

CASE SEVENTEEN

Frasers Centrepoint Malls: The Point of Shopping

These teaching notes were prepared by Phung Phuong Thanh and Lau Geok Theng.

Case Objectives

- To understand the concepts of retailing.
- To explore and explain the basic marketing decisions taken by retailers.

Case Synopsis

- Frasers Centrepoint Malls, consisting of seven stable malls: The Centrepoint, Causeway Point, Compass Point, Northpoint, Anchorpoint, Robertson Walk and Valley Point, makes it one of the most established retailers in Singapore. Frasers Centrepoint considers revamping its malls as one of its core strategies to make the shopping experience even more pleasant and enjoyable for its shoppers.
- The refurbishment has added vibrancy and appeal to the malls. Most malls see increased traffic after undergoing revamp.
- The importance of suburban malls like Northpoint (Yishun) and Anchorpoint (Alexandra estates) is growing rapidly seen in their replacing traditional neighbourhood shops as hang-out places for families and youths.
- The constant change in Singapore retail landscape makes it essential for Frasers Centrepoint to keep up with the expectations from both shoppers and tenants.

Case Questions and Answers

Question 1

Why do consumers go to shopping malls? What are some features of malls that are important to shoppers? Why are malls run by Frasers Centrepoint so successful? How will you rate the shopping centre near your home based on its features?

- Consumers go to shopping malls because:

- Malls satisfy the needs and wants for goods and services: efficient one-stop shopping, large variety and value of goods as well as established restaurants and hairdressers.
- Malls satisfy the need to socialize: malls are common places for youths to hang out with their friends; families go to malls for children to play in the play ground, to watch performances, movies or dine together.
- Some features of malls that are important to shoppers:
 - Specialty shops (home furnishings, apparels, gifts, DIY tools and kit)
 - Restaurants/ Food outlets
 - Premium brand stores (Billabong, ClubMARC, Giordano, Charles and Keith)
 - Supermarkets (NTUC, Cold Storage)
 - Convenience of location (near to MRT and the number of buses travelling to the destination)
 - Recreation facilities (playground/ arcade)
 - Design and appeal (sitting areas, space, lighting colours, etc.)
- Malls run by Frasers Centrepoint are successful because:
 - They satisfy the needs for goods and services and the need to socialize
 - They have most features that appeal to shoppers (listed above)
 - They constantly review their malls and research on shoppers' behaviour to see if the current malls suit the shoppers' taste. For example, The Centrepoint on Orchard Road was refurbished with lighter tiles and increased lighting to make the whole mall brighter, reflecting the high-energy lifestyle of shoppers. It has also become more user-friendly for the handicapped with added features in the mall.
 - In the suburban malls, they also build new playgrounds to draw families, increase the common space and the proportion of F&B outlet area and add new recreational facilities for shoppers to rest and relax.
 - They introduce new retail concepts like having a cluster of premium brand-name boutiques outlet stores or building new malls to integrate with existing ones. These differentiate themselves from other competitors and also give shoppers a unique shopping experience.
 - They are all located in the heartlands of suburban areas (at the MRT like Yishun, Yew Tee, Bedok) or centralized like The Centrepoint at Orchard.

- How to rate a shopping centre near your home based on its features: use the checklist above for features shoppers look for in a mall. Two examples are given in the table below.

	Junction 8 (Bishan)	IMM (Jurong)
Specialty shops	Some	Many
Food outlets/ restaurants	Varied	Varied
Supermarkets	NTUC	Giant
Premium brand stores	Some varieties	Many
Recreation facilities	Few	Few
Convenience of location	Bishan MRT and bus interchange	Frequent shuttle bus from Jurong East MRT and bus interchange
Design and appeal	Rather small and packed	Large space, but few resting places
Rating	3 ½ / 5	4 / 5

Question 2

Why does Frasers Centrepoint need to revamp its shopping malls? What factors are taken into account when revamping these malls? Do mall operators near your home revamp their malls? If yes, what changes are carried out and why?

- The ever-changing retail landscape in Singapore is becoming more mature with several new shopping centres and hubs coming into existence. The added shopping centres give shoppers more choices, and at the same time, increase the competition among retail chains. In order to keep up with the expectation of both shoppers and tenants, Frasers Centrepoint needs to revamp its shopping malls.
- Another reason Frasers Centrepoint needs to revamp its malls is to enhance the shopping experience at its malls – to differentiate its malls from others. The refurbishments expect to make shopping in Frasers Centrepoint malls more enjoyable, and, hence, draw in more shoppers and tenants (to compete for the stores space). Considering the trend that despite the gloomy economic climate, Singaporeans are expected to spend more in 2008, this will bring in more revenue for Frasers Centrepoint.

- Factors considered for revamping the malls are:
 - Characteristics of shoppers (age, income, purpose of visiting malls, etc.)
 - Shoppers' tastes and preferences
 - Design of the mall (food outlets, specialty stores, premium brand stores; common space, resting areas, playgrounds, recreation facilities, lighting colours, the designs and location of shops)
 - Cost of revamp (cost of hiring architects, interior designers, electricians, construction workers, materials and infrastructure needed as well as loss of sales during the period of revamp – opportunity cost)

- Mall operators near your home do/do not revamp their malls – depending which malls you are referring to. Most malls did have a make-over in the last few years. For example: Junction 8 (Bishan) underwent a revamp in 2004 with a two-storey extension that was built for more retail space. IMM (Jurong) was expanded in 2007 with 3 new levels of shops.

Question 3

If you are a small shoe retailer in Singapore, how will you decide if you will take up space in one of Frasers Centrepoint's malls? What factors will influence your decisions in this area? How will the decisions be different if you are operating a restaurant? Or a consumer electronics store?

- The decision of taking up space in one of Frasers Centrepoint malls relies on the cost-benefit analysis. If the costs of renting a space in Frasers Centrepoint outweigh the benefits, the retailer should not set up a store in the mall.

- Factors influencing the decision include the retailer's target market and its positioning strategy, the rent of a space in Frasers Centrepoint and the expected sales from the potential store. Being a small shoe retailer, its sales may not be able to cover the high rent in Frasers Centrepoint. If the shoe retailer caters to the need of specific groups of customers (e.g selling special dance shoes for dancers), setting up a shop in Frasers Centrepoint will not be profitable due to the small target market.

- Because shoes are generally a shopping/ convenience good (involving some or little involvement in the buying process, thus, if the rent is not too high (especially in suburban malls) and the shoe retailer can differentiate itself (with unique designs and materials) catering to young females, perhaps it would be wise to take up a space in one of the malls and take advantage of the large crowd of shoppers to increase its revenue and profits.

- The cost-benefit analysis also applies to operating a restaurant. However, this involves the concept of services which has some unique characteristics like intangibility, inseparability and perishability. Service intangibility refers to the

inability to taste, feel, hear or smell (the service) before they are bought. Inseparability means that services cannot be separated from their providers and because of this, services cannot be stored for later sale or use. Because of intangibility, a small and new restaurant will find it difficult to draw in customers if it is located in an inaccessible place with low traffic. Inseparability causes the restaurant to lose sales when there are too many vacant seats. Situated in one of the Frasers Centrepoint malls with high flow of traffic, the new restaurant will receive customers who come to the mall for a new dining experience, gatherings or just to socialize. The perception that the malls offer goods and services with higher quality will also help to boost the sale of the restaurant. It is a norm that restaurants differentiate themselves by not just the food but the ambience and location as well.

- Consumer electronics are considered durable consumer products. Its durability or long lifetime together with the high price attached to its high value mean that consumers only buy these products for replacement of damaged goods. They also take a long time to decide to buy the products. The high involvement in such goods implies that consumers will search for the desired product themselves. Thus, a consumer electronic store does not have to be accessible and hence, should not take up space in a Fraser Centrepoint mall.