

SHOPPING MALLS: NEW RELATIONSHIPS BETWEEN THE RETAIL ACTIVITIES AND THE URBAN SPACE

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INTRODUCTION

This paper discusses the new relationships between the retail activities and the urban space. having as a study case the phenomenon occurred in Brazil since the end of the eighties, mainly in the city of São Paulo.¹

It was possible to realize that an important change in the retail location theory happened concerning the big retail plants called Shopping Malls which do not consider any more the strategic locations (accessibility, power purchase, demographic density) to make them viable using, on the contrary, the business strategies (marketing, advertisement and many other new business formulas). The awareness of this phenomenon points out the necessity to revise the way to control the urban development considered now inadequate.

THE IDENTIFICATION OF THE PROBLEM

In 1966 there was only one Shopping Mall built in the country and located in São Paulo city. It was necessary to wait five years for the second one, but built in Brasília city. In 1992 the scenery had already changed meaningfully, and it was possible to identify 84 Shopping Malls in operation, representing 2.098.791 sq m of gross lettable area (table 1)

About 40% of the Brazilian Shopping Malls were settled in São Paulo State with strong concentration in São Paulo City, and 62% built after 1985.

Until the beginning of 1991 there were 10 Shopping Malls working in São Paulo city, and more than 15 Shopping Malls with different patterns were trying to

¹ The city of Sao Paulo, capital of the State with the same name, lies on 750 metres above the sea level in the southeast region . In 1991, the city of Sao Paulo had 9.626.898 inhabitants in a area with 8051 sq km. It is the main core of a metropolitan region encompassing 38 municipalities with a population of 15. 417. 637 inhabitants.

get the license to be built. Some of them already in construction and eight with more than 40.000 m² of total floor area.

The number of Shopping Malls forecasted to be settled in the city until 1992 pointed towards the end of the market capacity to absorb these undertakings.

Added to this scenery the hard economic crisis observed in the country contributing to diminish the population purchase power and therefore, the consumer market made it difficult to believe in the financial viability of this retail sector.

Moreover, the physical proximity among the new Shopping Malls, the lack of fundamental location factors in the chosen areas and the intention of the entrepreneurs to carry on building these retail undertakings highlighted two important aspects to be discussed regarding the retail activities: the capacity of the consumer market² and the role of the strategic location in the Shopping Mall viability.

In order to understand these changes, it was necessary to go back to the past and to analyse the relationship between the retail activities and the consumer market and its location in the urban space.

THE MARKET CAPACITY

Up to the 19th century, it was supposed that all the goods produced had its original idea in the consumer desire. That is, the industries tried to discover the people necessities or desires and tried to supply them with many different products. The flow of messages about what to produce had oneway: from the individual to the market and then to the producer.

It was established that "the consumer was the king".

Actually, in a free market economy there is always the thought that the consumer is the one who sets the rules³

Nevertheless, the Ford industrial system development promoted an inversion in this sequence, and the market started to be conducted by the big companies which produced great quantities of goods, needed great investments and needed to have warranted demand for their products.

With this intention the industrial system started to control the market in terms of quality and quantity through the control of the product price, the collective demand and the consumer desire⁴.

In this period, to answer the requests of the industrial sector, the retail activities had to be adequated. Firstly, to attend efficiently the population which were increasing fast in terms of goods supply and, secondly, to serve the big companies in terms of service (cleaness, research and so on). The retailing and services activities had to change their domestical features and acquire the condition of big firms.

² Concerning some entrepreneurs the Shopping Mall with more than 40.000 sq m need about 1 million people in its influence area to be viable. In 1991, São Paulo city, with 12 million people had jus 12 of them. In: Investimentos no Interior. *Estado de São Paulo*, 22/08/91

³ GALBRAITH, Jonh K. O novo Estado Industrial. Civilização, Rio de Janeiro, 1967.

⁴ GALBRAITH, op.cit.

The water and energy supply and the transportation system started to be offered in a collective way, and the retail activities to be operated by big stores and chain stores. The big retail undertakings introduced the new modern sale techniques to follow the industrial and urban development.⁵

In this way we witnessed the emergence of the “Grand Magasins”, the Variety Stores, The Department Stores, the Supermarket, the Self-Service sale techniques, and the Shopping Centers.⁶

The new way to produce that so called “Flexible Industrial Production”, (that appeared after the seventies due to the lack of capacity of the Ford industrial system to maintain the profit rates), adopted different procedures to continue the accumulation process in the capitalism system.. The main aspect of this new productive way is the flexibility: flexibility of goods, volumes, design, productive procedures, work process and equipments.

This new way of production showed that through the use of micro electronics it was possible to get extra advantages with the goods diversity without losing the benefits from the mass production.

The diffusion of this new paradigm whose basis is the information means much more than a change in the technical basis; it changes the institutional regulation mark and affects the consumer and life styles and defines a new kind of productive organization.

In the retailing and services sector the activities which have been suffering the stronger impact are: the transportation and the warehousing services, the financial and administrative services which try to be close to the clients by telebank, videocable and teleshopping and the retail distribution..

Therefore, the main characteristic of the retail activities is to sell the products which come from the Flexible Industry, in a flexible way. This means to adopt an endless capacity of diversifying and changing their formula in order to attract the consumers, having the Shopping Malls as their most important commercial building.

Concerning the case of São Paulo city, in 1980, there were only three Shopping Malls in operation (table 2 and map 1) : The Iguatemi, which had had serious problems in the beginning; the Matarazzo Shopping Mall working badly during a long time; and the Ibirapuera opened, in the 1976. In 1983, with the emergence of two more (Eldorado SM in 1981 and Morumbi SM in 1982), the quantity of consumers visiting these Shopping Malls and the difficulty to park in them showed that the “trend” to buy in Shopping Malls had arrived.

Actually, the advertisement of one SM aided the promotion of the others because it emphasized how good it is to buy in Shopping Mall. With the creation of the new trend the market to the Shopping Malls was created too. Not only in the city of São Paulo was it possible to observe the emergence of many SMs. Although with much more importance in São Paulo City, the expansion of these

⁵ GATO, Francisco. Cambio tecnológico Neofordista y reorganización productiva: primeras reflexiones sobre sus implicaciones territoriales. EURE, Santiago, v.XVI, n.47, p.7-34, 1989.

⁶ VARGAS, Heliana C. Comércio: Localização estratégica ou estratégia na localização. FAUUSP, São Paulo, 1992.

kind of undertakings happened in the country as a whole, mainly in the hinterland of São Paulo State and São Paulo Metropolitan Region.⁷

In the city of São Paulo, when the competition started to diminish the profit rates, the entrepreneurs started to take advantages of the business strategies. The Shopping Malls Sector started diversifying their activities by selling specialized goods, by changing the size and the pattern of the building and by doing a market segmentation (age, income, habits and cultural values).

As the last resource to attract the consumers, the Shopping Mall sector promoted an integration with other urban activities such as: leisure, culture, retailing, services, food, recreation, events and emotion. These activities started acting as new magnets transforming each Shopping Mall in a "wonderfull shopping world", including the leisure purchase. In our opinion these business strategies have guaranteed the market to make the majority of these big Shopping Malls viable.

On the other hand, the population displacement in the city as a whole, in order to buy all these activities, regardless the location of these retail plants, opened the discussion about the new relationship between the retail activities and the urban space.

⁷ Concerning the ABRASCE (Shopping Malls Brazilian Asssociation), in 1991 the number of Shopping Malls in Brazil was 81, and 47% were in the hinterland of the states, mainly in the São Paulo State. In: Aumentam Shopping no Interior. *Estado de São Paulo*, 26/06/91

THE CREATION OF THE STRATEGIC LOCATION

In his studies about the Middle Age, Henry Pirenne ⁸ had already mentioned that in a more advanced period, when the technique permitted the man dominated the nature despite the climate and soil difficulties, it would be possible to build cities everywhere.

In this way, if on one side the strategic geographic conditions are decisive to development human settlements in low levels of transportation and communication technologies, on the other side the territory uniformity caused by the high levels of technology led to the field of business strategies in order to make the difference. Even in the Middle Age it was possible to realize that business strategies had been used by the governors of the “Champagne Region” to get the merchant preference

In the end of the 20th century, mainly in the capitalist countries, the business strategies are overcoming the strategic location to make business viable. It is this phenomenon that it is possible to verify in Brazil, mainly in São Paulo city, since the end of the eighties.

This condition has acquired some specific characteristics concerning the level of control of the retail activities development., the cultural values, the retail capital concentration, and has made us to rethink the commercial location theory.

In a free market economy, the financial success of the retailing activities is measured by the size of the difference between the revenues and the costs of being in operation. As these revenues are created by the act of purchasing, the consumer is the aim to be reached. Therefore, all the mechanisms used to get the consumer attention gain importance.

The ways to attract the consumer attention have been changed during the humanity evolution, and many theories about retail location have been developed. In the thirties, the most important and known theories were : “The Christaller Hexagonal Model” and the Retail Gravitational Law written by William Reilly.

In this way towards the 21st century the central points of the retail theories changed from the importance of the strategic location (accessibility, purchase power in the influence area, demographic density rates), to the business strategies which include the diversity, quantity and quality of the goods offered, the quantity and quality of stores and the use of mass communication and advertisement to induce people to buy all kind of products and emotions, even without necessity.

In the Brazilian case, the Shopping Malls are the result of many changes in the commercial areas planning and management in order to answer the economy and the city new demands.

Besides changes in the architectural patterns in terms of activities, parking, pedestrian circulation, provision, another change has also occurred in the management of the retail unit.

⁸ PIRENNE, Henry. *As cidades na Idade Média*. Edições Europa-América Ltda, 1964.

As it is known, the Shopping Mall is more than a concentration of stores in the same place or building. It is an undertaking where all the enterprises involved have the same administration searching for a common goal - to increase sale.

In the view point of the entrepreneur, the emergence of the Shopping Malls answer quickly the requests of the new economic transformations. This is confirmed by the great quantity of this kind of undertakings which are attracting many other capitals, not only the commercial one.⁹

Concerning the insertion in the urban space, the level reached by the Shopping Malls development shows that it is possible to create or recreate the strategic locations in order to improve their business .

Stimulated by the new technologies and aided by the new techniques of consumer persuasion, creating new habits and new needs and allowing the lack of some conditions to be supplied by other factors, the Shopping malls can be considered producers of the strategic locations to the commercial uses. That is, putting together in the same place many different activities and parking facilities the Shopping Malls contribute to maintain the economic distance lower in rationalizing the people displacements. Moreover, the land valorization nearby incentivates the demographic densification and the gentrification process , and attract so many other retail activities.¹⁰ Some other advantages are offered by the Shopping Malls as safety, weather confort and many other facilities.

At this moment, mainly in the big cities, the retail activities capacity of creating the strategic location with the arrival of the Shopping Malls has meant the way of the real estate capital to maintain its accumulation rate.

Before being an innovation of the sales techniques the Shopping Malls are a new way of the real estate capital to face the lack and the high prices of good lands for the commercial use.¹¹

This union with the real estate and commercial capitals which means a retailing activities location planning, in the scale of the building itself and the urban scale, has been promoting important changes in the urban space structure.

Up to the end of the seventies, in São Paulo city, the decision to build a Shopping Mall demanded serious studies to choose the best location in terms of attracting consumers, as occurred with the two first Shopping Malls built in the city, the Iguatemi and the Ibirapuera Shopping Malls.¹² Since the eighties, the Shopping Malls started to be settled in places considered inadequate to the view point of the commercial locations theories. That is: very close to other Shopping Malls, as it was the case of Eldorado SM and many others built later in the west and east region of the city; in places with industrial vocation as the Morumbi SM; in deteriorated places as the Northern SM; in the low income areas as the Interlagos, East Center and Aricanduva SMs.(see map 1)

⁹ Many different capitals are coming from the real state sector, industry, retiring funds and even from the municipality power to build and management Shopping Malls.

¹⁰ In the areas where the zoning allow changes in the urban land use and occupation it is possible to verify a strong transformation in the neighborhood.

¹¹ VARGAS, helian C. a Eficiência da Intervenção do Estado na Localização comercial. ANAIS, III Encontro nacional da ANPUR, 1989.

¹² The Ibirapuera Shopping Mall influence area included the upper income class, although with low demigraphic density and had a good condition of access by car.

Therefore, the SMs location started being defined mainly by the existence of empty land and the possibility to buy it by appropriated prices. Since then, the advertisement and the facilities offered assumed the responsibility to transform the area into a profitable place.

In our view point, the decrease of the strategic location importance to make SMs viable has been a strong reality due to many factors. The emergence of a new way to purchase that became “up to date”; the lack of good area to settle new commercial plants; the displacement difficulties, the chaos of the big cities, and the advances of mass communication systems, are some of them.

The business strategies overcame the strategic location by making many other magnets rise such as: leisure, good restaurants and fast food stores, many sorts of events, prizes and the unexpected, are transforming each SM in a real “wonderful shopping world”, including the leisure purchase.

Besides these changes to meet the demands of the retail activities, the great quantity of SMs, the size of the undertakings and the business success have attracted the planners’ attention because of the impact that they provoke in the urban space, and the existent mechanisms to control urban development are no longer enough and adequate.

Because of this weak capacity to control, the business strategies have interfered in the ways followed by the urban development.

At sum, the SMs locations no longer seems to be chosen in a micro scale, but in macro scale. That is, the entrepreneurs decide which zone is interesting and search inside them for empty and worthless land to build big SMs. Nowadays, the concept of influence area and purchase power are unable to explain the success of this kind of undertakings.

TABELA 1 : SHOPPING MALLS EVOLUTION IN BRAZIL

YEARS	NUMBER OF SM		GROSS LETTABLE AREA (sqm)		GROSS LETTABLE AREA PER SM
	IN THE PERIOD	ADDED	IN THE PERIOD	ADDED	IN THE PERIOD
1966	1	1	33.459	33.459	33.459
1971-1975	5	6	164.340	197.799	39.560
1976-1980	6	12	284.155	481.954	47.359
1981-1985	19	31	497.950	979.904	26.207
1986-1992	53	84	1.118.887	2.098.791	21.111

Source: ABRASCE (Shopping Malls Brazil Association). In: MASANO Tadeu F. os Shopping Centers e suas relações físico-territoriais e sócio negociais no município de São Paulo. FAUUSP, São Paulo, 1993.

TABLE 2 - SHOPPING MALLS EVOLUTION IN SÃO PAULO MUNICIPALITY

SHOPPING MALLS	OPENING DATE	GROSS LETTABLE AREA (sqm)
center norte	06/04/84	64000
lar center	29/06/87	35809
morumbi shopping	03/05/82	53246
shopping center eldorado	10/09/81	46000
shopping center ibirapuera	06/08/76	52007
shopping center iguatemi	27/11/66	33459
shopping center interlagos	28/09/88	63062
shopping center matarazzo	01/10/75	24912
shopping center paulista	14/11/89	22100
shopping center penha	01/10/82	17495
shopping center sul	01/12/82	8768
shopping center west plaza	02/05/91	40525
shopping center jardim sul	01/06/90	16500
shopping center aricanduva	19/09/91	42000

Source: ABRASCE (shopping Malls Brazilian Assossiation) In: MASANO Tadeu F. os Shopping Centers e suas relações físico-territoriais e sócio negociais no município de São Paulo. FAUUSP, São Paulo, 1993.