Malls look for new 'anchors' in storm

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By William Hennelly |   
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Depicted in American popular culture as places where suburban "mall rats" loiter and outrun security guards, as in the 2009 film Paul Blart Mall Cop, enclosed shopping malls, under siege with the ascent of e-commerce, are being forced to reinvent themselves or fade away.  
The malls' heyday may have been in the 1970s, but some of the sprawling complexes are finding that they don't have to sit there and be bludgeoned by online giants such as Amazon in the US and Alibaba in China (which incidentally, are snapping up and/or opening their own physical stores). Rather, many malls are looking at mixed uses for a renaissance.  
A coming together of physical and online seems to be unfolding, with virtual reality and artificial intelligence also coming into play. Entertainment and dining are major factors, too.  
What the malls can offer that online shopping can't is human interaction. Even if a mall can't give someone the lowest price on a flat-screen TV, it can provide a cozy café with free Wi-Fi, a 4-D movie theater, an aquarium and miniature golf.  
Many of the legacy malls also sit on prime real estate.  
Industry experts say 25 percent of US malls likely will close in the next five years, or about 300 out of the existing 1,100, CNN Money reported.  
China has nearly 4,450 shopping centers — four times the US — and an additional 7,000 are estimated to open by 2025. A 2016 report by the Chinese Academy of Social Sciences predicted that one-third of China's malls will be history by 2020, unless they transform.  
While certainly some malls in the US are on life support, the 10 most valuable US malls owned by real estate investment trusts (REITs) are generating between $960 and $1,450 in sales per square foot and are quite valuable, research firm Boenning & Scattergood told CNBC.  
Four of the top 10 are in the Northeast. Two are in New York state, one is in New Jersey and another is in Pennsylvania. The Ala Moana Center in Honolulu tops the list. The open-air mall hauls in $1,450 per square foot and is worth $5.7 billion.  
King of Prussia Mall, a 2.8 million-square-foot shopping center outside Philadelphia, is in position to make a stand against online shopping.  
The 50-year-old complex has more than 50 food venues and a concierge lounge. But a J.C. Penney department store closed in July, creating a hole in the anchor-store lineup. Simon Property Group is planning a mixed-used development for the 17-acre Penney site, part of a makeover that CEO David Simon has compared to Hudson Yards in Manhattan.  
"I don't think people appreciate how dynamic these properties are and how they evolve over a long period of time," said Rick Sokolov, Simon's president and COO.  
Retail landlords have spent billions on changes that focus on experiences that can't be found online, brokerage Jones Lang LaSalle says.  
King of Prussia is the second-largest mall in the US after the Mall of America in Minnesota, according to the Directory of Major Malls.  
Indiana-based Simon is spending $1 billion a year to upgrade its properties, Sokolov said.  
"We're spending money to make our properties incrementally more relevant and more attractive to retailers and generating returns while we do it," he said.  
Triple Five Group of Canada is building a giant "anti-mall" in northern New Jersey, just west of Manhattan.  
The $5 billion complex, called American Dream, is a massive hybrid between a shopping center and amusement park.  
"It will have less retail space than Mall of America and 60 percent more in entertainment offerings," Debbie Patire, Triple Five's senior VP of marketing, told philly.com. "But it really isn't about size these days. It is about the customer experience … combined with best-in-class entertainment, attractions and restaurants."  
Phase 1 of the mall is under construction next to MetLife Stadium, where the NFL's Giants and Jets play.  
Among American Dream's planned attractions are a Nickelodeon Universe Theme Park and DreamWorks Waterpark; a Big Snow America 800-foot indoor ski slope; an observation wheel with 26 climate-controlled gondolas providing panoramic views of the New York skyline; a performing arts theater; an NHL-size ice rink; a Cinemex X4D 1,400-seat complex with 12 double screens and in-movie dining; Sea Life and Merlin Legoland discovery centers: Sea Life will feature a tropical ocean tank with a walk-through underwater tunnel; Legoland, described as stepping into a giant box of Lego, is designed for families with young children; and there will be an 18-hole miniature golf course.  
But it's not all fun and games. Future retail tenants lined up include Saks Fifth Avenue, Hermes, Microsoft, Lululemon, Old Navy, Victoria's Secret, H&M, Zara and Primark, among 450 stores, specialty shops and restaurants.  
"A rich blend of global retail influenced by high streets from Bond Street in London to Soho in New York City", the mall's website exclaims.  
But at any mall, the cash registers need to be ringing, and retail sales still play a key role.  
US holiday sales in 2017 increased 5.5 percent to $692 billion, as rising wages, employment and confidence put consumers in a spending mood, the National Retail Federation said. That number includes $138.4 billion in online and other non-store sales, up 11.5 percent.  
"We knew going in that retailers were going to have a good holiday season, but the results are even better than anything we could have hoped for, especially given the misleading headlines of the past year," NRF President and CEO Matthew Shay said. "With this as a starting point and tax cuts putting more money into consumers' pockets, we are confident that retailers will have a very good year ahead."  
And in places where malls have faltered, omnipresent Amazon has moved in.  
"Ironically, a few abandoned malls I've shot in my hometown are now being used for Amazon fulfillment centers," Cleveland photojournalist Seph Lawless (see sidebar below) told China Daily.  
"I've seen the inside of Amazon fulfillment centers; it's intense, I mean if they wanted, they could have their robots doing everything inside those gigantic centers. They don't need any humans in their fulfillment centers.," he said.  
"Amazon is choosing to create jobs and choosing to pay good wages with benefits," Lawless said. "It's because of these factors no other retail giant or store can really follow that same model effectively."  
Amazon also opened its first Amazon Go store in Seattle in January and plans another six in the US, according to recode.net, a tech news site. At the Go stores, the "Just Walk Out" app lets shoppers scan their phones upon entering and pick items off shelves. They then are charged electronically with no need to queue up.  
A giant Egyptian sphinx and a replica of the Arc de Triomphe, along with Venetian gondolas and an indoor roller coaster weren't enough to attract customers to China's largest mall — the New South China Mall — in Dongguan, a city with millions of migrant workers. But the "dead mall", at 7 million square feet twice as large as Mall of America, was revived when it focused on dining and entertainment.  
China's mall-building also has been attributed to local governments looking to increase their tax bases.  
Cities such as Qingdao, Chongqing and Dalian all saw large shopping malls shut down in August 2016, ECNS reported.  
The North Star Shopping Center in the Asian Games Village in Beijing announced its closure on Jan 8.  
Opened in 1990, the North Star was once the commercial pride of the capital. It was the first mainland mall to have indoor elevators, and the first to offer nonstop shopping during the Lunar New Year.  
"When I first moved here, there were many shoppers, and things were cheap. But later it started to sell pricey stuff, and there were fewer and fewer people," said Wang Tao, 55, who lives nearby.  
And since May 2017, stores have been pulling out of Sogo, one of the largest malls in central Beijing.  
In China, if anyone has a say about the future of bricks-and-mortar retail, it will be the e-commerce behemoths.  
"Major e-commerce giants like Alibaba and Tencent are moving to the offline space to grab a bigger slice of the retail sales pie (as online represents less than 15 percent of total China retail sales)," Jason Yu, manager of market research firm Kantar Worldpanel, in Shanghai, told China Daily.  
"Through further integration between offline facility/service and technology empowerment and big data-driven marketing, they hope to help to drive sales for the offline stores. … Most key retailers' position improved as they sought alliances and implemented O2O (online to offline) strategies," he said.  
Competitors Alibaba Group Holding and Tencent Holdings, worth a combined $1 trillion, are on a retail-buying binge, making merchants choose sides in a fight for shoppers' digital wallets, Reuters reported.  
On Monday, Tencent and JD announced they were teaming up to purchase a stake in China's Better Life Commercial. Better Life operates 592 stores in China.  
Since early 2017, Alibaba and Tencent have spent more than $10 billion combined on retail-focused deals.  
Cash-rich, the two are looking to win over consumers and store operators to their competing payment, logistics, social media and data services.  
Alibaba's Ant Financial leads in mobile payments, which is a nearly $13 trillion battleground with Tencent. Ant operates the top mobile-payment platform, Alipay, while Tencent's system is on its popular Weixin chat app.  
Tencent is strong in social media, digital payment and gaming. It also has a stake in JD, as does US retail giant Walmart.  
French grocer Carrefour has announced a potential investment from Tencent, which also has invested in Yonghui Superstores, retailers Vipshop Holdings and Heilan Home, mall operator Wanda Commercial and grocer Bubugao.  
Alibaba has invested even more heavily in Suning.com, Intime Retail, Sanjiang Shopping Club, Lianhua Supermarket, Wanda Film and home-improvement store Easyhome.  
Alibaba invested $486 million in a retail-focused big data firm, saying it could "help brick-and-mortar retailers succeed in the digital age".  
"Tie-ups with Alibaba or Tencent can help some of those malls transform themselves faster, providing superior retail experiences," Yu said. "Some of those malls can host Alibaba's new retail experiment Hema Fresh, but in general both Alibaba and Tencent can equip those malls with retail solutions driven by big data and modern retail technology. (Hema Fresh features self-checkout and cashless payments.)  
The Hema supermarket has opened 25 outlets in seven Chinese cities, where consumers can shop for groceries and have food cooked under one roof. JD opened its first offline fresh food supermarket in January.  
"In the industry reshuffle, new retail, which integrates online with offline shopping and provides a refreshing shopping experience, is taking hold," said Cao Lei, head of China's E-Commerce Research Center.  
Alibaba has created a Buy+ app that offers a virtual shopping mall that customers can browse through, clicking on products they like.  
"As users continue to engage with the platform in more meaningful ways, we are fostering next-generation consumption features, such as virtual reality, to transcend the overall user experience," Alibaba Chief Marketing Officer Chris Tung said.  
Buy+ provides 360-degree views using a VR headset. Shoppers can even have virtual models showcase apparel and accessories on a catwalk.  
There are fun uses for tech, too.  
Mosaic Shanghai Mall recently broke ground on the Shanghai Dungeon, a local version of Madame Tussaud operator Merlin Entertainment's London Dungeon, to help its retail center pull in more crowds.  
The Kunming Aegean Sea Shopping Park in Yunnan province has an equestrian school where patrons can ride, feed and groom horses.  
The Beijing Mall on Wangfujing Street offers a Boeing 737 flight simulator experience for about $450.  
Displays containing scannable "boyfriends" attracted crowds of shoppers in Haikou in December, hkwb.net reported. Photos from the Friendship Shopping Mall show six tall men in suits standing in doll-like boxes, each with a scannable code.  
For 1 yuan, the paid escorts snap photos and keep their clients company for an hour, but physical contact is not permitted, signs read.  
"I escorted four women on Christmas Eve. They were all in their 20s," said an escort surnamed Zhuang.  
According to a recent report by US consulting firm AT Kearney, young consumers prefer experiences to purchases. The firm predicts that by 2030, young people in the US will allocate only half of their shopping spending on products; the rest will go to experiences or experiential products.  
"Instead of a retailer, the anchor here is a compelling social experience — perhaps an indoor ski slope, roller coaster, concert space or museum providing immersive, experience-based entertainment," the report said.  
"Normal restaurants and cinemas will no longer guarantee their traffic and business success," said Yu of Kantar Worldpanel. "They have to identify some star tenant to draw consumers' attention, either those celebrity/KOL (key opinion leader-) endorsed stores, pop-up stores, popular exhibitions or popular milk tea shops (like Heytea). In short, they have to offer consumers a reason to visit them time after time."  
Yu said shopping in China is "extremely competitive", and 900-plus more malls will open in 2018.  
"I believe the revenue will increase, especially driven by the growth in the lower-tier cities. However, the new ones will gain at the expense of outdated malls," he said. "There will be more closure and transformation of the old ones, and revenue per mall is likely to fall due to oversupply.  
"The malls will have to diversify … offering distinctive features to shoppers, otherwise they won't be able to survive in an oversupply world," Yu said.  
Reuters, Bloomberg and Xinhua contributed to this story.  
Contact the writer at

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