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What happens when big brands like Bed Bath & Beyond and Christmas Tree Shop close their doors?

Article

Christmas Tree Shop is closing its doors. Overstock.com is becoming Bed Bath & Beyond. Party City went bankrupt and is closing stores. More than 50,000 stores that are open now may be closed by 2027, according to UBS. But what actually happens to retail spaces, brand identities, and competitors when a brand goes out of business?

The physical location

“Stores are big empty shells,” our analyst Suzy Davidkhanian said on our “Behind the Numbers: Reimagining Retail” podcast. “So depending on the store that goes out of business, different types of stores may come in or different types of services may come in.”

For stores outside of malls, like Bed Bath & Beyond, locations are in high demand. TJ Maxx, HomeGoods, and Ross are taking over some of the large spaces. Planet Fitness is also eyeing these locations.

In the UK, high street stores (similar to a main street in the US) are also grounds for retail pop-ups. “Landlords are renting them out to online retailers and designers as a pop-up store so they can test the waters,” said our analyst Carina Perkins.

Case study: Physical location is key to avoiding closures in the first place. Perkins pointed to Wilko in the UK, a household goods store with high street locations that struggles with crowds and parking issues. Low prices aren’t enough to draw people to a poor in-store experience, Perkins said.

The brand name

Overstock recently took the name of the bankrupt retail chain Bed Bath & Beyond. “In the US, Bed Bath & Beyond is often associated with a lot of big life chapter [events]: going to college, your first apartment, potentially getting married and a wedding registry, a baby registry,” said Davidkhanian. “So I do think that there’s probably a lot of brand value and brand love” that Overstock can gain from the Bed Bath & Beyond name.

“We’ve seen a fair amount of this kind of consolidation in the UK where other retailers are buying these brands out of administration [or bankruptcy]—not necessarily always the stores, but sometimes just the intellectual property,” said Perkins.

Case study: UK retailer Next has avoided closing its own doors with the smart purchases of retailers Cath Kidston and Joules. "[Next has] been really good at gaining market share from other stores. It's been clever about the brands that it's been buying and bringing under its umbrella. And it was also quite quick to jump on the idea of a third-party marketplace," Perkins said.

Competing brands

Store closures are a chance for brick-and-mortar competitors. "I don't think that just because a brick-and-mortar chain has shut that suddenly people say, 'OK, we're just going to shop online,'" noted Perkins. To capitalize on this, The Container Store and Big Lots chose to honor Bed Bath & Beyond coupons to attract its former customers.

"The people that we're seeing benefiting from these closures are ones that have really strong omnichannel presence," Perkins said.

Case study: Differentiation can prevent the kind of competition that leads to closing stores. But Davidkhanian said Gap Inc. has not differentiated enough. "Plain and simple but expensive [clothing] just doesn't cut it anymore," she said. "Gap and Banana Republic are struggling to find their space with all of the new brands that are coming up. They're just having a tough time."

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