Managing town centres under increasing competitive conditions –

The role of the property owners

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Abstract

To manage increased competition cooperation between stakeholders has become more important. Retailer’s role is well researched. Property owner’s role is not well researched. The aim is to analyse different stakeholder’s perceptions of what property owners contribute with and could contribute with in managing the town centre. Many stakeholders look at the property owner’s role as crucial for town centre development. Property owners do not see that they can contribute significantly to the development. The main reasons for this opinion are that they look at them self to have to small amount of properties to make a difference in the town development.

Keywords: town centre management, property owners, added value

JEL-codes: L81, M38, R30

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Introduction

Globalisation, technological and demographic changes are some of the explanations for out-of-town/edge-of-town establishment which occurred during the late 20th century (Riviezzo, 2009; Otsuka & Reeve, 2007; Warnaby et al, 1998; Warnaby, 1998). Especially the increased mobility of the consumer has been important (Whyatt, 2004). This in turn has led to a greater challenge to manage the competitive position of the town centres (Tomalin & Pal, 1994; Phillips & Swaffin-Smith, 2004). Studies have shown that the increased competitive condition have reached out in space meaning that even nearby towns are affected (Phillips and Swaffin-Smith, 2004). Towns which are geographically closely located are increasingly competing with each other (Warnaby et al, 1998; Choe et al, 1997).

To cope with the increased competition, it has become more important for the town to work proactive and strategic with development of the town centre (Riviezzo et al, 2009; Tomalin & Pal, 1994, Phillips & Swaffin-Smith, 2004) in a tailor-made way (Whyatt, 2004; Tomalin & Pal, 1994; Coco-Stefaniak, 2009). The most common approach in Europe is the so called Town Centre Management (TCM) (Warnaby, 1998; Coco-Stefaniak et al. 2009) which has grown forward since the 1980’s (Spridell, 1980; Warnaby et al, 1998; Baldock, 1989, Wells, 1991; Healey & Baker, 1994, Whyatt, 2004). This means collaboration between various stakeholders to implement development strategies with the aim to make the town centre more attractive (Tomalin & Pal, 1994). Warnaby et al (1998) argues that it is about looking at it as an urban retail system. Important town centre actors is property owners, retailers, civic societies, and local authorities (see e.g. Medway et al. 2000; Warnaby et al, 1998; Whyatt, 2004; Tomalin & Pal, 1998; Warnaby, 1998).

Two different management strategies dominates in Europe; either focusing on the actual competition or focusing on trade as a business portfolio (Warnaby et al. 1998). TCM can be
established through the retailers or through a formal public partnership, where the latter is more common in e.g. Sweden. (Coco-Stefaniak et al, 2009) In general, Sweden has followed the Western European development (Forsberg, 1998) but Forsberg et al. (1999) argue that the reactions have been two-folded. Either the town’s has supported the development of out-of-town/edge-of-town establishments, or the town’s has focused on creating a successful and strong town centre. (Forsberg et al. 1999)

Earlier studies of Sweden (see Forsberg et al, 1999; Sandahl & Lindh, 1995) have focused on retailers and property owner’s involvement in TCM. Sandahl & Lindh (1995) argued that financial benefits could be linked to the property owners as an attractive town centre should affect the value on the property. Forsberg et al. (1999), on the other side, looked at what motivated retailers and property owners to cooperate. However, none of the earlier research brings forward what the property owners contribute with to the cooperation, rather the focus has been on the retailers as the important stakeholder (see e.g. Warnaby et al. 2005). Runyan & Droge (2008) brings forward location as a previous studied area but this only cover the retailers chosen location and not the property owner’s contribution (for further details see Runyan & Droge, 2008).

The aim of this study is to analyse different stakeholder’s perceptions of what property owners contribute with and could contribute with in managing the town centre.

Strategic management of the town centre

Whyatt (2004) argues that the established partnership aims to achieve the town’s objectives, including areas within the public and the private sector (Coco-Stefaniak et al. 2009; Medway et al. 2000; Whyatt, 2004; Forsberg, 1998; Hall, 2007), which enables a dialogue between the stakeholders which can improve the understanding of the different business strategies
Whyatt (2004) argue that the Town Centre Management (TCM) work is done to meet the consumer demand and their experiences. The total offering of the town centre creates the opportunity to meet the competitive pressure and create an advantage for the town centre. However, it is important that all stakeholders within the town centre realise how they affect the consumer. (Whyatt, 2004) This implies that stakeholders need to realise the importance to see the complete picture of the town centre, including e.g. work place, apartments, restaurants, etc. (Clarke & Schmidt, 1995; Kandampully & Duddy, 1999; Warnaby et al 2005; Warnaby, 2009). In this way, the town centre can be seen as a profit organisation rather than a diverse range of businesses (Clarke & Schmidt, 1995; Warnaby, 2009). The total value provided is created by a network of partnership rather than from a single stakeholder (see e.g. Kandampully & Duddy, 1999; McDermott & Chan, 1996).

**Retailers as stakeholders**

Philips & Swaffin-Smith (2004) argues that the retailer’s contribution to the town centre is diverse, including everything from vitality and vibrancy to trade diversification and added-valued services. Increasing the vitality of the town centre is mentioned by several researchers (see e.g. Forsberg et al 1999; Warnaby et al. 1998).

Research has shown that there are several reasons for retailers to be a part of managing the town centre. Store rents are identified as one factor that motivated retailer’s involvement. (For specific reasons see e.g. Medway et al. 2000; Forsberg et al. 1999) The size of the retailers varies lot; from small local one store retail companies to large multiple retailers, often on an international level. This leads to that the retailer's resources and capabilities to work with town centre management vary. Often multiple retailers own the properties they are situated in (Medway et al. 2000). It can then be expected that this affect the willingness to invest within the town centre. In comparison to local retailers both Medway et al (2000) and Whyatt (2004)
argues that it is more common for multiple retailers to be involved in developing the town centre. However, close by shopping centres that are managed as one unit (Guy 1994) has a tendency to negatively influence the retailer’s willingness to invest in the town centre (Medway et al. 2000). Forsberg et al (1999) argue that the motive to be involved should have a foundation in both the business advantage and the altruistic desires for both retailers and property owners.

Dennis et al (2002) argues that local town centres might survive the threat of shopping centres through managing the retailer mix. To succeed with managing the retailer mix, the attractiveness of the business area need to be worked with since the most attractive business areas will get the successful retailers and, as a result, a positive development (Dennis et al. 2002). Managing the retail mix is affected by rents and rates. There is a tendency that local retailers are located in poorer areas as the rents are cheaper. This is problematic as local retailers are seen to be important actors to preserve the community. (Coco-Stefaniak et al. 2005; Warnaby, 2005; Schmidt & Parker, 2003)

Forsberg et al (1998) argue that retailers have limited influence in Sweden on the properties location to be able to follow the retail development. This is instead in the hands of the property owners, the retailing interest and the local government.
Warnaby (2009) argue that the work with TCM is well established today and that it now is now about making the place distinctive in the mind of the consumer. Warnaby (1998) argue that planning for a shopping centre often holds a property perspective which Howard (1996) indicates meaning handling it as an asset that needs to be maintained and protected. Langston et al (2008) argue that property owners needs to think about the threes P’s; profit, places, and people, which Warnaby et al (2005) argues dealing with the urban centre as one product. Here, property owners are responsible to marketing the retail provision, the perception of the town centre, and to provide suitable premises. Properties are an important aspect that builds competetive advantage and can according to Warnaby (2005) be a part of the inherent advantage. Warnaby (1998) therefore argue that all stakeholders, including property owners, needs to understand the importance of marketing as a way to increase the attractivity. To see the place as a product, the town centre needs a sense or symbolic value to the customer which is created by the land use to differentiate itself in the mind of the customer. Langston et al (2008) also argues that the focus should be on the properties possibility rather than the particular owner.

Langston et al (2008) argues that properties has a life cycle and that the reusage of older attractive buildings is better than building new properties. Properties needs maintainance and restoration, they are to be seen as assets, and empty properties are harder to reuse. To solely focus on the monetary perspective and not incooperate the environmental and social factors when making decisions makes the decisions biased. (Langston et al. 2008) Dennis et al (2002) argue that much TCM work to increasing the attractiveness is focused on renovating buildings and to attract the right retailers. Barber and Tietje (2004) argue this way of working increases the customer satisfaction more than the geographical location.
Warnaby (2009) argue that a natural environment with a cohesive servicescape/townscape between and around the properties can increase the attractiveness of the town centre. The old and protected buildings are properties that might create the competitive advantage for the town centre, as shopping centres are seen as non places without distinctive character. Langston et al (2008) however argue that national protected properties hinder the property owners to be innovative but can provide cost advantages to the property owner. These kind of buildings need a balance between the stakeholders; developers, property owners and preservation advocates.

**Method**

This study is based on two town; Falun and Borlänge. They are selected for three reasons. First of all, they are in a competitive position equal to the one described in the literature concerning competing pressure (in relation to out-of-town shopping centres). Secondly, they are geographically close to each other, approximately 20 km, and therefore should affect each other. Thirdly, both town centres work strategically with managing the town centre.

To provide a holistic picture of what the property owners contribute with to town centre development, interviews have been conducted with TCM managers, property owners, local retailers and manager of trade and industrial life.

In general, the case material is collected through semi-structured interviews which varies in length; deeper interviews with e.g. property owners and managers and shorter with local retailers. The interviews was recorded, transcribed, and analysed by the authors.

**The town centre environments**
Within the county, Borlänge and Falun represent approximately 37.5% of the total population. Falun is the residential city in the county and the town population in Falun is appr. 36 500 in 2005. The trade index\(^1\) for the town was 107 the year 2008. This indicates that seven percentage of the shopping was done by consumers from outside the town. The turnover in the trade sector increased with 32 % between 2004/2008. In comparison, the town population in Borlänge is appr. 39 500 in 2005. Borlänge’s trade index was 132 the year 2008 indicating that 32 percentages of the shopping was made by consumers from outside town. The turnover in the trade sector increased with 27 % between 2004/2008. Both towns’s had a higher turnover and trade index than Sweden in general.

**Falun**

Falun town centre consist of a variety of buildings from different periods in time. There is one regular pedestrian area which could be seen as the main street (about 400 meters long). City malls are located along it and mostly holds national and some local retailers. The latest mall opened in 2008. The diversity of different types of retailers along the rest of the main street is high. However, a few clusters of expensive stores exist. There are vacant properties within the town centre, however they are hardly noticeable. In Falun they try to link travelling and trade through a travel centre close to the main street. At the edge-of-town there are plans to increase the amount of retailers who deals with durable goods. According to the interviews the town centre is the area that creates the competitive advantage. The TCM organization was established in the 1990’s and has had the same management team since the beginning. it has always been closely connected to the local politics. The work is organized in committees that handle different kinds of requests and new committees are created on continuously bases. The town has evidently developed a healthy town centre because they have been awarded prices

\(^1\) Annual calculation done by the Swedish Trade Research Institute (HUI)
and certificates from the international umbrella organisation for town centre management.

**Borlänge**

Borlänge town centre consist of more contemporary buildings built during a shorter period of time in comparison to Falun. The retailers are also more dispersed compared to Falun. The town centre consists of three main streets (approximately 800 meters long). Two of them are pedestrian streets while the third street cars and public transport are allowed. There is one small city mall in the town centre which mostly holds service organisations. The rest of the town centre holds many exclusive and local retailers but only about 10 national retailers. There vacant properties in the town centres which are highly noticeable because some of them are placed in attractive locations. Approximately 800 m from the centre Kupolen (a shopping centre) is established and holds most of the national retailers. From the beginning Kupolen was a combined event and conference centre with limited amount of trade facilities. Over time Kupolen has developed into a shopping mall with a turnover on one billion SEK. Today Kupolen is a major attraction point for residents, county inhabitants and tourists. This trade area is under development as IKEA plans to open up close to Kupolen. This is a public investment on approximately SEK 350 million. The estimated turnover for IKEA when opened is one billion SEK. Borlänge started working with the TCM concept appr. 10 years ago. In Borlänge there are at the moment one TCM manager for the town centre and one for Kupolen. These two have a high level of cooperation and communication with each other.

**Collaboration and competition**

The town centre manager’s in Borlänge and Falun discuss different case scenarios with each other to strengthen their role. The level of cooperation has increased between the two communities since the establishment of the joint tourism organisation Visit Borlänge-Falun. Co-operation also exists when discussing future retail strategies. The manager’s in Falun
points out that it is not possible to copy a concept to another town centre. Instead strategic work always needs to be adjusted to fit a specific town centre context.

Despite this co-operation, managers in Falun see Borlänge as a competitor if counting the total amount of retailing. The reason for this is that with the establishment of IKEA, Borlänge will transform into the county’s centre of retail. However, there is a belief that the establishment of IKEA in Borlänge also will affect Falun positively due to the fact that more people also will discover Falun. From Falun’s point of view, Kupolen and in the future IKEA are seen as out-of-town establishments. The manager’s in Falun states that it is important to create a strong and clear vision for the town so that the stakeholders know the town’s future development.

The perspective in Borlänge is a bit different. The managers in Borlänge see the retail in Falun town centre as complementary to Borlänge. The managers in Borlänge do not think the retailing in Falun will be affected by the establishment of IKEA. IKEA is more likely to be used as an out-of-town mall. However, other towns within the county might be negatively affected by this establishment (e.g. Rättvik, Leksand, and Mora). The manager of trade and industrial life in Borlänge states the need to create a new and more holistic regional strategic view regarding retailing and development. The opinion is that it is especially important to regard Falun-Borlänge as one single retail area.

Town centre managers and the managers of trade and industrial life point of view

According to managers in Falun, a strong vision for the town might increase the investments from different stakeholders, in particular the property owners as they know that the properties probably will increase in value. According to all interviews, property ownership in both town centres has so created problems because there is a tendency to focus on one of the town centres. The establishment of IKEA should increase the investments from the property
owners. It will create a higher pressure on suitable premises since the area around IKEA will not be capable to house everyone. It is therefore important for both town centres to be ready before IKEA open up.

Another problem, mentioned by the managers in Falun, is that the property owners are not as co-operative or communicative as they could. According to the manager’s the property owners often gets involved when the local plan does not fit their agenda. The TCM organisation then becomes some sort of mediator.

According to all respondents the property owners are seen as important contributors to increase the attractiveness of the town centre. Property owners are crucial to get the right environment, atmosphere and good retailers to the town centre. They contribute with maintenance in relation to what is modern today, good relationship with the tenant and the municipality’s establishment coordinator, and knowing the right retail mix. The retail mix is what provides cash flow to the tenant so that they can pay the rents. Since many of the buildings are built together, the different property owners need to agree on different kinds of mutual investments. They also need to realise what and how they can benefit from each other. Despite of this, property owners seldom participate in meetings where mutual interests are discussed, even though this kind of relationship is the property owner’s responsibility. To deal with this problem a property group committee has been established in Borlänge. The aim of the committee is to discuss border-crossing questions e.g. new tenant needs a new location or if the facades needs to be renovated. According to the manager’s in Falun, there is an intention to create a similar group as in Borlänge.

According to both TCM managers, many of the national property owners leave the caretaking of the properties to a local representative which not always works out well. More often the national property owners have no interest in the local development; they do not see the
importance of the properties or do not have the proper knowledge about the local location. In
general there is an opinion that national property owners sell out their properties in smaller
towns. This opens the property market for local stakeholders to buy.

According to the TCM manager in Borlänge, the attitude from the property owners is that
they rebuild the properties if there is a possible tenant interested. But it does not work that
way; if the property is worn out there will be no one that is interesting of renting it. This is an
attitude that the property owners need to change. Property owners do not need to be active in
their participation but they need to have an understanding on how the town centre
development work and communicate this to the tenants.

Falun’s strategic direction is to get a compact town centre with a large amount of retailing. To
accomplish this Falun is clear on that the property owners is the most important stakeholder.
This means that the property owners need to be willing to invest or re-invest in their
properties to get them tighter. According to the TCM managers Borlänge town centre still
need to find its own niche. This could be focusing on small family driven retailers with a high
service level which is combined with an increased evening economy. By adding more
residential apartments to the mix the amount of people that spend time in the town centre
would increase. However, it is hard to get the property owners to build or rebuild as the total
cost of building is too high at the moment. Many of the problems with investing and/or
rebuilding are based on that many of the buildings are nationally protected.

There is also an uncertainty around the survival of the town centre amongst some
stakeholders, according to the TCM manager in Borlänge. According to all respondents the
property owners also need to start adjusting to the market development. To do so they need to
think about business as a whole rather than just tenants that pays rent. It is about seeing the
whole value chain. In general property owners are not seen as easy stakeholders to handle or
to get in contact with, but the TCM manager in Falun states that once the property owner’s work in the same direction there is strength in it; developments within the town centre are then possible.

*Local retailer’s point of view*

The retailers are responsible for negotiating the terms and conditions them self. Most of the retailers in Falun, and some in Borlänge, see this as an area where the property owners need to be more understanding. This could be done by giving the individual retailer the possibility to adjust the store layout while the property owners take care of the common facilities. In those cases where this situation exists, retailers are more satisfied with the situation. At the same time the property owner need to be able to meet individual retailer’s different needs and resources and not try to get the same deal with everyone. To be able to meet this, it is important that the property owner has a local interest. About half of the retailers interviewed stated that a property owner needs to have an interest in the local strategic development of the town. According to retailers the local interest is more commonly missing among national property owners. To understand the local retailer, the property owners needs a better understanding that the best long term profit is made through co-operation with the retailers rather than the present buy-sell situation.

Another common view is that the property owners need to work more actively to keep the malls occupied. They also need to be interested in keeping the current tenants. It is therefore important to have a communication with the tenants, as well as getting the right mix of retailers. Some retailers within the town centre points out that the property owner of Kupolen, which is owned by a national property owner, has contacted local retailers to diverse the mix within the shopping centre. This means that the property owners have to know how they contribute to the retailers business, as well as how e.g. marketing activities affect them. In this
case some retailers see the TCM organisation as a good facilitator; they can push the property owners to develop and maintain the properties.

Property owners point of view

Many property owners, especially in Borlänge, are worried about the future development in relation to IKEA’s establishment. Among them the general concern is that the retail will move from the town centre and therefore create empty properties. As a result it is a danger that the customer will stop visiting the town centre. Some says that this development has already started in Borlänge town centre. At the same time they have noticed an increase in the evening economy. This increase is partly seen as problematic since the town centre holds many apartments where the tenants do not appreciate this development. However this view is not shared by all property owners. Some of them are positive to the establishment of IKEA. Their opinion is that it will affect the town centre positive. However one of the public property owners argues that the private property owners should act offensive at this moment, as there are money to make for them who invests. In Falun, the property owners do not think it will affect the town centre because Falun town centre is built on a genuine feeling, the opposite to the feeling which is established in Borlänge. Some of the property owners think it is important creating a niche for the town centre to cope with the increasing competition. There is no niche in Borlänge town centre today while the niche in Falun is on the small store.

About half of the property owners are positive to the TCM organisations work and many of them states that they are members in the organisation. However, they point out that they are not highly active members. The reason for this is diverse; the time is not enough or they need to focus on their own properties. They also point out that their own organisation cannot contribute to the town centre development work as they consider themselves not large
enough. However, even the large property owners with properties in both Falun and Borlänge consider themselves too small to affect the town centre or cannot see their contribution.

Some of the property owners have communication with each other because their properties are linked. Most of them see it as positive to co-operate to some extent as it might help them in the future. However, some property owners do not see the benefit to co-operate at all even with the one next door since the large property owners dominate the market. The small property owners have little or nothing to contribute or push with. This opinion is especially common among small property owners.

There is an opinion that owning a national protected house is problematic since they cannot change it easily according to the tenant’s wishes. Even if restorations are done, the tenant does not get fully satisfied. The property owners that have properties in both town centres state that there is need to establish a regional development strategy incorporating both Falun and Borlänge. In the development strategy it is important to see it as one urban region.

Conclusion

In relation to the increased competitive pressure this study shows that many stakeholders in the town centre have recognised the necessity to see their own situation from a broader perspective of activities. Many of the stakeholders in this study also see that the consumer gets more mobile in their shopping behaviour. Because of this there is a growing recognition of a need to take into account a larger geographical area that influences the local development. This includes even nearby towns. However, these two views are not recognised by most of the property owners. Most of them cannot see the benefits of a broader perspective on their business activities even if they have properties in both towns.
It is widely recognised by managers and retailers that the property owners are crucial for the development of an attractive town centre. However, this stands in contrast to the property owners own views on their contributions to increase the attractiveness of the town centre. Many of the property owners, even the large ones, sees them self as to small. They cannot see how their own renewal work with their own properties does affect the town centre environment. In fact, some of the property owners do not see the point to co-operate with their closest neighbours.

Many of the stakeholders argue that it is important that the property owners have a local engagement. However, a common view is that the many of the property owners does not have that engagement; especially not the large property owners. Therefore, local property owners are desirable by other stakeholders. Many argue that the lack of local engagement tends to lead to different kinds of problems e.g. communication, non customer oriented behaviour and lack of awareness of how they affect or are affected by the end consumer. In turn these problems leads to a situation in which the property owners are unable to contribute with establishing the retailing mix, keep track of future store design trends, and to marketing the town.

This study analyses the views on what property owners contribute with in town centre management. This study indicates a big gap between opinions about stakeholders such as retailers and TCM managers on the one side and the property owners on the other side. Even though it is desirable with local engagement the need for a holistic picture instead demands for a regional engagement. This might be problematic for many stakeholders as resources and other important capabilities are lacking. The question then is if it is still feasible to talk about local engagement within town centre management if all stakeholders should see the holistic picture? And what happens with the stakeholders that have interests on several places within
this geographical area? These are examples of questions we think would be interested to scrutinize further.

References


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