

Macy's, Nordstrom, and other department stores go local

Article

The news: Macy's is [opening more smaller-format stores](#) and shifting away from malls as it adjusts its retail footprint to accommodate changing consumer behaviors, [per](#) CNBC.

- The retailer plans to open three new Market by Macy's stores by the end of the year.

- Macy's will also close a department store in a St. Louis, Missouri, mall and open a smaller store nearby.

Other retailers follow suit:

- **Nordstrom** currently has seven Nordstrom Local locations, as well as a pop-up in the Hamptons. The stores don't carry merchandise but offer online pickup, returns, personal styling, and other services to urban shoppers.
- **Target** is opening small-format stores in dense urban areas, like Times Square and Charleston, South Carolina, as well as mid-size locations in well-populated suburbs.
- **Kohl's** plans to open around 100 smaller stores in the next four years in a bid to expand to smaller markets and provide a "hyper-localized" experience.

Malls can't keep up: A major reason for the shift into neighborhoods is the fact that malls, once a focal point of the American shopping experience, have been in decline for years. Even outlet discounts aren't enough to tempt consumers as high gas prices keep shoppers close to home.

- **Visits to indoor malls and open-air shopping centers fell 3.7% and 2.49% month-over-month** respectively in June, per Placer.ai.
- Traffic to outlet malls in June declined 6.7% year-over-year, and is 14.3% lower than in 2019.
- Remote work has also given people fewer reasons to leave their neighborhoods, requiring retailers to venture further into suburbia.

Change in US Monthly Mall Visits, by Type, Oct 2021-April 2022

% change vs. three years prior

	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	March 2022	April 2022
Indoor malls	2.3%	-8.2%	-6.7%	-9.1%	-2.0%	-9.6%	-0.3%
Open-air lifestyle centers	-1.2%	-9.7%	-7.7%	-10.4%	-4.1%	-10.1%	-4.4%
Outlet malls	2.9%	-7.0%	-0.7%	-5.5%	-1.0%	-15.5%	-4.5%

Source: Placer.ai as cited in company blog, May 9, 2022

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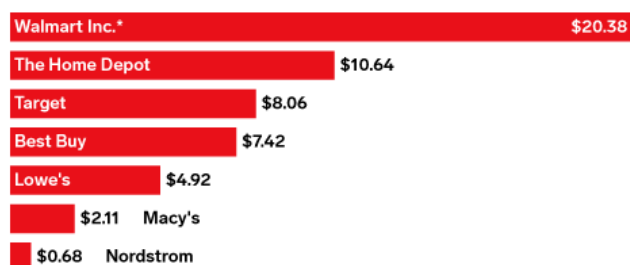
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The advantages of localization: For a retailer like Macy's, reframing itself as a neighborhood shop could help it reach an entirely new audience and deepen community ties.

- Macy's chief store officer, **Marc Mastronardi**, told CNBC that the **retailer's customers spend, on average, three times more online in areas where it has brick-and-mortar stores.**
- Retailers can also leverage the smaller locations as localized fulfillment centers to enable faster delivery and expand access to in-store pickup, as well as reduce the cost of processing returns.
- **Customers that use Nordstrom's BOPIS service "have higher engagement and spend three and a half times more than customers who don't utilize the service,"** CEO Erik Nordstrom said on the company's most recent earnings call.

US Click-and-Collect Sales, by Company, 2021

billions



Note: includes products or services ordered on the company's website (regardless of payment method) for pickup in-store or other collection points such as lockers and curbside pickup; excludes orders picked up at a post office; *Includes Samsclub.com orders
Source: eMarketer, Jan 2022

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On the other hand: While smaller stores are cheaper to scale, they don't allow department store retailers to offer the full range of merchandise and brand selection that shoppers have come to associate with their brand. The lack of available inventory could frustrate consumers and lead to a poorer customer experience.

The big takeaway: Expanding their use of smaller-format stores enables Macy's, Nordstrom, and other retailers to improve the omnichannel shopping experience and speed up last-mile fulfillment.

- Smaller locations also give retailers a level of flexibility that department stores can't, allowing them to respond faster to emerging trends and shifts in customer behavior.
- With high gas prices limiting consumers' mobility, going local may help retailers stay relevant and within reach.