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*A proposal prepared for Jean-Marie Tritant CEO of Unibail-Rodamco-Westfield*

## **Reinventing the Shopping Mall: How Westfield Shopping Malls Can Survive & Thrive After the Pandemic**

### **Westfield and COVID-19**

It has been a commendable accomplishment that since 1977, Westfield malls across the United States have been a commercial hub for people to shop, eat, and spend their weekends. However, as you are aware, there has been an increasing shift of major retailers to online stores and an increase of luxury shopping malls over the past few years. COVID-19 has not only exacerbated this problem, but also made Westfield's current mall model unsustainable. Steps can and should be taken to give Westfield's shopping malls a new life.

In order to resurrect Westfield malls while maximizing profits, Unibail-Rodamco-Westfield should restructure its malls to become community centers rather than retail-only centers.

This can be achieved by

1. replacing unused space with low-income and upscale housing.
2. creating public service spaces such as post offices and libraries.
3. establishing community-oriented spaces such as areas for live concerts and farmers markets.

By implementing these solutions, Westfields malls can survive and thrive as commercial *and* community hubs.

### **Increased Online Shopping During COVID-19**

Two months before the pandemic, store closings in U.S. malls had already reached historic highs. Dazinger from *The Robin Report* explains that 9,200 major retailer stores shut down in 2019, a 69.2% increase from 2018. COVID-19 has made an already struggling industry worse. During the pandemic in March 2020 and as reported by Marcos of *USA Today*, Westfield malls shut down all 32 of their shopping malls across the United States. As the world has adjusted to live with the pandemic, so has Westfield malls. Your strategies of implementing social distancing and sanitization protocols, utilizing Westfield's mobile app to allow for scheduled entry to specific retailers, and designated curbside parking spots for no-contact pick-ups have been effective short-term solutions.

However, despite these additional protocols Westfield has implemented to encourage customers to come back to in-person shopping, the long-term outlook remains bleak. Most consumers are

still shopping online and will continue to do so, instead of returning to Westfield's malls. Choudhury of *CNBC* reports that online spending on Black Friday surged ~22% in 2020 to a record of \$9 billion in sales and Cyber Monday sales reached \$10.8 billion, the largest U.S. online shopping day ever. COVID-19 has changed online shopping, and many analysts believe that this increase is here to stay. As depicted in the graph below, The *United Nations Conference on Trade and Development* surveyed ~3,700 consumers in nine emerging and developed economies and found that the percentage of online shoppers making at least one online purchase every two months has drastically increased across the board and will not be slowing down anytime soon. Based on this graph, Westfield cannot survive under the current model of shopping malls.



### Testing/Vaccine Mega-Sites During COVID-19

Westfield malls need to change their purpose and layout to compete with the increase in online shopping. During COVID-19, Westfield has already started to become more community-oriented by transforming some retail spaces into testing/vaccine mega-sites. In early December, the Coachella Valley Westfield Mall turned their parking lot into a rapid-result COVID-19 test site reports Madison Weil with *KESQ News Channel 3*. Another mall in Burlington County, New Jersey is doing something similar by turning its abandoned Lord & Taylor into a COVID-19 vaccination megasite, reports Kavilanz from *CNN*. I understand that your hope is while people visit the mall to get their vaccination, they also purchase items from your retailers. So, while the pandemic continues to be a crisis, Westfield malls need to continue to address the needs of their community through testing and vaccination sites. But, once COVID-19 ends, Westfield malls must fully transform into community centers to attract more customers.

### Westfield's Community-Focused Revamp

To become sustainable in the long-term, I propose that Westfield malls restructure themselves to meet the needs and wants of the people in their communities. Westfield should replace unused space with mixed low-income and upscale housing, create public service spaces, and establish community-oriented spaces.

### ***Housing***

Westfield malls should tear down the unused space of out-of-business large retailers to build both low-income housing units and upscale residential housing. Affordable low-income housing is desperately needed. The *National Low Income Housing Coalition* states that the U.S. has a shortage of 7 million low-income housing units. By turning unused space into affordable housing, Westfield will help their communities, draw more customers to their stores leading to more profits, and receive Low-Income Housing Tax Credits to pay for the acquisition, construction, and rehabilitation of this housing.

Along with affordable housing, upscale housing should be built to maximize profits. A renovation of the Arcade Providence, America's first shopping mall, created 48 micro-apartments, ranging from 225 to 775 square feet, and priced from \$800 to \$1,800 a month, reports Leanna Garfield with *Insider Magazine*. Westfield shopping malls have a lot more space in their vacant department stores compared to the Arcade Providence, so Westfield can create much larger, fancier apartments to charge higher rent. Patrick Sisson from *Bloomberg* believes that converting shopping malls to residential units is the best use of land in such “an over-retailed country.” By having housing directly in Westfield malls, Westfield is guaranteed to have daily customers.

### ***Public Service Spaces***

To draw more consumers to Westfield shopping malls, your company should shift focus to becoming a community center by including more public service spaces. Westfield would benefit from having USPS, FedEx, and DHL mail/delivery services in their centers. In 2019, the United States Postal Service recorded 2.6 billion visits, averaging 7.1 million visitors each day. There are 31,322 post offices in the U.S., so that averages to at least 226 customers per day. Therefore, the combination of these three mail/delivery services included in Westfield's shopping malls will bring hundreds to thousands of customers each day.

Westfield malls should also make space for public libraries in their real estate. Dazinger from *The Robin Report* explains that a Gallup Poll found that more adult Americans visited libraries in 2019 than went to the movies, live sporting events, museums, concerts, amusement parks, and casinos. She states that the most active library users were women and young people aged 18-to-29, which are the ideal potential customers Westfield malls need to stay afloat. Along with post offices and libraries, public service spaces that could be included in Westfield malls are endless. Hospitals, churches, museums, banks, transportation centers, parks, government offices, and

DMVs would allow Westfield to knit themselves into the heart of their local communities while at the same time meeting your company's goal of increasing retail sales.

### ***Community-Oriented Spaces***

Community-oriented spaces are vital for Westfield malls to complete their transformation and increase Unibail-Rodamco-Westfield's net income. By creating such spaces in Westfield malls, consumers will gather to socialize and become more involved in their communities. This will lead to higher happiness and satisfaction levels of residents of the community, which will then lead to greater consumer spending. Fornell et. al, discuss in *The Effect of Customer Satisfaction on Consumer Spending Growth* that satisfied customers are willing to pay more, spread interest through word of mouth, and spend more in the future. A community-oriented space can be adjusted to address the needs of whoever is using it at the time. It can be a space where local non-profits gather to discuss changes to the neighborhoods, where museums showcase new exhibits, or where local breweries/wineries have wine/beer tastings. Art shows, live concerts, farmers and crafts markets, sports events, can also be held in this space. By changing to be more community-orientated rather than exclusively retail-orientated, Westfield's malls can attract more people to participate in local events, who will then make purchases while they are there.

### **Potential Challenges**

Some potential challenges to these proposed transformations are the costs to implement them and the efficacy of mixing these disparate retailers and organizations.

Unibail-Rodamco-Westfield's financials show that there is more than enough excess cash to finance these operations. Based on Unibail-Rodamco-Westfield's 2020 full year results, URW has a "strong liquidity position with continued access to credit markets." URW reported having €11.4 billion in cash and available credit facilities at the end of the fiscal year. This cash and access to credit reveals ample liquidity to cover the costs of revamping existing malls. In addition to URW's access to bonds, we also have a strong balance sheet. With over \$57 billion in total assets and over \$2.1 billion in cash and cash equivalents, URW can afford to finance renovations.

While the United States national average to develop a medium-sized shopping mall is \$24.9 million, redeveloping a mall with housing, public service spaces, and community-oriented spaces will cost approximately \$250 million. Unibail-Rodamco-Westfield has already begun redeveloping malls with many of these amenities. For example, URW is working on transforming a 160,000-square-foot former Sears department store into a new dining and entertainment district at Westfield Topanga & The Village in Los Angeles, California. This redevelopment will cost ~\$250 million by redesigning Sears to include new restaurants, entertainment venues, retail boutiques and public spaces. With the ease of access to credit markets and strong balance sheet, Unibail-Rodmaco-Westfield can afford to revamp its malls.

Westfield can effectively bring together disparate retailers and organizations. Combination commercial and community hubs have already been successfully implemented. For example, our number one competitor, The Simon Property Group, has begun building 614 apartments in the Oxford Valley Mall in Pennsylvania and has built apartments and an office building at Phipps Plaza in Atlanta. Robert Steuteville, writer at *Public Square: A CNU Journal*, states that “malls to mixed-use centers have succeeded in many places coast to coast.” Therefore, Unibail-Rodamco-Westfield does not need to be concerned about either a lack of liquidity or the mixing of tenants.

### **Survive & Thrive**

For the future success of Unibail-Rodamco-Westfield, a restructuring of the malls as both community and retail centers must be implemented. By including community aspects into Westfield’s spaces, more local consumers will be inclined to visit the malls. This will lead to a greater sense of community, increased foot traffic, and more satisfaction of your customers which all lead to more spending and profits for your company. If Unibail-Rodamco-Westfield wants to survive the ever-changing mall industry, they must transform into a blooming community center in order to thrive.

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