

# 04.

Average retirement village resident satisfaction remained high at 8.38/10

Delivered house and land packages under \$300,000 in all states of operation

Launched 'My Stockland' retail centre information smartphone app

JULY

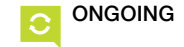
JUNE

# Our customers

We have a diverse range of customers that includes office, retail and industrial tenants and shoppers, as well as the people who live in our residential and retirement communities. Understanding their changing needs and exceeding their expectations is critical to our business success.



# Progress & priorities



Last year we committed to

This past year we have

In the coming year our priorities are to

## PAST

## PRESENT

## FUTURE

### Affordability

- Use our new processes to shape our product initiatives in FY12.

- Maintained our strategy of moving increasingly towards smaller lot and home sizes to maximise affordability.
- Refined our Affordability Index introduced during 2011 and embedded this within our business.
- Delivered house and land packages under \$300,000 within the states we operate in.



- ▶ Continue to develop house and land packages that match the purchasing budgets and requirements of the majority of new home buyers within the markets we operate in.

### Customer engagement

- Continue to uphold the positive customer experience across our business units.
- Address key areas of feedback to better meet our customers' needs and improve/maintain our customer satisfaction ratings.

- Undertaken customer satisfaction tracking across all key stakeholders: residents, prospective residents, shoppers, retailers.
- Maintained and/or increased high customer satisfaction ratings across all three business units.
- Established ongoing tracking amongst retailers who move into a centre, exit or renew a lease.
- Launched a Retail Customer Relations Management (CRM) system to support increased understanding of our customers and provide a single information source.



- ▶ Maintain or further increase customer satisfaction across our three business units.
- ▶ Address key areas of feedback to better meet our customers' needs.
- ▶ Increase insight sharing with our customers, particularly our retailers.

### Accessibility

- We will incorporate a relevant metric into State Sales Managers' Key Performance Indicators (KPIs) to meet the requirements of our Liveable Housing Design Policy.

- Incorporated a metric related to Liveable Housing Design into State Sales Managers' KPIs.
- Incorporated a section on Liveable Housing Design into our Sales Learning Journal so sales teams are trained to explain and sell the benefits of Liveable Housing Design to customers.



- ▶ Continue to promote the benefits of Liveable Housing Design via sales team training and Display Village inclusion where feasible.

We have a diverse range of customers that include office, retail and industrial tenants and shoppers, as well as the people who live in our residential and retirement communities. Understanding their changing needs and exceeding their expectations is critical to our business success.

Stockland Managing Director Matthew Quinn declared 2011 'The Year of the Customer' and this top-down commitment continues to be reflected in the products we offer and the way we interact, value and respect our customers. Each of our business units has customer-focused key performance indicators (KPIs) designed to continually improve customer engagement, and all customer facing employees are evaluated on their customer service. To enable the right level of performance we make a considerable investment in research and training.

## Customer engagement and satisfaction

### Commercial Property

Over the past year we have continued to monitor consumer and retailer research to help us better understand the short and longer term impact of online retailing on our shopping centres. Online retailing remains small, at around 6 per cent of Australian retail sales, and we are confident we can adapt to the shifts in consumer behaviour and innovate and work with our tenants to help them do the same.

### Shoppers

Shoppers have told us they see an important and ongoing role for shopping centres as social hubs, offering things to see, feel, touch and taste. Our centres provide tangible experiences that virtual shopping is unable to match. Importantly, the impact of online retailing is not linear and our response will vary by trade area. We need to remain flexible and have committed to continual monitoring so we can respond accordingly.

We operate a comprehensive mystery shopper program which covers all Stockland centres (40 times per year) and comparable local competitors (16 times). This year our centres achieved an average score of 93 per cent – outperforming the average competitor score and improving 2 per cent on FY11.

We also use the Mosaic geo-demographic tool to profile shoppers within each trade area, as well as working with The Quantum Group to extract insights from transactional data. This year we responded to the challenging trading environment by undertaking additional centre-level research to help drive the best possible returns from each asset. This involved

# 'My Stockland' smartphone app



This year we launched a free smartphone app providing shoppers with information on 31 local centres and a range of useful tools to improve their shopping experience. Shoppers can access key information such as stores, opening hours and amenities.

'My Stockland' is designed to give customers anywhere, anytime access to information and the ability to connect the offline and online shopping experience. They can also find in-store promotions on their mobile as they wander through our centres – creating a win-win for both retailers and customers. 'My Stockland' also provides real-time responses to customer queries via a feedback tool that allows customers to communicate directly with centre management.

It also includes a shopping list tool, discount calculator, feedback tool and the 'My Funland Dress Up' game for children.

Anywhere,  
anytime access  
to information  
and the ability  
to connect  
the offline and  
online shopping  
experience.

interviewing more than 8,000 shoppers across 16 shopping centres. Collectively, these initiatives enable us to identify the optimal tenancy mix and better focus our leasing and marketing strategies.

On retail developments we also use qualitative research of our target market to develop a detailed understanding of their needs and aspirations for the project. This involves interviews with retailers and key community stakeholders, as well as focus groups with representative samples of each target customer segment.

This year we introduced a new research program where tenants are surveyed on their leasing experience as they move in, exit or renew a retail lease.

### Retailers

314 tenants participated in this year's online customer satisfaction survey. Average satisfaction was 69 per cent, up from 50 per cent in 2010. Ranked against our competitors we improved from fifth place in 2010 to third in 2011. This year we introduced a new research program where tenants are surveyed on their leasing experience as they move in, exit or renew a retail lease. 130 retailers participated, with 81 per cent satisfied with the service they received from Stockland and 83 per cent of renewing tenants having a better experience than with their previous lease.

The insights gained through tenant engagement have led to a range of initiatives over the past 18 months to improve customer satisfaction and retention. These include:

- Setting customer-focused KPIs for our people,
- Implementing a new learning and development program,
- Moving the responsibility of tenant renewals from leasing teams to our centre managers,
- Communicating key customer insights across our Commercial Property business, and
- Introducing a CRM system to provide integrated analysis of our various customer measures.

### Office and Industrial tenants

We delivered on the commitment made in last year's CR&S Report to extend our customer satisfaction survey to include office and industrial tenants. 45 completed the survey, with 70 per cent satisfied with the level of service they received from Stockland.

### Residential

We use third party research – Stockland Customer Pulse – to track changes in customer habits and desires, and gain insights into their experiences with Stockland.

In 2012 this involved 5,300 telephone interviews with people who had either enquired about or purchased a home within a Stockland community. 93 per cent rated the experience as good, very good or excellent (up from 90 per cent in 2011), and 96 per cent of those who placed a deposit rated the experience around that part of the process as good, very good or excellent (up from 93 per cent).

We also use an online system to compare what our customers say they are looking for and what their actual purchase decision is. This informs key decisions on where we develop new communities, the mix of lot and home sizes, house design and project marketing.

This year we have found that first home buyers and those upgrading to a new home continue to form the majority of our customers, with investors making up a much smaller share. We will continue to respond to this by delivering products suitable for this customer profile, with a strong focus on quality and affordability.

### Retirement Living

We use an annual satisfaction survey called Residents' Voice to monitor how our residents feel about life in their Stockland retirement village. This rates on a scale of one to 10 the level of satisfaction with various aspects of village life, such as the village manager, outdoor areas, community facilities, social activities and their overall satisfaction with the village itself. This year 61 per cent of residents participated in the survey, with key results including:

- Average satisfaction remained steady at 8.38 out of 10,
- 97 per cent of villages had an average satisfaction score of 7 or more, and
- Average satisfaction with Stockland improved from 7.19 to 7.55.

The insights gained from Residents' Voice enable us to monitor and refine our customer strategy. Based on last year's results there were two clear focus areas for 2012: village managers and the need for a consistent range of village services. In response to this we designed and implemented a success profile for village managers. Now used to guide recruitment and training, this defines the skills and attributes required to succeed in this role.

To drive a more consistent service offering we are focusing on local customisation of service offerings across four key service areas: transition, care and support, day-to-day and retail. We have also developed engagement principles to help interview potential partners, together with performance criteria and a Service Level Agreement to help ensure consistent service levels. A trial of this partner framework is now underway.



## Housing and product affordability

### Residential

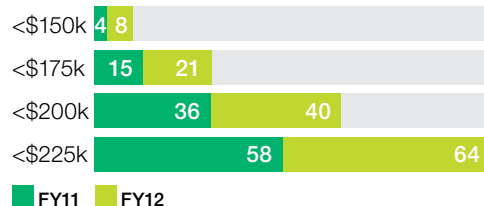
Housing affordability remains a key focus for our residential business, with domestic and international economic pressures continuing to weigh heavily on the Australian housing market. This year we maintained our strategy of moving increasingly towards smaller lot and home sizes to maximise affordability, as well as working to refine our Affordability Index introduced during 2011 and embed this within our business.

Our Affordability Index tells us how well our residential projects are responding to the market in terms of price and product mix. This year we have improved project level reporting and incorporated the Index within business planning.

In terms of lot delivery, we increased the proportion of lots under 450 square metres, and for the first time these have outnumbered lots over 450 square metres. This change was driven primarily by greater supply of lots under 300 square metres – a category in which there has been growth of 140 per cent over the past two years.

This strategy has enabled us to deliver an improved supply of affordable housing stock over the past year, with growth in all price segments under \$225,000. Each of our state businesses was able to offer a house and land package priced at less than \$300,000. There have also been some particularly strong results achieved on individual projects. Both the Wungong Reach (Western Australia) and North Lakes (Queensland) projects have delivered house and land packages for under \$270,000, while the Bower series in the new Queensland community of Bells Reach achieved a starting price of just \$205,000.

### Lot Supply – % of total Stockland Supply



We expect these trends to strengthen in the coming year. We will continue to develop house and land packages that match the purchasing budgets and requirements of the majority of new home buyers, with a priority being the more widespread release of the Bower and Mode series.

The Bower series in the new Queensland community of Bells Reach achieved a starting price of just \$205,000.

### Retirement Living

We are committed to delivering affordable Retirement Living homes that are responsive to the changing needs of the resident and have this year continued to focus on entry costs and the cost of living. At the same time we recognise that, as an industry, retirement village operators need to provide greater clarity surrounding the Deferred Management Fees applied when a resident leaves the village.

### Entry price

Entry price affordability is a key factor for our residents, most of whom are no longer in the workforce. The value of their current dwelling is a key indicator of what they can afford and our average price of \$349,000 is significantly lower than the national median sale price of \$540,000.

### Living costs

We are able to influence two main living costs: the fee residents pay for ongoing management of the village and utility charges (particularly energy) for operating their homes. Over 60 per cent of our villages have a monthly fee that is equal to or less than 25 per cent of the monthly aged pension and, typically, our residents do not have mortgage repayments.

Energy consumption is something we can influence through the size, orientation and thermal efficiency of homes, and Stockland has committed to having all new homes exceed Building Code of Australia requirements for energy performance by 5 per cent. We also seek to educate residents about energy efficiency.

### Deferred Management Fees

Retirees moving into a retirement village typically enter via a 'right to occupy' contract, usually in the form of a loan/lease or loan/licence agreement aligned to each state's Retirement Villages Act. A resident makes a 'loan' to the retirement village operator that is repaid when they leave, minus exit or Deferred Management Fees (DMFs), which principally cover the cost of maintaining village infrastructure.

However, there are many different DMF structures in existence across the industry – approaches which can produce very different financial outcomes. The 2010 acquisition of Aevum left us in a position where we had a number of different contracts across our portfolio. We have this year introduced a standardised loan/lease arrangement and simplified contract that applies for new customers across all Stockland retirement villages.

### Commercial Property

Affordability is also critical to the sustainability of our Commercial Property business. Our efforts are focused in two areas: improving the financial sustainability of our tenants' businesses and developing flexible, cost-effective solutions for smaller or emerging retailers.

### Casual Mall Leasing

Casual Mall Leasing (CML) helps maintain vibrant retail centres and maximise shopper numbers for the benefit of our tenants. We do this through use of public spaces for special events and promotions. CML also provides a flexible, cost-effective option for smaller or emerging brands, exposing them to the retail environment and progressively enabling them to commit to larger spaces and longer term leases.

Examples of our special events this year include a series of major Sydney markets at Stockland Wetherill Park in western Sydney. Poppyseed Markets featured during school holiday entertainment periods, while Sydney Boutique Markets and My Bambini baby and children's markets are taking place on the last Sunday of every month. This year we also piloted a new CML product called The Pod at Stockland Merrylands. This transforms from four comfy seats to an open retail space comprised of two racks and a counter.

#### Helping tenants achieve better financial outcomes

In our FY11 CR&S Report we outlined a trial in financial training conducted in conjunction with Westpac. This trial has been well received by our centre teams and tenants. We have also seen improvements in profit among tenants who have taken part. As a result, we are extending the trial to a more extensive arrangement with Westpac and in FY13 will look to involve more Stockland centres so that we can improve financial literacy and profitable outcomes for many more of our retail tenants.

We also help our tenants remain informed on emerging trends through regular research reports. This year these included the impacts of online retailing and key customer insights. Information is shared with tenants through newsletters and face to face meetings.

#### Accessibility

Stockland is a supporter of Livable Housing Australia (LHA), the not-for-profit organisation established to increase provision of homes that are accessible and safe for people of all ages. We support and reinforce the LHA's Livable Housing Design Guidelines through our own Home Design Principles, which outline the standards required for all new homes in Stockland Residential and Retirement Living communities.

These principles are designed to ensure homes achieve the Silver performance level of the Liveable Housing Design Guidelines, outlining criteria for aspects of home design such as sustainable design, circulation, kitchens, bathrooms and storage.

Stockland also supports the principle of building a significant number of homes within our communities which are adaptable for multiple living purposes. We are committed to leading by example through our display villages and retirement units.

#### Universal Access

In 2011 the Building Council of Australia introduced new Premises Standards to address the accessibility of commercial buildings for people with mobility, hearing, vision or dexterity impairments. Stockland undertook an assessment of 35 shopping centres and 29 office buildings prior to the introduction of the standards and last year began a program of work to identify, prioritise and action upgrade works across our portfolio. This work continued in 2012 and has seen us improve the quality of our public amenities through ongoing capital upgrades and whenever redevelopments or refurbishments are undertaken.

We support and reinforce the LHA's Livable Housing Design Guidelines through our own Home Design Principles.



For more detailed information on customer satisfaction metrics and additional case studies please visit [www.stockland.com.au/sustainability](http://www.stockland.com.au/sustainability)