

Inside retailing



Planning it right

The first step to creating a successful retail complex is to undertake a comprehensive market study

■ By **KS Wong and Evelyn Ho**

Successful shopping centres aren't fluke shots, nor do they come about only after a project has been completed and is about to open its doors to the public. This may seem the case given the number of "hits and misses" in the industry, but as a matter of fact, their viability should be determined even before the first brick is laid, with the commissioning of a thorough and detailed market study.

Market research is critical in retail complex planning, development and management as its findings can be used to address specific issues as well as reduce risk and uncertainties.

Within the four corners of a report lies a wealth of information, such as the characteristics of a certain location, the market competition that exists in a trade area and the rental rates that can be supported. Also included is assessment of the target market's size, its demographics, psychographics, potential spending power of the customers and consequently, the anticipated sales per square foot that can be derived from each trade category.

The data can then be used to:

- Define a centre's tenant mix against the backdrop of market demand;
- Identify any potential risks that might exist;
- Quantify economic prospects; and
- Aid in decision-making.

Gathering market intelligence

The information required cannot be obtained by sitting behind a desk - it requires fieldwork and thereafter, analysis of the facts.

Fieldwork is necessary to understand the characteristics of a location and the immediate population, the competition that exists, the accessibility to the site and the potential visibility of a shopping centre.

Given that complexes are either "destination oriented", meaning specific trips are made to particular stores, or "shopping oriented" which involves shopping or browsing throughout the entire mall, information on the characteristics of a project's location and its target market would significantly influence its tenant mix.

Identifying the competition

A shopping centre's direct competitors are other centres of equivalent size and format. For example, the urban Mid Valley Megamall near Taman Seputeh in Kuala Lumpur would be up against Berjaya Times Square in KL's Jalan Imbi, while the suburban Sunway Pyramid would face the Mines Shopping Fair near Balakong.

The details that must be sized-up include analysis of the retailers' designs in each project, the gross lettable area, any complementary relationship that might exist between tenants and the anchor tenants, as well as the amount of cross shopping that takes place.

Establishing rental rates

An easy way to determine the rental rates in a new centre is to benchmark it against what similar retail centres are charging. Mind you, rents are sometimes not based simply on rental per square foot, but could also involve a percentage of turnover and even incremental rent reviews during

the course of a tenancy period.

Consumer research

An important part of market research entails studying the shopping patterns, preferences and habits of the consumers. Effective ways to acquire such information is to conduct interviews, analyse sales reports of purchasing trends, survey the vehicles of the patrons and even their home addresses which can be obtained during special events.

By examining the spending and consumption patterns, the position of a centre, and whether it is middle- or up-market, can be determined. It would also allow the owners to ascertain the suitability of merchandise and tenant mix and the type of marketing campaigns that will be needed to reach the desired consumer group.

Population and demographic figures

It is also useful to know the characteristics of the target market as this would help to formulate the most suitable retail concept, project accurate sales potential of the different

categories of retail merchants, and what merchandise price range would appeal to prospective consumers.

In order to do this, the demographics of the population must be established, especially their professions, incomes, and whether their homes are rented or owned. Such information may be gleaned from the Census Bureau and syndicated data houses.

Tenant selection through consumer research

There are three ways to gather customer information: through intercept surveys, telephone interviews, or focus groups.

Intercept surveys involves directly interviewing patrons and asking them what stores they patronise, their likes or dislikes of different shops and their preferred retail shops. Intercept interviews can be very exhaustive but only represents sample views.

Telephone surveys, meanwhile, can determine the opinions of customers and non-patrons of the complex and produce general results.

In focus group interviews, typically involving 10 customers or so, various aspects of tenant mix can be discussed in detail and will provide answers and observations relating to a complex's specific leasing/tenant mix. Focus groups do supply exceptional insights, though participation is limited.

Conclusion

It is obvious that detailed market research will provide a level of understanding that will lead to the creation of the most preferred tenant/merchandise mix.

Without it, there is no other option but to consider any tenant who is interested to park a business in the centre and pray that everything will work out for the better.

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