

SA SHOPPING CENTRE BENCHMARKS 1998-2018



A TRILLION RAND AND
FIERCE COMPETITION

April 2018



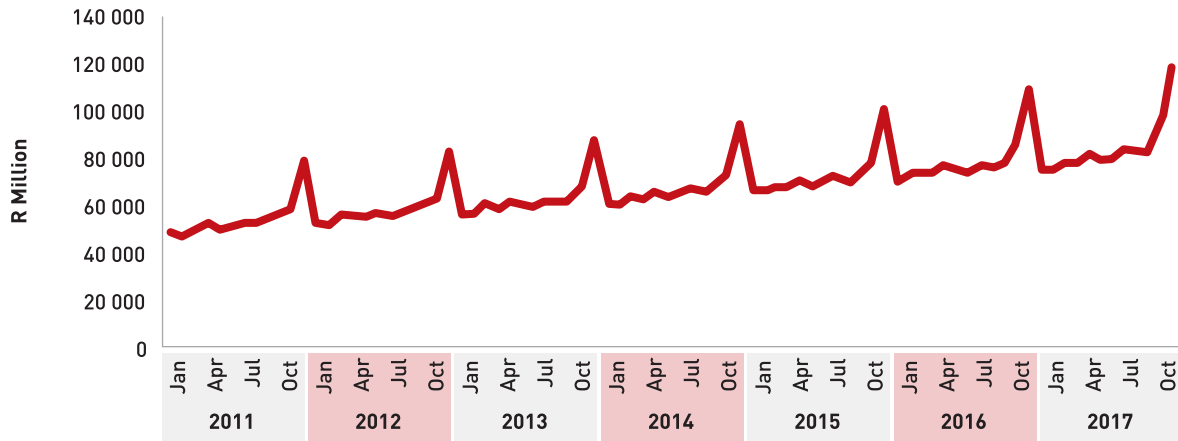


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During 2017 the retail sales figures in South Africa for the first time exceeded R1 trillion. Based on current values, retail sales increased from R939 billion in 2016 to just over R1 trillion in 2017. This represents an increase of 7.3%. It is estimated that Shopping Centre sales represent 65% of this total. This reflects a total shopping centre turnover of R650 billion and based on the current retail space a trading density of R27 000 per square meter per annum.

Graph 1 - RETAIL TRADE SALES AT CURRENT PRICES, 2011 TO 2017

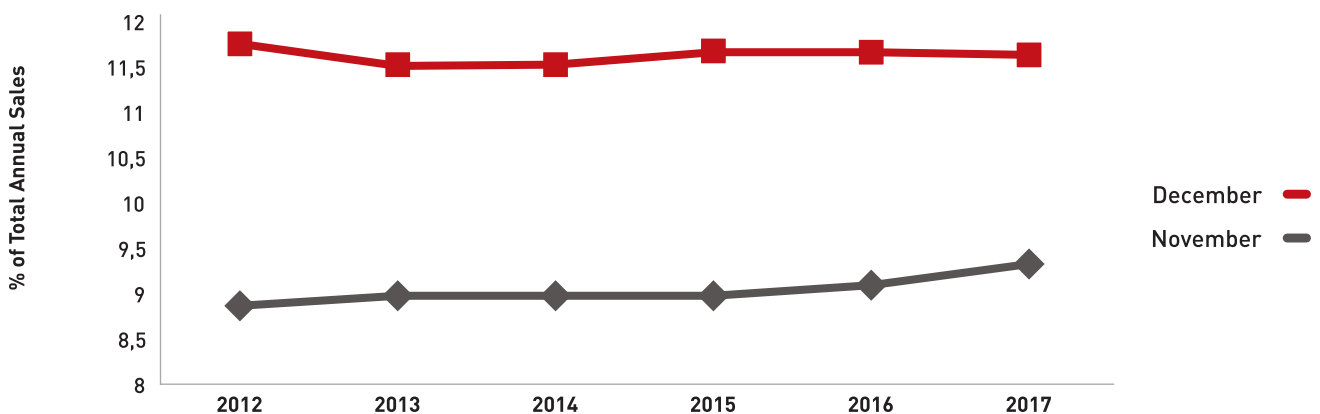


Source: Stats SA, Retail Trade Sales, 2018

Retail sales have increased by 10.5% from November 2016 to November 2017. Is this mainly the impact of Black Friday? What was the impact on the sales for December? The year-on-year December figures between 2016 and 2017 increased by 7.3%.

Another way of looking at these sales trends is to compare the monthly contribution for November and December to total annual sales. The November sales as percentage of total annual sales have increased from 9% in 2013 to 9.3% in 2017. This is a clear indication that the sales contribution is showing an upward trend since 2016. During the same period the sales contribution in December increased from 11.6% in 2013 to 11.7% in 2017. The contributions for December remain very consistent at this level.

Graph 2 - CONTRIBUTION OF TOTAL SALES: NOVEMBER AND DECEMBER 2012 TO 2017



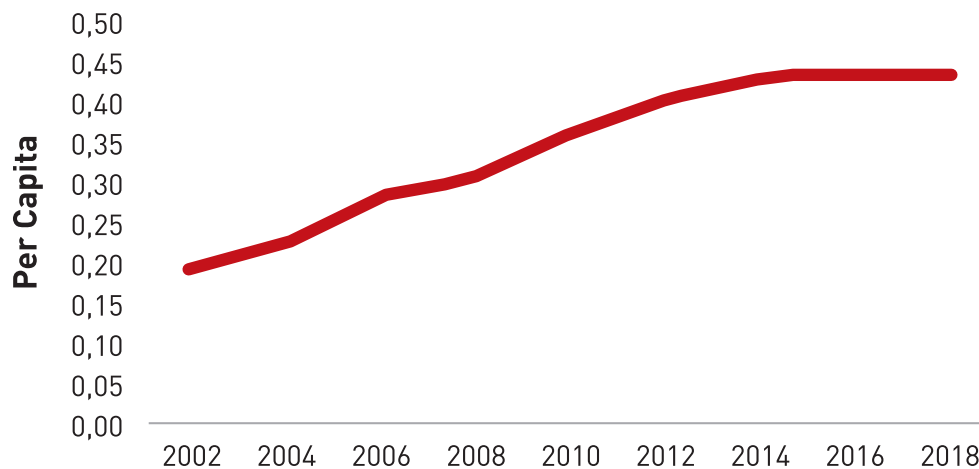
Source: Stats SA, Retail Trade Sales, 2018



RETAIL SPACE PER CAPITA

South Africa has a population of 57 million at the moment and more than 24 million m² of shopping centre floor space. The per capita shopping centre retail space has stabilized at 0.43m² per capita and is the same than in 2015. The graph clearly indicates the steady increase in per capita retail space since 2001. In 2001 the retail space was 0.2m² per person. This ratio is still much lower than in countries like Australia where the per capita retail space is 1.2m² and in the USA at 2.4m².

Graph 3 - SHOPPING CENTRE RETAIL SPACE PER CAPITA - 2001 VS 2018



Source: Urban Studies, 2018

TRENDS IN SHOPPING BEHAVIOUR OVER A 20 YEAR PERIOD

VISITS PER MONTH PER SHOPPING CENTRE TYPE

Super regional centres in South Africa received 4.2 visits per month in 2017. In the United States this indicator is at 3.2 visits per month. One of the main reasons is that most of the super-regional centres in the United States don't offer any grocery stores.

These figures are based on 20 years of benchmarking during which almost 300 shopping centres throughout South Africa were included in the benchmark figures.

All these benchmarks refer to the reaction of shoppers interviewed at each of the almost 300 centres and reflect their support for that particular centre.

The trends are the following:

- Neighbourhood centres received 7.5 visits per month, community centres 6.9 visits, small regional centres 6.4 visits and super regionals 5.1 visits;
- In all cases the trends for 2017 is slightly lower than the 20-year average;
- One of the main reasons for the decrease is the availability of many more shopping opportunities in the same geographical area;
- The consumer has many more choices – these choices on the neighbourhood and community centre level is mainly influenced by the grocery anchors and in some centres two and even three grocery stores are present.

Graph 4 - VISITS PER MONTH PER SHOPPING CENTRE TYPE



Source: Urban Studies, 2018

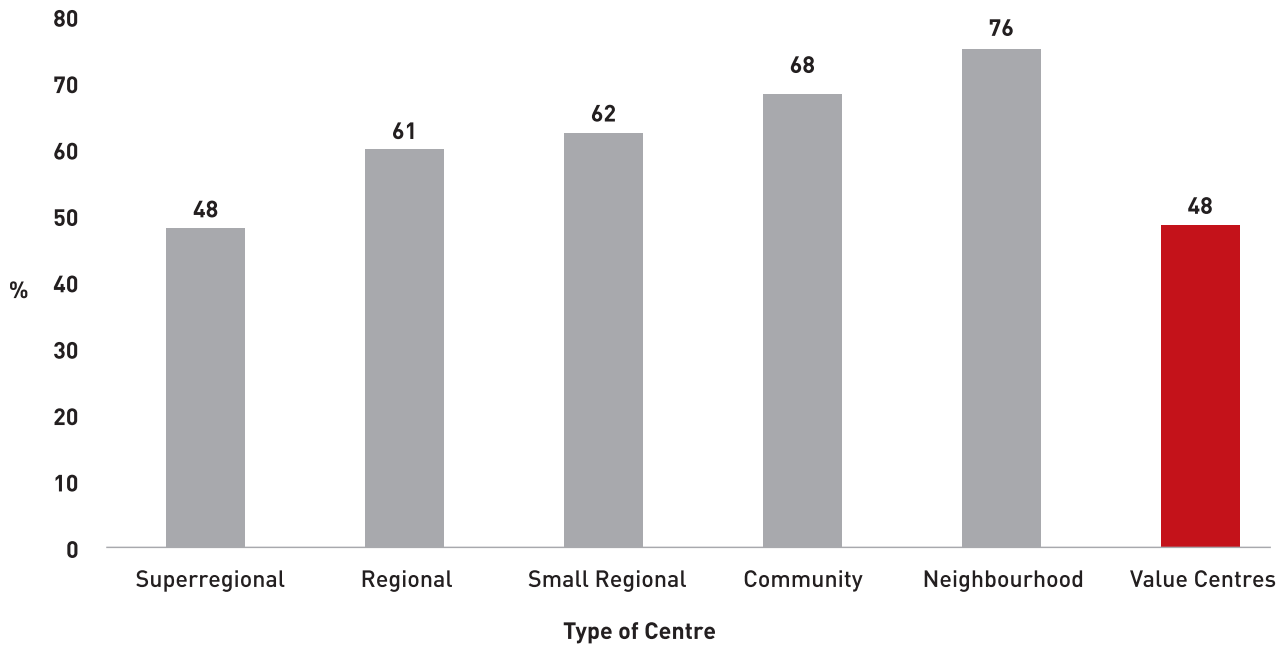
AVERAGE WEEKLY SUPPORT FOR DIFFERENT TYPE CENTRES (1998-2017)

The average weekly support for different type centres is another method of measuring support levels.

- 48% of the shoppers to a super-regional centre support the centre at least on a weekly basis;
- surveys however clearly distinguish between real large super-regional centres (mega centres) like Gateway, Canal Walk, Menlyn and Sandton City where the weekly visits are as low as 33%;
- 61% of all shoppers visit regional centres at least on a weekly basis;
- 76% of shoppers are in a neighbourhood centre once a week;
- the weekly visits to value centres varies according to the size and the tenant mix but on average 48% of the shoppers are present on a weekly basis; In most cases this is also driven by the presence of large grocery stores.



Graph 5 - % SHOPPERS SUPPORTING DIFFERENT TYPE OF CENTRE ON A WEEKLY BASIS: 1998-2017 (%)

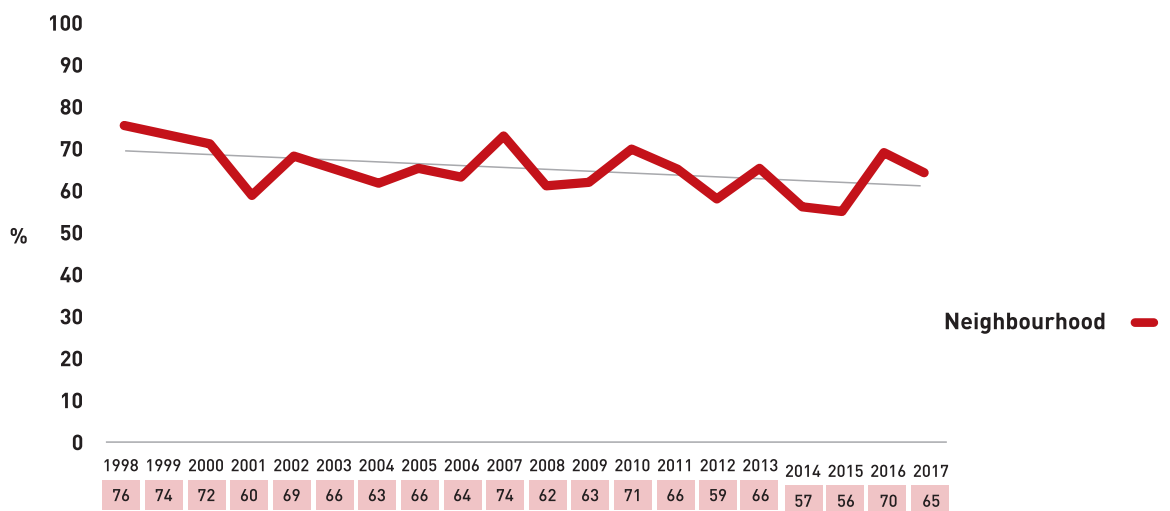


Source: Urban Studies, 2018

PERCENTAGE OF SHOPPERS VISITING NEIGHBOURHOOD CENTRES ON A WEEKLY OR MORE FREQUENT BASIS

The support for neighbourhood centres depends on the location. There are currently more than 740 neighbourhood centres in the country. The trend line on the graph indicates a decrease in weekly visits from 76% to 65% over a 20 year period. The main reason once again is the larger number of centres available to choose from and the fact that some shoppers with economic pressures shop only every second week instead of on a weekly basis. This is also linked to the cost and availability of transport.

Graph 6 - % OF SHOPPERS VISITING NEIGHBOURHOOD CENTRES ON A WEEKLY OR MORE FREQUENT BASIS)

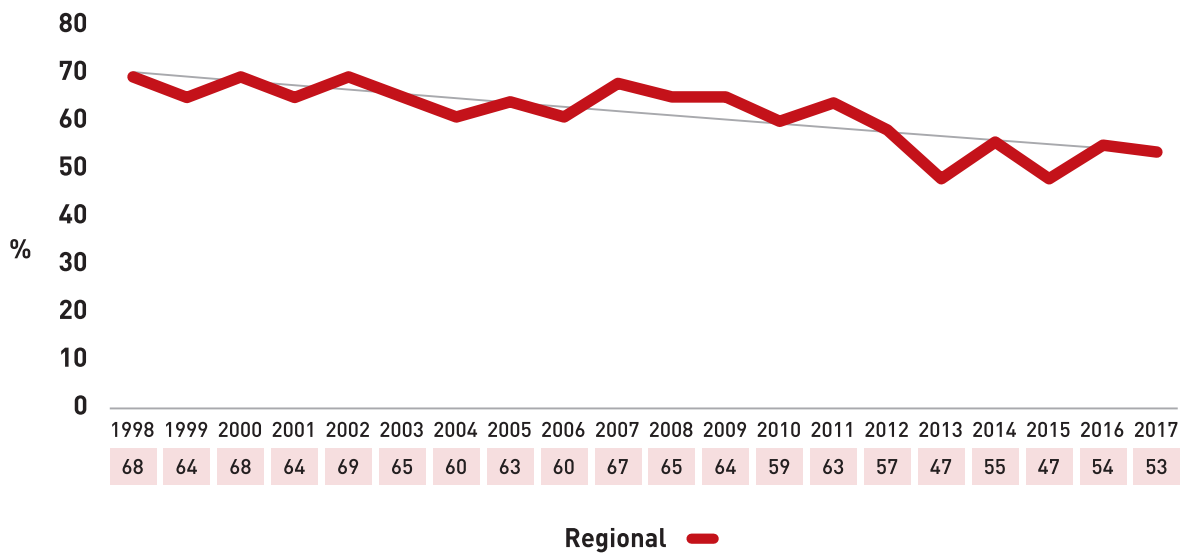


Source: Urban Studies, 2018

SHOPPERS VISITING REGIONAL CENTRES

The same downward trend is very clear over a 20 year period. The percentage of visits to regional centres decreased from 68% to an average of 53% weekly visits in 2017. Research also indicated that on average households in metropolitan areas support two different regional centres per month.

Graph 7 - % OF SHOPPERS VISITING REGIONAL CENTRES ON A WEEKLY OR MORE FREQUENT BASIS



Source: Urban Studies, 2018

PERCENTAGE OF SHOPPERS VISITING SUPER-REGIONAL CENTRES

As indicated above there are actually two categories of super-regional centres, those above 100 000m² and those above 150 000m². In the case of the latter ±33% support these centres on a weekly basis. These trips are mainly monthly as well as quarterly driven. The support very much depends on the broad metropolitan market, the region and tourists. The trend line clearly indicates a very consistent trend over a 20 year period.

Graph 8 - % OF SHOPPERS VISITING SUPER REGIONAL CENTRES ON A WEEKLY OR MORE FREQUENT BASIS



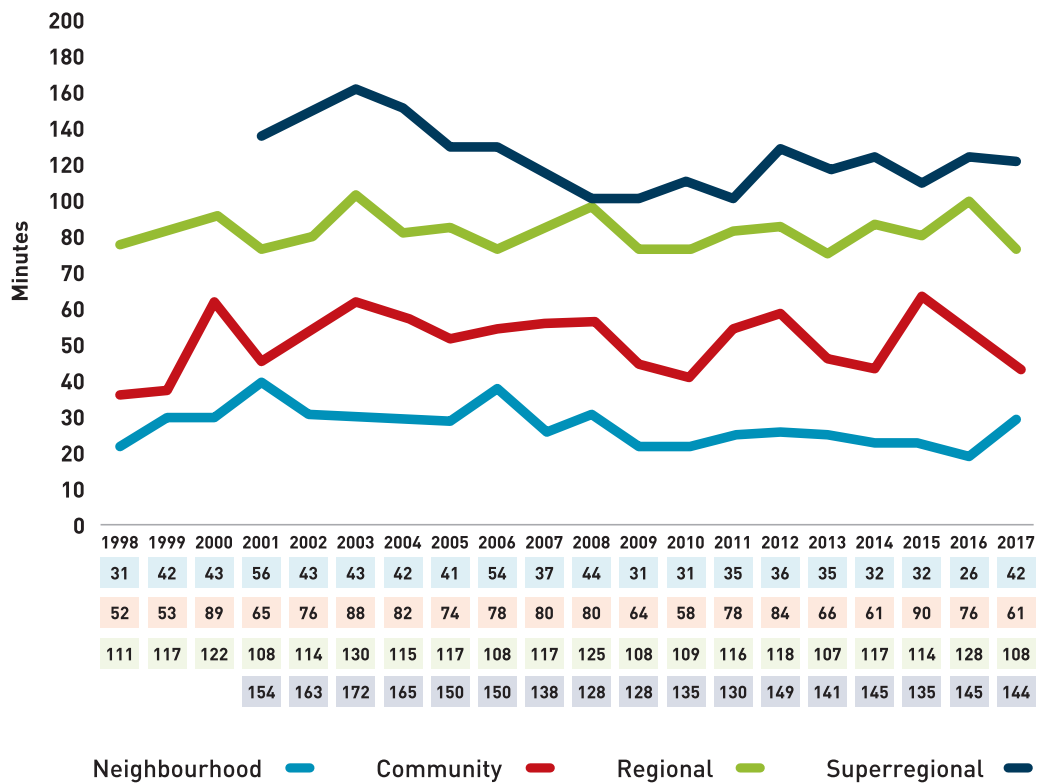
Source: Urban Studies, 2018



AVERAGE DWELL TIME

- for neighbourhood centres is between 30 and 42 minutes per visit;
- community centres have a longer dwell time of between 60 and 70 minutes;
- regional centres have also dropped but is currently at 108 minutes while
- super-regional centres is on 144 minutes dwell time;
- in all other cases the trend line over a 20 year period has remained very consistent.

Graph 9 - AVERAGE DWELL TIME PER TRIP FOR DIFFERENT TYPES OF CENTRES



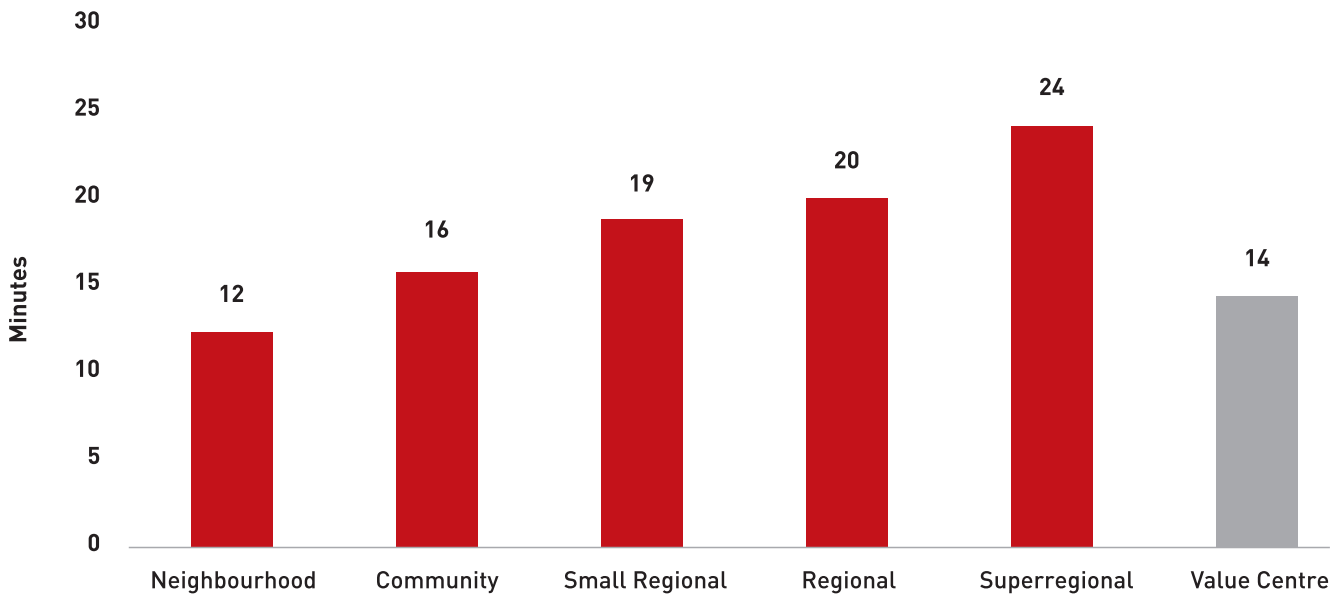
Source: Urban Studies, 2018

AVERAGE DRIVE TIME

The drive time to a centre is a function of the size, the location and the general accessibility:

- the drive time to neighbourhood centres is 8–12 minutes;
- regional centres a 20 minute drive time and
- super-regionals 24–30 minute drive time;
- the drive time to value centres are much lower and co-inside with that of community centres and indicates a smaller trade area than what was initially expected.

Graph 10 - AVERAGE DRIVING TIME TO DIFFERENT TYPES OF CENTRES: 1998- 2017 (MINUTES)



Source: Urban Studies, 2018

SATISFACTION RATINGS

There is no specific clear trend in the satisfaction ratings for the different types of centres. Regional centres have the highest satisfaction ratings, followed by community centres. The lowest ratings are for so-called value centres. In all instances satisfaction rating levels should increase to at least 78%-80%. This must also be set as a target for the whole industry. Support in future will depend on the service and satisfaction ratings received from a particular shopping centre.

The South African shopping centre industry is not doing enough to promote quality service. In many cases service levels are well below expectations. With the very strong competition it will be easy to avoid or switch to other centres. The key focus therefore is to offer the highest level of service and to avoid comments like:

Nobody is willing to assist

The assistant did not acknowledge me and I left

Poor service, lack of communication and person was very rude

Fighting in front of customers shouting at each other

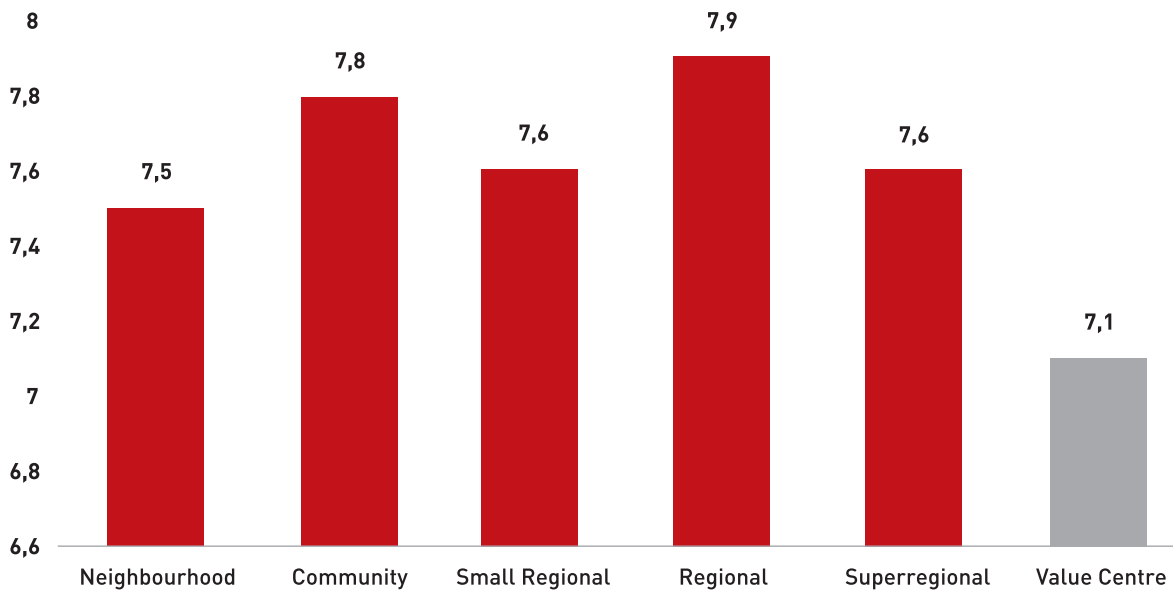
Made me a private deal through the back door

Talk on cell phone - and keep on talking

Play games on cell phone when client enters the store



Graph 11 - SATISFACTION RATING OF DIFFERENT SIZE CENTRES 2016-2017



Source: Urban Studies, 2018

LESSONS TO BE LEARNED

Lessons to be learned from all the above mentioned is the very important role of competition and the influence on support levels, dwell time, shopping behaviour and service levels.

Shopping behaviour will in future be influenced by social media. On average 61% of the metropolitan middle and upper population is already on Facebook. Social media is used on low levels as a marketing tool and is still in its initial stages with an average penetration of only 20% in most regional centres. Facebook is by far the most important and varies from 33% to 75% penetration depending on the different geographical areas within cities.

There are 1.4 billion people in China while Facebook has a meaningful relationship with 2 billion people worldwide. Thirty-five minutes of each day is dedicated to Facebook. Facebook is gaining influence faster than any enterprise in history. Facebook may be the most successful thing in the history of humankind (Galloway, Scott; 2017, The Four: The Hidden DNA of Amazon, Apple, Facebook and Google).

GOING FORWARD

R1 trillion in retail sales and more than 24 million m² of shopping centre space with declining weekly visits for all centres confirm the fierce competition. The need remains to understand the customer better, to offer excellent service and to reach the customers through creative methods of social media. Online shopping will also become a bigger threat in future. The next report will track the online shopping trends since 2013.



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