

ANCHORAGE DAILY NEWS

Alaska: Where struggling chain outlets sometimes make their last stand

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When Sports Authority announced on March 2 that it would file for Chapter 11 bankruptcy and close nearly a third of its stores, it became one more national chain added to a list of those that have faced turmoil in the Lower 48 in recent years, but less so in Alaska.

As the retail industry grapples with the rise of e-commerce, some companies have resorted to widespread closures as they struggle to maintain interest in their brick-and-mortar stores. But in many cases, Alaska is spared or the blow is softened here.

In 2013, Blockbuster closed hundreds of stores, but 13 remained open in Alaska (today, that number is down to nine). RadioShack last year announced that it would shutter nearly 1,800 stores as part of a bankruptcy filing -- but leave its Alaska locations untouched, the only state without a closure. Sears has closed scores of stores in recent years, but its locations in four Alaska cities have stayed open.

In early March, managers at all four Sports Authority locations in Alaska said none were scheduled to shut amid the bankruptcy, though a company spokesperson wouldn't explicitly confirm that was the case.

So what makes Alaska fare better than its fellow states when these closures happen?

Economists and commercial real estate experts say that because there wasn't an overabundance of shopping options in Alaska for many years -- there still aren't many options in most of the state -- people have been retail-hungry enough to spur growth in the industry. Nowhere is that more true than in Anchorage, the state's retail hub.

"Alaska was really starving for retail," said David Irwin, a retail developer based in Bellevue, Washington. His consulting and development company, Irwin Development Group, has worked on projects in Alaska.

And while there are a lot of barriers to entry -- Alaska is far away from the rest of the U.S. and the cost of establishing operations and shipping here can be high -- companies are also attracted to what has historically been a lack of competition.

"Every retailer I've talked to who goes to Alaska says it's a home run," Irwin said. "I think because of the lack of retail that's up there. It's just something about Alaska."

Because Anchorage doesn't have sales tax, it makes it tough to know how much people spend in the city throughout the year.

But it's common for the announcement of a new chain store opening here to yield hordes of frenzied people eager for the first chance to get inside.

When clothing chain H&M opened in Anchorage last year, more than 1,000 people waited in a line that trailed around the Dimond Center mall. An astonishing 4,000 people attended the grand opening of the Cabela's sporting goods store in South Anchorage when it opened in 2014 -- some with folding chairs and supplies in tow.

"I think Alaskans love new businesses," said Andrew Ingram, a commercial real estate agent at Jack White Real Estate in Anchorage. "It's a small retail market, so anything new is exciting for a time."

And Anchorage's retail sector has grown in recent years, adding 400 jobs in 2015, according to an economic forecast released in January by the Anchorage Economic Development Corp. That's a 2.1 percent increase from the year before. After staying steady for several years, the city also gained 600 retail jobs from 2013 to 2014.

Dan Robinson, director of research and analysis at the Alaska Department of Labor and Workforce Development, said that opening a new store in Alaska might hold a lot more weight for companies looking to expand into new territory than it would in other states.

"We do have big migration flows and we do travel quite a lot here, so you're bringing something to a place that people are familiar with," he said. "There are places like Louisiana where there's little migration. If you were coming into a market like that, you'd have to familiarize a population with Panda Express or Cabela's. But here, if it exists in other parts of the country, you'd have a better shot at people knowing it and getting excited about it."

Anchorage's retail scene is also hugely boosted by people from the Alaska Bush, who sometimes travel to the state's largest city for massive shopping trips. Population turnover, driven by sectors such as the military, also helps to support retail, as does the fact that Alaska has had half as many recessions as the country overall in recent decades.

"When you look at the Anchorage market, it's relatively high-income, young, footloose -- there's lots of new household formation that takes place here, and that's always good for retailers," said Neal Fried, an economist with the state's labor department.

He also noted that Alaskans have higher disposable income than many other parts of the country.

Alaska's estimated median household income in 2014 was \$71,829, according to U.S. Census Bureau numbers. It's slightly higher in Anchorage, at \$78,121. Nationally, the median household income was estimated to be \$53,657 in 2014.

"We've got a captive audience, we've got fairly high income, we've got a cold, dark winter," said Hugh Ashlock, one of the owners of Dimond Center mall in Anchorage. "People want to get out and socialize. There's a socialization

factor that goes along with retail."

Of course, Alaska isn't a failsafe for every company, and ferreting out a pattern isn't cut and dry. The Disney Store closed its Dimond Center location in 2003 after 10 years there. The same year, Kmart closed its five Alaska stores when it shuttered hundreds of stores nationally. Last month, Wal-Mart closed its Juneau store.

Robinson said it's hard to decipher one clear trend in the state.

Kari Skinner, director of marketing and business development at the Anchorage 5th Avenue Mall, said that just because a store doesn't close Alaska locations when a bankruptcy is announced doesn't mean those stores won't be on the chopping block later.

Still, she said, retailers who do overcome the logistical challenges of coming to Alaska usually see a payoff.

"Maybe in the Lower 48, there's more concern about online shopping eating into their profits," she said, "but it's still more cause for pause to shop online and wait 10 days for an item to get here, and pay for shipping (in Alaska). ... This is still the Last Frontier, even for shopping. Retailers can be rewarded when they come to market."

Blockbuster is in particular a standout. While the rest of the U.S. has long since turned to binge-watching on Netflix or renting movies on Amazon Prime, some say that pricier Internet service here than in other states might be one reason the video rental store has lasted longer in Alaska.

"Here, you're weighing out your options between cable and using up your data, or Blockbuster and Redbox," Ingram said. "Alaskans ... are still renting videos, and I think that's a function of our data costs."

Austin, Texas-based Border Entertainment, a Blockbuster licensee, kept stores open in Texas and Alaska after widespread closures in 2013. Blockbuster filed for bankruptcy years before that, in 2010.

Alan Payne, owner of Border, said the Alaska locations historically performed better than many other states in the video rental business.

"Back when video was the thing," he said, "we built a great business in Alaska. Several of the highest-volume Blockbuster stores in the country were in Alaska."

But even here, the model may be breaking down. The Kenai Blockbuster is now set to close around the end of March, and a handful of locations in Juneau, Kodiak and Anchorage have gone in recent years.

And Alaska's larger retail sector may soon see broader changes -- Irwin, the developer in Washington state, believes that after so many retailers decided to open locations here in recent years, things might start to slow.

"Now, it's going to cool off," he said.