

INSIDE RETAIL WEEKLY



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News and views on the world of retail since 1972

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Katies is part of the Specialty Fashion Group, which is in talks with the Qatari royal family about a takeover.

More Aussie retailers bite the dust

BY JARED DICKSON

Underscoring subdued Christmas trading, the Australian Bureau of Statistics (ABS) last week reported a 0.1 per cent seasonally adjusted fall in December sales and five retail chains have been placed in the hands of administrators.

The past week also produced announcements that two more Australian retailers could be acquired by overseas-based suitors.

The appointment of administrators to Marcs, David Lawrence, Allphones, Herringbone and Rhodes & Beckett signalled the failure of December and January post-

Christmas sales to continue the promising trading lift of October and November.

The prospect of overseas buyers for Howards Storage World that was placed in the hands of administrators in December and the listed multi-brand retail company Specialty Fashion Group also reflects challenging retail conditions in Australia.

IRW has always had reservations about the ABS retail sales calculations, but they do have some value in monitoring trends and the December statistics do confirm this publication's pronouncement in our 24 January edition that Christmas was not the

bonanza that had been predicted.

IRW's reservations about the statistics relate to collection methodology and the inclusion of restaurant and entertainment spending in the retail calculations.

The veracity of the figures also looks questionable when it is considered that the ABS claims retail sales in December were \$25.6 billion or approximately one third of the sales for the quarter of \$74.9 billion.

October and November 2016 were solid months according to ABS figures, but did they really account for two thirds of sales for the quarter, effectively matching December

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Image credit: Ross Honeysett.

How food is embracing modern retail

Food is quickly becoming a headline attraction as centre operators ramp up their investments in new retail concepts. **BY MATTHEW ELMAS**

In more ways than one, the traditional food court presents food retailing as a centre amenity, providing fatigued shoppers with a convenient break at a low price. But as centre operators shift their focus to offering unique customer experiences and develop new infrastructure to cater to modern consumer trends, food is quickly becoming a destination category.

At the heart of this transition is the emergence of the dining precinct, a distinct product that shifts focus to a higher quality offer. Over the last few years, centres across the country have begun buying into the changing role food plays in their tenancy mix, and retailers are starting to take note.

Quick Service Restaurant Holdings-owned Oporto is already experimenting with new formats in what chief property officer Anthony Shina says is a move to modernise its brand to suit the changing food landscape.

“We see ourselves somewhere between the traditional quick service offering and the 30-50 seat fast casual restaurants,” Shina told *IRW*. “We have opened a number of new format stores in dining precincts around the country and will continue to expand our brand to support our growth strategy in the small format space.”

Shina singled out Oporto’s new ‘fast casual’ format in Dexu’s property’s recently renovated Gateway centre in Sydney’s CBD, which

mixes integrated seating with an open plan kitchen. The design provides an adaptable solution to the format changes the brand is currently making across its entire store network, he said.

Gateway Sydney opened last September after the original food court on the ground floor of the Circular Quay centre underwent a \$60 million redevelopment. Dedicated to the “art of eating” the new precinct hosts a range of national tenants providing “an element of theatre to diners”.

Gateway has attracted the likes of Roll’d and Schnitz – both brands are experimenting with restaurants, with the latter kicking off 2017 by redirecting its brands away from traditional food court offers.

The prevalence of national brand names in the tenancy mix is no accident; Shina notes that landlords are targeting on-trend brands for centres as they look to capture customers looking for a destination offer.

Convenience versus destination

The shift is representative of a future where centre operators will need to choose between destination and convenience, according to SCA property’s GM of operations, Sid Sharma.

“You’re either convenient or a destination. That’s where the future is. Both categories will be sustainable in the long term,” he said.

SCA owns 34 sub-regional and freestanding centres across the country, predicated on food-based offerings that are often anchored by supermarkets. The group posted a 125 per cent increase in net profit for the half year last week, which Sharma said is down to disciplined management and their convenience offer.

Demographics still reign king though, and as Sharma notes, regional customers are ultimately different to urban ones. Although in Oporto's case, Shina says customers across the board want retailers to provide them with a choice of both formats across store portfolios.

“You have to keep reinventing, otherwise you're just going to be a box with shops in it.”

The emergence of dining precincts appears to be unbound to the regional urban divide, with centres ranging from Caneland Central in Queensland to Greensborough Plaza in Victoria both opting to re-imagine their food offering.

Roll'd chief Bao Hoang said that the Vietnamese paper roll concept has had success with a restaurant-based casual dining format in regional areas and plans to focus on non-urban locations in 2017 as part of a plan to open an additional 50 stores nationwide.

“We're interested in increasing our regional presence,” Hoang said. “The population isn't as big though, so restaurants work in those areas where people can sit and eat their food.”

More than a lick of paint

However, even as national brands continue to expand their store profiles, some centre operators are starting to experiment with something entirely new. Creative director of Landini Associates, Mark Landini, is the mind behind The Kitchens, a recently opened development at QIC's Robina Town Centre on the Gold Coast that he says is neither a food court or dining precinct.

Instead, The Kitchens has been built as part food hall, part food court and part factory – with the goal of providing consumers with a holistic and engaged experience. There are no mainstream brands present in the finished development, which launched in December last year.

Local specialist retailers, growers, chefs and artisans are all filling in the gaps for national brands, trading with customers and one another to deliver a fresh food offering that incorporates communal dining and flexible indoor and outdoor spaces.

“We wanted it all to be local, as retailers have been encouraged to manufacture on site, we didn't want brands that everyone's got. We wanted hothouse brands that weren't retailers before,” Landini explained.

Specialist workshops and cooking classes as well as seasonally-driven events drive the focus of the self-contained area, which Landini said is run separately to the remainder of the Robina Centre, despite resident retailers being given license to transport their food to other parts of the centre and sell it there.

The development is described as a complete re-imagining of the role food plays in the shopping centre, with Landini arguing that centre operators need to do more than just develop dining precincts that don't transform the underlying concept of food retail.

“[If centres] are just going to employ a design company to a slightly cooler, trendier or thematic raw brick food centre, then they might as well just give up now,” he said.

“You have to keep reinventing, you have to invent, otherwise you're just going to be a box with shops in it.”

Landini, who works with centre operators globally, says there is an international push to change the nature of how food is brought to customers, noting that food is becoming the headline attraction that draws customers to centres.

“Shopping is a sedentary experience, which is done by one or two people normally...but food does the opposite, it actually brings people together,” he said.

QIC's Robina experiment is an Australian-first, but Landini revealed that interest is already generating interest, noting that independent retailers are better positioned to offer ‘best in category’ items, similar to New York's Katz Deli's ability to draw tourists from around the world.

Oporto's head of marketing Vanessa Rowed told *IRW* that independent retailers are definitely growing in influence, and that national brands will have to rely on moving their relationship with customers beyond just food and towards history and heritage.

“There's a growing trend towards independents...Those customers that love us, know our brand, feel an affinity for this and feel a loyalty that extends beyond just our food,” she said. **IRW**



Oporto launched its fast casual format at Gateway last year.