FOOTFALL: GLOBAL SHOPPER TRENDS REPORT

Bringing you the latest consumer behaviour trends throughout the globe

Q2 2015
Welcome to FootFall’s second Global Shopper Trends Report.

Globally, it has been a good quarter for the retail sector, with international footfall rising +0.6%.

This result was driven by the Asia-Pacific region, where Q2 retail traffic improved by +3.5%. For a second consecutive quarter, India was by far the best performing country, with consumer activity increasing +8.9%.

Unfortunately these strong figures were not replicated in Europe, where footfall declined by -1.3%. Only three countries – the Republic of Ireland, Switzerland and Spain – recorded a positive gain, while Germany was the weakest region, with retail traffic tumbling -8.7%.
India, Japan and Australia were the leaders of the pack in Q2 2015, recording footfall improvements of +8.9%, +4.9% and +3.5% respectively. Hong Kong also posted a slight gain, with retail traffic rising +1.4%.

In fact, there was only one region that experienced a decline during the quarter: China, which saw footfall decrease by -2.0%.
For a second consecutive quarter, footfall rose in India, improving on Q2 results by +8.9%.

This is because both consumer confidence and spending have steadily increased – not just during the most recent quarter, but over the past year, following continued policy intervention by the Narendra Modi government. It is also likely that India’s heatwave contributed to the increase, with consumers heading to air conditioned shopping centres to escape the high temperatures.

In April, the International Monetary Fund (IMF) predicted that India’s economy would grow at a projected rate of 7% by the end of 2016 - the highest rate of any major global economy - while a separate study by India Ratings and Research revealed that the country is on course to overtake China’s growth rate this year.
Japan has struggled to kick-start consumer activity following decades of deflation.

Despite a significant quantitative easing programme launched in 2013, Japan has fought to increase retail traffic, so the fact that footfall increased +4.9% in Q2 will be welcome news to the business community.

Businesses were also pleased to hear consumer confidence was up in May – increasing by 0.4% during this time.

Businesses were pleased to hear that footfall increased +4.9% in Q2.
“Japan is now seeing ongoing quarterly improvements in footfall, both compared to previous periods and last year.”

This is an incredibly positive sign, and is one of the many economic markers supporting Japan’s recent re-emergence, despite generally weak investment and questions surrounding the country’s level of inflation being stuck at zero.

Elsewhere, the strengthening of the Yen is helping improve export levels, and an increase in wages has left consumers with greater disposable income. So overall, this economic comeback is good news for retailers and consumers alike, as we see increased footfall by visitors with a higher propensity to spend.

Dave Sheppard
FootFall’s Global Head of Consulting Services

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Although Australia’s footfall figures rose +3.5% in the second quarter, these results did not always translate into revenue.

The retail sector was slightly disappointed by May’s sales figures, which saw the region fall short of its 0.5% growth target.

On the whole, however, the retail environment remains buoyant – with monthly retail sales increasing by 0.3% in April and a further 0.2% in May. Activity may well be stimulated by greater market competition over the coming months; German discount supermarket Aldi is planning to step up its presence in the region, for example, shipping fresh fruit and vegetables from Australian farms for the first time.

On the whole, the retail environment remains buoyant
For the second successive quarter, Australian retail footfall increased Year-on-Year on the back of consumer confidence figures, which reached their highest level in 18 months in the final week of June.

The +3.5% increase can be partially attributed to improving labour market conditions and a favourable response to the May federal budget announcement. With mid-season and end of financial year sales in full swing, retailers will be hoping the upward trend continues into July/August and translates into an improvement in retail sales.

Adam Ioakim
FootFall’s Regional Director, Australia

FootFall

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Hong Kong experienced a slight upturn in fortunes during Q2, as consumer activity rose by a modest +1.4%.

However, despite this caution, there are some retail organisations continuing to make significant investments in the region; Apple is nearing completion on its fourth store in the region, for example.

This has led the Hong Kong Retail Management Association chairwoman, Caroline Mak Sui-King, to warn that the price cuts retailers are making to entice shoppers could lead to deflation.
Something of the ‘odd one out’ during the second quarter, China was the only country in the APAC region to experience a fall in retail traffic.

This is progress for the nation since Q1 though, when consumer activity was down -8.9% Year-on-Year.

Fluctuations in the Chinese stock market have been a major contributing factor to consumer caution; after soaring more than 150% over the past 12 months, the Shanghai Exchange recorded a 30% nosedive in the last 3 weeks of June. This led to the government announcing its fourth interest rate cut in eight months, in an effort to limit damage to consumer confidence.
“In China we have seen a much better performance during the second quarter of the year.”

Footfall was only -2.0% down on the same time last year, which is much less pronounced than the previous quarter. Strong movements in industrial production and retail sales have also helped drive confidence in the market.

However retailers should be vigilant as stock markets are displaying extremely volatile movements and the economy continues to stagnate.

George Dai
FootFall's Regional Director, China

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A dip in June retail sales took the USA by surprise.

Despite consistently strong consumer confidence, U.S. retail sales fluctuated across the quarter, rising by 1% in May before falling unexpectedly in June. This was due to a combination of the early Memorial Day holiday, and a longer school year as a result of the disruption caused by extreme weather over the winter.

However, Year-on-Year, several sectors showed revenue growth, with food services, drinking establishments and automotive sales faring particularly well. There was also an increase in the employment market, with more than 200,000 jobs being created in Q2.

Wage growth remained relatively flat, although a drop in energy prices may offset this and stimulate further consumer spending next quarter.

Extreme weather over the winter were partially the reason for the dip in the USA
EUROPE’S PERFORMANCE DECLINED BY -1.3%

Uncertainties in the Eurozone impacted retail activity in Q2, with only the Republic of Ireland, Switzerland and Spain posting a positive result, improving footfall by +3.2%, +1.3% and +1.1% respectively.

At the other end of the scale, Germany and Austria were worst hit, with their retail traffic figures falling -8.7% and -7.1% respectively.
For a second consecutive quarter, Ireland is Europe’s best performing region.

Year-on-Year footfall went up +3.2% - an improvement on the +2.4% gain in Q1. For a second consecutive quarter, Ireland is Europe’s best performing region.

In fact, there is a real buzz within the Irish retail sector right now; Dublin’s Grafton Street, which is widely viewed as a barometer for the country’s retail confidence, has seen annual sales growth of 9.2%, leading to a 37.5% increase in retail space rental.

New investors are also being attracted to the Irish market - HMV is set to launch concessions in 80 of Ireland’s Tesco outlets, while British discount retailer Dealz is planning to open 70 stores across the country.

There is a real buzz within the Irish retail sector right now

* footfall Year-on-Year
Swiss retail sales picked up following 3 months of decline during Q1

The strength of the Franc has attracted many professionals in neighbouring countries to seek employment in Switzerland, which is one contributing factor to the country’s +1.3% increase in retail footfall during the previous quarter.

However, UBS’s chief economist for Switzerland has warned that if the Franc’s value continues to soar, Swiss banks could pose a limit on cash withdrawals to get the currency back under control.

Consumer confidence has increased steadily throughout the year
Spain exited deflation in June, when consumer prices rose 0.3%, and this optimism can be seen across its consumer activity performance.

Footfall increased +1.1% across the second quarter.

Although retail sales fell just short of the 4% forecast made by economists - perhaps due to Greece causing economic instability in the Euro Zone - there is a positive sentiment being felt by the business community.

An example of this is Lidl; its finance director for Spain, Ferran Figueres, recently announced that the discount supermarket chain will invest €200 million opening 40 stores in the region by the end of the year.
Footfall in Spain continues its soft upward trend, growing +1.1% in Q2, Year-on-Year.

This positive consumer activity is related to key factors such as the country’s unemployment rate dropping steadily at an average of nearly 0.2 points per month for over a year, therefore bringing a few thousand new potential consumers with greater purchasing power to the marketplace.

However the current political storm in the EU due to the banking crisis in Greece, seems to be affecting consumer confidence, here in Spain, which has dropped slightly in Q2. Yet it is expected that consumers will respond positively to the sales season that retailers have been planning for well in advance.

Ezequiel Duran
FootFall’s Regional Director, EMEA

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France has been less affected than other Euro Zone nations by the Greek banking crisis.

This shows in the fact that the country only saw a mild footfall decrease of -0.04% in Q2. This result is encouraging considering France’s unemployment rate remains stagnant – and high - although a weak euro, cheap fuel and easy access to credit have encouraged spending among those with a stable professional set-up.

France’s unemployment rate remains stagnant

* footfall Year-on-Year
“With a decrease of -0.04% for Q2 vs. -1.1% in Q1, footfall in France seems to have stabilised.”

Despite a 10.5% unemployment rate, the economic and social conditions are relatively strong; household consumption has increased 0.5%, and the price index was only +0.2% in May.

Furthermore the current political situation in the EU and the crisis in Greece don’t seem to have affected consumer confidence in France, which increased 0.6 points on the previous month. It will be interesting to follow this indicator in the coming months as a decision is made regarding the Greece situation.

One thing worth noting is that shopping centre footfall during the traditionally important Q2 summer sales was weaker than expected. We are seeing less footfall every year during this period; most probably attributable to the growing influence of online shopping.”

Hervé Vervoort
FootFall’s Regional Director, France
Although industrial production increased during Q2, retail sales growth slowed, and this resulted in Portuguese footfall declining -1.1%.

Much consumer caution is down to the fact that Portugal is still working to repay national debts; its debt-to-GDP ratio has climbed to 130% and unemployment has risen to 13.7%.

When household and corporate debt is included, Portugal has more debt in total than any other Euro Zone region - including Greece - and shoppers will proceed with care until they feel the country is in an economically stable position.
While economics was the major influential force in the Euro Zone, the UK’s performance was significantly impacted by political events.

The region experienced a -1.2% decline in footfall during Q2, which was driven predominantly by May’s General Election and the surrounding uncertainty of what the political landscape would look like afterwards.

No sooner had a Conservative government been elected, the Greek banking crisis hit the headlines, which led to consumers remaining apprehensive at a time when they would normally relax and start spending again.
“Despite improvements in the UK economy, this quarter has seen both a decline in Quarter-on-Quarter and Year-on-Year footfall.”

This is perhaps due to UK general election uncertainty but can also be attributed to the fallout from the Greek banking crisis.

There does however, seem to be a move to leisure activities, which has been driving more positive footfall in leisure focused sites which have a night time economy operating alongside traditional retail sites.

Steve Richardson
FootFall's Regional Director, UK & Ireland

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Both Italy and Poland experienced a -1.6% decline in footfall during the previous quarter. This is linked in uncertainty surrounding Greece’s membership of the Euro Zone.

Italy’s finance minister, Pier Carlo Padoan, has assured the public that it will not follow Greece into economic troubles, however – insisting that its public debt is sustainable, placing the country in a stronger position.

Polish authorities are also quietly confident that a disappointing quarterly result can be overcome; although footfall was down, retail sales actually rose in May and June, driven by a rising disposable income among Polish consumers.
It is likely that the political situation of permanent uncertainty affected consumer confidence and the desire to shop in Italy.

However improvements in the economy and an increase in youth employment is likely to help drive consumer activity going forward and it will be interesting to see the impact of the upcoming sale season on retailers.

Nicola Fagnoni
FootFall’s Regional Director, Italy

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“Consumer traffic in Poland has been constantly declining due to an increased number of discount supermarket chains and the growing popularity of online shopping.”

This year, however, is the first time the downward trend in footfall across the country has been stopped and current results are almost the same as the ones from the previous year. This is partly because shopping centers are offering more non-retail activities and promoting themselves as social hubs.

Gary Whittemore
FootFall’s Global Sales Director

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After +2.7% growth in retail traffic during Q1, it was disappointing to see Austria’s footfall slide -7.1% in the second quarter.

This is partly due to rising unemployment levels, and to ongoing weaknesses in the economy, although research agencies Wifo and IHS forecast greater growth in 2016.

Higher profit margins than neighbouring region Germany still make it an attractive prospect for retail investment, however online electronics company, Ao.com, is one major company considering entering the Austrian market.

Wifo and IHS forecast greater growth in 2016
Europe’s biggest economy has endured a difficult second quarter.

German footfall declined -8.7% - the largest drop of any country within the region.

A sharp decline in energy prices caused inflation to slow noticeably in June, with consumer prices rising by just 0.3% Year-on-Year. This proved a blow given that retail sales actually rose in May, although at a slower pace than in Q1 – and falling far short of the country’s target of 2.8% Year-on-Year growth.

One positive influence that could support improvement over the next quarter is Germany’s unemployment levels, which remain historically low.

Consumer prices rising by just 0.3% Year-on-Year

* footfall Year-on-Year
“The steep decline in German footfall can be attributed to the combination of multiple factors.”

Poor weather conditions in April resulted in a sharp decline in footfall which significantly influenced the overall quarterly footfall performance. In addition to this, consumer confidence fell on average 0.3 points over the second quarter as a result of growing concerns over income growth, Greece’s future in the Euro and the Ukrainian Crisis.

Gary Whittemore
FootFall’s Global Sales Director

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FootFall: know your customers inside and out to increase profitability
FootFall, the retail intelligence company, works with retailers and shopping centres around the world to provide actionable insight into customer behaviour, which delivers increased revenue and improved profitability.

Part of Tyco corporation, we provide 3D data for clear cut decisions. By analysing the most relevant mix of metrics from both store and online behaviour - including customer numbers, queues, sales, marketing and other key performance data - we can identify the widest range of profit drivers.

More than 1200 retail businesses across 64 countries partner with FootFall for long-term retail intelligence, including adidas, Hugo Boss, Lacoste, Mango, Tesco and Marks & Spencer.

www.footfall.com
All retail traffic figures used in this report are original insights from FootFall, the leading global retail intelligence service.

We believe it is not enough to understand consumer trends, but acting on that insight to deliver rapid and measurable return on investment.

To find out more about how economic, social, cultural and political events are impacting your region, visit our online trends centre. This hub includes FootFall’s Global Retail Traffic Index, which provides a barometer of international shopper confidence.

We also offer the technology and consultancy to help retailers and shopping centres unlock the potential revealed in this data. We’ll support you with recommendations and action plans for tangible performance improvement, from pilot project through to full retail intelligence solution deployment.

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