ANALYSIS OF TENANT MIX IN SHOPPING MALLS. THE CASE STUDY OF THE JUNCTION AND T MALLS

BY

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A Research Project submitted in partial fulfillment of the requirements for the Award of the Degree of Bachelor of Real Estate, in the Department of Real Estate and Construction Management of the University of Nairobi

DECLARATION

This research project is my own, unaided work. It has not been presented before for an award of a degree in any other institution of higher learning or for any other award.

Signature…… Date.....

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This research project has been submitted for examination with my approval as the university supervisor.

Signature……. Date……...

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ABSTRACT

A good tenant mix includes a variety of compatible (or complementary) retail/service providers, and an efficient space allocation (both size and number) and proper tenant placement that encourages the interchange of customers and retail activities. Tenant mix is not a static condition: the market changes over time, as do the customer preferences and fashion trends. Therefore, even the "ideal" condition achieved in one season or period might not be suitable for the next one. Consequently, centre managers have to adjust their tenant mix constantly to keep up with the market trends. Under these circumstances, it is not surprising to find that an ideal tenant mix can be a puzzle for centre managers factoring in statutory laws that require commercial leases to have a minimal term of five years and three months in Kenya.

The main objective of the study was to analyze tenant mix in Shopping Malls. The study adopted a descriptive survey which assisted the researcher to systematically and accurately conduct an analysis of tenant mix in shopping in malls, with a focus on The Junction and T-Malls. Random sampling technique was used to select the sample representatives. The study population 60 respondents comprising of chief officers, departmental heads and general staff from the real estate firm managing these two malls. Primary data was collected by the use of questionnaires. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form. The raw data collected was collated to aid simplification. Microsoft Excel and the Statistical Package for Social Scientists (SPSS) were also used to aid in the analysis.

The study concluded that, a shopping centre is meant to fulfill consumers' needs in a certain region. Consequently it should contain the highest product variety demanded from convenience goods to comparative goods. This variety of the retail agglomeration plays a crucial part in increasing productivity. However, variety is not merely the diversity of product combinations but should include certain principles to maximize the favourable effects that generate increasing returns. In a shopping centre, product variety comes from the combination of retail tenants and tenant mix strategies that are adopted by the managers. Without operational rules, tenant mix decision-making normally follows a "rule of thumb" or experienced common sense. Therefore with a better understanding of leading community center tenants, including their site selection

criteria and methodologies, the real estate developer can better understand what attributes, and which information will best serve him in the community center tenant mix process.

The study recommended that armed with today's technology real estate company managing malls can then quickly map out tenant locations in a given market, estimate their trade areas, and visualize underserved markets. With an understanding of a desired tenant's strong site preferences, the developer can then seek out a site which meets those requirements adequately. With an understanding of how point of sale (POS) and demographic data is used, the developer will be better equipped to approach lease negotiations, and better understand which sites will be better suited to certain tenants.

CHAPTER ONE

INTRODUCTION

1.1 Background

A good tenant mix includes a variety of compatible (or complementary) retail/service providers, and an efficient space allocation (both size and number) and proper tenant placement that encourages the interchange of customers and retail activities. In a wider perspective, it should also include sufficient public facilities and services, both in terms of the quality and quantity demanded. The essentials that enhance the quality of the Centre's shopping environment, to satisfy shoppers' needs, such as goods and services, convenience, excitement, and amenities, are all part of the elements of an ideal tenant mix.

Tenant mix variety is the combination of homogeneous and heterogeneous agglomeration that generates increasing returns from both scale and scope. Firms producing the same traded good can enjoy the advantages of agglomeration. "Firms producing the same traded good may find it profitable to agglomerate. These agglomeration economies are often called external economies (Marshallian) because they are a consequence of an enlargement of the total activity level of the industry in the same city and hence are beyond the control of each individual firm" (Fujita, 1989, pp271-272). The Marshallian concept specifies what the consumer would buy in each price and wealth situation. It is the most widely used tool of welfare analysis, but it is based on debatable theoretical foundations. Consumers' surplus seeks to provide a cardinal measure of the surplus utility a group of individuals get, cumulatively, from consuming a quantity of a good at a given price (Currie et al, 1971). This is the absolute net consumer's surplus. The change in the

individual consumers' surplus from a base state to another state, seeks to provide a cardinal ranking of the two states for the individual.

Aggregating across individuals, the change in consumers' surplus seeks to provide a cardinal ranking for many individuals together of different states. Aggregating across goods seeks to provide a cardinal ranking of states when multiple markets are affected by different states (i.e. if the prices of many goods change). Therefore, used this way consumer surplus seeks to be a powerful tool of welfare analysis enabling us to cardinally rank various states for policy purposes when many individuals and many markets are affected. In these circumstances, it seeks to indicate how much society is better off (in terms of utility) in one state relative to another.

Firms with product heterogeneity also benefit from agglomeration. Fischer and Harrington (1996, p281) thus suggested "greater product heterogeneity increases consumer search, which raises the amount of shopping at a cluster." These agglomeration economies imply that the increasing returns to scale (or economies of scale) must be achieved by the firms in the cluster (McCann, 2001, p55). Return to scale is the relationship between input of resources and the outputs of the production function: increasing returns to scale implies that the outputs of the production function are greater than the scales of the inputs to the production system.

In addition to economies of scale, the advantages of agglomeration also come from scope, "…a basic and intuitively appealing property of production: cost savings which result from the scope (rather than the scale) of the enterprise. There are economies of scope where it is less costly to combine two or more product lines in one firm than to produce them separately" (Panzar and Willig, 1981, p268). Mainly economies of scope are generated from the sharing of inputs and costs. Benefits come from the economies of sharing in the joint production of a multiple-product.

For urban economies, these economies of scope save the costs of inputs or transportation at spatial agglomeration in combining multiple-products (Goldstein and Gronberg, 1984).

In urban economics, variety is one of the most significant reasons for forming a city; both central place theory and agglomeration economies theory tell us that variety always plays an important role as a favourable factor in industry and commercial agglomeration. Fujita (1989, p272) suggested that "…increasing returns to scale in the service industry and the desire of the traded-good industry to employ a variety of intermediate services may provide the basic forces of industrial agglomeration in a city; that is, the larger the variety of available intermediate services, the higher will be the productivity of the traded-good industry in a city." As a city needs variety, so does a shopping centre. The larger the shopping centre, the more variety it needs. The greater the variety it has, the higher the productivity it can achieve.

Consequently, clustering of retailers can generate variety and increase attraction. In retail location theory, Nelson (1958) first showed that the tendency of retail clustering is based on the theory of Cumulative Attraction and the Principle of Compatibility. In his research, the theory of cumulative attraction suggested "…a given number of stores dealing in the same merchandise will do more business if they are located adjacent or in proximity to each other than if they are widely scattered" (Nelson, 1958, p58). This is the major reason for retail agglomeration. This retail store spatial affinity was also observed by Getis and Getis (1976). In their research, they suggested that retail store spatial affinities are based on three location theories: the theory of land use and land value, central place theory, and the theory of tertiary activity. After examining retail stores in the CBDs of a sample of cities in the US, they confirmed that retail store spatial affinities do exist and matched them with the propositions of Central Place theory (Getis and Getis, 1976).

Krugman (1991) also makes suggestions about the beneficial patterns for agglomeration behaviour. One of the most significant patterns is the core-periphery relationship. He suggested that the agglomeration of a country has an “industrial core”- “agriculture periphery” relationship, so as to gain scale economies while, at the same time, minimizing transport costs. As the agricultural product is characterized both by constant returns to scale and by intensive use of immobile land, the manufactured product is characterized by increasing returns to scale and modest use of land: “because of economies of scale, production of each manufactured good will take place at only a limited number of sites” (Krugman, 1991, p485).

This core-periphery relationship in agglomeration can also explain retail agglomeration in a shopping centre. Instead of manufactures, the “core” of a regional shopping centre is the agglomeration of anchors, high comparison goods and services, and the popular/fashion retail categories. The periphery, on the other hand, is the retail/service providers in a supplementary role. Therefore, the retailers locating in the “peak pitch” of pedestrian flows are the “core” stores, whilst periphery stores are usually located in the surrounding locations. The existence of this relationship can help to explain the importance of the image and “theme” for a centre. Only the right pattern with correct core-periphery categories can establish the right centre image for its theme.

1.2 Statement of the Problem

The shopping centre is an agglomeration of various retailers and commercial service providers within a well-planned, designed and managed building or a group of buildings as a unit (ICSC, 2002; Urban Land Institution, 1999). This definition suggests the agglomeration of retail activities in a shopping centre is well planned and highly controlled by the centre manager. Therefore, the interactive forces among tenants being the inter-store externalities can be

managed to maximise profits for the whole shopping centre (Yuo et al., 2003). This cluster of retail and service providers in shopping centres is termed the “tenant mix” (Bruwer, 1997; Downie et al., 2002; Kirkup and Rafiq, 1994). The variety of retail categories and brands is the result of this mixture of various tenants.

Previous research suggested that tenant mix is one of the most crucial factors in the success of a shopping centre (Abratt et al., 1985; Anikeeff, 1996). It is certainly one of the most crucial elements in establishing the image of a shopping centre. However, some managers and researchers still treat tenant mix as a “puzzle” in shopping centre management (Bruwer, 1997; Greenspan, 1987). The reason is because tenant mix seems to be an art, performed by the centre management team. A regional shopping centre usually contains more than 100 retail units: thus the possible tenant mix arrangements of retail categories and brands are almost infinite. Since each possible mixture of tenants makes a distinctive contribution to the image of the shopping centre, how is it possible for us to identify an “ideal” or “balanced” tenant mix for a certain shopping centre? Moreover, tenant mix is not a static condition: the market changes over time, as do the customer preferences and fashion trends.

Therefore, even the “ideal” condition achieved in one season or period might not be suitable for the next one. Besides, the retail industry is almost a perfectly competitive market: thus, the actions of competitors always dramatically influence marketing strategies. Consequently, centre managers have to adjust their tenant mix constantly to keep up with the market trends. Under these circumstances, it is not surprising to find that an ideal tenant mix can be a puzzle for centre managers.

Despite the significant role played by the small enterprises in the growth of the economy no study has focused on strategies used on tenant mix hence the current study aims at bridging this gap by Analyzing Tenant Mix in Shopping Malls with focus on The Junction Mall and T – Mall. The aim in this paper is to further the understanding of tenant mix and highlight the aspect of non-anchor store placement as it has been largely ignored.

1.3 Objectives of the study

The main objective of the study will be to analyze tenant mix in Shopping Malls.

The specific objectives of this study are:

i. To determine the effects of location and its influence on tenant mix;
ii. To determine the criteria used in selection and location of tenants on various floors in a shopping mall; and
iii. To determine effects of tenant mix on rental strength

1.4 Research questions

i. What are the effects of location and its influence on tenant mix?
ii. Which are the criteria used in selection and location of tenants on various floors in a shopping mall?
iii. What are the effects of tenant mix on rental strength?

1.5 Significance of the study

The study of the analysis of tenant mix in shopping malls with a focus on Junction Mall and T-Mall will be of great significance to centre managers and letting agents who face the challenges brought about by tenant mix. For future researchers, information gathered from the Junction Mall and the T-Mall can be an opening to further studies in the same area or act as starting point for

similar research in other malls. This will also be beneficial to new business men and women planning to venture into the business of shopping malls in highlighting the challenges that face tenant mix as well as developers in designing and constructing malls suitable for a particular region or neighbourhood.

Study Hypothesis

The success of a mall is determined by various factors all of which are interdependent, tenant mix being the most crucial.

1.6 Assumptions of the study

The researcher assumes that the respondents will be willing to give the information sought by the study. The researcher also assumes that the information given by the respondents portray the true picture on the ground.

The researcher expects to encounter problems in securing letting agents, assistant property managers, property managers and top level management who are very busy and may be reluctant to give information. The researcher will book an appointment during office hours to explain the main purpose of the research and hand in questionnaires thereafter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A shopping center, as defined by International Council of Shopping Centers (ICSC), is ‘a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property, with on-site parking provided. The center’s size and orientation are generally determined by the market characteristics of the trade area served by the center. The three main physical configurations of shopping centers are malls, open-air centers, and hybrid centers. The council also recognizes a cluster as business cluster as a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. Clusters are also very important aspects of strategic management (ICSC 2002).

Mbogo, (2007) shows that over the years, shopping centre formats have taken on a confusing array of identities, with names that include such descriptors as centres, commons, crossings, hybrids, lifestyle centres, malls, markets, marts, mega-malls, mixed-use, outlets, parkways, places, plazas, promenades, shops, strips, squares, super centres, town centres, urban retail, vertical and villages. The reason behind the existence of these descriptors is that, because of the maturity of the industry, there are currently numerous types of centres that go beyond the standard definitions. The shopping centre industry originally offered four basic terms: neighbourhood, community, regional and super-regional centres. As the industry has grown and

changed, however, more types of centres have evolved, and these four classifications are no longer adequate.

2.2 Theoretical reviews

2.2.1 Spatial interaction theory

Retailers have both responded to market opportunities and led consumers into new modes of shopping, usually at the expense of the traditional shopping centres (Wrigley and Lowe2002). The larger multiple retailers were the first to recognize the commercial opportunities offered by changing consumer demands, and they responded with the provision of new shopping facilities offering the advantages of easily accessible out-of-centre sites, adequate car parking, larger premises to provide wider ranges of products and associated services, and a more attractive shopping environment in more secure surroundings (Thomas and Bromley2002). This has resulted in marked increases in market concentration in all sectors of retailing in favour of the largest retail organisations, which wield considerable influence both in the acquisition of products and in the planning environment (Wrigley 1996, 1998; Guy 1996; Marsden and Wrigley 1996; Sparks 1996a; 1996b).

In traditional retail stores, the service encounter is defined as a period of time during which a consumer directly interacts with a service (Shostack 1987). Many frameworks have been suggested to conceptualise the service encounter, but, typically, the service encounter is established by interaction among the service provider, physical environment, service organisations, and users. Also, many models suggest that service is provided in an environment that includes diverse consumers, and that the existence of other consumers affects the service experience (Lovelock 1996; Martin & Pranter 1989).

Spatial interaction theory is based on the hypothesis that consumers trade off the attractiveness of alternative shopping areas against the deterrent effect of distance (Clarkson et al. 1996). This offers an alternative normative model to explain behavioral interaction. In doing so it discards the assumption made by central place theory that behaviour is explained by consumers using the nearest offering of a good or service.

The origins of spatial interaction theory dates to the pioneering studies of William J. Reilly (1931). Reilly (1931) based his “Law of Retail Gravitation”, on an analogy with Newtonian physics linked with empirical observations of shopping behaviour placed in the inter-urban structural context. The basic problem with the original gravity model is that its variables; population and road distance, and the parameters on these variables, unity and the inverse square, do not always perform well in practice (Brown, 1989). Although some empirical studies showed that Reilly’s model performed reasonably well in practical situations, others found its performance inconsistent. The first shopping mall was the Country Club Plaza, founded by the J.C. Nichols Company and opened near Kansas City, Mo., in 1922. The first enclosed mall called Southdale opened in Edina, Minnesota (near Minneapolis) in 1956. In the 1980s, giant megamalls were developed. The West Edmonton Mall in Alberta, Canada, opened in 1981 - with more than 800 stores and a hotel, amusement park, miniature-golf course, church, "water park" for sunbathing and surfing, a zoo and a 438-foot-long lake (Brown, 1989).

2.2.2 The principle of minimum differentiation

The principle of minimum differentiation originates from Harold Hotelling’s (1929) classic paper. The principle suggests, in a retailing context, that a given number of stores operating within the same market sector will achieve superior performance if they are clustered together.

In his original model, Hotelling makes key assumptions concerning location, pricing, transport costs, consumer behaviour, conjectural variations, market shape, and number of competitors; which in reality are not always consistent (Eaton & Lipsey 1979). Brown (1993) believes, despite the interesting empirical work that supports the clustering of compatible retail entities, the bulk of the studies support Eaton and Lipsey's (1979) conclusion that:

Although Hotelling's (1929) work has been strongly criticised, there has also been a considerable amount of research effort since publication. In a retailing context a number of empirical studies support the principle of minimum differentiation's hypotheses that sellers of the same or similar categories of merchandise tend to cluster closely together. These studies have been carried out in different countries and hence incorporated a variety of statistical analysis techniques a wide range of retailing trades. Brown (1993) explains that high order retail trades, like ladies outfitters or department stores, exhibit the most clustered distributions, whereas low order retail businesses such as convenience stores and personal services, are the least agglomerated of all. However, Brown (1993) fails to explain why out-of-town supermarkets often outperform supermarkets in the centre of the business district in close proximity to their competitors (Clarkson et al. 1996).

2.2.3 Central place theory

The foundation for planning theories within retailing is often said to have been moulded by Harold Hotellings (1929) theory from duopolistic competition and theories from Walter Christaller (1933) and August Lösch (1954). Their aspects are in central placement theories and area interaction models, such as gravitational models (Marjanen 1997) on micro-scale. Stephen Brown (1992) has given quite thorough explanations. Planning theories give the framework for the research and understanding of cases (Forester 1989).

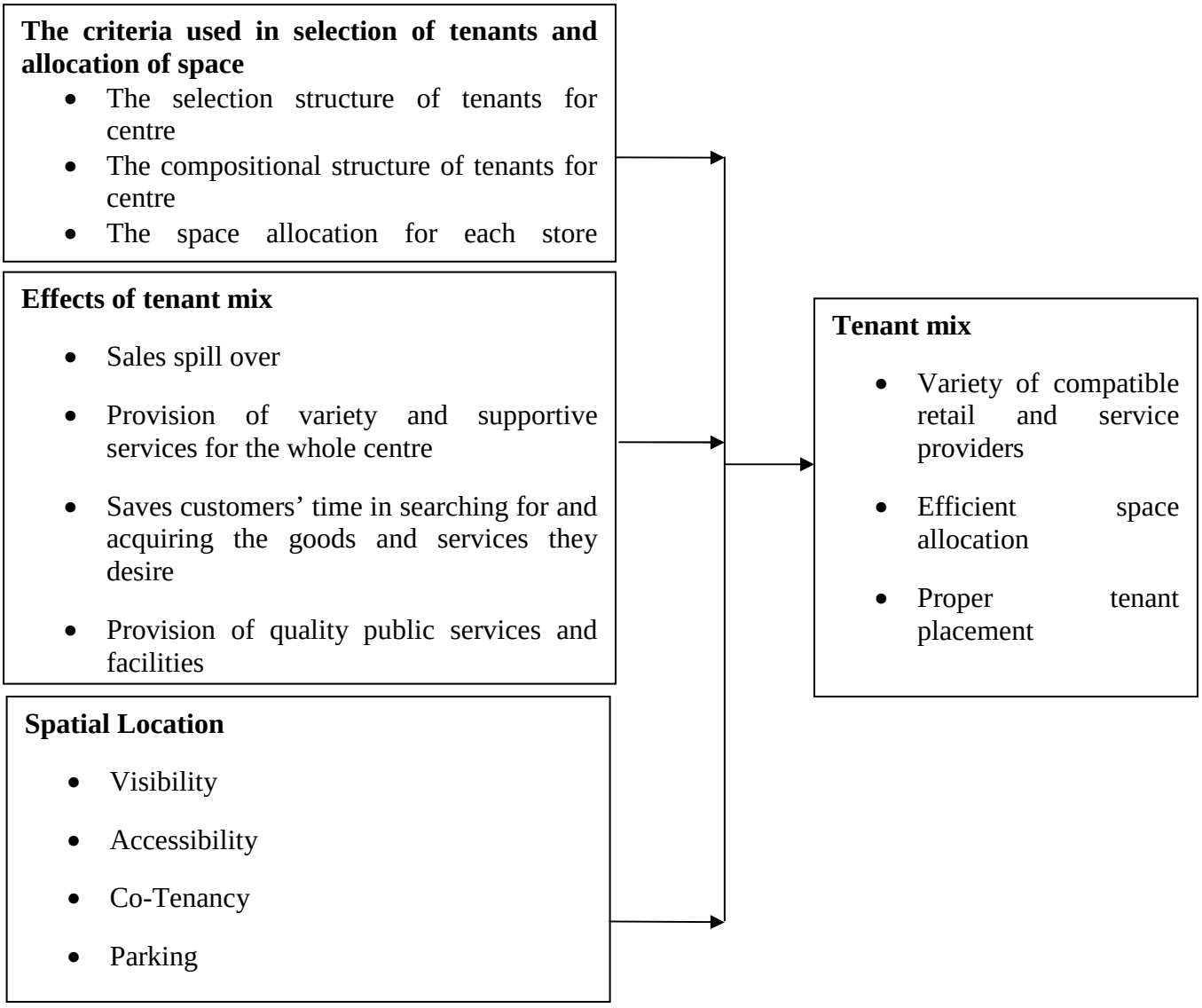
Central place theory has over the past 60 years been extremely influential in providing a framework for the analysis of both spatial and non-spatial retailing patterns, although it is subject to certain limitations discussed by Carter (1972) and by Brown (1989). The major criticisms start with Kivell and Shaws's (1980) observation that any model which attempts to reduce a complex reality into a simplified and manageable form suffers from a high degree of abstraction in terms of the assumptions of identical consumers, an even distribution of population and the concept of single purpose (product) shopping trips to the nearest centre that supplies the merchandise. Central place theory assumes consumers to be identical; adopting the Economist's "optimising man". This is not seen to be a very realistic concept as shown by Golledge et al. (1966) in that consumers do not always follow the exact precepts of central place theory. The inclusion of a random or stochastic element has been clearly recognised and substantial attempts have been made to interpret central place theory within a probabilistic framework. It is also generally accepted that the central place theory's failure to accommodate change successfully is its single most significant shortcoming (e.g. Brown 1989, Clarkson et al. 1996).

The concept of single purpose shopping trips is arguably the most discussed assumption made by central place theory. Authors have criticised the lack of sophistication of a single product approach, arguing for a multi-product perspective. Thompson (1969) believed that even where the focus is moved from products/purpose to stores there is an implicit assumption that the only factor differentiating one store from another of the same type is location, thus ignoring such factors as price, quality and image. In response to this, formal attempts have been made in recent years to develop mathematical modeling in central place theory which incorporates multi-purpose shopping.

2.3 Conceptual Framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. According to Bogdan and Biklen (2003) a conceptual Framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/synthetical aspects of a process or system being conceived. The interconnection of these blocks completes the framework's expected outcomes.

Figure 2.1: Conceptual Framework



2.4 Empirical literature

2.4.1 The criteria used in selection of tenants and allocation of spaces.

Emerging from the literature on the design and evaluation of shopping malls, 'tenant mix' or space allocation and location of the retail stores is an essential characteristic of the shopping

mall. “A full line-up of strong and well placed traders is important to the retail tenant, whose performance is dependent on the level and type of footfall attracted. The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores”(Kirkup and Rafiq, 2005. 29). Despite the importance of the tenant mix within retail environments, there appears to be little or no empirical research on micro-placement and spatial location of non-anchor stores in new shopping centres neither are there studies on the spatial pattern of store layout in existing centres.

Concerns of tenant mix, as distinct from retail mix, encompass three related aspects: the selection and compositional structure of tenants for centre, the space allocation for each store category type and the location of tenants within the centre. All of these aspects are increasingly being considered as equally important subjects, and should be tackled together as a merchandising operation that begins at a very early stage of Shopping Centre design. (Beyard and O’Mara, 2009). While the selection and space allocation process of major space users have received more attention by real estate and business management researchers, the details of letting of smaller tenants/ non-anchors are often left in the charge of leasing agents, a process that is not as well documented for new or existing shopping centres. (McGoldrick and Thompson, 2012). During the implementation of tenant mix, the correct grouping of shops and the decision on their specific locations in the centre are very important, but also highly complex. Although in theory, all locations in the centre should be equally valuable; in practice this ideal is seldom achieved.

According to Abratt et al. (2005) change occurring in customer demand due to the emergence of new types of retailer has also caused difficulties in maintaining a strong tenant mix. Therefore, the centres need to keep abreast of customer needs in order to be successful in the retail market. Abratt et al. (2005) felt that the variety in tenant mix will maximize shopping centers’

attractiveness to the population of the catchment trade area. With a wide range of tenants, shopper will have the tendency to visit the shopping centre at a higher frequency level. In a research carried out by Smith, Garbarino and Martini (1992), 61% of shopping centre landlords believed that tenant mix of a shopping centre was "very important" meanwhile the rest felt that it was "somewhat important". As highlighted by Kirkup and Rafiq (1994), it is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends. Such changes in retail market may be caused by three reasons including shopping centre competition, economic recession and changes in customer demands (Kirkup and Rafiq, 2006). There is also the aspect of statutory laws stipulating the minimum term of commercial leases which may act as a hindrance in responsiveness to changing market trends.

The choice of tenant mix should satisfy any unmet demand for goods and services within a centers' catchment area. In a survey done by Nicholls, (1997), shoppers tend to shop at shopping centres located beyond primary catchment area due to the lack of choices in goods and services provided by the shops near their house. Therefore, Nicholls, (1997) made a conclusion that the shopping centres that offer a variety of goods and services that are not available in an area can therefore retain local expenditure and capture sales from competing centres. Nicholls, (1997) emphasized how anchor tenant play an important role in determining the overall tenant mix of the shopping centre. Narver (1996) explained that besides its influential in determining the range of merchandise in the centre, anchor tenant also exert a dominant influence on shoppers' image and thereby on centre patronage. Nevertheless, the sentimental qualities together with the functional characteristics of the anchor tenant contribute to its image in the shoppers' minds. Shopping Centre that can meet the customers demand by offering a medium to high range of the

products, service quality and price range can contribute to an increased differentiation between centres (Roth, 2008).

According to Kaylin (2012:46) the outcome for an ideal tenant mix is the achievement of a logical layout of shops. Beyard and O'Mara (2009) comments that one type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical. Tenant grouping should follow "mix" or "match" principles in order to sustain the interest of shoppers; ensuring that they are drawn throughout the entire centre. He adds that aside from how much rent the tenant pay, consideration should be given to the compatibility of tenant's merchandising practices with those of ad- joining stores. The rule is that complementary tenants should be clustered, while incompatible ones should be dispersed. For example, Dawson (1983) recommends that the following on-anchor stores should not be clustered but dispersed throughout the mall: jewelry, record, and hardware stores. What is uncertain is the "logic" behind the placement of tenants and the criteria for determining complementary status between tenants. General guidance to the grouping of certain tenants state that:

• Food shops... (Should be) grouped around the supermarket but not in prime locations nor in the highest rental positions. Require reasonable display on frontage.

• Fashion and clothing... (Should be) grouped together and preferably in logical sequence... These shops require prime positions, preferably in the centre of the main mall and away from the food stores...concentrate them in groups so they form a magnet in their own right.

• Service shops...are generally positioned in less attractive retail locations where rents are lower and sizes of shops smaller, e.g. secondary malls and upper levels.

• Specialty shops...include those selling leather, gifts, stationery, cameras, flowers, toys and fabrics, need good, prominent locations and good display frontages...This group is particularly adaptable to size and shape of individual units.

• Restaurants...benefit from any position with a view...recommend locations through-out the centre and in the main square...

Maitland (1985; 21)Needless to say anchor stores, such as department stores, are in themselves incompatible because they are in direct competition with each other; hence they are most commonly located at the extremities of the layout or furthest from each other. The location of the second tier of retail units (junior anchors or sub-anchors,) is considered largely in relation to the placing of major anchor tenants and so on. These large space users are placed in such a way to draw movement throughout the centre so that all standard unit tenants are passed on the way to and from the anchors.

Siting of smaller standard units is usually approached in a mainly negative way, i.e. By removing potential ‘dead’ space users from the main malls, and by separating ‘incompatible’ retailers. (Brown, 1991) Standard service units include the post office, banks and a few personal service shops; most of which enjoy monopoly or near-monopolistic trading conditions.

As Maitland (1985) points out that these units are the kinds shoppers are prepared to seek out, however inconveniently they are located. Beyard and O’Mara (1999) concur by stating that “banks, travel agencies, and other services and restaurants are suited to side malls... or other locations that would be undesirable for stores selling, say, impulse goods.” (p.170) Furthermore, standard units selling durable goods are said to not generate traffic by themselves and would benefit from central locations, in particular goods that are likely to be bought on impulse.

Drawing from the slim body of literature regarding tenant placement, there appears to be some consensus of opinion on that similar lines of trade, particularly clothing and clothing accessories stores, should be grouped together. (Maitland, 1985; Beyard & Omara, 1999) What happens in practice is that fashion traders are placed in the central /prime areas of the development, along a main route leading to the key anchor stores and service trades in the peripheral areas. Does this mean that a $150 last minute package holiday on special offer purchased from a travel agent encountered by chance in a peripheral location is not impulsive but an expensive $1000 watch found in a central, highly visible shop after careful comparison and long deliberation is more of an impulse buy?

However, it is not clear which store types or retailers are not considered compatible, although according to Dawson, (1983) jewelry and record stores should be dispersed. The weakness of these rules of location is that they are based on generalized assumptions about the way people supposedly go about shopping. While the rules regarding placement, clustering or dispersal of stores are abundant, there is also a genuine lack of evidence that they are adhered. There is a dearth of empirical research on whether stores of the same type are found dispersed or clustered in shopping centres.

2.4.2 The effects of tenant mix

The shopping centre or mall is the agglomeration of selected multiple retailers and commercial service providers within a well-planned, designed and managed building or a group of buildings as a unit (Urban Land Institute 1999; ICSC 2002). Within the shopping centre, tenants are able to receive mutual benefits, not only from other individual stores but also from the collective advantages of the whole shopping centre.

For instance, small tenants depend on the strong customer drawing power generated by anchor stores and the "spill-over" of their customers to these smaller tenants (Benjamin, et al. 1992; Brueckner 1993; Gatzlaff, et al. 1994; Miceli, et al. 1998; Pashigian and Gould 1998). At the same time, the mixture of small tenants provides variety and supportive services for the whole centre (Wakefield and Baker 1998).

In addition to the mixture of tenants, strong brand name retailers and other popular stores spillover their sales efforts to other tenants (Miceli and Sirman 1995), establishing the positive image of the centre. Moreover, agglomeration generates positive shopping "atmospheres" (Burns and Warren 1995; Wakefield and Baker 1998; Bone and Ellen 1999) and saves customers' time in searching for and acquiring the goods and services they desire (Kaufman and Lane 1996). Furthermore, the tenants also share their obligations in the provision of quality public services and facilities (Corns and Sandler 1986; Oppewal and Timmermans 1999), which would not be available if they were scattered as single- freestanding stores. By sharing the total costs of the public services and facilities through service charge, these tenants obtain the collective benefits of higher quantity and quality of services and facilities so as to be able to draw and serve more customers in a shopping centre. All of the above positive interactive effects, i.e. the positive inter-store externalities, form the center's synergy (Nelson 1958; Anikeeff 1996) and generate increasing returns from economies of scale/scope (Goldstein and Gronberg 1984; Fujita 1989; Fujita and Thisse 2002) within the shopping centre. This synergy increases the interchange of customer footfall among stores and also raises operational performance, namely the turnover, profits and rental value of each tenant. Positive inter-store externalities are, therefore, favourable interactive effects generated from one store which spillover to other store(s) without the consent between generators and receivers or the receipt of proper compensation or subsidy (Meade 1952;

Brueckner 1993; Papandreou 1994). The receivers of these positive effects are therefore “free riders” or“easy riders” (Corns and Sandler 1984) on the effect generators.

This implies an inefficient condition between these two parties because of unbalanced rights and obligations. The existence of inefficiency is a harmful situation in the system, as the generators do not have any obligation to provide those positive externalities to the free riders. Accordingly, without any incentive or compensation, the generators will not maintain or enhance their ability to generate positive effects for others. However, despite these positive inter-store externalities being only a “by-product” to the generators, they are essential resources for those stores receiving benefits and for the centre as a whole. Consequently, maintaining and enhancing these positive inter-store externalities becomes one of the most crucial tasks for shopping centre management.

On the other hand negative inter-store externalities, directly damage the utility functions of the “victim” tenants. Theses influences of positive inter-store externalities remain more crucial in establishing the value of the shopping centre. The main objective for tenants agglomerated in a shopping centre is to maximize their operational income and total profits. Hence positive inter-store externalities form the centre synergy in helping individual store operations are most significant effects to the tenants. Lack of centre synergy means lack of transaction opportunities and that damage may be as great as negative inter-store effects. Since centre synergy comes from positive inter-store externalities, the purpose in managing them is not only to internalise these externalities but also to maintain or increase the strength of these positive inter-store forces.

The retail industry is facing a number of challenges and opportunities related to renewed efforts to manage growth and contain urban sprawl. Particularly challenging is the underlying argument

for a fundamental shift toward non-auto dependent “urban retail” formats and away from more traditional shopping centers. While the development of “urban retail” solutions is an opportunity for the retail industry, if efforts to contain sprawl and create more compact cities are not tempered with an understanding of retail market fundamentals, the end result could have far-reaching consequences for the sector. In particular, the potential disruption created by well intended, but naïve policies and practices could create tremendous inefficiencies and skew development toward non-sustainable retail options. Increasing pressure to embrace such retail solutions could also make it even more difficult to develop traditional shopping center formats that have proven track records in their ability to satisfy consumer demand (Goldstein and Gronberg 1984; Fujita 1989; Fujita and Thisse 2002).

The ultimate outcomes of the debates surrounding growth management are unknown. It is imperative; however, that these discussions move to a more objective level that is based on facts and an understanding of how the private market operates. Such a shift will help retailers and developers position themselves in more collaborative roles, rather than casting them as the enemy in efforts to solve urban challenges. To achieve this balance, it is important that the industry have the fundamental tools in place to help educate planners, regulators, interest groups, politicians, and the broader public as to the underlying “value proposition” that the retail industry provides. At the same time, it is important to indicate the key success factors or attributes that have made various retail formats successful, so that well-intended but potentially misguided policies are not put in place that will disrupt market balance or create suboptimal retail solutions. Approached with such considerations in mind, enhanced shopping center classifications can address such needs and help explain how the retail market operates and the role that it plays in satisfying consumer demand in a socially responsible, ethical, and pro-active manner.

It should be noted that mere specification of enhanced classifications will not be sufficient to increase transparency, as they must be widely accepted and become industry standards for reporting and performance measurement. Given its mission and industry prominence, it is imperative that the management play a leadership role in helping add clarity and transparency to the retail sector. Such efforts can help on a number of fronts, leading to a greater understanding of the critical success factors and market drivers that ultimately will determine the success and long-term viability of current, emerging, and new shopping center formats. This role will be important as increasing attention is drawn to mixed-use, transit-oriented development, urban retail, urban infill, brownfield redevelopment, and other complex hybrids, of which the overall success ultimately depends on the success of the retail component. To the extent that such formats are expected to continue to expand, efforts to accelerate their acceptance should be tempered with a strong understanding of how they fit in the overall retail scene, as well as the competitive niches they can fill. This is particularly true as planners, regulators, and some new developers may approach the market from a cookie-cutter perspective, embracing a “one size fits all” approach to managing new retail development.

2.4.3 Spatial location and its influence on tenant mix

Visibility

All tenants want to ensure maximum visibility of their storefront. In fact about 90% of the typical community center tenants will want to be located at the end cap of an in- line designed site plan. This will obviously create some difficult negotiation for the mall agents to determine which tenant will be given the end locations. It is especially desirable to tenants who sell entertainment items such as books, CDs, and Electronics to be located in a highly visible location as their products can often be characterized as impulse purchase items, meaning that consumers

will stop at these store in an impromptu visit more frequently than at other typical retail community center stores. Thus, signage and in- line location are crucial to driving this type of traffic. Signage is an important concern to all community center tenants. Tenants will be concerned with community approvals and regulations which may affect the size of their storefront sign. Some retail tenants have a large prototypical sign and will be concerned with any community or regulatory resistance to the installation of their sign. In theory at least, in a well laid out shopping centre there should be no poor locations, however, in practice this is not the case.

Accessibility

Community center retailers will all want to ensure that shoppers' movements are expedited to and from the center. To facilitate this, retailers will look for multiple ingress and egress points. Two major intersections with a fully signalized traffic signals leading into the community center is characteristic of the optimal type of ingress/egress retail tenants will desire. Additionally, protected left-turn signals into the center will be greatly valued by all tenants, but especially those who cater primarily to a female demographic and who value more highly any site characteristic which will communicate a feeling of security to the consumer. Ideally, the center will not only address major through ways, but will also include access to and from any adjacent communities on lesser roads. Other concerns regarding access include curb cuts directly into the site, turn lanes, egress acceleration lanes, and driveway width and length within the site which affects the number of cars which can comfortably enter and exit the site at one time.

Parking

The overall design and flow of cars within the center will also be of concern to the tenants. Any "creative" parking and driveway design will need to be rigorously scrutinized by the developer as it could easily become a deterrent to the retail tenant. In addition to the direct access concerns, surrounding traffic infrastructure should be examined. Today, cars can be seen as the most important means of transportation for consumers (Baker, 2002). Thus the availability of free parking spaces and the type of parking facilities offered at the mall at the time of a shopping trip can also be regarded as a major factor enhancing shopping attractiveness (van der Waerden et al., 1998). Thus, parking has a straight relationship with customer satisfaction from the shopping center. Parking has also a straight relationship with retention proneness in a shopping center. It also has a straight relationship with patronage intention from the shopping center. An under-built highway off or on-ramp or other inadequate piece of infrastructure which causes frequent traffic build- up can drastically affect the desirability of shopping at a particular community center.

Retail tenant mix and non-retail tenant mix

In a balanced tenant mix, the shops in a shopping centre complement each other in the quality and variety of their product offerings, and the kind and number of shops are related to the needs of the population in the trade area of the centre. The composition, the number, and type of retail and non-retail tenants such as bars, eateries, entertainment facilities, within agglomerations represent the range of possibilities to satisfy consumers' wants and needs, as well as minimize the logistics of the shopping endeavors and influence shopping centers'.

Product range, merchandise value and sales personnel

The price-value ratio, the assortment of goods and services offered, and the type of sales personnel in an agglomeration can be seen as a consequence of the tenants located within it (Teller, 2008). The product range offered is evaluated in terms of the width and breadth of assortments of the retail stores, while the merchandise value is judged in terms of the overall price level and the number of price promotions available (Baker et al., 2002; Bearden, 1977), and sales personnel is evaluated in terms of friendliness, competency and supportiveness (Anselmson, 2006; Ruiz et al., 2004). These three factors are taken into account when judging a shopping center's attractiveness.

Atmosphere

Atmospheric stimuli including smell, music, decoration, or shopping mall layout and temperature are either actively or passively used by Retail and Mall Managers (Michon et al, 2005). These stimuli have an effect on consumers' perception of the shopping center's attractiveness as well as their shopping behavior and provide enrichment and consequently an extension of the retention period of consumers.

Orientation and infrastructural facilities

Orientation accounts for the convenience relating to searching, locating, and accessing stores or other tenants within a mall. It is influenced by the arrangement of tenants as well as the ease of orientation within the retail location. Shopping center management tries to ease this (shopping) endeavour by providing a clear management of tenants within the premises and setting up directories that enable consumers to easily target and access the tenants they seek. Furthermore, the pace and number of obstacles that inhibit consumers' access to tenant mix need to be taken

into consideration (Ingene 1984). In addition, infrastructure services within shopping centers such as the provision of public toilets, cash dispensers and recreational areas to meet the expectations and demand of consumers, support the fulfillment of the defined (shopping) tasks (Bellenger, 1977, Baker et al., 2002, Teller, 2008).

Satisfaction, retention proneness, patronage intention

In order to be successful, both retailers and shopping centers need to be attractive to their customers. Managers have to persuade consumers to come to their premises, make them stay and spend money, and convince them to come again. The perceived attractiveness of a shopping center varies along the following three dimensions: the satisfaction with a shopping center is considered to be an activated version of overall attractiveness, patronage intention measures the tendency toward revisiting the retail site, and retention proneness measures the propensity to stay and to spend time on site (Teller and Reutterer, 2008)

Co-Tenancy

Community or Shopping Centers are built to create a draw or pull by uniting and combining the attractive qualities of several retailers in an effort to increase the overall number of consumers which frequent a shopping center. Though gravity models have difficulty predicting gravity amidst modern changes in consumer habits, “gravity” is one of the primary advantages embodied by the community center featuring 5 or 6 mid-size category killer tenants. This “gravity” can be described in part as the attractive synergy that results from the exposure and cross-shopping that occurs due to the strategic mix of tenants. While the advantages of co-tenancy are straight-forward, the dynamics are often tricky. A developer, in an effort to please his tenants, will have to work through each retailer’s co- location and co-tenancy concerns while negotiating leases

with tenants. Most community center retailers are concerned with being located near other uses such as theatre, restaurant, and health clubs which will monopolize the parking needed to ensure that their consumers will be able to park conveniently. Many mid to large size community center retailers will often negotiate a requirement that they be at least 150 to200 feet from these types of uses. Nevertheless, other retailers such as bookstores and other entertainment oriented retailers will have much less reservation about being near movie theaters and restaurants as they may be able to feed off the atmosphere of these tenants.

On the other hand, off-price fashion retailers will be more concerned with being adjacent to restaurants because they value the security that a convenient parking spot close to the store implies. These stores also may be concerned about food being brought into their stores which could result in the soiling of their product. Sometimes a particular retailer will not want to be next to other uses which they feel reflect negatively on their image. A retailer such as a bath and linen store targets higher income households with more disposable income, and as a result wants to ensure that their consumers are comfortable and are able to enjoy the look and feel their store strives to create. Being located adjacent to a pet store, a toy store, office supply store or a dollar store may be viewed as detracting from this image. However when retailers are able to locate adjacent to other uses which target the same demographic, the synergy between tenants and the propensity to cross-shop is increased among the adjacent tenants. Soft goods stores such as community center arts and crafts stores prefer to be next to other soft goods stores as all of these uses appeal primarily to women within a similar age and income range.

2.5 Conclusion

In spite of huge amount of theoretical and empirical works in shopping center in disciplines as diverse as Economics, Retail Geography, Consumer Behavior and Real Estate, there remain two research gaps in the changing shopping center market. First, there is no sound theoretical or conceptual framework for analysis of factors influencing the store's economic performance in the cluster of shopping centers. Past theoretical studies mostly focus on agglomeration of stores in the shopping center while most empirical retail rent studies concentrate on investigation of factors related to the stand-alone shopping center.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter encompasses the research methodology used in the field for data collection. It focuses on the sources of data and their collection techniques, sampling procedure adopted and tools for data presentation and interpretation. This chapter focused on the research design, study population, sample and sampling procedure, data collection and data collection procedures, validity and reliability of research instruments and data analysis techniques.

3.2 Research design

The study adopted a descriptive survey. According to Cooper and Schindler (2006) descriptive survey is a study concerned with finding out what, where, and how of a phenomenon. According to Mugenda and Mugenda (2003) descriptive survey is used to obtain information concerning the current status of the phenomena to describe what exists with respect to variables in a situation, by asking individuals about their perceptions, attitudes, behavior or values. The descriptive survey research design will assist the researcher to systematically and accurately conduct an analysis of tenant mix in shopping malls with a focus on The junction and T-malls.

According to Sekaran (2003) a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. Descriptive/survey research design is chosen in this study because it enables the researcher to determine the criteria used in tenant selection, to determine effects of tenant mix on rental strength and to determine the effects of location on tenant mix.

3.3 Target Population

Target population as described by Borg and Grall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population of this study will be The Junction and T-mall while the study population will be chief officers, departmental heads and general staff from the real estate firm managing these two malls. Mugenda and Mugenda (2003) explained that the target population should have observable characteristics to which the study intends to generalize the result of the study. This definition assumes that the population is not homogeneous. The population characteristic is as summarized in the table below. These are the people best placed to provide the required information

Table3.1: Target Population

Sections	**Sample size (Frequency)**	**Percentage**
Top management	9	11.3
Middle level management	26	32.5
low level management	45	56.3
Total No. of Staff at Management Level	80	100.0

Source: Field Survey, 2014

3.4 Sampling Design

Sampling ensured that elements of a population are selected as riding representative of the population (Keya et al, 1989). Random sampling technique was used to select the sample representatives. According to (Cooper et.al (2003), random sampling frequently minimizes the

sampling error in the population. This in turn increased the precision of estimation methods used. Below is the sample schedule:

Table 3.2: Sample Size

Sections	**Population (Frequency)**	**Sample size**
Top management	9	7
Middle level management	26	20
low level management	45	34
Total	80	60

Source: Field Survey, 2014

3.5 Reliability and validity of data instruments

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trial (David, 1999). Reliability answers the question "Are scores stable over time when the instrument is administered a second time?" (Creswell, 2003). To ensure reliability, the researcher used split-half technique to calculate reliability coefficient (Spearman-Brown coefficient) which should be within the recommended reliability coefficient of 0.7-1 (Nachmias and Nachmias 1996). This involved scoring two-halves of the tests separately for each person and then calculating a correlation coefficient for the two sets of scores. The instruments were split into the odd items and the even items. Statistical Program for Social Sciences (SPSS) was used to calculate the reliability of the instrument.

Validity is the quality of a data gathering instrument that enables it to measure what it is supposed to measure. Creswell (2003) notes that validity is about whether one can draw

meaningful and useful inferences from scores on the instrument. Validity is therefore about the usefulness of the data and not the instrument. To ensure content validity, the instruments were reviewed by the research supervisors and other research experts. Content validity yields a logical judgment as to whether the instrument covers what it is supposed to cover. Content validity ensures that all respondents understand the items on the questionnaire similarly to avoid misunderstanding. Response options were provided for most of the questions to ensure that the answers given are in line with the research questions they are meant to measure.

3.6 Instruments

The instruments used in this study included questionnaires. Primary data was collected by the use of questionnaires. The questionnaire was divided into two sections; Part A which sought to establish personal details of the respondent and Part B which contains specific objectives of the study. The structured questions were used in an effort to conserve time and money as well as to facilitate easier analysis as they are in immediate usable form.

3.7 Data analysis procedure

The raw data collected was collated to aid simplification. Coding and checking for completeness was done to ensure that the questionnaires are duly filled. Summaries were then prepared before analysis and tabulation were done. Tabulations and frequencies were used for easier and faster analysis. Descriptive statistics, measures of central tendency and those of dispersion were used to analyze the data. Microsoft excel and the Statistical Package for Social Scientists (SPSS) was also used to aid in the analysis.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data that was found on the tenant mix in Shopping Malls; the case of The Junction and T-Malls. The research was conducted on sample size of 60 respondents from chief officers, departmental heads and general staff from the real estate firm managing these two malls out of which 53 respondents completed and returned the questionnaires duly filled in making a response rate of 88%. The study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points were used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

Table 4.2: Respondents rate of response

Population category	Sample size	Received Frequency
Top management	7	4
Middle level management	20	16
Low level management	34	33
Total	60	53

Source: Field Survey, 2014

4.2 General Information

The study initially sought to inquire information on various aspects of respondents' background that is; gender, age, academic qualification the respondent's years of experience in the company. This information aimed at testing the appropriateness of the respondent in answering the questions regarding tenant mix in Shopping Malls.

4.2.1 Respondents Gender

The respondents were requested to indicate their gender. The findings are as presented in table 4.2 below.

Table 4.3: Respondents Gender

	Frequency	Percentage (%)
Male	35	66
Female	18	34
	53	100

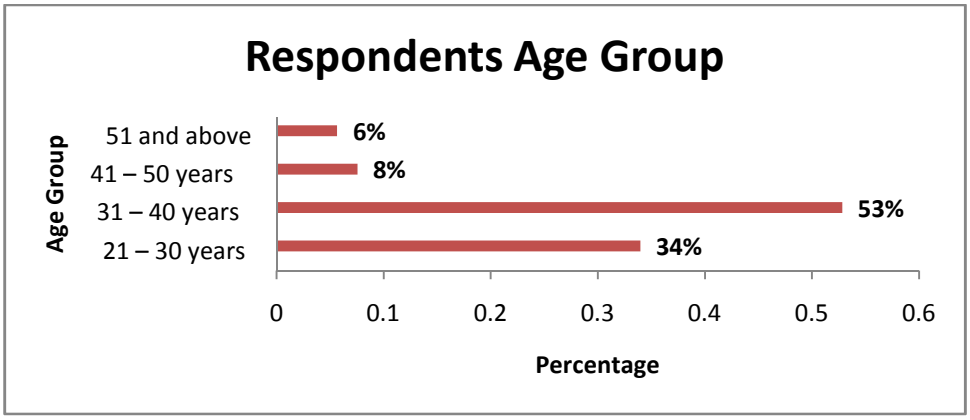
Source: Field Survey, 2014

As per the findings, majority of the respondents were male. This implies that most of the response emanated from male respondents.

4.2.2 Respondents Age Group

The study also requested the respondents to state their age groups and the findings are as illustrated in figure 4.1 below.

Figure 4.2: Respondents Age Group



Source: Field Survey, 2014

From the findings, majority of the respondents were between ages 31-40 years, the rest were between 21-30 years, 41-50 years and 51 & above years respectively. This depicts that most of the respondents were above 30 years of age.

4.2.3 Respondents Highest Academic Qualification

The study sought to determine the respondents' highest academic qualification. The findings are tabulated below.

Table 4.4: Respondents Highest Academic Qualification

	Frequency	**Percentage (%)**
Post Graduate	20	38%
Graduate	28	53%
Diploma	5	9%
Total	**53**	**100**

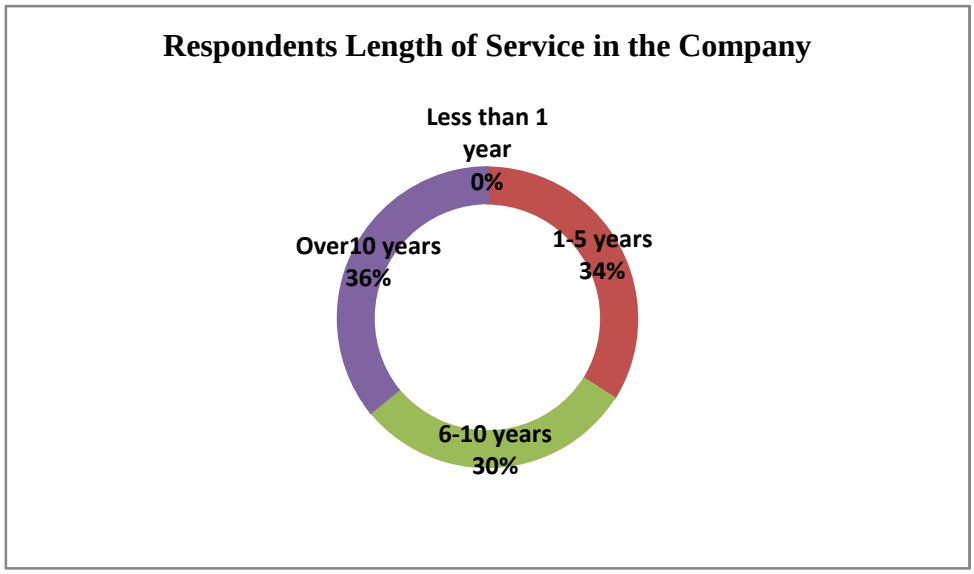
Source: Field Survey, 2014

According to the findings in table 4.4 above, majority of the respondents are graduates, the remaining were post graduates and diploma holders in that order. This shows that all the respondents are educated and they can understand the topic under discussion.

4.2.4 Respondents Length of Service in the Company

The study sought to establish the period of time the respondents had worked for the firm. The findings are illustrated below.

Figure 4.3: Respondents Length of Service in the Company



Source: Field Survey, 2014

As per the findings in figure 4.2 above, most of the respondents had worked for the firm for over 6 years. This implies that the respondents had many years of work experience with the firm and were familiar with tenant mix in Shopping Malls.

4.3 Criteria Respondents Use in Selection and Location of Tenants on Various Floors in a Shopping Mall

Asked the criteria they use in selection and location of tenants on various floors in a shopping mall, the respondents indicated that they base their selection and location criteria on various aspects which include; consumer needs, variety of goods and services, tenants offering a medium to high range of the products and service quality and price range, how much rent the tenant pay, compatibility of tenant's merchandising practices with those of ad- joining stores, competition amongst tenants, tenants characteristics such as monopoly or near-monopolistic trading conditions.

4.3.1 Respondents Level of Agreement with the Criteria Used in the Selection and Location of Tenants on Various Floors of the Shopping Mall.

The study sought to establish the respondents level of agreement with the following statements on the criteria used in the selection and location of tenants on various floors of the shopping mall. The responses were rated on a five point Likert scale indicating to what extent respondents agree to the statements, where: 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree. Mean scores and standard deviation were computed for each statement and summarized in the table below.

Table 4.5: Respondents Level of Agreement with the Criteria used in the selection and location of tenants on various floors of the shopping mall

Statement	Mean	Std Dev
The space allocation and location of the retail stores is an essential characteristic of the shopping mall.	**4.65**	**0.15**
One type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical.	**4.56**	**0.22**
The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores.	**4.49**	**0.32**
complementary tenants should be clustered, while incompatible ones should be dispersed	**4.34**	**0.18**
Similar lines of trade, particularly clothing and clothing accessories stores, should be grouped together.	**4.28**	**0.07**
Standard units selling durable goods are said to not generate traffic by themselves and would benefit from central locations.	**4.19**	**0.08**
An outcome for an ideal tenant mix achieves a logical layout of shops.	**4.06**	**0.04**

Source: Field Survey, 2014

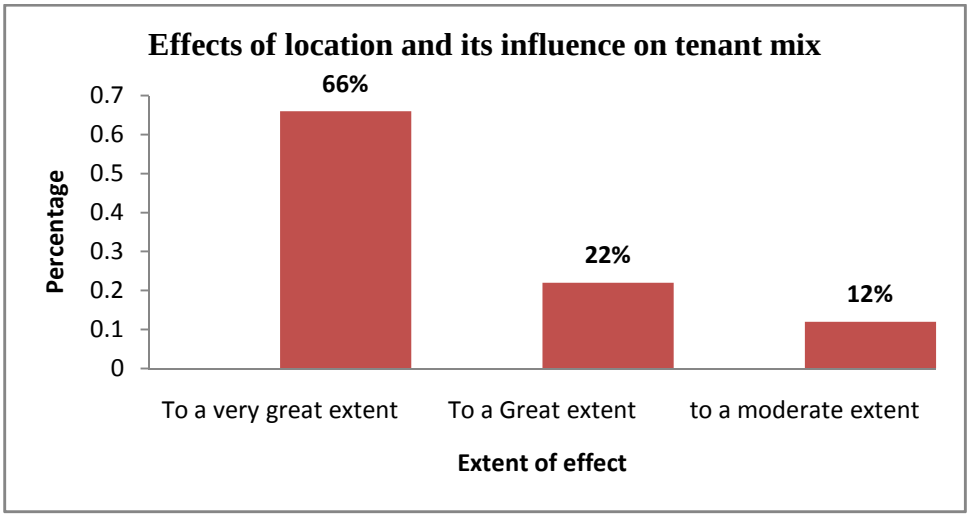
According to the study findings established in Table 4.4 above, most of the respondents agreed to a great extent that; space allocation and location of the retail stores is an essential characteristic of the shopping mall. One type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical. The

success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores. Complementary tenants should be clustered while incompatible ones should be dispersed. Similar lines of trade, particularly clothing and clothing accessories stores should be grouped together. Standard units selling durable goods are said to not generate traffic by themselves and would benefit from central locations, with the first point scoring the highest and the latter lowest. The low standard deviations indicate that the respondents answered the questions within the same mark, creating low levels of variance between the answers.

4.3.2 Extent to Which the Criterion Used In Selection and Location of Tenants on Various Floors Affect Tenant Mix

The respondents were also asked to state the extent to which the criterion used in selection and location of tenants on various floors affect tenant mix. From the findings in figure 4.3 below, majority of the respondents stated that the criterion used in selection and location of tenants on various floors affect tenant mix to a very great extent, some stated that it was to a great extent and a few stated that it was to a moderate extent. This portrays that the criterion used in selection and location of tenants on various floors highly affects tenant mix.

Figure 4.4: Extent to Which the Criterion Used In Selection and Location of Tenants on Various Floors Affect Tenant Mix



Source: Field Survey, 2014

4.3.3 Challenges Facing Tenant Mix

The study sought to determine the respondents' level of agreement with the following statements on challenges facing tenant mix. The responses were rated on a five point Likert scale indicating to what extent respondents agree to the statements, where: 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree. Mean scores and standard deviation were computed for each statement and summarized in the table below.

Table 4.6: Challenges Facing Tenant Mix

Statement	Mean	Std Dev
Tenant mix creates a specific image for the shopping centre and positions it in relation to competing shopping centres	**4.58**	**0.01**
The shopping centre managers play an important role in enhancing their shopping centre image through tenant mix in order to be more outstanding than the others.	**4.43**	**0.15**
Shopping centres that offer a variety of goods and services that are not available in an area retain local expenditure and capture sales from competing centres.	**4.35**	**0.06**

shopping centres that are not so well located and lack of control over tenant mix have been very poorly occupied	**4.12**	**0.23**
change occurring in customer demand due to the emergence of new types of retailer has caused difficulties in maintaining a strong tenant mix	**4.09**	**0.19**
Changes in retail market may be caused by shopping centre competition, economy recession and changes in customer demands	**4.02**	**0.36**
It is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends	**3.96**	**0.21**

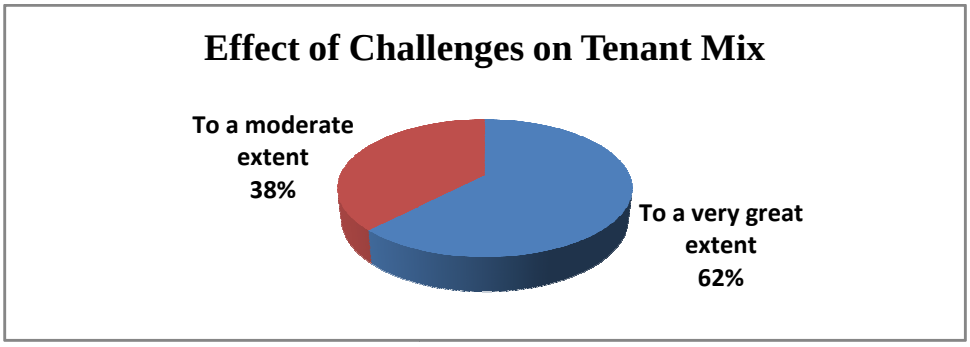
Source: Field Survey, 2014

From the study findings established in Table 4.6 above, most of the respondents agreed to a great extent that; Tenant mix creates a specific image for the shopping centre and positions it in relation to competing shopping centre. The shopping centre managers play an important role in enhancing their shopping centre image through tenant mix in order to be more outstanding than the others. Shopping centres that offer a variety of goods and services that are not available in an area retain local expenditure and capture sales from competing centres whereas shopping centres that are not so well located and lack control over tenant mix have been very poorly occupied. Change occurring in customer demand due to the emergence of new types of retailer has caused difficulties in maintaining a strong tenant mix. Changes in retail market may be caused by shopping centre competition, economy recession and changes in customer demands and that it is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends respectively, the first point scoring the highest and the latter lowest. The low standard deviations indicate that the respondents answered the questions within the same mark, creating low levels of variance between the answers.

4.3.4 Effect of Challenges on Tenant Mix

The respondents were further requested to indicate the extent to which these challenges affect tenant mix.

Figure 4.5: Effect of Challenges on Tenant Mix



Source: Field Survey, 2014

As indicated in figure 4.4 above, majority of the respondents noted that these challenges affect tenant mix to a great extent whereas some of the respondents tenant mix was affected to a moderate extent. These findings imply that, tenant mix is highly affected by these challenges.

4.4 Effects of Tenant Mix on Rental Strength

Asked whether tenant mix affects rental strength in their mall, all the respondents agreed that it does. In addition, majority of the respondents also stated that tenant mix affect rental strength to a very great extent while a few of the respondents stated that tenant mix affect rental strength to a great extent. These findings are tabulated in table 4.7 below.

Table 4.7: Effects of Tenant Mix on Rental Strength

	Frequency	Percentage (%)
To a very great extent	41	78
To a great extent	12	22
Total	**53**	**100**

Source: Field Survey, 2014

4.4.1 Respondents Level of Agreement on the Effect of Tenant Mix on Rental Strength

The study sought to determine the respondents' level of agreement with the following statements on the effect of tenant mix on rental strength. The responses were rated on a five point Likert scale indicating to what extent respondents agree to the statements, where: 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree. Mean scores and standard deviation were computed for each statement and summarized in the table below.

Table 4.8: Respondents Level of Agreement on the Effect of Tenant Mix on Rental Strength

Statement	Mean	Std Dev
The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores	**4.52**	**0.38**
Centre's synergy increases the interchange of customer footfall among stores and also raises operational performance, namely the turnover, profits and rental value of each tenant.	**4.48**	**0.29**
small tenants depend on the strong customer drawing power generated by anchor stores	**4.36**	**0.02**
Positive inter-store externalities are, favourable interactive effects generated from one store which spillover to other store(s) without the consent between generators and receivers or the receipt of proper compensation or subsidy	**4.34**	**0.41**
Tenants share their obligations in the provision of quality public services and facilities which would not be available if they were scattered as single-freestanding stores.	**4.26**	**0.45**
By sharing the total costs of the public services and facilities, tenants obtain the collective benefits of higher quantity and quality of services and facilities so as to be able to draw and serve more customers in a shopping centre.	**4.09**	**0.17**
strong brand name retailers and other popular stores spillover their sales efforts to other tenants	**4.01**	**0.39**

Source: Field Survey, 2014

The study findings established in Table 4.8 above show that most of the respondents agreed to a great extent that; The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores. A centre's synergy increases the interchange of customer footfall among stores and also raises

operational performance such as turnover, profits and rental value of each tenant. Small tenants depend on the strong customer drawing power generated by anchor stores. Positive inter-store externalities are favourable interactive effects generated from one store which spillover to other store without the consent between generators and receivers or the receipt of proper compensation or subsidy. By sharing the total costs of the public services and facilities, tenants obtain the collective benefits of higher quantity and quality of services and facilities so as to be able to draw and serve more customers in a shopping centre and strong brand name retailers and other popular stores spillover their sales efforts to other tenants correspondingly, the first point scoring the highest and the latter lowest.

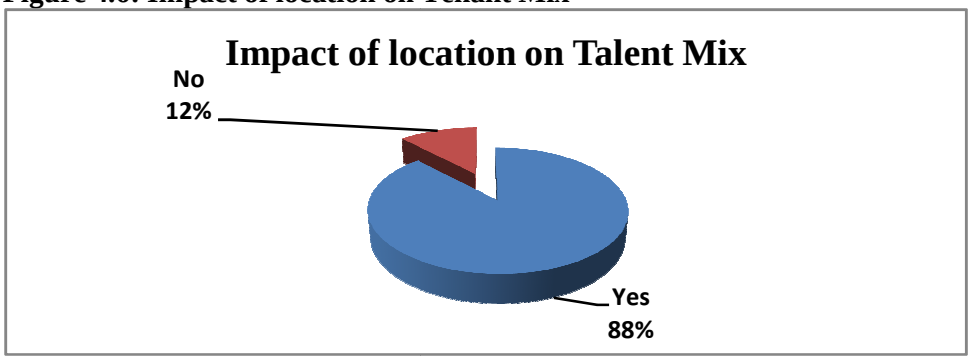
The low standard deviations indicate that the respondents answered the questions within the same mark, creating low levels of variance between the answers.

4.5 Effects of location and its influence on tenant mix

4.5.1 Impact of location on Tenant Mix

The respondents were asked to state whether location affects tenant mix in their mall. The findings are as presented in figure 4.5 below.

Figure 4.6: Impact of location on Tenant Mix



Source: Field Survey, 2014

According to the findings, majority of the respondents agreed that location affects tenant mix in their mall while disagreed that it does.

4.5.2 Respondents Level of Agreement with the Effects of Location Influence Tenant Mix

The study sought to determine the respondents' level of agreement with the following statements on the Effects of Location Influence Tenant Mix. The responses were rated on a five point Likert scale indicating to what extent respondents agree to the statements, where: 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree. Mean scores and standard deviation were computed for each statement and summarized in the table below.

Table 4.9: Respondents Level of Agreement with the Effects of Location Influence Tenant Mix

Statement	Mean	Std Dev
Visibility	**4.56**	**0.12**
Accessibility	**4.49**	**0.16**
Product range, merchandise value and sales personnel	**4.49**	**0.26**
Co-Tenancy	**4.43**	**0.32**
Orientation and infrastructural facilities	**4.39**	**0.19**
Satisfaction, retention proneness, patronage intention	**4.16**	**0.48**
Atmosphere	**4.12**	**0.56**
Retail tenant mix and non-retail tenant mix	**4.08**	**0.18**
Parking	**3.96**	**0.46**

Source: Field Survey, 2014

In regard to Respondents Level of Agreement with the Effects of Location Influence Tenant Mix, the study findings in Table 4.9 above depict that most of the respondents agreed to a great extent that the following influence tenant mix; visibility, accessibility as well as product range, merchandise value and sales personnel, co-tenancy, orientation and infrastructural facilities, Satisfaction, retention proneness, patronage intention, atmosphere, retail tenant mix and non-retail tenant mix and parking in that order.

The low standard deviations indicate that the respondents answered the questions within the same mark, creating low levels of variance between the answers.

4.6 Discussion

4.6.1 Criteria Respondents Use in Selection and Location of Tenants on Various Floors in a Shopping Mall

The study found that the criteria used in selection and location of tenants on various floors in a shopping mall by the respondents include; consumer needs, tenants offering variety of goods and services, tenants that can meet the customers demand by offering a medium to high range of the products and service quality and price range, how much rent the tenant pay, compatibility of tenant's merchandising practices with those of ad- joining stores, competition amongst tenants, tenants characteristics such as monopoly or near-monopolistic trading conditions. This concurs with Thomas and Bromley (2002) who stated that the larger multiple retailers were the first to recognize the commercial opportunities offered by changing consumer demands, and they responded with the provision of new shopping facilities offering the advantages of easily accessible out-of-centre sites, adequate car parking, larger premises to provide wider ranges of products and associated services, and a more attractive shopping environment in more secure surrounding.

The study also found that; the space allocation and location of the retail stores is an essential characteristic of the shopping mall. One type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical. The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores. Thus complementary tenants

should be clustered, while incompatible ones should be dispersed. Similar lines of trade, particularly clothing and clothing accessories stores, should be grouped together, standard units selling durable goods are said to not generate traffic by themselves and would benefit from central locations which is an outcome for an ideal tenant mix achieves a logical layout of shops.

The study further found that the criterion used in selection and location of tenants on various floors highly affects tenant mix. In addition, the study established that; tenant mix creates a specific image for the shopping centre and positions it in relation to competing shopping centres. Shopping centre image is enhanced through tenant mix in order to be more outstanding than the others.

This study further established that shopping centres that offer a variety of goods and services that are not available in an area retain local expenditure and capture sales from competing centres.

The study found that shopping centres that are poorly located with regards to visibility, accessibility, parking, atmosphere, orientation and infrastructural facilities lack control of tenant mix and have been very poorly occupied. In addition, a change occurring in customer demand due to the emergence of new types of retailer has caused difficulties in maintaining a strong tenant mix. It also established that changes in retail market may be caused by shopping centre competition, economy recession and changes in customer demands and that it is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends. Abratt et al. (2005) felt that the variety in tenant mix will maximise shopping centers' attractiveness to the population of the catchment trade area. These challenges were found to highly affect tenant mix. The findings as highlighted by Kirkup and Rafiq (1994) state that it is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends.

4.6.2 Effects of Tenant Mix on Rental Strength

The study found that tenant mix highly affects rental strength in the respondents' mall. This establishing the fact that the success of individual tenants and that of a mall are interdependent and enhanced by the cumulative synergy generated by the mix of stores. Indeed, the shopping centre's synergy increases the interchange of customer footfall among stores and also raises operational performance, namely: the turnover, profits and rental value of each tenant.

It also established that small tenants depend on the strong customer drawing power generated by anchor stores, positive inter-store externalities including favourable interactive effects generated from one store which spillover to other stores without the consent of generators and receivers or the receipt of proper compensation or subsidy.

The study further established that tenants share their obligations in the provision of quality public services and facilities which would not be available if they were scattered as single- freestanding stores. By sharing the total costs of the public services and facilities, tenants obtain the collective benefits of higher quantity and quality of services and facilities so as to be able to draw and serve more customers in a shopping centre and strong brand name retailers and other popular stores spillover their sales efforts to other tenants. This concurs with a survey done by Nicholls (1997), shoppers tend to shop at shopping centres located beyond primary catchment area due to the lack of choices in goods and services provided by the shops near their house.

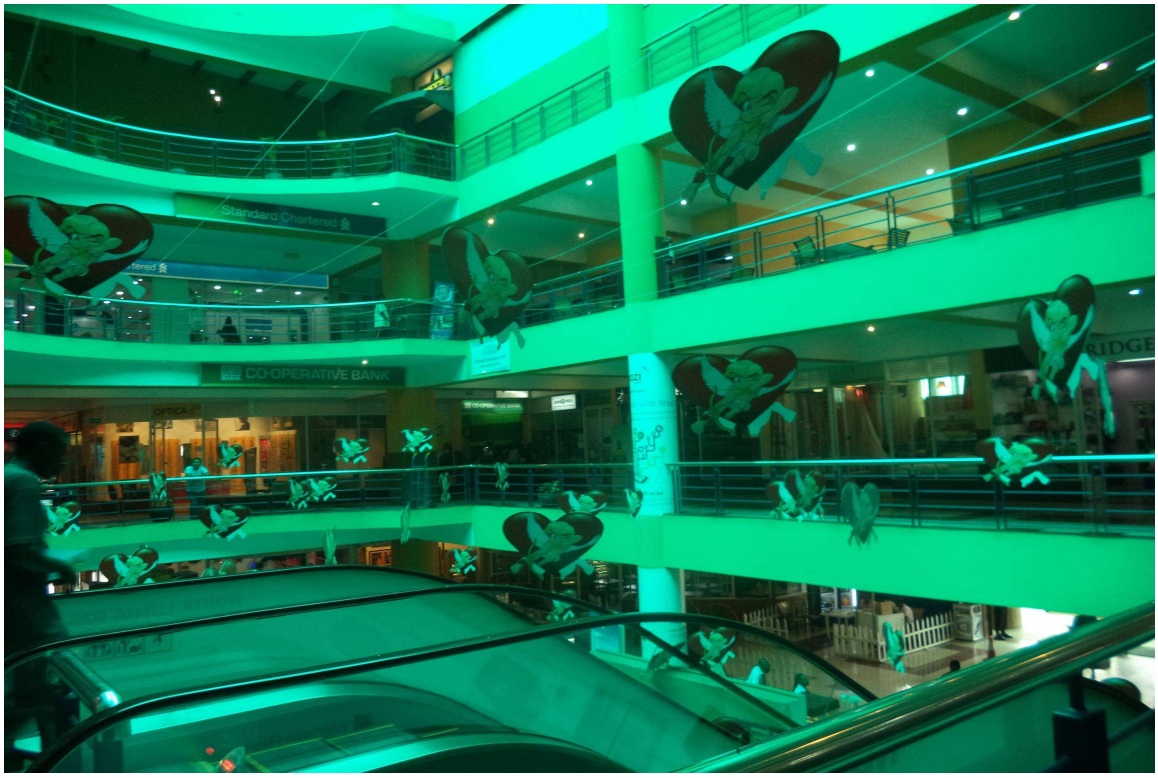
4.6.3 Effects of location and its influence on tenant mix

This study established that location affected tenant mix in the respondents' mall. Accordingly, visibility was found to be the most influential followed by accessibility, product range, merchandise value and sales personnel, co-tenancy, orientation and infrastructural facilities,

satisfaction, retention proneness, patronage intention, atmosphere, retail tenant mix and non-retail tenant mix and parking. You et al (2003) observed that real estate developers make few decisions that are as crucial as selecting the site of their next development. This decision will affect which tenants will be interested in locating in the center, which consumers will frequent the center, and the sales volumes of all the tenants who choose to locate in the center. In short, the decision will largely determine the success or failure of the project and will determine whether the developer and investors in the project will in fact realize negative, average or superior returns on their investment of capital and time.

Figure 4.7: The Junction Mall

Figure 4.8: The T Mall



CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations of the study in line with the purpose of the study aimed at analyze tenant mix in Shopping Malls with a focus on The Junction and T-Malls.

5.2 Summary

5.2.1 Criteria Respondents Use in Selection and Location of Tenants on Various Floors in a Shopping Mall

The study established that the criteria used in selection and location of tenants on various floors in a shopping mall by the respondents include; consumer needs, variety of goods and services offered by a tenant, tenants that can meet the customers demand, quality and price range of goods and services offered, amount of rent, compatibility of tenant's merchandising practices with those of ad- joining stores, competition amongst tenants, tenants characteristics such as monopoly or near-monopolistic trading conditions.

The study found that space allocation and location of the retail stores is an essential characteristic of the shopping mall. Thus one type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical. The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores, complementary tenants should be clustered, while incompatible ones should be dispersed. It was also established that similar lines of trade, particularly clothing and clothing accessories stores, should be grouped together. On the other

hand, standard units selling durable goods that do not generate traffic by themselves and would benefit from central locations and an outcome for an ideal tenant mix achieves a logical layout of shops.

The study further found that the criterion used in selection and location of tenants on various floors highly affects tenant mix. It re-affirmed the view that tenant mix creates a specific image for the shopping centre and positions it in relation to competing shopping centres.

5.2.2 Effects of Tenant Mix on Rental Strength

The study found out that tenant mix highly affects rental strength in the respondents' mall.

It established that high tenant turn over results to low rental bargaining power for the landlord during lease negotiations with a prospective tenant. It further established that voids are an indication of business losses due to low sales turn over that occurs when a centre's tenant mix is ''poor'' thus resulting to low customer footprint.

5.2.3 Effects of location and its influence on tenant mix

The study found that location affected tenant mix in the respondents' malls. Thus, visibility was found to be the most influential followed by accessibility, product range, merchandise value and sales personnel, co-tenancy, orientation and infrastructural facilities, satisfaction, retention proneness, patronage intention, atmosphere and parking facilities in that order.

5.3 Conclusion

The study concluded that, a regional shopping centre is meant to fulfill consumers' needs in a region. Consequently it should contain the highest product variety demanded from convenience goods to comparative goods. This variety of the retail agglomeration plays a crucial part in increasing productivity. However, variety is not merely the diversity of product combinations but should include

certain principles to maximize the favourable effects that generate increasing returns. In a shopping centre, product variety comes from the combination of retail/service tenants and the tenant mix strategies that are adopted by the manager. Without operational rules, tenant mix decision-making normally follows a “rule of thumb” or experienced common sense. Therefore with a better understanding of leading community center tenants, including their site selection criteria and methodologies, the real estate developer can better understand what attributes, and which information will best serve him in the community center tenant mix process. Thus, the research proved that success of a mall is determined by various interdependent factors, tenant mix being the most critical.

5.4 Recommendations

Although the literature and findings of this study support the argument that retailers with similar market, demographic and site requirements do not always approach the site selection process in similar ways, it is imperative that the developer understand the methods used. Armed with today’s technology real estate firms managing malls can then quickly map out tenant locations in a given market, estimate their trade areas, and visualize underserved markets. With an understanding of a desired tenant’s strong site preferences, the developer can then seek out a site which meets those requirements adequately. With an understanding of how point of sale (POS) and demographic data is used, the developer will be better equipped to approach lease negotiations, and better understand which sites will be better suited to certain tenants.

As previously stated, the retail site selection process is still very much a process of feeling and instinct. However the advantages that today’s technology, a better understanding of what retailers want, and having sought out a working knowledge of how these retailers estimate sales and trade areas will be essential factors in the success of a future community center development.

5.5 Recommendations for Future Studies

Since this study explored the analysis of tenant mix in shopping in malls with a focus on The Junction and T-Mall, it recommends that;

1. A study should be done to assess the financial viability of vertical shopping malls to property developers.

2. Influx of shopping malls in Nairobi; a real estate bubble or burst.

APPENDIX I: QUESTIONNAIRE

Section A: Background information (Tick where appropriate)

a) Please indicate your Gender:

Male [ ] Female [ ]

b) Please indicate your Age Group

21 – 30 years [ ]

31 – 40 years [ ]

41 – 50 years [ ]

51 and above [ ]

c) Indicate your highest Academic qualification:

Post Graduate [ ]

Graduate [ ]

Diploma [ ]

d) For how long have you worked in this company?

Less than 1 year [ ]

1-5 years [ ]

6-10 years [ ]

Over10 years [ ]

Section B: Research Objectives

e) Which criteria do you use in selection and location of tenants on various floors in a shopping mall?

……

……

f) To what extent does the criterion used in selection and location of tenants on various floors affect tenant mix?

To a very great extent [ ] To a Great extent [ ] to a moderate extent [ ]

To a low extent [ ] to no extent [ ]

g) Indicate your level of agreement with the following statements on the criteria used in the selection and location of tenants on various floors of the shopping mall where 5 is strongly agree 4 agree 3 moderately agree 2 Disagree and 1 strongly disagree.

Statement	**5**	**4**	**3**	**2**	**1**
The space allocation and location of the retail stores is an essential characteristic of the shopping mall.					
An outcome for an ideal tenant mix achieves a logical layout of shops.					
The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores.					
One type of location may be suitable for one business and bad for another, and the placement in relation to the overall composition is often critical.					
complementary tenants should be clustered, while incompatible ones should be dispersed					
Similar lines of trade, particularly clothing and clothing accessories stores, should be grouped together.					
Standard units selling durable goods are said to not generate traffic by themselves and would benefit from central locations.					

h) To what extent do these challenges affect tenant mix?

To a very great extent [ ] To a Great extent [ ] to a moderate extent [ ]

To a low extent [ ] to no extent [ ]

i) Please indicate the level of your agreement with the following statements on challenges facing tenant mix where 5 is strongly agree 4 agree 3 moderately agree 2 Disagree and 1 strongly disagree.

Statement	**5**	**4**	**3**	**2**	**1**
It is difficult for shopping centres to remain strong in their tenant mix due to the changing market trends					
Changes in retail market may be caused by shopping centre competition, economy recession and changes in customer demands					
The shopping centre managers play an important role in enhancing their shopping centre image through tenant mix in order to be more outstanding than the others.					
shopping centres that are not so well located and lack of control over tenant mix have been very poorly occupied					
change occurring in customer demand due to the emergence of new types of retailer has caused difficulties in maintaining a strong tenant mix					
Shopping centres that offer a variety of goods and services that are not available in an area retain local expenditure and capture sales from competing centres.					
Tenant mix creates a specific image for the shopping centre and positions it in relation to competing shopping centres					

j) Does tenant mix affect rental strength in your mall?

Yes [ ] No [ ]

k) To what extent does tenant mix affect rental strength?

To a very great extent [ ] To a Great extent [ ] to a moderate extent [ ]

To a low extent [ ] to no extent [ ]

l) Indicate the level of your agreement with the following statements on the effect of tenant mix on rental strength where 5 is strongly agree 4 agree 3 moderately agree 2 Disagree and 1 strongly disagree.

Statement	**5**	**4**	**3**	**2**	**1**
small tenants depend on the strong customer drawing power generated by anchor stores					
strong brand name retailers and other popular stores spillover their sales efforts to other tenants					
Tenants share their obligations in the provision of quality public services and facilities which would not be available if they were scattered as single-freestanding stores.					
By sharing the total costs of the public services and facilities, tenants obtain the collective benefits of higher quantity and quality of services and facilities so as to be able to draw and serve more customers in a shopping centre.					
Centre's synergy increases the interchange of customer footfall among stores and also raises operational performance, namely the turnover, profits and rental value of each tenant.					
Positive inter-store externalities are, favourable interactive effects generated from one store which spillover to other store(s) without the consent between generators and receivers or the receipt of proper compensation or subsidy					
The success of individual tenants and the success of a centre as a whole are interdependent and enhanced by the cumulative synergy generated by the mix of stores					

m) Does location affect tenant mix in your mall?

Yes [ ] No [ ]

n) Indicate to what extent the following Effects of location influence tenant mix where 5 is to a very great extent 4 to a great extent 3 moderate extent 2 low extent and 1 no extent.

Statement	**5**	**4**	**3**	**2**	**1**

Visibility					
Accessibility					
Parking					
Retail tenant mix and non-retail tenant mix					
Atmosphere					
Orientation and infrastructural facilities					
Co-Tenancy					
Satisfaction, retention proneness, patronage intention					
Product range, merchandise value and sales personnel					

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