



MANAGING THE DEVELOPER'S CAMs

Cost, Assessment, Manpower

On the eve of the 8th edition of India Shopping Centre Forum, we present a low-down of the prickly challenges faced by shopping centre industry –from developers' calls for industry status to benchmarking guidelines, and everything in between. In this special cover feature, we present a no-holds barred catalogue of speed breakers and bottlenecks limiting the growth of retail real estate in India and the remedial measures that need to be taken to consolidate the growth of retail real estate in the country.

BY ZAINAB S KAZI

Awalk down the memory lane of malls and shopping centre journey in India and it seems we have seen it all. From boom to reaching a point when suddenly the developers seemed skeptical of the future; the shopping centre industry in India has witnessed quite a few up and downs. But what needs to be applauded is the constant efforts of industry stakeholders to go ahead and adapt themselves to the changing market and consumer dynamics and this also includes malls which were modest to accept their inability to carry on and convert the space for a better use. We speak with industry veterans and experts to gauge the current sentiments prevailing in the industry and their views on the road ahead.

The golden period for malls and shopping centres in India seemed to have lost its sheen since the last two years. Where lack of quality plus affordable space set the ball rolling for a journey downward; the other reason for the sluggish growth was the growing acceptance and popularity of e-commerce across India.

S Raghunandan, CEO, Virtuous Retail (India) aptly says, "It is an undeniable fact that the e-commerce sector has grown manifold over the past couple of years, but has it truly come of age? I really don't think so."

"E-commerce retailers have prospered only on the proposition of discounts, and they are not able to generate organic growth; their viability is under question. So, the question if e-commerce can ever threaten the shopping centres is quite vague and irrelevant."

Far from being a threat, the majority of industry stakeholders are of the opinion that e-commerce has instead helped shopping centres and malls in India pull up their socks in terms of being innovative and experiential towards their relationship with retailers as well as customers, he points out.

THE JOURNEY

Setting the context of the story, Yogeshwar Sharma, Executive Director, Select CITYWALK shares, "When we launched Select CITYWALK, there were very few malls and choice of brands was also relatively less to what it is today. Today you have anchors like HyperCity, Zara etc. So definitely the scenario has evolved. May not have evolved at a speed at which we wanted to though. The entry of international brands has raised the bar for quality and pricing helping the industry to grow better." Raghunandan expresses, "The numbers of new developments that have come into the market have not been in great number. Very few properties have actually come into the market in the last two years. I think this is something that should concern not just the shopping centre industry but also the retailers as going forward the supply of quality mall spaces will be really less."

Vivek Kaul, Head Retail Services, CBRE South Asia Pvt. Ltd. elucidates, "Growth of organised retail real estate in India has been similar to that of other developing economies. Rapid when the sales are good and slow when trouble starts brewing. Over the last few years, however, retail developments have slowed down and



SELECT CITYWALK, DELHI



INFINITI MALL, MUMBAI

new supply has become restricted. This will have a direct impact on the growth of organized retail over the next few years, with limited supply of shopping space entering the market. As new brands make their entry and try to expand across the country, we shall see a hike in rental values at leading shopping centers. Well managed retail malls will also witness a spurt in revenues in the coming quarters, due to limited new competition.”

Pulling a page from the journey of Infiniti, Mumbai to highlight the change witnessed by the industry since its launch in India, Mukesh Kumar, VP- Infiniti Malls shares, “Our mall was the 2nd or 3rd mall in the country. Earlier the malls used to be smaller as we did not have too many retail brands around. People were not too sure about mall culture. Developers too did not want to put in lot of money. So we started with smaller size malls. Earlier it was all about smaller malls and smaller stores and then with trial and error we made changes. Earlier there was not too much thrust on F and B and entertainment though over a period of time we have

realized that these categories are important. If people are coming to spend half a day at your mall, you cannot afford to miss out on offering good options for F and B and entertainment. Facility offered by a mall also saw development keeping in mind the requirements of the consumer and retailer. This led to a change in design as well. We started going vertical. Later, the developers began understanding the importance of catchment and this led to a revolution of sorts as malls then began to cater to the catchment they were present in. The positioning was a bit more thoughtful. Brands signed were keeping in mind with the catchment.”

Encapsulating the journey witnessed by shopping centres / malls in India, Rajneesh Mahajan, Executive Director, Inorbit Malls (India) Pvt. Ltd. shares, “The retail real estate sector in India initiated about 12 years back in India with malls cropping up in the city. Ever since, the Industry has gone through a learning curve. We have seen a journey from being mere shopping centers to now becoming full grown community centers. The city now

consists of bigger malls with large experience areas. We have more space in malls now for entertainment and dining than before. The business models has developed from starter sale to lease model and further evolved to turn over based rentals. The learnings through the years have started creating good quality retail infrastructure which is conducive for international retail formats which have been introduced and successfully executed in India. These successful malls have moved to revenue share model of working rather than simply being on fixed rent resulting in more synchronized efforts to grow business.” Shrirang Sarda, CEO and Managing Partner, Sarda Group adds to the wonderful journey covered, saying, “It has been a huge decade for malls in India. We have gone through a learning curve beginning with traditional retail centres to actively curated and managed malls. Planning it based on shoppers and retailers convenience and not just maximizing FSI was the first learning curve. The second learning curve was moving beyond facility management and approaching it as an extension of real estate business. Now, to approach it beyond retail and look at the contribution to community and play a role of a community centre will be the next curve.”

As far as we the growth scope is concerned and speaking of the relevance to growth in micro markets where there is potential, Mahajan adds, “We have not been able to achieve the expected growth. The lack of growth is evident and there is a whole lot of untapped potential in these markets. Whereas there are certain other markets which are over-developed if we may say so. The idea being saturation with retail spaces and possibility of growth of newer spaces is very much dependent on the regions. In fact, some regions have not seen the quality of market to even be able to tap the current existing market potential. In certain micro-markets we have been able to facilitate the change in consumer’s purchasing habits with the help of our good quality retail spaces.”

“The biggest challenge for the organised retail sector in India was the ominous presence of unorganised retail across every product categories. The unorganised retail sector operated with low cost and was delivering a variety of products (both branded and unbranded), and they continue to do so. However, a neatly carved-out strategy to offer convenience and one-stop shopping experiences made the organised sector look attractive to consumers. The Indian organised retail real estate evolved rapidly once shoppers discovered value in going into organised shopping centres. Different categories have played its role in shaping-up the organised retail in India. Initially it started with value-purchase through large discount stores such as Big Bazaar, D-mart, Maga Mart etc. dominating the mall space. Later, as consumers became more aware and conscious of buying premium brands, then retail chains such as Lifestyle, Pantaloons, Shopper’s Stop, Hypercity, Central and few others dominated the premium category segments.” Says, Ashutosh Limaye, Head – Research and Real Estate Intelligence Service, JLL India.

At present, Indian retail real estate is gradually gearing-up to accept newer categories of retail, such as

luxury malls or destination malls. So far, these categories are restricted to bigger cities of Bengaluru, Mumbai and Delhi, although it may percolate down to other cities within few years. In short, the last one decade can be called as evolutionary for the Indian retail sector as it consistently kept evolving. There were quite a few challenges faced by developers, retailers and investors in terms of the right mall management practices, mall design, sizing and zoning of malls, lack of consumer oversight, etc. However, with time and with increased participation from institutional investors, who are deemed to be having a professional approach, retail real estate sector has gained maturity over the years.

"Retailers have spent majority of 2014 grappling with the sudden surge of the online retail culture. While the retail market is still reviving from the shock of the online retail culture, there is also an effort to strike a balance between the online and offline world. With the emergence of online retail stores, malls are under tremendous stress to up their sales. The mall culture that was initially prevalent only in the T1 cities are now seeing growth in the T2 and T3 cities as well." Says, Mehul Thakur, Director Viva Homes.

Talking about the impact of 2014 general elections on retail real estate, Ashutosh Limaye, Head – Research and Real Estate Intelligence Service, JLL India, says, "Post the general elections in May 2014, which ended almost a yearlong ambiguity surrounding the political atmosphere in India, activity in the retail sector had picked-up during the second-half of the year. Since then, we have witnessed a rise in leasing activity, both in malls as well as high streets. Retailers, however, are meticulously choosing to locate stores only in those malls that receive healthy footfalls. Consequently, the dilemma of poor quality malls have increased further and they may soon have to shut shop or revamp the structure. We have witnessed a few malls across major Indian cities already getting converted into small office spaces or even residential. On the other hand, successful malls have seen vacancies falling sharply while rents going marginally higher. However, rents have still not witnessed a sharp rise, largely due to merely partial recovery in retailer sentiment."

Sharing his perspective on retail real estate condition in tier II and III cities, J P Biswas, Head - Retail at L & T Realty, opines, "The rich poor divide is so stark in India that we will probably take another decade or two before we can claim that a shopping center can do* equally well in tier 2 and tier 3 cities. Agreed, there are developments coming up in tier 2 and tier 3, but that is more because of lack of opportunities in tier 1. Land cost in tier 1 cities are so exorbitant that no shopping center can hope to get a decent return on investment. That leaves the tier 2 and 3 cities where land cost is just about affordable, but then there the customer is not as evolved. That excludes many of the brands that are mall mainstays in tier 1 cities. In my view, whether a mall is in tier 1 or 2 or 3, the location as well as a host of other hygiene factors like leasing strategy, mall management practices, mall ownership are equally important."

"Retail sector in India is having big opportunity as per capital income of India is growing. The lower class is now growing rapidly in service sector this lower class will convert into neo middle class for eg. If in family there was 1 earning person now it has been converted to 3 to 4 earning person. The youth of India especially in 2 tier and 3 tier are also aware of educational value and their ability to turn the circle of their past life, this vast consumers are growing very fast they want to fulfill their aspirations, this are the new consumers added to our traditional consumers such as middle class and upper middle class. The mall in India does not understand the basic mentality that India must have good mixture of brands to fulfill the demand of masses. The malls in India cannot achieve great success; as they are more concern about the anchors brand." says, Jayesh Shah, Little World Mall.

2014 AND ITS FOOTPRINTS

Sharing numbers to highlight the growth observed in 2014, Ghazanfar Ali, Head – Retail Centres, West Pioneer Properties India Pvt. Ltd. (Metro Junction Mall) minces no words in accepting that 2014 was not a positive year for the industry. He elaborates, "2014 had been a mixed bag for retail real estate in India covering all dynamic. On the supply and demand equilibrium, 2014 has been the most sluggish year in the last few years. As compared to 2013, mall supply fell by nearly 75-80 per cent in 2014 which accounts to a million sq.ft consisting of seven major cities of the country (Delhi NCR, Bengaluru, Hyderabad, Chennai, Pune, Mumbai and Kolkata.). Core reasons for this would be delay in construction and permissions. Delays have certainly impacted developers

cash flow massively. In 2014, around 10-12 million sq.ft of mall supply was expected. Out of which only 1.5 million sq.ft. have seen the sun." But having said that, Ali also shares that on the demand side, things were brighter to an extent. Retail fraternity has shown aggressiveness for expansion.

Elaborating on the roadblocks that made 2014 a difficult year for the industry but at the same time also a year which witnessed an 18 per cent growth in rental revenues, Susil Dugarwal, Chief Mall Mechanic at Beyond Squarefeet Advisory Pvt. Ltd. shares, "The year has really been a challenging year for the mall sector because of many reasons like - High cost of land acquisition, increase in cost of construction and fund raising. While there were a fewer malls which got



INORBIT MALL, MUMBAI



NASHIK CITY CENTRE MALL

THE SHOPPING CENTRE INDUSTRY IN INDIA HAS WITNESSED QUITE A FEW UP AND DOWNS. BUT WHAT NEEDS TO BE APPLAUDED IS THE CONSTANT EFFORTS OF INDUSTRY STAKEHOLDERS TO GO AHEAD AND ADAPT THEMSELVES TO THE CHANGING MARKET.

launched during the year many of the existing ones were stumbling and few in fact cracked. At the same time some of them were already doing good got better. Like every year this year has also been a milestone in the mall sector. A lot of negativity was seen and visible across various categories of media, creating a difficult situation for the sector. While this sector looks dim from the media perspective; the ground realities show a growth of 18 per cent on the rental revenues of the mall which is surely a moment of magic for the sector."

"Malls which have been in existence over the years seem to have realised the need and importance of participative retail management. In other words, share both success and failure of their customers (tenants). 2014 has been a relatively quiet year in terms of lesser turmoil compared to couple of previous years. It's also been a year when retailers' initiatives in terms of their consolidation also seems to have stabilized, thereby giving signals of better times to come in the current year. The rapid advent of e-commerce is certainly worth mentioning, an interesting and exciting channel for consumers to adopt. Malls are recognizing the strength of these channels and making strategic adjustments to sustain themselves. In a city like Pune, we have seen a couple of malls gradually recede from visibility and a couple more trying to re-orient themselves in line with changing consumers behaviour. A city that gets regularly mentioned as 'over malled' may actually buck the trend through reformatting, for attracting newer segments as well as extended catchments." says, Mahesh. M – CEO Ishanya.

LEARNING OVER THE YEARS

Being modest about the mistakes made and the learning's from the same, Mahajan points out specifics that Inorbit could have done in the earlier days, "It has been an incredible 11 years for Inorbit in India. A

journey that long has warranted much learning along the way. There are few things that we could have done better 10 years back. We could have designed more flexible spaces to accommodate the changing needs of the retailers. Over the years, the newer retail formats and newer brands have graced our industry and we wish we could have been more future ready. Secondly, the infrastructure could have been designed to garner and engage a larger audience with a more futuristic to support growth. Thirdly, the finer aspects of customer touch points and experience are ever-evolving."

Select CITYWALK has been a role model of sorts for new developers entering the category of shopping centres in India. Though, Sharma strongly advocates that emulating any mall, leave alone Select CITYWALK can prove detrimental as each mall needs to be designed and developed keeping in mind the catchment. Talking about the learning the team at Select CITYWALK has had over the years, Sharma shares, "We should have purchased more land. This was a mistake. Now we fill shortage of space. Understanding business models of different categories has been a learning to arrive at a right rental. We get into details with each retailer we sign to learn about their competition, how they would import etc. The trade between relevance vs. rent is important to understand. Some brands may be relevant but they may not be able to pay the rentals you expect. But then they are relevant. Certain things you do for rental and certain things you do for glam factor. Another observation I have is that everyone wants bigger store first and then they realize that even smaller space would do. When stores / brands are not doing well, we also take the responsibility of paying the depreciation cost of the fit outs if they have been asked to vacate or shift their location."

Like Sharma, Ali too strongly advocates the study of the catchment before putting up a mall. This is a learning he holds close to his heart. Elaborating on things he would do differently if given a chance, he shares, "When I look back in my 10 years of mall journey, there are

some areas which could have done differently for a greater result. The primary would be -

Understanding of unique customers in your catchment- Every mall development has its own typical catchment which behaves, lives and demand in a way. That unique code is to be understood more precisely. Primary catchment gives a fair understanding about the demographics and profiling of the customers but sensing their right need is important. This can be possible with a regular study of CSI (Customer Survey Index). Also to understanding the buying behavior and preferences through own retailers in mall. The second learning would be that of Setting up properties for social connect- The more one connects with the society the better returns. All malls should create couple of properties. This means a regular feature of mall platform which connects customers in a defined date. Like platform for kids edutainment, platform for young artists to perform, platform for women to get together). Inorbit being the first and pioneer in introducing such platforms. Going further, I believe a very relevant kind of property should be the feature of a mall which connect that unique customer profile and catchment preferences. This could change the game and associate better. Then the most important learning has been of Mall Branding- Language plays a major role in connecting instantly what we want to communicate. Having a multi-ethnicity country we are in, regional language can be used very smartly to connect instantly with the regional customers."

Sarda talks about his learning specific to his mall at Nashik. He shares, "We could have done our category mix better. We could have positioned it at a higher level as spending pattern in Nashik has surprised us. The higher price and lifestyle oriented brands are doing better than value priced brands. We could have approached food a lot more differently and holistically." Sharing a list of what they do in Nashik

POINTS TO REMEMBER WHILE BUILDING A MALL IN TIER 2 / 3 CITIES AND TOWNS:

- ✕ Location has to be accessible.
- Size of the development should not be more than 2 or 3 lakhs per sq.ft. carpet
- Development should not be high on external glass façade or occupancy cost will be high which will be a deterrent to the occupants.
- An entertainment and plenty of good food option is important.
- Ample parking space too plays a major role.

Ghazanfar Ali, Head- Retail Centers, West Pioneer Properties India Pvt Ltd.

you adopt for the mall. Emulating is fine as long as it is done mindfully. Sharma explains, "People try to emulate CITYWALK but that is not right as any mall needs to have catchment to support it. Similarly if we shift Select CITYWALK 5 kilometres it may collapse. Catchment will change accordingly."

Elaborating on the soon to be opened property in Bengaluru, Raghunandan informs, "When we look at Bengaluru, we are in a fairly competitive catchment area -- the area in and around Whitefield. So the big question is how to compete and thrive in this environment. The answers for this lie in the USP of the mall, its positioning in Bengaluru. VR Bengaluru is not just a shopping mall, it is a community centre where we want to build event properties around music and public art, etc. Our big focus is on F & B, entertainment and new to market brands and categories. So we are signing brands that are making their early entry in the market through VR Bengaluru."

"VR Bengaluru has something for all and we haven't forgotten about the little patrons -- the children. For them, we are sourcing a soft play area and equipment from North American brand Playtime; they are the leaders there and we are sure that this concept will be a hit in India as well," he adds.

CLICK VS. BRICK: IT IS ALL ABOUT BEING EXPERIENTIAL

Online shopping in India has not only increased the launch of a lot many local and national brands but it has also led to a constant price war with the offerings at a physical store. It is not uncommon to see someone browsing through the racks at a store and then comparing the price of the same online before deciding to add it to his / her shopping basket. But if we look at other international countries where the online trend started much before India, online shopping anywhere has not managed to cross even the 15 per cent mark. This clearly reinstates that offline retail is here to stay. Dungarwal adds, "There is definitely an impact of online retail but it is limited to few categories such as books and stationery, electronics and discounted products. The malls should focus on experience that a shopper can have in their mall in terms of USPs, eating options,

and subtle things that developers should keep in mind, Sarda shares, "In terms of infrastructure, access has to be planned treating mall as a public place. Circulation is most critical, especially taxi drop off, pick-up etc. The city also has to facilitate the access for thousands of people who visit the malls everyday. To talk about our mall and the utility planning mechanisms we have in place, we have placed a world class BMS in our mall since the launch and the utilities were planned well at the outset. For e.g. we out in a thermal storage for the AC as the night time tariff is cheaper than day time. This cost a few crores in capex though the entire benefit has been passed on to the retailer in form of lower electricity costs."

"The Indian retail space experienced breakneck growth over the last decade marked by a boom in new mall development. Quite a few of the malls that were developed in the early years were not upto the mark in terms of ownership, mall management practices, leasing practices etc. But the industry learnt from its mistakes and as a result in the last few years we have seen the launch of true blue malls, albeit few and far between. India is a land of traders and shopkeepers, which explains the barely double digit share of organized retail in the country. What it also means is that, although we may want to exploit the rising consumerism in the country we are part of only a tenth of the market. The rest of the market is controlled by the unorganised sector, the lalas and the baniyas. We cannot wish them away. The only way to exploit the consumerism would be to co-opt, meaning, convert the unorganised retailers into organized, bring them into the mall, improve the uniqueness of the mall." Says, Biswas.

BRAND STORY

Elaborating on the subtle tug of war being seen in the market between having Indian brands vs. international, Raghunandan shares, "A considerable amount of churn is being seen in markets in Delhi and Mumbai where fair amount of international brands are coming in and this has led to older retailers being churned out to accommodate the new brands. It goes down to deep understanding of consumers ...what are the consumers looking for. Who are you targeting? Are you targeting the younger segments or the older ones? A lot of these international brands cater to the younger customers. We have also noticed that the productivity levels of these international brands (like Zara, Mango, Forever 21 and soon to enter H andM and GAP) are far higher than the Indian retailers in the similar space --fashion space." But having said that according to Sharma, "We do not think any of the international brands are a threat to Indian brands. In fact their presence helps the Indian brands perform better. They have put positive pressure on Indian brands. Benchmarks have gone up."

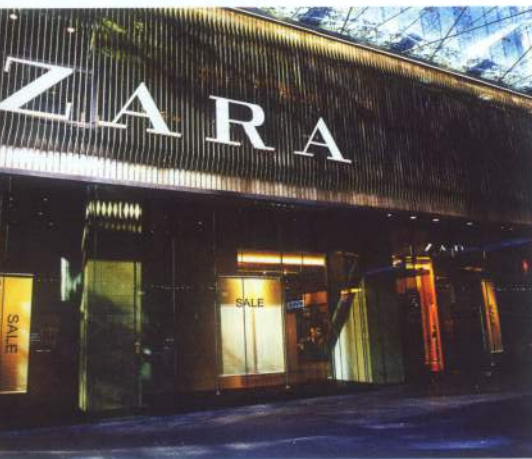
POSITIONING AND CATCHMENT

To keep footfalls ticking in, the gurus in this industry have time and again stressed on the importance of 'catchment'. Raghunandan shares a very different perspective on the relevance of catchment in today's time when he says, "Today it is no longer about distance in kilometers. Catchment today is defined by the driving time / commute time it would take to reach to the shopping centre. A person may be living just 3 kms away from your shopping mall but it may take him 30 minutes to reach."

This clearly accentuates the importance of keeping in mind the infrastructure development of the surrounding area before launching a mall. Another important aspect to ensure that you do justice to your catchment rests on the positioning



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gaming zone, etc. The mall has to be more digitalized by giving free wi-fi, Bluetooth, NFC promotional alerts and make shopping more hassle free."

Limaye, says, "In a recently released report by JLL titled, "Challenges for retail real estate in India's transitioning society", we have highlighted the key factors that developers must consider in the wake of growing challenges from online retail segment. Innovation, technology and experience are three most important factors that must keep going on in order to sustain customer patronage. Mall developers need to bear in mind that online retail cannot offer experiential shopping, a tool that they can exploit by designing tenant-mix that has greater share of entertainment. Concepts such as theme parks, kids-zone, gaming-zone, movie screens, adventure parks, open-areas, etc. can be strategically placed alongside shops and food courts."

Putting the entire debate of online and offline in perspective, Biswas, explains, "In recent years the boom in online shopping has not helped matters. It has unsettled the traditional brick and mortar retailers. It is my belief that there is room for both

online shopping and brick-and-mortar stores to coexist and it is only a matter of time when the dust will settle and the online portals will eventually, also start looking at their own bottomlines."

Kaul shares his take, "Online retail is creating its own space today; and there is no reason why online and offline formats cannot coexist. It is just another competitor in the retail space, which offers a different freedom and choice, although it cannot replace the pleasure of "touch and feel", an essential shopping ingredient in India. In the face of new completion, shopping centers will now have to evolve and change their strategy and mix to stay relevant for today's consumer. It is important to play to one's strengths; and if shopping centers can create a lively social space, where people like to hang out, shop, entertain and dine, we have a success story that cannot be beaten by any online platform."

Sharing a strong message to the retail community, Kaul minces no words when he says, "All this is possible, however, when retailers themselves want the brick and mortar stores to survive. Currently, it has been seen that retailers have been offering discounts across online

platforms, which are unavailable at brick-and-mortar stores. This will lure consumers away from physical stores, impacting offline store sales."

On the growth of footfalls in malls in wake of e-commerce, Sharma shares his observation based on Select CITYWALK. He shares, "I closely watch the number of malls and I feel that though it has not decreased out sales, it has affected our growth. If e-commerce was not there, growth could have been better. Secondly, e-commerce has helped private labels. Suddenly I see a surge in private labels and home grown labels where they can offer better discounts. So a lot of Indian players who could not get established due to lack of space in malls etc. are now doing well on e-commerce. It is a win win for the customer as they are getting branded products at a price they are comfortable with."

Ali adds, "In another one-two years, online business will be stabilizing and will go entirely on marketplace which will not allow them to create war of discounts. Today, in order to offer discounts, all the online retailer's PAT is in red as margins are eating up. This is to ensure foothold in the market. Now situation has started stabilizing which will bring more sustainable business scenario for all." According to Nirzar Jain, vice president- Mall at Oberoi Realty



THE GOLDEN PERIOD FOR MALLS AND SHOPPING CENTRES IN INDIA SEEMED TO HAVE LOST ITS SHEEN SINCE THE LAST TWO YEARS. WHERE LACK OF QUALITY PLUS AFFORDABLE SPACE SET THE BALL ROLLING FOR A JOURNEY DOWNWARD.



■ METRO JUNCTION, KALYAN



■ OBEROI MALL, MUMBAI

ONLINE IS ALL ABOUT EFFICIENCY AND DISCOUNTS. MALLS ARE ALL ABOUT THE EXPERIENCE. WE HAVE TO LEVERAGE THAT. THE CUSTOMER SHALL FIGURE OUT WHEN DO THEY CRAVE THE EXPERIENCE AND WHEN RHE EFFICIENCY.

It is a media buzz that online will cannibalize the off line retail. He shares, "We see that there is enough room for all formats and business and have seen only growth. The heavily funded discounts of E Commerce players will soon come to end, when their investors stop the customer acquisition and everyone competes on similar parameters and profitability."

Sarda sums up the online and offline debate by an intelligent observation. He says, "Online is all about efficiency and discounts. Malls are all about the experience. We have to leverage that. The customer shall figure out when do they crave the experience and when rhe efficiency."

Giving his perspective on e-commerce, Mahesh. M of Ishanya mall, says, "E-commerce is bringing about the migration from marketplaces to marketplaces. The traditional shopper is also getting onto the bandwagon of online search, evaluate and buy. Given all things equal, certainly E-retail may grow exponentially while physical retail will still be Inflation-indexed growth. If this too has to grow at healthy and sustainable pace, the two aspects of Experience and Involvement have to be escalated to new heights. Both these factors may become the 'make or break' for Malls to stay relevant to their consumers. The social image of a mall and the attitude formation- either favorable or unfavorable will be determined by the nature, degree and intensity of distinct experience and involvement that a mall offers. The physical servicescape will play an equally important role, not just mall ambience and atmosphere, but the whole gamut of elements that form the servicescape. Mall operators need to invest time and effort in cracking the code on this front, very similar to how the online retailers have invested loads into creating their respective unique e-servicescapes. Getting scared doesn't help, co-existence of channels has been there for centuries, new channels improve all round efficiencies. But the key is to concentrate on maintaining relevance for customers and consumers alike and not reacting knee-jerk."

WHY SHOPPING CENTRES WILL NEVER DIE

As Sharma wonderfully explains, "The purpose of shopping centre is provide an environment. It is providing and experience to the customer. We do not sell anything. I have nothing against High Street but in Indian climate where can you have coffee while shopping within that environment. It is only in the malls and shopping centres that you can sit and enjoy leisure moments while shopping. e-commerce is not



TRILIUM, AMRITSAR

a threat to the growth of mall and shopping centres. How much can you shop online and even if you do, what do you do then/ Where do you wear the clothes bought online? Dining out has increased in India as well and so has the trend for fast food. Moving out of house is an integral part of us and ironically there are not too many places you can go to. The natural choice is malls / shopping centres as one stop destination for entertainment and food and beverage." Sharma is of the opinion that the ratio of beauty, food and beverage and entertainment shall increase as they cannot go online but fashion shall be an integral part of the growth. He adds, "We can expect a 10-15 per cent correction. 60:40 would be the correct figure. At the moment it is not more than 15 per cent."

Majority of the malls are witnessing the spurt in the category of beauty stores, salons, spas and fitness. Select CITYWALK alone has about 22 stores dedicated to beauty products. Likewise, each mall more or less is well equipped with at least 2 salons within it. Services which one cannot buy online is what shall pull people to the malls and this also includes fitness centres and gyms. Raghunandan talks about the Bengaluru property by Virtuous Retail where they have a fitness centre and how it makes complete sense for them to have one considering the property has a commercial space as well as a hotel attached to it. And going forward, we shall see many more properties offering these services thus taking away some pie from fashion retail.

MOVING AHEAD

Dungarwal is quick to point out that the entire industry could have grown stronger had they been open to learning and put the same in practice. He explains in detail, "While the growth has been in tandem to the expectations of the sector however, it could have been even more better if the mall sector / mall growth would have been a outcome of a scientific approach. Had the leanings of the sector from the international markets been implemented in India, the sector would have grown more rapidly and in a sustainable manner. The sector went through a learning curve and is now poised for greater growth. The demand of quality malls in good locations is still a rare commodity in the country which probably will be filled in the coming decade. The consumer spending has grown four folds in the last decade, however the same cannot be said for the mall sector."

Dungarwal strongly feels that we have not been able to capitalize on the immense potential that this sector offers because of difficulty in getting timely approvals from the various government bodies. He also feel that developers need to give this business a little more time. He shares, "Internationally retail gets the best ROI but it is over a period of 3-9 years. In India unfortunately, the expectations are unrealistic and the return is expected in the first three years which is not a viable strategy for the retail real estate industry."

Raghunandan reiterates this stressing on the importance of allowing the business considerable time to show a robust ROI. He adds, "Fundamentally the issue is, only those who have a deep understanding of retail will succeed in this industry. It is not just about retail real estate but you need a deep understanding of retail as well. Secondly, this is a long haul game. Gestation period depends upon how much equity you bring in the project, the leasement, the discounting you adopt etc. But I would say that you are not looking at returns of less than 9-10 years and that is the time frame you should give it. Earlier we had industry bet on the 5-6 year period but now its 9-10 years before the project would yield some results. Most of the new entrants may not have understood this."

Abhijeet Maheshwari's (Head Business Development), Trilium Malls shares, "In terms of the overall Indian real estate market, expensiveness of liquidity for real estate, the lack of availability of serviced urban land, delays in procedural approvals, the slow pace of infrastructural growth and the low levels of transparency hindered the growth and development of real estate market. Specifically to

A PERSPECTIVE ON RETAIL REALTY

Establishment of rating systems of malls:

There is no rating system for malls as of today, although JLL-REIS classifies each mall into Grade-A and Grade-B categories on the basis of factors such as developer reputation, mall size and tenant profiles, mall layout and design, location, etc.

Utility planning / Infrastructure: The zoning of an area is still poor in Indian cities as it is typically observed that while malls attract high number of cars, space for parking is limited and the width roads and footpaths is not sufficient to accommodate high traffic. Civic authorities need to work around this problem to ensure malls have the requisite amenities around it.

Tax Structure: Entertainment tax in India is quite high and needs to be looked at more closely.

Any obsolete government laws that need to be done away with / revised: Retailers in India have to grapple with the issue of multiple licenses and procurement of these takes many months or years. The approval process needs to be shortened and simplified in order to make this sector lucrative to investors and retailers.

Lack of trained manpower: For superior mall management and services, developers and retailers require skilled manpower. There is a shortage of such manpower in India. While some retailers have started their own training schools in order to tackle this problem, the issue needs to be addressed more broadly.

Ashutosh Limaye, Head – Research and Real Estate Intelligence Service, JLL India



the retail real estate, the market has reached a mature stage in the last couple of years. Superior malls have low vacancy and high rents, inferior malls are vacant even though they are offering high discounts. The new malls that have been constructed are all of the superior quality thus reiterating that markets have matured."

According to Biswas of L andT Realty, "It is high time that a rating system be put in place for malls and shopping centers in the country. There is still a lot of misinformation as well as a lot of questions in the minds of various stakeholders about the industry and what it takes to make a successful mall. While on the one hand it will create benchmarks for the industry, it will also provide tools to say the financial institutions and will help building their confidence."

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On the measures that no developer can afford to miss while bringing up a mall, Dugarwal shares from his experience, "The first step towards optimizing the retail real estate is market research. Malls are built without adequate research and that's the reason they soon fall under failed, unsuccessful category. So many of them has to be revamped which is nothing but extra cost of operation added to the capital already invested. Retailer friendly infrastructure and supply chain policies would take away a lot of burden from the investor's and developer's shoulder. A good understanding of the consumer aspirations can help optimize, channelize and skew the efforts a great deal." Kaul comes heavily on some of the obsolete government policies that need attention. He shares, "The cinema operating license in India hasn't been

revised in decades; and most clauses in the technology involved have no relevance today, needing improvement. The licensing system, which is not present in any other industry, is highly bureaucratic and usually causes delays in opening of shopping centers (where multiplexes act as anchors), being a huge burden on the operators."

Mahesh.M, advocates that, establishment of rating systems of malls is really necessary, "This is a much needed tool from both developer and consumer perspectives. Personally, I think there's a lot to be done to create a Mall attractiveness Index in India. A lot of research has happened elsewhere in the world, but a practical and measurable scale that reflects a Mall's relative position amongst competition will go a long way in helping developers to draw up their business strategy for their first customers namely the retailers as well as the final consumer. The parameters of rating should be classified into core and peripheral, which will then become sacred sutra for mall operators to manage for sustaining success. Easier said than done, this calls for Mall developers to come together and agree upon a timeframe to have the first Rater introduced and embraced by the fraternity."

Ali feels that with over 90 million sq.ft. mall supply in the country, now is the time government should understand the need of introducing easy and simple policies for the betterment of all malls. Policies largely on the space utilization, utility cost, energy generation through third party etc. need to be looked into. Adding to the above, Jain feels that if there is improvement in the tax treatment for the proposed REITS it will help more mature players to come in as well as allow existing players to benefit by REITing their assets." ●●●