

2.7 Innovation and technology

Lar España is well aware of the importance of **innovation and the application of emerging technology** in the current environment. It is unwaveringly committed to innovating across the board. It is similarly committed to embracing emerging **technologies** and making its properties more energy-**efficient** and **sustainable**. Not to mention attracting the finest talent in order to adapt to its customers, shareholders and other stakeholders' needs.

Lar España collaborates actively on **transforming the real estate sector** by fostering awareness and sharing its extensive experience in order to ensure sustainability in a sector prone to cyclical swings.

To this end, it strives to exchange experiences and search for new and innovative solutions that boost sector credibility and help **create value**.

In 2018, the company continued to work on a number of projects rolled out in prior years and launched many new unique and pioneering initiatives. All of its initiatives are framed by the **Technology, Engagement & Sustainability (TES) project**, whose aim is to apply innovative technology to **optimise the customer experience**. As its name suggests, it is articulated around three lines of action: **technology, engagement and sustainability**.



TES project

Lar España is spearheading the sector's digital transformation in Spain and creating value under the scope of its **TES project** (technology, engagement & sustainability).



Technology

Asses and quantify the **visitors experience** at our shopping centres and optimise the management of the shopping centres and client relationship

- E-commerce
- Mobile APP
- Seeketing
- Geoblink
- Social Media
- Wi-Fi
- Omnichannelling



Engagement

Provide a **unique value-add offering** by transforming shopping centres into experience-led destinations

- Optimal retail offering
- High-quality and bespoke services
- Attractive Food & Beverage areas
- Increased leisure and entertainment offering
- Inviting, vibrant and urban spaces



Sustainability

Strategic positioning of each and every one of our properties, considering aspects such as the environment, sustainability, accessibility and society

- Sustainability certifications
- Responsible management
- Commitment to the environment
- Active listeners
- Ethical practices and Integrity
- Transparency

The TES project has two main objectives. Firstly, to position Lar España as **the leading player in the digital transformation of the retail segment**, by creating new and more efficient ways of interacting with external and internal customers. Secondly, **to create shared value** in order to lead economic and social progress, have a real impact on the world and make a difference in people's quality of living and socio-economic development.

In order to showcase this project to one of its most important stakeholder groups, Lar España held its second **Investor Day** in Madrid and London on 9 and 10 October 2018, respectively. At that event, among many other initiatives, the analyst and investor communities had the opportunity to learn first-hand about the advances being made by the company in digital transformation under the scope of the TES project and to verify the degree of progress made on executing its business plan.



Lar España is looking to **optimise shopping centre management** by using advanced analytics.

Technology

On the technological innovation front, in 2018, Lar España introduced improvements to projects launched in prior years, like its **Geoblink** and its **Seeketing** projects. It also focused its efforts on enhancing the apps and websites of each of its shopping centres to make them more user-friendly and interactive.

The company struck a strategic agreement with Ebay, the world's largest online marketplace, for its online e-commerce platform, "**tucentro.com**". The biggest development of 2018 was the implementation of an internal **digital reporting** tool designed to help visualise customers' online shopping patterns.

Geoblink

The main aim of this project is to implement a **location intelligence solution** to give the company insight into the main **social and economic characteristics of its customers**, as well as the key **demographic traits** in the catchment areas of each of the shopping centres owned by Lar España.

The overriding goal is to get to know the company's customers and needs in depth and to **design personalised marketing strategies in response**. It also enables the company to analyse key competitor data and consumer behaviour in order to generate omni-channel content and articulate geomarketing campaigns around shopping trends.

Thanks to the **Geoblink** tool, the company can gather data from mobile phone lines nationwide that enables it to **analyse user routes, behaviour and profiles in real time**. It thus generates data for existing and prospective

customers and even the competition's customers with the goal of searching for **success factors** and measuring results in real time. The shopping centre in As Termas is one example of how we have implemented this tool in our portfolio: there, the communication strategy was focused on external advertising (walls, fences, public poster displays) and mailing campaigns in strategic locations selected by cross-referencing data obtained from the tool (customer departure point, profile).

A new module was created in 2018 called 'Live Data' whose mission is to reveal the conduct of potential customers from anonymised data provided by the mobile operator Orange, yielding a representative sample of the national population, and to facilitate the launch of **effective geomarketing campaigns**.

Seeketing

Lar España is developing a **multi-channel solution** that integrates the information generated via its shopping centre channels, enabling it to then cross reference and analyse the data with the aim of generating value for direct and indirect customers. The **Seeketing** system uses nodes or beacons (antennae) that are installed in the shopping centre (hardware) combined with powerful marketing intelligence software in order to better understand user habits.

This tool has already been implemented at the Albacenter, Anec Blau, As Termas, El Rosal and Portal de la Marina shopping centres. Its key objectives include:



1. Developing proximity marketing initiatives to **drive footfall and customer satisfaction**.
2. **Enhancing** shopping centre **management** by means of advanced data analytics.
3. Tracking the shopping centres' **unique visitors**.
4. Better understanding traffic by store and region and **visit frequency and length patterns**. It is worth noting that the average length of time spent at our centres was 87 minutes in 2018, which marks growth of 6% from 2017.

One of the new developments of 2018 was the introduction of Seeketing sensors in stores; those sensors track the number of people passing through the stores' doors, helping the company's asset managers and

its tenants with their marketing efforts. Those sensors tell us whether we are getting an **optimal rent** at each of our premises and enable us to measure the **impact of the promotional campaigns** undertaken at our shopping centres. They also enable us to compare occupancy costs and identify the scope for boosting returns at certain stores.

Digital Reporting

In July 2018, Lar España implemented a new internal tool to help **analyse potential online shoppers** with the aim of helping the asset managers to identify key trends and design targeted and tailored marketing strategies. To do this it uses three complementary sources of information:



Patterns in traffic (total and by channel) on the websites of Lar España's shopping centres using Google Analytics.



SEO performance analysis based on different measurement parameters (SEO, keywords, URLs, etc.).



Social media analytics and insights based on Lar España's shopping centres and the company's general objectives.

In 2018, a full analysis was undertaken at ten of Lar España's shopping centres and the results helped fine-tune how they are being managed.



With these initiatives Lar España pursues to provide a **multi-channel shopping** platform to its customers

Tucentro.com

Lar España, as a pioneer in the integration of the offline and online shopping channels, launched an additional sales channel for its shopping centres through which customers can shop in its offline stores from an online platform.

In 2018, the company entered into an alliance with Ebay to facilitate shopping over the platform. The goals of this corporate e-commerce endeavour are:



Providing a **multi-channel shopping platform**, enhancing its customers' shopping experience.



Adding value to the company's properties and **differentiating** them from the competition.



Transforming the perceived risk posed by e-commerce into a **new business opportunity**, creating a new source of revenue.



Providing retailers with a **new e-commerce outlet** for the sale of their products.

Mobile apps for customers

In 2018, Lar España's marketing department continued to develop and enhance the shopping centres' individual websites and apps, facilitating **two-way communication** with its end customers. The idea is to use these tools to offer promotions of interest and other information of relevance to its customers.

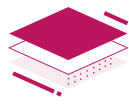
In addition, in keeping with the aim of enhancing communication with the company's key stakeholders, in 2018, the Lar España website and app were upgraded. Here it is worth highlighting the effort made to communicate the company's earnings releases via webcasts and corporate videos.



SEO positioning

SEO positioning refers to the visibility of a website in search results across the various search engines. Lar España works continuously and specifically on **improving its SEO positioning** by designing and adapting elements of its websites to be smarter and more effective with the ultimate goal of:

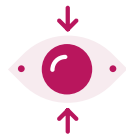
- ◇ Improving its shopping centre websites' positioning in search engine results
- ◇ Analysing and selecting the best keywords for positioning purposes
- ◇ Improve positioning of the URLs, website content and maps, among others
- ◇ Defining and tracking the right KPIs
- ◇ Creating corporate websites (to provide information) that are compatible with the transactional websites (e-commerce) and are enhanced for onpage SEO positioning purposes



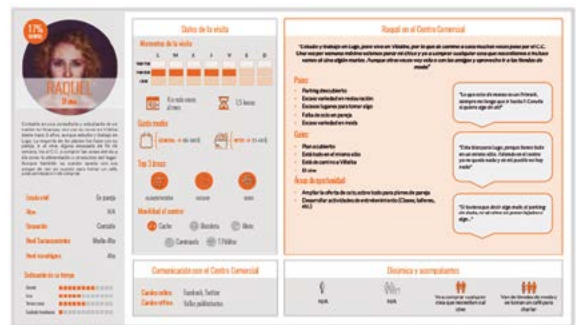
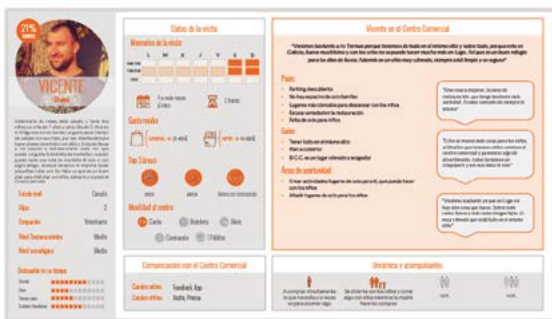
3,084
total number
of sessions



6,725
websites
views



+28.4%
visibility
index



Engagement

Lar España, as well as prioritising technological innovation, seeks to **enhance the customer experience** in each of its shopping centres. To this end, in 2018, it continued to fine-tune and reinforce its **Customer Journey** project and foster initiatives targeted at its customers and other stakeholder groups.

Customer Journey

Extending the project initiated in 2017 at the Portal de la Marina and Gran Vía de Vigo shopping centres, in 2018, Lar España rolled out a research programme designed to establish a **unique strategic positioning approach and measure the customer experience** at its establishments at its Anec Blau, As Termas, El Rosal and Albacenter shopping centres.

For full comprehension of the environment, the influences the centre users' experience, a study template has been created to address three areas of influence: the city, the shopping centre and the users.

This initiative, one of the cornerstones of the TES project, is essentially a research programme to learn about the **customer's 'journey'** through our shopping centres, from when they plan their trip to the centre until the moment they leave our premises, flagging all of the stops along the way, including the key 'pains and gains' during that journey. Lar España has divided the process into four phases: **comprehension, observation, definition and consolidation.**

The objectives set for each phase are outlined below:



Phase 1. **UNDERSTAND**

Obtain a clear understanding and alignment among stakeholders of the challenge that must be overcome during the project, in order to understand the work context



Phase 2. **OBSERVE**

Carry out an in-depth study to identify the Shopping Centre house archetypes and prioritise them in order to map out the experience of the most significant ones



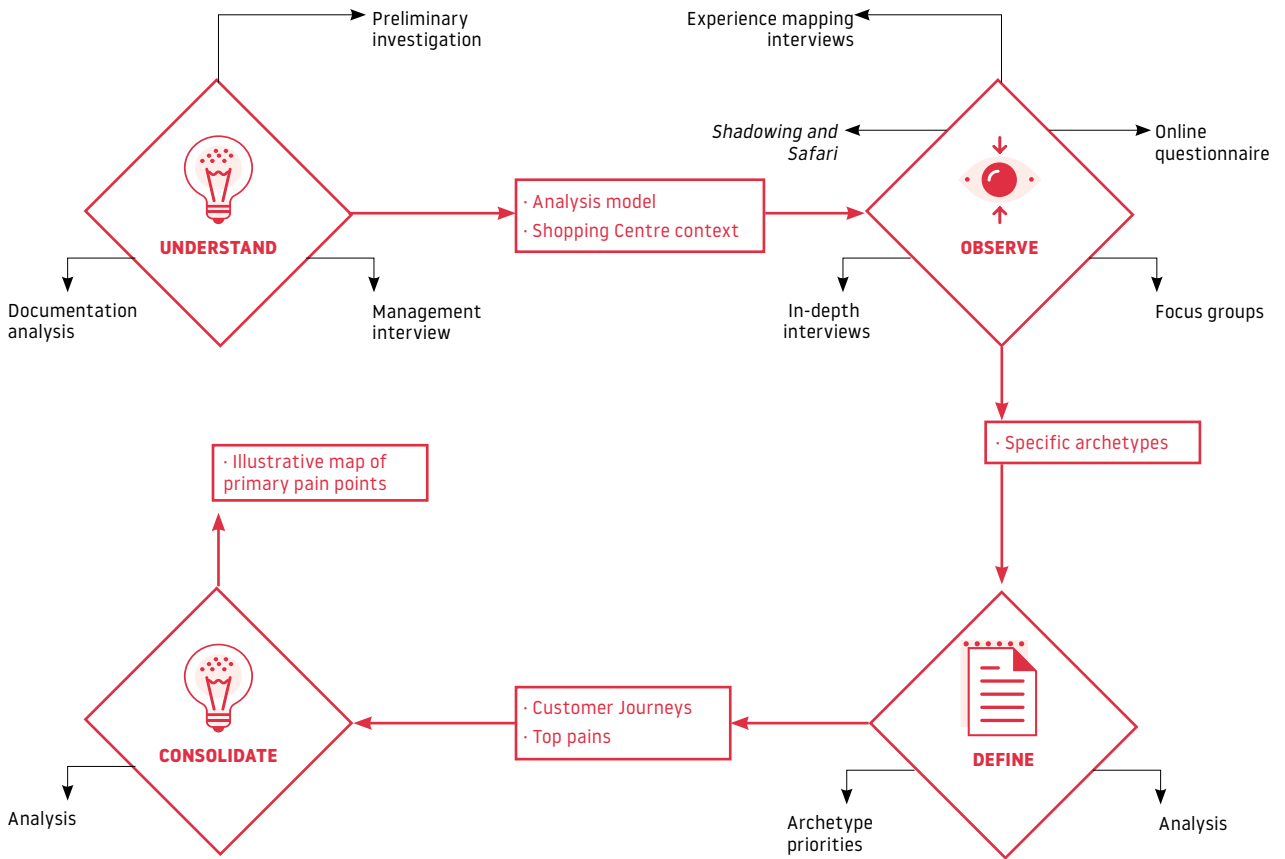
Phase 3. **DEFINE**

Identify and evaluate areas of opportunity (Top Pain points) in order to reach a better understanding of customer experience at the Centre



Phase 4 **CONSOLIDATE**

Reach comprehensive conclusions that allow a global view of the satisfaction at the Group's Centres, based on previous analysis from different Centres



Hola Familia

“Hola Familia” [Hello Family] is a project that Lar España embarked on in 2016 with the aim of **creating a comfortable, welcoming, humane and cheerful space** in which parents can breast or bottle-feed their babies and toddlers during their visits to our shopping centres.

In 2018, this initiative was rolled out - in response to customer demand - at a number of different shopping centres and was warmly welcomed.

Partners and Friends

Partners & Friends is an event organised by Lar España to create an opportunity for **shopping centre professionals to meet and engage with each other**. The second edition of this event took place on 26 June 2018 and was attended by nearly 80 sector professionals. The event was used to showcase the different projects and improvements undertaken by Lar España at its shopping centres.

Participation included professionals from brands as well known as AmRest, C&A, Carrefour, Décimas, Día, Grupo Restalia, Grupo Vips, La Casa del Libro, Leroy Merlin and Lidl.

Sustainability

The last of the three cornerstones underpinning Lar España's innovation thrust is the design and implementation of policies that foster **sustainable development** in the real estate sector. Under the scope of that sustainability effort, the company performed **technical audits** at its shopping centres in order to continue to improve in this arena and to promote sustainable and **environmental management projects**. For further information see section 4. CSR.

Wonderful Project

Lar España champions innovation via **entrepreneurship** by means of a project named **Wonderful**, a cycle of events conducted simultaneously across its shopping centres with the aim of **fostering and promoting the most enterprising and innovative ideas** for solutions that create tangible benefits for shopping centres and society as a whole. This initiative is sponsored by Sabadell BStartUp, IBM, El Economista, Indra and the Francisco de Vitoria University.

In 2018, its second year in existence, the company organised a new series of events related with entrepreneurship designed to create solutions that benefit society, mainly in the areas of retail (shopping centres and stores) and the relationship between cities and their inhabitants. Lar España's aim with this initiative is to highlight the importance of innovation as an essential driver of social and economic progress, the creation of start-ups, growth at existing companies and sustained job creation.

For the second edition the company received **over 100 initiatives** in some of the provinces in which Lar España has a presence: Albacete, Alicante, Barcelona, Leon, Lugo, Pontevedra, Toledo, Madrid, Vizcaya and Valencia.

Following the success of its first two editions, Lar España will hold the third edition of the Wonderful Summit in 2019, in search of the most innovative project for the retail sector.



The key characteristics of 2019 Wonderful scheme are:



10 SHOPPING CENTRES

- Albacenter
- Anec Blau
- As Termas
- El Rosal
- Gran Vía de Vigo
- Megapark
- Portal de la Marina
- Vistahermosa
- VidaNova Parc
- Parque Abadía



2 CATEGORIES

1. Innovation in shopping centres and retail
2. Innovation in the city in which the shopping centre is located



JURY

The shopping centre managers and owners, city councillors and collaborating institutions



PRIZE

Presentation of the project to the investor network in search of local investors



WONDERFUL SUMMIT FINAL EVENT

A seminar devoted to innovation which analysed trends in the retail sector and how the sector is adapting to emerging technology. The Wonderful Awards, for which over 120 initiatives competed, were handed out at this event



The mystery customer reports help us to **strengthen customer confidence and the level of engagement** of each and every one of our employees

Technical audit of services and customer service at our shopping centres

Lar España, as part of its strategy for improving the management of its shopping centres, has rolled out **technical and customer service/care audits**.

Technical audits

The goal of these audits is to ensure that Lar España's shopping centres meet all applicable technical requirements in terms of active and passive fire protection and evacuation systems.

The first of these audits were undertaken at the Gran Vía, Anec Blau and Vistahermosa shopping centres. The audits yield a **technical status report** itemising any deficiencies detected, proposing technical solutions and adaptations for prevailing regulations as required. The plan is to carry out similar audits at the rest of the company's shopping centres in the near future.

Audit of services and customer support

The goal pursued with these audits is to make sure that the know-how, experience and investments applied across the entire value chain foster the healthy management of Lar España's shopping centres. The idea is to obtain indicators related with the **quality of the services** we offer our customers framed by the commitment to provide an **excellent customer experience**.

Already conducted at the large majority of our shopping centres, we have devised a mystery customer report with qualitative and quantitative indicators designed to help maintain the strong suits of our customer service offering, recognise best practices, identify opportunities and areas for improvement in every phase and strengthen customer confidence and the level of engagement of each and every one of our employees

Combined, the results of the two audits will enable us to **roll out corrective action plans, implement improvements and remedy defects** in two all-important areas: **customer care and safety**.

The best-performing asset was the As Termas shopping centre, which obtained an overall quality score of 94.9%, 4.1 points above the average. The company's goal is to bring all of its shopping centres in line or above with that benchmark.





Auditing has been carried out by SGS, world leader in inspection, verification, testing and certification, with an extensive track record in shopping centres



ACCESS	82.5%	87.8%	93.0%	88.7%	82.1%	95.8%	82.1%	87.4%
WEB	69.2%	80.8%	97.0%	83.3%	71.8%	94.9%	69.2%	80.9%
OUTSIDE	95.8%	94.8%	89.1%	94.1%	92.5%	96.8%	94.9%	94.0%
PARKING	87.6%	88.2%	86.2%	87.2%	88.1%	85.2%	91.6%	87.7%
INSIDE	91.7%	95.1%	94.7%	74.3%	94.7%	96.0%	91.6%	91.2%
GENERAL	89.6%	95.5%	98.0%	--	96.7%	97.4%	89.7%	94.5%
SHOPS	97.6%	98.5%	98.6%	99.4%	98.6%	99.0%	98.0%	98.5%
DINING AREA	95.0%	100.0%	94.6%	90.1%	99.6%	97.9%	95.4%	96.1%
CINEMAS	91.1%	97.9%	97.9%	--	--	91.1%	95.8%	94.8%
WC	87.1%	96.0%	89.5%	83.1%	82.9%	93.7%	93.5%	89.4%
SPECIALITY LEASING	100.0%	96.7%	90.0%	--	100.0%	100.0%	100.0%	97.8%
REST AREAS	95.8%	91.7%	87.5%	100.0%	95.2%	97.9%	89.6%	94.0%
CHILDREN'S AREA	100.0%	88.9%	86.1%	0.0%	100.0%	100.0%	100.0%	82.1%
OTHER SERVICES	66.7%	64.7%	70.6%	0.0%	45.1%	66.7%	55.9%	52.8%
STAFF	96.9%	97.8%	100.0%	75.0%	98.4%	95.8%	99.3%	94.7%
GENERAL STAFF	94.6%	100.0%	100.0%	66.7%	97.9%	95.8%	97.9%	93.3%
INFORMATION STAFF	97.2%	94.4%	100.0%	--	97.2%	88.9%	100.0%	96.3%
SECURITY STAFF	100.0%	96.7%	100.0%	100.0%	100.0%	100.0%	100.0%	99.5%
CLEANING STAFF	96.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.4%
SATISFACTION	75.0%	83.3%	91.7%	75.0%	95.8%	83.3%	91.7%	85.1%
RECOMMENDATION RATE	7.7	8.5	9.2	7.2	9.0	8.7	9.0	8.5
NPS	0.0%	50.0%	100.0%	-12.5%	83.3%	66.7%	66.7%	50.6%
OVERALL RESULT	90.9%	93.9%	94.2%	77.1%	93.1%	94.9%	91.4%	90.8%

(*) The Net Promoter Score (NPS) is an indicator that measures customer loyalty. It is calculated based on customer responses to the question "How likely is it that you would recommend our shopping centre to your family and friends?", with options ranging from 0 to 10, where 0 means "not at all" and 10 means "definitely". The result is calculated by subtracting the percentage of responses between 0 and 6 ("Detractors") from the 9 and 10 responses ("Promoters"), generating a figure between -100 and 100, with the highest score being the most positive, and an NPS of 50 or above considered to be excellent.



Lar España is taking action to **preserve the environment, searching tirelessly for smarter and more efficient ways** to develop and operate its real estate assets

Environmental management

Lar España is committed to addressing the problems that could affect communities in which it does business by being socially responsible, which means actively trying to mitigate or remedy such issues. As a result, Lar España is taking action to **preserve the environment**, looking inwards by setting strategic targets and issuing corporate policies and looking outside the firm by educating society about its values and **searching tirelessly for smarter and more efficient ways to develop and operate its real estate assets, in order to reduce their environmental impact.**

At the heart of Lar España's innovation on the environmental front lies its retail property portfolio. This strategic focus translates into initiatives in the areas of **energy efficiency, water management, air quality, solar energy and sustainability certificates.**

Staff training

Lar España has rolled out measures for training its own professionals and those of its manager, Grupo Lar, through an Executive Digital Transformation Programme and sessions at the Valley Digital Business School, framed by its goal of engaging its professionals in delivery of the company's **objectives on the innovation front.**