Shopping Centers and Confrontation with Product Life Cycle

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Abstract

This article presents initially the evolution of the shopping center as a product, from its starting configuration as a supply center focused on territorial planning to its configuration as a real estate product. Thus was observed that the product's condition took it to a confrontation with a cycle, laid out in phases that go from introduction to decline. In this case, cycle confrontation will not free ventures from entering the phase of decline, implying in great impacts on cities and their inhabitants, as well as on the several agents involved with this type of enterprise. Therefore, the work points out a concern with relation to the types of ventures that will be developed which cannot be exempted from a holistic view of urban economy.

Keywords: Shopping center, Consumption, Product life cycle

1. Introduction

Exchange, as a basis for commerce, brings from its origins issues such as supply for survival and sociability as a way to maintain cordial relations among peoples (VARGAS, 2007)

Thus, from the obligation of giving, receiving, and repaying in archaic societies (MAUSS, 1974; *apud* VARGAS, 2007), exchange will open the way for commerce, when it includes the intention of monetary profit. However, as mentioned by Mauss, it must be remembered that there never was a natural economy, since interest has always been present in the act of exchange. What changes, in this sense, is the intention of extra gain (profit).

The formation of capital from mercantile and financial profit will enter the production system as it incorporates the most varied products in its process of accumulation. This way the concept of basic necessities will be amplified over the centuries, especially from the 19th Century on, when industrial expansion began to require diversification of merchandise and markets as a way to maintain its profit rate.

Marx considers this an inherent process to capitalist society, in which men produce much more than what is enough for their needs, which generates a production surplus which tends to be appropriated by the expanding capital. On the other hand, if production is consumption, for the expansion of capital it becomes necessary to expand consumption through surplus consumption. It is observed from this that production is no longer based on man's natural demand, but needs to create new demands so as to stimulate the creation of new usage values, which will intrinsically convert to exchange values (MARX, 1979).

In the 20th Century the consolidation of the industrialization process implicated an exponential growth in the number of launched projects, which resulted in an expansion of markets far beyond those verified when the production process was handmade.

Thus was configured the "society of consumption" imagetically tied to the fordist[1] production process.

After the 1970's this expansion in consumption would happen fundamentally by product disposability and fragility, an attitude which would be evidenced in the advent of flexible production based on customization and constant innovation, when consumption expands beyond products and begins to embrace other aspects such as services and the consumption of experiences and sensations (LIPIETZ, 1986; HARVEY, 1993).

Returning to Marx's considerations (1979) in viewing the maintenance of profit margins, capitalist production will be supported on two principles: (i) markets must be enlarged so as to include a greater number of people; and (ii) the time for consumption must diminish, that is, the principle of obsolescence makes recirculation of merchandise faster, thus artificially amplifying demand.

Such enunciated principles would still be supported and magnified by the marketing and retail sciences, which would gain strength after the 1950's, by studying the several behavioral aspects of consumers, trying to transform desires into needs.

From there, products would be subjected to a life cycle, constituted by phases, from introduction to decline.

One of the first authors to identify this cycle was Vernon (1966), who inferred that a specific product was composed of a useful life composed of three phases: (i) introduction of the product; (ii) maturation; and (iii) standardization. Each of these phases also corresponds to a profit cycle, which marked out for investors as to how, where or when to stop investing. Afterwards, Davidson (1971) completed the cycle, inserting additionally a phase of decline. Thus, the product cycle can be summarized by:

(i) Introduction phase: A product's introduction phase is marked by uncertainty with relation to the product's acceptance. In this case the product's characteristics are still not able to be standardized, which results in great variations to the final product. This phase is also marked by imprecision in

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1 The term *fordism* was created to designate the production and consumption expansion process also characterized by innovation in technological processes, followed by population growth, advancement in the marketing and retail sciences, in addition to increments in the transportation sector, notably by the disseminated use of the automobile. This process was accompanied by governmental policies aiming at market regulation, as well as growth in government spending with pension systems, known as the Social Welfare State. Fordism's "golden" period coincides with WW II's post-war, when, especially in the US, there is great expansion in consumption, followed by income growth and a brutal growth in birth rates (SCHLESINGER, 1988).

consumer market dimensioning, which in principle would concur towards the small number of circulating products and the high degree of differentiation among them.

(ii) Maturation phase: The number of producers grows, as product diversification also grows in the struggle to define a hegemonic model. The initial diversification will give way to a movement in direction to product standardization, which will benefit the company or group whose product is the winner in the "introduction" battle. This group will deter the monopoly of innovation for a determined period of time. Vernon (1966) still explains that with greater production stability grows the usefulness of cost projections and the importance of controlling them in an efficient manner.

(iii) Standardization phase. This is the moment the product reaches its clímax. Consumption is massified and production scale is optimized, thus evidencing a deepening of the previous phase's characteristics of product maturation. Despite this relative stability of the product and of the consumer market, specification of the input required for production will go through great changes. The relative importance of capital and labor factors grow while the technology factor declines. The need for work linked to knowledge decreases while that linked to production grows, as well as the importance for improvement of incorporated technology in equipment (VERNON, 1966).

(iv) Decline phase. The product's profit margins fall. New products are beginning its substitution. Thus, market interest in the "old" product declines. Production tends to be abandoned or transferred to lesser developed countries, where it will still be able to generate profit.

The speed of the cycle's phases will vary according to the product involved. However, even with the variations, the tendency will always be towards constant growth in speed of the referred cycle. Thus, two standards can be established for the 20th Century. The first is the speed of the fordist period cycle and the second of the flexible production model.

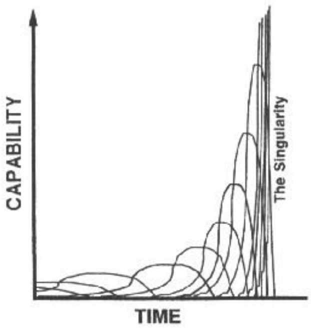
In the fordist model, the cycle's speed was stable, tending to stagnate for long periods in the standardization phase. In the flexible accumulation model, however, speed will be exponential, with progressive shortening of the product's phases. On the other hand, even though shorter, in this period profit margins will become progressively higher, although ephemeral, as demonstrated in Tom Meckendre's graphic.

Thus is observed that the life cycle will be an inherent process to the product, be it produced by the electronic, phonographic, or real estate industries. In this sense, shopping centers will not be free from this process as they are constituted as a real estate product.

2. The shopping center as a (real estate) product.

The association between mercantile and real estate capitals goes back to the Parisian Galleries of the 19th Century, which were already thought out as a real estate product, bringing rental income to their owners. In the 20th Century the planned shopping Center would have its origin in the territorial planning, meant to meet population demand for supplies. This was the case with the garden cities designed by Ebenezer Howard, such as Letchworth in 1906.

Graphic 2. Product life cycle.



Source: adapted from Sevcenko, 2001

Later on, in the 1920's, North American real estate businessmen embraced the idea of planning for commerce, from then on with profit as the objective. The idea consisted in maximizing public appeal through placement of attractions, as well as a correctly combined store mix. Moreover, planning of operations, action control, and submission of the storeowner to proper behavioral codes formulated by the controller are highlighted; the focus on customer satisfaction becomes more important than the storeowners' interests (VARGAS, 2001).

Furthermore, in the beginning of the evolution of shopping centers, the role of the real estate entrepreneur was sometimes played by the retailer, as is the case with department stores, which were the first to build regional shopping centers. However, as the product became standardized, mercantile capital was gradually withdrawn from the scene towards dominance of real estate capital, supported by financial capital.

Thus, the shopping Center came to be seen as a profitable product, so real estate operations became, for businessmen, hegemonic in relation to commerce. This configuration as a product will place it in the direction of product life cycle, marked by constant decadence of what becomes old and ascension of what is new.

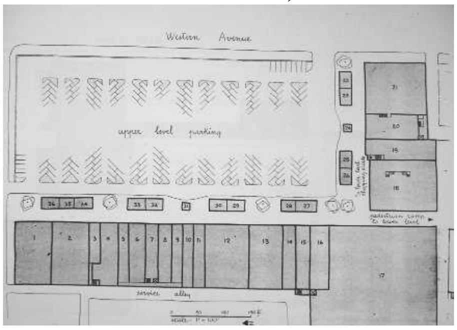
3. The shopping center product cycle

3.1. Introduction Phase (1927 – 1950)

The initial moment of this phase is the construction of the Country Club District by J. C. Nichols, a real estate businessman, to whom was attributed the creation of the term "shopping center", in 1927, to designate these planned undertakings aimed at the motorized population. However, as there is no standardization of dominant typologies, this real estate product will share space with another two other forms of similar origin: the supermarket and the drive-in type equipment, inaugurating the *one stop shopping* context. In reference to these typologies is noted that they arise as the motorized population in the USA advances, making the downtown-suburb connecting axes attractive to commerce. Even so, the store blocks still tried to turn their shop windows towards the street, showing that traditional commerce was still the main reference (Figs. 1 and 2).

Fig. 1. ***The Country Club District***. *1926 Project.*
Source: http:// www.digitalpast.com.

Fig. 2. The Evergreen *in Chicago, 1948. Stores turned toward the street.*
Source: Baker and Funaro, 1958.



3.2. The Maturation Phase (1950-1956)

The product maturation phase has a clear process of standardization, highlighted by great competition that begins to establish itself and by the search for monopoly in innovation.

Due to this aspect of innovation, the studies that precede construction of a shopping center become more accurate, based on several theories placed by scholars whose specialties go from geography to economy, passing through marketing.

In this sense, the importance of science grows, during this period represented by the several emerging sciences such as that of retail, Christaller's and Reilly's locational theories, environmental perception with the Chicago school, among several other studies that contributed towards the formulation of a shopping center science whose apex was the determination of a strategic location which made possible the potentialization of the unit as a whole (KELLY, 1956). Thus arises the regional shopping Center, whose expenditures on technology and involved risks discourage small investors. The control phase then begins, in which aspects such as consumer habits, circulation, target public, income, and future competition possibilities are considered. The concept of *anchorage* and *tenant mix* are refined.

There is not one defined typology, but two: the first is the Linear (*strip*) model, with stores laid out towards an internal corridor (fig. 3), and the second, the cluster, whose stores form internal courts and offer the possibility of a circular route (fig. 4). It must be noted that the shopping corridor (*mall*) is still not covered and the shopping center is not air conditioned.

Fig. 3 NorthGate Shopping Mall*: strip model. Fonte: http://www.Historylink.org.*

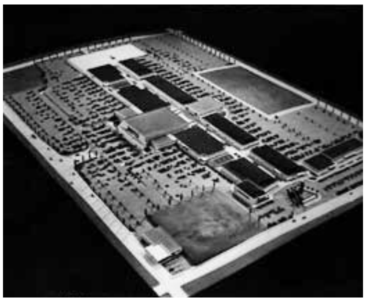


Fig. 4. Northland Shopping Mall*. Cluster Model.*
Source: Gruen Associates Archive.

3.3. Standardization Phase (1957 – 1980).

This phase has as its mark the opening of the Southdale Center in Edina (Fig. 5), a suburb of Minneapolis, in 1957. This shopping center is the image of the standard shopping center: a great closed box set within great parking areas. Its project contemplated in terms of innovation the closing of the mall and its air conditioning, which made it possible to deploy this model in the entire world. In relation to product cycle is noted that investments in technology decrease, the product has a clear and dominant formula which can be followed. Victor Gruen himself, the author of this project, had a simplified formula which he always repeated to investors, as a passport to earn money (HARDWICK, 2004). Even though accurate viability studies persisted, the simplified formula obtained great success by modifying shopping habits and converting shopping centers into consumer temples.

Thus, the standardization phase inaugurates the dominant, low risk model, encouraging real estate investors to dedicate themselves to this genre, as was the case with James Rouse, Taubmann or De Bartholo, all of them founders of great real estate companies specialized in the construction and control of shopping centers.

To Hardwick (2004) even a verb was created to designate the formula and attitude of its creator, Victor Gruen. "To Gruenize"[2] meant to see great possibilities in shopping centers, including as important elements for the revitalization of degraded downtown areas. This was done in several North American cities at the end of the 60's, such as Rochester, where extensive downtown areas were demolished to nestle shopping centers. Later on, these programs were abandoned due to their lack of success, but the standardized formula for suburbs remained intact until the beginning of the 80's, when it gave out signs of exhaustion and entrance into a phase of decline.

3.4. Product Diversification.

Healey and Ilbery (1989) note that at the first sign of entry into a phase of decline the market tends to try to postpone its fall through product diversification. In this sense, one may complete the product cycle by adding a new phase immediately before decline, the product diversification phase, which also answers for a conversion from the product cycle to the profit cycle, the understanding that the product is subject to obsolescence but that profit has to be maintained.

This diversification movement is also motivated by the decadence of the fordist model and the emergence of the flexible model, focused no longer on standardization of the consumer market, but on understanding the flows that lead toward consumer customization, substantiated by diversified forms of living and life styles. In this model, according to Harvey (1993), consumption migrates from durable goods to services, and also to consumption of sensations and experiences.

One of the first undertakings to contemplate this stance was Quincy and Faneuil Market Place in Boston, installed within old markets, preserving their history and configured in a different place, which ended up inaugurating the idea of place consumption. Also in the 70's, diversification lead to the emergence of other formats, such as *outlet centers* and the recovery of multiuse undertakings.

However, for the traditional suburban model, the *enclosed mall*, the answer to the attempt to maintain profit margins was the *entertainment center*, a model in which the attraction for the public was

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strongly based on entertainment equipment. The dimensions of this type of equipment at the end of the 80's reached levels never before observed, as was the case with West Edmonton Mall in Canada or the Mall of America (Fig. 6), shopping centers which, according to their advertisement, would take close to 84 hours to complete a visit to all their stores.[3].

***Fig.5. Southdale Center**: standardization.*
Source: Gruen Associates Archive.

***Fig.6. Mall of America**.*
Source: Gruen Associates Archive.

On the other hand, great complexes began to require greater financial contributions, compromising a greater number of agents towards the profit cycle. Thus is noted that application of this capital, of financial origin (Banks, Pension Funds, Insurance Companies, Real Estate Investment Trusts) tends to the creation of new areas of centrality, aiming at rapidly maximizing monetary gains. In this way this profit cycle prompted a loss of support for shopping centers in the United States, accelerating the product life cycle and taking some shopping centers to enter the declining phase in the product life cycle.

3.5. The Phase of Decline

Even though the *entertainment centers* model was characterized as a search for elasticity in the product standardization phase, the several shopping centers produced by the *enclosed mall* standard have inexorably entered the phase of decline in the product life cycle, marked by accented decline of profit margins and gradual substitution of the product by a more innovative one.

It is estimated that in the United States existed 3,800 dead shopping centers in 1999[4]. Most of them are of the *enclosed mall* type. This number is highly significant if we consider that in the United States the totality of shopping centers with area over 40,000 sq. m. (gross rentable area) includes close to 6,500 ventures. An examination of these shopping centers makes it clear that the main category that was struck is that of the great regional centers from the 50's, the 60's, and the 70's.

The phenomenon recently acquired importance, with several publications focusing on the subject and even a website dedicated to documenting these dead shopping centers.[5] There, on exhibit, line up a total of 221 well documented shopping centers with closed doors, mostly from the 50's to the 70's.

Some became icons of a generation, such as the Northland Shopping Center (Figs. 7 and 8) in 1999. Located in Jeannings, Missouri, its project – undertaken by the office of Victor Gruen in 1955 – became

3 http://www.mallofamerica.com.
4 This number inclues those with high vacancy rates. CALTHORP, Peter. Quoted by Grifth, Victória. Americans abandon shoppings. In: Gazeta Mercantil, November 3,1999, p.2.
5 http://www.deadmalls.com .

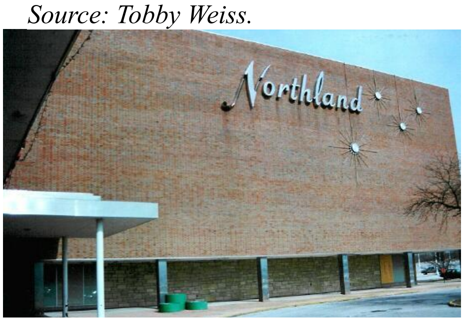
known for its modernist lines and sophisticated appearance, standing as reference for other ventures of the same type.

This succession of shutdowns brought up an issue: what to do with these enterprises? Their spatial conception makes it difficult to turn them into other activities. These locations were even described as *greyfields* in a relation to the term *brownfield*, used for contaminated industrial areas[6]. Albeit the difficulties presented, the real estate sector has been able to reutilize these spaces and convert them, in several cases together with government and community, including resorting to competitions of ideas, such as the competition put forth in Los Angeles searching for solutions for *Greyfields*[7]. In the case of the Westgate Mall in Cleveland – another dead giant – a discussion is going on in the sense of adapting it into facilities for a university.

The numbers expressed above demonstrate clearly the closure of a cycle for this real estate product, whose introductory phase goes back to Nichols in 1927. In confronting decline, entrepreneurs will try other business forms aiming at maintaining their profit rates. Product diversification, as was seen, will be symptomatic in this transference from product cycle into profit cycle.

Fig.7. The deactivated Northland Center, *before demolition.*
Source: Tobby Weiss.

Fig.8. The deactivated Northland Center, *before demolition.*
Source: Tobby Weiss.



4. Conclusions

In analyzing the evolution of shopping centers it can be noted that one of the most relevant issues was its conversion into a real estate product, removing the shop owner from its planning and decision making. This way, configured as a product, it followed the production-consumption relationship inherent to merchandise. The confrontation with a product life cycle was, therefore, inevitable. However, the widening of this relationship occurred in passing from the fordist accumulation system to the flexible system, with a rapid acceleration in its product life cycle, followed by its own conversion to temple of consumption, a place where merchandise circulates within its own condition as merchandise, disposable and quickly obsolescent. However, the highly inertial character represented by the enormous built complexes does not promptly admit ephemerality.

The reflection that these findings and analyses offer us point to a preoccupation with relation to the types of ventures that will be developed, which cannot dispense a holistic view of urban economy. These

6 Price Waterhouse Coopers. Quoted by: MAX, Sarah. Malls: the death of an American icon. In: CNN Money, 24/07/2003. www.money.cnn.com/2003/07/02/pf/yourhome/deadmalls. See also the book from the New Urbanism Congress: Greyfields into goldfields.

7 http://www.laforum.org/deadmalls.

undertakings must be able to consider not only short term interests of real estate groups, but also of investors (owners), consumers and the city, since these buildings have an inertial character that does not promptly admit the ephemerality and disposability which the consumer society is used to imprinting on the products that constitute it.

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