

Market share: we all

want to know how to

get it, how to keep it

and how to grow it.

Helen Bakewell,

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explains all the hows,

and whys

Today we are visiting Fantasy Shopping Centre. The Marketing Manager is a very knowledgeable and skilled marketer with lots of imaginative ideas for promotions and events to generate sales and traffic.

with innovative marketing strategies to double the centre's current turnover, you need to understand where the centre is right here and now. You need to undertake a situation assessment and find out:

- Who are your centre's current customers, and where else are they shopping?
- What does your trade area look like?
- What market share are you achieving?

There are many techniques to understanding customers and non-customers within a trade area. But there is one fundamental research tool to which all retail assets should have access – a customer Exit Survey.

This is an in-centre study undertaken with customers who have completed their shopping trip. It is important

to distinguish between an Intercept Study and Exit Study. Intercept studies occur with shoppers in the centre who are either commencing, are in the middle of or are finishing their shopping. Exit Surveys occur only with people who have finished.

Exit surveys are seen as more reliable than intercept studies because they ensure more accurate information on such issues as the time spent at the centre, the amount spent and the stores visited. This information is an essential factor of an Economic Assessment Analysis.



Unfortunately, Fantasy Shopping Centre has recently been under increasing competitive pressure and sales have been escaping to surrounding retail developments.

It is business planning time and the marketing manager of Fantasy Shopping Centre has the unenviable task of turning the tide on those leaking sales before they become a flood.

So how can we help this marketing manager?

Before you let your imagination run wild

Exit Surveys are increasingly becoming the international standard and the legal system has established something of a precedent with regard to accepting Exit Survey interviews over Intercept Surveys as a research tool in Customer Behaviour Analysis.

An Exit Study is best utilised when you don't have an up-to-date understanding of who is visiting the centre (as a guide, an Exit Survey should occur every two years for a regional centre and every two to three years for a sub-regional centre).

This quantitative study provides hard numbers on how customers are using your centre. You can ask questions relating to:

- Expenditure by commodity group (e.g: fashion, food, entertainment).
- The main reason for visiting the centre.
- How often the centre is visited, and how frequently the customer goes to competitors.
- Views of the centre facilities, ambience, retail mix etcetera.
- Ranking questions on how to improve the centre (e.g. add Bay Swiss, Softplay or whatever).
- Detailed demographics such as income, age or ethnicity.

An Exit Survey also enables you to ask marketing specific questions relating to newspaper/radio station preference, or leasing questions so as to understand what new retailers the customer would like to see.

Complex customer modeling can also be undertaken to reveal a profile of satisfied and dissatisfied shoppers. This provides a first-hand SWOT analysis from your customers' point of view.

An Exit Survey usually involves interviews over a period ranging from a week to a fortnight, and involves between 500 and 1000 interviews.

This interviewing should reflect the traffic patterns of the centre by door, day and hour. Skewed results that focus on one end of the centre are useless and, if business decisions are based on them, potentially damaging.

In addition, it is highly recommended that all customer interviewing is undertaken by research companies who are members of the Market Research Society of Australia and comply with the IQCA Guidelines and Privacy Laws.

The IQCA guidelines relate to quality assurance – such as interviewers being managed by an accredited supervisor and auditing 10 per cent of the interviews to ensure they are not falsified. From first-hand experience, I know this does happen and incorrect results are useless and potentially dangerous.

It is also recommended that incentives be given to customers for participating in the survey. A coffee voucher or charity donation in the customer's name is effective, achieving three things:

- It encourages customers to participate.
- The customer is more likely to feel obliged to complete the survey fully and accurately.
- It demonstrates that you appreciate your customer's time and opinions.

As part of the Exit Survey questionnaire it is essential to ask the customer their residential street, cross street, and suburb (make sure the interviewer spells it back for clarification).

Street numbers are not necessary and customers generally prefer not to give exact address details.

This information is geo-coded onto a GIS (Geographical Information System) which is an electronic street directory. The shoppers' addresses can then be analysed to identify the centre's trade area.

What is your trade area?

Outlining the trade area plays a pivotal role in measuring a centre's overall performance – market share results, marketing and direct mail boundaries, the demographic and spending profile of a centre's customers, and the penetration of the centre's market are all key pieces of information derived from this.

The drawing of a trade area involves both science and art, much like property valuation. There is no one industry standard which dictates the way in which a trade area is derived. A trade area is determined by its ability to attract customers given impeding or enhancing factors.

The definition of a trade area for a shopping centre is influenced by:

1. Type, size, trading performance and retail mix of the centre.
2. Type, size, trading performance, retail mix and location of rival shopping centres and other competing facilities.
3. The transport network around the centre, particularly roads, but including rail, bus and other transport networks.
4. Physical barriers such as oceans, lakes, railway tracks, motorways, airports, army bases or national parks.

The most common method of determining a trade area is to geo-code the customers' addresses onto a GIS. An Exit Survey was undertaken at the Fantasy Shopping Centre and Map 1 illustrates the residential location (by street and cross street) of everyone interviewed.

Following this the competitors, physical barriers, and transport networks can be viewed in relation to the location of the residential locations of the respondents (assuming the majority of shoppers visited the centre from home). Based on this information a variety of techniques can be used to determine the trade area boundaries

Map 1 – Homes of shoppers interviewed at Fantasy Shopping Centre

Though different consultants may call them different names, the three main methods used are:

1. Thematic Mapping with Penetration Rate Analysis.
2. Proximity Index Modelling
3. Huffs Modelling with Drive-Time Analysis

I won't bore you with the technical details (it isn't Agatha Christie). Married with the modeling techniques listed above is a degree of judgement and common sense in determining the final trade area boundaries. The end result is a map displaying the primary, secondary and tertiary trade areas with competition and geographical highlights (such as rivers and major roads).

It is typical for a shopping centre to have a primary, secondary and tertiary trade area delineated.

A primary area is usually the geographic area in which between 55 per cent and 70 per cent of customers and/or spend originate, while a secondary area represents a further 15-20 per cent.

Combined, these trade areas equal the main trade area (MTA), which usually represents 70-85 per cent of customer spend/origin.

The tertiary trade area then accounts for 5-15 per cent of additional trade.

When added together, the total trade area represents 85 per cent-plus of customer spend at the centre. Once this is established, the demographics and spending information can be analysed on a trade area basis and market shares assessed.

As a rule of thumb usually the smaller the centre the more compact the trade area and its drawing power. Dominant super-regionals can sometimes account for 20-30 percent of its turnover from beyond the Total Trade Area.

What is your market share?

Market share is used to assess the performance and potential of a shopping centre or any retail asset.

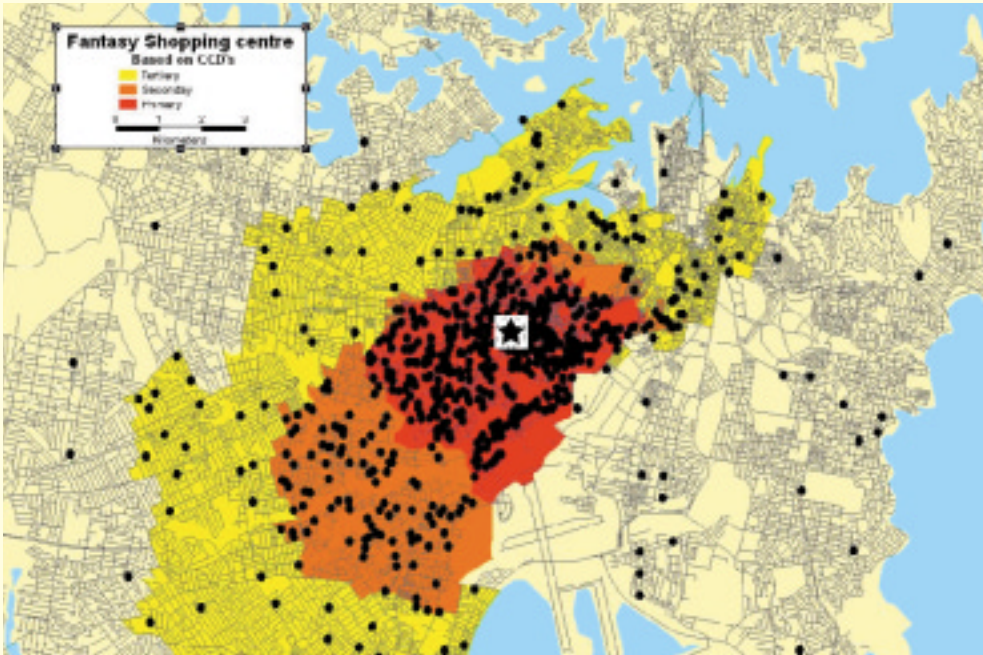
A market share is usually a percentage of the total retail spending potential within a trade area that can be attributed to the turnover of the particular centre.

It is one of the most important measures of a centre's sales performance and potential. Market shares can be benchmarked against other centres and industry averages and, tracked over time, market share performance provides insights into the long-term trading performance of an asset and where it sits on the lifecycle curve.

Market shares can be analysed on a trade area, commodity group and customer type basis. I covered main trade area market shares in the last edition of *Marketing Matters for Shopping Centres*. As a quick recap, the usual



Map 2 Fantasy Shopping Centre Trade Areas



market share referred to is the main trade area (MTA) market share. A main trade area usually represents a geographic area in which 70-85 per cent of customers and/or spend originates (use spend where available).

Once you have the percentage of expenditure by customers from your MTA (say 75 per cent), you then need to take 75 per cent of your centre's moving annual turnover (MAT, or the total sales of a centre for a year), which is, say, 75 per cent of \$200 million, which equates to \$150 million. This represents the amount of sales your centre achieves from the MTA.

You then divide this by the amount of available expenditure from the MTA, obtained from the Household Expenditure Survey (available from Australian Bureau of Statistics). Let's say that in this case the total retail expenditure is \$900million. This would mean the market share is \$150 million/\$900 million, which equals 16.6 per cent.

Main Trade Area	
% of Customer Expenditure from MTA	75%
Centre Turnover from MTA	\$150,000,000
MTA Total Expenditure	\$900,000,000
Market Share	16.6%

Even more powerful than trade area market shares are commodity group market shares, which are undertaken on categories such as food or fashion. This provides an insight into the trading performance of these commodity groups in addition to \$/sq m and occupancy cost analysis.

Commodity group market shares highlight commodity group under- or over-representation or performance, which makes it possible to identify where adjustments in store types need to be looked at.

It's vital that commodity group market shares are undertaken accurately. One of the most common mistakes is for the categories in a particular market share failing to match the household expenditure survey definitions.

One such example is food market share, where retailers selling fresh food and fast food are compared against the ABS category which includes only fresh food. Suddenly, you have a higher-than-average market share.

So basically, commodity group market shares are calculated in the same way as MTA market

shares, but use spend and turnover information relating to specific groups.

Table 1: Fantasy Shopping Centre commodity group market shares

Commodity Group	Primary Trade Area	Main Trade Area	Total Trade Area
Food retailing	25%	17%	11%
Food catering	10%	7%	5%
Apparel and accessories	60%	50%	40%
Bulky goods	10%	9%	5%
Homewares and household	52%	45%	30%
General retail	22%	14%	10%
Personal and household services	25%	10%	7%
TOTAL	25%	17%	10%

This analysis can highlight categories that may be under- or over-performing, and retail planning opportunities available.

Well that wraps up Exit Surveys, trade areas and market shares. Not a very riveting subject, and I'm impressed if you've made it this far. But it is a very important topic and one that will prove of value.

Now you can unleash your imagination armed with material knowledge on how to improve the trading performance of your centre. ■

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