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Millennials Tried to Kill the American Mall, But Gen Z Might Save It

The next generation of U.S. buyers isn't shopping like their parents.

By Jordyn Holman



ILLUSTRATION: KURT WOERPEL FOR BLOOMBERG BUSINESSWEEK

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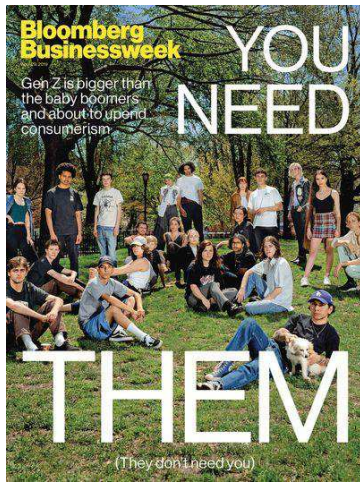
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Around 95 percent of them visited a physical shopping center in a three-month period in 2018, as opposed to just 75 percent of millennials and 58 percent of Gen X, according to an International Council of Shopping Centers [study](#). And they genuinely like it; three-quarters of them said going to a brick-and-mortar store was a better experience than online, ICSC found.



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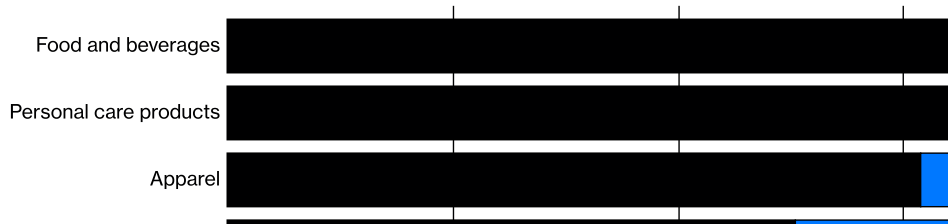
“There’s always been this assumption that as you go through the age spectrum, the younger consumer that has grown up with online and digital and is very savvy would shun physical experiences,” said Neil Saunders, an analyst at GlobalData Retail. “But actually that’s not turned out to be the case.”

Gen Z—or the group of kids, teens and young adults roughly between the ages of 7 and 22—still appreciate brick and mortar. But they aren’t just millennials living in a different time. Today’s teens interact differently with stores than their older siblings and Gen X parents before them, and several retailers who didn’t understand the fundamental differences in how they shop landed themselves in bankruptcy court: Think [Charlotte Russe](#), [Wet Seal](#) and [Claire’s](#), once staples of the teen mall circuit.

Shopping Like the Olds

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Failure to adapt to changing trends and stay relevant can crush a business, with regional mall vacancy rates at 9.3 percent in the U.S. But get it right, and savvy apparel companies could capture some of the generation's expected spending power of about \$143 billion in the U.S. alone. Here's a look at some of the ways retailers are keeping up:

1. They Don't Fight the iPhone

Gen Z spends a lot of time on their smartphones—and they know it: Nearly six out of 10 self-diagnose overuse, according to a recent survey by Bloomberg and Morning Consult. For companies that embrace that, instead of fight it, the payoff can be huge.

Forever 21, consistently ranked among American teenagers' top brands, rewards phone-in-hand shopping by offering customers 21 percent off if they snap a picture of themselves in a Forever 21 outfit and post it with designated hashtags—then show the cashier at the register. And they do it: On Instagram, the #F21PROMO has been used about 20,000 times, mostly by teenage girls striking a range of poses from sitting on a bench with a Starbucks drink in hand to throwing up peace signs. One poster on Twitter, who hid her face with her baseball cap, wrote “my mom is making me do this for 21% off.”

Tech companies are responding as well. RetailMeNot, a digital coupon provider, is able to send push notifications to shoppers when they're in a mall to alert them to potential discounts. A recent survey from the startup found that an overwhelming 91 percent of Gen Z shoppers are searching for deals on their mobile phones while inside retail locations.


Nimble retailers are making their stores more Instagram-worthy in a bid to appeal to this connected crowd. About a third of Gen Z consumers say shopping should also be entertaining, according to data from Cassandra, a cultural insights and strategy agency. With these Gen Z shoppers in mind, old-guard department store Macy's Inc. earlier this month rolled out in 36 of its locations “Story,” a colorful themed shop-in-shop. In its behemoth Herald Square store, the 7,500-square-foot space is brightly painted with primary colors, a pillar completely made of Crayola crayons, a pingpong table and a rainbow tunnel.



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Story is filled with knickknacks like hot dog-shaped pet toys, purses that charge phones and self-help books on how to cure hangovers, which Macy's Chief Executive Officer Jeff Gennette describes as items "nobody needs" but are "going to want" once they walk through the spot. Every two months, the space undergoes a complete overhaul and introduces a new theme. That means repainting walls, installing new carpets and designing new opportunities to post on Instagram. It's a neck-breaking pace for retail.

"You just don't have the same predictability that you have in some of the department store square footage," Gennette said in an interview at the flagship store. "You can always show up and find something different."

2. They Let Them Customize It

Gennette's onto something: Different is the name-of-the-game for these young adults. Nearly half of Gen Z shoppers want products tailor-made to their tastes and interests, according to a 2018 [report](#) from IBM and the National Retail Federation. To be sure, previous generations personalized their apparel and accessories in ways they wanted, like adding patches and buttons. The difference for this generation is that retailers have more technology already in place to acquiesce to their requests right from the start.

"In the past, it has been a little more cookie-cutter," says Marcie Merriman, an EY consultant who specializes in the Gen Z consumer. Now for today's teens, "their mind just goes to a very different place because of their expectation that anything is possible."

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Checkout

In some American Eagle Outfitters Inc. stores, shoppers can take their jeans to a counter and get them embossed, attach back patches and add paint. [Champion](#), the activewear company owned by Hanesbrands Inc., trained store associates to heat-press and embroider its iconic "C" logo and brand name anywhere consumers want on their sweatshirts and hoodies upon request. Levi Strauss & Co. put tailor shops in most of its mainline stores to entice consumers to add monogram stitching to the brand's trucker jackets and iconic jeans—which CEO Chip Bergh admits weren't popular with millennials, including his own sons, but are having a comeback.

Tiffany & Co.—a go-to jeweler for rite-of-passage gifts like Sweet 16 celebrations, proms and graduations—is not just engraving initials into pieces of silver bracelets and necklaces anymore. Last year, it heavily invested in its "Make It My Tiffany" program in a bid to reel in this generation of shoppers. "You can have your bracelet, ring or piece of jewelry personalized," CEO Alessandro Bogliolo said. His 14-year-old daughter, for example, has a piece of jewelry with her pet on it.

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quickest pace, according to Thredup's 2019 Resale Report, with one in three Gen Z shoppers expected to buy secondhand this year.

That has some unlikely players getting into the mix. High-end department store Neiman Marcus just made an unexpected move: buying a minority stake in Fashionphile, an e-commerce company focused on pre-owned luxury handbags and accessories. While the used luxury products will still be sold on Fashionphile's website, in the next year Neiman will open about five to seven in-store showrooms for customers to receive a quote on the used items they want to sell. Down the line, Neiman hopes its involvement in the reused market could convert young shoppers interested in used items to loyal new-product customers, CEO Geoffroy Van Raemdonck said in an interview.



“The customer who participates in buying secondhand products are younger,” he said. “That’s usually their first time of entering the luxury market, and we aim to introduce them to Neiman Marcus—and ultimately to transition them to buying products of the season at Neiman Marcus. It’s clearly a recruitment effort.”

Saunders, the analyst at GlobalData Retail, said more companies need to start thinking outside the box to attract this important demographic.

“The more traditional retailers haven’t really thought about this particular generation as an attractive target. They haven’t really thought about what this group wants out of a shopping experience,” he said. “I think that’s starting to change now.” —*With Tiffany Kary, Lily Katz, and Kim Bhasin*

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