US retail bankruptcies and closures pile up amid pandemic

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The retail apocalypse continues to unfold in the United States under the economic pressure of the coronavirus pandemic. Since May, multiple well-known and long-established companies have filed for Chapter 11 bankruptcy including Neiman Marcus, J. Crew, J.C. Penney and Brooks Brothers. Tailored Brands, parent company of Men's Wearhouse, and Lord & Taylor, along with its parent company Le Tote, became the most recent retail casualties on Sunday.

Prior to filing for bankruptcy, Tailored Brands announced in July that it would close up to 500 stores "over time" and cut about 20 percent of its corporate jobs. According to a public filing, Tailored Brands had about 19,300 employees as of Feb. 1, and 1,274 stores in the US and 125 stores in Canada. The company said it secured a deal with the majority of its senior lenders for a $630 million restructuring plan so it can survive bankruptcy.

The company's filing is partially a consequence of the trend away from business attire and toward more casual clothing during the pandemic. Millions of white-collar workers have shifted to working from home as offices have been closed and meetings moved online.

Founded in 1826, Lord & Taylor is considered America's oldest retail store. A company official from Lord & Taylor estimated that about 20 of the company's stores are currently in a liquidation sale. The retailer runs 38 stores in the Northeast with a few more locations in the Midwest and Florida.

Lord & Taylor, which was bought by online clothing rental service Le Tote for $100 million last year, has been struggling in recent years. Under its previous owner, the Canadian-based Hudson's Bay Company, Lord & Taylor's chief executive complained that the store was in a fraught "middle space" among retailers because it neither sold high-end luxury nor discount apparel.

The latest additions bring the number of US retail bankruptcies this year to 43. According to S&P Global, 2020 has already seen more retail closures than the past eight years, with five months still left in the year. The last time retail companies recorded similar numbers of closures was 2010, with 48 companies filing for bankruptcy.

In 2008, a record 441 retailers filed for bankruptcy in the depths of the Great Recession. This marked the advent of the series of brick-and-mortar bankruptcies and store closures dubbed the retail apocalypse which has wiped out indoor shopping malls and strip malls around the country.

Retailers already faced severe challenges before COVID-19 forced stores to close and sparked a historic contraction in the economy. Not only were retailers struggling to compete with e-commerce stores such as Amazon and Walmart, but also ever-increasing debts threatened their stability. The arrival of the pandemic only accelerated a process that was already underway.

The coronavirus pandemic pushed retailers further into crisis. Shelter-in-place orders keeping people in their homes for weeks and the sudden loss of tens of millions of jobs facilitated a rapid change in spending habits. Shoppers abandoned malls, where many retailers who filed for bankruptcy are concentrated, as social distancing measures were implemented.

Experts also expect the pandemic to weaken the back-to-school shopping season, a typically busy time for retailers. With many schools engaging in remote learning, what families purchase for students is likely to shift towards electronics and away from clothing and other traditional items.

As the economic consequences of the pandemic continue to unfold, more bankruptcy filings are expected. A report from Coresight Research estimated that as many as 25,000 stores could permanently close in 2020, and about a quarter of all malls in the US could shutter their doors within the next three to five years.