



An Overview to Mall Management in India

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ABSTRACT

Retailing is considered as one of the oldest profession in India. It has roots from Indus valley civilization. People of Indus valley civilization exchanged goods and services from Babylonian civilization and sold those in market places where there is demand for those goods and services. From last 10-15 years, retailing has changed vitally. Organised retailing has started in the last 15 years in India. Organised retailing in India has evidenced a gross turnover of USD 57.56 billion with a penetration of 19 percent in 2014 and it is expected to grow to USD 100 billion by 2020. According to the F&R research analysis, the country is likely to have a total of nearly 750 operational malls providing 350 million Sq.ft. of mall space by 2015. The Global Retail Development Index has ranked India as top among the top 30 emerging markets in the world. As India will have large entertainment area, with enough space for parking and excellent infrastructure facilities for malls. The present paper focuses on the effective mall management as a growing concept in the Indian retail industry.

KEYWORDS : Malls, Shopping patterns, Consumer tastes and preferences

Introduction

Organised retailing in India evidenced a gross turnover of USD 57.56 billion with a penetration of 19 percent in 2014. Although this was low when compared with other developed economies, industry experts expect that the growth will increase to USD 100 billion by 2020. As organised retail grows, expecting the market to be more competitive by providing more choices to consumers and retailers. At this point, developers will have to work harder to create differentiation for their product. In the present scenario the consumers and retailers will be more attracted to malls that are professionally managed, making effective mall management a critical factor behind the success of a mall.

Shopping malls and modern retail practices ride together. Due to the acute paucity of quality retail space on high streets, the demand for additional space to spur the growth of the Indian retail industry is being met by the shopping mall. Shopping malls have characterized the rapid growth of retail across the world. Over the last 10 years there has been a virtual explosion in the growth of malls in India. It cannot be left and forgotten after it is built. Shopping malls in India are synonymous with organized retail in India. Many Indian cities have commercial complexes having the term "Mall" suffixed to their names.

Retail is one of the oldest professions in India that came into existence when people started generating surplus that could be exchanged or traded. It started within the village through barter system but over the years expanded in terms of scope, coverage and complexity. The earliest evidence of retailing is seen in the Indus valley civilization (Harappa and Mohenjo-Daro) which was a predominantly urban civilization. This civilization exchanged merchandise with the Babylonian civilization and also sold it through market places. Over the ages, other platforms came into existence for carrying out retail activities. These include haats, on-foot hawkers, pushcart vendors and a variety of shops.

Emergence of organized Retail in India:

People generally associate the evolution of organized retail in India with either the entry of private players or the developments that have taken place after 1991. (Post Liberalization) The organized retail occupies nearly 75-80 percent of the total sales in the developed countries, where as the traditional retail dominates the retail business in the developed countries, (IRIER-2007). In the developing world the share of the organized retail varies widely from just 1 percent in Pakistan and 5 percent in India (BRIC Report2007). However this organized retail has just begun to spread to the developing countries where the retail business continues to be dominated by family run neighbourhood shops and open markets. As a consequence the wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family shops and open markets remain a critical part of the supply chain in these stores.

Concept of Mall and India's entry into shopping malls era:

The concept of mall was originally conceived as a community centre where people would converge for shopping, cultural activities and social interactions. Traditional developers attracted consumers to malls through the promise of making available a wide assortment of stores and merchandise at a single location. Apart from the products and services offered, a mall itself offers experiences that are consumable. It has the advantage of climatic comforts and gives shoppers the freedom from noise and traffic which characterizes other shopping avenues. The malls are also offering home improvement expos, walking clubs, art exhibits, auto shows, live music, health screening. Malls have also become more important meeting places, especially for young people. Some bigger malls have become so famous that they have emerged as tourist destinations.

India entered the mall era in the 1990s when the first wave of mall development was observed in the form of Spencer Plaza (Chennai), Cross roads (Mumbai), and Ansal Plaza (New Delhi) creating approximately 650000 Sq.ft of mall space in India. Despite being the fore-runners of the organised retail, these malls differ a lot from modern malls. The growth of malls is a great phenomenal. It is growing at a shift pace that is expected to be sustained in the future. Barring some slow down in the mall construction activities during 2008-2009 due to economic recession; this sector has registered a fairly steady growth rate. The shopping mall area has been doubling every year. (From a meagre one million Sq.ft in 2002, it rose to over 52 million Sq.ft covered by 172 operational malls in 2009. During the period the Indian retail growth has been fuelled by strong economic favourable demographics, rising wealth levels and rapidly changing lifestyles and aspirations of an ever-burgeoning middle class. The mall business is spreading fast, charting a new course in Tier II cities of India. Significant opportunity for the organised retailers in rural areas as well. The rural market undoubtedly holds immense promise for the organised retail but companies have to devise ways to serve this market profitability. Unlike the urban market it is less developed in terms of infrastructural activities. According to the F&R research analysis the country is likely to have a total of nearly 750 operational malls providing 350 million Sq.ft of mall space by 2015 end.

Managing a Mall – Mall Management

In India, the concept of mall management continues to be equated with the facilities management. Several large international property consultants operate in the sphere of facilities management. While facilities management is one of the functions of a mall manager, it cannot be a substitute for the integrated mall management. A facilities manager charges a monthly fee per unit area for managing services on site. On the other hand, a mall manager charges a percentage of the revenue generated by the mall. Because the management demands of a mall are substantially different from those of an office building or an apartment complex, the mall management process comprises certain functions that are unique to it. Even in the case of the activities that are common to general management of a commercial or residential real estate, the orientation is entirely different.

The functions that fall under modern mall management are described as below.

Positioning: Positioning refers to defining the category of services it will offer based on demographics, psychographics, income levels, competition in neighbouring areas and extensive market research of the catchment area. For instance, if the market research indicates that the average number of households living in a particular area belongs to the upper middle class then a high-end retail mall would suit the location.

Zoning: 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 into the financial feasibility of tenants in the mall. Generally, there are two types of consumers visiting a mall – focused and impulse buyers. The time spent by focused buyers is relatively lower compared with impulse buyers who enjoy window shopping. The successful execution of the zoning exercise for a mall is carried forward through lease management on an ongoing basis. Forgoing good leases with retailers is an essential part of ensuring the presence of the right retailers in a mall.

Promotions and Marketing: Promotional activities and events in a mall form an integral part of Mall management. Activities like food festivals, handicrafts and exhibitions, and celebrity visits increase foot traffic and in-turn sales volumes. Organizing cultural events has time and again proved vital in attracting consumers to a mall. Such activities may act as a differentiator for a mall. Developers need to work on making marketing strategies for individual malls to meet local consumer requirements and to face the competition of local and regional competitors.

Facilities management: The facilities management refers to the integration of people, place, process and technology in a building. It also means optimum utilization of resources to meet organizational needs. This broadly includes management of infrastructure, ambience and traffic.

Infrastructure management: It refers to the management of facilities provided to the tenants within a mall. It includes provision of adequate power supply, safety issues in the case of emergency and miscellaneous issues such as water supply, signage and sanitation.

Ambience management: The overall shopping experience provided for consumers is an essential factor for the success of any mall. The ambience management includes management of parks, foundations, and the malls overall look.

Traffic management: The Traffic management includes managing foot traffic into the mall and parking facilities. The foot traffic management involves crowd management inside the operational area of a mall.

Finance management: The financial management of the mall as a true business venture is a must. The finance management involves monitoring and controlling of various issues such as cash receipts and collection of income including rentals and electricity, service and other utility charges, and payment of all invoices and expenses.

Factors stimulating growth shopping malls in India: Some major factors that contribute in the growth of shopping malls in India are

- **Rapid economic growth:** The fast and furious pace of growth of the economy is a driving force for the Indian consumerism, as the Indian consumers confident about their earnings and spending a large portion of their higher disposable incomes. Projections by analysts suggest that India has potential to emerge as the fastest growing economy and outpace the developed economies by the year 2050. Unless predict India to sustain an average GDP growth rate of 5% till the middle of this century.
- **Increase in disposable income:** From the substantial reduction in poverty, India will create a sizeable and largely urban middle class. The national council for applied economic research (NCAER) defines the middle class as comprising two economic segments seekers with real annual household disposable incomes of 2 lakhs to 5 lakhs INR and strivers at 5 lakhs to 10 lakhs INR. In 2005, the Indian middle class was relatively small, comprising approximately 5% of the population. However, if India achieves the projected growth rates its middle class will reach by 41% of the population by the year 2025.
- **Growing Number of High Net worth Individuals (HNIs):** India is a developing country that has the most number of high net worth individuals exist, which has a huge potential to spend. In the country, the number of HNIs rose 22.2 percent according to world wealth report 2013. The growth was primarily led by market capitalization and real GDP growth. According to BRIC report (2007), India's HNI population will equal to the population of Australia in 2025.
- **Government support to modern Retail formats:** Large format malls are increasingly becoming popular with developers as well as consumers. Getting prominence with adequate retail space allotted to leisure and entertainment to catalyze the trend, some states like Punjab even exempted multiplexes from entertainment tax in the past. This boosted the confidence of the mall developers to accommodate entertainment players like PVR, Waves, Ad lab and Fun Republic in large malls.
- **Low Cost operations:** The most attractive component of India's value proposition is its cost effectiveness. The existing players are increasingly turning into Tier II and Tier III cities for retail establishments and for man power sourcing. These cities offer significant low cost advantage in the form of availability of low cost skilled man power, well educated small town graduates turning to cities and ideal candidates for sales and marketing executive roles in the modern organised retail formats.

Conclusion

India has witnessed a frenetic pace of retail development over the past ten years. Goldman Sachs has estimated that the Indian Economic growth could actually exceed that of China by the year 2015. It is believed that the country has the potential to deliver the fastest growth over the next 50 years. Keeping in mind the rates of growth predicted for India and China, the balance of economic power is poised to tip in favour of two of the world's largest populations over the next 50 years. The global Retail Development Index developed by A.T. Kearney has ranked India first, among the top 30 emerging markets in the world. Gen X malls have also started in India which has large entertainment area, with enough spaces for parking and excellent infrastructural facilities that shall be possessed on to the retailer. With this, we can tell that India would be one of the most attractive markets for malls of major players throughout the world.

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