CHAPTER I

INTRODUCTION

1.1 INTRODUCTION

The development of shopping complexes has become an important part in our national economy, but little has known about their growth and impact on the retail industry as well as the urban and suburban structures of Malaysia.

Shopping centres are getting bigger and better nowadays. Are they a boon or bane? Are they a shopper's paradise or a motorist's nightmare? How well could such mega malls be managed? Would it mean costlier goods and paying more for rentals?

Could those existing shopping complexes survive and compete with these new and up-coming shopping complexes that equipped with the latest and sophisticated facilities or would they be phased out in wake of keen competition?

In the past, such complexes were small and they mainly catered to one's shopping needs. Today, there is a new breed of mega malls, many of them of more than a million sq. ft. each. Many are integrated projects comprising a shopping centre, hotel, office tower and even huge leisure and entertainment centre.

This "explosion" of shopping centres, especially in the Klang Valley, has amazed foreigners which has reflected Malaysia's economic success. It has also caused a concern in some quarters who feel that too many, too fast may not be all that healthy.

The retail "arena" is getting very competitive and developers are trying to outdo each other. Some feel that it is a case of winners take all and losers would end up losing big. Numbers do not count but a right checklist of the Do's and Don'ts of operating a centre is the deciding factor.

Already there are signs that some newly opened shopping centres in the Klang Valley are not doing well. It is increasingly common to find several new shopping centres located close to each other.

They may command a good location and yet, one may be thriving while the other may be ailing. It could be the wrong mix of tenants, bad access, difficult parking or is it just the factor of poor "feng shui"?

Our malls are comparable if not better than those in some countries. Some of them have unique concepts and features which may be emulated by other countries.

There is a development trend towards suburban areas. Shopping centres are moving towards the suburbs in view of the traffic congestion, lack of parking space, high rentals and the movement of people to new townships.

Shopping complexes of today and tomorrow are more shopper-friendly with more amenities and facilities. Developers are also spending more to give better quality finishes and making the facade attractive - bubble cars, high atriums, fast lifts, cascading fountains, culture/hobby centres, creche, etc. are among the extras to give a conducive environment for shoppers.

The emphasis is on variety too woo the crowd. Huge sums are spent on importing leisure and recreational equipment. Attractions like roller coaster, hi-tech cineplexes and large bowling alleys are the "in-thing".

These attractions are supposed to bring in the crowd and keep tenants happy. How effective they are in the long term is yet to be seen.

Meanwhile, an oversupply of retaïl space would mean tenants would pick and choose instead of the other way round. The "take it or leave it" attitude in the past may take a beating if the complex management do not provide good service and competitive rental rates.

1.2 SCOPE AND OBJECTIVES OF THE STUDY

This study seeks to examine and analyze the development of shopping complexes in the Klang Valley.

Specifically, the objectives of this study are as follows :

1. To analyze the growth of retail space in shopping complexes in the Klang Valley.

2. To identify the views of major chain store retailers with respect to the emergence of a spate of new shopping complexes in the Klang Valley and its impact on the retail industry development.

3. To investigate whether at the existing level of demand, there is an oversupply of retail space in shopping complexes in the Klang Valley.

1.3 PROBLEMS ON HANDS

The current supply of retail space in the shopping complexes in the Klang Valley in 1996 is about 16.76 million sq. ft.

However, there are many mammoth retail complexes sprouting up in tourist belts, the suburbs and new townships in the Klang Valley. The supply of such retail space is expected to increase to about 44.93 million sq. ft. by the year 2000, i.e. in the next four year.

Most of these shopping complexes are slated to open by 1998, doubling the current retail space. This may lead to a retail space glut in the Klang Valley.

There is a growing concern within the retail industry. The retail market will have to be spread over a larger number of shopping centres and with a bigger retail market, there will also be more aggressive competition. Consumer spending may not increase simply because there are too many shopping malls to choose from as compared to a few years back.

In a competitive retail environment, this scenario could cause alarm to the retailers as well as the developers.

A retail space supply glut will result in lower rental and capital values, which will ultimately affect the quality of management. Poorly research retail projects that are trying to cash in on the present boom may face the great possibility of failure.

The grandeur of the future shopping complexes will only attract the window-shoppers rather than the buying crowd unless there is a proper market research.

Based on the average annual population growth rate of 3.5% in the Klang Valley Perspective Plan Review 1988, the population in the Klang Valley in 1996 is about 3.88 million; and would increase to 4.45 million by the year 2000.

Both the developers and the retailers must position their competitive advantages in order to meet the needs and requirements of this 4.45 million of population.

1.4 PURPOSE AND SIGNIFICANCE OF THE STUDY

The results of this study would contribute to a better understanding of the problems of the development of new shopping complexes and its impacts on retail industry in the Klang Valley.

The results would also have significant implications on the town and country planning of the nation involving the various Government Departments such as the Towns and Country Planning Department, Road Transport Department, Surveys & National Mapping Department, Land & Mines Department, State Development Corporation, Statistics Department, etc.

The study would provide a deeper understanding of the role played by the developers and complex management in shopping complex developments which is invaluable for the redevelopment of those shopping complexes in the central district of Kuala Lumpur and the planning of retail facilities in the new suburban towns in the Klang Valley.

In addition, the study would also provide a clear scenario to the retailers in assessing the locational potential of the shopping complexes and also their retail outlets before deciding in taking up the shoplots.

1.5 PROBLEMS ON THE RESEARCH

There are various problems regarding this research of shopping complexes development in the Klang Valley :

1. the lack of journals on shopping complexes which provide the various latest information on their development.

2. the lack of Government's statistics on the retail industry like the yearly retail sales turnover by regions and per types of goods.

3. the lack of time and cost consideration.

1.6 ORGANISATION OF THE REPORT

This report consists of six chapters. Chapter I, the Introduction, gives a general overview of the nature of the study. It discussed the scope and objectives of the study, the problems faced as well as the purpose and significance of the study.

Chapter II, the Literature Review, touches on the development and trend of the shopping complexes in the world and the country.

Chapter III, the Locational Analysis, describes the various factors affecting the locational analysis of shopping complexes that need to be considered in the assessing, planning and decision-making process of feasibility appraisal of a project.

Chapter IV, the Research Methodology, elaborates the methodology of the research process. This Chapter covers the sampling design, the selection of sample from the total population, the sampling units and size, the sampling frame, the method of conducting the survey questionnaires, primary and secondary data collection procedures as well as the statistical treatment of data.

Chapter V, the Empirical Study and Survey Findings, provides the tabulation of the research results. The results were then interpreted based on observation as well as inference.

Chapter VI, the Conclusions and Recommendations, is a summary of the total survey findings, conclusions of the findings, implications of the results and the recommendations for future research. It also covers the changes and trends in the retail industry development that the retail chain stores operators and the shopping complexes developers should consider, monitor, adopt and put into practice in face of the increasing competitiveness in the retail environment in Malaysia generally, and in the Klang Valley specifically.