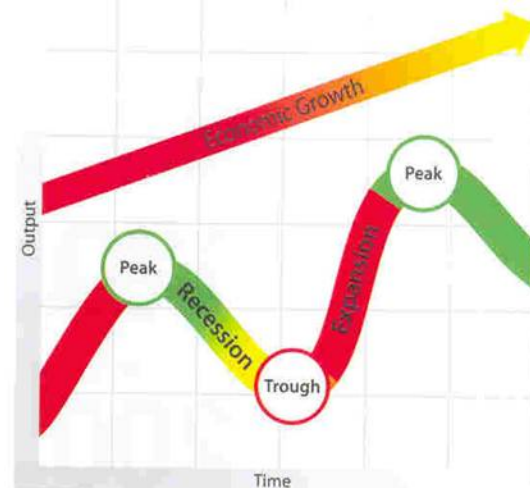


# MALL TRENDS THAT WILL SHAPE THE FUTURE OF MALL INDUSTRY

Urban India today is witnessing a scenario where the supply of organised space is much more than the current demand and, consequently, the vacancies are quite high. This is encouraging developers and promoters to look at solutions that ensure that these assets are much more sustainable as consumption markets.

BY ANAND SUNDARAM

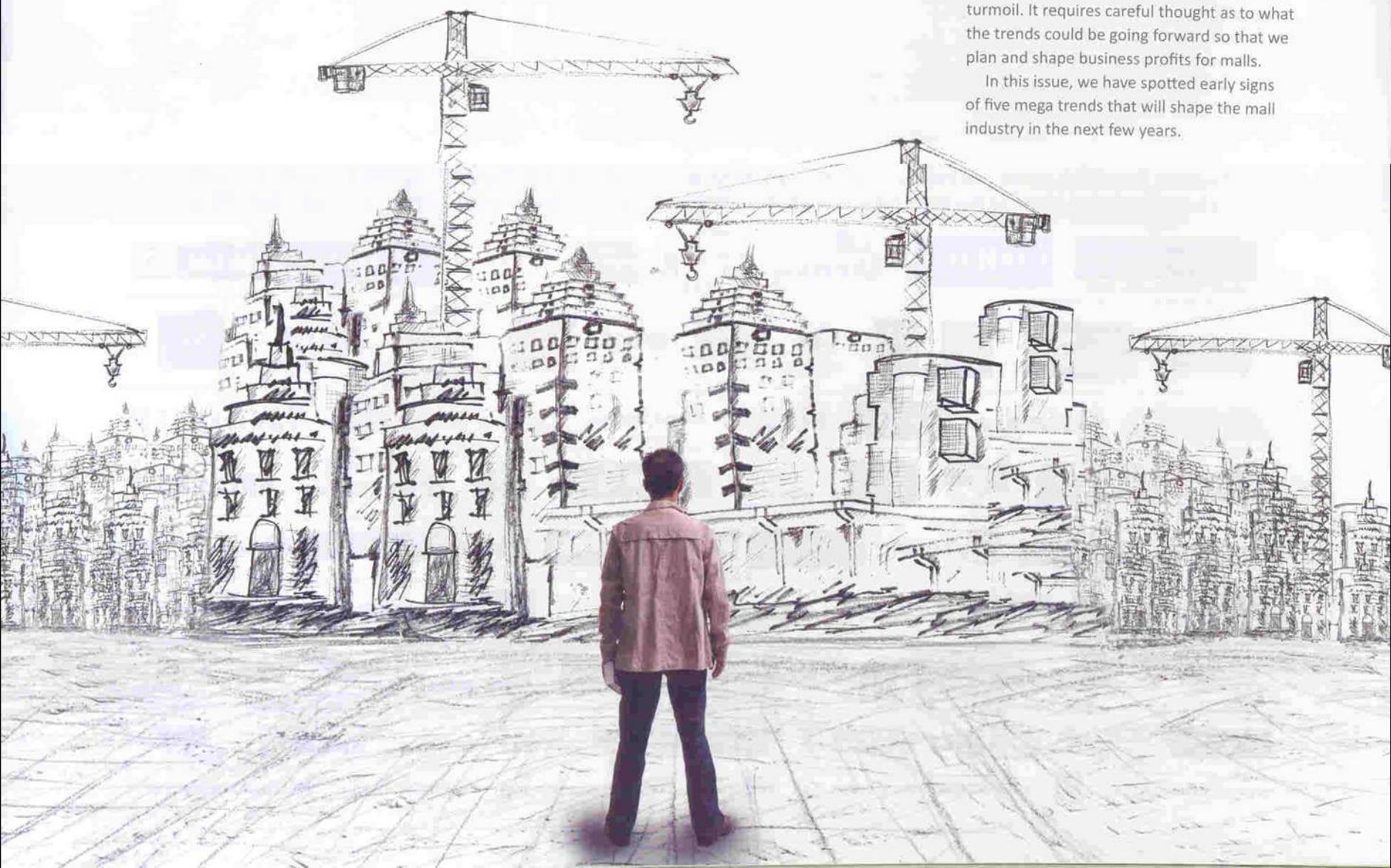


NEED OF THE HOUR IS TO ANALYSE MARKET TRENDS CAREFULLY

**A**t the same time, the pace at which our GDP is growing is ensuring that the growth in spending class is rapid. The enhancement in urban infrastructure in most metros, exploding advances in telecom, internet and TV, coupled with growing literacy levels, are adding to this scenario. Retail is also set to pick up again with various brands, including large multinational ones, committing to aggressive plans.

This is a time of great uncertainty and turmoil. It requires careful thought as to what the trends could be going forward so that we plan and shape business profits for malls.

In this issue, we have spotted early signs of five mega trends that will shape the mall industry in the next few years.







## MARKETING

Successful malls will have specialist marketing teams who will focus on multi-dimensional marketing.

**T**he malls are slowly but surely getting better in managing and marketing the centres. An analysis of the past trends suggests that most malls are now waking up to the fact that they need to be inclusive in their marketing activities. Increasing costs of traditional media like print and SOH means that the emphasis on social media communities is only going to exponentially increase.



■ MALLS HAVE DEDICATED MARKETING TEAMS

Today, malls and retail stores are actively engaging with customers across various channels and in new and innovative ways too. As expectations of brands from social media increase, new models are being brought out to understand the impact and delivery of this new medium. However, it stands to reason that any such engagement will only enhance the understanding of customer needs and wants. Going forward, such activities will help retailers and professional mall managers better tweak the offerings and communications accordingly so as to appeal to a more direct need.

Also, going by the trends, the anglicising of most regional languages will increase to speak to a wider target audience and yet localise the communication. There will be 'aur zyada' such communications!



## INDIAN WOMAN FOCUS

This year will see a trend here where ethnicwear for women will grow to about 50 per cent of all women's fashion offerings across malls and organised retail.

### FOCUS ON THE INDIAN-NESS

Most would argue that mall developers know that this is required and do focus here. Let's look at the statistics here. While an estimated 78 per cent to 82 per cent of the wardrobe of Indian women comprise ethnicwear, our findings reveal that a mere 12-20 per cent of this sub category of womenwear is represented in organised retail or malls across the country. Both retailers and mall managers have recognised this as a fact and steps are underway to correct this. While, thus far, we see only a few organised retailers in this category, there will be many who will rush in to fill this.

### RISE OF TRADITIONAL BRANDS

The rapid GDP growth, high penetration of internet and telephony and the onset of the younger generation at the helm of these traditional brands are helping these stalwarts look beyond their comfort zones in terms of geographies and even product

ranges. Their key reservations thus far have been that of control over diverse geographies as also the hesitation of venturing into different business models of leased stores as opposed to owned stores. Many, like Nalli and RMKV, have already made quick inroads into this territory and are recording great business indices. So much so that their success is now being spoken about amongst traditional businessmen who are now working on expansion plans, customising IT-based processes and starting to scout for new opportunities that can help them expand.

### HIGH SUPPLY OR LOW RETAIL BRAND SUPPLY

The current situation of higher vacancy rates in malls is pushing mall promoters and managers to be innovative and look at brands beyond the few that are established and those that have exhausted their expansion plans. In today's market, there is a dearth of organised retail brands. Coupled with the insight that we need to appeal to the Indian-ness of the woman in the house, there already is an effort to look at brands and offerings that cater to this need even if they are not part of the so-called organised retail fraternity. There is an effort to better understand the needs and aspirations of such retailers and develop them into mall retailers.

The focus on the Indian woman and offerings to sway her away from the traditional markets to the newer organised retail offerings will gather great steam this year. All our surveys and interactions with traditional retailers seem to bear this out. ■■■

■ MERE 12-20% OF INDIANWEAR FOR WOMEN IS REPRESENTED IN ORGANISED RETAIL/MALLS



### About the author:

Anand Sundaram, CEO, Pioneer Property Zone, has had a prolific 25 years career in hotels, auto retail and malls.

### About Pioneer Property Zone (PPZ):

PPZ, offers complete property solutions aimed towards maximising potential. It provides complete end to end solutions, with the objective of creating successful retail assets providing retail experience to the end customers.



# EXPERIENCE RETAIL

The thrust and direction of successful malls will now have to be much more on overall experience and enhanced customer service standards

## E-RETAILING

Going by the phenomenal growth of 50 per cent YOY, many retail categories will find it difficult to exist in a brick and mortar world. Even the staple retail needs of food and groceries and fashion is under threat, as is clearly visible from the various surveys across the country. Products are available cheaper, in a greater variety, aptly packaged with very high service levels matching or even exceeding what traditional stores can provide. The brick and mortar malls will need to do much more than have a collection of brands. The trends point to a mix at the traditional malls that will rapidly evolve to devote much higher allocation to formats that are more experiential and play to groups rather than individuals—an area e-tailing cannot compete in yet. There will be an increase in the number of food and beverage options at malls. There will also be a great increase in entertainment options where more formats and diverse forms and scales of entertainment will emerge at centres to cater to the needs of the customers. It is estimated that together, these would account for about a third of the malls' spaces across the top 10 cities in a few years.

## PSEUDO URBAN SPACES

Malls are admittedly the pseudo urban public spaces of metros and mini metros today. Therefore, they make for destinations for out-of-home quality time for many urban groups—families, extended families, gatherings of



ENTERTAINMENT ZONES ARE OF UTMOST IMPORTANCE IN MODERN DAY MALLS

friends and other social groups. One of their unstated needs is to have memorable and enjoyable outings in this limited investment of their time. Mall developers and managers are realising this need and they are working towards stepping up their service levels and amenities across centres to enjoy their customers' loyalties.

Mall managers will also work closely with the retailers to ensure that every store becomes a

performing store. In the process, the mall manager will invest time and energy on ensuring that not only are the mall services at very high levels, but even service levels at the retailers' stores are at a high order. They will further ensure that their stocks are adequate, merchandising is of high quality and the staff at retail stores are adequately trained so that the customers find retail formats exciting at the malls, get what they want and have better levels of service at every shop at the centre.



MALL MANAGERS NEED TO CREATE SHOPPING EXPERIENCE FOR CUSTOMERS

MALL MANAGER WILL INVEST TIME ON ENSURING THAT NOT ONLY ARE THE MALL SERVICES AT VERY HIGH LEVELS, EVEN SERVICE LEVELS AT THE RETAILERS' STORES ARE AT A HIGH ORDER AND THAT THEIR STOCKS ARE ADEQUATE, MERCHANDISING IS OF HIGH QUALITY AND THE STAFF AT RETAIL STORES ARE ADEQUATELY TRAINED.



■ MALL MANAGERS TO ENSURE THAT THE STORE SIZES ARE CONTAINED



■ ONLY 17 PER CENT OF THE RETAIL BRANDS IN INDIA ARE PROFITABLE TODAY

## SHRINKING RETAIL FORMATS

The average store sizes will shrink. There are many reasons to this..

### RETAILER PROFITABILITY

It is estimated that only 17 per cent of the retail brands in India are profitable today. Also, most retailers inform us that up to a 20 per cent drop in area does not really dent their top-line. Further, even a 30 per cent drop in area reduces their top-line by just 10 per cent. However, such cutting down of store sizes dramatically enhances their store level profitability as there is a significant saving in rents, Common Area Maintenance (CAM) and operating costs where the revenues stay around the same levels. Further, such downsizing is helping retailers contain capital exposure

in the stores that are not yet fitted out. When looked at from the e-retailing perspective, showrooms in organised retail that focus more on product displays and less on retail will dramatically come down as web-rooming has taken over where customers are easily and quickly able to browse through products on their laptops, tablets and phones.

### E-RETAIL AND THE NEED FOR CHOICE

The internet retailers have taken off in a big way. Already at an estimated turnover of around US\$ 35 billion across an estimated 3.2 million SKUs, they are able to offer a multitude of options where the width and depth of their offerings are staggering. What's more, the Indian customers have now got used to this. Therefore, if mall managers wish to ensure consumption at their centres, they would need to ensure that there is a substantial increase in variety, depth and choice of what is on offer at the centre. Nonetheless, there is only so much that a centre can

do within the limitations of what has been constructed by adding more kiosks to augment this need. The other option of cutting down store sizes to release areas and stores will gather steam. This will enhance the number of doors and brands available to the customers at the centre so as to meet this emerging need and keep the centre relevant to its catchment markets in the mid-to-long term.

### INVESTOR VIABILITY

In the brick-and-mortar world, where the size of the retail store is inversely proportional to the yields, it makes sense for mall managers to ensure that the store sizes are contained. This will be more pronounced in the metros and mini metros where the investment per FSI is prohibitive. Equally, in the smaller urban agglomerations, the sizes of the stores and formats will shrink as the retailers' propensity to pay comes down dramatically in such markets and it makes financial sense to limit store sizes to contain cost of construction. This is so even in the cases of new mixed-use assets, where large centres are being designed in tandem with expected yields. The emphasis is shifting to a number of doors and offerings rather than just allocation of space and areas.

THE INTERNET RETAILERS HAVE TAKEN OFF IN A BIG WAY. ALREADY AT AN ESTIMATED TURNOVER OF AROUND \$ 35 BILLION ACROSS AN ESTIMATED 3.2 MILLION SKUs, THEY ARE ABLE TO OFFER A MULTITUDE OF OPTIONS WHERE THE WIDTH AND DEPTH OF THEIR OFFERINGS IS STAGGERING.







# BIGGER, SIMPLER AND ELEGANT

Mall designs will tend to be larger but simpler with a focus on infrastructure and doing the basic things better. Increasingly, they will be part of mixed-use assets and not just stand-alone retail centres.



BIGGER AND SIMPLE DESIGN IS THE FUTURE OF MALLS IN INDIA



MALL OF BENGALURU: MIXED-USE PROPERTIES WILL BE ON THE RISE IN FUTURE

environment graphics and quality amenities per catchment needs. In our survey, 82 per cent of mall customers said all they wanted was simple circulations, lesser number of levels, clean toilets, easy access and egress from parking and a variety of brands. Yet, when we studied sample malls across top cities, only 38 per cent satisfied all these criteria. Ninety per cent of these centres also boast of very high customer satisfaction levels, low vacancies and great profitability. These facts are now common knowledge across the developer community and we see the beginnings of change in this direction.

The emerging centres or renovations will see these reflected in their property visions where the focus will shift to ensuring that the development caters to these customer needs and will tend to be mixed-use developments with other asset classes to ensure that fuller utilisation of FAR also results in higher Return on Investments (ROI) for the investors.

FOR THE MALL COMPONENT, THE DESIGNS NOW WILL BE LARGER BUT SIMPLER WITH A THRUST ON ENSURING INFRASTRUCTURE THAT IS FUTURE READY. AT THE SAME TIME, THERE WILL BE A MUCH HIGHER FOCUS ON LIGHTING, ENVIRONMENT GRAPHICS AND QUALITY AMENITIES PER CATCHMENT NEEDS.

SPACIOUS AND FLAWLESS PARKING STRUCTURE IS THE NEED OF EVERY MALL

**W**hen considering the overall site development, developers are realising that multi-level retail centres are not that effective. The yields from levels beyond the third retail level would be disproportional to the investment that is required to build such vertical centres. At the same time, there is a need to maximise the Floor Area Ratio (FAR) and land potential else, the development and investment may not be optimal. The shift is now towards smartly using the higher floors for other uses as commercial or hospitality and providing for careful circulation and design such that each asset class can sustain. The demand and, consequently, the yields are much higher for the development overall. While this calls for higher order of design in the initial stages, large mixed-use assets will be the preferred route as they reduce the risk on the overall annuity yields in the longer run.

For the mall component, the designs now will be larger but simpler with a thrust on ensuring infrastructure that is future ready. At the same time, there will be greater focus on the experiential factors that so far have been neglected, such as lighting,

