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Dead Malls And Boutique Bra Fittings: The Reinvention Of Retail

As more consumer spending moves online, the stores left behind will go luxury or go out of business.

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11/23/2018 01:06 pm ET **Updated** 1 hour ago

The way we shop will never be the same. And if you want a glimpse of what the future will look like, visit two malls on opposite ends of Los Angeles.

The first, Westfield Century City, sits just west of Beverly Hills. After a \$1 billion makeover last year, the relaunched shopping center features VIP elevators, a [Hermés-branded laundromat](#) and a [Tesla dealership](#). In the garage underneath, a [“frictionless” valet service](#) scans the license plates of big spenders and displays their name over their spot.

The second, Hawthorne Plaza Shopping Center, is just 12 miles away. It has been abandoned for 19 years and declining even longer, a casualty of the shrinking local aerospace sector. Every few years, a plan to revitalize the shopping center surfaces, then dissolves. It was going to become a [“lifestyle center,”](#) then an outlet mall, then simply [demolished](#). So far, nothing has come to fruition. For now, it’s a part-time [drone racing](#) course and a filming [location](#) for HBO’s post-apocalyptic “Westworld.”

These malls — and the bifurcation they represent — exemplify two transformations remaking the retail sector. In strong markets, booming neighborhoods and wealthy enclaves, stores are transitioning from goods to services and from commodities to luxuries. Since 2013, as department store sales have [plummeted](#), high-end retailers have shown [steady growth](#). “Class A” malls — the ones with high-end retail, central locations and valet parking — boast rising sales and [rosy](#) forecasts.

In shrinking towns and poor neighborhoods, on the other hand, national brands are retreating, existing stores are struggling and [vacancy rates are rising](#). Around one-third of American malls have shuttered, and another 25 percent are [expected to close](#) by 2022. The ones left are so desperate for customers that they’re offering [wave machines](#) and [burlesque dancers](#).

And the trends behind this transformation are only beginning: Online sales made up just 13 percent of [retail spending in 2017](#), but are growing [five times faster](#) than brick-and-mortar sales. According to [one estimate](#), nearly twice as many retailers went out of business last year than at the height of the financial crisis — and suburban retailers, especially big-box stores and aging malls, are leading the way into the abyss.

But the much-discussed “death of retail” is, in truth, a reinvention. In expanding cities, stores are overhauling the way they look, function and interact with customers. Shrinking exurbs are transforming ailing spaces into new purposes. And in both, local leaders are deciding what they want their cities to look like in the future.

In Strong Markets, A Shift From Goods To Services

Call it the Apple Store-ification of shopping. In every sector of the market, retailers have realized they need to give customers a reason to leave the house, something more interactive than just pulling a product off the shelf.

Some Eddie Bauer stores, for example, offer room-sized “ice boxes” where customers can test out their heavy duty jackets. Target launched a [pop-up holiday store in 2015](#) that featured, among other things, a stuffed-animal selfie wall, a life-sized Etch-a-Sketch and a Willy Wonka-inspired paint job. Pop-up shops in San Francisco and New York offer [boutique bra fittings, custom monograms](#) and [professional photographers](#). Nordstrom’s “Local” storefront in LA offers beer, wine, personalized shoppers and custom tailoring. Customers choose the clothes they like in advance, then visit the store to try them on.

Some companies are blowing up the retail model entirely. Samsung’s [837 store](#) in New York City has a test kitchen, an art gallery, a cafe and a multimedia studio. It doesn’t, however, have any Samsung products for sale.

“We’re not seeing brick-and-mortar go away,” said Brad Koszuta, a senior associate for McMillanDoolittle, a retail consulting firm. “They’re just creating more ways to interact with the brand in person.”

What Samsung’s store and others like it represent, Koszuta said, is the increased importance of marketing, store experience and entertainment. The types of products consumers are most likely to buy online are bulk, repeatable and undifferentiated — things like diapers, pet food and laundry detergent. “People will still shop for things they want more of a relationship with,” Koszuta said, “so retailers are trying to form those relationships.”

This is why, he says, “digital native” brands like [Warby Parker](#), [Bonobos](#) and [Trunk Club](#) are opening retail stores: Letting customers try on products in person is a way to improve loyalty and boost word of mouth. It’s also why Amazon, often fingered as the assassin of brick-and-mortar retailers, is becoming one. The online retailer has established [five Amazon Go stores](#) in Seattle and Chicago and purchased the nationwide grocery chain Whole Foods.

The renewed emphasis on experiences also explains why so many new retail business models have appeared in recent years. From bike shops to shoe stores, existing retailers have redesigned themselves as [clubs, events spaces](#) and [education providers](#). Yoga, SoulCycle, CrossFit and other boutique gyms have [driven](#) the fitness industry from \$8 billion in sales to \$26 billion since 1995. Walk-in and urgent-care clinics like CareNow and CityMD have taken over [storefronts](#) once occupied by Blockbusters and American Apparels.

This transition, though, comes with significant growing pains for the companies that can’t pivot to a higher-income clientele. According to the Institute for Local Self-Reliance, a think tank focused on

community development, one in five independent retailers in the United States went out of business between 2005 and 2015.

Stacy Mitchell, the co-director of the think tank, said the number of new businesses has fallen by two-thirds since 1980 and that local tax receipts are falling as online spending drives customers to national brands.

But, Mitchell said, while the shift is affecting the entire retail sector, local mom-and-pop stores may in fact be better positioned to survive it than generic national brands.

“Independent retailers have a few things going for them, like expertise about the products they’re selling and deep connections to their communities,” she said. “In the age of Amazon, there’s little reason to go to Target. But there are still reasons to go to a local toy shop or an independent bookstore.”

As cities grow and change, Mitchell said, the most resilient retailers won’t be deep-pocketed startups or national brands. They will be the smaller stores and neighborhood institutions that have been there for years.

“If you’re letting your streets be taken over by chain stores, then you’re doomed,” she said. Many of those companies aren’t going to make it. Your best bet as a city is to support independent businesses — neither Amazon nor the chains can match that. I’d bet on a local bookstore any day over Barnes & Noble.”

In Weak Markets, Learning To Shrink Sustainably

But not every city is a growing metropolis or a roaring boomtown. Dozens of cities have lost population since the Great Recession. Smaller towns and poorer neighborhoods still struggle to attract well-paying jobs. Ellen Dunham-Jones, author of *Retrofitting Suburbia*, said that in these markets, the story of the next 10 years will be about managing decline.

The first option for these cities is converting existing retail to new purposes. Nashville’s 100 Oaks Mall, for example, has given its entire second floor over to the Vanderbilt University Medical Center. “They give you one of those vibrating pagers, like at a restaurant, so you can go downstairs and shop while you’re waiting for your lab results,” Dunham-Jones said. “It’s a lot nicer than sitting and reading magazines.”

Hospitals aren’t the only retrofit for retail graveyards. A one-time mini-mall in Los Angeles, for instance, is [now](#) Camino Nuevo Charter Academy elementary school. The former Mayfield Mall in Mountain View, California, hosts 500,000 square feet of [Google office space](#). Hickory Hollow Mall in Tennessee is now an [ice rink](#), and Cleveland’s Randall Park Mall, once the largest in America, is slated to reopen as an [Amazon fulfillment center](#).

The second option for redeveloping retail spaces in weaker markets is converting them not to one new use, but many. Outside of Memphis, the Lakeland Factory Outlet Mall is being relaunched as the “[Lake District](#)” — a mixed-use development featuring homes, hotels and stores. Another former mall in [Port Orchard](#), Washington, houses a church, a radio station, a karate school and two dozen units of mini-storage.

“You’re turning a mall into a neighborhood,” said Ronald Friedman, the co-head of retail and consumer products for Marcum LLP, an accounting and advisory services firm. “It has living space, office space, restaurants, gyms and retail. It’s a place you want to spend your day.”

Friedman points out that as the demographics of the country change, the question of what to do with America’s emptied-out suburban infrastructure will take on a new relevance. Some former retail sites have already become [senior centers](#), putting apartments, shops and services for residents in one place. Others, seeing projections that [three-quarters](#) of the demand for new homes by 2025 will be from single, childless professionals, are adding “[micro-lofts](#)” on top of, or within, struggling malls and big-box stores.

But some sites simply don’t have the demand to justify a relaunch. In cities with falling populations, Dunham-Jones said, revitalizing old retail spaces could lure residents and customers from other neighborhoods. “If a mall died because there was another mall not too far away, it might be worth redeveloping the property as something else,” she said. “But if a mall died because the steel mill closed, you’re not going to bring it back with urban, yuppie apartments and fancy restaurants.”

For those cases, Dunham-Jones recommends “re-greening”: demolish the structure, scrape up the parking lot and bring back the nature underneath it. As climate change brings more severe storms, she said, cities will need drainage capacity more than they will need another Panera Bread. One of the earliest examples of this model was the [Phalen Shopping Center](#) in St. Paul, Minnesota, where a dilapidated mall was torn down to resurface the wetlands paved over decades previously. More recently, Seattle dug underneath a mall parking lot to [resurface](#) a creekbed.

“If it’s done well,” Dunham-Jones said, “a park can attract development around it, so it becomes a win-win.”

It’s Up to Cities To Decide What The Future Of Retail Will Look Like

Regardless of whether a city is shrinking or growing, though, the future of retail is more of a political question than it might seem.

Emily Talen, an urbanism researcher at the University of Chicago, points out that in strong markets, cities can defend their independent stores from displacement and safeguard their neighborhoods against national brands.

“A lot of retailers do have the ability to outlast Amazon,” she said. “But cities need to be proactive to help them survive.”

There’s lots of things cities can do to protect local stores as the retail market moves online, Talen said. They can update zoning ordinances to reduce parking requirements and legalize stores in residential zones. Cities can give grants to small business owners, stabilize their rents or help them purchase their storefronts. Or change their procurement practices to buy goods and services from local retailers. In Santa Barbara, California, where the primary retail street now has a vacancy rate over [30 percent](#), city leaders are waiving fees and [auditioning entrepreneurs](#) to set up pop-up shops. Other areas are [charging landlords](#) a fee for every month they allow stores to sit vacant.

“We can create the kinds of neighborhoods people value,” said Alex Baca, the engagement director for the Coalition for Smarter Growth, a D.C.-area advocacy group. Grants for small businesses, she says, are often dwarfed by subsidies for suburban infrastructure and tax incentives for chain stores. “Everyone wants to keep dollars in the local community and create walkable neighborhoods. But we don’t see politicians passing policies to promote them.”

The same principle applies to the suburbs. Instead of enticing faraway corporations to take over their abandoned malls or rescue their ailing big-box stores, these areas can take advantage of the communities they already have.

Plaza Fiesta on the outskirts of Atlanta, for example, which failed as a traditional mall and then as an outlet, has found new life as an immigrant market and community hub. The mall rents booths to local entrepreneurs, hosts a yearly Mexican Independence Day celebration and provides a venue for [organizing against](#) federal immigration policy.

“Plaza Fiesta is a beloved place,” Dunham-Jones said. “The places that have less money and can’t attract the big chains are often better at conserving the local community.”

Plus, Dunham-Jones said, cheap rents are the world’s greatest catalyst for creativity. An abandoned Walmart in Texas is now the world’s [largest one-story library](#). Another became [an indoor race track](#). An events company in [Reading, U.K.](#), uses an old retail site to host fake zombie attacks, hiring actors to shuffle down corridors and charging customers \$200 to spend the day shooting them.

So, in many ways, it’s up to cities to decide whether the future of retail will be a death or a reinvention. “The demise of small businesses has been predicted consistently for decades,” said Nathan Jensen, a researcher at the University of Texas-Austin who specializes in state and local development. “First it was shopping malls, then it was Walmart, now it’s Amazon.”

What cities can do, he said, is go back to basics. Instead of enticing national chains, help local businesses grow. Instead of reaching out to tech giants, reach down to striving entrepreneurs and struggling local businesses.

“Become a city where businesses can thrive and people want to live,” he said. “And let Amazon and Target fight amongst themselves.”

This is part of our five-story series spotlighting the current state of retail in America.