

# **Messages from the Oracle: Assessing the Impact of Major In-Town Shopping Centres**

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### ***Abstract***

*Planning policy aimed at preserving the viability of UK town centres halted the wave of out-of-town shopping centres – Schiller’s “third wave” of decentralisation. In consequence, a number of major in-town shopping malls were developed in the UK. The first of these was the Oracle Centre in Reading. This paper examines the impact of the Oracle on retail activity in the town centre using land use data and the results of a retailer survey. The Oracle acted as a catalyst for change, accelerating trends already observed in the centre, shifting the prime pitch, weakening peripheral areas and increasing turnover rates. The added attraction of the town centre offset many of the trade diversion impacts. However, some adverse effects may have been masked by strong consumer spending and a vibrant local economy.*

### **1. Introduction**

Russell Schiller (1986) described the development of large, out-of-town regional shopping centres as the “third wave” of retail decentralisation in Britain. Prior to the 1980s, the only major shopping centre outside a town centre was Brent Cross. Planning policy however, shifted in the mid-1980s and a series of proposals for out-of-town centres appeared, coinciding with a more laissez-faire approach and a presumption in favour of development. Between 1986 and 1990, four more regional centres opened: the Metro Centre near Gateshead, Merry Hill near Dudley, Lakeside near Thurrock and Meadowhall in Sheffield. These four centres together created over five million square feet (465,000 square metres) of new retail space.

By the 1990s, it became evident that regional shopping centres were having significant negative impacts on surrounding town and district centres. Further, their out of town location (emphasising car travel) raised issues of environmental damage and social equality. The 1990 White Paper *This Common Inheritance* introduced a more environmentally sensitive planning agenda – which, in turn, led to a series of revisions to Planning Policy Guidance Note Six. The 1996 version of PPG6 brought in more stringent regulations on the size, location and type of retail development. A key aim was to maintain the “vitality and viability” of existing town centres. The guidance and application of the sequential test (forcing developers to demonstrate that no in-town locations were feasible) and the interaction with the town centre focused transport policy in PPG13 signalled the end of Schiller’s third wave. Between 1997 and 1999 five more major out of town centres opened: Bluewater, near Dartford; Cribbs Causeway, Bristol; White Rose near Leeds; the Trafford Centre, Greater Manchester; and Braehead, Glasgow. However, planning permissions refusals such as that at Duxford, near Cambridge turned the focus back to town centres.

Between 1999 and 2003, eight large in-town shopping centres opened in Britain (see Figure 1). These centres provided some 6 million square feet (560,000 square metres) of retail and leisure space. By 2001 CB Hillier Parker were reporting that over 90% of the shopping centre development pipeline was in town-centre located schemes, with 85% of sites under construction being in urban centres (CB Hillier Parker, 2001). These developments constituted a new wave of retail centralisation.

Figure 1 Major In-Town Shopping Centres 1999-2003

Centre	Location	Year Opened	Size (000sq ft)
Buchanan Galleries	Glasgow	1999	600
The Chimes	Uxbridge	2001	420
Festival Place	Basingstoke	2002	1,000
The New Bullring	Birmingham	2003	1,240
The Oracle	Reading	1999	700
Overgate Centre	Dundee	2000	462
Touchwood	Solihull	2001	650
West Quay	Southampton	2000	802

*Adapted from Oughton et al. (2003), Lowe (2005).*

The first of the new in-town centres to open was the Oracle Centre in Reading. The centre occupies a site straddling the River Kennet, the bulk of which was formerly the Courage brewery. Outline planning permission had originally been granted in 1982 but the property slump of the early 1990s prevented development. Site assembly began in 1994; the scheme passed through a number of developers until Hammerson acquired the rights in 1996. Final agreement was reached in 1997, work starting that year. Phase I was completed in September 1999, the Multiplex cinema opened later that year and the second phase opened in early 2001 providing a physical link to Broad Street, the traditional prime retail location in central Reading. The £250 million scheme has two major department store anchors, a further 90 shop units, sixteen bars and restaurants, a ten screen multiplex and car parking space for 2,300 cars. The new space has increased the retail offer in Reading town centre by about 25%; as a result, the town rose from 26<sup>th</sup> to 13<sup>th</sup> in the Experian retail rankings<sup>1</sup>.

There have been numerous studies of the impact of major out-of-town shopping centres, including work by Russell Schiller (for example), Schiller, 1985; Reynolds & Schiller, 1992; Schiller, 1996). Research reveals major impacts on surrounding, pre-existing retail centres. Generally, studies find that the impacts on neighbouring town centres have been negative but while proximity to an out-of-town centre ‘tends to lead to a decline in a town centre’s ranking ... the effect is complex. The results confirm that successful town-centre redevelopment can go a long way to alleviate that effect (Schiller, 1996 p135).’ However, there are few examinations of the impact of the new wave of in-town centre development: exceptions include Oughton et al. (2003) and Lowe (2005).

This paper extends the analysis of Oughton et al. (2003) in examining the impact of the Oracle on Reading town centre. The focus is on the retail impact in the town itself, rather than on the position of Reading in the regional hierarchy of the impact on surrounding centres. What happens to a town when a 700,000 square foot shopping and leisure centre opens adjacent to the traditional high street? What are the spatial impacts? Is the viability of fringe areas in the pre-existing retail core compromised? What happens to existing retailers and what is the balance between positive impacts from the magnet effect of the new mall and negative impacts from diversion of footfall.

<sup>1</sup> Reading now faces greater local competition with the opening of Festival Place in Basingstoke and the proposed redevelopment of Bracknell town centre. It does, however, have strong accessibility and first mover advantages.

What effects are transitory, what effects longer lasting? The paper attempts to address those issues by examining land use change in the town centre and by surveying retailers in the traditional core. Inevitably, as time increases from the opening of the Oracle it is harder to distinguish effects that result from the shopping centre from broader urban and retailing trends. However, an analysis of changes in the volume and characteristics of retail space provides valuable information on the planning and regeneration issues that emerge from such major downtown developments.

The paper briefly reviews the available UK literature on the impact of major shopping centres on existing retail centres. It then focuses on land-use change in Reading following the development and opening of the Oracle. The results of a survey of retailers in the traditional centre are analysed and discussed. Finally, policy implications and conclusions are set out.

## **2. The Impact of Major Shopping Centre Developments**

Post hoc studies of retail development tend to seek to provide a statistical analysis of trading performance and economic and social impacts following the opening of a new centre. As BDP and OXIRM (1992) observe, 'relating events and trends directly to the effects of major new development may be problematic' citing both lag effects, the noise from changing national and local economic environment and the pace of retail change. Howard (1993) makes the distinction between the 'early' effects of trading and the emergence of a more mature phase: 'changes associated with the new development and their effects are likely to continue for a considerable period in the future' (*ibid* p98). The further from the opening, the more the effect of confounding events and changing market environments may mask impacts.

There are few documented studies of in-town shopping centre impact. Bennison & Davies (1980) studied the impact of Eldon Square in Newcastle City centre, which opened in 1976. With respect to economic impacts, they note an increased concentration of activity, benefiting the principal shopping streets but damaging fringe areas. In secondary streets, larger stores relocated to the centre or to spaces made available in prime areas, leaving the remaining, smaller, businesses vulnerable. While total trade in the city centre grew by an estimated 10-15%, trade losses in the traditional centre were considerable and changes to the patterns of shopping left certain areas isolated. As the initial 'shock effects reduced, some recovery was noted. However, there were geographical shifts in the prime area and uneven impacts, with smaller businesses and independents more adversely affected than larger retailers and multiples.

More recently, Lowe (2005) has assessed the impacts of the West Quay development in Southampton. Her approach is narrative in nature, focusing on the debates and the economic and planning processes that led to the acceptance and development of the 800,000 square feet scheme (again developed by Hammerson). Like the Oracle, West Quay won a BCSC award for design and has been used to market the town centre. Lowe emphasises both the re-branding of Southampton that followed the opening of West Quay and the regeneration aspects of the scheme. She only considers the impact on the existing retail offer briefly noting that concerns regarding the impact of the new centre on existing shopping areas in the city have proved largely unfounded.

Although initial movements by some retail stores into West Quay left vacant shop units ... these have subsequently been filled with new entrants (p459-460). The argument here is that the expansion of retail activity in Southampton (which had been under pressure from competing centres and out-of-town developments) generated spill-over benefits for retailers outside the new mall. Lowe comments that her focus has been on the immediate economic impacts and on the image of Southampton as a retail destination. She thus does not consider wider employment effects and economic spin-offs, nor any differential social impacts. She cites Raco (2003), who provides a negative assessment of Reading's Oracle:

*'new forms of exclusion have emerged ... the young, the elderly and those socially excluded and ... from ethnic minority backgrounds have not been the targets for the new commercial developments'* (p15).

Such criticisms have also been levelled at out-of-town centres where access is dominated by the car. One feature of large, enclosed shopping centres is that, typically, landlords seek tenants with good covenants and prefer established chains to independents and local retailers. Thus, the offer tends to be relatively homogenous. If the new centre damages the viability of fringe areas of the traditional town or neighbourhood centres in the urban area, variety may be lost which may have differential effects on particular social groups. However, this should be assessed empirically, not simply asserted.

There have been far more studies of the impact of out-of-town regional shopping centres. These generally show trade diversion but a very uneven impact, dependent on the economic environment and the characteristics of the affected centre. Examining Brent Cross, the GLC (1980) found that trade diversion impacts were worse for medium sized centres with smaller, neighbourhood centres proving more robust. Since the latter rely more on convenience shopping, they may have subsequently been damaged by the growth of grocery superstores. Roger Tym and Partners (1993) find surprisingly similar results for Merry Hill despite the different economic and retailing environment. They note particular adverse impacts on Dudley and Stourbridge. For the former, they observe a loss of major multiples, an increase in vacancy rates, a marked reduction in shopping flows and falling rents. They emphasise both the volume and the quality of retail activity.

Howard & Davies's (1993) Metro Centre study adds a further spatial dimension, noting that the effects are greater on the weaker parts of neighbouring centres. For Newcastle City centre, they identify strong negative impacts in the southern peripheral streets (already damaged by the trading effects of Eldon Square, discussed above). They note that some impacts would have been masked by retail growth at the time of opening. Howard & Davies note a social polarisation in shopping trip behaviour – which is also observed for Meadowhall by Howard (1993) and OXIRM and Hillier Parker (1994). This cannot entirely be attributed to a car ownership effect since Meadowhall is on Sheffield's Super tram system. Finally, Schiller (1996) offers empirical evidence of the impact of regional shopping centres on the retail ranking of surrounding towns. For example, comparing 1984 to 1995 rankings, Newcastle (affected by the Metro Centre) fell from 8<sup>th</sup> to 15<sup>th</sup>; Dudley (Merry Hill) from 74<sup>th</sup> to 209<sup>th</sup>; Sheffield (Meadowhall) from 9<sup>th</sup> to 23<sup>rd</sup> and Dagenham (Lakeside) from 307<sup>th</sup> to 541<sup>st</sup>.

From these studies, a number of common features emerge. First, there are trade diversion effects, both between centres and within centres. Within a centre, weaker and more peripheral streets suffer the greatest adverse impact, altering the shape of the prime and secondary retail areas. Second, different types of retail activity exhibit different behaviours. Comparison retailing (particularly when linked to major national multiple chains) tends to be diverted to (or towards) the new centre. Smaller businesses and local independents tend to remain *in situ* and are, hence, more vulnerable to trade and shopper flow diversions. Those convenience functions that have remained in town centre locations tend to be less affected. Third, there are social polarisation effects in shopper behaviour – but these may be less in in-town locations, despite the homogeneity of retail offered in the new malls.

Finally, the observed impacts depend critically on the economic and retailing environment and, accordingly, change over time as conditions change and as the impact of the new development stabilises and matures. Are these features observable in Reading town centre? The next section explores short- and medium-term changes to the land-use pattern following the opening of the Oracle .

### **3. Land Use and the Oracle**

To examine land use change in Reading, a database of retail space was established for the town centre – the definition of which was adapted from that employed by Experian Limited following discussions with the Town Centre Manager and property agents working in the local market. Occupancy data was taken from Goad Plans provided by Experian for 1995, 1997, 1998, 1999, 2000 and 2003. 1995 and 1997 provides a pre-Oracle baseline; the 1998 results show the town centre during the construction phase and 1999 and 2000 reveal the position immediately after the opening of the shopping centre. Finally, 2003 allows for the processes of retail adjustment to stabilise.

Each unit was classified according to business activity into eight groups: non-retail; comparison retail; convenience retail; service use; charity and discount retail; leisure; under development or refurbishment; vacant. For comparison and convenience retail, stores were further classified as being part of a large chain (defined as ten or more stores in multiple locations), a small chain (less than ten stores) or independent retailer. These classifications are adapted from Experian's codings informed by the work of Schiller & Jarrett (1985), Reynolds & Schiller (1992) and Guy (1994). There are difficulties in measuring change across years as the physical configuration of retail units changes (shops being combined or split, upper or lower floors falling out of retail use or being brought back to market). The results presented here result from a process that aimed to produce as consistent a dataset as possible in the context of change in the marketplace. The figures shown here deliberately *exclude* the Oracle itself, except where units replace existing retail frontages, since the intention is to observe the impact of an in-town shopping centre on the retail structure of the rest of the market.

*Figure 2: Occupation of Reading Town Centre Units, 1995-2003*

	1995	1997	1998	1999	2000	2003
Non Retail	2%	1%	0%	2%	2%	2%
Comparison	41%	40%	40%	39%	36%	34%
Convenience	4%	4%	4%	4%	4%	4%
Service	24%	22%	22%	22%	23%	25%
Charity/Discount	3%	2%	3%	3%	3%	3%
Leisure	7%	9%	10%	10%	11%	12%
Development/Refurbishment	1%	0%	1%	0%	0%	2%
Vacant	16%	16%	13%	14%	15%	11%
Demolished	0%	3%	5%	5%	5%	8%
Not yet built	2%	2%	2%	2%	2%	0%
	100%	100%	100%	100%	100%	100%

Figure 2 shows the proportion of units by type of occupation from 1995 to 2003. The clearest trend in the town centre is the decline in comparison retailing, where the share of units has fallen by 17% over the period. The comparison offer in Reading as a whole has, of course, increased, since the Oracle is dominated by comparison shops. The only category in the town centre showing a clear gain is the leisure category – which consists largely of pubs, bars and clubs. The decline in the number of vacant units between 2000 and 2003 in part reflects the take up of space in Broad Street, originally vacated as occupiers moved into the Oracle development. The decline is also partly the result of the demolition of redundant space for the construction of a supermarket (a sign of the increase in the amount of residential space in the town centre from conversion of leisure and office space).

Within the comparison and convenience categories, other changes are evident. One is the decline of independent stores in the town centre (see Figure 3). However, this does not seem to be related to the Oracle, since the sharpest drop occurred between 1995 and 1997, before construction commenced. There does seem to have been a further decline since the opening of the mall, however. Within the Oracle itself, there are very few independents (a subject of local political debate with the then member of parliament, Jane Griffiths arguing for a quota of local and independent stores), suggesting that there is a homogenisation of the town centre<sup>2</sup>. The proportion of comparison and convenience stores that are large chains has remained broadly constant over the analysis period while the proportion of small chains has increased, although none of these are in the prime locations. Within the prime retail areas of Broad Street, a number of the large chains that might be thought to be key attractors for the town centre have moved to the Oracle.

*Figure 3: Comparison and Convenience Stores: Chain Type*

	1995	1997	1998	1999	2000	2003
Large Chain	49%	54%	53%	51%	51%	50%
Small Chain	7%	9%	10%	9%	11%	13%
Independent	44%	38%	37%	40%	38%	35%

<sup>2</sup> A process argued to create “clone cities” or town centres ( Glendinning and Page, 1999; New Economic Foundation, 2004).

There is a spatial dimension to these changes. Figures 4 and 5 show land use in the traditional town centre in 1997 and 1999. The Oracle lies to the south west of the map; to the north is the railway station. The major east-west street to the south of the map is Broad Street, the traditional prime pitch. The major cross street to the north is Friar Street.

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The changing nature of the prime pitch can be seen in Figure 6 which shows the proportion of units by occupation in Broad Street. The share of comparison retailing in this street has declined by 13% since 1997, and the Oracle has been the catalyst for this. Several retailers vacated their units in 1999 as they moved into the Oracle; hence the large number of vacancies, a situation previously unknown in the prime area. At this point, the post-Oracle character of Broad Street had still to emerge. By 2003, after a period of vacancy or temporary occupation by discounters, these vacant units had largely become occupied, some with other mainstream comparison retailers but several of them became occupied by service occupiers such as banks and branded coffee bars. This contributed to the marked increase in service occupiers from 2000 to 2003, an increase that was augmented by a number of new units created within existing space and in the Oracle's Broad Street frontage.

*Figure 6 : Occupation of Broad Street Units, 1995 to 2003*

	1995	1997	1998	1999	2000	2003
Non Retail	0%	0%	0%	0%	0%	0%
Comparison	73%	77%	76%	71%	68%	67%
Convenience	1%	1%	1%	1%	1%	4%
Service	8%	8%	8%	8%	8%	20%
Charity/Discount	3%	0%	0%	0%	4%	0%
Leisure	1%	3%	3%	1%	1%	1%
Under Dev'ment/Refurb	3%	1%	3%	0%	0%	3%
Vacant	3%	1%	1%	11%	8%	3%
Demolished	0%	0%	0%	0%	1%	3%
Not yet built	8%	8%	8%	8%	8%	0%
	100%	100%	100%	100%	100%	100%

Figure 7 shows that the predominance of the large multiples in Broad Street. Apart from 2000, when temporary traders occupied recently vacated units, this position has been strengthened rather than weakened over the whole period.

*Figure 7 : Broad Street Comparison and Convenience Stores: Chain Type*

	1995	1997	1998	1999	2000	2003
Large Chain	94%	96%	96%	98%	96%	98%
Small Chain	0%	2%	2%	0%	0%	0%
Independent	6%	2%	2%	2%	4%	2%
Unknown	0%	0%	0%	0%	0%	0%



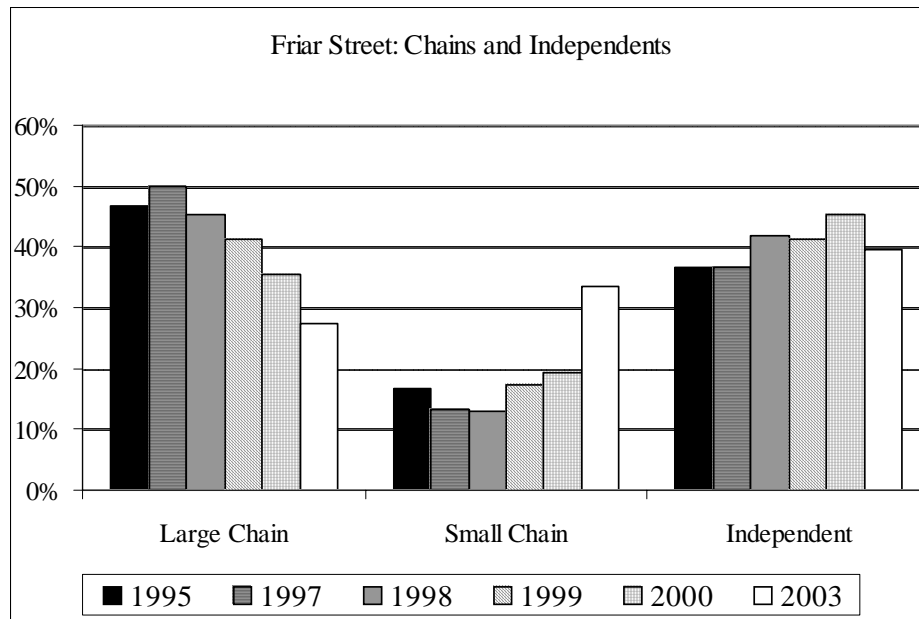
Broad Street has largely maintained the quality of its retailers, and the new service occupiers are those that are now often associated with prime pitches. There are a number of factors contributing to the resilience that the street has shown. First, the second phase of the Oracle opens out onto the Eastern end of the street. Second, the main entrances of two key attractors – Marks and Spencer and the John Lewis department store remain on Broad Street. Third, the area was already part pedestrianised and, once the Oracle opened, this was extended to the whole street with new street landscaping to enhance retail experience. The building works associated with Phase II of the Oracle and the street works inevitably disrupted pedestrian flow and the retail environment in the short term but this was a transitory effect. Nonetheless, there appear to be micro-locational changes with a decline in the quality of the retail at the western end of the street where major comparison goods stores have moved into the Oracle, to be replaced by weaker brands.

As can be discerned from the maps, in contrast to the relative success of Broad Street some of the peripheral streets in the area to the north of the map – Friar Street and the northern end of the linking streets - appears to have lost retail strength. They have seen an increase in vacant space, in charity stores and discounters and, in particular, in leisure. Friar Street had, prior to The Oracle, benefited from the restricted supply of prime space in Broad Street; major retailers, unable to acquire space in the prime area, occupied several units here. However, the process of retail decline in Friar Street started in the early 1990s, at the same time that Broad Street was becoming pedestrianised. As retail units became vacant, many remained unoccupied while others became converted to A3, restaurants and cafes, and A4, drinking establishments. This concentration of drinking establishments in this area has raised planning issues relating to public disorder. The changes in the proportion of units by occupation in Friar Street is shown in Figure 8. The marked drop in comparison retailing from 1995 to 1997 with a corresponding increase in both vacant units and in the leisure sector is clear. Between 2000 and 2003, the number of vacancies fell sharply as units were taken for comparison retailing and for leisure. However, that the opening of the Oracle has accelerated a decline in retail stature can be seen in figure 9; the large multiples have departed and the retail space that remains is now largely occupied by independent shops and small chains.

*Figure 8 Occupation of Friar Street Units, 1995-2003*

	1995	1997	1998	1999	2000	2003
Non Retail	0%	0%	0%	2%	2%	2%
Comparison	41%	32%	30%	30%	27%	31%
Convenience	5%	5%	4%	5%	6%	6%
Service	28%	24%	26%	28%	29%	27%
Charity/Discount	4%	2%	5%	5%	6%	7%
Leisure	6%	13%	15%	15%	15%	19%
Under Dev/Refurb	4%	0%	1%	0%	0%	1%
Vacant	11%	24%	19%	14%	14%	7%
Demolished	0%	0%	0%	0%	0%	0%
Not yet built	0%	0%	0%	0%	0%	0%
	100%	100%	100%	100%	100%	100%

Figure 9 : Friar Street Comparison and Convenience Stores: Chain Type



The rate of change in type of occupation within Reading retail (excluding the Oracle) has been very consistent over the analysis period, averaging around 11% of units per year. Change peaked between 1997 and 1998 in the development phase and has subsequently stabilised, with only around 9% of units per annum changing use in the 2000-2003 period. Similarly, the shift away from independents to small and large chains largely predated the opening of the Oracle with 8% of units moving from independent to chain occupation in the period 1995-1997. Thereafter, change has been minimal (although this, in part, reflects the small number of independent retail traders remaining in the centre of Reading. This should not, however, be taken as an indicator of stability in the market. Between 2000-2003, some 30% of units experienced a change of occupier (whether in the same retail category or representing a change of type). Some of this reflected the take-up of vacated units in Broad Street although, given the nature of leases and businesses, much of this change was concentrated in the fringe and secondary areas of the town centre. Such turnover rates are not necessarily an indicator of town centre weakness (given no accompanying increase in vacancy rates) but may point to vulnerability to a retail downturn, particularly in the peripheral parts of the town centre.

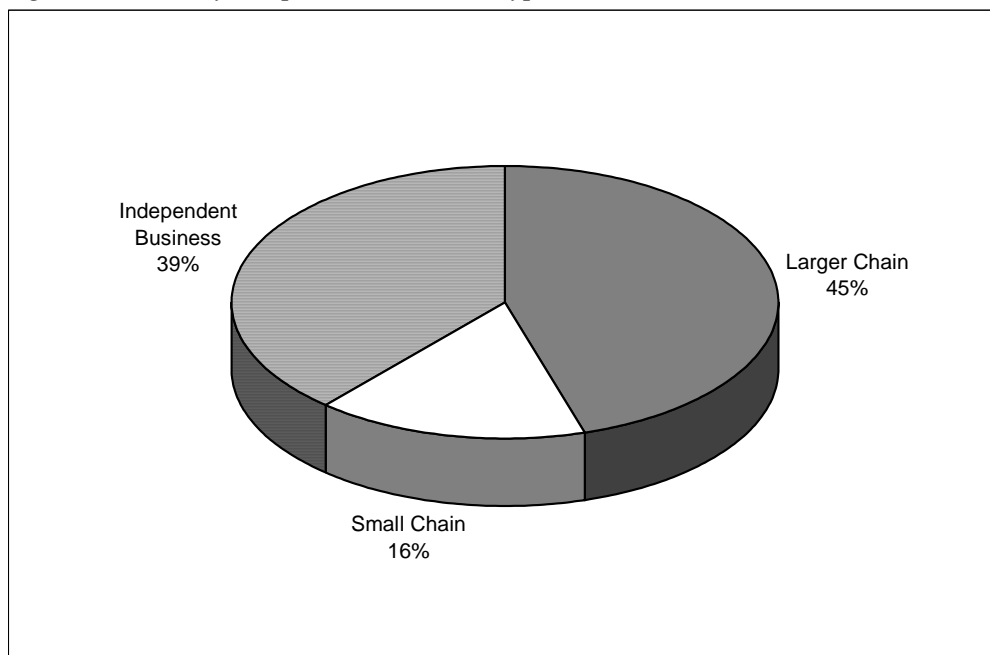
#### 4. The Impact of the Oracle on Retailers

To assess the impact of the Oracle on retailers in the town centre, a questionnaire survey was undertaken after the opening of the second phase of the Centre. The survey sought to identify impacts of the new mall on turnover and the attitudes of retailers towards the Oracle. The design of the survey drew on instruments used in prior impact studies, notably Howard and Davies's (1993) assessment of the Metro Centre impact. In particular, questions on turnover are framed in terms of relative change rather than monetary value: "retailers are more willing to give (qualitative assessments) while being reluctant to provide more quantitative data about their performance" (Bennison & Davies, 1980, 64); "it has been found that ... a direct question about absolute turnover brings a very poor response" (Howard & Davies, 1993, 115).

To correct for seasonal variations in sales volumes, retailers were asked to compare sales in a particular quarter with sales in the same quarter a year previous. Where a shop formed part of a chain, respondents were asked to compare the Reading retail experience with other stores in the South East region as a way of separating the impacts of the new shopping centre from wider consumer trends.

The land use database described in the previous section formed the sampling base for the survey. Initially, stores coded as convenience or comparison were selected. Next, all units that had experienced a change of occupier between 1998 and 2000 were excluded. This creates a survivorship bias in that stores most adversely affected by the advent of the Oracle may have closed. However, this may be partially offset by stronger stores relocating to the new shopping centre. A total of 161 questionnaires were distributed; 31 were returned, an overall response rate of 19%. This, relatively low, response rate is not atypical for this kind of survey and may be explained in part by the sensitive nature of the data required as well as the fact that the information required would not be immediately accessible to all respondents. Some managers who did not return the survey form agreed to a brief interview providing additional contextual information for the analysis. Figure 10 breaks the sample down by store type: the proportions are not statistically different from the overall distribution of stores in 2000. Responses came from all the main shopping areas, although only two responses were from Broad Street: therefore the results largely represent the views of occupiers in secondary locations.

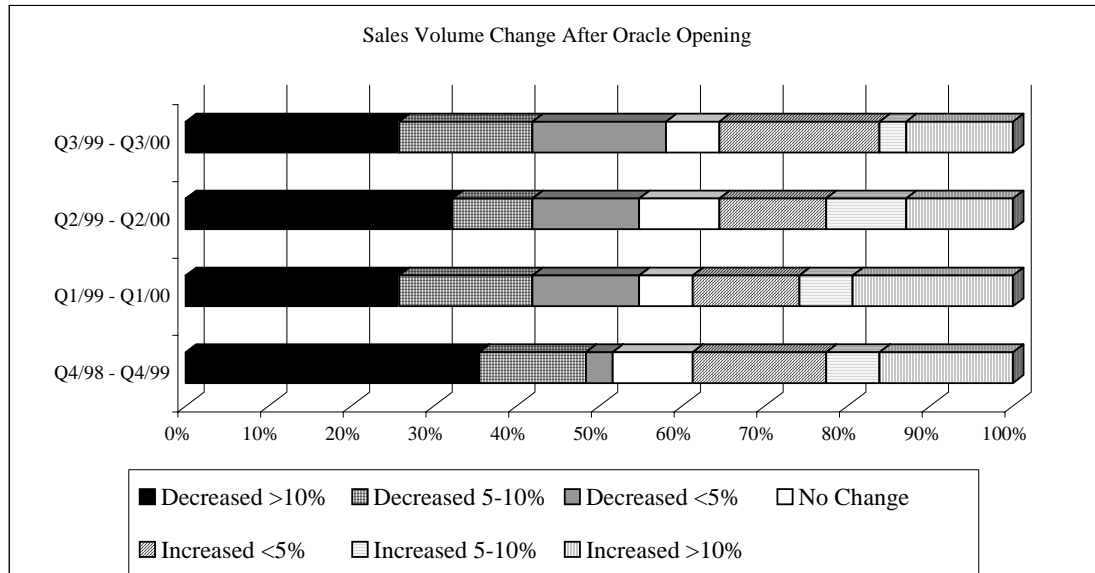
*Figure 10 Survey Respondents: Store Type*



Respondents were asked to assess the changes in sales volumes on a quarterly basis following the opening of the Oracle. Figure 11 reports the responses of the comparison retailers. Since volumes were assessed in nominal terms, a “zero change” response represents a small real decline in turnover. For each quarter by quarter comparison, a majority of retailers reported a decline in sales after the opening of the Oracle: an average of 57% reporting falls. For each quarter, over 40% reported falls of 5% or more.

However, some 20% of retailers, in various locations, reported relative *increases* in sales in each quarter. In almost all cases, retailers experiencing a fall in one quarter experienced a relative fall in the next quarter: in only one case did the respondent report initial falls followed by subsequent gains.

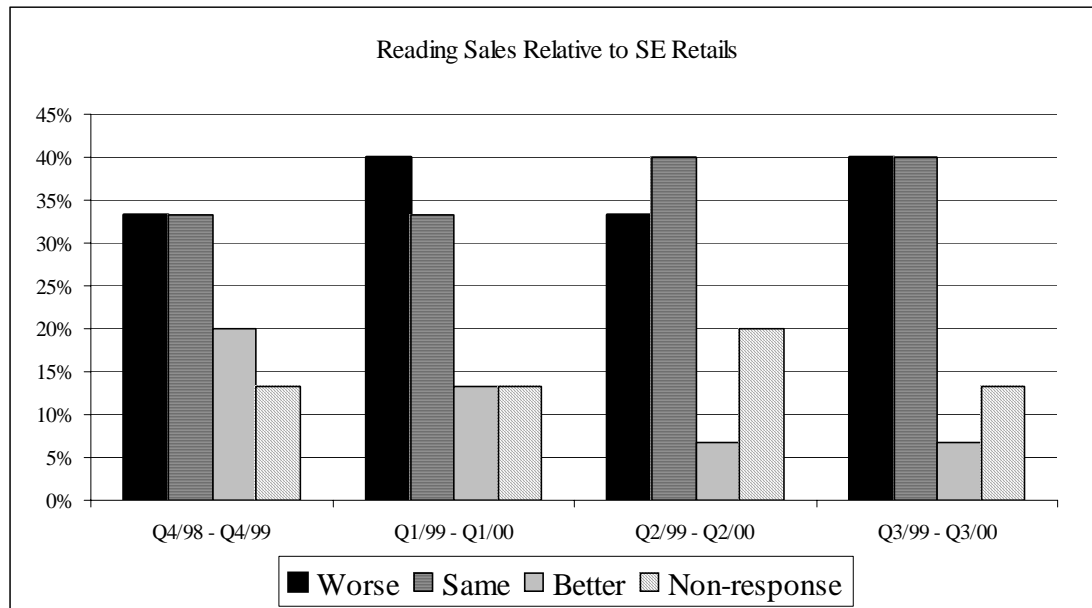
Figure 11 Turnover Change Quarter by Quarter



It cannot necessarily be concluded that the reported falls in sales volume are solely a consequence of the opening of the Oracle as the falls might be a result of factors, either inside or outside of the control of the individual stores. They may reflect changes in the patterns of consumer spending over the period. Government statistics show non-food retail spending increasing in each of the four pairs of quarters – by an average of 4%. However, that is a national aggregate and may mask falls in sales in particular segments of the market. As a result, those comparison retailers that were part of a chain were asked to assess the performance of their Reading stores with other stores in the South East. Results are shown in Figure 12.

In each of the comparison quarters, at least one third of the Reading stores surveyed experienced worse performance than their other regional stores – with few stores reporting superior performance (other than in the fourth quarter of 1999 when 20% reported superior sales). Those stores reporting quarter-on-quarter declines in sales in Reading were much more likely to report poor performance relative to others in the region than those reporting increased sales. The implication, then, is that for many stores in the traditional town centre, the opening of the Oracle had a detrimental impact on retail performance in immediate aftermath, sales diversion dominating any increase in footfall from the attraction effects of the new shopping centre. These results, of course, relate only to those stores that were operating in the town centre both before and after the development of the Oracle and are subject to the survivor and mover biases outlined above.

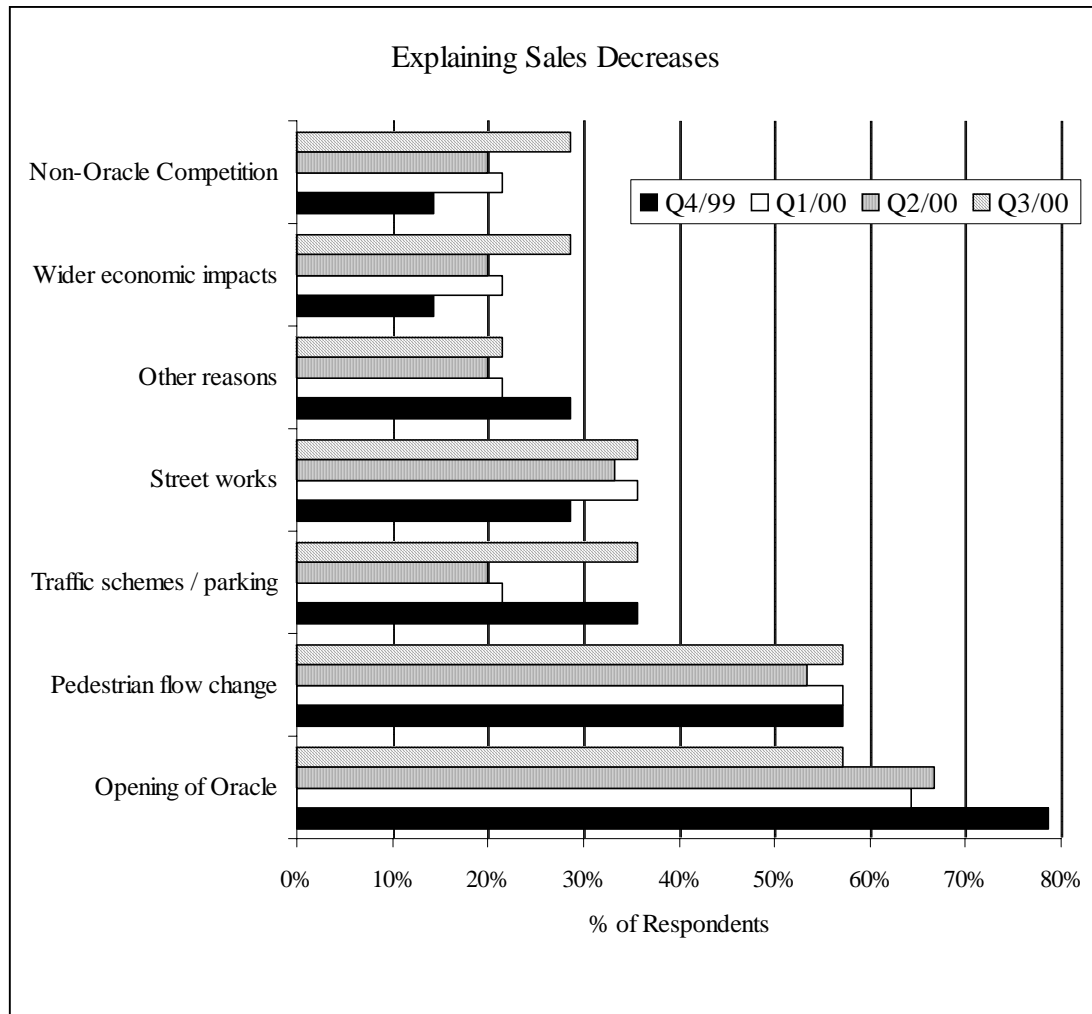
Figure 12 Relative Performance of Reading Stores in the Region



A clear majority of retailers who had experienced a decline in sales volume attributed this fall to the opening of the Oracle. Nearly 80% attributed the quarter four 1999 fall to the opening (Figure 13). Over time that proportion falls back to less than 60% by the third quarter of 2000. The second most frequently cited cause was pedestrian flow change. This has two components, both associated with the Oracle. The first comes from disruption resulting from the building, pedestrianisation and street landscaping work – a transitory impact (although street works in Broad Street continued through 2001). The second results from the alteration of the structure of the town centre and predominant movement patterns: this may be a permanent impact. Street works and traffic/parking also feature as commonly cited factors. The opening of the Oracle provided an additional 2,300 car parking spaces in central Reading. However, discussions with retailers indicated that some felt that the new provision further distorted footfall, harming certain locations. There were also concerns that, despite the new provision, queues and traffic volume might deter shoppers. Few retailers cited general economic or external competitive factors that were not linked to the Oracle.

For the smaller number of retailers experiencing sales increases, around half attributed the growth to the opening of the Oracle – slightly less than the proportion citing consumer trends and the state of the economy. However, around 75% suggested that the increases were as a result of new firm marketing strategies. The contextual information collected suggested that some of these new strategies were a response to the arrival of the Oracle. Within an existing unit, there is a limit to the amount of floorspace change that is possible. However, a number of stores had changed their product lines to differentiate themselves from Oracle-based competitors: a bookstore opening a large children’s section, an electrical store selling more high added value, specialist products and reducing the shelf space for standardised items offered by the chain retailers in the mall itself. Other stores had put in place a more aggressive marketing strategy to increase visibility and to distinguish themselves from the perceived homogeneity of the offer in the Oracle. These strategies rely on a spillover effect from the attractiveness of the Oracle as a retail destination.

Figure 13 Reasons for the Decline in Sales



The detailed comments provided by the retail managers identify a number of recurrent themes. The opening of the Oracle significantly altered pedestrian flow in the existing town centre, due to the attraction of the Oracle itself; the relocation of key “magnet” stores from the traditional town centre to the Oracle or to the east of the old core to be closer to the entrances to the new shopping mall; and the provision of new car parking spaces to the south of the town centre. In turn, this pedestrian diversion has affected footfall and, in consequence, turnover. Independent traders also argues that the advent of the Oracle had led to a hardening of attitudes in favour of multiples by landlords. Interviews with property agents and the town centre manager had suggested that, even though the Oracle itself would be dominated by national and international chains, there would be opportunities for independents and specialist retailers in vacated units and in secondary areas. Independent traders argued that, even in these units, landlords seemed unwilling to let and were demanding rents and service charges that were beyond the immediate means of many retailers

*Figure 14: Retailer Comments on Pedestrian Flow*

*Since the Oracle opened the retailers in our shopping centre moved out to locations on the other side of town.*

*An issue which compounded our drop in sales and footfall was the relocation of HMV from [near] to us into the Oracle. HMV was a destination store and it brought a large footfall onto Friar Street. A large percentage of our lost sales and footfall was due to this move. We were no longer placed in a convenient position for customers to come to us, a special trip had to be made.*

*We have noticed less business from "passing trade" presumably through reduced footfall in Friar Street. Also we have seen less new customers under 30, maybe because the Oracle is now "the" place to shop.*

*The opening of the Oracle shifted the whole of the retail especially clothing to another part of town and although this brought new people to Reading, if your premises is off the main streets you were getting none of the new custom and losing your old custom.*

Another consequence of the arrival of the Oracle has been the impact on retail employment. The contingent conditions here are critical. In common with much of the Thames Valley region, Reading has very low unemployment and, consequently, an increase in local employment as a result of the major increase in retail space places pressure on recruitment and wages. This has been a long standing problem in the Reading area but a problem that has been exacerbated by the arrival of the Oracle. The impact of rising wage levels and recruitment difficulties is perceived to fall disproportionately on independent traders.

*Figure 15 Retailer Comments on Recruitment*

*"Recruitment has become more difficult in an already difficult situation. Pay rates have risen."*

*"Recruitment has also become more difficult. We compete with retail for staff and the Oracle may be a more attractive place to work. However, in the last month [summer 2001] we have noticed this has eased somewhat - the reason being staff do not want to work evenings and Sundays, we do not open at these times."*

*"The Oracle has effected recruitment, it has become a very competitive job market."*

*"We have also been effected with staff numbers, not getting as many applicants due to the Oracle."*

The survey examined the impact of the Oracle on the traditional town centre in the year following opening and hence highlights the immediate impacts of the development of a major in-town shopping centre. To an extent, the results mirror those of the land-use analysis, pointing to a shift in the spatial structure of the town centre south and east, with problems experienced in the more peripheral, fringe areas.

The majority of retailers surveyed experienced a fall in turnover, both absolute and relative to other regional stores: attributed to the change in pedestrian flows and to competition from the new mall. Those that did not had, typically, adopted strategies to counter the impacts of the Oracle or to differentiate themselves from the Oracle's offer. However, independent and specialist traders did not appear to have benefited from a shift of national chains into or near to the Oracle. Upward pressure on rents and wages and reported reluctance by landlords to let available space to independent traders hindered the development of a more varied retail offer in the traditional town area.

## **5. The Impact of the Oracle: Tentative Conclusions**

This paper represents a preliminary attempt to assess the impact of the development of a major in-town shopping centre on the retail structure of the existing town centre. Any such analysis is beset with difficulties. First, there is no counter-factual: what would have happened without the development? The sale value comparisons of multiple/chain retailers in Reading with their other regional stores is an attempt to provide a relative analysis. Second, the impacts are inevitably contingent. The development of the Oracle took place in the context of strong economic growth and steadily increasing consumer expenditure nationally and it occurred in a town with a vibrant economic base with high per capita income, low unemployment and upward pressure on wages. Third, the impact considered is short-term. The more recent land-use results show the town centre after the "shock" adjustments resulting from the Oracle have dissipated. However, the patterns and distributions are a product not only of the Oracle but also of secular retail trends and changes in the local economic environment. It becomes increasingly difficult to disentangle the impacts of the new shopping centre from other, confounding factors. Nonetheless, the study generates results that help understanding of the likely impacts of similar developments in other towns and cities resulting from urban planning policies.

It is inevitable that a development like the Oracle will have a spatial impact on a town centre. The Oracle "pulled" the retail focus of the town centre to the south and east. This reinforced pre-existing trends that were weakening the retail offer to the north of the town centre and accelerated the conversion of retail space to pubs and bars, particularly in and around Friar Street. The pedestrianisation of the remainder of Broad Street, leaving Friar Street as the main thoroughfare for the town's buses and other permitted traffic, accentuated the gulf between Friar Street and the main retail areas. The arrival of the Oracle acted as a catalyst, accelerating changes that were already in train.

Independent retailers have argued that the opening of the Oracle made it harder for them to obtain leases in the town centre. The land-use results do not fully back this – much of the fall in the proportion of independent and specialist traders seems to have occurred prior to the Oracle development. Since the Oracle opened the independents have lost share to the small chains, not the large multiples. In the town centre, the proportion of large multiples has remained relatively stable. However, these aggregate figures mask a change in the nature of those multiples; key, magnet, shops have moved from locations that are secondary or just off prime to be in or near to the Oracle. These have been replaced by brands that have less attraction for shoppers and that generate less multiplier effects for surrounding stores.



Nonetheless, there does not seem to have been a significant increase in vacancies even in the peripheral parts of the traditional town centre. Vacant units have been relet – although not always for A1 retail usage. This might suggest that the additional footfall in Reading generated by the attraction of the Oracle (and the upward shift of Reading in the retail hierarchy) has counteracted any trade diversion and competition effects – that there are sufficient spillover effects to maintain the traditional town centre alongside the mall. This, however, is a function of the strength of consumer spending and the local economy and it would be unwise to suggest that an in-town retail development does not weaken fringe areas. The high turnover rate, with more than 10% of stock changing use or occupation each year is an indicator of vulnerability to a cyclical downturn in retail markets.

The great majority of town centre retailers surveyed experienced a real decline in sales volume in the year after the opening of the Oracle – a fall that could not be attributed to general trends in consumer spending in the region. The shop managers largely attributed this to Oracle effects – trade diversion, changes in pedestrian flows and disruption effects. Some of these impacts may be transitory - for example, the construction, pedestrianisation and street landscaping works and temporary vacancies while retailers relocated into the Oracle. Others, notably the spatial reconfiguration of dominant shopper patterns and the loss of comparison retail in the north of the town centre, are permanent changes.

In a region with a strong economy and high employment levels, the development of an in-town shopping centre will alter the labour market and put upward pressure on wages. Survey work and interviews suggested that the impacts were felt most keenly by independent retailers and smaller units in the fringe and secondary areas of the town centre. This creates an additional pressure for independent retailers, alongside the difficulty of obtaining leases and issues linked to rents and service charges, contributing to the homogenisation of the retail offer – unless and until there is a change in consumer attitudes and a resurgence of interest in specialist retailers.

In summary, many of the impacts observed in Reading echo those found in studies of out-of-town shopping centres. However, they are more muted because the externality benefits of the in-town mall – in particular, the spillover effects from the enhanced attractiveness of the town centre as a whole and the overall increase in shopping trips – counteract the negative competitiveness effects. However, the spatial impacts found in out-of-town impact studies do occur in an in-town context. In particular, fringe areas are weakened, with a downgrading of the quality of retail outlet and a loss of A1 retail space. This makes these fringe areas much more vulnerable to retail shocks – for example, a sharp downturn in consumer expenditure or competition from neighbouring towns.

There are other aspects of the development of major in-town shopping centres that merit study. These include the impact on retail in surrounding towns in the hinterland of the host city and at the same level in the retail hierarchy; the impact on neighbourhood centres in the outer parts of the town and the social access implications of such changes; and further analysis of the labour market and wider economic implications of the development. The intention here has been to focus on the impact of retail structure within the town centre itself.

The in-town shopping centre is advocated as a key tool in maintaining urban vitality and viability. Undoubtedly, the in-town centre has a more muted impact than an out-of-town centre. Nonetheless, the Reading experience suggests that alongside the positive benefits, there are negative impacts and that fringe retail areas are weakened by such developments.

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Figure 4: Land Use in Reading Town Centre 1997

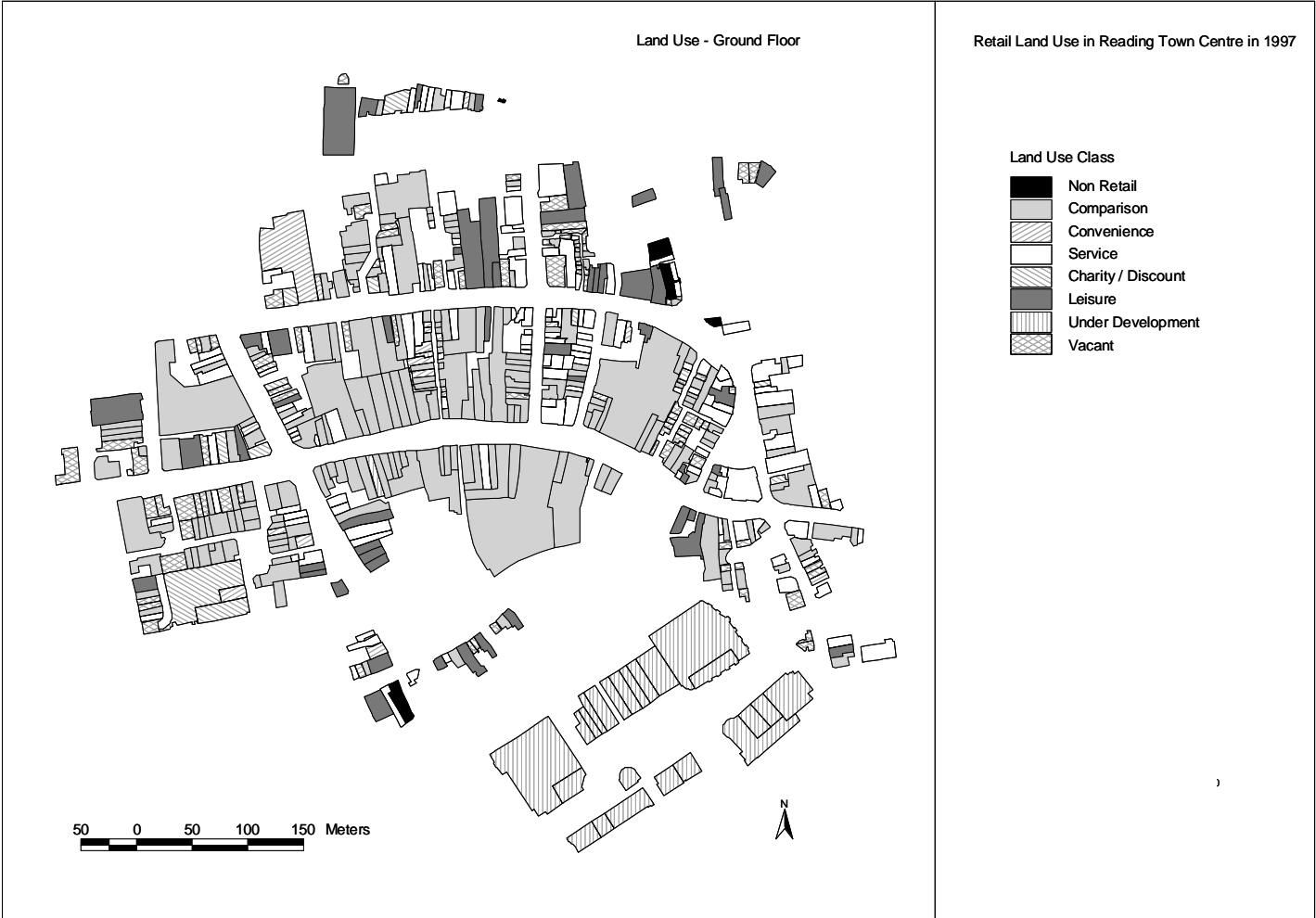


Figure 5: Land Use in Reading Town Centre, 1999

