THE IMPACT OF ONLINE BUYING ON CAPE TOWN SHOPPING CENTRES: A SURVEY OF SHOPPERS

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Abstract

The growth of online shopping is a matter of concern for those involved in the development and management of shopping centres. This paper reports on the findings of completed case studies of four major Cape Town shopping centres where two hundred consumers were interviewed. The aim of the research was to establish the attitudes to conventional and online shopping in a developing country context, with a view to understanding whether or not shopping centres are under threat from the rise in e-retailing.

The findings show that ecommerce will be part of a natural progression where shopping mall developers and traditional retailers will be affected. This includes the potential for consumers to embrace online shopping. It was concluded that the convenience of online shopping is attractive and it is likely to grow commensurately with consumers' perceptions about the security of Internet transactions. In addition, it is likely that online shopping for services such as banking and travel will grow more immediately than shopping for basic goods. However, it cannot be concluded that the shopping centres studied are under threat of extinction. Conversely, they are popular venues that provide entertainment and the opportunity for social interaction and shopping centre management must be prepared.

Keywords: Ecommerce; online shopping; shoppertainment

INTRODUCTION

The real estate industry has always played a fundamental role in society in providing physical space for people and firms to perform their day-to-day activities (McMahan 2000). Retailers view the Internet with concern and this is understandable as there are high set up costs for the necessary distribution systems while operating in a rapidly changing market place (Politzer 1999). The benefits of ecommerce are that they can give customers the maximum choice in when, where and how they shop and facilitates access to the global market (Arthur Andersen and Rosen Consulting Group 2000). Ecommerce is becoming a mainstream mode of shopping as more retailers and 'etailers' set up transactional web sites, and Internet users become accustomed to using the Internet as an alternative retail 'location' (Politzer 1999).

The College of Estate Management's (2001, 2002) investigations into the impact of online shopping on retail property in the UK are topical, coming, as the first report did at the height of the dot com boom. Studies of this nature are useful in that they deal in detail with issues that many in the facilities management industry have little direct knowledge of and good reason to be concerned over. A statement made by Lester Thurow, MIT professor of economics and management, is typical of what causes this concern (cited in College of Estate Management 2001:1)

“You’d better sell your shopping centres. In 2010 half of the retail stores in America will be closed because half of all purchasing will occur online. The whole notion of an automobile-based infrastructure is dead”

Are shopping centres under threat from ecommerce? Some, labeled ‘armageddonists’ (who predict the demise of the high street and traditional shopping) believe so. Others, who argue that physical shopping will continue to dominate, do not (College of Estate Management 2001).

The earlier literature on the subject suggested that the most obvious area to be affected by the growth in ecommerce would be the high street. Retailers have a great deal of money invested in shop portfolios and are continuing to focus most of the attention on upgrading and improving their mainstream retail activities (Politzer 1999). Verdict (1999) argued that medium sized high streets would lose in the retail landscape, by not being able to add value to the consumer’s overall shopping needs and experience compared with both the new electronic medium, and also large shopping centres. More recent literature (see reference to College of Estate Management (2001) findings below), sheds light on such predictions.

Donald (2001) found that 55% of the consumers he interviewed did not enjoy shopping for items like groceries and commodities, and that 86% enjoyed shopping for goods that interested them *i.e.* goods other than groceries and commodities. Donald (2001) also found that 55% of his sample enjoyed ‘window-shopping’ and browsing in stores, while 46% claimed that they only went shopping with specific purchases in mind. These findings suggest what types of changes might occur in the tenant mix of shopping centres as online buying becomes more attractive and highlights a potential upcoming need for managers to focus on how they intend to continue to attract consumers to shopping centres.

In this regard, ‘shoppertainment’ is an important and growing phenomenon. For many, shopping is a leisure activity and a computer screen cannot offer them the same level of experience or social interaction. Developers are rising to meet the challenge by creating a shopping experience. Bluewater Park is at the pinnacle of this approach in Europe with cafes, a boating lake and mountain bike track, as well as 155,669 square metres of state-of-the-art retail space (Arthur Andersen and Rosen Consulting Group 2000). Entertainment-oriented retailers are the fastest growing segment of retail. In the past the actual act of shopping was entertaining. Today consumers are demanding more than just product selection and service to encourage consumption. Movie theatres, restaurants, sports facilities, health clubs, spas, game centres, clubs and entertainment memorabilia shops are examples of the changing retail tenant mix in shopping centres. Simon’s Mall of America is a 333 000 square metre mall and amusement park, which attracted more than 40 million visitors in 1998. Comparatively, Las Vegas receives 32 million tourists each year. The centre’s 500 stores reported average sales of $7200 per square metre relative to average mall tenant sales of $2700 per square metre. Simon’s Forum Shops are theme oriented, have less anchors and report record sales of $10 800 per square metre (Arthur Andersen and Rosen Consulting Group 2000:11). Kardstadt, the largest department store chain in Europe, now includes in-store Cyber Cafes, where consumers can shop and compare product prices online and in a social setting. Disney Quest, Nike Town and REI are additional examples of experience focused retail projects, attracting record numbers of visitors (Politzer 1999:7).

The first College of Estate Management (2001) study identified investors/developers, retailers, and shoppers as key stakeholders. The first two groups and their advisors (surveyors) were surveyed by postal questionnaire and some direct interviews with experts in the field. The sample of shoppers was surveyed in a case study of a shopping district in a large town in the South East of England (fictitiously named ‘Cyberton’), with the elements of the case including a focus group, live shopping centre data and the 469 shopper survey responses. The study also used scenarios for the 2000 to 2005 period which were designed to indicate “how ecommerce might divert offline sales to the online channel, how this effect may vary across different types of goods,[and] how the potential lost store-based sales may impact on rental growth prospects nationally and locally.”

The College of Estate Management’s (2001) study focused on the effect of ecommerce on retail in general, not shopping centres specifically. Nevertheless, a section of its findings is worth summarizing, where the authors debunk some myths. Firstly, they conclude that ecommerce will not mean the death of the high street, but some parts are under threat – notably, financial services and travel. Stores with a strong brand who integrate ecommerce into their existing operations are likely to be successful. Secondly, they argue that retail property values will not decline solely because of the growth of ecommerce. This, they argue is already occurring in the UK because of 'normal' market conditions – oversupply of retail space and pessimistic investor sentiment. Thirdly, the notion that the future lies with the dot.coms seems unlikely to be true. Rather, they see a multi-channel future dominated by 'bricks and clicks' – a physical presence coupled with an online sales channel. Fourthly, their response to the myth that 'retail property will be deadweight' is that this is false - because even etailers need physical property from which to operate.

The rationale for the South African study described in this paper is as follows. The studies conducted by the College of Estate Management (2001, 2002) in 2000 and 2001 are set in the UK, a developed country, and the inputs obtained from shoppers came from subjects living in a town known to have a high degree of Internet access and a major primary shopping centre. The question of the extent to which their findings might be representative of the situation in developing countries is obviously worth pursuing.

The intuitive answer to this question if we consider the continent of Africa, which comprises 46 developing countries (excluding islands), is that they are probably not transferable. The US Central Intelligence Agency's (2004) World Factbook 2004, recorded the estimated world population of internet users to be 604.1 million in 2002, of which 11.2 million are in Africa (see Appendix A). Fifty-two percent (52%) of African internet users come from two countries – South Africa (3.1million, 28%) and Egypt (2.7 million, 24%). Reflected as percentages of the total population, South Africa has 7.3% and Egypt has 3.5% internet users. By comparison, the US has the largest number of internet users in the world (159 million, or 54% of the total population) and the UK has the sixth largest (25 million, or 41.5%). Other countries with large populations typically have lower percentages – *e.g.* China (79.5 million, or 6%), India (18.4 million, or 2%) and Russia (6 million, or 4%). Japan is an exception with 57.2 million internet users, representing 45% of the total population (Central Intelligence Agency 2004). These numbers give one a sense of the potential for online buying to take root and grow, but it is interesting to see them in context – in 2000, only 0.8% of all US retail sales can be attributed to online buying and only 0.7% of all UK retail sales (by 2001 the UK percentage had grown to an estimated 1.5% to 1.9%) (College of Estate Management 2001, 2002).

Against this background, it is argued that conditions in developing countries are different and that data obtained in the context described by the College of Estate Management's (2001, 2002) studies are not automatically transferable to the developing country context. South Africa is by far the most significant user of the Internet in Africa and its major cities of Johannesburg/Pretoria, Durban and Cape Town have retail facilities that are essentially no different to what one would find in the developed world. For example, Cape Town, which has a population of 3.2 million, has three regional shopping centres of approximately 45 000 square metres each, one of 80 000 square metres and one of 120 000 square metres. The major difference between the cities of South Africa and those in the developed countries is that the large urban populations are heterogeneous with vast disparities in wealth between the rich and poor. South African unemployment is estimated to be about 31% and approximately half of the population live below the poverty line (Central Intelligence Agency 2004).

The research reported in this paper aimed to provide an insight into what effect, if any, ecommerce in the form of online buying has had, or could potentially have, on Cape Town shopping centres. This was done by investigating: extent of Internet access and from where it is gained; what shoppers buy online and why; why people visit shopping centres and how satisfied they are with what centres offer; and the potential for online purchasing to increase if the perceived security risk was eliminated. In the following sections, first selected findings of the Cape Town study are presented, and in the analysis these are compared wherever possible with those of the College of Estate Management's (2001) study. Finally, conclusions are drawn.

THE SURVEY

The survey was conducted in four Cape Town shopping centres. The intention was to target consumers who were likely to be Internet users and to whom the notion of online shopping would be acceptable. Thus, the choice of shopping centres was deliberately confined to those frequented by middle and upper income consumers, on the assumption that they would best suit this profile. The four centres are not named in this paper due to confidentiality agreements. They were all situated in the greater Cape Town area (three were approximately 45 000 square metres and one was 120 000 square metres).

Selection of respondents and characteristics of the sample

Non-probability sampling was used to select two hundred consumers (fifty per centre). Respondents were selected randomly by the field workers who were positioned at various points inside the shopping centres. These points were selected so as to ensure that the interviewer would be exposed to the maximum volume of shoppers whose destinations might variously be supermarkets, cinemas, banking facilities, restaurants, music outlets and general line shops. Locations comprised a combination of stationary positions near cinemas and music shops, outside major anchor tenant supermarkets, and 'roving' along the pedestrian routes to line shops. Interviews were held on weekdays from mid-morning until evening to ensure that all types of visitors to the centres had a chance of being included.

The distribution of ages of the shoppers surveyed were: under 21 years – 21%; 22-30 years – 38%; 31-35 years – 27%; and over 35 years – 16%. Data regarding the gender of the respondents were only gathered from two of the centres (*i.e.* 100 respondents), where it was found that 45% were male and 55% female.

Satisfaction With and Purpose of Visit to Shopping Centre

A majority of consumers (54%) preferred these shopping centres to others closer to their homes, while 31% did not. This response suggests that consumers wants are satisfied at these centres and it further indicated that they were willing to travel to the shopping centre they prefer. Shoppers' levels of satisfaction can be seen in the following findings. Eighty-seven percent (87%) rated the quality of the centres and 84% believed that the variety of goods and tenant mix were excellent. Sixty percent (60%) said that they got good service at the centres and 61% felt that the security provided by centre management was good. Fifty-three percent (53%) felt that the centres provided a good atmosphere for shopping and 63% were impressed with the entertainment facilities. There is an indication in these responses that shopping centres are regarded by consumers as more than just shopping venues. This is also evident in the findings regarding why respondents had come to the centres on the survey days. Based on the total sample of 200, 30.5% indicated that they had come to shop only, 25.5% had come for entertainment only, and 44% came for both. The research then sought to establish whether or not consumers would still frequent shopping centres for entertainment if they did most of their shopping online. In this regard, 76% said that they would. A majority (57%) felt that entertainment is a part of shopping, which indicates that entertainment will be an important factor in keeping shopping centres full in a climate of escalating online shopping

It was expected that parking would be a big issue. Cape Town's public transport system is inadequate and the primary mode of transportation of the target population for the survey is their own vehicle. The sensitivity around parking relates to the cost thereof. Of the four shopping centres included in the study, two have free outdoor parking options to the undercover parking provided. The other two centres only offer undercover parking which is reasonably priced. One of the centres offering both free and undercover parking, charges parking rates that are generally considered expensive. Against this background, it was found that the majority (85%) of respondents travel to the centres in their own vehicles, 39% were unhappy with the parking facilities, and 52% considered the parking fees to be too expensive. Notwithstanding this, 45% did not regard parking costs as a deterrent from coming to the centres.

Internet Access

The results show that 72% of the shoppers surveyed had access to the Internet in some form or another and 28% had no access. Thirty three percent (33%) had access at home only, 10% at work only, 42% at home and work, and 15% used Internet cafes. The 15% who only had access through Internet cafés, should probably be classified as having no access for the purposes of comparison with the College of Estate Management (2001) results which only listed 'home', 'work', 'home and work' and 'no access' as choices. If this were done, the above figures would change to 62% with and 38% without access and the place of access would change to 39% at home only, 12% at work only and 49% at both home and work.

What Shoppers Buy Online and Why

There were two main reasons why shoppers said that they either do, or would buy online - convenience (68.5%) and cheaper prices (41%). The following percentages are of the 124 respondents who had internet access either at home, at work, or both. Goods and services they bought online, either at the time of the survey, or 'always' were: accommodation and travel services – 57.3%; Banking – 67.7%; Books – 4.8%; Groceries – 0%; Music – 25.8%; Tickets (entertainment) – 35.5% .

Potential for Growth in Online Buying

Factors such as dislike of tedious shopping and less than complete satisfaction with shopping centres raise the question of whether online buying might grow in response. Respondents were asked what deterred them from buying online. The biggest deterrent, reported by 57% of the respondents, was the fear that credit card transactions were not secure. Other factors included a preference for the physical act of shopping (34%) and fears that it would be inconvenient to return goods purchased online (27%).

Fifty percent (50%) of the total sample of consumers said that they would definitely shop online if they were absolutely sure that their credit card details would be secure, 25% would be quite likely to, and 15% were uncertain. The potential for growth in online shopping is evident in the following responses to the question regarding what shoppers would be prepared to buy online if credit card security could be guaranteed. Accommodation and travel services – 75%; Banking – 51.5%; Books – 19%; Groceries – 18.5%; Music – 33%; Tickets (entertainment) – 39.5%. These responses are hypothetical and came from the entire sample of 200, including those who said that they did not have internet access, which means that they should not be compared against the percentages in the section above describing what shoppers currently buy online. For such a comparison, we need the actual numbers, which are given in Table 1.

Table 1: Potential for growth in online buying

	No. currently/always buying online	No. who would buy online if secure	Growth potential (rounded off)
Accommodation and travel services	71	150	211%
Banking	84	103	123%
Books	6	38	633%
Groceries	1	37	3700%
Music	32	66	206%
Tickets (entertainment)	44	79	180%

ANALYSIS

The selected findings of the Cape Town study presented above are discussed in this section and compared wherever possible with those of the College of Estate Management's (2001) study.

The majority (65%) of Cape Town shoppers were between the ages of 22 and 35. The 'Cyberton' sample recorded 53% in the 25 to 44 age group. It is unclear whether there is sufficient a difference here to have caused distortions in the data, but the samples were deemed reasonably similar enough to have made the comparisons that follow.

The selection of respondents is obviously crucial to this kind of study. Results will probably vary according to month of the year, days of the week, time of day, and who the interviewer is. The College of Estate Management (2001) study conducted shopper interviews on two days – a Wednesday and a Saturday. This was probably more sensible than our selection of weekdays only for the Cape Town study. However, it must be noted that the investigation in the UK study was not confined to the shopping centre itself, but to the town centre in which there were also shopping centres. In the UK study, interviewers were positioned at the entrance to the major shopping centre, the secondary shopping centre and in the streets of the shopping district. The differences between the two studies in terms of when data were gathered may well account for some biases in the results, as was evident in the UK study, where weekend surveys revealed far larger numbers of male respondents than weekday surveys.

The College of Estate Management's (2001) UK survey produced exactly the same finding regarding Internet access as our Cape Town results (72% with access and 28% with no access). Where they obtained this access differed. Compared with Capetonians, the proportion of UK respondents who had access at home only was 25% greater and the proportion of UK respondents who had access at work only was100% greater. The proportion of respondents who had access at home and work was 12% greater in the Cape Town study than was found in the UK sample. No UK respondents were reported to have access through Internet cafés only, but 15% of the Capetonian sample did so. If the adjustment proposed above in the reporting of the results is made, *i.e.* that Cape Town respondents with access through internet cafés only are treated as having no access for the purposes of comparison with the College of Estate Management's (2001) results, we then find that the places of access of the (revised) 62% of Capetonians with Internet access are as follows. The proportion of UK respondents who had access at home only was 8% greater and the proportion of UK respondents who had access at work only was 72% greater, compared with Capetonians. The proportion who had access at home and work was 31% greater in the Cape Town study than was found in the UK sample. The most important of all of these findings appears to be that the proportion of respondents who had access from work only was far greater in the UK than in the Cape Town survey. Also, if we adopt the revised figures (excluding Internet café access), 16% more UK shoppers had access than the Cape Town sample. This suggests that more UK employers provide computers and internet access for employees than do South African employers. The implications of this finding for facility managers, is that a comparable number of middle- to upper-income South Africans are online and thus the infrastructure is in place for growth in online shopping, which has potential implications for the tenant mixes and viability of shopping centres.

A question not explored in the Cape Town study, but asked in the UK study, is worth mentioning here. The question concerned what respondents used the Internet for and it was found that 45% of those with Internet access did not use it to shop, but 26% researched products and 19% used it to compare prices. Thus it seems that one cannot infer from high levels of internet access that high levels of online buying will follow.

Since three-quarters of the Cape Town sample had Internet access from home, this is probably the primary point of access for shopping and leisure. Here it should be noted that the high cost of local phone calls could well limit the rate of growth in online shopping, if access is gained via a dial-up connection. Online stores would have to provide an incentive to shop online, like significantly lower prices.

Comparing the UK and Cape Town findings on what shoppers actually bought online, see Table 2, there seems to be little in common, except music purchases, which are reasonable similar percentages (26% and 37%).

Table 2: What shoppers bought online

	Cape Town Shoppers	**'Cyberton' shoppers**
Accommodation and travel services	57%	**23%**
Banking	68%	**9%**
Books	5%	**37%**
Groceries	0%	**9%**
Music	26%	**37%**
Entertainment tickets	**36%**	**-**

The highest use of the Internet by Cape Town shoppers was for online banking, where 68% reported this use. The relatively low percentage (9%) of 'Cyberton' shoppers who used it for this purpose is a surprising finding. To adequately explain this, one would need to discuss the differences between the banking systems in the two countries, which is beyond the scope of this paper. On the surface it would appear that the UK banking system is convenient and cheap enough to use without needing to consider the option of online banking. It is call centre based and these call centres were aggressively established before the establishment of the internet. The South African system, in terms of what customers can do, when they can do it, and what it costs, appear to be sufficiently unattractive to the extent that internet banking appears to be a better alternative. The other differences between the two sets of findings appear to reflect cultural and cost differences. For example, imported books are very expensive in South Africa, so book purchasers are typically relatively wealthy people.

The Cape Town study showed relatively high levels of satisfaction by shoppers with the shopping centres included in the study. They were clearly prepared to travel to the centres in preference to closer alternatives,. Any concerns about parking facilities and costs were insufficient to deter them. If we then consider that one-quarter had gone to the centres for entertainment only, and 44% had gone for a combination of both shopping and entertainment, and considering that large percentages had Internet access and did already purchase certain goods online, it seems clear that shopping centres are not under threat of extinction from online buying. They appear to be important places for social interaction and entertainment - 57% of the respondents considered it important for entertainment to be a part of shopping, notwithstanding the finding that 43% were neutral on the issue. Verdict (1999) suggested that entertainment-oriented retailers are the fastest growing segment of retail. Consumers are demanding more than just product selection and service to encourage consumption. Movie theatres, restaurants, sports facilities, health clubs, spas, game centres, clubs and entertainment memorabilia shops are examples of the changing retail tenant mix in shopping centres. The literature also suggests that theme orientated shopping centres as are found in the USA and the UK are beginning to appear in South Africa. The message for facility managers with shopping centres in their portfolios, is that shifts may well be required in tenant mix and stores/entertainment ratios, if online buying escalates to the extent that current mixes and trading patterns are affected.

The Cape Town research findings suggest that the greatest impact online shopping will have in the short term will be a reduction in the space occupied by service providers such as financial services and travel agents, since there is a clear interest in this kind of shopping to occur online. A factor inhibiting the growth of online shopping is shoppers' fears of security risks over the Internet. Once these fears are eliminated, there could be a substantial increase in online shopping and therefore a greater need by facility and centre managers to anticipate a decline in foot traffic. Table 1 gives an indication of where this growth might occur – the biggest opportunity for growth being the purchasing of groceries. South Africa has only two major grocery e-tailers, which are ironically the first two anchor tenants any shopping centre looks to attract. Growth in online grocery shopping is likely to be influenced by this.

CONCLUSIONS

It is concluded that the convenience of online shopping is attractive and it is likely to grow commensurately with consumers' perceptions about the security of Internet transactions. In addition, it is likely that online shopping for services such as banking and travel will grow more immediately than shopping for basic goods. What this means for shopping centres owners and their facility managers and is that they will have to ensure that their shopping centre managers stay ahead of the game by anticipating these changes and developing strategies to attract consumers to their centres. Given the interest in shopping centres as places of entertainment as well as shopping, it is likely that the provision of more entertainment facilities within centres will have this effect. It cannot be concluded that the viability of the shopping centres in which the study was conducted are threatened by online shopping. On the contrary, they appear to be popular venues that provide entertainment and the opportunity for social interaction.

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APPENDIX A

African Internet Users
(Source: Central Intelligence Agency 2004)

		Millions	
Country	**2002**	**2003**	**Total**
Algeria	0.500		
Angola	0.041		
Benin		0.070	
Botswana	0.060		
Burkina Faso		0.048	
Burundi		0.014	
Cameroon		0.060	
Central African Republic	0.005		
Chad	0.015		
Democratic Republic of Congo	0.050		
Djibouti	-	-	
Egypt		2.700	
Equatorial Guinea	0.002		
Eritrea		0.010	
Ethiopia		0.075	
Gabon		0.035	
Ghana	0.170		
Guinea		0.040	
Guinea-Bissau		0.019	
Cote d'Ivoire	0.090		
Kenya	0.400		
Lesotho	0.021		
Liberia	0.001		
Libya		0.160	
Malawi		0.036	
Mali	0.025		
Mauritania	0.010		
Mozambique	0.050		
Morocco		0.800	
Namibia		0.065	
Niger	0.015		
Nigeria		0.750	
Rep of Congo		0.015	
Rwanda	0.025		
Senegal		0.225	
Sierra Leone	0.008		
Somalia	0.089		
South Africa	3.100		
Sudan		0.300	
Swaziland		0.027	
Tanzania		0.250	
The Gambia	0.025		
Togo		0.210	
Western Sahara	-	-	
Zambia		0.068	
Zimbabwe	0.500		
Total Africa	**5.202**	**5.977**	**11.179**