CHAPTER – 1

INTRODUCTION
1.1 INTRODUCTION

The last decade has witnessed dynamism in Indian retail sector. Various urban areas have been at the center of attraction with emergence of different kinds of organized retail formats gaining momentum. It is largely due to rising income, increasing purchasing power, credit facilities, changing pattern of consumer behaviour and increased consumer awareness.

Retailing has emerged as one of the most important sectors of Indian economy beyond the 90s. A large number of retail model retail formats have come in force offering a wide spectrum of merchandise and services. The professional orientation and incorporation of various technology–enabled softwares has offered these retailers better customer relationship management, merchandise offering, store atmosphere and inventory management.

There’s a flurry of activity as a revolution sweeps through small town India, with intimidating Malls, Hip stores, looming Hypermarkets & hangouts mushrooming all over the place, apart from a perceptible lifestyle change, breathing fire into these cities (Agarwal, 2006). And it is happening not just in one or two cities, but across all major Tier – II & III cities of India, and in a spectrum of sectors – booming real estate, malls, multiplexes and cinemas, global majors setting up plants and offices, sprawling IT hubs, SEZs and much more.

More & more corporate houses including large real estate companies are coming into the retail business, directly or indirectly, in the form of malls and shopping centres. New formats like hyper markets and large–discount–no–frills supermarkets have started influencing the traditional looks of the bookstores, furnishing stores and even chemist shops.
1.2 ORGANISED RETAIL

Retailing as a concept is not new in India. In fact, it dates back to the period of hard-core traditional formats of retailing that prevailed in the form of Haats, Weekly Bazaars and the famous kirana stores or ‘Baniye ki Dukan’. It is only during recent past that Indian retail sector is witnessing a process of change and is poised to undergo dynamic transformation. India is now developing into a retail power where both organized and unorganized retail sector compete with each other.

The Indian retail market, which is the 5th largest retail distribution globally, according to industry estimates, is poised to grow from approximately US$ 427 billion in 2010 to US$ 637 billion by 2015 (Bhalla & Anurag, 2010). Simultaneously organised retail which presently accounts for 4% of the total market is likely to increase its share to 22% by the end of 2010 (Bhatnagar, 2009). India has one of the largest numbers of retail outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. The projected annual growth rate of this segment of the retail market till 2013 is slated to be over 30 per cent. As a result, its share in total retail market is expected to be around 11 per cent by 2013.

The retail revolution has stormed not only Delhi and NCR, but it also has swept further north to cities of Punjab like Chandigarh, Amritsar, Jalandhar, Ludhiana, and beyond, giving consumers unlimited choice and access. Chandigarh (and its surrounding area), which had only a single mall till around 2005, boasts of 7 – 8 malls now, with many more in the pipeline. Bathinda which was one of the relatively lesser known cities in Punjab has two malls up and running, and similarly Amritsar has two huge malls, which are doing brisk business. Ludhiana, Jalandhar, Patiala,
you name it, and these cities have them. Similar is in the case of Hypermarkets, in which, Big Bazaar, Easy Day and Vishal Mega Mart are the big names having a forceful presence in the North Indian towns.

Organised retail in India is estimated to be worth around Rs 15,000 crores (Kumar and Sarkar, 2006) merely 2% of total Rs 11,00,000, crores retail. Organised retail will make life easier for FMCG companies since they can introduce new products more easily and can start differentiating products from various other customer segments by way of type of retail environment they are sold at. Due to changing lifestyle, increasing consumer expectation and narrowing margins, kiranawalaas might not be able to match the supply chain efficiencies, expectations in terms of product width and depth (product line mix) of product assortment, shopping experiences, service levels, which will eventually give way to organised retailing in a big way. Emergence of specific hypermarkets such as Big Bazaar and Easy Day is a phenomenon of immense proportions. They are wooing customers, who in turn are seeking value propositions. These formats have emerged as major competitors to both organised and unorganised retailers. A small sample survey of the impact of malls on small shops and hawkers in Mumbai points to a decline (Kalhan, 2007) in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electronic and electrical goods in these retail outlets, ultimately threatening 50 per cent of them with closure or a major decline in business. Only 14 per cent of the sample of small shops and hawkers has so far been able to respond to the competitive threat of the malls with the institution of fresh sales promotion initiatives.

A huge shift is underway from spending on necessities such as food and clothing to choice based spending on categories such as household appliances and restaurants.
Households that can afford discretionary consumption will grow from 8 million today to 94 million by 2025 (Ranjan, 2010). Long established spending attitudes are already changing rapidly. Branded clothes are becoming de rigueur for the middle class Indians – Christian Dior, Louis Vuitton and Tommy Hilfiger already have a presence in the country. Gucci, Armani and Versace are on their way. For generations Indians did their daily shopping at fresh–food markets and regarded packaged foods as ‘stale’. However, just like their western counterparts, a new generation of busy urban Indians is starting to appreciate the convenience and choice offered by packaged goods. They are also increasingly comfortable using credit cards – the share of Indians who carry plastic has quadrupled since 2001.

Adding to the mall mania are the super malls, with a shopping area of nearly a million square feet, which promise to revolutionise the way Indians shop in the country. DLF and Ambience have super malls to cater to South Delhi’s elite. DLF’s super mall, for instance, in Vasant Kunj locality, has been constructed over an area of 9,00,000 sq feet.

Chaudhuri (2006) explicated that with 250 malls coming up, it’s estimated that some 1800 screens would soon be put up in these multiplexes. While malls do well attracting shoppers from everywhere, shops in malls have had poorer success rates, with only around 30% of the shop owners admitting to recovering their return on Investment (RoI).

According to a survey conducted by global property consultancy firm Cushman & Wakefield, not all mall operators are likely to benefit equally. “Only the ones in favorable locations and having the right format and suitable strategies are likely to remain long-term players,” informs the report.
Terblenche (1999) opined that apart from shopping motives other features like entertainment, relaxation and spending good times with friends attract customers towards shopping malls. However, differences in this behaviour have been found due to diversities in geographical areas since the culture, habits and tastes of the residents of each region differ from the other. India being a piebald country (Devgan and Kaur, 2010), it offers a wide diversity in terms of people following different religions, language changing every 20 miles, diversified cultures leading to different tastes, habits and preferences. Therefore, the reasons for popularity of shopping malls may not be same in India as in other countries across the globe.

The trend in development of business models in retailing seems to be, on one hand, not to ignore any of the four core competences in market – oriented company management (customer acquisition, customer bonding, performance innovation and performance care) any longer and to tune them to one another strategically, but on the other hand, to develop the competences they require (Liebmann, Foscht and Angerer, 2003). As a result, the strategic focus becomes more wide-ranging. This observation appears to be true regardless of the size of operations. Small and medium-sized companies are also faced with the challenge of developing multi-dimensional business structures. There is currently speedy investment in missing core competences by self-establishment (self-development, acquisition) or development of cooperation platforms considering all operational functions. In establishing competences, the dominant factor is concentration strategy. The motto here is better to do less but do it better than the rest. Technological development encourages convergence and opens up new opportunities to integrate customers actively and allows them to participate.
According to a study carried out by ASSOCHAM in 2008, a whooping Rs. 1,31,804 crores has been invested in organized retailing in last 6 months alone (Source: livemint.com, 2008).

Here are some of the highlights of that study:

- Organized retail is growing at estimated 25%; set to penetrate tier II and tier III cities like Pune, Chandigarh and Hyderabad; investment worth Rs 27,550 crores announced
- Real estate companies like Unitech and DLF draw up plans that cater to growing demand of shopping malls; capex of Rs 65,000 crores planned to be invested in real estate development for retail space in next four to five years; food and grocery is next big retail segment with investment plan of Rs 22,100 crores.
- Hypermarkets will soon dot the Indian retail space with investment announcements of Rs 29,154 crores expected to set them up.
- Companies like Reliance Retail have set aside Rs 24,000 crores for setting up hypermarkets by 2010–11 in National Capital Region; Spencer retail announced capex of Rs 3000 crores for expanding its retail outlet and setting up hypermarkets by end of 2010.
- Increased competition among food & grocery retailers will provide better services to users; capex of Rs 22,100 crores planned to set up chains of food and grocery stores in next three years.

1.3 RETAILING FORMATS IN INDIA

Some of the prevalent relating formats in India include:
1.3.1 SHOPPING MALLS

Malls are an upcoming trend in Retail market. The concept is based on constructing centrally air-conditioned malls and renting the floor space out to individual shops. Shoppers use the same parking facilities and there is a combined brand pull of all outlets. Malls inspire fashion-based shopping, as distinct from the need-based shopping inspired by super-markets and discount stores. Malls seek to position themselves as destination shopping locations. Examples are Mumbai’s Inorbit, Delhi’s Ansal Plaza, Amritsar’s Alpha One Mall and Chandigarh’s Paras Downtown Square.

1.3.2 HYPERMARKETS

The hypermarket combines supermarket, discount and warehouse retailing principles. Its product assortment goes beyond routinely purchased goods and includes furniture, large and small appliances, clothing and many items. The basic approach is bulk display and minimum handling by store personnel, with discounts offered to customers who are willing to carry heavy appliances and furniture out of the store. Pantaloon Retail India’s hypermarket store, Big Bazaar, is now emerging as India’s largest hypermarket chain. Modeled along the lines of global hypermarket chains like Wal-Mart, the Big Bazaar stocks several product categories. The present estimate is that it stocks close to 1.5 lakh items across 18 product categories, including utensils, pharmaceuticals, electrical items, hardware, and food and provisions. Other hypermarkets’ examples are Easy Day, Vishal Mega Mart.

1.3.3 SPECIALTY STORES

Specialty stores, as the name implies, are ones that carry a narrow product line with
deep assortment within that line. Typical examples are jewellery stores like Tribhuvandas Bhimji Zaveri in Mumbai and P.C. Chandra & Sons in Kolkata. According to some marketing thinkers, the future scenario belongs to super specialty stores as they provide increasing opportunities for market segmentation, focused marketing and creation of brand equity. One is already observing the trend gaining ground in the Indian market particularly in clothing and fashion goods industry – be it products, for men, women, teenagers or children.

1.3.4 DEPARTMENT STORES

A department store carries several product lines, invariably all that is required by a typical household. These lines include food, clothing, appliances and other household goods, home furnishings, gifts and curios. In India these stores are still at the introduction stage and they are mainly located in metros like Mumbai, Delhi, Chennai and other cities like Bangalore and Hyderabad. The closest to the concept of department store are Lifestyle and Globus.

1.3.5 SUPERMARKETS

This is a large, low cost, low margin, high volume, self-service operation designed to serve the customer’s need for food, laundry and household maintenance products. Once again one does not see these supermarkets in the true sense of the term in India, but the some examples are FoodWorld, Subhiksha, Nilgiris.

1.3.6 CONVENIENCE STORES

There are generally food stores that are much smaller in size than supermarkets.
They are conveniently located near residential areas and have long hours of operations, seven days a week, and carry a limited line of high turnover convenience products. In the Indian context, the old and faithful street corner grocery store or cold storage or the food store are the ones that can be called convenience stores.

1.4 SHOPPING MALLS

Mall culture in India and especially in Delhi & NCR has grown with an incredible pace, though this culture was already existent for the past several years in other major cosmopolitan cities like Mumbai, Bangalore, Chennai etc. Just a few years back, people had to make a choice among shopping, movies or hanging out on a holiday but thanks to our malls, all these jobs can be performed at the same time, under the same roof and that too with a wonderful experience. And it is basically the experience and not the intention that counts when it comes to malls. The reason why shopping malls are so popular lies in their international appeal. It seems to be a thing of history when shopping malls had their presence only in places like Singapore and Dubai. In fact, now they are everywhere around us. People find these malls to be the best place to shop or hang out in summer heat as they offer free entry to a completely air conditioned complex with good music playing all around and loads of window shopping opportunity which is appreciated by one and all. Not to forget the numerous food joints that serve different cuisines meant to magnetize the taste buds of all the foodies.

Though malls are equally popular among all ages, the true lovers are the youngsters for whom malls are the ‘ultimate place to be’. These malls serve their various
purposes like shopping, watching movies, dating or just to hang out though they really don’t need a purpose for being there. These malls have also come up with different ways to cater to their target visitors like some of them have discos where the Gen–X get a chance to chill–out during nights.

Talk of any metro or a mini metro, all of them now, have simply superb shopping malls to rule the shoppers’ hearts. Today most Indian families prefer to purchase their goods at ‘one stop shops’ (Bhatnagar, 2004), where everything is available under one roof. Indian retailing has witnessed drastic changes in the last few years – from a poorly stacked dirty kiryana store in the by–lanes of the residential areas, changing to an aesthetically decorated store, with properly arranged goods, offering ambience and convenience. On the other hand, instead of lanes and by–lanes growing into a bazaar, planned shopping centres well connected with main roads, freeways are emerging today in all towns and cites. These shopping centres are complete in themselves, capable of meeting all the essential requirements of the population, starting from the perishable to durable goods or shopping for the specialty goods. In the recent past, the large format retailing has picked up like wild–fire, thanks to the neo–rich, time starved urban dual income population. Centrally air conditioned malls like Ansal Plaza in New Delhi, Alpha One Mall in Amritsar, Centra Mall in Chandigarh and scores of others, seem to be perpetually crowded everyday.

Lather & Kaur (2006) in their study have defined a Shopping Mall as a place where a collection of shops – all adjoins a pedestrian street, which allows shoppers to walk without interference from vehicle traffic. The term ‘Mall’ is generally used in North America and Australia to refer to large shopping areas, while the term ‘Arcade’ is
more often used, especially in Britain, to refer to a narrow pedestrian – only street, often covered or between closely spaced buildings.

The craze of shopping malls ventured India in the late 90’s and has seen tremendous growth over the years. The government’s five year tax relief for opening shopping malls and multiplexes has also boosted this trend to a great extent. The term ‘window shopping’ was coined due to the huge spur in shopping malls and the notion that it is made up of expensive stores. With the concept of ‘one stop shop’ coupled with entertainment options and comfortable shopping experience hoteliers, retailers and brands grabbed this opportunity with both hands. Even individual retailers found shopping malls a beneficiary prospect. These individual retail outlets started speaking the consumer language and thus altered prices and designs for the popular crowd. Selection of clothes and pricing was related to the location of the mall. An up–market area had a different line of styling and pricing compared to its own chain in not–so lavish vicinity. Thus people living in these mediocre areas were not able to get the same style and fashion found in the posh areas. Though reaching to the mall has been made comfortable with good enough travel options and parking space, but the crowd on weekends is unavoidable.

At one hand, where customers have got so many benefits of the malls, they say that they have lost a personal touch with the shop owners and a special relationship that they have had with their local ‘kirana’ stores since last so many years. In malls, they definitely get good services but they lack ‘post–sales services’. In malls, they feel they are being treated as just another customer whereas in the local ‘kirana’ store they are known by their names, their tastes, their preferences etc. Several times, even personal problems are being discussed at the local stores. If any item is found to be
of undesired quality then they can easily get it exchanged for a better one. And of course, at a local store, they enjoy their bargaining right for every single product.

Of course the number of customers daily visiting the malls cannot be overlooked and hence it looks almost impossible to know customers by their names, etc. However, there are many customers who regularly visit their favourite mall and some selected shops in the mall. And this is when they expect some ‘more than usual’ treatments as a regular customer.

In India, elaborate malls are the new destinations because of the head start of the retail market in India, easy credit, deeper pockets. The sales strategies, top of the line brands, drooling goodies and bulk discounts are just a few ways to catch the Indian shopaholics’ attention. This mall boom is now correcting itself, with shopping malls sprouting in each and every corner of the cities, people have become aware of the holes in their pockets are becoming larger, and in turn 70% of the malls have failed with only 10 – 15% visitors converting into shoppers. This shows a reversal of trend (Singh, 2010).

In malls, people end up buying unnecessary, unwanted goods and pay over rated prices for it to compensate for the infrastructure cost and in turn get trapped in this vicious circle. This mall fad has gripped the Gen–Next; nothing seems to be more fun than chilling out with friends in a mall on a weekend, but has some very detrimental repercussions on them. All of have become victims of this mall mania and are paying a very hard price for it. They waste their precious time just wandering around doing nothing productive. And now for the big question – Is India ready for this mall boom? Where is the water and electricity for all these new malls? India’s mall boom is premature for the country’s level of economic development and India
needs to grow much faster as India doesn’t have the needed infrastructure to support the malls, as of now.

Again, it has been proved many times that a large crowd does not mean high sales. Today people go to mall not only for shopping but with an intent to hang out, to seek leisure or simply find it as a meeting place. But even, this gives a chance to the smart retailers to convert (some of) them as actual customer(s) with the help of innovative displays or creative promotional techniques. And also due to the reason of increasing impulse purchasing attitude, supported by augmented disposable income. 

As per an exposé carried by Business & Economy (2006) paucity of time and increase in purchasing power has added a steady stream of visitors to these malls. Add to this the starry multiplexes; the combination is heady enough to increase patronage. The hybrids of multiplexes–cum–shopping malls are much more successful as compared to the stand alone shopping malls.

According to an editorial by Saraf (2005), malls are here to stay. Call them theme malls, specialty malls or super malls; these air–conditioned markets are the way one moves towards a better shopping experience. M.G. road in Gurgaon is dotted with a large number of malls in various stages of development. The early ones – Sahara, DLF and Metropolitan – have all managed to do well, each registering a large number of footfalls. Conversions might be less than 10 – 15 %, but it doesn’t seem to deter either the developers from investing in new projects or the shoppers who throng the malls on weekends.

Inspirationally, the Indian middle class is fast moving up the socio–economic ladder and matching the buying habits of developed economies (Ranjan, 2010). This was not so before the mall culture started in India. The constant increase in the
purchasing power of the middle class consumers and the mall culture have drastically changed the way shopping was done. The mall culture has changed the consumer preference behaviour to a great extent. Before the mall culture, the Indian middle class consumer used to behave conservatively and purchased the product that was required because visual merchandising was absent. But after the advent of the mall culture, the consumers are willing to spend an extra amount for the products and even for the unsought goods.

In a study on the shopping behaviours of the young generations, it was found that teens are almost 20 times more likely to choose (Carpenter and Moore, 2005) to go to a mall with many experiential characteristics (skateboard and theme parks, cultural and live music events, theatres, etc.) than to go to the typical status quo mall with a movie theatre and a food court. While entertainment (e.g. movies, watching a live performance) and escapist (skateboard park, sports activities) experiences were most preferred, the most engaging experiences would no doubt encompass aspects from all four of the experience realms: escapist, entertainment, aesthetic and educational (Pine and Gilmore, 1999). Malls are in a unique position to provide a customer experience environment compared to stand alone retailers, strip centres and other shopping venues because of their enclosed nature. The stores themselves need to become the entertainment and experience venue, or the mall experiences need to lead or relate to shopping, and not detract from it. If teens come to a mall for entertainment, for instance, to hear a live band play in the food court, and then fail to go into the stores, the outcome may be higher mall attendance, but fewer sales dollars generated. Mall owners and managers need to be looking for or helping to develop retailers who understand the experiential needs of the teen shopper at the
malls and hypermarkets: perspectives of contemporary shopping

mall as well as how to satisfy the experiential needs of the teen shopper. Given the growth in size of the teen market and the fact that they are tomorrow’s most lucrative target market for malls (18–34 year olds), it is in the interests of mall stakeholders to convert teens into satisfied and loyal mall customers.

According to a study done by ASIPAC, a Bangalore based real estate development consultancy, only 12 of India’s largest malls qualify as regional malls (5–11.2 lakh sq ft area) while Australia has 75 regional malls besides 15 super malls. In fact, the largest Indian mall – the newly opened Mantri Square in Bangalore – is less than a fourth of the world’s largest mall – the 3.77 million sq ft Dubai Mall. Clearly, there is room for hundreds of more mega malls, as the country continues its drive to become a super power economy with a huge middle class market.

According to a recent survey done by Jones Lang LaSalle Meghraj, in their report Upcoming Malls 2008 and Beyond, a real estate consultancy firm, 328 new malls are expected to come up in metros and Tier II and III cities and North India is expected to lead the retail boom with 136 malls by the end of 2010. And the reason for so many malls and super stores coming up is simple – huge consumer demand (Nandy, 2008).

1.4.1 CONSUMER ATTITUDE TOWARDS SHOPPING MALLS

Middle class Indians have broken off their love of traditional stand-alone Indian stores that have no air conditioning, organized parking and other public amenities. Experts say malls throughout the country are getting bigger as they are now being positioned as a one-stop-shop for shopping, entertainment, leisure and eating-out needs rather than a place only for shopping for fashion / luxury products. The fast
growing middle class population, the rise in women workforce and consumerism over the decade were the major forces in driving demand in the retail sector. “To the present generation, shopping means much more than a mere necessity and malls are now fast becoming image benchmarks for communities”. The following highlights of the shopping malls explicate why they have become so popular amongst the Indian bourgeoisie.

- All-in-one stores – With everything from groceries and vegetables to footwear, clothes, cosmetics, furnishings and electrical items available under one roof, a growing Indian middle class with higher disposable incomes is heading for the malls in droves. For some, it is a way to chill out on movies and food in the added comfort of a fully air-conditioned space. “In short, it is a living room for most of them.”

- The malls are another sign of the new, prosperous India, of call centers, outsourcing and more disposable income, of fashionable young people who look as though they belong on MTV. Although much of rural India remains in deep poverty, many urban Indians are becoming richer.

- Middle class Indians can shop at stores selling U.S. brands, which they could only dream of, a few years back. But they also can buy expensive pillows from Indian stores, statues of Hindu gods and fancy outfits, from the same place. They can watch movies, eat Indian street food, Italian pasta, American snack food, from the food courts or have their pictures plastered on Coca-Cola cans at a promotional stand. At night they can dance and drink alcohol in the mall’s swanky nightclubs, also relatively new in India.
• The anchors that first pull the crowds here – and at other malls all over the country – are as varied as they come. There are the US and European chains such as McDonald’s, Lacoste, Pizza Hut, Benetton, Subway, Marks & Spencer and Mango, to name a handful of them. Their success has spawned the emergence of successful Indian chains such as Pantaloon, Globus, Shoppers Stop, Giant, Lifestyle and Big Bazaar. Stores named after popular branded merchandise also act as effective anchors. These include the likes of Tommy Hilfiger, Swatch, Arrow, Louis Vuitton and Nike. On festivals, the malls can undoubtedly compete with a ‘mela’, what with the carnival–like atmosphere and no elbow room for the visitors.

• Earlier, a large majority of Indians believed in the Spartan asceticism of the Father of the Nation, Mahatma Gandhi. But the new generation of shoppers – like their contemporaries worldwide – believes in living for today and splurging at the mushrooming malls over the weekends. These consumers, many of whom have been exposed to shopping trends in the West, are also more aware and discerning.

1.4.2 RETAILER ATTITUDE TOWARDS SHOPPING MALLS

Traditionally most of the retail locations were located on the High Streets. High Streets have been the favourites of retailers because they provide easy accessibility to the consumers. But, the exorbitant prices of properties on the High Streets and lack of availability large space have compelled retailers to opt for smaller properties. As a
result of consumers demand for better and more quality and shopping ambience, retailers have started moving to the outskirts of cities in order to provide the entire range of products in large retail formats. This trend is moving at a considerable pace with most new malls – established or in the pipeline – being located away from the High Streets.

An increasing number of retailers are focusing on malls as opposed to stand-alone developments (Knight Frank India Research). Several factors determine a retailer’s attraction towards a particular mall. A recent survey by Knight Frank India revealed that, for a retailer, the most important parameters in selecting a mall as a potential location are:

1. Consumer Demographics
2. Developer Reputation
3. Cost of Leasing Space
4. Quality of other Tenants
5. Car Parking
6. Support Facilities
7. Infrastructure
8. Maintenance

Now the trend seems to have reversed or at least slowed down, with quite a number of retailers opting out of the malls and many shying away from these expensive store options. A major reason for high vacancy levels is the retailer’s preference for the high streets. Retail experts believe that high street with its ability to attract better customer footfalls, greater visibility and superior revenue models have managed to
attract more retailers in the recent past. Walk in customers are more on the high streets. Moreover, profit sharing and revenue sharing models have worked well for both retailers and property owners on high street. Therefore, most brands are still cautious about expansion and seem to prefer established high streets over malls. This has led to high mall vacancies in the cities.

1.4.3 SHOPPING MALLS: MYTHS & REALITIES

Shopping malls are fast becoming a central part of life in urban India. Demand projections for mall space in India are lucrative; however, the growth of malls in India over the last decade has suffered from issues such as the high cost of real estate and construction, poor infrastructure, a non-conducive policy framework and the unavailability of professional expertise in mall development and management. This has resulted in undifferentiated malls, plummeting occupancy levels, and reduced profitability for tenants and malls.

With new shopping malls having become operational in many cities across India, it is interesting to observe how the shopping-behaviour of consumers in the vicinity of these malls has changed and thereby draw some lessons that could be of some use to the developers of hundreds of new malls that are currently under planning or construction across India.

Delhi and Gurgaon saw some of the initial mall developers become parking lot operators as well by charging exorbitant parking fees from all visitors. Rentals, rather than going down with more malls coming up, started moving up even as the quality of services within the malls started deteriorating. In this context, therefore, it
is somewhat surprising that questions are already being asked, albeit in whispers, whether shopping malls can survive and operate profitably in India.

Many tenants lament about the low percentage of conversions from those who walk through the portals of these malls, and casual observers routinely find shopping bags missing in the hands of the supposed shoppers visiting these malls as an indicator that the initial euphoria about shopping in the malls is already on the wane and that consumers are reverting to their traditional shopping destinations.

Local retailer tenants who move into a new mall for the first time should not expect any customer loyalty being built up overnight. For example, in Delhi’s case, it is possible for a retailer to be very successful in Karol Bagh or Lajpat Nagar shopping districts but he would have to start from scratch in terms of building up brand recognition as well as generating customer conversions in a new location such as sub-urban Gurgaon or Noida.

In contrast, national retailers such as Shoppers’ Stop, or national exclusive brand outlets such as those operated by Madura Garments, Arvind Brands, Raymond, and Zodiac, have national brand recognition and hence the performance of their outlets in shopping malls is usually comparable (or even better) with their outlets in traditional shopping markets.

Secondly, with most mall developers having blindly opted for a questionable winning formula of shopping, entertainment (Multiplexes) and food (MacDonald’s / Pizza Hut as the main draws), it is no surprise to find many mall visitors having no shopping bags since they have been enticed to visit only for watching a movie and / or having a burger or a pizza or even merely a cup of coffee.
What is the lesson for mall developers and for the prospective tenants? For the developers, the critical lesson is to invest some quality effort in understanding the shopping needs of customers in their targeted ‘catchment’ areas and then build a carefully planned portfolio of retail options that can meet the needs of these targeted customers.

In many instances, customers would only need shopping and eating options rather than a multiplex as well. The developers also have to understand that their retailer tenants have to earn a profit and hence the rentals have to be aligned to what the retail business can bear (usually 5 – 8 per cent of gross revenues).

Mall developers also have to create distinctive identities for their specific malls, much like the identities that have developed over time for major shopping high streets in various cities in the country.

Their work is not done just when the mall has been commissioned. As for the would-be retailer tenants, it is important to realize that merely moving into a mall does not guarantee business for them. They have to work as hard to draw consumers to their own stores once the latter have entered the mall, and then have the right value proposition for them to get converted into customers, and then become repeat customers.

1.5 HYPERMARKETS

A hypermarket is a superstore, which combines a supermarket and a departmental store. The result is a gigantic retail facility, which carries an enormous range of products under one roof, where the consumers can ideally satisfy all their routine shopping needs in just a single trip. It is a large retail format that offers low prices
and stocks all items of daily and household needs under one roof, and is located at non–prime locations, primarily outskirts of major towns and cities, and sometimes in downtown areas as well.

The concept of hypermarkets (a format lower than the malls) in India started with Ansal Plaza’s Shoppers’ Stop in New Delhi. It was indeed a real experience of luxurious shopping under one roof, hang out space in metros with air conditioned tastefully done up in décor, piped music, sophisticated lighting. Within a short span of time, more names appeared on the competitive scenario like – Pantaloon, Lifestyle, Westside, Globus, Ebony, Big Bazaar, Easy Day and Vishal Mega Mart.

Indian hypermarket industry is more vibrant than ever, with major industry players vying for their share in the retail segment. The size and share of Indian hypermarket is expected to increase in the coming years, given the strong macro-economic performance, favourable consumption pattern due to growing personal disposable income, rapid development of Tier II and III cities, availability of quality retail space and recent entry of big industrial houses into retailing with focus on large store formats.

On an average in India, a typical hypermarket it is spread over 50,000 sq.ft. or so. There are more than 25,000 SKUs (Stock Keeping Units). The margins and discount rates on various product categories have been discussed. In case of hypermarkets, the largest part of their operating cost goes towards rentals. High costs arises from labour, social security to employees, high quality real estate, bigger premises, comfort facilities such as air-conditioning, back-up power supply, taxes etc.

Recent years have witnessed a sizeable growth in organized retail space in the major Indian cities. Real estate is the most important parameter deciding the profitability of
any store. In times to come, real estate in terms of location as well as the cost associated with it, will affect the footfalls and the finances of the retail organizations. Major developmental happenings in the area of retail space in India are hypermarkets, in conjunction with malls. India is witnessing an exponential growth in the space occupied by organized retailers. Indian retail industry is still a ‘protected industry’ from foreign direct investment (FDI). Though FDI can help generate employment in this sector, it is likely to pose stiff competition for existing small businesses. Lotlikar (2006) opines that international investors entering India will shift towards value retailing with the hypermarket route as the most preferred format. The reigning market leader Pantaloon, is gearing up with its new ventures. Away from the sparkling sheen of these biggies, Vishal Mega Mart is ramping up its act with its 34 stores across India. Making things even more interesting was the highly awaited entry of Mukesh Ambani led reliance into retail, which has come in a big way with its Reliance Fresh stores across India. Reliance is all set to turn things upside down in the Indian retail sector with the herculean size of its investments. The Tatas, which are gung–ho after planning 100 outlets for their retail venture, Westside, made their maiden entry in leather retailing last year by roping in Germany’s LLYOD. Similarly, Birlas have made an impressive entry through its More stores, which have made their presence felt in a big way in the Indian organised Retail sector.

Hyper City, Vishal Mega Mart, Big Bazaar, Easy Day, Reliance Hyper, Star India Bazaar, Spencer’s Hyper (formerly Giant), Choupal Sagar (rural hypermarket) are the major hypermarkets in India. The big daddy of retail Wal–Mart is just waiting at the doors to gate crash into this retail party and further spice up this sector with its
discount stores, though it has already started in a big way by opening stores for the retailers, whole sellers and other bulk buyers, like the one at Zirakpur, near Chandigarh and another one in Amritsar.

According to a report by Technopak Advisors in *Business Standard* (2008), investment in hypermarkets is expected to be over $35 billion by 2013, which would be 33 per cent of the total investment in organised retail. There will be 1,400 hypermarkets with 66 million sq feet of retail space by end of 2010, which will generate revenues of $47.17 billion. The hypermarket segment has emerged as the format with the highest growth in most emerging markets and is likely to see the most action in India too.

### 1.6 A BRIEF SCENARIO OF MALLS / HYPERMARKETS IN NORTH INDIA (WITH SPECIAL REFERENCE TO THE REGION OF PUNJAB)

Studies portray that consumer spending in Punjab is higher than the national average. Projections are equally positive for other cities as well. Punjab has been consuming more than most other states, and is significantly higher than the all-India average in almost every retailing category, says *Images-CII study* on “Retailing in Punjab: 2010 and Beyond”. These categories include food and beverages, footwear, clothing and communication.

With the highest per capita income in the country, that is nearly three-and-a-half times the all-India average, an excellent infrastructure to promote new industries and support the existing ones, coupled with high percentage of employment, Punjab stands second to none in fast becoming a favoured destination for the retail industry.
No wonder, investors are quite keen to tap this huge consumption potential in the state. The mood is thus, extremely upbeat as far as the retail options in Punjab are concerned.

Punjab has witnessed a major retail boom, with nearly 30 odd malls that have come up in the state and around 30 more becoming operational in the coming couple of years. Developing malls is attracting investment to the tune of thousands of Crores of rupees and even more is on the cards. The names entering this market range from domestic to national players – Omaxe, Ansals, R Enterprises, Surbhi International, MBD, DLF and even Freeman’s, amongst numerous others – making it a long queue (Pathak, 2006).

Most players have planned more than one mall. MBD, for instance, has come up with malls in Ludhiana and Jalandhar and has planned to open up malls in Patiala & Amritsar too. Delhi based Surbhi International has developed malls in Ludhiana and Jalandhar with more on their anvil for Chandigarh, Mohali & Patiala.

Credit it on the strategic location or proximity to the tri–city, Zirakpur, the erstwhile sleepy township on Chandigarh’s periphery, is also going the Gurgaon way (Sharma, 2006). The town ship is waking up to the shopping mall–cum–multiplex culture with at least seven state of the art shopping malls in the pipeline. The strategic location on the 3 busy highways – Chandigarh – Ambala, Kalka – Ambala and Zirakpur – Patiala – coupled with high density of population are proving to be Zirakpur’s assets to emerge as the shopping mall hub of the region. Paras Downtown Square, located strategically on the cross roads leading to Chandigarh, Panchkula, Ambala and Patiala, is already a big hit with the residents of these towns among visitors from other nearby cities as well and is doing far good business compared to
other malls in the tri–city. Among the other groups reportedly planning to come up with the shopping malls are N K Sharma Enterprises on the Chandigarh – Ambala highway and the Sun City on the Zirakpur – Kalka highway.

Amritsar in particular has not been far behind in the retailer’s palate where the burgeoning of malls is concerned. Alpha One Mall is already operational and a favourite of the residents of Amritsar. It houses a 4 screen multiplex and a big hypermarket, Hypercity. Another mall, Celebrations, too has come up in Amritsar which houses a hypermarket and a multiplex. Another mall, being developed by Ansal’s, on the outskirts of Amritsar, is in the pipeline, due to be opened to the public very soon. But at the same time 2 big mall projects have been scrapped also in this town, of whose construction had gone almost till mid–way.

The fourth biggest city centre project of the world, with a helipad and a mini golf course on its roof top, is all set to bring Ludhiana on the international map (Vasdev, 2006). Spread over an area of 26 acres, the project, that would have a city within Ludhiana city, is coming up at a cost of whopping Rs 2,000 Crores in Shaheed Bhagat Singh Nagar. Though hanging fire for the time being, due to political uncertainties, it shall be providing amongst other facilities, the biggest Mega Shopping malls in the country, the biggest atrium, 12 multiplexes with a seating capacity of 2500 people, a food court, residential apartments, healthcare, library, museums, parks and office space and above all a basement parking for 8,000 cars, which again shall be the biggest parking lot in the country. Besides, the centre will have a 200-room Five-star hotel with a helipad on the terrace. Due to some reasons, the project has been hanging fire till now, but the developers hope to finish the
project soon. Ludhiana has another mall, Westend, located on the Ferozepur road, housing a 4 screen, multiplex, Waves and with Westside as its anchor store.

*MBD Neopolis* is another mall coming up on the Ferozepur road. It plans to have a multiplex and Lifestyle as its anchor store. Besides these, Ludhiana has Omaxe Builders’ *Omaxe Mall*; Ansal’s *Lifestyle Mall*; *Flames Mall* – having PVR cinemas and Reliance hypermarket as its anchor store, soon coming up in the industrial hub of Punjab.

There is also a Niche mall (Speciality Mall) *Gold Souk* on Jalandhar highway which houses well known jewellery brands and other gold and ornaments related shops, and has Big Bazaar as its anchor store, though it does not have any multiplex.

Jalandhar has a couple of malls, *Ansal’s Plaza* with Bikaner as its anchor store. This city also has a stand-alone multiplex, which was a first in Punjab, *Sarab Multiplex*. Couple of more malls are planned in this town of NRIs, which would dot the landscape of the city and the periphery in coming time.

Bathinda, the sleepy and border town of Punjab also has 2 malls, *Mittal’s City Mall* with Big Bazaar hypermarket and Fun Cinemas multiplex, and another mall, *City Centre* having a 4 screen Big Cinemas multiplex. Yet another mall, *City Walk* with PVR Cinemas is under construction, scheduled to be thrown open to the public quite soon.

Patiala already has *Omaxe Mall*, developed by Omaxe builders, located strategically and virtually in the heart of the city, and near the bus stand and the railway station. It has a hypermarket, *Easy Day*, also its anchor store, besides a 4 screen multiplex, including a basement which also houses shops (another first in Punjab) and 2 more
basements dedicated to parking. Though it was initially positioned as a wedding theme mall, but later on it was changed into a general mall, and a multiplex was added to it, which again was not a part of the initial design.

A couple of more malls are coming up on the Patiala – Rajpura highway as well. Another mall is coming up near Patiala, on the Sirhind – Rajpura highway, which has positioned itself as a Bargain Mall. It is surrounded by two very well known and immensely popular eateries, including a huge Gas Station, all of which very cleverly propose to help in generating footfalls for the mall.

With an increasing number of working couples setting houses in the Gurgaon city and the middle upper class gradually joining the mall bandwagon, the mall culture appears to be expanding its sweep (Singh, 2006). There are more than two dozen malls, both existing and those coming up, in Gurgaon city alone. The malls on the Mehrauli–Gurgaon road about half a dozen of them have surfaced on just about 1 km stretch – all on the same road. The entire Mehrauli–Gurgaon road remains choked with ever increasing footfalls in the malls during the weekends. Apart from the Gold & Jewellery Theme Mall Gold Souk, there is Ambience Mall, DLF City Centre, DLF Grand Mall, DLF Mega Mall, MGF Mega City, MGF Metropolitan (having a 7 screen multiplex by PVR Cinemas), MGF Plaza, Sahara Mall (first Brand Super Mall) and Galaxy Mall.

Noida too has its share of the hep mall culture with Centre Stage Mall (touted as one of the largest malls in India, having a 5 screen Wave Cinemas multiplex and offers eleven floors of entertainment, shopping and eating vistas), El Deco Mall, The Great...
India Place, Spice Mall, Sab Mall, Supertech Shoprix Mall and the theme malls McWell Furniture Mall and Computer Mall.

Delhi boasts of several firsts in the country’s mall culture with Mamram Majesty Mall and North Square Mall with a three screen multiplex by Fun Republic, in North Delhi. South Delhi has the Ansal Plaza, located in Andrews Ganj, housing Shoppers’ Stop, Marks & Spencer, Meena Bazaar among other big names. Vasant Kunj has the Vasant Square Mall, strategically located on Mehrauli-Mahipalpur road. In the West Delhi, there is AEZ Square in Janakpuri, Mamram Magic Mall in Rohini and Metro Walk Mall located close to the Rithala Metro Station and is one of the biggest malls in the city, boasting of a colossal amusement park, Adventure Island. Besides these malls, there are several others too like the Pacific Mall, Crossword, MGF Metropolitan Mall to name a few.

Faridabad has the El Deco Mall, Crown Plaza, SRS World, Manhattan Mall, Destination Point, Eros EF Mall, City Mall and Gardenia Sky Mall amongst its long list of malls and hypermarkets.

Ghaziabad & Sahibabad boast of Ansal Plaza, Shipra Mall (constructed in a classical Roman architecture having a multiplex and an amphitheatre), Galaxy Mall, Pacific Mall (with a Corporate Center and hotel), AEZ Square Mall, Neha Mega Mall, MMX Mall, Aditya Mega Mall and EDM Mall, to name a few. Shahdara has Cross River Mall near Karkardooma District Courts, Shahdara, with a four screen multiplex by Fun Republic.
Ambala has the Galaxy Mall with PVR Multiplex, Panchkula has Bella Vista Shopping Mall and Shalimar Mall, along with Fun Republic in the neighbouring Manimajra.

The big names in hypermarket industry, Big Bazaar and Easy Day, have made their presence felt in almost all of the cities mentioned above, with these mostly being situated inside the malls as anchor stores, or otherwise as standalone markets also, both in the high streets as well as on the peripheries of the towns. Besides these, there is Shoppers’ Stop and Ebony hypermarkets as well, which are considered as somewhat high-end hypermarkets.

1.7 THEME MALLS

The retail story is not just about convenience stores and hypermarkets, a major part of the action is actually happening in specialty retail (Jha and Sinha, 2006). The phenomenon is spreading across sectors and includes some pretty off-beat categories which would be coming out of the unorganized mom and pop stores for the first time.

Anticipating the trend that shoppers would have mall fatigue, some developers moved ahead and have come out with the concept of specialty malls. Based on a theme, these malls aim to provide everything associated with a product or a theme, under one roof. Aerens Gold Souk was the first to come up with the concept of a specialty mall and its offerings met with great success. This mall is deemed to be a one stop shop for jewellery, gems and luxury watches (they claim their conversion rate to be 40–50%). Another concept of a niche mall is celebration malls, which
stock relevant products and accessories for weddings, parties, birthdays and other celebration events. There are specific items for bridal and groom wear, apparel and accessories, jewellery boutique, white goods, furniture mart, household goods etc.

A Wedding Mall, spread over 1,65,000 sq feet, developed by Omaxe Builders has come up on the Gurgaon–Sohna road, which claims to be a one-stop destination for all wedding requirements – from wedding planners to trousseau designers, card designers, florists, wedding jewellery, shoes and even service providers for sangeet and mehndi rituals, besides tentwallahs, caterers, honeymoon planners et al. Also on the anvil is a House–to–Home mall – comprising stores that sell products and services related specially to home interiors and exteriors. The mall has upholstery and furnishing, along with hardware, paint shops, electrical equipment and bathroom fittings; and is expected to open sometime by the beginning of 2011.

The Loft, a footwear mall selling 130 brands of shoes, offers the facilities including podiatrists, pedicure and cobblers, as well as shops selling shoe polishes, waxes and scrubs. Specialty malls are ideal because retailers provide options of the same product / category and the customers get a choice in prices too.

A Health–Beauty Mall and a Hotel–Cum Mall are also being planned by JMD group. For the former, it shall rope in everything from organic and health food stores to fashion shops to skin clinics and beauty salons to trainers to perfumeries and also sport apparel companies, in order to get the right tenant mix. Deepak Fertilizers has ventured into malls and has come up with the country’s first Construction mall. Called Ishanya, it will house about 52 product categories, apart from offices for architects, engineers, home loan companies and other service providers. It will also
house a convention center, eateries, amphitheatre, art gallery, exhibition halls, building center and a library, amongst others.

1.8 STORE CHOICE

Shoppers choose a store based on many aspects that can be classified as primary and image based (Sinha et al., 2002). In Indian context where the shopper does not have much variety in store format, the type of store is recognized by the kind of product the store deals in. Given the retailing scenario in India, new expansions here are adaptations of western formats fetching moderate to lukewarm success, hence a growing need to evaluate the true drivers of shopping behaviour in the Indian context.

The choice of a store is very much influenced by location (Fotheringham, 1998 and Meyer and Eagle, 1982). It is as much an information processing behaviour as any other purchase decision. Dash, Schiffman and Berenson (1976) found that the level of pre-purchase information regarding the brand determined the type of store chosen. Lumpkin, Greenberg and Goldstucker (1985) found that elderly customers behave differently from younger ones in terms of store patronized.

The choice of a store is affected by the brand being bought as well as the personal values that the shopper cherishes (Erdem, Oumlil, and Tuncalp, 1999). Leszczyc, Sinha and Timmermans (2000) have shown that store choice is a dynamic decision and can be conceptualized as a problem of deciding where and when to shop. Another dimension that has been found to influence the store choice decision has
been the type of shopping task. Kenhove, Wulf and Waterschoot (1999) found that store choice is differentiated by the nature of the task.

Sinha et al. (2002) found that the primary reasons for choosing a store are convenience and merchandise, store ambience and service being other reasons. They also established that shoppers would like to minimize their effort of shopping by reducing either the travel time or the time spent in the shop. Their findings also included that men give more prominence to proximity; women tend to trade this off with merchandise offered by the store; ambience and facilities are more important in cases where shoppers spend more time within the store.

Sinha (2003) in his study indicated that Indian shoppers seek emotional value more than the functional value of shopping. Although there is an indication of shopping being considered as a task and should be finished as soon as possible, this orientation is overshadowed by the entertainment value derived by the shoppers. In a study of women shoppers, Westbrook and Black (1985) classified shoppers based on their involvement with shopping and they found that more than 60% of the shoppers would like to economize and were apathetic to shopping. Ezel and Motes (1985) found that men and women exhibited similar attitude with regard to grocery shopping. Shopping orientation indicates the way shoppers perform their task of shopping.

Often a consumer's first impression of a store is based on what can be seen or heard from outside the store: the displays, the lighting, the music, the colour scheme, and the arrangement of space (Schlosser, 1998). From this information, consumers may make a number of inferences about the store that in turn may determine their store patronage behaviour. In the past, retailers ignored the importance of the aesthetic
shopping experience, preferring instead to lure consumers into the store by announcing sales incentives (Kotler, 1973; Saffer, 1996). A store’s atmosphere can be considered a social identity appeal for consumers’ patronage. Dim lights and classical music or harsh lights and Top–40 music convey a social image of the store rather than some practical, utilitarian purpose (e.g. displaying more merchandise). Indeed, there is research suggesting that decor can and does serve a socially communicative function.

Store and product attributes determine customer loyalty to a large extent. Store appearance is not a critical determinant of customer loyalty and product price negatively impact customer loyalty (Rajaguru and Matanda, 2006). In conclusion, Indian consumers are more concerned about service quality, store convenience, product quality and availability of new products.

1.9 **REAL ESTATE IN THE INDIAN RETAILING INDUSTRY**

Ask any retailer who knows his industry’s history about the crucial factor to ensure success of a shop, and he’ll answer with the famous words: location, location and location (Banerjee, 2006). The rush to be at the right place – be it a shopping mall or a stand-alone outlet on a high street – may seem like a no holds barred fight right now, with existing players signing up space, and new entrants like Reliance, with its Rs 25,000 Crores war chest, scouting for locations across the country.

The location of the mall has become one of the decisive aspects of the retailing business. The location of any shopping mall spells its success or failure. A mall in a remote area would suffer from weak sales, poor cash flow and increased marketing
and advertising expenses. Whereas, put the mall in a good location and the business will thrive with all the expectations of the retailer surpassed.

Recent years have witnessed a sizeable growth in organized retail space in the major Indian cities. Real estate is the most important parameter deciding the profitability of any store. In times to come, real estate in terms of location as well as the cost associated with it, will affect the footfalls and the finances of the retail organisation.

Location related decisions in retailing are said to be the most fundamental decisions because it facilitates getting the merchandise to the ultimate consumer at the right place, at the right time, in the right quantities, and at the right price.

Different retailing formats have different requirements of the kinds of locations they look for. Choosing the location is the most important decision made by a retailer for a number of reasons. While choosing the site the retailer is required to evaluate a number of trade-offs in terms of the costs and value of the site in question. More importantly, the convenience--for--the--customer is the most important factor for the retailer, because for different requirements, a customer’s locational preferences may differ. Also, location decisions are strategically important for the retailer because they help in developing sustainable competitive advantage over the competitors that cannot be copied at any cost.

In the Indian context, traditionally most of the retail locations were located on the High Streets. High Streets were mostly concentrated in the busiest parts of the cities. Also known as the Downtown, these locations are the hub of city’s majority of commercial activities and witness heavy traffic flow. High Streets have been the favourites of retailers because they provide easy accessibility to the consumers. For
example, Delhi’s Karol Bagh had come up to be as the hottest high street in the metro.

But, the exorbitant prices of properties on the High Streets and lack of availability of large space have compelled retailers to opt for smaller properties. As a result of consumer’s demand for better and more quality and shopping ambience, retailers have started moving to the outskirts of cities in order to provide the entire range of products in large retail formats. This trend is moving at a considerable pace with most new malls – established or in the pipeline – being located away from the High Streets.

1.10 MALL MANAGEMENT

Until very recently, mall management was synonymous with facility management in the mind of most Indian developers. The realisation that it is different and that professional mall management will affect the long–term viability and success of a mall is sinking in gradually and is being accepted across developers, landlords and retailers.

In most of the developed markets, mall management is an established independent service line. The retail sector in these developed economies is mature in terms of end–consumer demand, number of retailers and experienced developers. The mall market is an extremely competitive one, having a high degree of internal and external competition, the latter being from established high–street locations across all cities. To lure retailers and consumers to its mall, a developer has to ensure that their
property follows the best practices in the market especially in terms of mall management.

Till recently, contract model was the norm in India. But the revenue sharing model is increasingly becoming popular with retailers in India due to the present economic situation. A common practice in developed markets such as the United States and Europe is the use of the revenue share model in determining rent. Under this arrangement, the tenant will either pay a fixed monthly base rent as minimum guarantee and / or a ‘percentage of sales’ rent, whichever is higher. This is beneficial for both landlords and retailers as landlords are encouraged to organise promotional activities that would increase retailers’ revenues because they may have a percentage share in it. The model works successfully in bullish and bearish market conditions. When the market is weak, retailers are protected from rising rental costs. This unique approach is being adopted by Select City Walk, Delhi. The use of the revenue share model is expected to gain momentum in the future as more and more Indian developers become corporatised.

As per a report by Jones Lang LaSalle Meghraj (2007), 65% of the retailers who were interviewed, preferred malls over high streets and said that mall management is expected to become the deciding factor for a mall’s success / failure in the future, and by setting up new standards and procedures in mall management that will provide a platform to differentiate its products and services from its competitors.

The importance of mall management is already being recognized and given due importance, but still competent mall managers are in short supply. Over the next few
years, professional mall management services will establish their significance in the industry.

There are very few mall management companies in India at present. Large real estate developers and retail chains either have their own mall management divisions or have contracts with international consultants (Avantsa, 2010). India is yet to embrace the concept of third party mall management in retailing. Some of the issues could be:

- Malls are planned around anchor tenants.
- Lack of market research by developers.
- Tendency to lease out shops on a First Come First Serviced (FCFS) basis.
- Perceive outsourcing as additional cost.
- Lack of accountability for in–house promotional activities.
- Improper planning for space (lack of parking space, single entry / exit points etc).

Now with the slowdown of the realty sector, developers ought to give the mall management practice a thought, in order to ensure that the slowdown does not affect its footfalls. Mall market in India has become extremely competitive especially due to the sudden boom in the real estate sector. Malls have come up in the Tier II and Tier III cities and rural areas as well, albeit in a smaller and different format. With increasing competition from high street retailers, developers are finding it difficult to achieve 100% occupancy rates.
The mall development in India is at the ‘acceleration stage’. However the spread of mall locations in India is not even throughout the country. The success of the first few malls encouraged real estate developers, of all hues and colours, to jump onto the mall band wagon. Most of the developers joined in, albeit sans the required planning and a clear understanding of the concept of mall management. ‘Over-Malling’ in places like Gurgaon has given vast deal of choices to the customers and to the retailers. Mall developers have started learning it the hard way that the critical success factor is to have a proper positioning strategy at the conceptualization stage itself and implement effective mall management, once the mall is operational.

According to Zameer (2006), mall management entails the following functions:

- Retail Mix Planning And Tenant Selection
- Lease management
- Facilities management
- Utilities management
- Parking
- Events and promotions

Contrary to popular misconception that mall management is synonymous with facility management, Roy and Masih (2007) stress that mall management actually takes care of the following issues:

- Positioning
- Zoning (Tenant Mix and Placement within mall)
- Promotions and Marketing
- Facility Management (Infrastructure, Footfalls, Ambience etc)

- Finance Management

1.10.1 POSITIONING

Positioning a mall refers to defining the category of services offered, based on demographics, psychographics, income levels, competition in neighbouring areas and extensive market research of the catchment. For example, if the market research indicates that the average number of households living in a particular area belong to the upper middle class, then a high-end retail mall would suit the location. An example of this practice can be seen in the Select City Walk in Saket and DLF’s Emporio in Vasant Kunj.

1.10.2 ZONING

Tenant mix refers to the combination of retail shops occupying space in a mall. A right tenant mix would form an assemblage that produces optimum sales, rents, service to the community and economic feasibility and financial viability of the shopping mall venture. Zoning refers to the division of mall space into zones for the placement of various retailers. A mall is dependent on the success of its tenants, which translates to the financial feasibility of the tenant in the mall. Formulating the right tenant mix based on zoning not only helps attract and retain shoppers by offering them multiple choices and satisfying multiple needs, but also facilitates the smooth movement of shoppers within the mall, avoiding clusters and bottlenecks. This helps influence shoppers’ mall preference and frequency of visits. It also helps in building a distinct image in the minds of shoppers, which is critical considering
the imminent burgeoning of malls. The selection of the right anchor tenant plays a crucial role in establishing a good tenant mix. Vanilla retailers cluster around the anchor and feed off the shopping traffic it generates.

1.10.3 PROMOTIONS AND MARKETING

Promotional activities and events in a mall form an integral part of mall management. Activities like food festivals, handicraft exhibitions and celebrity visits increase foot traffic and in turn sales volumes. Organising cultural events has time and again proved vital in attracting consumers to a mall. Such activities may also act as a differentiator for a mall. Developers can work on drafting marketing strategies for individual malls to meet the needs of the local consumer base and the challenges of local, and in some cases, regional competitors. Ansal Plaza, the first mall in Delhi, is an example of a successful mall led by good promotions and marketing mall management practices.

1.10.4 FACILITY MANAGEMENT

Facility management refers to the integration of people, place, process and technology in a building. It also means optimal utilisation of resources to meet organisational needs. It broadly includes infrastructure, ambience and traffic management.

**Infrastructure Management** – Infrastructure management refers to the management of facilities provided to the tenants within the mall. This includes provision of adequate power supply, safety issues in case of emergency and miscellaneous issues related to signage, water supply, sanitation, etc. These form an integral part of mall
management as they are the basic amenities that any tenant would look for in a mall. Infrastructure management also includes risk management issues such as essential safety measure asset liability and environmental audits as well as emergency and evacuation training.

**Ambience Management** – The overall shopping experience provided for consumers becomes an important factor for the success of any mall. Ambience management includes management of parks, fountains and overall look of the mall. A mall is not just a place for shopping but is also a place where people spend their leisure time. In favourable, lush green landscaping with seating facilities and the presence of food and beverage inside or outside the mall can increase foot traffic.

**Traffic Management** – Traffic management includes managing foot traffic into the mall and parking facilities. Foot traffic management involves crowd management inside the operational area of a mall. The flow of people is related to the design of the mall and the spatial distribution of its tenants. For example, a star-shaped mall tends to have a problem of crowding in the centre of the mall, as everyone has to pass through the centre while moving from one side to the other. Circular malls, on the other hand, would not have this problem. They tend to have better pedestrian flow and less congestion. Managing parking facilities includes provision of ample parking and manoeuvring of cars in the parking lot.

**1.10.5 FINANCE MANAGEMENT**

Professional financial management of a mall as a business venture is a must. Mall management also covers financial management, which involves monitoring and controlling of various issues such as: cash receipts and collection of income
including rentals, service charges, car park receipts, electricity and other utility income developing accounting systems to track the ageing of debts, payment delay patterns, bad debts and payment of all invoices and expenses developing standard financial templates so that a detailed annual property budget is prepared at times, organising resources to deliver an efficient and effective annual external audit

1.11 ISSUES RELATED TO MALL MANAGEMENT IN INDIA

a) **Lack of Feasibility / Market Research Prior to the Development of a Mall** – In the past, some malls were constructed without carrying out a rigorous due diligence exercise on their feasibility. The market scene is gradually changing wherein more and more developers are approaching property consultancy firms to conduct feasibility and positioning studies for their projects.

b) **Zoning** – Landlords / developers tend to lease out retail space on a first-come-first-served basis. This creates a sub-optimal tenant mix like a food and beverage outlet next to a designer apparel shop instead of an accessories or a footwear shop.

c) **Design Issues** – At present, most of the popular malls have long queues and congestion outside their main entry points during weekends and festive seasons. Having only one entry and exit points also leads to overcrowding. Similarly, the visibility of retail units from all vantage points is poor in many malls.
d) **Few Promotional Activities** – There are very few promotional activities organised in the majority of malls at present. Developers perceive that these events only help increase foot traffic and not revenues.

e) **Facility Management** – Good infrastructure / facility management of common areas becomes a problem in malls where retail outlets are sold as strata title.

f) **Parking** – Many malls in India do not have adequate parking spaces. Since most malls are being built in the city, developers typically provide basement parking facilities. However, these parking spaces are inefficient due to low ceiling heights, bad lighting and single entry and exit points.

### 1.12 MULTIPLEXES

An important milestone for the Indian film industry was in the year 2000, when it attained the industry status. This ushered an era of professionalism, organised financing and corporatization, resulting not only in the emergence of corporations and studios, but also affecting various components of the cinema value–chain such as production, distribution and exhibition.

Historically, cinemas in India were set up as single-screen theatres with a large seating capacity with inadequate infrastructure, slack maintenance, outdated technology, poor audio–visual quality, paltry ticket prices, pathetic occupancy rates, high taxation and dwindling profits. Theatres were owned by proprietors or partners who were unfocussed and had poor management skills.

This state of affairs was ideal for the entry of multiplexes and India’s first multiplex,
PVR Anupam, was established in Delhi in 1997. Since then, multiplexes have grown phenomenally. At present, there are about 250 multiplexes in India and close to 900 screens (Mukherjee, 2009). The industry is expected to see an addition of 40-50 new properties and 150-200 new screens by the end of 2010 due to the fading recession, point out multiplex chains. According to a report by Indian Brand Equity Foundation (March, 2009), the number of multiplex screens in India is expected to touch 5,000 by 2012, constituting around 40 per cent of the total cinema. The following were the highlights of the report:

- Entertainment conglomerate Adlabs Cinemas has drawn up a plan to build 12 megaplexes in cities like Mohali, Lucknow, Hyderabad and Delhi.
- Multiplex chain PVR Cinemas, is also planning to add over 250 screens across India, staggered over a period of three years from 2008-2010, with a total investment outlay of around US$ 82.27 million.
- Cinemax India, the multiplex chain which currently has 55 screens over 17 properties across the country is planning to scale up its presence to 299 screens across about 100 properties by 2010-2011.
- Inox, which has 26 multiplexes and 90 screens in 18 cities across India, will open nine multiplexes in Bangalore, Mangalore, Hubli and Belgaum by the end of 2010.
- Leading global multiplex player, Cinepolis, has earmarked US$ 350 million for its Indian operations. The company plans to have 500 screens across 40 cities in the next 5 to 7 years.
TABLE 1.12.1
AN OVERVIEW OF THE MAJOR MULTIPLEX COMPANIES

<table>
<thead>
<tr>
<th>Multiplex Company</th>
<th>Number of Screens</th>
<th>Seats per Screen</th>
<th>Revenues per Screen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inox Leisure</td>
<td>15 multiplexes, 70 screens</td>
<td>Rs 2-2.5 crore per screen</td>
<td>29 multiplexes and 105 screens</td>
</tr>
<tr>
<td>Fame Cinemas</td>
<td>5-6 properties, 24-30 screens</td>
<td>Rs 1.5 - 2.5 crore per screen</td>
<td>23 multiplexes and 93 screens</td>
</tr>
<tr>
<td>Cinemax</td>
<td>13 screens, 4 properties</td>
<td>Rs 2 crore per screen</td>
<td>88 screens and 28 properties</td>
</tr>
<tr>
<td>Fun Multiplex</td>
<td>12 new properties, 55 screens</td>
<td>Rs 80 crore</td>
<td>24 properties, 75 screens</td>
</tr>
<tr>
<td>PVR</td>
<td>60-70 screens, around 10 properties</td>
<td>Over Rs 100 crore</td>
<td>200 screens, 45 properties</td>
</tr>
</tbody>
</table>

Source: http://www.business-standard.com

1.12.1 ADVANTAGE MULTIPLEX

Multiplexes differ from conventional theatres in many ways. By 2010–11, the Indian film industry is targeting revenues of Rs 14,300 crores (Singh, 2007). Theatre revenues are also slated to rise from the present Rs 3,400 crores to Rs 8,600 crores by 2010–11. Presently, a major portion of box-office revenues comes from single-screen theatres that comprise 97.7 per cent of total cinema screens in India.

TABLE 1.12.2
A COMPARISON OF CONVENTIONAL THEATER AND MULTIPLEX

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Conventional Theater</th>
<th>Multiplex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Screens</td>
<td>1</td>
<td>3 – 12</td>
</tr>
<tr>
<td>Seats</td>
<td>800 – 1200</td>
<td>250 – 300 per screen</td>
</tr>
<tr>
<td>Occupancy (%)</td>
<td>30 – 35</td>
<td>50 – 60</td>
</tr>
<tr>
<td>Average Ticket Price (in Rs)</td>
<td>35</td>
<td>100</td>
</tr>
<tr>
<td>Ownership</td>
<td>Proprietorship / Partnership</td>
<td>Corporate</td>
</tr>
<tr>
<td>Number</td>
<td>12,000</td>
<td>1000 approx</td>
</tr>
<tr>
<td>Technology</td>
<td>Celluloid Film</td>
<td>Digitalized Film</td>
</tr>
<tr>
<td>Ambience</td>
<td>Average to Poor</td>
<td>Superior</td>
</tr>
</tbody>
</table>
Multiplexes assume a special role in the future with their distinct advantage over conventional cinema halls, which can be summarized as follows:

**Low Yield Of Conventional Cinemas:** Despite being a leader in terms of the number of movies produced, Indian film industry revenues at Rs 59 billion ($1.3 billion) are just 1 per cent of global film industry revenues and just a fraction of Hollywood's ($9.53 billion). That's because traditional single–screen cinemas have not been able to improve yield per seat, per screen or per movie. At an average price of Rs 35 per ticket and average occupancy of 30–35 per cent, these theatres are not a rewarding business proposition.

**Better Utilization of Resources:** With more than one screen, a multiplex controls costs by maintaining facilities on a shared basis. The costs incurred towards facilities like ticket-counters, food and beverages services, common utilities, manpower, electricity and maintenance can be distributed among all the screens. Movie shows for different screens are scheduled with a reasonable time-gap, so that the crowd is evenly distributed over a longer time–period, instead of clustering it at one point of time.

**Better Exploitation of Films:** A film attracts the maximum crowd during the first week, but single screen theatres are unable to accommodate all interested audiences at that time. During the subsequent weeks, box-office collections come down as people watch those movies thanks to the availability of pirated CDs. Multiplexes net the maximum number of people by showing the movie on more than one screen. Also, during subsequent weeks, the movie can be removed in a phased manner by reducing the number of screens devoted to it depending upon the audience response.

**Fishing the Creamy Segment:** The burgeoning middle class with greater earning power and higher disposable incomes is a key factor in driving the growth of
multiplexes in India. From 1993-2003, the average Indian household increased its spending on movies and theatres as a percentage of its disposable income from 1 per cent to 4.6 per cent. So, even as this creamy segment is willing to spend more and more on movies, it wants superior experience in the form of good ambience, comfortable seating, air-conditioning, modern infrastructure and good quality food and beverages. Most traditional single-screen theatres are unable to fulfill these needs and multiplexes have grabbed the opportunity.

**Need for More Screens:** Even after several decades, Indian cinema has not been able to develop a comprehensive reach. India is far behind the world in terms of number of screens per million population – just 12 screens. The average in western countries is 40. The US is far ahead with 117 screens per million. Within Asia, countries like China have 65,000 screens as compared to India's 12,900. There is an urgent need to add more screens. It will, however, be a costly affair if done conventionally by adding single-screen cinemas. Multiplexes will be more effective, as infrastructure and facilities can be shared with more screens.

**Availability of Quality Real Estate:** Multiplexes offer quality ambience and service levels, and there is an audience willing to pay a premium for it. Creating such an experience requires availability of quality real estate. The onset of organised retailing has solved this problem. Infrastructure and common facilities are designed by mall developers in consultation with multiplex owners and other anchor-tenants.

**Enriched Content:** In the corporate set up, every step in filmmaking is handled professionally, be it script selection, audience analysis and project feasibility, investing in equipment and technology, control over production deadlines to budget and the quality. It has resulted in improved quality of films, primarily Hindi films.
Films are digitized, sound systems are latest and special effects are being increasingly used.

**Multiple Sources of Revenue:** Single-screen cinemas are facing a decline because their business model relies completely on box-office collections. Multiplexes are more professional and have developed alternative revenue streams that are becoming lucrative gradually. Concession (Food & Beverages) and Sponsorship (Advertising) incomes are a vital component of a multiplex income and constitutes nearly 23 per cent of the total revenues.

**Flexible Ticket Pricing:** Conventional cinema halls are plagued by another problem - black market. These halls adopt uniform pricing of tickets for all movies on all days, while audience response keeps varying. Weekends and holidays witness more than normal crowd, while weekdays see a relatively lukewarm response. Antisocial elements take advantage of it and create artificial shortage of tickets on specified days and for specific movies. To counter this, multiplexes have introduced the system of flexible pricing of tickets, whereby the benefit goes to the people to whom it rightfully belongs, i.e., the exhibitor and the audience. Under this system, ticket prices are adjusted in accordance to the quality of movie, time of the day and the day of a week. Hit movies on a weekend or a holiday are charged the maximum, while the benefit goes to the audience during weekdays, when prices are kept lower.
1.13 BIBLIOGRAPHY


**URLs REFERRED**

- http://www.findarticles.com/p/articles/mi_m1038/is_n1_v40/ai_19369689