Retail Trends – what can you learn?

By Yuri Bolotin, Principal, Design Portfolio Pty Ltd

I RECENTLY CAME BACK FROM A MONTH LONG RETAIL ENVIRONMENTS AND TRENDS RESEARCH TRIP THAT TOOK ME TO EUROPE, CHINA AND THE MIDDLE EAST. HERE ARE SOME THOUGHTS ON WHAT I SAW.

Retail Trends

Integration

Integrating retail with other uses – recreational (cinemas, theatres, ski slopes, skating rinks, aquariums), residential, offices, public facilities (libraries, museums, exhibition spaces, transportation hubs, meeting halls), and with the fabric and texture of the city or town centre.

Standalone, enclosed box-type shopping centres are out of fashion with consumers, town planners and progressive property owners. The new term is shopping centres with 'active edges' rather than with blank walls. In addition to other benefits, when a shopping centre is not monolithic, parts of it can be changed easily in the future – this allows for flexibility of land use.

Malls

Open air malls are getting more and more popular, in preference to enclosed buildings, and the climate doesn't seem to matter as much as we believe in Australia it would.

Open air malls spring up everywhere in the US, from Chicago to the Arizona desert, in the UK with its often adverse climate, and other parts of Europe. Many of these malls benefit from intricate landscaping and incorporate lakes, fountains, parklands. The choices of plants are practically limitless compared with only a few in a closed air-conditioned box.

Public area

Best malls have spacious public areas with plenty of comfortable seating. Mall design does not dominate, rather it us used to show off individual stores and their merchandise. Mall kiosks are few and strategically placed, unlike in many local shopping centres that are cluttered with stalls and casual leases.

Camper infoshop in central London uses attitude and humour to build the brand.

Large brand stores like these ones ae becoming shopping centre anchors.

Whitefriars Square in Canterbury, England, is an open air mall integrated with the old town centre.

Brand stores

Huge signature brand stores (5-10,000 sq.m) are becoming shopping centre anchors, instead of department stores (traditionally) or supermarkets (in Australia). Examples are Topshop, Next, Zara, H&M and even Boots. So, a centre can have 10 or more anchors!

Shopping malls mainly consist of f ashion and fashion-related formats, casual food and some services.

General retail (most other categories) is being squeezed out because of high rents, into warehouse/big box retail parks.

Community

Retail environment can affect and help drive social changes. Examples are: Arab women shopping in Dubai malls; Bullring/Selfridges development in Birmingham – one of the main components in the revival of the city centre, it has put Birmingham on the map and made it a tourist destination.

Shopping centres in the UK include Jobsearch employment and training offices, prayer rooms, community rooms, and other community based cultural facilities. In many towns, these retail centres are safe, comfortable places where people like to gather. These centres are a source of community pride.

Consumer Trends

Frequency and spend

Customer visit frequency is increasing, particularly where there are good transport links and/or parking. In the same time, the spend per visit is decreasing. Therefore it is important for the retailers to constantly change, re-fresh their offer and the appearance of their stores.

It is possible to train your customers, 'If you don't buy it today, it will be gone tomorrow'. Some of the world's most successful retailers – like Zara, H&M and Tchibo - do that. I was told that H&M conversion rate (the ratio between customers who buy and the ones who come in) is often up to 80% vs 5% the fashion industry average. Sounds incredible!

Households

The definition of a 'household' is rapidly changing. Household size in diminishing everywhere in the Western world. For example, single person household is the fastest growing sector in the UK.

Also, a greater percentage of young people live at home with their parents (25% of 25-29 year old males in the UK). Singles and young people will therefore often have a very high disposable income. Retailers who are focused on the needs of these customers can build very successful businesses.

Where money is spent

Consumers are spending money, but there is a re-distribution of where the money is being spent. Fastest growing spend categories are health, travel, recreation and eating out. Decreasing percentage of spend categories are clothing and supermarket food.

Loyalty

Today's consumer is not brand loyal. Brand loyalty can only be counted on, if quality, value and service are offered first.

Services

DIY vs GSE. Do It Yourself vs Get Somebody Else. There is more and more demand for services, rather than just goods, particularly amongst older consumers. Retail formats with large and growing service components include health, food, home and office electronics, homeware, hardware, gardening. Retailers that cater for this achieve higher sales per customer visit and build up customer loyalty.

Brand building

Consumers are tired and skeptical of traditional 'big gun' advertising and marketing. However, they will respond to well-thought, unconventional messages that focus on their needs and respect their values and beliefs.

Attitude, humour and social conscience can still build great brands. Bodyshop and Benetton no longer lead in this area, but Camper Shoes is certainly a great example of this alternative approach to brand building.

Retail Trends

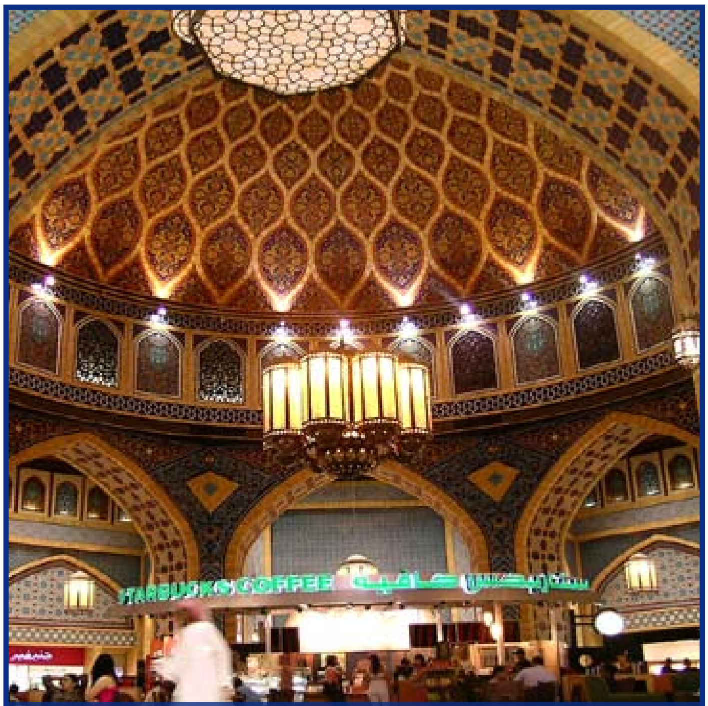
Branded chain stores rule the retail landscape. This dominance is particularly obvious in commodity-type products such as books, toys and records where only few small independent retailers remain. If there is no product or service differentiation, size really does matter! However, see my comments further in this article about the sameness of shopping centres.

Coffee is huge. In many countries, there are several large coffee chains (usually Starbucks supplemented by a few local operators), together with a multitude of 'mom and pop' cafes and bars. Coffee is inexpensive, fun, great to have alone or with a company of friends, it is one of the best life's little luxuries available – an indulgence most people can afford. It goes across cultures – even China, where tea drinking is still a ritual, is quickly surrendering to the coffee invasion. Cafes are sprouting up in most cities, they are the coolest places to be seen nowadays in China.

Industry entry barriers are minimal, due to relative ease and low cost of setting up a café. This however brings about fierce competition. Successful operators offer consistent quality, good service and comfortable environment. Cafes are also a perfect addition to larger, browsing type, destination retail formats – bookstores, nurseries, hardware stores, department stores, pharmacies.

There is a rapid growth in other everyday luxury, affordable indulgence formats – chocolate, fun jewellery, inexpensive fashion, groovy lingerie. People want instant, frequent gratification and the retailers who can deliver it, prosper.

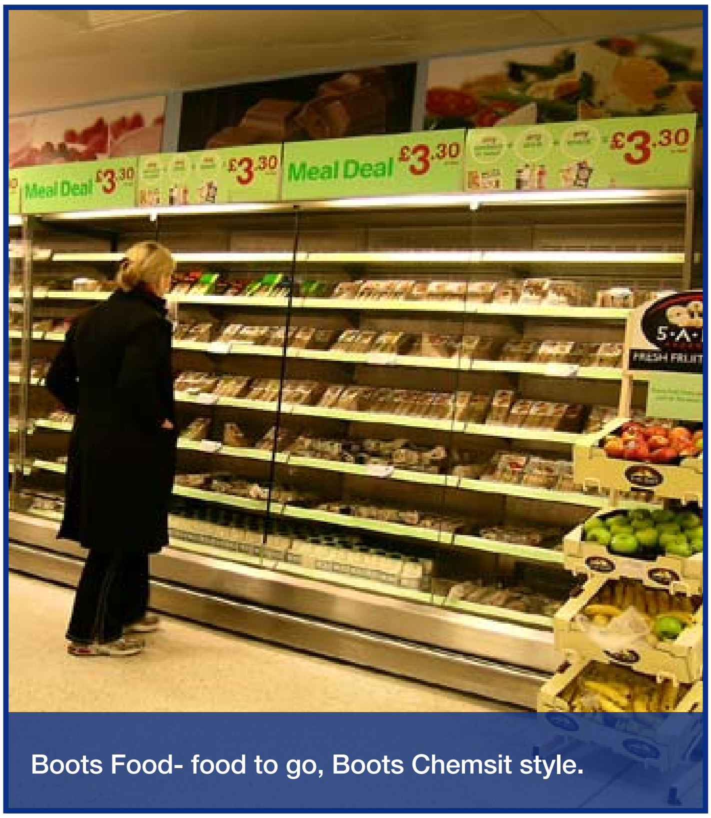
Easy and tasty food is very big and getting bigger. One of the fastest growing formats is casual affordable dining – good quality, freshly prepared food that is inexpensive enough to eat out several times a week; the environment is friendly, easy, informal and no bookings are usually necessary. It is the opposite of the special occasion places that don't seem to be doing nearly as well. Another successful format is high quality ready made take home meals – these are being offered by most supermarkets. Many of them have even set up standalone stores to cater for this (like Simply Food by Marks & Spencer).



One Of The Many Starbucks Coffee Shops in Dubai.

Rather than competing with the supermarkets in the UK, the pharmacy has become one. Boots is dominating the pharmacy market in major cities and towns, with 1,000 sq.m+, often 5,000 sq.m+ multilevel stores that sell everything from sandwiches to underpants.

Many retailers have internet portals but on-line sales are still only a small percentage of the total in most categories. The most successful retailers incorporate 'clicks and bricks' ie offer a combination of real and internet shopping.



Boots Food- food to go, Boots Chemsit style.

Store Design Trends

Enough is being said by others about the ageing of the population – this is a powerful trend that affects most of the Western countries. However, when it comes to designing retail environments for the older people, I want to make a distinction between a person's physical (real) age and her emotional age (the age she feels she is). Because of advances in health science, health awareness and nutrition, people are staying fit and active into much older years than ever before. This creates a growing gap between the person's physical and emotional ages. For example, a woman of 50 will generally feel and wish to be treated as a 35 year old. The understanding of this phenomena has profound implications for store design and branding. The environments that work target the customers' emotional age, rather than the physical one.

When it comes to retail locations, there are now many different retail environments available – shopping malls, high streets, big box retail, outlet malls. Successful retailers develop flexible concepts that can fit into each of these environments, whilst still delivering consistency of brand message and market positioning, thus widening their market and broadening their sales opportunities. For example, most prominent brands will have well designed and merchandised stores in brand designer outlet malls; these are happily co-existing with full price stores that are located elsewhere.

There is very little point of difference now between most malls as they tend to have the

Cosmetics and lingerie - formats like these ones respond to the customers' desire for small indulgencies with exciting shops and affordable prices

same selection of chain stores. Shopping centres in China are particularly all the same, with an oversupply of foreign luxury brands and undersupply of local middle market concepts. Besides, most luxury brand and fashion chain store designs look the same and are simply boring in my opinion. Consequently, in order to be successful, the shopping centres are actively looking for new exciting retail concepts that, on the one hand, are unique and different, and on the other hand, are professionally put together and have strong business plans. Some centres (like Bluewater in Kent) even have 'retail incubator' areas where new concept stores are invited to set up at an initially reduced rent.

In Europe and the US, the standards of visual merchandising are very high. There is a strong focus on selling the image, not just the product. Most centres and high streets will have a great amount of interesting shop windows and merchandise displays designed to stop customers in their tracks, to make them want to come in and purchase. Unfortunately, I don't often see this in Australia.

For customers who would like to DIY, availability of product information and advice is crucial, particularly when the product is technically complex. Stores that are designed with this in mind can really differentiate themselves from the competition. For example, Apple stores in the competitive computer sector and Orange stores in even more competitive mobile communications sector are open, friendly and accessible hubs of product information, knowledge and advice. They feel more like customer clubs, full of people and creative buzz.

High shopfronts, up to 6m, even 8m high, are becoming a common sight. In a shopping centre environment, this imitates a streetscape. For the retailer, this is an opportunity to make a huge statement, however it comes at a price as these shopfronts are very expensive. This also enables stores to set up additional mezzanine floors. There are many examples of successful use of this space, although moving customers up is still a challenge for impulse formats.

Plasma and LCD screens are quickly becoming a commodity in stores, shopping centres, bars and restaurants. Most of them show vast amounts of advertising. I believe this is a huge turn-off for the customers who are being bombarded by the same advertising in their homes. These screens are being at best ignored and at worst they may be the source of annoyance and a reason not to come back. I believe this is a bad, immature application of a fantastic new medium that should instead be used for creating unique ambience with custom-designed environmental moving images, as well as for giving product information.