



A P O C A L Y P S E



to

R E L E V A N C E

What does tomorrow's mall look like to consumers?

In a world that is being dominated by digital, traditional shopping venues are becoming more and more obsolete.

As many as 300 of the nation's last 1,100 malls will close in the next five years¹ and in 2018 alone, more than a dozen major U.S. retailers filed for bankruptcy;

this comes at a rate not seen since the Great Recession and this number is only projected to rise. At least 7,000 stores closed their doors in 2018, while nearly 6,000 closed their doors before the mid-year mark of 2019.² After evaluating these startling statistics, we are left to ask: What, if anything, can be done to bring shoppers back to physical spaces?

The entire idea of a mall needs more than a new look. It needs a full-scale reinvention.



The answer to this inquiry is simple;

the entire idea of the shopping mall not only needs a new look, but a full-scale reinvention.

Mall traffic continues to decline with some reports showing a 7% decrease between 2017 and 2018 coupled with a 7-year high tenant vacancy rate (9.1%).³ Recent predictions show that 20-25% of US malls will close in the next five years⁴ which likely has a direct correlation to the rise of ecommerce as the total market share of online US retail sales was higher than general merchandise in-store sales (including department stores, warehouse clubs and super centers) for the first time in February 2019.⁵

This digital attack is coming right for the mall cornerstone: the department store. Wall Street is now valuing the real estate owned by Macy's to be worth \$16 billion — two times more than the brand itself.⁶ Many other leading retailers like Sears have found themselves drowning in billions of dollars in debt; if our largest department stores cannot stay afloat, it is evident that it is time for change.

We need to understand that the traditional concept of the enclosed mall is outdated. The last one was built in 2006, but these dying commercial centers still remain as vital pieces of infrastructure.

These department store spaces are on average larger than a Walmart Supercenter, so what could possibly fill them?

New trends surrounding wellness, foodie culture, outdoor lifestyle, coworking, fitness, and beauty are bringing new life to consumer culture and should be the driving forces behind finding the answer to this question.



Farmer's Market



Food Hall



Green Space



Grocery Store



Indoor Sports Complex



BOPIS



Showroom



Beauty Mega Store



Fitness Center



Health & Wellness Center

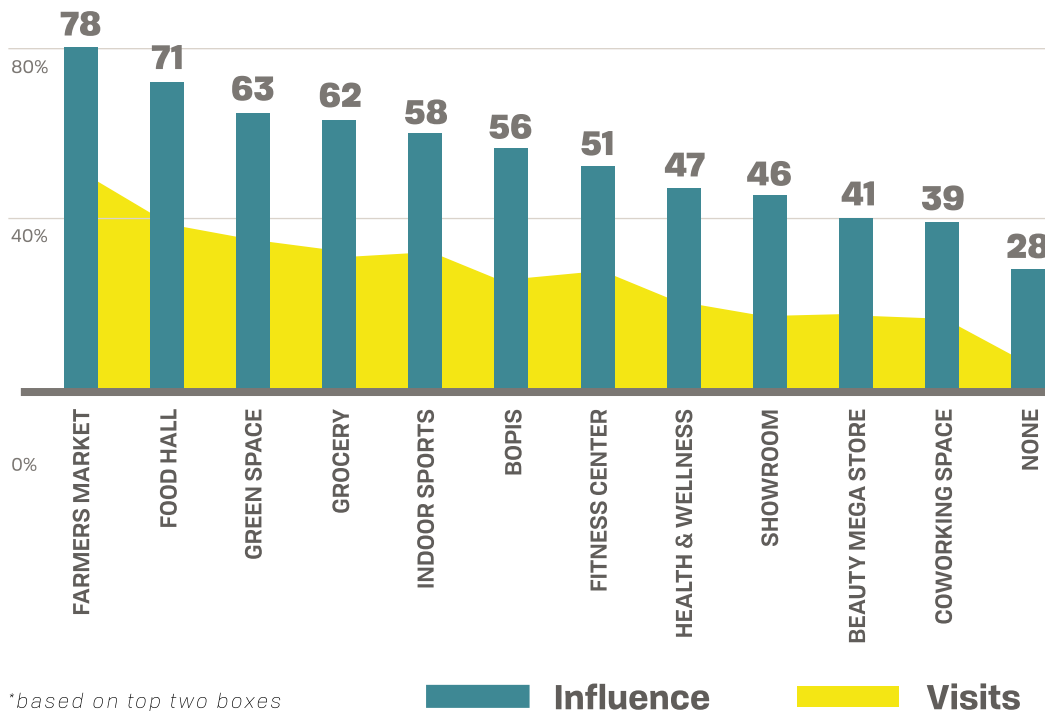


Co-Working Space

From food halls to farmers markets, these new interests can be exploited at the benefit of both the consumer and physical retailers. We used these trends to ask shoppers two simple questions:

1. What concept is most appealing?
2. If this tenant reinvention concept were available in their malls, would they visit more often?

Influence & Visit Frequency



Q: How much will this concept influence your decision to visit a mall that offers this concept?

Q: If this concept were available in the mall closest to you, how would you describe your increase in visits?

Looking to the graph above, it is evident that the way to our consumer’s hearts is through their stomach. However, this preference for food-related concepts does not come as a surprise;

the ascendance of farmers markets has been quite prominent, with the amount of them in the United States increasing from 4,093 in 2005 to 8,600 today.⁷

“Local” food sales are expected to top \$20 billion dollars in 2019, and Digital Natives (age 18-29) embrace these concepts with enthusiasm. We also asked our respondents which of the concepts were their second favorite, and farmers markets, food halls, and grocery stores once again dominated across the board.

This shows that more than one change will drive an increase in traffic, especially if a food-related concept is implemented. Digital Natives eat out more than any other generation and their purchasing power is set to overshadow that of Digital Immigrants (46 and older).⁸ Though Immigrants are more comfortable with the traditional mall concepts they grew up loving, the gap between these two generations is bridged by food. Digital Natives may be more receptive to a variety of concepts, but there is no doubt that both groups would emphatically welcome a food-based reinvention.



The solutions?

Give the Digital Natives what they want.

Though at least half of Digital Natives said that all of the proposed concepts would influence their return to the mall, food driven ideas proved themselves to be most appealing – with 78% choosing a food hall and 77% preferring a farmer’s market.

Next, remember that you cannot be what digital retailers are.

You have to do what they won’t do; this essentially means that you can’t out Amazon Amazon, but you can reinvent your strategy before they end up moving in next door.

Lastly, we recommend that you simply change the whole model!

Digital Natives don’t just want something different, they want something completely new that creates unique social opportunities. You must think of selling and doing as one, integrating your brand with their lifestyle and being where they have the most fun (unlike Amazon).

You may be left asking yourself: now what?
At WD we have the answers. To find out what this
digital-physical battle could mean for your brand,
email us at **TalkToUs@wdpartners.com** to learn more.

Sources

1. <http://time.com/4865957/death-and-life-shopping-mall/>
2. <https://risnews.com/6000-stores-have-closed-year-more-all-2018>
3. <https://www.forbes.com/sites/pamdanziger/2018/10/14/the-fall-of-the-mall-and-three-ways-to-make-them-rise-again/#40953a22a26c>
4. <https://money.cnn.com/2017/06/02/news/economy/doomed-malls/index.html>
5. <https://www.cNBC.com/2019/04/02/online-shopping-officially-overtakes-brick-and-mortar-retail-for-the-first-time-ever.html>
6. <https://www.thestreet.com/story/14455904/1/why-neither-macy-s-nor-jcpenney-won-t-be-the-next-sears.html>
7. <https://www.nytimes.com/2011/08/21/us/21farmers.html>
8. <https://www.inc.com/business-insider/millennials-food-industry-preferences-eating-out-restaurant-prepared-meals-catering.html>