

COLUMNS

Overstoring in US is creative opportunity for luxury brands

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The retail news of late has been bleak. Macy's is closing 63 stores this year, with dozens more to follow. For JCPenney, 138 stores have closed and for Sears and Kmart, there have been 150 closings. For mall brands such as Rue 21 and The Limited, the news is the same, with hundreds of closings coming nationwide.

There is no denying at this point that the United States retail market is overstored and a correction is well underway. Ecommerce has played a big role in getting retailers to this place, but the real cause is much simpler than that there are simply too many stores.

Penny drops

According to the International Council of Shopping Centers, there is 24 square feet of shopping space for every man, woman and child in America. Compare this to 15 square feet per capita in Canada, and just five square feet in the United Kingdom, and you start to see that this shift was inevitable.

For some brands, like Macy's, JCPenney and Sears, this trend is a sign of a sharp decline, perhaps even death. The model these brands are built upon one where stores primarily serve the utilitarian purpose of giving customers access to product, a purpose already well served by ecommerce may not hold up in the next era of retail.

But for others, particularly those in the luxury market who are well versed in the art of service and in creating an experience for shoppers that goes far beyond simply selling things, this adjustment has the potential to play out in a much more interesting and positive way, bringing opportunities for a new era of pop-up stores, live events and unconventional brand experiences.

The luxury market has never been built upon massive scale or building portfolios of hundreds of store locations, but rather exclusivity and experience. Because of this, these brands will not be as monumentally affected by the downward shift in physical retail space.

Which is not to say there will not be any correction there will be but luxury brands could, in fact, find valuable creative opportunities in it and big cost savings as vacancies rise and commercial landlords look for new ways fill

space, both in the long- and short-term.

At the same time, consumer expectations around retail are shifting, and this process will only be sped up by the closing of thousands of traditional retail stores. With the ability to order whatever they want online, shoppers visit stores less just to buy things right there, and more to experience what a brand can offer.

Circling back

Luxury businesses, in particular, are at an excellent place to play to their existing strengths creativity, exclusivity and a high level of service and capitalize on these developments through creative installations that can boost their brands and leave lasting impressions on consumers.

Of course, pop-up shops and temporary brand presences are not anything new, but the concept is evolving.

A new kind of infrastructure is opening up for established brands, as evidenced by the Luxury Merchandising Unit (LMU) at The Shops at Columbus Circle. This adaptable glass shop exists solely to house short-term luxury pop-ups from high-end brands, which have so far included La Maison Du Chocolat, Etienne Aigner and Moleskine.

The LMU infuses the shopping center with a constant supply of fresh concepts and experiences for consumers, and gives brands an opportunity to present themselves in a new way to a desirable demographic, while avoiding the costs of a long term retail lease in a very expensive ZIP code.

And while this kind of retail opportunity is pretty narrowly-defined, imagine what a creative brand willing to take a risk could do a year or two from now in a world where a billion square feet of retail space has been vacated by its previous tenants.

From sprawling, immersive art experiences in former department stores, to smaller, highly exclusive events hosted in prime retail spaces that would be unattainable just a few years ago, the possibilities for brand building are endless.

The beauty of pop-up shops and experiential retail has always been its capacity to surprise and delight consumers. This kind of retail is by its nature, always new. It is exclusive due to its limited-time-only terms, and it grabs attention as a result.

IN A MARKET where grabbing attention is both harder and more important than ever, pop-ups and the press and social media shares they bring when done well, will become a critical piece of the puzzle for brands with interesting stories to tell.

Smart marketers in luxury retail and beyond will look at the recent shifts in the physical retail space will not see the end of an era, but rather the beginning of a new one, where consumers are open to a retail experience that have been reimagined by daring and creative brands, and the spaces to do so are out there, just waiting to be transformed.

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