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Considering Selling Value-Added Products at Shopping Malls: Not a Straightforward Issue

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Success of a value-added agricultural business depends on many things including the production of a good product and a well-planned and carried out marketing strategy. There are many channels through which one might market value-added products. Making a wise decision when selecting a marketing channel requires researching all possible channels to learn the pros and cons of each. However, making a decision about some marketing channels is not always a straightforward issue. One possible marketing channel for value-added agriculture products, that is indeed not a straightforward consideration, is a shopping mall. A telephone survey of malls located across Tennessee was conducted during August of 2003, and the results indicated that there are several issues that should be evaluated when considering using a shopping mall as a market channel. Following is a brief discussion of issues to consider when thinking about marketing value-added agricultural products in a shopping mall.

First, why consider marketing at a mall? Malls often offer extensive exposure of products to a large volume of consumer traffic. Malls are often considered “consumer magnets” where consumers “find” a variety of products. Parking is generally easy and malls are often considered safe. Consumers seem especially attracted to malls during the holidays where they can get gift ideas and do all their shopping at one stop. In addition, malls often have several of the fixed resources that marketers need–the physical facility for displaying/housing products, consumers, desirable location, easy parking and an overall pleasant shopping atmosphere.

With all these positive attributes, it may seem that producers/marketers should be knocking down the doors of malls to market their value-added products. However, as stated in the title of this fact sheet, selling value-added products at malls is not a straightforward issue. Three options are available for marketing in malls–a cart, a kiosk and in-line space. Carts and kiosks are placed in the common/walkway areas of malls. Carts are owned by the mall and leased to the clients. They provide the smallest space for products and are the least expensive option given by malls. Malls do not own kiosks. Clients must own or supply the kiosk and lease space for it from the mall. The space for the kiosk is more expensive than leasing a cart. In-line space is store space that is part of a mall’s basic construction–not a common area. Of course, in-line space provides more space for marketing, but the fees are higher than leasing a cart or the space for a kiosk, and utilities are not included in the in-line space fee.

There are many other variable and considerations involved with mall leasing which are important factors and must be addressed. Although some basic situations are common among most all malls, so many variables exist when leasing from a mall that the specific leasing details are very individualized.

Following are factors and variables, identified in responses to the mall survey, that keep leasing from shopping malls from being a straightforward issue. (Although these responses were given regarding leasing carts, some also apply to leasing of space for kiosk and in-line space).

Cost of leasing a cart depends on:

- product being sold
- product’s mark-up
- product’s packaging
- person who will work/manage the cart
- how booked/full the mall is
- time/season of year
- type of cart
- location of cart in the mall
- length of lease
- amount of sales/break-point
- size and location of the mall
- changes made in leasing fees

Some malls charge a fee (often referred to as the overage clause) in addition to the monthly rent. This fee is usually between 10 and 15 percent of all sales above the break-point. Most malls determine the break-point by dividing the percentage to be charged into the leasing fee.

Example of Break-Point:

Leasing fee - $1,000

Overage clause - 15%

Break-point - $1,000 ÷ 15% = $6,666.67

Therefore, 15 percent of sales over $6,666.67 would have to be paid to the mall.

Presented in Table 1 is an overall, general summary of the information obtained from the survey of malls concerning issues that must be addressed when leasing a cart from a mall.

Table 1: Information Related to Leasing Carts from Malls

Leasing Fee	Leasing Fee Includes	Required to Keep Mall Hours	Insurance Required
• January thru October: Ranges from $500 to $1,700 per month. • November: Ranges from $2,100 to $7,500. • December: Ranges from $3,100 to $7,500. (*) One mall surveyed increases fees for Oct. Fee for October starts at $3,000. (**) Malls will not lease November and December separately.	Cart Electricity Chair Phone hook-up but not service Security-most provide some means of lock-up but others require tenant to provide padlocks for canvas as a means of additional security.	All mall require the cart be open during regular mall hours including extended holiday hours.	All malls require tenants to have at least one million in general liability insurance. Some require up to two million for each occurrence; some require workers' compensation; some require that the mall be added as an additional insured. Some malls have a policy that tenants can purchase that includes them under the mall's umbrella policy.

As has been noted, malls have different requirements. Listed below are issues mentioned by some mall personnel during the survey that tenants may be required to address if a mall is chosen as a market channel.

- Have a business license.
- Complete an application and submit a picture of the product.
- Sign a leasing contract.
- Guarantee all merchandise sold.
- Have a professional sign display listing return and exchange policy.
- Meet with a visual merchandiser to help merchandise the cart. Fee would be charged.
- Work directly with the health department if taste-testing is involved.

Additional thoughts:

✓ Some malls will not accept products which are already sold by a permanent tenant of the mall.

✓ Some malls will not lease to anyone who has a product that is the same as another product already being sold by another vendor. For example, if ice cream is already being sold from a cart, another cart could not be leased for selling ice cream.

✓ Some malls have a signing fee (application fee).

✓ Some malls charge a security deposit.

✓ Although using folding tables for displaying and selling products was not mentioned as an option by any of the mall personnel surveyed, this might be a possibility at some malls. Again, even if this were permitted by a mall, it is still not a straightforward issue. Security could possibly be a major concern and the inconvenience of putting up the tables/display–perhaps daily, could be a challenge.