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Franchising can be a Big Saviour for Malls

Amidst the ongoing saga of survival among the brick and mortar stores and e-retail, the spat related to the model of operation of malls is much talked about.

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BY [GARGI BHARDWAJ](#) | JAN 13, 2015 | [COMMENTS \(0\)](#) | ★★★★★



Amidst the ongoing saga of survival among the brick and mortar stores and e-retail, the spat related to the model of operation of malls is much talked about. This issue received huge attention during the 7th annual Estate Summit and Awards 2014 – held at the Leela Ambience, Gurgaon, organised by Franchise India

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Holdings Limited.

For quite some time, mall developers and the brands housed in the retail spaces have been besieged with sluggishness in sales and footfalls. On top of it, the mall promoters now have to cope up with floundering brands seeking an exit to survive in

comparatively cheaper locations, leading to the issue of occupancy.

Franchising in Mall Management

In a bid to curb the brand exodus, developers are getting into a new avatar of seeking franchisee partners. The upcoming malls have grasped this concept well in advance. DLF has leased about 90 per cent of the area in its upcoming luxury mall – Mall of India – and is expecting to generate revenue of approximately Rs 200 crore annually from the rentals.

Developers of even untroubled malls are actively exploring this option to get higher returns with Great India Place, Noida and InOrbit Mall, Mumbai, being apt examples. Prominent players of the industry, including mall developers like DLF and HDIL have been working on this option.

In the words of Susil S Dungarwal, Chief Mall Mechanic at Beyond Squarefeet

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Advisory Pvt Ltd, “Shopping is not about buying, it’s an experience. Malls in India definitely have to evolve. We are still to see quite a good number of shopping malls in the country. There are very few successful shopping malls.”

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her elaborating on the success rate of malls in India, Dungarwal said, “Making successful mall is very easy, but one should know how to go forward. Investment Real Estate has to open up because today, we are controlled by limited stores. Malls also have to come up with that role model. In Indian mall scenario, of 300 odd malls under operation, only 20-25 are fit to go, out of which, 24 are red ones.”

Profitable mall takes on the franchise of an attractive brand that is driven by good footfalls, then, even if there would be investment in assets, mall developers can still make money just on sales.

According to Munish Baldev, Head – Retail, Unitech, “Talking about the rental numbers, if the brand is doing well, the model of operation doesn’t matter. Ask someone to open a mall in some Tier-II; they will say to talk to franchise. On the other hand, if it is Delhi/NCR, people will show immediate interest.”

Areas to look upon

Real Estate developers and industry players firmly believe that the slowdown in the consumer business, and the prevalent gap between demand and supply, has led mall owners to try out the option of franchising.

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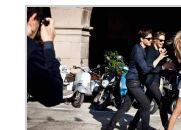
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Citing the examples of the malls in Delhi/NCR, Baldev said, “We have two malls, one of which is in Rohini, solely owned by us and is not functioning up to the expectations. The other mall, GIP, Noida, has been sold partially and is working excellently.”

Denying the fact that franchise model or COFO model can be a risk, Baldev said, “One could say that brands should not franchise; they should go for company owned (COCO) model. But there exist entire organisations that run on franchising. Franchising is nothing but getting your risks divided.”

Answering to the debate between COCO model and others, Yogeshwar Sharma, Director, Select Citywalk said, “The reason of the debate is not they vs. me, but the fundamental reason is control. If you are selling the premises to individual investor, you are losing out the control not only from management perspective, but also control from retail, which is very important when it comes to the construction of a mall.”

Conclusion

In a nutshell, the franchising model in retail real estate is emerging as a way out to combat the existing challenges of sluggish sales, in-occupancy, fluctuating rentals and risks involved. With the stalwarts of this industry adopting this model, one could say that franchising has unveiled new dimensions in the mall business.



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