

SHOPPING CENTERS

Significance and Recent Strategies

The shopping center has become a global phenomenon that has changed the structure of the retailing and services sector, introducing and consolidating new habits in the consumers of various countries. In Brazil, in particular, this activity has been growing at high rates and providing significant changes in the sector in the last few years. This Sector Update presents the importance of the industry in Brazil and some of the recent strategies.

IMPORTANCE

Various indicators point to the significant growth of shopping centers in Brazil. For example, Gross Rental Area and Gross Constructed Area grew at annual rates of 6.0% and 7.4%, respectively, between 1994 and 1997. Foot traffic in shopping centers in Brazil grew by 31.0% compared to 1994. New projects and inaugurations are growing at similar rates. However, there has been significant investment in the expansion of consolidated shopping centers, with an aim to taking advantage of the flows of people already established.

The impact of the construction of shopping centers on consumers and the communities in which they are located has been growing in importance as a subject of sociological discussions. In reality, shopping centers have exceeded the bounds of a simple center for purchases and have transformed into social center, concentrating innumerable activities and offering various types of services and leisure and cultural activities.

The construction of shopping centers offers, in many cases, an improvement in the urban infrastructure in the surrounding area, although careful planning for urban integration is necessary. In

addition, shopping centers, since they contribute to longer-duration visits by tourists and increase their spending in the country, can be considered an important tourist facility.

Gross Rental Area – 1994-1997

(in million m²)

YEAR	GROSS RENTAL AREA	GROWTH (%)	GROSS CONSTRUCTED AREA	GROWTH (%)
1994	2.6	-	5.9	-
1995	2.7	3.8	6.2	5.1
1996	2.9	7.4	6.8	9.7
1997	3.1	6.9	7.3	7.3

Source: Abrasce.

Number of Anchor and Satellite Stores 1994-1997

(units)

YEAR	ANCHOR STORES	GROWTH (%)	SATELLITE STORES	GROWTH (%)
1994	251	-	18,277	-
1995	282	12.3	19,973	9.3
1996	329	16.7	21,357	6.9
1997	397	20.7	23,800	11.4

Source: Abrasce.

Traffic – 1994-1997

(millions of people/month)

Year	Traffic	Growth (%)
1994	42	-
1995	47	11.9
1996	50	6.4
1997	55	10.0

Source: Abrasce.

From the point of view of the retail storeowner, growth in the shopping center segment has resulted in the introduction of significant professionalism in the sector and influenced the strategies of many retail chains. The trend has also made possible greater negotiating power than would be possible by individual storeowners and improved evaluation, in terms of commercial performance, by storeowners. In addition, it makes possible the visual and operational adaptation of establishments to pre-established standards, placing an emphasis on the concept of partnership for the optimal operation of establishments and allowing for the sharing of various costs, such as training.

By establishing a new standard for the retailing sector, shopping centers are also forcing regular storeowners to use the concept of partnership, investing in the modernization of stores and in the quality of services offered.

From the point of view of the consumer, shopping centers centralize consumption activities, establishing a new standard of customer demands for greater security, comfort, agility and economy of time.

An increase in the supply of the most varied types of services has also taken place, from hair salons and stores specialized in everything from photocopying to even such public services as post offices and passports.

In addition, services in the leisure area have been undergoing a shift, with the increasing participation of movie theatres and events areas.

RECENT STRATEGIES

The construction of new shopping centers has been taking place in areas lacking adequate retailing and leisure facilities, for example in the northern zone and suburbs of Rio de Janeiro. Another current trend is the diffusion of the “strip mall” – commercial centers usually built near megacenters, functioning as a local convenience center of commerce.

Recently, shopping centers have been placing greater emphasis on leisure facilities, such as bars, bowling alleys, and discotheques, seeking to create the so-called third shift that increases the operating hours of the shopping center and the stores. A new phenomenon is the new project fully dedicated to leisure activities: the Festival Mall.

Going beyond activities directly connected with retailing and leisure, shopping centers are seeking to offer a wide variety of services in order to meet consumers’ needs and serve as a differentiating element.

Another important aspect is the anchoring of units.

In view of the fact that it is becoming more difficult to attract anchor stores, shopping centers are forced to offer greater incentives, such as reducing or eliminating fees for the transfer of rights to point of sales, lower rents or even providing store decor. This situation has resulted from the fact that the number of shopping centers has been increasing with no corresponding increase in the number of anchor stores. In contrast, concentration has occurred in the retail sector. Department stores, for example – a traditional anchor for shopping centers – have been undergoing a process of restructuring.

The concept itself of an anchor store – the principal attraction for the public – is undergoing changes. An anchor based on movie theatres, food courts and even certain satellite stores is substituting the concept of the anchor of large department stores. These new power points, in a manner similar to that of the traditional anchors, are also installing in shopping centers with favorable conditions since the supply of space has increased.

Due to the changes in shopping centers, the fee for the transfer of the right to a point of sale is becoming a smaller percentage of the total investment. In parallel, the ownership of store space by large anchor stores is becoming rare.

The fundamental responsibilities of a shopping center administration are to guarantee high flows of the public, anticipate changes and maintain or increase profitability, principally in a context of the problems specific to the retailing sector. In this light, investors are seeking to contract their own team of administrators with an aim to employing the most specialized staff that utilizes the most modern management techniques, in addition to seeking to implement total quality programs.

Other new trends in the sector are in the activities of partnerships and additional revenue sources, such as:

- 1) Shopping centers are uniting and investing ever-larger amounts in joint promotional campaigns, with an aim to real growth in sales and overcoming the current difficulties of the retailing sector. This is illustrated by Christmastime advertising campaigns. The partnerships are spreading to operations, principally through the sharing of experiences.
- 2) Shopping centers are implementing joint training programs with storeowners on subjects such as sales techniques and security, seeking greater synergy among all the parties involved.
- 3) In order to reduce seasonal effects and the current problems in the retailing sector, shopping centers are investing in relationship marketing by offering their own credit cards, creating databases and other initiatives.
- 4) With a view to increasing revenue, there is a growing trend of the shopping center itself being used as a form of media. Merchandising in shopping centers consists of the use of common areas – baptized Gross Marketing Area – as the most recent means of communication between the public and advertisers. Gross Marketing Area advertising can be found in

passageways, restrooms, kiosks, food courts, parking lots, on panels and in other areas.

In conclusion, well-managed shopping centers seek to continuously discover and meet the needs of consumers, in order to increase the frequency and time of consumers' visits and the amount spent.

In this light, changes can be made to create greater bonds with the surrounding community and differentiate services through, for example, the best store mix or the amount of space designated for leisure activities.

++Olho na página 3++

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++Olho na página 4++

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Technical Notes:

Angela Maria M. M. Santos
Sector Manager

Luiz Carlos P. Gimenez – Engineer
Carollina Barbosa Matos – Economics Intern

Bibliography Assistance: Arthur A. Garbayo

Editor: Rosina Maria Rizzo

Email: ao2get@bndes.gov.br

Fax: (021) 240-3504