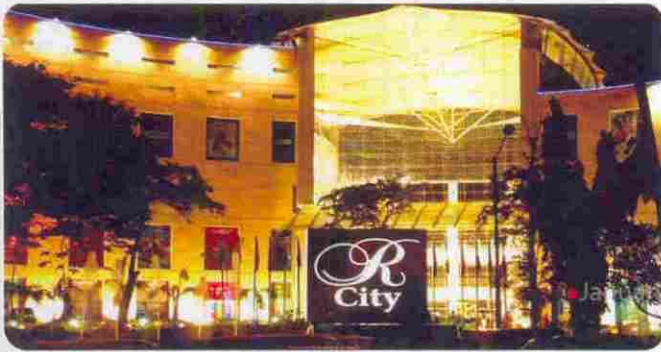


48 Retail

Retailscape 2014

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RETAILSCAPE 2014



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—By Mr. Anand Sundaram, CEO, Pioneer Property Zone (PPZ)

2014 promises to be an eventful year for India. The uncertainty in the political scenario due to the upcoming elections is a major contributor. While there will be widespread impact due to the various reforms and steps taken by the government as the new companies act or the various bills and amendments, one cannot ignore the rapid on-going urbanisation of India and the growth of the urban middle class, and its impact on retail and real estate markets. The low productivity and consumption in the past year that has spurred giant strides towards business prudence and shifts in some closely held beliefs and paradigms in these industries.

No one can predict the future. Yet, we can make calculated projections of what to expect considering the data and a careful analysis of the environment. Here are some such thoughts based on insights and information gathered across the Retailscape of the malls in India.

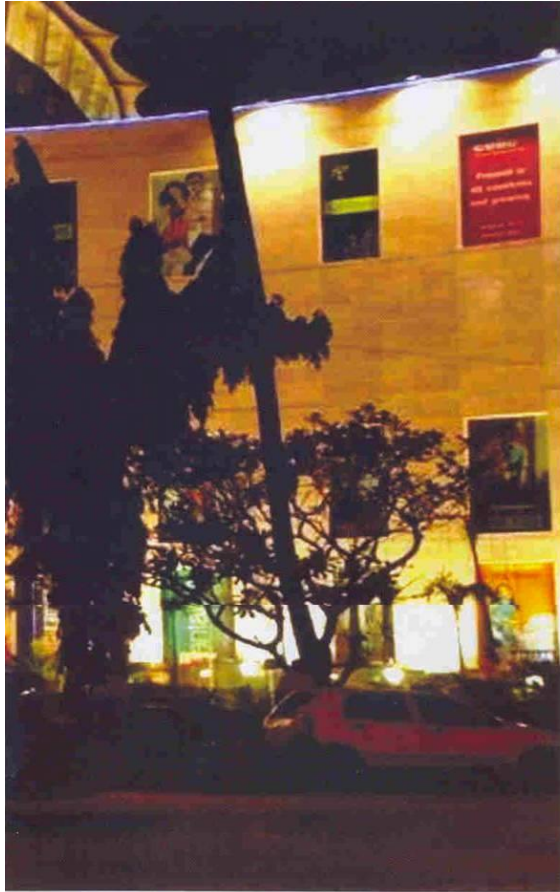
1. Shift in customer profiles and the retail :

The trends seem to point to the fact that the very talked about rise of the aspiring middle class is a reality across urban retail destinations. Combined with the acceptance of mall culture, this will force a mall managers and developers to think of tweaks and changes in the mall dynamics. The steady increase of two wheelers across most centres (6-8%) is an evidence of this emergence and it will need a course correction in the retail

mix to have more stores that offer value brands. The current trend also seems to lead to a need for greater localisation and infusion of local brands in malls. The ethnic women's wear category is one that stands out. The share of such offerings has grown 78% over the last two years and the trading densities recorded by stores seems to average Rs.1900/sq.ft./ month across the metros - almost twice the densities as compared to the western wear across the country. At the same time, these stores seem to be fairly brand agnostic where even the relatively unknown brands seem to perform equally well. Of course, the bigger brands do enjoy a premium. It is difficult to say if this is a clear correlation to the growing middle class as studies and customer information seems to indicate. However, it could be that the rise in ethnic women's wear in malls may be more due to plugging a gap that existed where market has always been large. Whatever the real reason is, these shifts will help malls differentiate better and have their own unique personalities.

2. Out of home family destinations

In the absence of quality lung spaces in urban India, malls will continue to play a key role as destinations for families to spend quality out of home time. This will result in increases in entertainment and F&B and moving towards becoming leisure centres too rather than merely being shopping destinations. There has been a growth of entertainment offerings across the markets where their share of space at centres has doubled over the



last 3 years – not counting the multiplex. The occupancies across the multiplex too did witness an upswing and is slated to continue in the coming year with many releases planned. The trading densities at these entertainment destinations, however, continue to be low and there are no indications that such indices will increase in the coming year. The Food and Beverage offerings as a share of the mall stores have also grown by 7% y-o-y on an average and the indications are that these will continue to have a larger share in the retail mix of malls. Here, the average trading densities have gone up by almost 9% y-o-y and this trend seems sustainable. These are clear indicators of more time being spent by families and groups at malls and underscore the need for quality entertainment and Food and Beverage offerings across centres.

3. Retail business models and offerings

Going by the current trends, retailers focus will be much higher on store level profitability where there will be rationalisation of store sizes and an increase in the merchandise densities. Almost 8% of the areas of malls witnessed down-sizing of stores last year and most have reported increases in trading densities and profitability. This has also resulted in increases in number of doors in the centres leading to a greater depth of offerings for customers. This trend will continue in 2014 too, as many retailers have indicated their plans of taking this route to profitability. The stocking and merchandising is also getting sharper be focused to micro markets in order to avoid overstocking of merchandise that does not move. These trends are



clearly going to continue despite the talk of FDI in retail and entry of very large retail brands. Such steps will translate into more variety for customers as the retailers downsize and release more space, as also better offerings and choice of merchandise at malls. Considering the current scenarios, the customers can also continue to expect the longer periods of sale in most stores across the country.

4. Better Marketing and Society connect

The 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. The social media is playing an active role here and the malls as well as retail stores are actively engaging with customers across various channels. While it is difficult to see any credible correlation between such activities and business performance, 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 'aurzyada' such communications!

5. Mixed Use Developments

Given the relatively low yields of retail assets in today's scenario and the availability of funds for real estate developments, the shift has already begun towards mixed use developments to accommodate many retail classes of real estate in the parcel of land being developed. Many developments are now being planned with residential, commercial or hospitality projects being planned on top of retail buildings. The advantages are multi-fold and the offerings are more holistic and self sustaining. Most importantly, these make monetary sense to the developers and investors. Considering the cost of land and construction on one hand and the customer spends and retail rentals on the other in most parts of the country, this is clearly a shift that is likely be more emulated and is here to stay. Such mixed use developments are bound to outpace the stand-alone retail buildings in the future.

2014 promises to be a very, very exciting year. With changes in the political scenario, in law & amendments, policies and governance, on the sporting front there will be World Cup Soccer, IPL, World T20 and several more which will lead to retail led developments and consumption in India! ■