Retail is not dead, it is changing fast!

By Itumeleng Mothibeli

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Retail is facing tough times in a hyper-competitive environment. There are many reasons for this, but the sameness of many South African malls is a big contributor. While there is no quick fix for this, here are seven trends which shopping centres and retailers should be mindful of as they navigate the current challenges. Differentiation and customer-centricity are the keys that will separate the leaders and the laggards.

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Understand your customers

A one-size-fits-all approach doesn't work with today's customers, yet South African malls all look the same, and most have a nearly identical selection of retailers. This arises from the common wisdom that big-name listed retailers are fail-proof, and thus preferred tenants. A better way to choose retailers, however, is to find out what makes a centre's community tick, what its shoppers want, and then provide that, even if it requires a level of retailer incubation. To understand shoppers, the logical approach is collecting as much data as possible about their movements within a centre using fibre, Wi-Fi and beacon technology. This live and ever-changing big data is then overlaid with smart analytics to extract shopper insights. It can even reveal more information than the shopper is aware of themselves.

The smartphone revolution

More than 29 million smartphones are estimated to be active in South Africa. They have become more affordable, Wi-Fi has become more accessible and, with advancements such as Google Voice and Google Assist, they are changing how consumers interact with products and make decisions. Now, imagine if your phone could show you which bank branch, reachable for the same taxi fare cost, has the shortest queues. Would this impact which mall you then go to as an elderly pensioner who hates queuing? This will be possible. Smartphone technology is a game changer. Both retailers and shopping centres should keep track of advances.

Learn from the resilient, growing informal sector

There are around 100,000 competitive spaza shops in South Africa. Some close at 10pm and offer credit to selected customers. Malls, for the most part, only open during general business hours. Shoppers from townships and rural areas mainly use public transport and only get to their neighbourhoods long after malls close. Is this customer-centric? Malls should operate as part of their communities and understand locality nuances, just as the informal sector does.

Good centres will be distinguished from bad

Expect an even greater delta between the trading at good and bad retail centres. Those that are dominant in their nodes with shops that cater to their customers' needs and aspirations will survive. Whatever their size, centres in secondary areas removed from the node's energy will suffer. Location, location, location; it is the key.

Sales under pressure, promotions the norm

Retail sales will remain muted overall in the medium term, and could even worsen if public sector jobs are shed aggressively. Retailers will have to focus on volumes through tactical promotions to maintain turnovers.

Nimble second-tier nationals

Exciting second-tier national retailers will move into the mainstream as some big-name retailers cut back their space. Brands like Studio 88, Power Fashion, Choice Clothing, Jumbo and Street Fever, will help create greater tenant diversity in malls, which is good news for shoppers.

Active citizenry, especially in townships and rural areas

Social advocacy and community engagement will be magnified as the general populace feel left behind and frustrated by unmet democracy expectations. With the ever-rising gap between those who manage and those who live in poverty, shopping centres should stop viewing community initiatives merely as CSI box-ticking. They should actively participate in solutions to the challenges and frustrations of their communities. Standing on the sidelines will lead to exclusion.

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Itumeleng Mothibeli is a director of asset management at Vukile Property Fund.
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