

RETAIL HIERARCHY LOSES FAVOUR

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Changes in retail shopping patterns, and the new RMA, nudge city planners to reassess well-worn policies.

The retail hierarchy, a model long held and promoted by planners and planning, can be traced back to the 1930s. The "central place" model of Walter Christaller, a German, predicted that towns would be distributed uniformly over the countryside with a hierarchical ordering of centres. The population of each centre would be directly related to the range of functions performed within it. The concept was extended to the distribution of retail centres within cities

from about the 1950s (see *The study of urban geography*, Harold Carter, 1972).

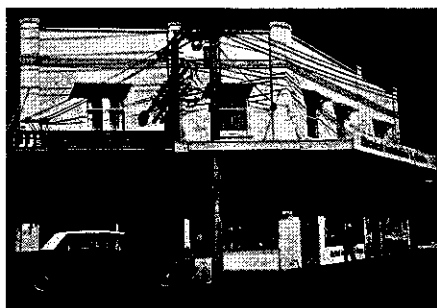
WHY DID THE HIERARCHY ARISE?

Incremental changes to the economic and social environment have challenged the model for many years. New insights have however largely failed to get put into practice because they conflict with familiar ways of thinking. As a result planners have largely

stuck with the model. We may have modified it with extra zones and special cases but essentially the retail hierarchy remains the basis for most commercial zoning strategies.

The basis of the model is that there exists a relationship between the distance to a shopping centre and the probability of a consumer using it.

Essentially the model assumes that transaction costs for consumers in obtaining products are high. It was expensive in terms of time or money to travel to different centres and as a result "comparison" shopping was essentially concentrated in the higher order centres. Limited retail opening hours, and rules specifying what products could be sold at the weekend or by wholesalers, which existed in New Zealand



"The usefulness of the retail hierarchy has been undermined by the decline of CBD retailing and local neighbourhood shops" . . . main street shops in Sandringham, Auckland, compete with the amenities at nearby St Lukes Shopping Centre.

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until the mid-80s, were key factors supporting the hierarchy.

Other factors were also important. The New Zealand retail industry was much less sophisticated than it is today. Essentially retail centres at the same level in the hierarchy were very similar in character. The range of products available was limited by import controls, and they were sold at prices regulated either by government or by the manufacturer. There was little to be gained by the consumer shopping around for "convenience" goods — the cut-price supermarket store had not yet entered the fray.

Moreover, consumers' tastes were limited by the narrower range of products available. Niche markets were unheard of. New Zealanders up and down the country bought essentially similar products.

From a planner's perspective the retail hierarchy offered a basis for rational and orderly development. Commercial centres became growth points — centres around which housing and other activities, especially community facilities, could be consolidated. The retail hierarchy became the basis of planned suburbs in every city of the country.

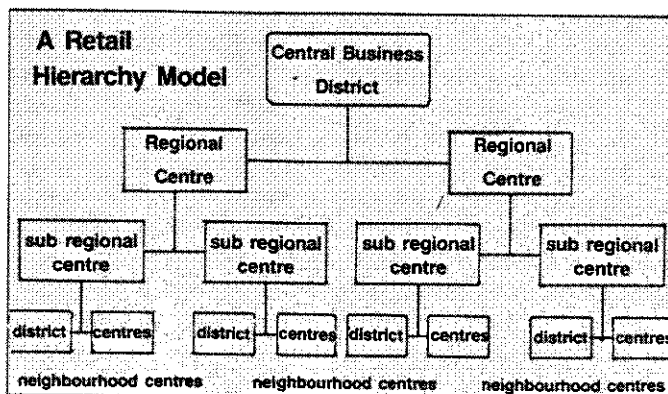
PROBLEMS WITH APPROACH

During the preparation of the Resource Management Act much was made of the desire for provisions to avoid the "supermarket circus".

The "circus" refers to the ongoing attempt by major established retail interests to use the planning system to prevent or slow competitors encroaching on their trading areas. The circus has two effects. The expense of developing key supermarket sites has become such that only a small number of players can afford their development. Given the expense of development, the major players feel they have a property right to the catchment area and protect this, again through the planning system, from encroachment by newer types of retailers such as the bulk discount suppliers who generally wish to locate on less costly sites outside traditional commercial centres.

The response of planners to this behaviour has been at best ambivalent, and at worst acquiescent. While it has always been argued that planning has not rationed retail development, in at least some communities the policy of maintaining a strict retail hierarchy has had this outcome.

Provisions of the Resource Management Act explicitly state that the effect of a new development on the trade of a competitor should not be considered in evaluating the proposal's merits. However, as long as dis-



trict plans still have policies and rules which implicitly or explicitly support the maintenance of a hierarchy, or protect existing retail centres, this will provide an opening for the "big retail players" to attempt to regulate their competitors out of the market.

BREAKING DOWN THE MODEL

In some respects the very success of the model in the past has sown the seeds of its downfall. Consolidation of retail development in "second-order" centres in suburban locations developed in the 1970s has undermined shopping centres further up and down the hierarchy — the Central Business District and the traditional "strip" centres along main roads. These areas no longer have accessibility advantages and have failed to realise the quality of shopping experience that consumers now demand.

Perhaps policies in plans which have emphasised the importance of maintaining the viability of these areas gave retail operators an unrealistic sense of security in their future. Such security may have led the operators in such centres to under-invest in both their stores and centres, secure in the knowledge their continued viability was a concern to the local planning agency.

More recently, changes in the way the New Zealand economy operates, and changes in people's wants and needs, are forces which may put to bed the notion of a retail hierarchy as a basis for a sustainable commercial strategy.

Distance remains an important factor in a person's decision about where to shop. But with the falling real cost of private motoring, due in part to the reduction in the costs of imported cars, people are less constrained to shop at the centre nearest to home or work.

The removal of import controls on many goods means that a much wider range of goods is available. Competition for the consumer dollar has become very intense. Both consumers and retailers are more sophisticated. Shops and shopping centres are branding and marketing themselves in order to becoming distinctive in the minds of consumers. Such shops and centre are target

ing a particular segment of the market — meaning a dispersed trading catchment covering a wide area.

Shopping is now a preferred leisure activity. People will travel further in order to use a shop or centre which entertains them, delights them and fulfils their particular needs. Consumers are prepared to trade additional time and cost to travel to a "no frills" supermarket offering lower prices, a "bulk warehouse" offering a wide range of inexpensive goods, a cluster of antique dealers or factory shops, a new shopping centre offering good food and special entertainment for the children. This all adds up to a breakdown in the traditional hierarchies where it was assumed that consumers would go to their nearest shopping centre.

LET'S BE REALISTIC

Good professional practice has always required planners to clearly justify policies and rules. The Resource Management Act now requires such justification to be explicit. Falling back on an anachronistic tool such as the retail hierarchy will not be good enough.

Does this mean that planners should abandon all interest in the location of retail outlets? Certainly not. It is very likely that communities would strongly object to an uncontrolled expansion of retail premises in their neighbourhoods. But the interests of the wider community may well be served by allowing retailers to seek lower-cost sites in many existing industrial areas.

Concerns about the congestion caused by new retail facilities, and the extra costs this may impose on the community in the way of road upgrading are legitimate, and should be taken into account. But these costs do not provide a mandate to deny the community the benefits of more choice in shopping. Developers are now much more attuned to the wider community's demands for adverse effects to be addressed through such things as contribution to roading improvements, provision of parking and landscaping in residential neighbourhoods.

Planning must be flexible and respond to communities' desires. The clear and obvious popularity indicated by consumers "voting with their feet" must be a good measure of the value consumers as a whole place in a retail facility.

Retail operators and developers may have to accept more uncertainty in the marketplace. This may be less costly than years and many dollars spent fighting cases at the Planning Tribunal, and in the long term less costly than the outcome of under-investment

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◀in their business because of a misplaced security that regulators will act to protect their viability.

Concern over the "needy" members of the community: the old, the sick and the infirm; is often aired in debates over the possible adverse impacts of new retail development on established retail development.

There are areas where a high percentage of people do not own cars. The response of some planners has been to ensure that local shopping areas, within walking distance, be preserved for these groups. The intention of these planners is commendable, but one may question whether the maintenance of a retail hierarchy in a plan is the best means to assist these groups.

One option for planners is to become involved in wider community initiatives within councils — a subsidised minibus service for suburbs with low car ownership may be a more effective form of assistance than the blunt tool of the planning system.

Subsequent to the Resource Management Act, concerns that shopping centres are a resource that should be "sustained" have been raised. Similar arguments concern the

need to protect the communities' past investment in shopping centres.

Restriction of retail developments in order to protect the buildings, toilet blocks and parking lots in established retail centres is unlikely to stand up to rigorous section 32 testing. Furthermore the option exists for planning agencies to require the development of community facilities in association with new retail locations.

CONCLUSION

To date, the retail hierarchy has been a fundamental component of most plans in urbanised areas. The retail hierarchy is not an immutable rule to be followed rigidly in plans. The Resource Management Act puts more responsibility on planners to demonstrate the underlying basis for the objectives, policies and rules in district plans.

As a model, the hierarchy should be a simplification of reality. The contention of this paper is that reality has moved on in such a way that the hierarchy is no longer useful as a tool for developing district planning rules and policies in urbanised areas. The usefulness of the hierarchy has been undermined by the decline of CBD retail-

ing and local neighbourhood shops when faced with the development of modern self-contained centres in the 1970s, followed by the explosion of new forms of retailing as the economy was deregulated in the 1980s.

Planners must keep up with changes in the society they are planning for. But the inadequacy of the retail hierarchy for planning in the 1990s does not mean that planners should abandon planning for retail altogether. Retail developments still raise public interest concerns such as the impact on neighbourhood amenity, congestion, safety and the cost of public infrastructure. But in ensuring that concerns about adverse environmental effects are met, planners must also consider the benefits that a competitive and responsive retail industry can provide to the community.

Note: The views expressed in this article are not necessarily those of Auckland City.

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