URBAN LEGENDS OR LEGACIES?

By Devangshu Dutta, Chief executive, Third Eyesight

Many people I know treat shopping centres or malls as a new phenomenon, a progressive development of recent times, or a modern blot on the traditional cityscape (depending on your point of view). Lest one forgets, Grand Bazaar (Istanbul, Turkey) is the earliest known mall, with the original structures built in 1464, with additions and embellishments later.

In India, if one were to include open arcades, Chandni Chowk in Delhi is reported to have opened around 1650, with its speciality shopping streets. (Of course, more traditional bazaars have been around many thousands of years around the world.)

But even if one were to get more ‘traditional’ about the definition of a mall, possibly India’s first mall was founded in the hottest city in the country then – Kolkata (New Market), in 1874.

In more recent history, Delhi’s air-conditioned, underground Palika Bazaar was a novelty in the mid-1980s, while Bangalore’s Brigade Road saw several early pioneers with their shopping arcades in the late 1980s.

Then came the mall mania, beginning with Ansal Plaza in Delhi and Crossroads in Mumbai. Everyone started looking at malls as the new goldmine, being pushed ahead by a ‘retail boom’. Mall Mania, Mall Madness – alliterate as you will – it’s a phenomenon that is certainly taking over the newsprint, airtime and, quite possibly, your neighbourhood.

The early stage of any such gold rush usually has several experiments missing their mark, which is what has happened with the hundreds of mall experiments that have been launched in the last 7-8 years. Some of the significant and common issues are starting to be addressed, but many others remain.

A study published in 2005 estimated that by 2007 over 360 shopping centres would be operational around the country, with approximately 90 million square feet. A meagre increase of 0.08 square feet in per capita shopping space doesn’t seem like much in a country of a billion-plus people.

However, recent research suggests that the figures were overestimated, and there is every indication in the industry that even the ones that were opened are not operating as well as was originally projected.

In any case, most of the development is concentrated around the big cities – Delhi and Mumbai account for more than half of the total space projected. One may argue that money (real estate development) is only following the money (consumers) – after all, there are more consumers and higher incomes in these major urban centres.

But, why would mall developers expect Delhi’s consumers to suddenly switch en-masse to shopping in Gurgaon, where six malls are already active in a short distance of about a kilometre, 3-4 more under hectic construction in the same area, and several more scattered around that suburb? Or, why do Mumbai’s developers expect people to drive several kilometres from the suburbs on a regular basis to grace only their shopping centre?

It is only such expectations that can explain the ‘gold rush’ mentality that is overpopulating certain areas with shopping centres and malls.

**Catchment Area-based Planning is Needed**

The topmost issue in my mind is ‘oversupply’. While this may sound absurd to many people, given the low figures quoted for modern retail, I am referring to the over-concentration of malls in a small geography. If 8-10 malls open 4-5 million square feet of shopping in a catchment area that can only support 1 million square feet, everyone knows that some of the malls will fail. But everyone also believes that their mall will succeed (otherwise, they would obviously not have invested in the mall).
What happens to the malls that fail? Depending on the design of the building, many of them can be repurposed into office space – another area where a lot of investment is still needed. So, in the end, actually most people win, one way or the other. Yet, there will be some losers. Does anyone ‘plan’ on being one?

The second key issue has been that mall developers have been thinking as ‘property developers’ rather than as ‘retail space managers’. The successful shopping centre operators worldwide (now also in India) are actually as concerned about what and who is occupying that space, as a retailer would be. They are concerned about the composition of the catchment area, the shopping patterns, the volume of sales, and the shopping experience. Therefore, the tenant mixes as well as adjacencies are factored into the earliest stages of planning the shopping centres.

In fact, if I were to identify the most critical operational problem for many of the malls, it is the lack of relevance to the catchment area, and, therefore, the low conversion of footfall into sales for the tenants (other than the food courts, which are benefiting from the window shoppers rounding off a day or an evening of roaming the malls with a meal). Customer-flow planning within the mall is another factor that can make a tremendous impact on the success of the tenant stores.

Once you start looking at these factors during the planning of a mall, another obvious aspect that jumps out is ‘differentiation’. Currently, there is little to choose from between malls (other than possibly the anchor store). However, with more clarity in terms of the target audience, the potential strategies for differentiation also become clearer. The visitors also become segmented accordingly, and there is a natural benefit to the tenants occupying the mall.

If, as a mall operator, you want to make a difference, you need to focus on these factors during the planning stage. It is not too late for this concept to be implemented in existing malls as well. The success of a mall is not just about having the right tenants, but also about ensuring that the right people come to the mall and are satisfied with their experience.

1. New Market, Kolkata
2. Grand Bazaar, Istanbul, Turkey
3. New Market, Kolkata
4. Connaught Place, Delhi
5. Chandni Chowk, Delhi
to be in business for long, and also
develop other properties in the
future, the success of your tenants
is probably the most critical driving
factor for your business. The business
will begin maturing and taking
developmental leaps forward when
centres are seen as commercial
infrastructure to be planned with the
end-consumer in mind, and to be
serviced over a certain lifetime.

Until then, we can look forward
to announcements of many hundreds
of shopping centres, the launch of a
few hundred, and the conversion of
many of those into uses other than
as shopping centres, within a few
months or years of their launch. And
for investors also, it might be a game
of Roulette rather than Patience.

Integration into the Urbanscape

When we gauge malls from the
perspective of integrating within the
urban landscape, there are obviously
some glaring errors being made.
Instead of aesthetic design that
reflects the heritage and culture of the
location and its surroundings, or some
other inspirational source for the
architect, most malls that have come
up are concrete-and-glass boxes.
Beyond the looks, some of the
malls are a sign of their own
success. They attract more crowds
during the peak than they have
planned for. Not only does the
parking prove to be inadequate,
there is no holding capacity for cars
centering or exiting the mall. The
result is a traffic nightmare – not
just for the general public, but even
for the visitors to the mall. Someone
who has spent 45 minutes stuck in a
jam waiting to get into the parking of
a mall will certainly not be in the best
frame of mind to buy merchandise at
the stores occupying the mall.

Some of the problems lie outside
the mall developer’s control – for
instance, land costs are a major
driver of the cost of the project (and,
therefore, the lease costs to the
tenants), and land is a commodity
that is independent. Real estate is
available within the cities as brown-
field sites (former industrial locations),
but the regulations are convoluted
and the strings are in the hands of
too many different departments
of the government (city, state and
central). This needs joint creative
thinking on the part of developers,
the government and the public, if our
cities are to develop in a more sane
fashion than they have in the past.
Similarly, land deals are still not
clean enough for foreign investors
to be comfortable participating in
many developments. This obviously
is holding back a tremendous source
of capital and domain expertise that
could contribute to the growth of
this sector.

Many other operational issues
exist – manpower, systems, health
& safety – and some of them can be
managed or controlled by the mall
developers. It is a question of time
(of their gaining experience).
Other issues are more in the domain
of the government, and need a
visionary push to make ‘urban
renewal’ a true mission.

New Life for the Cities

In my opinion, one of the most
interesting areas that would be in
the joint interest of almost all parties
(that I can think of) is the possibility
of revitalising the high streets and
community markets, and reinventing
them as the true centres of shopping.

Many of our markets are rotting
(a strong word, but let me say it
anyway). The individual stores are
owned by individual owners who are
not all equally capable of maintaining
the same look and feel throughout.
The infrastructure in and around the
markets are owned or managed by
several different agencies. To make
matters worse, there is often no
cohesiveness and no synergy in the
interests of most of the members
of the market association. None of
these individually has the power
or the mandate to recreate the
shopping centre. But, what if they
could get together and take the help
of a redeveloper?

If an example is needed, New
Delhi’s Connaught Place provides
the example of one stage of
redevelopment. Connaught Place
had lost its pre-eminent position
as a shopping centre due to the
spread of Delhi’s population and
the new local markets that had
come up. Further disruption was
caused by the construction by Delhi
Metro. Nevertheless, Delhi Metro
Rail Corporation Ltd (DMRC) has
reconstructed an ‘improved’ centre,
and the Metro connectivity has made
the customers come back into CP, as
it is affectionately known in Delhi.

There are clearly many such
opportunities around India’s
cities. These need to be looked
at as a commercial opportunity
for all concerned (revenue for the
redeveloper, better sales for the store
owners/tenants, more tax revenue
for the government from additional
sales and consumption). It is also
a broader social opportunity to
breathe a new life into our cities, and
to make them proud beacons of a
growing India.

It would be a mission that
would truly prove the worth of
shopping centre developers, urban
planners, regulators, and the retailers
themselves.

Any takers?

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