A Research on Culture Mall Development in China

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In recent years, economy transformation has become a hot topic in China and for China’s economic development. Modern service industry is regarded as one of the key points for the transformation. Culture, as an important element in service industry, its combination with real estate industry is an innovation in business model. The word and concept of Culture Mall is a further creation to provide consumers with multiple shopping experience and pleasure, and also brings a new lifestyle.

. Combine Estate with Culture Mall

1. Emergence and development of mall

Mall started in the United States and Europe. A shopping mall is one or more buildings forming a complex of shops representing merchandisers, including functions of shopping, recreation, catering, such as movie theaters and restaurants, etc. Usually, it is with interconnecting walkways enabling visitors to walk from unit to unit. Mall is encouraged by the rise of suburb and automobile culture, and it is the results of industry and culture development. Mall is one of the top business modes of modern commercial estate industry, with multiple functions and diversified innovations.

In addition, mall is the lifestyle representing middle class people. It provides multi-functional service besides shopping. The products and service provided in the mall will not be the most expensive and fashionable, but it may represent the mainstream consumption ways of the society.

2. Combination of cultural estate with mall

The developers often give different commercial positions on their malls, such as young-style mall, household mall, shopping mall, trans-business mall, business plaza,
shopping plaza, shopping park, particular subject shopping mall, living shopping park, etc. Through rough calculation, we find out that there are over 60 kinds of different mall types in China.

Cultural mall is the combination of cultural estate and mall, is it also a development to the cultural industry to make it combine with shopping, recreation, catering, etc. It is a cross industry business mode with a main focus on culture industry.

3. The development of cultural mall
As a new business mode, culture mall brings good market profit to its investors. Even though, cultural mall has entered into China not a long time, it shows attractive business prospect in the market. One of the typical examples is Beijing Paper Tiger Culture Group. Founded in 1999, Paper Tiger was a book retailer in distributing books and magazines in shopping malls and supermarkets, by attracting registered members. Under intense competition from the market and online bookstores, Paper Tiger develops its style of cultural mall, incorporating bookshops with leisure book bars, catering, and children’s park. Paper Tiger has opened more than 60 stores and culture square in Beijing and Shanghai with remarkable sales figures, and boasts of 400,000 members.

Nowadays, people show growing requirements on culture development and China is also a country with good cultural foundation. These provide a favorable stimulus on the development of cultural mall. Many cultural business companies and organizations show their intention and plan on culture mall development.

In the year of 2010, Jiangsu Phoenix Xinhua Publishing Group, one famous publishing house in China, raised its new corporate development concept. That is to enlarge and diversify its business by focusing on previous booking publishing and local book stores construction, introducing cultural related products to its shops for product diversification, hosting cultural related activities, introducing cinemas to its shopping center. This is a concept approaching to culture mall establishment. Another well-known Chinese publishing company Xinhua Media indicated that, a severe challenge from on-line bookshops and e-books already arrived them to push them
make advancement and reform to their business operation model. Xinhua was eager to purchase its own estate to construct large culture mall to give better support to its current businesses. Local governments also positively promote construction of culture malls, and take it as a good measure to raise soft power of the city. Here we take Fang Cheng City in Foshan, China as an example. It is a large public culture construction project under government plan and building, with total construction area 690,000 square meters. It is the biggest public culture project from the City’s history, and listed as key project of Guangdong Province at the time, with an investment of 6.5 billion RMB. Among which, 2.7 billion is invested by the government for public buildings construction, and 3.8 billion is attained from commercial estate project. Fang Cheng as a culture mall for Foshan city increase its attractiveness and influence power in Guangdong province, and enhance overall development of the city.

**Analysis on Culture Mall as a Business Model**

Culture mall is defined as a multiple business model, which built upon the platform of book selling, and includes cinemas, recreation center, youth and children center, culture shopping malls, etc. The developer of the mall must raise a central business operation regulation or development plan for the mall, and merchandisers joined the mall should abide with it. Culture mall is a new lifestyle to provide consumers with diversified consuming experience and pleasure. By utilizing customer flow of the bookshops, the mall builds up a multi-industry consuming platform to develop potential value and profit margin of the customer. It may increase profit-making ability of the mall to achieve overall success.

1. Value chain analysis of culture mall

A value chain is a chain of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. Value chain
analysis on culture mall is to identify its positioning in the value chain. As each culture mall is built on different cultural background, merchandiser structure and location, the positioning of the mall will diversify from each other. The first-class real estate company sells culture nutrition of their products; the second sells its products depending on good location and service; while the last one dump it by discount or low price. Currently, most of the Chinese real estate companies are leaning on house rent or selling as the main business mode, without diversification and innovation. They merely know that a specific theme for their project is crucial for the success. This falls into accordance with the statement from Mr. Larry W·Ziebart: “Theme identification is the key issue for the mall.” The real estate companies shall discard traditional estate development mode, and attach importance on project innovation by including cultural elements and clear positioning. These may significantly increase brand value and innovative power of the company.

Value chain of culture mall is composed of developers and operators of the mall, different merchandisers entered the mall including bookshops, cinemas, youth & children center, catering providers, culture parks and businesses, and other
surrounding service providers. The theory of value chain stipulates that corporate competitive advantage, also referred as core competitiveness, is the advantage you possess on specific strategical segments in the company, while these strategical segments are elementary source for corporate profit. As long as you control the strategical segments, the whole value chain will be under control for sustaining gains. The strategical procedure at the culture mall’s value chain is to attract large customer flow and find a good location. Well-managed book stores are a favorable selection to achieve this goal, by providing free reading place and good environment to attract large number potential customers.

In China, large publishing houses in each province or region have their influence and sales network. They open many book stores locating in each large and medium sized city and even in the county, sales talent and human resources; some of them even possess land property for the sites. Therefore, they attain unique advantage to operate culture mall through upgrade and transformation of existing business and operation. As the developer and operator of culture mall, they may attract large numbers of customers by opening bookstores, and promote sales figure through multiple business selections to achieve overall profit of the mall.

From point view of value chain, two positioning strategies are available for the mall. One is vertical integration, owning upstream and downstream resources of the mall. The other is cooperation mode, absorbing outside investors and merchandisers join the mall. Because culture mall is under preliminary stage in China with limited experience and resources, the second strategy is more suitable than the first one.

2. Business mode of culture mall

Usually, culture mall takes book selling as its core business, good location, favorable brand and loyal customers are three top advantages for the shops to attract customers. In recent years, along with economic development of China and income increase of the people, the public show much higher interest on film and acting. The mall may open cinema, theatre, art gallery, music hall, digital book shop, etc.

Culture mall shall plan and design its product mix tailored for target customer. For
teenagers and children, youth activities center, science and technology hall may be established to hold sports activities, cosplay, robot exhibition and free lectures, etc. Meanwhile, coffee bar, tea house with cultural elements and distinctive catering are also favored for culture mall. To extend value chain for the mall, it may introduce outside merchandisers into the mall, such as stores for selling digital and anime products. Theme park is also a selection, including exhibition, acting and arts to provide a multi-functional all for consumers.

Besides, to meet mall’s function of business and living, the mall may provide office rent and service apartment to promote culture companies development and to be incubator of innovative cultural business.

3. Marketing mode of culture mall
Marketing mode is defined as the company providing what kind of values and benefits to its customers and how it deliver its business and values to customers, including both brand and product. There are mainly below modes as described.

（1）Carry out brand strategy mode. From the point view of added value, development of culture mall must perform brand strategy to increase customer loyalty and customer value.

（2）Carry out experimental marketing. It is more complex for consumers to choose cultural products than tangible products. So the merchandiser must provide experimental opportunity for consumers, including visual experience, considerate and professional brand plan and consuming experience. These may establish consumers acceptance and favor on the products. Then, they will spread this information to their friends, colleagues, classmates, relatives, etc, which establish a good inter-personal influence. Meanwhile, on-spot experience can provide a good opportunity for consumers to try the product, and achieve final purchasing demands.

（3）Attach humane care to the customer, and increase management and customer satisfaction of the mall. Provide purchase convenience and comfort to the customer to satisfy their needs. Humane care is the respect to the people. This is aimed at establishing relaxed purchase environment for customer, and enhancing soft
competitiveness of the mall. In implementing this strategy, special attention should be paid to three aspects: creating purchasing environment without interference in isle, instruction and sanitary; paying attention to details for considerate service; effectively communicating with customers.

(4) Channel strategy. Besides spot sales, we shall analyse sales channel and its classification, optimize channel structure and resources allocation, attach importance of channels complex to increase marketing success rate, and carry out channel precise management.

(5) Integrated marketing strategy. Building the mall to be an integrated cultural resources provider via multiple business operation at the mall.

4. Profit model design of culture mall
Profit model is defined as where the corporate get profit, and in what forms; how the profit is distributed in forms and ratio, and if the corporate have negotiation power on distribution.

To culture mall, its key points on value chain are product in its own and sales channel. Competitive product may attract attention of customer and nurture loyalty; channel establishment is favorable for enlarging sales coverage.

The profit model must keep effectiveness. That is, forming extinctive competiveness in information resources, technologies, intellectual property rights, etc; achieving profit effectively.

For culture mall, the developer may operate the book store by its own, and introduce outside merchandisers to join other multiple business in the mall. Because of low profit margin in book selling, a break-even operation strategy should be taken for this part. Target for the book store is attracting high customer flow and potential other related consumption of the mall. It may bring overall gains. The owner of the mall also can make profit by house rent, and it may provide possibility for repeated profit-making.

5. Cash flow model of culture mall
Gains of culture mall are mainly divided into four parts: one is self-owned, including book and audio & video product selling, member service for electronic reading, ticket selling for youth center; the second is rent income from outside merchandisers; the third is exhibition gains for hosting arts gallery, acting activities; and the last is rent gains for office and apartment.

Among them, booking selling is not the main profit-making resort, and it may bring not large cash flow. Even in the first several years is to the bad without profit. The mall should operate to reach overall gains from multiple businesses.

6. Key resources power analysis of culture mall

At the value chain of mall, key resource power include good location, brand power, customer resources and mall operation ability.

In China, the brand of Xinhua Book Store has been established for over seventy years, and enjoys favorable brand influence in the mass. It has attracted large number of loyal readers. Now most of these book stores are located in the business center of the city or a town, so it boasts of the above first three advantages, including good location, brand power and customer resources.

However, Xin Hua has little experience on mall operation, still at the stage of experimental. In addition, it enjoys scare human resources and knowledge grasp on culture mall. Therefore, a great importance should be attached on building this power. It may achieved by strategic alliance, purchasing and cooperation with other companies or organizations.

. KPI Indicators for the Success Operation of Culture Mall

Culture mall is ultimately a business project, so it shall be developed abiding by modern marketing and commercial operation principles.

1. Right development concept is the determining factor for its success. Currently, most of the culture mall developers are only paid attention on location selection and
merchandising, but not on mall layout and mall opening ceremony. They are without modern mall operation concept. The developers utilize operating ways of real estate industry, and property management skill to manage diversifying mall without professional, which may make the mall hardly get sustainable development of the mall. As a market segment from real estate, culture mall should build up favorable culture environment to attract more customers and publicize culture theme for ultimate profit making.

2. A good overall layout design of the mall. The plan for culture mall is totally different from housing project. It must put mall-oriented business plan at the first place, then estate at the second. However, most the Chinese culture mall is developed not in this story. The mall must have its distinctive theme, and plan its business surrounding this theme.

3. Team with multiple abilities. Culture mall is a complex real estate product. Wang Jianlin, CEO of China Wanda Real Estate Group, states that, housing project is just like a primary school; business, office building and villa project are like a middle school student, while culture mall is as a well-developed university students. Culture mall and cultural estate are two concepts which have similarities but operate totally different. Sales success is the determining factor for real estate, but operation success is the most important for culture mall. Talents with multiple abilities in real estate and business operation must have practical and successful operation experience to plan and manage culture mall project. Premium human resources are tactical for the success of culture mall.

After analysis on current situation, we find out that currently human resource is the bottleneck for China’s culture mall development.

4. Market-oriented mall development mode. Despite the mall developer rent the stores out to outside merchandiser or operate by its own, the developer should shoulder the responsibility not only on construction of the mall, but also build up a market and customer oriented store environment. After attracting more and more customer, the mall will bring common profit for developer, investor, merchandiser
and customer. Considering this, development of mall may organize and design focused on a distinct and common theme to build a professional and premium mall brand.

Chart 2: Two promotion ways of mall operation

5. Practically implement plan of the mall, preventing to talk about stratagems on paper - empty talk. In China, most of the culture mall talents are from real estate industry, without little practical experience in culture mall. If they just only apply mechanically old estate operation experience into culture mall, and plan malls only based on subjective expectations of developer, it will gravely affect healthy development of culture mall.

6. Raise risk awareness in precaution. Just like an old saying: “The best measure on disease is to treat it before it happens.” There are various traps and mistakes in mall development. If we are only short-sighted attractive potential high profit of culture mall, and give no pre-analysis on possible problems, we will face great risk in the development. Therefore, we must attend in-advance evaluations of related regulations,
outside environment, capital risk, etc, and carry out investigation and discussion to prevent potential risks.

Conclusions

From the experience from abroad and domestic, large culture mall may achieve its success in large-scale cities, and it becomes core strength of book selling and cultural center of the city. Building up culture mall has big significance on increasing influence of the city. Along with economic development and income increase of the people, China have attained good environment to develop culture mall.

Firstly, culture mall is the best ways to break through current monotonous book selling business model to create a new and diversified cultural selection for consumers. Culture mall is developed based on advantages, such as good location, suitable and creative positioning, and multiple combinations of consumption elements, to provide diversified consuming selection and innovative cultural experience to consumers. The mall shall attract more customers to increase purchasing power, and enhance cultural ingredients and brand value of the mall.

Secondly, operate book selling professionally to increase customer satisfaction, and introduce more cultural related products and elements into the mall, such as stationary, maintenance material, computer & office related equipment and material, sports appliances, clothes, art crafts, calligraphy and painting. Cinemas, arts and other cultural related exhibition may also be introduced into the mall.

Thirdly, book selling in culture mall is not only a sales area; the mall is combined functions of shopping, recreation, catering and fashion, to provide consumers with comfortable, quiet environment for consumer to enjoy culture. The mall may start children library, youth center, VIP room service, etc. to customers.

At last, the mall shall construct a overall development plan and management structure, arrange professional tallest join the management. Developer or owner of the mall perform unified management, and provide instructions and regulations. They
should make clear positioning, development plan, good advertising and promotion to the mall. A well-organized system may guarantee overall success of the mall.

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