

World U.S. New York **Business** Markets Tech Personal Finance Life & Culture
Opinion Careers Real Estate Small Business

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL
WSJ.com

BUSINESS | SEPTEMBER 2, 2010, 5:39 P.M. ET

Retailers Show Surprising Strength in August Sales

By KAREN TALLEY

Retailers delivered a late-summer surprise, with sales for the key back-to-school shopping month coming in better than expected.

August tallies showed that all retail categories produced sales ahead of modest estimates, including department stores and teen retailers, which are among the most vulnerable to spending pullbacks.

Sales at stores open more than a year, a key gauge of retail demand, rose 3.3%, ahead of the 2.5% rise projected by Wall Street analysts surveyed by Thomson Reuters. The result follows a 2.9% drop a year ago and a 2.7% rise in July.

America Shops: U.S. Retail Sales

Since the start of the recession in 2007, U.S. consumer spending has taken a hit. Track

monthly estimates by category.

[View Interactive](#)

[More photos and interactive graphics](#)

Two-thirds of the 27 retailers that report same-store sales beat expectations, with mass merchants and apparel retailers doing so by the widest margins.

The showing makes for a solid start to retailers' third quarter, which for most begins in August. But retailers were very promotional during the month, which could eat into their margins and pressure earnings. And while sales are stronger,

they remain below pre-recession levels.

Things have been so poor in terms of the economy and even the stock market, and that really pulled expectations down," said Stephen Hoch, marketing professor at the University of Pennsylvania's Wharton School.

"We're treading water on the retail front, and it was thought that we couldn't even do that," Prof. Hoch added.

The monthly sales results show that certain retailers are gaining market share from their peers, luring customers with discounts or unique merchandise.

Target Corp., which has been adding grocery items to its stores to drive traffic, reported a 1.8% gain in same-store sales for the month. The figure slightly missed analysts' expectations but was in line with its own projections. Target said customer traffic was healthy throughout the month and that apparel and food offerings did well.

Target has been posting positive monthly same-store sales as its major rival **Wal-Mart Stores Inc.** has notched five straight quarters of declines in U.S. comparable-store sales. Wal-Mart no longer reports monthly sales.

Costco Wholesale Corp. posted a 5% rise in same-store sales when a 3.6% gain was expected. The warehouse club did even better when factoring in higher prices at its gas pumps and gains from stronger foreign currencies. On

that basis, same-store sales rose 7%. The retailer's international operations were up 11%, compared with a 6% rise in the U.S.

Macy's Inc. appears to be getting a leg up on its department-store peers. The retailer's 4.3% gain in same-store sales was ahead of projections for a 4% rise. Chief Executive [Terry Lundgren](#) credited the company's shift to tailoring merchandise to local tastes and more centralized operations that allow quicker decisions. He also cited strong reception to merchandise such as the new Madonna-inspired Material Girl line.

Kohl's Corp. also posted solid gains, with a 4.5% increase in same-store sales, when 2.6% was projected. All regions and all lines of business were positive for the month, with home goods, men's merchandise and footwear doing particularly well, Chief Executive Kevin Mansell said.

More

[Sortable Chart: August's Winners and Losers](#)

[America Shops: U.S. Retail Sales](#)

EXPERIENCE WSJ PROFESSIONAL

Editors' Deep Dive: Retailers Invest in Outlets

WOMEN'S WEAR DAILY

[Bloomingdale's Opens First Outlets](#)

NIKKEI REPORT

[Real Estate Companies See Outlet Malls as Bright Spot](#)

WOMEN'S WEAR DAILY

[Specialty Retailers See Mixed Results](#)

Access thousands of business sources not available on the free web. [Learn More](#)

[J.C. Penney Co.](#), which some analysts say is losing share to Macy's and Kohl's, had the smallest same-store sales gain of the three department stores, notching a 2.3% rise.

Two upscale department stores had disparate results, as a rocky stock market created jitters among the affluent. [Nordstrom Inc.](#) posted a 6.3% rise in comparable-store sales, ahead of projections for 5.9%. [Saks Inc.](#) reported a 1% gain when 4.3% was expected.

The big teen retailers fought a heavy battle of promotions during the month, and [Abercrombie & Fitch Co.](#) appears to have been one of the victors. The company's same-store sales rose 6%, compared to a 29% drop last year, when Abercrombie was maintaining a "no discounts" strategy.

In contrast, teen retailer [Aeropostale Inc.](#)'s same-store sales fell 1% for the month, compared with expectations for a 1.2% rise and a 9% gain a year ago. The company said it "experienced

stronger results in its peak back-to-school regions, reflecting a customer that is shopping closer to need."

[American Eagle Outfitters Inc.](#), another teen destination, reported a 1% comparable-store sales gain and backed its earnings view for the current quarter.

From here on out, retailers will have trouble showing marked sales gains in the choppy economy recovery as they begin lapping stronger results that began last autumn.

Write to Karen Talley at karen.talley@dowjones.com

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com