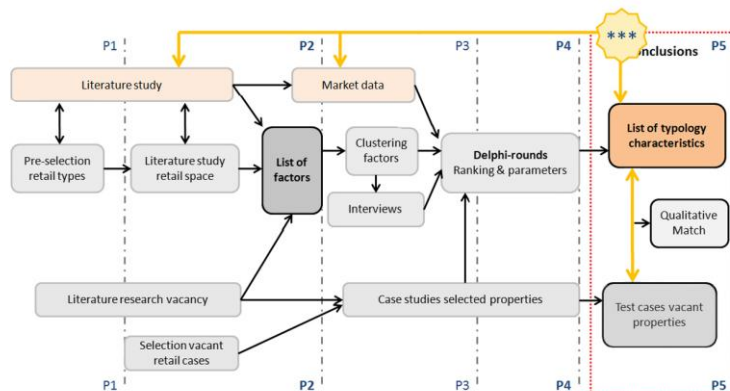

Figure A1.4: Comparing the results

Appendix III – Shopping motives

The following section is quoted from Platform31 (2014, pp. 31-32) and concerns the shopping motives defined by Dutch consultancy firm DTNP.

Recreatief winkelen: Het motief van de consument is ontspanning en vermaak, waarbij veel verschillende winkels worden bezocht, vaak zonder voorgenomen koopdoel. Verrassing en entourage dragen bij aan het doen van (impuls)aankopen. Een onderscheidende ambiance (verrassing) en goede horeca dragen bij aan de verblijfsduur. Een bijzonder karakter (aanbod, ambiance) en lange verblijfsduur rechtvaardigen een grote inspanning om er te komen (reistijd, etc.). Bij recreatief winkelen zijn vooral de smaakgevoelige (keuzegevoelige) assortimenten en een grote diversiteit (verrassing, vermaak) van belang. Dit type winkelgedrag vindt veel plaats in (historische) binnensteden.

Boodschappen doen: Het motief van de consument is om frequente aankopen te doen, vaak levensmiddelen, die men al kent en/of niet keuzegevoelig zijn. Boodschappen doen lijkt daarom op doelgericht aankopen doen. Ook hier zijn gemak en efficiëntie (alles bij elkaar, snel bereikbaar) belangrijker dan de ambiance of de keuze binnen een assortiment. In tegenstelling tot het type winkelgedrag dat wij definiëren als 'doelgericht aankopen', vindt 'boodschappen doen' plaats bij meer dan één winkel in dezelfde kooptrip. Veelal worden de dagelijkse boodschappen op deze wijze gekocht (als supermarkt en overige winkels bij elkaar liggen), maar bij voorbeeld ook spullen voor een feestje of een weekendje klussen.

Vergelijkend winkelen: Het motief van de consument is oriëntatie en/of aankoop van een specifiek type artikel, waarbij de precieze keuze nog gemaakt moet worden. Een grote keuze aan betreffende artikelen en deskundig advies zijn belangrijk bij dit type winkelgedrag. Efficiëntie (veel zien in weinig tijd) is vaak belangrijker dan de entourage. Voor een groot en/of een onderscheidend aanbod is men bereid grote inspanningen te doen (reistijd, etc.). Ook bij dit type winkelgedrag gaat het primair om smaak- en dus keuzegevoelige artikelen. In tegenstelling tot recreatief winkelen wil de consument hier vooral veel aanbod in één specifiek thema: zijn bezoekdoel. Dit type winkelgedrag vindt veel plaats in themacentra als woon- of autoboulevards. Ook algemene centra met voldoende aanbod in een bepaald assortiment kunnen voor dat type thematisch winkelen aantrekkelijk zijn (schoenen kopen).

Doelgericht aankopen: Het motief van de consument is om in een specifieke winkel of specifiek winkelgebied een specifiek artikel (of artikelen) te kopen. De zekerheid het artikel te kunnen verkrijgen staat centraal. Efficiëntie is belangrijker dan ambiance of overig assortiment. Combinatiebezoek is geen doel, in principe worden alle aankopen in de kooptrip in de betreffende winkel of winkelgebied gedaan. Afhankelijk van de uniciteit van het artikel is men bereid tot inspanning (reistijd, etc.). Bij dit type winkelgedrag gaat het veelal om assortimenten die relatief weinig smaak- en keuzegevoelig zijn. Ook artikelen die men frequent koopt (al kent) of waarvan men reeds alles weet (oriëntatie via internet) lenen zich voor dit type winkelgedrag. Dit winkelgedrag kan in veel type centra plaatsvinden, mits de juiste winkel er maar (efficiënt) te bezoeken is. Naarmate men artikelen als minder 'bijzonder' (keuzegevoelig) beschouwt, of men de keuze thuis al heeft gemaakt (internet) zullen zij vaker op deze (efficiënte) wijze worden gekocht ('nieuwe stofzuiger halen', of 'een nieuw paar Van Bommelschoenen').

Ondergeschikte aankopen: Dit type winkelgedrag is ondergeschikt aan een andere activiteit. De consument gaat niet op pad voor een aankoop, maar verricht deze (soms impulsief) als ondergeschikte activiteit. Soms gebeurt dit om redenen van efficiëntie (op weg naar het werk of naar huis), soms als vorm van recreatie (bezoek aan een attractie). Voor dit type aankopen wil men nauwelijks extra inspanningen verrichten. Afhankelijk van het (dominante) bezoekmotief passen bij dit winkelgedrag juist wel of juist geen keuzegevoelige assortimenten. Vaak vindt dit type winkelgedrag plaats op stations, langs de snelweg, in musea en andere vrijetijdsvoorzieningen.

Appendix IV – Dutch retail vacancy

Vacancy in the Netherlands per type of shopping area

Retail Area Type	Total RFS (x 1.000)	Number of Outlets	Avg. RFS per Outlet	% Outlets i.c.w. total*
City Centre	226	1.494	151	6,7
Regional Centre Large	347	1.956	177	10,7
Regional Centre Small	337	1.980	170	10,0
Subregional Centre Large	311	1.838	169	9,3
Subregional Centre Small	277	1.660	167	7,7
Subregional Convenience Centre	2	10	151	4,7
Total city & town centres	1.500	8.938	168	8,8
Inner Urban Shopping Street	101	845	120	7,4
City District Centre	42	215	195	7,2
District Centre Large	78	527	147	7,5
District Centre Small	154	975	157	8,0
Neighbourhood Centre	63	447	140	8,1
Mini Convenience Centre	18	70	254	5,5
Total supportive centres	455	3.079	148	7,6
Big Box Retail Park	451	350	1.287	8,0
Specialty Centre	10	34	282	4,8
Total residual centres	460	384	1.198	7,6
Solitary Outlets	881	2.916	302	3,9
Total/Average	3.296	15.317	215	6,9

Vacancy in the Netherlands per place population size

City Population Class	Total RFS (x 1.000)	Number of Outlets	Avg. RFS per Outlet	% Outlets i.c.w. total*
< 1.000	12	62	199	1,7
1.000 - 1.500	17	91	190	2,8
1.500 - 2.000	26	138	192	3,9
2.000 - 2.500	35	153	230	4,1
2.500 - 3.500	47	240	195	5,7
3.500 - 5.000	93	490	190	5,5
5.000 - 7.500	144	705	205	6,2
7.500 - 10.000	133	613	217	6,6
10.000 - 15.000	300	1.253	239	7,3
15.000 - 20.000	201	921	218	7,3
20.000 - 30.000	321	1.357	237	7,2
30.000 - 50.000	508	2.243	227	8,2
50.000 - 100.000	638	2.709	235	8,5
100.000 - 175.000	328	1.674	196	6,9
>175.000	492	2.668	184	6,3
Total/Average	3.296	15.317	215	6,9

Source: (Locatus, 2014a)