
 WOLFGANG TWARDAWA & ROLF BÜRKL

CRISIS – WHAT CRISIS?



In 2009, the majority of the population in Germany did not experience any negative impact on their personal living circumstances as a result of the financial and economic crisis. The labour market was surprisingly robust, with an average of 3.4 million unemployed and an increase of just 155,000 over 2008. Around one million people for the year were protected from unemployment by short-time working. Private consumption was also supported by a historically low inflation rate of 0.4%. Falling prices, particularly for mineral oil products and food, boosted consumers' purchasing power. Accordingly, the propensity to buy, as surveyed as part of the GfK consumer climate study, rose significantly from January to September 2009.



Compared to other countries, German consumers revealed themselves to be the optimists of Europe: while here in Germany the propensity to buy recorded an average value for the year 2009 of +21 indicator points, the

same survey produced a value of -26 points in Italy, -40 in Great Britain and even -45 indicator points in France. The consumer climate in Germany was not dealt a blow until late autumn. ▶

GfK INDICATOR FOR CONSUMER CLIMATE





Growing fear of unemployment as well as of rising energy prices made for a more subdued consumer climate in German private households towards the end of last year.

MODEST CONSUMPTION PROSPECTS FOR 2010

With the start of 2010, consumers in Germany are expecting the economic recovery process to continue, though with reduced momentum. This assessment is in line with the forecasts of leading economic institutes. However, consumers and

experts alike are anticipating that the labour market will deteriorate this year.

Price development for the year as a whole is also being viewed less

optimistically, although discount sales promotions in retail

prompted an increase in the propensity to buy at the start of the year. Government economic stimulus packages, such as the increase in child benefits or child allowance as well as the improved tax deductibility of health insurance contributions, are set to ease the financial strain on consumers in 2010. However, at the same time, there is the threat of slightly higher inflation and various additional burdens as a result of additional health insurance contributions and rising communal taxes. GfK is expecting

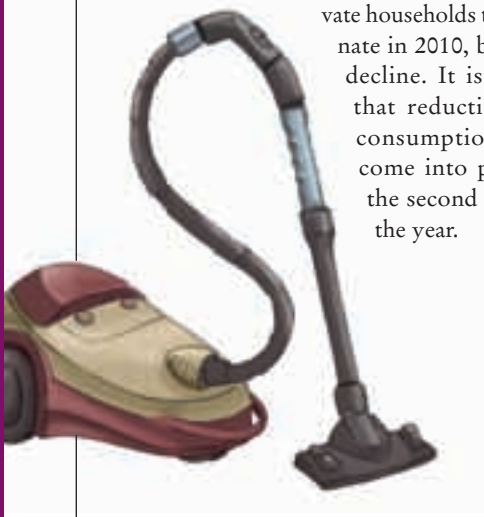
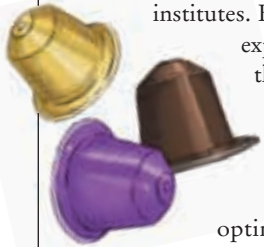
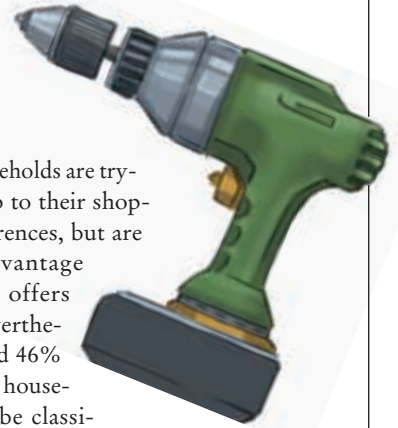
consumption among private households to stagnate in 2010, but not decline. It is likely that reductions in consumption will come into play in the second half of the year.

FEAR OF UNEMPLOYMENT WEIGHS HEAVILY ON CONSUMPTION

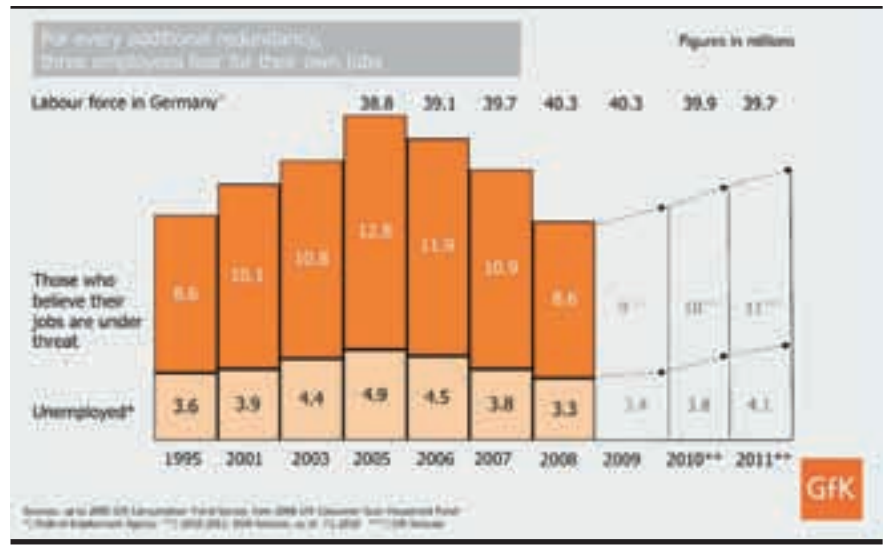
Unemployment and real fears of being made redundant are changing the behaviour of German consumers quite dramatically. In respect of day-to-day goods, affected households are reducing their consumption by around 10%. But the threat of unemployment does not just mean that consumers are spending less, they are also putting more money aside for a rainy day. This "precautionary saving" is also having a negative impact on consumption.

In 2009, around 23% of German households were either directly affected by unemployment or had a real fear of being made redundant. For 2010, GfK is expecting a rise in the number of these households affected by the crisis to around 27%. GfK also estimates that a similar number of households are at risk of being affected by the crisis in 2010.

These households are trying to keep to their shopping preferences, but are taking advantage of special offers more. Nevertheless, around 46% of German households can be classified as crisis-resistant, which is one percent down on the previous year. Consumption among these households is not suffering as a result of the crisis and is actually being boosted by keenly priced offers. At the same time, expectations regarding product quality and manufacturer are rising in this consumer group. Sustainability, fair trade and corporate social responsibility are influencing purchase decisions in crisis-resistant households to an ever greater extent.



UNEMPLOYMENT AFFECTS CONSUMER BEHAVIOUR BOTH DIRECTLY AND INDIRECTLY



WINNERS AND LOSERS OF THE CRISIS

The reductions in private consumption were felt most acutely last year by the catering industry. Out-of-home consumption fell by around 8% in value terms, according to GfK's estimates. The crisis prompted consumers to focus their activities more on their own homes. The beneficiary in this was the food retail sector. Although this sector posted a drop in sales of around 1%, this was mainly the result of its own price cuts. The increased focus on the home, known as "homing", was particularly evident in DIY stores. Their sales rose by 2% last year. The consumer electronics sector also profited and generated sales that were level with the previous year.

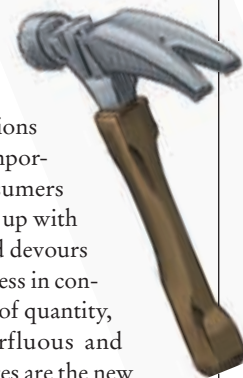
Homing benefited some product groups in particular. For example, compared with 2008, around 7% more households improved their home surroundings with an open fireplace or tile stove. Turnover from plants was up 7%, and that from garden furniture and ornaments rose by 4%. The small electrical appliances segment also profited, with sales climbing around 5%. This rise was driven particularly by capsule espresso systems, which posted a sales increase of just under 14%, fully automatic coffee machines (up 9%) and cylinder vacuum cleaners (up 6%). Alcoholic drinks also recorded positive growth. Sales of sparkling wine rose by around 2%. And last year spirits were up 1% in sales volume and even around 3% in value terms. Retailers benefited here from the declining out-of-home sector.

The trend towards homing will also have an effect on consumption in 2010. GfK is expecting a further fall in out-of-home consumption, and is anticipating that the food retail sector will post sales at roughly the same level as for the previous year. Consumer electronics will receive an additional boost from the football World Cup. DIY stores can expect to continue their positive growth.

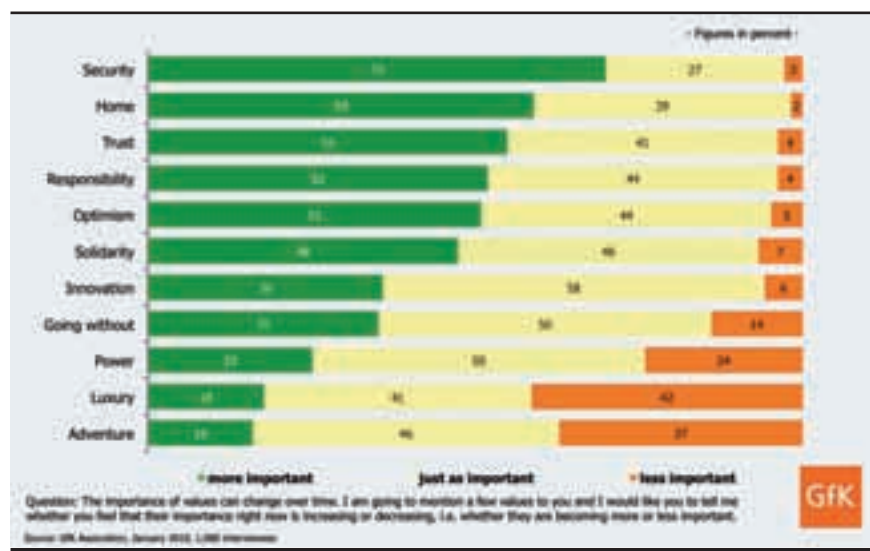
CRISIS CHANGES THE VALUE ORIENTATION OF CONSUMERS

Besides having a monetary impact, the financial and economic crisis has also changed the value orientation of consumers, particularly in the area of financial services, where blind trust has been shown to be the wrong attitude. As a consequence, consumers have become more cautious and

are more reluctant to make a leap of faith. They are also questioning their thoughts and actions more. One of the most important discoveries that consumers have made can be summed up with the German saying "Greed devours the brain". Greater awareness in consumption, quality instead of quantity, elimination of the superfluous and enjoyment of small pleasures are the new trends among consumers. This change in value orientation is opening up new possibilities. Socially responsible companies, traditional brands and domestic products have a particularly good chance of qualitative growth in 2010. ■



ASSESSMENT OF SHIFTS IN IMPORTANCE



STATISTICS

*Customer Survey at Main-Taunus-Zentrum, Sulzbach
in Q4/2009*



Gender

Female	58%
Male	42%

Age

Up to 19 years	9%
20 – 29 years	20%
30 – 39 years	21%
40 – 49 years	21%
50 – 59 years	12%
Over 60 years	17%

Where do you live?

5 minutes' drive away	31%
15 minutes' drive away	32%
30 minutes' drive away	16%
45 minutes' drive away	14%
Other	6%

For what reason do you generally come to the MTZ?

Shopping	74%
Loafing	29%
Eating out	3%
Business	3%
Other	4%

How often do you visit the Main-Taunus-Zentrum?

Daily	5%
Several times a week	17%
Once a week	19%
Every fortnight	20%
Once a month	19%
Four times a year	9%
Twice a year	4%
Less frequently	4%
First visit	3%

The fashion range at the Main-Taunus-Zentrum is always extremely varied

Fully agree	31%
Generally agree	50%
Tend to disagree	17%
Fully disagree	2%

The shops at the Main-Taunus-Zentrum offer many famous brands

Fully agree	50%
Generally agree	44%
Tend to disagree	5%
Fully disagree	1%

Means of transport

Car	87%
Public transport	9%
By foot	3%
Other	1%



“WHAT I BOUGHT IN 2009”



Rolf Bürkl,
Senior Research
Consultant
Business & Tech-
nology, GfK

Marktforschung

I regularly go jogging and last year bought myself a Garmin training computer with GPS function. The main purpose of this device, which is more of a toy really, is to increase motivation while you are running.



Mariana Theiling,
Lighting Designer,
ECE

I became a mum in 2009, so most of the things I bought were everyday items I needed for the baby: a Maxi Cosi pushchair with foldable chassis, for example, which even fits into the boot of my two-seater ... it's been a really great buy! My husband and I bought each other a watch as a symbol of this new period in our lives.



Patrick Kiss,
Head of Investor
& Public Rela-
tions, Deutsche
EuroShop

I invested in education. 1 September 2009 was our son Leo's first day at school. Over 30 years ago I was the proud owner of a Scout school bag, so my fatherly advice to him was that he should get a Scout too. In the shopping center there was a shop where you could check out the bag using virtual mirrors (3 camera perspectives displayed on large plasma monitors) to see how it looked on your back. In the end Leo went for the latest model "Easy II Race".



**Wolfgang Twar-
dawa,** Division
Manager Strategic
Marketing, GfK
Panel Services

Last year on our holiday in Italy my wife saw a wonderful necklace in a jewellery shop. After having visited the jeweller's three times, I convinced her to let me buy it for her. This was a gift that gave me great pleasure too, as I had a beautiful and happy woman on my arm.





Claus-Matthias Böge,
CEO, Deutsche
EuroShop

The crowning glory of Christmas was a new Nespresso machine with milk foamer. It has a fantastic design, but the best thing about it is the latte macchiato. The old coffee machine is now gathering dust in the cellar.

Verena Tenz, Senior Account & Marketing Manager, ECE flatmedia



I expanded my collection of wellington boots with two particularly fine pairs by Hunter and Aigle – bought from the center, of course. These are my favourite things and are essential items given the lousy weather you get in Hamburg. If there's a down-pour I make it to work unscathed (I just have to carry a bag with the extra shoes I need for work), I'm perfectly attired in any situation and during weekend walks along the coast have a clear advantage in the battle against the tides.

Olaf G. Borkers, Member of the Executive Board, Deutsche EuroShop



Our "open-fire" DVD was no longer enough, so we bought a new bio(!) ethanol fire. This creates a cosy atmosphere and gives out an incredible amount of heat. There's no need

to buy or chop up and store wood. And there's no dirt or any need to get the chimney swept. It's been a great buy for me and my family.

Steffen Eric Friedlein, Regional Director Leasing East, ECE



My new mountain bike. As I travel a lot for work using various modes of transport and can't take it with me, unfortunately I only get to take it out at weekends in the rural area around my home. Because of the long winter we've had, at the moment it's still waiting longingly in the garage for its first run-out of the year.

Mathias Sander, Director Center Marketing, ECE



I bought myself a pair of trainers – again. This time made by "Floris van Bommel". They look fantastic and pretty much go with anything you put on. In spite of that I still haven't worn them yet. They were probably too nice. But I'm sure they'll still be fashionable in 2010.

Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop



In November I bought myself some new winter boots while on holiday in New York. Just in time too, as from that point on

– with the winter we've just had – I needed them almost every day as I battled my way through the snow and ice in the mornings on my way to the office.

Kirsten Kaiser, Head of Accounting, Deutsche EuroShop



Slowly my little Apple family is starting to grow: my iPods have now been joined by a silver MacBook Pro, which is not only great for surfing, but also allows me to watch the latest blockbusters on my TV.

Dr Benedikt Gillissen, Local Partner, White & Case



A new espresso machine from an Italian manufacturer near Naples. It combines just a small amount of modern electronics with lots of metal and a brewing technique that has proven itself for almost 50 years. The result is as near to perfection as you can get – beating anything produced by plastic machines. Life's too short for a bad espresso.



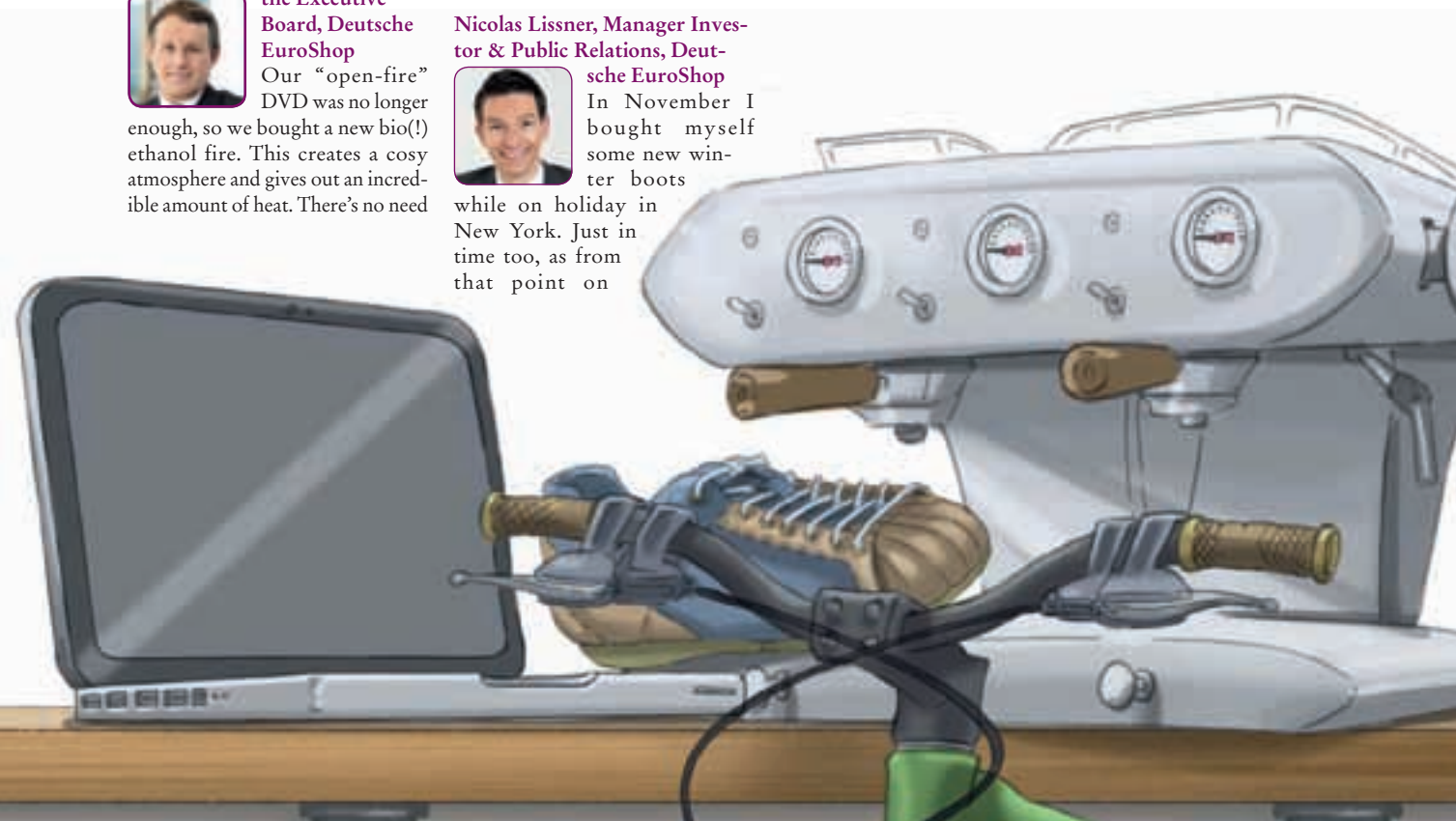
Birgit Schäfer,
Secretary to
the Executive
Board, Deutsche
EuroShop

My purchase of the year was a fabulous new sofa, which I also managed to get at an incredibly good price. So I was doubly pleased and still had some money left for a few extravagant decorative items.



Alexander Wohlrab, Illustrator, Mucca Matta

My girlfriend and I snapped up a few items in New York: after a two-day odyssey (which felt every bit that long), and with sore feet and our MetroCards smoking, she finally found the Blowfish boots she was looking for in the right size and colour. Thanks to the favourable dollar/euro exchange rate, however, we managed to find some even bigger bargains: a new wide-angle lens for her and a couple of Apple gadgets for him. ■



 MATHIAS SANDER

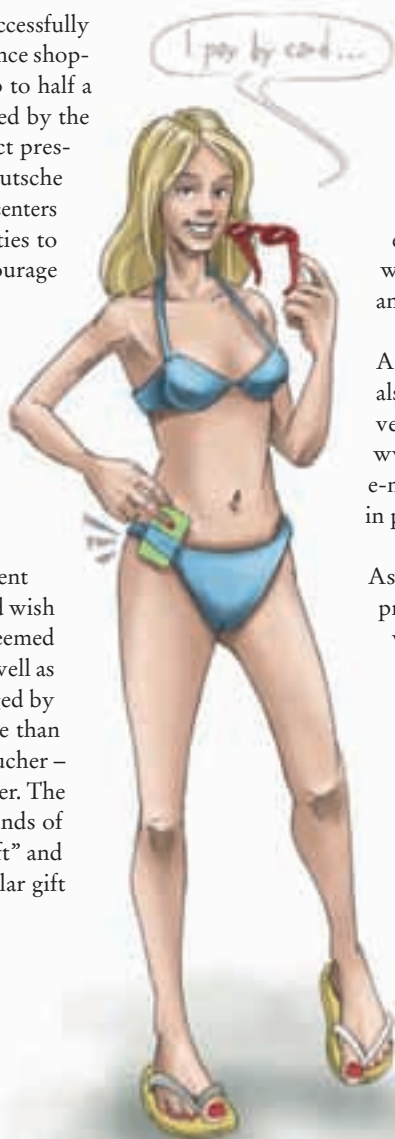
THE CENTER VOUCHER

Customer loyalty tool goes from strength to strength



For over 40 years, ECE has been successfully practising the concept of “experience shopping” in its shopping centers. Up to half a million visitors a day are fascinated by the variety of shops, the extraordinary product presentations and the unusual campaigns in Deutsche EuroShop’s attractively designed malls. The centers are always on the look-out for opportunities to offer visitors something special and to encourage them to keep coming back.

It was ten years ago that the idea was born to establish the center voucher as an appealing customer loyalty tool in more than 60 centers. The concept is as simple as it is successful: the customer purchases the voucher at a central point inside the center, gives it to someone as a gift and in so doing presents the recipient with every opportunity to make a long-held wish come true. After all, the voucher can be redeemed at any center store in the DES portfolio as well as at numerous other shopping centers managed by ECE, giving the recipient a choice of more than 9,000 points of sale that will accept the voucher – a unique advantage that no one else can offer. The voucher has long become rooted in the minds of our visitors as an “all-round, hassle-free gift” and is today regarded as one of the most popular gift vouchers in Germany.



Originally introduced in paper form, the center voucher now comes in a very modern and handy credit card format with a timelessly attractive design. And the distribution channels have also moved with the times: for a few years now, business customers wishing to treat their staff or business partners have been taking advantage of the extra portal set up just for them at www.ece-b2b.de, where larger voucher orders are processed quickly and easily.

And, since the end of 2009, private customers have also had the opportunity to design their own vouchers very simply and conveniently on the Internet at www.gutschein-verschenken.de, then send them by e-mail or SMS or even print them out and present them in person.

As a result of all these measures, the popularity and profile of the center vouchers have increased since they were first introduced and they are recording gratifying growth. Last year, around two million voucher cards were sold in all participating centers, meaning that contact was achieved with at least four million customers.

Experts are today forecasting that vouchers will become increasingly important as gifts over the next few years – not least because they offer the chance to make specific small or big wishes come true. It is therefore expected that the center voucher will continue to contribute to the success of centers run by Deutsche EuroShop as an appealing customer loyalty tool.

Book TIPS

BUY OLOGY

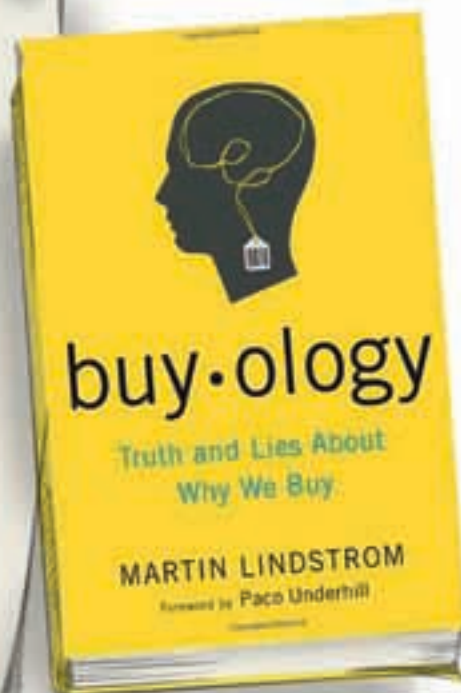
Buyology – Truth and Lies About Why We Buy

What do we really know about why we buy what we buy? Why do we choose certain products and ignore others? Marketing expert and bestselling author Martin Lindstrom explains how the human brain responds to advertising and marketing.

Why are some brands successful while others flop? How do people make purchase decisions? Why do they buy what they buy? Market research has been trying to find this out for decades. But conventional methods, such as surveys or group discussions cannot establish what consumers really think because purchase decisions are not a purely rational matter. So far nobody has deduced what exactly is going on in our brains when we make purchase decisions – marketing guru Martin Lindstrom now aims to change that.

In his bestseller Buyology, which has been translated into 25 languages, Danish-born Lindstrom presents the fascinating results of his revolutionary neuromarketing study, in which he examines the direct effect of advertising and marketing messages on the human brain for the very first time using the latest findings in brain research. Lindstrom shows how the subconscious reacts to stimuli and steers our behaviour, often in a completely different way to how we think. Our purchase decisions are made on a level that lies below our consciousness. For example, paradoxically anti-smoking campaigns have smokers reaching for their cigarettes more because they stimulate the “craving centres” in the brain. And the brain of an Apple fan, on seeing an iPod, reacts in a similar fashion to that of a deeply religious person when looking at a picture of Jesus. Lindstrom exposes what even the most sophisticated companies, advertisers and marketers do not yet know about our purchasing behaviour, clears up common prejudices and myths, and supplies us with exciting insights into what impacts on our decisions, our purchasing behaviour and, ultimately, ourselves.

Martin Lindstrom: Buyology – Truth and Lies About Why We Buy, 2008, hardback, 256 pages, ISBN 978-0385523882, approx. €19.99



Shopping Center Handbook



Shopping Center Handbook - Development - Management - Marketing

The Große Handbuch Shoppingcenter (Great Shopping Center Handbook) was first published in 1998. Since then, the importance of shopping centers has soared, both nationally and internationally. So, the Institut für Gewerbezentren (Institute for commercial centers), together with the German Council of Shopping Centers (GCSC) has re-issued this standard reference work.

126 recognised shopping center experts from eleven different nations provide a comprehensive account of their experiences and the latest insights regarding the broad spectrum of shopping centers in 106 articles.

Spanning more than 1,100 pages, the handbook addresses topics such as shopping centers and urban development, sustainability, architecture, design and art, project development, marketing, management, funding and investment, etc. Current national and international developments and center trends, as well as the newest shopping centers, are also pictured in a four-colour photographs section.

This handbook is essential background reading for anyone involved with the topic of shopping centers. It serves as a helpful reference work for experienced professionals in their day-to-day business and as a comprehensive fundamental guide for junior staff and students.

Shoppingcenter-Handbuch – Development, Management, Marketing, published by the Institut für Gewerbezentren, Prof. Dr. Falk, 2009, German, hardback, over 1,100 pages, ISBN 978-3-00-027250-9, approx. €125.00