

CHAPTER II

LITERATURE REVIEW

2.1 INTRODUCTION

The shopping centres, over the last 30 years, has become an established feature of urban structure in countries with widely divergent urban policies. The essence of the shopping centres lies in the concept of a managed and controlled retail environment. Both the internal organisation and the operation of the shopping centres are managed by the developer or owner, with the tenant mix, design, promotion, security, maintenance and many other of the operational features, specifically controlled and administered. The purpose of this management and administration generally is the maximisation of the retail power of the centre as a whole.

Increasingly, because this retail power is now considerable within the urban areas, the agencies responsible for overall urban management such as town and country planning, should look for ways to control, may be limit, but certainly direct this retail power, such that social costs do not result from the potential abuse of economic power.

Thus attempts should be made by the urban government to control location, to exert influence on operations, to encourage environmentally acceptable designs, to ensure safe construction, to create a balanced provision of retail

facilities and to manage the catalytic processes which shopping complexes could exert. Controls should therefore be exerted not only internally on the shopping complex as an economic entity, but also externally on the shopping complex as an element of the environment.

2.2 DEFINITIONS

2.2.1 Shopping Complex

The term 'shopping centre' is often somewhat loosely used to mean a group of shops situated in a multi-level building complex development. Within this research paper, the term is used in its more strict interpretation to mean a group of commercial establishments which have been designed, planned, developed, owned, marketed and managed as a unit. The use of the term 'shopping centre' to mean a coherent and controlled group of establishments allows the 'shopping centre' to be distinguished from the 'business centre' or 'business park' or 'commercial centre', which is a concentration of shops/shop houses and other commercial establishments each in individual ownership, on individual sites and is operated on an individual and separate basis.

The distinction between shopping centre and business centre is important because the concept of a shopping centre implies management and control of competition. Competition is usually given free in a business centre.

The distinction is also important because shopping centres are accounting for an increasing share of retail sales volumes at the expense of shops located in business centres. For example, within USA, over half of the total retail sales now pass through shopping centres; in Britain, sales through shopping centres are increasing at a faster rate retail sales in general. Control and management are the key factors differentiating shopping centres from business centres.

For the purpose of this research study, a shopping complex is defined as :

“A planned retail development comprising of a group of shops situated in a multi-level building complex which has been designed, planned, developed, owned, marketed and managed as a unit”.

It normally contains one or more anchor stores which are supermarkets, department stores or hypermarkets as well as a group of specialty stores which provide almost all the necessities of our daily life.

A list of the retail tenant classifications is attached as Appendix I.

This research study covers only the retail space in shopping complexes in the Klang Valley, and excluding the retail space provided by those shop houses in various business centres in the Klang Valley.

The cynosure of this research paper concentrates on the issues relating to the development of retail space in the shopping complexes.

2.2.2 The Klang Valley

The Klang Valley lies entirely in the State of Selangor and covers the Federal Territory of Kuala Lumpur, and the six districts of Petaling, Klang, Gombak, Ulu Langat, Kuala Langat and Sepang.

A map each of the Klang Valley and Kuala Lumpur is attached as Plan I and II.

The region covers an area of 4,283 sq. km. (1,648 sq. miles) and the 1991 Census population was 3,136,811. (Table 2.1)

The Klang Valley is further subdivided into the following areas to simplify analysis and interpretation :

a) **Eastern Klang Valley**

Covers the whole of Ulu Langat District as well as Ampang Town and Bangi.

b) **Northern Klang Valley**

Refers to the whole of the Gombak District.

c) **Western Klang Valley**

Includes all of Klang as well as the Petaling Districts.

d) **Federal Territory of Kuala Lumpur**

e) Southern Klang Valley

This zone includes both the Sepang and Kuala Langat Districts (which includes the Kuala Lumpur International Airport and the new Federal Administrative Capital City in Putrajaya).

TABLE 2.1 : THE KLANG VALLEY, ITS AREA AND POPULATION

| District | Area (sq. km.) | Population |
|-----------------|-----------------------|-------------------|
| Petaling | 484 | 633,165 |
| Klang | 627 | 406,994 |
| Gombak | 650 | 352,649 |
| Ulu Langat | 826 | 413,900 |
| Kuala Langat | 871 | 130,090 |
| Selangor | 582 | 54,671 |
| Kuala Lumpur | 243 | 1,145,342 |
| Total | 4283 | 3,136,811 |

Source : Census Report 1991

2.3 RETAIL CHANGE

2.3.1 Around The World

Retailing patterns in many countries have undergone profound changes since the World War Two. In the more advanced Western countries, the pace of change has been tremendous. The interaction of important environmental, socio-cultural, economic and political variables led to the extensive decentralization of cities and the suburbanization of the retail trade.

In the North American cities, this trend was encouraged by factors such as the out-migration of the middle class to the suburbs, the availability of land and limited planning constraints for shopping centre development, dependence on the automobile for shopping and a favourable climate for investments in retailing.

Against this backdrop, a great number of new and large shopping complexes were built in the suburbs. At the same time, and as a consequence of this trend, shopping facilities in the inner city deteriorated and the status of the central city area as the prime shopping districts declined.

This evolution - the suburbanisation of the retail trade and the decline of shopping facilities in the central area - was most evident in North America, but in other parts of the Western world, this trend developed at a later date and to a lesser degree.

In Britain, changes in retailing patterns have been less dramatic. Suburban developments in the country have been restricted by tight planning control and different environmental conditions. Instead, more emphasis has been placed on the redevelopment of shopping facilities in the inner city. Shopping precincts and pedestrian malls in the central urban area have been encouraged so that the central district may retain its status as the prime shopping area.

Among the European countries, France has been regarded as the pioneer of out-of-town shopping centres and hypermarkets. These centrifugal tendencies have been attributed to the physical and spatial characteristics of France settlements, demographic, social and economic factors. Over the last three decades, the long-established retailing pattern of France, traditionally concentrated in the town centre, has been supplemented by large-scale suburban developments.

This rapid pace of change has also recently occurred in West German, where population decentralization has fostered in the growth of planned shopping centres and hypermarkets in the suburbs. Similarly, considerable spatial and structural changes have taken place in the retailing pattern of Australian cities.

The suburbanization of the retail trade in all these countries has had a common effect : a modified urban structure. The steady erosion and decline in the city centre's retailing functions and the growth of prominent outlying shopping districts have promoted the development of multi-nuclei urban structures.

In the developing countries in the East, for example, many cities are now experiencing such marked changes in their retail trade owing to the higher economic growth, increasing per capita income, higher purchasing power, and their changing shopping habits.

2.3.2 In Malaysia

Over the last decade, the retail trade in the country has followed the path set by many Western cities in the post war period. In 1980s', development policies have generated tremendous economic growth leading to widespread social and economic changes.

Rapid population growth and its redistribution (especially in the Klang Valley), rising income, greater mobility and influx of tourists, increasing rental and labour costs, new merchandising techniques have contributed greatly to the changing retail scene in the country.

All these factors have fostered growth in the retail facilities, promoted the construction of new forms of retail outlets in mega shopping malls, caused shifts in their location and changes in the retail structures.

In terms of supply, "one-stop" shopping complexes have mushroomed all over the country. On the demand side, affluence has created a highly mobile class of consumers with higher purchasing power, more leisure and different shopping habits.

2.3.3 In The Klang Valley

As a result, changes in shopping patterns have been equally dramatic. The planned shopping centre, an innovation adopted from the West, has been chosen to highlight the changing pattern of retail activity because, as being new, it is able to fully exploit the latest trends in retailing. With radically different patterns of organisation, locational requirements and functions, the planned shopping centre is a prime example of retail change - it introduces a new concept in retailing.

As the planned shopping centre is designed to accommodate many stores within on building, it provides economies of scale for both retailers and shoppers. While retailers hope to benefit from the agglomeration or 'clustering' effect, consumers, having a comprehensive selection of goods and services under one roof, could save on travelling time since they would be able to do most, if not all, of their shopping at a single destination. This new form of retailing could therefore have considerable influence on entrepreneurial and consumer behavior.

Many of the Klang Valley's earliest ultra-modern, multi-stored shopping centres were sited in the central area of Kuala Lumpur, but a number of equally impressive structures have been appeared in the suburbs as well. Planned suburban shopping centres are accelerating the process of suburbanized retailing by opening up new or rejuvenating old shopping districts. They are

posing a challenge, if not a threat, to retail outlets in some older shopping districts and the central area.

These planned shopping centres reflect the efforts of both public and private bodies to meet the increasing demand for goods and services in the 90s. However, the feverish pace at which these buildings have been constructed may lead to the oversupply of shopping centres in the Klang Valley. If the same pace shopping complex developments continues, the oversupply of situation is likely to worsen. Moreover, the shopping complex developers and retailers would be constantly faced with the problem of identifying retail demand and location while the town and city planners have to cope with an increasing need for upgrading the existing infrastructures or for constructing new infrastructures.

2.4 A REVIEW OF PAST AND CURRENT SHOPPING CENTRE DEVELOPMENT TRENDS

2.4.1 Introduction

The evolution of shopping centre development in Malaysia began in Kuala Lumpur with the opening of the first purpose-built supermarket, the Weld Supermarket, at Jalan Weld (now Jalan Raja Chulan) in 1963. This supermarket offered a wide range of frozen food, groceries and imported goods and catered for the expatriate market.

The opening of Weld Supermarket was followed by the opening of Selangor Emporium in 1967 at Jalan Abdul Rahman, which led to the entry of other supermarkets and emporiums into the market, such as the Emporium Group, Globe Silk Store, Batu Road Supermarket and Yuyi Emporium.

2.4.2 Shopping Complexes In The 1970's

The first purpose-built shopping complex was Ampang Park in 1973, which marked the entrance of the first generation of shopping complexes in Kuala Lumpur.

The shopping complexes built in the 1970's include the following :

- Campbell Complex (1973)
- Wisma Stephen (1973)
- Wisma Central (1973)
- Sun Complex (1975)
- Pertama Complex (1976)
- Wisma MPI (1976)
- Angkasaraya (1978)
- Sungei Wang Plaza (1978)
- Bukit Bintang Plaza (1979)

These shopping complexes are essentially retail developments located within a podium block of a shopping-cum-office development and have poor amenities

and parking facilities. The retail outlets are generally small and the layout design is poor, with little pedestrian circulation and inefficient use of space.

2.4.3 Shopping Complexes In The 1980's

Shopping complexes of the 80's were purpose built shopping complexes like:

- Kota Raya (1982)
- Yow Chuan Plaza (1983)
- Imbi Plaza (1985)
- Kuala Lumpur Plaza (1985)
- The Mall (1987)
- The Weld (1988)
- Pudu Plaza (1989)

These shopping complexes enjoy good accessibility as they are located on main roads or at busy junctions of arterial or main roads. Ample parking lots are provided and easy entrance and exit points are strategically located for the convenience of shoppers who travel by car. However, the traffic congestion is usually the main problem exists in some of these shopping centres.

2.4.4 Current Trends Of Shopping Development

With the rapid economic growth and urbanisation in the Klang Valley, the current trends in shopping complexes development have been influenced by a wide range of social and economic factors.

New trends include the emergence of suburban shopping complexes, retail warehouses and hypermarkets.

The major factors that contributed towards these trends are :

1. Suburbanisation Of Residential Development

With the limited land available for residential development in the city, housing development has spread to the surrounding land at the city fringes. Many of these residential developments have taken the form of new townships and self-contained neighbourhoods, such as Subang Jaya, Bandar Kinrara, Bandar Baru Bukit Raja, Bandar Baru Wangsa Maju and Bandar Baru Damansara.

In general, it is the younger, richer and more mobile of the population who have migrated to the suburbs.

2. Increase In Female Working Population

More females are entering the workforce, which has brought about two implications on the retailing pattern. Firstly, the additions to the household incomes have increased the purchasing power. Secondly, women engaged in full-time employment have less time for shopping.

The result has been an increase in bulk buying and a reduction in the frequency of shopping trips, but shopping has turned into a family affair. To satisfy these new family shopping needs, there is a necessity to provide food and entertainment facilities in addition to shopping, with more emphasis on convenience, comfort and family oriented attractions and leisure.

3. Increase in mobility

The growth in car ownership has encouraged consumers to shop by car, which has contributed to bulk buying, the emergence of suburban shopping complexes and greater emphasis on car parking facilities.

4. Increase in purchasing power

With a buoyant economy, full employment and the population growth in the Klang Valley, the consumption of goods has increased in line with the rise in purchasing power.

2.5 SUBURBAN SHOPPING COMPLEXES

Faced with the growing competition and an increasing supply of new shopping complexes in the crowded downtown shopping streets in Kuala Lumpur, developers are being prompted to look for a new market, and many are developing new shopping complexes in the relatively untapped suburban residential areas.

The policy of urban decentralisation, enforced by the local authority to avoid crowding in the central area of Kuala Lumpur, has also encouraged the emergence of suburban shopping complexes.

Most of these shopping complexes are carefully planned and designed as one-stop self-contained family, entertainment and food centres to service the daily needs of residents in the area.

Although these complexes provide less variety and choice of goods, the self-contained concept meets the daily necessities, offers convenience and easy accessibility by reducing travelling time as well as costs to travel downtown.

A typical location of a suburban shopping complex is usually

- along a main road
- at the junction of ring roads/highways
- on the fringe of town centres
- within residential areas

2.6 **THE ADVENT OF RETAIL WAREHOUSE**

Wholesale warehousing was introduced in Malaysia in 1993 with the opening of Makro Cash & Carry Wholesale Warehouse in Shah Alam. Retail warehouses are usually large open-plan buildings located on the outskirts of town serving as one-stop retail centres selling a narrow range of goods and merchandise. Consumers are able to enjoy competitive wholesale prices, as the warehouses buy goods directly from manufacturers and resell them in bulk to shoppers. Thus consumers benefit from the savings in both distribution and transport costs.

Retail warehouses operate as one-stop shopping centres offering discounted prices, free parking, fresh goods and high quality merchandise on a self-service basis.

Makro is a joint venture project between Makro Holdings (Netherlands), the Selangor State Development Corporation and PKNS-Inchcape.

Makro is expanding very quickly with the opening of a few more outlets in Selayang, Plentong (Johor), Ipoh and Penang respectively.

2.7 THE INTRODUCTION OF HYPERMARKET

A hypermarket is a single level, self-service store offering a wide range of food and non-food merchandise with at least 50,000 sq. ft. of gross retail space supported by free parking spaces. It offers goods at wholesale prices by purchasing in them in large quantities from suppliers in order to obtain higher discounts, which are then passed onto customers.

The opening of the French based “Carrefour” signals the advent of hypermarkets to Malaysia. The economic and political stability in the country have attracted those international hypermarkets to its shores. There are today a wide array of hypermarkets in the country : Carrefour, Giant Cash & Carry, Cosmart and Booker Malaysia, just name a few.

According to “Carrefour”, which pioneered the hypermarket concept more than 20 years ago in Holland, the start-up investment for the hypermarket in Malaysia involved some RM150 million. Its first outlet in Subang Jaya was opened in 1994. Its aim has always been to go into a country and dominate its retail scene within 10 years.

“Giant” is the first local-based hypermarket operator with its first outlet in Subang Jaya. Its second outlet is located in Taman Melawati.

“Cosmart”, the second hypermarket in the country owned and managed by a Malaysian corporation, Metrojaya, has become the newest hypermarket in Malaysia’s retail sector following the opening of its first store in the Pandan Indah commercial centre in Kuala Lumpur in November 1996. The company has planned to have six hypermarkets open by the year 2000.

The British-based company, Booker Cash & Carry, the country’s first trade-only grocery warehouse and the Europe’s largest food wholesaling company, has formed a joint venture with local entrepreneurs - “Booker Malaysia”. Its ‘trade-only’ concept differs slightly from the norm practised by conventional hypermarkets - it caters exclusively to small retailers and hawkers.

Booker plans to open 20 such hypermarkets by year 2002. It believes independent grocery retailers who have lost ground to the aggressive

expansion of multinational hypermarketss would find Booker a boon for their business.

Small retailers and supermarkets fear that they may not be able to compete against the low prices and other benefits of the hypermarkets. However, a recent situation shown that some supermarkets have been able to hold their own by offering competitive prices.

To add to the hodge-podge of shopping outlets, a new style of retailing called discount supermarkets is making its debut in the country. One of them, Wellsave Supermarket, aims to open a minimum of 30 discount supermarkets in the next five years.

2.8 NEW TECHNIQUES OF MERCHANDISING

Besides the provisions of new forms of retail outlets and shifts in retail locations, retailers also introduced new merchandising techniques. Self-service, check-out facilities, buying on credit and point of sales system have since been gaining popularity and the revolution in retailing technology is reinforcing the trend towards the integrated shopping facilities and the development of planned shopping centres.

2.9 REVIEW OF THE RETAIL INDUSTRY IN KLANG VALLEY

For the purpose of this research study, the retail industry in Klang Valley is divided into the following regions :

1. The Central Business District of Kuala Lumpur
2. The Golden Triangle of Kuala Lumpur
3. The Kuala Lumpur Suburban Area
4. The Western Klang Valley
5. The Eastern Klang Valley
6. The Northern Klang Valley
7. The Southern Klang Valley

2.9.1 The Central Business District Of Kuala Lumpur

a) Current Supply

The total number of existing shopping complexes in the Central Business District is 13 with a total net lettable space of 2,010,218 sq. ft. (Table 2.2)

A few new shopping complexes come into the market due to the lack of suitable development sites. These new shopping complexes come into existence in the form of urban renewal or redevelopment projects such as Plaza Putra (Dayabumi), Sinar Kota, UDA Ocean and Pernas Sogo.

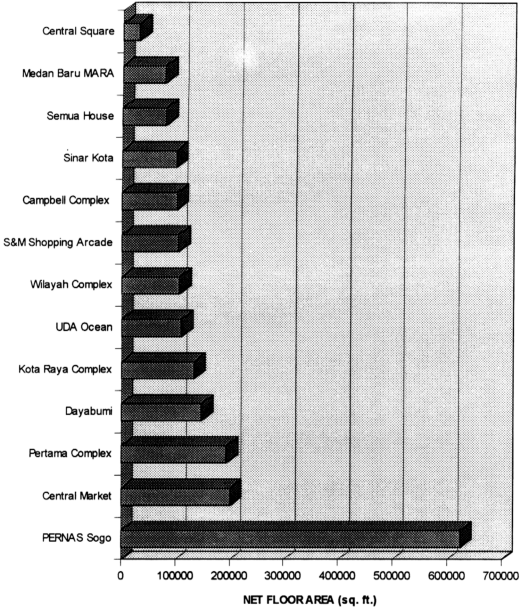
The latest addition to the supply was the Sogo Department Store, officially opened in January 1994. It is the largest purpose-built department store in South East Asia with a net retail space of 624,000 sq. ft. The store is part of the Phase I of an integrated development which would act as a catalyst in transforming the traditional shopping street of Jalan Tuanku Abdul Rahman into a modern shopping commercial area.

TABLE 2.2 : EXISTING SUPPLY OF RETAIL SPACE IN THE CENTRAL BUSINESS DISTRICT, KUALA LUMPUR

| No. | Shopping Complex | Location | Year | Net Lettable Area (sq.ft.) | Cumulative Supply (sq.ft.) |
|-----|-------------------------------|-----------------|------|----------------------------|----------------------------|
| 1 | Campbell Complex | Jln. Dang Wangi | 1973 | 102,131 | 102,131 |
| 2 | Pertama Complex | Jln Dang Wangi | 1976 | 193,826 | 295,957 |
| 3 | Kota Raya Complex | Jln. Cheng Lock | 1982 | 133,644 | 429,601 |
| 4 | Wilayah Complex | Jln. Dang Wangi | 1983 | 106,311 | 535,912 |
| 5 | Medan Baru MARA | Jln. Raja Laut | 1986 | 78,306 | 614,218 |
| 6 | Semua House | Lrg. Bunus Enam | | 80,000 | 694,218 |
| 7 | Plaza Putra (Dayabumi) | Jln. Sultan | | 147,000 | 814,218 |
| 8 | Central Market | Hishamuddin | | 200,000 | 1,041,218 |
| 9 | Central Sq.(Central Mkt Ph.2) | Jln. Pasar | 1990 | 30,000 | 1,071,218 |
| 10 | Sinar Kota | Jln. Silang | 1991 | 100,000 | 1,171,218 |
| 11 | UDA Ocean | Jln. Bandar | 1992 | 110,000 | 1,281,218 |
| 12 | S&M Shopping Arcade | Jln. Cheng Lock | | 105,000 | 1,386,218 |
| 13 | PERNAS Sogo | Jln Dang Wangi | 1993 | 624,000 | 2,010,218 |

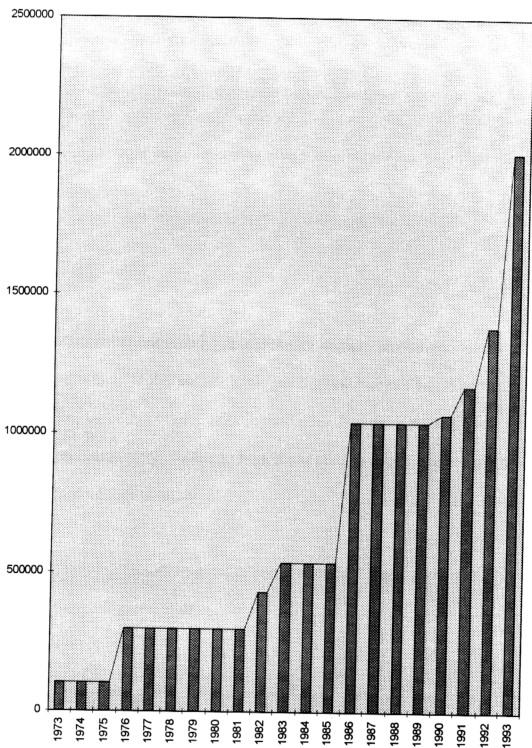
Source : Researcher's compilation

FIGURE 2.1 : EXISTING SUPPLY OF RETAIL SPACE IN THE CENTRAL BUSINESS DISTRICT, KUALA LUMPUR



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**FIGURE 2.2 : CUMULATIVE SUPPLY OF RETAIL SPACE IN THE
CENTRAL BUSINESS DISTRICT, KUALA LUMPUR (sq. ft.)**



b) Occupancy Rate

The over retail occupancy rate of shopping complexes in the Central Business District is about 91% with 180,900 sq. ft. vacant.

Wilayah Shopping Complex has a high vacancy rate of 34.8% of its retail outlets. Other shopping centres have high occupancy rate with less than 5% vacancy.

c) Rental Rates

High rental occupancy rate and strong demand has driven monthly retail rents high. Higher income levels and disposal incomes would be translated into significant volume gains in retail sales. Improving trading levels would encourage more retailers to expand and take up floor space and this would feed through to higher rents.

Table 2.3 shows the average rental rates for shopping complexes in the Central Business District.

TABLE 2.3 : RENTAL OF SHOPPING COMPLEXES IN CENTRAL BUSINESS DISTRICT, KUALA LUMPUR

| Floor Level | Rental Rate (RM psf) |
|--------------------|---------------------------------|
| Ground Floor | 8.30 - 16.70 |
| First Floor | 6.70 - 10.00 |
| Second Floor | 4.20 - 6.30 |
| Third Floor | 2.90 - 4.20 |

Source : Researcher's Compilation

2.9.2 The Golden Triangle OF Kuala Lumpur

a) Current Supply

There is a total of 13 shopping complexes located in this prime retail area offering a total of about 3.6 million sq. ft. of net retail space. (Table 2.4)

The Jalan Bukit Bintang/Jalan Sultan Ismail remains the prime shopping district for Kuala Lumpur. The prime shopping complexes located at this shopping strip are as follows :

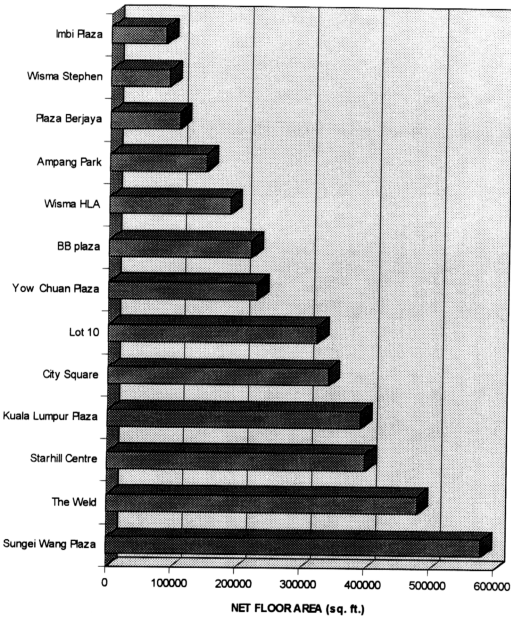
- BB Plaza
- Sungei Wang Plaza
- Kuala Lumpur Plaza
- Lot 10
- Starhill Centre

TABLE 2.4 : EXISTING SUPPLY OF RETAIL SPACE IN GOLDEN TRIANGLE, KUALA LUMPUR

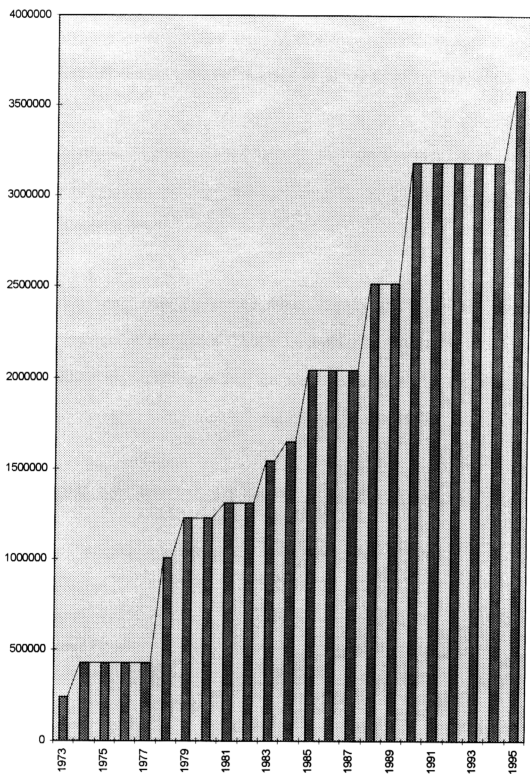
| No. | Shopping Complex | Location | Year | Net Lettable Area (sq.ft.) | Cumulative Supply (sq.ft.) |
|-----|----------------------|--------------------|------|----------------------------|----------------------------|
| 1 | Ampang Park | Jln. Ampang | 1973 | 149,145 | 149,145 |
| 2 | Wisma Stephen/Cosway | Jalan Raja Chulan | 1973 | 90,700 | 239,845 |
| 3 | Wisma HLA | Jalan Raja Chulan | 1974 | 187,000 | 426,845 |
| 4 | Sungei Wang Plaza | Jln Sultan Ismail | 1978 | 579,602 | 1,006,447 |
| 5 | BB Plaza | Jln. Bukit Bintang | 1979 | 220,420 | 1,226,867 |
| 6 | Imbi Plaza | Jln. Imbi | 1981 | 85,000 | 1,311,867 |
| 7 | Yow Chuan Plaza | Jln. Tun Razak | 1983 | 230,000 | 1,541,867 |
| 8 | Plaza Berjaya | Jln. Bukit Bintang | 1984 | 107,000 | 1,648,867 |
| 9 | Kuala Lumpur Plaza | Jln. Bukit Bintang | 1985 | 392,000 | 2,040,867 |
| 10 | The Weld | Jln. Raja Chulan | 1988 | 480,000 | 2,520,867 |
| 11 | Lot 10 | Jln. Bukit Bintang | 1990 | 323,000 | 2,843,867 |
| 12 | City Square | Jln. Tun Razak | | 341,313 | 3,185,180 |
| 13 | Starhill Centre | Jln Bukit Bintang | 1995 | 400,000 | 3,585,180 |

Source : Researcher's compilation

FIGURE 2.3 : EXISTING SUPPLY OF RETAIL SPACE IN THE GOLDEN TRIANGLE AREA, KUALA LUMPUR



**FIGURE 2.4 : CUMULATIVE SUPPLY OF RETAIL SPACE IN THE
GOLDEN TRIANGLE, KUALA LUMPUR (sq. ft.)**



b) Occupancy Rate

The continued buoyant economy, high employment rate, rising disposable income, increasing retail spending by consumers, sustainable large tourist arrivals coupled with the shortage of supply of prime retail space have driven up an overall high occupancy rate at above 95%. Among these shopping complexes, Plaza Berjaya has the highest vacancy rate of 6.6%.

c) Rental Rates

The rental rates for ground floors shoplots at these prime shopping complexes in the Golden Triangle are fetching from RM14.50 to as high as RM30 psf depending on their size and location. Rental for the retail space on the higher floor remain stable at an average of RM10 psf.

TABLE 2.5 : RENTAL OF SHOPPING COMPLEXES IN GOLDEN TRIANGLE, KUALA LUMPUR

| Floor Level | Rental Rate (RM psf) |
|--------------------|---------------------------------|
| Ground Floor | 14.50 - 30.00 |
| First Floor | 8.30 - 16.70 |
| Second Floor | 6.60 - 10.00 |
| Third Floor | 4.20 - 6.70 |

Source : Research's compilation

2.9.3 **KUALA LUMPUR SUBURBAN AREA**

a) **Current Supply**

There are 16 shopping complexes located in this Kuala Lumpur suburban area with a total lettable retail space of about 3.7 million sq. ft. (Table 2.6)

The location of The Mall, Jalan Putra, is situated outside the Central Commercial Area as defined in the Comprehensive Development Plan No. 1039 of Kuala Lumpur. It was the first shopping complex developed outside the Central Business District and the Golden Triangle.

The construction of shopping complexes has been very active in the suburban area of Kuala Lumpur, with the emergence of the following new shopping complexes in the past few years :

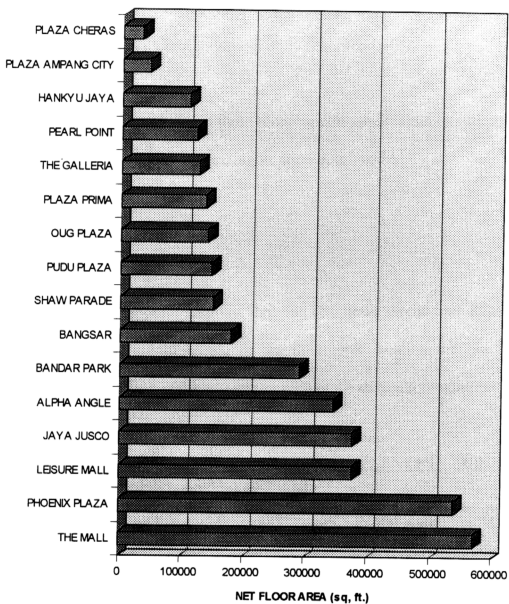
- Pearl Point
- Plaza Prima
- Leisure Mall
- Phoenix Plaza
- Alpha Angle
- Hankyu Jaya

TABLE 2.6 : EXISTING SUPPLY OF RETAIL SPACE IN THE KUALA LUMPUR SUBURBAN AREA

| No. | Shopping Complex | Location | Net Lettable Area (sq. ft.) |
|-------|-------------------------|--------------------|--------------------------------|
| 1. | Shaw Parade | Jln. C. T. Dollah | 149,941 |
| 2 | Pearl Point | Jln. Kelang Lama | 120,090 |
| 3 | Bandar Park | Jln. Kelang Lama | 290,000 |
| 4 | Plaza Prima | Jln. Kelang Lama | 137,102 |
| 5 | OUG Plaza | Jln. Kelang Lama | 141,000 |
| 6 | Bangsar Shopping Centre | Jln. Maarof | 180,000 |
| 7 | Hankyu Jaya | Bangsar | 110,000 |
| 8 | Plaza Cheras | Cheras | 32,190 |
| 9 | Alpha Angle | Wangsa Maju | 344,320 |
| 10 | Plaza Ampang City | Jln. Ampang | 45,000 |
| 11 | The Mall | Jln. Putra, KL | 570,000 |
| 12 | Leisure Mall | Tmn. Segar, Cheras | 375,000 |
| 13 | Phoenix Plaza | Cheras | 538,200 |
| 14 | Jaya Jusco | Cheras | 375,000 |
| 15 | Pudu Plaza | Jln. C. T. Dollah | 147,000 |
| 16 | the Galleria | Jalan Pahang | 125,000 |
| Total | | | 3,679,843 |

Source : Researcher's compilation

FIGURE 2.5 : EXISTING SUPPLY OF RETAIL SPACE IN THE KUALA LUMPUR SUBURBAN AREA



b) Occupancy Rate

The occupancy rate in Plaza Prima, Jalan Kelang Lama and Phoenix Plaza, Jalan Cheras are extremely low at about 30% and 70% respectively, while the vacancy rate of the rest of the shopping complexes is generally below 5%, with certain of them having 100% occupancy rate.

The high take-up rate of those shopping complexes is mainly supported by a larger population size and higher disposable income.

c) Rental Rates

The rental rates for suburban shopping complexes ranged from RM4.60 to RM 24.00 psf. depending on the floor level, location and size of the shoplots as well as the strategic location of the shopping complexes.

TABLE 2.7 : RENTAL OF SHOPPING COMPLEXES IN SUBURBAN AREA, KUALA LUMPUR

| Floor Level | Rental Rate (RM psf) |
|--------------------|---------------------------------|
| Ground Floor | 6.70 - 10.00 |
| First Floor | 5.00- 6.70 |
| Second Floor | 3.30 - 5.00 |
| Third Floor | 2.50 - 4.20 |

Source : Researcher's compilation

2.9.4 THE WESTERN KLANG VALLEY

a) Current Supply

The Western Klang Valley has introduced a new form of exciting retail development in recent years. The advent of Makro Cash & Carry Retail Warehouse as well as Carrefour Hypermarket signify the dawn of a new retail warehousing and hypermarket are in the Klang Valley. This emerging trend is later joined in by Giant Cash & Carry in Subang Jaya.

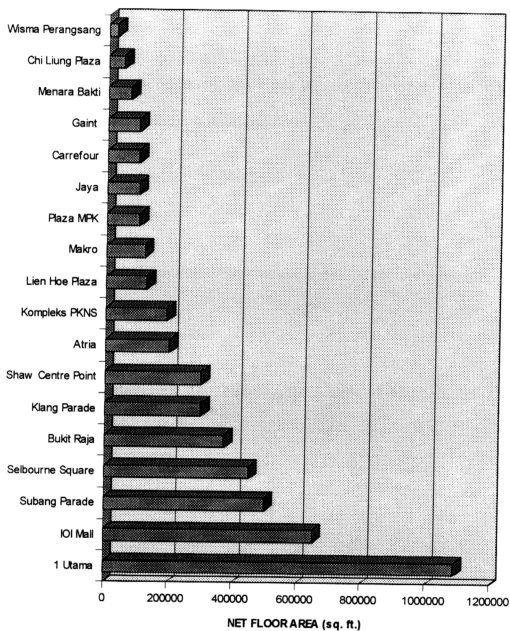
There are currently 18 shopping complexes in the Western Klang Valley with the total net lettable retail space of about 4.8 million sq. ft. (Table 2.8)

TABLE 2.8 : EXISTING SUPPLY OF RETAIL SPACE IN THE WESTERN KLANG VALLEY

| No. | Shopping Complex | Location | Net Lettable Area (sq. ft.) |
|-------|--------------------------------|----------------|-----------------------------|
| 1. | Makro | Shah Alam | 120,000 |
| 2 | Kompleks PKNS | Shah Alam | 189,920 |
| 3 | Wisma Perangsang | Shah Alam | 27,000 |
| 4 | Selbourne Square | Shah Alam | 450,000 |
| 5 | Carrefour | Subang Jaya | 100,000 |
| 6 | Subang Parade | Subang Jaya | 500,000 |
| 7 | Giant Cash & Carry | Subang | 100,000 |
| 8 | Plaza Atria | Damansara Jaya | 200,000 |
| 9 | IOI Mall | Puchong | 650,000 |
| 10 | Klang Parade | Klang | 300,000 |
| 11 | Shaw Centre Point | Klang | 300,000 |
| 12 | Chi Liung Shopping Centre | Klang | 50,000 |
| 13 | Plaza Majlis Perbandaran Klang | Klang | 103,119 |
| 14 | Lien Hoe Plaza (Asiajaya) | Petaling Jaya | 127,000 |
| 15 | Jaya Supermarket | Petaling Jaya | 100,912 |
| 16 | Menara Bakti | Petaling Jaya | 72,000 |
| 17 | One Utama | Bandar Utama | 1,088,000 |
| 18 | Bukit Raja Shopping Centre | Klang | 372,000 |
| Total | | | 4,849,951 |

Source : Researcher's compilation

**FIGURE 2.6 : EXISTING SUPPLY OF RETAIL SPACE IN THE
WESTERN KLANG VALLEY**



b) **Occupancy Rate**

Modern shopping complexes enjoyed zero or near zero vacancy rates with the exception of Asia Jaya Shopping Complex (now renamed as Lien Hoe Plaza with 17% vacancy rate.

High demand for retail space has also contributed towards the high occupancy rate in Shah Alam and Klang.

c) **Rental Rates**

The following Table 2.9 shows the average rental rates of retail space in the Western Klang Valley.

TABLE 2.9 : RENTAL OF SHOPPING COMPLEXES IN WESTERN KLANG VALLEY

| Floor Level | Rental Rate (RM psf) |
|--------------------|---------------------------------|
| Ground Floor | 6.70 - 8.40 |
| First Floor | 5.00- 6.70 |
| Second Floor | 3.30 - 5.00 |
| Third Floor | 2.50 - 4.20 |

Source : Researcher's compilation

2.9.5 The Eastern Klang Valley

a) Current Supply

The densely populated Ampang area provides opportunities for the development of shopping complexes. Ampang Point Shopping Centre was the first to tap the retail opportunities in the area.

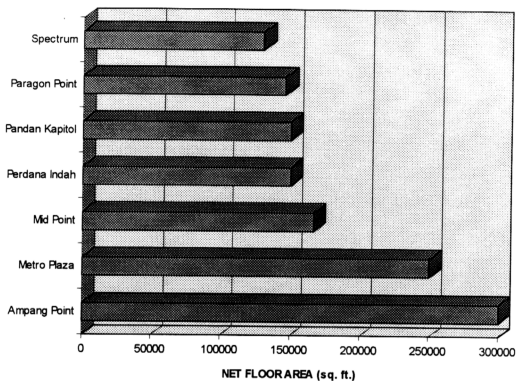
The current supply of retail space in the Eastern Klang Valley is shown in Table 2.10 comprising of seven shopping complexes with a total net lettable area of 1.3 million sq. ft.

TABLE 2.10 : EXISITING SUPPLY OF RETAIL SPACE IN THE EASTERN KLANG VALLEY

| No. | Shopping Complex | Location | Net Lettable Area (sq. ft.) |
|-------|------------------|---------------------|-----------------------------|
| 1. | Ampang Point | Ampang Jaya | 300,000 |
| 2 | Mid Point | Pandan Indah | 166,788 |
| 3 | Paragon Point | Taman Putra, Ampang | 146,000 |
| 4 | Metro Plaza | Kajang | 250,000 |
| 5 | Spectrum | Bandar Baru Ampang | 130,000 |
| 6 | Perdana Indah | Pandan Indah | 150,000 |
| 7 | Pandan Kapitol | Pandan Indah | 150,000 |
| Total | | | 1,292,788 |

Source : Researcher's compilation

**FIGURE 2.7 : EXISTING SUPPLY OF RETAIL SPACE IN THE
EASTERN KLANG VALLEY**



b) Occupancy Rate

The vacancy rate is less than 5% as most of the shopping complexes are purpose-built shopping complexes.

c) Rental Rates

The average rental rates for shopping complexes in the Eastern Klang Valley is as shown in Table 2.11.

**TABLE 2.11 : RENTAL OF SHOPPING COMPLEXES IN THE
EASTERN KLANG VALLEY**

| Floor Level | Rental Rate (RM psf) |
|--------------------|---------------------------------|
| Ground Floor | 5.80 - 7.90 |
| First Floor | 4.20 - 5.80 |
| Second Floor | 2.50 - 3.80 |
| Third Floor | 1.70 - 2.50 |

Source : Researcher's compilation

2.9.6 The Northern Klang Valley

a) Current Supply

There are six shopping complexes in this region with a total net lettable area of 1,341,232 sq. ft. (Table 2.12)

Selayang Mall, Summit Square, Kompleks Desa were new shopping complexes open in end 1995.

**TABLE 2.12 : EXISITING SUPPLY OF RETAIL SPACE IN THE EASTERN
KLANG VALLEY**

| No. | Shopping Complex | Location | Net Lettable Area (sq. ft.) |
|-------|-------------------|------------|-----------------------------|
| 1. | Plaza Sungai Emas | Jalan Ipoh | 74,000 |
| 2 | Wisma YCL | Selayang | 90,032 |
| 3 | Makro | Selayang | 185,700 |
| 4 | Selayang Mall | Selayang | 320,000 |
| 5 | Summit Square | Selayang | 500,000 |
| 6 | Kompleks Desa | Selayang | 171,500 |
| Total | | | 1,341,232 |

Source : Researcher's compilation

b) Occupancy Rate

Summit Square has the lowest occupancy rate of about 50% among the shopping complexes in this region. Some of its shoplots were never occupied since its opening in December 1995.

Some of these shopping complexes are trying to persuade tenants to come in by giving competitive packages like free rentals of up to three months and the subsequent rentals would be charged on consignment basis i.e. based on a certain commission margin levied on the monthly sales generated.

c) Rental Rates

The average rental rates are in the range of RM2.50 to RM5.00 depend on the level and the location of the shoplots.

2.9.7 The Southern Klang Valley

Current Supply

There is currently no shopping complexes in the Southern Klang Valley. However upon completion of the Kuala Lumpur International Airport, the population in Sepang and surrounding towns is expected to increase as more employment opportunities would arise in the area. Upon reaching a favourable population size, the opportunities for retail development would arise. Table 2.13 shows the projected population for the districts in the Southern Klang Valley.

TABLE 2.13 : PROJECTED POPULATION FOR THE DISTRICTS IN SOUTHERN KLANG VALLEY

| District | 1995 | 2000 | 2005 | 2010 |
|--------------|---------|---------|---------|---------|
| Selangor | 60,943 | 395,744 | 446,462 | 480,026 |
| Kuala Lumpur | 136,010 | 155,700 | 175,450 | 196,500 |
| TOTAL | 196,953 | 551,444 | 621,912 | 676,526 |

Source : Kuala Lumpur, Selangor and Putrajaya Structure Plan - Report of Survey 1995

2.10 DEMAND OVERVIEW

The fast-growing Malaysian economy is spurring a large quantity of new retail space within the Klang Valley metropolitan area. The effect of large scale developments such as KLCC, Star City, Plaza Rakyat, Vision City, Mid Valley, Kuala Lumpur Sentral in particular, are creating concern, not just because of their scale, but of their effects on the locational nature of retailing in the Klang Valley.

Competition among the retailers in this area has become keen. This would trigger the concern of the adverse situation in Singapore, Hong Kong and Japan where retailers are suffering because of the oversupply of too many shops and stores in shopping complexes.

Table 2.14 is an indication of some of the new shopping complexes that would offer extra choices to shoppers by 2000, together with an indication of the turnover needed to be successful.

**TABLE 2.14 : ANALYSIS OF NEW COMPREHENSIVE RETAIL
SPACE IN THE KLANG VALLEY BY 2000**

| SHOPPING COMPLEX | NET AREA ESTIMATE ('000 Sq. Ft.) | PRODUCTIVITY FORECAST (RM/Sq. Ft.) | TURNOVER FORECAST (Million RM) |
|--|--|--|--------------------------------------|
| Kuala Lumpur City | | | |
| Berjaya Star City | 2000 | 1500 | 3000 |
| Capital Square | 900 | 1200 | 1080 |
| Duta Square | 350 | 1200 | 420 |
| Imbi World | 100 | 1000 | 100 |
| KLCC | 1000 | 1500 | 1500 |
| KL Sentral | 1000 | 1500 | 1500 |
| Linear City | 1000 | 1500 | 1500 |
| Low Yat City | 750 | 1000 | 750 |
| Plaza Rakyat | 1100 | 1200 | 1320 |
| St. Mary's | 650 | 1200 | 780 |
| Vision City | 1000 | 1500 | 1500 |
| Fringe of Kuala Lumpur | | | |
| Ampang Leisure Mall 2 | 350 | 1000 | 350 |
| Galaxy Ampang | 650 | 1000 | 650 |
| Maxiseagar | 300 | 1000 | 300 |
| Mid Valley | 1700 | 1000 | 1700 |
| Pandan Parade | 200 | 1000 | 200 |
| UE3 | 700 | 1000 | 700 |
| Damansara Uptown | 650 | 1000 | 650 |
| Summit Centre | 1200 | 1000 | 1200 |
| Brem Mega Mall | 500 | 1000 | 500 |
| PJ/Bandar Sunway/ Subang Jaya/Shah Alam | | | |
| Amcorp. Mall | 400 | 1000 | 400 |
| Kelana Jaya | 300 | 1000 | 300 |
| City Props | 800 | 1000 | 800 |
| Summit City | 500 | 1200 | 600 |
| Sunway Pyramid | 800 | 1000 | 800 |
| Subang Twins | 300 | 1000 | 300 |
| Capital Point | 300 | 1000 | 300 |
| Old Klang Road | | | |
| Galaxy Petaling | 650 | 1000 | 650 |
| Klang Valley Plaza | 850 | 1200 | 1020 |
| Off KL-Seremban Highway | | | |
| Endah Parade | 650 | 1000 | 650 |
| The Mines | 800 | 1000 | 800 |
| TOTAL | 22,450 | | 26,320 |
| Unidentified @ 15% | 3,368 | | 3948 |
| GRAND TOTAL | 25,818 | | 30,628 |

Source : The Sun Property (Thursday, March 14, 1996)

Before the end of the decade, the spending power in the Klang valley would have more than doubled and by then all shoppers would be given more choice as to where, and how, to spend their hard earned money. Like shoppers over the world, this increasing choice would allow them, and to some extent teach them, to become more discriminating.

The successful shopping complexes of the future would be those that have carefully analysed and incorporated those factors which shoppers use to discriminate one complex from another into their developments. This means that their designs would be led by the long-term needs of both the shoppers and retailers.

From the project inception through the on-going complex management, a holistic new approach of the development must form the heart of the complex management's philosophy. Every compromise taken against the required standards would be one step in the direction of failure. The major change is that whilst in the past, the shopping complexes could be built with the investors' needs uppermost, the needs of the shoppers must be at the forefront of the successful shopping complexes of future.

This situation demands a new approach to shopping complex development where the long term needs of the shoppers and retailers are utilised to lead the design process. Creating cheap buildings with expensive selling prices, glossy marketing and little substance may still be able to attract the investors, but the

retailers are already more cautious because they know the shoppers of the future would be looking for something a lot better, where form and substance are combined in the right balance to appeal to the target market.

2.11 FOREIGN OPERATORS IN MALAYSIA'S RETAIL INDUSTRY

Retailing in Malaysia today is no longer the domain of the local retailers. The entry of new and innovative retail outlets, by virtue of the booming economy, have literally opened more doors to the customers to make shopping a mind-boggling variety of choice.

Foreign operators of hypermarkets, home shopping networks, discount stores and grocery warehouses have come in droves to Malaysia to set up shop and give existing retailers a run for their money.

Hypermarkets, home shopping networks, discount stores and grocery warehouses as well as those sophisticated shopping malls have changed forever the local retail scene and transformed Malaysia into a shopping haven. At present, this rich mix has worked well for the industry, where sales have exceeded RM12 billion compared with only RM4 billion during the recession in the mid-80s.

2.12 RETAIL SURVIVAL

For almost a decade, the growth of the retail sector has been phenomenal. Going by official statistics of the Statistics Department, the retail industry is reported to have grown by 16% per year. By 1995, total sales have increased to nearly RM13 billion. This is more than three times the figure reached at the end of the recession years in 1987. Likewise, retail space in the Klang Valley appears to have grown just as fast.

With full employment and the economy continuing to power strongly ahead, incomes levels would surely rise and so would the nation's purchasing power. The Government's efforts at promoting tourism has brought in more than just the numbers. Visitors are staying longer and are spending twice as much as before. These are powerful factors that boosted retailing fortunes.

As consequential development is the arrival of the large retail operators on the scene. At present, the seven major players (i.e. The Stores Corporation, Metro Jaya, Mun Loong, Sui Wah Corporation, Yaohan, Parkson and Jaya Jusco Stores (ranking as per their yearly earning yield and market capitalisation)) control about 20% of the market. Then there are the few huge international hypermarket chains that came to set up business besides the scores of supermarkets, departmental stores, specialty stores, shopping malls and convenient store chains that have sprung up in practically every major towns in

the country today. On top of all these there are, of course, the thousands of the traditional retail outlets ranging from sundry shops to wet markets.

Looking at the large crowd, its diversity and the expansion drive that seems to go on and on, analysts are already expressing concerns about the industry. A glance at the big seven tells a story far less compelling than some would care to see. While Jaya Jusco has reported rising profits, Metrojaya for its last financial year reported a significant drop (18%) in pretax profits. Mun Loong too has not been profitable. The general feeling is that stiff competition, high rentals and a tight labour situation are the beginning to squeeze margins.

The question may well not so much whether there would be losses, but one of who and when. Business cycles may overstay. But like all good thing, they cannot last forever. Neighbouring Singapore's retailing slump is reported to have entered its third year. Their stars like Robinsons & Co, Isetan, Metro Holdings and CK Tang have all reported either sharp declines in earnings or outright losses.

It is interesting to see what would happen if there should be a retail shakedown. Common sense suggests that survival would be easier for those with a comfortable capital base, a comfortable cushion of international network, a well-conceived business strategy and a management that is richly endowed with effective retail technology and experience. Those that come in with a quick kill approach will most likely be the first to fall.

Yet crucial as survival is to the retailers, there are other worries as well. An appropriate balance has to be struck between local and foreign participation. A more definitive policy is needed to promote local goods against domination branded foreign imports. The over-competition of facilities in the Klang Valley warrants a careful rethink. Then there is also the need to balance foreign technology and expertise with local capabilities. Bumiputra participation, especially lacking in wholesaling, requires upgrading. Presiding over these, the official industry watchdog - the retail committee of the Ministry of Trade and Consumer Affairs should monitor closely on the development.

2.13 THE NEW AGE RETAILER

A strongly performing economy in Malaysia in the past several years has brought about emergence of a large middle income group. Following trends and becoming more discriminating and sophisticated in their tastes, this solid belt of shoppers are demanding that retailers put quality where the shoppers' money is.

In its October 1996 Newsletter, ACNielsen-SRG, a recently merged international marketing and research organisation based in Hong Kong, detailed the retailing reforms in Asia.

Multinational retailers are attracted to the region due to Asia's trade liberalisation philosophy. Modern retail trade has doubled over the past five years in countries like Malaysia, Taiwan and Thailand. Physical evidence of this is seen in the mushrooming of shopping complexes with supermarkets, department stores, specialty stores, convenience stores, warehouse clubs and other self-service outlets. By 1997, multinational retailers operating in Malaysia would include Watson's, Makro, Carrefour, Dairy Farm, Davids, Marks and Spencer, Ikea, etc.

Retailers of the current age of new technology are more customer-attentive, merchandise more aggressively, and always seek strategic trade alliances. Manufacturers are also seeking long-term win-win partnerships with retailers. Sophisticated retailers are seen as mindful of the market trends. Retailers who mindlessly put products on their shelves just to match the competition are gradually phasing out.

Pre-requisites for a retailer's growth and success including operating a large number of outlets, having high sales volume, being located strategically and refurbishing existing outlets. A large volume of sales is needed for retailers to develop personal products of high quality at reasonable pricing. This volume is a strong leverage when negotiating products supply contracts with manufacturers in the region.

Growth strategies of the new technology retailers include locating in large populated residential suburbs, particularly in new growing townships near convenient transportation systems, ample parking facilities and targeting the purchasing power of middle income groups. Other measures are human resource development by training retail managers in the latest retail technology, designing floor layout to enhance customer convenience and comfort and stocking reasonably priced products with the appeal to meet shoppers' everyday needs.

While competition in Malaysia is expected to become stiffer, the consumer market is also expected to grow continuously. This is particularly so with the imminent coming into force of the ASEAN Free Trade to dismantle tariff barriers. This move is expected to shrink retail prices further, increase variety of regional products and promote local produce on the shelves of foreign stores.