



Shopping shifts to 'off-mall' stores

By Lorrie Grant and Theresa Howard, USA TODAY

Department store operators are starting to shift from their mall bases to more freestanding stores, a strategy that offers more flexibility in opening stores and tries to capitalize on changing consumer shopping preferences.

The most recent example of the "off-mall" trend is a Bloomingdale's that opened Saturday in New York's SoHo neighborhood, a densely populated area made trendy in recent years as former warehouses have been converted to boutiques, restaurants and other shops.

Retail sales improve

Year-over-year change at stores open at least a year:

	March 2004	March 2003
All companies	6.8%	-0.8%
Apparel specialty	8.0%	-1.7%
Department stores	6.1%	-5.5%
Discount stores	5.8%	unch.
Footwear retailers	4.4%	-10.7%
Off-price retailers	8.5%	-2.7%
Warehouse clubs	9.6%	5.6%

"Off-mall is easier to shop and closer to where you live," says Kurt Barnard, president of Retail Forecasting. "The store wants to be where the action is. That's what Bloomingdale's is doing with SoHo."

The store, formerly two warehouses, is small for Bloomie's, 90,000 square feet — a fifth of the space of its famed uptown counterpart on 59th Street. The store is nestled in an area with other hot fashion shops, including Prada and Gucci. Inside, the five-story building is replete with signature Bloomie's black-and-white marble floors, and the staff is in New York City black.

"The store has elements of a department store, but hundreds of windows make the space light and bright," says Jack Hruska, head of store design.

The merchandise is mostly men's and women's apparel and shoes, though the first floor is filled with accessories and jewelry on one side and fragrances and makeup on the other. Prices are midrange — such high-end names as Chanel and Armani are not part of the fashion mix. "I don't think we've overshot the merchandise price-wise," Hruska says.

Source: Redbook Research

Hruska says Bloomingdale's, a division of Federated Department Stores, will look at more such urban locations: "Urban areas undergoing renaissances

are a big opportunity."

Other department stores also are buying into the off-mall trend in their own ways:

•**Sears.** The venerable chain's off-mall push is through new "big-box" stores called Sears Grand. Three are to open this year. They combine the best of a regular Sears store with everyday consumer items for one-stop shopping.

"These stores are targeted for high-growth, suburban areas," says Teresa Byrd, general manager of Sears Grand. "We're trying to test a concept closer to the consumer."

•**J.C. Penney.** Half of the 14 stores that the national department store chain will open this year will be off-mall. The planned openings are the most scheduled by J.C. Penney since 1999 and the retailer projects 75 to 100 stand-alone stores in the next few years.

"We're not abandoning the mall where we still have 80% of stores. There are not very many malls being built

these days, and off-mall stores give us more flexibility in site selection and the opportunity to react a little faster getting into growth areas," spokesman Tim Lyons says.

•**Marketing.** Customers at off-mall stores are there to purchase, not shop. That lets retailers be more efficient at direct marketing.

Department stores have watched for some time as consumers changed habits. Sales at most have been flat to declining since 2000. Only this year has a spending spurt from a better economy, new fashions and tax refunds brought post-holiday sales growth of more than 5%. But sales growth at discount and off-price stores open at least a year have been stronger still, hovering between 6% and 8%.

The shift to off-mall stores is not the first change in strategy as the stores look for answers. Recent transitions involved advanced information systems and inventory methods, as well as value pricing to fend off discount stores.

Now, customer service is seen as key, and the off-mall alternative is seen as offering:

•**Better access.** At stores anchoring large malls, customers complain of parking in remote lots, walking through the mall to get to the store they want, and then wading through it to reach the department they need.

"It's an important move and something that really reflects the shopping habits of customers today: the ability to go to a place where they will find what they need while avoiding the route of store-by-store shopping that takes a lot of time," says Gary Ruffing of the retail group at management consultants BBK.

Shoppers have been shifting to "power strip centers" — which typically have big-box stores such as Target or Best Buy, plus eateries — where they go to buy, not shop.

"You see more people going to power strips where you're almost pulling up in front of the store that you want to go into," says Cynthia Cohen, president at Strategic Mindshare.

•**Better retail focus.** By separating themselves from the mall, department stores can target their customers rather than try to cater to every consumer group shopping the mall.

"It opens up a lot for the department store to become more distinctive and feed off of the demographic in the market — not have to fit in as in a mall," Ruffing says.

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