

A study on the effect of outlet shopping centers on small sized apparel stores (Muğla sample)

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Key Words

Retailing, Outlet, Profitability, SME, Apparel Stores

Abstract

The main purpose of this article is, to measure the effects of Outlet Shopping Centre which is founded in Mugla on small sized apparel stores sales, profit and wealth perception that operates at the centre of Mugla city. The other purpose of the study is to research governmental support for small sized apparel stores. For this reason, 50 apparel stores were selected as a sample size and survey technique was applied. At the end of the study, it was determined that Outlet Shopping Centre has effect on small sized apparel's sales and profit.

1. Introduction

In the process of globalization, retailing becomes a growing sector in various forms. Therefore, definition of shopping is changing in some aspects rapidly. Larger areas than before, and global apparel brands came together and created a different shopping centres (SC) in many areas, serving the consumers are increasing, so their client portfolios.

Outlet centres are known as one of the form of retailing. Outlets are the markets that producers and wholesalers come together to sell their products to consumers. Outlets are far away from the city centres, and this rule generally supported by governmental bodies. And the reason behind this rule is protection of small sized stores. Other feature of the outlet is producers and wholesalers sell the products of previous season in discounted prices. For example one producer can sell summer season clothes in winter season (Cengiz and Özden, 2002: 5). This type of coming together and forming a market concept can provide some cost benefits to the firms. These benefits are reflected to the consumers as transportation services, social spaces, parks and dining spaces. In addition to these, outlets can contribute to the society as decreasing unemployment and increasing the national income. Development of AVM shows a high-speed rising trend in the Turkey. According to research done by Shopping Centre Association and Akademetre Research (2011), %26 (102 SC) of the shopping centres are located in İstanbul, %10 (39) in Ankara, and %64 (250 SC) of shopping centre are in the rest of the Turkey.

Shopping Centre is a growing sector in line with these advantages. But it has some negative impacts on the apparel stores of small-sized entrepreneurs' sales and profitability. Number of countries has some policies to decrease these negative effects and protect the small-sized entrepreneurs. The purpose of this research is to determine the magnitude of the effect of Outlet on profitability, sales and wealth perception of small-sized apparel store owners and also determine the governmental protection for these stores. In the subsequent parts of this research,

literature is given in part I, method is given in part II, findings in part III, conclusion and recommendations are given in the last part of this study.

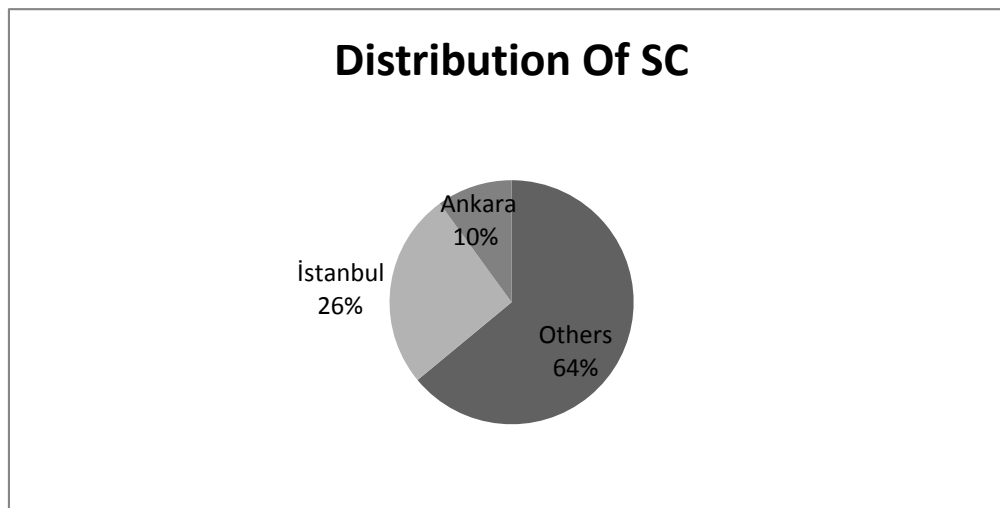


Figure.1: The Distribution of SC according to provinces (taken from www.ayd.org.tr)

2. Literature

Although there are not so much of studies for this topic in the literature, researchers are studied on this topic in some emerging countries like India, Mexico and Brazil. Turkey is also a developing country in a global perspective, and the adaptation of the literature contributes to the credibility of our research. According to Kalhan (2007), retailing represents %10 of the Gross Domestic Product (GDP) and %6 of the employment in India. In this context, India represents the most concentrated retail sector around the world with 14million outlets, and fifth ranks at volume of the sales.

According to a survey done by Anuradha Kalhan (2007) in Mumbai, %50 of the small-scale businesses is facing the threat of bankruptcy or dramatically decline in the sales. In addition to that, again according to study, only %14 of the small-scale business can compete with Outlets thanks to their promotion strategies. Also in the same study, competition between small-sized clothing stores and organized Outlets are increasingly becomes concentrate. Organized retail stores can provide some advantages to society according to study done by Jini Saxena et al.(2011). Also it is indicated in the study that most small-sized local businesses will not be able to compete with organized outlets and will be forced to shut down as soon as possible.

According to study done by Singh and Tripathi (2008) in Delhi, organized Outlet stores will provide jobs to just 43,540 people, but will leave 8 million people unemployed. Outlets are shown as the cause of hidden unemployment in the country according to report published in 2004 by Direct Foreign Investment (DFI) in India. According to Trivedi and et al. (2007), because of over-crowding in agriculture industry and recession of manufacturing sector forced labour force to work in the service industry or to initiative their own small-scale businesses. Naturally, this situation has become a necessity rather than preference. According to report published by MINT (2007), Outlet stores reduces the sales of small local shops by %16, and reason found for

this effect is brand perception of customers, discounts made by Outlet stores and closeness of small-sized local stores to the Outlets. Srivastava (2010) also contributes the findings of MINT report. According to study, %85 of the small-sized stores sales decreased at the rate of %18. Outlets are affecting the sales and profitability of small-sized local stores in a negative way as can be seen from the literature. In our study, we also tried to find this relationship.

3. Material And Method

A total of 188 clothing store that registered to Chamber of Commerce in Muğla city was determined. We just considered the stores that operate in the city centre. Because effect of Muğla Outlet on small-sized local stores' sales, profitability and wealth perception can be measurable more easily in close distances. So the number of stores operate in city centre was 100. We used the sampling method after defining the population number. Acceptable error was determined as +/- %10 and at %95 confidence interval, sample number determined randomly as 50 small sized local store.

Survey technique was applied in the research; face to face survey was exercised with randomly selected sample to increase the reliability of the research. Questionnaire used in this study consists of 4 parts. In the first part of the survey, we asked for the demographic characteristics of the participants. In part two; sales, profitability and wealth perception were asked for before opening of Muğla Outlet. In part three; again sales, profitability and wealth perception were asked, but for after opening of Muğla Outlet. In last part of the questionnaire, governmental support was asked to the participants. According to reliability analysis, Cronbach's Alpha coefficient was found as 0,671 for 16 questions after we removed the demographical questions. This coefficient indicates that research results are adequately reliable. In addition, the survey included questions that mutually confounding given that is tried to increase the reliability of the survey. For example, first asked a question about if they have difficulty with finding loans and in subsequent questions it is asked if they can benefit from the interest deduction.

Data obtained with survey technique was analyzed with statistical methods and variance analyzes, t-test analyzes, chi-square and pair t-test were used. In addition, frequency tables were prepared to show the findings of the research.

Research hypotheses;

1. **Hypothesis:** Muğla Outlet has an impact on sales, profitability and wealth perception of small-scale apparel stores.
2. **Hypothesis:** Support of state agencies for small-scale local stores have impact on competition between Muğla Outlet and local stores.

4. Findings

4.1. Demographic Findings

As can be seen in Table-1, %62 of the participants are older than age of 36. Again from the same table can be seen that, %58 of the participants are male and %42 are female, so according to these findings there is an equally distribution between gender groups. According to table, majority of the participants with the rate of %60 are graduated from high school. Other graduation levels %12, %18, and % 10 respectively primary, junior high and university degrees show proximity with each other. In Table-1, %46 of the participants hold the ownership of their stores or close family member of the owner and %54 of the participants are renter of their stores.

AGE	n	%
15-25	8	16,0
26-35	11	22,0
36-45	15	30,0
46-	16	32,0
Total	50	100,0
GENDER		
FEMALE	21	42,0
MALE	29	58,0
Total	50	100,0
EDUCATION		
PRIMARY SCHOOL	6	12,0
JUNIOR HIGH SCHOOL	9	18,0
HIGH SCHOOL	30	60,0
UNIVERSITY	5	10,0
Total	50	100,0
OWNERSHIP		
RENT	27	54,0
OWNER	23	46,0
Total	50	100,0

Table-1 Demographic Findings

4.2 Frequency Tables For Questionnaire

In the study, a likert-type scaling was utilized for the investigation of sales, profitability and the welfare of apparel stores. In Table-2, it is seen that, %52 of small-sized apparel store owners see their sales volume as a good, %36 of them see their profitability as a good and with the rate of %34 they see their wealth status as a moderate. As can be seen from the Table-2, it is determined that sales, profitability and perception to wealth status that prior to the opening of Muğla Outlet are regarded as a good in the survey. Table-2 is about the frequency data of the small-scale apparel prior to Muğla Outlet, after that Table-3 is given to show the frequency data about profitability and sales ratios in these stores after opening of Muğla Outlet.

SALES	n	%
VERY GOOD	8	16,0
GOOD	26	52,0
MODERATE	6	12,0
BAD	7	14,0
VERY BAD	3	6,0
Total	50	100,0
PROFITABILITY		
VERY GOOD	12	24,0
GOOD	18	36,0
MODERATE	9	18,0
BAD	7	14,0
VERY BAD	4	8,0
Total	50	100,0
WEALTH STATUS		
VERY GOOD	12	24,0
GOOD	13	26,0
MODERATE	17	34,0
BAD	5	10,0
VERY BAD	3	6,0
Total	50	100,0

Table 2. Sales, Profitability and Wealth Status Levels of Apparel Stores before Opening the Outlet

In Table-3 it can be seen that there are reductions in the indicators. According to participants, sales volumes and profitability was answered as bad respectively at the ratio of %58 and %52, when we look at the wealth perception which was responded as a moderate at the rate of %40. Comparing the Table-2 and Table-3, it is seen that there are declines in the numbers which means sales and profit volumes declined after the Muğla Outlet opened. But actual results will be obtained by pair t-test. Also in the tables, there is not so much difference on wealth status perception before and after the Muğla Outlet was opened, this can be because of other internal and external environmental factors.

SALES	n	%
GOOD	6	12,0
MODERATE	13	26,0
BAD	29	58,0
VERY BAD	2	4,0
Total	50	100,0
PROFITABILITY		
GOOD	5	10,0
MODERATE	14	28,0
BAD	26	52,0
VERY BAD	5	10,0
Total	50	100,0
WEALTH STATUS		
VERY GOOD	1	2,0
GOOD	3	6,0
MODERATE	20	40,0
BAD	16	32,0
VERY BAD	10	20,0
Total	50	100,0

Table 3. Sales, Profitability and Wealth Status Levels of Apparel Stores after Opening the Outlet

According to Table-4, %78 of the small scale apparel stores is insured by governmental bodies, %82 of these store owners can find loan easily from the government owned banks. In addition to these, %48 of the store owner or employee participated in the governmental training courses like entrepreneurship, international trade and management. According to these findings, small-sized apparel stores can easily reach the government loans, training courses and insurance. Conversely, %86 of the small-sized apparel stores cannot take advantage of KOSGEB loans which is non-repayable loan that provided by a governmental body. The ratio is relatively high according to other sectors.

KOSGEB LOANS	n	%
YES	7	14,0
NO	43	86,0
INSURANCE PREMIUM		
YES	1	2
NO	49	98
TRAINING COURSES		
YES	24	48
NO	26	52
TAX DEDUCTIONS		
YES	17	34
NO	33	66
BANK LOANS		
YES	41	82
NO	9	18
INSURANCE ASSURANCE		
YES	38	76
NO	12	24

Table 4. Frequency Ratios for Governmental Supports

5. Investigation of Different Answers According To Demographic Characteristics

Table-5 shows the differences in the answers of part 2 and part 3 of the survey according to genders of the participants. Part 2 includes the questions about profitability, sales and wealth perception before Muğla Outlet was opened. And part 3 includes questions about same topics with part 2 but after opening the Muğla Outlet. According to t-test, there is no difference in answers about the sales, profitability and wealth perception of different gender groups. But for the question of reinvestment feasibility in question 7 and 11, there is a difference between genders.

QUESTIONS	t	Degrees of Freedom	Sig.
Q4	1,083	48	,284
Q5	,773	48	,443
Q6	1,497	48	,141
Q7	4,127	48	,000
Q8	-,127	48	,900
Q9	1,813	48	,076
Q10	,596	48	,554
Q11	2,430	48	,019

P<0.05

Table 5. Differences According to Sex

In Table-6, a difference in the answers of participants on fourth part of the survey which was about governmental supporting according to their educational level has been investigated. For this analysis, Anova testing was used. According to test results, no difference was detected, so educational levels of the participants do not affect their answers. Conclusion for this findings, there are no discrimination between gender groups and education levels at the side of governmental bodies in this small-scale apparel business.

Tablo 6. Anova Test for the Governmental Support According to Educational Levels of Participants

QUESTIONS	Sum of Squares	Degrees of Freedom	Sig.
Q12	,564	3	,206
Q13	,013	3	,888
Q14	,580	3	,529
Q15	,520	3	,531
Q16	,591	3	,275
Q17	,720	3	,281
Q18	,324	3	,729

P<0.05

Reliable information on income and capital structures of respondents in survey was hard to obtain, because participants see their economic figures as their private life and do not want to share with surveyor. Because of this reason, instead of asking directly their economic figures we asked about their ownership status on the store that they are operating. Table-7 shows if differentiation in the ownership leads to differentiation in the answers or not.

Table 7. Differences of the Answers According to Ownership of Stores

QUESTIONS	t	Degrees of Freedom	Sig.
Q4	,049	,421	48
Q5	,361	48	,720
Q6	-,481	48	,633
Q7	-,013	48	,990
Q8	-,013	46,663	,990
Q9	,900	48	,373
Q10	-,258	48	,797
Q11	1,604	48	,115
Q12	,536	48	,595

Chi - Square Independence Test is used to determine whether a statistically significant relationship between two variables and to measure the impact of one factor on the other factor. Unlike other relational analysis tests, the relationship of variables in this test established as both the nominal (classification) and ordinal (ranking) scale (İstatistik Merkezi, 2007).

In Table-8, values of the Chi-Square Independence Test are given. The test was held for age and education variables' relation with other variables. In Table-7, it is seen that only two variable compartments is meaningful. First age level has effect on the question 10 which was about wealth perception of the participants after the opening of Muğla Outlet. Other meaningful relation is between Education level variable and question 9 which was about profitability of small-scale apparel stores after the opening of Muğla Outlet centre.

Table8. Chi-Square Analysis for Age and Educational

QUESTIONS	Chi-Square Value	Degrees of Freedom	Sig.
Age-Q4	15,238	12	,229
Age-Q5	17,673	12	,126
Age-Q6	10,733	12	,552
Age-Q7	3,687	3	,297
Age-Q8	9,936	9	,356
Age-Q9	9,837	9	,364
Age-Q10	23,973	12	,021
Age-Q11	4,266	3	,234
Education-Q4	16,628	12	,164
Education -Q5	15,245	12	,228
Education -Q6	10,933	12	,535
Education -Q7	2,529	3	,470
Education -Q8	11,447	9	,246
Education -Q9	19,783	9	,019
Education -Q10	11,424	12	,493
Education -Q11	3,036	3	,386

P<0.05

5. Hypothesis Testing

Results shown in Table-9 support the hypothesis of this research and conclude that Muğla Outlet Centre has some impact on small-scale apparel stores. Negative correlations was found between paired sales, profitability and wealth perception questions, so we conclude that Muğla Outlet Centre has negative impact on small-scale stores' sales, profitability and wealth perception.

In addition to that, we could not find a significant relation when we compared the reinvestment situations of the small-scale stores before and after the Muğla Outlet was opened.

Table-9. Paired Sample Test*

QUESTIONS	t	Degrees of Freedom	Sig.	Correlation
A1 - B1	-5,403	49	,000	-,202
A2 - B2	-5,408	49	,000	-,067
A3 - B3	-5,194	49	,000	-,092
A4 - B4	-3,487	49	,001	,387

*(Compartments of Sales, Profitability, Wealth Perception and Reinvesting Feasibility of Small-Scale Stores Before and After the Opening of Muğla Outlet)

Other hypothesis of this research was about whether governmental supports help the small-scale apparel stores to protect their sales profitability figures and gain competitive advantage against to Muğla Outlet Centre. This hypothesis was tested and found that while some of the governmental supports contribute to this hypothesis, some others not. According to Table-10, it is detected that small-scale apparel stores that taking benefit of governmental

insurance policy have meaningful relation with sales, profitability and wealth perception levels before the opening of Muğla Outlet Centre.

Table-10. Effectiveness of Governmental Support

QUESTIONS	Chi-Square Vales	df	Sig.
Insurance-Q 1	16,141	4	0,003
Insurance -Q 2	12,928	4	0,012
Insurance -Q 3	12,066	4	0,017
D4-B4	8,365	1	0,004
D5-A4	4,983	1	0,026
D5-B4	5,984	1	0,014
D7-B4	5,120	1	0,024

Table-10 shows that, question numbers 4, 5, 7 which are questioning the governmental support have strong relationship with re-investment ability of the small-scale apparel stores was detected. It means, loans from government owned banks, interest discount for these loans and discount to taxes that paid by those stores have positive affects and orients to the investment.

6. Conclusions

According to results of the research, sample size of 50 small-scale apparel stores which is operating at the city centre of Muğla affected negatively in the perspective of sales and profitability from the Muğla Outlet Centre which is consisting of 20 apparel store. This situation brings many small sized apparel store to brink of bankruptcy. Another interesting point is perception level of welfare. There are huge differences to perception of welfare and most of responders indicate that there are not any differences to their welfare perception before and after Muğla Outlet begin to its operation. Most of the responder indicated that their wealth perception is at the mid-level.

Another finding from the research is, reinvestment ratios of small-scale apparel stores were better before the Muğla Outlet was open. Today's situation is, these small-sized stores cannot oriented to the investment and it affects negatively in the supply chain enterprises in particular, and the society in general. This situation neutralizing the obtained benefits of Muğla Outlet to the society. According to research, most of the small sized apparel store cannot get enough benefit from the available governmental support. But some incentives by governmental bodies have positive affect to directing the profits of small sized apparel stores to the re-investment.

According to information from open-ended questions of survey, it is obtained that apparel store operators expects Muğla Outlet to be more outside of the city centre according to Outlet concept. This opinion also supported by the published report of United Brand Organizatin in 2009. Another data obtained from open-ended question of the survey is, due to additional services provided by Muğla Outlet such as parking, restaurant, parks and transportation keeps small scale apparel stores at the bottom of the competition.

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