

SPOT LIGHT

Retail Revolutions
**How the Different
Generations Shop**

In partnership with



SUMMARY

■ This report is the first in a series focusing on different retail sectors in the UK utilising consumer research carried out by Verdict. In this edition we examine shopper behaviours and preferences related to fashion spend and how this differs across geographies and age groups.

■ The 'store' remains the focus of the fashion retail experience; 87% of fashion sales have touched a store.

■ Is choice and convenience driving the move online? 48% would move their spend online if dissatisfied with the local offer.

■ Biggest fashion spenders are Generation X (35-54 year olds). Yet, it is their younger counterparts that are the most positive about future spend.

■ Differences exist in spend and outlook across the top 10 UK cities, especially when broken down by age. For example, Millennials in Glasgow and Edinburgh have a higher fashion spend than their London counterparts.

■ What does this mean for landlords? The creation of a 'destination' is key to attract consumers from a wider catchment. Locations under single ownership, like

shopping centres, may be best placed to achieve this and goes some way to explain why they featured as one of the top three retail locations for shoppers (43% place it in the top three).

■ For retailers the research flags two questions. For 'convenience' fashion brands, is there an opportunity to expand into smaller 'secondary' or even 'tertiary' markets to capture both instore and a greater share of online sales? For some new international entrants, could the large regional cities offer more attractive alternatives than some of the traditional 'entrant' markets in the South East?

Foreword

David Fischel,
Chief Executive, intu

Today's shoppers are a tough crowd, but once you've captured their loyalty – they will fiercely stick by you through thick and thin.

But how do you capture that loyalty in the first place? How do you draw them in and away from the internet or an evening in front of the TV? How do you encourage them to travel that bit further to visit your shop, or in our case, centre?

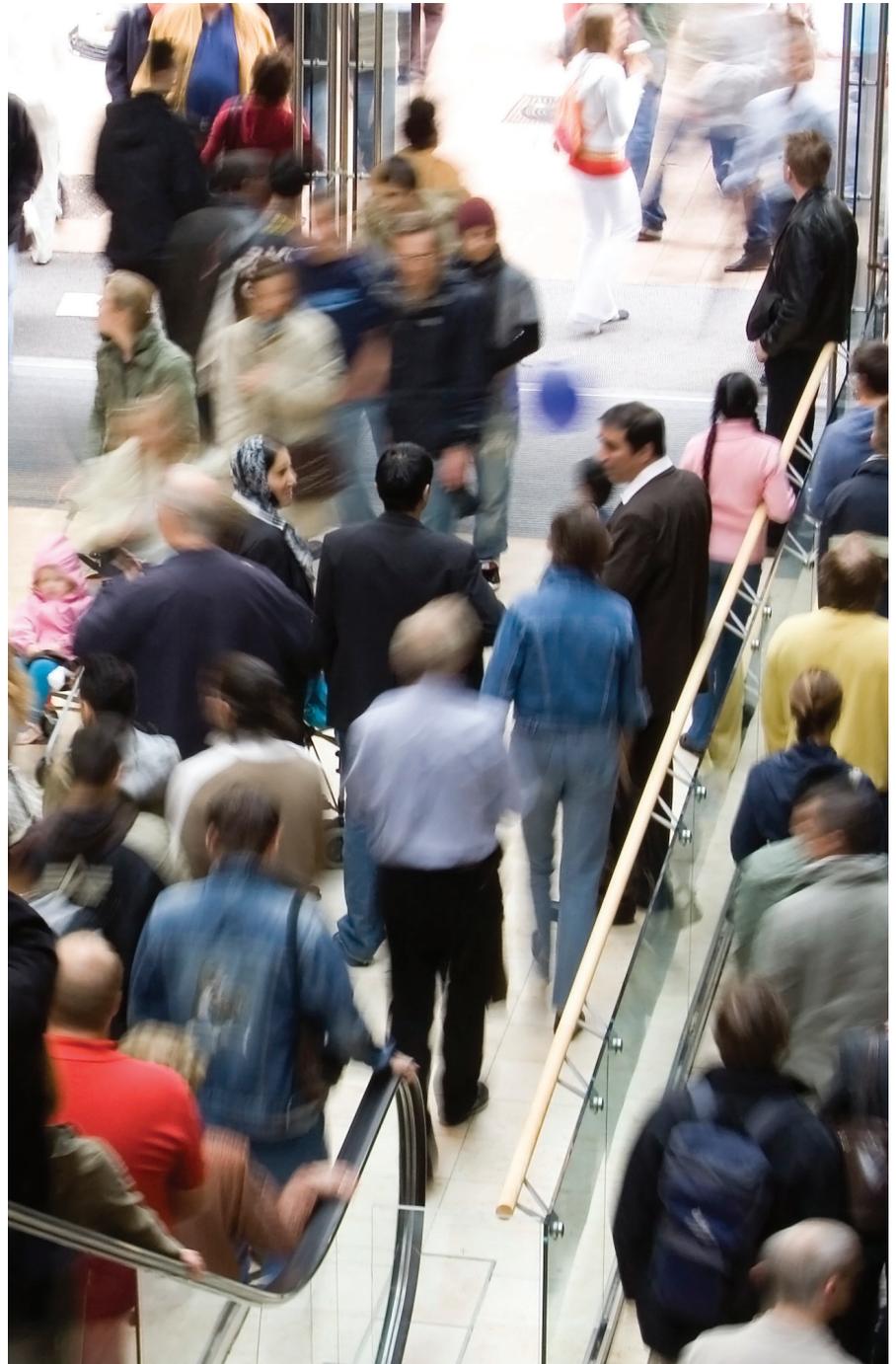
These are all important questions that we ask ourselves and our shoppers constantly. It is through this insight, coupled with our scale and expertise, that we're able to create compelling experiences on and off line. From shopping to dining and coffee to movies, all sprinkled with moments of delight, we keep our customers coming back more often, staying with us for longer and traveling from further afield. All of which helps our retailers flourish.

This report lifts the lid on some of the important differences not only between varying age groups but also on how where they live will impact how they'll shop. It exposes their expectations, and what can ultimately happen if we, as an industry, don't live up to those expectations.

By understanding customers, in all their different guises, we can ensure that our retail locations deliver against their expectations, or more importantly, exceed their expectations.

As a landlord with its feet in both the online and in-centre experience, and a strategy centred on our customers, this is a topic very close to our hearts. We hope you enjoy reading this report.

▼ Shopping habits differ across the country



Market drivers and the place of the shop

The store remains the focus of the retail experience

It has been a relatively good couple of years for fashion retailers given the tumultuous times experienced since the global financial crisis. Having said this, the sector has faced considerable headwinds over the course of 2016, amplified by the potential risks posed by the Brexit vote.

Despite these potential risks, over the longer term, further growth is anticipated as per-capita retail spend on clothing and footwear is yet to reach pre-recession levels. UK clothing expenditure in 2016 is estimated at £44bn, with growth of 26.5% anticipated by 2021; an increase of almost £12bn (although this is without factoring in possible disruption following the Brexit vote).

Online retailing does figure in this sales figure, however, it has been less of a threat than anticipated and instead provides a clear opportunity for retailers to extend their channels and showcase their offer. For example, 55% of consumers research online for purchases that are eventually made in store and 75% still prefer to try on clothes before they buy them.

The shop therefore remains as relevant as ever, with savvy retailers increasing revenues thanks to an online presence. According to a recent report by Verdict, a total of 89% of UK retail sales have 'touched' a store, from a combination of store sales, click and collect, or in-store browsing/research. The uplift equates to 9% of all retail sales; almost as much as that accounted for by online sales alone.

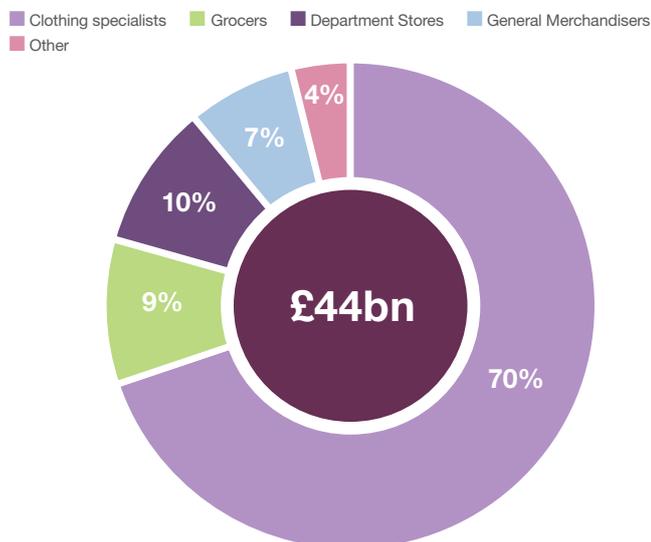
This boost varies across sectors, but is +10% in the clothing and footwear sector and +16% in the department store sector (see Figure 2). Furthermore, there is an anticipated halo effect where online sales are increased due to the brand awareness gained from having a physical presence. This is something that has not gone unnoticed by several pure play retailers who are now developing a physical presence.

Verdict anticipate that physical store sales will increase by 11% over the next five years to £151bn, during which time click and collect sales are expected to more than double and the browsing/inspiration element is forecast to grow by

“It is anticipated that physical store sales will increase by 11% over the next five years”

Tom Whittington, Savills Research

FIGURE 1: Size of the UK clothing market 2016



Source: Verdict

FIGURE 2: The True Value of Stores



Source: Verdict



£44bn
Estimated UK clothing expenditure in 2016



55%
Of shoppers who research online before purchasing in store

37%. This would leave the 'True Value of Stores' at £171bn by 2021.

So, while online is anticipated to account for a larger proportion of consumer spend over the next few years, the reality is that the two elements of in-store and online have become blurred, with both being increasingly reliant on one another for achieving optimum performance. ■

The consumer relationship between retail and etail

Is choice and convenience driving the move online?

While most people still prefer to shop in-store for fashion, the move online may reflect instances where the retail offer in the locale fails to meet their needs and the physical alternatives are not convenient. For example, 48% of survey respondents stated that they would go online for their fashion purchases if their local offer did not satisfy their needs, compared to the 38% who would visit a larger town or shopping centre.

Access to retail is also key. For example, rural shoppers generally use the internet for the highest proportion of their shopping, giving them access to brands only available in large shopping destinations further afield. This has implications with regards to home delivery and internet connectivity.

The 'physical' store still holds the aces when it comes to customer experience and engagement. There remains an overwhelming preference for trying on clothes before buying across all demographic groups, with around 75% of consumers stating this as a preference. For Generation Z (aged 16-24 years) and Millennials (Gen Y aged 25-34 years) 79.9% and 76.1% of respondents respectively state this as important, dropping slightly for the 45-64 age group, who are likely to have embraced the internet and are comfortable making repeat purchases. Trying on clothes, however, becomes less of a key concern for consumers the further they are required to travel to a shop.

Several online retailers (e.g. Thread) are working hard to address this specific

challenge through a more bespoke online offer, with personal stylists and an efficient and free delivery/returns service.

For the consumer, it is not about either shopping on the internet or shopping in-store. It is about switching seamlessly between the channels depending on their specific demands and needs at that point in time. The most frequent proponents of shopping online think that the internet offers a better solution with regards to browsing, price, comparison, convenience, speed and range, with over indexing on these issues for all consumer groups regardless of age, demography or location. Yet, when it comes to enjoyment, trust and returns, the physical store wins out.

Online also provides an increasingly important resource for shoppers to undertake research. Millennials are the most adept at this 'online' research pre store purchases, particularly in London and Scotland, and are more likely to switch between channels than older generations, for whom online research typically results in an online sale (Figure 3).

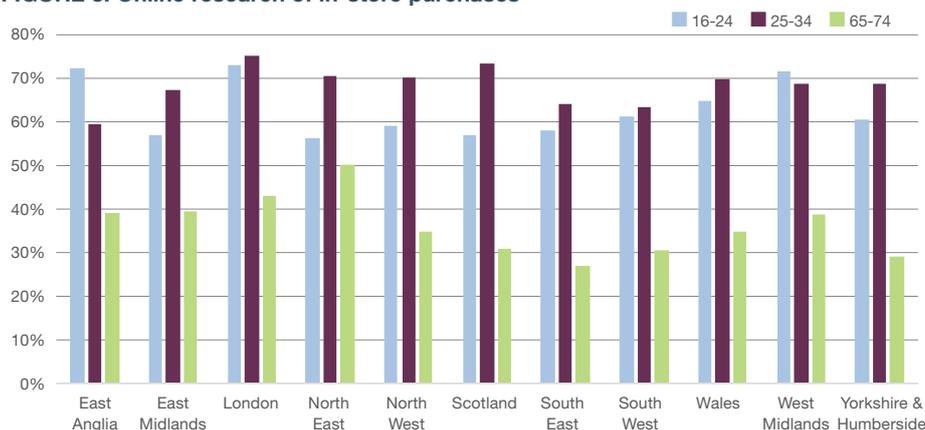
There is some variation between age and location with regards to how well embraced etail has been. Baby Boomers in the North use the internet for the least proportion of shopping trips (13% NE), while Millennials from Wales use it the most (49%). London, where there is by far the biggest choice of delivery and collection options, has below average use of etail in all ages/social grades, other than the over-65s; choice and quality of the high street offer clearly playing a vital role for most shoppers in the capital. There is not a single consumer group

that does more than 50% of their fashion shopping online. However, several towns have seen a surge in online, some of which may reflect a lack of choice and convenience. Survey results for Scunthorpe, Grimsby, Dalkeith and Sleaford suggest that online fashion spend is as high as 50%.

Considering that the retail offer in these towns is heavily skewed towards value (over 50%) and with vacancy rates in excess of 15%, suggests that the current offer may not be meeting shoppers' demands. In contrast Aylesbury, Huddersfield, Wigan and Hull, which enjoy a more rounded fashion offer, including a higher proportion of aspirational retailers, tend to report far lower online fashion spend. This raises the question, did the demise of 'convenient' fashion in our local centres help to further propel the move of sales online?

This is perhaps a point not lost on some of the 'convenience' fashion brands such as Primark, H&M and Pep&Co, who have been expanding in both 'prime' and in some cases what could be considered as 'secondary' and 'tertiary' locations. This expansion of store portfolios across a wider range of location types could be considered as way of protecting total sales due to the relationship that is often found between online sales and the opening of a new store in certain catchments. It is this relationship, along with the brand boost, that is encouraging some pure play fashion brands to develop their own physical stores. ■

FIGURE 3: Online research of in-store purchases



Source: Savills Research/ Verdict



75%

Of shoppers prefer to try on clothes before they buy them

Brand perceptions

Generational differences in brand preferences

Challenging non-food sales over the last few years has done nothing to thwart the importance of M&S as a leading high street brand. Its market share for fashion goods is the largest in the country (8.4%) and 7% of shoppers use M&S frequently for fashion purchases.

In fact, M&S is the most popular retailer for all age groups above 45 years, with Debenhams and Matalan being the 2nd and 3rd ranking for this age group. The popularity of M&S is even more pronounced for the Baby Boomer generation, with Debenhams and Asda's George brand ranking 2nd and 3rd (Figure 5).

For the Millennials and Generation Z (under 35s) M&S only features in the top 5 retailers for those in London and the South East. For these age groups Primark is overwhelmingly the most popular retailer, ranking 1st in 70% of UK regions and 2nd in the remaining 30% (Figure 4). Primark has a market share of 6.3% of the UK fashion market. The top spot is closely followed by New Look and H&M.

With 7.5% of the clothing market, Next are the most popular retailer for shoppers aged

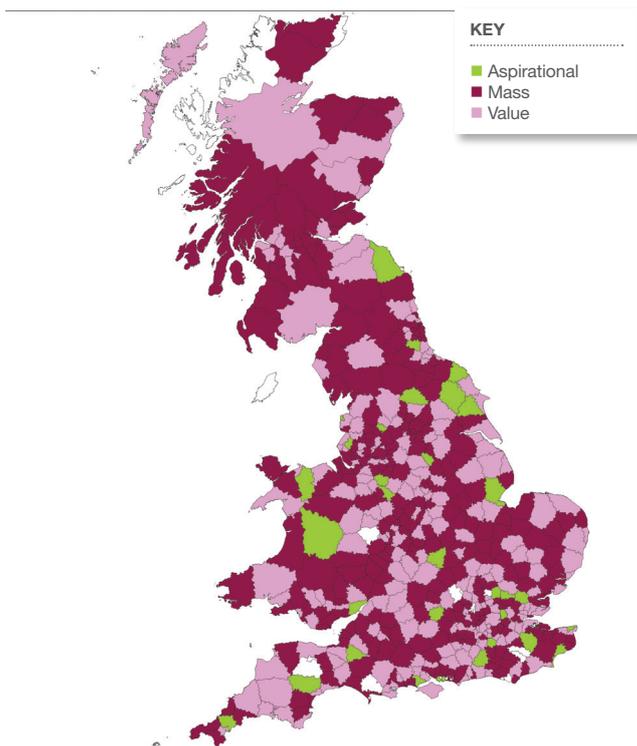
35-45, followed by Primark and M&S. The brands for this age group clearly bridging the divide between younger and older fashion choices. Retailers ASOS, Boohoo and ebay are the most cited pure play retailers.

There is a significant variation in top retail brand across the country at county level, with Debenhams, Asda and Tesco making the top spot in several areas.

Value brands have been the real stalwart in recent times and have changed the face of the high street. One of the defining features of this analysis is the importance of these brands in meeting shopper's most frequent needs and value retailers are the most popular offer in 40% of Shopper Towns across the country (see Figure 6).

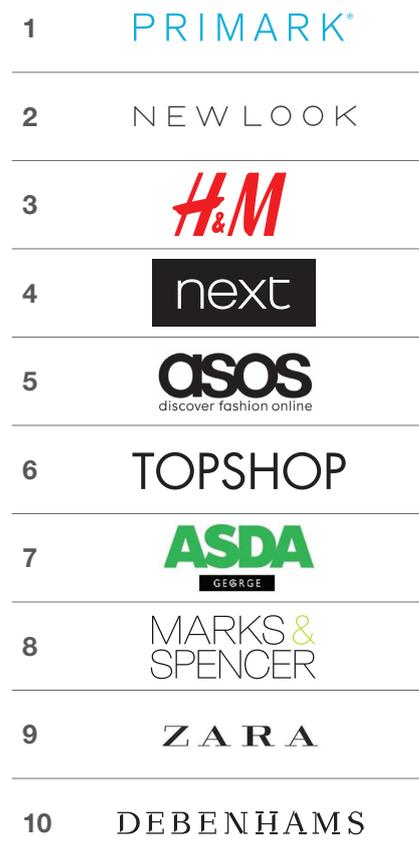
This popularity is apparent in the fact it has been these brands that have tended to be the most expansive over recent years. However, there are a number of Shopper Towns where the preferred price point is skewed towards mass and aspirational fashion brands. The question is then, does the offer in those towns meet these preferences? ■

FIGURE 6: Preferred price point by Shopper Town



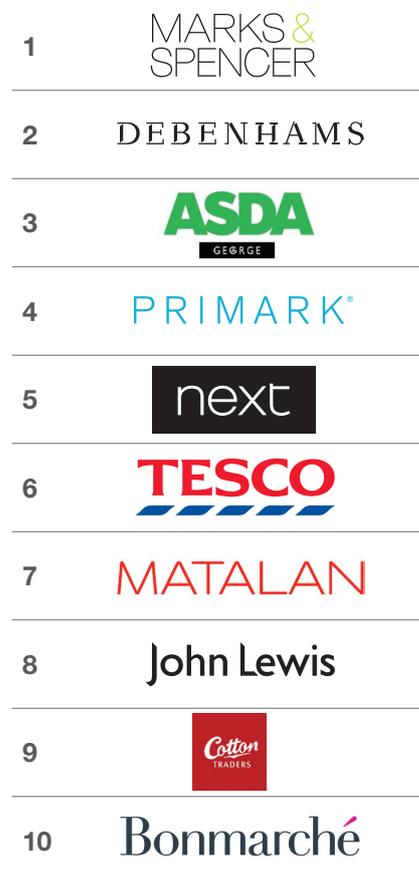
Source: Savills Research/Verdict

FIGURE 4: Top 10 ranking fashion brands for the under 35's (Gen Y & Z)



Source: Savills Research/ Verdict

FIGURE 5: Top 10 ranking fashion brands for 'Baby Boomer' generation



Source: Savills Research/ Verdict

Satisfaction & outlook for fashion spend

Which consumers are the most 'satisfied' with their local fashion offer?

Sentiment is a well-established barometer for how retail is expected to fare and is typically influenced by wider economic stability or uncertainty. But beyond market forces, what issues influence how consumers shop? Sentiment and fulfilment are inextricably linked. When a centre fails to provide in terms of its fashion offer, it can have an adverse impact on sentiment, or how a consumer chooses to make a purchase.

Few shoppers' purchases are immune to income levels, even when looking at different socioeconomic groups, though the goods aspired to vary. A quarter of Baby Boomers do not consider their

shopping purchases to be affected by income (compared to 7% Millennials/Gen Y). Equally, older people feel far less constrained by financial commitments (40% unconcerned, compared to 9% Millennials/Gen Y).

However, this is not necessarily reflected in average fashion spend. Baby Boomers and their older counterparts have the lowest average spend nationally (Figure 7). At the other end of the age spectrum Gen Z and Y respondents, despite feeling the most constrained by financial commitments and income, have relatively robust average annual spend of £244 and £272 respectively. The biggest spenders,

although only by a small margin, are the middle cohort aged 45-54 years.

As with average spend, positive sentiment regarding future fashion spend is skewed towards the younger demographic groups. Over the next 12 months, younger people feel overwhelmingly more positive about increasing spend than older people (>40% Millennials compared with <20% Baby Boomers). In terms of regional distribution Millennials in London were the most optimistic with 53% anticipating increasing their spend on clothing and footwear. This has to be good news for fashion retailers targeting Gen Z and Y demographic groups should sentiment determine future spend levels.

The relatively weaker sentiment of older respondents will of course have something to do with them being more established in their general spending habits, rather than just implying a negative opinion.

Shopping is a pastime enjoyed far more by the young than the old, with 50% of the youngest group being the most positive about the pleasure of shopping, compared to 26% for those of retirement age. Yet, there would appear to be a disconnect between consumers enjoying shopping and them finding it an easy activity. Younger respondents do not appear to find it easy to access what they want, despite still highly enjoying it as an activity. Older respondents, in contrast, do not enjoy shopping although find it easy to access what they want/need.

Choice is clearly an issue. Most people view it as insufficient. Even the most connected consumers, the 16-24 year olds, influenced by social media and with the most prevalence for shopping in 'physical' stores, have the perception that there is not enough choice. And this is not solely a regional problem as even young people in London have this perception despite it clearly being one of the best provided markets nationally if not globally.

When shoppers are not fulfilled by their local offer they have the choice to head further afield, buy online, or in the case of 10% of the population, not shop at all.

People who shop in Stratford-upon-Avon, Solihull, Cardiff and Liverpool have some of the highest fulfilment ratings in the country, with more than 80% of consumers being satisfied with the clothing offer available to them. Northampton, Barnsley and Taunton have some of the lowest satisfaction rates (<20%). In these towns in particular, lack of fulfilment is resulting in a greater proportion of people heading online. Different age groups respond differently when their local centres fail to meet expectations,

FIGURE 7: Barometers of shopper sentiment, fulfilment and engagement by age



Source: Savills Research/Verdict

with 30-40% of all age groups choosing to shop in another high street or shopping centre. However, when unfulfilled 55% of Millennials (Gen Y) choose to shop online, whereas 20% of Baby Boomers choose not to shop at all.

Scottish shoppers are the most likely to move a purchase online, but this isn't specifically a rural problem as there is a strong bias in respondents being from urban parts of Scotland and satisfaction levels in rural parts of the UK do not vary significantly from urban areas. However, Millennials in Scotland are the most likely to avoid shopping altogether when unfulfilled.

The consequence of low fulfilment is clear, if there is no obvious alternative within a reasonable distance, consumers will opt to buy on the internet. Where there is a good alternative, people are generally voting with their feet rather than their fingers. ■

78%
of Millennials in Manchester are satisfied with their local fashion offer

FIGURE 8: The most positive shoppers in the UK are found in:

RANK	
	
1	Stratford UA
2	Solihull
3	Cardiff
4	Liverpool
5	Glasgow
6	Cheltenham
7	Manchester
8	Norwich
9	Leeds
10	Birmingham
11	London
12	Sutton
13	Newcastle UT
14	Warrington
15	Southampton

Source: Savills Research/Verdict

Spotlight on Generation Z

Who are they? The generation that follows the Millennial – born after 1995. Currently aged up to early 20s.

Why are they important? They account for a quarter of the UK population and their purchasing power will rise exponentially over the next 5 to 7 years as they grow to be the single largest group of consumers worldwide. By 2020, Generation Z will make up 40% of the population in the world's biggest markets.

Their consumerism is defined by mobile technology, the internet and social media more than any other demographic group. They research, share information and lack loyalty towards any particular retail place, brand, or channel. They do however enjoy shopping as a social activity and despite having never known anything but an omni-channel world, they like shopping in high streets and shopping centres more than older generations.

KEY FACTS

£244 The average spend on clothes during the last 12 months. The highest spend is in the East Midlands (£258), and London (£262)

56% Purchase clothing at least once a month

70% Are influenced by social media in their purchases

NW This region tops the bill in Gen Z's heading online when local offer is limited (65%)



81% of Welsh respondents have positive outlook in terms of increasing fashion spend in next 12 months



54% of Scottish respondents complain that there is not enough choice

£50 Considered top price for a pair of jeans (£60 in London & Yorkshire/Humber)

64% Research online before making a purchase

80% Prefer to try on clothes before they buy them



50% of Londoners will go online if they can't find what they want



38% of respondents resident in England buy fashion online



85% of all respondents are concerned with their financial future

TOP BRANDS



Trends in the UK's Top 10 Cities

Looking beyond London

The top 10 cities in the UK share some of the highest fashion revenues in the country, but the shoppers they serve have some very different perspectives and spending habits.

London, and the wider South East, top the ranking as one of the most affluent areas of the UK. But, the question is whether this translates into higher

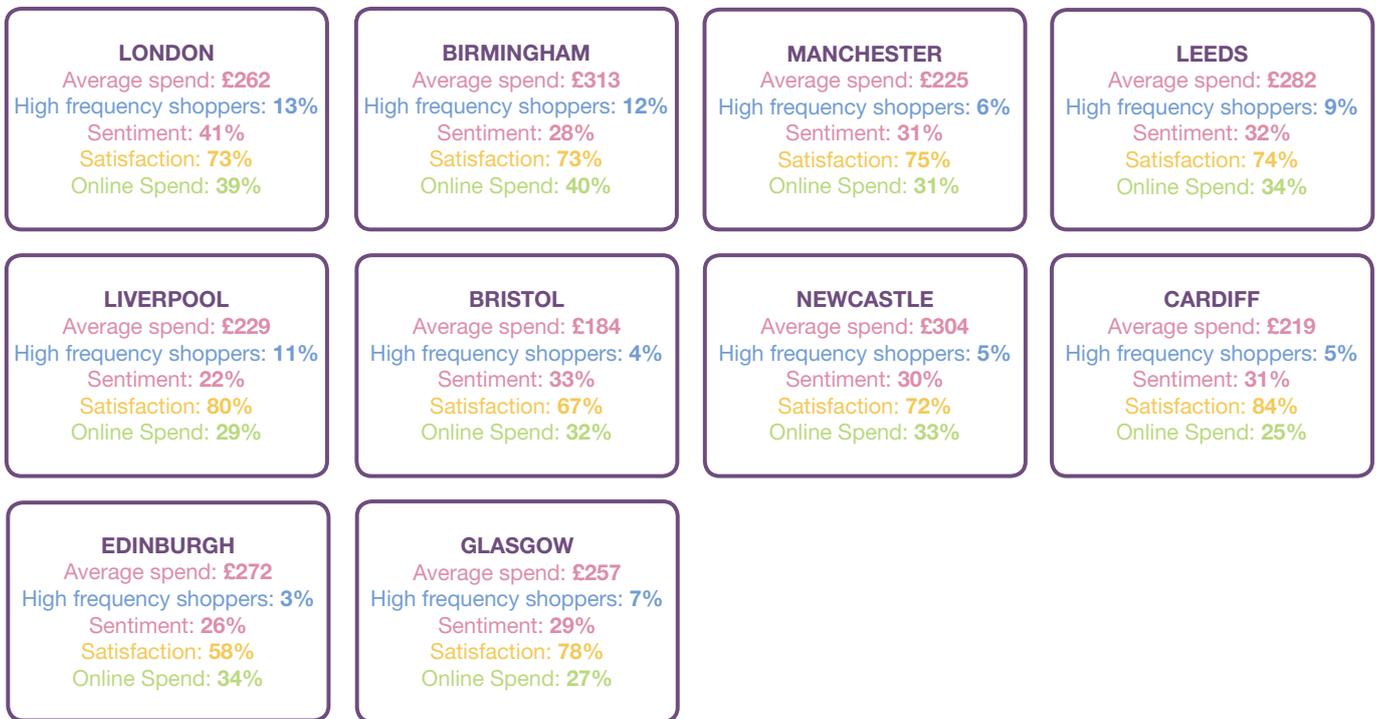
fashion spend. Based on the results of this survey it is in fact shoppers in Birmingham and Newcastle that would appear to spend the most on fashion with average annual spend over the last 12 months of £313 and £304 respectively.

This is even more pronounced for Baby Boomers in Liverpool (average spend of £507) and Generation X

respondents in Newcastle (£581). This highlights the importance of 'disposable' income in determining fashion spend as both these groups are on the whole more affluent with lower outgoings than their younger counterparts.

While the younger Generation Z and Y consumers tend to shop the most frequently, with 13.0% and 11.9% respectively shopping for clothes more than once a week, for those cities where their disposable incomes are more constrained their spend would appear to be lower. For example, Generation Y shoppers in London have a relatively high average fashion spend of £357, yet this trails the £436 and £413 spend of their generational counterparts in Glasgow and Edinburgh.

FIGURE 9: viewpoints in the top 10 UK cities | Average spend: Average annual spend on clothing & footwear **High frequency shoppers:** % Consumers who visit shops more than once a week **Sentiment:** % Consumers with positive outlook for the next 12 months **Satisfaction:** % Consumers with positive satisfaction levels of local clothing and footwear offer **Online Spend:** Average % of clothing spend consumers said was online



Source: Savills Research/Verdict

FIGURE 10: How does shopper preference compare to what is available in the top 10 UK cities?



Source: Savills Research/Verdict

London, while not topping the ranking in terms of fashion spend, will always remain attractive to fashion retailers due to the volume of international visitor spend that takes place in the city. However, beyond this it appears to be those markets where disposable incomes are perhaps under the least amount of pressure that could prove to be attractive expansion opportunities.

The outlook for fashion spend across the top 10 UK cities is relatively weak with the majority of respondents reporting that they are looking to reduce their fashion spend over the next 12 months. Brexit and associated negative newsflow regarding the strength of the UK economy is no doubt behind this.

At 41%, London has the strongest positive outlook in terms of future fashion spend (sentiment score). Liverpool reported the weakest sentiment score with 22% of respondents stating that they were planning to increase their fashion spend over the coming 12 months.

Whether this weak 'sentiment' will translate into reduced spend however is another question. The dramatic decline in consumer sentiment reported by GfK immediately after the Brexit result did not correspond with the fact that retail spend actually increased in July.

Some of this uptick can be attributed to improving weather and extension of the 'sale' period. With no major change in people's personal economic circumstances over the short term we could continue to see relatively robust fashion spend at a city level. There are certain demographic groups at a city level, however, that would appear to be more positive regarding their future spend than others.

The younger Generation Z and Y respondents across the top 10 cities were more positive regarding their future fashion spend than their older counterparts. The most positive being Generation Y shoppers from Birmingham with 85.1% stating that they were planning to increase their spend on fashion over the next 12 months. Further reassurance to those fashion brands with a presence in the city considering that this is also the group with the highest average annual spend on clothing and footwear.

However, there are varying levels of risk facing fashion spend across the major cities. These being 'satisfaction' with the local fashion offer and what this means in terms of online spend. Spending

online accounts for a third of fashion spend across the 10 major UK cities with Birmingham and London leading with 40% and 39% done through online channels with Cardiff having the lowest proportional online spend of 25%. This level of online spend bears a loose correlation to satisfaction with the local retail offer, that is the percentage of respondents who stated they were satisfied to very satisfied with the centre's fashion offer. For example, both London and Birmingham had the lowest satisfaction level of the top 10 cities, but the highest proportion of online spend. In contrast Cardiff, with the lowest proportional online spend, had the highest satisfaction level at 84%.

As already highlighted, a significant proportion of this online spend does touch a 'store' so the proportion of true pure play online spend across the UK's top cities is perhaps lower than that indicated above. It does raise a question, is there is a gap between what is demanded and what is available?

On a national basis it is the younger demographic groups of Gen Y and Z that would appear to be the most satisfied with their local fashion offer, and this is mirrored in London, Manchester, Leeds and Liverpool. However, this is not the case for the remaining top 10 cities where satisfaction rates are, on the whole, highest for the Baby Boomer groups.

This potential mismatch is also apparent in the distribution of retailers between value, mass and aspirational brands present in each city and what brands survey respondents stated they purchased from most frequently (see Figure 10). In all cases survey respondents have opted to shop for a higher proportion of Value retailers than accounted for (available) in the city centre.

The biggest mismatch would appear to be in Cardiff and Manchester. London's West End would also appear to be relatively under supplied in terms of value fashion brands although we would highlight that this reflects the demands of domestic shoppers rather than those of international tourists who typically account for at least 50% of retail spend in the area.

Of course this apparent 'under supply' of value fashion reflects, to a certain extent, the convenience nature of this end of the market as naturally these are the brands consumers will tend to shop in most frequently. Having said this, the analysis would suggest there is scope for

value fashion brands to further increase their presence across the 10 major UK cities. This is apparent in the brands respondents noted when asked what retailers they would like to see in the locations they shop the most, as Primark and Zara topped the bill.

While relatively better supplied, there may also be an opportunity for improved levels of provision of aspirational fashion brands. London is the best supplied, for the reasons already discussed. Birmingham, Liverpool, Newcastle, Edinburgh and Cardiff would appear to have more constrained levels of supply in terms of aspirational brands relative to consumer preferences. Birmingham is the most constrained. Availability of mass brands is, on the whole, better across the top 10 cities. Having said this, relative to survey responses, provision is perhaps more constrained in London, Leeds and Glasgow presenting a potential opportunity for brands in this space. ■

.....
"There is potential scope for 'value' fashion brands to further increase their presence across the 10 major UK cities."
.....


85%

Birmingham Millennials stating that they're planning to spend more on fashion over the next 12 months


£581

Newcastle Gen X average annual fashion spend


89%

Glasgow 45-54 year olds who stated that they were satisfied with their local retail offer

Property perspectives

How people shop, how people want to shop, and what this means for property

Clearly the role of the 'physical' store is far from diminished. The survey results highlight that in the case of fashion purchases, just over half of consumers research online before making a purchase in store. This, combined with the overwhelming 75% of respondents who stated that they prefer to try on clothes before buying, means visiting a retail store is a key part of how people like to and want to shop.

If visiting a store is the preferred option, what types of centres do people like to visit for their fashion needs and do they meet their requirements?

Consumers tend to be most satisfied with medium secondary aspirational retail centres with these having the highest overall satisfaction rating (66%). Good examples of these types of centres are Henley and Ilkley. Yet, large secondary aspirational towns have the lowest overall positive satisfaction rating in terms of delivering fashion retail (47%).

This could be because in smaller locations people have realistic expectations of what a location can deliver, whereas consumers expect larger retail places to be more comprehensive. Perversely it is the very nature of aspirational towns' provision that provides its point of difference over somewhere with a more 'rounded' retail offer.

Secondary retail centres might not provide the depth of range that larger destinations do, but they still account for 35-50% of preferred shopping trips for people who live in these catchments. This is food for thought for brands looking to extend their store portfolios, as a lack of a sufficient fashion offer can drive people online, despite their preference to shop in-store.

Tapping into the secondary and tertiary markets can provide access to significant consumer spend; a fact not lost on Value retailer Pep&Co who have expanded aggressively into these markets in the last 12 months.

With 48% of consumers going online when their chosen shopping destination does not fulfil their fashion needs, compared to 38% who would visit a larger town or shopping centre, it is clear that the importance of convenience and ease of shopping can outweigh the benefit of travelling to a retail destination.

In fact there is the risk that in some cases spend leakage is off the 'high street' altogether. Traditionally we may have assumed that in those centres where the local offer does not meet shopper needs, spend would have been leaked to larger and/or better supplied centres. However, survey responses suggest that this spend could in fact be leaking beyond the physical store altogether as those centres that are struggling the most have the highest proportion of internet spend.

The positive assertion is that changes to shopping habits like these can be reversed. Consumers embrace e-commerce, but there is an overwhelming preference across the demographic spectrum to shop instore for social and entertainment experiences, dining and for trialing products. Click-and-collect and same day delivery has so far had most investment in the largest centres, but there are plenty of opportunities in less

urban locations if the right cost model can be applied.

It is this investment, bringing the online and offline retail experience together, that is adding to the 'true' value of the 'physical' store. Verdict estimate that 87% of clothing and footwear sales have touched a store, either through direct sales, click-and-collect and/or in-store research. This suggests the 'online' threat to the physical store has perhaps been overexaggerated.

For the most successful retail brands, diversification across online and offline channels has presented opportunities. On one hand they have diversified to survive, but on the other, their overall business benefits from the role physical stores play in enhancing brand awareness. A retailer's best online sales are often in locations where they have a store, with both channels benefiting from a symbiotic relationship.



Spotlight on shopping centres

Getting the balance right between 'convenience' and 'destination'

The challenge for retailers and landlords is configuring and/or delivering stores that meet consumer's evolving shopping habits. For example, the growth in click-and-collect and how this service is handled in-store. These requirements, however, may not be universal. As this survey highlights, shopper preferences can vary significantly dependent on type of trip (convenience vs destination), location and demographic group.

The final challenge is in apportioning the appropriate value of a store, and for landlords how they consider the significance that a particular store has in the brand's overall performance. As our shopping habits have evolved so should the ways we value a store as the old benchmark of in-store sales would appear to be becoming increasingly obsolete. ■

▼ intu Eldon Square, Newcastle upon Tyne



Much of what has been examined in terms of consumer shopping habits and preferences in relation to fashion is universal across the retail property spectrum. However, shopping centres play a vital role in this experience and in some cases may be better placed to maximise the experience and spend of shoppers.

Shopping centres topped the ranking in terms of preferred location type when shopping for clothing and footwear with 43.4% of respondents placing it in their top three preferred locations. This was on a par with those who placed shopping online as one of their top three retail locations. This preference for shopping centres was even more pronounced for Generation Z and Millennial respondents, with 62.9% and 53.4% respectively placing it in their top three.

Respondents preference for shopping centres, particularly amongst the younger demographic groups, highlights the role the wider shopping environment can play in attracting consumers and in turn maximising the performance of individual retailers. The fact that centres are typically under single ownership means that they are usually the best placed to deliver an 'attractive' shopping environment as management can deliver a cohesive experience with the additional facilities shoppers often demand.

While the survey found that over a third (38%) of respondents would visit a larger town and/or shopping centre if their local offer did not meet their fashion needs, 48% under the same circumstances would simply move their purchase online. For some of these respondents the option of visiting a larger town and/or shopping centre is simply not feasible due to the nature of their specific needs and/or distance from a larger 'centre'. However, there may be a significant proportion that could be enticed to visit that larger 'centre'. To achieve this shopping centres would need to become 'destinations' in their own right, widening their shopper catchment.

A number of shopping centres already achieve this due to their sheer size and location. But, this draw does not exclusively need to be determined by centre size. Variety of retail offer, introduction of 'new' brands, curating the offer to meet demand, shopper events and the food offer can all come together to enhance the 'destination' appeal of a shopping centre. This in turn can widen its catchment to the benefit of its retailer occupiers.

Having said this, there is also a 'convenience' need a shopping centre can also potentially fulfil. Baby Boomer survey respondents, a group considered to have the greatest potential spending power, appear to value convenience over destination shopping. This goes some way to explain why small local high streets and online shopping were rated more highly as preferred shopping

locations by this group (46.1% and 40.1% respectively of 55-64 year olds placing in their top three). The challenge to centre owners is then how to improve the 'convenience' appeal of their centres, not just in terms of retail offer but also in terms of accessibility and ease of navigation, to attract these consumers.

For shopping centres therefore, it is about delivering an overall offer and experience that meets the 'everyday' needs of its local catchment as well as the 'aspirational' wants associated with being a 'destination' centre.



43%

respondents who prefer shopping centres, the highest ranking preferred location

METHODOLOGY

The analysis in this research report has been undertaken in collaboration with Verdict Research. Savills Research commissioned Verdict to undertake a series of national consumer surveys between March and July 2016, focussing on a range of questions regarding shoppers' retail preferences and habits. Sample sizes within the surveys ranged from 5,000 to 14,000. Survey respondents have been allocated their age, social grade and region and their geographical location has been assigned

to a shopper town, urbanity and local high street classification. The resulting analysis has allowed us to interrogate how different age and demographic groups spend, perceive sentiment and satisfaction, have embraced retail, research products either online or offline, and how they react when the local retail offer fails to meet their demands. Of most significance however, is that our research examines how these consumer insights vary across different regions and even in different towns and cities across the country.



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INTU

intu is the UK's leading owner, manager and developer of prime regional shopping centres with a growing presence in Spain. We are passionate about creating uniquely compelling experiences, in centre and online, that attract customers, delivering enhanced footfall, dwell time and loyalty. This helps our retailers flourish, driving occupancy and income growth.

A FTSE 100 company, we own many of the UK's largest and most popular retail destinations, including nine of the top 20, with super regional centres such as intu Trafford Centre and intu Lakeside and vibrant city centre locations from Newcastle to Watford.

We are focused on four strategic objectives: optimising the performance of our assets to deliver attractive long term total property returns, progressing our UK development pipeline to add value to our portfolio, leveraging the strength of our brand and seizing the opportunity in Spain to create a business of scale.

We are committed to our local communities, our centres support over 120,000 jobs representing about 4% of the total UK retail workforce, and to operating with environmental responsibility. Our success creates value for our retailers, investors and the communities we serve.

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