GLOBAL PERSPECTIVE ON RETAIL: ONLINE RETAILING

A Cushman & Wakefield Research Publication

JULY 2013

INTRODUCTION

Cushman & Wakefield is at the centre of retail, providing value added real estate services to our clients globally. We monitor the evolution of the industry as well as global retail trends and practices to ensure our clients can best position their businesses to capitalise on future trends.

To this end we will be preparing a series of papers reviewing the state of the industry and taking a global perspective on the retail market.

This report, the first in this series, targets the growth of online retailing. We have firstly looked at the factors that are driving and constraining the growth of e-commerce in the retail market and how this growth varies globally.

We have then considered the implications of online retailing for physical retail space and looked at how shopping centre owners and managers are either adapting to or leading the new market.

The information in the report comes from a variety of sources, with market trends and characteristics based on a survey of Cushman & Wakefield offices undertaken by our global research team and internet retail sales data from Euromonitor International. We are also indebted to a number of leading shopping centre operators for their input, notably Westfield (Australia) and intu (UK), who are included as case studies.

CONTENTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Just as the internet has transformed how we communicate and share, it is now transforming how we work, how we play and, of course, how we shop.
- Whether a retailer or property owner, this is a clear threat to those who cannot adapt, but it is also a source of great opportunity, opening up new markets and speeding the globalization of retail.
- While a worldwide phenomenon, online retail is not the same in all areas, however. Local, cultural, regulatory and infrastructure issues that impact on physical retailing also affect the virtual world, and hence – even online – retailing can be a very local business.
- According to our analysis, the UK is currently the most developed online market, followed by the USA, Germany, France, the Netherlands, South Korea, Japan and then Switzerland and the Nordic markets.
- While this list is dominated by mature markets, thanks to the differing cultural and technology drivers, online retailing will change the global geography of retail, with some emerging markets set to advance more rapidly. Asian markets in particular will gain as mobile phones become more important in retailing.
- In terms of property implications, some retailers are opting for fewer, larger stores, while others are seeking more but smaller stores. Clearly, there is as yet no right answer on the optimum store network, and needs will continue to evolve as retailers experiment – and landlords must adapt to that.
- A contraction of the prime pitch is likely in many shopping centres and high streets, but there is clearly a major role for physical stores to play for brands, luxury and flagships, and the value proposition for the best space will rise.
- The growth of "click and collect," as well as showrooming, also underlines the ongoing importance of physical stores in the supply chain. Conversely, the increasing emphasis on logistics highlights how value is changing, and this will also be reflected in property demand and pricing.
- Online trading will add to retailer costs and feed down to property. While in-demand locations will see rents rise, weaker locations, serving more as collection and storage nodes, will see rents fall.
- Although negative for parts of the property market, large regional shopping centres and core in-town markets have considerable potential to emerge as winners from multi channel retailing. They tend to be areas of high traffic, with a confluence of transport links and parking and are key hubs for consumers to meet, enjoy experiences and access supporting uses such as leisure and food.
- Indeed, with scope for managers to offer new services such as delivery, shopping centres should be a vital part of the e-tail infrastructure platform.

The successful combination of online and offline worlds will be a powerful source of competitive advantage to the best retailers and centres, with the online world providing the intelligence to support personalisation and customer service while real estate will provide accessibility but also brand profile and the ability to deliver a real experience – a factor which can't easily be replicated online.

PROPERTY & ONLINE RETAIL

PROPERTY & ONLINE RETAIL

More retailers are now going for global growth in order to capture a share of the expanding online market, and as this occurs multi – not single – channel retailing will increasingly be the norm in both developed and developing markets. In time a new hierarchy of players may in fact emerge, with new pure play and mixed-channel operators.

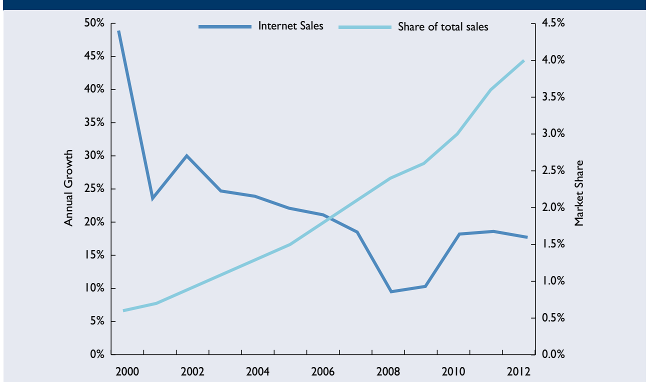
Shopping centres need to respond to this and do so in a positive, embracing fashion, building on the advantages they can offer for customers. Often this requires a compelling platform that allows consumers to meet, enjoy experiences and access new supporting leisure activities or services. Above all, the shopping centre needs to be a vital channel for socializing, research, ordering, collection and returns.

Online retailing has been growing at an average of over 18% per annum (pa) globally over the last three years compared with sales through other channels at just 1.3% pa, and its market share has risen to 4.0% from 2.2% five years ago. What's more, this has been a global phenomenon, with all corners of the world increasingly wired for sales, with market share highest in North America (6%) and Western Europe (4.7%) followed by Asia Pacific (3.6%), but recent growth (2009-12) strongest in Asia (33.9%), Latin America (21%) and Eastern Europe (17%).

This growth is not just coming at the expense of store-based sales, however. For example, evidence in the UK indicates that the greatest growth has been for click and collect services, so stores are still integral to the sales process. Indeed, click and collect can in fact reinforce the dominance of high volume retail channels, such as shopping centres.

Nonetheless, the growth does also represent something of a shift in sales, resulting in lower unit sales in some physical stores. As a result of the increased costs of operating an online and mobile platform, retailers will need to make compensatory

GLOBAL ONLINE RETAIL SALES



Source: Euromonitor, Cushman & Wakefield

savings. Real estate will be an obvious target through a cumulation of less or redefined space, lower rents or other efficiencies.

THE RESPONSE OF RETAILERS

The search for growth typically takes retailers into new product lines or geographical markets, but online retailing offers not just a lower risk way to facilitate such growth but also a new avenue to expand in existing markets and further develop the brand.

The core categories of retail for online trading are generally those that are most commoditized and easily delivered. Those specializing in these areas, such as big box retailers, have borne the brunt of increased competition to date. However these patterns vary by market and will change over time, for example with an easy returns policy facilitating a spread to other categories such as fashion.

Indeed, there is no "one size fits all" in terms of online channels. Therefore, in tackling new markets, the key as ever will be to understand the local dynamics of each area: the demographic drivers, cultural and technological differences and also expectations with respect to multi-channel retailing. The role and importance of each channel to local consumers must be appreciated as well as the differences – for example, determining which socioeconomic or consumer groups are most at home with online trading as well as the impact of each channel on the retailer's value proposition, market access and brand.

As a result, the potential to exploit online retailing not only faces challenges from other traders, but it also varies by market; even the internet and ubiquitous mobile phone cannot completely change the local nature of retailing after all. On one hand, the technological infrastructure – be that broadband speed or simple access to the internet and mobile devices – and regulatory environment will have an impact, and on the other cultural, social and local consumer issues will alter the way online retailing is integrated. Together with the size of the retail and online market and the growth dynamics exhibited to date, these "infrastructural" issues help to identify the leading online retail markets today.

Cushman & Wakefield Research has attempted to understand the importance of these various factors by compiling a weighted index of data taken from various sources (see *Technical Specification*) with respect to market size. These included sales; online market share and sales; and market share growth.

With respect to infrastructure and factors promoting or constraining online growth, our index incorporates measures of the quality of logistics; energy infrastructure and technology; internet and mobile use; online security; and credit card use. While only a selection of the range of quantitive characteristics that could be included, these are representative of the key factors framing and separating markets. Markets were then ranked on their index values and are highlighted in Table 1.

The top markets in the list come as no surprise, with the UK just ahead of the US as the most developed online retail market. Overall, this highly ranked group is dominated by mature markets from Europe, Asia and North America. Indeed, the inclusion of factors linked to technology and infrastructure appears to promote developed over developing markets. However it is clear that technological advancements– more so than physical infrastructure – can happen quickly. Thus, developing markets have the potential to jump ahead more rapidly than would otherwise be the case.

M-commerce, in particular, could significantly alter the balance of retail power, probably favouring Asian markets where mobile penetration is higher. Malaysia for example is a possible future online star thanks to the quality of its infrastructure as well as consumer potential. Elsewhere, Brazil's consumer lead over Mexico is reinforced by the greater penetration of the internet and credit card usage, while in Europe Russia has the potential to be a leading online market, although a preference for cash over credit – as well as long product delivery times due to a reliance on rail – will limit early growth to its major cities.

New competition will be seen as the online market is often dominated by a handful of local players and they will compete with incoming global retailers as well as seek to expand internationally. We will also see differences within countries as the infrastructure for online will concentrate activity on more developed urban areas leading to an even more pronounced tiered market in countries such as China and Turkey among others. Hub markets may also emerge – the UAE as a gateway to

TABLE 1: RANKING OF ONLINE RETAIL: SCALE AND POTENTIAL

OVERALL	COUNTRY	MARKET SIZE	INFRASTRUCTURE
1	United Kingdom	2	9
2	USA	1	15
3	Germany	4	14
4	France	3	16
5	Netherlands	9	5
6	South Korea	7	12
7	Japan	5	17
8	Switzerland	14	4
9	Finland	20	3
10	Sweden	16	6
11	Denmark	15	7
12	Canada	13	10
13	Norway	18	11
14	Australia	12	19
15	Belgium	19	20
16	Taiwan	25	13
17	Hong Kong	35	2
18	China	6	31
19	Singapore	40	1
20	Austria	26	18
21	Brazil	11	27
22	Italy	10	28
23	Ireland	23	23
24	Luxembourg	37	8
25	New Zealand	30	21
26	Russia	8	41
27	Turkey	21	33
28	Poland	17	37
29	Spain	27	29
30	Chile	31	26
31	Argentina	22	38
32	Portugal	34	25
33	Czech Republic	29	34
34	Malaysia	45	22
35	Mexico	24	45
36	Israel	38	30
37	Hungary	32	39
38	Slovakia	36	36
39	United Arab Emirates	48	24
40	South Africa	41	35
41	Slovenia	44	32
42	India	28	49
43	Greece	43	43
44	Thailand	42	44
45	Colombia	33	47
46	Peru	47	42
47	Indonesia	39	50
48	Philippines	46	46
49	Bulgaria	50	40
50	Romania	49	48

Source: Cushman & Wakefield Research. See Technical Specification for source of input data the Gulf for example – and in time a new hierarchy of cities could be seen as national city tiers change. This would help new hub cities to develop and allow emerging markets to jump ahead through new technology and access to a wide catchment base.

IMPLICATIONS FOR THE STORE

Online trade and communication presents retailers with an advantage by allowing them to gain an insight into both the market and the consumer, in addition to providing a quicker and lower cost way to expand by reducing the need for expensive and usually slow-to-assemble store networks. As such, an online approach can complement the existing store footprint, but it can also change future needs by reducing physical space requirements in some cases and changing the type of space needed in others – for example in prioritizing logistics and high profile showcase space over network stores.

The multi-channel model will of course have to vary as a function of factors such as payment, delivery and return mechanisms. However, the integration of channels, inventory, sales and marketing will generally accelerate in all areas, and there will be an ongoing change to business models as traders experiment, e.g. scaling up to larger but fewer stores for some fashion retailers or seeking more but typically smaller stores as many in the food and department store sectors are doing.

Whatever store network is selected, within the store, retailers and consumers will be looking for increased personalisation, impacting not just technology and staffing needs but in time fundamentally changing how an order is fulfilled.

The **store setting** and layout must of course augment the brand and be a destination in its own right if possible – albeit acknowledging that it is just one node in the multi-channel

experience. The store will be a key part of the supply chain and must be integrated into the fulfillment process. It must also be a hub for information, internally from technology and personnel and externally from innovations such as interactive store windows and displays as well as centre-wide systems.

Collection will be a major area of focus, with home delivery a more expensive and less engaging option. Collection points may be in-store, centralized within shopping centres, placed elsewhere at transport hubs or in other forms of shared service – e.g. a collection hub could evolve as a new form of anchor store.

Retailers need to be service orientated, with well integrated multi-channel strategies to allow purchasing in various places. However **"showrooming"** is a concept that worries many real estate owners if it means the property becomes of less significance to the transaction – and certainly how you value property when the transaction is divorced from the store is clearly harder – which is a conundrum impacting on staff rewards as well as property. Nonetheless, most retailers believe that as long as the in-store experience is positive, physical retail space will still be critical in the future of retail.

THE SHOPPING CENTRE RESPONSE

As consumer expectations change and the boundaries between virtual and real worlds blurs further, **shopping centres will need to respond quickly**. Globally the most innovative owners and managers are already doing this, changing business models drastically in some instances and introducing significant, ongoing experimentation in others.

While there are negative implications for parts of the property market from the growth of online trading, **large regional shopping centres appear to have considerable potential to benefit**. They tend to be areas of high traffic with a confluence of transport links and parking and thus can act as key hubs where consumers and retailers need to meet, further serving as landmarks and contributors to the brand.

Additionally, while a contraction of the prime pitch is likely in many shopping centres and high streets, there is clearly a major role for luxury brands and flagships in physical stores, and as a result **the value proposition of the best space will rise**. The need for new facilities, services and leisure centers as a way to maintain a high consumer draw also plays into the hands of formats which are under single control, such as shopping centres.

Flexibility will be integral as retailers adjust the amount of space they need and how they use that space to accommodate logistics, support services, demonstrations, training, meeting places and relaxation areas.

In-store layouts may also be influenced by how the point of sale develops, with mobile POS or self service developing at different speeds in different countries and sectors. This flexibility may also need to extend to the **type, condition and length of a lease** due to the differences required by, for example, core and non-core stores, as well as for temporary accommodation such as pop-up shops.

An increased focus on uses and formats that entertain and prolong centre use is also being seen, including more leisure and a bigger **food and beverage offer**. In some schemes and more local centres, an increase in other services and convenience retailing is occurring – all of which are to give visitors a clear and demonstrable reason to visit the centre.

Given the need for collaboration in order to share delivery and online trading costs, there is clearly scope for shopping centre managers to offer b2b services such as delivery in addition to shopper/b2c support. **Shopping centres could, in fact, serve as a vital part of the e-tail infrastructure platform.**

In order to best understand how people are shopping, **data** is inherently crucial. To keep abreast of the competition, shopping centres and shops must be wired, and the data flowing from this must be analyzed and acted upon. **Social media** in particular is a source of consumer insight that will be mined more, particularly as it serves as an additional platform for retailers to involve shoppers – albeit while great tools for communicating they are possibly over stated for their impact on shopping patterns.

CRM **(Client Relationship Management)** will be an increasingly vital spine to retail and shopping centre businesses as a way to know and target which are the most valuable customers in a fragmenting and competitive market. It also can significantly enhance the in-store experience for some shoppers, identifying customers when they enter a store to personalize the service they receive.

The new business model of many shopping centre managers is likely to be more **consumer centric** than in the past, as it has for retailers. As such, it is more likely to depend on data and analysis, on technology and on the integration of that technology into the building fabric, with implications for design and obsolescence. Above all, however, there will be an ongoing need **firstly to experiment and secondly to get back to basics**: the basics of transportation and access, of what creates a destination, of what drives footfall and customer satisfaction and, in short, on location, image and experience.

SETTING THE SCENE

SETTING THE SCENE

E-TAIL AND THE MULTI CHANNEL APPROACH

E-tailing is becoming an increasingly integral channel utilised by retailers as a way to reach consumers and improve – or even just maintain – market share amidst increasing competition. It is seen as an inherent part of any retailer's multi channel strategy and more recently, with the advent of mobile smart phone and tablet technology blurring the lines between physical and online retailing, consumers are changing their shopping behaviour in order to interact with both channels in a more fluid and dynamic way.

ONLINE RETAIL MARKET SIZE AND GROWTH

According to Euromonitor, global retail sales reached $14,587.1bn in 2012, a 2% increase from 2011 (constant prices). Non-store internet retailing accounted for $579.9bn, 4% of the total figure. More interestingly however, the growth rate in 2012 was 17.7% year-on-year (constant prices). This significant growth rate in online retail sales has emphasised the need for retailers and landlords / developers alike to assess their bricks and mortar strategy to adapt to the rapid rate of change in consumer behaviour.

The $579.9bn global e-tail market equates to an average online retail spend of $83 per capita. It has recorded a growth of 14.8% from 2007-2012 (compound growth) compared to a total retail growth of just 0.9% over the same period.

GEOGRAPHICAL VARIATIONS

This report sets out the factors that affect the overall retail market share of online retailing and how it varies in emerging and mature technological countries.

The total online spend varies greatly between regions and within each region due to a number of variables, including internet penetration rates, mobile phone usage, cyber security and the logistical infrastructure within a country. Regionally North America has the largest online retail market with over $192.9bn spent, representing 33.3% of the total global online retail market. This is followed by Western Europe (28.8%) and Asia Pacific (28.4%). At a country level, online retail as a percentage of total retail spend in South Korea is ranked number one in the world , accounting for 12.7% of all retail sales. This is followed by the UK (9.7%) and Finland (8.6%), compared with a global average of 4%.

In terms of spend per capita, Norway ranks number one with $921 per person. Regionally North America has the highest online retail spend per capita at $552, with the Middle East and Africa

having the lowest at an estimated $2 per capita. According to Google Barometer, Europe is the region with the highest proportion of a online population that purchased goods on the internet at 25.3%. The lowest proportion regionally is Africa with just 8.2%. Global online retail spend as a percentage of total retail spend has increased from 2.2% in 2007 to 4% in 2012.

Buying online usually requires the payment of goods by credit or debit card, the use of which can vary across regions. This practice is more common in developed economies such as Singapore, South Korea, Hong Kong, Western Europe and North America, indicating they are more likely to be able to readily engage in online transactions. Additionally, mature markets are generally more receptive to new technologies and have a more robust approach to online security, leading to greater comfort with the online transaction process and consequently a higher penetration rate of online sales. These markets have entrenched policies to protect personal information as well as procedures for compensation should a breach in online security lead to financial loss. Online security in developing markets remains a concern, but the trend is rapidly changing in China and India with rising awareness, growing safety measures and comfort using credit cards. In other areas however, the growth of online retailing in countries such as the Philippines and Vietnam is held back by technology, security and lack of adequate regulatory measures.

VARIATION BY SECTOR

By product, computer software (45.4%), computer hardware (27%) and audio devices (24.6%) lead the way for products purchased online (Google Barometer). In mature markets, online is already seen to be a physical store 'killer' in certain sectors. In the US and the UK, there are a number of books, music and electronics retailers that were unable to move quickly enough to compete with shifting technology. The attitudes of consumers as a result have vanished from the high street or shopping centre. Surviving etailers in these sectors have had to adapt quickly and identify new strategies to maintain market share.

It is those retailers that truly embrace a multi-channel approach by providing a seamless experience between their online and offline offer that will hold on to customers and market share. Markets that are in an earlier stage in the maturity curve should heed the lessons from the more mature markets, whether that is from a retailer perspective – ensuring they can meet future consumer expectations – or from a landlord perspective, which guarantees that the tenant they are placing in a scheme or unit has the qualities and foresight to survive this new dynamic retail environment.

Internet penetration is a major variable which is linked directly to online sales, another aspect which is becoming more important is mobile access and specifically 4G access in more mature markets. In emerging markets with poor desktop based internet connections, consumers can still connect with a retailer via their mobile phone and this is a major catalyst for growth in these areas. It is important to note that the growth in online spend in these markets may well follow a different pattern than more mature markets as a result.

CHANNEL AND FORMAT TRENDS

Consumers in mature markets now expect to be able to purchase goods in an integrated way across all channels, making the experience for a brand seamless – whether it is through bricks-and-mortar stores, the internet, mobile websites, telephone sales, catalogue sales or social-media-optimised micro sites. To reflect an integrated channel approach, multi-channel retailing has more recently evolved into what is termed 'omni-channel'.

This new omni-channel approach is having a significant impact on how retailers view their physical property assets in many markets. The fixed, inflexible costs of physical property in some markets is putting the bricks and mortar channel under increasing scrutiny as retailers assess the most efficient way to serve consumers in each market place. This may involve fewer but larger stores in regionally dominant centres aligned with a greater investment in online and delivery. For other retailers it could mean smaller stores with click and collect facilities to enable customers to pick up goods close to where they live or work. It's clear that the approach adopted will vary across retail sectors and the optimum strategy of deploying online and offline channels is yet to be defined.

Meanwhile, the evolution of e-tailing has without doubt had an impact on the approach of many retailers to market entry strategies in completely new countries. Effective new market entry can increasingly be achieved, in most sectors, by opening a small number of flagship stores and launching a strong online offer with a good logistical support network.

Undoubtedly the arrival of mobile has been an important catalyst for the e-tail market to evolve to the next stage in terms of consumer interaction and increasing market share of overall retail spend that is influenced by the internet in some way. Global mobile internet traffic as a percentage of total internet traffic has grown exponentially from less than 1% in mid 2009 to over 10% by mid 2012 (StatCounter Global Stats).

Mobile e-tail evolution is gathering pace as both retailers and consumers embrace what it has to offer. Retailers recognise the power it brings not only to drive further internet based sales but also to encourage people into their physical store network. This can be achieved through incentivised coupons which can be redeemed in store via a phone or tablet or location based offers which target people as they come into proximity of a store. **Clearly mobile is the medium that is bridging the gap between online and offline. How retailers deploy mobile websites will go a long way to determining whether a customer will view their offer as a seamless one or not.**

The logistics sector is another major component of online retail sales growth. Timescalesor delivery, cost and reliability of the distribution of goods can be crucial factors in whether a customer will decide to purchase online. The logistic ranking later in this report ranks Singapore, Hong Kong, Finland and Germany as the most advanced markets for efficient delivery of goods, but this varies within as well as between countries of course.

The above variables have immediate effects and will require ongoing considerations by retailers and shopping centre owners and developers. In many regions and markets, shopping centres are embracing new technology such as free Wi-Fi, mobile 4G, virtual shopping walls and collection lockers. At the same time, the retailers taking space are not only rethinking their store footprint strategy, but also the size of the stores they need and how they will service changing customer buying habits.

SHAPING THE MARKET

INTERNET SALES VOLUMES

In order to assess the impact of the global online market, the starting point must be to evaluate internet retail sales on a country by country basis. According to the analysis of 142 countries by Euromonitor, the USA is the largest market in the world by some margin, with approximately $187 billion of retail sales transacted online. This accounts for almost a third of all internet retail sales around the world, emphasizing the importance and the size of the market in a global context.

The USA is followed by China in second and the United Kingdom in third. The ranking of the top 20 markets is nevertheless dominated by Europe with 13 countries, followed by Asia Pacific with 4 and the Americas with 3. Indeed, while the Americas are the largest region in terms of sales, this is primarily due to the USA, with only Brazil and Canada in the top 20 and other countries still lagging behind.

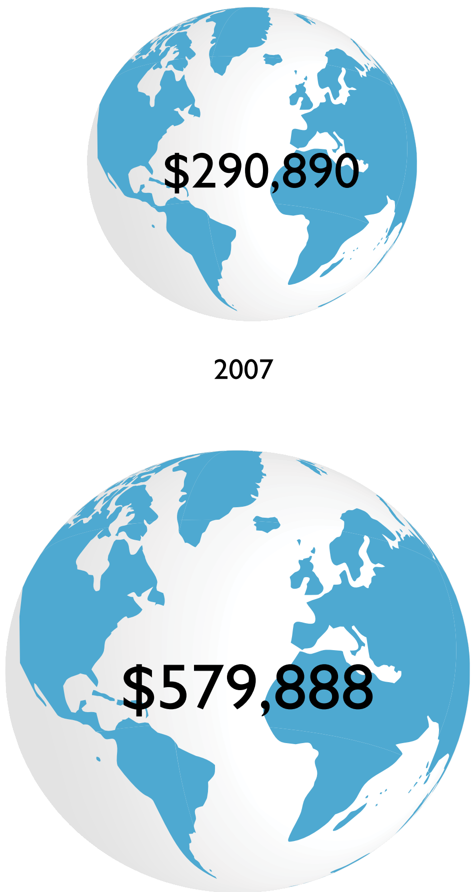
The size of the global online market is estimated at approximately $580 billion, a figure which has more than doubled over the last five years and is expected to continue growing on the back of stronger internet sales across all regions, particularly in Asia Pacific.

INTERNET RETAIL SALES BY COUNTRY IN 2012

RANK	COUNTRY	$ MILLION
1	USA	186,942
2	China	75,322
3	United Kingdom	54,737
4	Japan	54,640
5	Germany	32,021
6	France	29,705
7	South Korea	26,137
8	Brazil	13,089
9	Russia	12,250
10	Canada	5,994
11	Netherlands	5,752
12	Italy	5,725
13	Australia	5,153
14	Finland	4,886
15	Poland	4,864
16	Norway	4,591
17	Sweden	4,518
18	Switzerland	4,235
19	Denmark	3,820
20	Turkey	3,765

Source: Euromonitor International, Cushman & Wakefield

TOTAL GLOBAL INTERNET SALES US$MN (CONSTANT PRICES)

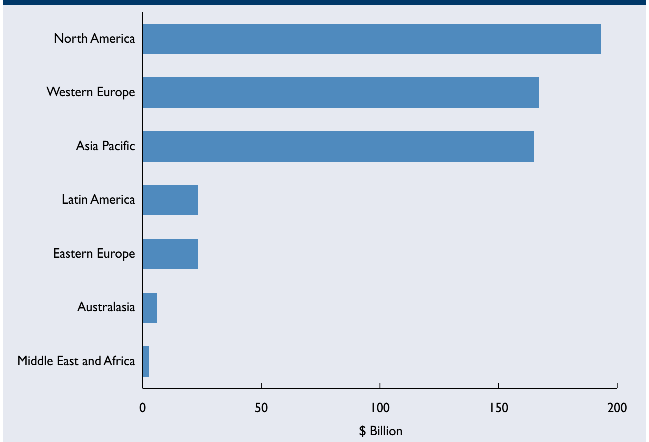


2007

2012

Source: Euromonitor International, Cushman & Wakefield

INTERNET RETAIL SALES BY REGION IN 2012



Source: Euromonitor International, Cushman & Wakefield

INTERNET SALES PER CAPITA

An alternative assessment of the maturity of internet shopping around the world may be achieved by looking at how much the average person spends online.

European countries once again dominate the top 20 ranking, with 16 markets making the list. The top five also paint an interesting picture, with Norway leading the way ahead of three other Northern European countries. Meanwhile, the USA – despite its vast size, both geographically and demographically – takes fifth spot, with $594 spent on internet retail sales per person.

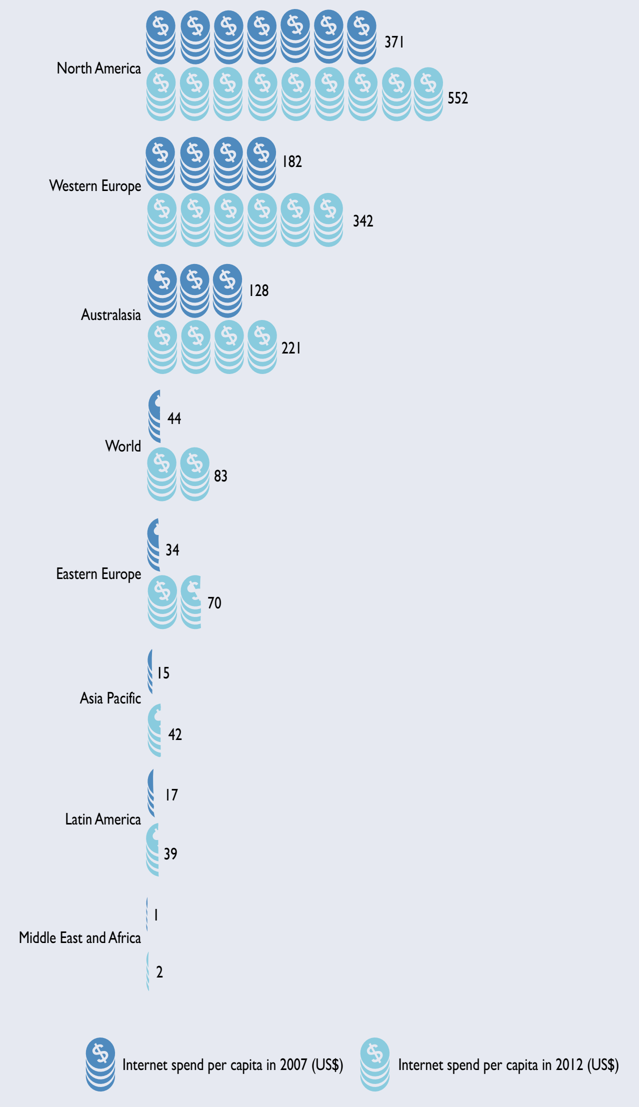
This indicator points to some marked differences across regions. While the average person around the world spent just $83 online in 2012, consumers in North America and Western Europe spent $552 and $342 respectively. Although part of this difference can be explained by the wealth gap, the maturity of the sector and its acceptance by consumers are equally significant. Indeed, this is just as clear when we look at Latin America, Asia Pacific and the Middle East and Africa, regions which are still some way down the curve.

INTERNET RETAIL SALES PER CAPITA (2012)

RANK	COUNTRY	$ PER CAPITA
1	Norway	921
2	Finland	904
3	United Kingdom	869
4	Denmark	686
5	USA	594
6	Ireland	553
7	Switzerland	533
8	South Korea	533
9	Sweden	476
10	Luxembourg	474
11	France	468
12	Japan	428
13	Germany	391
14	Austria	352
15	Netherlands	344
16	Monaco	322
17	Belgium	301
18	Iceland	276
19	Australia	227
20	Czech Republic	217

Source: Euromonitor International, Cushman & Wakefield

INTERNET SPEND PER CAPITA (US$)



Source: Euromonitor International, Cushman & Wakefield

INTERNET SALES GROWTH

While the size of the market remains an important metric in measuring a country's attractiveness to retailers, growth in internet sales is also a central indicator in assessing potential new entries. Naturally, countries where online shopping is still in its infancy dominate the ranking, but it is China that has witnessed the largest growth over the last five years, with sales rising by a remarkable 101% each year. A combination of strong economic growth, better logistics and retail infrastructure, as well as the entry of key international retailers has undoubtedly aided the development of the sector.

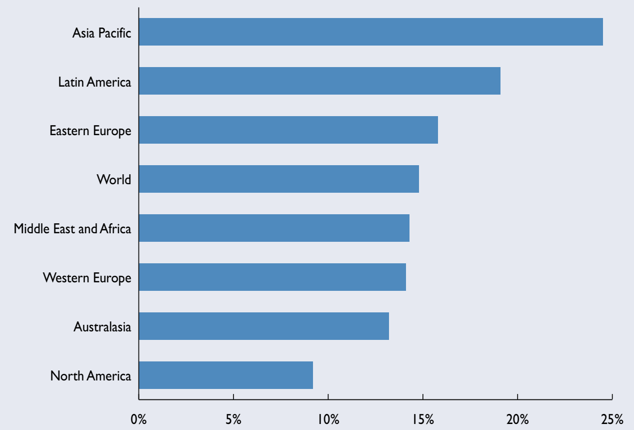
The ranking of the top 20 growth countries consists of a varied list, predominantly developing economies but split almost equally between regions. With the exception of North America, all regions recorded double-digit growth per annum over the five year period. Given the low base this is unsurprising, especially when looking at regions such as Asia Pacific, Latin America, the Middle East and Africa where in some cases online shopping is a very recent development. However, despite containing some of the most mature markets, Western Europe also recorded strong growth over the period.

ANNUAL INTERNET SALES GROWTH OVER FIVE YEARS

RANK	COUNTRY	%
1	China	101.0
2	Macedonia	73.0
3	Egypt	69.1
4	Mexico	43.2
5	Colombia	41.9
6	Indonesia	40.0
7	Bosnia-Herzegovina	38.5
8	Turkey	32.8
9	Argentina	31.8
10	New Zealand	29.0
11	Ecuador	28.4
12	Maldives	27.2
13	Sri Lanka	26.8
14	Suriname	26.7
15	Belarus	26.6
16	India	25.7
17	Georgia	25.5
18	Hungary	25.3
19	Azerbaijan	24.9
20	Albania	24.6

Source: Euromonitor International, Cushman & Wakefield

ANNUAL INTERNET SALES GROWTH OVER FIVE YEARS



Source: Euromonitor International, Cushman & Wakefield

INTERNET SALES MARKET SHARE

The importance of online shopping has gradually taken centre stage as rising internet sales in some parts of the world, coupled with anemic total retail spending, have translated into a larger market share – best exemplified by Western Europe, where overall total retail sales have slowed significantly. Indeed, according to Euromonitor data, total sales (fixed currency) in the region have fallen by 1.3% per annum since 2007, in contrast to the 14.1% growth recorded online. The global picture was also not too different, with total retail sales edging up by 0.9% over the same period and internet sales surging 14.8%. As a consequence, the share of internet sales as a proportion of total retail trade has increased steadily and this trend is expected to continue in the medium term.

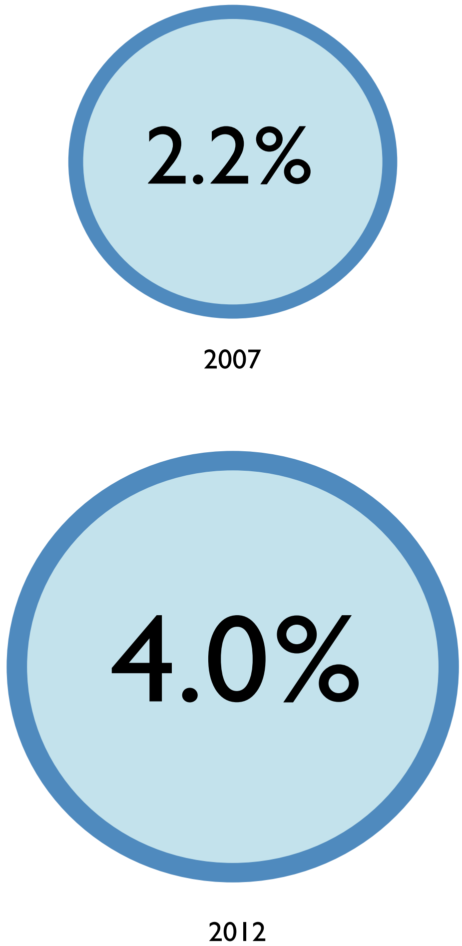
Benefitting from a developed retail and technological landscape, and to some extent a more compact geography, South Korea had the highest percentage of internet retail sales as a proportion of total retail sales, with 12.7%. Similar factors also impacted on Northern European markets, with the United Kingdom in second spot (9.7%), followed by Finland in third with 8.6%.

ONLINE SALES AS % OF TOTAL RETAIL SALES (2012)

RANK	COUNTRY	%
1	South Korea	12.71
2	United Kingdom	9.67
3	Finland	8.58
4	Suriname	7.75
5	Ireland	6.70
6	Denmark	6.60
7	USA	6.53
8	Norway	5.76
9	Czech Republic	5.65
10	Germany	5.14
11	France	5.08
12	Guam	4.76
13	Malta	4.74
14	Poland	4.60
15	Sweden	4.59
16	Netherlands	4.22
17	China	4.11
18	Slovakia	3.97
19	Japan	3.88
20	Switzerland	3.88

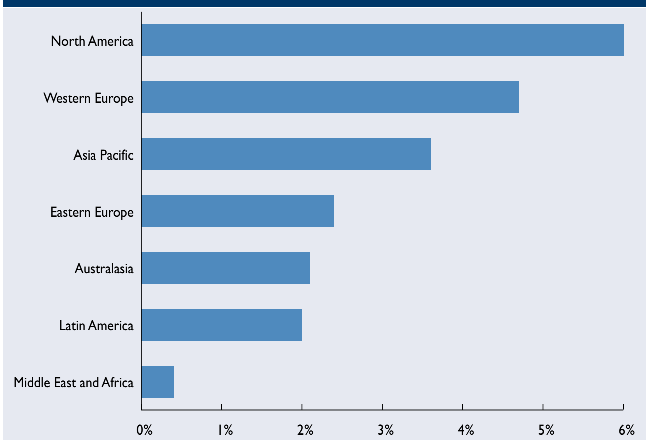
Source: Euromonitor International, Cushman & Wakefield

INTERNET GLOBAL RETAIL SALES AS PERCENTAGE OF TOTAL RETAIL



Source: Euromonitor International, Cushman & Wakefield

ONLINE SALES BY REGION AS % OF TOTAL RETAIL SALES (2012)



Source: Euromonitor International, Cushman & Wakefield

INTERNET PENETRATION

While the Networked Readiness Index (see p17) provides an in-depth look at diverse country characteristics that facilitate and foster the use of Information & Communication Technology (ICT), a much more straightforward and relevant factor which supports online shopping may be internet penetration. The International Telecommunication Union, an agency of the United Nations, has collected local information and provided estimates for almost 200 countries and territories around the globe on the percentage of individuals using the internet.

The results yet again emphasize the technological strength of Nordic countries, with almost all of Iceland's population using the internet, followed closely by Norway in second. Sweden, Denmark and Finland also ranked in the top 10, making Europe the most connected region in the world with over two thirds of the population already online. However, despite already containing nearly half of all internet users around the world, only 29% of individuals in Asia Pacific are currently online, underlining the potential for further growth. While inadequate infrastructure remains an obstacle for many African and Arab countries, Qatar provided an exception to this trend, with 86% of individuals using the internet.

PERCENTAGE OF INDIVIDUALS USING THE INTERNET

RANK	COUNTRY	%
1	Iceland	95.0
2	Norway	94.0
3	Netherlands	92.3
4	Sweden	91.0
5	Luxembourg	90.9
6	Denmark	90.0
7	Finland	89.4
8	Qatar	86.2
9	New Zealand	86.0
10	Switzerland	85.2
11	Lichtenstein	85.0
12	South Korea	83.8
13	Canada	83.0
14	Germany	83.0
15	Antigua and Barbuda	82.0
16	United Kingdom	82.0
17	Andorra	81.0
18	Faroe Islands	80.7
19	Austria	79.8
20	France	79.6

Source: International Telecommunication Union (2011), Cushman & Wakefield

PERCENTAGE OF INDIVIDUALS USING THE INTERNET

Source: International Telecommunication Union (2011), Cushman & Wakefield

PERCENTAGE OF INDIVIDUALS USING THE INTERNET

Source: International Telecommunication Union (2011), Cushman & Wakefield

MOBILE PENETRATION

The rise in popularity of internet-enabled mobile devices has brought along a surge in mobile online shopping, either through the web or aided by targeted applications. According to International Telecommucation Union, active broadband subscriptions per 100 inhabitants across the globe have grown steadily over a five year period, from just 4 in 2007 to almost 17 in 2011 and are likely to approach 30 by the end of 2013. Differences across regions are yet again evident, with Europe and the Americas leading the way. However, since developing countries are generally more reliant on mobile rather than fixed technology, the gap between developed and developing markets is somewhat narrower.

Another relevant dataset – but one that includes dedicated mobile data subscriptions (for example modems/wireless adaptors) at a country level –is the OECD ranking of 34 countries. Here South Korea leads the way, with just over one mobile and data subscription per person. Northern European countries yet again place highly, but with Australia and Japan also propping up Asia Pacific. However, since the data is limited to 34 countries, the final composite ranking contains a proxy variable – mobile telephone subscriptions per capita.

STANDARD MOBILE BROADBAND AND DATA SUBSCRIPTIONS PER 100 INHABITANTS JUNE 2012

RANK	COUNTRY	SUBSCRIPTIONS PER 100 INHABITANTS
1	South Korea	104
2	Sweden	102
3	Australia	97
4	Finland	96
5	Denmark	92
6	Japan	83
7	Norway	80
8	United States	76
9	New Zealand	66
10	Luxembourg	64
11	Iceland	64
12	Ireland	62
13	Estonia	62
14	United Kingdom	60
15	Netherlands	58
16	Poland	54
17	Switzerland	54
18	Austria	51
19	Czech Republic	50
20	Israel	49

Source: OECD, Cushman & Wakefield

ACTIVE MOBILE BROADBAND SUBSCRIPTIONS PER 100 INHABITANTS

Source: International Telecommunication Union (2011), Cushman & Wakefield

INFORMATION TECHNOLOGY

How Information & Communication Technology (ICT) is utilised, embraced and facilitated in a country is also vital to measuring the current and potential for further growth in internet retail sales. The World Economic Forum's Networked Readiness Index has attempted to quantify this by building a composite ranking consisting of 10 different indicators and 54 sub-indices. The indicators or 'pillars' analysed included political and regulatory environment; business and innovation environment; infrastructure and digital content; affordability; skills; individual, business and government usage; economic impacts; and social impacts.

Once again, Northern European countries dominate the rankings, with Finland topping the list and Sweden, Norway, the United Kingdom and Denmark all in the top 10. Finland scored particularly highly in infrastructure, digital content, affordability and skills as well as individual usage. What is more, the country generally improved across all indicators and swapped places with last year's top ranked country, Sweden, which is now in third place. Meanwhile, Singapore retained its second spot, improving its overall score and leading in four out of 10 measured indicators.

THE NETWORKED READINESS INDEX 2013

RANK	COUNTRY	INDEX SCALE 1 TO 7
1	Finland	5.98
2	Singapore	5.96
3	Sweden	5.91
4	Netherlands	5.81
5	Norway	5.66
6	Switzerland	5.66
7	United Kingdom	5.64
8	Denmark	5.58
9	United States	5.57
10	Taiwan	5.47
11	South Korea	5.46
12	Canada	5.44
13	Germany	5.43
14	Hong Kong	5.40
15	Israel	5.39
16	Luxembourg	5.37
17	Iceland	5.31
18	Australia	5.26
19	Austria	5.25
20	New Zealand	5.25

Source: World Economic Forum, Cushman & Wakefield

BUSINESS-TO-CONSUMER INTERNET USE SUB-INDEX (2013)

RANK	COUNTRY	INDEX SCALE 1 TO 7
1	United Kingdom	6.3
2	South Korea	6.3
3	United States	6.0
4	Netherlands	6.0
5	Taiwan	6.0
6	Finland	6.0
7	Japan	5.9
8	Czech Republic	5.9
9	Australia	5.8
10	Lithuania	5.8
11	Sweden	5.8
12	Switzerland	5.8
13	Norway	5.7
14	Germany	5.7
15	Estonia	5.7
16	Austria	5.6
17	Canada	5.6
18	New Zealand	5.6
19	Panama	5.5
20	Denmark	5.5

Source: World Economic Forum, Cushman & Wakefield

LOGISTICS & INFRASTRUCTURE

A successful online offering is largely reliant on sound, consistent and efficient logistics infrastructure and, on a more basic level, a dependable supply of power.

Contingent on market maturity, retailers have to consider same-day direct delivery, click and collect, returned goods, delivery across country and regional borders. Merchandise is now coming and going at a much faster pace, and retailers are becoming increasingly adept about how much inventory is required in-store. Many bricks and mortar retailers have successfully reduced their footprints by increasing efficiencies in their distribution channels, allowing them to carry less in-store inventory while providing quick and easy access to additional inventory via their distribution network.

The World Bank has attempted to measure logistics performance across the world by conducting a survey of global operators, which is supplemented by quantitative data on the performance along the logistics chain in 155 countries, the end result of which is the Logistics Performance Index. More specifically, the index "reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from one to 5, with a higher score representing better performance".

Two of the so called Asian Tigers scored very highly, with Singapore and Hong Kong taking first and second place, while South Korea and Singapore completed the top 20. The two leading countries were however followed closely by a number of European markets, all scoring above four.

Differences in the efficiency and adequacy of energy infrastructure may not at first seem particularly detrimental to online shopping among developed countries, but such a measure becomes increasingly important in developing economies. According to IMD's (International Institute for Management Development) World Competitiveness Survey, in 2012 Iceland ranked first, scoring 9.44 out of 10 in the survey.

LOGISTICS PERFORMANCE INDEX

RANK	COUNTRY	INDEX
1	Singapore	4.13
2	Hong Kong	4.12
3	Finland	4.05
4	Germany	4.03
5	Denmark	4.02
6	Netherlands	4.02
7	Belgium	3.98
8	Japan	3.93
9	United States	3.93
10	United Kingdom	3.90
11	Austria	3.89
12	Canada	3.85
13	France	3.85
14	Sweden	3.85
15	Luxembourg	3.82
16	Switzerland	3.80
17	United Arab Emirates	3.78
18	Australia	3.73
19	South Korea	3.70
20	Spain	3.70

Source: The World Bank (2012), Cushman & Wakefield

ENERGY INFRASTRUCTURE INDEX

RANK	COUNTRY	INDEX
1	Iceland	9.44
2	Singapore	9.15
3	Denmark	8.72
4	Switzerland	8.63
5	Netherlands	8.60
6	France	8.41
7	Hong Kong	8.41
8	Austria	8.36
9	Qatar	8.30
10	Finland	8.25
11	Norway	8.20
12	Canada	8.06
13	Czech Republic	8.00
14	United Arab Emirates	7.94
15	Malaysia	7.93
16	Slovak Republic	7.71
17	Luxembourg	7.62
18	Sweden	7.53
19	Portugal	7.44
20	Ireland	7.23

Source: IMD World Competitiveness Online May 2012, Cushman & Wakefield

CONSUMER ISSUES

Consumer attitudes towards, and acceptance of, online retailing will obviously be key to its uptake and heavily influenced by factors such as credit card usage and security concerns. Whether consumers can pay for their goods online and how easily they can do so will clearly also be conducive to higher sales. The simplest and most widespread method is of course through financial cards. The IMD Competitiveness Survey has attempted to estimate the number of cards (credit, debit, ATM, charge, pre-paid cards as well as storecards and smart cards) in circulation per capita. The results highlight the popularity of cards in Asia Pacific, with the top five countries all part of the region. Japan leads the way by some distance, with almost 10 financial cards per person, followed by Hong Kong in second and Singapore in third.

However, equally important is how protected consumers feel when purchasing goods on the internet. The Cyber Security Index, also developed on the back of IMD's Competitiveness Survey results, attempts to analyse whether cyber security is perceived as being adequately addressed by corporations across the globe, with the index ranging from 1 to 10, and the higher score representing adequate cyber security. Although Denmark was the highest scoring country, the top 20 contained a very mixed list, with countries from different regions and development stages.

FINANCIAL CARDS IN CIRCULATION

RANK	COUNTRY	CARDS PER CAPITA
1	Japan	9.92
2	Hong Kong	7.98
3	Singapore	7.50
4	South Korea	6.35
5	Australia	6.24
6	USA	6.12
7	Canada	5.79
8	Taiwan	5.65
9	Brazil	4.56
10	United Kingdom	4.10
11	Norway	3.75
12	Switzerland	3.28
13	France	3.08
14	Netherlands	3.07
15	Sweden	3.01
16	Luxembourg	3.00
17	New Zealand	2.72
18	China	2.59
19	Chile	2.59
20	Finland	2.49

Source: IMD World Competitiveness Online Feb 2013, Cushman & Wakefield

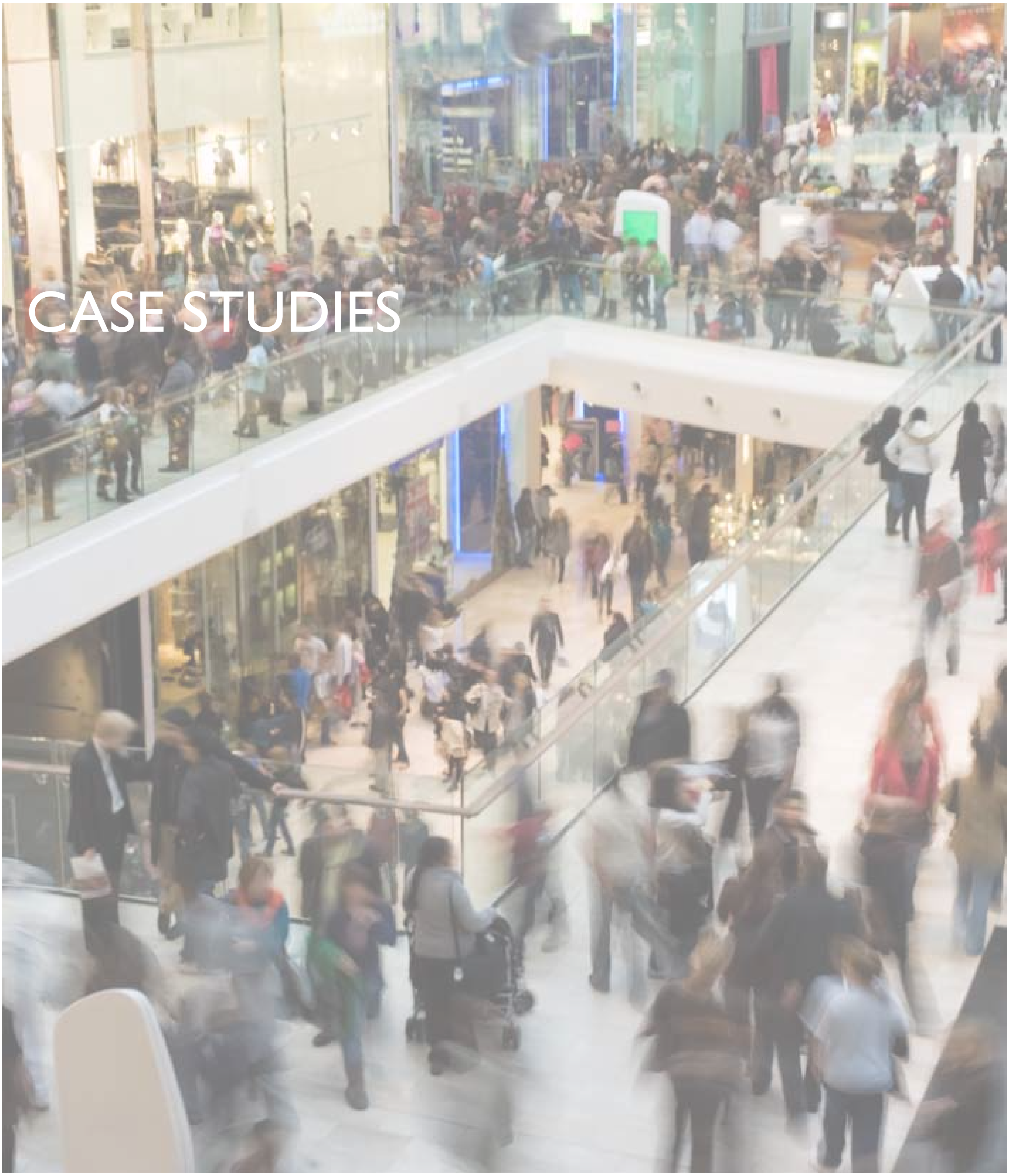
CYBER SECURITY

RANK	COUNTRY	INDEX
1	Denmark	7.64
2	Singapore	7.59
3	Lithuania	7.30
4	United Arab Emirates	7.30
5	Austria	7.29
6	Switzerland	7.29
7	Qatar	7.22
8	Hong Kong	7.13
9	Malaysia	7.12
10	Sweden	7.10
11	Estonia	7.00
12	Taiwan	6.96
13	Canada	6.91
14	Finland	6.91
15	Luxembourg	6.90
16	Ireland	6.82
17	Germany	6.76
18	Netherlands	6.64
19	Israel	6.60
20	New Zealand	6.43

Source: IMD World Competitiveness Online May 2012, Cushman & Wakefield

A Cushman & Wakefield Research Publication

CASE STUDIES



CASE STUDY 1: INTU

Intu (formerly Capital Shopping Centres) is one of the UK's pre-eminent shopping centre landlords, owning 16 shopping centres across the country including 10 of the UK's top 25. Intu's shopping centre portfolio generates 320 million customer visits per year. The company is now investing significantly to integrate its physical and digital presence to provide a seamless multi channel experience for shoppers. This includes new fibre optic networks for all of its centres and an impending launch of a new transactional website intu.co.uk this summer.

TECHNOLOGY WITHIN CENTRES

The majority of intu's shopping centre portfolio is comprised of more established schemes – creating the challenge of retro fitting centres with up to date, future proof technology. Intu has commenced an £8 million investment programme to roll out fibre optic network cabling in all centres with a view to providing high quality Wi-Fi to all customers in their schemes.

Importantly intu have retained ownership of the Wi-Fi network in their centres, rather than using a third party provider, meaning they have full control over how it is delivered and the information they can distribute to and recover from customers. The new Wi-Fi system has already been launched in one of intu's centres – the Trafford Centre, Greater Manchester, and it received over 31,000 new registrants in its first month after going live. The Wi-Fi network is freely available to any customer – they can choose to opt in or out of any promotional offers, so there are no perceived drawbacks to signing up.

The new Wi-Fi network demonstrates intu's transparency to online competition by embracing technology that allows consumers to access the internet more efficiently. The high capacity network will provide people with access to quality content, allowing them to access high speed internet from inside an intu centre. Gian Fulgoni, Chief Information Officer at intu said "imagine a family out for the day at one of our centres but the father doesn't want to miss a sports event, the aim was to have a network that would support streaming live video content that would make it possible to watch a game, TV show or film from a mobile device". This sort of capability removes reasons for people not to visit an intu shopping centre.

In addition the technology will allow intu to anonymously track customer footfall and movements throughout the centres, helping them to better understand how their centre is used and therefore how it can be improved.

A SOCIAL DIMENSION

The rising influence of online retailing emphasizes the importance of differentiating what a physical retail environment can offer the customer. "Now more than ever people are not shopping through need, they are shopping as a leisure experience" says Trevor Pereira, Commercial Director at intu. This has led intu to create attractive places for social interaction as well as for a great shopping experience. Intu have recognized the need for events in their centres which are not directly linked to driving transactions. Recent examples include a tie-in with Elite modeling to run catwalk events and a search for a new supermodel, partnership with charities such as the Elephant Parade to exhibit art work in all schemes to encourage interaction with customers.

Source: intu

Another element of the intu shopping experience is the growing importance of food and beverage and leisure facilities. The food and beverage offer in intu centres is moving away from fast food, convenience operators towards family orientated dining - as illustrated with the recent refurbishment of their food hall at intu Braehead, Glasgow. These family dining restaurants require a greater proportion of space, however they encourage customers to stay in the centre for longer and offer a point of difference to online shopping. Intu has sought to enhance their schemes by aligning a strong shopping offer with extensive leisure facilities. Braehead is a great example of this with the shopping centre sitting alongside Xscape, an indoor ski slope, curling rink and an events arena which has its own ice hockey team that competes in the British Ice Hockey League. Other centres have leisure facilities such as bowling, IMAX cinemas, aquariums and a Lego discovery centre.

DESIGN IMPLICATIONS

Online retail is a major factor affecting how intu approach re-designing their centres, this is manifesting itself in a number of ways. The importance of creating an experience for shoppers and

Source: intu

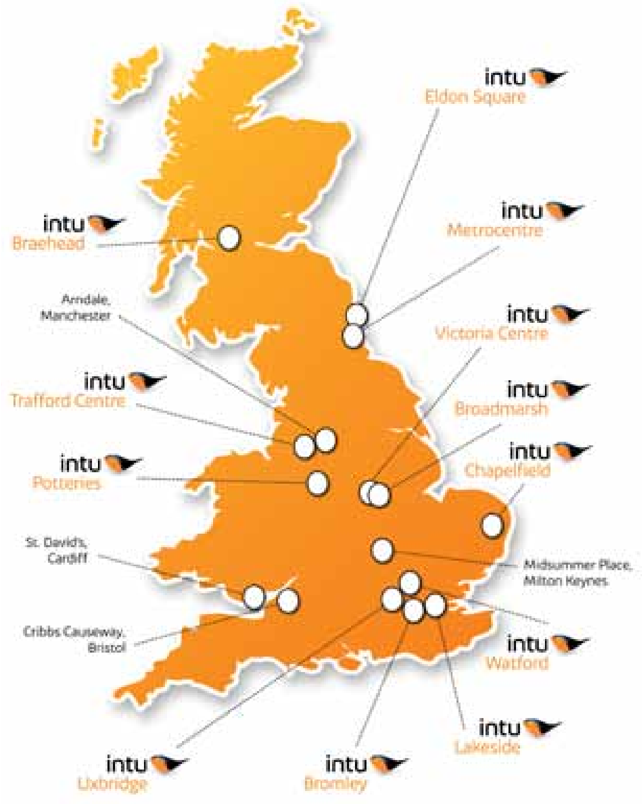
the need to make the space as inviting as possible has led to a more consistent design approach across the portfolio for staging areas, high dwell areas and the infrastructure behind them. To improve the experience of visiting a centre there has been significant investment in high quality sound systems, to reduce external noise and play sounds or music that vary by time of week, along with lighting systems that are designed to reduce energy consumption and positively affect the mood of customers. In addition, as already mentioned, food and beverage operators are attributed a greater proportion of space to increase dwell time in the centre.

The function of shopping centres as an experience-driven retail environment has also influenced individual retailers. Intu have recorded an increase in demand from new retailers seeking larger shop units or existing occupiers wanting to extend. These larger units allow them to create a brand statement that provides customers with an experience that cannot be replicated online.

A more direct affect of the growth of online is the growing demand for space to facilitate collection services for online orders. Intu already accommodates Amazon and Buy Box collection lockers in a number of their schemes. However they are also experiencing demand from retailers to increase their back room storage space to allow them to effectively support a click and collect service. As a consequence they are managing demands from retailers to make smaller more frequent deliveries possible. In the near future it is envisaged that intu will design areas for their own collection service, tied in to the transactional website planned for later this year. This intu collection service is likely to be an extension of the customer service and personal shopper facilities and will encompass a lounge with changing facilities and gift wrapping services.

FUTURE PLANS

Intu are clearly embracing the digital market place, and the new investment in proprietary technological infrastructure and the fact that they have retained control of the airspace in their centres leaves them well placed to benefit from the changes in consumer behavior. The most ambitious plan for the company is the launch of intu.co.uk later this year, it is the company's own transactional website which already has over 50 retailers signed up to use the service. Along with existing intu retail tenants the website will include content from pureplay retailers and retail brands that currently do not occupy a space in an intu shopping centre. The aim is to allow customers to shop at multiple retailers and benefit from having one transaction point online, it is hoped it will allow intu to become "the first multi channel landlord". Reaction to the new website plans from existing retail occupiers in intu centres has been very positive; with many stating that it is better customers use this sort website within close proximity to their stores than in the comfort of their home.



Source: intu

CASE STUDY 2: WESTFIELD HURSTVILLE

Westfield Group is one of the largest shopping centre developers, owners and managers around the world. The group's portfolio stretches to over 100 shopping centres and 22,000 outlets, consisting of approximately 9.5 million sq.m of Gross Leasable Area, with assets under management valued at $65 billion. The schemes are primarily situated in the United States of America, Australia and United Kingdom and see in excess of 1.1 billion annual visits (2012).

Source: Westfield

Westfield Hurstville is situated in Hurstville, a densely populated Southern suburb of Sydney, Australia, with a catchment of 251,000 residents and consisting of 62,650 sq.m of Gross Leasable Area. This fully enclosed major regional scheme was redeveloped substantially in 1990 and is anchored by the likes of Myer, Kmart, Target, Coles, Greater Union, Toys'R'Us, and Aldi.

TECHNOLOGY WITHIN CENTRES

At the moment Westfield Hurstville uses static signage, centre directories, a dedicated website, Apple and Android apps, as well as a Facebook page. There are however plans to also introduce interactive screens, wi-fi and dynamic signage, as part of a strategy to connect the digital shopper with the physical shopping centre. In addition, currently the scheme's website contains a Westfield powered portal where customers can buy products from a select number of retailers located in the centre.

Social media and the digital platform cover almost all aspects of shopping, including marketing and promotion; guiding shoppers to tailored offers; and more efficient transactions and delivery of products. Individual interaction with shopping centre space has become increasingly important for the centre and technology drives the development and innovation of this interaction. Wi-fi, mobile applications and enhanced mobile capacity are integral to delivering the experience sought by shoppers.

A SOCIAL DIMENSION

However, equally important is the leisure and entertainment dimension. The scheme is actively seeking to introduce cafes and casual dining, extensions to provide large cinema screens and digital products, as well as new lounges and seating, all expected to add to the social side of the centre. Part of the services offered also include valet parking, shopping assistants, car locator applications, child care and play facilities, gym, and other m-commerce offerings.

Meanwhile, the food and beverage offering has moved beyond the traditional fast food delivery and now comprises high-end restaurants and premium eateries. However, retailers are also looking to cater for this social dimension, with traditional department store anchors being supplemented with entertainment and food and beverage areas.

FUTURE PLANS

Future plans include the integration of a 'click and collect' mechanism which can be used across multiple platforms and devices (mobile, PC, tablets etc.), delivery improvements, as well as collection lockers where customers can pick up goods bought online. Westfield Group is also investigating the potential implementation of depot style, drive through and express loading facilities.

Against a backdrop of changing consumer spending patterns and technological developments, retailers are changing their models, increasingly experimenting with new store formats and services, some of which reflect the growing globalization of retail. While in-store stylists, promotions, loyalty clubs and multi-channel offerings are aimed at strengthening the brand, the overall store presentation is seen as driving online sales, with 'brick and mortar' shops underpinning brand image. As a result, the quality of design and services, the integration of food and fashion, as well as a tiered retail offer, provides the opportunity to create a vibrant and dynamic experience for shopping centre visitors.

Source: Westfield

A Cushman & Wakefield Research Publication

APPENDICES

APPENDICES

DATA & RANKINGS ON THE GLOBAL MARKET (1 TO 50, 1 IS BEST OR LARGEST)

COUNTRY	NETWORKED READINESS RANK 2013	INTERNET SUBSCRIPTIONS (% OF POPULATION) RANK, 2011	MOBILE SUBSCRIPTIONS (% OF POPULATION) RANK, 2011	CREDIT CARDS PER PERSON RANK, 2012	ONLINE SALES RANK, 2012	ONLINE SALES PER CAPITA RANK, 2012	ONLINE SALES GROWTH 2007-12 % PA	ONLINE MARKET SHARE, % 2012
Argentina	49	38	10	29	23	30	31.8%	2.4%
Australia	17	16	37	5	13	17	11.5%	2.1%
Austria	18	13	5	34	25	14	8.0%	3.8%
Belgium	21	17	26	22	22	16	15.6%	3.0%
Brazil	37	39	19	9	8	33	14.1%	3.4%
Bulgaria	44	36	9	39	50	45	3.8%	0.5%
Canada	12	10	48	7	10	20	7.5%	1.6%
Chile	27	34	15	19	30	31	22.8%	2.2%
China	36	43	49	18	2	36	101.0%	4.1%
Colombia	41	42	43	46	40	42	41.9%	0.6%
Czech Republic	30	23	21	41	28	18	12.9%	5.6%
Denmark	8	5	16	28	19	4	17.0%	6.6%
Finland	1	6	3	20	14	2	6.1%	8.6%
France	23	14	44	13	6	11	19.9%	5.1%
Germany	13	10	11	27	5	13	14.9%	5.1%
Greece	40	35	39	35	39	37	9.2%	1.0%
Hong Kong	14	21	1	2	31	23	8.7%	1.8%
Hungary	31	31	25	45	32	28	25.3%	2.5%
India	42	50	50	50	29	49	25.7%	0.4%
Indonesia	47	49	41	49	49	50	39.9%	0.1%
Ireland	24	19	36	26	27	6	18.9%	6.7%
Israel	15	26	22	43	38	32	16.0%	1.7%
Italy	34	32	4	32	12	27	17.7%	1.3%
Japan	20	15	40	1	4	12	11.6%	3.9%
Korea, South	11	9	35	4	7	7	10.2%	12.7%
Luxembourg	16	4	8	16	46	10	16.5%	2.6%
Malaysia	25	30	17	21	44	43	13.1%	0.8%
Mexico	39	45	47	37	24	40	43.2%	1.4%
Netherlands	4	2	24	14	11	15	13.6%	4.2%
New Zealand	19	7	33	17	33	19	29.0%	2.0%
Norway	5	1	27	11	16	1	5.5%	5.8%
Peru	50	44	31	24	48	47	22.3%	0.5%
Philippines	48	46	42	38	43	48	3.5%	0.5%
Poland	33	29	13	44	15	25	15.2%	4.6%
Portugal	26	33	28	25	36	34	16.7%	1.1%
Romania	46	40	34	47	42	41	3.2%	1.3%
Russia	35	37	2	36	9	29	17.2%	2.2%
Singapore	2	20	6	3	34	22	4.4%	2.8%
Slovakia	38	22	32	42	35	24	12.7%	4.0%
Slovenia	28	24	38	31	47	26	10.9%	2.1%
South Africa	43	48	18	30	41	46	13.4%	0.5%
Spain	29	28	29	33	26	35	11.5%	1.0%
Sweden	3	3	23	15	17	9	9.7%	4.6%
Switzerland	6	8	12	12	18	7	10.7%	3.9%
Taiwan	10	24	20	8	21	21	7.8%	3.5%
Thailand	45	47	30	40	37	44	7.2%	0.8%
Turkey	32	41	46	23	20	38	32.8%	2.2%
United Arab Emirates	22	26	7	48	45	39	10.7%	1.1%
United Kingdom	7	12	14	10	3	3	12.6%	9.7%
USA	9	18	45	6	1	5	9.3%	6.5%

Source: See Technical Specification

APPENDICES

CUSHMAN & WAKEFIELD RANKINGS FOR MARKET SIZE & POTENTIAL

	AVERAGE SCORE/RANK (LOW IS BETTER)			WEIGHTED RANKING (1 TO 50; 1 IS BEST)		
COUNTRY	MARKET SIZE & SCALE	INFRASTRUCTURE/SUITABILITY	OVERALL	MARKET SIZE & SCALE	INFRASTRUCTURE/SUITABILITY	OVERALL
Argentina	21.3	35.2	28.3	22	38	31
Australia	17.5	17.2	17.4	12	19	14
Austria	25.1	17.2	21.1	26	18	20
Belgium	19.8	18.7	19.2	19	20	15
Brazil	16.6	27.6	22.1	11	27	21
Bulgaria	47.9	36.7	42.3	50	40	49
Canada	18.2	13.4	15.8	13	10	12
Chile	28.1	26.4	27.3	31	26	30
China	9.5	30.5	20.0	6	31	18
Colombia	32.3	43.5	37.9	33	47	45
Czech Republic	26.9	32.8	29.8	29	34	33
Denmark	18.5	12.6	15.5	15	7	11
Finland	20.1	9.7	14.9	20	3	9
France	7.5	17.0	12.3	3	16	4
Germany	8.4	15.8	12.1	4	14	3
Greece	37.3	38.3	37.8	43	43	43
Hong Kong	32.7	6.8	19.7	35	2	17
Hungary	30.6	36.1	33.3	32	39	37
India	26.6	46.0	36.3	28	49	42
Indonesia	35.2	46.8	41.0	39	50	47
Ireland	22.6	23.4	23.0	23	23	23
Israel	35.2	29.3	32.3	38	30	36
Italy	16.3	28.0	22.1	10	28	22
Japan	9.1	17.1	13.1	5	17	7
Korea, South	11.8	14.4	13.1	7	12	6
Luxembourg	34.6	12.7	23.6	37	8	24
Malaysia	40.6	21.3	30.9	45	22	34
Mexico	22.6	40.8	31.7	24	45	35
Netherlands	15.6	10.0	12.8	9	5	5
New Zealand	28.1	19.8	23.9	30	21	25
Norway	19.7	13.5	16.6	18	11	13
Peru	42.5	37.7	40.1	47	42	46
Philippines	41.2	42.9	42.1	46	46	48
Poland	19.3	34.5	26.9	17	37	28
Portugal	32.6	25.9	29.2	34	25	32
Romania	42.9	44.1	43.5	49	48	50
Russia	14.9	37.1	26.0	8	41	26
Singapore	35.9	5.2	20.5	40	1	19
Slovakia	33.6	34.0	33.8	36	36	38
Slovenia	40.6	31.0	35.8	44	32	41
South Africa	36.4	33.2	34.8	41	35	40
Spain	25.4	28.4	26.9	27	29	29
Sweden	19.0	11.7	15.3	16	6	10
Switzerland	18.3	9.8	14.1	14	4	8
Taiwan	24.3	14.7	19.5	25	13	16
Thailand	36.8	38.8	37.8	42	44	44
Turkey	21.0	32.0	26.5	21	33	27
United Arab Emirates	42.5	25.2	33.8	48	24	39
United Kingdom	6.4	13.0	9.7	2	9	1
USA	6.2	16.4	11.3	1	15	2

Source: Cushman & Wakefield

TECHNICAL SPECIFICATION

Market information in this report is based on a comprehensive survey of Cushman & Wakefield's international offices. Our representation is designed to facilitate the rapid flow of information across borders and is supported by a comprehensive database of market information and regular liaison meetings. This allows for the exchange of local market knowledge and expertise and for the co-ordination of strategy for international investment and locational decision-making.

External sources of information used in our rankings and analysis include:

- Internet retail sales volumes, internet retail sales per capita, internet retail sales growth, internet sales market share – Euromonitor 2012
- Internet penetration, mobile telephone subscriptions per capita, active mobile broadband subscriptions – International Telecommunication Union 2011
- Standard mobile broadband and data subscriptions – OECD 2012
- The Networked Readiness Index; business-to-consumer internet use – World Economic Forum 2013
- Logistics Performance Index – The World Bank 2012
- Energy infrastructure, financial cards in circulation per capita, cyber security – IMD World Competitiveness Online May 2012
- Note that rankings shown in the appendix may differ from those shown elsewhere in the report where the range of countries assessed varies

Definition of Internet Retailing (from Euromonitor):

Sales of consumer goods to the general public via the Internet. Internet retailing includes sales generated through pure ecommerce web sites and through sites operated by store-based retailers. Sales data is attributed to the country where the consumer is based, rather than where the retailer is based. The definition also includes orders placed through the web for which payment is then made through a storecard, an online credit account subsequent to delivery or on delivery of the product. This payment may be by any mode of payment including postal cheque, direct debit, standing order or other banking tools. The analysis includes m-commerce: where consumers use smart phones or tablets to connect to the internet and purchase goods online. Internet retailing excludes sales of: (a) Products generated over consumer-to-consumer sales sites, such as eBay. The B2C proportion of such sites will however be captured. (b) Sales of motor vehicles, motorcycles and vehicle parts; (c) Tickets for events (sports, music concerts etc) and travel; (d) Sales of travel and holiday packages; (e) Revenue generated by online gambling sites; (f) Quick delivery services of food, magazines, household goods and DVD rentals; (g) Returned products/unpaid invoices.

For further information, please contact the report authors:

David Hutchings
Head of the European Research Group
EMEA
david.hutchings@eur.cushwake.com
+44 20 7152 5029

Neal Best
Associate Director
European Research Group
neal.best@eur.cushwake.com
+44 20 7152 5220

Martin Mahmuti
Analyst
European Research Group
martin.mahmuti@eur.cushwake.com
+44 20 7152 5963

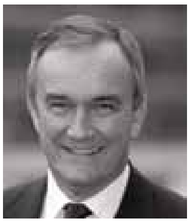
CONTACTS

GLOBAL RETAIL SERVICES

Our specialist agents work together to deliver integrated and innovative solutions to each client, regardless of the size or scope of the assignment. We have real geographical coverage with an on the ground market presence and expert local knowledge.

Our teams have been created specifically to cater for the demands of international clients and cover geographic regions, shopping centres, out of town, leisure and restaurants, and lease advisory. Enhanced by our dedicated cross-border retail teams, we offer the widest range of services from any retail advisory company with true accountability and a clear understanding of our clients' needs.

GLOBAL RETAIL CONTACTS



GLOBAL/EMEA

John Strachan
Head of Global Retail
Retail Services
EMEA
Tel: +44 20 7152 5090
john.strachan@eur.cushwake.com

THE AMERICAS

Matt Winn
Senior Managing Director
Americas Retail Services Leader
The Americas
Tel: +1 404 853 5309
matt.winn@cushwake.com

ASIA PACIFIC

James Hawkey
Managing Director
Asia Pacific
Tel: + 86 21 8665 8877
james.hawkey@ap.cushwake.com

OUR RESEARCH SERVICES

The Research Group provides a strategic advisory and supporting role to our clients. Consultancy projects are undertaken on a local and international basis, providing in-depth advice and analysis, detailed market appraisals and location and investment strategies. Typical projects include:

- reliable and comparable data and market intelligence
- site specific, location analysis, ranking and targeting for occupation or investment
- analysis of future development activity and existing supply/competition
- market research and demand analysis by retail/industry sector
- rental analysis, forecasts & investment and portfolio strategy

EMEA

David Hutchings
Head of the European Research Group
EMEA
david.hutchings@eur.cushwake.com
+44 20 7152 5029

THE AMERICAS

Maria Sicola
Executive Managing Director
The Americas
maria.sicola@cushwake.com
+1 415 773 3542

ASIA PACIFIC

Sigrid Zialcita
Managing Director
Asia Pacific
sigrid.zialcita@ap.cushwake.com
+65 6232 0875

Cushman & Wakefield is the world's largest privately-held commercial real estate services firm. The company advises and represents clients on all aspects of property occupancy and investment, and has established a preeminent position in the world's major markets, as evidenced by its frequent involvement in many of the most significant property leases, sales and assignments. Founded in 1917, it has 253 offices in 60 countries and nearly 15,000 employees. It offers a complete range of services for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, corporate services, property management, facilities management, project management, consulting and appraisal. The firm has more than $3.7 billion in assets under management globally. A recognized leader in local and global real estate research, the firm publishes its market information and studies online at **www.cushmanwakefield.com/knowledge.**

Cushman & Wakefield, LLP
43-45 Portman Square
London W1A 3BG

www.cushmanwakefield.com

www.cushmanwakefield.com