

RETAIL TRENDS OVERVIEW

LOCKYER VALLEY REGION

Client:

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1 INTRODUCTION

The purpose of this report is to provide a brief overview of general retail issues and trends as they relate to non-metropolitan regions, and their specific relevance to the Lockyer Valley Regional Council area. It is intended to assist and inform a one-day workshop to be held with Council's planners as part of the preparations of its new planning scheme for future retail centres or nodes.

The following discussion is based upon a variety of previous retail investigations for private sector developers/retailers and preparation of retail strategies for local governments. Stemming from this previous work, we also are able to draw upon primary research of resident use of existing retail centres within the region and beyond, gathered through 240 on-street shopper interviews in Gatton, as well as telephone interviews of 300 households in the broader area, undertaken in 2007.

The following presents an overview of some the trends likely to affect current and future retail provision in the Lockyer Valley area. It is assumed that population growth, demographic analysis, shop inventories and other basic factors have been addressed by others as part of Council's preparations and are therefore not canvassed here in any detail.

2 DEMOGRAPHIC TRENDS

Demographic and social trends can have a strong impact on the form and function of retailing and retail centres over time. Two key changes in the demographic structure of households over time are influencing how shoppers behave, and how retailers are responding:

Labour force participation

Between 1986 and 2006 the labour force participation rate of Australian females aged over 15 years increased from 48% to 58%.¹ Other changes in labour force participation include:

- full time workers working longer hours;
- increased participation of students in the workforce;
- female labour force participation dipping during the peak child bearing ages of 25 and 44 years;
- an increasing proportion of workers who work on the weekend; and
- more people working at home, either as 'telecommuters' or from home-based businesses.

These labour force participation trends have helped produce a major change in shopping trends, particularly those for chore food shopping. Less time is

¹ Source: ABS Australian Social Trends 2008

available for food and other shopping, resulting in increased reliance on just-in-time food shopping, characterised by more frequent trips to the shops, but less time spent in the supermarket on each visit.

Supermarket operators and product manufacturers have responded to this shift in shopping style, with the introduction of smaller, easily accessible supermarkets and pre-prepared food products aimed at households with less time on their hands. Supermarket operators have also responded through longer trading hours and the locating of supermarkets on the homeward bound side of the road and near major employment areas.

Ageing Population

Australia’s population is ageing. The Intergenerational Report 2010 predicts that the proportion of working age people is going to fall from approximately 5 persons aged 15–64 years to support each person aged over 65 years as at 2009 to only 2.7 persons per 65+ year old by 2050.² Baby-boomers, who have been a driving force in shaping retail demand over the past 30 years, will begin to retire in 2011. The ageing of the Australian population could have considerable consequences for retailing and the retail industry in the years ahead, in terms of product mix as well as physical store or centre characteristics, such as wider car parking bays and maneuvering areas outside the store or centre, and store size, lower shelf heights, brighter lighting and more accessible public toilets inside.

Generations X and Y will also begin to exert their influence more strongly in coming years, with as yet uncertain impact upon how centres and retailers adapt to their needs and wants. Inter-generational differences in retail habits and preferences are already emerging as was found in a recent study:

Table 1: Generational shopping trends

<i>Generation</i>	<i>Retail Habits</i>	<i>Target Location</i>
Generation Y 1977-1991 Aged 16-30	Born to shop Embrace new brands Highest potential Heading to workforce Free time decreasing Shopping centres love us Focus on fashion & lifestyle	Sydney: Bondi Junction, CBD, Surry Hills, Newtown Melbourne: South Yarra, CBD, DFO, Glenferrie Rd, Chadstone Brisbane: CBD, New Farm, Fortitude Valley Adelaide: CBD, Tea Tree Gully Perth: Joondalup, Claremont

² Source: Commonwealth Department of Treasury, Intergenerational Report 2010

<i>Generation</i>	<i>Retail Habits</i>	<i>Target Location</i>
Generation X 1962-1976 Aged 31-45	Shop to live Reject Brands Highest Income Heading to peak earning years No free time Prefer the strip Focus on home ownership	Sydney: Paddington, Mosman, Balmain Melbourne: Albert Park, St Kilda, Prahran, Richmond Brisbane: Ascot, Paddington, Milton Adelaide: Norwood, Unley, CBD, inner suburbs Perth: Subiaco, CBD, Victoria Park
Baby Boomers 1946-1961 Aged 46-61	Love to shop Pioneer of brands Highest wealth Heading to retirement	Sydney: Chatswood, Double Bay, Bondi Junction, St Ives Melbourne: Toorak, Canterbury Brisbane: Indooroopilly, Garden City, Carindale Adelaide: Burnside, Adelaide Hills Perth: Garden City, Booragoon, Mundaring

Source: Jones Lang LaSalle 2008. 'Y'topia – capturing retailers paradise.

Psychographic generalisations do not provide a firm basis for planning future retail provision within the Lockyer Valley region, but they do capture a certain 'spirit of the times' with respect to inter-generational behaviours in using a city's or region's retail and centre infrastructure. It does suggest that 'main street' retail environments, mainly in Gatton and Laidley, are in no danger of losing their function over time as key retail, commercial and leisure/entertainment destinations, even when/if the region's population increases to at threshold capable of sustaining higher order retail formats (e.g. a major discount department store).

3 RETAIL FORMATS AND THRESHOLDS

Major supermarkets

Twenty years ago, major supermarkets (Coles, Woolworths) required catchment populations of 15–20,000 people or more before they would enter a market. This 'rule of thumb' threshold for major supermarkets has fallen to around 8,000–10,000 people in major urban areas, and even less in smaller regional cities and towns. Greater efficiencies in-store and in supply and distribution logistics driven by technological advances, as well as tougher competition for market share and growth have helped lower these thresholds.

Both major chains, as well as larger independent operators (e.g. Supa IGA, Foodworks, SPAR) are actively seeking new store locations in provincial cities and towns previously deemed too small and lacking in growth prospects to warrant their interest. Establishment of Woolworths stores in Plainland, Maleny and Fernvale are recent examples of this shift in locational priorities.

This rough 'rule of thumb' suggests that Lockyer Valley's current population (about 34,000 at June 2008) *theoretically* could support another major full-line supermarket (generally 2,500m² or larger) in addition to the existing Coles and Woolworths stores at Plainland and Gatton. This 'third' store would most

likely seek to locate in the area's largest towns—Gatton or Laidley—or, in the longer term, as a potential addition to the Plainland centre. However, the Supa IGA in Gatton would also meet at least part of the demand for an additional full line supermarket.

Smaller supermarkets and grocery stores

Smaller independent supermarkets are highly variable in size and performance and no generally accepted population 'rules of thumb' or minimum productivity levels (turnover per square metre of lettable area) exist. Nevertheless, they generally represent the key 'anchor' tenants in smaller towns and villages, and so are important to the local populations they serve. These stores, which might range in size from 300–1,500m² (gross lettable area) can be found in older main street buildings or as part of small local convenience centres of 500–2,000m².

Supermarkets, large and small, are the basic building blocks of a community's retail infrastructure. Even very small populations of several hundred people can usually sustain a (very) small grocery store or mixed business/general store to cater to immediate and basic needs. Most smaller towns/villages in the area appear to have at least one such business. Future opportunities to upgrade or accommodate a somewhat larger store will depend on future growth within their small catchments (in terms of population, rather than geography), or their particular locational circumstances (e.g. exposure and access from a major road). It usually requires a minimum population of 2,000 or more people to justify construction and investment in, say, a new 200-300m² supermarket/grocery store. Another key factor is the spending power of the community, with wealthier areas able to sustain larger stores/more stores than areas with average or below average household incomes and retail spending potential.

Discount department stores

The introduction of a small discount department store (Kmart, Big W or Target) is likely to be the next future major step in retail provision within the Lockyer Valley region. These stores, which typically range in size from 5,000–8,000m², require much higher population thresholds of 40,000 or more within their urban catchments, which they normally also share with major department stores (Myer, David Jones). In provincial cities, which lack major department stores, the threshold is lower (e.g. 25,000 people).

Some smaller provincial towns and areas support smaller stores. For example, Big W operates a 4,000m² store as part of a shopping centre in Kingaroy (initially established as a 2,500m² store), and Kmart operates a free-standing store of 4,160m² in Innesfail. Both areas (South Burnett and Cassowary Coast Regional Councils, respectively) have similar population levels as the Lockyer Valley Regional Council area.

However, Lockyer Valley lies between major urban areas of Toowoomba and Ipswich/Brisbane, both of which are easily accessible to Lockyer Valley residents. This proximity, especially to Toowoomba, absorbs retail demand for

a discount department store (and for other higher order goods) that might otherwise be retained to support one locally. In effect, this proximity raises the likely population threshold needed to support a discount department store in the Lockyer Valley area, and will probably delay (but not preclude) its market entry.

Bulky goods and other large format retailers

Gatton supports a small number of retail showroom/bulky goods retailers but Toowoomba is the where a large proportion of Lockyer Valley residents go for such purchases. As retail showroom developments can be 'modular' or scalable and not as dependent upon an anchor tenant for their success, these can be accommodated more or less in line with demand (assuming sites are available). Most such retailers are presently located in Gatton, and scattered along the Warrego Highway, but the presence of the Plainland centre creates a strong impetus for such uses to also cluster around this centre (and the highway interchange).

There are no set population thresholds for specific retail showroom activities, but these retailers are drawn particularly to areas with residential growth potential, and to older areas where householders are undertaking do-it-yourself renovations and home improvements.