

Factors for Shopping Malls to be Successful in Delhi Ncr (India)

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Abstract Today a consumer is confused and he looks only for values in relation to the prices spent by him/her in the buying process. He/She relates value in terms product pricing, brand value, his experiences etc. This therefore gives a vast scope for organized retailing that can make products available as per the aspirations of the consumer. For these organized retailers, Shopping Malls are acting as a catalyst and helping them to enhance their growth all over the country. They are providing them the required infrastructure and also helping them to achieve a faster growth. The present study is therefore done visualizing the opportunities available in the Indian market and the issues faced by the mushrooming of Malls in Indian metropolitan cities making their survival difficult due to cut-throat competition. This is also resulting in poor occupation and is not able to find neither the right rentals nor the footfalls.

Keywords Shopping Malls • Brand • Transformation • Shopping Habits • Image

The spread of shopping malls is a significant trend in the Indian retailing scene due to its international appeal. In India this mall culture has grown with an incredible pace due to the rising incomes from continued economic growth, easy availability of credit cards and a demographic composition (as more than 80 percent of the population are aged below 45 years and 50 percent of the population are below the age of 25 years) (KPMG, 2010) that favors spending in

malls. This has also resulted further change in the spending habits of affluent households, as we find many families doing their monthly grocery shopping at malls and paying by cards. With these changed trends, the number of shopping malls is expected to increase at a CAGR of more than 18.9% from 2007 to 2015. (RNCOS, 2008). It has been seen that the total retail mall stock is doubling every year, with the number of malls likely to touch 280 from the present 190 by 2013 (CBRE, 2010).

This has been due to the rising income levels, increasing demand for branded products and wider acceptance of mall culture. In Delhi NCR the total space available in mall stands at 17.87 million sq.ft of which 6.51 million sq.ft is within the city of Delhi. Most spaces, however is concentrated in the main suburban areas of Gurgaon (5.12 million sq.ft), Ghaziabad (2.11 million sq.ft) and Noida - Greater Noida (2.65 million sq.ft) (KFR,2010). This has further resulted in overcrowding of the shopping malls and there is no distinct positioning of the mall. Every mall has a similar format and the consumers do not feel to come back again and again regularly in these malls as they have lack of facilities as well as mall management. Most of the footfalls today therefore are browsers and they are not consumers. They come in the mall for meeting with their friends or relatives or dine in the food court. Most of the shopkeepers providing various goods are doing less business and day by day the viability of their existence is reducing. Most of them have either reduced the scale of business or in a verge of closing their shop. This is itself a red sign for the promoters of these malls as they had created this business thinking it as a realty business with short term gains but could not understand the intricacy of this business. Actually the business of a shopping mall does not end after building the mall but it commences only after the start of the operation of the mall.

A promoter has therefore to analyze the preferences of

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the consumers present in the trade area around the mall, analyze their preferences, create a market with shopkeepers who can provide them the merchandise required as per their taste and liking and provide them place where they can come with their family and children and extend their visit with different offering as per their likings and satisfy them to the hilt. This will further result in enhancing the number of visits and also provide better business to the shopkeepers existing in these malls.

Analysis :

Research methodology

Seeing the present scenario a research was done to understand the success factors of shopping malls in NCR Delhi. In this regard therefore a mall intercept survey of 750 customers was undertaken with the help of a structured Questionnaire in selected 10 shopping malls of NCR Delhi. The selection of respondents was done through Convenience, Quota and judgment sampling. Then an analysis was done based on the satisfaction level of consumers which were gauged on the available facilities and mall management. This further helped in suggesting strategies to enhance the image and loyalty factor for the mall developers of Delhi NCR.

Among the total respondents surveyed, 60.4 percent were male and 39.6 percent were female. Age profile showed that 39.6 percent of respondents were of the age between 26 – 40 years, 28.4 percent between 19 – 25 years, 24 percent were above 40 years and 7.9 percent were below 18 years. The monthly family income of 40.5 percent of the respondents were between Rs 30001 to 50000, earnings of 29.5 percent were above Rs 50001, 19.5 percent between Rs 20001 to 30000 and 10.6 percent below Rs 20000. As regards the frequency of visit of consumers to the mall, 39 percent of consumers visited malls 2 to 3 times a month, 36.1 percent once in a month, 17.3 percent 3 to 5 times a month and only 7.6 percent visited the mall more than 5 times a month. Generally 59.2 percent spent 2 to 3 hours in the mall, 22.6 percent 4 to 6 hours, 15.1 percent less than 1 hour, and 3.1 percent more than 6 hours. 53.8 percent of consumers spent between Rs 1001 to Rs 3000, 25.5 percent below Rs 1000, 15.1 percent between Rs 3001 to Rs 5000 and 5.6 percent more than Rs 5001.

Consumer satisfaction in regards to the amenities provided by the mall:

The satisfaction level of the respondents were gauged based on a 5 point scale based on :

i) shopping destination ii) entertainment destination, iii) in respect of ambience & décor, iv) in respect of cleanliness maintained, v) in respect of parking space, vi) in respect of air conditioning, vii) in respect of promotional activities hosted in this mall viii) in respect of variety and merchandise offered in this mall ix) in respect of behavior of retailers in this mall.

The results were not very encouraging as in most of the categories mean value was not excellent It was found to fall between the range of 3.5 to 4 on a 5 scale in all the categories (as given in Table:1). This means that the customer is neither satisfied nor dissatisfied. In respect to cleanliness and air-conditioning most of the respondents are giving the grade below the satisfaction range of 4, by 0.02 and 0.16 only while in others in ambience and décor 3.76, in parking 3.70, in respect of behavior of retailers 3.61, while in others they are above the range 3.5 – 3.6, mall as a shopping destination 3.57, mall in respect of merchandise offered 3.56, mall as an entertainment destination 3.54, but the mean is less than 3.5 for mall in respect to hosting of promotional activities 3.48. This signifies that the malls which have come up since a few years have a long way to go. They have still to learn the concept because the success of Indian malls will not only be achieved by housing the biggest and the best mix of retailers but also by setting up new standards and procedures in mall management that will provide a platform to differentiate its services from competitors.

Image of the shopping mall:

In this study the data was also analysed to understand the image of the shopping mall, based on shopping environment (study of consumer attitudes toward retail prices, products, store layout, facilities, service & personnel, promotion & others) in the selected 10 malls of NCR Delhi. The 3.10 mean achieved on the Product-Promotion-Price factor signifies that most of the customers are attracted to product, promotion & price factor and this is an important tool used by the malls to attract footfalls. Shopping factor has less importance as the mean achieved for that factor was 2.84 below the Product-Promotion-Price factor (As given in Table : 2).

Shopping styles of consumers:

Consumers visiting the malls have different shopping styles like, Perfectionist/ High Quality conscious, Brand conscious/price equals quality, novelty and fashion conscious, recreational and shopping conscious, price conscious/ value for money, Impulsiveness/ careless, confused by over choice, habitual/ brand loyal etc. In the analysis we have seen that the consumers identify themselves through various styles.

The highest mean is achieved for perfectionist/ high quality conscious (3.83) i.e. near to 4 signifies that the customers want quality products and their approach is to have the best. While the next highest mean calculated is for novelty and fashion conscious (3.37), consciousness about price equals quality(3.35), habitual/brand loyal(3.31), price consciousness/ value for money(3.30), the average mean comes to more than 3.30, whereas confused by choice (3.25), recreational and shopping conscious (3.15), Impulsiveness/ care-less (3.00) the average mean are between 3 to 3.2 (As given in Table:3).

Apart from the selected malls in NCR Delhi, when we further have a look around the total malls new & old plus the upcoming malls we come to a conclusion that the success of malls can not only be achieved by housing the biggest and the best mix of retailers, but by setting up new standards and procedures in mall management. This is very necessary because most of the malls in Delhi NCR are average. So, they must come above and provide better facility as well as mall management and differentiate themselves from the other malls which are of similar formats. For this they must know their trade area and customers better and then position the mall with a better tenant mix, so that the consumer gets the merchandise as per his liking and feels to come back again in the mall because he want to mix shopping with entertainment for himself as well as his whole family. A better facility and mall management is therefore required for a mall to succeed in the long run.

Strategies involved in Mall Management:

The mall and the retailer should work out a strategy where the mall focuses and enhances the overall experience and the retailer focuses on the delivering a good variety of products, With the retail business growing at a rapid speed all around Delhi NCR, managing malls is a huge challenge. The need for proper retail asset management is therefore very critical. So, the strategies involved in improving Mall Management are:

Balance mix and layout of stores, footfall, ample spaces, parking, temperature control & promotions.

Strategies to be adopted for the success of the mall:

The Mall management should therefore adopt the following strategies for the success of the mall:

1. Select the right mix of shops based on the location of the mall, target clientele and the trend visualized as per trade area.

2. Leave ample spaces all across the mall, seating areas and other decent and good comfort facilities for less crowding:
 - a) Providing easy and hassle free parking for the visitors and don't allow to occupy that by the employees of the store.
 - b) Do everything that increases the footfall into the mall.
 - c) Promotions, shows, art exhibitions, decorations, fun activities for children, competitions for children in various fields like painting, dancing, singing, debating etc must be organized regularly and some hungama created at regular occasions.
 - d) Conduct activities related to the local festivals.
3. Take responsibility to generate productive footfall by signing up further for revenue share and lowered rentals.
4. Try and have one anchor store which is the choice of local majority crowd in the trade area.

If space permits, provide everything that a family outing needs to do - such as, Movie, food court, grocery, shopping, other entertainment like fun and amusement events etc so that the family extend the stay at the mall

Asset value:

The retailer has to provide more variety for private level brands to compete with the supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get an edge over supplier's brand. There is a need to reevaluate and bring in new attractive products in malls by assuring the right mix of tenants. By changing the mix of the tenants it is possible to raise the asset value of the mall because the consumers taste and expectations change within 2-3 years.

The mall and the retailer

Today a customer wants value pricing. He also looks for an overall experience and convenience. He also looks for the delivery of a whole variety of goods under one roof. Though these two expectations cannot be met satisfactorily either by the mall developer or the retailer. But if roles are clearly defined and each one develops a core competence, then a fantastic synergy can arise between the two parties. The mall and the retailer should work out a strategy where the mall focuses on enhancing the overall experience and the retailer focuses on the delivering a good variety of products. To formalize this association, there would have to be a clear definition of expectations and most importantly sharing of profits.

Mall Mechanics

Shopping Malls may emerge as the next form of retail evolution in India. But not without an integrated approach which is a must to let the mall development succeed. Developers, shoppers and retailers all are struggling to find quality retail space where the consumer can have an enthralling visit experience. What is lacking today is development of a nuts and bolts approach to retail development, and an appreciation of the requirements of the mall format.

Malls have to be structured differently

Every mall has to be tailored for specific cultures and localities. For example, malls through-out Asia tend to be smaller than their American counterparts, with commercial space for offices, reflecting the fact that they are usually located within high density urban areas, rather than the edge locations in the US. So, they tend to be more 'vertical'. This means that the merchandising approach, the merchandise mix and decisions on tenant locations inside the mall are far more complex. Asian shopping centers cannot merely reflect a foreign business system, but have to be very specific in their appeal by developing a tenant body that reflects the need of the targeted customers, local real estate demand, and the quality of competition.

Development of the shopping format

The developer and the mall operator tend to have conflicting objectives. The developer likes to sell off the property as fast as possible so that he can recover his returns, while the mall operator has to maximize the rental income over a period of time. Thus a proper retail space development strategy has to be thought out and implemented.

This can be done by splitting the development role from the operational role. The most popular route can be the setting up of a special purpose vehicle (SPV) i.e., a separate company which actually owns the property (or its lease). Its equity contribution to the SPV can be in the form of property. Other investors provide more equity funds, while financial institutions provide loans. The SPV develops the property and set up a mall management company as a subsidiary to actually run the mall and provide dividend income to the SPV, the developer has the choice of selling all or a part of his equity in the SPV at an appreciated price, or to continue to get the benefits of the income generated by the management company. He is thus able to maximize his realizations from the property at a far lower level of exposure than if he had decided to develop and operate the entire pro-

ject on his own. On the other hand, the mall management company is able to attract good anchor tenants, and develop a mix of tenants that guarantees visitor volumes. It is able to control tenants and charge premium leases. Tenants get high quality service from the mall managers, and customers enjoy better facilities and services.

Malls can also be positioned to appeal to different markets by changing the tenant mix and location. For this reason, in mature markets, malls can be developed in close coordination with the large stores that shall act as anchor tenants. Thus they can provide a much focused channel, with great synergies in customer appeal. Mall space is also an attractive site for providing quality space and an easy route for corporate entering into retailing. Also, if it is done by a reputed developer, the level of transparency on property transactions is likely to be much higher, and therefore it will be more appealing to multinationals and Indian corporate which might find it very rewarding and interesting to venture into and for them the traditional murky deal of the Indian retail market practices have always acted as a major entry barrier.

About Customers:

Convenience and choice remains the major criteria for most customers, across all socio-economic groups in Delhi NCR. When you mix the convenience of a wide variety of stores available at one location, with choice of brands, product categories and price levels, the malls become a major attraction to customers. When you consider of an integrated mall you again add entertainment facilities such as restaurants, cinemas and amusements like skating rinks, video game parlors etc. These become an attracting aspect and further create a differentiation to the malls which become a shopping and an entertainment destination for the whole family creating enjoyable moments. This attraction is unbeatable and this can further bring the family back to the mall regularly and build a loyalty factor.

Best developmental route for the mall management team :

The success of a mall for the developer is measured by the returns / cash flow achieved through property sales, rentals and other income streams. Sales should form only a small portion of total returns, as he must look forward for long term benefits rather than short term. Since rental accrues over a longer period of time, so an appropriate leasing by the management company allows the developer to maximize his realization from the property through direct income, as well as from sales to running retail property, for which he can charge a premium in future.

Tenant strategy

A tenant strategy means building portfolio of occupants that appeal to the consumers of the segmented trade area, especially the increasingly large number of recreation oriented visitors who visit malls for family or social reasons, combining shopping with entertainment. The tenant mix must reflect their needs and the portfolio must be re-evaluated at every lease expiry. If a tenant does not do as well as expected, or conversely expands too much, the company can be evicted or shifted at the end of the period.

An important aspect of tenant strategy that Indian developers must remember is appealing to the entertainment hunger consumer through dedicated facilities such as arcades, multiplex etc. Though this strategy is risky without a considerable study of the market because of high real estate prices, dedicating space to amusements is a larger financial risk than a totally retail-oriented area, but if it is done with research of the trade area it can lead to better payoffs and also provide a better differentiation among the same format shopping malls existing today in Delhi NCR.

Economic model followed

The lease amount therefore must be usually structured so as to reflect the space taken up and the crowd pulling capability of the tenant. Tenants taking up large spaces and able to attract large volume of visitors are approached first and in their role as anchor tenants are provided with substantial discounts on the base asking rates to entice them into taking up space. Rentals based on a percentage of store turn-over must be implemented as the mall management will then have a stake in increasing the turn-over of their tenants in the mall. But for this a high level of trust has to be built between the retailer and the developer as the mall management company will charge a royalty or a service fee to cover the costs of managing the mall i.e., managerial personnel associated office expenses, as well as marketing costs such as newspaper, advertisements, promotions etc because these facilities will create better satisfaction to the consumers coming to the mall and they will visit the mall regularly resulting in sufficient footfalls and benefit for both the mall developers and retailers.

In NCR Delhi, contract model is gaining acceptance but according to me a more prudent approach is required by the mall developers in the form of revenue sharing model as this will instill confidence in the retailers and they both will work to succeed as partners.

For Mall Management, also professionals who know the tricks of the trade must be involved. For this third party mall management must be adopted.

Some of the issues that could be taken care should be as follows:

- Planning the mall around anchor tenants/specialty stores
- Proper market research to be undertaken regularly by developers to understand the demography and expectation of the customers falling in their trade area.
- Tendency to lease out to shops not on a First Come First Serve (FCFS) basis but on the requirement of the trade area.
- Outsourcing the services to professionals who are expert in their areas.
- Accountability for in-house promotional activities and generation of footfalls.
- Planning for space (Provision of enough parking space, and multiple entry/ exit points)
- Better design, zoning & mall management practices
- With the slowdown of the realty sector, developers must give the mall management practice a thought in order to ensure that the slowdown does not affect its footfalls. Mall market in Delhi NCR as Malls have come up in different formats and with the increasing competition from high street retailers, developers are finding it difficult to achieve 100% occupancy rates.
- The Mall owners/ developers must therefore either develop/ outsource specialist's retail property management skills which in future will enable the property owners to receive the benefit of master planning and development expertise which is critical for positioning the mall strategically for long-term growth and success.

People management, parking lots or energy-efficient systems or waste management

It may still be in its embryo stage in Delhi NCR, but with the growing importance of malls, the good news is that mall management is being taken quite seriously. "I feel that the success of Indian malls will not only be achieved by housing the biggest and the best mix of retailers, but also by setting up new standards and procedures in mall management that will provide a platform to differentiate its services from competitors.

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Table 1 Consumer Satisfaction in Regards to the Amenities Provided by the Mall

	N	Min	Max	Mean	St.Dev
Mall as a Shopping Destination	682	1	5	3.57	0.92
Mall as an Entertainment Destination	682	1	5	3.54	0.98
Mall in respect to the Ambience and decor	682	1	5	3.76	0.98
Mall in respect to Cleanliness maintained	682	1	5	3.98	1.01
Mall in respect to the Parking Space	682	1	5	3.70	0.98
Mall in respect to the Air-Conditioning	682	1	5	3.84	0.98
Mall in respect to hosting of Promotional Activities	682	1	5	3.48	0.89
Mall in respect to varieties of Merchandise offered	682	1	5	3.56	0.94
Mall in respect to the Behavior of Retailers in the Mall	682	1	5	3.61	0.85
Valid N (listwise)	682				

Table 2 Image of the Shopping Mall

	N	Min	Max	Mean	Std. Dev
Shopping Environment	682	1.20	5.00	2.84	.76
Product-Promotion-Price	682	1.60	4.60	3.10	.55
Valid N (listwise)	682				

Table 3 Shopping Styles of Consumers

	N	Min	Max	Mean	Std. Dev
Perfectionist/High Quality Consciousness	682	1.00	5.00	3.83	0.85
Brand Consciousness/Price Equals Quality	682	1.00	5.00	3.35	0.77
Novelty and Fashion Conscious	682	1.00	5.00	3.37	0.79
Recreational and Shopping Conscious	682	1.33	5.00	3.15	0.60
Price Conscious/ Value for Money	682	1.00	5.00	3.30	0.68
Impulsiveness/ Careless	682	1.00	5.00	3.00	0.52
Confused by Choice	682	1.00	5.00	3.25	0.81
Habitual/ Brand Loyal	682	1.00	5.00	3.31	0.79
Valid N (listwise)	682				