

3 challenges facing today's malls—and how retailers can overcome them

Article

Malls are struggling to stay profitable as consumer behaviors change and shopping moves even more online. While foot traffic and occupancy rates are down, there are some

opportunities for growth. By changing up their retail mix and mastering the omnichannel experience, malls can regain relevance among shoppers.

The challenges

Foot traffic is down. Foot traffic to malls was down in March compared to 2022, according to Placer.ai data.

- Visits to indoor malls, open-air lifestyle centers, and outlet malls declined 7.4%, 5.0%, and 8.6% YoY, respectively, last month.
- However, month-over-month visits were up across the board, a sign that consumers may be returning to mall shopping.

Shopping habits are changing. Shoppers are migrating online and to value-based retailers as they prioritize convenience and finding the best deal.

- We forecast total retail sales will rise only 3.3% this year, while ecommerce sales will increase 10.0%.
- Both **Walmart** and **Dollar General** have observed an influx of higher-income shoppers as prices (specifically in the grocery/consumer packaged goods category) remain high.
- **Mall staples like Macy's are struggling** as consumers pull back their discretionary spending.

There's a lot of empty real estate. "You can throw a rock and **hit a mall that's half empty** these days," Andrew Brezina, principal at CRTKL, a global architecture, planning, and design firm, told Forbes.

- As revenues decline, retailers are unable to keep up with rent and operating costs, causing them to pull back on their mall presence.
- Earlier this year, **Foot Locker announced it was closing over 400 stores** in shopping malls and instead focusing on new concept stores outside of mall locations.
- **Bath & Body Works will also close** about 50 of its mall-based stores this year.

The opportunities

Change up the retail mix. While malls may be losing some legacy brands like Macy's and Bath & Body Works, there's a chance to fill those gaps with other types of businesses.

- Discount grocers **Lidl**, **Grocery Outlet**, and **Aldi** are all planning to open new stores in shopping mall spaces in the near future.
- The **Westlake Shopping Center** in Daly City, California, is adding nearly 400 apartments as it seeks to increase revenue opportunities.
- **Other malls are adding offices, hotels, and medical facilities** in an attempt to boost foot traffic.

Master the omnichannel experience. Online shopping isn't going anywhere, but that doesn't have to spell disaster for mall retailers.

- Brands can use digital tools like AR and VR to give a try-before-you-buy experience to consumers starting their shopping journey online.
- Social media can extend the digital into the physical (or vice versa). For example, brands can work with a creator to post social content online and then build a curated pop-up shop of the creator's favorite products in-store.
- Consider adding more flexible payment and pickup options to give consumers options on how they want to shop.

The bottom line: Malls aren't dead ... yet. But they need to innovate to stay alive. As consumer habits change, malls must adapt by embracing new types of retailers, shopping channels, and digital tools.

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