

Today, food and beverage outlets at shopping malls have become venues for social and economic interaction



F&Bs the new anchor tenants at malls

- **Consumer** behaviour studies point to the need to socialise and be experiential, making F&B outlets no more just an add-on
- **Increasing** the number of F&B outlets is a costly affair as one has to plan, design, develop and manage the mall for stakeholders



Guest writer
by **Anthony Dylan**

EXPERTS say the food and beverage (F&B) component in the tenant mix of shopping malls has reached 30% of the net lettable area.

However, raising the percentage of F&B outlets must be carefully thought through as it is a costly exercise.

The tenant mix of shopping malls today is vastly different from what one would have previously grown accustomed to.

In the late 1980s, shopping malls targeted consumers who yearned for a comfortable yet convenient place to shop.

Brands were mainly highly regarded local names or those unique to shopping malls.

F&B offerings were merely an add-on to the mix of predominantly fashion, daily goods, and services.

At the time, restaurants and snack shops were few and would only make up just 10% of the retail space.

Fast forward to this year, and you find shopping mall experts saying that the F&B component

has reached 30%.

Many say this is due to the experiential effect demanded by hard-to-please consumers who are now called customers and guests.

Some within the shopping mall and retail industry claim the F&B mix may even reach 40%.

This, they claim is possible as the sector has strong growth in franchised or licensed openings and independent, homegrown, or regional brands.

Tenant mix

Everyone seems to believe that the key to making a shopping mall attractive is to have a tenant mix that can adapt with the times.

Some claim customers have a need to socialise and be experiential. This comes in the face of technological advancements in studying consumer behaviour.

Based on global reports, Singapore has shopping malls where F&B outlets are over 30% and reaching 40% of the net lettable area, and that the category is a must and no more discretionary.

In Europe, the figure is about 13-15%, while in the Middle East and Hong Kong, it is as much as 25%. The reports show a strong upward trend.

In Malaysia, if you look at the once-in-five-years statistics of

household expenditure in 2014, one would find that restaurants and hotels take up to 13% of the monthly household expenditure.

Food and non-alcoholic beverages take up to 19% while alcoholic beverages and tobacco account for 3.5%.

Together, it seems that up to 35.5% goes into something to eat, drink or smoke, apart from other incidental expenses at hotels.

Changing the tenancy mix provides a unique challenge to shopping malls. In the context of an existing shopping mall, the main issues would be the requirements of mechanical and electrical (M&E) provisions.

Most existing shopping malls

have had their load calculations done during the early years of construction. They would not have anticipated a huge increase in F&B operators.

Acceptable percentage

The concern is on the availability of power supply, possible routings for waste pipes, incoming water, water tanks in case of supply disruption and exhaust and fresh air requirements.

New shopping malls may have an advantage in designing placements and layout, but they need to cap the percentage to an acceptable level. And what will it be?

It is hard to determine an exact percentage, but many have advised against creating a giant food court. The key is to have just enough to ensure that variety and pricing are kept affordable for the target demographics being served.

As new shopping malls are typically more expensive to build, the yield or capitalisation becomes another challenge.

F&B tenants pay much less than fashion tenants. Large homeware stores, cinemas, gymnasiums and department stores are likely to be the others in

“What is required is the understanding of which F&B outlets create the biggest impact to act as a collective anchor.”

Tropicana City Mall added an extension of four double-storey lots on a vacant lot on their property last year. It is one of the ways malls have expanded their F&B offerings



commercial structures that take up large spaces.

Having M&E and structural requirements to house more F&B tenants will add to the cost of a new shopping mall or the retrofitting costs of an existing one.

Nonetheless, the investments are made in the belief that such tenants will be the next anchor.

Yet, the belief is a double-edged sword as the typical consumer, customer or guest has only one stomach.

He will carefully choose what to eat in a shopping mall. The abundance of F&B which look the same, albeit with different branding, don't not help much.

What is required is the understanding of which F&B outlets create the biggest impact to act as a collective anchor.

Costly affair

Long ago, food courts were a must have anchor. The phenomenon became less obvious in the 2000s as many did not do well due to pricing and variety.

Most food courts then were extremely large, with some taking up to 40,000 sq ft. Today, they are between 15,000 and 25,000 sq ft with 12-20 stalls offering distinctive food.

It is important to understand that the tenant mix in a shopping mall revolves around the merchandising mix. This defines variety, while the tenant mix defines the best operators for each of the latter's categories.

The sudden buzz around increasing F&B percentages at shopping malls is a costly affair as you have to plan, design, develop and ultimately manage the mall for stakeholders.

Understanding the community that the mall serves is also vital. One must not start designing a giant food court but look further than the tenant mix.

Consider the merchandising mix, and professional management and marketing as investments in branding.

It is important to provide the right ambience as well. Ample car parks and interactive social and communal spaces drive more footfall and grows sales.

Today, a shopping mall is a venue for social and economic interaction. It is not just a place for commerce, but a hospitable and communal space. Happy people make happy customers!

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