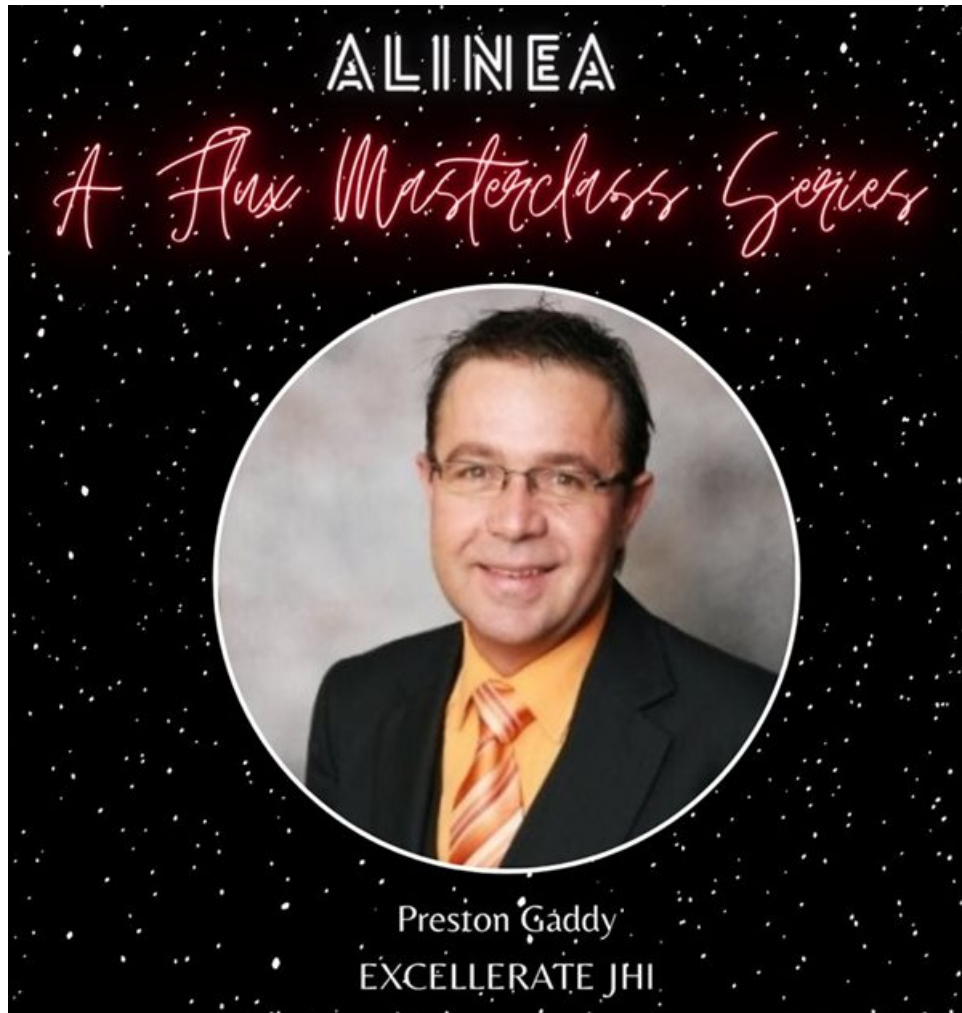


Why the future of malls could be good for smaller retailers

As part of their ongoing efforts to help South African SMEs navigate the post-pandemic "Great Staggering" back into the new post-normal, post-lockdown world, Bronwyn Williams, partner at Flux Trends, interviewed Preston Gaddy at the Alinea Marketing Master Class to find out about future retail trends.



Preston Gaddy is a highly proficient retail property professional, with more than two decades of diverse property management and development exposure and highly recognised in the retail property field as an industry expert and consultant. He has vast experience in centre management and is currently the MD of Sandton City precinct, which includes Nelson Mandela Square. As such, Gaddy is perfectly positioned to explain how to succeed in the future formal retail environment.

■ ***As lockdowns ease up and people can go back into malls? How keen are customers to return to physical shopping spaces, given what is going on in the world around them right now?***

Since the easing of restrictions we have seen some encouraging growth in foot-fall, particularly since we got down to Level 2 and restaurants were able to open and people were able to come and enjoy some time out. We have a long road ahead. There is no doubt about that.

“ Footfalls and turnovers are pretty much in line, so if you are seeing a 30 to 40% decline in footfall, you generally are getting a 30 to 40% decline in turnover. ”

Naturally, there is still some trepidation out there. Shoppers expect that centres are adopting the safety protocols that are required to give them that that peace of mind.

■ ***What are some of those safety protocols that you had to put into place to make shoppers feel safer and more comfortable about going back to mall?***

Measures include sanitisation stations, touchless parking, voluntary temperature testing, information counters - and then, most importantly, working with our tenants to ensure that they are limiting the numbers in terms of the people permitted in the in the store, ensuring adequate queuing and the social distancing.

We are also working with our restaurants, where they have limited seating due to social distancing and allowing them to use our common areas more, where we typically would not have allowed that in the past.

For instance, at Nelson Mandela square, our restaurants are using the square a lot more to assist with table densities. We are also working to bring shoppers back by enticing them with free parking for the restaurant patrons.

■ ***Obviously, it has not been easy for retailers in the short term, but what are your thoughts now in regard to the long run effects on malls themselves and tenant occupancy rates? Are we going to see fundamental shifts in sort of tenant mixes and occupancy levels we have in South African shopping malls?***

Unfortunately, the impact of Covid-19 has been a “strongest will survive” type of scenario.

“ Across the board, many centres have seen store closures even prior to Covid as businesses were struggling - Covid-19 was just the final death knell. ”

In response, we have various business rescue processes that are under way and centre management teams are working with the business rescue practitioners to assist these retailers in finding their way through this these difficult times. This turnover does also open other opportunities. We have been quite fortunate to receive several new inquiries for space, particularly embracing the whole pop up philosophy. The pop-up environment is just the right suited approach to uncertain times.

So yes, occupancy levels will be under pressure over at least the coming year until we see some decent recovery in terms of turnovers and footfall.

■ ***Thank you, do you have any observations as to which retailers have been able to weather the storm? Obviously, the businesses with the biggest bank balances and the deepest pockets would have been the most equipped to survive any sort of crisis, but are there any other commonalities amongst the smaller retailers that have done better than the average?***

Some of those independent retailers embraced this change and adopted an online and offline approach to retailing and were able to be quite nimble and get their online presence activated quickly have benefited.

One other essential element we have observed is those tenants that are investing in their staff. Staff are your eyes and ears, and your ambassador for any retail shop. It is working with, with your staff, incentivising them, listening to them, understanding what the consumers are saying to them.

In any retail environment, conversion rates are critical. And when that customer comes into the store, they have made a hard decision to venture out of the homes into an environment where they are susceptible to contracting Covid-9. So, when they walk into your store environment, you need to be making sure that they are well looked after and that your staff are responsive to their queries.

Then also, retailers that are opening the conversation and collaboration with the landlords, have an advantage. It's about continually engaging with your centre management team, looking for opportunities, understanding their marketing approach for the coming months, and learning how can you align yourself to the various campaigns that the centre are proposing.

“ Often retailers will just sit back and say, well, it's the landlord's job to bring people to the shopping centre, I'm afraid it's everybody's job to try and bring people to the shopping centre, particularly in the current environment. So, I urge those retailers out there to be having those conversations collaborating with the with their landlords. ”

It is also about involving other stakeholders across the entire supply chain - bringing your suppliers into the mix and working on promotions, and new product launches, using social media to engage with your consumers.

■ ***How do you foresee shopping centre leases contractual obligations with and for tenants will change once we get through 2020?***

There is a move now to shorter term leases, where between landlord and tenant, we can assess performance over a specific period, then re-engage on terms for an extended period.

Obviously, from a shopping centre perspective and an ownership perspective, long leases are preferential in terms of the valuation of the of the of the property itself, but in terms of tenant retention and keeping tenants in the centre, we are working on shorter term periods, understanding what the turnovers are doing, and then sitting down and engaging for extended periods. I think that will be the norm amongst particularly your independent and smaller national retailers.

Obviously, the larger national stores want to have security of tenure, they want to invest in their stores. And equally the landlords, want to ensure that they have an anchor tenant or a large national on board for an extended period. But for the independent and smaller nationals, you are going to see a move to a shorter-term lease going forward.

■ ***Have you observed a shift in customer perception and demand for local and South African retail concepts?***

Certainly, the consumers out there are embracing love local, and we certainly want to be working towards that.

The love local ethos is very much embedded in what we are doing daily. For instance, we are looking at two or three new pop ups by our local entrepreneurs as new entrants into the market. We are working with them and assisting them with marketing.

For example, particularly with new entrants into the retail market, we often see them taking big space on - almost as an ego thing. They want to have a flagship store, they want to have the biggest store, etc. But I urge those new entrants into the market to be very careful of the space that they take up because you are paying top dollar in most of the bigger centres for that space.

Rather have offsite storage and data logistics, than take on space that is 20 to 30% too big.

This interview was part of the Flux Trends Alinea Mini Masterclass Series dedicated to helping South African entrepreneurs and SMEs use trends as business insights to get back to work after the manifold challenges of 2020.

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