Patronage as a Determinant of Rental Values of Shopping Malls: A Case of Ibadan, Nigeria

Chukwuemeka O. Iroham, Olajumoke M. Akinwale, Hilary I. Okagbue, Nkolika J. Peter, Moses E. Emetere

Abstract: The proliferation of shopping malls in virtually all economics of the world both that of the developed and developing ones can be linked to its patronage. This patronage which is gradually causing the loss of grip of the traditional market setting has been studied in line with gender, age, income, location, the image of the malls and type of shoppers amongst others. Due to the modern outfit and patronage, tenants of the malls have to be prepared for its rental payments. However, no study has specifically linked the patronage of malls with such. Therefore to achieve this aim two shopping malls located virtually in the same place were studied; the cocoa mall and heritage mall Ibadan. The study which is a cross-sectional survey entailed the distribution of copies of questionnaires to the tenants, interview with the manager of the malls and observation of frequency of shoppers to the malls. Data obtained were analyzed using the Chi-Square test of significance at 95% confidence level and it was revealed that the patronage of the malls is associated with its rental values. The researchers hereby opine that since it appears that much patronage tends to increase rental values of malls, managers are encouraged to ensure that they enhance their patronage to enjoy a marginal increase in rental payment. This will also be beneficial to tenants going by the enhanced economic returns evident in a higher occupancy rate.

Keywords: Patronage, Rental Values, Shopping Mall, Statistics, Ibadan.

I. INTRODUCTION

The proliferation of shopping malls in virtually all cities of the world cannot be farfetched. This can be said to be gradually taking off the grip of traditional market settings amongst shoppers both in the developed and developing economies of the world. The above mentioned has been linked to the patronage which this modern retail shop enjoys from shoppers. Hart et al. [1] associated such patronage with enjoyment derived from shoppers’ experience, gender influence, accessibility, environment, atmosphere, and attitude of persons serving in the mall. Hassan, et al. [2] related the patronages of the malls with prices, quality and variety of products being sold, ease of getting credit facility and goodwill of product amongst others [3]. The changes in shoppers’ status, income level, and exposure were also linked with the patronage of the malls [4]. Others are the quality of the products sold in the mall, nearness to the workplace and residence of the shoppers [5], classiness in the mall’s appearance [6] and location of the mall [7]. Apart from the products available in the malls and its exquisite ambiance, one remarkable feature of the shopping mall is its large land mass, which it must occupy. Shopping malls are required to occupy at least a land mass of 37, 000M2 while the larger ones known as regional malls can be between 37, 000M2 and 74, 000M2. The much larger ones known as super-regional malls occupy a land mass above 74, 000M2. This is amongst the various classifications of shopping malls [8-9]. However, identification of a shopping mall has been misconstrued particularly in the developing economies where large modern retail centres have been termed shopping malls. The modern retail centres could, however, be any of the various types apart from shopping malls particularly if it has not met the requirement in land mass. Some of the other modern retail centres which are not up to the stipulated land mass for shopping malls are hypermarkets, cash and carry stores, supermarkets, specialty stores, discount stores, departmental stores, convenience stores and E-retailers [10]. Apart from the massive land mass being occupied by the malls, it is also characterized as a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property with its on-site parking. Shopping mall houses lots of shops inside that could even be on two or three floors with several large stores on the end [11].

In Nigeria, there is also the presence of shopping malls even though mostly on regional basis. Since 2005, when the Palms Shopping Mall, Lekki Lagos State was erected as the first and largest shopping mall in the country with a land mass of about 40, 000M2 there has been the establishment of other shopping malls in the country. However, in terms of lettable space, the Palms Shopping Mall of 21, 000M2 is the third in the country coming after Ado Bayero Shopping Mall Kano and Polo Park Shopping Mall Enugu having 24, 000M2 and 22, 000M2 respectively [12]. There are however, well over thirty five shopping malls spread across the nook and cranny of the nation with a majority of which are located in Lagos, the commercial nerve centre of the country [13].

This number has eventually increased as virtually every city in the nation has the presence of shopping malls over the years [14]. Considering the land mass which shopping malls occupy and invariably the lettable size of its stores, it is presumed that rent payable in...
the malls will be soaring compared to the traditional markets. More so, the level of the patronage, which these malls enjoy, could also be a triggering factor to rent payable. However, no study has looked at patronage of these malls in line with rental values it commands. This is the crux of this present research.

II. LITERATURE REVIEW

A. Patronage of Shopping Malls

The patronage of shopping malls has been viewed concerning various factors [15]. Carpenter [16] examined the influence of demographic factors on the patronage of the modern retail outlet amongst shoppers in the US. Features such as age, gender, cultural background, marital status, academic qualification, and income level, size of family and visitation rate of the retail outlets for four classes of goods like clothing; appliances; pharmaceuticals and exquisiteness and furnishes. The researcher has analysed data collected using regression and analysis of variance (ANOVA) discovered that all variables studied had a remarkable influence on the patronage of the modern retail centre. The influence of patronage of the modern furniture store in a mall was the focus of research [2]. The researchers considered the lifestyle of the shoppers, shopping orientation and store image as suspected variables. The adoption of the Darden’s patronage model of consumers’ behavior used in the retrieval of responses from 115 respondents through copies of questionnaires likewise all variables studied as triggering factors. Location was considered as a factor that could likely influence the patronage of shopping malls. This is evident in the work carried out by [17]. The study entailed qualitative and quantitative approaches through a semi-structured interview with tenants and copies of questionnaire distribution to shoppers. Shoppers were to decide if patronage of local stores in rural areas were of preference to shopping malls in urban centres that are not as accessible as the former. Results revealed that shoppers were apt to patronize the shopping malls notwithstanding its distance compared to the local stores. However, other triggering factors that will enhance such patronage are the quality of products sold, availability of a variety of goods, lower prices and the presence of economic, social and psychological satisfaction. A study that was carried out by [18] to determine whether patronage of shopping malls was more influenced extrinsically or intrinsically The research which adopted the convenience sampling technique and intercepts survey method entailed the distribution of copies of questionnaires to shoppers in the Delhi National Capital Region. The researchers obtained a response of 1, 200 copies of questionnaires from respondents where results obtained revealed that the ranking of store image which entailed merchandise, convenience, shopping mall atmosphere, and communication were more that shoppers motive such as utilitarian, Social and gratification seekers. Hence, the researchers concluded that shoppers are more influenced extrinsically in their patronage of shopping malls. Shopping mall image has also been discovered as a triggering influence on the patronage of shopping malls in Southern Gauteng, South-Africa [19]. Apart from shopping mall image, [20] also discovered that the environment and convenience of the shopping malls do affect patronage of the malls. In North America, [21] discovered that the image of shopping malls has an undulating effect on the patronage of shopping malls through self-congruity image transfer from the patronage of the malls to the various stores inherent. This is contrary to an earlier discovery where patronage of inherent scores influences patronage of the mall [22]. The key factors that influence the patronage of shopping malls in Sagar City, India were studied. The research, which involved the collation of data from 100 shoppers, was analyzed using the Chi-Square test of significance after being placed on a 5-point Likert scale. The study revealed that quality and assorted goods, variety of products and its easy location on the shelf, availability of new products, safety and security were key factors that influence patronage of shopping malls in the study area [23]. A study in Saudi-Arabia was conducted on attributes of shoppers as it affects patronage of malls [24]. The researcher who distributed 1,500 copies of questionnaires to shoppers, retrieved 450 of which 423 were found relevant for analysis. The study revealed that demography was the principal influence on patronage as shoppers within the age bracket of 18 and 24 years mainly patronize the retail outlet. It was also discovered in the study that educated shoppers and shoppers within the income bracket of SR five thousand (5, 000) to ten thousand (10, 000) exhibited the highest form of patronage. Female shoppers also tend to patronize the retail outlet more than their male counterparts as also evident in the research carried out in Cluj-Napoca, Romania [25].

B. Determinants of Rental Values of Shopping Malls

According to [26], there has been little research conducted in the estimation of rental values for modern retail outlets as most of the empirical studies have focused majorly on the office and residential sector. This according to [27] could be because of the non-availability of data on its leasing arrangements. However, the majority of few studies were mainly conducted in the United States and the United Kingdom, with pockets of other researches around the world. Benjamin et al. [28] developed a model that will aid the determination of rent for homogeneous shopping spaces in the US. Its assumption of homogeneity in retail space within a US. Its assumption of homogeneity in retail space within a/mall was conducted on 28

In Baton Rouge, Louisiana, the determinants of rent variation across shopping malls were studied. The use of weighted least squares estimation was used in testing the relationship between market rents and various independent variables. The variables include customer drawing power (proxied by age, total area, and type of anchor tenant), architectural design, location and general economic condition of which the malls operate. The
consideration of all independent variables explained about 85% of the variation in rent [29]. These earlier researches have subjected the investigation of the rent structure of shopping malls through a modeling approach. Other ways by which rental values of modern retail outlets have been determined has been in relation to the influence of its anchor tenants [30]; forecast of shoppers demand for the products or services sold [31]; primary trade area and property specific characteristics, image and size [32-33]. Others are; predicted vacancy rate and location, trade area purchasing power, property age, neighbourhood factors, design and proximity to mall [34]; enhancement through renovation of the mall [35]; level of chain affiliation, prestige of mall and type of goods sold [36].

Des Rosiers and Thériault [37] attempted to model the economic trade-off between spatial and non-spatial determinants of rents of shopping malls while at the same time assessing the role of neighbourhood and attributes of the location in the rent setting process. To achieve that two space related indices, the economic potential index (EPI) and the centre attraction index (CAI) were designed based on a major origin destination phone survey and financial data gotten for eight major modern retail outfits in Quebec City, Canada. The database was processed through a regional Geographic Information System and includes 1,007 retail units, which represented about 4.4 million square feet (about 409,000 square metres) gross leasable area. It was discovered that the EPI was a significant determinant of the rent of shopping malls. The study also brought out the complexities of the relationship between endogenous and exogenous rent determinants.

There has been also the optimization of tenant mix as a determinant of rents of modern retail outlets [38]. The researcher concentrated on the economic importance of the retail tenant mixture within shopping malls thereby providing empirical evidence of the influence the type of tenant exerts on base rentals. The study examined 293 New Zealand shopping mall leases and discovered that the type of retail tenant in the mall goes a long way in determining the base rent of the mall. The base rent was also discovered to decrease in size and increase with the turnover of the mall. Occupancy costs were revealed to have a negative relationship with base rent. The results obtained from the research align with modern retail centre space allocation theories of [39-40]. Des Rosiers et al. [41] later examined the extent to which retail concentration within regional and super-regional malls affect rent levels and the differential impact it may exert for various goods categories and sub-categories in different urban settings. Exactly 1,499 leases amongst eleven regional and super-regional malls in Montreal and Quebec City, Canada negotiated between the years 2000 and 2003 were considered. The base rent per square feet was regressed on series of descriptors, which include percentage rent rate, retail unit size, duration of a lease, age of the mall and 31 retail categories while using Herfindahl index as a measure of intra-category retail concentration. It was discovered that while overall, intra-category retail concentration hurt base rent, the magnitude and, likewise, direction of the impact varies depending on the nature of the activity and the market dynamics that prevail for the category considered. The findings on the concentration of the malls as having an impact on the rent payable on the malls agree with that from earlier researchers [42-43].

In Nigeria, there are very scanty researches on the determinant of rents of shopping malls. There are indeed just two of such researches. The pioneering work in that area was carried out by [44]. The researcher examined the determinants of shopping mall rents in Akure. Data derived were from 83 retail shops in five of the modern retail outlets located in the city and 20 practicing estate surveyors and valuers also in the city. The use of multiple regression analysis to test the relationship between market rents of the malls (dependent variable) and various independent variables together with the weighted mean score method revealed significant relationships. Hence, it was discovered that the age, area of the shop, location, vacancy of the shop, the gross turnover of sales, population of customers and retail mix are all significant determinants of rental values of the modern retail outfits. Akinjare et al. [45] extended the work in Nigeria to the southern part of the country with much emphasis in Lagos and Port Harcourt respectively. Questionnaires were distributed to selected nine malls in the study areas to managers and tenants of the malls over a period of ten years. A response rate of 62.3% and 56.5% were attained in Lagos and Port Harcourt respectively while data was analyzed using a linear regression model and ranked arithmetic mean. It was revealed that the rents of anchor tenants were hinged on four factors, projected financial turnover of the anchor tenant, anchor tenant’s potential customer pull, location and physical characteristics of the mall and type and market weight of anchor tenants. For satellite tenants its rents are a function of an area of the stores, potential to draw customers, size of the market been serviced by the mall, location of the mall, location of the shop within the mall and potential to draw tenants. The researchers summarized the factors affecting rents in the malls into physical, business and lease factors.

It is hereby obvious that no specific research has tried to investigate rent passing on malls with the level of patronage which the malls command. This will be the focus of this present study. Solace can however be found in two recent works on the areas [46-47].

III. MATERIAL AND METHODS

A. Study Area

Ibadan literary meaning the city at the edge of the Savanna is an ancient city in Nigeria. It is presently the capital of Oyo State, occupying an average land mass of is 2427 km². The city lies on the GPS Coordinates of 7° 24' 7.0632'' N and 3° 55' 2.3268'' E. with an elevation of 273 meters approximately 896 feet above sea level. Apart from Lagos and Kano, it is the next on the rank of densely populated cities in Nigeria with over 3 million people and a growth rate of 3.3% according to the 2016 census figure in the country (NBS, 2011). It is envisage that the current population of the city should be in the range of about 4.6 Million people.

The choice of the city is mainly because of two reasons.
It is due to its traditional setup which the city has been known for thereby its patronage of traditional market settings unlike more elite towns like Lagos, Port Harcourt and Abuja where quite a good number of elites reside and will certainly be used to modern retail outlets such as shopping malls. Most researches in real estate have been carried out in cities such as Lagos, Port Harcourt and Abuja due to its buoyancy in property dealings [48]. Hence, there is necessary for a change in the study area. However, most importantly, Ibadan is the only city in the country where two shopping malls situates in the same place. Cocoa Mall and Heritage Mall are the two malls in the city that are practically in the same location. Out of the five malls in the city, Jericho mall, Palm Mall and Ventura being the others. Cocoa mall and Heritage mall are located in the same place called the cocoa house. Hence, these two malls will be the focus of this study to silence the influence of location as a determinant of rental values of the malls [45-48].

B. Methods

The study is a cross-sectional survey, which involved the distribution of copies of questionnaires to the tenants in both malls, Cocoa mall and Heritage mall. The interview was conducted with the managers of both malls while a physical observation was carried out on the average frequency of visits of shoppers to the malls. All tenants in the malls were all retrieved which represents about 70%

Heritage mall 16 of the 23 copies of questionnaires issued the them responded given a response rate of about 82% while for tenants issued copies of questionnaires in Cocoa mall, 31 of each mall when issued copies of questionnaires. Out of the 38 copies of questionnaires, 23 of them responded to the questionnaires given a response rate of about 61%. From observation, it was discovered that an average of between N30,000/M2 to N35,000/M2 for Cocoa Mall and N18,750,000 (c) and N286,160 (d) for Heritage Mall. These figures were confirmed by the tenants of cocoa mall.

III. RESULTS AND DISCUSSION

If Results from the interview conducted with managers of the malls revealed that there are 60 stores in Cocoa Mall with 38 being occupied. This indicated that 22 of such malls are yet to occupy resulting in a 63.33% occupancy rate. For Heritage mall, it was revealed that out of the 40 stores available, 23 of such were occupied. This implies that 17 of such stores are yet to be occupied which brings the occupancy rate of the mall to 57.5%. A total lettable space of 6,500M2 and 8,500M2 were likewise discovered for Cocoa Mall and Heritage Mall respectively. The rent passing on the stores in each mall was also asked the managers of the malls and was given at a range of between N30,000/M2 to N35,000/M2 for Cocoa Mall and between a range of N15,000/M2 to N20,000/M2 for Heritage Mall. These figures were confirmed by the tenants of each mall when issued copies of questionnaires. Out of the 38 tenants issued copies of questionnaires in cocoa mall, 31 of them responded given a response rate of about 82% while for Heritage mall 16 of the 23 copies of questionnaires issued the tenants were retrieved which represents about 70% response rate. From observation, it was discovered that an average headcount of shoppers visitation within a day in Cocoa mall is 3,250 while that of Heritage mall recorded an average of 784.

To juxtapose the level of patronage of these malls with the rental values which the malls commanded, the Chi-square test of significance was applied. By the following working hypothesis:

H₀: The patronage of the malls is independent of its rental values
H₁: The patronage of the malls is associated with its rental values.

Deducing from a general notation for a 2 x 2 contingency table, Table 1 gives graphic details of the evident variables.

Table 1. A 2 by 2 Contingency Table for Chi-Square Analysis

<table>
<thead>
<tr>
<th>Shopping Mall</th>
<th>Average Annual Rent (N)</th>
<th>Average annual Patronage</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa Mall</td>
<td>211,250,000 (a)</td>
<td>1,186,250 (b)</td>
<td>212,436,250</td>
</tr>
<tr>
<td>Heritage Mall</td>
<td>148,750,000 (c)</td>
<td>286,160 (d)</td>
<td>149,036,160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>360,000,000</strong></td>
<td><strong>1,472,410</strong></td>
<td><strong>361,472,410</strong></td>
</tr>
</tbody>
</table>

Going by the formula:

\[ \chi^2 = \frac{(ad - bc)^2}{(a+b)(c+d)(a+c)(b+d)} \]

It can be deduced as follows:

\[ \chi^2 = \frac{(149, 036, 160)(1, 472, 410) - (212, 436, 250)(360, 000, 000)}{(149, 036, 160)(1, 472, 410)(212, 436, 250)(360, 000, 000)} \]

= 289, 844.44

The degree of freedom equals the product of the number of columns minus one and the number of rows minus one. This gives (2-1) x (2-1) = 1. Hence the predetermined alpha level of significance (0.05) given the degree of freedom (df = 1), has a tabulated reading of 3.841. The implication is that since the calculated value is far above the predetermined tabulated value, the p-value at the 1df will be far below 0.05. Therefore since the p-value is less than the conventional level of 0.05 (i.e. p < 0.05), the null hypothesis is rejected which means that the patronage of the mall is associated with its rental values.

V. CONCLUSION

This study embarked on research in determining the effect of patronage in the determination of rental values of shopping malls. Two shopping malls located in virtually the same location were studied in the study area and it was discovered that the much patronage one of the malls’ command over the other has been linked to the increase of rent, which the former commands over the other. The researchers hereby opine that much patronage will aid shopping mall managers to have a marginal increase in the rental payment of such malls. This will invariably be beneficial to the tenant as evident in the more occupancy rate enjoyed by the mall that commands higher rental payments. Hence, a conscious improvement in the patronage level of Malls will not only increase the occupancy level of the mall but also result in a marginal increase in economic returns for both managers and tenants.

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AUTHORS PROFILE

Chukwuemeka O. Iroham (Ph.D) is of the Department of Estate Management, Covenant University, Ota, Nigeria.

Olajumoke M. Akinwale is of the Department of Estate Management, Covenant University, Ota, Nigeria.

Hilary I. Okagbue (Ph.D) is of the Department of Mathematics, Covenant University, Ota, Nigeria.

Nkolika J. Peter is of the Department of Estate Management, Covenant University, Ota, Nigeria.

Moses E. Emeterе (Ph.D) is of the Department of Physics, Covenant University, Ota, Nigeria.