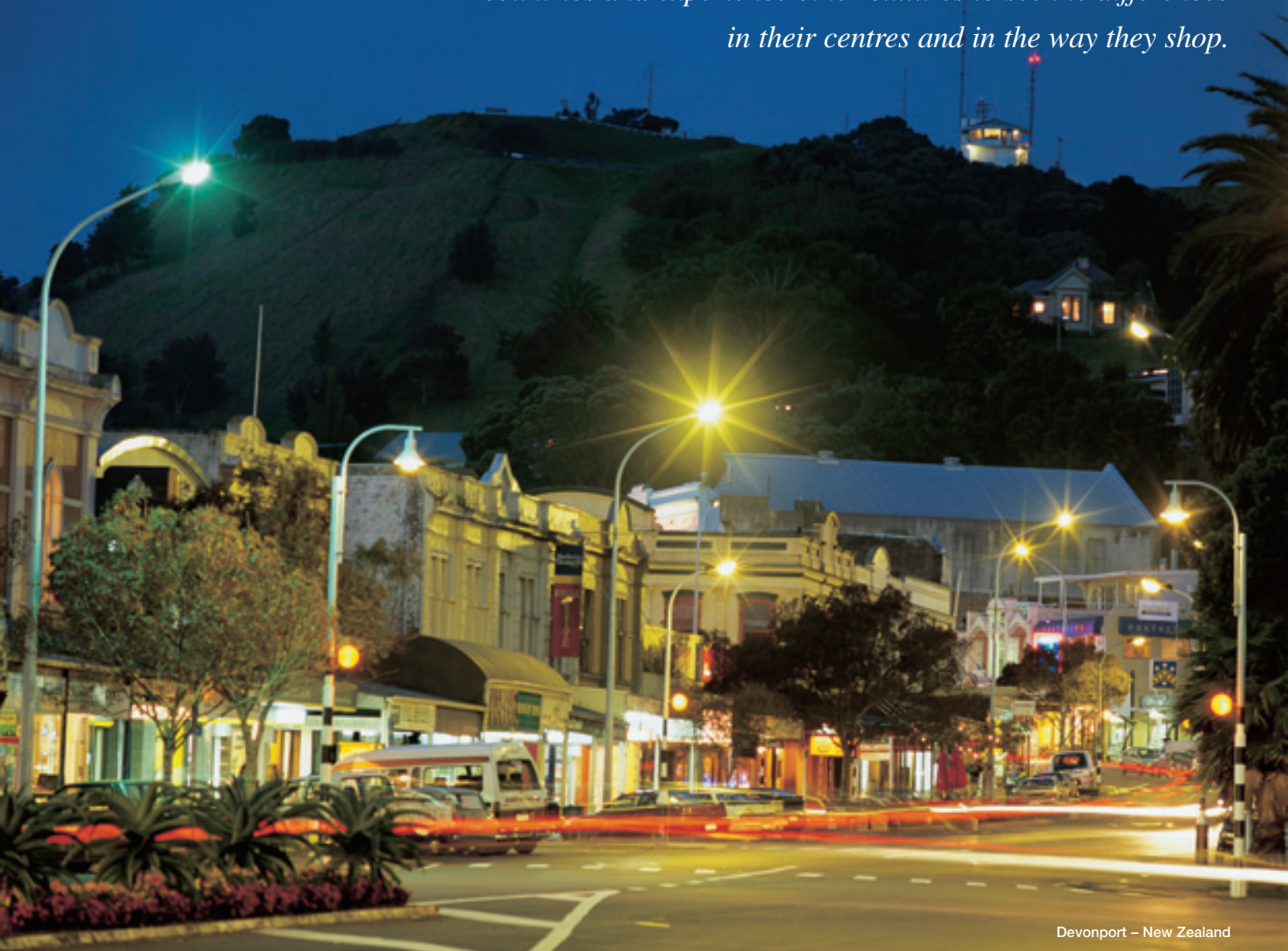


# Shopping in the Land of the Long White Cloud

*At Directional Insights we spend a lot of time looking at the way Australians use shopping centres, what they think of shopping centres, and how they would like to see shopping centres improve. I always find it interesting to visit other countries and experience other cultures to see the differences in their centres and in the way they shop.*



Devonport – New Zealand

**by Helen Bakewell**

I recently had the pleasure of visiting the North Island of New Zealand, to conduct a retail study tour. Over a seven-day period we visited more than 20 shopping centres, which was a fascinating experience because of their diversity and, in some cases, sharp similarities to shopping centres in Australia.

**A brief history**

In a lot of ways New Zealand is very different and yet very similar to the Australian culture. Polynesian settlers arrived in New Zealand (Aotearoa) in about the 10th century. By the 12th century, settlements were scattered around the coastline. Then in 1642 the Dutch navigator Abel Tasman briefly visited New Zealand. It was not until 1769 that the British naval Captain James Cook and his crew became the first Europeans to explore New Zealand's coastline thoroughly. Today New Zealand has a population of around 4 million people with approximately one-quarter of the population located in the City of Auckland, and nearly three-quarters of the population inhabiting the North Island.

What is really interesting about the country is that every year approximately 2 million people visit New Zealand as tourists – that's about one half of its population.

**Demographic snapshot**

New Zealand has similar demographic trends to the Australian population. In terms of birth rates, in New Zealand there are approximately two children per woman compared to 1.7 children per woman in Australia. The birth rates of New Zealand are similar to those in the United States and France, with Australia lagging a little behind.

Marriage rates have been declining in New Zealand since 1970. During 2001-2003 there were approximately 14.7 marriages per 1000 people. This rate is less than a third of the peak level of 45.5 marriages per 1000 people

recorded in 1971. Factors that have contributed to the low marriage rate include the growth of informal cohabitation (de facto marriages), the trend towards delayed marriage, and an increasing proportion of New Zealanders remaining single.

New Zealanders are also marrying later. The average age of first marriages in 2002 was 29.5 years for bridegrooms and 27.7 for brides. New Zealanders marrying for the first time in 2003 on average are about 6.7 years older than their counterparts in 1971 when early marriage was the norm.

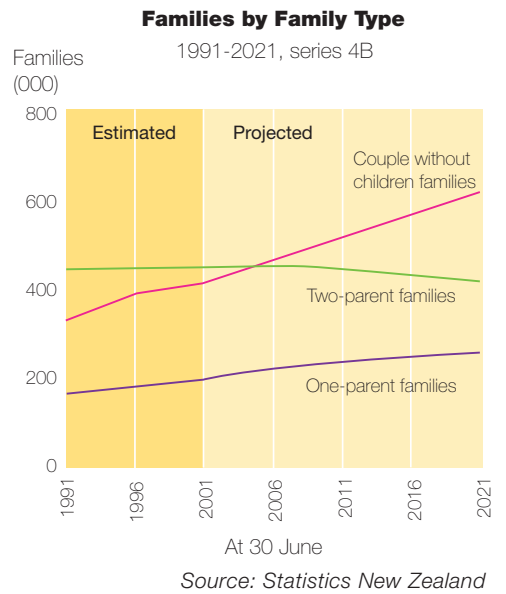
Like the rest of the western world New Zealanders' life span is increasing, although their life expectancy levels remain below those found in Japan, Hong Kong, Australia, and some European countries.

New Zealanders' life expectancy is similar to that of the Netherlands and is slightly higher than the USA and the UK. New Zealanders born around 2000-2001 can expect to live to 76.7 years if male and 81.2 years if female. Males born in the year 2042 in New Zealand can expect to live to 82 years and females to 86 years. The decline in birth rates and the increasing age of the New Zealand

population will see a change in living arrangements.

New Zealand's population is expected to grow from 3.88 million in 2001 to a peak of 4.81 million by 2046. This is an increase of 24 per cent.

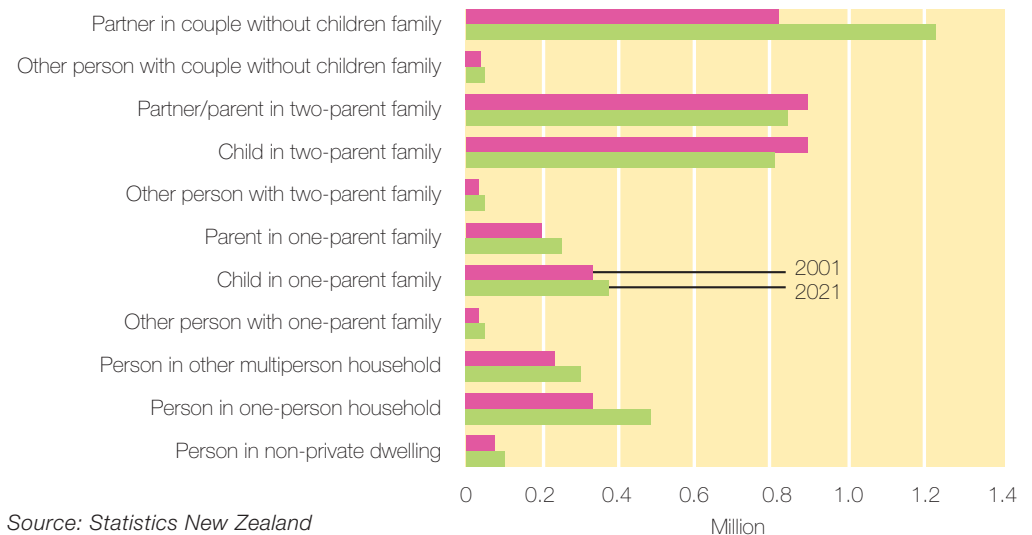
In terms of households, the major growth expected in living arrangements is an increase in the number of couples without children and one-person households.



**Population by Living Arrangement Type**

2001(base) and 2021, series 4B

Living Arrangement Type



## New Zealand Culture

New Zealand's contemporary culture remains underpinned by the nineteenth-century British middle-class values – thrift, probity, success through hard work, duty to family and nation – and cultural expressions – both 'highbrow' and 'lowbrow' music, literature and the arts – which the first wave of European immigrants brought with them. These were modified in several ways over the next century and a half. Surviving in a sometimes harsh environment with few immediately available resources required a practical ingenuity – the ability to fix anything with 'a piece of number 8 fencing wire' – which has been invoked in such unlikely settings as America's Cup yachting campaigns, and about which urbanised New Zealand men still like to boast. It also required a level of cooperation between individuals and families, which is said to have become the basis for New Zealand's success at team sports.

The growth of industry encouraged the rise of a class consciousness – workers versus 'the bosses' – which was reinforced by a century of compulsory arbitration and half a century of compulsory unionism, and since their demise has mutated into a more generalised hostility between 'haves' and 'have-nots'. The need for the state to take the lead in developing two large elongated sparsely populated islands encouraged a reliance on government intervention which was at its height in the mid-twentieth century, when hot and cold wars and the growth of social security saw citizens both directed and supported in a myriad of ways from the capital, Wellington. Tensions between 'bureaucratic' Wellington and 'entrepreneurial' Auckland – and between 'city slickers' and the 'rugged individualists' of the rural 'heartland' – remain significant faultlines in New Zealand culture.

For much of its existence, Pakeha (non-Maori) culture was influenced only at its margins by the indigenous Maori people. These margins were both geographic – most Maori lived in fairly isolated rural communities – and ideological. While specific Maori images, practices and resources (the silver fern motif, the haka or ritual challenge, words for natural features and indigenous flora and fauna, grass-skirted maidens positioned at hot springs to provide a tempting 'Other' for European tourists) were appropriated into everyday New Zealand life, Maori were also pressured to exchange their affective and kin-centred culture for 'rational' economic individualism, and their Polynesian language for English. Much has changed in the last quarter-century.

Maori have grown in both numbers (thanks to intermarriage) and visibility (with widespread migration to the cities), and in both moral authority (with widespread acceptance by Pakeha that much Maori land was taken unjustly) and economic clout (as tribal authorities receive significant compensation for these injustices). Maori culture (including the language) has been revived and put to contemporary uses, including the promotion of a distinguishable New Zealand 'image'. In recent decades, increasing numbers of non-British Europeans and East Asians have leavened New Zealand's economy, society and culture. In a period characterised by a global economy, interlinked communications and American cultural hegemony, there seems to be a risk that New Zealand's still-distinctive cultural mix will collapse into a brand.

*Source: David Green, History Group, Ministry for Culture and Heritage Wellington, New Zealand*



Botany Town Centre – New Zealand

So, by 2021 in New Zealand there will be more households without children than households with. The average size of the households is also projected to decrease from 2.6 people in 2001 to 2.4 in 2021.

## Working trends in New Zealand

In 2001 employment stood at 1.7 million for New Zealanders. The top three largest occupations are 5 per cent sales assistant, 3.2 per cent general clerk, and 2.5 per cent general manager. Trends in the household labour survey over the past 14 years show a growing spread in New Zealanders' working hours. More people than previously are part-timers, working less than 30 hours a week (about 23 per cent of the workforce in 2001 compared to 17 per cent in 1987).

The main reasons for the increase in part-time work are growth in the service sectors (such as restaurant industry); more flexible work arrangements; and increasing numbers of people combining work with study and childcare.

On the other hand, increasing numbers of workers are working at least 50 hours per week. About 22 per cent of workers are now putting in this many hours compared with 17 per cent in 1987.



Botany Town Centre – New Zealand

**Cultural differences**

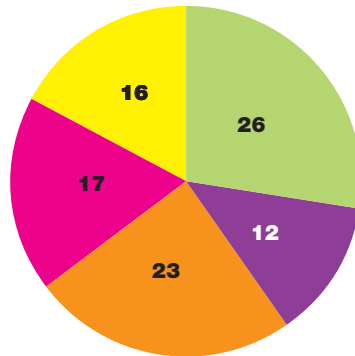
One of the surprises that I encountered was the difference in the culture between Australia and New Zealand. The image of New Zealand from afar is one of fresh air, magnificent scenery, and trout fishing; a pristine, green, and well-organised country with a reputation of being “clean and green” – and this image is accurate enough. When seen close up, what also struck me was the embracing and friendly nature of the New Zealanders, particularly regarding their diverse Maori and European cultures, and their hospitality, especially towards children (I had two in tow). However, given the country's heavy reliance on tourism the service culture they present is a critical economic component. Having said that, the experience was joyous.

David Green from the History Group of the Ministry for Culture and Heritage in Wellington kindly provided a snapshot of New Zealand's culture from a New Zealander's perspective (see page 14).

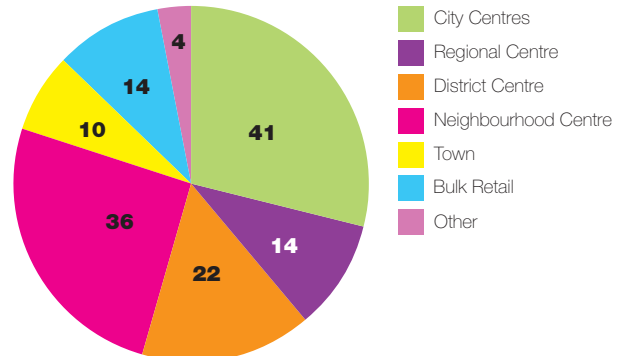
**The New Zealand retail market**

With the demographic trends of New Zealand similar to the broader western world trends, how similar is the retail market? Total retail sales for New Zealand

1993 Total 94 Centres



2003 Total 141 Centres



(including GST) is NZ\$40.4 billion (Australia's is A\$170.5 billion). New Zealand has around 141 shopping centres (Australia has 1235 shopping centres) and over 1.5 million square metres of shopping centre space. There are around 4600 specialty stores in shopping centres and a further 25,000 retail outlets across the country.

There are approximately 150 national and regional chains in over 7500 locations. Employment in retail is very important and accounts for approximately 20 per cent of all employment, or over 325,000 jobs.

In the 10 years from 1993 to 2002 there has been a 50 per cent increase in the number of shopping centres. The main growth in this number has been the addition of several new city centres and also an increase in the number of neighbourhood centres.

**Table 1: Shopping centre type**

Centre type	Average centre size (m <sup>2</sup> )
<b>Regional centre</b> (>15,000 m <sup>2</sup> 1 dept store or DDS, 60 specialty shops)	30,000
<b>City centre</b> (single centre in CBD)	6700
<b>District centre</b> (5000 - 15,000 m <sup>2</sup> junior dept store or DDS, 30-60 specialty stores)	14,000
<b>Neighbourhood centres</b> (<5000 m <sup>2</sup> 12-30 specialty stores, supermarket)	6000
<b>Town centre</b>	3800
<b>Bulk retail</b>	22,000

Source: Property Council of New Zealand



Botany Town Centre Piazza

In terms of size, the average city centre is around 6700 square metres. In the last 10 years city centres across the country have grown by around an additional 100,000 square metres overall. In contrast, there have only been two new regional centres added to the New Zealand portfolio, but as the average size of the regional shopping centre is around 30,000 square metres this has meant that the total space added has been around 60,000 square metres or approximately 60 per cent of what was added to the city centres in an additional 15 shopping centres. As you can see from Table 1 the size of shopping centres in New Zealand is considerably smaller than those in Australia.

As mentioned, there are over 140 shopping centres in New Zealand, but there are two shopping centres and one retail strip destination that I think are worth speaking about in particular: Botany Town Centre, Westfield St Lukes, and Devonport.

These three retail destinations are quite diverse, each unique and, to my mind, offering some of the best retail experiences to be had in Auckland. Other destinations worth a look are the famous K Road (Karangahape Road) and Parnell Street for New Zealand's own version of high street shopping, and Manukau Supa Centre for a real experience in bulky retail.

## Botany Town Centre – opened in May 2001

Botany Town Centre is New Zealand's largest retail development at over 50,000 m<sup>2</sup>. The centre includes a Farmers Department Store, New World Supermarket, Briscoes, Whitcoulls (bookstore), Rebel Sports Store and approximately 136 specialty stores over one level. Botany Town Centre is really a unique shopping concept with indoor and outdoor offers including cobbled lanes and picturesque piazzas – on a sunny day it is spectacular. The centre is divided into several beautiful precincts with retail planning to suit. The Town Centre Drive is the main street where you can stroll along the paths and enjoy alfresco dining on the streetscape. The Town Square offers the food area, known as "Food Express", whilst the Conservatory and Pavilions include glass-enclosed structures with overhead sculptures depicting New Zealand flora and fauna. These areas include fashion, homewares, and leisure retailing.

What's also unique about this shopping centre is that it is one of the few I have seen where you can obtain a map from the Information Desk and take a tour of the different gardens, both in the built form and the natural form located in and around the centre. Botany Town Centre is owned and managed by AMP and has an annual turnover of approximately NZ\$220 million.

## Westfield St Lukes

Westfield St Lukes was extended in 2002 to over 33,000 square metres. The centre includes a Kmart, Farmers Department Store, Food Town, and Village 8 Cinemas, which opened in mid-2003. The Centre has approximately 132 specialty stores over two levels and has one of the best fashion offers in Auckland. The annual turnover is around NZ\$220 million (excluding GST). Westfield St Lukes offers quality shopping and

entertainment in a more traditional format but in an impressively vibrant destination, and one well worth the visit.

### Devonport

For managers of strip retailing, Devonport is a must-see. Devonport is a beautiful suburb on the tip of Auckland's north shore peninsula. It is one of the earliest areas of European settlement and it has certainly retained its 19th century atmosphere with many well-presented Victorian buildings. It is only 15 minutes away by ferry from the main ferry terminal in Auckland, just along from Westfield Downtown. Although it is quite "touristy" it has a beautiful representation of unique small shops, art and craft galleries, and cafes. What is really beautiful about Devonport is the unique retail mixed in with the waterfront promenade, which includes a huge children's playground and large lawn area where families can picnic.

The area has beautiful views of the city and allows you to breathe in the zephyr off the sea. As a lot of the retail along the Devonport retail strip is independently owned, one of the striking differences are some of the unique merchandising styles of several of the retailers, in particular, the Book Store along the main strip. In one of the side alleys there is a café that has been built into an old bakery kiln and whilst it is a tourist lifestyle destination it has a level of authenticity and class that is not often seen.

### Retailers in New Zealand

There are several unique retailers in the New Zealand market but probably the most well known are Farmers Department Store and The Warehouse. Farmers would be best described like a very big Best & Less, including furniture. The Warehouse stores are typically in freestanding locations throughout New

Zealand and usually encompass large structures, concrete floors and discounted merchandise, similar to a small discount department store in Australia, but with a more cash-and-carry feel.

Dimasi Strategic Research recently completed an assessment of key retail participants in New Zealand and provides the following insights:

### Department stores

One of the main differences between the retail markets of New Zealand and Australia is the absence in New Zealand of a genuine full-scale department store chain along the same lines as Myer and David Jones. The closest comparable operation is that of the Farmers group, which has a store presence throughout New Zealand.



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Devonport – New Zealand

## Farmers

As at 2003, the Farmers chain has 48 traditional stores and 16 specialist “Home” stores (which offer homewares, furniture, and electrical appliances only), with a total of around 212,000 square metres of Gross Leasable Area (GLA).

The average size of a Farmers department store is therefore 3316 square metres, and these stores typically range in size from 2000 square metres to 6000 square metres. By comparison, in Australia the average size of a full-scale department store is 15,000 square metres, with 10,000 square metres generally regarded as the absolute minimum size for such a store.

Farmers department stores achieve an average sales volume of around NZ\$12-13 million per store, which is considerably below the Australian average of A\$34 million per store. This lower average turnover is partly the result of the smaller store sizes, but to date has also been a reflection of the quality and merchandising of the stores, particularly the older stores.

To place the Farmers chain in an Australian context, the average size of the Farmers department stores is broadly similar to suburban Harris Scarfe stores in Australia (excluding the larger Harris Scarfe stores in

the Adelaide CBD and several regional shopping centres).

The merchandising, quality of shop fittings, store layout and style of Farmers stores, particularly the older stores, are somewhat dated and present a lower standard of offer in comparison to Australian department stores.

Given all of the above, Farmers cannot be regarded as a genuine full-scale department store operator by international standards.

Having said this, Farmers has recently begun a program of store refurbishment and newly opened stores are adopting a fresh design and layout. The group has also recently announced a new “large store” format (ranging in size from 7500 square metres to 10,000 square metres). These larger stores are planned to be included as part of a number of new shopping centres and shopping centre expansions (mainly by Westfield New Zealand) proposed to occur in Auckland, Wellington, and Christchurch.

While these developments go some way towards addressing the absence of a strong department store operation, it remains the case that the major regional shopping centres in New Zealand will probably never be anchored by a genuine department store operation of the scale seen in Australia.

From time to time several international department store operators have considered opening stores in New Zealand, most recently David Jones and Marks & Spencer. However, as yet no new department store chain has entered or signalled an intention to enter the New Zealand market.

There are several other smaller department store operations in New Zealand, and these are mainly located in the three major cities of Auckland, Wellington, and Christchurch. Typically these operators have one or two department stores, generally located in the CBDs of the larger cities. These operators include Smith & Caughey, Kirkcaldie & Staines, Ballantynes, and Arthur Barnett.

## Discount department stores

The emergence of discount department stores (DDSs) in a full format size has also been slow in New Zealand when compared to Australia, in particular. The slow rate of development of full format DDSs has enabled alternative retailers, and particularly The Warehouse, to expand at a rapid rate. The Warehouse is really a cross between a bulk retailer and a DDS in a limited size format, but is the closest that New Zealand has to a national DDS operator, having, as it does, a presence in most of the major towns and cities.



Westfield St Lukes – New Zealand

## The Warehouse

The Warehouse is the dominant operator in this segment of the market and one of the best performing retail operations in New Zealand, enjoying double-digit sales growth for much of the past decade.

There are currently some 80 The Warehouse stores across New Zealand (excluding the standalone stationery chain, of which there are a further 41 stores) occupying a total of around 330,000 square metres, representing an average store size of 4200 square metres. By comparison, Australian DDSs typically range in size from 6500 to 8000 square metres, with an average size of 7000 square metres.

However, in response to the strong trading performance of recent years and in the absence of any real competition, the chain has recently been opening new stores ranging in size from 5000 to 7500 square metres, while at the same time progressively refurbishing and extending older stores. As a result, the average size of The Warehouse stores has been increasing over time, from only 2000 square metres eight years ago.

The Warehouse stores currently record an average turnover of NZ\$16 million per store, trading at a very healthy average level of around \$3800 per square metre.

The format of The Warehouse, with its barn-like structure and utilitarian floors, ceilings and display rackings, does not have the quality or appearance of an Australian DDS. However, the chain has effectively exploited both the clear gap in major non-food retailers that exists in the New Zealand market, and the price sensitivity that is evident in the New Zealand population to a much greater extent than in Australia.

The Warehouse typically prefers to locate in either freestanding buildings adjoining existing shopping strips, or in the number of bulky goods/large format retail centres which have emerged in the New Zealand market in recent years as a result of the absence of any development of traditional shopping centres. The group does, however, have a number of stores located in traditional shopping centres, with the refurbished and extended Westfield Glenfield Centre containing the most recent of these to open.

## Kmart

Kmart operates a much smaller chain of stores and now has only some 11 DDSs in New Zealand. Kmart stores typically average 6500 square metres and achieve an average turnover of around NZ\$18-\$20 million per store.

Kmart has experienced increasingly tight trading conditions in New Zealand and this

situation has arisen for a number of reasons, but is mainly due to the lack of shopping centre development in New Zealand over the past 20 years, limiting the number of new stores that the chain could open. As a result, Kmart is under-represented in the major cities, and particularly in Auckland where it has only four stores, two of which are in secondary locations.

However, the newest store opened by Kmart is a standalone store across from Botany Town Centre, which is reportedly performing well and may present an improved trading opportunity for the New Zealand Kmart operation.

Put New Zealand on your travel “to do” list – you won't be disappointed. ■

*Helen Bakewell is the Managing Director of Directional Insights and has more than 12 years' experience in shopping centre research and marketing, including 7 years as National Research Manager for Lend Lease Retail. As Managing Director for Directional Insights, Helen now offers her extensive experience to the Australian and international shopping centre and retailing industry. Contact her on (02) 8901 5258 or at info@directional.com.au*

*Reference sources  
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