

## Where are consumers expected to spend their money this festive season?

*The future of retail is customer centric*

At 7.5% in September 2022, inflation is adding increased pressure on consumers' ability to spend, as earnings continue to be impacted by rising food and transport costs, escalating fuel costs, the increasing price of electricity, and the negative impact of loadshedding.

Amelia Beattie, Chief Executive of Liberty Two Degrees (L2D), a South African Real Estate Investment Trust (REIT) notes that under such circumstances, one thing has become increasingly important for retail property owners. It is imperative she says, to find innovative ways to create enhanced customer experiences, to attract customers to spend their share of the wallet within the malls.

"What has been surprising is that despite the current economic challenges, the company reported a 16.1% improvement in turnover growth compared to pre-Covid levels in 2019 at its 30 June 2022 results," she indicates. "The top five retail categories driving this improved performance include apparel at 24.8% ahead of the 2021 period; department stores at 17%; food service at 41.8%; luxury brands at 34.3%; and health, beauty and wellness at 37.4%."

Flux Trends founder and retail trends analyst, Dion Chang explains that he's seen the same trend in the rise of the apparel category internationally post lockdown, driven by the social element with people going out more.

Beattie agrees and adds that L2D has also seen a similar trend in the athleisure category.

So, the question then is with Black Friday and the festive season just around the corner – where are consumers expected to spend their money?

According to Chang, there has been a change in spending post-pandemic, as people work off the frustration of being locked down for so long.

"When it comes to luxury goods, many people are adopting the principle of 'you only live once' (YOLO). At Flux, we call it a 'life audit' - basically, where people have processed things and have decided to live more 'in the moment', leading to spending more on things like travel or restaurant dining," he says. "Also, people are now starting to go out and socialise, so they're putting more thought into their wardrobe. But it's not only spending on luxury goods, it's almost a case of everybody's feeling like a little bit of a refresh, which involves treating themselves in some way."

Flux Trends behavioural economist and analyst, Bronwyn Williams, notes that what is happening with inflation at the moment is impacting a lot of people, especially with regards to groceries.

Looking into experiential retail in the mall environment, does this carry its historic meaning considering the shift in consumer preferences post lockdown?

The mall culture in South Africa has always been about experiential environments, and Chang adds that the difference post covid is that experience has now proved to have a more expanded meaning where it's not just merely about entertainment. Chang adds that the differentiator for retailers will be the service element as an experience, where retailers humanise their offering and customers pay that back in loyalty.

Of course, as we move towards year end, two significant shopping events - Black Friday and Festive season - are set to take place for retailers, and success here will be driven by an understanding of consumer buying patterns and spend.

Beattie explains that it will be interesting to see how the emergence of hybrid loyalty plays out. "Previously there would be the strictly Woolies shopper and there would also be the Checkers shopper, where the one wouldn't dare be seen shopping in the other store. We see a shift with Checkers now catering for both shoppers giving rise to a hybrid persona as people buy certain goods at Woolies and some at Checkers.

Chang agrees and adds that the impact of inflation played a big role where people started trading up or down in their grocery shopping but ironically, it was the online delivery option during lockdown that has introduced people to the hybrid persona.

Williams explains that with Black Friday, a retailer's best approach will be to aim for either the top end of the market, or for the bottom end. The latter offers them the opportunity to double down on value, while the former means they can provide unique, high-end offers.

"I suspect this is what people are looking for right now - either exceptional value, that can give them more bang for their buck, or something more limited edition that will appeal to those of the YOLO persuasion, says Williams."

She adds that to set your business apart, you need more than a special offer - it's also about how you're communicating that offer to customers. It's about meeting the customer where they are by, for example, sending them messaging on their mobile phones.

"You can even take the initiative to bring them in-store - rather than shopping online -through the use of secret lists, or bargains for in-store shoppers only. Such offers can be made available only to customers who are on a specific list, or members of a specific community."

Beattie adds "that fits precisely into the L2D narrative where we say that superregional and regional malls are where you can get everything where you're able to trade up or down based on your shopping needs and you can go from Ackermans to Armani in one mall. Whereas in small convenient centres, you're in and out for the specific item of shopping you want but you're missing out on the whole experience on everything you need and more"

Beattie notes that it is predicted that by 2030, experiences and experiential products will account for more than 50% of discretionary spend, so L2D has certainly recognised the need to enhance the overall customer experience across its portfolio.

"For us, this means creating an environment that elevates and enhances our tenant offering, to form collaborative relationships and develop commercial partnerships that bring excitement and magic to our malls. And it certainly means that we must maximise opportunities linked to specific shopping occasions, like back to school, Black Friday, and the Festive Season," Beattie concludes.

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## **About Liberty Two Degrees Limited**

Liberty Two Degrees (L2D) is a South African precinct-focused, retail-centred REIT, first listed as a Collective Investment Scheme in Property (CISIP) on the Johannesburg Stock Exchange in December 2016. With effect from 1 November 2018, L2D was reconstituted as a corporate REIT to Liberty Two Degrees Limited. This better positions L2D for sustainable growth whilst unlocking shareholder value.

L2D's purpose is to continue to create experiential spaces that benefit generations, with a vision to be the leading South African, precinct-focused, retail-centred REIT. L2D's purpose and vision guide its strategy and underpin its everyday business activities.

## **About Liberty Two Degrees' portfolio**

L2D has investments in a quality portfolio of iconic assets, these are:

- Johannesburg:
  - Sandton City Complex; Eastgate Complex; and Nelson Mandela Square;
  - Sandton Sun Hotel, the InterContinental Sandton Towers and the Garden Court Sandton City;
  - Standard Bank Centre offices; and
  - Melrose Arch precinct
- Cape Town: Liberty Promenade Shopping Centre; Century City Offices;
- KwaZulu-Natal: Liberty Centre Head Office and Umhlanga Ridge Office Park; Liberty Midlands Mall; John Ross Eco-Junction Estate; and
- Bloemfontein: Botshabelo Mall

L2D is focused on continuously improving the quality of its assets, introducing innovative and unique experiences that attract tenants, shoppers and visitors to its malls in order to create sustainable value for stakeholders. L2D aims to create spaces that provide a sense of community and go beyond the ordinary shopping experience.

### **L2D building blocks**

L2D's aim is to create spaces that enable personal, memorable human engagements and seamless interactions between retailers and consumers, continually driving authentic encounters through community-driven engagements and a strong focus on sustainable and ethical practices. This has been articulated through the L2D strategic building blocks, which help futureproof the assets and truly set them apart in the market and sharpen the focus of L2D's efforts and business activities. The L2D building blocks are:

- **Good Spaces:** L2D's shopping malls are ecosystems that provide trading and experiential environments for some of the world's most iconic brands as well as brands in high demand. L2D understands the importance of partnering with its stakeholders to accelerate its positive impact on the natural environment. L2D remains bold in driving its net zero commitments, which is evident at a number of its business operations and sites. L2D continues to reduce carbon emissions, water use and waste generation as it moves towards achieving its net zero sustainability target by 2030. Supportive initiatives have been implemented to achieve this goal.
- **Smart Spaces:** L2D aims to secure and sustain its leading position in the market by remaining at the forefront of innovative design thinking. The creation of smart environments that integrate technology to enhance the customer and retailer experience is a key initiative in this strategic growth area. Through Smart Spaces, L2D aims to accelerate its roadmap to create the seamless interaction between digital and physical retail.

- **Interactive Spaces:** Interactive Spaces is about providing an interchange of ideas and experiences within the L2D malls. The emphasis is on interaction, a fast pace, excitement, experience and stimulus, with a vision to create vibrant and diverse spaces with experience at their heart. Interactive Spaces encourages common ownership, placemaking and enjoyment of the physical environments in which L2D operates.
- **Safe Spaces:** L2D's building blocks are all underpinned by Safe Spaces. L2D aims to drive a clearly defined mall strategy that ensures the mall environments hold the highest standard of safety and security for tenants and shoppers. L2D has been affirmed by SAFE Shopping Centres, a Global certification and advisory company, as the first responsible owner in Africa to achieve international certification following a Covid-19 assessment, taking the extra steps to ensure duty of care for tenants and shoppers.