

# **AN ASSESSMENT OF FUNDING FRAMEWORKS USED FOR THE PROMOTION OF RETAIL SHOPPING STRIPS IN AUSTRALIA**

*Judy Rex, Nicole Maslin and Antonio Lobo, Faculty of Business and Enterprise, Swinburne University of Technology, PO Box 218, Hawthorn, 3122, +61 3 9214 8055, AUSTRALIA, [jrex@swin.edu.au](mailto:jrex@swin.edu.au)*

## **ABSTRACT**

In Australia, shopping strips have become increasingly reliant upon a special rate and charges levy as part of the funding framework. This research involved a survey of 75 shopping strips in Victoria. The research showed that for many of the strips, the special rates and charges was the only means of raising funds for their promotions and marketing activities. While this funding was not always deemed to be sufficient in meeting the promotion and marketing needs of the strip, it was often described as effective, given that it was their only source of funding, particularly for smaller strips.

## **INTRODUCTION**

Shopping environments are largely provided in three distinctive locations: Central Business Districts or Downtowns; Shopping Strips; and, Shopping Centres and/or Malls. The increasing popularity and preference of consumers for shopping strips has presented challenges for both the marketers of the shopping strip and the shopping centre/mall. Current trends both in Australia and overseas indicate that the consumer is no longer satisfied with the 'be everything to everyone appeal' and convenience benefits that the shopping centre or mall has promoted. Consumers are increasingly attracted to the individuality and the potential experience they can gain from shopping in a strip, as opposed to a shopping centre with their uniformity and sameness, which can lack appeal and personality to many consumers. Ironically, it is the convenience factor that is now giving shopping strips and Central Business Districts the edge over their shopping centre competitors. Peterson and Balasubramanian [2] argued that consumers want geographic convenience (easily accessible stores) and time convenience (reduced time spent searching and purchasing). For governments, it is the economic value and the role of shopping strips that are of particular importance, and their policies and regulations can have considerable influence over a shopping strips' existence and future. Therefore, strategies to improve the viability and vitality of local shopping strips are increasingly important for government. As competition grows and retailers aggressively seek to attract consumers from greater distances, the survival of local shopping strips depends on their ability to keep their customers from shopping outside their local market [3, p. 365]. To support these efforts, many local councils have specifically addressed the role of retail strips (activity centers) through their City Plans and/or Economic Development Strategies. The idea of collecting funds for the improvement of Shopping Districts was first developed in the USA. Business Improvement Districts (BIDS) and Business Improvement Areas (BIA's) emerged in the early 1970's to combat the decline of commercial districts. To fund the activities of the BIDS, North America and Canada rely on a compulsory self-taxing mechanism that is facilitated by enabling legislation by State and/or Federal authorities. New Zealand and South Africa operate similar compulsory schemes, while Japan, Belgium, Germany, Holland and the United Kingdom operate business improvement schemes, without relying on a self-taxing mechanism. In Victoria, Australia the local governments have implemented a mechanism for direct funding of shopping strips through the Local Government Act (1989) which provided for Councils to declare a compulsory special rates and charges and to specify the wards, groups or users for which the special rate or charge is declared. This allowed Council to declare a levy or charge on all properties within the shopping district. Payable by the property owner, this levy or charge was generally

passed on to the tenant who pays the amount annually. The sophisticated management structures and aggressive marketing campaigns used by the suburban and regional indoor shopping complexes (hard tops) has largely been responsible for the introduction of special rates and charges schemes provided local shopping strips with the means to collectively market themselves and adopt a more strategic business focus. The motivation behind the introduction of this funding model was to encourage shoppers to change their shopping preferences from the larger shopping centres to the traditional shopping strips. Victoria has 76 of these schemes currently in operation with a further 22 being proposed in the next 2 years. On average these schemes were raising collectively \$40,000 per annum with the average contribution of \$330 per year, per business. 84% of the schemes were used to fund the part-time employment of a Centre coordinator to manage the marketing and business development activities in the suburban and metro strips and in Regional Centres this role was more likely to adopt a more Tourism or Economic based focus.

Therefore, this research was designed to understand how shopping strips in Victoria generate their funds for promotion, and to determine the sufficiency and efficiency of these funding models in providing for the marketing and business development activities for the shopping strip. The researchers contacted the Centre coordinators of the 75 Shopping Strips funded through special rates and charges in Victoria and asked for permission to either mail or email the questionnaire to them. A 49% return rate ensured a good representation of the total number of shopping strips funded through special rates and charges in Victoria, with about three quarters of the surveys coming from suburban strips, about one quarter from inner city strips, and one survey from the country. For the purposes of analysis, a comparison has been made (where appropriate) between shopping strips with less than 100 properties (small strips – 12 responses) and those with 110 or more properties (large strips – 25 responses). The small sample sizes need to be taken into consideration in reading the findings in this paper.

## **FINDINGS**

To understand why the special rates and charges were introduced, the coordinators were provided with a list of reasons and asked to select the three that were most applicable to their shopping strip. It was of no great surprise that having money to market or promote the strip was given as the major reason for instigation of the special rates and charges. About one half of the coordinators said it was introduced because of the threat of competition or because of pressure from traders; and about one third said it was instigated by Council, or to reduce vacancies or because other shopping strips had them. The shopping strip funding is a rate or charge on the property owner and shopping strips and their Local Councils adopt different approaches in the way they choose to raise and source the funds. The survey indicated that the two most common methods of collection were the variable rate where each property contributes an amount based on the percentage of the capital value of the property and the location of the property; and the flat charge where a fixed contribution per property is agreed. The funds raised from this rate as well as the funds contributed by Local Councils are then dispersed to the Shopping Strip Traders' Associations on a quarterly basis for their expenditure. The value of funds raised per annum varied greatly according to the size of the strip. On average, shopping strips were collecting about \$74,000 per annum from the special rates and charges, however, this varied from about \$16,000 to \$230,000. All the Shopping strips with over 100 properties were raising at least \$50,000 pa, while no strips with less than 100 properties were raising more than \$50,000 per annum. 65% of the shopping strip coordinators indicated that the money collected from the special rates and charges was their only source of funding. The remaining 35% said they had received additional financial support and their Local Council was the main source of this additional funding.

The respondents were then asked to rate both the sufficiency and the efficiency of the special rate and charge funds in providing for the marketing activities of the strip, using a scale of 1 to 10 where 1 was 'totally insufficient', through to 5 being 'neither sufficient nor insufficient', up to 10 being 'more than sufficient'. Not surprisingly, the strips with over 100 properties were more likely to say that the funds were sufficient than those with fewer than 100 properties. The mean score for sufficiency of funds for strips with fewer than 100 properties was 4.5, compared to those with over 100 properties at 6.9. It would appear from the response to this question that for many of the shopping strips, particularly those with fewer than 100 properties, these funds were insufficient in providing for the marketing and business development activities of the strip. However despite this, the majority of the shopping centre co-ordinators indicated that the special rate and charge levy was effective in facilitating the marketing activities of the shopping strip. When asked to rate effectiveness on a scale of 1 to 10, the majority of respondents rated it was effective, with 81% rating the effectiveness at 7 or above. About one quarter (27%) of the respondents rated it as a 10 (very effective) while only a few strips rated its effectiveness below 5. When comparing the means of the effectiveness of these funds for fewer than 100 properties and for over 100 properties the differences were not so great as for the sufficiency ratings. The limitations and issues relating to the effectiveness of the special rates and charges program were explored further in an open-ended question. The largest number of responses related to funding related limitations, and by the lack of trader involvement. To explore the funding further the respondents were asked to report the percentage amount of their total budget allocated to different items. The two biggest expenditure items for the Victorian shopping strip budgets were coordinators' wages/contract and promotion implementation. Nearly half of those surveyed (46%) indicated that implementation of promotion activities accounted for 60-70 % of the total budget expenditure. The coordinators' salary was the next biggest expenditure item. 46% of those surveyed indicated that the coordinator salary/wages accounted for up to 24% of the total budget. Combined, these two budget items were responsible for between 80 to 90% of most shopping strips total budget expenditure. Approximately two thirds of the shopping centre coordinators attributed no actual expenditure to marketing planning activities, which included market research and the contracting of professional services. This analysis shows that the funds that the special rates and charges levy was generating were mainly being expended on the implementation of marketing and the shopping strips coordinators' salary, and for this reason it can be seen that they are necessary and effective in achieving their goals, particularly as the smaller strips strive to compete with the larger shopping malls.

In conclusion, while Victoria's compulsory funding model provides an alternative to those used in other countries, more research is needed to understand the extent of the use of this funding model and to refine it, particularly for the smaller strips. While the limitations of this research are dominated by the small scale of the sample, there is no doubt that the insights gained have provided an interesting insight into the issues facing shopping strips today.

## REFERENCES

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