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## **An Case Study Approach for Identifying Factors Responsible for Failed Shopping Malls in India**

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### **ABSTRACT**

*Running a mall is not for the faint-hearted. It is the struggle for financial viability, customer understanding and longevity.* The troubled times for retail real estate market in India continues with as much as 160 malls performing average to poor out of a total of around 215 operational malls across top seven markets of India. Driven by a growing economy, changing lifestyles, strong income growth and favourable demographic patterns, malls in India are expanding at a rapid pace. The malls in India today are reflections of lifestyles of catchments. So in order to make a mall run successfully in today's cut throat competition, management has to provide all the possible services to the customers of all age group. And quite a lot depend on relation between tenants (small retailers) and mall management.

The present research paper attempts to find out the failed strategies or problem areas of shopping malls in India. In order to understand and evaluate the above objective, researcher takes five case studies of failed malls such as Fort Knox Mall (Kolkata), Star City Mall (Mayur Vihar, East Delhi), Centre Stage Mall (Noida), Vasant Square Mall (Delhi) and Ashoka Metropolitan Mall (Hyderabad). It can be concluded that common problem of all these Indian malls are wrong tenant-mix strategy and unavailability of fun and entertainment facilities. Other reasons for failure of these malls are lack of focus on customer services, lack of zoning, lack of capability in retaining the anchor stores, higher vacancy rate etc. After the analysis of the study, researcher suggests that both mall management and tenants should work together and offer the customers a complete experience which includes a good variety of products, a good number of eating outlets and attractive fun & entertainment of all age's customers.

**Key Words:** *India's Retail sector, Modern Retail, Shopping Mall, Problem Areas, Failed Strategies*

## **I) Introduction**

*Setting up an organized or modern retail, especially mall is the easy part. Making it work is what really tests the management skills of an entrepreneur.* It is not a business for the faint-hearted. Experts and mall-runners across the country suggest that no more than a fourth of the malls in India make money. As many as half of total malls have shut down or remodeled themselves into office blocks, cinemas and even hospitals.

The size of India's retail market is estimated to be 31 trillion Rs. in 2013-14, with a CAGR of 15% over the last five years. It is predicted to grow to 55 trillion Rs. in 2018-19, and out of that, organized retail or modern retail sector is projected to be 5.5 trillion Rs. [KPMG (2014)]. Shopping Mall development is a direct function of the health of the country's organized retail and the real estate sector in general. Shopping mall means group of number of small and big independent retail stores doing business in malls in different formats (such as department store, hypermarket, supermarket, specialty store, restaurant, multiplex etc.). The occupancy and success of a mall is largely depending on several factors, mainly the relation of tenants (small retailers) and mall management. There are handfuls of successful malls in India due to their adoption of proper strategies in their respective malls. For instance, Select CityWalk is number one with sales of Rs 2,750 per square foot per month, followed by High Street Phoenix does about Rs 2,200 and Express Avenue, about Rs 1,400. Most good malls do business of Rs 900-1,500 per square foot. If mall does Rs 1,500, it is considered to be very good (Kamath R., 2015).

But real problem is emerging of many unsuccessful malls in India. In fact, a significant percentage of these unsuccessful malls are owned by real estate players with no understanding of running run this business. Out of the 90 operational shopping malls in the national capital, barely 12 are running successfully even as the region is the 'mall capital of India', according to property consultant JLL India. In contrast, Mumbai has about 45 malls and out of which only 10-15 are good performing malls. The troubled times for retail real estate market in India continues with as much as 160 malls performing average to poor out of a total of around 215 operational malls across top seven markets of India (JLL, 2015).

**Table 1: City-wise Comparison of Successful vs. Unsuccessful Malls**

City	Good Performing Malls	Average and Below Average Performing Malls
Mumbai	10-15	25-31
Pune	5	3
Kolkata	6	9
Chennai	5	5
Hyderabad	4	2
Bangalore	7	27
Delhi	12-13	75-83

**Source:** JLL (2015), <http://www.vccircle.com/news/real-estate/2015/05/19/just-one-out-every-four-retail-mall-india-doing-good-business-jll-india>

***Impact of E-Commerce (Online Shopping) on Shopping Malls in India:***

As malls were busy riding the wave, around 2007-09, e-commerce made an entry - a dramatic and promising one. The online shopping segment in India has since enjoyed a steep gradient. According to a research report by Internet and Mobile Association of India, over the past few years, the e-commerce sector has had a CAGR of almost 35 per cent, from 3.8 billion USD in 2009 to 12.6 billion USD in 2013.

Given the high growth rate of e-commerce, retailers are certainly feeling the heat. This is found more so in the case of certain product segments. The books segment was the first one first to get affected then followed other segments like music, mobile phones and white goods. While in the case of apparels, experts point that currently only low cost apparels are being purchased online. According to experts, the next wave of segments to get hit comprises consumer durables, home furnishings and fashion jewellery. While previously, people purchased only low value and physically small to mid-sized items online, today they shop for all sorts of items, be it furniture or television sets.

**II) Review of Literature**

This section outlines the review of literature on strategies of International malls and Indian malls.

**Studies on Strategies of International Malls:**

In this study, Brown Gordon M. (1999) compared interior public space of failed Beau Mondes Mall with that of the nearby successful Tamarac Square Mall and then revealed the problem of

design strategy as cause of the failure of Beau Mondes Mall. He concluded that for a shopping centre to work top-down, convex core must be continuous. That means common space must be simple, continuous and strongly connected which was present in case of Tamarac Square Mall. But in Beau Mondes mall, there were different connectivity of common space i.e. highly fragmented. In this case, Urban Land Institute (2002) provided a basic design diagram of the spatial elements of a typical regional shopping centre, making different zones within the common spaces. It was suggested that mall structure from the inside should be made in such a way that it ensure equal distribution of footfall in the entire space of mall and benefit all the tenant stores present in the mall, not only those who can afford the prime location in the mall. Wrong placement of anchor stores was found out to be one of the problem areas of many malls. In this case, Urban Land Institute (1999) showed that the existence of two anchor stores in shopping centre, each placed at an end of the centre is typically considered best strategy so that they would attract footfalls throughout the shopping centre. Jobber (2001) revealed factors that could be important in strategy of building successful shopping centre brands: 1) Being first; 2) Quality; 3) Positioning; 4) Repositioning; 5) Long term perspective; 6) Internal Marketing; 7) Credibility; and 8) Well-blended Communication.

#### **Studies on Strategies of Indian Malls:**

Celadon Real Estate (2009) identified the failed strategies of Eastern mall of Mumbai (50,000 sq. ft.) which started functioning in 2005 but closed down its business in 2008 due to following reasons:

- No proper tenant-mix and lack of zoning in the mall are the major reasons for the mall failure.
- Because of non-business, tenants were leaving the mall frequently and thereby creating much vacant space.
- Not adequate parking, lack of events & promotions, no focus on customer service etc. are the other reasons for this mall failure.

Celadon Real Estate (2009) also analysed the problem areas of V Mall, Mumbai (Area 170,000 sq. ft.) which commenced its business in the year 2006 but has been facing lots of challenges at present:

- Much of the space was sold out to multiple individual investors, so there was no single ownership and thereby no proper mall management.
- Vacancy rate was more than 50 % in 2009.
- Has footfall only on Saturday and Sunday.
- Space was sold for office purpose due to unavailability of retailers.
- Lack of events and promotion was also one of the important reasons for the failure.

In several cases, wrong tenant-mix was also found out to be the reason behind unsuccessful malls. In this case, Dahiya Vivek (2008) carried out a detailed study of 10 malls in Delhi to evaluate and show the right tenant mix in those malls. The study found out tenant mix in Delhi malls as follows: (1) Apparels - 33%; (2) Accessories (Bags, Footwear, etc.) - 18%; (3) Eating Out -16%; (4) Home Solution/Furniture - 8%. (5) Jewellery, Watches, Optical - 7%; (6) Health, Fitness, Beauty - 6%; (7) Departmental Stores - 4%; (8) Electronics - 3%; (9) Books, Music, Stationery - 3%; and (10) Fun and Entertainment - 2%.

Patel Vipul (2008) conducted a survey in shopping malls located in Ahmedabad city of Gujarat in May 2007 and sample included 128 active mall shoppers. The study was done to find out the decision-making styles of Indian customers in shopping malls and to analyse the variations in these styles across different demographic variables. It was revealed that the average Indian customers, out of the samples taken, were not very brand conscious, but they were quite price and quality conscious. This study also revealed that single consumers were more price conscious than married consumers. Young consumers between the age group of 11-20 years were most recreational in their shopping than other consumers. Mehta Sandhya (2006) studied the preferences and shopping habits of 120 residents of Ludhiana city in Ansal Plaza Mall. The study revealed the ranking given by the sample people to the features of the mall in the order of preferences: Shopping experiences, Eating Joints, Entertainment, Apparel section, Jewellery, Music and Book section, Grocery section, Reasonable prices, Decoration items and Beauty salons.

### **III) Objectives of the Study**

Following are the objectives of the study.

- to find out the common factors of failed shopping malls of India.
- to give suitable suggestion and recommendation on the basis of the study.

### **IV) Scope of the Study**

For the purpose of identifying common factors of failed malls, researcher takes five case studies of failed malls of India such as:

**Case One:** Fort Knox Mall, Kolkata

**Case Two:** Star City Mall, Mayur Vihar, East Delhi

**Case Three:** Centre Stage Mall, Noida

**Case Four:** Vasant Square Mall, Delhi

**Case Five:** Ashoka Metropolitan Mall, Hyderabad

### **V) Limitation of the Study**

The present study has some limitations like:

- It is restricted to only five shopping malls of India.
- Geographical condition and Government rules of these malls may be different from other shopping malls.

### **VI) Research Methodology**

This research study is mainly based on secondary method of data collection such as India Retail Report by Images, malls websites etc. All the data and information are properly classified and arranged in tabular form for the purpose of this study.

### **VII) Analysis and Interpretation**

**Table 2: Case 1 - Fort Knox Mall, Kolkata**

<b>Description of Malls</b>	<b>Failed Strategies and Problem Areas</b>
<b>Beginning Year:</b> July 2006 <b>Total Mall Area:</b> 85,907 sq. ft <b>Mall (Retail) Area:</b> 42,689 sq. ft <b>Total Floors:</b> 9	<ul style="list-style-type: none"><li>• No proper zoning: (G + 4) floor for retail (Jewellery) (5 + 6 + 7) floor for commercial use (8 + 9) floor for food court and entertainment zone.</li><li>• Problem of closed shops (out of 40 shops only 17 shops operational).</li><li>• Lack of liveness and promotional events</li><li>• Growing dissatisfaction among retailers over the accountability of the management.</li><li>• No good relationship between retailers and developers.</li></ul>

**Table 3: Case 2 - Star City Mall, Mayur Vihar, East Delhi**

<b>Description of Malls</b>	<b>Failed Strategies and Problem Areas</b>
<b>Beginning Year:</b> 2007 <b>Developed by</b> Mahatta Towers Pvt. Ltd. <b>Total Land area:</b> 1.5 acre <b>Total Mall Space:</b> 250,000 sq. ft	<ul style="list-style-type: none"><li>• Developer sells much of the mall space to individual investors.</li><li>• There is no mall management company or in-house operation team for managing the overall mall.</li><li>• No proper tenant-mix and lack of zoning.</li><li>• Only one anchor store i.e. Reliance Retail with 40,000 sq. ft., which also leaves the mall because of no business.</li><li>• Other problems such as no theatre, no kids play area, not proper food court, no big brands etc.</li><li>• At present, Star City is reduced to a building that offers office space and banquet halls for functions.</li></ul>

**Table 4: Case 3 - Centre Stage Mall, Noida**

Description of Malls	Failed Strategies and Problem Areas
<p><b>Beginning Year:</b> September 2003  <b>Developed by</b> Wave Inc. (formerly known as Chadha Group)  <b>Total Mall Area:</b> 350,000 sq. ft  <b>Total G.L.A:</b> 256,000 sq. ft</p>	<ul style="list-style-type: none"> <li>• Almost 80% of mall space is sold out to various investors.</li> <li>• Due to multiple owners, there is problem of maintaining the mall.</li> <li>• Strong competition from the nearby Great India Place mall (1.5 million sq. ft. area mall, opened in 2007). E.g. Centrestage offers Westside as the big dept. store, but Great India Place offers stores such as Lifestyle, Pantaloon, Shoppers Stop, and Marks &amp; Spencer.</li> <li>• Lack of footfalls and as a result, retailers leave the mall and open stores in Great India Place mall.</li> <li>• Mall, at present, is reduced now to convenience mall with people visiting there only for specific purpose.</li> </ul>

**Table 5: Case 4 - Vasant Square Mall, Delhi**

Description of Malls	Failed Strategies and Problem Areas
<p><b>Beginning Year:</b> May 2008  <b>Developed by</b> Suncity Projects Pvt. Ltd.  <b>Total Mall Area:</b> 250,000 sq. ft  <b>Total Floors:</b> 4</p>	<ul style="list-style-type: none"> <li>• This mall doesn't have a cinema hall or multiplex, which help to increase the footfalls in the mall.</li> <li>• No major anchor stores except Big Bazaar</li> <li>• Rentals move up from Rs 80/sq ft in 2005 to Rs 350/sq ft in 2009 but business of mall doesn't, so many retailers move out of the mall.</li> <li>• Higher vacancy rate i.e. 40 % in 2009.</li> <li>• Due to lack of retailers, mall space is given to office purpose and commercial ventures such as banks etc.</li> <li>• No events and promotion in the mall is also the weakest area of the mall.</li> </ul>

**Table 6: Case 5 - Ashoka Metropolitan Mall, Hyderabad**

Description of Malls	Failed Strategies and Problem Areas
<p><b>Beginning year:</b> 2008  <b>Developed by</b> Ashoka Developers &amp; Builders Ltd.  <b>Total Mall Space:</b> 200,000 sq. ft</p>	<ul style="list-style-type: none"> <li>• Lack of clutter free approach to the mall (as it is situated at the junction).</li> <li>• Highest vacancy rate i.e. 60 % in 2009.</li> <li>• Not proper tenant-mix.</li> <li>• Poor ambience.</li> <li>• Anchor stores Pantaloon and Spencers leave the mall citing the reason of design problem in the mall.</li> <li>• Lack of focus on marketing promotion and events in the mall.</li> </ul>

**VIII) Conclusion**

It can be concluded that common problem of all these Indian malls are wrong tenant-mix strategy and unavailability of fun and entertainment facilities. Few of the malls even do not have a theater or multiplex which helps to attract the maximum footfalls in the mall. It is also observed that few malls have sold out the mall space to the individual investors and thereby facing the problem of overall mall management. Events, marketing and promotions are not organized frequently in all these malls. Other reasons for failure of these malls are lack of focus on customer services, lack of capability in retaining the anchor stores, higher vacancy rate etc.

In some cases, even a prime location does not help. For instance the success of both Phoenix and Select is in sharp contrast to the failure of malls around it. The fault lies with the way

the malls are managed. For example, MGF Metropolitan is sold out but Select City Walk is fully leased which has made all the difference. The mall owner must be involved in its running say consultants. It is important for owners to be active in brand building and promotion. This is the key to its survival. In contrast, Atria, another mall in South Mumbai, saw a third of its stores closing down due to poor management and tenant mix. The successful malls also ensure a judicious mix of brands on their properties.

Lack of zoning is also found to be the major problem area of malls. Zoning in malls is done with practical consideration and catchment analysis. Brands that complement the particular zoning is given preference while leasing. In other words, all retailers (or tenants) of related product categories is placed in close proximity, so as to give variety to the customers. For instance, Select City Walk has maintained a reasonable proportion of apparel, food, cosmetics, and entertainment brands on different floors. In addition to zoning, hospitality services is also needed in today's scenario which help to attract the people not only from other cities or states of India but from outside the country also. Other successful strategies of the malls are clear target segment, regular events and promotions, 100% leasing, adopted successful revenue model and adequate fun, gaming and entertainment facilities.

### **IX) Suggestions**

Nowadays, every customer seeks two major benefits from the shopping in the mall. First is overall experience in the mall and second all variety of goods under one roof. Individually, both mall developers and tenants (retailers) cannot meet the expectation of the customers satisfactorily. So, both mall developers and tenants should work together and offer the customers a complete experience which includes a good variety of products, a good number of eating outlets and attractive fun & entertainment of all age's customers. Malls in India should understand that mall management does not mean only facility management but also generally comprises operation management, marketing management, accounts management and customer service. It is normally a blend of services that factor in people, place, process and technology in a particular building.

To connect with the people of the catchment, Malls in India should have community program also which should engage them in meaningful, qualitative and socially relevant exercises such as People living around the In-Orbit Malls in Mumbai, can attend free workshops on varied interests like self defense, calligraphy or fruit carving, or showcase their talents in performing arts or even take a brisk morning walk at 6.30 am. Its parking and toilets are also functional at this time to provide people a safe place for green and clean space. The promoters of Vashi Mall, Mumbai at early morning have introduced a free bus service to pick up and drop customers in and around Navi Mumbai. Another Chennai mall, City Centre, offers valet parking and an air

conditioned waiting area for customers' chauffeurs with water, magazines and toilets. Moreover, malls are trying to connect with their consumers on the emotional level via experiential marketing and activation-based campaigns. Recent examples of mall activations include the Clown Festival by Select Citywalk (Delhi); the Biryani Festival by City Centre Salt Lake (Kolkata); a painting competition by AlphaOne (Amritsar); Onam celebrations at Lulu International Shopping Mall (Kochi); a football carnival at Orion Mall (Bengaluru), and intermittent celebrity visits at High Street Phoenix Mall (Mumbai). These programs add value to the local peoples' life and create a positive image in the minds of the people that the mall cares for the community which ensures loyal customers and thereby bring long term success to the mall.

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