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## Dynamic Business Models (1187)

### Fu Yuehong

General Manager  
Golden Resource New Yansha Mall

**To rise above the rest, leaders must meet the challenge of how to stand out in their industry. Yuehong Fu reminds leaders that harnessing the ability to set a business apart from the pack can bring amazing results not only for a business but also its valued client base.**

People visiting our company, especially our partners who know us well, but even those who aren't familiar with us, find that in our offices there are people selling electricity, drinking water, and price tags; people handling customers' complaints; and general maintenance people changing light bulbs and repairing electrical wiring--all kinds of services. They wonder what type of business we are really running and why there are so many different services, capabilities, and job functions. We have more than 90 different job functions and nine major capabilities, all in order to provide services to shops. The primary difference from other players in this industry is that, although our entire business model is based on leasing, we provide an unusually full range of services. Besides normal day-to-day paid services, we also provide more than 20 categories of free service. I have traveled to many shopping malls in the United States and exchanged ideas. I have also visited some shopping malls in the U.K., where I also shared thoughts and ideas. None of them provided such a wide range of free services. Why do we provide such superior service? I think one reason is that China's economic development hasn't yet reached the level of U.S.A. or Europe. The rationalization of many services throughout the economy is not that complete, thus enterprises need to take on this responsibility. But at the same time, it's not so simple. We can't simply lease space or collect rental payments. We have to help the shops solve their problems, increase revenue, and achieve smoother operations. Without our electricity provision system, if a tenant suddenly uses up all of their pre-purchased electric power, their shops fall into darkness. Customers won't be able to accept a dark store. We can immediately help them to get their power back. A lot of services we provide are unique in our industry. Many journalists interviewing us have asked how we could become profitable in such a short period of time. Normally, throughout the world, it will take about five to seven years, or even 10 years, for such a big shopping mall to start generating profits. For us, only was only three years. This success is largely due to these special services we provide for our tenants. All these services are different from the normal course of our industry, a difference that brings us more partners. While cooperating with us, our partners are extremely comfortable. A single brand may have multiple shops in Beijing and throughout China. For example, some American sporting goods brands like Adidas or Nike have many shops around China. It is impossible for their corporate headquarters to handle every small detail in each shop. Because we are here every day, we can provide our tenants with more detailed service. They think that cooperating with us can save them a lot of effort. The shops put the merchandise and the personnel in place, and then we can accomplish a lot of work for our tenants. We can help them with shop management. Many shops rapidly become profitable. We have also built very strong relationships with partners. Every time we hold a meeting, it is more of an emotional connection rather than merely a business negotiation. In this atmosphere, we can do a good job of managing sales and profit while sustaining strong relationships. This point really differentiates us from the rest of our industry.

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## New Markets Demand Reinvented Business Models (1185)

### Fu Yuehong

General Manager  
Golden Resource New Yansha Mall

**Sometimes leaders can be so focused on success that they rely too much on tried and true business models. Yuehong Fu reminds leaders that stay in tune with market needs and adapt business models as needed to fit those markets.**

While preparing to open the mall, we were influenced by our previous experiences running department stores and were apt to follow the modes of thinking characteristic of department stores. When planning the shopping mall, the first challenge was how to create the layout plan for such a big project. Based on our experience, we designed a merchandise category-driven layout plan similar to that of department stores. For example, we put clothing on the first floor, cosmetics on the second floor, etc. According to this model, we planned the mall. After the layout plan was drafted, I made a study tour to the United States. I found that layout of U.S. shopping malls was totally different. They arranged shops according to brands. Nike shops may be next to Adidas. Esprit may be next to Only. The layout of shops was planned according to a brand's reputation and target customers. When I came back from the U.S., I rejected our previous model and changed to a layout based on brands. We stuck to the new layout when we invited businesses to run shops in our mall. Consumers rejected this layout after the opening of the mall. They said, "We don't know how to navigate this mall, such a big mall. Where can we find what we need? We have no idea where to look." Introducing the U.S. model to China led to failure. We tried to determine the reasons for this failure. Chinese consumers had accustomed themselves to shopping in department stores for around or 50 to 60 years already. In their minds they all deeply understood that commodities should be arranged by product category. When I want to buy shirts, I find the shirts area. When I want to buy shoes, I find an area where shoes are sold. Thus, we understood that copying the layout of U.S. shopping malls would not be accepted by Chinese consumers. So for the first two years after opening, we continuously made adjustments. At last, we established a layout focusing on brands within similar product categories. While focusing on brands, we also tried to keep products from similar categories in the same area. When introducing a new business model to China, you must pay attention to localization; pay attention to the shopping habits of consumers. Only by integrating the essence of the new business model with the shopping habits of local consumers can your business be accepted. Three years later, when we interviewed consumers again, they no longer complained that they did not know how to navigate the shopping mall or that they couldn't locate the things they needed. This problem no longer existed. And the level of satisfaction of those consumers we interviewed about our shopping mall reached 99 percent.

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## **Developing Economies Call For Decisive Change (1186)**

### **Fu Yuehong**

General Manager  
Golden Resource New Yansha Mall

**Yuehong Fu shares a creativity strategy for opening a new shopping in mall in a developing economy and explains how shared risk enabled the mall to ultimately thrive during challenging times.**

Should we develop large-scale shopping malls? How many shopping malls should we develop? This question depends on the overall condition of the economic environment. From the experience of Europe and especially the United States, per-capita GDP should reach at least \$10,000 before the initial development of the shopping mall industry. In Beijing it

[the GDP] is \$8,000, already approaching the level of development necessary for the construction of shopping malls. In other words, it's a very early stage of development. At this point, in order to run a shopping mall, you must be very careful and choose large cities with strong economies, comprehensive

municipal infrastructures, and relatively high incomes. At the same time, you should also select an appropriate district in the city to construct the mall. We had some concerns regarding overall economic development. We were lucky enough to open the mall years before the Beijing Olympic Games. The Chinese economy has been continuously growing since, and we are glad to have taken advantage of this period of accelerated development. It was our good fortune. At the time, we were worried that should an economic slowdown occur, it would inevitably impact such a big shopping mall. Decreased income and lack of confidence in the economy will cause people to reduce their levels of consumption. That was one big concern. Another concern was whether or not we could attract enough shops in order to open such a large-scale shopping mall. Could we prepare at least 90 percent of shops to open for business by our opening day? Could these shops survive? Could they all make money in the mall? Would customers accept the brands we had already introduced? All these problems were solved step by step. Shops that customers do not like will inevitably have poor performance. Of course, they will be replaced. Every year, on average, we replaced about 100 shops. It's a lot of hard work, but all necessary to run a shopping mall well. When we opened our mall, the west of Beijing was not a mature business district. This peripheral area was newly developed, and residences around the shopping mall were newly built. Thus there were not sufficient numbers of customers from the areas surrounding the mall. Though we had done a good job attracting shops prior to our opening, and had achieved a 90 percent occupancy rate, we obviously didn't have enough customers. The sales of our tenants were below their expectations. It was a tough challenge for the shopping mall. Could we continue operations? Could we maintain stability? Could we manage to increase sales from the bottom of a valley to normal status or even better? We were under immense pressure at that time. After analysis of the shops, the market and our own capabilities, we firmly decided to offer tenants a 25 percent discount on their rent vis-à-vis the original rental contracts. Now, this decision might lead to a decrease of tens of millions in rents. But to respond to the future market challenge and ensure survival of the shopping mall, we made the decision in a really short period of time. The decision effectively settled the shops, and consequently, the number of customers slowly increased. In the second year, we reduced the discount of rents to 10 percent. For the third year, we returned to the level of rent stipulated by the original agreements. In this way we shared risk with the shops and managed to navigate this period of market development together with them. The decision was definitely the correct one. However, it was a great challenge to us at that time.

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## **Intelligent Customer Service (1188)**

### **Fu Yuehong**

General Manager  
Golden Resource New Yansha Mall

**Capitalizing on technology can allow a business to better manage its day-to-day operations, as well as plot out its future development. Yuehong Fu reminds leaders of the varied values that technological innovation can bring to the table.**

Only during the last 20 years has the commercial service industry entered a period of rapid development in China. We are committed to raising the level of technology used in this industry—for example, the integrated information management system we developed for this shopping mall. This system is immensely large. Hundreds of shops and banks are networked together. Using this system, consumers can swipe a range of cards while shopping, while we collect market data for research purposes, and banks provide withdrawal and deposits services. The implementation of such a large-scale IT system has elevated the technology used by commercial enterprises in Beijing, and even throughout China, to a new high. Since the beginning, we have attached great importance to the use of high-tech methods, because the bigger the shopping mall, the more complexity

[is] involved, and consequently the more difficult it will be for people to do anything on their own. You have to capitalize on high technology. We had experience in the successful use of high technology to while managing the Yansha Friendship Shop. We had sound cooperation with IBM. We decided to introduce an information system while preparing for the development of the shopping mall. We also received support from banks after holding discussions with them. Now, we have several hundred POSs (points of service) connected to our information system. The advantage is that the system boosts our efficiency by making all contracts and sales information accessible via the network. Cooperation and coordination can be realized quickly through computers. The system is the best solution to the challenge of high efficiency. Meanwhile, with this system we can understand sales trends. With this system, we can compare and analyze sales frequency hour-by-hour and day-by-day, during Mondays or during the weekend. We can conduct data comparison and analysis. The system can directly provide us with data to understand market and shop dynamics. With this data, we can know when a consumer will come to the mall, which shops can survive and which cannot. After analysis done with these high technologies, we can decide to make practical adjustments with real effects. All of our people depend on our information system, financial system, and MI system to carry out their day-to-day work. The development of this information system has also guided the development of the entire shopping mall sector in China. Before our opening, most information systems were only used for supermarkets and department stores. The system we developed was a new one for shopping centers, especially for large-scale shopping centers. This system is now being implemented in many cities throughout China. We must emphasize the use of high technology in our business development. It is vital, in fact. We will continue our efforts in this area. For example, we have built our website, and we plan to develop a peer-to-peer system for shop service. At the same time, we will also have some direct contact with consumers. All of this will be accomplished through technological methods. I think high technology will become more and more widely used. It is a way for us to build bridges between shops and consumers.