

6 December 2021

RETAIL BUSINESSES IN MALLS – Doing It Right

This is a joint statement by the following associations:

- Persatuan Pengurusan Kompleks Malaysia (PPK) – Malaysia Shopping Malls Association
- Malaysia REIT Managers Association (MRMA)

Apart from location, location, location, the fundamental key to the success of a shopping mall is to position the mall to serve the immediate community first, thence the wider region and wherever available, the tourism industry.

The curation of a successful mall is both a science and an art. The merchandise and service offerings must match the needs and wants of the shoppers for the mall operators' businesses to be sustainable and profitable. Therefore, the matching of tenant mix and brand mix and pricing spectrum to meet the expectations and standards of the shoppers are critical ingredients for a successful mall operation.

Another important criterion is the need to cluster different trades and services to achieve critical mass and synergy that reinforce and mutually support the players within such a cluster. Clusters within malls such as luxury fashion, masstige fashion, F&B, entertainment zones are functioning examples.

The selection of retailers is based on fit and match of merchandise, brands and service. Strong brands, both local and international, have indeed more bargaining power to demand conditions such as brand-mix and tenants allowed in a cluster.

Many tenants of established brands are franchisees. Thus, many entrepreneurs bid for a franchise to leverage on the attraction and strength of the brand(s) to be selected.

Neither race, religion nor class of any retail candidates matters at all. What critically matters is that the merchandise and services being offered are able to accommodate and match the needs and wants of the market (shoppers) and to fit the brand-mix and the tenant-mix within the respective cluster so that there is no anomaly or incongruity.

It is important for retailers to understand that businesses need medium to long term to nurture, and to constantly evolve to meet continuous changes and challenges in the market place. In shopping malls and retail, the only constant is change and adaptation where businesses who are quick to react to market trends will be able to sustain themselves and succeed. While a solid financial foundation is important, it is noted that many business failures are due to insufficient understanding and adaptation, and the lack of perseverance, dedication and hard work, particularly during the current challenging times.

The retail industry is facing critical challenges now in the post-lockdown era

The shopping mall and retail industry has been deeply impacted and many are struggling to revive and recover from the pandemic lockdowns. The pandemic has accelerated the adoption of on-line shopping and retailers and mall operators alike have to adapt and facilitate online shopping within their services in order to be sustainable.

However, the industry is confident that shoppers will return to the mall for more experiential shopping, socialising and outings and for entertainment and F&B for fun and camaraderie.

Forced location and mis-fitting retailers in the shopping mall and retail industry without in-depth considerations will not only disadvantage and burden the recipient but will harm the entire synergistic structure of the retail cluster.

It will be more positive and progressive for the government to provide the requisite assistance to prepare the candidate for the retail business and equip him with the necessary knowledge and management skills before embarking into the venture.

To give a head start, the government could acquire franchises of established brands and more importantly, match these with suitably trained and qualified candidates with the correct aptitude and business acumen.

The sought after brand will thus fit into the brand-mix and tenant-mix and benefit from the synergy of the retail cluster. Starting out with an established brand will inherently give the business a head-start and advantage in brand recognition and attract customers.

Doing It Right following the above benchmarks and principles will result in a successful and sustainable business model for all and this will be a solid and positive contribution to the recovery of our economy and the overall agenda of our nation.