

https://dspace.org/

A multi-criteria decision making support in planning the retail tenant mix for community shopping centres in Johannesburg

Naidoo, Kevin

2017

https://hdl.handle.net/10539/24007

Naidoo, Kevin (2017) A multi-criteria decision making support in planning the retail tenant mix for community shopping centres in Johannesburg, University of the Witwatersrand, Johannesburg, <http://hdl.handle.net/10539/24007>

Downloaded from a DSpace repository. https://dspace.org/

A multi-criteria decision making support in planning the retail tenant mix for community shopping centres in Johannesburg

Master of Science in Engineering by advanced coursework and research: A research report submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Science in Building.

Kevin Naidoo

Johannesburg, 2017

DECLARATION

I declare that this research report is my own unaided work. It is submitted to the Degree of Master of Science to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination to any other University.

……

KEVIN NAIDOO

…….. day of ……..., ……

ABSTRACT

The purpose of this research is to develop a decision support that assists property professionals in the creation of a robust tenant mix for community shopping centres.

This research uses data collected from semi-structured interviews conducted with centre managers and industry executives which identifies then ranks factors critical to the creation of a robust tenant mix. Data was analysed using the Template Analysis Method that categorised and ranked factors based on participant feedback.

Property professionals place a premium on understanding the community in which the shopping centre operates, rent affordability, tenant variety as well as the design and leisure aspects of a centre when creating a robust tenant mix for community shopping centres in the Fourways node.

The research encompassed seven community shopping centres within the Fourways node and is limited to a decision support rather than a conceptual framework due to time and resource constraints.

Property professionals need to make strategic decisions that deliver a tenant mix capable of withstanding economic downturns therefore decision making cannot be based solely on prevailing rules of thumb or past professional experience. This decision support provides an additional mechanism in the strategic decision-making process of property professionals in the creation of a robust tenant mix.

DEDICATION

To my wife and children –

Anusha

Nichika & Eshanika

Your endearing love and support lives in my every breath.

ACKNOWLEDGEMENTS

I would like to thank Mr Graeme Jay for the guidance and support provided during the process. Your insight and articulation has formed the foundation on which this report is produced. You are truly an academic inspiration to all those you educate…none more so than me.

I further extend my deepest gratitude to the board and executive of Hyprop Investments Limited for the financial assistance granted over recent years. It has allowed me to grow personally, academically and professionally.

Finally, my thanks to the participants whose knowledge and expertise forms the pillars on which this research report is constituted.

TABLE OF CONTENTS

List of Figures viii

CHAPTER I: INTRODUCTION 9

1.1. PURPOSE OF THE STUDY 9
1.2. CONTEXT OF THE STUDY 9
1.3. PROBLEM STATEMENT 11
1.3.1. MAIN PROBLEM 11
1.3.2. SUB-PROBLEMS 11
1.4. SIGNIFICANCE OF THE STUDY 11
1.5. DELIMITATIONS OF THE STUDY 12
1.6. DEFINITION OF TERMS 13
1.7. ASSUMPTIONS 13
1.8. ORGANISATION OF STUDY 14

CHAPTER II: OPTIMISING TENANT MIX DECISION MAKING 16

2.1. INTRODUCTION 16
2.2. DEFINITION OF TOPIC OR BACKGROUND DISCUSSION 19
2.2.1. RETAIL STRATEGY 19
2.2.2. TENANT MIX 21
2.3. OBJECTIVE OF LITERATURE REVIEW 21
2.4. METHODOLOGY OF RESEARCH REVIEW 22
2.5. RESEARCH METHODS USED IN THE EXTANT LITERATURE 22
2.6. LITERATURE BACKUP TO ASSUMPTIONS 24
2.6.1. ANCHOR TENANTS HAVE THE BARGAINING POWER TO INFLUENCE TENANT MIX STRATEGIES. 24
2.7. LITERATURE QUESTIONS 25
2.7.1. HOW DOES VARIETY IN RETAIL TENANT MIX IMPACT SHOPPING CENTRE ATTRACTIVENESS? 25
2.7.2. HOW IMPORTANT ARE ANCHOR STORES TO THE TENANT MIX? 26
2.7.3. WHAT DECISION-MAKING PROCESSES DO RETAIL PROFESSIONALS FOLLOW IN ORDER TO MANAGE THE RETAIL TENANT MIX? 28
2.7.4. WHAT IMPACT DOES RETAIL FRAGMENTATION HAVE ON RETAIL TENANT MIX WITHIN EXISTING SHOPPING CENTRES? 30
2.7.5. HOW DOES TENANT MIX STRATEGY IMPACT SHOPPING CENTRE PERFORMANCE? 31
2.7.6. WHAT ROLE DOES CENTRE MANAGEMENT HAVE TO PLAY IN MAINTAINING OR ENHANCING THE QUALITY OF THE SHOPPING CENTRE? 32
2.8. FACTORS AFFECTING TENANT SELECTION 32
TABLE 2.1.: THE CLUSTERS AND THE FACTORS RELATED WITH PLANNING RETAIL TENANT MIX 33
2.9. RESEARCH QUESTIONS 35
2.9.1. WHAT FACTORS DO SHOPPING CENTRE MANAGERS CONSIDER WHEN SELECTING A TENANT FOR COMMUNITY SHOPPING CENTRES? 35

2.9.2. What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix? 35
2.10. Conclusion of Literature Review 35
2.10.1. Research Question 1: 36
2.10.2. Research Question 2: 37

CHAPTER III: RESEARCH METHODOLOGY 38

3.1. Research Philosophy 38
3.1.1. Ontology: 38
3.1.2. Epistemology: 39
3.1.3. Research Axiology 40
3.2. Research Design 42
3.2.1. The Qualitative versus Quantitative Decision 42
3.2.2. Methodological Choice 44
3.2.3. Nature of Research Design 44
3.2.4. Research Strategy 44
3.2.5. Population and sample 47
3.2.6. Sample and sampling method 49
3.3. The research instrument 50
3.4. Procedure for data collection 50
3.5. Data analysis and interpretation 50
3.6. Limitations of the study 52
3.7. Validity and reliability 52
3.7.1. External validity 53
3.7.2. Internal validity 53
3.7.3. Reliability 54
3.7.4. Research Planning 54
Table 3.1: Time-plan for Research Report 54
Table 3.2.: Consistency matrix 55

CHAPTER IV: RESEARCH FINDINGS 57

4.1. Introduction 57
4.2. Research Framework 57
4.2.1. Research Objective 57
4.2.2. Research Context 57
4.2.3 Participants 59
4.2.4. Interview Protocols 60
4.2.5 Template Analysis: A procedural account 61
4.3 Research Findings 62
4.3.1 Target market related factors 62
4.3.2 Financial factors 69
4.3.3 Retailor related factors 76
4.3.4 Shopping centre factors 80
4.3.5 What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix? 88
4.4 Factors retail professionals should consider in the tenant mix of community shopping centres 89
4.4.1 Target Market Factors 89
4.4.2 Financial Factors 90

4.4.3 RETAILOR RELATED FACTORS 92
4.4.4 SHOPPING CENTRE FACTORS 94

CHAPTER V: Summary and Conclusion 98

5.1 INTRODUCTION 98
5.2 SUMMARY OF FINDINGS 98
5.3 CONCLUSIONS 99
5.4 IMPLICATIONS OF THE STUDY 100
5.5 LIMITATIONS AND DIRECTIONS FOR FUTURE STUDIES 100
5.6 RECOMMENDATIONS 101

REFERENCE LIST 102

APPENDICES 106

A: RESEARCH QUESTIONNAIRE 106
B: ETHICAL CLEARANCE CERTIFICATE 107
C: ACQUIESCENCE FORM 107
D: CANDIDATE SUBMISSION FORM 107

List of Figures

Figure 2.1.: South African Shopping Centre benchmark countries 33

Figure 3.1.: Research Axiology Continuum..... 41

Figure 3.2.: Research Design Continuum 43

Figure 3.3.: Fourways Community Shopping Centres..... 47

CHAPTER I: INTRODUCTION

1.1. Purpose of the study

The purpose of this research is to develop a support mechanism that advances the decision making process that retail professionals follow in the creation of a robust tenant mix within community shopping centres in Johannesburg.

1.2. Context of the study

Community based shopping centres are defined as being between 12,000 sqm and 24,999 sqm and have anywhere between 50 and 100 stores; with an average primary trade area that is approximately three kilometres in radius. (Prinsloo, 2010) According to Prinsloo (2010), community shopping centres do not offer a full range of comparative tenants due to its relatively wider tenant mix.

Golosinski and West (1995), as cited by Eckert et al (2013), classify comparison stores as "those types of stores that cater to comparison shoppers on a multipurpose trip". The merchandise yields sufficient differentiation in terms of quality, price and retail offering that consumers will traverse the shopping centre in search of a bargain. (Eckert et al, 2013)

Community shopping centres therefore do not cater for the aforementioned consumer; they in fact target the "multipurpose shopper on a multipurpose trip." (Golosinski and West (1995), as cited by Eckert et al, 2013). This means that community shopping centres attract consumers who are not engaged in product search thus will not traverse the length and breadth of the centre in search of a bargain. It is for this reason that community shopping centres offer a wider tenant mix with limited offerings of stores that fall within the same retail category. (Eckert et al, 2013)

The relatively small nature of these shopping centres makes them vulnerable to failure when faced with intense competition and economic downturns. (Prinsloo, 2010)

Increased competition sees the dilution of the tenant mix and impacts the owner's ability to negotiate favourably with tenants (as tenants hold increasingly higher levels of bargaining power) which is a major factor in determining the tenant mix strategy for a retail centre. (Eckert et al, 2013)

Kirkup and Rafiq (1994) identified three main components of retail strategy:

- competition between shopping centres intensifies when the number of shopping centres increase;
- recessions negatively impact on the shopping centre's ability to manage its tenant mix profile; and
- a combination of the fact that consumer behaviour as well as the type of retailer change over time.

The management of the retail tenant mix is therefore of paramount importance to the attractiveness of shopping centres. (Teller, 2010)

Based on the extant literature above it is imperative that those who plan and manage the tenant mix of community shopping centres execute their decision-making in a manner that preserves the attractiveness of the retail environment. The tenant mix needs to ensure that the needs of a highly concentrated trade area are satisfied in a manner that differentiates the centre from its competition.

The focus area of this research is the Fourways node in the north-west of Johannesburg. This node currently consists of seven community shopping centres with a combined total gross lettable area (GLA) of 138, 060 square metres (sqm) within a five kilometre radius. (Harmse, N, personal communications, 24 November, 2015)

These community shopping centres are Broadacres Shopping Centre (24,150 sqm); Lonehill Shopping Centre (24,000 sqm); Dainfern Square (22, 000 sqm); Pineslopes Boulevard (21,248 sqm); Monte Casino (19,409 sqm); The Buzz Shopping Centre (14,291 sqm) and Fourways View (12,962 sqm). (Harmse, N, personal communications, 24 November, 2015)

Based on the definition posited by Prinsloo (2010); it can be seen that the aforementioned shopping centres encroach severely on each other's primary trade area from which one can infer intense competition for consumers and tenants alike.

The objective of this research is to categorise and prioritise factors that contribute to a robust tenant mix for community shopping centres within the north-western suburb of Fourways.

1.3. Problem statement

1.3.1. Main problem

The creation and management of retail tenant mix strategies are primarily based on professional experience and rules of thumb. (Hernandez, 2000; Eckert et al, 2013). Despite the contentions researchers have made about the critical nature of tenant mix to the success of a shopping centre, little literature exists to support retail professionals in their strategic decision making process. (Burnaz and Topcu, 2011)

1.3.2. Sub-problems

The sub-problem is that; limited research, about the various factors that retail professionals should consider when creating a retail tenant mix strategy, affects the tenant selection process. This is as a result of retail professionals not holistically considering the appropriate factors that influence the planned retail tenant mix. (Burnaz and Topcu, 2011)

1.4. Significance of the study

It is critical that property professionals entrusted with the task of creating a robust tenant mix for community shopping centres; identify and prioritise those factors that contribute to a successful tenant mix strategy. (Burnaz and Topcu, 2011)

For these relatively smaller centres an understanding of how these factors interact in order to deliver growth is of critical importance thus property professionals cannot place reliance on existing rules of thumb and past experience alone. (Eckert et al, 2013) Furthermore, there is a need to understand which factors should be prioritised under prevailing economic conditions in order to ensure the short term and long-term success of these shopping centres. (Burnaz and Topcu, 2011)

A need exists for a multi-criteria decision-making support in planning retail tenant mix for community shopping centres. (Burnaz and Topcu, 2011)

This study aims to provide a support mechanism that allows for enhanced strategic decision-making by property professionals, in the creation of a robust tenant mix. Adding to the knowledge base in this area promotes improved decision making when planning retail tenant mix strategies rather than a reliance on past experience and generic rules of thumb alone. (Eckert et al, 2013)

1.5. Delimitations of the study

- The effects of increased competition between shopping centres impact on tenant(s) location decisions are beyond the scope of the research.
- Sampling within the shopping centre will be limited to centre managers.
- The influence that BBBEE legislation has on the tenant selection does not form part of the research scope.
- Due to constraints in time and resource the creation of a framework is beyond the scope of this research and limited to a decision support.

1.6. Definition of terms

Retail tenant strategy - refers to the complexities involved in the creation of a coherent plan in order to develop a shopping centre that at a minimum meets the expectations of key role players. (Kirkup and Rafiq, 1994)

Retail tenant mix - “refers to a combination of factors, including the proportion of space and number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre”. (Kirkup and Rafiq, 1994)

Optimal - For the purposes of this research, the use of the word optimal is defined as being best possible or most advantageous in the context of a particular shopping centre rather than the notion that it is perfect.

Anchor tenant - “[. . .] an anchor store is a store that increases, through its name’s reputation, the traffic of shoppers at or near its location. Consumers, attracted by the anchor’s name, are likely to visit the location (“the mall”), and thus nearby stores’ sales and profits are increased by the presence of the anchor. Planned shopping malls have one or more department stores and multiple specialized retail stores in each commodity category.” Konishi and Sandfort (2003), as cited in, Damian et al (2011)

1.7. Assumptions

<u>Anchor tenants have the bargaining power to influence tenant mix strategies.</u>

Anchor tenant quality remains the cornerstone of any tenant mix strategy as they are the major attractive force for the majority of consumers to a shopping centre – the failure of an anchor tenant (who typically occupy up to 41% of GLA but only contributes to about 18% of total rental income, Shanmugam, (2013)) will almost certainly result in a significant drop in the number of consumers visiting the shopping centre thereby impacting on performance.

The empirical analysis shows that a greater presence of anchors in a mall directly increases the sales, and consequently the rents of non-anchor stores in a mall (Damian et al 2011).

Gatzlaff et al (1994), as cited in Eckert et al (2014), found that rental income from non-anchor stores fall by up to 25% in response to the loss of an anchor in a shopping centre.

In summary, prevailing market conditions are not conducive to decision-making based solely on rules of thumb and past experience and it is the objective of this research to provide property professionals with a decision support tool that aids their strategic decision-making when selecting tenants to form part of a tenant mix.

The Fourways node consists of seven community shopping centres that severely encroach on the primary trade areas of competing centres which creates intense competition for both consumers and tenants alike. A decision support allows property professionals to make rational (not emotional) decisions in a consistent manner.

1.8. Organisation of study

The aim of this section is to preview the remaining chapters that follow in this research paper.

Chapter II begins with an introduction to the concept of tenant mix and details its importance to the success of a retail shopping centre. The literature and research has long established that tenant mix is among one of the critical success factors in the retail shopping centre environment but little research delves into understanding what factors need to be taken into consideration when planning the tenant mix. The subsequent literature review discusses the various tranches (from seminal to recent literature) that researchers have followed and in doing so, highlights this lack of research. This chapter also looks into the variety of research methods used in this research area and culminates in the two research questions that this research aims to provide answers to.

Chapter III provides a thorough understanding of the research paradigm and takes the reader through the pillars of research philosophy (ontology, epistemology and axiology); research design (qualitative versus quantitative decision, research strategy and the sampling method, data collection and analysis); and concludes with a validity and reliability discussion and how these are obtained within the context of this research. This chapter is dedicated to providing the reader with an understanding of why the researcher chose a particular path in order to achieve the stated research objectives.

Chapter IV provides research findings and a discussion of these findings whilst relating this back to the existing literature. The research findings set the basis from which the conclusions (Chapter V) are drawn and ultimately leads to the creation of the decision support mechanism that retail property professionals can use to enhance their decision-making ability.

CHAPTER II: OPTIMISING TENANT MIX DECISION MAKING

2.1. Introduction

The concept of retailing (in its simplest form) has been around since man began to barter goods but the concept of shopping centres was first introduced during the 1920's in the United States of America (Burnaz & Topcu, 2011) with the first closed and climate controlled shopping centre being built in 1956 – Southdale Centre in Minneapolis. (Ingene, 2013)

Naturally then, retail has evolved over time from simple marketplace trading to a highly competitive economic activity. As with any economic discipline, it is susceptible to the rigours of supply and demand. (Rotem-Mindali, 2012)

Koeber (2011), as cited in Rotem-Mindali (2012), state that the demand side has seen an increased importance of shopping in recent decades whilst the supply side has seen improvements in the manner of its offerings in terms of structure, technology and location decisions.

Despite being a relatively young concept, a number of research perspectives have emerged – mainly from the geographic and marketing fields (and more recently from a social behavioural perspective).

From a geographical perspective, researchers are concerned with tenant location and spatial distribution (Rotem-Mindali, (2012); Yiu & Xu, (2012)) whilst from a marketing perspective, the marketing and financial success of a shopping centre is dependent on many factors: catchment size and quality, car-parking provision, internal layout and environment. (Kirkup & Rafiq (1994); Eckert et al (2014))

Among the main success factors [of shopping centres] suggested in previous studies is tenant mix. (Kirkup & Rafiq, 1994)

Researchers agree, it is widely recognized that the tenant mix of a shopping centre is critical for all stakeholders – consumers, retail tenants and the developer/landlord. (Kirkup and Rafiq (1994), de Bruwer (1997), Yiu and Xu (2012), Teller (2013), Shanmugam (2013) Eckert et al (2014), among others).

> "*Retail tenant mix refers to a combination of factors, including the proportion of space or number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre*". (Kirkup & Rafiq, 1994)

These factors work in combination with each other to deliver a uniform retail offering and are of equal importance to the main role players of a shopping centre, i.e. consumers, owners and tenants. (Kirkup & Rafiq, 1994)

Seminal research

Kirkup and Rafiq (1994) state that, securing an appropriate tenant line-up is critical to attract and retain customers as the image of a centre is largely determined by tenant mix. Research conducted in a South African context by de Bruwer (1997) looked at the importance of creating an ideal tenant mix in a newly developed shopping centre by canvassing the opinions of nearby residents of what they envisaged as the tenant mix for the centre prior to completion of the development.

The economic importance of tenant mix was investigated by Gerbich (1998) together with the influence of tenant type on base rentals and found a negative correlation between the two variables. In 1999, Mejia and Eppli investigated whether the tenant mix of dominant and non-dominant shopping centres differ and found that dominant centres outperform non-dominant centres in relation to its tenant mix by gradually increasing their relative market share over time.

Recent research

Current literature focuses on a number of different aspects of tenant mix. Yiu and Xu (2012) conducted research, using a bio-geographical analysis, into quantitative methods of determining and evaluating the effect of tenant mix on the performance of shopping

centres. According to the findings of Yiu and Xu (2012), tenant mix was limited by the physical size of the mall and that tenant location follows a particular geometric distribution.

Teller and Elms (2010) sort to identify those attributes which impact the attractiveness of shopping centres from a consumer perspective and found that retail tenant mix and atmosphere to be the two most important factors from their viewpoint.

Damian et al (2011) identified the importance of anchor tenants on the performance of shopping centres. Shanmugam (2013) investigated the positive externalities created from competition between anchor and non-anchor tenants within the same shopping centre. These findings are discussed in more detail in the literature review due to the importance of anchor stores to the community shopping centre.

Eckert et al (2014) researched the effect of tenant location as well as dispersion and clustering of tenants. Rotem-Mindali (2012) investigated the impact of retail fragmentation on city liveability and the impact of over-crowding and over-splitting of shopping centres.

Ingene (2014) in his review of the history of retail formats identified that major retail innovations entail a reconfiguration of retail tenant mix in order to remain competitive within a retail environment.

Notwithstanding the fact that there has been a gap in the research between 2000 – 2010; recent research has concentrated on a variety of aspects pertaining to the effect that retail tenant mix has on shopping centre attractiveness and performance.

By in large, there is agreement on the importance of tenant mix among researchers and there is a “belief among real estate professionals and academics that an “ultimate tenant mix” (including tenants’ locations) is discoverable”. (Carter & Allen, 2012)

The preceding preamble illustrates the critical role that retail tenant mix plays toward creating and maintaining a successful shopping centre, it could therefore be expected that property professionals have a clear and concise methodology to assist them in their decision making process when selecting a tenant for the shopping centre.

This however does not seem prevalent within the industry. Eckert et al (2013) contend that in fact property professionals place reliance on their past experience and prevailing rules of thumb that have been established over the years.

According to Eckert et al (2013) the prevailing rules of thumb include,

> *"clustering of stores of the same type, clustering of stores of different types, separation of certain store types, concentration of certain store types in high traffic areas, and concentration of certain store types in entrance areas." (*Eckert et al 2013)

Hernandez and Bennison (2000) confirmed that from a retailers' perspective decision making was based primarily on "personal experience and instinct" despite their being statistical modelling available at their disposal to assist them in their locational decision making process.

The extant literature surveyed exhibits no cohesive and comprehensive agreement on what factors or category of factors property professionals should consider in the tenant selection decision-making process. Consideration as to how these factors are categorised and ultimately which of these factors should be prioritised in order to create a robust tenant mix that is best suited for community shopping centres is critical to the decision making process. This contention, supported by the work of Burnaz and Topcu (2011), forms the focus of the literature review and subsequent research to follow.

2.2. Definition of topic or background discussion

2.2.1. Retail strategy refers to the complexities involved in the creation of a coherent plan in order to develop a shopping centre that at a minimum meets the expectations of key role players. (Kirkup and Rafiq, 1994)

Kirkup and Rafiq (1994) identified 3 main components of retail strategy, the first is that competition between shopping centres intensifies when the number of shopping centres increase; second is that recessions negatively impact on the shopping centre's ability to

manage its tenant mix profile and third is a combination of the fact that consumer behaviour changes as well as the type of retailer.

Based on the above, retail strategy takes into account multiple disciplines – economic theory with regard to the broader marketplace; marketing management in order to manage the profile of the shopping centres and consumer behaviour theory which delves into the psychological attitudes of consumers.

The debate and research has moved on from Kirkup and Rafiq's original wide ranging concept of retail strategy with current authors focusing on specific areas or sub-areas initially highlighted by these seminal authors. Their original work has been the breeding ground for much of the current literature into retail strategy.

Mejia and Eppli (1999) found that increased competition between shopping centres led to dominant and non-dominant shopping centres with dominant centres increasing market share. It was also found that non-dominant shopping centres fared worse in their tenant mix offering than dominant shopping centres all of which affected their ability to raise future finance necessary to enhance their competitive positions. (Mejia & Eppli, 1999)

Ingene (2014) believes that retail strategy is intertwined with retail structure. Tenant mix varies from one format to another because of environmental facilitators, the existence of a financial condition for the retailer to remain operational and welfare condition such that consumers are willing to shop at a shopping centre. (Ingene, 2014)

Retail is a consumer of space and affects the perception of quality of life within cities. Too many retail offerings affect accessibility and mobility of residents within an area. Residents who ultimately are the very consumers an owner aims to entice into the shopping centre. (Rotem-Mindali, 2012)

Following on from this is that consumers face transportation costs which affect their decisions about which shopping centre to visit but consumers also face transportation costs within a shopping centre. (Eckert et al, 2013)

Dependant on the nature of a consumer's visit to the shopping centre, the consumer might only shop in a selected area of the shopping centre but not be willing to travel to the other end of the mall for comparison shopping if it is deemed too far to travel. (Eckert et al, 2013)

In this instance the travel cost exceeds the benefit and the internal layout of the shopping centre plays a key role in retail strategy.

2.2.2. Tenant mix as defined by Kirkup and Rafiq (1994)

> *"refers to a combination of factors, including the proportion of space and number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre"*

Yiu and Xu (2012) emphasized that the importance of retail tenant mix has increased due to the success of shopping centres, especially when considering that an increase in the one-stop shopping trend has emerged.

Teller and Elms (2010) highlighted tenant mix as one of the three most important factors attributable to the attractiveness of a shopping centre (along with accessibility and parking conditions).

The appropriate tenant mix within a shopping centre not only attracts consumers but is critical in ensuring that those consumers are then retained. (Kirkup & Rafiq, 1994)

Kirkup and Rafiq (1994) further highlight that the synergy created by the tenant mix not only leads to the success of individual tenants but to the centre as a whole.

2.3. Objective of Literature Review

The overarching objective of the literature review is to generate further in-depth understanding of the decision-making process property professionals' follow in the creation of a robust tenant mix. The review that follows is a critical analysis of the extant literature; achieved by illustrating the tranches of research undertaken and the variety of perspectives from which the tenant mix of shopping centres is researched internationally.

Limited studies exist in a South African context, with de Bruwer (1997) being the seminal research within a South African context.

The primary aims of the literature review are to identify which factors have been identified in the extant literature internationally as being critical to the creation of an optimal tenant mix and which of these factors property professionals prioritise in their decision-making process.

The objective ultimately is to categorise identified factors critical to community shopping centres, within a South African context, and assign priorities to factors within the relevant categories in order to create a decision support mechanism that can assist property professionals in the strategic decision-making process of creating a viable tenant mix.

2.4. Methodology of research review

The methodology is aligned to the research objectives in that the extant literature is dissected into the different tranches of research.

A list of the various authors is categorised (much like a tenant mix) into each tranche of research and ultimately the key authors of research into retail tenant mix and the creation of an optimal tenant mix will be isolated.

The approach is effective as it highlights deficiencies prevalent in the current literature and provides the platform from which the research will proceed. This forms the basis of the literature review that follows.

2.5. Research methods used in the extant literature

In 1994, Kirkup and Rafiq used already existing survey data on new in-town shopping centres and identified that they were already struggling to secure leases both in terms of quantity and quality. A detailed case study of one of these in-town shopping centres revealed how a changing market prevalent at the time, due to suburbanisation of the population, had led to “slow rates of growth, fluctuating tenancies and fluctuating

occupancy levels, frequent tenant-failure and variations in tenant mix." (Kirkup & Rafiq, 1994)

In 1997, Bruwer conducted empirical research using a purpose built research methodology in order to determine the ideal tenant mix for a shopping centre that was to be built. The research was conducted using a questionnaire so that in-depth interviews could be conducted with residents (stratified random sampling technique was applied for the selection) within the shopping centre's catchment area.

The findings of Des Rosiers et al (2011), as cited in Carter & Allen, (2012), found that concentration of store types leads to lower rentals at a point in time. Carter & Allen (2012) believed that finding the right number of same category stores and ideal distance that they should be set apart within the shopping centre would lead to the answer for the optimal tenant mix.

Armed with tenant lease and location data within a number of shopping centres, Carter & Allen (2012) used descriptive statistics and divided tenants into various categories in order to calculate the mean rent and mean number of stores per category; as well as the mean distance that each category of store was located from the centre of the hypothetical I-shaped shopping centre.

Eckert et al (2013) used descriptive statistics in order to ascertain which spatial features would lead to the most dominant economic incentive in store location decision making. Using the information from this, they then conducted a two-tail hypothesis test in order to "test for significance of the difference in store composition among stores near and far away from entrances".

Eckert et al (2014) investigated whether an anchor tenant had the bargaining power to influence which stores an owner chooses as its neighbour(s). Through use of econometric analysis – a regression model was used to investigate this theory.

Shanmugam (2013) through use of game theory, tested a number of probabilities using hypothesis' to determine which anchor quality level a shopping centre should choose in its tenant mix offering which sets the tone for the remainder of the tenant mix.

Teller and Elms (2010) in search of what factors are attributable to the attractiveness of shopping centres used hypothesis tests of survey data collected from different retail agglomerations.

Burnaz and Topcu (2011) highlighted the fact that "there are several and conflicting factors with planning retail tenant mix" and so used extensive interviews of top executives to ascertain which factors are deemed critical and incorporated into retail tenant mix strategies. The proposed framework used a matrix to determine which factors need to be considered and proposed a list of priorities by ranking the importance of each factor.

2.6. Literature backup to assumptions

2.6.1. Anchor tenants have the bargaining power to influence tenant mix strategies.

Damian et al (2011) define an anchor tenant according to the definition proposed by Konishi and Sandfort (2003),

> *"[. . .] an anchor store is a store that increases, through its name's reputation, the traffic of shoppers at or near its location. Consumers, attracted by the anchor's name, are likely to visit the location ("the mall"), and thus nearby stores' sales and profits are increased by the presence of the anchor. Planned shopping malls have one or more department stores and multiple specialized retail stores in each commodity category."*

Eckert el al (2014) examined the effect of anchor stores' bargaining power have on the owner(s) ability to manage its tenant mix. It was found that it is possible for anchor stores to influence which tenants are selected as its neighbours.

Anchor store importance to the success of shopping centres emanates from the fact that they are a major attractive force for consumers to visit the centre. (Eckert et al, 2014) Further support of this contention is presented by Damian et al (2011) who confirm that the "greater the presence of anchor stores directly increases sales and consequently the rents of non-anchor stores".

Rentals close to anchor stores elicit higher rentals due to increased traffic volumes. (Eckert et al, 2014) Conversely, it could also lead to intensive competition between the anchor store and non-anchor store leading to lower sales and profits for the anchor store. (Eckert et al, 2014)

Eckert et al (2014) explained that this issue leads to the use of relative bargaining power in lease negotiations if the anchor store and owner's interests are not aligned.

2.7. Literature Questions

2.7.1. How does variety in retail tenant mix impact shopping centre attractiveness?

The concept of variety being critical to the creation of an optimal tenant mix is confirmed by Carter and Allen (2012). According to Carter and Allen (2012) too many stores of one category "will have a negative impact on mall economics since it will create a[n] ultra-competitive environment that spreads a limited number of sales across a large number of stores".

In order to add to the knowledge base of the optimal tenant mix the number of stores of the same type and distance between these stores would need to be determined as this would enable the shopping centre owner to plan objectively the tenant location decision and how many stores of the same type should be included in the tenant mix. (Carter & Allen, 2012).

According to Carter and Allen (2012) "One way to determine the 'best' location of stores in shopping centres' would be to treat the matter as an optimization problem."

Eckert et al (2013) investigated the internal composition of 90 shopping centres in the five western most provinces of Canada. The store location patterns within each shopping centre were examined in order to ascertain the transportation costs incurred by shoppers. (Eckert et al, 2013)

According to Eckert et al (2013) a transportation cost within a shopping centre refers to the distance consumers are willing to travel during their visit to a shopping centre. The maximum distance a shopper is willing to travel per visit is dependent on the whether the visit is multipurpose or not. (Eckert et al, 2013)

Eckert et al (2013) concluded that, “it seems that the locations of different types of stores are determined according to different considerations.”

A UK survey of over 1 000 consumers of different retail formats (strip centre, town centre and regional shopping centre) identified tenant mix as a critical factor in retail agglomeration among different formats. (Teller & Elms, 2010)

Teller and Elms (2010) contend that the composition of the tenant mix represents “the range of possibilities to satisfy consumer wants and needs”.

2.7.2. How important are anchor stores to the tenant mix?

A study in Hong Kong by Yiu & Xu (2012) posited that there are no scientific models in place that can be used in the determination of an optimal tenant mix. Yiu & Xu (2012) attempted to “identify the relationship between the size of a shopping mall and the number of trades (i.e. the tenant mix) in the mall…”

According to Yiu & Xu (2012) the model establishes two fundamental principles or constrains in tenant mix strategies:

(1) the maximum number of tenant species is limited by the mall size;

(2) the distribution of shop sizes is governed by a geometric distribution.

The results implied that the biggest anchor tenant would occupy about 25 – 35 percent of the total lettable floor area of a mall (Yiu & Xu, 2012).

With anchor tenants occupying so much of a shopping centre’s lettable space, a study by Shanmugam (2013) conducted across the United States and Canada investigated “Which

anchor tenant quality level should the profit maximising developer choose?" (Shanmugam, 2013).

Shanmugam (2013) used a game theoretic approach which concluded that –

i. An increase in anchor quality results in greater traffic.

ii. An increase in non-anchor fit probability causes mall traffic to increase and then decrease, i.e. the relationship is positive and concave (inverse U-shaped).

iii. An increase in anchor quality results in greater profits for each store.

iv. An increase in non-anchor fit probability causes non-anchor profit to increase, but causes anchor profit to increase and then decrease, i.e. the relationship is positive and concave (inverse U-shaped).

v. An increase in non-anchor fit probability causes the relative attractiveness to the developer of the high anchor quality level to increase and then decrease, i.e. the relationship between that variable and non-anchor fit probability is positive and concave.

A study across Portugal and Spain encompassing 35 shopping centres owned by a single company found (similarly to the findings of Yiu & Xu (2012)) that anchor stores account for 41% of the Gross Lettable Area (GLA) but on average account for only 18% of total rental income. (Damian et al, 2011)

Anchor stores are an important factor in determining the effectiveness of a shopping centre. (Damian et al, 2011)

This tranche of research investigated the importance of the anchor store on the performance of shopping centres and all similarly concluded that the anchor store has a significant role to play in the tenant mix of any shopping centre. As anchor stores occupy approximately one third of GLA within shopping centres and enjoy significant rent reductions they place the burden of shopping centre performance on the non-anchor stores. (Damian et al, 2011)

According to Damian et al (2011), it is not clear from the extant literature how the anchor store contributes to the optimal tenant mix. Damian et al (2011) posited that two aspects need further investigation -

i. The larger the anchor store(s) the larger the variety of its offering – some of those offerings will permeate and thus duplicate the offerings posited by non-anchor tenants. Further research is required into this contention, as it is likely that the non-anchor cannot compete on price with the anchor store due to the economies of scale enjoyed by the anchor tenant.

ii. Impact of the GLA usurped by the anchor store(s) limits the remaining GLA for non-anchor stores thus reducing the owner's ability to add further variety in the search of an optimal tenant mix.

2.7.3. What decision-making processes do retail professionals follow in order to manage the retail tenant mix?

The selection of tenants by shopping centre management is by in large based on professional past experience and rules of thumb prevalent in the industry. (Eckert et al, 2013)

Ingene (2014) argues that environmental changes within retail allows for creative management of the tenant mix in ways that benefits consumers and the retail format. The critical point is that centres need to offer a wider selection to the consumer in a manner that saves consumers time. (Ingene, 2014)

Eckert et al (2013) listed the following factors that are considered by centre management in deciding where to locate a tenant within a shopping centre –

<u>Comparison versus multi-purpose shopping consumer</u>

Comparison shopping allows consumers to lower their costs by searching for products or services at the lowest offered prices within the shopping centre whilst multi-purpose shoppers incentivise the grouping of complementary stores being located closely together

thus satisfying the consumers need to get a variety of goods while enjoying positive transportation costs within the centre. (Eckert et al, 2013)

Traffic flow

According to Eckert et al (2013), tenant location can influence where consumers travel inside the shopping centre. Anchor stores play a vital role herein as they can drive sales of non-anchor stores. The use of promotions can also assist tenants who may not be fashionable or well known to the consumer to increase the brand awareness. (Leischnig et al 2011)

Negative externalities

Eckert et al (2013) suggest that stores that impose negative externalities on each other should be placed further apart, for example placing a nail bar next to a restaurant will deter consumers from patronising their offering as a result of acetone emissions into the air as well as creating a possibly health risk.

Competition

It is established within the extant literature that competition between stores selling similar products increases as the distance between them decreases. (Eckert et al, 2013)

If the aim of the centre manager is to create retail environment that encourage comparison shopping, then the above is in direct conflict with that objective.

The centre manager needs to balance consumers' needs with that of the tenant and create spatial alignment between the tenants that allow for healthy competition without cannibalising sales. (Eckert et al, 2013)

Despite the research conducted by Eckert et al (2013) and the list of factors outlined in their research, detailed above, the spatial configuration of tenants within a retail environment is but only one aspect to consider when selecting and locating a tenant for a shopping centre.

Wittig (2010) contends that a retail environment facing increased competition leads to the crowding out effect, as highlighted by Rotem-Mindali (2012), and that retailers have sort to increase the space they lease in order to reduce the number of tenants within the shopping centre.

The created effect is it reduces the variety on offer, which is in direct conflict with current consumer trends. This places strain on the shopping centre management to maintain a tenant mix that attracts consumers and potential future investors alike. (Wittig, 2010)

With the current trend of “going green” by shopping centre owners, retailers and shopping centre management need to adapt their retail strategies to the changing environment. This is in order to ensure that the tenant mix remains robust in order to prevent consumers from switching to other competing shopping centres. This can lead to declining rents and a shift in bargaining power away from centre management toward the tenant. (Wittig, 2010)

Wittig (2010) also concur that retail strategies need to be developed in order to overcome the challenging and ever-changing retail environments rather than placing reliance on intuition.

2.7.4. What impact does retail fragmentation have on retail tenant mix within existing shopping centres?

According to Rotem-Mindali (2012) retail environments are consumers of space but simultaneously an important revenue stream for municipalities; who often compete vigorously for retail development with neighbouring municipalities.

This intensity of competition was found to lead to over-splitting and overcrowding in Israel, which may have led to shopping centres being developed in locations that result in their failure. (Rotem-Mindali, 2012)

Modern retail markets are “increasingly subdivided and fragmented”. This has seen an increase in competition for both tenants and consumers alike. (Rotem-Mindali, 2012)) As a result of increased competition for tenants, smaller shopping centres are more susceptible to the rigours of supply and demand as they don’t possess the bargaining

power – a powerful tool in lease negotiations – to attract the necessary tenants that will provide them with an optimal tenant mix. (Eckert et al, 2014)

With growing suburbanisation, accessibility is a major consideration in development of a shopping centre which leads to a “sprawl of retail locations along major suburban roads” resulting from enhanced mobility through the increasing use of private vehicles. (Rotem-Mindali, 2012)

Shopping centres are designed with the aim of satisfying a predetermined market size and with community shopping centres, serving a relatively small catchment area the implication is that they will typically be less flexible due to size constraints as well as local planning constraints. (Rotem-Mindali, 2012)

If the shopping centre is not as flexible as larger centres with regard to the management of the retail tenant mix, then they will not be as adaptable to change leading to a likely extinction. (Rotem-Mindali, 2012)

2.7.5. How does tenant mix strategy impact shopping centre performance?

According to Gerbich (1998) retail tenant mix is an important contributor to the financial success of the shopping centre. It is generally accepted that shopping centres consist of two types of tenants – anchor and non-anchor with anchor tenants drawing the consumer to the shopping centre which non-anchors benefit from. (Gerbich, 1998)

In his analysis of 293 New Zealand community shopping centres, each category of tenant has an important role to play within the shopping centre’s micro environment. (Gerbich, 1998)

According to des Rosiers (2011) tenants with chain-store affiliations can command up to 4.5% reduction in rental rates compared to those without affiliation.

This should be considered carefully when selecting these types of tenants as part of the tenant mix as they do provide the shopping centre with lower risk of default on rental payments leading to financial stability of the centre. (des Rosiers, 2011)

2.7.6. What role does centre management have to play in maintaining or enhancing the quality of the shopping centre?

Centre managers have the important role of not only looking at maximising profits based on obtaining the highest rental for a specific space to be let and they should consider how a potential tenant will enhance the tenant mix through adding variety and enhanced consumer experience. (Gerbich, 1998)

Roberts et al (2010) contend that centre management activities have a role to play and impact retailers. The role of centre management is to ensure that all tenants' goals are advanced to the benefit of tenant and shopping centre alike.

Fisher and Lentz (1990), as cited by Roberts et al (2010), argue that all stakeholders have a role to play in ensuring that "common goals" are attained but it is centre management that are ultimately responsible for the good management of the retail tenant mix.

Roberts et al (2010) found that trust between retailers and centre management played a key role in advancing the quality of the shopping centre with tenants of smaller centres placing an emphasis on the flexibility and responsiveness of centre management as vital to the relationship.

2.8. Factors affecting tenant selection

According to the research of Burnaz and Topcu (2011) conducted within a Turkish environment there are "several and conflicting factors" to consider in the tenant selection decision-making process.

The information illustrated in the below graphic, Turkey is seen as an emerging economy that is used by the South African Shopping Centre industry to benchmark against.

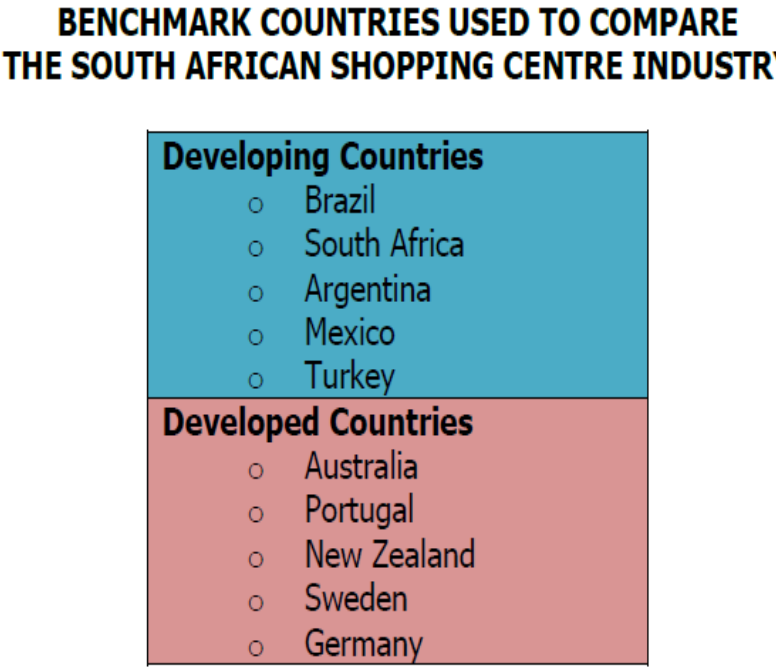


Figure 2.1.: South African Shopping Centre benchmark countries

[Source: Prinsloo (2010)]

Burnaz and Topcu (2011) formulate the following table as being a comprehensive list of factors that need to be accounted for in creation of an optimal tenant mix.

Table 2.1.: The clusters and the factors related with planning retail tenant mix

A. **Target Market Related Factors**
A.1. Creating variety in shopping mall with its product offer
A.2. Contributing to the concentration on core product categories
A.3. Satisfying the needs of the shopping mall's target consumers
B. **Financial Factors**
B.1. Ability to afford renting cost in the shopping mall
B.2. Sales revenue per square meter
B.3. Costs caused by the bargaining power of the retailer

C. **Retailer Related Factors**
C.1. Bringing several brands to shopping mall
C.2. Creating additional traffic inside the shopping mall
C.3. Carrying credible brands in its retail mix
C.4. Awareness of the retail store brand
D. **Shopping Mall Related Factors**
D.1. Being compatible to tenant mix of the shopping mall
D.2. Contributing to the shopping mall image
D.3. Being an anchor store for the shopping mall
D.4. Being an upscale store targeting higher segments

[Source: Burnaz and Topcu (2011)]

Based on the above the research posited by Burnaz and Topcu (2011), the factors identified within a similar economy, like Turkey, show the wide ranging considerations centre management need to consider when selecting a tenant within the South African context.

The vast array of factors that are considered in their research goes to show the fallacy that exists in being very reliant on rules of thumb and past experience.

Burnaz and Topcu (2011) highlighted the main limitation of their framework is that it requires validation in a multi-cultural context. The South African retail environment provides exactly such a context and with limited research undertaken in this area it provides local researchers with the opportunity to test the importance of these factors.

Doing so can deliver a proposed decision support for centre management in their search for the creation of a robust tenant mix for a South African community shopping centre.

2.9. Research Questions

2.9.1. What factors do shopping centre managers consider when selecting a tenant for community shopping centres?

Little research on this exists in the context of a South African community shopping centre. The categories identified by the Burnaz and Topcu will be used to answer this empirical question. It is the crux of the research to follow as it forms the backbone of the decision making support that will enhance centre managers' ability to make decisions that are more strategically informed.

2.9.2. What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix?

Based on the factors identified in the research question above, each factor within the specified category will be ranked by importance which will enable the creation of the decision support that the research aims to achieve.

2.10. Conclusion of Literature Review

Whilst the importance of retail tenant mix has been subject to much international research very little is known about the factors that lead to an optimal tenant mix. The importance of identifying critical factors allows for more objective and rational selection of tenants for the community shopping centres' tenant mix; rather than the use of rules of thumb methods prevalent in the industry or professional experience. Furthermore, applying knowledge of international research to the local setting provide owners with a list of factors and their importance within a local context.

It is clear from the extant literature that there are two schools of thought on best tenant mix strategy for shopping centres– one believes that the anchor store plays a critical role in directing the tenant mix whilst others believe that the internal layout, which are driven by spatial distribution of tenants, is more important to the tenant mix conundrum.

Whilst each looks at the specific factors affecting a shopping centre's tenant mix and its impact on the creation of an optimal tenant mix very little research exists on the decision-making process of property professionals in creating a robust tenant mix. There exists a need to assist property professionals in creating a mechanism that shifts the decision-making process away from the prevailing rules of thumb and a reliance on experience alone. The additional benefit is that new entrants entering a career within the property industry will have a 'handbook' on which to place reliance as they have neither the past experience nor knowledge of the prevailing rules of thumb to refer to when creating a robust tenant mix.

The framework created by Burnaz and Topcu (2011) provides the most extensive and comprehensive literature regarding the categorisation of factors and provides a manner in which to prioritise factors deemed critical to the creation of a robust tenant mix.

This research aims to replicate, in part, the work conducted by Burnaz and Topcu and apply it in the context of the Fourways community shopping centre.

2.10.1. Research Question 1:

What factors do shopping centre managers consider when selecting a tenant for community shopping centres?

The objective of the research question is to identify the various factors that retail professionals need to consider when creating a strategic tenant mix for community shopping centres within Fourways. It is posited that the list of factors that emanates from the research will further assist retail professionals to shift from the clearly evident rule of thumb and experience driven decision making process that currently drives this strategic decision-making process.

2.10.2. Research Question 2:

What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix?

The second research question allows for a thorough understanding of which factors should be prioritised within the specific context of the study. A reliance on past experience and rules of thumb alone cannot guarantee that strategic decisions are taken with the appropriate considerations being factored into the decision-making process.

Successful resolution to the above research questions leads to the broader aim of creating a decision support system for retail professionals against which decision-making can be postulated.

It provides a mechanism for retail professionals to understand which factors are to be prioritised within the decision-making process.

CHAPTER III: RESEARCH METHODOLOGY

3.1. Research Philosophy

3.1.1. *Ontology:*

According to Saunders et al (2012, pp131), researchers have a particular view of the world that is either objective or subjective. The research objective requires that the researcher elicit from participants their understanding of factors (subjective) as well as the priority they assign to them (subjective) in order to create a decision support (subjective).

Positing the research into the positive ontology limits research to a highly structured, rule based approach that does not allow the researcher an opportunity to understand the content, provided by the participant, in a contextual manner. Morten (2016) contends that interactions between parties do not occur in a vacuum. Parties involved are not only interacting with each other but within a context. Objectivism represents the position that the participants are external to the factors, i.e. that the property professional selects from a prescribed list of absolute factors in order to create an optimal tenant mix. Saunders et al (2012, pp131).

The research does aim to provide property professionals with a decision support that is objective but it is within a context that the property professional has an additional tool to guide decision-making. It is not the aim of this research to provide the property professional with a boundary within which to make those decisions.

As detailed in the extant literature, property professionals ascribe subjective meaning to the decision-making process. As such, the research objectives align with a subjective ontological view. According to Saunders et al (2012, pp131) decision-making is based on one's own frame of reference and is thus relative and not absolute. It is relative because property professionals make decisions within an environmental context and so when faced with the same scenario under differing situations may make mutually exclusive choices.

Morten (2016) recognised that the dynamics of business interactions are conditioned by prior experience and future expectations.

3.1.2. *Epistemology:*

The research objectives position the research philosophy along a continuum between the interpretivist and pragmatist epistemological spheres.

A review of the research objective: The research objective requires that the researcher elicit from the participants their understanding of factors (interpretivism) as well as the priority they assign to them (interpretivism) in order to create a decision support.

The first objective of the proposed research is to understand which factors retail professionals consider in the decision-making process. According to Saunders et al (2012, pp 137), interpretivism allows the researcher an opportunity to look at a problem from another person's point of view and that it is "highly appropriate in the case of business and management research, particularly in such fields as organisational behaviour, marketing and human resource management". Easton (2010) believes that critical realism is the most appropriate epistemological sphere in conducting research concentrated on organisations and their interconnected relationships but concedes that it is less suited to a study of individuals and/or their behaviour. In particular, case study research concerned with determining causality predisposes itself to a critical realist epistemology.

The objective of this research is not to understand the cause and effect relationship between the factors property professionals choose to consider and the effect they ultimately have on the tenant mix of a community shopping centre. As such, the critical realist's (and realism as a whole) epistemological stance will not be adopted.

The remaining objective is to understand the priorities that individuals assign to the factors they consider in the tenant mix strategy employed at these community shopping centres. Therefore, the researcher must understand that as employees of an organisation; interpretivism acknowledges that employees are "not just rational beings" but rather "construct a reality based on their understanding of a situation." (Greeff, 2015)

In so doing, Greeff (2015) contends that interpretivism allows for a “holistic understanding” of a phenomenon. Neher (1997); Yanow and Ybema (2009), as cited in Greeff (2015), state:

> *“Those following an interpretivistic approach in organizational settings would thus endeavor to discover and comprehend the understanding and meaning created by these individuals, and in so doing seek to understand the social context in which this meaning is produced.”*

Saunders et al (2012, pp134) consider a positivist approach to be value-free thus “the emphasis will be on quantifiable observations that lend themselves to statistical analysis”. This approach will tend toward hypothesis testing in order to either accept or fail to reject data collected and analysed.

According to Sutherland (2016) the prevalence of positivists in the management information systems research sphere are mainly concerned with an “objective reality which can be understood by identifying unidirectional cause-effect relations and rules not bounded in context and time.”

As with critical realism this research is not aimed at examining the cause and effect relations between factors within tenant mix strategies but rather importantly the research is bounded in context and time thus a positivist approach to the research is not conducive to the objectives of this research.

3.1.3. *Research Axiology*

The extant literature exposed a lack of research into the factors that retail professionals should consider and prioritise in the tenant mix decision-making process. As such, the objective from a paradigm perspective is to generate theory. According to Saunders et al (2012, pp144) the choices exist on a continuum between deductive, abductive and inductive approaches. It is further posited that deduction develops theory through rigorous testing of the premises to “explain causal relationships between concepts and variables” whilst induction is “concerned with the context in which events are taking place”. An

abductive approach being somewhere between the two aforementioned approaches with one generally being more dominant than the other. (Saunders et al, 2012, pp146)

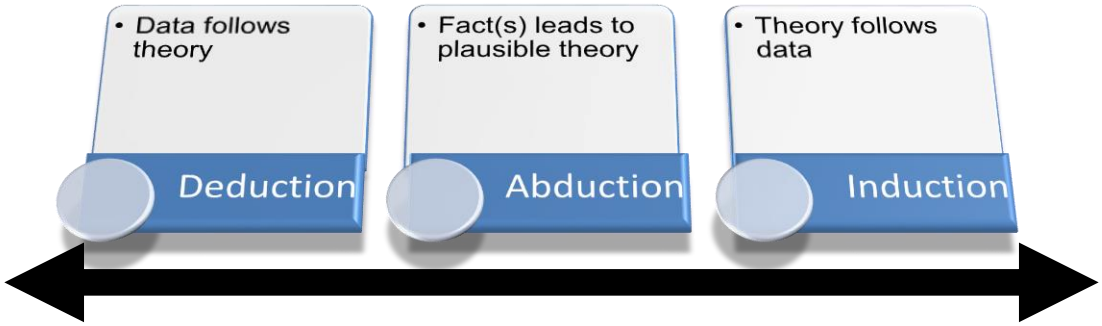


Figure 3.1.: Research Axiology Continuum

[Source: Saunders et al (2012) pp 146]

In order to determine which research paradigm is best suited to the current research, research questions are applied to each of the paradigms to determine which paradigm befits the stated research objectives. This is done in order to create a strong foundation and research construct on which the subsequent research design is formulated.

Applying the deductive paradigm to the research questions would require that the premise be well grounded in the theory (that is to say, factors that research professionals consider and prioritise is established). Using deduction, the objective of the research would then be to test whether these factors and the priorities given to them actually lead to an optimal tenant mix. This is not aligned with the current research objective thus not the optimal research paradigm to be used based on the defined research objective.

Applying an abductive paradigm to the research questions require a researcher to incorporate existing theory (such as with the framework created by Burnaz and Topcu) and test the framework within a South African context using a combination of inductive techniques initially and testing the outcomes deductively. This research paradigm will assist in the creation of a framework, which as stipulated in the limitations of the current research is beyond the scope and limited to a decision support.

As discussed in section 3.1.2. the research epistemology is largely within the interpretivist epistemological sphere therefore the research paradigm must be aligned in accordance to an interpretivist epistemology which is to create holistic understanding within the context under which the research is created. (Greeff, 2015)

According to Ozcan and Eisenhardt, (2009, pp249), as cited in Leoni (2015), “inductive studies are especially useful for developing theoretical insights when research focuses on areas that extant theory does not address well.”

The research objective and limitations direct that the research be conducted in an inductive manner so that an understanding of what factors retail professional consider in the decision-making process and the assigned prioritises are understood within the context of the Fourways community shopping centre.

3.2. Research Design

3.2.1. *The Qualitative versus Quantitative Decision*

Research design generally refers to the manner in which the researcher will go about answering the research question, Saunders et al (2012, pp 159) or as Holt and Goulding (2014) conceptualise, the way research is performed from which they introduce the continuum represented in the figure to follow.

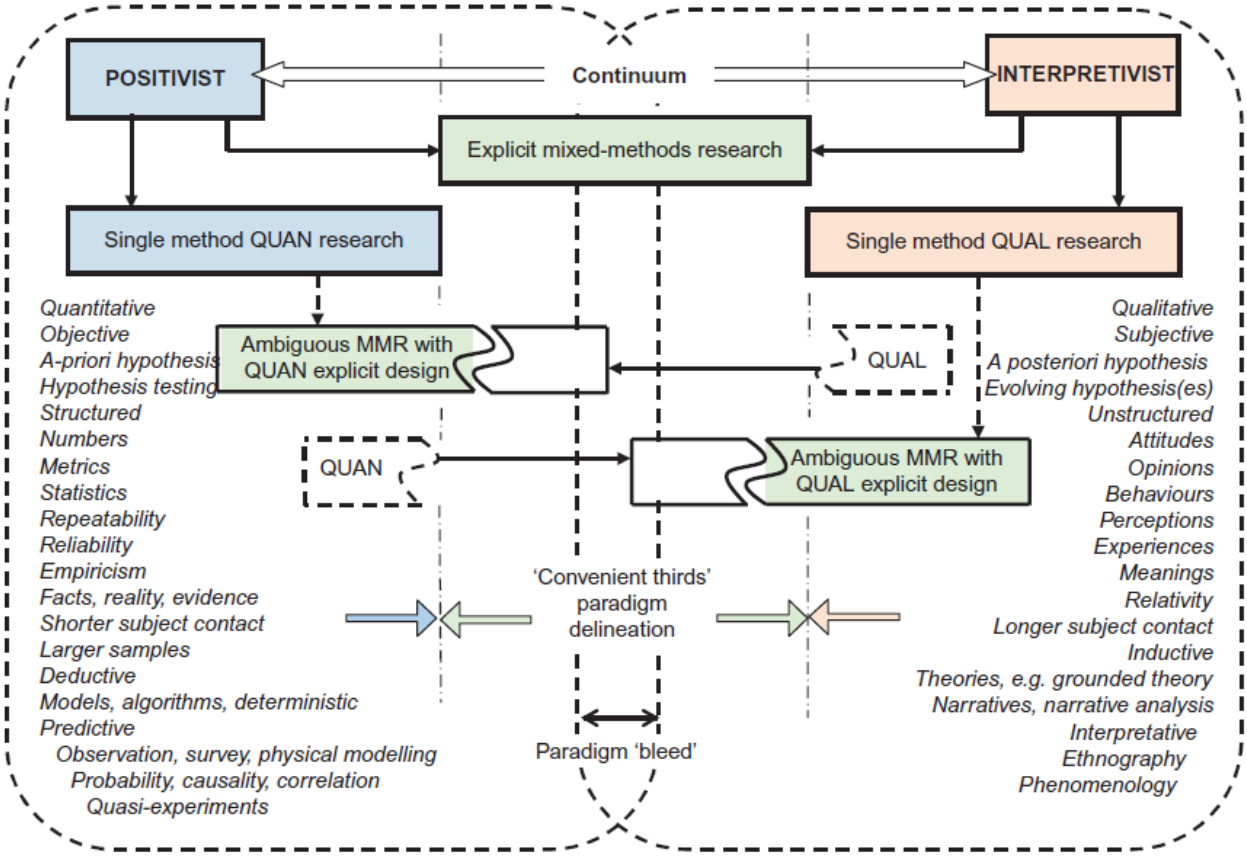


Figure 3.2.: Research Design Continuum

[Source: Holt and Goulding (2014)]

Holt and Goulding (2014) conceptualise that all research design be driven by the researchers' epistemological choice with positivism and interpretivism creating the extremities of research design. As concluded earlier in this paper, the current research is conducive to an interpretivist epistemology and as such directs the research design into the qualitative half of the continuum. Denzin and Lincoln (2005), as quoted in Saunders et al (2012, pp163), concur that an interpretivist epistemology is associated with qualitative research because researchers attach subjective meaning to the research.

This research focuses on extracting subjective meaning derived from the research thus aligns itself to a qualitative research methodology.

3.2.2. *Methodological Choice*

Researchers following a qualitative research approach face two main methodological options in the next step of research design – mono-qualitative or multiple methods (Holt and Goulding, 2014). The latter provides the researcher with an opportunity to create contextual depth by exploring the extant literature further as well as extracting data from interviews.

Holt and Goulding (2014) contend that use of multiple methods involve integration of different methods within the constraints of either a quantitative or qualitative research methodology.

3.2.3. *Nature of Research Design*

Saunders et al (2012, pp171) provide a discussion around the nature or purpose of research. The authors suggest that the research question will inevitably involve that the researcher conduct research in either an exploratory, descriptive or an explanatory manner.

Given the nature of the research questions, the natural selection is to conduct the research in an exploratory manner in order to “gain insights” into research problems through a number of methods. According to Saunders et al (2012, pp171) these include searching literature, expert interviews and in-depth individual interviews.

3.2.4. *Research Strategy*

A multimethod qualitative study wherein interviews conducted with property professionals and theory triangulation (of the extant literature) is analysed and interpreted allows for thorough consideration of the research problem. Interviews with centre managers and industry experts are to be conducted in order to identify which factors are critical to the tenant mix of community shopping centres. The research strategy best suited for this type of data collection and analysis is a case study, as according to Saunders et al (2012) research is conducted within a context. According to Yin (2009), as cited in Saunders et

al (2012, pp179), case studies are particularly useful in instances where the researcher(s) want to “gain a rich understanding of the context” and uses multiple methods of data collection which is what is envisaged in the proposed research.

Due to time constraints, a cross-sectional study as opposed to a longitudinal study proves more prudent, coupled with the idea that interviews are to be conducted within a short timeframe.

According to Yin (2009), as cited in Saunders et al (2012, pp179), there are four strategies based upon two discrete dimensions:

- Single case versus multiple cases;
- Holistic case versus embedded case

As the research objectives have not been considered before in a South African context a single case dimension is considered the most appropriate, a contention supported by Yin (2009).

Ozcan and Eisenhardt (2009), as cited in Leoni (2015), believe that inductive case studies are useful where researchers aim to develop theory and in particular where the extant literature doesn’t exhibit extensive knowledge.

Yin (2009) further states that the holistic versus embedded dimension is decided based on the unit of analysis. Due to the proposed research looking at multiple factors and a multimethod research methodology, an embedded dimension is the preferred dimension. Therefore, the research strategy is a cross-sectional, single embedded case study of Fourways community shopping centres.

Kelliher (2005) believes that an interpretivist case study provides “contextual depth but is often criticised for lacking validity, reliability and generalisability.” According to Easton (2010), “case study research method is popular in industrial marketing.” Easton (2010) believes that case research is an “iterative research process” and adopts a critical realist view on case studies outlining the shortcomings of case study research –

- Small sample sizes disqualify the making of statistical inferences;

It is true that the Fourways sample is relatively small but the aim of the research is not to make statistical inferences but to understand which factors centre managers of community shopping centres consider when selecting tenants. Guest et al (2006), as cited in Leoni (2015), highlights that the need for additional interview diminishes when data saturation occurs.

- By whose standards does the interpretivist make judgements?

The in-depth interviews across a spectrum of stakeholders allows for a wide variety of perspectives from which to analyse the data. It is not simply a one dimensional construct of the research problem. Sutherland (2016) states that a researcher involved in a single-case must set aside preconceived notions in order to avoid researcher bias. In this regard the research instrument allows participants to review the shorthand notes taken by the researcher at the conclusion of the interview and amend as necessary. This review removes researcher bias at the onset of data collection.

- Lack of generalisability

The aim of the research is to establish a theoretical proposition that can be used in a similar context. (Kelliher, 2005) provided a comprehensive look into the literature and posited that a single-case can establish the existence of a phenomenon which is adequate for exploratory research.

Easton (2010) also purports the following advantages of case study research –

- Provides opportunity to gain in-depth knowledge of the problem;
- The researcher can “tease-out and detangle a complex set of factors and relationships”;
- Flexibility

According to Easton (2010) the above advantages cannot be gained from other methods such as a survey. The advantage of the proposed research following a cross-sectional route is that data are collected over a relatively short period.

3.2.5. *Population and sample*

As this research is particularly concerned with applying the developed conceptual framework of Burnaz and Topcu (2011) within a localised context, Saunders et al (2012, pp146) believe that researchers using the inductive approach are concerned with context and the study of a small sample is more appropriate.

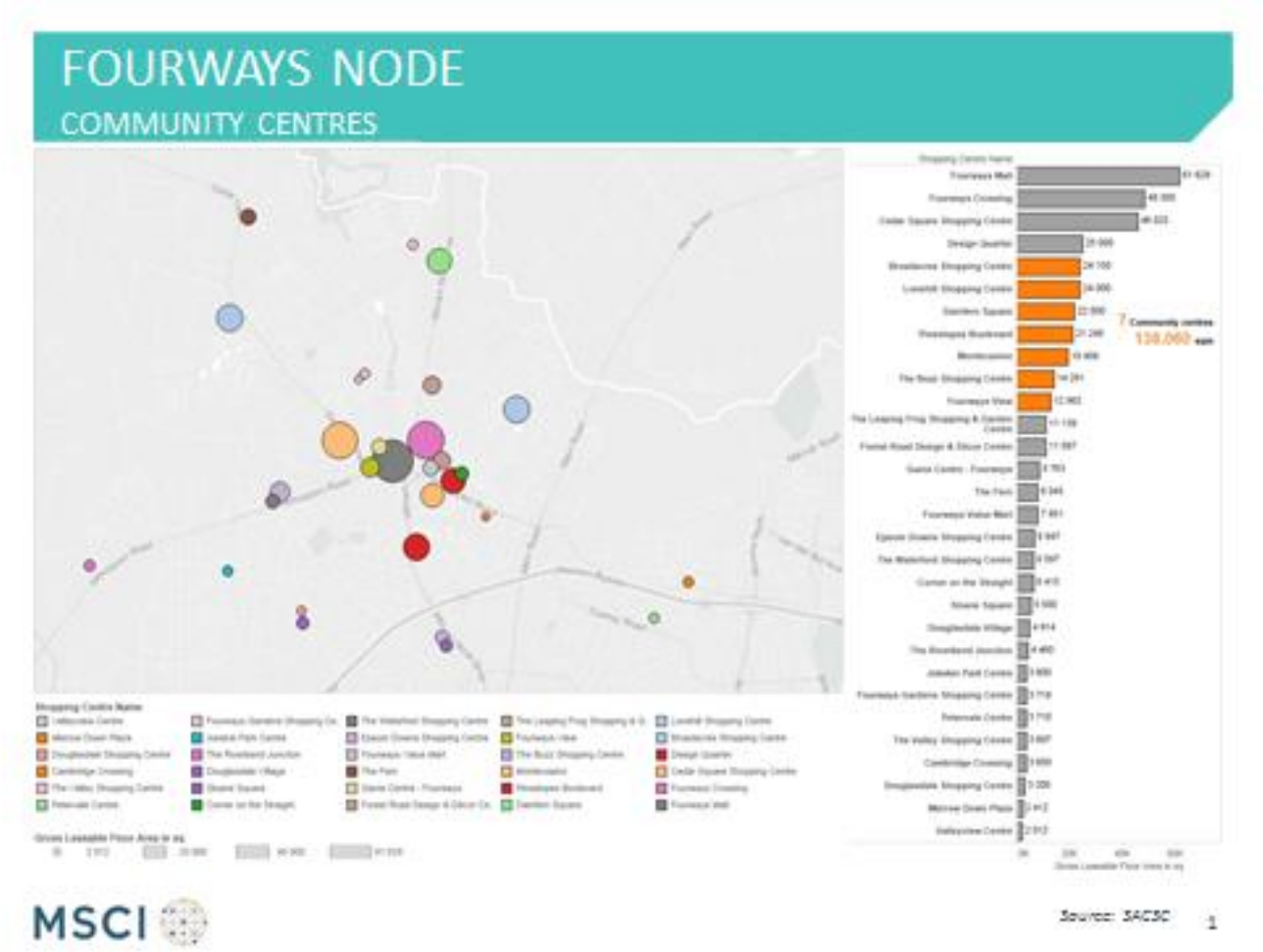


Figure 3.3.: Fourways Community Shopping Centres

Source: [MSCI: Harmse, N personal communication Nov 2015]

With ever-increasing pressures placed on consumer disposable income (real disposable income having fallen from 12% in 2010 to 8% in 2014 – according to the IPD SA Annual Property Index 2014) community shopping centres are at risk of failure.

There are indications that trading density (retail sales per sqm) has slowed as a consequence of slowing retail sales (Avior, personal communication 24 February 2015). The IPD sample for the year ending June 2014 recorded an annualised trading density of 4.6%, which can be attributed to the cannibalisation of sales and overtrading (Avior, personal communication 24 February 2015).

Further data on the current retail trends can be obtained from industry bodies such as the South African Council of Shopping Centres and South African Property Owners Association and MSCI (formerly IPD South Africa).

The area of Fourways was selected based on a case study by Klug & Naik (2007)

According to Klug and Naik (2007), the physical characteristics of the area are that it is highly accessible locally and regionally due to the ease of access via the highway and other provincial routes running through the area and consists of high density and low density areas within the node.

Klug and Naik (2007) highlight the socio-economic dynamics of Fourways as follows –

- Home to more than 250 000 residents
- Relatively young population [20-29 years' age group accounting for 24% of total population]
- Juxtaposition of affluent high income earners residing in Fourways Gardens, Dainfern and Lonehill whilst low income residents living in poverty in the informal settlement of Diepsloot

Fourways is regarded as one of the fastest growing nodes in the country according to interviews conducted by Klug and Naik (2007). These dynamics make the Fourways area an ideal candidate for case study research. Community shopping centre managers have to consider that the target market consists of low income and high income earners. Some living in the area whilst others coming in for shopping, entertainment and work opportunities (Klug and Naik, 2007)

An inability to identify and prioritise critical success factors when planning a retail tenant mix could result in an incongruent, sub-optimal leasing strategy. Subsequently this could lead to rental inefficiencies, inflexible design and thus costly spatial reconfigurations, and ultimately failure of the shopping centre. (Kirkup and Rafiq, 1994)

Kirkup and Rafiq (1994) also found that small sized malls could not provide a high variety of tenants unless shop sizes are very small. As such a failure to plan, create and manage the tenant mix can result in a shopping centre that is unable to maintain its competitiveness through economic fluctuations that are inherent in the retail environment and ultimately its ability to operate profitably well into the future. This highlights the critical nature of strategic decision making that is not only based on the rules of thumb or experience alone.

3.2.6. *Sample and sampling method*

Purposive sampling of respondents will be used due to the small sample size. The sample consists of seven community shopping centres within a five kilometre radius of Fourways.

As it is envisaged that centre managers will form a crucial part of the case study – homogenous sampling is foreseen as the best strategy as these respondents will be of the same or similar level [experience] of the retail organisation. Saunders et al (2012, pp 288) According to Suri (2011) “homogenous samples can facilitate meaningful comparisons across studies.” Suri (2011) further advocates the use of this method in case studies where the phenomenon has direct implications for practice.

Snowball sampling was considered but due to the lack of availability of research into this specific area, it was decided that this avenue would not prove feasible. According to Suri (2011) this method of sampling can reinforce confirmatory bias.

Suri (2011) also provided guidance on data saturation by stating that it is highly likely that data saturation will occur at a faster rate where the research question is precise. Suri (2011) concludes that sample size is dependent on researchers’ perception of data sufficiency.

3.3. The research instrument

The research is to be conducted using a semi-structured interview. The research instrument uses the categories highlighted by Burnaz and Topcu (2011) as its basis of the questionnaire (Appendix A).

3.4. Procedure for data collection

Data is to be obtained using the open-ended questions from the community shopping centres management and industry experts. Full access is imperative to the case study in order to answer the research questions and it is this participation that will ultimately determine the sample size. Participants will be approached using e-mail of a participant information sheet and a follow-up telephone call (if necessary). Once access has been obtained a schedule of visit(s) will be drafted detailing the likely duration with the participants. (Kelliher, 2005)

Greeff (2015) conducted research within mining and construction industry and used the Gautrain project to formulate an interpretivist case study with the study being constituted after amassing four semi-structured interviews (from a qualitative perspective). The standardisation of the questions, guided by the themes generated from the extant literature, also served as a means to categorise the data. (Greeff, 2015)

Interviews are to be recorded and transcribed upon completion of the interview and at a later stage of the case study – destroyed.

3.5. Data analysis and interpretation

This research is conducted using an interpretivist viewpoint and as such the goal is to understand the responses from the participants' point of view. (Kelliher, 2005)

Lacity and Janson (1994), as cited in Kelliher (2005), provide a mechanism to standardise interpretive research using "intentional analysis". The four steps of which are briefly outlined below –

Step 1: description of facts by the researcher to the participants

Step 2: researcher determines the way participants perceive realities

Step 3: researcher and participant develop common interpretations

Step 4: researcher abstracts the essences from the interviews

The above analytical process described above is rather rigid and requires that the participant become actively involved in the creation of a strategy by which the analysis will be conducted. An alternative approach that provides for more flexibility in analysing qualitative data is the use of Template Analysis based on the work of King (2012), as cited in Saunders et al (2012).

According to Morten (2016) interviews need to be broken down into manageable data through the creation of categories and codes. In this regard, template analysis provides researchers with the flexibility to study the text from various angles. King (2012), as cited in Saunders et al (2012, pp572), that unlike Grounded Theory the use of Template Analysis allows for codes to be created in advance of data collection thus is initially deductive but analysis is inductive in nature. This is congruent with the aforementioned research design as the categorisations of factors are predetermined from the extant literature of Burnaz and Topcu (2011).

King (2012), as cited in Saunders et al (2012, pp 573) outlines five ways the template provides flexibility –

i. Insertion of new codes as data collection proceeds,
ii. Deletion of a code from the hierarchy,
iii. Merging of codes,
iv. Altering the hierarchy of codes, and
v. Changing classifications

However, the main advantage of Template Analysis is provided by Saunders et al (2012, pp 572) in that it allows for a hierarchical display of the data. This underpins the objective

of the research, which requires that the factors be presented in a manner that reflects the priorities property professionals assign to the various factors.

3.6. Limitations of the study

- Sample is limited to community shopping centres in Fourways node
- Time
- Resource, limited to one interviewer
- The creation of a decision support and not a framework

3.7. Validity and reliability

Interpretive qualitative research in the single case scenario is criticised for a lack of legitimacy as the validity, reliability and generalizability are called into question mainly due to the small sample size. (Kelliher, 2005)

Kelliher (2005) believes that despite the criticism levelled against the interpretivist view on case study research, the contextual depth derived from this form of research underpins the value created.

In the single case reliability is often a major concern which according to Kelliher (2005) can be overcome through use of multiple methods of data collection in order to create strong triangulation measures.

The validity of qualitative research is dependent on “solid descriptive data” (Kelliher, 2005)

Denzin and Lincoln (2003), as cited in Kelliher (2005), contend that triangulation is an alternative means of fortifying validation in the absence of cross case comparisons. Remenyi et al (1998), as cited in Kelliher (2005), suggest that “*using multiple data sources, establishing a chain of evidence and having a draft reviewed by the key informants” strengthens* a researcher’s case for construct validity. Beverland and Lindgreen (2010) also suggest that informant feedback is critical in triangulation and that triangulation is not

achieved by the mere fact that multiple methods of data collection were used in the case analysis.

3.7.1. *External validity*

According to Kelliher (2005) the “mere collection of data” cannot itself be used to create theory which is an aim of the proposed research. Miles and Huberman (1994), as cited in Kelliher (2005), suggest that using existing conceptual frameworks as the boundary and identifying variables early in the case study help to focus the case investigation. In this regard the table purported by Burnaz and Topcu (2011) as the conceptual framework into the factors that need to consider in tenant selection decision making will provide such boundary in this proposed research.

Theory triangulation through use of informant feedback will provide further external validity of the current research.

3.7.2. *Internal validity*

Obtaining access to the centre managers of the seven community shopping centres is of importance to the internal validity of the case study but to interview only centre managers is to provide a one-dimensional view on the research problem. It is therefore critical to interview industry experts from a variety of fields that interconnect with the research problem area. That is to say, that industry experts from the banking, development, the analyst and investor community should also be included in the sample as this will obviate interviewer and sample bias, another critical aspect in ensuring internal validity. (Riege 2003)

According to Riege (2003) internal validity in case study research is achieved not only by highlighting the similarities in responses received from participants but also in the differences.

In the proposed research, the above is an important technique in ensuring internal validity as the main purpose at the beginning of the process will be to highlight similarity in

responses in order to identify factors that community shopping centre managers should look at and prioritise going forward. Understanding of the factors that are different may highlight factors that traditionally receive attention by only a few centre managers but that could prove critical to centre managers going forward.

Gibbert and Ruigrok (2010), propose that the following strategies be employed in case study research to ensure internal validity –

i. Formulate a clear research framework,
ii. Compare observed patterns with other studies,
iii. Theory triangulation

3.7.3. *Reliability*

According to Riege (2003), case study reliability is concerned with the ability to replicate operations and procedures used in the original study. Reliability in the proposed research is achieved through systematic data collection. (Riege, 2003)

Riege (2003) further encourages the provision of as much detail regarding the methods and procedures and providing a complete picture to the reader as well as retaining original data available for analysis but in the opinion of this researcher the latter may prove a serious ethical concern.

3.7.4. *Research Planning*

Table 3.1: Time-plan for Research Report

	Dates						
Finalise proposal	15/12/15						
Gain approval	15/12/20						
Ethical Clearance		16/07/31					
Gather data		16/08/01	16/11/30				
Do data analysis			16/11/01	16/11/30			
Write report					16/12/01	17/01/15	
Finalise report							17/01/31

Table 3.2.: Consistency matrix

Retail tenant mix is critical to shopping centre success therefore factors related to the planned tenant mix need to be identified and prioritised. Despite the complexities inherent in this decision-making process – stakeholders are primarily reliant on rules of thumb and professional experience.					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
What factors need to be considered in the retail tenant mix decision-making process?	Burnaz and Topcu (2011) Eckert et al (2014) Shanmugam (2013)	What factors do shopping centre managers consider when selecting a tenant for community shopping centres?	Detailed response from centre managers and industry experts	Categorised	Template Analysis
Which factors are given priority in order to influence the planned retail tenant mix?	Burnaz and Topcu (2011)	What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix?	Using the data provided above to determine which factors are prioritised	Ranked	Template Analysis

In summary, the research strategy aims to provide the research consistency by constantly aligning to the stated objectives.

The subjective nature of the research objectives is congruent with the nature in which property professionals make their decisions when selecting a tenant that is to form part of the shopping centre tenant mix. Saunders et al (2012, pp131) As such, the research will follow a subjective ontological view.

Using interpretivism allows the researcher an opportunity to look at a problem from another person's point of view. Saunders et al (2012, pp137) The objective from the paradigm perspective is to generate theory, after applying the research questions to each of the paradigm, it is posited that the best manner in which to conduct this research is to use an inductive approach as it "is concerned with the context in which events are taking place". Saunders et al (2012, pp 144)

Denzin and Lincoln (2005) as quoted in Saunders et al (2012, pp163) concur that an interpretivist epistemology is associated with qualitative research because researchers attach subjective meaning to the research. Exploring the insights of industry experts allows for the creation of a deeper understanding of the decision-making process. This approach leads to a multimethod qualitative research case study as it allows for a thorough consideration of the research problem.

Due to limited resources, a single-embedded cross-sectional case study is suited for studying a set of Fourways Community Shopping Centres selected using the purposive sampling method. A sample of seven shopping centres allows for the data to remain relevant as it is collected over a relatively short period. Researcher bias is reduced and nullified by the fact that the participants are allowed to review the shorthand notes used by the researcher and at the same time enhances the construct validity of the research.

Data is collected through the use of open-ended questions and interpreted using template analysis, which allows the researcher the flexibility to study the text from various angles. King (2012), as cited in Saunders et al (2012, pp 572).

Data triangulation is critical and is achieved in two ways – the first being that of informant feedback during the interview process and the second is through theory triangulation. The external validity of the research is attained through the use of the conceptual framework of Burnaz and Topcu (2011) which provides the external boundaries within which the research questions were formulated.

CHAPTER IV: RESEARCH FINDINGS

4.1. Introduction

This chapter is dedicated to the presentation of the research findings. The chapter begins by systematically reviewing the framework of the case study. The framework provides the platform for the subsequent analysis of the data collected by providing a review of the research objective(s) and context (including an overview of the empirical data surrounding community shopping centres in South Africa). This is followed by a detailed account of the participants included in the case study and interview protocols; leading to a cognitive evaluation of the research analysis tool used in conducting the analysis of the data. To this end, matters concerning validity and reliability discussed in Chapter 3 are addressed and finally the actual findings presented, accompanied by the relative triangulation of the data.

4.2. Research Framework

4.2.1. *Research Objective*

It is perhaps a useful juncture at which to review the initial stated objectives of the research in order to provide clarity of thought and to direct the focus of the findings in a manner that provides answers to the research questions.

The objective of the research was to identify the factors that a property professional should consider in the strategic decision-making process when creating a robust tenant mix for Fourways community shopping centres. Subsequently these factors needed to be ranked in order to create a decision support that can be used, in conjunction with a professional's experience, to enhance strategic decision-making.

4.2.2. *Research Context*

Based on the extant literature and theories examined in the preceding chapters it was considered that a qualitative case-study within Fourways Community Shopping Centres

would be the most suited research methodology to follow in order to answer the posited research questions. The Fourways area provides a contextual dichotomy that is perfectly suited to research of this nature; from the poor to the rich, shopping centres that encroach on each other's catchment area and an economic climate that places pressure on all stakeholders within the retail environment.

The aforementioned economic sluggishness is illustrated in the SAPOA operating cost report for the period ended June 2016 reflecting that operating costs in the small retail segments (community and neighbourhood shopping centres) are approximately 40% of gross income due to higher vacancy rates and declining margins in rental growth.

Looking at the retail trends report for the same period it was noted that many community shopping centres recorded negative real annual trading density growth. According to the reports key research findings, positioning and being relevant are of utmost importance especially where a community shopping centre doesn't dominate the retail footprint in the node.

Retail vacancy rates in the smaller retail formats (including community shopping centres) have seen a sharp rise reaching 7.2% (off from its 2012 low of just 2.7%). This, according to the report, illustrates the sensitivity of smaller retail formats to an economic downturn due to decreased levels in disposable income and consumer confidence.

Further pressure will be added with the refurbishment and upgrade of the dominant shopping centre in the node – Fourways Mall is expanding to become a Super Regional shopping centre with its focus being fashion and food categories. The food category in particular will be of concern to those with interests in community shopping centres within the Fourways node because in the last three years this has been an area of rapid growth in an otherwise low growth environment. It is seen by market commentators as a means to recapture market share lost by the larger retail formats to community shopping centres in preceding years.

4.2.3 *Participants*

Participants were purposively selected for a single interview of no longer than 30 minutes. The participants were targeted by virtue of their job function, i.e. being a centre manager of a community based shopping centre within the sample frame or through the researchers' identification of a participant being an experienced property executive. The selection of property executives was subjective and no strict guidelines were used in the selection of these participants.

The participants were approached either through an e-mail, telephone call or combination thereof. In the instances where the first contact was via e-mail, a participant information sheet was attached together with the consent form which the respondent was required to return to the researcher as acknowledgement of informed consent. In those instances, where initial contact was made telephonically, a brief introduction of the researcher and research topic were articulated to the participant followed by an e-mail containing the participant information sheet as well as the consent form.

After initial contact was made, an interview was scheduled at the convenience of the addressed participant. A total of fourteen participants were approached, from which seven resulted in completed interviews, six participants declined to participate citing time constraints due to the busy festive period prevalent in the industry and there was one no response. For each of the unsuccessful attempts, a follow up was done in order to entice participation, failing which the participant was provided with an assurance that should they wish to participate at a future date they were welcome to contact the researcher without prejudice.

A full list of participants and related job function is listed together with pseudonyms in order to protect their identity –

Participant A is an analyst for a large bank in South Africa; hereinafter referred to as Zola.

Participant B is a director of a property research company; hereinafter referred to as Frank.

Participant C is a shopping centre manager; hereinafter referred to as Mike.

Participant D is a director at an institutional investment firm; hereinafter referred to as Thembi.

Participant E is the CEO of a retail property fund; hereinafter referred to as Candice.

Participant F is an asset manager of a listed property fund; hereinafter referred to as Thabo.

Participant G is the development executive of a property fund; hereinafter referred to as Kagiso.

4.2.4. Interview Protocols

Each interview was preceded by an introduction to the research, the context under which it is conducted and an explanation of the interview format. In some instances, the interview was preceded by an introduction of the researcher and participant; in cases where the parties were not previously acquainted.

All interviews were conducted by this researcher who administered a semi-structured interview using the research instrument containing four open-ended questions. The questions were non-directive and each of the respondents were afforded time to consider the question. In the instances where the participant seemed unsure of the question or requested clarification(s), the researcher provided guidance using the published work of Burnaz and Topcu (refer to Table 1 in Chapter 2) in order to prompt the participant. The effect of which, was to provide guidance and direction by which the participant could formulate a comprehensive response.

All interviews were recorded with the prior consent of the participant on the assurance of anonymity (although no participant specifically requested such). During each interview the researcher took notes of the participants' responses so that the participant would be able to review and correct where necessary. Upon conclusion of the interview the participant was afforded the opportunity to provide any additional comments, add or review information submitted at which point the audio recording ceased.

The interview notes were handed to the participant for final review at which point the researcher asked each participant to rank the factors provided in order to generate an idea of which factors the participant prioritises in the decision-making process. It also provided the participant with an opportunity for self-reflection and ease the participant out of the interview mode.

The researcher obtained the notes back from the participant and formally concluded the interview by thanking the participant for their contribution.

4.2.5 *Template Analysis: A procedural account*

As described earlier, the use of template analysis is in some respects similar to grounded theory in the sense that massive amounts of content presented in the data requires a coherent method of reduction. Data reduction is a key process within this method of analysing the data, as it requires consistency in order to construct internal validity. As each interview concluded, the audio recording was transcribed and subsequently self-reviewed twice in order to ensure accuracy of data transfer via the researcher. An additional benefit of manually transcribing each interview was that it enabled the researcher to stay close to the raw data. This is not always the case where researchers use software programs to assist in the data reduction process, particularly when it comes to identifying the negative case within the data (should it exist).

The data reduction process began subsequent to transcription of data through insertion of codes alongside the data. Similar chains of thought or ideas presented by the participant were coded using a single code. The codes were effectively categorised through the nature in which the questions were constructed in that the four main themes were presented separately by each question. In this regard, these categories were divided into the target market, financial, retailor and shopping centres factors that affect the decisions property professionals make in their tenant mix selection strategy.

Each of these categories were allocated a code and subsequently pieces of data were attached thereto using additional coding in order to create sub-categories. By way of

example… the following text is an extract from the raw data of the first interview and provides a visual reference to the preceding explanation.

> *"… how does that particular store address the needs of their customers 'cos one of the frustrating things you wouldn't want as a landlord is, you put what you think the right tenant is, the right brand name but then they don't give the community or the shoppers the type of product that they want…"*

The above extract was in response to which target market related factors a property professional considers in the tenant mix. The above text identified a key theme that the tenant must meet the need of its customer through its product offering. This was coded as follows TMKT (to represent the category under which the factor identified belongs and CONSNEED (to represent the factor identified as consumer needs). The full code being TMKTCONSNEED was then used in all subsequent interviews to represent data of this nature.

4.3 Research Findings

The following section is broken down into two parts, each guided by the relevant research question that the research aims to answer. Subsequently each question is sub-divided into the categories highlighted in the previous analysis section in order to create a comprehensive list of factors and associated priority.

What factors do shopping centre managers consider when selecting a tenant for community shopping centres?

4.3.1 *Target market related factors*

Factor 1: Understand the community

The overwhelming majority of participants (86%) emphasised the need for understanding the community in which the centre operates. This factor manifested itself through a variety of perspectives or aspects with some of these factors initially coded separately until critical mass determined that the different aspects could be combined into a single factor.

Participants agree it is critical that smaller retail formats have a clear understanding of the community in which the centre is located so that there is an appreciation of the people and the surrounding culture.

Zola's response to my first question highlighted the above fact in respect to the Fourways case site,

> *"…the Fourways area really is almost like a microcosm of South Africa, in the sense that you got literally Diepsloot through to Fourways, to the best of Dainfern…"*

Zola articulated the point that these areas serve some of the poorest to some of the richest communities and everyone in-between. Zola elaborated on the above by detailing that irrespective of the demographics there are still certain basics to tenanting a community shopping centre. One knows that the community will need food and service categories but the question arises as to which tenants you select in order to create that robust tenant mix.

Zola emphasised that it is important for a community shopping centre be in touch with their community and used the practical example of the family run Spar at Broadacres Shopping Centre. In the participant's opinion, prices at the store were not particularly cheap but people still shopped there as the retailor provided a personalised service to the point that they know many of their customers by name.

Frank stressed the point further through an example where the shopping centre was failing (although it had previously been in a dominant position). The owner decided to renovate the centre and went into the community to understand its history and found that they were of predominantly one culture with a dominant language and most community members had been living there for the last twenty years. This gave them insight into what the community felt closely associated to and used this information to guide the redevelopment. In the end, they renamed the shopping centre after an iconic leader from the community, used pictures of children from the community in the artwork and within a short timeframe; the centre was outperforming its peers.

The community had "adopted the centre" because the owners understood the history of the community and gave the community an experience that was previously not there.

Frank reiterated the importance of this by saying, "…if a community doesn't know who you are then we then gonna start seeing a drop off…"

Candice also provided that they had placed a South African Revenue Service (SARS) contact centre in the middle of a food court at one of their shopping centres. This was driven by the needs of the surrounding community in that the area which is plagued by traditionally long queues at the local SARS branch and poor weather meant people were often standing out in the cold or rain for hours in order to resolve tax queries. Understanding of the community allowed for the SARS branch to be located within the shopping centre where people, who they knew would have long dwell times, could access food and possibly would lead to further spending within the shopping centre.

Thabo's view was, that one needs to understand the community and what it is the community wants as well as its needs. Thabo had found out when conducting research that 15%, "…by far the single highest portion of our shopper comes from Diepsloot…" not because the community believed that it was the best shopping centre in the area but rather due to the shopping centre being on a major transport route. Brooklyn Mall (another centre within Thabo's portfolio) on the other hand is in an affluent Pretoria suburb surrounded by many embassies and a well-travelled international community with a large coffee culture. Knowledge of the surrounding community drives the tenant mix such that the tenant offering matches community culture as well as needs.

Thabo however cautioned that even though you may know the community well, for new shopping centres when starting out, there might be some errors made. Using the recently opened Mall of Africa as an example where the focus on the higher end fashion market has not materialised into the anticipated results as lower end fashion like Mr Price has outperformed high-end traders like Zara. Frank said, "…so you could only work that out once it's open and trading…"

Kagiso on the other hand opined that knowledge of the community goes further in that one has to understand the catchment area and frequency of visits a shopper makes to the centre in a week as well as short dwell times consumers have in this retail format.

Zola further highlighted that community shopping centres cater for a consumer that is in hunting mode, not browsing, as well as being “habitual” which means that they perpetually repeat shopping patterns. A thorough understanding of the surrounding community assists in identifying those shopper patterns in order to drive tenant selection and placement. Mike supplemented this view by referring to the short dwell times experienced by the shopping centre.

The findings of Eckert et al (2013) highlight transportation costs that consumers are willing to incur within the shopping centre during their visit is determined on whether the consumer is on a multipurpose trip or not.

Frank believes that in this category understanding the community by knowing “what that community actually wants” and then mixing that in a manner that caters for the community is critical. Frank added, “That, that is it, that is the be all and end all of tenant selection.”

In Frank’ experience the number you need, to underpin the aforementioned, is the total available spend of the consumer within the node. Frank’s view is that this represents the manner in which you can estimate the expected spend per square metre in one centre and compare that against competing centres. So, if all the centres are similarly constituted (as they are competing for the same spend) then it becomes critical that you differentiate your centre. Frank is of the belief that in order to achieve this “you need to know your community well enough.”

So in order to be successful, the shopping centre should also be in hunting mode…hunting for consumer spend and understanding the catchment area and its wants are critical in order to pitch the tenant mix at the appropriate level. What you do not want is a situation where your tenant mix is incongruent with its target market.

Thembi believes that being a community shopping centre you need to “cater for you market”. Thembi articulated this point by using the example of Morningside Shopping centre, which repositioned itself and began to target the high-end consumer. Thembi highlighted this trend of differentiation through “a less generic offering” –

> *"Increasingly you're seeing with shopping centres a less generic offering across the board, particularly from a food perspective so I think if you had to cast your mind back to 10-15 years ago it'd always be… the standard offering in these smaller centres of a Steer's, and a you know maybe a Nando's or... you know, really a vanilla type of food offering. I think that's where guys have caught on(to) the trend that you really need to cater to the market that you serving and bring in more upmarket, sort of more of tailored offerings..."*

Mike's view aligns with Thembi's in that the centre caters for a higher LSM (living standard measure) group in the food category and offers a wide variety. Mike highlighted the importance of tenant mix in catering for tenants at different times of the day with office parks being in close vicinity the centre gets quite busy during lunchtime.

The participants' views are largely synchronous with that of international researchers; Ingene (2014) argues that environmental changes within retail formats allow for creative management of the tenant mix in ways that benefits consumers and that it is critical that centres offer the consumer variety in a manner that saves the consumer time.

Eckert et al (2013) reflected on the difference between comparison shopping and multi-purpose shopping. According to the findings of Eckert et al (2013) consumers' transportation costs are reduced by grouping complementary stores closer together. This allows consumers to compare products and prices without being forced to traverse the length and breadth of the shopping centre.

Factor 2: Identify Consumer Needs

The general consensus among participants was that once an understanding of the community is attained one can begin assessing the specific target market consumer needs. Identifying consumer needs allows property professionals to create a robust tenant mix that satisfies identified needs.

The target market consumer might exhibit a need for services, lifestyle or entertainment, fashion offering etc. which the property professional needs to target through the tenant mix.

Zola particularly highlighted that probably the most important decision in this regard is picking the right anchor store, being that it is the main drawcard in terms of traffic into the shopping centre. Selecting the right anchor alone is not enough to address the needs of a consumer as it might be that the brand chosen is correct but they don't carry the products the consumers are seeking and thus do not address the direct needs of the consumer.

Zola reiterated this by categorically stating,

> *"I would think it would also be important to select the kind of tenants that are going to be able to understand the needs, instead of just having a cookie cutter approach that all Woolies or all Pick 'n Pay's or all Spar's are all exactly the same, they're not."*

Zola believes that community shopping centres cannot attain true dominance in the area they operate in purely because of the nature and size of the retail format. They should therefore focus on the preferences of the consumer in order to become the preferred choice of the consumer. This is particularly critical under the current highly competitive trading environment.

Zola further stressed the above point by using the example of the Bryanston Shopping Centre where the redevelopment involved the replacement of the Checkers as its anchor with a new Checkers but one that could cater for not just the low-end of the LSM scale but one that also appealed to the surrounding high-end LSM group living in the suburb. Using the Spar at Broadacres as another example they provide the consumer with new, interesting and different products while at the same time providing all of the products and services that one would come to expect from a Spar.

Frank is of the opinion that one has to understand the needs of the consumer and catchment area and then it becomes a question of how one mixes that in order to create a tenant mix that satisfies those consumer needs. One of Frank's suggestions was that if you are catering for a "fashion forward" consumer then the tenant mix must cater for that. In so doing, the shopping centre makes itself more relevant which under current trading conditions allows the shopping centre to usurp market share from its competitors.

> *"You need to understand very, very clearly what customer needs are and how you're going to address those needs, rather than creating a customer need and then trying to fit the customers to that afterwards," says Candice.*

Put into context, the above quote is about ensuring that consumer needs drive the tenant mix rather than creating a tenant mix that attempts to force the tenant into the centre. Candice believes this is critical in creating the "insight" that is needed for a robust tenant mix because it addresses the needs of the consumer.

Thabo expressed that for smaller retail formats, convenience is of the utmost importance and all aspects of consumerism revolves around consumer needs. Referring back to the example of Zara versus Mr Price at the Mall of Africa, considered in the previous section, epitomises this belief. Even though the shopping centre targets a higher LSM group the fact is that the tenant that caters for a lower LSM group is out-trading them speaks volumes for the need to understand what consumer needs are, irrespective of what the market is doing.

Kagiso also stressed that consumers of this retail format do not have "long dwell times" and one is not going to create a shopping centre that is going to extend a large boutique offering but rather one needs to create a tenant mix that meets the daily needs of the consumer. Herein lies the importance of being convenient as a community shopping centre because consumers frequently visit the centre.

The opinions and insights provided by the participants are congruent with the research conducted by Burnaz and Topcu (2011); which found that creating variety of tenants and satisfying consumer needs among the top priorities for shopping centres.

Borgers et al (2010) confirm whilst a lot of research has been done into the creation of a tenant mix that contributes to the success of a shopping centre in terms of –

i. Attracting the consumer to the shopping centre and
ii. Stimulating shopper circulation within the shopping centre;

Little research into consumer preferences; with regard to which product categories consumers prefer and how much variety within product categories should be present (if at all) exists.

According to Borgers et al (2010), measuring consumers' tenant preferences allows for the creation of new ideas surrounding product categories and locational aspects of tenants within a centre.

Another key aspect that has not received a lot of attention is the impact recessions have on the consumption decisions of consumers and its effect on retail categories. (Pentecost and Andrews, 2013)

Pentecost and Andrews (2013) found that almost half of consumers surveyed effected changes to their shopping behaviour based on the perceived importance of a retail category during an economic downturn.

Consumers exhibited self-interest, which influenced the relationship between attitudes and likelihood of purchasing within a product category. Product category is viewed as a value-proposition thus shopping centre managers need to be aware which retail categories their target market holds important and is closely aligned to their target market core values.

The selection of tenants during an economic downturn into vacant space needs to be made taking the above into consideration, which may lead to shifts in the tenant mix of the shopping centre and ultimately the attractiveness of the shopping centre.

4.3.2 *Financial factors*

Factor 1: Rent Affordability

Probably the most obvious of financial factors according to Zola but before a tenant is placed; one has to know whether the tenant can afford the rental. Zola alluded to the fact that this decision is by in large about the number but also consideration needs to be given to the experience of the owner. If it is a franchise store, is this the owner's first or tenth store, how does he manage them? Is he hands on and understands his own business?

As a shopping centre owner; answers to the above questions can lead to security of income. Understanding whether the store is owned under a franchise agreement or is a corporate, as the latter provides a sense of increased confidence that the rental obligations will be met. Zola stated that once a franchise store is placed in the shopping centre one needs to keep a close eye on them. Thembi also acknowledged this fact in that “where the guy’s managed to save up just enough cash to buy an outlet or franchise, puts things up and within a few months they run into financial difficulty.” When faced with the choice of attaining a higher rental at higher risk or lower rental at lower risk; the property owner has to align that risk with greater certainty that the tenant will meet its rental obligation. Frank conveyed a similar sentiment in that decisions surrounding tenant mix have a financial impact based on the rent per square metre a landlord charges the tenant but that tenant selection isn’t solely about achieving the highest rental.

Thembi considered financial viability to be of critical importance and like Zola paid particular attention to the franchise versus corporate ownership of the store as a key component of this decision. Thembi provided further clarity on this decision in that one should look to a “decent enough balance sheet” when making this decision but counter-argued that when it comes to the line stores you are never going to have the strongest of balance sheets to rely on. In this case you have to weigh up the risk of higher rental against the risk of default.

Another important consideration is the amount of rental deposit the tenant can afford when signing up to lease space. According to Mike, one has to weigh up the choice between taking a three-month rental deposit in cash or through a bank guarantee issued by the bank. It is a difficult choice when it comes to smaller tenants, who often are paying higher rentals, cash deposits are less feasible as they generally will not be able to afford it.

Candice stated that research around breakpoint rental is what allows them to make a decision on whether the tenant is financially viable or not. The rental is pitched at a level based on the percentage of turnover that a tenant can afford to pay in rent to the landlord and that it needs to align with the tenant’s business plan. Thabo also emphasised that

tenant turnover is critical in knowing whether the tenant is going to be able to afford the rental or not.

Thabo stressed the importance rent affordability in relation to the anchor store being targeted. It becomes a question of how much rentals are discounted in order to attract the right anchor to the shopping centre.

Zola reasons that the ability of the tenant to manage its cash flow is an important financial consideration while Mike doesn't consider this to be an important factor in his decision-making. Mike placed reliance on understanding the tenant's business plan. Mike's view is in sync with that of Candice who proposes that one must have a thorough understanding of whether the tenant is sustainable and will be able to "sustainably deliver what they set out in their business plan." Thembi however showed a preference toward a strong balance sheet.

All of which provides an indication of the tenant's ability to afford the rental going forward. The findings of des Rosiers (2011) emphasised that tenants with chain-store affiliation can command relatively significant rent reductions and property professionals need to weigh up the lower rentals against the security of income. In the search for a lower risk profile, i.e. less tenants defaulting on rental payments, a property professional also needs to account for the fact that a tenant mix that is predominantly chain-store affiliated may simultaneously lead to a reduction in the variety of offering. Gerbich (1998)

The findings of Gerbich (1998) and des Rosiers (2011), although more than a decade apart show that property professionals need to constantly find a balance between factors.

Factor 2: Credit Record

Zola adds that conducting thorough credit checks on potential tenants and understanding the underlying legal structure of the business is another means of securing the right tenant. The legal structure may fall under franchise or corporate, family owned or as in the case with the Platinum Group each store was owned by a different legal entity so it made doing business with them very difficult.

Another important aspect that the industry seems to consider important is surety but by Zola's own admission, there is limited success in this, so it does provide the owner with a false sense of security to a certain degree. Mike highlighted that it is their policy to obtain a three-month deposit from a tenant in order for them to secure a lease with the centre or a bank guarantee equivalent to three month's rental. In addition to this, surety is obtained in cases where the tenant is deemed a high risk for default.

> *"… making sure that you have the right credit assessment of your tenants are incredibly important otherwise you gonna sit later on with the credit risk on your balance sheet," says Candice.*

The above quote from the interview conducted with Candice and the participant was emphatic on this point.

Factor 3: National versus Line store mix

According to Zola it is very important to strike a balance between the national tenant versus the line store mix "because if I've got 90% national or 80 % national, the 10% doesn't sound like a difference but the 10% is the difference between a R80 and a R300 square metre rental." Thembi recognised that when it comes to funding a shopping centre, banks require that national tenants tenant the shopping centre in the main. In smaller retail formats this typically means in the region of fifty to sixty percent of the total gross lettable area (GLA).

Thembi said, "That's the first constraint you have, you not going to lease up a hundred percent of your centre to mom and pops stores, that's going to be quite, that's going to be quite difficult from a funding perspective to justify that to the bank." Thembi, however proposed that one can mitigate that risk when a large proportion of your income is derived from a national tenant base.

Thabo's view is that the industry demands more line stores as that is where "you going to get your rental from." This has the added advantage of differentiating the shopping centre and as such, Thabo is constantly searching for new and interesting tenants that fit the shopping centre. The problem encountered though is that as soon as the tenant becomes successful, one of two events occur – either the tenant expands into other shopping

centres, which dilutes the uniqueness; or a larger conglomerate buys-out the entity and places them within the larger trading entity, for example, “EarthChild, which is a very unique concept, is now a part of Truworths so it will be rolled out to more and more stores, so you have to constantly keep finding these unique offerings.”

Kagiso recognised that the decision between national and line store tenants are highly dependent on the size of the shopping centre and from the developers’ perspective it may be a case of returns achieved being too low to warrant a development. In such cases one has to include more line stores to the tenant mix as they “invariably pay a higher rental”.

Factor 4: Yield and Market Share

“The pie is a fixed size.”

Frank is firmly of the belief that tenant mix is all about taking market share away from competitors as under current market conditions space is being added continuously but the consumer market isn’t growing.

Frank said, “It’s just that we in a battle for market share, we not in a market growth environment, you have to take a bigger slice of the pie, you can’t just expect the pie to grow, which means you have to take some away from someone else.”

The concept of yield plays a crucial role because rent per square metre achieved is a major contributor to the yield a shopping centre attains. Therefore, from an asset management perspective the leased space must be congruent to the yield that is sort for the shopping centre. Yield is critical from a financial perspective because it informs the tenant selection decision. Frank went further to explain that in some instances one can sacrifice yield in order to put in a pause area or kids play area in order to accommodate the target market objectives but ultimately one is still taking yield into consideration in the decision-making process.

Thabo confirmed that the size of the market dictates the size of the shopping centre and that new shopping centres coming on board have to fight for market share. In Thabo’s opinion, it is easier to defend market share than it is to gain it and one of the new strategies,

like in the case of Mall of Africa, is to come in on a large scale because “it wasn’t going to cut it, if it came in at half that size.”

Thabo’s sentiments were identical to Frank’s, in that “…our market is this big… It’s not by (adding) any more retail, making (it) that big, the market is still this big, just with more shopping centres.”

From a development perspective, Kagiso believes that “ultimately your development, your scheme needs to show an acceptable return.” Irrespective of the percentage one deems acceptable as a return, one has to balance the cost of capital with the potential income stream of tenant base.

Factor 5: Tenant fit out costs and leasing strategies

Thabo considers tenant selection as a trade-off between the costs of putting the tenant into a space versus the rental that are levied for that space. In Thabo’s experience, it is common and a well-known fact that some tenants will cost a lot more to insert than others, particularly the national tenants are. This is primarily due to the amount of space they occupy and the bargaining power the tenant derives from the knowledge that the shopping centre and market research shows a preference toward a particular type of store.

Thabo’s knows that line stores are going to cost less on a rand per square metre basis and will elicit higher rentals but has to balance that out with security of rental that national tenants bring with the cost to fit-out the space.

Frank briefly alluded to the costs of shop front fittings as being a factor to consider as this also affects the image of the shopping centre internally. Candice provided further insight on this because they have strict tenant fit out guidelines which tenants are required to adhere to in order to maintain the quality of the environment.

Lease agreements play an integral part in the financial considerations of placing a tenant. Thembi believes that in the case of franchise stores it is possible to obtain a head office guarantee on the lease. This mechanism one can use to limit the risk involved in signing up with a franchisee particularly when the lease is with your largest tenant.

Another prominent leasing strategy prevalent in the marketplace is that of linking the rental to the turnover of the tenant, according to Thembi. Thembi cautions against the use of this in cases where an anchor tenant is on an expansion strategy within the node that a shopping centre operates. The reason posited for this caution is that if more of their stores are opening up within the node then the amount of turnover is diluted which has the effect of reducing the rentals. This puts the financial viability of the tenant as well as the shopping centre as a whole in doubt. It might be feasible from a tenant perspective as they are spreading their rental risk as well as trying to gain market share but this may be at the expense of the shopping centre.

Thabo in seeing that the tenant mix is coming under pressure because of the Fourways Mall redevelopment and the counter to this is that tenant leases concluded must terminate beyond the opening of Fourways Mall. This strategy will help alleviate loss of market share, at least in the short term.

Looking back at the literature, Burnaz and Topcu (2011) identified sales revenue per square metre and the ability to afford rent as the two highest priority financial factors to consider when selecting a tenant.

Income return depends on the tenants' ability to pay rent and in an economic downturn and the probability of one or more tenants, defaulting on their rental payments is increased. (Hutchison et al, 2010)

This leads to additional financial constraints such as legal costs, costs in re-letting and redesigning the vacant space as well as additional marketing costs. According to Hutchison et al (2010) these costs, as well as the loss of rental are covered partly by the upfront deposit payment whilst the space is taken back and readied for the replacement tenant.

Hutchison et al (2010) further add that the cyclical nature of the property market sees shifts in the bargaining power during a downward cycle. The property owner is usually not in a position of strength during the negotiation period as they are facing increased vacancies

and lower levels of demand forcing the property owner to offer rent-free periods as an alternative incentive to lease space or at relatively lower rental rates.

Furthermore, Hutchison et al (2010) add that owners and management need to have the foresight to insist on increased rental deposits during negotiations in times of strength in order to counter the prevalent weakness during recessionary periods.

Gerbich (1998) in his early research into the concept of base rental versus store size concluded that a negative relationship exists between the two variables thus as space increases base rentals decline.

This view has since held and in essence been proven however, what remains unclear (even in current environment) is the influence that retailer categories have on base rentals.

According to Gerbich (1998), chain store affiliation affects the rent setting ability property owners of regional and super-regional shopping centres have but little research exists at the community shopping centre level.

4.3.3 *Retailor related factors*

Factor 1: Tenant Variety

The consumers' experience must be in line with his or her expectations of the retailor.

> "*You got to have variety in terms of your tenant offering.*"

Thembi, quoted above, believes that variety in tenant mix is what differentiates one centre from another. It is what draws feet into your centre. Thembi found that internationally the trend among shopping centres is to use the variety of tenant offering in order to position the centre as the favoured meeting place. Thembi found that the latest trend in tenant mix strategy is affording consumers a "less generic offering" particularly in the food category.

Zola, similarly is of the opinion that one has to add interesting and different tenants to the tenant mix and that one way of achieving differentiation is to bring in concept stores into the tenant mix. Zola referred to the example of Bryanston Shopping Centre, which brought

in a Carl Zeiss optometrist that was the first one in South Africa thereby creating a sense of differentiation within a highly specialised retailor category.

Frank believes that if the tenant positions itself in a way that attracts high-end consumers but does not service consumers to that level of customer expectation then consumers are left unsatisfied. Frank is also of the opinion that if the tenant mix replicates exactly what is already present in a node then all that tends to occur is cannibalisation of sales across shopping centres. Therefore, a robust tenant mix differentiates itself from the surrounding shopping centres in order to take a bigger portion of the available consumer spend.

According to Mike, tenant variety ensures that a centre's offering is not limited and that one should not create a tenant mix that is restricted to a single type of tenant because trends change. Mike confirms that variety is of essence to their centre, particularly as the centre is quite concentrated on the food and entertainment categories.

> *"I think if you had to cast your mind back to 10-15 years ago it'd always be the standard offering in these smaller centres of a Steer's, and a you know maybe a Nando's, really vanilla type of food offering," says Thembi.*

Nowadays, bringing in the more upmarket tailored food offering, depending on your target market, leads to an increase in the number of consumers frequenting the shopping centre. Thembi reiterated the point by saying that smaller retail formats can ill-afford creating a standardised tenant mix that follows the traditional mix of supermarket plus services and a "vanilla type food offering". Variety is critically important, as community shopping centres are not the preferred format for the daily consumer nor are they large enough to sustain the monthly shopper. Community shopping centres are somewhere in-between and property professionals need to position the tenant mix such that it differentiates the shopping centre within the node and that requires a diverse range of tenants.

Teller and Elm (2010) found that the composition of the tenant mix represents "the range of possibilities to satisfy consumer wants and needs." If one considers that the work of Yiu and Xu (2012) found that anchor stores consume anywhere between 25% to 35% of the total GLA and that the findings of Damian et al (2011) found that percentage to be approximately 40% of total GLA whilst contributing only 18% of the rental income. These

findings posit that larger anchor stores reduce the GLA available to lease to line-store tenants and creates an overlap of offerings between the anchor store and line tenants thereby increasing competition within the shopping centre.

Factor 2: Retailor Strategies and Customer Experience

Candice considers that retail strategies and where retailors are in the current market, form an important part of the tenant mix decision-making process. Tenanting in accordance with target market needs and ensuring that retailors answer the needs of customers is crucial.

Zola thought that in order to create a customer experience; a family run store such as the Broadacres Spar should create the sense of family – they achieve this through personal customer contact, by knowing a lot of their regular customers. This speaks to Candice's point above where the retailor knows and understands their customer, which enhances the customer experience. In the case of franchise stores, Zola again referred to the level of experience and how hands on the franchise owner is, as this plays a role in determining the customer experience. Frank believes that the level of service offered to the consumer once they are inside the store is important.

Thembi highlighted the advancements in technology as a means to connect with consumers both from the shopping centre as well as from the retailors' perspective.

> *"… more and more technology needs to play a role because these centres are at risk of being eradicated by a combination of let's say online shopping and more dominate centres coming into their, space."*

Factor 3: Retail Categories

Zola revealed that the retail category a community shopping centre could target going forward is the sporting goods – again not the large standardised offering of a Sportsman's Warehouse but rather catering for the growing niche markets such as fly-fishing or cycling. Frank linked retail category back to yield and suggested that one should create the tenant mix around those categories that provide the yield that the shopping centre is pursuing.

According to Thabo, community shopping centres by its nature cannot offer a full, comprehensive fashion offering so its tenant mix should reflect such by offering a range of

categories that best fits in with its target market objectives. In Thabo's view community shopping centres should target a smaller fashion offering as currently fashion retailors are reducing their footprint, both in terms of the amount of GLA they occupy and shorter lease periods.

Factor 4: Retailor Merchandise or Stock Levels

Zola pointed to the fact that once a tenant is in place it is important to watch them. This is done by keeping an eye on the tenant's stock levels and turnover numbers. One of the first warning signs of tenant failure is when stock levels drop too low because they are not being replenished. Thembi added to this by including the supply chain management of larger retailors. If the retailor has a low concentration of stores within the node, then it is likely that stock levels are not going to be replenished to the same level as might occur in other areas where concentration is high.

Candice engages with tenants regarding their stock levels and says, "… there's no point having a tenant that can't actually carry their stock." In some cases, Candice believes that some tenants carry too much stock and that creates an impression that the store is cluttered. When it comes to the national tenants, it is important that the retailor carry the stock that is right for the target market and compared that merchandise carried by Woolworths in Sandton is different to the merchandise in a lower end target market.

Thabo noted that in general South African retailors are poor in managing the stock levels.

Factor 5: Trading Density

> *"So the only way that you could succeed or keep your trading density at a constant level is to actually take spend from someone else, and the tenant mix is how you do that."*

Frank again spoke to the fact that cannibalisation of sales has the effect of reducing the growth in trading density. Zola argues that trading density is a key component, as you do not want to create "dead zones" within a section of the shopping centre resulting from tenant failure. It is of utmost importance that one obtains and scrutinises the trading density numbers of tenants in order to identify those tenants who are not trading well. This way

you are ahead of the curb according to Zola. Candice conveyed similar sentiments as it allows one to understand the tenant's history.

Burnaz and Topcu (2011) posit that awareness of the retail stores' brand and its ability to create additional traffic inside the mall are the most prioritised retailer related factors.

Leischnig et al (2011) researched the impact of in-store events on consumer's attitude towards the brand. Leischnig et al (2011) define an in-store retailer event "as a structured, retailer-controlled environment in which a retailer provides a recognisable temporary activity within the store that creates a memorable experience for the participating consumers."

Their findings concluded that a positive relationship exists between event satisfaction and consumer attitude toward retail brands and have the potential to create unique customer shopping experiences.

4.3.4 *Shopping centre factors*

Factor 1: Shopping Centre Design and the Impact of Leisure

"… how big and how expandable or flexible is your building design if you need to change it."

The design of a shopping centre influences the tenant mix in a number of ways. Zola related that the size of the shopping centre plays a role but that critically right sizing of the individual stores is equally crucial. As the target market around you grows, shopping centres invariably grow too, so the ability to expand is critical from a tenant mix perspective in order to remain competitive. Community shopping centres are about convenience therefore the design of the shopping centre must ensure that it makes the consumer experience convenient.

Zola added, "People will go to a place that's convenient where they literally driving passed, probably on the way to work or to school or from school."

The typical consumer is in hunting mode, so convenience is essential to the consumer and thus design is critical in achieving consumer satisfaction in this respect. The design of the shopping centre should also be “light, open and modern” not “dark and dingy” as Zola believes this creates dead zones. The goal is to draw consumers through the length and breadth of the shopping centre so that the line stores are frequented. The design of shopping centres needs to be flexible so that one can effect changes in configuration.

Frank’s main concern regarding shopping centre design in relation to its tenant mix centred on the questions of “How much space do you have?” and “What do your shop fronts look like?” Frank’s reasoning for this is that answering the above questions contributes to sustainable trading density growth. The ability of a shopping centre to expand or evolve is dependent on the amount of additional bulk (excess land available for conversion into GLA) but in cases where bulk is not available a shopping centre needs to be flexible enough to still create demand through its tenant mix. If the community shopping centre is well located and the surrounding community loves, it then the shopping centre will be successful. A caveat for this is access, as Frank says, “an ability to get in and out of a convenience or a community shopping centre is critical.”

Frank is of the opinion that consumers do not want to be working out how they can get in and out of the shopping centre quickly and this can “scupper the ability to tenant properly.” Thembi simply added that one could enhance the convenience factor by offering ticketless or wireless access to the shopping centre.

Mike also conveyed that the shopping centre he manages focuses on making the centre convenient.

> *“…coffee shops, restaurants they are very particular on accessibility, so like parking, for example like with Vida they would like their guys to park right outside, get a coffee and leave, so they wouldn’t go anywhere where there’s no parking available close by, they don’t really like to go deep into the mall or anything like that.”*

Mike’s sentiment regarding store GLA is congruent to that of Zola as Mike said that he is very prudent when deciding what type of tenant to put into available space. Mike used the

example that one would not place a hairdresser in a 300 square metre space because that is not sustainable.

Candice believes that parking is an important consideration, as people need access that is quick and convenient. Kagiso believes that from a development perspective one needs to know “What is the product you want to create? What is the return you want to achieve? You then kind of draw down and develop your design and your tenant mix based on those factors.” Kagiso also believes that another important aspect of shopping centre design is size; if the community shopping centre has enough bulk then one can add on a second anchor store.

Thabo says, “…there’s a big difference between community centres and when we start to get to regional centres and that is usually the critical mass around the fashion offering.” Community shopping centres cannot compete with a regional shopping centre on its fashion offering because they are simply not big enough to cater for a full range of fashion stores. Another aspect is the layout of the centre and Thabo believes that it needs to be navigable. Furthermore, parking is vital to the convenience of the shopping centre.

Design has further implications for the shopping centre and its tenant mix. Participants believe that design contributes to the ambiance of the centre. According to Zola, adding in a leisure aspect to the design of a shopping centre lengthens the dwell time. Using the example of the cycling store at Broadacres Shopping Centre which has created a cycling club where people with similar interests meet for breakfast afterwards, which supports the trade of the adjoining restaurant.

Thembi has also picked up that internationally; shopping centre the trend for shopping centres is to “create a favoured meeting place.” This trend can be factored into the tenant mix decision-making process. It is a trend that Mike has picked up on and suggests that his shopping centre is entertainment oriented and due to the design of the centre one can create a pocket for each tenant type e.g. food in one section and entertainment in another.

Candice fully agrees with the aforementioned leisure concepts and says, “leisure has become a very big component” as it “… create(s) a sense of place; it must be somewhere

where people want to go to…" Candice is of the belief that people don't just want to go to a shopping centre to shop anymore, they want to be entertained and that this aspect is going to drive tenant mix decisions going forward.

Thabo added that creating a "pause element so people can sit and have a look" is how one creates a meeting place. The creation of an environment is being emphasised to a greater degree, tenant mix needs to reflect this, and entertainment is a critical aspect.

The design and layout play a critical role in that decisions need to be made based on the physical dimensions of the centre, according to Zola. It's not just a question of size of the centre as a whole but the internal configurations determined by the original structure that was built. Zola opined that you may believe that a 2 000 sqm Woolworths is the way you want to go only to find that the biggest pocket size you have is 1 000 sqm, adding that configuration affects decisions. As an example, if the store outside a Pick 'n Pay defaults or vacates, the property professional is faced with a decision of replacing the tenant with a line shop or offer the space to Pick 'n Pay to either expand or put in Pick 'n Pay liquor store at a lower rental.

Zola believes that flexibility and expandability of the shopping centre restricts or limits the decision-making ability of property professionals. Zola remarked earlier that when people visit these kind of centres they are in hunting mode, not browsing and as a result "walk in a straight line". This behaviour is affected by the design and layout of the centre and decisions related to tenant placement is very important, as you want to draw consumers through the mall whilst still being convenient. Frank concurs that design does limit decision-making but largely were the centre does not have additional bulk to grow into.

Frank says that typically centres that are well loved reach critical mass (a point where there is strong demand for space within the centre from tenants and a high trading density). In this scenario the traditional response would be to upgrade to a regional mall.

Factor 2: Tenant Synergy

"You need to have the right balance between anchors, sub-anchors and line stores."

> *" ... one of the frustrating things you wouldn't want as a landlord is, you put what you think the right tenant is, the right brand name but then they don't give the community or the shoppers the type of product that they want."*

Zola is of the belief that it is not always a choice between a Woolworths or Spar; you can have them both if that is what the target market needs. Frank's view on tenant synergy is that your tenant mix must mirror your retail strategy so as not to confuse the target market especially under prevailing market conditions – a no growth environment where everyone is competing for market share – because if consumers are confused then the centre is going to flounder in that space.

Mike believes that the centre draws consumers into the centre because of its tenant mix and as such attempts to engage with tenants directly. This ensures that the tenant is providing its customer with a "specific type of experience that their consumer" is seeking.

Zola's pointed out that community shopping centres need to achieve synergy in two ways; the first is synergy between the shopping centre and target market and second is that there should be synergy between tenants within the shopping centre. Zola further articulated the point that once an understanding of the target market is attained then one needs to link that back to the tenants that best serves the needs of the community, starting with anchor store selection. The tenants within the shopping centre should also complement each other. Zola used the example of inserting both a Woolworths and a Spar in the same shopping centre; although in competition with each other, work well together.

Zola stated that location plays an important part in the success of a shopping centre and in the case of community shopping centres that is amplified because of the convenience factor sort by consumers. Using the example of Nicolway Shopping Centre in Bryanston which has direct access off of William Nicol Drive (main arterial road leading into Fourways) but can only target the peak afternoon traffic facilitates convenience. Its tenancy

is therefore based on being on that side of the road and caters to the target market accordingly. Woolworths may not have opted to open a store at the centre had it been on the other side of the road as they cater for quick and easy dinners.

The other aspect is how those tenants feed off of one another. Zola used a hypothetical example of having a Pick ‘n Pay anchor store but who to place next to it? Should it be that biltong or pet shop or a Pick ‘n Pay Liquor store? One needs to have an understanding of what works. Referring back to the previously mentioned refurb of the Checkers and Carl Zeiss concept stores at Bryanston Shopping Centre is a case in point. Zola used these examples to illustrate that the refurbishment was aimed at creating synergy between the shopping centre and its largely well-off consumers prevalent in the node which it had previously not been catering for. So the centre was repositioned such that it caters for the existing consumer but also appealed to the more affluent consumer simultaneously.

Frank also commented that shopping centre location is an important factor in creating a tenant mix that has synergy with its target market in order to be relevant to the surrounding community. Frank outlined that “a high end tenant mix (uhmm) into a low…a low income potential, potentially low spend, high volume community, you probably not going to succeed.”

Frank noted the point is that your tenant mix must meet your consumer needs –

> *“… as soon as you confuse that message, you flounder in that space where no one really knows what you are and in this market where we are in; no growth and high space addition. You don’t wanna be someone that no one knows who you are, ‘cos they gonna go to the one that they then know.”*

Mike added that tenant placement within the centre needs to be in synergy with the consumers need for convenience. Some tenants don’t require direct ground floor access to their customer base, using the example of a doctor versus a coffee shop, Mike knows that the doctor can be placed on the second floor and tucked away in the centre whilst the coffee shop would not be successful if its consumer didn’t have quick, direct access at

ground level and near the entrance to the shopping centre. This is how one creates synergy with the target market consumer.

> *"(We) try to make sure we covering all the factors and trying to make sure that each tenant has a specific type of experience that their customer wants and the easier we can make it, the better we can make it by spacing them, the better it is for them and the better it is for us at the end of the day."*

Mike prefers to layout the tenant mix by clustering tenants' according to retail categories. In doing so, Mike believes it enhances the customer experience. As their food offering category caters to the young family they wanted to create a food court style offering similar to that offer by closed shopping centres. This avoids the situation where different member of the family wants different food items and having to cart the family from one end to the other in order to satisfy all their needs. This, Mike believes would destroy the customer experience and any opportunity for repeat visits.

Overall, Mike says that the tenants feel that the environment becomes too competitive but he is of the opinion that creating that food court environment has created competitive advantages for the shopping centre.

Candice's view is that tenants need to "uphold the quality of the environment you are trying to create". In order to achieve synergy; one must firstly tenant the shopping centre with retailors that speak to the target market and the second decision to be made is whether to cluster or scatter your tenants. The latter point refers to the manner in which you mix your tenants and that the decision is based on the customer base and the layout of the centre. Candice did note her preference for a clustered approach as it creates "good competitive advantages."

Thabo also believes that tenants need to work well with each other and said, "Woolworths Food…. is not a one stop food shop, it works in conjunction with the other supermarket anchor." The Fourways and Lonehill consumer is high end and at Fourways Crossing there is a need to upgrade the Pick 'n Pay to cater for that market but at the same time not neglect the lower end of the market who purchase basic or staple food such as mealie meal from the existing Pick 'n Pay. So getting the tenant mix right is important but equally as important is creating that synergy with the customer base.

Thabo confirmed the point made earlier by Candice that the retailors you select as part of the centre's tenant mix must appeal to the target market consumer. If you're targeting high end consumers, then you need to tenant according to those tastes.

Factor 3: Competitive environment

"… being in a high growth market is both a blessing and a curse at the same time."

Zola identified that the Fourways node has been growing for a while resulting in an increased number of shopping centres in the node. So being the dominant centre within the node is rather difficult due to the size constraints that exist for community shopping centres. Frank also believes that one of the factors that one needs to consider in the tenant mix decision-making process is the competitive space due to the relatively small number of tenants. Property professionals need to be aware that there are a limited number of tenants in the market and if one wants to differentiate its offering then new and interesting tenants must be sourced.

Thembi believes that positioning plays an important role for a shopping centre and that's down to the tenant mix as a highly competitive node leads to cannibalisation of sales. Candice believes that one needs to create a tenant mix that speaks to the whole node and not just the specific area.

Thabo's states that the competition within the node affects tenant mix over time in that the consumer changes, the area changes and ultimately the shopping centre's competition changes. As such, shopping centres change the focus of their tenant mix based on the aforementioned factors.

"You can't force the market; you have to react from a tenant mix point of view to what that market is."

Thabo states that one needs to understand the competitive environment as it is a critical driver of tenant mix in that one needs to ensure that the tenant mix is taking advantage of any gaps that may exist in the market.

Burnaz and Topcu (2011) found that anchor quality and mall image to be among the most important shopping centre related factors. The importance of an anchor tenant to a shopping centre has been established in the previous section.

Singh (2012) cited the work of Venkateswarulu and Uniyal (2007) wherein they identified the following five factors that define attractiveness –

i. Appeal and convenience
ii. Amenities and atmospherics
iii. Ambience
iv. Personnel
v. Parking and seating

According to Singh (2012) the factors above are affected when there is an increase in supply of retail offerings within a concentrated area thus encroaching on each other's catchment area. This leads to reducing footfall but also the tenant mix of these shopping centres have a sameness about them, which does not entice shoppers.

Singh (2012) contend that the above drawbacks lead to tenants losing confidence in the existing malls and new projects no longer generate excitement which is reflected in the low occupancy rates of malls in India (some of which open with as low as 50% vacancy rate when they first open). All of which can lead to shopping centre failure.

4.3.5 *What factors do property professionals prioritise in the decision-making process to influence the planned retail tenant mix?*

Participants ranked each of their responses, within each category of factors, at the conclusion of each interview. In conjunction with the findings reported in the preceding section, a list of factors and subsequent ranking is tabulated below in order to answer this research question. For clarity, a ranking of A.1 is more important than subsequent rankings within the category. The categories themselves were not ranked.

4.4 Factors retail professionals should consider in the tenant mix of community shopping centres

The research results have provided a list of factors that property professionals should consider in the tenant mix decision-making process of community shopping centres. The priorities assigned thereto provide added focus and formalises a process that is traditionally reliant on professional experience and rules of thumb alone.

4.4.1 *Target Market Factors*

The research has shown that understanding the surrounding community is critical to the success of community shopping centres. Once those responsible for creating the tenant mix have a clear and in-depth understanding of this factor then they can create a tenant mix supportive of that which the community holds as important.

The inherent diversity of the Fourways community means that community shopping centres within this node must cater for a diverse range of needs. Given the limited size of community shopping centres operating in an increasingly competitive environment node; property professionals are going to be hard pressed to create a tenant mix that can cater for all segments of the community if they don't understand the target market.

As was evident from the participants' responses; the surrounding community drives the tenant mix and property professionals cannot force the market. To this end, the tenant mix must be congruent to its target market consumer needs.

Convenience is of utmost importance to consumers that frequent community shopping centres as dwell times are shorter than in the larger retail formats. The tenant mix therefore needs to focus on tenants that can meet the consumers need for convenience firstly as well as all the other identified needs. Property professionals can create convenience by reducing the internal transportation costs of consumers. The community shopping centre caters for consumers on a multi-purpose shopping trip and tenants should be placed in a complimentary manner within the centre. Doing so enhances the consumers experience of the centre and meets their convenience needs.

In terms of tenant mix; the anchor store is the most critical component to consider in relation to meeting the consumer needs but even if the right anchor has been selected one has to ensure that the product range meets consumer needs. This ensures that the centre remains relevant to the consumer and that consumers frequent the shopping centre with regularity. Property professionals also need to be cognisant of the impact that anchor stores have on the centre – these could manifest themselves in the following manner:

i. Anchor stores usurp space that could otherwise be used by line stores to add to the variety on offer; and
ii. Anchor stores could encroach on the variety of products offered by line stores thereby increasing competition and cannibalising sales;

In most markets, knowledge of the community's LSM may be enough to drive the tenant mix but Fourways is too diverse a suburb and a thorough understanding of the community is essential in driving the tenant mix of these community shopping centres.

4.4.2 *Financial Factors*

It became evident during the interview process that participants considered the importance of financial factors when selecting a tenant but the manner in which they went about answering this for themselves varied. The first and most important of which was the ability of the tenant to afford the rental but how does a property professional know this prior to placing a tenant?

Some participants considered a strong balance sheet, cash flow management and the financial history of the tenant whilst others used a break point rental to answer the question. Irrespective of the manner in which one goes about answering the question, it was apparent that the ability to afford the rental revolves around the security of income. With this comes the constant trade-off between security of rental versus risk in the rental.

Property professionals are often faced with the difficult decision of discounting the rental in order to attract the right anchor store which is at the expense of line store rentals. In other words, the more anchor store rentals are discounted the higher the rental line stores

have to pay. This decision increases the security of rental income for the shopping centre but simultaneously raises the risk that line stores may not be able to afford the rental leading to tenant failure. As a result, tenant deposits are becoming an increasingly important part of the financial consideration; however, under current trading conditions tenants are under faced with the fact that their cash is tied up in the landlord's bank account instead of being used in their own business.

One of the strategies landlords should look to in order to mitigate this is to obtain bank guarantees instead of cash deposits.

The tenant's credit record plays a critical role in tenant mix. Property professionals need to know that the tenant will be financially strong enough to get through the peaks and troughs without defaulting on rental. Therefore, a tenant mix that is built on tenants with strong credit records can lead to successful centres. The additional benefit is that the tenant mix is more stable and property owners are not constantly faced with defaulting tenants and a confusing consumer message that comes with regular changes to the tenant mix.

The cost of replacing tenants also leads to additional costs to lure new tenant as landlords have to spend more money on tenant fit out costs. This places property professionals in the predicament of having to choose between replacing the tenant with a national or line store with the former proving a more expensive exercise for property owners. National tenants usually demand higher tenant fit-out costs at discounted rentals but at lower risk of defaulting in the future.

Property professionals are faced with a difficult choice which is evident in that the tenant fit out costs as well as the national versus line store factors are regarded so high on the list of financial factors they consider prior to placing the tenant.

Ultimately the decisions taken affect the yield and competitiveness of the shopping centre. If the tenant mix is not balanced correctly in terms of its national versus line store mix, then one of two situations play out.

In the scenario where the tenant mix is driven largely by national tenants then yield is likely to be low. The property professional is then under pressure to increase the number of line stores within the tenant mix in order to strike the right balance which brings into focus all of the preceding arguments. A further argument exists in that a larger national tenant component elicits a sameness to the tenant mix and the centre is unable to differentiate itself from its competitors.

In the scenario where the opposite holds true then the property professional has a high yielding shopping centre but with higher inherent risk in the portfolio due to increase chance that a number of the line stores will default.

4.4.3 *Retailor related factors*

The importance of tenant mix in differentiating the shopping centre from that of its competitors was highlighted participants. Tenant variety provides consumers with choice and an enhanced shopping experience. The retail property professional needs to seek alternative and unique tenants in order to create a tenant offering that is exciting for tenants. The tenant mix should be what drives feet into the shopping centre.

As mentioned earlier it is difficult for community shopping centres to achieve high levels of differentiation in tenant mix within the centre due to size constraints. Property professionals can however create variety by differentiating the centre's tenant mix from that of its competitors by firstly, focusing on niche markets such a cycling and fly fishing and secondly, creating variety within a particular category such as in the case of Pineslopes Shopping Centre which has a focus on food and entertainment and provides its customer base with a variety within that retail category.

An integral part of tenant mix is that an increase in the number of different categories that are on offer has the effect of reducing the number of stores within each category. With that inter-category variety is increased whilst intra-category tenant variety is decreased. Understanding of consumer needs will drive the decision-making process in this regard.

An understanding of where retailors are in their own strategies is also important when considering the tenant mix. It is important to know whether the retailor is considering expanding into other areas such as in the case of Game who recently expanded their offering to include a supermarket within their stores. This created a conflict with the supermarket anchor of the shopping centre and a legal challenge ensued. Legalities aside, it was important that the landlord be aware of the position that retailors find themselves in. A further example is one that Zola used in his interview of the Platinum Group which registered each of their stores in the group under separate legal entities. This meant that when the group went bust, the landlord did not have a claim against one entity but multiple entities (depending how many stores were opened). In other circumstances retailors may be on an expansion or consolidation strategy which the property professional needs to take cognisance to ensure a robust tenant mix.

A thorough understanding of where retailors are when considering them to be part of the tenant mix is integral to the success of the shopping centre. Another important consideration when it comes to retailors is how good are they at managing their merchandise levels as this provides an image of the store and its success. Let's take for example a store that manages its merchandise poorly – it creates an impression that the clutter within the store is a result of poor sales leading the consumer to raise an eyebrow as to why.

Property professionals also need to take into account the customer experience a store within its tenant mix will provide to the target market. If a store provides poor quality service, it ruins the customer experience and can have a detrimental impact on the image of the shopping centre as a whole.

Retailing plays a crucial part of the tenant mix decision-making process and property professionals must ensure that the tenants selected are congruent to the needs of the target market both in terms of the tenant quality, their strategy and the customer experience they provide.

4.4.4 *Shopping Centre Factors*

The design of a shopping centre has shown to be an important consideration that property professionals must take into account when creating a tenant mix. The nature of a community shopping centre limits the tenant mix in that at best, you have either one or two anchor stores on which to build the tenant mix around.

In order to meet the convenience needs of the consumer the anchor store has to be positioned in a prominent position. The placement of a single anchor in the middle of the shopping centre means that the other stores will struggle if you do not have strong tenants at either end of the centre. You may find in a centre that is designed in this way that the anchor is trading well and drawing feet into the centre but that the line stores are failing. Anchor stores account for approximately 40 percent of the total GLA of the centre with the remaining lettable space having to be split between the national and line store tenants.

Property professionals have to balance the risk between security of income provided by national tenants and the higher yield gained from renting to line store tenants. Then it becomes a case of how much space is allocated to each store and in this regard design is the driving force. It may be that a space is perfectly suited to a tenant that the property professional believes would add value to the tenant mix but the physical construction of the space, be it size or space configuration, is not suitable for that particular tenant.

The design of the shopping centre is crucial to satisfying the target market's need for convenience. If a community shopping centre design detracts from this consumer need it will find success hard to come by. Design aids satisfaction of this need in that stores being frequented must be conveniently located to the parking area. The community shopping centres within the case study achieve parking convenience as people can generally park in the immediate vicinity of the store they wish to frequent. This speaks to the fact that consumers are in hunting mode and dwell times of consumers is relatively short; so parking in close vicinity to the store is critical. Another important consideration not mentioned by participants is that community shopping centres are open and susceptible to adverse weather conditions. It is therefore important that people are able to access the stores quickly especially under wet weather conditions.

Another aspect of design that plays a role is that the configuration needs to be flexible in order to be able to change the tenant mix in ways that meets the objectives of the property owners and the changing needs of tenants. If the centre is built with too many big boxes, then the property professional is limited to a tenant who is seeking that particular size of space. If, however, the space within the shopping centre is easily adaptable it allows the property professional to plan and design the tenant mix according to current market conditions and demands. If the space is inflexible this will make reconfiguring the space and tenant fit out longer and costlier, driving down the overall yield attainable, which could be to the detriment of the deal being concluded.

Ultimately design contributes to the ambience of the centre and leisure is proving and increasingly important consideration for consumers and property professionals alike.

The design has to allow consumers ease with which to move from indoor to outdoor entertainment and eating as well as moving from shopping mode to relaxation mode. This is a critical consideration for community shopping centres because it increases the dwell time of consumers which inevitably leads to increased consumer spend within the shopping centre. This feeds into what a number of participants said and who believe that shopping centres need to be a favoured meeting place, creating a sense of place, where people want to go and adding in a pause element to the centre.

The design aspect needs to be carefully considered by property professionals because it has repercussions for the viability of not only the tenant mix but the centre as a whole.

Feeding into the design aspect is tenant synergy, which means that the tenant mix must be congruent with the target market as well as within itself. The retail strategy that a property professional employs must meet the needs of the target market first and foremost. The tenant mix is built around the community; the tenant mix must cater for their needs in order to drive feet into the centre. Any shopping centre, irrespective of any other factor will not be successful if it cannot meet the needs of its consumer base.

Using an atypical example of a shopping centre that serves a low-end LSM consumer base and placing a Woolworths Food, which aims at the affluent shopper looking to purchase

quick and convenient food items, would be a perfect example of a tenant mix that is not congruent with its target market. The primary decisions that property professionals need to make in the tenant mix strategy of community shopping centres is which anchor best suits and serves the community's needs.

Creating tenant synergy also revolves around deciding on whether to cluster or scatter tenants within the same retail category. It is not a simple case of choosing between the two as the tenant mix must remain in synergy. In some instances, clustering stores allows for comparative shopping and is convenient for the consumer but it drives up competition between stores which may be to the detriment of one or even both stores. In the case of food categories clustering seems to work well, as seen in the case of Pineslopes Shopping Centre, but in other instances such as in the case of a jewellery store it may be better suited to situate the store in close vicinity of a coffee shop or restaurant in order to create the pause element needed for consumers to get a closer and longer look at the shop window.

A retail professional also needs to take the competitive forces within the market into account when planning the tenant mix of the shopping centre. Consumers are seeking unique experiences and community shopping centres need to tap into this by offering a tenant mix that differentiates itself from its competitors in order to remain relevant. As consumer needs change, the property professional needs to engineer the tenant mix such that it is always in synergy with the target consumer and other tenants.

Property professionals need to take cognisance of shopping centre image when choosing a tenant because consumer perception of stores is associated with the shopping centre. If the shopping centre aims at the higher LSM market, then a brand such as Chicken Licken (usually associated with the lower LSM market) is probably not the tenant to be placed in the centre and even if you did then you would not provide them with prominent space that is an advert for the shopping centre. Needless to say, the opposite holds true as one cannot tenant a shopping centre catering for the lower LSM market with tenants that are not congruent with that market. The table that follows, provides property professionals with the decision support set out at the onset of the research.

A. **Target Market Related Factors**
A.1. Understand the surrounding community
A.2. Satisfying the needs of the shopping mall's target consumers
B. **Financial Factors**
B.1. Rent affordability
B.2. National versus Line store mix
B.3. Tenant fit out costs and leasing strategies
B.4. Yield and Market Share
B.5. Credit record of the tenant
C. **Retailer Related Factors**
C.1. Tenant variety
C.2. Retailor Strategy and customer experience
C.3. Retailor Categories
C.4. Retail merchandise/stock levels
C.5. Trading density
D. **Shopping Mall Related Factors**
D.1. Design and the impact of leisure
D.2. Tenant Synergy
D.3. Competitive environment
D.4. Image

The factors listed within the table identifies those factors that should be considered when selecting a tenant to form part of the tenant mix. This comprehensive list of factors and their attributed importance helps improve the manner in which property professionals conduct their decision-making process.

CHAPTER V: Summary and Conclusion

5.1 Introduction

The purpose of the study was to develop a support mechanism that advances the decision making process that retail professionals follow in the creation of a robust tenant mix within community shopping centres in Johannesburg.

Based on the extant literature it became apparent that tenant mix ranked repeatedly among critical factors for creating successful shopping centres. It is therefore imperative that those who plan and manage the tenant mix of community shopping centres; execute their decision-making in a manner that preserves the attractiveness of the retail environment. The evidence obtained from the literature review pointed to a decision-making process that is based on inherent rules of thumb and past experience of the property professional. Not only does this informal decision-making process pose a risk to the success of a shopping centre it is also a barrier to entry for young property professionals wanting to enter the profession.

The tenant mix needs to ensure that the needs of a highly concentrated trade area are satisfied in a manner that differentiates the centre from its competition. The north-western suburb of Fourways was selected due to rapid growth and diverse population, and is seen as a microcosm of South Africa.

5.2 Summary of Findings

Shopping centre managers and other retail property professionals participated in the study in order to create a decision support that formalises the rules of thumb and professional experience decision-making processes that prevail in the sector when creating the tenant mix.

The professionals interviewed participated in a single 30-minute interview, which aimed at eliciting the most important factors to consider in a tenant mix strategy. The research

instrument included open-ended questions, which provided participants with the latitude to speak freely. The participants reviewed the researcher's notes at the conclusion of each interview and ranked the factors in order of importance. The data from each interview was reduced using the template analysis method, with the questions split into four main categories based on factors highlighted in the work of Burnaz and Topcu (2011) – target market, financial, retailor and shopping centre factors. Interviews were transcribed at the completion of the interview and importance of codes changing throughout the process as new codes and their importance emerged.

The findings showed that knowing and understanding the consumer is a critical consideration when it comes to target market related factors; the tenant's ability to afford the rental ranked highest in the financial factors category; while tenant variety and tenant synergy among retailors proved important in the retailor category and in the shopping centre category, the design of the shopping centre was deemed most critical by participants. The data was triangulated using theory to improve validity of the research while participants selected outside of the case study sample added to the generalisability of the research.

5.3 Conclusions

The research concluded that retail professionals are reliant on rules of thumb and professional experience so a decision support created in this research within a local context will prove valuable to professionals with limited knowledge and experience as well as experienced professionals. This is particularly true for new entrants into the profession, who will undoubtedly have no past experience from which to leverage such decisions.

A decision support allows property professionals to make rational rather than emotional-driven decisions which improves consistency in decision-making.

5.4 Implications of the study

Tenant mix has long been regarded as one of the critical success factors within the retail environment, as it is a means of differentiating a shopping centre from its competitors. Under the current tough economic and trading conditions, highlighted sporadically through this research paper, the successful implementation of a strategic tenant mix will enhance the probability of success for community shopping centres within the intensely competitive Fourways node.

As such, property professionals can apply these research findings to enhance or at the very least, confirm, their strategic thinking by making use of the decision support mechanism. This mechanism provides a holistic approach that goes beyond the traditional rule of thumb and past professional experience relied upon to execute these strategies.

The holistic approach referred to above is derived from the fact that property professionals can now isolate factors into four categories posited by this research and have a clearer understanding of which factors under those categories need to be given priority when rolling out a tenant mix strategy.

The implications of the study is thus to shift decision-making away from the pure rule of thumb and experience methods so widely employed into a more methodological approach which allows for deeper understanding of what needs to be prioritised during the strategic decision-making process.

5.5 Limitations and Directions for future studies

Although this research produces a decision support which property professionals can place reliance on in the tenant mix decision-making process; opportunities for further research exist to understand how the factors interact with each other and their dependencies (if any). This, in a local context, will allow for the creation of a framework that will enhance the decision-making process of property professionals.

Opportunities exist to enhance the credit rating mechanisms which can aid property professionals in their comparison of tenants; another opportunity exists in determining the best national tenant versus line store ratio that provides shopping centres with the most efficient rental risk profile. Another facet to be investigated is the optimum anchor store size within different retail formats.

5.6 Recommendations

This case study provides the initial decision support for local property professionals to understand the importance of the various factors that should be considered when creating a tenant mix strategy for a community shopping centre. Opportunities for further research include broadening the research scope to include other retail formats as strategies vary based on the format. Other research areas such as marketing strategies can be incorporated such that they provide synergy with the overall strategy of the retail format.

REFERENCE LIST

Borgers, A., Brouwer, M., Kunen, T., Jessurun, J. and Janssen, I. (2010), "*A virtual reality tool to measure shoppers' tenant mix preferences*" Computers, Environment and Urban Systems 34 (2010) pp. 377 – 388

Beverland, M. and Lindgreen, A. (2010), "*What makes a good case study? A positivist review of qualitative case research published in Industrial Marketing Management, 1971–2006?*", *Industrial Marketing Management*, Vol. 39, No. 1, pp. 56-63.

Bruwer, J. (1997),"*Solving the ideal tenant mix puzzle for a proposed shopping centre: a practical research methodology*", Property Management, Vol. 15 Iss 3 pp. 160 - 172

Burnaz, S., Topcu, I. (2011), "*A Decision Support on Planning Retail Tenant Mix in Shopping Malls*", The 7th International Strategic Management Conference, Procedia Social and Behavioral Sciences 24 pp. 317–324

Carter, C., and Allen, M. (2012). "*A method for determining optimal tenant mix (including location) in shopping centers*". Cornell Real Estate Review, 10, pp. 72-85

Chung Yim Yiu, Sherry Y.S. Xu (2012),"*A tenant-mix model for shopping malls*", European Journal of Marketing, Vol. 46 Iss 3/4 pp. 524 – 541

Clarke I., Bennison D. and Pal D., (1997),"*Towards a contemporary perspective of retail location*", International Journal of Retail & Distribution Management, Vol. 25 Iss 2 pp. 59 – 69

Damian, D., Curto, J. and Pinto, J. (2011),"*The impact of anchor stores on the performance of shopping centres: the case of Sonae Sierra*", International Journal of Retail & Distribution Management, Vol. 39 Iss 6 pp. 456 – 475

des Rosiers, F., Theriault, M. and Dube, J. (2011), "*Do chain affiliatian and store prestige affect shopping centre rents?*", Paper presented at the 18th ERES Annual Conference, Eindhoven, The Netherlands, June 15-18, 2011

Easton, G. (2010), "*Critical realism in case study research*", Industrial Marketing Management 39 (2010) pp. 118–128

Eckert A., He, Z. and West, D (2013), "*An empirical examination of clustering and dispersion within Canadian shopping centers*", Elsevier Ltd - Journal of Retailing and Consumer Services 20 (2013) pp. 625 – 633

Eckert A., He, Z. and West, D (2014), "*An empirical analysis of tenant location patterns near department stores in planned regional shopping centers*", Elsevier Ltd - Journal of Retailing and Consumer Services 22 (2015) pp. 61 – 70

Gerbich, M. (1998), "*Shopping center rentals: An empirical analysis of the retail tenant mix*", The Journal of Real Estate Research, Vol. 15 Iss 3 pp.283-296

Gibbert, M., and Ruigrok, W. (2010). "*The "what" and "how" of case study rigor: Three strategies based on published research*". Organizational Research Methods, 13(4): 710-737

Greeff, W. (2015),"*Organizational diversity: making the case for contextual interpretivism*", Equality, Diversity and Inclusion: An International Journal, Vol. 34 Iss 6 pp. 496 - 509

Hernández, T. and Bennison, D. (2000),"*The art and science of retail location decisions*", International Journal of Retail & Distribution Management, Vol. 28 Iss 8 pp. 357 – 367

Holt, G., Goulding, J. (2014)," Conceptualisation of ambiguous-mixed-methods within building and construction research ", Journal of Engineering, Design and Technology, Vol. 12 Iss 2 pp. 244 - 262 Permanent link to this document: http://dx.doi.org/10.1108/JEDT-02-2013-0020

Howard, E. (2007),"*New shopping centres: is leisure the answer?*", International Journal of Retail & Distribution Management, Vol. 35 Iss 8 pp. 661 – 672

Hutchison, N., Adair, A. and Park, A, (2010),"*The value of rental deposits*", Journal of Property Investment & Finance, Vol. 28 Iss 4 pp. 250 - 262

Ingene, C. (2014),"*Retail evolution*", Journal of Historical Research in Marketing, Vol. 6 Iss 2 pp. 279 – 299

Kelliher, F. (2005) "*Interpretivism and the Pursuit of Research Legitimisation: An Integrated Approach to Single Case Design*" The Electronic Journal of Business Research Methodology Volume 3 Issue 2,pp 123-132, available online at www.ejbrm.com

Kirkup, M. and Rafiq, M (1994),"*Managing Tenant Mix in New Shopping Centres*", International Journal of Retail & Distribution Management, Vol. 22 Iss 6 pp. 29 – 37

Klug, N. and Naik, T. (2007) "*Land Use Management and Democratic Governance in the City of Johannesburg*", Centre for Urban Studies and Built Environment and PlanAct, Fourways, viewed 14 December 2015 http://www.planact.org.za/wp-content/uploads/2014/08/13.-Case-Study-Fourways.pdf

Leischnig, A., Schwertfeger, M. and Geigenmueller, A. (2011), "*Do shopping events promote retail brands?*" International Journal of Retail & Distribution Management, Vol. 39 Iss 8 pp619 – 634

Leoni, L. (2015)," Adding service means adding knowledge: an inductive single-case study ", Business Process Management Journal, Vol. 21 Iss 3 pp. 610 - 627

Liu, C. H., and Liu, P. (2013), "*Is what's bad for the goose (tenant), bad for the gander (landlord)? A retail real estate perspective*", Journal of Real Estate Research, 35(3), pp. 249-282

Mejia, L. and Eppli, M. (1999), "*The Identification, Performance, and Tenant Mix of Dominant and Non-Dominant Malls*", viewed on 20 April 2015, Proquest database

Morten H. Morten (2016), " Researching business interaction: introducing a conceptual framework and methodology ", IMP Journal, Vol. 10 Iss 3 pp. 464 - 482

Pentecost, R. and Andrews, L. (2013), "*The importance of importance: Its impact on decision-making in mall retail categories during an economic downturn*", Journal of Retailing and Consumer Services 20 pp.463 – 470

Prinsloo D. (2013) "*Benchmarking the South African Shopping Centre Industry International and Local Trends*", Urban Studies, pp. 5, Figure, viewed on 20 October 2015 http://urbanstudies.co.za/wp-content/uploads/2014/07/SACSC-Research-Report-Benchmark-March-2013.pdf

Prinsloo D. (2010) "*Classification And Hierarchy Of Retail Facilities In South Africa*",Urban Studies, pp. 18, viewed on 20 April 2015 http://www.urbanstudies.co.za/wp-content/uploads/2014/07/New-Retail-Classification-2010.pdf

Riege, A. (2003),"*Validity and reliability tests in case study research: a literature review with "hands-on" applications for each research phase*", Qualitative Market Research: An International Journal, Vol. 6 Iss 2 pp. 75 – 86

Roberts, J., Merrilees, B., Herington, C., and Miller, D. (2010),"*Building retail tenant trust: neighbourhood versus regional shopping centres*", International Journal of Retail & Distribution Management, Vol. 38 Iss 8 pp. 597 – 612

Rotem-Mindali, O. (2012), "*Retail fragmentation vs. urban livability: Applying ecological methods in urban geography research*", Elsevier Ltd/Applied Geography 35 (2012) pp. 29

http://www.cmsignition.co.za/download/files_1047/OCR_REPORT_NOVEMBER_2016.pdf

http://www.cmsignition.co.za/download/files_1047/SAPOA_Retail_Trends_Report_June2016.pdf

Saunders, M., Lewis, P. and Thornhill, A. (2012), Research Methods for Business Students, 6th edn, Pearson, Essex, England

Shanmugam, R. (2013),"*Anchor-store quality in malls: an economic analysis*", International Journal of Retail & Distribution Management, Vol. 41 Iss 2 pp. 90 – 112

Singh, H. and Sahay, V. (2012),"Determinants of shopping experience", International Journal of Retail & Distribution Management, Vol. 40 Iss 3 pp. 235 – 248

Suri, H. (2011), "*Purposeful sampling in qualitative research synthesis",* Qualitative research journal, vol. 11, no. 2, pp. 63-75.

Sutherland, E. (2016)," The case study in telecommunications policy research ", Vol. 18 Iss 1 pp. 16 - 30

Teller, C. and Elms, J. (2010),"*Managing the attractiveness of evolved and created retail agglomerations formats*", Marketing Intelligence & Planning, Vol. 28 Iss 1 pp. 25 – 45

APPENDICES

A: Research Questionnaire

SECTION A: FACTORS AFFECTING TENANT SELECTION

1. **What target market related factors do you consider in your tenant selection strategy (Category A)?**

2. **What financial factors do you believe affect your decisions when selecting from a list of potential tenants? (Category B)**

3. **What retailor related factors do you deem important for the tenant mix within the shopping centre? (Category C)**

4. **What shopping centre related factors do you believe are critical to the success of a shopping centre? (Category D)**

SECTION B: CREATING A HIERACRHY OF FACTORS

1. **Based on the information provided in Section A, which factors do you consider critical in each category.**

Category A: **Category B:** **Category C:** **Category D**:

SECTION C: A DAY IN YOUR LIFE (Optional)

1. **Please describe what decision making processes do you, as a retail professional, follow in order to manage the retail tenant mix?**

B: Ethical Clearance Certificate

C: Acquiescence Form

D: Candidate Submission Form