

B-t-s Sales Seen Rising 5.4%

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Value-oriented retailers like TJ Maxx parent The TJX Cos. Inc. are again expected to excel for back-to-school.

Photo By WWD Staff

Despite the troubled economy, retailers are poised to put two consecutive years of back-to-school sales declines behind them, the International Council of Shopping Centers and the National Retail Federation said Thursday.

Measured against weak comparisons, b-t-s, the second-biggest volume period of the year after Christmas, is forecast to rise 5.4 percent, which would be the strongest showing since 2005, when spending was up 6.4 percent, the ICSC said. The 2009 season produced a 2.8 percent decrease.

Michael Niemira, ICSC chief economist and director of research, estimated that spending could grow to \$38.4 billion, from \$36.4 billion in 2009.

"Layer on some fundamental improvement in the consumer economy, including some pickup in the pace of earnings growth, and we should see a strong 7.6 percent rise for July, continued strength in August with a 5.7 percent increase and a moderate 3 percent rise in September for b-t-s spending," he said.

Based on data collected by BIGresearch, the NRF forecast that total spending on children in kindergarten through high school would reach \$21.35 billion. Adding in college expenditures, the NRF anticipates spending to hit \$55.12 billion.

The NRF predicted that families on average would spend \$606.40 on b-t-s items, up 10.5 percent versus \$548.72 last year. Apparel expenditures should average \$225.47 per household, up 10.2 percent compared with \$204.67 a year ago. The average spend in 2008 was \$594.24.

Stores such as Macy's and J.C. Penney are beginning aggressive marketing efforts built around digital initiatives, celebrity tie-ins, price promotions and new merchandise intended to combat consumer lethargy.

Observing that "people are very poor predictors of their own behavior," Craig Johnson, president of the Customer Growth Partners consultancy, said he expected b-t-s spending to rise 5.2 percent but cautioned against reading too much into the increase.

"On a year-to-date basis, retail sales are virtually identical to 2007," he said, noting that June apparel sales were at 2006 levels.

"People are spending very cautiously; they are focused on need," Johnson said, adding that Americans are still worried about unemployment and housing.

But after at least two years of penny-pinching, there's a "real need to replenish" b-t-s wardrobes, said Susquehanna Financial Group specialty analyst Thomas Filandro. "There is a wear-out factor and a growth factor [for young consumers]."

Despite that need, consumers "are not off to the races opening their wallets," he said.

In general, experts agreed that shoppers would keep focusing on value-priced chains.

"The consumer will continue to go after value, but value is not necessarily price," explained Needham & Co. analyst Christine Chen, who lauded Aéropostale's trendy assortment, as well as the fashion-forward merchandise at retailers like Urban Outfitters and its Anthropologie unit.

"Being promotional is in our DNA," Mindy Meads, co-chief executive officer of Aéropostale, told WWD at the company's b-t-s line preview held in New York Wednesday. "But to continue to win, you need fashion and value, not just value."