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Target, Macy's, and others embrace store-within-a-store concepts

Article

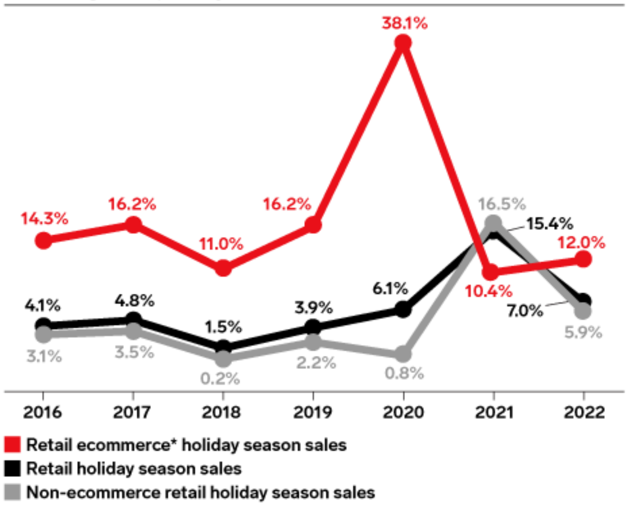
The trend: A growing number of retailers are rolling out or expanding store-within-a-store concepts.

- **Target** more than tripled the number of **Apple** at Target shop-in-shops this year, in addition to adding over 250 **Ulta Beauty** at Target locations. By year end it will have about 800 stores with an Ulta presence and 150 with an Apple presence.

- Over 360 **Walmart** locations have a **Claire's** store-within-a-store, as part of a partnership in which Claire's accessories and jewelry are available in more than 2,500 Walmart stores. Walmart is also working with pop-up shop marketplace platform **Popable** to allow small businesses to rent retail space in Walmart stores across the country for short-term leases.
- **Macy's** rolled out **Toys R Us** locations to all its US stores in the lead up to the holidays.
- **Kohl's**, which currently has about 600 stores featuring **Sephora** at Kohl's, is in the midst of expanding the concept to all its locations.

The concept's expansion comes at a time when brick-and-mortar remains as important a channel as ever. For example, 63% of consumers plan to do their holiday shopping in person this year, up from 58% last year, per JLL's Retail Holiday Survey 2022.

US Retail and Retail Ecommerce Holiday Season Sales Growth, 2016-2022
% change vs. prior year



*Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling and other vice goods sales; sales are for Nov and Dec of each year; *includes products or services ordered using the internet, regardless of the payment method or fulfillment*
Source: eMarketer, Sep 2022

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Is there a mutual benefit? The store-within-a-store concept works well when the two retailers have complementary offerings and customer bases that align.

- For example, Target and Apple are a good fit, given the former's cheap-chic aesthetic and Apple's high-end brand positioning.

- That enables both brands to benefit from each other's traffic. Apple gets a high-profile location where consumers are already regularly shopping, while Target sees traffic from customers who are seeking Apple-trained Target Tech Consultants or a broad selection of Apple products.
- Other retailers, such as Macy's, use the concept to gain traction in a new category, such as toys.

The risk: While a store-within-a-store can drive more foot traffic, that incremental gain is only valuable if it leads shoppers to explore the rest of the host retailer's store.

- That's why Kohl's makes a point to highlight how stores that feature Sephora at Kohl's outperform the balance of the chain both in terms of sales and visits.
- That said, **there is some risk that if both parties aren't strong, a partnership can hurt a brand's identity**. That's a critique that some (including us) have made in regard to Kohl's both for its expanding relationship with Sephora—it is currently testing cross-company click and collect and accepting Sephora gift cards—and its relationship with **Amazon**, in which it accepts the online retailer's returns.
- Walmart and the retailers that lease space via Popable face a similar challenge as they need to ensure that both brands' customer bases align.

The big takeaway: For host retailers, the store-within-a-store helps maximize the value of their real estate. And, when two merchants' have similar brand positioning and customer profiles, the concept is a no-brainer.

- But retailers that operate within another merchant's store need to carefully consider how they can benefit from such a relationship.

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