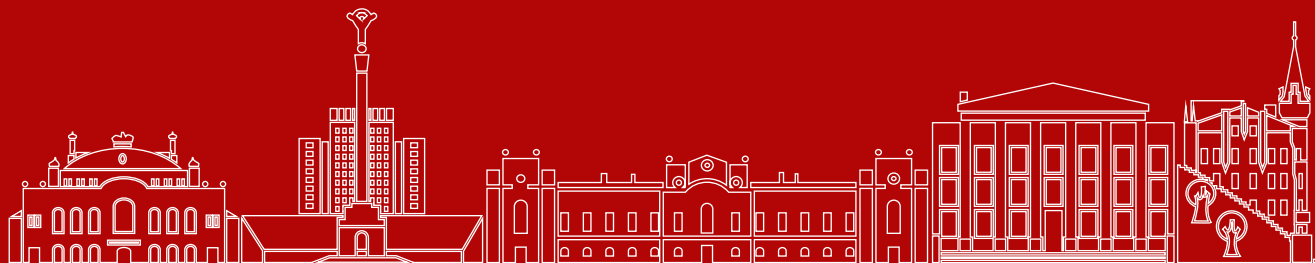


# ARRICANO NEWS DIGEST

№13



**arricano**  
commercial real estate

## Results of the 1st quarter of 2018

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# On-line vs offline? On-line & offline!

want to check out and see if it is worth visiting, whether there is something they can choose from, or whether visiting a shopping mall is not a waste of time. After all, the number of buyers with the highest purchasing ability is getting smaller. That's why, when searching online a consumer does not see a store or a brand, this brand stops to exist. Besides, if a brand does not have a platform for selling online, buyers who have chosen something in the store, but did not buy because they didn't find the right size, would go

It may seem strange when a head of a shopping mall talks about the importance of online sales by the stores that rent space in the mall. After all, it is logical that the increase of online sales will result in the decrease of that store's sales in the shopping mall and, accordingly, the store will be able to pay less for the rent in the mall. In fact, the situation is quite the opposite. Why?

The number of consumers who start their "Customer Journey" online, before buying offline, is approaching 75%. Before going to a shopping mall they

to another store. And this is not only a minus in trade turnover, but also a minus in loyalty, because there is nothing worse than disappointment.

Taking into account this situation, we were shocked to see how small is the percentage of brands of our shopping malls which have online platforms, not to mention the availability of these platforms. Added to that, the technologies are now dirt cheap. After all, for online trading a brand can just create a quality content and to integrate any of new CRMs. The rest can be done by online marketplaces and "Nova Poshta".

The loyalty programs are also worth mentioning. After all, their purpose is not just to create loyalty for the brand which is supported by the quality of the product and PR. It is also important to collect data about "your" consumer, to study their preferences, to help them to save time, to make sure that they makes the right choice, to add something new to their previous purchase, etc.

This is a personalized service which the consumer already spoiled by online chat-bots also wants to receive from offline formats.

That's why, when you see that some big network operators have no loyalty programs, you ask yourself: what is a future of a brand which doesn't want to know who its consumers are, what preferences they have, why they buy, and the most important, why they do not buy when visiting a store?

The answer is obvious. Of course, they still have a chance to improve the situation. The shopping malls are interested in strong brands which have both feet (offline and online) firmly on the ground. The necessity to be present on both platforms may no

longer be ignored. Besides, shopping malls are interested in brands that work with their clients to use micro-targeting and to help them to consume more and to get more satisfaction.

That is why when a strong operator arrives at the shopping mall and wants to rent a large area, to conclude a 10-year agreement and at that, has no online sales, it gets a tepid reception. After all, none of the managers wants to sign a 10-year agreement with a brand that may not survive to the end of the rental period, as there are a lot of well-known brands that have gone bankrupt in the past two years.

Retail yours,  
**Mikhail Merkulov**

Arricano Real Estate Plc took part in Retail

## Arricano is an active participant of Retail & Development Business Expo 2018

& Development Business Expo 2018, the largest specialized international exhibition of retail and development in Ukraine which took place on March 29-30, 2018 in Kyiv in NSC "Olympiyskyi".

More than 2500 people from 7 countries

have visited the exhibition - owners and managers of leading companies working in retail trade and commercial real estate, employees of broker and consulting companies, investors, as well as

organizations that offer effective solutions

for retail and development. More than 75 organizations presented their stands on two floors of the exhibition area.

**Andrii Zhuk, chairman of Board of the Association of Retailers of Ukraine, organizer of RDBE, notes:**

*"It is a pleasure for us, the organizers, to be involved in the formation of culture of*

*conducting an industry association event of such a scale in Ukraine. Last year RDBE proved to be an ideal meeting place with the existing and new business partners. This year the exhibition has taken on a new status. We managed to make the exposition 40% bigger than last year."*

Arricano has traditionally become an exhibitor which uses the large industry





event to meet and to negotiate with potential partners, to share experience and to explore innovative industry solutions.

**Anna Chubotina, head of the department of retail space of Arricano Company, notes:**

*"The number of business contacts which our team received during the two days of RDBE and the number of agreements is an excellent indicator of the industry event's efficiency. We held several dozens of meetings, exchanged opinions and discussed the important issues related to cooperation."*

This year Arricano was represented by an interactive table of Ukrainian developer - Kodisoft Company, which helps not only to perform entertaining and service functions of a shopping mall, but also to collect data about users and analyze them. Arricano in partnership with Kodisoft studied the opinion of retailers about this know-how tool and its effectiveness and carried out its own study.

In addition to the exposition, a two-day business conference was held within the framework of RDBE. This year the organizers of Retail & Development Business Expo, the Association of Retailers of Ukraine invited more than 60 top-speakers of the industry from Ukrainian and international companies to share their experience, to talk about innovations and new projects in retail and development, to present the interesting cases and to discuss key trends and market trends. 11 thematic aspects presenting the key directions

of development of Ukrainian retail and development were demonstrated with the framework of the program.

Arricano has taken part in a practical conference. Natalia Dmytrenko, marketing director of the company, was one of the



speakers of the panel discussion "From a classical shopping mall to a lifestyle mall" in which Iryna Kruppa (Multi Functional Complex Guliver), Brian Handley (Central Department Store Kyiv), Maxym Havriushyn (Budhouse Group) took part. The panel was moderated by Oleksandr Fialka (Retail & Development Advisor).

Natalia Dmytrenko drew the participants' attention to the fact that quality architecture and a competent tenant mix remain the most important elements of a successful shopping mall. But due to the fact that shopping malls today try to become an active social space, marketing strategy becomes especially important.

*"Arricano's team has a significant experience in transforming a shopping mall into a comfortable social space. We, like many our colleagues, are ready to share it. The theme proposed by the organizers is very relevant. It is a lifestyle of a consumer today that influences significantly the culture of consumption, - Natalia Dmytrenko says. - A mall, being the point of intersection of very different lifestyle patterns, must respond to challenges and be for a consumer not just a place for shopping. The right concepts of restaurants and catering institutions, entertainment component, rooms for children, cross-events with tenants and many other things are extremely important. And this is a big challenge for each shopping mall."*

Natalia said that in Arricano native advertising and organic channels of communication - social networks and media (mainly lifestyle publications) play an important role in the fulfillment of the marketing tasks. "Our main task in communication is to mention as often as possible the brands that are represented in Arricano shopping malls. It is important for us that the buyer should come and spend their money in these stores", Arricano's marketing director

says. Among the techniques that have become trends, the speaker mentioned story telling with a history of success and a mandatory mentioning of a brand, as well as the reviews of consumer trends with news of a brand. The participants of Retail & Development Business Expo 2018 noticed that the atmosphere of the event mobilizes for self-development and that such large-scale industry events have a positive impact on the evolution of retail and development.

**Stream of the panel "From a classical shopping mall to a lifestyle mall"**



# Arricano is a partner of the conference

## “Fire Safety of a Shopping Mall” initiated by Malls Club Ukraine

One of the strategic objectives of Arricano Company in 2018 is the creation of a comfortable social space in our shopping malls. Comfort of guests and employees of a shopping mall shall be based on safety. Today the society wants to know what shopping malls of Ukraine do to ensure their safety. Responding to the request of the society on April 3, 2018 Malls Club Ukraine held a conference “Fire safety of a shopping mall” which partners became Arricano company and Multiplex movie theater network. The conference was held at Prospekt shopping mall.

The event was attended by over 140 executives and representatives of shopping malls from Kyiv and from the regions, the heads of security services of shopping malls, representatives of retail and media industries. During the conference “Fire safety of a shopping mall” the participants exchanged their experience related to fire safety of a shopping mall and listened to practical reports of experts on modern security systems related to organization of fire safety of a shopping mall.

In the discussion section “Fire safety in Ukrainian shopping malls. How to ensure safety of a visitor of a shopping mall?” the top managers of Ukrainian malls explained how the fire safety systems

were implemented in their malls.

**Inna Sotnikova, managing director of Prospekt and Rayon shopping malls** (Arricano Company), explained and then demonstrated within the framework of



an excursion around Prospekt shopping mall how Arricano implemented a complex approach to security. Inna Sotnikova informed that Arricano objects are equipped with special fire safety systems in accordance with the norms and requirements of the State Construction Norms (DBU) and State Standards of Ukraine (DSTU), the modern splinker

fire extinguishing system operates in an automatic mode, metal structures of the shopping malls are treated with a fire-proof paint, the experts check monthly the operability of the fire system and carry out the necessary maintenance. Besides, according to the concept, the shopping malls are divided into zones, which may be cut off with fire proof walls localizing fire and preventing further spread of fire. The absence of obstacles in evacuation corridors and exits is checked daily; the staff is trained twice per year and had a practical training on evacuation.

*“Each agreement stipulates a zone of responsibility of tenants related to the rules of fire safety - director of Prospekt and Rayon shopping malls noted. We feel responsible for the comfort of employees, tenants and guests, which is indissolubly tied with safety, that’s why we implement different programs, including fire safety programs. We try to maintain everything in working condition - and in case of emergency evacuation, all services have to work correctly, without failures. The importance of security is also recognized by our tenants, who now understand why we are so concerned about fire safety and give feedback.”*

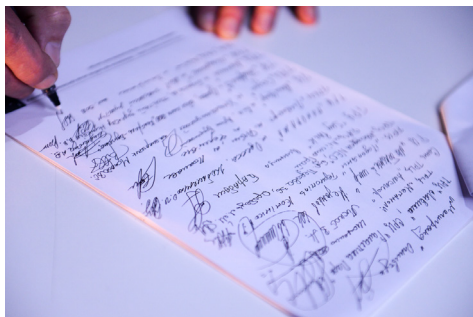
Within the framework of the conference “Fire safety of a shopping mall” Arricano

Real Estate Plc signed the memorandum “About the comprehensive fire safety measures in Ukrainian shopping malls”, confirming that the comprehensive measures are being implemented on the objects of the companies, including fire safety systems, external signs of fire safety systems, regular inspections of condition of all fire protection systems, extensive tests of fire protection systems, training of personnel and evacuation trainings for

### Corporate Principles of Arricano for a comfortable stay of guests of a shopping mall:

- observance of rules and norms of exploitation of such class objects,
- care and safety,
- prompt response to suggestions and complaints of guests related to the improvement of work of the object,
- special attention to guests with children, facilities for disabled guests,
- cleanliness,
- climate control





employees, tenants and visitors.

"The memorandum signed by the representatives of Ukrainian shopping malls at the conference "Fire safety of a shopping mall" is a global response and a clear message to all Ukrainian consumers that their safety was and is the concern No.1 for each shopping mall," notes **Artem Shlapak, Head of the Malls Club Ukraine**. In order to ensure fire safety, all modern and accessible methods were implemented and will be implemented in the future. Teamwork, consciousness and responsibility of representatives of shopping malls and visitors are important components that will protect us from negative situations."

**To ensure fire safety all shopping malls of Arricano are equipped with special systems**

- The modern sprinkler fire extinguishing system works in automatic mode. Specifically integrated sensors immediately react to smoke and to excess of the permissible temperature threshold. If a threat arises a signal is

received and the system sprays water.

- The individual fire tanks can extinguish fire even if there is no water supply from the city system.
- The special system promptly notifies about fire and provides smoke removal.
- All metal structures of the shopping malls are covered with a fire-proof paint in accordance with the regulations and requirements of the DBN and DSTU of Ukraine.
- At Arricano objects insulation resistance of electrical grid is verified annually.
- According to the fire concept shopping malls are divided into zones, which may be cut off with fire walls to localize fire and to prevent its further spread. The respective specialists check monthly the operative condition of the fire system and carry out the necessary

maintenance. All malls are equipped with evacuation plans and have pointers to evacuation exits. The absence of obstacles in evacuation corridors and evacuation exits is checked daily.

- The staff is trained twice per year.

**Retail Hacks by Arricano: How to Ensure Safety of Visitors and Employees of a Mall**



Inna Sotnikova, managing director of Prospekt and Rayon shopping malls, believes that to ensure a comfortable stay for visitors and employees, special attention shall be paid to several basic approaches to security.

- Security is the process, not the result.
- Security - is when everything is known in advance.
- Safety may be ensured by specialists.
- Save yourself and thousands of people around you will be saved.

More information about each approach can be found in the author column for Ukrainian Retail Association

## Financial results of 2017

In April 2018 Arricano Real Estate Plc published consolidated financial results of the company for 2017. According to the results of the last year the company's revenues increased by 19% in the reporting currency (US dollar) and amounted to USD 27.5 million. At the same time, the total net profit reached USD 25.8 million.

**Mikhail Merkulov, CEO of Arricano**, said: "In 2017 we identified and eliminated the weak points of our customers and users, developed and introduced new service-concepts and communication platforms for customer interaction, invested in partnership educational projects and tested new formats of offline-retail. Due to these innovative approaches and consistent teamwork across all Arricano departments, we managed not only to deliver a strong financial performance but also to explore and to use the hidden market opportunities."



\* Less incomes from revaluation of real estate



## B2B Upgrade by Arricano 2017-2018: transformation of the project

Consolidation, collaboration, joining efforts and resources to achieve the goal - these are the components of the approach of Arricano's team. While creating a comfortable social space in every shopping mall, team consistently implements projects aimed at increasing the volume of tenants' turnover and the increasing the class of service.

One of such innovative projects for Ukrainian retail market - B2B Upgrade by Arricano - a series of educational master-

classes for tenant partners - has been being running for more than two years.

The objective is the improvement of business parameters of tenants, development of service and comfortable social space in shopping malls. It is natural that Arricano Company with its innovative for Ukrainian retail market project - B2B Upgrade by Arricano was included into the shortlist of ICSC Solal Marketing Awards 2017 which collects the best practices of players of the world real estate market to

recognize the best achievements in the industry.

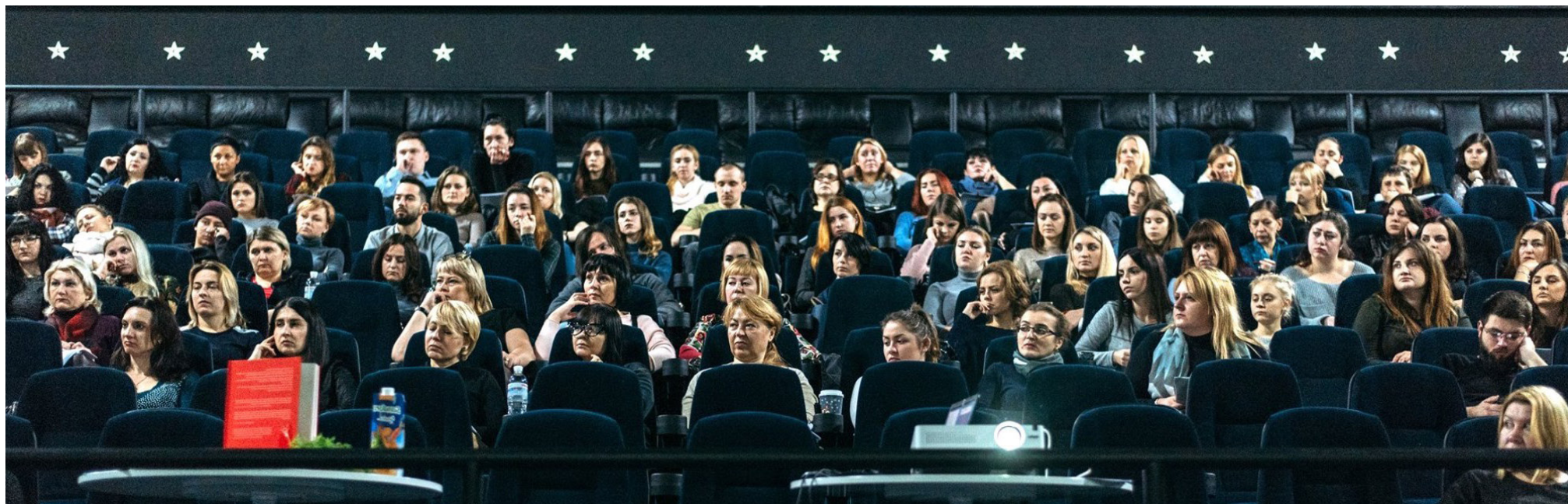
*"We want to build partnership relations with our tenants, so we give them an opportunity to develop the competence of their retail sales staff, because training is a long-term capital for the development of trade culture in general,"*  
**Mikhail Merkulov, CEO of Arricano, notes.**

Managers of Arricano are convinced that study is not just a fundamental for partnership and development, not only a space of trust, responsibility and a desire to achieve goals, but also a necessary component in the development of a comfortable social environment. Permanent partner of the project is the

Multiplex cinema network.

In two years more than 1,200 participants visited B2B Upgrade by Arricano.

In 2017 six master-classes of B2B Upgrade by Arricano educational project were held for the tenants of the network of the company's shopping malls. Professional Ukrainian business coaches Anna Drahomyretska, Ihor Harbaruk, Natalia Halytska, Liudmyla Melnyk, Ihor Stepanov expanded their knowledge, methods and practices of effective sales for retail and administrative staff of retailers of four shopping malls: Prospekt, RayON, Sun Gallery and City Mall.







the shopping mall's ecosystem:

*"Today it has become a trend to form a comfortable social space in shopping malls. To create the right atmosphere in the shopping mall, a cooperation of all participants of this ecosystem - the owner, the tenant and the guest is necessary. The guest becomes more demanding and it means that the retailer must increase the quality of communication and his/her ability to provide a high-quality service. B2B Upgrade by Arricano, an educational project of Arricano, develops corporate social responsibility, contributes to the creation of the right atmosphere."*

**Natalia Dmytrenko, marketing director of Arricano,** says that permanent study of new technologies in sales, the development of the service component in communication and practical application of knowledge have a positive effect on the formation of

The participants of B2B Upgrade by Arricano program during the master-classes have received different tools to increase sales and turnover on the account of the service component: "B2B Coaching. The model of the correct



action or how to sell without selling!", "Typology of Clients. Work with objections and closing the sales", "How to find an approach to each buyer and persuade him to make a purchase. 3 Steps to Buy", "Sell without selling. Creating of Trust between the Seller and the Consumer", "Customer Loyalty: Instruction for Use" learnt to use the gained knowledge to meet the needs of customers; deepened their knowledge about typology of customers and peculiarities of sales for each type of a buyer; expanded the instrumentarium of competent responses to objections; understood what kind of connection between the seller's state and the customer's repeated purchase; got life-hacks "how to understand and to fall in love with your client."

sessions, workshops and master-classes, marked the practical benefits of the gained knowledge: "Laconic, accessible, interesting", "The training was useful not only for work, but also for daily communication with people", "Everything was accessible, understandable and fundamental! We've discussed very important points related to work with buyers", "We have added the knowledge we have gained to the existing one and already use it in work", "Our team has taken on board the slogan: To Be – To Do – To Have", "It was the first-class training dedicated to a very important theme", "The atmosphere was welcoming", "You are the first company I met during my long practice, that provides training for its tenants and their employees. Thank you!"

The retailers participated in training

Business coaches, participants of the

spring season of B2B Upgrade by Arricano 2017 emphasized a lively interest from retailers in the materials of the master-class and the relevance of the project for the development of the partnership. Taking into account the wishes of the participants of the educational project, B2B Upgrade by Arricano for tenants will be transformed in 2018 - in the first half of the year the changes in the format extending the opportunities of tenants are being developed.



**Impressions on the project B2B Upgrade by Arricano**

**Anna Drahomyretska, Business Coach, Certified Professional Coach of Erickson College International, Psychologist:**

*"Most of the participants were involved and active. They responded to new knowledge and deepening, saw another aspect of what they already knew, disposed themselves to an open dialogue. Thank you so much for a beautiful project, Arricano, it is very important and I hope you gain momentum and develop your project into an all-Ukrainian one!"*



**Natalia Halytska, Certified Business Coach, with an expertise in "Expert Sales for B2B, B2C", "Customer Service":**

*"The experience of Arricano - the professional development of the staff of the shopping malls - is a truly unique format of partnership. It was obvious that the participants came voluntary; they were really interested in getting the working tools for sales and service. I thank the participants for their openness and sincere desire to develop themselves! Indeed, for the development of a shopping mall, you need to develop sincere love and care of a client."*

**The experience of Arricano is a truly unique format of partnership.**



**Ilhor Harbaruk, a trade expert, speaker and moderator of profile retail forums:**

*"I want to notice the interest and the inquisition of the participants of the master-class, their professionalism and the objectivity of their questions. Given the global expansion of online commerce, the need to give a buyer an opportunity to get not just a product, but an emotion arising in the process of purchase increases. The shopping mall should become a place for gaining positive emotions, communication, socialization of the younger generation, a place for satisfaction of needs. I am happy to join the initiative of Arricano Company which changes the approaches to the relationship between the retailer - the visitor - the owner, making them the creators of something new, bigger than the technique of "buying and selling".*

**Arricano is convinced that learning is not only a foundation for partnership and development, not just a space of trust, responsibility and a desire to achieve goals at the same time, but also a necessary component in the development of a comfortable social environment. Permanent partner of the project is the Multiplex cinema network.**





Ihor Stepanov, a certified business coach, an entrepreneur with many years of experience, a founder of European company Sicore, CEO of consulting company Stepanov, an ideologist of the social art project "Implementation of mission. Art and Business", the author of the book "To Lighten Fire of an Idea":

"In my opinion, the development of service level of tenants by means of training is an unprecedented step proposed by Arricano in B2B Upgrade by Arricano project. When I gave a master class, I saw two types of people. The first ones were those who actually had a request and wanted to gain knowledge. To the second type belonged

those who had been sent by their bosses and they didn't understand why they needed it. The first and the second types of audience are important to "move" the retail, since today the service in Ukrainian retail is being developed.

The more retailers get new and useful information, the faster the quality of service will change. I wish Arricano Company to strengthen the project with speakers-practitioners and recommend transferring theoretical knowledge into real cases, to help one of the stores to build a high-quality service and to demonstrate others the results. Good luck, we're at the beginning of the journey!"



Liudmyla Melnyk, Certified Business Coach, Facilitator, Expert in Communications, author of "Strict Negotiations. Did you order fighting?", "Role-playing at work. What is not written in the employment record book?" "B2B Upgrade by Arricano faces the important challenges. The increase of the service level will not only significantly improve the efficiency of business, but also affect the business culture in the country in general. That's why I am very happy that the participants are interested in study and in gaining new knowledge and skills, activity and have a passion for their work. I wish the project and participants of the project success!"

Business coaches, participants of the educational project, noted a lively interest of retailers in the material of the workshops and the relevance of the project to the development of partnership relationships. According to the participants' desire, the project for tenants - B2B Upgrade by Arricano will be transformed in 2018; the new format of the project is being developed now.



# Changes in the tenant-mix in the 1st quarter of 2018 at Arricano shopping malls

For Arricano Company the first quarter of 2018 has been distinguished by two corporate trends: new brand names such as Miniso, Parfois and Peak became tenants of Arricano's shopping malls and the existing groups of goods were expanded: in Prospekt shopping mall the category "Sporting Goods" was expanded, in the shopping mall Rayon – "Shoes and accessories", in City Mall - the category "Home Appliances", in "Sun Gallery" – "Jewelry" were expanded.



- Sport Store of International Brand Puma
- Japanese Brand Store Miniso
- Portuguese Brand Store of Women's Accessories Parfois
- Linen Store Kleo Island
- Home Appliances Island "TechnoEzh"
- Expansion of Services on Service Point
- Oschadbank Branch; watch repair; photo and copy shop



- Shoe store of Ukrainian brand Mida
- Multi Brand Shoe Store Sharman
- Shop for sports and casual wear Peak
- Multi-brand clothing and lingerie shop SHYK
- Brown Goods and Gadget Store Pocket Store
- Island of tickets Concert.UA

## CITY MALL

- Home appliances shop "ALLO"
- Toy store "Budynok Ihrashok"
- Women's clothing store OLKO
- Home accessories Top shop
- Island of electronics "TechnoEzh"
- Island of jewelry "Silver Country"



- Island of Household Chemicals and Beauty Products UNICE MULTIBRAND
- Jewelry Island Gold Palace
- Island of Jewelry "Silver Country"

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