

# Countdown Alexandra

Retail Impact Assessment

28 April 2020 – final

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consulting



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Retail Impact Assessment

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# 1 Introduction

Market Economics Ltd (M.E) has been commissioned by CPD 2012 Ltd to assess the potential economic and retail impacts of a proposed Countdown supermarket between Centennial Ave and Ventry St in Alexandra, Central Otago (“the Site”).

## 1.1 Key issues

The proposed supermarket has been assessed as a discretionary activity under the Central Otago District Plan (“CODP”) in the Assessment of Effects (“AEE”) that was lodged with Council, by virtue of its non-compliance with certain rules in the CODP arising from the Site’s Residential Zoning.<sup>1</sup> The proposal would represent an increase of supermarket supply in Alexandra, and change how consumers in the area access supermarket and grocery goods. That change is likely to result in some of the spending that is currently directed to existing supermarkets in Central Otago being diverted away from existing stores to instead be directed to the new Countdown store.

This diversion is likely to result in some decrease in sales of existing supermarkets and grocery stores, with potential flow-on effects for the centres those supermarkets are in. These are usually referred to as trade competition effects and as such are not to be considered as part of an assessment under the RMA, except where they are of a scale and direction that leads to effects that are above and beyond those associated with trade competition. It is only when the effects of an activity causes significant impacts on centres’ amenity, vitality and viability that indirect effects are a relevant RMA consideration.

## 1.2 Objective

The specific objectives of this report are to:

- Examine current and future demand (to 2033) for supermarket capacity in the study area (as defined in section 2.1).
- Determine current supermarket supply in the study area, and identify any likely changes to that supply that are currently in the pipeline.
- Assess the likely direct retail effects of the proposed supermarket on existing retail centres in the study area.
- Assess the likely cumulative direct retail effects of the proposed supermarket and any other identified new supermarket supply on existing retail centres in the study area.
- Consider the likely flow-on, indirect effects of the proposed supermarket that will occur as a result of the direct retail effects.
- Consider other positive and negative economic effects of the proposed supermarket.

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<sup>1</sup> Section 4.2, p11, “Resource Consent Application to Central Otago District Council” January 2020, Landpro Ltd



## 1.3 Methodology

This section describes the methodology applied to estimate the direct and indirect retail impacts of the proposed Countdown Alexandra supermarket. The key to the assessment is a model that analyses consumer demand (in dollar terms) directed to supermarkets and food and grocery stores in Central Otago, and is built on an understanding of consumer origin-destination patterns. The model is calibrated to describe the current demand-supply situation which serves as the basis to quantify the effect of changes (such as through the creation of new supply in the market or market growth) to that situation. The model's engine identifies dollar spending power from households (according to socio-demography), tourists and businesses, and includes demand projections based on household (and other growth). Modelled demand projections take into account projected changes in retail spend per household, and estimated supermarket sales for existing stores.

To assess the expected retail and economic effects of the proposed supermarket, the key steps have been:

- Quantify market size and growth.
- Assess how supermarkets in the Central Otago currently meet consumers' demand.
- Assess how supermarket sales will change from current levels given expected market growth. This becomes the assessment baseline against which the 'with Countdown' scenarios are compared.
- Estimate sales performance of the proposed Countdown Alexandra.
- Identify any other expected changes in supermarket supply in the study area, and estimate the sales performance of that increased supply.
- Assess changes in the sales of existing supermarkets with the addition of Countdown Alexandra to the supermarket supply environment, to produce trade competition impact estimates.
- Assess the cumulative effects of changes in the sales of existing supermarkets with the addition of both the Countdown Alexandra and any other changes in supply to the local supermarket supply environment, to produce trade competition impact estimates.
- Assess the likely flow-on effects of the trade competition impacts, to produce estimates of the indirect impacts of the proposed supermarket. It is these indirect impacts that are relevant in RMA terms.
- Summarise the implications and significance of these indirect impacts in RMA terms, considering the distinction between trade competition and effects that are of importance to urban form and sustainability.



## 2 Current environment overview

This section describes how the supermarket marketplace currently operates in Alexandra and wider Central Otago, to place the proposed supermarket in context. The assessment covers the current (2020) demand situation, and examines future growth projections for household growth and supermarket demand.

### 2.1 Local geography and catchment

#### 2.1.1 Alexandra

Alexandra is a rural town in Central Otago, with a usually resident population of 5,470 in 2,350 occupied dwellings, as recorded in the 2018 Census.<sup>2</sup> Alexandra is a similar size to Cromwell, the other main town in Central Otago, located 30km north-west of Alexandra. Together Cromwell and Alexandra are home to just over 50% of the District's population. The small town of Clyde (population just over 1,000) is located 7km north-west of Alexandra. Other small towns are located much further from Alexandra, with Roxburgh located 42km south and Ranfurly 89km north-east. A large proportion of Central Otago's population lives in rural areas. The nearest larger towns are Wanaka (1 hour, or 84km north) and Queenstown (70 minutes or 90km north-west), both in Queenstown Lakes District.

Access through the District is heavily constrained by topography, with road access to the north (Wanaka and Queenstown) limited to the road (State Highway 8) through the Cromwell Gorge. To the east access is limited to routes through the Manuherikia (SH85) or Ida Valleys, and SH8 is the only road in from the south.

#### 2.1.2 The Site

The proposed store will be located between Centennial Ave and Ventry St in Alexandra. The Site will be accessed by the public off Centennial Ave, with access from Ventry St limited to delivery vehicles. Centennial Ave is SH8, and the main route into Alexandra from the north (Queenstown, Wanaka, Cromwell, and Clyde). The Site is zoned Residential, and is currently occupied by nine dwellings, with neighbouring activities being residential to the north, and the Centennial Court Motor Inn to the south. Further description of the location of the proposed store is provided in section 3.1.

#### 2.1.3 Catchment

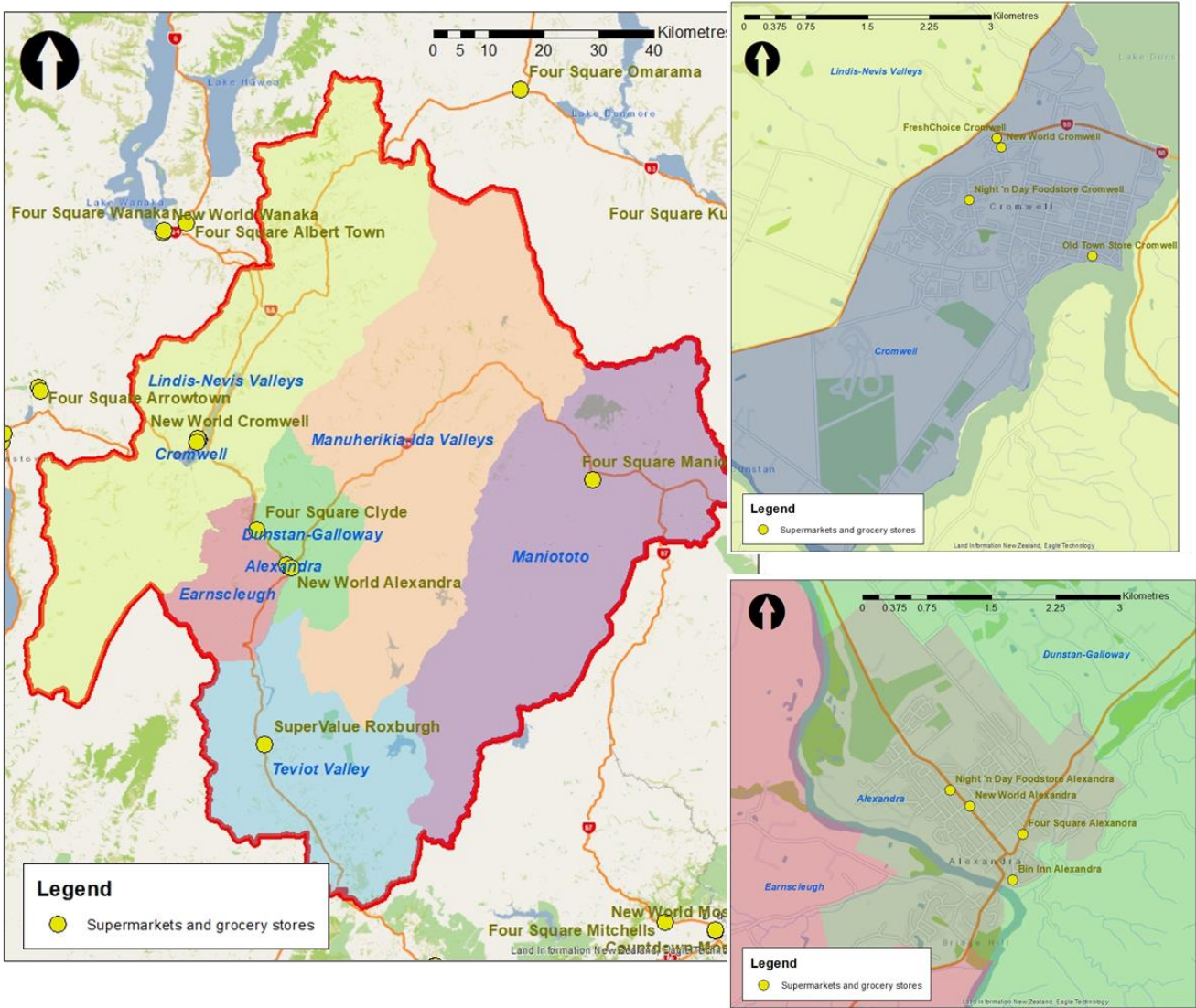
For this assessment we have assumed that the Countdown Alexandra's catchment would be all of Central Otago District, although to recognise varying accessibility across that broad geographic area we have applied different market penetrations into each part of the catchment, defined by Statistics NZ's Statistical Area 2s ("SA2s"). There are 10 SA2s in the District, yielding eight catchments, being Alexandra and Cromwell (each with two SA2s), and six predominantly rural SA2s. The District is a reasonable catchment to apply

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<sup>2</sup> The Alexandra North and South SA2s (Statistical Areas). Note that these figures do not take into account the expected undercount of Census 2018, which is to be adjusted as a result of findings from the Post Enumeration Survey, due to be released before winter 2020.

because the District boundary is broadly halfway between Alexandra and the nearest alternate supply. In any case, the assessment is relatively insensitive to the exact outer boundary of the catchment because of the very small population living near the boundary. The catchments applied are shown in Figure 2.1.

Figure 2.1: Central Otago study area catchments (SA2s), supermarkets and grocery stores




## 2.2 District Plan

The CODP contains objectives and policies relating to the Business Resource Area, including, most importantly for this assessment:

- 8.1.1: To maintain the business areas of the District’s urban areas as focal points for the community.
- 8.1.2: To ensure that the business areas are safe and convenient areas to visit and conduct business within.



- 
- 8.1.3: To maintain and enhance the environmental quality of the business areas to ensure they remain pleasant places to visit and work.
  - 8.2.1: To enable the development of a wide range of activities within the Business Resource Area provided significant adverse effects are avoided, remedied or mitigated.
  - 8.2.2: To ensure the visual amenity values of the Business Resource Areas are maintained and enhanced.

The CODP therefore clearly sets out an expectation that the Business Resource Areas will continue to function as focal points for the community, and will be pleasant and convenient places to visit. Assessment of the application's merits locating in the Residential Resource Area have already been provided in the AEE, and this report focusses on effects of the proposal on the Business Areas with reference to CODP objectives and policies. That assessment is provided in section 4.4.

## 2.3 Household projections

The projections used in this section are derived from high growth scenario household projections supplied by Statistics NZ<sup>3</sup> Recent advice<sup>4</sup> from Statistics NZ is that high growth scenario projections are the most appropriate scenario for Central Otago, and CODC's demographic advisers Rationale Ltd provided similar advice in late 2018, replacing previous advice that the medium scenario was more appropriate. Preliminary indications from Census 2018 are that population growth from 2013 to 2019 averaged 800 people a year, much higher than the 400 previously projected under the medium growth scenario in that period. In any case the projections are presented to show that the market is expected to grow, which means that impacts of the proposed Countdown will be greatest on opening, rather than in the medium-long term. That then means the impact assessment is not sensitive to the projections beyond the short-term, and the conclusions would be unchanged whether medium or high scenario projections were used.

Alexandra and Cromwell are a similar size in terms of household numbers, with Alexandra home to around 100 more households (2,490 vs 2,390). Growth of around 1.5% per year on average is projected in the District's two largest towns, with Alexandra projected to grow more slowly (+400 households over the next 13 years) than Cromwell (+550 households). By 2033 there are projected to be nearly 2,900 households in Alexandra. Total District household counts are projected to increase from 9,320 in 2020 to 11,260 in 2033 (Figure 2.2).

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<sup>3</sup> Projections were supplied for all NZ Census Area Units, and we have spatially allocated those down to meshblocks then up to SA2s to reflect Statistics NZ's new statistical geographies. New projections based on Census 2018 will not be available until mid-2020 at the earliest, so these projections do not take into account any learnings from Census 2018.

<sup>4</sup> <https://www.stats.govt.nz/assets/Uploads/Subnational-population-projections/Download-data/2013-base-subnational-population-projection-indication-december-2019.xlsx>



Figure 2.2: Central Otago household projections (medium projection)

Catchment	2020	2022	2023	2028	2033	Growth 2020-2033	
						n	%
Alexandra	2,490	2,560	2,590	2,750	2,890	400	16%
Cromwell	2,390	2,480	2,520	2,740	2,940	550	23%
Teviot Valley	760	770	780	810	820	60	8%
Maniototo	760	770	780	820	850	90	12%
Manuherikia-Ida Valleys	530	550	570	620	680	150	28%
Lindis-Nevis Valleys	870	920	940	1,040	1,150	280	32%
Dunstan-Galloway	1,220	1,270	1,290	1,410	1,530	310	25%
Earnsclough	300	320	330	360	400	100	33%
<b>Total COD</b>	<b>9,320</b>	<b>9,640</b>	<b>9,800</b>	<b>10,550</b>	<b>11,260</b>	<b>1,940</b>	<b>21%</b>

## 2.4 Demand projections

Households will be an important driver of retail spending in Central Otago, although less so than in many other places in New Zealand, given the importance of tourism in the Central Otago economy, and the significant contribution made to the retail economy by travellers visiting and passing through the District. Demand from all of these market segments and businesses is summarised below as the basis for understanding the pool of supermarket and grocery spending that is directed to Central Otago businesses.

Total supermarket and grocery store demand generated by resident households and businesses, and tourists overnighing in the District in Central Otago is around \$107m, with additional spend from consumers that cannot be statistically linked to the area, such as visitors passing through. That total demand is projected to increase by \$35m between 2020 and 2033 (33%) (Figure 2.3). As discussed below in section 4.2 the proposed Countdown store is viable in Alexandra, and these ongoing growth projections will only increase the sales directed to it and all other supermarkets in the District.

These growth rates take into account historically observed trends for households to spend more on retail goods over time.<sup>5</sup> A description of the demand model used for these projections is provided in Appendix 1.

<sup>5</sup> Assumed to continue at the average annual rate of 1%



Figure 2.3: Central Otago supermarket and grocery demand projections (\$m)

Catchment	2020	2022	2023	2028	2033	Growth 2020-2033	
						n	%
Alexandra	\$ 26.7	\$ 27.7	\$ 28.3	\$ 31.3	\$ 34.4	\$ 7.7	29%
Cromwell	\$ 29.3	\$ 30.8	\$ 31.5	\$ 35.4	\$ 39.4	\$ 10.0	34%
Teviot Valley	\$ 8.0	\$ 8.3	\$ 8.4	\$ 9.2	\$ 9.9	\$ 1.9	24%
Maniototo	\$ 9.6	\$ 10.0	\$ 10.2	\$ 11.4	\$ 12.6	\$ 3.0	31%
Manuherikia-Ida Valleys	\$ 6.1	\$ 6.4	\$ 6.6	\$ 7.5	\$ 8.5	\$ 2.4	38%
Lindis-Nevis Valleys	\$ 9.8	\$ 10.4	\$ 10.7	\$ 12.2	\$ 13.9	\$ 4.0	41%
Dunstan-Galloway	\$ 13.4	\$ 14.1	\$ 14.5	\$ 16.3	\$ 18.4	\$ 5.0	37%
Earnscliffe	\$ 3.5	\$ 3.7	\$ 3.8	\$ 4.3	\$ 4.9	\$ 1.4	39%
<b>Total COD</b>	<b>\$ 106.5</b>	<b>\$ 111.5</b>	<b>\$ 114.0</b>	<b>\$ 127.8</b>	<b>\$ 141.8</b>	<b>\$ 35.4</b>	<b>33%</b>

Figure 2.3 does not describe where that demand is directed to, and that is discussed in section 3.2.1. That assessment shows that the vast majority of that Alexandra demand, and a large share of spend from elsewhere in Central Otago and beyond is directed to Alexandra’s supermarket and grocery stores. The market share and demand information, together with assumptions about store performance, flow into the impact assessment in section 4.

## 2.5 Supermarket and grocery store supply

The 12 stores included in the assessment are a mix of supermarkets and smaller grocery stores. Excluded are several dairies that play a strongly convenience role for their towns, sometimes in association with other activities (e.g. stores in Roxburgh and Ranfurly that are joined dairy and takeaways), which are assumed to be unaffected by virtue of their distance from Alexandra, the small size of the stores, the local focus of those stores and the presence of other activities in the same tenancy (e.g. takeaways).

The largest single store is the New World Alexandra (3,150m<sup>2</sup> GFA), estimated from Marketview data (section 3.2.1) to be trading very strongly at over \$21,000/m<sup>2</sup>, which would place it in the top tranche of stores in the banner nationwide. There is a similar quantum of GFA (3,580m<sup>2</sup>) in Cromwell’s two supermarkets (New World and FreshChoice), although both stores individually are much smaller than the New World Alexandra (Figure 2.4).



Figure 2.4: Central Otago supermarket and grocery store supply (2020)

Store	GFA	Sales	
		\$m	\$/m <sup>2</sup>
New World Alexandra	3,150	\$ 66.7	\$ 21,200
Four Square Alexandra	450	\$ 4.3	\$ 9,500
Bin Inn Alexandra	150	\$ 1.4	\$ 9,500
Night 'n Day Alexandra	150	\$ 1.3	\$ 8,500
New World Cromwell	2,200	\$ 24.1	\$ 11,000
FreshChoice Cromwell	1,380	\$ 14.4	\$ 10,400
Night 'n Day Cromwell	220	\$ 2.1	\$ 9,400
Old Town Store Cromwell	120	\$ 1.1	\$ 9,400
Four Square Maniototo	600	\$ 4.3	\$ 7,200
Ranfurlly Supermarket	300	\$ 2.2	\$ 7,200
Four Square Clyde	350	\$ 4.0	\$ 11,400
SuperValue Roxburgh	470	\$ 4.4	\$ 9,300
<b>Total</b>	<b>9,540</b>	<b>\$ 130.2</b>	<b>\$ 13,700</b>

There are no other full-scale supermarkets in Central Otago, with other stores being smaller grocery stores that service small towns and their hinterlands that are not large enough to support a larger store. That means that to access larger stores, residents living outside Cromwell and Alexandra have to travel to those locations to visit a larger supermarket, and from the market share data in section 3.2.1 at least half and often closer to 70% of supermarket and grocery spend resident in each sub-catchment is directed to the larger stores in Alexandra and Cromwell.

From the demand projections in section 2.4, only Cromwell and the Lindis-Nevis Valleys form the natural catchment for Cromwell’s supermarkets, with all of the rest of Central Otago closer to Alexandra. Alexandra then is the closest supermarket destination for 63% of District supermarket spending, and Cromwell closest for 37%. That explains why the sole Alexandra supermarket (New World) is estimated to be performing at nearly twice the sales productivity (\$/m<sup>2</sup>) of the two Cromwell supermarkets, and is likely why Alexandra has been identified by Woolworths as a good location for a Countdown store.

## 2.6 Centres survey

To understand the specific factual context within which each store is operating, and which will influence the indirect effects assessed in section 4.4, we have undertaken a centres assessment of Central Otago’s retail and commercial centres. The aim of the assessment is to understand the current size and role of, and range of activities established within each centre. The centres assessed are those containing supermarkets or grocery stores, as identified in section 4.2, and there is minimal presence of retail activities in other places.

Employment has been assessed only for the centre, not for the entire urban area, so in Figure 2.5 reference to “Alexandra” means the Alexandra Business Resource Area. Note, however, that the data comes from Statistics NZ’s Business Directory, and the most detailed spatial resolution of that dataset (Statistical Area 1, or “SA1”) does not coincide exactly with zoning boundaries, so the spatial areas summarised will include employment in some adjacent areas and there is no way of identifying the exact employment by zone.

The data shows that the Alexandra centre is the largest in the District, with 1,870 total MECs<sup>6</sup>, nearly twice the size of Cromwell (950 MECs), although the two centres are more similar when considering only retail and hospitality MECs (Alexandra 560 MECs, Cromwell 480). Cromwell is much more dominated by retail and hospitality employment, which makes up 51% of that centre's employment, compared to Alexandra (30%). A summary of centre activity follows.

Figure 2.5: Central Otago District employment by location (2019)


Sector	Alexandra*	Cromwell	Clyde	Roxburgh	Ranfurly	Non-centre	Total CODC
<b>Workers</b>							
Supermarket and grocery	200	180	10	20	40	20	470
Other food retail	20	20	-	-	-	20	60
Comparison retail	200	130	-	30	10	150	520
Hospitality	140	150	50	20	10	280	650
<b>Retail and hospitality</b>	<b>560</b>	<b>480</b>	<b>60</b>	<b>70</b>	<b>60</b>	<b>470</b>	<b>1,700</b>
Household services	330	130	-	10	20	490	980
Office	270	50	10	-	20	670	1,020
Public admin	170	10	-	10	10	50	250
Education and health	100	100	10	60	50	720	1,040
Industrial and rural	390	180	50	40	90	8,600	9,350
Other	50	-	60	-	40	470	620
<b>Total</b>	<b>1,870</b>	<b>950</b>	<b>190</b>	<b>190</b>	<b>290</b>	<b>11,470</b>	<b>14,960</b>
<b>Structure</b>							
Supermarket and grocery	11%	19%	5%	11%	14%	0%	3%
Other food retail	1%	2%	0%	0%	0%	0%	0%
Comparison retail	11%	14%	0%	16%	3%	1%	3%
Hospitality	7%	16%	26%	11%	3%	2%	4%
<b>Retail and hospitality</b>	<b>30%</b>	<b>51%</b>	<b>32%</b>	<b>37%</b>	<b>21%</b>	<b>4%</b>	<b>11%</b>
Household services	18%	14%	0%	5%	7%	4%	7%
Office	14%	5%	5%	0%	7%	6%	7%
Public admin	9%	1%	0%	5%	3%	0%	2%
Education and health	5%	11%	5%	32%	17%	6%	7%
Industrial and rural	21%	19%	26%	21%	31%	75%	63%
Other	3%	0%	32%	0%	14%	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Employment is in each centre, not the total for the entire urban area of each town

## 2.6.1 Alexandra

Alexandra has many more workers engaged in household services (330 MECs), offices (270 MECs), and public administration (170 MECs) than Cromwell, or any other centre in the District, and is also the dominant centre for retail activity. Alexandra accommodates a broad range of businesses across retail, commercial and service sectors including:

<sup>6</sup> Modified Employment Count, a measure of employment that includes paid employees and working proprietors

- 
- Large retail anchors at either end of the centre, namely the District’s only department store (The Warehouse, 70 MECs) and the existing New World supermarket (180 MECs).
  - A wide range of smaller retail businesses, including stores selling clothing, footwear and accessories, jewellery, furniture, floor coverings, appliances, sporting goods, hardware, books and stationery, and pharmaceuticals.
  - Specialist food retailers, including butcher, bakery, delicatessen and a Bin Inn (wholefood and specialty groceries).
  - A wide range of restaurants, cafes, takeaways, and bars, including national brands and locally owned enterprises.
  - Household services businesses including hair and beauty, travel agents and a laundrette.
  - Medical professionals, including dentists, medical centre, maternity hospital, physios, and chiropractors.
  - The District’s largest concentration of civic and community services, including the council offices, library, Court, police station, ACC office, Ministry of Social Development, and Alexandra Community House.
  - Commercial activities including banks and professional offices such as real estate, lawyers, insurance, engineers, and accountants.
  - Tourism-oriented businesses, including i-Site, the Central Otago tourism agency and accommodation such as backpackers and a hotel, with more in the surrounding residential zone.

Alexandra functions as a service centre for Central Otago, with some higher order activities (computer retail, marine equipment, housewares, and specialist professional services such as advertising and marketing) not present in the town, and likely directed out of the District to Wanaka, Queenstown, or Dunedin. However, there is a broad range of activities across all sectors represented in Alexandra, indicating the centre’s importance to and pre-eminence within the District economy.

The Alexandra centre appears to be in excellent health at present, with only four retail and office vacancies listed<sup>7</sup>:

- 1/86 Centennial Ave, 100m<sup>2</sup> retail tenancy, recently occupied by flooring company which shifted to larger purpose built premises in Cromwell.
- 2/86 Centennial Ave, a small (64m<sup>2</sup>) beauty salon which was operating as recently as March 23 2020, but which is apparently now seeking to vacate the tenancy.

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<sup>7</sup> From a search of TradeMe Property, 7 April 2020

- 108 Tarbert St, a large (1,083m<sup>2</sup>) farm and lifestyle equipment showroom that is still operating from the premises, but the business (and property) owner is now seeking to vacate the tenancy.
- 77 Centennial Ave, a 550m<sup>2</sup> retail showroom near the New World that is vacant.

## 2.6.2 Cromwell

Cromwell is a smaller centre than Alexandra, with a more limited range of office and public administration employment than Alexandra, but a similar quantum of retail employment. The Cromwell centre is anchored by two supermarkets (New World and FreshChoice), with two large hardware/home improvement stores (Mitre 10 and Placemakers). As with Alexandra, there is a wide range of retail and household service activity in the centre, including:

- Smaller retail businesses, including a garden centre and stores selling clothing, sporting goods, books, and stationery, agricultural supplies, and pharmaceuticals.
- Specialist food retailers, including butcher, bakery, delicatessen.
- A wide range of restaurants, cafes, takeaways, and bars, including national brands and locally owned enterprises.
- Household services businesses including hair and beauty, a day spa and a travel agent.
- Medical professionals, including dentists, medical centres, physios, and osteopath.
- Several civic and community services, including the library, Council offices, museum, and community house.
- Commercial activities including banks and professional offices such as real estate, lawyers, insurance, surveyors, and accountants.
- Several motels in the surrounding residential zone.

There is some degree of replication of the retail and service activities found in Cromwell and Alexandra, with the two stores servicing distinct catchments for most of the more frequently purchased goods and services, and Alexandra the more dominant destination for less frequently purchased goods and services, although still lacking the most specialised businesses which are not represented at all in Central Otago District.

There is only one tenancy listed for lease in Cromwell,<sup>8</sup> a 105m<sup>2</sup> tenancy at 26 The Mall which will only be available for occupation on 1 May 2020.

A smaller Business Resource Area zone is located in the Cromwell Heritage Precinct, although stores there are tourist oriented, including cafes, an art gallery and gift shop, predominantly based in heritage buildings. None are vacant.

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<sup>8</sup> Trade Me Property, 7 April 2020



### 2.6.3 Clyde

Clyde is a much smaller centre than both Cromwell and Alexandra, with the most notable retail presence being a small Four Square grocery store, and most of the other employment in the centre being in accommodation or hospitality related (cafes and takeaways). The limited retail presence provides for only a small part of the town's retail needs, although because Alexandra is so close (7km south) there is little need for a wider range of businesses, with those present having a tourism focus and leveraging off the appeal of the town's heritage buildings. Clyde's population is just over 1,000 people (Census 2018). There are no vacant retail tenancies listed on TradeMe Property (as of 7 April 2020).

### 2.6.4 Roxburgh

Roxburgh has a small retail and commercial centre 30 minutes south of Alexandra, with a number of cafes, a grocery store, clothing store and pharmacy. The limited range of retail and services businesses reflects the limited retail demand resident in the town of less than 600 population,<sup>9</sup> and the proximity to Alexandra which provides for most of the town's retail and service needs. There are no vacant retail tenancies listed on TradeMe Property (as of 7 April 2020).

### 2.6.5 Ranfurly

Ranfurly is the town the greatest distance from the Alexandra-Cromwell retail and tourism core of the District, an hour east of Alexandra. However, the town's population is only around 720,<sup>10</sup> which is insufficient to support a large retail or services base. Apart from the Four Square and small independent supermarket, there are few other retail or services businesses in the town, with a pharmacy, book store, and hairdresser, and little in the way of cafes or restaurants.

There is one vacant tenancy listed on TradeMe Property (as of 7 April 2020), a 190m<sup>2</sup> restaurant at 3 John St.

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<sup>9</sup> Census 2018

<sup>10</sup> Census 2018



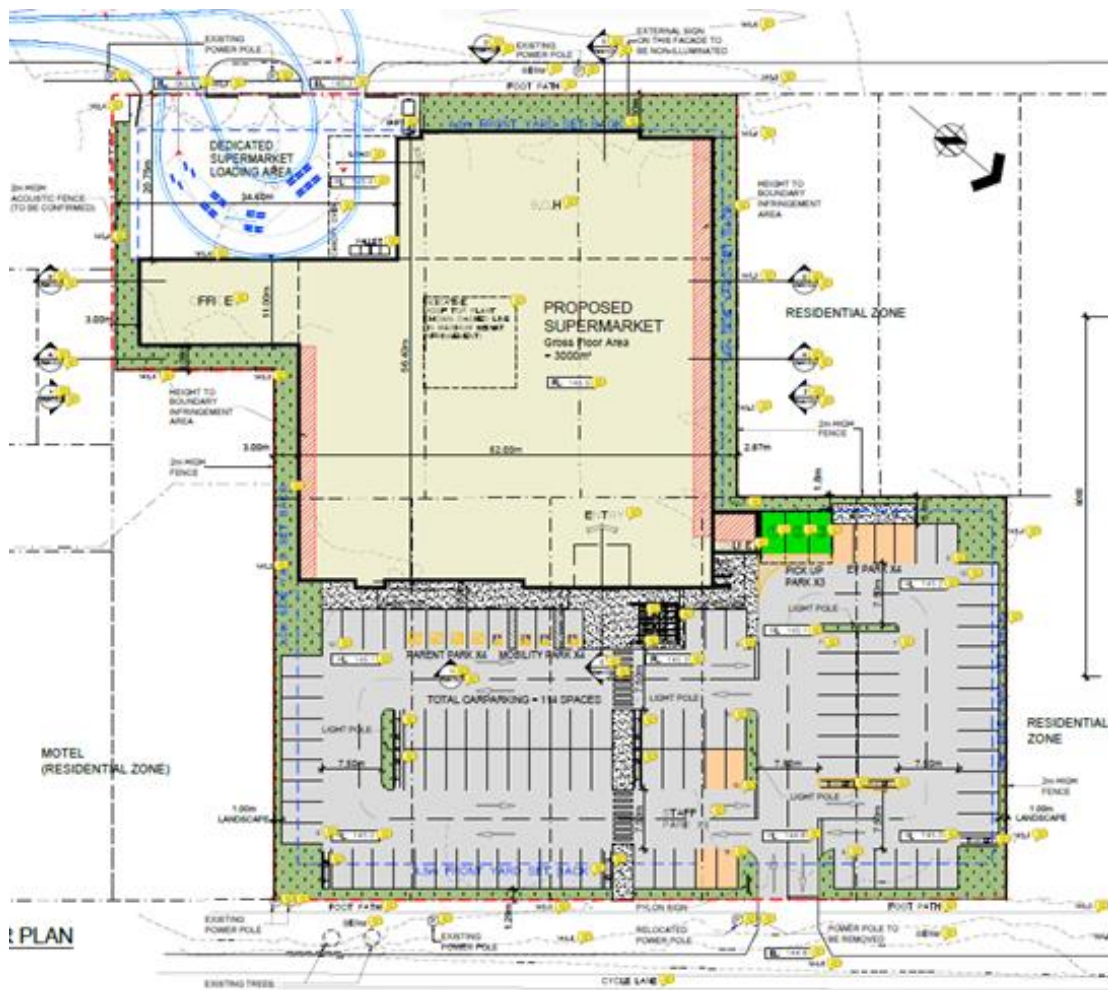
# 3 Proposed development

## 3.1 The proposed development

The application is to develop a new 3,000m<sup>2</sup> gross floor area (“GFA”) Countdown supermarket across nine residential properties<sup>11</sup> on the northern fringe of the Alexandra town centre. The 3,000m<sup>2</sup> store includes the supermarket shop floor and back of house areas for storage, preparation, and offices etc. Approximately 135m<sup>2</sup> of rooftop plant is excluded from that GFA. No other retail is proposed for the Site. The carpark is entered off Centennial Ave (Figure 3.1).

The Site is zoned Residential in the CODP, while to the southeast land fronting Centennial Avenue is the Business Resource Area. The Business Resource Area is the Alexandra town centre, the northern edge of which is some 75m south-east of the southern boundary of the Site, with only the Centennial Court Motor Inn in between (which is zoned Residential) (Figure 3.2).

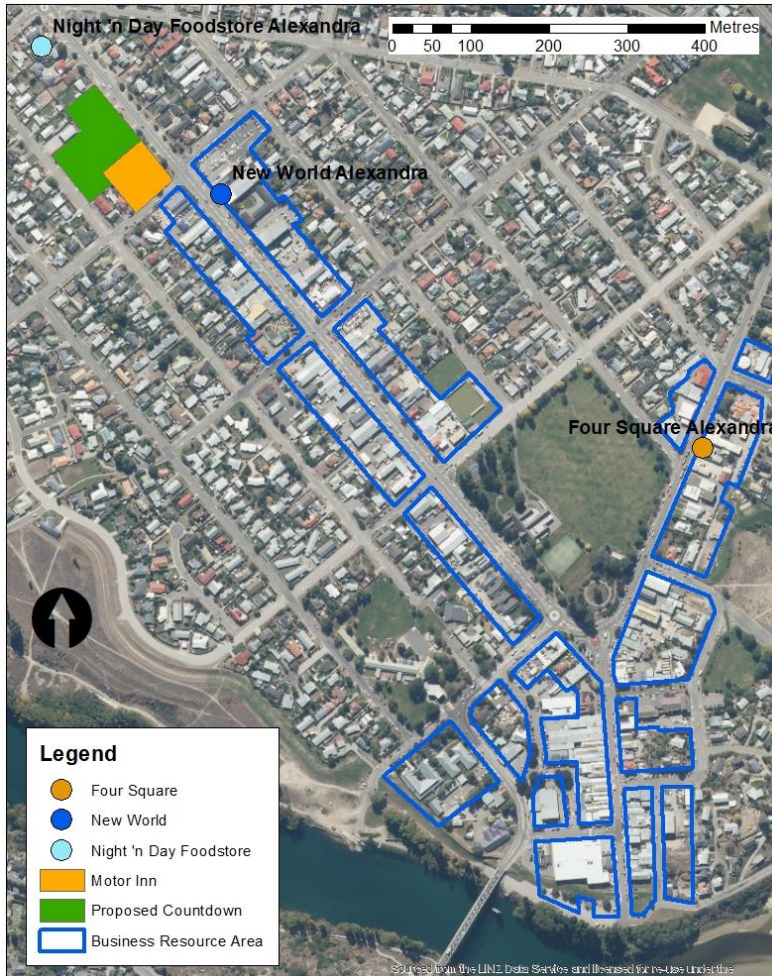
Figure 3.1: Proposed Countdown Alexandra



<sup>11</sup> 102, 104, 106, 108 and 110 Centennial Ave, and 57, 59, 61 and 63 Ventry St



Figure 3.2: Alexandra Business Resource Area and proposed Countdown site




## 3.2 Sales performance

This section assesses the potential sales performance of the proposed supermarket, as input to the impact assessment, where the sales attributed to the supermarket will be diverted away from other supermarkets and grocery stores, resulting in a decrease in sales at those stores.

### 3.2.1 Market share

To assess the potential sales of the proposed Countdown Alexandra, we have used the catchments described in section 2.1 as the base for estimating likely sales capture across the study area. The capture rates we have applied are based on data obtained from Verisk Marketview. Marketview data identifies credit and debit card transactions from BNZ customers, and establishes the geographic link between the residential address of the cardholders and the location and type of merchant involved in the transaction. It is estimated that the Marketview transactions data accounts for approximately 15% of all retail spending in the NZ economy. Marketview data is only made available in an aggregated form that protects the confidentiality of customers and the commercial sensitivity of merchants and is factored up to reflect whole of economy spending.



Data used in the assessment was commissioned specifically for this project, and covers the 2019 calendar year. Data was provided for:

- The origin of spend in businesses in three merchant locations (Alexandra, Cromwell, Rest of Central Otago)
- The destination of spend by people living in seven customer origin locations (Alexandra, Cromwell, Rest of Central Otago, Queenstown Lakes District, Rest of Otago, Southland, All Other Locations).
- All food retail stores (supermarket and grocery stores, fresh meat, fish and poultry retailing, fruit and vegetable retailing, other specialised food retailing). It was necessary to group all of those storetypes to satisfy Marketview's confidentiality rules to ensure there were sufficient businesses in each location.

That data provides an understanding of retail flows into and out of each town in Central Otago, and gives a basis for estimating potential future changes to these patterns, as the catchment population and its retail spending increases and can sustain a larger number and broader range of stores.

Applying the Marketview market share data to retail demand projections provides an indication of future estimated retail sales in each store location. Some estimates have been applied to fill in gaps in market share information where Marketview data was unavailable, namely the smaller towns in Central Otago where there are only one or two food retailers (Clyde, Ranfurly, Roxburgh).

Notable findings from that data include that:

- Stores in Alexandra and Cromwell both capture very high proportions (84-86%) of the demand resident in their respective towns.
- Residents of Alexandra and Cromwell direct only very small shares of their spending to the other town (i.e. only 3% of Alexandra spend goes to Cromwell, and 4% flows the other way).
- Very high shares of the sales in food retail merchants in each town come from people not resident in Central Otago, both NZers and international visitors: 36% of spend in Alexandra, 20% in Cromwell stores and 44% in other Central Otago food retailers. These are very high non-local shares compared to a suburban metropolitan store which might attract 10% non-local spend, and underlines the importance of tourism to the local economy.

These market shares are consistent with what we know about how supermarkets operate – that the highest shares are captured close to the store and much lower shares are captured when there is another store (of any brand) closer to consumers than the new store is. This is especially pronounced in rural areas, where the distance to the nearest alternative supermarket tends to be large, and there is a disincentive to drive past a large supermarket of one brand to visit a similar sized store much further away.

### 3.2.2 Countdown sales

In this case we expect that Alexandra with two supermarkets (New World and Countdown) would have a very similar market share from each catchment within Central Otago as Alexandra with only one supermarket, addressed as two scenarios:

- Scenario 1: all of the sales from the new Countdown will be diverted away from other stores in Alexandra only. This reflects an outcome in which established shopping patterns are entrenched and unlikely to change as a result of the addition of a new brand into the Alexandra supermarket marketplace.
- Scenario 2: Alexandra becomes a more attractive supermarket destination by virtue of having two supermarkets of different brands. The share of spend from each location that is directed to Alexandra would increase by 5%. That is a reasonable increase in attractiveness, given the main driver of attractiveness in rural supermarket catchments such as this is proximity and accessibility, rather than brand, so the introduction of a new brand supermarket adjacent to an existing store will have little effect on supermarket shopping patterns between towns.

This means that under scenario 1 Alexandra would not become a much more attractive supermarket destination despite having two different brands represented, yielding a smaller pool of spending to go around Alexandra's food retail stores compared to if Alexandra had been assumed to become a more attractive destination. Under scenario 2 the impacts on Alexandra stores would reduce (very slightly, and not materially) compared to the nil market growth scenario adopted.

Under scenario 1 the proposed Countdown Alexandra would attract some 38% of the supermarket spend resident in Alexandra, with the slightly larger New World Store in the town attracting 40%, the Four Square 4%, and the Bin Inn and Night and Day around 1% each. Those shares sum to 86%, which is the market share of all of those stores now, as identified in the Marketview data. The other 14% of Alexandra residents' spending on food retail goes to other locations, including spend on holiday in other parts of NZ. The modelling assumes that the Alexandra Countdown and New World would achieve identical sales per m<sup>2</sup>, and because the New World is slightly larger (3,150m<sup>2</sup> GFA compared to 3,000m<sup>2</sup>) it would generate slightly more sales, with a higher market share. In reality it would likely take several years for the new Countdown to reach a similar level of sales performance as the long-established New World, as supermarkets typically take at least three years, and often longer, to reach a 'mature' level of sales. The applied assumption of immediately reaching a mature level of sales is a conservative one which will tend to overstate impacts in the short-term.

The Marketview data also shows relatively large shares directed to Alexandra from surrounding rural areas for which Alexandra is the nearest town and retail centre, especially:

- Manuherikia-Ida Valleys, from which 72% of spend is directed to Alexandra, resulting in the proposed Countdown capturing 35% of spend). There is no supermarket destination in the catchment.

- Teviot Valley, from which 60% of spend is directed to Alexandra, including 29% to the new Countdown. This catchment includes Roxburgh, where the SuperValue is an alternative to Alexandra’s supermarket for consumers.
- Earnsclough and Dunstan-Galloway (56% to Alexandra, including 27% to the Countdown), with shares directed to the nearby, but small Four Square Clyde.
- Maniototo (50% to Alexandra, including 25% to Countdown), with 36% directed locally (the Ranfurly Four Square or Ranfurly Supermarket).

Only very small shares (c.2%) would be directed to Alexandra from northern parts of the District (Cromwell and the Lindis and Nevis Valleys), with consumers in those areas retaining a very strong preference to direct their supermarket spending towards one of the two supermarkets (New World and FreshChoice) in Cromwell. In line with the Marketview data assessed, the Countdown Alexandra would be expected to make 36% of its sales to consumers not resident in Central Otago District, including tourists staying in the District for a night (whether in commercial or private accommodation) and those just passing through.

Applying those market shares to the demand projections in section 2.4 indicates that the Countdown Alexandra would be expected to achieve sales of \$35.9m in the first full year of its operation (assumed to be 2022) under scenario 1 (Figure 3.3). That equates to \$12,000/m<sup>2</sup>, the same performance as is applied to the existing New World after the proposed Countdown opens, as assessed in section 4.2. Under scenario 2 a broader attraction would yield \$36.9m in sales, although with a much different distribution of impacts (assessed in section 4.2.2).

Figure 3.3: Countdown Alexandra Sales Potential (2022), Scenario 1

Catchment	Market share	Spend to Alexandra CD	Origin of sales
Alexandra	38%	\$ 10.7	30%
Cromwell	2%	\$ 0.6	2%
Teviot Valley	26%	\$ 2.1	6%
Maniototo	24%	\$ 2.4	7%
Manuherikia-Ida Valleys	34%	\$ 2.2	6%
Lindis-Nevis Valleys	2%	\$ 0.2	1%
Dunstan-Galloway	27%	\$ 3.9	11%
Earnsclough	25%	\$ 0.9	3%
<b>Total COD</b>		<b>\$ 23.0</b>	<b>64%</b>
<b>Outside COD</b>		<b>\$ 12.9</b>	<b>36%</b>
<b>Total Alexandra CD sales</b>		<b>\$ 35.9</b>	<b>100%</b>

# 4 Impact assessment

This section summarises the results of the impact assessment.

## 4.1 Impact types

There are two main types of potential effects of the proposed development relevant to this assessment:

- **Direct Impacts:** These arise when a new store opens and causes a redistribution of retail spending among existing stores, and a decrease in sales at some existing stores. Impacts of this type are the effects of trade competition, and cannot be considered under the RMA.
- **Indirect Impacts:** These arise as the flow-on consequence of direct impacts, and are relevant under the RMA. As consumer travel patterns change, patronage of the centres that those stores are in could also change. A decrease in patronage could have adverse impacts on centres' amenity, vitality, or vibrancy, making them less attractive places to visit. Indirect impacts may not occur if centre patronage does not change, such as when trips to a new development are additional to, and not a replacement for an existing centre visit.

## 4.2 Direct retail impacts

### 4.2.1 Approach

By applying the expected market shares that the Countdown Alexandra will capture from each catchment to the total demand from that catchment, we have, in section 3.2.2, estimated the sales potential of the proposed store. To assess the direct impacts in this section, we apply two scenarios to test different impact distributions, as described in section 3.2.2:

Using those two scenarios we have then applied the current origin-destination pattern (where people from each part of the study area spend at supermarkets) to the amount of spend that we expect the Countdown Alexandra to capture from each catchment. That yields an estimate of the amount of spend that will be diverted from each existing supermarket. The impacts presented describe the difference in store sales with the Countdown Alexandra in operation in 2022 compared to their expected sales if the Countdown Alexandra were not to open. That opening year (2022) is the focus of impacts because it is the year when total demand is smallest, and therefore when there is least spend to be allocated across all stores, and hence when impacts on those stores would be greatest. After 2022, ongoing market growth would mitigate those impacts.

We have investigated whether there are any other new supermarket and grocery stores in the pipeline in Central Otago, but have found no indication that there are any plans for new stores. Plans to expand New

World Cromwell are in the pipeline,<sup>12</sup> reflecting recognition of ongoing growth potential in the area. Those plans are not yet sufficiently advanced that the possible incremental expansion (+20%) of Cromwell supermarket floorspace has been included in the impact assessment. An expansion of that scale would not have any adverse effects on the viability of either Cromwell supermarket, nor, given the market distinction between Cromwell and Alexandra (section 3.2.1) stores in Alexandra. Instead an expansion of the scale identified represents forward planning in recognition of both healthy existing demand and projected market growth. The Cromwell FreshChoice only opened in 2018, and no expansion plans for that store have been identified.

Woolworth's current application is all that is likely to change in Alexandra given the New World expanded only two and a half years ago. Other towns in Central Otago are not large enough to support full service supermarkets. That indicates it is likely that there are no plans for new stores in the District, beyond Woolworths' current proposal. That then indicates there will be no cumulative effects that need to be considered as part of this assessment.


## 4.2.2 Results

The 12 supermarkets and grocery stores in the study area have current (2020) turnover of an estimated \$136m, at an average turnover of \$14,200/m<sup>2</sup>. By 2022 (the assumed opening date of the proposed Countdown Alexandra) their sales are projected to increase to \$142m, a 5% increase in two years, which is consistent with medium population growth in that time, and an allowance for a 1% increase in real spend per household, in line with recent trends (Figure 4.1). As noted in section 3.2.2, the projected sales of the Countdown Alexandra reflect a mature level of sales that would be unlikely to be achieved for several years after opening, but are assumed to be achieved at opening for this assessment to reflect a maximum impacts scenario.

Figure 4.1: Supermarket sales without Countdown Alexandra

Store	GFA	2020 sales		2022 projected sales	
		\$m	\$/m <sup>2</sup>	\$m	\$/m <sup>2</sup>
New World Alexandra	3,150	\$ 69.5	\$ 22,100	\$ 72.6	\$ 23,000
Four Square Alexandra	450	\$ 4.5	\$ 9,900	\$ 4.7	\$ 10,400
Bin Inn Alexandra	150	\$ 1.5	\$ 9,900	\$ 1.6	\$ 10,400
Night 'n Day Alexandra	150	\$ 1.3	\$ 8,800	\$ 1.4	\$ 9,200
New World Cromwell	2,200	\$ 25.1	\$ 11,400	\$ 26.3	\$ 12,000
FreshChoice Cromwell	1,380	\$ 15.0	\$ 10,900	\$ 15.7	\$ 11,400
Night 'n Day Cromwell	220	\$ 2.1	\$ 9,800	\$ 2.3	\$ 10,300
Old Town Store Cromwell	120	\$ 1.2	\$ 9,800	\$ 1.2	\$ 10,300
Four Square Maniototo	600	\$ 4.5	\$ 7,500	\$ 4.7	\$ 7,800
Ranfurly Supermarket	300	\$ 2.2	\$ 7,500	\$ 2.4	\$ 7,800
Four Square Clyde	350	\$ 4.1	\$ 11,800	\$ 4.3	\$ 12,400
SuperValue Roxburgh	470	\$ 4.5	\$ 9,700	\$ 4.7	\$ 10,000
<b>Total</b>	<b>9,540</b>	<b>\$ 135.6</b>	<b>\$ 14,200</b>	<b>\$ 141.9</b>	<b>\$ 14,900</b>

<sup>12</sup> <https://www.odt.co.nz/regions/central-otago/supermarket-seeks-greenway-growth>



When the proposed Countdown Alexandra opens it would draw sales away from existing stores, and the sum of all sales diverted from other locations would be the \$35.9m of sales estimated in section 3.2.2 (under scenario 1), or slightly higher at \$36.9m under scenario 2. Note that under scenario 2 the sum of sales diverted from the 12 stores will be very slightly lower than the \$36.9m total, with allowance for \$0.2m to be diverted from non-Central Otago stores, in line with Marketview data.

The assessment shows that there is sufficient demand directed to supermarkets and grocery stores in Central Otago generally, and Alexandra in particular, to support two supermarkets in Alexandra. The store projected to be most impacted by the Countdown Alexandra opening is the New World Alexandra, which shares the greatest competitive overlap with the Countdown, is most similar in size and is closest, with the closest parts of the two supermarket sites only 60m apart. The very strong current sales performance of New World Alexandra will be reduced closer to national average performance levels, allowing a new supermarket to establish in the town with the associated benefits that provides for consumers (increased choice, less congested store, and access, etc.).

Other stores in Alexandra have points of difference to the proposed Countdown that would result in lower impacts on them compared to the New World:

- The Four Square and Night 'n Day stores are much smaller than the New World (450m<sup>2</sup> and 150m<sup>2</sup> respectively), and function like dairies, offering a convenience-based product range for a smaller localised catchment. Those stores would be less attractive to non-locals, and function less as destination stores than larger supermarkets do.
- The Bin Inn is a wholefood and bulk product store which competes with supermarkets to some extent, but is distinguished by the nature of its products, and more limited range than the New World and Countdown.

The Marketview data shows that there is a very strong local focus to supermarkets in Central Otago, so consumers are very unlikely to travel from their home in Cromwell to shop in Alexandra, or the reverse. That has a strong bearing on the impacts assessed. Under scenario 1 that local preference is assumed to be so strong that consumers that currently shop in Alexandra would continue to do so, albeit splitting their spending across two main supermarkets rather than having only one option. The increase in Alexandra supermarket supply is assumed to not result in the town attracting any more supermarket spend, so viability of the proposed store is not predicated on a change in shopping practices. However some change in shopping patterns may result from the introduction of a Countdown into the Alexandra market. Both Countdown Queenstown and Fresh Choice Cromwell deliver to Alexandra, indicating some extant leakage of demand from Alexandra and demand for presence of a Woolworths brand in the town.

Under scenario 1 the New World would experience 97% of the impacts, that is, contribute 97% of the sales of the new Countdown. Under scenario 2 the New World would contribute a lower share of sales (92%), with more spend flowing into Alexandra and away from the stores in Ranfurly, Clyde and Roxburgh. Those shares may be lower if the arrival of the Countdown results in reduced leakage of spend through deliveries received from Countdown Queenstown and Fresh Choice Cromwell.

Impacts on the sales of the New World Alexandra are projected to be significant, at close to 50% under both scenarios (Figure 4.2 and Figure 4.3). However, because the store is estimated to be trading so strongly now, even that large percentage impact would leave the store performing at a reasonable level



for New Worlds in a national context, at \$11,300-11,700/m<sup>2</sup>, generating sales of \$36-37m a year in the year the Countdown opens.


Figure 4.2: Scenario 1: Direct retail impacts on supermarket sales (in 2022) without and with Countdown

Store	2022 wo CD	2022 w CD	CD impact	
			\$m	%
New World Alexandra	\$ 72.6	\$ 37.7	-\$ 34.9	-48%
Four Square Alexandra	\$ 4.7	\$ 4.1	-\$ 0.6	-13%
Bin Inn Alexandra	\$ 1.6	\$ 1.4	-\$ 0.2	-13%
Night 'n Day Alexandra	\$ 1.4	\$ 1.2	-\$ 0.2	-13%
New World Cromwell	\$ 26.3	\$ 26.3	\$ -	0%
FreshChoice Cromwell	\$ 15.7	\$ 15.7	\$ -	0%
Night 'n Day Cromwell	\$ 2.3	\$ 2.3	\$ -	0%
Old Town Store Cromwell	\$ 1.2	\$ 1.2	\$ -	0%
Four Square Maniototo	\$ 4.7	\$ 4.7	\$ -	0%
Ranfurly Supermarket	\$ 2.4	\$ 2.4	\$ -	0%
Four Square Clyde	\$ 4.3	\$ 4.3	\$ -	0%
SuperValue Roxburgh	\$ 4.7	\$ 4.7	\$ -	0%
<b>Total excl CD Alexandra</b>	<b>\$ 141.9</b>	<b>\$ 106.0</b>	<b>-\$ 35.9</b>	
Countdown Alexandra	\$ -	\$ 35.9		
<b>Total incl CD Alexandra</b>	<b>\$ 141.9</b>	<b>\$ 141.9</b>		

Figure 4.3: Scenario 2: Direct retail impacts on supermarket sales (in 2022) without and with Countdown

Store	2022 wo CD	2022 w CD	CD impact	
			\$m	%
New World Alexandra	\$ 72.6	\$ 38.8	-\$ 33.8	-47%
Four Square Alexandra	\$ 4.7	\$ 4.2	-\$ 0.5	-11%
Bin Inn Alexandra	\$ 1.6	\$ 1.4	-\$ 0.2	-11%
Night 'n Day Alexandra	\$ 1.4	\$ 1.2	-\$ 0.1	-11%
New World Cromwell	\$ 26.3	\$ 25.9	-\$ 0.4	-2%
FreshChoice Cromwell	\$ 15.7	\$ 15.5	-\$ 0.2	-2%
Night 'n Day Cromwell	\$ 2.3	\$ 2.2	-\$ 0.0	-2%
Old Town Store Cromwell	\$ 1.2	\$ 1.2	-\$ 0.0	-2%
Four Square Maniototo	\$ 4.7	\$ 4.4	-\$ 0.3	-6%
Ranfurly Supermarket	\$ 2.4	\$ 2.2	-\$ 0.1	-6%
Four Square Clyde	\$ 4.3	\$ 3.9	-\$ 0.4	-10%
SuperValue Roxburgh	\$ 4.7	\$ 4.3	-\$ 0.4	-9%
<b>Total excl CD Alexandra</b>	<b>\$ 141.9</b>	<b>\$ 105.2</b>	<b>-\$ 36.7</b>	
Countdown Alexandra	\$ -	\$ 36.9		
<b>Total incl CD Alexandra</b>	<b>\$ 141.9</b>	<b>\$ 142.2</b>		

Other stores would have much lower impacts, with the three Alexandra grocery retailers (Four Square, Bin Inn and Night 'n Day) projected to experience a decrease in sales of 11-13%, although continuing to operate



at a reasonable level for stores of that type (in terms of sales/m<sup>2</sup>). Scenario 1 reflects an outcome in which sales are only diverted away from stores in Alexandra, hence trade competition effects on all stores outside Alexandra are modelled to be nil under that scenario.


Under scenario 2 there would be a more widespread distribution of impacts from the new Countdown Alexandra, with the proposed Countdown drawing spend from across the entire District:

- The largest effects on non-Alexandra stores would be on the Four Square Clyde (-10%), where sales are modelled to decrease from \$4.1m to \$3.7m. That store has the largest effects because it is not currently served by a large supermarket in the town, and is the closest non-Alexandra grocery store to the proposed Countdown.
- The situation is very similar for SuperValue Roxburgh, the only grocery store in the town some 30 minutes south of Alexandra. That store is projected to experience only slightly smaller effects (-9%, from \$4.5 to \$4.1m) than the Clyde store. The Countdown Alexandra would induce some diversion of demand from Roxburgh residents to Alexandra, although because there is already a large New World in Alexandra the main influence on spending patterns would be the introduction of a new brand rather than an increase in GFA, and it is likely that Countdown would not fundamentally change supermarket travel patterns.
- The two stores in Ranfurly (Four Square and the independent Ranfurly Supermarket) are projected to experience -6% sales impacts. Those impacts are primarily generated by some redistribution of spend from the rural Manuhierikia-Ida Valleys catchment, which is in between Alexandra and Ranfurly. Spend by Ranfurly locals would be unlikely to change much. Both Ranfurly stores are estimated to be performing at what would be low levels for a supermarket, but above average<sup>13</sup> for small rural grocery stores (\$7,400/m<sup>2</sup> pre-impact). Sales in those stores would drop to around \$6,900/m<sup>2</sup>, still in excess of the range in which they would become unviable.
- The Cromwell stores are modelled to experience very small effects of around -2%. That is because the catchments of those stores and the Alexandra supermarket do not overlap substantially, given the strongly local focus of supermarket and grocery stores, as described in section 3.2.1. The proposed Countdown Alexandra would not be expected to change the fact that the vast majority of supermarket demand living in Cromwell would be directed to Cromwell.

Another way to look at the impacts is to consider the change in each store's sales relative to the current (2020) level. This comparison speaks to the future viability of each store, given that stores can be assumed to be viable at their current level. Due to growth in the period 2020-2022, the Cromwell stores would still experience an increase in sales post-impact (under both scenarios) compared to current 2020 sales. Sales in the other affected stores would be 2-4% less negative than assessed in Figure 4.2 and Figure 4.3, so impacts on the Four Square Clyde would be -6% instead of -10% under scenario 2, on SuperValue Roxburgh

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<sup>13</sup> Which is close to \$6,000/m<sup>2</sup>



-7% (c.f. -9%) and on the two Ranfurly stores -4% (c.f. -6%). Market growth would also mitigate the decline in sales of the Alexandra stores (-8% relative to 2020 c.f. -11% relative to a pre-impact 2022).

### 4.2.3 Interpretation of direct retail impacts

These impacts are the direct retail impacts, and would be classified as trade competition impacts under the RMA. In our opinion the direct retail impacts assessed would not be significant enough to result in the closure of any store (supermarket or dairy), because:


- Some of the loss in sales by existing stores will be mitigated by market growth between now and the time the impacts occur (i.e. on opening in 2022).
- New World Alexandra would be the most impacted store, and be the source from which most of the sales of the new Countdown would originate. The New World is currently estimated to be performing very strongly, given Marketview customer origin data. Even at a post-impact, reduced level of sales, the New World would still generate strong sales, leaving it well above any level where there was a concern for its viability, particularly given its considerable strategic importance within the Foodstuffs network.
- The other stores in Alexandra (Four Square, Bin Inn, Night 'n Day) will continue to play their distinct roles, which distinguish them somewhat from the supermarket(s). That will make the New World the main focus of the impacts, with impact on the non-supermarket stores more incidental, and nowhere near threatening their viability.
- Impacts on stores in towns outside Alexandra would be much smaller, and would leave all of those (smaller) stores generating sales that would be much greater ( $\$7,000+/m^2$ ) than a level where their viability was threatened (below  $\$6,000/m^2$ ). Those stores will all continue to play an important role in providing easy, local access for food and grocery products for large rural catchments centred around the small rural service towns at their core. Much supermarket spend already leaves those catchments for Cromwell and Alexandra, but the share that leaves is not expected to increase merely by virtue of a new brand in the market when that new brand will not improve accessibility of that supply.

## 4.3 Centre health

### 4.3.1 Centre health framework

It is important to consider the health of each centre in order to understand the potential indirect effects on them from the proposed Countdown, particularly given the subjectivity around interpreting how trade competition effects flow on to create indirect effects that are a relevant consideration under the RMA.

For the centre health assessment we are guided by the United Kingdom's National Planning Policy Framework ("NPPF"), updated in February 2019. The NPPF contains planning policy requirements for local authorities in the UK that should ensure the vitality of town centres. It is predominantly focused on a sequential test for location decisions for new investment and sets out that main town centre uses should be located as a first preference in town centres, then in edge of centre locations; and only if suitable sites



are not available (or expected to become available within a reasonable period) should out of centre sites be considered. The NPPF sets out several requirements for planning policies<sup>14</sup> that are consistent with that sequential test, however, it does not contain a requirement for town centre monitoring. The NPPF is consistent with the approach to centre planning in most NZ territorial authorities, including CODC.

The earlier UK central government planning policies and guidance provide a useful framework of indicators that can potentially be applied to other locations. Planning and Policy Statement 4<sup>15</sup> (“PPS4”) is the most recent document that sets out indicators about which local authorities were required to collect information to measure the viability and vitality of town centres. Those indicators are relevant to the NZ context, and to the current application, and include<sup>16</sup>:

- Diversity of main town centre uses such as retail, offices, leisure, hospitality and civic, by number and type of activities.
- The amount of town centre uses outside centres.
- Capacity for centres to grow.
- Proportion and length of time of vacant street level property (acknowledging that vacancies exist even in the strongest town centres) and changes in retailer representation in centres (businesses opening and closing).
- Shopping rents, commercial yields, and land values.
- Accessibility (parking, public transport access, provision for pedestrians, cyclists, and disabled people) and pedestrian flows.
- Environmental quality, including both negative (pollution, noise, litter, and graffiti) and positive factors (landscaping and open spaces), and including customer and residents’ perceptions of safety and security.

Importantly, the PPS4 indicators, and discussion in literature generally, recognise the wider role of town centres as it extends beyond their retail and service function, and also note the importance of understanding what is not in centres, as much as what is, to show how relatively important centres are, and how concentrated centre activities are in centres.

### 4.3.2 Centre health assessment

Quantitative data about sales or other metrics is often not available in New Zealand, however there are a number of indicators that are, and they are assessed below, using the PPS4 indicators as a guide.

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<sup>14</sup> They should define a network and hierarchy of centres and promote their long-term vitality and viability, define the spatial extent of centres, plan ahead so that redevelopment is not constrained by limited site availability, and make provision first for edge of centre development if in-centre sites are not available for required uses, and second, as a fallback position, to identify other accessible locations if more preferred sites are unavailable (NPPF, section 7, p25)

<sup>15</sup> <https://www.nrpf.org.uk/PDF/PPS%204%20-%20June%202009.pdf>

<sup>16</sup> Annex D



## Diversity of uses

As the District's largest centre, Alexandra has a broad range of retail, commercial, civic and leisure functions, as identified in section 2.6.1. The centre's only existing supermarket (New World) is located at the very northern edge of the Alexandra Business Resource Area, nearly 800m from the core of the centre (the War Memorial). There are no other full scale supermarkets in the town centre, and so people are not currently visiting the core of the centre to undertake supermarket shopping, meaning that already the diversity of uses in the core allow the core to function and thrive independently from the contribution the supermarket makes to attracting consumers.

Cromwell has a slightly smaller range of activities, although similar for retail, with the two centres functioning as the main retail destinations in Central Otago. Similar to Alexandra, the two existing supermarkets in Cromwell are located in the periphery of the centre, and there too the centre thrives without having a supermarket in the immediate proximity of the finer-grained core where most of the centre's retail and other commercial functions are located. The District's other centres are much smaller, with only a very limited provision of retail stores, and little in the way of other activities, which is consistent with their small population bases, and the proximity of the larger centres which cater to the needs of consumers living in those smaller towns.

## Town centre uses outside centres

The vast majority of town centre uses (retail, offices, civic functions etc.) in the District are located in the five assessed centres (Business Resource Areas), and most of that within Alexandra and Cromwell. The town centre activities that are not in those five centres tend to be located in one of several locations:

- In nodes servicing the Central Otago Rail Trail, such as at Ophir and Omakau, where there are small aggregations of accommodation and hospitality businesses, as well as other tourism-related businesses including travel agents<sup>17</sup> There is also some other (i.e. not rail trail-related) tourism-related employment outside centres.
- Scattered throughout the Industrial Resource Area, including some offices focussed on engineering etc. that relate to or need yard space in the industrial area.
- Scattered throughout residential areas, with nearly half of the non-centre office employment falling into this category, and being businesses of less than three employees.


Importantly, there are no material nodes of retail, commercial or office activity outside the five assessed centres, meaning that the five centres are very much the focal point for retail and commercial demand in the District.

## Capacity to grow

There is some potential for existing centres to expand (where there are no options to accommodate in-centre) and intensify. In Alexandra, some linear expansion along Centennial Ave would be a logical option to accommodate growth, given there are few vacant lots, and no large vacant ones, in the Business

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<sup>17</sup> e.g. "Luxury Rail Trail Tours" and "Shebikeshebikes"



Resource Area. In Cromwell additional capacity is anticipated through the Cromwell Masterplan, which will provide for redevelopment and intensification of the town centre. Some growth is to be expected across the District, given the demand assessment above in section 2.4, although much of the corresponding increase in space to accommodate centre activities would be concentrated in Cromwell and Alexandra. It is less likely that significant expansion of the smaller centres will be required, although an extension of existing Business Resource Areas would be an appropriate response if growth pressures do eventuate.

### **Vacancies and retailer changes**

As identified in section 2.6 there are very few vacant retail or office tenancies in any of the five centres, indicating the District's centres are in good health. Of the handful of vacant tenancies that were identified, some have only just become, or are about to become available, and some are still occupied by the current tenants that are seeking to relocate or cease trading. There have not been significant changes in retail or office tenants recently, with a slow churn of businesses typical of most centre environments, but no significant movements into or out of centres. New supermarket supply (Cromwell's new FreshChoice and Alexandra's expanded New World) are examples of recent increased supply, and indicate commercial optimism within the food retail sector. This relatively stable commercial environment with low vacancies indicates that there is likely to be a reasonably competitive leasing market with reasonable returns for landowners.

### **Accessibility**

Access to the centres is heavily dominated by private vehicle access, with limited public transport. However, parking is readily available both on and off street. There are no apparent issues with accessibility that will be having adverse effects on centre performance or appeal. Certainly, accessibility is favourable enough that there are significant inflows of spend to Cromwell and Alexandra from other parts of the District, and from outside the District, indicating that the centres are both attractive and accessible.

### **Environmental quality**

All centres offer pleasant amenity<sup>18</sup>, with generally low density built form, vegetation, and proximity to open space, and no known issues around safety and security.

### **Summary**

Overall, the indicators assessed indicate that the five centres, and in particular Cromwell and Alexandra, are in good health now. Cromwell and Alexandra are dominant centres within the District and service the majority of the needs of their towns and the surrounding rural areas, as well as being popular destinations for tourists visiting Central Otago. That dominance, or primacy, and projected market growth indicate that the centres are in good health, and robust.

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<sup>18</sup> M.E acknowledge that there have been concerns for some time on the urban form limitations of the Cromwell town centre. These are expected to be remedied as part of the Masterplan work on the town centre precinct.



## 4.4 Indirect centre impacts

### 4.4.1 Background

Related to the direct (trade competition) effects are the potential flow-on effects on other types of retail and service activity, and the centres those activities are in. Those effects can arise where changes in supermarket travel patterns induced by a new supermarket lead to changes in the other outlets visited in conjunction with the supermarket trip. Those changes for other outlets, and the centres those outlets are in, are the indirect effects of the new retail development, and it is these effects that can be relevant under the RMA.

However, for effects to be able to be considered under the RMA, they must go beyond direct (trade competition) effects and result in a serious decline in the viability and amenity of the centre as a whole (such that the role of that centre is undermined), or the loss of employment on a significant scale. By way of indication, although notwithstanding that each case must be assessed depending on the specific factual context, indirect (not direct) impacts of as high as 26-31% have not been considered to be significant.<sup>19</sup>

### 4.4.2 Results

The centre with the stores that are projected to experience the largest direct effects under both scenarios is Alexandra. The New World supermarket will be the main origin of sales that will be diverted to the proposed Countdown, and is projected to experience a reduction in sales of close to 50%. However, because its current sales are so high, even that large trade competition impact would fall far short of a level that would result in the closure of the New World, especially given the strategic importance of the New World to its parent company within the Central Otago market. Other grocery stores in Alexandra will experience far smaller direct effects, and there are few of those stores which, although very important in providing for the community's needs, make up only a very small part of the activity in the wider Alexandra centre.


Any direct effects on those stores would make little or no difference to the role of the centre and how effectively it services community needs, because of the large range of other activities in the centre. Alexandra is the District's civic and commercial core, with the District's only department store, widest range of retail stores and community organisations, has very low vacancy rates and a high amenity environment that attracts visitors from across the District as well as a high proportion of tourists.

Notwithstanding our assessment that the existing Alexandra New World would not close if the proposed Countdown were to open, even if it did Alexandra would be left in essentially the same position as it is currently, with a large, very successful supermarket (changing the New World for the Countdown) and an unchanged range of other retail and service businesses. The New World and proposed Countdown are so close to each other that they offer virtually identical accessibility, with the only difference being that the New World is just inside the Business Resource Area boundary and the Countdown site is just outside.

From information provided in the AEE the applicant investigated options to accommodate a Countdown store elsewhere in the town, but was unable to find a site that had necessary attributes, including being of large enough size to accommodate a store of the size proposed and suitable access to avoid traffic

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<sup>19</sup> *Bilimag Holdings v Waipa District Council*, 8 June 2008, Whiting J, A72/08, Auckland.



concerns. As it is, the proposal will occupy nine residential lots that have been acquired over a long period of time, representing a prolonged effort to enter the market. It is reasonable to assume that had an easier path to enter the market been available, such as purchasing a single large lot, then that would have been an easier option for the applicant, which is consistent with Woolworths' investigation of suitable sites, as described in the AEE (p18).

The fact that the Site is so close to the edge of the Business Resource Area and the New World means that the proposal is consistent with the UK PPS4's edge of centre location, which is the second best location option for new retail activities after in-centre locations. Such edge of centre locations are recognised in the PPS4 as being appropriate to accommodate activities that are unable to be accommodated within a centre, such as because they require large sites. In any case, a large supermarket is often unsuitable to be located within many parts of centres from an urban form perspective, and an edge of centre location is often preferable from an urban design perspective.

For all these reasons, and given the health and dominance of the Alexandra centre now, the proposed Countdown would be expected to generate less than minor indirect effects on the Alexandra centre, and the Site is an appropriate location to accommodate the proposal.

The District's second largest centre is Cromwell, and the direct effects on the supermarkets there are projected to be very low, at less than 2%. At that level, the change in sales of those stores would not be noticeable, and the flow on, indirect effects on the Cromwell centre will be negligible. The low impact on stores in Cromwell is because Cromwell and Alexandra serve relatively distinct catchments, indicating Cromwell would not be a source of sales that would be diverted away to the new Countdown Alexandra.

The District's smaller grocery stores in Ranfurly, Roxburgh and Clyde are within much smaller centres, and those centres (including the grocery stores) play a convenience role for their small local catchments (in towns of under 750 people) and for passing traffic including tourists. That role will not change, and most of the locally resident demand that already leaves the towns to go to primarily Alexandra, and to a lesser extent Cromwell, will continue to do so. The main change will be that instead of the vast majority of that spend going to New World Alexandra, it would be split between the Alexandra New World and Countdown, should the current application be successful. Indirect effects on those smaller centres would be negligible, even with direct effects of 5-10%, and the centres will continue to play the same role for their community and tourists. Those smaller centres are vibrant attractive markets that are appropriately sized to service their relatively small local catchments, as indicated by their low vacancy rates.

All smaller towns in the District are similarly unlikely to be affected, given their lack of retail and commercial activity and will continue to play their existing roles as minor tourism hubs or locations for stand alone, small scale businesses.

The proposed Countdown Alexandra is consistent with the economic objectives and policies in the CODP, and will maintain the existing business areas as attractive, accessible, high amenity, community focal points.

These very limited indirect impacts fall far short of a level of significance that means they are able to be considered under the RMA, and the impacts expected will be limited to a trade competition impact on only very few stores, which is not a relevant consideration under the RMA.





### 4.4.3 Conclusion on indirect effects

For these reasons we conclude that the proposed development would result in less than minor adverse economic effects on all Central Otago centres, and there would be no grounds for seeking to prevent the proposed development due to indirect impacts on centres in the study area.



## 5 Economic and other benefits

The proposed Countdown Alexandra would have some trade competition impacts and less than minor indirect impacts. It will also provide some economic and other benefits, and these benefits are a relevant consideration under the RMA.

### 5.1 Travel efficiency and accessibility

Although there is already a New World supermarket in Alexandra, that is the only full size supermarket in the town. The addition of a second large supermarket would provide consumers with additional choice, and may reduce the need to leave Alexandra to access some supermarket products. There is already demand from Alexandra residents receiving deliveries from Queenstown and Cromwell, as described in section 4.2.2. Establishment of a Countdown in Alexandra would remove the need for these deliveries to occur, and is likely to result in the service no longer being provided. That would reduce delivery vehicles on Central Otago roads, although we have no data on the number of deliveries currently made.

The new store would not have any more than very small effects on travel efficiency, although those effects would be positive (i.e. an increase in efficiency).

### 5.2 Short term construction effects

For a short time, less than a year according to the construction management programmes there will be additional economic activity stimulated in the area while the Countdown is being constructed. This activity will arise from the construction and site preparation works required, and is likely to result in the employment of local residents on the site, potentially by local businesses or those based in Queenstown Lakes District. These construction effects will flow through to other parts of the economy due to the construction firms purchasing goods and services from other businesses (the multiplier effect). Although the duration of this positive benefit will be relatively short, and some of the construction activity may occur on other jobs even in the absence of the Countdown being developed (i.e. the Countdown would simply transfer otherwise engaged activity), the economic effect will be positive.

### 5.3 Employment effects

The Countdown Alexandra would indicatively employ between 100 and 150 staff. The trade competition impacts on existing stores, including the New World, might result in reductions in employment in them, although that would be expected to be much less than the employees needed for the Countdown. There would be a decrease in employment by the Alexandra New World, however that will be much less (in percentage terms) than the percentage impact on its sales, because there are certain fixed labour requirements that a store needs, and an economy of scale for large stores.



The current store has around 180 workers<sup>20</sup> but together New World and Countdown would employ many more than 180 workers, given duplication of many positions between the stores (each will have similar administrative staff, department managers, cleaners, etc.). The magnitude of the net employment increase across both stores combined may be in the order of 40-60 jobs, which is very small in the context of total employment in the centre (1,870, so an increase of 60 jobs would be only 3%) and town (4,770, 1%), however the effect will be positive.

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<sup>20</sup> MECs, from Statistics NZ Business Directory



## 6 Conclusion

Alexandra is home to only one full-scale supermarket at present, and the modelling undertaken suggests that the Alexandra New World is among the better performers in the country within the New World brand on a sales/m<sup>2</sup> basis. In fact the New World's sales are in the order of twice the average performance of a New World or Countdown store, and indicate significant potential for expanded supermarket supply in Alexandra.

This assessment finds that the maximum direct effects of the proposed Countdown Alexandra would be 47-48% on the New World Alexandra. Because the store is currently so profitable, even after the opening of the proposed Countdown, New World Alexandra would continue to perform at an average level within the banner.

The trade competition effects on other supermarkets would be much smaller, with the current dual supermarket catchment (Cromwell-Alexandra) expected to persist, and result in effects of less than 10% on stores outside Alexandra. Those other stores already have a heavily local focus, supply their small (population 500-1,000) urban areas with a limited range of grocery goods, with most spend continuing to be directed to Alexandra (and Cromwell).

All factors considered, it is highly unlikely that any supermarket or grocery store would close as a result of the Countdown Alexandra, and the new store would instead split the New World's very healthy sales across two very close locations at the northern edge of the Alexandra centre. Neither would travel patterns change to any more than a very small degree, although there would be some reduction in deliveries to Alexandra from Woolworth stores in Queenstown and Cromwell. Supermarket travel patterns in Central Otago are primarily influenced by the distance consumers have to travel to get to a store, and that will not change if the Countdown opens. Consumers will continue to use each of the District's centres in the same way they do now, with the only change being that some supermarket trips would be directed to the new Countdown instead of the existing New World, less than 100m away. All other retail and service store visits will continue as they are now because there will be no motivation for consumers to change, or change in supply of non-supermarket goods.

The indirect effects on all centres will be less than minor, and the good centre health and appeal to a broad catchment, including tourists, will continue, with Alexandra remaining the District's commercial and civic focal point, and both Cromwell and Alexandra continuing to offer the same range of retail and service businesses as they do currently.

The proposed development would also result in some benefits, including offering additional choice for supermarket consumers, although the benefits will mainly be of quite limited extent and/or duration, although they would be positive effects.

Overall the economic effects of granting consent to this development proposal would be less than minor.



# Appendix 1: Market Meter methodology

The demand projection profiles used in this assessment have been sourced from M.E's 'Market Meter' tool. Market Meter is a proprietary tool that synthesises all of M.E's retail demand data in a single dataset, providing market demand estimates and projections for 42 retail store types at a meshblock level, and accounts for all retail spending by households, businesses, and international and domestic tourists. Household spending is divided into components of total spending power from home and from work.

Base demand data in Market Meter are calculated based on:

- The number of consumers (households, businesses, workers, and tourists) resident in each location. This data comes from the most recent Census 2013, the latest Statistics NZ household projections and SNZ's 2019 Business Directory (businesses and workers). While residential consumers are by far the largest component of total demand, it is important that the other components are also included in the assessment.
- Meshblocks' socio-demographic composition. This socio-demography applies 210 segments defined by age (six segments), household composition (seven segments) and income (five segments), from Census 2013 data.
- The spending power of each consumer segment (households and non-household consumers). The spending power of each segment is sourced from customised output from SNZ's Household Economic Survey, and calibrated at a national level to total retail spending identified in SNZ's Retail Trade Survey.
- Economic prospects and expected short to medium term spending trends (such as an increase in spending per household). These trends are based on a range of macroeconomic indicators and consensus forecasts of the economic outlook, and drive spend projections.