

DWINDLING FOOTFALLS

Struggling to survive, old malls slash rent, undergo makeovers

Larger, better-designed malls are giving older ones a run for their money, causing them to lease or sell off spaces

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MUMBAI

The milling crowds at malls this Diwali gave Palm Beach Galleria in Vashi a miss—a stark reminder that all is not well in the booming world of Indian retailing.

Brands such as Max, Levis, Adidas, Provogue and Odyssey have exited this mall in Navi Mumbai, while the few stores that remain open for business have seen sales plummet.

Sales at the Metro Shoes store at Palm Beach Galleria have dropped 57% since the mall first opened in doors in 2007. Abdul K. Shikh, the store manager, said the dwindling sales were because of reduced footfalls during the downturn and increased competition from larger malls such as Inorbit and Raghuleela that have come up in the same area.

Around 150 malls have been built in India in recent years as part of a gold rush. A few are now falling by the wayside, unable to face competition from newer and better-designed malls that have mushroomed.

Some strugglers have tried to claw back by slashing rentals while others are taking a more hard-nosed look at what they are offering shoppers.

A few have already thrown in the towel. Eight malls have closed down and been converted into commercial buildings in the last two years, according to Susil Dugarwal, founder and chief mall mechanic of **Beyond Squarefeet Advisory Pvt. Ltd.** For instance,



Stiff competition: A shopping mall in Mumbai.

Wonder Mall in Thane near Mumbai is leasing area as office space after Korum and R Mall came up in competition, say Thane residents.

Only a dozen of the 142 malls still in business are successful, said Dugarwal.

Arvind Singhal, chairman, **Technopak Advisors Pvt. Ltd.**, said that in markets which have seen an explosion in the number of malls such as Ahmedabad and New Delhi, first-generation and second-generation malls were facing the heat from newly launched and better-planned malls.

"Retailers around Forum Mall in Bangalore have been affected and so have retailers in Vasant Vihar market. Normally, whenever there's a big mall coming up, smaller malls and small retailers are impacted badly. Developers of first-generation and second-generation malls sell off space and, have therefore, no control over which stores come and go. In the process, they lose footfalls," said Singhal.

Some of the weaker operators are prepared to go the extra mile to retain stores.

As new malls launch in close

proximity to existing malls, mall owners are "cajoling tenants, giving discounts on rents, zero rentals for a limited period and carrots to stay back" in a bid to hold on to tenants and attract new ones, says Dugarwal. "Most anchors (tenants) in these malls are now paying rents that are cheaper by 50% to 60% compared with the 2006-07 levels," said Dugarwal. "Mall developers renegotiate rentals if retailers in the premise are not doing well, else they can lose the tenant," said Nilesh Gupta, managing director at Vijay Sales, a consumer durables retail chain, who renegotiated rentals at Kharghar, near Mumbai, due to a drop in footfalls and sales during the downturn.

While cutting rentals is a common response, some malls are going back to the drawing board to redefine themselves.

At Eva, a 60,000 sq. ft mall in Bangalore that launched as a woman's mall in 2005, the failure to attract customers resulted in a complete makeover. As old stores pulled out, Prestige Estate and Properties surveyed residents in the area the mall catered to, and invited Croma,

an electronics store, the BJT Group which has fine-dining restaurants, and a fitness club.

Anurag Mathur, managing director, **Cushman and Wakefield India Pvt. Ltd.**, said a "vast majority" of malls are under pressure as they were hasty ventures and not well planned. So, they cannot keep up with competition, even during peak seasons such as Diwali.

Palm Beach Galleria is also in the process of reinventing itself. The mall is now open to renegotiations and is in the process of relaunching by January with new tenants and unique format stores, says Narender Lakhani, director, PBG Mall Management Pvt. Ltd, which runs the Palm Beach Galleria.

Max, once in Palm Beach Galleria, is now happy in the nearby Inorbit mall. Rentals at Inorbit are one-third higher than those at Palm Beach Galleria, said Ameet Kudchadkar, regional manager, marketing, Max retail division, **Lifestyle International Pvt. Ltd.**, who feels that the higher rental is justified as sales are higher by a third as well.

"Wherever malls are struggling, the mall owners are susceptible and flexible to renegotiate," said Thomas Varghese, chief executive officer at **Aditya Birla Retail Ltd.**, who is set to open a More hypermarket at the Palm Beach Galleria.

Varghese is of the opinion that a strong anchor is a necessity for a successful mall.

Kishore Bathija, managing director, Inorbit, run by the **K. Raheja Corp.** said that the concept of malls is changing.

"Just doing any mall and any retailer will not work," he said, adding that Vashi can accommodate many malls but malls need to rework their propositions.

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