CONSUMER PREFERENCES AND SUCCESS OF RETAIL FACILITIES

Xin Ning (Natalie) Cheah
University of Toronto, Mississauga Campus, Mississauga, Ontario, Canada.
Corresponding author: natalie.cheah@mail.utoronto.ca

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Abstract: There is a growing interest in the study of the development and changing trends of retail spaces, which have exerted considerable pressure on the transformation of the retail environments of many cities. Changes to retail spaces and shopping environment are undoubtedly subject to various influences. This study looks at the success of different retail spaces as they struggle to remain competitive. It compares two specific retail facilities, namely retail strips and shopping malls. The former are usually unplanned and more adaptable while the latter are usually planned facilities, which are less adaptable in the short term. Retail strips used to attract consumers from different geological locations based on their unique ambience and products that are often catered to specific ethnic communities. On the other hand, shopping malls, with controlled spatial organisation, used to provide an arena for leisure, with combination of different types of stores, offering a huge range of goods and services catering to different consumer tastes and needs. In terms of methodology, an on-site non-obtrusive observation was conducted at selected locations in Mississauga, Ontario, by recording consumer count. The number of consumers at those locations were profiled according to specific criteria - gender, age group and ethnicity. This paper concludes with a brief discussion on the three main reasons for the changes in consumer preferences for specific retail spaces. These are the influx of American companies, the prevalence of online shopping, and the arrival of new retail facilities have definitely caused a change in consumer preferences.

Keywords: Development, Retail, consumers, competitive

INTRODUCTION

The academic study of retail geography and its dynamic interactions has had a long history (Wrigley & Lowe 2014). In Canada, the issue of retail spaces and the position of traditional Canadian retail stores are often highlighted in association with the entry of US mega retail stores such as Walmart, Best Buy, Costco, and most recently Target. Besides the entry of US retailers, online shopping has become an increasing trend, as it enables consumers to shop at the comfort of their personal space and allowing them to save on transport and other transaction costs (Mohammed, 2010). The ease of e-shopping, facilitated by technological advances and popularity of electronic gadgets, represents another threat to Canada's traditional retail stores.

The Study

Retail geography studies the spatial pattern, relationship between utility, types of stores, the ambience and the resulting categories of as well as the number of consumers visiting a particular retail space. One aspect of retail geography – trends in retail format changes – looks into the means by which various retail formats deliver value to the consumer, and it has been found long ago that consumers engaged in high levels of cross-shopping between retail formats (Rousey & Morganosky, 1996).

This study looks at two retail formats, namely retail strips and shopping malls. Evolved from older, existing developments, a retail strip is unplanned; there is no individual proprietor managing the buildings. Retail strips mainly offer convenience to the local population while also serve to attract specific types of consumers from other areas, an example being the ethnic product-based stores. This results in a unique atmosphere that most of the other formats of retail spaces cannot offer. Unfortunately it is also such uniqueness that makes retail strips less able to adapt to the changing consumer preferences. In many retail strips, Business Improvement Associations (BIA) are often formed to facilitate the development of the retail strips as well as undertake their marketing strategies.

On the other hand, a shopping mall is a planned retail facility where the layout of stores are controlled by a leasing agent. The layout of a shopping mall, usually with limited entrance and exit points as well as allocated stairs and escalators that establish designated pathways, is designed to encourage consumers to spend more time in the mall. Mall designers fashion them into "dreamland spaces" (Goss, 1999), by using visual appeals based on popular culture and interests. Although malls can be public spaces, the poor tend to have limited access to it, segregating consumers of different levels of incomes (Stillerman, 2012). Usually in suburban areas, a shopping mall focuses on shopping goods for middle income groups who rely less on public transportation and usually are more dependent on their own cars. As such, it also draws consumers from greater distances as they are attracted by the diverse product ranges not available in their immediate neighborhood.

Methodology

This study looks at two suburban cities within the Greater Toronto Area, in the province of Ontario - Mississauga and Etobicoke, both located west of the City of Toronto. Two distinct areas were surveyed, one identified as a retail strip and another as a planned shopping mall. In this study, site visits were conducted to collect data. The layout of stores were taken note of, including the types and functions of stores, market focus, ambience as well as location of area studied. During the site visits, a non- obtrusive method was adopted. Observations were made to record the type of consumers visiting the area, in terms of their age, gender and ethnicity. This allows a better representation of the distribution of visitors based on different backgrounds. For each site visit, counts were made at four distinct locations on both sides of the length of area.

The retail strips surveyed are two main streets in Mississauga, Ontario, on a Thursday at 9.30am -10.20am. in the case of Etobicoke, the area of shopping mall surveyed is the second floor of a shopping mall, on a Thursday between 11am to 12.30pm.

Profile of the Retail Spaces

In terms of store and service mix, we notice that the retail strips did not offer as much variety and balance as the shopping mall. The former (Figure 1) was dominated by beauty care, food and services stores. Together, they accounted for 53% of the total stores. On the other hand, while food and women fashion accounted for 32% of the stores (Figure 2), the shopping malls had a greater variety of other stores and services. The total number of stores for the retail strip is much greater than for the shopping mall with 91 stores and 30 stores respectively.

The profile of the retail spaces are tabulated into the following graphs:

Figure 1: Store And Service Mix (Retail Strip)

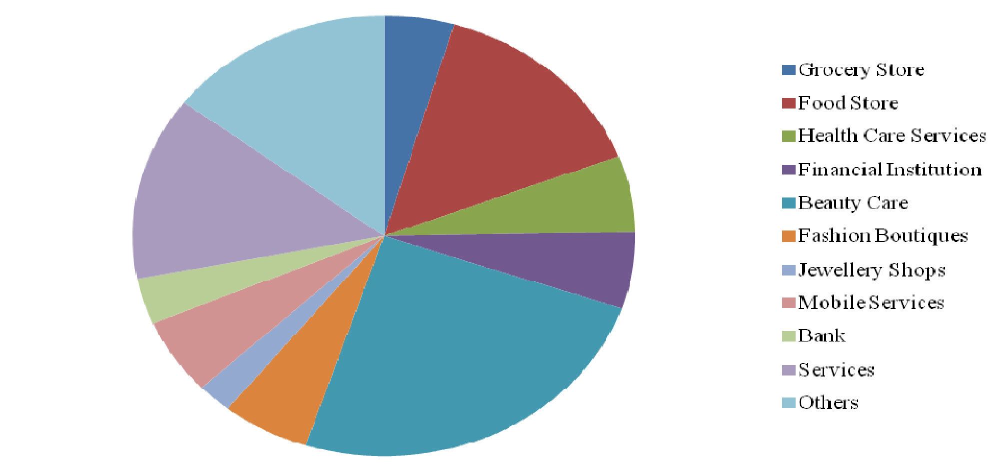
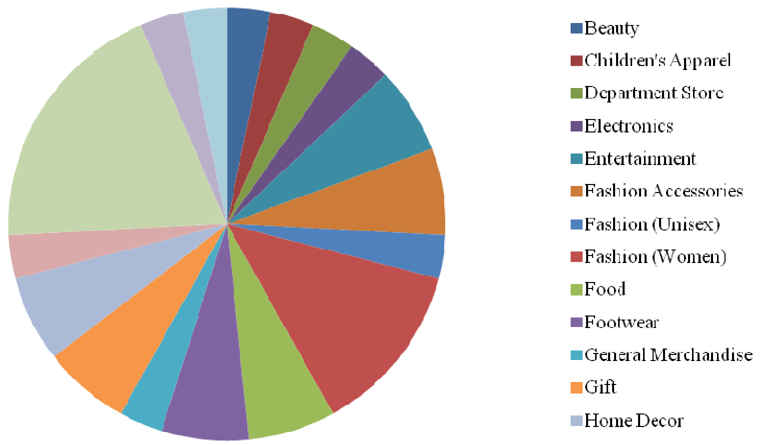


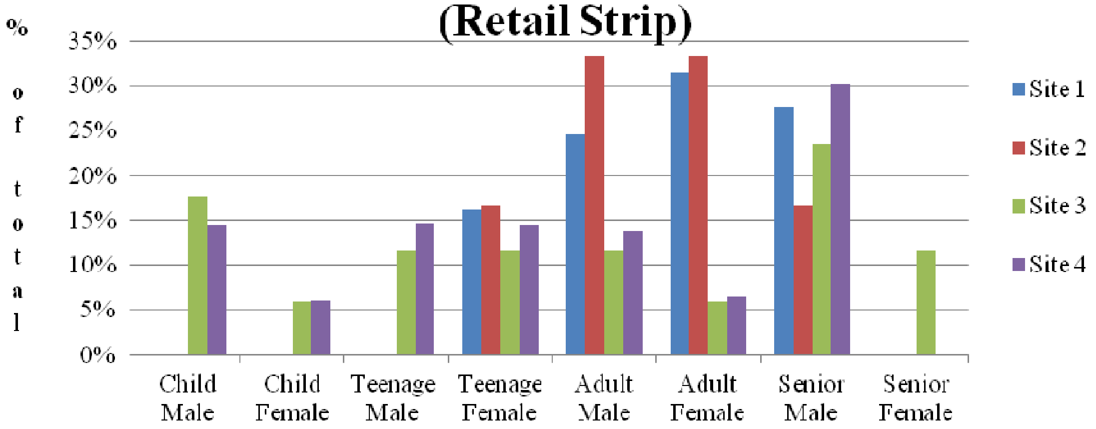
Figure 2: Store and Service Mix (Shopping Mall)



Data and Finding

The consumer profile of the retail spaces are tabulated into the following graphs

Figure 3: Consumer Count: Age and Gender (Retail Strip)



Count at Site 1- 9.30am- 9.40am, Jan 23
Count at Site 2- 9.40am- 9.50am, Jan23
Count at Site 3- 10.00am- 10.10am, Jan23
Count at Site 4- 10.10am- 10.20am, Jan23

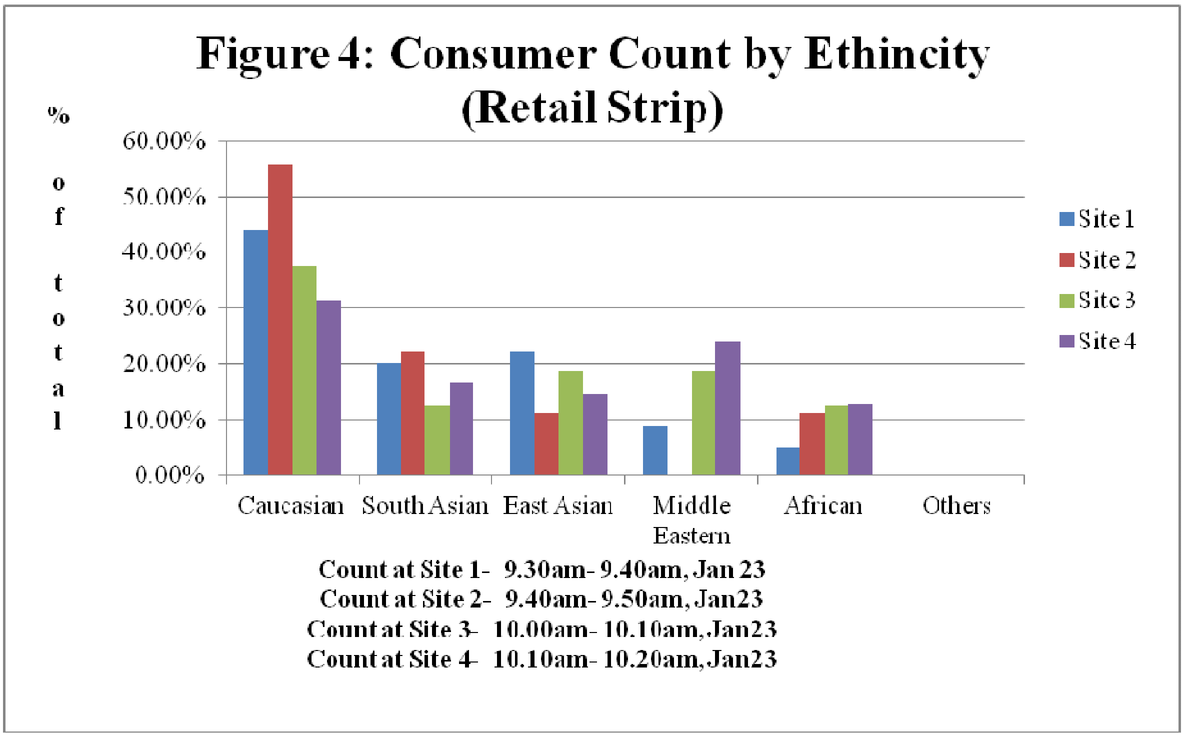


Figure 4: Consumer Count by Ethincity (Retail Strip)
% of total
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Caucasian
South Asian
East Asian
Middle Eastern
African
Others
Site 1
Site 2
Site 3
Site 4
Count at Site 1- 9.30am- 9.40am, Jan 23
Count at Site 2- 9.40am- 9.50am, Jan23
Count at Site 3- 10.00am- 10.10am, Jan23
Count at Site 4- 10.10am- 10.20am, Jan23

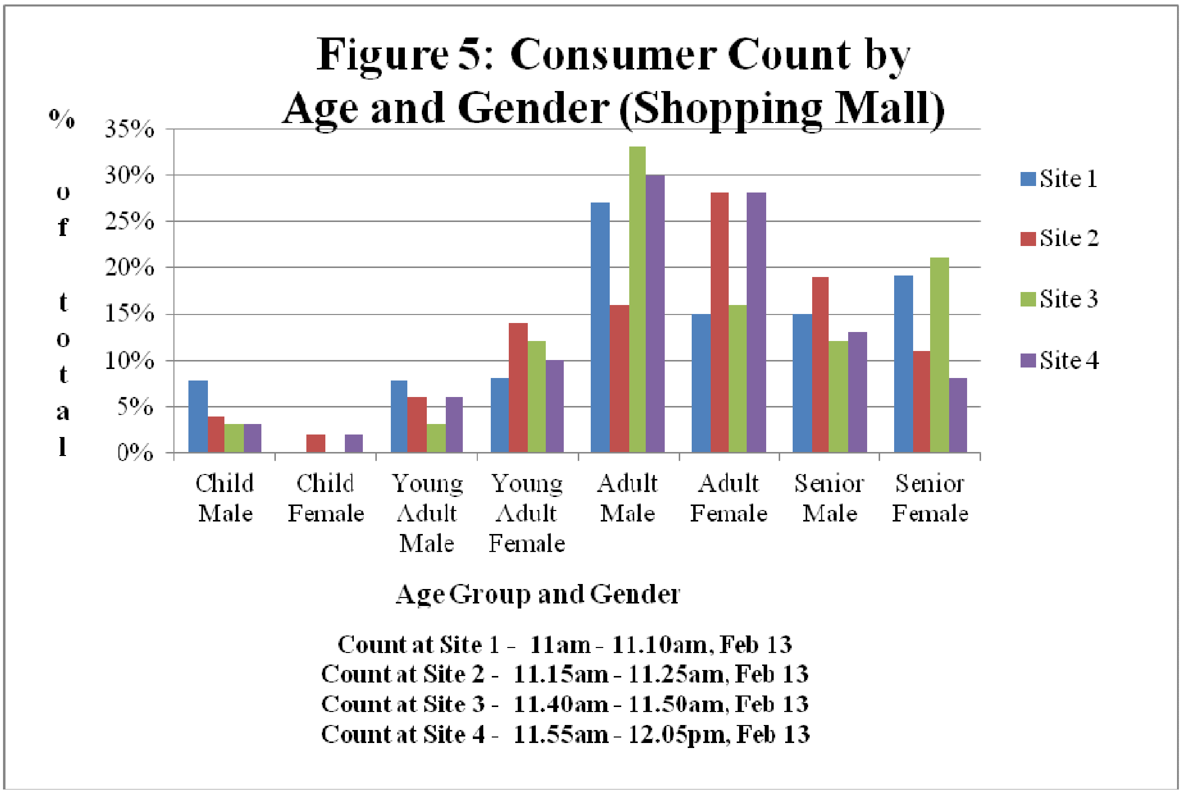
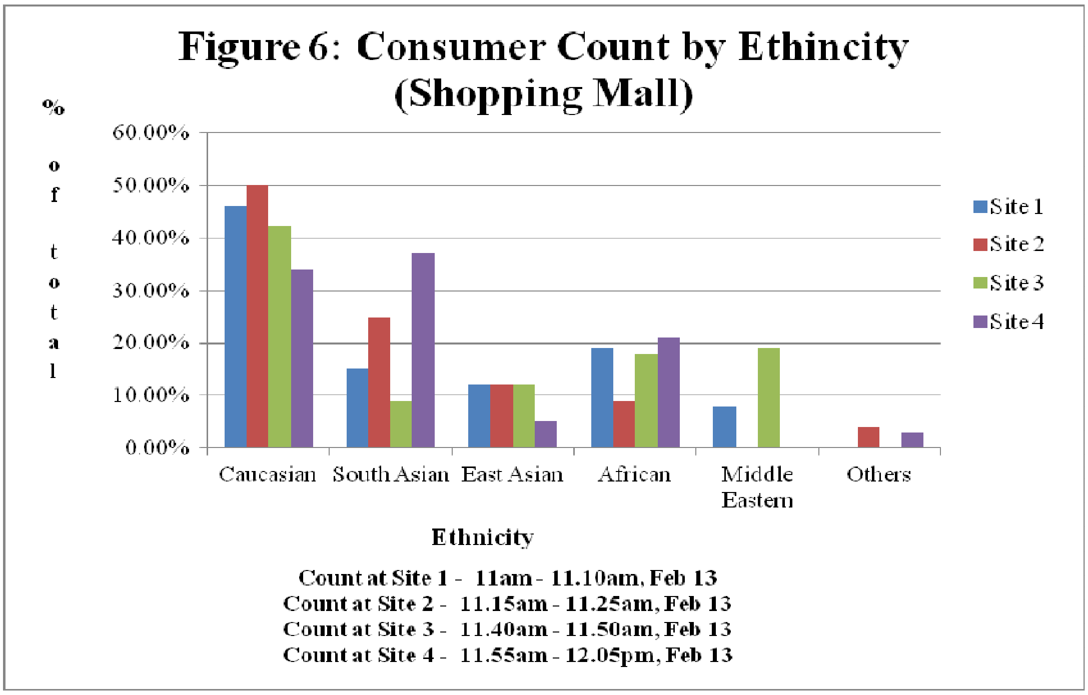


Figure 5: Consumer Count by Age and Gender (Shopping Mall)
% of total
35%
30%
25%
20%
15%
10%
5%
0%
Child Male
Child Female
Young Adult Male
Young Adult Female
Adult Male
Adult Female
Senior Male
Senior Female
Site 1
Site 2
Site 3
Site 4
Age Group and Gender
Count at Site 1 - 11am - 11.10am, Feb 13
Count at Site 2 - 11.15am - 11.25am, Feb 13
Count at Site 3 - 11.40am - 11.50am, Feb 13
Count at Site 4 - 11.55am - 12.05pm, Feb 13



Discussion

In our sample, adult males and females constituted the largest proportion of consumers, especially in the shopping malls. Interestingly, our consumer count revealed generally more male consumers (Figure 3) for the retail strips, even though there was a high percentage of beauty care services. It is stereotyped that women are more inclined to be associated with fashion, apparel and grocery stores; hence the gender of the consumers would affect the attractiveness of the types of stores. The retail strips are expected to have more consumers of East- Asian background since there are more East-Asian stores in Site 1 and 2. The data collected, however, showed otherwise for both observations. This could be due to the time the counts were conducted (between 9.30am to 10.30am). Most of the visitors were observed to be heading to work or were passing through, resulting in the variation between the counts and the store and service mix. The time also accounts for the lack of children consumers as it was during school hours. There is a significant difference between the counts for Site 1 and 2 and Site 3 and 4; this is because counts at Site 3 and 4 were done at a later time. Also, we could observe that being connected to big grocery stores and being nearer to a plaza with chain stores, Site 3 and 4 were generally more busy, with heavier traffic of visitors.

As noted earlier in Figure 2, the area surveyed in the shopping mall offers a broader range of product mix. There are mostly mobile and telecommunication stores with similar goods and services foci, resulting in market competition that causes these stores to be located near to each other. Additionally, there were a number of fashion stores that cater to women. However, this was not reflected in the consumer counts as they showed that there was no significant increase in the number of female visitors. Based on our observation, most of the visitors were just passing through, or adults and seniors spending time at Tim Hortons. There was considerably less children consumers as the counts were collected during schooling hours. As shown in Figure 5, there were mostly Caucasian consumers (43%) followed by South Asian consumers (22%). We would attribute this to the location of the mall, as it is located in Etobicoke where most residents are Caucasians and South Asians.

Similar for both retail spaces, the market focus appear to be targeted at the middle-income group. In the case of the retail strips, discount stores sold goods that are on the lower pricing end, which is appropriate to the market focus. There is a greater focus of independent stores rather than chain stores or franchises, offering speciality products rather than general merchandise. The convenience of one-stop shopping due to the variety of and good mix of services and stores causes the retail strip to be more attractive to consumers from other areas. However, the sign boards for stores at the upper level did not appear to be very visible. We would explain that they catered to an existing community that regularly frequented the stores and would therefore not need much signposts. In terms of accessibility, Site 1 and site 2 of the retail strips is located along several bus routes. The area surveyed is also located close to GO bus terminal and Highway 401. This increases the accessibility of the retail spaces. In general, the retail strip sees a traffic of both pedestrians and car passengers. This is due to the close proximity of residential housing that is available, the ample parking spaces provided, and also the drive-thru service of the banks on site. The general ambience and layout were also noted as it impacts the results. The retail strip examined has an ambience that supports its role of bringing convenience to the local population while discouraging consumers from browsing and spending too much time at the retail strip. The lack of green spaces, decorations and seating along the retail strip give a bare, concrete atmosphere that does not encourage consumers to spend a lot of time outdoors. The wide sidewalks do enhance the ambience, making it seem less congested. The availability of parking spaces directly in front of stores as well as the several bus stops located along the retail strip promote convenience as consumers do not have to walk for a long distance to get to specific stores.

From our observation and consumer counts, the shopping mall appears to be considerably different from the retail strip. The shopping mall has more recreational facilities which would engage the consumers and encourage them to spend more time in the retail spaces. There is an indoor amusement park that caters to younger children, thereby attracting younger families to visit the mall. There is a small cinema at the other end of the shopping mall, providing an alternative that is more relaxing and that may involve people of different age groups. There was limited duplication of stores in the shopping mall which contributes positively to the attractiveness of the mall. The presence of fashion stores for both male and female, shoe stores as well as stores selling scarves and handbags showed clustering of stores. This encourages consumers to purchase more goods that are complimentary or associated to each other. As in other shopping malls, the layout of stores and ambience has been carefully controlled by a leasing agency. The pathways are designed in such a way as to establish a pedestrian flow that allows consumers to walk by more stores and increase the chances of them purchasing goods. In this case, the entrance and exit points were located at the corners of the mall to increase time spent in the mall by consumers. The stores seemed to pay attention to how the goods were displayed, using visuals and lighting to promote impulsive purchases. On the day of observation, there were displays of roses and balloons that extended into the walkways, seemingly congesting the walkways. However, that could be a temporary marketing strategy for Valentine's Day. The overall ambience of this planned retail facility appeared pleasant and clean. The heavy display visuals appeared a little messy but it was contrasted by the glasses on the ceiling and other lighting that gave a bright and lively atmosphere. Also, with heating systems, shopping malls tend to be a preferred choice for consumers during the winter as they do not need to worry about the cold weather. Despite the minimal decorations, the shopping mall successfully serve its purpose of being a venue for social gatherings during the regular working time as it does not aim to attract consumers from outside of the trade area.

In this study, we have used consumer count as an indicator for the success of the particular retail space. This methodology has some shortcomings. For the retail strip, most of the visitors were observed to be heading to work or passing through. They could not be technically considered as consumers in the sense of patronizing the stores. On the other hand, for the shopping mall, while many visitors were also passing through but many more were observed to be spending a chilly winter Thursday morning chatting over a cup of coffee in the comfort of an indoor shopping mall. In addition, determining the success of a retail space solely based on consumer count would not be accurate, as the time of the observation crucially affects the profile of the consumers. The times during which our observations were undertaken also account for the lack of consumers, especially children and young adults, as it was during school hours.

Furthermore, while consumer count does reflect the number of consumers walking by the stores at that particular time, it does not take into account the number of people that actually walk into the stores, browsing and purchasing goods. Although shopping malls manage to attract consumers to spend hours there and look at the display windows, they do not necessarily be browsing and purchasing from the stores. According to casual conversations with some store assistants in the retail strips, the retail strip had lost the unique ethnic-based store variety. With the falling consumer counts for these two types of retail formats, we chose to study the effects of the dynamic consumer preference on the success of retail types.

Changing Trends in Retail Formats

In the present day, the prevalence of online shopping, emergence of other new formats of both sales and marketing and utilization of retail spaces, the influx of US retail companies and demographic and more generally geographical changes have all exerted far-reaching impacts on Canadian retail outlets, resulting in these outlets and the traditional retail formats not being unable to retain their attractiveness.

The role of brick and mortar stores has been greatly eroded by technological advances which has allowed consumers to adopt the behaviour of "home shopping" (Wei *et al*, 2013). Sales and marketing techniques have changed, online shopping now offers a wide selection of brands and types of goods. More often than not, the selection is greater than those available at retail strips or shopping malls. It also offers products that might not be sold locally, and are to be delivered within a relatively short shipping time. In such context, web facilities provide the services of placing orders and charges, complete with pre-sale advertisements and post-sale customer service, delivery and problem resolution (Ahn, 2004). Social media sites are also increasingly being used as new forms of online marketing. On Facebook, users who click on "like" on the Facebook page of Starbucks Canada will get the latest updates on new products and various discount promotions.

At the same time consumers, especially those who are career-driven or family-driven, may not have the luxury of time to browse through aisles of groceries. Many traditional local stores, and mega-retailers such as Walmart and Sears, have resorted to offering online services too. This did not, however, save Sears Canada from closing many of its stores across Canada, including its Canadian flagship store at Eaton Centre, Toronto. With the extensive use of internet in our daily life and the ease of creating online stores, processing online transactions and to transport the ordered goods, online shopping has become an increasingly popular choice.

At the same time, demographic changes such as family structure could result in consumer preferences that might not go hand in hand with the traditional retail stores (Murphy *et al*, 1979). With smaller family size, for example, Costco could expect a decline in patrons. Grocery shopping trends are rapidly changing for other reasons as well. Due to competition for time from other activities, people find that they have less time for grocery shopping. Out of convenience, some opt to order take-out food or buy precooked food on their way home. Even if they choose to stop by grocery stores, power centres and plazas with huge parking spaces right in front often become preferred choices, rather than fighting for the limited parking space at the individually owned ethnic-based stores. In addition, geographical trends such as metropolitan growth patterns, rising dominance of automobile and changing retail marketing techniques too have impacted retail formats (Beyard *et al*, 1999). Power Centres, a cluster of big box stores, now account for 22% of retail consumer traffic while traditional shopping centres take up only 29%. Power centres tend to thrive better in the suburbs where the main mode of transportation is automobile. Public transportation is not efficient in such areas due to the lack of population density.

With Sobeys and other large grocery stores having specialised aisle of international food products, with wide selection of authentic Indian chutney etc., there may not be a need to leave the designated dissemination area to purchase from an independent store in the retail strip of Little India.

The Way Forward

Some retail strips, with its original intend of serving ethnic-based communities, have undergone noticeable changes. In the City of Toronto, for example, several retail strips have gradually turned into tourist spots. Examples are enclaves known as Little India, Greek Town, Korean Town. Some of these successful retail strips have taken a new image of pricey restaurants. On the other hand, some other retail strips that lack the capacity to undergo such renovations and change over may end up as neighborhood convenience retail outlets, attracting consumers with much less purchasing power. On the other hand, as we discussed earlier shopping malls, through positive ambience, family friendly services, and designated pathways, attract consumers to spend more time there and visit more stores. Even with emerging trends of lifestyle, however, there is a need for retail formats to re-evaluate the levels of attractiveness to remain competitive in today’s urban retailing. Our study shows that consumers could well use those retail spaces for other purposes. Shopping malls could become areas for socialization or avoiding the harsh weather outside, or retail strips could end up as a venue of two extremes of luxurious spending or lower-end shopping.

Finally, future research could adopt more sophisticated techniques than those used in this study. A multi-dimensional approach can be undertaken to develop a further understanding of consumer preferences. In this study, we used a passive, non-participatory and non-intrusive method of merely counting the number and profile of consumers who were present at the count sites, regardless of their motives. Longer time counts over different periods of the day would allow a more representative sample population. This counting technique should be complemented by a systematic survey, through holding random but in-depth interviews with the visitors or store managers. Qualitative studies could also be undertaken using in-depth interviews with consumers and store assistants/owners. Further studies on consumer behavior, and the store and service mix are needed to enable us to better understand and promote the future success of Canada’s retail spaces.

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