Welcome to our latest Global Shopper Trends report, providing key statistical insight into international shopper behaviour during the third quarter of 2016.

Globally, retail footfall declined by -1.2% in Q3 2016, however there were many regions that saw improvement in retail traffic. Poland, Portugal and Spain all saw growth during the quarter, along with China, Hong Kong and Japan in the Asia-Pacific region.

Even in regions that did not record an improvement in footfall, generally speaking, consumer confidence remained fairly buoyant during the quarter. Retail sales also remained steady, showing the high value of consumers that did decide to shop at physical retail venues.

With peak trading now lying ahead, it will be interesting to see how the global shopping landscape changes. Many regions experienced their best monthly footfall result at the end of Q3, which bodes well for Q4, although the result of the U.S presidential election could impact consumer confidence going forward. We will share the results with you at the end of the next quarter.
Footfall in the Asia-Pacific region declined by -0.8% during Q3.

Within the region, retail traffic activity was a game of two halves. On the one hand, Hong Kong, Japan and China posted incremental improvements compared to Q3 last year.

On the other hand, Australia and India experienced declining footfall, which dragged the continental average into the negative. Australia had a Federal Election in early July, which is proven to impact consumer confidence.
After a drop in footfall last quarter, Hong Kong’s retail traffic picked up in Q3

There was a difficult start to the quarter, as retail sales were down -2.1% in August, while Month-on-Month footfall declined by -5.2%. Explanations for this include a decline in tourist numbers, and also stormy weather.

Thankfully, fortunes improved during September, with both Month-on-Month and Year-on-Year footfall increasing, leading to an overall retail traffic figure for the quarter of +0.5%.

However, retail businesses will need to pay close attention to trading during Q4, as the knock-on effect of China’s tax cut on cosmetic and medicinal products will add to the pressure of downward sales volumes in Hong Kong.

The overall retail traffic for the quarter was +0.5%

* Footfall Year-on-Year
CHINA

After a significant footfall increase in Q2, China’s good fortunes continued into Q3

With government spending and investment increases continuing from the beginning of the year, China has seen a healthy expansion in its economy. Retail footfall figures are keeping a decent pace as a result, improving by +0.5% Year-on-Year across the quarter.

This was accompanied by buoyant retail sales figures, which saw a 10.6% rise in August, followed by a 10.7% rise in September – the fastest growth since December 2015 and slightly above market estimates.

With an accompanying upturn in industrial production and inflation, there is good reason to believe China’s retail sales will continue to grow for the remainder of 2016, although experts forecast that the rate of improvement will slow.

After a drop in footfall during Q2, Japan’s consumer activity began its recovery in Q3. However, although retail traffic figures were up by +0.2% across the quarter, retail sales were down. In fact, sales have declined continuously for the past six months.

It seems external and domestic demand are both weak at the moment, with declining exports and slow consumer spending – both of which have been affected by the strength of the yen.

Economic uncertainty and poor wage growth are additional factors prompting consumers’ decisions to spend less on daily necessities and other goods. The head of general merchandising at Aeon, Japan’s largest retailer, has declared that he does not believe consumer spending will improve by the end of the year.

*Footfall Year-on-Year*
For the second consecutive quarter, Australian footfall was down on the previous year

This could be due to the unusually hot weather for the time of year, and the Federal Election in early July.

Russell Zimmerman, Executive Director for Australian Retailers Association (ARA) notes that the Federal Election can “cause lower consumer confidence and depressed sales”.

However, although retail traffic fell by -3.1% compared to Q3 2015, activity did pick up towards the end of the quarter. Monthly retail sales rose by 0.4% in August following a cut in interest rates, which saw consumer confidence up by 2.0 points. This led to an increase in consumer confidence in September – which in turn generated a +9.1% increase in consumer activity.

Activity picked up towards the end of the quarter

Third party data sources: Australian Bureau of Statistics, Australian Retailers Association (ARA)
After a strong start, India’s footfall figures declined across the quarter

Month-on-Month retail traffic peaked in July at +6.6%. From here, however, footfall began to decline, dipping to -9.7% by September. This created an aggregate figure of -3.7% across the quarter.

However, international retailers are yet to be put off by market fluctuations, with Superdry just one of the latest big brands to announce plans to open new stores in the country. Talks of Unilever’s Indian subsidiary launching new product ranges across India also continue.

Third party data source: The Economist Intelligence Unit

* Footfall Year-on-Year
EUROPE

European footfall dipped by -1.5% during Q3

However, this did not mean that every region was negatively impacted.

Poland, Portugal and Spain all saw increased retail traffic compared to the same period last year. On the other side of the coin, the UK, Switzerland, France, Italy, Austria and Germany all experienced a decline in Year-on-Year retail traffic. There are multiple reasons behind this dip – weather conditions, low consumer confidence, the economic climate – and undoubtedly the uncertainty surrounding Brexit will have contributed to the muted mood, particularly in the UK.

It is worth noting that not all the countries in which footfall dropped saw retail sales decline at the same time. This indicates that although fewer consumers maybe visiting physical retail outlets in some regions, those that do visit feel confident to make a purchase. Part of this is the research that shoppers do online initially making them more targeted in their bricks-and-mortar journeys; recent research by Deloitte has revealed that digital will influence $2.2 trillion physical retail sales by the end of 2016.
POLAND

With a +3.8% increase in Year-on-Year footfall in Q3, Poland was the strongest performer in Europe.

This improvement in consumer activity was accompanied by a growth in retail sales, which improved by 2.0% in July, 5.6% in August and 4.8% in September. August’s figures actually marked the largest single month increase since April 2014.

There was an enormous +11.0% spike in footfall during September, which is interesting as this coincided with the introduction of a new retail tax. The tax should allow independent businesses to compete with larger corporations, contributing to a projected 3.5% rise in private consumption during 2017.

“Q3’s increase in consumer activity is a result of three factors. The Polish economy is getting better in general; consumer optimism is being fuelled by the new 500+ child benefit programme; and shopping centres are undertaking a lot of activities to proactively attract visitors. These things added together are producing good retail traffic results.”

Third party data source: The Economist Intelligence Unit

* Footfall Year-on-Year

Thomas Hillebrand
ShopperTrak’s General Manager CEE

For further information connect with Thomas Hillebrand on LinkedIn
SPAIN

Despite traffic tailing off towards the end of the quarter, Spain’s footfall improved by +0.9%

The country’s strongest month was July, when retail traffic soared by +15.7% – tying in with a good economic expansion rate that has been boosted by household spending.

Figures then dropped quite substantially in August at -4.9% and again in September at -5.3%, but the country’s early performance was enough to secure positive growth across the quarter.

September’s footfall decline was accompanied by a drop in consumer confidence, which declined by 3.6 points. The end of the main tourist season may go some way to rationalise the dip, and heavy competition from the ecommerce sector impacted domestic activity.

Third party data sources: INE, Trading Economics

PORTUGAL

A strong performance in July and August contributed to positive footfall in Q3

A +0.4% rise in Year-on-Year in Q3 proved welcome news for the Portuguese retail sector, after a slight decline in footfall during the previous quarter.

This was driven by Year-on-Year growth in July and August, as retail traffic declined by -4.9% in September.

This positive result was accompanied by higher than estimated GDP figures, underlining the country as a strong market for international investment. Spanish supermarket chain Mercadona is one business looking to Portugal to expand, having recently announced it will establish a presence in Porto in 2019.

Third party data sources: National Statistics Portugal, Trading Economics, IGD
Europe

Not every sector has been affected though; Irish supermarkets have done well of late, with higher mark ups on everyday goods resulting in more money being spent in-store on items such as food, drinks and toiletries.

A stronger performance may be on the horizon for the Republic of Ireland in Q4, as September saw an upturn in retail activity, with monthly footfall figures improving by +1.7%.

The -0.1% drop in footfall during Q3 may well be due to Brexit’s continuing impact, and the decline in the value of Sterling.

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Third party data sources: Central Statistics Office Ireland, Trading Economics, Nielsen

UNITED KINGDOM

Brexit worries continued to impact the UK’s retail footfall figures

The quarter started off strong, with a Year-on-Year footfall increase of +4.1% during July. However, the unsteady value of Sterling led to greater consumer caution in the following months, with shopper traffic dropping by -1.6% in August and -0.2% in September.

With so many unknowns surrounding Brexit, it is likely that the fluctuation in footfall seen across Q3 will continue for the foreseeable future – and the looming deadline of Article 50 could lead consumers to tighten their belt in anticipation of an uncertain future.

Third party data sources: Office for National Statistics, Trading Economics

* Footfall Year-on-Year
SWITZERLAND

It was a slow quarter for Switzerland’s retail sector, with footfall down by -2.0%

Switzerland’s economy experienced stagnation during Q3, with slow progress in the retail sector and unemployment at its highest rate in six years.

This was reflected in consumer activity, with quarterly footfall down by -2.0%.

With manufacturers decreasing their stocks, consumer activity is expected to stagnate for the remainder of 2016, which is bad news for Switzerland’s economic targets. However, there was a glimmer of hope at the end of the quarter; in September, Month-on-Month footfall improved and the country’s economic performance increased by 1.6 points.


FRANCE

Economic stagnation triggered consumer caution in France during Q3

A decline in the French economy during Q2 led to a poor footfall performance during Q3, with consumer traffic declining by -2.1%.

In fact, economic growth across the Eurozone as a whole is at its weakest point in two years.

Grocery chain Casino is just one retailer to feel the pain of a slow summer, announcing recovery plans for its French business, which is responsible for 46 percent of its sales.

There could be better fortunes ahead in Q4, however, as although footfall remained in the negative, it was only down by -0.4% during August - compared to a -11.7% drop during July.

Third party data sources: INSEE France, Trading Economics, Eurostat
Europe

Q3 saw major footfall fluctuations in Italy

Footfall fluctuated over the summer months; in July, retail traffic soared by +19.9%. This was followed by a hefty -15.2% fall in August, then a +12.8% recovery during September.

This led to a net retail traffic decline of -3.6% across the quarter. August’s poor footfall performance was accompanied by an unexpected decline in retail sales, as experts had originally predicted figures would rise by 0.4 percent. This contributed to a weakening in consumer confidence during September.

Heading into Q4, a key constitutional referendum is due to take place in Italy in December, so retailers and retail property companies will need to keep a close eye on how this impacts consumer behaviour.

“This summer, the number of Italians going on holiday increased by 9.5% versus last year, which could help to explain why footfall declined in August. Also weather conditions contributed to the trend; in 2015, there were some very rainy days alongside hot days, which may have led to more people spending time in malls when the weather was bad.

Looking at the quarter as a whole, consumer confidence was stable but grew slower than forecast. This could explain the small reduction in sales in the retail market during Q3.

Nicola Fagnoni
ShopperTrak’s Regional Director, Italy

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Third party data source: ISTAT
AUSTRIA

Low consumer confidence caused retail activity to slow in Q3

After Q2 footfall equalled that of last year, in Q3 consumer traffic declined in Austria, falling by -4.7% Year-on-Year.

This is a reflection of low consumer confidence levels, which have remained in the negative for the whole of this year. Part of the reason for this caution may be the upcoming presidential election in December, and concerns over economic stability. Although growth has increased and unemployment levels have fallen this year, many consumers are concerned about the country’s productivity, with a recent Imas survey revealing only a quarter (23%) of Austrians feel positive about the future.

Sources: Imas, Rappler

There is caution ahead of the presidential election in December
Footfall dipped – but not for long

The overall headline for Germany in Q3 was one of footfall decline, as the average quarterly figure decreased by -4.9% Year-on-Year. However, the story behind this figure was definitely one of two halves.

After quiet months in July - partly due to the European footfall championship - and August, Germany recorded an impressive +29.4% increase in retail footfall during September. Higher spending on travel for summer holidays and the decrease in energy prices led to a rise in consumer confidence, and swiftly saw the low footfall results in July and August to increase in September. This could indicate that further footfall improvements are likely between now and Christmas.

Third party data sources: Federal Statistical Office, Trading Economics, Destatis

Decrease in energy prices led to a rise in consumer confidence

* Footfall Year-on-Year
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This hub includes ShopperTrak’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.

To find out how ShopperTrak can improve your profits visit [www.shoppertrak.com](http://www.shoppertrak.com)
ShopperTrak: Retail Profitability, Improved

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