Review of Demand for Supermarket at Jackson Court

For Manningham City Council

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economic analysis + strategy

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Contents

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1. Introduction

Jackson Court is a neighbourhood activity centre located on Doncaster Road in Doncaster. It is a multi-functional centre in which the retail component is anchored by a small Safeway Supermarket. Safeway (Woolworths) has determined to close the supermarket and replace it with a large Dan Murphy liquor outlet. Many of the retailers and other traders in the centre as well as local community representatives are concerned that the loss of the only supermarket in the centre will result in a significant loss of trade to the centre and a reduction in the service available to the local community.

Manningham City Council has been asked by the local community to encourage investment by a new supermarket operator in order to maintain the local service and to ensure that Jackson Court retains a strong neighbourhood shopping function. Council is keen to understand the potential demand for a supermarket at Jackson Court. This report reviews the evidence for supermarket demand at the centre.

The report has been prepared by development economist Tim Nott. It builds on previous work such as the Manningham Activity Centres Strategy. The work on Jackson Court forms part of a wider project providing a retail development framework for Council.

The report examines:

- the structure of Jackson Court Activity Centre
- the trade area of the centre
- the retail spending on food and groceries in the trade area
- the current balance between demand and supply for a supermarket service
- the impact of the closure of the supermarket
- an assessment of the continued potential for supermarket space

2. Jackson Court Activity Centre

Jackson Court is a multi-functional activity centre, although retailing is the principal activity as indicated in the table below.

Table 1: Activity in Jackson Court Activity Centre

Retail Activity	**Premises** no.	**Floorspace** sq m	**Proportion of total** %
Supermarkets and grocery stores	3	2,234	28%
Other food retailing	7	838	11%
Takeaway food	3	254	3%
Total Food	13	3,326	42%
Department Stores	0	0	0%
Clothing and soft-goods	7	615	8%
Household goods	4	1,010	13%
Recreational goods	7	799	10%
Other retailing	3	417	5%
Cafes and restaurants	9	1,172	15%
Selected services (videos, hair and beauty)	8	621	8%
Total retail goods and services	51	7,960	100%
All Activities			
Retail	51	7,960	68%
Medical	4	836	7%
Other services	17	2,543	22%
Vacant	2	357	3%
Total activity	74	11,696	100%

Source: Manningham Activity Centre Strategy, 2005; ABS, Retail Industry, 1998-1999; consultant estimates

The main retail anchor for the centre is the Safeway supermarket which is located in a central and dominant position in the centre. This supermarket is relatively small – 1,630 sq m, whereas a full-line supermarket would be over 3,000 sq m. The supermarket is also rather old and appears to have had little substantial investment for some time. Nonetheless, the supermarket has traded very well according to other local traders.

Other notable features of the centre include:

- The compact layout of the centre around a central car-park
- A large grocery store (450 sq m)
- A large reception centre and restaurant
- the YMCA
- the adjacent sports oval to the east

The retail offering of the centre is well-balanced, providing wide range of goods and services to its local catchment.

3. Jackson Court Trade Area

The trade area of a centre is the area from which it draws most of its trade. In this case, the main trade area of Jackson Court is defined by physical boundaries such as the Easter Freeway to the south, and by the influence of the nearest competing activity centres. The approximate boundary of the trade area is illustrated in the figure opposite. This trade area is slightly different from the trade area identified in the Manningham Activity Centre Strategy and reflects the stronger flow of trade to Doncaster Hill following the expansion by Westfield. The Jacksons Court trade area overlaps with that of Doncaster East/Devon Plaza to the east and Doncaster Hill to the west.

The broad economic characteristics of the population in this trade area are provided in the table below.

Table 2: Selected characteristics of the Jackson Court Trade Area, 2006

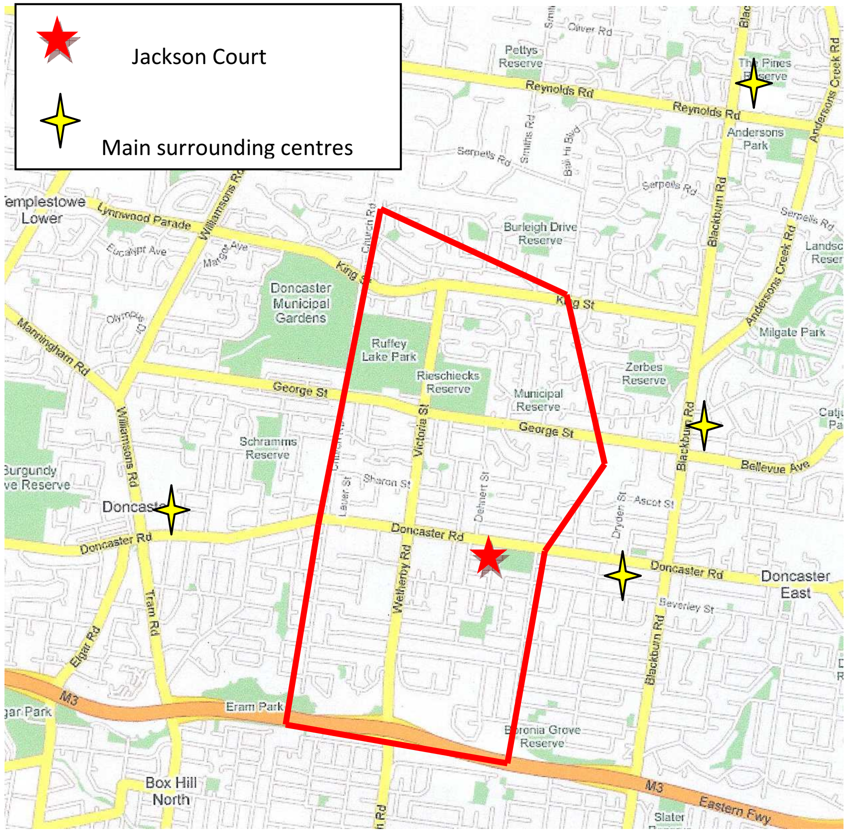
Area	Population	Median age	% aged 65 and over	% Professionals and Managers in labourforce	Median weekly household income	Households in medium density housing
Total Trade Area	10,295	42	20%	38%	$1,049	19%
Manningham	109,915	41	17%	43%	$1,213	16%
Victoria	4,932,422	37	14%	34%	$1,022	24%

Source: ABS, Census of Population and Housing, 2006

The Jackson Court trade area is somewhat older than the average for the State or the municipality and has a relatively high proportion of people in retirement age groups. The local labour-force is not as highly trained as that in the rest of Manningham. As a result of the skill level and the high proportion of retirees, household incomes are not as high as the rest of Manningham, although they are around the average for Victoria as a whole.

The population of the trade area in 2008, based on recent growth rates in the wider area is estimated at 10,790

Figure 1: Jackson Court Trade Area



Source: Base map from Google Maps

Note: This trade area is slightly smaller than that identified in the Manningham Activity Centres Strategy and takes into account a more intensive flow of trade to Doncaster Hill following the expansion by Westfield.

4. Retail Sales in the Trade Area

The retail provision in the trade area comprises the shops at Jackson Court and the small local activity centre at the corner of Renshaw Street and Wetherby Road. Together these shops provide 8,300 sq m of retail floorspace.

The following table provides an estimate of retail floorspace and sales in the trade area. The retail sales density has been estimated from industry standard figures and from discussions with local operators.

Table 3: Estimate of retail sales, Jackson Court trade area, 2008

Retail type	Floorspace sq m	Sales density $/sq m	Sales $m
Supermarket	1,630	$11,600	$18.9
Other food and groceries	1,560	$6,500	$10.1
Total food and groceries	3,190	$9,100	$29.0
Other retail	5,120	$4,500	$23.0
Total	8,310	$6,300	$52.1

Source: Manningham City Council, 2005 and 2006; ABS, Retail Industry Australia, 1998-99; consultant estimates

Retail sales in the trade area are estimated at $52 million in 2008.

Based on information from local traders, the supermarket is likely to be trading at the upper end of the normal range of sales per sq m (usually averaging around $10,000 per sq m for major supermarkets). This suggests that there may be some room for an increase in floorspace in order to cater for demand and to provide competition.

5. Retail Spending

The following table provides an estimate of current retail spending per person in the Jackson Court trade area in key retail categories.

Table 4: Average annual retail spending per person, Jackson Court Trade Area and Victoria, 2008

Area	Food and groceries $	Other retailing $	Total $
Jackson Court Trade Area	$5,100	$6,700	$11,800
Victoria	$5,100	$6,300	$11,400
Jackson Court TA compared with Victoria	100%	106%	104%

Source: Market Info, 2002; ABS Retail turnover by industry, 2008; consultant estimates; figures rounded

The residents of the Jackson Court trade area spend a little more than the average Victorian on retail goods and services, although they spend the same on food and groceries.

The following table provides an estimate of total retail spending by residents of the trade area.

Table 5: Retail spending by residents of the Jackson Court trade area, 2008

Retail activity	Spending per person $	Total spending by trade area residents $m
Food and groceries	$5,100	$55.0
Other retail spending	$6,700	$72.3
Total retail spending	$11,800	$127.3

Source: Market Info, 2002; ABS Retail turnover by industry, 2008; consultant estimates; figures rounded

Total retail spending by residents of the Jackson Court trade area is approximately $127 million per year (in 2008).

6. Current Retail Supply and Demand

The shops of Jackson Court and its trade area provide goods and services to residents and visitors. The table on this page provides an estimate of the proportion of sales in each retail category that is contributed by visitors (based on surveys and experience from elsewhere). In all, around 13% of retail sales at the centre (around $7 million per year) are made to people from outside the trade area. In the main, these are passers-by on Doncaster Road and people from just beyond the trade area boundaries for whom Jackson Court is a convenient centre.

In the food and groceries segment, residents of the trade area contribute around $26 million per year. This represents 46% of all retail spending by residents in this segment. In other words, 54% of food and grocery spending "escapes" from the trade area to shops elsewhere. In particular, spending by trade area residents flows to larger supermarket centres and centres that specialise in comparison goods shopping such as The Pines and Doncaster Hill.

Table 1: Spending, sales and escape expenditure, Jackson Court trade area, 2008

[redacted]

Source: consultant estimates

In all, around 65% of total retail spending escapes to centres outside the trade area. This level of escape spending is within the normal range; neighbourhood shopping centres usually capture between 30% and 40% of the retail spending of their trade area.

The primary role of neighbourhood centres is to provide convenience retailing, especially food and groceries. Other regular neighbourhood centres in Manningham generally supply 50% to 80% of their local residents' requirements for food and groceries (and this compares with only 46% supplied by Jackson Court to its trade area).

This is a result of the rather small supermarket at Jackson Court and the strong competition from centres to the east and west of Jackson Court (particularly the supermarket at Devon Plaza).

7. Impact of Supermarket Closure

The closure of the existing supermarket and its replacement with a Dan Murphy liquor outlet will reduce overall sales at Jackson Court since:

- the liquor outlet is likely to have a lower level of sales per sq m than the supermarket, and
- the closure of the supermarket will reduce the level of patronage at the centre

The level of impact cannot be known with certainty since much will depend on how the remaining retailers and their customers respond to the changes at the centre. The following table provides a likely scenario, based on the liquor outlet having annual sales of $7,000 per sq m and a reduction in the remaining average sales of $500 per sq m. (This is a relatively modest reduction in average sales per sq m; the resulting sales density would still be above that typically experienced at local activity centres.)

The table shows that annual retail sales at the centre may decline by nearly $11 million, a reduction of 21% compared with the current sales. This would be a significant impact on the centre. (At Panel hearings and at VCAT, an impact of 10% to 15% on retail sales is often taken as being the level at which "significant impact" is said to occur; that is, a level of impact that is beyond the normal fluctuations of day-to-day competition and a level at which the role and function of a centre may be threatened.)

The sales lost by Jackson Court will be picked up by other nearby centres with a supermarket service such as Doncaster Hill and Devon Plaza/Doncaster East. However, the level of service to those people in the Jackson Court trade area will be reduced. In particular, the people who currently walk to the supermarket at Jackson Court will lose their service. This includes many older people for whom transport can be a difficult issue (either because they are reliant on public transport or because they have reduced mobility.)

The role of a neighbourhood centre is *principally* to provide convenience shopping service to its catchment population. A supermarket is a key component of this service; without a supermarket, the convenience role of a centre is much reduced, forcing residents to travel elsewhere and discouraging investment by other retailers. Without a supermarket, the role of Jackson Court would be reduced to that of a large local centre, providing top-up goods for a much smaller catchment than at present, with a loss of some retailers and local employment.

Table 6: Likely scenario of the impact of the closure of the supermarket at Jackson Court

Current Situation			
Retail type	***Floorspace*** sq m	***Sales density*** $/sq m	***Sales*** $m
Supermarket	1,630	$11,600	$18.9
Other food and groceries	1,560	$6,500	$10.1
Total food and groceries	3,190	$9,100	$29.0
Other retail	5,120	$4,500	$23.0
Total	8,310	$6,300	$52.1
Dan Murphys replaces Supermarket			
Retail type	***Floorspace*** sq m	***Sales density*** $/sq m	***Sales*** $m
Dan Murphys	1,630	7,000	$11.4
Other food and groceries	1,560	6,000	$9.4
Total food and groceries	3,190	6,500	$20.8
Other retail	5,120	4,000	$20.5
Total	8,310	5,000	$41.3
Change in annual retail sales ($m)			-$10.8
% change in annual retail sales			-21%

Source: consultant estimates

8. Continued Potential for a Supermarket

There does appear to be continued potential for a supermarket at Jackson Court, even with the presence of the large liquor outlet. The table on this page shows the potential supermarket floorspace that would be supported at Jackson Court at various levels of escape spending in the food and grocery segment. A key assumption is that the spending on food and groceries by people from outside the trade area would grow substantially. This assumption is based on experience from elsewhere that large liquor outlets such as Dan Murphys are significant attractors of spending from a sub-regional catchment. A further assumption has been made that the sales density achieved at the supermarket is typical of one of the smaller operators (usually $7,000 to $8,000 per sq m) rather than one of the two major chains (averaging around $10,000 per sq m).

Table 7: Scenarios for food and grocery spending and supermarket floorspace supported at Jackson Court ($2008)

Item	units	Current escape spending	Scenario 1	Scenario 2
Escape spending by residents of the trade area	%	54%	50%	40%
Sales to residents in trade area	$m	$25.3	$27.5	$33.0
Sales to visitors	$m	$6.0	$6.0	$6.0
Total sales	$m	$31.3	$33.5	$39.0
Sales to existing specialty food outlets	$m	$10.1	$10.1	$10.1
Sales to Dan Murphy	$m	$11.4	$11.4	$11.4
Total ex-supermarket sales of food and groceries	$m	$21.6	$21.6	$21.6
Potential supermarket sales	$m	$9.8	$12.0	$17.5
Supermarket turnover density	$/sq m	$7,500	$7,500	$7,500
Supermarket floorspace	sq m	1,300	1,600	2,300

Source: consultant estimates (food and grocery spending only; $2008

The table shows that, if the level of escape spending in the food and grocery segment remains the same as at present, and assuming that Dan Murphys is able to attract increased spending from outside the trade area, then a supermarket of 1,300 sq m would be supported at Jackson Court. If escape spending in food and groceries can be reduced to 50% (from 54% currently) then a supermarket of 1,600 sq m could be supported. If escape spending is reduced further to 40%, then a supermarket of 2,300 sq m could be supported. This level of escape spending in food and groceries is typical of supermarket-based neighbourhood shopping centres.

If a supermarket of between 1,300 sq m and 2,300 sq m were to operate from Jackson Court as well as the proposed Dan Murphy store, the total food and grocery sales in the trade area would be $2m to $10m higher than at present. This additional spending from visitors and residents would be drawn largely from surrounding centres, particularly Devon Plaza/Doncaster East. The larger supermarket scenario could have some adverse impacts on the food and grocery offering at Devon Plaza/Doncaster East (where total food and grocery sales are of the order of $33m).

In order to prevent any significant adverse impact on surrounding centres, the supermarket at Jackson Court should be between 1,300 sq m and 1,800 sq m. This sized supermarket is likely to be operated by one of the smaller supermarket chains such as IGA, Aldi or Foodworks.

The future trade for a supermarket at Jackson Court is likely to improve given the forecast for a slowly growing resident population in the trade area and the likelihood of growth in the retail spending per person as standards of living rise.

The continued presence of a supermarket would be important in providing a convenience shopping service to local residents and in retaining and promoting investment and employment generation by other retailers in the centre.

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