

COLUMNS

## Nation's highest-potential shoppers are turning away from the mall

January 20, 2016



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Walmart just announced it will be closing 269 stores in 2016, while Macy's has slated 40 stores for closure this year. This will likely mark the slow, steady progression toward death for the malls to which those stores are attached. But the closing of these stores are a symptom of a deeper problem in the mall shopping experience, not the cause of the malls' failure.

Today, shopping malls are becoming 21st-century ghost towns. Since 2010, more than two dozen enclosed shopping malls have closed, and an additional 60 are on the brink. By 2025, an estimated 15 percent or more malls will be closed or repurposed, according to projects by Green Street Advisors.

While mall owners blame the trend on the closing of anchor stores such as Macy's, the real reason behind the demise of malls is that shoppers, especially the high-potential affluent customers, have lost interest.

Shoppers are abandoning malls and coming back to Main Street

Today, the sameness and ubiquity of the big-box store experience is beginning to show fatigue. Walk through any of the nation's 1,000 or so enclosed malls and you might notice they all look much the same.

Filled with the same stores offering the same merchandise at the same sale price, it is too much of the same thing. Consumers are beginning to look for something new and different and finding it on Main Street, not in the malls.

Main Streets and the independent retailers that thrive there are on the cutting edge of a new shift in retailing.



*Voting with her feet*

While the Great Recession took out a wide swath of retailers economic natural selection at work the successful

retailers that remain represent, by and large, the best and brightest. They have come through the worst and emerged onto the other side stronger, smarter and more resilient.

Specifically, demographic shifts, with both aging Baby Boomers and young millennials looking for a more personal shopping experience, as well as heightened expectations from affluent consumers, will favor the special services and products that only local small businesses can provide.

Hooray for HENRYs

Specialty retailers need to target the affluent customers in their communities. While the middle class lost its spending power in the recession and has yet to recover, the affluent, especially the HENRY (high-earners-not-rich-yet) mass-affluent who are the new mass-market customers with discretion, have the incomes on which specialty independent retailers rely.

The HENRYs are passionate about fulfilling their desires in smaller shops where they know store owners and staff. They want to be treated with a high level of personal service, and expect a differentiated, experiential sell.

Over the next 10 years, independents will thrive, as multi-generational customers cut back on the one-size-fits-all approach of mass retail and the sameness that it engenders. Customers will seek these smaller stores for a variety of reasons, based on their socio-economic, psychographic and demographic outlooks. As a result, growth at mass will slow down and profits will shrink.

THE NEXT DECADE will see a great winnowing down, restructuring and right sizing of mass-market retail, which will give a new opportunity to independent specialty retailers. As long as they understand the best potential customers, the affluent HENRYs.

Today's retail environment is ripe for inspired, creative independent specialty retailers to prosper. The secret of success is the ability for them to know their customers and deliver the valuable, unique shopping experiences these demanding, savvy, eager-to-be-pleased consumers crave.

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