A THEORETICAL AND EMPIRICAL ANALYSIS OF SHOPPING MALL FORMATION IN ISTANBUL, TURKEY

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2012

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Thesis submitted to
The Institute for Graduate Studies in the Social Sciences
in partial fulfillment of the requirements for the degree of

Master of Arts
in
Economics

by

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Boğaziçi University

2012

A Theoretical and Empirical
Analysis of Shopping Mall Formation
in Istanbul, Turkey

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July 2012

Thesis Abstract

Meltem Odabaş, "A Theoretical and Empirical Analysis of Shopping Mall Formation in Istanbul, Turkey

This study aims to analyze the reasons behind the excessive development of shopping mall in Turkey by focusing on the Istanbul case. In order to clarify the economic reasoning behind the emergence of this new type of retail place in an urban city which is already full of traditional retail places–bazaars, arcades, etc.–, the study proceeds in two main branches: first, in the theoretical part, the economic literature is reviewed in order to demonstrate the distinction between clustering in a shopping mall from other retail places. Next, in the empirical part, the shopping mall development in Istanbul is examined in order to link the theoretical results to what is observed in reality. Supported with focus group studies and in-depth interviews, the general argument is that shopping malls provide firms and consumers with services that are not available in other retail places—an argument leads us to make the claim that malls should be seen as "clubs". On consumers' side, they provide parking and security services and extra entertainment activities within a clean and orderly environment in order to attract them. Considering firms, on the other hand, the mall developers help them to overcome some obstacles –such as large-sum financial credit and receiving construction approvals from the urban planning authorities. In that regard, the study argues, entrepreneurs use their advantage on power and network relations, which necessitates their existence as the service facilitator in the mall. This necessity gains further importance in the Istanbul case, due to the lack of commercialized plots in the areas that are close to central business districts.

Tez Özeti

Meltem Odabaş, "Alışveriş Merkezleri Gelişiminin İstanbul Özelinde Teorik ve Empirik Analizi"

Bu çalışma, Türkiye'de hızla artan alışveriş merkezi gelişimini İstanbul özelinde incelemektedir. Çalışma, geleneksel perakende satış mekanları olarak anılan pazarlar, iş hanları ve çarşılar ile dolu bu kentsel mekanda banliyö kökenli bu yeni tip alışveriş mekanlarının ortaya çıkışının arkasında yatan ekonomik sebepleri açıklamak üzere iki koldan ilerleyecektir: İlk olarak, teorik çerçevede iktisat literatürü taranarak, alışveriş merkezlerinde öbekleşme ile diğer perakende satış mekanlarında öbekleşme arasındaki farklar gösterilmeye çalışılmıştır. İkinci kısımda ise teorik kısımda bulunan sonuçların, İstanbul özelindeki karşılığı aranmakta, böylece teorik çalışmada ulaşılan sonuçlar pratikteki gözlemlere bağlanabilmektedir. Yapılan odak grup çalışmaları ve derinlemesine görüşmeler ışığında, çalışma genel olarak alışveriş merkezlerinin firmalara ve tüketicilere başka perakende satış alanlarında bulunmayan hizmetlerin sunulduğu, bu bağlamda "kulüp" olarak değerlendirilebileceğini iddia etmektedir. Tüketici tarafına bakıldığında alışveriş merkezleri, düzenli ve temiz bir ortam içerisinde otopark ve güvenlik hizmetleri ile ek eğlence etkinlikleri sunarak bu kişileri kendilerine çekmeye çalışmaktadırlar. Firmalar söz konusu olduğunda ise alışveriş merkezi yöneticileri, söz konusu firmaların kendi başlarına bir alışveriş merkezi kurmaya kalkmaları durumunda karşılaşacakları finansal kredi sahibi olma ve inşaat onayı alma gibi engelleri aşabilecek aktörler olarak ortaya çıkarlar. Bu bağlamda, bu kişilerin sahip oldukları güç ve sosyal ağ ilişkilerinin yönetici olarak alışveriş merkezinde bulunmalarını gerekçelendirdiğin de üzerinde durulmaktadır. Bu durum özellikle İstanbul özelinde ve şehir merkezlerine yakın arazilerde önem arz etmektedir.

ACKNOWLEDGEMENTS

First of all, I would like to express my gratitude my thesis supervisor Prof. Dr. Fikret Adaman for his endless support and understanding. He was the one who encouraged me pursuing an academic career at the very beginning, and I owe him so much. I would also like to thank my professors took part in my thesis committee for their valuable comments: Prof. Dr. Ayşe Mumcu and Assoc. Prof. Dr. Yahya Mete Madra.

In addition, I would like to thank Assist. Prof. Deniz Selman: I was lucky to have the chance to work with him and I am grateful for his advice and support not only on my thesis but also my decision on future academic career.

I would also like to thank my friends in Boğaziçi University for their companion: Arzu, Atakan, Atıl, Cem, Çağrı, Eda, Emrah, Erdal, Eylül, Irmak, Kerem, Pınar, Şebnem and Tuğba, and also the one who supported me the most with his patience and understanding during the first time we met, Ege. I would like to thank Cem additionally for his patience and support in completing my thesis.

I would like to thank all those who have provided useful information with their ideas and knowledge to my thesis: the focus group participants and interviewees. I am also grateful for the financial support of TÜBİTAK.

Last but not least, I would like to thank the ones who never gave up on their effort on me as well as their love and support during my life time –and I am hoping it to last much more: my parents Sema and Arif, and my elder brother, Melih. I additionally want to thank Melih for being my source of inspiration: He has been the most successful grandchild of the family (according to our grandfather's criteria – even though manipulated later on by his peers, I stick to his original opinion), and I have always been proud of him for being a great brother.

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CHAPTER 1

INTRODUCTION

Istanbul is under an ongoing transformation. The metropolization of the city has had an impact on not only the urban landscape, but also the socio-economic life of the urbanite, not to mention their daily habits and lifestyles. Newly-structured contemporary places have become an inseparable part of the social life of the city. The picture Istanbul provides replicates itself in many other cases. The global economic changes of the 1980s triggered this transformation to gain a new impetus and led to the emergence of a new variety of buildings in the urban space.

Shopping malls are among those which have adopted the model of the post-war suburban retail place in the US. Their influence on the contemporary consumption and socialization patterns of individuals is dramatic, and their development in Istanbul (and indeed across Turkey) is in the extreme. Although sociology and urban planning disciplines place a strong emphasis on those dimensions in the studies on shopping malls, the (micro)economic dimension of this phenomenon is generally left unaddressed. This study aims to fill this gap in analyzing shopping mall development from an economic perspective: first theoretically, and then in the case of Istanbul specifically. The inclusion of this point of view in the overall analysis, I believe, will be useful in clarifying the economic incentives of agents who take part in both development and persistence of the malls —consumers, firms, entrepreneurs, municipalities— and will add a new dimension to the area of study in that regard.

The path of the study is as follows: In the remaining part of this chapter, a brief introduction on the appearance of the shopping centers, and specifically shopping malls, as a new form of retail place is given in order to demonstrate the history of this development. The factors stimulated the emergence of the mall in the geography of the US and their impacts on the socio-economic structure are also introduced to compare them with those that appear in the case of Istanbul. The second chapter presents a microeconomic focus in analyzing the shopping mall development in a theoretical basis. Studies belonging to industrial organization as well as human geography and urban planning literatures introduce some clear-cut results and explanations on the economic incentives of the agents getting involved with the mall. While the first section of this chapter reviews the literature touching upon the economic incentives of retail firms in forming clusters, the second section introduces other parties such as consumers, mall developers, and municipalities; and thus analyzes not all retail places but shopping malls, specifically. The economic analysis on the development of shopping malls introduced in this chapter is then used in the third chapter with a combination of macroeconomic, political-economic and sociological perspectives in order to explain shopping mall development in many dimensions and thus provide a clear demonstration of the phenomenon. The last chapter concludes the study.

The Shopping Mall: A Brief History

Shopping Centers vs. Shopping Malls

Before focusing on the historical development of shopping malls, it is useful to provide a clarification on the terms "shopping center" and "shopping mall" since they refer to the same type of retail constructions in the context of Turkey, while malls are considered to be a distinct type of shopping centers in the US. In other words, malls are actually a subset of shopping centers, but since all shopping centers built in Turkey are malls, there is only one term in Turkish language *(alışveriş merkezi)* that refer to both retail configurations.

Shopping centers are the contemporary retail places that initially emerged in the US following the development of suburban areas and parallel to an increase in purchasing power and mobility of American citizens via car usage. The Urban Land Institute defines shopping center as "a group of architecturally unified commercial establishments built on a site that is planned, owned and managed as an operating unit related by its location, size and type of shops to the trade area that it serves. The unit provides on-site parking in definite relationship to the types and total size of the stores" (Beyard & O'Mara, 1999). There are two main configurations of shopping centers: *i)* malls and *ii)* open-air strip centers. While a strip center is an attached row of stores managed as a coherent retail entity with on-site parking facility and without enclosed walkways, a mall is typically an enclosed area with climate-controlled

walkway between two facing strips of stores.[1] Shopping centers in general emerged in the suburbs of the US from 1920s onwards; however, it took 30 years more for the shopping mall to emerge and flourish all over the globe, which caused them to gain its symbolic fame as the contemporary modern retail place. The International Council of Shopping Centers (ICSC) has defined eight principal shopping center types, and among those, regional and superregional centers are the most common types included in the category of mall, since both are enclosed.[2]

The Emergence of Shopping Centers

The need for shopping centers emerged parallel to the creation of suburban areas in the US, since they were developed in order to ease the daily life of the suburbanite. The increase in the population and racial tensions due to the baby-boom period in US as well as the increase in the house and highway construction investments (thanks to the cheap lots, inexpensive construction methods, and improved transportation technology) in order to recover the negative impacts of the recession following the Keynesian approach led to the emergence of suburbs (Fishman, 1987). Thanks to the low interest loans provided, the middle-income group which became able to afford a car and a house, fled away from the unkempt environment of the central district. The old downtown residents began to live in detached houses located on large plots, and were dependent on their cars in order to drive to their work and back to their new homes: public transportation in the suburbs was inadequate either because population density was quite low and thus the public transportation system could not run itself in economic terms, or it would led to the inclusion of downtown residents in the suburbs and bring the chaotic environment from which the suburbanites ran away in

[1] Source: www.icsc.org
[2] The ICSC definitions of those eight basic types of shopping centers are given in table A in the Appendix A, although it is also possible to see hybrid types in the geography of US.

the first place. Therefore, before the emergence of shopping centers and malls, suburbanites were dependent on the city for major purchases, since most of the suburban house developers did not put an effort into building infrastructure in order to meet the demand for consumer goods of the suburbanites. However, their dependence on their cars turned the shopping experience in central business districts into a painful activity with crowding and a lack of parking areas. Since the retail places located downtown could not provide parking for the suburbanite who had to use a car in order to go there, an alternative space for shopping was developed: in the early 1920s, shopping centers began to operate as unified commercial ventures. The shopping centers developed from the 1920s to the 1940s can be considered as shopping mall prototypes since their common feature was only their location near traffic streets and having a common on-site parking area (Beyard & O'Mara, 1999).

The Mall

It was not until the 1950s that shopping malls appeared in the suburban space. It was the mall that led to the large-scale decentralization of retail activity in the US, although downtown retailing began to face a decline[3] from the 1920s onwards due to suburbanization and the parallel movement in shopping center development. The shopping mall represents the most common design mode for regional and superregional centers (see table A in the appendix A). The contemporary retail place, shopping mall, is architecturally a merger of arcades and department stores (Bednar, 1989). It involves some characteristics that are typical of the 19th century arcades such as long and wide pedestrian ways covered with a glass roof and lined stores for shopping. Also, the mall contains department store(s), which is a unit devoted to

[3] And thus some redevelopment strategies were adopted in downtown areas to compete with the suburban mall. See Robertson (1997) for further detail.

selling of a given category of goods – such as clothing, toys, house wares, shoes, and jewelry – which lowers cost and fosters competition by specializing in an individual department (Bednar, 1989), and thus provides many categories of goods. A shopping center generally homes a tenant-mix that provides a certain bundle of goods to its customers under a unified architectural theme. This tenant mix includes specialty stores as well as anchor tenant(s) that serve as the demand generator for the mall. Built on a site with adequate entrances and exits (both for vehicles and pedestrians), a shopping mall also provides extra facilities such as air-conditioning, free-parking, free entertainment facilities, etc. Different from an arcade, in an enclosed shopping center the unification of private (i.e. leased) and public-like[4] (i.e. not leased) areas is observed through the use of the same material used for decoration all over the building. With the removal of distinct front facades of shops, not only shops but also the entire shopping mall building becomes a space for the sale of the goods, compared to an arcade. Shopping malls emerged in the US in the mid-1950s, mushroomed in the 1960s, and spread all over the globe afterwards. Although shopping malls are not the first retail areas developed in suburbs, they became the symbol of suburban shopping experience since they also played a role as a meeting place where suburbanites could socialize and became a substitute for the downtown public places. The development of malls is largely associated with the first prototype built in 1956 at Southdale outside Minneapolis, which was designed by Victor Gruen (Rice, 2009).

Victor Gruen was a Viennese architect who emigrated to US when Germany annexed Austria, began work as a draftsman and designed shops, and became famous

[4] Here I use the term "public-like", since although the pedestrain walkways and atriums are used by the shopping mall visitors as community areas, they are still shopping mall developers' private property. This issue will also be discussed in the following section.

as the pioneer of shopping mall design. Gruen designed the mall in order to create a suburban place which reflects the notion of European cities where, he argued, commercial needs and social activities are combined. With this main idea in mind, he decided to design a suburban place with Elsie Krummeck, with whom he formed a partnership within the architectural firm Gruen&Krummeck. They aimed their new design to serve as a space to socialize for suburban residents living in an isolated environment, compared to downtown. The project they designed for the famous magazine *Architectural Forum* was to be located at the periphery of an unidentified city contained stores and public facilities –library, nursing school, post-office, game-room, auditorium, etc. (Baldauf, 2008). Although Gruen and Krummeck began their project in 1943, it was not until mid-fifties that Gruen was able to convince a leading department store to invest in a fully-enclosed shopping space (Gruen, 1960). His project mainly aimed to turn shopping from a painful chore into a peaceful activity (Baldauf, 2008). Thus, the project distinguished the parking lots and car traffic from pedestrian spaces, and created an enclosed space for shopping activity: when shopping malls appeared on the suburban space, the main reason for the suburbanites to go to the mall was their convenience – "the ability to drive and park easily, more night hours, increased self-selection, and simplified credit like the charge plate" (Cohen, 1996, p. 1062). Following the construction of the first shopping mall, Southdale Center, in Minnesota in 1952, other shopping centers took the architectural basis of this project belonging to Gruen as the basis. Cohen (1996, p. 1056) states this phenomenon in the following sentences:

> …Garden State Plaza and Bergen Mall provide good models for how shopping centers of the 1950s followed Gruen's prescription and became more than miscellaneous collections of stores. As central sites of consumption, they offered the full range of businesses and services that one would previously have sought downtown. They not only sold the usual clothing and shoes in their specialty department stores – Sterns and

> J. J. Newberry at Bergen Mall, Bamberger's (Macy's New Jersey division), J. C. Penney's and Gimbels at Garden State Plaza – but also featured stores specifically devoted to furniture, hardware, appliances, groceries, gifts, drugs, books, toys, records, bakery goods, candy, jewelry, garden supplies, hearing aids, tires, even religious objects. Services grew to include restaurants, a post office, Laundromat, cleaners, key store, shoe repair, bank, loan company, stock brokerage houses, barber shop, travel agency, real estate office, "slenderizing salon", and Catholic chapel. Recreational facilities ranged from a 550-seat movie theater, bowling alley, and ice-skating rink to a children's gymnasium and playground.

With the inclusion of all those facilities to the shopping center, the mall emerged as not only the contemporary and modern retail place, but also a substitute for the public life the old downtown residents were used to experiencing in the central district and became a part of the new community life for suburbanites. However, the examples of facilities that Cohen provides here do not contain civic spaces such as libraries or nursing schools, contrary to Gruen's ideal mall project. Over the course, such civic spaces in shopping malls turned into commercial places, since the mall developer could generate higher profits in doing so. Although Gruen aimed to create a place where commercial and social activities were combined, the development of shopping malls in US showed that the social activities are embedded in the commercial, rather than the other way around and contrary to Gruen's ideal. In other words, shopping malls simply turned into commercial places, or, as Gruen said, "machines for selling", and his words reflect his disappointment (Baldauf, 2008; Kowinski, 1985).

In addition, these new places of socialization were more sterilized in a sense, since "the other" groups –racial minorities and poor people, and other unwanted groups—living in the city were excluded from these places, and this was guaranteed in mainly two ways: The first one was market segmentation via the selection of stores to be located in the mall and price levels. The second was the

planned bus routes that served only non-driving suburb residents and not low-income groups living in the city. Thus, shopping malls received the same criticism as suburban developments—"a place for white suburbanites, with a safe and clean microcosm" (Baldauf, 2008, p.5). Although selective in socio-economic terms, shopping malls emerged in the suburbs as the new public space: the old urban-residents located in suburbs had to change their shopping habits in order to adapt themselves to the new neighborhood in which they were settled, which also determined cultural tastes of them – in time, malls became the place where housewives spend their time, since the suburbs were completely isolated from the lively downtown city experience. The extra facilities Cohen (1996) mentioned that are provided in the malls replaced the social life of the downtown. Even though these activities were held by the mall developers in order to increase consumer traffic and thus increase the profits, as an intended consequence, the mall replaced the public areas as social catalyst. However, since these areas were privately-owned, they could only be "public-like" places, by their nature. Thus, although Gruen ideally imagined shopping malls as social facilitators that combine the shopping experience with public life, these two actually created a conflict, not only in theory but also in practice: As people demanded to organize campaigns in order to support political candidates, anti-war and anti-nuclear activities, and many other, the malls in general were wary of those activities, since the customer traffic could be affected negatively, especially in regional shopping centers. The issue also carried to a series of courts such as *Marsh vs. Alabama* (1946); *Amalgamated Food Employees Union Local 590 vs. Logan Valley Plaza*, *Inc.* (1968); *Lloyd Corp. and Tanner* (1972); *Pruneyard Shopping Center vs. Robbins* (1980)[5], where shopping malls were one of the parties

[5] For further detail, see Cohen (1996).

and union members, anti-war advocates and high school students were the other. The experience clearly showed that as the public space moved into privatized places, democratic freedom was open to restrictions (Cohen, 1996).

Baldauf (2008) argues that shopping malls had two socio-political central functions in the environment of post-war America. Firstly, the shopping served as a shelter and safe place for the Americans who shared the common fear of WWIII. Secondly, it reflected the superiority of capitalism toward the Soviet Union and communist sympathizers, as a symbol of freedom of choice inherent in consumerism. In a sense, shopping malls were a reflection of both the consumerist culture that emerged out of the capitalist environment and Cold War politics onto the urban (or, suburban) space. In other words, shopping malls were a part of the "American way of life", boosted with the ideology of consumerism with newly purchased items. The mass consumption of goods and their provision in the market were necessary to enhance recovery from the impacts of the 1930s economic depression and WWII. The mass-consumption-driven economy was promoted by business leaders, labor unions, government agencies, the mass media, advertisers, and other purveyors as a "civic responsibility designed to improve the living standards of all Americans" (Cohen, 2004, p.236), and the shopping mall development contributed a lot to the expansion of those consumer markets from the 1950s onwards. The expansion of credit and usage of credit cards in the malls also contributed to this expansion.

The number of shopping malls in the US increased rapidly, and this dramatic increase lasted until the 1980s. Public subsidies for businesses were one factor contributing to this trend for development. The implementation of the "accelerated depreciation" program as the new federal income tax policy in 1954 allowed shopping mall developers –as well as other entrepreneurs working in other sectors— to reduce construction costs. The income tax policy in America favored businesses in regard of deducting some amount of their tax in order to compensate for the depreciation of the equipment and buildings, and allowed replacing the equipment they have as they were worn out. According to policymakers, this policy was fair since wearing out of the capital cannot be considered as "profits", so this amount needed to not be taxed. Before the accelerated depreciation principle was implemented, the existing program adopted a "straight line depreciation" rule (under the 1934 tax system). Once the useful life of a building was determined as forty years, this rule allowed the owners to deduct from profits 1/40 of the original cost of the building. Among the changes in US economic program in order to counter the negative impact of the mild recession experienced in the 1950s due to the booming prosperity of post-war years included a change in the tax laws as well. In that regard, the accelerated depreciation program replaced the straight line approach, and shifted tax deductions toward the first years of a project's life, which enabled investors swiftly to reap the benefits and transformed real-estate development into a lucrative "tax shelter" (Hanchett, 1996). It also enabled investors to claim losses for several years and then sell their project for more than they originally invested, thanks to the rising real-estate values at that time, mushrooming of newly constructed building was observed rather than the rehabilitation of the old ones. Thus, although there had

been some other changes in the tax system in the meantime, the rapid development of shopping malls did not slow down until the implementation of MARCH (Modified Accelerated Cost Recovery System) was implemented, which simply meant a return to the 1934 tax system as far as newly constructed buildings were concerned.

One year after the opening of the first shopping mall, Southdale Center in Minnesota, and three years after the implementation of the accelerated depreciation program, there were 940 shopping centers across USA. This number doubled in 1960 and continued to grow in the same pattern afterwards (Baldauf, 2008). According to statistics of ICSC (International Council of Shopping Centers), there were near 105 thousand shopping centers with 7.3 billion square feet GLA in the US by the end of 2009 (see Charts 1.1 and 1.2).

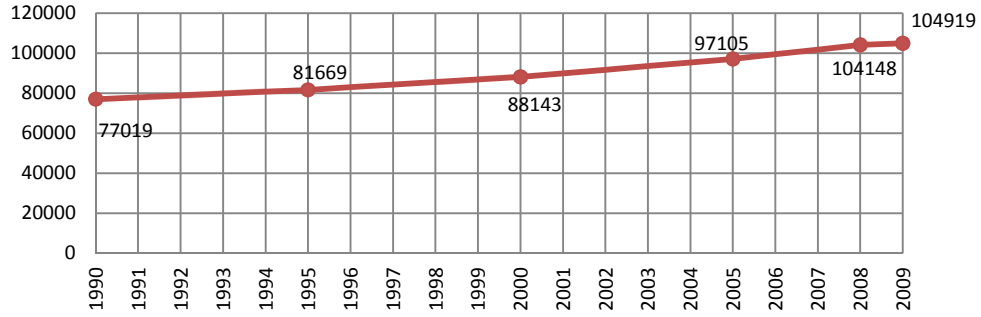

Figure 1 – Number of Shopping Malls in the United States (1990 – 2009)

Source: Co Star Group, Inc., Washington, DC (copyright)

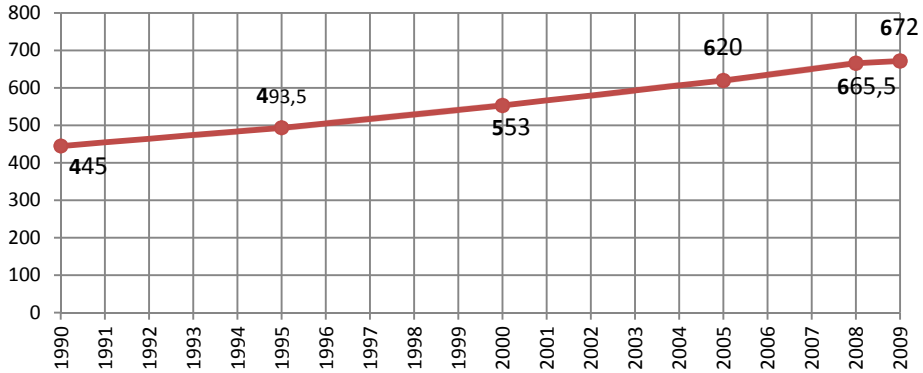

Figure 1 – Gross Leasable Area (in million square meters) in the United States (1990 – 2009)

Source: Co Star Group, Inc., Washington, DC (copyright)

In the past 50 years, world-economic changes led contemporary purpose-built shopping centers to turn into a global phenomenon: there were 2,616 centers in Canada by the end of 2009, and 5,700 centers in Europe in 2007. However, the shopping centers in Europe are generally open-air, thus are not included in the mall category.

Also, from the mid-2000s onwards, just a few shopping malls were opened in both US and Canada. Although shopping malls continued to flourish until the late 1980s in the US, the bankruptcy of hundreds of malls due to economic crises and the saturation of suburban mall market led to the appearance of the dead mall[6] phenomenon.

While the development of malls slowed down from 1990s onwards due to a certain degree of saturation in US and Europe, what has been observed recently is the rapid progress of shopping mall development in the Middle Eastern Europe as well as East and South East Asia: The biggest shopping malls (based on their gross

[6] A dead mall is a shopping mall that is dated or deteriorated due to high vacancy rate or low consumer traffic. The term greyfield is also used to define those malls after the term "brownfield" which refer to the old industrial sites.

leasable area) around the world are today located in China, Egypt, Philippines, United Arab Emirates, Malaysia, Iran, Turkey, Bangladesh, and Indonesia.[7] The mushrooming of malls in those countries has moved parallel to the increase in the purchasing power of the middle-income groups following the 1980s world economic change, and thus has had elements in common with the US shopping mall development. However, the emergence of shopping malls in those countries also include dissimilarities compared to the U.S. case since the cities Beijing, Kuala Lumpur, Manile, Jakarta or Istanbul had long been familiar with shopping streets and bazaars (Dick and Rimmer, 1998), and thus shopping malls emerged as an alternative retail place in these regions rather than as a facility meeting an uncovered demand for retail places on the consumers' or the firms' side.

Having this historical background and mentioned regional differences in mind, the case in Istanbul is briefly introduced in the next section to provide a general framework. Istanbul deserves to be selected as a representative for explaining the shopping mall development in Turkey, since it is the city where the first mall of Turkey is located and also experienced an excessive development of malls in the 2000s. Istanbul homes one thirds of all shopping malls constructed in Turkey, due to its high level of GDP[8] and its capability to attract tourists. The sector has almost reached its maturity in Istanbul, and thus this city provides a sufficient number of examples in order to analyze the motives behind this rapid development on the urban space in economic, political and sociological perspectives.

[7] Canada and USA (Pennsylvania) are also included in the list.

[8] Istanbul is ranked 34th among all urban agglomerations according to their 2008 estimated GDP levels in the report of PWC, retrieved from the following link: http://www.ukmediacentre.pwc.com/imagelibrary/downloadMedia.ashx?MediaDetailsID=1562

Shopping Mall Development in Istanbul

All of the contemporary retail places built in Turkey that are based on the model evaluated in the suburban post-war US environment are malls in both their physical and operational basis, even though they are called "*alışveriş merkezi (shopping center*)" which contains the word *"merkez (center)".* Thus, the terms "shopping center" and "shopping mall" will be used interchangeably during the study whenever the Istanbul case is in consideration. Those malls are enclosed areas that exclude car traffic from the shopping area, consist of 3-4 floors on average (excluding the floors reserved for parking lots), include gates that are easy to monitor, and own an architectural theme that gives their visitors the feeling of orderliness. The majority of them are enclosed with a glass-roof, thus it receives sunlight on sunny days, and also serves as a comfortable environment to stroll around when the weather is bad. These malls are organized in order to attract as much demand as possible for being able to charge higher rents to the firms and thus to maximize their profits, and thus the escalators are organized in such a way that the shoppers have to pass through the stores and necessarily window-shops (since there is no other scenery to look around), the stores are selected by the mall developer (or the consulting company) the shop-mix of them both provides the bundle of goods that satisfy the shoppers' needs and also the opportunity to compare differentiated products to the shoppers so that the consumer can find the mostly preferred type of product that they are looking for. With the included facilities like cinemas, food-courts, exhibition halls, entertainment centers and activities in order to attract customers that visit the place not only to shop but also to stroll around, spend leisure time. As a result, many of the shopping malls in Turkey are promoted as *"alışveriş ve yaşam merkezi (shopping and life center)".*

The development of modern shopping centers dates back only to 50 years ago in Europe, and 25 years in Turkey. The first shopping mall built in Istanbul (and in Turkey) was Galleria Ataköy Shopping Center – the name was coined after the historical retail place in Italy, *galleria*, which is quite similar in practice to the arcade of 19th century Europe[9]. Following its construction in 1988, the number of shopping malls reached 29 in 1990s, and there was a dramatic increase in the shopping mall development in the mid 2000s, which led the number of malls in use to reach 285 and that of under construction 104 by May 2011 (Soysal Danışmanlık, 2011).[10] According to the data given in the website of Alışveriş Merkezi ve Yatırımcıları Derneği (Council of Shopping Centers—Turkey), there exists 298 shopping malls in total and 102 of them are located in Istanbul.[11]

Figure 3 - Distribution of the Number of Shopping Centers and Gross Leasable Area per Person

Source: AYD (Council of Shopping Centers—Turkey), 26 March 2012

[9] For a detailed history of enclosed shopping places, see Geist (1985) and Benjamin (1999).

[10] For the list of shopping centers located in İstanbul, see table B in the Appendix B.

[11] By March 26, 2012.

One of the main indicators that represent shopping mall development is the gross leasable area, which measures the total area leased to the firms.[12] Following the opening of Galeria Ataköy in 1988, gross leasable area expanded slowly, until 2003. In the last decade, gross leasable area increased dramatically: In 2010, total gross leasable area of shopping malls in Turkey was 6.4 million square meters, which is six times of the amount in 2000, and the figure reached 7.6 million in March 2012.[13]

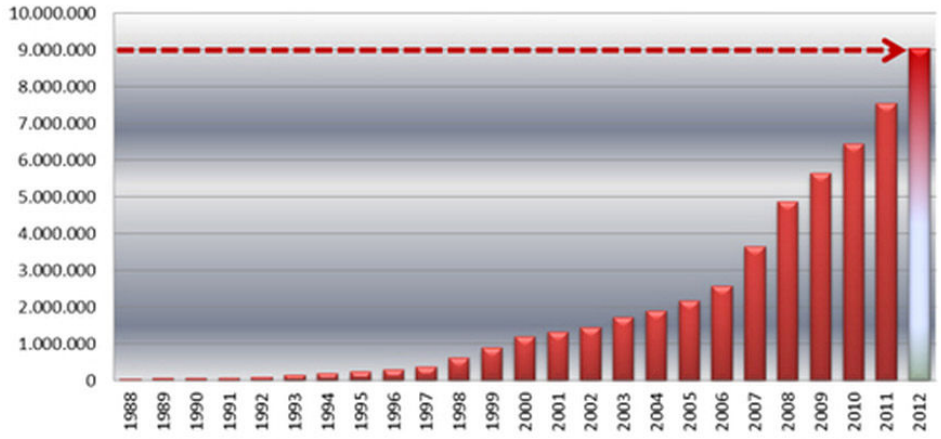

Figure 4 – Total Shopping Mall Gross Leasable Area in Turkey (in square meters)

Source: AYD (Council of Shopping Centers—Turkey), 26 March 2012

Another universally used indicator of shopping mall development is the gross leasable area per thousand. In 2011, Istanbul and Ankara had the highest gross leasable area per thousand with 208 and 194 square meters, respectively. Today, the shopping mall sector developed in these two cities are considered to be mature, and therefore the shopping mall investors carry out their operations in the Anatolian region, which led to an increase in the number of cities that home at least one shopping mall among Turkey to 49 among 81 cities in total. The gross leasable area per thousand in Turkey was 88 square meters on average in 2011 (*Shopping Centers*

[12] Gross Leasable Area (GLA) contains only the areas leased to the tenants and excludes the pedestrian ways, staircases, public-like areas, restrooms, etc.

[13] It is expected for this value to reach 9 million by the end of 2012 with 45 new shopping malls to be built in the same year.

Directory 2011, 2011). With 88 square meters, Turkey has a rank of 28 among all others countries. Sweden is the first with 583 square meters, followed by England, France, and Spain.

Table 1 - Distribution of the Number of Shopping Centers and Gross Leasable Area per Person

	City	Shopping Centers (Cities)	Total Leasable Area Per 1000 Person (sq.m)		City	Shopping Centers (Cities)	Total Leasable Area Per 1000 Person (sq.m)
1	Adana	4	101	27	İzmit	8	122
2	Adapazarı	4	13	28	Kahramanmaraş	1	13
3	Afyonkarahisar	2	48	29	Karabük	3	230
4	Aksaray	1	16	30	Karaman	2	61
5	Ankara	31	194	31	Kastamonu	1	36
6	Antakya	1	27	32	Kayseri	3	53
7	Antalya	14	82	33	Kırıkkale	1	26
8	Aydın	4	56	34	Kırklareli	2	41
9	Balıkesir	8	87	35	Konya	5	51
10	Batman	1	30	36	Kütahya	1	23
11	Bitlis	1	26	37	Malatya	2	67
12	Bolu	1	30	38	Manisa	2	18
13	Bursa	10	140	39	Mersin	5	75
14	Çanakkale	1	22	40	Muğla	9	72
15	Denizli	5	158	41	Nevşehir	1	79
16	Diyarbakır	3	27	42	Ordu	1	4
17	Edirne	2	66	43	Samsun	3	28
18	Elazığ	2	39	44	Şanlıurfa	1	10
19	Erzincan	1	16	45	Tekirdağ	6	119
20	Erzurum	1	33	46	Trabzon	3	90
21	Eskişehir	4	127	47	Uşak	2	52
22	Gaziantep	7	113	48	Yalova	1	82
23	Giresun	2	30	49	Zonguldak	2	69
24	Isparta	2	55				
25	**Istanbul**	**91**	**208**		**TÜRKİYE**	**285**	**88**
26	Izmir	17	91				

Source: Soysal Alışveriş Merkezleri Kataloğu, 2011.

In order to attract demand and stay in the sector, it is crucial for the shopping center developers to make an overall and detailed catchment area analysis and determine their shop-mix accordingly. The firms open their stores in shopping malls in Turkey are both multinational companies (Marks and Spencer, Intidex Group, Shaya Group

and many others) and also companies with Turkish origin (Mavi Jeans, Beymen, Koton, D&R are among those). Generally, it is possible to find stores belonging to those firms in any shopping center, as long as the target group of the mall matches the one that those firms target. In that regard, shopping malls in Turkey contain similar stores. This is due to the limited number of companies that are capable of such high-scale operations in malls and also meet the requirements of the shopping mall management.

Not only the firms operating in shopping centers but also the shopping mall developers include foreign investors (Metro Group, Corio, Ece Group, Carrefour, Multi Development, Tesco, Krea, St. Martins Property and Quinn Group) that owns approximately one thirds of the investment in the Turkish sector with 11 malls belong to Carrefour, 15 malls belong to Multi Development Group and 33 malls belong to Tesco.

Also, the increasing levels of investment, revenue and employment are still observed in the sector. From 2009 to 2012, the total investment in the sector increased by 40%, while the share of the foreign investment decreased by a small amount, 4.8%. Attracting 54.7% more visitors in 2012 than 2009, the total revenue of the sector more than doubled, and the revenue per square meter increased by 65.3%. In addition, the sector provided employment to additional 100,000 people within these three years. These jobs are generally part-time (sales-representatives), or sub-contracted work (security guards or cleaning workers).

Table 2 – Shopping Mall Sector Data

	Beginning of 2009	Beginning of 2012	Percentage Change
Total Investment (in million dollars)	25	35	40
Foreign Investment (in million dollars)	9	12	33.3
Share of Foreign investment (%)	36	34	-4.8
Employment level (in thousand person)	275	375	36.4
GLA (in million sqm)	4.9	7.6	55.1
GLA per 1000 person (in sqm)	67	104	55.2
Revenue (in million TL)	19	39	106.3
Revenue per sqm (in TL)	401	663	65.3
Total Number of Visitors (in millions)	840	1300	54.7

Source: www.ayd.org

Focusing on the shopping mall development in Istanbul, the study of Ertekin et al. (2008) provides useful insights. Dividing the shopping mall market area into three zones, namely *i)* the central business district (a circle area with 3 km radius of which the center is chosen as the historical core of the city, Eminönü), *ii)* the first ring (from 3 to 10 km), *iii)* the second ring (from 10 km onwards). According to this classification, it is shown that the core is full of traditional retail districts – bazaars and passages. The first ring contains the 44% of the number of shopping malls, including the initially constructed ones, and 43% of the GLA located in Istanbul, and also some other attractive retail strip corridors apart from those malls. The second ring, however, is full of organized retail places including 56% of the number of shopping malls and 57% of GLA. Since car ownership rates were low in Turkey, malls appeared initially on the urban space with effective means of transportation, and thus older malls are concentrated in the first ring. Also, the study points out that the shopping mall development in Istanbul follows GNP and population: While the

European side of the city with 65% of population and 71.2% of GNP of the city contains 75% of shopping malls, the Anatolian side homes only 25% of those.

Table 1.3 – Shopping Mall Gross Leasable Area, Population and Household Income in Istanbul by District

	Districts	Leasable Space	Population	Income (million TL)	Distance to CBD (km)
1st ring					
	Beşiktaş	53,389	190,813	66,045	4.80
	Kadıköy	84,025	648,282	130,620	7.20
	Üsküdar	44,500	495,118	51,529	5.20
	Şişli	85,308	270,674	153,304	5.70
	Bayrampaşa	11,079	246,006	38,620	8.57
	Zeytinburnu	29,221	247,669	71,292	7.10
2nd Ring					
	Bakırköy	109,407	208,398	144,035	14.40
	Bahçelievler	17,500	478,623	59,791	12.52
	Büyükçekmece	58,031	384,089	77,900	25.70
	Gaziosmanpaşa	14,000	752,389	49,628	12.00
	Kartal	39,690	407,865	64,050	21.40
	Küçükçekmece	7,000	594,524	49,997	21.00
	Maltepe	60,500	355,384	33,640	14.85
	Ümraniye	48,930	605,855	37,052	11.52
	Sarıyer	14,565	219,032	20,853	18.50
	Silivri	45,000	108,155	59,400	66.00

[1]Shopping Centers and Retailer Association (2005), http://www.ampd.org
[2]SIS (2002)
[3]SIS (1998)

Source: Ertekin et al. (2008)

Even though the shopping mall sector in Istanbul seems to have reached its maturity, there still exist new shopping centers under construction. Zorlu Center, Mall of Istanbul, Rea-Sultanbeyli Project and Rönesans Küçükyalı Shopping Center are among those, the former two of which are high-scale investments—Zorlu center has 615,885 square meters of Gross Business Area (GBA), and Mall of Istanbul has 762,000 square meters of enclosed GBA with 148,000 square meters of Gross Leasable Area (GLA). However, the number of shopping centers closed down or changed in functions increased recently, and approximately 15 among 24 of them are in Istanbul (Güngör, 2012; Köşedere, 2012). This is mainly due to the fact that either

the new shopping centers built attract the demand for the other shopping malls and cause them to close down, or the newly constructed ones are not designed and planned effectively and they cannot continue on their operations due to a lack in their levels of demand attraction.

Although shopping mall developers are not expected to stop their operations in the urban space of neither Istanbul nor across Turkey, these figures give the impression to the leading businesspeople and sector employers/employees as well as other informed parties that the shopping mall development will not reverse but slow down in the coming years. While new shopping mall investment will be carried through the Eastern parts of Anatolia, new constructions in the western region of Turkey might be accompanied by bankruptcy of some old shopping mall businesses, as experienced in the US case, since 24 shopping malls already closed down across Turkey and 75% of these are in Istanbul, where the sector seems to be saturated with more than 102 shopping malls in total today. Though, shopping mall sector in Turkey showed a marvelous expansion so far, and thus it is not an ordinary phenomenon to make light of.

Methodology and the Scope of Research

As mentioned at the beginning, this study aims to unpack the economic rationale of the emergence of shopping malls. In doing this, the study follows two grounds. First, a theoretical background on the microeconomic incentives of firms, consumers and shopping mall developers is provided in the second chapter of the study, by reviewing the industrial organization and economic geography literatures and also by providing additional insights into the literature. This theoretical practice aims to demonstrate the economic reason for the emergence of

shopping malls as retail places and economic clusters. Secondly, the fieldwork is presented in the third chapter which is grounded in focus group studies and in-depth interviews all conducted in Istanbul. While the focus group studies aim to clarify the motives of the consumers behind visiting shopping malls, the interviews provide information on the economic reasons for the firms or shopping mall developers to be a part of the mall in practice.

Dealing with both theory and practice of the microeconomic reasoning of the shopping mall formation and also making use of the previous studies on shopping malls in both urban studies and sociology literatures, this study aims to provide an overall picture of the shopping mall development in Istanbul. Affected by both global and local impacts, this study on the mall development in Istanbul also provides a notion on their development around the globe, since while the shopping mall sector is saturated in developed countries; an almost similar trend in the increase in their number is now being observed in developing countries and also booming economies.

CHAPTER 2

LITERATURE ON SHOPPING MALL FORMATION MODELS

This chapter provides a review of the part of the industrial organization literature on the formation of retail places in general, and shopping malls in particular. The main purpose here is to demonstrate the economic rationale behind the formation of shopping malls, as the contemporary retail place. In engaging with the literature, this chapter is divided into two sections. The first section of this chapter analyzes the creation of retail places as a non-cooperative[14] clustering decision of firms. For that purpose, it overviews the agglomeration literature, and clarifies the characteristics of shopping malls that are similar to other retail places. The studies on the agglomeration literature can mainly be divided into two subgroups: the ones, inspired by the seminal contribution of Hotelling in 1929, that intend to explain the clustering of stores selling similar—but slightly differentiated—products, and others that analyze the clustering of stores selling complementary (even substitutes, to some extent)[15] products. Both groups of studies aim to clarify the benefit received by the firms receive by simply locating their shops close to each other and thus creating clusters. In the former, firms selling the same type of product attract a higher demand since consumers would like to search for the best quality, or lowest price under asymmetric information before purchasing. And since search is costly, they would prefer to visit clusters rather than separately-located shops. The latter, on the other

[14] The decision of these firms is non-cooperative since they, in the literature, decide where to locate their stores strategically, or as a best response to the given actions of other firms under a given economic setting of these type of models. Thus, they do not cooperate with other firms and make their location decisions on their own.

[15] Beggs (1994, p.419) states that "this is true not only if the goods are complements in the usual sense (say meat or vegetables) but even if they are to some extent substitutes".

hand, argues that consumers demand a bundle of goods and they want to purchase all of them at one stop since going for shopping more than one time will cost more – as a result, consumers would prefer to go to a cluster of different types of shops, rather than visiting separately-located ones. At the end, both groups of studies conclude that stores located in the same neighborhood create positive demand externalities onto each other, since consumers need to visit more than one shop at a time due to the reasons mentioned above. In that regard, these models, namely "comparison" and "multi-purpose" shopping models, can be seen as complementary to each other, since they explain the same phenomenon (i.e., non-cooperative clustering) from different perspectives.

Apart from the agglomeration models mentioned above, there is a different family of models that differentiate shopping malls from other types of retail places, (viz. bazaars, arcades, and shopping streets) which will establish the second section of this chapter. In a shopping mall, the maximization of the total profit of the retail place in its overall is crucial, which is contrary to the cases of arcades or gallerias where mainly the firms' profit maximization is considered. In that regard, the two-sided market literature will be reviewed in the beginning of this section, since these models mainly analyze the decision of the shopping mall developer on how much price to charge to both groups of its customers (i.e., firms and consumers) as well as how many agents to be allowed in entering the mall. In a two-sided market, retailers and consumers represent the two opposite sides of the market, and the shopping mall is seen as serving as a platform that facilitates the interaction between those groups of agents. This analysis highlights the cross-group externalities generated within a platform, and the reason why consumers are in fact charged a negative price to enter the mall while firms are charged higher prices.

However, these models analyze only the case in which there exists an owner of the shopping mall and do not question the reason why malls do not emerge as a result of a cooperative action of the retail firms. In other words, the question as to why firms themselves do not decide to act cooperatively to form a shopping mall and rather engage in bilateral agreements with shopping mall developers is not explicitly asked. In addition, the reasons for observing shopping malls rather than other type of retail places are not questioned within the existing literature. Thus, following the review on the two-sided market literature, I will propose a property of shopping malls which is not analyzed in detail in economics literature: These malls can be categorized as "clubs", in the parlance of Buchanan, that provide extra services other than the provision of a market for consumers and firms. Since these additional services are provided only in the mall among all the retail places, they create an incentive for both types of agents to enter the mall. My purpose of analyzing the mall as a club is to clarify the properties which are specific to shopping malls, turning them into a place of attraction for both firms and consumers as an economic formation.

Non-Cooperative Agglomeration – Clustering of Firms

This section focuses on the agglomeration literature that departs from the claim that non-cooperative clustering is a strategic choice of firms in their effort to maximize their profits as a response to the behavior of customers, either because customers are not perfectly informed on the prices or qualities of the product that is provided by a single firm from which they wish to buy, or they want to minimize their transaction costs by purchasing not only one but many different products at one time, even when perfectly informed, as they go for shopping. The former is represented in comparison shopping models (or, search models): when consumers go shopping in order to buy

only one product, they need to search for prices, or attributes of the product by visiting different shops if they do not have information about which firm sells the good at what price, or which firm sells the best alternative among the differentiated goods. The multipurpose shopping models, on the other hand, explain the latter: consumers might still want to visit more than one store when they have full information on the prices and qualities of the products in the market since they need more than one product and they can save time, transportation cost, etc., if they purchase as many different products as possible at one time. In other words, consumers would like to visit more than one store during their shopping trip[16] in order to buy all the goods included in their shopping list and thus reduce their transaction costs. Both types of models show that when customers want to visit more than one firm at a time, clustering of firms is an outcome of the best response of the firms. In other words, firms will be creating the demand externalities onto each other as they form shopping centers[17], since customers will be attracted to the clusters where more than one firm can be visited at a very low or zero cost, and the demand for each firm will be higher than the case when the firms are separately located as a result of these externalities.

Comparison Shopping Models (Search Models)

Comparison-shopping models can be characterized as a modification of the famous model of Hotelling (1929) that aims to provide an explanation on the clustering decision of firms selling homogenous products. In Hotelling's linear city, consumers with a unit demand of the good and a linear cost of transportation are uniformly

[16] Shopping trip is a home-to-home circuit of a consumer with a series of stops in order to purchase some products.

[17] As generally used in the industrial organization literature, here the term "shopping center" refers to a group of stores agglomerated and serving different types of products.

distributed, and two firms play a duopoly game in which they decide on their place to locate in this city first, and then the prices they will charge for exactly the same product that they provide in the market. This model differentiates itself from both Cournot and Bertrand competition: First, it is not necessarily the case that there exists only one price in the market. Firms might charge different prices since the demand for the good they provide will not deplete completely if they do so, as mentioned before. Second, in Hotelling's linear city, a slight positive change in the level of prices do not cause all of the demand for the firm charging a higher price to deplete: some consumers located near this firm will still choose to buy the high-priced product, since the cost of travel to the other firm plus the lower price will exceed the other's higher price level. These properties are the results of the introduction of one-dimensional space, in comparison to a "dot" market (i.e., with a zero dimensional geographical space) in Cournot and Bertrand competition models. As a result of the oligopolistic competition in this model, both firms locate at the center of the city, and charge the same prices. Boulding (1966) generalizes this analysis provided in Hotelling (1929) to product differentiation via transforming the concept of distance in the linear city into taste differences in a particular product –for example, one extreme point of the linear city represents the "bitterness" of food and the other extreme represents its "sweetness" – and names the result of the analysis as *Principle of Minimum Differentiation (PMD)*. Thus, thanks to Boulding's interpretation of the model, Hotelling (1929) explains not only the common observation of local clustering of firms, but also the reason why firms selling the same good differentiate their products "just slightly" when the location of the consumers with single-peaked preferences refers to the product that they like the most. This work of Hotelling is seminal in regard of demonstrating the commonly-

observed phenomenon of clustering of firms selling homogenous products, even though they are engaged in a monopolistic competition.

Even though Hotelling's theoretical approach to the agglomeration phenomenon is well received in the economics literature, the model is highly criticized for oversimplifying the analysis. Economides (1984), for example, argues that it is not possible to analyze the location of more than two firms in the original linear city model. In another study, Economides (1986) focuses on the problem of non-existence of equilibrium: when transportation costs are linear, the equilibrium in the price-determination game does not exist due to the discontinuous best-reply functions of the firms (which results from quasiconcavity of their profit functions). d'Asparemont et al. (1979), on the other hand, mention that if the transportation costs of consumers are quadratic, no equilibrium solution of price will exist in the linear city model when both sellers are far enough from each other—the solution will exist but with maximal differentiation, i.e. firms will locate at the extreme points of the linear city.

Such criticism necessitated the refinement of the original linear city model. Consumer-search models are a branch in this literature that aim to overcome those critics in order to demonstrate the tendency of firms selling homogenous goods to locate close to each other. The main difference in these models, as compared to the seminal work of Hotelling, is that either price or quality information is not perfect in the market, i.e., consumers are imperfectly informed either on the prices or qualities of the goods, and due to this asymmetric information in the market structure, customers are portrayed as incurring a search cost in order to get information on the characteristics of products by visiting an optimal number of stores. Since customers minimize their search costs in addition to their transportation costs, they will aim to

visit more than one store, and will visit a cluster, if there exists, in order to minimize their additional transportation costs as they search among different stores. This aspect of the modified model enables the firms clustered together to create demand externalities onto each other: For example, two firms located next to each other attract a greater market demand than the total of the demand of two separate firms due to the customers' search cost minimization strategy. Thus, a firm would even like other firms to locate near the area it is already located in such a model. Such a result is never observed in Hotelling (1929), since consumers will visit only one store, which is the closest to itself. Since customers are attracted to more search opportunities at a lower cost in search models, however, they might pass through the closest single-store located to their neighborhood and go to a shopping center, with different varieties, qualities and prices of goods to be compared and get informed.

In comparison-shopping models, consumers are imperfectly informed about the prices or qualities of the products. The impact of information on economic organization was studied by Stigler (1961) and Nelson (1970), before the emergence of comparison shopping model literature. Stigler, in his study, argued that when consumers know only the distribution of prices in the market but not the prices being charged by each firm, they would search the stores randomly for the lowest price until the expected saving from the search process equals its marginal cost. In addition, an increase in the savings from an additional search to a customer will result in more dispersed prices to be observed in the market, *ceteris paribus*. Stigler also emphasizes that purchases of homogenous goods might be repetitive, i.e., a consumer might visit a single store more than once in a given period of time, because the good is not durable, for example. If so, customers would search more in the very beginning of the search process since the expected savings of search will be greater

as the future earnings are discounted from or added to the present value of search. In other words, the information they receive via each visit will again be used in the following periods of time, which creates an additional benefit. Nelson (1970), on the other hand, provides an explanation of both quality and price variations in determining the structure of the economic organization of firms in terms of their location decision. He argues that consumers have poorer information on quality than price, since this type of information is more difficult to obtain. Thus, he expects the variance on quality levels to be greater than the variance of price levels in the market. Nelson defines experience in addition to search, and makes a comparison between these two ways of obtaining product information. In the case of search, consumers do not know the exact level of utility they will get from the good they want to purchase, even though they already know where they can obtain the options open to them, and inspection must occur prior to purchasing the brand. For the experience good, on the other hand, information on the quality of the product can only be obtained by experiencing it, by definition, and thus the quality can only be known after purchasing the good. There exists products which can both be searched and experienced, and the decision of the consumer depends on the cost of search and experience in such cases. While Nelson suggests that consumers will search, or experience, until marginal savings and marginal costs get equalized as in Stigler's argument, he does not agree with the random search assumption of Stigler: he argues that consumers' consider either their friends' suggestions or advertisements, thus they tend to purchase similar products while experiencing them, and this have an impact on the elasticity of demand, i.e. the monopoly power in the market. Since it is possible for customers to gain information on their own in search goods, Nelson predicts more monopoly for experience rather than search goods. These findings of

Nelson can be considered as an extension the Stigler's study, since Nelson widens the analysis of information search of the consumers to experience goods and uses the very same notion that Stigler used in his model in doing this.

Both Stigler and Nelson indicate that search is a powerful inducement for localization. Stigler considers localization as a device for identifying potential sellers for a buyer (or *vice versa*). Nelson, in addition, argues that the multiple search patterns cause firms to cluster, since travel time between stores will be minimized for customers. Comparing search and experience goods, his argument is that stores that sell search goods will cluster more than stores selling experience goods, since additional store visits result in obtaining information of a search good immediately, while experience goods must be tried at home in order to get information on that product. Comparison shopping models integrate this notion to the original model of Hotelling (1929). Although there exist slight modified versions of comparison shopping models, the setting in general assumes that consumers are imperfectly informed and they search either for the price or the quality of the good in the market, and conduct a number of search in a number of firms in order to get information, which is determined either endogenous or exogenously.[18] Firms which are fully informed on the preferences of consumers and profit maximization problem of other firms decide on where to locate on one dimensional space, either a line or a circle. The equilibria do not necessarily result in clustering of all firms at a single location, but they signify the incentive of firms to cluster in such a setting.

[18] It is crucial here to note that although comparison shopping models use Stigler's study on information as a reference point, they do not assume random sampling: consumers choose which firms to sample according to either transportation or search costs that they have to incur in a given marketplace. See Stahl (1982) and Dudey (1990).

The models of Eaton and Lipsey (1979) and Stahl (1982) analyze the impact of the search for consumption goods of consumers on the location decision of firms, when the number of visits of consumers is restricted exogenously. In both models, shops decide to locate themselves in a linear city, where consumers are uniformly distributed. Consumers have single-peaked preferences, where each type of consumer likes different types of goods where no product with different attributes is preferred the most by more than one consumer. They have information on the number of firms in the market and on where firms are located, but they are not informed on the quality of products of each firm. Also, consumers assume that the likelihood of finding the most preferred product in one store is equally likely to finding it in another store, due to the normal distribution assumption. There are N firms in the market and no additional firm enters the market due to entry costs. Each firm is born with one type of product and sells that type of good in the market with identical total cost functions, and they engage in Cournot competition before the search process of consumers. In the model of Eaton and Lipsey (1979), firms are only able to locate at an arbitrary distance to each other, and consumers are restricted to make two[19] visits. In such a setting, we never observe a cluster of all *N* number of firms. Actually, at most 4 firms cluster due to the assumption of two visits per person: the one located in the middle, when there are 5 or more firms in a cluster, will never be visited, since the likelihood of finding the most preferred product in each store is equal, and the transportation cost will be minimized for the customers if they visit the ones that are located closer to their home. Also, the market area of each grouping extends half the distance to the neighboring group of firms. Thus, in any equilibrium, groupings of 2, 3 or 4 firms located at equal distances are observed. So,

[19] The crucial assumption here is to set the number of visits greater than one, in order to incur a mechanism of search.

in a sense, if consumers were not restricted to only two visits, we would observe more crowded agglomerates. In Stahl (1982), however, consumers have time to visit only one marketplace, where the marketplace can be either a cluster of firms or just a single store. In a marketplace, there is no additional cost for the consumers to search among the stores belonging to that cluster, but the consumer incurs a linear transportation cost in order to get to the marketplace which they choose to visit. Consumers have two options: they can either go to a marketplace, search for the goods, and buys the most preferred among them, or they can decide not to visit any marketplace if the expected utility falls short of the utility derived from the numéraire good, which is provided at each and every location in the marketplace. In this setting, if all consumers are choosey enough –i.e., they keep on searching to find their best product rather than buying a less preferred alternative even though the expected cost is high since the expected return is even higher— to desire one and only one type of product provided in the market, the only non-cooperative equilibrium comes to be the concentration of all firms at one marketplace. As the set of commodities of acceptable alternatives of consumers expands, additional marketplaces might emerge, but still firms will continue to be located as clusters.

The two models mentioned above assume exogenous constraint on the number of visit of consumers while they search for quality. Wolinsky (1983) endogenizes this decision of the consumer in his model by defining a stopping rule of search: consumers stop searching when the expected improvement from sampling another brand equals to the marginal search cost. Located in a circular space with uniform distribution, consumers' transportation cost functions have a fixed component that represents the costs of car parking, etc., and a variable component which is linear in distance. The crucial assumption that induces the clustering of

firms in the model is that consumers incur no travel cost within a cluster. The general findings of the article are as follows: *i)* an increase in the fixed component of travel cost also increases the incentive of firms to cluster, since consumers would like to visit fewer number of clusters in such a case, *ii)* an increase in the variable component of travel cost will reduce the incentive of firms to cluster, since a local monopoly will receive a higher level of demand, thus expect an increase in profits, *iii)* an increase in the search cost of visiting additional firms will affect firms clustering negatively, since fewer firms will be visited due to a decrease in the search incentive of consumers.

Although the three models mentioned above analyze quality search, there are also others that analyze price search of consumers and its impact on the location decision of firms. One of them belongs to Dudey (1990), a price-search model with a sequential game structure that analyzes the location decision of firms. In the first step, firms with the same cost functions choose their location in a linear city. Then, consumers choose from which marketplace they will buy the product. In the subsequent step, firms set their quantity level as they observe the demand under the Cournot competition. Lastly, depending on the price level they observed at the marketplace they have already chosen, consumers decide whether or not to purchase the good. In this setting, the imperfect information of consumers on price is modeled through the marketplace decision of consumers (and thus prices) before the decision of firms on quantities. Since consumers have no transportation cost in this model, and since an increase in the number of firms will decrease the expected price offered by the firms in the cluster as the firms engage in Cournot competition within the cluster, they will choose the location where the number of firms is the highest. As a result, if all firms are located together, it will not pay any single firm to move to

another location because consumers will correctly predict that such a firm will charge the monopoly price in some of the Subgame Perfect Equilibria. Thus firms will choose not to move away from others and stay in the cluster.

To wrap up, the comparison shopping models covered above have the purpose of explaining the common observation of clustering of firms selling homogenous products as in the linear city model of Hotelling. Since they also include the consumers' search problem under asymmetric information, there are additional results of these papers to those of Hotelling, which should be noted here. In comparison shopping models, the firms are under the influence of two counteracting forces while making their location decisions: a negative *substitution effect*, due to the competition of firms located nearby, and a positive *market area effect*, generated from the joint location of seller (Stahl, 1982).

While the former effect is already stated and emphasized in Hotelling's model, the latter differentiates search models from the model of Hotelling: Focusing on search costs in addition to costs of transportation, these models enable the firms located together to create demand externalities onto each other: it always pays an isolated firm selling goods that are subject to comparison shopping to encourage its competitor to locate nearby (Eaton an Lipsey, 1979). Furthermore, the demand drawing power of the market will increase as the isolated firm enters that cluster and confer an external benefit to the sellers already settled there (Stahl, 1982).

Social optimality of the firms' location is another issue here to be considered. In his model with transportation cost minimization problem, Hotelling (1929) argues that clustering of the two firms is not the optimal result, since the aggregate cost of transportation is minimized if one of the firms will be located at the

other end in the linear city with unit length, where one of the extreme points of the city is labeled as zero and the other as one. It is not necessarily the case that the equilibria (either with one or multiple cluster) will imply optimality, since the marketplaces are not necessarily located at the points where transportation costs of consumers are minimized (Wolinsky, 1983). However, Eaton and Lipsey (1979) argue that as the number of firms increase, social optimality will also improve, since, according to their model, the number of firms in a cluster is bounded with four, and the marketplaces, in equilibrium, are located equi-distantly.

Multi-Purpose Shopping Models

So far, we have focused on the location decision of firms when consumers need to buy one particular product. However, what we generally observe is that consumers prepare a shopping list before going for shopping, so they need more than one product. This is because either they choose to wait for the time they will need a bunch of goods before going shopping, or they initially store a certain amount of each product according to their consumption decisions so that all the products will drop out at the same time and eventually they will have a number of products in their list before going shopping, or both. The multi-purpose shopping models depart from the observation that consumers choose to buy their needs at one time because shopping trips are costly in terms of both transportation and time, and as a response consumers choose to minimize these costs due to the indivisibilities[20] of shopping activity. Thus, consumers choose to buy all their needs in a single shopping trip. Economies of scope in travel induce complementarities in the market demand for

[20] A commodity is indivisible if it has a minimum size below which it is unavailable, at least without significant qualitative change. Indivisible inputs yield economies of scale and scope. But even where indivisibilities impose large fixed costs, if they are not sunk, potential competition can impose behaviour upon incumbents that is consistent with economic efficiency. (see www.dictionaryofeconomics.com)

goods that would otherwise be viewed as independent by consumers (Thill, 1992).[21] Since consumers may choose to visit a cluster rather than a single firm located closer to her home, firms will have an incentive to agglomerate.

The multipurpose shopping models are originated from the "central place" theory, a branch of human geography. The seminal work on this theory belongs to the German geographer Walter Christaller. His work was first introduced in German in 1933, then refined by German economist August Lösch[22], and then translated into English in 1966. In *Central Places in Southern Germany*[23], Christaller aims to clarify how the locations of retail places are determined as well as why the hierarchy of central places are observed in the geography of urban space, i.e., why some of the central places provide many goods while other central places just a few, and whether there exists a geographical rule that determines the locations of these central places in an hierarchical order. He begins his analysis with the assumption that different products have different market areas: if products A and B are provided at the same spot, and if A is the good which is of higher order, product A will attract a greater market area than product B, by definition. In other words, product A has a greater range, where the range of a good is defined as "the distance up to which the dispersed population will still be willing to purchase a good offered at a central place" (Christaller, 1966, pp. 49-50). Since lower as well as higher order products should be served to the entire city, the subsequent argument of Christaller is that lowest-order goods and services are available at a large number of locations, whereas

[21] O'Kelly (1983) calls this phenomenon as "passive interdependence".

[22] Here I briefly introduce Christaller's central place theory and do not go into Lösch's refinement since the discussion is beyond the scope of this paper.

[23] Although his work is originally intends to describe the relationship between central places (cities and towns) and the hinterlands they served (Murray, 2009), this theory can also be used to explain the formation of places, like arcades or bazaars, where different products are provided.

highest-order goods at only a small number of locations (see also Malczewski, 2009). Thus, in an unbounded isotropic (i.e., has the same properties everywhere) and limitless surface and with an evenly-distributed population, Christaller argued, there will be retail places located equidistant from each other, and while some provide a wide range of products some others will just provide a few with small product range. The locations which provide a high number of products are ranked at the top echelons of the hierarchy, as a result of this theoretical analysis.

Although the model in *Central Places in Southern Germany* provides an explanation for the emergence of central places (or, clusters) that provide complementary goods and contains much fruitful intuition about the economic processes that might give rise to this, it is considered to be a geometric and also mechanistic work since it does not consider a strategic reaction of firms to the consumer's behavior on shopping (Eaton and Lipsey, 1982). This model rationalizes a state of affairs that is feasible, but it does not point to any evolutionary process by which firms' logical arrangements at central places could have come about (Houston, 1953). In contrast to the Hotelling model, firms do not adopt a strategic behavior, and the location decisions of firms do not affect the price of the good or the market share.

The multi-purpose shopping literature emerged thanks to the previous studies in which consumers' incentive to purchase more than one product in a shopping trip (or, making multi-purpose trips) was emphasized as a notion that must be integrated into the retailers' location decision analyses in economic geography. Hanson (1980), for example, argues that there exists a spatial diversification in the individuals' habitual pattern of destination selection, and this diversification occurs due to their visiting more than one location in each trip. An explanation, according to Hanson, for consumers' engagement with multipurpose trips, where the trip maker

pursues more than one purpose in a multi-stop trip, can be due to the fact that one's needs for two or more goods or services may coincide in each time. Wilson (1978), Hanson (1979) and O'Kelly (1981) suggest a link between these multipurpose trips and the more general problem of facility location. The multi-purpose shopping models fill this gap in the literature.

One of the studies that consider the consumers' multi-purpose shopping behavior in determination of firms' location decision belongs to Eaton and Lipsey (1982). The paper begins with a criticism of Christaller's central place theorem: they argue that the existing central place theory is a theory of the location and the agglomeration of firms in which no firms ever choose their location and in which there are no economic forces that create agglomeration. Thus, in their study, they intend to "begin the development of a theory of central places that is based on maximizing behavior of economic agents" and also provide an answer to the question as of why firms selling goods which are different in both type and hierarchical order tend to cluster together (Eaton and Lipsey, 1982, p.56). In one dimensional unit-length market with uniformly distributed consumers, there exist a number of firms selling either good A or B, which decide on where to locate in order to maximize their profits, given the distribution of consumers in the city and their utility maximization problems. Since the activity of shopping is constrained by the indivisibility of shoppers, consumers will economize their transportation costs, if they combine their trips to shops selling different products. This incentive of shoppers will result in creation of demand externalities of firms onto each other and clustering of firms, since consumers will choose to go to a cluster rather than a single firm even if it is located near the consumers' location due to indivisibilities. The extension of this paper to the original central place theory is the introduction of

utility maximizing behavior of consumers and profit maximizing behavior of firms. However, since the paper takes the location of high-order firms as permanent while considering the location decision of newly entering lower-order firms, this model does not take into account the strategic choice location problem.

Ingene and Ghosh (1990) overcome the weakness of the previously mentioned model on the exogenously given location of high-order firms by introducing storage and transportation costs. With the introduction of storage costs, they aim to show that there exists an opportunity cost between transportation costs and storage costs: "By shopping less frequently than they consume, households can decrease their transportation costs at the expense of greater storage costs" (Ingene and Ghosh, 1990, p.70). The market introduced in this model is an unbounded line, with uniformly distributed consumers. There exist two types of retail outlets in the model of Eaton and Lipsey (1982); each specialized in selling a single good. Households have perfectly inelastic demands for the goods, and they distribute their purchases of these goods over time as well as the retail locations in a manner that minimizes their total shopping costs. Their total shopping costs are composed of cost of the goods, linear transportation cost in-store cost (dollar value of time spent in each outlet) storage cost (either depreciation/spoilage or implicit interest expense of household inventory). In the model, goods provided in different retail outlets are categorized as low-order and high-order, since the model aims to provide an economic interpretation of the central place theory as well. The one with greater demand or with lower operating fixed cost of the retail outlet is defined as the low-order good. Under the assumption of fixed prices charged by the same type of firms as well as equal in-store costs within those retail outlets, households visit the nearest low-order outlet while making single-purpose trips and visit the nearest

agglomerated site for all multipurpose trips. In the equilibrium, firms providing high-order goods are located equidistantly to each other since there is no economic incentive of clustering of them on an unbounded line, and at least one retail outlet providing low-order good is located with them. As, under some certain conditions, households engage exclusively in multipurpose shopping (i.e. no one goes to single-purpose shopping), there will be no lower-order firm located far away from high-order good providers.

While Eaton and Lipsey (1982) and Ingene and Ghosh (1990) analyze the location decision of two firms selling different products, Thill (1992) provides a model with again two types of firms, but one of which selling two types of products and the other selling only one type. Firm x, selling both good 1 and good 2 is a high-order firm, and firm y is a low-order firm, where only good 1, the low-order good is sold. The model has quite similar assumptions to those of Hotelling (1929), apart from the homogeneity of goods. Firms solve a location-price problem in a linear city with uniformly distributed customers: they first decide on their locations, and then the prices they charge. The variables firms can decide on are the price of good 1 and their location, since the price of good 2 is assumed to be fixed. The transportation cost of customers in this model is quadratic.[24] To save on travel costs which are independent of the quantity purchased, consumers are assumed to buy good 1 each time good 2 is on their shopping list. The total cost of the consumers is defined in this model similar to that of Ingene and Ghosh (1990), and individuals determine their shopping schedule endogenously over a period of time in order to minimize that cost. In the model, consumers are constrained to visit firm x in order to buy good 2,

[24] Note that such an assumption in the work of Hotelling (1929) would result in maximal differentiation (i.e. firms to be located at the extreme points of the city) (d'Asparemont et al., 1979).

but free to choose either firm x or y to buy good 1. Under these assumptions, we expect them to purchase good 1 from firm x as they go for multipurpose shopping. In this setting, and when the number of times a unit quantity of good 1 is bought over a certain period of time is sufficiently large compared to that of good 2, multipurpose shopping is not a common practice and good 2 plays a limited role in the competition that takes place on the market for good 1. Thus, the maximum spatial differentiation is observed, as in the study of d'Asparemont et al. (1979). However, when multipurpose shopping is a common practice, firm y compensates for its own disadvantage by moving closer to firm 2. So, it can be concluded that multipurpose shopping generates a force for agglomeration. Nevertheless, since firm y would make zero profits, the agglomeration of all firms to one single cluster is never observed.

So far, all of the models that are reviewed were on non-cooperative agglomeration of firms, and two main behaviors of consumers are highlighted as an effect on the clustering decision of firms: *i)* search of the consumer for the best quality or lowest price in the market, *ii)* one-stop shopping in order to minimize the costs of transportation while purchasing more than one products. These phenomena are behind the emergence of retail places in general. In the following section, the models that analyze specifically the creation of shopping malls will be reviewed and discussed.

Planned Clusters – Shopping Malls

The previous section was devoted to the agglomeration analysis where entry by independent firms or retailers to clusters was possible. Those models basically explained the reasons for the firms to agglomerate and form clusters. However, when we consider shopping malls, we cannot define those retail places as a simple cluster

of a number of firms – there places appear as purposefully built and designed areas for shopping, which are generally owned by a developer. So, the studies covered in the previous section are not able to answer the following question: why firms (and also consumers) choose a planned retail place rather than a simple cluster of firms? This section aims to touch upon other studies explaining this phenomenon. Briefly, this section will focus on the economic organization of the shopping mall.

Shopping mall is a planned retail place where an architectural theme is combined with pedestrian walkways, air conditioned and clean environment, isolated from heavy traffic and chaotic city experience, includes a shop-mix of stores[25] and extra facilities such as free-parking[26], concierge services, security, mini-concerts, advertisement campaigns. These properties of the shopping mall make them a place of attraction with greater number of shoppers who visit the mall for shopping,[27] and thus contribute to the sales potential of the retail firms located in the mall due to the high demand generated to the place. In order to provide these extra facilities in a cluster, theoretically either firm has to cooperate (which is contrary to the case in the agglomeration literature) or there should exist a service provider that would make bilateral agreements with the firms, but we observe only the latter in practice. Thus,

[25] As noted in the study of Eaton and Lipsey (1982), when a developer of a shopping center exists and is allowed to exploit the opportunity created in a shopping center, the number and composition of firms will be chosen according to a joint-profit-maximizing number. The studies of Gould et al. (2005) and Pashigian and Gould (1998) model the shopping mall developers' decision on the number of firms to be allowed to enter the mall as well as the determination on rental rate fees to be charged to each firm. The interesting result they all come up with is that, due to the inter-store externalities generated, the firms that attract higher demand are charged less and thus the externalities are internalized since less-demand-generating firms have to pay more and cannot free-ride the already generated demand anymore.

[26] Free-parking service may not be provided in shopping malls located in central business districts, but this should not be considered as a counter-example, since the people driving to their work from home would like to use those parking lots and free-ride the service provided by the malls. See İnci and Kasker (2011) for a detailed analysis.

[27] The following section on clubs will also discuss whether the mall gains another property of becoming a leisure-time spending place for its visitors via the inclusion of extra services.

firstly the models in which a shopping mall developer exists and acts as the service facilitator to its customers will be reviewed, and then the reason why firms choose to sign contracts with mall developers and let them exploit the surplus created rather than cooperating will be discussed and analyzed.

The main question one should keep in mind in this section of the study is the following: what are the main characteristics of the shopping mall that enable it to emerge as the contemporary retail place? In other words, what differentiates it from the other retail places (viz. bazaars, arcades, and shopping streets) from an economic point of view? One characteristic of the mall is being an intermediary, or a meeting place, for two specific groups of agents, i.e., consumers and firms, since it is a place of destination for consumers to visit the shops located in it, and also firms choose to be located in the shopping mall to reach those customers. In that regard, the models in the first part of the section will analyze the shopping mall sector as a "two-sided market": Here, the mall will be considered as a platform as an intermediary that provides a service (i.e., a place to meet) to two different groups of agents that create cross-group externalities[28] onto each other in order to extract the surplus created out of the this interaction of the two groups. These two groups create positive externalities since customers will enjoy more with the shopping mall experience as there are more firms to visit (either to compare the differentiated products or to reach a greater bundle of commodities), and firms further enjoy being in the shopping mall as there are more customers visiting it, which has a positive impact on demand.

The two-sided market literature aims to analyze the pricing decision of the platform – the fees to be charged to these two different groups of agents. Although

[28] Which is not touched upon in agglomeration literature: that literature only discusses the intra-group externalities of the firms.

the literature can apply to a wide-range of economic sectors, here the focus will be on the shopping mall sector. Following a brief introduction of the two-sided market literature, I will focus on one specific type of two-sided market models to depict the shopping mall case which is called "competitive bottlenecks"[29]: In those models there exists more than one platforms (two, for simplicity) and while one group of agents (i.e., firms) choose to locate themselves in all of the platforms, the other (i.e., consumers) chooses only one among all.

The analysis made by those models is capable of explaining what we observe in shopping malls: while firms have to pay high rents in order to be involved in a mall, customers are subsidized by the platform and are free to enter with no entrance fee and even provided with extra facilities which can be considered as a negative price charged by the platform. I will present this result of extra facility provision as another characteristic of the mall in the second part of this section. I will use this characteristic in order to classify shopping malls as "clubs" in the parlance of Buchanan, since club good provision of shopping malls is not discussed to a great extent in this literature. The reason for making such an analysis is to demonstrate why firms themselves do not (or cannot) get together and provide these services by themselves—in other words, why they need a developer in order to provide these services. Focusing on those issues, the aim is to shed light on what differentiates a planned cluster (i.e. the shopping mall) from an unplanned one (i.e. the shopping street) in a more general sense. In order to analyze the reasons behind the shopping mall formation rather than taking shopping mall as the given retail place, I intend to provide a theoretical explanation for the firms choosing to cluster under a mall

[29] The model is called "competitive bottleneck" since, as will be discussed in the following, while the platform competes on one side of the market acts as a local monopoly on the other side with no competition. For detailed analysis of special cases on the literature, see Caillaud and Jullien (2003) and Rochet and Tirole (2003).

developer rather than an unplanned cluster in two pillars: *i)* coordination problem, *ii)* power and network relations.

Two-Sided Market Literature

A growing number of industries are organized as the so-called two sided markets, and shopping malls are included among those. Putting it simply, in a two-sided market there exists a platform which enables the interaction between two or more groups of users[30], generating indirect network externalities onto each other, i.e., as the number of agents subscribed to the platform increases, the benefit of each agent on the other side of the platform increases (or decreases, if the network externality is negative). Since network models also analyze externalities created by agents in an economic interaction, the two-sided market can be categorized as a branch of this literature as well but with its emphasis on the market intermediaries. The two-sided market models include a platform that serves as a place or space for interaction of different groups of agents that create inter-group externalities onto each other. In this setting, the platform determines the fees to be charged to these groups of agents in order to maximize its profit and extract the surplus created by the positive externalities. In that regard, this literature mainly focuses on the platform's decision and its effects on the network size in equilibrium.

So, in the two-sided market literature, shopping malls are considered as platforms where firms and consumers engage in market interaction.[31] The most crucial feature of those models is the cross-group externalities created via this market interaction of the two groups: when the number of firms increase in a shopping mall,

[30] In general, the cases with two groups of agents are analyzed.

[31] And the underlying assumption is that those platforms are the only place where firms and consumers interact.

the fixed number of consumers get higher utility from reaching this shopping mall, and similarly, an increase in the number of consumers when the number of firms is fixed results in an increase in the utility (or the expected level of sales, so to say) of firms. The underlying assumption is similar to those models that are covered in the agglomeration literature section: consumers want to minimize their cost in the search process, or via multipurpose shopping, and thus an increase in the number of firms contributes positively to their level of utility, and the firms want to enjoy a increase in the number of consumers since this increases the sales potential. The cross-group externality is the main reason for the shopping mall emerging as a platform and a service provider for both groups: the developer aims to exploit the opportunity created, as Eaton and Lipsey (1982) mentioned. In this setup, the developer maximizes the profit of the platform by determining the fees to be charged to both groups. The number of agents to be allowed to benefit from the service provided by the platform is also determined with the pricing decision of the mall developer.

Since platforms serve several group of agents that generate indirect network externalities onto each other, their function is to internalize these externalities, and appropriate the surplus created out of the market interaction of those two groups. There exist three main factors that determine the structure of entrance fees charged by the platform, as mentioned in the study of Armstrong (2006). First one is the relative size of cross-group externalities: the group of agents that generate greater externality to the other side of the market will be targeted more aggressively by the platforms.[32] The logic is as follows: as the subscription fee for agents that generate high externality to the other group decreases, more agents from the same group will be subscribed to the platform. This, in turn, will increase the utility of the agents at

[32] Rochet and Tirole (2003) refer the more valuable agents as "marquee buyers".

the opposite side of the platform, and the willingness of those agents to enter the platform will increase as a result. Thus, the platform might charge higher fees to the latter group, and make a higher profit compared to the initial state, due to the high level of externality created on the latter group by an increase in the number of agents on the former. In that regard, Rysman (2006) emphasizes that we may observe prices (i.e. fees charged by the platform) below the marginal cost of providing the service, since the pricing decisions also include the elasticity of the response on the other side and the mark-up charged to the other side – a result which we do not observe or consider as a market failure in ordinary, one-sided, markets.[33] The price might even be negative at one side of the market if there is no restriction of non-negativity. Another factor that affects the pricing scheme of the platform is the type of the fee. It does not affect the pricing structure of the platform to impose either a fixed-fee or per-transaction charge when the platform is a monopoly, but when there exists more than one platform in the market, per-transaction fee enables an agent to pay only for successful interaction, and thus changes the structure of the game in such a way that the agent does not need to worry about how well the platform performs on the other side. The last and most strongly emphasized factor in the literature is the decision of agents on how many platforms to enter in whenever there exists more than one platform: An agent is said to be "single-homing (multi-homing)" if it chooses to be subscribed to only one platform (several platforms). The generally observed market structure in practice is the "competitive bottleneck" model, where one group of agents chooses a single-home and the other multi-homes. For example, the same advertisements appear in several newspapers, but readers choose to buy only one

[33] Providing low prices to one side in order to attract more agents that belong the other side is considered to be a strategy to solve the problem of attracting both groups to the platform, which Caillaud and Jullien (2001) refer as "divide-and-conquer" strategy.

newspaper; or while consumers choose to hold only one credit card, retailers make agreements with several credit card companies.[34] Similarly, what we observe in the case of shopping malls is that firms open up their stores in many shopping malls, but consumers choose to visit the shopping mall which is either in the vicinity or mostly preferred or both.[35]

The study of Armstrong (2006) is one of the seminal papers in the two-sided market literature and provides an overall analysis of different market structures under three headings: a monopoly platform, a model of competing platforms where both agents single-home, and a model of "competitive bottlenecks" where one group of agent single-homes while the other multi-homes. The first two of these models are the simplified version of the last one. Although what is generally observed in real-life situations is very similar to the competitive bottleneck models, the simplified versions are also useful in clarifying the results emerging out of the two-sided markets. Armstrong does not analyze the case where both agents multi-home, since when one of the groups multi-home, there is no reason for the other to multi-home as well.[36] Also, the structure of the models are exogenously determined – i.e., the conditions for single-homing of either both groups of agents or only one of them multi-homing while the other single-homes are analyzed. In the monopoly case, the prices set by the platform increase by the cost of providing service and decrease by the marginal benefit that the particular group generates to the other side of the

[34] For additional examples, see Armstrong (2004).

[35] It would be reasonable to ask how shopping malls differ from each other as all firms enter to all platforms. My argument is that these models just simplify what we observe in practice: Shopping malls choose which income-group to serve and select the type of firms to house accordingly, as a result of a catchment area analysis. Also, shopping malls provide additional services to both markets, such as security service, cleaning, air-conditioning, traffic-free environment, mini-concerts, concierge services, etc. which, again, differentiates one shopping mall from another.

[36] Armstrong (2006) gives the following example to clarify this argument: "If all native French speakers also speak English, there is less incentive for a native English speaker to learn French".

platform. Thus, observing zero (and even negative) prices is possible, even in the monopoly case, in order to attract those agents who do not enter the platform even if it is for free. In the model where both agents single-home when there exists more than one platform, Armstrong (2006) thinks of a linear city where two platforms are located at the extremes and both agents incur a transportation cost in order to get to these platforms. At the end, the platform charges a lower price to the agents compared to the first section of the original Hotelling model with fixed locations of the firms at the two extremes of the city since positive group-externalities among groups cause platforms to compete harder for the market share. In the competitive bottleneck model, the multi-homing side has no choice but to interact with the platform in order to reach all agents of the single-homing group. Thus, the platforms act as local monopolies, and they use their monopoly power on the multi-homing group by extracting the whole surplus on that side and use their monopoly profits to attract the single-homing side, which in turn increase the benefit of multi-homing side again via indirect positive externalities. As a result, the shopping mall will charge lower price to its customers (and again the price might be negative). The prices charged on the multi-grouping side, on the other hand, will not be extremely high since large variety of shops attracts consumers. However, compared to the case where social welfare is maximized, the platform will charge higher price to the firms: thus, the rents will be too high and too few shops will exist in a shopping mall, consequently.

Armstrong and Wright (2007) extend the general framework on the two-sided network analysis of Armstrong (2006) by endogenizing the single-homing and multi-homing decisions of the agents. The paper argues that when the benefit from subscription to any one platform is sufficiently high –so that agents will not choose

to subscribe to none of the platforms— and marginal transportation costs are higher than agents' marginal benefit from additional subscribers belong to other group, all agents will choose to single-home. Similar to the results of Armstrong (2006), prices charged to agents will be decreasing in network benefit parameter (i.e., how much agents benefit from additional subscribers belonging to the other group). Also, similarly, this model demonstrates that the group of agents that make the platform particularly attractive to the other group will be subsidized. To analyze the case when one of the agents or both choose to multi-home, the paper relaxes the assumption that transportation costs are larger than network benefits. Armstrong and Wright (2007) find the general conditions under which there are symmetric competitive bottleneck equilibria in which all agents that belong to one group multi-homes while the other group of agents single-homes. Roughly, the conditions are such that when the group of agents choosing to multi-home values the other group strongly and supply costs are not too high. In a simplified version of this analysis, only one side of the market cares about the platform performance since one of the group is assumed to be generating no externality on the other side of the market, while the other generating positive externality. In this case, the demand of the group generating positive externality on the other side to the platform is simply determined by the Hotelling condition; thus the platforms hold monopoly power over the other group, generating no externality. In equilibrium, the power of platforms enables them to extract the whole surplus, as in the competitive bottlenecks model analyzed in Armstrong (2006). These results also apply to the generalized version, where both of the groups generate positive externalities onto each other, and value the platforms' performance on the other side of the market. In equilibrium, single-homing agents are again

subsidized, since price-cost margin for them is either equal to zero or negative (Armstrong, 2006).

In this general framework of the two-sided market models, as mentioned before, shopping malls are considered as "competitive bottleneck" markets, since customers generally choose one among many shopping malls, and the chain stores locate their stores in many of the shopping malls. Firms choose to multi-home since they value the other group of agents strongly (i.e., consumers generate high externality onto firms) and supply costs of the firms are low (for a chain store, for example, opening another one in another mall would not add much to the operation costs of the firm). Thus, consumers represent the single-homing side of the platform, and firms represent the multi-homing side. Consumers choose only one platform among the two competing platforms and firms locate in both of them since uniformly distributed firms in a linear city have zero transportation cost (and thus consumers do not need to visit a second shopping mall as they will find the same stores only if they do so). Since the number of firms is equal in both platforms, platforms compete in attracting as many customers as possible – the greater the number of consumers, the higher the sales potential of the firms and the greater the opportunity to exploit for the developer. Thus, the mall developer may charge zero prices (even negative, when the price is not restricted to be non-negative) to the consumers under certain conditions in the equilibrium and cover the costs of providing service to the consumers by extracting the entire surplus from the firms. This model can clearly explain the reason why we do not observe shopping malls charging an entrance fee to the consumers and even providing extra facilities. Since these facilities in the mall are provided to the consumers as an extra service apart from the main purpose of shopping, they can be considered as a negative priced charged to those shoppers

since the services allow them to get more utility from their involvement with the mall. Although the mall developer would be willing to give money to consumers to make them enter the mall if the equilibrium price charged to those is negative, in practice such an exercise would not be implementable – the consumer would take the money and spend it somewhere else without entering the mall, and come back again, take the money and this goes on and on. Instead, the developer provides extra facilities that attract consumer demand to enter the mall which are not provided on an ordinary shopping street.

Briefly, when consumers and firms engage in market interaction in a shopping mall, they allow the developer to exploit the opportunity. When the externality created by the consumers onto the firms are considered to be higher than the externality created by the firms to consumers, the mall developer decides to subsidize the consumers since the increase in their number generates higher surplus than the case when they are not subsidized to some extent, since the loss on the consumers' side will be covered by the increase in the rents charged to the firms. When there is more than one platform, the decision of the firms to locate all platforms if they decide to enter the mall (since they value the other group strongly and their supply costs are not too high) results in the shopping malls to compete only on the consumers' side of the market, while they act as local monopolies on the firms' side. Thus, the shopping malls' decision to provide extra facilities is actually the negative pricing decision of the mall developer on the consumers' side in order to increase its profits, since either the consumers create greater externality on the firms' side, or supply costs of the firms are not too high (or both). These services include provision of an enclosed area excluded from the car traffic, free-parking and security

services and free entertainment activities such as mini concerts and children's entertainment.

Those services appears to be the properties that distinguish shopping malls from other retail places and that cause both the consumers and the firms choose to enter the mall rather than another market place. In other words, the extra facilities provided by the shopping mall developer turn the shopping mall into an environment which is only attainable in these malls, since these facilities are not provided in any other type of clusters. But why is it so? Why firms located in another retail place to not provide those services themselves via acting cooperatively if this generates higher demands, or why the firms again do not act cooperatively in order to run their own shopping mall business and rather allow the developer to exploit the opportunity created? In the following section, I will define shopping malls as "clubs"[37] that attract consumers by providing these facilities, and also the firms since the "club" provides the services readily to them as catalysts of demand. Using this definition, I will try to uncover the reasons of these services being provided only under the existence of a mall developer in practice and clarify the economic rationale behind the mushrooming of shopping malls within globe from the mid-1950s onwards.

[37] The term "club" was first theorized by Buchanan in order to define the goods which are neither private nor public in nature; and those are enjoyed by a restricted group of agents with membership. In the case of shopping malls, as mentioned in the review of the two-sided market economy, only the firms are charged a "membership fee", since malls choose to compete in attracting as many consumers as possible. The facilities provided by the mall can be considered as "negative membership fee" charged to consumers. Although competition in consumers seems to contradict with the definition of club good since it is enjoyed by "a restricted group", still the affordability of the products sold or market segmentation in malls restricts the number of agents integrating in a mall. The issue will be discussed in the following section in detail.

Shopping Mall as a Club Good

As mentioned above, shopping malls work as platforms that meet two groups of agents: firms and consumers. Both groups enjoy being a part of the platform, since it provides extra facilities that attract the demand for visiting the mall and indirectly firms' products from the firms' point of view, and create a public atmosphere that individuals might enjoy while shopping –or the other way around, i.e. shop while enjoying the environment— from the consumers' point of view. In that regard, one of the underlying assumptions of two-sided market models is that firms and consumers have to enter the mall in order to engage in a market interaction. However, it is already mentioned in the review of the agglomeration literature that firms form clusters as a non-cooperative decision even when there exist no initially located platforms in the linear city. So, the existence of an intermediary, a platform or a service facilitator, is not necessary in order to observe the clustering of firms. Thus, there have to be some additional characteristics of shopping malls that can explain the decision of firms and consumers to choose the mall rather than a shopping street, or any other retail place. If the analysis of shopping mall formation is limited to two-sided market modeling, this dimension is only partly clarified, since the shopping mall is assumed to be the only place where firms and consumers engage in market interaction.

Another assumption of the literature is that there exists a developer, or a group of managers, that act as a unit in the mall. Should it not be possible for a retail place that contains all the characteristics of a mall to be managed by the group of firms acting cooperatively? Even though the reason for the two-sided markets adopting this assumption is due to the observed tendency of all shopping malls being

run by a developer[38], a clarification on the reasons for not observing firm cooperation in running the mall business will be a contribution to the economic analysis of the malls, and also the literature. In that regard, shopping malls will be viewed as acting as a "club" that both agents are involved. This feature of the malls is not analyzed in a great extent in the literature, although mentioned.[39]

A club good, by definition, is non-rival but excludable. A shopping mall can be considered as a club since it provides extra services that are not provided in other retail places, and also limits the number of agents benefiting from these services. A club formation limits the number of agents, since while members benefit from an increase in their number as the cost of the good or service is shared among themselves, they also get a disutility from the crowdedness. Thus, the number of members should be determined so that the marginal benefit (i.e., a decrease in the cost) from an increase in the number of is equal to the marginal cost (i.e., crowdedness) of it. While this aspect is not mentioned in the two-sided market in the literature, there is a restriction on the firms' side of the market according to that literature, since the mall developer can maximize its profits in this way (under the inter-group externalities assumption). While the two-sided market literature can explain the limitation in the number of firms, the argument on the consumers' side is that a mall will aim to attract as many consumers as possible, since the aspect of consumers deriving disutility from an increase in their number is not mentioned. Thus, while the two-sided market literature explains only the limitation on the number of firms by the mall developer, the club literature can be used to explain the

[38] And also the definition of shopping mall includes this as a characteristic of the mall. See Chapter 1 for the definition at page 3.

[39] See Webster (2007) and Manzi and Bowers (2005) fora brief discussion on the club property of the mall.

limitation on the number of both groups of agents by introducing the characteristics of the mall. This also indirectly explains why there are more than one shopping malls in the market: in the case where there exists only one gigantic shopping mall that serves all the consumers in a city, an entrant will be able to steal consumers from the incumbent since *i)* the consumers living close to this newly constructed and operating mall will decide to visit that one in order to minimize their transportation costs, *ii)* some of the consumers will shift to the other mall since this will lead to a decrease in the crowd.

As mentioned, a shopping mall has the club properties for not only limiting the number of agents but also for providing extra services which are not provided in other types of retail places. On the one hand, the extra services provided by the shopping mall to the consumers' side of the market as a substitute for negative charge fee has already been discussed in the previous section. These services turn the shopping mall into an ordered, air-conditioned enclosed environment with free-parking service as well as entertainment facilities and theme parks in addition to stores selling consumption goods. What is not emphasized in the two-sided market literature about these extra services, on the other hand, is the following: As a result of this extra service provision, shopping malls become a club for the individuals not only for shopping but also to get socialize. To state differently, shopping malls become a substitute for the public-areas of the urban city such as public squares and streets where people get together. Thus, the mall appears to be a place of attraction thanks to this new feature as a contemporary (sub)urban place adjunct to the club goods provided. Increase in demand for the mall is due to those services, and thus firms also decide to enter the mall due to the demand attraction capability of the mall. So, from another point of view, those services provided to consumers are in

fact also provided indirectly to the firms due to inter-group externalities, which again previously mentioned. This explains the reason for the consumers (and partly of the firms) choosing the mall rather than other retail places. On the other hand, opening a store in a shopping mall is costly for the firms: they heavily burden the operation costs of the mall since the mall developer chooses to compete aggressively on the other side of the market, and also the surplus created by the intergroup externalities is extracted by the developer. If, however, all the firms that decided to enter in one particular mall would instead decide to cooperate and run their own business, they could keep the surplus – and this bring us to the second question: why they choose to outsource the service rather than cooperatively providing themselves. So, there has to be some additional services as well (which are again not discussed in the two-sided market literature) provided by the mall developer to the firms' side of the market that overcomes some problem that firms are faced with in running and operating a shopping mall business cooperatively. In that regard, I will analyze that problem of firms in two pillars: *i) coordination problem,* and *ii) power and network relations.*

In order to analyze the coordination problem of firms, let's assume that firms located already in a shopping street try to turn that space into a mall-like environment just for simplicity in the very beginning: to manage this, they will need to build a glass roof that makes the customers feel comfortable in rainy or cold days, also build entrance gates and hire security guards (so that the mall will be monitored), renovate the street with a fancy architectural theme, hire cleaners to keep the orderly look of the environment, and include a valet service for the consumers riding from their home, running some collective advertisement campaigns in order to increase the total demand in addition to all those, and add up some extra facilities like mini-concerts, entertaining activities for children, exhibitions, etc. Firms will

have an incentive to put effort into creating this mall-like environment since open access shopping streets within easy reach of dense populations tend to deteriorate progressively due to overuse. The cooperation of those firms creates an incentive to discover creative resource-preserving and enhancing solutions: since firms cannot separately provide such services due to the high costs attached to the provision of those services, cooperation will bring cost-effectiveness in those investments that are expected to yield increased revenues. Thus, firms would like to cooperate to preserve the quality level of the street and also enhance the facility (Chen and Webster, 2005). In that regard, firms have to work as a team. In this teamwork, the contribution of the firms (in either capital or effort, or both) will generate positive intra-group[40] externalities: The contribution of one firm to the renovation process and business operation will benefit all other firms since they will be sharing the total gains from this investment at the end.

Now, consider such a simple game setup: There are two stages of the game where the firms initially decide either to act cooperatively with other firms to form the mall-like environment, or work with a developer in doing this, and then decide on the effort level they will choose from a closed interval in the second stage if they decide to cooperate. It is possible to work with a developer only when all firms decide to do so. In other cases, only the firms that decided to cooperate will form the mall-like place with their own effort and the others are left outside of this structure and keep running their business on the regular shopping street. Further assume that firms have the same effort cost function and the total gain will be used by all contributors since they put their effort to produce a club good. In order to focus only on the cooperation decision of firms and not the optimal number of firms in forming

[40] Here, the group refers to the group of firms.

the profit maximizing structure, I will adopt some assumptions that guarantee the inclusion of all the firms in the shopping street in the mall-like place if formed. Suppose, in equilibrium, there are a couple of firms remaining outside of the cooperatively formed retail place. For this case to be a Subgame Perfect Equilibrium, the firms have to be better off than the case in which a developer runs the business. Since it is already assumed that firms in a shopping street are worse off than the case in which a developer runs the business, and this is the main incentive for the firms to decide forming the new retail place. It is for sure that the firms chose to remain outside of this mall-like structure will deviate from their initial decision of "working only with a developer" to "entering the mall-like retail place and act cooperatively". Thus, actually, there will be no equilibrium in which some of the firms choose to stay outside if mall-like environment is formed. Keeping to those assumptions, now we will analyze the case in which either all firms act under a developer or all decide to cooperate.

Depending on the structure of the game (i.e., the type of the function of profit from investment depending on the parameters of the contribution levels of firms, the type of the contribution cost function –either linear or quadratic), the second stage of the game has to have the properties of either a Prisoner's Dilemma Game or Coordination Problem Game[41]. In the former, the only equilibrium we have will be the one which is Pareto-inefficient, as firms choose to work under the developer, since it is always beneficial for a firm to choose not to cooperate with other firms whatever strategy the other firms' choose. If so, since there is no way to

[41] In order to make such an argument, there has to be two underlying assumptions: First is that the expected utility that the firms will have as they join the mall will be non-negative. The second is, the payoffs of the firms as they run the business collectively will be higher than opening a store in a privately-owned shopping mall. The latter assumption is made simply because the case in which firm benefit less from working cooperatively gives the result of ownership of the mall developer in equilibrium, and it is not that interesting to analyze since the result is straightforward.

move to another strategy pair which is Pareto-efficient since this decision of firms is one shot. In the coordination game, however, there will be more than one equilibrium: choosing either zero or full contribution are the two extremes, and there might also exist other equilibria. In such a setting, it is theoretically possible to reach the equilibrium in which all firms contribute to the formation of the mall like environment – either partly or fully. In this case, for simplicity, suppose the only equilibrium with full contribution makes the firms' better off than in the case when the services are provided by the project manager. Here, the main problem is how to get to this mutually beneficial outcome, which is contributing to the full effort.[42] If, on the other hand, the existence of a project manager guarantees equal or greater payoffs than the full effort equilibrium, then the firms would like to work with the manager, for sure. Thus, although it is possible for agents to enter bilateral transactions in order to internalize these externalities themselves, this might be costly due to transaction costs and free-rider problems to engage with in practice, and thus an intermediary can facilitate such coordination more efficiently (Evans, 2003).

So far, we have analyzed the case where the firms were already located in a shopping street and turning the retail place into a gated, controlled and renovated one in order to attract higher demand. However, building a shopping mall includes other costs as well, and these costs might become barriers for these firms in addition to the coordination problem itself. One of them is the high fixed cost adjunct to the large-scale mall investment: the construction costs have to be paid before the operation of the firms in the business starts. Therefore, firms need to collect enough money

[42] For a detailed analysis on which equilibrium will be chosen among many, see Schelling (1960) for the focal point theorem where all players choose the strategy that according to their expectations on the others' action; Harsanyi and Selten (1988) and Bowles (2004, pp. 45-46) for Harsanyi and Selten's theory on risk dominance where the Pareto-efficient outcome is chosen only when the product for deviation losses for the Pareto-inefficient equilibrium is higher than the Pareto-efficient one.

capital in order to handle the overall construction process. Since mall business necessitates a large-scale investment, the firms need to obtain credit. However, obtaining enough capital is problematic for this group of firms since the banks have asymmetric information on the riskiness of the mall investment, which necessitates those firms to pledge their assets as collateral—a rather difficult task for small-size firms. Whereas a mall developer to the extent that it has financial power and networks will be able to obtain credit more easily than a group of firms.

Even if they manage to collect the necessary amount of capital, they may still prefer to work with an entrepreneur who has easier access to credit than the firm owners do have under decreasing absolute risk aversion, i.e., getting richer means one "can afford to take a chance" (Mas-Colell, 1995, pp.55-56).[43] If so, transferring the financial costs to the mall developer enables the transfer of the risk of bankruptcy to that developer as well. In this case, the structure turns into the classical principal-agent problem where the risk-averter firms are the agents and the mall developer (who is either less risk averse or risk neutral) is the principal. Under this setting and the assumption of observable effort levels of the firms by the developer, the equilibrium is efficient.[44]

Another cost bared by the firms during the shopping mall construction, which is again not discussed in the literature, is the process of obtaining necessary permissions from the institutions in charge of urban and social planning such as municipalities, mayor municipalities, urban planning institutions and others for the approval of their shopping mall project. This process is even more costly in urban

[43] See Arrow (1971) and Pratt (1964) for further detail.

[44] See Hart and Holmstrorm (1987) for further reading. When there is a developer, it is for sure that monitoring will be a problem and thus effort levels of firms will never be perfectly known by the developer. However, this analysis is beyond the scope of this paper, and thus left aside.

landscapes since the city is already planned and full of other buildings as well as roads, parks and other public areas and thus it is harder to find a vacant commercial plot in which to fit such a large-scale construction. Since the commercial land is scarce, the total demand for the mall construction might not be met and therefore firms might have to negotiate with those institutions to buy the land and have the approval for their projects. One solution that those institutions come up with as a result of these negotiations is to convert the previously protected lands and recreational green areas to commercial lands simply by changing their status. The success of such negotiations, of course, depends on the "persuasive skills" of the group of firms, which is a property closely correlated with the network relations with those who work in those institutions, as well as financial power. The power and network relations, in that regard, become crucial and if the entrepreneurs are more powerful in that regard, again the firms would like to transfer this costly process to a developer.

Thus, in addition to the teamwork problem mentioned above, there will be some additional constraints that would prevent the firms from starting a shopping mall business on their own. Since shopping mall investment includes high fixed costs—i.e., the cost of building the construction, land costs, time consuming agreements and negotiations with the government and municipalities—firms might need an entrepreneur who has access to huge amount of financial credit, and/or has social links with the municipalities and thus can ease the negotiation process. The last among these two constraints appear to be important especially in the urban landscape –in contrast to suburban examples—, since the value of the land is high and the amount of land open to commercial business is limited.

As a result, the role of the shopping mall as a platform –that is, a space that facilitates the interaction between the retailers and consumers— is not the only one. The shopping mall developer also overcomes the constraints that the firms would have if they were to construct and run such a retail place on their own: these constraints are *i)* the need for credit in order to enter the business with a huge amount of fixed costs, and *ii)* the need for power and network relations in order to open up a space for their operations on the city landscape. The latter is observed mainly in the urban space since the shopping malls are suburban in the origin and need huge plots to be located on, and urban areas cannot meet this demand easily. These functions of the shopping malls, which I define as their property of being "clubs" is not mentioned in a great extent in the literature so far, and I have proposed here to consider this property of the mall in order to clarify not only the coordination problem of the firms, but also the provision of the power and network relations as a club good to those firms.

All in all, this chapter aimed to review the models demonstrating the economic reasons behind the formation of retail places in general and specifically of shopping malls. As denoted in the first section of this chapter, the agglomeration literature explains the clustering decision of firms as a response to the consumers' cost-minimizing behavior for shopping, which is visiting many firms in one shopping trip in a setting with search and transportation costs. While these models focused on the agglomeration decision of firms as a non-cooperative decision, the proceeding section aimed to clarify why and how the extra services are provided in a shopping mall which necessitates either cooperation among firms or the existence of a service facilitator (or, a mall developer) in order to interact with all of these firms located in the mall. While the two-sided market literature clearly demonstrates that malls

compete aggressively on the consumers' side and are willing to charge negative prices –or free services— to them. However, since they do not question the reason why the firms do not cooperate together in order to provide those services, I have referred the mall as a club where club goods are not only provided to consumers but also to firms. The shopping mall developer solves both their problem of coordination since some of them can easily free-ride the effort of others in providing extra services mentioned, and also the problem of lacking power and network relations in order to construct a shopping mall on a limited geographical space.

Although a microeconomic background for shopping mall development is covered through this chapter, one still needs to check whether these theoretical results are able to explain what is observed in practice. So chapter 3 will provide an analysis on the shopping mall development in both political-economic and sociological perspectives, and the results in chapter 2 and 3 will be combined to present the whole picture of the overall analysis of this study in the conclusion part.

CHAPTER 3

SHOPPING MALL DEVELOPMENT IN ISTANBUL

So far, this study provided a brief history of shopping mall development in its homeland, North America, and a theoretical explanation of the reason for their economic existence. This chapter, on the other hand, will analyze the development of the mall in a developing country, since recently the mall sector reached its maturity in developed countries and mall development shows a dramatic increase in developing countries as well as booming economies. The case of Istanbul, in that regard, may provide useful insights in clarifying the similarities and differences experienced in developed and developing countries. Began in late 1980s, the mall development showed a dramatic increase in 2000s in Turkey and especially in Istanbul, and this chapter tries to clarify the dynamics behind this by focusing on the Istanbul case. The first section adopts a macro perspective in demonstrating the global and local dynamics that prepared the historical background of the direction of the mall development in Istanbul that began in the late 1980s.

The following section, on the other hand, adopts a micro perspective in order to analyze the three groups of agents that come across in the mall and their roles in this marketplace: consumers, firms and mall developers. In order to provide a basis for the arguments made during this section of the chapter, the results on focus group studies and in-depth interviews are used.

The two focus group studies are held to gather information on why consumers choose to visit shopping malls rather than other retail places, if they do so. All of the individuals participated in these focus group studies are visitors of

shopping malls—some of them regularly visit the mall, and some visit very few, but they all know about the shopping mall environment, especially the ones that are located close to their neighborhood, and so far visited at least five different shopping malls in Istanbul. These participants are categorized according to their age groups. The first group of individuals is from the 25-30 age cohort formed of graduate students who work as assistants and thus relying on their rather limited assistant salaries. The second group of participants is from the 30-35 age cohort who are university graduates and are in the labor force for 5-10 years and working in the private sector, hence have a relatively higher income and purchasing power compared to the first group.[45]

While the results of the focus groups are used in order to provide a basis on the consumers' perception of malls presented throughout the study, the information gathered through in-depth interviews held with journalists and retail advisors is used in order to ground the arguments made throughout the study on firms' and mall developers' incentive for participating in the mall.

In light of all these studies, the impacts of the economic relation between those three groups of agents on the urban life and urban landscape are also analyzed in detail.

Urban (Re)Generation in Istanbul

The (re)generation of urban space is an ongoing process, influenced by political, economic and social transformations at both global and local levels. Since 1980s, we have been witnessing the so-called modernization of cities around the globe. The retransformation process of Istanbul also moved parallel to this phenomenon.

[45] See Table C in the Appendix C for detailed information on the number of participants as well as other characteristics in the appendix.

Following the adoption of neoliberal economic policies, the need for Turkey to attract foreign capital in order to perform economic growth has reflected on the urban space of Istanbul in the shape of business towers, five-star hotels, shopping malls, conference halls and gated communities. Even though some other cities in Turkey also got their share from this global change in urban space, Istanbul stuck out with its potential to become as global city with its historical background. An analysis that focuses on the evolution of urban space in Istanbul from a macroeconomic perspective will contribute to our understanding of the working dynamics of shopping mall development.

Although urban retransformation in the post-1980 period is a global phenomenon, local dynamics are essential to understanding the development of cities and their consequences in different localities or regions. In the case of Istanbul, there exist two main local impacts experienced in the pre-1980 period that affected the recent modernization of the city. In Medieval times, Istanbul was a central location of the trade roots and served as a capital city of previous empires, including Ottoman Empire. However, during the establishment process of Turkish Republic, Istanbul was not chosen as the capital: the intention was to minimize the impact of the Ottoman history on the newly established, democratic, secular nation. Thus, Istanbul had to face its destiny of losing its glory (Keyder and Öncü, 1993; Keyder, 2005; Keyder, 2010). The 1980s, however, became a turning point in Istanbul's destiny: under the new globalized economic conditions, as cities became fundamental to attract foreign capital and economic growth, Istanbul emerged as the brightest candidate global city in Turkey with its historical background. This heritage of Istanbul is the first local impact that affected the geographical evolution of the city. However, the city had a chaotic look due to the second impact on the city: In 1950s,

the populist regimes of Democrat Party, the government of the period, promoted the migration of peasants from rural to urban areas, especially to Istanbul, via illegal settlements in the public land (Keyder, 2010). In this way, the population of the city doubled from 1950 to 1960, and the squatter areas emerged during that period turned Istanbul into a grimy and dark third-world metropolis. The new role assigned to Istanbul necessitated the city to attract foreign capital, and thus the potential owners of that capital: businesspeople, entrepreneurs, tourists.

New developments in Istanbul following the neoliberal policies of 1980s were shaped via the past experiences which are briefly introduced above. The shift from ISI strategy to an open-economy program in Turkey necessitated foreign capital attraction in order to perform growth, and Istanbul, an old capital city of empires of the medieval world, had the potential to achieve this target. The aim of Istanbul to become a global city resulted in changes in the urban context, since a clean and sterile, rather than chaotic and disordered environment was needed to attract tourists, investors and businesspeople. Similar to global metropolises and other big cities, Istanbul has been refaced with business towers, five-star hotels, conference halls, shopping centers and gated communities that are isolated from the unkempt city experience as being inward-oriented enclosed places, under the impact of neoliberal urbanism (Tokatlı and Boyacı, 1997; Tokatlı and Boyacı, 1998; Tokatlı and Özcan, 1998). Due to this new phase of urban experience in Istanbul is parallel to the neoliberal rhetoric, we have witnessed voluntarily regulation of the real estate markets by the governments of the post-1980 period. As necessary institutions that provide stability and decrease uncertainty are established by the hands of these governments, real-estate sector turned into a highly-profitable market for developers.

The financial credit expansion of that period had a further positive impact on the uptrend of the Turkish real estate sector.

In the Özal government period (1983-89), Turkey witnessed an increase in the autonomy of local municipalities and their budgets as well as establishment of greater municipalities that would have the authority in real estate development decisions, with the introduction of 1984 municipality law. The autonomy of the municipalities, in that regard, resulted in acceleration in the speed of urban retransformation due to an increase in their control of the urban space. Under the direct control of the metropolitan mayor, rather than the central ministries in Ankara (the capital city of Turkey), Istanbul witnessed dramatic transformations in the urban landscape of the city (Candan and Kolluoğlu, 2008). Within the same period, Mass Housing Administration (Toplu Konut İdaresi, TOKİ) was founded to regulate the development and finance of housing, and the organization was responsible with the construction of mass housing projects for the middle-income groups. The power of TOKİ as well as the autonomy of municipalities was further increased, following the 2002 elections that brought Justice and Development Party (Adalet ve Kalkınma Partisi, AK Parti) to power. In addition to new municipality laws, the introduction of the Law no. 5366 (Law for Protection of Dilapidated Historical and Cultural Real Estate through Protection by Renewal) enabled and legitimized the ongoing urban restructuring in the city via "urban transformation projects". These projects are easily put into practice thanks to the powerful agency, TOKİ, which has the right to take over public land without a cost with the approval of Prime Ministry and build middle class-housing on the land or transfer the land to contracting companies. Interestingly, while the power of regional municipalities were increased in the 1980s in order to put urban renewal projects in practice faster and ease the process of their

management, recently this orientation seems to have changed in the opposite direction. The decision-making body is now more centralized, which again eases the decision-making process in the current context of Turkish politics. It would not be wrong to argue that this is due to the powerful stance of the AKP government in the parliament: the Ministry of Environment and Urbanization has established and gained its power as the decision-making body in the urban renewal projects thanks to the decree laws passed in the recent past. In addition to these, great credit expansion and privatization of public housing ease the financial constraints on building mass housing projects. As a result, the real estate sector has become a highly profitable sector with big-scale companies, in contrast to the pre-1980 period with small and medium-scale construction companies providing apartment buildings and at best small gated communities as residences.

The enormous increase in the profitability of the real estate sector was the result of the supportive intervention of the government. The government took these measures in order to be able to transform the urban space according to the need for capital attraction. Even though Istanbul was chosen as a global city candidate due to its cultural heritage, this heritage was only used to promote the city and create an image of Istanbul for advertisement campaigns. Whenever there existed the possibility of endangering this heritage, the market value of the new infrastructure could outweigh the negative externalities created by this construction – since generally this measurement is made in monetary terms, and intrinsic values are ignored. And whenever this happened, the new constructions took place –and still take place— under the so-called "urban renewal" projects or commercialization of the protected lands. And the government officials who frequently attend the opening

ceremonies of those new constructions proudly promote them as an added value to Turkish economy.

The profitability of the real estate sector as well as the developments in retail sector[46] following the economic liberalization after 1980 affected and boosted the shopping mall development in Turkey. Many of those malls appeared adjacent to office and residence towers: these offices and residences provided the initial financial credit for the developer to build the construction, and the shopping mall adjacent to that building complex brought profits to the entrepreneur in terms of rents collected from the firms that opened branches in the mall after the construction. Some others were built as separate entities, but those were vertical malls due to both high land prices and lack of huge lots on the urban space of Istanbul. Whichever shape they had, the complicated issue about their appearance in Istanbul is that they were initially located in central districts and mushroomed within the same area, and then the density of shopping mall in CBDs decreased in the following years as they dispersed outside the city center, which is a totally opposite experience as far as the emergence of shopping centers (and malls) is considered. In addition, again contrary to the postwar US experience, retail places existed in the urban landscape in the form of bazaars, *çarşı*s, arcades and main streets for shopping – so, it was not the need for the shopper to find a place to shop or to get to socialize in a "public-like" facility that made those places appear in Istanbul. Even firms with a Turkish origin did not demand those facilities at the very beginning, and it was difficult for the

[46] Retail sector became a secure investment in a "not-so-stable" economy for the large corporations in Turkey (Sabancı, Koç, Tekfen, Transtürk and Doğuş Holdings) with consistent supply of goods and the strong cash-flow created through retail subsidiaries. In addition, the sector was profitable for the international retailers thanks to their experience in organized retail, and led them to associate with Turkish firms either through licensing agreements or joint ventures (see Tokatlı and Boyacı, 1998. For further detail, see also Tokatlı and Boyacı, 1997; Tokatlı and Özcan, 1998).

entrepreneurs of malls to convince those firms at the initial stage.[47] Even though the number of shopping malls opened in 1980s did not exceed three and the rate of development was also slow in 1990s, Turkey experienced a dramatic increase in the number of malls after the year 2000, and not only the firms opening their stores in those shopping malls but also the mall developers included foreign companies. In this way, shopping malls constituted a significant part of the capital attraction goal of the Turkish economy, with 34% share of foreign investments among the total shopping mall investment in the beginning of 2012.[48] They also attracted the demand of those business professionals, entrepreneurs and tourists by offering a sophisticated level of consumption that will again contribute to the global business network connections of Istanbul and its progress in becoming a global city (Keyder, 2010).

In time, shopping malls have become integrated into city life and have started to constitute an inseparable part of the social life of the urbanites; the organized retail sector (which consists of shopping malls and hypermarkets) had a 45% share of total retail in 2009. In contrast to other retail places, these shopping malls are owned by a single developer where firms and consumers meet each other in this privately-owned market. For the consumers, these closed spaces isolated from the city carried and exclusive part since they provided additional services and facilities to their customers and also being a part of these clubs necessitated the consumers' involvement to certain income groups as well as adapting to the "manner" of the mall. For the firms, on the other hand, the power of the mall in attracting the consumer demand due to the those services provided which turned the

[47] For the interview broadcasted on HT-Bloomberg with Hakan Kodal, the president of AYD (Council of Shopping Centers – Turkey), see http://tvarsivi.com/player.php?y=443&z=2012-01-28%2013:13:00

[48] Source: www.ayd.org

place into an exclusive one is a factor that has positive impacts on their sales potential, and thus cause them to enter the mall. And the developer is there to gain profit from this relation between the firms and the consumers, by mainly constructing the retail place and operating the business. The following sections will cover those three agents' relation within the environment of the mall in the context of the case of Istanbul. Analyzing the roles of consumers, firms and developers respectively, the social and economic political impacts on the urban life and space of Istanbul will be clarified.

The Impacts of the Shopping Mall Development in Istanbul

One of the main reasons behind the tremendous increase in the number of shopping malls only in 25 years and even the sectors' ability to mature in a couple of the cities in Turkey is their capability to attract high consumer demand – if they did not become so popular, developers would not intend to invest those initiatives with high fixed costs. However, contrary to the post-war US experience, these shopping malls were intended to be constructed on an urban space where the urbanites were already used to shopping from small enterprises located in their neighborhoods as well as other stores located in shopping streets. In the traditional shopping environment, the owner of *bakkal, manav* or *kasap* also worked at the shop, and thus the shopper was used to communicating and socializing with the shop owners. The existence of previously emerged shopping clusters as well as their contribution to the shopping culture of the consumers necessitated the shopping mall developers (or, organized retail in the general sense) to steal customers from those traditional retail places and also convert the cultural patterns of shopping, which was an inseparable part of the urban social life. Thus, it is not so hard to guess that the urbanites of Istanbul could not adapt this new pattern of shopping experience offered in the mall in the very

beginning. At first, shoppers visited those places because they were new and extraordinary. It took time, but in the meantime and especially from 2000 onwards, the increase in demand for shopping malls reflected itself in accelerated increase in the number of malls.

In these shopping places, similar to the stores located in an ordinary street, a certain bundle of products were always available –women's and men's apparel, shoes, accessories, electronic appliance, furniture, grocery and more. Also there existed different stores that provided differentiated products of the same type of good with different brand names. In that regard, both the shopping street and the mall provided a wide range of products with different alternatives. However, the mall and the shopping street are different since the mall inward-oriented in contrast to the shopping street which is integrated into the city – not only a place to shop but also a place of transition in the city that connects some streets to some others—, the mall is enclosed and disconnected from its neighborhood. Since the shopping street is integrated to the city, the pedestrian traffic is high. Therefore, shopping malls has to provide more than shopping streets do in order to catch the demand from the traditional retail place.

Actually, shopping mall was a brand new experience for the Istanbulites, and Galleria Ataköy attracted the attention of them immediately – not only the shopping mall but also the ice-skating facility included in it was totally new. Probably, the first visitors of Galleria Ataköy were there in order to see how that place looked like and to experience it rather than to shop. Although Istanbulites got used to the mall concept in the meantime, they did not stop visiting them, and they also began to visit the place regularly for shopping as well. The urbanites adapted themselves to this new experience since it included some additional properties to

those of shopping streets that eased the shopping experience and also added an element of entertainment to this. One of those properties was the provision of parking lots which enabled customers to drive in order to shop and increased the amount of goods purchased at one time – and thus increased the efficiency of multi-purpose shopping and reduced the transportation and time costs. Also, shopping malls were open for long hours: from 10 a.m. to 10 p.m. Thus the shopping in a mall was easier and less time consuming for the employers who worked long hours and hardly found enough time for shopping. The statement of person 2 in the second focus group study supports this argument: *"…because people do not have time anymore. You have to buy everything in the same period of time, so everything that you look for have to be there, and you will grab all the stuff you need"*.

However, one should not conclude straightforward that shopping malls reduced the time devoted to shopping mall visit by the consumers – actually shoppers visit shopping malls 6.4 times in a month on average and spend 723.3 minutes (Alışveriş Merkezi Yatırımcıları Derneği and Akademetre, 2009)—which means that visitors spend almost 25 minutes a day. This is mainly because shopping malls are not only visited by those who have limited amount of time for shopping but also by those who like to spend time in those places as a leisure-time activity. Shopping malls included cinemas, theaters, entertainment centers, food courts, theme parks, exhibition halls etc. that would increase the shoppers' time spent within the mall which would reflect as an increase in sales, and thus profits. Thus, a shopping mall was a place not only to shop but also spend the leisure time: one could stroll around the pedestrian ways in the malls as they window-shop and follow the latest trends, have a sit and eat fast-food when got tired; or visit the mall just to watch the newly released 3-D version of an old movie (say, Titanic); or grab the kids and let them ice-

skate in the mall; also it was a good place to meet with friends and chat for long hours in cafes/restaurants. The participants of the focus group studies also mentioned that especially cinemas, food courts and supermarkets become attraction points in the mall, and they might not visit the mall if those places were not there.

These malls were designed so that as the visitors reached their "destinations", they would like to spend lot of time inside. In addition to the facilities mentioned above, the enclosed feature of the mall space with an architectural theme and glass-roof that let the sunlight enlighten the area enabled the shopping mall to get isolated from the chaotic city with traffic congestion and heavy crowd and become an ideal place for the individuals' "flight" from the unkempt city: There were no roads under construction or the risk of a car splashing water on the shopper's outfit in a rainy day in a mall – there was enough space to linger, which is both clean and ordered. Participant 1 in the second focus group study states the importance of the orderly environment of mall visitors in the following sentences: *"I see shopping malls as the new phase of retail places. People do not want to walk on the pedestrian walkway next to the car traffic and do not want to hear the stall owners' shouts like 'köfte var geeel! [come and eat meatballs!]'—they just want to go to a place where they can take their kids with them".* Although shopping mall visitors state that they mostly visit the mall for shopping, the following reasons they stated also have a considerably large share: walking around/leisure; eating; window-shopping; meeting friends; going to cinema and for children's entertainment (AYD and Akademetre, 2009). Thus, it would not be wrong to claim that the shopping mall also became an alternative place for leisure and social activities.

The enclosed environment of the mall combined with an orderly architectural theme is considered to be isolated from the city. However, the elements

of the city experience are successfully embedded into the mall experience, which appeared to be another reason for turning the mall into a place for socializing and meeting others. İstinyePark, a shopping mall built in Maslak district in Istanbul in 2007 provides clear examples to this development: in this shopping mall, contrary to usual, there exists no supermarket located in a large (around 1000 square meters) leasable area. Instead, the area reserved for this purpose is designed in a concept of *bazaar:* "İstinye Pazarı" is full of stalls selling Turkish coffee and Turkish Delight, medicinal herbs, fish, fresh meat, greengrocery, etc. Another similar example from the same shopping mall is the *Kapalıçarşı (Grand Bazaar)* concept, though most of the shops included in it currently closed since the corridor reserved for those stores is quite separated from the atrium and thus customers did not visit that area of the mall much. In those stores, carpets, ornaments, water-pipes and other traditional jewelry (i.e., the same bundle of souvenirs that are sold in *Grand Bazaar - Kapalıçarşı*) are sold. Another example can be given from Metrocity, another shopping mall located at Maslak-Taksim axis. In order to attract consumer demand in holidays, this shopping mall changes the decoration of the mall, which is a quite common practice in other shopping malls as well. In religious holidays, models of historical buildings of Istanbul are located to the corridors of the shopping mall: Süleymaniye Mosque, Galata Tower, Maiden's Tower, and others. In brief, the visitor can visit these "new" traditional places and live with the nostalgia of old and orderly city Istanbul (that actually never existed), which is a widely-used advertisement campaign strategy for gated community houses, and also applies to the shopping malls. [49]

[49]For example, " İstinye Pazarı" in İstinyePark Shopping Mall is introduced as being "in style of Old Kadıköy Historical Bazaar, Fish Bazaar and Beşiktaş Bazaar" in http://arsiv.ntvmsnbc.com/news/424095.asp

Therefore, the mall becomes a simulation of the city with its cinemas, cafes, restaurants, entertainment facilities as well as embedded city traditions adapted to the mall environment, and an alternative place to socialize, which is ideally isolated from the unkempt environment of the city. In this way, the mall regenerates itself as a social environment, where its visitors spend their leisure-time, stroll around, meet their friends, and "shop-till-they-drop". This new place structured on the urban landscape becomes a privately owned "public-like" space where people joined get utility from being inside and included in that atmosphere. Participant 4 in the first focus group mentioned this in the following way: *"... you have to act in a manner in the mall, there are manners [*of conduct*]. And as you enter in and behave according to that manner, you feel privileged in a way. Even the way you walk changes there!".* In that regard, this private place invites visitors to join a club where they can meet other shoppers enjoying the same activity and the same social environment, with the aim of the mall developers' profit maximization behind.

The visitors of these malls enjoy spending time with some others who not only enjoy the same activity (and therefore go to the mall) but also belong to similar socio-economic groups since the mall developers choose to use market segmentation strategies—which will be discussed in the following—for profit maximization. Shopping malls are generally visited by middle and upper middle income groups who can afford the goods and services provided in the mall. Since these places turn into places to socialize and the role of public space is carried to those private/public-like places, these areas serve as clubs that divide "inside" from "outside" of the mall. In that regard, the criticism suggests, malls play role on the social segregation process ongoing in the global city Istanbul. It is true that shopping mall developers and consultants choose their target groups and determine their market segmentation

strategies accordingly, which results in certain income groups to choose certain shopping malls in general and contribute to the social segregation in that regard. However, this is an indirect elimination process and it would be a mistake to argue that low-income groups are directly prohibited to enter those places. The existence of security guards in the mall and the "strict" measures of safety taken by those people with the x-rays at the gate –as if one is entering an airport— may give such an impression. However, participants attending the first focus group study argued that the people who decided to visit the mall are the same people that you may come across in *Taksim, İstiklal* – a street full of crowd with stores, cafes, restaurants and bars, and with no security guards, of course. Security guards do not decide on "whom to let in" at the gate, but their existence enable the visitors of the mall feel more secure than they would be in İstiklal, since if any undesirable incident –such as kidnapping or pick pocketing— happens, it can be prevented more easily in an enclosed area with monitoring cameras and security guards. From another point of view, the visitors of the mall, in a way, feel obliged to behave according to the "manner" of this environment as they enter in – the visitor has to behave like the others, the ones who frequently visit the place, shop here, spend their leisure time and money in proportion to that. It is this "manner" that causes the shopping mall visitor to emerge as a "selected crowd", belonging to a certain socio-economic group of people –or acting as if—, consists of whom can afford and adapt themselves to the segmentation criteria of the mall. Occasionally, the target group segmentation of a mall can be observed even within the mall. İstinye Park, again, is a suitable example in observing this phenomenon. The shopping mall is famous for the celebrities it hosts at the open-air segment of the construction that looks more like an isolated shopping street than an enclosed mall with stores of Prada, Gilan, Armani, Guess,

Gucci, Rolex, Ralph Lauren and Louis Vuitton: The developers of the mall created this place in order to invite people from the top echelon of income groups and use this property of the mall as an advertising campaign: the image designed is that İstinyePark is an exclusive place where celebrities –those you recently come across in TV programs, that you keep track on their private lives thanks to magazine programs— visit and spend their leisure. However, the visitors of this mall from upper-middle income groups come across very few of those celebrities, since they stroll around at the enclosed area of the mall. Even though the mall has a gate that opens up to the open-air area with stores belong to exclusive brands, the visitor do not even consider to pass through the gate because the goods provided there and the food served in the restaurants located there are not suitable for their budget, and even their outfit will reveal that they are outliers as they enter that area. As in the previous case, this is an indirect elimination process developed parallel to the market segmentation strategies. Of course, the enclosed area is still an exclusive place as compared to any ordinary shopping street in Istanbul, but it is possible to level the floors of this shopping mall according to their exclusivity, as well.

As the number of shopping malls and their number of visitors increase, shopping malls secure their position as public-like places in the urban space even more. The indirect elimination dynamics discussed above contribute even more to the already existed socially segregated environment of the urban space of Istanbul. As mentioned before, the migration to Istanbul began in the early 1950s and the populist regimes of the governments caused the socio-economic divisions on the urban space appear in the shape of squatter houses and apartment blocks until the 1980's, and the social segregation process changed its dimension parallel to the world economic changes that also affected the Turkish economic policies and

measures. Within that dimension, the emergence of shopping malls should be considered together with the emergence of office blocks, business towers, residences, and gated communities as creation of new places for the new wealthy. Since these western and modern projects are promoted as success stories in Turkey, the demolition of squatter areas and green environments are in a way legitimized in favor of this elite group. However, this promotion of big-scale projects overlooks the emergence of the new poor: a socially excluded group via involuntary isolation from the "clean" city, a group that has no other alternative but forced to live in urban captivities. In this new global city, as the public life is absorbed even more by the shopping mall, the social segregation process acquires a different dimension and the distinction between inside and outside the mall comes with its negative connotations according to critics. In addition to this exclusion process, this division contributes to the creation of fear in the urban place with already loose social bonds and thus individualistic concerns are more prominent. As people get more integrated into the enclosed areas that exclude themselves from the city environment, those who attend malls regularly are get more and more detached from the outside, and thus feel more insecure perceive outdoors more insecure compared to inside, since those places become unknown and what may happen there is more unpredictable. Either perceived or real, this fear is another dimension of the social segregation process since it results in decompositions within the society.[50]

To generalize what is discussed so far about how shopping malls are perceived by the consumers attending those places, it is reasonable to claim that the most attractive feature of those retail places is having an enclosed, ordered and clean

[50] For further reading on security and creation of fear, see Yardımcı (2009), Kolluoğlu (2009) and Geniş (2009).

environment combined with the perception of safety since the unkempt and disordered city experience is excluded in this way and thus the visitors feel privileged in this regard, as they flee from the places of the city which they perceive as insecure and chaotic. In addition, provision of a simulation of city in the mall is another important property of the mall which enables the shopper to feel integrated in a public area (even though it is common knowledge that the mall is privately owned) where they can freely stroll around and socialize. Therefore, huge pedestrian walkways with free entertainment services like mini-concerts, children's activities and exhibitions contribute to the creation of a simulation of the city which attracts more and more visitors to the mall and also convert them into places to socialize (it would be naïve to consider the mall developer to provide those free services in favor). However, those malls are segmented according to the income levels of consumers (which is actually a strategy for the mall developers to maximize their profits, for sure), and this aspect of the malls results only some certain groups to get involved in those places – mainly the middle and upper-middle income groups. In that regard, shopping malls also contribute to the social segregation process which was already existent before the emergence of malls in Istanbul but changed its track with the inclusion of them into the urban space as well as other enclosed areas.

As shopping malls became popular and an inseparable part of Istanbulites' lives, firms are also attracted the mall and their demand potential: especially chain stores chose to take part in these retail places since they were capable of running large scale operations effectively. Some of the firms already located in the shopping streets such as in Nişantaşı, İstiklal and Bağdat began to operate in these newly emerging shopping malls as well. Some other firms choose to locate their stores in

the mall did not even consider to open stores in any other retail place outside the mall. Even though firms do not necessarily have to choose one retail place to the other, it is possible to argue that shopping malls have some advantages to be offered to those firms consider locating in, in addition to their feature of creating an attraction point on the geography of Istanbul. One of the main factors is the mall being operated by one single organization that determines the target group and catchment area as well as the shop-mix of the overall retail place. This is an important feature of the malls for the firms since the developer (or, the consulting firm) determines the brands and the type of stores according to the type of products they are providing so that the overall demand to those firms will be high. In other words, the firms locating their stores in a shopping mall are sure of that the stores located in the mall are not there to cut-off their demand. On the contrary, the mall developer determines their combination as well as their location in the mall so that the total profit will be maximized, which also maximizes the demand of those firms themselves. In a shopping street, however, generally each store is owned by separate entities, and thus they only consider the rent they are appropriating as they accept a firm to locate in their store. Whether the firms that will operate in their stores has a negative effect on the other firms located next to that stores is not a consideration for those shop owners at all. Thus, the firms located in a mall has an addressee to speak of their concerns about those issues and they are aware of the fact that the mall developer, or the operating unit, is willing to take their concerns into consideration since he developer aims to maximize the overall profits of the mall. In addition, the mall developer has the financial power to bring some high-demand generator shops (i.e., anchor stores) which attract other tenant stores to enter the mall. As the initial agreements with those anchors (anecdotal evidence suggests names such as Boyner,

Koton, LC Waikiki, Mango, Zara) are made, other firms are willing to open their stores even at a higher rental rate since they want to get a share from the readily-generated demand by the anchors.

Consumers and firms are willing to take place in shopping malls due to the reasons stated above. However, these two are not the only groups of agents which get involved in shopping malls in Istanbul (and other cities as well). The developer has two main engagements in the mall: First, the developer of a hired group of managers operates the mall as a business. All those facilities that attract consumers are managed by this operating unit. And the second role of the mall developer is to deal with the construction process of the mall. This process can be divided into four categories: *i)* selecting the area for the mall to be located, *ii)* analyzing the profit and demand potential of the mall to be located in that particular area, *iii)* making bilateral agreements with the firms and designing the project, *iv)* dealing with necessary procedures for the approval of the project by the governmental institutions. Those processes are not sequential; they go hand in hand, affect and transform each other. Thus, the overall project evolves over time from the very beginning of the investment decision of the developer to the day the mall is opened. Dealing with those, the mall developer opens up a space for retail on the urban landscape.

While selecting the area for a mall to be located, the mall developer can either choose an area which is far away from the central district of Istanbul, or in a closer area which is already planned with a few vacant areas. In the former, the developer generally designs the mall adjunct to a gated community project. Those malls generally do not have a large catchment area since the location is not attractive for those who do not live around and they aim to serve for those living in the gated

communities around. In a sense, the mall project brings its own demand. On the other hand, there are some other exceptions among those which aim to attract a greater demand from other parts of the city as well. The Mall of Istanbul is among the most famous examples for such projects. The shopping mall did not begin to operate yet, but it already had a couple of awards from European Property Awards 2011 and the Global RLI, in several categories. The overall project contains 1,114 apartments with 148,000 square meters of shopping mall GLA, 32,000 square meters of tradable office area and 121,000 square meters of tradable residence area. Containing a theme park and snow park within the mall and a hotel within the project, Mall of Istanbul aims to become a gated self-sufficient area. The projects built in the Ataşehir district would be more typical examples since generally those aim to serve the residents living in the neighborhood mainly. If the developer chooses to construct a mall project in an area closer to the city center, the mall can attract those who do not own cars and use public means of transportation as well. As mentioned in the first chapter of the study, due to low car ownership rates in 1990s, initially malls began to locate in the 3-10 km radius distance from Eminönü, the oldest CBD of Istanbul. Although the trend moved through the suburbs of the city, still there are new malls being opened in this area of the city. Especially the ones located on the Maslak-Taksim axis (on the metro line) are easy to reach from the metro stations and thus attract high levels of consumer traffic. Cevahir, Metrocity, Kanyon and Sapphire are the examples for those shopping malls. Akmerkez, Capitol, İstinyePark and Trump Towers are just a few among that are not located on the metro line but again easy to reach via public means of transport. Although the capability of attracting a high level of demand is appealing to those mall developers, the scarcity of large commercial lands in that region of Istanbul to build such large-scale constructions is problematic

as well as the high level of prices of those plots compared to the ones on the outskirts of the central district of Istanbul. I will mention more on those malls located nearer to the center in the following when discussing how mall projects are approved by the regional municipalities, Istanbul Metropolitan Municipality as well as The Regional Board of Protection of Cultural and Natural Assets.

As the district is determined of the mall construction, a couple of analyses are made to determine the type of the project as well as which shops to be included in it so that the profits are maximized. A developer generally chooses to work with a consulting agency for such purposes. In creating the project, the catchment area analysis (to figure out the latitude of the area from where the mall can attract visitors) and target group analysis (which income group should be targeted in order to maximize profits) are carried out, and the results of those analyses are used in order to determine the type of stores according to their target income group. In this way, malls are categorized and segmented in the market. As target group criteria are determined, the developer (or consulting firm) gets involved with bilateral agreements with the firms. Since generally the same firms open stores in those malls targeting the same segment of consumers, firms are informed when a mall project is about to start and the mall developers as well as the firm owners (especially chain stores) are connected in a social network where they can agree to work together by taking each others' word as a promise. Those stores work as a guarantee mechanism for demand attraction for the other firms considering opening up a branch in a newly constructed mall. Such networks are useful in determining the mall's success in a market in which the number of malls increases dramatically and competition between the malls increase.

The combination of firms might also determine the architectural design of the mall since each firm might demand different characteristics in the designs of their stores in order to guarantee similarity in their appearance and order of products within the stores even though they are located in different malls. Mega-markets such as Migros, CarrefourSA, Tansaş, Macrocenter, and Kipa are good examples for this. In these huge areas, knowing the location of the product becomes crucial since shoppers have to walk through long distances while searching for a product. Also, if a consumer gets used to a brand's ordering of goods, that consumer might become a loyal customer of that brand just because it is easier to find what is looked for. Apart from the demand of the firms in store design, these malls generally designed in such a way that visitors have to pass through as many shops as possible so that they will window shop unwittingly, or the corridors and line of stores are designed so that the shopper has to pass through all the way to the anchor store which attracts the most demand in the mall and thus learn which stores are located where in that particular mall and get used to its design.

As the location and the design of the mall project is determined, the project has to be approved and by the municipality, and also the construction process of the project has to be monitored by the same institution in order to control whether the construction is compatible with the zoning status of the given area. This approval process becomes more crucial for the malls located in the inner city compared to the others since the city is already planned and full of other buildings as well as parks and other public facilities and it is quite harder to establish a new construction which is inward-oriented into the previously established plan of the city. For example, the area where İstinyePark is established is included in the Boğaziçi Protected Area, and thus had to be approved by the Istanbul Metropolitan Municipality and The Regional

Board of Protection of Cultural and Natural Assets apart from Sarıyer Municipality (the regional municipality) for the road and crossroad constructions to regulate the transportation in the area.[51]

There are some other cases which are carried to the news with conducted investigations and brought lawsuits. One example is on the renovation process of Akmerkez: it is the second shopping mall built in Istanbul and fifth in Turkey, and the building began to be renovated in 2008. During the renovation, the building was covered up with huge billboards so that the construction could not be seen outside. In the meantime, it appeared that additional floors which were not included in the original project were built during the process. This information became public as it also appeared in the news, and those additional floors were torn down by the Beşiktaş Municipality (Öztürk and Ay, 2009). Another incident is the change in the status of the construction area of Nişantaşı City's beforehand: the mayor of Şişli municipality was sued for changing the status of the land from "school area" to "touristic and commercial area" to legalize the approval of the mall project (Şahin, 2008; Bingöl, 2011). However, it is the case of Demirören İstiklal which attracted the public interest the most amongst all. Next to the İstiklal Street, the area where Demirören İstiklal was to be located was in the status of "protected land" and the authorized institution for the approval of the project was the Board of Protection (No.1) in 2004, when the project was presented for the first time. However, the authority was assigned to the Board of Renewal in 2007 parallel to the decision of council of ministers on the change in the status of the area in subject into a recreation area. From that time onwards, the unmet criteria demanded by the Board of Protection (No.1) were easily approved by the Board of Renewal, and thus the initial

[51] This information is collected and gathered through the decision reports (no. 1315, 1324, 1445 and 1930) of İstanbul Metropolitan Municipality retrieved from the official website, www.ibb.gov.tr.

project which had 19,000 square meters of gross leasable area turned into a project with 50,000 square meters of gross leasable area with 3 basement floors with 8 floors in total (Kılıç, 2011). Considering these incidents, it seems to be that the status of the protected lands can be converted into the status of "touristic and commercial land" following legal processes with the approval of the council of ministers under the cloak of an increase in the public welfare, but the question on what the measure is in determining the public welfare is left as a question mark (Aktuğ, 2010a; Aktuğ, 2010b). The decision mechanism works without the consideration of the public opinion and thus in a nontransparent way.

In brief, this chapter intended to analyze the development of shopping malls in Istanbul shaped by both the global and local impacts as well as its reflection on the urban life and urban landscape. In doing this, the role of the three groups of agents that come across in the mall engage in market interaction – namely consumers, firms and mall developers – are analyzed in detail. The conclusion part will try to connect this empirical analysis with the theoretical dimension presented in chapter 2.

CHAPTER 4

CONCLUSION

Shopping malls in Turkey emerged first in 1988, developed dramatically in the 2000s, and this is still a continuing trend. The development has been tremendous especially in Istanbul. In order to clarify the mechanisms behind the emergence of the typical post-war suburban US retail places on the urban landscape of Turkey as well as the economic reasoning of shopping mall formation within this context, this study analyzed the case in Istanbul where one third of all shopping malls in Turkey are located (by 2011) and the sector seems to have saturated.

The economic theory covered through this study has been seen to demonstrate the economic rationale behind the formation of malls. There were several results generated from this literature review; and the reason for providing this theoretical basis was to use those results in order to clarify what is currently observed in practice.

In Istanbul, as in other big cities, stores form clusters under a name of retail places such as bazaars, arcades, shopping streets, and malls, rather than observing them located separately from the others. These retail places can either contain a number of stores selling the same type of products (i.e., *Kuyumcular Çarşısı [jewelers' bazaar]* or *Balık Pazarı [fishmongers' bazaar]*) or stores selling different types of products (i.e., stores in a small neighborhood such as *bakkal, manav* and *kasap [grocery store, greengrocer's and butcher's shop]*)— or both (i.e., shopping street and mall). The agglomeration literature covered in chapter two explained this phenomenon of the clustering of retail firms as a strategic best response to the consumers' cost minimization problem either due to asymmetric information on

prices or qualities, or due to the decrease in the total distance traveled when a bundle of products are included in consumers' shopping list.

As the economic reason for the clustering of retail firms is clarified, the next question to be answered is the following: why are malls chosen among all the other retail places by the firms and consumers for the market exchange? The different characteristics of the mall from the other retail places should be demonstrated in order to understand this. Here the comparison of the mall will be made only with the shopping street since it is the one that has the most common features with the mall among all other retail places such as containing shops selling both the same and different types of products as well as attracting high level of consumer traffic. The first difference is that İstiklal or Bağdat Streets –the two main shopping streets in Istanbul— are retail places which are integrated to the city: people walk through those places not only to shop but also to go their work, turn back home, or catch the bus to somewhere else, listen to good music in a bar, etc. A shopping mall, on the other hand, is not a place to pass by while going to somewhere else: it is a "place of destination" rather than "a place of transition" (Bednar, 1989), and thus they are more inward-oriented buildings, not much integrated with the daily life of the city itself. Thus, the mall has to attract demand to a place where there would be no individual traffic unless it existed, which necessitates putting more effort to catch the interest of the consumers.

Detached from the outside, the mall visitor observes a clean and ordered environment. The mall might be crowded (especially on the weekend) but there is no car traffic to struggle with –even for those who chose to drive to the mall!—, and the visitors either shop or stroll around, have their dish in fast-food restaurants, see a movie, or have fun in theme parks. In addition, compared to shopping streets,

security guards are located at the gates of the building with their x-ray machines. Also, the mall visitor observes that there are some other activities going on: mini-concerts, exhibitions and entertainment activities for children. Moreover, we cannot see any protestors (anti-war and anti-nuclear activists, or gay/transgender parades, or *Cumartesi Anneleri [a group of mothers whose children "disappeared" in police detention in Turkey and meeting every Saturday on the same spot in İstiklal since 1995]*) in shopping malls, which is contrary to what is observed in Kadıköy and Beyoğlu.

Can all the properties of the malls discussed above that differentiate them from other retail places be considered as services provided by the mall developer to its visitors in order to maximize their profit as argued in the two-sided market literature? As discussed in the second chapter of the study, this theory argues that the firms and consumers which engage in market interactions in a shopping mall generate positive cross-group demand externalities. In other words, firms (consumers) enjoy more from joining the mall as the number of consumers (firms) engaging in the mall increase, and since consumers create greater levels of externalities on the firms' side, the mall owners choose to compete aggressively on the consumers' side of the market and charge lower or zero (even negative) prices to that group. In that regard, the services provided in the mall such as parking, free-security, clean and orderly environment, free entertainment activities as well as absence of protestors aim to the consumers' happiness from being included in the mall environment and thus can be considered as a negative pricing scheme to attract more shoppers, which is relevant to the argument in two-sided market literature.

In order to internalize the cross-group externalities as in the case of shopping malls, the existence of one operating unit that manages the retail place is

necessary. What is observed in Istanbul is that, the operating unit is a third party, apart from the consumers and firms: there is an owner of the mall (a real figure or a company), who is an entrepreneur, and the management of the mall is operated by either the owner company or a consulting firm. The reason for the shopping mall developer to invest in such a large-scale project with high fixed costs is, of course, to gain profits. However, if firms are willing to cluster on their own, and observe the cross-group externalities, why do they let the developer to appropriate surplus out of this market interaction and do not rather construct and operate the shopping mall by themselves via working cooperatively? To understand this, the role of the mall developer in constructing a shopping mall as well as running the business in Istanbul should be clarified. In other words, it should be identified whether a mall developer provides some other services to the firms.

The mall developer has to find an area on the urban space to construct the building; run catchment area and target group analyses and determine the shop-mix to attract high demand and create a project that would bring high profits; make bilateral agreements with those firms to be included in the mall; and get a construction permit approval from the municipality in order to construct the project. Those processes are even more challenging in the areas closer to the central district since to opening up new spaces for those large-scale projects in the city downtown is a hardship, especially in Istanbul which is full of protected lands. Capital ownership as well as network relations of the developers would ease these processes, especially during the negotiations with the urban planning authorities. These can be considered as services provided to the firms that consider internalizing the externalities in the retail place they are in. Due to both the cooperation problems among the firms and the costly shopping mall construction processes, mall initiatives are owned by

entrepreneurs with sufficient level of capital and network relations to ease the period of approval by the regional municipalities, Istanbul Metropolitan Municipality, The Board of Protection of Cultural and Natural Assets, and many others when their approval is necessary.

Since these services provided to the firms are not considered in the two-sided market framework, another theoretical perspective is used in understanding the mall formation in the economic sense: the theory of clubs. In this context, the shopping mall is considered as a club where excludable but non-rival goods or services are provided: the mall developer provides non-rival services of constructing the mall, getting the construction permissions, and handling the bilateral agreements; and limits the number of firms entering the mall, which means the exclusion of other firms not entering the mall.

The economic interaction of all those agents has impacts on the city life and urban geography of Istanbul. The market segmentation strategies in the malls and their property of becoming a substitute for other leisure activities resulted in the social segregation process which began in the 1950s to gain a new dimension. The construction of enclosed places separated the urbanites in terms of those who are inside and those indirectly excluded from those places. The construction of gated buildings such as office towers, residences, gated communities, conference halls and five star hotels signaled the evolution of Istanbul and its emergence as a financial center, a global city. As capital attraction became the priority, the historic buildings and green areas in the city can be commercialized through changes in their previous status from “protected land” to “recreation area” or “commercial land”, since the construction of a mall contributes to the common good and public welfare according to the opinion of the authorities that are responsible with those arrangements. This

trend in the urban planning of Istanbul from 1980s onwards turns the metropolis into a limitless *Ecumenopolis*, as depicted in namesake documentary directed by İmre Azem.

APPENDICES

APPENDIX A: SHOPPING CENTER DEFINITIONS

Table A - ICSC Shopping Center Definitions

TYPE	CONCEPT	SQUARE FEET*	TYPICAL ANCHORS		ANCHOR RATIO**	PRIMARY TRADE AREA***
			NUMBER	TYPE		
Neighborhood Center	Convenience	30,000 - 150,000	1 or more	Supermarket	30 - 50%	3 miles
Community Center	General Merchandise; Convenience	100,000 - 350,000	2 or more	Discount department store; super-market; drugstore; home improvement; large specialty/discount apparel	40 - 60%	3 - 6 miles
Regional Center	General Merchandise; Fashion (Mall, typically enclosed)	400,000 - 800,000	2 or more	Full-line department store; junior department store; mass merchant; discount department store; fashion apparel	50 - 70%	5 - 15 miles
Superregional Center	Similar to Regional Center but has more variety and assortment	800,000+	3 or more	Full-line department store; junior department store; mass merchant; fashion apparel	50 - 70%	5 - 25 miles
Fashion/Specialty Center	Higher end, fashion oriented	80,000 - 250,000	N/A	Fashion	N/A	5 - 15 miles
Power Center	Category-dominant anchors; few small tenants	250,000 - 600,000	3 or more	Category killer; home improvement; discount department store; warehouse club; off-price	75 - 90%	5 - 10 miles
Theme/Festival Center	Leisure; tourist-oriented; retail and service	80,000 - 250,000	N/A	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	50,000 - 400,000	N/A	Manufacturers' outlet stores	N/A	25 - 75 miles

*Land area in acres; **The share of a center's total square footage that is attributable to its anchors; ***The area from which 60 - 80% of the center's sales originate

DEFINITIONS OF SHOPPING CENTER TYPES****

Neighborhood Center: This center is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. A neighborhood center is usually configured as a straight-line strip with no enclosed walkway or mall area, although a canopy may connect the storefronts.
Community Center: A community center typically offers a wider range of apparel and other soft goods than the neighborhood center does. Usually configured as a strip, in a straight line, or L or U shape. Of the eight center types, they encompass the widest range of formats. For example, certain centers that are anchored by a large discount department store refer to themselves as discount centers. Others with a high percentage of square footage allocated to off-price retailers can be terms off-price centers.
Regional Center: This center type provides general merchandise and services in full depth and variety. A typical regional shopping center is usually enclosed with an inward orientation of the stores connected by a common walkway and parking surrounds the outside parameter.
Superregional Center: Similar to regional center, a superregional center has more anchors, a deeper selection of merchandise, and draws form a larger population base. Typically enclosed, frequently with multilevels.
Fashion/Specialty Center: These centers need not be anchored, although sometimes restaurants or entertainment can provide the draw of anchors. The physical design is very sophisticated, emphasizing a rich decor and high quality landscaping. Usually are found in trade areas with high income levels.
Power center: Dominated by stores offer tremendous selection in a particular merchandise category at low prices. Typically consists of several free-standing anchors and only a minimum of small specialty tenants.
Theme/Festival Center: These centers typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandize. The biggest appeal of these centers is to tourists. Generally located in urbn areas, these centers tend to be adapted from older buildings.
Outlet Center: They consist of mostly of manufacturers' outlet stores selling their own brands at a discount. Strip configuration is most common.

****Regional and superregional centers are the most common type of shopping malls, i.e., enclosed shopping centers.

Source: www.icsc.org

APPENDIX B: LIST OF SHOPPING MALLS IN ISTANBUL

Table B – List of Shopping Malls in Istanbul

Shopping Mall	**Year**
212 İstanbul Power Outlet	2009
ACR LOFT Shopping Center	2010
Addresistanbul Home Decoration Center	2005
Airport Outlet Center	2008
Akasya Shopping and Life Center	*
Akbatı Shopping and Life Center	2011
Akmerkez	1993
Akvaryum Shopping Center	2005
Ancora İstabul	2012
Arenapark Shopping Center	2011
Ark Shopping Center	2012
Armina Evleri	2008
Armonipark Outlet Center	2008
Astoria Shopping Center	2008
Asyapark	2007
Ataköy Plus Shopping Center	2010
Ataşehir	2012
Atrius Shopping and Business Center	2005
Atrium Shopping Center	1989
Başak Park	2003
Bayrampaşa Shopping Center	*
Beşyıldız Shopping Center	2003
Beyaz City Shopping Center	2011
Beylicium Shopping and Life Center	2006
Beylikdüzü Migros Shopping Center	1997
Beyoğlu Demirören Shopping Center	2011
Black Out Şişli Shopping Center	2009
Buyaka İstanbul	2012
Capacity Shopping and Life Center	2007
Carium Shopping Center	2007
Carousel Shopping and Life Center	1995
Carrefour Haramidere Shopping Center	2001
Carrefour İçerenköy Shopping Center	1996
CarrefourSA Bahçelievler Shopping Center	2009
CarrefourSA Bayrampaşa Shopping Center	2003
CarrefourSA Maltepe Park Shopping Center	2005
CarrefourSA Ümraniye Shopping Center	2000
City's Nişantaşı	2008
Deposite Outlet Center	2008

Shopping Mall	**Year**
Doğuş Power Center	2006
Ekinoks Beylikdüzü	2009
Eskule Shopping Business and Life Center	2010
Espri Outlet Center	2008
Eyüp Shopping Center	2012
FI Center Esenşehir	*
FI Side Bahçeşehir	2012
Flynn Shopping and Life Center	2003
Galleria Shopping Center	1988
Grandia Shopping Center	2011
Hayatpark Shopping Center	2008
Historia Fatih Shopping and Life Center	2008
Ihlamur Shopping Center	2008
İstanbul Cevahir Shopping and Entertainment Center	2005
İstanbul Outlet Park Shopping Center	2006
İstinyepark	2007
Kadir Has Çocuk Dünyası	2003
Kağıthane Shopping Center Project	2012
Kale Outlet Center	2007
Kanyon	2006
Kardiyum Shopping Center	2011
KC Şehr-i Bazaar 3. Cadde Shopping Center	2008
Kipa Shopping Center - Silivri	2008
Kozzy Shopping and Culture Center	2010
Kule Çarşı	2001
M1Merkez Kartal Shopping Center	2000
M1Meydan Merter Shopping Center	2009
M1Meydan Ümraniye Shopping Center	2007
Mall of İstanbul	2013
Marka City Shopping Center	2008
Marmarapark Shopping Center	2012
Mashattan	*
Maslak Diamond of İstanbul	*
Maxi City - Çengelköy	2003
Maxi City - Silivri	1997
Merkez Kayaşehir Shopping Center	2012
Merter Project	2012
Mesa Studio Plaza	2004
Metrocity Shopping Center	2003

Source: Shopping Centers Directory 2011

Table B (cont'd) – List of Shopping Malls in Istanbul

Shopping Mall	Year
Metroport Shopping and Life Center	2008
Neocity Bahçeşehir - Avcılar	2012
Neomarin Shopping Center - Pendik	2009
Olimpa Shopping Center	2010
Olivium Outlet Center	2000
Optimum Kadıköy Outlet and Entertainment Center	2008
Ora Outlet	2011
Osmanlı City Shopping Center	2008
Ömür Plaza Shopping Center	2006
Palladium Shopping Center and Residence	2008
Paradise Shopping and Entertainment Center	2006
Parkway Shopping Center	2008
Pelican Mall Shopping and Entertainment Center	2010
Pendorya Shopping Center	2009
Perla Vista Shopping Center	2010
Prestige Mall Shopping Center	2007
Profilo Shopping Center	1998
Real Beylikdüzü Shopping Center	2007
Real Fulya Shopping Center	2009
Rea-Sultanbeyli Project	2013
Rönesans Küçükyalı Shopping Center	2013
Safir Park Shopping Center	2011
Sancakpark Shopping Center	2011

Shopping Mall	Year
Sapphire Çarşı	2011
Seaport	*
Seyrantepe Project	2013
Silivri Shopping Center	2012
Starcity Outlet Center	2010
Sunflower Life Center Shopping Center	2005
Sunway Center	2008
Sur Yapı Çekmeköy Housing and Life Center Project	*
Şahinler Shopping Center	*
Tepe Naitlus Shopping Center	2002
Torium Shopping Center	2010
Toskana Çarşısı	2012
Town Center Shopping Center	2003
Trump Towers	2011
Uyum Çarşı Shopping Center	2008
Veneris Shopping Center	2012
Verde Molino Shopping and Life Center	2009
Via/Port Outlet Shopping	2008
Wedding World Kuyumcukent	2010
World Atlantis Shopping Center	2008
Yaylada Süreyyapaşa Shopping Center	1992
Yeni İstanbul Project	2013
Zorlu Center	2012

Source: Shopping Centers Directory 2011

APPENDIX C: FOCUS GROUP PARTICIPANTS

Table C – Focus Group Participants' Characteristics

	#	Sex	Age	Occupation
Focus Group 1	Participant 1	Male	25	Grad. Student (MA)
	Participant 2	Male	27	Grad. Student (MA)
	Participant 3	Female	26	Grad. Student (MA)
	Participant 4	Male	28	Grad. Student (PhD)
	Participant 5	Female	26	Grad. Student (PhD)
	Participant 6	Female	28	Grad. Student (PhD)
Focus Group 2	Participant 1	Male	34	Software Development Manager
	Participant 2	Female	32	Subcontractor in Postal Services
	Participant 3	Male	33	Technical Consultant
	Participant 4	Female	34	Software Development Manager
	Participant 5	Male	33	System Analyst

APPENDIX D: LIST OF INTERVIEWEES

Interviewee 1 – Journalist

Interviewee 2 – Journalist

Interviewee 3 - Research Manager &International Relations Specialist

Interviewee 4- Retail/Real Estate Advisor

Interviewee 5 – Chief Editor

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