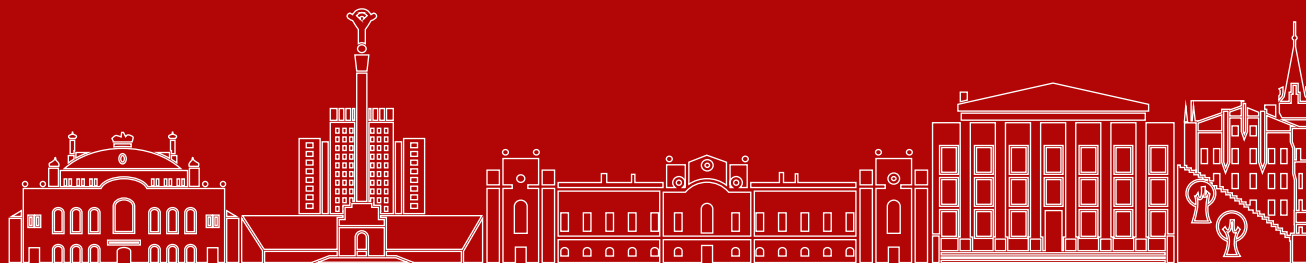


# ARRICANO NEWS DIGEST №12



**arricano**  
commercial real estate

## The results of 2017

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# Ecosystem where everybody wins

## How can we attract consumer's attention?

It turns out that in today's modern world, attention is the most deficient consumer resource! And no wonder, when you consider that each of us is attacked with up to 5,000 advertisements per day!

How can we reach a consumer in this world of abundant advertising when a consumer will choose 150 brands after being bombarded with about a million different brands of goods and services?

In theory, this problem should be solved by means of an advertising and loyalty program. Advertising should attract us and therefore the biggest advertising budgets are spent for mass channels (TV, outdoor, radio) where advertisement is targeted at "all consumers", which means that often it attracts "no one". The effectiveness of such advertisement is often doubtful, though marketers claim the opposite. And no wonder because they spend huge budgets!

Loyalty programs, in turn, should give us a clear benefit which we receive in return for our commitment to the brand. However, we hardly remember which loyalty schemes are represented by a thick pile of loyalty cards which each lady has in her bag. For example, let's look at the sketch of the loyalty program of my favorite grocery retailer:

*"The buyer at the till gets a dozen of cut coupons for different groups of food products and different amounts and asks the cashier to find out which discount for which products she can get. The cashier makes mysterious passes, playing a solitaire from coupons, returns some of her coupons, spreads the rest into three packs, makes 3 transactions and says that the total discount is UAH 120. (The buyer did not understand anything, but she is happy. After all, this is the most important thing!)."*

And this is not the most interesting point! The situation becomes really dramatic when we give our information to a favoured store, hoping that the retailer will not misuse them. The funniest thing is that "spammers" sincerely believe that we really need information that we get through all the channels available! But our "point of pain" from spam makes us to refuse to participate in the next loyalty

program even if we can get a discount.

## Is there a the way out?

**Let's assume that as long as the technologies brought us here to this dead end, they can also get us out of it!**

To begin with, 75% of consumers claim that they really need information. And not information as such, though information which meets their needs. It is possible to give everyone an opportunity to receive necessary information, not just a picture on TV or on a billboard. Marketing consultants call it "micro-targeting".

It is known that the same product should be sold in a different manner to a 17 years old girl, to a 25 years old guy, to a 30, 45, 55 years old woman, etc. And they react in a different way to different content received through different channels (including digital ones such as Facebook,



Instagram, YouTube, etc.), besides, they are ready to receive perceive the information at different times. The best solutions for "micro-targeting" are now built on DMP (data management platforms) where collected information is processed in accordance with specified rules and is given to each platform user exactly tailored to his/her needs. At the moment, "micro-targeting" is the most effective tool for a significant increase in sales (proven by Amazon) and reducing the spam level.

This works perfectly online, a customer from successful retailers who use micro-targeting will receive less messages, but with bigger conversion. At the same time, it

gives a retailer a chance to save additional money on CPC and CPA.

It seems that this is the right decision to get your piece of consumer's attention!

But...

**How can this consumer be found offline?**

**How can we find out who are these 85% of consumers who entered an offline store, looked or even tried on something, and left the shop without buying anything?**

**How can we learn why they did not buy anything?**

**How can we establish an effective two-way communication channel with them?**

The solution of these problems will become a breakthrough in offline retail. The so-called "digital divide" between the opportunities of online and offline retail in the use of "micro-targeting" will be eliminated. And the first opportunity to make such breakthrough with the current level of technology is now appearing in the ecosystem of Mall-Retailer-Consumer.

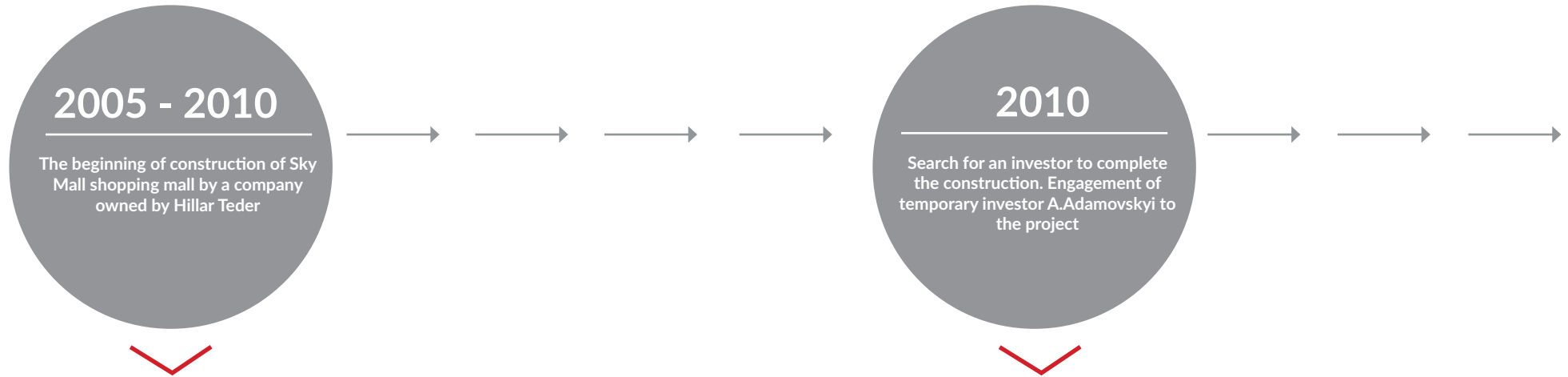
At the end of spring Arricano plans a new release of the Prospektus application, where we will collect and test the best technologies already proven in the

Western and Asian markets, solving some of these problems and allowing retailers to understand their consumer better and the consumer to save more money and time during shopping, doing it with pleasure. Such a situation is possible due to the principle of the ecosystem: each participant benefits only when he helps other participants!

Retail your,  
Mykhailo Merkulov

# Sky Mall Case: facts reconsidered

The history of illegal takeover of Sky Mall - the largest shopping mall in Kyiv



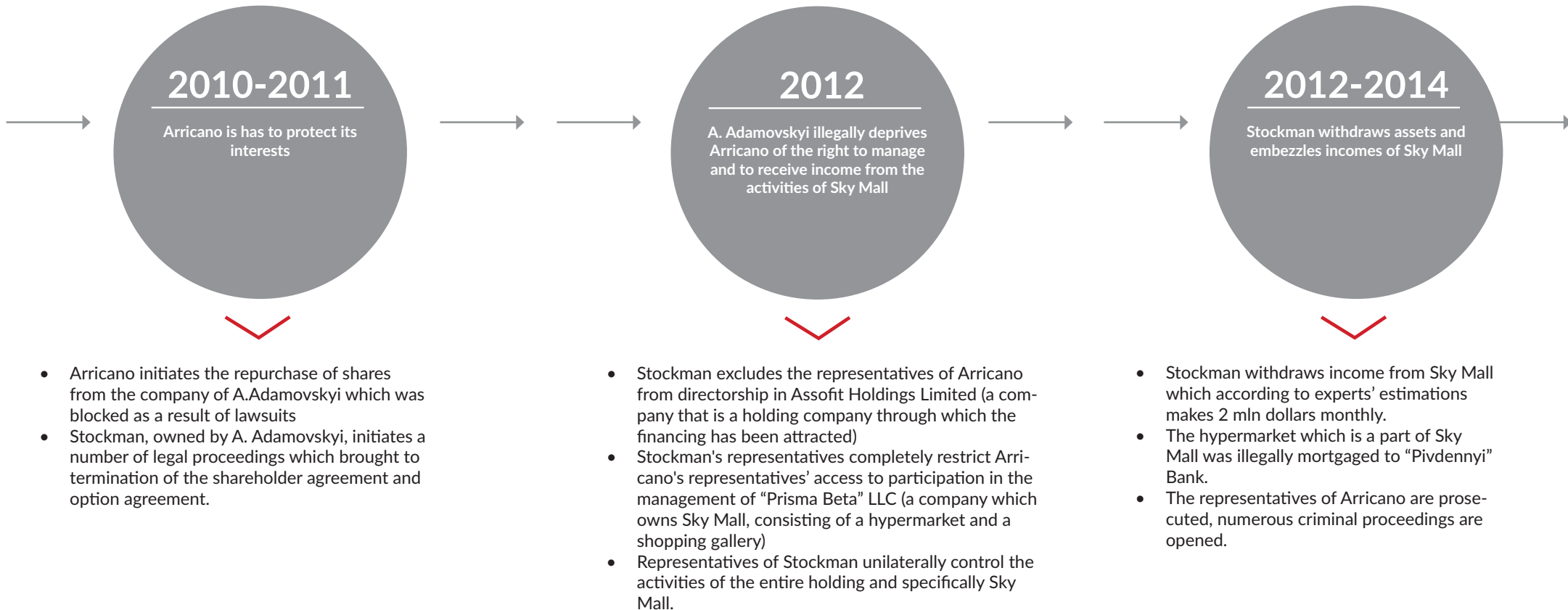
- Obtaining the rights to the site for construction of Sky Mall shopping mall
- Construction of Sky Mall hypermarket
- Construction of 80% of the trade gallery of Sky Mall shopping mall

- Arricano is looking for a partner to complete the construction of Sky Mall shopping mall
- Adamovskyi through Stockman buys 50.03% of shares in Assofit Holding Limited on condition of:
  - joint management of the project
  - call-option (right to repurchase of A. Adamovskyi's shares in Assofit by Arricano)

*«European investors want the state to provide them with equal conditions, fair courts and stable laws. For Western capital, deciding to enter the Ukrainian market, a stable economy is desirable. It is now the eighth time that Arricano has been supported by decisions in European courts, yet still nothing has changed in Ukraine - and this is the biggest problem, because the authorities have to ensure justice, to prove that the decisions of the London courts work in Ukraine and justice has been met»*

*Hillar Teder, majority shareholder of Arricano*

## Sky Mall Case: facts reconsidered



«This year the Sky Mall case turns 6 years old.

*In many ways the details of the case are illustrative, being a touchstone of the problems that foreign investors face in Ukraine: pressure through law enforcement agencies, ineffective judicial protection, lack of protection of property rights... Unfortunately, I must note that now, six years later these problems continue to be relevant»*

*Yevhen Malieiev, head of Arricano legal group*

# Sky Mall Case: facts reconsidered

2014

Arricano wins at London Court of Arbitration; Stockman withdraws the assets

- The London Court of Arbitration recognizes that Arricano had the right to use its option (the reverse repurchase of shares) in 2010, namely, the right to repurchase shares held by Stockman at the price of \$51.3 million
- Stockman initiates the foreclosure of the 2nd part of Sky Mall by JSB Pivdennyi. "Prizma Beta" LLC changes its legal address to the address in Luhansk, ATO epicenter. The corporate rights of "Prizma Beta" LLC are alienated to third parties.

2015

Arricano fulfills the decision of London Court of Arbitration and fulfills its obligations related to option, while Stockman continues to withdraw the assets

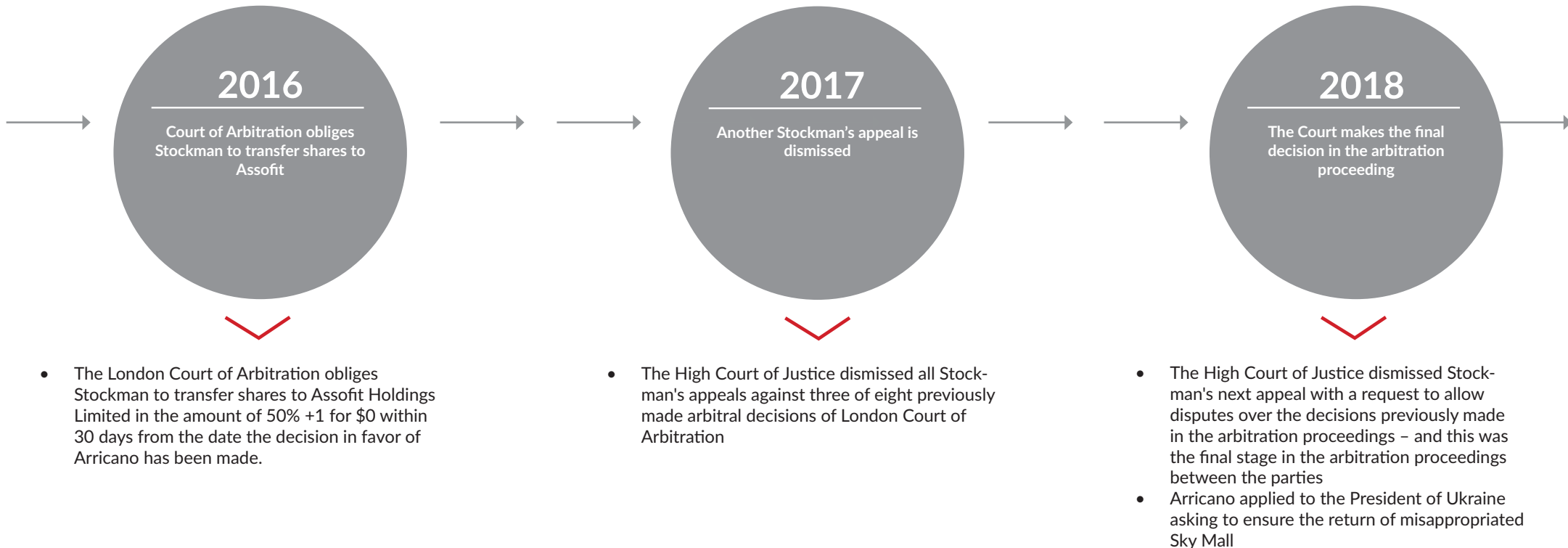
- The London Court of Arbitration confirms the repeated fulfillment of terms of the option agreement by Arricano after making the previous decision of London Court of Arbitration in 2014.
- JSB "Pivdennyi" forecloses on the hypermarket, thereby consolidating the entire Sky Mall in its property, regardless of existing and valid court injunctions.
- The High Court of Justice dismisses Stockman's appeal, confirming the validity of Arricano's right to repurchase Stockman-owned shares in Assofit Holdings Limited.

*«Through the London Courts justice at the international level has been restored. However, there is a huge problem to implement the court decision in Ukraine, while our opponents use not only the legislation of Ukraine, but also support of political forces and law enforcement agencies»*

*Tomasz Fiala, CEO of Dragon-Ukrainian-Properties & Development*

# Sky Mall Case: facts reconsidered

«Usually in such situations British gentlemen shake hands and settle accounts. Unfortunately, we are not in Britain» says Mykhailo Merkulov, CEO of Arricano



«The Sky Mall case is a test of the ability of the Ukrainian state to play by international rules, to accept and to follow them. It is important to attract new investments and to work with the whole world. If there were no corruption component in all the aspects of the case, it would not attract so much attention. Therefore, this situation can be an indicator of what is happening in the investment climate of the country»

Tetiana Korotka, Deputy Business Ombudsman

## Changes in tenant-mix in the 4th quarter of 2017 in Arricano shopping malls

The pre-holiday fourth quarter of 2017 was especially dynamic in the implementation of new projects that generated both traffic and turnover, and provided pleasant and satisfying experiences. The experience of Arricano's tenant partners proved that it is more efficient to open shops and restaurants simultaneously in several shopping malls. So, in December the fast food restaurant McDonald's started to work in RayON and City Mall shopping malls, IJEVAN brand presented its products in Sun Gallery and City Mall, Budynok Ihrashok opened in Prospekt shopping mall and City Mall.



- Children's department store SMYK
- Toy store Budynok Ihrashok
- Fashion Accessories Store Maltina
- Perline jewelry store
- Art hypermarket - Art Mart - in a new format
- Cava-bar



- Clothing store for the Ukrainian brand Goldi
- Fast food restaurant McDonald's
- Italian restaurant Pasta bar
- Confectionery point "Krendel"
- Island Lvivski prianyky

### CITY MALL

- Toy store Budynok Ihrashok
- Fast food restaurant McDonald's
- Clothing store of Ukrainian brand A.Tan
- Monobrand store of Armenian products IJEVAN
- Dry-cleaner's Lavanda



- Menswear store Paco Lorente
- Clothing Store Stella Polare
- Hosiery Store Gulia
- Shoes store Wladna
- Shoes store Art Shoes
- Sushi bar Sushiwei
- Monobrand store of Armenian products IJEVAN
- Island Brushme
- Island of sweets Lvivska maisternia shokoladu
- Island of sweets Cat Ice Roll
- Mobile bank Monbank



# Tenant-mix 2017 in Arricano shopping malls



CHILDREN'S GOODS

NEW OPERATORS - 4

HOME APPLIANCES /  
CONSUMER ELECTRONICS

NEW OPERATORS - 2

CAFES / RESTAURANTS / FOOD

NEW OPERATORS - 2

ACCESSORIES / ORNAMENTS

NEW OPERATORS - 5

SERVICES

NEW OPERATORS - 6

HEALTH / BEAUTY

NEW OPERATORS - 1

FASHION / CLOTHES /  
FOOTWEAR

NEW OPERATORS - 4

TOTAL - 170  
NEW OPERATORS - 24

# Tenant-mix 2017 in Arricano shopping malls



CAFES / RESTAURANTS /  
FOOD

**NEW OPERATORS - 8**

HOME APPLIANCES /  
CONSUMER ELECTRONICS

**NEW OPERATORS - 6**

TOTAL - 132  
**NEW OPERATORS - 22**

SERVICES

**NEW OPERATORS - 2**

FASHION / CLOTHES /  
FOOTWEAR

**NEW OPERATORS - 6**

# Tenant-mix 2017 in Arricano shopping malls

## CITY MALL

CHILDREN'S GOODS

NEW OPERATORS - 1

CAFES / RESTAURANTS /  
FOOD

NEW OPERATORS - 3

HEALTH & BEAUTY

NEW OPERATORS - 1

SERVICES

NEW OPERATORS - 1

ACCESSORIES / ORNAMENTS

NEW OPERATORS - 3

FASHION / CLOTHES /  
FOOTWEAR

NEW OPERATORS - 4

TOTAL - 91  
NEW OPERATORS - 13

# Tenant-mix 2017 in Arricano shopping malls



SERVICES

**NEW OPERATORS - 1**

CAFES / RESTAURANTS /  
FOOD

**NEW OPERATORS - 6**

HEALTH/BEAUTY

**NEW OPERATORS - 1**

HOME APPLIANCES /  
CONSUMER ELECTRONICS

**NEW OPERATORS - 1**

HOUSEHOLD GOODS /  
SOUVENIRS

**NEW OPERATORS - 2**

ACCESSORIES / ORNAMENTS

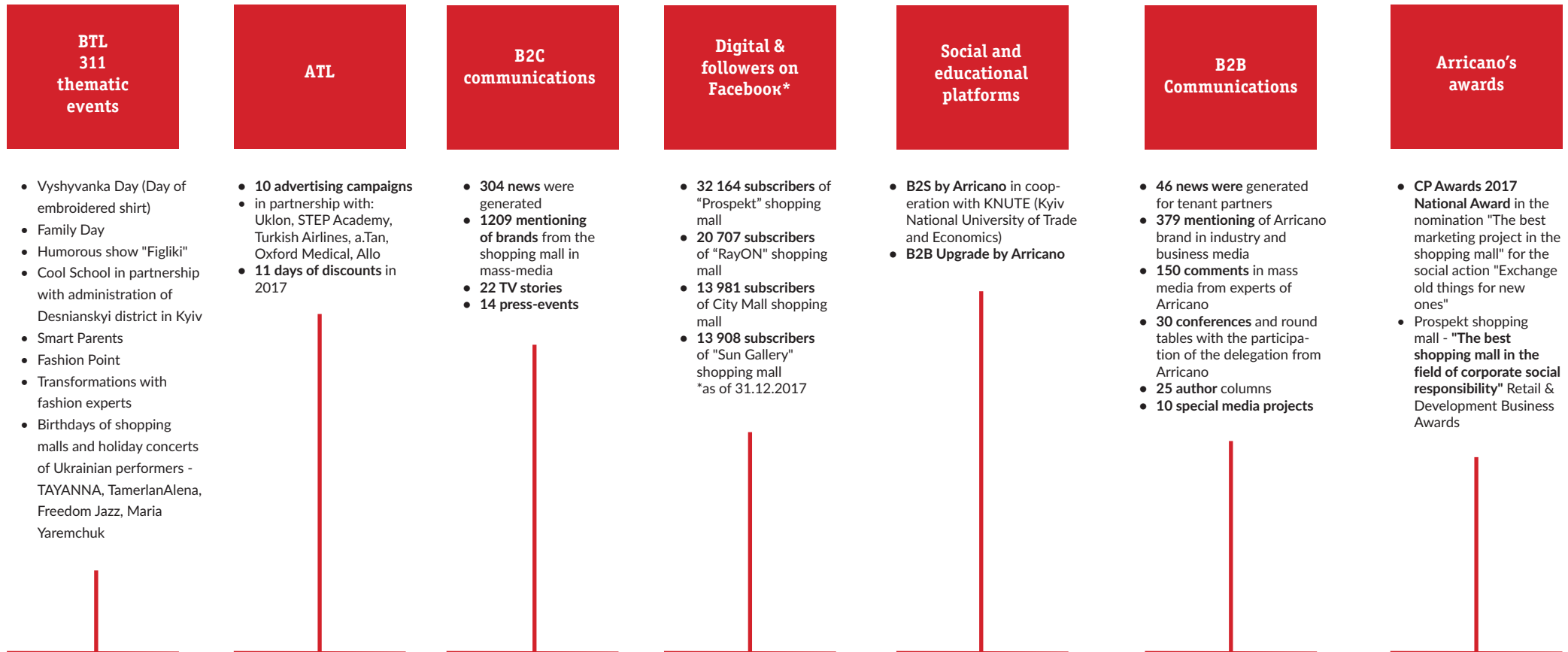
**NEW OPERATORS - 1**

FASHION / CLOTHES /  
FOOTWEAR

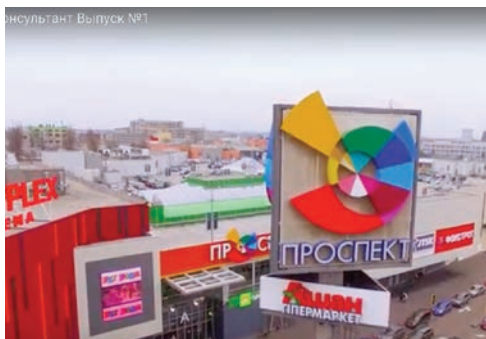
**NEW OPERATORS - 13**

TOTAL - 130  
**NEW OPERATORS - 25**

# PR & Marketing 2017. Emotions and loyalty in figures



# Arricano and Retailers: a new joint educational project Retail Consultant



In December Arricano and Retailers gave a Christmas present to Ukrainian retailers - they launched a free educational program Retail Consultant. This is a series of educational videos about the best practices in the retail business presented by market experts to those making their first steps in retail.

Natalia Dmytrenko, Marketing Director in Arricano Real Estate Plc, emphasizes that the creative tandem of Arricano and Retailers in the new joint educational project has combined the desire of companies from the related spheres to influence the increase of professionalism and the improvement of quality of service in the commercial sphere. "We want to support those retailers who are developing and want more," says Natalia. "Modern knowledge and technology presented in an easy-to-understand format or video can solve the problems of tenants, affect the inflow of customers, increase turnover and improve

business parameters."

These three-minute video lessons contain the theory behind issues facing retailers, presented by specialists with their expert advice on how to implement ideas and put changes into practice. Modern effective tools, forms and techniques are in focus.

"Themes of issues are determined by trends and tendencies in the development of retail business," says Yulia Belinska, editor-in-chief of Retailers - online portal about retail and Internet trading.

The first issue released on December 20, 2017 is devoted to **window dressing**. The second issue of educational video program Retail Consultant is devoted to **SMM activity** of tenants and shopping mall. There are 10-12 plots scheduled for recording for Retail Consultant in 2018.

The organizers of the project believe that a complex approach is necessary for sales



growth. "Now when the consumer market is saturated and each retailer is fighting for his/her consumer, for consumer's attention and wallet, only those are successful, who constantly improve, take into account the expectations and requests of customers, manage consumer experience and increase positive consumer experience. Retail Consultant project is an online assistant for retailers in increasing sales," believes Mykhailo Merkulov, CEO of Arricano Real Estate Plc.

Retail Consultant project is a logical continuation of information cooperation between Arricano and Retailers launched in 2017. The top managers of Arricano in the column "Retail Hacks by Arricano" shared their successful experiences, development tools, takeaways from participation in foreign industry conferences and exhibitions. The column caused an interest and a wide response. "Finally, an idea to make a continuation arose:

a series of materials devoted to topics actual for retailers," notes Natalia Dmytrenko. "Taking into account the development of video content as a trend, as well as the educational ideology of Arricano and the experimental spirit of our team, we decided that our videos could fulfill this task better and would be of interest to the



existing and potential partners of Arricano."

You can watch Retail Consultant in accessible and popular social network YouTube - on video channels Arricano and Retailers.

## Retail Design Awards

Within the framework of Retailers.ua the project Retail Design Awards - the online media devoted to actual issues of retail and Internet-trading is being held for the second year. In 2018 the portal Retailers.ua held a forum, an exhibition and a ceremony of awarding the best in their segments retail designs. The authors of the project recognise that retail-design is a specialized branch of design which includes an optimal design of space that should

be convenient for customers and at the same time promote maximum sales.

Among the 7 nominations for the Retail Design Awards there are the following: Food Retail; Home appliances and Consumer electronics; Clothes and footwear; Beauty products and perfumes; Children's Goods; The choice of social networks. An additional nomination is provided by Arricano. Winners are determined

by an expert jury consisting of specialists in the field of retail marketing and design. The award will be presented to Arricano's partner whose retail design projects have demonstrated their effectiveness.

It is still being discussed in the Company which partner should receive this award, but Arricano's representatives recognise that every year a number of really bright and unforgettable

interiors and design solutions in the projects of tenant partners increases, so the choice will not be easy. The company believes that today there are no insignificant issues in retail, complex approaches are important; all factors that affect the attraction of a buyer and the development of a positive consumer experience shall be taken into account.

**Yuliia Belinska, editor-in-chief of the Retailers portal,** notes: "In 2018 Retailers portal holds a forum, an exhibition and a ceremony of awarding the best retail designs in their segments aimed at identifying the best retail companies of Ukrainian market. We want to promote the development of Ukrainian retail through the improvement of "consumer experience".



# Retail Awards by Malls Club Ukraine & Belarus and Arricano Awards



**Церемонія нагородження переможців  
Національної Премії  
«Retail Awards Вибір споживача 2017»**

**28**  
Февреля  
Київ, ЦУМ




**Аудиторія:**  
Топ-менеджмент провідних розничних компаній і торгових центрів України

**В програмі:**

- Нагородження переможців Retail Awards 2017 Вибір споживача
- Об'явлення переможців Arricano Awards 2017
- Фото і відео на червоному килимку
- Неформальне спілкування, угощення

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www.retailawards.com.ua

Організатори:	Партнери церемонії:	Web-партнер:	Дослідницький партнер:	Аналітичний партнер:	Незалежний консультант по підрахунку голосів:
 	  				

On February 28, 2018 the winners of Retail Awards will be awarded. The ceremony has been successfully held for six years already. The winner of this large-scale popular event is determined by an independent survey of consumers. Nominees and winners are shopping malls and separately - retailers. Arricano Awards ceremony will take place within the framework of the ceremony Retail

Awards "Consumer's Choice" where Ukraine annually chooses the leaders of consumer preferences of the retail market.

For the second year Arricano summarizes the results of mutually beneficial cooperation, bestowing awards to its best tenants in various nominations.

This year the winners will be determined in 12 categories:

- The best service
- The best display
- The most active in social networks
- The top performer in the field of retail innovations
- The most active marketing
- The fastest repairing works
- The most sensational opening
- The willingness to improve
- The most fashionable
- NEW the most creative tenant
- NEW the most active in PR
- NEW The top opener in Arricano projects

Traditionally the winners in the nominations are determined collectively by Arricano's team - lease, marketing, finance, development and operation departments.

"Arricano's team wants to recognize the best tenants and express their gratitude for the

fruitful year to all the partners with whom we managed to grow and to achieve the intended results. Those who demonstrated the amazing results in 2017 will be awarded the Arricano Awards, note **Mykhailo Merkulov, CEO of Arricano**. - One of the principles of the development of Arricano is an effective partnership. To learn from each other, to share the best experience, to strengthen and to thank each other - these are the approaches we are governed in partnership and put into practice by bestowing our awards."

**Artem Shlapak, director of Malls Club Ukraine & Belarus, organizer of the Retail Awards**, notes: "As the organizers, we are happy that the leader of the market – Arricano has been bestowing their Arricano Awards to the best tenants and the most reliable partners. The opinion of Arricano Real Estate team and the results of consumer voting within the framework of Retail Awards are very similar and that confirms the importance of understanding of consumer trends by business in order to keep the leading positions and proper development. Such co-operation is another reason to remind everybody that we are in the same big boat and mutual understanding is another opportunity to correct our course on the way to success."



# Exhibition «RETAIL&DEVELOPMENT BUSINESS EXPO – 2018»



On March 29-30, the Association of Retailers of Ukraine, a profile association of retailers and companies related to retail will hold the Second International Specialized Industry Exhibition **RETAIL&DEVELOPMENT BUSINESS EXPO - 2018** in NSC Olimpiyskiy.

**More than 2,500 guests are expected to attend the exhibition:** owners, top managers and line managers of the market leaders in the field of retail and commercial real estate of Ukraine and other countries, among which are Poland, Belarus, Kazakhstan, Georgia, Turkey and others.

The representatives from B2B companies will present solutions for retail and development aimed at increasing the efficiency of work, attracting the customers, increasing conversion, reducing costs and increasing the environmental friendliness.

**The event will take place in two formats:** simultaneously with the conference where

leading experts in the field of retail trade and commercial real estate will take part, a large-scale expo zone will be displayed.

## Why should you visit the exhibition?

- The exposition involves 2 exhibition halls where 75 exhibiting companies will be represented. Among the exhibitors the following are already announced - **Arricano, Immochan Ukraine, Budhouse Group, Retroville shopping mall, Piramida shopping center, NAI Ukraine, LOYALTEC, Pizza Celentano, Svitlotek, Shen, RDA, Volia, City Gran, Mira Top-recruiting, WRS, Svitlotek, QUANTULA.**

- 2 days of activities, including 10 conferences in 2 streams. Among TOP-60 speakers there will be the first persons of Ukrainian retail and development, people who determine the present and the future of domestic retail and commercial real estate. They will share their experience, present new and already working

projects, talk about their successes and the lessons that they have learned. At the end of each session panel discussions during which the delegates will ask the questions are planned.

- **Confirmed topics that will be discussed at the conferences this year:**

Market analysis. Innovations and trends in retail.

Presentations of new shopping malls

Transformation of retail real estate - from shopping malls to life-style-malls

New concepts for active sales

Retail positioning in the digital epoch

A look at the local labor market.  
Formation of corporate culture

Presentation of new international brands

Inspiration for business - motivation from strong leaders

Prospects of business development of franchising

New Technologies and Services for Retail 2018

- In addition to representatives of domestic companies, you will have a chance to communicate with new foreign retailers who are just entering Ukrainian market. The experience of the last year's exhibition DDP-EXPO-2017 proved that this is an excellent opportunity

to carry out negotiations and establish new business contacts. For the convenience of communication within the framework of the conference, the participants will be able to install a special mobile application.

**Date:** March, 29-30, Kyiv

**Address:** NSC "OLIMPIYSKIY"

55, Velyka Vasylkivska

**You can buy a ticket at:** [link](#)

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## More information about the event:

<https://rau.ua/news/retail-development-business-expo-2018/>

## Promo-code for buying tickets for Arricano partners

(discount – 15%):

Arricano15

**arricano**  
commercial real estate

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UCLZSxqNKyIFHRmZnHaJICtQ](https://www.youtube.com/channel/UCLZSxqNKyIFHRmZnHaJICtQ)



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