

## MALL RETAILING



IAN THOMAS

# SECURING THE FUTURE

WITH THE LINGERING RECESSION AND INCREASED LIVING COSTS, MALLS CAN NO LONGER AFFORD TO BE SINGLE-USE DESTINATIONS, SAYS **IAN THOMAS**, CHAIRMAN OF THOMAS CONSULTANTS. HE TALKS ABOUT WHAT THE FUTURE HAS IN STORE FOR MALLS AND WHAT THEY CAN DO TO SURVIVE...

**W**ith the mall scene drastically changing around the world, mall developers have to assess what their customers want in order to future-proof the mall.

The countries worst hit by the recession include the US, UK, Spain, Portugal and Greece, whilst the bright spots include the BRIC countries, with China the shining star. With two events in 2014 and 2016, the World Cup and Olympics respectively, Brazil is also enjoying unprecedented growth and prosperity.

All of the BRIC countries are creating literally overnight middle classes - which is the perfect profile for major retail development.

Commodity-based economies like Australia and Canada have largely gone through the meltdown virtually unscathed.

Mall development in the US is at its lowest level in recorded time. No enclosed malls have opened in the US during the last five years. Later this year, Taubman is opening City Creek Center - a dramatic indoor/outdoor

mall with a retractable roof in Salt Lake City, Utah.

With such little new supply, America is gradually absorbing all the vacancy created through the recession.

The spike in fuel prices has impacted on the cost and frequency of impulse shopping excursions and consumers are more value oriented than ever with a growth in warehouse clubs, discount department stores and outlet centres.

Meanwhile, class B malls are plagued with the ongoing challenge of trying to fill ever increasing vacancies as they continue to be full of all the stores consumers don't want and not enough of the stores they do want.

We are also witnessing the paradox of the consumer who will scrimp at Walmart and then splurge at Tiffany's.

As a result of changing consumer demands and aspirations, the tenant







360 MALL, KUWAIT © MITCH DUNCAN

mix is changing – whereas before malls were almost exclusively comprised of full price stores generally at popular price points, now hybrids are emerging with value store extremes at one end and the premium and luxury stores at the opposite end of the spectrum.

An indelible part of the mall experience is the distinct and deliberate blurring of leisure, recreation, entertainment, dining and drinking.

Consumers go to malls today for reasons other than shopping and yet they end up leaving carrying lots of shopping bags. As a consequence, dwell time is increasing with cafes and bistros incentivising shoppers even more to linger longer.

The department stores' sphere of influence continues to erode in many markets around the world. It can be questioned whether they still provide that anchor role.

For example, a trophy mall in Seattle recently added a new Microsoft store to the existing Apple store for a total electronics offering of 13,000 sq ft. The mall also had two mediocre performing department stores totalling over 400,000 sq ft. The two electronic stores generate more sales than both department stores giving rise to the obvious question "Who are the new anchors"?

With a consumer who is increasingly time poor and becomes increasingly frustrated having to go to three or four different locations for their regular shopping visits, they are finding the original concept of one-stop shopping a solution. Malls are responding by bringing back bringing back

supermarkets, box stores like Best Buy, Ikea and even warehouse clubs.

In more affluent malls, poor performing department stores and specialty stores are being culled in favour of a luxury component comprising of 10–20 of the world's best fashion houses.

A lot of retail shopping is a state of mind – when people are feeling confident and optimistic they will buy that big ticket item. Conversely when the economic outlook is bleak, consumers stay away in droves. It's then up to the mall to "rent a crowd"

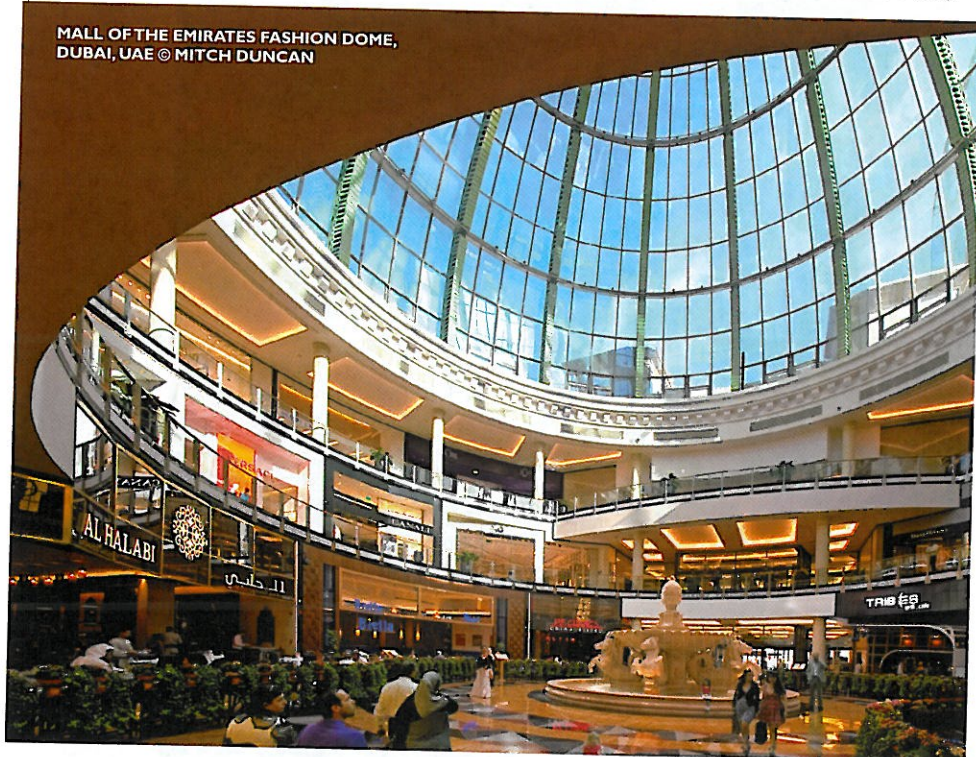
– people are attracted to busy, active places – the busier a place feels, the more comfortable consumers feel.

The mall has to respond with the right product offering and price – just think how Zara, H&M, Forever 21 have excelled in these tough times.

Pop-up stores are another form of the push cart and kiosk concept. If successful they can incubate a permanent, in-line store.

Westfield Sydney already is already experimenting with pop-ups oriented to the fast fashion Gen Y segment. They are located in their basement so they

MALL OF THE EMIRATES FASHION DOME, DUBAI, UAE © MITCH DUNCAN







can become a destination point, and certainly not in conflict with their international fashion stores on the upper floors.

Pop-ups can provide serendipity – a continuing freshness and point of difference from an often clinical, stereotyped tenant mix.

Mall owners are always looking for new ways to attract customers. Such initiatives are being perfected under the guise of “sensory branding services” – a holistic approach to making customers relax – whether its background music, video, signage or customised scents. The subliminal aspects remain an integral part of making the consumer feel instantly comfortable.

The smart developers however recognise that at the end of the day, it is always about the stores and their suitability. They are relentless in ensuring they offer the best store offering.

Just think of the best malls in the world – many are quite old and showing their age but they stand the test of time because they always attract the best stores in the markets they serve.

Having said this, new generation malls are having great success adding dining halls, food courts, gold pass megaplexes with IMAX, KidZania, Merlin’s Sealife and Legoland Discovery Centre and museums.

The morphing of the single-purpose mall into a multi-purpose, sensory experience started in earnest just before the turn of the century. Going forward, most malls cannot afford the luxury of being single use destinations, with parking lots largely empty on all but the busiest days just before Christmas.

Malls are being encouraged to become true destinations with the addition of hotels, offices and residences. Overlay this with multi-modal transportation links and you have an instant multi-purpose destination.

Finally, by externalising the fortress mall with an attractive street-scape lined with restaurants, a combination of convenience and destination, it creates a natural meeting place.

Ian Thomas is a former Trustee of ICSC and Director of the ICSC Foundation. He is currently the Chairman of ICSC’s Global Design and Development Awards Program.

Thomas Consultants specialises in the planning and development of large scale projects. Its projects include some of the best centres in the world including: Mall of the Emirates, Dubai; Chadstone, Melbourne; Bullring, Birmingham and the

