

Beyond past mistakes

By Susil Dunganwal

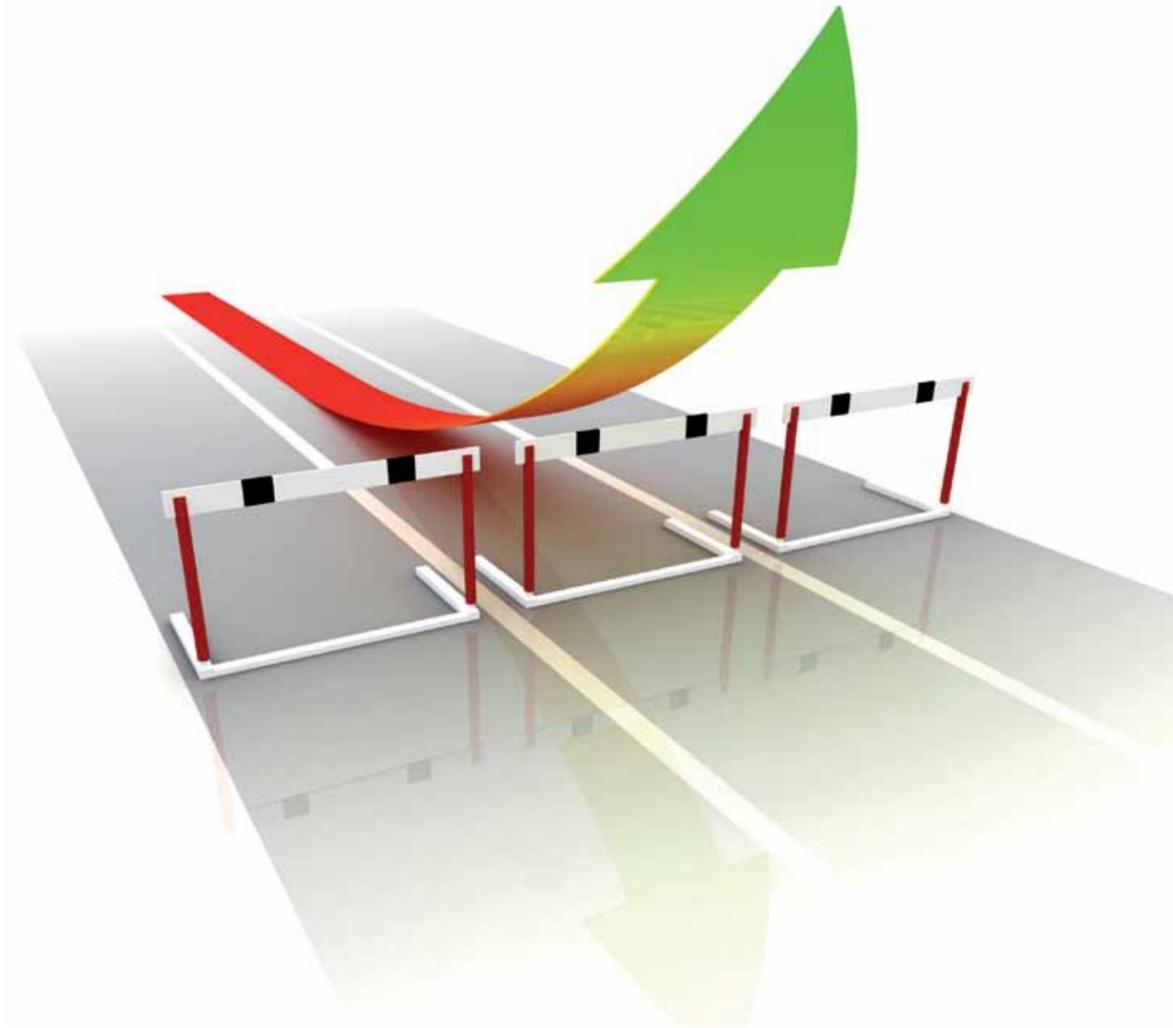
The beginning of the retail boom saw scores of companies rushing into retail without securing an adequate supply chain in place, while property builders in the country took to mall building as a lucrative new extension of their real estate business. However, coupled with the slowdown and shortage of funds many of the malls that were supposed to be operational by the end of 2009 got postponed. "Approximately nine million square feet of expected mall supply for the

difference and recognise retail real estate as a serious business requiring professional inputs in terms of planning, design, development, leasing as well as mall management and marketing.

Now we can find mall developers who do not chase the leasing consultants or IPCs, and are turning to mall advisers instead to help them make a successful mall from scratch. Moreover, while developers have begun taking inputs from retail companies while designing a mall, retail companies have also become more transparent and open in terms of revenue sharing. Now, this is where the role of an experienced retail advisory firm becomes crucial. In my opinion

While deciding on the location of a mall, we need to analyse the kind of alternatives a resident in the catchment area has. A very detailed and project specific research will give the right indicators and probably the way ahead. If the initial report brings up even small indicators of a probable failure, then it is advisable to shelve your plans. In any case, do not make a mall on egoistic premises.

Retail tenant mix: This is one big stumbling block to the developers and retail companies. Many mall developers find it fashionable to develop a luxury mall, not knowing that the people in the locality may not be able to afford it. A developer has to realise that mall



It is often said that in times of crisis we learn more. It is also said that when there is a problem, there is an opportunity. The recent global economic slowdown has seen both retail and retail real estate companies analysing their problems to find sustainable solutions for mutual success.

year was deferred to the future – a reduction of about 60 per cent from the mall space projections made at the beginning of the year. Of the proposed 44 malls at the beginning of Q1 2009, just about 18 were delivered by the year-end," said a year-end report from Cushman & Wakefield, a real estate consultancy firm.

Even as we recover from the global economic turmoil, we have already begun seeing a change in the mindset in the sector simply because many of the mall developers and retail companies have burnt their fingers due to bad planning and aggressive expansion. The developer community is now more enlightened to realise the

following are the importance factors to consider while planning a mall.

Key factors in mall planning:

Location is key: Just because a developer owns a huge piece of land in some faraway location or because there is a huge residential colony around does not make a location suitable to build a mall. We need to learn from the mistakes. For instance, look at the failure of some malls in Gurgaon. Today, many of them are being converted to commercial complexes. An ideal location for a mall is determined by a good catchment area, with not many malls around and a reliable research on the income levels of the residents in the catchment area.



is a localised business and he has to keep in mind the kind of retail mix he wants to have while planning a mall. One big problem which most malls face today in India is the absence of a mid-sized retail company. We have large format stores or small format stores, but there are hardly any medium format stores. There is a huge potential for medium format stores in the country today for which there are hardly any players as yet.

Project viability: For long the developers and retail companies had a standoff when it came to deciding the rentals. It is a big deal to get the pricing right, but we see a change in the attitude of developers as well as the retail companies. Both are willing to see

eye to eye. For instance, the mall developers and retail companies have begun implementing what is now popularly called revenue share agreements where the retail companies agree to pay a fixed rent and percentage of the sales.

The project viability has to be analysed from a developer's point of view as well. Here, the onus of making the mall successful is also on the developer. With this trend picking up, developers have begun realising the importance of involving a boutique mall advisory company to plan the mall. When we plan a mall we not only do the research before construction to decide whether or not a mall is needed, we also help in the design elements, tenancy

requirements, to managing the day to day running of the mall. We also help in conceptualising and managing events in the mall towards optimising footfalls, and maintaining freshness and an inviting ambience in the mall.

For the success of a mall, developers should be able to trust professional advisers and be confident when they entrust the job of running a mall in our hands because we have passed through the learning curve, which many of the developers have not. I often find people resisting some of the measures, we as a consultancy plan to take towards making the mall successful. I often find that the developers do not always look at creating a brand value for the mall. They always look at it from the perspective of maximising rent. Everything is calculated in terms of extra rentals that a place can earn. Developers must appreciate that some of the events, which may not bring in revenues today, will go on to be a huge success in the future. Take the Forum Shopping Festival for instance. When we started it, in the first year, we could just break even. But today, it is one of the most successful mall events in Bengaluru. Everybody waits for the Forum Shopping Festival, which happens during the peak shopping season, right from Diwali to New Year. It is an event which has become a brand by itself.

In some cases, we also find that the developers lack long-term vision. Something done today may not bring instant footfalls, but in the long-run it will prove beneficial. During the planning stage of a mall, it's a common mistake to not give importance to utilising every small corner of the mall space and not creating the right ambience. It is worthwhile to involve an experienced mall advisory company to help in designing the mall in such a way that the ambience, convenience and curiosity factor of the mall can be kept alive, which is mutually beneficial to the retail company as well as the developer.

The year ahead

The coming year will see a lot of consolidation in the sector. From

where I can see it, I do not see any scope for smaller malls, the ones below 200,000 square feet find it hard to sustain. These smaller malls will be gobbled by the large players. The ones who do not get taken over will convert to smaller retail centres or commercial properties.

The year 2010 will also be an eye opener for the end consumer who will get to see many malls of huge sizes – more than 10 malls of sizes ranging between 800,000 sq ft to one million square feet. For instance, Express Avenue Mall in Chennai, Magnet Mall in Mumbai, Centrum Mall in New Delhi, Great India Place in Noida, the Lulu Centre in Cochin, Mantri Mall in Bengaluru are some of the big malls that are expected to open up ranging between 8,00,000 square feet to 1.2 million square feet.

The coming year will also see a lot of new formats in retail and retail real estate business. There has been a lot of technical and creative engineering that has gone into making these huge buildings. These malls have considered the smallest of details with an objective of creating a complete experience for the visitors rather than just a retail destination. By and large, year 2010 promises to bring the lost excitement back in the Indian retail sector. ●

About the author:

Susil Dunganwal is founder & chief mall mechanic of Beyond Squarefeet Advisory Pvt Ltd, a boutique mall advisory company.

A true home grown retailer, with over 23 years of experience, he has worked in a continuum of retail formats and now into development & management of malls. He has been involved with reputed retail real estate projects, spanning more than 20 million sq ft. For long he has been a visiting faculty and guest lecturer in the top business schools across India. Dunganwal has been associated with reputed mall companies including Saint Mark, Big Kids Kemp, Shoppers' Stop, Lakewood Malls, The Loot, The Forum Mall, Emaar MGF, Ishanya, etc. and he has recently ventured into mall advisory services.

