

The ever-changing landscape of Malaysia's mall industry

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Malaysia's shopping mall industry has evolved significantly over the past five decades. Through astute and perceptive transformations, shopping malls in Malaysia have become more than just retail spaces - they are now multifaceted venues catering to diverse consumer needs and experiences. They serve as community hubs, social spaces and cultural showcases, reflecting Malaysia's unique identity in the global retail landscape.

Retail remains a major contributor to Malaysia's GDP, driving economic growth through job creation, consumer spending and support for related industries like logistics and hospitality. According to Statista, Malaysia's retail trade sector contributed approximately 8.6% to the country's GDP in 2023. The sector also plays a pivotal role in shopping tourism, attracting international visitors and boosting the economy. Malls have become vital in integrating traditional retail with entertainment, dining and other lifestyle elements to provide holistic experiences for locals and tourists alike.

While the outlook for the mall industry is promising, it remains highly competitive. With an average occupancy rate of 78% as reported by the National Property Information Centre (Napic) for the first half of 2024, shopping malls in Malaysia are adopting innovative strategies to enhance performance. To remain relevant and meet evolving consumer demands, malls are focusing on niche markets and target audiences while emphasising experiential shopping to drive footfall and sales. This shift toward diversification reflects a broader understanding of consumer behavior and the importance of staying ahead in a saturated market.

Challenges persist

In 2024, the mall industry faced four key challenges impacting retail across economic, consumer, technological and political fronts:

- **Economic challenges:** Rising operational costs and fluctuating consumer spending patterns posed significant hurdles, forcing malls to optimise their offerings while maintaining profitability.
- **Consumer challenges:** Shifting preferences demanded personalised, eco-friendly and value-driven shopping experiences that require a rethinking of traditional retail models.
- **Technological challenges:** Embracing digital transformation became essential to enhance operational efficiency and customer engagement in a rapidly evolving landscape, making technology a core enabler of mall success.
- **Political challenges:** Geopolitical

uncertainties and brand boycotts disrupted supply chains and affected business performance, adding layers of complexity to an already volatile environment.

These challenges underscored the need for agility and innovation to maintain competitiveness in a dynamic environment. Addressing these challenges effectively requires malls to not only respond to current demands but also anticipate future shifts in the retail landscape.

Key drivers shaping the retail landscape

Building on these challenges, five key consumer behavior trends are expected to shape the retail landscape in 2025:

1. **Urbanisation:** Increasing urbanisation is driving demand for integrated lifestyle experiences. Urban consumers seek spaces that seamlessly blend shopping, dining and entertainment, while also accommodating smart living and pet-friendly environments. This trend underscores the need for malls to evolve as multifunctional spaces that cater to diverse lifestyles.
2. **Expanding middle class:** The growing middle class, with its rising disposable income, demands quality, variety and premium offerings. This segment aspires to higher living standards, creating a burgeoning market for affordable luxury and experiential retail. Retailers and mall operators who target this demographic with tailored offerings stand to gain significantly.
3. **Growing single population:** Younger demographics, particularly singles, are reshaping consumption patterns. This group values convenience, social engagement and unique experiences, increasing demand for personal care, dining, travel and vibrant mall environments. They prioritise malls that align with their desire for self-expression and individuality.
4. **Shift to offline shopping:** Consumers are gravitating back to brick-and-mortar stores for tactile and immersive experiences that online platforms cannot provide. Retailers are blending technology with physical store offerings to create engaging omnichannel journeys, leveraging innovations like augmented reality and in-store digital displays.
5. **Sustainability consciousness:** Growing awareness of environmental and social issues is influencing consumer preferences. Shoppers increasingly favor malls and brands that demonstrate

eco-friendly practices, support local communities and contribute to sustainability. This trend also opens avenues for partnerships with green initiatives, further reinforcing the role of malls in shaping a better future.

These trends highlight the importance of innovation and adaptability for malls to meet evolving consumer expectations. Malls that proactively address these dynamics can position themselves as leaders in a competitive market.

Opportunities in shopping tourism

Though the industry is predominantly driven by domestic consumers, significant opportunities lie in leveraging tourism, particularly with Visit

Malaysia Year 2026 on the horizon. Shopping tourism is set to spotlight Malaysia's rich cultural diversity, offering unique experiences that differentiate the country from its competitors.

Malaysia's multiracial society and cultural heritage present a unique proposition for festive tourism, allowing visitors to immerse themselves in vibrant celebrations and traditions. Shopping malls play a pivotal role in this domain, often investing heavily in elaborate festive decorations and events that showcase Malaysia's multicultural essence.

From the vibrant reds of Chinese New Year to intricate ketupat displays for Hari Raya Aidilfitri, colorful kolams for Deepavali and dazzling Christmas ornaments, these decorations are more than aesthetic—they reflect the cultural soul of each festival. Coupled with special performances, curated shopping experiences and themed activities, malls create festive atmospheres that resonate with locals and tourists alike.

By integrating festive tourism into shopping tourism, malls enhance the retail experience while positioning Malaysia as a unique destination where culture meets commerce. This approach strengthens the success of Visit Malaysia Year 2026 and solidifies Malaysia's reputation as a vibrant global shopping destination.

Collaboration for a resilient future

PPK Malaysia firmly believes in the importance of collaboration with industry stakeholders, including government agencies, tourism boards, retailers and associations, to drive the mall industry towards

sustainability, resilience and progress. This collaborative spirit is essential for ensuring that Malaysia's malls not only adapt to current challenges but also thrive in an ever-evolving retail environment.

As Malaysia continues to navigate its dynamic retail landscape, the industry's ability to adapt to challenges, embrace innovation and leverage cultural strengths will determine its success in the years to come. By staying ahead of trends and focusing on holistic growth, malls can continue to serve as vital economic and social pillars for the nation.



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