REALITY ADJUSTMENT: LOCAL BUSINESS RESPONSE TO MARKET REALITIES

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ABSTRACT The structure and form of retail location has been radically changed due to the success of suburban malls during the last twenty years. Malls have threatened previous retail strongholds in both downtown and suburban strips. This threat has generated a variety of responses in different urban situations, and led to a readjustment of business perspective and function. This case study examines these shifts in city and a suburban location in upstate New York from 1975 to 1990, and concludes that services are supplanting retail functions in both Poughkeepsie Main Mall and suburban Delmar. These changes, adjustments to business realities, require broader investigation to document emerging trends in urban retail and service location.

Over the last two decades, the structure and form of retail location has been radically changed due to the success of suburban malls. Retail business has fled the downtown because of a perceived advantage in customer access and profits. This situation has led to a readjustment of business perspective and function, and a variety of responses. This case study examines this adjustment in a city and a suburban location in upstate New York. Old CBDS and suburban strips, former retail strongholds, are continuing to lose ground to ever larger suburban malls and subtle changes have taken place in these once familiar landscapes.

While recent literature deals with service sector shifts and location strategies, the impact on specific localities, urban morphology, has been a neglected topic. Since B.L. J. Berry's landmark studies of 1960's on retail location and function, and Larry Bourne's collections on the city's internal structure, less attention has been paid to the changing retail landscape. However, much has been written about the influence of the suburban mall, including its emergence as a "new" form of downtown and the migration of the "back office" to the suburbs.

Geographers and economists have documented the large scale geographic implications of the increasing dominance of the service sector in developed economies. Such shifts bring about changes within and between industries, as well as altering regional economies and affecting employment levels. Recent literature has focused on such topics as the spatial separation of business service functions between cities (Price and Blair, 1989, Nelson, 1986, Marshall et al, 1987), increased trading between metropolitan regions (Beyers 1985, Stabler and Howe, 1988), and the economic specialization related to service subcontracting (Tschetter, 1987, Ochel and Wagner, 1988).

In the U.S., service employment jumped from 8.7 to 27.3 million jobs from 1956 to 1988. This service sector definition includes personal, business, auto repair, recreation related, health, legal, educational, social and entertainment services. By 1988, 24 percent of employment was in this sector. In studying the growth and location of the service sector in American metropolitan areas from 1976-86, Brendan Oh Uallachain and Neil Reid used an empirical approach to support their contention that: services are decentralizing, employment in business and service sectors is concentrated in large metropolitan areas, and the service sector is producing many of the new jobs in large midwestern and northeastern SMSA's.

DEFINITIONS

Researchers in the field find difficulty in defining the service sector, and identifying meaningful service sector employment divisions. Price and Blair advocate different approaches for different studies. In terms of locational analyses, they posit P.W. Daniel's (1985) suggestion that the service sector can be subdivided into consumer services and producer services. Consumer services can be further sectioned into perishable, semi-durable and durable, based on the length of time the service has utility. While this approach has elegance, it is impractical in large cross-sectional studies that depend on industrial employment codes for data. In the U.S., service industries can be broadly or narrowly defined, and the availability of data in a particular form often constrains the analysis.

STUDY PURPOSE

For this study, businesses were judged either service or retail. Service was subdivided into professional service (which included consultants, health related specialists, engineers, attorneys, etc.), personal service (hair care, child care, travel, music and dance studios and similar functions) and FIRE (financial, insurance, real estate). Retail was broken down into three subgroups: general, food, and auto related. In both study areas there were a few wholesale or manufacturing functions, which were placed in a separate category. At both sites the percentages of various uses was tabulated from 1975 to the present, for selected years.

The purpose was to see how the shift of retail to the malls and a larger service sector had worked itself out in two "typical" Main Street situations. Rather than attempt a large cross-sectional approach, two specific places were chosen which could illustrate typical scenarios, Delmar and Poughkeepsie.

STUDY AREA

Delmar, a suburban strip study area is located in the Town of Bethlehem. New York (1990 population: 27552), in the fringes of the Albany metropolitan area. Delaware Avenue is in Delmar, a census designated place of 8360. The study area is located where the highway narrows from a four to a two lane highway, part of a larger commercial strip which extends into the neighboring communities of Elsmere and Albany proper. In 1975, this commercial strip was a mixture of residential and highway dependent businesses. 'Main Square', a 30 unit commercial complex housing retail on the ground floor and office space above, was constructed in 1988.

Poughkeepsie City (1990 population: 28844) is surrounded by the larger Town of Poughkeepsie (40,143) in Dutchess county, New York. Poughkeepsie, one of the Model Cities of the late 1960s, received large grants of federal funding through the 1970s and into the 1980s. In 1974, four million dollars of federal funding were used to pave over three downtown blocks of Main Street to convert it into an open air pedestrian mall: Main Mall. This was an attempt
to stem the flow of retail businesses from the downtown to the suburban malls. Since then the retail competition has increased by the construction of regional malls, including a Galleria (about 10 miles south) completed in August 1987.

The two study areas offer contrasts in size and organization. In Delmar, merchants operate independently, although there is an active Chamber of Commerce. On the other hand, merchants on Poughkeepsie's Main mall have worked together in a variety of ways to promote the downtown, most recently through a group called the Poughkeepsie Partnership. In 1991, business owners in the outer mall block financed a bond issue to reopen this section of the mall to traffic, with customer parking spaces. Since the Delmar strip contained 66 businesses, it was decided to limit the Poughkeepsie study to ground floor activities on the three block Main mall section, which in 1991 had 111 businesses.

**METHODODOGY**

City directories for the two areas were consulted to study function changes over time for the years 1974-75, 1975-76, 1979-80, 1980-81, 1984-85, 1985-86, 1988 and 1991. Comparisons were made by examining changes for specific sites over time, by business type (retail or service.)

A survey was mailed to the 66 businesses in the Delmar strip. The survey asked questions about the locational decisions of current establishments, satisfaction with present location, and whether formal locational analyses had been done in site location. The queries included site visibility, clientele habits, pedestrian traffic, parking adequacy, adjacent uses, land rent, expansion possibilities, and perceived planning and zoning problems. The survey of the Poughkeepsie Main Mall asked the same questions and was structured so an equivalent proportion of business types was sampled, and interviews were conducted using the same instrument.

**RESULTS**

In 1975, the Delmar suburban strip was 54 percent residential, 19 percent retail, and 18 percent service, while 9 percent of the sites were occupied by automobile service and repair. Food outlets accounted for 6 percent of the retail sector, while there were 9 percent of sites in both professional and personal services, with 4 percent FIRE. By 1991, only 19 percent of the strip was residential, retail had expanded to 27 percent (19 percent general and 8 percent food related) and services made up 49 percent of the sites on the strip. The 1991 services comprised 24 percent professional service, 10 percent personal and 17 percent FIRE. The expansion of service related business was mainly at the expense of residential sites. Retail percentages have been fairly constant since 1981, although automobile repair and service declined to 6 percent by 1991. The major shift to increased service functions has occurred since 1986.

In Poughkeepsie, the ground floor businesses on Main Mall numbered 107 in 1975. 68 percent of these were retail, 23 percent services with 7 percent vacant. Retail percentages slipped slightly from 1976 to 1985, declined to 40 percent in 1988 and 37 percent in 1991. Services declined from 23 percent in 1975 to 16 percent by 1982, and then increased to 36 percent in 1988, and 45 percent by 1991. The decline of retail was greatest from 1985 -1988, and the influence of the Galleria mall coincides with this drop. Service functions began increasing here in 1982. These percentages do not include the upper floors, which historically accommodated services. The number of upper floor service functions also increased since 1988.
business. The concerns in Poughkeepsie focused on the need for more security, greater efforts to fill vacant stores, and again, parking. While it is agreed there is adequate parking within several blocks, the retailers cite customer complaints about cost and availability. It is just this issue which caused the removal of the pedestrian mall in the 300 block. The retail store owners felt that the increased access caused by through traffic and limited on-street parking would reverse the downward trend in retail business and arrest the decay caused by abandoned stores in the neighboring block. Since the mall removal was only completed in 1991, it is hard to gauge the effect.

The perception is that automobile traffic is good for business both in Poughkeepsie and Delmar. Automobile traffic is unlikely to reverse the trend of retail flight to the malls. Reflecting a nationwide service sector increase, the vacancies left in the downtown mall have been filled by service functions, while on Delmar's suburban strip services increased at the expenses of residential uses. Since these are unique New York examples, these vignettes cannot be extrapolated to suggest broader trends. Nevertheless, they may provide insight to patterns and shifts that are being experienced in a variety of urban places.

Can these shifts be found elsewhere? As one eloquent store owner in Poughkeepsie said, "This street is a microcosm of global processes." Hyperbole? Yes! But his statement reflects the need for more research into how changes in the U.S. economy are reflected on Main Street in the shifting landscape of retail and service geography.