# Mall Talk!

SCAI
SHOPPING CENTRES ASSOCIATION OF INDIA

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# COO's DESK

**Anjeev Kumar Srivastava,**
COO, SCAI

The year had just about started and we are already mid-way through it and April is certainly a very festive month all across the country. From Navratri to Ramadan to Easter, and a lot more, this month is all about looking at the colourful scape of celebration with a renewed vigour.

In India shopping is an integral part of all celebrations and traditions walk hand in hand with life and every aspect of enjoying it. Retail has been picking up good and the omnichannel strategies put in place by every brand is actually helping grow the facets of retail in full bloom. Moreover, shopping malls today are supporting this trend and they are shouldering the growth potential of retail with more power.

The growth of malls is directly dependent on the happiness they are spreading by bringing in an ensemble of brands at their location and how they are helping these names build the right backbone for the customers. There is a lot of positive outlooks getting built into the system and that is pushing the folds of business with great power and glory.

The thematic backbone that the shopping malls are building to further help the customers feel social within the space is even more heartwarming.

# Table of contents

# Cover Story

## Marketing for customers reach

Today, any retail business works on strong marketing pillars and it is imperative to build the right approach to win customers. Shopping malls are no different. Here's looking at how some of the most prominent malls in the country are doing it right. Nexus Malls, for instance take great pride in doing activations and curating experiences which are unique. Over the last four years, there are several firsts which Nexus Malls have been associated to – they are the only mall company in India to have Amitabh Bachchan as a Happyness Ambassador. They were the first ones to bring back to life the prehistoric animals at our malls in our city for kids, or being the first mall company in India to join hands with a third party to audit the premises for safety and hygiene before reopening after the pandemic. Recently, with Amitabh Bachchan, they released three Digital films on our social media platforms. These ads were unique and brought to life the experiences that people have when they shop at Nexus malls. In fact, the relevance with Nexus Malls and seeing Mr. Bachchan in this avatar was a hit combination. They clocked a reach of over 50 million and was very well received by the mainline media as well. Since the malls were allowed to reopen post the pandemic, Nexus Malls has been the only mall company in India to give away assured prizes to all the customers who have shopped above a certain value across all our 17 malls in the country. We have gratified over 5 million customers with prizes in various forms. We firmly believe, with a limited number of brands that India has, it is the experience, which will truly differentiate the customer preferences and loyalty towards a particular mall. Everybody loves freebies and at Nexus Malls, we firmly believe that we have led the customers to believe they will be rewarded for every time that they shop with us above as certain amount. Over the last two years, we have continued with our assured prizes across all our malls and delighted customers. Which in turn, has led to repeat visits and higher bill value from our existing patrons, but in turn has also led us to believe, it has also helped us tap in to potentially new customers. With Mr. Bachchan on board, we also rolled out several offers which were specially curated with our Happyness Ambassador in mind. From customized merchandise of Mr. Bachchan, to having special messages for a few lucky customers on shopping at our malls also helped us build loyalty and increase spends at our malls. We have an 'Always On' marketing approach. Our brand promise of 'Ab Har Din Kuch Naya' meant that we have to curate a calendar of unique events and activations for our customers, which made them believe that we had a new experience for them every single time that they visited us. To communicate these new offerings and unique experiences, we have done weekly print ads and a sustained digital media campaign across Meta and Google inventories," **Dalip Sehgal**, CEO, Nexus Malls comments.

In addition to the above, they have also done a lot of in-mall communication, WhatsApp marketing and outdoors in select markets to ensure they reach out to more people in their catchments.

## Building the connect

**Gopalakrishna Machani.** Jt. MD, M G Brothers (MG Felicity Mall, Nellore) here says, "Any business cannot survive without marketing and it needs different approach every time. We at MGB Felicity Mall always tried to minimize the investment and maximize the results. Any marketing initiative is to attract customer and get enquiry. We tried to attach customers by way of welcoming them and to create an environment where customer shall feel like coming to known & own place. This is possible only with personal touch at every touch point of the mall. Also, we called positioned "as mall for all" ourselves to retain footfall. Celebrated events in such way customer feel like to celebrate the festive along with the mall (like décor, events related to nativity). We have started approaching social media and other means of digital media. Also started associating with the social media influencers for the promotion of the mall and its brands. We believe that correct approach and perfect positioning shall always show the success path. Marketing and right marketing play a vital role travelling in success path".

**Bipin Gurnani**, CEO Prozone INTU Properties here mentions, for over a decade, Prozone Malls has been operating in two-tier cities, and we have consistently implemented innovative marketing strategies. To expand our reach, we employ unconventional marketing tactics such as radio and mobile marketing, targeting satellite towns. Our mall marketing events and promotions are inclusive of people of all ages and community groups. We use our database to identify and engage with local community influencers and content creators to amplify our message and drive foot traffic to our mall. Our Prozone community page serves as a platform to showcase our campaigns and engage with our customers. As a result of our efforts, we have witnessed a significant increase in footfall and sales. We have shifted our focus to digital campaigns. We also use radio jingles in regional languages to connect with the community emotionally. In addition, we do mobile marketing that roams around catchment societies, city and suburban hoardings to increase our brand visibility. To provide instant gratification, we have introduced coin collection through our community page that can be redeemed against parking and F & B purchases".

The team's top priority is to ensure the safety and convenience of our customers, with an increased emphasis on maintaining hygiene standards. Daily sanitization has become an essential practice to protect the health and well-being of both customers and employees. Additionally, they strive to foster a sense of community by hosting social events that bring people together to connect and enjoy shared experiences.
When it comes to discounts and offers in the mall, influencer marketing is a crucial component in expanding our reach. Prozone works with several local influencers as their BTL medium to promote discounts, create content, and post about events happening at their mall. "We also involve our tenants and collaborate with influencers to promote new collections and giveaways organized by our brands. In addition to influencer marketing, we utilize our customer database and a range of communication channels including newspaper ads, radio, digital, and OOH to promote our offerings. The growth and decline of footfall can be directly linked to the effectiveness of marketing strategies. At Prozone Malls, we strive for First Time Right (FTR) approach and ensure that our marketing efforts are closely integrated with our mall operations, technical team, retail partners, and media agencies to streamline our strategy for reaching our target audience. We also heavily rely on feedback from our retailers, especially from previous marketing events and campaigns, to ensure continuous improvement in our marketing approach," Bipin adds.

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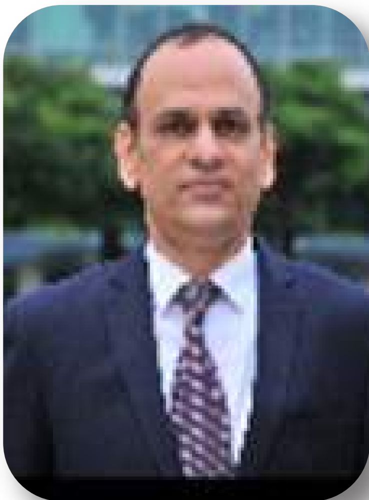
## Opinion


# Changing face of shopping malls in India

**BY SUNIL MUNSHI , VICE PRESIDENT – RETAIL, BRIGADE GROUP**

The real estate industry has been witnessing healthy traction with double digit growth and the momentum is likely to continue in the coming year. Organised players are getting a larger share of the market and the top developers are having their best performance years yet. The residential sector is booming due to pent-up demand and buyers are lining up for completed homes and plotted developments despite the increase in interest rates and prices.



Malls too have witnessed upward growth driven by increased demand for retail space. Traditional retail spaces are becoming increasingly popular nationwide as millennial consumers still prefer the physical shopping experience which provides a touch and feel experience. The positive sentiment in the retail sector is driven by aggressive expansions by all the key brands in new markets beyond Tier I cities. Many international brands are entering India. Shopping malls across India are observing high occupancy levels, and new records are expected to be set in 2023 due to a spike in retail space demand.

# Brand call

Majority of brands are looking at providing customers with a unique shopping experience by focusing on aspects of digital transformation at their stores. They are keen to find new ways to drive revenue and create innovative business models and introduce digital initiatives like (Artificial Intelligence, Virtual Trial Rooms, Chatbots for Customer Support, Smart Shelves etc.) within their store to enhance the shopping experience.
Creating memorable experiences be it in the shopping mall or in the stores will be the game changer going forward. Using technology to enable a better consumer experience is the key. Consumer data analytics will be key to enhancing revenues online and in-store experiences will be key to enhancing revenues offline. There will be huge demand for innovative Family entertainment centers (FEC's) and F&B concepts.
Our vision is to further strengthen Orion Malls as a premier destination for a superior mall experience by creating an ambience that is positive and inviting for the relevant catchment areas. The vision is to set the benchmark for mall experiences in the country. Over the last two years, the retail segment has seen a sharp recovery and we have witnessed increasing footfalls in our malls. Owing to upbeat market sentiment, and the retail space demand, we believe that retail sales and retail leasing rental will reach new heights by the end of 2023.
To our patrons we will also be launching the 'Orion Mall Gift Card', which will be acceptable across all the stores in our malls. We will also be introducing a Mall Loyalty Program, which will unite all the brands and create a common loyalty program with interdependent point earn-and-burn mechanics. Shoppers can earn points when they buy at the store or use services in the mall and then use these points to redeem partnership rewards.
To further enhance the offering to our customer we will be lunching at our mall in the coming month are Bombay Brasserie, Bounce INC (Trampoline Park), Crosswords, Forever New and Decathlon.

# Perspective

## Using your employee strength to grow

At a time when small businesses are competing for talent, attention and social media exposure, they could overlook their best potential ambassadors: current employees. When employees believe in — and advocate for — your business, sharing information and content on their own personal channels, you automatically extend your reach, authenticity and desirability. Here are four ways to turn your employees into advocates, according to How Can You Turn Your Employees into Your Biggest Advocates? a column The Bot Platform co-founder and chief marketing officer Tom Gibby wrote in Forbes.

1. Make sure your employees feel heard and valued.

Employees are only likely to become brand ambassadors if they're having a good time working for you. That starts with feeling seen.

2. Recognize employees for their work.

Everyone wants to feel appreciated. Publicly call out employees working hard behind the scenes, or send workers cards on their birthdays.

3. Make it easy.

One way to do that is to create a center of approved content that staff can share on their own personal channels effortlessly. Make sure they have access to approved images and videos.

4. Incentivize them.

Employees are more likely to boost your small business if they understand the benefits for both the business and themselves. To encourage employees to post, consider offering perks and incentives like referral bonuses.

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# Trend Talk #

## Making malls a community spot

Shopping malls are slowly emerging to be an undisputable lifestyle destination. They are turning into hubs for people to spend their day by indulging in a host of activities. Let's look at what's more viable to turn shopping malls into a community hub. Data shows malls and shopping centers has seen increased cross-shopping, more visits during non-traditional hours and greater spend per visit at locations where consumers routinely come to stay in shape. A retailer located in a shopping center that also has a gym receives, on average, 2.5% more visits per month compared with the same retailer's other locations in centers without fitness businesses, according to Creditntell.


## Fitness buzz

As people return to fitness outside the home, fitness spots like gyms and the likes fit nicely in terms of customer hours and parking demand to complement adjacent tenants without competing. At the same time, larger specialty fitness brands are looking to reuse empty boxes of 15,000 to 25,000 square feet. Moreover, introducing fitness at a property which didn't previously have that use tends to energize the property and increase visits.

The pandemic hit the gym industry hard, as about a quarter of the 57,600 health and fitness facilities that were operating in March 2020 permanently closed by the beginning of 2022, according to global health and fitness trade association IHRSA. A Peloton earnings report revealed a big drop in purchases of in-home Peloton bikes. Peloton reported third-quarter-2022 revenue of $964.3 million, down from $1.3 billion in the third quarter of 2021. Furthermore, Peloton does not anticipate a rebound in the fourth quarter of 2022, instead forecasting revenue of between $675 million and $700 million. Meanwhile, during a Nov. 8 earnings call, Planet Fitness said it continues its steady recovery from the pandemic, ending the third quarter with more than 16.6 million members, an all-time high for the brand. Its members who are visiting the gym continue to visit more frequently, and cancellations are lower than in 2019.

The company believes those are signs that members are generally more committed to fitness. These signs are indicative of the power that fitness centres hold for a shopping mall and how it can translate into greater footfalls.

# Building a change

During the early 2000s, fitness centers began to move into abandoned anchor spots in large regional malls facing decline. Those vacancies left by major department stores each provided 40,000 to 50,000 square feet of adaptable space and ample parking. At the time, it was a great fit for high-volume, low-cost providers, such as LA Fitness, 24 Hour Fitness and Planet Fitness. These operators breathed new life into tired malls and provided the foot traffic needed to keep the center going.

Now, these same fitness centers are successfully operating in shopping centers anchored by Whole Foods, Home Depot, Walmart and other larger retailers. And smaller-scale fitness clubs are opening within mixed-use communities built with elevated amenities and conveniences in mind. In the last couple of years, higher-end fitness clubs, such as Life Time, have been opening locations in regional town centers and luxury malls, expanding to omnichannel living and co-working environments. It remains to be measured whether these clubs will substantially impact foot traffic or drive additional business to other tenants within the mall.
However, experts believe that location is a determinant of the speed at which health clubs will rebound. It is only time that can say how building in fitness centres into the shopping mall layout will look to benefit the footfalls.

# Expert Views

## TO COMPETE OR NON-COMPETE, THAT IS THE QUESTION

By Manoj K Agarwal

### what all should one consider whilst finalizing agreement terms for a non-compete clause?

**RECENTLY**, there has been a lot of debate on this somewhat contentious and touchy subject. The views of the mall developers and retailers respectively are not surprisingly diverse as their views are in keeping with their needs depending on which "side of the table" they are from. Non-compete clauses are designed to protect the interests of the mall owner or the retailer thereby ensuring that tenants or mall owners don't open a competing business in or around the mall thereby weaning away customers and hence, sales.

But on this, as in all aspects of business, I couldn't agree, more with what the great Henry Ford said: "Coming together is a beginning, keeping together is progress; working together is success".

**AS WE ALL KNOW,** at times, a tenant in a mall may need to sign a lease agreement that includes a non-compete clause. The clause would prohibit the tenant from opening a competing brand store in a nearby area (within an "as the crow flies" distance limit) for a certain period or even as a blanket requirement for the entire tenure of the agreement. At times, the non-compete is flipped over and is needed to be put in by a particular retail format. Hence, in this case, the tenant mandates that the particular mall cannot open a competing brand or format in the mall, again, for a certain period or as a blanket requirement till the agreement is in vogue.

## OBJECTIVES that normally dictate having this non-compete clause are :

a) **PROTECTING INVESTMENT :** A non-compete clause can help protect the landlord's investment in the mall by preventing tenants from opening competing businesses nearby. This is to ensure that the said mall remains a destination for customers thereby increasing the property's USP, pull, and revenue potential. This becomes even more significant for smaller malls with limited offerings. Similarly, the retail brand, too, can secure its unique space and business in the mall by limiting the possibility of opening a competing brand in the retail center.

b) **ENCOURAGING TENANT STABILITY :** Non-compete clauses encourage tenant stability for the mall owner as tenants are restricted from opening a competing business nearby. This, also, increases the longevity of the landlord's relationship with tenants and in turn reduces the churn numbers and vacancies as well.

c) **MAINTAINING A COHESIVE TENANT MIX :** A non-compete clause can help maintain a cohesive tenant mix within the retail center. By limiting the number of competing businesses (stores) in the mall, the landlord can generally ensure that tenants in a particular category can maintain unique offerings whilst the customers still have a variety of options to choose from. For the retailer, it prevents any cannibalization of business by restricting competing formats in the mall.

## PITFALLS in having a non-compete clause can be :

a) **RESTRICTING TENANT FLEXIBILITY :** Non-compete clauses may limit tenant flexibility and hinder their ability to adapt to changing market conditions. For example, a tenant wants to pivot their business by opening the same-brand store in a new area possibly alongwith a fresh product line. Then, they may be restricted from doing so, having signed up for this clause. This would be viewed by the mall ownership as competing with the brand's store in the mall.

b) **POTENTIALLY LIMITING OPTIONS :** It may limit category depth and options within the mall, which in turn may ultimately hurt consumers. This is because, by limiting the number of competing brands within a category, customers may have fewer options to choose from which in turn can affect both footfalls and sales. This could have an even greater impact if it is in the face of upcoming competition or revamping and repositioning of malls in the said malls' competitive set.

c) **LEGALITY :** Non-compete clauses under certain circumstances may not be enforceable in a court of law especially if the clauses are viewed as being unreasonable and overly restrictive.

## THE QUESTIONS, in my humble view, to be asked here are:

1. What is the objective behind having this clause? Are both parties agreeing to have this non-compete provision based on a proper understanding of each other's needs?
2. What is the competition to the mall like and what is the presence of the various retail brands in the proximity of the mall?
3. Is the provision in the clause reasonable yet justifiable?
4. Is there a built-in exit option from the clause and what should the clause itself be like?

Let me elaborate further on each of these aspects.

## TRUE OBJECTIVE behind having this clause?

Is the intent here that for a particular location, the mall wants to ensure that through its various retail formats, it provides a unique offering to the patrons in the catchment? If yes, then it would be right to have this provision as it would help in driving required footfalls to the mall and its various stores. In turn, it would ensure that the all-important sales of the retail store and the popularity and patronage of the mall are maximized thereby helping all parties. This is especially true in the Indian context given that we have a limited number of brand options in most retail categories. Hence, this provision is surely worth having if this is the intent.

It is obvious that if in "haste" outlet/s of the brand are planned to be opened near the particular shopping mall or a competing brand is opened in the mall itself, then, it may be detrimental to both the brand and mall. This would be because the sales and footfalls would be spread between the various competing stores thereby diluting revenues and affecting overall viability. I am not suggesting that the opening of new stores is negligently done but sometimes "other" considerations influence logical decision-making and related thought processes.

It is advocated that the clause should not be insisted on if it is being incorporated merely as a measure to check and control the business of the other party. Thus, here the intent could be to only extract leverage and use it as a tool should the market situation "hot up". In this case, the said provision is put in to be applied, even, if there is distant upcoming competition to the mall and/or there are business mergers or acquisitions of the brand itself. The adverse impact created results in limiting growth and makes it possible to extract some leverage. In my view, in the medium to long term, this would not be in the interest of the parties involved.

## WHAT'S THE COMPETITION to the mall like and what is the retail brand/category presence in and around the mall?

This aspect that needs to be considered here is that if the mall and/or a particular brand have stiff competition, then it is like a mitigation measure and one can appreciate the reason behind the incorporation of this clause. As already mentioned above, it is very important to understand the intent behind it. I am just further reinforcing it as in a highly competitive scenario, it is proper for both the mall and brand to protect oneself from threats to their business and their viability. But given mostly the limited options in various retail categories, it can be a difficult call to take. Having said that, in a competitive market environment and to begin with, one could look at only the anchor tenants and large format stores. One could try to ensure that these formats remain unique to the particular mall being "major drivers" and definitely can provide clear differentiation between one mall to another. So, the big box retail formats, having such clauses, could be in categories like entertainment, experiential formats, certain "niche" brands, large F&B outlets and large-sized electronic stores, department stores, toy stores, apparel stores, footwear, etc. However, for the in-line stores, the incorporation of this clause may also be needed and that too right at the start of the leasing cycle, purely based on the proximity of markets, competition levels, and upcoming developments in the future at both high street and mall locations.

## IS THE PROVISION in the clause reasonable yet justifiable?

If entering into a non-compete clause is necessitated, then let us examine the requirement that one should look at so that the clause is fair as well as reasonable for both sides. Therefore, the norms must be worked out by using proper analysis so that having it is justifiable for both the mall ownership and the retailer.

Here, the important things to consider on the distance part are:

i. Distance to the nearby areas like high streets, other local markets, and competition malls, vis a vis the location of the mall

ii. The population density of the mall's primary and secondary catchment

iii. The perceived impact of the above together with the travel time from these areas to the retail center

By way of an example, let's say that the travel time is about 30 minutes for an 8 km driving distance from the city center to the mall. However, the population density around the mall is very low because the mall is located far away from the city center. Then, one could have restrictions in place for not opening a competing store even up to a distance of 10-12 km. from the mall. This is a little beyond the city center on that side of the mall. On the opposite side, which is still under development one could provide a different distance parameter. Now for a mall in a prime and central location where on a 360 basis, the nearest competition or high street is not more than 5 km. away with a drive time of 25 minutes plus, then, a 6-7 km. capping may not be right. In both cases, it is better to keep the limit or threshold up to a certain landmark or major road so that the proximity limit is specific and well-defined. This may be frozen at the LOI stage itself for obvious reasons.

If the clause is mandated by a retail format when signing up in the mall, the restriction could simply be that no other store can be opened in the mall in the particular category with similar offerings e.g., services, merchandise, menu, etc. However, the terms for the same may be incorporated after also keeping the next point given below in mind.

## BUILT-IN EXIT option from the non-compete clause and issues around it?

To make the clause practical and mutually justifiable, it is suggested that an exit option may be built-in from the very start by way of an "automatic lapse" condition in the clause. As an example, there could be a cap on the number of years on the clause's applicability from the start of the mall or retail store. Then, at a particular point in time, during the lease tenure or after a certain number of years from the mall's opening, one could provide for the automatic lapsing of the clause, thus, providing the required flexibility.


Additionally, in the case of retail stores, the tenure after which another store with similar offerings could open in the mall may be determined based on a mutually acceptable ROI-based duration. Similarly, when the mall achieves a defined acceptable trading level, the lapsing of the non-compete clause could be provided for its retailers.

The above suggestion would provide both flexibility and a reasonable approach to the issue making it a win-win for all concerned. Over and above this, it is suggested that here one must make a provision in it for doing away with the clause on a mutually acceptable basis, immaterial of other considerations. In any case, the provisions of the agreement are one aspect of this, but, the resolution of an issue through an amicable discussion is always preferred by all concerned.

At the same time, the above notwithstanding, one must keep in mind that the flexibility offered must not be at cost of the clause not having enough teeth in it from an enforceability standpoint. This is because should the aggrieved party need to enforce this, then, the clause must provide that party with suitable rights together with pre-configured, strict norms and specific penal provisions. If such an important clause does not suitably empower the party needing to have it, then, there may be no point in having it in the first place. Just a mention in the agreement without the "teeth" may not help the concerned party in being able to exercise this right.

Here, it may be noted that the applicability of the restriction of the opening of a new store in the vicinity of the mall, may need to continue up to a reasonable period beyond the date of the vacation of the premises by the brand. It is suggested that a written commitment is taken from the brand as a part of the documentation done during the store's exit process. If this is not provided for, then, a brand could simply open another store in the vicinity post the end of its term or may even take a call to exit closer to the expiry of the lock-in thereby posing a business threat to the mall. In my view, the exit may only be agreed to if the basic objective of non-compete conditions is being met. This is subjective and may even sound a bit harsh but the right intent, reasonableness, and working together for mutual benefit should be core to the decision taken.

**IN CONCLUSION,** a non-compete clause can be beneficial for both mall owners and tenants if it is structured right, as it helps in protecting their respective investments, encourages stability, and helps in maintaining a cohesive tenant mix. The intent of both parties and the mutual understanding of its various aspects are key requirements. The need for having or not having the clause is also defined by the prevailing retail conditions and the extent of the existing or upcoming competition. Reasonability, enforceability, and pre-built-in exit options are as much needed as the clause itself. This clause must be properly enforceable and need to be specific and clear on its applicability. At the same time, the clause must not be restrictive, or put in because of an ulterior motive and definitely must not limit the end customer's shopping options.

The idea here is to achieve smooth sailing on the voyage of one's retail journey so that together one reaches the fulfillment of the end objectives for all concerned.

I end by quoting Mr. Ratan Tata: "If you want to walk fast, walk alone. But if you want to walk far, walk together".

## About the author

Manoj K Agarwal is an industry professional with over 36 years of Hospitality & Mall Experience. Manoj K Agarwal Consultant Partner which offers advisory services for shopping malls across various geographies & micro markets. Starting in 2021, the consultancy company already has a good number of esteemed mall clients and partners across India and growing. In the past, during the professional phase of his career, with great focus and drive, he led multiple organizations in the mall and hospitality industries to achieve phenomenal outcomes. Now as a mall specialist and consultant, he continues to partner with his clients helps them to successfully achieve desired results.

# Blog

## How has retail leasing grown so rapidly in India, and what are the main drivers of its growth?

**By Nandini Taneja, Vice President, Reach group**

The demand for retail space has been increasing, which has helped retail leasing in India experience an upward trend. According to the latest report from real estate consultant CBRE, retail leasing in 2022 rose 21% year over year to 4.7 million square feet. This growth was reflected in the strong demand from the F&B industry, hypermarkets, fashion, and apparel retailers, the report further stated. Due to rising disposable income and evolving consumer trends, both traditional and modern retail spaces are enjoying rising popularity nationwide.

With this remarkable growth, retail space in India has emerged as the world's fifth-largest destination and is further anticipated to reach an astounding value of US$ 2 trillion by 2032, as per the analysis of Boston Consulting Group. With these projections and ongoing growth, the future of Indian retail leasing looks promising. However, there is not one but a slew of factors and trends that have acted as growth drivers for the industry.

## Changing consumer behaviour

Today, higher footfall has been witnessed in malls and shopping areas across cities as a result of improved shopping and socialising habits among Indian consumers. As a result of the sharp increase in brick-and-mortar store customers, brands and retailers are compelled to increase their physical presence. These customers are currently seeking enjoyable, convenient, and immersive experiences, which encourages them to visit stores rather than make purchases online. As the footfall has surged, so has the average rental rate for the prime locations. According to a report by real estate consultants Cushman & Wakefield, high-street locations across the nation have experienced a surge in rentals of up to 50% in 2022, while malls witnessed an average rent increase of 10% YoY.

## Progress of Tier 2 and Tier 3 cities

With factors such as economic development and significant brand expansion, Tier 2 and Tier 3 cities are also propelling India's retail sector into its next stage of growth. Increased internet penetration and brand consciousness are also other factors that have created the demand for retail spaces in these regions. In order to capitalise on consumers' appetite for branded goods and access to high-quality retail infrastructure, retailers are expanding outside of the major metropolises. Additionally, tier-II cities' high-end brand spending has increased by more than 50% since the pandemic's beginning. As a result, numerous brands have been drawn to these locations because of the accessibility of large land parcels and the lower rents compared to those of larger cities.

## Quick supply of quality retail spaces

A prominent location is essential for increasing customer traffic and sales for the retailer. Metropolitan areas are the most sought-after locations for such projects, particularly Delhi-NCR, which is a centre for the retail industry due to the region's high population of locals, shoppers, and visitors from across the nation as well as from abroad. Therefore, retail space developers grabbed the opportunity to spread quality developments across these locations. The retail real estate developers are also organising themselves to cater to the ever-changing needs of consumers as well as the demands of the tenants. They are transforming themselves at a faster pace in terms of location, facilities, differentiated environments, and value-added services.

Furthermore, high street retail developments have utilised open spaces as developers have converted them into preferred locations for dining, shopping, and entertainment needs. Premium high street retail projects that offer people top-notch food and beverage, shopping, and entertainment have been introduced as well in response to the growing demand from the people. In Q4 2022, Delhi-NCR saw total leasing of about 0.36 msf, with the entertainment segment accounting for the lion's share of leasing activity in malls with a 42% share, followed by the F&B segment with a 20% share, according to a Cushman & Wakefield's MarketBeat report.

## Way Forward

The retail space in India has evolved through several phases while becoming a dynamic and rapidly expanding sector. These gains have been possible due to changing consumer behaviour, real estate developments, and further investments in the domain. High occupancy rates are being seen in retail spaces, and new records are anticipated to be set in the upcoming years as a result of the optimistic attitudes of investors, developers, and customers. As a result of the growth trend, numerous agreements and new construction projects are now underway, highlighting the growth of retail leasing in the upcoming years.

# Report

## Retail bullish with omnichannel growth

## Retail has been facing a lot of twists and turns over the last few years and now with strategic locations and omnichannel gaining prominence, a lot is on the cards for retail in terms of growth. CBRE reports.

Backed by sustained discretionary spend and a rebound in brick-and-mortar sales after the pandemic, retail consumption and recovery strengthened during 2022. As stated in our economy section previously, looming recessionary pressures have not dampened consumer optimism about their personal finances, as demonstrated by CBRE's India Live-Work-Shop Survey. It was, therefore, unsurprising that total retail sales, overall consumer spending as well as that on discretionary categories such as clothing & footwear, restaurant and hotels, recreation and cultural goods and services witnessed an annual increase of 18-35% in 202213

This strengthened recovery led to expansionary space take-up by domestic and international retailers. CBRE's APAC Retail Flash Survey 2023 has tracked stronger expansionary sentiment among retailers since mid-2022. In this survey, nearly 71% of retailers stated that they planned to expand in 2023 but would remain prudent in extending their presence in new markets. They also revealed that they would adopt a highly disciplined approach to portfolio planning as they seek to navigate economic uncertainty.

Retail performance strengthened during 2022; key categories such as fashion and apparel, homeware, and department stores on a growth trajectory

Retail demand across investment-grade malls, prominent high streets and standalone developments has grown consistently since 2020. The year 2022 reported take-up of nearly 4.7 million sq. ft., a Y-o-Y growth of 21%. Leasing activity was primarily driven by Bangalore and Delhi-NCR, with the two cities together accounting for a 60% share.

## Top five trends expected to shape the Indian retail sector in 2023

### 1. Store will remain at the heart of business operations

CBRE's India Live-Work-Shop Survey highlighted that consumer preference to shop in-store varies across product categories. Examining the products, support provided by a salesperson, real- time purchase and a layer of experience offered by brick-and- mortar stores remain some of the top reasons for engaging in an in- store shopping experience.

We thus believe that retailers will make efforts towards further enhancing this physical shopping experience. They can do so by:

- Embracing technology to create an immersive experience
- Re-engineering store layouts to facilitate clear and thoughtful communication with the customer
- Leveraging high-interest products that represent their brand
- Moving towards frictionless supply chain methods to accelerate the fulfilment needs of their customers.

## 2. Retailers will continue to carve out success in diverse locations

The challenges faced during the pandemic led many retailers to diversify in terms of location and enabled them to look beyond investment-grade malls and marquee high streets to enhance their visibility. The trend has continued to evolve since then and retailers are now creating mini retail micro-markets within small retail centres, metro stations, etc. These micro-markets house only a handful of leading brands - usually in the F&B space - and are marketed aggressively through several social media channels. Most of these brands have an existing customer base which is willing to explore locations where retailers have used innovative concepts to draw a crowd. Currently, this trend is mostly prevalent among F&B retailers, but other categories are also likely to adopt this approach to expand their footprint and existing customer base.

In a bid to diversify their location strategies further, several international brands in the F&B and apparel segments are also opening stores along expressways or highways.

## 3. Leisure spend may be constrained

Despite sticky inflation, overall consumer sentiments in terms of spending is expected to remain positive, although cautious, particularly on non-essential items. Further, the impact of any slowdown on retail sales growth and private consumption is most likely to be diluted by the festive season in H2 2023. Therefore, compared to other developed economies, Indian consumers remain confident about their personal economic situation despite the current global outlook. Although household spending has held up so far, consumers are likely to keep a close eye on the inflationary pressures and their impact on the prices of commodities going forward.

## 4. Retailers will become more active in untapped markets

Rising urban population, increase in per capita income, supply chain revamp after the pandemic and successful brand launches in tier-II, III and IV markets have led retailers and prominent developers alike to explore these emerging untapped markets. India's transition into an organized retail market would be driven by the continued growth in these cities. It would, thus, become vital for retail stakeholders to harness the economic and development potential of these cities.

## 5. Increased awareness towards sustainability

CBRE's India Live-Work-Shop Survey stated heightened environmental consciousness among several respondents - nearly 68% of early millennials and more than 60% of late millennials and Gen Z respondents expressed that their awareness regarding environmental and social issues has increased since the pandemic. However, Indian shoppers have indicated their preference for green products not only in a bid to be sustainable but also frugal as several locally sourced products from smaller/independent brands are relatively inexpensive.

CBRE believes that such sustainable practices are increasingly influencing real estate decisions of developers, investors and retailers alike, significantly affecting pricing dynamics and shaping the future of the built environment. Developers are not only promoting sustainable initiatives (recycling, waste management, etc.) across their assets but also sustainable brands. In a bid to become more sustainable, many retailers are re-evaluating sustainability credentials of their product / brand and directing their strategies towards investing in sustainable and responsible growth.

# World Alert

## Looking into value

Metro Vancouver commercial real estate owners and landlords are rethinking, redesigning and redeveloping the value offered by large regional shopping centres.

The emerging model – which makes Canada a leader in terms of mall redevelopment, according to one analyst – is an environment that integrates residential real estate with work and office spaces and recreation. This "live, work, play" concept is intended to meet the needs that have emerged following the height of the COVID-19 pandemic, said Adrian Beruschi, senior vice-president of retail at CBRE Vancouver.

Landlords of major malls in the region are sizing up the real estate available to them, such as parking lots, as opportunities to create residential and commercial projects, said Beruschi.

Foot traffic at Metro Vancouver malls remains steady, Beruschi said, with malls in urban cores experiencing softened demand compared to suburban locations, due to lower numbers of employees working out of offices in the endemic pandemic landscape.

Still, local malls recovered faster from the COVID-19 pandemic than those in other parts of Canada, said Craig Patterson, retail analyst and founder of Retail Insider Media Inc. This is in part because B.C.'s pandemic regulations were less disruptive to the economy than those imposed by other provinces, he said.

Landlords are now looking to take advantage of value in their land and high real estate prices. Oakridge Park, at the former site of Oakridge mall, is turning into a "little city," with Metropolis at Metrotown in the midst of an 80-year development plan that will create a downtown core for the city of Burnaby, Patterson said.

Canada is a leader in shopping centre redevelopments. There's no other country in the world doing this to the same scale as what we're seeing, mainly in Toronto and Vancouver. Across Canada, over half of the 30 top-performing regional shopping malls have announced plans or are currently undergoing redevelopment to add residential units to their sites, according to CBRE.

Foot traffic at Metro Vancouver malls rose after pandemic lockdown restrictions were lifted. He said this indicates that many consumers are looking for experiential retail that goes beyond online shopping.

In Vancouver, CF Pacific Centre currently makes $1,665 per square foot across 100 stores based at its downtown location, while CF Richmond Centre makes $1,227 per square foot across 191 stores, according to Cadillac Fairview's website.

Experts predicts that CF Pacific Centre and downtown Vancouver retail in general will have to compete with Oakridge Park, which already has lease deals with high-end retailers.

Another option is to extend the mall into the lower level of Nordstrom and fill the space on the upper levels with smaller retailers.

CBRE predicts that shopping centres like Guildford Village in Surrey and the Amazing Brentwood in Burnaby will see strong demand in the coming year. In addition, there will be retail deliveries in 2023 coming from The Post in downtown Vancouver, as well as the in-person shopping opportunities presented by the expansion of Willowbrook Mall in Langley.

# Nexus Ahmedabad One

## Know your Mall

# SCAI News

## SCAI Online Workshop

SCAI on 24th March, 2023 conducted a online workshop "How to Increase Ancillary Income in Shopping Malls" by Mr. Najeeb Kunil, CEO, Pioneer Property Zone Services Pvt. Ltd (PPZ). The workshop was attended by 107 participants from 44 Member Malls.