



Master Thesis

Strategic Scenario Planning for a German Shopping Center Company in 2025

Applying the HHL-Roland Berger
Scenario Development Approach

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What will shopping centers in Germany look like in 2025? The number of factors determining the future and their complexity lead to a high degree of uncertainty. Strategic planning under such circumstances is challenging. This thesis will provide orientation; it aims at developing four different scenarios for the future of shopping centers in Germany in 2025 and deriving strategic measures for a shopping center operator based on these scenarios. To achieve this goal, a standardized approach of scenario-based strategic planning will be applied. The results show that the future of shopping centers is determined by two key factors: the speed of omni-channel development and the socio-economic investment environment. The strategic measures developed are accordingly aimed at maximizing positive developments with regard to the key factors and minimizing possible negative developments. This thesis is worth reading especially for retailers, real estate investors and researchers with a consumer focus.



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List of abbreviations

ECB	European Central Bank
GDP	Gross Domestic Product
HDE	Handelsverband Deutschland e.V.; German Trade Association
HHL	HHL Leipzig Graduate School of Management
ICSC	International Council of Shopping Centers
KPI	Key Performance Indicator
MDAX	Mid-Cap-DAX; German Stock Index
PESTEL	Political, Economic, Societal, Technological, Ecological, Legal
R&D	Research & Development
ULI	Urban Land Institute
USP	Unique Selling Point

1. Introduction

The world always was and still is constantly changing. Driven by technological progress, the change accelerated massively within the last decades. As a result, companies and even entire industries were disrupted. The famous example of Nokia illustrates perfectly how even market leaders can disappear from one year to another. In a 2007 issue of Forbes magazine, Nokia was still celebrated as a model company. In that very same year, with the launch of the Apple iPhone and the Android operating system, the great decline began (McGrath, 2016). How could a "...company known for its metamorphosis..." (Upbin, 2007) fail so massively, when it could look back on such a long history of adaptability?

Shopping Centers in Germany find themselves in a similar situation nowadays. After decades of huge success and many openings of new shopping centers, the market is at its peak and arrived in the stage of maturity with only few new openings in the last years. This raises the question of how the future of shopping centers might look like. And while retail has always been characterized by constant change, the changes now can be considered more complex than ever: rising e-commerce, dying traditional retail concepts, emerging new retail players, evolving mobility preferences of consumers, the continuing trend towards mobile devices, the use of big data in terms of retail analytics, the emergence of omni-channel approaches and of course changing consumer behavior are just some of the factors being named when it comes to discussions about the future of shopping centers (McGee, 2018).

The well-known example of Nokia and the fundamental changes in the shopping center environment emphasize a challenge, which is more present to companies than ever and which is especially relevant for shopping center operators today: how to deal strategically with such rapidly evolving and volatile environments? Strategic planning seems to be harder than ever these days. It is not only the great number of different influence factors but first and foremost their uncertainty that makes the future so opaque (Schwenker & Wulf, 2013, p. 12). As Jack Ma, founder and execu-

tive chairman of Chinese e-commerce giant Alibaba said a few years ago: "What truly disrupted the various industries, employment and traditional beliefs are our thoughts that we had yesterday, the ignorance about the future, and the refusal to embrace the future. Technologies had not disrupted you, nor had e-commerce disrupted traditional commerce activities. It is your uncertainty about the future that disrupted your business" (Ko, 2016). This inevitably raises the question of how to deal with uncertainty and how companies in general and shopping center operators in particular can plan strategically in spite of uncertainty in order to create orientation for the future.

Traditional strategic approaches strive to find the single correct and true answer to strategic questions - an undertaking that is likely to fail in today's volatility and uncertainty. Therefore, an alternative approach is used in this thesis, namely the HHL-Roland Berger approach to scenario-based strategic planning, which helps strategists to develop different reasonable futures as a basis for the deduction of strategic measures (Wulf, Meißner & Stubner, 2010, p. 9). Instead of searching for the one truth, the approach helps to ask the right questions and create different scenarios for the future based on it. Thereby, companies are enabled to strategic planning despite of a volatile and uncertain environment (Laudicina, Peterson & Gott, 2012, p. 2).

This thesis applies the approach of scenario-based strategic planning to shopping centers in Germany in 2025. As a result of this work, four scenarios for shopping centers in 2025 will be developed, which will serve as a basis for the development of a core strategy and strategic options for a German shopping center operator. The thesis is structured in the following way. In the first part, shopping centers and the corresponding stakeholder groups involved are being presented in order to define the subject and build a framework. Subsequently, the results of various studies are presented in order to make the prevailing trends and influences discussed in the industry, which can have an influence on future development, transparent. The second part outlines the HHL-Roland Berger approach of scenario-based strategic planning and shows how this tool can help to overcome today's challenge concerning strate-

gies. The third part includes the step by step application of the approach for shopping centers in Germany in 2025 and the derivation of a strategy for a shopping center operator. Therefore, perspectives gathered internally and externally with a two-step stakeholder survey are analyzed as a basis for the subsequent scenario development. Concrete strategic measures that help to find orientation in this uncertain environment are presented. Finally a conclusion provides a concise summary and a critical appraisal.

2. The German shopping center market

2.1 Market overview

Shopping centers exist in many countries all over the world. Even though they differ in several other characteristics, a common definition of shopping centers, issued by the corresponding industry association International Council of Shopping Centers (ICSC), is as follows: „A shopping center is defined as a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property, typically with on-site parking provided“ (ICSC, 2018a). While this definition unites all shopping centers as a basis, however, they differ in terms of „... size, number of anchors, merchandise orientation, layout and trade area served“ (ICSC, 2018a). According to the ICSC, shopping centers can be distinguished into different types: traditional and specialized shopping centers. Traditional centers are further differentiated by their size in terms of gross leasable area and the specialized centers are splitted in different sub-types, e.g. retail parks, factory outlets and theme-oriented centers (ICSC, 2018a). On that basis, shopping centers can be differentiated to a great extent based on their characteristics. Another important factor is the geographical location. Depending on the continent and country, the typical location of shopping centers varies. In Germany, centers are distinguished in integrated and non-integrated properties, meaning that they are either located in or outside a city (Mayr, 1980). This thesis puts its focus on traditional shopping centers, both integrated and non-integrated, with a minimum amount of 10.000 square meter of

leasable area, as suggested by the German EHI Retail Institute (EHI, 2018, p. 12). Retail parks, factory outlets and other variations are explicitly not within the scope, as they serve different purposes and might therefore have to be examined from a different angle. Furthermore, this thesis deals with the German market only.

Shopping centers are, as a sales channel, part of the German retail market, which encompassed 512.8 billion € in 2017. It is expected to grow to more than 523 billion € in 2018 (HDE, 2017e). The first shopping center at all was already built in 1956 in Minneapolis, USA; the first one in Germany, the “Main-Taunus-Zentrum”, opened 8 years later in 1964 in Sulzbach (Mayr, 1980). More and more centers were gradually opened in the 1960s, leading to a boom phase in the 1970s, which resulted in a total of 65 shopping centers at the end of the decade (EHI, 2017b, p. 189). The total amount of retail space in shopping centers summed up to nearly 2 million square meters in 1980 (EHI, 2017c, p. 189). Comparing this to 63 million square meters total retail space in Germany, shopping centers made up roughly 3% (HDE, 2017a, p. 30). At this time, centers were predominantly placed outside the city, which made them direct rivals of the city centers. As a consequence, the German government started to pay attention to criticism that shopping centers might hurt traditional city centers and their established retailers. Building permits for non-integrated centers were therefore limited and the growth of new shopping centers slowed down (Henschel, Krüger, Kulke, 2000). Furthermore, new shopping centers from 1975 on tended to be smaller than their predecessors. The number of new openings increased significantly after the German reunification, which opened new opportunities (Heinritz, 2004). The number of centers rose sharply from 93 in 1990 to 279 in 2000 (EHI, 2017b, p. 188). At the turn of the century, the total retail space in shopping centers amounted to 9.2 million square meters (EHI, 2017c, p. 189) compared to 109 million square meters of total retail space in Germany (HDE, 2017a, p. 30), resulting in a share of over 8%. Beside this strong increase in the number of centers and retail space, the new properties were also more often located in the center instead of outside the cities. Between the years 1996 to 2000, approxi-

mately 45% of new centers were located in the city centers. A decade later, between 2011 to 2016, the share even rose to 84% of new openings being located in the city center, which demonstrates a significant and persistent trend to integrated shopping centers (EHI, 2017d, p. 190). Nowadays, all in all 479 properties in Germany are counted as shopping centers, meeting the above-mentioned definition (EHI, 2018, p. 20). These centers accommodate for more than 15.4 million square meters of retail space (EHI, 2018, p. 22), compared to more than 124 million square meters of total retail space in Germany (HDE, 2017a, p. 30). Shopping centers thus make up more than 12% of total retail space and represent an important part of the retail landscape in Germany.

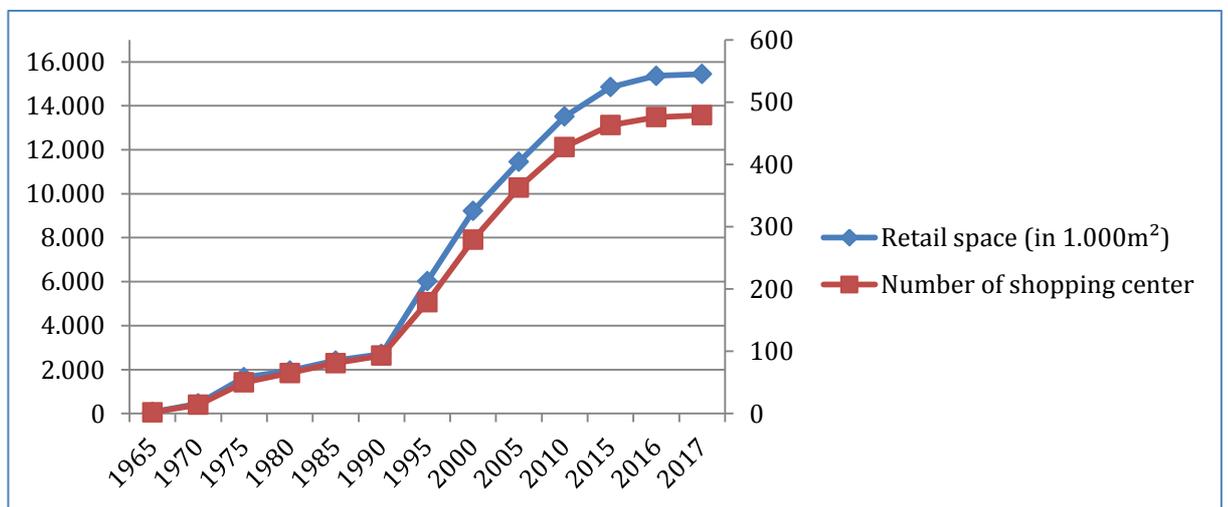


Fig. 1: Retail space and number of shopping centers in Germany from 1965 to 2017
Source: Own illustration based on EHI, 2017b, p. 188 and EHI, 2017c, p. 188

Despite the increase of retail space in general as well as in shopping centers, the rate of retail space per inhabitant in Germany is, compared to the United Kingdom (UK) or the United States (US), relatively low. While there are 23.5 square feet of commercial retail space per capita in the US, there are only 2.3 square feet per capita in Germany (ICSC, 2018b). Also compared to other European countries, Germany has one of the lowest ratios (Cushman & Wakefield, 2017, p. 7). Nevertheless, figure 1 shows that there were only few new openings of shopping centers in the last two years. This emphasizes that the shopping center market is in a mature and saturated

stage, even though the rate of retail space per capita in comparison to the US might suggest the opposite (EHI, 2017e). Furthermore, about 50% of all shopping centers in Germany are assumed to be in need of renovations due to their age (GMA, 2011). As a consequence, instead of building additional centers, the focus in the coming years will therefore be mostly on these so-called refurbishments, i.e. the revitalization of existing centers (ECE, 2018b).

2.2 Major market players

There are multiple shopping center management companies active on the German market, offering different ranges from services around shopping centers. In many cases, the mall operator acts as a real estate service company for the property owner. Nevertheless, some of them also invest and own shopping centers themselves and thus also play the role of an investor. For this thesis it is assumed that a shopping center operator does not act as an investor but purely as a service provider in order to better outline the separate stakeholder interests. The typical full-service spectrum of a shopping center management company covers all aspects about the center. Visitors are taken care of by the center management, which deals with the center operation, facility management and maintenance, marketing and events as well as all aspects concerning service offers. The leasing department takes care of the tenants and rents out retail, office and partly residential spaces. Furthermore, contract negotiations, performance measuring and business development is part of the service range. In regard to investors, the mall operator typically offers an asset management, which includes accounting, liquidity and cash management, reporting, due diligence and other financial services if requested. Furthermore, some of these companies also offer real estate development services for investors. How involved an investor is in the management process of a shopping center depends on his respective preferences (ECE, 2018c) (MEC, 2018a) (Unibail-Rodamco-Westfield, 2018).

The top 3 shopping center management companies in Germany in terms of centers under management are ECE Projektmanagement (ECE), MEC Metro-ECE Centermanagement (a joint venture of ECE and Metro Group) and Unibail-Rodamco Germany. All in all, these three companies manage 160 shopping centers in Germany, which makes up 33% of the market (EHI, 2018, p. 34).

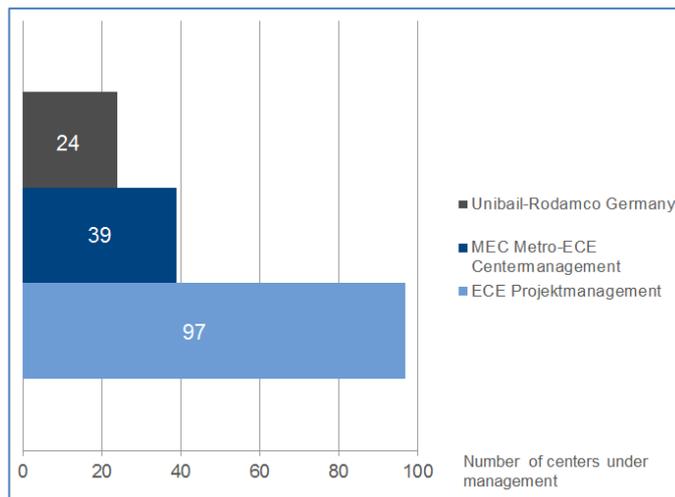


Fig. 2: Top 3 Shopping center management companies Germany
Source: Own illustration based on EHI, 2018, p. 34

It needs to be mentioned that statistics on these rankings may differ in the exact amount of centers, depending on the applied definition of a shopping center. The quoted EHI Retail Institute for example counts 39 centers under management for the company MEC Metro-ECE Centermanagement, while some of these properties can also be seen as retail parks, which can differ significantly in terms of size, location, structure and purpose (MEC, 2018b). ECE and Unibail-Rodamco Germany exclusively manage shopping centers that fit the above-outlined definition and that are in focus of this thesis.

Due to its predominant position on the German market, ECE was chosen as the focus company for this thesis and taken as a representative shopping center company. Its board members will therefore act as proxies in the subsequent survey-based analysis. Consequently, the company is briefly introduced in the following. ECE's assets under management accumulate about 200 properties worth 34 billion € in to-

tal, thereof 98 centers in Germany. The 200 shopping centers house 7.1 million square meters of retail space and have 4.3 million visitors per day. The company is a privately owned company and operates in 12 countries across Europe in the sector of large commercial properties (ECE, 2018a). 56% of the German population lives 30 minutes or less from an ECE shopping center (ECE, 2015). ECE covers the whole life cycle of those properties and offers the typical service range mentioned above. Moreover, ECE also offers services in architecture and construction, what differentiates it from smaller shopping center companies (ECE, 2018d). The firm focuses mostly on inner-city shopping centers in Europe, but also offers its services for real estates in the sectors traffic, office and industry. ECE acts as a pure service provider for investors, even though the owner family of the company invests by itself or via two investment funds (ECE, 2018a). It should be noted that this thesis places its focus on the shopping center business of operators only, while other business activities concerning office, traffic and industry properties are out of scope.

2.3 Key stakeholders and trends – an industry on the move

A shopping center has three major stakeholder groups, namely visitors, tenants and investors. Each group has significant influence on the business model and how it works. The visitor comes to the shopping center and spends his time there, wherefore he is valuable for tenants in two ways: either he directly spends money on products or services or he is a contact target, e.g. in terms of brand promotions. Either way, the visitor gets products and services, information on desired items or entertainment in return. The tenant is the direct contact point with his retail outlet and offers the corresponding products or services, wherefore the mix of tenants and their products or services is important for the attractiveness of the shopping center. For getting the contact and sales opportunities, the tenant pays a rent. The investor receives that rent, which is a return stream for the initial investment in the center (ECE, 2018d). Figure 3 shows a simplified overview of these relationships.

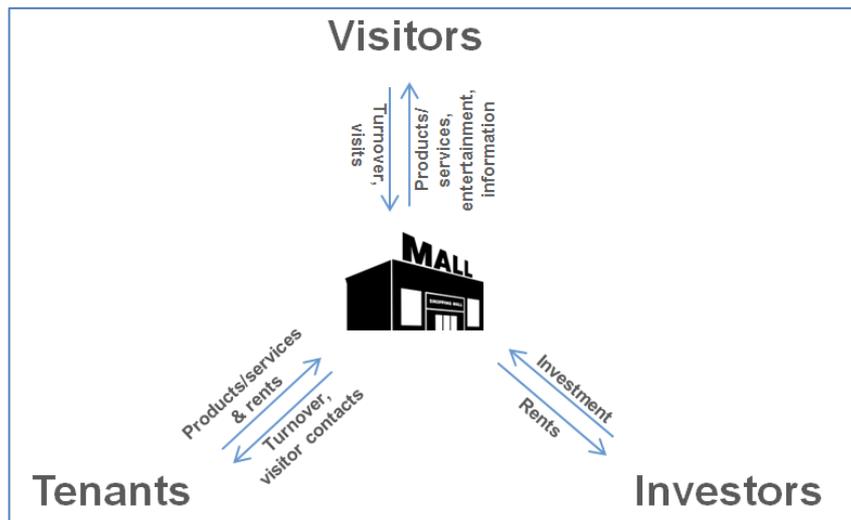


Fig. 3: Important stakeholders of a shopping center and their relationships
Source: Own illustration

Every development and change results in an impact on the depicted relationship and finally on the business model of shopping centers, wherefore trends concerning these groups are highly important. Consequently, key trends are outlined in the upcoming chapter, based on studies on the future of retail and real estate, such as Trends in Retail 2025 (KPMG, 2016), Global Powers of Retailing 2017 (Deloitte, 2017), Total Retail 2017 (PwC, 2017) and Emerging Trends in Real Estate (ULI & PwC, 2018), among others. These studies act as kind of a mirror that shows what moves the shopping center industry. They provide an overview of the developments currently under discussion.

2.3.1 Visitors – structural changes and changing behavior

According to the German trade association HDE, 58% of retailers registered a decreasing visitor footfall in their shops in the last two years (HDE, 2017b). While the survey from HDE does not differentiate between sales channels and therefore does not necessarily have to represent the situation of retailers in shopping centers, it at least emphasizes an upcoming pressure on retailers and their physical stores in general. Apparently, retailers recognize that their visitors change in multiple ways. Consequently, this chapter points out major trends concerning visitors that might have an influence on shopping centers.

First, this chapter focuses on changes in the consumer structure in Germany. In that regard, the demographic change is seen as an important and forecastable aspect (Benson-Armer, Noble, Thiel, 2015). The German population is shrinking from 81.1 million in 2016 to 80.5 million in 2025 (KPMG, 2016, p.15). Even the latest increase in immigration is not expected to counterbalance the decline in the long run. For retailers, this development means fewer potential visitors and customers, which could only be compensated by an increase in consumer spending (KPMG, 2016, p. 16). According to the German trade association HDE, such a development is unlikely to happen as the share of private consumption declined over the last decade and is with 28.76% at a low level compared to 35.41% in 2000 (HDE, 2017). Furthermore, the population is getting older. Comparing the years 2005 and 2025, the portion of over 80 year-olds rises from 4 to 8%, while the portion of 20 to 49 year-olds, an age group that is said to be eager to consume, is correspondingly shrinking from 42 to 36% (KPMG, 2016, p. 17). This leads to a change in demand and forces retailers to adapt their offers, which is also true for shopping centers, as these developments will influence the tenant mix and other obvious aspects like demands for accessibility of centers (KPMG, 2016, p. 16). Urbanization is another structural change and key trend with comprehensive influence. The German population is following a global trend of moving from rural to urban areas. The urban population is growing as a result of the influx from the countryside, wherefore in 2025 nearly 80% of the German population is expected to live in urban areas (United Nations, 2014). One aspect that could drive consumption is the increase in the number of small households, which may lead to an increase in consumption in certain areas, such as daily necessities (KMPG, 2016, p. 16). These developments will inevitably shape the retail landscape in general and consumer's characteristics in particular.

But not only will the structure of consumers change, but also their behavior, wherefore the next group of trends can be assigned to the area of consumer behavior, driven by an advancing digitalization. The increased share of e-commerce sales in total retail sales indicates that consumers and their habits are changing fundamental-

ly (BEVH, 2018). The digital retail sector achieved a volume of 48.7 billion € in 2017, which amounts to 13.2% of total retail turnover in Germany (HDE 2017d) (BEVH, 2018). While there are first indicators for a slowdown of the last years' rapid growth, e-commerce is still expected to grow at an annual rate of 7.8% until 2022 (KPMG, 2016, p. 64f.) (Statista, 2017). Consumers buy obviously also increasingly online and take advantage of digital retail offers. For example, 90% of Germans order products or services at Amazon, as a study from PwC states. At the same time, 34% of respondents in that study said to shop less in stationary retail outlets even though nearly every second German consumer still prefers a stationary retail outlet over an online store (PwC, 2017, p. 8 & 15). Another study found that 24% of consumers already use online and offline channels in parallel (Wisag & Statista, 2018). But not all products are affected equally. Rather, the distribution between online and offline purchases depends on the respective product group. While 50% of purchases of electronic devices are already made online, drugstore products are with a share of 75% and food even with 95% still mostly purchased offline (KPMG, 2016, p. 63 f.). The shift speed from offline to online is expected to be between 4 and 9% for most products in the next five years, regardless of their actual share, as a study from KPMG states (KPMG, 2016, p. 64). Apparently, the preference for an offline or online purchase depends on the product or service, among others. When consumers know which product they want, it's about choosing the best-fitting sales channel. Doing so, consumers value different aspects when buying offline or online. A study found that it is the testing of products, the immediate availability and the counselling with a sales person that speaks first and foremost for choosing a stationary retail outlet. In return, consumers named delivery services, pricing and the broad product range as reasons for buying online (Maier & Kirchgeorg, 2016, p. 6). Nevertheless, stationary retail outlets remain the most important point of contact for consumers in most product groups for the next years (KPMG, 2016, p. 65). However, it is already clear that consumers' expectations are moving away from separate sales channels towards combined and seamless shopping oppor-

tunities, enabled by digital offers. For example, a study showed that customers would like both channels to merge, e.g. when it comes to exchanging goods ordered online in the store or an online indication of availability in stores (Wisag & Statista, 2018). Especially consumers under 40 years with an income above average are very demanding in that regard (KPMG, 2016, p. 7). Furthermore, technology changes the way consumers interact with retailers. Mobile devices are becoming increasingly important in this relationship, identified as an important trend already several years ago (Mackenzie, Meyer & Noble, 2013). Very concrete application examples are e.g. the comparison of prices, the search for products, the gathering of product information as well as reading product and retailer evaluations (PwC, 2017, p. 22). The still ongoing rise of mobile is seen as a very certain trend with high impact on retail, wherefore its consideration is unavoidable (Benson-Armer, Noble, Thiel, 2015).

Finally, even consumption and its changing significance in the context of basic social values can be examined as important factors in the context of changing consumer behavior. The materialist orientation of society could possibly undergo a change to a post-materialist value position (Tibbs, 2011, p. 27 f.). Since materialism is the basis for consumption and therewith retail and shopping centers, any change in values influences the relationship between vendors and consumers. The sharing economy as a concrete expression of a first change is seen as an important trend with the potential to also affect retailers, even though its further development is uncertain (Benson-Armer, Noble, Thiel, 2015). A study found that post-materialistic values, e.g. a life reflecting immaterial needs, were more important to respondents than possessiveness (Heinrichs & Grunenberg, 2012, p. 17 f.). People more and more want to consume the benefits of a service or product rather than owning it for the sole purpose of possession (Jung & Rürup, 2017, p. 21). Noticeably is that more than 50% of Germany's population already experienced alternative forms of consumption, meaning for example sharing things instead of owning them. Although ownership of a particular good is still considered the norm, this development points

at least to a spreading mindset that has the potential to influence established retail business models as more consumers choose to adapt to this value set (Heinrichs & Grunenberg, 2012, p. 17 f.).

2.3.2 Tenants – concentration and digitalization

In this thesis, the term tenant covers all retailers and service providers who may appear in a shopping center as a tenant of lease space. The bandwidth ranges from traditional companies to startups, from local to international and across all sectors, from textile over electronics to gastronomy or various services (ECE, 2015, p. 34 ff.)

Tightly connected with the above depicted consumer developments are trends concerning the associated tenants, meaning retailers from all sectors as well as gastronomists and other service providers. The retail industry experienced a process of concentration in recent years. The number of companies in the German retail sector decreased from about 409.000 in 2006 to 345.000 in 2016 (Federal Statistical Office, 2018a). Simultaneously, the share of big companies with a turnover higher than 100 Mio € increased by more than 32% while the share of smaller companies with a turnover below 1 Mio € decreased by 20% (Federal Statistical Office, 2018b). Fewer and fewer sales are being generated through retailers, which do not belong to retail chains (HDE, 2017a, p. 25). This emphasizes a trend towards fewer, bigger and more professionalized market participants. These developments are taking place in a market in which the total sales area is expected to decline, leading to redistribution and displacement of previous market participants and formats (KPMG, 2016, p. 23). Correspondingly, the branch focus in terms of dominating topics has shifted. While expansion was named as the top topic for retailers in 2015, it was only placed third in 2017 (HDE, 2017f). Besides, tenants in high streets and shopping centers have evolved not only in terms of the above-depicted structure, but also in their composition. Today's consumer demand new offers, such as gastronomy. The so-called out-of-home consumption, eating in gastronomy instead of

home, increased in terms of turnover by more than 14% during the last 6 years (Euromonitor, 2018). Correspondingly, gastronomy is a sector that became a more and more important part of the retail sector in recent years, especially as a new kind of anchor in shopping centers (ECE, 2016, p. 2 ff.). In addition, think tanks see a shift from purchasing for the sole purpose of supplying goods to visiting shopping centers for multiple purposes, for example for health, entertainment or educational offers (Schleicher, 2018). All these aspects emphasize an evolving tenant structure in shopping centers.

A big driver for change is the above-outlined change in consumer behavior, enabled and pushed by digitalization (Jung & Rürup, 2017, p. 21). Tenants react on these changed demands with increased investments in newly and costlier designed shops, shorter renovation cycles and new services, which only the financially well-equipped retailers can afford (KPMG, 2016, p. 25). But one of the most pressing topics is omni-channel, which in this thesis means the integration of sales channels and their seamless usage and management. This definition separates the term from its predecessor multi-channel, which stands for multiple but still separated sales channels (Verhoef, Kannan & Inman, 2015, p. 3). These modern, integration fostering omni-channel approaches become more and more relevant and concrete, as consumers demand seamless shopping possibilities across different sales channels (see chapter 2.3.1). The transformation towards omni-channel is not only a challenge for retailers with an origin in brick and mortar retail, but also for former pure online players: as more than 50% of the top 1000 online shops also run offline stores and numerous well-known online retailers recently opened stationary retail shops, such as Amazon, Zalando or Cyberport, the mastery of omni-channel is a challenge for most modern retailers (KPMG, 2016, p. 25 f.). However, satisfying the new omni-channel demands seems to be a difficult task, as retailers don't meet customers' requirements yet, as a PwC study found (PwC, 2017, p. 17). Many retailers cannot meet the new omni-channel requirements of their customers yet. Only 17% of retailers themselves are "...confident their omni-channel business model delivers a

seamless and connected experience across channels and functions”, which reveals that structured and integrated inventory management systems are not yet the norm (PwC & SAP, 2017, p. 9). This puts retailers under pressure, as omni-channel services like click & collect, meaning that a certain product is reserved online and picked up in a store later, is already expected by on average 36% of consumers throughout different sectors (KPMG, 2016, p. 18). Even 50% of consumers expect retailers to provide the possibility to check product availability in a particular store online (KPMG; 2016, p. 17). Consequently, nearly two third of retailers stated in a survey that omni-channel is the most important technologically-driven trend at the moment (KPMG, 2016, p. 33). This view is supported by the fact that the vast majority of consumers do not see omni-channel as a temporary concept on a way to a pure e-commerce world. Rather, they expect that there will continue to be integrated stationary retail in the future (Jung & Rürup, 2017, p. 29 f.). To avoid hanging behind next trends and anticipate future customer needs better, retailers accordingly strive for a deeper consumer understanding through retail analytics (KPMG, 2017, p. 6). For example, 45% of retailers in a study in the US stated that they plan to take advantage of artificial intelligence within the next three years (Boston Retail Partners, 2017, p. 3). It can be expected that retailers in Europe and Germany will follow this trend soon. But many companies struggle with the implementation of such measures: 39% of retailers said that turning data into helpful customer insights is one of their greatest challenges at the moment and mastering it is not easy, as data security and privacy laws are perceived to be great barriers for retailers to implement new omni-channel solutions (PwC, 2017, p. 17) (PwC & SAP, 2017, p. 11).

The digitalization has of course further impact on retail beside the topic of omni-channel. The increasing striving for automatization is predicted to have a major impact on retailers and their stores. A recent study on the impact of automation by PwC revealed that 43% of jobs in the German retail and wholesale sector could be potentially automated by mid of 2030 (PwC, 2018, p. 19). Furthermore, virtual reality (VR) and augmented reality (AR) are expected to have an impact on retailers

and their stores (KPMG, 2017, p. 6). On the one hand, VR and AR could complement the stationary retail and increase the shopping experience (KPMG, 2017, p. 7). On the other hand, VR and AR could also develop into serious threat for stationary retail, as these technologies could expand the online shops by digital worlds of experience and thus reduce consumers' desire for physical stores (KPMG, 2016, p. 29). One way or the other, digitalization will without doubt not only influence consumer behavior as depicted in the previous chapter, but also have a direct impact on retailers, their sales channels and of course on their stationary retail outlets.

2.3.3 Real estate investors – investment pressure and rising complexity

First of all, it is important to clarify who is actually to be understood by the term "investor". The German Federal Bank differentiates between private and institutional investors (Deutsche Bundesbank, 2018). According to a report by the real estate service provider JLL, the average transaction in a shopping center in 2017 amounted to €58 million. When focusing on bigger shopping centers, even bigger investments of more than 100 million € have to be made (JLL, 2018, p. 2). In addition, investments in shopping centers are usually medium- to long-term oriented in order to balance expenses, e.g. transaction costs, and profit and to be able to realize added value. In this respect, investors in this asset class must be able to afford that their money is tied up over a longer period of time and is not available at short notice (Gantenbein, 2014). As a consequence, shopping centers in Germany are often owned by institutional investors, e.g. DekaBank or Union Investment. The mentioned investors for example buy shopping centers for their real estate funds, some of them also enabling private investors to invest indirectly in shopping centers (DekaBank, 2018) (Union Investment, 2018a).

After the term investor has been narrowed down, an overview of the prevailing trends and aspects that are of particular interest to investors is given in the following. Investors always have to evaluate, which asset classes are the most attractive option and provide the best balance between risk and return. Consequently, the ac-

tual low interest environment is a key aspect and has significant impact on the attractiveness of shopping centers. “As required returns on bonds and stocks move, so will required returns for property, followed by property capitalisation rates and prices” (Baum, 2017, p. 14). But as the actual yields of government bonds are with about 1% at a very low level and therefore no source significant returns, an average property yield of 4% in the euro zone currently represents a comparatively attractive investment opportunity (ULI & PwC, 2018, p. 18). The same constellation is valid for the shopping center market. Even though the German market is in a mature stage, as described in chapter 2.2, it still looks attractive, compared to other investment alternatives. The situation fosters real estate investments in general and shopping center investments in particular, even though investors are aware of the recent years’ long risen prices (ULI & PwC, 2018, p.18). “The dominant theme for real estate capital markets in 2018 is the tension between the pressure to invest and the fear that real estate is late in the cycle, highly priced and thus carries latent risk” (ULI & PwC, 2018, p. 17). Of course, market conditions do not apply equally to all types of property as they differ in their attractiveness, which is mainly driven by the respective real estate purpose and usage. As an example, investments in logistic properties are perceived to be quite attractive at the moment as logistics volume increased over the years due to the rise of e-commerce (ULI & PwC, 2018, p. 23). And of course, the perceived attractiveness of different real estate types as investments also changes over time. The Urban Land Institute (ULI) and PricewaterhouseCoopers (PwC) ask investors every year for their investment preferences and ranks the different real estate types in terms of their attractiveness as investments. 2015, shopping centers in Europe were in 10th place in the favor of real estate investors (ULI & PwC, 2015, p. 23). In 2018, they dropped to place 18 (ULI & PwC, 2018, p. 23). It could also be observed that investments in shopping centers decreased in recent years. The investment volume in shopping centers in Germany was 2016 at €4.1 billion, a decrease of 28% compared to 2015 (Cushman & Wakefield, 2017). In 2017, the transaction volume decreased even further to €2 billion,

which is also significantly below the five year average of €3.5 billion. While the real estate advisory firm JLL does not see a lack of attractiveness as the main reason for this drop but a pure lack of available shopping centers on sale, the report of ULI and PwC reflects at least an uncertainty of investors about the future of retail and associated therewith about the future of shopping centers (JLL, 2018, p. 2). As in recent years the news was filled with negative articles about retail especially in the US, investors are uncertain what to expect of the European retail market in the future, even though both markets are very different in terms of structure and density of retail space, as described in chapter 2.2 (ULI & PwC, 2018, p. 25). It can be summarized that the tension between the outlined uncertainty about the future of retail on the one hand and the intense search for investment opportunities in a very liquid and low interest environment on the other hand is what could keep investors very busy also in the following years.

Another trend that needs to be taken into account is the rising complexity of real estate investments. A first factor for this is that buildings tend to be more and more mix-used, meaning they no longer serve a single but multiple purposes, as mentioned in chapter 2.3.2 (Baum, 2017, p. 78). Nearly two third of respondents in a real estate study stated that established distinctions between different real estate types will become more and more irrelevant in the future (ULI & PwC, 2018, p. 66). This of course makes investments in real estate more difficult, as it underlies several usage and business models, which makes it harder to calculate risks. However, a diversification of usage can also mean a diversification of risk. A second factor that drives complexity is an evolution of the traditional relationship between property owner and tenant. While nowadays both parties usually agree on long-term lease contracts, usually 10 years in the shopping center context, it is expected that lease periods will be more flexible and shorter in the future (Baum, 2017, p. 14 (Jung & Rürup, 2017, p. 22)). Since the value of a property depends on a stable and long-term secured cash flow, this has direct impact on the value and valuation models of properties (Baum, 2017, p. 86) (ULI & PwC, 2018, p. 70). “Much of the real estate

market will become more like an equity asset and less like a bond” (Baum, 2017, p. 85). The last factor to be mentioned is the progression of property-related technology, which will surely also affect shopping centers. A report from Oxford University on the future of real estate expects a lot of technology-driven innovation efforts, based on “...frustrations concerning the large, unmoving, illiquid asset class and the vested interests of the business...” (Baum, 2017, p. 13). Consequently, start-ups target several areas around real estate, from leasing management software and property information tools to virtual viewing or building management (CB Insights, 2016). While it is difficult to predict which of these areas will thrive most, technology and digitalization are likely to play an important role also in the future of real estate, as these two trends were named by market participants as the most important ones (ULI & PwC, 2018, p. 65).

3. Strategic scenario planning in theory

As described above for the three stakeholder groups, various trends and developments are driving the shopping center industry. In such a world, every market participant strives to elaborate kind of a strategic master plan. But strategic planning has gotten more and more complicated. “The modern business world is plagued by uncertainty. It is far more complex and volatile than 30 years ago” (Schwenker & Wulf, 2013, p. 12). The world’s future is shaped by quickly evolving and changing trends, which again show interdependencies among each other. Such an uncertain environment makes any attempts to strategic planning complex and highly demanding (Schwenker & Wulf, 2013, p. 12). The following paragraph explains what constitutes uncertainty and outlines why planning under such uncertainty is so challenging.

3.1 Background and importance / dealing with uncertainty

Uncertainty in the context of this thesis means “...an individual’s perceived inability to predict something accurately” (Milliken, 1987, p. 136). As the term “uncertainty” is used interchangeably with “risk” and “insecurity”, these three different

characteristics need to be differentiated (Dauner-Lieb & Schwenker, 2017, p. 23 f.).

(1) Risk means that the set of possible developments and their likelihood of occurrence are known. Correspondingly, the best choice can be derived by an analysis.

(2) Insecurity implies that the set of developments is known, whereas their probability is not. While an analysis does not provide a single optimal choice anymore, a solid preparation for the various developments is still possible.

(3) Real uncertainty is given when even the set of options is unknown, wherefore any development is hard to predict. While a situation with insecurities still offers some points of orientation, a state of uncertainty is enormously challenging, since not even all influencing aspects are known. Strategic planning, especially under real uncertainty, is therefore a major challenge (Dauner-Lieb & Schwenker, 2017, p. 24). To understand uncertainty better, its three core dimensions according to Schwenker and Wulf are described (Schwenker & Wulf, 2013, p. 24 ff.):

1. The first dimension is volatility, which can be distinguished in two sorts, firm-level and aggregate volatility. Firm-level volatility describes sudden changes in a "...company's workforce, sales, earnings [...] that affect a company's individual situation" (Schwenker & Wulf, 2013, p. 24). Aggregate volatility on the other hand refers to changes of "...macro-indicators such as GDP growth on a national, regional or global level" (Schwenker & Wulf, 2013, p. 25). In recent years, volatility on the firm-level has increased while aggregated volatility has decreased (Comin & Philippon, 2005, p. 168).
2. The next core dimension of uncertainty is complexity, which derives from a growing number of relevant factors and elements that need to be regarded by managers when formulating a company's strategy (Schwenker & Wulf, 2013, p. 26). According to an article in the Harvard Business Review from Snowden and Boone, "...a complex system has the following characteristics" among others (Snowden & Boone, 2007, p. 71): (1) The elements are connected and interacting, (2) minor impacts can produce disproportionately major consequences, (3) the whole is greater than the sum of its inputs and as-

sets, (4) hindsight does not lead to helpful implications for the future as external conditions are constantly changing, (5) agents and the system constrain one another (Schwenker & Wulf, 2013, p. 26 f.). Concrete examples for the rising complexity are a “broader range of stakeholder interests”, an “increasing global presence” or an “information overload” (Schwenker & Wulf, 2013, p. 27 f.).

3. Ambiguity as a last core dimension is a result from an incomplete information set: when it is unclear if all necessary information in a situation is available and “...decision makers lack potentially important information...”, the decision making process gets difficult, especially when long-term oriented and important strategic decisions are at stake (Schwenker & Wulf, 2013, p. 29).

Increasing volatility, complexity and ambiguity lead to the question of whether and which strategic planning instruments can cope with these difficulties. And given these circumstances, it is understandable if the value of any attempt at strategic planning is questioned and weaknesses of existing approaches to strategic planning are highlighted (Mietzner & Reger, 2005, p. 236). The question if the world’s development is too uncertain to create any added value with strategic planning is apparently valid (Schwenker & Wulf, 2013, p. 29). But arguments can also be put the other way around: “In view of the increasing complexity and uncertainty [...] it is more important than ever to reflect on today's decisions with foresight and to align them for the future” (Kosow & Gaßner, 2008, p. 6). The following chapter therefore examines the extent to which strategic planning approaches for shopping centers can be regarded as valuable.

3.2 Scenario planning as an appropriate tool to forecast the Shopping Center industry 2025

As the fundamental trends and changes depicted in chapter 2 have revealed, dealing with uncertainty is a major challenge for the shopping center industry and its market participants, too. A strategic tool that may be suitable for overcoming these chal-

lenges is the so-called scenario-based strategic planning. In this chapter, advantages and disadvantages of this tool are outlined, especially when being compared to traditional strategic tools.

The value of scenario-based strategic planning can be summarized in three major aspects:

- (1) The application of strategic approaches creates awareness for insecure and uncertain developments, as the tool application forces to carry out a deep and proper analysis.
- (2) It provides inner and outer orientation, as strategic discussions can be based on various different imaginable scenarios for the future.
- (3) It provides a mental framework for further development of strategic development (Dauner-Lieb & Schwenker, 2017, p. 53).

In summary, it helps to “avoid the avoidable” and to “shape the unavoidable” (Dauner-Lieb & Schwenker, 2017, p. 28 f.). Or put more easily: “Managers who can expand their imaginations to see a wider range of possible futures will be much better positioned to take advantage of the unexpected opportunities that will come along” (Schoemaker, 1995). The value of scenario-based strategic planning is particularly evident when compared with traditional strategic approaches. Once developed for supporting the strategic decision making in the military sector, scenario-based strategic planning became more and more popular at the end of the 1960s, where such approaches were firstly used in a corporate context at General Electric and Royal Dutch Shell (Kosow & Gaßner, 2008, p. 7). Nowadays, these approaches are more relevant than ever and outperform traditional strategic approaches, as established and easily applicable strategic tools like the famous Porter’s Five Forces struggle with modern requirements. Firstly, this is due to the fact that tools like Porter’s are mostly limited to a static analysis of the current situation and do not allow for consideration of dynamic environments (Schwenker & Wulf, 2013, p. 13 & 36). As such, these traditional tools are based on the assumption that one scenario for the

future can be calculated and extrapolated on the actual status quo (Dauner-Lieb & Schwenker, 2017, p. 305). Secondly, “Traditional strategic management frameworks fail to provide adequate answers in this [modern] context” (Schwenker & Wulf, 2013, p. 12). The modern context is driven by complexity and the fact that multiple versions of the future are conceivable and have to be regarded. These multiple possible futures then each have the potential to close and open other options when they are chosen (Kosow & Gaßner, 2008, p. 6). Taken together, traditional approaches “...don't consider dynamic processes or they only deal with specialized fields of business” and thereby miss to cope with today’s complexity (Schwenker & Wulf, 2013, p. 36). In contrast to that, scenario-based strategic planning allows the creation of different alternative images of the future, involving and covering different developments of dynamic environments, which make them more suitable for today’s demands (Dauner-Lieb & Schwenker, 2017, p. 308). It is important that the approach of strategic planning is not misunderstood: “The aim of the technique is not to accurately predict the future but rather to develop strategies by overcoming perceptual biases of managers” (Wulf et al., 2010, p. 9). The approach “...enables managers to deal more effectively with the challenges posed by an increasingly uncertain business environment, characterized by complexity and volatility” (Schwenker & Wulf, 2013, p. 44).

Of course, approaches to scenario planning also come with disadvantages and challenges. They can be condensed to two major aspects:

- (1) Approaches to scenario-based strategic planning are time-consuming and resource-hungry. As outlined in the next chapter, several steps need to be executed one after another, a broad spectrum of information has to be gathered and qualified experts need to be involved in the application of the tool (see chapter 3.3). Accordingly, the approach is not suited for getting results within a short time frame.
- (2) The approach can only provide valuable insights if executed by experts with extensive knowledge in the field under investigation. The accompanying challenge is

for these experts to not be too biased in advance with already established thoughts or opinions, but to really deduct strategic options from the information derived from the scenario-building process (Mietzner & Reger, 2005, p. 236).

To overcome the weaknesses as far as possible while retaining the strength of scenario planning at the same time, HHL Leipzig Graduate School of Management (HHL) and the strategy consultancy Roland Berger developed an optimized approach to scenario planning (Wulf et al., 2010, p. 3). The approach is described in the following chapter.

3.3 HHL-Roland Berger approach to scenario-based strategic planning

Scenario-based strategic tools most often include four essential steps: define a scope, construct a database, build scenarios and choose strategic options (Mietzner & Reger, 2005, p. 228). The HHL-Roland Berger approach to scenario-based strategic planning consists of two additional and thus a total of six steps, which must be carried out in order to derive four different scenarios and corresponding strategies. Each step is equipped with a specific standardized tool that helps to achieve the desired result (Schwenker & Wulf, 2013, p. 50 f.). This standardization through tools ensures that the above-depicted weaknesses of traditional scenario-planning approaches can be overcome (Wulf et al., 2010, p. 3f & 45). The “...approach follows a clearly structured procedure that reduces the complexity of the scenario planning project and allows for a quicker and easier application in practice” (Wulf et al., 2010, p. 14). The scenario development process is depicted in figure 4.

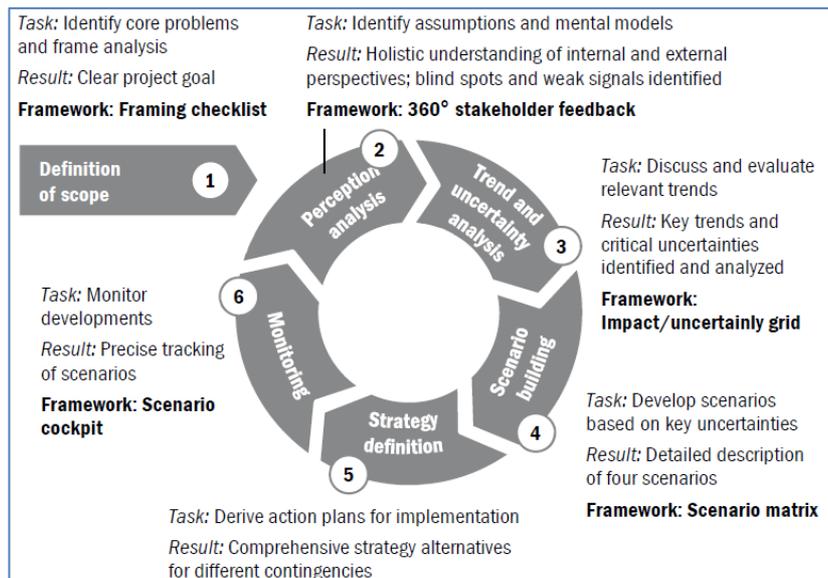


Fig. 4: The HHL-Roland Berger Scenario-Development Process
 Source: Schwenker & Wulf, 2013, p. 51

(1) The first step is the definition of scope. At this starting point, the “...goal, strategic level of analysis, participants, time horizon and stakeholders to be included in the process” are defined (Schwenker & Wulf, 2013, p. 50). The corresponding tool at hand is the “framing checklist”, which ensures that all important questions need to be answered and the project setup is solid. Especially a clear goal definition is essential, as it lays the basis for the whole project (Schwenker & Wulf, 2013, p. 52).

(2) The second step is the perception analysis. “The goal of Step 2 is to examine the perspectives of internal and external stakeholders on future developments in the industry” (Schwenker & Wulf, 2013, p. 52). For that purpose, internal and external stakeholders are surveyed using the so-called “360° stakeholder feedback”. In a two-step procedure, all relevant factors that are essential for the future development of the research subject are firstly collected following the so-called PESTEL (acronym for political, economic, societal, ecological and legal) analysis. This approach sheds light on all relevant factors that strongly influence the subject at stake in the chosen time horizon (Dauner-Lieb & Schwenker, 2017, p. 60). The stakeholder pool needs to be selected carefully with the goal to achieve a maximum of input diversity. Furthermore, the stakeholder needs to consist of strategic decision-makers

with significant influence on the strategic level (Schwenker & Wulf, 2013, p. 91). These aspects ensure that all relevant view angles and all essential factors are taken into account. In a second step, the stakeholder group rates the collected factors in terms of impact and uncertainty by asking closed questions (Dauner-Lieb & Schwenker, 2017, p. 59). This is the starting point for further analysis. A comparison of internal and external perception of the collected and rated factors "...allows the company to identify any blind spots (areas consciously or unconsciously ignored) and weak signals (initial indicators of future changes in the environment)" (Schwenker & Wulf, 2013, p. 53).

(3) The third step is the trend and uncertainty analysis, which is carried out with the aid of the so-called "impact/uncertainty grid". Within this step, the collected factors are posted on a grid with an impact and an uncertainty dimension according to each factor's rating. "The position of individual factors in the matrix is determined by their average evaluation by the stakeholders in Step 2 (the perception analysis)" (Schwenker & Wulf, 2013, p. 56). Consequently, the factors are grouped in three categories "...to identify the most crucial environmental drivers the corporation has to consider in its planning" (Wulf et al., 2010, p. 10 f.). First are the secondary elements, which have a low impact on the company's or industry's future development. These factors therefore fall out of further consideration irrespective of their degree of uncertainty. Factors of the next category are so-called trends, which have a high impact but are associated with a low level of uncertainty. It is therefore likely that a company can adapt well to these trends, as they are more or less predictable. Due to their impact, they will be taken into account in the subsequent scenario building process. The third category consists of the so-called critical uncertainties, which are characterized by a high impact on the future development as well as a high uncertainty (Schwenker & Wulf, 2013, p. 56 f., 98 f. & 115 f.). These are the most important factors that need be regarded and which "...serve as the basis for identifying the two scenario dimensions..." (Schwenker & Wulf, 2013, p. 56). The final task of step three is "...to identify [...] two mega-categories by revealing as-

pects that are common to the critical uncertainties" (Schwenker & Wulf, 2013, p. 100).

(4) The fourth step is the scenario building, which can be regarded as the core of the process to strategic planning. The critical uncertainties identified in the previous step are the basis for the development of four distinct scenarios (Wulf et al., 2010, p. 11). The essential tool at hand is the "scenario matrix", "...a deductive method that is useful for constructing and describing scenarios in uncertain and volatile situations", complemented by an "influence diagram" and a "fact sheet" (Schwenker & Wulf, 2013, p. 105). A four step approach leads to the desired distinct and consistent scenarios. First is the scenario identification using the so-called scenario matrix. Based on the two key uncertainties identified in the previous step, the matrix provides a framework for each a positive and a negative development of the two key uncertainties, leading to four quadrants and thereby a basis for the scenarios (Schwenker & Wulf, 2013, p. 105 f.). Secondly, the influence diagram comes into play. The diagram is basically an overview of cause and effects, structured in chains that lead to the selected key uncertainties. The consistency of the diagram is very important, because errors at this point lead to wrong assumptions and thus to wrong scenarios and strategies (Schwenker & Wulf, 2013, p. 107 f.). In the subsequent third step, "...the process of describing the four scenarios in narrative prose can begin" on the basis of the previously elaborated influence diagram. In a fourth step, a fact sheet for each scenario is created, containing key figures that characterize the specific scenario and need to be monitored in the future (Schwenker & Wulf, 2013, p. 108).

(5) The fifth step is the strategy definition, based on the previously created scenarios. The proposed tool is the "strategy manual", which starts with an elaboration of strategic measures for each of the developed scenarios. The strategies focus on each scenario's focal points, meaning the essential factors that dominate a scenario. "These focal points, which form the boundaries of the scenarios, are those elements of the core strategy that must be more rigorously implemented than the others..."

(Schwenker & Wulf, 2013, p. 134). Next is the identification of common elements to form a core strategy that can be applied “...regardless of which influence factor dominates in the four scenarios” (Schwenker & Wulf, 2013, p. 134). Optional strategy elements targeting specific factor developments can be elaborated to complement the elaborated strategy (Schwenker & Wulf, 2013, p. 134). It should be checked whether the strategies can withstand a review from the perspective of the respective scenarios (Wulf et al., 2010, p. 11).

(6) The sixth step is the monitoring by using the “scenario cockpit”. By examining developments in the company’s or industry’s environment related to the identified key uncertainties, the tool helps to reveal if the elaborated strategies fits and when the best point in time for execution is. Furthermore, the tool examines if changes to the strategy are needed (Schwenker & Wulf, 2013, p. 62). The environmental developments and changes are quantified by assigned KPIs in order to be able to measure and compare them continuously. A regularly updated report for senior managers should then be the basis for an ongoing discussion about which strategic measures for the evolving scenarios suit best (Schwenker & Wulf, 2013, p. 140 ff.) (Dauner-Lieb & Schwenker, 2017, p. 62 f.).

For this thesis, the approach from HHL and Roland Berger was selected as the adequate tool, due to the above-depicted standardization and optimization, to derive strategic options for a shopping center company in the year 2025

4. Practical application of HHL-Roland Berger approach to scenario-based strategic planning

In chapter 2, the shopping center industry with its major key trends was depicted. It could be found that the industry is experiencing severe changes and that it embedded in an uncertain environment, which makes strategic and long-term planning challenging. Afterwards, an adequate tool to navigate strategically through uncertain environments was outlined and chosen as the suitable approach to cope with this uncertainty. In this chapter, the HHL-Roland Berger approach to scenario-based

strategic planning will be applied, following the previously depicted steps 1 to 5. Step 6 however (monitoring), will not be executed due to the limited scope and the temporal possibilities of this thesis.

4.1 Definition of scope

The starting point is the framing checklist, which is supposed to fix the project set-up by asking for answers about five central aspects.

(1) The goal of the scenario project needs to be set first. The aim of this thesis is to develop four realistic future scenarios for shopping centers in Germany in 2025 and to derive a suitable strategy for a shopping center operator to adapt to the scenarios.

(2) The approach execution focuses on the business level. By doing so, other corporate activities are out of scope, e.g. other business fields or real estate projects. Consequently, the scenario and strategy development process will not cover other business areas than shopping centers.

(3) The HHL-Roland Berger approach is executed by an MBA student of HHL who is also employee at ECE in the unit for Organizational Development. Internal sparring partners for the scenario development process at ECE were involved as recommended (Schwenker & Wulf, 2013, p. 108); namely Frank Bünemann (Director Organizational Development) and Robert Heinemann (Managing Director Human Resources & Corporate Services). JProf. Erik Maier (Professor Retail- and Multi-Channel Management, HHL) acts as the supervising professor and was thereby involved in the project framing and setup.

(4) The 360° stakeholder feedback covers internal and external strategic decision makers from all relevant stakeholder groups, as suggested by the HHL-Roland Berger model (figure 5).

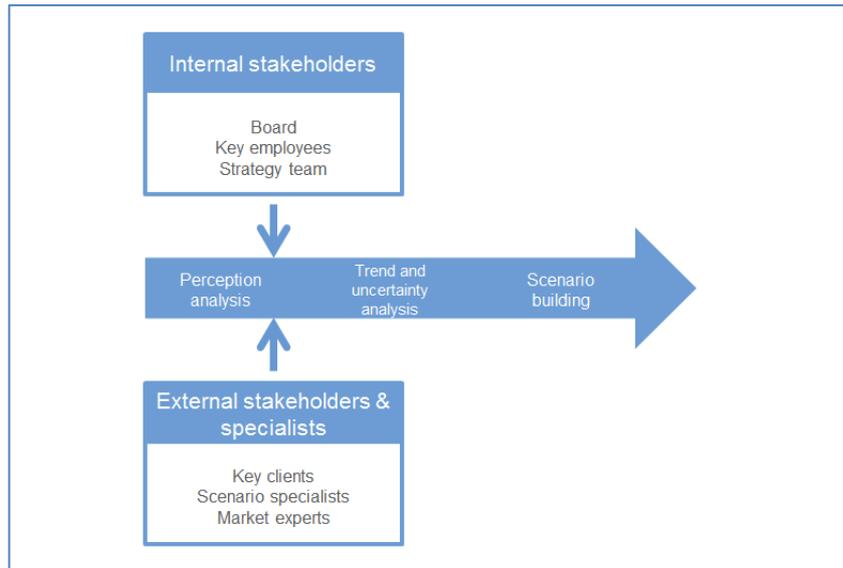


Fig. 5: Participant groups of the 360° Stakeholder Feedback
 Source: Own illustration, based on Wulf, Meißner & Stubner, 2010, p. 18

The internal stakeholder group consists of ECE’s management board, namely Alexander Otto (Chief Executive Officer), Joanna Fisher (Center Management), Steffen Eric Friedlein (Leasing), Robert Heinemann (Human Resources & Corporate Services), Henrie W. Kötter (Development and Chief Investment Officer), Markus Lentzler (Architecture & Construction) and Claudia Plath (Finance and CFO). Complementary, Ulrich Schmitz (Senior Director Center Management) and André Wittstock (Director Asset Management) were surveyed as key employees. Thereby, all internal decision makers ultimately responsible for the three major client groups (investors, tenants and visitors) were involved.

Thus, the external stakeholders are also representatives of these key client groups. As investors with expertise in real estate in general and shopping centers in particular, Dr. Volker Kraft (Managing Partner, ECE Real Estate Partners), Dr. Reinhard Kutscher (CEO, Union Investment Real Estate) and Wilhelm Wellner (CEO, Deutsche EuroShop AG) were surveyed. Each of the three investors involved represents its own type of investor. While ECE Real Estate Partners works exclusively with institutional investors, private investors can also invest in Deutsche EuroShop AG as an MDAX company through share purchases. In contrast to these two, Union

Investment Real Estate is a company that invests not only in shopping centers or commercial properties but also in a very broad real estate portfolio with other real estate types. For the sake of form, it should be noted here that the investment company ECE Real Estate Partners, despite its name, is not a part of the shopping center operator ECE Projektmanagement but a separate sister company. Thus, Dr. Volker Kraft is to be regarded as a regular external stakeholder who is not an employee of the shopping center operator ECE Projektmanagement (ECE, 2018e) (Union Investment, 2018b) (Deutsche EuroShop AG, 2018). For the tenant group, Sven Gröning (Property Director Germany, TJX Deutschland), Jochen Halfmann (CEO, Vapiano), Philip Jelden (Director Retail Development & Expansion, PVH Corporation) and Klaus-Josef Weber (Head of Real Estate, Media-Saturn Deutschland) participated in the stakeholder feedback. With representatives from the textile and electronics retail as well as from gastronomy, a wide range of different tenants could be covered (TJX, 2018) (Vapiano SE, 2018) (PVH Corporation, 2018) (MediaMarktSaturn Retail Group, 2018). To consider the visitor group Prof. Dr. Manfred Kirchgeorg (Professor Marketing, HHL), Prof. Dr. Ralph Kleiner (Professor Retail Management, EUFH) and Prof. Dr. Ulrich Reinhardt (Scientific Head, BAT-Foundation for Future Studies) as experts for consumer research were identified and included in the survey process. With this selection, scientific experts for marketing, retail and futurology were involved (HHL, 2018) (EUFH, 2018) (Foundation for Future Studies, 2018). As a round up, also external specialists in the form of strategy experts with no previous contact to the shopping center industry and therewith free of bias were involved to also include an independent strategic angle at the questions at hand. The experts were namely Joe Boden (Senior Consultant, McKinsey & Research Associate at HHL) and Prof. Dr. Burkhard Schwenker (Senior Partner & Chairman of the Advisory Council, Roland Berger & Academic Co-Director, HHL Center for Scenario Planning) who is also one of the authors of the HHL-Roland Berger approach to scenario-based strategic planning (Linkedin, 2018) (Roland Berger, 2018). All of the above-mentioned stakeholders have strategic decision-

making authority and a particularly well-founded view of their field of expertise and strategic planning in general.

(5) As a last component of the framing checklist, the time horizon needs to be set. For this thesis, the scenario development is targeted for the next 7 years until 2025. While for most industries time horizons of up to 5 years are recommended, it was agreed in the preparation process for this thesis, that 7 years is an adequate horizon for a capital-intensive industry like real estate, which has comparably long payback periods and is thus rather long-term oriented (Schwenker & Wulf, 2013, p. 77 f.).

4.2 Perception analysis

As described in chapter 3.3, the scenario development process begins with capturing the views of internal and external stakeholders in the so-called perception analysis. Key influence factors, which influence shopping centers in the upcoming years until 2025, are collected and rated in terms of each factor's impact and uncertainty. Goal of this step is to get an understanding which factors play a crucial role in the future from the experts' point of view. Furthermore, the internal and external views are compared to find out if there are any blind spots or weak signals.

4.2.1 360° Stakeholder Feedback

The first step of the 360° stakeholder feedback took place with all 22 participants specified in the framing checklist. The first round of interviews was conducted either in person or by telephone to collect the influencing factors. In that round, no online mailing was used to ensure that each interviewee had an exact and complete understanding of the procedure. Following the PESTEL-scheme, the influencing factors were collected by answering corresponding questions (appendix 1). Afterwards, similar and congruent factors were clustered as basis for further analysis. All in all, 49 factors could be identified in round 1 (appendix 2). As the focus topic at stake in this thesis is a quite complex matter due to the very different perspectives of the stakeholder groups, this number appears to be pretty close to the optimum of 40 factors (Schwenker & Wulf, 2013, p. 53).

A comparison of the factors collected with the trends identified in chapter 2.3 reveals a significant overlap. Many of the trends identified in the research studies were also mentioned by stakeholders in the interviews (appendix 2). However, stakeholders also mentioned numerous factors, which are of a more fundamental nature in particular. This applies, for example, to factors such as political stability in Germany, the perceived security in public spaces or the importance of shopping as a leisure activity. These were not named in the studies analyzed, which also underlines the value of the 360° stakeholder feedback: since studies on trends in the retail or real estate sector always focus on the latest developments, the stakeholder survey offers the opportunity to include other factors that can nevertheless be of great importance for strategic planning, even though they might not be a new factor.

In the second round, the collected 49 factors were sent to all participating stakeholders, who then assessed them in terms of impact and uncertainty following these two questions:

1. What is the impact of this factor on the future of shopping centers until 2025? Please evaluate the potential impact per factor on a scale of 1 (very weak impact) to 10 (very strong impact).
2. How uncertain is the further development of this factor up to the year 2025? Please rate the uncertainty per factor on a scale of 1 (very low uncertainty) to 10 (very high uncertainty).

The detailed results per factor and stakeholder surveyed can be found in appendix 3. The following chapter focuses on the evaluation of the results in order to prepare a basis for the subsequent scenario development.

4.2.2 Result analysis - blind spots & weak signals

After having executed the 360° stakeholder feedback, the result analysis takes place. In this step, differences in the views of internal and external stakeholders are of particular interest. Therefore, the results in terms of the arithmetic mean of internal and external stakeholder evaluations per factor are mapped on spider diagrams,

one for each the impact and uncertainty dimension (figures 6 & 7). In the following paragraphs, blind spots (1) and weak signals (2) are identified based on those results.

(1) Blind spots are, as described in chapter 3.3, “...areas consciously or unconsciously ignored...”, meaning that external experts rate a factor significantly higher in terms of impact or uncertainty than internal stakeholders (Schwenker & Wulf, 2013, p. 53). These spots contain the risk that internal stakeholders have not grasped the full extent of the underlying factor.

In the analysis of the impact dimension, three of these blind spots could be identified.

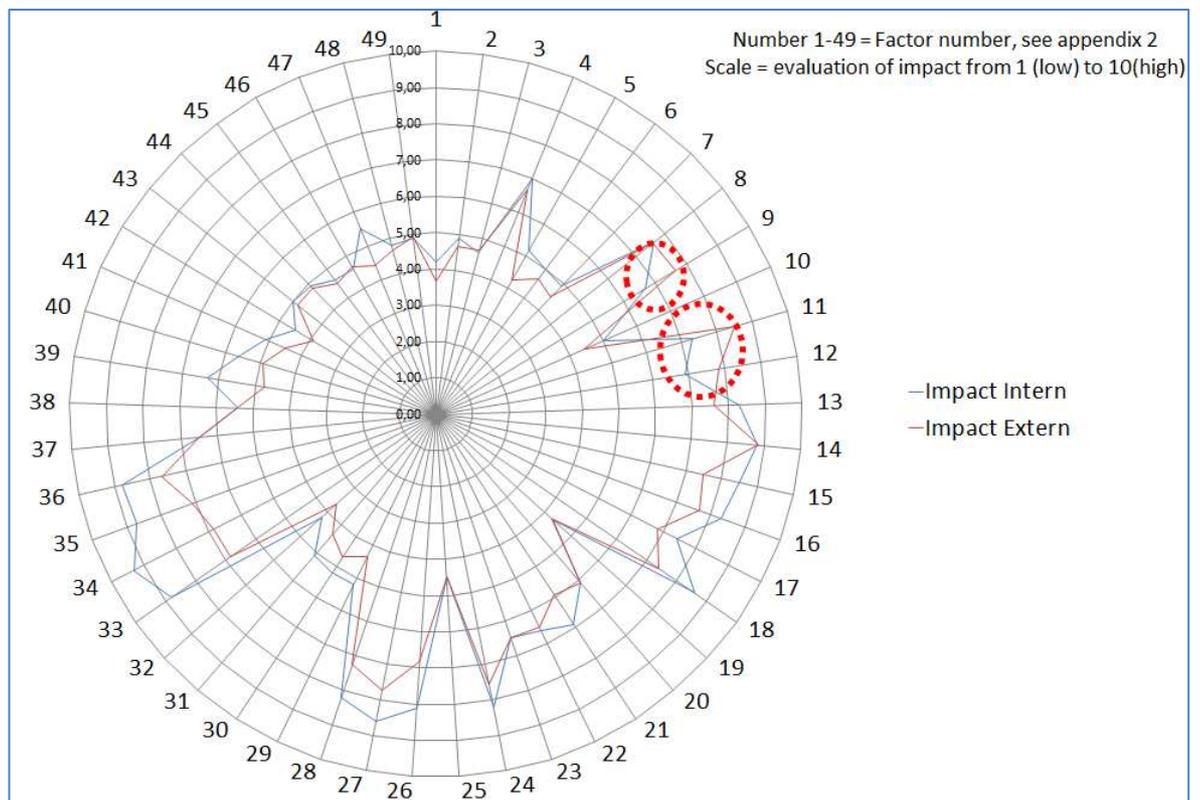


Fig. 6: Stakeholder Feedback, blind spots in the impact dimension
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 85

1. Development of perceived security in public spaces, factor 9 (political)
2. Development of retail-relevant purchasing power, factor 11 (economic)
3. Economic development in Germany, factor 12 (economic)

The analysis shows that out of 49 factors, only three are rated higher by external stakeholders compared to internal stakeholders. All three factors can be characterized as very basic and fundamental. One possible explanation for the lower valuation by internal stakeholders could be that these factors are considered too banal to evaluate as key factors for the future development of shopping centers. In contrast to that, internal stakeholders rated four out of seven technological factors (factor 33 to 36) so much higher in regard to their impact than the external stakeholders that they could be interpreted as overvalued (figure 6).

Next is the analysis of the uncertainty dimension. All in all, eight blind spots could be identified.

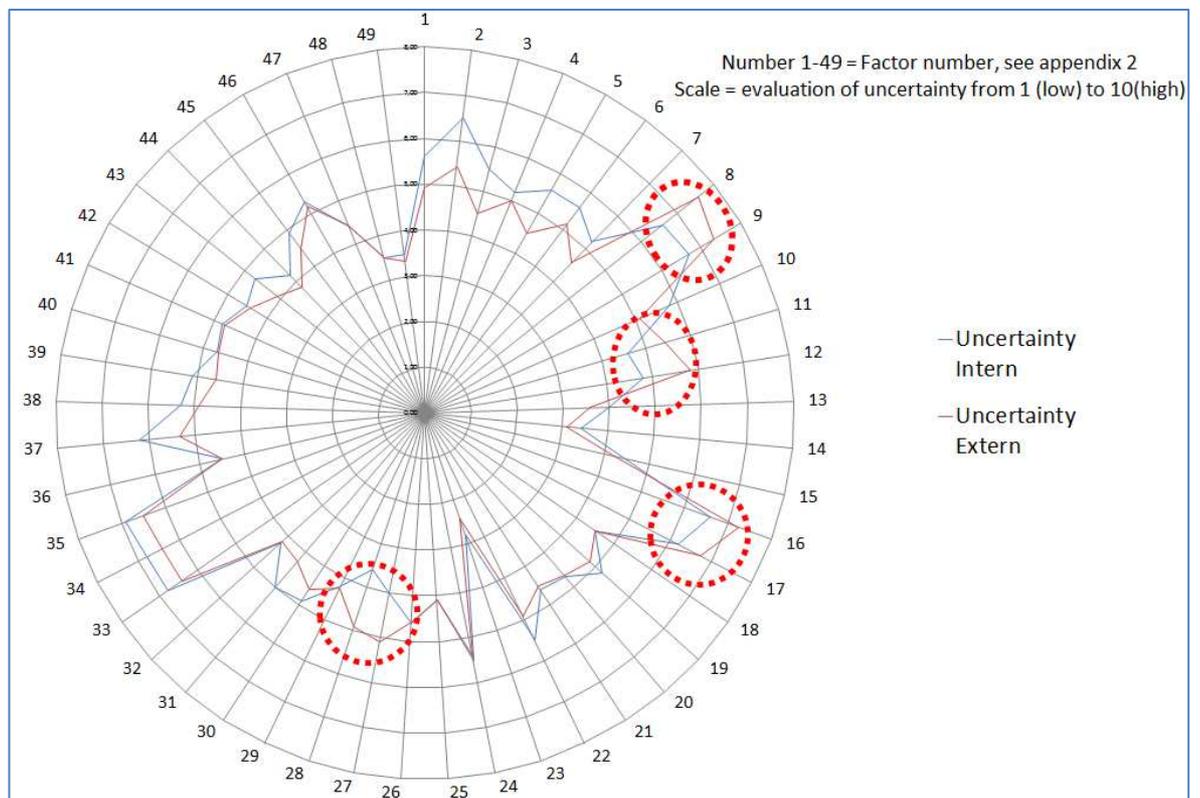


Fig. 7: Stakeholder Feedback, blind spots in the uncertainty dimension
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 86

1. Development of political stability in Germany, factor 8 (political)
2. Development of perceived security in public spaces, factor 9 (political)
3. Development of retail-relevant purchasing power, factor 11 (economic)

4. Economic development in Germany, factor 12 (economic)
5. Development of the innovative strength of retailing, factor 16 (economic)
6. Development of interest rates, factor 17 (economic)
7. The importance of shopping centers as a meeting place for people, factor 27 (societal)
8. Importance of "shopping" as a leisure activity, factor 28 (societal)

Economic factors account for half of these blind spots in the uncertainty dimension. Four out of a total of twelve economic factors were assessed by external experts as more uncertain than by their internal counterparts. It is also significant that a total of three factors have been identified as blind spots in both the impact and the uncertainty dimension. Two out of these three factors are again from the economic section. This emphasizes not only significant differences in the mental models in general, but also especially in regard to the economic point of view. It is also noteworthy that the social factors 27 and 28 in particular, which target basic consumer behavior, were regarded by internal stakeholders as more certain than by their external counterparts. Accordingly, it must be questioned whether these two factors are taken for granted by internal stakeholders too lightly. It is often precisely these basic assumptions, which are no longer called into question since they are taken for granted but which can then cause considerable difficulties, wherefore they should be kept in mind during strategic development (Olson, van Bever & Verry, 2008).

(2) In a next step, the collected data was analyzed in regard to so-called weak signals. These are factors, which were only named by a few stakeholders in the first round of the survey, but rated high in terms of impact and uncertainty in the second round. They can be taken as early indicators of upcoming important changes of the company's environment (Schwenker & Wulf, 2013, p. 54 & 95). This criterion relevant for a weak signal is fulfilled by factor 9 (development of perceived security in public spaces), which was named by less than 10% of the stakeholders in the first interview round. The factor was then rated at 7.2 in the impact (overall average impact 6.1) and 7.0 in the uncertainty dimension (overall average 4.9) (appendix 4).

These are comparably high and above average evaluations, especially when considering that it was not named at all in round 1. Consequently, the perceived security in public spaces must be taken into particular consideration during the following scenario development.

No other factors met the criterion for weak signals. This reveals that no highly important and therefore crucial factors were unnoted. Furthermore, it shows that the shopping center industry shares a largely overlapping understanding of which factors are in scope when it comes to strategic planning. Additionally, it suggests that the information exchange between the stakeholder groups regarding strategic issues is quite high. The stakeholders profit from a high permeability of information across stakeholder groups, wherefore strategic mind maps are built on a largely congruent information basis. This of course does not indicate that the resulting conclusions and measures derived from that common basis need to be the same.

Both the described observations from the blind spot as well as the weak signal analysis are further considered in the following scenario development and the derivation of strategic measures.

4.3 Trend and uncertainty analysis

After having analyzed and compared the rated factors in the previous chapter, the purpose of this step is to prioritize and condense down the collected factors further, applying the impact/uncertainty grid described in chapter 3.3. Building upon this, the key uncertainties as a basis and orientation for the scenario development are derived.

4.3.1 Impact/Uncertainty grid

In this step, the results are considered in the form of the arithmetic mean of all evaluations per factor, i.e. by both internal and external stakeholders (appendix 4). All rated factors collected with the 360° stakeholder feedback are posted on a grid with uncertainty on the x-axis and impact on the y-axis. The scaling ranges from one to ten, i.e. from low to high, according to the evaluation range of the factors in the

previous stakeholder feedback. As described in chapter 3.3, the factors can be sorted and prioritized into three groups: secondary elements, trends and critical uncertainties. The lines for dividing the grid into the three categories were drawn according to the HHL-Roland Berger model (Schwenker & Wulf, 2013, p. 98 f.). Figure 8 shows the impact/uncertainty grid for shopping centers in 2025 as an overview.

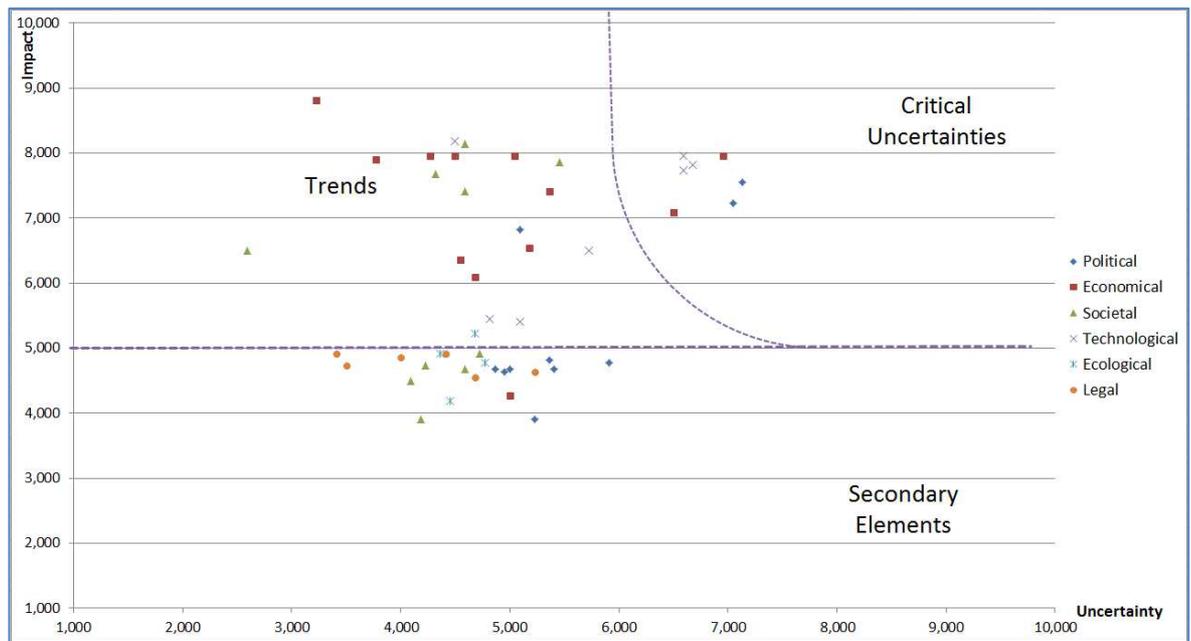


Fig. 8: Impact/uncertainty grid for shopping centers in 2025
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 99

The categorization, illustrated in figure 8, provides orientation on which factors are crucially important for the future of shopping centers and which can be neglected due to their low impact and uncertainty. A complete list of all above-depicted factors and their classification into one of the three categories can be found in appendix 5.

Secondary elements are located in the lower part of the grid. These elements were both rated with a comparably low impact on the future of shopping centers. All in all, 22 factors are classified as secondary elements, which is 45% of all collected factors. Examples for factors of this category are the development of store opening hours (factor 3), sustainability requirements for real estate (factor 6) or the development of tenancy law (factor 44). It is striking that among the secondary elements

there are no factors from the technological dimension (appendix 5). This underlines the importance of digitalization for the retail and real estate sectors as described in chapter 3.3. In general, it needs to be remarked that the expert assessment concerning all the factors could theoretically change if the scenario scope is modified, e.g. in terms of the time horizon. So while factors classified as secondary elements are not universally unimportant, there is no focus on them in the further scenario development process for the shopping center sector in 2025. Furthermore, this categorization does not mean that these factors are generally irrelevant for the future development of shopping centers, but only not that important in comparison to the other factors.

Trends are situated in the upper left part of the impact/uncertainty grid. These factors were attributed a high influence, but a rather low level of uncertainty by the experts. There are 20 factors in total in this group. Among them are the centralization in retail (factor 13), the development of e-commerce (factor 14) and the change in consumer behavior (factor 24). Stakeholders attach great importance to these factors due to their impact, but further development is associated with a rather low degree of uncertainty, which makes them comparably well predictable. Consequently, these factors need to be regarded and implemented in the scenario development process, whereas they are not the crucial and unpredictable elements to which it is strategically difficult to adapt.

The most important category of the impact/uncertainty grid is the upper right, namely critical uncertainties. Stakeholders attribute a high level of impact and uncertainty to these factors. All in all, 7 factors can be declared to be critical uncertainties, according to the assessment of stakeholders and experts:

1. Political stability in Germany (factor 8, political)
2. Development of perceived security in public spaces (factor 9, political)
3. Development of the innovative strength of retailers (factor 16, economic)
4. Development of interest rates (factor 17, economic)

5. Development of technical possibilities for sales channel integration/omni-channel (factor 33, technological)
6. Importance of online visibility of locally available inventory (factor 34, technological)
7. Development of logistic offers for "the last mile" (factor 35, technological)

This number of identified critical uncertainties corresponds to the average of other strategic planning analyses, which lies between three and seven (Schwenker & Wulf, 2013, p. 56). The factors listed above are the basis for the identification of the key uncertainties in the next chapter. Furthermore, these critical uncertainties together with the previously identified factors from the trend category form the basis for the following scenario description, while the factors from the secondary element category are not taken into account.

4.3.2 Key uncertainties

As outlined in the third step of chapter 3.3, the key uncertainties are derived by combining those of the seven critical uncertainties that share a common basis (Schwenker & Wulf, 2013, p. 56 & 100). Accordingly, this chapter examines whether the seven identified factors from above share common elements, which can then be combined and further developed into the desired two key uncertainties. In order to minimize the possible subjectivity of an individual in this step as best as possible, the following identification of similarities between the above-listed critical uncertainties and the subsequent derivation of the two key uncertainties was subjected to a cross-check with two of the experts presented in chapter 4.1, namely Robert Heinemann (Managing Director at ECE) and Frank Bünemann (Director Organizational Development at ECE).

The seven critical uncertainties above were identified in the political, economic and technological dimensions. The two factors from the political dimension (political stability in Germany (factor 8) and development of perceived security in public spaces (factor 9)) clearly share a common basis of stability and safety. This element

is also shared by an economic factor, namely the development of interest rates (factor 17). Since interest rates are, among others, an indicator for risk and stability, there is a visible link between this economic and these two political factors. In the context of shopping centers, these three stability and safety-related factors are particularly relevant for making investment decisions. The political stability in Germany, the perceived security in public spaces and the development of interest rates all influence shopping centers as investment subjects. The three factors can thus be further translated into important investment criteria such as stable social conditions and therewith a solid political framework, a reliable sense of security and attractive financial environment. Based on the revealed common basis and the nature of the three factors, the first key uncertainty derived is the “socio-economic investment environment”.

The further analysis of the remaining four factors leads to the technical dimension, where all in all three factors were identified (development of technical possibilities for sales channel integration/omni channel (factor 33), importance of online visibility of locally available inventory (factor 34) and development of logistic offers for "the last mile" (factor 35)). These factors are part of and contribute to a common final goal: an integrated and intelligent omni-channel approach. The remaining economic factor (development of the innovative strength of retailers (factor 16)) is also strongly related to the integration of shopping centers in the evolving retail landscape and can be seamlessly connected to the vision of an omni-channel approach, too. Therefore, the identified common basis of these four factors leads to the second key uncertainty, which is the “development of omni-channel”.

4.4 Scenario building

Having identified the two key uncertainties as basis for the upcoming scenario development, the actual scenario development takes place following a four-step approach, introduced in chapter 3.3 No. 4.

4.4.1 Scenario identification

In a first step, the scenarios need to be identified, based on the findings of the previous chapter. The tool at hand is the so-called scenario matrix, which provides a framework to arrange the key uncertainties. The two identified factors from the previous chapter are displayed on an x- and y-axis respectively, each end of an axis showing a very negative or positive development of the underlying factor. The x-axis shows the key uncertainty “socio-economic investment environment”, the y-axis shows “the development of omni-channel”. The combination of a positive or negative development of one factor with a positive or negative development of the other factor results in a total of four scenarios, as shown in figure 9 (Schwenker & Wulf, 2013, p. 105 f.). The scenarios are based on two major assumptions:

(1) E-commerce will grow and the share of turnover made via e-commerce will increase. Consequently, a scenario with a decreasing e-commerce volume is not part of this thesis.

(2) The trend towards omni-channel continues, wherefore it is not a question if sales channels strive towards integration at all but only at what speed this development takes place. Consequently, the negative expression of this key uncertainty translates into a slow development of omni-channel and the positive expression results in a progressive development of omni-channel. A scenario with an obsolescence of omni-channel is explicitly not in scope.

These assumptions are reflected in and backed up by the perception analysis (4.2) above. The analysis shows that related factors like factor 14 (development e-commerce), factor 15 (development of the distribution of turnover between e-commerce and stationary retail) as well as factor 18 (importance of integration of sales channels (omni-channel)) show a relatively low assessment of uncertainty, but a high evaluation of impact. Of course, these assessments do not yet indicate whether the survey participants assumed a positive or negative development for these factors. Nevertheless, it can be reasonably assumed that the interviewed

stakeholders had developments in mind that follow the above-made assumptions of an increasing e-commerce and a trend towards omni-channel, since these developments are backed up by the reviewed studies presented in chapters 2.3.1 to 2.3.3. For this thesis it was therefore determined that scenarios with a decline in e-commerce and an obsolescence of omni-channel are not considered relevant.

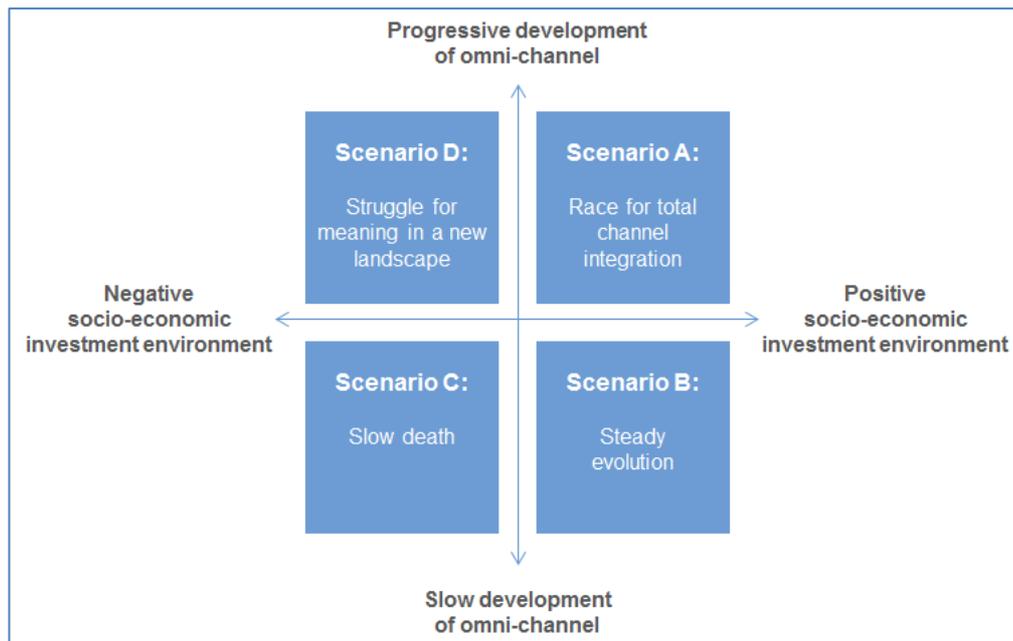


Fig. 9: Scenario matrix for shopping center in 2025
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 106

The names of the respective scenarios are supposed to characterize the events as aptly as possible and reflect the developments in the corresponding scenarios, to be found in the upcoming chapter 4.4.3.

4.4.2 Influence diagram

Before the four scenarios are worked out in detail in the following chapter, the underlying factors are organized in a so-called influence diagram (figure 10). The diagram is essentially based on the trends and critical uncertainties from chapter 4.3.1 as well as the identified trends from the several studies presented in chapter 2.3. It depicts how these factors are consistently interlinked, resulting in the identified critical uncertainties (Schwenker & Wulf, 2013, p. 58). A total of 28 factors and trends

were implemented in the influence diagram, illustrating how they are interdependent. The critical uncertainties from chapter 4.3.1 were marked in bold font.

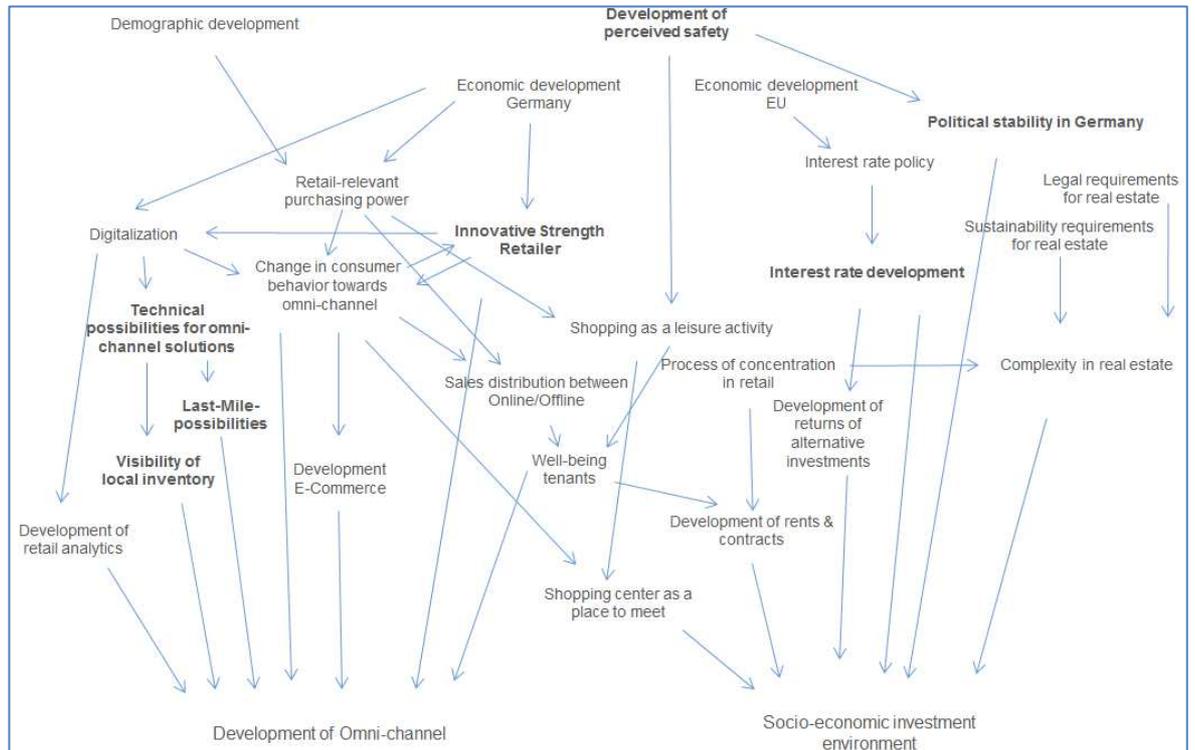


Fig. 10: Influence diagram for a shopping center company in 2025
 Source: Own illustration, based on Schwenker & Wulf, 2013, p. 107

The influence diagram reveals which factors have a direct or indirect influence on the identified key uncertainties. Depending on each factor's development, the key uncertainties take a rather positive or negative development. Since the influence diagram made the causal framework transparent, both axes (very positive or negative development) can be defined in more detail.

(1) The development of omni-channel comprises several technological and economic but also societal factors. The spectrum, ranging from technical omni-channel related factors to consumer behavior and the innovative strength of retailers, emphasizes the complex interaction of multiple factors. Shopping centers as retail platforms are right in the middle of these developments. The speed of the omni-channel development determines if and to what degree sales channels such as shopping centers in 2025 will be part of a rather integrated retail system with seamless shopping

possibilities for consumers or whether the different sales channels will be still largely separated. The focus of the axes in the scenario matrix is therefore the speed of the development towards omni-channel. A progressive development of omni-channel means that the underlying factors foster a full integration of stationary retail and therewith shopping centers until 2025. A slow development of omni-channel on the other hand represents a state where sales channels and therewith shopping centers in 2025 are still mostly separated and the future significance of omni-channel is largely unclear.

(2) An investment environment is in essence defined by risk and return. In the context of this thesis, key levers for this balance are stability, both social and therewith political as well as financial, and the outlook of the underlying business model, which is the letting of space to retailers and service providers. A positive investment environment therefore means that the balance between risk and return is in a good ratio, fostering a high willingness of property owners to invest in the further development of their shopping centers. A negative investment environment on the other side indicates a status in which investors avoid to further invest in this asset class, as the ratio of risk and return is in a rather poor ratio.

4.4.3 Scenario description and fact sheets

Since the basis has been laid in the previous chapters, the description of the four different scenarios can now be executed. The scenarios are based on the results of the 360° stakeholder feedback and the corresponding analysis. In addition, the results of the study research of chapter 2.3 are taken into account. In the following, each of the four scenarios is described in “... narrative prose...” (Schwenker & Wulf, 2013, p. 108), outlining each scenario’s underlying developments. Purpose of the scenario descriptions is to illustrate a possible development of factors that lead to one of the four scenarios. However, the following descriptions are not the only way towards the corresponding scenario; also other factor constellations with the same scenario as an outcome are possible. The developments are categorized in general ones and

those concerning on of the three stakeholder groups. Furthermore, a brief summary and a fact sheet for each scenario is being attached, giving a short overview of the most important developments and providing the reader with the most relevant key performance indicators (KPI) (Schwenker & Wulf, 2013, p. 109 f.).

The following scenario descriptions explicitly do not contain any strategic reactions from shopping center operators yet, but merely a description of the scenario environment. The strategic implications are derived later in the chapter following the scenario descriptions (4.5). Furthermore, please note that the author has no intention to judge political parties mentioned in the following scenario descriptions, meaning that this thesis is a neutral and economic analysis with prosaic scenario descriptions and explicitly without any political agenda attached.

4.4.3.1 Scenario A – Race for total integration

General Developments

The political landscape in Germany has calmed down in 2025 after some years with a tendency of political party fragmentation. The government managed to handle immigration and integration, e.g. a newly introduced approach to integration of immigrants at an early stage in schools proofed to work very well. By a resolution of the Bundestag a program for immigration of especially qualified people from all over the world was started, which enjoyed great popularity especially in India and helped to soften the demographic change in Germany. Furthermore no more terrorist attacks took place in the EU after the demise of the so-called Islamic State in 2018. Consequently, these topics are not at the top of the public and political discussions anymore; populist parties lost their influence. The disappearance of populists contributed to an intact perceived safety in public spaces. Following from these developments, the established parties regained strength, wherefore it is not expected that the next elections will bring any significant surprises. The current government at power established a business-friendly political agenda and is not interested in introducing sharper market regulations of any kind. The German economy is very

stable and developed very well, without showing signs of an economic overheating. Even though Italy, France and Spain are on a way back to a stable political situation after some years of trouble, the countries have not managed to implement the necessary reforms yet. Therefore, Germany still continued to benefit from the weakness of its European neighbors, which has prevented an appreciation of the Euro and led thus to an ongoing export advantage for the German economy. As a consequence, the European Central Bank (ECB) did not raise the key interest rate significantly but focused on keeping interest rates at a low level, hoping that the economies in Spain, Italy and France will finally increase noticeably and sustainably in power and performance. As a result of continued economic strength and well-being in Germany, companies of all sectors were able to invest heavily in research and development (R&D) over the years, resulting in significant scientific and technological progress. Being part of this, digitalization made huge progress over the years.

Visitors

Since the positive economic development in Germany led to an increase of the retail-relevant purchasing power, consumers are continuously in a spending mood, wherefore the whole retail volume increased steadily. The softened demographic change and the trend to smaller households helped to support the overall turnover in retail, wherefore fears of a decline in sales have not come true. Since the perceived safety in public spaces has been restored, people enjoy being among people again. This contributes to shopping still being a popular leisure activity. Consumer behavior evolved over the years as already expected in 2018. The digital affinity increased even with older generations, wherefore a recent study found that consumers through all ages have never been so demanding in terms of omni-channel offers.

Tenants

Retail is in good shape but finds itself still in an even more competitive environment than 2018. Especially the retail sector experienced a huge amount of innovational breakthroughs, as a growing start-up scene developed several new solutions

and retailer's spending on innovation is at an all-time high. For example, solutions for making local inventories visible on digital platforms for consumers were developed, making it possible to search online for certain products, check the local availability and purchase them immediately. Furthermore, several new solutions for the so-called last-mile were invented, wherefore products can be delivered even on short notice, very often within an hour. The progress in digitalization led to a huge increase in omni-channel solutions and offers. Overall, the distinction between online and offline became mostly irrelevant: the top 50 retailers in 2025 consider themselves not as e-commerce or as stationary retailers but as customer-centric omni-channel retailers. As retailers can only be successful when being implemented in the new connected retail world with persuasive omni-channel offers, it is a tough competition between market participants. At the same time, retailers expect corresponding opportunities and the creation of added value through technology also from shopping centers. Space in shopping centers that are well-integrated in omni-channel solutions is in demand, which has led to a halt to the trend towards a tenant dominated market, i.e. a market with excess space and pressure on rents.

Real Estate Investors

The low level of interest rates and the government's reluctance to introduce stricter real estate or investment regulations continue to promote a real estate-friendly climate, which is why real estate is still very popular with investors. In addition, there are no comparable attractive investment alternatives, as government bonds of stable countries like Germany still only offer minimal returns and riskier alternatives as the stock market run from record to record, leading to some saying that it is close to overbought. As rents for space in shopping centers stabilized and politics did not introduce new regulations that make the real estate business more complex, investors rate shopping centers as very attractive investments again: in a recent study of ULI and PwC, shopping centers were at the top of the ranking that rates the investment attractiveness of different real estate types. Due to the overall situation, investors are not only inclined to invest, but also demand appropriate proposals for the further

development of their shopping centers through the rapid networking of the retail channels. This demand provoked a tough race between operators of shopping centers, all striving to develop their shopping centers best and exploit the potential from the new retail world order to a maximum. Accordingly, investors expect shopping center operators to act not only as property managers, but also as digital experts who are capable to provide holistic strategies of how to implement shopping centers in the new network of the omni-channel world. As many smaller operators could not meet this expectation, many investors handed over properties to those operators who provide the desired competence. A significant increase in partnerships and joint ventures between shopping center operators and tech companies from various areas reveals the extended requirements that are no longer limited to traditional real estate services. As a result, a process of concentration took place, so that the number of operators decreased over the years. Rumors say that even Google is elaborating on the idea to partner with each of the biggest shopping center operators in Europe, Asia and the US in order to build omni-channel platforms and reach a new degree of interconnectedness in retail. If true, this would further widen the gap between traditional and modern shopping center management.

Key Scenario Aspects

- Consumers are in spending mood due to a solid and high buying power. The perceived safety in public spaces is high, wherefore consumers love to spend their free time out of home in order to socialize and shop.
- Retailers find themselves in a prospering but also highly competitive environment, as a progressive omni-channel development forces all market participants to adjust fast to the new situation. Those who manage to do so can benefit from the interconnectedness, which enables retailers to benefit from e-commerce increase.
- Investors find themselves in a positive investment environment and rate shopping centers as attractive investments. Consequently, they are open to invest in the demands that derive from the new omni-channel world.

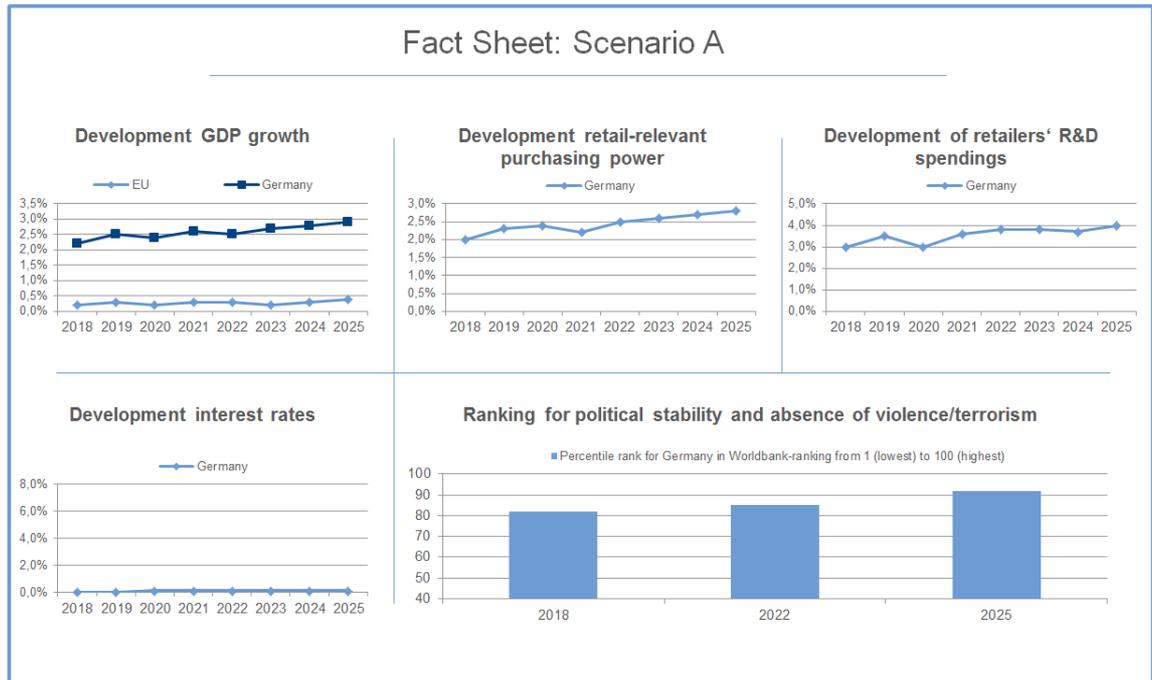


Fig. 11: Fact sheet for scenario A

Source: Own illustration, based on Schwenker & Wulf, 2013, p. 109 f. & 118

4.4.3.2 Scenario B – Steady evolution

General Developments

The economic development in the EU is rather mediocre and even in Germany the gross domestic product (GDP) increased by only 0.7% on average in recent years. While the political situation in Germany remained stable over the years, some European countries experienced a more difficult political development. Since the UK voted for the Brexit and Italy got a populist government in 2018, the political situation in the whole EU was quite tense and slowed down the economic development. In recent years, the situation calmed down as even the euro-critical government in Rome had to realize, that leaving the EU would be no way for the better. Ever since, cooperation for a more stable European Union is under way and the political situation can certainly be regarded as stable now, whereas the economy has still to pick up satisfying speed. Experts see the main reason for the economic mediocrity in an insufficient political agenda, as politicians across Europe were busy discussing the

future of the EU and did not manage to develop a holistic digital agenda to lead the European economy into the next period of growth. Consequently, the European Central Bank (ECB) was forced to leave the interest rate at a low level, reminding European politicians of focusing on reforms to create a growth perspective. As politicians were very much engaged with stabilizing the political situation in Europe, it was good news that at least measures against the so-called Islamic State worked out and no more terrorist attacks occurred. So even if people are not euphoric in regard to the economic situation, the perceived safety in public spaces is at a high level. Another weakness was handling migration, as fear of further fueling the 2018 immigration debate meant that no migration program was introduced to counter the effects of demographic change.

Visitors

The mediocre economic development leads to a stagnating purchasing power and puts a damper on consumers' purchasing mood, especially because people are unsure if economy is closer to the next growth phase or rather recession. Therefore people behave in a wait-and-see fashion and the total turnover in retail is stagnating. Demographic change took place as expected, because the too few qualified migration could not compensate the population decline. Consequently, the total retail volume is also stagnating. Nevertheless, consumers have high expectations towards omni-channel offers but retailers still struggle to find adequate solutions to meet those demands as the development of new solutions is very tough. Accordingly, consumers are still not satisfied by the few current omni-channel offers, as a recent study found. Since consumers of all ages got more and more used to digital products over the years, especially older generations discovered the digital world for their benefits and tend to buy more and more online due to convenience. At the same time, the increasing use of smartphones and thereby the associated increase in mobile accessibility helps e-commerce retailers to reduce distance to consumers. Amazon for example just introduced a seamless integration of their offers into the

most popular messenger apps to provide customer advisory via artificial-intelligence driven chat-bots.

Tenants

While e-commerce retailers exploit technical possibilities for their benefit as described above, stationary retailers have trouble to catch up and are even more under pressure. Due to the mentioned lack of a digital agenda provided by politics and the suboptimal economic development, companies from all industries did not increase their R&D spending in recent years and tend to wait for incentives provided by politics. Apart from retailers, also tech companies experienced more obstacles to develop technical solutions for stationary retail than expected. Consequently, the technical progress and the development towards digitalization did not pick up the desired speed and failed to produce the innovative solutions as originally expected in 2018. The same disillusionment came true for several retail topics. A popular example for this is retail analytics, a topic where stationary retailers hoped to catch up with e-commerce players in terms of data about their customers. Solutions for the online appearance of local inventories, a topic that many retailers have been longing for, turned also out to be still not manageable due to technical difficulties in reality. So while e-commerce is rising, stationary retailers get more and more under pressure as both channels are still separated and stationary retail is not capable to get a share from e-commerce orders yet. Only those who are strong in their e-commerce channel can alleviate this pressure, although even these multi-channel retailers cannot exploit the full potential of integrated channels and thus not take advantage over pure online players. The cost pressure in stationary retail puts also R&D budgets in most companies under consideration for cuts, which results in a further slow-down of channel integration.

Real Estate Investors

The election results were good news for investors, as the new government promised not to introduce new regulations for real estate investments or new sustainability

demands. Furthermore, the concentration process among retailers did not intensify in recent years and the average lease contract length remained rather stable. The development of these factors kept the complexity of real estate at a constant level, what contributed to the ongoing investment attractiveness of this asset class. While retailers see their future outlook rather clouded, investors evaluate the investment environment as positive. The low level of interest rates and the stable political situation maintained the real estate-friendly situation. Investors of course recognize the challenging situation for stationary retailers, but a lack of investment alternatives and the otherwise stable and positive socio-economic investment environment contribute to the ongoing relative attractiveness of shopping centers. As a result of this situation, the willingness to invest is currently higher than the actual possibilities, since the development of omni-channel approaches is rather slow. Due to the fact that the business of shopping center management has not changed so much over the years and the slow development towards omni-channel does only require small new capabilities of operator companies, investors increase the pressure on management fees.

Key Scenario Aspects

- Consumer spending is stagnating due to a mediocre economic development. Nevertheless, people evaluate the perceived safety in public spaces as high, wherefore being among people in general and shopping in particular are still popular leisure activities.
- Retailers find themselves under pressure due to an increasing share of turnover made via e-commerce. Since the interconnectedness of sales channels is low and the development of omni-channel solutions is rather slow, retailers still cannot provide customer satisfying solutions for seamless shopping.
- Investors evaluate the socio-economic investment environment as positive due to low interest rates and a stable political outlook, but demand lower management fees of their contracted center operators.

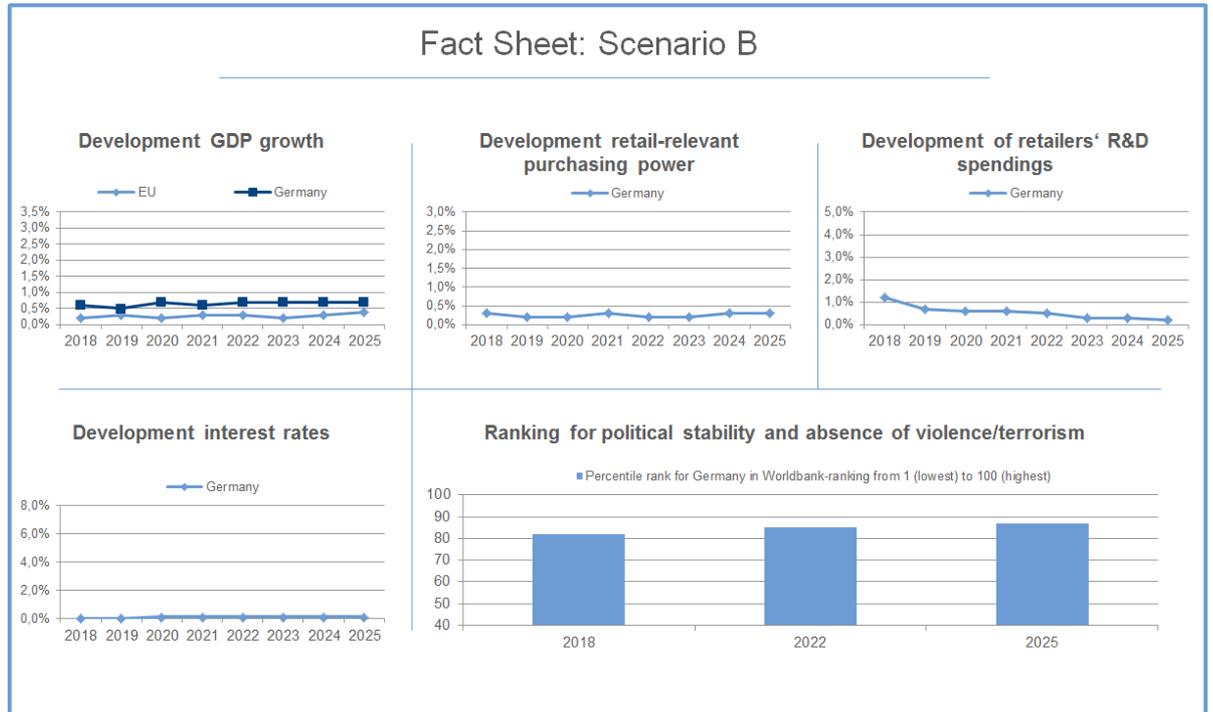


Fig. 12: Fact sheet for scenario B
 Source: Own illustration, based on Schwenker & Wulf, 2013, p. 109 f. & 118

4.4.3.3 Scenario C – Slow death

General Developments

Germany is experiencing its biggest crisis since its foundation. The ongoing migration crisis has divided the political camps more and more over the years, strengthening the far right and left wings of political parties. To make matters worse, continuing terrorist attacks fuel the debate. Studies show that the perceived safety in public spaces decreased significantly over the years and is at an all-time low in Germany now. Consequently, traditional parties suffered and lost their majority. The election in 2021 led to tremendous changes in the political landscape as the AfD, a far right party, has a majority in the parliament now and introduced a nationalist oriented agenda. For example, the agenda prohibits investments from non-German investors if a German investor is also interested in investing, which gives strong preference to national investors. As a consequence of these developments, various international investors then withdrew money from the German market if somehow possible, lead-

ing to a sharp decline of the stock index DAX and other major indices. Above all, asset classes that cannot be liquidated in the short term, for example in case the government's nationalist tendency worsens, became very unpopular. To stop the outflow of money, various regulations and new laws were introduced, shaking the confidence of investors even further. All in all, the new government is said to be pretty unpredictable. As the economies in Italy, France and Spain have finally recovered, Germany with its populist government is Europe's problem child now. The political course has damaged the German economy severely and even led to a phase of recession, which has now lasted for 3 years. However, due to the prospering economic situation in the other European countries, the ECB had to raise the key interest rate significantly, which now presents an additional difficulty for the German economy. It is not surprising that companies across all sectors reduced their R&D spending, which harmed technological progress in many fields. On top of that, the new German government is so busy with introducing nationalist and protectionist measures that a digital framework, which would help progress to flourish, is still missing. Furthermore, the specialists needed for technical progress are urgently lacking but since the German population cannot provide sufficient qualified workforce and since migration was stopped from most countries, a solution is not in sight. Of course, the stopped migration promoted the effects of demographic change and thus population decline.

Visitors

The unpleasant economic development had of course significant impact on consumers. The retail-relevant purchasing power and therewith the total sales volume in retail not only stagnated but decreased, as the vast majority of companies did not raise salaries since 2019 due to the economic pressure. The population decline fueled by demographic change and the lack of immigration contributed to this. Since there is no reason at the moment to expect the situation to change, consumer's purchasing mood is correspondingly shattered. The low perceived safety in public spaces makes consumers rather stay at home instead of going out to crowded places like

shopping centers. The tendency to buy online correspondingly increased over the years, which is supported by an affinity even of older consumers to mobile devices and the use of internet.

Tenants

Retail suffers severely from the economic development. Due to the reduced frequency of consumer visits, stationary retail is facing a considerable challenge: if consumers visit the retailers less often, stationary retailers need other channels to stay in business. But since omni-channel approaches have not yet matured particularly well due to the subdued technical progress and cut R&D budgets, the opening up of other sales channels and especially the development towards being an omni-channel retailer is difficult. In other words, stationary retailers cannot take advantage of e-commerce sales. As a consequence, retail channels are still mostly separated and apart from some pilot projects, omni-channel approaches are not widely spread. Ideas like same day delivery services or the online visibility of local inventories, which were discussed 10 years ago already, have not come true for many retailers yet due to difficulties in technical processing. At the same time, e-commerce can exploit the persistent reluctance of consumers to go among people and drive them towards online shopping. Online retailer now even attack the stationary retailer's core advantage of expert advice, which those long considered safe, with highly intelligent chatbots that have the right answer to virtually every question.

Real Estate Investors

The real estate sector is not very popular at the moment due to several reasons. First is the high level of interest rates since the ECB raised the rates to 5%, which represents a relatively high hurdle and makes real estate investments less attractive. Shopping centers are especially in trouble since stationary retail suffered in recent years and rents were correspondingly under pressure. This is also reflected in a low rank in a recent study of ULI and PwC concerning the investment attractiveness of different real estate types. This not only applies to new investments, but also affects

investments in existing shopping centers and their further development. Another reason is the political situation, which is perceived as fragile and unstable. Furthermore, the nationalist tendency of the new government is considered a major risk for the future of Germany. Since real estate cannot be moved and is therefore dependent on a stable political environment, investors tend to avoid investing in Germany at present. Correspondingly, the inflow of funds into the real estate sector was very low since the election of the AfD in 2021. To divert attention from its nationalist agenda, the current government has introduced various measures to increase sustainability, which in turn increase the complexity in the real estate sector in addition to the already difficult situation. Due to this overall situation, investors focus on their absolute premium properties in excellent locations, e.g. in the city center of Munich or Hamburg. Shopping centers in other cities and secondary locations are widely neglected and even sold if possible. Shopping center operators are expected to make their contribution by reducing management fees, which has led to a sharp price competition among operators.

Key Scenario Aspects

- Consumers reacted on the bad economic development in Germany and the decreasing purchasing power with fewer purchasing. Shopping in stationary retail became more and more unpopular since the perceived safety in public spaces is low due to several terrorist attacks over the years.
- Retailers were under pressure since the sales volume and consumer footfall declined. Since this fight for life takes a lot of capacities and money, the development of omni-channel solutions, which might have been a solution towards profiting from increasing e-commerce, developed very slow and hardly satisfying. Following from the pressure in retailers, average rents decreased.
- Investors hold back their money and avoid any further investments due to the suboptimal economic conditions and an unstable political situation in Ger-

many. As a result of this pressure, investors pass the pressure on to shopping center operators by demanding lower fees.

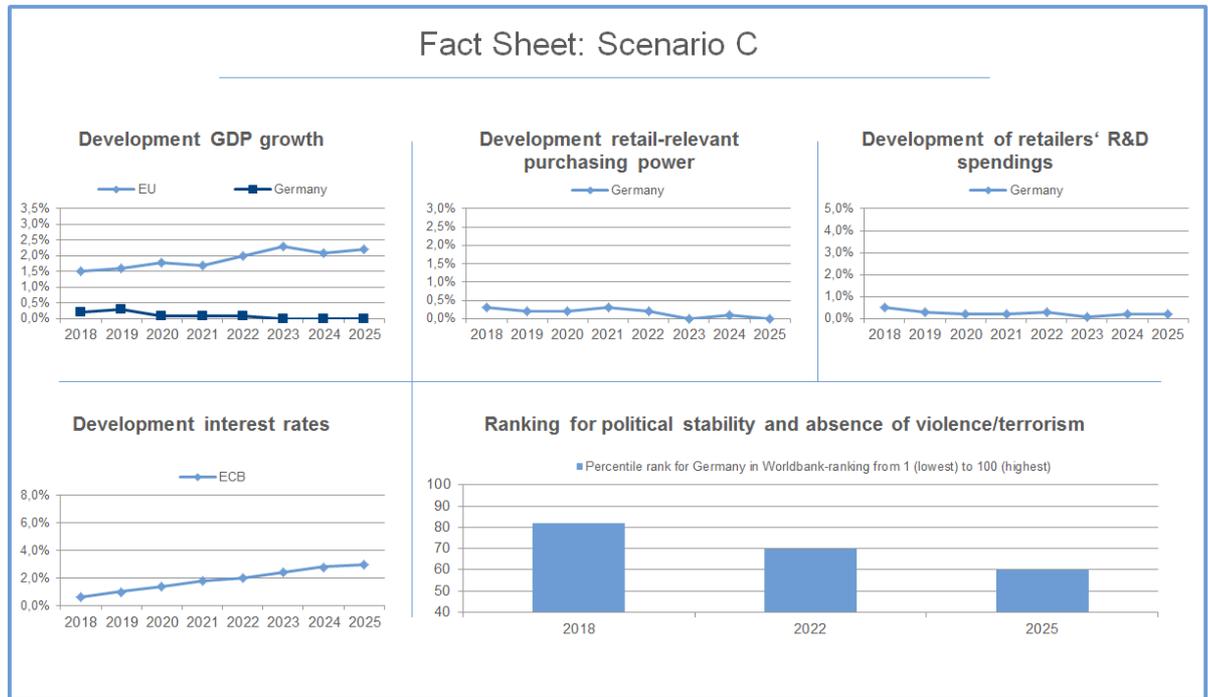


Fig. 13: Fact sheet for scenario C

Source: Own illustration, based on Schwenker & Wulf, 2013, p. 109 f. & 118

4.4.3.4 Scenario D – Struggle for meaning in a new landscape

General Developments

The economic development in the European Union was very good in recent years, as countries like Italy or Spain left their economic difficulties once and for all behind. Economic growth in the EU averaged 3% and also in Germany the development was solid and satisfying as well. The ECB was due to rising inflation able to stop their policy of a low interest rate and raised it to 5%. The positive economic development in Germany stimulated companies to increase their R&D budgets, wherefore Germany is perceived to be at the forefront of innovations across numerous important industries. So while the economic development is very satisfactory, the political situation is rather worrying. Due to the continuing migration crisis and several terrorist attacks in recent years, the far right parties began to gain strength.

As a counter-movement, the leftist party “Die Linke” was able to win an overwhelming number of votes, which put the traditional people’s parties under enormous pressure. The election in 2021 then led to considerable distortions since “Die Linke” emerged victorious and won the majority in parliament. Since their victory, the leftist party thinks out loud of various regulations for corporations. These announcements were not made come true yet and have therefore not been able to stifle economic development to date, but have caused great uncertainty among investors. Since the party collaborates in many political discussions with the party “Die Grünen”, several new regulations concerning sustainability were introduced, especially for energy-consuming industries like the steel or the real estate industry. “Die Linke” also introduced new laws to ease migration, which attracted many people from around the world. A problem that could not be solved was terrorist attacks, as mentioned. These attacks have damaged perceived security in public space severely. Therefore, big public events or visiting shopping centers are not very popular anymore and many people generally avoid crowds of people.

Visitors

The good economic development contributed to an increased purchasing power, since many companies could afford remarkable salary increases. Due to this economic well-being, the purchasing mood was very positive over the years as well, wherefore total retail sales fortunately also increased. The open and left-oriented migration policy noticeably cushioned the demographic development and supported retail sales volume. Since the perceived safety was harmed due to the several terrorist attacks, crowded places are not as popular as in the past, which also applies to shopping centers and high streets, for example. In order to attract people, however, the shopping offers must be very convincing. The fast digitalization resulted in many new omni-channel possibilities and enabled consumers to experience seamless shopping possibilities. These offers are not mandatory, but highly expected and demanded by consumers. Retail formats that do not offer these possibilities are mostly neglected by consumers.

Tenants

Retailers profit from the positive economic development, although there is nonetheless a great deal of pressure due to the rapid digitalization. The R&D budgets in the retail sector are at an all-time high, which has triggered a tough race of who can work out the smartest solutions to integrate the different sales channels into one holistic and seamless omni-channel approach. Correspondingly, a lot of new ideas and concepts enter the market, ranging from smart customer tracking systems that are linked to retail analytics systems to same-hour delivery offers. These new approaches enable stationary retailers to benefit from the growing e-commerce by connecting to this channel. This leads more and more to a fusion of the different channels, which is why most successful retailers now call themselves omni-channel retailers. It is not surprising that retailers also expect corresponding modern solutions from shopping centers that create added value there, e.g. customer data that is collected during the customer journey and which can be processed in intelligent retail analytics solutions. Properties that are not ready for omni-channel integration are neglected in retailer's location search.

Real Estate Investors

The environment for real estate investments is rather difficult, since the ECB raised the interest rate to 5%. This relatively high hurdle makes other investments more attractive again and since political stability, an essential precondition for real estate investments, is questionable due to the quite unpredictable political situation in Germany at the moment, investors shy away from substantial investments. In particular, the ongoing discussion about more regulations and higher taxes for companies led by the leftist party "Die Linke" makes international investors prefer a wait-and-see strategy. Correspondingly, the attractiveness of real estate investments in Germany is in general rather low at the moment. However, the situation of shopping centers is even more difficult since the challenge of transforming the retail sector into an omni-channel world adds to the depicted general challenges in the real estate

industry. While retailers and visitors demand for centers that are up to date and equipped with the latest technology to enable omni-channel approaches, investors try to avoid any investments beyond what is necessary at the moment. This is not only valid for new real estate investments, but also for the upgrading of existing properties. The tension between a poor environment for investments on the one hand and a high demand for the further development of centers towards the omni-channel era on the other gives investors a hard time. The investors who can afford it focus strongly on the very best locations, but of course many properties are not included. To make things worse, the newly introduced measures for energy-intensive industries, which were fostered by “Die Linke” and the party “Die Grünen”, mean higher costs and greater complexity also for the real estate industry. The lack of investments jeopardizes shopping centers as a channel, as they are not integrated into the rapidly developing omni-channel and do not offer retailers any special added value compared to normal retail properties.

Key Scenario Aspects

- Consumers profit from the economic development and like to spend money. The digitalization of shopping has finally arrived and the demands of customers are correspondingly high.
- Retailers are in the driver’s seat and steer the digital transformation of shopping with high R&D budgets and many innovative ideas. As omni-channel integration is indispensable today, shopping centers are also expected to fit into this new world and offer added value over simple retail properties in terms of seamless shopping possibilities and smart data for retail analytics.
- Investors are under pressure, as the socio-economic investment environment is not very good due to high interest rates and an unpredictable political situation. Consequently, investors are not willing to invest in upgrading their shopping centers for the omni-channel era, which would be necessary to keep them attractive for consumers.

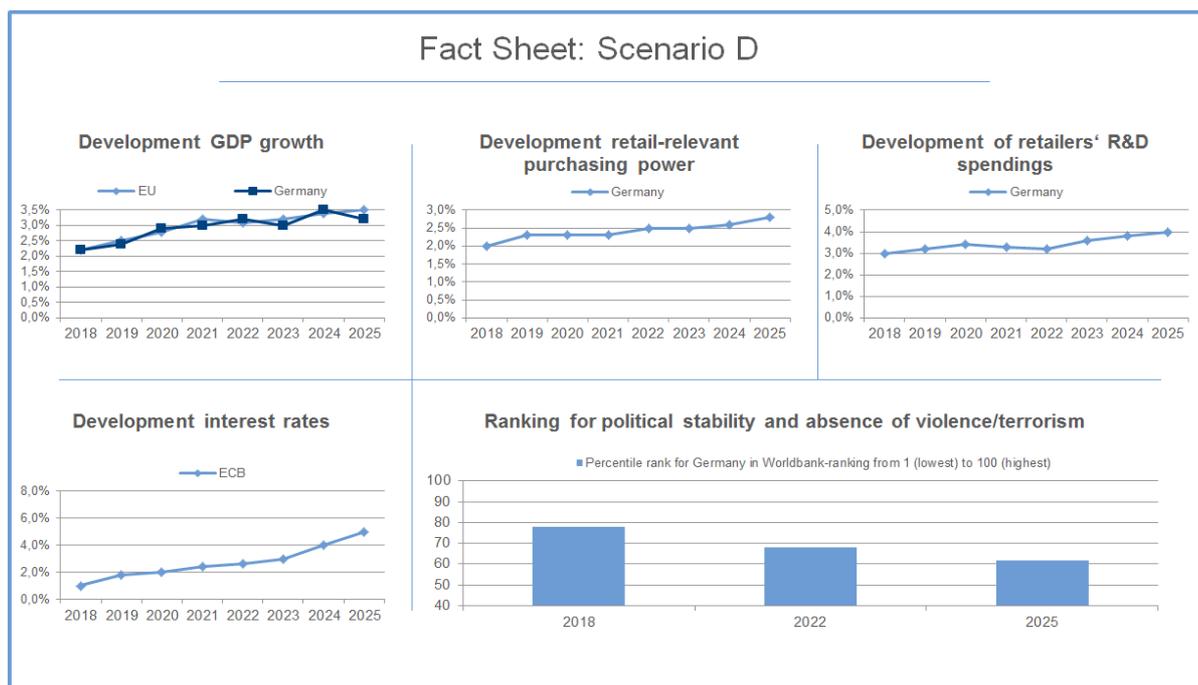


Fig. 14: Fact sheet for scenario D

Source: Own illustration, based on Schwenker & Wulf, 2013, p. 109 f. & 118

4.5 Strategy definition

After having described the four different scenarios on basis of the previously executed perception analysis of the stakeholders, the strategy definition with help of the so-called strategy manual, a tool explained in chapter 3.3, can take place. “The strategy manual rests on the belief that companies always strive toward the most positive scenario” (Schwenker & Wulf, 2013, p. 134). This most positive scenario in this thesis is scenario A (race for total integration), which encompasses a positive socio-economic investment environment and a progressive development of omni-channel. It could be discussed if scenario B, differentiating from scenario A by a slow development of omni-channel, might not be the more positive and desirable scenario for shopping-centers since there would be more time to adapt to the new situation. But since it can be expected that stationary retail will suffer more if omni-channel develops slowly (compare scenario B in chapter 4.4.3.2), it appears more positive for shopping centers to stay on top and in the driver’s seat of how the future is developing. In scenario A, stationary retailers in general and shopping centers in

particular have the opportunity to find solutions for being a part of a changing retail landscape, whereas in scenario B sales channels will stay more separated, which limits the strategic opportunities and puts stationary retail in an even more difficult situation than today. Scenarios C and D are obviously not desirable, as the negative investment environment limits the possibilities to further develop shopping centers in any direction.

Since the most positive scenario was identified, the way towards this scenario can be visualized now by a so-called strategy corridor. It shows the chain of factors that need to develop in a certain way to result in the desired outcome of a scenario. The goal of strategy development is now to shed light on each identified factor in the factor chain depicted in figure 15 and try to maximize the positive effects and minimize the negative effects by means of strategic measures. Thereby, it is reasonable to enrich the strategy with measures based on verifiable trends from the research part, depicted in chapter 2.3 and the following (Schwenker & Wulf, 2013, p. 135). But conversely, no strategic measures that are not based on one of these two parts are considered, which naturally limits the range of possible measures that can be developed in this thesis. Nevertheless, scenario-specific options can be added to enable adaption to specific situations that might not be covered by the core strategy (Schwenker & Wulf, 2013, p. 137). All strategic options are made from the perspective of a shopping center operator. Hence, the following chapter focuses on how a shopping center company can optimally adapt its strategy to the changing market by 2025.

4.5.2 Core strategy

The concept of a core strategy is based on the assumption that a company can prepare for different future scenarios with one core strategy that fits different variations of the scenarios, even though the main orientation is the most positive scenario (see chapter 3.3). The following strategy corridor helps to have the essential factors in sight.

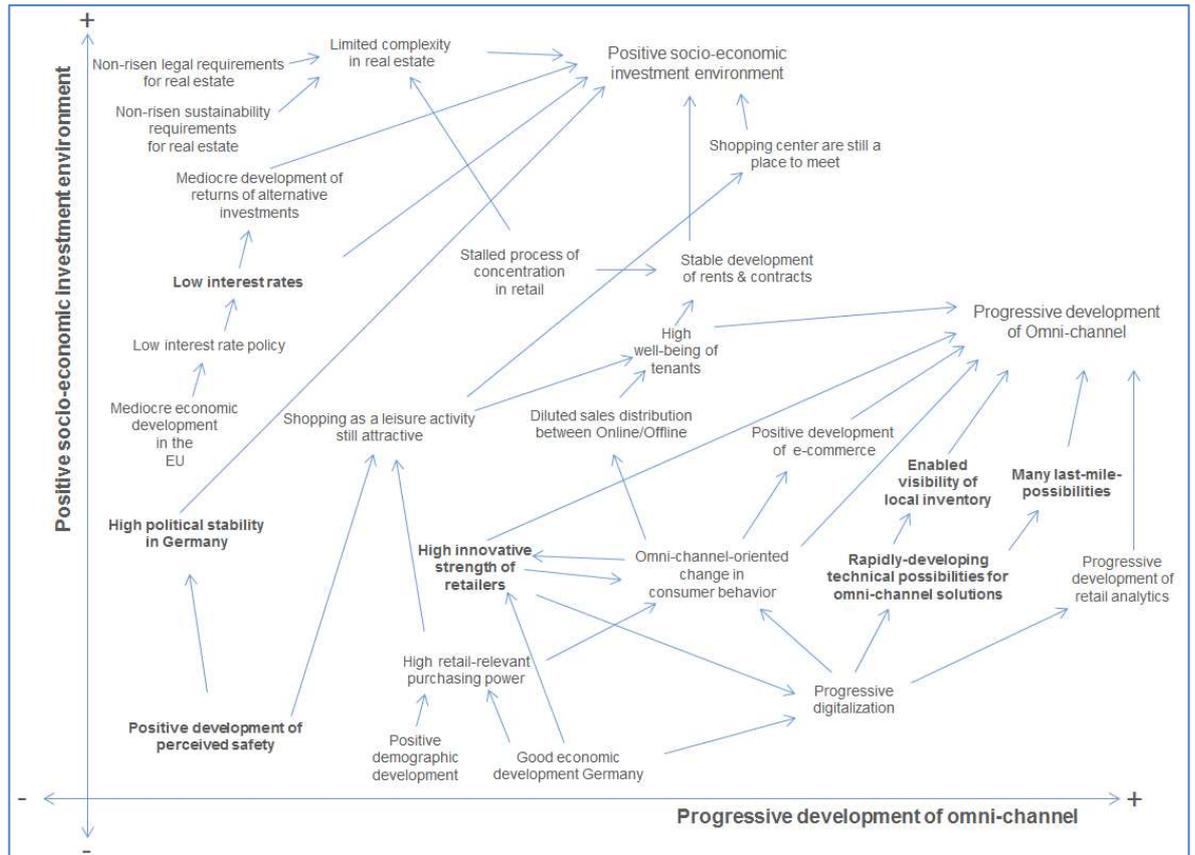


Fig. 15: Strategy corridor for a shopping center company in 2025
 Source: Own illustration, based on Schwenker & Wulf, 2013, p. 136

In the following, strategic measures are outlined which either aim to maximize the positive effects of the factors shown in Fig. 13 or to minimize the negative effects, as mentioned above. The following strategic measures are subdivided according to the key uncertainty to which they contribute.

Progressive omni-channel development: lead the progress!

(1) *Develop a new self-conception.* The strategy corridor above illustrates the several factors that lead towards a progressive development of omni-channel. Factors like last-mile delivery possibilities or online visibility of local inventories reveal that this development has hardly anything to do with the traditional business of shopping center operators. In the past, shopping center companies were real estate service companies for investors, mainly involved in the daily operation and the rental of retail space (see chapter 2.2). This self-understanding needs to change towards a

more active role in order to cope with these new factors in the equation that did not play a major role before. Consequently, this first strategic measure aims at a change in the self-understanding from a pure real estate service provider to an omni-channel intermediary and operator of omni-channel retail platforms, which take place both online and offline. This change must also include a cultural change that reflects the new self-image. Based on this, the following measures aim to fill the new role as an omni-channel intermediary and to add the above-mentioned factors to a new service-range.

(2) Shopping center companies as active omni-channel retail platform operators.

By expanding the shopping center into the digital world, a shopping center operator can play an active role in providing a seamless shopping experience for consumers instead of hoping that retailers find solutions all by themselves. The different factors towards the development of omni-channel depicted in the strategy corridor above (figure 15) illustrate that there are several factors that are not only new, but also provide opportunities to directly influence the digital future of shopping centers. By focusing on omni-channel related factors like solutions for last-mile delivery or the online visibility of local inventories, shopping center operators can take a designer role in the development towards omni-channel. An example for this is the so-called Digital Mall, a pilot project in which a shopping center company tries to engage actively in the mediation of goods between retailer and consumer (ECE, 2018f). If shopping centers take on this new role and act as an omni-channel retail platform with corresponding services, this could even develop into a new business field. For example, brokerage fees could be charged for goods that are reserved online via a digital platform of the shopping center and then picked up at the center. In view of the results of the stakeholder survey and the strategic corridor, it makes sense to seize the opportunity and expand the mediation function between retailers and consumers, which a shopping center already fulfils today as an offline platform (figure 3), into the digital world as an omni-channel platform. However, this is not only about bridging the gap from offline to online, but also the other way around.

Since formerly pure online retailers have an increasing demand for offline stores, as described in chapter 2.3.2, shopping center operators have the opportunity not only to accompany and link the bridge from offline to online, but also vice versa.

(3) *Build up digital competencies.* The new self-understanding and the new omni-channel business field go hand in hand with a need for new digital skills that were not relevant in the past but will be of essential value in the future. In order to be an operator of omni-channel retail platforms, other skills are required which were not in demand as pure real estate operators. Consequently, these new skills must be built up in order to be capable of becoming a creator instead of spectator. As a concrete measure, a new department with strong strategic and digital competencies should be founded, ideally directly connected to the CEO. In order to give the new unit direction, it must be given a clear vision as a goal so that concrete steps can be elaborated towards shopping centers as the desired omni-channel retail platform. This measure offers the opportunity to build up a competitive advantage, since coping with digitization in the numerous forms of appearance presented in this thesis will be an enormous challenge for all center operators active in the market. If the new skills and capabilities can be built up quickly, the opportunity arises for further differentiation of market participants. In the further process, the new digital component of the business must be integrated quite regularly into the corporate structure, so that the digital staff unit becomes a regular part of the company. Furthermore, in order to build up digital competence, strategic human resource planning must be adapted in order to attract employees with the right new skills into the company at an early stage. It is important to note that it is not the channel integration or the technical construction of an integrated retail platform itself that must be the solely focus, but rather the consumer and his expectations regarding such a platform. The technical feasibility is only a means to an end and must be complemented by a holistic vision how shopping centers as omni-channel retail platforms serve consumers better than today's traditional shopping centers.

(4) *Build partnerships to increase the innovative strength.* Innovative strength of market participants is a key aspect when it comes to the speed of development towards omni-channel solutions and a seamless shopping experience. It is a factor that has direct impact on this key uncertainty. The development of innovative and consumer persuading solutions is complicated and often requires significant resources, especially in regard to technical solutions, which most retailers struggle with (see chapter 2.3.2). Since time is ticking against stationary retailers, a high speed of solution development should be in everyone's interest. Consequently, a pooling of R&D efforts and the building of coalitions with the goal to increase the innovative strength of retailers is an intelligent and strategic step to lever this factor as good as possible. The benefits of this measure will even increase if R&D budgets come under pressure for economic reasons, because joint research, unlike individual efforts, could still have sufficient power to find significant solutions. An example for such a solution is the foundation of expert hubs like think tanks, where innovation managers of different retail market players collaborate and work together on concrete solutions. Costs could be shared among the participating companies. Similar efforts in this direction are already visible, e.g. in the form of a start-up incubator co-founded by the retailer Media-Markt-Saturn, where the electronics retailer cooperates with other retailers such as Lidl or Kaufland and also investors such as Aachener Grundvermögen (Retailtech Hub, 2018). Such joint efforts should not be limited to the retail and real estate sector, but also include partners from associated industries, e.g. from logistics or the technology sector, to cover the whole bandwidth that is relevant for a seamless consumer experience. In general, sharing knowledge of course carries the risk to lose the opportunity of building a competitive advantage. But since shopping centers need a great variety of different retailers and service providers integrated in consumer satisfying omni-channel solutions anyhow, there is no reason to keep knowledge of domination as a secret. This measure can be especially powerful, since the innovativeness of retailer was identified in chapter 4.2.2 as a blind spot in terms of uncertainty, meaning that external stakeholders evaluate

the uncertainty higher than their internal counterparts. This can therefore underline that an active influence on innovative strength can offer a higher added value than previously assumed by internal stakeholders.

(5) *Consumer research knowledge as a new must-have competence.* In order to be able to use the newly developed digital competences and the intended collaboration mentioned in point 2 in a targeted manner, a deep understanding of changing consumer demands is required. The high number of links between the development of consumer behavior and other factors in the strategy corridor in figure 15 emphasizes the complexity and shows that analyzing this development with sophisticated retail analytic approaches is important. The role of a shopping center operator as a researcher became already more and more important in recent years, but needs professionalization and a deepening of knowledge. Only those who truly tailor their services, such as omni-channel offers, to the wishes of consumers, can be successful. This requires a high customer-centricity and a much more profound knowledge of the consumer and his behavior than it is the case today. Retail analytics should therefore be on top of shopping center operator's agenda to understand the change of consumer behavior and his expectations of tomorrow. Since many initiatives in stationary retail nowadays fail due to technical implementation (see chapter 2.3.2) and the fact that consumers naturally blur their tracks by moving across different borders, e.g. from one store to another, a joint collaboration is a powerful approach here as well. This enables a more holistic picture of the consumer journey and behavior in order to then tailor offers together to the real needs. Shopping center operators could act as intermediaries for these newly generated insights and thereby provide additional value for retailers.

(6) *Get more agile and adapt the corporate structure.* The challenge with regard to a rather progressive development of omni-channel is the necessary speed in developing and implementing new approaches. Since the strategic implications should be made in anticipation of a development towards the most positive and also most dynamic scenario A, shopping center operators should build the ability to keep up in

such a rapidly evolving environment. The prerequisite for this is an agile company that is capable to cope with complex challenges and to dynamically adapt the company structure to market requirements. Consequently, a company not only needs new digital skills to meet future requirements, but also an appropriate corporate structure and culture as well as agile project management skills in order to tackle these challenges in a time-efficient and target-oriented manner. It should therefore be examined whether the current structure and the associated processes are suitable for the new challenges or whether restructuring and training is necessary. Since strong digital skills and competences in omni-channel are not one of the typical strengths of a shopping center operator to date, as depicted in chapter 2.2, the use of external assistance could prove itself valuable in the reorganization. External help can also be helpful in learning agile methods.

Positive socio-economic investment environment: stabilize where possible!

(7) Support parties and organizations that are expected to provide stability. As illustrated by the scenario descriptions, political stability is an essential factor for the investment attractiveness. The factor is especially important since it was identified as a blind spot in the perception analysis (chapter 4.2.2). Elections that result in shifts to the radical right or left have both the potential to undermine the trust in a country as target for investments. The same applies to profound changes in the political system, as can currently be seen in Turkey, for example. Trust in the legal system is a cornerstone for building investor confidence. The possibilities for a company of influencing politics in the German democracy are of course deliberately limited. The companies' room for maneuver in this respect is therefore limited to trying to limit negative developments. Consequently, investors with immovable and capital-intensive assets in general and shopping center operators in particular should provide the best possible support for the political middle. This can encompass various measures, e.g. donations to established and predictable parties as well as any kind of organization that is engaged in ensuring a stable democracy in Germany.

Even political education campaigns to prevent voters from choosing radical parties may be an appropriate tool.

(8) *Lobby political parties.* Another political interest is the avoidance of regulations for the real estate industry in general or the shopping center industry in particular. Since any new regulation can impair the attractiveness of the shopping center as an investment either in form of higher costs or higher complexity, the interests of the industry should be represented as well as possible.

(9) *Reduce complexity for investors.* Shopping centers as investments get more and more complex due to the trend towards mixed-use properties, shorter lease cycles and an increasing demand for technology (see chapter 2.3.3). Added to this is the upcoming challenge associated with the merger of sales channels towards omnichannel approaches, which in turn raises questions that are difficult to answer with regard to the resulting consequences for shopping centers. Instead of leaving investors to answer these questions themselves, shopping center operators are required in an active design role instead of a passive administrator role. The development of a strategically founded vision for the future shopping center, for example, can provide investors with answers to important questions and simplify a look into the future. Furthermore, a sound understanding of the changes in shopping centers on the part of investors ensures that the willingness to invest is increased and consolidated, especially for potential capital-intensive adjustments to the centers required by the change. In addition, investment attractiveness can be actively supported if operators are able not to make shopping centers too complex in comparison to other types of real estate and to relieve investors of the complexity by building up corresponding competencies. The development of competencies in these areas that drive complexity, for example sustainability or the tightening of regulations, therefore seems important for the future. All in all, reducing complexity represents a real added value for investors and thus might also provide a competitive advantage over other shopping center operators who might struggle with fulfilling this role.

(10) *Strengthen perceived safety in shopping centers as a unique selling point (USP)*. Since the analysis of stakeholder perception has shown that perceived security in public space is a decisive aspect (chapter 4.3.1) and involves the risk of being overlooked as a blind spot and weak signal (chapter 4.2.2), this factor must be in focus in each of the possible scenarios. Of course, the unpredictability of the factor's further development is challenging. Nevertheless, the perceived security in a shopping center can be influenced to a certain extent. Compared to other completely public spaces, shopping centers offer the possibility to exercise a certain degree of control and establish security. The positive emphasis on shopping centers as a comparably safe space should therefore gain in importance. Factors that convey a feeling of security should be emphasized in future communication. Compared to non-uniformly organized areas, measures like security forces, first-aiders, defibrillators or structured schedules for emergencies, for example, can be communicated as positive unique selling points of shopping centers. Consumers and other stakeholders can thus be informed of an advantage of shopping in shopping centers. Furthermore, new measures to increase safety should be developed. This means that the partial control of the security factor can be used as an advantage over other retail or leisure time formats such as simple shopping streets. The further measures and their communication should be developed in order to strengthen this advantage of shopping centers.

(11) *Support the joy of shopping*. Tightly connected with the previously targeted factor of perceived safety in public spaces are two other important factors. As depicted in the analysis in chapter 4.2.2, the following two very basic factors were identified as blind spots rather surprisingly: the importance of shopping centers as a meeting place for people and the importance of shopping as a leisure activity. In the context of strategic discussions on current topics such as digitalization, both factors can quickly be taken for granted. As a result, a shopping center operator runs the risk of no longer concentrating sufficiently on these basic aspects. Since these two factors were identified as important for the future development of shopping centers

but were considered more important by external stakeholders than by internal stakeholders, special attention needs to be given to this aspect. Strategic measures should try to influence both factors in two ways. On the one hand, elements that consumers value when shopping should be promoted: as a study found out (see chapter 2.3.1), it is the testing of products, the immediate availability and the counselling that consumers appreciate most when buying in stationary retail stores (Maier & Kirchgeorg, 2016, p. 6). Consequently, these three arguments should be in focus. Examples for strategic measures targeting at these three aspects are e.g. the sourcing of more retail concepts that allow immediate product testing, the development of possibilities to display the instore product availability online and the provision of trainings for store employees to improve consumer's counselling. On the other hand, barriers that harm the shopping experience should be actively reduced. This can be done through measures which target the unpleasant aspects of shopping. An example for such a factor that has the potential to create resentment is the parking process when arriving at a shopping center. Measures that create orientation and help to find a suitable parking space quickly and with few effort help to prevent from negative emotions.

By maintaining the focus on these factors and by keeping an active role in the interaction with consumers, shopping center operators can have a positive influence on shopping as a leisure activity and on shopping centers as meeting points. This thereby influences the investment attractiveness of shopping centers as well as the well-being of tenants positively and thus ultimately the two key uncertainties (figure 15).

(12) *Broaden the basis of potential tenants.* The concentration process in the retail sector, described in chapter 2.3.2 and depicted in figure 15, has significance influence on the development of rents and the corresponding contracts. This is due to the reason that fewer but bigger retailers are in a position to negotiate more favorable terms than they were able to in a more widely dispersed market. The logical strategic conclusion must therefore be to counteract the process of concentration in the

best possible way. An existing measure here is, for example, the international acquisition of retail concepts that do not yet exist on the German market. In this sense, an even more active search for concepts from other and ideally totally new branches and industries that may not yet be represented in shopping centers also makes sense. Another possibility is cooperation with pure online retailers who are willing to open a stationary branch and thus pursue an omni-channel approach, which is as described in chapter 2.3.2 an ongoing trend. In this way, new potential tenants can be found and thus the number of retailers can be increased as a countermove to concentration. At the same time, this is in line with the increase in competence of shopping center operators in the field of omni-channel approaches as described in the strategic measures above: operators can provide value by enabling pure online retailers to develop their business towards the omni-channel world. A last possibility to broaden the potential retailer base is to start cooperation with retail start-ups. This can be done for example through a kind of incubator that allows small startups to try out a retail format in a shopping center without having to bear the full financial burden, for example in terms of rent. In this way, the shopping center operator can promote new retail concepts and help build up new future tenants.

4.5.3 Scenario-specific options

Scenario B

(13) *Accelerate the progress.* Scenario B is essentially characterized by a slower development towards omni-channel. Therefore, the possibility of acceleration plays a role as a scenario-specific strategy. It must be noted that an acceleration of the development speed is only desirable if the company can keep up accordingly, meaning that the shopping center operator can ensure shopping centers to cope with the triggered change. The measures already described in the core strategy, such as cooperation or pooling of research funds, are suitable to speed up the development.

Scenarios C & D

(14) *Find risk resistant investors.* Scenarios C and D are dominated by a negative socio-economic investment environment. How an investor perceives and assesses

risk also depends on his own experience and comparative standards. While one investor, for example, considers certain changes in the environment to be serious or a certain level of profitability as not risk-adequate, they may not be dramatic but totally acceptable for another, given his or her own level of experience and standards. These differences between investors may result, for example, from their activities in other sectors. Spreading the investor base can therefore be an opportunity to ensure a sufficient willingness to invest in upgrades and modernization in times of lower investment attractiveness. At the same time, these investors might have a higher willingness to invest even in times of a positive socio-economic investment environment since they are used to a different standard and have different expectations.

Another way to reduce dependency from external investors is for the operator to act as an investor himself or through his shareholders. In this case, the dependence on the investment environment can be reduced, as the investment decision is in the own hands and the situation can deliberately be assessed differently without having to account to external investors or the financial market. The precondition is of course that the shareholders of the shopping center operator support this decision. Shopping centers can then either be acquired in their entirety and adapted to the new omni-channel requirements or only the investment in the necessary conversion towards omni-channel is taken over. This investment could possibly then be amortized through fees on turnovers generated with the new omni-channel possibilities. Obviously this option is reserved for financially strong shopping center operators.

(15) *Prioritize centers for upgrade-investments.* In scenarios A and B, a positive socio-economic environment provides a good and promising basis with investors willing to invest in their shopping centers. In such scenarios it might be possible to upgrade a large number of properties and transform them towards new requirements arising from the omni-channel development. However, in order to be prepared for scenarios C and D with a negative socio-economic investment environment, operators should prioritize their centers together with its investors in order to have a clear procedure in the event of a shortage of investments as to which properties should be

upgraded first based on their potential. This need is exacerbated by the fact that many centers are already in need of renovation due to their advanced age, as mentioned in chapter 2.1. Therefore, not only investments must be made in upgrading the centers for the omni-channel era, but also fundamental modernization work. The preparation of investment priorities during stable times can save valuable time and prevents from discussions in times of a more troubling investment environment. The prioritization should be based on objective criteria that allow a decision without bias. Examples of this could be, for example, the investment volume required for a property, its success potential and its competitive density.

5. Conclusion

According to Jack Ma, uncertainty about the future is the reason why companies and even entire industries can get disrupted (Ko, 2016). The introduction to this thesis thus raised the question of how shopping center operators in particular can strategically plan and thus create orientation despite the prevailing uncertainty about the future in this industry. This thesis therefore aimed at finding and applying a strategic means of dealing with uncertainty for a German shopping center company in 2025. In order to achieve this goal, four different and differentiated scenarios for shopping centers in Germany in 2025 and a corresponding strategy for a shopping center operator were developed. The basis was laid in the first part with a description of the trends and developments relevant for the three stakeholder groups, based on current studies. The second part introduced the scenario-based strategic planning in general and the HHL-Roland Berger approach in particular as a tool to overcome uncertainty and volatility as the main challenges of strategy development today. Furthermore, the advantages and disadvantages of the approach were outlined. The third part dealt with the application of the approach. After having framed the scope, a survey was carried out among internal and external stakeholders and expert to build the basis for a bias-free analysis of influencing factors. Finally, the two key uncertainties as a basis for the following scenario description were derived:

- (1) The socio-economic investment environment
- (2) The development of omni-channel

Building upon these two aggregated factors, four distinctive scenarios were developed, each provided with a fact sheet. The most positive scenario A, which served as a basis for the subsequent development of a core strategy, was characterized by a positive socio-economic investment environment and a progressive development of omni-channel. In this scenario called “race for total integration”, the operators of shopping centers are exposed to enormous pressure to build up serious digital competencies within a short time, but there is an opportunity to play an active role in shaping the rapidly developing omni-channel world. Thanks to the positive investment environment, investors are willing to invest in the further development of the centers, which is necessary to connect to the integrated retail world. To position a shopping center operator as well as possible in this scenario, a core strategy with corresponding measures, which help to maximize positive developments and minimize negative developments, was finally developed. All in all, the aim of this thesis could thus be fulfilled. The core-strategy and its basis provide orientation towards the future even in case of uncertainty by focusing on the essentially important factors that shape the future of shopping centers towards 2025. A shopping center operator applying this approach can actively reduce the likelihood of unexpected disruptions. The recommended strategic measures can be used as a basis for further company-individual analysis.

Of course, the approach has limitations. It needs to be noted that despite all standardization by the HHL-Roland Berger approach, the process of scenario development is subject to a certain degree of subjectivity. The scenarios are essentially based on the identified key uncertainties and thus on the identification of common elements between the key uncertainties, as described in chapter 4.3.2. Despite conscientious work and the mentioned cross-check by experts, it is possible that another strategist carrying out this process might have come up with other key uncertain-

ties and thus different scenarios (Schwenker & Wulf, 2013, p. 87). It also needs to be mentioned that the scenarios do not claim to be complete or even an exact prediction of the future, as explained in chapter 3.2. Rather, they represent a technique for creating an unbiased basis for strategy development. Since the environment for shopping centers is currently so lively, unexpected developments can nevertheless take place and take the scenarios developed and the resulting strategic measures off the ground. To counter this, a continuous control process must be installed. If factors with significant influence occur, scenario planning must be carried out again. At minimum, a company using these findings is strongly recommended to pay attention to the so-called scenario cockpit, a tool within the HHL-Roland Berger approach to monitor and reconcile developments with the developed strategy (Schwenker & Wulf, 2013, p. 56, p. 137). If resources are available and a higher effort can be afforded, it might even be more valuable to repeat the whole process, including the 360° Stakeholder Interview, on a regular basis and to compare the results with this thesis. Changes in the foundation for scenario development can thus be identified. It can also be critically noted that the management board of ECE Projektmanagement, selected as representative shopping center operator for this thesis, could only be involved in the stakeholder interviews, but not in the subsequent analysis. Since the added value of a scenario-based approach to strategic planning consists not only of the results but also in an ideally joint examination of the future and its influencing factors, the close involvement of the management board is strongly recommended in case of a repeated application. This ensures that the analysis raises awareness of strategically important developments and that future strategic discussion can take place on basis of a common understanding. This significantly increases the added value. Finally, it should be mentioned that the disadvantages of this method outlined in chapter 3.2, in particular the high demand for resources and effort, can be confirmed. The effort, especially if the management board were involved in the process, is considerable in absolute terms. Nevertheless, it can be

concluded that the added value in form of an objective and reliable basis for orientation in uncertain times exceeds them by far.

There are two issues to be observed in the future. Firstly, the comparison between the actual development and the scenarios will become exciting in the upcoming years. In particular, the merger of sales channels offers the potential to change the retail landscape enormously and can therefore be followed with excitement. It will be especially interesting to see which roles shopping center operators decide to play. Secondly, it will be important to observe what role scenario-based planning will play in this and other industries. The question of whether companies appreciate the added value of strategic planning in general and the outlined approach in particular in times of ever faster developments will be important.

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Appendix

1. Please name important **POLITICAL FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors
2. Please name important **ECONOMIC FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors
3. Please name important **SOCIETAL FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors
4. Please name important **TECHNOLOGICAL FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors
5. Please name important **ECOLOGICAL FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors
6. Please name important **LEGAL FACTORS** that will have crucial influence on shopping centers within the next 7 years and think of indicators to measure the factors

Appendix 1: 360° Stakeholder Feedback, questionnaire round 1

Source: Own illustration, based on Schwenker & Wulf, 2013, p. 82

Factor No.	360° Stakeholder Feedback: List of collected factors	
1	Political	Regulation of individual traffic in city centres (e.g. diesel driving bans)
2		Regulation of delivery traffic in city centres
3		Development of store opening hours
4		Development of assortment and space restrictions for shopping centers
5		Sustainability requirements for retailers (e.g. limiting the ecological footprint for entire supply chains)
6		Sustainability requirements for real estate (e.g. regulations for construction and operation with limitation of resource consumption)
7		Introduction of further regulations for investors (e.g. AIFM, compliance requirements)
8		Political stability in Germany
9		Development of perceived security in public spaces
10		Tax policy with regard to investors, e.g. tax benefits for long-term leases or enabling share deals
11	Economic	Development of retail-relevant purchasing power
12		Economic development in Germany
13		Centralisation in trade (fewer but larger market participants)
14		Development E-Commerce
15		Development of the distribution of turnover between e-commerce and stationary retail
16		Development of the innovative strength of retailing
17		Development of interest rates
18		Importance of interlinking/merging sales channels (online and offline; omni channel)
19		Development of alternative investment opportunities (e.g. shares, bonds or crypto currencies)
20		Development of ancillary costs in shopping centers
21		Opening of physical stores by previously pure online retailers
22		Development of construction costs
23	Societal	Changes in demography (e.g. ageing of society, population decline or urbanisation)
24		Change in consumer behavior (e.g. flexible choice of / change between purchasing channel)
25		Development of social inequality ("gap between rich and poor")
26		Importance of purchases across different channels as well as jumping between channels in the purchasing process (omni channel)
27		Importance of shopping centers as a meeting place for people
28		Importance of "shopping" as a leisure activity
29		Change in professional life, e.g. through home office, more flexible working hours and locations
30		Development of the "sharing economy" ("sharing" instead of "ownership", e.g. renting instead of buying products)
31		Change in the materialistic character of society
32		Cultural change through migration
33	Technological	Development of technical possibilities for sales channel integration/omni channel
34		Importance of online visibility of locally available inventory
35		Development of logistic offers for the "last mile" (e.g. drones, robots, autonomous delivery vehicles, etc.)
36		Importance of customer data in the context of "Retail Analytics" (e.g. for 1:1 marketing in stationary retail or anticipation of trends)
37		Importance of Virtual Reality / Augmented Reality - Offers in shops and shopping centers
38		Automation in stationary retail and shopping centers, e.g. by robots
39		Importance of intelligent buildings (e.g. sensor-controlled ventilation and air conditioning based on the number of persons and methods of software-supported management of buildings)
40	Ecological	Importance of the ecological footprint of shopping centers
41		Ecological awareness of resource consumption in supply chains
42		Public expectations of "zero emission" offers
43		Importance of shared mobility
44	Legal	Development of tenancy law
45		Development of the case law on ancillary costs
46		Development of operator responsibility of shopping center operators, e.g. anti-terror measures
47		Requirements within the scope of the legislation for sales outlets, e.g. fire protection
48		Development of building and planning law
49		Development of labour law, e.g. requirements for workplaces in stationary retail

Appendix 2: 360° Stakeholder Feedback, aggregated list of collected factors in round 1
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 83

Factor No.	All		Internal Stakeholders		External Stakeholders	
	Average impact	Average uncertainty	Average impact	Average uncertainty	Average impact	Average uncertainty
1	3,9	5,2	4,2	5,6	3,7	4,9
2	4,8	5,9	4,9	6,5	4,7	5,4
3	4,6	5,0	4,6	5,5	4,7	4,5
4	6,8	5,1	7,0	5,2	6,7	5,0
5	4,7	5,0	5,2	5,6	4,3	4,5
6	4,8	5,4	5,0	5,6	4,7	5,2
7	4,7	4,9	4,9	5,2	4,5	4,6
8	7,5	7,1	7,3	6,6	7,8	7,6
9	7,2	7,0	6,7	6,7	7,7	7,3
10	4,7	5,4	5,0	5,8	4,4	5,1
11	8,0	5,0	7,3	4,6	8,5	5,4
12	7,4	5,4	6,9	4,8	7,8	5,8
13	7,9	3,8	8,3	4,0	7,6	3,6
14	8,8	3,2	8,8	3,4	8,8	3,1
15	8,0	4,3	8,5	4,4	7,5	4,2
16	8,0	7,0	8,3	6,6	7,7	7,3
17	7,1	6,5	7,4	6,2	6,8	6,8
18	8,0	4,5	8,6	4,5	7,4	4,5
19	4,3	5,0	4,3	5,2	4,3	4,8
20	6,1	4,7	6,1	4,7	6,1	4,7
21	6,4	4,5	6,9	4,6	5,9	4,5
22	6,5	5,2	6,6	5,5	6,5	4,9
23	6,5	2,6	6,5	2,8	6,5	2,4
24	7,9	5,5	8,2	5,5	7,6	5,4
25	4,5	4,1	4,5	4,1	4,5	4,1
26	7,4	4,6	8,1	4,6	6,8	4,6
27	8,1	4,6	8,6	4,0	7,8	5,1
28	7,7	4,3	8,2	3,6	7,3	4,9
29	4,7	4,2	5,2	4,2	4,3	4,3
30	4,9	4,7	5,2	4,9	4,7	4,6
31	4,7	4,6	5,1	5,0	4,3	4,3
32	3,9	4,2	4,2	4,2	3,7	4,2
33	7,7	6,6	8,8	6,8	6,8	6,4
34	8,0	6,6	9,3	6,8	6,8	6,4
35	7,8	6,7	8,7	6,9	7,1	6,5
36	8,2	4,5	8,8	4,5	7,7	4,5
37	6,5	5,7	6,5	6,2	6,5	5,3
38	5,4	5,1	5,4	5,3	5,4	4,9
39	5,5	4,8	6,3	5,1	4,8	4,6
40	5,2	4,7	5,6	4,7	4,9	4,7
41	4,8	4,8	5,1	4,8	4,5	4,8
42	4,2	4,5	4,5	4,5	3,9	4,4
43	4,9	4,4	5,0	4,7	4,8	4,1
44	4,9	4,0	4,9	4,2	4,8	3,8
45	4,5	4,7	4,6	4,9	4,5	4,5
46	4,6	5,2	4,6	5,3	4,7	5,2
47	4,9	4,4	5,5	4,4	4,4	4,4
48	4,7	3,5	4,8	3,5	4,7	3,5
49	4,9	3,4	4,9	3,5	4,9	3,3
<i>Average</i>	6,1	4,9	6,3	5,0	5,8	4,9

Appendix 4: 360° Stakeholder Feedback, overview of average values
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 83

		= Secondary elements		
		= Trends		
		= Critical uncertainties		
No.		Factor	Average Uncertainty	Average Impact
1	Political	Regulation of individual traffic in city centres (e.g. diesel driving bans)	5,227	3,909
2		Regulation of delivery traffic in city centres	5,909	4,773
3		Development of store opening hours	4,955	4,636
4		Development of assortment and space restrictions for shopping centers	5,091	6,818
5		Sustainability requirements for retailers (e.g. limiting the ecological footprint for entire supply chains)	5,000	4,682
6		Sustainability requirements for real estate (e.g. regulations for construction and operation with limitation of resource consumption)	5,364	4,818
7		Introduction of further regulations for investors (e.g. AIFM, compliance requirements)	4,864	4,682
8		Political stability in Germany	7,136	7,591
9		Development of perceived security in public spaces	7,045	7,227
10		Tax policy with regard to investors, e.g. tax benefits for long-term leases or enabling share deals	5,409	4,682
11	Economic	Development of retail-relevant purchasing power	5,045	7,955
12		Economic development in Germany	5,364	7,409
13		Centralisation in trade (fewer but larger market participants)	3,773	7,909
14		Development E-Commerce	3,227	8,818
15		Development of the distribution of turnover between e-commerce and stationary retail	4,273	7,955
16		Development of the innovative strength of retailing	6,955	7,955
17		Development of interest rates	6,500	7,091
18		Importance of interlinking/merging sales channels (online and offline; omni channel)	4,500	7,955
19		Development of alternative investment opportunities (e.g. shares, bonds or crypto currencies)	5,000	4,273
20		Development of ancillary costs in shopping centers	4,682	6,091
21		Opening of physical stores by previously pure online retailers	4,545	6,364
22		Development of construction costs	5,182	6,545
23	Societal	Changes in demography (e.g. ageing of society, population decline or urbanisation)	2,591	6,500
24		Change in consumer behavior (e.g. flexible choice of / change between purchasing channel)	5,455	7,864
25		Development of social inequality ("gap between rich and poor")	4,091	4,500
26		Importance of purchases across different channels as well as jumping between channels in the purchasing process (omni channel)	4,591	7,409
27		Importance of shopping centers as a meeting place for people	4,591	8,136
28		Importance of "shopping" as a leisure activity	4,318	7,682
29		Change in professional life, e.g. through home office, more flexible working hours and locations	4,227	4,727
30		Development of the "sharing economy" ("sharing" instead of "ownership", e.g. renting instead of buying products)	4,727	4,909
31		Change in the materialistic character of society	4,591	4,682
32		Cultural change through migration	4,182	3,909
33	Technological	Development of technical possibilities for sales channel integration/omni channel	6,591	7,727
34		Importance of online visibility of locally available inventory	6,591	7,955
35		Development of logistic offers for the "last mile" (e.g. drones, robots, autonomous delivery vehicles, etc.)	6,682	7,818
36		Importance of customer data in the context of "Retail Analytics" (e.g. for 1:1 marketing in stationary retail or anticipation of trends)	4,500	8,182
37		Importance of Virtual Reality / Augmented Reality - Offers in shops and shopping centers	5,727	6,500
38		Automation in stationary retail and shopping centers, e.g. by robots	5,091	5,409
39		Importance of intelligent buildings (e.g. sensor-controlled ventilation and air conditioning based on the number of persons and methods of software-supported management of buildings)	4,818	5,455
40	Ecological	Importance of the ecological footprint of shopping centers	4,682	5,227
41		Ecological awareness of resource consumption in supply chains	4,773	4,773
42		Public expectations of "zero emission" offers	4,455	4,182
43		Importance of shared mobility	4,364	4,909
44		Development of tenancy law	4,000	4,864
45	Legal	Development of the case law on ancillary costs	4,682	4,545
46		Development of operator responsibility of shopping center operators, e.g. anti-terror measures	5,227	4,636
47		Requirements within the scope of the legislation for sales outlets, e.g. fire protection	4,409	4,909
48		Development of building and planning law	3,500	4,727
49		Development of labour law, e.g. requirements for workplaces in stationary retail	3,409	4,909

Appendix 5: 360° Stakeholder Feedback, categorization of factors
Source: Own illustration, based on Schwenker & Wulf, 2013, p. 99

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