

CHAPTER V

RESEARCH RESULTS

5.1 INTRODUCTION

This chapter presents the following research findings :

- I. The analysis of the development of retail space in shopping complexes in the Klang Valley.
- II. The compilation of the views of the major chain store retailers who are the member companies of The Association of the “Retailers Chain Affiliation, Malaysia” on the mushrooming of new shopping complexes in the Klang Valley and its impact on the retail industry development.
- III. The conclusion on the investigation that there is an oversupply of retail space in shopping complexes in the Klang Valley at the existing level of demand.

The research results are organised into three parts as follows :

- Part I : Secondary Data Collection on the development of shopping complexes
- Part II : Primary Data Collection on the views of retailers on the shopping complex development and the retail industry development.
- Part III : Summaries of research results.

5.2 **PART I (SECONDARY DATA COLLECTION)**

The following subsections present the survey results of Part I, which were mainly secondary data collection and analysis.

5.2.1 **An Overview Of The Malaysian Economy**

The Malaysian economy continued on its robust growth path for the ninth consecutive year. The 1996 economic performance was brought about by low inflationary growth (3.5%) coupled with the healthy financial position of the Federal Government. Demand, both domestic and external, was bouyant. Supply responded by exhibiting strong growth, especially in the manufacturing and construction sectors.

TABLE 5.1 : KEY ECONOMIC DATA

Indicators (unit)	KEY ECONOMIC INDICATORS 1991-1997						
	1991	1992	1993	1994	1995	1996	1997e
Population (million)	18.38	18.86	19.35	19.85	20.37	20.90	21.44
Gross Domestic Product (%per annum)	8.7	7.8	8.3	9.2	9.5	8.2	8.0
Gross National Product (%per annum)	8.2	7.2	8.7	9.1	9.3	8.1	8.0
Per Capital National Income (RM per annum)	6,796	7,539	8,126	8,975	10,068	11,118	12,171

Source : Economic Reports

At present, Malaysia is experiencing the longest and strongest expansion of its economy in over 40 years. Gross Domestic Product increased by 8.2% in 1996, making it the ninth year that Malaysia has recorded tremendous economic growth exceeding an average of over 8% per annum.

Consequently, the nominal gross national product or GNP (i.e. output attributed to residents) increased by 13.1% in 1996, as compared to an increase of 10.4% from the 1995 level. The per capita income of the population was increased by 10.5% to reach RM11,118 in 1996.

With the nominal GNP expected to increase by 12.0%, per capita income is expected to improve further by 9.5% to RM12,171 in 1997.

The Government's liberal and growth-oriented policies, political and economic stability, good infrastructural support and availability of finance are some of the factors which contribute to Malaysian economic achievements.

A noteworthy development testimony to developers' continued confidence towards the retail sector was the construction of mammoth retail spaces under one single roof. Termed mega malls, these developments range from 300,000 and 2,000,000 sq. ft. and would include more than one anchor tenants.

5.2.2 Tourism

Tourism is one of the fastest growing industries in Malaysia. Vigorous campaigns and a systematic approach by the Government have made tourism one of the major foreign exchange earners in the country. Bold marketing schemes such as the Visit Malaysia Year 1990 and 1994 have been introduced, and the number of tourists has been increasing every year. Five million tourist arrivals were recorded from January to September 1994 as compared to 4.5 million during same period in 1993. (Table 5.2)

During the Sixth Malaysian Plan, tourist arrivals are expected to grow at a rate of 6% per annum. The Government is targeting for 20 million tourist arrivals by the year 2000.

TABLE 5.2 : TOURIST ARRIVALS AND RECEIPTS IN 1990-1994

Year	Tourist Arrivals	% Growth	Total Revenue (RM Million)	% Growth
1990	7,445,908	+53.6	4,500	+60.5
1991	5,847,213	-21.5	4,283	-4.8
1992	6,016,209	+2.9	4,595	+7.3
1993	6,503,860	+8.1	5,066	+10.2
1994	7,197,229	+10.7	8,298	+63.8

Source: Annual Tourism Statistical Report 1994

Transport improvement in Malaysia has also encouraged tourism. Increased accessibility and shorter travelling time after the completion of the North-South Highway, have encouraged more tourists to travel to new destinations, especially Thais, Singaporeans and tourists travelling through Singapore. More tourists coming from Singapore are also expected as a result of increased lanes at the Causeway and the proposed second Malaysia-Singapore link.

Tourism has the potential of expanding even further. The Pacific Asia Travel Association (PATA) was of the opinion that the Asia Pacific region is experiencing a tourist boom with visitor arrivals reaching 100 million. Intra-Asia travels have also increased due to increasing disposable income, intensification of trade, continuing air transport liberalisation, longer leisure time, and the growing importance of ethnic ties between countries.

The Government, with other travel-related agencies, has also been active in promoting domestic vacations and planning ways to encourage foreign tourists to make longer stays in Malaysia. Long-haul tourists from Europe, other Western countries, Japan and Taiwan stay longer (an average of five days) and spend more money. Therefore efforts have been stepped up to attract more of these tourists. Part of the strategy is to find a niche in the market, marketing Malaysia as an eco-tourism destination as well as a shopping paradise.

Although Singapore has been traditionally known as the shopping destination, Malaysia is likely to put up a strong fight, as more shopping centres are being

developed and the variety of merchandise has been increased. The lower value of the Ringgit Malaysian as compared to the Singapore Dollar is an added incentive as well as a substantial and sustainable advantage that has attracted the influx of tourists.

Shopping as a percentage of overall spending by tourists increased from 19% in 1992 to 23.3% in 1993 when tourists visiting Malaysia spent RM1.18 billion on shopping. In 1995, however, shopping constituted 21% (RM1.93 billion) of the total tourists' spending of RM9.2 billion, which was lower than RM1.99 billion in 1994.

The Government and travel-related agencies have also introduced promotions such as the Malaysia Shopping Carnival aimed to promote selected shopping destinations like Johor Bahru, Kuala Lumpur and Penang to tourists.

The Government and other travel-related agencies also constantly devise plans and strategies to further expand the tourism industry. Their foresight concerning the prospects in the future would sustain the growth of the industry.

In view that Hong Kong would be returned to China in July 1997, the Malaysian Government has entrusted the Ministry of Domestic Trade and Consumer Affairs so as to work together with the Ministry of Culture, Art and Tourism in an concerted efforts to promote Malaysia as an international

shopping paradise with the aim to be able to replace Hong Kong, which has been a shopping destination for South East Asia for over 50 years.

In line with this, various marketing strategies would be implemented, such as the distribution of shopping guides and the promotion of local mega shopping malls by advertising campaigns in overseas. Besides these, the Ministry of Domestic Trade and Consumer Affairs would also propose to the Ministry of Finance to lower the import duties of various foreign branded products in order to make shopping in Malaysia to be more competitive.

5.2.3 The Economy, Tourism and Shopping

The robust economy has a lot of influence on consumer spending. Higher disposable income, increasing business consumer confidence in financial security would increase consumer spending. Economic growth would continue to be at an enviable rate, although at a more modest rate than the rate we have seen in recent years.

Tourism is an increasingly important industry in Malaysia. The increasing number of tourists would translate into higher consumer spending and higher demand for domestic goods and services.

Shopping is a part of the Malaysia way of life. The liberalisation of the economy has broadened the consumer market which now consists of tourists

and expatriates as well as locals. The success of the retail sector is the result of support from a strong economy and affluent and willing consumers.

5.2.4 Malaysian Government Regulations on Foreign Retailers

Regulations governing the participation of foreign retailers in domestic market were introduced in December 1995. The regulations, designed to protect local retail industry, stipulated that new wholesale and retail companies with foreign interests, as well as those existing companies seeking to expand, had to be incorporated locally. They also ruled that foreign equity in any retail investment be limited to 30%, with 70% going to Malaysian interests.

Other requirements set minimum levels of capital investment for foreign companies wishing to invest in Malaysia - RM10 million for department stores, mega-malls or hypermarkets, and RM5 million for supermarkets.

The regulation that probably worried foreign retailers most was the ruling that limited to one the number of key posts which expatriates could occupy in foreign businesses. This regulation was to ensure that locals capable of taking on key jobs were able to do so. It was also intended to encourage the transfer of technology.

Foreign retailers and wholesalers already in the country have been given two years to restructure.

The above regulations and restrictions may have negative impacts on the foreign players from operating in Malaysia.

5.2.5 Population, Household Income And Expenditure

a) Population Growth

The population of Malaysia is projected to grow from an estimated 15.8 million in 1985 to 22.4 million by the year 2000. The average annual population growth rate is expected at 2.6% in the 1990 to 2000 period.

The Klang Valley region is the fastest growing and most urbanised region in Malaysia. Over a century of population growth has resulted in the high population concentration in the Klang Valley. Population in Selangor has increased 60% from 1,426,250 in 1980 to 2,289,236 in 1991. The average population growth for the 1970-1980 period i.e. 3.73% and risen to 4.3% for the 1980-1991 period. Its population growth rate is the highest in Peninsular Malaysia. (Table 5.3)

TABLE 5.3 : POPULATION GROWTH RATE IN SELANGOR

District	Population (1980)	% of total	Population (1991)	% of total	Population growth rate per annum (1980 – 1991)
Gombak	166,059	11.6	352,649	15.4	6.8
Hulu Langat	177,877	12.5	413,900	18.0	7.7
Kelang	279,349	19.6	406,994	17.7	3.4
Kuala Langat	101,578	7.1	130,090	5.7	2.2
Selangor	46,025	3.2	54,671	2.4	1.6
Petaling	360,056	25.3	633,165	27.6	5.1
Kuala Selangor	110,366	7.7	123,052	5.4	1.0
Sabak Bernam	103,261	7.3	99,824	4.3	-0.3
Hulu Selangor	81,679	5.7	82,814	3.6	0.1
Total Population in Selangor	1,426,250	100	2,297,159	100.0	4.3

Source: Census Report 1991, Statistics Department

The Klang Valley is the administrative, commercial and service centre of the country. The presence of large pools of workers, good infrastructure and support services has continued to attract investment to this region.

Foreign investments in Selangor account for an estimated 25% of the nation's foreign investment. The opening of new industrial areas and growth centres would ensure that the Klang Valley would continue to be the nation's economic powerhouse. In the first quarter of 1995, more than RM1 billion worth of investments have been approved in Selangor. 30% of the total investments in the country is taken by Selangor, making it the biggest receiver of investment in the first quarter of 1995.

Good infrastructure and modern facilities have contributed to an increase in the quality of life. These include the provision of schools, hospitals, electricity, clean piped water and sanitary facilities. The high quality of life is another contributing factor of the migration to the Klang Valley.

The economic success and the abundance of jobs in the Klang Valley has attracted migrants from all over the country. Most of them have made the Klang Valley their permanent residence. Although migration to the Klang Valley began in the 19th century, the migration rate has accelerated in the last decade due to Malaysia's economic boom. It is estimated that about 60,000 migrants moved to the Klang Valley annually during the past decade. The shortage of labour in the Klang Valley due to the success of the manufacturing industry is likely to attract more migrants to the region; from other states as well as from foreign shores.

b) Population Distribution

The Klang Valley Perspective Plan Review 1988 tabled the reviewed projected population in the Klang Valley 1980 – 2000. The population in Kuala Lumpur is expected to increase from 1,036,900 in 1980 to 1,550,000 in 1990 and 2.2 million in 2000. The average annual growth was expected to be 4.1% from 1980 to 1990.

Other districts are expected to record an average annual growth of 3.4% during 1990 to 2000. The total population of the Klang Valley is expected to increase from 2,079,597 to 3,154,537 and 4,454,290 in 1990 and 2000 respectively. (Table 5.4)

TABLE 5.4 : PROJECTED POPULATION AND POPULATION TREND IN THE KLANG VALLEY 1980 – 2000 ACCORDING TO MAIN GROWTH CENTRES

Growth Centres	Population			Average Annual Growth Rate	
	1980	1990	2000	1980-1990	1990-2000
Kuala Lumpur	1,036,900	1,550,000	2,200,000	4.1	3.6
Petaling Jaya	220,065	306,104	430,060	3.0	3.4
Shah Alam	20,164	155,172	218,008	20.4	3.4
Klang	203,413	282,941	397,517	3.3	3.4
Bandar Bangi Baru	33,339	73,428	103,163	7.9	3.4
Bandar Baru Selayang	3,548	4,935	6,933	3.3	3.4
Satellite Towns	33,933	47,198	66,310	3.3	3.4
Other areas in Klang Valley	528,235	734,759	1,032,229	3.3	3.4
Klang Valley	2,079,597	3,154,537	4,454,290	4.2	3.5

Source: Klang Valley Perspective Plan Review 1988

The Petaling district has the highest number of people in Selangor with a total population of 663,165 in 1991. (Table 5.5) This constitutes 28% of

the population in Selangor. The population density is estimate to be 1,308 persons per square kilometer.

The four districts of Gombak, Petaling, Ulu Langat and Kelang have 79% of the total Selangor population. The total population in the Klang Valley in 1991 was 3,136,811 which is about 17% of the total population of 18,379,655 in Malaysia.

TABLE 5.5 : POPULATION IN THE KLANG VALLEY IN 1991

Districts	1980	%	1991	%
Kuala Lumpur	919,610	44.8	1,145,342	36.6
Gombak	166,059	8.1	352,649	11.3
Hulu Langat	177,877	8.7	413,900	13.1
Petaling	360,056	17.6	633,165	20.2
Klang	279,349	13.6	406,994	13.0
Kuala Langat	101,578	5.0	130,090	4.1
Sepang	46,025	2.2	54,671	1.7
Total	2,050,554	100	3,136,811	100

Source : Census Report 1991

The percentage of total population in Kuala Lumpur as against the total population of the Klang Valley has decreased to 36.6% in 1991. In 1995, Kuala Lumpur has a total of 1.2 million. On the other hand, Selangor has

recorded a population of 2.2 million. The trend suggests that more people are relocating to housing estates in the suburban areas.

The population projections in various structure plans of the local authorities in the Klang Valley varied. For example, the Majlis Perbandaran Klang Structure Plan projected a 4.5% annual growth rate between 1980 to 1990 and 3.3% per year during 1990 – 2000 as opposed to 3.3% and 3.4% respectively as projected by the Klang Valley Planning Committee. Therefore, the projected population for the Klang Valley according to the various structure plans differs from figures suggested by the Klang Valley Perspective Plan Review. (Table 5.6). The figure does not include the Gombak and Ulu Langat areas.

**TABLE 5.6 : PROJECTED POPULATION FOR THE KLANG VALLEY
ACCORDING TO THE VARIOUS STRUCTURE PLANS**

Area/District	Population			Percentage Growth	
	1980	1990	2000	1980-1990	1990-2000
Wilayah Persekutuan	1,036,900	1,550,200	2,200,000	4.1	3.6
Petaling Jaya Part of Klang	380,992	715,755	1,034,485	6.5	3.8
Klang	191,600	416,000	576,000	4.5	3.3
Bangi	82,809	192,790	271,500	8.8	3.5
Kuala Langat, Sepang and Putrajaya	147,600	184,045*	551,444	2.0	12.9
TOTAL	1,839,901	3,058,790	4,633,429	5.2	4.2

* 1991 Figures

- Sources:
1. Kuala Lumpur Draft Structure Plan
 2. Petaling District and Part of Klang District Structure Plan
 3. Klang Structure Plan: Report of Survey
 4. Bangi Structure Plan: Report of Survey
 5. Kuala Langat, Sepang and Putrajaya Structure Plan: Report of Survey, 1995

The trend of development in the Klang Valley has been moving towards decentralisation from the traditional urban areas. New growth areas such as Rawang, Puchong, Sepang and Pulau Indah are beginning to attract investments and residents. The previously low population areas would undergo changes as a result of their development.

The most interesting area to watch is Sepang where the Kuala Lumpur International Airport (KLIA) and the New Federal Administration Capital at Putrajaya would be situated. In 1991, the population in the Sepang District is estimated to be 54,671 and the population is expected to grow at the rate of 12.1% per annum until 2010.

TABLE 5.7 : PROJECTED POPULATION FOR KUALA LANGAT AND SEPANG DISTRICTS (1991 – 2010)

Area	Projected Years					Percentage Growth (%) 1991-2010
	1991	1995	2000	2005	2010	
Kuala Langat District	130,090	136,010	155,700	175,450	196,500	2.2
Selang District	54,671	60,943	395,744	446,462	480,026	12.1
Total	184,761	196,953	551,444	621,912	676,526	7.1

Source: Kuala Langat, Sepang and Putrajaya Structure Plan; Report of Survey 1995

The predominantly agricultural area in Sepang would be developed into an international transport centre and commercial hub with the building of KLIA. The KLIA development would cover an area of approximately

10,000 hectares in Sepang. A total population of between 189,00 - 236,500 is expected to be generated by the development of KLIA in 1997. It is also expect to increase to 331,000 - 472,800 in 2020.

A majority of the projected population would be concentrated in the present towns of Sepang, Kuala Langat and Seremban. Sepang is expected to absorb 272,000 people and Kuala Langat, 209,000 people by 2020.

The New Administrative Capital at Putrajaya would accommodate government offices to avoid congestion in Kuala Lumpur. Some 57,000 government staffs would be shifted to Putrajaya. Private sector employment created in Putrajaya is expected to be 25,000, bringing the total population to 500,000.

5.2.6 Household Size, Income And Expenditure

a) Household size

In 1985, the Petaling District had the smallest household size in Klang Valley with the average household size of 4.61 compared to 4.75 in Kuala Lumpur and 5.6 in Klang. Only Klang and Ulu Langat had an average household size higher than the Peninsular Malaysia's average of 5.1. The household size is smaller in more urbanised areas like in Kuala Lumpur. (Table 5.8)

TABLE 5.8 : AVERAGE HOUSEHOLD SIZE IN THE KLANG VALLEY DISTRICTS 1985

Area/District	Population	No. of Household	Average Household Size
Kuala Lumpur	1,267,740	266,892	4.75
Petaling	475,302	103,102	4.61
Klang	354,526	63,308	5.60
Gombak	210,551	41,859	5.03
Hulu Langat	235,806	44,324	5.32
Klang Valley	2,543,925	519,168	4.90

Source : Statistics Department

The reduction in household size is projected in the Klang Valley because of lifestyle change due to the effect of increasing urbanisation.

b) Household income

Household income is defined as the sum of household money income and household income in kind which are of a recurring nature accruing to the household or to individual member of the household regularly at annual or at more frequent time intervals.

The mean monthly gross household income at current prices in West Malaysia has been increasing since 1984. The average annual growth rate from 1987 -1989 is 4.1%. however at constant 1979 prices, the average

annual growth rate 1987 - 1989 is 1.3%. 1987 -1989 is however a period of recession in Malaysia.

The structure plans available are mostly written during this period. Therefore, the projected average household income is based on prevailing conditions at the time.

In 1985, 11.3% of households in the Klang Valley earn below RM400 per month. By the year 2000, it is expected that this figure would decrease to 8%. The percentage of households earning more than RM1,000 would increase from 44.2% in 1985 to 52% by the year 2000. (Table 5.9)

TABLE 5.9 : PORJECTED NUMBER OF HOUSEHOLDS AND HOUSEHOLD INCOME IN THE KLANG VALLEY

Monthly Household Income (RM)	Household							
	1985	%	1990	%	1995	%	2000	%
< 400	58,666	11.3	63,735	9.9	71,141	9.3	84,541	8.0
401-700	139,656	26.9	159,014	24.7	184,355	24.1	18,398	23.0
701-1000	91,374	17.6	112,622	17.5	129,278	16.9	12,901	17.0
1001-2000	152,116	29.3	207,942	32.3	207,942	32.2	24,352	31.0
2001-3000	53,474	10.3	70,816	11.0	70,816	11.0	9,695	15.5
3001-4000	9,345	1.8	10,944	1.7	10,944	1.7	1,697	2.3
> 4000	14,536	2.8	18,670	2.9	18,670	2.9	2,290	3.2

Source: Household Expenditure Survey

The average household income in Kuala Lumpur is expected to increase from RM2,158 in 1990 to RM3,268 in the year 2000. (Table 5.10)

Klang, however, on the other hand projected an increase in the employment income per household from RM1,464 in 1990 to RM2,083 and RM2,317 in 2000 and 2005 respectively. (Table 5.11)

TABLE 5.10 : HOUSEHOLD TOTAL INCOME DISTRIBUTION, KUALA LUMPUR, 1980-2000

	1980	1990	2000
Average Income	1,447	2,158	3,268

Source: Kuala Lumpur Structure Plan: Report of Survey

TABLE 5.11 : HOUSEHOLD TOTAL INCOME DISTRIBUTION, KLANG 1980-2000

	1983	1990	1995	2000	2005
Average Income	1,112	1,464	1,749	2,083	2,317

Source: Klang Structure Plan :Report of Survey

c) Household Expenditure

Household Expenditure Survey (HES) has been conducted since 1960 by the Department of Statistics to construct the Consumer Price Index (CPI). The CPI is the mean of measuring the change in the price of a fixed “basket” of goods and services which are commonly consumed by an average household in Malaysia. The “basket” represents the average consumption pattern of the majority of households. The pattern includes the

weighting in terms of relative importance of each item in the fixed basket of goods and services.

The HES also tells about the changing expenditure pattern of an average household in Malaysia. From the HES, it can be observed that an average Malaysian household is spending less on food in relation to other items (Table 5.12)

The declining importance of spending for beverage and tobacco, clothing and footwear and furniture, furnishing and household equipment and operation could also be seen. An average household in Malaysia is spending a larger portion of their budget on gross rent, fuel and power as well as transport and communication.

**TABLE 5.12 : THE WEIGHTS IN THE CPI FOR THE YEAR 1967,
1980 AND 1990**

(1967=100, 1980=100, 1990=100)			
<u>Components</u>	<u>1967</u>	<u>1980</u> (%)	<u>1990</u>
1. Food	46.8	36.2	33.7
Food at home	46.8	30.2	27.0
Rice, bread and other cereals	13.1	8.8	6.2
Meat	8.9	4.2	4.2
Fish	6.9	5.3	5.2
Milk and eggs	4.8	2.1	2.4
Oils and fats	1.6	1.2	0.8
Fruits and vegetables	6.9	5.3	5.2
Sugar	2.1	1.2	0.8
Coffee and tea	0.9	0.8	0.9
Other foods	1.6	1.3	1.3
Food away from home	-	6.0	6.7
2. Beverages and tobacco	8.9	4.9	4.3
3. Clothing and footwear	4.8	4.6	4.0
4. Gross rent, fuel and power	9.4	18.1	20.2
5. Furniture, furnishing and household equipment and operation	6.6	5.9	5.8
6. Medical care and health expenses	2.0	1.3	1.8
7. Transport and communication	10.4	16.6	18.6
8. Recreation, entertainment, education and cultural services	5.6	6.9	5.2
9. Miscellaneous goods and services	5.5	5.5	6.4
Total	100.0	100.0	100.0

Source : Consumer Price Index, Monthly Publication, Department of Statistics

The CPI, during the first nine months of 1996 rose by 3.6%, slightly higher than the 3.4% increase during the corresponding period in 1995. Among the components of the CPI, the index for food showed the highest increase of 5.7%, while for almost all other components (except medical care and health expenses), the increase did not exceed the overall increase in the

CPI. As a result, the increase in food prices had contributed to 57.1% of the overall increase of the CPI. (Table 5.13)

TABLE 5.13 : CONSUMER PRICE INDEX

<u>Components</u>	<u>Weights</u>	(1994=100)		
		Annual Change (%) (January-September)		
		<u>1995</u>	<u>1995</u>	<u>1996</u>
1. Food	34.9	3.4	3.4	3.6
Food at home	<u>25.1</u>	<u>5.3</u>	<u>5.2</u>	<u>6.0</u>
Rice, bread and other cereals	5.5	1.4	1.0	6.9
Meat	3.8	0.8	1.4	3.9
Fish	4.9	12.1	11.9	12.5
Milk and eggs	2.3	-0.4	-0.9	3.8
Oils and fats	0.7	11.2	13.3	0.8
Fruits and vegetables	5.4	8.7	8.6	3.4
Sugar	0.6	0.7	0.5	1.0
Coffee and tea	0.8	4.6	5.1	0.6
Other foods	1.1	2.7	2.1	4.5
Food away from home	<u>9.8</u>	<u>3.7</u>	<u>3.8</u>	<u>4.7</u>
2. Beverages and tobacco	3.6	2.3	2.3	2.4
3. Clothing and footwear	3.6	0.0	0.1	-0.7
4. Gross rent, fuel and power	21.1	3.4	3.5	3.2
5. Furniture, furnishing and household equipment and operation	5.6	2.8	2.4	1.6
6. Medical care and health expenses	1.9	3.1	3.2	3.6
7. Transport and communication	17.9	1.8	1.7	1.7
8. Recreation, entertainment, education and cultural services	5.8	2.5	2.4	3.5
9. Miscellaneous goods and services	5.6	4.2	4.8	2.6
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source : Economic Report 1996/97

5.2.7 Car Ownership

The growth in car ownership in the Klang Valley is an important factor contributing towards the rise in suburban retailing trend. The rapid urbanisation process in Klang Valley has brought about an increased motorisation of the population. The number of motor vehicle registered in Kuala Lumpur and Selangor has been increasing rapidly. (Table 5.14)

The motor vehicle registration in Kuala Lumpur is at the highest average growth in Malaysia since 1978.

**TABLE 5.14 : MOTOR VEHICLE REGISTRATION IN SELANGOR
AND KUALA LUMPUR 1983 - 1993**

Year	Selangor	Kuala Lumpur	Total
1983	680,180	236,159	916,339
1984	732,184	285,680	1,008,864
1985	756,958	327,602	1,084,560
1986	779,220	348,037	1,127,257
1987	799,834	368,732	1,168,566
1988	824,047	395,402	1,219,499
1989	864,014	443,802	1,307,816
1990	919,491	514,322	1,433,813
1991	980,951	596,705	1,577,656
1992	1,039,948	668,967	1,708,915
1993	1,087,429	739,878	1,827,307
Average Growth (%)			
1983-1988	3.9%	11.0%	
1988-1993	5.7%	13.4%	
1978-1993	5.2%	25.4%	

Source : Road Transport Department

An increase in mobility is expected as more people own cars. The percentage of households without any vehicle in the Kuala Lumpur study area is expected to decrease from 47% in 1973 to 23.5% in the year 2000. The percentage of vehicle owning households is expected to increase from 53% in 1973 to 76.5% in the year 2000. (Table 5.15)

TABLE 5.15 : HOUSEHOLD BY VEHICLE OWNING CATEGORY - 1973, 1980 & 2000

Ownership Category	Percentage of all household		
	1973	1980	2000
Without Vehicle	47.0	41.7	23.5
Motorcycle	19.6	21.8	14.7
One Car	26.4	29.7	45.1
Two or more Cars	7.0	6.9	16.7

Source : Kuala Lumpur Draft Structure Plan 1982

It could be seen that the percentage of households with two or more cars is expected to increase from 7.0% in 1973 to 16.7% in the year 2000, with an increase of 13.9%. The rapid increase in car ownership and the percentage of car-owning households could be attributed to a number of factors. One of the most important factors is the growing affluence of the Klang Valley population.

The number of working women has also increased in the Klang Valley which causes the buying of a second car a necessity. This could be established from the data above that the expected increase of 13.9% in the percentage of household having two or more cars from the period 1973 to 2000.

**TABLE 5.16 : HOUSEHOLDS BY CAR OWNERSHIP IN SELANGOR
AND KUALA LUMPUR IN 1991**

AREA	Percentage of households with car(s)
Selangor	46.1
Kuala Lumpur	48.8

Source : Census Report 1991

In the Census Report 1991, it was shown as in Table 5.16 that about 46.1% and 48.8% of the households in Selangor and Kuala Lumpur were having at least one car respectively.

5.2.9 The Total Existing Supply Of Retail Space In The Klang Valley

Through the compilation of data from various sources, it is established that as at 1996, there are a total of 73 shopping complexes currently operating in the Klang Valley, with a total net lettable retail space of about 16.76 million square feet (i.e. 16,759,212 sq. ft.).

The total number of shopping complexes and the total net lettable space are listed in Table 5.17 as follows :

**TABLE 5.17 :THE TOTAL EXISTING SUPPLY OF RETAIL SPACE IN THE
KLANG VALLEY**

<u>NO.</u>	<u>SHOPPING COMPLEXES</u>	<u>LOCATION</u>	<u>NET LETTABLE AREA (sq. ft.)</u>
<u>CENTRAL BUSINESS DISTRICT</u>			
1	Campbell complex	Jalan Dang Wangi	102,131
2	Pertama Complex	Jalan Dang Wangi	193,826
3	Kota Raya Complex	Jalan Cheng Lock	133,644
4	Wilayah Complex	Jalan Dang Wangi	106,311
5	Medan Baru MARA	Jalan Raja Laut	78,306
6	Semua House	Lorong Bunus Enam	80,000
7	Plaza Putra (Dayabumi)	Jalan Sultan Hishamuddin	147,000
8	Central Market	Jalan Pasar	200,000
9	Central Square (C.M. Ph2)	Jalan Pasar	30,000
10	Sinar Kota	Jalan Silang	100,000
11	UDA Ocean	Jalan Bandar	110,000
12	S & M Shopping Arcade	Jalan Cheng Lock	105,000
13	PERNAS Sogo	Jalan Dang Wangi	624,000
			<u>2,010,218</u>
<u>THE GOLDEN TRIANGLE</u>			
1	Ampang Park	Jalan Ampang	149,145
2	Sungei Wang Plaza	Jalan Sultan Ismail	579,602
3	BB Plaza	Jalan Bukit Bintang	220,420
4	Imbi Plaza	Jalan Imbi	85,000
5	Yow Chuan Plaza	Jalan Tun Razak	230,000
6	Berjaya Complex	Jalan Imbi	107,000
7	Kuala Lumpur Plaza	Jalan Bukit Bintang	392,000
8	The Weld	Jalan Raja Chulan	480,000
9	Lot 10	Jalan Bukit Bintang	323,000
10	City Square	Jalan Tun Razak	341,313
11	Wisma HLA	Jalan Raja Chulan	187,000
12	Wisma Stephen/Cosway	Jalan Raja Chulan	90,700
13	Starhill Centre	Jalan Bukit Bintang	400,000
			<u>3,585,180</u>
<u>KUALA LUMPUR SUBURBAN AREA</u>			
1	Shaw Parade	Jalan C.T. Dollah	149,941
2	Pearl Point	Jalan Klang Lama	120,090
3	Bandar Park	Jalan Klang Lama	290,000
4	Plaza Prima	Jalan Klang Lama	137,102
5	OUG Plaza	Jalan Klang Lama	141,000
6	Bangsar Shopping Complex	Jalan 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	Jalan Ampang	45,000
11	The Mall	Jalan Putra, KL	570,000
12	Leisure Mall	Taman Segar, Cheras	375,000
13	Phoenix Plaza	Cheras	538,200
14	Jaya Jusco	Cheras	375,000
15	The Galleria	Jalan Pahang	125,000
16	Pudu Plaza	Jalan Davis	147,000
			<u>3,679,843</u>

WESTERN KLANG VALLEY

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	Gaint Cash & Carry	Sime UEP Subang	100,000	
8	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 Liong Plaza	Klang	50,000	
13	Plaza Majlis Perbandaran Klang	Klang	103,119	
14	Lien Hoe Plaza (AsiaJaya)	Petaling Jaya	127,000	
15	Jaya Shopping Centre	SS14, Petaling Jaya	100,912	
16	Menara Bakti	SS14, Petaling Jaya	72,000	
17	1 Utama	Bandar Utama	1,088,000	
18	Bukit Raja Shopping Centre	Klang	<u>372,000</u>	<u>4,849,951</u>

EASTERN KLANG VALLEY

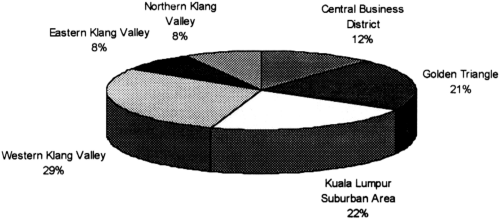
1	Ampang Point	Ampang Jaya	300,000	
2	Mid Point	Pandah Indah	166,788	
3	Paragon Point	Taman Putra, Ampang	146,000	
4	Metro Plaza	Kajang	250,000	
5	Spectrum	Bandar Baru Ampang	130,000	
6	Perdana Indah	Pandan Indah	150,000	
7	Pandan Kapitol	Pandan Indah	<u>150,000</u>	<u>1,292,788</u>

NORTHERN KLANG VALLEY

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	Komplek Desa	Selayang	<u>171,500</u>	<u>1,341,232</u>

73**16,759,212**

**FIGURE 5.1 : SPATIAL DISTRIBUTION OF THE EXISTING SUPPLY OF
RETAIL SPACE IN THE KLANG VALLEY**



5.2.9 Projection On The Future Supply And Demand

Shopping centres have been in Malaysia for more than 30 years. Like so many radical departures from traditional real estate development, the development of shopping centres have grown by leaps and bounds. It began with the neighbourhood provision shops, followed by supermarkets and later by department stores and superstores (supermarket cum departmental stores) and with the latest trend on the hypermarkets.

The changes in the retailing industry have been manifested in new forms which not only involve different operating policies but also the concentration of growth in certain desired locations. Indeed, we are currently witnessing a tremendous surge in retailing on the outskirts of Kuala Lumpur's city centre.

In estimating the future supply of retail space, the total floor area includes projects under construction, projects with planning approval yet to begin construction and projects which are still in the proposal stage.

Table 5.18 shows the total future supply of retail space for the Klang Valley by the year 2000.

It is noted that a total number of 55 new shopping malls with a total of about 28.17 million square foot (i.e. 28,168,181 sq. ft.) of retail space is expected to enter the market in the next four years.

As comparison against the present total net lettable retail space of 16.76 million sq. ft., this represents an increase of about 168% within a short period of four years.

Of this total projected retail space, about 35% would be located within Kuala Lumpur's city centre as compared to 65% which would be on the outskirts.

For the past few years, the Klang Valley has enjoyed an overall occupancy of retail space of above 95%. Most of the retail space developed has been taken up quickly.

The impressive economic growth in the 1990's has provided the impetus for an unprecedented surge in retail development over the next few years.

Demand for retail space has also increased with most retailers using the opportunity to provide a variety of consumer goods. Smaller retailers are becoming highly specialised in order to target their consumers. Large retailers, on the other hand, are also committing as anchor tenants in new shopping complexes on the outskirts of Kuala Lumpur's city centre. This is a wise strategy on the retailers part to protect their market share from new entrants coming into the market.

The demand for retail space remains high in the short term, however, the occupancy of retail space is projected to decrease marginally in view of the new supply entering the market from 1995.

By the year 2000, the Klang Valley would have a total of some 128 shopping centres, making it one of the biggest shopping paradise in the region, with a total of floor area of some 44.93 million sq. ft.

The question of whether the country is ready to support the rental space and which of the centres would thrive are becoming more pertinent.

With compatible infrastructure and facilities, the key factor towards attracting customers, whether inner-city shoppers or suburban residents, could depend well on the tenant mix, especially if several malls are in close proximity to each other.

If the customers thronging its air-conditioned comforts do not make any purchase and merely window browsing, it would start an endless cycle of high tenant turnover and changing of mall strategy to retain traffic volume.

With this scenario, the ability of the shopping centre to attract shoppers will be a crucial factor in the medium to long term. This factor has been reflected in some of the newly developed or proposed shopping centres which provide recreational and entertainment facilities as added features.

**TABLE 5.18 : THE TOTAL FUTURE SUPPLY OF RETAIL SPACE IN THE
KLANG VALLEY**

<u>NO.</u>	<u>SHOPPING COMPLEXES</u>	<u>LOCATION</u>	<u>SCHDELUE OF COMPLETION</u>	<u>NET LETTABLE AREA (sq. ft.)</u>
<u>CENTRAL BUSINESS DISTRICT & THE GOLDEN TRIANGLE</u>				
1	Plaza City I	Jalan Munshi Abdullah	1997	152,000
2	Plaza Rakyat	Jalan Pudu	1997	1,000,000
3	Sheraton Tower	Jalan Sultan Ismail	1997	50,000
4	Union Square	Jalan Sultan Ismail	1997	80,000
5	Kuala Lumpur City Centre	Jalan Ampang	1997	1,500,000
6	Vision City	Jalan Sultan Ismail	1997	1,200,000
7	SKD DBKL	Jalan Tun Razak	1998	330,356
8	Marinara	Jalan Tun Razak	1997	71,000
9	City Properties	Jalan Ampang	1998	112,358
10	Bintang Square (Low Yat Plaza)	Jalan Bukit Bintang	1997	750,789
11	Imbi World	Jalan Imbi	1998	110,374
12	CN Gallery	Jalan Imbi	1998	150,000
13	City Centre	Lorong Raja Chulan I	1998	164,668
14	Berjaya Star City	Jalan Imbi	1998	2,000,000
15	Plaza Duta	Jalan Ampang	1998	300,000
16	Plaza Potential	Jalan Sultan Ismail	1998	280,000
17	Capital Square	Jalan Munshi Abdullah	1999	900,000
18	St. Mary's	Jalan P Ramlee	1999	650,000
				<u>9,801,545</u>
<u>KUALA LUMPUR SUBURBAN AREAS</u>				
1	Bangsar S Centre (Phase 2)	Jalan Maarof	1997	180,000
2	Seasons Complex	Jalan Pahang	1997	171,000
3	MAKSAK	Jalan Cheras	1997	101,000
4	Plaza Safuan	Jalan Raja Alang/TAR	1997	76,180
5	UE3 Shopping Mall	Bandar Tun Miharja	1997	600,000
6	Mid Valley Plaza	Off Jalan Syed Putra	1997	1,700,000
7	KL Sentral	Jalan Travers	1998	1,200,000
8	Naga City Shopping Complex	Jalan Kepong	1997	350,000
9	Galaxy Station Petaling	Jalan Kelang Lama	1998	800,000
10	Endah Parade	Sri Petaling	1997	650,000
11	Plaza Mutiara	Jalan Ipoh	1998	175,000
12	Ampang Leisure Mall 2	Jalan Ampang	1998	350,000
13	Linear City	Off Jalan Syed Putra	1999	1,000,000
				<u>7,353,180</u>
<u>NORTERN KLANG VALLEY</u>				
1	Brem Mega Mall	Selayang	1998	375,000
				<u>375,000</u>

WESTERN KLANG VALLEY

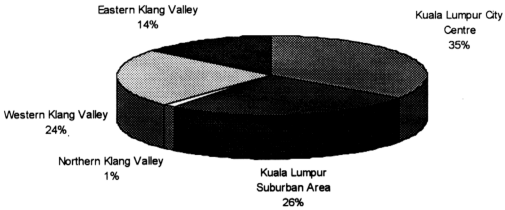
1	Amcorp Mall	Jalan Timur	1997	300,000	
2	Pantai Square	Federal Highway	1997	120,000	
3	Summit City	Subang Jaya	1997	500,000	
4	One PJ Avenue	Jalan Timur, PJ	1997	300,000	
5	Sunway Pyramid	Bandar Sunway	1997	860,000	
6	Subang Square	Subang Jaya	1997	180,000	
7	Damansara Uptown Complex	Sri Damansara	1997	650,000	
8	Klang Valley Plaza	Jalan Kelang Lama	1997	1,000,000	
9	Damansara Intan	Damansara SS16	1998	63,200	
10	Mayang Plaza	Taman Mayang Jaya	1998	90,100	
11	Capital Point	Shah Alam	1997	850,000	
12	City Props PJ	Petaling Jaya	1998	800,000	
13	Commence Square	Petaling Jaya	1988	360,000	
14	Subang Twins	Subang Jaya	1998	300,000	
15	Kelana Jaya	Kelana Jaya	1998	<u>300,000</u>	<u>6,673,300</u>

EASTERN KLANG VALLEY

1	The Mines	Sungai Besi	1997	800,000	
2	Winnie Plaza	Kajang	1997	200,000	
3	Summit Centre	Seri Kembangan	1997	1,200,000	
4	Kompleks Kota Kajang	Kajang	1997	160,000	
5	Pandan Safari Parade	Pandan Perdana	1997	200,000	
6	Galaxy Ampang	Ampang	1998	486,000	
7	Menara Maxisegar	Pandan Indah	1997	69,156	
8	Southland	Ulu Klang	1997	<u>850,000</u>	<u>3,965,156</u>

55**28,168,181**

**FIGURE 5.2 : SPATIAL DISTRIBUTION OF THE FUTURE SUPPLY OF
RETAIL SPACE IN THE KLANG VALLEY**



5.3 **PART II (PRIMARY DATA COLLECTION)**

30 sets of completed questionnaires were received out of the 39 sets of questionnaires sent out through RCA, i.e. having a response rate of about 77%.

The following subsections are the survey results of Part II, which constitute the primary data collection and analysis of the results obtained through the questionnaires.

5.3.1 **Part A : Views On Shopping Complex Development**

1. **Number of shopping centres in the Klang Valley covered by the survey**

Total number of shopping complexes in the Klang Valley covered under the survey was 423 units.

2. **Interest in taking up lease of shoplots in shopping complexes**

100% of the chain store retailer respondents indicated that they would be taking up the lease of shoplots only on selective basis. This was a total different contrast as compared to the previous years whereby retailers would be keen to move in to almost every new shopping complex.

3. Shopping complexes having most excellent sales performance

The respondents indicated the following shopping complexes as their most excellent business outlets :

- Sungei Wang Plaza (39%)
- The Mall (16%)
- Jaya Jusco Taman Maluri (13%)
- Subang Parade (10%)
- Bangsar Shopping Centre (6%)
- Leisure Mall (6%)
- One-Utama Shopping Centre (3%)

It could be stated that those established shopping centres located at prime locations with adequate infrastructure facilities and the ability to meet the customer demand of a right target market by having the right tenant mix are important factors for the success of a shopping complex.

Notwithstanding that certain shopping complexes have been existing for more than 10 years, they could still maintain its sustainable competitive advantages without losing out its customers to those newly-built shopping complexes.

These are mainly attributed to the continuing efforts of the complex management concerned in uplifting the image and upgrading the facilities of the

shopping complex. Sungei Wang Plaza is a very successful example of shopping complex refurbishment.

Hence, the past one to two years saw several older shopping complexes like Ampang Park Shopping Complex, Sungei Wang Plaza, Pertama Complex and Bukit Bintang Plaza undergone expensive facelifts to keep pace with the new ones.

4. Shopping complexes having the poorest business performance

The following are the shopping complexes which located the respondents' poorest outlets :

- Ampang Point, Jalan Ampang
- Pearl Point, Jalan Kelang Lama
- City Square, Jalan Tun Razak
- Selayang Mall, Selayang
- Summit Square, Selayang
- Alpha Angle, Wangsa Maju
- Bukit Raja, Klang
- Metro, Kajang
- One Utama, Bandar Utama
- KL Plaza, Kuala Lumpur
- Kota Raya, Kuala Lumpur

It could be seen that majority (60%) of the shopping complexes which do not perform well are those commenced operation after 1995.

One Utama is an exceptional case as the response was mixed. This was mainly due to the fact that the consumer demand over a certain product varies geographically and on whether that the product is suitably matched with the target market of the shopping centre.

There were a number of ailing shopping centres in the Klang Valley that have not been mentioned of as member companies of RCA either did not have their retail outlets there or had already pulled out when the business was not substantially high enough to maintain one there.

5. General business performance in old and new shopping complexes

Shopping Complex	Good	Average	Poor
Old	81%	19%	-
New	6%	84%	10%

In this survey, old shopping complexes referred to those commenced operation before 1995 and new as those after 1995.

It was obvious that retailers would only maintain their retailing operation in those shopping complexes which perform well, as indicated by the result that the percentage of poor performance of old shopping complexes is zero.

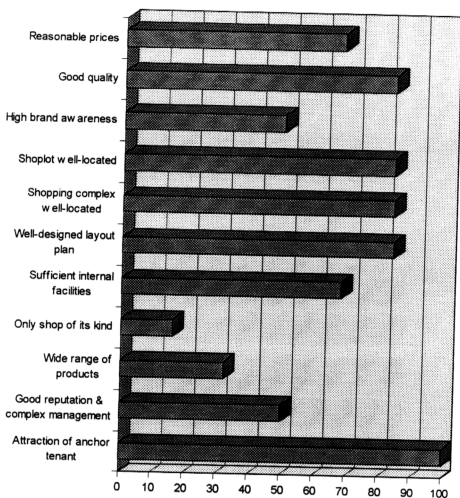
It could be seen that generally, only 6% of the retailers surveyed were enjoying good business in new shopping complexes. A large proportion of retailers (94%) in those new shopping complexes were not enjoying good business, overshadowing those enjoying excellent and good business.

6. Reasons for good business

For a further understanding of the present state of business, retailers were asked to give reasons for their flourishing business.

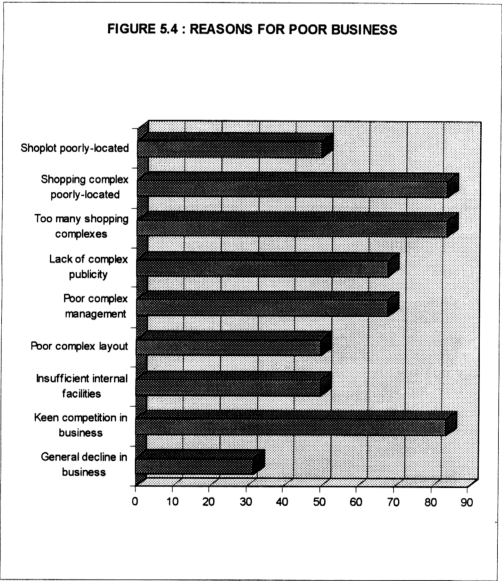
The variety of reasons are presented in Figure 5.3, which reveals that good business is due to their products attributes of good quality and reasonable prices as well as the characteristics of the shopping complex such as the location of the shoplots and shopping complex, the layout design of the shopping complex and the attraction of good anchor tenants.

FIGURE 5.3 : REASONS FOR GOOD BUSINESS



7. **Reasons for poor business**

For those retailers whose business are poor, the underlying factors are : shopping complex poorly located, too many shopping complexes, keen competition in business/too many brands, poor complex publicity and management. (Figure 5.4)



8. **Business affected by the mushrooming of new shopping complexes**

Business affected	Frequency (%)	Degree
increased	17	by 10-15%
decreased	50	by 15-30%
no change	33	-

About half of the respondents are suffering a decline of 15 to 30% in their business. The reasons of which are mainly due to the factors mentioned in Question 7 above.

9. **The possibility of business turnover could generally cover expenses**

Shopping Complex	Yes	No	Merely break even
New	17%	33%	50%
Old	83%	-	17%

It could be seen that the majority (83%) of the retailers are not doing well in those new shopping complexes - of which 33% are operating at loss and 50% could merely on a break even basis, as opposed to 83% of which are having good business at those established shopping complexes.

10. Intention to opt for early termination or pull out

The response as to whether the retailers would opt for an early termination of lease or pull out from the shopping complexes once the business performance at such places was mixed as shown in the following table :

Yes	50%
No, but demand for rental reduction	50%

Half of the retailers would move out from business operation in those poor performance shopping complexes while the remaining would continue their operation and demand for a reasonable rental reduction.

11. The tendency of continuing business operation when the rental adjustment is not up to expectation and business performance are below average

A two-third majority of the retailers would move out from the shopping complexes where the business performance were below average and if the rental adjustments were not up to expectation. The response was shown as below :

Would move out	67%
Would continue	33%

12. Preference on the best anchor tenants for future shopping complexes

None of the respondents indicated that they would prefer only the hypermarket alone be the anchor tenant for the shopping complexes in which they would likely lease for a retail space. They would accept that hypermarkets could be one of the anchor tenants in addition to conventional department stores.

Retailers were of the opinion that strong conventional department stores would act as crowd pullers to create a high volume of customer flows which definitely would benefit them.

The results were summarised as follows :

Preference	Frequency (%)
Strong conventional department store	33
Strong hypermarket	-
Both strong department store and hypermarket	67

13. Interest to be represented in the new shopping centres by the year 2000

Out of the 28 new shopping centres of which would be completed by the year 2000, the respondents had only indicated that they would like to be represented in 10 of them and the frequency to each of these shopping complexes was not high.

The summary of response was listed as follows :

Shopping complex	Frequency
KLCC, Jalan Ampang	5
Plaza Rakyat, Jalan Pudu	10
Star City, Jalan Imbi	10
Kuala Lumpur Sentral	3
Mid Valley Plaza, J Syed Putra	10
Linear City	4
Galaxy Ampang, Jalan Ampang	2
Sunway Pyramid, Bandar Sunway	12
Summit City, Subang Jaya	9
The Mines, Sungai Besi	4

14. Strong indication of market saturation and oversupply of retail space in the Klang Valley

All the respondents were of the view that there is a strong indication of market saturation and oversupply of retail space in the Klang Valley.

15. Important factors for the success of a new shopping complex

The following are the views given by the respondents :

1. Location

- near to area of high population density
- proximity to the residents of income level that suits their products

- accessibility - easy and convenient for customers to visit e.g. availability of public and private transportation
- high pedestrian flow
- having a good knowledge of the potential and existing market

2. **Design**

- having a good “global concept” and a unique design with prestigious impression
- attractive external and internal design
- well planned and designed layout of shop space and complex that benefits retailers
- having floor themes
- sufficient facilities and amenities
- easy circulation to all parts of the shopping complex
- good and ample parking facilities at reasonable cost

3. **Complex Management**

- strong management team
- high reputable complex developer
- having regular, well thought and innovative advertising and promotion programs
- good public relationship and advertising back-up
- having “synergy” between tenants

- involve tenants and arrange inter-tenant promotions
- invest in attractive and well documented pre-launch brochures and literature for potential tenants
- cleanliness maintenance

4. Tenant Mix

- having strong anchor tenants
- having an appropriate tenant-mix - the right type and number of different businesses
- good tenants attract other good tenants - secure a core of quality tenants to draw the rest
- tenants that could complement each other
- avoid tenants who generate low customer traffic or with profile irrelevant to the rest
- do not just search only for high class brands; look for retailers who sell quality goods at reasonable prices
- go for sophisticated tenants who have clear marketing strategies

5. Tenancy

- reasonable rental rates and services charges
- flexible terms of tenancy e.g. length of lease

16. Important factors to be considered when renting a shoplot

Retailers would normally consider all the factors mentioned above with the utmost important considerations on certain issues such as the location and the rental rate of the shop lot.

5.3.2 Part B : Views On Retail Industry Development

The 10 questions in the Part B of the questionnaire are summarized as below :

- Q1. The retail business would become more competitive towards the year 2000.
- Q2. Retailers are facing a shorter life cycle in the 1990s.
- Q3. The emergence of new retail forms (e.g. Discount Store, Hypermarket, Convenience Store, Specialty Store, Franchising Store) has affected retailers' business.
- Q4. The non-store forms of retailing (e.g. direct selling, mail order, telemarketing, telephone marketing, electronic shopping) has affected retailers' business.
- Q5. There exists an increasing competition from the same or different types of retailers.
- Q6. Retailers are placing more importance in launching of new store formats targeted at different lifestyle groups.

- Q7. Retailers are placing more importance in new retail technology over the years as one of the competitive tools.
- Q8. High emphasis on the provision of good sales service to customers.
- Q9. The purchasing power of consumers would become higher towards the next decade, but the market share would be spread over a large number of shopping centres and new retailers.
- Q10. Could Malaysia become a world-class shopping paradise ?

The following table shows the frequency of responses to the above-mentioned questions :

Question	Yes (%)	No (%)
Q1	100	0
Q2	83	17
Q3	50	50
Q4	13	87
Q5	100	0
Q6	100	0
Q7	83	17
Q8	100	0
Q9	100	0
Q10	37	63

The following are the analysis of major common views of the respondents :

1. All the respondents foresee that the retail business would become more competitive towards the year 2000. This is justifiable from the current market situation that there are many new market players enter into the retail world in various retail formats owing to the booming of the economy of the country.
2. 83% of the respondents replied that their products are facing of a shorter retail life cycle in the 1990s. This is due to the fact that there are more varieties of products, either from local or abroad, currently available in the market. There is a trend towards a shorter retail life cycle especially when the competition is getting stiffer when the retailers are rushing for the same category of market segment with the fixed market size and purchasing power.
3. The response as to whether the emergence of new retail forms such as discount stores, hypermarkets, convenience stores, specialty stores and franchising stores would affect their business were mixed, as such phenomenon would depend on the nature of their business that they are in. Certain business types could not be substituted by these new retail forms, for example the auto accessories and jewellery shops.

4. 87% of the respondents replied that their business has not been affected by the non-store form of retailing such as direct selling, mail order, telemarketing, telephone marketing and electronic shopping. This is especially true for those business types where personal attendance and service are required such as beauty services and optical shops.
5. All the respondents confirmed that they see an increasing competition from the same or different types of retailers. This could be due to the market situation which is not just comprising of local retailers but also international retailers who are selling the same or compatible products in the same or different forms of retailing systems.
6. All the respondents are placing more importance in launching new store formats targeted at different lifestyle groups. This could be considered as a marketing strategy to increase market penetration. New products with new image and unique business concept are one of the approach towards this effort of business diversification for resurgence.
7. 83% of the respondents indicated that they have placed more importance in new retail technology over the years as one of their competitive tools. This is evidenced that more chain store retailers have been increasingly invested in new retail IT system developments such as the POS system, computerised stock replenishment system, and electronic anti-theft surveillance system in the retail business in order to cut down losses and

operation costs. Smart Card system with the intention to create customer loyalty has been employed by certain retailers.

8. All the respondents are emphasizing on the provision of good sales service to their customers, as a point of differentiation in their marketing mix. This is because better service would generally make shoppers to have the tendency to come back and make recurrence purchases. The “5 to 1” principle which states that the cost of acquiring a new customer has been estimated to be five times that of retaining an existing customer would be a point of worth consideration.
9. The respondents were absolutely agreed that not withstanding that the purchasing power of consumers would become higher towards the next decade, the market share would be spread over a large number of shopping centres and new retailers. This could be evidenced from the previous question in Part A that the majority of retailers were not enjoying good business in their outlets in those newly-open shopping centres.
10. Only 37% of the respondents would think that Malaysia could be promoted to become a world-class shopping paradise and the balance of 63% were sceptical on such status. Some of them might have the opinion that the local retail industry could not just rely on the tourists and even though there exists a lot of shopping facilities, it does not guarantee that there are

enough shoppers. There are more window-shoppers and browsers than buyers nowadays.

The following are the summary of the views given by the respondents in the open-ended questions Q11 to Q14 :

- The changes in the retail industry in the Klang Valley has been phenomenal in the recent years. New shopping mega malls equipped with almost all the latest sophisticated facilities are coming up in a very fast pace in the Klang Valley, not only in the city centre of Kuala Lumpur, but also in the suburban areas, with both the traditional and new retail formats to serve the basically same market segment. New retail IT technology system developments have found places for investment in the retail industry to catch up with the fast pace of technology advancements and to provide better competitive edges for the retailers.
- The retail trends over the next few years would be full of competition and uncertainties :
 1. There would be a dipole retail trends development - the lower market segment would shift towards the cheaper products while the up market and those affordable towards the international branded products.

2. Foreign international brands would gain good response from the up market and especially so when the household size of the family is smaller and with less children.
3. The market would generally be slowing down even though the per capita income has increased. This is because the net disposable household income of people, especially those staying in Kuala Lumpur, would be dwindled due to high inflation rate and high financial commitment to housing and car loans and other individual purposes.
4. The big pie of the Klang Valley might not be able to sustain, on average, a good business for all its shopping centres, as the market share would be spread and scattered among the shopping centres. Profit margins per retail outlets would have dropped generally.
5. Too many local brands are offering similar products. The local market would be flooded with cheaper products imported from China, Hong Kong, India and ASEAN countries (especially with the AFTA comes into practice in 2002). Again, there exists also some small and unknown market players coming up with those best buy/cheap sale stocks. Therefore keen competition not just exists among the local brands, but also from those cheap local and imported stocks as well as the international market operators.

6. The “zero inflation” campaign launched by the Government would have further eroded the sales. Customers also tend to purchase during the four discount sales periods allowed by the Government.
- The problem of over supply of retail space could affect one’s business in a number of ways :
 1. generally poor business, high operation costs and high stock inventory for the retailers.
 2. high vacancy rate of shopping complex with less tenant mix in the shopping complex causing poor customer patronage.
 3. poor quality of complex management as the return on rentals is at minimal level and not sustainable for any A & P programs.
 4. difficulty in maintaining a now very profitable outlet especially when the shopping complex is becoming ailing.
 5. stiff competition exists not only among shopping centres due to the overlapping of trade areas but also to a certain extent within the shopping centres.
 6. both the developers and retailers are facing difficulties - high rentals and high overhead costs are causing a rapid turnover of tenants. Some developers are experiencing difficulties in collecting rentals and service charges from their tenants.

- In view of the current phenomenon of the emergence of new mega shopping complex projects in the Klang Valley, retailers would have to adopt a very cautious attitude in the selection process of the strategic location for their retail outlets during their business expansion planning.

To be a market leader, various more aggressive marketing strategies with respect to the marketing mix should be adopted :

1. products → better quality
2. price → reasonable & affordable
3. distribution → strategic location, improved renovation, exclusive display
4. promotion → privilege cards
5. service → enhanced promoters' services

5.4 **PART III (INVESTIGATION ON THE SUPPLY AND DEMAND OF RETAIL SPACE IN SHOPPING COMPLEXES IN THE KLANG VALLEY)**

5.4.1 **Analysis Of Research Results Of PART I**

From the research results obtained in PART I, it is established that the total current supply of retail space in the Klang Valley in 1996 is **16.76 million sq. ft.** The total of such supply would increase to **44.93 million sq. ft.** by the year 2000, indicating a supply growth rate of **168%**

The current population of the Klang Valley is about **3.88 million** in 1996 and such population would increase to about **4.45 million** by the year 2000, recording a population growth rate of **14.70 %**

Given the above statistics for the Klang Valley as at 1996,

1. the ratio of total retail space to total population is **4.3196 sq. ft./person.**
2. the ratio of total population to total retail space is **0.2315 person/sq. ft.**

As opposed to the estimated statistics for the Klang Valley by the year 2000,

1. the ratio of total retail space to total population is **10.0966 sq. ft./person.**
2. the ration of total population to total retail space is **0.0990 person/sq. ft.**

A simple comparison of both sets of statistics, implies that

1. the ratio of total retail space to total population would increase by **133.74%**
2. the ratio of total population to total retail space would decrease by **57.24%**

The total yearly retail sales for the country in 1995 was about **RM13 billion**. Assuming an annual growth rate of **16%** (based on the official statistics of the Statistics Department), the total expected yearly retail sales for the country with an estimated population of **20.90 million** (based on the national population growth rate of 2.6% per annum in the Census Report 1991) in 1996 would reach **RM15.08 billion**.

Assuming that the yearly retail sales would proportionate to the population size, then the total estimated yearly retail sales in the Klang Valley (with an estimated population of **3.88 million**) in 1996 would be **RM2.80 billion**.

Based on the above figures, the following data could be obtained for the year 1996 :

Personal spending on retail (i.e. sales/person)

$$= \text{RM2.80 billion} / 3.88 \text{ million persons} = \text{RM722 per person}$$

Per square foot yield (i.e. sales/sq. ft.)

$$= \text{RM2.80 billion} / 16.76 \text{ million sq. ft.} = \text{RM167 per sq. ft.}$$

Assuming that there is no inflation in the next four years until 2000, then the total estimated yearly retail sales in the Klang Valley, based on an annual growth rate of 16%, would be **RM5.07 billion**.

The data for the year 2000 would be as follows :

Personal spending on retail = RM5.07 billion / 4.45 million persons

$$= \text{RM1139 per person}$$

Per square foot yield = RM5.07 billion / 44.93 million sq. ft.

$$= \text{RM113 per sq. ft. (implying a drop of about 32% in sales turnover per shopping centre)}$$

5.4.2 Analysis Of Research Results Of PART II

From the research results obtained in PART II, it is established that under the current state of business and the present market situation, majority (83%) of the chain store retailers do not enjoy good business in those new shopping complexes in the Klang Valley. Of these, 50% merely could break even and 33% are operating at loss.

With the mushrooming of new shopping complexes, 50% of the business of those retailers operating in the existing shopping complexes have been affected and suffered a drop of 15 - 30%.

67% of the retailers would move out from those shopping complexes which do not perform well if the rental adjustment is not up to a satisfactory level.

There are a total of 55 new shopping complexes which would be completed by the year 2000. 28 of these have been identified for surveyed in the study and respondents had indicated that they would only be interested to be represented in 10 of them. This shown that retailers nowadays are very cautious in the site selection for their business expansion program.

This could be seen as a strong indication of market saturation and oversupply of retail space in the Klang Valley.