WHAT IS ESSENTIAL FOR A SHOPPING CENTRE TO BE A SUCCESS?

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WHAT IS ESSENTIAL FOR A SHOPPING CENTRE TO BE A SUCCESS?

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In the faculty of Engineering, Built Environment and Information Technology

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Declaration by student

I, the undersigned, hereby confirm that the attached treatise is my own work and that any sources are adequately acknowledged in the text and listed in the bibliography.

_________________________________
Signature of acceptance and confirmation by student
Abstract

Title of treatise: What is needed for a successful shopping centre?

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Shopping centres is part of our normal routine in the recent days. The question to be answered is what is needed for a shopping centre to be feasible.

Five aspects are investigated that possibly can have an effect on the success of a shopping centre. The feasibility study of a shopping centre, the design of the shopping centre and how it should be designed, the tenants of a shopping centre, management of a shopping centre and the market and marketing research of a shopping centre were investigate.
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CHAPTER 1
INTRODUCTION

1.1 BACKGROUND

The area of study chosen for this treatise is that of retail developments, with specific focus on shopping centres.

Shopping centres are an integral part of the modern world. A shopping centre offers consumers a safe environment in which to do their shopping unlike the unsafe world that we live in nowadays. Victor Gruen developed the world’s first shopping centre in 1951. The shopping centre as a retail genre is therefore a fairly recent type of development.

When one drives in the east of Pretoria, one passes several shopping centres within a relatively short distance. The question may arise as to the degree of possibility for so many newly developed regional shopping centres to be a success, taking into account the competition between them.

Numerous factors play a role in the success of a shopping centre. No factor can be singled out as the sole feature that will ensure success for a shopping centre.

1.2 STATEMENT OF THE PROBLEM

What is essential for a shopping centre to be a success?
A few factors play a role in the shopping centre’s success. The success of a shopping centre can be measured in the feet that visit the shopping centre in a certain time period against previous data or standard data for a certain type of shopping centre or the gross amount of money spent at the shopping centre. The shopping centre needs to draw the amount of consumers needed for the shopping centre to survive.

1.3 STATEMENT OF SUBPROBLEMS

1.3.1 What must be taken into account with a feasibility study?

A feasibility study is done to evaluate the probability of a development to succeed. The feasibility study investigates certain aspects that have to be measured of the development to evaluate if this proposed development have the potential to be a success. The aspects that are investigated: the developer’s objective, socio-economic feasibility, physical feasibility, marketing feasibility and financial feasibility. (Cloete: 2001) The criterion for each aspect that is needed for a proposed shopping centre to be developed must be identified.

1.3.2 What is the effect of the design of a shopping centre?

When the architect designs a shopping centre, he will have to take certain criteria into consideration. The aspects that will have to be considered can be from the shape of the centre, the amount of parking bays that have to be allocated, the positioning of the entrance, outlay of the shops. When designing the shopping centre, attention must be given to consumer’s preference towards shopping centres.

1.3.3 What role do tenants of a shopping centre play?
Research must be done to determine if the tenant mix has an effect on the consumer’s preference to visit a shopping centre. The effect of the tenant anchor’s on the success of a shopping mall must also be investigated. The process that is followed to invite tenants to a shopping centre is to be researched as to find out how successful it is to get the desired tenants. Certain tenant mixes will be more successful in certain areas for a certain income group; the certain mixes for each income group should be determined.

1.3.4 What are the benefits of the centre management for a shopping centre?

Centre management manages the different services of the centre as a unit. The maintenance of the whole shopping centre and any related management with the tenants that have to be done.

1.3.5 What does market research consist of?

Market research can be done when the shopping centre is in use. The research can be done on what the client preferences are. The research for a shopping centre is done as to determine what the needs of the trade area of the shopping centre is.

1.4 STATEMENT OF THE HYPOTHESES

1.4.1 What must be taken into account with a feasibility study?

The feasibility study is done to determine the possibility of the development to be a success. The feasibility study has certain criterion that needs to be satisfied. A certain rate of return must be possible. The income group in the community must be able to buy at the shopping centre with the certain tenants. The shopping centre must conveniently be located near a main road or high way. The entrance must be easily accessed from the road.
1.4.2 What is the effect of the design of a shopping centre?

The design of a shopping centre is important, as it will determine the route that the people will walk in the shopping centre. It is necessary that the shape and layout of the shopping centre be designed in such a manner that most of the tenants will be reached when consumers shop at the shopping centre. Enough parking bays are a necessity, as people prefer to do their shopping as conveniently as possible.

1.4.3 What role do tenants in a shopping centre play?

It is necessary to have anchor tenants in a shopping centre. The anchor tenants draw the consumers to the shopping centre. The tenant mix is also very important, the tenants must be chosen to fit the income group that will be shopping at the proposed centre.

1.4.4 What are the benefits of the centre management for a shopping centre?

It is necessary to have management for a shopping centre to be successful. The management has to manage a few aspects for the client. The client may have a lack of experience in dealing with shopping centre management and might prefer sourcing out the management to companies specializing in the field.

1.4.5 What does research consist of and when is it necessary to be done for a shopping centre?

It would of benefit to do market research so that certain information can be obtained and used to better the future success of the intended shopping centre. Through research the income group in the trade area of the shopping centre can be determined and also if the tenant mix satisfies the preferences of the consumers in the trade area. The overall view
of the shopping centre can be established including how the shopping centre compares shopping centres.

1.5 DELIMITATIONS

There are different types of shopping centres; the regional shopping centres will be investigated. There are different types of shopping centres such as convenience centres, lifestyle centres, regional centres, super regional centres and neighbourhood centres. For this treatise only the regional shopping centre will be investigated. Shopping centres to be question will be in the East of Pretoria.

1.6 DEFINITION OF TERMS

The following definitions are from Cloete (2001)

**Anchor:** An Anchor tenant is most often a large retailer whose drawing power is expected to generate shopper traffic that will benefit other merchants in a shopping centre.

**Feasibility Study:** Is a study of the analysis of investment alternatives to see which gives the best benefit to cost ratio for a specific scenario.

**Retailing:** Those activities related to the acquisition and management of goods and services, which are sold to the ultimate consumer.

**Shopping centre:** A single architectural unit of planned retail outlets and associated services and facilities, designed and managed as a fully integrated retail system.

**Tenant:** Retailer, merchant who occupies paid for space

**Tenant Mix:** The pre-determined blend of centre-occupants based on a range of distinguishing criteria
1.7 IMPORTANCE OF STUDY

This study is important, as shopping centres are part of our everyday life. If it happens that not enough feet visit a certain shopping centre, the probability is there that the shopping centre will have to close. This is not good for any suburb to have a shopping centre closed down. The development was then unnecessary.

1.8 RESEARCH METHODOLOGY

The research sources to be used are books, journals and interviews with the relevant people in the shopping centre environment.
CHAPTER 2

WHAT MUST BE TAKEN INTO ACCOUNT WITH A FEASIBILITY STUDY?

2.1 WHAT IS A FEASIBILITY STUDY?

A feasibility analysis is done to determine the risks for a development to be completed successfully and the potential success of the proposed development is measured. In a feasibility study the cost benefit relationships of alternatives are analyzed over a specific time period. The risk, and/or the variability of assumptions and the consequences of different alternatives are attempted to be determined. (Cloete, 2006) The investment alternative is determined that gives the best alternative to cost ratio for a specific scenario. (BKR 700 Class Notes, University of Pretoria, 2009)

The feasibility study is an aid in the decision making process and not a guarantee that the proposed development will be a success. (Cloete, 2001) Serious problems can be avoided if the feasibility study has been done properly after the project have been completed or during construction of the development. (Friedman, 2005)

2.2 WHAT DOES THE FEASIBILITY STUDY CONSIST OF?

Note: Following section from University of Pretoria, BKR 700 class notes(2009)

The developer’s objectives, financial and other
Socio-economic feasibility - the development must fit in with the broader social-economic development objectives, it must satisfy the needs it is intended to, it must be acceptable to the community, there must be an adequate potential customer base in terms of numbers, family make-up, age and income profile

Physical feasibility: The site under consideration must have the necessary legal development rights; there must also be no physical impediments such as unsuitable topography, location, etc.

Marketing feasibility – Information from the socio-economic survey is used as well as independent marketing information to determine the realistic chances of selling the product to the target market.

Financial Viability: Financial viability must always be measured against the developer’s financial objectives.

The first four aspects measure the practical possibility of the development to proceed. These are not the basis on which the final decision to proceed is taken. Only if the project appears to be financially viable can such a decision be taken.

2.3 GUIDELINES WHEN PREPARING A FEASIBILITY STUDY

Note following section from Cloete (2001)

The developer’s objectives must be ascertained before evaluating the development

Feasibility studies are future directed and based on the subjective evaluation of uncertain future events.
There is not only one single solution with the best outcomes that exists. Normally a variety of options exist each with its own return risks and uncertainties that have to be evaluated.

The resources available to the developer limit a proposed development. The optimum solution is not always feasible within the limitations of the developer’s resources.

A feasibility study is unique to a specific project. In spite of certain mutual characteristics, a study is set in a specific time and context, and as applicable to a certain specific site.

A proposed development has to conform to the developer’s objectives as well as the external constraints. An attempt has to be made to fit the context in which the problem exists and a proposed solution.

No precise how-to formula holds as interlocking preliminary work precedes any final decision. Site acquisition for example depends on the zoning approval. (Beyard, 1999)

2.4 OBJECTIVE OF THE DEVELOPER

The developer’s objective is used as the criteria to evaluate to the extent to which the feasibility can meet the developer’s objectives. (Cloete, 2001) One of the developer’s aims must be to supply a shopping centre in the trade area’s need at the right location with the right size and composition of centre for that trade area. (Beyard, 1999)

The developer’s objectives can consist of the following:

Economic objectives: The maximizing of the return and the skill in being able to employ the optimum amount of capital in the development will result in a financially feasible
development. The objective is to achieve efficient use of resources to increase the return on capital invested. A financial feasible development is a result of the ability to utilize the optimum amount of capital and increasing the return efficiently in the development. (Cloete 2001)

When the return on investment is evaluated a certain attribute have to be decided upon and a scale of measurement to be used to evaluate the effectiveness of the return on investment must be chosen. This can be a specific return on developer’s capital if the developer’s objective is financially. (Cloete, 2001)

2.5 SOCIO-ECONOMIC FEASIBILITY

Favorable outcomes are necessary regarding to the socio-economic factors seeing that the implementation of the development depends on it. The outcomes of the socio-economic feasibility must be favourable to the development to be potentially a success. Factors are identified that can have a positive or negative effect on the market. The factors are determinants of economic activity, individual or combined movement of which correlates with market movement.

The following are characteristics of the socio-economic feasibility as in Cloete (2001) accept otherwise referenced.

Demographic factors

Population growth is a function of existing population and growing rate
National population growth at function of births/mortalities, immigration/immigration
Local population growth is also a function of births/mortalities and immigration.
Emigration as well as migration
Population and the characteristics for the trade area: Age distribution
• Household size, -type, - time span
• Divorce patterns/marriage patterns
• The lifestyle and also income characteristics of the households (Beyard, 1999)
• Existing sizes, historic trends and future projections (Beyard, 1999)

This is necessary, as for example older people tend to be less mobile and shop more close by to their houses. It is also interesting that households where the family has small children are more probable to do less out of town shopping. (Van Leeuwen, 2010)

It is necessary to determine the population type in the specified trade area to determine if the proposed development does satisfy the needs of the people in that specific trade area. It is also necessary to determine the living standards of a specific trade area as if the living standard measurement is between 1-5 it will be necessary to have between 90 000 – 209 000 households in the trade area for a regional shopping centre. If the Living Standard for a certain trade area is a 10 or more, less households falling in this category is needed for the shopping centre. Only 17 000- 38 000 households with a Living Standard Measurement of 10- 10 + is needed to develop a shopping centre in a certain trade area. It must also be borne in mind that the tenant mix must also then cater for the needs for a person with this living standard. More households are needed if the Living Standard Measurement falls in Category 1 as the income that such a person can spend at the shopping centre is less than a person with a Living Standard Measurement of 6. For a Regional Shopping Centre a Living Standard measurement groups 4-10 any can be used for the development. (Prinsloo Junior, Urban Land Studies, 1 July 2010)

Macro-economic factors

• Investment in fixed property is coupled to national economy
• Fixed property sold in large economic units causes use of borrowed capital
• Importance of liquidity in national economy and financing institutions
These factors are such as the gross domestic product, inflation, consumer price index, rand/dollar currency, building plans passed and completed, car sales, house prices, formal employees, retail sales, South African Chamber of Commerce and Industry Business Confidence Index, Interest rates, Manufacturing and oil prices.

Local economic conditions
Economic indicators that must be taken into account are such as the gross domestic product, inflation consumer index, car sales, and house prices.
Stability can be evaluated by analyzing retail/wholesale trading figures and service and manufacturing statistics
Demand for property is a function of supply statistics

Trends in the construction market

The following factors must be considered:
It is necessary to consider the unique qualities of the construction market, the availability of professional expertise for this development, skilled labour availability needed for this development if any certain type of skill needed, escalation in building cost, any insufficient stock for building material.

Urban Growth

Pattern and direction of growth in local market determines demand. Demand is determined by the pattern and direction of growth in the local market, different theories must be applied to determine the demand.

Property trends

• Type, age, state, occupancy and value of property
• Supply of unoccupied space
• Owner occupation versus tenant occupation
• Changes in demand for different properties evaluated by preference changes, different purchase patterns, demand for new types of housing and decentralized industrial areas.

Income and Expenditure

Potential demand is converted to effective demand when consumers can afford purchasing. It is needed to determine the monthly level of expenditure of the people in the trade area. This information can be obtained from the Bureau of Market Research, UNISA, with the percentage of income spend on the different types of products.

Retail market is dependable on disposable income, future confidence in the economy and the life cycle of the consumer.

Political Factors such as the following should be taken into account:

• Local, provincial and national authority policies
• Land use
• Building regulations
• Zoning
• Rent control
• Taxation legislation
• Labour legislation
• Monetary and fiscal policy

2.6 PHYSICAL AND LEGAL FEASIBILITY
It is necessary to examine a specific site to determine if it will be suitable for the specific demands of the suggested development. According to Cloete (2001) it is essential to find a site that has a central location to the trade area, visible and easy accessible, has good drainage, best possible size and shape in relation to the concept and parking requirements, workable topography, minimal changes in the subsoil, available utilities, compatible surroundings, appropriate zonings and satisfactorily environmental impact. This is not always possible for example to find a site that is zoned for commercial use and other complications can also happen. It is therefore necessary to have the best possible site with a combination of the abovementioned criteria, as it is not always possible to have the most favourable site in a certain area with all the other developments already done. (Beyard, 1999)

Information has to be collected on the following aspects during the feasibility process as mentioned in (Cloete, 2001):

2.6.1 Site characteristic

Note following section from Cloete (2001) or otherwise stated

Site description

The limited real rights and title deed restrictions have to be obtained. Guide plans, town planning schemes with use zones, density zone, floor area/space ratio, coverage, height restrictions, building restrictions, parking and loading requirements must be obtained beforehand that are being used as government control measures in a certain area. Most of this will be obtainable from the Town and regional planner in the municipal area.

Services
Investigation must be done to determine if the needed services are provided to the site and also if the services will be sufficient. Services such as the electricity and water reticulation, sewerage and stormwater drainage, refuse removal and other services.

Subsoil conditions

- Observation of vegetation, surrounding buildings
- Geological investigations and soil structure
- Water table level has to be identified; a site with a high water table is not preferable when developing a shopping centre. (Beyard, 1999)

Topography

- Design and cost implications
- Contours
- View Visual form
- Slope

A site that is fairly level or gently sloping is preferred for shopping centre development. Low areas and poor drainage complicate subsurface construction of any centre it is also vital that determination of the levels allow for visibility. Complications with subsurface construction occur where low areas and poor drainage of the order. (Beyard, 1999) and (Beddington, 1991)

Vegetation

- Conservation of natural vegetation
- Landscaping
2.6.2 Location

The location of a shopping centre is very important. Characteristics of a good location are that access is easy, the centre is attractive to a lot of customers and potential sales become more. One small difference in the location can have the effect that the success of the shopping centre is negatively affected, as the environment is very competitive. (Cloete, 2001). It should be noted that the side of the road could also have an effect in certain circumstances. It is more difficult to make a shopping centre work where the afternoon traffic is the opposite side of the shopping centre. It is inconvenient for consumers to cross the road to the shopping centre in the traffic. (Frans de Klerk, architect, Boogertman and Partners, 17 September 2010)

A geographic market selection for a new shopping centre is done on the macro level, an areal analysis on meso level, and a specific site is evaluated for a shopping centre. Firstly the location is evaluated on macro level (geographic market selection), then meso level (areal analysis) and then the specific site ((Cloete 2001) and (Prinsloo, Urban Land Studies, 1 July 2010))

Geographic market selection:

The location must provide on macro-level a sufficient catchment to generate the potential trade, easy accessibility by car or public transport for the consumer without any trouble. (Kirkup, 1999)

Regions, metropolitan areas or cities must be identified where new shopping centres could be established. It is also necessary to determine if the population numbers and income levels are enough to justify additional shopping space. The demographic and socio-economic characteristics of the population must be consistent with the developer’s objectives.
When identifying a gap in the broader geographic market the following must be taken into consideration:

- The size and composition of the population
- The labour market
- The economic base of the area
- Existing and future growth and development
- Availability of stores

When choosing a specific area on a macro level population characteristics are often the main key. It is important to evaluate the population forecasts, as this will be an important aspect as to whether there is a need for additional retail facilities, if the amount of additional floor space is required and where these retail facilities should be built.

Labour availability can be a problem but this is not regarded as a critical issue in identifying a specific location on macro level.

The buying and spending pattern differ for each community and this economic base is very important in a certain area, as the shopping centre will be competing for the income available by consumers to spend in that area.

Future growth and development planned for the specific area is vital importance for the identification of gaps in the market on a regional basis.

Trade area analysis
Location analysts must focus in detail on the characteristics of the expected trade area for a specific centre because of special variations in land use and residential patterns the market attractiveness differs in a city.
Retail trade areas characteristics:

- Potential illuminative.
- Edges of trade areas are generally not sharply defined. It is zones of transition: demarcation is difficult then.
- Commonly there are overlapping between trade areas of competing retail facilities.
- Retail facilities at all hierarchal levels draw most of their customers from nearby areas.
- Trade area size depends on the competitive strength of the subject facility as opposed to that of competing facilities.
- Retail facilities may sometimes function as a group; they’re collective drawing power exceeding that of individual facilities.
- Trade areas are stable and change slowly over time, reflecting the acquired behaviour patterns of shoppers.
- A retail facility can have several trade areas.
- Trade area population characteristics have a major impact on the tenant mix.

Areal analysis:

Areal analysis concentrates on the meso level and aspects evaluated includes the hierarchy of shopping centres, the demarcation of the primary, secondary and tertiary trade areas taking into consideration the physical environment, population demographic and socio-economic characteristics and the competitive environment. It is also necessary to analyze all the proposed development programmes planned for an area.

(Cloete, 2001)

2.6.3 Environmental factors
Note following section from Cloete (2001)

Climate influences:  
- Orientation of the building
- Position and size of windows
- Building materials
- Vegetation

Adjacent and neighbouring site uses
Present and future uses important for success of planned development
Pollution, noise and dilapidated surroundings have a negative effect

2.7 MARKETING FEASIBILITY

The marketing feasibility study comprises a study of the demand and supply and the analyzing thereof to determine if the property is marketable. (Cloete, 2001) New business or buying power cannot be generated for a new shopping centre. A shopping centre can only draw customers from current businesses or area outside the trade area that may not be applicable to the shopping centre, a need not yet satisfied in the market area, capturing increased purchasing power (increase with growth in population, number of households, employment and or income). It is thus necessary that each new shopping centre be justified by the estimated purchasing power available by taking into account competitors. A shopping centre cannot create new customers; it can only cause a change in consumer behaviour (Beyard, 1999). Factors that influences the shopping behaviour of consumers are population details, family income and expenditure, socio-economic categories of expenditure, road communications, bus services, bus stations and bus stops, car parking, car ownership, rail services, tenant mix, centre characteristics, influence of competitive shopping centres, standard of retail space available, employment characteristics within trade area, population changes and the demand of retailers. (Northern, 1984)
The market study must communicate to the developer the effective demand for a product at a certain price level by studying the existing economic health of a specified area, the future demand and also the potential for new shopping centre developments in that area. (Cloete, 2001)

The potential market for a specific product is mostly future directed when determined by a market analysis. It is necessary to decide which market parameters should be used for analyzing a market, as each property is unique. (Cloete, 2001)

2.7.1 Demand analysis

A demand analysis is done on the current and future need for a shopping centre and consist of the following:

Analysis of national economic situation consists of a summary of socio-economic factors applicable to shopping centres. (Cloete, 2001)

The trading area for the proposed shopping centre must be determined that will serve the centre. (Cloete, 2001)

The economic base analysis is done which analyses the basic economic and demographic structure of the area and the potential of retail sales potential. A lot of centres depend on residential growth and densification in proposed areas, and it appears if new centres are about 40 to 60 percent larger than what the market have space for. Developers must therefore not overbuild in a certain area but rather phase in shopping centres until it is shown that success have been achieved. (White, 1996) and (Cloete, 2006)

2.7.2 Supply analysis
Supply can be defined as the amount of space of a given type, which would be available for the current and future market at given price levels.

The following supply factors is distinguished in Cloete (2001)

Construction: Volume, type, location and tendency
Rent: Rental levels according to type, trends and services included
Rent periods: Owners occupation against tenant, trends
Empty space: Ratios according to type, location and trends
Competition: It includes competition that exists, under construction, planned with building permits approved and also proposed developments. It is necessary to evaluate the competition in regards to size, access and location, reputation, rental rates, vacancy and tenant mix. (Wilkinson, 2008)
Current and future supply: Number, type, location, rent trends
Geography: Climate, topography, soil
Community: Facilities, type, location, services supplied
Services: Type, extent, location, taxes, tendency

2.8 FINANCIAL FEASIBILITY

The type of centre that can be developed is determined by the evaluation of the total retail space and the total estimated rental income for all the tenants. Pro forma statements must be merged on the forecasted development cost, income and expenditure of the centre, and the projection of cash flow in the initial years of the shopping centre, stabilized year in time of centre and also when a decreasing income lacking any improvements of the shopping centre. (Beyard 1999). It is of utmost importance that no misrepresentation of the figures should be shown to have the outcome needed of the study; the study is done to see if the proposed development can be a success. If the
figures shown are not true it can have a disastrous outcome for the developer as he could have found out beforehand if it would have been feasible to develop. (Cloete, 2001)

Steps in a financial feasibility analysis:

Estimate the total capital outlay of the project:
Consist of cost of land and any charges on land until the construction is completed, off-site improvements (road improvements to the site), external works, construction cost of the building (including the tenant installation costs on the developer’s account), professional fees of all the consultants, leasing costs, financing costs, local authority development fees, ((BKR 700 class notes and (Beyard, 1999))

Estimate the total project income:
The income for the operation of the shopping centre development is calculated by the total income of rents, reimbursements from tenants for the operating expenses (taxes, insurance when stated in the leasing contracts), sundry income. Expenses is for general and administrative costs incurred because of management, leasing, maintenance of the building and common areas, insurance, taxes, advertising and promotions of the centre and heating, ventilation and air conditioning costs ((BKR 700 class notes, (Beyard, 1999))

Cash flow projection for the development period
Determine the estimated profitability of the project; it should be in accordance with the developer’s objectives
Risk analysis of the proposed development.
(BKR 700 class notes)

2.8.1 Cash flow analysis

Cash flow projections can help determine if the project can be profitable, the additional financing needed by the developer and when, developing project’s value and if the
project will be able to carry the additional financing. The cumulative cash outlay must not exceed the financial resources available for the project. (Beyard, 1999) and (Cloete, 2001)

Construction cash flow:

The total value of the construction cash flow is equal to the cost estimate of the construction or the budget (if the value changes from the estimate, the cash flow is one of the two). On the cash flow analysis the additional financing is shown and when it will be needed. If the additional money is accrued too early unnecessary rent have to be paid on this amount. The construction cash flow is also updated through the whole construction period as to evaluate the money actually spend and the estimated cash flow. (Patrascu, 1988)

Income and expenditure cash flow:

Crucial part of the feasibility study is the assigning of space to the different tenants; the rental income is dependable on this. The market analysis must therefore be done correctly to be able to obtain the maximum rental income that can be obtained from the tenants that they will want to pay. The assumptions on which the cash flow projections is based must also be stated as all are not actual costs or income but only estimates of it. (Beyard, 1999), and (Cloete, 2001)).

The income and expenditure cash flow must make provision in the initial year of operation that not all rentable space will have been allocated by using a vacancy factor in the projection. A factor should be used, as in the first year not all space will be leased. (Cloete, 2001)
Developers sometime neglect to make provision in the cash flow for a final value while others take the original capital outlay as the final value. The final value can be calculated by capitalizing at a certain point the net income using a capitalization rate to the age of the development higher than would be for a new building. The final value of a short lifespan for a development will have a bigger impact on the internal rate of return. (Cloete, 2001)

Cash flow projections should not include any income or expenses that is only book entries; cash is the determining factor as to which should be included in the cash flow. (Cloete, 2001)

2.8.2 Measures of return

The objectives of the developer determine to what extent the development is a success. The objectives of the developer are different for each project but it can be maximizing yield, beating inflation or even servicing the public in a certain in need. Evaluation of the results of information analysis with the developer’s criteria for success is used to make decisions. (Cloete, 2001)

Decision-making by the developer leads to one of three courses of action as from Cloete (2001):

Proceed with the development
Terminate the process
Revert to pre-feasibility investigations and redefine the parameters of the proposal- the concerns of the parties at interest, the property, the market, or the development proposal. This constitutes the classic “what if”. Financial yield can be measured in a number of ways. Some of the more common methods:
Initial return:

Properties are often sold on an initial rate of return which is the first year’s net income divided by the capital outlay. The problems with this measurement are that a property might not reach full maturity in its first year of operation and that the total income received over the economic life of the project and the time value of money are not taken into account. This true capitalization rate however is different in that it is calculated on a standardized income i.e. as if the property is fully let at market rentals. (Cloete, 2001)

Payback methods

This is merely the capital outlay divided by the average net income to determine how long it will take to get the investor’s capital back. The time value of money is not taken into account. (Cloete, 2001)

Return on investment

Return on investment is the actual net income in each year divided by the total capital outlay. The average return is the average return on investment over a period for example 20 years as in Cloete (2001).

Net present value

Net present value is the net income discounted back at the required rate of return. If the net present value exceeds the actual capital outlay a profit is made. This method takes into account the time value of money, but the discounting rate is kept constant, which is not always the case in practice.

Internal rate of return
This type of calculation is used where there is a multi-period of return for a certain development. The internal rate of return represents a rate of return at which the Net Present Value of the cash flow is equal to zero. It is necessary to as to can be able to evaluate different investment opportunities with each other from the same period. (McMahan, 2007)

The acceptable level of IRR will vary from investor to investor depending on their investment criteria but should be in excess of the rate of interest for long term Government stock – the rationale being that Government stock is blue-chip whereas the property development is exposed to risk which should be discounted by 1 to 2%. The Internal Rate of Return is different for each project as it is dependable of the developer’s objectives. (Cloete, 2001)

2.9 SUMMARY

A feasibility study consist of certain aspects, it is necessary to do a feasibility study before any real estate development is undergone. A feasibility study must not be manipulated in any way as it can cost the developer a lot of money in the future if the development failed because of the feasibility study that did not show the true results of the possibility of being successful.

2.10 CONCLUSION

For shopping centres location play a big role in the success of the centre. The location must be visible, near a main road and also easy accessible. The shopping centre must supply in the living standards of the consumers in the trade area that have been identified to can be able to survive. Although all the aspects of the feasibility study is done and is
favourable but the financial feasibility is not met the project will not be undergone. The financial feasibility is mostly dependable on the developer’s financial objective.

2.11 TEST OF HYPOTHESIS

The hypothesis: The feasibility study is done to determine the possibility of the development to be a success. The feasibility study has certain criterion that needs to be satisfied. A certain rate of return must be possible. The income group in the community must be able to buy at the shopping centre with the certain tenants. The shopping centre must conveniently be located near a main road or high way. The entrance must be easily accessed from the road.

The hypothesis is correct; a feasibility study is of utmost importance to determine whether a shopping centre is possible to be a success. A feasibility study takes all aspects into consideration that will have an effect on the shopping centre. It is determined if there is a need for a shopping centre in the area, whether the site is a good location, have the needed characteristics, if the financially the shopping centre is the risk worthwhile. The feasibility study is only a probability whether the shopping centre will be a success. It is not for sure as certain events can not be foreseen such as a new tax law for commercial operations and so.
CHAPTER 3

WHAT IS THE EFFECT OF THE DESIGN OF A SHOPPING CENTRE?

3.1 INTRODUCTION

The design of the shopping centre is still a fairly new building typology. This typology came into existence in the 1950’s after architect Victor Gruen acknowledged the opportunities that combining a strip developments and the stand-alone “big box” warehouse shops could offer. Victor Gruen recognized the benefits and amenities that the shopping centre design would provide to American urban life style, as more people had a car. (Jewell : 2001)

The purpose with the shopping centre was to provide an environment that would satisfy day-to-day needs at one stop. (Jewell: 2001)

It is necessary for the architecture to take consideration of the cost, appearance, durability, flexibility and security when designing a shopping centre. (Gray:1996). It is necessary for a successful shopping centre to take these considerations combined into account. These considerations may lead and contribute to the success of a shopping centre, and may have a big impact if ignored. As the developer only has a limited amount of money that he wants to spend, the cost of the design will definitely play a big role in the design of the shopping centre. The appearance of the shopping centre is equally important. If the appearance of the building isn’t satisfactory, it will play a role in the choice of the consumer to shop at the shopping centre and future tenants to lease at the shopping centre or not. (White: 1990)
When designing a shopping centre, it is necessary to keep in mind the client’s needs, consumer’s desires and the retailer’s demands for the shopping centre. To neither design a shopping centre that doesn’t fulfil the consumer’s needs nor satisfy the retailer’s demand, would lead to a failed system. (Jewell: 2001)

Design of a shopping centre can have a psychological effect on people, providing a feeling of a safety in contrast to the outside environment, which is dangerous. Controlling and zoning the movements of the consumers through the design create this safe environment. The problem with this notion is that people can’t be controlled. The shopping centre should not seek to control by manipulating the thoughts and actions of the consumers fully as this will be the end of such a shopping centre. The safety environment can be obtained by the replicating predictability (Jewell: 2001)

3.2 SHAPE OF THE SHOPPING CENTRE

The Ribbon, the L, the U, the mall and the cluster are the typical building shapes for a shopping centre. These types can be varied to be suitable for the specific site conditions. (Cloete: 2001) (Jones: 1969)

The adaptability to suit most site shapes and the ability to be extended and the low cost to the ribbon shapes makes it favourable for the use as the shape for the neighbourhood shopping centres. It consists of a line of shops with canopies over the pedestrian walkway. (Cloete: 2001)

The L-shape is a ribbon-shape with a leg added to the shopping centre while the U-shape is with two legs added in the same direction. These shapes are usually used to maximise the use of a square site and to limit the length of a strip as it reduces the overall frontage
length. It is also advantageous that the shopping centre faces to streets. (Cloete: 2001) (Jones: 1969)

Mall is more likely used where a circulation pattern for pedestrians needs to be created. It consists of two lanes of shops with a walkway in between. It has similarities to the traditional street without vehicular traffic. (Cloete: 2001) (Jones: 1969).

The cluster form is used when one anchor tenant is placed in the prime spot and all the other tenants surround this anchor tenant. Consumers then can’t only visit the anchor tenant without passing the other tenants. (Jones: 1969).

3.3 LAYOUT OF THE SHOPPING CENTRE

The layout of the shopping centre is a very important design component as it is necessary to create a safe and secure environment for the consumers. This can be achieved by controlling the movements of the consumers. Care should be taken not to control the movement of the consumers in such a manner that they feel violated, manipulated or repulsed by the shopping centre. This might happen, seeing that consumers have free thoughts, therefore the shopping centre must aim in guiding the consumer rather than manipulating the consumer to move in a certain manner or direction, as there can not be full control over the consumer’s thoughts and movement. (Jewell: 2001)

It is necessary to have a layout where all the tenants are exposed to consumers walking past. This would better the chance of consumers entering the tenant shop. The dumbbell-layout was firstly used by Victor Gruen. The layout consists of two lanes of shops with a path between the lanes. At the ends of the path the two anchor tenants was situated. This is to guide the consumers to walk the distance between the two anchor tenants. This will give the tenants the exposure they need to possibly have prospective income. (Jewel: 2001) It is not advisable to have an anchor tenant in the middle of a
shopping centre as consumers will not then walk all the distance to the other tenants. (Jones: 1969)

Figure 1: DUMBBEL LAYOUT
(Jewell: 2001)

Too many entrances can also have an effect on the shopping centre as not all will be used. The consumers are split up in more than two entrances and tend to take short cuts in the shopping centres. Consumers have the tendency not to walk in paths of the entrances as it is not on the way to the anchor tenants. These tenants can have a problem as consumers may not visit their shop as often. According to France de Klerk the distance between two entrances should maximum be 150 m between the two. A very far distance from the entrance to a certain place in the shopping centre can cause that a certain area in the shopping centre is not visited often as the distance is not convenient for the consumer. (Elsabe van den Berg, Shopping centre manager at Irene Farm Village, Retail Africa, 5 March 2010 and Frans de Klerk, Architect, Boogertman Architects, 17 September 2010)

It is necessary to break the line of sight between the two anchor tenants when the distance between the two is far. If the consumer sees the distance he might decide to travel outside and drive with his car to the other side of the centre or even drive to another shopping centre. By breaking the line of sight by 45 degree angles the consumer
do not see the end of his journey. Curiosity is also increased to see what is at the end. The shops on the way can enjoy more exposure along the way. (Jewell: 2001) The shopping centre should follow a route and not go into a lot of directions in which the consumer feels as if he is in a labyrinth. (Cloete: 2001)

Figure 2: Breaking the linear eye sight (Jewell: 2001)

The path between the two lanes of shops should be wide enough not to influence the consumers psyche negatively. The path should also not be too wide as this can cost too much and will be unnecessarily. (Cloete: 2001) Kiosks in the middle of the pathways is not such good practice for a shopping centre according to Frans de Klerk (architect, Boogertman and partners, 17 September 2010). Reason being that consumers can not see which shops is further in the shopping centre as the view is blocked. The tenants in the kiosks can rather be placed in a shop with a higher rent with the benefit that vacancy in the shopping centre will also be less.

3.4 PARKING
The parking lot should be easily accessed by the consumer as he doesn’t want any difficulties going to the shopping centre. This will definitely influence the consumer’s choice on which shopping centre to go to next time when doing shopping. (Cloete: 2001) (Scott: 1989)

In South Africa the Department of Transport set the minimum standard rate for parking spaces to a shopping centre. The Department of Transport have these standards as to keep the traffic flowing. Cars that near their end destination are taken off the street and keep congestions to a minimum. ((Hitge & Roodt: 2006)

<table>
<thead>
<tr>
<th>Authority</th>
<th>Minimum Parking Rate (Bays/100m2)</th>
<th>GLA (m2) of Shopping Centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA DoT, 1985</td>
<td>7</td>
<td>&lt; 5 000m2</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>5 000 – 15 000m2</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>&gt;15 000m2</td>
</tr>
</tbody>
</table>

Parking at Regional Shopping Centres is a must as modern-life consumers depend on the use of their own cars. Shopping centres are situated in the urban areas and public transport is not regularly used by the consumers (Hitge & Roodt,: 2006)

When designing the parking area it must be kept in mind that this is mostly the first place that the consumer forms an experience or memory of the centre. It is necessary for the parking area to be inviting to the consumer. Consideration should be taken as to whether the staff of the shopping centre will also be parking on or off site. Usually the staff can make up 20% of the parking requirements. It can be helpful if they have the possibility of an off site parking area in peak times. (Beyard, 1999)

The problem with using the Standard minimum rate set by the Department of Transport is that times have changed from 1985. Most regional shopping centres trading hours are
till late at night. Regional shopping centre sizes have also changed from 1985. A shopping centre of 30 000 m² was seen as a large centre in 1985. Certain factors excluded by the standard minimum parking rate set by the Department of Transport, needs to be taken in consideration. They are the following: Size and nature of centre, urban character, socio-economic structure, residential density, car ownership, availability of public transport, availability of on-or off-street parking in the vicinity. Extent of traffic congestion, land use combinations with non-overlapping parking demand. (Hitge & Roodt, LdeV: 2006)

The walking distance from the parking area should not be too great for the consumer. It is better to place the centre in the middle and surround it with parking as the consumer prefers not to walk a far distance to the shopping centre. The maximum radius around the shopping centre is a maximum of 80 m away from the shopping centre. The consumer have to walk with a trolley with goods to the car and it have to be convenient for the consumer (Frans de Klerk, Architect, Boogertman Architects, 17 September 2010)

3.5 SERVICES TO THE SHOPS

Over the past few years the shopping centre changed a lot due to the building regulations set by the local authorities and the shopping public that must be met by the services in the shopping centre.(Cloete, 2001)

The developer should not see the design of services as an expense that rather should be kept to a minimum during the development of the shopping centre. Long term profitability and ease over the next years will be achieved by adequate design. (Cloete, 2001)
The benefit of this is that running costs over the shopping centre life span can be reduced with the incorporation of facilities. The safety of the complex can also be enhanced if the services are designed. (Cloete, 2001)

3.6 STRUCTURAL DESIGN OF THE SHOPPING CENTRE

Shopping centres must be designed to change with the tenants and consumer behaviours. Shopping centres have a short life-cycle and alterations; refurbishments have to be done in the future for the shopping centre to stay competitive. (Gruene: 1960)

The structure must be of such a design that it would be possible for flexibility in the future. It must be able to make structural alterations after it has been constructed. There are some design considerations of the structure that will make it able for the shopping centre to can change the shopping centre for tenants. (Maitland: 1990)

To accommodate the future change of the shopping centre consideration must be given to certain aspects of the design. Column spacing must be the maximum that it can be to the design limitations. When columns are taken it must be kept in mind that the spacing is influenced by the economic considerations, spacing consideration and also the layout of the tenant shops partitioning between the shops. It is also advisable not to have heavy columns between tenant shop fronts (Maitland: 1990) (Cloete: 2001). Walls between tenants should not be load-bearing as the tenant composition of the shopping centre can change over the years and the required area needed by the tenants can have an effect as to the demolishing of a wall as to can obtain the required area for the tenant. It would also be recommended to rather have removable partitioning between the tenants as to brick walls that have to be demolished (Cloete: 2001).

When the design of the shopping centre is for a multi-floor shopping centre, it should be kept in mind that by having multi-storey parking garages the floors can all have
consumers entering at the different floors. It is necessary when more than two floors will be built. Not all the consumers will then walk through the whole shopping centre. (Elsabe van den Berg, Shopping centre manager at Irene Farm Village, Retail Africa, 5 March 2010). It should rather be avoided as the tenants rent will be lower and might not even be worth the money spend to construct the floor. If more than one floor is constructed, the tenants on the highest floor should attract tenants on a regular basis that will only stay for a short period during normal business hours.

3.7 SHOP DESIGN

It is also necessary for the tenant to take the consumer’s needs into account. As the consumer’s are diverse it is beneficial to the tenant to try to satisfy the needs of consumers with these differing behaviours. In short consumers can be classified into three types by customer purchasing behaviour. The three types are the following: demand shopping, comparative shopping and impulse shopping. For each type of purchasing behaviour a different retailing strategy is needed. A different architectural response is needed for each retailing strategy. This can be the type of materials and construction techniques, plan form, interior finishes etc. (White: 1996)

3.8 SUMMARY

Each component mentioned above must be designed in a satisfactory way as to create a convenient environment the consumer to can shop in. Each component has its own function. Money can be saved on the long term if the design have been done properly.

3.9 CONCLUSION

Design for a shopping centre has a few aspects that have to be taken into account for a shopping centre as seen above. It is necessary to take these aspects into account as each
one of it has an influence on the overall satisfaction of the consumer, tenant and the developer.

3.10 TESTING OF THE HYPOTHESIS

The hypothesis: The design of a shopping centre is important, as it will determine the route that the people will walk in the shopping centre. It is necessary that the shape and layout of the shopping centre be designed in such a manner that most of the tenants will be reached when consumers shop at the shopping centre. Enough parking bays are a necessity, as people prefer to do their shopping as conveniently as possible.

The hypothesis is correct; a good design of a shopping centre is definitely essential for a shopping centre to be successful. The outlay of a shopping centre play a role in the feet passing a certain shop in the shopping centre. If too many entrances the consumer will most probably not cover the whole centre and the tenants at the entrances have the possibility of not much feet when the consumer’s feet is divided between entrances. Parking bays also have in the decision of consumers, it is an inconvenience for consumers when there is not parking. The distances travelled in the centre and from the parking area to the shopping centre must not be too far as consumers won’t like to walk as far.
CHAPTER 4
WHAT ROLE DO TENANTS OF A SHOPPING CENTRE PLAY?

4.1 INTRODUCTION

A shopping centre is built with the aim of to maximize the developer’s investment. When a tenant have to make a decision with regards to where to lease it must borne in mind that location can play a role in the profit that is going to be made. It has to be decided whether a location in a certain shopping centre will generate enough feet to create the shoppers that can possibly buy at the tenant. The shopping centre should be able and aim to attract the desired tenants. Other factors that can effect a tenants decision is the distance away from major roads, sufficient car parking, the flexibility of the store available to the tenant for a leasing price that is in the tenants range, the shopping centre must be comfortable and also secure for the tenant. (Abel, 1994)

4.2 ANCHOR TENANTS

A formula can not determine what the tenant mix should be for a shopping centre to be successful as each community and shopping centre is unique. A list with the most frequently used tenants in a similar type of shopping centre can only be used as guidance for the selection of tenants for a specific shopping centre. The type of shopping centre being build also play an important role in deciding on the tenant mix. When the
characteristics of the market for the centre are known the developer can decide firstly on the anchor tenants and then the other tenants. (Beyard, 1999)

Usually a regional shopping includes one full-line department store with about minimum of 7 000 square feet of Gross lettable area, but the majority include two or more such department stores. The supplemental tenants are from all classifications of tenants. It is preferred to include tenants from the same category so that there can be ranges ranges in price and merchandise similar to the downtonws of previous years. (Beyard, 1999)

4.3 TENANT MIX

Tenant mix as defined in Martin is a continuous policy of maximizing public patronage of a shopping centre by optimizing the number of traders, the size of their premises, their styles and goods sold/services rendered. Beyard, (1999)

The objectives of the tenant mix is as follows as stated in Cloete (2001)

- Meet consumer demands for variety and appeal
- Create traffic to the centre
- Prolong duration of shopping trips
- Encourage cross shopping within the centre
- Meet the centre’s productivity demands

A tenant mix policy normally expresses the following aspects as in (Northern: 1984):

Endeavours to select a balance of traders that will enable the centre to achieve its optimum trade
In any particular trade, will provide a reasonable level of competition coupled with a wide range of price levels, which will give the shopper a fair degree of choice.

Locate units within the centre in positions that will encourage pedestrian flow circulation.

Utilise valuable shop frontage with the greatest efficiency and optimize the use of less noticeable backspace. This might encourage shop units in a variety of shapes and sizes to suit tenant’s trading requirements. (Northern, 1984)

After the completion of the shopping centre, a policy that monitors the tenants trade is adopted during the managing stages. The objective of the policy is to improve the shopping centres’ tenant mix with the view of taking opportunities to do this. Access is needed to the tenant’s trading figures for the manager to be able to monitor the tenant mix adequately. (Northern, 1984) The trading figures is used to evaluate the shopping centre performance overall, each tenant and comparing the certain areas of the shopping centre. It must be borne in mind that the figures for a specific month can not be compared with a previous month but with previous years for that month. (Elsabe van den Berg, Shopping centre manager at Irene Farm Village, Retail Africa, 19 October 2010 and Johan van Koesveld, Shopping centre manager at Parkview centre, 14 October 2010)

It is essential to rigorously stick to the tenant mix policy to be able to be successful with the tenant mix. In the letting stages the developer must not wait to hear from potential tenants, the developer must choose the most suitable tenants for the particular shopping centre. (Northern, 1984)

The ideal tenant mix strive to achieve the following as in Bruwer(1997) referencing (Kaylin, 1973):
• A balanced diversification of shops in the centre by offering a wide range of products and services
• A specific image for the centre
• Maximum sales potential in the trade area
• A synergy between the satellite tenants
• A logical layout of shops
• A pleasant shopping environment
• Enough variety to create the maximum attractiveness to the population of the specific trade area
• Maximum return on investment for the shopping centre owner

Specific circumstances of leasing, financing and the availability of tenant for a specific trade area influences the tenant mix for a particular shopping centre. The type of tenants to be chosen by the developer for a specific shopping centre is based upon the decisions made on the varying income ranges and other characteristics of the market area, local buying habits, size of stores, other aspects. A tenant can be suitable for one shopping centre but totally the opposite for another shopping centre. For a specific type of shopping centre it frequently happens that certain type of tenants is included in the tenant mix. (Beyard, 1999)

Over the years it has been noted that the grouping of certain type of tenants can have a positive attribute to the shopping centre such as the following in Beyard, (1999)

• Men’s stores - Shoes, clothing, and sporting goods. Tends to increase each other’s volume.
• Performance of stores with women’s apparel, shoes, and children’s clothes and toys is better when grouped together.
• As above food product businesses (groceries, meat and fish markets, delicatessens, bakeries, doughnut ships, and confectioners) perform better when grouped together.
• Stores selling personal services and conveniences are naturally compatible.

The effect that the many variables have on the type of tenants can’t be determined with ease. A factor that plays an immeasurable role is the capability of a certain tenant to work as a member of the trade team. This is important as the trade team helps form the identity of a specific shopping centre.

A developer developing a shopping centre in a new growth area must borne in mind when choosing tenants that the tenant must have the financial stamina to be able to cope with the period that the trade area is still maturing and not at the potential that can be.

Commonly nowadays tenants are also chosen for their lifestyle, orientation, brand identity and trade setting as this reflects the customers’ aspirations and interests. (Beyard, 1999)

The tenant mix success of a shopping centre does not solely depend on the type of tenants but also the selection and combination of a group of tenants that compliment each other in serving the specific market of the shopping centre. (Beyard, 1999)

4.4 TENANT PLANNING DESIGN, ETC.

When locating tenants in a centre a developer must take the following into consideration as stated in Beyard,(1999)

• Suitability of tenant for the location and the rent the tenant will be able to pay
• Local preferences for certain tenants
• Compatibility of tenant’s merchandising practices with those of adjoining stores
• Parking needs generated by the tenant
• Convenience for the customers

After the department and other stores have been located at the extremities of the development it is necessary to place other key tenants at locations that will generate secondary pedestrian traffic among the centre. Shopping centres have a variety of tenants but will sometimes combine comparison-shopping with the regular food-shopping trip and it is conventional to group food tenants close to the supermarket. The assumption is that customers do not usually combine comparison-shopping with the regular food-shopping trip. Exclusion on this can be delicatessen and possibly a specialist food trader such as a hot bread kitchen and patisserie.

The greatest interplay must be provided by the arrangement of the tenant stores. Regional shopping centre tenants are dependant on the anchor tenant leasing negotiations. Certain tenants will only be willing to lease at a proposed shopping centre development if a certain anchor tenant is leasing at that shopping centre. A clause is usually in the leasing agreement stating that if that specific tenant will not be leasing at the centre that the tenant is not obliged to lease either at the centre. A self-sufficient regional centre has a full range of merchandise to offer to shoppers. The estimated sales volume determines the space that should be available for a certain category of tenants. This sales volume is based on the market analysis that has been done.

Certain types of tenants do not require prime locations in a centre; in fact what is prime for one tenant may not be prime for another. Banks, travel agencies and other services, and restaurants are suited to side corridors; pad sites or other locations that would be undesirable for stores selling say impulse goods. Restaurants do not necessarily require much valuable frontage and they can often make good use of backspace. If they can also have direct access to the street this may permit trading when the remainder of the centre
is closed. On the other hand service traders often present a problem to developers and planners alike. In some developments there may be ample space to locate them on the outside of the development ((Northern, 1984) and Beyard, 1999)) Service tenants can be placed at locations with weak side accesses such as TV rental, travel bureau, banks, building societies etc The attractiveness of the frontage of the shopping centre should not be limited by placing too many service tenants in the front when suitable locations is not available.

A variety of smaller tenants are more attractive to shoppers than to have only a few large tenants at a shopping centre (Cloete, 2001) There are no specific requirements that can be given in regards to the width and depth of a specific type of shop. For the key tenants commonly it is customary that the width should not be less than one third of the depth.

Great depth is needed when customers can move along two fronts, when there are no basement levels, and when deliveries take place behind shops, and storage has to be provided at ground level. Excessive depth should be avoided, however. The ability to provide shops with different depths is an asset to any shopping centre. If possible, shielding walls should be provided at the back of shops, to make provision for later expansion at minimum cost. Shopfronts should offer the maximum possible display space and should not be split.

4.5 TENANT MIX AND THE EFFECT ON RENTAL LEVELS

It is very important to uphold and better the quality of a shopping centre’s tenant mix as by doing this the shopping centre investment is also upheld and improved. Tenant planning is a long-term policy of planning to uphold the shopping centre. Individual tenants can not always pay the highest rent and it is necessary to take an overall view. It is necessary to draw the most trade and produce the best rental performance in the long term. (Northern, 1984)
A good tenant mix may need to have occasional changes to uphold the quality of the tenant mix. This is as retail trade is influenced by prevailing tastes; trends, fashions, demands from shoppers and new products are developed that create a new demand that was not there when the shopping centre opened doors. It is necessary to keep up with these changes with a shopping centre. (Northern, 1984)

4.6 SUMMARY

When choosing a tenant it is not just about the tenant’s image, merchandise that play a role in selecting the tenant. Firstly the anchor tenants must be decided on and then the rest of the tenants by knowing the characteristics of the trade area. It is of utmost importance that the tenants can supply what is in demand in the trade area. The tenant selection depends also the mix of the tenants of the shopping centre as the tenant mix must compliment each other.

4.7 CONCLUSION

The anchor tenant and the tenant mix is a very important aspect of any shopping centre. Tenants should be evaluated taking into consideration the characteristics of the trade area, the compatibility of the tenants. It is necessary to monitor tenant mix as to keep the shopping centre competitive in the trade area. A tenant mix policy is of utmost of importance as to have an objective and to be able to have criteria to measure the tenants efficiency for the shopping centre.

4.8 TESTING OF HYPOTHESIS
The hypothesis: It is necessary to have anchor tenants in a shopping centre. The anchor tenants draw the consumers to the shopping centre. It is best to have the anchor tenants on opposite site of the shopping centre; consumers then walk along the racetrack to the other anchor tenant passing all the other tenants. The tenant mix is very important, the tenants must be chosen for a certain income group that will be spending their money “

The hypothesis was correct that anchor tenants is necessary for a regional shopping centre and that traffic is created by having the tenants on opposite ends of the centre. The tenant mix is very important as it determines if shoppers will be attracted to the centre, the tenant mix must also compliment each other and also be monitored regularly and changed as time goes by to keep up with new trends, technology etc.
CHAPTER 5
WHAT ARE THE BENEFITS OF CENTRE MANAGEMENT FOR A SHOPPING CENTRE?

5.1. INTRODUCTION

Nothing is certain, fixed or can stand the challenges of time. The community that is being served by the shopping centre determines shopping activity. It is necessary to uphold the shopping centre in time as everything changes. The centre has to adapt to the changes of the society. It is necessary to extend the shopping centre’s economic life as long as possible. To maintain the buildings and equipment, the centre has to be attractive to shoppers and for the owners it has to be profitable. (Martin and Cloete (2001)). The operation and management of a shopping centre is critical due to the competition in all the retail segments. The main functions of the shopping centre manager are to control the costs and to increase the sales of the shopping centre. (White, 1996)

The following overall aspects the shopping centre manager should address:

Strategy of the shopping centre, the current and future position of the shopping centre in the marketplace and how to get the shopping centre to the future position.

The objectives for the shopping centre; this can be in terms of the leasing, tenant mix, any goals set for the shopping centre.

A management plan should be drafted to decide in advance what should be done for the centre to achieve the objectives in the future. Information included in the management plan usually consist of the following as in White (1996):
• Executive summary
• Company history or background
• Service description
• Industry analysis
• Market analysis
• Marketing strategy
• Organizational issues: ownership and management
• Support services
• Financial statements
• Risk analysis

Experienced shopping centre managers will be able to give expert advice during the planning of a new shopping centre development. The design shortcomings for a shopping centre are usually only discovered a year or two after it has been built. A shopping centre manager will be able to give his opinion on matters such as the following named in Northern (1984):

• Security planning
• Avoidance of cleaning problems
• The design and location of shopping centre furniture
• The planning of areas suitable for centre promotions and exhibitions
• Rubbish disposal arrangements
• Car park planning
• Service access arrangements
• Management organisation and staff recruitment

5.2. BUILDING MAINTENANCE
The building maintenance management can be divided into the following according to Cloete (2001)

- Housekeeping and general maintenance
- Maintaining and repairing the structure of the buildings and grounds
- Maintaining the mechanical systems and equipment

It is a necessity to repair any building part that breaks as this can have an unpleasant effect on shoppers and have a negative effect on the attractiveness of the shopping centre, it can also have a negative effect on tenants; inducing doubt and uncertainty about wanting to lease at the shopping centre again. (Cloete, 2001)

A maintenance programme is a good plan to have and benefits to the owner of the building is as follows:

- Value of the shopping centre is upheld and increased
- Tenant retention – If the tenants are satisfied because of maintaining of the building the vacancy factor will be reduced and then expenses for turnover for rental space is also lowered.
- Operating costs reduced

5.3. PARKING MANAGEMENT

The car park of a shopping centre is like the façade of a building. The car park is equally as important as other factors in creating successful first impressions of the shopping centre. The shopping centre manager must take special attention with the car-park as if it is not pleasant by being unattractive, filthy or troublesome to drive around in the area the shopper will probably not visit the shopping centre again. (Cloete, 2001)
The shopping centre manager must make decisions or give advice on the following:

* Operator identification: The personnel in the parking area must be identifiable for the shoppers if they need any help. This can be by wearing a badge or uniform.

* Operation method: Control must be exercised over delivery and the tenants and their staff vehicles. Tenants and their staff sometimes have the idea that they have privilege of priority parking. Areas must be clearly demarcated for delivery vehicles. (Cloete, 2001)

The type of car-parks that must be decided upon is as follows:

Open type car-parks

The space is unrestricted and cause that a problem can occur due to people that park long term. Such examples are people that park and ride. The space for the rest of the shoppers is decreased and it is not easy to control this. This type of car-park do not need much control. (Cloete, 2001)

Restricted parking car-parks

This type of parking is usually used where it is necessary to restrict the long-term parkers, as the space that is available for shoppers is limited. This limits people from adjacent buildings to park there and taking up space. The average shopper spends between one and two hours at the shopping centre. Therefore first two hours a low rate can be set that is not much or a system can be incorporated where the first two hours of parking is free if a receipt from a shop in the shopping centre can be shown. (Cloete, 2001)

Revenue producing car-park
Parking rates must be displayed at the entrance of the shopping centre. The entrances and the exits are closely monitored. If the shoppers do not pay for parking the income that could have been generated by the parking revenue must be included in the rentals paid by the tenants of the shopping centre. (Cloete, 2001)

It is of utmost importance that the operating system is evaluated constantly. The requirements of the shopping centre must be borne in mind when analyzing the centre and changes must be made where necessary.

5.4. SECURITY MANAGEMENT

The shopping manager must prepare its shopping centre as good as possible for any disasters as to decrease the effect of a disaster. (Martin: 1982) A shopping centre whose security is not up to standard can have a drop in the numbers of shoppers visiting the shopping centre. It is very important that the shopper and tenant feel safe in the environment of the shopping centre. Cloete (2001)

The security provisions needed for a certain type of shopping centre depends on the following as in Martin (1982):

- Catchment area characteristics
- Centre location and setting
- Characteristics of the centre
- Tenant types leasing in the centre
- The availability of services of police, fire department and ambulances

It is very important that the shopping centre manager pay attention to the tenants security problems. The centre manager must make sure that the tenant complies with the leasing
agreements provision that the tenant must up keep for example the fire detection installation, fire fighting installation or any other in its leased area. The centre manager will have to make sure that fire and emergency procedures are gone over regularly,

A list of preventive procedures that can be followed by a shopping centre manager is as follows:

- Testing of fire alarm systems for certain tenants at specific intervals
- Exercises by the fire or ambulance services within the centre once in a while
- Not much positivity for the full evacuation exercise of the shopping centre but a good preventive procedure.
- It is necessary to make records about the examination of the first aid kits, fire extinguishers.
- Visiting the centre at night once in a while to make sure everything is as it should be.

The party responsible for the errors should correct it.

5.5. TENANT MANAGEMENT

The centre manager must have a good relationship with the tenants. This is necessary, as the centre manager must have constant communication with the tenants and their associations as to give the requirements of the landlord to them. Feedback from the tenants is also necessary as to be able to incorporate it into the management of the shopping centre. (Lai Har Chiu, 2006)

Tenants must be monitored to make sure they follow the rules as set out for them. A tenant that is not controlled will try to take chances. The shop windows must be as the requirements of the landlord; as it influences the shopping centre image. Usually the
security or other will make sure each day that all is as it should be. The trading hours of the shopping centre is set and all the tenants should be open during these hours. This should be closely monitored as the shopping centre advertises these operating hours and a consumer will dissatisfied if a certain shop is not open in these hours reflecting bad on the shopping centre. (Elsabe van den Berg, Shopping centre manager at Irene Farm Village, Retail Africa, 19 October 2010 and Johan van Koesveld, Shopping centre manager at Parkview, 14 October 2010)

5.6. SUMMARY

It can be seen that centre management have a few aspects to manage. Planning also has to be done by management. The objectives for the shopping centre must be determined as to work towards these objectives. Communication play a role in the management of the shopping centre as the manager must keep good relationship with the tenants of the shopping centre and the landlord. Tenants that is not pleased with the shopping centre’s management will not be leasing in the future at the shopping centre.

5.7. CONCLUSION

Shopping centre management have a lot of benefits if the management is good, otherwise it can sink the shopping centre. It is necessary to have good management for all the different aspects of a shopping centre that have to be managed. If the building is not maintained it can have an effect that it is unattractive to shoppers and the tenants and that the above to not want to go to the shopping centre or lease at the shopping centre.

5.8. TESTING OF THE HYPOTHESIS

The hypothesis: It is necessary to have management for a shopping centre to be successful. The management has to manage a few aspects for the developer. The
developer does not always have the resources for the management of the shopping centre and then sources the management out to specialized companies in the field. Shopping centre management is beneficial for a shopping centre in regards that the centre must be kept in good working order for it to be attractive to the shoppers and tenants.

The hypothesis is correct that a shopping centre management is a benefit to the centre. It is of utmost importance that the buildings are kept in good condition, security of the centre is good, tenants is managed properly. The management of the centre must be excellent otherwise the shopping centre will not be successful.
CHAPTER 6

WHAT DOES MARKETING RESEARCH CONSIST OF?

6.1. WHAT IS MARKETING AND MARKET RESEARCH?

Market research is the measurement of the extent of market and the determination of its characteristics as defined by the American Marketing Association and marketing research is the systematic collecting, recording and analyzing of data about problems relating to the marketing of goods (Ghyoot, 1996) and services or it as quoted from Green (1988); Marketing research is the systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing.

As was seen in the feasibility chapter the research done before the developing of a shopping centre concentrates more on the trade area demarcation, distinguishing the socio-economic and demographical customer potential characteristic generally living within the trade area, establishing of the travel time to the centre and to determine the existing shopping pattern and the probability of the tenants in the proposed shopping centre to be visited by the customers of the trade area. Research done on the shopping centre after the opening is related to changes in the demographic factors, attractiveness of the shopping centre to the consumers, any difficulties that the shopping centre or any store in the shopping centre undergoes and how the shopping centre is viewed in comparison to other shopping centres. (Cloete, 2001)

6.2. WHAT ROLE DOES RESEARCH PLAY IN CENTRE MARKETING?

Research is used when the decisions have to be made concerning the shopping centre.

The market planning process consists of four phases namely situation analysis, strategy development, marketing program development and implementation. (Aaker, 2011)
Situation analysis phase is where a good understanding of the market environment of the shopping centre and the characteristics of the market is necessary in developing a good marketing strategy afterwards. (Aaker, 2011) For a shopping centre characteristics of the following will be determined as quoted from (Cloete, 2001): Trade area of a specific shopping centre, socio-economic and demographic profile of customers patronizing a specific shopping centre, customers’ shopping behaviour in terms of frequency of supporting a specific store or centre and reasons why or why not certain stores are patronised, the image of a shopping centre compared to the image of competing stores, positive and negative aspects associated with a specific shopping centre, identifying of specific needs as mentioned by customers, assist in the right media use and to determine the market share of a specific centre or store.

Making decisions are more complex as the market share changes with an increase or decrease. A strategy is needed to have a focus on staying competitive. Questions should be asked to develop a strategic plan such as type of services and products to offer, way to compete (marketing research is done on the competition) and then the objectives of the business. (Aaker, 2011). Factors that influences the strategy is the opportunities, market drivers effect, extent of competition in the market place, the market phases or the life cycle of the business, resources and the type of skill available. (Proctor, 2000)

Marketing Programs concentrates on a specific objective of the strategy developed before. Marketing research is used to make sure if the objective is possible with target market or if it will be necessary to change the objective or strategy. (Aaker, 2011) Objectives for a shopping centre can be to create a positive image and identity for the centre, bond the customers to the centre by offering convenience, quality and value for money, enhance community relations, generate tenant interest, and involvement with regards to promotions and to develop and maintain good relations with the media and
local authorities. Each shopping centre’s objective will be different; these are the most common objectives for a shopping centre.

Implementation of the marketing program or strategy can only be done if it is decided that the marketing program or strategy has achieved its objectives. The marketing program can be continued, change depending on the marketing research showing if the objective is met. (Aaker, 2011)

The advantages of a marketing plan as in Cloete (2001)

- The strong and weak points of a specific point can be determined by evaluating against the other shopping centres in the area
- Determining what makes specific shopping centre unique from others
- A common objective can be set what the tenants, landlords and the management want to achieve
- Placing in order of importance can prioritise objectives

Figure 3: Marketing planning process Aaker (2011)
Managers do not always use the information from research results regularly to solve problems. The decision of the manager to use the information is influenced by factors such as the quality of the research, the consistency with previous assumptions, relevance to the decision that have to be made, the research must be applicable to the current time period, accuracy and adequacy of the research. (Green, 1988)

Marketing researches consist of the following steps:

The purpose of the study must be determined. This helps with what decisions have to be made and also to determine the problems and opportunities involved. (Aaker, 2011)

The objective of the study is necessary to determine the questions that must be answered by the study. (Aaker, 2011)

A decision have to be made whether to continue with the research by evaluating the if the information that will be obtained is worth more than the cost of obtaining the information. (Aaker, 2011)

The research approach and the way in which the data will be collected must be decided on in an effort that will be most able to achieve the research objectives. (Aaker, 2011)

Decisions must be made on the way in which the collected data have to be analysed, interpreted and used to make suggestions on the actions to be taken. (Aaker, 2011)

The steps occur generally in a consecutive manner but it must be stressed that early decisions can be made by looking at a future decision. Decisions should also be altered in time as new insights and possibilities can influence future decisions. The research purpose and the research objectives are of utmost importance as it links the research to making a decision and to lead the research in a certain direction. If these steps are not
done correctly the research have a good probability not to be applicable at all. (Aaker, 2011)

Figure 4: Marketing research process (Aaker, 2011)
Figure 5: The place of market or marketing research in centre development, management and marketing (Aaker:2011)

- Develop Mission Statement
- Conduct a Situation Analysis
  - Internal information *
  - External information *
- Establish Objectives
  - Centre development
  - Centre management
  - Centre marketing
- Select Market Segments
  - Satisfy needs through right tenant mix
- Develop a Positioning Strategy
- Implement Strategy
- Evaluate Results *

* Place of Market/Marketing Research
As can be seen from Figure 5 it is necessary to do research for development, management and for marketing. Each needs information to be able to make a decision on a specific issue.

Research is needed when it is time to decide if it is necessary to expand and renovation of a shopping centre. Different factors can play a role as to which a shopping centre renovate, expand or reconfigure. Factors mentioned in (Beyard, 1999):

Market overpopulated, new retailing concepts, anchors financially unsound, ownership shift from individuals and private firms to institutional and private firms, current valuation of site, demographic changes of trade area, new technology and new preferred design principles, greater preference on culture, entertainment, and service, larger anchors and competition from “nonstores”. The external factors will have to be analysed such as if there is an improvement on the roads in the trade area to the shopping centre, demographical changes, the capability of the trade area must be analysed before a new anchor store can be added to the tenant mix. (Beyard, 1999)

6.3. HOW IS DATA COLLECTED FOR RESEARCH?

Primary data

Primary data are directly linked to the research problem and also directly observed and analysed from respondents. When asking question it is necessary not to give an opinion or make conclusions on own perception and also that the questions is understandable to the respondents. (Cloete, 2001)

Secondary data
This type of data was collected for other purposes than the problem that the shopping centre wants to use the information. A researcher must firstly search for applicable secondary data that is available. (Beyard, 1999)

Limitations of secondary data is that it was not collected for this specific problem, there was no control over the data collection, accuracy may not be very good, can be outdated, not meet data requirements and assumptions have been made to do the research. On the other side the cost is low, less effort and time taken, it is sometimes more accurate than primary data and some information can only be obtained with secondary data. (Aaker, 2011) Secondary data example for a shopping centre is the internal sources of sales data by each tenant and also published data sources can be used such as census data. (Cloete, 2001)

6.4. SUMMARY

Research is necessary for a shopping centre to make decisions on a certain aspect. The marketing research is a process that consists of a few stages that have to be followed. Good research is necessary for making a decision otherwise the research is worth nothing.

6.5. CONCLUSION

Research plays a vital role in the development, marketing, and management of a shopping centre. Research is needed to make decisions that relates to the shopping centre. It is very important to regularly have market research about the trade area characteristics. The consumers are from the trade area and it is necessary to supply in their needs. It can be possible that a different type of tenant mix is necessary after a few years after the opening of the shopping centre. The market of the shopping centre changes over time.
6.6. TESTING OF HYPOTHESIS

The hypothesis:

The hypothesis: It would of benefit to do market research so that certain information can be obtained and used to better the future success of the intended shopping centre. Through research the income group in the trade area of the shopping centre can be determined and also if the tenant mix satisfies the preferences of the consumers in the trade area. The overall view of the shopping centre can be established including how the shopping centre compares to other shopping centres.

The hypothesis is correct. It is to the benefit of the shopping centre if research is done. Research is necessary to can make decisions. Research is necessary to establish characteristics of the trade area. Marketing research is needed as to solve a problem that occurs at the shopping centre. Research is needed on a constant basis as to keep up with the changes in the trade area.
7.1 BACKGROUND

The main problem investigated in this treatise was what is needed for a shopping centre to be a success. It was acknowledged that for a shopping centre to be a success it is necessary to investigate or make decisions of certain aspects.

Five aspects were decided on for investigation to determine if it has an effect on the success of a shopping centre. These aspects in short were design of the shopping centre, feasibility analysis of the shopping centre, tenants of the shopping centre, marketing and management of the shopping centre. The type of shopping centre analyzed for the is regional shopping centre.

7.2 SUMMARY

The research consisted of five sub-problems that could have an effect on the effect on the success of the shopping centre.

Each sub problem did indeed have an effect on the shopping centre success by whether it makes the shopping centre attractive for the shoppers and tenants.

In chapter 2 it was discussed what the feasibility consists of. It was seen that there are five components to consider when a feasibility study is done. These are: The objectives
of the developer, socio-economic-, marketing, physical feasibility and financial viability. The feasibility determines if it is a good investment to develop a shopping centre and alternatives is weight against one another. By doing a feasibility study it can only be determined if it is a potential good investment. A feasibility study does not guarantee that the shopping centre will be a success.

Chapter 3 concentrated on the design of a shopping centre. It noticed that certain criteria must be taken into consideration when designing a shopping centre. The building services of the centre must be thought of as this can be an expensive running cost in the life cycle of the centre if not properly designed. The centre must create an environment in which the shopper is safe and intrigues the consumer to see more. It is of utmost importance that the centre is convenient for the shoppers to visit.

The tenants in the shopping centre will attract certain shoppers. As seen in chapter 4 it is necessary that the tenants chosen for the shopping centre cater in the needs of the people in the trade area. These people will be the shoppers from which income will be generated for the shopping centre. Anchor tenants and the tenant mix are of utmost importance for a shopping centre.

The management of the centre is an important aspect of a shopping centre. Without management the centre will not be able to function properly and shoppers will not visit the centre and tenants lease will not want to lease at the shopping centre. Security at the centre is of importance as anyone can enter the centre. It is necessary to provide a safe environment for shoppers and tenants. The management also has a goal for the centre and works to that goal.

The trade area of the shopping centre will not be the same for 10 years and therefore necessary to determine what the characteristics of the trade area is after a while. If any problem occur it is necessary to determine why it happened and then to solve the
problem. For example if sales of tenants is down. It must be determined why, is it because of the economy, tenant mix not satisfactory for the shoppers etc.

All the aspects investigated have an effect on one another. If the feasibility analysis was not right about the trade area characteristics the tenant mix will not be suitable. Marketing will have to be done to determine this and to change the tenant mix then. The management of the centre makes the decision when it discovers that the sales are not what it should be for the centre to be profitable.

7.3 CONCLUSION

The design, feasibility, marketing, management and tenants do play a role in the success of a shopping centre.

The design of the shopping centre can have cost implications for the centre in the life cycle of the centre if it is not properly designed. The design must be of such that it is flexible when the tenant changes and another uses the area. Shoppers must experience the desire to visit a specific shopping centre rather than another one.

A feasibility study is not a warranty that a centre will be a success but it helps to determine whether a shopping centre is feasible in a certain area. Whether the needs of the trade area rectifies the developing of a centre. It aids in making sure that the centre has enough households to cater for in the trade area and the living standard measurement that is in the trade area. This again has an effect on the type of tenants that should be in the shopping centre to draw the shoppers.

It is seen that the tenant mix plays a role in the decision of the shopper to visit the shopping centre. It therefore is of utmost importance that the tenant mix is chosen carefully. This is crucial as it determines whether the shopper will rather visit another
shopping centre. The tenant mix must also be evaluated regularly as to improve the mix. This can be done by marketing research to determine what the shoppers want.

7.4 RECOMMENDATIONS

During the research it was apparent that there is more than the aspects that have been discussed that is of utmost importance for a successful shopping centre.
During the research of the design for a shopping centre it came apparent that it is necessary to take the psychological aspects into consideration when considering the success of a shopping centre. It is of utmost importance to take this into consideration. The consumer behaviour must be taken into consideration.

The leasing agreement for tenants is equally important. The leasing agreement makes provision for certain aspects, establishes the level of income the developer anticipates from the shopping centre and the negotiated contractual rights and obligations negotiated between the parties is in the agreement. The aspects to be in the agreement can be considered.

The different categories of shops are an aspect that can be considered on its own. The lay-out of the shop, lighting and colours to be used in a shop, the shopfront display, the display of the merchandise in the shop. What is of utmost importance for the certain category of shop for example fashion and food.

The security of the shopping centre can be dealt with different aspects. Where to situate banks in shopping centres to decrease the security risk related to banks. Security is a problem in a shopping centre as any one can enter the shopping centre.

Another topic that can be researched is how a shopping centre can cut running costs during design stage and during operation of the shopping centre. Green building will be
part of this research; it can even be researched apart in how it is implemented in new shopping centre design. The Green Building Council of South Africa launched the Green Star Rating tool version one for retail, the effect of the tool on the development of shopping centres.
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