

# FOR WHOM THE DWELL TOLLS?

## EXPLORING THE SIGNIFICANCE OF FOOD & BEVERAGE TO CONSUMERS, RETAILERS AND DEVELOPERS



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- **The 'stay longer, spend longer' trend is shaping the market**
- **Shopper-Diners spend 35% more and dwell times are 81% greater than those who spent on retail and don't use catering**
- **In London, Shopper-Diners spend 38% more on average, with dwell times being over 10% longer**
- **Our Social Scene Acorn data allows us to identify the top three most lucrative Shopper-Diners who spend 23%, 32% and 9% respectively more on average on dining when shopping.**
- **Leisure and F&B ticks the box of providing enhanced customer experience, increasing dwell times and, critically, increasing both retail expenditure and conversion.**

While Hemmingway's book 'For whom the bell tolls' depicted the brutality of war, there is a new war in the retail landscape for consumers' money – and it's being waged through increasing dwell times. The 'stay longer, spend longer' trend is shaping the market and the role of food and beverage in this battle is significant.

There have been fundamental changes in the retail market over recent years which have had a huge effect on the importance of multiple licenced retailers. Fostered by the recession, the biggest shift seen is the rise of true omni-channel. Consumers can now read reviews, conduct product and best price research,

complete transactions and then tweet or blog about their new purchase – all from the comfort of their sofa.

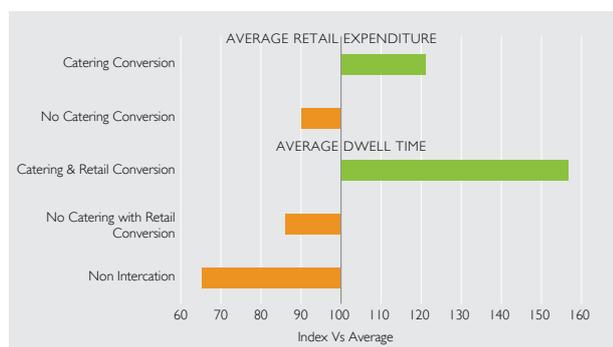
But it doesn't end there, true omni-channel is about all touch points of transaction and interaction. From showroom style bricks and mortar stores to the explosion of 'Click and Collect', it has changed the way consumers engage with both local community hubs and out of town retail palaces. Both the role of the physical location, and the interaction with it, is completely transforming. This in turn is resulting in a repositioning of our high streets and shopping schemes. The spectrum ranges from the 'experiential' destination

trip at one end, 'grab and go' convenience at the other and a mishmash of other visit types in the middle. And of course, while you can't drink or dine online, at least not yet(!), it's safe to say a food and beverage offer that matches the needs of consumers within a high street or shopping scheme's catchment can provide a huge part of this required experience.

Anyone who's visited The Orient in the Trafford Centre in Manchester will see this in action. Europe's largest food hall is complemented with several leisure anchors which are strategically placed at the centre of the whole experience of the scheme. Particularly in light of the recent recession, leisure allows landlords to feel less exposed to the challenges faced by retailers and diversifies their risk. Leisure also attracts families which can therefore have the benefit of positioning a scheme as a trading location right into the evening, as well as increasing footfall.

So with all these key changes in the market (both those we're seeing now, and those predicted in the future), is it right that food and beverage should be seen as one of the key saviours of the retail market, as shopping schemes are dusted off? What proof do we have that multiple licenced retailers will play an important role in the success of shopping schemes and high streets around the UK?

CACI's Shopper Dimensions enables us to investigate this in detail. In the last two years CACI has conducted over 200,000 exit interviews with shoppers in more than 275 surveys, across well over 100 retail locations.

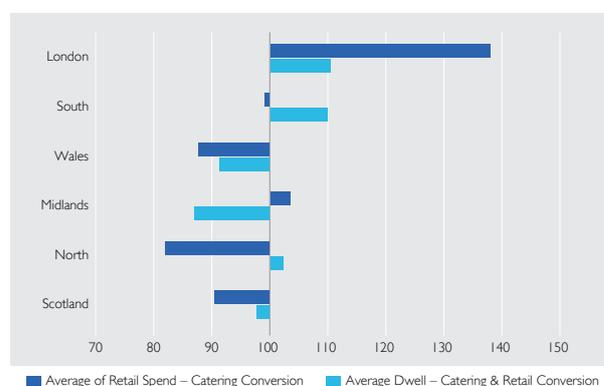


This gives some incredible insight into the influence of F&B on consumers' wider behaviour and enables us to draw some conclusions on its significance to both dwell times and spending, as well as how it differs by

region. By analysing all our national survey responses and breaking it down by those who spent in retail stores and dined, and those that didn't, we get some fascinating insight.

Indexing against the average as shown by 100 on the lower axis of the 1st graph, we can see that those who dined spent on average 22% more than all of those who spent on retail. Even more significantly, the research shows that they spent 35% more than those who spent on retail and didn't use catering.

In terms of dwell time for those who engaged with an F&B offer it's even more telling, with a 56% greater dwell than average and a huge 81% greater than those that didn't dine or drink on their shopping trip.



But what are the differences to these figures when considered by region? Well operators certainly need to 'mind the gap' when we compare London to the rest of the country – London shoppers spend 38% more on average, with dwell times being over 10% longer. This clearly reflects both the affluence of these shoppers and the unique way consumers interact with the London market when compared to other parts of the country. This can be explained by both the public transport infrastructure and the pure volume and variation of casual dining and pubs the capital has to offer. No other market has such a diverse offering that is engaged with in so many different consumer visits, and makes it so easy to commute in, out and around the city.

But who exactly are The Shopper-Diners that have the highest average spends on food and beverage when shopping? We can identify them by using Social Scene Acorn which enables us to segment consumers from our extensive Shopper Dimensions survey in relation to

their eating and drinking activities. Social Scene Acorn has been specifically tailored for clients who operate in the F&B market to help them identify and learn more about their customers.



### Luxurious Living

*Affluent · financially sophisticated · comfortable lifestyles · money no object · gyms · golf · internet gambling · high end restaurants · premium alcohol*



### Cosmopolitan Trend Setters

*Affluent younger people · generally own flats · expensive urban locations · significant savings · tech savvy · metropolitan lives · dine out regularly*



### Student Deals

*Recent graduates · utilising overdrafts · extensive use of the internet · music festivals · city centre bars & clubs · low stake gambling · 'let's stay out' lifestyles*

The top three most lucrative Shopper-Diners, according to Social Scene Acorn, starts with the Luxurious Living (part of our wider Discerning Diners category) who spend 23% more on average on dining when shopping. Cosmopolitan Trend Setters who are part of our City Socialisers category, have played a significant role in the rise of consumer economic confidence this year and are spending 32% more on average. This really shows how important the dining and retail market is to these young urban trend setters. Finally, we have our Student Deals

group which is part of the wider Squeezed Spenders category. While by no means the most affluent; their more limited budgets can't curtail this young group's love of going out and they spend 9% more on average.

So what does this all mean? Well there is no doubt the statistics and analysis shows that the importance of F&B to developers, retailers and the high street mustn't be underestimated. Leisure ticks the box of providing enhanced customer experience, increasing dwell times and, critically, increasing both retail expenditure and conversion. This trend has already influenced developers in identifying an A3 target of circa 25% of shopping centre space in new efficient centres, from around 10% of previous years. This trend will only be compounded by the 'space race' which is now kicking off.

CACI has calculated that there will be more than three million square metres of new shopping centre scheme space opening in the next five years nationally. Including nearly a million square metres to be added in 2016 alone!

South East development is leading the way seeing a 600,000 sq. m. increase over the next few years, the West Midlands with half a million sq. m. and, interestingly, London right back in fourth place in the space race. Top of the charts on an annual basis sees the West Midlands highest next year; the South East in 2016 and 2017 and our capital back to the top in terms of annual development space in 2018.

With potentially up to 25% of this new space being allocated to A3 usage, is this really sustainable? Even our high spending Shopper-Diners identified can only eat out so much!

The continuing rise of omni-channel and an over spaced retail landscape, compounded by such a huge amount of new scheme space arriving across all regions, can bring both opportunities and threats. With the market becoming ever more competitive and complex, the need to understand the viability of markets, schemes and locations in the long term is now business-critical.

So the key question businesses need to answer is whether they truly understand the inevitable changes and impact that these market shifts will bring. Only if the answer is 'yes' can the appropriate strategies be developed to not only adapt and survive, but to thrive.

