RETAIL OBSERVATORY

الجمعية اللبنانية لتراخيص الإمتياز LEBANESE FRANCHISE ASSOCIATION

LFA - CCIABML RETAIL ACTIVITY INDICATORS

LEBANON | FIRST HALF OF 2016

VIEWS FROM WITHIN

LEBANESE FRANCHISE ASSOCIATION
الجمعية اللبنانية لتراخيص الإمتياز

A semi - annual report prepared by Quant Analysts Implementing Partner

غرفة التجارة والصناعة والزراعة
Chamber of Commerce Industry and Agriculture
of Beirut and Mount-Lebanon في بيروت وجبل لبنان

RETAIL ACTIVITY INDICATORS

FIRST HALF OF 2016

A semi-annual report prepared by

Quant Analysts

LFA Implementing Partner

Published by the Retail Observatory at the Lebanese Franchise Association

August 10, 2016

RETAIL ACTIVITY INDICATORS

FIRST HALF OF 2016 | THIRD EDITION

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ACKNOWLEDGEMENTS

The Lebanese Franchise Association (LFA) and QuantAnalysts s.a.r.l. are grateful for the valuable technical assistance the Industrial Research Institute (IRI) has offered to the Retail Observatory and to the retail indicators project.

The LFA and QuantAnalysts are indebted to Dr. Nabil Fahed for the valuable support and constructive advice he continued to offer to the project.

Special thanks go to Ms. Nour Nasr for putting her expertise in quantitative methods at the disposal of the project.

EXECUTIVE SUMMARY

The retail sales performance indicators for the first half of 2016

1. The **third edition of the LFA-CCIABML Retail Activity Indicators** covers the first half of 2016, a period that saw sales performance indicators for the nine categories of consumer goods and services covered in the report take a clear turn downwards.

2. In the first half of 2016, the sales performance indicators for four major categories of consumer goods and services, which account for some 58 percent of total retail sales, fell broadly below the level they had reached in the corresponding period of 2015.

3. In the first half of 2016, the sales indicator for the clothing category was 7.51 percent lower than its level in the first half of 2015. Within the report's data sets, this category accounts for about 22 percent of retail sales.

4. The sales indicator for hospitality services, a category that accounts for about 19 percent of retail sales, was down 8.01 percent in the first half of 2016 compared with the same period of 2015.

5. The sales indicator for tourism services, a category that constitutes about nine percent of retail sales, retreated by 6.62 percent in the first six months of 2016 from its level in the corresponding period of the preceding year.

6. In the first half-year of 2016, the sales indicator for luxury items fell by 9.28 percent compared with its level in the corresponding half-year of 2015. Within the report's data sets, sales of luxury items represent about eight percent of total retail sales.

7. By the end of the first half of 2016, the sales indicators for three of the four major remained by a wide margin below their base year levels.

8. In the first half of 2016, the sales indicator for the clothing category remained 36.97 percent below its 2012 base year level, that of hospitality services was 12.13 percent below the base level, and that of luxury items was at a broad 46.79 percent lower than the base level.

9. Other sales indicators that remained noticeably below the base year level are: the indicator for sports and hobbies goods, which remained 44.78 percent below the base level; the indicator for household goods remained 41.28 percent lower than the base level; and the indicator for food and beverages remained 12.44 percent below base level.

10. The retail sales indicator for the nine categories of consumer goods and services remained 16.5 percent below the base year level, thus confirming the fact that the retail activity's minimal rates of improvement witnessed in 2015 have failed to gather recovery momentum and have actually been reversed in the first half of 2016.

11. In the first half of 2016, retail sales indicators for most categories of goods and services covered by the report's data sets traced the typical pattern of a broad fall in January compared to the previous month's surge. Confirming the persistent weakness in demand, the January 2016 overall retail sales indicator fell by 38.66 percent, a markedly broader fall than the 31.92 percent registered in January 2015. The January 2016 dip was also more pronounced than the 35.07 percent fall of January 2014 and the 21.83 percent fall of January 2013.

The January precipitous fall from the December highs is a recurring and normal occurrence that retailers expect and plan for. The January 2016 decline, however, was significantly wider than that of the preceding three years, confirming a turn for the worse. Subsequent months posted mixed but mostly weak results.

12. The report adopted a number of separate but complementary statistical approaches to interpret the retail sales performance indicators. Of these approaches, the de-seasonalization of indicator data and the use of two alternative representations and analyses of the trend are particularly helpful in imparting intuitive as well as technical significance to the time series.

13. Trend analysis plainly showed a decline in the overall retail sales performance indicator in the first half of 2016.

About the report

14. With the third edition of the Retail Activity Indicators report, the 42-month long sets of time series used for the purpose of statistical analysis lent added robustness and reliability to the resulting indicators, to correlations, and to trend analysis. This edition indeed establishes the report as the country's ***guiding reference on retail trade.***

The report's rationale

15. The exercise of building retail activity indicators seeks to fill a gap in the national statistics platform, to provide retail enterprises and prospective investors with a quantitative gist of the retail industry, and to put at the disposal of representatives of the retail industry the quantitative basis to carry out their advocacy mandate.

FOREWORD

An economy in slowdown mode

Views from within the retail industry

Index building and longer time series

Knowledge through quantification

Knowledge and advocacy

The RAI: An engaging opening gambit

In its third iteration, the **LFA-CCIABML Retail Activity Indicators** report, which publishes retail sales performance metrics for the first half of 2016, delves into the impact of the economic slowdown on the retail industry. The thorough analysis of this impact and its empirical foundations concur with the views held by economists and retailers.

An economy in slowdown mode

For the fourth year running, consumption expenditure was weakened by static to shrinking household disposable incomes, the excessive indebtedness of households, a marked decline in retail spending generated by in-bound tourists, and persistently worsening consumer expectations.

These four first-order determinants of the private consumption component of aggregate economic activity are but an expression of the deeper ills of an economy that has been trapped by its fossilized structure in a low-growth, low-employment-generation mode.

The report's chapter titled *"The economic backdrop"* offers a sweeping analytical overview of the sway that these economic ills have been exerting on the retail industry over the past three and a half years.

In essence, that overview lays bare the worrisome inference that five factors that ought to have underpinned economic activity over the past few years, have in fact had a limited, nay, insignificant economic impact.

Indeed, lower energy prices, lower food prices, steady retail prices, stable (though high) rates of interest, and credit availability have fallen short of compensating for root-cause structural imbalances that hinder sustainable growth.

> Lower energy prices, lower food prices, steady retail prices, stable (though high) rates of interest, and credit availability have fallen short of compensating for root-cause structural imbalances that hinder sustainable growth

Obviously, bad governance and policy inertia have blunted whatever positive economic influence these five factors may have otherwise had.

Nearly four years into the slump, a new normal of low-growth, low-employment-generation seems to have taken root. In that period, the measure of economic activity has traced a new baseline growth trajectory that is much lower than the preceding one. The broad gap separating the two trajectories is an eloquent pointer to the magnitude of opportunities lost to low growth that the nation is incurring.

Views from within the retail industry

Confirming the economic analysis and its macro data pillars are the opinions of retail industry experts expressed in the feature story reproduced in the section titled *"Views from within"*. The views from the retail enterprise perspective concurred on both diagnosis and prognosis.

In light of the informative and confirmative value of opinions expressed by retailers, it is the intention of the editorial team of the Retail Activity Indicators (RAI) report to establish *"Views from within"* as a permanent section in subsequent editions.

To be sure, expert views on retail are in the nature of 'backstops' to both the report's retail indicators and the underlying economic analysis. Reasonably, the convergence of these views with the indicators and the analysis substantiates the report's credence and authoritative position on retail industry metrics.

Index building and longer time series

At the technical level, the value of the statistical exercise remains firmly anchored to the standards of index building and to the accuracy of the data from which indicators derive. Surely, data accuracy is beyond reproach as partners avail the project with retail-market data that they themselves rely on in planning and management.

With the longer timeframe, indicators and their trend metrics gain in statistical robustness.

Three years into the venture, the project has assembled scores of chains of interconnected data matrices along with a commensurate mass of alternative measures of change, in addition to a host of regression equations that are formed and tested periodically and with each addition to the existing data sets.

Varied as these expanding data and testing approaches may be, they still form a whole – a *gestalt* – that gains more substance than the sum total of its constituent parts and that ought to be grasped as such, lest its expressiveness be damaged. Focusing on snippets is distractive and cognitively ineffective.

Knowledge through quantification

"When you can measure what you are speaking about, and express it in numbers, you know something about it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind." [1]

Inspired by this perspicuous observation about quantification and knowledge, the statistical exercise aims at plugging in an additional gauge within economic management dashboard, one that monitors a major and complex element of the system. Adding that gauge will certainly improve steering and control.

At the enterprise level, quantification is valued by the extent to which it serves productivity, decision-making, and planning. In that perspective, sales performance indicators – if expressively modeled – help to reduce uncertainties that normally mar the decision-making process.

Knowledge and advocacy

The Retail Activity Indicators project is squarely central to the mandates of the Lebanese Franchise Association (LFA) and the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIABML) as the build-up of knowledge about the retail industry constitutes a pre-requisite to any successful advocacy strategy. Prior to the RAI project, such strategy would obviously have been hamstrung by the lack of proprietary knowledge about retail.

> Quantification is valued by the extent to which it serves productivity, decision-making, and planning

The RAI: An engaging opening gambit

The retail industry is more complex than can be analytically described by sales indicators alone or explained in a single report. To be sure, fulfilling a mandate of advocacy demands the mobilization of resources over the long haul. Such resources would need to be dedicated to building institutional competences and to developing an integrated array of advocacy tools based on proprietary research work.

Three disciplines are conjointly needed for such research, namely, economic analysis, corporate finance, and quantitative methods.

> Fulfilling a mandate of advocacy demands the mobilization of resources over the long haul

From that vista, the RAI report constitutes one of the requisites for the preparation of actionable position papers. Other, survey-based approaches need to probe the hitherto uncharted expanse of consumer behavior.

Albert Nasr
QuantAnalysts

1 William Thomson, Irish mathematical physicist, engineer and inventor

INTRODUCTION

The strength of inductive reasoning

An enhanced depiction of retail activity

The report's structure

The strength of inductive reasoning

"It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts." [2]

In witty brevity, the fiction writer had his hero detective – whom he endowed with extraordinary inferential powers – sum up a prime principle of inductive reasoning and warn against the fallacy of warping that principle.

Though fundamentally true and broadly accepted as such, that principle, however, leaves a crucial epistemological concern unaddressed. Simply put, what if more than one concept (*also read*: theory) can be abstracted from the same set of facts (*also read*: data)? To be sure, that is not a rare occurrence in social sciences.

An interesting corollary to that problematic proposition raises the possibility that more than one set of differently sourced data lead the analysis to just one theory. Could such an occurrence be an added confirmation of the theory's veracity?

Intuition and formal logic tend to give an affirmative answer to that question.

These controversial issues in quantitative methods, however, do not undermine the basic tenet that calls for subordinating 'theories' to 'facts'. Such is the strength of that tenet that it pervades modern quantitative practices. As practitioners of the art know all too well, equations can always be legitimately refashioned to produce a better fit, provided such 'creative' re-mathing does not call for a plain departure from the initial conceptual construct.

An enhanced depiction of retail activity

In the statistical exercise at hand, data abound and are extensive in their coverage of retail activity. Along with the methodical index building process, these data attributes are essential preconditions to the pertinence of the indicators as accurate measures of change in the retail industry.

2 *Arthur Conan Doyle, writer, creator of the famed fiction character Sherlock Holmes*

Consequently, the views and inferences based on these indicators have a reasonably high probability of being correct interpretations of retail-sector realities.

Taking into consideration the fact that the end purpose of inferential reasoning is to accept the inferences that have the highest probability of being correct, the Retail Activity Indicators (RAI) report seeks to boost that probability through five procedural approaches. These are:

First, the time unit adopted for the purposes of index building and data analysis is the calendar month. This choice is warranted by the fact that monthly data capture movements and oscillations that would often be missed by data coalesced in quarterly metrics.

This major deficiency in accuracy and informativeness of quarterly-based measures of retail activity has its root cause in the activity's defining characteristic.

> The views and inferences based on these indicators have a reasonably high probability of being correct interpretations of retail-sector realities

Indeed, retail is arguably the economy's most dynamic activity in the sense that change in that activity is often brisk, characterized by sudden, sharp and frequent trend reversals, and by, at times, high amplitude ups and downs. Obviously, therefore, the quarter-based measures are bound to "average out" these rapid shifts and changes, whence their statistical inadequacy.

As a matter of fact, such is the dynamism of retail that data analysts would find it more appealing to make sense out of weekly or even daily retail data sets, rather than monthly sets.

Adopting the more informative and accurate

> Retail is arguably the economy's most dynamic activity in the sense that change in that activity is often brisk, characterized by sudden, sharp and frequent trend reversals, and by, at times, high amplitude ups and downs

monthly data sets for the purpose of the analysis does not preclude the computation of quarterly, half-yearly, and yearly indicators.

Second, the report's analysis of the indicators derived from the data is intended to detect, with a high degree of precision, the evolution of sales by category of retail goods and services. The aim of such detailed analysis is primarily to offer retail industry executives and entrepreneurs both a descriptive presentation and a benchmarking yardstick.

Pushing the analysis any further – while technically possible – would entail treading the path of the arcane and the superfluous.

Third, building up time series – besides being the data analysts' delight – is a requisite for the development of several practical applications that could prove helpful to retail enterprises. For one, extended time series render more reliable the benchmarking procedure, which the report recommends that it involve measuring correlations between market data and enterprise data. Additionally, longer time series render possible the exploration of correlations between retail sales data and a number of economic variables. Scores of these correlations are routinely tested for the purposes of the analysis.

Fourth, retail is seasonal, if nothing else. And obviously, various categories of retail goods and services follow dissimilar seasonality patterns. Therefore, after sales performance indicators are processed from raw data, they would still be concealing seasonality factors, which are of decisive importance to understanding the evolution of indicators net of seasonal influence. The de-seasonalization of indicators indeed reveals the more basic direction in which the metrics are evolving.

Fifth, the report reproduces nearly all alternative period-to-period comparisons, including the year-to-date comparisons preferred by retailers.

Conjointly, the five statistical procedures afford a thorough quantitative depiction of change in retail sales over the periods examined.

The report's structure

As in previous editions, four chapters make up the core of the third iteration of the Retail Activity Indicators report. The first chapter describes the statistical exercise's methodological approach. The line of argument in this chapter expounds the premise that, given the country's statistical platform, the report designed the optimal approach to building accurate and dependable retail sales indicators.

The second chapter reviews the state of the economy and highlights the extent to which consumer spending was impacted by economic variables and by the weight of non-economic factors.

The third chapter puts out the retail sales indicators by category for the first and second quarters of 2016, and tallies them within the extended data sets assembled by the report.

The fourth chapter is dedicated to data analysis that covers 42-month long time series.

"Views from within" is a section that reproduces views and opinions held by influential retailers. This issue's take is befittingly titled *"Retail activity bears the brunt of regional instability, but prospects remain bright"* as it echoes the prevalent perception that the retail industry retains its fundamental vigor and potential despite current adverse regional influences.

As from this edition, the RAI report will be welcoming bylined articles on the retail industry in Lebanon. In this issue, the article titled *"Alternative retailing?"* focuses on the pop-up store marketing approach and its relevance to the local retail context.

METHODOLOGY

In its third iteration, the Retail Activity Indicators report has made significant advances that reinforced its position as Lebanon's sole reference guide on retail performance metrics.

Objectives

The report follows a methodology intended to attain four broad and complementary objectives.

1. Support decision-making: The RAI is an exercise in quantification that aspires primarily to be relevant to business decision-making. It aims at mitigating decision risk by reducing conjecture, guesswork, and uncertainty regarding retail markets.

2. Forecasting: By developing examples that apply statistically sound forecasting methods, the exercise seeks to advocate the reliance on market demand forecasts. If allowed to supersede baseless suppositions about prospective demand, such forecasts would become requisites for the drawing of optimal retail sales strategies.

3. Modeling: Broad advances in information and communication technologies have rendered retail even more data intensive than it already was. In order to convey sense and value, the mass of retail-relevant variables brought about by these advances would have to be modeled into enterprise-specific data frameworks. The building blocks of such frameworks can be gleaned from the present report and its methodology.

4. Data management: Through instances where data sets have been processed into revealing attributes and correlations that would have otherwise remained hidden, the RAI seeks to be the cue for retailers to assign more importance and resources to data analytics. Indeed, retailers need to embrace an enterprise 'culture' that recognizes data management and analysis capacity as an asset akin to more general managerial and marketing assets.

Data sources

As in the previous editions of the RAI report, payment systems data and data from major shopping malls constituted the bulk of data from which retail sales indicators were processed and derived.

a. Transactions through card payments

With retail sales data from tens of thousands of point-of-sale machines covering all of the country, data sets obtained from credit/debit card payments systems represent a substantial proportion of total retail transactions nationwide. The RAI index-building protocol therefore attaches the highest weight coefficient to that source of retail sales data. To be sure, retail transactions carried out through card payments account for such a large proportion of total retail transactions that no conventional sampling procedure could possibly match.

b. Sales data from shopping malls

Data sets on retail transactions recorded by shopping malls add to the robustness of the retail sales indicators derived from these sets due to the fact that partner malls providing the data are the country's largest in terms of geographical coverage, footfall, tenants, and transactions.

Data sets recording transactions carried out through credit/debit cards and those from the largest shopping malls are both in the form of directional data. Hence, their integration in one statistical procedure does not give rise to double counting, but adds robustness to the resulting indicators.

c. The retail enterprise survey

In the present edition of the RAI report, responses obtained from the retail enterprise survey were viewed as helpful pointers reflecting the opinion of responding retail executives.

The survey's original intent was to secure responses from retail enterprises that are active in the following eight categories of consumer goods and services. These categories also constitute the sectoral coverage of the retail indicators project as a whole. The medical services sector, while included in the project's coverage, was excluded from the questionnaire due to the specificity of medical service providers as 'businesses' and also due to the specificity of the medical outlays category within the household budget.

Clothing: men, women, children wear; apparel; fabrics; footwear; accessories.
Food and beverages: supermarkets; confectionery; bakeries; food stores; alcoholic beverages.
Cosmetics: perfumes; cosmetics; health care products; personal care products.
Household goods: household durables; sanitary; glass; paint; wallpaper; hardware; furniture; floor covering; drapery; upholstery; appliances; audio-visual equipment; antiques; crystal and glassware.
Luxury goods: watches; jewelry; gifts, silverware; crafts; art dealers galleries; florists; cigars; gifts; consumer electronics.
Sports and hobbies: games and toys; sporting goods and outfits; hobbies; music instruments.
Hospitality services: catering; restaurants; pubs; nightclubs; hotels; resorts.
Tourism services: travel agencies and services; movies; theaters; dance halls; studios; tourist attractions; clubs.

The questionnaire was designed to achieve two objectives namely, (a) securing a precise assessment of the performance of retail businesses, and (b) detecting the extent to which retail executives are confident about the prospects of their activity's performance.

In the part intended to assess retail business performance, the survey's questionnaire sought to obtain estimates of change pertaining to sales; production costs; the wage bill; the labor force; reliance on bank credit; working capital; interest payments; retail prices; customer base; and the balance sheet total.

Business respondents were then expected to assess the impact of the following factors on performance: market demand; human resources; capital; operating costs; rents; other fixed costs; access to financing; financing cost; production capacity; state of the economy; and security conditions.

In the business confidence section of the questionnaire, retail business executives were asked to reveal their expectations over the coming six months regarding the same 21 variables identified in the first section of the questionnaire as reflecting performance and affecting that performance.

The data processing protocol

In a bid to preserve the integrity of the foundational time series, the third edition of the RAI report retained the data processing protocol developed in the preceding reports.

The eight main steps of the statistical processing protocol followed in the third edition of the RAI:
- retained the year 2012 as the base year,
- weeded out categories that are either not relevant to retail, or the data for which were either incomplete or in the nature of outliers,
- adjusted data for payment card market penetration,
- applied the same set of weights as in previous reports to adjust data for size difference between data suppliers,
- applied the same set of weights as in previous reports to adjust data for relative size of retail categories in the recorded transactions,
- re-calculated the seasonality indexes in order to obtain seasonally adjusted indicators for the 42-month data sets.
- re-calculated trend equations for the 42-month data sets,
- regressed the time series for each category and sub-category of retail against economic variables in order to detect correlations.

A cautionary note, implied in the processing protocol, is called for in this context: Data integration into 42-month times series obviously alters some metrics from their levels reported in previous editions of the RAI report. These metrics, also included in the present edition's data analysis, are: the seasonally adjusted series, trend parameters, and correlation results. Undoubtedly, the longer time series have rendered the three metrics statistically more robust and reliable.

An approach constrained by the national data platform

The inferential approach adopted in the present exercise is afforded a broad sectoral coverage and relies on the acquisition of retail sales data pertaining to a large number of retail enterprises.

Given the constraints dictated by the country's data platform, this approach relies on well-established quantitative methods and yields the **best available estimates of retail industry metrics** in terms of reliability and accuracy.

While such approach need not be defended, it is conceded that the scope for betterment is open.

Given the constraints dictated by the country's data platform, this approach relies on well-established quantitative methods and yields the best available estimates of retail industry metrics in terms of reliability and accuracy

THE ECONOMIC BACKDROP

Overview

Economic performance weakened by regional instability

Bad management of communal assets

Unemployment

Imports

The consumer price index

Household budgets

Interest rates

Tourism

Overview

For the fourth year in a row, the economy seems set to remain trapped in a slow-growth path of one to two percent per year. Heightened regional turmoil is acting in noxious synergy with the disarray in domestic polity to curb growth and undermine business expectations and incentives.

Economic performance continues to be degraded by the confluent influences of failing institutions, policy inertia, and structural impediments, against the backdrop of a raging geo-political tempest.

Therefore, far from reflecting a trough phase in a business cycle, low rates of economic growth are the expression of grimmer systemic imbalances and failures that the rift-ridden, rent-seeking political pack cannot possibly address.

The negative impact of a number of concurring exogenous factors, aggravated by policy and institutional failures, restrained economic performance and are primed to stoke social discontent. To further worsen economic prospects, bad governance has crippled legislation and set devious hurdles to decision-making at the executive level of government.

> Heightened regional turmoil is acting in noxious synergy with the disarray in domestic polity to curb growth and undermine business expectations and incentives

Economic performance weakened by regional instability

As the war in neighboring Syria entered its sixth year, Lebanon's polity proved to be lacking in foresight and cohesion in facing the growing challenge of hosting about a million and a half displaced – a third of the country's population. Granting 'denizenship' to such a large displaced population will constitute yet another heavy drag on the economy for years to come.

Adding to the economic woes, the land routes of Lebanon's exports to the Arab hinterland were cut, leading to a loss of markets and broad fall in export revenues. This came in the wake of a significant reduction in revenues from tourism as the number of incoming Arab tourists transiting across Syria fell rapidly over the past five years to practically nil by 2015.

> Low rates of economic growth are the expression of grimmer systemic imbalances

The decline in these revenues was certainly a compounding factor for the economic standstill, but that decline is neither the root cause of the economy's stagnation nor is it impossible to compensate for.

Indeed, grave as they may be, exogenous factors alone could not have caused rates of economic growth to retreat to near-zero and are certainly not accountable for the degradation in governance.

On the economic front, the markedly skewed structure of the economy and its sources of inflows, which came about by policy design, meant that the manufacturing and agriculture sectors of economic activity were sidelined whereas services to the region flourished.

> The markedly skewed structure of the economy and its sources of inflows, which came about by policy design, meant that the manufacturing and agriculture sectors of economic activity were sidelined

However, instating sectoral balance and diversifying markets and sources of revenues are not objectives that can be attained over the short-run by makeshift measures. These objectives call for a radical departure from the reductive, conceptually flawed, and now defunct 'economic' paradigm that has been blindly revered over the past seven decades.

The failure of governance, is exemplified in:

- an ineffective legislative branch of government;
- a paralyzed fiscal policy, the decade-long absence of a budget law, and policy indolence vis-a-vis the steep growth of the public debt;
- the inability to implement any reform, social, economic, institutional, or structural;
- the inability to address rampant unemployment and poverty;
- the endemic sloppiness in the enforcement of the rule of law;

> macro-economic stability, which has so far been maintained through monetary-policy tools alone, has been an instance of success that braved geo-political adversities, the impact of the global recession, and muddled public finances

- the condoning of corruption.

On the brighter side of the governance spectrum of failures, macro-economic stability, which has so far been maintained through monetary-policy tools alone, has been an instance of success that braved geo-political adversities, the impact of the global recession, and muddled public finances.

However, critical macro-economic issues still need to be addressed. These issues, rendered overwhelming by the less-than-propitious regional and international juncture, require delicate balancing measures and revolve around the intricate tasks of:

a- restoring a balance-of-payments surplus subject to the constraint of maintaining an economically bearable differential between local and international rates of interest,

b- building up contingency ammunitions to defend exchange-rate stability while attending to the raison d'état obligation of meeting Treasury needs,

c- pulling private investment spending closer to a level commensurate with the volume and rate of growth of bank deposits, without unduly expanding further the mass of non-performing loans,

d- fueling the anemic growth of consumption spending without further weighing on the debt burden of households.

Should radical reforms prove intractable, secular economic stagnation would set in, awaiting better regional times and better governance.

Bad management of communal assets

The bad management of communal assets entails deficient public services and lower public revenues than would have been had public services been up to par with public resources allotted them. Officially condoning the misappropriation of communal assets is the extreme form of this failure of governance.

> The bad management of communal assets entails deficient public services and lower public revenues

The squandering of communal assets combined with the burden of the public debt that has reached a level exceeding 135 percent of GDP and the negative budgetary impact of an excessive debt service burden on public investment expenditure, are factors that render the deadweight of the public sector all the more unbearable to a private economy that is struggling to cope with particularly daunting regional influences.

The public debt is on an explosive growth path that is outpacing economic growth by a broad and fast-widening margin. Deflecting the debt's growth dynamics can hardly be achieved over the foreseeable future, even on the outside chance the existing polity garners the will and probity to engage on such undertaking. For all practical purposes, the public debt has become unpayable.

> The public debt is on an explosive growth path that is outpacing economic growth by a broad and fast-widening margin

> For all practical purposes, the public debt has become unpayable

Advisedly expressed, the dynamics are present that will lead to a marked rise in systemic risk and the concomitant degradation of the country's sovereign risk rating as the banking sector as a whole is drawn – unwillingly to be sure – to continue financing public deficit spending.

Entrepreneurs in all sectors of the private economy may have become gradually accustomed to deficiencies in governance; however, after a protracted period of crisis at all levels, a growing number of business enterprises have depleted their reserves and lost their staying power. In a nutshell, the private economy can no longer sustain the drag of the public sector preying on it. To re-word the conclusion reached by a recent World Bank report on the Lebanese economy, the system has failed.

> After a protracted period of crisis at all levels, a growing number of business enterprises have depleted their reserves and lost their staying power

Unemployment

The currently acknowledged official unemployment metric constitutes a gross underestimate of the dire challenge that policy-makers and the enterprise sector have to address.

Officially, the rate of unemployment is placed at 25 percent. If that were so, and with the official rate of inflation running at less than one percent, then the Lebanese economy is performing better than many countries, given the global recession.

That is clearly not the case. In the Lebanese context, the economy's capacity to generate employment is more indicative of economic performance than the unemployment rate. This is because that rate – irrespective of the worth of the statistical effort involved in estimating it – is misleading due to the 'safety' vent of emigration.

Hence, focusing efforts on the preparation of periodic job creation metrics would be much more helpful to analysts and policy-makers. Such measures would be better gauges of the economy's capacity to generate, year in year out, the new jobs needed to meet job-market supply.

> The economy's capacity to generate employment is more indicative of economic performance than the unemployment rate

An estimated 45,000 youth become employable each year. It is estimated that in its present state, the economy's current job-creation capacity is barely a quarter of annual newcomers to the job market, whereas about a fifth leave the country for long-term employment abroad. The remainder – about 25,000 – join the ranks of the unemployed.

Emigration is hence reducing the official unemployment rate and rendering it of limited value as a gauge of the economy's performance.

But even if the official unemployment rate were to be presumed correct, simple reckoning reveals that such rate translates into no less than 800 million labor hours a year of wasted wealth creation potential. Idle labor at such a scale reduces the rate of capital accumulation, the sole source of which is precisely labor productivity. Putting the massive labor asset into productive employ holds the potential of expanding the sum total of economic activity by no less than a fifth.

> No less than 800 million labor hours a year of wasted wealth creation potential.

Lebanon's private economy has been the perennial pillar of social stability through its capacity to create high-productivity jobs. However, that capacity is currently truncated and undermined by the three major elements of bad governance, namely, policy inertia, regulatory lethargy, and corruption at all levels and in all branches of government.

The impact of bad governance on work incentives among the youth is no less devastating. It is now a prevalent belief among university students and graduates that there are no worthwhile career paths to look forward to in Lebanon and that whatever paths exist are second best compared with those that they perceive to be open to them abroad.

> Putting the massive labor asset into productive employ holds the potential of expanding the sum total of economic activity by no less than a fifth

Imports

Tracking the performance of retail sales, imports traced a clear overall downtrend over the three and a half years covered by the present report.

Currently, the average monthly value of imports is 11.49 percent lower than that of 2013.

Imports traced a clear overall downtrend over the three and a half years

In the first half of 2016, the value of imports was 12.95 percent lower than the level it was at in the same period of 2013.

The first half of 2016 recorded an uptick of 1.17 percent in the value of imports compared with the preceding half-year period, and a modest increase of 6.97 percent compared with the same period of 2015.

The consumer price index

Mirroring the dip in retail sales in January 2016, the consumer price index (CPI) according to the Central Administration of Statistics (CAS), fell by 1.93 percent in that month. This CPI move follows a pattern

whereby the month of January registers the year's broadest fall in the index. In January 2015, the CPI had fallen by approximately 2.2 percent.

In January 2016, the clothing and footwear component of the CPI recorded a drop of 16.82 percent in its price index, the broadest fall for that month. The indexes of components impacted by lower oil prices, such as the housing water, electriciy, gas and other fuels component and the transportation component fell by 3.06 percent and 2.65 percent respectively.

In the five months following the January 2016 dip, the CPI moved up steadily by a combined 2.34 percent.

In the February to June 2016, the index for the clothing and footwear component of the CPI shot up by 22.41 percent, by far the period's widest surge.

The two CPI components affected by oil prices also saw their index move up noticeably by 5.03 percent and 5.5 percent. These metrics confirm the wearing out of the impact of lower petroleum product prices on the overall CPI.

In the five-month period to June 2016, the index for the food and non-alcoholic beverages component of CPI posted a decline of 5.45 percent, the broadest price index decrease in that period.

The increase in the CPI in the first half of 2016 as a whole has evidently been toned down significantly by the index's broad fall in January and by the similarly large decline in the food and non-alcoholic beverages.

Thus, the CPI in the first half of 2016 increased by minimal 0.37 percent.

The CPI had fallen by 3.4 percent in 2015 and by 0.71 percent in 2014.

Household budgets

In line with established international practice, the computation of the CPI is based on the survey-generated structure of household spending. However, in a context where households are heavily indebted, the structure of household spending takes on a radically different pattern than that adopted for the computation of the CPI.

As a matter of fact, household net asset value, the level of indebtedness, and the share of debt service in household disposable income are three major determinants of spending decisions and hence of the structure of expenditure.

Debt-strained household budgets clamp a heavy lid on spending

Official estimates reveal that, nationwide, household debt service takes up about half the disposable incomes of households. After debt service obligations and expenditure on absolute necessities are met, precious little is left for discretionary spending by household.

Retailers are aware of the fact that debt-strained household budgets clamp a heavy lid on spending.

Even more detrimental to consumer spending is the fact that younger households that contract high-interest mortgages skid into the financially precarious situation of negative net worth. Combined with job insecurity, this prevalent

> Household net asset value, the level of indebtedness, and the share of debt service in household disposable income are three major determinants of spending decisions and hence of the structure of expenditure

financial quandary acts as a heavy depressant on consumption expenditure.

With not uncommon leverage of 120 or more on housing loans, the malaise of household indebtedness has practically settled in as an unavoidable given in consumption analysis and modeling.

Interest rates

In mid June 2016, and in response to the US economic slowdown, the US Federal Reserve Bank decided to maintain the federal funds rate at its current range of 0.25 percent to 0.50 percent. The Fed's decision and the official statement that presented the validating reasons for the decision,

> Younger households that contract high-interest mortgages skid into the financially precarious situation of negative net worth

reinforced expectations that interest rates worldwide will remain at their current low levels over the medium term.

In a classic instance of forward guidance, the Fed's June 2016 statement overtly attempted to induce such expectations. This was done first by laying stress on the intention to keep monetary policy "accommodative", and second by declaring, "the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run."

Not much parsing is needed to interpret the intent of this meticulously worded pointer with its twin temporal references. The statement is factually an unequivocal call for markets and central bankers to review currently held interest rate expectations downwards, in line with recurrent downward reviews of growth forecasts.

On the heels of the Fed's compelling interest-rate signal came the United Kingdom's vote to leave the European Union, a decision that sparked off financial market volatility and laid bare the

> The assurance that international rates of interest will remain stable and on the low side is likely to reinforce household expectations that mortgage rates and consumption credit rates will remain at their present level over the medium term

shakiness of recovery in major economies. This provided the Fed with an additional pretext to stay the course on near-zero interest rates over the medium term and further entrenched expectations to that effect.

On the local retail scene, the assurance that international rates of interest will remain stable and on the low side is likely to reinforce household expectations that mortgage rates and consumption credit rates will remain at their present level over the medium term.

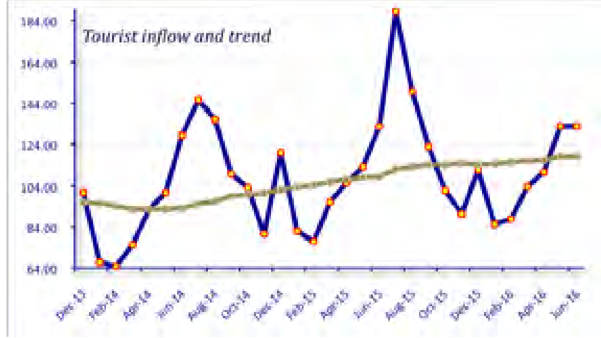
The implication of interest rate stability is that household finances will not deteriorate any further on that count. This, however, provides little comfort to households already caught in the pincers of over-indebtedness and precarious employment conditions.

Due to the fact that households are indebted to the hilt while general expectations on income security are dismal, it is unlikely for consumption expenditure to be underpinned, to any noticeable extent, by stable interest rates alone. The primary causal direction in this functional equation runs from a change in household incomes and expectations determining the change in consumption expenditure.

At the macro-economic level, the silver lining to low and stable interest rates is that they bolster general monetary stability and afford monetary authorities precious scope to initiate yet another round of credit easing, an approach that has had growth-enhancing effects in the recent past. Additionally, low international rates aid in the preservation of an interest differential that is vital to sustaining capital inflows.

Tourism

Tourism accounts for nearly a fifth of Gross Domestic Product (GDP) and is a sizeable determinant of the level on retail spending. The sector's growth potential is conditional upon the unhindered inflow of tourists from the Arab region and from across the Mediterranean. Indeed, in-bound Arab and European tourists currently account for two thirds of total tourist arrivals.



In-bound tourists

Judging by the number of in-bound tourists, the sector appears to be regaining its bustle. Over the past three years, the number of incoming tourists has ranged between 1.3 million and 1.5 million per year, with the

Due to the fact that households are indebted to the hilt while general expectations on income security are dismal, it is unlikely for consumption expenditure to be underpinned, to any noticeable extent, by stable interest rates alone

monthly median reaching 120 thousand in 2015. Barring a major degradation of security conditions regionally or internally, that number is expected to increase by a moderate six to seven percent in 2016.

The tourism calendar exhibits an unchanging seasonality pattern, with a peak activity in the month of July, flanked by slightly lower inflows in the months of June and August. The months of December invariably register the year's second broadest surge, followed by the trough months of January and February.

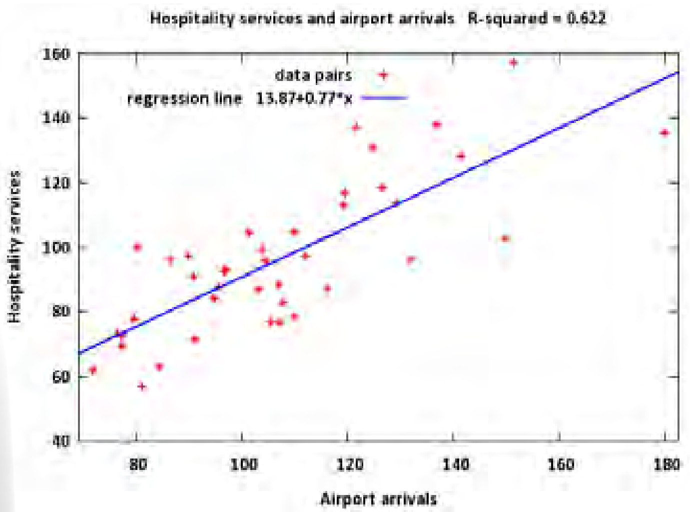
In the first half of 2016, the number of in-bound tourists reached 723,105 , an increase of 7.7 percent compared to the total in the corresponding period of 2015. The number of European tourists, which accounts for a third of the total, was up 10.23 percent in H1-2016 compared with its level in the corresponding period of the previous year.

Tourist spending

More worrisome are the data that confirm a major downturn in tourist spending.

According to data on tourist Value Added Tax (VAT) refunds, in the second quarter of 2016 some 74 percent of total tourist spending went to fashion and 14 percent went to luxury items, and these purchases were down 16 percent and 24 percent respectively compared to the level they had reached in the same period of 2015. Tourist purchases of the two retail categories were down by 18 percent and 34 percent respectively compared with the first quarter of 2016.

Equally in recession is spending by visiting residents of Gulf Cooperation Council countries, which currently accounts for 35 percent of total visitor spending on which

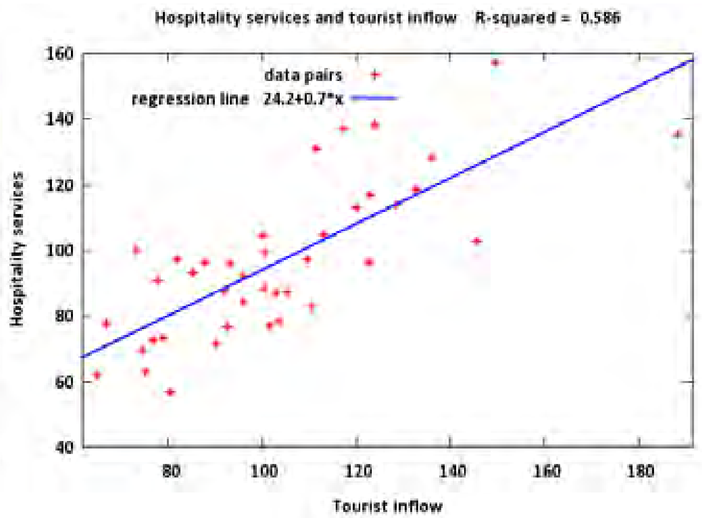


VAT refunds were made. This portion of visitor spending went down by some 30 percent in the second quarter of 2016.

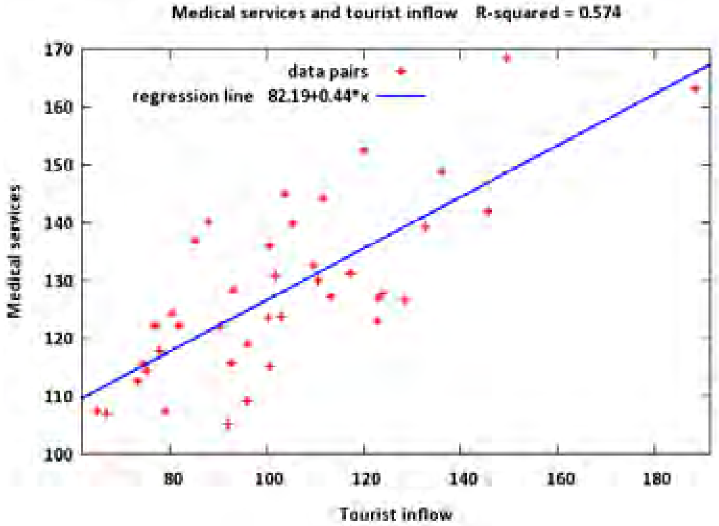
Correlations

With a coefficient of determination of 0.62, airport arrivals (the regressor) and the sales indicator for hospitality services were found to have the highest correlation.

The sales indicator for hospitality services was also found to be strongly correlated with tourist inflows, with an R-squared of 0.586.
Also taken as a regressor, the inflow of tourists was strongly correlated with the sales performance indicator for medical services, with



R-squared at 0.574.
While affirming the oft-stated caveat that correlation does not imply causation, the fact remains that given what is known about the relationships between the variables examined, the probability that these strong correlations are happenstances is low.



THE INDICATORS

Monthly evolution of retail sales indicators

Quarterly evolution of retail sales indicators

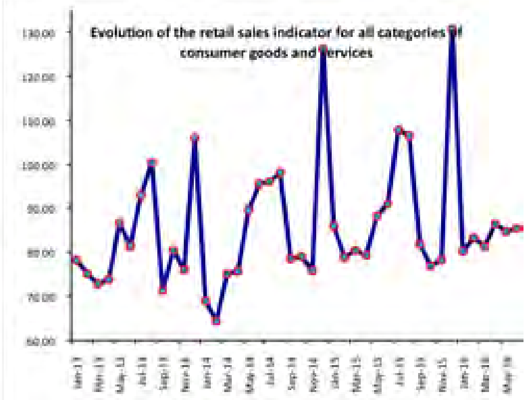
Half-yearly evolution of retail sales indicators

A. Monthly evolution of retail sales indicators

In the first half of 2016, retail sales indicators for most categories of goods and services covered by the report's data sets traced the typical pattern of a broad fall in January compared to the preceding month's surge. Confirming the persistent weakness in demand, the overall indicator for retail sales of the nine categories of goods and services fell by 38.66 percent in January 2016. This compares with a fall of 31.92 percent recorded for the same month of the year before, a fall of 35.07 percent in January 2014, and a fall of just 21.83 percent in January 2013.

The January precipitous fall from the December highs is a recurring and normal that retailers expect and plan for. The January 2016 decline was more pronounced than that of the preceding three years, denoting a turn for the worse. The decline registered in the first month of 2016 also reflects a comparison with a relatively higher December peak.

> The January 2016 decline was more pronounced than that of the preceding three years



With the exception of the medical services category, that pattern was replicated in retail sales indicators of constituent goods and services categories. However, the January fall was noticeably less pronounced in sales indicators for hospitality and tourism services as compared to the sales indicators for consumer goods.

Month to month evolution

In the subsequent five months, the overall retail sales indicator traced a configuration of subdued alternating moves with a rise of 3.74 percent in February, followed by a fall of 2.27 percent in March, then an increase of 6.24 percent in April, a decline of 1.91 percent in May, and a fractional rise of 0.77 percent in June.

Year-to-date change

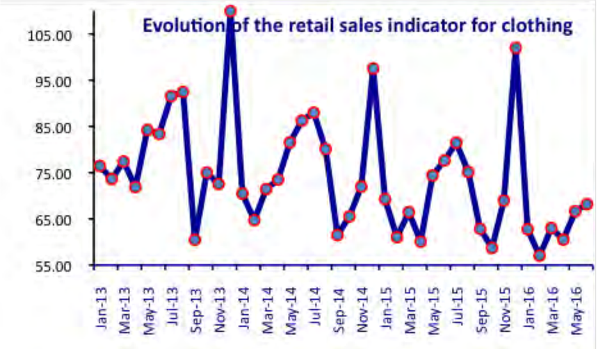
On a year-to-date basis, the overall sales performance indicator posted its largest downmoves in January and June 2016 when its level was respectively 6.62 percent and 6.26 percent lower than that of the same months of 2015. The largest year-to-date upmove was recorded in April 2016 when the indicator's level was 8.9 percent higher than that it had reached in April 2015.

A.1 – Clothing

In January 2016, the indicator for retail sales of the clothing category of goods fell by 38.47 percent compared with its previous month's level. In January of the previous year, that indicator had fallen by 28.95 percent. As in the pattern drawn by the overall indicator, the comparison with the December peak accentuated in percentage terms the January trough.

Month to month evolution

The February 2016 clothing sales indicator extended the fall by 9.13 percent, moved up by



10.53 percent in March, then down 4.02 percent in April, followed by a rise of 10.13 in May and a further but more limited rise of 2.32 percent in June.

Year-to-date change

For five of the first six months of 2016, the clothing sales indicator was appreciably lower than the corresponding months of 2015. Thus, in January 2016 that indicator was 9.41 percent lower than the level it had reached in the same month of 2015. In February and March, the indicator was respectively 6.55 percent and 5.15 percent lower than its level in the same months of 2015. Only in March 2016 did this indicator post the marginally higher level 0.74 percent compared with level it was at in March 2015. May and June 2016 saw the indicator for clothing sales at a level that was respectively 10.45 percent and 12.18 percent lower that levels reached in the same months of 2015.

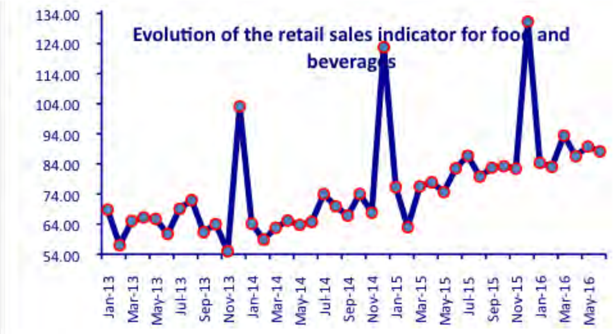
The clothing category includes the seven sub-categories of men's wear; women's wear; women's accessories; children's wear; shoes; apparel; and fabric and sewing.

A.2– Food and beverages

The retail sales indicator for food and beverages also traced the characteristic January pattern, with the first month of 2016 recording a sharp fall of 35.71 percent. This rate of decline is comparable with the January 2015 fall of 37.87 percent and the January 2014 fall of 37.78 percent.

Month to month evolution

The rate of decline of that indicator slowed down considerably in February 2016 when it retreated by 1.63 percent, whereas the month of March witnessed a rebound of 12.56 percent. The move upwards was followed by a decline of 7.36 percent in April, then a moderate rise of 3.72 percent in May, followed by a limited decline of 1.84 percent in June.



Year-to-date change

On a year-to-date basis, the sales indicator for the food and beverages category was higher for all six months of the first half of 2016. The broadest rise was registered in February 2016, when the indicator was 31.83 percent higher than its level in the same month of 2015, whereas June 2016 registered the lowest rise of 6.78 percent compared with the corresponding month of the preceding year.

The food and beverages category comprises the five sub-categories of supermarkets; confectionery; bakeries; various food stores; and alcoholic beverages.

A.3- Cosmetics

The sales indicator for the cosmetics category of retail declined by a substantial 58.35 percent in January 2016 compared with the peak level it had reached in December 2015. This was a significantly broader fall than the 25.49 percent recorded in January 2015.

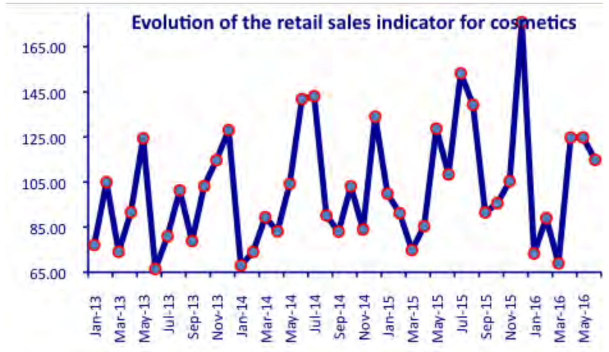
Month to month evolution

In February, the indicator regained 21.46 percent from the January low, fell back 22.57 percent in March, only to rise by a whopping 80.93 percent in April. The May indicator for cosmetics sales was little changed as it moved up by 0.06 percent from its previous month's level. In June, that indicator fell by 7.98 percent.

Year-to-date change

The broadest year-to-date rise in the sales indicator for cosmetics occurred in April 2016 when it reach a level that was 46.05 percent higher than that attained in April 2015.

Throughout the report's data sets, the sales indicators for cosmetics items recorded the broadest fluctuations, but the impact of these fluctuations on the overall sales indicator was limited due the fact that spending on cosmetics constitutes a low proportion of overall consumer expenditures.



The cosmetics category of retail includes three sub-categories namely; perfumes, cosmetics, and personal care products.

A.4– Household goods

The January 2016 retail sales indicator for household goods fell by 37.91 percent from its December 2015, a dip that is in line with the downmoves recorded by sales indicators for other categories of goods and services covered by the present exercise. For that indicator, the January 2016 fall was more restrained than the 42.54 percent decline of January 2015.

Month to month evolution

The sales indicator for this category of retail extended the fall in February by 10.74 percent,

the broadest retreat registered in that month. The sales indicator for household goods moved up in the four months that followed. In March and April, it regained minimally as it moved up 2.18 percent and 2.1 percent respectively, whereas it moved up more significantly by 11.28 percent and 6.94 percent in May and June respectively.

Year-to-date change

The year-to-date change in the sales indicator for household goods remained within a relatively narrow range, with the largest rise of 10.91 percent occurring in February 2016 and a fall of 9.89 percent in June 2016, the only year-to-date decline recorded for that indicator in the first half of 2016.

Items grouped under the household goods category of retail fall under the following eleven sub-categories: sanitary; glass, paint, and wallpaper; hardware; furniture; floor covering; drapery and upholstery; various home furnishing; household appliances; audio-visual; antiques restoration; and crystal and glassware.

A.5– Luxury goods

The retail sales indicator for luxury goods posted the broadest retreat in January 2016 as it tumbled 59.55 percent from the level it had attained in December 2015. The fall is comparable to the 57.6 percent recorded for January 2015.

Month to month evolution

The sales indicator for luxury items recovered a modest 7.44 percent in February, was little changed in March when it fell by a trifling 0.4 percent. It extended that fall by 8.61 percent in April then shot up by 16.97 percent in May. In June, the sales indicator for luxury goods moved down marginally by 3.1 percent.

Year-to-date change

On a year-to-date basis, the indicator for sales of luxury items recorded the broadest fall in April 2016 when it was 17.05 percent lower than its level in the corresponding month of the preceding year. That indicator was down in five months of the first half of 2016. It was up by a modest 2.96 percent in February 2016.

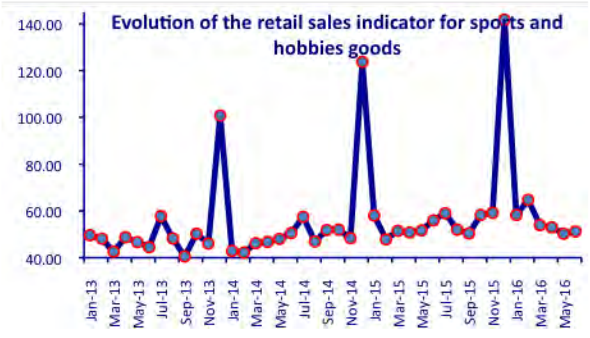
Seven sub-categories are included in the luxury items category of consumer goods; these are: jewelry, watches, and silverware; crafts; art dealers galleries; florists; cigars; gifts; and electronics.

A.6– Sports and hobbies goods

The retail sales indicator for items of sports and hobbies dropped by a broad 58.92 percent in January 2016 compared to its December 2015 level, a marked worsening from the 53.1 percent fall recorded in January 2015.

Month to month evolution

That indicator staged an upturn of 11.19 percent in February only to fall back in the following three months by 16.71 percent in March, by 1.8 percent in April and by 5.12 percent in May. A



moderate move upwards of 1.86 percent was registered in June for the sales indicator for items of sports and hobbies.

Year-to-date change

The sales indicator for sports and hobbies goods posted its largest year-to-date rise in February when it reached a level that was 35.41 percent higher than that of the same month of the preceding year. The indicator's most significant decline was recorded in June 2016 when it was 8.48 percent lower than the same month of 2015. Year-to-date change in other months of the first half-year was subdued.

The sports and hobbies category represents three sub-categories of consumer goods: sporting goods; games and toys; and music instruments.

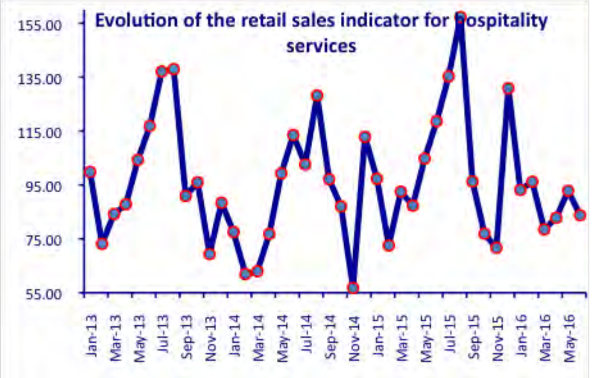
A.7- Hospitality services

The sales indicator for hospitality services dropped by 28.87 percent in January 2016 from its December 2015 level. This constitutes a noticeable worsening of sales performance compared with the January 2015 decline of 13.79 percent, the January 2014 decline of 12.26 percent, and the negligible 0.17 percent decline in January 2013.

Month to month evolution

In February, that indicator recovered slightly by 3.29 percent, fell back by 18.39 percent in March and then staged an upturn of 5.46 percent and 12.17 percent in April and May respectively. Atypically, the indicator for the month of June fell by 9.82 percent, whereas in previous years that indicator for that month had moved up noticeably, by 13.23 percent in June 2015 and by 14.37 percent in June 2014.

By June 2016, the sales performance indicator for that category of retail services was 16.26 percent lower than its base year level.



Year-to-date change

On a year-to-date basis, the sales indicator for hospitality services posted the largest increase in February 2016 when it was up 32.57 percent on its February 2015 level. That indicator was at its worse in June 2016 when it was 29.41 percent lower than its level in the same month of the preceding year.

Hospitality related services include four sub-categories: catering; restaurants; pubs and nightclubs; and hotels and resorts.

A.8- Tourism services

The January 2016 retail sales indicator for tourism services was down 20.84 percent compared with the level it had attained in December 2015. This compares unfavorably to

the January 2015 decline of 17.75 percent.

Month to month evolution

The sales indicator for tourism services staged a three-month-long recovery that saw it move up by 8.17 percent in February, by 8.5 percent in March, and by 11.91 percent in April. In May, that indicator drew back by a broad 29.46 percent, but regained 21.62 percent in June.
In June 2016 that indicator was 15.63 percent above its base year level.

Year-to-date change

On a year-to-date basis, the sales indicator for tourism was at its worse in January and February 2016 when it was at levels that were respectively 27.25 percent and 26.5 percent lower than their level in the same months of 2015. April 2016 witnessed the best performance for that indicator as its level was, in that month, 33.42 percent above its April 2015 level.

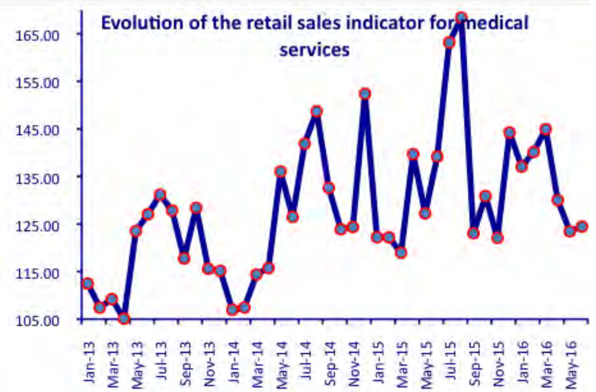
The tourism category of retail includes six sub-categories; these are: travel agencies; travel services; movies and theaters; dance halls and studios; tourist attractions; and clubs.

A.9- Medical services

The sales indicator for medical services, which understandably traces a different pattern of evolution compared to other consumer goods and services, edged down by a moderate 4.98 percent in January 2016 from its December 2015 level, thus showing a better performance than that of January 2015 which had posted a decline of 19.8 percent.

Month to month evolution

The sales indicator for medical services moved up by 2.27 percent and 3.42 percent in February and March respectively. In April and May, that indicator was down 10.29 percent and 5.05 percent respectively. The



indicator showed a negligible uptick of 0.81 percent in June.

The indicator for sales performance of medical services surpassed it base year level by 24.46 percent in June 2016.

Year-to-date change

On a year-to-date basis, the sales indicator for medical services rose throughout the first three months of the year and reached the highest rate of increase in March 2016 when it was 21.87 percent higher than its level in the same month of the preceding year. The indicator then fell throughout the second quarter of 2016, with the worst performance recorded in June 2016 when its level was 10.58 percent lower compared with that of June 2015.

The medical services category includes five sub-categories. These are the services of: doctors; dentists; optometrists and ophthalmologists; hospitals; and other health and medical facilities.

B. Quarterly evolution of retail sales indicators

In line with the pattern that traces a major fall in retail activity following the quarter that includes the month of December, the overall retail sales indicator for the first quarter of 2016 fell by marked 14.4 percent compared with the level it had reached in the preceding quarter.

The sales indicator for all nine categories of retail included in the exercise rose by 4.82 percent in the second quarter of 2016 compared with the first quarter of the year.

Compared with the overall indicator's level in the corresponding period of the previous year, the retail sales performance metric was down 0.17 percent in the first quarter of 2016 and down 0.78 percent in the second quarter.

B.1 – Clothing

On a quarterly basis, the first quarter of 2016 sales indicator for clothing remained 20.39 percent lower than the level it reached in the preceding quarter and 7.08 percent lower that the corresponding quarter of the year before.

In the second quarter of 2016, that indicator was up 6.83 percent compared with its level in the preceding quarter but down 7.91 percent compared with its level in the corresponding period of the previous year.

B.2– Food and beverages

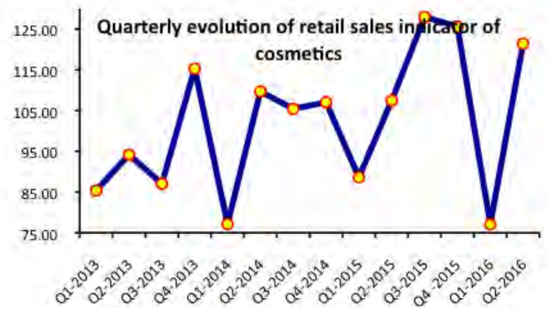
For the first quarter of 2016, the food and beverages sales indicator was 12.15 percent lower than its previous quarter's level but a marked 20.89 percent higher than the corresponding quarter of 2015.

In the second quarter of 2016, that indicator increased by a marginal 1.39 percent compared with its level in the preceding quarter. It was up by a significant

12.51 percent compared with its level in the corresponding quarter of 2015.

B.3- Cosmetics

The pattern of broad fluctuations characterizing the evolution of that indicator was noticeable in the quarterly metrics.



The Q1-2016 retail sales indicator for cosmetics was down 38.65 percent from its previous quarter's level and 13.01 percent lower than the corresponding quarter of 2015.

The Q2-2016 indicator reversed these downward moves as it surged up by 57.55 percent from its previous quarter's level and up 12.98 percent compared to its level in the corresponding quarter of the previous year.

B.4– Household goods

In Q1-2016, the sales indicator for household goods was 25.27 percent lower than the level it had reached in Q4-2015, but was 5.37 percent higher than its level in Q1-2015.

In Q2-2016, that indicator gained 9.66 percent on its previous quarter's level. It edged down an insignificant 0.54 percent from the level reached in Q2-2015.

B.5– Luxury goods

In the first quarter of 2016, the sales indicator for luxury goods was down 30.84 percent from the level it had attained in the last quarter of 2015 and 4.31 percent lower than the level it

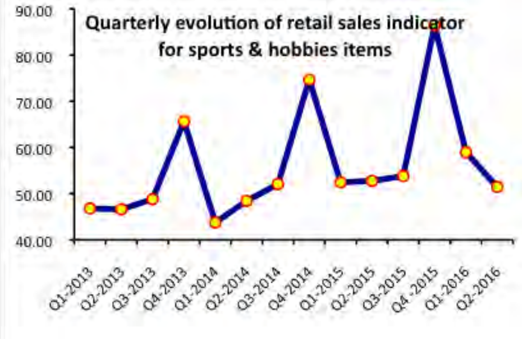
was at in the corresponding quarter of 2015.

That indicator recovered slightly in the second quarter of 2016 as it moved up 2.74 percent compared with it preceding quarter's level, but was down 13.64 percent from its level in the second quarter of 2015.

B.6– Sports and hobbies goods

The sales indicator for sports and hobbies items for the first quarter 2016 was 31.75 percent lower than the previous quarter's level, but a noticeable 12.43 percent higher compared with that indicator's level for the corresponding quarter of 2015.

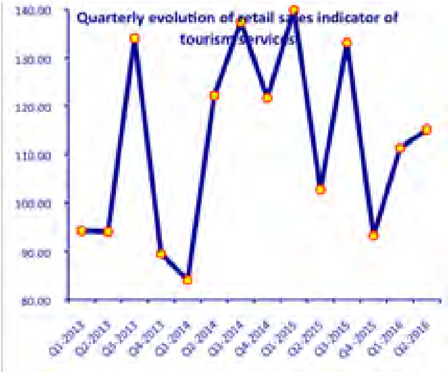
In Q2-2016, that indicator extended the previous quarter fall by a further 12.73 percent decline and was a minor 2.49 percent lower than the level reached in the corresponding quarter of the preceding year.



B.7- Hospitality services

On a quarter-to-quarter basis, the sales indicator for hospitality services was down 3.14 percent and 4.18 percent in Q2-2016 and Q1-2016 respectively. That indicator declined for three quarters in a row to stand at 33.29 percent off the peak it had reached in Q3-2015.

Compared with its levels in the corresponding quarters of 2015, the indicator for hospitality services was down 16.52 percent in Q2-2016 and up 2.08 percent in Q1-2016.



B.8- Tourism services

The sales indicator for tourism services deviated distinctly from the pattern recorded for other consumer goods and services in that it rose by a significant 19.48 percent in the first quarter of 2016 compared with its level in the fourth quarter of 2015. It extended the rise in Q2-2016, though more moderately, as it gained 3.42 percent on its level in the previous quarter.

Compared to its level in the corresponding period of 2015, the first quarter 2016 sales indicator for tourism was down 20.38 percent, whereas the second quarter 2016 indicator was up 12.1 percent from its Q2-2015 level.

B.9- Medical services

The sales indicator for medical services was

up 6.29 percent in Q1-2106 compared to its Q4-2015 level and up 16.19 percent in comparison to its Q1-2015 level. But these upward moves were reversed in the second quarter of 2016 when that indicator was down 10.47 percent from its previous quarter's level and down 6.94 percent from its level in the corresponding period of the previous year.

C. Half-yearly evolution of retail sales indicators

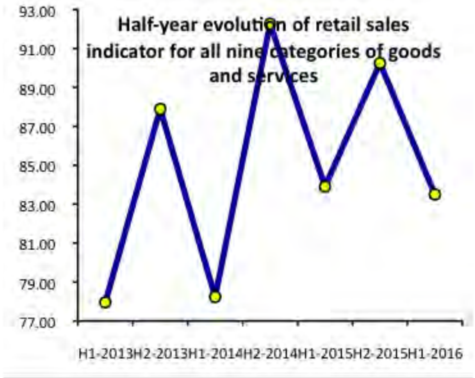
In the first half of 2016, the retail sales indicator for the nine categories of goods and services included in the exercise was down 0.48 percent compared with the level it had reached in the first half of 2015.

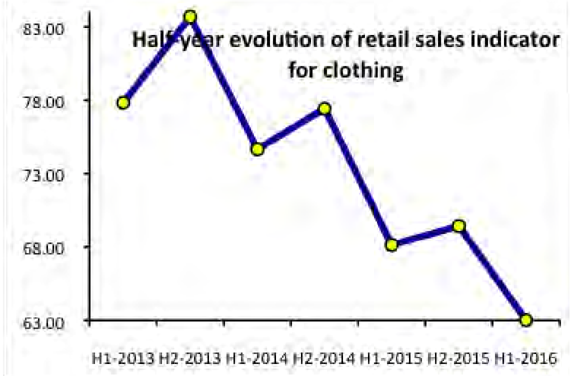
– 0.48%

In the first half of 2016, the retail sales indicator for the nine categories of goods and services included in the exercise was down 0.48 percent compared with the level it had reached in the first half of 2015

That indicator declined by a significant 7.48 percent compared with its level in the second half of 2015. In the first half of 2016, the metric remained 16.5 percent below its base year level.

– 16.5%



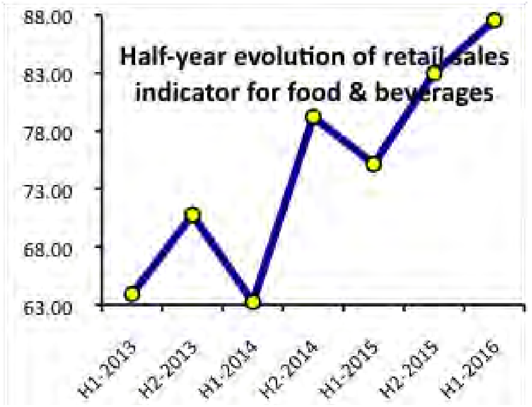


C.1 – Clothing

The retail sales indicator for clothing retreated by 9.22 percent in the first half of 2016 compared with its level in the preceding six-month period. That indicator was 7.51 percent lower than its level in the first half of 2015.

– 7.51%

In the first half of 2016, the metric remained 16.5 percent below its base year level.



C.2– Food and beverages

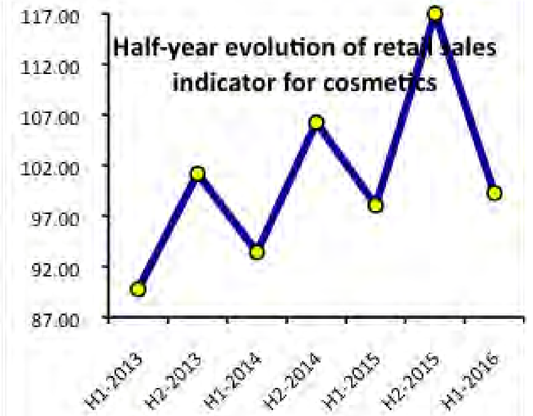
In the first half of 2016, the retail sales indicator for food and beverages rose by 5.52 percent in comparison to its level in the preceding half-year period, and was 16.52 percent higher than its level in the corresponding period of 2015.

+ 16.52%

C.3- Cosmetics

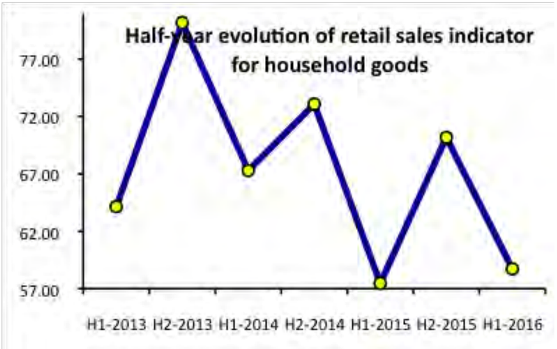
The retail sales indicator for cosmetics diminished by 15.16 percent in the first half of 2016 as compared to its level in the second half of 2015. That indicator was 1.24 percent higher than the level attained in the corresponding half-year period of the preceding year.

+ 1.24%



C.4– Household goods

On a half-year to half-year basis, the retail sales indicator for household goods was down 16.32 percent on its level in the preceding half-year period, but up 2.19 percent compared to its level in the corresponding period in 2015.



+ 2.19%

C.5– Luxury goods

In the first half of 2016, the retail sales indicator for luxury goods was down 8.3 percent on a half-year to half-year basis and down 9.28 percent from its level in the corresponding half year of 2015.

– 9.28%

C.6– Sports and hobbies goods

The retail sales indicator for sports and hobbies goods edged down by a minimal 0.99 percent in the first half of 2016 compared with its level in the preceding half-year. That indicator was up 4.95 percent compared with its level in the corresponding half-year of 2015.

+ 4.95%

C.7- Hospitality services

In the first half of 2016, the indicator for retail sales of hospitality services declined by a broad 18.25 percent compared with its level in the second half of 2015. Compared with the corresponding half-year period of 2015, the indicator for the first half of 2016 was down 8.01 percent.

– 8.01%

C.8- Tourism services

The sales indicator for tourism services increased by 3.07 percent in the first half of 2016 compared with its level in the preceding half year. However, it declined by 6.62 percent compared with the corresponding period of the year before.

– 6.62%

C.9- Medical services

In the first half of 2016, medical services saw their sales indicator fall by 5.77 percent compared with its previous half-year's level. Compared with the corresponding half-year of 2015, that indicator was up 3.98 percent.

+ 3.98%

Quarter to quarter evolution of retail sales indicators by category

	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Clothing	6.83%	-20.39%	4.64%	3.48%	7.79%	-16.26%
Food & beverages	1.39%	-12.15%	19.16%	6.00%	8.95%	-18.46%
Cosmetics	57.55%	-38.65%	-1.83%	19.08%	21.31%	-17.22%
Household goods	9.66%	-25.27%	1.08%	20.08%	16.17%	-30.66%
Luxury items	2.74%	-30.84%	22.26%	-0.58%	13.83%	-28.58%
Sports & hobbies	-12.73%	-31.75%	60.63%	1.92%	0.63%	-29.76%
Hospitality	-3.14%	-4.18%	-28.13%	25.14%	18.44%	2.23%
Tourism	3.42%	19.48%	-30.01%	29.62%	-26.54%	14.87%
Medical services	-10.47%	6.29%	-12.64%	11.95%	11.78%	-9.31%
Total	4.82%	-14.40%	-3.53%	14.62%	5.47%	-12.76%

Year-to-date quarterly evolution of retail sales indicators by category

	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Clothing	-7.91%	-7.08%	-2.27%	-4.39%	-12.10%	-4.76%
Food & beverages	12.51%	20.89%	12.21%	18.27%	21.38%	16.17%
Cosmetics	12.98%	-13.01%	17.38%	21.40%	-2.03%	14.89%
Household goods	-0.54%	5.37%	-2.23%	6.71%	-13.29%	-16.07%
Luxury items	-13.64%	-4.31%	-1.18%	9.46%	-2.17%	11.92%
Sports & hobbies	-2.49%	12.43%	15.72%	3.31%	8.97%	19.87%
Hospitality	-16.52%	2.08%	8.90%	18.60%	7.28%	29.60%
Tourism	12.10%	-20.38%	-23.45%	-3.12%	-15.92%	66.40%
Medical services	-6.94%	16.19%	-0.86%	7.43%	7.37%	10.51%
Total	-0.78%	-0.17%	1.74%	8.59%	-1.00%	17.58%

Half-year to half-year evolution of retail sales indicators by category						
	H1-2016	H2-2015	H1-2015	H2-2014	H1-2014	H2-2013
Clothing	-9.22%	1.88%	-11.98%	3.71%	-10.77%	7.51%
Food & beverages	5.52%	10.42%	-5.15%	25.28%	-10.63%	10.70%
Cosmetics	-15.16%	19.32%	-7.71%	13.72%	-7.66%	12.71%
Household goods	-16.32%	22.12%	-21.38%	8.62%	-16.09%	25.01%
Luxury items	-8.30%	-1.07%	-12.15%	18.33%	-6.45%	6.56%
Sports & hobbies	-0.99%	6.00%	-16.97%	37.48%	-19.48%	22.58%
Hospitality	-18.25%	12.53%	-1.95%	18.78%	-20.58%	9.44%
Tourism	3.07%	-9.40%	-6.41%	25.68%	-7.75%	18.71%
Medical services	-5.77%	10.35%	-6.60%	16.52%	-3.93%	7.46%
Total	-7.48%	7.57%	-9.07%	17.95%	-10.99%	12.75%

Year-to-date half yearly evolution of retail sales indicators by category					
	H1-2016	H2-2015	H1-2015	H2-2014	H1-2014
Clothing	-7.51%	-10.33%	-8.72%	-7.46%	-4.06%
Food & beverages	16.52%	4.74%	18.83%	11.97%	-1.06%
Cosmetics	1.24%	10.12%	4.95%	5.01%	4.08%
Household goods	2.19%	-3.98%	-14.60%	-8.85%	4.89%
Luxury items	-9.28%	-13.09%	3.95%	10.69%	-0.32%
Sports & hobbies	4.95%	-11.99%	14.14%	10.70%	-1.30%
Hospitality	-8.01%	10.33%	16.46%	-5.67%	-13.09%
Tourism	-6.62%	-15.21%	17.63%	15.94%	9.51%
Medical services	3.98%	3.07%	8.83%	11.95%	3.24%
Total	-0.48%	-2.19%	7.25%	4.98%	0.35%

THE ANALYSIS

IV

Seasonally adjusted retail sales indicators

Trend analysis

The moving average approach

Sales-to-footfall correlations

In their basic form, retail sales indicators express an observational reflection of market activity, which embodies the interplay of all influences that determine retail trade. As such, the basic indicators render a plain version of observed sales perfomance. However, these indicators do not constitute the best foundation for the explication of an essential market feature, namely the trend. This is so precisely because non-trend-formative influences are built into the basic indicators.

Of these influences, seasonality is the weightiest and is also the most readily extractable from indicator data.

The de-seasonalization of retail sales indicators in the present statistical exercise seeks to achieve a number of objectives.

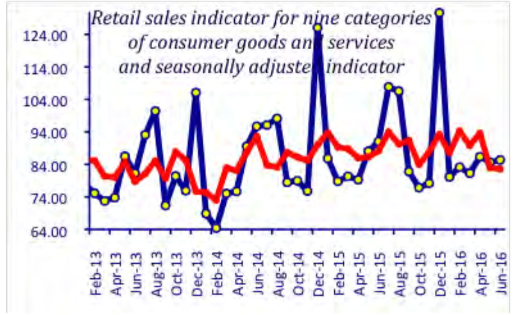
First, seasonally adjusted indicators exhibit a different pattern of vector fluctuations, one that offers analysts and retailers a truer picture of the real pattern of peaks and troughs in sales performance. This more exact presentation of performance has momentous implications on business decision-making.

Second, de-seasonalized sales indicator time series allow retailers to carry out a more refined benchmarking exercise, one that would provide them with a quantitative assessment of the extent of seasonality of their sales in comparison with market sales.

Third, trend parameters based on de-seasonalized indicator data are basically identical to those of the original indicator data and are equally exact descriptors of fluctuations. However, the narrower band of fluctuations resulting from seasonal adjustment yields better forecasts – that is forecasts with a higher degree of confidence – compared with those obtained from non-seasonally-adjusted data.

IV.A. Seasonally adjusted retail sales indicators

Seasonal adjustment of the retail sales indicator for all nine categories of consumer goods and services examined in the report



expressed more visibly the slightly positive trend traced by indicator data series over the 42-month period.

Due to seasonal adjustment, the range of fluctuations drawn by the indicator series was reduced by a substantial 67.9 percent. The standard deviation was reduced from 13.95 for the basic series to 5.18 for the seasonally adjusted series.

IV. A. 1- Clothing

The seasonal adjustment of indicator data for retail sales of clothing ironed out the sharp December surges, as well as the milder summer swells and the marked October falls. This 'noise-reduction' rendered more clearly discernible the downtrend

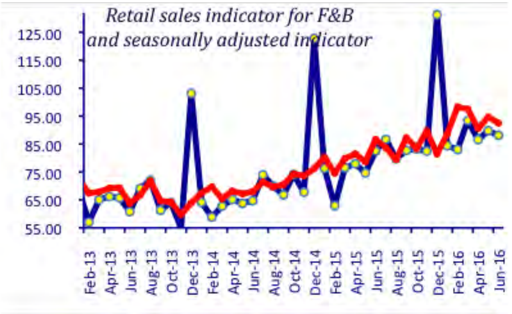
formed by the 42-month data series.

De-seasonalization reduced the channel of fluctuations in this series by 56 percent, and the series' standard deviation was reduced from 12.25 to 5.97.

IV. A. 2- Food and beverages

The data series for the food and beverages retail sales indicator exhibit tightly packed fluctuations, broken only by the December surges.

De-seasonalization of the indicator data flattened out the steep December peaks and closely tracked the run of subdued fluctuations that mark sales performance

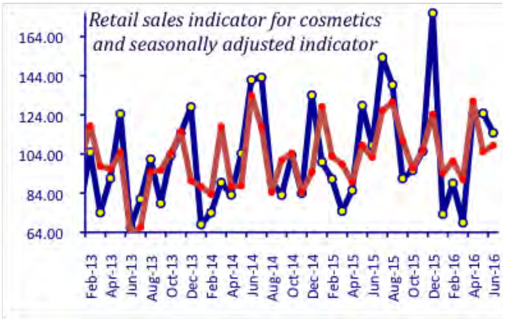


during the rest of the year. This is a clear sign that, barring the December months, sales performance in that category of retail is practically not prone to wide seasonal fluctuations.

The clear uptrend formed by the data series for the food and beverages indicator saw the range of fluctutations diminish by 49.5 percent due to seasonal adjustment. The series' standard deviation was reduced from 15.91 to 10.25 by the same stroke.

IV. A. 3- Cosmetics

The time series of the retail sales indicator for cosmetics exhibit seemingly patternless and wide fluctuations, a condition that points to the absence of seasonal influences on sales performance.



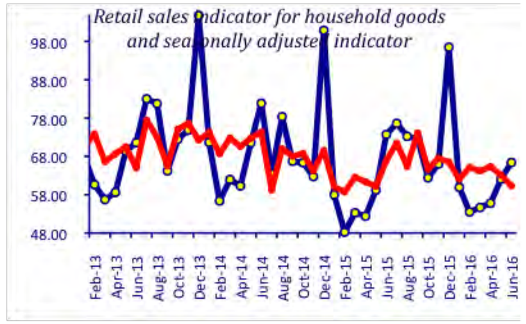
Consequently, the procedure of data de-seasonalization results in a comparatively minimal reduction in the amplitude of fluctuations as the seasonally adjusted data series closely track the original, non-adjusted series.

Thus, seasonal adjustment reduced the range of fluctuations in the retail sales indicator for cosmetics by a relatively modest 35 percent and the data's standard deviation was reduced from 25.9 to 16.15.

The mild upslope is hardly discernible and can be established only through metricization of the slope's parameters.

IV. A. 4- Household goods

The retail sales indicator for household goods exhibits a distinct seasonal pattern of strong December surges and somewhat less ample February falls. Subduing these fluctuations through seasonal adjustment reveals a moderate downtrend that describes the evolution of the 42-period indicator data.



De-seasonalization reduced data fluctuation for this indicator by a large 66.9 percent and reduced the standard deviation for the basic data from 12.59 to 5.07 for the seasonally adjusted data.

IV. A. 5- Luxury items

The trend for the luxury goods retail sales indicator is plainly flat as evidenced by the seasonal adjustment of the indicator's time series.

By levelling off the sharp December peaks and the much less ample troughs, de-seasonalization reduced basic data fluctuations by a hefty 77.7 percent. The standard deviation for the seasonally adjusted data series was 4.52 compared with 17.14 for the basic data.

IV. A. 6- Sports and hobbies goods

The evolution of retail sales for sports and hobbies goods also follows a pattern of sharp December peaks that are flattened by seasonal adjustment. The slightly positive underlying trend is made clearer by seasonal adjustment of the indicator's time series.

The range of fluctuations resulting from de-seasonalization is reduced by a broad 75.2 percent. The standard deviation of the seasonally adjusted data was 5.47 compared with 19.82 for the basic data.

IV. A. 7– Hospitality services

The seasonally adjusted indicator for retail sales of hospitality services helps visualize the near-flat trend traced by the underlying indicator over the 42-month period. Seasonal adjustment also reflected more clearly the dismal sales performance in the first half of 2016.

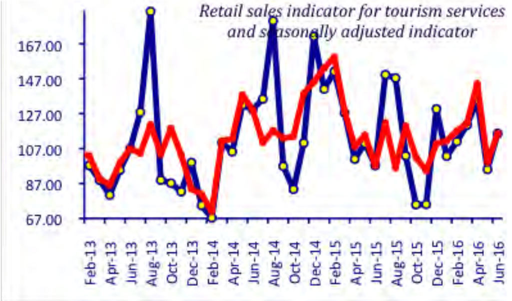
Seasonal adjustment narrowed down the range of the indicator's fluctutations by a broad 54.6 percent and lowered the data series standard

deviation from 22.69 to 10.74. This allows a better expression of the underlying trend both visually and numerically.

IV. A. 8– Tourism services

The seasonal adjustment of the tourism services indicator data revealed the noteworthy pattern whereby the de-seasonalized indicator doubletracked comparatively closely the basic indicator in the first half of 2016. This reflects the fact that during that period, sales performance of tourism services followed their typical seasonal pattern.

De-seasonaliztion reduced the range of fluctuations of the tourism services indicator

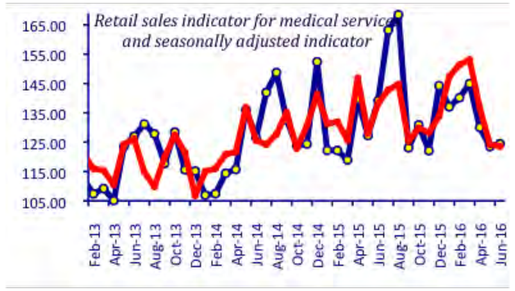


by 25.2 percent and consequently reduced the standard deviation of the three-and-a-half-year data series from 28.68 to 18.92.

IV. A. 9– Medical services

The seasonal adjustment of the sales indicator for medical services ironed out the uncharacteristic surges; this enabled a clearer visualization and a more precise metricization of the underlying upward trend.

The de-seasonalization process lowered the range of fluctuations of the indicator for sales of medical services by 26.8 percent and led to the reduction of the standard deviation of the indicator's 42-point data series from 14.57 to 11.26.



IV. B. Trend analysis

As time series lengthened to reach a 42-period string, the present exercise gained confidence in moving away from the simpler application of linear trend estimate to the locally weighted estimate.

Compared with the highly stylized linear trend, which expresses the broad-brush vector evolution of time series, the locally weighted fit is a more expressive and precise, and certainly a more intricate representation of data evolution. This curving fit captures

As time series lengthened to reach a 42-period string, the present exercise gained confidence in moving away from the simpler application of linear trend estimate to the locally weighted estimate

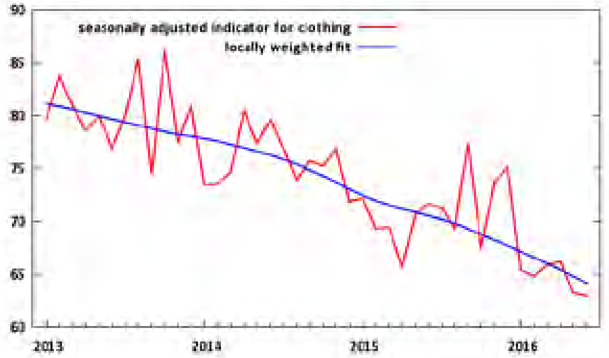
the change in trend direction throughout a time series, thus providing a more detailed expression of performance in sub-phases within the series.

IV. B. 1- Negative trend

Clothing

The trend line for the clothing retail sales indicator traces the steepest down move, with a slope of -0.4.

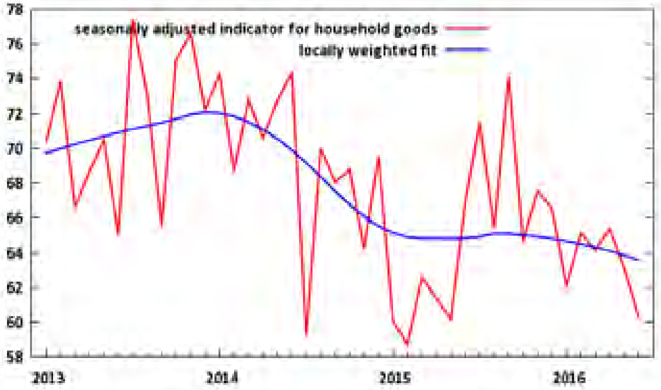
The locally weighted trend line did not depict any noticeable reversals of the downtrend over the 42-period data points. As a matter of fact, that trend line traced a trajectory that is closer to being linear, expressing an unremitting fall in the sales indicator for that category of consumer goods.



Household goods

The trend depicting the evolution of the retail sales indicator for household goods has a relatively milder downslope with a gradient of -0.22.

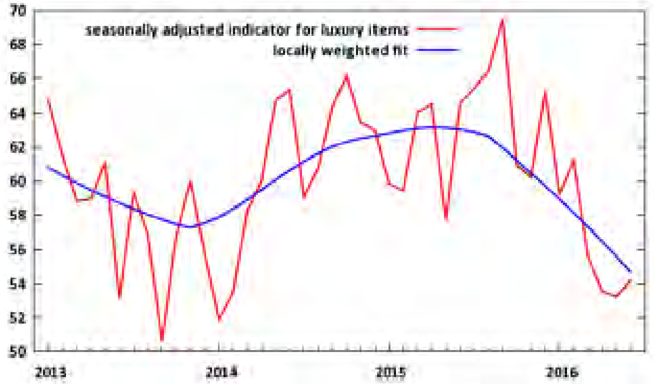
The locally weighted trend line shows a steep fall in 2014 followed by a gentler move downwards in the subsequent six quarters.



IV. B. 2- Flat or near-flat trend

Luxury goods

With a gradient of 0.05 , the trend line for the retail sales indicator for luxury goods

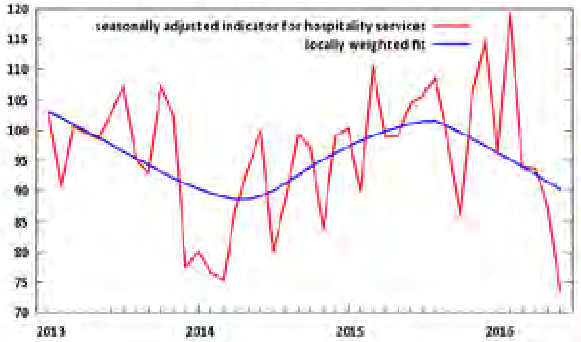


is nearly flat throughout 42-month period. The locally weighted fit, however, captures the nuanced evolution of that indicator, which has taken a sharp turn downwards over the three quarters to June 2016.

Hospitality services

At a gradient of 0.07, the linear trend for the hospitality services sales indicator is nearly flat. However, a more nuanced depiction of the trend emerges from the locally weighted fit, which reveals an inflection point in August 2015 followed by a downtrend, despite the double peak of December 2015 and February 2016.

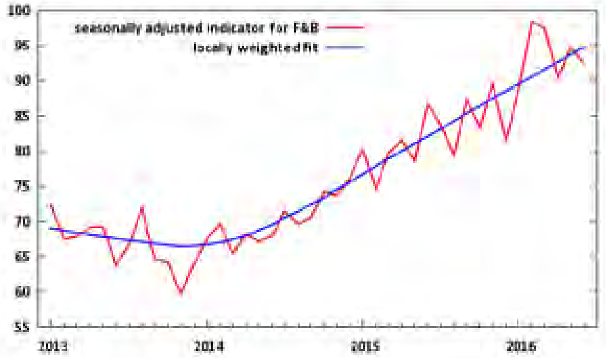
The trend of the eleven months to June 2016 was



swayed by sub-par performance in the March to June 2016 period that saw the seasonally adjusted indicator hit a 42-month low in June.

IV. B. 3- Positive trend

Food and beverages



The retail sales indicator for food and beverages traced the steepest upturn over the 42-period time series, with a gradient of 0.74 .

The locally weighted fit shows a period of weakness in the year 2013, followed by a sustained move upwards in the subsequent two and a half years.

Medical services

The linear trend line for the medical services retail sales indicator presents a strongly positive trend with a gradient of 0.63, the second steepest uptrend of the nine categories of consumer goods and services.

Again, the locally weighted fit qualifies the view

offered by the linear trend approach, as it shows that the portion of the fit covering the eleven months to June 2016 was nearly flat to mildly falling.

Tourism services

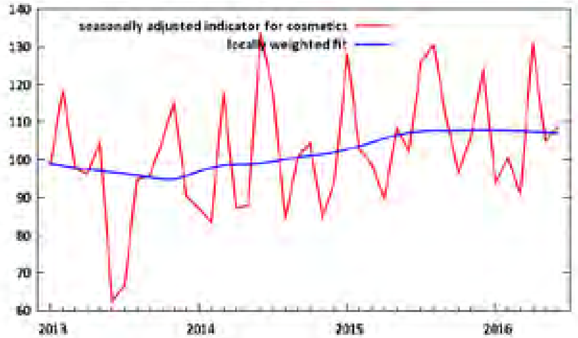
The linear trend for the tourism services retail sales indicator is clearly positive, with a gradient of 0.48.

The locally weighted fit, however, offers the more revealing story of an indicator that

started a downward turn in October 2014 and moved nearly sideways in the period from August 2015 to June 2016.

Cosmetics

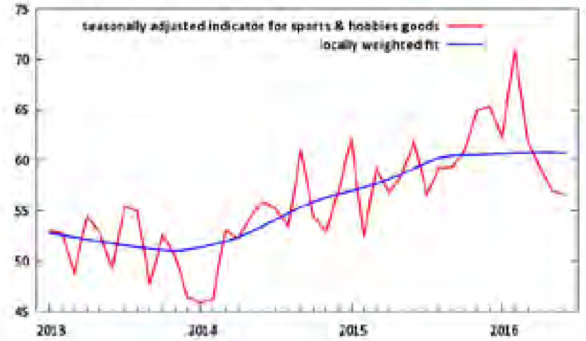
The trend line for the cosmetics retail sales indicator was moderately up over the 42-month



period with a slope of 0.43 .
The locally weighted fit shows the nuance of a mild fall in the first three quarters of 2013 followed by an upward sloping trend line thereafter.

Sports and hobbies goods

The trend line for the retail sales indicator for sports and hobbies goods mildly up, with a slope of 0.32 .



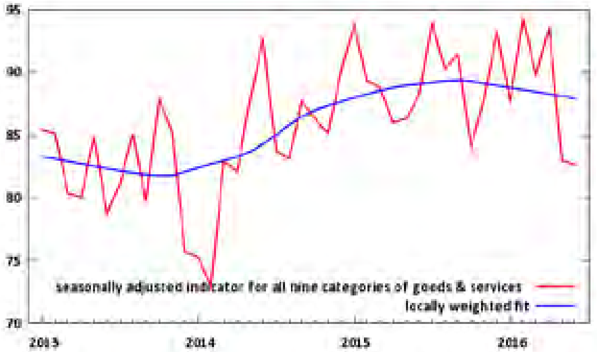
The locally weighted fit illustrates the three-phased evolution of that indicator, which maintained an upward move in 2014 till mid 2015, a period that was preceded by a down move and followed by a plateau.

IV. B. 4. The trend for the overall indicator

The overall indicator for retail sales of the nine categories of consumer goods and services drew a modest uptrend over the 42-month period. The linear trend's slope was 0.23 .

However, the locally weighted trend curve conveyed a more detailed representation of the overall indicator's evolution in the period under review.

The more advanced trend line revealed plainly the decline in the overall retail sales



performance indicator in the first half of 2016.

IV. C. The moving average approach

The moving average is an accurate ex-post descriptor of data change in time series as well as a data-smoothing tool. As such, it provides a close expression of the trend, but unlike the trend, it lacks definer parameters and does not constitute a forecasting instrument.

As time series lengthen, the moving average statistic acquires significance and flexibility in that it could be made to render more than one temporal expression of trend, which opens up interesting data-analysis possibilities.

IV. C. 1- Clothing

The moving average line depicting the evolution of the retail sales indicator for clothing replicates the locally weighted fit in that it also conveys the fact that the trend for sales performance for that category of consumer goods has been plainly down with no noticeable correction over the 42-month period.

IV. C. 2- Food and beverages

The moving average curve for the food and beverages retail sales indicator also traces roughly the same upwards path as that drawn by the locally weighted fit.

IV. C. 3- Cosmetics

Due to the patternless fluctuations that marked the evolution of retail sales indicator for cosmetics, the moving average curve derived from the time series for that indicator present a more jagged edge than the much smoother locally weighted fit. But the moderate uptrend is reflected in both expressions of the trend.

IV. C. 4- Household goods

The moving average curve ironed out the broad fluctuations in the retails sales indicator for household goods and presented roughly the same inflection points as those apparent in the locally weighted fit derived from seasonally adjusted data for that indicator.

IV. C. 5- Luxury items

The marked seasonality of the luxury items retail sales indicator and the near-flat trend over the period under review, accounted for the difference in outline between the moving average curve and the locally weighted fit, which, in this exercise, has been applied to seasonnally adjusted indicator data.

IV. C. 6- Sports and hobbies goods

The difference between the moving average curve applied to the retail sales indicator for sports and hobbies goods and the locally weighted fit applied to seasonally adjusted data for that indicator is also attributable to the broad seasonal moves in that indicator combined with a relatively weak trend direction.

IV. C. 7– Hospitality services

Applied to the basic retail sales indicator data for hospitality services, the moving average roughly mirrors the trend traced by the locally weighted fit for the de-seasonalised indicator data.

The moving average line and metrics clearly point to a slide in the indicator in the first half of 2016.

IV. C. 8– Tourism services

The moving average for the tourism services sales indicator broadly reflected the locally weighted fit but with a five-month delay in tracing the downtrend. Thus, the moving average metrics reckon March 2015 to be the inflection point that marked the beginning of the 15-month-long-downturn.

IV. C. 9– Medical services

The two-year-long uptrend in the sales indicators for medical services followed by a mild drift downwards is clearly expressed in the moving average applied to the basic indicator data and in the locally weighted fit applied to the seasonally adjusted indicator data.

IV. C. 10– All nine categories of goods and services

Applied to the evolution of the retail sales indicator for the nine categories of goods and services, the moving average approach also proved less expressive of the trend's inflections points than the more developed locally weighted fit.

IV. D. Sales-to-footfall correlations

The positive correlation between mall visitor traffic (the regressor in the equation) and mall retail sales (the regressant) is a fundamental premise that implicitly underlies mall management endeavor to remain competitive.

While mall operators have practically no direct influence on the sales performance of their tenant retailers, they perceive their continual bid to attract visitors as a form of support to the businesses they are hosting. The assumption here is that an increase in the number of visitors would translate into a more or less proportionate increase in the sales of resident retailers.

Measuring the strength of the correlation between visitor traffic and retail sales offers therefore an essential indicator of a mall's position as a marketplace.

More specifically, the footfall-to-sales correlation is a determinant factor in at least five key mall management decisions, namely those pertaining to devising concept differentiators, tenant mix, the choice of anchor tenants, rents and rent negotiations, and marketing.

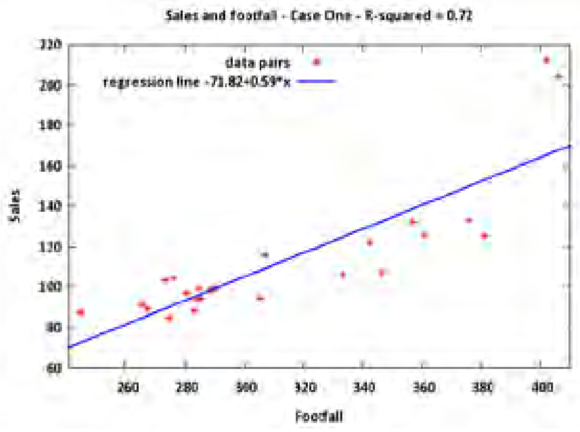
As in previous editions, the present report computed the correlation between footfall and retail sales for three malls, though over longer, three-and–a-half–year data sets.

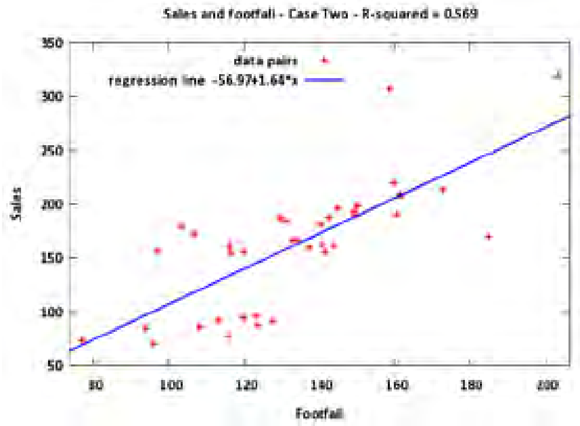
A comparison of the evolution of coefficients of determination obtained as data sets are lengthened revealed the statistical fact that these coefficients tend to edge slightly lower when first-half-year data are added to the data sets, then move back slightly higher when second-half-year data are added.

Respectful of the golden precept of correlation, which states that correlation does not imply causation, the present analysis ventures no explanation for the either the level or the pattern of change in coefficients of determination. Suffice it to float the likelihood as to the strength of the correlation between footfall and sales being affected by the presence of the December peak sales in second-half-year data.

Irrespective of these minor changes, the correlation between sales and footfall was found to be significant in the three cases examined.

In Case One, the coefficient of determination suggests that, typically,



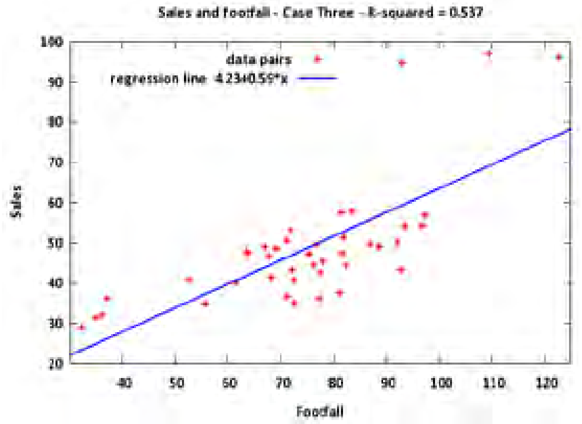


about 72 percent of the change in sales at the margin could be explained by the marginal change in footfall. That indicates a strong correlation between the two variables, one that has a low probability of being due to a random occurrence.

In Case Two, correlation analysis implies that about 57 percent of the value of an observed marginal change in sales may be attributed to a marginal change in visitor traffic. This is still a significant correlation, one that surely justifies its use in managerial decision-making.

In Case Three, the extent to which marginal change in footfall statistically explains marginal change in sales is the lowest of the three cases at about 54 percent.

The three cases offer interesting instances where outliers have had a particularly depressing influence on R-squared as the cluster diagrams show. A side exercise that did away with outlier data pairs yielded

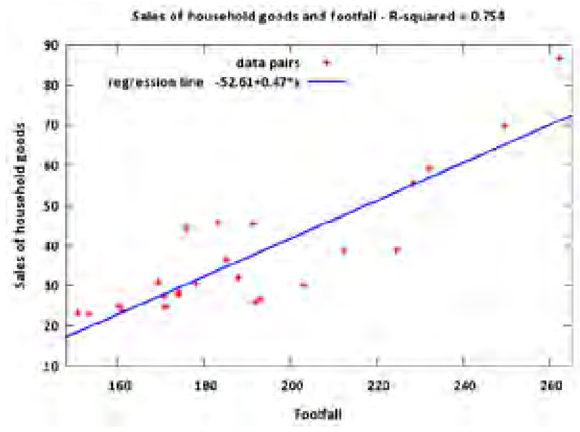


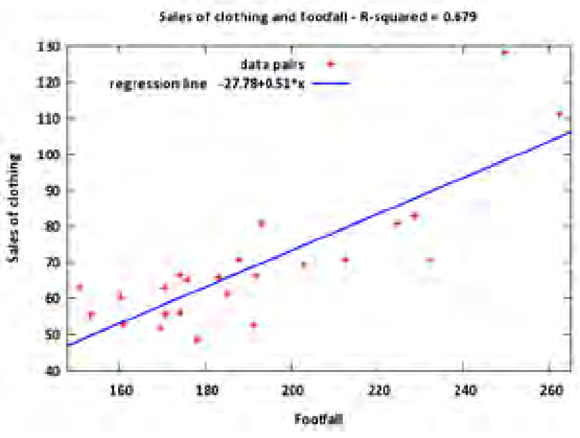
Measuring the strength of the correlation between visitor traffic and retail sales offers therefore an essential indicator of a mall's position as a marketplace

Irrespective of these minor changes, the correlation between sales and footfall was found to be significant in the three cases examined noticeably stronger correlations in each of the three cases.

Equally remarkable is the correlation between change in footfall and change in sales of particular categories of consumer goods. In one case, the correlation measures indicate that, over the data set examined, more than three quarters of the marginal change in the sales of household goods and more than two thirds of incremental change in clothing retail sales could be expected to be aligned with the marginal change in footfall.

Though the two coefficients of determination are too high to be fortuitous, their interpretation is best left to retail executives. Correlation analysis is a purely statistical exercise that bears no conjecture and begets no interpretation; it just produces measures that express the strength of the relationship between two time series.





CONCLUDING NOTES

The overall retail sales indicator for the first half of 2016 took a clear turn downwards and remained markedly below base year level. The indicators for major retail categories moved sharply down in the first half-year of 2016, and the overall indicator remained some 16.5 percent below its base year level. The modest move upwards in 2015 failed to build up into a sustained thrust.

Half way through the fourth year of recession, the retail industry has yet to adapt to five main depressants of consumer spending. Of these, one is exogenous and possibly transient: the change in tourist demographics. And four are endogenous and weightier, as they are engendered by the pervasive economic malaise: a high rate of unemployment; stagnant to diminishing household disposable incomes (partly impacted by the exogenous factor of reduced remittances); household over-indebtedness; and dismal consumer confidence stoked by job insecurity and an ensuing sense financial precariousness.

Mitigating this dire combination of negative influences is the fact that competition among retailers has nudged some prices down and has set off widespread expectations of price stability. However, the faint 'feel-good' effect that these expectations may have had on consumers is no counteracting factor to the fundamental causes of recession.

Unable to stem the decline in sales, larger retailers might soon attempt to raise operational efficiency by reducing selling space. This will lead to an increase in the sales per square meter and might possibly improve gross margins at depressed levels of sales. Such divestment tactic is less tractable to smaller retailers.

The sway of effective advocacy

Notwithstanding the fact that addressing the root causes of depressed retail activity is an economic-policy undertaking over which retail industry representatives have practically no influence, there remains the advocacy mission that lies squarely on the shoulders of those representatives.

Effective advocacy, to be sure, is both fact-based and research-based. The RAI, in that perspective, constitutes one of the prerequisites to research work. Still, building the edifice of advocacy-oriented research calls for work on three more cornerstones, namely, those relating to the retail enterprise, consumer behavior, and consumption credit.

VIEWS FROM WITHIN

Retail activity bears the brunt of regional instability, but prospects remain bright

Retail activity bears the brunt of regional instability, but prospects remain bright

Retail industry executives agree that political instability in the region, and the consequent decline in in-bound tourism from Gulf countries and in capital inflows constitute the weightiest factors causing local retail sales to slacken. Lebanon's economy may have remained, for many decades, more tightly pegged to the region's economic welfare than it should have been, but its undeniable comparative and competitive advantages instill hopes for recovery.

Recovery hinges on political stability

"Political instability has heightened consumer uncertainty about the prospects of incomes and employment and this has been a major contributing factor to depressed retail sales over the past three years," observed Dr. Nabil Fahed of Fahed Group Holding, importers of a broad range of retail products and operators of SuperValue retail outlets. "Consumers hedge against these uncertainties by withholding spending and saving more," explained Fahed.

Retail industry entrepreneurs agree with the view

.. consumer uncertainty about the prospects of incomes and employment, a major contributing factor to depressed retail sales

that political instability is the root cause of the activity's current quandary. This instability "is creating a negative collective disposition that is harming retail activity," according to Georges Kamal of Acres Holding, operators of LeMall shopping and entertainment centers.

Certainly, excessive dependence on inflows from Gulf Cooperation Council (GCC) countries has tipped economic activity into a protracted slowdown when the region went through financial straits caused by a broad fall in crude oil prices as well as political turbulence.

The retail sector's woes, Fahed maintained, are aggravated by the loss of incoming tourists from GCC countries, job losses and high rates of joblessness amongst the youth, and lower income for business enterprises.

Much has been conjectured about the impact that the large number of refugees should have had on consumption expenditure, but the fact of the matter remains that such impact failed to materialize due to the "weak purchasing power of Syrian refugees," said Fahed.

Due to the region's economic predicament, the economy should brace itself for "the prospect of lower transfers from Lebanese expatriates," warned Fahed. He cautioned that "stagnation is gaining momentum and lower transfers from the GCC and other oil producing countries in West Africa will worsen economic performance."

Household incomes, be they from employment or from transfers, remain indeed the key determinants of consumer demand.

In Kamal's view, the lackluster performance of retail sales is due to the erosion of the purchasing power of average households. Kamal attributed the current decline of the retail industry in

.. stagnation is gaining momentum and lower transfers will worsen economic performance

.. demand for high-end products has also weakened, implying that even well-off households have become more careful with their spending

Lebanon to the combined impact of sluggish economic growth, lower tourist inflows, and the financial pressures plaguing GCC economies, which are affecting transfers from more than 600,000 Lebanese expatriates employed in Gulf countries.

Weaker household purchasing power is surely a strong factor accounting for depressed retail sales, but contrary to intuitive presumption, "demand for high-end products has also weakened, implying that even well-off households have become more careful with their spending," noted Michel Katra of ABC malls.

Retail sales of high-end products were moreover impacted by significant declines in tourist spending. Data confirm the fact that fashion and luxury items benefit the most from tourist spending. Of the total tourist purchases on which VAT was refunded, about 74 percent went to fashion and 14 percent went to luxury items in the second quarter of 2016. These purchases were down 16 percent and 24 percent respectively in the second quarter of 2016 compared with the same period of 2015, and they were down by 18 percent and 34 percent respectively compared with the first quarter of 2016.

Lower energy and food prices

Retail sales indicators may not have fully reflected this fall in spending, as they were underpinned by exogenous price factors.

Crude oil prices plummeted 50 percent in the second half of 2014 and extended their fall by a further 35 percent in 2015 before staging a subdued rebound in the first half of 2016.

The fall in food prices was no less significant. The Food and Agriculture Organization (FAO) food price index fell by more than 27 percent over the three and a half years to mid 2016.

These broad price movements were paralleled in components of the local Consumer Price Index (CPI). According to the Central Administration of Statistics CAS), the price index for transportation fell by 7.66 percent in 2015 and that for household energy fell by 6.2 percent. And, in the first five months of 2016, the CAS price index for food and beverages was down 4.7 percent.

“Lower oil and food prices and a lower Euro exchange value caused a three to four percent decline in domestic price levels over the past two years. This led to a limited improvement in retail sales 2014 and 2015, but that failed to fully compensate for declining sales induced by recession,” argued Fahed. Lower prices further reduced, in nominal terms, the overall turnover of both wholesalers and retailers in the food and beverages sector, he added.

> Lower prices reduced, in nominal terms, the overall turnover of both wholesalers and retailers in the food and beverages sector

The all-important impact of expectations

Consumer expectations remain a weighty determinant of retail industry performance, and brighter expectations can only be set off by a mix of economic and political turns for the better.

Internally, “better governance and a functional political system will go a long way in restoring consumer and investor confidence,” said Fahed, adding that “holding presidential and parliamentary elections and the formation of a strong and cohesive government that should signal a will to fight corruption,” would certainly improve confidence.

Recovery in retail markets remains on-hold pending change in “two key factors, the political environment and oil prices,” concurred Kamal. The on-going crisis in Syria “is definitely rendering recovery elusive,” whereas the prospects of a peaceful settlement would kindle hopes of an upturn, he added.

> Recovery in retail markets remains on-hold pending change in “two key factors, the political environment and oil prices”

In-bound tourism grows, but spending falls

Over the past three years, the number of incoming tourists has ranged between 1.3 million and 1.5 million per year, with the monthly median reaching 120 thousand in 2015. Barring a major degradation of security conditions regionally or internally, that number is expected to increase by a moderate five to six percent in 2016.

To be sure, Lebanon’s ability to attract tourists remains conditional upon the restoration of political stability in the country and the region. The fact that Lebanese expatriates have kept returning to visit the country accounts for some improvement in the entertainment sectors of activity, but “shopping as such would only be positively impacted by the return of tourists from the GCC countries,” contended Katra.

According to data on tourist Value Added Tax (VAT) refunds, spending by visiting GCC residents currently accounts for 35 percent of total visitor spending on which VAT refunds were made. The same data sets also indicate that VAT-refundable purchases made by GCC residents went down by about 30 percent in the second quarter of 2016. Estimates are that this decline has pushed down total VAT-refundable visitor purchases by some ten percent in the same period.

Katra does not foresee a positive turn of the tide occurring in the coming six months, what with persisting political conditions and the ban on travel to Lebanon imposed by GCC governments on their citizens.

"While Lebanon retains all of its competitive potential as a tourist destination, the bustling days of tourism and retail remain on-hold awaiting a more stable political environment," Katra predicted.

A price war in the making?

Not unexpectedly, strong competition is bound to emerge in a sluggish retail market. Fahed portrayed the state of competition among retailers as being "very intense, as retailers realize that the drop in sales is structural and not transient." He deemed competition to be "excessive, especially in areas with multiple outlets like Ashrafieh, coastal Metn and Keserwan, but has lately become cutthroat." Fahed had earlier this year stoked competition when his supermarket initiated "Crazy Thursday", a weekly 50 percent discount on some 150 products.

Heavy discounts, which inevitably squeeze margins of wholesalers or retailers or both, have always been local retailers' preferred approach to 'even out' the excessive ebbs and flows of seasonal buying.

Is Beirut over-malled?

Kamal described the development of shopping malls over the past five years as being "noticeably chaotic", with a concentration of malls in Beirut and Mount Lebanon "whereas Northern Keserwan and the North remaining virgin markets."

Indeed, a number of metrics point to the fact that Lebanon's retail activity is noticeably concentrated in the capital city.

Of the direct pointers to the degree of geographical concentration of retail, the most telling is that 80 percent of tourist purchases on which VAT was refunded were made in Beirut and its environs and 14 percent of these purchases were made in the Metn region.

As retail space nears saturation in the capital, retail activity also matures and new formats are needed to maintain consumer interest. "The retail sector is evolving into a mature market in as far as brand varieties and competition are concerned," said Kamal.

Katra maintained the view that Lebanon's retail scene has indeed evolved into maturity in the sense that the sector's further growth requires the emergence of fresh triggers and innovation. However, he added, "hardly any game-changing factor has been introduced in local retail markets, be it in the form of major new players or new well-known brands."

Retail, a profitable activity

Plans for the building of new malls might be expected to intensify competition among mall operators. In Katra's words, a mall is a concept, and hence competition among malls is practically competition between concepts.

However, the broad geographical spread of emerging malls justifies the expectation that “the new shopping malls would be competing more with high street retailers,” Katra clarified.

Seemingly unfazed by the current state of the retail industry, investments in retail centers have barely diminished.

In Kamal’s view, investments in retail projects hardly reflect confidence in the prospects of the retail industry as they are “neither considerably large nor have they been thoroughly studied.”

In search for differentiators

In Katra’s opinion, investments are justified, as “retail remains a profitable activity.” The fact that mall-building projects are undertaken in regions where none existed could be viewed as a response to a need. That need is not necessarily for more big-box merchandise retailers and/or brands, but rather for leisure, entertainment, and meeting centers.

Customers certainly expect the mall experience to be one of entertainment akin to an outing. Meeting customer expectations, therefore, poses a major challenge to current and prospective mall operators.

Judging by an analysis of results gleaned from consumer surveys conducted in the US and Europe, customers seem to have developed unmistakable signs of weariness toward bland, merchandise-only retail monoliths. In response to that weariness, developers are opting increasingly for building lifestyle centers rather than conventional merchandise-centric malls.

Mall operators in Lebanon are attentive to the emerging concept of ‘retailtainment’ and seek develop innovative differentiators. So far, this endeavor has seen malls gradually integrating entertainment and social hotspot platforms into their central concept. “Malls are not just agglomerated shopping outlets; they have evolved into social meeting and

> Mall operators are attentive to the emerging concept of ‘retailtainment’ and seek develop innovative differentiators

entertainment hubs,” Katra pointed out.

The trend in advanced market certainly confirms this morphing of malls into spaces akin to lively city plazas, ceilinged ‘downtowns’ of sorts, where shopping and merchandising still have an essential, but not predominant, place.

In this context, the challenge mall management faces is quite intricate. To stay relevant, malls are aware that they need to design a distinctive concept that offers a unique visitor-inviting experience, while striking an optimal retail-cum-entertainment mix that would not only increase foot traffic, but would also increase revenues. That surely is a tall order in an environment of stagnation.

The need for consumer behavior surveys

In the absence of research and field surveys designed to secure information on change in consumer behavior, preferences, brand perception, and motivation, retail executives have to keep a close watch on change occurring in international and regional retail scenes. However, this hardly makes up for the absence of local field work that monitors change in consumer psychology, Katra remarked.

Regional status

Once the region’s trend-setter and test market, Lebanon’s retail industry lost much of its regional status and reach. Fahed argued that Lebanon has been away from the regional scene for too long a period of time and expects it to be “a long way before we get back to being a regional player.”

In the bid to regain regional status, Lebanon has retained much of its advantages; these comprise "well-developed educational facilities that cater to a large number of foreign students, the country's natural resources, the abundance of season-specific activities, and a friendly, yet professional, culture of service," according to Kamal. However, he added, the impact of these advantages on the retail industry remains contingent upon the restoration of political stability.

Katra cast doubts over the country's ability to regain its regional status as a trend-setter in retail within a short period of time; he expects that "catching up with the much more advanced regional retail centers in the region will be a lengthy and costly process."

The Retail Activity Indicators editorial team

APPENDIX

Categories and sub-categories of retail goods and services for which sales indicators were built

Monthly retail sales indicators for consumer goods

Quarterly retail sales indicators for consumer goods

Half-yearly retail sales indicators for consumer goods

The report analyzed retail sales data relating to six categories of consumer goods that include a total of 37 sub-categories and three categories of services grouping 15 sub-categories. Following are the categories and sub-categories of retail goods and services covered by the report.

Table 1	
Six categories and 37 sub-categories of goods	
Clothing	(8 sub-categories)
	Men's wear
	Women's wear
	Women's accessories
	Children's wear
	Family clothing
	Shoes
	Apparel
	Fabric / sewing
Cosmetics	(3 sub-categories)
	Perfumes
	Cosmetics
	Personal care
Household goods	(11 sub-categories)
	Sanitary / utilities
	Glass / paint / wallpaper
	Hardware
	Furniture
	Floor covering
	Drapery / upholstery
	Miscellaneous home furnishing
	Household appliances
	Audio-visual
	Antiques restoration
	Crystal & glassware
Luxury items	(7 sub-categories)
	Jewelry / watches / silverware
	Crafts
	Art dealers galleries
	Florists
	Cigars
	Gifts
	Electronics
Sports and hobbies	(3 sub-categories)
	Sporting goods
	Games / toys
	Music instruments
Food & beverages	(5 sub-categories)
	Supermarkets
	Confectionery
	Bakeries
	Miscellaneous food stores
	Liquor / beer / wine

Table 2	
Three categories and 15 sub-categories of services	
Hospitality	(4 sub-categories)
	Catering
	Restaurants
	Pubs / nightclubs
	Hotels / resorts
Tourism & entertainment	(6 categories)
	Travel agencies
	Travel services
	Movies / theaters
	Dance schools / studios
	Clubs
Medical services	(5 sub-categories)
	Doctors
	Dentists
	Ophthalmologists
	Hospitals
	Other medical / health services

Table 3

Monthly retail sales indicators for consumer goods

	Clothing	Food & beverages	Cosmetics	Household goods	Luxury items	Sports & hobbies items
Jan-15	69.29	76.30	99.84	57.97	50.62	58.03
Feb-15	61.04	62.97	91.16	48.22	52.26	47.82
Mar-15	66.46	76.51	74.81	53.30	61.69	51.50
Apr-15	60.06	77.90	85.39	52.39	59.04	50.78
May-15	74.41	74.65	128.67	59.20	62.15	51.63
Jun-15	77.63	82.54	108.40	73.69	66.13	55.93
Jul-15	81.48	86.70	153.22	76.63	65.79	59.02
Aug-15	75.14	79.77	139.27	73.21	66.52	51.98
Sep-15	62.86	82.73	91.48	72.64	53.92	50.38
Oct-15	58.71	83.23	95.62	62.39	50.65	58.28
Nov-15	68.94	82.44	105.36	65.99	53.23	59.19
Dec-15	102.01	131.28	175.95	96.50	123.82	141.76
Jan-16	62.77	84.40	73.29	59.92	50.08	58.24
Feb-16	57.04	83.02	89.02	53.48	53.80	64.75
Mar-16	63.04	93.45	68.92	54.65	53.59	53.93
Apr-16	60.51	86.56	124.71	55.79	48.98	52.96
May-16	66.64	89.78	124.78	62.09	57.29	50.25
Jun-16	68.18	88.13	114.82	66.40	55.51	51.19

Table 4

Quarterly retail sales indicators for consumer goods

	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Clothing	65.11	60.95	76.56	73.16	70.70	65.60
Food & beverages	88.16	86.95	98.98	83.07	78.36	71.93
Cosmetics	121.44	77.08	125.64	127.99	107.48	88.61
Household goods	61.43	56.02	74.96	74.16	61.76	53.16
Luxury items	53.93	52.49	75.90	62.08	62.44	54.85
Sports & hobbies	51.47	58.97	86.41	53.80	52.78	52.45
Hospitality	86.46	89.27	93.16	129.62	103.58	87.45
Tourism	115.17	111.36	93.20	133.17	102.74	139.86
Medical services	125.98	140.72	132.40	151.55	135.38	121.12

Table 5

Half-yearly retail sales indicators for consumer goods

	H1-2016	H2-2015	H1-2015
Clothing	63.03	69.43	68.15
Food & beverages	87.56	82.97	75.14
Cosmetics	99.26	116.99	98.05
Household goods	58.72	70.17	57.46
Luxury items	53.21	58.02	58.65
Sports & hobbies items	55.22	55.77	52.62
Hospitality services	87.87	107.48	95.51
Tourism services	113.26	109.89	121.30
Medical services	133.35	141.52	128.25

OPINION

Alternative retailing?

Alternative retailing?

By Ghalia Boustany
MA, MCIM, Chartered Marketer

What makes a retail format so special? Is it the product that it holds or the shape that it has?

In times when retailers are striving to earn an extra dollar from sales by offering unique products and lines, customers are looking for novelty as they are constantly bored with what they currently have.

Retail as we know it is in metamorphosis; what lasts are not brands or businesses that have built "stability"; rather, successful are those brands that can survive evolving patterns of a "liquid society".

A voyage through retail format development

Looking back to the late 1800s, the townscape was governed by single-product stores that gradually changed with the emergence of department stores where different products and brands were found in one location. Then, retailers extended their reach of household in rural areas, thus eliminating the disadvantage of distance from city shopping centers.

After World War I, efficiency became a compelling trend. Mass retailing advanced leading many retailers to engage in activities related to warehousing and discount stores driven by competitive pricing and resulting from volume and low-cost. A new retail model took hold.

Direct marketing and technology such as online retailing were developments that made it easier for retailers to survive the 20th century. Consequently, retail evolved by building up on previous formats, though some of these were favored over others. Current formats have retained their original characteristics, with brands and retailers putting forth efforts to deliver a better experience through the designated channel.

Retail theater

It seems that the greater focus of today's retail literature lies on store experiences, retail experiences, and experiential retailing. The "experience economy", as presented by Pine and Gilmore, had presented the natural progress towards experiences with the metaphor of the cake: *"As a vestige of the agrarian economy, mothers made birthday cakes from scratch, mixing farm commodities that together cost mere dimes. As the goods-based industrial economy advanced, moms paid a dollar or two to Be tty Crocker for premixed ingredients. Later, when the service economy took hold, busy parents ordered cakes from the bakery or grocery store, which, at $10 or $15, cost ten times as much as the packaged ingredients. Now, in the time-starved 1990 s, parents neither make the birthday cake nor even throw the party. Instead, they spend $100 or more to "outsource" the entire event (…) staging a memorable event for the kids – and often throwing in the cake for free. "*

Experiences are not services. Experiences occur when brands use their spaces, props and goods to engage their customers in a way that generates a memorable event. They talk to their customers on a personal level and act out the experience over time. The brand then, goes beyond being a "seller" and becomes a "stager"; the customer is a "guest" looking for "sensations". Brands that fail to provide them face customer apathy.

From multi-channel to omi-channel retailing

Customers are becoming more difficult, more complex to understand and sometimes unpredictable. Brands that focus their efforts to meet customer's needs are able to gain competitive advantage and satisfy customers by offering them a "seamless experience" that integrates all forms of technology and channels deemed as relevant.

It is true that choosing a multi-channel retailing approach is not too obvious and not too easy to manage and maintain; however, it generates various advantages to brands. First, it engenders an improved customer perception. Then, it secures a variety of "engagement points" for customers to make a purchase. Third, brands have greater chances of collecting valuable data; and using this date efficiently. Finally, when retailers consider using multi-channel retailing, they offer their customers more options to get access to information or make a purchase; either in store, from their living rooms or via their mobile phones. This will only make sense for customers when they are exposed to a consistent message, but not necessarily the same, across all brand platforms.

Brands understand that multi-channel retailing should be transformed to an integrated-channel retailing where customers have a "consistent experience" presented by a consistent took and feel of each channel, the offering and the displaying and manifestation of the shopping ease throughout these channels.

Retail excitement and alternative retail formats

Now that brands understand the value of experience to customers and have the ability to transmit this experience throughout their representations, be it at any level or any channel, they need to heed the fact that retail formats have to be caterers or generators of retail excitement.

New retail formats are emerging to meet changes in the retail environment and customers' needs for innovation, excitement and experience. This is the age of ephemeral retailing. Back in 2008, the attention shifted towards alternative forms of retailing; this was mainly due to the economic recession.

Pop-up stores have existed for a long time and were concentrated mainly around the festive seasons to sell holiday-themed products. Today's retailers saw the opportunity with this retailing formats to attempt to penetrate new neighborhoods or markets, test, create awareness or communicate their brands to target consumers. Landlords have become more lenient towards their estate's leasing contracts and warmed up to the idea of short leasing as pop-up stores can turn a short-term lease into a long term opportunity. This, however, places a major stress on brands because they have to keep creating more excitement and more ways to generate customer experiences through retail stores.

The temporary characteristic of pop-up store, along with several other demographics such as timing, price and locations are generators of curiosity and intrigue. The famous defining statement "here today, gone tomorrow" perfectly describes how pop-up stores create a sense of urgency for consumers to visit, discover and come at a closer contact with the brand: Customers are better connecting with brands, they are more aware of the brand and they are being able to engage and interact with it.

A new era of retailing for the Lebanese market?

The Lebanese market has also had its share of the recession and brands have been struggling to survive the suffocating times and uncertain events affecting the retail environment. But the Lebanese market was not the only market to feel and fall under the effects of recession.

Brands have to continuously find new ways of connecting with their customers and find the ideal channel or presentation as well as the right dissemination of information to make the offering more relevant to customers. This comes at a price, undoubtedly.

Pop-up stores are alternative retail formats presenting retailers with various ways of boosting, supporting or helping the brand. Pop-up stores cannot perform miracles if they do not fall relevantly under the brand's channel representation. And in this context, brands have to rethink their strategies in order to make sure that they are not having the "illusion" that pop-up stores, done once or several times, will pull up the strings of the brand from failure to success. This is an erroneous view that Lebanese brand managers need to be aware of.

To be sure, pop-up retailing might not always work for the brand. If it does work for the brand, so be it; if it doesn't, why force it? Moreover, pop-up stores might present success stories overseas; it is not a rule of thumb that they will equally succeed in a different geographical location and/or a different target audience. Previous research showed that most retailers expand abroad by transferring some elements of their format, and therefore their value chain, unchanged, while adapting other elements. If brand managers aim at introducing retail formats, pop-up stores, to the Lebanese market, they need to rethink their relevance and applicability locally.

Owners of successful brands understand that what they offer goes beyond mere commodities. They stage experiences to create value to their customers and present a reason for customers to agree to engage and hopefully pay for the ownership of that experience and not the mere product or service being offered.

Alternative retailing? Maybe. Alterative forms of retail will never cease to appear and manifest in a retail environment as pop-up stores are presently. Brands and retailers have to integrate any retail format within their brand's strategy to create a seamless experience across its channels and offer an enhanced customer value and experience.

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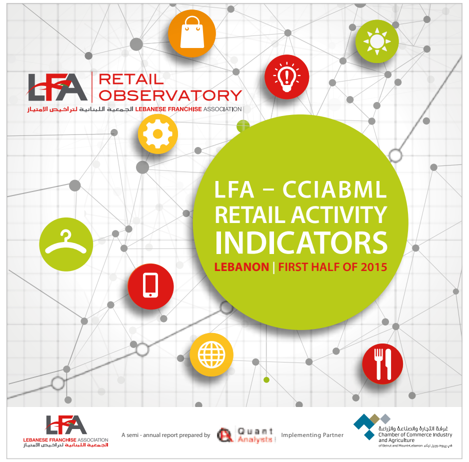

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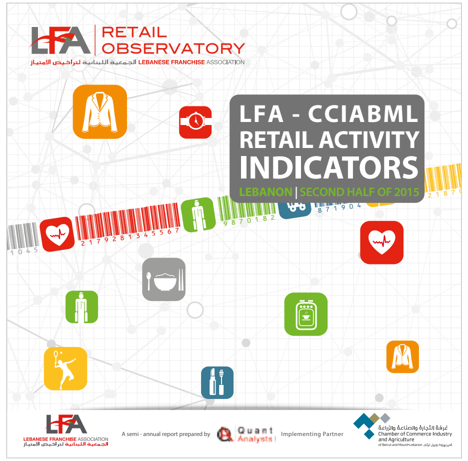

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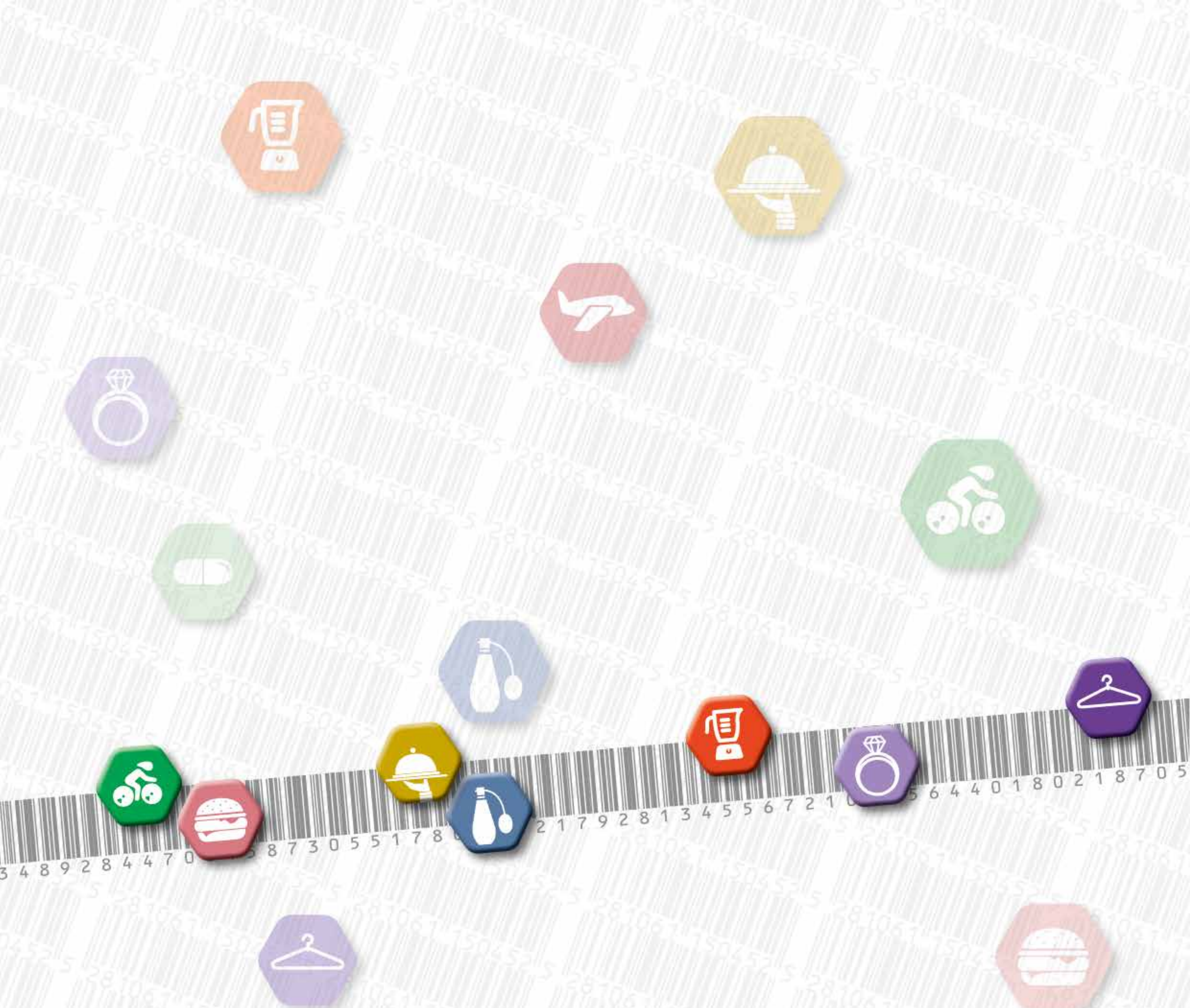

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