



Division of Research
and Statistics

New Mantra at the Mall: More Lifestyle, Less Retail

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New Mantra at the Mall: More Lifestyle, Less Retail

Introduction

Those annoying pop-up ads on the internet worked. Retail sales data from the U.S. Census Bureau show that American consumers are spending more and more money online, and less at the local mall.

Technology clearly affects the way people shop. There is some good news for the malls. Reid Greenberg, Executive VP at Kantar Consulting, notes, "We're starting to see ... the pendulum swing back to (brick-and-mortar) retailing, but it will look different than in the past." According to Fiona Swerdlow, VP and Research Director at Forrester Research, "Stores are still vitally important. But the influence of digital touchpoints is huge." As a result, old-style shopping centers must change in order to compete with online retailers and to stay current and attract buyers.

Here, we look at the current shift in American retailing. We note that the boundary between online and offline sellers is becoming less clear. We also look at specific examples at how shopping malls across New York State are adapting to the changing retail landscape by embracing a formula of "more lifestyle and less retail" to keep shoppers coming back.

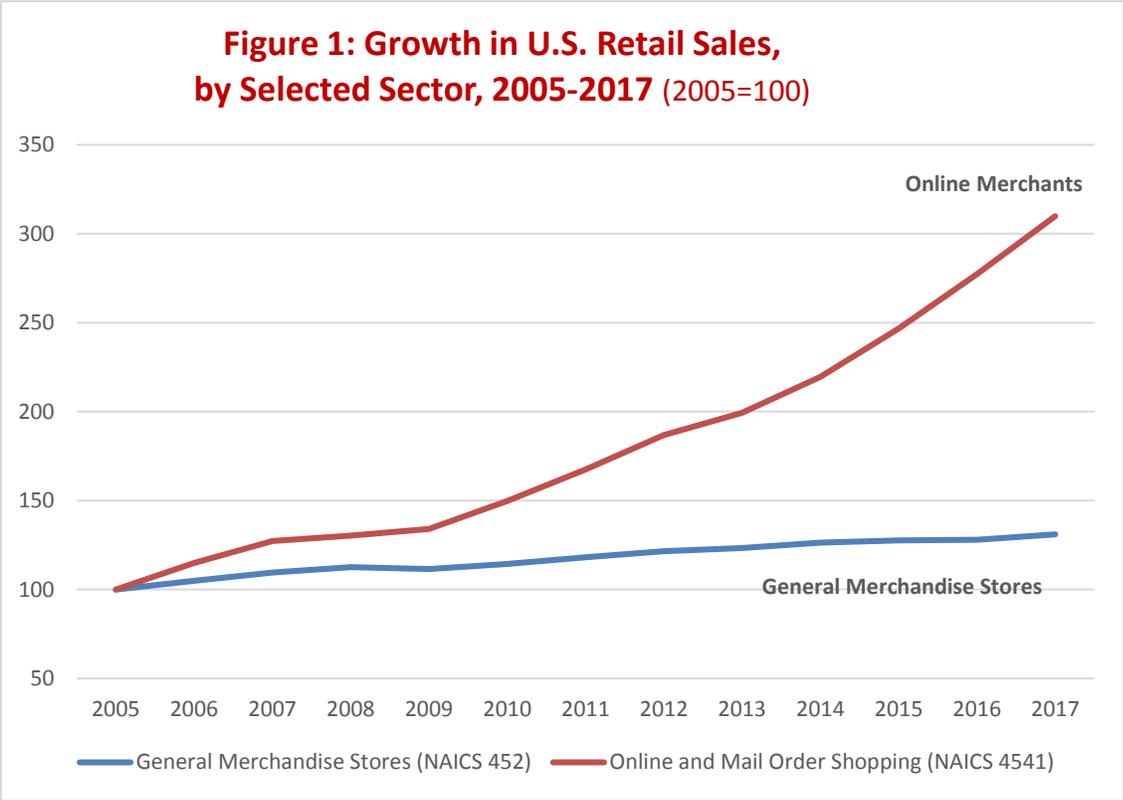
Trends in U.S. Retail Sales

Figure 1 on the next page compares trends in U.S. retail sales for "general merchandise stores" (NAICS 452) and "online and mail order merchants" (NAICS 4541) from the U.S. Census Bureau for the 2005-2017 period. It is important to note that "general merchandise stores" is a relatively broad category that includes several store types:

- Traditional department stores
- Big-box discount retailers
- Warehouse clubs and supercenters
- Dollar stores

Long-Term Growth Trend (2005-2017)

The two retail channels have experienced much different rates of growth in recent years as shown in Figure 1 below. Over the long term (2005-2017), U.S. retail sales at general merchandise stores rose by 31.0%. This was only about one-seventh the rate of sales growth experienced at online and mail order merchants in the U.S. (+209.9%) over the same period.

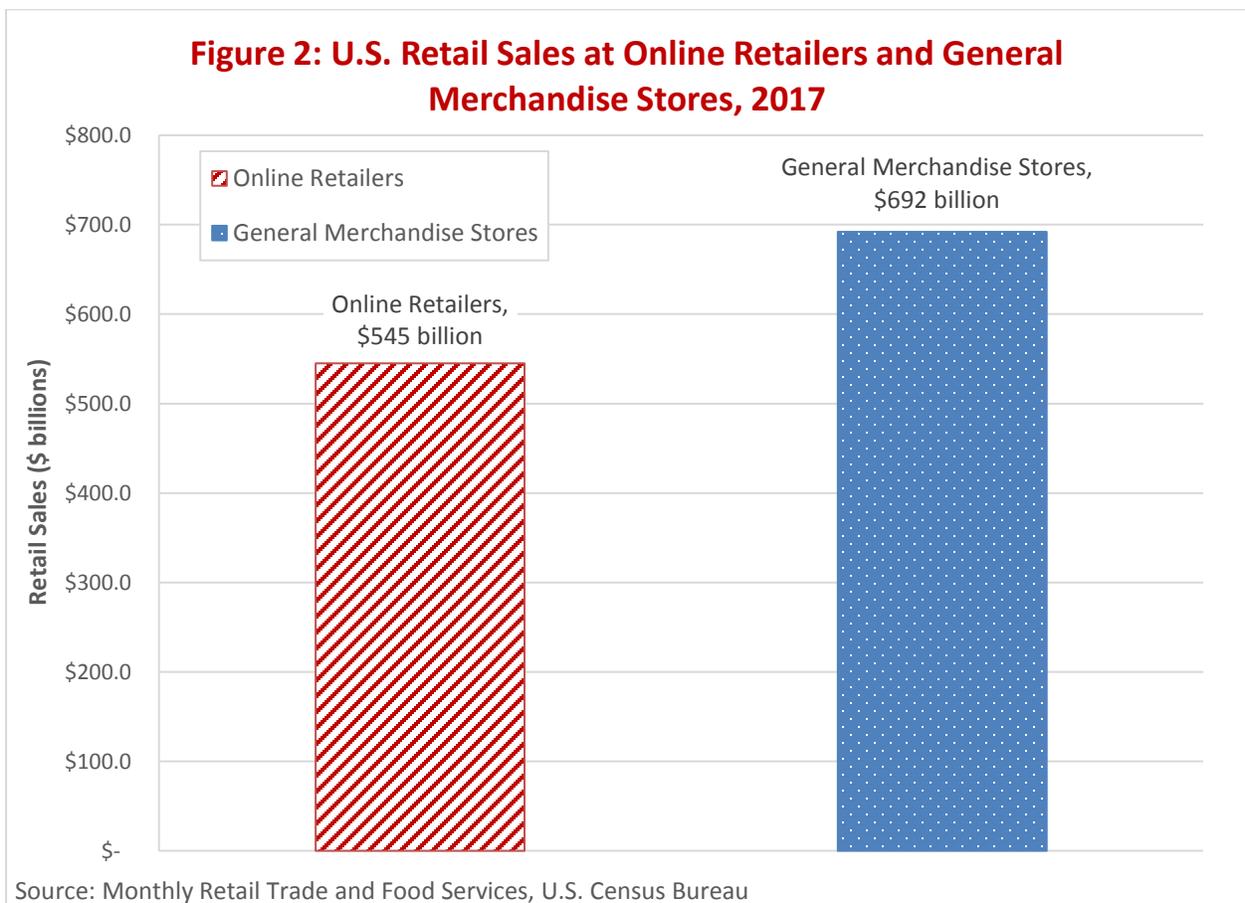


Source: Monthly Retail Trade and Food Services, U.S. Census Bureau

Sales Levels (2017)

Between 2005 and 2017, online merchants in the U.S. experienced much more rapid sales growth than general merchandise stores. However, it is important to put these differences in growth rates in perspective.

In 2017, the overall level of sales at general merchandise stores in the U.S. was still much higher (\$692 billion) than at online retailers (\$545 billion). Put another way, despite experiencing sluggish sales growth relative to online retailers over the 2005-2017 period, retail sales at U.S. general merchandise stores were still 27% higher than at U.S. online and mail order merchants in 2017. Figure 2 below illustrates the difference in sales for these two retail channels.

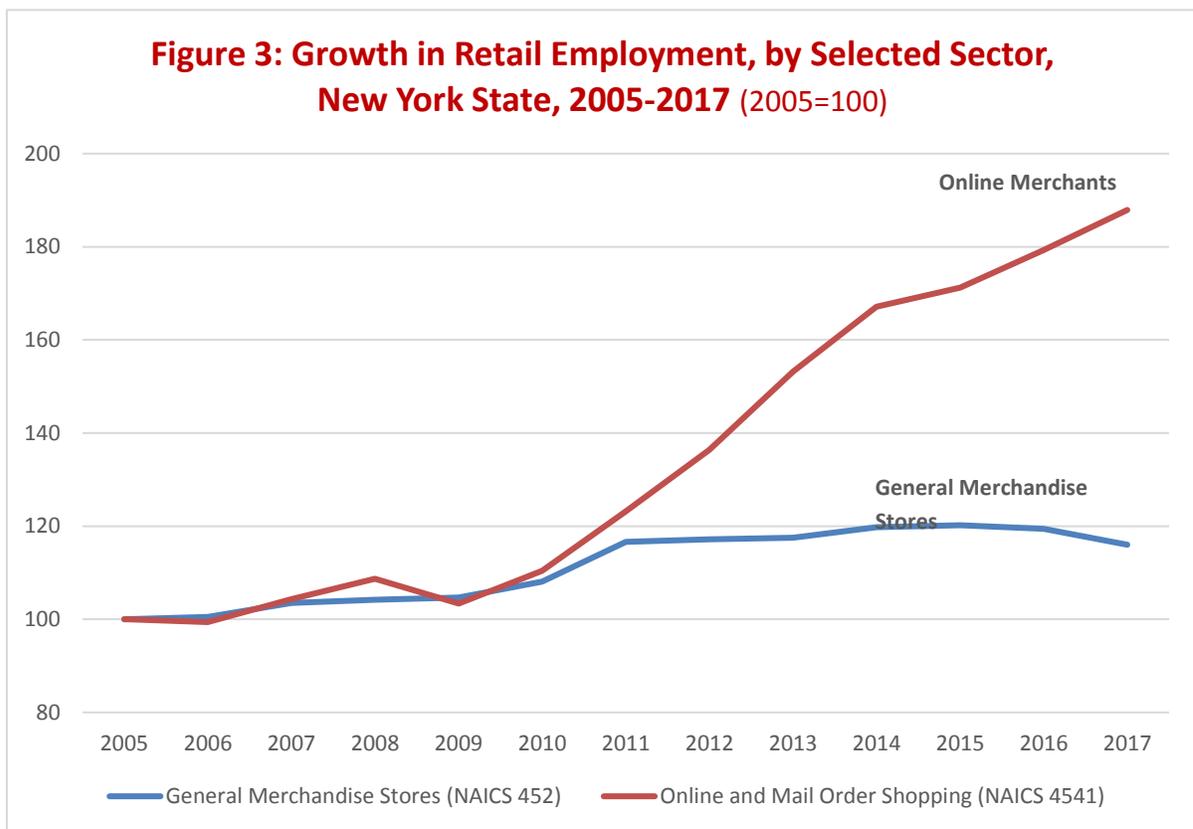


Trends in New York State Retail Employment

Figure 3 below compares employment trends between 2005 and 2017 for two retail industries in New York State: general merchandise stores (NAICS 452) and online and mail order merchants (NAICS 4541). In the graph, employment levels for each sector in 2005 are set equal to 100.

Jobs data are from the State Department of Labor’s Quarterly Census of Employment and Wages (QCEW) program. Between 2005 and 2017, the employment count at general merchandise stores in New York State increased by 16.0%.

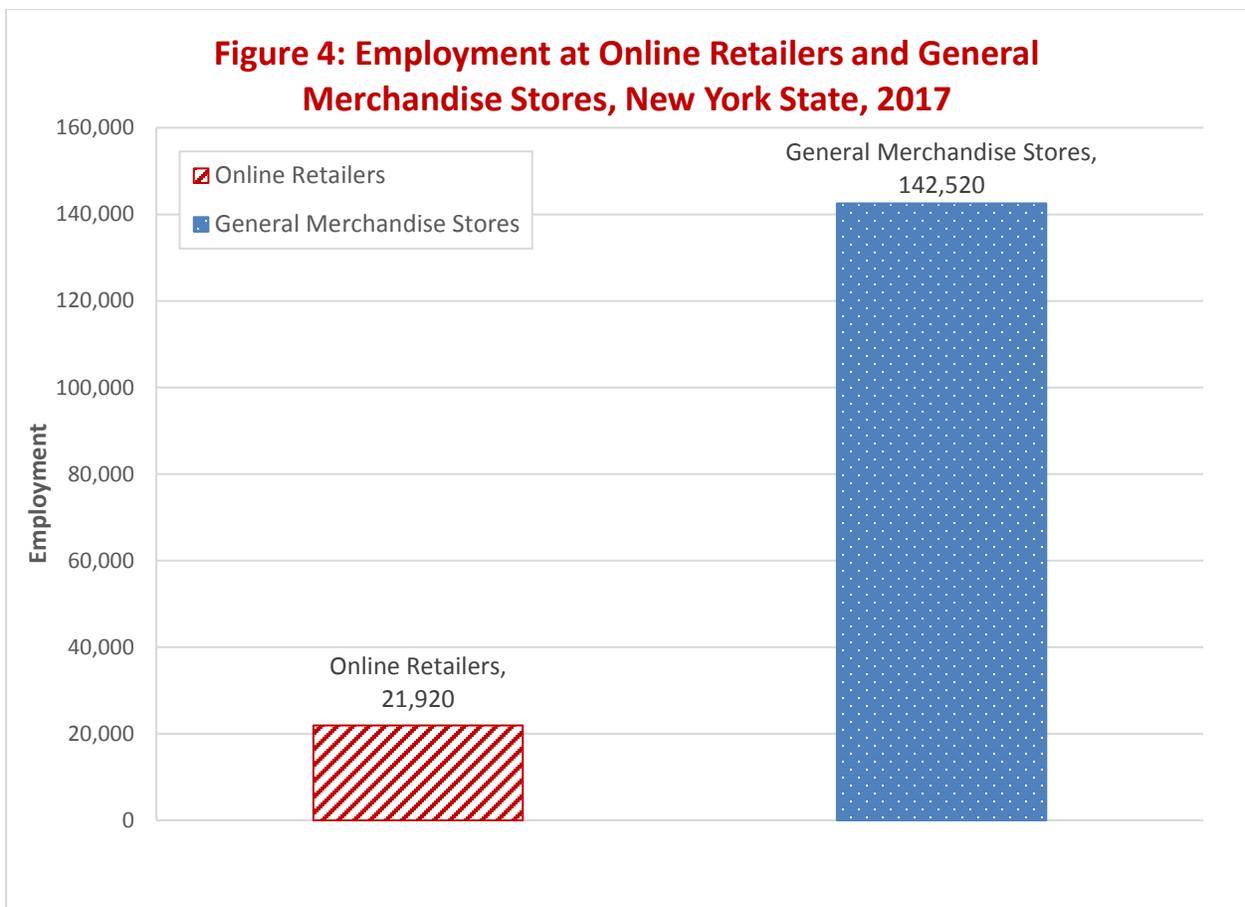
Over the same period, jobs at online and mail order merchants in the state grew by 88.0%. Looked at another way, growth at online merchants in New York State was more than five times greater than job growth at general merchandise stores in 2005-2017.



Source: Quarterly Census of Employment and Wages, NYSDOL

Although the job count at online and mail order merchants in the state grew more than five times faster than at general merchandise stores in 2005-2017, overall employment levels at New York State’s general merchandise stores were still much higher than at online and mail order merchants in 2017.

More specifically, in 2017 general merchandise stores in New York State employed 142,520 workers, while online and mail order shopping firms in the state employed 21,920. Put another way, employment at general merchandise stores is more than six times greater than at online and mail order shopping firms in 2017. Figure 4 below illustrates this difference in employment levels.



“Retail Apocalypse” Exaggerated?

In early 2018, research and advisory firm Coresight Research released a list of U.S. retail store closure announcements it compiled in 2017. The list included more than 7,000 stores, which was about 30% above year-earlier levels. Topping the list were RadioShack (1,470) and Payless Shoes (700), which together accounted for more than 30% of U.S. store closures in 2017.

Punctuating the release of this closure list was the fact that several retail chains, including Wet Seal, The Limited, Bon-Ton and Toys “R” Us, had filed for bankruptcy and/or were in the process of being liquidated. In New York State, Macy’s and Sears Holdings (the parent company of Sears and Kmart stores) continued to close locations. Figure 5 below highlights the list of U.S. store closures compiled by Coresight.

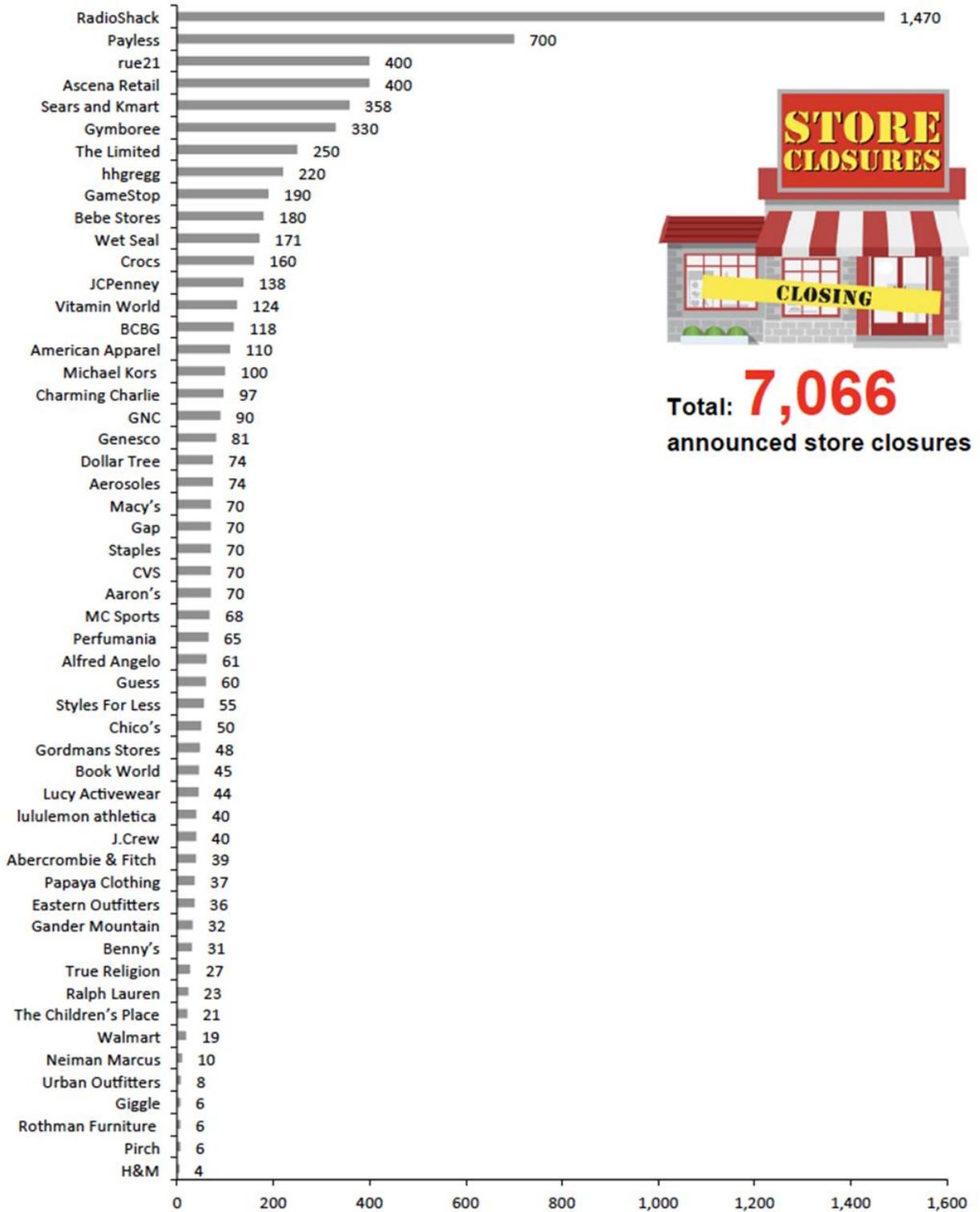
These rather grim statistics have in turn generated a lot of press reports about the “demise of retail.” These reports suggest that traditional brick-and-mortar retailing is on life support, or worse.

However, a 2016 survey from consulting firm PricewaterhouseCoopers (PwC) is more encouraging. PwC found that while most shoppers now prefer to research products online, the store remains the favorite place to buy in almost all product categories. Also, online transactions accounted for less than 9% of all retail sales in the U.S. in 2017. In short, most shoppers still choose brick-and-mortar stores over e-commerce.

Moreover, sales data from the U.S. Census Bureau likely overstate the percentage share of total purchases that are made online. This is because Census Bureau statisticians lump in mail order company sales with online retailers. As a result, the booming statistics for e-commerce also include, among other things, mail order prescription drug sales and shipping and handling fees. Also, in many instances, these sales figures include online sales made by brick-and-mortar merchants on their own company websites.

Despite losing market share, there are signs that traditional stores are stronger than first thought. For example, Macy’s and some other brick-and-mortar retailers, like Target, Kohl’s and JCPenney, had better-than-expected sales during the holiday shopping season in 2017. Many brick-and-mortar merchants do not break out separately in-store sales from those made online.

Figure 5: Major U.S. Store Closure Announcements in 2017



Source: Coresight Research

The Lines Blur

The line that divides traditional retailers from online sellers has begun to blur. Some chains have become “omni-channel” retailers. This means they sell both online and offline. Traditional stores have bought online sellers to boost their web presence and reach more customers. For example, Walmart has acquired e-commerce startup Jet.com, online men’s store Bonobos, and women’s fashion site ModCloth. PetSmart purchased pet supply retailer Chewy.com.

Another strategy, called “clicks to bricks,” leads online retailers to build actual stores. Retail giant Amazon has done so. This year, the company opened its first no-cashier grocery store, called Amazon Go, in Seattle. They also bought upscale grocery store chain Whole Foods for \$13.7 billion in 2017.

More Lifestyle, Less Retail

Some analysts see the changes currently underway in the U.S. retail sector as a fundamental reset or a long overdue correction. For example, the U.S. has much more retail space per capita than many other developed nations.

According to estimates from PwC , the United States had about 23.6 square feet of retail space per person available in 2015 (the most recent year with comparable data available). That figure is more than twice the amount in Australia (11.1 square feet/person), and roughly five times that of the United Kingdom (4.6 square feet/person). This, plus the fact that technology affects the way people shop, makes it clear that old-style shopping centers must change to stay current and attract buyers.

For New York’s malls and retail centers, this translates to “more lifestyle and less retail.” On the ground, malls have swapped retail space for dining and entertainment, community and public services, and housing and office space. The idea is to not only bring in the folks, but also make them want to hang around. Below, we present some of the innovative ways retailers and mall owners in New York State are attempting to implement the strategy of “more lifestyle, less retail.”

Dining and Entertainment

Most malls and retail centers already embrace dining and entertainment. Malls in New York State now go beyond the food court to attract full-service restaurants. Some places, like Dave and Buster’s in the Walden Galleria in Buffalo (Erie County) and the Crossgates Mall in Guilderland (Albany County), combine both food and fun by providing billiards, bowling and arcade games, comedy clubs, as well as meals.

The Roosevelt Field Mall in Nassau County on Long Island is building a complete “dining district.” It will accommodate 1,250 patrons at seventeen different restaurants. The Brazilian steakhouse chain, Texas de Brazil, is now found in malls across New York State. There is one at

Destiny USA in Syracuse (Onondaga County), the state’s biggest mall and the sixth largest mall in the U.S.

On the fun side, attractions include the Via Aquarium at the Viaport Mall in Rotterdam (Schenectady County); the Autobahn Indoor Speedway in the Palisades Center Mall in West Nyack (Rockland County); and the Legoland Discovery Center at the Ridge Hill Shopping Center in Yonkers (Westchester County).

Community and Public Services

Many retail centers offer vacant space to local activities and public services. The Sangertown Square Mall in New Hartford (Oneida County) hosts American Red Cross blood drives and community art exhibits. They also hold an event called “Sensory Santa,” where children with autism spectrum disorders and their families can meet and talk with Santa. On Long Island, the Microsoft store at the Roosevelt Field Mall hosts STEM and LinkedIn workshops, and training for entrepreneurs. Colonie Center, in suburban Albany County, partners with insurer MVP Healthcare and the CAP COM Federal Credit Union to tell people about their services. The St. Lawrence Center in Massena (St. Lawrence County) hosts “The North Country Showcase.” It lets local vendors sell their wares and host demonstrations and workshops.

Housing and Office Space

Finally, some malls are converting stores into housing and office space. Both Destiny USA and Crossgates Mall, which are owned and operated by the Pyramid Companies of Syracuse, are building hotels to attract people for extended stays.

Other malls plan more permanent residential space. For example, redevelopment of the Eastern Hills Mall in Williamsville (Erie County) will include not only retail, entertainment and restaurants, but also business offices and residences.

Summary

The line separating traditional brick-and-mortar retail stores and online sellers continues to blur. As technology changes the way people shop, retailers, including traditional brick-and-mortar stores, need to adapt.

With all of the many forces currently re-shaping the retail landscape, this presents an opportunity for existing brick-and-mortar retailers to grow and to re-invent themselves. Malls and other retail centers in New York State have found innovative ways to draw in customers. Their formula of “more lifestyle and less retail” offers a place for dining and entertainment, community and public services, and housing and business space.

For Further Information

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