Shopping Centre Market Research: measuring what matters

Footfall data are not reliable metrics in isolation.

Latimer Appleby has identified the following as some of the most important additional measures for shopping centres:

- Dwell Time
- Party Size
- Visit Frequency
- Conversion
- Average Party Spend
- Shopper Satisfaction
- Demographics
- The X factor

This paper explains why

Market Research and the Shopping Centre

Historically, shopping centre developers focused on two areas: capital cost and rental return. There was minimal interest in 'the shopper' and the developer's primary goal was to maximise rental income. The industry tended to have a business to business emphasis. However, although capital cost and rental return are still fundamentally important, the need to better understand consumers, and their behaviours, is now universally accepted.

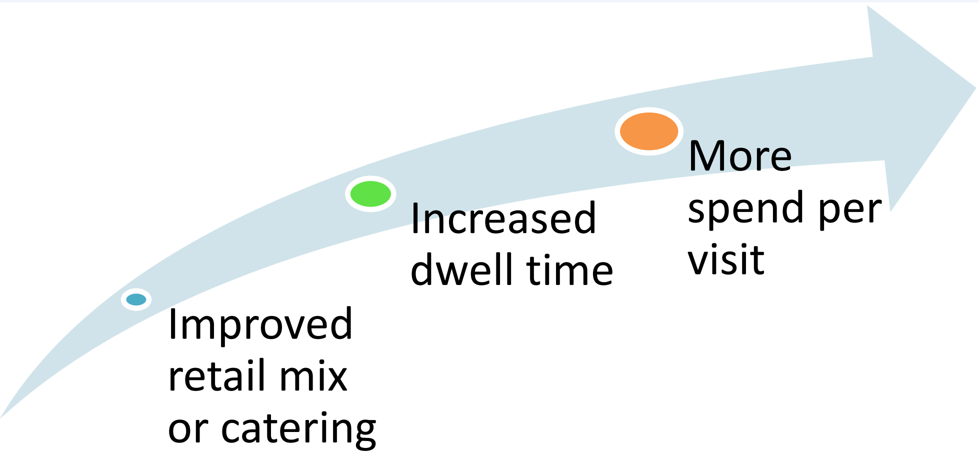
The first step towards understanding consumer behaviour began with measuring footfall: counting the number of shoppers in a centre. In 1990, Meadowhall started using light beam technology to track footfall. The flow of data allowed tenants to be made aware of seasonal movements and, therefore, be better prepared for sales uplifts by ensuring more staff were available and inventory levels were higher. Promotional impact could be scientifically measured for the first time.

However, footfall data are not reliable metrics in isolation. In the example below, Centre A, with a higher gross footfall, generates a 14% lower turnover than Centre B, which is a result of a lower conversion rate and lower average party spend.

In this white paper, Latimer Appleby will highlight some of the most important additional measures for shopping centres.

	Centre A	Centre B
Gross visits	16 m	12 m
Passing through	4 m	2 m
Net visits	12 m	10 m
Party size	1.6	1.6
Net parties	7.5 m	6.25 m
Conversion rate	56%	64%
Net parties spend	4.2 m	4 m
Non-food average spend per party	£41	£49
Total non-food spend	£168 m	£196 m

Dwell Time



Dwell time can be increased by an improvement in the retail mix or in the catering offer. It can also be influenced by improved facilities for children, as this reduces stress, and the need to go home, for both parent and child. **Dwell time improvement correlates positively with average spend per visit:** the highest dwell times in the largest regional shopping centres attract the highest spends.

Although urban shopping centre dwell times are typically around 60 minutes, the impact of an improvement in dwell time is, nonetheless, significant. We should bear in mind, however, that although increased dwell pushes up spend, it also tends to reduce visit frequency.

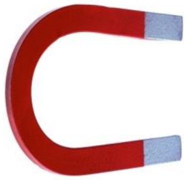
The aim should be to increase both the shopping centre's share of the available time spent shopping in its respective town or city, and to increase overall dwell time in the centre itself.

Party Size

Most shopping centre visits are by shoppers on their own, or solo, therefore the **average party size is under two: typically around 1.6**. An **improvement in party size usually produces an increase in spend.** Women dominate the shopper population and their preferred shopping companion is a female friend. Typically, when shopping, women regard their male partners as impatient killjoys who inhibit browsing, and children are not always popular shopping companions because they have short attention spans and are concerned with their own needs and interests.

When a woman shops with her partner or her children, or both, she will be shopping for the whole family and, therefore, average spend per visit tends to be higher. The large regional shopping centres attract larger parties; at weekends over 60% of parties include at least one child, which helps boost spend. Larger party sizes can reduce dwell time unless there are facilities for men and children: for example, a reasonable choice of casual eating options.

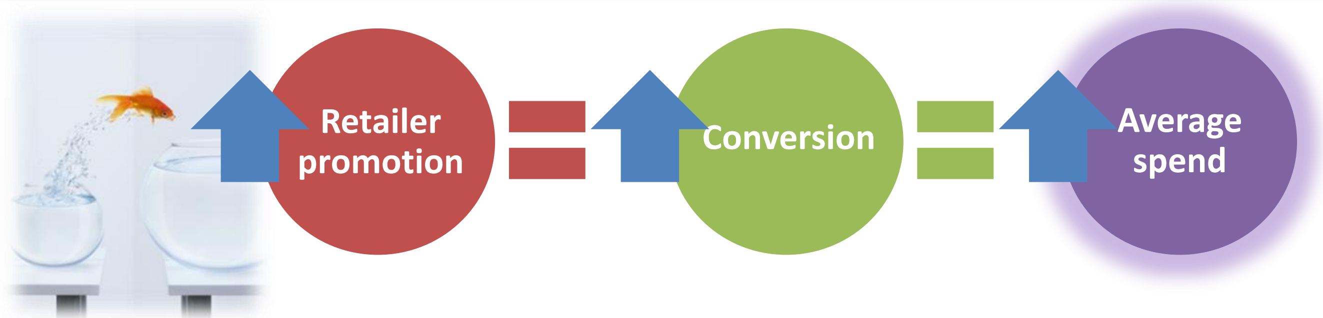
Visit Frequency



In the UK, the average number of non-food shopping trips each year is 65, excluding visits to retail parks, supermarkets or designer outlets. NB If visits to retail parks, supermarkets or designer outlets were included the average would be 130.

For urban shopping centres, the goal should be to attract a visit every time the shopper visits the town centre: a key performance indicator is the proportion of visits to the city or town that also include a visit to the shopping centre. It should be noted that marketing campaigns to target the secondary or tertiary catchments can produce an increase in shopper flows and revenues, but are likely to result in a drop in frequency, which falls in proportion to the greater distance travelled. As noted, a fall in frequency is often an indicator of an increase in average spend and vice versa.

Conversion



Retail parks and regional malls enjoy conversions of 90%. More routine trips to urban shopping centres have a strong element of browsing. This can produce conversion levels as low as 50%, although the mean is around 60%. Conversion levels are inhibited by many factors within retail outlets, including: stock availability, congested tills and indifferent service. It is, of course, difficult for Centre Managers to intervene in these areas, but **we have found that using the mall's common areas to promote retailers, perhaps by way of special offers or seasonal messages, is an effective technique to improve conversion.**

At Latimer Appleby, we believe that **focusing on conversion is the most cost effective marketing tactic:** you are addressing shoppers who are already within your centre. There is a positive correlation (0.67) between conversion and average spend: in 67% of occasions as conversion rates rise, average spend rises too.

Shopper Satisfaction

Shoppers spend more money when they are happy. We have applied regression analysis to shopper satisfaction scores, recorded over many exit surveys, which confirm a positive correlation between customer satisfaction and average spend. Each of the below measures, individually and collectively, provide a more qualitative assessment of the centre.

Choice of shops: Have you got the right store mix? We are able to explore both the right balance in terms of the types of retailers and specific brands shoppers might want to see.

Good service: Shoppers' expect good service, and those centres that fail to provide it will be penalised. Shoppers have greater choice, both offline and online, and can easily go elsewhere.

Safety and security: How safe is your scheme? Most schemes have visible security staff but it is important to maintain a balance: too many staff patrolling in pairs suggests a problem, but no visible security staff may also be a cause for concern. And remember, what might qualify as a safe environment for a 35 year old male, might not for a 70 year old female pensioner.

Ease of access: This is not just about the proximity of the centre but also the way that shoppers enter and leave the centre. Consideration needs to be given to bus routes and stops; to safe well lit walkways to and from car parks; and sufficient good quality parking.

Cleanliness: All centres, especially those under cover, should be able to control the level of cleanliness.

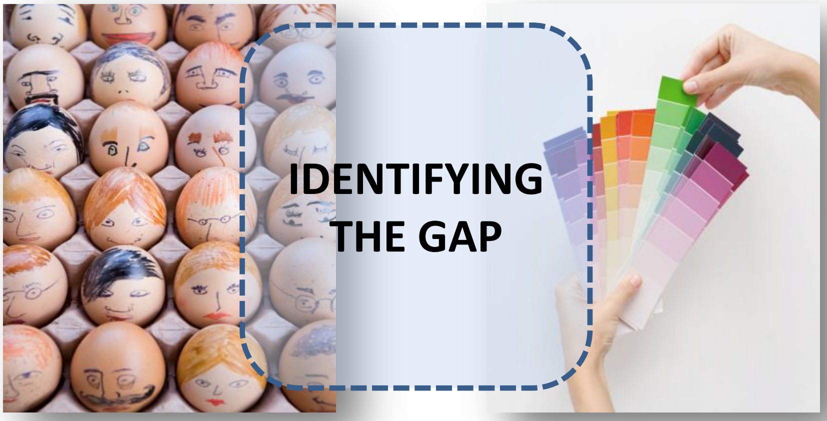
Pleasant atmosphere: Is the overall ambiance conducive to shopping? Is it too hot, too cold or too windy? Are music levels too high or too low? Are the promotional staff in the common areas too pushy or too distracted? Are the toilets clean? If the individual elements, which contribute to the overall environment, are not as they should be, shoppers will be less willing to shop.

Catering: Because the internet now provides direct competition for traditional shopping centres, malls need to do more than just provide the right sorts of shops. Shopping for many is a more than just a pragmatic exercise. Today's shoppers expect more: not just a good choice of shops but also a good choice of places to eat and drink. Good catering facilities can help boost dwell times, which will have an impact on both conversion and spend.

Average Spend

Average Party Spend is largely driven by the size of the shopping centre, its location and its retail mix; but it is also influenced by the variables outlined above, such as higher dwell times, larger party sizes and higher conversion rates. However, high visit frequency tends to reduce average party spend.

Demographics



Understanding who your shoppers are in relation to your catchment is important, and market research can help you achieve this.

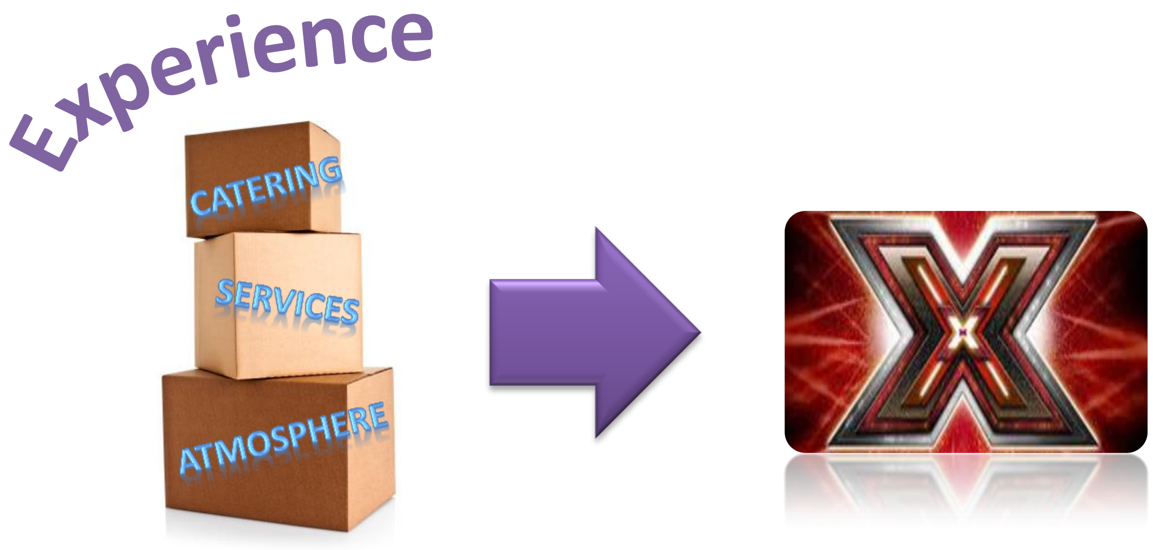
We routinely classify shoppers under the following categories:

- Gender
- Age or life stage
- Social grade or income level
- Home postcode

Understanding exactly who the centre is currently attracting, from its available catchment, will help determine potential gaps in its choice of shops: its retail offer. So, for example, if there is a lower proportion of high-spending affluent shoppers from its catchment, there may be a need to add suitable high-end fashion retailers. Fewer male shoppers in comparison to the catchment, may suggest the need for more male oriented retail or leisure facilities. In short, it is about maximising the catchment potential.

Home postcode capture can be used both to provide a map of the catchment, and to help to build a more detailed understanding of the shopper profile by appending geo-demographic classifications to each postcode. This will enable a deeper understanding of a centre's shoppers. However, it is important to note that geo-demographic classifications operate at the household level, and not at the individual level. Many households will of course include different types of shopper: mums, dads, teens and extended family members. All of whom will, of course, want to be understood and addressed as individuals.

The X factor



The shopping centre is more than the sum of its parts, it is more than a collection of shops: it is a brand in its own right. The atmosphere matters, and the additional services provided the centre matter. Catering is important but shoppers also expect an 'experience' and, for some, a sense of 'theatre'.

Market research can be used to assess recall of events, participation at events and, importantly, whether the event attracted shoppers and encourage them to spend.

Market research can quantify return on promotional investment: helping tighter marketing budgets deliver tangible benefit.

To discuss this paper, or to find out how we can help you understand your shoppers better, please contact:

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