FOCUS ON THE CUSTOMER
FOCUS ON THE CUSTOMER
Retail partners want to be better informed and taken along. They expect more detailed analyses about market potential and center performance – and above all, a clear and recognizable property positioning. In day-to-day business, they would like customized and flexible support and solutions.

Among investors, benchmarking occupies the first place and with it, the expectation of the biggest possible transparency with the operator. We must perform intense work to increase the long-term value of properties while we help the owners to reach their specific investment objectives.

However, how do we find out what we have to do? By conducting regular surveys of our stakeholders - because only when we know the needs and expectations of our customers, we will learn to understand them better. Only in this way we can offer customers the best possible service at all levels.

With the help of various surveys, the link-up of many different data and information, as well as interdepartmental cooperation, a data trove unique in European retail is generated. The analysis of these data constitutes the foundation of the market report. For the first time, we would like to publish a few of these results in this report to make them available to the interested public too. In the future, we intend to publish market reports about specific subjects on a regular basis. I hope that you will find this information as useful as we found it and wish you an enjoyable time reading it.

Sincerely,

Alexander Otto, Chief Executive Officer
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ECE IN FIGURES
**KEY FACTS**

- **Portfolio Centers**: 196 vs. 14 centers planned or under construction.
- **Stores**: 20,000 stores (5,000 in the year 2000) - same amount as all Aldi and Lidl branches worldwide.
- **Sales Area**: 7 million m² (1.5 m² in the year 2000).
- **Visitors per Day**: 4.4 million (doubled in the last ten years).
- **Soccer Stadiums**: 1,000 - more people than Hamburg, Cologne, and Munich put together.
- **Employees**: 3,600 in 16 countries.
LARGEST ECE CENTER INTERNATIONAL
176,000 m²
Marineda City in La Coruña, Spain

LARGEST GERMAN ECE CENTER
91,000 m²
Main-Taunus-Zentrum in Sulzbach

PARKING PLACES AT THE CENTERS
280,000
Mercedes registrations in Germany in 2014: 272,566

RETAIL TURNOVER GROWTH SINCE 2005
+18%
LIKE-FOR-LIKE

OF THE RESIDENTS IN GERMANY LIVE WITHIN A 30-MINUTE DRIVE FROM AN ECE CENTER
56%

20 billion €
nominal GNP of Estonia

(9 billion € in 2005)

RETAIL TURNOVER IN ECE SHOPPING-CENTERS
23 billion €
ECE IN FIGURES

For more than 50 years, ECE develops, plans, builds, leases, and manages large commercial real estate and is European market leader in the sector of downtown shopping centers.

Especially in the last 15 years, a quadrupling of the portfolio was achieved in the core business – the management of shopping centers. Currently, it comprises 196 shopping centers in 16 countries. A similar rapid development is seen in the meanwhile 20,000 stores of ECE’s retail partners, which generate annual sales of more than 23 billion euros in a total sales area of about 7 million square meters.

With more than 4.4 million visitors per day, ECE shopping centers are popular meeting places for many persons. Retail partners consider them safe and profitable locations, and investors consider them attractive and profitable investment properties. This is also reflected in the market value volume of over 28 billion euros that ECE looks after, which has increased about 2.5 times in the last ten years.
The average sales area per shopping center varied within the last 50 years and depends clearly on the real estate location. In the last 15 years, ECE shopping centers in Germany are stable, with a sales area of approx. 27,900 square meters for new constructions without taking retail parks into account. International shopping centers are, on average, considerably larger and had a leasable area of about 45,200 square meters in the last 15 years.

**Trend to Larger Spaces**

Also interesting is the development of the sales area when the number of stores in the various shopping center locations is considered. In the downtown shopping centers, the average sales area in the last five years has increased significantly more than the number of average stores. The trend towards a higher number of large retail partners is seen here. Contrary to downtown shopping centers, the average sales area of neighborhood centers did not develop as well in the last five years. In return, the average number of stores in Germany decreased by about 20 percent and international by 10 percent after all. It becomes clear that the retail partners, contrary to general market perception (smaller product line owing to more online presence, more relevant showroom effect of sales areas, etc.), keep betting on large sales areas in the shopping centers operated by ECE. The trend is confirmed by shopping center visitors, who apart from wanting a certain shopping variety, also see product comparison as an advantage.

---

**Average Sales Area Per Center – Germany**

(only new buildings, without retail parks)

- **2000 – 2005:** 22,500 m²
- **2010 – 2015:** 33,600 m²

**Average Leasable Area Per Center – International**

(from 2000 to 2015, only new buildings, without retail parks)

- **Poland:** 45,200 m² leasable area
- **Austria:** 26,800 m² leasable area
- **Turkey:** 58,500 m² leasable area
- **Hungary:** 42,100 m² leasable area

≈ 45,200 m²

**Average Number of Stores Per Center – Germany**

(only new buildings, without retail parks)

- **2000 – 2005:** 94
- **2010 – 2015:** 127

**Average Number of Stores Per Center – International**

(from 2000 to 2015, only new buildings, without retail parks)

- **Poland:** 182
- **Austria:** 100
- **Turkey:** 188
- **Hungary:** 139

160
IT BECOMES CLEAR THAT THE RETAIL PARTNERS, CONTRARY TO GENERAL MARKET PERCEPTION, KEEP RELYING ON LARGE SALES AREAS IN THE SHOPPING CENTERS OPERATED BY ECE.
EXPANSION IN EUROPEAN MARKETS

In the last 50 years, ECE has been able to gain a foothold in many European countries and even beyond. As always, ECE has the largest presence in Germany, its country of origin, with 144 centers (including 43 retail parks managed by MEC) and currently seven developments. In addition, the company looked eastward as early as in 2001: Poland and Turkey have since then been well established attractive expansion destinations. Even Austria and Hungary, with six and five shopping centers operated by ECE, respectively, have become the focus of portfolio expansion in recent years. An important step towards Western Europe could be achieved with the takeover of the Spanish shopping center operator Auxideico Gestión SAU. In recent years, constant portfolio expansion has also been the aim in other countries – 196 shopping centers distributed in 16 countries ensure diversification and stability.

Current shopping center developments in Germany, Poland, Italy and Turkey show that the diversification strategy will also be followed in the future. In doing so, ECE is looking for expansion possibilities in existing and new markets as well.
More than half of the residents in Germany (56 percent) are able to reach an ECE shopping center by car in less than 30 minutes. Thus, ECE reaches over 45 million people in more than 23 million households representing an important retail purchasing power of over 293 billion euros.

**IN THE HEART OF CITIES**
Most centers are centrally located in the heart of downtown areas. Traditionally, downtown is the center of commerce, and consequently ECE shopping centers have been an integral part of urban life for decades.

The catchment areas of the ECE shopping centers represent the modern German urban population. Characterized by the demographic change, the catchment areas are made up mostly of single-person households. Almost two-thirds of German single-person households are located only a 30-minute drive away from an ECE center.

**ABOVE-AVERAGE HOUSEHOLD INCOME**
The center locations have been chosen in such a way that the people in their catchment area have an average income considerably above that of the national average:

<table>
<thead>
<tr>
<th>Inhabitants</th>
<th>Households</th>
<th>Single-person households</th>
<th>Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Share of Germans</td>
<td>Total</td>
<td>Share of Germans</td>
</tr>
<tr>
<td>30-minute drive</td>
<td>45.3 m</td>
<td>56%</td>
<td>23.6 m</td>
</tr>
<tr>
<td>45-minute drive</td>
<td>59.7 m</td>
<td>74%</td>
<td>30.6 m</td>
</tr>
<tr>
<td>Germany</td>
<td>80.3 m</td>
<td>–</td>
<td>40.5 m</td>
</tr>
</tbody>
</table>

62 percent of German households with a household net income of over 4,500 euros lie within the reach of a center. Not only is the income above average, but also the willingness to spend it in a retail store. Thus, people living in the catchment area of ECE centers spend 342 euros more a year in retail per person than those outside an ECE center catchment area.

To sum it up: ECE is where people are.
### Accessibility of the German Centers

<table>
<thead>
<tr>
<th>Multi-person households without children</th>
<th>Total Share of Germans</th>
<th>Retail-relevant purchasing power</th>
<th>Number of households with monthly net income over 4,500 euros</th>
<th>Area in km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of Germans</td>
<td>94 m</td>
<td>12.5 m</td>
<td>30-minute drive</td>
<td>Total Share of Germans in km²</td>
</tr>
<tr>
<td>Share</td>
<td>75%</td>
<td>77%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>Total of Germans</td>
<td>71 m</td>
<td>11.5 m</td>
<td>45-minute drive</td>
<td>Share of Germans in km²</td>
</tr>
<tr>
<td>Share</td>
<td>75%</td>
<td>77%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>Total of Germans</td>
<td>382 bn</td>
<td>508 bn</td>
<td>175,568</td>
<td></td>
</tr>
<tr>
<td>Share</td>
<td>75%</td>
<td>77%</td>
<td>57%</td>
<td>56%</td>
</tr>
</tbody>
</table>
HEARTBEAT OF ECE

Footfall is an important indicator for ECE and its partners. Against the background of growing online trading, footfall has become more important in the eyes of investors, retail partners, and ECE itself. Contrary to many stores in pedestrian zones, ECE can answer the question how online trading affects the footfall in brick-and-mortar retail.

For more than six years, ECE has been using automatic people counting devices for monitoring footfall in its centers. The high footfall at ECE shopping centers is one of the reasons why many domestic and international retailers start their expansion in an ECE shopping center. The architectural design, the arrangement of the retail partners and the mixture or sectors in the centers also allows smaller retail partners and local retailers to benefit from the appeal of the entire center. Thus, shopping centers offer ideal conditions for retail concepts that depend on high numbers of walk-in customers. A total of about 4.4 million people visit ECE shopping center per day.

TOP 10 ECE CENTERS ACCORDING TO THE NUMBER OF DAILY VISITORS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Center</th>
<th>Number of visitors per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Galeria Krakowska Krakau</td>
<td>98,854</td>
</tr>
<tr>
<td>2.</td>
<td>Promenade Hauptbahnhof Leipzig</td>
<td>77,866</td>
</tr>
<tr>
<td>3.</td>
<td>PEP Munich</td>
<td>62,769</td>
</tr>
<tr>
<td>4.</td>
<td>ANKA Mall Ankara</td>
<td>61,025</td>
</tr>
<tr>
<td>5.</td>
<td>Bahnhof City Vienna West</td>
<td>59,495</td>
</tr>
<tr>
<td>6.</td>
<td>Europapassage Hamburg</td>
<td>54,698</td>
</tr>
<tr>
<td>7.</td>
<td>Altmarkt Galerie Dresden</td>
<td>52,788</td>
</tr>
<tr>
<td>8.</td>
<td>Maltepe Park Istanbul</td>
<td>52,162</td>
</tr>
<tr>
<td>9.</td>
<td>Limbecker Platz Essen</td>
<td>51,118</td>
</tr>
<tr>
<td>10.</td>
<td>Konigsbau Passagen Stuttgart</td>
<td>50,745</td>
</tr>
</tbody>
</table>

WEEKLY CUSTOMER FOOTFALL TREND IN 2013 IN GERMAN SHOPPING CENTERS
FOOTFALL

440 thousand
visitors per hour
in all centers

more than on one
Bundesliga match
day in stadium
(2014 season: approx. 383,598)

27.1 million
visitors per week
in all centers

more than all Facebook
users in Germany
(2015: 23 million)

117.3 million
visitors per month
in all centers

more than the inhabitants of Germany, the
Netherlands, Austria and Switzerland put
together (approx. 113.5 million inhabitants)

1.408 billion
visitors per year
in all centers

more than all the
world’s landline phone
connections
(1.134 billion)

VISITOR FOOTFALL THROUGHOUT THE YEAR

ECE GERMANY

ECE INTERNATIONAL

2014
A CHANGING MARKET

What retail property advantages do I have with regard to my yields, planning security and sustainability?

Where do I find the ideal location for my store?

What purchasing channels fulfill my requirements regarding accessibility, versatility and product line attractiveness?
Many investors have focused on the shopping center as investment property. Why?

Kötter: Shopping centers are evaluated as being an especially attractive investment product because of their risk-yield profile. Professionally managed properties in good locations are considered a future-proof form of investment. Their adjustment capability allows them to react flexibly to changes in the trade, both to the brands offered in the center and to the changing area needs of individual sectors and concepts over time. However, it becomes clear already here that the property value is greatly influenced by the operator’s skills.

How has the shopping center investment market changed?

Kötter: In Europe – and especially in Germany – there is a limited number of shopping centers and an enormous demand on the investor side. Fewer new centers are being developed. On the one hand, we are approaching the saturation point in many regions; on the other hand, there is a trend among retailers to expand more cautiously. Retailers are reviewing their store portfolio while implementing multichannel strategies. We are also experiencing many changes on the side of end-user customers, as they have become not only more mature and mobile, but also more demanding with regard to the products offered and especially to the shopping environment.

You are responsible, among other things, for the investment business. What does this mean specifically for project development?

Kötter: We have evolved from a project development company to a property management company. Nowadays, in view of the largely saturated markets in the shopping sector, we are focusing more on refurbishments than on new developments, even if we are still seeing needs and business opportunities by developing new properties in selected places in Germany and Europe. Currently, approx. 80 percent of our development projects concern the portfolio. They are about restructurings, expansions or even complete modernizations. In addition, we are very successful right now with the development of hotels, logistics properties, and offices.

Do you also expect preferably fewer new shopping centers and more modernizations and restructurings in the future?

Kötter: Certainly. However, the interesting aspect of this is that, although the project tasks mentioned above differ, the important skills critical for success remain the same. Development know-how is therefore also essential for generating value in the Portfolio Business. It is precisely in restructuring and expansion, i.e. in the work performed in existing centers during their operation, where complexity is especially high. All steps, from the sound analysis and precise conception of the measures to be implemented all the way to the efficient control, concern all our customers, i.e. the interests of consumers, retail partners and investors. In the final analysis, it is about increasing values – both in the Portfolio and in the Project Business.

What role plays customer orientation in all of this for you?

Kötter: Shopping centers are a very management-intensive property class. My mission is to offer our services to our investors. By meshing the disciplines that we combine at ECE, we increase the value of the properties entrusted to us while always finding the balance between the demands of all customers – that is, investors, retail partners, and visitors. Some of the individual requirements do not supplement one another. This weighing process is real teamwork. Shopping centers are only successful when all customers are appropriately taken into account.
THE INVESTORS
BEST POSSIBLE SERVICE FOR THE INVESTORS

“Focus on the Customer” – is the core principle of ECE’s services. For asset management, this means concentrating on achieving the investors’ specific investment objectives. With a proactive asset management, ECE aims to ensure for them the continuous and lasting positive development of the value parameters of the properties entrusted to it.

For ECE, asset management means not only that a property will be managed professionally, but also that it experiences active further development. ECE’s management approach is comprehensive and encompasses the leasing, marketing, operational center and facility management as well as the commercial management of the assets. Operational excellence and optimum interaction in these core services ensure long-term sustainability in the operation of shopping centers and ensure that they will also remain an attractive venue for many generations in the future – one of the biggest challenges in the retail real estate sector.

EXPERIENCE AND QUALITY – THE FOUNDATION FOR TRUST AND GROWTH

Compared to many market participants, ECE boasts more than 50 years of experience in the development, management, and revitalization of shopping centers. With its own high quality standards in all service areas, in recent decades it has been capable of building up a relationship of trust between investors and ECE. This trust that many investors place in ECE led to long-term partnerships which, in turn, have contributed considerably to ECE’s successful growth.

A few investors have accompanied ECE for over 25 years. It is precisely in the fiercely competitive investment market where the long market experience of ECE – which has a very diverse and excellent network to all
stakeholders – pays off. At ECE, sustainable management and active further development of shopping centers are more than just words – as proven by many successful modernizations through which investors could not only obtain growing yields but also clear value increases in their properties.

HIGH DEMANDS FOR THE ASSET MANAGEMENT

ECE’s strong growth in recent decades was made possible with more than 80 current national and international investors. For this reason, the demands made on asset management have grown too. Here, and depending on the type of investment (e.g. joint-stock companies, open/closed funds, private equity, insurance, real estate investment trusts, etc.), different objectives and demands with regard to yields, market value, strategy and reporting must be considered – a big challenge for ECE as well. As the results of the investor survey indicate, ECE defines objectives in close cooperation with investors, thereby generating healthy and sustainable growth. In all of this, it is ECE’s claim to respond to the individual demands of its investors in order to provide them with the best possible service.

DURATION OF THE PARTNERSHIP WITH SELECTED INVESTORS
(in years)

<table>
<thead>
<tr>
<th>Investor</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Asset &amp; Wealth Management</td>
<td>&gt; 30</td>
</tr>
<tr>
<td>DZ Bank Gruppe</td>
<td>&gt; 30</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>&gt; 30</td>
</tr>
<tr>
<td>Deutsche EuroShop</td>
<td>≈ 15</td>
</tr>
<tr>
<td>Allianz</td>
<td>≈ 10</td>
</tr>
</tbody>
</table>

SHARE OF GERMAN INVESTORS ON TOTAL ASSETS (37% FOREIGN INVESTORS) 63%
TRUST BUILD-UP AND INCREASE IN COMPLEXITY

1965

2015

OTTO FAMILY

+ DEUTSCHE BANK

+ GERMAN INVESTORS

+ FOREIGN INVESTORS

REQUIREMENTS OF THE MARKET AND STRENGTHS OF THE ECE

- Long-term investor and bank financing relationship
- Europe’s largest landlord to retailers
- Extensive marketing and branding powers
- Experienced and highly qualified in-house teams across all functions
- Ability to access detailed knowledge of retail trends
- Long-standing relationships with construction companies
- Intimate knowledge of decision-making processes in politics and authorities
- International transfer of best practices and benchmarking

Economies of scale and competitive advantages allow for significant value creation
A CONVERSATION
WITH CLAUDIA PLATH, CHIEF FINANCIAL OFFICER (CFO) OF ECE

What does “Focus on the Customer” mean for you?

Plath: Quite simply what the name already indicates: We concentrate fully on asset management so that our customers achieve their respective investment objectives. A necessary service orientation leads to a successful implementation of the individual wishes, allowing the respective challenges to succeed.

In your opinion, what will be the biggest challenges in the coming years?

Plath: Some of the largest challenges in the retail real estate sector are above all the ability to make shopping centers attractive places that will continue to be venues for several generations in the future. In addition, the effective combination of online shopping and stationary retail will be a challenge for the future.

Another challenge for ECE is conserving the value of the assets in an increasingly competitive environment. Thanks to the long experience and intensive integration with the market stakeholders, ECE is optimally equipped for this demanding challenge. Intensive market knowledge, coupled with the capacity of thinking and acting as an investor, results in a decisive advantage for investors. This establishes an excellent foundation for a trusting collaboration with investors.

What characterizes ECE for you? How does it differ from competitors?

Plath: CONTRARY TO THE OTHER MARKET PARTICIPANTS, ECE HAS A LONG EXPERIENCE IN THE DEVELOPMENT, MANAGEMENT, AND TRANSACTION OF SHOPPING CENTERS. DECISIVE HERE IS THAT A REALLY SUCCESSFUL MANAGEMENT OF RETAIL REAL ESTATE BECOMES POSSIBLE ONLY THROUGH THE SUCCESS FACTOR OF EXPERIENCE. IN THE COURSE OF THE LAST 50 YEARS SINCE IT WAS FOUNDED, THE HIGH QUALITY OF ECE SERVICES BASED ON EXPERIENCE HAS LED TO AN INTENSE RELATIONSHIP OF TRUST BETWEEN CUSTOMERS AND ECE. EMBLEMATIC FOR THIS ARE THE INVESTMENTS OF THE OTTO FAMILY IN NUMEROUS SHOPPING CENTERS, WHICH ARE SUCCESSFULLY LOOKED AFTER TOGETHER WITH ECE CUSTOMER INVESTMENTS TO INCREASE VALUE.

The investor market is highly competitive. What characterizes shopping centers compared to other assets?

Plath: The long-term positive performance of shopping centers can be traced back essentially to two aspects: First of all, the variability in space utilization that allows a flexible reaction to future space demands and secondly, the long-lasting positive consumer behavior in Germany and selected European countries. For years, these two aspects have led to a constantly growing interest in shopping centers as investment class. The resulting continuously increasing demand shows that ECE is pursuing the right strategy.

INTENSIVE MARKET KNOWLEDGE, COUPLED WITH THE CAPACITY OF THINKING AND ACTING AS AN INVESTOR, RESULTS IN A DECISIVE ADVANTAGE FOR INVESTORS.

What types of investors are pushing increasingly into the market and what are their demands?

Plath: The market is changing due to the planned regulations. The AIFM guideline affects decisions to invest in shopping centers. Pension funds and insurance companies, in particular, have a higher need for high-quality management that focuses on investment-specific interests. Since these companies do not manage their own facilities, ECE has been a trusted partner already for years.

What measures do you offer investors to satisfy their demands and maintain a long-term partnership?

Plath: As family-run company, ECE can operate the facilities from an entrepreneurial perspective. ECE is totally familiarized with customer and co-investor expectations owing to its own successful investment in shopping centers for decades. Thus, our service is provided with the eyes of the investor and is therefore the essential foundation for a trusting and long-term collaboration.
WHAT INVESTORS SAY ABOUT ECE

“

The ECE team works in a very solution-oriented fashion with high professional expertise.

TIAA HENDERSON, REAL ESTATE

As before, we have the good feeling that our asset is in good and professional hands at ECE.

DEUTSCHE ASSET & WEALTH MANAGEMENT INTERNATIONAL GMBH

Well-trained staff for center and asset management.

DEKA IMMOBILIEN GMBH
INVESTOR SURVEY

In the investor survey conducted last year, ECE’s asset management was the most important factor in investor expectations. Asset management has crucial strategic importance for ECE. For this reason, after a successfully completed reorganization that also took place last year in which regional organization was dropped in favor of a stronger investor orientation, the investors requested a detailed feedback. The insights gained allow an even better alignment with investor requests, which in spite of different investment objectives and strategies still have large overlaps.

HIGH QUALITY SERVICES
ECE received more than 50 detailed external opinions in the survey time period that lasted several years and began in July 2014. More than 60 percent of the companies surveyed participated in the survey. The answers to 34 questions reflected the assessments of the surveyed companies with respect to the performance of their respective contacts, the organizational performance of asset management, and the specialized departments assigned to operate the property. The quality of the services used received a positive evaluation and the recommendation rate was a gratifying 98 percent. The grades given within the positive evaluations allow inferences and development fields. Special significance falls to the aspects of customer orientation and transparency. Both are in the center of the key account structure, which was implemented last autumn and is subject to continuous improvement. Thus, the survey has confirmed the path taken that will continue to be pursued consistently and improved. A large need for information with regard to innovations could also be derived from it, and this publication, among other things, contributes to satisfy this need.

UNIFORM MANAGEMENT APPROACH
Apart from the wish to have a flexible reaction capacity within the framework of operational management, the result also reflected especially the major significance of a uniform management approach – supported by qualified specialists in their respective disciplines and geared to the investment objectives of the investors and the individual characteristics of the property. Tailor-made solutions are expected, both in day-to-day business and issues of the conceptual further development of the property that is looked after. Generally, investors expect first class, customized asset management and ECE aspires to provide it. The survey results and the suggestions we received from the investors have once more confirmed to us that ECE’s new property management strategy is on the right path.

The insights gained about the significant influencing factors for investor satisfaction became apparent from detailed analysis of the data. Three factors, in particular, proved to be decisive satisfaction drivers:

Responsiveness of ECE to short-term asset problems
Capacity to long-term positioning and further development of the asset
Quality of the full-service asset support

MAIN FUTURE TOPICS

Transparency  Customer orientation
## Satisfaction with ECE Asset Managers

Top 3 evaluations (% grade 1+2):

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Satisfaction</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional expertise</td>
<td>86%</td>
<td>1.96</td>
</tr>
<tr>
<td>Commitment</td>
<td>85%</td>
<td>1.86</td>
</tr>
<tr>
<td>Dependability</td>
<td>81%</td>
<td>1.88</td>
</tr>
</tbody>
</table>

## Satisfaction with Other ECE Services

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Satisfaction</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local center management expertise</td>
<td>91%</td>
<td>1.65</td>
</tr>
<tr>
<td>Facility management expertise</td>
<td>85%</td>
<td>1.93</td>
</tr>
<tr>
<td>Leasing expertise</td>
<td>81%</td>
<td>1.93</td>
</tr>
</tbody>
</table>
THE RETAIL PARTNERS
CE's retail partners with their approximately 20,000 shops know the advantages of a shopping center operated by ECE. In addition to a wide and balanced variety of stores in the respective location, a great deal of attention is paid at the time of the lease not to offer retail spaces only to the large and well-known chains. Customized concepts and regional retailers are very welcome at ECE centers. Only with these rental partners and the regional attachment associated with them, are centers capable of integrating harmoniously to the existing cityscape and become actual "third places" to their visitors, i.e. places where people gladly congregate and meet when they are not at home (first place) or at work (second place).

INTERNATIONAL RETAILERS RELY ON ECE
That ECE has a lot of experience leasing retail spaces is also indicated by the comparison with the total sales area in the German retail business, where according to information by Jones Lang LaSalle, 580,000 square meters of area were brokered in 2014. During the same time period, ECE leased over 650,000 square meters in its German and international shopping centers. Another positive aspect is that many international retailers prefer to expand in shopping centers managed by ECE.

RETAIL PARTNER SURVEY Confirms success
Apart from professional management, retail partners benefit from excellent accessibility and high footfall in ECE centers. ECE is also a competent partner for all other issues such as marketing activities, modernization of the entire center and individual store spaces. Services like click & collect, same-day delivery, center apps, and coupons supplement the offerings to the retail partners. That ECE works successfully for its retail partners was also confirmed by the results of the retail partner survey, in which more than 6,200 partners participated. Among the results: 84% of respondents would renew the ECE lease and most of them would recommend ECE shopping centers to their business partners. Needless to say, the objective is to satisfy every retail partner with ECE's performance – because ECE can operate successful shopping centers only with successful retail partners as well.

27.8% of stores in German shopping centers are located in an ECE center.

NUMBER OF LEASE CONTRACTS IN ECE CENTERS VS. TOTAL NUMBER OF STORES IN GERMANY:

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Leases in ECE Centers</th>
<th>Total Leases in Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>7 of 14</td>
<td></td>
</tr>
<tr>
<td>Reserved</td>
<td>5 of 7</td>
<td></td>
</tr>
<tr>
<td>Inditex</td>
<td>31 of 122</td>
<td></td>
</tr>
<tr>
<td>Primark</td>
<td>5 of 18</td>
<td></td>
</tr>
<tr>
<td>H &amp; M</td>
<td>73 of 417</td>
<td></td>
</tr>
<tr>
<td>Bestseller</td>
<td>155 of 596</td>
<td></td>
</tr>
</tbody>
</table>

**TOP 10 RETAIL PARTNERS IN 2014**
(by number of leases and leasable area)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name of Retailer</th>
<th>Number of Leases</th>
<th>Leasable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Douglas Holding</td>
<td>1</td>
<td>Media / Saturn</td>
</tr>
<tr>
<td>2</td>
<td>Tom Tailor / Bonita / Nicolas Scholz</td>
<td>2</td>
<td>sol</td>
</tr>
<tr>
<td>3</td>
<td>Bestseller</td>
<td>3</td>
<td>P &amp; C Düsseldorf / Anson’s</td>
</tr>
<tr>
<td>4</td>
<td>Deichmann / Roland / Snipes</td>
<td>4</td>
<td>sol</td>
</tr>
<tr>
<td>5</td>
<td>Orsay / Pimkie / Xanaka</td>
<td>5</td>
<td>sol</td>
</tr>
<tr>
<td>6</td>
<td>s.Oliver / Comma / Liebeskind</td>
<td>6</td>
<td>sol</td>
</tr>
<tr>
<td>7</td>
<td>Esprit</td>
<td>7</td>
<td>Inditex Gruppe</td>
</tr>
<tr>
<td>8</td>
<td>Inditex Gruppe</td>
<td>8</td>
<td>Real</td>
</tr>
<tr>
<td>9</td>
<td>CBR Companies (Street One / Cecil)</td>
<td>9</td>
<td>sol</td>
</tr>
<tr>
<td>10</td>
<td>Essanelle</td>
<td>10</td>
<td>Deichmann / Roland / Snipes</td>
</tr>
</tbody>
</table>

Together towards success
ECE is the ideal partner for retailers because, among other things, it offers a performance-based lease system aligned to the profitability of the various sectors. Another advantage: First-class locations, high quality of stay, top service and unusual events attract thousands of customers to ECE centers every single day. Retail partners value this concept.

Kim Gögge, Retailer in Hamburg’s Alstertal-Einkaufszentrum

Looking at the retail partner structure for the last five years, it becomes obvious that international chains constitute the largest share in the shopping centers managed by ECE and they have even expanded their position further. This reflects the basic trend towards internationalization of foreign retailers. At the same time, a consolidation effect is seen for some German retailers, which explains their decrease in recent years. In spite of the clear growth at the international level, regional retailers experienced only a slight decrease, whereas the share of local retailers even rose slightly during the same time period. That roughly every sixth business in a center is a solitary concept confirms the importance of the local connection.
A shopping center will only be successful when the property's variety of different stores and retail partners is geared to customer needs, i.e. consumers and retailers. Here, it is important to consider the wishes of the visitors on the one hand, and the requirements of the retail partners with regard to area profile, location and lease expectation on the other and to combine them skillfully.

Therefore, the motto is “Focus on the Customer”. Consequently, all actions and any day-to-day business decision must be aligned with the needs of the customer groups and should always be at the beginning of any process or problem.

UNDERSTANDING OF RETAILERS’ INTERESTS
Apart from the sector-specific requirements of any retailer, one thing is especially important in current negotiations: Retail partners and owners need to understand the real and daily interests of retailers and must develop joint models quickly and flexibly to attain everybody’s objectives.

PERSONAL RELATIONSHIPS STRENGTHEN TRUST
In the leasing sector, various measures are implemented to strengthen the trust of retail partners in ECE – and personal relationships to the retail partners at all levels and in all places have priority here. Leasing is present on-site, allocations and responsibilities (“who takes care of whom”) are clearly defined and the contacts can be easily reached. ECE’s key account management is responsible for cross-departmental activities, and retailer meetings initiated in Germany and abroad provide a personal framework in which retail partners can engage in dialogue. Finally, it is important to get to know the people and faces with which business is done.

AN INTERVIEW
WITH KLAUS STRIEBICH, MANAGING DIRECTOR LEASING OF ECE

What characterizes ECE for you? How does it differ from the competition?

Striebich: In spite of the size and internationalization that we have attained in the meantime, we are still a family-run company with persons you can meet and talk to in order to find a solution to an issue. We also discuss and process decisive details and want to look after the interests of all our stakeholders. Fast action and autonomy from any institution are a clear competitive advantage.

Online trade grows steadily. What measures convince retailers to keep relying on the shopping centers operated by ECE?

Striebich: The innovative and changing power of a partnership is decisive. The key to the future will be dealing continuously with new ideas and subjects, weighing them as partners and implement them successfully. With our future labs on the operational side, we show many approaches, likewise with the inclusion of new concepts (from the online world, for example) that flow into brick-and-mortar retail. Two examples worth mentioning are MyMuesli and sheego.

How will the retail offering change in the future?

Striebich: On the one hand, there will be clear concentration on the strong and nationwide partners. The successful partners will accelerate their speed of expansion and internationalization, and to achieve this they need a good platform, such as ECE. On the other hand, we will also due to increased professionalism – discover new start-ups and newcomers or have to develop them jointly that they will subsequently be found in the shopping centers.

On the retail partner side, the changing process will accelerate further, but new names are precisely an incentive for our visitors to go to the shopping centers once again.

In your opinion, what are the biggest challenges in the coming years?

Striebich: How we will deal with a project with the multitude of stakeholders in a world that is changing increasingly fast and becoming more complex. This needs, among other things, a thorough understanding of retailers and retail partners of the shopping centers and the insight how to satisfy the requirements of our visitors.
WHAT THE RETAIL PARTNERS SAY

"Authentic, cooperative, and creative! That is what makes up the REWE-ECE chemistry."

STEPHAN KOOS,
MANAGER OF EXPANSION
VOLLSORTIMENT NATIONAL
OF THE REWE GROUP

Shopping centers are works of art and ECE is an artist of the century, not least because the people at ECE are experts. I am impressed by their ability to put together factors such as site selection, development, tenant mix, and continuous renewal into a coherent whole.

PROF. GÖTZ W. WERNER,
FOUNDER AND MEMBER OF THE SUPERVISORY BOARD OF DM-DROGERIEMARKT

"50 years of ECE, 100 years of Deichmann – we have been treading a common path to success for a long time. A look behind both brands reveals family businesses that plan for the long term – they think in generations, not quarters. What I remember well is the cooperation with ECE when we entered unusual markets like Lithuania and Turkey, which require a lot of countryspecific expertise. Then, we found with ECE very helpful contacts and a foundation we could build upon."

HEINRICH DEICHMANN,
CHAIRMAN OF THE BOARD OF DIRECTORS OF DEICHMANN SE

We have come to appreciate ECE as a reliable, competent, and innovative developer of shopping centers during the over 40-year collaboration. ECE’s professionalism makes us confident that our future path together will be successful despite new competition models like online retail and factory outlet centers.

DR. HORSCH CLEMENS,
MANAGING DIRECTOR OF
P & C DUSSELDORF

Like Douglas, ECE focuses on prime locations, stylish ambiance, and an atmosphere in which customers feel at home. That’s what matters. That is why ECE has been a professional and valued partner to us for many years.

DR. HENNING KREKE,
CEO OF DOUGLAS HOLDING AG

"With ECE’s experience and portfolio across Europe we have created a great partnership with a win-win approach. At the beginning of our cooperation and after a relatively weak season for LPP, ECE was not just interested in the rent levels, but also in our situation from a retailer’s point of view. This helped us a lot and it was a good foundation for good mutual cooperation and understanding. In ECE, we have also found a strategic partner for the development of our flagship brand ‘Reserved’ in Germany."

PIOTR DĘKA,
MEMBER OF THE SUPERVISORY BOARD AT LPP"
Only those who know their customers can ensure optimal support. So this support can be secured. Key Account Management has developed various tools for retail partners that have many agreements with ECE in the leasing area.

**PORTFOLIO ANALYSIS**

A basic tool is portfolio analysis, which focuses on developing concept- and sector-relevant key figures such as total sales, productivity or lease burden. In principle, the period under consideration is fixed to five years to allow for a meaningful consideration and a comparison of the retail partner trend over the years. Moreover, the analysis includes a breakdown of the leases that will expire in the next two years, so that Key Account Management can already discuss various approach possibilities and recommendations for action with the retail partner in advance and take the necessary steps for this. Apart from analyzing the rental partner-specific key figures, the tool also compares them to the trend seen in the respective sector. This becomes possible thanks to ECE’s comprehensive database made up of data from many retail partners that can therefore point out extensive comparison possibilities. This database allows the development not only a meaningful individual analysis for the rental partner but also makes a detailed comparison possible that allows a specific assessment of the own market position and the development of the respective sector.

**SECTOR ANALYSIS**

Another important tool used by Key Account Management is sector analysis, applied especially when a retail partner is interested in individual centers because it indicates the respective area and sales potential. Key
Account Management determines this potential based on the general key figures of a center like sales, footfall and size, as well as with the assistance of the respective sector and its share of sales and area in the entire center.

However, owing to the extensive data analysis and comparability, these costly and detailed analyses consider only the large retail partners (which have many leases at ECE).
BRANCH MIX, QUO VADIS?

The multitude of retail partners in a shopping center reflects the current market situation and customer demand. Here, the great variety of stores is a variable figure that can be adjusted according to exogenous and endogenous factors. In a competitive environment, only this flexibility will allow the successful positioning of a shopping center in the long run.

MORE SPACE FOR CLOTHING

In the last ten years, it could be observed that the share of area for clothing stores in the shopping centers operated by ECE was becoming increasingly relevant. During this time period, their share grew by more than ten percentage points. In this context, it is interesting that the growth occurred especially in German stores, while the share of clothing stores abroad had reached a high level for a long time. The clearest decrease experienced in the same time period was the share of area for department stores, which occurred above all between 2005 and 2010, while the remaining department stores could mainly hold on to their share of area since then.

FOOD: TREND TOWARDS SMALLER AREAS

Relatively speaking, the share of area for food stores has dropped slightly, but in absolute terms only a small change can be ascertained. A slight decrease in area has been registered especially in foreign shopping centers – in German centers, the share for this sector is more stable. The generally observable trend in shopping centers is that large food areas and discounters are becoming rarer, whereas specialized and often smaller food areas occupied by organic supermarkets and health food stores are becoming more common. In the areas occupied by sports stores, a slight yet continuous growth is seen, ascribed to the increasing lifestyle and wellness demands of consumers.

COUNTERTRENDS WITHIN THE SECTOR

Within the clothing sector areas, counter-trends can also be observed between 2005 and 2014. Clothing stores had a clear decrease until 2013, but their growth has resumed since then. Meanwhile, women’s wear (WW) areas had a positive result until 2010. The last five years, however, have been marked by a slight decrease but jeans and leisure textiles are catching up and some have reached almost the same level of WW areas – above all in the international shopping centers. The remaining areas for textile stores show a stable course and had only a small share.

GROWING SHARE OF RESTAURANT AREAS

Restaurant areas are becoming increasingly important in shopping centers. In the meantime, they have become indispensable for a high quality of the stay. On average, approx. 6% of the leasable areas in the shopping centers operated by ECE are occupied by restaurants and other food businesses. That these areas are becoming increasingly important can also be seen in the share of restaurants in the re-openings of German shopping centers in the last five years: The share of leasable areas in them that cater to the visitors’ sustenance is almost 10%.

<table>
<thead>
<tr>
<th>RESTAURANT PERCENTAGE</th>
<th>RELATIVE GROWTH OF CLOTHING RETAIL SPACE</th>
<th>CLOTHING AREA GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>(of rented space)</td>
<td>(between 2010 and 2014)</td>
<td>(between 2005 and 2014)</td>
</tr>
<tr>
<td>6%</td>
<td>+ 10.5%</td>
<td>Clothing store</td>
</tr>
<tr>
<td>in shopping centers</td>
<td></td>
<td>- 12.5%</td>
</tr>
<tr>
<td>operated by ECE</td>
<td></td>
<td>DOB¹</td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td>+ 2.5%</td>
</tr>
<tr>
<td>in openings of German</td>
<td></td>
<td>HAKA²</td>
</tr>
<tr>
<td>shopping centers</td>
<td></td>
<td>+ 12.7%</td>
</tr>
<tr>
<td>in the last five years</td>
<td></td>
<td>Jeans / leisure time</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ 26.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ 5.2%</td>
</tr>
</tbody>
</table>

¹ DOB = Women’s clothing  
² HAKA = Men’s and boy’s clothing
SECTORS PERCENTAGE FOR SELECTED SECTORS IN ECE CENTERS

(total for 2005 and 2014 according to square meters)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005 Percentage</th>
<th>2014 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPARTMENT STORES</td>
<td>16.0%</td>
<td>10%</td>
</tr>
<tr>
<td>FOOD</td>
<td>9.8%</td>
<td>7%</td>
</tr>
<tr>
<td>CLOTHING</td>
<td>28.8%</td>
<td>39%</td>
</tr>
<tr>
<td>SPORTS</td>
<td>2.8%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Competition in the leasing market has become fiercer in recent years. The higher needs and demands of retail partners are seen not only in the acquisition of new retail partners but also in the active customer retention of the retail partners in the portfolio. The relationships between retail partners and the center – in this case, especially the center management – must be actively maintained and developed. Naturally, not just the large chains play a role here, but also the local retailers on-site. In order to accomplish this, the demands and wishes of the retail partners must be known and the own performance checked and compared on a regular basis.

High response rate
Accordingly, it is indispensable to get an honest feedback of the retail partners through an extensive and anonymous survey, in which almost 12,000 retail partners from 100 centers participated from October to November 2014. A response rate of 53% showed that the retail partners took advantage of the additional possibility of exchanging their views and stating their opinions. This extensive feedback helped us to consider the interests of the retail partners even more, both in day-to-day business and in strategic decisions.

Retail partners value flexibility and expertise
Overall, the results reflect high satisfaction with ECE and show that retail partners would keep collaborating with ECE in the future. They especially value the flexibility and expertise of center management, but also image and positioning are evaluated highly. However, the evaluation fluctuations show needs for optimization. This applies, among other things, to satisfaction with the restaurant offerings, where a strong fluctuation was seen. While the significance and share of centers with food courts increases steadily, there are still shopping centers that need more food choices.

Customized measures necessary
Moreover, when evaluating footfall and sales trends, the generally difficult market situation in Germany becomes apparent. The fluctuations also show that these assessments depend very much on the center and therefore local customized, sales- or footfall-increasing measures are needed. Overall,

Surveyed Components
The purpose of the retail partner survey was to find out the satisfaction of the retail partners with the four essential components of ECE center management:

The center as a whole
- Satisfaction with the center as a whole
- Strengths & weaknesses
- Evaluation of the overall maintenance condition, variety of stores, etc.

Facility management
- Satisfaction with facility management as a whole
- Evaluation of cleanliness, safety, response time, etc.
- Suggestions for improvement

Center management
- Satisfaction with center management as a whole
- Evaluation of accessibility, reliability, presence, etc.
- Suggestions for improvement

Center marketing & campaigns
- Satisfaction with campaigns as a whole
- Effects on campaigns on turnover, footfall, image
- How advertising fits the center, satisfaction with the media channel mix, etc.

Retail Partner Survey - Requests and Expectations
there is here according to this a clear starting point for ECE to keep meeting the challenges of a changing market with its retail partners on a partnership basis and to develop strategies for a joint future. In all of this, the use of the resulting synergy and agglomeration effects as well as the development of the resulting competitive advantages must have priority.

SETTING ONE’S SIGHTS ON THE CUSTOMER’S TRIP
From the retail partners’ viewpoint, many centers have not yet considered the subject of visitor orientation. There is a great need, especially in large shopping centers, to make the stay in centers pleasant. Based on these results, ECE shopping centers will now analyze the visitors’ shopping process further to identify their relevant points of contact. The insights gained from this will allow shopping centers to align them even more to the needs of visitors, thereby ensuring an increase in the quality of their stay from which retail partners can also benefit.

INSIGHTS GAINED FROM THE RETAIL PARTNER SURVEY:
Criteria assessment using grades (1 excellent – 6 unsatisfactory)

<table>
<thead>
<tr>
<th>Category</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image &amp; positioning</td>
<td>Ø 2.2</td>
</tr>
<tr>
<td>Restaurant offerings</td>
<td>Ø 2.7</td>
</tr>
<tr>
<td>Turnover trend</td>
<td>Ø 3.0</td>
</tr>
<tr>
<td>Footfall trend</td>
<td>Ø 3.2</td>
</tr>
</tbody>
</table>

Source: ECE retail partner survey 2014, n = 6,991
In addition to the insights for day-to-day business that can be read directly in the retail partner survey, higher strategic derivations can naturally also be recognized in the results. On top are the factors for successful collaboration, in which overall retail partner satisfaction is a decisive indicator apart from the economic parameters. Therefore, the objective of the retail partner survey is to identify those factors that significantly influence retail partner satisfaction. These insights help center management when implementing selective measures for its retail partners.

**DECISIVE: ENTHUSIASM FACTORS**

These influencing factors can be classified essentially in two groups: Hygiene and enthusiasm factors. The former are standards that are a matter of course for all shopping centers and do not contribute much to increase satisfaction. However, if these standards are not observed, this is perceived as deficiency and leads to dissatisfaction.

In contrast, enthusiasm factors contribute a great deal to increase satisfaction. These very important factors make the center stand out from the masses in a fiercely competitive environment. Apart from an attractive variety of stores and retail partners, they have a clear positioning function and are ideally a unique selling point compared to the competition.

**OTHER COUNTRIES – OTHER INFLUENCING FACTORS**

Comparing the influencing factors from one country to another, it becomes clear that at least some of them vary. A glance at Turkey shows that “quality of the stay and offerings in the center” are on top. The current shopping center generation values third-place thoughts a great deal, as proven by the longer average stays in Turkish centers (105 minutes in Germany / 143 minutes in Turkey). A visit to the shopping center is an attraction, an experience – and retail partners know that too. Accordingly, the quality of the stay plays a significant role in Turkey. Measures that improve the quality of the stay are constantly driven forward. Thus, ECE centers in Turkey have cinemas, bowling alleys, various services, as well as various campaigns and events. The selective use of the budget in such stay-lengthening measures makes local centers stand out successfully from the competition.

**THE QUALITY OF THE STAY PLAYS AN IMPORTANT ROLE IN TURKEY.**

---

**ENTHUSIASM FACTORS**

- Marketing activities & campaigns
- Turnover and footfall
- Quality of stay & offerings in the center

**HYGIENE FACTORS**

- Service orientation of center management
- Customer information and orientation
- Cleanliness and safety
- Expertise of facility management

---

**INCREASE SATISFACTION**

**SECURE SATISFACTION**

Source: ECE retail partner survey 2014, n = 6,991; factor analysis of the influencing factors on overall satisfaction
Limbecker Platz,
Essen, Germany

Ø 105 min.
in Germany

Ø 143 min.
in Turkey

AVERAGE DWELL TIME

in Germany
Ø 105 min.
in Turkey
Ø 143 min.
THE VISITORS
KEY FACTS

88% of the visitors have fun while shopping.

80% of men enjoy the visit as a nice break.

52% are using the gastronomic services.

The proportion of visitors who meet friends and acquaintances in the center has increased tenfold in the last 10 years.¹

The proportion of visitors who go to the center to eat has doubled.²

(2004 – 2014)

¹ ECE customer survey Germany, November 2014, n = 46,125
² ECE customer survey Germany, November 2004, n = 79,467
AGE DISTRIBUTION ECE VS. GERMANY
compared to the demographic structure

<table>
<thead>
<tr>
<th>Visitors</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>22%</td>
<td>60 years and older</td>
</tr>
<tr>
<td>21%</td>
<td>45–59 years</td>
</tr>
<tr>
<td>21%</td>
<td>30–44 years</td>
</tr>
<tr>
<td>36%</td>
<td>16–29 years</td>
</tr>
</tbody>
</table>

average: 41.8

Gender allocation

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>59%</td>
</tr>
</tbody>
</table>

ARRIVAL

<table>
<thead>
<tr>
<th>by foot or by bike</th>
<th>car</th>
</tr>
</thead>
<tbody>
<tr>
<td>17%</td>
<td>51%</td>
</tr>
<tr>
<td>public trans-</td>
<td>32%</td>
</tr>
<tr>
<td>portation</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL CHANGE
2005 → 2014
- Car: +8.4%
- Short-distance public transp./by foot/bike: +11.2%

TOP 3 of the most important services

- Customer information: 73%
- Digital signposting system: 67%
- Center coupon: 66%

91% of visitors recommend the center

BUT

- 66% of visitors also shop on the Internet
- 65% of customers visit their shopping center every two weeks as before

---

3 Michael Bauer Research, 2012
4 ECE customer survey Germany, November 2005, n = 81,843
AN EYE ON THE VISITOR

The client is king – this basic principle also applies to shopping centers, because in ECE’s customer fabric, visitors are just as important as investors and retail partners. Retail has become increasingly dynamic and competitive in recent years, and therefore visitor needs have also changed.

VISITOR NEEDS BECOME MORE HETEROGENEOUS

In the past, retail consisted of downtown stores and shopping centers. The visitor justified the added value of shopping centers because everything could be found under one roof and thus a certain contact was offered. Nowadays, this situation is a lot more complex; shopping options are more varied and customer needs more heterogeneous. The visitor can choose among several shopping channels, research products at home and compare offerings via smartphone. Subjects such as multichannel shopping and digitalization, as well as the quality of the service and stay, are gaining in significance. Ultimately, it’s about creating an added value to the shopping center visitor compared to other channels. Only in this way it is possible to increase satisfaction of visitors and thus their loyalty too, so visitors become repeat customers.

AN INTERVIEW

WITH JOANNA FISHER, MANAGING DIRECTOR CENTER MANAGEMENT OF ECE, ABOUT THE SUBJECT OF CUSTOMER ORIENTATION:

What do visitors to the centers expect nowadays as customers?

Fisher: They expect shopping centers to reflect their life – that is, digitalization, connection of online with offline; it is about service and added value. This means: When the visitors go to a shopping center, it must make sense to them to go there and not lie on a sofa and order online. Today, visitors expect interactivity and emotional inclusion, they want to participate and experience something. Apart from home and work, shopping centers are regarded nowadays as the third place, where people spend their leisure time shopping, meeting friends and lingering a while. To achieve this, centers need to be very visitor-friendly: Visitors want to feel reasonably welcome, find a parking spot easily, a pleasant atmosphere and the possibility to rest once in a while from shopping and strolling, and drink a cup of coffee. For example, we have found that the share of visitors who take advantage of the food offered has more than doubled in the last ten years. At the same time, the share of those who see shopping centers as meeting places has increased tenfold.

In this context, what is the biggest challenge and how do you face it?

Fisher: Due to the tougher competition and the rapid pace of change in the market, the challenge is to keep trying and knowing well the wishes of the visitors. Ultimately, we must see to it that the visitors will have no negative experiences of any kind during a visit to a shopping center. The time that they spend with us is so valuable for them nowadays that we must organize every minute that they spend with us in the most pleasant manner possible.

In your opinion, what is meant by customer orientation?

Fisher: For me, customer orientation is the essence of what we do. As a service provider, we must align all our thoughts and actions with our customers. In doing so, it is not about just meeting the expectations of the customers, but especially to surpass them. We must surprise with new ideas and services, be the first ones to recognize needs early and actively offer our solutions – ideally when the customer himself is not even aware of the need yet. And when these solutions are better than those of our competitors, our customers are satisfied and we are successful.

APART FROM HOME AND WORK, SHOPPING CENTERS ARE REGARDED NOWADAYS AS THE THIRD PLACE, WHERE PEOPLE SPEND THEIR LEISURE TIME SHOPPING, MEETING FRIENDS AND LINGERING A WHILE.
To find out the changed needs of visitors, and in addition to individual surveys, ECE developed a comprehensive standard survey portfolio consisting of four surveys that covered different subject areas. They deal with the visitors’ shopping and media use behavior, as well as their satisfaction with campaigns in the center. In addition, the shopping behavior of visitors of relevant competitors is examined to allow comparisons between one customer structure and another.

**FROM VISITOR STRUCTURE TO OPTIMIZATION POTENTIAL**

Each year, ECE surveys 345,000 people this way, and the customer survey within ECE shopping centers represents an important part. Its objective is to collect information about the visitor structure such as characteristics and social-demographic information about the visitors and their perception of the center. Moreover, the satisfaction of the visitors with their center and possible optimization potentials of the center – the visitors’ suggestions and critiques – are surveyed. Another large part deals with the shopping behavior of visitors.

- **Customer survey in the centers,**
- **Media use survey,**
- **Events success check and**
- **external passerby survey**
In today’s fiercely competitive retail environment that prevails between shopping centers, downtown stores and online trading, visitor or customer satisfaction is the top priority because only that can prevent an exodus to one of many competitors. The trick therefore consists of getting to know the expectations of visitors and to find out which ones influence satisfaction the most in order to bind visitors as repeat customers by fulfilling their expectations.

EVERTHING UNDER ONE ROOF
In the past, the main success factor for shopping centers was to be able to offer “everything under one roof”. Shopping centers had an enormous competitive advantage over the remaining brick-and-mortar retailers through the many different stores, a wide selection of different products and the roofing. Accordingly, these aspects were decisive for visitor satisfaction, since they provided a high degree of convenience and functionality. Online trading and especially associated mobile commerce, promise to offer almost anything from one single source nowadays. Thus, the competitive advantages of convenience and functionality have eroded a bit, so that shopping centers nowadays must identify and develop other advantages that extend beyond them to satisfy the changed visitor needs.

QUALITY OF THE STORES AND FOOD
Nonetheless, to have “everything under one roof" is still nowadays an important factor influencing overall visitor satisfaction. However, more factors that also substantially influence satisfaction and are indispensable for maintaining the competitive situation must be considered, such as the quantity and quality of the stores. Ultimately, visitors expect not just a wide range of different products but also a correspondingly sophisticated mix that exceeds standards, emphasizes new things for the visitor, and inspires him. Apart from the variety of stores, the food being offered is very important because of the positive influence it exerts on visitor satisfaction.

ATMOSPHERE AND AIR QUALITY
Apart from these aspects, which can be categorized in a summarized way as the center’s offerings, the quality of the stay in the center has become more important as a factor influencing satisfaction. Here, the atmosphere and air quality, in particular, are the main features that influence satisfaction the most. If these important influencing factors are known, visitor satisfaction can be increased and with it, the shopping center experience can also be designed attractively in the long term as well.

Visitor satisfaction is the difference between the expectation and satisfaction of a need. The objective must therefore be to satisfy visitor needs, at least according to expectations or ideally to satisfy these needs beyond the expectations.

1 ECE customer survey Germany, November 2014, n = 46,125
80% of the visitors get their expectations fulfilled.

72% like to spend some time in the shopping center.

80% see the shopping center as first choice.

72% positive evaluation of the food offered.

2.1 overall satisfaction with the center (grade).

Stern-Center, Lüdenscheid, Germany.
THE WAYS OF THE VISITORS

**ADULT**
(Mid-30s)

- 81% visit a center mostly to shop
- 41% take a long way to reach the center
- 61% of adults arrive with their cars
- 55% have little time to shop

87% enjoy the center

---

**VISITOR GROUPS**

<table>
<thead>
<tr>
<th>Visitor Groups</th>
<th>Spendings (in €)</th>
<th>Dwell Time (in min.)</th>
<th>Regular Visitors (at least every 2 weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teenager</td>
<td>51</td>
<td>110</td>
<td>72%</td>
</tr>
<tr>
<td>Adults</td>
<td>89 / 80</td>
<td>99 / 110</td>
<td>65%</td>
</tr>
<tr>
<td>Senior citizens</td>
<td>61</td>
<td>97</td>
<td>80%</td>
</tr>
</tbody>
</table>

---

1 ECE customer survey Germany, November 2014, n = 46,125
13% use the center to meet their friends

84% come to the center to shop

60% use short-distance public transp. to arrive

60% live close to the center

27% arrive to the center on foot

42% arrive to the center with the car

77% live within a 15-minute radius of the center

59% of visitors are consuming the food offered

66% buy their daily needs in the center

87% enjoy their visit as a nice time-off

55
SIGNSIFICANCE OF SHOPPING CENTERS

What channels do people use nowadays to shop? What functions do shopping centers occupy in this fabric and what are the resulting expectations for shopping centers? To get to the bottom of these questions, ECE collaborated with Forsa in May 2015 to conduct a representative survey dealing with the subject of opinions and attitudes about shopping centers. A total of 1,003 German residents over 14 years old were surveyed.

Germans still prefer to shop at downtown retailers (62%); in second place are shopping centers (21%), followed by online trading (19%). More than one-third of respondents still turn their backs on online trading and never shop there, whereas just 2% never shop in downtown areas. The share of those who do not visit shopping centers (18%) lies within the average.

**FREQUENT USE OF SHOPPING CHANNELS**
(Grey: Share who never uses this channel)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Share of Never Users</th>
<th>Share of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown retailers</td>
<td>62% 2%</td>
<td>75% 65%</td>
</tr>
<tr>
<td>Shopping center</td>
<td>21% 18%</td>
<td>79%</td>
</tr>
<tr>
<td>Online trading</td>
<td>19% 33%</td>
<td></td>
</tr>
</tbody>
</table>

79% of respondents visit a shopping center at least occasionally.

75% & 65% of men and women visit a shopping center specifically to shop, run errands or eat something.

21% value special food not available in all places.

Places to linger and rest are very important, especially for women (36%) and people less than 30 years old (43%).

A cozy atmosphere is especially important for 41% of 30- to 44-year olds.

30% value special stores not found in all places.

56% of non-users do not have a shopping center nearby.
THREE PILLARS: SHOPPING, LOCAL SUPPLY AND GASTRONOMY

However, from the customer's viewpoint, shopping centers can basically assume different functions and are based on three pillars – shopping, local supply, and the food offered. At the same time, in this context, the type of shopping differs. Whereas 70% go to a shopping center specifically to shop, do something or eat, 26% stay there for a while without a specific reason. Aspects such as window-shopping (61%) or meeting friends or acquaintances (14%) play an important role.

Visitors think that the gastronomy offering is also important. Thus, 85% of respondents imagine making use of this offering when visiting the center. Here, a pleasant atmosphere is preferred (76%), also a good price for the quality (76%), and good, friendly service (74%).

FUNCTION OF THE SHOPPING CENTER

- 79% shopping
- 40% local supply
- 31% food offered
- 70% buy focused
- 26% stay without specific reason

IMPORTANT ASPECTS

- window-shopping: 61%
- meeting friends or acquaintances: 14%

THE SHOPPING CENTER AS “THIRD PLACE”

These percentages show that the third-place concept is very important in shopping centers. Visitors see in shopping centers another possibility to spend their free time and take advantage of them as social meeting places. The result is a change in the demands that visitors make to shopping centers. The purely functional concept of the transaction and consumption is still considered as important as before. Beyond that, aspects such as entertainment and experience, but also emotional factors like atmosphere, look and flair, are becoming increasingly important. Only the triad made up of shopping, local supply, and gastronomy that takes visitor demands into account will achieve the even stronger establishment of shopping centers as “third places” and position them clearly against the competition with this unique selling point.

RESTING PLACES, VISITOR GUIDANCE AND ATMOSPHERE

The reasons for visiting a shopping center are as varied as the expectations. In addition to a wide variety of stores and products (both very important for local supplies and shopping), shopping centers should offer an attractive variety of restaurants. Apart from these two hard factors, other ones such as places to linger and rest (32%), easily understandable visitor guidance (35%), and a pleasant atmosphere (29%) are high on the list of priorities, connected to the visitors’ wish to have a high quality of stay, so the stay in the center should be organized in the most pleasant stay possible. On the other hand, entertainment and leisure facilities such as movie theatres, fitness centers or events are a reason to visit for only 8%.

FOOD OFFERING

- 85% use the gastronomy offering
- 74% good, friendly service
- 76% pleasant atmosphere
- 76% price-performance ratio

IMPORTANT FACTORS

- 29% pleasant atmosphere
- 32% places to linger and rest
- 35% easily understandable visitor guidance
- 8% entertainment and leisure facilities such as movie theatres, fitness centers
MANY VISITORS, HIGH TURNOVER?

“The asses must rub against one another”, as Hertie founder Hermann Tietz once described somewhat succinctly the relationship between footfall and turnover. Yet does this retail wisdom still apply nowadays?

The entire brick-and-mortar retail has been complaining about declining footfall for years. However, how strongly does footfall decline affect sales and how much should German retailers fear this decrease? Naturally, there is reason to assume that there is a very strong relationship, yet an analysis of footfall and sales data for the last five years shows another reality.

THE INFLUENCE OF FOOTFALL DECLINE ON SALES

The results show only a moderate overall influence of footfall fluctuations on sales changes. Hence, a decline in footfall does not lead automatically to a corresponding sales decline. Responsible for this is also the change in shopping behavior of center visitors. According to BITKOM (2012), 87% of consumers prepare their purchases online at least occasionally and then purchase specifically in a brick-and-mortar retail store. Accordingly, some of the footfall that served the purpose of purchase preparation and information in the past does not take place any more.

IT’S A QUESTION OF THE SEASON

The picture is more heterogeneous when the relationship between the individual quarters is analyzed. Here, it becomes apparent that the relationship is lower in the fourth quarter, whereas it is considerably higher in the third quarter. It therefore appears that visitors in the summer months make more specific purchases than during the Christmas season, when aspects like inspiration, window-shopping and the search for gifts play a substantial role, while people in the summertime go to a shopping center more specifically to satisfy a certain need.

These insights influence above all the marketing activities of shopping centers, but also the marketing and store design of the center’s retailers. Thus, the season when footfall-driving and sales-promoting measures will more likely be successful is shown. While it makes sense to lure additional visitors to the center with the corresponding measures in the summer months, visitors in the Christmas season must be specifically stimulated to purchase something.

SECTOR-DEPENDENT FLUCTUATIONS

Yet the footfall-sales relationship is not the same only from one season to another; the sectors represented in the center also benefit to a varying degree from footfall. Thus, a clearly stronger influence of footfall on sales is seen in those sectors characterized strongly by impulse purchases, such as food (on small-scale formats), health, hardware and gastronomy. These sectors are characterized by the fact that visitors decide to buy spontaneously in the center to pamper or reward themselves. Therefore, analogous to the Christmas season, it is also important for retailers to have very specific purchasing incentives through an attractive design of the point of sale and the creation of shopping experiences.

On the other hand, retail sales in the service and food (on large areas) sectors do not benefit as much from high footfall. Rather, sales here are more likely planned routine purchases, such as the large weekly grocery bulk purchases or the regular haircut in the barber shop or beauty salon. However, credit purchases prepared and planned at home or on the way, such as fashion purchases, play a significant role too. Here, the challenge for shopping centers consists of creating visitor incentives through the intelligent link-up of the online and offline world so the shopping center is already considered as potential channel when the purchase is being planned. This also prevents the purchasing process from being prepared and processed exclusively in online stores.

LURING VISITORS WITH APPS

To successfully lure the visitor already during purchase preparation and create incentives for a visit to the center, smartphone applications that send the visitor customized – and therefore relevant – information about the range of goods are one of many good ideas. Visitors are increasingly using these multichannel options and want to know already beforehand what kinds of goods are available in the retail stores. Thus, the respective approaches such as Click & Collect or Click & Reserve are gaining significance and bring the advantages of online shopping and local purchasing together. The customer can access the retail product range at any time quickly and comfortably with mobile devices and can reserve or buy the corresponding articles while still having the opportunity to feel the materials or compare colors in the store.
SALES / FOOTFALL ANALYSIS

Influence of footfall on turnover

The relationship between these two factors was analyzed with the help of regression analyses based on footfall and sales data for 76 German shopping centers between 2009 and 2014.

INFLUENCE OF AN ADDITIONAL CUSTOMER ON QUARTERLY TURNOVER

1st Quarter +

2nd Quarter +

3rd Quarter +

4th Quarter +

INFLUENCE OF VISITOR FREQUENCY ON TURNOVER IN DIFFERENT SECTORS

Gastronomy sales
- Hardware
- Food
- MORE SENSITIVE TO VISITOR FREQUENCY

Health

Services
- Food, large-format
- Shoes and leather goods
- Services
- Women’s outerwear
- Hardly sensitive to visitor frequency

Food, small-format

Men’s outerwear
These insights are supported by the footfall and sales data analyses that indicate that the high numbers of visitors do not always generate the corresponding amount of sales. Therefore, visitor purchases must be supported more through specific center services so Christmas shopping in the center takes place as pleasantly as possible.

ECE reacted for the first time in 2014 by testing special services under the motto of "Heavenly Services" at 18 selected centers in Germany, Poland and Hungary.

Christmas purchases in the middle of Christmas decorations, music and "Glühwein" booths should be pure pleasure – but a representative Forsa survey commissioned by ECE has shown that the Christmas spirit makes many gloomy.

**GIFT ADVICE**
The innovative core element was gift advice: Trend scouts searched all the stores in the centers to find exciting Christmas gifts for various target groups. Thousands of gift ideas were collected and categorized in this way. Special gift advisors, with the support of iPads (where all gift ideas were stored) could help visitors in their brainstorming.

**FROM THE WRAPPING SERVICE AND CHILDREN’S PARADISE ALL THE WAY TO THE CHRISTMAS BELLHOP**
However, the Heavenly Services are more than gift advice: Additionally, the gifts could also be carefully wrapped on-site and Christmas bellhops offered to carry the full bags to the cars. If someone still had not found the right gift in spite of the advice given, visitors could naturally acquire coupons. Guides on the parking decks helped motorists to find empty parking spots. In many centers, trained educators looked after the little ones during Christmas shopping.

**PERPLEXITY IN THE CHRISTMAS SEASON**
Percentages from the Forsa survey

- **43%** of people do not know what Christmas gifts they should give
- **50%** of men often have no gift ideas, while only **37%** of women are clueless
- **60%** of the 18 to 29-year-olds are especially clueless.
- **27%** of men don’t like to wrap gifts
- **58%** of women find nicely-wrapped gifts important
- **19%** don’t want to wrap gifts
- **55%** find stores too full
- **24%** have too little time for shopping
- **26%** find no parking spot

**VERY ELEGANT – YOU LOOK GREAT AND ARE SO FRIENDLY**
GREAT SERVICE – THAT’S A SUPER WELCOME!

The Christmas shopping. Extended business hours in many places also contributed to add time and leisure for shopping so that the rush to the stores could be distributed better. And in Frankfurt’s Skyline Plaza, as part of a pilot project, the German Postal Service even set up mailboxes so the gifts could be sent right away from the center to relatives and friends.

The new services offered in the Christmas season were used almost 150,000 times in 18 selected ECE shopping centers. The numbers justify the success of the project and the significance of sales-promoting measures during times in which there are already many visitors, but sales can still improve. In particular, the aspect of purchasing advice that overlaps the one given by retail partners shows how shopping center operators embrace the available synergies of a varied mix of retail partners so they can consciously set themselves apart from competitors.

USE OF THE SERVICES

<table>
<thead>
<tr>
<th>Service</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christmas bellhops</td>
<td>20.3%</td>
</tr>
<tr>
<td>Wrapping service</td>
<td>17.5%</td>
</tr>
<tr>
<td>Gift advice</td>
<td>15.5%</td>
</tr>
<tr>
<td>Children’s paradise</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

USE OF THE SERVICES – FREQUENCY

- All services were used almost 150,000 times in all centers
- 13,812 children were looked after
- 64,413 times was information provided by bellhops
- 7,892 bags were carried by bellhops
- 24,535 users employed app for digital gift advice
The objective of the market report is to analyze in depth the needs and requirements of all ECE customers and shopping centers in order to derive action implications from them. The focus here was to identify the influencing factors that are especially important for customer satisfaction.

The analyses revealed the following important starting points from the point of view of the respective customer groups:

**OUTLOOK**

Only those who meet the expectations of their customers have satisfied customers. Maximum customer orientation is the basis for a long-term, partnership-based cooperation.

INVESTORS
- Transparency: the basis for trust; at the same time, investors benefit from ECE's know-how
- Flexibility: customized adjustment to investor trends
- Innovation capability: recognize new market trends and offer solutions
- Customer orientation: personal and fast contact with decision makers and a partnership-based relationship

RETAIL PARTNERS
- Professional advice: customized expansion planning
- Benchmarking: portfolio and sector analyses
- Marketing: positioning of shopping centers and their marketing
- Center offerings: high quality of stay and attractive variety of stores

VISITORS
- Attractive variety of stores: many different, high-quality products offered
- Food: exciting concepts and large selection
- Emotions: shopping center as third place with feel-good atmosphere
- Convenience: optimizing the stay through services and new technologies

The core competence of ECE as service provider consists in satisfying these needs extensively with its high customer orientation and offering the corresponding solutions. In this way, customer satisfaction is maintained at a high level in the long term, which ensures successful cooperation.
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