

L.A. boutique chain Kitson heads toward the exit

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Back in Kitson's heyday, paparazzi staked out the boutique chain to snap photos of tabloid-fodder shoppers like Lindsay Lohan and Paris Hilton.

But like many of its once-hot celebrity fans, the Los Angeles company has lost the limelight. Kitson has launched a going-out-of-business sale as it prepared to close its 17 retail locations as well as its online shop.

James Wong, Kitson's chief restructuring officer, said in a statement that Kitson was talking with "interested parties" to preserve the brand. The Kitson name could be sold and kept alive as an e-commerce site, analysts said, but its days as a brick-and-mortar retail chain are most likely over.

It's a dramatic end for a chain that first opened on designer-studded Robertson Boulevard in 2000.

Kitson made a name for itself as a tastemaker, discovering and launching new brands like Wildfox Couture. The Robertson store was such a draw in the mid-2000s, security guards would let in the non-famous and non-rich a few at a time to ogle the merchandise.



For now, shoppers eager to pick up Kitson merchandise can browse the outlets, which are papered with "Store Closing" signs. The chain's first shop opened on ritzy Robertson Boulevard in 2000. (Luis Sinco)

But the chain overexpanded, at times opening in areas with high rents. It also lost its way on the fashion front, relying heavily instead on kitschy gift items such as embroidered pillows and drinking games.

"The key to Kitson is they had to constantly discover the up-and-comer, the latest and greatest," said Lloyd Greif, chief executive of Los Angeles investment banking firm Greif & Co. "But that's difficult to keep up. You don't know when the music will end."

Discovering a new label benefited Kitson only briefly; if a brand sold well, department stores and e-

commerce shops would inevitably start carrying it as well, sometimes at lower prices, analysts said.

Outside a Kitson store in West Hollywood, Zahra Hassanzadeh, 23, said she used to frequently drop by the store to pick up presents for friends.

But in recent years, the college student from downtown L.A. said she's switched to mostly online shopping.

"I find everything on Amazon," Hassanzadeh said. "Now there are so many places to get special little gifts."

Retailers like Kitson are under pressure, especially as malls opt to



Paris Hilton leaving Kitson's Robertson Boulevard store during the company's heyday.

include more dining and experiential stores instead of traditional stores peddling products, said Ron Friedman, head of retail and consumer products at Marcum. He pointed to the new open-air mall, the Village at Westfield Topanga, which includes many restaurants and services such as blow-dry salons.

"The baby boomer generation will die off," he said, "and the next generation is so used to shopping online."

Financial problems also hobbled the company.

In 2013, the company received a \$15-million credit line from Salus Capital Partners to refinance its debts and provide working capital. Salus is known as a lender of last resort, extending loans to compa-

nies that cannot get credit anywhere else.

For a small chain, that was a large sum of money, and it fueled a drive to aggressively expand with new shops at the Beverly Center and Fashion Island in Newport Beach.

As recently as August, a company representative told *The Times* that Kitson planned to open a foreign flagship "in the near future."

But sales couldn't support the expanded chain and cover its debts.

This summer, Spencer Spirit Holdings Inc., which owns the Spirit Halloween costume stores and Spencer's novelty gift shops, agreed to extend a loan to Kitson to pay down the loan with Salus, according to the *Wall Street Journal*, citing anonymous sources.

Founder Fraser Ross and Chief Executive Christopher Lee left the chain a few weeks ago, according to a person familiar with the departures. Kitson did not make executives available to speak.

Ross embroiled the chain in a number of public spats that have sometimes tumbled into litigation.

In February, the company accused Hudson Group, the operator of the LAX Kitson stores, of selling expired candy at several airport shops and barring the boutique

from selling low-priced bottled water.

Kitson went so far as to put provocative signs on its Melrose Avenue and Robertson Boulevard shops saying: "Eric Garcetti, mayor of Los Angeles, condones corruption, collusion, discrimination and fraud at LAX."

Hudson, for its part, accused Kitson of trying to distract from the antics of Ross, described by Hudson lawyers as berating airport workers with derogatory and obscene language.

Bad publicity aside, Kitson suffered like many companies started by creative visionaries — founders who simply don't have the business acumen to effectively manage a growing operation, Friedman said.

"These guys are good when they have small companies," Friedman said. "But eventually when you start having multiple stores and are bigger, you have to become somewhat structured."

For now, shoppers eager to pick up Kitson merchandise can browse the stores —which are papered with "Store Closing" and "30% to 50% off" signs.

Kitson did not say when its stores would close for good, but an employee said he had been told Jan. 31, if not earlier.

Near the original Kitson on Robertson Boulevard, Margaret Ochne, 35, fondly recalled buying her first pair of "L.A. jeans" there for \$200 shortly after moving to the city.

But the West Hollywood physician hardly ever shops there anymore.

"It's over-priced," she said with a shrug.