

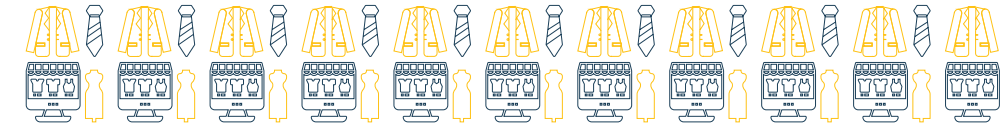


MERCHANT
CAPITAL

Men & Women's
Retail Report



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Your 2019 **Men & Women's** Retail Sector Outlook

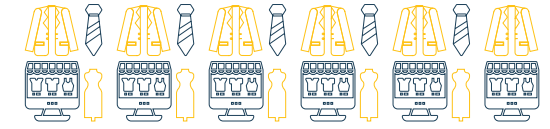


You are a **visionary business owner** intent on trailblazing in the men and women's retail sector. At Merchant Capital we are all about serving your ambitious growth. We usually provide fuel for business in the form of working Capital.

But here we are delivering another kind of fuel: **information**. So we have made it our mission to track, analyse and deliver relevant sector intelligence, right into your hands. We hope this gives you the **competitive edge** you need to take your business that much further.



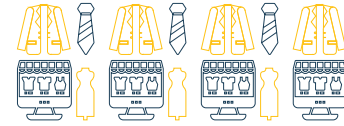
How have **consumer-buying behaviors** changed this year?



Economies don't operate in isolation. There is a direct correlation between political circumstances and emotional impulse. This is because the market is a macrocosm of what people are feeling internally. As we established above, South Africans are feeling cautious and so their spending habits are reflecting this with the tightening of belts.

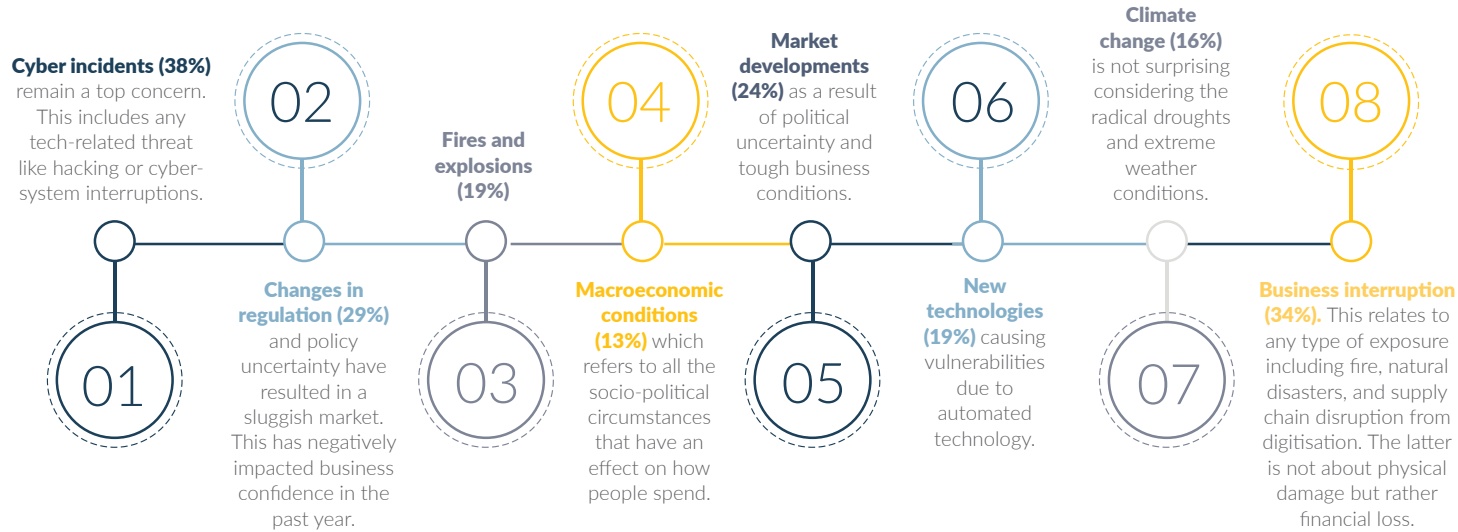
Many retailers in your sector have reported a reduction in basket sizes, lower unit conversion and less foot traffic. The flavour is more frugal, with customers buying less impulsively and doing a lot more online research before parting with their hard-earned cash. While this might feel worrying, if we understand that spending is emotional, if your brand or product can help people feel better about things, you will find yourself in a pretty powerful position. We talk more about this later on.

What is **worrying you**, the retailer?

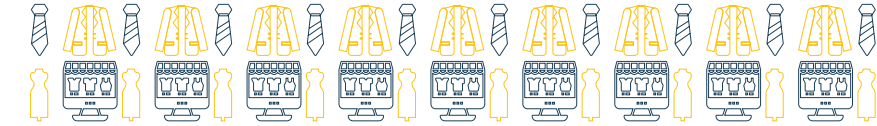


We're not going to sugarcoat it: Last year was volatile to say the least and financially consumers are still very vulnerable. This has naturally had a heavy impact on their spending habits and similarly, your bottom line.

According to the Allianz Risk Barometer Report 2018 the top risks worrying retailers across all sectors right now are:

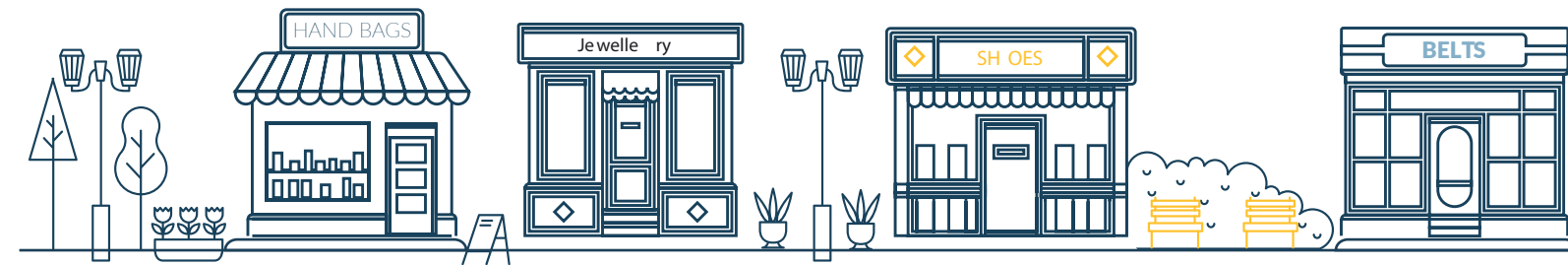


What the mall **owners had to say**

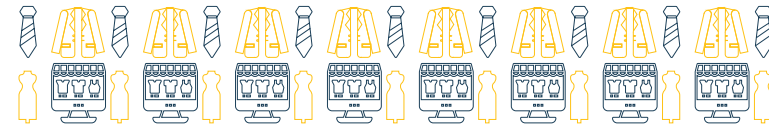


Mall owners have also reported mixed results, with larger groups like Redefine and Liberty Two Degrees (L2D) reporting an increase in sales volume per square meter. While these figures were double three to four years ago, it does prove that consumers do have some type of appetite for spending. Mall owners mainly attribute the growth to retailers that serve more basic consumer needs like groceries, rather than those that cater to higher-end discretionary spending. That said, they can be persuaded.

There is a strong trend identified by mall owners that retail is not necessarily about buying things anymore. It's about an experience. Says L2D CEO Amelia Beattie, retail is about "creating experiential spaces where people want to meet, spend time and create memorable stories". So forward-thinking mall owners are adapting to what customers want and similarly creating conditions that allow their tenants to cater to those needs. The take out here is that it is important for retailers to stay in well-managed. Centres that are being maintained in good times and in bad. And with landlords that are tuned into trends and consumer behavior.



How can you empower your store?



Invest in Brand

Within 'Men's and Women's retail, branded retailers have reported that brand power helps in this type of climate. While there were some surprises with big brands like TopShop, Palzaleri, Mina and Mango leaving the country. Certain high-end brands are still coming out well in spite of the economy. This may be attributed to the idea that brands embody value.

Some of the best brands in the world have dedicated complaints lines. Because if people care enough to complain to you, it means they have high expectations of your offering meaning you're actually in a pretty powerful position.

Brands also embody value for money and in a climate where people are only buying what they need... "what they need" is not necessarily about a



number of T-shirt's. Rather "what they need" is actually "value". This comes back to the notion that economics are emotional. If things are volatile 'out there', people will buy things that will help them feel better about the world.

Value can be communicated in subtle ways like strong store branding, high quality shop fittings and cross-platform campaign management that listens to what the customer needs and then responds authentically. One suggestion from a retailer is that companies can create brands within their vertical to maintain interest. Always be aware that the South African consumer is extremely spoilt for choice with so many brands in the mix.

Store owners need to be unique in their own way; striking that tricky balance between 'different' but 'commercial'.

Remember who you are but remain open-minded



Many of our merchants have reported that they have really had to think on their feet, all the while remaining true to their core offering. Said one clothing retailer, "You can't allow yourself to get spooked by all the volatility.

Always come back to your brand and your offering because in times like these customers are just people who ultimately need consistency – your brand can embody that." So remaining solid in your USP is vital. But where are you able to adapt to entice customers to engage with their hard earned Rands?

Give your customers a great experience



It is essential that business owners incorporate ways to extend or enhance their offering to ensure they not only meet but also exceed their customer's service and experience expectations. Retail stores present brands with an opportunity to create awareness of their products in an environment that lends itself to visual and tactile experiences.

Stores of the future will still use some of the tried and tested branding activations but will increasingly embrace digital platforms to create a more integrated customer experience. Advertising content will not only be a case of customisation, but also personalisation. Aiding in this shift is the need to optimise the branding supply

chain in challenging economic times. Even at the point-of-sale, consumers are starting to see changes. From mobile payment solutions to 'tap-and-go' alternatives, there are opportunities to create new environments for the retail store. Even staff can be equipped with digital payment devices to give a more engaging customer experience.

Placing a digital solution within retail stores means that content can be managed remotely without the need for large production and installation teams. Bearing in mind that digital media is still reliant on cabling and connectivity, which calls for maintenance and guaranteeing up-time.

Renegotiate



Some Men and Women's retailers are using this climate to their advantage by negotiating better rates with landlords. Malls are still full but one can see the pressure in the tier 1 malls where there is lower occupancy. Have you noticed more and more Pop-Up stores around? This could be due to lost leases or lack of renewals. Pop-Up stores offer a temporary solution for landlords but also allowing brands to show up at a seasonal rate with less capital expenditure.

Embrace online



Still debating whether you should take your bricks and mortar store online? Here are three local eCommerce stats that are guaranteed to make you sit up and take notice:

1. **65%** of South Africans over the age of 16 have some form of online presence.
2. South Africa's online retail trade figure is surpassed R14 billion in 2018, accounting for **1.4%** of SA's total retail and this is predicted to reach **2%** by 2022.
3. 2018's y-o-y online retail growth recorded **25%**, which was higher than anticipated (below **20%**)

Online retailers in South Africa still make up a small proportion of overall retail but, for the first time, we see the promise of a broader range of businesses in terms of category, size, turnover and employee numbers. This is a sign that our local market is beginning to mature. Considering the enormous variety and growing number of online shopping options available to consumers, all a mere click or swipe away, growing your retail business may be as simple as moving towards establishing some form of an online retail presence.

The social network



If an online shopping platform doesn't appear high up on your list of business priorities - social media platforms like Facebook and Instagram should be. The quantum power of 'likes' radically affects your customer's buying decisions. This offers small business owners a relatively cost-effective opportunity to market and grow your brand and retail presence if you're prepared to put in the extra time and effort to establish and grow a loyal social media following.

It's here that an in-depth understanding of your target market will prove invaluable, and creative business owners can experiment with what their consumer group best responds to, quickly gaining valuable insights that can be easily and often successfully implemented into everyday business decisions.

Omni say what?



Yes online shopping is alluring and yes it is growing, but not in isolation. Research indicates that very few people limit their purchases to exclusively shopping online or in-store. People want a healthy mix of both options. This type of buying behavior even has its own term in retail circles and now is referred to as the Omnichannel; a fully integrated approach to commerce that provides shoppers a unified experience across online and offline channels.

Experts agree that the future of retail is as much about the personal in-store experience as the purchase itself where consumers increasingly expect a holistic experience, driven and enhanced by technology, rather than replaced by it.

Retail is no longer just about shopping; it's about an experience and not just in-store, but even before the customer steps foot in the door. Omnichannel, social media and influencers are the new norm and retailers need to understand their value in the broader context before moving towards finding ways to incorporate them into their own business models.

Says Redefine retail asset manager Nashil Chotoki, "People are social beings and they want to spend their downtime in a place where they can integrate shopping with other aspects of their lifestyle." So how do you make shopping about getting more than just bag of clothes?

8 Retail trends for 2020

For the retail sector as a whole - and for physical stores in particular - 2020 will be a year of reinvention where retail will get faster and smarter. The result will be a global retail sector that is stronger and

better equipped to serve rising consumer expectations. Here are the top 8 retail trends that you can use to grow and maintain a loyal customer base:

Next-gen flagships

Cities will see more spectacular retail from a new generation of flagship stores. We expect a new wave of investment in physical stores to be core to the reinvention of retail.

Fast retail

'Fast retail' will have shorter leases, more shared spaces and more short-term stores. This trend will also inspire new collaborations between retailers to boost store traffic and large-store retailers to seek covenants to fill extra space.

Frictionless physical retail

Technology will strip friction from brick-and-mortar retail. At the forefront of this tech-forward shift to address traditional pain points will be automated, checkout-free convenience stores.

Artificial intelligence

Artificial intelligence will become retailers' go-to technology. Four areas of opportunity for retailers to utilise are AI, communication/personalisation, pricing optimisation, inventory, and discovering new ways to engage with consumers.

Borrowing from 'new retail'

Western retailers will borrow from 'new retail' with data-driven online-to-offline ventures. This will be seen in online retailers offering more physical experiences around calendar events and moves into permanent retail formats, with online data influencing decisions on everything from format to product range and location.

Conscious consumption

Consumers will look for environmentally and socially engaged brands and retailers. The conscious consumption trend will continue to expand into new retail sectors, the report states, and will push shoppers toward alternative acquisition models (such as resale and rental). This gradual shift will fuel further collaboration between retailers and brands in search of fresh ideas, endorsement from influencers, and being viewed as responsive to consumers' concerns.

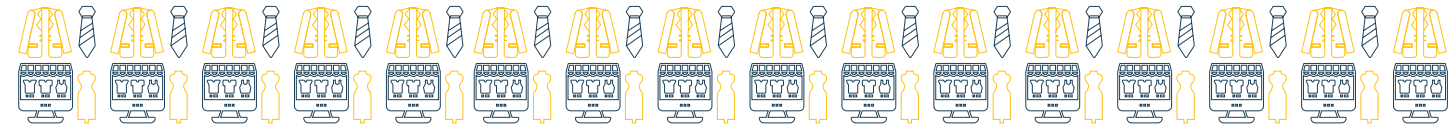
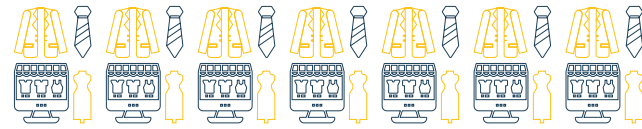
Smart retail

More consumers will expect 'smart retail' interactions. Retailers will need to meet this desire with a holistic approach that integrates AI automation, human intervention, and data sharing to provide personalised and predictive interactions across multiple channels.

Inclusivity

Shoppers will seek more inclusive offerings, impacting the apparel and luxury markets. Brands and retailers will increasingly target traditionally marginalised fashion consumers, according to the report, such as plus-size shoppers and consumers with disabilities seeking adaptive clothing. Midmarket retailers will add more niche sizing and adaptive ranges, and aspirational brands will look to partner with "body-positive" influencers and celebrities.

Meaningful **relationships** remain key





Regardless of the developments in technology, retailers' focus should remain on the customer; building deep relationships, winning at customer experience, and using technology to their advantage in these strategies.



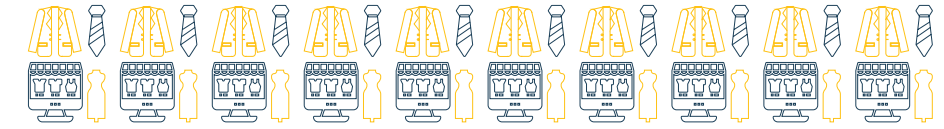
Acknowledging AI as a new customer segment will allow the retailer to target products and services better, while IoT will allow the retailer to offer new products and services.

How did **Men and Women's** retailers do?

As a retailer in the business of trading in specialist 'his' and 'her' goods and gadgets, 2018 probably still goes down as a year you'd rather not repeat in a hurry.

<p>With general retail trade sales down by</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>-1.4% December y-o-y</p> </div> <div style="text-align: center;">  <p>-4.8% 2018 m-o-m,</p> </div> </div>	<p>it will come as no surprise that the</p> <p>main contributor to negative growth (particularly in December 2018) was</p> <div style="text-align: center;">  <p>-2.7% Textiles and clothing</p> </div>	<p>But it's not all doom and gloom on the</p> <p>financial forecast front, because even though (as at the fourth quarter) the FNB/BER Consumer Confidence Index (CCI) remained unchanged from the previous quarter</p> <div style="text-align: center;">  <p>at +7</p> </div> <p>it is still hopeful for a positive overall consumer sentiment.</p>
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The **bottom line**

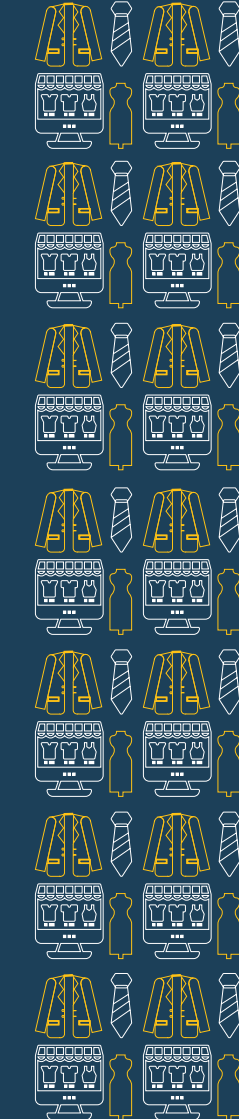


Yes this has been a tough year for the Men and Women's retail sector. And yes, you have felt it in feet and in Rands. But our message to all the entrepreneurs operating in this retail sector is just remember why you are doing this. You help people feel better about themselves and (in some cases) literally puts clothes on their backs.

So sit tight and think wide and they will be back. Your ingenuity and tenacity is what will help turn this ship around. But if you need any help getting out of the harbor, you know where to find us.



Your 2019
**Men &
Women's
Retail**



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you can fuel your ambitious
growth, contact us:



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