



HOW WE SHOP – INSIDE THE MINDS OF EUROPE'S CONSUMERS

EMEA RESEARCH AND CONSULTING



CBRE

INTRODUCTION

Understanding consumer behaviour is essential to the retail real estate advice we provide to clients.

Between March and April 2013, we surveyed **10,000 consumers** in **10 European countries*** to discover where and how they shop. This new survey builds upon our ground-breaking research on consumer attitudes to online shopping, published in 2011.

The results reveal the different channels consumers use when shopping for food and clothes; also highlighting the continuing importance of the physical store to online shoppers. Consumers told us what attracts them to their preferred shopping centres and the extent to which they use digital marketing initiatives while inside. They

segmented their clothing spend, from value to luxury retail brands, and gave us an insight into their future shopping habits.

This report represents our first reaction to the survey findings. The key themes and trends outlined here will be explored in greater detail at our **2013 Shopping Centre Forum**, after which a more comprehensive analysis will be published. This will include our conclusions on how shopping habits are impacting on shopping centres and what this means for both owners and managers.

10,000 CONSUMERS

10 EUROPEAN COUNTRIES

*Countries covered in the survey:

- Belgium
- France
- Germany
- Great Britain
- Hungary
- Italy
- Poland
- Russia
- Spain
- Sweden



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WHERE DO CONSUMERS SHOP?

Online shopping is important, but when it comes to buying clothing or grocery most European consumers still prefer the convenience of local shops and town centres.

- More than three-quarters (78%) of Europeans choose to shop for fashion in town centres, rising to approximately 90% among those living in Western Europe. This indicates that the high street has not lost its relevance amid competition from online and out-of-town retail.
- In-town shopping centres are visited as frequently as high streets for clothing shopping – about once a month on average. For out-of-town shopping centres the average visit frequency is every six weeks, although in Italy, where they are most popular, this drops to every three weeks.
- In Central and Eastern Europe (CEE), consumers use local and neighbourhood shops much more frequently than other types of outlets for both clothing and grocery shopping. They make more frequent grocery shopping trips than their western European neighbours, too: twice a week in Hungary and Russia compared with once a week in Germany.
- Online shopping continues to grow in importance, although take-up varies significantly by region and country. This year's survey reveals that 43% of Europeans aged between 16 and 64 now shop online using a computer (rather than using a tablet or mobile device), compared with 40% in our 2011 survey. Look behind this headline number, however, and some important differences in regional attitudes emerge. For example, more than 60% of Northern Europeans shop online using a computer, a figure that rises to 70% in Germany, Great Britain and Sweden. In Southern Europe around 40% of consumers shop online, while in the CEE the appetite for internet retail is lower still: just 20% of Russians and 11% of Hungarians shop online.

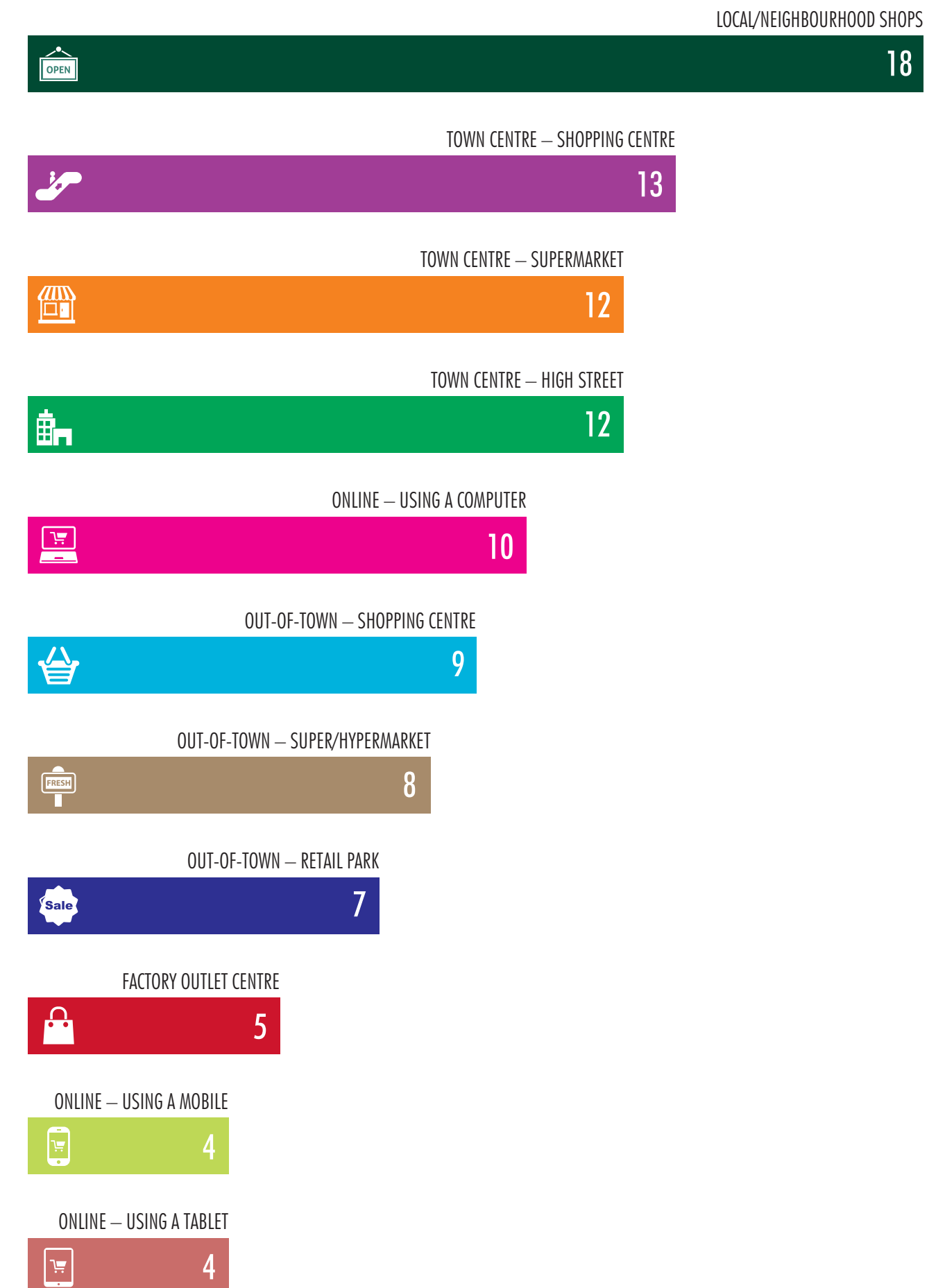


PARKING

- 54% of consumers use a car when visiting an in-town shopping centre and 76% do so for out-of-town centres. It is the most used form of transport to both destinations, but even 30% of journeys to local/neighbourhood shops are taken by car.
- Whether in-town or out-of-town, shopping centre owners need to get their parking provision right to optimise customer satisfaction and footfall.
- Out-of-town centres usually offer free parking but town centre shopping facilities normally charge. Are town centres putting themselves at a disadvantage?

FIGURE 1: EUROPEANS VISIT "LOCAL SHOPS" MORE THAN ANY OTHER SHOPPING DESTINATION

Q. How many times a year do you use these methods/outlets for clothes shopping?



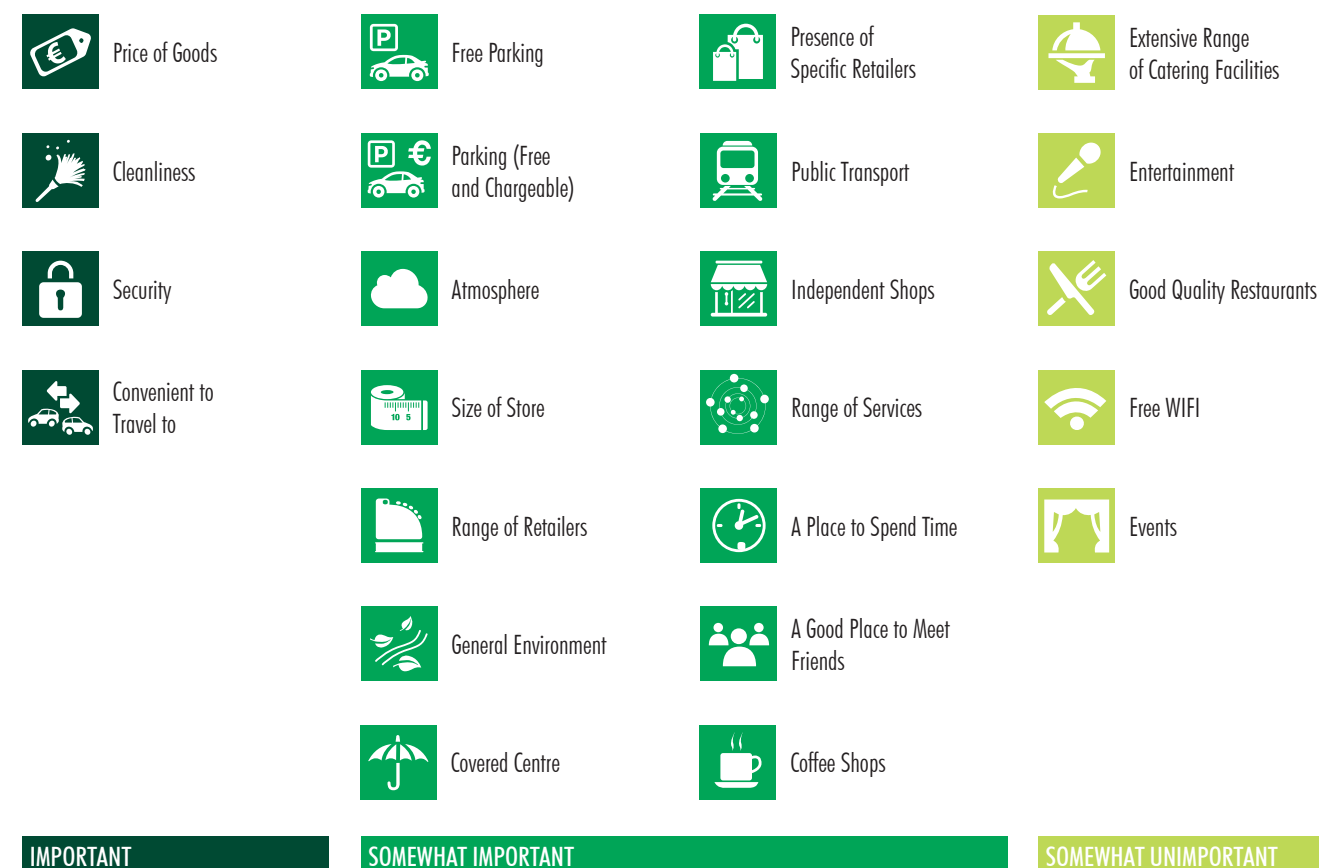
WHAT MAKES A SHOPPING CENTRE ATTRACTIVE?

The 'essentials' of a successful shopping centre – value, convenience, cleanliness and security – are uppermost in consumers' minds, but schemes that fail to offer something extra may suffer in the long run.

- Two-thirds or more of consumers told us that the price of goods, cleanliness, security, convenient access and good parking were 'important' or 'very important' factors in choosing which shopping centre to visit. These are, of course, the basic factors that any shopping centre owner and manager would expect to get right.
- Even if a shopping centre gets the fundamentals right this alone does not guarantee success. Entertainment and leisure (including catering) were rated 'important' or 'very important' by a third of those surveyed overall, and by more than half among younger age groups. In our view, these experience-related factors can add greatly to a shopping centre's appeal, particularly among the younger consumers that are its future.
- Ultimately, though, the shopping centre is about retail. The range of retailers and, in particular, the size of their stores (and consequent ability to carry a full range of goods) were high up the list of consumers' priorities. While large, dominant shopping centres are best placed to provide large units, all shopping centres have some degree of flexibility to do this and should exploit this advantage over the more restricted high street environment.

FIGURE 2: GETTING THE BASICS RIGHT IS KEY TO ATTRACTING CONSUMERS TO A CENTRE

Q. What are the most important factors for consumers when visiting a shopping centre?



- Shoppers can now use mobile devices to access discount codes, use social networking sites to share feedback with friends, make price comparisons and even order online while visiting a shopping centre. Our survey indicates that digital tools have yet to fully take hold, however. For example, fewer than one third

of consumers in Europe have ever compared prices on their mobiles in store or used QR codes to access centre websites. We believe usage will increase in future, given the higher take-up today among 16 to 34 year olds.

FIGURE 3: TODAY, TECHNOLOGY IS NOT IMPACTING CONSUMERS' SHOPPING HABITS

Q. How frequently do you carry out these actions when visiting a shopping centre?



RETAILERS REACT

In our report *'The Role of Real Estate in the Multichannel World'*, retailers told us that they were planning to increase store sizes in key locations to support their multichannel operations. They will be pleased to see European consumers endorsing this strategy.

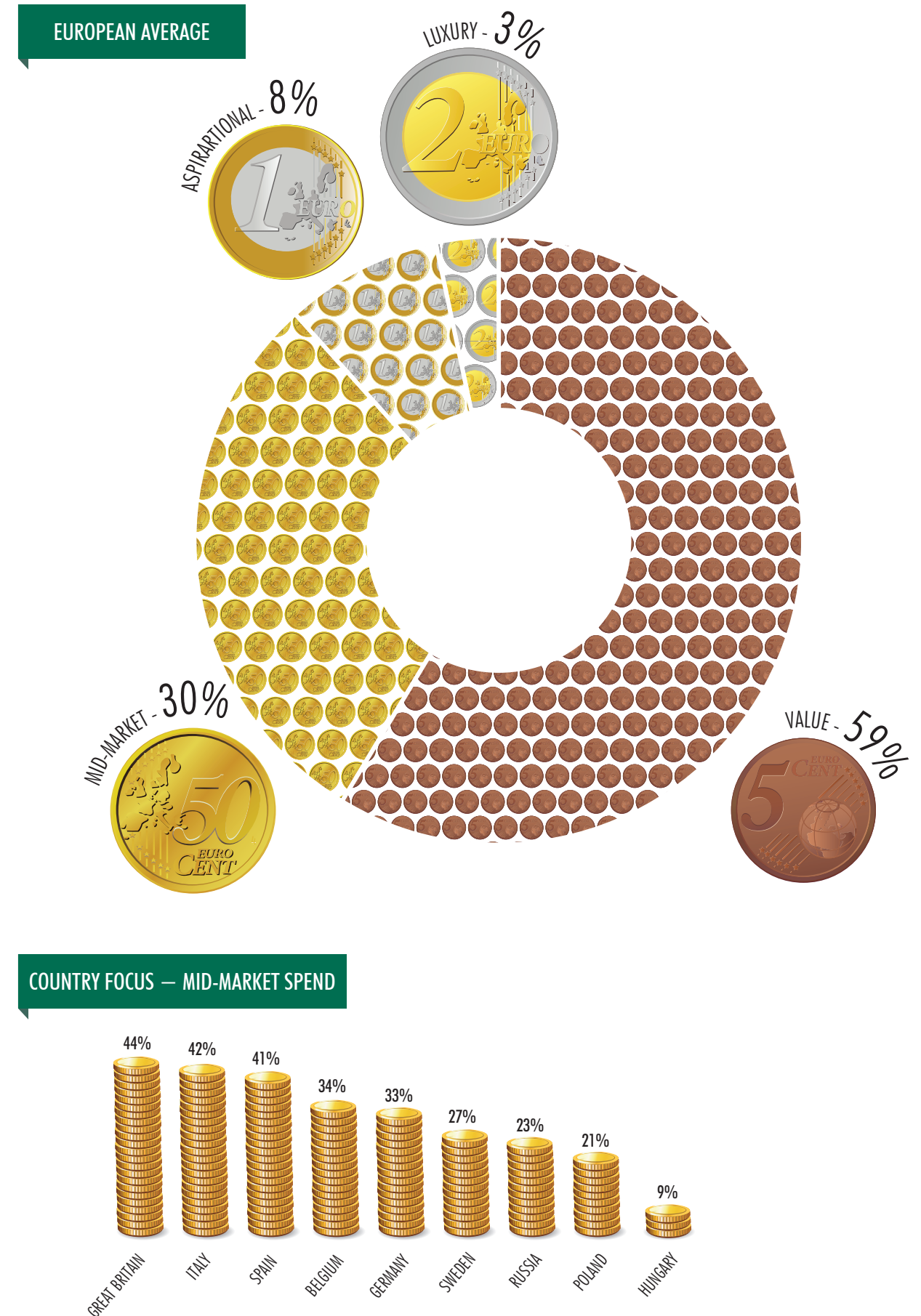
VALUE STILL DOMINATES THE FASHION SECTOR

Value retailers account for almost 60% of fashion spend across Europe, but country-by-country differences are significant.

- European consumers shopping for clothes can choose between value, mid-market, aspirational and luxury retailers. Overall, a majority (59%) of them spend their money with value retailers, while a further 30% choose mid-market brands, with aspirational and luxury stores accounting for 8% and 3% respectively.
- The proportion spent on value clothing varies significantly by country, with value retailers representing a very high 70% of fashion spend in Poland, Hungary and Russia but only 36% in Italy.
- Mid-market retailers account for as much as 44% of fashion spend in Great Britain and 42% in Spain and Italy, suggesting that the much talked about squeeze on this segment is overdone.
- The percentage spent on aspirational goods was significantly higher in Germany and Spain (both 12%) and was highest in Italy (15%). Italians were also the highest spenders on luxury goods – accounting for 7% of their total fashion spend.
- While consumers report a focus on value, this may change as economic conditions improve. In Germany, for example, the high proportion of spend on aspirational goods suggests a significant move away from the value-oriented market of the past. This change in consumer preference has created significant opportunities for retailers in Europe's largest market.

FIGURE 4: VALUE DOMINATES CONSUMER SPENDING ON FASHION

Q. How much on average do you spend in each of these sectors?



*Consumers' Fashion Spend: We asked consumers to segment their clothing spend by type of retailer: value, mid-market, aspirational and luxury. Consumers were given a range of retailers that best represent each type of retailer in their own market, and were asked to allocate their spend in the last 12 months accordingly.

ONLINE COMPLEMENTS IN-STORE

Retailers are adapting to advances in technology, with the physical store still playing a key role in the new, multichannel world.

- When buying online, most people (64%) prefer home delivery. But stores still have a key role to play in online shopping: 85% said it was important to have access to a physical store to view/touch clothes before buying online.
- Online shopping is developing differently across Europe. For clothing purchases, physical delivery to home is preferred in all markets, but particularly in Hungary, Poland and Germany. Picking up from a store is a less popular option, although it is used more frequently in Great Britain, France and Belgium than in other countries. Collection from local delivery points, such as post offices and convenience shops, is most popular in Sweden, France and Belgium.
- Only 17% of European consumers preferred to pick up goods bought online from a store. This appears to contradict the forecasts of retailers, who told us in a recent survey that two years from now they expect 40% of goods bought online to be picked up from a physical store. Retailers may need to rethink how they meet customer expectations for receiving goods bought online.

FIGURE 5: CONSUMERS PREFER HAVING GOODS DELIVERED TO HOME WHEN BUYING ONLINE
Q. What is your preferred delivery method when buying online?

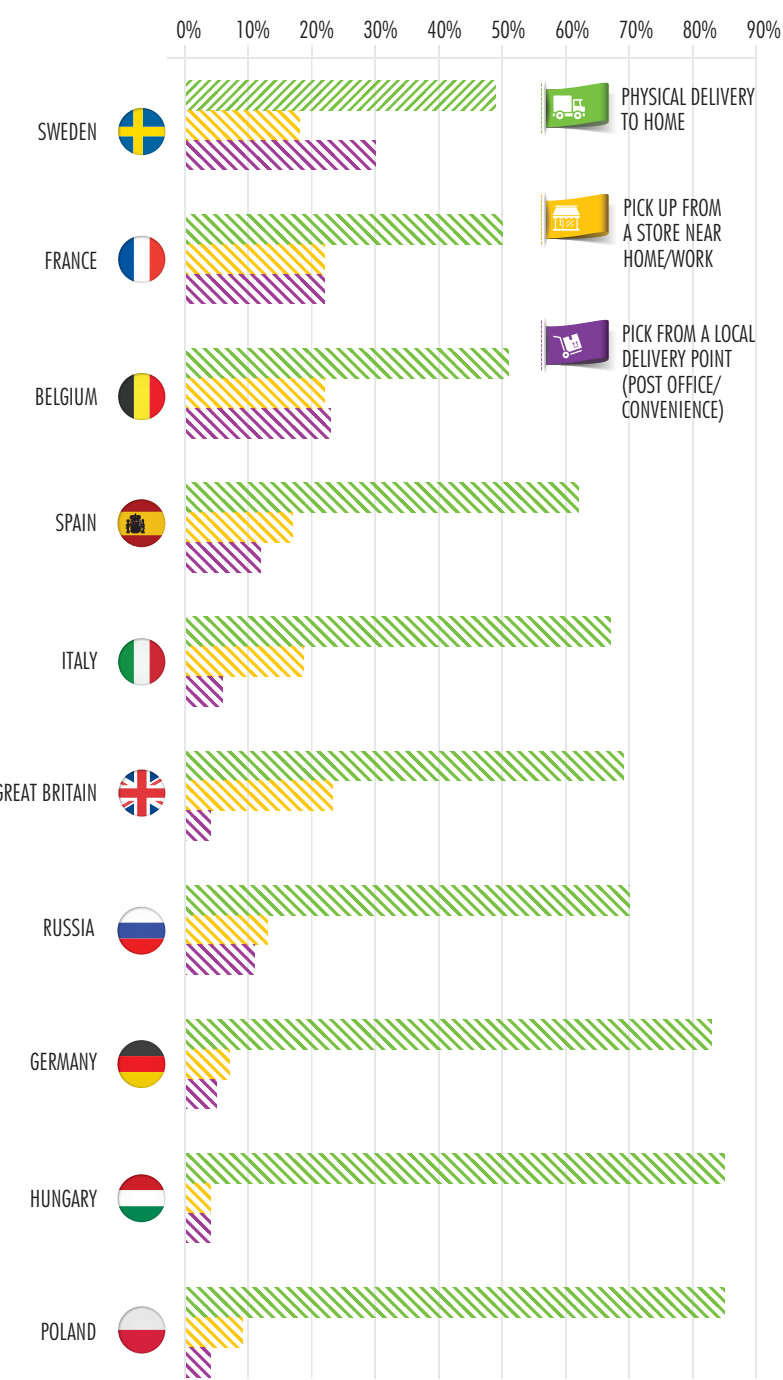
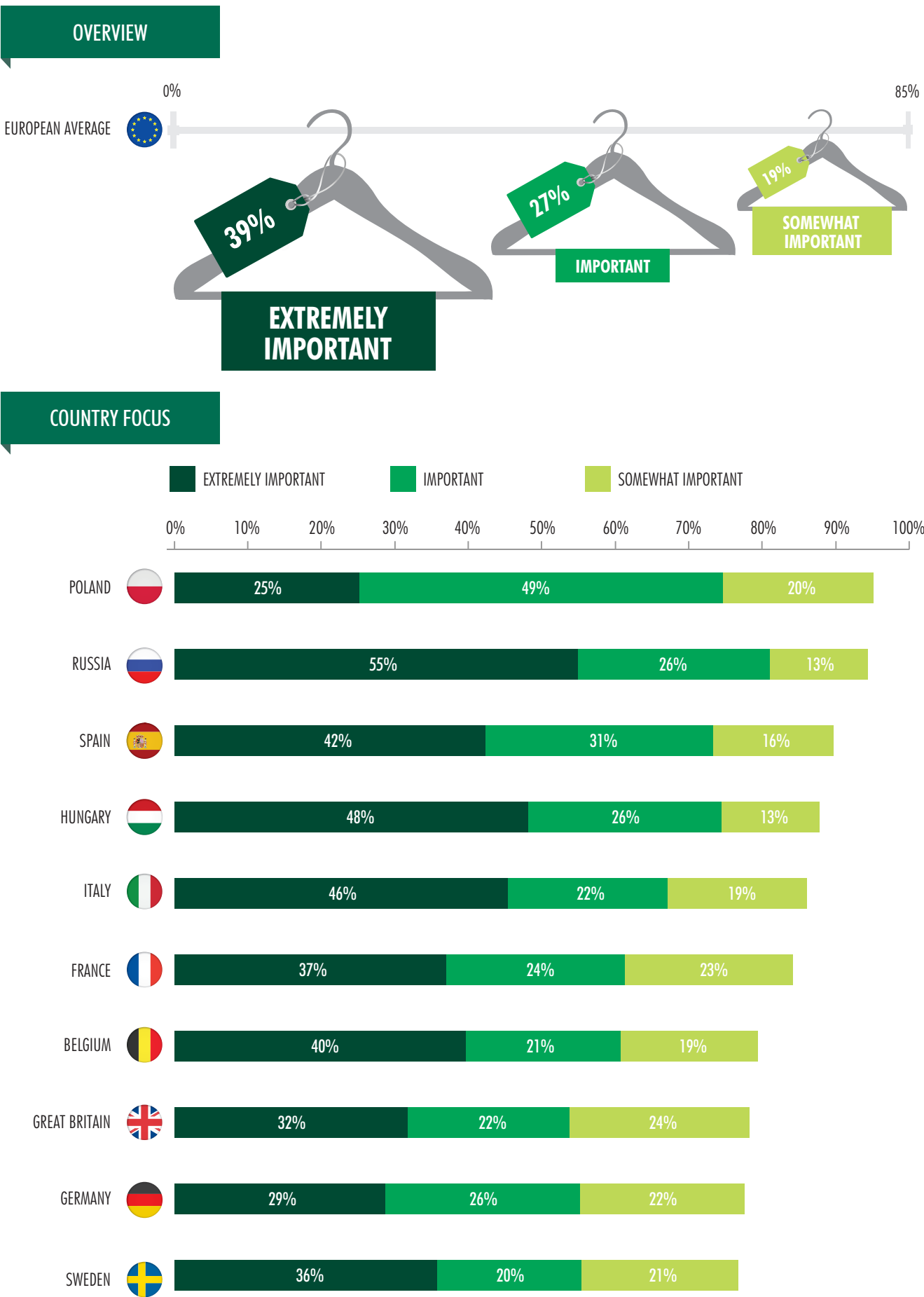


FIGURE 6: CONSUMERS STILL VALUE THE STORE AS PART OF THE ONLINE SHOPPING EXPERIENCE
Q. How important is it to have access to a physical store to view/touch products before buying online?



TOMORROW'S WORLD IS HERE TODAY

Consumers say they do not intend to radically change their shopping habits in coming years and, as a result, retail fundamentals will largely remain the same.

- The section of our survey that’s perhaps most important to retailers and landlords asks consumers about their future shopping behaviour. The headline results show few notable changes, the exception being that a relatively high proportion of consumers in Western Europe state that they will shop online more often in future. This was most apparent in Great Britain where 38% said they would shop online using a computer more often - only 6% said less often.
- Conversely, and perhaps surprisingly, European consumers were planning to shop online using their mobile phones slightly less often - suggesting that some consumers still do not find smart phones convenient or practical for online shopping. Consumers had similarly negative views about shopping online with tablets.
- However, we can see the future more clearly by focusing on the responses of younger age groups. This is particularly true with regard to shopping centres. As already mentioned, those aged 16 to 34 have been much keener to adopt digital tools in shopping centres; more of them also view the shopping centre as a place to spend time and meet friends.
- The same is true for a shopping centre’s entertainment and leisure provision. Some 45% of consumers in the 16 to 34 age group told us that facilities such as cinemas and bowling were important - compared with just 26% in the 45 to 64 age group. Given the likelihood that some younger consumers will retain these preferences in later life, we believe town centre managers and shopping centre owners should ensure they offer a combination of shopping and entertainment in order to combat the growing threat from online retailing.
- That said, as Europe’s population ages, older consumer groups will account for an ever increasing proportion of the retail market. The challenge for shopping centre owners and town centre managers is how to appeal to an ageing population without alienating their younger customer base.

FIGURE 7: ONLINE SHOPPING SET TO GROW IN THE FUTURE BUT NOT VIA A MOBILE OR TABLET

Q. Thinking about your future shopping behaviour, how often do you anticipate doing the following in two years time, compared with now?



CONCLUSIONS

- Convenience is still the consumer’s watchword. People like to shop locally, they want their shopping centres to be easily accessible by car (and free to park in), while the ultimate convenience of shopping online (as long as it’s by computer) continues to have growing appeal, notably in Northern Europe.
- Large-scale, dominant shopping centres have been a major target for retailers and investors in recent years, but our survey results challenge the assumption that secondary locations should be marginalised. Some investors in the UK are once again starting to look at smaller/non-prime locations, while retailers should be devising strategies for optimising sales in smaller destinations.
- Although consumers prefer delivery to home, retailers prefer them to pick up goods bought online from their stores, not only because this is more cost-effective for the retailer, but also because it encourages additional spend in store. Shopping centre owners should consider how they can best support retailers in this objective, perhaps by developing separate logistics spaces nearby, which will enable retailers to carry more stock. Retailers should consider how they can entice shoppers who have bought goods online to visit their physical stores.

FIND OUT MORE

- We will shortly be releasing a summary piece from our 2013 Shopping Centre Forum which will include participant insight on our key findings. To request a copy of this, please contact us at emea.retail@cbre.com
- If you would like further information on how the survey results relate to specific countries, demographic groups or the retail sector, please contact us at emea.retail@cbre.com

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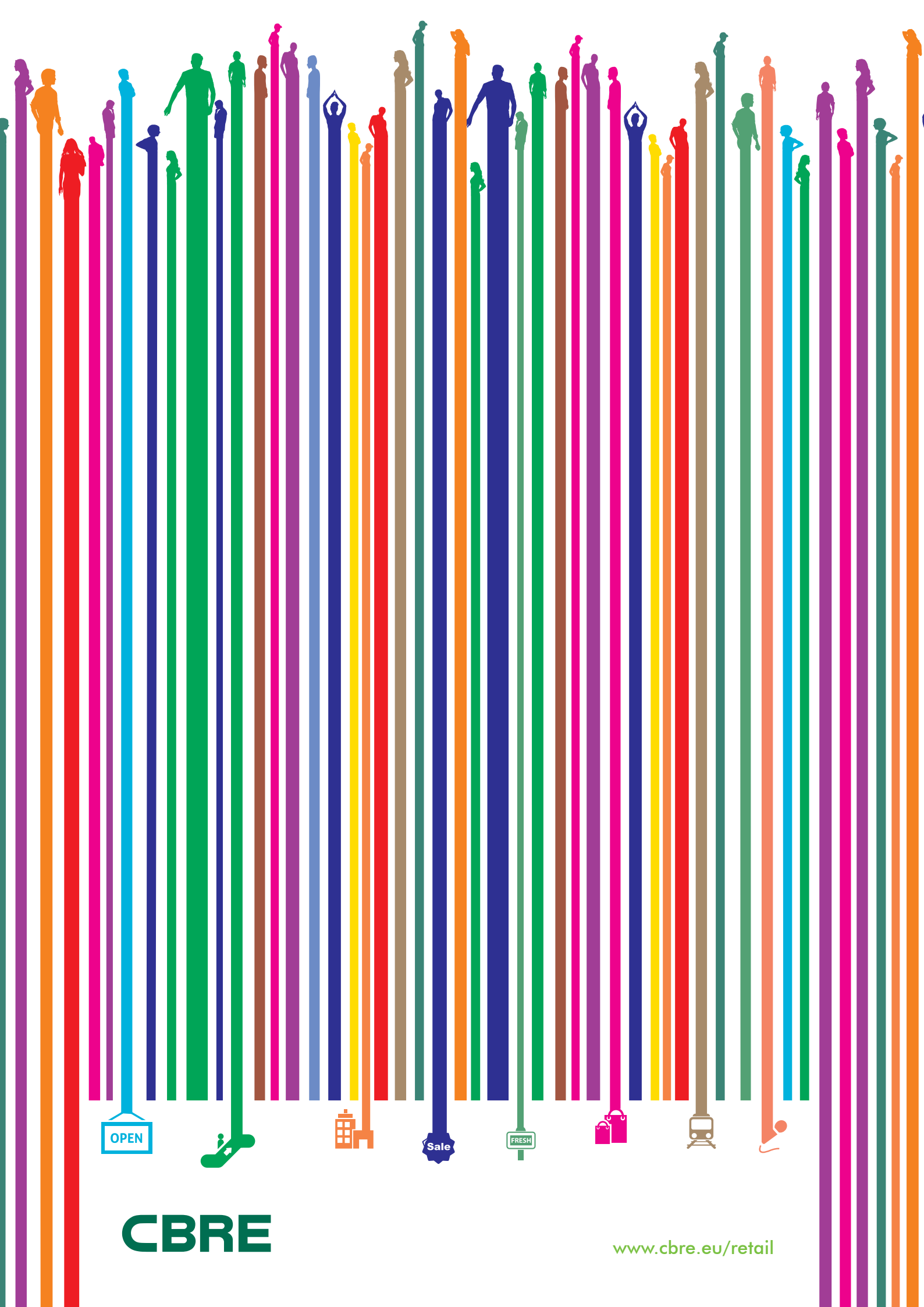
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