

media:release

Sales fatigue setting in among Australian shoppers; new dynamic emerging across retail landscape

- *Cautious optimism underpins shoppers' outlook*
- *Return to eating out and purchasing of big ticket items; early indications of a retail revival*
 - *Beyond price: a retail revolution is on its way partly fuelled by overseas entrants*
 - *Retailers who understand new shopper mindset will be winners*

Sydney, 15 September 2010 – According to Australia's largest bi-annual study on shopper behaviour released by AMP Capital Shopping Centres (AMPCSC) today, almost half of Australians say sales have lost their appeal and no longer act as a trigger to spend despite improving signs of shopper optimism.

Currently, retailers are faced with a new puzzle: economic growth and returns to historically low unemployment have not combined to produce, as before, a rush on the shops. AMPCSC's 2010 *Recommended Retail Practice (RRP) Report* shows while Australians are growing more comfortable with the idea of treating themselves with small rewards like inexpensive fashion, household goods and meals out, there are a number of factors holding people back from shopping. Not least the rising numbers of a new post-GFC group of discerning shoppers who want a great deal more from their shopping experience before they part with their hard-earned cash.

Returning confidence but at a price

As part of the research, shoppers were asked how their spending habits were adjusting to the new economic climate. While spending has not returned to pre-GFC levels, Australians are back spending on non-essential items. The retail categories that have seen the biggest changes include:

- 12% of Australians think they will be spending more on **eating out**, compared with 6% in July 2009
- 10% of shoppers plans to spend more on **takeaway meals**, as opposed to 7% in 2009 when the 'dinning-in' trend was at its height
- Only 38% think they will be spending less on **big ticket items** like furniture, compared with 45% a year ago
- 34% of Australians believe they will be spending less on **technology** purchases, compared with 38% in July 2009

Looking beyond their own spending intentions, shoppers are showing higher levels of optimism about the spending habits of Australians in general over the next six months:

- 38% believe Australians would spend more on inexpensive **everyday fashion**, while only 6% thought they would be happy to fork out for high-end fashion and a mere 5% felt spending for luxury items would go up

- 44% thought spending would increase on local Australian **holidays**, as against only 18% who believed Australians would spend their dollars travelling overseas
- 37% predicated a rise in technology purchases such as **mobile phones** and **computers**.

The sales conundrum: sales-fatigued shoppers versus bargain hunters

The findings also show a divergence between shoppers who still enjoy the opportunity to purchase when retailers are discounting (55%), and those Australians who are growing weary of what they see as constant sales (45%). As a result, sales will no longer cut it as the sole strategy for enticing shoppers.

Stuart Langeveldt, AMPCSC's head of marketing and communications, said shoppers were split down the middle and retailers now had to carefully consider both sides of the equation.

"One thing is for sure, today's shoppers are incredibly well informed; hyper-connected, social, and they are demanding," he said.

"Our research also shows they hold legitimate concerns about rising utility costs (48%), reducing their debt levels (41%), rising interest rates (22%), keeping their jobs/partners jobs (16%), and the instability of global economic recovery (21%), as well as living more sustainable lives (37%).

"They want to be inspired and engaged – they want the promise of a memorable experience before they are tempted to venture into a retail outlet and spend," said Mr Langeveldt.

What shoppers really want

According to Helen Bakewell, managing director of Directional Insights, a leading retail research firm commissioned to undertake the research on behalf of AMPCSC, the onus is on retailers to make shoppers feel good about spending with them.

"Our qualitative research produced some interesting insights in the shifting mindset of shoppers. The main point that came through is that around half of shoppers want a great price, but a similar amount wants something more. More includes retailers providing them with a shopping experience specific to their needs and requirements, which puts them at the centre of the retail experience. They also want easy access to highly trained and knowledgeable shop assistants who can and, more importantly, are willing to answer their well-researched questions. They are also looking for shop assistants to be more visible, especially in larger stores.

For many who are now buying less, they are looking for better quality when they make the purchase, not just quality product but a quality experience in person and in store.

"When it comes to sales, they want to see a genuine stock-take sale that offers real discounts. Retailers constant 'sale' signs have lost their appeal for many who have become sales fatigued, and are seen as just a marketing tactic.

"What is encouraging to see is the endurance of the shopaholics they represented around 13% of shoppers pre-GFC and have maintained their love of shopping post-GFC at around 10% of shoppers – not surprisingly the vast majority are women."

Zara and Gap arriving on our shores – it's an exciting time to be in retail

AMPCSC's Stuart Langeveldt believes now is the time for Australian retailers to engage with shoppers in new and dynamic ways, and there are useful lessons to be learnt from international retailers who are hitting the mark with their customers.

"It's a really exciting time to be in retail. We are about to witness a revolution in retail in Australia, partly fuelled by the arrival of successful international retailers such as Zara and Gap,

and our retailers need to respond. These global retailers are not arriving to participate in the discounting war but to offer a fresh shopping experience to Australians.

“While the internet is an important element in engaging with customers, the retailers that will be successful are those who use a wide cross section of multimedia channels to effectively and appropriately engage in ways that are relevant to their customer groups,” said Mr Langeveldt.

According to Mr Langeveldt, international retailers who are successfully engaging with their customers include:

- Spanish retailer **Zara** is charting a new route in the mid-range fashion market, providing a benchmark for its competitors to chase. It is claimed that the brand requires just two weeks to develop a new product line from the concept board to getting it into its stores, compared with a six-month industry average. Zara launches around 10,000 new designs each year, and is renowned for the quality and reasonable price of its clothes. Brand devotees note the day that new stock arrives and visit accordingly, significantly boosting the number of shopping trips to the store.
- All-American basics brand **Gap** is renowned for the huge sense of space and light within their stores. That's because, simply, there is a lot more space; the brand purposefully selects spaces where the garments can be presented to their best effect, beautifully spaced out and set off by clean lines. To add that elusive human touch, each store also features staff whose role is to greet customers and put the brand's best face forward.
- American retailer **Abercrombie & Fitch** has a powerful Facebook presence which matches its trendy stores. The content-savvy page engages with young customers by showcasing the latest looks, running competitions for future models and encouraging a community of followers who can upload photos of themselves in their newest Abercrombie threads. Its latest promotion encourages fans to audition to appear in a hot new film. At last count, the brand had more than 1.5m Facebook followers.
- Up-market UK supermarket chain **Waitrose** gives its customers the opportunity to vote each month for the most important cause in the local community. Waitrose then gives that cause funds for that month, helping to create shopper loyalty and community engagement.

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About the research

AMPCSC's quantitative online research was undertaken between 29-31 July 2010 among 1,000 respondents across all states and territories, reflecting Australia's current population weightings by geography. The gender split was male 49% and female 51%. The qualitative research was completed on 31 August 2010.

About AMPCSC

AMP Capital Shopping Centres is the specialist shopping centre arm of AMP Capital Investors, with centres located in Australia and New Zealand. The 37 sites contain over one million square metres of retail space, which generate over \$6.2 billion in combined annual sales. Together, the centres have 3,000 retailers. In addition, they attract over 170 million shopper visitations each year. The Group's high quality, local community-focused centres include Warringah Mall (NSW), Macquarie Centre (NSW), Knox Shopping Centre (VIC), Pacific Fair (QLD), and Garden City Booragoon (WA).