

Shopping Centre

News

DECEMBER-JANUARY 2012

DEVELOPING RETAIL IN INDIA

VOL. 4 NO. 6 ₹100



What's missing in Indian shopping centres?

By Amit Bagaria

It is not just about fashion and footwear... Why are we not willing to work harder to bring the wide tenancy mix and infrastructure facilities that truly world-class shopping centres provide to the communities they serve?

At least five new shopping centres have opened across India in the last three months. Yet, apart from the noisy roller coaster at Infiniti-2, Malad West (Mumbai), I don't see much difference between these 2011 centres and those that opened in 2003-2004. This shows that the Indian shopping centre industry has not evolved much.

You may bring a new international apparel brand in your mall, but this is only adding to the already overcrowded apparel and fashion category.

According to early findings of an ongoing retail consumption study being done by Asipac, only 25.8 per cent of modern retail space is required for the broad apparel and fashion category, including eyewear, footwear and accessories – yet, more than 60 per cent of space in Indian malls continues to be dedicated to this category. At Mantri Square mall in

Bangalore, Asipac only leased 44.4 per cent space to retailers in this category – perhaps the lowest ratio in the country. At the 4,75,000 square feet Mall of Travancore in Trivandrum, only 41.9 per cent area is provided for apparel & fashion, thus bringing this mall even closer to the actual consumer expenditure patterns.

On the other hand, while the home & CDIT categories put together require 18.7 per cent space, less than one-third of this is actually provided to these important categories – at Mantri

Square, Asipac had provided 11.6 per cent, and I find that barring one, all retailers in these categories are doing very well. Realising the need for adequate space for these categories from the latest research study, the upcoming Neomall in South Bangalore looks to provide the required 18.5 per cent space to various home and CDIT formats.

Our study shows that F&B needs 14.8 per cent space – show me one recently opened shopping centre that has provided close to this number. At Mantri Square, Asipac had provided 12.5 per cent space for F&B outlets, which are all doing well; a similar percentage of F&B will be seen at Neomall as well as at Sobha Global Mall in Bangalore. Even at Mall of Travancore, almost 14 per cent space will be dedicated to the F&B category.

What about entertainment? Apart from the almost mandatory multiplex and a forced family entertainment centre, what are Indian shopping centres doing on this front? The research study shows that this category needs 13.4 per cent space. At Mantri Square, we provided 12.3 per cent and the entire category is witnessing fantastic numbers. At Neomall, more than 15 per cent of the area is being dedicated to leisure and

MOST SHOPPING CENTRES IN INDIA ARE PROVIDING LESS THAN 2 ECS PER 1000 SQ FT AS AGAINST THE GROWING NEED OF 4.78 ECS PER 1000 SQ FT (OR ABOUT 2,866 CAR PARKING SPOTS) OF RETAIL BUILT-UP AREA – AND THE DEVELOPERS COMPLAIN ABOUT RETAILERS PAYING LOW REVENUE SHARE RENTS. IT IS LIKE GIVING YOUR COOK AT HOME 12 EGGS AND ASKING HIM/HER TO SERVE FLUFFY OMELETTES TO 50 GUESTS!



entertainment facilities, including some attractions that will be seen for the first time in India. At Mall of Travancore, 12.7 per cent space is being assigned for leisure & entertainment.

Coming back to the apparel and fashion category, the study shows that 73.5 per cent of expenditure on this category in urban India is by people who are value conscious – in other words, they cannot afford brands/retailers of the likes of The Collective, Zara, Debenhams, Mango, Nine West, Promod, Esprit, Ed Hardy, Diesel and Energie.

Yet, I can site new and upcoming centres in Bangalore as examples that have dedicated a large percentage of space to such high-end brands. One of these upcoming malls has one of the most traditional and value conscious area of the city as its primary catchment. Yet the promoter thinks

that his mall will succeed if he brings in big international brands.

Another phenomenon that the study confirms is that almost 26 per cent of total expenditure on apparel & fashion (by both genders, including footwear & accessories) in urban India is on Indian wear. But how much space is dedicated to Indian wear in Indian shopping centres?

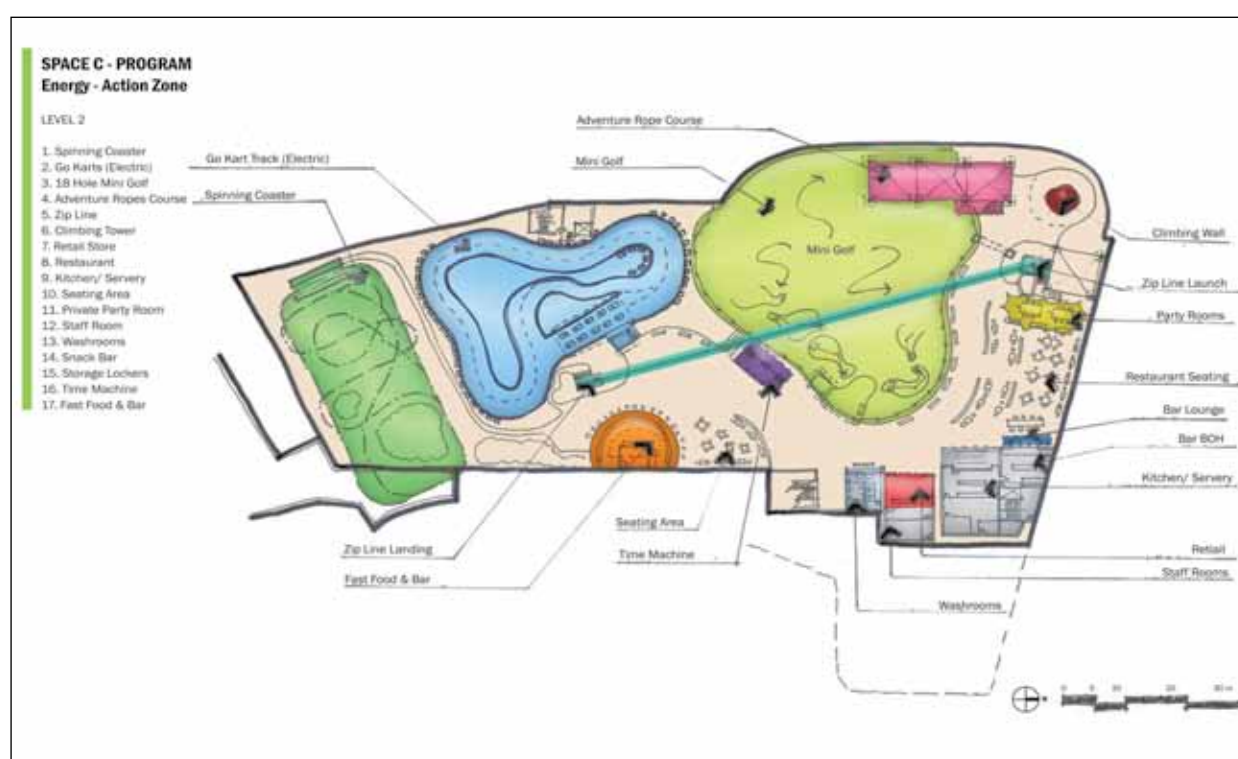
At Mantri Square, several value brands were brought to occupy 31.2 per cent of the total space dedicated to the apparel & fashion category, yet we were criticised for “downgrading” the mall’s image. The reality is – most of these “value” retailers are doing far better than their counterparts who sell at higher prices. Same is the story with Indian wear – 12.9

per cent of the total space in the apparel & fashion category is occupied by Indian wear, which is the best performing standalone category in the entire mall.

At Brookefields Plaza in Coimbatore, Lifestyle is averaging a turnover of ₹36 crores per annum from a 38,000 square feet store; while Indian wear department store RmKV is doing 3.5 times the sales from only 20 per cent larger space. This has prompted Bangalore-based Prestige Constructions to get RmKV as one of the anchors at their upcoming Forum Vijaya Mall at Vadapalani, Chennai. At Mall of Travancore in Trivandrum, 28.6 per cent of the total area dedicated for apparel & fashion is reserved for Indian wear.

To me, it does not look like things are going to get any better soon – in fact, I believe that the scenario will get even worse, as many developers are now bringing in so-called “expert” mall planners from abroad – as if they have a better understanding of India. How can they understand how our multi-ethnic, multi-religion, multi-language society co-exists and functions? When will we give up our phoren fixation and start respecting our own culture?

The problem (of not being able to understand the Indian consumer)



Proposed Outdoor Entertainment Layout for Neomall, Bangalore.



is not just prevalent in our industry. One of the TV advertisements show Big B trying to tell a CISF security guard to buy an insurance policy. Do none of the people involved with conceptualising and approving the ad realise that Indian security guards are not paid enough to be able to afford insurance? Or that CISF already has several welfare funds and schemes at subsidised rates for its personnel.

Why have people stopped thinking? Why have they stopped paying attention to what's around them? Is this what economic boom has brought to our country? Unrealistic dreams – it seems like the whole of India is functioning like a Bollywood movie, with life revolving around dream sequences of our own creation.

International examples

The 3.3 million square feet Eastwood Mall complex in Youngstown, Ohio (USA), has 230+ stores, of which seven are anchor stores of more than 100,000 square feet each, seven other anchor stores of more than 50,000 square



feet each, and 18 mini anchors of 20,000 to 40,000 square feet each. But it also has two multiplexes with total 20 screens, 35 F&B outlets, a 6300 seater minor league stadium, a 61,600 sq ft exposition centre, a 64-room Marriott Fairfield Inn Hotel and a Salt Water Aquarium.

Central Plaza Chaengwattana in Bangkok has as many as 26 health & beauty clinics, about 22 education/tuition centres and

14 bank branches. More than 20 per cent of the space in this shopping centre is dedicated to F&B. The 80+ health & beauty clinics, education/tuition centres, bank branches and F&B outlets are mostly local brands/retailers, even though many of the apparel/fashion brands are international ones from the west.

Almost all large shopping centres in South Africa have

four or more bank branches, thus ensuring that people from neighbouring communities visit the centre regularly and generating "extra" footfalls. In the tenancy mix, services are given a high amount of importance in South Africa. There are several salons, travel agencies, car rental agencies, dentists, optometrists, other medical service providers, florists, photo studios, mail/courier services, internet cafes, wedding planners, telecom company relationship centres, business centres, engravers, locksmiths, laundry, pram & wheelchair hire, amongst other consumer conveniences.

So it is not just about fashion and footwear. The case is not different in good shopping centres in USA, UK, Thailand or Philippines. Developers/owners of shopping centres in most of the mature markets have realised, a long time ago, that shopping centres must try and provide as many "needs" of the consumers as possible, and not just cater to their discretionary shopping needs.

When we copy from abroad, why do we only copy foreign shopping centres on a selective basis? Why do we only want to believe that, by just getting 10-12 foreign apparel, footwear or cosmetics brands, our shopping centres will also become "world class"?

Why are we not willing to work harder to bring the wide tenancy mix that truly world-class shopping centres provide to the communities they serve?

The 2.9 million square feet King of Prussia mall in suburban Philadelphia (USA) has 13,400 car parking spots. The 4.2 million square feet Mall of America (USA's largest mall) has 12,500 parking spots. The 1.94 million square feet Canal Walk shopping centre in Cape Town (South Africa) has 9300 parking bays. The V&A Waterfront in the same city has 6200 bays for a retail built-up area of 856,000 square feet. It is not surprising that this centre gets 64,000 average daily footfalls and is one of the most successful shopping

centres in the world. Because of its success, apartments neighbouring the shopping centre sell above ₹25,000 per square foot.

Time for introspection

Why are Indian shopping centre developers not willing to invest in the required number of parking spaces? A shopping centre with GLA or retail built-up area of 600,000 square feet in a metro city like Pune, Kolkata, Chennai or Hyderabad will need to do business of about ₹54 crores per month, in order for the retailers in that centre to afford the rentals.

spots, or 4.78 ECS per 1000 square feet of retail built-up area. And this requirement will only increase in the future.

Most shopping centres in India are providing less than 2 ECS per 1000 square feet – and the developers complain about retailers paying low revenue share rents. It is like giving your cook at home 12 eggs and asking him/her to serve fluffy omelettes to 50 guests. I often ask these developers – can they construct a 600,000 square feet shopping centre (without any additional basement floors) with just 600 MT of steel? Then how

Hardly any have provided prayer rooms or feeding rooms for nursing mothers. The elevators (lifts) are too small. There aren't enough parking check-out counters.

See the graphic here for the parking related services that the Westfield London shopping centre offers.

At the newest Westfield centre in London and the largest shopping centre in Europe, Westfield Stratford City (located adjacent to the main 2012 Olympics Stadium), there is a "Find Your Car" system, where you just punch in your car's registration number and you will see a photo of



In order for the centre to do this much business, it needs to have a minimum of 27,313 average daily footfalls, considering an average spend of ₹650 per person per visit. To sustain this, the centre will need to provide a minimum of 2,545 equivalent car spaces or ECS (1 ECS equals 1 car parking spot or 6 two-wheeler parking spots), in addition to 320 ECS for staff. So we are talking about 2,866 car parking

do they expect retailers to pay them high rentals when they've not provided one of the basic raw materials for a shopping centre – parking spaces?

Apart from a lack of variety in the tenancy mix and pathetically inadequate parking, many other elements are missing from Indian shopping centres. Most of them don't have proper mall directories or maps that they can hand out.

your car along with a map showing you where it is parked.

This new jewel in Westfield's huge shopping centre portfolio also boasts of 72 F&B outlets, a 17 all-digital screen multiplex, a 65,000 square feet casino, a 20,000 square feet luxury bowling centre, and an outdoor ice skating rink.

Majid Al Futtaim Properties (owners and operators of Mall of Emirates, Dubai, Deira City Centre



and eight other shopping centres spread throughout the MENA region) are building a 3.2 million square feet shopping centre in Damascus, a city of 2.55 million people, roughly the size of Patna, Bihar's capital and India's thirteenth largest city. The district populations of Cuttack (Orissa), Ajmer (Rajasthan) or Gulbarga (Karnataka) are higher.

Such is the potential of building shopping centres in India, but only if we get it right. Otherwise, we will continue to build less than 40 per cent of the required parking spaces and keep complaining that malls and modern retail in India are not taking off. ●

About the author:

Amit Bagaria is chairman of Asipac, India's leading mall development and leasing consultants and MEN & BOYS, Asia's largest chain of retail stores for men's skincare and grooming products. *The views expressed by the author are personal – Ed.*

