

# FootFall

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## REDESIGNING

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# RETAIL

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### PART ONE



Where does **bricks-and-mortar**  
fit for the modern shopper?

# IF THE STORE WAS AN ANIMAL, IT WOULD BE A SCORPION

Having survived the retail armageddon that was the rise of ecommerce, bricks-and-mortar has somehow managed to emerge not just alive, but with a fiercely protective sting in its tail. Today, it's still the place where 90% of purchases take place; the human endpoint to a digitally-driven journey.<sup>1</sup>





But, as with any nuclear explosion, the retail landscape looks completely different than it did before online, mobile and social channels disrupted traditional commerce. Retail spaces in every developed region worldwide are fighting to create fulfilling physical experiences for consumers whose expectations are being driven by the instantaneous, enriched, endless aisle hallmarks of digital shopping.

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## **So how does bricks-and-mortar fit into a world where the ecommerce market will be worth \$2.5 trillion by the end of 2018, and what can retailers and retail property owners do to secure the store's place at the heart of the shopper experience?<sup>2</sup>**

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To answer these critical questions, FootFall went straight to the voice of the consumer, conducting an international research study in five markets. Our results provide a unique benchmark of the store's role in an online world, with key takeaways for retail businesses that are ready to future-proof their bricks-and-mortar estate.

# IN A DIGITAL WORLD, WHERE DO STORES AND SHOPPING CENTRES FIT IN?

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Our research revealed two key trends on how multi-channel shoppers use the store, which directly impact the strategies of retailers and shopping centres.

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## 1. Meeting the expectations of planners and problem solvers

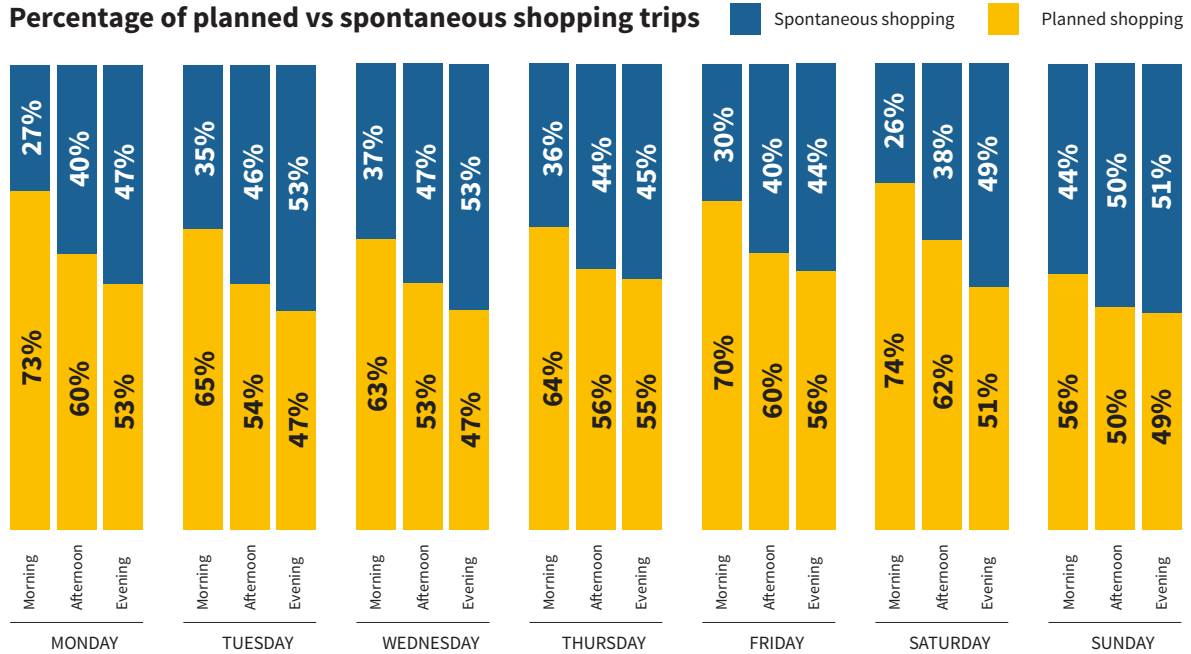
Time is modern life's most valuable currency, and busy schedules are forcing consumers to be much more strategic when it comes to retail. Our study found that, on average, 58% of shopping trips are planned.

This has a lot to do with the store's role, as online has become the new search and discovery point. The term 'webrooming' – researching online before purchasing in-store – has been around for a couple of years, but the extent of its influence grows almost continuously.

60% of shoppers globally will now look up a product online before buying in-store, and this has risen to 83% in the USA and 90% in the UK.<sup>3</sup>

This means that the store plays a specific purpose in consumers' daily lives, and therefore visits are more likely to be planned in advance, particularly during the working week.

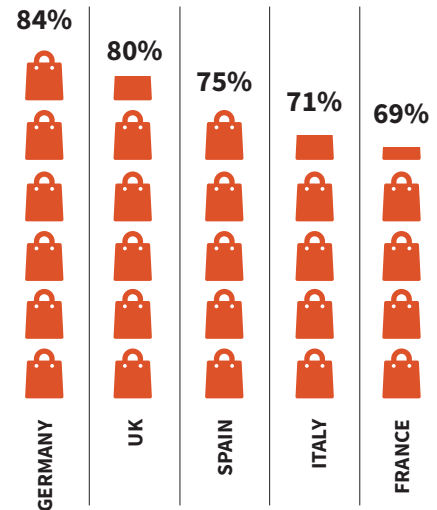
## Percentage of planned vs spontaneous shopping trips



As the above graph demonstrates, naturally, there is an ebb and flow towards more spontaneous shopping in the evening, as consumers make a snap decision to indulge in a post-school or post-work retail trip.

There are some interesting differences amongst international markets, with Germany planning a higher proportion of shopping trips than any other region. The UK is close behind at 80%. Spain and Italy reach 75% and 71% respectively, while France has the most relaxed attitude, with shoppers planning up to 69% of retail encounters.

## Percentage of planned shopping trips



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**While a high proportion of planned shopping trips enables retail organisations to plan operational resources with some level of reassurance, the challenge is to meet shoppers' needs once they arrive at the store or the centre.**

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Given their extensive research online beforehand, the majority of shoppers arrive well informed, extremely knowledgeable, and usually ready to buy. Therefore, the cost of disappointing them is much greater. Our research shows that just 4% of global shoppers visit stores purely to browse.

In order to respond to the store's highly functional role, retail businesses need to optimise their set-up for two distinct audiences. Firstly, for customers that know exactly what they want, and want it there and then. They crave convenience and efficiency, and find obstacles such as confusing store layouts, lack of availability and long queues at the checkout proving extremely frustrating, and potentially causing them to abandon their purchase.

The second group of prospective customers are those that have come to the store to 'problem solve' prior to purchase. This could mean trying on an item to check it fits; asking detailed questions about a product to ensure it exactly matches their requirements; getting hold of an item that's not available online; or even visiting a store to avoid shipping charges.

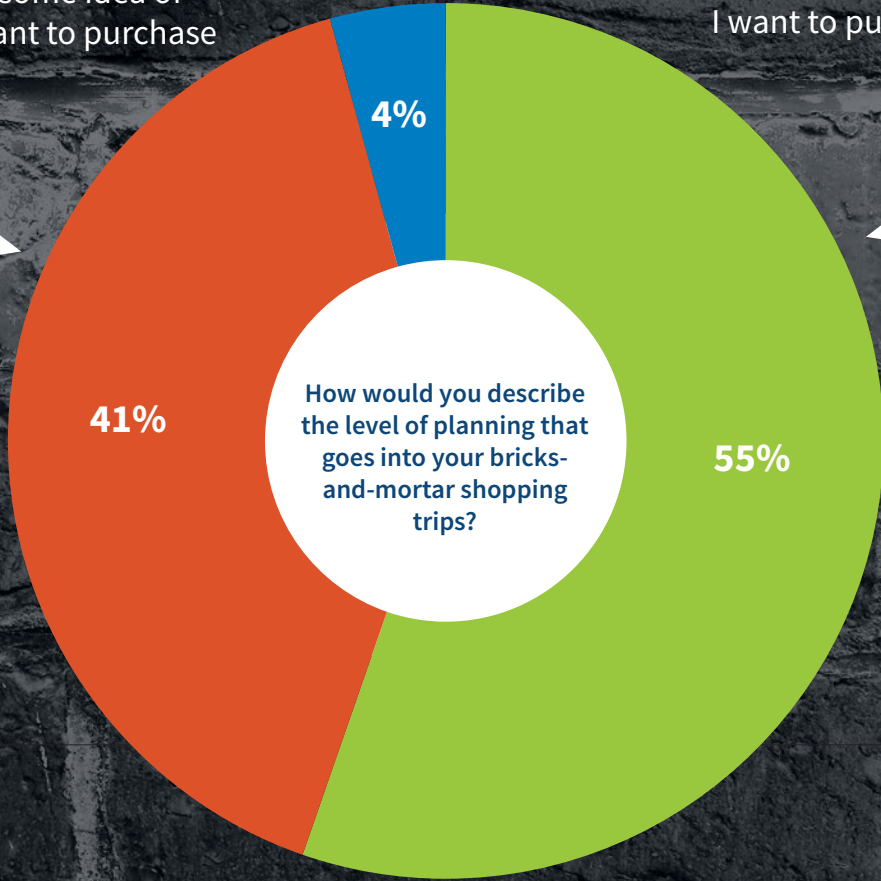


**Our research shows that just 4% of global shoppers visit stores purely to browse**

I go to browse, without a specific purchase in mind

I know exactly what I want to purchase

I have some idea of what I want to purchase



How would you describe the level of planning that goes into your bricks-and-mortar shopping trips?



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## **Not only is the range of solutions that shoppers seek from the store diverse, the value they place on the bricks-and-mortar experience fluctuates, especially with age.**

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According to a recent iModerator survey, Gen Z (those born in the digital age) want sensorial reassurance from bricks-and-mortar. Millennials (those that reached adulthood around the year 2000) seek efficiency and quality.

Generation X (people born in the 1960s and 70s) are in explore and discovery mode, while Baby Boomers (post-war children) crave comfort and space.

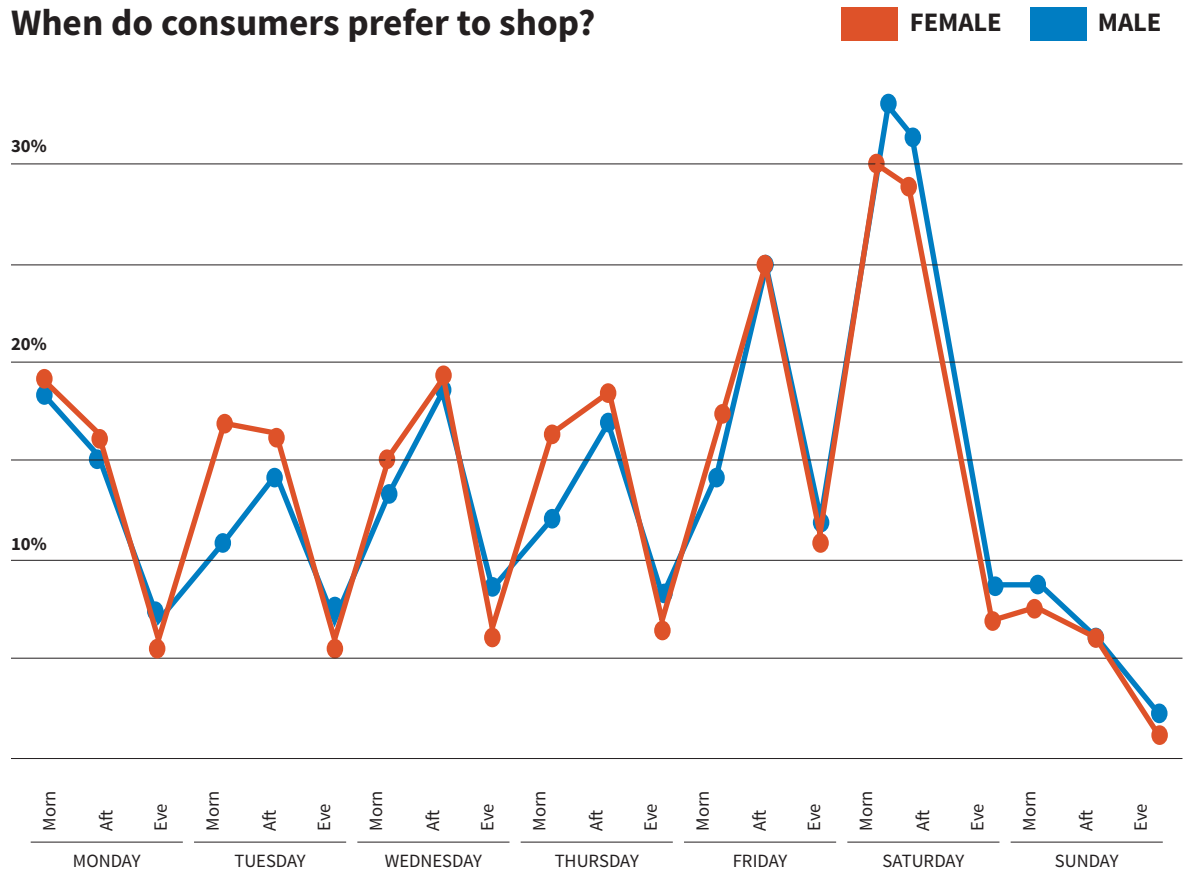
Demographics hugely impact what the 'ideal' store or shopping centre looks like. For example, soft background music and seating areas appeal to older shoppers, while product demonstrations and styling suggestions resonate with teenagers.

To make matters even more complex, there are fluctuations in peak shopping times between gender, which also impacts expectations of the physical retail experience. Our research has found, for example, that women are more likely to shop in the morning than men, while there is a real trend towards men preferring evening retail visits.





## When do consumers prefer to shop?



So while physical shopping excursions tend to be premeditated, there is no ‘catch all’ set-up to meet the needs of every shopper. Therefore, retailers and shopping centres must have an inherent understanding of how their demographics evolve throughout the week and possess the agility to tailor experiences to the unique demands of each customer segment, in order to maximise dwell time, average customer spend, and repeat visits.

## 2. The neutralising impact of click-and-collect

The store's specific purpose raises new challenges for front-line staff in terms of personalising the experience, but it also creates new opportunities. It's no secret that digital's increasing influence is a contributing factor to declining retail footfall; our recent report, *Are Clicks Crushing Bricks?*, found that Germany's retail traffic is declining at a rate of 4% Year-on-Year, while France is falling by 1%, to give two examples.

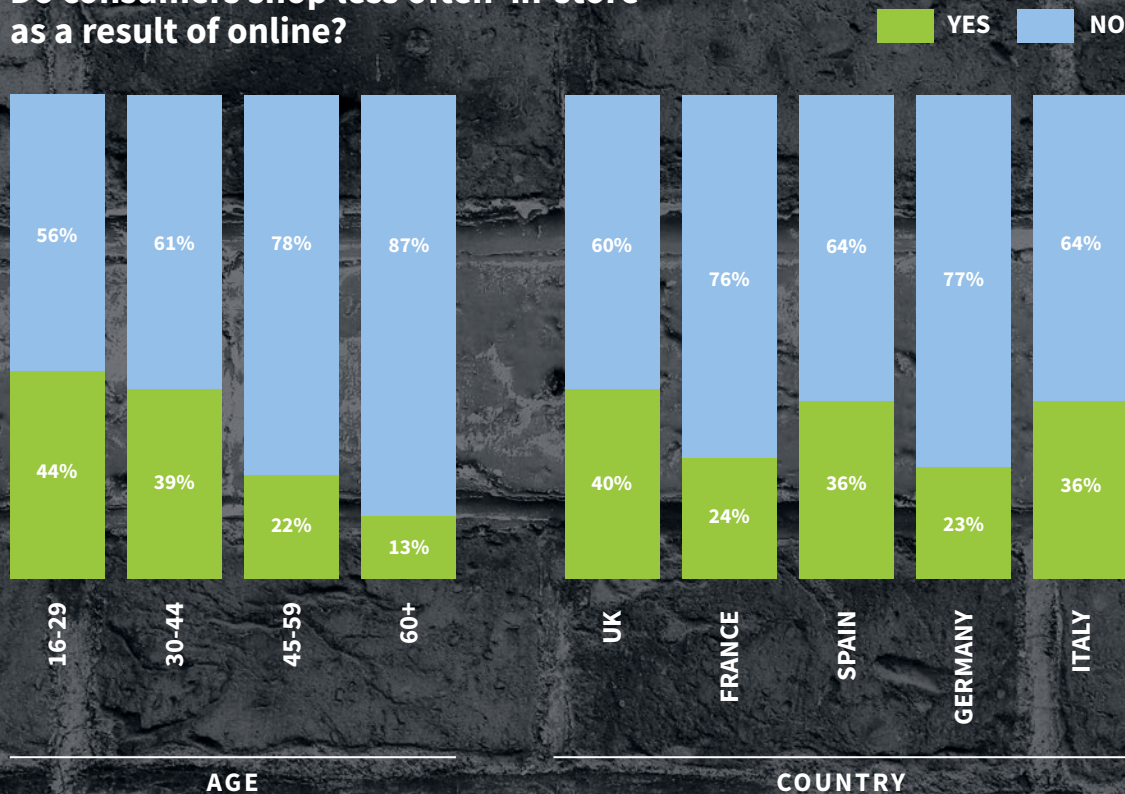
This is not necessarily a bad thing, as the accompanying growth of the store's role as a problem solving centre means more of the consumers that do venture offline are ready

to buy. However, this raises the stakes in terms of converting customers, especially as a poor bricks-and-mortar experience can affect reputation in other channels. To add to this pressure, store and centre associates are having to multi-task more than ever, as physical retail becomes a collection point for online orders as well as a direct transactional channel.

Click-and-collect has proven a powerful neutraliser of the steady decline in consumer traffic, bringing loyal shoppers into the store who are receptive to further spending.



## Do consumers shop less often\* in-store as a result of online?



Our research shows that while 25% of consumers feel they visit physical retail venues 1-2 times less per month now that they have the ability to shop online, more than two thirds (68%) use click-and-collect, including almost half (44%) of 16-25-year-olds. This figure is highest in the UK, where 40% order online and collect in-store, followed by Italy and Spain (both 36%), France (24%), and Germany (23%).



\*1-2 times less often per month

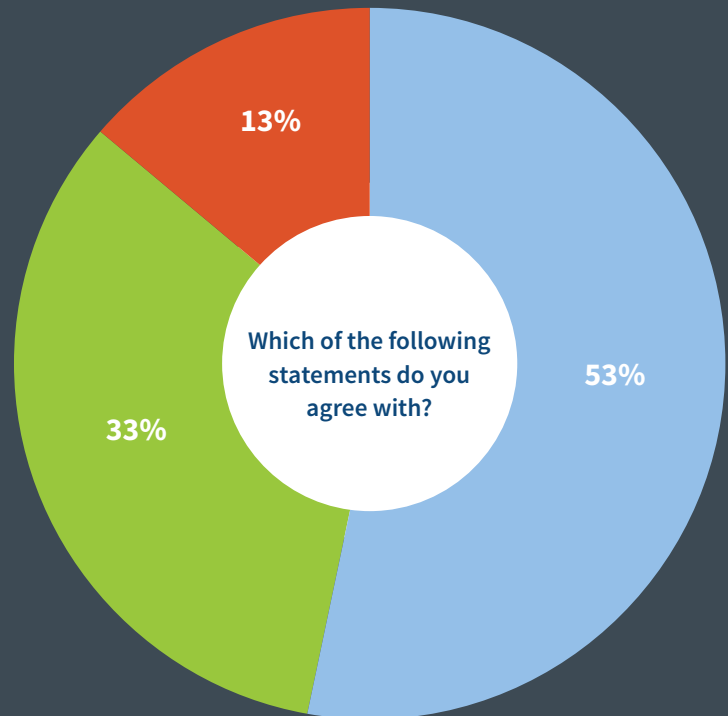
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## The significance of how many shoppers use click-and-collect is in the way it impacts customer behaviour.

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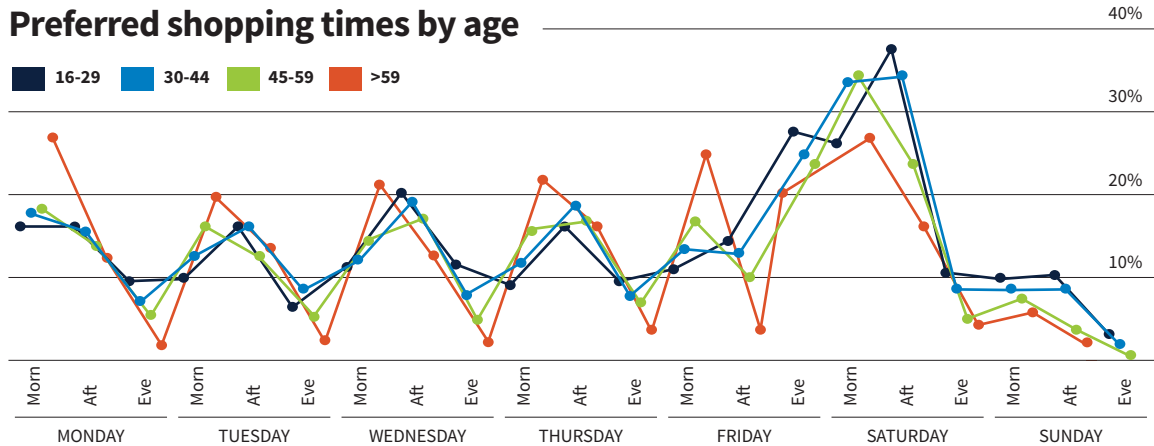
A study released by IMRG in 2015 noted that click-and-collect is a powerful driver of mobile shoppers into the bricks-and-mortar environment, whilst it is also an important touchpoint for returning goods – further cementing the store’s role at the heart of retail interactions.

Of those we studied, more than half claim to visit bricks-and-mortar outlets more frequently now that they can click-and-collect. More importantly, click-and-collect increases individual customer value; 53% of those who use the service admit to making impromptu purchases whilst in the store, while a further third will visit other, nearby stores during their visit.



- When I pick up a click-and-collect order, I often buy something else from that store while I'm there
- When I pick up a click-and-collect order, I often visit other, nearby stores while I'm out
- I do not make any other purchases or visit any other stores when I pick up a click-and-collect order

## Preferred shopping times by age



The challenge for retailers is to maximise this additional spending opportunity. Store associates are already being pulled in different directions, and processing order collections adds another string to their bow.

Therefore, detailed training and careful consideration of where click-and-collect fits into the existing offering, and who is responsible for managing it, is necessary to optimise the customer experience.

Click-and-collect doesn't just present incremental benefits for retail stores; the opportunity for shopping centres to increase shopper spend is also highly lucrative. According to retail property company Hammerson, 80% of click-and-collect customers will go on to spend more in stores, bars or restaurants.<sup>4</sup>

This up-spend opportunity has been enhanced by a shift towards evening shopping. When we questioned consumers around what time of day they prefer to visit stores and centres, there was a strong tendency for younger shoppers to prefer the evening.

**In fact, under 25's are twice as likely to go shopping on a Saturday evening than over 45's, and six times more likely to shop on a Wednesday evening.**

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## We have seen a definite shift towards late night opening

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While some shopping centres have operated with extended opening hours for decades, over the past five years we have seen a definite shift towards later shopping to reflect consumer appetites – a phenomenon known as the night time economy (NTE).

This tallies with our earlier statistics about the increase in spontaneous shopping visits during the evening; impromptu trips naturally occur when people have more time on their hands, and because it's during their leisure time, they are likely to treat themselves to a drink, a meal out, or even a trip to the nearby cinema.

This is supported by a significant shift in the way consumers spend their money. In the first half of 2015, UK expenditure on hotels,

restaurants, and bars increased by 6.9% Year-on-Year, with recreation and culture spending rising 5.8%. International figures follow suit: U.S. spending on eating out overtook grocery sales for the first time last year, while Australian fast food spending reached \$7.16 billion – an average spend of \$311 per person, per year.<sup>5</sup> This also coincides with a global consumer expenditure increase of 3.0% Year-on-Year in 2016, from 2.3% in 2015.<sup>6</sup>

NTE's growth, therefore, presents major opportunities for shopping centres in particular to leverage increased appetite for dining out and lifestyle treats by increasing investment in food, beverage, and leisure facilities, a movement first termed 'shoppertainment' by Nielsen in 2010.

<sup>5</sup> Visa, U.S Commerce Department, Heart Foundation Australia

<sup>6</sup> Euromonitor

**“SHOPPING CENTRES AND RETAIL PARKS HAVE BEEN QUICKEST TO SPOT THE NTE OPPORTUNITY, AND ADAPT THEIR OFFERING TO ACCOMMODATE EMERGING RETAIL TRAFFIC PATTERNS. THIS IS PARTLY FOR COMPETITIVE SURVIVAL, AND PARTLY BECAUSE A CHANGE IN OFFERING CAN SIGNIFICANTLY INCREASE AVERAGE SPEND.”**

**- Lyanne Earls, Global Consultant, FootFall**



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# THE RISE OF SHOPPERTAINMENT

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The rise of shoppertainment within the retail property industry has been accelerated by ecommerce growth and increasing disposable income in many regions. The internet has become the world's largest virtual mall, and therefore everything under one roof is no longer a unique selling point for purpose-built retail plazas.

In fact, the move towards shopping centres as a retail and leisure hub has driven many investors to push the boundaries of entertainment facilities. For example, Galleria in Houston, USA, features a rooftop running track, Cevahir Mall in Istanbul, Turkey, has a rollercoaster, and Mall of the Emirates in Dubai boasts a 22,500 square metre indoor ski resort.

While these are among the more progressive entertainment ideas, there is a strong commercial message at the heart of the shoppertainment movement for both shopping centres and retailers.

Online is now the quickest, cheapest, and most convenient way to shop, and physical retail must assert its position as a social hub. With 63% of shoppers keen to embrace extended late opening hours according to our research, and 46% in favour of earlier starts, consumers are ready to embed bricks-and-mortar retail even further into their lifestyles.





# HOW CAN THE RETAIL INDUSTRY FUTURE-PROOF THE STORE'S NEW ROLE?

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Having spoken to thousands of consumers, we have found that the store has a definitive, central role in not just the retail journeys of today's shoppers, but in their lives as a whole. The ability to buy items is just one facet of what makes bricks-and-mortar attractive. The reality is, however, that many retailers and shopping centres are yet to adapt their proposition to the store's new

role – and failure to embrace its position in a digital world will mean they only encounter the challenges, such as reduced footfall, without reaping the benefits.

In order to safeguard their physical presence, we recommend that retail organisations address the following three strategic considerations as a matter of priority:

## 1. Make the compulsion to buy real

The influence of ecommerce has turned bricks-and-mortar into the 'moment of truth', when a willing customer commits to buying. Therefore, to avoid lost income, retail businesses must address which elements of the shopper experience could stop people from making a purchase.

An effective way to start this process is to look at external influences versus internal influences. For example, it is very difficult to manage the weather's impact on trading, but extremely straightforward to address operational inefficiencies such as a poor staff-to-customer ratio impacting conversion rates.

## 2. Understand what each shopper segment wants from bricks-and-mortar

There is no such thing as ‘the average customer’ today, as diverse influences on the shopper journey shape what each individual wants from their retail experiences. Retailers and shopping centres need to dig deep into the analytics of their customer base to understand what, where, and when each segment wishes to interact to ensure that their value proposition resonates.

Our research revealed distinct variations between geographies, age brackets and gender, which organisations must embrace in line with their target market. There are already some businesses doing this effectively.

For example, apparel retailer Hointer Beta Store in Seattle, USA, actively challenges the notion that men hate shopping. Instead, it optimises its store for male customers, combining robot technology and smartphone apps to make the experience as convenient as possible.



### 3. Make physical shopping a lifestyle choice, not a transaction

As efficient as technology can make bricks-and-mortar encounters, going to a store will never be as quick and easy as clicking between websites from the comfort of the sofa. Therefore, retailers and shopping centres need to focus on promoting what the store can do which ecommerce cannot: provide a personalised, human touchpoint; facilitate social engagement; enable real-time product engagement prior to purchase.

The more embedded retail becomes within the lifestyle of today's shoppers, the safer the store's role in their future. Whether that's on a practical level, by facilitating collections and returns, or on an extra-curricular level, by bringing in added-value features such as cafés and live entertainment, the store has to be the multi-purpose epicentre of our omnichannel retail world.



Of course, embracing the store and the shopping centre's new role is easier said than done. The possibilities are endless, so how do retail organisations know which features and technology are the wisest investments? How do they capitalise on the next big bricks-and-mortar trends, before they go mainstream, to get ahead of the competition? Or alternatively, how do they understand which technologies are going mainstream, and therefore are becoming more affordable?

**We'll be tackling these quandaries in the next edition of our Redesigning Retail series.**



**Join us in part two, where we'll be discussing what frustrates shoppers about their current experiences, and which technologies they're willing to embrace to complete their retail encounters.**

**We'll also be reimagining what physical shopping looks like, to build the 'perfect' store for the future of retail.**

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**SEE YOU THERE...**

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# FOOTFALL: KNOW YOUR CUSTOMERS INSIDE AND OUT TO INCREASE PROFITABILITY

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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 Retail Solutions, 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 1,200 retail businesses across 64 countries partner with FootFall for long-term retail intelligence.

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