THE FACTORS THAT INFLUENCE THE PERFORMANCE OF A REGIONAL SHOPPING CENTRE

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Research report submitted for the Department of Building and Quantity Surveying, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Science, in Property Management

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DECLARATION

I declare that this research report, **The Factors that influence the performance of a Regional Shopping Centre**, is my own unaided work, except for the assistance indicated under the acknowledgements.

The study is being submitted in fulfilment of the requirements for the Degree of Master of Science in Property Management, University of the Witwatersrand, Johannesburg. It has not been submitted before for examination at any other university.

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Signed on this 22ND day of FEBRUARY 1999

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SYNOPSIS

This study identifies the impact of renovations on the performance of a regional shopping centre. It also describes the basic concepts that underlie the location and design of regional shopping centres.

The descriptive survey methodology was used. This included a literature review on the design, location and renovation of regional shopping centres, and a case study of the Sandton Shopping Centre. The case study covered external factors such as demographic studies and location; and internal factors such as design, design layout, shape, space, as well as renovation, which was the main focus of this study. Data from the fieldwork were analysed to investigate possible relationships between renovations and profitability.

The first objective was to establish key factors which influence the performance of a regional shopping centre. The literature revealed that trade area, the site, layout of the centre, design characteristics of a centre including tenant mix and parking are influential factors on the performance of a regional shopping centre.

The second objective was to identify the reasons for, and impact of renovations on the "profitability" of a regional shopping centre. The main criteria to renovate were to increase rental space, modernise the centre, and maintain market share. The owners might be forced to react and renovate, as the centre might become structurally obsolete. Data from the management of Sandton City Shopping Centre shows that turnover of the centre increased by 14% following the latest renovation during 1997-1998. This indicates that the renovations had an appreciable impact on the turnover of the entire centre. Analysis of the survey data indicates that 24% of shoppers shop more frequently at the centre as a direct result of the renovations.

The final objective was to propose a systematic approach to renovation of regional shopping centres. It was deduced that [illegible] stematic [illegible]proach to renovations by the Sandton City management. [illegible]h would include a cost benefit analysis done within the framewor[illegible]ng three steps.

The first is a strategy to see where the centre is in the marketplace, where it should be, and how it should get there. The next step is to quantify specific objectives such as a leasing mix, and then to create a management plan in advance, on how the decision will be made. The final step is to investigate the demographic and economic influences from a market survey. The topics that must be analysed are: the trade area, population demographics, shopping habits, traffic and parking surveys, tenant surveys, a consumer survey as well as a projected market.

To determine the most appropriate time and scope of renovations, the following recommendations are made to the management of regional shopping centres:

- The centre must conduct an annual/ biannual survey (over 7 days) to determine the latest demographics of the surrounding network, and ascertain opinions of the patrons.
- Management must observe new trends in the marketplace, and ensure that the centre keeps abreast of these.
- There needs to be an excellent maintenance agenda, so that full-scale renovation is not forced onto the centre.
- Management must monitor competitive centres, and also proposed future centres, to assess the risk of absorption of patronage from their centre.
- Management needs to include a cycle time, that once a centre reaches a certain vacancy rate (say 5%), then renovation to increase rental turnover would be imperative.

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CHAPTER 1 – INTRODUCTION

1.1 -BACKGROUND

SAPOA news June 1996 states there is an emphasis being placed more on renovation, and refurbishment of existing centres. Consumers developed changing views about shopping, and retailers had to adjust in order to meet the updated needs and wants of these new consumers. The development segment of the mall industry was forced to respond to demand rather than to financing availability. Renovation, modernisation and even a better tenant mix became the trend for the 1990's. The acquisition of existing regional malls that had expansion or re-merchandising potential became the new focus.

Depreciation exists and is pronounced in the regional malls. Any major project needs a continual infusion of money, for everyday maintenance, as well as for major improvements. The expansion of an existing regional mall is planned so as to eliminate new competing centres and also increase the dominance of the redeveloped project, which justifies the capital expense, and makes the investment viable.

According to the Community Builders Council of the Urban Land Institute (U.S.A. 1977): "A regional shopping centre is a group of architecturally unified commercial establishments built on a site which is planned, developed, owned, and managed as an operating unit, related in its location, size, and type of shops to the trade area that the unit serves."

The success of a regional shopping centre does not only depend on one factor alone (such as location, as discussed in Sussman, 1984), but on a variety of intertwined factors. Factors such as design, shape, size, plan layout, public spaces, lighting, parking, and tenant mix should be looked at, to analyse the fabric of a regional centre. From this analysis, a theoretical base for future reference will be developed. There is a need for this study as a guide, and checklist for future development and as an aid for developers to help upgrade their centres.

It is therefore helpful to outline the important factors, especially for older existing centres, in order to ascertain the need to renovate, and what changes should take place in order for the centre to continue to be not only successful, but also an integral part of the environment. The Regional Shopping Centre should be designed to be congenial to a maximum sales potential.

"The regional shopping centre, by virtue of its aim, size, prominence, and planned concept, represents the most challenging of building types" (Gruen, 1973, p20). The location tends to create maximum ease of accessibility, with adequate parking, and combines a careful layout of stores in an integrated complex, whose function is to serve the community life and to act as a retail distribution.

1.1.1 - Features that distinguish a shopping centre:

i. The unified architectural treatment of the building that compose the centre.
ii. A single, unbroken site suited in size, shape and location to the type of centre needed by the market.
iii. The provision of onsite parking with easy and safe accessibility and circulation.
iv. The provision of service facilities for goods delivery and refuse disposal away from customer awareness.
v. A predetermined and balanced tenant selection suited to the type of centre and the requirements of the market.
vi. A preplanned tenant grouping that encourages a concentrated and even pedestrian flow throughout all parts of the centre.
vii. The provision of an environment agreeable to the purposes of shopping.
viii. The promotion and identification of the centre as a single entity and not according to the individual tenants.

1.1.2 - Types of shopping centres:

1) **the neighbourhood or convenience centre**
2) **the community centre**
3) **the regional centre**
4) **the super regional centre**

The characteristics of these are shown in table 1.1 below

Table 1.1 Types of shopping centres

	Neighbourhood	Community	Regional	Super Regional
Total area	3-10 acres	10-30 acres	30- 50 acres	50-125 acres
Total shops	15-20	40	100	200 -225
Population	2,500 – 40,000	40,000 – 150,000	150,000-450,000	300,000 or more living within 20km
Drive time	10 minute or less	15 minutes or less	20 minutes or less	30 minutes or less
Anchor	supermarket	Supermarket and discount store	1 or more magnet stores	3 or more department stores

1.1.3 - Historical overview

The rate of development is far from what it was in the 1970s and 1980s. Regional malls were new, and had a degree of uniqueness to them. Mall tenants were expanding, anxious to have locations in many of the malls being created. Two factors contributed to the growth of the regional shopping centre. The first was economic growth (Fordist model), which resulted in increased consumer spending power; and the second was urban decentralisation and suburban growth.

The first shopping centre type consisted of an irregular arrangement of buildings and was the community focus, sited between a large public open space and nearby residential areas. The second type was centralized organisation around a single, large department. Shops were arranged in a regular, compact manner to form open courts maximizing shop frontage. The third was the ' dumbbell plan', commonly attributed to Victor Gruen, where a pedestrian concourse ran between two large department stores, flanked on both sides by a number of smaller retail outlets. It was only when Victor Gruen enclosed the common space at Southdale Mall in Minneapolis in 1956 that the new, fully enclosed pedestrian shopping centre evolved. As Maitland (1985, p13) pointed out, this transformed the concept of the shopping centre from individual stores into a single packaged entity, and according to a well defined process which ran from initial merchandising plan and site selection right through to final marketing.

Areas around the centre grew with the regional shopping centre adding to its popularity. With the larger range of goods and services available, along with leisure facilities, the regional centre appeals to a larger cross section of the more economically mobile society.

1.2 - RESEARCH OBJECTIVES

1) To establish key factors which influence the performance of a regional shopping centre
2) To identify the reasons for, and impact of renovations on the "profitability" of a regional shopping centre
3) To propose/ suggest a systematic approach on renovation of regional shopping centres

1.3 - SCOPE OF THE STUDY

a) Limit to one case study

This dissertation is limited to one case study (Sandton City), as the centre encompasses all the aspects of a regional shopping centre, and has gone through all the changes and renovations that were investigated in other similar centres. There was no need to compare different centres, as the centre reflects the international findings as discussed in this report.

1.4 - STRUCTURE OF THE RESEARCH REPORT

Chapter 2 discusses the literature review, Chapter 3 describes the research methodology, Chapter 4 covers the feedback and analysis of the collated data and chapter 5 presents the conclusions and recommendations for future study on shopping centre development and renovations.

CHAPTER 2 - LITERATURE REVIEW

2.1 - FACTORS ENCOURAGING THE DEVELOPMENT OF THE REGIONAL SHOPPING CENTRE

A regional shopping centre (RSC) is anchored by at least 1 major tenant, utilising a large portion of the gross leaseable area and surrounded by satellite stores that provide variety and cross-sectional shopping and services, and provides comparative shopping for durable, general merchandise, apparel and furniture. The shopping centre is an architectural challenge. The structure must house the business of retailing, the site must accommodate parking, and the building and site treatment must provide consumer appeal and convenience while satisfying the tenants and compensating the owner. Another important feature is the grouping together of individual businesses in a co-operative manner for the mutual benefit of the whole. The controlled shopping centre is a selection group of compatible stores arranged to promote pedestrian traffic within the store group, interconnected by totally pedestrianised malls, to concentrate shopping and reduce walking distances and to create convenience and excitement in the overall architectural handling of structure and space. The gross lettable area is usually over 30 000 square metres, The centres serve a population of between 150, 000 - 450,000, within a 20-30 minute driving time to the centre. The site must have parking for over 2,000 cars.

According to the Haydock study (1964), RSCs are the result of four sets of factors:

1) Wealth
2) Rising populations
3) Travel habits - car orientated
4) Retailing methods - directed to self service type stores

"The regional centre emerged in a response to a number of factors, which included an increase in car ownership, refrigerators, mass advertising, and an increase in the number of women in the workforce." (Gibson and Hawkins, 1992, p 39-44)

Combined with the Haydock report, the following factors are deduced from literature as other influential factors for the development of regional shopping centres:

1. Exploding populations
2. Suburban spread away from CBD. Disproportionate increase in population in the suburbs, compared with the central area
3. Increasing wealth and rise in living standard
4. Rapid rise in car ownership
5. Increasing congestion in CBD
6. The development of larger stores and supermarkets with a wide range of goods
7. The 'one stop' attitude engendered the opportunities for bulk buying
8. The increasing ownership of refrigerators to store perishable goods
9. Larger stores with wider choice of goods
10. The development of home shopping

Several of these factors have caused a decline in the number of shopping trips made each week, for example: the ownership of refrigerators, helped shoppers store perishable goods for longer periods, therefore negating the need for shopping on a daily basis.

The regional shopping centre was a response to suburbanisation and the popularity of the car, and the aim was to intercept motorists. Gibson and Hawkins (1992) believe that the regional shopping centres have transformed the spatial organisation of the urban form, and civic culture. "They were conceived and constructed within integrated patterns of new communities and functioned as cores for the new developments" (Gruen, 1973, p18).

2.2 TRADE AREA

2.2.1 - Definition:

The trade area is the geographic area of influence from which a shopping centre can draw patronage based on economic, demographic and competitive conditions.
Trade areas and zones are the time it takes patrons to travel to and from the shopping location. Trade areas are divided into three zones of influence:

Zone 1): (primary) the areas immediately surrounding the centre with an extended travel time of 10 minutes to the centre. 60-70% of its total sales volume for daily items originates from this zone.

Zone 2): (Secondary) This zone takes 15-20 minutes to reach, and generates 15-20% of all sales and extends to the boundaries of the whole trade area. All competition should be analysed in terms of parking, accessibility, turnovers and amenities.

Zone 3): (Tertiary) this is where the remainder of sales originates. This zone takes up to 30 minutes to reach, and depends on the attraction of the centre to appeal to this zone. Household good sales in this zone are a result of these residents attracted to the centre for shopping of speciality goods.

2.2.2 - Travel time

Travel time reflects the ease of access to a centre, and then gauges against the inherent influences of that zone to the specific location. These zones are dependent on income, accessibility, and competitive facilities. A percentage purchasing power can be determined from each zone. There is a definite limit to the attracting power of a shopping centre, and to the length of time shoppers will spend getting there.

Gruen and Smith (1960) state: "the influence exerted by the centre will gradually diminish as the distance from the centre increased. Thus a large regional centre will attract people living within 30 minutes driving time."

2.2.3 - Trade area studies

These studies focus on the analysis of the functioning and commercial viability of a shopping centre. Attention must be paid to the changing demographic, economic and social forces. Future population trends and growth patterns are determined from existing populations, density, zoning restrictions and physical barriers to the new development areas.

Aggregate patterns of consumer movement such as trip frequency, distances and direction of trips, travel mode and money spent are investigated to gain information that estimates the sphere of influence a shopping centre has and assesses the potential for improvement of development within the retail hierarchy. It is likely that, all conditions being equal, customers will travel further to reach a shopping centre with outstanding planning characteristics and a greater variety of shopping facilities than they will to one with a limited choice of stores and poor design characteristics.

The viability of regional shopping centres is dependent almost entirely on sales of durable goods. Understanding the character of this market is essential to ensure profitability. Purchases of durable goods generally account for about one fifth of the retail expenditure of all income groups.

2.2.4 - Demographic studies

Lentnek, Lieber and Sheskin (1975) concluded in their study on shopping habits, that shopping behavior was associated with the consumers' income and personal mobility. Market and economic analysis includes the analysis of the trade area. This includes the areas population changes for future growth, employment and economy as well as traffic count, travel time and future trends. Disposable income and purchasing power both need to be studied to establish the viability of a particular type of centre, and the retail sales potential. From the above, the economic survey can be gleaned which tells the developer how much space to allocate to the various kinds.

Inherent in the location of the site is the demographic analysis, which includes a study of the following factors:

1. Population
2. Income
3. Purchasing power and shopping habits
4. Competitive facilities
5. Accessibility
6. Other considerations.

These help the developer to derive expected sales volumes, type and range of goods and design objectives. Data is collated from census records, market statistics, and building permit records, to predict future growths. Factors such as population size, age, income, and purchasing power all influence the potential size and type of centre to be built.

1. Population

The delineation of the trade area becomes vital to the accurate estimation of the approximate sales volume the centre can expect to make. The size of trade area is established by demographic studies of location, competition, travel time and drawing power of tenants. A large regional centre can obtain 15% - 20% of volume from purchases made by people living outside a normal trade area.

Information is available from the Bureau of Census and Statistics as well as from local authorities for estimates of future population. Population growth and stability, changes in household size and income levels, planned transportation improvements and employment trends should be assessed to establish whether a project should be built. One key factor is the ratio of retail square metres to the trade area population, which helps to create data that illustrates supply and demand.

2. Income

Bucklin (1967) found that families in the higher socioeconomic groups showed a clear tendency to shop in different areas than lower socioeconomic groups. The distance from home is the most important factor for all income groups. People are less likely to search for bargains in demand shopping because demand goods often reflect on a person's taste (such as clothes). These goods are purchased far less frequently than convenience items and are subject to shifts in style. The consumer will use larger shopping centres to purchase these items, to compare quality, design and price, and will usually devote more time to the purchase of these items. The larger the centre the more attractive it becomes.

Every shopping centre is positioned so that the centre makes maximum profit. The buying power of the population must be investigated to see what spending power is available for the centre, gleaned from a market survey on income to gauge available net buying power. Employment analysis in the trade area gives figures on income and expenditure, and therefore spending power for a given centre.

3. Shopping habits/ purchasing power

"Shoppers will patronize the closest centre with equal facilities" (Nelson 1958, p185, 208).

Studies highlighted by Nelson indicate that terrain characteristics of consumer habits were observed

1) Shoppers will move toward the dominant trading centre
2) Traders will not go through one trade area to reach another being equal facilities
3) Shoppers will patronise the closest centre with equal facilities
4) Shoppers will tend to follow traditional circulation patterns

The following reasons are given by Nelson to assess shopping habits.

- They assist in delineating the trade area.
- They measure the effectiveness of existing competition
- They determine the residential areas from which the competition draws its population.
- They may indicate any special circumstances affecting shopping patterns within the trade area

Weekend shopping is a major force in retailing, and accounts for greater proportion of the sales volume.

Architectural and planning techniques are used to stimulate impulse shopping, by making products appear more appealing and combining them with other items to show compatibility.

To stimulate impulse buying, the aesthetic emphasis of sparkle and freshness makes the shopping experience like a holiday, with high-quality finishes, and stirring changes in vertical and horizontal scale and high ceilings. Floor and wall treatment should be economical to maintain, durable enough to handle high-volume traffic, be of a good quality, and still look costly. The architectural elements must enhance the overall drama of the retail experience. Fashions change over time, and these visual stimuli must be updated and replaced constantly. A study of shopping habits will assist in the delineation of the trade area and to assess the potential sales and success of the centre. The major points to be studied are:

1) Customer loyalty and existing competition should be analysed

2) The nearest areas that the competition draws from, and analysing services and goods that the centre should provide
3) Shopping patterns of different economic backgrounds

The ISOPLETH method incorporates the contour line that link places of equal driving time from the subject location, thereby recognising the dependence of trade area on driving time. Most consumers are able to segment their retail purchases, including service, entertainment, price, and convenience. This confirms that retail is now more specific for certain target markets, and reinforces the notion that retail demand is much more targeted than before.

4. Competitive facilities

A reciprocal relationship exists between a shopping centre and its surrounding area. A well-planned centre can exert a favourable and large influence on the surroundings. For the development of successful centres, Nelson, I.R. (1956) advocates a 'competitive hazard survey' in three parts to determine what the competitive centre could gain from the prospective site.

1. A survey of all non-intercepting competitors within 3-13 kilometres, to indicate the potential of the competitors to upgrade their accommodation and services.
2. A survey of all vacant or potential sites, including areas, topography, restrictions, rental/sale price accessibility.
3. A survey of all sites on which planning permission had been granted for retail facilities but no work has been started.

Future competitive facilities that will be established within or adjacent to the trade area is an important factor that must be considered. The drawing power of major centres will usually cause land around the centre to rise in value. The future land value should therefore be regarded as the key factor. Properties adjacent to such major commercial enterprises appreciate in value, primarily from the centre's traffic-generating capacity.

The competing centres must be analysed in order to establish the degree of influence they could have on the size, and shape of the trade area, and on the potential sales volume that may be derived from it.

There are three types of competition:

1) Existing centre and all major competitors within and beyond the trade area
2) The CBD
3) Future shopping facilities that are likely to be built near/adjacent to the proposed centre. The economic base analysis provides the investor with an empirical assessment of the total area size, key elements of demand, and likely growth trends. Employment and demographic data coupled with available income and retail sales information is combined to estimate the strength of the market.

The surroundings should be compatible, enhancing and contribute to the success of the centre. The landowner should take acquisition of adjacent land in order to facilitate auxiliary developments such as hotels, restaurants or offices. The developer safeguards his development and benefits. The surrounding road network and accessibility onto the site needs to make full use of the business potential of the projected centre. Developers should acquire fringe properties that are to be commercially zoned, even if comparatively high prices are to be paid.

Regional malls have added entertainment, community facilities, and convenience as well as diversity of speciality shops, in order to retain markets share. As the sites for regional centres are predominately residential, the interrelationship of the centre and the surroundings are of fundamental importance.

Gruen and Smith believed that the most efficient way to safeguard residential and other areas which surround a shopping centre, is to incorporate such areas, from the start, within the planning concept of the project.

<u>5. Accessibility</u>

Discussed under traffic and parking (see section 2.7)

6. Other considerations - Financial planning

In essence the financing of shopping centres incorporates five major elements: land acquisition, equity, investment, front money, construction money and permanent or long term financing. Capital costs are the total investment in the project and include land and land improvements, building and equipment, overhead and development costs prior to opening. Estimated expenses of operation are the final deduction before the net income is determined. Amortization, depreciation, and income taxes are calculated afterwards. The developer must also anticipate possible increases in costs of labour, materials, and money from the levels at the time of the initial estimates. Once these calculations have been finalised, the derived performance projection will indicate the return on capital costs in developing the centre

2.2.5 - Development

Nadine Beddington (1982) noted that a project usually begins with either a developer looking for a site, or a site looking for a developer. The developer is concerned with a satisfactory return on capital investment. Zoning must be investigated to ascertain maximum bulk on a site. A feasibility study is drawn up to determine whether a project is viable or not. An important responsibility of the developer is to obtain and evaluate market research studies and demographics of the proposed site. It is also implicit that the developer continues to monitor demographic and psychographic data in each market area on a regular basis, in order that tenant mix and merchandise is adjusted to reflect those changes.

2.3 - SITE SELECTION AND EVALUATION

As Rouse (quoted in Dawson, 1983, p87) stated: "The success or failure of a regional shopping centre… will be measured by what is does for the people it seeks to serve."

The costs of physically constructing the centre, including site and tenant improvements, are capitalised to the construction-in-progress account as they are incurred. This includes demolishing existing structures, architectural costs, and legal fees etc. and direct project supervision costs.

2.3.1 - Feasibility

A site should afford the best opportunity for the successful functioning of the centre. The economic forces pertaining to it determine the best location. Proximity to other uses can also have a significant impact on the suitability of a site for development.

The following should be studied in depth to ascertain the correct location: size of the market, key tenants availability for the selected site, and site characteristics: which includes access, size and shape, cost of land, site preparation, utilities and changes, and favourable zoning and environmental considerations. Characteristics and availability of adjacent vacant land for later compatible use are also factors that can impact on the site selection.

The acquisition problem for regional shopping centres, is the need for large areas of land in satisfactory locations and under single ownership. Properties adjacent to shopping centres appreciate in value, therefore it is important to acquire fringe land at minimal costs to ensure future expansion of the centre and to facilitate fringe property uses (hotels and conference centres). Ideally it should be owned or controlled by the developer, or its acquisition feasible.

The amount budgeted for is dependent on the drawing power and kind of tenants available. Costs include general and building costs, as well as site improvements. The cost of the land must be economically viable.

2.3.2 - Location

The type, size and character of a centre bears directly on its inherent drawing power. Proper location geographically is determined by economic considerations.

The economic and market analysis "Is the developer's prime sales kit for approaching major tenants" (Jones 1969, p31). Good locations, even with high land costs, are likely to produce successful projects.

The site must be adequate to accommodate the store prototype, the minimum frontage and parking and loading requirements. Therefore, location and centre characteristic issues are paramount in the early stages of feasibility. The location of the centre will dictate the success of a centre and will depend on economic, as well as physical characteristics.

The site needs to be located in the general area that is most desirable, according to the economic survey.

People prefer to shop at places where they can make comparisons to help reduce risk and uncertainty in the buying process. A retailer seeks locations convenient to prospective customers in order to maximise sales penetration.

2.3.3 – Sales

Retail sales per square metre demonstrate the appeal of a particular tenant and the overall competitive strength of the property, and illustrate the spending patterns and affluence of residents of the trade area. Retail sales per square represents the total gross receipts of a particular store divided by its leasable area.

2.3.4 - Zoning

Existing zoning must permit usage of the site for shopping centre purposes or a likelihood that Rezoning will happen. Zoning will dictate the pattern of the future development, and of controlling development in the right direction within environmental planning.

2.3.5 - Size and shape

The size must be big enough to accommodate the layout or construction needed to meet the sales potential criteria. The site area is determined by land acquisition costs, building character, massing, aesthetics and construction costs.

The shape must be such that planning and design potential will be maximised. The shape of the site must allow for feasible planning. The land must be in one piece, free of obstacles that separate the site, which create unsafe traffic conditions, impede circulation and result in economic failure of the tenants and therefore the centre as a whole. An irregular, disproportionate site could cause extended parking distances, poor visibility, poor accessibility, and would be rendered unusable.

2.3.6 - Topography

Physical characteristics of the land must allow for advantageous planning and economical construction. The topography must be such that would be economical to the development of the site. The most desirable site has a slightly sloping site where cut and fill can be balanced economically or used for a two-level centre. This must be used in conjunction with good site planning to allow advantageous planning and design at reasonable construction costs. Handling of storm-water run-off naturally through a site helps lower costs.

2.4 -DESIGN CHARACTERISTICS

Today's regional shopping centre design is characterised by the enclosed mall, an air-conditioned pedestrian concourse to which tenant and stores have direct access. The centre should be attractive enough to draw and retain customers, with the least maintenance, both for the owner and tenants, so that competitive price can be established. The centre should be designed as a homogenous group. The shape of a shopping centre is the result of attempts to minimise walking distances for the shoppers, without compromising the number of shops to be included in the centre.

"The essence of a managed shopping centre is that of a total concept, to the anticipating demand and meeting all the shopping needs within parameters set according size and type of centre.... Interconnected by totally pedestrianised walks or malls, open or covered..." (Beddington, 1982, p8)

2.4.1 - Visibility

Retailers want to maximise sight lines to the buildings, and would prefer 100% corner conditions. The architects must ensure skilful treatment of the landscaping to obtain optimal visibility for retailers, whilst providing a buffer. It is essential to have a general visibility of the shopping centre, its signs, landscaping and the contour of its building mass. Visual access is the most basic form of marketing and stimulates unplanned shopping trips, and can be imposed from a large distinctive structure as well as by signage.

2.4.2 - Design plan

There are five considerations with respect to basic architectural design and construction of retail properties: cost, appearance, durability, flexibility and security.
The plan form needed for the comparison shopping is unique. People tend to follow the line of least resistance and greatest attraction. Customers can be deliberately funnelled into certain flow patterns by clever manipulation of design. The greater the traffic past the shop, the greater the potential for the shop to attract customers.

In designing retail centres for comparison shopping, architects must endeavour to make shoppers feel welcome to browse and for shoppers exposed to as much merchandise as possible, displayed to enhance the merchandise's perceived value. The plan form should flow from this consideration: Ease of circulation and a comfortable, safe, climate-controlled environment is the first elements. Double-loaded corridors take shoppers through in-line stores, with their large, well-lit store windows and openings that invite shoppers to inspect different types and combinations of items. The materials must withstand large traffic volumes, not difficult or expensive to maintain, and be value enhancing. Stone is commonly used for exterior elevations. Floors are usually of tile. Ceilings are more refined, allowing for the best presentation of the retailers' merchandise. Skylights are often used, since filtered daylight brings a natural ambience to the centre. The overall character is corporate strength through the strength of the individual, with an individuality of storefront design within a strong controlled architectural framework.

Planning should encourage maximum circulation equally throughout the centre. The layout should be as simple as possible and keep maximum walking distances to comfort levels (220 – 250 m). The distances should be broken by uneven shop fronts, changes in light levels, ceiling levels, seating arrangements, floor levels, and when combined, make distances appear shorter. Alternatively lower level ceiling malls may open at intervals into full height courts revealing as a surprise element, upper storeys, reinforced by carefully situated escalators and staircases. Visibility of the various levels is an important aspect of multilevel design. Open wells and dramatic multi-storey design elements such as shops floating between levels, are techniques used to prevent isolation of one level.

"...The banding together of individual businesses in co-operative fashion with the aim of creating greater commercial effectiveness through unified endeavour".
For adequate financial return on a site, multilevel trading is important to produce sufficient gross leasable area, as well as to reduce horizontal customer walking distances. Design skill is needed for success of multilevel trading, (Beddington, 1982, p22) "it is easier to persuade people to go downwards than upward so upper level entrances are an advantage if they can also lead easily to other levels."

There should be individuality of storefront design within a strong architectural framework; thus the variations in design and texture enhance the excitement created in the public spaces. "Stimulation of the senses is a major factor in the shopping experience. It is in the retailers' best interest to provide visual stimulation for shoppers to encourage trading" (Flannigan, 1989, p290).

2.4.3 - Pedestrian flow

The key to a successful centre plan is a concentrated manipulated pedestrian pattern encouraged equally throughout the centre, maximising the developer's rent potential, and create a vibrant atmosphere. To encourage concentrated and high flow, the developer should locate the magnet store in a way that would lead shoppers through parts of relatively lower attraction in order to get there. The location of the entrance points and magnet stores is thus the place the layout is begun with. Too many entrances will diversify and dilute pedestrian flow, to the detriment of overall retail potential. Entrances should be convenient and allow a balance of shoppers to flow through. They must be attractive, inviting, well lit and easily accessible. Multilevel centres should filter entrances from both floors. The shape and size must be in line with the design of the building but large enough to accommodate expected densities, encourage maximum and even circulation, yet narrow enough to add to the 'effect of the drama' of entering the centre. Entrances must open onto the public pedestrian space, and not into shops or other exit points.

Movement should be encouraged and also emphasised. Escalators, stairs and lifts should provide convenient vertical circulation, placed in obvious areas, and easily accessible, readily identifiable to invite shoppers onto the various levels with minimum obstruction. Design of public spaces must incorporate efficient circulation routes that maximises pedestrian traffic flow past all shops, strategic location of vertical transportation to entice vertical movement.

Stores are increasing in scale and multilevel formats are more common. Driving this trend has been:

1) a lack of street level space
2) improved merchandising skills by retailers
3) landlords desire to maximize revenue

2.4.4 - Dimensions of the mall

There must be room for window shoppers to stop, while allowing circulation past them. The mall should be wide enough to allow shoppers to perambulate, yet narrow enough not to be too restrictive. Too wide a space will deter shoppers from crossing from side to side. The minimum width is 5 – 6 metres, but wider areas should be accommodated at strategic positions that accommodate peak traffic densities, as well as court areas to minimise congestion. The building height must allow for advantageous views of shop fronts, and is related to mall width. A desirable ceiling clearance is usually about 4,5 metres. Variations in ceiling height are used to provide interest and create false perspective, adding to the character of the mall.

The objective is to maximise trading potential while minimising spatial requirements. Shop fronts are a premium. Column spacing has a controlling effect on the manner in which the total selling space may be divided into individual stores. If columns are spaced too closely together, the freedom of dividing the space will be diminished – and interfere with the ability of the individual tenant to arrive at an efficient merchandising layout. Columns must be set back from the shop line. Different shop size units create variety but also economy of design. Its width, length and column spacing, as well as its height, will be decisive factors in achieving such flexibility.

The main criterion in the selection of a structural system for a multiple-tenancy building is flexibility of space use with columns in shop fronts eliminated to allow maximum freedom in design. Different shops need different size stores. (Jewellery stores need maximum window exposure for display, while little selling space is required). To accommodate different sizes and shapes efficiently, the structural grid should allow for flexibility. A grid of 11 metres is optimum, as it allows breakdowns of 3 x 3,7 m units or 2 x 5,5 m or 3: 7 plus one 7,3 m unit.

2.4.5 - Atmosphere and Lighting

The mall must create an environment to which people will be drawn. "Monotony of design, repetition and regularity are enemies of trade" (Beddington, 1982 p1). For 'up-market' shopping centres, a quieter more sophisticated atmosphere is desirable.

There should be a balance of illumination between the shops and malls to provide an adequate overall lighting level that adds interest and provides optimal ambience, either exciting, highlighting or functional. Shop front lighting should be a dominant feature and will therefore contribute to the lighting of the mall. The feeling generated in the public space should be one of excitement. As Maitland (1985, p26) pointed out, "lighting should be dimmer here than in the adjoining intermediate spaces to draw visitors down the relatively dark single level tunnel to the light ahead". Natural lighting helps change the atmosphere of the internalised centre, allowing glimpses and contact with the external environment.

The enclosed mall should create a more comfortable atmosphere than the exterior, with temperature differences between the exterior and interior noticeable enough to entice the customers. The public can enjoy comfortable environmental conditions allowing for a leisurely shopping experience, which could influence impulse buying.

The mall should reduce stress and provide an inoffensive environment. Seating should be conveniently placed but not obstruct shoppers' movements. There should be demarcated areas with directions and information as well as an information desk. Toilets, public telephones, dustbins, play areas, child minding, promotions or exhibition areas are all part of the mall facilities, and should be integrated in design, be well maintained, unobtrusive and enhance the ambience of the centre.

2.5 - LAYOUT OF THE CENTRE/ TENANT MIX

2.5.1 - Tenant Mix

The centre must provide ample and convenient shopping opportunities for convenience, demand and impulse goods. Types, needs and inherent drawing powers of tenants are balanced to create a plan congenial to maximum sales potential.

The economic analysis as well as size and character of the key tenants will indicate to the developer the most advantageous mix of tenants. The analysis enables the developer to plan the tenancy layout. Tenant mix plays a major role in maintaining shoppers' interest, increasing pedestrian concentration and flow and thus increasing overall potential sales. Tenant mix involves control over type and quality of tenant. The location and grouping of compatible stores helps boost sales within that group. Service shops are best located along the periphery where they are least likely to detract from the atmosphere of the centre.

There are three categories of tenants:

1. Major/anchor tenants
2. Institutional tenants
3. Satellite shops

<u>1 - Anchor tenants</u>

Anchor tenants include department stores and supermarkets. The drawing power of these magnets is attributed to size, ranges, and type of goods, with the larger the attributes, the larger the drawing power. These tenants anchor the centre and are referred to as "magnets" by generating major pedestrian circulation. They utilise the largest retail floor space, yet pay lower rent. The major store works for the centre as a whole by providing the necessary attraction to stimulate pedestrian movement past the smaller shops, to provide a cumulative attraction.

By varying the rates of percentage leases, the smaller tenants are forced to subsidize the larger tenants. The long-term percentage lease is almost universal for the larger tenants. Smaller merchants are still on short-term fixed-rent leases, so that they can be moved to another position if necessary. When the major tenants are fixed, there will be an assurance of pedestrian traffic that will allow the owner to obtain higher minimum rents and more generous percentage clauses from the smaller tenants. The larger store, in return for its pulling power, is given a low rent and a protected location.

The magnet stores should not be located more than 200 m apart, with courts introduced into public spaces to break the monotony of the plain small perspective.
The presence of anchor tenants is critical to the success of the regional centre. As the number of viable anchor tenants continues to contract, the bargaining leverage of the anchor tenants has increased. The difficulty and expense of negotiating arrangements with them has increased correspondingly. It is a mix of tenancy that is most important in determining the appeal and ultimate success of a particular shopping centre.

Magnet stores should be located in such a place so as to lead visitors past satellite stores, so maximising trading opportunities, turnover and hence rental levels for the whole centre. A major departmental store needs roughly 20,000 square metres. A greater area of prime frontage for satellite stores would be created if two or more magnet stores were located at each end of the mall, which shoppers would be drawn through a central isle to reach each other. As well as achieving maximum circulation throughout the whole centre, the layout is also designed to encourage cross shopping and impulse buying. Supermarkets should be incorporated adjacent to the car park for ease of trolley movement. The magnet store is the determining factor in site design and layout considerations.

2 - Satellite tenants:

Speciality, boutiques and repair, all constitute satellite shops, that collectively attract shoppers, but rely heavily on the passing trade from the drawing power of the magnet stores. They pay high rents, which subsidises the developer for lower rent paid by the large space users, and contribute to the overall attraction of the centre. The satellite tenants should be placed to encourage good distribution of pedestrian flow in order to induce impulse buying. Merchandising of the small tenant space remains more art than science. The process is guided by the same micro market characteristics considered by retailers during the site selection process. Retailers must be convinced of the inherent suitability of the location and market for their product.

A study by Nelson (1956, p66) showed that a greater volume of trade was done where compatible stores were adjacently located.

3 - Institutional tenants

Customers will invariably seek these tenants and are considered mini-magnets whose aim is to attract to the centre potential customers whose main objective was not shopping. They pay fairly high rents, and an example of one is the post office.

2.6 - ANCILLARY USES

The more requirements and desires a regional centre satisfies, the longer a customer is likely to stay. Shoppers will go to the largest centre they can get to easiest, provided all other things are equal. As such, the over all success of a centre "...can well be influenced by uses which are very much ancillary, or subservient to shopping itself" (Darlow, 1972, p129). These could include cinemas, hotels conference centres, etc.

Ancillary uses are included as part of the shopping centre to:

1) Cater for the wider need of the shopper
2) To increase the domination of the centre by attracting more people to the area
3) To improve the overall image of the centre
4) To create a meeting point for the community
5) To satisfy local planning conditions

They must be in harmony with the characteristics of the adjacent areas, and serve as a gradual transition between the high-density activity of the shopping centre and outlying quiet residential areas. They should be non-competitive to the shopping centre, with the plan providing uses complimentary to the shopping centre. The plan should aim to upgrade the character of the surrounding area economically and aesthetically, as well as give the regional centre a more prominent standing.

2.6.1 - Courts

Enclosed shopping centres consist of one or more courts, connected by malls to the entry and exit points. The courts are usually placed in front of the magnet stores. The entrances to the centre are located so that they feed into a court. Court areas provide the mall with 'over-flow' space as well as being a focal point for public events, promotions and exhibitions. Courts break up pedestrian walkways, producing a friendlier and more relaxed scale. They are important focal points for communities for cultural and entertainment activities.

The creation of an attractive environment for customers to enjoy their shopping trips, to stay longer and return to the centre, is essential for the success of a shopping centre.

The ' Food Court' in the shopping centre, has become a popular meeting place. Customers should be encouraged into these spaces by using direct lighting and creating a warm atmosphere. Whyte (1980) observed "Food attracts people who attract more people". Food courts structure shopping around a convenient place to have an informal meal, and to bring the whole family.

2.6.2 - Entertainment

Family entertainment is important to attract visitors from far. Victor Gruen identified shopping as a part of a greater sphere of social activities, and included non-retail functions within the complex to create cultural and social events (such as cinemas). Entertainment combined with traditional retail uses increase mall attendance by as much as 5 times, and also increases the length of a shopper's stay.
According to Dawson, (1983, p87) "the suburban centres have become the community. They are no longer part of the community, they are the community".

Movie theatres are built as part of retail centre developments, either within the centre or at its periphery, as they provide additional drawing power. Theme restaurants (such as Planet Hollywood restaurants) are one of the fastest expanding segments of the casual dining industry. The average Planet Hollywood restaurant generates $15 million in annual sales. (White and Gray, 1996, p187). Entertainment widens the centres' trade area and also increases the shoppers' "dwell time", allowing them more time to spend their money within it.

At West Edmonton Mall in Canada, visitors usually stay for days, drawn to attractions such as the world's largest lake. The mall attracts more visitors than Disneyland. The principal source of revenue is not in rental of retail space but receipts from leisure activities.

2.7 - TRAFFIC AND PARKING

Customers will travel longer distances to a well-planned shopping centre with a greater amount of comparative shopping facilities. The majority of customers are prepared to travel up to 30 minutes to reach major centres.

According to Reilly's Law, there is a breaking-point between two competing shopping centres where the pull of the one centre is equal to that of the other, despite the fact that people pass each other going in opposite directions to purchase the same kind of merchandise.

There are two elements devoted to vehicles, one being movement on, and circulation around the site, the other dealing with stationery vehicles. Parking and the intermittent circulation within bays whilst looking for or leaving a parking bay.

Traffic planning is an integral part of planning the site and surrounding area. The objective is to accommodate the movement within the site of people and goods with as much efficiency as possible. Quantitative factors such as travel, time and comfort must also be considered in the design. The planner must strive to provide maximum comfort and convenience. Convenient access and exit arrangements for cars from the road to the site, easy access to the parking areas within the site, parking space located as close as possible to shopping centre structures, as well as comfortable pedestrian areas. The traffic types should be separated from each other to enhance a relaxed shopping atmosphere.

There are four types of traffic that must be accommodated:

1. Private - customers and staff
2. Public - taxis and buses
3. Pedestrian - in transit, and in the shopping area
4. Service.

The following information is needed to plan for traffic:

- Points of origin of shopping centre traffic. Which will indicate the number of persons expected to approach the centre from the surrounding areas.
- The probable routes which customers from the various points of origin will most likely take.
- Existing traffic loads on such approach roads.
- Peak traffic loads.
- Expected critical traffic conditions.

For instance, the current traffic density (according to Robin ~~Skoltz~~ Scholtz of the Automobile Association) in Gauteng is 2,403,201, which comprises 38% of the national figure, indicating the potential for traffic problems on Sandton City.

Any aggravation caused in the parking area will cause customers to use a more convenient and accessible centre. The more affluent the patron, the more likely they will be frustrated and feel inconvenienced. Full areas should be blocked off and shoppers pointed in the direction of alternative entrances and parking.

2.7.1 - Accessibility:

Accessibility itself is dependent on journey time, road capacities and usage, car ownership and public transport. There should ideally be a continuous periphery roadway surrounding the entire site. The surrounding road network must support the traffic generated by the centre and existing traffic, ensuring a smooth and safe transfer of vehicles between the site and surrounding road network.

Expected volumes, site limitations, traffic lights, and zoning restrictions will determine the number of driveways and movements. The access points are used to expedite shoppers' movements to and from a property, facilitated by multiple entry points. Turn lanes, acceleration and deceleration lanes must be integrated to alleviate congestion. The architect should therefore take cognisance of the following when designing the access points:

1. Location in relation to the proposed building layout
2. Location relating to other driveways and interceptions, with spacing at least 90 metres apart to ensure no congestion takes place
3. Location opposite future expansion which could cause congestion.
4. Location in relation to intersections which should be far apart to alleviate congestion
5. Speed limits and limits on mobility due to steep hills.

2.7.2 - Parking

Gruen and Smith (1960) stated that it is only once a driver has left his car that he becomes a potential shopper.

The aim of the parking layout should be to achieve the greatest possible turnover of cars during a given period. The parking bay should have a turnover factor of 2-10 cars per bay. Maximum walking distances that most people are prepared to follow are an extremely important factor in the design of the parking layout, which amounts to 400 car spaces per area for maximum convenience and ease of flow. Welch and Funaro assume 120 metres as the maximum distance from the road to the shops that people are prepared to walk for regular shopping, and about 200 metres as the maximum for peak shopping.

Parking is very important in terms of quantity - adequate parking that caters for the demand on the centre; and in terms of quality- as the parking should be convenient and allow for quick access to the shopping centre entrances. Angled parking and wide turning lanes reaches a point of diminishing returns. Because of size and configuration, not every potential site can achieve the optimal parking layout, which must be carefully considered by the development team in evaluating sites. Any violation runs the risk of losing customers. The customer should be free to drive to any parking area that is closest to his point of purchase, which is very important with regards to supermarket parcel pick-ups.

There are 3 distinct parking zones.

1. Parking that serves the normal daily shopping traffic
2. Parking that serves the overflow, during occasional peak period
3. The area set-aside for future expansion

Parking spaces

The required number of parking spaces becomes an important point for tangible assessment and planning. Other considerations are more important in the parking demand ratio. These demand factors include:

1. The type of size of the centre and goods sold. Generally the greater the variety of goods sold; the longer the customer will stay in the centre.
2. The income level and character of the trade area. This will determine the amount of cars per family, which then will the influence the number of parking bay requirements for the centre.
3. Walk-in trade.

The largest parking area must be most easily accessible from the heaviest approach direction. Walking aisles and pedestrian routes should be incorporated into the parking layout. Vehicular movement adjacent to the centre must be minimised in order to expedite pedestrian flow, as well as alleviate congestion around entrances, which must be easy and convenient from the parking area. Spaces should be easy to enter and exit for ease of manoeuvrability, position and loading of goods.

- Parking should be at right angles to the centre, which reduces walking distances.
- Well-designed and executed directions will help ease the flow of traffic.

Trolley bay disposal points must be planned in conjunction with the food supermarket and be easily accessible. Lighting in parking areas must be adequate to protect the customer and his car. Surface should be good quality and clearly demarcated, as well as aesthetically pleasing.

Regional centres are usually built on two levels with parking, so that a majority of the shoppers come in through the second level and walk down to the remaining stores. Multi-deck parking can provide direct entrance to each level of the stores and to ancillary facilities. Shoppers are unwilling to walk up stairs, and have much less objection to travelling down an escalator or lifts. Double deck parking makes maximum potential of limited land and shortens the walking distance from the car to the shops. It is important to make sure there is an even distribution of shoppers throughout the centre in order not to isolate a certain section.

Victor Gruen argued that the location and design of multi-deck parking will have varying effects on the design of the centre. It will depend on the size of the parking facilities and where they are situated. Integration into the site and with the retail structure becomes the next design objective. Basement and rooftop parking are used where land is either limited and/or very expensive, but come with major structural implications.

Staff parking should be separated into the least favourable point that would not interfere with customers' 'prime space'. Customer and service traffic must be separated, and landscaping should be incorporated to break up the sea of cars and improve centre appearance. Service areas must be absent from the customers awareness, but easily accessible for service vehicles. These must also accommodate disposal of refuse from tenants and handle the delivery of goods. The pattern of movement for service truck should be one way, continuous and looped. The centre must cater for supervision and security of off-loading. Refuse removal from common collection points must be kept clean and well ventilated.

2.8 - RENOVATION OF REGIONAL SHOPPING CENTRES

2.8.1 - Revitalisation of Shopping Centres

Revitalisation refers to the end product of renovation and recycling i.e. an improvement in the economic viability of the centre. Renovation implies physical changes that alter the centre but do not change its type. Recycling refers to a re-tenanting and re-marketing of a centre, which results in a change in the centre type.

One of the main changes was the enclosure of the mall. Space addition, which included the addition of a new anchor tenant and wing to the centre, caused a significant increase in the size of the centre. The average cycle for updating a centre is 7 years, and is essential in holding the shopping centre customer base. Improving the centre's image is also important for tenant retention, as it is a function of the centre's overall success. The property owners must ensure that the centre has a competitive edge, by altering the envelope of the architectural design.

There is a trend toward more revitalisation retailing within the shopping centre industry. Gladstone Associates noticed from their survey that there was a trend by retailers in the late 1970's and early 1980's toward a sharp increase in the proportion of capital budgets allocated to store modernisation, with consequent less funds allocated for new store improvements. A similar trend is occurring within the shopping centre industry.

The census done of the shopping centre industry (by the Centre World 1983), reported that there is a major shift in the industry to expand, renovate, and upgrade existing centres. Centre revitalisation is the responsibility of the owners, although tenants may be asked to contribute to the revitalisation costs.

Revitalisation has involved a variety of changes:

- Enclosure of the open centre.
- Reduction in the floor-space of individual units, allowing for more tenants.
- Reorganising the tenant mix.
- Improvement of energy efficiencies.

- Expanding the centre, with revitalisation as part of the whole process.
- Changing the circulation pattern
- Re-marketing the centre.

Major changeover in tenants is seen as a true recycling of the centre. Architectural modifications and the addition of new space and the re-leasing of existing space have been made to existing centres. Projections of the components of the retail market analysis such as population, household income, are estimates of future possibilities based on current trends, and are used to indicate to the developer what type, and when the improvements should be incorporated. (See Appendix A)

The 1980's were an era of competitive restructuring associated with market saturation, particularly for the large centres. Current restructuring in the 1990s revolves around internal versus external strategies. The shopping centre tenants should be well balanced so as to appeal to a particular consumer segment, and adjusting the micro-geography of centre design using colour, and placement of activities. External strategies are more concerned with strengthening the shopping centre's position as a catalyst for a mini-city. The mini-city is a compact, multifunctional area that contains offices, hotels and entertainment complexes.

2.8.2 - Reasons why renovations take place

There is a shift occurring between the economics of erecting new facilities (capital intensive) and the rehabilitation of older centres (labour intensive). A property endures wear and tear and needs to be constantly maintained. It is part of a competitive market, subject to economic and cultural, as well as new trends. Retailers must update their merchandise in order to keep up with customers' perceptions. A knowledgeable architect is essential in updating a particular property's image, since the image is crucial to the bottom line of the retailers and property owners involved. Shopping centre entertainment has become an integral part of the centre, and demands constant updating and expansion. Many older malls have needed to improve for competitive reasons; major regional malls no longer succeed in spite of themselves.

Expansion of existing malls has been financially viable for developers. Pension funds were the financial force driving the growth of regional shopping centres in the 1970's and 1980's. The major forces within the retailing sector are the concentration of strength, with fewer retailers; the increase in value retailing; the increasing proliferation of retailing formats, and the increase of interactive video-based shopping.

A number of forces have pushed for shopping centre revitalisation. The age and accompanying structural and/or functional obsolescence of centres. The owner may sell the centre in order to generate capital for other developments and force the new owner to revitalise the scheme.

Many centres have had changes in their demographics, forcing the centre to re-merchandise. Competition from other centres has forced older centres to react in order to maintain their market shares. There is often a correlation between the timing of renovation efforts, and the opening of a new centre in the vicinity. Revitalisation efforts are also stimulated by the loss of an anchor tenant, resulting in unused floor-space, and the loss of the anchor. As retailing changes, so do the needs of shopping centres. Shoppers have become more discriminating, forcing to renovate centres in order to remain competitive.

Another reason for renovations is the decreasing availability of new market areas, as well as the high cost of new construction. Therefore, development firms have shifted expenditures from new construction into upgrading programmes.

Micro-market factors determine the size and type of a potential retail property, and also influence the marketability of it to tenants. The success depends on the individual successes of the tenants and the synergy created by the merchandise mix. Capital for development is reasonably scarce for new projects. It is expensive and the number of attractive sites is limited. The increasing economic demands of the strong retailers for subsidised rents and the more rigorous demands of capital sources have made new development less viable.

2.8.3 - When should renovation take place?

The optimum time to renovate is when the property exceeds 95% occupancy (White and Gray, 1996, p206). The owner has already exceeded the average in leasing and should expand by way of capitalising on the centre's popularity and by increasing revenues from new tenants. Repositioning retail space is a major renovation, usually incorporated with expansion. It could also entail reorganising tenants to increase floor area, and therefore turnover.

The product life cycle model (Appendix B) describes the stages through which a shopping centre passes over time. A more detailed curve would exhibit fluctuations, caused by an initial surge of sales at the opening of a new centre, and later surges related to promotions and trade area changes. The life cycle curve peaks as the growth rate of sales or profitability gradually declines. Near the peak of this life cycle is a potential for revitalisation. If revitalisation is begun too soon, the original investment use has not been maximised. If revitalisation is started late in the curve, returns on the original investment has lessened and the centre could suffer a loss in image to the extent that revitalisation becomes more difficult or costly, and less likely to succeed. This indicates that there is a critical change in profitability through time, when revitalisation becomes feasible, and an optimal point at which it should occur. The optimal point is where the earlier momentum would be maintained and the return on investment does not decline.

2.8.4 - How the renovation decision takes place

There are 3 steps with regard to renovation decisions

1. strategy Where is the centre in the marketplace, where should it be and how will it get there?
2. Specific objectives: Objectives for leasing and tenant mix, operating costs, and income forecasts and marketing goals.
3. A management plan - deciding in advance - what to do how to do it, when to do it.

Developers must now find new types of tenants to replace the speciality shops that cannot compete with the revived department stores.

2.8.5 - Cost of renovations

A budget of less than 10% of the overall value of a given property allows for minor cosmetic changes and does not cover structural changes, or new mechanical equipment. When the cost of renovating exceeds 10% of a property's value, the project is no longer simply cosmetic. At that 10% demarcation line and the project becomes a major renovation. The owners increase revenues from the property; either by recapturing inefficiently used space within the existing structure of the centre or by adding new retail space as extra leasable areas.

The architect should reduce the fanciful amenities, excessive volume and unneeded widths of malls. Careful layout and planning of the parking area and design of the exterior landscaping will help in the ongoing operating cost of these items. Cheap materials and poor workmanship could result in unnecessary costs of operation and in early replacement, usually at the expense of the tenants.

2.8.6 - Repositioning the centre

Repositioning is a major renovation. Repositioning is undertaken for centres that are slightly rundown, and usually involves improving the level of the finishes and lighting to entice higher income customers to the centre, and thus increase rentals. In larger properties, repositioning usually involves finalising leases of tenants that do not contribute to the turnover revenue. A renovation or expansion can be aggressive (in order to capture the competition's market share) or defensive (maintain market share).

The renovation must not cause problems that major construction on the site could cause (such as closure during the renovation). The construction process must be phased in order not to disrupt everyday ongoing retail of existing shops. Shopkeepers as well as the public must be forewarned. Shopping centre construction is regarded as entertainment by a large number of shoppers. Surveys found that customers would return to see how centre construction was progressing, as well as to shop. Sales usually fall for the first few months of construction, but sales usually pick up and even increase above levels achieved before the start of the construction.

Modernisation of the centre is the centrepiece to the leasing and marketing plan and is important in the decision-making for new tenants. It is an opportunity to update the merchandise offered by the centre, as well as to relocate tenants and reconfigure spaces. Reconfiguration potentially increases the value of vacant spaces to be leased by increasing the number of spaces the developer has to work with, and by allowing for combinations of spaces that yield an increase in tenants.
Vacancy would be shown as an expense, as there is tenant turnover, and thus lost rent. Re-leasing costs should be included, and these costs usually require remodelling the space.

2.8.7 - New retail spaces for changing customers and tenants

"Change is constant in retailing and it drives the strategies by which stores attract and keep customers..." (White and Gray, 1996, p207). These include changes to circulation, changes to decrease the cost of maintenance, and the provision of features that cater to today's shoppers. Owners should install automated means to transport shoppers vertically, be conveniently positioned. High construction costs contribute to higher rents so architects need to design to achieve an optimal balance.

Malls upgrade by incorporating a collection of upmarket shops. An evaluation of these factors can help position retail developments from inception. Continual monitoring of these factors helps to adapt the centre to changing demographics and retail formats. Changes in demographics have led to the creation of new ways to provide service to customers and make them feel welcome, such as information kiosks.

Today's regional mall caters to a more diverse group of retailers than before. The total centre must function as an integral unit, with the main interest to increase the foot traffic and attract more shoppers to the centres.

The owner has to cope with the rivalry that often exists between the major chains. 'Anchors' enable the developer to attract other merchants as well as offering assurance of financing. Keeping a maximum number of department stores in one complex adds to the attractiveness of the centre as a one-stop shopping facility. Initial planning to accommodate additional department stores helps to provide built-in growth as the customer and market demands increase. The department store will try to restrict changes to the centre, with their main objective to keep their competitors out. The owner needs the flexibility to make future changes that will continue to keep the centre competitive.

Security

The need for upgraded security is a result of today's social problems. New shopping centres, are emphasising the design to maximise security for shoppers and for the tenants, by using cameras, increased security staff, and improved lighting, particularly in parking areas. Parking garages are now brightly lit, to eliminate the darker areas that make shoppers feel unsafe.

2.8.8 - Developing for the future

It is crucial to assess the long-term value of Shopping Centres. Retail changes quickly, and these changes must be anticipated. If the developer or retailer does not change, they will lose market share. Centres should be built that will maintain their future value. Technology and demographic shifts may cause a property to be functionally obsolete before its physically outdated. The ability to adapt physical configurations to meet changing demand patterns may help maintain centres' strength.

> "The opportunity for major integrated shopping complex developments is limited because of availability of sites and limited growth in consumer demand" (Cardew, 1982, p63-4).

"Renovations will almost certainly be torn out and redone within the next ten years again following the influence of fashion. The interiors of the centres are designed to match the socio-economic status of the region in which the centre is found. This is so the customers will be comfortable in their surroundings" (Duffy, 1994).

Competition became significant as the financial returns began to shrink. The development segment was forced to respond to demand rather than to financing availability. Renovation, modernisation and change in the tenant mix became the standard for the 1990's, resulting in the acquisition of existing regional malls for expansion or re-merchandising potential.

2.8.9 - Interior and exterior design

Today's shopper is more sophisticated. The previous tenant mixes were unstructured, but today; design and layout are crucial to the success of the centre. Shop-owners too, are encouraging developers to create more excitement and interest in the centres. Fashion should be combined in the same vicinity, to offer complimentary merchandise. This type of planning adds to the costs of the projects. Well-lit and spacious interiors help increase sales and hence profits. Tenants want architects to specify low maintenance materials that can take the stress of high volume public use such as stone. Signage is more significant in today's regional mall. Previously, department stores insisted that there be strict limitations on exterior signage.

2.8.10 - Rates of return

Redevelopment can be as complicated as developing a new centre. Major tenant approvals can be delayed and increase costs. The existing projects usually are in the best locations, so a redevelopment can be a highly profitable venture. Major renovations can encompass making additions, adding a double-deck garage, or even tearing down existing structures, and replacing them with more efficient retail space. These major improvements reflect substantial changes in the mix of tenants. Today's markets require a higher standard of construction and requires more attention to details as well as amenities. The more services offered by the centre, the more impact it will have on satisfying the shopper.

Another factor that has an impact on the number of new projects built, is the investment return. Today, the return on investment has declined substantially. (Previously developers used to be assured of 12% to 15% returns on new projects, which is now as low as 5% to 6%). The developer now must rely on continued growth in the market, and must develop a profitable marketing programme. A dominant regional centre that has a franchise in its centre offers the owner a good investment, even if it requires reinvestment for upgrading, to maintain its position. The maturation of the shopping centre development business combined with the re-capitalisation of the industry produced a metamorphosis of the shopping centre investment. Saturated trade areas and new retailing are steering acquisition investment, and redevelopment.

Tenant improvements, are depreciated over the lesser of the useful life of the improvements or the term of the lease. As the quality of merchandise improves and interactive technology increases, electronic shopping will continue to increase exponentially. Improved merchandising skills by retailers and new shopping formats has made competition more intense.

2.8.11 - Operating and managing centres

The purpose of renovations is to increase sales. The mall's objective is to get additional customers to the mall and for those new customers to come frequently. Customers will usually walk through the mall to shop at the new anchor, which helps get more mileage. It takes renovated shops to change perceptions, not just a renovated mall. The marketing plan needs to have the upgrading of existing stores as a major objective. Management must identify strategies to achieve this objective, which will significantly improve the success of the renovation. Centre managers can use a number of methods that can help save energy consumption in order to save operating costs.

The rent and tenant mix is much better for a five-department store mall than for a two-department store mall, as more retailers will want to be located in the mall. Sales increases are another property's sales decreases. During the 1980's the capital investment required to sustain the performance of established and successful shopping centres rose significantly. Contributing to high capital expenditures have been a number of factors:

- Owners had to modernise the appearance of the common areas and exteriors of older centres.
- Enclosed regional malls require major interior refurbishment every 10-15 years.
- Successful retailers demand significant landlord contribution to space improvements.
- There had to be a re-configuration of tenant space to accommodate for larger stores.

- Continuous capital expenditure is needed to maintain the value of a property.
- Centres unable to physically accommodate new retail formats could suffer obsolescence.
- Alternative shopping methods, such as television, take sales away from traditional centres.

The success of a shopping centre is dependent on a business plan that states the objectives together with recommendations for achieving them. The manager needs to gather all the pertinent information about the centre (as described previously in the trade area study). He must then analyse this information and present the results, and make recommendations that help to move the centre in an appropriate direction.

In the shopping centre business, the way to get a second chance to make a good first impression is with a major renovation. The renovation is done to attract better tenants and ultimately increase profits.

"Professional management is the effective, creative, timely and ethical use of physical, mental, financial and human resources towards the attainment of well-planned short-term goals" (White & Gray, 1996, p302). Proper management of regional malls is a concentrated operation that requires experience. He must identify and then meet the customers' needs, by capitalising on centres' existing strengths, as well as look at ways to create a competitive advantage for the centre.

Common area maintenance costs must also be passed on to the tenants. Factors to consider are:

- Centre configuration as an enclosed, heated and cooled mall or an open air centre;
- the relationship of common areas to gross leaseable areas;
- Finishes and features requiring maintenance within the centre (plants, fountains, inaccessible light fixtures etc.);
- operating hours;
- makeup and size of the centre's trade area;
- Local safety and maintenance standards.

2.8.12 - Planning for expansion

In order to make planning for expansion feasible, the surrounding roads must absorb additional traffic loads. The site must be big enough to allow for reserve space for additional building, and parking and have enough capital to build double deck parking. The developer must be sure that his shopping centre will benefit from the growing buying potential of the area. Future expansion needs provision of capital and therefore expansion planning is advisable when there is a strong probability that it can be implemented. Future expansion with regard to services such as air-conditioning, electrical layouts must be considered in the design layout. Planning for expansion is needed when the shopping centre is located in a steadily growing area. Major stores will want to vertically enlarge their stores if sales volume reaches a certain figure. It is desirable, to acquire additional tenants for speciality stores and other enterprises for economic reasons.

1. <u>Planning for expansion.</u> The opportunity for either expanding individual stores or for adding new stores, by adding to the original plan.
3. <u>Planning for development in stages</u>. A portion of the plan is carried out in the first stage, with the rest intended to be built at a later stage.

The 'latent potential' of the regional shopping centre is very important. New planning concepts must be made to enhance the economic and social viability of the shopping centres for the advantage of the retailers and the community.

Certain measures must be taken when considering expansion. Bigger foundations and heavier columns, that can withstand future forces. Horizontal expansion is difficult without destroying the relationship between shopping centre buildings and other elements. Space for additional stores must be part of the original site plan, and must integrate with the original centre.

Parking expansion would occur if the parking was set aside for later date completion (built in stages), and not enough parking supplies the demand. Provision must be made for expansion of the parking and store areas, or the centre will lose customers. Centres that capitalise on the inability of another centre to expand could further exacerbate this by setting up in competition, within the same trade area.

2.8.13 - Risk assessment

Description of shopping centre improvements includes identification of anchor tenants and a breakdown of gross leaseable area (GLA). The risk in shopping centre investment increases when the cost of occupancy - rises to above-market levels. A reasonable cost of occupancy is within the range of 10% to 15%. If retail sales slow, high cost of occupancy becomes a serious risk factor. Percentage rent, which is the most variable component of the income forecast, may be analysed as a factor in risk measurement. New retail concepts are based on value retailing and service, based on thin profit margins. Value-oriented centres are the new concept. The 1990's are the decade when shopping centre investment went public, to institutionalised, mass capital market business. Acquisition trends of the future should be entrenched in the viability of the centre, not only the fundability of the investment.

2.8.14 - Value-enhancement investment- the three R's

The saturated industry has created value through investment in the three R's - Renovation / Redevelopment / Re-merchandising. A successful three-R programme improves the long-term residual of a property.

- Making older shopping centres contemporary, attractive and the environment shopper friendly.
- Repositioning the centre competitively through re-merchandising the tenant mix.
- Expanding the centre and its anchors to increase market penetration
- Correcting declining occupancy or flat sales due to life cycle conditions.
- Up to date retailing concepts, and design innovations.

ICSC studies reinforce the investment effectiveness of the three R's. In a 1991 survey of regional malls, 40% of the shoppers sampled had spent more time in renovated malls. Initially, rates of return for renovation or expansion are below those achieved by new construction 8% vs. 15%. The impact a renovation has is very significant over time, as increases in sales and new rollover rents in an upgraded centre commence.

2.8.15 - Maintenance

The major goal of maintenance is preventive care, which is the best way to ensure a healthy environment, and to react immediately to problems. It is important to know if costs are repair and maintenance costs or capital improvements. Repair and maintenance costs are expenses, which are incurred to maintain an asset or for wear and tear. Capital improvement costs are those incurred to buy new capital assets, replace existing capital assets or for betterment's to these assets. Repainting parking lots is a repair and maintenance cost, whereas resurfacing the parking area is a capital improvement because it replaces an existing capital asset.

Outlet and off-price centres

Outlet and off-price stores provided a means to sell cheaper goods. Developers and owners of shopping centres clustered them in a planned format, leading to the outlet/off-price centre. The increase of outlet/off-price centres has seen the emergence of three distinct types: New construction centres, Conversion of existing conventional centres or the adaptive re-use of other facilities that had not been used previously as shopping centres.

Summary

A regional shopping centre is anchored by at least one tenant and surrounded by satellite shops. Both trade area studies and demographic studies are used to ascertain whether a centre will be successful. The site selection depends on feasibility, location, sales, zoning restrictions, size and shape, and the topography. The developer must monitor demographic data on a regular basis in order that the tenant mix can adjust to reflect these changes.

The design and tenant mix also impacts on the profitability of the centre. The design plan must induce a comfortable environment, with ease of flow in order to stimulate buying. Tenant mix plays a major role in maintaining shoppers interest, increasing pedestrian flow, and thus increasing overall potential sales. Traffic and parking must be accommodated onto and on the site with as much expediency and efficiency as possible, so as to avoid customer frustration, and hence loss of customers.

All these factors must be considered when embarking on a renovation. The average cycle for updating a centre is 7 years, and is done to attract better tenants and ultimately increase profits. Major changeover in tenants is seen as a true recycling of the centre. Architectural modifications and the addition of new space and the re-leasing of space have been made to centres to update a properties image. The purpose of renovations is to increase sales. The mall's objective is to get additional customers to the mall and for those new customers to come frequently. The impact a renovation has is very significant over time, as increases in sales and new rollover rents in an upgraded centre commence. Expansion of existing malls has been financially viable for developers.

A number of forces have pushed for shopping centre revitalisation: structural obsolescence , changes in demographics, competition from other centres, loss of an anchor tenant or the decreasing availability of new market areas, and high cost of new construction.

The optimum time to renovate is when the property exceeds 95% occupancy and should expand by increasing revenues from new tenants. Repositioning retail space is a major renovation, usually incorporated with expansion. It could also entail reorganising tenants to increase floor area, and therefore turnover. Modernisation of the centre is an opportunity to update the merchandise, relocate tenants and reconfigure spaces. The main interest is to increase the foot traffic and attract more shoppers to the centres. Space for additional stores must be part of the original site plan, and must integrate with the original centre. Provision must be made for expansion of the parking and store areas, or the centre will lose customers. The next chapter describes the fieldwork designed to assess management's decisions on renovation, and its impact on patrons of a selected shopping centre.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1 - RESEARCH METHOD

The research method that is most appropriate to this study is the descriptive survey method. This method captures qualitative and quantitative data through interviews and questionnaires. Meanings could be drawn from the data using simple tabulation and analyses. Leedy (1997) distinguishes between qualitative and quantitative research by saying that if data is numerical, the methodology is quantitative; if the data is verbal, the methodology is qualitative. "Used separately, qualitative and quantitative studies provide different kinds of information. When focused on the same issues… can triangulate-that is, use different methods to assess...stability of the findings" (Leedy 1997, p108).

The information to be extracted about regional shopping centres from the literature review will include relevant factors that determine a successful centre. These factors cannot be seen in isolation, but must be a combination of all the aspects, which are important for a regional shopping centre's success.

It would be better that several cases are investigated to enhance the external validity of the research findings. However, due to constraints of time and money, only Sandton City was investigated. This centre encompasses all the aspects of a regional shopping centre, and has gone through all the changes and renovations that were investigated in other similar centres. It therefore provides a "rich" case study.

There are four steps to this research:

The first step was a review of related literature through which factors influencing the performance of a regional shopping centre were identified and discussed (see chapter 2).

The second step was to measure the performance of a typical shopping centre, (Sandton City in this case). The factors considered include: customer patronage, rental turnover, customer surveys and shop vacancy factors, as well as financial data obtained from the developers. Other information includes shop turnover/ satisfaction/ trading performance, demographic studies, customer headcount, and review interviews with customers regarding convenience, length of stay, etc. Aspects such as parking were looked at (which is one of the most important influences on shopping centre turnover). These all add important information for assessing the performance of the centre.

The above data were obtained from Tony Dunn- centre manager, as well as from Laura Van Der Merwe, marketing manager. Interviews were conducted with these managers at management offices, Sandton City Towers, 4th floor, Sandton City, during December 1997 to March 1998. Further information regarding shop turnover, maintenance costs (all related to the aging of the centre), as well as data on expansion were obtained from Mr Trevor Mathews, the leasing manager.

The third step was to evaluate the obtained data to see if there was a pattern leading up to each historical renovation (e.g. because of aging, and/or the 'excuse' to make additions). All aspects of renovation were investigated; including the need to renovate, simple changes that the centre went through, such as additional lighting, as well as complicated structural changes, such as additions and alterations, which impacted on the centre's success.

The final step was to assess what, if any, impact was achieved by the renovation process. These were combined and listed, to form different objectives that a developer/ centre should adhere to in order that the centre remains the dominant centre in the area. Management had experience in other shopping centres, and is likely to have a broad range of expertise in this field.

3.2 - THE SURVEY

3.2.1 - Interview Questions

Key management personnel in the Sandton City Shopping Centre were approached telephonically to obtain their consent for an interview and 'open' survey. Appointments were set up, and depth interviews were conducted with these key personnel. Interviews were conducted at Sandton City head office, as well as at the Liberty Life Office. Difficulties arose from a time constraint with management, and coordinating the meetings. The objectives were to establish the role that management plays in the decision process with regard to renovations, as well as the impact their decisions have on the overall performance of the centre. The main criteria was to establish whether management's role was proactive, or reactive, and to see if there was a pattern in the decision making process.

Procedures for the interviews

Initial letters were sent out. outlining the issues to be covered in the interviews (Appendix C). The depth interviews were conducted in order to explore a topic to uncover participants' perspectives on Sandton City Shopping Centre (Appendix D). This helped to provide extensive data about participant's opinions, valuations and recollections, not only about the shopping centre, but also about the renovations of the centre (Appendix E).

Assurance was given from the outset, that all the information given would be treated strictly confidentially. Records of the interviews were taken in the written form, as well as tape recorded (with consent), transcribed and then analysed. The problems encountered were the ability to conduct the interviews in order to fit in with management's leave periods during the December holidays, but were overcome with rescheduling the interviews at their convenience.

The interviews were conducted in order to get management's perspective on the renovation factors, and to ascertain if there was any system that management used in order to reach the decision to renovate, and what part, (if any) they took to make the decision to renovate. The most important outcome was to see how the decision to renovate is made, and to see what management did to ensure uninterrupted trade during the renovation period. The impact on the turnover, as well as customer foot-counts, were obtained from management, and are indicators of the success of the renovations (Appendix F).

3.2.2 - Questionnaires

The process of capturing the data from the public was co-ordinated with the permission of Sandton City management. The questions were structured in order to capture the data from the public about the impact renovations had, as well as general questions relating to the key factors influencing the performance of the centre. Structured questions were used to save time for the respondents, and to make the collation and analysis of the data easier. Bias in this type of interview is hardly avoidable, and may have influenced the survey; however, the questions were structured in such a way as to not be leading in any way.

Respondents were informed as to the purpose of this interview, as part of the request to participate. Two open-ended questions were added at the end, not only to ascertain validity from the above questions, but also to allow the respondents freedom to express their opinions (Appendix G).

The simplicity of the interview questionnaire meant that the total delay in stopping shoppers during their shopping trip was minimised, and only 23 did not finish their questionnaire properly. This point is very important, as congestion and delays were prevented. The detailed analysis of the captured data is presented in Chapter 4.

The writer and two helpers took two clipboards each, with the questionnaire attached, and stood in the centre of Sandton City Shopping Centre on Saturday November 29 1997. This was next to the information kiosk, which has a large passing trade. The surveys began early Saturday morning (8:30 a.m.), and continued through to midday (1:30 p.m.), and succeeded in capturing 223 respondents. Of this, 23 were not valuable for this analysis, as these respondents did not complete questionnaires, or worked in the centre, or were foreigners. The reason for such an enormous response was because the clipboard allowed for ease of writing, and each interviewer could leave the shopper to answer his/her own questionnaire. This allowed for six people at any given time to answer on their clipboards, while further customers were urged to use the information desk to answer their questionnaires.

No breaks were taken, and as a clipboard was completed, the writer swapped the completed form for a new one, and passes it on to a new respondent. This helped to expediate the process. Five hours later, 223 questionnaires had been completed. This method of data capture is known as the accidental non-probability sampling approach (Leedy, 1997, p204).

The data was captured and codified, arranged and then separated into segments (Appendix H). The data was then analysed in order to extract the necessary information about the shopping centre. The detailed analysis of this data is handled under the next section.

CHAPTER 4 - FEEDBACK FROM FIELD STUDY

4.1 - SUMMARY OF INTERVIEWS

The following information is a combination of data gleaned from interviews with key management personal, and summarised so that it is presented as a combined report. The interviews are presented as questions, with a summary of the combined information as recorded in the interviews.

The main objectives of these interviews were:
To establish whether management plays an active role in the decision-making process to renovate.
To understand whether the decision to renovate is proactive or reactive, and how the decision is made.
To see if there was an impact from the renovations on the turnover and profitability of the centre as a whole.

Historical background of the renovations

The Sandton City Centre was established in 1973 as a shopping centre with 30000 square metres of retail space, and 20000 square metres of office space. In 1983 there was an addition of retail space to make the total area of the centre 80000 square metres. This addition changed the whole marketable position of the centre. From 1991 to 1993 there was a major refurbishment, when the entire centre was upgraded, and included new tiling, ceilings and columns. The centre was closed for a month and the renovation cost around R150 million. In 1995 one of the major tenants (Checkers) vacated, to allow for another tenant (Woolworths) to expand and modernise their store. 1997 saw the addition of 5000 square metres of retail space and an increase of parking from 500 to 2500 cars. The new parking area cost R120 million. During 1998, the third phase of the renovation took place, but was completed in sections so as not to disturb the flow of trade.

How is the decision to renovate taken?
The process starts in various sectors, usually by demand for more retail space/ parking space, or by the need to upgrade the finishes to keep in line with new trends. The main

factor is leasing pressure, to create more space for more lettable area. The focus is to keep Sandton City ahead of other shopping centres, and to ensure that Sandton City does not lose customers. A renovation is a planned process that is also learned from experience from other shopping centres (Eastgate Shopping Centre). The final decision is taken through to the consortium of owners to be approved. The decision is both a proactive and reactive strategy, as management is constantly monitoring the trends as well as the needs of tenants and patrons. The decision could also be forced on the owners because of another centre modernising, or being built in the vicinity. The decision could come about through the demand for space, which then forces an extension and renovation of parking and shopping areas.

Surveys on customers are taken to help decide what is needed for the centre. According to the leasing manager Trevor Mathews, the decision to renovate is usually leasing driven, "if we can let it, we can build it". A feasibility study is undertaken to see if the renovation is worthwhile, and a proper costing from a quantity surveyor is undertaken. Management was proactive in their role to ensure that trade continued uninterrupted during renovations, to the benefit of the centre as a whole. Once the plan is approved, the renovation goes to tender and a professional team are appointed.

<u>What effect, if any, did these renovations have on the shops surrounding the renovation area?</u>

Most of the shops in the close proximity to the renovations did get affected during the renovations, with both patronage as well as turnover decreasing. These shops were forced to trade during these renovations, and were usually unhappy with the situation. However, once the renovations have been completed, the renovations usually have a positive impact on the shop turnovers.

<u>What impact did these renovations have on the performance of the overall centre?</u>

The overall impact during renovations did not affect the turnover for the centre as a whole, and after they were completed, the turnover for the centre increased. Most of the turnovers of individual shops that were refurbished increase from 25-50% within the first 6 months. Foot-counts also increased to the centre, from 1.6 million in December 1996, to 2 million in December 1997.

What measures were taken to ensure customer patronage while renovations took place?
Certain areas were boarded up, and students used to direct customers to the new shops and car park. One section was completed at a time, which ensured that as little interference as possible was felt by the tenants and patrons. R1, 5 million was allocated to marketing to help ease the irritation of the renovation. Customers are usually curious to see what is happening with the renovations and some even visit the centre to see what changes happen. The centre used advertising boards to block the chaos of the construction site, with peepholes to add mystic and surprise for the curious onlooker.

Were any surveys done on customer's opinions before and after renovations took place?
In 1997, Markinor was commissioned to do a customer profile survey. The management has allocated a yearly budget for more of this type of survey to extrapolate important data. This indicates that management will most likely use future data to determine when a renovation should take place.

It can be deduced that management plays an active role in bringing about the decision to renovate, by monitoring and accessing the centre carefully. The decision is however both proactive as well as reactive, and they are mutually exclusive. The decision usually reacts to the need to increase rental space, and accommodates this new lease space with an increase in parking and a facelift.

Data gleaned from management indicate an overall percentage increase for the whole centre, (1997-1998), of 14%, with the major stores growing 8%. Figures given were confidential, and were not to be published. They are indicative evidence that renovation had an impact on the shopping centre.

The area closest to the renovation areas decreased in turnover during the renovation period. This indicates that the renovation is good for the centre as a whole, but not for individual stores in the vicinity, and means that the renovation has a direct impact on profitability for the centre, even though certain stores may be affected negatively for the period of the renovations. It is therefore imperative that certain preventative measures be taken in order to accommodate the renovations in the least obtrusive manner as possible. Management needs to facilitate these notions when embarking on a renovation project.

4.2 - THE QUESTIONAIRE SURVEY

4.2.1) CUSTOMER BACKGROUND

4.2.1) CUSTOMER BACKGROUND

Table 4.1 Age of customer

	15-25	25-35	35-45	45- +
Respondents	53	70	32	45
Percentage	26,5%	35%	16%	27,5%

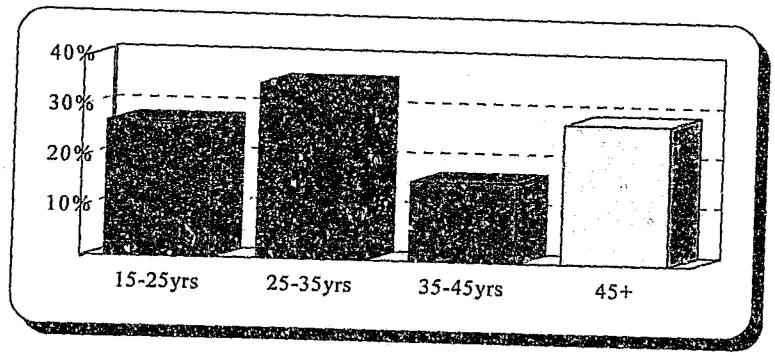

Figure 4.1 - Age of customer

Figure 4.1 shows that the majority of respondents are financially independent, and have the ability to choose where they want to shop. These customers have the wherewithal to access alternative centres, and therefore Sandton City Shopping Centre needs to be monitored to see what international trends/ shops they can integrate into the centre.

61,5% of the shoppers are under 35 years old. Sandton management should investigate alternative ways to cater for the entertainment of these young customers, who would otherwise be attracted to other newer shopping centres. Management has indicated their readiness to cater for this market, as seen from the previous renovation of the Ster Kinekor cinema complex, which increased from 9 cinemas to 15 cinemas (completed in November 1994), and added a total movie entertainment experience. Management / developers are currently considering establishing Hard Rock, Planet Hollywood, and other propriety restaurants that have the youth in mind, as tenants to cater for this population, with additional trendy satellite stores in the same vicinity.

Table 4.2 Sex of customer

	Male	**Female**
Respondents	91	109
Percentage	45,5%	54,5%

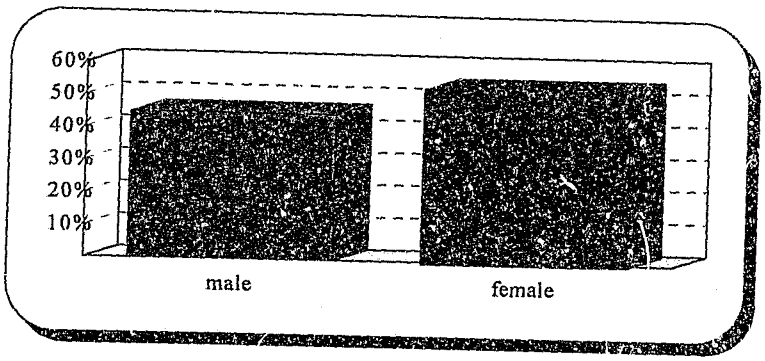

Figure 4.2 - Sex of customer

The writer observes the proximity of the above results (45,5% males to 54,5% females) to those established in the research conducted by Markinor, which concludes that 49% male, and 51% female made up the shopping profile of Sandton. This marginal 3% difference in gender profiles enhances the representativeness of the survey sample.

The results indicate that almost equal numbers of men and women make up the demographic shopping profile of Sandton. This factor is important as most of the men felt that they wanted something to entertain them while their wives/girlfriends shopped, (such as a hobby shop). This is an important indicator of customers needs that should be taken into consideration by management, for any future renovations.

Table 4.3 Mode of transport

	Car	Bus	Taxi	Walk
Respondents	193	0	5	2
Percentage	96,5%	0%	2,5%	1%

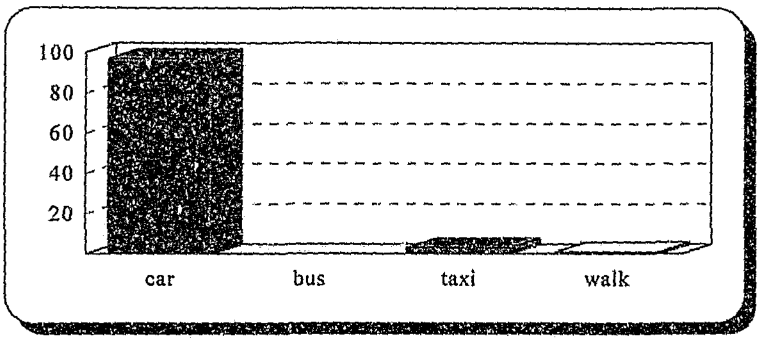

Figure 4.3 - Mode of transport

Figure 4.3 clearly indicates that nearly all the respondents are highly mobile, and also the type of income shopper profile that Sandton City Shopping Centre attracts. The fact that none of the shoppers use the bus as transport, indicates the weak infrastructure of the public transportation in Sandton.

Because the shopper is highly mobile, not only is he able to travel from further afield to get to the centre, but he can also easily get to alternative competitive centres. Sandton can lose customers to newer, more modern centres, and therefore needs to keep the centre upgraded with renovations/ additions, which should influence the shopper to shop at Sandton.

The high number of car users, also indicates the need for adequate parking, which was a major concern of most people interviewed, as well as concern over very high parking prices, which must be taken into consideration. Sandton management have increased the parking in 1997/8 by another 200 parking bays, which indicates that they are aware of the parking problem. Renovations/additions must influence patrons decision to shop in Sandton City, as customer footcount has increased from 1.6 million in December 1996 to 2 million people in December 1997 (Trevor Matthews, Sandton management).

Waide and Berry suggest that as the population becomes more mobile, the need for shops to be located conveniently close to the residential areas becomes less important. According to the literature survey, the corner shop becomes less important while the large "out of town" centres, though further away, become more important because of the advantages of size, facilities, parking etc.

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Table 4.4 Place of residence

Residence	Respondent Total = 200	Percentage %	Greater Sandton Area	Total % of Greater Sandton	Areas with -in a 10 km radius
Sandton	64	32	X	30,5	0
Randburg	21	10,5			5-8
Bryanstan	13	6,5	X	6,5	2
Craighall + Parkhurst	11	5,5			5
Norwood + Glenhazel	9	4			7
Atholl + Inanda	7	3,5	X	3,5	2
Saxonwold +Parkview	6	3			7
Fourways	6	3	X	3	3
Midrand	6	3			
Lonehill	5	2,5	X	2,5	2
Woodmead	4	2	X	2	3
River Club	4	2	X	2	2
Buccleuch	4	2	X	2	3
Northcliff	4	2			
Benoni	4	2			
Bedfordview	4	2			
CBD	4	2			
Randpark Ridge	3	1,5			
Glen Atholl	2	1			
Eastbank	2	1			
Potchestroom	1	0,5			
Noordheuvel	1	0,5			
Tembisa	1	0,5			
Soweto	1	0,5			
Bassonia	1	0,5			
TOTAL	188	94%		52,5%	

6% did not respond, this was probably due to the fact that this question was placed towards the end of the questionnaire, and people rushed the last few questions. The further people live from Sandton City shopping centre, the smaller the percentage of respondents. This is in line with Regional shopping centre radius dispersion theories, which according to Gruen and Smith (1960), is the influence exerted by the centre that will gradually diminish as the distance from the centre increases.

As observed in the literature review, a large regional centre can obtain 15-20% of its' business volume from purchases made by people living outside a normal trade area. Customers will travel longer distances to a well planned shopping centre with a greater number of comparison shopping facilities. There is a critical point, though, at which the maximum effectiveness diminishes, i.e. regardless of size of the centre, customers will only patronise within a certain driving distance. The ISOPLETH method incorporates the contour line that links places of equal driving time from the subject location, thereby recognising the dependence of trade area on driving time.

The Urban Land Institute suggested that 13km or more is a typical distance, within which the majority of trade will originate for regional shopping centres (Mckeever, 1968 p2). Eighty percent of regional centres' business will normally originate within the closest 11,5 to 13 km.

52,5% of the respondents live within the greater Sandton region. A further 23% respondents live within a 10 kilometre radius of the shopping centre. These 75,5% results correlate to Question (4) of the survey, with the customers perception on the amount of time it takes to get to the centre. (81,5% stating that it usually takes them less than 20 minutes to get to the centre). Most of these areas support an A- B income base group, which is an indicator to management of spending power of the shoppers. (Appendix A)

Some newer centres have sprung up around the Sandton area, such as Village Walk (Appendix K), which could encroach on Sandton City's customer base. Sandton therefore needs to make the centre attractive to keep customers returning, by constant upgrades, refurbishment, and more exciting and innovative stores.

The fact that people live far away, and still frequent this centre, indicates the ability this centre has to attract people, even though regional centres do exist in their areas. Renovations keep the centre modern, attractive, and ahead of other centres, thus ensuring customers from as far as Pretoria, Boksburg and Midrand. It is noted that only 14 % come from further than 15km away, which is in line with the facts that a regional centre may obtain 15-20% of its' business from people living outside a normal trade area.

From the literature review, the distance from home is an important factor for all income groups. The shopper will use larger centres like Sandton City, to purchase demand shopping goods (clothing), to compare quality, design and price, and will usually devote more time and energy purchasing these items. "The motivated shopper wishes to visit a number of stores so she may make her choice" (Bucklin 1967). Clearly the size of the centre is important for demand and luxury shopping, and therefore, the larger the centre, the more attractive it becomes, drawing people from far.

Bucklin found that families in the higher socio-economic group, showed a tendency to shop in different areas to the lower socio-economic groups.

2) SHOPPING HABITS

Table 4.5 Length of time to get to the centre

	Less than 10	**10-20**	**20-30**	**Over 30**
Respondents	63	100	23	14
Percentage	31,5%	50%	16,5%	7%

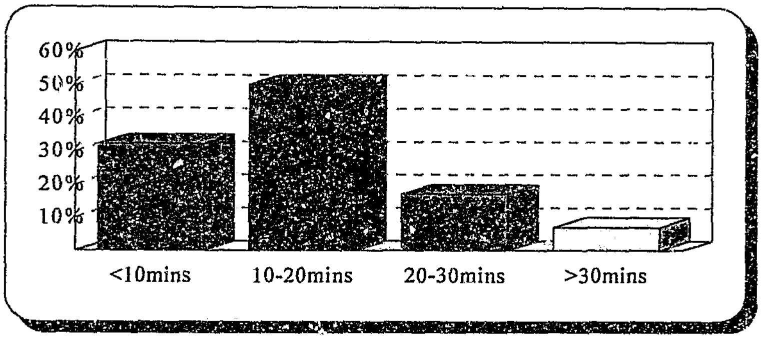


Figure 4.4 - Length of time to get to the centre

The majority (81,5%) of the respondents believed that it took them less than 20 minutes to get to the centre which confirms the proximity of the customer base to the Regional centre. i.e. within 10km.

31,5% of the respondents fit into the primary zone of the trade area, as discussed in the literature review, which constitute 60-70% of the trade volume. This data corresponds to the data obtained about where the shopper resides (question 1.4 and table 4.4), and shows 18,5% live further than the outer trade zone influence i.e. as far as 30 minutes.

Table 4.6 Frequency of shopping at the centre

	More than once a week	**Weekly**	**Twice a month**	**Monthly**	**Quarterly**
Respondents	43	83	36	28	10
Percentage	21,5%	41,5%	18%	14%	5%

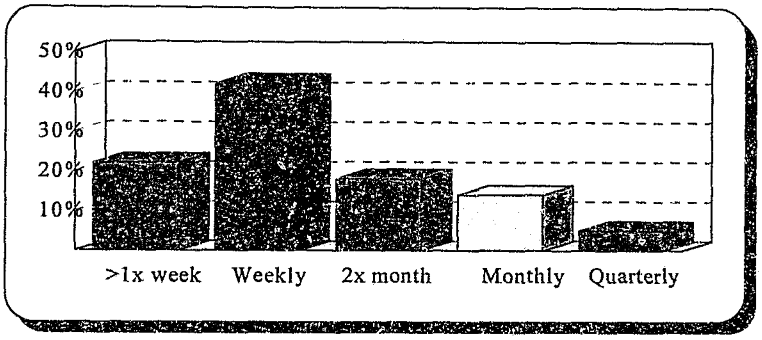


Figure 4.5 - Frequency of shopping at the centre

The writer observes that some bias could occur, as this survey was conducted on a weekend as well as the end of the month, so a particular segment may have been captured.

Most customers are regular shoppers, with 65% shopping at least on a weekly basis. These people tend to be those who live in the greater Sandton area- as deducted from the surveys.

Weekly shoppers tend to shop for household goods, as well as other sundries. Many customers complained of inadequate supermarkets, as confirmed in Question 3.3 - Table 4.11, which suggests that the Hypermarket, and Woolworths are not sufficient to accommodate these weekly shoppers, and to stop them finding alternatives. A Pick and Pay was suggested by many respondents as an answer to this problem.

According to statistics from the literature review, current research indicates almost every American adult visits a shopping centre at least once a month, with most making about two trips to a centre every week (White and Gray, 1996, p.305).

Table 4.7 Time of shopping

	During the week	**Weekends**
Percentage	29%	71%
Respondents	58	142

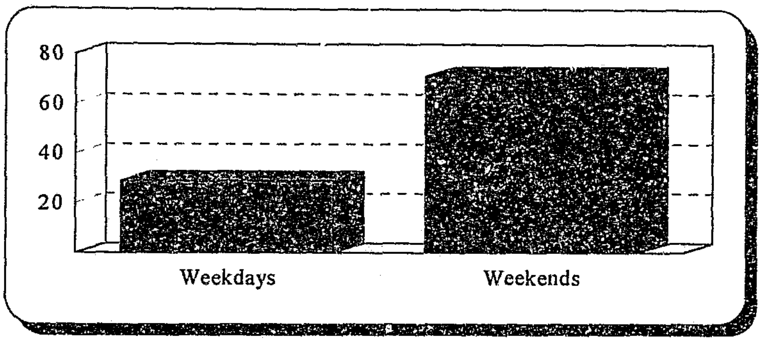


Figure 4.6 - Time of shopping

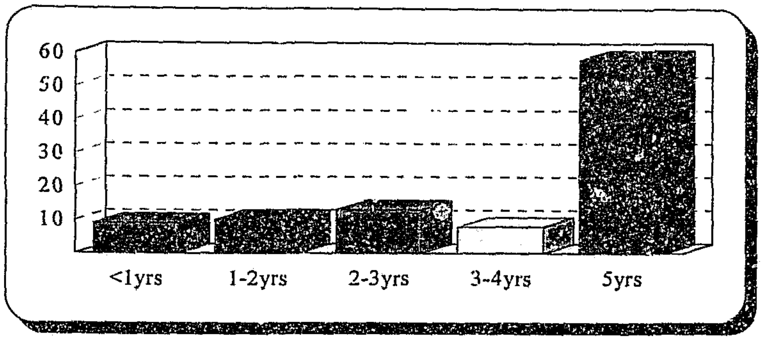
The writer acknowledges that the interviews were conducted on a weekend, and therefore some bias should be taken into consideration, when looking at this observation.

The perception is that there is a significant increase of trade on weekends, which needs to be taken into consideration regarding parking, and addressed with regard to control of parking areas, (more staff to prevent congestion), as well as additional parking, which the customers still feel are too few.

From the literature review, it was found that weekend shopping is a major force in retailing, and accounts for a greater proportion of the sales volume.

Table 4.8 Length of patronage

	less than 1	1-2	2-3	3-4	5 +
Respondents	18	20	26	16	117
Percentage	9%	10%	13%	8%	58%



<u>Figure 4.7 - Length of patronage</u>

The high response of 5 years or more (58%) indicates that these customers are loyal shoppers, and long established patrons that have been returning to the centre.

These shoppers are extremely mobile (96,5%), and have the ability to travel to alternative, newer developments, yet still choose to return to Sandton City.

This indicates that the renovations have worked in not only maintaining customer patronage (considering that 96,5 % could use alternative shopping centres), but also encouraged new customers (this could also be due to the new South African post election pattern)

19 % of the shoppers are fairly new patrons (½ to 2 years), and are encouraged to shop at Sandton due to it being modern, trendy, with a large variety of new shops. Sandton needs to constantly appeal to the new generation, as they are the future shoppers of the centre.

This graph shows an uneven spread of customers, which should highlight a potential problem to management about sustainabilty of patronage. There is both good news and bad. The good news is that management have sustained a long term customer loyalty with a particular segment of shoppers. The bad news is that the centre is not attracting as many new patrons. This could indicate potential problems with long term sustainability of shoppers. This should, however be interpreted in the context of demographic/ residential changes in the area.

Table 4.9 Length of time spent in Sandton City

	15 minutes	15 minutes-1 hour	1-2 hours	2-3 hours	3 hours +
Respondents	1	26	70	67	36
Percentage	0,5%	13%	35%	33,5%	18%
Parking charge					

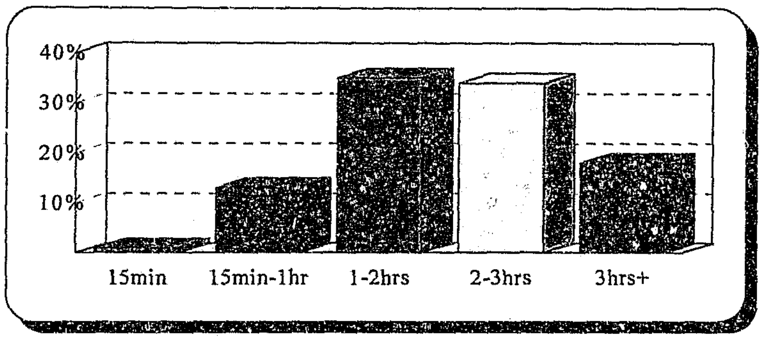


Figure 4.8 - Length of time spent in Sandton City

Most people (69%) spend 1-3 hours in the centre, not only shopping, but for entertainment as well. In fact, 82% spend up to 3 hours in the centre.

However, if the shopping frequency is monthly, it should be noted that if the shopping frequency is of an irregular nature (1-2 times per month), then the shopper could spend that time only for shopping in that trip.

Patrons spend a lot of time in the shopping centre. 82% spend up to 3 hours in the centre. Considering that 65% of the sample respondents shop at least weekly (ref. to table 4.6). This length of time spent in the shopping centre is significant. It appears as if the majority (69%) of shoppers spend up to 1-3 hours in the centre and therefore given the shopping frequency and time spent, it can be deducted that the time spent is not only for shopping, but for entertainment as well.

The amount of time spent in the shopping centre should be encouraged, and not discouraged by management. The parking prices are a big issue, so it would be a concern of the shopper to park for too long. Management should ensure that customers who tend to shop for longer periods, are not penalised. A suggestion is to incentivise shoppers by having free tokens for parking for every R100/ R200 spent in Sandton City. Free parking for extended hours would easily lead to congestion in the parking area.

3) ASSESSMENT OF RENOVATION FACTORS

Table 4.10 Ranking of renovation factors

	Very bad	Bad	Average	Good	Excellent	Weighted average	Overall Rank
FACTORS	1	2	3	4	5		
Popularity %	0 0	2 1%	20 10%	99 49,5%	78 39%	852	1
Range of shops %	0 0	1 0,5%	18 9%	98 49%	83 41,5%	845	2
Variety of merchandise %	0 0	1 0,5%	20 10%	98 49%	80 40%	834	3
Cleanliness %	0 0	1 0,5%	29 14,5%	119 59,5%	51 25,5%	820	4
Overall impression %	1 0,5%	2 1%	25 12,5%	130 65%	41 20,5%	805	5
Convenience %	2 1%	3 1,5%	45 22,5%	100 50%	52 26%	803	6
Design of centre %	3 1,5%	5 2,5%	41 20,5%	97 48,5%	51 25,5%	779	7
Range of restaurants %	0 0	9 4,5%	48 24%	89 44,5%	50 25%	768	8
Accessibility to centre %	1 0,5%	15 7,5%	35 17,5%	113 56,5%	36 18%	768	9
Entertainment %	5 2,5%	8 4%	54 27%	93 46,5%	36 18%	735	10
Toilets %	5 2,5%	11 5,5%	68 34%	86 43%	27 13,5%	710	11
Security %	3 1,5%	14 7%	70 35%	87 43,5%	22 11%	699	12
Renovations %	5 2,5%	9 4,5%	44 22%	97 48,5%	28 14%	683	13
Parking facilities %	7 3,5%	26 13%	72 36%	70 35%	24 12%	675	14
Parking prices %	35 17,5%	44 22%	75 37,5%	34 17%	16 8%	564	15
Prices %	8 4%	41 20,5%	100 50%	49 24,5%	3 1,5%	561	16

According to Beddington (1982), the mall must create an environment to which people will be drawn, "...feelings of bustle, excitement, sparkle, competition and variety...". The fact that popularity is the number one ranked factor that influences shoppers opinion of Sandton City, is conclusive evidence of what the centre has achieved by way of appealing to the population, and what makes a centre successful. She continues her quote by adding "...Monotony of design, repetition and regularity are enemies of trade". The second and third overall ranked items are range of shops, and merchandise, proves that this is the case with Sandton City.

It appears that the image of the centre is the foremost attraction for shoppers. The wide range of shops, variety of merchandise, cleanliness and convenience are among the top five factors identified by the respondent sample. Interestingly, the five least important factors are security, parking facilities, parking prices, renovations, and price of merchandise. These factors have the potential to diminish patronage if they are not attended to by the management of the centre. They are readily provided by other shopping centres, so they are no longer seen as factors of competitive advantage, but necessary to keeping the centre viable.

Table 4.11 Facilities/ changes patrons would like to see

	Respondents	Percentage
More parking	77	38,5%
More supermarkets	42	21%
More restaurants/ eating	42	21%
Children's' day-care	32	16%
Other	37	18,5%

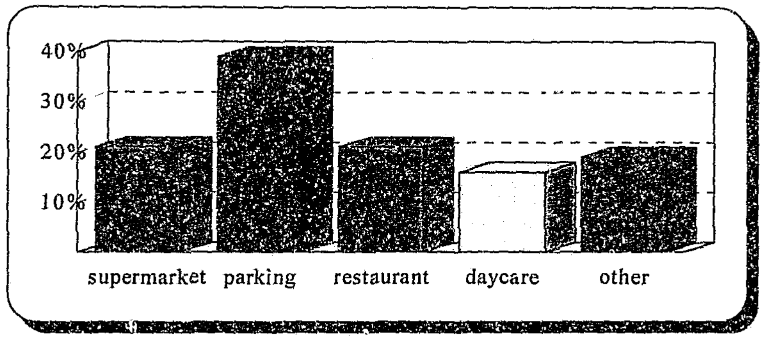


Figure 4.9 - Facilities/ changes patrons would like to see

Customers feel that the parking problem is a huge negative for the centre, and want it attended to. Parking is a big problem and any shopping centre must not ignore it, for customers will get annoyed if the parking is inadequate, and they would leave the centre, and go to an alternative centre.

As discussed in the literature review, the aim of a parking layout should be to achieve the greatest possible turnover of cars during a given period. Convenience here is the critical factor. The parking bay should have a turnover factor of 2-10 cars per bay. (According to the parking operator in Sandton, the bays turnover is 6 cars on a weekend, and 2-3 cars during the week, in the high traffic areas). Management must calculate the exact number of cars entering the centre, and divide that by the number bays catered for, to determine if there are sufficient parking bays, especially during peak periods. Parking is a serious problem in Sandton City, as highlighted by customers perceptions in the assessment and ranking of renovation factors. This reinforces the need to incorporate parking additions with any potential renovation, even if the return on building/extending the parking facility, is small.

People want to parl. as close to their destination store as possible, and want to progress logically to it. If this cannot be achieved, customers will move to a more convenient centre, and Sandton will lose potential customers. (Welsh and Funaro assume 400 feet as the maximum distance people are prepared to walk from their cars for regular shopping, and 650 feet for peak periods. This amounts to 400 car spaces per area for maximum convenience and ease of flow.

Table 4.12 Awareness of renovations/additions

	Yes	No
Respondents	164	32
Percentage	82%	16%

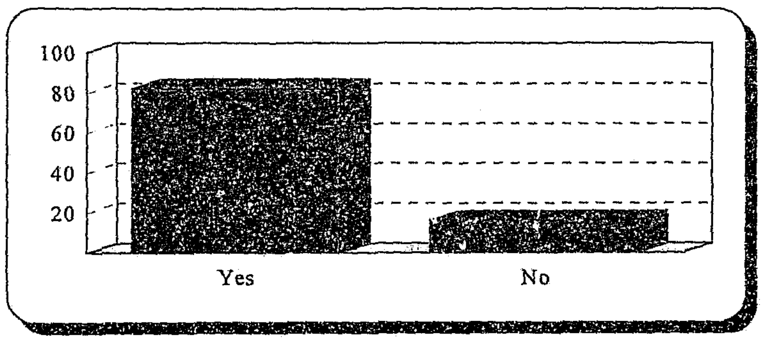


Figure 4.10 - Awareness of renovations / additions

The high number of respondents (82%) that did notice the renovations, indicates that these renovations were obvious to the consumer.

The response did not indicate much of a negative response, but more an indication of the fact that they noticed what renovations took place (increased parking, extension to Woolworths), and what additional satellite stores were added (Mad Dog, The fudge shop, Toys R Us). 2% did not answer the question.

4) IMPACT RENOVATIONS HAVE HAD ON SHOPPERS

Table 4.13 Impact renovations have had on shopping frequency

	(A)	(B)	No response
Percentage	23,5%	43,5%	33%
Respondents	47	87	66

(A) I shop here more frequently because of the changes

(B) I do not shop here more frequently because of the changes

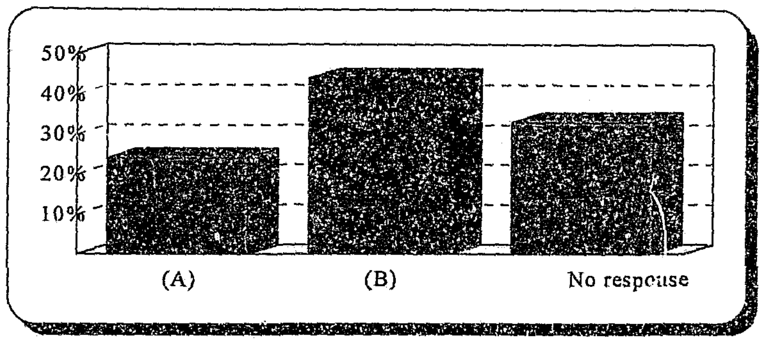


Figure 4.11 - Impact renovations have had on shopping frequency

23,5% in column A is a sizeable proportion. It could be inferred that the renovations had a noticeable impact. This would indicate the impact that renovations have had on the shopping habits of respondents. There must be an increase in patronage, otherwise the centre would stagnate and lose customers.

Table 4.14 The impact changes have made on customers perception of Sandton City

	Strongly agree 1	Agree 2	Undecided 3	Disagree 4	Strongly disagree 5	Weighted totals	Overall ranking
Increased parking %	24%	39,5%	15%	6%	3%	374	1
Better lighting %	19,5%	43%	15%	8%	0,5%	370	2
Bigger variety of shops %	17%	50,5%	12%	6%	0,5%	361	3
Additional shops %	16%	51,5%	13,5%	4,5%	0,5%	360	4
Modernisation %	18,5%	48,5%	15%	3,5%	0,5%	354	5
More pleasant shopping %	19,5%	48%	16%	2,5%	0,5%	352	6
Average	**19%**	**46,5%**	**14,4%**	**5,1%**	**0,9%**		

Parking changes were noticed because it is such an acute problem, but customers still are not satisfied that it is enough. Investing in more parking will yield respective results of pulling people in. This will in turn will have a high payoff effect.

Table 4.15 The effects of renovation on shopping habits

	Increased 3	**No change** 2	**Decreased** 1	**Totals**	**Ranking**
Entering more stores %	81 40,5%	85 42,5%	2 1%	415	1
Frequency of visits %	37 18,5%	127 63,5%	3 1,5%	371	2
Money spent %	40 20%	125 62,5%	1 0,5%	371	3
Time spent in the centre %	33 16,5%	133 66,5%	2 1%	367	4
Average	**24%**	**58%**	**1%**		

It is acknowledged that some bias in answers could have occurred as some people did not answer this question either due to lack of time on behalf of the respondents, or they were asked to go to Question 17 if they did not notice any renovations (which skipped over the above question). See appendix D

Entering more stores is the most outstanding impact that renovations have had on the shopping centre. This has increased by 40,5%, which coincided with more satellite stores opening up in 1997/8. The overall average increase is a significant 24%, which would reflect on the increase in footcount, as well as in turnover overall for the centre. The most important point is that the starting point is measured as 0, therefore the increase of 40,5% is staggering - as this indicates the renovations had a huge impact on the performance of the centre.

Although 58% have not changed their shopping habits, a quarter has changed their shopping habits as a result of the changes. Money spent has increased by 20% This indicates that the renovations have contributed to the increase in the turnover of the centre, which is the centres' management's ultimate goal. The renovations were profitable not only for the tenants, but for the entire centre. A 0% return on investment would indicate a negative return on turnover, Given the inflationary impact, the ROI (return on investment) has increased (figures withheld due to confidetiality). Thus the impact of renovations has had an effect on increasing the profits of the centre. The shareholders of the pension funds can therefore see a net profit, with considerable growth.

On average these factors have increased by 24%, and have changed shopping habits of the consumer. About one third have increased their shopping habits in a pattern that would most likely add to the revenue of the centre. Shoppers increased their shopping visits by 18,5%, due to the larger variety of shops and merchandise, increased parking, as well as improved and increased size of shops (for e.g.. Woolworths).

Renovations are therefore essential for the property owners, in order to ensure turnovers, customer patronage, and to remain not only competitive, but ahead of other centres.

5) CUSTOMERS' OBSERVATIONS

Table 4.16 Likes about Sandton City

Likes	Votes	Percentage %
Variety of shops	65	32,5
Convenience	38	19
Popularity	36	18
Cleanliness	23	11,5
Accessibility	22	11
Atmosphere	22	11
Upmarket and quality	10	5
Open spaces	10	5
TOTAL	226	

The total votes were open ended, and respondents could answer as many questions as they liked.

Table 4.17 Dislikes about Sandton City

Dislikes	Respondents	Percentage %
Prices	36	18%
Parking	28	14%
Nothing (like everything)	28	14%
Crowds	24	12%
Parking prices	22	11%
Unclean toilets/ too dispersed	10	5%

Individual comments were collated into common points, and only those noted by 10 people or more were represented in table 4.16 and table 4.17. From the responses the previous table represents a summary of the identified observations.

The respondents were given an opportunity to say what they felt about Sandton City. The ratings were consistent in ranking with those collated in table (4.10), and all add to popularity, variety, and convenience. This enhances confidence in the rankings of table (4.10).

The problems noted here are reflected in table (4.10) which concurs that prices and parking are the major problems that the patrons are affected by. Both will determine the willingness of the shopper to return to Sandton City, as both could cause the shopper to choose less expensive alternative shopping centres, and those that have better and cheaper parking facilities.

CHAPTER 5 - CONCLUSION AND RECOMMENDATIONS

Micro-market factors influence retailers' location and merchandising decisions from the start as well as over the life of the property. Various factors influencing the potential for a given site will determine not only the size and nature of a potential retail project, but influence the marketability of the site. The success of a retail development rests on the individual successes of the tenants and the synergy created by the merchandise mix. Alternative centres that cater for the changing retail markets, and demographic shifts are forcing older centres to renovate in order to keep their customer patronage. In South Africa, many centres are at least 10 years old and in need of a renovation.

Merchandising is not static, as shopping centres have a continual rollover of space with leases expiring. The tenant mix creates a distinct personality for the property, which can be altered in response to demographic shifts, and changing retail formats. This ability to adapt magnifies the need for active management.

Owners are unable to control demographic change, but they can be monitored, in order to anticipate and respond to trends. The owner must constantly monitor these factors in order to keep the centre competitive. A centre can be successful provided ownership remains innovative and adaptable, and has sufficient financial backing to keep up with the changing trends of the retail industry.

The first objective was to establish key factors which influence the performance of a regional shopping centre. The review of the selected literature showed that the following factors feature predominantly: trade area, the site, layout of the centre, design characteristics of a centre including tenant mix and parking. These factors are also used to determine (at a later stage), whether a property needs to be renovated.
Furthermore, analysis of the interviews indicates that the top five factors ranked have an influence on the performance of the shopping centre.

The next objective was to identify the reasons for, and impact of renovations on the "profitability" of a regional shopping centre.

The management's interviews gave insight into the frequency of renovations and why they were undertaken. Shoppers themselves noticed that the renovations had taken place, and clearly came more frequently and were attracted to the centre.

The main criteria for embarking on a renovation was to increase rental space, and therefore leasing capacities, and at the same time modernise and update the centres image to keep up with trends in the industry.

Another reason was to renovate for competitive reasons in order to not only increase the market share, but also in order not to lose it. Demographic changes could also influence the owners to relocate or even change the tenant mix in order to modernise the image of the centre. The owners might be forced to react and renovate, as the centre might become structurally and functionally obsolete.

Sandton City Shopping Centre embarked on its first major renovation in 1983, which saw the addition of space to 80000 square meters, and the modernisation of the entire centre. The latest renovation has illustrated that parking was needed, as well as more rental space.

The impact on profitability is evident from the overall results given by management, which show that the turnover of the centre has increased by 14% (from 1997-1998), and for the magnet stores by 8%. This is also up on the previous year (1996-1997), which increased 9% overall, with the magnet stores increasing by 3%. (See Appendix F) This indicates that the renovations had a large impact on the turnover of the entire centre, and had a huge impact on the magnet stores.

The effects of renovations on consumers can clearly be seen in table 4.15, which concludes that of the respondents interviewed, 24% have had an overall increase in their shopping habits, which would most likely have contributed to the 14% increase in the centre turnover. The largest increase for the survey was the fact that shoppers were entering more stores (40,5% increase), which is a direct impact on the fact that the centre has created a bigger and more varied tenant mix. Table 4.13 also indicates that 23,5% of shoppers shop more frequently at the centre as a direct result of the renovations.

The final objective was to propose/suggest a systematic approach to renovation of regional shopping centres.

Although there is no one specific system in place that dictates the exact timing of renovations, there is a definite marketing and research agenda in place to help indicate to management and hence the owners, when a renovation should take place, which indicates that management are not merely reactive in their approach to renovations.

Management had external questionnaires completed in order to monitor trends and to validate their requirement to renovate. This external research is commissioned annually, with a budget allocated to keeping these records up to date. The centre is monitored for performance, by keeping turnover records, and accessing data from the external research, and these must be documented in order to make the renovation decision easier to access. The culture may not necessarily be one of a systematic approach, but there may be an underlying systematic approach to renovations.

Nevertheless it can be deduced that there is no systematic approach to renovations, other than a combination of proactive (maintenance) and reactive (demographic changes forcing modernisation) changes. Management needs to know what tenants grievances are, and how they feel. There should be a cost benefit analysis done in order to see if renovations have had an impact on the turnover of the centre. The maintenance of the building is constant and systematic, which helps with the general wear and tear of the property, and to keep the centre attractive without needing to modernise too early.

Management is constantly in touch with new trends, and anticipates changes for the centre. They have a strong leasing plan, which is constantly upgraded in order to facilitate new types of shops and ideas.

As seen in the literature review, it is suggested that management should embark on three steps to making a decision to renovate. The first is a strategy to see where the centre is in the marketplace, where it should be, and how it should get there. The next step is to quantify specific objectives such as a leasing mix, and then to create a management plan in advance, on when, and how the decision will be made.

The renovations should not alter/destroy nor compromise the image of the centre itself, but should be a way of enhancing the original theme of the place. The renovation must therefore be handled well, without tampering with the original design ideals.

If a regional shopping centre intends to embark on a renovation, it must consider the above factors. The need for renovation is to encourage improved customer traffic, provide a return on the capital invested and outperform the competition. A survey in the USA by the International Council of Shopping Centres (ICSC) highlighted the importance of re-tenanting the centre to create a better merchandise mix, to entice the shoppers. The survey confirmed that shoppers increase their visits by 27% as a direct result of these renovations, and that 17% of new patrons started visiting the centre as a result of the renovations.

Renovations allows the owners to correct mistakes made, and allows an opportunity to increase the value of the property, and make changes in order to reposition the centre. Increasing the space and therefore rentals can facilitate this, or by reshuffling the tenants in order to maximise space.

The most important requirement to determine whether a centre should be renovated is to investigate the demographic and economic influences from a market survey. The topics that must be analysed are: the trade area, population demographics, shopping habits, traffic and parking surveys, tenant surveys, a consumer survey as well as a projected market.

Architecture and design play an integral role in the success of the centre. In retailing, good design means good business. The principles and standards of shopping centre planning are world-wide. Good planning will create a successful centre and help to perpetuate the success of the centre in the future.

From the foregoing, the following factors are suggested to determine when the owners should consider renovating a regional shopping centre.

- The centre must conduct an annual/ biannual survey (over 7 days) to determine the demographics of the surrounding network, and ascertain opinions of the patrons.

- Management must observe new trends in the marketplace, and make sure that the centre keeps abreast of these.
- There needs to be an excellent maintenance agenda, so that the renovation is not forced onto the centre.
- Management must monitor competitive centres, and also future centres to be built, to make sure that they will not absorb patronage from their centre.
- Management needs to include a cycle time, that once a centre reaches a certain vacancy rate (say 5%), they need to look at doing a renovation to increase rental turnover.

Recommendations for further study

A further study could model the historical revenue streams of regional shopping centres to establish more accurately the impact of renovations on income.

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APPENDICES

A - Sandton Area demographics

B - Product Life Cycle model

C - Initial letters to management

D - Interview questions

E - Feedback from interviews with key management

F - Turnover comparison document

G - Demographic study questionnaire

H - Data capturing

I - Sandton City Information

J - Sandton City Fact sheet

K - Surrounding centres to Sandton City

L - Follow up letter to management

M - Sandton City Fact sheet

APPENDIX A - SANDTON CITY AREA DEMOGRAPHICS

SANDTON CITY AREA

POPULATION WITHIN A 5KM RADIUS OF SANDTON CITY.

The total population within a 5km radius of Sandton City is 246 955. Of this population Blacks comprise 69% of the residents, Whites comprise 30% of the residents and the remaining 1% of residents are Asian and Coloured. The highest percentage of residents within a 5km radius of Sandton City, 32% are between the ages of 18 - 34 years. This is followed by 29% of the residents who are between the ages of 35 - 55 years, 26% of the residents are under the age of 17 years and the remaining 12% of the residents are over the age of 55 years.

The highest number of residents reside in Alexandra 141 576. Of these residents Blacks account for 99% of the total population, while the remaining 1% is Coloured. 37% of the residents are between the ages of 18 - 34 years, 33% are under 17 years, 24% are between 35 - 55 years and the remaining 6% of the residents are over the age of 55 years. The average monthly income for residents residing in the area is not available. The highest percentage of households, 29% are classified in LSM 5, 11% in LSM 6 and 5% of households are classified in LSM 8.

The second highest number of people reside in Blairgowrie, 10 649. Whites comprise 77% of the residents, Blacks comprise 22% of the residents and the remaining 1% of the residents are Asian and Coloured. The highest percentage of residents in the Blairgowrie area, 37% are between the ages of 35 - 55 years. This is followed by 28% of the residents who are between the ages of 18 - 34 years, 20% are under the age of 17 years and the remaining 15% of the residents are over the age of 55 years. The average monthly household income for residents residing in this area is R 13 795. The highest percentage of households, 60% are classified in LSM 8, 30% in LSM 7 and 9% of the households are classified in LSM 5 and LSM 6.

The third highest number of people within a 5km radius of Sandton City reside in Craighall and Craighall park, 7 273. 73% of the residents are White, 26% are Black and the remaining 1% of the residents are Asian and coloured. The highest percentage of residents in the Craighall park area, 37% are between the ages 35 - 55 years. This is followed by 26% of the residents who are between the age of 18 - 34 years, 21% are over the age of 55 years and the remaining 16% of the residents are under the age of 17 years. The average monthly household income for residents residing in this area is R11 240. Fifty nine percent of household in this area are classified in LSM 8 ,29% in LSM 7 , 7% in LSM 6 and 3% in LSM 5.

The fourth highest number of people within a 5km radius of Sandton City reside in Morningside, 6 493. 71% of the residents are White, 28% are Black and the remaining

A total of 4 925 residents reside in Parktown North, of these residents, 68% are white, 31% are Black and the remaining 1% are Asian and Coloured. Forty percent of the residents are between the ages of 35 55 years. This is followed by 25% of residents who are between the ages of 18 - 34 years, 22% are over the age of 55 years and the remaining 13% of residents are under the age of 17 years. The average monthly household income for residents in the area is R18 348. The highest percentage of households, 66% are classified in LSM 8, 25% in LSM 7 and 7% of households are classified in LSM 5 and 6.

4 856 residents reside in Sandown which is within the 5km radius of Sandton City. 75% of the residents are white, 24% are black and the remaining 1% are Coloured and Asian. the highest percentage of residents, 35% are between the ages of 35 - 55 years. This is followed by 29% of the residents who are between 18 - 34 years, 24% of the residents are over the age 55 years and the remaining 12% are under the age of 17 years. the average monthly household income for residents in this area is R15 381. Fifty five percent of household are classified in LSM 8 and 27% of households in LSM 7.

4 514 residents reside in Kew which is within the 5km radius of Sandton City. 74% of the residents are White, 25% are Black and the remaining 1% are Coloured and Asian. The highest percentage of residents, 33% are between the ages of 35 - 55 years. This is followed by 32% of the residents who are between 18 - 34 years, 21% of the residents are under the age of 17 years and the remaining 14% are over the age of 55 years. The average monthly household income for residents residing in this area is R13 561. The highest number of households, 55% are classified in LSM 8 and 34%in LSM 7.

4 221 residents reside in Parkmore, of theses residents, 75% are white and 25% are Black. Thirty nine percent of the residents are between the ages of 35 - 55 years. This is followed by 25% of residents who are between the ages of 18 - 34 years, 19% are over the age of 55 years and the remaining 17% of residents are under the age of 17 years. The average monthly household income for residents in this area is R17 770. Sixty seven percent of households are classified in LSM 8 and 27% in LSM 7

3 170 people within a 5km radius of Sandton City reside in Hurlingham. Of theses residents, 74% are White, 25% are Black and the remaining 1% are Coloured and Asian. The highest percentage of residents in the Hurlingham area, 36% are between the ages of 35 - 55 years. This is followed by 29% of residents who are between 18 - 34 years, 19% of the residents are under the age of 17 years and the remaining 15% of residents are older than 55 years. The average monthly household income for residents residing in this area is R19 811. Sixty one percent of households are classified in LSM 8 and 24% in LSM 7.

A total of 2 349 people reside in the Illovo area. Of these residents 75% are White and 25% are Black. The highest percentage of residents in the Illovo area, 45% are over the age of 55 years. This is followed by 28% who are between the ages of 35 - 55 years, 21% who are between the ages of 18 - 34 years and the remaining 5% of the residents are under the age of 17 years. The average monthly household income for residents residing in the Illovo area is R11 341. Sixty one percent of households are classified in LSM 8 and

28% in LSM 7.

2 121 people reside within a 5km radius of Sandton City in the Hyde Park area. 55% of the residents are White, while 45% of the residents are Black. The highest percentage of residents who reside in Hyde Park, 39% are between the ages of 35 - 55 years. This is followed by 26% of the residents who are over the age of 55 years, 24% of the residents are between 18 - 34 years and the remaining 11% are under the age of 17 years. The average monthly household income for the residents residing in the Hyde Park area is R27 552. Sixty three percent of households are classified in LSM 8 and 27% in LSM 7.

1 643 people reside in the Dunkeld area which is within a 5km radius of Sandton City. Of these residents, 57% are White, 41% are Black and the remaining 2% of the residents are Coloured and Asian. The highest percentage of residents who reside in Dunkeld, 41% are between the ages of 35 - 55 years. This is followed by 24% of the residents who are older than 55 years, 19% are between the ages of 18 - 34 years and the remaining 16% of the residents are under the age of 17 years. The average monthly household income for people who reside in the Dunkeld area is R31 043. Seventy one percent of households are classified in LSM 8 and 22% in LSM 7.

LIVING STANDARDS MEASUREMENTS (LSM's)

LSM's provide the client with an insight into the minds and lives of their clients, or prospective users of a product or service. From the largest number of question included in the AMPS survey, 13 variables were selected, which provide a good overall measure of standards of living.

These variables centre around:

- The ownership of appliances

- where people live

- Where people shop

- Racial groups.

- Income

- Expenditure.

- home ownership

- educational levels

There are eight LSM levels. LSM 1 is the lowest standard of living and LSM 8 is the highest standard of living. People who are classified into LSM 1 are generally poor and uneducated and have a low literacy level. People who are classified into LSM 8 are the more affluent members of society, well educated and financially secure.

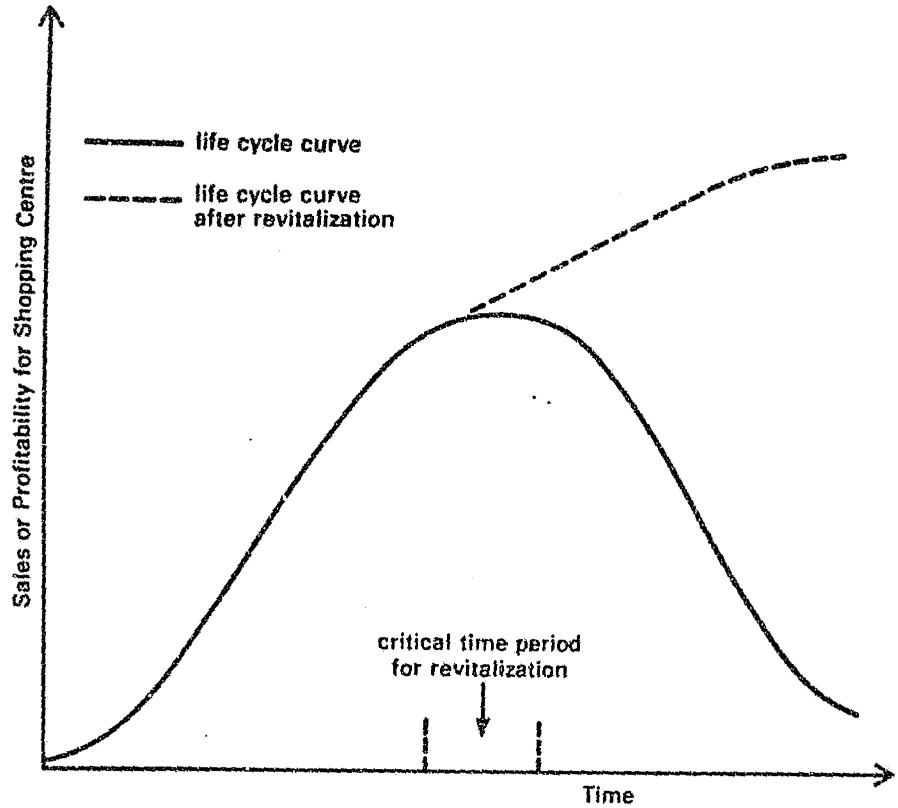
With the use of GIS (geographic Information system), the population within a 5km radius of the proposed centre has been divided up into the eight LSM categories.

In the 5km radius of the centre, there are no residents that fall into LSM 1, 2, 3, 4. The highest number of residents form part of LSM 7 and LSM 8.

The highest number of households in the 5km catchment area, (26 700) fall into LSM 8 category. It should be noted that the lowest percentage of the overall South African population, (5.9%), fall into LSM 8 generally have monthly household incomes greater than R8 000. 35% of the respondents are in the age group 35 - 49, 26% are over 50 years, 24% are in the age group 24 - 34 and 13% are in the age group 16 - 24. The race breakdown of respondents that fall into LSM 8 is as follows: 87% are white, 6% are coloured, 4% are black and 1% are asian. Respondents in LSM 8 have a monthly household expenditure of R867 on food and R970 on housing. 99% of respondents in LSM 8 are literate, 38% live in a 2 - 3 bedroom and 36% live in a 4 bedroom house. 82% of respondents in LSM 8 have their own car, 100% have access to running water, 100% have electricity, 95% have their own telephone, 93% own a microwave, 97% own a radio, 99% own a television, 78% own a VCR, 52% own M-Net and 34% of respondents in LSM 8 own a personal computer. Respondents that fall into LSM 8 have interests that include: a quiet evening at home, religion, music, watching television, going to restaurants, reading magazines, listening to the radio and wildlife. The majority of respondents in LSM 8 , 58% are working, compared to 42% of the respondents, who do work. The respondents that fall into Lsm 8 shop at the following clothing stores, Edgars, Woolworths, informal outlets, Truworths, Foschini, specialist shops, Jet, Pick n' Pay, factory shops. Ackermanns, markhams and department stores.

The second highest number of households within the 5km radius of the centre, (10 926)fall into the LSM 7 category. 12,5% of the population fall into LSM 7. The highest percentage of respondents in LSM 7 , 7.28%, have monthly household incomes of greater than R6 000.00. The majority of respondents, 53% that fall into LSM 7 category, are over the age of 35 years. Respondents that fall into the LSM 7 category, spend an average of R635,00 a month on food and R599,00 on housing. 97,7% of respondents in Lsm 7 are literate. 42% of respondents in LSM 7 live in a 2 - 3 bedroom house and 16% of respondents live in a four bedroom house. Interest of respondents in LSM 7 include: having a quiet evening at home, religion, watching television, listening to the radio, music, reading magazines, wildlife , jokes and travelling through south Africa. The majority of respondents in LSM 7, 57 % are not working, compared the 43% who do work. 64% of respondents in LSM 7 have their own car, 100% of the respondents in LSM 7 have their own phone, 54% own a microwave, 92% own an radio, 99% a television, 53% own a VCR, 33% own a M-Net decoder and 15% own a personal computer. Edgar, Woolworths, informal outfitters, Foschini, Truworths are the most frequented clothing stores by respondents in LSM 7. Pick n' Pay , Woolworths, Shoprite are the most frequented grocery stores.

APPENDIX B - PRODUCT LIFE CYCLE MODEL



Product Life Cycle Model adapted to the Life Cycle of a shopping centre and revitalization Actions

APPENDIX C - INITIAL LETTERS TO MANAGEMENT

APPENDIX C - INITIAL LETTERS TO MANAGEMENT

Att : Mr Tony Dunn

STUDY ON RENOVATIONS : SANDTON CITY

Dear sir

Once again I would like to thank you for your time, and your invaluable input with regard to this study. I know that you are very busy, and your contribution is much appreciated.

Could you please try and have the following information ready for our meeting on Friday.

1) Results of any surveys that have been conducted :
   a) demographic studies
   b) customer surveys
   c) shop-owner surveys
   d) Customer patronage, headcounts, and any other information regarding customers.
   e) any other surveys

2) Parking Facilities
   a) Parking facilities (ownership, who pays for maintenance)
   b) Parking surveys (no. of cars, average time spent)
   c) Number of parking bays
   d) How often, how many, and when did the number of bays increase

3) Shop information
   a) Shop vacancy factors
   b) Rental turnover
   c) Trading performance

4) Maintenance
   a) Maintenance costs
   b) Timing and frequency of maintenance
   c) Decision making with regards to maintenance

5) Renovation
   a) When have renovations occurred ? (dates from the beginning of Sandton City)
   b) How often do renovations take place ?
   c) Who makes the decision to renovate ?
   d) How are the decisions made ?
   e) What type of renovation took place ?
   f) Cost of renovation

g) How many contractors were used in each renovation
h) How long did these renovations take ?
i) Did they run as per schedule ?
j) Who was responsible if the contract over-ran the estimated time
k) Did the centre recover the costs of these renovations, and if so, how?
l) Was there any impact on turnover?
m) Are there any surveys that have been conducted to ascertain the impact of renovation on: turnover/ customer headcounts/ inconvenience to customers ?

6) Use of historical data for decisions on renovations

I appreciate that the information given to me will be of a very sensitive nature, and will not be published without your prior written approval, and only as statistical analysis.

Thank you for the courtesy of your assistance

Sincerely yours

Michelle S. Slabe

APPENDIX D - INTERVIEW QUESTIONS

Name ______________________________

Position ______________________________

Length of employment ______________________________

A)

1) When did renovations take place (e.g. 1987, 1991) ? Historical dates______________

____

____

2) How long did these renovations take to complete? ______________

____

3) Why did the renovation take place? (e.g. need for additional parking) ______________

____

____

____

4) What was the cost of each renovation? ______________

____

5) What effect, if any, did these renovations have on shops surrounding the renovation area with regard to:

1) patronage ______________________________

2) turnover ______________________________

3) loss/ increase of sales ______________________________

4) attitude of shopowners (only if management has survey) ______________

____

6) Demographic data and other customer data ______________

____

7) What impact did these renovations have on the performance of the overall centre?

____

____

____

____

8) What measures (if any) were taken to ensure customer patronage while renovations took place? ____

9) Were any surveys done on customer's opinions before and after renovations took place? If yes, how soon after/ during, did these surveys take place?
____

B)

10) Have you arrived at the key changes to make? ____

11) How is the decision to renovate taken? Is it planned? ____

12) What is the most profitable type of renovation? ____

13) How do you use the historical data? (surveys)? ____

14) What are the principle factors that are taken into consideration when deciding to renovate?
____

15) Over what period of time do you monitor the turnover? ____

16) Is the decision to renovate a proactive process (dynamic), or is it driven by external forces? ____

PLANNING FOR RENOVATIONS

1) What process happens? ______________________________

____
____
____
____
____

2) What are the key driving factors?

____
____
____
____

3) Who makes the decision to renovate?

____
____
____

IMPLEMENTATION

1) How is it implemented?

____
____
____
____
____

2) How is the budget allocated and managed, and who is in charge?

____
____
____

3) Who keeps track and supervises the renovations?

____
____
____
____

4) Timing- how long did the renovations take, and did they run on schedule?

MONITORING

1) What effect was noticed from these renovations?

2) How did they interpret the key data generated?

3) How is that data linked to future planning

4) Is the planning periodic?

What triggers the decision to renovate, : (do they wait for shopowners to complain/ do they gauge from customer surveys)

Do you look at previous renovations to ascertain why the renovation took place, and when to plan the next one

			What changes occurred	Lettable area	Increased meterage
Cost	Date				
		Parking			
		Increased shops			
		Interior changes			
		Exterior changes			
		Other additions			
		Other			

APPENDIX E - FEEDBACK FROM INTERVIEWS WITH KEY MANAGEMENT

Name Trevor Matthews
Position Leasing Manager
Length of employment

1) HISTORICAL BACKGROUND TO RENOVATIONS

1.1) When did renovations take place (e.g. 1987, 1991) ? Historical dates

The major renovation took place in 1993, when the entire centre was upgraded. This upgrade included the ceilings, lighting, flooring, columns. Each tenant was requested to refurbish their entire shop. This entailed closing for one month, to create not only new shopfronts, but a more modern, upmarket image.

Architects from Canada were brought in to discuss with tenants the image that the centre should portray. The intention was to create wider spaces in the shops, wider malls, higher ceilings, natural light, and shopfronts to the height of the mall. This was completed in 1995.

In September of 1995, Checkers vacated, Woolworths took over, renovated and modernised the premises, and line shops were introduced to that area.

In January 1995, the Checkers / Hypermarket car park was closed off, to create an additional 2500 parking spaces, all undercover.
There was an increase at the same time of 5000 square metres of retail space. Level 6 allowed for 3500 metre squared retail space, which was a new mall leading from the car park to the upper level. This renovation was completed around November 1997.

Currently they are completing the third phase of the renovation of the parking area, which was done in sections so as not to disturb the shoppers parking.

A pay by foot system will be introduced into the centre, which will expedite the access and exit points of the parking area.

There has been an increase of footcount and turnover, which translates to the demand of space.

Edgars will soon have to renovate and improve their store, as there turnovers for the last 6-8 years have been comparatively low.

1.2) How long did these renovations take to complete?
1993 - 18 months to 2 years

1.3) Why did the renovation take place? (e.g. need for additional parking)
See Above

1.4) What was the cost of each renovation?

The parking cost R30.000- R40.000 /per parking space. The developers would the have to include retail space to make the renovations feasible.

1.5) What effect, if any, did these renovations have on shops surrounding the renovation area with regard to:

1.5.1) patronage
The patronage did get affected, but the tenants survived. Management consider the fact that they have tight lease agreements to their advantage, as tenants have to put up with the renovations, and have no choice. There were many complaints about the fact that signage blocked shops, and lighting was distorted.

1.5.2) turnover
is linked to the renovations. Long term tenants did see the benefits

1.5.3) loss/ increase of sales

1.5.4) attitude of shopowners (only if management has survey)
The attitude of the tenants will depend on how management have sold the renovation idea to them. They are forced to continue trading, and are usually grumbling and discontent the entire time the renovation takes place

1.6) Demographic data and other customer data
See appendix A, J

1.7) What impact did these renovations have on the performance of the overall centre?
Management believe this is difficult to assess. Checkers was not performing according to rental turnovers, and occupied 500 square metres. With the take-over by Woolworths , the turnovers increased substancially.

Most of the turnovers of the individual shops increased from 25%-50% within the first 6 months of refurbishments. Since 1993, most of the shops have again refurbished, as the markets and times have changed. By 1994, only 1 shop had not refurbished.

Turnovers increased, as well as the footcount in the centre.
October 1996 - the 28 entrances were monitored.
December 1996- 1,6 million people shopped in Sandton
December 1997 2 million people have passed through the centre
This is reinforced by the survey Question 15, which confirms that the frequency of visits have increased by 18,5%

1.8) What measures (if any) were taken to ensure customer patronage while renovations took place?

The car park was partially closed off, by hoarding off the renovation area, and adding additional signage. Students were hired to direct customers to the new car park, and mall. One section at a time was completed, and then only did they move on to renovate the next section. This was to ensure as little interference as possible was felt by the patrons and shopowners.

A breakfast presentation was given to the tenants to explain the new concept, and to help shopowners adjust to the idea of the renovation. Presentations by way of slides, and plans, were given, and the shopowners were told of the benefits to the centre as a whole.

One and a half million Rand was allocated to Marketing, to inform the shoppers which entrances were open. Advertising billboards, leaflets, and electronic billboards were also used extensively to attract shoppers.

1.9) Were any surveys done on customer's opinions before and after renovations took place? If yes, how soon after/ during, did these surveys take place?

Markinor did surveys on customers profiles 1997

2) PLANNING OF RENOVATIONS

2.1) Have you arrived at the key changes to make?
In order to add more retail space, there must be more majors (anchor tenants). There are always requests for more retail space, including local as well as international investors. There is 60000 square metres office space, which equates to about 100000 people that work in the offices, that be catered for. There is a huge demand for space, with Virgin wanting to establish a Megastore in the centre.

2.2) How is the decision to renovate taken? Is it planned?
It is planned, and well in advance (at least 1 year). The Checkers deal which took over 2 years of talks (Checkers were bought out of there lease in July 1996), sparked off the negotiations.

The process is started in various sectors, such as the tenants, or parking manager. Sandton City is managed by a team, and owned by a consortium of 3, namely Liberty, Standard pension scheme, and.....

2.3) What is the most profitable type of renovation?
The most profitable type of renovation is retail, especially the satellite tenants, with parking merely facilitating the space for the potential new customers

2.4) How do you use the historical data? (surveys)?
This is mainly based on what the customers need and demand for the centre, and look at that as a guide on what to do. Plenty customers still ask at the information kiosk for Pick and Pay.
2.5) What are the principle factors that are taken into consideration when deciding to renovate?

The decision is leasing driven, "if we can let it, we can build it". Renovations when looking at the age of the centre comes in with the need to upgrade. Maintanance is the biggest expenditure, with millions spent on air-conditioning and security.

2.6) Over what period of time do you monitor the turnover?
This is implemented on a monthly basis, but an in depth look is taken on a quarterly basis.

2.7) Is the decision to renovate a proactive process (dynamic), or is it driven by external forces?
Both, proactive- wanted for the extension for entrance 12 to take on big tenants such as Planet Hollywood and Hard Rock, if it could be implemented, it would be internal.
External, forced by the demand for space, which then forces an extension and renovation of parking and shopping areas.

3) PROCESS OF RENOVATIONS

3.1) What process happens?
A feasibility study takes place - looking further, co-ordinate a professional team (architects draw up sketches) to show future renovations /extensions, and then a quantity surveyor does a proper costing. The partners get involved at this early stage.

3.2) What are the key driving factors?
The most important factors are return on expenditure, and profits.

3.3) Who makes the decision to renovate?
The 3 owners (Liberty Life Association, Eskom Pension Fund, Standard Bank Pension Fund) make the final decision to renovate.

4) IMPLEMENTATION

4.1) How is it implemented?
Once the plan is approved, the renovation goes to tender. Once that has been approved, the professional team is appointed, and the project begins.

4.2) How is the budget allocated and managed, and who is in charge?
The budget is managed by a projects department, in conjunction with the quantity surveyor, who keeps track of what has been approved.

4.3) Who keeps track and supervises the renovations?
As above

4.4) Timing- how long did the renovations take, and did they run on schedule?

5) MONITORING

5.1) What effect was noticed from these renovations?

The customers have given a positive feedback from the new mix of tenants, and have created a new destination area (Queenspark). Turnovers have increased from these renovations. SEE APPENDIX F

5.2) How did they interpret the key data generated?

Must take care of the needs of the customers and of the tenants.

5.3) How is that data linked to future planning

The data that the managers notice from the extensions, come from the leasing mix, and can interpret from his what the tenants need.

5.4) Is the planning periodic?

The planning is not periodic, as discussed before, it happens when and if needed.

5.5) What triggers the decision to renovate, : (do they wait for shopowners to complain/ do they gauge from customer surveys)

5.6) Do you look at previous renovations to ascertain why the renovation took place, and when to plan the next one

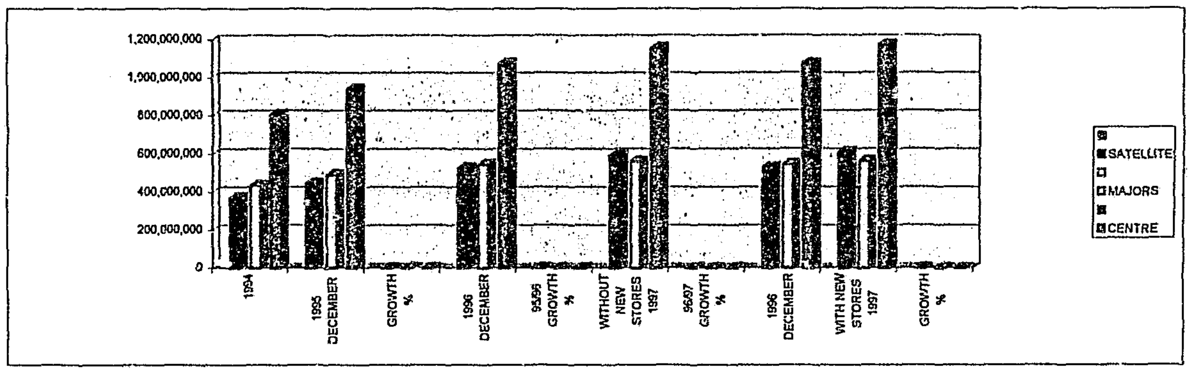
There is some planning of renovations, such as the major one that is 5 years old, and needs a new paint job. If Mo Africa gets built, then the management would need to look more closely at a more modern improvement, than merely a "facelift".

The main factor is leasing driven, to create more space for more lettable area. The focus is to keep Sandton City ahead of the rest of the other shopping centres.

APPENDIX F - TURNOVER COMPARISON DOCUMENT

TURNOVER COMPARISON 94/95 & 96/97

	DECEMBER 1994	1995	% GROWTH	DECEMBER 1996	% GROWTH 95/96	1997	% GROWTH 96/97 WITHOUT NEW STORES	DECEMBER 1996	1997 WITH NEW STORES	% GROWTH
SATELLITE	371,152,183	446,859,058	20	528,398,923	18	593,787,792	12	530,137,530	609,416,802	15
MAJORS	436,043,404	492,031,030	13	545,067,083	11	561,938,901	3	545,067,083	562,938,901	3
CENTRE	807,195,587	938,890,088	16	1,073,466,006	14	1,155,726,693	8	1,075,204,613	1,172,355,703	9



APPENDIX G - DEMOGRAPHIC STUDY QUESTIONNAIRE

My sample does not include staff etc. of the Sandton Shopping Centre

DEMOGRAPHIC STUDIES

1) Age of customer

15-25	25-35	35-45	45- +

2) Sex of customer _____

3) Mode of transport

Car	Bus	Taxi	Walk

4) How long does it usually take you to get to this centre? (minutes)

Less than 10	10-20	20-30	Over 30

5) Frequency to shop at the centre

More than once a week	weekly	twice a month	monthly	quarterly

6) When do you normally shop?

During the week	Weekends

7) I have been shopping at Sandton for : (years)

less than 1	1-2	2-3	3-4	5 +

8) How long do you normally spend in Sandton City?

15 minutes	15 minutes- 1 hour	1-2 hours	2-3 hours	3 hours +

9) On a scale of 1-5, please rate Sandton City on the following attributes :
(please tick appropriate box)

	Very bad	Bad	Average	Good	Excellent
	1	2	3	4	5
Popularity					
Cleanliness					
Toilets					
Parking fascilities					
Parking prices					
Range of shops					
Variety of merchandise					
Prices					
Convenience					
Range of restuarants					
Security					
Design of centre					
Accessability to centre					
Entertainment					
Overall impression					
Renovations					

10) What other facilities / changes would you like to see in Sandton City? (please tick appropriate box)

More supermarkets	More restuarants/ eating	Childrens' daycare
More parking	Other	

Any suggestions? ______________________________

11) Have you noticed any renovations/ additions since you have been shopping here?
Yes______ No_______ (if no, go to 16)

12) If yes, what changes have you noticed?
____
____
____
____

13 a) I shop here more frequently because of the changes ____
b) I do not shop here more frequently because of the changes ____

14) These changes have affected my perception of Sandton City (strongly agree- strongly disagree)

	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Increased parking					
Additional shops					
Modernisation					
More pleasant shopping					
Better lighting					
Bigger variety of shops					

15) Since the renovation my

	Increased	No change	Decreased
Frequency of visits			
Time spent in the centre			
Money spent			
Entering more stores			

16) Where do you live? ________________

17) What do you like about Sandton City?

____
____
____
____

18) What do you dislike about Sandton City?

____
____
____
____

Thank you for your co-operation

APPENDIX H - DATA CAPTURING

MICHELLE SHERENE SLABE
THESIS
RESULTS OF QUESTIONNAIRE

Place a 1 the appropriate box and then set the total line at bottom

QUESTIONS

RESPONDANTS	Q1 Age Groups 15-25	25-35	35-45	45+	Q2 Sex Male	Female	Q3 Transport Car	Bus	Taxi	Walk	Q4 Time to center (mins) <10	10-20	20-30	>30	Q5 Frequency of visit >once/week	weekly	twice/month	monthly	qrtly	Q6 Shopping period During week	Week-ends	Q7 Previous shopping at Sandton- years <1	1-2	2-3	3-4
1			1			1	1					1			1						1				
2		1			1		1				1					1				1					
3		1				1	1					1					1				1				
4		1			1		1					1						1			1				
5	1				1		1				1				1						1	1			
6		1				1	1					1				1					1				
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RESULTS	53	70	32	45	81	109	193	0	5	2	63	101	23	14	45	81	37	28	11	58	142	18	20	20	16

Q9 Time spent shopping					Q10 Other facilities required					Q11 Notice taken of renovation		Q13 Renovations impact on shoppe	
15 mins	15mins-1 hr	1-2 hrs	2-3hrs	3+	More Supermar	More Restauran	Children's da	More par	Other	Yes	No	A	B
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MICHELLE SHERENE SLADE
THESIS
RESULTS OF QUESTIONNAIRE
Question 14
Place a 1 the appropriate box and then see the total line at bottom

	Increased parking					Additional Shopping					Modernisation				
RESPONDANTS	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Strongly Agree	Agree	UnDecided	Disagree	Strongly Disagree
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More pleasant shopping					Better lighting					Variety of shops					Other		
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MICHELLE SHERENE SLABE

THESIS

RESULTS OF QUESTIONNAIRE

Question 15

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RESULTS	37	127	3	33	133	2	40	125	1	81	85	2

APPENDIX I - SANDTON CITY INFORMATION

Sandton City

SHOPPING

AND MIXED-USE

COMPLEX

SOUTH AFRICA

NAME	:	SANDTON CITY
ADDRESS	:	SANDTON, (JOHANNESBURG), SOUTH AFRICA P O BOX 78100 SANDTON 2146 TELEPHONE : 27 11 783 7429 FACSIMILE : 27 11 783 7413
DESCRIPTION	:	SHOPPING AND MIXED-USE COMPLEX
OWNERS	:	"THE SANDTON CONSORTIUM" COMPRISING: LIBERTY LIFE ASSOCIATION OF AFRICA LTD ESKOM PENSION & PROVIDENT FUND STANDARD BANK GROUP PENSION FUND
PROPERTY DEVELOPERS, LEASING AGENTS, ADMINISTRATORS, AND MANAGERS	:	LIBERTY LIFE PROPERTIES (PTY) LTD
CENTRE MANAGER	:	MR PATRICK LAWRENCE (PRESENT AT ICSC CONFERENCE)

DETAILS OF COMPLEX

SANDTON CITY SHOPPING CENTRE	105 000m²	retail on 4 levels
	40 000m²	offices
	6 500	parking bays
MAJOR TENANTS	CHECKERS, EDGARS, THE HYPERAMA, JOHN ORR'S, STUTTAFORDS, STER-KINEKOR, WOOLWORTHS	
HOTELS	560	room 5 star Hotels
	450	room 3 star Hotel opening mid 1995
FREE STANDING RETAIL STORE	6 000m²	
SANDTON SQUARE	16 000m²	retail on 2 levels
	20 000m²	offices
	2 000	parking bays

PROFESSIONALS INVOLVED IN THE DEVELOPMENT OF SANDTON CITY:

ARCHITECTS	:	MARGOLES DUKES AND SMITH ARCHITECTS CC
DESIGN CONSULTANTS	:	D.I. DESIGN AND DEVELOPMENT CONSULTANTS TORONTO
STRUCTURAL ENGINEERS	:	KAMPEL, ABRAMOWITZ YAWITCH & PARTNERS
ELECTRICAL CONSULTANTS	:	BFBA CONSULTANTS INC.
ELECTRICAL ENGINEER	:	WILLS AEREBOE AND ASSOCIATES
MECHANICAL ENGINEERS	:	AIRGRO (PTY) LTD
CONTRACTOR & PROJECT MANAGER	:	RAPP & MAISTER CONSTRUCTION (PTY) LTD

SANDTON CITY was developed in 1973 as a 53 000m² Shopping Centre inclusive of a 20 000m² high-rise Office Tower in the northern suburbs of Johannesburg. In 1982 an additional 40 000m² of retail space was added including a further 20 000m² of office space the "Twin Towers" creating the largest complex of its type in South Africa. In 1984 the Sandton Sun Hotel (330 rooms) was completed making the Sandton City Complex one of the largest mixed use retail developments in the world.

As the Complex was nearing 20 years old and it had been 10 years since its extension the Sandton Consortium decided to utilise the opportunity to "catapult" the Complex into the 21st century and meet the demand of international standards.

In 1991 anticipating that the political arena would change the face of South Africa forever the Sandton Consortium very positively embarked on not only a major internal refurbishment of the Shopping Centre and offices but the development of an additional 5 star hotel the "Sandton Sun Towers" (230 rooms) linked by an overhead bridge to the existing Complex.

Currently underway to open in two phases during 1995 is a 450 room Holiday Inn Garden Court hotel and 6000m² free standing retail store.

The property to the north of the Complex has also since been developed into a unique leisure Restaurant and retail centre known as "Sandton Square" of which the Sandton Consortium owns 50%. Connected to Sandton City by way of a skywalk containing retail Sandton Square features an open-air "Italian Piazza".

Whilst Sandton Square increased the "Entertainment Profile" in the area the Sandton Consortium foresaw the opening in the market for an 8000m² Entertainment Centre (inclusive of 15 cinemas, showscan theatre, children's entertainment, restaurants and coffee shops) known as "Entertainment World at Sandton City" - this exciting development was completed in November 1994 and is considered to be one of the engineering feats of the decade in its field.

Further opportunity was created at Sandton City with the addition of 800 decked parking bays, increasing the length of one of the current malls to provide a further 4000m² of retail space adjacent to the new parking.

In summary the major changes include:

* The refurbishment of the Shopping Centre including entrances, malls, lighting, electrical reticulation, airconditioning, vertical transportation, introduction of natural light, shopfronts, tenants' premises - to a specified design criteria.
* An additional 4000m² of retail.
* The provision of an additional 800 parking bays.
* The introduction of an 8000m² Entertainment Level.
* The refurbishment by all tenant of shopfronts and fixtures.
* Complete refurbishment of the common areas of both the "Office Tower" and "Twin Towers".
* The development of the 5 star Sandton Sun Towers Hotel.
* The erection of a 450 room "Holiday Inn Garden Court" plus 6000m² of free standing retail.
* The development of "Sandton Square" Shopping Centre.

The overall effect of these changes will undoubtedly enhance customer appeal and ensure investment growth for the Sandton Consortium well into the future considering the positive economic and political platform now created in South Africa and will entrench Sandton City as the dominant retail centre in South Africa.

VISUALS OF SANDTON CITY COMPLEX
SOUTH AFRICA

1. **Aerial View**
This view shows the complex comprising the shopping centre Office Tower and Twin Towers as well as the two adjoining five star hotels, the Sandton Sun & Towers. Further development eg. the early construction stages of the now complete Sandton Square, is evidenced by construction cranes.

2. **New Entrance**
Curves lighting and mirrored surfaces were added to key entrances to make more of a statement and create a sense of arrival.

3. **Fountain Court - 1984**
A raised platform and fountain formed the focal point of Sandton City.

4. **Fountain Court - Reconstructed 1994**
The court was levelled and redesigned to allow for more promotional area. Granite and marble finishes as well as a new feature fountain that echoes the concentric circular light troughs accentuate Sandton City's dramatic centre piece.

5. **Mall - Prior to Refurbishment**
Although fashionable in 1973 the dark mall concept was perpetuated in the 1984 extension.

6. **Refurbished Mall - 1994**
Increased lighting large light floor tiles with a travertine stone effect, the use of modern quality finishes as well as raising the height of shopfronts and ceilings an introduction of natural light has given the malls a wider and more spacious feel.

7. **Escalator Well - 1984**

8. **Escalator well - Refurbished 1994**
Curves instead of harsh angles glass cladding and more natural light create an ambience of wide open spaces. In the refurbishment all "hard concrete" finishes were reclad.

9. **Food Court - 1984**

10. **Food Court - 1994**
A modern and fun atmosphere prevails in the Food Court with a lit ceiling dome which is finished with a "tromp l'oeuil" paint effect. The food court comprises a small number of eating outlets with numerous restaurants spread throughout the complex.

11. **Stuttafords (Major retail store) Shopfront - 1973**

12. **Stuttafords (Major retail store) Shopfront - 1994**
Almost all tenants have refurbished and/or replaced their shopfronts thereby enhancing the malls even further. The new look Stuttafords Sandton City has won many international design awards including the "new or fully renovated speciality department store" category in the International Store Planning Visual Merchandising and Store Design competition.

13. **Cinema Level - 1973**
9 Cinemas.

14. **New Entertainment World - 1994**
To provide a unique one-stop entertainment experience which includes 15 cinemas a dynamic Showscan theatre restaurants leisure related retail and amusement areas explosives had to be used to remove 1000 tons of rock from below the existing complex.

APPENDIX J - SANDTON CITY FACT SHEET

THE COMPLEX AND IT'S OWNERS

Sandton City is a R1.5 billion complex encompassing the shopping centre, Office Towers, Twin Towers, Medical Block, the Sandton Sun and Towers and other specific office developments ie. Zenex House, 15 Alice Lane and 3 Alice Lane.

It is the largest shopping complex on the African continent and is believed to be the biggest in the Southern Hemisphere. Since it's original development in 1973, it has enlarged to three times it's size, has entrenched itself as the country's premier shopping and business complex and has always remained at the forefront of shopping centre development.

It is owned by a consortium comprising Liberty Life Association of Africa Ltd, the Eskom Pension and Provident Fund and the Standard Bank Group Pension Fund.

Heading this consortium is Liberty Life Properties who also manages and lets the complex.

PROFILE OF THE SANDTON CITY SHOPPER

The Sandton City shopper is predominantly English speaking (94%), aged 29 - 49, well educated and affluent with 62% of shoppers coming from the A/B income bracket and a further 27% from the B/C income group, 63% of the shoppers are home owners. 37% of shoppers are married, 4% single and 4% divorced. 55% of shoppers are housewives which is low when compared with other centres, again reflecting the higher educational standard with many female shoppers being employed.

Many shoppers filter in through the Sandton Sun resulting in a high foreign contingent.

Other hotels in the area also provide many international shoppers.