

THE USE OF WEB BY SHOPPING CENTERS IN THE CITY OF SÃO PAULO
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1. Introduction

The inquietude that has led to the choice of this theme is related to two indisputable facts in Brazilian market: the success of the concept of malls in retail market and the increasing use of the Internet as a marketing channel by consumers. However, it is noticed that the presence of malls in Internet business environment is little exploited.

According to PARENTE (2000), malls have been shown to be increasingly important in retail market and to exercise expressive influence in a large part of Brazilian population's life. It is a place not only for shopping, but also for leisure, food and social relations. According to ABRASCE (Brazilian Malls Association), malls' sales in 2002 represented 18% of total retail sales, excluding sales of automotive and oil products. In some retail sectors, such as clothes and shoes, the participation of malls is dominant, since most specialized stores are located within them.

According to data from ABRASCE, since the opening of the first unit, in 1966, the Brazilian sector of malls presents a remarkable growth: the number of units has doubled every five years. The Malls Industry currently has 253 malls, of which 227 are in operation and 26 in construction. In 1983, only 15% of these centers were in the interior of the country. Today, this percentage has risen to 45%. The 253 malls total *Gross Leasable Area* (GLA) larger than 5.8 million m² (62 million square feet) comprising more than 38,489 satellite stores and 724 anchor stores. Sales in the Brazilian shopping centers were R\$ 23.0 billion in 2000, R\$ 25.3 billion in 2001, and R\$ 27.9 billion in 2002, generating about 451 thousand direct jobs.

As regards the use of the World Wide Web, the traffic in the Brazilian Internet grew 26% in 2001, according to a report from Ibope eRatings.com. In December, 5.9 million users accessed the Internet, in comparison with 4.7 million in the same period in 2000. The main highlights were e-commerce sites. In December/2001, 2.5 million users accessed virtual stores, a 12% growth in relation to November 2001 and 114% over the same period of 2000. This time, anchored in the potential of digital inclusion, everybody estimate a tremendous jump in online consumption. However, there is one detail: the estimates foresee the large apex of Web on in 2006, going from the current 14 million up to 50 million Internet users. Today B2C (Business-to-Consumer) has only 1.4 million consumers, which transact R\$ 550 million, an amount that does not take into account the online sale of cars and electronic auctions. According to e-bit¹, specialized in Internet environment surveys, this value is shared by one thousand virtual stores, and 20 of them have a

¹ www.ebit.com.br

turnover of about 80% of the total, and must grow almost 100% this year, thus reaching about R\$ 1 billion. Brazilian consumers represent only 10% of internauts and are most from classes A and B. A series of characteristics linked to the culture of Brazilian people lead local internauts to prefer stores that made their name in real world and in which they are habituated to shop conventionally, since they transmit more security to the consumers that are making their first shops through the Internet.

2. Research Purpose

This project has as purpose to identify how malls are using the Internet: divulgation, transaction and/or relationship.

3. Problem

The preparation of this project is relate to the observation that other sectors, such as banks, Internet access and contents providers are implementing on the web the model of virtual mall.

4. Review of the literature

4.1. Brick-and-mortar Shopping Center

BERMAN and EVANS (1998) indicate the following differences between an unplanned business district and a planned shopping center:

- **Unplanned business district** - type of retail location where 2 or more stores situated together (or in close proximity) in such a way that the total arrangement or mix of stores in the district is not the result of prior long-range planning. Stores locate based on what is best for them, not the district. (p.313)
- **Planned shopping center** - a group of architecturally unified commercial establishments built on a site that is centrally owned or managed, designed and operated as a unit, based on balanced tenancy, and surrounded by parking facilities. Its location, size and mix of stores are related to the trading area being served. A typical shopping center has one or more anchor, or generator, stores and a large diversity of smaller stores. Through balanced tenancy, the stores in a planned shopping center complement each other in the quality and variety of products offerings, and the kind and number of stores are linked to the overall needs of surrounding population. (p. 317)

According to PARENTE (2000), the Planned Shopping Center, as suggested by its name, indicates an undertaking specifically developed to make an integrated commercial complex, comprised of several retailing units that offer a varied and

complementary product line. Among the several formats of planned shopping centers, the most important are malls².

In relation to the legal aspects, PINTO and OLIVEIRA (1991) define mall as one a shopping center incorporated by the businessman or owner to be built with the proper technical planning established by him. According to the authors, a mall is a "miniature city"; it is born planned by the entrepreneur, who cares for its location at a certain point, for its rational organization and for its operation regulated by principles that are arranged in an internal regiment and previously accepted by all holders of units that operate within the set (p. 08)

For MASON, MAYER and WILKINSON (1993) Malls include from small commercial centers built in straight line with 30 thousand m² without anchor stores, to those with 100 thousand m² anchored by a supermarket, drug store or specialized store; or others with area from 100 thousand to 400 thousand m² anchored by a discount store.

According to OLIVEIRA LIMA (1971) there are 12 parameters that identify a true Mall prepared by Gruen and Smith³:

1. Marketing planning
2. Traffic conditions
3. Physical characteristics of the location
4. Parking facility
5. Complex of stores
6. Traffic of customers and service
7. Nearby parking area for customers
8. Protection against bad weather
9. Architectural techniques
10. Facilities for high-quality services
11. Possibility of expansion
12. Integration with community

Table 1 summarizes the strengths and weaknesses of planned shopping centers (SC)⁴ mentioned by BERMAN and EVANS (1998).

² Mall is a large covered and enclosed area with that contains many different shops in which traffic is not allowed. All stores are under one temperature controlled roof. (Berman & Evans, 1998, p. 319)

³ GRUEN, Victor and SMITH, Larry. *Shopping Town*. Rhold, New York, 1966, p. 277-280

⁴ Shopping center

Table 1: STRENGTHS AND WEAKNESSES OF THE SHOPPING CENTER MODEL

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Well-rounded goods and services assortments because of a long-range planning ▪ Large population of districts ▪ Interesting in one-stop-shopping, family shopping ▪ Cooperative planning and sharing of common costs ▪ Creation of distinctive, but unified, shopping center images ▪ Maximization of pedestrian traffic for individual stores ▪ Access through avenues and availability of parking area for customers. ▪ Declining appeal of city shopping in downtown ▪ Generally lower theft rates than central rates than central business district stores ▪ Popularity of malls ▪ Growth of discount malls and other newer types of shopping centers 	<ul style="list-style-type: none"> ▪ Land-lord/ management regulations that reduce each retailer's operating flexibility, such as required store hours ▪ Generally higher rent than for an isolated store location ▪ Restrictions as to the goods/services that can be sold by each store ▪ Competitive environment within the center ▪ Required payment for items that may be of little or no value to an individual retailer, such as membership in a merchant's association ▪ Too many malls in the same area ▪ Rising consumer boredom with and disinterest in shopping as an activity ▪ Domination by large anchor stores

Source: Berman and Evans, 1998 (p. 318-9)

PINTO and OLIVEIRA (1991) widen the concept, affirming that SC is not a simple building, divided into a number of stores, with movie theaters, boutiques, warehouses, restaurants and leisure areas, assigned to merchants of diversified activities. It is neither a variety of commercial establishments that expose for sale everything or almost everything that one may need. What shows in its outer aspect is only a superficial view of a phenomenon that materially changed the classic concepts with the introduction of the role of investor in SC. This **entrepreneur** does not take only the function of a lessor of real estate, but that of a creator of a new good will, the characteristics of which have not yet been defined.

The **Management of planned shopping center** has as function the control, discipline, inspection, maintenance, change and conservation of the common areas, in particular of the personnel and of the operation, the material needed for cleaning, security, surveillance and lighting of the common areas, the expenses for which are borne by the storekeepers. Besides, the management is supposed to establish and communicate to the units, through specific memoranda, the days and times of public mall operation, time of opening for the entry and public circulation and the closing time of activities, and stores must keep uninterruptedly open during the whole time established.

BERMAN and EVANS (1998) identified the lease types used by property owners:

- **Straight lease** – retailer pays a fixed amount per month over the life of the lease. Rent usually has a wide range depending on factors like the location's desirability and store traffic.

- **Percentage lease** – rent is related to the retailer's sales or profits. A percentage lease enables a property owner to be protect against the effects of inflation, as well as to benefit when the store is successful; it is also allows a tenant to view the lease as a variable cost, which means rent is lower when its performance is weak and higher when performance is good.
- **Graduated lease** – rent increases over a specified period of time. Rental payments are known in advance by both the retailer and the property owner and are based on anticipated increases in sales and costs.
- **Maintenance-increase-recoupment lease** – provision allowing for rent increases if property owner's taxes, heating bills, insurance or other expenses rise beyond a certain point. This provision most often supplements a straight rental lease agreement.
- **Net lease** - all maintenance costs, such as heating, electricity, insurance, and interior repair, to be paid by retailer, which is responsible for their satisfactory quality. A net lease frees the property owner from managing the facility and lets the retailer have control over store maintenance. It would be used to supplement a straight lease or a percentage lease.

According to GAMBILL (2000), shopping centers are selling the environment. They strive to make the shopping experience more funny and attractive. If consumers realize that shopping provides a pleasant experience, they will come back. SC needs to be seen by customers not as an entertainment environment.

Other associations that the administrators of SC are trying to create on consumers' minds are convenience, dependence, innovation, sense of community, good management, security, selection, value, etc. The idea of these companies is to create a link in the customers' mind between these factors and their malls, which shall led to loyalty to SC and their managers.

4.2. The mall's attraction power

SC has become a "downtown" of the region, a place for meeting of the community and for activities, a recreational area, or "the place for people being outside home", where they may shop, eat, have fun, find friends, neighbors and business contacts, and engage in community activities. With the trend for reduction of the work hours allowing for more time for leisure, people have changed their life styles, and SCs follow this transformation. Besides the traditional range of stores, future malls shall have an increasing number of recreational activities, fitness clubs and aesthetics centers, small theaters, meeting areas with and without food service. (LION,1976)

Exclusively in a descriptive form, with no hierarchy, ROCHA and LIMA (1996) presents the attributes that move the consumer to a certain SC:

- **Accessibility** - related to urban insertion of SC: time, facility and quality of urban image, in the consumer's movement route to such SC.

- **Comfort at arrival** - capacity to access the SC building, in particular for consumers who travel by car and expect to find facilities to park, or those located together with mass transportation facility, such as subway stations.
- **Comfort at shopping** - availability of goods and their adjustment between the quality reference established by the consumer and the distribution of offer in the SC.
- **Environment** - intrinsic quality of the building, as to its project, to the installed facilities, to the configuration of the service complementary areas, to the microclimate, to the decoration of stores, etc.
- **Service** - related with the treatment it is given as consumer.
- **Goods and service assortment** - formatting of the structure of offer of each homogeneous set products, such that the elasticity of the quality x price binomial be balanced in relation to its quality reference.
- **Complement offering** - represented by the capacity of mall to cover the range of consumer needs, without him/her having to go to another SC for part of his/her shopping, because it does not offer, with the desirable diversity, the range or products adjusted to his/her needs.

The consumer, so, shall structure its reference of quality for each intended purchase, containing such attributes positioned in a certain status, seeking the SC that has them closer to the reference.

The entrepreneur is supposed to choose the target public for the shopping center, to arbitrate or research on these quality references, to provide the mall with the attributes in the state wished by the consumer. Considering the panel of option available for the target public, each consumer goes settling a “manner to shopping”, moved by the recognition of higher approximation between the quality level of an undertaking in relation to his/her quality reference, acquiring there a certain *habit*, that little by little is getting rigid, so that competitors are harder to enter his/her range of options. Retailing, and in particular SC, deeply motivates the consumer, who wishes to satisfy his/her basic and social impulses. (HIRSCHFELDT,1986)

The great concentration and planned distribution of stores that sell food and drinks, as well as a pleasant environment and protected from bad weather, satisfies some of the main basic needs of the individual. As to the other needs, for instance, security, the SC system equally contributes for them to be met, assured within the SC by private services. The egoistic needs, well related to the status of the individual, are fully met in SC. The consumer feels that his/her aspirations are met when shopping on a SC, a place generally associated to high quality products and high income of its customers.

a) **Goods and services offering**

Within a SC, a market structure operates based on *monopolistic competition*. The large number of stores, near each other and with similar range of products,

provides the consumer countless alternatives of shopping, and may exercise to a large extent the so-called *compared shopping*. The price becomes a relevant variable in the process of choice.

The countless facilities offered and the pleasant and comfortable environment do not permit that the prices analysis be based on nominal prices of products, but in their *actual prices*. The “actual” price of a good shall be its nominal price plus what one spends to find it.

The protection against bad weather, security, free parking area and the large variety of stores gathered in one single place must be considered at the time of assessing the “actual” price of the purchased product. (HIRSCHFELDT,1986)

b) Cost of time opportunity

In modern capitalist societies, time opportunity cost is high. The great agitation of urban life, which brings with it the need to dimension, as well as possible, the time of the several daily activities performed by people, makes time fact a very “expensive” item (HIRSCHFELDT, 1986). As LANGONI (1981, p.11) says, “most of the current technological progress is focused exactly to the minimization of the cost of time opportunity, either through activities that save work hours, or through offer of leisure at relatively low costs.”

SCs are time-saving activities, since they reduce hour needs to perform a certain volume of shopping, due to the advantages provided by its mix, by the parking area and by access facilities.

Within a SC, not only the individual consumer, but also the family as a whole, has their time optimized, since there is integration between commercial services and the leisure area, besides, for its operation in late hours, it makes easier for the whole family to go shopping.

Concluding, the consumer establishes its routine of search for products, associated to the recognition of a certain offer profile, which is disposed in that SC in which it shops. After a settling period he/she is moved, exclusively by its habit, which represents the unconscious synthesis of the adjustment of its quality reference and the shopping location.

4.3. Virtual Shopping Center

SWEENEY (2000) calls virtual shopping center as **Cybermall**: web malls that have stores related to a specific theme. Cybermalls are a set of transaction websites that provide an arena where people may shop online through the web. As in the traditional malls, the traders of cybermalls benefit for receiving more traffic due to the power of promotion and the services offered by its owner and participants. These malls are accessed by the customers through a common Internet address (URL).

TURBAN, LEE, KING and CHUNG (1999) define virtual malls as **Electronic Shopping Mall (e-mall)**: a set of independent electronic stores who share an electronic marketing environment such as servers, software and payment systems. The authors adopt the following criteria to distinguish between an electronic store (e-store) and an e-mall:

- **e-store** – an electronic distributor whose dealing items are handled by a single store.
- **e-mall** - an electronic distributor or broker whose dealing items are handled by more than a single electronic store.

They classify cybermalls in **generalized e-malls** (deal with several categories of stores) and **specialized e-malls** (focus on only special types of stores).

One of the 4 models of business in digital environment presented by Ticoll, Lowy and Kalakota, mentioned by ALBERTIN (2002) is that of **Aggregation**. This model expresses the situation in which one entity aggregates value for the producers, suppliers, customers and consumers, not restricting itself only to the electronic integration, since the players may integrate directly if they do not realize this value. The model of Aggregation is not considered as self-organized by the power of interference of the aggregator.

Based on this definition, an e-mall fits the model of aggregator since its main function is to generate visibility and traffic of consumers and of potential consumers to the virtual stores and, accordingly, increase their sales volumes. Besides the secure payment system, cybermalls offer several services both for storekeepers and the end consumers. Some retailers with a strong appealing brand, called anchor stores, as the Brazilian retailer *Americanas.com*⁵, have its own site in the open market model, but also take part in an aggregator shopping which is interested in placing it to attract public.

Others, with little known brands and lacking resources to invest in technological infrastructure to market through the web, search in a virtual retail aggregator, higher visibility, support and facilities for the sale of their products and services, such as announcement in several media, facility and security in payment, space for offers and guarantee of a large amount of visitors.

For final consumers the aggregating model provides comfort, facility of search for several products and services in the same site, besides having the legitimacy of the process provided by the cybermall.

5. Hypothesis

⁵ www.americanas.com

Traditional malls that have a website are not using the Internet as a business environment. The purpose of this project is to investigate why these shopping centers continued acting only in the traditional market, leaving room for companies of other sectors to reproduce the store-grouping model in the virtual environment.

6. Population

The research population shall be the Brazilian shopping centers associated to Associação Brasileira de Shopping Centers (ABRASCE). This association gathers entrepreneurs, as well as managers and service providers, and has as purpose the strengthening of the industry of Malls, on a nationwide basis, before their clientele, government agencies, financing entities, unions and other class associations and other institutions. Today, ABRASCE has 253 associates distributed throughout the country.

7. Sample

From the total of 253 shopping centers associated to ABRASCE, only those located in the city of São Paulo shall be considered to this research. The choice of the 31 SCs located in the city of São Paulo is justified because it has the largest concentration of SCs (7% of the total national GLA), besides it has the oldest one (Iguatemi opened in 1966). Another reason is the facility to interview the managers of the selected malls, since most of them have their head office there. Table 2 presents the selected malls.

**Table 2: SHOPPING CENTERS OF THE CITY OF SÃO PAULO ASSOCIATED TO ABRASCE
(alphabetical order)**

SHOPPING CENTER	Opening	Gross Leasable Area (m ²)
BRASCAN CENTURY OPEN MALL	2003	2,804
CONTINENTAL SHOPPING CENTER	1975	28,632
D & D SHOPPING	1995	17,000
DIRETÃO SÃO MIGUEL PAULISTA	1992	5,000
FREI CANECA SHOPPING E CONVENTION CENTER	2001	15,559
LAR CENTER	1987	35,809
MARKET PLACE SHOPPING CENTER	1995	20,180
MORUMBISHOPPING	1982	45,313
RAPOSO SHOPPING	1996	14,551
SHOPPING BUTANTÃ	1994	7,055
SHOPPING ANÁLIA FRANCO	1999	40,364
SHOPPING CENTER IGUATEMI SÃO PAULO	1966	33,825
SHOPPING CENTER LAPA - SP	1968	8,537
SHOPPING CENTER NORTE	1984	64,000
SHOPPING CENTER PENHA	1992	17,495
SHOPPING CENTER SUL	1982	8,769
SHOPPING D	1994	24,065
SHOPPING ELDORADO	1981	61,015
SHOPPING IBIRAPUERA	1976	51,773
SHOPPING INTERLAGOS	1988	58,963
SHOPPING JARDIM SUL	1990	28,000

SHOPPING LESTE ARICANDUVA	1991	51,000
SHOPPING LIGHT	1999	17,982
SHOPPING METRO SANTA CRUZ	2001	18,000
SHOPPING METRO TATUAPÉ	1997	36,394
SHOPPING PÁTIO HIGIENÓPOLIS	1999	27,966
SHOPPING PAULISTA	1989	22,182
SHOPPING PLAZA SUL	1994	26,876
SHOPPING SP MARKET	1994	66,690
SHOPPING VILLA-LOBOS	2000	26,000
SHOPPING WEST PLAZA	1991	38,050
Total = 31		346,443

Source: www.abrasce.com.br

8. Methodology

For the field research, an experiment shall be carried out with the purpose of identifying within the 31 sample malls: the ones that have website and how they are being used. The model of evaluation of sites proposed by DINIZ (2000) presented in table 3 shall be adapted for specific contents of SCs. The data will be gathered on SC websites.

TABLE 3: CLASSIFICATION OF THE SERVICES OFFERED IN WEBSITES

	Basic	Intermediate	Advanced
Divulagation	- News - Institutional - Promotion - Publications	- Search engine - download of documents and forms - links	- customization of information - use of audio and video resources
Transaction	- requests - registrations	- inquiries - payments	- service delivery - new payment methods
Relationship	- e-mail forms	- use of cookies - calculators	- chat - discussion forum

Source: Diniz (2000)

For defining problem in more detail, an exploratory study will be undertaken, including interviews using semi structured questionnaire with the corresponding managers of the selected SCs whose shall be identified during the research made in malls' websites.

In a further phase, virtual SCs implemented by banks Bradesco and ABN AMRO respectively named ShopFácil and Qualivillas, shall be analyzed, as well as the specific shopping sections found in sites of the Internet access and content providers (UOL, Terra, AOL, IBest, etc). The aim of this part of the research is identifying website structure offering (content, designer, payment systems, etc), category of e-store, anchor stores, types of lease, target, etc.

9. Expected results

Before this research is carried out, it can be expected that brick-and-mortar SCs be focused on leisure of final consumer. In relation to retailers (tenants), malls act as “space sellers”, the gross leasable area (GLA). This attitude may indicate a marketing myopia since the consumers’ purchase goods and services regardless of the store being physical or virtual. On the other hand, companies from other industries are making use of this market opportunity since they have the payment systems (banks) and infrastructure, besides a large traffic of users (Internet access and content providers).

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