The Malling of Dagupan

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During the past half century, urban retailing in the developed West has undergone a revolution by experiencing extreme trade concentration. Vertically integrated supply channels in the form of chains and franchise systems have replaced fragmented ones and large retail facilities (department stores, discount warehouses, malls, hypermarkets and so on) have come to dominate the retail scene (Bucklin 1972; Goldman 1991; Kacker 1986; Wilkinson 1990). This revolution has reduced the importance of once flourishing independent vendors and family operated street stores and, even more dramatically, it has affected community life in town centers. Such centers depend on a local merchant community for their viability. Trade concentration has threatened such communities with the proliferation of giant retail facilities in their suburbs. As a result, all too often social life in town centers in the West has declined as services there have been hollowed out (Bennison and Davies 1980; Clark 1989; Holdsworth and Burton 1985; Jackson 1992; Kulke 1992).

Less Developed Countries

What about the experience of less developed countries (LDCs)? The scholarly literature about conditions in these societies has changed over time. Early writers about Third World urban retailing assumed that developments there should emulate the Western pattern. The trade structure of the urban Third World was regarded as inefficiently fragmented into small, informal sector trade units (neighborhood stores, hawkers, vendors, peddlers, small family street stores) and multiple channel levels. Moreover, it was also thought

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that this structure posed a barrier against more efficient modes of consumer goods distribution, let alone being a threat to urban hygiene (Bauer 1954, 22-34).

Subsequently, detailed studies and reconsideration of previous assumptions led to the realization that Third World informal sector retailing was well adapted to the socioeconomic realities in which it exists; that is, to low consumer income, to a need for personally guaranteed credit, to limited transportation and refrigeration, and to a lack of alternative occupational opportunities available (for example, Dannhaeuser 1980; Davis 1973; Geertz 1963; McGee and Yeung 1977; Nattrass 1987; Smith 1978; Ward 1960).

Moreover, the fact that Third World retailing proved a barrier for more modern retail developments showed that it is efficient and likely to last for a long time to come. It was realized that informal trade units are competitive due to self-exploitation, flexibility and trust between family members (Tokman 1978). Attempts, therefore, to streamline the distribution system—to introduce integrated systems and large self-service outlets (Nason and White 1981)—was regarded as doomed because the existing system was too competitive. Finally, the call for cleaning up streets and concern about public hygiene endangered by hawkers was rejected as a mere excuse by administrators to exercise their power and a mistaken notion to apply Western urban standards where they are inappropriate.

This new and more sympathetic understanding of Third World retailing seemed to be supported by the fact that up to the late 1970s trade concentration with its multiple effects on urban life played a small role in less developed countries. Supermarkets and department stores—at least the ones that survived—were confined to metropolitan centers accessible to wealthier residents (Kaynak 1982). Attempts at channel integration were in some cases successful, such as in service stations and car dealerships. Generally, though, franchise systems were not well developed and when chains of consumer goods companies opted to move beyond the large cities into provincial areas, they did so by means of very small branches (Goldman 1981).

Today, another reversal about Third World urban retailing is taking place. In this case, it does not involve the scholarly literature, which has yet to respond to it. Instead, it pertains to what is happening on the ground. In some parts of the Third World (Latin America and particularly in East and Southeast Asia) a retail revolution is in the making similar to the one experienced by the U.S. since the 1930s and Europe since the late 1950s. This is taking place
because factors that encourage retail trade concentration are now beginning to be present also in Third World regions. These include rapid economic expansion encouraging scale economies, the emergence of a middle class, increasing opportunity costs faced by small traders, changes in transportation (the car) and household storage (the refrigerator), and more cash available leading to reduced need for personalized credit among consumers. Also the coming of mass communication through TV, satellite, video and so on is playing a role by projecting a modern life style into these societies that is at least partly symbolized by the malls, supermarkets, discount shops, fast food outlets and convenience store chains. In the more developed part of the Third World this trend has gone so far that trade concentration is spreading beyond metropolitan centers into provincial towns (Tiglao 1994). The competitive strength of the traditional trade sector is no longer a guarantee to keep modern retailing at bay. Trade concentration turns out to be pan-cultural, even if specific manifestations of it reflect local conditions.

Although the general trends involved in this Third World retail revolution are apparent, detailed studies of individual provincial towns are needed to gain a deeper understanding of this transformation. What local political, economic and ethnic factors influence the process? Are the causes uniform or do they differ in detail? If they differ, do they influence the impact on urban life? Answers to these questions will give us an insight into the manner in which major institutions representing what is becoming world cultural themes are entering into small communities and the repercussions they have locally. Such studies are also needed because one of the strongest forces that has reshaped town life in the developed West has been trade concentration. Not only has it contributed to increasing cultural uniformity, it often has also undermined community life. Towns in Asia and other developing regions may face a similar fate in the next decades, making it imperative that this phenomenon is studied now, at its infancy.

I want to examine a Philippine town from this perspective. The town in question has experienced only slow economic growth during the past fifteen years and until recently it had a strong vendor community in the downtown area. Despite these conditions trade concentration has made considerable strides in the past few years. This article will describe what happened, and then analyze the reasons for, and the consequences of what happened.
What Happened

Dagupan City is located north of Manila adjacent to the Lingayen Gulf and is a commercial town of some 122,000 inhabitants (Dannhaeuser 1983; Doeppers 1971; Trager 1988). It is a multi-ethnic community in which a Chinese minority plays an important role in trade. The town has a plaza, a market square and two primary commercial streets, and serves as the center for distribution of consumer goods from Manila for lower order towns and for the rural hinterland of Pangasinan Province with a population of two million.

The town’s retail structure in early 1990 consisted of some 1,000 neighborhood stores (sari-sari stores) dispersed in the residential periphery. In downtown (the poblacion and neighboring built-up areas), about 400 street hawkers/peddlers plied their trade along the main commercial streets and around the market and plaza areas. They were joined by nearly 1,000 stationary marketplace vendors—not counting hired sales personnel—located under a large market shed (Old Market Building) next to the town hall. Most of this building was dark, grimy and smelly, but it constituted the heart of Dagupan’s small scale, Filipino dominated commerce—its informal trade sector. Finally, about 540 street stores—the larger ones usually in Chinese hands—lined the two commercial avenues and some secondary strips in the downtown area. Here the formal trade sector predominated.

Four years later, in 1994, Dagupan’s retail structure had taken on the following characteristics. The number and location of sari-sari stores remained roughly the same as in 1990, also the number of itinerant vendors near the plaza and along the commercial roads. The Old Market Building, however, had disappeared. The heart of the informal sector trade still existed, but it was now divided into two locations. About one-third of the original vendors—all in produce/fish/meats—were housed under four small market sheds (modules) on part of what used to be the Old Market Building site. The rest of the vendors (all in dry items such as textiles, shoes, toys, school supply) were to be found in temporary stalls on the plaza. Larger, more formal retail units had also a mixed history during these four years. The composition of street stores along the main commercial streets had not changed much; but modern retailing had expanded into what used to be the core of vendor dominated trade. Where the Old Market Building once faced Dagupan’s main business street, now a gleaming, air-conditioned three level mall was doing a brisk business on 3,500 sq.m. of land. Between 1990 and 1994, Dagupan’s
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retail structure had experienced a decided movement toward trade concentration.

Preconditions

For much of the 1980s, Dagupan's economy was sluggish, expanding at about the rate of the population (2 percent per annum). Some elements of the trade community, however, did better than others. Chinese have played an important role in Dagupan's trade for a long time, and certain business families within this community have done quite well since the 1950s. This is true especially for those in the trade of lumber, hardware and appliances, textiles, shoes and—for the present purpose, most importantly—in groceries. Their part in transforming Dagupan's retail structure in recent years has been crucial.

Incipient Trade Concentration and the Ethnic Factor

Trade concentration did not begin with the mall in Dagupan. Hesitant steps in this direction took place earlier (Dannhaeuser 1981, 157-64). After World War II, the most important example of this happened when Manila household appliance companies opened retail branches in Dagupan. American and Filipino entrepreneurs controlled this formal branch system on the Manila end while Filipinos managed the branches in Dagupan. The Retail Nationalization Act, which came into effect in the early 1960s, encouraged the Manila companies to choose Filipinos rather than Chinese as provincial branch managers. Chinese also avoided this arrangement because as branch managers they would lack the entrepreneurial freedom they traditionally cherish in their family firms (Omohundro 1981; Yoshihara 1985, 84; cf. Braadbaart 1994, 141-42). The result was a vertically integrated channel system in American and Filipino hands.

In the 1970s the Chinese trade community undid this streamlined channel organization. Chinese wholesale houses in the metropolis began to obtain appliances cheaply from assemblers—they had the financial resources to do so and the assemblers had difficulty disposing enough products through their own provincial branch network. These wholesalers, in turn, sold to Chinese wholesale/retailers in Dagupan who by then were operating their outlets as naturalized Filipino citizens. These outlets began to compete with the Manila company branches and by the end of the 1970s had destroyed many
of them. The capital strength of the Chinese as well as their preference for informal trade relations and independence, which is anathema to formal channel integration, undermined the highly integrated branch setup. Channel fragmentation in the appliance trade was the result, exactly the reverse of trade concentration.

It was somewhat surprising, therefore, that, after they had thwarted a major attempt at trade concentration, it was Chinese who participated in the next major movement toward trade concentration. This took place in the 1980s and this time it did not involve contractually integrated channels between Dagupan and Manila. Instead, it took the form of large, self-service oriented retail facilities handling groceries.

When a new generation of Chinese owner/managers took over grocery firms in the early 1980s, a number of them decided to venture into opening supermarkets—up to then self-service was confined to tiny superettes—and department stores. In 1990, there were three 400 sq.m. air-conditioned supermarkets in Dagupan’s downtown, two with small department stores one floor above them. As a result, by the end of the 1980s the traditional grocery street store was not encountered anymore in downtown (market vendors, by contrast, were hardly effected by these developments). One reason for the ease in this transformation was that all of the main players decided to participate in it at the same time. Traditional grocery stores were no obstacle because they had been operated by the same families who were now involved in supermarketing.

One Chinese family was especially zealous in promoting trade concentration in the grocery line. It already dominated grocery wholesaling in Dagupan since the 1960s. When in the mid-1980s four siblings took over management they moved into supermarketing. Their aim was to create a chain of supermarkets (combined with department stores) in Dagupan and neighboring towns. In 1990, this family firm—now called CSI—controlled two supermarkets in Dagupan and was about to open a third one in a nearby town. Two other Chinese families were doing the same, although on a smaller scale.

Immediate Cause of the Transformation

By 1990, several factors made Dagupan a likely site for another major retail development, a mall. After the new generation of filipinized Chinese entered management, innovative and expansion
oriented family firms in Dagupan were waiting for new opportunities. They had access to capital and some of them had already moved into modern trade concentration. Several large retail developments in Manila caught the imagination of these merchants in the provincial town, most notably the appearance of enormous malls, known as megamalls.

However, there also existed impediments in Dagupan to the establishment of a mall. First, there was the relatively lackluster economy and limited customer pool among the small middle class. Of more immediate concern was the problem of where to locate a mall. The possibility of such a facility was discussed at the time, but space restrictions kept this to speculation. The ideal location was the market place square. Yet, vendors there had sufficient political strength to prevent the town administration from even contemplating letting a private investor tear down the Old Market Building and replace it with a modern mall occupied by different traders than the original vendors. Even to locate a mall in the periphery of the town was considered no alternative. The presence of some 1,000 well-entrenched vendors all with their established clientele in central downtown would make such a mall, partly trading in similar products, a risky affair.

The Earthquake

In June 1990, conditions changed. A strong earthquake shook Dagupan. Damage along the main commercial streets was extensive and the Old Market Building was in such bad condition that it was too dangerous for vendors to occupy. It took months for the commercial life of Dagupan to return to normal. Whereas the trade of street stores picked up again once the buildings and streets were repaired two years later, the situation for the market building proved more intractable. The damaged structure had to be demolished and the vendors relocated. Space for them was found in the plaza where makeshift stalls for some 600 of them were constructed.

Once the dust had settled, it became apparent that a prime tract of centrally located public real estate had at least temporarily been emptied of its occupants—the core of Dagupan's downtown informal commercial sector. In one stroke this removed two major obstacles to a new commercial center in Dagupan; viz, insufficient space in the center and a strong informal trade community.
After the earthquake it was taken for granted that the town administration would have the Old Market Building rebuilt. Though near the center, the plaza was not a good location for vendors because it was prone to flooding, the stall spaces were cramped and the roofing provisional. Plus, the plaza was soon surrounded by squatting illegal stall vendors—about ninety of them—who had been unable to find and/or pay for a space inside. These began to take the trade away from the legal vendors inside the plaza. Finally, now the traditional city functions, such as the town fiesta, could not anymore take place on the plaza. Many individuals in and out of government, therefore, wanted the vendors to return to their original site.

Soon, however, the town administration realized that it lacked sufficient funds to construct a new public market building. At the same time, two of the Chinese families operating supermarkets in Dagupan—most aggressively, CSI—unofficially began to approach elements of the administration about the possibility of constructing and managing a large mall if the market site were leased to them.

This development set the stage for town hall to be torn between two interests: a) to have the Old Market Building replaced by another one in the interest of the vendors and in consideration of their votes; b) to lease the lot and have a modern mall constructed by a private concern in the interest of Chinese trade circles and for the financial and prestige benefits to the town.

Factionalized City Administration and Weak Vendor Association

To be split about the local trade community was nothing new for the town’s administration. Vendors have been a chronic point of contention in Dagupan, especially the question of what to do about illegal ones. Believing that they represent an important voting block, the mayor’s office usually defends them. The council, by contrast, legislates restrictions against them—even if individual councilmen then plead with the mayor’s office for particular vendors found guilty as long as the vendors come from the councilman’s own district.

This factionalism came to the fore a year after the earthquake when it was certain that public money was unavailable for the town to construct a new central market building. One alternative seemed to be to lease the land to private interests who offered the highest bid and who would be expected to construct and manage a modern commercial center. In October of 1991 the council began to favor this argument. Individuals close to the mayor’s office suggested that this
showed the influence of highly capitalized Chinese firms at work because privatization would favor their own interests. Those representing the vendors opposed privatization through bidding, arguing that the original occupants should be allowed to lease the land and construct a building of their own design. It was to have some modern features, but basically still be a market place building which the displaced vendors would occupy.

While the council proceeded to set the date for bidding (February 1992), vendors saw themselves forced to form a cooperative in their effort to reclaim the market site. The Dagupan City Market Stallholders Multi-Purpose Cooperative (Coop for short) was the result. This allowed them to take advantage of a government proviso that gives preference to registered cooperatives when public land is being allocated. It also improved their ability to coordinate their actions and pool the limited financial resources at their disposal.

Unfortunately, this effort on the vendors part was doomed to failure because of tactical errors both by the mayor's office and the vendors themselves. More fundamentally, it was to fail because of the weak economic strength the vendors had even after being organized as a cooperative.

Turning first to the tactical mistakes, shortly before the bidding date, the mayor decided to draw up a separate agreement with the vendor Coop. The contract leased the land in question to the cooperative with the understanding that it would construct a commercial center on it. The council promptly voided that contract because the agreement lacked an enabling resolution of the council. The outcome was that the mayor's support for the cooperative was emasculated and with this the Coop had lost its main political ally in the town administration.

In a second blunder, the Coop then decided not to participate in formal bidding, arguing that it already had the legal right as a registered cooperative to receive preferential treatment by the government. As it turned out, in the subsequent court case between the vendor Coop and the town administration, this decision seriously weakened the claim of the vendors that they as a cooperative had a preferred right to lease the land.

Even without these tactical mistakes, the case of the Coop was doomed once the highly capitalized and coordinated Chinese efforts were allowed to compete with the claims of the vendors. For one, the vendors never showed their strength in numbers—the main public protest took the form of a vigil by mainly the leadership and family
members of the vendor cooperative, about 100 of them, on the Old Market Building site a day before the winning bid was announced. The great majority of displaced vendors remained passive and cynical, doubting the honesty even of the representatives of their own cooperative.

For another, the capital resources of the Coop were pitiful in comparison to what the Chinese had to offer. The minimal terms for bidding set by the town council were demanding: a lease lasting at least 40 years; a monthly rental rate of at least P18/sq.m.; minimal cost of construction, P60 million; construction time, one year after the contract was signed. Some charged that these terms were onerous to assure that the only ones who could legitimately bid would be wealthy business families; that is, in effect, Chinese.

The firm that eventually won the bid—Chinese controlled CSI—had a net worth of P82 million and gross annual sales of P180 million. Collectively, the vendors had a similar turnover, but their net worth was far less and the ability to generate capital for a large project such as a commercial center was very limited. Had the Coop received the right to lease, it planned to raise P30 million from an unspecified bank and generate financing from equities of beneficiary market vendors. By contrast, the winning bidder had P20 million in cash, and letters of credit from a Chinese bank and from a Chinese business family amounting to P60 million.

CSI won the bid hands down. Another Chinese firm (also in the grocery trade) participated in bidding, but its documents were incomplete and capital resources less solid. CSI agreed to lease the 5,000 sq.m. lot for P25/sq.m. a month over a period of 50 years. The mall would cost P80 million to build and was planned to be a 3,500 sq.m., three level structure (expandable to five levels) which at the end of the lease period would revert to the Dagupan City.

Undaunted, the Coop went to court charging irregularities in the bidding process and that it, as a cooperative, should have received priority in being allocated the lot. This raised sufficient concern that on a visit to Dagupan in August 1992 the President of the Philippines, Fidel Ramos, urged local officials to resolve the dispute concerning the commercial center. It was not much later that the manager of the vendors cooperative was looking forward to meeting the general manager of CSI. The general manager also announced that 1,000 sq.m. of space adjacent to the planned mall would be reserved for displaced vendors at subsidized rates.

The final outcome went against the wishes of the cooperative and most vendors. In December of 1993, the Philippine Supreme Court
ruled against the Coop petition. Ironically, this was in the same month that the new mall was opened to the public with a grand ceremony that included P500,000 worth of prizes and gifts provided by such companies as Shakey’s Pizza, Procter and Gamble, Ovaltine and Purefoods.

CSI Tactics

Unlike the case of the vendors and the mayors office, the tactics followed by operators of CSI throughout this period helped it to succeed.

When the town administration was considering whether to privatize the market site, CSI stressed that a modern mall would be good for Dagupan’s image as a regional trade hub and an investment which would increase its commerce and revenues. CSI adopted a decidedly long-term investment strategy and took the bidding seriously. The firm made it clear to the town administration that it was willing to wait for nearly a decade before expecting a real return from this investment. In this way CSI demonstrated its commitment to Dagupan. Moreover, the CSI bid was obviously superior to that of the others submitted, and it provided a balance between feasibility and grandeur. CSI showed that it could fulfill its obligations while convincing the town that there was something in it for all—most vendors excepted.

CSI displayed also tactical skill during the construction period and after the mall was opened. First, there was its (seemingly) conciliatory position toward the displaced vendors, especially after President Ramos intervened. It incorporated elements of the vendor community—especially of the Coop—into the project, thereby neutralizing their opposition. “CSI Market Square is always open to Coop members, so they can bounce back from the earthquake,” said CSI’s general manager after the opening of the mall center in late 1993. The vendor Coop was being coopted.

Before the completion of the center, CSI promised space for vendors behind the building where the town was constructing market sheds to house wet goods vendors. After the center was finished, some small spaces were reserved for vendors in the mall at a low lease of P100/sq.m./mo and no need for goodwill—this compared to P1,200/sq.m./mo for regular store space with a minimal P100,000 goodwill payment expected for the right to lease a space to begin with. Some Coop members made peace with CSI in public and began to trade in the market square. One of them, a Mrs. Soriano, found
CSI's general manager a "nice person" and felt that "the intrigue against her were all false." When for some time a store area in the mall could not be filled by a permanent occupant, some 40 vendors were permitted to set up their stalls, even though permanent leaseholders handling similar goods were not happy. As a result, during the first year of operation, the Square did not face the united opposition of all Coop members.

Another tactic by CSI to assure the mall's survival was to "serve the town." Even before planning the mall, CSI prided itself to be active in the local social welfare field. It supported a children's fund and a fund for the poor, and it was involved in several other widely advertized welfare projects. With the construction of the Square and vendors occupying the plaza, CSI encouraged the town's public events—formerly occurring on the plaza—to take place in front of the Square. This involved the annual fiesta, beauty contests, fashion shows, political speeches, receptions, parades, and so on. The mall was also designed to be attractive in the Dagupan context. In a town where hardly any store has airconditioning, it is fully climatized. In a region of frequent brownouts, it has its own emergency energy source. It is the only structure in Pangasinan with an escalator. From the outside it may appear as a dull, square block, inside the design is imaginative, providing customers with a feeling that they are participating in a cosmopolitan retail scene.

Aside from its architectural design, the services found in the mall have made it culturally appealing to the local population. Retail facilities range from highly formal and modern to vending stalls not much different from what used to be found in the Old Public Market. This has been good in attracting a wide range of customers. Next to the stalls, there are close to 40 glass encased stores (shoes, textiles, pharmaceuticals, and so on). The mall houses the largest supermarket and department store outlets in town (owned by CSI); plus, there are a video arcade, two movie theaters and a play area for children.

What has also helped, is that the staff, especially those in direct contact with the public, are native to the region and know the dialects of Pangasinan and Ilocano. Here modern architectural decor and management are combined with a provincial cultural orientation among personnel dealing with customers. Visitors from the rural hinterland are not alienated.

Another important touch assuring the mall's success has been the opening of two of the most popular fast food franchises in the mall, McDonald's and Shakey's Pizza (the latter open until two in the
morning and with a wide screen TV for customers). In this case the Chinese connection of the developer, CSI, helped because most fast food franchise/branch systems in Manila are held by Chinese interests. This ethnic link enabled CSI to attract establishments to its premise that are at the cutting edge of contemporary mass culture. What has also helped is the location of the mall near other fast food (most importantly, Jollibee) and similar fashionable outlets along the main avenue near the city hall. CSI Square is located where the action is. And a constant barrage of promotionals emanating from the firm on radio, TV, in newsprint and by means of flyers and posters remind the public of the special deals available at CSI Square. No wonder that the mall is crowded every day. Realizing that the long term success of the mall lay not only (or even mainly) in Dagupan, but in an expanded hinterland of the city also has been to the advantage of CSI. For a long time Dagupan has been attracting people from the province to its commercial services. Now, with the largest retail complex north of Manila, it is drawing people from neighboring provinces. By means of advertising efforts aimed at potential customers beyond the provincial boundaries CSI has tried to make sure that people in those areas know about it. Why go to Manila if Dagupan has the same to offer? Dagupan’s economy might not have expanded appreciably during the recent past (at least not in the per capita sense), but the mall was designed to capture the imagination not only of Dagupan’s resident population, but also of those living in its expanded hinterland.

Consequences

From the perspective of town hall the mall has so far been an economic boon to Dagupan. Eighty million pesos went into its construction and CSI is now paying each year P4.3 million in rental, business taxes, mayor’s permit, sanitation and other fees to the town. After it opened, P2.8 million in annual wages started to flow into the local economy to pay for 40 individuals maintaining the building. Moreover, there are the employees hired by the leaseholders in the mall, some 350–400 of them. This will result in P21 million annual wages.

One of the reasons why the town council supported the mall idea was to get Dagupan out of the economic depression that the earthquake had caused. The rehabilitation funds helped (some P100 mil-
lion), but it went mainly into restoring what had been damaged. The
mall has pumped money into the town and improved the attraction
of the town center to local and regional residents. Many vendors,
however, have lost out.

**Effect on the Informal Trade Sector**

The balance between the formal and informal retail sector in
Dagupan has been altered during the past five years. The earthquake
loosened the grip of the city’s stall vendors on the central market
zone forcing them to move to a still central, but less favorable loca-
tion. As time passed, a supposed temporary condition became a last-
ing one and the commercial role of the downtown vendors has been
permanently weakened.

What do the numbers show? Before the earthquake, the Old Mar-
et Building contained 933 stalls with a sales area of 5,550 sq.m. Vir-
tually all stalls were occupied by altogether 2,800 vendors and hired
sales personnel. Three years after the earthquake, in 1993, the infor-
mal sector in downtown had a different look. Two new vending
zones had appeared. The plaza was occupied by 410 stalls with a
sales area of 3,120. Surrounding it were some 90 illegal stalls cover-
ing 540 sq.m. The second zone was behind the CSI mall reserved for
wet vendors under four market sheds. Here also 410 stalls were
found with a sales area of 1,450. Combining these two new vendor
locations (including the illegals, because most of them also used to
occupy the Old Public Market) and assuming that in 1993 all stalls
were actually occupied, 910 stalls were found operated by 2,730 ven-
dors/sales personnel with a sales area of 5,110 sq.m. It appears, there-
fore, that the presence of market stall vending in downtown declined
only insignificantly since the late 1980s: 3 percent less vendors, 2
percent less stalls, while the sales area was reduced by 8 percent.

The above numbers, however, hide the fact that a substantial pro-
portion of plaza stalls were by 1993 actually unoccupied. If these are
subtracted—some 163 of them—then the figures are as follows: 747
stalls in the central area covering a sales area of 4,108 sq.m. with a
total vendor/sales personnel count of 2,241 individuals. Based on
these net values, it appears that from shortly before the earthquake
to 1993 there has been a 26-percent decrease in the sales area and a
20-percent decline in the number of stalls and in vending personnel.
These are significant reductions, even if not precipitous ones, for the
downtown informal trade sector.
What these figures do not make clear is that for the majority of the displaced vendors, especially those within the plaza, their exposure to customers and their physical comfort has decreased. Moreover, the creation of two vendor zones after the earthquake weakened the centricity of the vendor community to the detriment mainly of the interior plaza vendors. No wonder that by 1993 about one third of the plaza stalls there were unoccupied.

So far we have dealt with the effect of the earthquake. Although at the time of the research in 1994 it was too early to tell the full extent of it, the opening of the mall has had its own repercussions. On the positive side, some of the market vendors use merchants in the mall as convenient sources of their goods. This is especially true for vendors handling groceries and toiletries. The CSI supermarket in the mall has a special section devoted to sub-wholesaling to vendors and sari-sari store operators. Moreover, some vendors, especially those handling fresh produce, meats and fish have prospered since the earthquake. The rising number of fast food outlets in Dagupan, some of the largest of which are located in the new mall, has increased the demand for fresh products. In this case formal sector expansion has stimulated informal sector trade activities.

On the negative side, plaza vendors now face the competition of stores within the mall which attract customers away from them. It is usually believed that different types of customers are catered to respectively by the informal and formal sectors—lower class ones to the former and upper class ones to the latter (Friedmann and Sullivan 1974, 394; Tokman 1978, 1197). To some degree that is true for Dagupan’s mall and the nearby vendors, but not as much as one might assume. This is due to two factors: to defuse the criticism of displacing the vendors, CSI agreed to incorporate some vending into its mall operation. Policies of these vendors toward permanent customers are similar to the ones they would have maintained in the public market—some of them have outlets in both locations. Second, features of the mall, such as air conditioning, entertainment, and store personnel that is local and not cosmopolitan in its cultural orientation are attractive to poorer customers who in some cases are then willing to pay a premium—10 to 30 percent—for the goods they purchase.

What options are open to the marginalized vendors? Not many because alternative occupations are scarce. The empty stalls in the plaza attest to the fact that a number of them have either quit, turned itinerant or have left Dagupan to set up shop elsewhere. For most vendors, however, it has meant to stay put and stagnate, trying to
attract customers through lower prices. There is one glimmer of hope. With more money in the town coffers, Dagupan's council has promised to have a new market building for plaza vendors constructed opposite the CSI mall at a cost of P2 million. Ominously, this promise was made more than a year ago and so far construction has not been started.

Effect on Street Stores and the Formal Sector

The completion of CSI moved Dagupan's formal sector decidedly in the direction of increasing trade concentration. Again, numbers tell some of the story.

Shortly before CSI opened, Dagupan had about 540 stores along its major commercial streets covering a sales area of 26,860 sq.m. (50 sq.m./store) which was served by a total store personnel of some 3,240 individuals. Compared to the pre-earthquake permanent vendors, this retail sector differed mainly in the sales area it covered. It was almost five times that of the one occupied by the vendors. Of these street stores, 69 (13 percent of all stores) were decidedly modern and formal—glass enclosed product display, cosmopolitan decor, perhaps air conditioning, perhaps self-service, corporate sector promotional display, and perhaps corporate branch, franchise or exclusive dealer. These outlets covered 8,089 sq.m. in sales area (30 percent of the total) and had an average size, 117 sq.m., significantly larger than the average of all stores. Eighteen percent of all sales personnel (580 individuals) were active in these sophisticated establishments.

With the opening of CSI Square in late 1993, the number of stores in Dagupan increased by 7 percent, to 580, and the sales area by an impressive 25 percent to 33,660 sq.m., so that the average size of Dagupan's stores now stands at 58 sq.m., up from 50 sq.m. A sales personnel of 3,750 are found in this trade sector, up 16 percent from the previous period. While the position of most vendors has been marginalized since the earthquake, store retailing received a considerable boost with the appearance of CSI Square.

What is more striking, the modern and highly formal sub-sector has expanded in Dagupan significantly with CSI Square: it now accounts for 19 percent of all street stores (109 outlets) and 44 percent of the total sales area (14,890 sq.m.); the per store sales area is now 137 sq.m. What is more, 23 percent of all store sales personnel, 872 individuals, are employed in these facilities. Already before the coming of CSI Square modern retailing was not insignificant; with CSI it has become an important aspect of Dagupan's trade scene.
Aside from this structural shift, how have pre-existing street stores fared since the opening of CSI Square? After all, if there is product overlap between certain plaza vendors and the Square, there is even more of one in the case of the mall and street stores. Merchants handling textiles, apparel, shoes and office supply have expressed most concern, although none to the degree of wanting to unite in formal opposition to the coming of the CSI mall. Perhaps not sufficient time has passed since the mall opened, but store retailers have not experienced much reduction in customer traffic at least up to the summer of 1994. It seems that the trend for customers to be drawn into CSI Square is offset by the fact that more visitors come to downtown. Some traders plan to renovate their store in response to CSI and the lone supermarket in the eastern end of the poblacion, away from the mall, has experienced a decline in sales. For most store traders, the important and positive aspect of CSI Square is that it is located in the downtown area and that it is run by local enterprise.

Reinforced Ethnic Factor

The mall epitomizes the Chinese role in Dagupan's retail trade, a group that is now in the forefront of formal sector trade and responsible for most trends toward trade concentration that have taken place during the last 15 years. In the 1980s, Chinese, by then naturalized and mostly local born, were reasserting themselves in Dagupan's retail scene after the effects of the Retail Nationalization Act had worn off. A new generation found it far easier to establish trade links with non-Chinese suppliers and outlets than the previous generation. These newcomers were part of the local cultural milieu without having lost their ethnic identity. They could operate in the Filipino, American, and Japanese spheres of business customs, not only in the Chinese sphere (Yoshihara 1985, 82-107; cf. Limlingan 1988). Equally important, on the Manila end ethnic Chinese were operating increasingly advanced retail institutions and by the late 1980s most manifestations of modern trade concentration in Dagupan, such as supermarkets and departments stores, were in Chinese hands. Then came the mall, the largest private retail unit of them all; shortly afterwards major fast food franchises located in it, a fact important to the mall's success. In both cases trade concentration had received an unprecedented boost, again led by Chinese.

Given the capital strength of local Chinese and their history in trade, their role in operating large trade units, such as the mall, is not surprising. What is surprising is their participation in the other
dimension of trade concentration, and that is channel integration in the form of fast food franchises.

If these franchise systems had existed in the 1960s, they would have been managed by Filipinos. Three decades later, ethnic Chinese dominate them in spite of the fact that these systems jeopardize what Chinese merchants value, and that is entrepreneurial freedom of their family firms. Why, then, did they enter this trade?

Dagupano Chinese participate in these innovative channel arrangements because they are lucrative and because "other" Chinese in Manila—often connected by family ties—are doing so as well. They do so also because the franchise arrangements they enter into typically do not entail a loss in their family firms' independence. In franchise systems the following relation obtains between independence and involvement by local family firms. The more the local family firm becomes engaged in managing a franchise the more that firm loses its independence and takes on a corporate (rather than familialistic) form; the less it is involved in the daily running of the franchise, the more does the firm retain its familialistic character and independence. In nearly all cases Dagupan's Chinese in the fast food line choose the latter course. Typically, only one member of a Chinese trade firm—often a female—acts as franchise holder, while the family pursues other business interests in a more independent fashion. The franchise serves as a sideline to the family firm, giving it security by providing a source of steady income. The outlet is financed by the local Chinese family firm, but is actually run by hired personnel selected by the Manila based franchise system which is also in Chinese hands. This personnel is influenced and manipulated by the local family firm owning the franchise, but that enterprise does not manage the daily details of the outlet.

Being managed by a Chinese firm, the CSI mall symbolizes the importance of Chinese interests in Dagupan's commerce. It does so also by the fact that some of the largest fast food franchises in Dagupan—all Chinese operated—are found in the mall. In more general terms, trade concentration currently taking place in Dagupan reflects and reinforces the Chinese role in local commerce.

Effect on the City Center

Aside from stimulating the local economy, the mall has given the city a wider commercial reach by expanding its hinterland. It has also reinforced the centricty of Dagupan's poblacion. In fact, there
is no evidence of the hollowing out process of the town core which in other parts of the world—mainly north-central Europe and the North America—accompanied recent development in trade concentration. Why is this so? The limited suburbanization of Dagupan’s population and the central location of the new retail developments have preserved downtown. Moreover, even if the role of the informal trade sector in Dagupan City has been reduced, this sector remains important in the downtown area due to the continued pool of poor customers residing near the center and lack of occupational alternatives open to vendors. These factors preserving downtown are tied to an economy that until recently has been relatively stagnant. But conditions may be changing. The impact of future trends in trade concentration may not only affect the public plaza and market vendors negatively, but also the viability of Dagupan’s downtown commercial community.

Ironically, the success of CSI Square might result in its eventual demise. The current respectable expansion of the Philippine economy is tempting some large Manila firms managing chains of supermarkets and malls to think of provincial locations for their new retail projects. The experience of CSI Square in Dagupan has attracted their attention. Two known players with plans for Dagupan are Robinson’s Galleria and SM (ShoeMart). Especially the project of SM—a Chinese concern operating mega-malls in Manila—will be very large, double the size of CSI Square. It is planned to be located two kilometers southeast of the current commercial center of Dagupan. Downtown store traders, including those in CSI, are very concerned about this prospective development because the size of the project and its proposed location might shift the commercial center of Dagupan away from where it is now. Moreover, the fact that this new enterprise will be managed by non-local interests means that these will have little regard for the disruptive consequences of their projects. It may be that the more negative consequences of trade concentration to town life, so well documented in the developed West, are just around the corner in Dagupan.

Conclusion

For better or worse, worldwide trends exist that can be called development, modernization, or socioeconomic transformation. The experience of the West during the past century turns out not to be unique. Some of the trends it has undergone are pan-cultural and
are reappearing in different societies as these pass through similar developmental phases. Economies of scale driven trade concentration is one of them. In fact, it is now appearing in areas that seem not to be economically ready. Dagupan is one of them. Until recently, this community had a stagnating economy and a very strong informal trade sector. Yet, when the latter was violently disrupted, powerful commercial and political interests moved Dagupan's retail structure decidedly toward greater concentration.

The crucial elements facilitating this change were a divided town administration giving only marginal support to the vendor cause and the presence of a middle-man minority in the form of the entrepreneurial Chinese community (cf. Bonacich 1973). Formerly, this community preferred to maintain informal trade relations along fragmented channels and to operate independent, family based street stores. With capital accumulation and a new generation taking over in the 1970s/1980s the Chinese community was able to participate in trade concentration once opportunities opened and as long as they could preserve their preference for independence. This was true both in establishing large retail units in Dagupan and being linked to integrated supply channels. By the late 1980s Chinese dominated formal sector retailing more than ever. No wonder that one of their firms succeeded after the earthquake to move into the gap left by the vendors and by the weak administrative opposition. The mall was the result.

At the beginning of this article I reviewed shifts in the literature about Third World urban commerce. The 1990s turns out to be a period calling for another shift. There is a need to recognize that trade concentration is not anymore confined to the developed West where towns have been subject to it for decades. It is now becoming a fact of life in urban LDCs as well.

Dagupan is a type of town frequently encountered in the Third World—one in which the informal commercial sector plays a significant role, in which an ethnic minority dominates much large-scale trade, in which a weak town administration is buffeted between divergent commercial interests, and a community which is increasingly subject to economic and cultural innovations emanating from metropolitan areas. To be sure, the earthquake was unique to Dagupan, releasing underlying pressures for change more rapidly than otherwise would have been the case. But what has happened in Dagupan represents a trend in the development of commercial institutions that
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undoubtedly will increasingly be encountered in the sphere of urban LDCs in general, including in provincial towns. There is now a need to study this phenomenon from a comparative perspective. This will deepen our understanding of the interface between culture, commerce and development. It will also improve our ability to limit negative consequences of trade concentration to downtown life in communities like Dagupan in contrast to what has happened in many towns in the West. Soon it will be too late.

Notes

1. The commercial press, though, has taken note of recent trends in trade concentration. This is especially true for East and Southeast Asia. See, for example, The Economist (1994 and 1993), Fairclough and Thani (1993), and Thornton (1995).

2. The emphasis here is on ethnic Chinese irrespective of whether they are naturalized and locally born. On the difficulties in defining Chinese (and Chinese mestizos) in the Southeast Asian context see the discussion by Yoshihara (1988, 37-40).

3. For the purposes of this article, the informal retail sector includes peddlers, hawkers, street and market place vendors, and street stall operators. The formal sector includes operators of street stores (walk-in), of supermarkets, of department stores, of malls, and of franchise/branch outlets linked to large firms. On the current state of the definitional debate about the formal and informal sectors see Charmes (1990, 11-16), Dannhaeuser (1991), Dewar and Watson (1990) and Rakowski (1994).

4. The following reconstruction of what happened after the earthquake is the result of interviews with city officials, merchants, vendors and of reviewing reports published by the local weekly, Sunday Punch.

5. At that time rumor had it that some local business interests may have tried to influence this decision with a P3 million under-the-table consideration.

6. These numbers are estimates based on information from the Department of Trade and Industry, Dagupan’s Office of the Treasurer, and obtained from the author’s surveys of vending and store units in Dagupan.

7. As in the case of itinerant peddler and hawkers, there is no evidence that the number of stores along Dagupan’s commercial streets—other than the ones located in the new mall—changed significantly during the intervening period.

References


