FOOTFALL: GLOBAL SHOPPER TRENDS REPORT

Q4 2015 – Bringing you the latest consumer behaviour trends across the globe
Welcome to FootFall’s final Global Shopper Trends report for 2015

Global footfall increased +0.3% during Q4, but this was driven mainly by the Asia-Pacific region, where consumer traffic rose +1.6%.

Evidently, volatility in the Chinese stock market that affected many Asian regions during Q3 has been overcome, with Japan posting the biggest retail activity improvement at +4.4%. However, this may have lulled consumers into a false sense of security, as the Shanghai Composite Index has already dipped more than once at the start of 2016.

On the other side of the world, Europe experienced a -0.4% drop in retail footfall during the final quarter. Much of this was due to the strength of ecommerce, with a large proportion of consumers choosing to do their Black Friday and Christmas shopping online.
On the whole, 2015 ended on a positive note for the Asia-Pacific regions. Average footfall across the continent increased by +1.6% Year-on-Year, with three regions – Japan, India and Hong Kong – all experiencing an uplift in retail traffic.

However, it is worth noting that these figures were not necessarily accompanied by a rise in retail sales, showing continued consumer caution; most likely driven by concern over the stability of China’s economy.

Speaking of China, the country experienced a -0.3% decline in consumer traffic during Q4, despite record sales during Singles’ Day on November 11th. However it wasn’t the worst performing market - that title goes to Australia, which unexpectedly recorded a footfall decline of -1.4%.
India completed a clean sweep of quarterly footfall growth in Q4, when retail activity increased by +3.8%.

Diwali is traditionally a time of positive sentiment in India, and this certainly showed in 2015, with Year-on-Year footfall up +6.1% in November.

International brands continue to seek new opportunities within the country; Tommy Hilfiger has applied to open new stores, following in the footsteps of Gap, H&M, Topshop and Topman, which have all proved popular with Indian shoppers since establishing their presence.

But this doesn’t mean that India can afford to rest on its laurels in 2016. Financial market analysts have warned that major reforms are needed to attract greater foreign investment in India’s public companies, while property consultancy Jll India has warned there could be a dearth in quality retail space.
Following a +5.6% increase in footfall during Q3, Australia’s retail traffic slumped -1.4% during the final quarter of the year.

This may, in part, be a delayed reaction to volatility in the Chinese stock market, as Month-on-Month consumer activity fell consistently between October and December.

Indeed, the Australian Treasury revised its 2015/16 economic growth down to 2.5% at the end of the year, having originally forecast 2.75% growth during the May budget.

This doesn’t necessarily spell doom and gloom for the retail industry, however. Despite a poor final quarter, overall 2015 Year-on-Year footfall increased by +1.4%. December, meanwhile, was buoyed by record Christmas and Boxing Day sales.

“After three consecutive quarters of Year-on-Year growth for 2015 it’s surprising that we have dipped into negative territory in Q4, especially with record sales reported over festive season. Instability in the Chinese economy and fluctuating consumer confidence over the past three months are likely to have been contributing factors. However performance for 2015 as a whole is reporting +1.4% growth Year-on-Year so I am confident this dip will be a temporary one.”

Adam Ioakim
FootFall’s Regional Director, Australia

* footfall Year-on-Year
As with Q3, Hong Kong’s retail climate has been a tale of two fortunes.

On the one hand, Year-on-Year footfall improved by +1.7% during the final quarter of 2015 – following a +1.8% increase during the previous three months.

However, the steadily rising retail traffic is not being translated into sales. In November, Hong Kong’s Retail Management Association reported a 7.8% fall in retail sales, the 12th consecutive month in which such figures have declined. So sharp was the drop that retailers likened it to when the country was struck by an outbreak of SARS in 2003.

Instability within the Chinese economy has also impacted retail revenue, as in 2015 Hong Kong reported its first annual decline in tourists from mainline China since the relaxation of visa regulations twelve years ago.
Japan was the strongest performing Asian nation during Q4.

Year-on-Year footfall increased by +4.4% during the last three months of 2015. However, like Hong Kong, it was a case of consumers browsing but not buying.

According to trade ministry data, industrial output fell in both October and November, which had a negative impact on the retail industry. Retail sales were also harmed by unseasonably warm weather.

To drag the country away from the jaws of recession in 2016, Japan’s government plans to stimulate growth with nearly $800 billion spending in the pipeline for the next fiscal year, commencing 1st April.

Japan’s government plans to stimulate growth with nearly $800 billion spending in the pipeline for the next fiscal year.
Footfall declined -0.3%, following a -0.4% drop in Q3. This is unsurprising, given that stock market volatility during the course of the year has impacted consumer confidence; levels have halved since April 2015.

However, it’s not all bad news for China. Industrial production and retail sales improved unexpectedly during the quarter, while November’s Singles’ Day promotion saw more than 91 billion Yuan spent online in just 24-hours – a 50% increase on the previous year.

China is also attracting increasing investment from international retailers. Apple recently announced that it will establish a 30th retail store in the country, while Marks & Spencer has opened its first Chinese store in Beijing.

Once again, China experienced a more turbulent quarter than its neighbouring countries.

China’s economy still have a lot of uncertainties. Most industries are in a recession, such as steel, manufacturing and energy. Even real estate is showing problems except for first tier cities. In fact, Chinese GDP has dipped below 7%, which is its lowest rate in 5 years.

Currency is also unstable, with the Yuan’s value against the U.S. Dollar currently at a five-year low. Thus people are tending to be conservative when they spend, and we could expect a slower retail growth.

George Dai
FootFall’s Regional Director, China

* Footfall Year-on-Year
It was a solid final quarter for the USA, peaking with a 7.9% growth in retail sales during the holiday period. In fact, sales between Black Friday and Christmas Eve were up from 5.5% last year. There is a caveat for bricks-and-mortar retailers though; the majority of this growth came from online sales, which increased by 20% compared to the 2014 holiday season, according to MasterCard data.

Heading into 2016, there is some concern that weak overseas markets and a struggling energy sector could be creating a slowdown in the U.S. economy. However, continually rising consumer spending should help momentum, while economists expect the effects of a strong U.S. dollar to ease this year, encouraging greater tourist trade.
After +1.3% footfall growth in the previous quarter, Europe experienced a decline in consumer activity during Q4.

Footfall fell by -0.4% during the quarter, dragged down by poor performances by Germany, Switzerland, the UK, France and Austria. This is partly due to fluctuations in tourism levels – the strong Swiss Franc is deterring holidaymakers, while the terrorist attack in Paris during November had a marked impact on consumer confidence levels. In other countries, the strong lure of online shopping impacted offline activity in the build-up to Christmas.

There were some significant success stories during the quarter, though. Spain and Italy emerged from a turbulent year for the Eurozone to post footfall gains, while Poland and Portugal also performed well.

It may come as no surprise that the Republic of Ireland topped the table in Q4 with +2.3% footfall growth; the country has increased its consumer traffic levels during every quarter of the year.
The Republic of Ireland has been the leading European nation all year, having topped the footfall growth tables every single quarter.

In Q4, consumer traffic rose +2.3%. Interestingly, one reason for Ireland’s strong bricks-and-mortar performance could be the relative immaturity of the ecommerce market. According to a recent Eurostat survey, only 51% of Irish citizens bought something online last year, compared to 81% of UK consumers.

The growing appeal of Black Friday also boosted retail activity during the fourth quarter. Sales of electrical goods increased by 13.6% during November, while department store traffic experienced a 7.4% uplift.

Early indications by Retail Excellence Ireland also suggest that the Republic of Ireland’s retailers enjoyed a bumper Christmas, with sales totals 3.6% higher than last year.
Following +4.4% footfall growth in Q3, Spain posted a further +0.4% Year-on-Year traffic improvement in the final quarter.

This is indicative of increasing positive sentiment within the country. Retail sales increased by 3.3% in November alone, while Spanish shops are now hiring at pre-recession levels. Unemployment on the whole fell sharply throughout 2015.

Household spending also rose during Q4, as tax cuts and falling oil prices drove economic growth. This, in turn, meant consumer confidence reached a 12-month high in December.
Italy’s +4.0% increase in footfall during Q3 was followed by another Year-on-Year improvement.

Footfall rose +1.8% during the final quarter of 2015. Italian business growth hit its highest levels in almost six years during Q4, exceeding all forecasts, while momentum in the manufacturing sector suggests the country could finally be moving away from the brink of recession.

This was reflected in retail activity; consumer confidence has increased exponentially over the last 12 months, leading to a consistent rise in spending levels.

Another explanation for ongoing improvements in traffic could be the relative immaturity of Italy’s ecommerce market. A Eurostat survey released in December revealed that just 10% of Italian retailers currently run an ecommerce website, and those that do generate less than 10% of their revenue through web sales.
AUSTRIA

It’s been an up and down year for Austria, which finished 2015 with a -0.7% dip in quarterly footfall.

Consumer confidence has been cautious all year, but in the last three months of 2015 it dropped dramatically. In fact, Austria is one of the few EU countries that has not seen improvement in economic sentiment since 2014.

However, the Austrian government predicts better fortunes in 2016, with an expected tax overhaul and the integration of an estimated 80,000 refugees set to boost the economy.

SWITZERLAND

After dropping to the bottom of the league table in Q3, Switzerland’s footfall figures continued to underperform in Q4.

Year-on-Year retail traffic fell -2.5% during the final quarter, driven predominantly by deflation fears among the country’s consumers. The Swiss Franc depreciated sharply against the Euro last year, which affected both tourist activity and exports.

In December, the Swiss central bank decided to maintain borrowing costs at -0.75% - the lowest rate in the world - in order not to push the country any deeper into negative territory.
POLAND

Poland has shown steady improvement in the latter half of the year, with footfall rising +0.3% during Q4.

But although Poland increased its retail trade by 1.8% in the final quarter, shoppers were still cautious, with consumer confidence remaining in the negative.

It is also worth noting that retail competition is very intense within Poland – particularly in the shopping centre sector. Most of the major cities are now reaching saturation point, so retail property owners are looking to settlements with a population of 50,000 or less to deliver retail parks and convenience shopping centres.

**Retail competition is very intense within Poland – particularly in the shopping centre sector**

* footfall Year-on-Year
Germany posted Europe’s weakest footfall result during the final quarter.

Year-on-Year footfall declined by -3.8%, driven predominantly by a -8.4% drop in monthly footfall during October. This took the country by surprise, with retail sales also dipping unexpectedly by 0.4% – although they were up 2.5% on the year.

German retail sales also missed expectations in November, rising 2.5% Year-on-Year; well below analysts’ predictions of a 3.7% gain.

This could be attributed to falling consumer confidence levels, which dropped each month during Q4.

It’s surprising considering disposable income has remained steady, while unemployment levels dropped to a post-unification low of 2.76 million by the end of the year.

“The negative growth in footfall that we saw in Q4 of 2015 is no conundrum. Firstly, with unusually high temperatures it was a very challenging time for fashion retailers – December 2015 was the warmest December in more than 130 years.

More importantly, the shift from offline to online purchases is continuing to build, with ever more Christmas shopping being done online.

It’s also worth noting that consumers are spending more on a single purchase than they used to. Consequently, loss in footfall is often to some extent compensated by increased average transaction values.”

Thomas Hillebrand
FootFall Regional Director, CEE
For a second consecutive quarter, France posted a footfall decline, with retail traffic falling by -1.1%.

However, the bigger picture is much more promising. U.S. analyst Michael Ivanovitch has hailed the ‘real progress’ made by France in the latter part of 2015 to breathe life into its economy, with industrial production rising 2.3%.

Within retail, consumer confidence remained stable, although sales figures dropped during October and November - despite monthly footfall increasing.

The fact that Month-on-Month consumer activity increased during Q4 is encouraging, given the politically sensitive climate in France at this time. France is the world’s biggest holiday destination, attracting 83.7 million visitors in 2014, and many feared terrorist attacks on Paris during November would impact the number of tourists travelling to the country in the lead up to Christmas.
The UK’s High Street lost the Christmas trading battle to online retail, as footfall dropped by -2.5% during Q4.

Black Friday played a decisive role in this outcome, with the majority of bargain hunters choosing ecommerce over bricks-and-mortar. Amazon reported its biggest ever UK trading day on Black Friday – contrasting British Retail Consortium reports that offline retail sales fell 0.4 during November.

The Christmas period as a whole was much more sustained than previous years, with consumers shopping ‘little and often’, and in many cases, much later in the day.

* footfall Year-on-Year

"The final quarter once again saw a decrease in shopper numbers Year-on-Year. There was a mixed response to Black Friday Christmas from both shoppers and retailers; some retail stores chose to not participate at all in Black Friday offers, while most consumers spread their festive shopping over a period time, relying on both online and store purchases.

On a positive note, we continue to see an increase in shopper numbers during the evenings. This was especially evident during the run up to Christmas, when many visitors combined store visits with more leisure-based activities in cafés, restaurants and cinemas. As we move into 2016, I believe that we will continue to see a shift towards destinations providing a combination of attractions for both shopping and leisure."

Steve Richardson
FootFall’s Regional Director, UK

For further information
connect with Steve on LinkedIn
After a drop in footfall volumes during the third quarter, Portugal recovered to record a +1.2% retail traffic improvement during Q4.

In fact, consumer confidence reached its highest level of the year in December, while unemployment levels remained consistently low throughout the quarter.

However, retailers and shopping centres should proceed with caution, as both industrial production and retail sales slowed in Q4.

"After 2 consecutive quarters of negative growth it’s great to see footfall this quarter move back into positive territory. Whilst there has been some volatility in retail sales, consumer confidence is increasing, which we can see reflected in traffic volumes.

However, though the economy is continuing to recover, the economic growth forecast was recently lowered from 1.7% to 1.6% for 2015 and from 1.9% to 1.7% for 2016. Combined with the China market turmoil and its impact globally, there may be some challenges ahead."

Jaime Pera
FootFall Country Manager, Portugal

* footfall Year-on-Year
2015 key lessons

• Generally speaking, 2015 has been the strongest year since the economic recession, with many regions enjoying their lowest unemployment rates, highest consumer confidence levels and greatest disposable income in nearly a decade.

• This has had a positive impact on the retail sector, leading to consistently improving footfall levels and retail sales in several markets – most notably India and the Republic of Ireland.

• However, the year was not without threats to retail’s stability: turbulence in the Chinese stock market, stagnation in the Eurozone as a result of Greece’s debt crisis, and mass migration across Europe have all negatively impacted shopper traffic during the year.

• Online shopping continues to challenge retail footfall, with key trading periods like Christmas seeing a much greater rise in ecommerce traffic than bricks-and-mortar visitor volumes.

• In order to keep growing footfall in 2016, retail businesses must respond quickly to changing market conditions, to neutralise any potential negative influences on shopper behaviour.

About the Global Shopper Trends Report

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.