

Bloomingdale's store closure demonstrates why malls need to evolve

Article

The news: Bloomingdale's will close its 206,000-square-foot location in an upscale shopping center outside Chicago and open a 50,000-square-foot Bloomie's concept in a different location in the mall.

- This will be the second Bloomie's location; the first opened in Fairfax, Virginia, in August 2021. The store aims to offer a casual, contemporary, and highly curated experience, and the new

location will include a selection of soft home categories.

- The move is part of a three-year strategy by Bloomingdale's parent company, Macy's Inc., that includes closing about 125 Macy's stores and **expanding** its smaller format, off-mall stores.
- Macy's is just one of many retailers that have spent the last few years rightsizing their store fleets by closing, opening, and resizing stores. Luxury department stores **Nordstrom** and **Neiman Marcus** closed several locations during the pandemic, as did **JCPenney** and **Dillard's**.

Rethinking the anchor store: Those efforts are transforming malls, which have long relied on established anchors to drive traffic to shopping centers.

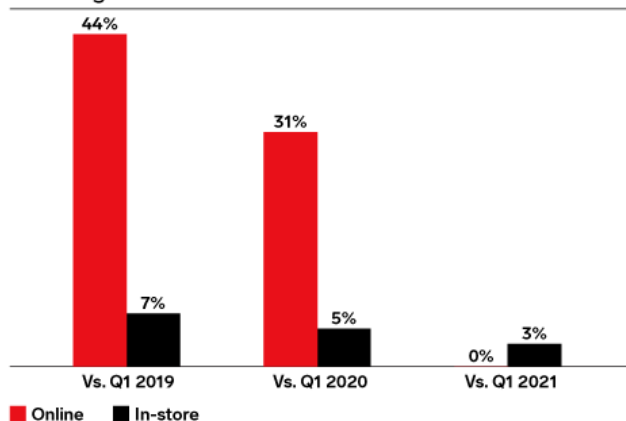
- Some malls are replacing those shuttered department stores with grocery stores. Since the Asian grocery store chain **99 Ranch Market** opened in a mall in San Jose, California, earlier this year, customer visits have soared. Traffic was up more than 10% in July from pre-pandemic levels, per Placer.ai data reported in Bloomberg.
- "The composition of the mall needs to change," **Suzy Davidkhanian**, eMarketer principal analyst at Insider Intelligence, said. "Mall operators need to think of new types of anchor stores or businesses such as libraries, grocery stores, restaurants, or doctors' offices." Some of those potential tenants may drive repeat traffic more effectively than a department store, she added.

A store boom: Even as many department stores rightsize, other retailers are expanding. **Retailers in the US have announced 4,432 store openings versus 1,954 closings**, according to data from Coresight Research.

- The **availability of retail space** at all types of properties in the US—including malls—hit a 10-year low in Q2, according to CBRE.
- That growth stems from **direct-to-consumer brands** like **Allbirds** and **Brooklinen** opening up more stores.
- **Amazon** is also experimenting with **store formats**. The retail giant recently opened **Amazon Style**, a 30,000-square-foot technology-focused store that features clothing, shoes, and accessories in an upscale Los Angeles shopping center.

US Consumer Spend Growth, by Channel, Q1 2022

% change



Source: Cardlytics, "Q1 2022 State of Spend," May 12, 2022

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A reason for being: While offline retail sales growth in Q1 outpaced online growth year over year, the key to the long-term success of stores like Bloomie's is their ability to offer an experience that can't be replicated online.

That could look like special sales events or technology that improves the shopping experience. Fitting rooms at Amazon Style, for example, feature touchscreens that show shoppers personal recommendations and different sizes or colors for items that don't fit.

The big takeaway: Most malls aren't going anywhere, but what they are and how consumers use them needs to change. Savvy mall operators are remaking their shopping centers with a broader mix of tenants to ensure there are multiple reasons for consumers to visit.

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