

Los Angeles Times

In the age of Internet shopping, even big retailers are closing stores at America's malls

By James F. Peltz and Alexa D'Angelo

June 13, 2017

Longtime Eagle Rock resident Allenby Arakielian remembers when the little mall on Colorado Boulevard was the neighborhood hot spot for shopping and dining.

Anchored by Montgomery Ward and May Co. stores when it opened in 1973, the 58-store Eagle Rock Plaza was so popular that old-timers complained it was killing nearby mom-and-pop businesses. But the shopping center has long since been eclipsed, first by bigger malls and then the Internet.

“This used to be the place everybody came to, and it isn’t anymore,” said Arakielian, who watched Target take over the failed Montgomery Ward spot, while May Co. morphed into Macy’s. Papered-over windows replaced several chains, including Radio Shack and Anna’s Linens.

“I’m surprised to see Macy’s still open,” Arakielian said Monday at the mall, where he had been picking up some vitamins.

Consumers’ increasing enthusiasm for buying online claims more retail victims every week.

On Monday, children’s clothing seller [Gymboree Corp. filed for bankruptcy](#) protection and said it intends to close some of its 1,281 locations.

Last week, the [parent company of Ann Taylor, Lane Bryant](#) and other women’s clothing stores said it plans to close up to 667 locations in the next two years to slash costs.

The week before that, luxury brand [Michael Kors Holdings](#) said it expects to shut 100 to 125 out of its 827 stores to focus on expanding in Asia and to adjust to the mushrooming growth of online shopping.

It’s all part of one of the biggest disruptions in shopping patterns since the mail-order catalog was invented.

The communal shopping experience is fast giving way to the convenience of clicking on a virtual cart on an electronic screen. Amazon.com and other Internet titans have reaped the benefit as conventional brick-and-mortar merchants report that shopper visits are plunging.

Retail experts don't see the shift easing anytime soon.

"We're probably in the fourth or fifth inning" in the industry's shakeout, said Ronald Friedman, co-head of the retail practice at Marcum, an accounting and advisory firm.

"Everyone is looking at their business model and saying, 'We need to change and we need to get rid of the bad stores and focus on the stores that are good so we can make some money,'" Friedman said.

The change has upended the retail industry, with conventional retailers such as Macy's Inc., Sears Holding Corp. and J.C. Penney Co. — all familiar anchors of shopping malls nationwide — also closing stores.

Other chains such as Payless ShoeSource Inc. have closed locations because, like Gymboree, they've entered bankruptcy reorganization. Still others, such as the sporting goods chain Sport Chalet, went out of business.

The investment firm [Credit Suisse recently estimated](#) that between 20% and 25% of the nation's malls would close in the next five years as e-commerce pulls more shoppers away from conventional outlets.

Apparel sales in particular are expected to account for 35% of all e-commerce by 2030, double their 17% share today, the Credit Suisse report said.

The wave of store closures is likely to continue for at least another year, said Pam Danziger, president of the consulting firm Unity Marketing.

"People often do not need to go to the store anymore to buy things," Danziger said. "Time really is a luxury and people are recognizing that today when it comes to shopping."

Mall and store operators "are starting to wake up to the fact that they've got to change" with the shift in how consumers view shopping, especially when it comes to millennials age 18 to 34, Friedman said. "Millennials, and the way they want to shop, are dictating the marketplace today," he said.

That means not only keeping pace with millennials' rapid use of e-commerce but also finding ways to keep luring them to physical stores.

"They want to go to a mall but they want it to be an experience" beyond picking out clothes and other products at store formats designed decades ago, Friedman said.

That's what developer [Rick Caruso](#) tries to offer with his outdoor shopping centers such as the Grove in Los Angeles and the Americana at Brand in Glendale. And it's why [Westfield Santa Anita in Arcadia](#) has expanded its roster of Asian retailers and restaurants that cater to its sizable Asian community.

Privately held Gymboree, which has struggled with a heavy debt load for some time, said it planned to close “certain stores” but that the exact timing and final list of closures was still being determined. According to court documents, the San Francisco company could close up to 450 locations. Its brands are Gymboree, Crazy 8 and Janie and Jack.

“We expect to move through this process quickly and emerge as a stronger organization that is better positioned in today’s evolving retail landscape,” Gymboree Chief Executive Daniel Griesemer said in a statement. The company has about a dozen Gymboree stores in Los Angeles, according to its website.

Ascena Retail said Thursday that it would close 268 stores in the coming two years on top of 71 stores it already has shut this year across its seven brands.

In California, the Mahwah, N.J.-based company has 64 Lane Bryant stores, 48 Dressbarn stores, 38 Loft stores, 30 Justice stores, 20 Catherines stores, 17 Ann Taylor stores and 17 Maurices stores, according to the chains’ websites, for a total of 234.

An additional 399 stores would close if they’re unable to obtain certain rent concessions from mall operators and other landlords, Ascena said.

David Jaffe, Ascena’s president and chief executive, told analysts that the declines stemmed from “an extremely competitive market environment” that included “persistent” declines in store traffic and “intense promotional activity.”

“We expect these factors will remain major headwinds for the foreseeable future and reflect an accelerated shift to consumer demand toward e-commerce,” Jaffe said.

Fourteen-year-old Denisse Rodas dropped by the Eagle Rock Plaza on Monday in search of a swimsuit ahead of summer’s rising temperatures. The fit couldn’t be left to online chance.

“I’m just here to buy a bikini,” she said. “I have been here before, but I hardly come here.”