

Visions in Leisure and Business

Volume 22 | Number 1

Article 5

4-15-2020

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Recommended Citation

Danziger, Pamela N. (2020) "The Mall Must Do More: A 4Es Approach to Evolving the Mall of the Future," *Visions in Leisure and Business*: Vol. 22 : No. 1 , Article 5.
Available at: <https://scholarworks.bgsu.edu/visions/vol22/iss1/5>



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**THE MALL MUST DO MORE: A 4Es APPROACH TO EVOLVING THE MALL OF
THE FUTURE**

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ABSTRACT

In 2017 the American Marketing Association changed the definition of marketing from the “Mad- Men” era concept based on the 4Ps – Product, Price, Promotion, Placement – to one based upon value: “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have *value* for customers, clients, partners, and society at large.” This required an evolution of the 4Ps model of marketing to a new one based on value. This new model is described by the 4Es model where Experience replaces Product; Exchange is the new Price; Evangelism is now Promotion; and Environment replaces Placement. This paper explores how traditional malls founded in the “Mad-Men” era must evolve in the new values-based economy. Malls must unlearn the lessons from the past and think of their spaces in a new way, not as primarily places to connect consumers with products,

but as places where people engage with brands, experiences, entertainment, service providers, employers and even live.

Read on Forbes.com: <https://www.forbes.com/sites/pamdanziger/#39d485fc7988>

Key Words: Malls, 4Es Marketing, Shopping Centers, Retail

INTRODUCTION

Americans' love affair with malls is over – or it's not, depending upon who you talk to. The National Retail Federation (NRF) believes retail has never been stronger with retail sales growing almost 4 percent annually since 2010, driven by more than 1 million retailers across the United States.

The NRF also disputes the “retail apocalypse” narrative, promulgated by UBS's prediction that 75,000 stores will close by 2026 due to the rise of e-commerce. Rather, for every company closing stores, there are 5.2 opening stores.

Set that against the backdrop that store closings in 2019 reached historic highs. Last year some 9,200 major retailer stores shuttered, following 5,437 closed in 2018. While the International Council of Shopping Centers (ICSC) says mall occupancy rates “remain high at 90 percent percent,” Reis Moody's Analytics counters that the current 10 percent percent mall retail vacancy rate is actually at an all-time high at the end of 2019, more than at any time during the past two recessions.

Many of those vacancies are mall anchors which have historically been flagships that draw traffic to malls. Sears, long a fixture in the nation's 1,169 malls, has shrunk from 863 stores in 2000 to some 540 today, nearly 40 percent of its fleet. Macy's has reduced its footprint as well, dropping from 773 stores in 2014 to 649 in 2019 and it just announced that 28 more will follow in 2020, that's a 20 percent decline in six years. J.C. Penney's has shrunk from 1,075 in 2002 to 864 in 2019. Even the luxury sector is not immune, with Nordstrom, Saks and Neiman Marcus opening more of their off-price stores while selectively shutting down their full-priced nameplates.

AMERICANS ARE OVER-STORED, YET UNDER-SERVED

It is no secret that America is glutted with retail. The U.S. has approximately 23 square feet of retail space per person, compared with 17 square feet in our neighbor to the North, Canada, but only five square feet per person in the U.K. and France. The recently opened American Dream Mall in New Jersey added 3 million square feet to the total, though it is smaller than the nation's largest Mall of America (MOA) in Minneapolis with 4.9 million square feet but just ahead of Philadelphia's King of Prussia Mall with 2.8 million square feet.

In 2017 Green Street Advisors conducted an analysis of some 950 malls and found that over two-thirds of the malls studied saw a decrease in the number of national tenants. Since retail closures have picked up pace since then, their conclusions still hold. "While the sector trend is certainly

negative,” they wrote, “the malls experiencing outsized national tenant vacancies are more likely to experience rapid deterioration or need significant capital investment.”

These trends are setting up a vicious downward spiral. As malls lose not just their anchor tenants but in-line tenants too, existing malls give people fewer and fewer reasons to shop there. The result is that C and D malls get even weaker, with the potential of more B malls potentially slipping into the C and D category, and even the A malls are struggling to attract new tenants and keep their malls humming. Green Street’s study identified some 300+ at-risk malls.

Things are getting so bad that Credit Suisse projected that 20-to-25 percent of American malls will close by 2022. Malls have not kept pace with the changing expectations of consumers or their differing needs in an omnichannel world dominated by Amazon which has surpassed Walmart as the world’s top retailer.

The mall as we know it was first introduced at Edina, MN’s Southdale Center, opened in 1956. Post-war Americans were infatuated with the concept of these new pleasure palaces for shopping. The Baby Boom was in full swing. As the number and size of American families grew, they had a growing appetite for new homes and all kinds of consumer goods to fill them. The Baby Boom cohort, born from 1946-1964, became the first native mall-shopping generation as they matured in the 1960s and 1970s.

It was also the “Mad Men” era of commerce. Throughout the second half of the 20th century, consumer brands and retailers grew thanks to the then-revolutionary 4Ps of marketing – Product,

Price, Promotion, and Placement. It was the technique brands and retailers used to make sure they offered the right product at the right price in the right place. And to seal the deal, they depended upon advertising to convince people they absolutely wanted and needed whatever they were selling.

But now the native mall-shopping Baby Boom generation has taken a back seat to a new digitally-native generation of consumers where the 4Ps approach to marketing doesn't work. Just about anything is available anywhere, most especially from the comfort of home through the convenience of online shopping. Prices are negotiable with retailers resorting relentlessly to discounts to keep shoppers buying. And traditional push-marketing promotional messages originating from companies no longer hold sway in influencing digitally-native consumers, who instead turn to their social media networks, friends, and family for more reliable information to make purchase decisions.

The 4Ps of marketing have gone the way of the dinosaur. A new model of marketing specific to malls, the 4Es has replaced it – Experience, Exchange, Evangelism, Environment of Each Special Place – which will help malls connect with today's consumers who may be more turned-off than turned-on to mall shopping.

Here are ways malls can to evolve from the 4Ps to the 4Es model to make their spaces and shopping experiences relevant to 21st-century shoppers.

MALL MUST BECOME PLACES FOR EXPERIENCES, RATHER THAN PRODUCTS

We've all heard about the consumers' shift in spending from things to experiences, leaving malls that rely primarily on selling products in the lurch. So malls have fast and furiously been adding experiences into their tenant mix.

Everybody's got to eat and restaurant experiences have been a growth category for malls, most especially since the last recession. In 2006, the typical mall devoted only about 10 percent of its square footage to food, beverage, and entertainment, according to Cushman & Wakefield. Since then, however, the typical mall devotes about 15 percent to dining experiences, but the best class A malls make food and dining even a higher priority, allocating restaurants as much as 25 percent of space.

That investment pays off, according to research from ICSC and conducted by commercial real estate services firm Jones Lang LaSalle. Some 40 percent of shoppers say they choose a mall destination based upon the dining options found there. Further dining guests spend more when they visit, with spending rising as much as 25 percent when they spend time enjoying quality food and beverage offerings.

Entertainment, like movies and amusements, is another important component of the new experiential mall mix, called Customer Engagement Spaces or CES by AT Kearney. "To

succeed in the future, the industry needs to think like the customers it serves,” Kearney authors Michael Brown and Matt Lubelczyk write in a report, entitled “The Future of Shopping Centers.” While offering a selection of dining and entertainment options is a step in the right direction, there are so many other experiences that malls can provide if they pivot toward thinking more about what people in their communities want and value. The ICSC describes malls as “integral to the social fabric of communities by providing a ‘third place.’ They offer space to be with friends and family when not at work or home.”

What makes a community center thrive? Yes, it is partly shops, partly restaurants, movie theaters, and playgrounds, but so much more. Thriving communities are public hubs that include schools, libraries, government offices, post offices, hospitals, churches, museums, historical societies, banks, transportation centers, parks, and more serving the needs of residents.

Elements of each of these can be brought into the mall. For example, a recent [Gallup Poll](#) found that more adult Americans visited libraries last year than went to the movies, live sporting events, museums, concerts, amusement parks, and casinos, among other activities. Further, the most active library users were women and young people aged 18-to-29, just the kind of potential customers that malls need to cultivate in their communities. So why don’t malls invite the local library in as a public service?

To become a true community center, not just a place for people to spend money, a public service approach represents a radical shift for malls, but one that is right for our time. Consumers today are more involved than ever in social and political causes. Malls should play in that space to knit

themselves into the heart of their local communities, with additions like a post office as well as offices for elected officials and public services. It should provide community event space to host town hall meetings, create learning spaces for children, and support local museums, historical societies and non-profit groups with space for special displays and community engagements.

And, of course, malls can reach into the community to sponsor fun special events, like art shows, live concerts, craft demonstrations, clothing repair, recycle, exchange events, wellness and sports clinics, local wine and beer tastings, the list goes on. The manager in charge of special events, programming, and public services should have just as much clout in the mall organization as the manager in charge of leasing.

By providing more meaningful experiences to people in the local community, malls would deliver the most meaningful experiences their tenants want: a place for customer acquisition, not just a place to conduct transactions. Ken Nisch, chairman of retail and brand design firm JGA, gives this cogent advice to malls: “Give people a reason to come to the mall and they will shop, but shopping can’t be the reason to come there.”

EXCHANGE IS THE NEW PRICE

Under the traditional 4Ps of marketing, price was strictly about dollars. But in the new 4Es model, price has evolved to encompass the entire value proposition. When it comes to a mall, guests demand greater value than just a place to spend money. Their most valuable resource is

time and they demand a good return on that investment in getting and spending time there. It has to go way beyond just the opportunity to buy stuff or eat a meal.

Consistently shopper research has found that if you increase the amount of time people spend in a retail setting and the amount of interaction they have within that setting, then people will spend more money and return more often. Mall managers need to think about their businesses with these goals: To increase both shoppers' time and interaction in the space.

With a constantly rotating schedule of special mall-sponsored events, people will have more reasons to make the mall a destination where they want to spend time. By bringing in tenants that go beyond retail and dining, people will have even more reasons to come, spend time, and return.

And malls need to curate their retail spaces with care for the local community. For example, Mall of America has been thinking more locally with its Minnesot-ah! boutique of Minnesota-made products and its MOA-owned and operated Fourpost collection, which is described as “part WeWork, part food court, and applies it to retail,” so that small companies can lease space in the 10,000 square foot space to create “studio shops.”

And increasingly short term temporary popup shops are breathing new life into malls. Popup shops have become a way for innovative digitally-native brands to make a real-world connection with customers. Long Island's Roosevelt Field Mall has dedicated prime space to popups called Edit that hosts a revolving range of new retail concepts.

And in the Mall of America, the management consulting firm McKinsey and Company is imaging the future of retail with a space for popups called Modern Retail Collective, where brands can test retail supported by advanced technology provided by Microsoft and Square. This techno-powered space tracks customer's movements through the store to quantitatively measure and assess best retail practices.

Mall managers must think about the exchange part of their new model across the entire value experience their guests have at the mall. The malls' focus must shift from simply managing real estate and leasing to one focused on attracting shoppers who will spend more time there and return often. To attract more tenants, malls have to first sell to consumers, not the reverse as in the past.

EVANGELISM MEANS MORE PULL, LESS PUSH MARKETING

Back in the "Mad-Men" era, promotion meant push marketing where brands pushed out marketing messages through advertising with the hope of creating awareness and eventually conversion. But increasingly consumers are tuning out push marketing messages, seeing them as more noise in their media-saturated world.

Instead, they are primed for pull marketing. They tune in to interesting and compelling information they search out themselves or hear about from friends and family. Pull marketing is focused on consumers and what they want to know about, not on the messages the marketer, in this case the mall, wants to spew out.

By using more pull marketing, malls will excite people's curiosity and draw them in. Pull marketing includes a variety of marketing messages that present the mall as an opportunity to explore and engage, not just shop and buy. Pull marketing strategies are activated through content marketing, social media, traditional public relations, influencer blog posts, and through good, old-fashioned word-of-mouth marketing.

That WOM is profoundly effective goes without question. In survey after survey of B2C and B2B companies, word-of-mouth is ranked among the most important marketing strategies. The Word of Mouth Marketing Association puts numbers on its impact: WOM drives 13 percent of sales, two-thirds of which is offline talking and sharing and only one-third social media-driven.

Influencer marketing is one-way brands use to activate more word of mouth and pull people in. Malls can use it too by creating a program of local influencers and brand ambassadors. In this way, they will evolve from the 4Ps model of Promotion to the 4Es model of Evangelism.

For example, the Shops at Park Lane Mall in Dallas used an influencer campaign to help Forever 21 launch a new retail concept called F21 RED. The mall identified a group of local Dallas fashionistas with a strong social media following and invited them to an exclusive pre-grand opening event where they were encouraged to take pictures and share their experiences on social media. This select group of 19 influencers generated some 675,000 impressions that resulted in a hugely successful grand opening event for the store.

Lululemon, the leisurewear brand, is one of the fastest-growing fashion brands around and much of its success is credited to its 1,500 ambassadors recruited from each store's local communities. These ambassadors are trusted authorities among their audience, as they share the good news about Lululemon and what exciting is going on in the local store with their following through user-generated content (UGS), the 'holy grail' in marketing today.

Malls should follow Lululemon's lead and develop a formal ambassador program that will spread the word about what's happening at the mall and the experiences that can be found there. But ambassadors, social media, and digital marketing can't do it all. Malls still must use traditional push advertising, but strong pull marketing messages need to be added as well.

THE MALL MUST CREATE AN ENVIRONMENT WHERE EXCITING EXPERIENCES HAPPEN

In real estate, the mantra is "location, location, location" and malls typically are well placed on or near the intersection of major streets and highways. But too many of them, especially those built in the 60s and 70s, are caught in a time warp, physically designed for a different time and different customer needs.

Natalie Hwang, the managing director of Simon Ventures, says what's needed are new ways of organizing and arranging the mall environment, or "dynamically recalibrating spaces." She calls on malls to think of their spaces as places to "leverage different content platforms," content

being the collection of stores, the restaurants, the special events, and other tenants and attractions that make up the mall.

For example, McKinsey sees the shape of malls shifting toward more public spaces with the mix of tenant to public spaces moving from the current 70 percent to 30 percent mix to 60/40 or even 50/50. “When this happens, these expanded public spaces will need to be planned and programed over the year much like an exhibition. They will be managed more like content and media, instead of real estate,” the company writes.

IMAGINING THE MALL AS A CONTENT PLATFORM

This radical idea of the mall as a content platform requires an equally radical way to model the mall for a sustainable future, as described in the AT Kearney “Future of Shopping Centers” report.

Kearney sees the content-platform model of the mall evolving along four diverging paths. One is the familiar Destination Center, but in the future, it will be bigger and bolder than ever, like the Mall of America, American Dream, or King of Prussia malls. In this model, anchor stores will play a more prominent role with added attractions, theaters and event spaces.

These will be true destinations, suited for weekend vacations, not so much day-in/day-out shopping, so under this model, hotels will be important anchors as well. Competition for these destination centers will be national, even global, not local. Hospitality and attracting visitors

from afar will be critical to success. And the actual number of true destination centers the nation can support is limited.

Another model is called Values Centers, not to be confused with value centers (i.e. discount).

These are “hyper-curated centers specializing in related retail businesses and services, reflecting the values and preferences of the surrounding community.” These values centers are anchored by an idea, concept, or culture, not necessarily major retailers.

The key is for the Values Centers to look to the local community for that organizing idea. The idea might be health and wellness, local food, local artisans and manufacturers, causes such as animal rights, or ethnic or cultural identity. Models for these evolving values centers include Eataly, Culver City’s Platform LA, Atlanta’s Plaza Fiesta, and Fort Worth’s LaGran Plaza.

A third mall model is Innovation Centers, which are powered by technology so that every store and the center itself gathers real-time data in order to satisfy shoppers and evolve with them.

These malls will employ anthropologists, sociologists, cultural psychologists, and ethnographers to turn the massive amounts of consumer data collected into information that malls and tenant partners can use to enhance the model experiences.

The Innovation Center will be smaller in format with less reliance on inventory and more focus on creating personalized experiences through virtual reality, augmented reality, or mixed reality where consumers can customize their unique shopping and product experiences.

For models of Innovation Centers, we look to the MOA's Modern Retail Collective space hosted by McKinsey, or Apple's retail flagships, Amazon Go, and Nordstrom Local. These centers will become important places for beta-testing new technology and applications. Popup stores will also be important here to maintain a constant flow of new ideas. Innovation centers will combine high-tech with high-touch to create futuristic customer engagement spaces.

Also on the mall horizon are Retailidential Centers (Retail-Residential) which will combine elements of values centers, as they will be focused to cater to a specific life stage or lifestyle consumer with shared needs and interests, but will be buttressed by residential housing to make the mall more than a place to visit, but a place to live. The need for affordable housing is great among maturing baby boomers, looking to downsize and gain convenient access to various services, as well as among young professionals attracted to centers that offer retail stores, restaurants and theaters, work-play offerings, gyms and spas.

By adding residential into the mall mix, commercial tenants will find a new captive audience for their goods and services. The Columbus, OH Easton Oval complex offers all the above, including condos, apartments, offices, restaurants, and stores within walking distance.

MALL CAN AND MUST DO MORE

The major challenge for malls is to think of retail spaces in a new way, not as primarily places to connect consumers with products, but as places where people engage with brands, experiences, entertainment, service providers, employers, and even live.

Malls must become the new American “Main Street,” where people feel a real sense of community and belonging, not some faux or phony approximation of it. Mall owners, developers, and managers need to create environments with less emphasis on selling things. Rather, they need to create malls as content platforms that support the many facets of people’s lifestyle. They can then facilitate sales by recognizing and understanding the mall’s place in the community and connecting with that community by shared core values and aspirations.

As the AT Kearney report concludes: “The future of retail real estate is as robust as the industry’s imaginations. Future success depends to a large degree on being able to ‘unlearn’ the lessons of the past. Tomorrow’s success will belong to those operators and tenants willing to break from yesterday’s patterns and practices and fully embrace a consumer-driven future.”