Key trends of China’s Shopping Centres
- A look into their new development concepts

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Consumer-centric
Increasing numbers of mall operators have changed their business mindset and transformed their operation principles and models by adopting a “consumer-centric” approach.

Adapt to evolving consumer behavior
Many mall operators are responding swiftly to consumers’ needs by providing more interactive features in the mall and incorporating value-added elements.

New development concepts
A new trend of “shopping mall + shopping precinct” or the so-called streetscaped mall development concept is emerging in China.

Leverage technologies
Many mall operators are utilizing digital capabilities to take the shopping experience to the next level.

E-commerce giants make foray into the sector
The shopping mall sector in China has witnessed a new competitive landscape due to the entrance of e-commerce players.
INTRODUCTION

Since 2017, the “New Retail” concept has garnered significant traction in China and transformed from a buzz phrase to a key business focus that widely embraced by retailers, department stores and shopping centre landlords. To respond to the new needs in the new era, retailers have strived to reconstruct the value for “customers, merchandise, and physical settings” powered by Internet technology and data. Many physical retailers have adapted to the concept by reinventing and transforming their business models and formats. They have set their goals to deploy O2O strategies, coupled with the use of big data and other innovative technologies, to achieve in-depth O2O integration of physical stores, logistics system, supplier systems, merchandise system, and payment tools to improve operational efficiency and deliver a better shopping experience for consumers. Shopping mall operators have also endeavored to redefine the relationship between landlords, tenants and customers in the shopping space; and rethink how they conceive and operate their properties. Increasing numbers of mall operators have already begun to evolve and optimize the composition of the core business elements namely properties, tenants and customers. This article identifies the new developments and key trends of shopping centres, in particular their active exploration of new development concepts and illustrates with examples and cases.

NEW DEVELOPMENTS AND KEY TRENDS

1. Shopping mall operators shift to more consumer-centric business models

In response to the rapidly evolving retail landscape, the threat imposed by e-commerce and the change in consumer behaviour, mall operators in China are taking bold initiatives to reinvent themselves. Increasing numbers of mall operators have changed their business mindset and transformed their operation principles and models by adopting a “consumer-centric” approach. They regard customers as the focal point of their business, set their strategic goals to engage consumers and connect them with retail tenants and the mall.

Historically, the relationship between shopping malls and tenants was a simple, straightforward landlord-tenant relation as tenants represent a direct source of income to the malls. But nowadays, retail tenants have turned into important business partners of shopping malls. For many mall operators, the values derived from the tenants are not just income (from both rental turnover and sales turnover) but also brand value of the tenants, and other positive impacts from their marketing efforts. Malls and tenants now share the common goal to attract patronage and enhance customer shopping experience. Landlord-tenant cooperation and sharing of information, particularly analytics of customer data have become a hot topic for the industry (Exhibit 1).
Exhibit 1: Shopping mall operators shift to more consumer-centric business models

<table>
<thead>
<tr>
<th>In the past...</th>
<th>At present...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of landlord</td>
<td>Developers, landlords</td>
</tr>
<tr>
<td>Anchor tenants</td>
<td>Traditional retailers, department stores, supermarkets</td>
</tr>
<tr>
<td>Role of retail shops</td>
<td>Tenants</td>
</tr>
<tr>
<td>Role of technology</td>
<td>Powering the system</td>
</tr>
</tbody>
</table>

Source: Fung Business Intelligence

2. Shopping centres’ strategies to adapt to evolving consumer behaviour

i) Asset enhancement and physical upgrading

To meet the current and future market needs, many existing shopping malls have endeavored to strengthen their physical assets in all aspects including the upgrading in hardware and facilities, reconfiguring unit layouts, refining tenant mixes as well as enhancing in-mall service facilities. For some well-established traditional shopping centres at the key shopping districts in China, after many years of operation, their physical environment and shopping mall layout have either become outdated or lack of customer service facilities. In order to offer an all-encompassing lifestyle experience for shoppers, increasing numbers of traditional shopping centres have commenced large-scale renovation and asset enhancement programs to optimize the shopping environment. In Shanghai, for instance, large numbers of shopping malls have undergone a series of renovation and upgrading projects in recent years (Exhibit 2).
Wujiaochang Wanda Plaza in Shanghai is a case in point. In 2017, Wanda Properties executed a major asset enhancement program at the Shanghai Wujiaochang Wanda Plaza, which has been in operation for about 11 years. In this transformation exercise, Wanda has allocated more than 10,000 sqm of commercial rental space to public space in order to create a good shopping atmosphere for consumers. The façade and interior of the shopping mall have been upgraded, anchor tenants have been readjusted, and the basement area has been transformed into a themed catering area with a collection of popular eateries and restaurants. The mall has also introduced some stores that made their first foray into Shanghai, such as the first Shanghai store of YH Super Species and the highly popular South Korean Line Friends’ experiential store.

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**Exhibit 2: Selected retail malls in Shanghai that have undergone renovations in recent years**

<table>
<thead>
<tr>
<th>Shopping Mall</th>
<th>Opening Year</th>
<th>Re-opening Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plaza 66</td>
<td>2001</td>
<td>2017</td>
</tr>
<tr>
<td>Wanda Plaza Wujiaochang Store</td>
<td>2006</td>
<td>2017</td>
</tr>
<tr>
<td>Changfeng Joy City</td>
<td>2011</td>
<td>2017</td>
</tr>
<tr>
<td>No.1 Department Store Old Building</td>
<td>1949</td>
<td>2018</td>
</tr>
<tr>
<td>No. Department Store New Building</td>
<td>2007</td>
<td>2018</td>
</tr>
<tr>
<td>Oriental Nanjing East Road Department Store</td>
<td>2005</td>
<td>2018</td>
</tr>
<tr>
<td>Oriental Yangpu Department Store</td>
<td>2007</td>
<td>2018</td>
</tr>
<tr>
<td>Shanghai Shimao Plaza</td>
<td>2004</td>
<td>2018</td>
</tr>
<tr>
<td>Changning Cloud Nine Shopping Centre</td>
<td>2005</td>
<td>2018</td>
</tr>
<tr>
<td>Shui On Plaza</td>
<td>1997</td>
<td>2018</td>
</tr>
<tr>
<td>Shanghai Central Plaza</td>
<td>1999</td>
<td>2018</td>
</tr>
<tr>
<td>Mall 818</td>
<td>2009</td>
<td>2018</td>
</tr>
<tr>
<td>Citic Square</td>
<td>2000</td>
<td>2018</td>
</tr>
<tr>
<td>Grand Gateway 66</td>
<td>1999</td>
<td>2019</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research\(^1\); compiled by Fung Business Intelligence
Pop-up store with special theme, Wujiaochang Wanda Plaza, Shanghai

Sportswear shops, Wujiaochang Wanda Plaza, Shanghai

Line Friends store, Wujiaochang Wanda Plaza, Shanghai

Wanda Cinema, Wujiaochang Wanda Plaza, Shanghai

A large food court area at the basement of Wujiaochang Wanda Plaza, Shanghai

Large public space, Wujiaochang Wanda Plaza, Shanghai

Photo source: Fung Business Intelligence
ii) Refining and reshuffling tenant mixes to optimize mall portfolio

Nowadays, China’s shopping mall operators are responding swiftly to consumers’ needs by providing more interactive features in the mall, including entertainment, leisure activities, a variety of food options and unique concepts that differentiate their offerings. They set to reposition themselves as consumer destinations and social places, rather than merely big boxes with a collection of retail stores. Some forward-thinking mall operators are incorporating value-added elements that attempt to recast the malls as community and cultural hubs as well as providing customers a venue for art exhibition, concerts, social events, etc. Shanghai K11’s strategy of “art museum retail” is one of the earliest successful examples of experience-based retail. Back in 2014, its Claude Monet art exhibition attracted more than 350,000 visitors. Thereafter, many shopping centres, such as Joy City Chaoyang, Taikoo Li Sanlitun and Chengdu IFS, etc. also held large-scale art exhibitions to draw traffics to the mall and enhance the overall mall image.

On the tenant mix front, innovative malls are strategically reshuffling tenants to enhance mall positioning and optimize rental yield. They are increasingly welcoming retailers who can bring fresh elements to their properties. Many shopping malls are introducing unique flagship stores as their anchor tenants, with a hope to differentiate themselves from their competitors. In some cases, these flagship stores are the first and largest of its kind in the city or the country. WF Central in Beijing which was opened in November 2017, provides a good illustration. Positioned as a world-class retail, fine dining and hospitality hub in Wangfujing, the mall introduced many brands which debuted in Beijing for the first time, including a Victoria’s Secret flagship store set over three floors; a global flagship store for Pandora; and a China flagship store for British contemporary fashion brand Superdry. The mall also welcomed Links of London’s debut store to Beijing as well as a number of renowned restaurants such as The Cheesecake Factory, the Michelin-starred Kanpai Classic, Café Landmark, etc.

Taikoo Li Sanlitun in Beijing is another case in point. For example, it houses the world’s largest adidas store, the first Apple store in Mainland China, and a 1,597-seat Megabox cinema. In 2017, Kiehl’s Coffee Shop and Popcorn General Store opened their first Mainland China stores in Taikoo Li Sanlitun South. Examples of selected new brands introduced by Taikoo Li Sanlitun during 2016-2017 are shown in Exhibit 3.
<table>
<thead>
<tr>
<th>Brand</th>
<th>Description</th>
<th>Brand</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taoyuan Village</td>
<td>1st store in Beijing</td>
<td>Heytea</td>
<td>1st store in Beijing, the 1st Black Platinum Store in Northern China</td>
</tr>
<tr>
<td>The Simpsons</td>
<td>1st store in China</td>
<td>Honor23</td>
<td>1st store in Beijing, the only store in China</td>
</tr>
<tr>
<td>Juicy Couture Black Label</td>
<td>1st Black Label store in China</td>
<td>Home Thai</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>MAG MODE</td>
<td>1st store in China</td>
<td>G-Shock Store</td>
<td>1st store in Beijing, 2nd store in China</td>
</tr>
<tr>
<td>Evisu</td>
<td>Flagship store in Beijing</td>
<td>Kiehl’s Coffee House</td>
<td>1st store in mainland China</td>
</tr>
<tr>
<td>CASIO Exilim TR</td>
<td>1st store in Beijing, the only store in China</td>
<td>YE’s by YESIR</td>
<td>1st store in China</td>
</tr>
<tr>
<td>POP MART</td>
<td>The first IP concept store in Beijing</td>
<td>GGDB</td>
<td>1st store in China</td>
</tr>
<tr>
<td>Avirex</td>
<td>1st store in Beijing, the only store in China</td>
<td>Cinker Space</td>
<td>1st store in China</td>
</tr>
<tr>
<td>Kiss The Tiramisu</td>
<td>1st store in Beijing</td>
<td>Bad Farmers &amp; Our Bakery</td>
<td>1st store in China</td>
</tr>
<tr>
<td>Debrand</td>
<td>1st store in Beijing</td>
<td>Philipp Plein</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>MSGM</td>
<td>1st store in Beijing, the only store in China</td>
<td>Gentle Monster</td>
<td>1st store in Beijing, the only store in China</td>
</tr>
<tr>
<td>Lululemon</td>
<td>1st store in Beijing, the only store in China</td>
<td>KLERM</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>Philipp Plein</td>
<td>1st store in Beijing, the only store in China</td>
<td>Anchoret Temp Store</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>Infrarouge by Bar Rouge</td>
<td>1st store in Beijing, the only store in China</td>
<td>Infrarouge by Bar Rouge</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>Meso Skinlab</td>
<td>1st store in China</td>
<td>Comme Moi</td>
<td>1st store in Beijing</td>
</tr>
<tr>
<td>Softree</td>
<td>1st store in China</td>
<td>Thom Browne</td>
<td>Flagship store in Beijing</td>
</tr>
<tr>
<td>Roberto Cavalli</td>
<td>1st flagship store in China</td>
<td>Any Shop Concept Store</td>
<td>1st concept store</td>
</tr>
<tr>
<td>Off-White</td>
<td>1st store in Beijing</td>
<td>Les Hommes</td>
<td>1st store in China</td>
</tr>
</tbody>
</table>

Source: Swire Properties; compiled by Fung Business Intelligence
The mix of retail tenants is hence changing – historically, supermarkets, fashion and accessories tenants tended to occupy the largest retail space in a shopping mall; they started to lose store space to other tenants, particularly eateries, leisure facilities, entertainment, kids-related categories and services tenants. For instance, Printemps Paris Huaihai branch in Shanghai completed its renovation in 2016, with nearly 40% of its floor space allocated to F&B tenants. Data from Savills Research shows that in 2016, space occupied by kids-related tenants increased by 11%; leisure tenants increased by 8% and home & lifestyle tenants increased by 7% in Shanghai. By the same measure, F&B increased by 3% while apparel decreased by 5%.

iii) Shopping malls breed the explosive growth of pop-up retailing

Over the past few years, pop-up retailing has been experiencing explosive growth in China. According to Chinese commercial property research agency RET, pop-up stores have proliferated in China with a compound annual growth rate of over 100% since 2015; and the number of pop-up store are projected to exceed 3,000 by 2020. Pop-up stores have become popular as the interesting designs and new concepts can attract customer attention and provide a unique retail space for retailers to engage and interact with customers. Pop-up stores can serve different purposes— for sales, enhancing brand awareness, and gaining market insights. For shopping mall landlords, pop-up stores of sought-after retail brands, luxury brands or online brands with unique concepts and exclusive products provide new attractions to the mall. For brands and retailers, especially those who are new to the market and want to test the waters, launching pop-up stores is an ideal option as they do not need to commit to an expensive long-term lease but can enjoy the marketing services provided by shopping mall operators.

Recently, some luxury brands have set up pop-up stores that coupled with innovative marketing contents inside shopping malls to promote their products; this is an effective strategy for branding, promotions and marketing. Chanel, for instance, launched a pop-up store in the format of game center at K11 Shanghai in April 2018, following its previous debut in Tokyo, Seoul and Taipei. The COCO Game Center offered mainly cosmetics products and perfumes, and featured racing games, game machines, game booths and claw machines. The gamified pop-up store successfully attracted huge traffics to K11 Shanghai. Some customers had to wait for two hours to get inside the pop-up store.

It is observed that increasing numbers of pop-up stores now adopt technologies to enhance in-store experience. Some online players such as Alibaba and JD.com have opened technology-powered pop-up stores to showcase their online products. These stores feature a number of “black technologies” which can help them engage with customers, and draw offline traffics to online. Alibaba, for instance, has set up smart Tmall pop-up stores in collaboration with different brands inside different shopping malls nationwide. In these pop-up stores, interactive technologies such as digital shopping wall, magic mirror, facial recognition, cashless payment method, gamified discounts, etc. are usually found.
iv) Introducing new types and formats of shops

Shopping mall operators seek to provide special experience to shoppers by introducing new and innovative concept stores. In many cases, anchor tenants that drive traffic are still key, but a new emphasis has been placed on a curated mix of unique stores that add a sense of novelty to the mall offering. New categories with experiential elements such as augmented reality (AR)/virtual reality (VR) gaming centres, indoor escape gaming centres, haunted houses, indoor bowling, art & musical theatres, etc. have become new types of tenants in some shopping malls in recent years. For example, in September 2016, Aegean Shopping Mall in Kunming launched the first ever mall-operated equestrian training school at the rooftop of the shopping center. Hopson One, Beijing, which was opened in end of 2017, has introduced a number of retail and lifestyle-focused tenants with shop formats and trade categories that are new to the market. For example, the mall introduced an indoor ski centre, Le Ski which houses large-scale ski training equipment with electronics simulator to simulate the snow effect in reality; an indoor roller skating centre for children; a large-scale indoor playroom for children; a kung fu learning centre, etc. These new types of tenants can help differentiate the mall from other players in the market.
On the other hand, some shopping mall operators have strategically brought in new types of tenants, such as popular character themed shops, hoping to leverage the popularity of these characters to attract customers. For instance, Line, an outstanding online social networking brand opened its “Line Friends” retail shops and café in different cities in China, including Shenzhen, Guangzhou, Beijing, and Shanghai. Featuring the cute original characters of Line Friends, each of the grand openings has received overwhelming responses by shoppers and fans with long queues waiting to enter the shop or café.
3. Exploring new development concepts

Shopping mall operators in China have been actively exploring new development concepts. A new trend of “shopping mall + shopping precinct” or the so-called streetscaped mall development concept is emerging in China, with Sanlitun Taikoo Li as a successful forerunner, followed by Chengdu Taikoo Li, and the recently opened MIXc World and UpperHills in Shenzhen, etc. The new concept features a combination of indoor and outdoor components, including shopping centre, and pedestrian area containing shops and restaurants. With a landscaped environment, it can create a unique shopping ambiance and bring special experience to customers. Exhibit 4 lists selected examples of shopping malls which adopt the “shopping mall + shopping precinct” concept.

Exhibit 4. Selected examples of shopping malls which adopt the “shopping mall + shopping precinct” concept

<table>
<thead>
<tr>
<th>City</th>
<th>Shopping mall</th>
<th>Opening year</th>
<th>Developer</th>
<th>Size</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>Sanlitun Taikoo Li</td>
<td>2008</td>
<td>Swire Properties</td>
<td>The total project area is 54,000 sqm and the total floor area is 172,000 sqm</td>
<td>Sanlitun Taikoo Li splits into southern and northern zones and altogether comprises 19 buildings. It features youthful and fast-fashion international and local brands, covering fashion, sports, home furnishings and lifestyle brands as well as around 30 restaurants and bars.</td>
</tr>
<tr>
<td>Chengdu</td>
<td>Sino-Ocean Taikoo Li</td>
<td>2012</td>
<td>Swire Properties and Sino-Ocean</td>
<td>Gross floor area of over 269,000 sqm</td>
<td>Sino-Ocean Taikoo Li Chengdu is a retail-led mixed-use development surrounding the Daci Temple, and consists of an open-plan, lane-driven mall, a boutique hotel with serviced apartments and a Grade-A office tower.</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>MIXc World</td>
<td>2017</td>
<td>China Resources Land Limited</td>
<td>Gross floor area of over 230,000 sqm</td>
<td>MIXc World has nearly 300 stores, housing over 1,000 brands and 12 standalone flagship stores. There is also a 2,000 sqm indoor kids’ playground and a food court that opens 24 hours a day.</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>UpperHills</td>
<td>2017</td>
<td>Shum Yip Group</td>
<td>Gross floor area of over 1.2 million sqm</td>
<td>UpperHills is a mixed-use development project that comprises shopping mall, hotel with serviced apartments and a Grade-A office tower. There are around 80 stores and a first-ever Muji Hotel.</td>
</tr>
</tbody>
</table>

Source: Various Internet sources; compiled by Fung Business Intelligence
MIXc World is located at Shennan Boulevard, Nanshan District in Shenzhen. Opened in September 2017, it is China Resources Land’s second commercial property in Shenzhen under the MIXc brand following the opening of MIXc Shenzhen in 2004. MIXc World is positioned as a mid-to-high-end streetscaped commercial project with an area of around 230,000 sqm; it has nearly 300 stores, housing over 1,000 brands and 12 standalone flagship stores – including Zara, Zara Home, Under Amour, Uniqlo, COS, Urban Revivo, I.T, Massimo Dutti, Xiaomi, Starbucks, etc. Among all tenants, 30% are brands made their foray into Shenzhen market for the first time. Unlike traditional large-scale shopping centers which have an enclosed format, MIXc World takes a hybrid approach with both indoor and outdoor components, and integrate elements such as humanities, art, and socialism into such a large-scale commercial project.

Using the “one street, one lane and five squares” layout plan, the whole project is connected through two core pedestrian streets, namely High Street (Fashion Street) and In Street (Restaurant Street), five major squares (Time Plaza, Water Plaza, Flagship Plaza, Architecture Plaza, W5 Art Space) and other public spaces and facilities (Exhibit 11).
Shopping precinct, Mixc World, Shenzhen

Alfresco dining, Mixc World, Shenzhen

Starbucks flagship store, Mixc World, Shenzhen

Shopping mall, Mixc World, Shenzhen

High Street (Fashion Street), Mixc World, Shenzhen

In Street (Restaurant Street), Mixc World, Shenzhen

Photo source: Fung Business Intelligence
UpperHills has a gross floor area (GFA) of over 1.2 million sqm. It is a mixed-use development with 170,000 sqm of high-end luxury apartment, 330,000 sqm of office tower, 100,000 sqm of LOFT office space for SMEs, a shopping mall and a hotel. The project is designed and positioned as top tier city complex. Different from that of a traditional shopping centre, the development adopts a “Luxury Street + Shopping Mall + Town” concept. These three components are divided but closely linked. UpperHills also houses Muji Hotel, MUJI’s first hotel in the world, MUJI flagship store and MUJI Diner restaurant.

“The Luxury Street” spans across two floors and houses a number of international brands. It is connected to the shopping mall at L2. “The Shopping Mall” spans across five floors. 42% of brands are new to Southern China. For example, the mall houses the Southern China’s first Nike Beacon Store, China’s largest new concept flagship store of Purcotton, and the only Sony flagship store in Shenzhen. “The Town”, which is named as “Loft Town”, is located on L3. It comprises about 10 low-rise and colorful blocks and is positioned as a commercial and cultural hub. It features a number of creative brands, designer shops and unique restaurants with origins from Europe, Japan, Hong Kong, China and Taiwan.

With an innovative retail development concept, UpperHills has successfully created a unique shopping ambiance which set a new benchmark to the shopping mall sector in China.
Shopping Mall, UpperHills Shenzhen

Town, UpperHills Shenzhen

Town, UpperHills Shenzhen

Muji Hotel, UpperHills Shenzhen

Starbucks store, UpperHills Shenzhen

Muji flagship, UpperHills Shenzhen

Photo source: Fung Business Intelligence
4. Leveraging technologies and multichannel strategies to transform mall experience

i) Use of in-mall technologies and O2O platforms to enhance shopping experience

Many shopping mall operators realize that the best way to deal with the rapid changes in technology is to embrace it. They are utilizing digital capabilities to take the shopping experience to the next level. Besides providing basic services like free WiFi, accepting mobile payment and running different promotions to encourage social media engagement, mall operators are also adopting other in-mall technologies to improve omni-channel experience and strengthen relationship with customers. For example, increasing numbers of shopping centres have introduced AI-powered services and digitalized operation initiatives. Aegean Shopping Mall, for instance, has collaborated with Microsoft to gauge the satisfaction level of customers in the mall as well as recommend relevant products to respective customers with the help of facial recognition technology. Aegean has also formed partnerships with Meituan-Dianping and Koubei for in-depth cooperation to drive online customers to the mall. Another example is CapitaLand’s “Smart Mall model”. CapitaLand opened the group’s first smart mall, CapitaMall Xinduxin, in Qingdao in 2016. The mall offers integrated O2O experiences through CapitaStar (https://www.capitastar.com.sg/en.html), the company’s digital platform. CapitaLand’s Smart Mall aims to optimize customer experience in their entire shopping journey from eight perspectives. Please see Exhibit 6 for details.

Exhibit 6. CapitaLand’s “Smart Mall” model

1. Push marketing and promotional messages to customers and members through WeChat as well as CapitalStar App
2. Registration of memberships, rewards redemption, gaming promotions, etc. with CapitalStar App
3. Identify available parking lot and reserve parking lot service with GPS and indoor navigation technologies
4. Provide free WiFi, Beacon technologies for indoor navigation
5. Shops finding service, shopping route suggestion, indoor navigation, e-coupons, e-payment, reward points accumulation, QR code scanning
6. Restaurants finding service, reservation service, e-queuing service, e-payment
7. “Find Your Car” function, car parking coupons, reward points redemption, etc.
8. Online reward redemption, online payment, online payment with reward points, delivery, etc.

Source: CapitaLand; modified and compiled by Fung Business Intelligence
ii) Big data analytics

Technology can help shopping mall operators gather real-time data and immediate feedback to enhance customer experience. The use of big data can help operators figure out market trends and tailor features that suit the needs of shoppers. Getting deeper insight into consumer needs and behaviour is the first step to reinforcing shopping centres and making them truly customer-led. To precisely capture market and consumer trends, existing shopping malls in China have different tools – such as live customer feedback, social media/big data analytics, mystery shoppers, exit polls, surveys in catchment areas and retail analytics provided by a number of IT solutions. All these would provide useful insights for mall operators to provide well-designed facilities, improved customer care and services tailored to the customers’ lifestyles and preferences.

Some forward-thinking market leaders such as Aegean Shopping Mall have even built a complex and highly interconnected big data ecosystem that connects and integrates its entire business operation. The big data ecosystem has a powerful multidimensional database which is backed by big data analytics. With this big data ecosystem, the mall can perform targeted marketing and provide precise and accurate services to customers.

5. E-commerce giants make foray into shopping mall sector

Recently, the shopping mall sector in China has witnessed a new competitive landscape due to the entrance of e-commerce players. The opening of Alibaba Group’s first brick-and-mortar shopping mall in April 2018 in Hangzhou is a major step in Alibaba’s effort to blend its digital prowess with a footprint in the physical world. With a floor area of 40,000 sqm, the 5-storey shopping centre houses many Alibaba’s new retail concepts, such as Hema Xiansheng supermarket, Tmall Global Experiential Store, “Tmall Fairy Pavilion” (which focuses on AI products and technology products), etc. and the first brick-and-mortar store of Taobao – “Taobao Xin Xuan”. As of April 2018, the shopping centre has 52 retail and F&B brands; over 40% of the floor space are allocated to F&B and around 10% of floor space are allocated to shops with New Retail concepts. As part of the e-commerce giant’s push into real-world retail, the entire mall is connected with Alibaba’s online channels, big data system and logistics network. The mall also features a number of black technologies, including facial recognition technologies for membership registration, unmanned registration counters that accept Alipay mobile payment service, magic mirrors for makeup-trial and virtual fitting rooms.
COMMENTS FROM FUNG BUSINESS INTELLIGENCE

In our view, under the “New Retail” regime, the combination of omni-channel shopping and consumer experience has become an inevitable trend of future retail development. Shopping mall operators will need to be consumer-centric, and evolve with both the consumers and brands in order to stay relevant and competitive. Develop new concepts, introduce new store formats and ensure a dynamic mix of tenants will certainly provide shoppers with new and innovative retail experience. Constant reinvention of retail space, effective promotions, high-quality customer service and well-executed customer loyalty programs will altogether provide a way-out for shopping mall operators to sustain and standout.

On the other hand, technology will continue to be a significant disruptor in the sector. We believe that shopping malls must embrace technology as an integral part of the mall operation, be ready to compete in the digital era by incorporating technologies such as big data and machine learning to drive growth and boost efficiency. Forward-thinking shopping mall operators who keep exploring ways to collect and leverage data in their sales, marketing, customer service, and operations will continue to thrive.

In fact, many researches indicate that people still love to see and touch the real products they intend to buy. Brick-and-mortar stores are irreplaceable and in-store shopping experience remains dominant in the retail sector. We believe that the shopping mall sector will continue to maintain a high level of development in the coming years, and no longer be a place purely for shopping but a one-stop destination for shopping, lifestyle and social experience.

Nonetheless, to maximize rental turnovers while shifting the leasing focus to lifestyle, entertainment and F&B tenants mix has always been a dilemma for mall owners. Besides, how to keep abreast of changing consumer habits and translate consumer data into useful information, sustain foot traffics, maintain high occupation rate, control costs spending and ensure positive return on investments are some of the key issues that mall owners need to work hard to solve.
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