

KEYPOINTS

THE RETAIL NEWSLETTER

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ACCELERATING RETAIL

Sky Zone will open 5 locations as it moves towards 300 US locations...The first small-format **Macy's** in NJ opened this month, part of a plan to triple its units by 2025...**Mango** plans 4 stores in the DC metro area and 3 stores in greater Boston. At the end of 2023, Mango had 20+ US stores...**Monster Mini Golf** will open 18 new venues by the end of 2025...**Chipotle Mexican Grill** will open 300 restaurants this year, towards a goal of 7,000. Chipotle now has 3,500 restaurants...UK retailer **JD Sports Fashion** will buy **Hibbett Inc.** for \$1.08 billion as



Chipotle will open 300 new restaurants this year

Photo:©mahmood79@123RF.COM

JD Sports looks to grow across the southeastern US. Hibbett operates 1,169 stores in 36 states...**Foot Locker's** "store of the future" debuted at Willowbrook Mall in Wayne, NJ, the first of 5 to open this year...**D1 Training** signed 16 new agreements this year, with a goal to open 50+ units by year's end...Levine Leichtman Capital Partners entered into an agreement to sell **Tropical Smoothie Café** to funds managed by Blackstone. Terms of the transaction were not disclosed. Tropical Smoothie has 1,400+ locations in 44 states...**Rally House** opened its first store in New York State, with another to open this spring...**Dunn Brothers Coffee** will open 250 locations in the next 5 years. It currently operates 50 stores in 7 states...**Floor & Décor** opened its 1st-ever store in NYC, a flagship in Brooklyn...**Biggy Coffee** opened 10 locations. It has 392 US stores...**Shake Shack** will open 80 stores in 2024...**Papa Johns** will open 50 restaurants by 2028...**Build-A-Bear** will open at least 50 stores this year...**Whole Foods** will open 30+ stores annually, with 75 currently in production...**Elements Massage** signed its largest agreement to add 22 studios. It now has nearly 250 studios...**Dutch Bros** will open 150-165 new locations this year...**Kohl's** will start the rollout of in-store Babies"R"Us shops in August, with all 200 to be

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Observations

Chris Cardoni, Editor

OBSERVATION: Overfished: The Red Lobster Problem: A fascinating piece on CNN about Red Lobster restaurants (*What went wrong at Red Lobster*, Nathaniel Meyersohn, May 3, 2024) explores not only the venerable chain's recent woes, but a bit of its storied history, from its preeminent position in the restaurant world, and a pioneer in bringing seafood to middle America, to its current, somewhat self-inflicted, disarray: "When the first Red Lobster opened in 1968...casual dining was in its infancy...Red Lobster rose quickly and was the first casual dining chain to advertise on network television...and also developed the first national seafood distribution system in the 1970s...By 1978, Red Lobster had 236 restaurants and \$291 million in sales. It had 372 restaurants and \$834 million in sales in 1985...In 1995, General Mills spun off its restaurant division into a new company, Darden Restaurants...The company initially included the legacy Red Lobster chain and Olive Garden...But Red Lobster fell behind its sister brand..."



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KPP NEWS

New Business: VP of Retail Brokerage Don Mace and Retail Brokerage Associate Magnolia Neu are handling the leasing of **201 Middlesex Turnpike**, a Starbucks-anchored center with a 1.518 SF inline space available in Burlington, MA (shown at right).



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open by the holidays...**Bared Footwear** opened its 1st US store in NYC...**The Fresh Market** opened a store in FL, its 48th in the state. It now operates 162 stores in 22 states... Upscale mini-golf venue **Swingers** will open at the former Crate & Barrel on Boylston Street. The company now has 3 locations.

DECELERATING RETAIL

Express filed for Chapter 11 bankruptcy protection and will close 95 Express shops and all UpWest stores...**Dom's**



Express filed for bankruptcy and will close 95 stores

Photo:Raysonho@Open Grid Scheduler/Grid Engine, CC0, via Wikimedia Commons

Kitchen & Market and **Foxtrot Market** ceased operations, closing 35 locations..**Rue21** filed for Chapter 11, its third bankruptcy in a little over two decades, and is closing all 540-plus stores...**Sam Ash Music** is closing all stores after 100 years in business... **Applebee's** will close 25 to 35 US restaurants this year...**Red Lobster** has closed 99 restaurants and is auctioning off furniture and equipment.

NEW ENGLAND RETAIL

Bow Market in Somerville welcomes **Dark Mode** clothing **Ko Kyoto** Japanese goods; **The Den** barber shop; **Verdant Maiden** beauty/wellness; and **Side Quest Books and Games**...**Life Time** will open in the former **Barnes & Noble** at Prudential Center, its 6th Boston-area location...**Fiorella's Cucina** opens this month at the Burlington Mall, its 6th in MA...Restaurants **Posto**, **Toca Chida**, and **Amelia's Taqueria** will open at Assembly Row...**Lilly Pulitzer** will open its 2nd Boston-area shop at Hingham's Derby Street...**Trader Joe's** will open a 16,512 s/f store at 500 Boylston.

MONTHLY RETAIL SALES: COMMERCE DEPT.

Retail sales were flat last month, the Commerce Department said. Excluding autos, sales were up 0.2%.

Source: U.S. Department of Commerce - commerce.gov

CONSUMER CONFIDENCE INDEX

The Conference Board Consumer Confidence Index® deteriorated in April, retreating to 97.0 (1985=100) from a downwardly revised 103.1 in March.

Source: The Conference Board - www.conference-board.org

Red Lobster's major shareholder lost \$11 million on Endless Shrimp

Darden also acquired fast-growing chains such as Longhorn Steakhouse, Capital Grille, and Yard House. Red Lobster's sales began declining and Darden prioritized investments in its other brands."Then came the Crab Legs Affair, followed more recently by the Shrimp Problem.



Photo:andrey@123RF.com

"In 2003, Red Lobster ran an "Endless Crab" promotion [that] backfired spectacularly. Red Lobster misjudged how many seafood lovers would pour into restaurants...Red Lobster lost \$3.3 million in seven weeks...Fast forward 20 years, and Red Lobster made a nearly identical mistake...Last summer, Red Lobster turned \$20 endless shrimp into a perma-

nent item on the menu, instead of a limited-time offer. The deal was once again too popular, and Red Lobster was unprepared...[not] just because shrimp wasn't profitable...It caused a cascade of problems as customers sat at tables for long stretches of time. This slowed service and created longer wait times as people packed in for the chance to grab infinite fistfuls of shrimp...[it expected] an increase of 20% in customer traffic, but the actual number was up to 40%. Red Lobster's major shareholder lost \$11 million. "We need to be much more careful," an executive said." Well, that's an understatement.

"Endless crab and shrimp didn't doom Red Lobster; they were just two missteps in a long spiral...years of underinvestment in marketing, quality, service, and upgrades hurt the chain's ability to add Millennials to its customer base...Red Lobster is now reportedly considering filing for bankruptcy protection...and shed some of its 650 US locations" (UPDATE: see *Decelerating Retail* at left).

OBSERVATION: Buyers Squeeze Back: "In a game of chicken between stores and shoppers, it's the stores that appear to be yielding first, by dropping prices", according to another CNN piece (*Retailers jacked up prices and squeezed consumers. They might have just blinked*, Parija Kavilanz, CNN, May 5, 2024).



Photo:Caalexmx@123RF.com

"The markdowns come as inflation has pushed prices higher for the past two years, squeezing Americans and forcing them to choose between wants and needs. That's a problem... for the whole American economy, of which about two-thirds comes from consumer spending. A slew of retailers in recent weeks have announced price cuts as they strive to pull consumers into stores and entice them to spend...Shoppers have pulled back for a year now as costs have risen 20% to 30% higher than they were three years ago and as incomes failed to keep up...This is making consumers across income levels look for deals...The end result has been a palpable sense of anxiety from the industry. The challenge for retailers now is to shake consumers out of that frugal mindset...Ikea has slashed prices on hundreds of products...Michaels said it was dropping prices on 5,000 products. H&M told analysts during its most recent earnings call that it, too, would lower prices. Other businesses competing for consumers' dollars are jumping on board with price-cutting moves of their own. Chuck E. Cheese is offering 50% off foods and drinks as a summer promotion.

"Retailers are feeling jittery" the article notes: "Consumers aren't shopping like they used to".

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