STATE AND PROSPECTS FOR DEVELOPMENT OF MODERN SHOPPING MALLS

Michal Stojanov*

1. Introduction

The emergence of commercial and entertainment centers or shopping malls, cause significant change in the segment of large players on the retail market and the consumer market. Shopping centers redefine the business environment for the agents of exchange and shift the culture and the complexity of services for customers. They put the time for visiting and purchasing into new dimensions associated with customers offering associated with complex variety of alternatives which are not necessarily related to the acquisition of consumer products, but related to the satisfaction of various human needs.

The main aim of this article is to outline important aspects related to the actual state of the shopping and entertainment centers of the malls type in the Republic of Bulgaria, from the beginning of their revival in 2006 up till now and to suggest possible alternatives for future development and improvement of this commercial format.

2. Conceptual aspects of mall centers

In the traditional understanding of shopping centers, they are interrelated and complementary set of heterogeneous objects in the business fields of retail, services, restaurants, entertainment, gambling, culture, leisure and other: “providing the widest selection of goods and services high culture of service, relaxed atmosphere for purchase at high economic and social indicators of commerce and business” [1, p.107], so that in those outlets “a large number of local population and tourists spend their free time, implement several social contacts, they always have an intensive life events and meet social needs” [1, p.124]. All these aspects arise modern shopping centers to “one of the most socially influential forms ... the most powerful system of distribution of goods the world has ever known ... removing shopping center from a community, would have devastating effects” [2, p.13–14]. It turns them into “a secular cathedral of consumption, a special place where community members come to practice shopping rituals” [3, p.457], based on current understanding of the role of commerce, which “provides the most important asset in the supply chain … shelf space or access to costumers” [4, p.6]. The rise of the mall in the highest rank of the commercial infrastructure provides “a window on the consumers’ and economy’s health, a vehicle to collect sales taxes for governments and a place for jobs in the community” [5, p.1].

Under the new market conditions of the national economy while initially opening shopping and entertainment centers, the business accepted the concept of positioning as the first agents of this size on the market. Nowadays, the success of the shopping center is caused by factors such as scalability, accessible location and attractiveness of affiliated tenants. Current market positioning based on short-term incentives, often leads to an initial euphoria, but very quickly exhausts its potential, therefore shopping centers have steadily developed the concept of shopping as a way to spend your free time “the whole new combination of leisure, shopping and social encounters in safe environments” [3, p.283]. This means not to focus only on material incentives and purchases of various products, but also on those related to the needs of higher level. So the emphasis on the reasons for visiting are transferred not only to meet a particular need of a particular product or service but to the overall experience, communication and self-image associated with the image of the mall, so as to “the consumers should be offered an overall experience that makes them want to

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* © Michal Stojanov; Associate Professor; A scholar in the Varna University of Economics; Email: <sp.izvestiya@ue-varna.bg>.

stay in the shopping centre as long as possible" [6, p.41]. In this situation, the shopping center and its magnet outlets engage and satisfy the interest of visitors with great frequency of their visits and other specialized sites encourage consumers in terms of brand loyalty and the complexity of the marketing and service. This generates benefits for all participants for "retailers benefit from the concentration of shoppers (footfall) and consumers benefit from the choice of shops, wide-selection of goods and services offerings and retailer competition" [7, p.6]. In the present the correct policy with strong future development is building a systematic approach which provides customers with a set of factors and incentives that trigger loyalty and higher commitment of the salespeople. Instruments of this approach could be: smartphone applications about mall news, events, promotions, interactive maps, information that is needed during visits, guest services etc.; virtualization of the mall; calendar of events and campaigns, subscription information; media center; activity in social networks; massive sales campaigns; loyalty or VIP customer card; prepaid card or gift vouchers; accessibility of the building; free parking and internet access and others. However, to reduce possible risks we should constantly seek optimal match of customer's expectations prior to visiting and evaluating at the end after the acquisition of the product and its use. So both should be studied and if deviations occur managing shopping center companies and tenants should take immediate corrective actions. This should be a continuous process, as "modern consumers ignore retailers who do not provide a consistent and continuous satisfaction (online and offline) ... regardless of the contact points" [8, p.49].

In major shopping centers constantly should be sought unity and support between tenants and the management company. Strategic unity is the source of coherence between the business objectives of both individual operators and commercial complex in its entirety. In this context, for example a new trend is taking on, it is associated with the change of the original scheme on earnings of retail space from fixed rents to those linked to the economic effects of the business and growing promotional efforts of the mall to attract visitors.

3. Contemporary state of the shopping and entertainment centers

In March 2013 in the ongoing crisis processes in the national economy the biggest shopping mall in Bulgaria was brought into operation. Its built-up area reaches the record of 190 000 sq m, about 44% of which or 83 000 square meters are for renting as retail space (Gross leasable area GLA). Planning concept of the building provides not only entry in the surrounding urban environment, but also the relationship with transport infrastructure and provision with 1 900 parking spaces (confirming imposed norm over the years from 10–11 parking spaces per 1 000 square meters area). Therefore, we can assume that 8-year period from the opening of the first for the new market realities shopping center in 2006 is the time needed to develop the concept of the original approach of "trial and error" to mature complete commercial solution, combining in one the ability to adequately facility management and experience to governance these large and highly concentrated retail formats.

The life cycle of the shopping center commercial format shows that this is the period after which the main concept needs a complete renovation of the mall (portfolio of tenants, interior, exterior, facade and tables) and/or possibly repositioning in line with changes in the market environment, even in resource availability to deployment of a new construction, with options for rebuilding or expansion. Increasing the total amount of retail space in shopping centers in the country leads to population coverage of over 103 sq m shopping center area at 1000 population as of Q3 of 2013 counted during 2006–2013. 11 fold increase started from minor 9 sq m of 1000 p. at the end of 2006, 11 sq m at the end of 2007, 18 sq m at the end of 2008, 28 sq m at the end of 2009, 74 sq m at the end of 2010, 76 sq m at the end of 2011, 87 sq m of 1000 p. at the end of 2012. Despite the crisis in the global and the national economy in 2010 it was recorded the most significant increase of 264% (346 300 sq m) of new retail space available in shopping centers compared to 2009 (see Fig. 1) immediately followed by holding at that level in 2011. The continuing entry of international retailers maintains the interest and demand for large-scale retail outlets, stimulating demand, which at the end of 2013 was at a level of 735 000 sq m of retail space in the modern shopping centers in the country.

Despite the reported positive growth indications achieved in conditions of economic crisis, Bulgaria records last place position in the rankings for the provision of 1,000 citizens with space in shopping centers in the EU-27. The comparison with development processes in Europe shows that gross leasable areas in shopping centers by January 1, 2014 reached the level of nearly 154 million sq m or an average of 268.3 sq m per 1,000 citizens in the 27 member states of the EU [8, p.1]. Optimistic outlook for the next two years points out the rise of infrastructure in commercial centers by 11 million new sq m by the end of 2015 and in 2014 is awaited new supply of 6.8 million square meters in 203 new shopping centers of which nearly 63% will be located in Central and Eastern Europe. Against this background, gross leasable areas in shopping centers of the Bulgarian market are expected to increase by another 19% in four new introduced into market projects [8, p.3], despite the economic uncertainty and ambiguous indicators of the economic situation.

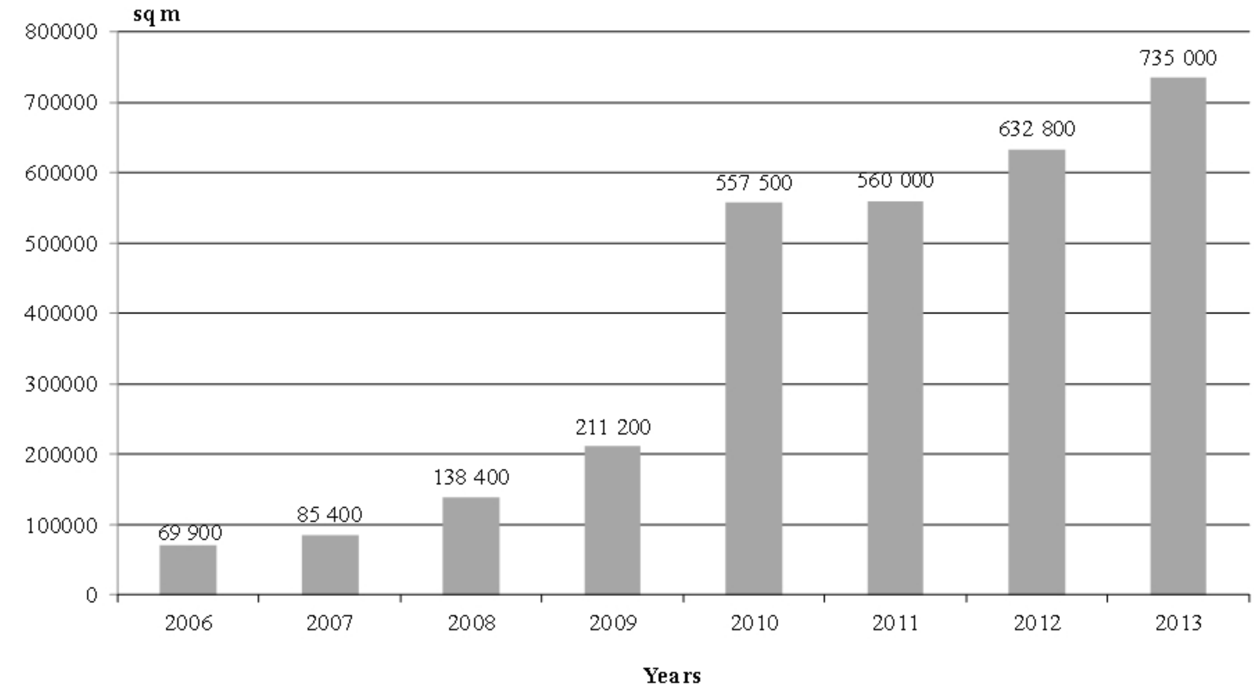

Fig. 1. Gross leasable retail space in shopping centers in Bulgaria, 2006–2013 (sq m)
Source: FORTON International (Cushman & Wakefield Alliance). <www.forton.bg> (12.01.2014).

It is assumed that occupancy with tenants up to 80% of the total leased commercial area is level, ensuring the successful operation of this commercial format on the market. Thus the availability of space and the inability to fill all objects on the one hand guarantees the interest and the basic functioning of the commercial property market and stimulates other management companies to be most innovative, flexible and adaptable to meet the challenges of rising market competition and the continuing integration in the market of consumer goods.

The location is the main key advantage of the shopping center. For example, the largest project implemented by this format is situated on a plot with a total area of 36 000 sq m, which in terms of the urban environment is associated with a deficiency of vacant plots with such dimensions. Localization in prestigious urban area determines the intensity of the daily stream of visitors. Connections with other elements of the urban environment (parks, transport hubs, residential areas, tourist destinations, etc.) are also important. Current situation assures most of the opportunities for access to the shopping center and the primary need to ensure a steady stream of customers. Modern shopping centers are visited daily by thousands of visitors, which require a special effort to attract their attention and stimulate their loyalty. Such situation is caused by a balanced combination of complex factors, among which diversity and quality of basic tenants are also the leading, and follow with particular attention to focus on:

Advanced architectural and commercial entertainment concept. Modernity of the interior and exterior. Lighting solutions, and openness to the external environment, water features, vegetation, air flows. Compliance with fire safety and evacuation schemes. Compliance with regulatory standards about minimum height of individual levels (floors), imposed practice shows solutions using height between 6 and 7,5 meters and height from 4 to 4,5 m below the suspended ceilings. Enough groups of entrances and mechanisms for vertical movement as elevators, stairwells and evacuation facilities. Integrating system solutions for access control and parking spaces, including fast-acting barriers, cash and non-cash payment parking systems, if provided conditional payment of the parking; software and hardware security monitoring of the main environment parameters; intercom and local communication system. The main problems in this area are: poor and asymmetric loading and management of parking places; real time indication of available free parking spaces; intensity of inflows and outflows of vehicles; organization to guide vehicles; intuitive and logically designed guidance system for drivers; controlled access of cars with gas installations in indoor parking, emission control systems and monitoring of the exhaust emissions; automatic control of electricity consumption (lighting and ventilation); incompatible or poor use of security systems (control of physical access, CCTV, fire alarms, day and night entry) and others.

Monitoring of atmospheric environment (ventilation and air conditioning) where the main problems are: poor design and layout of external components (large perceived sound field and incomprehensible by human hearing sounds, noises, etc.). Heat exchange efficiency, which leads to excess energy consumption and uneven tempering; asymmetric distribution of the heat load of the air-conditioning system (near the entrance, facade parts and specialized storage premises where more serious thermal insurance is needed, which is a source of greater efficiency and economy of thermal resource), installations with adjustable air-flow direction (vertical and horizontal) and the flow intensity control in real time, some problems here are associated with achieving uniform air exchange in separate rooms and throughout the building, regularity and efficiency of air cleaning, air ducts and air conditioning systems, etc. Ventilation and air conditioning technology decisions should be shaped by the replacement technology option which allows an upgrade and optimization if necessary or by request. In addition, environmentally friendly air-conditioning solutions to utilize maximizing heat for multiple purposes or through regenerative/recuperate heat system which allows energy fused for cooling to be used to heat commercial space or for water heating. Such technologies are also the photovoltaic, wind and geothermal systems. The current trend is to lock in one controlled environment the complete building formation with all its premises. Thus architectural solutions can derive accomplished potential and full inclusion and harmony with the existing surrounding environment, it is even possible to strengthen its elements. There is a possible opposite approach, where the main body of the mall is to accent and counterpoint to the surrounding urban or suburban environment.

Focus and domination of the elements associated with attractions, entertainment and active leisure. Synergy between commercial and entertainment areas. Entertainment facilities in both the main building (indoor) and outdoors. Thanks to the development of this point in the shopping centers in Bulgaria we can talk about the revival of cinemas and entering the most advanced technology projectors. The creation of a multiplex of cinema halls with different capacities and cinema, large screens, high-end projectors, including 3D, 4D screenings, 5-channel digital surround sound and others.

Culture of the use of the building of the shopping center by tenants and visitors. For the first (retailers) culture is expressed in an effort to maximize rented space and for the second (visitors) to the need to adopt the right culture of staying, shopping, access and parking, use of available technologies (elevators, escalators, systems for access control, etc.). The experience of foreign retail chains allow them to take adequate positioning decisions and best presentation. Local Bulgarian retailers apply innovative strategies and creative positioning, gradual development or copying behavior as followers of the best business practices imposed on the market. A key point for the implementation of the material dimensions of culture in commerce is generated by the competence of the contractor (construction company), the quality of works and innovative building materials and technologies.

From the market of operators (shopping center owners/investors) economic crisis and oversupply of commercial space, triggered the transformation to market of tenants (retailers). This change caused and provoked a general decline in rental rates (see Fig. 2).

Sustained reduction of rental rates in the capital Sofia, where central urban areas and high street rents reported a decline of 47,4% compared to shopping centers where the decrease is of 35,8%, a symptom of the crisis in the economy and the intensification of competition in the sector. Such a situation can be seen as confirmation of the growing economic importance and power of retailers in the consumer goods supply chain. The described picture has its distinctive differences in other cities outside Sofia, which is another indicator of regional disparities. The capital is increasingly distanced from the rest of the country, where at the beginning of 2013, rents ranged 20–23 euros for 1 sq m in shopping centers and 18–20 euros for 1 sq m in downtown. The description of the state affirms the importance of modern shopping malls as part of modern trade infrastructure in major cities and increases the opportunities for more local entrepreneurs to experiment with positioning of own shops in the new shopping centers.

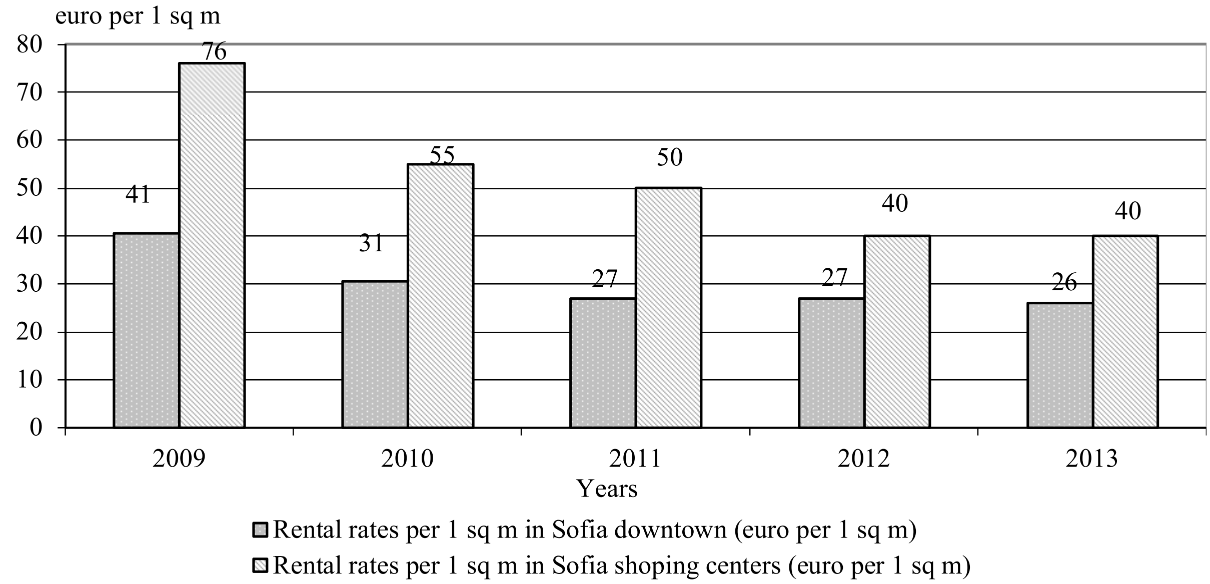

Fig. 2. Rental rates for retail space in the shopping centers and in the downtown of Sofia, 2009–2013 (euro per 1 sq m)

Source: FORTON International (Cushman & Wakefield Alliance). <www.forton.bg> (12.01.2014).

As a final point we will mark the dramatic effects of increased competition between shopping centers, which affects the migration of tenants, the revival of city centers and main streets and the occurrence of worst-case scenarios for the closure and bankruptcy of shopping malls. Here as rescue options we can point the reformatting of retail space in such a diverse public purpose for sports recreation, culture and entertainment use by administrative or local public authorities, vast business purposes (hospital, private office or even residential areas) and others.

4. Prospects for the development of shopping centers

In the area of strategic market positioning we rely on two main scenarios for the future development of the commercial format of shopping centers:

In the first place in the next phase, we can expect entry form of shopping centers by more compact alternative in smaller but with economic potential settlements (such as business centers of regional clusters). The main direction of positioning is associated with comfort and a focus on the dominance of medium and large stores necessary for international chains discounter format stores, medium and higher price range retailers. This is a chance for local traders to get their better competitive performance and to take advantage of their recognition at the local level. In this plan, market positioning may occur in compact business centers where project can combine high class office spaces and commercial areas. The establishment of such multifunctional complexes in prestigious parts of the city is an approach to modernize the urban built environment in smaller towns.

Another trend with significant potential is the development of more specialized shopping centers as opposed to the currently dominant universal model. Specialization arises as an opportunity for the development at some stage of the life cycle of the concept of the shopping center. When reaching maturity we have market saturation with similar in its universal positioning shopping centers and one of the possible strategic alternatives is the emergence of subtypes of shopping malls. Specialization can be formed on a customer segment base (audience addressed by the main shopping and entertainment – the representatives of the generation Y, Z, Mom and Pop, Mom's and Me etc.) and through major focus of commodity supply, which are highly correlated. Such specialized solutions are as outlet (for discount stores) and lifestyle (built around the concept of leisure – sports, entertainment, hobbies, recreation, and beauty) shopping centers. Specialization is formed depending on the specific market conditions and opportunities of commodity supply and potential tenants to provide a variety of assortments. There is a possible strategic approach of reformatting in which at some stage the default profile of tenants can transform conventional shopping center into more specialized one and vice versa.

These alternatives are just some of the contingent ways in which the retail property market in shopping centers can restructure and overcome regional imbalances. Such a plan of development is dependent on the prospects for economic growth. However, improvement of the concept of the shopping mall is feasible and subject even in situation of insignificant growth potential of the economy.

5. Conclusion

Increase in market concentration and satisfaction of the population in the major cities of the state with first-class retail space in shopping and entertainment centers cause the consequent increasing competition and changing economic conditions, which are source for making decisions about allocating resources in new investment projects of shopping malls. Despite the crisis processes in the Bulgarian economy continued development and future opening of new shopping centers confirm investment interest, the expected efficiency of resource allocation and the prediction that contemporary mall will continue to reach more customers and their specific needs.

Presented strategic alternatives provide important support for projects located in the pre-operational phase, as well as those acquired for management by the investment financing institutions like commercial banks and real estate investment companies. Faced with the challenge of market saturation with spaces in shopping centers in major cities, a key factor for future development is the improvement of socio-economic situation in the medium and long time horizon.

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Summary

In 2006, in terms of stabilizing market environment and the growing diversity of market opportunities, in entrepreneurship radar penetrates investment allocation in major shopping and entertainment centers. Appropriate market environment indicators and the construction booms are followed by savage blows of economic crisis and the unpleasant consequences for many of the projects which are placed in phase retention or failure. The effects of excessive growth and saturation of the market with gross leasable area in large shopping centers poses numerous challenges for their effective management. This requires searching for new alternatives for development in times of crisis such as more compact and sophisticated developments in smaller settlements with economic potential and market opportunities for more specialized shopping centers.

Key words: shopping center, mall, retail market.

UDK classification: 339.3.

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