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Mixed-Use Development: Creating a Model of Key Success Factors

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In the 21st century, the growing population of higher income demographic groups and the growing consumer desire for live-work-play environments are contributing to the growth in mixed-use developments. While valuing efficiency, consumers are also driving the demand for more experience-based leisure activities such as entertainment and dining out and more social activities such as interacting with each other and feeling part of a community. In terms of a geographic shift, the population in metropolitan areas is increasing faster than in non-metropolitan areas. These demographic, lifestyle, and geographic factors support the need to develop successful mixed-use developments.

The objective of the study was to develop a model of key retail success factors of mixed-use developments by conducting case analyses. This was accomplished through five phases: Phase 1 (Literature Review), Phase 2 (Site Selection), Phase 3 (Data Collection), Phase 4 (Data Analyses), and Phase 5 (Model Development of Success Factors).

On-site consumer surveys and mail surveys of property managers were conducted in three types of mixed-use developments: vertical mixed-use, town center planned mixed-use, and corridor high-density residential mixed-use. Mail surveys from retailers were conducted in these three types and in two additional types: historic building adaptive mixed-use and neighborhood mixed-use.

Based on the analyses and the literature review, a model of success factors for mixed-use projects was developed. The success factors were identified as: balance of uses (i.e., mix of store types excluding big-box retailers), public spaces (i.e., stores inter-connected, cleanliness, and atmosphere), convenience (i.e., location, parking), and target customer (i.e., tourists and local residents).

Introduction

Since its widespread development during the 1950s, the planned shopping center industry has continuously reinvented itself through innovation. Highway construction and population movement to the suburbs in the early 1950s provided a unique opportunity for developing the enclosed shopping mall. Beginning in the late 1970s, regional shopping malls added entertainment and ambiance as key strategies to compete with non-store retailers. However, by the mid 1980s, over-expanded regional malls were losing their customer base, as a result of offering a similar store product mix as identical anchor stores (Donnelly, 1995; Haynes and Talpade, 1996). In an attempt to differentiate from this cookie-cutter mold, thousands of shopping centers were revamped and repositioned. However, this differentiation process is spawning its own series of look-alike centers (Anonymous, 1999).

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Other major shopping center trends were: the factory outlet mall of the 1970s, stressing brand-name goods at lower prices; the power center of the 1980s, emphasizing convenience, value orientation, and the depth and breadth of merchandise offerings provided by category killer stores and other tenants; and the cyber mall of the 1990s, driven by the information technology revolution (Kim et al., 2003). Each of these eras was a reaction to consumer and environmental factors that transformed the appeal of shopping centers through creative innovations. Changes continue today, requiring developers, retailers, and service providers to create new types of stores and shopping centers to stay competitive.

In the 21st century, two major trends have characterized metropolitan America: the resurgence of downtown areas and renewed interest in transit use and investment (Hemakom, 2002). As a result, new urbanism, which advocates increased densities and the concentrated live-work-play environment, is contributing to the shopping center trend of the 2000s; the mixed-use development (Bartlett, 2003).

The Changing Consumer Market

The increasing interest in mixed-use development can be explained by several socio-economic factors: more single young professionals, single-parent households, childless couples, earlier retirement ages, higher disposable income, and the growing importance of working at home and telecommuting (Coupland, 1997). It is projected that childless households will continue to represent an increased share of total household growth over the next 15 years, mainly due to the large increase in empty-nester households as a result of baby boomers aging ("Multifamily Housing in Mixed Use Activity Center," 1998). Another population trend is the increasing number of career professionals who choose to remain single through their 20s and 30s, postponing the desire to relocate to family-oriented suburbs. These consumer groups will contribute significantly to the local economy as they frequent local restaurants, leisure facilities and entertainment venues more than the average consumer (Coupland, 1997).

The bipolarization of our society into two major demographic groups, higher income and lower income households, is also driving changes in retail formats. The upper 20% of households in the United States consume more goods and services than the bottom 60% of all households combined. People in the upper 20%, with their additional discretionary income, require higher-quality goods and additional services (Marks, 2002). While valuing efficiency, they are also driving the demand for more experience-based leisure activities, such as entertainment and dining out and social activities including interacting with each other and feeling part of a community (Marks, 2002).

In 1990-2000, the population within metropolitan areas increased by 14%, while the non-metropolitan population grew by 10% (U.S. Census Bureau, 2000). These demographic, lifestyle, and geographic factors support the need for successful mixed-use developments.

Mixed-use developments can be classified into five categories ("Focused Growth Alternatives," 1999):

1) Vertical mixed-use, usually multistory buildings in central city locations;

2) Town center planned mixed-use, a distinctive pedestrian-oriented district offering a strong Main Street ambiance;

3) Historic building adaptive mixed-use, typically involves converting older buildings to a new mix of uses;

4) Corridor high-density residential mixed-use, located in commercial nodes, often clustered along arterial or neighborhood corridors; and

5) Neighborhood mixed-use, contained within a relatively small geographic area with a tight network of interconnecting streets and public spaces.

According to Coupland (1997), mixed-use development must (a) have three or more significant revenue-producing uses, (b) have significant physical and functional integration (including uninterrupted pedestrian connections), and (c) be developed in conformance with a coherent plan. Other than this definition, no framework exists to justify and analyze retail investments in mixed-use developments. The challenge, then, is to develop a model that explains the success factors of mixed-use developments.

Objective of the Study

The objective of the study was to develop a model of key success factors of mixed-use developments by conducting case analyses. The case analysis approach was used because it can provide examples of successful mixed-use development from a variety of urban settings and offer practical information for planning and implementation of mixed-use developments.

The Research

The project consisted of five phases as illustrated in Table 1: (1) Literature Review, (2) Site Selection, (3) Data Collection, (4) Data Analyses, and (5) Model Development of Key Success Factors.

Table 1. Phases for case analyses of mixed-use development.

Activity	Method	Tools
Phase 1: Literature Review		
Review related literature to identify successful mixed-used developments throughout the U.S.	Secondary data analysis	Periodicals U.S. Census Bureau Industry Reports
Phase 2: Site Selection		
Select sites for each of the five types of mixed-use developments: Vertical mixed-use, Town center planned mixed-use, Corridor high-density residential mixed-use, Neighborhood mixed-use, and Historic mixed-use.	Secondary data analysis	Trade Publications Company Websites
Phase 3: Data Collection		
Retailer Survey		
Survey retailers for each of the five types of mixed-use developments: Vertical mixed-use, Town center planned mixed-use, Corridor high-density residential mixed-use, Neighborhood mixed-use, and Historic mixed-use.	Mail survey	
Consumer Survey		
Survey consumers for the following three types of mixed-use developments: Vertical mixed-use, Town center planned mixed-use, and Corridor high-density residential mixed-use.	On-site survey	
Property Manager Survey		
Survey property managers for the following three types of mixed-use developments: Vertical mixed-use, Town center planned mixed-use, and Corridor high-density residential mixed-use.	Mail Survey	
Phase 4: Data Analyses		
Retailer survey		
Survey retailers on the following perceptions: Perceptions of development trade area, Perceptions of target consumers, and SWOT.	Descriptiive Statistics Content Analysis	Frequency Percentage
Consumer data		
Survey consumers on the following perceptions: Perceptions of the shopping area, Perceptions of store attributes, and SWOT.	Descriptiive Statistics Content Analysis	Frequency Percentage
Property manager survey		
Survey property managers on the following perceptions: Perceptions of the mixed-use development, Perceptions of target consumers, Perceptions of design elements, and SWOT.	Descriptiive Statistics Content Analysis	Frequency Percentage
Phase 5: Model Development of Success Factors		
Develop a model of success factors based on data analyses and the literature review	Data analysis and content analysis from primary data. Compare the results to literature review to substantiate findings.	Data from: Retailers Consumers Property Managers

Phase 1: Literature Review

Mixed-use development, combining living, shopping and work space into one project, is nothing new. It was a predominant method of development in the U.S. until after World War II, when the downtown area was the location for many retailers and other business entities. The historical perspective of mixed-use development reveals that it has evolved in various forms, from having small-scale mixed land uses in the pre-industrial era, to increasingly mono-functional and planned areas in the industrial period, and to setting the scene for a wider mix of activities (e.g., entertainment and leisure) in the post-industrial period (Coupland, 1997).

While the popularity of mixed-use developments as an outlet for retail development has fluctuated through the years, there has been an undeniable resurgence in the demand to combine retail offerings with upscale residences in close proximity to entertainment, retail and work environments. In fact, mixed-use development has been considered a tool for downtown revitalization that can utilize opportunities to highlight a downtown's unique advantages. Hence, mixed-use developments generally focus on pedestrian-friendly environments, Main Street ambience, lifestyle-oriented merchandising, and convenient access ("Mixed-Use Projects Serve," 2000).

Mixed-use developments are a practical result of the demand to efficiently utilize buildings and provide housing above businesses (Bartlett, 2003). Mixed-use is often developed in high-density areas such as the central business district, high-use corridors, and near transit centers. They are often located on high-priced corners with convenient access because the residents typically have the income to support their preferences for smaller, upscale retailers (Marks, 2002). Despite many advantages to urban mixed-use living, there are a number of obstacles to mixed-use development as well. Possible obstacles include public-health and quality-of-life problems because of the proximity to neighbors (Angotti and Hanhardt, 2001) and possible noise filtering problems between commercial and non-commercial buildings or levels. In addition, retailers have reported concern over managing their store's image and the negative impact other retail or residential tenants might have on their desired image (Rowley, 1996).

Historically, local restaurants and shops were likely to be the first retail tenants in mixed-use developments. However, changing patterns of household development and lifestyle choices support the demand for various types of retailers. Among the examples are drug stores, offering convenience and health products to aging consumers; full-service restaurants, catering to upper income households; home furnishings and home improvement stores, assisting consumers in making their homes into sanctuaries; and retailers for selling technology-oriented products (Marks, 2002). Additionally, service-oriented retail businesses such as dry cleaners, financial, beauty, travel, insurance and medical care facilities provide a wide range of offerings (Anziani, 2002). Recently, national big-box retailers have moved out of the malls and into more urban locations in scaled-down store formats (Nadel, 2002).

Mixed-use developments have been tied to tourism and leisure in a variety of ways including, attractive physical environments, re-use of historic buildings and the conservation of area heritage (Coupland, 1997). Retailers in mixed-use developments can benefit from targeting tourists because visitors themselves provide a market for a range of services, such as cafes and restaurants, bars, shops, museums, galleries, and nightclubs (Jansen-Verbeke, 1994). Incremental retail benefits can be obtained from tourists because shopping and dining are the most popular activities among tourists; tourists spend 4-10 times more than local shoppers; and tourists are less price-sensitive and more inclined to purchase impulse items (Getz, 1993).

Although some malls have lost their customer base by over-expanding without accurate projection of changing consumer markets, a mixed-use development can adapt over time and be redeveloped for different uses, if demographics change (Fenley, 2003). This can secure an extended life for mixed-use developments compared to larger-scale traditional shopping malls that are positively managed.

Phase 2: Site Selection

Cities that have high population growth rates and have at least one mixed-use development were identified. Once cities were identified, specific mixed-use sites were chosen from these cities. Information for selecting the cities and mixed-use sites were gathered from government documents, industry reports, and the literature. A total of 13 sites geographically dispersed throughout the U.S. represented five mixed-use developments selected for the study. The five mixed-use types and examples include: vertical mixed-use, town center planned mixed-use, historic building adaptive mixed-use, corridor high-density residential mixed-use, and neighborhood mixed-use.

Phase 3: Data Collection

In order to check content validity and make adjustments prior to final data collection, a pretest was designed and distributed to 60 retailers at a town center planned mixed-use development located in the Southeast. A total of 23 retailers completed the survey. Based on the pretest, items were revised to ensure readability and a logical flow of questions.

Data for the main study were collected via a mail survey from retailers and property managers and an on-site survey from consumers. Surveys of property managers solicited information to better understand income producing components of the mixed-use development (e.g., retail, residential, and offices), competitive strategies (e.g., advertising, pricing, and special events), and perceptions of the business environment (e.g., growth, decline, and uncertainty). Surveys distributed to retailers and consumers asked for their perceptions of retail offerings, importance of store attributes, and target customers. Additionally, SWOT (Strength, Weakness, Opportunities, and Threats) analysis was completed by retailers, consumers, and property managers.

Mail surveys were completed by property managers of three mixed-use types: vertical mixed-use, town center planned mixed-use, and corridor high-density residential mixed-use. In order to increase the quality and quantity of the survey, a $100 value gift card was provided to each property manager respondent for completing the survey. For mail surveys from retailers, 13 sites representing five mixed-use types were used: vertical mixed-use (3), town center planned mixed-use (6), historic building adaptive mixed-use (1), corridor high-density residential mixed-use (1), and neighborhood mixed-use (2). As a result, a total of four completed surveys were collected from property managers (2 from town center, 1 from corridor, and 1 from neighborhood) and 88 surveys from retailers (25 from neighborhood, 3 from corridor, 17 from vertical, 41 from town center, and 2 from historic).

Consumer data were obtained from only three sites from which researchers could obtain permission to do on-site surveys. The three sites represented vertical mixed-use, town center planned mixed-use, and corridor high-density residential mixed-use. To ensure adequate sample diversity, data collection was implemented at a variety of times and days of the week. Interviewers intercepted shoppers as they were walking in the pedestrian area of the development to ask for their participation in the survey. Prospective respondents were offered a gift card valued at $5 to secure participation. A total of 96 consumers completed the survey.

Phase 4: Data Analyses

Data analysis in the form of simple tabulations was conducted on the retailer, consumer and property manager responses to determine frequencies of responses. Content analysis was used to identify themes from the SWOT responses. Comparisons were made between the frequency results and SWOT analyses to identify consistencies between respondent groups. Survey response categories were collapsed to aid in interpretation. For instance, 'strongly agree' and 'agree' were collapsed into 'agree,'; 'very important' and 'important' were collapsed into 'important.'

Retailer Responses

Examining the sample of 88 retailers, 39% were local retailers, 25% were regional chains, 25% were national chains, and 11% were international chains. The products retailers carried in their stores varied: clothing (26%), sporting goods (8%), books (7%), restaurants (25%), home décor (16%), cookware (1%), electronics (2%), personal care items (9%), food (15%), furniture (8%), and other types of products (37%). The number of employees of the retailers also varied: 5 or less (44%), 6-15 (30%), 16-25 (7%), 26-35 (3%), and 36 or more (16%). The majority (54%) of the respondents were store owners, 32% were store managers, 8% were company presidents, and 3% were assistant managers.