



The impact of out-of-town shopping centres on town-centre retailers and employment: The case of the Region of Murcia



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ABSTRACT

In recent decades, in many countries and regions there has been much controversy regarding the effects of out-of-town shopping centres on retail activity and employment in the towns their catchment areas. In the Region of Murcia, the last decade, a cluster of out-of-town shopping centres has appeared and their impact on these socioeconomic variables constitutes the focus of this article. To carry out the research, an econometric model has been developed. The results reveal a negative impact on retail activity, around 12% in the case of the nearest and most affected town. Furthermore, the findings show a negative net balance of employment in the whole of the catchment area calling into question the desirability of these centres unless they provide a complementary supply in the area.

1. Introduction

The Spanish Association of Shopping Centres (AECC) defines a shopping centre as a “group of independent retail establishments that is planned and developed by one or several entities as a single property. Its size, retail mix, common services and complementary activities are determined by the characteristics of its commercial area and it always has a unified image and management” (AECC, 2016).

The term “shopping centre” also refers to the different retail structures of different sizes and with different organisational, town planning and technological aspects (Casares and Rebollo, 2005).

Shopping centres are the result of the natural evolution of the so-called arcades (England), “passages” (France) or “gallerías” (Italy) that were covered pedestrian retail areas accessed directly from the street (Navarro et al., 2005).

The first shopping centre as we know them today opened in 1956 in Southdale, Minneapolis (USA). It was designed by the architect Victor Gruen, who came up with the idea of creating areas that were completely protected from the outdoors in which the distribution of the retail outlets and the pedestrian walkways were carefully designed in order to mimic a town centre and even contribute to urban renewal. Since then, shopping centres have adapted to the changes in consumption habits and factors such as the widespread use of cars, the insertion of women into the labour market (with the subsequent increase in purchasing power of the population) and the tendency for young people

to move to the suburbs of the large cities have had a determining influence on their evolution (Guy, 2007; Pacione, 2009).

The peripheral or out-of-town shopping centres in England, located, as their name suggests, in the suburban areas of the large cities began to appear in the 1960s and 1970s, as a result of falling land prices in these areas and the possibility of purchasing areas on which to construct large retail centres and parking spaces (Guy, 2007). The proliferation of out-of-town shopping centres gave rise to the deterioration of town centres where the populations began to age and retail activity diminished, although there are very few rigorous studies that verify this due to the difficulty in conducting them. For example, in the USA in the period 1972–1991, the retail area in town centres fell by up to 1/6th compared to the area prior to the development of the suburban areas. In Europe, in the town of Dudley (West Midlands, United Kingdom), with a population of almost 200,000 inhabitants, 70% of the traditional retailers disappeared when the out-of-town shopping centre Merry Hill was built in the 1980s (Pacione, 2009).

With respect to the evolution of the type of shopping centres, during the early decades of their development, they were largely based around a hypermarket which constituted the principal driving element. However, at the end of the 1990s, shopping centres more specialised in leisure and restaurants began to emerge, with their location shifting out to peri-urban areas (Cerdá, 2002). Today, shopping centres are evolving towards a more recreational-retail model seeking to cover the total demand of consumers and even integrate elements such as casinos

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or hotels into their offer (Marín and Cerdeño, 2013). The architectural component has also been a key element in the design of shopping centres in recent years, with developers seeking to create a warm and friendly place where users feel comfortable and can identify with the surroundings.

Anyway, there are important differences among shopping centres across the world. For example, the U.S. supply chain system has the greatest retail density and the greatest concentration of large retail firms. On the contrary, Chinese supply chains are characterized by small stores operated by relatively small firms, making them less efficient than U.S. systems. The European supply chain system falls between the American and the Chinese and Indian systems, but the northern, southern and central parts of Europe should be distinguished. In northern European, retailing is similar to that in the U.S., with high concentration levels whereas Southern European retailing is more fragmented across all sectors.

Other differences are related to geography, since the population density in the U.S. is much lower than in India, China or Europe, the market size: the U.S., Indian and Chinese retail markets are larger than those in any single European country, or social and political objectives: an important priority of the Indian and Chinese economic activity is to reduce unemployment by protecting small businesses such as neighbourhood retailers. Likewise, several E.U. countries have passed laws protecting small retailers, as well as strict zoning laws to preserve green spaces, protect town centres, and inhibit the development of large-scale retailing in suburbs (Levy et al., 2014) (Table 1).

In Spain, large-scale retail stores did not appear until the 1970s with the opening of the hypermarkets Carrefour Prat in Barcelona, Alcampo Utebo in Zaragoza and Hipermercado in Sant Boi de Llobregat (Ciudad, 2010). However, the first retail shopping centre was not opened until 1980, namely the Baricentro in Barcelona, which still operates today. From then until approximately 2005, there was an upward trend in the evolution of shopping centres and 109 new centres were opened in the period 2001–2004. This pace slowed until 2012 due to Spain’s economic situation and the maturing of the sector with 21 being opened in the period 2009–2012 (Marín and Cerdeño, 2013). This successive opening of shopping centres in Spain was very intense in the provinces of Alicante and Murcia (Ortuño et al., 2013).

Coinciding with a certain level of economic recovery, recently there have been proposals for large out-of-town shopping centres on the eastern coast and the south east of Spain. The impact of these centres on the urban retail fabric and the effect that they may have on the generation of employment is the subject of much debate. Examples of these proposals include the case of Puerto Mediterráneo, located in the suburbs of the Metropolitan Area of Valencia, with a GLA (gross leasable area) of 400,000 m², which would make it the largest shopping

centre in Europe, or the shopping centre proposed for the suburban area of the city of Alicante, namely the Alicante Avanza-Innovation Park & Shopping Centre, with a proposed GLA of between 100,000 and 150,000 m² (Alicante’s Department of housing, public works and territorial planning, 2016). In the first case, the developer argues that the proposed shopping centre will generate approximately 4000 jobs in the operating phase and the promoters of the second case claim that their centre will generate around 1500 jobs, although there has been no mention of the jobs that will disappear in the traditional retail sector as a result of the opening of these new shopping centres, in other words, net job creation.

It is precisely the possible size of the impact of this macro out-of-town shopping centre in Alicante that, in 2015, led the City Council of Alicante and the Retailer’s Federation of Alicante (FACPyme) to request the authors of this article to conduct a study to estimate the impact of the building of this hypothetical shopping centre on the town centre’s retail activity and the resulting net employment.

As previously mentioned, the interest in conducting this study arises from the lack of research currently existing in this field that goes beyond the traditional descriptive articles, and an econometric model has been used in this case. Furthermore, these studies largely refer to cases in the United Kingdom and the United States where the territorial models are based on low density towns where there is a high dependency on private vehicles which is very different from our case of the Mediterranean area where the urban fabrics are typically much more compact.

In order to estimate this impact the case of two out-of-town shopping centres of the neighbouring Region of Murcia have been used as a reference. As these two centres were opened in 2006, their effects can be considered to be consolidated. The analysis and methodology for making the estimates in this article will serve as an example which may be used by the public authorities and society in general when considering the impact of out-of-town shopping centres on the urban retail fabric and employment.

2. Description of the area of study

This section conducts a socio-economic assessment of the study area in order to define its territorial model, the profile of its residents and the location and main characteristics of the shopping centres.

The Region of Murcia is a uni-provincial autonomous region. Its capital is the city of Murcia and it is located in the south-east of the Spanish peninsula. Its neighbouring regions are Andalusia (province of Almeria), Castilla La Mancha (province of Albacete) and the Region of Valencia (province of Alicante). It has an area of 11,314 km² (Fig. 1).

Most of the region has a semi-arid Mediterranean climate with an average rainfall of around 350 mm and an average temperature of 18 °C, with mild winters and hot summers.

According to the latest data published by the National Statistical Institute of Spain (INE), the total population is 1,467,288 inhabitants, of which, more than 55% are distributed among the four main cities: Murcia (439,889), Cartagena (216,301), Lorca (91,714) and Molina de Segura (69,331). Its surface exceeds and the regional density is almost 130 hab/km².

As reported by the INE data, the population growth of the Region of Murcia in the period 2000–2014 was 14.23 per 1000 inhabitants, which is much higher than the growth of Spain’s overall population (8.51) and that of its neighbouring regions which grew by 9.24 in Andalusia, 10.42 in Castilla La Mancha and 11.89 in the Region of Valencia.

With respect to the structure of the population in the period 2000–2014, the Region of Murcia had a younger population in terms of both average age (37.92 years) and the ageing index (AI) (calculated as the number of people over the age of 64 per 100 people under the age of 16) (75.64), with respect to the national average (40.79 years; AI = 107.91) and the neighbouring regions: Andalusia (38.78 years; AI = 82.88), Castilla La Mancha (40.75 years; AI = 110.16) and the

Table 1
Comparison of retailing and supply chains across the world.
Source: Levy et al., (2014).

	United States	European Union	India	China
Concentration (% of retail sales made by large retailers)	High	High	Low	Low
Retail density	High	Medium	Low	Low
Average store size	High	Medium	Low	Low
Role of wholesalers	Limited	Moderate	Extensive	Extensive
Infrastructure supporting efficient supply chains	Extensive	Extensive	Limited	Limited
Restriction on retail locations, store size, and ownership	Few	Considerable	Considerable	Few

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