Geomarketing

GfK GeoMarketing Magazine | edition 4-2015

NEW

IN SEARCH OF A RETAIL EL DORADO

WANTED: LOCATIONS WITH HIGH RETAIL POTENTIAL

Dear reader,

How do you know which retail location is best for your business? Should you go with a high street or a shopping center? A conventional store or a shop-in-shop format? Location decisions are notoriously difficult. And bad ones can be disastrous.

It's essential to carefully evaluate the opportunities and risks associated with a given market or real estate object before making an investment. This edition of GfK Geomarketing Magazine delivers first-hand insights from our geomarketing experts and studies, such as the newly released GfK Purchasing Power for Europe.

Sincerely,

Your GfK GeoMarketing team

CONTENTS

NEWS & IMPORTANT DATES

TIME FOR SALES TERRITORY OPTIMIZATION

It's important to get a head start on optimizing your sales structure as the new year approaches. The actual optimization can be completed fairly quickly thanks to professional tools such as RegioGraph Planning. But the necessary preparations typically pose the greatest challenges to businesses. Contact us to learn how our experienced experts can help you navigate this process.

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PURCHASING POWER FOR THE USA

The average purchasing power of the approximately 319 mil. inhabitants of the United States is €35,179 per person. This is relatively high compared to other countries, because the US population must make private contributions to many social services (such as health insurance and unemployment insurance) using purchasing power funds. Of the nation's 50 states, 29 lie below the aver-age, while 21 are above it.
With €35,129 available per person, Texas falls almost exactly at the national average. Inhabitants of Connecticut have a per-capita average of €45,548, which is almost 1.3 times the national average. With €27,491 per person, Mississippi is the state with the least purchasing power. This is around 22 percent below the national average.
GfK provides the current purchasing power in per-capita values, as a total and as an index (comparison to USA average) for the United States' 3,142 counties, 99 two-digit ZIP Codes and the very detailed 40,968 five-digit ZIP Codes.

More information at www.gfk-geomarketing.com/purchasing_power_usa

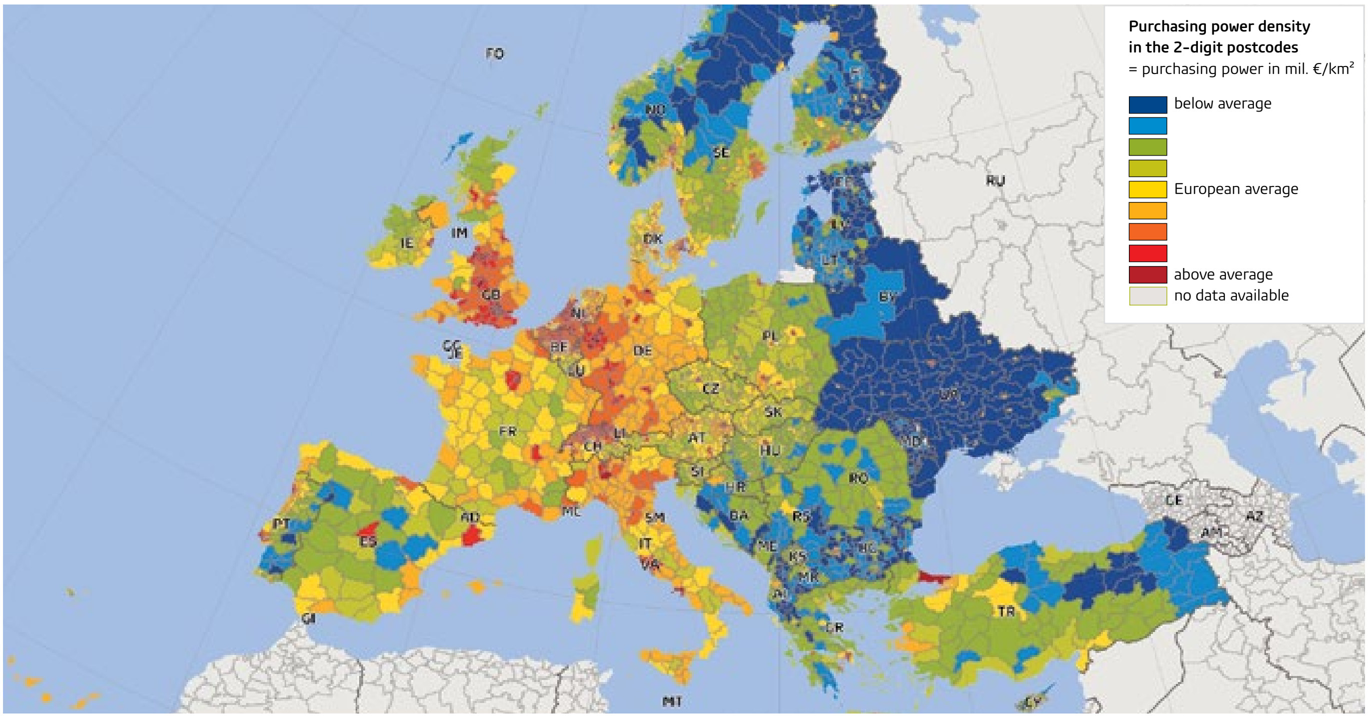
CONSUMER POTENTIAL BY AGE RANGE

Our new study on purchasing power by age range reveals the regional distribution of age-specific consumer potential throughout Germany. The study breaks down the German population into the following age ranges: 15-19 years, 20-29, 30-39, 40-49, 50-59, 60-64 and 65 years and older.

The data on purchasing power by age group is based on the combination of general GfK Purchasing Power with income and age-specific statistics from Germany's Federal Statistical Office and national pension scheme.

GfK Purchasing Power by Age Group 2015 offers companies valuable insights into the age-specific regional distribution of their target groups.

More information at www.gfk-geomarketing.com/purchasing_power_age_groups



EUROPEANS' PURCHASING POWER ON THE RISE

Purchasing power in Europe climbed by around four percent this year. But there are substantial variations in these purchasing power levels both in the region as a whole and in the 42 individual countries considered by the study. Europeans' purchasing power is therefore largely a factor of where they live.

According to the GfK study, a total of approximately €9.13 trillion is available to European consumers in 2015 for spending and saving. This corresponds to an average per-capita purchasing power of €13,636 for the 42 countries under review. Europeans thus have around 4.2 percent more per-capita purchasing power than in the previous year. This translates to an actual, real-world increase in many countries. According to the European Central Bank, the 2015 rate of inflation for Europe will be 0.2 percent.

Consumers' disposable income varies significantly by region and country. There has been some purchasing power growth in the eastern and southern European countries despite economic crises. Even so, these areas lag far behind the western and northern European countries. There is almost no middle ground in the distribution of purchasing power values among Europe's countries. With a purchasing power of €13,203 per person, Spain is the only country that falls around the European average.

Consumers in Europe's top 10 countries typically have at least 1.5 times the European average, while this figure is 4.8 times the average for inhabitants of Liechtenstein. Twenty six countries fall below the European average. The four countries with the greatest number of inhabitants – Germany, Great Britain, France and Italy – comprise 40 percent of Europe's population and almost 60 percent of the continent's purchasing power.

Spain's purchasing power approximates European average

Spain's per-capita purchasing power of €13,203 puts it around the European average. Ranked 17, Spain is the only country with a purchasing power that approximates the European average.

The country with the next highest purchasing power is Italy with €16,193 per person, which is 19 percent above the European average. Malta, the country with the next lowest purchasing power, has €10,753 per person, which is 21 percent less than the European average.

With €17,441 per person, inhabitant's of Gipuzka, Spain's wealthiest province, have somewhat more purchasing power than inhabitants in the Netherlands. This puts inhabitants of this province around one third above the Spanish average. Inhabitants of Cadiz, the least wealthy province, have just €8,943 per person, which is one third less than the national average (country index: 67.7). With €13,224 per person, inhabitants of Valladolid represent Spain's average purchasing power level.

Paris is France's purchasing power hotspot

Ranked 13, France has an average per-capita purchasing power of €19,076, which is almost 40 percent above the European average. With a purchasing power of €29,443 per person, Paris substantially outpaces France's other departments. Inhabitants of France's capital have on average 1.5 times the national average and more than twice the European average.

Pas-de-Calais is in last place with a purchasing power of €15,688 per person, which is around 18 percent below the national average. France's least affluent department has a purchasing power level that approximates the average for the EU-28 countries. With €19,006 per person, inhabitants of Pyrenees-Atlantiques have around the same purchasing power as France's average.

Poland: Widely varying income levels

Inhabitants of Poland have a 2015 purchasing power of €6,437 per person. Ranked 28, Poland's inhabitants have 47 percent of the average European purchasing power at their disposal. The district of Tarnow has a purchasing power that approximates Poland's

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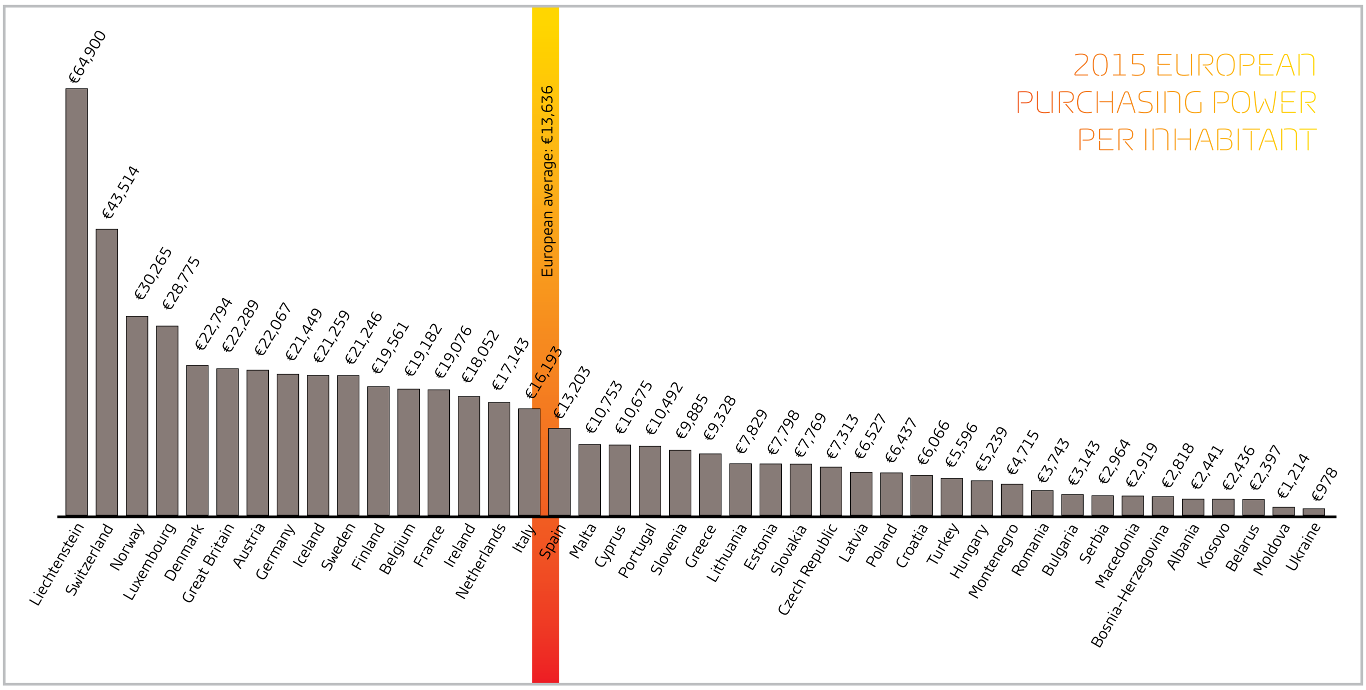

source: GfK Purchasing Power Europe 2015; Eurostat exchange rates published on May 5, 2015 national average. The nation's district with the highest purchasing power is the capital of Warsaw: With €11,751, inhabitants of this district have on average almost 83 percent more purchasing power than the rest of the country. Despite this, they still have around 14 percent less than the European average.

Even so, 17 of Poland's 380 districts have a purchasing power level that is 20 percent or higher than the national average. This indicates growing affluence in some regions, but the situation is entirely different in the 90 districts that fall 20 percent or more below the national average. Inhabitants of Lubaczowski, Poland's district with the least purchasing power, have just 68 percent of Poland's per-capita average. These values are indicative of a pronounced income gap among Poland's population. This gap can be partly attributed to the division of the country into 380 regions, which is a relatively granular demarcation compared to the other mentioned countries. More granular regions tend to exhibit a greater spread of values.

Czechs have around half of European average

Inhabitants of the Czech Republic (rank 26) have an average per-capita purchasing power of €7,313, which equates to 53.6 percent of the European average. The Czech Republic's wealthiest district, Prague (Hlavni mesto Praha), has an average per-capita purchasing power of €9,598. This is around 31 percent more than the national average. The nation's average is represented by Plzen-sever, a region north of Pilsen whose inhabitants have €7,297 per person. Inhabitants of the district of Bruntal have an average of just €6,006 per person. This is 18 percent below the national average and around the same purchasing power level as inhabitants of Croatia.

ABOUT THE STUDY

The GfK purchasing power study reflects the nominal disposable income of the population in euros. The data is available down to detailed administrative and postal levels. The exchange rates for the non-euro countries are based on the 2015 prognoses of the European Commission reported on May 5, 2015. The growth rate of 4.2 percent refers to revised 2014 per-capita values. Exchange rate disparities between the euro and other currencies must be taken into account when interpreting the country rankings, particularly in the case of Switzerland and Great Britain.

The GfK Purchasing Power Europe study is calculated annually for 42 European countries, providing comprehensive coverage down to the level of municipalities and postcodes. Seamlessly fitting digital maps are also available. The 2015 study is available immediately and also includes updated data on inhabitants and households.

QUESTIONS? WE'D BE HAPPY TO ANSWER THEM!

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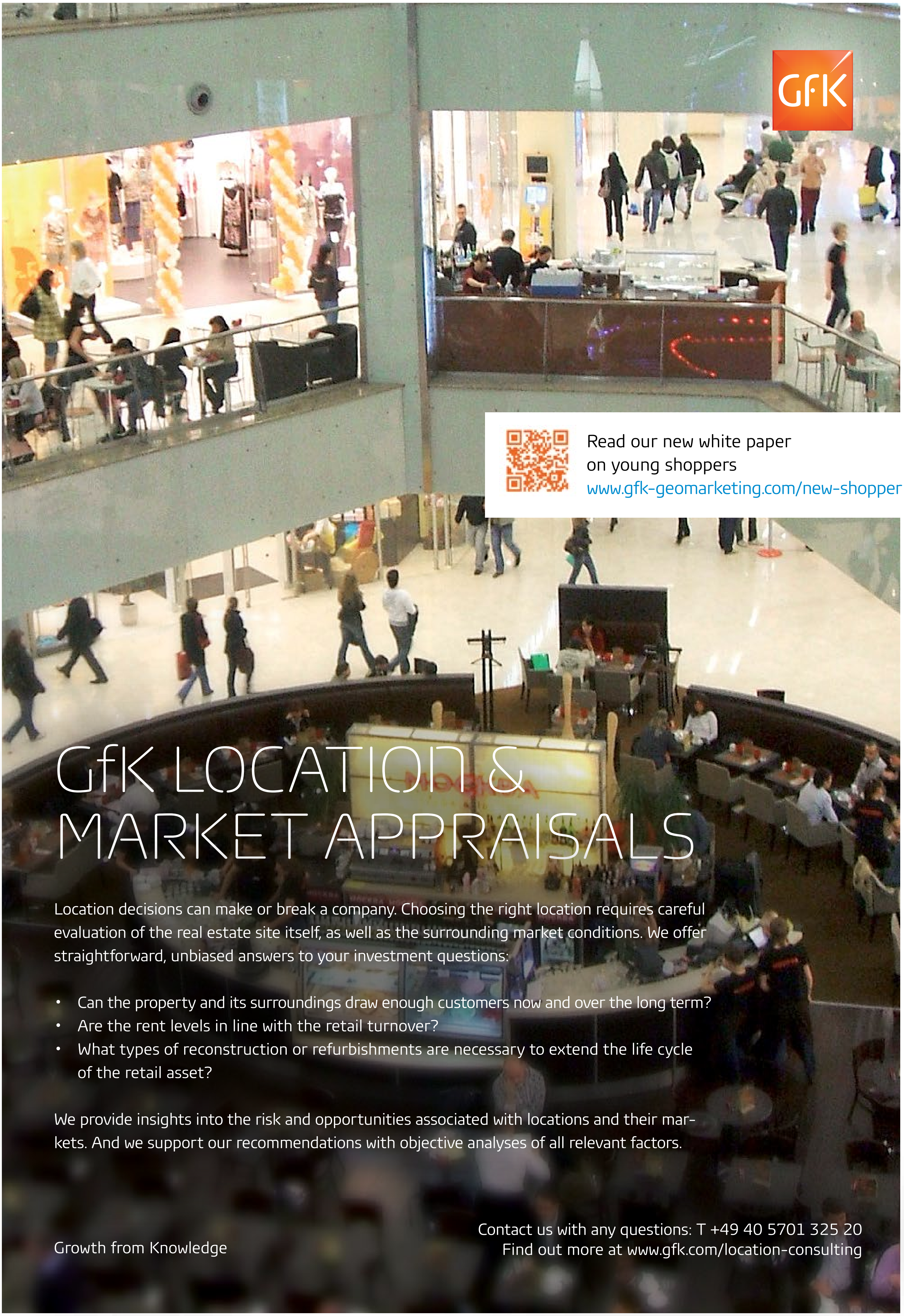


GfK

Read our new white paper
on young shoppers
www.gfk-geomarketing.com/new-shopper

GfK LOCATION & MARKET APPRAISALS

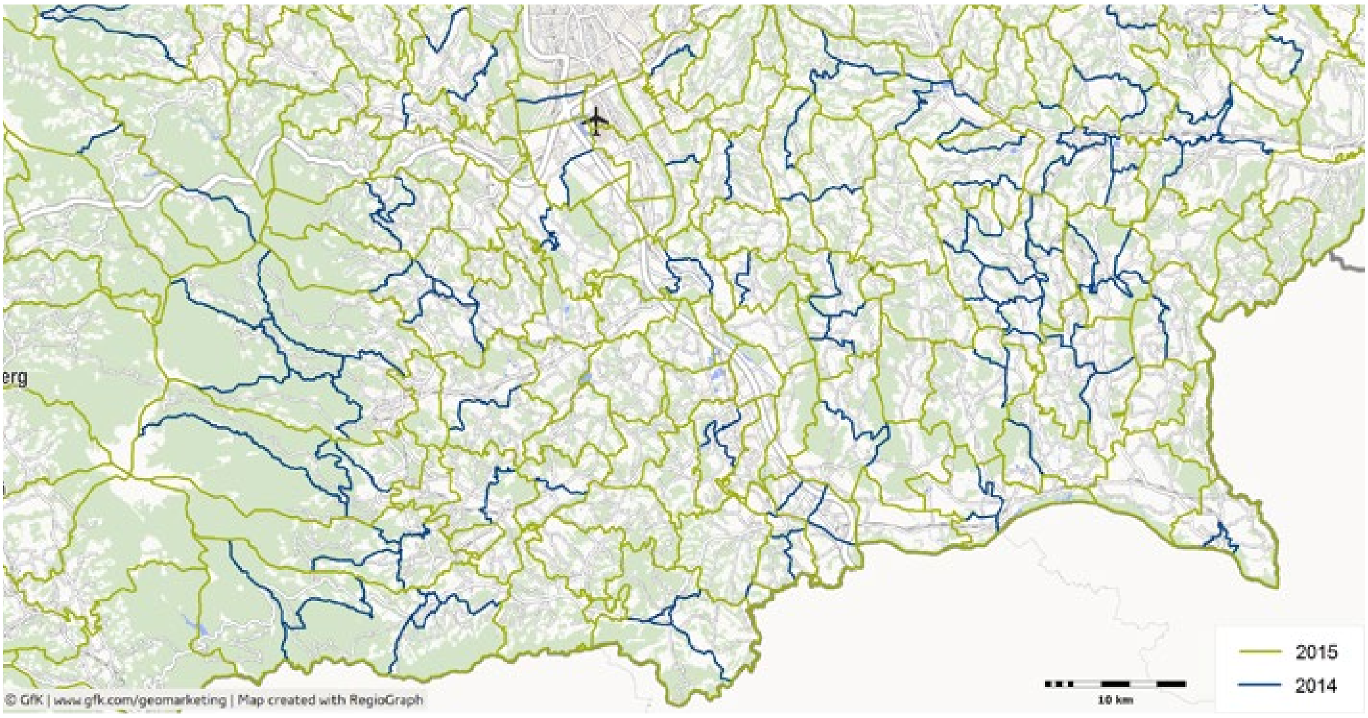
Location decisions can make or break a company. Choosing the right location requires careful evaluation of the real estate site itself, as well as the surrounding market conditions. We offer straightforward, unbiased answers to your investment questions:

- Can the property and its surroundings draw enough customers now and over the long term?
- Are the rent levels in line with the retail turnover?
- What types of reconstruction or refurbishments are necessary to extend the life cycle of the retail asset?

We provide insights into the risk and opportunities associated with locations and their markets. And we support our recommendations with objective analyses of all relevant factors.

Growth from Knowledge

Contact us with any questions: T +49 40 5701 325 20
Find out more at www.gfk.com/location-consulting



Austria: Changes to the municipal boundaries

EUROPE IN TRANSITION

The new GfK Europe Map Edition 2015/2016 reflects the thousands of regional changes that have occurred in Europe over the past year. The digital maps of administrative and postal regions comprise the foundation for location-based analyses, or geomarketing, for companies across all industries.

GfK updated the approximately one thousand digital maps in the GfK Europe Map Edition to reflect the latest status. The maps have been supplemented with numerous regional levels. One of these enhancements includes an increase in the level of detail, particularly along coastlines and in cities. The maps offer comprehensive coverage down to Europe's most detailed postcode and administrative levels – the five-digit postcodes and municipalities, respectively.

Demographic, economic and political changes pose challenges to government and postal organizations across Europe. Regional alterations as well as long-term demographic and economic changes require reforms to ensure that boundary structures meet current and future demand.

"Efficiency is a political and economic imperative in today's administrative and postal organizations," explains Klaus Dittmann, head of cartography in GfK's geomarketing solu tion area. "For this reason, hundreds of regions such as municipalities and postcodes are adjusted each year in every European country so that these organizations can operate efficiently and provide better service. These changes are reflected in the administrative and postcode maps that we update every year to ensure our customers have a reliable basis for their business analyses."

WHY NEW MAPS?

An up-to-date cartographic basis is a prerequisite for carrying out market analyses in companies from all industries. Outdated postcode boundaries are problematic, because this is the means by which address-based company and market data is linked to and visualized on digital maps. For example, if the postcode of a company site changes, any turnover generated by this site would be attributed to the wrong postcode if outdated boundary data is used.

NEW ADDITIONS

There have been changes to every European country's postcode and administrative levels; in total, these changes number in the thousands. Some examples of the more comprehensive changes are detailed below:

Denmark
The administrative and postcode boundaries were newly rendered on the basis of official and more detailed sources. All boundaries are now accurate to within 50 meters, or even closer in some areas. The same is true for Iceland and Slovakia.

Germany
The administrative boundaries of the federal states of Bavaria, Baden-Württemberg and Berlin were newly rendered on the basis of official vector data from the respective regional authorities. The maximum boundary deviation is now five meters, while postcode boundaries are now accurate down to the level of individual houses.

Forty-nine municipalities were dissolved and four were newly created. This reduced the number of municipalities from 11,212 (2014) to 11,167 (2015). Due to annexations and neighborhood redistricting, boundaries have changed for 31 municipalities. New names have been assigned to two municipalities and new ID numbers have been assigned to six municipalities.

Greece
Political reforms also affected Greece's postal and administrative boundaries. Our cartographers therefore re-digitized all postcode boundaries using the latest data from Greece's postal service. This changed the

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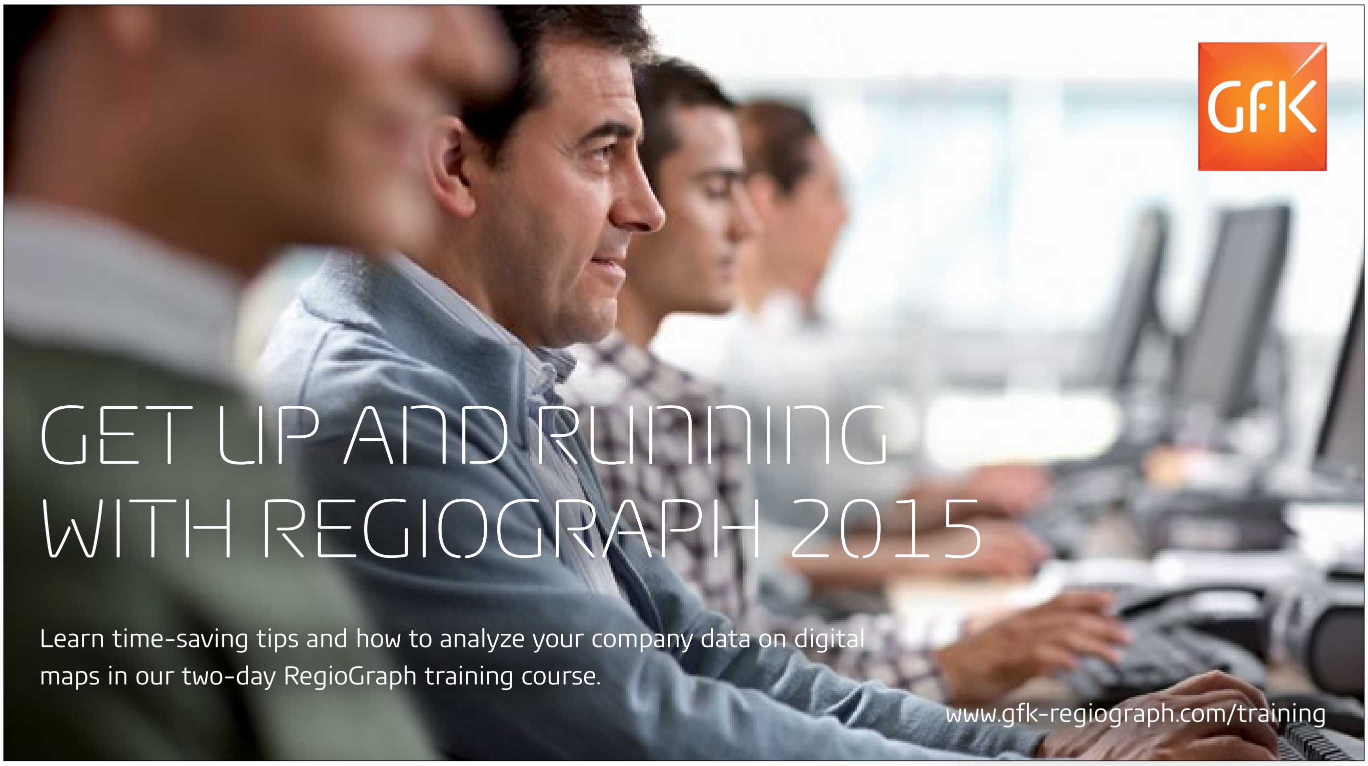


number of five-digit postcodes from 1,089 (2014) to 937 (2015). One hundred and eighty-four postcodes were dissolved and thirty-two were newly created.

The adjustment of the postcode level affected all administrative layers. There were a total of around 70 boundary changes to municipalities and communities.

Great Britain
There were a total of around 80 boundary changes to the postcode districts and postcode sectors.

Norway
There were 18 name changes and 10 boundary changes to Norway's municipalities. At the four-digit postcode level, 250 boundary changes were implemented, 7 postcodes were renamed, 10 were dissolved and 4 were created.

Poland
All maps for Poland were completely re-digitized. This changed the maximum boundary deviation from 50 meters to 25 meters in rural areas, and to around 10 meters in Warsaw. The postcodes in Warsaw were completely re-digitized. There were 28 new and 158 dissolved postcodes, 7 name changes and many boundary changes.

Austria
At Austria's municipal level, 282 municipalities were dissolved and 31 were created; there were also 92 ID changes and 90 name changes.

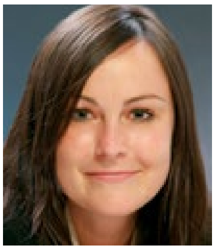
Romania
The boundaries were newly rendered using official and highly detailed sources. This changed the maximum boundary deviation from 300 meters to 10 meters. The postcodes in the city of București were completely re-digitized.

Czech Republic
The five-digit postcodes were overhauled using new sources from the Czech land registry office. For this reason, there were countless boundary changes that affected all administrative and postcode layers. There were 863 boundary corrections to the municipalities and 56 to the districts; at the five-digit postcode level, there were 706 boundary changes and 93 name changes. Two postcodes were dissolved and two were created.

Turkey
Due to new sources, the postcode map was changed by around 80 percent. There were 977 dissolved and 521 new postcodes as well as 1,287 name corrections and boundary changes. The boundary changes to the five-digit postcodes affect all administrative layers.

AVAILABILITY

The approximately 1,000 maps for the 42 European countries are available in all standard map formats, including *.shp (ESRI), *.tab (MapInfo), *.lay (RegioGraph) and Oracle Spatial. In addition to maps of the postal and administrative levels, the country map editions also include topographic details such as streets, bodies of water and city points categorized by number of inhabitants. All maps are vector-based and consequently offer infinite zoom and flexible viewing options.



QUESTIONS? WE'D BE HAPPY TO ANSWER THEM!

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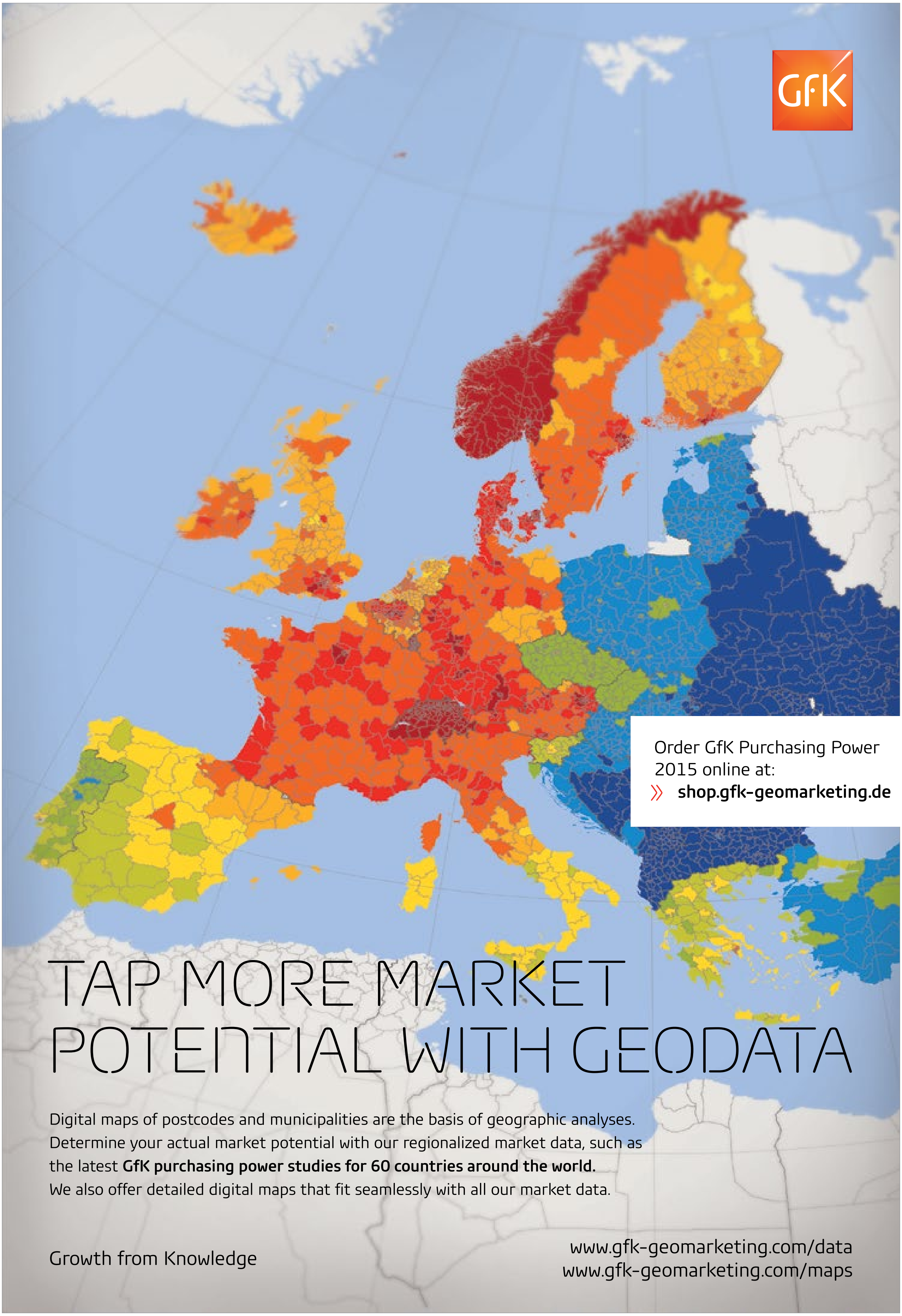
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Digital maps of postcodes and municipalities are the basis of geographic analyses. Determine your actual market potential with our regionalized market data, such as the latest GfK purchasing power studies for 60 countries around the world. We also offer detailed digital maps that fit seamlessly with all our market data.
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UNDERSTANDING YOUNG SHOPPERS

Location decisions can be risky and have far-reaching consequences. Consumers, shopping preferences and the regionally available purchasing power ultimately determine whether retail real estate ventures are successful over the long term. Manuel Jahn, retail real estate expert and head of Geomarketing's consulting division, offers insights into modern shopping behaviors for the benefit of forward-thinking retailers.

The pressure to adopt retail changes is largely dependent on the expectations and consumer behavior of the target group in question. Along with socio-demographic data, consumer values substantially impact consumer behavior.

Recent GfK surveys confirm that young shoppers do not utilize solely online channels despite their familiarity with digital forums.

These customers continue to value conventional offerings in addition to online ones. While the sheer volume and contradictory nature of the information on the Internet can result in a loss of consumer trust, conventional channels such as stores and print media inspire a high degree of confidence. Requirements for today's retailers can be derived from the behavior and expectations of this new breed of shopper.

Shopping as a form of entertainment

The majority of today's shopping experiences can no longer be regarded as purely functional excursions. Rather, most shopping experiences offer additional benefits, such as curiosity, inspiration, social outlets and opportunities to make purchases that reinforce consumers' ethical and environmental concerns. Shopping venues that offer these qualities, gastronomic and cultural outlets as well as the opportunity to mingle and be entertained are more frequently visited and less vulnerable to online competition.

Harnessing synergies for greater connectivity
Consumers value structural interconnectivity in physical as well as online environments. The better the alignment of the branch and brand mix (whether offline or online), the more attractive the offering is to consumers.

This trend benefits the development of centrally managed location associations and the establishing of new shopping sites in trendy neighborhoods with high degrees of connectivity.

Importance of location and genre differentiation
The previously outlined measures help to differentiate both locations and concepts. It's important that retail structures achieve a certain cohesion, whether in prime city center sites in metropolises, trendy neighborhoods in large cities, regional shopping centers or neighborhood centers.

Genre-cohesive and target group-consistent offerings are emerging in areas that exhibit stability and the ability to draw high numbers of customers and meet their expectations.

Source: GfK Young Shopper Study, 2014
Contact: For more information contact Adrian Sanger at Adrian.Sanger@gfk.com

SUMMARY

Retail real estate can continue to be profitable if investors understand the behaviors and preferences of young shoppers and successfully respond to them. But retail locations that do not meet young shoppers' expectations will fail.

ADDITIONAL INFORMATION

Manuel Jahn's complete white paper on young shoppers can be found at www.gfk-geomarketing.com/new-shopper

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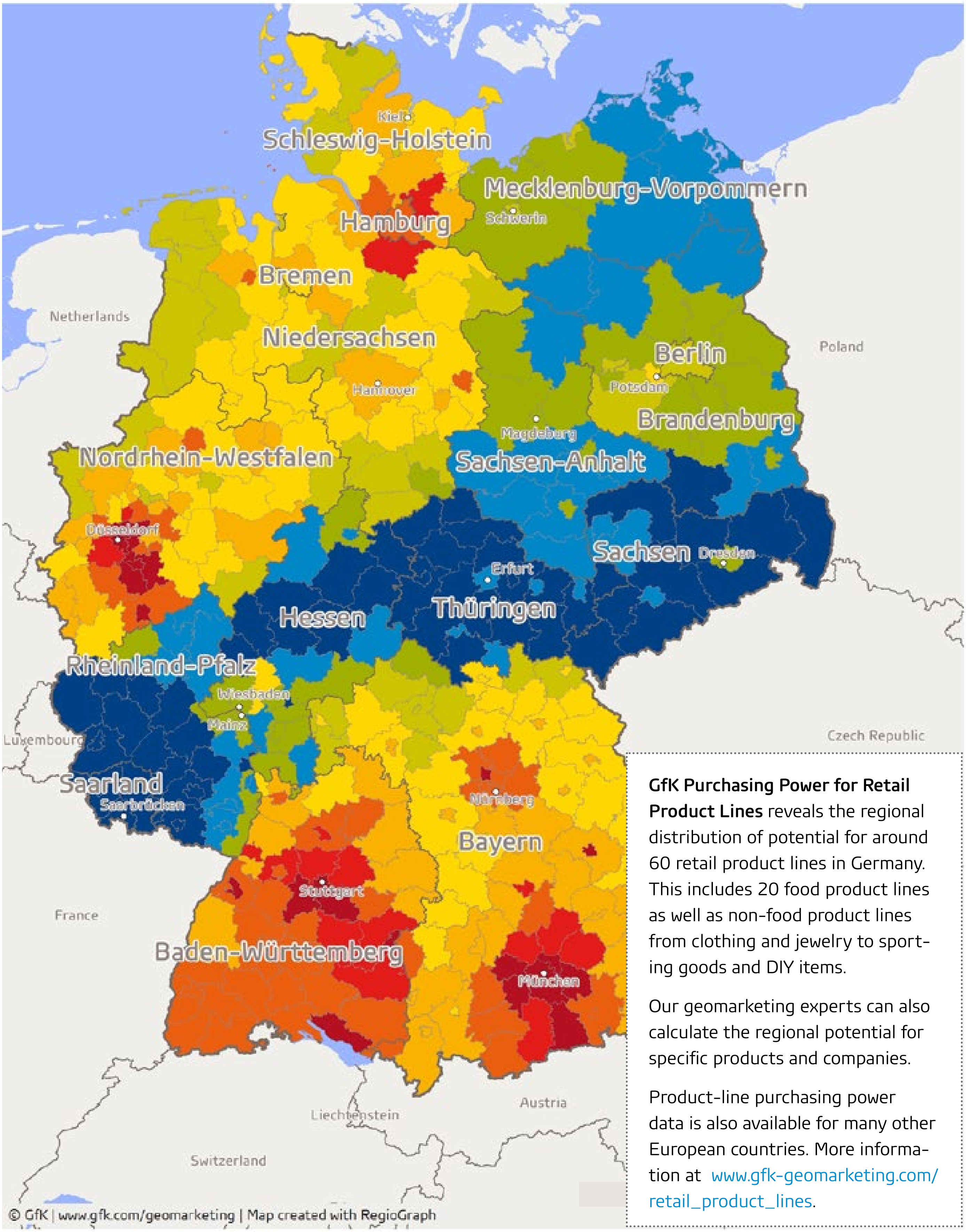
GfK Purchasing Power Germany 2015 for bicycles

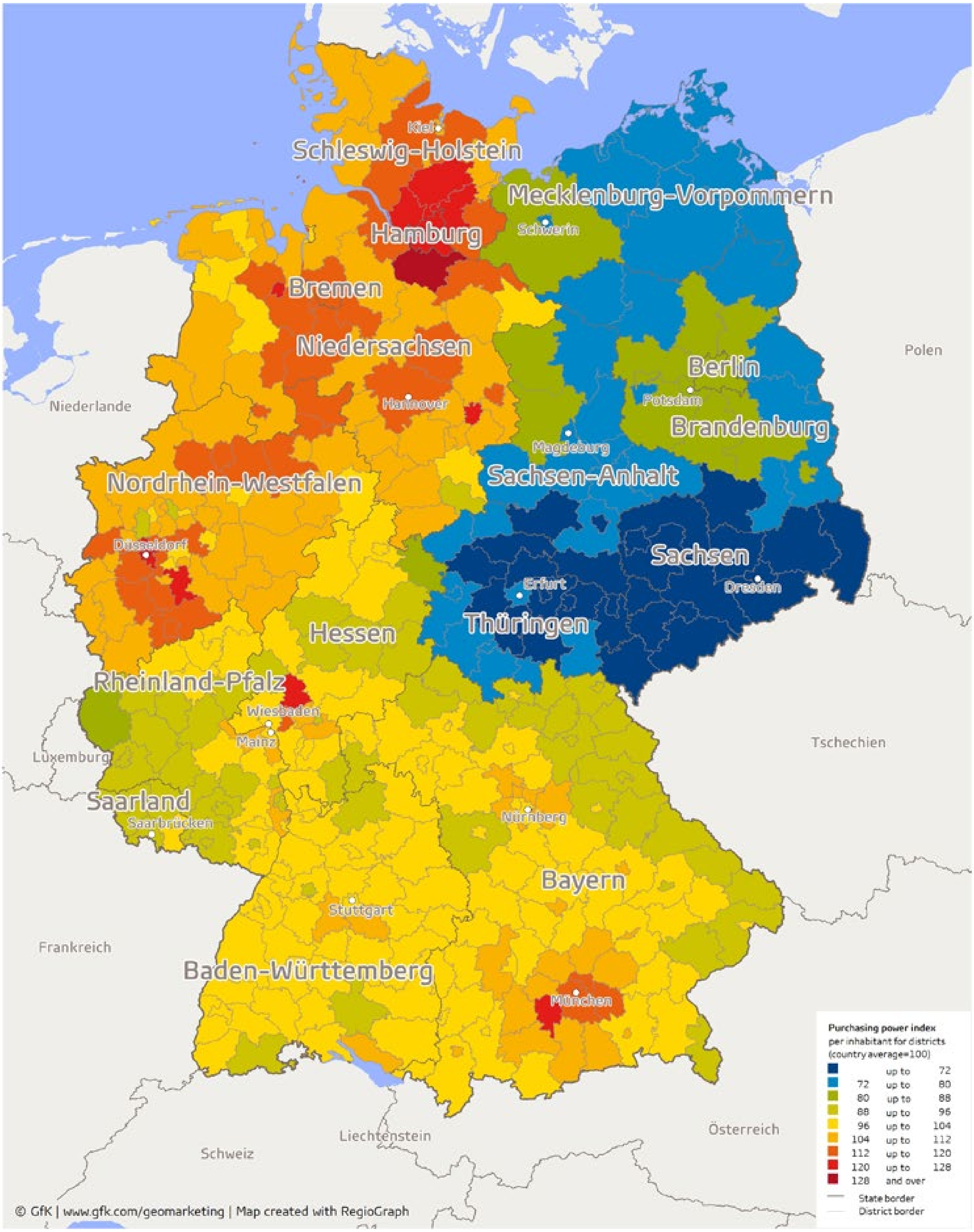


GfK Purchasing Power for Retail Product Lines reveals the regional distribution of potential for around 60 retail product lines in Germany. This includes 20 food product lines as well as non-food product lines from clothing and jewelry to sporting goods and DIY items.

Our geomarketing experts can also calculate the regional potential for specific products and companies.

Product-line purchasing power data is also available for many other European countries. More information at www.gfk-geomarketing.com/retail_product_lines.

GfK Purchasing Power Germany 2015 for carbonated beverages



LOCATION POTENTIAL: WHERE CONSUMERS SPEND MONEY

With the exception of the most populated cities, consumers often don't shop where they live. When it comes to purchases beyond daily needs, consumers usually spend their money quite far away from the neighborhoods where they reside. In some cases, they travel to the nearest retail-oriented municipality, while in others they visit a shopping center or even make a shopping trip to a large city. Retail success depends on understanding where consumers shop in sufficient numbers and with adequately high purchasing power.

In 2015, Germans have on average just under €5,700 per person at their disposal for retail purchases. This retail turnover varies on a regional basis, ranging from just under €7,447 in Hochtaunuskreis to around €4,718 in Eifelkreis Bitburg-Prüm.

But consumers don't devote this entire amount to stationary retail outlets. And when they do opt for stationary retail, they often travel beyond the neighborhoods where they live. So which locations offer retailers and real estate investors sustainable profitability and which have an unacceptable level of risk?

Indicators such as retail purchasing power, regional retail turnover and centrality figures yield valuable insights that can help answer this question.

Retail purchasing power
This indicator reveals consumers' retail-specific spending potential as measured at their places of residence. This information is available for specific product groups in our product-line purchasing power study.

Retailers and manufacturers use these insights to tailor their advertising campaigns in order to efficiently reach the most promising customers at their places of residence.

Retail turnover
Data on regional retail turnover reveals where consumers spend at the point of sale and how much turnover retailers can achieve in a given city.

Retailers use this information to compare the turnover levels of various locations and the proportion of this turnover that their existing locations are already tapping.

Centrality
GfK Centrality links information on regional retail purchasing power and retail turnover to measure the retail drawing power of a specific location in a specific region. Retailers benefit from retail locations that are already able to draw many consumers, as this increases their own turnover and access to customers.

Objective basis for evaluating locations
Our experts can also calculate company-specific turnover and target group potential for your regional markets. This data on potential is the first component of a location, retail network or retailer evaluation.

The information makes it possible to quickly and precisely compare various location options. Detailed analyses are the next step. These allow you to focus on the most promising retail regions and locations.

WE KNOW WHERE!

Our location and retail real estate experts combine qualitative and quantitative methods to deliver valuable insights:

- modeling of regional purchasing power, target group potential and turnover potential
- consultancy for optimizing retail networks or partner locations
- on-site appraisal of locations and real estate

Based on these insights, we give you clear recommendation on how to proceed.

Predicting whether a retail network or individual location will be successful over the long term requires an understanding of the interplay of factors that determine the prospects of retail locations and retail real estate.

Our GfK retail experts can support you in this endeavor. For example, we can determine the success factors specific to your location and retailer, assess all relevant attributes of a retail real estate object and determine its prospects.

QUESTIONS? WE'D BE HAPPY TO ANSWER THEM!

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On those sites, you'll also find exciting geomarketing news, such as our press releases on new studies and our "Map of the Month," which cartographically illustrates the latest market data. For an overview, visit www.gfk-geomarketing.com/social-media.

ARE YOU FAMILIAR WITH OUR #MAPMONDAY?

Follow @gfk_en on LinkedIn and Twitter to receive fascinating new study results.

Each Monday we release a map illustrating the regional potential for numerous markets around the world and various data indicators, from purchasing power for shoes in Italy to age ranges in Germany.

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Looking for up-to-date, regionalized market data or digital maps? Visit our GfK Webshop for quick and easy ordering at www.gfk-webshop.de.

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IMPRESSUM

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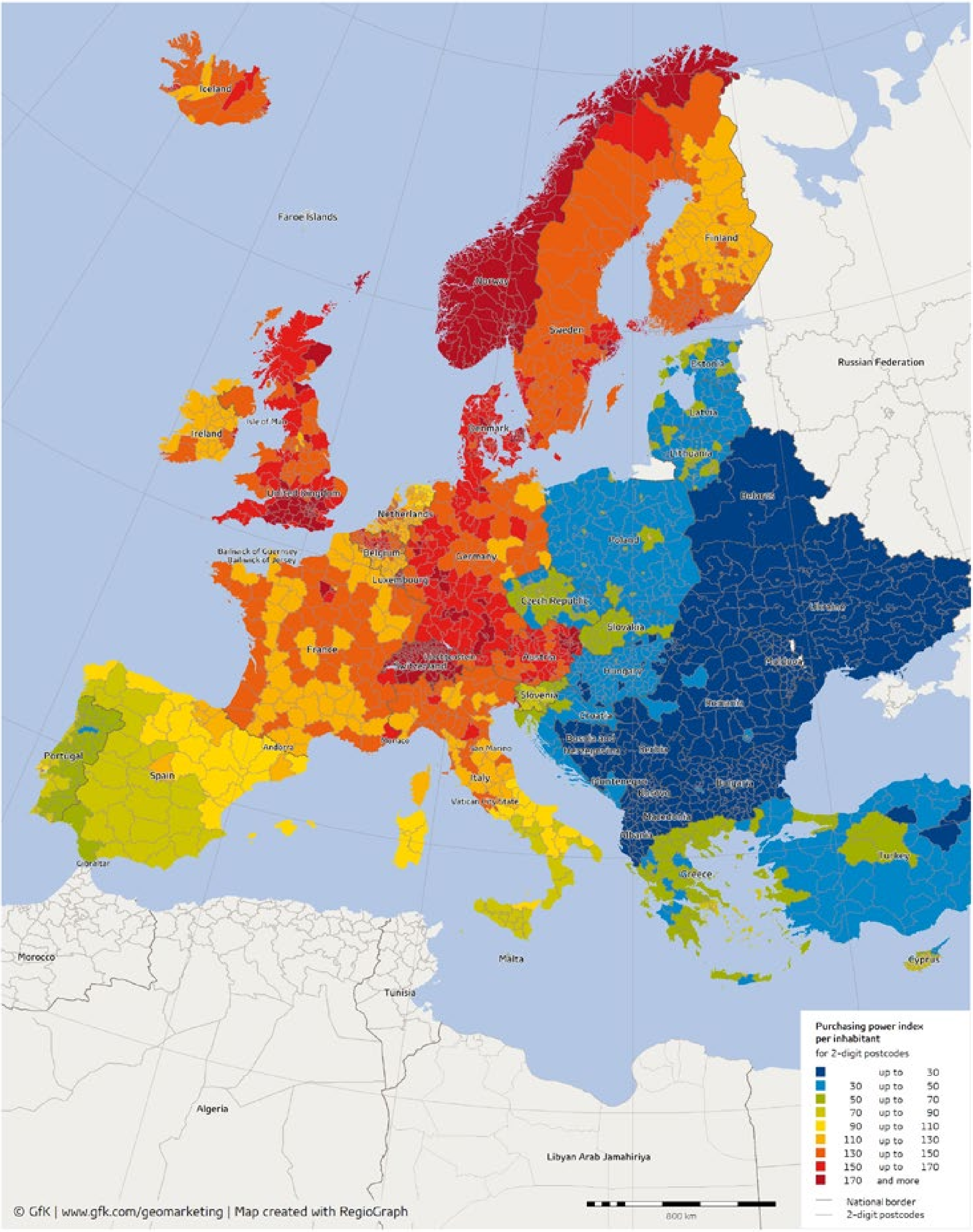
GfK Purchasing Power Europe 2015



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NEW SOFTWARE VERSION: REGIOGRAPH 2015

Get answers to your "where" questions with our geomarketing software RegioGraph. RegioGraph lets you analyze and visualize your company data directly on digital maps. As the saying goes, a picture is worth a 1,000 words. Use RegioGraph to display your customer distribution and turnover on digital maps. This allows you to spot regions where you're not tapping the available potential, and then take corrective action.

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www.gfk-regiograph.com