

## **Coop Stores prove that diversity, quality and cooperation is a recipe for success**

### **Abstract**

Faced with the challenge of maintaining visitor traffic, occupancy rates and tenant sales in the context of challenging market conditions, Sonae Sierra devised a new retail concept that not only generates direct revenue and brand value for the business, but also supports local economic development and galvanises consumer interest by embracing small-scale businesses and craftspeople who offer high-quality, bespoke products.

Two years on from its initial pilot, 'Coop Store' has been rolled out across four countries and in 2015 enabled all small-scale operators involved to grow their businesses and generate a combined €171,000 in sales in Sonae Sierra shopping centres.

### **Introduction**

In the wake of the economic crisis in the Eurozone, tenant sales across our European shopping centres declined as unemployment rates rose and disposable household income fell. Small businesses faced significant challenges, squeezed by low levels of consumer spending and reduced access to affordable finance.

At this time, Sonae Sierra undertook various initiatives to keep our shopping centres buzzing with strong occupancy rates and high levels of visitor traffic in spite of the challenging economic circumstances. In keeping with our strategy to create shared value for our business and society, we wanted to take positive action to support local entrepreneurs who might harbour the potential to create jobs and reinvigorate local economic development. Furthermore, we were looking to excite shopping centre visitors with new retail concepts and effectively anticipate the growing consumer preference for bespoke, artisan products. It was in this context that Coop Store was born.

Coop Stores are shared retail spaces that are run by a collective of tenants. Their layout is made up of diverse spaces that function as mini-shops, and tenants work in an environment of cooperation with a shared business vision. The format provides tenants an opportunity to sell, display and promote their creations under more flexible conditions than those offered by traditional shops; with the rent and running costs shared between them.

### **Background**

In 2012 Sonae Sierra created 'Flash Store', an innovative retail concept based on the use of a shop for a maximum period of six months, enabling the operator to test the market's receptiveness to his or her product. In its first year, the concept attracted

around 90 operators in Portugal, and helped introduce new brands to Sierra's centres and new tenants to our leasing portfolio. Since the launch of this concept, more than 60 Flash Stores have become tenants with long term contracts. 2013 saw the opening of 60 Flash Stores, and the roll out of the concept to Spain, Germany and Romania. We wanted to build on the Flash Store concept to create a format that would be accessible and appealing to small, local retailers and craftspeople.

### Challenge

To do this successfully, we needed to tackle several challenges:

- How could we offer attractive conditions to incentivise first-time entrepreneurs and small-scale operators?
- How could we find local retailers whose businesses would complement and add value to (rather than compete with) our existing tenant mix, as well as guarantee the quality of their products?
- How could we support local retailers in adapting the layout of our vacant units, designed for larger stores, to maximise their visual appeal and entice customers with their products?

Our Prosperous Retailers working group put their heads together to come up with a creative solution based on the principles of diversity, quality and cooperation.

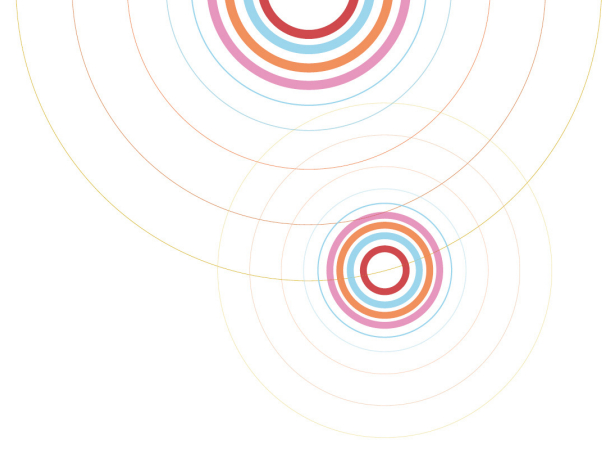
### Solution

We devised Coop Stores as a sub-set of the successful Flash Store concept. As with Flash Stores, Coop Stores make use of vacant units within our shopping centres. But the leasing model is unique: the units are leased not to one operator, rather a collective of small businesses and entrepreneurs on a flexible and affordable short-term basis for up to six months.

By teaming up with like-minded business partners who share an enthusiasm for high quality, locally produced, specialised products, Coop Store tenants benefit from shared occupancy costs and the opportunity to expand the reach of their products by taking advantage of the high level of footfall in the shopping centre.



**Coop Store in operation**



To ensure the success of the initiative, we selected potential Coop Store occupants based on a number of criteria including their proximity to each shopping centre, the strength of their business model, their ability to complement our tenant mix and the potential to scale up their business if they achieve good levels of sales.

The first Coop Store opened at LoureShopping in Portugal in the last quarter of 2013. By the end of that year, the initiative had already attracted a broad range of positive publicity with over 20 mentions in local and national media reaching more than 2.3 million people, and was named "Product of The Month" by Marketeer magazine. By 2014 we had five Coop Stores in operation across two countries, and 20 per cent of Coop Store participants at this time went on to become permanent tenants in our shopping centres.

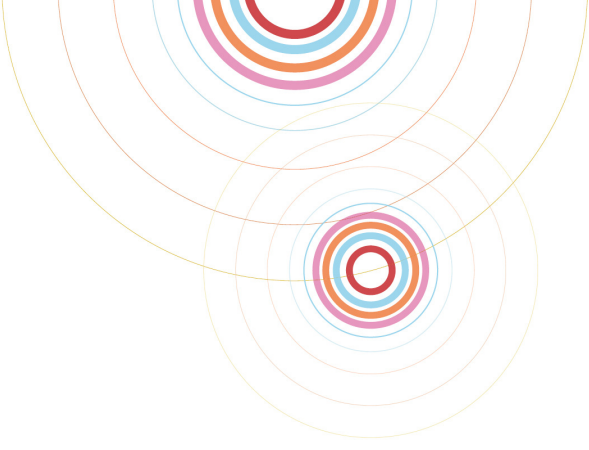
In 2015 the concept was rolled out further. Altogether we had 11 units in operation across four countries: six in Portugal; three in Spain; one in Romania and one in Brazil, all occupied by independent businesses between them selling a wide range of bespoke products such as jewellery, accessories, furnishings, food and drink, ceramics, crafts, textiles and apparel. The Coop Stores generated sales of over €171,000 for local retailers, an advertising equivalent value (AEV) of over €48,000 from positive media coverage, and additional rental income of €20,000 for Sonae Sierra.

### **Closure**

In the context of the prolonged economic recession in the Eurozone, Sonae Sierra sought to develop a concept which would add vitality to its shopping centres, entice consumers with bespoke, high quality products and, most significantly, support small-scale, local retailers through challenging times. The extension of Coop Stores into new markets and its ongoing popularity in Portugal through the economic recovery is a testament to its success.

The model is simple, agile and easily replicable, and it yields tangible benefits for Sonae Sierra, shopping centre visitors and local producers. Feedback from Coop Store operators has indicated that 100% have succeeded in growing their business, 91% have created new employment opportunities and 64% are pleased with the level of sales achieved.

*"The Coop Store project has proved very rewarding, because it appeals to a consumer group which wants to have access to artisan products from other regions. At the same time, Coop Store operators are delighted with the attention that their products are receiving from the public, and this project opens up significant opportunities for them."*  
– Sonae Sierra Corporate Manager for Temporary Leasing

A decorative graphic in the top left corner consisting of several overlapping circles of various colors (red, blue, green, yellow) and sizes, creating a sense of depth and movement.

*"Coop Stores present an innovative solution for small scale producers of eco-handicrafts and environmentally-friendly products. They enhance quality of life and generate employment and income." – Coop Store tenant.*