



PROJECT MANAGEMENT

EM6758

LEADING GAPS IN MALL MANAGEMENT PRACTICES IN INDIA -EMPIRICAL OBSERVATION

Individual Assignment Submission: 31st March 2011 By: Maninderpal Singh G0903415K

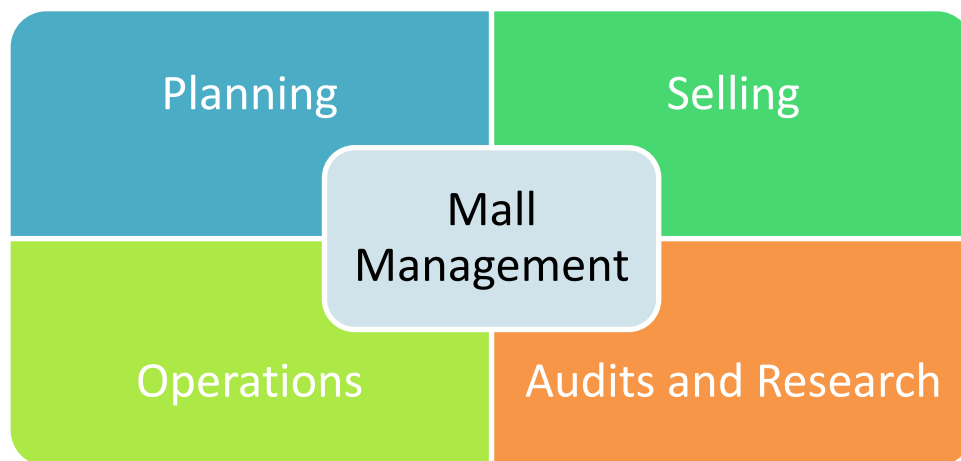
Abstract: A mall development is a multi-faceted and more complex business proposition compared to any other real estate development. The Indian population demographics, shopping habits are varied across cities. The perception of the malls as - expensive shops by a larger population. Single malls are tough to retain talents and tenants. Mall Developers lack vision and knowledge. Allocation of mall construction by government authority is done without much research and scientific study. Low occupancy, high cost of operations, poor shoppers experience, High footfall to conversion ratio are some major gaps visible in success of mall culture in india. Robust and successful local markets are a threat. The developer and his profits are on top of the experience pyramid instead of shopper's experience.

1. INTRODUCTION

A mall development is a multi-faceted and more complex business proposition compared to any other real estate development. With the retail business all over the countries is growing at a rapid speed, managing malls is a huge challenge. The need for proper retail asset management is critical. There are many a malls constructed but occupancy levels are low (except a few in metros like Delhi and Mumbai).In this paper we will discuss (with special emphasis on India) what are the factors or Strategies involved in Mall Management that have to improve. How the multiphase ownership involvement has to be enhanced. The author has been associated with malls across India for the last 12 years and has seen its growth and

evolution. Some of the observations mentioned in this paper are difficult to quantify but, have a major role in success of mall management, operations and long term sustainability.

Proper Mall management has been identified as a critical factor for the success of malls and the retail industry across the world. Mall management broadly includes mall positioning, zoning, tenant mix, promotions/marketing and facility/finance management. The mall and the retailer should work out a strategy where the mall focuses on enhancing the overall experience and the retailer focuses on the delivering a good variety of products to the customer. Mall management on a wider perspective actually has four main pillars – Planning, Selling, Operations and Audits and research. The analysis in this document will be focus on each aspect.



Mall Management – Four Pillars

2 .HYPOTHESIS

At present, about 100 malls are operational at a Pan-India level with a total area of 19 million sq ft. As per the current estimates, about 300 additional malls are expected to be constructed across the country by 2010 - 2011. The Indian retail market is expected to continue its growth. Currently, the Indian retail market lacks designated mall management firms. Large real estate developers and retail chains either have their own mall management arms operating as subsidiaries or have contractual agreements with international property consultants.

Quality of life” is a buzzword with the Indian consumer today and the aspiration driven demand for products and goods is on the rise. Even more striking is the shift in the Indian lifestyle, from one that traditionally espoused austerity, moderation and a sense of responsibility to the family to one of self-indulgence. Expenditure on non-food items is expected to rise in the near future due to a rise in the per capita income. Globalization of the economy has exposed the Indian consumer to a gamut of products and brands. A large number of Indians travel abroad on work and experience the lifestyle, products and services available there. There has been an increase in the disposable incomes with people. Average spending in India has increased to 11.5% and is expected to increase at the rate of 8.5% p.a till 2015. The young and rich middle class is growing. 28% of India’s population lives in urban areas and this is estimated to be 40% of the total population by 2020. (source: <http://www.india-reports.com/Products>). Till recently, mall management was limited to facility management by a majority of developers in India, leading to gaps in mall management practice. Given the high future supply of malls and increasing competitiveness within the Indian retail market, developers have to correctly address these gaps to ensure success.

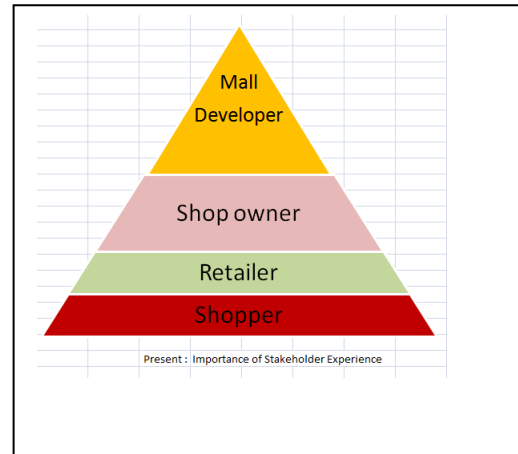
2. Leading Gaps in Mall Management Practices in India -Empirical

2.1 Observation

There is concentration of malls in specific areas with nearly same brands available across all of them. There are malls being developed in tier II and tier III cities, where the shoppers still have not experienced the mall culture. India is experiencing a “mall explosion” with a few hundred malls being developed simultaneously and due for completion around 2011. While it can be assumed that the “hardware” for mall construction is available in India, there seems to be a very grave shortage in the “software” of mall development, marketing and management expertise. Here most of us learn mall management on-the-job. This is certainly not a very satisfactory situation. A mall is an evolving phenomenon, it takes years of practical experience before one can profess to have the requisite expertise in mall management to be able to keep abreast of the needs and wants of shoppers and retailers.

Experience pyramid of Main Stakeholders in Mall Management

There are four main stakeholder groups associated with a mall – Developer, Shop owner, retailer, Customer/shopper. Each one has his own specific needs which have to be satisfied. In the current market scenario, both consumers and retailers have limited choice in terms of mall shopping experience. Historically, developers were managing their malls in-house, Mall developers were more inclined towards exiting the project early by selling retail mall units to investors at the pre-completion and post-completion stages and booking profits. Shoppers and retailers were lowest in pyramid.



Issues Related to Mall Management in India

Planning

- Lack of Feasibility/Market Research Prior to the Development of a Mall
- The mall design is based on aesthetics to meet the developer's fancies rather than operational viability and functionality.
- Compromise on design quality because the developer has no prior experience in this business and refrains from hiring expensive consultants to keep the costs low.
- Old school of thought of construction / lack of knowledge abstains the developer from adoption of new technology(which may cost more initially but will reduce the operational costs in the long run)
- Short sightedness/ignorance of the government town planning department – which sanctions construction of malls but has not much control or thought process on the effects of creating these malls on corners and main traffic junctions. 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.

- Poor space management. The developer makes more space for rental/ sale and reduces the common area required for free flow of traffic. His only objective is more number of shops. Though some of this space keeps lying vacant through the life span of the mall.
- Operations of mall are discussed after the mall is constructed. This leads to design faults/limitations unable to meet the operations requirement for a good shopping experience .proper planning leads to reduction in operational costs. For example, A mall with multiplex and eating areas should plan it in such a way that even after retail is shut down at 9 pm, the mall does not wear a deserted look. Special lights, design to highlight these areas.
- The utilities, service blocks and parking areas are hugely compromised upon because the objective is only creation of more rental/ sell able space. This leads to safety and maintenance issues in the long run.

Selling:

- 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. If the mall is well defined in zones for the convenience of the shopper, it will definitely lead to better shopping experience.
- Mapping: A mall should typically meet the requirements of each shopper in terms of his or her spending need –Retail, Hyper markets, Banking atms, Food, Entertainment, Beauty and health, electronics, books etc.
- Repetition of brands visible across all malls. Mostly these are international brand which fill their shops with substandard products in tier II cities. There is also limited choice available. The mall management should try to encourage local famous shops of their area to open branches in these mall by giving them incentives.
- Shop in shop concept missing – Most of the malls concentrate on retail and food. A mall should try to cater to every little need of the customer.

- When there are many malls concentrated in an area, the town planning/ government authority should encourage speciality malls. Repetitions of brands does not encourage the shopper to visit the mall.
- Concentration of eating areas/multiple food courts in one corner leads to overcrowding and noise. During high rush periods. The footfall in the mall should be thought about while allocating these areas.
- Lack of Coordinated Promotional Activities – There are very few promotional activities organized in the majority of malls at present. Developers perceive that these events only help increase foot traffic and not revenues.
- Empty spaces: One of the biggest issue with malls is occupancy, Low occupancy leads to poor management and operations of the mall.
- High rentals is one factor for low occupancy of malls.High headed attitude of mall management is also a reason for low occupancy of some malls. They only want the famous brands in their malls, not realizing that footfall with lead to conversion with the local favourite shops.

Operations

- Facility Management – Good infrastructure/facility management of common areas becomes a problem in malls where retail outlets are sold as strata title. The developer compromises on facility management cost because his interest level is low once the property is sold out.
- Developers must conduct professional mall management practices starting from rigorous feasibility exercise or market research to facilities, ambience and finance management of a mall before starting a project. Poor designing leads to operation problems.
- People Management: Lack of trained manpower in the mall management also raises operations issues. The service standards are very low and again the developer to keep his cost low hires untrained staff, does not spend on training and development.
- Equipment Management: Sometimes high quality equipment is handled by untrained staff. Leads to high wear and tear, high maintenance and operational cost, this results in high camp charges and under utilization of the resource.

- **Finance Management:** Finance planning of a mall is very important to understand the viability of the project. The size of the structure does not ensure profits – proper financial planning, cost control measures, resource allocation and quality operations should be inculcated in the finance planning. Long term costs and profits have to be looked into. Transperancy in contracts and profit sharing deals is a must too.

Audits and Research : Lack of participation of stakeholders.Magnitude of work not planned in intial costs by developer,Fragmented ownership,Lack of knowledge base and reference points



2.2 ANALYSIS

The developer makes his money by selling out space and is no more interested in managing and upgrading the property. Mall ownership should not be allowed to do back to back sales with leasing properties. The developer picks up money from the bank by leasing the mall – the developer has made his money and is no more interested in managing his property. He moves on to the next venture and does not wish to invest in the old project. This leads to stagnation of the property.

The leasing to tenants should generally be done on a long term basis, which are a result of planning and designing of a mall and not a tug of war of pricing. The tenant interest is low in short term lease. When a shop is leased for short duration the tenant exits and then the owner leases it out to whoever comes. This sabotages the initial planning regarding product mix and zoning. From conceptualization to operations there should be one voice. There should be no gap between the developer, line managers and the junior staff executing the service.

Single malls are tough to retain talents and tenants. Anybody who is entering into this market should have long term view instead of market perceptions and market scenarios. It has been observed the corporate Managed malls do better than private ownership. We anticipate that the success of Indian malls will not only be achieved by housing the biggest and the best mix of retailers, but also by setting up new standards and procedures in mall management that will provide a platform to differentiate its products and services from competitors.

The robustness of engineering which runs the project at least for a decade has to be well planned. Presently the decision between two equipment is not long term but which is cheaper. This leads to wrong equipment purchase.

Branding of companies vis a vis their malls have to be in long term basis and not as driving its value out of the malls. Malls are Good tool for repositioning the original organization, but in due course loses its value to the developer.

In the current market scenario, both consumers and retailers have limited choice in terms of mall shopping experience. Developers will have to work harder to create a differentiation for

their product. Consumers and retailers will be attracted to malls that are professionally managed, making effective mall management a critical factor behind the success of a mall. The prime objective of landlords as well as of investors is to attract shoppers and persuade them to purchase goods and services. This will in turn boost retailers' turnover and benefit their bottom line. Efficient mall management can help landlords achieve this goal.

3. EVALUATION AND DISCUSSION

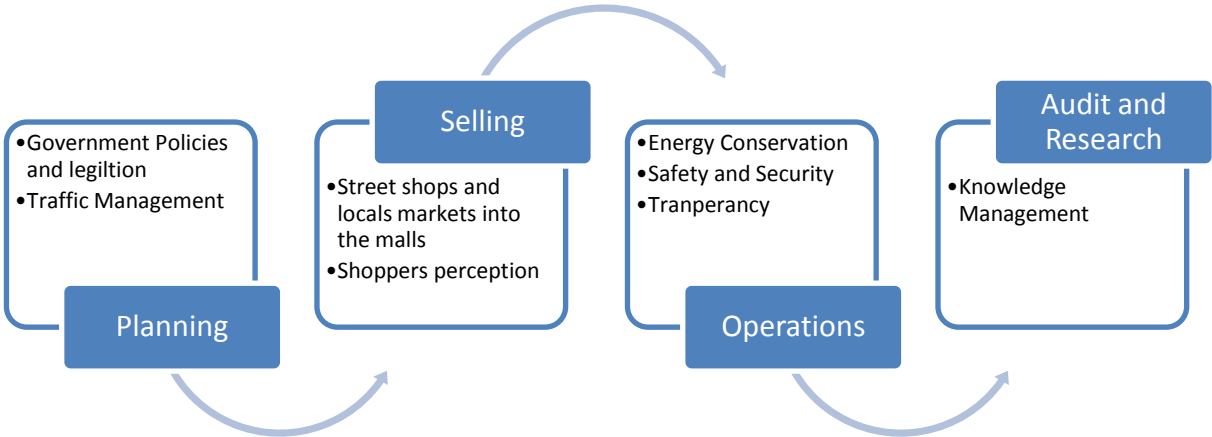
Lot of construction, less utilization, empty spaces, Old markets still prevalent with shoppers, low footfalls, poor maintenance and upkeep, parking problems, overcrowding on weekends, a Loss of sheen over due course of time are some of the problems visible with malls in India. The major reason for these issues is initial high cost of construction. Policy making in isolation, Lack of coordination and conflict of interest between the sanctioning authority, Developer, competitor, shop owner and tenant. The end user - shopper has least importance therefore his shopping experience is lowest in the pyramid.

This has to change, The malls should cater in the service standards to the best in the world, architecture should be climate sensitive, equipment selection should be based on efficiency, quality. Market research should be done by the town planners and government authorities, keeping in mind the demographic mix of the population in the area they should allocate malls and control the product mix.

The developer has to participate in the mall management, beyond building and camp charge collection. There should be some clause build it by the government where in the developer also ensures development of the surrounding area of the mall. The shop owners should have some say and authority in the facility management of the mall –because it ultimately affects their daily business. How to change the perception of the people visiting the malls is another very important aspect – a fancy building by and large makes the end user think the products will be expensive, whereas in reality some retailers give better benefits than stand alone stores. One good example is the food bazaar concept India. They have changed the perception of the shopper in the metros, but have to still penetrate tier II and tier III cities.

Why have these Malls become a game for footfalls but not foot fall to conversion ratio. The airconditioned environment gets the public to spend time in the mall, while for shopping he still goes to the local market. The malls are only for clothes, shoes, movies and eating out.

4. RECOMMENDATION AND FUTURE RESEARCH AREA



Future research areas

Main Concerns which need immediate focus

Government Policies and Legislation: The Government should ensure that the developer hires professionals for building and running these malls. Encroached and special favours should be avoided. Government sanctioning authorities should make sure that the facilities to provide for a mall should be made available prior to its construction. The zoning should be kept intact of a town. A research on policy documentation for mall management.

Traffic Management:

Traffic movement and position of high footfall area should be well thought about. Too much concentration on entry and exit points of townships should be avoided. Most town planning just define zones as commercial and residential, in commercial they should further take into account the traffic flow limitation. It is very important to cater to this.

Manpower Training: There is lack of trained manpower in this field. The value of cleanliness and security is not very high in this manpower. This can be addressed only with proper education and training.

Energy Management: Designing of malls should include Natural Light utilization, Large common areas to handle movement of free flow of people. Utilization of space created by these malls very important. Actually if the street shops and random local markets are included in the mall structure the energy load of the township gets reduced tremendously.

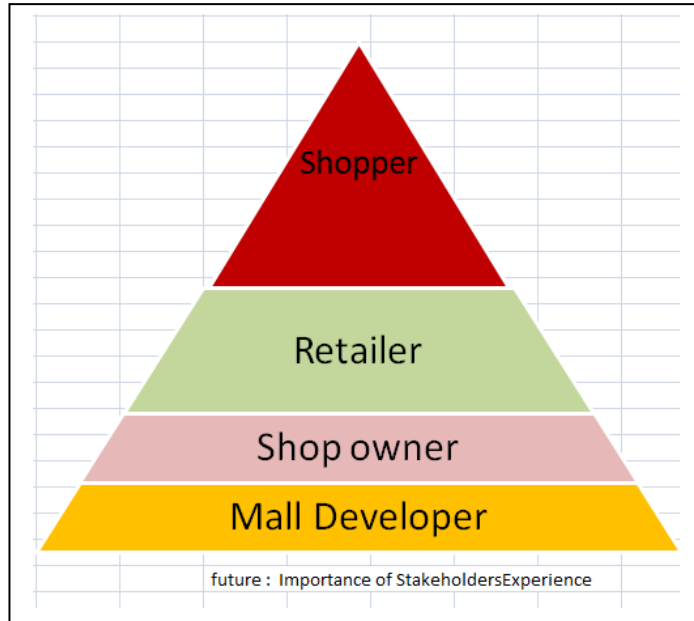
Finance Management: A common practice in developed markets such as the United States and Europe is the use of the revenue share model in determining rent. Under this arrangement, the tenant will either pay a fixed monthly base rent as minimum guarantee and/or a 'percentage of sales' rent, whichever is 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. There is more research required in this field for wider application across malls in India

Transparency in Operations: between retail selling and mall management. Proper systems and procedures visible to all stakeholders. Good management of fund flow and operations can reduce the actual cost of running the mall.

5. CONCLUSIONS :

Leading gap in mall management practices across India is due to lack of knowledge, conflict of interest and lack of trained manpower. First thing to put right is the stakeholder experience

pyramid – from being developer focused it has to be the shopper focused. This will change the perception of all the stakeholders and their focus will move from building large structures to operationally successful structures, which are sellable and usable. Government has to apply scientific approach to master plan designing with a futuristic view.



To ensure that a mall attracts retailers and consumers, professional mall management is a necessity. 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.

6. Appendices:

Appendix 1 : Equipment portfolio .To understand the important of equipment selection

Appendix 2: Highlight scope of work in Mall Management.

Appendix 1: Showcase the Level of Equipment Involvement in a mall

EQUIPMENT PORTFOLIO

Electrical Works

- Grid Supply
- Standby Source in case of Grid supply failure
- Power Factor Correction System :
- Power supply to be given for various usages:
- Metering
- LT supply to each user
- Fire Alarm System
- Lighting Provision
- Earthing Systems
- Lightning Protection System
- Security System
- Public Address System/Music System
- Lifts & Escalators

PLUMBING SYSTEM :

- Water Storage Tanks Provision
- Source of Supply
- Water Treatment
- Water Distribution:
- Water Piping Materials
- Hot Water Provision
- Water Pumps
- Water supply to soft/green Areas
- Kitchen Liquid Waste Disposal
- Soil Waste/Domestic Waste Disposal
- Rain Water Canalization:
- Sanitary Fixtures & Fittings:

Fire Fighting System

- Fire Static Storage Tank
- Fire Pump Room Comprising of The complete Mall shall be protected with :Automatic Sprinkler System, Internal water riser system, External Hydrant system, Fire Brigade Inlet & Draw out connection
- Fire Extinguishers: Portable class A, B & C type fire extinguishers at suitable locations.
- Fire Retardant sealant to seal all services floor openings from one floor to another.
- Conformance to Standard: National Building Code

Appendix 2: highlight scope of Operations work in Mall Management

Mall Management

Mall Management can be defined as operation and maintenance of the entire building infrastructure including the services and utilities ensuring that they are used in a way that is consistent with the purpose for which it was acquired.

The Mall Management services are customaries as per the clients needs with listed specifications and guidelines for the executives. Shifts Engineers, Supervisors, Operators and Technicians who form the functional unit intrinsic to the service delivery process that carries out the listed services bearing in mind the quality and cost effectiveness.

Schedules, Procedures, Controls, Responsibilities are formulated and decided with respect to each and every service, installation or building component. These are upgraded and reworked with time to change/ improve as per the feed back and prevailing industry standards.

Property management is a key component in an efficient, professionally administered business. The benefits include:

- Readily identification of availability / status of equipment.
- Saves money by reducing waste, redundancy and equipment loss (by allowing a better maintenance plan).
- Allows the client to have an accurate record of its investment in equipment.
- Facilities tracking and recording of maintenance and warranty information.
- Provides data which enables the clients to obtain indirect cost recovery for equipment depreciation.
- Allows the managers to issue timely and accurate property reports.

Scope of Mall Management

- Arrange and oversee all of the day to day operations of the property.
- Provide a 24-hour emergency service.
- Provide a 24-hour emergency maintenance staff.
- Create a continuing building and utilities maintenance program.
- Create and update a management plan.
- Obtain and create contacts for all necessary goods and services, create specifications.
- Inspect the property on a predetermined scheduled (yearly planners) for defects, improvements and overall operations.
- Maintain up-to-date property management records to include all documents and maintenance of records.
- Provide an annual review of current and future concerns for budgetary purposes.
- Train and supervise on-site staff.
- Building fabric and landscaping maintenance.
- Operations and maintenance of electrical and mechanical systems including BMS and PLC, s.
- Operations and maintenance of HVAC systems.
- Operation in minor maintenance of lift/elevators.
- Disaster Management.
- Operation and maintenance of fire control system.
- Operation and maintenance of plumbing and water systems.
- Co-ordination of annual maintenance contracts for all building services.
- Enforcing and monitoring safety norms.
- Energy management
- Co-ordinating and monitoring security and surveillance SS controls.
- Landscaping (cultivation, irrigation, lawn or turf area, tree, shrub, weed control, flowerbed maintenance etc.).
- Pest Control