



Location preferences of retail uses in Lagos Metropolis, Nigeria

R. D Adenusi, T. O. Osunsanmi and A. O. Bamidele

Department of Estate Management, Faculty of Environmental Sciences, University of Lagos, Lagos Nigeria.

ARTICLE INFO

Article history:

Received: 13 August 2015;

Received in revised form:

08 October 2015;

Accepted: 13 October 2015;

Keywords

Location Preferences,
Retailing,
Consumer Goods,
Proximity.

ABSTRACT

The transactions within the retail sector often require face-to-face interactions between buyers and sellers. In most cases, consumption and production of retail services take place in very close proximity. This paper aimed at determining the location preference of shop/ retail uses in urban areas in Lagos State, Nigeria. In other to achieve this, the following research questions are raised (1) what are the location preferences for a prospective shop owner? (2) What are the factors affecting the decision of a retailer to locate his/her shop (3) what are the available facilities within the shops. The findings revealed that apart from accessibility which serves as the base/preference for location of any land uses, the type of goods sold is the most important factor when it comes to location preferences for shops / retail outlets. Proximity to manufacturer was ranked last on the list. It is concluded that proximity to manufacturers factory is not a serious determinant in sitting shops which show that where the goods is produced is not the concern of the shopper.

© 2015 Elixir All rights reserved.

Introduction

Background

Property is often seen as a possession, however different writer have giving various opinion on property. Legal dictionary perceives property as anything, tangible or intangible whereby a legal relationship exists between a person or group of person and the State can enforce a possessory interest or legal title in that thing. Similarly, Oni (2009) described property as any physical or tangible entity that is owned by a person or jointly by a group of people or a legal entity like a corporation. Meanwhile, Igbinsosa (2011) opines that property is used to describe a particular concentration of power over things and resources. Narang (2007) gave a more detailed definition of property as the ability an individual or group of persons have to express power or authority over a substance, based on its relationship with the substance and depending on the nature of the property, an owner of such property has the right to consume, sell, rent, mortgage, transfer, exchange or destroy it, or to exclude others from doing these things.

Sara (2010) had another view about property and classified property based on its use and was of the opinion that property could be in form of commercial, industrial, agricultural, recreational, religious, institutional, residential and special purpose property. Egbenta (2009) was of the opinion that commercial property is the most desirable after residential property because it serves as an investment or income property intended to generate profit for the owner either from capital gain or rental income as a result of its use (business purpose). Iroham, Olawunmi, Simon and Akerele (2013) categorized commercial property into office buildings, warehouse and retail shops and posited that in most urban areas, shops constitute 80% of the commercial activity. Alexander (2006) defines shop as a place of business, owned and operated by a retailer but sometimes owned and operated by a manufacturer or by someone other than a retailer in which merchandise is sold primarily to ultimate consumers.

Iroham et al. (2013) otherwise was of the opinion that shops serve as a medium of transferring goods from the manufacturer to the consumers. In other for shop owner to achieve their

objectives, shops should be strategically located usually along railways lines, street and sometimes within an estate as the case may be. It can be deduced from the opinion of Iroham et al. (2013) that location is the key factor for an effective shop space. Wikipedia (2014) defines location as an area or a point on the earth surface used to identify a distinct feature of that point. Oruonye (2014) asserts that location is the mantra for retail success because shop location is a retailer most costly and long term decision. Iroham et al. (2013) compared the effect of poor location decision by a prospective retailer to poor promotional decision and found out that unlike poor promotional decision, poor store location has an adverse effect as it usually affects the retailer performance for several years since securing another location usually involve a huge cost. Amanda, Steven and Edward (2007) went further to highlight the preference of shop location by a retailer and was of the opinion that retailers prefer to locate close to consumers, but doing so exposes them to competition from other retailers that also want to be close to consumers, from retailers point of view; proximity to consumers means proximity to other stores. Against this background the research would determine the preferences for shop location within Surulere, Yaba, Akoka and Lagos Island.

Research Question

- What are the location preferences for a prospective shop owner?
- What the factors affecting the decision of a retailer to locate shop?
- What are the available facilities within the shops?

Objectives

- To determine the location preference for a prospective shop owner.
- To examine the factors affecting the decision of a shop owner to locate his/her shop.
- To determine the available facilities within the shop.

Literature Review

Theoretical Framework

Central Place Systems

One of the most influential theoretical bases for understanding the distribution of retailing activities across space

is provided by the traditional location theories. For example, the use of "Central Place Theory," which is based on the tradition of Von Thunen (1826), Christaller (1933) and Losch (1940), to understand the spatial organization of retailing is immense. At a theoretical level, assumptions are that the city is monocentric in some way and that the land is a plane. The departure point of the idea behind the central place theory is the identification of a "central place" based on the intensity of transactions that take place between individual consumers and entities that provide goods and services to these individual consumers and households. According to the empirical regularities, the economic activities that are clustered in the urban core are likely to depend on the intensity of interaction between buyers and sellers, which imply that the central markets are mostly allocated to retailing, leisure services, business services and the likes.

The theoretical foundation provided by the traditional location theories is widely acknowledged and further developed by new streams of literature like (New) Urban Economics, where the agglomeration economies and location choices of firms and individuals are explained as a function of transportation costs (Alonso, 1964; Fujita, 1988; Krugman, 1991) and the micro-foundation for urban spatial structures are studied in depth (Alonso, 1960; 1964; Muth, 1961; 1969; Mills, 1967). The economic rationale behind the model is described in terms of profit and distance from the market. The profit consists of the (fixed) selling price minus the (fixed) production costs minus the (variable) transportation costs. The transportation costs increase linearly with distance. The descending curves below represent the profit for a product at a certain distance from the city. At distance D from the city, it becomes more profitable to produce product 2.

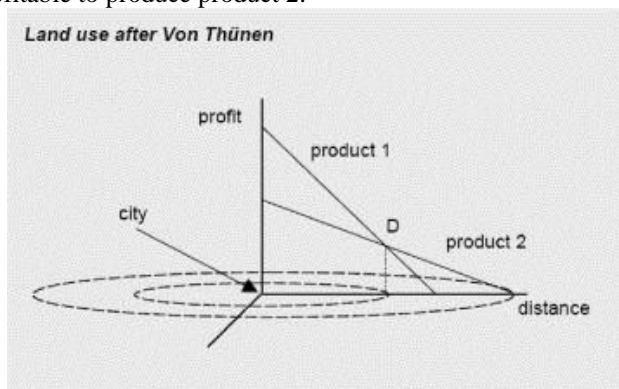


Figure 1. Bid Rent Curve

Adapted from: SPINlab Vrije Universiteit Amsterdam (2004)

Originally Von Thunen's model was only concerned with location. However, it is possible to derive the land rent from this model. The farmers that grow a particular product prefer to locate closer to the city, as their profit will be higher. Thus for land closer to the city, they are willing to pay a rent, the land rent, which is at most the profit they make at that location. The conclusion is that land closer to the city will have a higher price than land that is located further from the city.

Bid Rent Theory

Another retail relevant approach is Haig's bid rent theory (1927), which mostly tackles the within-city distribution of population and economic activities. It argues that the land is occupied by those entities that can pay the highest rent value, and therefore, the land is in its "highest and best" use (Fujita et al. 1988). In line with these presumptions, many scholars investigated why the city centre is allocated to certain economic activities, including retail. Alonso (1960, 1964) has noted the stratification of a city between retail and industrial activities

because retailing often takes place in the centre and industrial activities take place at the periphery. Building on Alonso's work, Ratcliff (1949) conducted a more precise analysis by suggesting that the type of retailing activity explains its spatial distribution within a district. In other words, retail establishments such as department stores were likely to be found in the city centre, but low-order activities were located on the outskirts (Brown, 2006).

Retail Gravitation

Another line of literature widely used in explaining the spatial organization of retailers came into existence following Reilly's analogy between Newton's law of motion and retail location, which later became a milestone in retail research. Reilly mentions that

"two cities draw trade from any intermediate town (or city) approximately in direct proportion to the populations of the two cities and in inverse proportion to the square of the distances from these two cities to the intermediate town" (Reilly, 1931, pg.9).

Estimating the relevant market boundary for a retailer has been the focus of many researchers from various disciplines. Reilly's role in this trend is immense, where his theory (proposed in less than 100 pages) inspired many alterations to studies where the goal has been mostly identifying retail trade areas, estimating retail market-share. One interesting aspect of the theory is that, despite it being widely used by the marketing researchers, its obvious relationship to the traditional location theories (e.g., central place theory) is often neglected in retail research. What Reilly did initially was take a basic gravitational approach to explain why and how the consumer decides between various shopping centres to patronize.

Previous studies conclude that food retail stores' market strategies are largely determined by suppliers, competitors, and consumer decisions. Marketing-oriented approaches emphasize the significance of consumer needs, i.e., their preferences and the factors behind their choices. Because of the current need to adapt to the market, and the emphasis on profits, customer choices are increasingly considered. Consumer and customer behaviour theories contend that choices are primarily made about products, and retail patronage entails only a minor factor in the consumer's choices (Kotler, 1998).

Concept of Retailing

Retailing can be defined as the selling of goods in small quantities direct to consumers, being distinct from wholesale trading where goods are sold or bought in bulk to or from warehouses, good owns or bulk carriers to businesses. Today, retailing also includes non-traditional forms of shopping such as 'tele-shopping', 'e-shopping' and the direct purchase of goods from retail warehouses and factory outlets which serve both consumers and businesses. Moreover, it includes the provision of services direct to customers, including personal services, services related to leisure and entertainment, as well as dining services. The retail industry in Nigeria is characterized by the presence of a large number of very small retail businesses and a small number of large retailers. Nevertheless, there have been an increasing number of well-established chain groups entering the market, adding a new dimension to the retail sector.

Classification of Goods

Basically, retailing is concerned with the sales or provision of the following kinds of goods and services:

a. Convenience goods -- goods for daily consumption such as foodstuffs, confectionaries, drinks, newspapers, groceries, fruits, vegetables and medicines;

b. Comparison goods -- goods such as clothing, jewellery, electrical and household goods, etc., for which customers tend to compare for quality, variety and price;

c. Speciality goods - - goods such as jewellery, oriental carpets, work of art, ladies fashion, musical instruments etc;

d. Retail services -- these include personal services such as banks, hairdressers, and clinics, as well as services related to leisure and entertainment such as cinemas, karaoke lounges, discos, fitness centres, family entertainment centres and video games centres; and

e. Dining services -- these include eateries providing food and drinks for on-site consumption such as restaurants, noodle shops, fast-food shops, bars and cafes.

Factors That Determine Location of Shops

Accessibility of the site

The greater the accessibility of a location and lower the net economic cost of movement in terms of distance, time and convenience, the greater the comparative advantage and demand for property in that location. Modern cities are subject to various morphogenetic processes where the spatial form a city is determined by geographical factors and the location decisions of firms, households, and government bodies (Vance, 1990). For businesses in a market economy, one of the key factors influencing location is transport costs (McDonald & McMillen, 2006).

Demand population

The demand population of a particular geographical location will have a long way to go in locating a shop premises. The higher the number of people in an area or a neighbourhood, the higher will be the demand for goods to support man's existence and vice-versa. Population is a major determinant of shop preference.

The intensity of space usage

Space has a major contribution to shop location. The amount of space required for the operation of any shop is subject to the type of goods for sale. The space and business relationship in retailing is also classically argued as the size of a market area results from the spatial range of the demanded and supplied goods and services. Convenience goods need to be located within the neighbourhood at a distance of not more than 5 to 10 minutes walk, this may not require so much space as the case may be but will be able to compete very well because of the relevance and the necessity of the goods traded. Specialty shops on the other hand may locate farther because the space need for operation is wider in some cases e.g. furniture shop.

The type of goods

The nature of goods also determines the preference of location. Convenience goods are goods for daily consumption such as foodstuffs, confectionaries, drinks, newspapers, groceries, fruits, vegetables and medicines must find its cause within the centre while Speciality goods such as jewellery, oriental carpets, work of art, ladies fashion, musical instruments e.t.c, may find location outside the centre because they are not goods for daily consumption.

The shoppers' behaviour

Besides the consideration of distance in predicting accessibility to shopping centers and buying behavior, time is another important factor, which determines the shopping behavior of urban consumers (Weber and Kwan, 2002).

However, Tietz (1993) and Arend-Fuchs (1995) consider retail patronage choice as a three dimensional decision-making process. The customer evaluates and selects products (brands) and retail unit types, and then finishes at the optimal purchase point. Here choices of product, store type, and of purchase point are related to the customer's qualitative and quantitative

characteristics. Quantitative characteristics include demographic and social factors as well as reference group choices, whereas qualitative characteristics encompass attitudes, lifestyle, purchase habits and patterns.

Other factors identify by researchers are as follows:

- (1) The flow and character of pedestrian traffic
- (2) Nature of adjacent development
- (3) Availability of vacant site
- (4) Cost involvement
- (5) Expected revenue generation

According to Olach (1999), the criteria for decision-making can be modelled mathematically, using the following formula:

$$\frac{4T + 3S + 1R + 4V}{4}$$

T stands for distance from home, work or usual place for leaving public transport;

S stands for choice and quality of products;

R stands for a system of reference points;

V stands for staff behaviour and attitude.

Related research for the Hungarian context was done by Kenesei (2002) and focuses on customer loyalty in the decision-making process. Torocsik (1995) also provides a theoretical taxonomy for retailers.

Retail location decisions were modeled for a firm in the Turkish apparel retail industry (Burnaz & Topcu, 2006). The researchers worked with 14 managers to identify the related evaluation criteria and classified the criteria into five categories: (1) store characteristics, (2) proximity to other retailers, (3) the quality of the shopping centre or business district, (4) accessibility, and (5) the economic viability of the area (population density, spending patterns, demographic profile, and ease of labour recruitment). The relationships amongst pairs of these criteria were used to model a network. The Analytic Network Process approach was then used to model possible retail locations, and the relative importance of criteria was subsequently revealed. Shopping malls were found to be preferable to CBD locations, and the demographic profiles in the vicinity, level of competition, and access to public transportation were the most important factors.

Types of Shop

Shopping Malls

These are indoor, air-conditioned and usually centrally-managed shopping centres, which are either free standing or on the lower floors of residential or commercial developments. Shopping malls typically provide the whole range of retailing activities including the sales of convenience and comparison goods as well as the provision of retail services and dining services, creating a self-sustaining and one-stop shopping environment. Their size in terms of total gross floor area (GFA) can vary tremendously from mega shopping malls such as Ikeja city mall to shopping malls provided on the lower floors of single commercial or residential buildings, taking up a few hundred square metres. Large shopping malls tend to become the major activity node of a district.

Street-front Shops

These are mostly ground floor shops within tenement buildings with a street frontage and are commonly found in the older parts of the urban area. These shops are usually small in size as they are restricted by the size of the building lot, but the range of retailing activities accommodated in these shops are similar to that provided in shopping malls. Most of these shops typically extend along the entire street to become shopping streets.

Table 4.1. Demographic Data of Respondents

	Frequency	Percentage (%)
Marital status (N=50)		
Married	30	60.0
Single	20	40.0
Age distribution (N=50)		
18-30 years	19	38.0
31-40 years	16	32.0
41-50 years	2	4.0
51-60 years	13	26.0
Educational qualification (N=50)		
MSc	2	4.0
BSc	24	48.0
HND	8	16.0
ND	8	16.0
SSCE	8	16.0
Year of establishment (N=50)		
Less than 5 years	17	34.0
6-10 years	11	22.0
11-15 years	2	4.0
above 21 years	20	40.0

Source: Field Survey (2015)

Table 4.2. Shop Characteristics of the Respondents

	Frequency	Percentage (%)
Type of shop (N=50)		
Departmental shop	5	10.0
Supermarket	23	46.0
Grocery shops	15	30.0
Specialist shop	7	14.0
Type of goods sold in shop (N=50)		
Specialist goods	15	30.0
Shopping goods	24	48.0
Convenience goods	11	4.0

Source: Field Survey (2015)

Table 4.3. Location Preference for Shops

Location preferences	RII	Rank
Type of goods sold	0.80	1
Nature of business	0.74	2
Proximity to major roads	0.74	2
Shoppers behavior	0.72	4
Proximity to consumers	0.70	5
Movement pattern of people	0.68	6
Location cost	0.68	7
Amenities within the neighbourhood	0.68	8
Adjacent development within the neighbourhood	0.64	9
Finishing of the shop	0.62	10
Proximity to your house	0.62	11
Competition	0.60	12
Complementarity advantage	0.57	13
Zoning laws	0.49	14
Proximity to manufacturers	0.38	15

Source: Field Survey (2015)

Table 4.4. Amenities Available in the Respondents Shop

	Available (%)	Rank
Waste disposal cart	90	1
Security guards	74	2
Water supply	72	3
Alternative power supply	54	4
Land scape beautification	38	5

Source: Field Survey (2015)

Hawker Permitted Places / Open Air Bazaars

These are designated places where hawkers with licenses are permitted to sell their products on the street during a specific time period each day. The retailing activities of these hawkers are mainly for the sale of convenience goods. Examples of these places include the "Ladies' Market" in Mong Kok, the Temple Street Night Bazaar in Yau Ma Tei and Jardine's Crescent in Causeway Bay.

Markets and Cooked Food Stalls

Markets are purpose-built facilities where a wide range of commodities ranging from fresh produce to household items are offered while cooked food centres are also purpose-built facilities for stall lessees selling cooked food. Since the use of fresh produce is common in Chinese cooking, markets play an important role as an outlet for fresh provisions because some people often visit markets once or twice a day to purchase fresh commodities.

Methodology

The population for the study comprises retail shop owners who are primarily liable to take appropriate decision of where to locate their businesses. Data for the study were obtained through field survey using a structured questionnaire. A total of 75 structured questionnaires were administered to retail outlet/shop owners in Lagos metropolis. Respondents were selected through purposive sampling technique from Akoka, Surulere, Lagos Island and Yaba area of Lagos State. Out of which 55 was returned but 50 questionnaires were properly completed and returned due to the level of awareness of the respondents. Data collected from respondents includes the respondents' demographic characteristics, also they were asked to rank/rate the impact of some factors that determine the preference of location of retail/shops activity on a 5 point Likert scale taking 5 as the highest impact and 1 as no impact.

Statistical Package for Social Sciences (SPSS) was used to analyse the data gathered and statistical tools like Descriptive Analysis (frequency) and Relative Importance Index (RII) was used to rank the factors according to the level of importance. The result of finding was also presented in table and chart.

Result of the Study

Characteristics of the Respondents

There are four basic attributes of the respondents that are reviewed and these are age, highest level of education, marital status and year of establishment of their shop and the outcome is presented by Table 4.1. The gender distribution shows that the survey comprises more of female than male which suggest that the findings will be geared towards female point of view, however 34% of the respondents account for male and 66% of the respondents are female.

Table 4.1 presents other demographic characteristics of the respondents. The table shows that more than half (60%) of the respondents are female and the remaining 40% are male. The survey on age distribution shows that all the respondents are above 18 years of age, this suggests that respondents are matured enough to understand the question posed by the research instrument. However 38% of the respondents are within 18-30 years, 32% are within the age bracket of 31-40, 26% of the population accounts for 51-60 years and 4% are within 41-50 years.

The table shows that all the respondents are educated with 48% qualified with BSc; a proportion of 16% have obtained HND, ND and SSCE while 4% have studied up to MSc level. The table shows that 40% of the respondents have established their shops for more than 21 years, 34% have been in existence for less than 5 years, 22% have been existing for 6-10 years and 4% have established their shop for 11-15 years.

Shop Characteristics of the Respondents

This section presents the shop characteristics of the respondents within the study area by examining their type of shop and type of goods sold in such shops. The outcome is presented by Table 4.2. The table shows that 46% of the respondents' shops are supermarket, 30% are grocery shops, 14% are specialist shops and 10% are departmental shops.

On the type of goods sold by the respondents, the table shows that most (48%) of the goods sold by the respondents are shopping goods, 22% of the respondents sells specialist goods and 30% sells convenience goods.

Location Preference for Shops

The respondents were asked to rate the location preference for their shops with Five (5) Likert scale from no impact to high impact. The outcome is presented by Table 4.3 below. Using the Relative Importance Index (RII). The table below shows that the major factors determining the preference of the respondents shops are Type of goods sold which is ranked 1st (0.80), followed by Nature of business and Proximity to major roads taking (0.74) respectively, Shoppers behaviour (0.72) and Proximity to consumers (0.70) respectively.

While Movement pattern of people, Location cost and Amenities within the neighbourhood was ranked 6th with (0.68) respectively, adjacent development with the neighbourhood is (0.64), finishing of the shop and proximity to house takes the 10th positions with (0.62) respectively and competition (0.60) have moderate impact on location preference of the respondents shops. Meanwhile complementarity advantage, zoning laws and proximity to manufacturers have low impact on respondents preference for locating their shops.

Amenities Available in the Respondents Shop

Table 4.4 presents the ranking of the available amenities in the respondents shop. The table shows that the most available facilities in the respondents shop is waste disposal cart, followed by security guards, water supply, alternative power supply and landscape beautification.

Summary of Findings and Conclusion

From the above discussion, the result of the study shows that apart from accessibility which serves as the base/preference for location of any land uses, the type of goods sold is the most important factor when it comes to location preferences for shops / retail outlets. Proximity to manufacturer was ranked last on the list and this made the research concludes that proximity of manufacturers factory is not a serious determinant in sitting shops i.e. where the goods is produced is not the business of the shopper. The information was gotten from well informed set of respondents considering the demographic statistics; an appreciable number of the respondents are adult and have at least senior school leaving certificate.

In conclusion, the research findings will be useful to both potential investors in retail outlet when it comes to making decision of sitting retail use and shoppers. Further research can be in the area of cost implication of location preference in urban areas.

References

- Alexander, E. (2006). Value of travel time savings for shopping trips in Switzerland. *6th swiss transport research conference*
- Amanda, M. Steven, P. and Edward, J.F. (2007). The Impact of retail location on retailer revenues: An empirical investigation
- Brueckner, J. K. (2011). *Lectures on Urban Economics*. Cambridge, Mass.: The MIT Press.
- Brown, J. R. Dant, R. P. (2009). The theoretical domains of retailing research: a retrospective. *Journal of Retailing*, 85(2), 113-128.

- Christaller, W. (1933). *Central Places in Southern Germany*. Translation into English by Carlisle
- Egbenta, I.R. (2009). Analysis of Residential Land Use Change in Enugu Urban. *Journal of environmental management and safety*, pp 110 - 123
- Fernandes, J. R. Chamusca, P. (2014). Urban policies, planning and retail resilience. *Cities*, 36, 170-177.
- Fujita, M. Thisse, J. F. (2002). Economies of Agglomeration, Cities, Industrial Location and Regional Growth. *Cambridge University Press, Cambridge*.
- Fujita, M. (1988). A monopolistic competition model of spatial agglomeration: Differentiated product approach. *Regional Science and Urban Economics*, 18(1), 87-124.
- Haig, R. M. (1927). *Regional Survey of New York and Its Environs*, Major Economic W. Baskin in 1966, Prentice-Hall, Englewood Cliffs, NJ.
- Igbinosa, S.O. (2011). Determinants of residential property value in Nigeria. *International multidisciplinary journal ethopia* 5(5) pp 152-168.
- Krugman, P. R. (1991). *Geography and trade*. MIT press, Cambridge.
- Larke, R. (2006). Trends in Retailing in East Asia. in *Retailing in the 21st Century*. M. Krafft and M. K. Mantrala. Heidenberg, Springer Berlin: 77-94.
- Narang, S. (2007). Investigating the factors affecting the investment decision in residential development. *Management journal* 4(3) pp 102-178
- Oni, A.Y. (2009). Land value determinants and variability in commercial property values in emerging economy. *Journal of sustainable environment*, 4(4), pp 116-137.
- Oruonye, E.D. (2014). An assessment of the impact of road construction on land use pattern to urban centres in Nigeria. *Mediterranean journal of social sciences* 5(10) pp 82-88
- Reilly, W. J. (1931). *The law of retail gravitation*. Pilsbury, New York.
- Alonso, W. (1964). *Location and Land Use: Toward a General Theory of Land Rent*, *Cambridge University Press*.
- Sara, D.(2010). Property types under the law. Retrieved on 4th April 2013 from <http://www.saradiamondattorney.com/three-types-of-property-under-the-law/Spinab>
- V. (2004) Von Thunen Model Exercise. Universiteit Amsterdam .