



# EMERGING SHOPPING DESTINATIONS

## HOW RETAILERS KEEP AHEAD OF THE CURVE

**As the pace of the evolution of shopping destinations in India gathers unheralded momentum, Images Retail delves deep into the key emerging trends and maps the current decision making dynamics of retailers towards their location preferences.**

By Sheetal Choksi & Sharmila

**R**etail has come forth as one of the most dynamic and fast-paced industries of India. Its metamorphosis over the last two decades has been nothing short of dramatic. It has impacted lives, livelihoods and living. Several players may claim credit for shaping the idea of shopping in India and redefining consumer buying behaviour, but it is an amalgamation of various factors – the growing middle class, rising incomes, international exposure and changing expectations – that have shaped modern retail as we know it today.

### **Organised retail is born**

The 1990s witnessed an unorganised landscape dominated by local kirana and mom-and-pop stores. Staunch in service delivery and monthly credit, these were the pillars of the locality's home and kitchen. Then came the wave of liberalisation, privatisation and globalisation which ushered in sprawling new retail formats, modern techniques and more importantly, the power of choice. Needs were nudged out by wants. Novelty and excitement became the motivation even if shopping didn't. The retail industry had found a new buzzword, "Experience". A simple word that unknown to them would be extremely difficult to live up to.

The first murmurs of shopping centre development rippled through the country's major cities in 1999 with Crossroads in Mumbai and Ansal Plaza in Delhi. While fresh shopping experiences aided by consumer-friendly layouts remained the core focus, customers were treated to even more pleasant surprises such as tempting food and beverage options and a recreational centre.

The response was unsurprisingly emphatic. This soon led to rapid shopping centre development across leading cities in the country.

The sudden and meteoric rise in footfalls at the initial clutch of malls piqued the interest of developers. To get their piece of the pie, unique differentiators were explored to draw in bigger catchments and increased footfalls. Forum Mall (Bangalore – 2004), Infinity Mall (Mumbai – 2004) and Select City Walk (Delhi – 2007) set brave new benchmarks for others. With this revised format came a new insight; the success of a shopping centre was directly proportional to its location, design, tenant mix and professional mall management practices.

The concept of a shopping centre had already evolved from marquee department stores to large shopping malls, from a showroom to a retail store, from supermarkets to hypermarkets. Every vertical of retail upgraded itself and the competition grew fiercer.

While the country's top cities continued to lead the organized retail real estate landscape, with Delhi National Capital Region (NCR), Mumbai and Bangalore spearheading the change, the consumer mindset in smaller cities was on the cusp, moving away from the functional and into the aspirational. Soon Kolkata, Chennai, Pune and Hyderabad followed suit. The shift in consumer mindset directly influenced retailer mindset that now considered tier 2 and tier 3 markets such as Chandigarh, Ahmedabad, Nagpur, Jaipur, Coimbatore, Ranchi and Lucknow as lucrative options.

2011 was a momentous year for the retail industry with the implementation

of the FDI policy, which broadened the horizon for single-brand retailing. International brands would now be freely available. Retailers in metropolitan cities were left with no choice but to rethink their strategy and steer their attention and investment to high streets and malls. This sudden surge of international brands led to higher rental as the space war began.

#### High street vs. shopping centres

The last two decades have witnessed a race of epic proportions between high streets and shopping malls with each trying to outdo the other by reinventing themselves and the shopping experience for the consumer. At the core of it, both have fared well as retail destinations purely on the strengths of their individual advantages and offerings.

To elaborate, shopping centres in Delhi NCR, Mumbai, and Bangalore

provide consumers with the advantage of a holistic retail experience that integrates social activities like F&B and entertainment with shopping. Add to this a wide product and brand mix, a well-maintained infrastructure and a vibrant shopping ambience, and the reason why consumers and retailers alike prefer shopping malls becomes all too apparent. The success of shopping centres can be largely attributed to their constant endeavours to bring in new brands, apply excellent mall management skills and adopt critical differentiating factors.

High streets, on the other hand, magnetise their consumers with the promise of convenience, ease of accessibility, centralised location and a plethora of popular brands. They are also a big draw for retailers owing to greater scope of visibility and signage opportunities, impulse purchases, repeat customer visits and

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conduciveness to myriad product categories such as F&B and utility retail. Famous high streets such as Khan Market in Delhi, Bandra Linking Road in Mumbai, 100 Feet Road in Bangalore and Park Street in Kolkata are a few classic examples.

It has been a big fight for a long time, but there is only one clear winner – the consumer.

The modern consumer is fickle minded. Depending on the urgency and need, he/she switches between a shopping mall and high street. The modern consumer is also pampered. Having experienced premium shopping, he/she is never fully satisfied. Which is why, it is no surprise that a consumer who frequents malls also flirts with high street with equal fervour. PPZ conducted a survey to understand and outline the importance consumers place on quality time. “Consumers tend to associate the products they buy with a memory of the time they had. They will decide which mall to go to based on mall amenities, mall services, and the stores, apart from the basic needs of a great ambience”, says Anand Sundaram, CEO, PPZ.

Pakhie Saxena, Associate Vice President, Retail at TechnoPak observes, “Consumers don’t consider distance as a deciding factor. They are okay with traveling long distances owing to the trust and legacy they place with their choice of malls. They

also affirm to the fact that consumers seek a format wherein all amenities, entertainment, dining and shopping can be availed at a single destination”.

But more choices mean more categories, which imply that selection procedures will vary according to the product the consumer is looking to buy. Shabori Das, Senior Research Analyst at EuroMonitor, a London-based market research firm, points out a few interesting trends. “We noticed that in the case of grocery retailing, the major proportion of the country including the urban population preferred traditional retailers, as they were more convenient for day-to-day shopping. However, with time, the same urban consumers were seen to prefer modern grocery retailers, such as hypermarkets and supermarkets, specifically while shopping for a week’s supply. The kirana stores did not keep up with the pace of modern

development and so were considered obsolete by the modern consumer”.

With today’s modern grocery retailers, consumers can benefit from additional yet necessary features like higher product portfolio, parking space and payment by card - conveniences that traditional retailers do not offer. Similarly, for non-grocery products, the choice of channel whether online, offline, multi-brand retailer or single brand, was dependent on whether the consumer was spending a sizeable amount or not and what they were looking to buy. In general, the trend noted was that purchases in excess of Rs. 5,000 were made at brick and mortar stores with either a modern or traditional retailer, depending on the product being purchased. “Urban consumers generally were seen to prefer modern retailers, and rural consumers the traditional ones. And if trends are anything to go by, the rural market will soon see the change too”, adds Shabori Das.



From L to R:  
Anand Sundaram,  
CEO, PPZ  
Shabori Das,  
Senior Research  
Analyst,  
Euromonitor  
International

### The why behind the where: choosing the perfect location

Now for the million-dollar question: How do mall management companies, retailers and international brands decide where to set up shop? It is fairly clear to all sides of the retail business that the reasons for choosing the retail destination need to be precisely outlined. Both the mall management companies and the brands must thoroughly evaluate and understand the factors that determine their success, and more importantly, their sustainability. The modern consumer is demanding and the retail setup needs to not only meet but also exceed demand and expectation, while evolving with the times - a tall order!

Essentially, the retail destination or location is selected based on the consumer base the retailer intends to target. Increasing annual disposable incomes have reassured retailers that consumers are willing to pay top dollar for top products.

The sheer diversity of requirements mandates mall management companies to conduct a thorough feasibility report to attract the crowd-pulling retail brands. PPZ (Pioneer Property Zone) who has a presence in 21 cities, states that retail brands always critically evaluate various locations with special attention to visibility, mall circulation and brand synergies with neighbouring brands. "Retail brands seriously consider the team that can assure higher probability of profits, growth, and sustainability", comments Anand Sundaram, CEO, PPZ. Global real estate services firm, JLL stresses upon the availability of parking space as equally pertinent for retailers while choosing a retail destination.

Traditionally, the three important factors that retail brands consider when choosing their retail destinations were:

1. Catchment
2. Footfalls
3. Cost of occupancy

Today, the matrix of decision-making is more complex. In the case of Jubilant FoodWorks, - the company which holds the master franchise for



▲ With a multi-storey book store, 12 cinema halls and other entertainment facilities Forum mall is also a popular tourist attraction

▼ H&M is uncompromising in their choice of location and would rather stall a launch



Domino's Pizza and Dunkin' Donuts in India - their location requirements are governed by very specific parameters:

- The immediate catchment segment should fall within a radius of 3-4 km, and they prefer areas that are populated with residential or commercial establishments, schools or colleges.
- In a mall, Jubilant FoodWorks will usually delve into details like the perceived value of the mall, profile of major anchor tenants, expected footfall and the brand mix in the food court. The size of the counters and seating capacity are also major influencers.
- In the case of tier 2 and tier 3 towns, the food giant is more inclined towards analysing the spending habits, the population of the city and the economy drivers in that city.

On the other hand, H&M, the Swedish multinational clothing maverick, known for its fast fashion clothing for men, women, teenagers and children, believes that attractive business locations is the major deciding factor in their rate of expansion. Dhatri Bhatt, Head, Public Relations elaborates, "You will always find H&M stores in prime business locations in a city or shopping centre. The best business location, in fact, is so important that we would rather hold off on opening a new store and wait until the right location becomes available". International brands prefer larger and more attractive spaces that allow them to embellish them with world class interior designs. H&M's first store which opened in Delhi recently is close to 2,300/sqm in size. This exceeds the average domestic apparel and footwear specialist retailer



▲ Kama stores in malls all across the cities have proven to be the most effective

in India, which is typically 50-100/sqm per outlet. Furthermore, the store designs offer a better shopping experience. The response to their store has been phenomenal and this has propelled their expansion with another store touted to be their largest yet, at all of 37000/sq.ft. at DLF Mall, Noida.

Kama Ayurveda, one of India's leading beauty brands, believes that key markets with a catchment similar to their client profile are the ideal location. "We would typically look at areas which have brands that offer a similar service", says Vivek Sahni, the company CEO. "Our ideal retail destination is the one that has the most competition. While evaluating a new market, Kama looks for existing brands, their business models and revenue, physicality and quality of the locations available".

"Upcoming brands like H&M, Coach, Hunkermoller, Muji and more at High Street Phoenix will bring a comparative number of niche audience to the mall, comments Rajendra Kalkar, President (West), The Phoenix Mills. As a mall, this accounts for our initiatives to create a space for exclusive fast fashion brands and further improve the quality of high networked audience that visits the mall. Moreover, growing with the corporate hub, Lower Parel will become the destination for best choice of brands for an international shopper.

#### **E-Commerce challenges "location is everything"**

E-commerce is a progressive step to the rapidly evolving retail business and yet attracts opposing viewpoints. The benefits of e-commerce are there

for everyone to see: convenience of shopping and deep discounts. In the opinion of most mall management companies, e-commerce has hit the nation with a huge wave, but it has not yet begun to adversely impact the brick-and-mortar retail business in India. E-commerce has, although, made inroads in a few retail segments such as apparel, books, music and mobile phones.

Vivek Kaul, Head Retail Services India for CBRE South Asia Pvt. Ltd., one of the industry's most powerful commercial real estate services, states that "the overall contribution of the e-commerce segment to India's total organized retail market share is expected to be less than 1%, largely because of low penetration levels of the internet". In addition, he also points out to the fact that the recent regulation by the Government to clearly define e-commerce and disallow deep discounts is likely to give physical stores a level playing field, especially in categories such as fashion apparel and consumer electronics.

According to a study conducted by PPZ, 68 per cent of what sells on e-retail portals corresponds to about 10% of the space occupied by brick and mortar. Additionally, the study suggests that while the bulk of the comparisons and brand evaluations take place across e-commerce portals, an overwhelming 82 per cent of the customers still prefer to buy the products at a mall. Touch and feel and instant gratification are important, but the larger incentive appears to be the entertainment and F&B opportunities malls offer.



*From L to R:*

**Vivek Sahni**, CEO, Kama Ayurveda

**Vivek Kaul**, Head Retail Services India, CBRE South Asia Pvt. Ltd.

**Pankaj Renjhen**, Managing Director - Retail Services, JLL India

Beyond SquareFeet, a boutique Mall advisory company supports this theory by noticing a change in trends. Susil S Dungarwal, Chief Mall Mechanic, Beyond Squarefeet Advisory Pvt Ltd. further elaborates, “we observed many online shoppers returning to the brick-and-mortar model because of their need to have a great shopping experience”. Euromonitor completely rules out the possibility of e-commerce as a game-changer. “In our opinion, a majority of the 1.2 billion population continues to reside in rural India, which is why no single channel dominates the market. There is room for growth for both online and offline channels, not just for rural India, but even for urban consumer base, explains their Senior Research Analyst, Shabori Das. The new and empowered consumer, according to Euromonitor, is spoilt for options; hence, consumers will choose retailers who provide them with maximum options, both in terms of products and purchasing routes. JLL, on the other hand, has a counter perspective which states that e-commerce is certainly changing the retail market dynamics in India. “E-tailing is changing the retail market dynamics in India by creating more competition and therefore pushes mall developers to keep finding new measures to enhance

their footfalls”, says Pankaj Renjhen, Managing Director – Retail Services, JLL India. JLL notes that brick and mortar retailers are investing in innovative formats and experience centres to combat the competition from online retailing.

These retail segments, however, need not be pitted against each other as e-commerce has its fair share of advantages such as low prices, convenience and ease of purchase, as well as helping brands enter newer markets, especially in tier 2 and tier 3 markets, without having to make heavy investments in stores. However, from a brand perspective, e-commerce and traditional retail destinations are likely to co-exist. This trend is apparent in many mature segments around the globe and new players in India are most likely to adopt the ‘omnichannel’ model. The channel will try and leverage the advantages of both modes of retail—the convenience of e-commerce and the tactile comfort of a physical store. The model opens up the opportunity for a brand to provide a more seamless experience to the consumer while also increasing the brand presence. Kama Ayurveda endorses this. Their presence on platforms like Amazon and Nykaa has broadened their audience base and given them new consumers, better reach and greater brand awareness.

### Luxury retail destinations: nascent yet full of potential

Ask mall management companies, researchers and retail solution providers if luxury retail shopping in India has a future, and you’ll most likely hear a resounding yes. Presently, luxury retail shopping in India is concentrated in a few luxury shopping malls and five-star hotel retail areas in key markets such as Delhi, Mumbai and Bangalore, but that is precisely why it will grow in the future, according to CBRE. The rise in disposable incomes, the sheer number of high net-worth individuals and exposure to global trends ensures that the luxury retail market has nowhere to go but up. Rajendra Kalkar, President (West), The Phoenix Mills validates this. “Loyalists are more inclined towards attaining the product with the quality it offers as compared with the amount of money spent on it when it comes to luxury international brands. These are the customers of a global market and indulge in their favourite brand options in the vicinity. Bringing their brands to the city adds to the overall customer experience and not just sales”.

2015 registered a staggering 15% growth in terms of value sales as per a study by Euromonitor International. The same study pointed out that from 2010 to 2015, the channel grew at 31% CAGR in terms of value. The demand for luxury brands was very high in India in 2015, and is poised to steadily increase over the next five years as well. The growth will be driven by aspiration and the fact that consumers are trading up, which means consumers who were buying mass products back in 2010, will most likely be purchasing premium in 2015, which will shift to luxury in the future. This is obviously going to be driven by the increased annual disposable income and heightened awareness with regard to international brands.

TechnoPak, however, sheds light on some challenges the luxury retail segment is currently facing. According to them, consumers within this segment seek personalised services



▲ Phoenix Mall at Lower Parel, Mumbai is a popular destination for best choice of brands for an international shopper

and bespoke offerings, thereby gravitating more towards overseas luxury shopping destinations. Also, the challenges of retail staff training and limitations owing to the franchising model within India tend to limit the scalability of the segment. As international brands increase focus and investment in important business elements of sourcing, supply chain, training and marketing, the segment will become increasingly viable and the emergence of new luxury formats and destinations will be inevitable, they conclude.

#### Transit-oriented retail development: showing early signs of success

Transit-oriented retail, on the other hand, is a completely different ball game. It is still in the developmental stage and people are yet to fully come to terms with it. In the global market, transit-oriented destinations such as Canary Wharf in London and Changi Airport in Singapore have successfully become top retail destinations. In India too, the development of world-class airports has ushered in an airport retail upsurge with leading brands shelling out high rentals and occupancy costs

## Retail destinations in India are evolving towards becoming one-stop destinations for **consumers seeking holistic experiences.** **New trends point towards larger anchor spaces.**

to establish their presence in these locations. Categories such as F&B, books, gifts, electronics, footwear and jewellery are some of the categories that are predicted to outperform others in such destinations.

Recently, transit-oriented destinations such as L&T Seawoods in Mumbai and L&T's upcoming malls in Hyderabad are being developed to support the large and growing catchment of both, the transit hub as well as the neighbourhood. Besides being beneficial to consumers due to reduced travel time for shopping, it would also lead to efficient utilization of space in prime areas. Not just this, transit-oriented destinations serve up a complete family experience too. As more and more consumers travel and spend time and money at airports—especially business travellers—airport retail is poised to grow as well.

#### Agility will lead the way in the future

Retail destinations in India are evolving towards becoming one-stop destinations for consumers seeking holistic experiences. New trends point towards larger anchor spaces, larger shopping centres (DLF Mall of India being an apt example), foray of more international brands, focus on experience through F&B and entertainment, F&B-oriented developments such as DLF Cyber Hub in Gurgaon, diverse brand mix, and large stand-alone flagship stores on high streets, e-commerce, transit-oriented retail and some other destinations we have probably not yet imagined.

To stay relevant, ensure sustainability and safeguard against redundancy, retailers will have to constantly evaluate what is working and what is not. They will have to constantly and consistently improve their service offerings while also developing and investing in new retail destinations, depending on where the consumer is headed. More importantly, they would have to evolve faster than the consumer who is hurtling ahead at breakneck speed.

PPZ points out to the fact that developers, promoters and investors have realized a need to design the buildings as businesses. Specialists and consultants are now handholding the project all the way through right from writing the business brief to design and going into leasing and then on to marketing and operating these destinations. The new centres are therefore designed to create new successful and sustainable markets and to optimise profits. JLL points towards trends like shorter contract periods, rising interests and polarization of demand, which is leading towards a huge vacancy gap between existing retail destinations and emerging ones. ■



▲ The development of world-class airports has witnessed an airport retail upsurge with leading brands shelling out high rentals