



What to do when you arrive at a new centre

So you have just landed a new job as Marketing Manager of Paradise Plaza in Beach Town. You have packed up and, over the weekend, moved the 1000 km from your old home. Now it's Monday morning and you have finished settling into the new office, tried to memorise everyone's name and walked the plaza with the Centre Manager.

Time to sit down for a relaxed first day coffee with the new boss – then the bombshell hits. On Friday the owners of the centre are bringing potential investors to see the centre and they would like you to give a 20 minute overview of the Paradise Plaza market.

So what do you do? Most investors will understand your recent arrival, and will allow for that. Nonetheless, within 3 months (or less) of arriving at the centre you should be fully briefed and have a presentation/hand out with the following information.

1. Trade Area Map (TAM)
2. Competition Map overlaid on the TAM
3. Demographic description of residents within trade area (and tourist profile if relevant to your centre)
4. Expenditure profile of the trade area residents
5. Trade Area Growth Rate Forecasts
6. MAT, Traffic and Spend per Visit trends
7. Trading performance levels compared to industry standards
8. Market Share Assessment compared to industry standards
9. Customer profile of shopping centre users (and non-users)

So where can you get this information from.

» 1. Trade Area Map

Hopefully the previous marketing manager has left one on the pin board behind your desk. If not, then there are two main places to look.

Trade Area Maps are usually defined through a customer exit survey. These should be conducted on average every two to three years (more frequently if you are in an area of rapid change). These surveys, usually conducted over 1 – 2 weeks with about 500 –1000 people interviewed, are used to map the trade area for the centre.

So if your centre has had a customer survey within the last two years then use the trade area provided as part of the

report. Alternatively, most centres during their life have an Economic Assessment conducted for the owners and/or Council, and should include a trade area map and description.

Failing both of these options, Councils usually have very good information about the Local Government Area maps and resident profiles – so if all else fails try there. However, you should aim to have an up to date TAM and Competition Map within three months of arrival.

» 2. Competition Map

This is usually sourced from the same location as the trade area map. Local Councils can also provide good information regarding retail supply and zoning maps that may help here.

» 3. Demographic Description of the Trade Area

Here you want to give a flavour of the residential make-up of the area.

Often the Customer Survey or Economic Assessment will provide this information. Alternatively the Local Council usually has it for the Local Government Area (LGA) or the Australian Bureau of Statistics can provide this information.

» 4. Expenditure Profiles of Residents

This relates to the amount of money people within the trade area spend on items each year. This information is obtained from the Household Expenditure Survey conducted by the Australian Bureau of Statistics.

It not only provides a spend per household overall, it also provides commodity group breakdown, like spend on bread, clothing etc. It is extremely useful in calculating Market Shares for the centre and by commodity group.

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» 5. Trade Area Growth Rate Forecasts

It is important to be able to provide insights as to the growth potential of the trade area into the future.

The quickest way to establish this potential is to obtain population projections for the trade area. These are usually found in the Economic Assessment Report, or alternatively the Local Council usually has estimates for the LGA. Local Councils often have maps of the lot land release areas in their LGA.

» 6. MAT, Traffic and Spend per Visit trends

A very useful tool used to do a health check of an asset is to chart MAT, Traffic and spend per visit over a 2-3 year period (taking account of seasonality and development activity). It can illustrate the lifecycle pattern of your asset. It is even more powerful if you plot the centre's MAT against market growth over time (CPI + Real Growth + Population Growth).

In plotting the MAT, Traffic and Spend per Visit you are able to demonstrate the centre's performance over time (or if negative - then potential to perform). Overlaid on this can also be the timing of your centre developments or competing development timings to show the impact, or lack of impact on your asset.

» 7. Trading performance levels compared to industry standards

These days everyone is talking benchmarks. How do you compare to the portfolio? To the competition? To the industry?

These should be gathered based not only on retailer performance but also customer behaviour. Urbis JHD have the well known Retail Averages and Pitney Bowes have the monthly averages. Here at Directional Insights we have benchmarks on how customers use neighbourhood, sub-regional and regional centre types.

The Property Council of Australia Shopping Centre Directories also often have listed the MAT and tenancy mix for the majority of shopping centres across the country.

» 8. Market Share Assessment compared to industry standards

Every investor's favourite question – what's your market share? The usual market share referred to is the Main Trade Area Market Share (MTA).

A Main Trade Area usually represents a geographic area where 70% to 85% of customers and/or spend originate. This information is obtained from a customer exit survey, and if this contains the customer expenditure information then all the better.

So once you have the % of expenditure by customers from your MTA, say 75%, you then need to take 75% of your centres MAT (say 75% of \$200million = \$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 (ABS). Say in this case Total Retail Expenditure = \$900million. Therefore the market share is \$150mil/\$900mil = 16.6%.

As a general rule of thumb, the larger the centre the larger the trade area and therefore population available to shop.

» 9. Customer profile of shopping centre users

Obviously this information comes from speaking to your customers. There is a range of ways to achieve this goal. The main tools used include:

- a) customer exit surveys;
- b) telephone surveys of trade area (often a great way to understand non-shoppers and how to convert them);
- c) online surveys
- d) qualitative research – i.e. focus groups

Each of these tools provides different kinds of information. But by displaying an understanding of who is walking through your doors with any of these tools provides detailed knowledge to your presentation.



CONTACT US

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