



Footfall Review

2018



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Section 01

Overview



It is highly likely that 2018 will be remembered as being a pivotal year in the evolution of retailing, with the effect of a host of factors, much discussed in previous years, becoming truly evident.

The year began against the backdrop of two key retailer failures - Toys R Us and Maplins - both of which should have been ideally placed to harness the opportunities provided by online to deliver an effective multi-channel proposition. Whilst only 20% of all retail spending is going online (still far outweighed by the 80% that remains in store), this belies its impact on the demands of the 21st century consumer which have been honed and heightened by access to a global product and operator base. This brought into sharp focus the fact that retailers can no longer survive with either an inadequate store proposition or an ineffective digital platform. Indeed, as the year progressed with more notable retail failures and announcements of store closures, this became more evident.

Unfortunately for the retail sector the weather in 2018 wasn't kind either. Severe weather conditions in March with the "Beast from the East", combined with an early Easter when it was cold and rainy, followed by a long hot summer, and the football World Cup, all of which meant that consumers paid less attention to shopping. Footfall took a huge hit in March and April and then did not make gains in summer. And whilst it has been purported that blaming the weather "is for wimps", it is an undeniable truth that retail has become more not less weather sensitive; the immediacy of online purchasing means that shoppers can delay spending that they would previously have had to plan for, which somewhat inevitably is then easily diverted elsewhere.

And so retailers discounted ever more heavily in an attempt to drive up footfall and sales. However, it is clear from the drop in footfall in 2018 - the worst result since 2010 - and from the trading results of many retailers that this approach simply didn't work. It succeeded in only undermining profit, weakening further the viability of already vulnerable retailers. Even Black Friday had little impact - certainly this was the case in-store as footfall declined (albeit this was expected given its online focus), but also the uplift in online sales was far lower than anticipated. In fact, the announcements by retailers with growing revenues that their profits were adversely hit by discounting demonstrates that this is a fool's game.

Of course, other factors have also been at play during 2018 that piled on the pressure for retail. High levels of consumer debt and depleted savings - a hangover of an elongated period of suppressed wages - meant that consumers reined in their spending, resulting in significant drops in footfall in October, November and December. This was undoubtedly exacerbated by a lack of confidence amongst consumers, which is always a key driver of retail spending. With the key confidence measure taking a nosedive immediately after the Brexit referendum in 2016 and not recovering at all since then, it is clear that the enormity of the impending political and economic change surrounding our departure from the EU played a key part in this.

Section 02

2018 Footfall

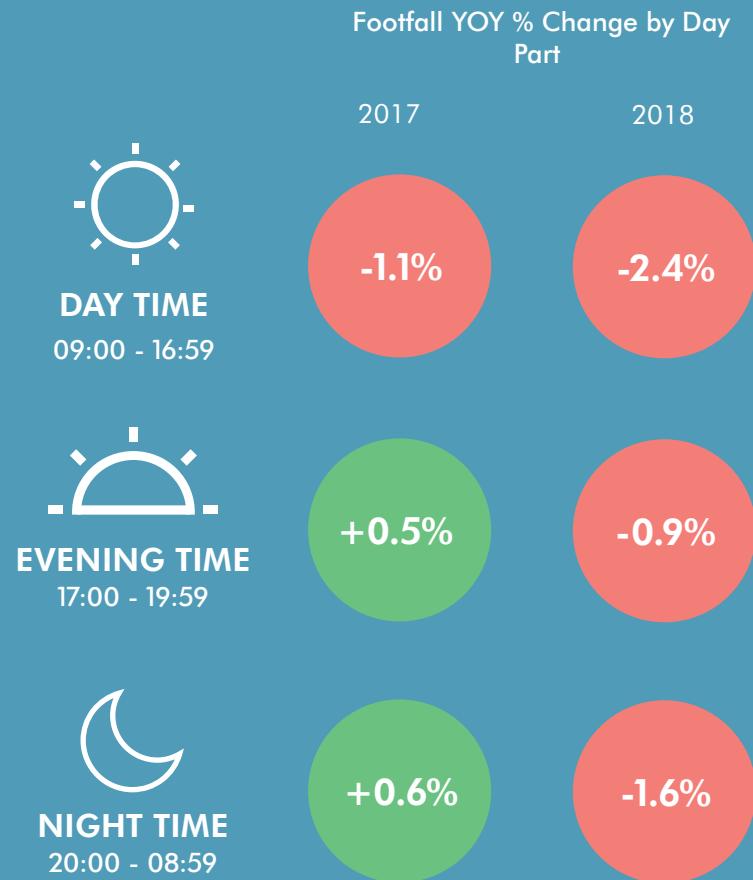


2018

The decline in footfall, which is a long term trend, accelerated in 2018 and in contrast with previous years, spanned all parts of the day and destination types.

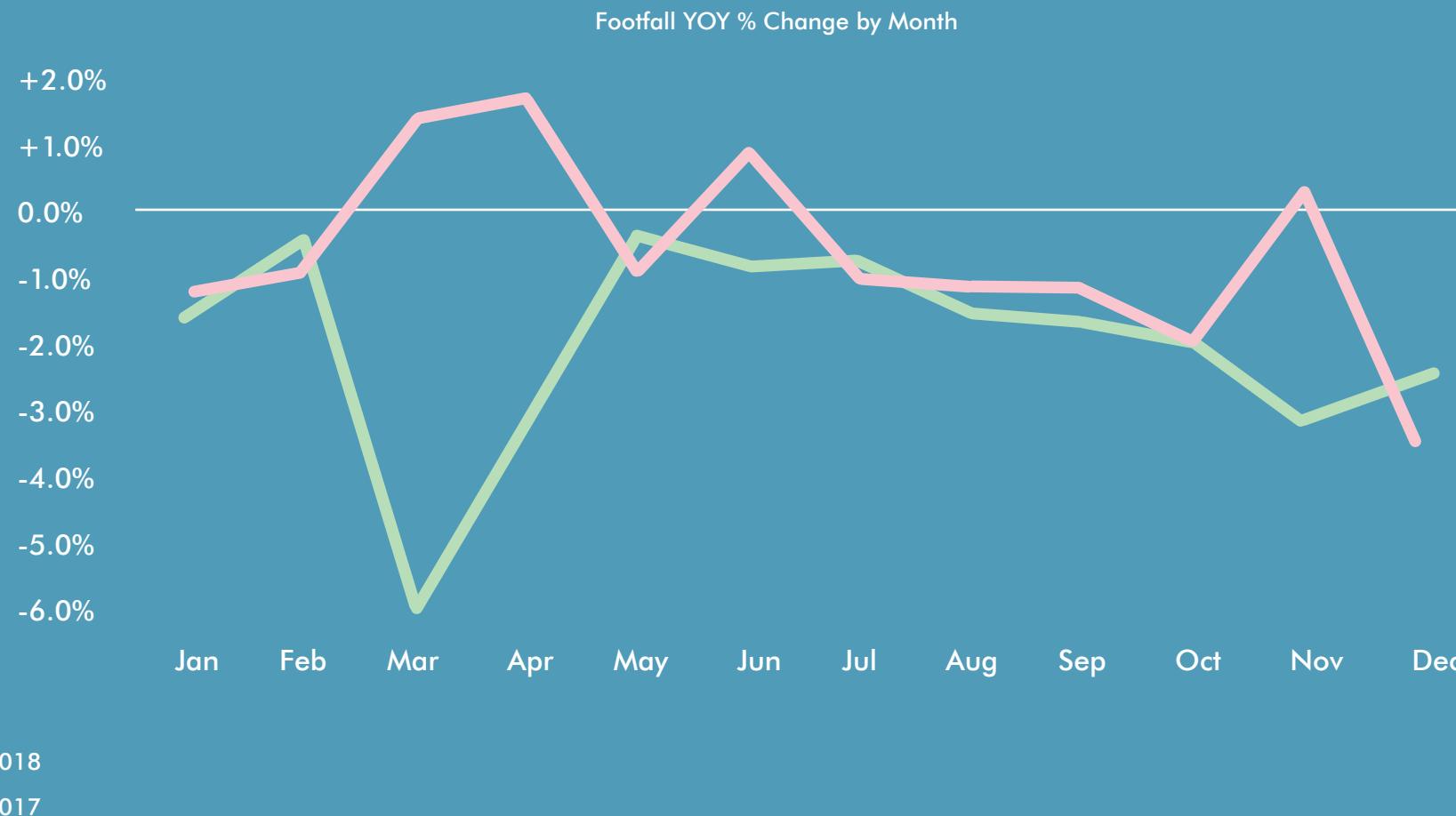
Footfall declined by -2.1% in 2018 across all UK retail destinations, which is three times as great as the drop in footfall of -0.7% in 2017. Retail destinations, and the businesses located there, will have felt the impact of the drop in footfall more keenly than in 2017, as the fall in footfall during retail trading hours of 9am to 5pm - which accounts for more than two thirds of all footfall volume - was even greater at -2.4%. Trading pressures will have been further exacerbated by a drop in footfall post 5pm (-0.9% between 5pm and 8pm and -1.6% post 8pm), which contrasts with the previous two years when footfall rose post 5pm.

Whilst footfall declined in all three destination types, it was high streets and shopping centres that shouldered the majority of the impact. Footfall declined by -2.3% in high streets and by -3.2% in shopping centres; both drops of at least twice the magnitude of those last year. Footfall in retail parks only declined by -0.4%, but this was a significant shift from the positive results in +0.8% in 2017 and +0.9% in 2016.



It is important to appreciate the underlying dynamics that resulted in such a poor footfall performance in 2018. In 2016 and 2017 footfall declined over the year by less than -1.0%, whilst 2018 began with the first two months being relatively on par with 2017. The severe weather in March combined with an early Easter when it was also cold and rainy meant that March and April were severely impacted. Footfall declined by -6.0% in March (the greatest decline in that month since data was first published in 2009) and by -3.3% in April.

The very hot summer did little to support footfall, with the annual change over the four months between June and September being lower than in 2017. Footfall in October declined by -2.0% which was the same degree of decline as in October 2017, but in November the decline worsened to -3.2% compared with a rise of +0.2% in 2017. Footfall continued to decline in December by -2.6%.



Section 03

Regional Footfall Performance

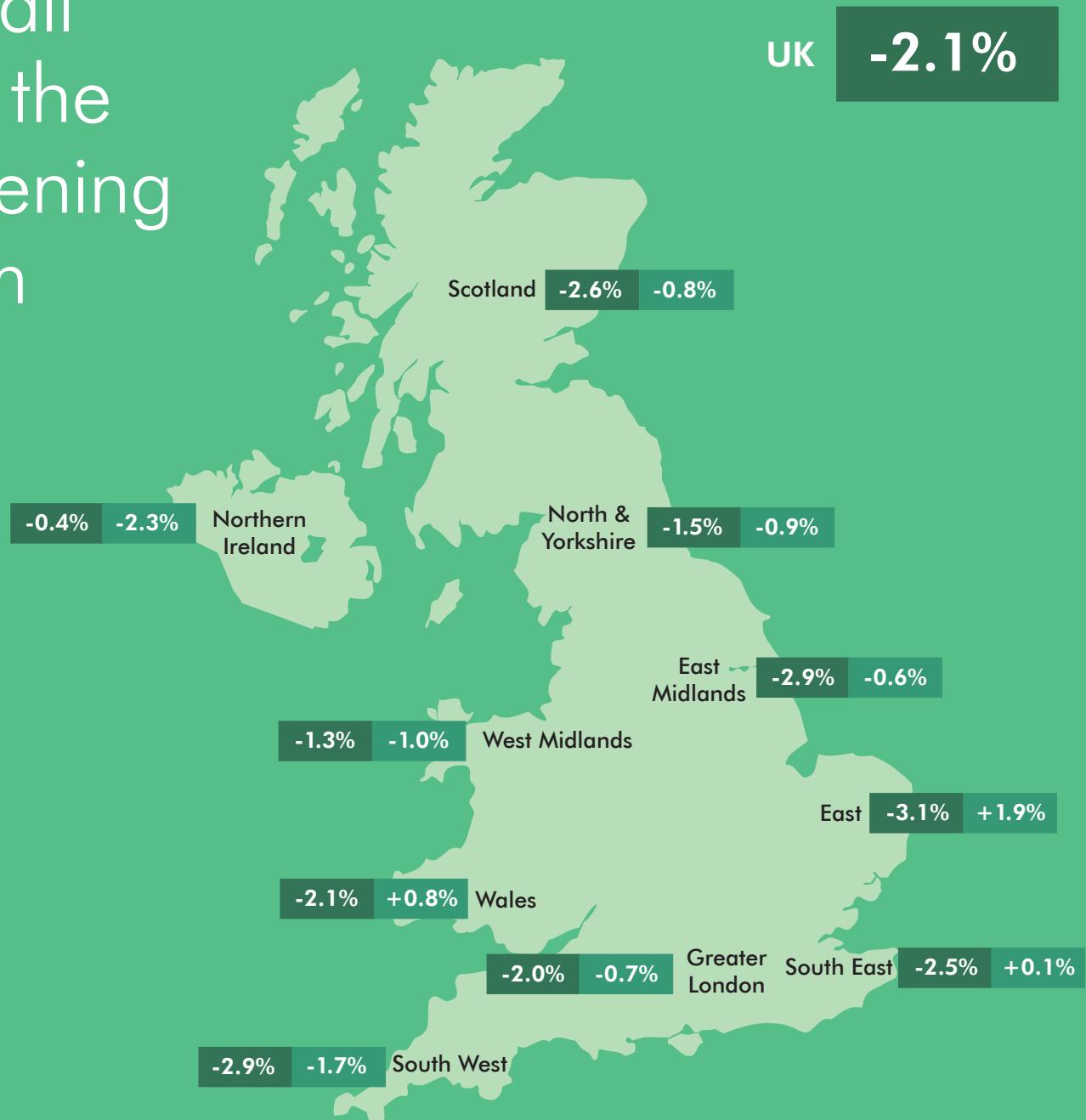


Footfall declined in all geographies across the UK in 2018, a worsening in performance from 2017, when footfall rose in three geographies.

The most significant decline between 2017 and 2018 was in the East where footfall shifted downwards by 5%, from +1.9% in 2017 to -3.1% in 2018. Three other areas recorded downward shifts of more than 2.0% (East Midlands, the South East and Wales).

Springboard UK - YOY % change

● 2018 ● 2017



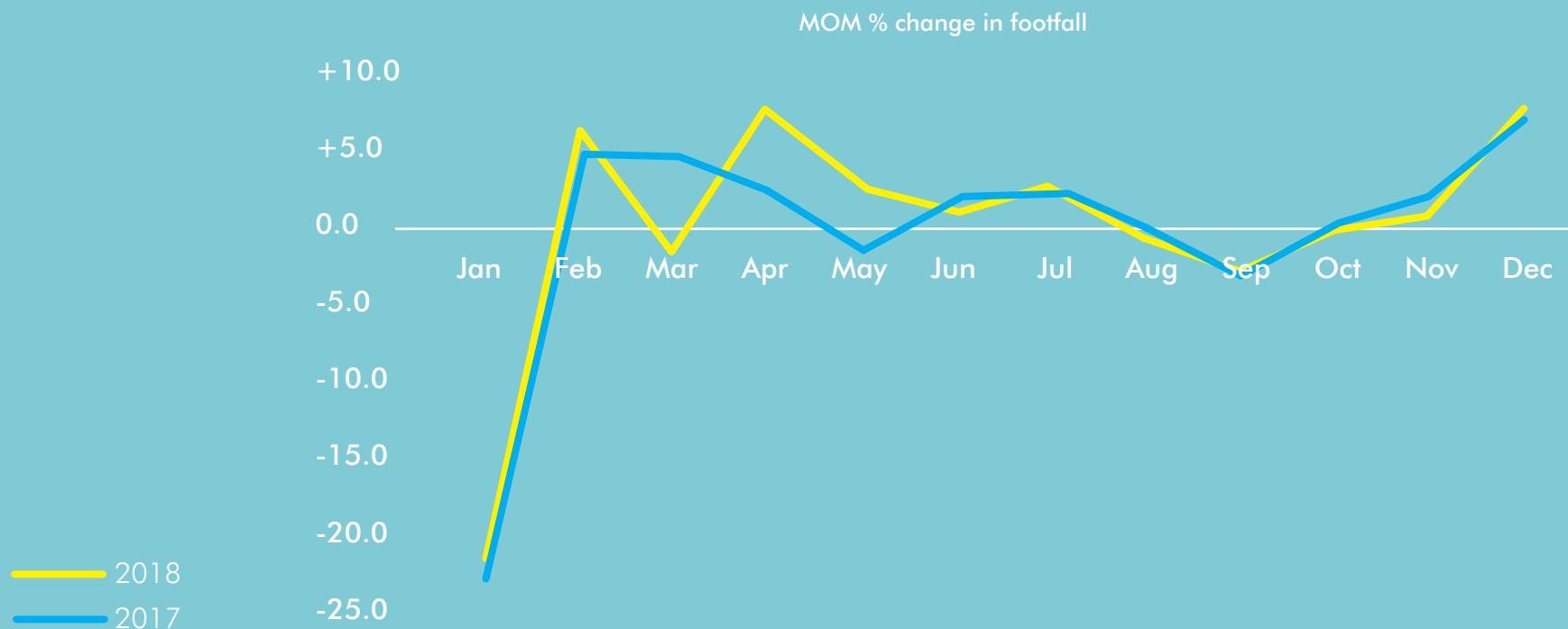
Section 04

Trend by Month 2018

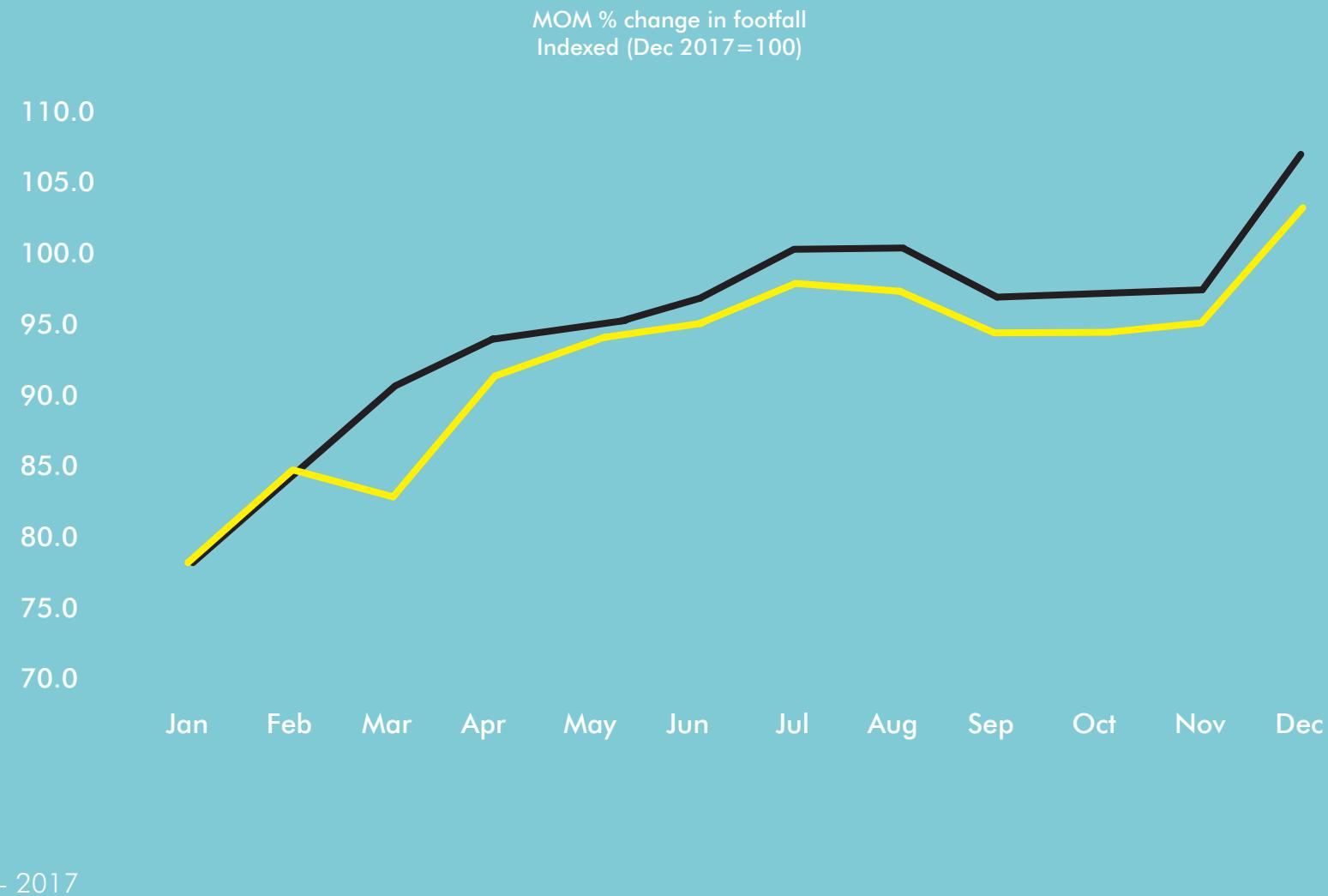


The impact of the weather during 2018 on footfall can be clearly seen in the change from month to month; with a significant drop between February and March when the “Beast from the East” hit the UK, but then a bounce back in April and May.

Footfall dropped by -1.7% between February and March 2018 compared with a rise of +4.7% in 2017; but then bounced back with a rise of +8.0% between March and April compared with just +2.6% in 2017. From June onwards, the trend largely mirrored that of 2017.



The pattern of footfall activity over the year as a whole in 2018 followed a largely similar pattern to previous years, with footfall rising steadily over the period from January to July, dropping between August and September and then rising between November and December.



Section 05

High Street Footfall



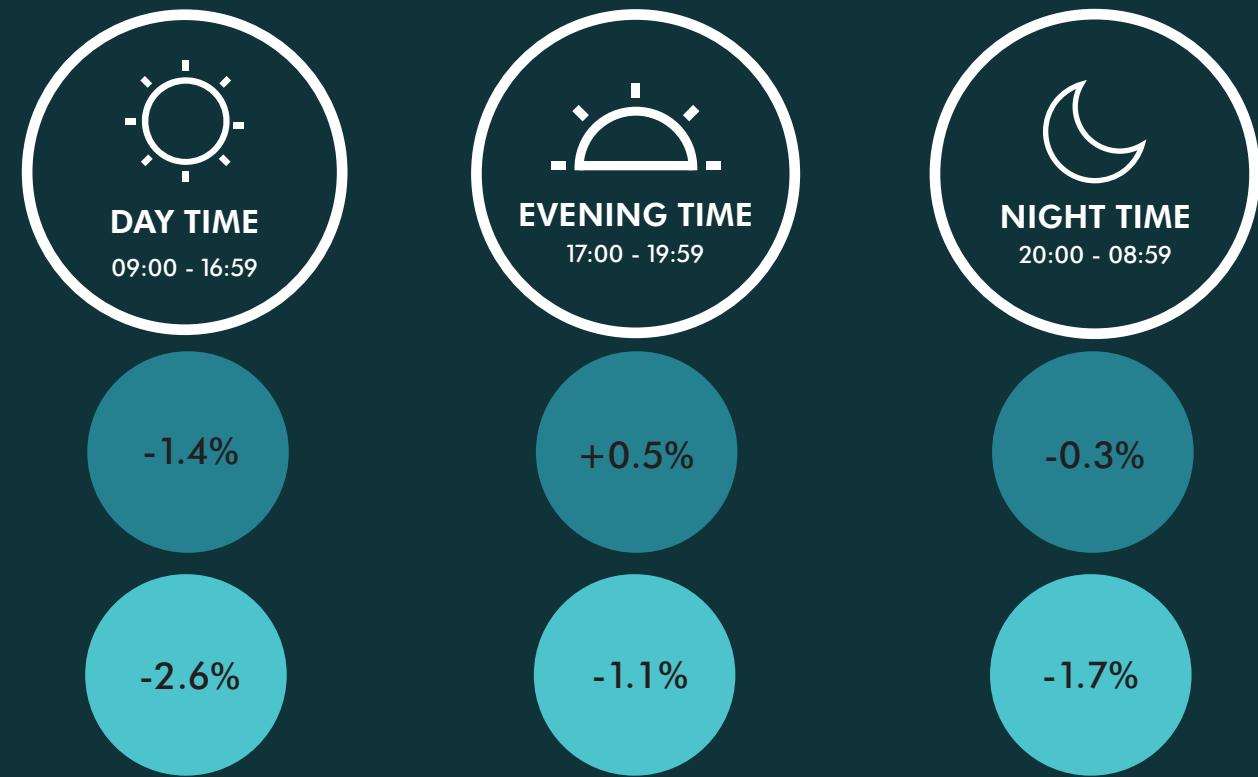
High Street footfall deteriorated considerably in 2018, with the drop of -2.3% being the worst result since 2012 and far more severe than the -0.9% in 2017.

High Street footfall YOY % change



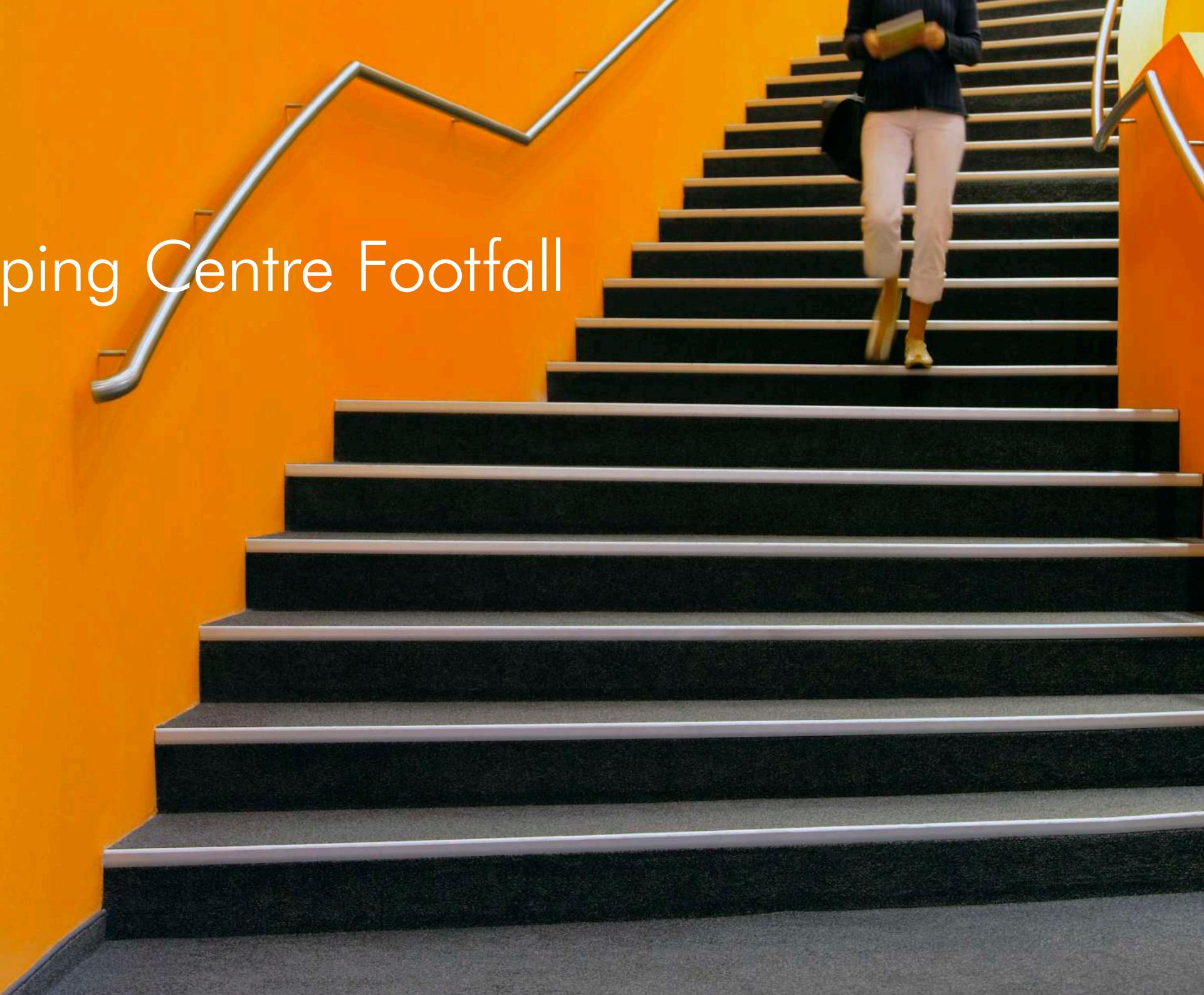
Even more concerning was that footfall across all parts of the day declined. The most severe drop of -2.6% was during retail trading hours of 9am to 5pm, which was nearly twice as great a drop in that part of the day as in 2017, and the largest decline since 2012. However, footfall post 5pm also declined; by -1.1% between 5pm and 8pm compared with a rise of +0.5% in 2017 which reversed two previous years of growth, and by -1.7% post 8pm compared with a drop of just -0.3% in 2017.

Footfall declined across all three town types, with the largest drop of -4.4% in coastal towns; and whilst footfall has fallen in coastal towns every year since 2010, this is the largest decline recorded since data was first published in 2009. The drop in footfall in historic towns of -1.4% reversed the rise of +1.3% in 2017, and the drop of -1.5% in regional cities is more significant than the result of -0.1% in 2017.



Section 06

Shopping Centre Footfall



Footfall in shopping centres weakened considerably in 2018, and once again lagged behind high streets and retail parks.

Shopping Centre footfall YOY % change

**2017
-1.6%**

**2018
-3.2%**

The decline in footfall of -3.2% was twice as large as the drop of -1.6% in 2017, and the steepest decline of any year since data was first published in 2009. As in 2017, it was the largest centres of over 500,000 sq ft that delivered the best result, albeit that footfall still declined by -2.7% which was more than twice the magnitude of the -1.1% drop in 2017.

As in high streets, footfall weakened across all parts of the day, but the greatest decline occurred during the retail trading period of 9am to 5pm, when footfall dropped by -3.5% compared with -1.2% between 5pm and 8pm and -2.3% post 8pm.



DAY TIME
09:00 - 16:59



EVENING TIME
17:00 - 19:59



NIGHT TIME
20:00 - 08:59

-2.4%

-3.5%

-0.9%

-1.2%

+2.8%

-2.3%

Section 07

Retail Park Footfall



The long-term uplift in shopper activity in retail parks, which has seen a continuous rise in footfall since 2013, came to an end in 2017.

Retail Park footfall YOY % change

**2017
+0.8%**

**2018
-0.4%**

Footfall in retail parks declined by -0.4% in 2018, a sharp contrast with the rise of +0.8% in 2017.

Footfall in retail parks rose in every year between 2013 and 2017. Although the rate of increase was diminishing in each year, the move into negative territory in 2018 represented a downward shift of -1.2% compared with a shift of just 0.1% between 2016 and 2017.

In contrast with the other two destination types where footfall declined across all parts of the day, in retail parks footfall rose slightly between 5pm and 8pm, by +0.1%. In addition, during the daytime retail trading hours footfall declined by just -0.5% compared with -2.6% in high streets and -3.5% in shopping centres.



DAY TIME
09:00 - 16:59

+0.8%

-0.5%



EVENING TIME
17:00 - 19:59

+1.9%

+0.1%



NIGHT TIME
20:00 - 08:59

-0.7%

-0.5%

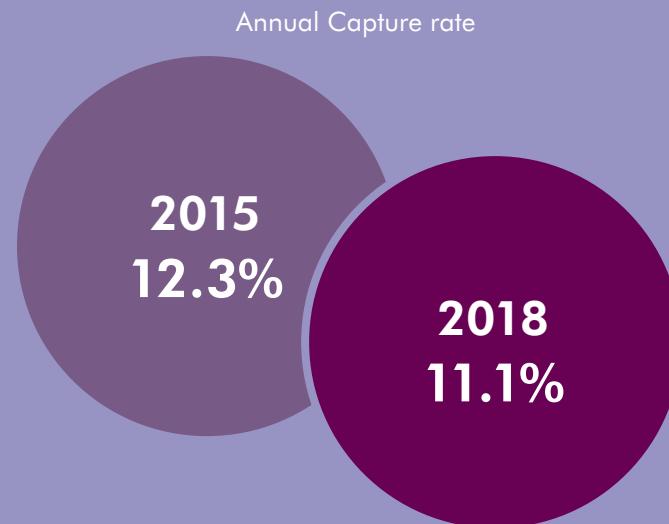
Section 10

Capture Rates



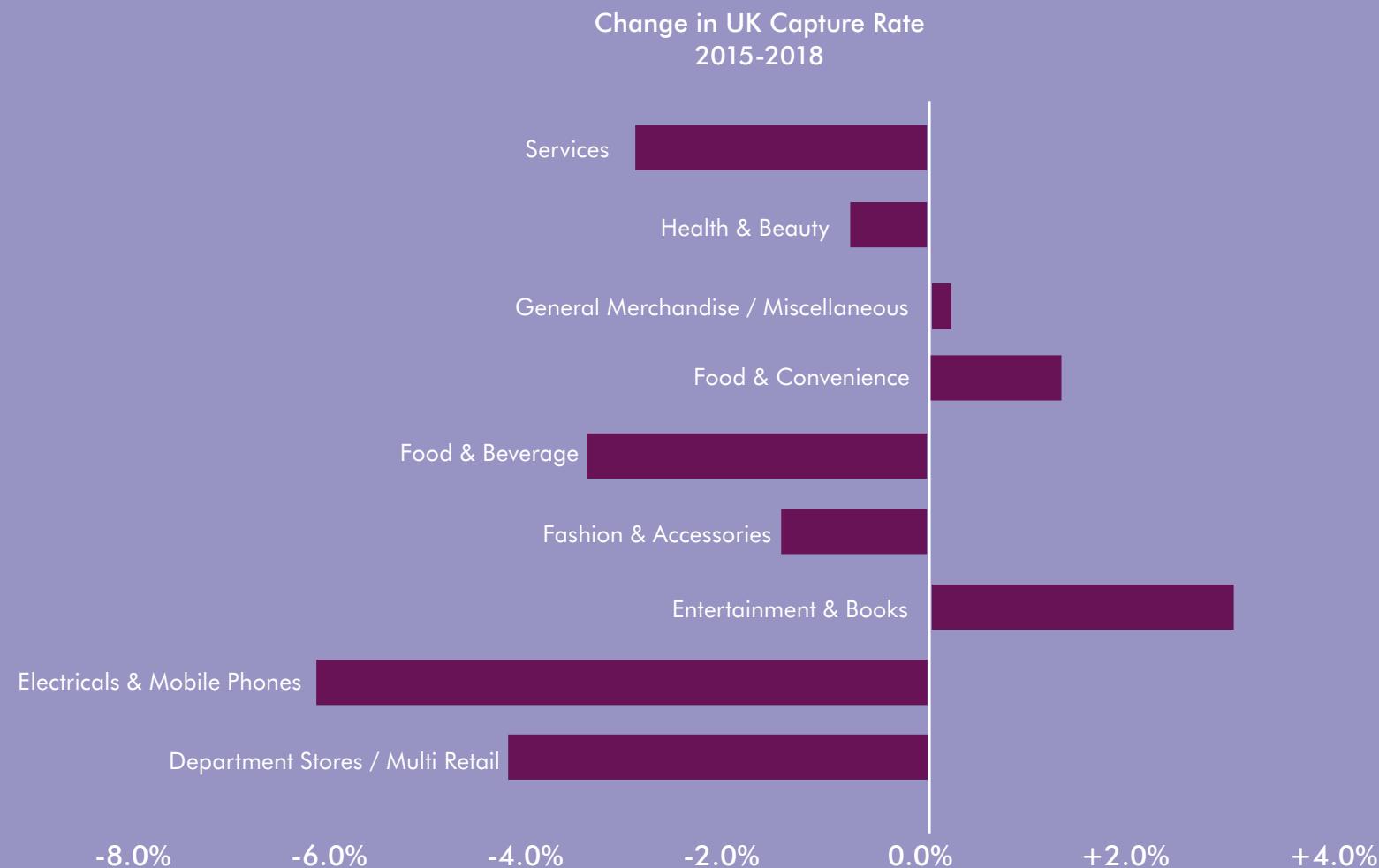
Not only did footfall in retail destinations decline in 2018, and by more than in any year since 2012, but a continuing cause of concern for occupiers is that footfall into stores declined even faster than in retail destinations generally.

This is expressed as the Capture Rate, and represents the percentage of footfall entering stores from the street or mall. In essence, the Capture Rate equates to a store's market share, and for a store to be trading in line with its location, its Capture Rate should be at least stable, and preferably increasing. A declining Capture Rate demonstrates that a store is losing more shoppers than the location which means that not only does it have fewer customers to sell to, but that its market share within a location is declining. In part, this is a result of the increasing maturity of online and its function for showrooming, providing a research tool for shoppers so they can identify stores that offer the most relevant product at the right price. This inevitably means that shoppers need to browse less, and so visit fewer stores during a trip to a retail destination.



The overall Capture Rate for the UK has been declining each year since Springboard's Customer Attraction Index was first published in 2015; from 12.3% in 2015 to 11.1% in 2018. However, this has not taken place evenly, and in fact there has been a rise in the Capture Rate in three store categories (Entertainment and Books, Food & Convenience and General Merchandise/Miscellaneous). Inevitably this means that there has been a decline in the Capture Rate of other store categories, the largest of which are Electricals & Mobile Phones (-6.1%), Department stores/Multi retail (-4.1%) and Food & Beverage (-3.3%). The Capture Rate of Fashion & Accessories has declined by -1.3%.

Each retail category has a different "natural" Capture Rate, which is a function of the strength of brands in that category, competition and dominance of the store in terms of scale. The travails of the department store category in 2018 are well known, and hence its Capture Rate declined as footfall into department stores declined. However, it still has the highest Capture Rate of any category at 29.1%, which means that over a quarter of all shoppers in a destination enter a department store during their trip. In contrast, Food & Beverage - which has undergone a huge expansion with a surge in competition - has experienced a decline in its Capture Rate from 19% in 2015 to 15.7% in 2018, as spend has been diluted amongst a greater number of occupiers.



Section 08

Footfall Influencers and Drivers



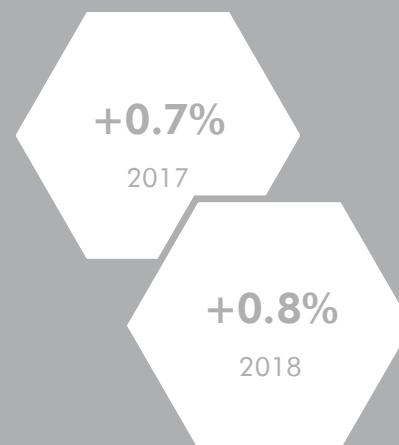
Town centre store-based sales declined in 2018, reflecting the drop in footfall. However, overall retail sales - incorporating both out of town and online spending - rose, albeit online sales rose at the lowest rate since 2009.

YOY % Change in
Town Centre Sales

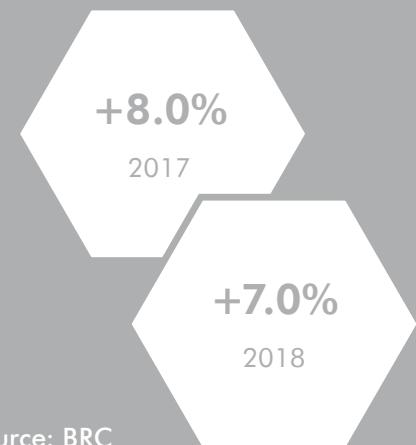


Source: Springboard Town Centre Store Sales Tracker

Total YOY %
Change in Sales



Non-Store YOY %
Change in Sales



Source: BRC

Overall sales as recorded by both the ONS and the BRC increased in 2018; by +0.8% in terms of value according to the BRC and by +2.8% according to the ONS (in terms of volume). However, both of these sets of results include both spending in out-of-town retail destinations and online. The rate of growth in the value of online sales rose by +7.0% according to the BRC, however, this was the lowest rate of growth since 2009, and the second year in which the growth in online sales has been in single digits.

Sales achieved in town centre stores (as recorded by Springboard's Town Centre Store Sales Tracker, which excludes online spending) declined by -2.3% in 2018, a drop that is of a similar magnitude to that for footfall (-2.1%). This was the third year in a row that sales declined and is greater than the drops of -1.5% in 2017 and -0.4% in 2016.

The rate of growth in the volume of sales in-store rose in 2018 according to the ONS; by +1.4% in food stores and by +2.2% in non-food stores. However all of this increase emanated from non-specialised and household goods stores (+1.6% and +5.4% respectively), whilst the volume of sales in clothing and footwear stores declined by -0.5%.



Consumer confidence weakened slightly further in 2018, with the overall index score moving downward from -9 in 2017 to -10. The score for three of the five confidence measures declined, with both measures relating to the general economic situation (past and future) achieving lower scores than in 2017. In contrast, the score for the measures relating to consumers' personal financial situation - both past and future - were more resilient with the score for the past 12 months remaining at 0 and increasing from 3 to 5 for the next 12 months.

	GFK/NOP Consumer Confidence Survey Average score	
	2018	2017
Overall index score	-10	-9
Personal financial situation over last 12 months	0	0
Personal financial situation over next 12 months	+5	+3
General economic situation over last 12 months	-28	-26
General economic situation over next 12 months	-27	-24
Major purchase index	+2	+3

Section 09

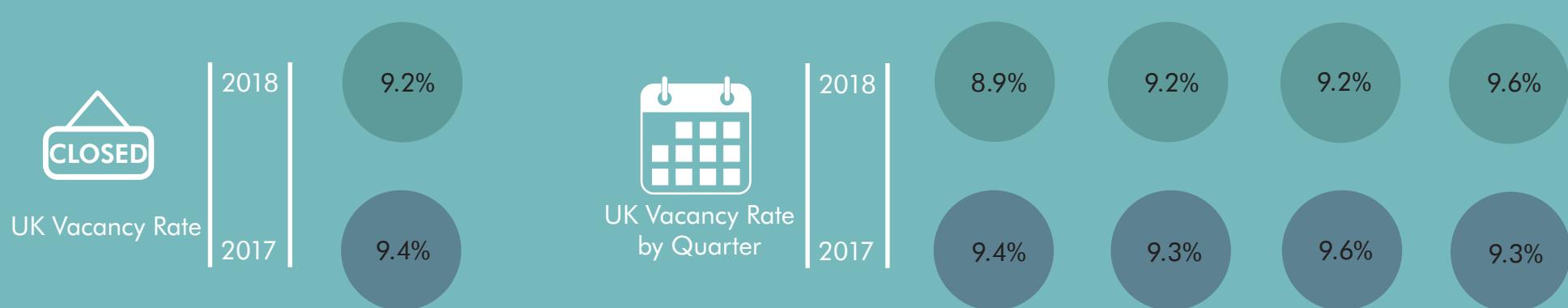
Vacancy Rates



Despite both footfall and town centre sales declining in 2018, the vacancy rate improved slightly for the fifth consecutive year, albeit that this gain was made in the first three quarters of the year.

In 2018 the UK vacancy rate improved once again, and by a larger margin than in 2017, from 9.4% to 9.2%. However, all of this improvement occurred between January and July, and in fact the rate rose between January and April (from 8.9% in January to 9.2% in April), staying stable over the period to July, but then rising to 9.6% by October. In October 2018, at 9.6% the vacancy rate was higher than the 9.3% in October 2017.

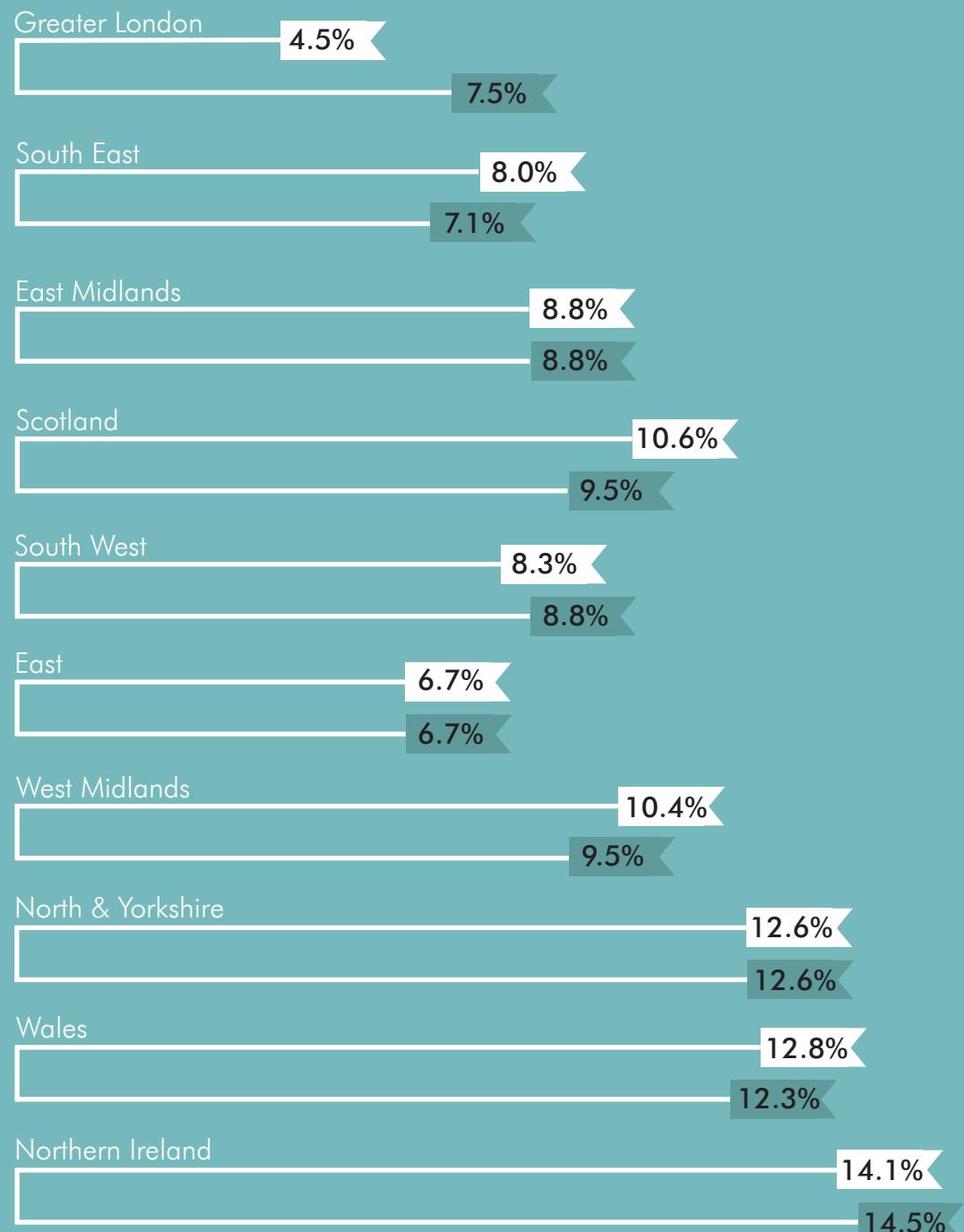
In part, the resilience of retail destinations in terms of occupancy levels is likely to be a consequence of the increase in importance of the leisure/experience based trip, which has driven the expansion of hospitality/service-led occupiers, often taking the place of retailers. However, the increase in vacancies in Q4 is likely to be a reflection of the challenging trading conditions in the latter part of 2018, which impacted on both retail and hospitality, and led to store closures.



The vacancy rate across different UK geographies remains varied, ranging from 4.5% in Greater London to 14.1% in Northern Ireland. The rate improved in six of the ten UK geographies, with by far the greatest improvement being in Greater London, where the vacancy rate dropped from 7.5% in 2017 to 4.5% in 2018.

Vacancy rate by region

2018
2017



Section 11

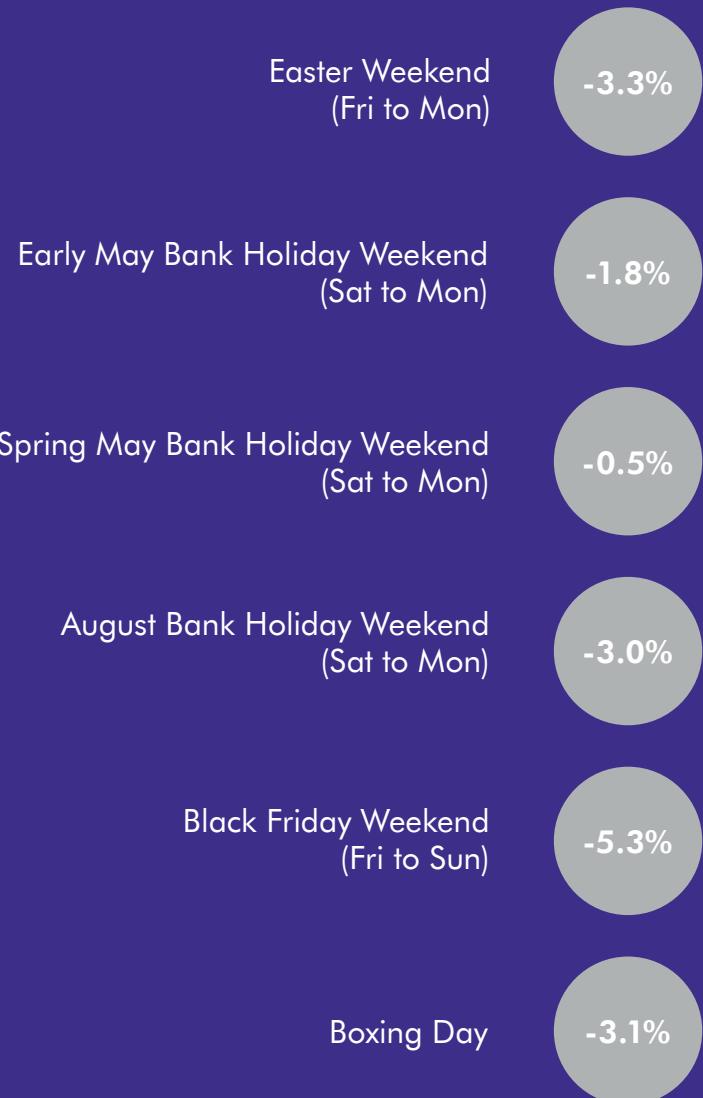
Key Trading Days



The significance of bank holidays as key retail trading days continued to diminish in 2018, with footfall declining on every bank holiday or key trading day as it did in 2017.

Declines in footfall over 24 hours averaged around -3.0% across all bank holiday periods, but ranged from just -0.5% over the Spring May Bank Holiday weekend to -5.3% on Black Friday. The May bank holidays were the most resilient, however, some of this will have been due to improved weather this year combined with the fact that Easter was earlier than in 2017, and so there was a longer gap than usual between Easter and the Early May Bank Holiday. The combination of these two factors will have led to consumers taking the opportunity to make trips to retail destinations.

Black Friday is the only key trading day that is not an official bank holiday, and is also a day that is heavily focussed towards online shopping. In tandem with this, and the extent of discounting generally, the fact that discounting extended from before to after Black Friday and an increasing scepticism amongst consumers about whether the discounts offered on Black Friday are real, means that many consumers did not participate in the event resulting in a drop in footfall. This was also reflected in lower than expected uplifts in online activity on Black Friday.



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