

Looking at oversupply of malls objectively

- **Issue of oversupplying retail space should not be solely interpreted from the macro-scale perspective**
- **The average occupancy rates are 85.2% and 86.2% for KL and Selangor respectively**

Guest writer
by **Eddy Chen**

WITH over 600 existing shopping malls and more in the pipeline, especially in Johor where total retail space will be at least 50% more by end-2018, the outlook at first glance may look gloomy.

There is no doubt that some developers may have been overly enthusiastic in capitalising on shopping malls, but the issue of oversupplying retail space should not be solely interpreted from the macro-scale perspective.

In fact, when zooming down into the micro-scale level, such as the sub-district level, one may find there are areas within the Klang Valley region which are either overdeveloped or under-served in the provision of retail centres.

For example, in the Kajang/Cheras area, the retail space per capita is as low as 2.8 sq ft; which is far below the national figure of 4.9 sq ft.

Other places with moderately low retail space per capita include Semenyih (5.3 sq ft); Puchong (5.4 sq ft); and Rawang (5.5 sq ft).

Low shopping mall density along with high population density as well as high consumer spending growth point to the strong development potential in these areas (*See table*).

On the reverse side of the picture, there are, of course, places with relatively higher retail space per capita, such as Shah Alam (9.2 sq ft); Damansara (8 sq ft); Subang Jaya (7.1 sq ft); and Bandar Kuala Lumpur (71.6 sq ft).

While it is unfair to make a sweeping statement to say that there are too many shopping malls in Malaysia, there is no denying that there are challenges.

Malls must ride on the opportunities to transform to meet lifestyle changes that come with this new revolution. Industry practices will have to adapt to these changes which is growing at a seemingly exponential rate for malls to meet new needs.

Occupancy rate

The number of malls notwithstanding, there has been some concerns over the occupancy rate of shopping malls, especially in the Klang Valley region, Johor, and Penang.

However, past records have shown that the occupancy rates of shopping malls are rather consistent, and for those located in Kuala Lumpur and Selangor, their performances are even better despite the ample number of incoming supplies and competition.

The average occupancy rates were both 85.2% and 86.2% for Kuala Lumpur and Selangor, respectively, between 2010 and 2017, which have been more stable than other states.

Nevertheless, the concern on glut should not be overlooked. Strategic planning and proactive management are key factors to the success of shopping malls, especially in this challenging market climate.

The mall and retail business are highly dynamic and interactive in nature, and temporarily freezing the issuance of licences



Shoppers entering the Pavilion Shopping Mall in Kuala Lumpur. Malls in KL and Selangor have generally performed well despite the ample incoming supply and competition

for new shopping malls, just for the sake of curbing the oversupply of retail space flooding the market, may not be a sustainable solution.

Instead, it is vital for any future development to be built on a foundation of meticulous market research, to ensure the type, form, scale, and profile of retailing that matches the requirements, habits, preferences, and affordability of the primary target market in the specific locality.

A successful shopping mall requires a matured and strategic location with a large population catchment area. Therefore, more attention should be paid on how to attract more shoppers and cultivate a loyal clientele, because opportunities always exist for those who are able to adapt to consumption trends, stemming from the needs of the market, the evolving infrastructure, changes in patterns of consumption and lifestyle of consumers.

At the end of the day, the prospects for well-positioned and well-managed retail malls remain bright, while the poorer one will struggle.

Like every industry, the performance of the mall and retail industry is directly impacted by

the country's economy. When the economy is good, consumers will buy more, and likewise, consumers will stay cautious when our economic outlook remains weak.

Therefore, a robust national economy will certainly help to energise the retail industry. To-date, retail sales were reported at RM113.47 bil in September.

This records not only an increase from the previous number of RM111.76 bil for June, but also reached an all-time high of retail sales since it marked the lowest record of RM57.48 bil in March 2010.

Growing affluence

Other major trends that would help boost the retail industry are the increase in affluent urban population and the tourist traffic.

The growing affluence of Malaysians is evidenced by the obvious changing patterns of household spending on basic necessities (comprising of essential categories, such as food consumption at home, clothing, rent, and utilities) and expenditure on discretionary items (such as restaurants and hotels, communication as well as recreation and culture).

The share of expenditure on

discretionary items has increased relative to spending on basic necessities.

When the information on consumption patterns are cross-checked with the locations of existent shopping malls, one may find that the Klang Valley has the highest pool of affluent urban population and about 44% of Malaysia's shopping malls are located in this region.

This is why the future of the retail industry, especially in highly urbanised areas, is promising. Furthermore, in tandem with the development of the country's tourism industry, Malaysia has been branded as one of the Asia's top shopping destinations, alongside Singapore.

Merchandise mix

Shopping malls' relevancy and connectivity to consumers is important as it determines whether a mall will thrive or become obsolete.

Visit most of the shopping malls today and one will notice an increasing number of businesses that incorporate value-added elements attempting to drive foot traffic, such as sky parks, concerts, arts centres, spas, fitness clubs, and movie theatres.

Regional malls in Malaysia are usually fashion-oriented with the average trade mix of fashion 40% and food & beverage (F&B) up to 30%. There may be online shopping for merchandise but not for the F&B experience, so it is essential to integrate retail with other components so as to be sensitive to market demands.

Malls in the future will become increasingly people-centric, whereby shoppers can socialise with an essential host of amenities which are more exclusive and customisable that can never be satisfied online.

Realising that e-commerce activities continue to grow and increase, shopping malls in future are more likely to become a distributing channel whereby people can apply the techniques of master craftsmen to experiment, develop, manufacture and commercialise their products.

No longer are malls primarily about shopping, but shifting the function of stores towards the provision of a platform for empowering shoppers.

In view of the existence of a digital population with more than 20 million people, and the potential growth of the country's e-commerce industry, shopping malls should extend their relationships with customers through compelling content and creating deeper bonds with them.

In the face of the current and future considerable challenges, shopping malls need to seek for opportunities to stay relevant, drive growth, and boost efficiency.

Malaysian shopping malls have progressed from local to global in an outstanding feat since more than three decades ago but we always need to relook, rethink, and reconsider continuous enhancement of the shopping experience. **FocusM**

Tan Sri Eddy Chen is the president of Malaysia Shopping Malls Association (PPK)

Retail space per capita for selected towns in the Klang Valley region

DISTRICT	TOWN	POPULATION	RETAIL SPACE (SQFT)	RETAIL SPACE PER CAPITA
Hulu Langat	Kajang/Cheras	708,200	1,995,446	2.8
	Semenyih	92,491	493,805	5.3
	Ampang	356,300	2,449,629	6.9
Petaling	Petaling Jaya	520,698	2,713,022	5.2
	Sungai Buloh	575,800	224,739	0.4
	Shah Alam	481,654	4,439,176	9.2
	Subang Jaya	708,296	5,054,667	7.1
	Seri Kembangan	150,000	1,164,213	7.8
	Damansara	555,700	4,473,104	8.0
	Puchong	400,000	2,168,906	5.4
Klang	Klang	879,867	5,801,134	6.6
Gombak	Rawang	120,447	666,296	5.5
Kuala Lumpur	Mukim Kuala Lumpur	406,500	991,323	2.4
	Mukim Petaling	359,700	1,597,687	4.4
	Mukim Setapak	334,700	2,676,241	8.0
	Mukim Batu	383,200	2,746,002	7.2
	Mukim Ampang/Ulu Klang	79,300	487,486	6.1
	Bandar Kuala Lumpur	286,700	20,513,551	71.6

Source: DOS, NAPIC