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September 3, 2008

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Last updated: August 28, 2008 03:30pm

Steve Gartner on Last Week's Poll Question

By *Brianne Harrison*

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Gartner

GAP WILL...

In a bleak retail year that's forced powerhouses such as Starbucks to close branches, the Gap, a company that managed to make plain tee shirts and khakis hip, announced its plans to close stores across the U.S. Few of our poll respondents seemed surprised by this, and, in fact, 59% predict that the company will close more stores than it previously announced. Distantly behind, 21% think Gap will find another real estate solution, and 19% think the company will face serious problems. Steve Gartner, president of Metro Commercial Real Estate, thinks the uproar is much ado about nothing. Here are his thoughts:

"There's always a trend of retailers reinventing themselves. Even when they announce massive closings, often they're opening stores at the same time. So I don't find a store closing announcement by a retailer, especially one as large as the Gap or Starbucks, to be anything other than a healthy pruning. With retailers that have experienced a period of major growth, it's no surprise when they take a breath and decide to close stores or slow expansion.

"It gets a lot more attention when they make an announcement of a lot of closings at once, but it's very normal and, in many respects, healthy. Nobody closes good stores. They close underperforming stores. Just like pruning a tree, it makes for a healthier tree. When a chain has thousands of locations, not every one will be a winner and not every one will meet a minimum threshold for performance. We're seeing slower growth rates by retailers in their store openings but we are still seeing them open locations. They're just being somewhat more selective.

"Retailers up until now have always been very scientific about their new store locations, even when they're on a fast track of expansion. They're not picking locations at random. Even during a hypergrowth period, retailers establish financial, geographic and aesthetic criteria for a location. If the area meets the criteria, they'll open a store. I think retailers are tightening their criteria and therefore opening fewer stores. They're still going about it in a very scientific, methodical way, but they're making the criteria more stringent. Retailers will continue to look at two factors: Are there enough people in a location and are they my customer? That hasn't changed.

"What has changed is how careful retailers are today; they don't want to cannibalize existing stores. Retailers were somewhat less concerned up until now about cannibalizing existing stores. Now, it seems to be a major deterrent. That's slowing expansion.

"I wouldn't say this is a suffering chain. I think they're a chain that expanded into places where they're now finding the business is not sustainable. I think the retailers we're talking about are going to stay around because they're innovative and they're willing to open stores as well as close them."

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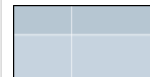
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