

New report: Innovation key to survival in retail property sector

Broll Property Intel has released its latest report unpacking how the retail property sector is evolving, and highlights some of the changing retail, consumer and technology trends.



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“In the face of increased competition, shopping centre owners, developers, managers and retailers need to be alert to and agile in responding to the latest trends, consumer behaviour and technology in a fast-paced, ever evolving industry,” says Elaine Wilson, director of Broll Property Intel, the research division of pan-African property services group, Broll.

The Evolution of Retail report looks at retail trade sales and consumer confidence levels in the country over the last 10 years, which provides insight into the growth of the industry, but also how in recent years both retailers and consumers are coming under increasing pressure. In this context, the report questions whether lay-by sales options are the way to go for retailers.

The report also zones into the trend of international retailers and luxury brands coming into the South African market, as well as those that have exited. In addition, it highlights the future Gen Z consumer (those born between 1995 – 2009) and all things online that retailers need to consider, from the growth in online retail to social media and influencer marketing.

It also tracks changes in the retail and shopping centre environment itself, such as the growing trend of experiential stores and the growth of cashless payment systems.



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Consumers under financial pressure

On the consumer front, Theresa Terblanche, a divisional director at Broll, says South African consumers are anticipated to become more mindful of spending, focusing “more on needs and less on wants”. In the report, she notes: “This may begin to negatively affect retailer turnovers, which could result in store closures, consolidations and downsizing.”

According to the report, with consumers under continued financial pressure, retailers are feeling the ramifications. “This is evident in the number of retailers recently going into business rescue, such as Hamleys; and, others closing their doors for example Stuttafords, Nine West, Mango etc.,” it says.

Looking into lay-by sales, the report questions: “Is this a way for retailers to sell goods to cash-strapped consumers, instead of offering credit that in certain instances is to a retailer’s own detriment?” Broll Property Intel undertook an investigation into the various lay-by terms offered by retailers. This included lay-by cancellation fees. “The research showed that certain retailers prescribed a minimum spend... Furniture retailers tend to allow a 12-month lay-by period, while clothing and other retailers offer periods of between three and six months,” the report notes.



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Exit of international retail brands

Meanwhile, in terms of international retail brands operating in the country, the report says: “Over the last few years, SA’s retail market has seen the entry of a number of international retailers, be it luxury brands that play on consumer’s aspirations, or middle-market retailers (such as H&M) that consumers have been hyped up about.”

“Noteworthy in the retail market has also been the exit of various brands, including the likes of Nine West, Mango, Dunkin Donuts and more. This raises the question of whether international retailers understand the South African consumer or is our market being misjudged?”

Broll portfolio executive Marion Plint explains in the report: “The South African retail market cannot be approached with a ‘cookie cutter’ model - pricing and offerings need to be tailored to suit our unique consumers.”

On luxury brands, Terblanche adds: “The challenge in SA is that the shoppers that can afford these brands often opt to rather purchase these items during their overseas trips at cheaper prices, instead of at home for an inflated price.”

Broll divisional director Vicus Bower shares similar sentiments and believes that “price point is a key driver to the success of a retailer within the African retail context”.



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Online shopping

On the online shopping front, the report notes that not all retailers have jumped on the online train, with some still offering a single channel shopping experience either in bricks-and-mortar stores or online only. The question arises: Are these retailers losing out on potential customers?

“Retailers cannot afford to miss out on opportunities that Omnichannel presents. With the increase in comparative shopping occurring online as well as via social media, Omnichannel has become the order of the day for all retailers,” stresses Terblanche.

In terms of social media and the growth of influencer marketing, the report notes that the Global Web Index shows around 30% growth in people using social media to research/find products to buy. “Retailers and brands need to evolve as consumers demand digital integration, whether it be chatting with friends, tracking daily health activities, reading the news or even finding your soulmate,” it says.

Meanwhile, the report observes that retail stores are becoming more experiential to draw in customers. “Experiential stores are becoming more profound within the market and the growth of such stores is envisioned to continue,” it concludes.

[Download *The Evolution of Retail* report.](#)

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