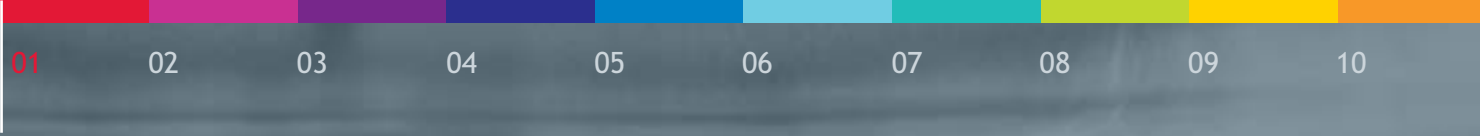


Future of Retail Property

Changing Demographics and Consumer Patterns



Future of Retail Property
Changing Demographics and Consumer Patterns





Anticipating the ever-shifting wants and needs of today's demanding consumer is the major challenge facing our industry. This report not only takes an in-depth look at the complexities of current buying behaviour, but also investigates how demographics are evolving - analysing present patterns to project likely trends over the next decade. Taking these findings on board will be key to making the right strategy decisions at the core of our success.

BCSC is pleased to present this groundbreaking research.

John Strachan, President, BCSC
Head of Retail, Cushman & Wakefield

Future of Retail Property

Changing Demographics and Consumer Patterns

Researched and written by Verdict Consulting

Managed and edited by:

Richard Barkham, Grosvenor

Yvonne Court, Cushman & Wakefield

Marcus Kilby, Lunson Mitchenall

Kate Logan, BCSC

Hayley Myers, University of Surrey

Financial support from BCSC Educational Trust with special thanks to:

Jim Murphy

Roger Groom, London & Continental Stations & Properties Ltd

ISBN 1 897958 30 7

© BCSC (British Council of Shopping Centres) 2006

The text of this publication may not be reproduced nor may talks or lectures based on material contained within the document be given without the written consent of BCSC.

No responsibility for any loss occasioned to any person acting or refraining from action as a result of any material included in this publication can be accepted by the authors or publishers.



Introduction	04	Section 4		
Section 1		The Consumer Lifecycle	53	
Executive Summary	05	- Introduction	54	- Upgrading and renewal (45-54):
- Summary of key findings	06	- Lifecycle overview	56	findings from the focus groups
Section 2		- Lifecycle population change	58	- Wanting it all (55-64)
Consumer Meta Trends	09	- Lifecycle population change	60	- Wanting it all (55-64):
- Introduction	10	by segment	60	spending and consumption patterns
- Connectivity	12	- Lifecycle attitude change	62	- Function with fashion (65-74)
- Abundance	14	by segment	62	- Function with fashion (65-74):
- Wellness	16	- Lifecycle segment	64	spending and consumption patterns
- Demanding	18	spending summary	64	- Mend and make do (75+)
- Post materialism	20	- Coverage	66	- Mend and make do (75+):
- Pressured	22	- How to use the datasheets	68	spending and consumption patterns
- Limelight syndrome	24	Section 5		Section 6
- Distracted	26	Lifestage Segments	71	Requirements and Responses
Section 3		- Innocence to corruption (0-14)	72	- Introduction
Retail Background	29	- Innocence to corruption (0-14):	74	- General requirements
- Introduction	30	spending patterns	74	- Identity forming (15-24)
- Total consumer expenditure	32	- Identity forming (15-24)	76	- Identity forming (15-24):
- Food and grocery	34	spending and consumption patterns	78	- Mass acquisition (25-34)
consumer expenditure	34	- Identity forming (15-24):	80	- Mass acquisition (25-34):
- Books, news and stationery	36	findings from the focus groups	80	spending and consumption patterns
consumer expenditure	36	- Mass acquisition (25-34)	82	- Mass acquisition (25-34):
- DIY consumer expenditure	38	- Mass acquisition (25-34):	84	spending and consumption patterns
- Music and video	40	- Mass acquisition (25-34):	86	findings from the focus groups
consumer expenditure	40	- Split priorities (35-44)	88	- Split priorities (35-44)
- Clothing and footwear	42	- Split priorities (35-44):	90	spending and consumption patterns
consumer expenditure	42	- Split priorities (35-44):	92	findings from the focus groups
- Electricals consumer expenditure	44	- Upgrading and renewal (45-54)	94	- Upgrading and renewal (45-54)
- Furniture and floor coverings	46	- Upgrading and renewal (45-54):	96	spending and consumption patterns
consumer expenditure	46	- Upgrading and renewal (45-54):		
- Health and beauty	48	spending and consumption patterns		
consumer expenditure	48			
- Conclusions	50			

This publication forms part of BCSC's *Future of Retail Property* programme. This is a major research initiative designed to map out the key forces for change in the retail industry over the next ten years.

This report focuses specifically on consumer change and how shifting demographics and shopper habits will impact on retailing and shopping places. A companion report which focuses on the Third Age Shopper has been produced by the University of Surrey; both reports have been designed to complement each other.

The report is divided into several sections:

- An **executive summary** explores the key findings of the research.
- A section on **consumer meta trends** examines some of the high level, fundamental societal changes which are affecting and increasingly will affect - consumer demand. These are trends which will affect almost all consumer groups.
- The **retail background** takes the impact of the consumer meta trends and maps out how they, and other influences, will affect retailing out to 2015. Specific forecasts for all major retail sectors out to 2015 are detailed along with an analysis of internet spending.
- The **consumer lifecycle** section takes the analysis of consumers one step further by splitting them into a lifestage model and examining how each segment will change, in demographic terms, over the next ten years.
- The **lifestage segments** section provides a detailed examination of all the consumer segments, among other things exploring their current and future spend, their consumption habits, their shopping preferences and their lifestyle traits.
- Finally, the **requirements and responses** section analyses the impact consumer change will have on both retailers and shopping places. Recommendations are provided indicating appropriate future responses.

Section 1

Executive Summary



Summary of key findings

- **Retailing is becoming a far more competitive market** in which to operate. There are lots of reasons for this, many of them relating to consumers and how they are changing.
- Some of this consumer change is high level and relates to all groups. For example, the **large majority of consumers today own much more 'stuff'** than generations before them. As they have most of what they already need, persuading them to buy additional products becomes increasingly difficult.
- Consumers are also **slightly jaded and feel bored with the shopping process**. This is partly a function of not needing to shop as much, but it is also related to a lack of innovation on the part of many retailers and shopping places which gives rise to a 'been there, done that' feel about shopping.
- Alternative considerations are being integrated into the consumption process. Issues such as wellness and wellbeing where consumers are more interested in buying functional products which improve their health are more prevalent. Equally, there is a **greater awareness of ethical and environmental concerns**.
- The **pressure of time is a major problem** for many in today's busy society. As an activity, retailing is not immune from this trend, and convenience and ease are watchwords for consumers.
- For retailing, all of these problem areas are combined with supply side factors such as a **more intense focus on price, a deflationary retail environment**, greater choice for consumers because of the addition of **ever more retail space** and the **entry of the grocers into non-food markets**. Consequently, **retail growth will be much harder to attain** over the next ten years and market share will have to be defended. This applies as much to shopping places as it does to individual retailers. See BCSC's report '*How much space can the market absorb?*' for further information.
- As an example of this, over the next ten years overall retail **consumer spend will grow by an annual average of 3.3%**. Over 1990 to 2004, this average was 4.9%. Of course, on the positive side, retail will remain a growth sector of the economy.
- The **internet adds to some of the difficulties** as it will increasingly take share (and a large proportion of future growth) from physical retailers and retail places. By 2015 it is forecast that **online sales will account for almost 11% of total retail spend**. In some sectors this proportion will be much higher. Music and video, for example, will see almost half of spend made via the internet by 2015.
- There are **no easy answers to many of these issues and retailers and retail places will need to work hard to overcome them**. However, it is clear that the customer is the critical ingredient and will need to be central to every retail business. Despite paying lip service to the customer, retailers and shopping places have traditionally been quite bad at truly understanding consumers and putting them at the heart of their businesses.
- An increased focus on the consumer and how different consumer segments are changing is key to meeting the objective of becoming more consumer centric. A potential way of segmenting customers is to look at the **consumer lifecycle** - that is how people at different lifestages shop, what they shop for and how they will change over the next ten years.



- While lifecycles are complicated there are generally eight phases: young children, teenagers and young adults, family formation, maturing families, empty and emptying nesters, pre-retirement, younger retired and older retired. We have focused on these key groups in our report. A summary is shown in the consumer lifecycle section. Although there are overlaps between them, each of these lifestages exhibits a distinct set of behaviours.
- The composition and structure of each of these segments will change over the next ten years. In general terms there will be an ageing of the population and a shift away from the younger family groups (see BCSC's *Consumers over 55* report).
- At present the maturing family group - what is identified as 'split priorities' - is the largest consumer segment in terms of spend. These individuals collectively contribute 22.4% of total retail spending (£59.5bn). Notably, by 2015 this group will be pushed into second position by an older consumer segment - the empty and emptying nesters group (in this report they are 'upgrading and renewal' consumers).
- Other older segments will see rapid growth in their spend too. Indeed, over the next ten years well over two-thirds of all retail spend growth will come from the 45+ segment of the population. This means that, by 2015, in excess of half of all retail spend will come from those aged over 45.
- This has important implications for retailers and shopping places who must adapt their propositions to meet the needs of older consumers. Issues such as tenant mix, space apportionment, service levels and design will all need to take into account the requirements of these experienced shopper groups.
- There will be two factors which make this challenging. First, the older consumers of tomorrow will be different from their counterparts today: they will have younger mindsets and shop in a far wider variety of categories. Second, as more experienced consumers with a lifetime of shopping behind them they are much more demanding and discriminating in terms of what they want. Consequently, as a service oriented group, retailers and shopping places may need to incur additional costs to meet the needs of these groups.

In the next ten years well over two-thirds of all retail spend growth will come from the 45+ segment of the population.



08

BCSC: Future of Retail Property
Changing Demographics and Consumer Patterns

- Despite the potential they offer, **older consumers are not the only segment that retailers need to understand.** Younger family segments also offer rich pickings. For example, the 'mass acquisition' lifestage - that phase when people are setting up homes and establishing families - will account for 18% of retail growth over the next ten years.
- Many shoppers in this group will have families and so **making the shopping process easy for them and integrating family activities will be important.** This is especially so because families of the future will lead more hectic lifestyles than they do today.
- The **youth market becomes less important to retail over the next ten years.**
- Focusing and trying to be more responsive to the consumer segments they want to target will be a critical way for shopping places of the future to benefit from greater footfall and spend. There needs to be a recognition that **many shopping places can no longer be all things to all people** and that they need to focus in on certain consumer groups or certain types of retail trip.
- With greater focus comes the ability to differentiate. **Shopping places need to differentiate themselves much more than they do at present.** With more retail space coming into operation and with a wider choice of retail channels, it will be increasingly important for retail places to stand out from the crowd.
- As there will be a battle between shopping places (and the internet) for spend, it will be **important for locations to advertise themselves more and communicate directly with their customers.** This may involve promotional activity including discount vouchers, for example. Communication must be targeted at individual consumer segments and made relevant to them.
- **Parking is a very important factor** for customers and **locations which make access difficult or expensive will inevitably suffer as a consequence.** Planners and local politicians must take this into account.
- Overall, there are future gains to be had but **shopping places will need to work harder to attain them.**