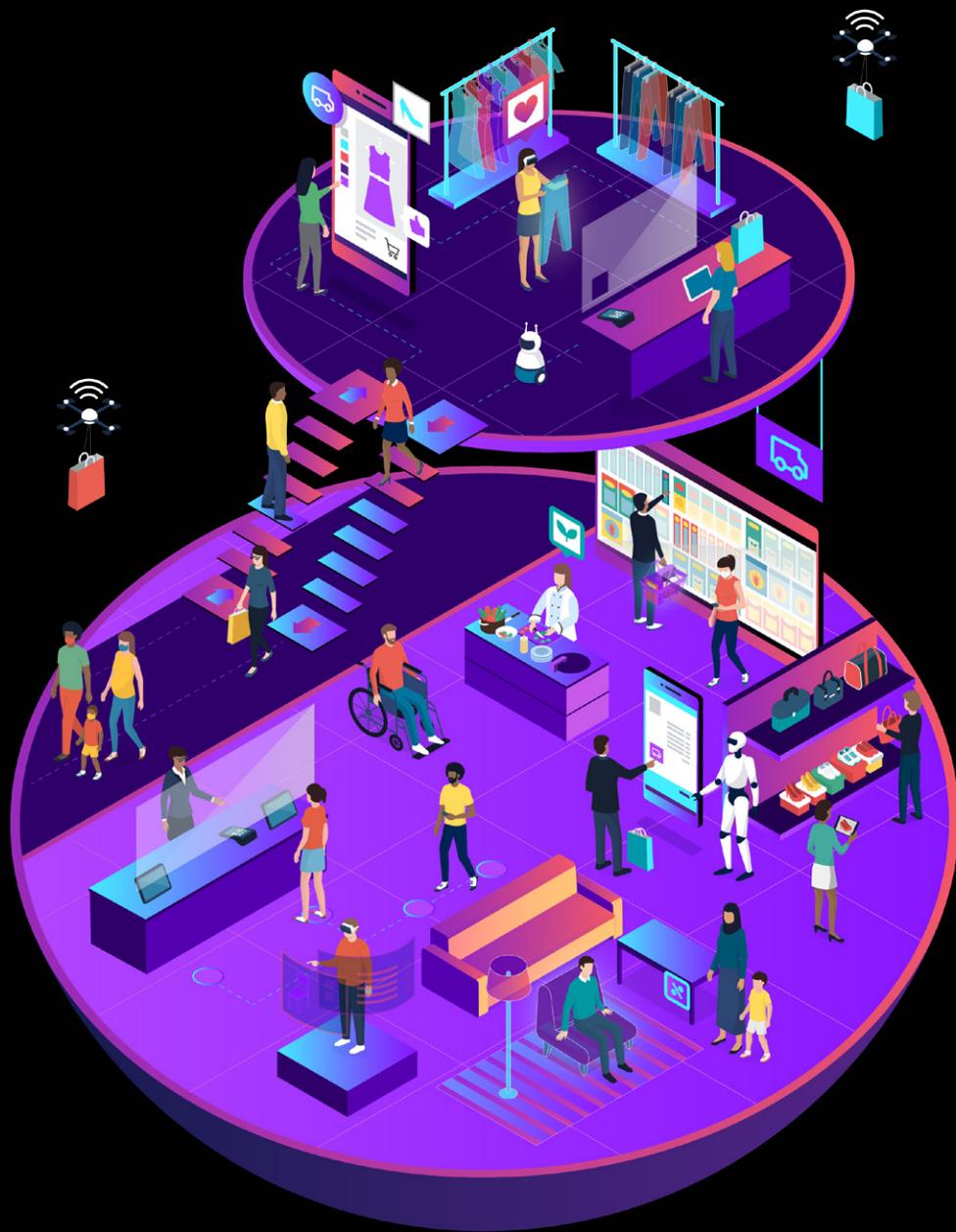


# Deloitte.



## The future of the mall

Building a new kind of destination  
for the post-pandemic world

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As retailers and mall owners grapple with the repercussions of the COVID-19 pandemic, many are accelerating their plans and expanding their thinking to find ways to keep malls relevant in the new normal. Through interviews, focus groups, and consumer surveys, we have determined five critical changes that mall landlords and retailers must embrace if they want to keep customers coming back:



1. **Focus on safety and convenience**, balancing consumers' desire for social interaction with their need for a safe, easy shopping experience.
2. **Rethink the role of the store**, emphasizing the associate's role in facilitating an exceptional customer experience, and focusing on showroom, pop up locations and other innovation formats.
3. **Make way for the food revolution**, which will become the new anchor that brings visitors to the mall as less relevant fashion retailers move out.
4. **Embrace technology**, capitalizing on digital tools to maximize productivity and efficiency and create experiences that are a dynamic and engaging.
5. **Become a new destination**, creating a multi-purpose environment that offers extensive leisure activities as well as other services, like office, residential, and cultural amenities.

The mall of the future will be a destination that feeds the functional requirements of our lives as well as our need to be social. It will be a thriving community where people will live, work, play, and eat. It will not be your parents' mall—so much so that we might no longer call it a “mall” anymore at all.

# Change is upon us

The COVID-19 pandemic has shocked the retail industry. Shopping malls, once popular meeting hubs that were already feeling the pressure from e-commerce and decreased foot traffic, were suddenly devoid of customers as the world locked itself down in an effort to contain the virus's spread. Several months later, as restrictions begin to lift, Canadian malls and the retailers that populate them are asking themselves some very tough questions: How can we bring people back safely? Have we lost customers forever? How does online shopping fit in? What do we need to do to survive?

To answer these questions, we spoke with mall landlords, retailers, and consumers to hear their thoughts on what's next for the mall and what's likely to change permanently.

One thing is certain:  
our retail experience is  
about to be revolutionized.

## About the research

The conclusions in this report are based on research and analysis conducted by Deloitte in Canada in May/June 2020. This included:

- **In-depth interviews** with senior executives of key Canadian mall owners
- **Interviews** with 14 national retailers across multiple product categories
- **Consumer research** in two phases:
  - **Phase 1:** Qualitative focus groups across a range of age groups from Ontario, Quebec, and British Columbia, each group representing a specific shopping preference (main street shoppers/some malls; closed mall; open mall/big box/power centre)
  - **Phase 2:** Quantitative, nationally representative survey of adult Canadians aged 18 and older conducted between May 25 and June 1, 2020, totalling 1,000 respondents



Before the pandemic, mall foot traffic was already falling<sup>1</sup>

Foot traffic in Canada's top-10 malls

↓ **22%**  
2019 vs. 2018

↓ **42%**  
February 2020 vs. February 2019

# “Malls have to create a reason for consumers to return to in-store shopping post-COVID-19.”

Major Canadian retailer

## Weaknesses have been exposed

The pandemic shone a bright light on the operations of malls and retailers. When stores inside malls had to shut their doors, it became abundantly clear who was in a good position before the pandemic and who was not. Some retailers already had a strategy in place to take them into the future. Others found their weaknesses exposed, and some have even filed for creditor protection since the lockdown began.

Even before the crisis hit, mall foot traffic had been declining in Canada. Data shows that in the country's top 10 malls<sup>2</sup> it fell by 22 percent between 2018 and 2019.<sup>3</sup> It fell even further in February (still before the COVID-19 lockdowns), as consumers were already shifting their spending toward necessities and away from discretionary items like fashion and luxuries: comparing foot traffic in the top 10 malls in February 2019 to that of February 2020, we see a full 42-percent drop.<sup>4</sup> Our research reveals that retail companies facing the toughest challenges now seem to have shared a number of common pre-COVID-19 characteristics: a lack of digital presence or e-commerce capability, declining revenues, a poor cash position, lagging profitability, and a generally declining brand and customer experience.

## Strategies are being accelerated

Retailers and mall owners that had been investing in their digital and e-commerce capabilities to elevate their brand and customer experience before COVID-19 are clearly poised to come out ahead. Mall owners typically have long-range development strategies for their properties and most had already built

their plans to combat the pre-pandemic drop in traffic, but many of their occupants clearly had not—many stores within malls were shut down entirely by mid-March.

As a direct result of the crisis, many retailers and mall owners are now accelerating their business plans. Smart businesses are condensing their five-year strategy into a five-week one, ratcheting up their investment in digital capabilities and rapidly experimenting with new business models in an effort to get ahead of the evolving trends. Even before COVID-19, global spending on retail technology was growing (showing a 3.6 percent leap from 2018 to 2019, to a projected \$203.6 billion<sup>5</sup>), and it is clear that number is now increasing.

They are right to be reacting quickly. Consumers expect to spend less time in malls than they did before: 24 percent of those we surveyed said they shopped in malls once a week before COVID-19, and only 12 percent said they expect to do so when the restrictions are lifted. With 58 percent of consumers expecting enclosed malls to be less popular post-COVID-19, retailers and their landlords alike are going to have to rethink the role and function of their properties in order to get people to return.

As one successful mall owner told us, “Landlords and retailers have to work hand in hand to create a reason for consumers to return to malls and have a smooth, stress-free experience.” It is unfortunate it took worldwide isolation measures to highlight some glaring issues, but one thing is certain: our retail experience is about to be revolutionized.



**78%**

**of consumers expect online shopping to become more popular post-COVID-19**

**58%**

**of consumers expect enclosed-mall shopping to become less popular post-COVID-19**



**24%**

**of consumers say they shopped in enclosed malls once a week before the pandemic**

**12%**

**of consumers expect to shop in enclosed malls once a week after the pandemic<sup>6</sup>**

# Safety first, but make it convenient

COVID-19 has changed consumer expectations further. The ongoing transition to online purchasing was given a boost by the lockdown, and the concerns of customers for their health and safety is taking business away from physical stores and making consumers less confident about visiting enclosed malls.

Although Canadian anxiety over the pandemic began to wane somewhat as the summer approached, consumers' expectations of spending on discretionary items, as well as visiting restaurants or retail stores, were still very low compared to pre-COVID-19 baselines.<sup>7</sup> As the table on page 5 shows, the US and Canadian consumer was still, at the end of June, expecting to spend much less on discretionary items than consumers in China, where COVID-19 cases had slowed considerably and the economy was opening up for business. How fast Canadian and US confidence will come back to full pre-pandemic levels is still uncertain.

## Today's shoppers are demanding a safe, frictionless environment.

According to Craig Alexander, Deloitte Canada's chief economist, recovery is likely to be slow. "Consumption is 60 percent of the Canadian economy," he wrote in his June 12, 2020, *Economic Insights* blog post, and that "overall, we expect that consumer spending will be a significant contributor to the economic recovery. However, consumer spending growth will be tempered by high unemployment, high indebtedness, and behavioural responses to the continued health risks."<sup>8</sup>

We spoke with Sarah Reid, a consumer psychologist for Deloitte Canada, about behavioural change. "There are a lot of factors affecting how permanent any behaviour change will be," she said, "but the biggest determinants are how deep the change goes and how long it lasts." Consumers' level of confidence is also modified by other things such as the functional nature of the trip (whether they're buying essentials or shopping for entertainment, for example), and there are generational impacts as well.

### **The consumer's needs and shopping habits after COVID-19 will be in constant flux as their emotions battle opposing forces: the desire to get in and out quickly, and the need to be social and interact with one another.**

Today's shoppers are demanding a safe, frictionless environment, but they want it their way. The key to getting them back into malls will be for owners and retailers to work together to invest in customer safety, and to provide tools and applications that make for a smoother, more convenient shopping experience.

They need to rethink their strategy for getting products safely and quickly into customers' hands, particularly to compete effectively with Amazon. There has been a rapid rise in the popularity of convenience services such as self check-out, click-and-collect, curbside/store-door pickup, buy-online-pickup-in-store (BOPIS), and free

or hassle-free returns through services like a centralized returns area in the mall. Curbside delivery emerged during the coronavirus crisis as a way for local shops and major chains alike to continue to provide products to customers while making safety a priority. We heard from many that curbside pickup is here to stay; customers will continue to demand this option into the future.

As malls continue to reopen, stores will need to alter their delivery systems in keeping with the guidelines provided by public health officials. "Safety and cleanliness was always a basic factor we expected from retailers, regardless of COVID-19," said one millennial customer. "They will definitely need to ensure a clean environment and impose social distancing to get me back." To maintain those high standards of safety and cleanliness, retailers and landlords will be faced with additional costs that will affect their bottom line. The challenge will be to determine which costs to absorb and which to pass along to the consumer.

**Expected spend on discretionary items, Canada and United States vs. Asian countries, week of June 27, 2020**

*Net spending intent on less discretionary items appears to be stabilizing and moderating with more discretionary*

**Net spending intent by country over the next four weeks/percentage**

**Net spending intent**

	Canada	United States	Australia	China	India	Japan	South Korea
<b>Less discretionary</b>							
Everyday household goods	14	22	15	45	55	0	12
Groceries	27	31	20	33	55	6	30
Utilities	9	17	19	38	42	-4	2
Medicines	4	12	6	14	47	1	2
Home internet/mobile phone	9	11	11	35	49	1	6
Health care	2	9	6	34	53	2	-2
Housing	6	6	5	13	16	-4	-5
<b>More discretionary</b>							
Alcohol	-4	-6	-7	-4	-8	-11	-24
Books	-12	-5	-12	21	23	-7	-12
Cable TV	-1	6	-2	19	32	-8	-3
Clothing/apparel/footwear	-19	-13	-17	20	6	-14	-17
Electronics	-20	-10	-18	11	8	-12	-27
Entertainment	-8	-4	-2	21	30	-11	-3
Fuel and motor oil for automobile	-18	-13	-13	17	13	-8	-18
Furnishings	-26	-18	-26	-8	-6	-24	-44
Restaurants/takeout food	-8	-3	-12	8	-17	-10	-14
Travel	-45	-27	-38	-20	-23	-22	-49
Savings	2	6	10	14	37	9	-3
Average—less discretionary	10	15	12	30	45	0	6
Average—more discretionary	(16)	(9)	(15)	9	6	(13)	(21)

**Note:** Net spending intent is the difference between percentage of respondents who selected “somewhat/a lot more” and the percentage of respondents who selected “somewhat/a lot less” to the question “How much do you plan to spend on each of the following items over the next four weeks compared to the last four weeks?” Responders were not given an exhaustive list of spending categories.

**Source:** Deloitte state of the consumer tracker, June 2020

# The store's new role

“The days are numbered for retailers with large-footprint stores. They need to reinvent themselves to stay current.”

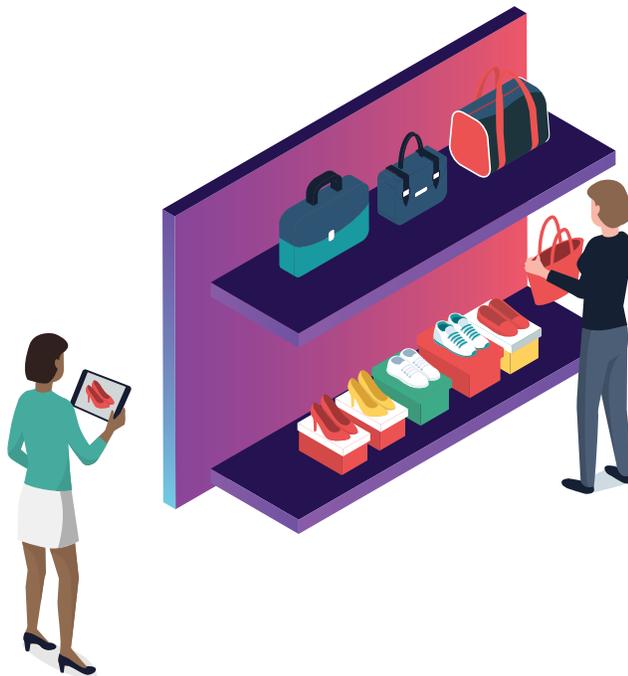
Mall landlord

With foot traffic having fallen by 22 percent in the country's top-10 malls even before the coronavirus outbreak (2019 vs. 2018), many retailers are re-evaluating the profitability of bricks-and-mortar stores with regard to their real estate costs. They are culling lower-performing stores and focusing their capital on more profitable or flagship locations, allowing them to strengthen the brand through the interplay between the physical store and online channels.

The growth of online shopping (with 78 percent of consumers expecting online shopping to increase in popularity post-pandemic) calls into question the need for an extensive network of stores, particularly for products such as electronics, books and media, sporting goods, and “fast” fashion—products that have thrived online, are more commoditized, and are easy to compare by price.

Many digital-first, direct-to-consumer brands that have opened storefronts in Canadian malls over the last few years now tell us they're re-evaluating to determine how many bricks-and-mortar locations they actually require. “We just need to see if the store expansion we have in our five-year strategy is still valid once we emerge from lockdown,” said an executive from one consumer goods company.

For some time now, the customer journey has been evolving. It's no longer simply about visiting a store. It now involves an overall brand experience through the omnichannel platform: having done their research online, customers arrive at the store already knowing exactly what they want (in many cases, knowing more about a product's features and benefits than the sales associate). Our research shows that these behaviours have likely become fully entrenched during the pandemic. The result: the path to purchase has been altered permanently.



The role of the in-store sales associate will now be elevated to someone fully versed in the product he or she is selling, who can understand and find a solution for the customer's needs. In fact, if the element of experience is not elevated, the store will become almost irrelevant—so the sales associate must become the “trusted brand advisor” or “brand ambassador,” especially in the luxury category. The experience in the store must offer something different. Retailers will need to continue investing in technology that supports these advisors, allowing them to do things like:

- Retrieve pre-identified customer needs or expectations, perhaps captured during an appointment booking through extended or virtual reality capabilities or handheld tablets in-store
- Look up product information instantly
- Develop recommendations on the fly based on customer reactions, possibly using robotic store assistants that match customers to products
- Finalize orders and make delivery arrangements, perhaps coordinating with the mall's centralized digital concierge to arrange delivery to the customer's car at a set time
- Complete auto-checkout transactions seamlessly using a range of technology

Let's go even further. Retailers are rethinking the size of the stores they retain, knowing that a large physical footprint does not necessarily translate into larger sales volumes. The growing share of online purchases may mean that stores do not need to carry as much inventory, and many can lean more toward a showroom approach. They can have a smaller physical space, using technology to create a more interactive interface with the brand and products, and arrange order and delivery from a fulfillment centre within 24 hours. One large retailer told us it is looking at new distribution strategies with other retail partners to offset its store-size reduction, adding more points of distribution rather than more floor space.



#### Nordstrom Local

Over the couple of years, Nordstrom began rolling out a new type of store. In a departure from the company's traditional large-department-store model, a Nordstrom Local location is a small store with no inventory. Instead of goods, it offers services, such as online order pickup and return, style advice, tailoring/alterations, and beauty services, and merchandise that can be delivered to the Local location within a few hours.

In keeping with the rethinking and right-sizing approach, Nordstrom recently announced a decision to permanently close 16 of its underperforming department stores so it can focus investment on stronger areas. Bold and innovative approaches like these will undoubtedly contribute to the company's long-term success.<sup>9</sup>

Our research shows that these behaviours have likely become fully entrenched during the pandemic. The result: the path to purchase has been altered permanently.

# Food is the new fashion

There was a time when fashion was the driver that brought people to malls in droves. Historically, some malls dedicated up to 60 percent of retail floor space to fashion merchandise.



72%

Customers who shopped for apparel mainly in-store before the pandemic

55%

Customers who expect to shop for apparel mainly in-store after the pandemic<sup>10</sup>

Yet even before COVID-19, the pressure was on the fashion sector, especially fast fashion, with consumers becoming more conscious of the effect of their consumption choices on the environment. With the emergence of a more casual approach to dressing, as well as the dramatic increase in online stores offering free returns, many mid-market fashion retailers were already shutting down their bricks-and-mortar locations.

Then the pandemic hit, and the effect of the ensuing business lockdowns on fashion shopping has been dramatic. Seventy-two percent of respondents to our survey said they shopped mainly in-store for apparel before COVID-19, but only 55 percent expect to do so in the post-pandemic world. This means that malls will need to find something else to fulfill the role of main attraction. One of those *some things* is food.

As a social experience, dining out appeals to all customer segments—and it cannot be replicated online. When consumers were asked about which amenities would encourage them to come to malls, the top response, chosen by 35 percent of respondents, including 40 percent of respondents aged 18–34, was “a great assortment of food and restaurants for dining or take-out, including a food hall.”

As middle-price fashion retailers restructure to reduce store counts and mall overexposure, restaurants will move into their spaces. Food and beverage floor-space allocation in malls went from 5 percent in the 1990s to 15–20 percent today, and one developer told us it could go as high as 50 percent in the future. Smart mall owners are viewing food and beverage venues as the new anchor that will enhance their destination appeal. All of the landlords we interviewed believe that food and beverage is ready to explode into malls.

We’re not talking about the tired and broken food-court model featuring quick-service restaurants. With a few exceptions, profitability in traditional food courts is low. When it comes to the experience of food choices in the mall, a renaissance is coming.

“We heavily invest in our restaurant design to ensure our guests have a lasting experience.”

National restaurateur

### Next-generation mall food

The next generation of food options in malls will bring us exciting innovations, like food halls featuring rising chefs or multiple restaurants clustered in common areas. The bet is that these will drive demand and create a new reason for customers to visit. Strong food and beverage options increase the amount of time a consumer spends in a store or mall, known as dwell time, which increases the value for other tenants.

In some top malls, restaurants are clustering together to create a restaurant row, some even sharing ghost kitchens behind the scenes to share meal prep and delivery capabilities. Of course, trendy or higher-profile, full-service restaurant brands will only select top-tier malls for future locations, so malls will need to work harder to attract them.

Landlords also need to keep in mind that restaurants cannot pay the same rent premiums that fashion tenants can afford, so malls will need to balance rental revenues with the foot traffic restaurants generate for other tenants. As businesses begin to reopen, consumers are still somewhat hesitant to go back to restaurants because of safety concerns—but humans are also inherently social animals. Restaurants will need to reconfigure to accommodate social-distancing rules in their dining rooms, add amenities like curbside pickup and delivery, and expand patio space to both keep people safe and allow them to get out and socialize.

When it comes to the experience of food choices in the mall, a renaissance is coming.



**“A great assortment of food and restaurants for dining or take-out, including a food hall” was respondents’ top choice among amenities that would encourage them to visit enclosed malls in the future, chosen by**

**35%**  
of overall respondents

**40%**  
of respondents aged 18–34<sup>11</sup>

# There's no avoiding it: customers demand digital

If this wasn't clear already, the pandemic has crystallized it: retailers who aren't using digital tools to engage with customers will simply not survive.

Our survey found that before the outbreak, 45 percent of consumers used to plan their shopping around single-stop destinations, but 59 percent expect to seek out one-stop shopping once the restrictions are lifted (including 64 percent of female respondents and 69 percent of respondents aged 18–34). Dwell times will fall, especially if there's a second wave of the virus. As we move from the pre- to the post-COVID-19 world, the percentage of shoppers who said they want to just “get in and out as quickly as they can” increases from 37 percent to 59 percent. It is no surprise, then, that nearly 80 percent of consumers expect online shopping to become more popular after COVID-19.

Digital-first retailers—those who launched their original business with a strong digital presence, or who even began online first—have the advantage here. They knew from the beginning that success comes from making it easy for customers to shop when and how the customers want to. They understand the importance of using technology to enhance the brand experience, and they know how to do it. Their already advanced e-commerce platforms have allowed them to survive the pandemic and will give them an advantage in the future as they explore or expand their bricks-and-mortar strategy.

Amazon, of course, remains the competitor to watch. The company may not have entirely delighted customers as it prioritized essential items during the pandemic, but customers are still invested: of the 35 percent of Canadians who have Amazon Prime accounts, 50 percent of them said they increased their Amazon spending during COVID-19. The longer these behaviours are reinforced, the more they will become permanent.

Retailers who hadn't focused on the digital experience before the pandemic are now investing in it heavily, hoping it is not too late to catch up. Multiple retailers we spoke with expressed this same sentiment: it's now abundantly clear that the future is about marrying e-commerce with bricks and mortar. A comprehensive omnichannel approach is vital.

## Digital beyond e-commerce

The digital shopping revolution also goes well beyond e-commerce. Even before the pandemic, retail tech spending intentions, especially on in-store technology, were on the rise (funding of in-store technology increased by 60 percent from 2018 to 2019<sup>12</sup>). In addition, both landlords and retailers are using advanced analytics and shopper traffic-circulation data to determine how to better appeal to shoppers' needs and wants, while progressive companies are adopting all kinds of innovative technologies to enhance the brand experience.

Our interviewees are exploring a wide range of digitally enabled innovations. These include technologies that enhance a customer's shopping experience, such as:

- Product testing and simulation using AR and VR technologies
- An “endless-aisle” distribution strategy that can deliver in 24 hours or less
- Pop-up shops to showcase new products both in person and online
- Online concierge services, digitized browsing, and virtual fitting rooms

Others, like these, are designed to enhance the overall experience in the mall:

- Apps for customers to make appointments at stores
- “Instagrammable” experiences (with custom hashtags, of course)
- Real-time, personalized customer service from anywhere
- Tools that aggregate orders from multiple retailers for a single pickup
- Dedicated curbside-pickup parking stalls to support the omnichannel experience

There are many others at various stages of testing and development. The enabler is that consumers' mobile-enabled devices will become their interface to everything at the mall through the Internet of Things (IoT), creating an almost touchless experience. Customers are ready. They're increasingly looking for technology-enabled experiences in multiple aspects of their lives, and the mall is no exception.

Digital-first retailers understand the importance of using technology to enhance the brand experience, and they know how to do it.



**35%**

of Canadians have an Amazon Prime membership

**50%**

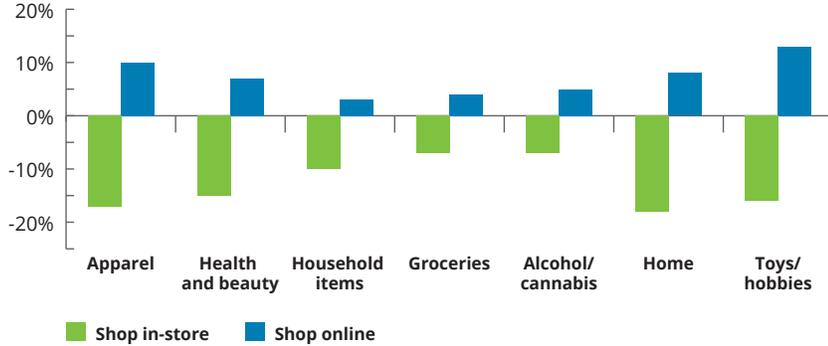
of Amazon Prime members have increased their spending during the pandemic<sup>14</sup>

As we move from a **pre-COVID-19** to **post-COVID-19** world, more shoppers said they will want to just "get in and out as quickly as they can"

**37% → 59%**<sup>15</sup>

Across all categories, Canadian shoppers are more likely to embrace online shopping in the post-COVID-19 world.<sup>13</sup>

Change from pre-pandemic habits to planned post-pandemic habits



Of total respondents

**45%**

planned mainly for one-stop shopping before the pandemic

**59%**

expect to plan mainly for one-stop shopping after the pandemic<sup>16</sup>

Of female respondents

**45%**

**64%**

Of respondents aged 18-34

**47%**

**69%**

# The mall can no longer be purely about shopping

For daily essentials—grocery, bakery, pharmacy—consumers increasingly prefer one-stop shop destinations. Our focus-group participants said they find local neighbourhood centres or strip malls most convenient for meeting these daily, functional needs, and they expect to shop less in enclosed malls than they did before.

That, along with the growing strength and convenience of e-commerce, means mall owners will have to work even harder to give consumers a reason to travel beyond their neighbourhood to get what they need. Single-purpose malls, where consumers go only to shop from a collection of retailers, will struggle to stay relevant.

As the restrictions imposed to protect public health during the pandemic are eased, people will likely be craving more social interaction. If their functional needs are being met close to home, malls themselves will need to build broader, more dynamic experiences that people can't find elsewhere. Landlords and retailers need to collaborate creatively to drive foot traffic and boost dwell times to increase their revenue productivity.

Consumers told us that to capture their attention and get them to come back, the new destination mall will need to offer not only a great assortment of food options, as mentioned earlier, but also local or made-in-Canada merchants, a variety of parking and curbside pickup options, a centralized place for product returns (including those bought online), and even green spaces with trees and parkland. Progressive malls are building strategies to create mixed-use spaces that bring together residential, office, entertainment, leisure, health and wellness, and other novel experiences. Our interviewees talked about creating community living-room spaces in malls for people to meet and socialize, or building concept destinations like the medi-mall, or health and wellness centre, which would include clinics, pharmacies, and spa services.

"If the mall or store can't provide a great experience, there's no reason to go there because you can just buy what you want online," said one mall owner. Lower-performing enclosed community malls in urban or mature markets are (or will soon become) obsolete. Consumers will be drawn to new mixed-use projects with strong leisure and entertainment offerings that help them find the social interaction they crave, especially now.

As the restrictions imposed to protect public health during the pandemic are eased, people will likely be craving more social interaction.

## The Dubai Mall

The Dubai Mall in the United Arab Emirates, with 35,000 m<sup>2</sup> of gross leasable area, is a great example of a multi-purpose, experience-driven destination. It is part of Downtown Dubai, a large-scale mixed-use development, which includes upscale residential towers and luxury hotels and features some of the city's largest landmarks, including Burj Khalifa (the world's tallest building), the Dubai Opera and Dubai Fountain. The mall is a top-performing shopping and entertainment attraction for locals and a major tourist destination because of its large size, its exclusive offering of luxury/specialty fashion brands, free attractions such as regular fountain shows and the Dubai aquarium, and its world-class food and beverage offering.

The top innovations consumers say will help bring them back to malls when pandemic restrictions are lifted:<sup>17</sup>

A great assortment of food and restaurants for dining or take-out, including a food hall



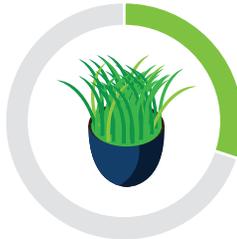
Chosen by  
**35%**  
of respondents

Showcase local merchants and/or items made in Canada



Chosen by  
**33%**  
of respondents

Green space, trees, and parkland for relaxing ambience



Chosen by  
**30%**  
of respondents

A variety of parking options that are able to fit my needs



Chosen by  
**30%**  
of respondents

Centralized place where I can do product returns for all purchases including from stores and online



Chosen by  
**26%**  
of respondents

# So what does the “mall of the future” look like?



COVID-19 has served to accelerate changes that were already underway and accelerate innovation among retailers and mall owners alike. Canadian consumers were already starting to change how they shopped, and now they are looking to retailers and mall owners to elevate the visitor experience.

The mall of the future will not be your parents' mall. The traditional shopping mall was born in the 1960s to service a homogenous, newly suburban population. Society has changed, and those spaces have become obsolete. Those who capitalize on the opportunity to reinvigorate the shopping environment will undoubtedly be those who succeed in the long term.

To survive and thrive in the modern era, landlords and retailers need to focus on these key realities:



**1. Focus on safety and convenience:**

The new mall will need to carefully balance consumers' desire for social interaction with their need for a safe, easy shopping experience. Retailers and owners need to address customers' concerns by finding innovative ways to adjust how they organize their stores, interact with customers, collect payment, and deliver products.



**2. Rethink the role of the store:**

Retailers need to reconsider the size and number of stores that will meet their customers' needs, eliminating poorer-performing stores and focusing on flagship, showroom, and pop-up experiences. Consumers will no longer come in just to browse; they will arrive already knowing what they want, and the associate's role will be to facilitate the purchase through an exceptional customer experience.



**3. Make way for the food revolution:**

As mid-market fashion retailers move out of mall locations, their departure will make room for landlords to bring in an exciting new breed of restaurant offerings. This will feed the consumer's desire for social experience and will likely become the new anchor bringing visitors to the mall.

“If malls don’t reinvent themselves, there will be no mall of the future.”

Landlord



**4. Embrace technology:**

Retailers need to take a page from digital-first companies—it’s never been more important to build a seamless omnichannel brand presence. Customers are increasingly looking for a digitized experience both online and off, enabled by technological innovation at every turn. Malls and retailers need to use digital tools to maximize productivity and efficiency and create a dynamic, engaging experience.



**5. Become a new destination:**

Most of all, the mall must become the new meeting place for the community—a multi-purpose destination that offers extensive leisure activities as well as other functions, like office, residential, and cultural amenities. Shops should be mixed in with other complementary uses, giving visitors an interactive experience in which the entire environment comes into play. Owners may need to rethink their rental models to allow for different types of retail experiences, such as short-term pop-ups or exhibitions. There is a great opportunity here to be innovative.

**Do we even call it a mall?**

The “mall” as we know it will change forever, likely so much that we will need a new name for it. This new entity will be a destination that feeds the functional requirements of our lives as well as our need to be social. It will be a thriving community where people will live, work, play, and eat.

Retailers will reimagine the entire customer journey to include a seamless omnichannel experience that connects the online world to an elevated in-person experience in a right-sized, technology-enabled, service-driven store. Owners will enhance the experience for the long term, rethinking how their space is used to create natural daytime and nighttime demand for a wide variety of uses.

It remains to be seen for how long we will need to maintain social distancing measures or how entrenched the consumer behaviours learned over the three months of distancing will be. It is evident, however, that the pandemic has changed how people feel about interacting with the world around them. Those changes could last long into the future. Retailers and landlords alike have a great opportunity before them to create an entirely new breed of destination that will keep visitors coming back for years to come.

The mall of the future will not be your parents’ mall.

**The impact of mobility on retail real estate**

A recent report in Deloitte’s provocative series on the future of mobility looked at the powerful link between the evolution of human mobility and how people live, work, play...and shop:

“Like residential properties, the major trends unfolding in mobility are expected to impact commercial real estate through its effect on physical store layouts, parking needs and configurations, and the consumer shopping experience. As retailers embrace digital technologies, from warehouse to point of sale, physical store layouts will likely also need to adapt to increasing demands for efficiency and consumer convenience.”<sup>18</sup>

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# Notes

1. Mobile data provided by PiinPoint ([www.piinpoint.com](http://www.piinpoint.com)).
2. As measured by revenue per square foot.
3. Mobile data provided by PiinPoint ([www.piinpoint.com](http://www.piinpoint.com)).
4. Ibid.
5. "Tech. 2019: Global Retail Tech Spending to Top \$203 Billion This Year," *Business Wire*, May 30, 2019, <https://www.businesswire.com/news/home/20190530005528/en/Tech.-2019-Global-Retail-Tech-Spending-Top>, accessed on July 7, 2020.
6. Deloitte-commissioned survey research with 1,000 Canadian consumers aged 18 and older between May 25 and June 1, 2020.
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9. Kelly Tyko, "Nordstrom permanently closing 16 stores and three boutiques. Is your location on the list?," *USA Today*, May 28, 2020, <https://www.usatoday.com/story/money/2020/05/28/nordstrom-store-closures-2020-list-coronavirus-closings/5279058002/>, accessed on July 7, 2020.
10. Deloitte-commissioned survey research with 1,000 Canadian consumers aged 18 and older between May 25 and June 1, 2020.
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13. Deloitte-commissioned survey research with 1,000 Canadian consumers aged 18 and older between May 25 and June 1, 2020.
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15. Ibid.
16. Ibid.
17. Ibid.
18. "Location, location, location in a mobile future: Residential, retail, and health care real estate in the new mobility ecosystem," *Deloitte Insights*, January 2020, <https://www2.deloitte.com/global/en/insights/focus/future-of-mobility/real-estate-development-evolving-mobility-ecosystem.html>, accessed on July 7, 2020.

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