When malls were the disruptors of retail

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To work in retail is to accept the inevitability of déjà vu. But what returns is often never quite the same, as can be seen in the current struggle by many shopping malls to generate enough traffic to remain viable. Let me take you back to the days of my initiation to retail in New Orleans (site of next week's National Retail Tenants Association conference), when malls began rising in former fields and woodlands and store owners in all regions struggled to manage the change.

Before malls, North American consumers were serviced by small shops and, most important for our story, by thriving regional department stores. My family owned and ran one of them, Krauss Company, on Canal Street in New Orleans. Founded in 1903, it soon filled an entire city block — five stories (about 300,000 sq. ft.) connected to a warehouse by a four-story bridge riding low above Iberville Street. It sold clothing, shoes, books, appliances, bicycles and — its specialty — bolts of cloth for the many women of the Crescent City who still made their own clothes.

For most of the last century, department stores like Krauss were signature destinations in American cities, as important to the local economy and local atmosphere as major hotels and office buildings. Then came the malls, which took retail into the new American suburbs, not as individual chains but as grand, enclosed market squares containing multiple retail brands.

In 1969, when my father, Ludwig Behr, took over Krauss as chief merchant, the big question on the minds of department store operators was whether, where, and how to expand into the new malls. Expansion required capital investment and would risk cannibalizing sales at the flagship. The other two major department stores on Canal Street — Maison Blanche and D. H. Holmes — had already accepted the challenge and had grown into small but robust regional chains. Krauss had three affiliated stores in small Louisiana towns, but none carried the Krauss brand, all were much smaller and, most important, they also had no presence in suburban markets.

Krauss drew up plans for placing anchor stores in two suburban malls. The first was to be a three-story, 50,000-sq.-ft. full-service operation. Quickly enough, the lease was waiting to be signed in New York. It never happened. After my father died unexpectedly at the age of forty-eight (in 1970), enthusiasm waned for the project. Expansion plans were soon abandoned in their entirety. Krauss remained a beloved single-store monument in downtown New Orleans.

One by one, the great regional department stores were bought up or closed. In the 1980s, both Holmes and Maison Blanche were made into hotels. Of the big three, Krauss was the last to go, in 1997. Eleven years later, it was turned into a residential condominium. The bridge survives, connecting the condos to a hotel made from the old warehouse.

And now, déjà vu: Those great malls that had helped so upset the tradition of regional department store retailing are not, themselves, able to stand as sea walls, holding back the tide of retail history. Even as management at Krauss was debating expansion into malls, a computer terminal was brought into my high school for the first time, on an experimental basis. It was a bit smaller than a Volkswagen Beetle and nothing but a curiosity except to a handful of boys who could not get dates and who walked around with programmers' punch cards in their breast pockets. Jump forward to now, and descendants of the microchips in that ungainly box are powering the online retail revolution. They have done it by changing how direct response marketing reaches customers and delivers product.

If history tells us one thing, it is that seeking ways to deal with expected new developments is essential but it is not enough. The winners will continue to be those who have the capability, flexibility and sometimes the simple good luck to handle change that is unforeseen. The only thing that is certain about change is that it will come.

Alan Behr is a senior partner at the New York office of Phillips Nizer LLP, where he chairs the firm's fashion practice.