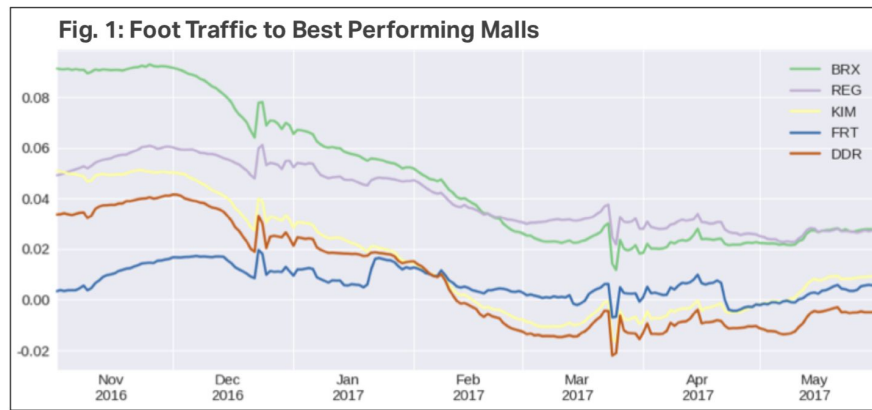


## **Malls still exist. Is anyone shopping at them?**



**Figure 2: Online Retail Sales Volume by Year in the U.S.**



Figure 1: % YoY changes in foot traffic to the best performing malls in America, grouped by managing ownership groups; source: <https://thasosgroup.com/wp-content/uploads/2018/02/Thasos-Q2-2017-Mall-REIT-Foot-Traffic-Report.pdf>

Figure 2: Annual sales volume of online consumer retail transactions, with YoY growth and share of total retail market, source: <http://www.iacquire.com/blog/study-online-shopping-behavior-in-the-digital-era>

## **Mall traffic is on a reasonably steady decline. What role will the mall play as online shopping only gets bigger and better?**

The shopping mall has long been an important fixture of American society. Extensive theories exist on the best practices in shopping center planning, all designed to maximize profits for storefronts, and more important, the management group of the mall. To the detriment of these management groups, one of the biggest impacts of the digital revolution has been that on the shopping experience in America. As seen in Figure 2, from 2012 to 2017, the share of online shopping in total retail sales in the U.S. increased from 8% to 10%, and while growth appears to be slowing down, it certainly isn't stopping. Meanwhile, the impact on malls is tangible; Figure 1 shows that from November 2016 to May 2017 alone there was a (percentage-wise) small but clear drop in foot traffic even at those malls that are doing best in

the age of digital. Though they do not map onto one another over the same time period, the relation is undeniable from a simple look at behaviour.

Malls have traditionally been cultural hotspots across the country, with families coming on back to school hauls and then staying for dinner, with teenagers heading to the movie theatre before wandering through the food court to some stores, and the always frantic holiday shopping season. Mall traffic is an important indicator of mall success, and thus can provide great insight to the future of the physical retail experience in the U.S.

### **Implications and Outlook**

It is undeniable that online shopping is influencing retail habits and consumer patterns. Amazon will deliver thousands of products in its catalog on the same day as they are ordered, making many purchases just a few clicks and a few hours away. The bankruptcy of Sears, a massive department store chain that was used to anchor (in this context, a mall planning term) hundreds of shopping centers across the country is further evidence that things are changing, and traditional retail must change its ways if it wants to keep up. While online retailers can thrive purely on the internet, brick-and-mortar sellers are being forced to create seamless hybrid experiences, whether this entails picking up online orders in store or helping in-store customers to order unstocked items online.

Presently, customers traditionally have more options with the same retailer online than they do in store. As the online experience continues to innovate and deliver goods faster, at prices that shoppers can constantly track, without requiring them to leave the comfort of their desk or home, traditional mall retail has its work clearly cut out. Good integration with digital is important, but increasingly critical is also the shopping experience: what can the mall add that the internet cannot? Be it ambient music, visits with Santa, complimentary water, or the pleasure of showing off a new purchase concealed within a shopping bag - be it Macy's or Barneys, the mall does have its perks. But brick-and-mortar knows that it is under siege, and with innovations coming at the store and facility ownership level, the mall isn't going down without a fight. Though the trends show a long-run victory for online retail, the run is very long and brick-and-mortar has time to change the game.

As retailers like Amazon begin to open physical locations, it is clear that physical shopping experiences hold undeniable value and also a special meaning in an increasingly digitally-led world. Though it is clear that mall traffic is on the decline and will likely continue to do so with the expansion of online shopping, it is also clear that brands are making concerted efforts to ensure that physical shopping experiences add value and meaning for customers, and may soon re-invent what the mall is, what it stands for, and what it says about American culture.