

RETAIL

Flagship stores in cities can attract higher-spending shoppers

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The Gen Z population is more likely to prefer in person shopping experiences. Image credit: Snap, Inc.

By KATIE TAMOLA

What was originally perceived as a mass and detrimental exodus of consumers to the suburbs may actually be a chance for retailers' revival.

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Analytics platform [Placer.ai](#) shared its research and predictions for retailers, indicating that the exodus from many from cities like New York City is inherently leaving room for new consumers with more spending capacity to take their place. With an increased Gen Z presence, a population known to value in-person shopping experiences more than other demographics, retailers may be embarking on an era of revitalization through flagship stores.

"Every brand has its own considerations, but the wide array of values that come from owned locations is changing the calculus and making 'online only' a less effective strategy," said Ethan Chernofsky, vice president of marketing at Placer.ai. "The influx of younger people into major cities creates an opportunity to reach those audiences effectively with experience and brand-oriented locations.

"There is a clear and compelling logic for more brands to have offline locations, and for many that already have, to consider an expansion," he said. "However, this doesn't demand a rapid and massive increase in the number of stores, as a measured and staged rollout will help more brands identify their ideal mix, ensure the success of each location and create a more optimized offline approach."

Gen Z and the city

The COVID-19 pandemic affected both retailers and real estate significantly. With certain restrictions, some consumers were unable to shop in stores, while several other people decided to leave their cities altogether and find a less congested home in the suburbs.

In January 2021, the New York metro area saw a year-over-year difference of -1.2 percent, while San Francisco, Los Angeles, and Boston saw declines of 2.4 percent, 1.9 percent and 1.7 percent respectively. Although it may be alarming for brands and property owners to watch consumers flee, these drops are heavily offset by new residents moving in.



The fear that a young generation of consumers would have limited interest for personal luxury goods has been buried by evidence of the opposite. Image credit: Pann

Manhattan, Brooklyn and Queens all saw net losses in February 2021, with New York County seeing the most significant with a 10.2 percent year-over-year decline. This is believed to represent a shift to the suburbs, a trend that is reflected in data from major cities across the country.

This proves beneficial because the residents who have left likely had disparate spending priorities like finding spacious homes for their families. Their absence leaves room for a new population, heavily Gen Z, that likely has more spending capacity than their predecessors.

Placer.ai also found that according to [UrbanDigs](#), median rent in the New York metro area dropped by 20 percent in January 2021 year-over-year, even as signed leases grew 22 percent year-over-year. Lower rent is bringing more Gen Z consumers into the city, a clientele that can ultimately use their excess rent dollars for things like shopping.

Research suggests that younger shoppers like the in-store experience and prefer a more authentic and direct brand relationship. Retailers have an opportunity here to open flagship stores, an investment that could pay off over time.

Increased flagship stores could pave the way for a mutually beneficial relationship between business and consumers. Consumers have what they want in authentic, brand-laden in-person experiences and flagships become a focal point in attracting even more consumers to cities.



Everlane's flagship store in New York City as a prime example of the reach a city can offer. Image credit: Naho Kubota/Everlane

The findings listed in this report cite Everlane's flagship store in New York as a prime example of the reach a city can offer. The branch logged almost 600,000 full visits in 2019, which did not include passersby or quick trips in.

This visibility is more likely to attract a curious Gen Z consumer who may be shopping with the brand for the first time. This type of shopper can be converted into a loyal returning customer after a positive in store experience.

More flagships could create a diverse retail environment and more competition which would ultimately help cities that many once feared failing once again thrive.

An irreplaceable experience

For some consumers, there is nothing like physically standing in their favorite store.

Despite the strong influence of social media and digital marketing, today's shoppers including Generation Z remain drawn to the human touch found in the in-store experience. Nearly three-quarters of respondents from a 2017 report

believed that bricks-and-mortar shopping could not be successfully mimicked via ecommerce, although they missed the personalized discounts found online ([see story](#)).

Additional research and findings indicate that the Gen Z population is notably cognizant of brand ethics and ethos and ultimately make thoughtful decisions with their purchase power. The population also shows great brand loyalty.

Ninety percent of Gen Z and millennial consumers buy apparel and accessories from the same fashion and accessories brands, suggesting that, contrary to popular belief, they are actually brand loyal. The findings, from a 2020 study by Compose[d] analyzed interviews with 500 Gen Z and millennial consumers across the United States, showed that the majority of them purchase fashion and accessories from the same brands, and 75 percent self-identify as brand loyal ([see story](#)).

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