



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 | JANUARY 6, 2012

Retail Sales Show Slack

By KAREN TALLEY And DANA MATTIOLI

New Christmas-season retail sales reports show that the period was far less robust than many retailers had expected.

The numbers for some two dozen merchants came in relatively weak, falling below the returns of 2010.

[Target Corp.](#), [Gap Inc.](#), [Kohl's Corp.](#) and [J.C. Penney Co.](#) all fell short of their own sales targets and in some cases slashed their profit forecasts, reflecting slow traffic in the middle of the month and heavy discounting to clear inventories.

The results show that middle-class consumers remain cautious in the face of a weak jobs market and a still-tepid economic recovery. And while they did show bursts of willingness to spend during the holiday season, the largess wasn't spread around evenly.



U.S. retailers are turning in mixed sales for the December holiday period, Karen Talley reports on Markets Hub. (Photo: AP)

Among companies targeting those consumers, [Macy's Inc.](#) was a clear winner, beating expectations for the month's sales, raising its dividend and increasing its earnings forecast for the year. The company was helped as well by its Bloomingdale's division as luxury chains, including [Saks Inc.](#) and [Nordstrom Inc.](#), posted strong sales gains.

"Even though consumers are willing to spend, they will only spend when there is huge discounting," said David Bassuk, head of the retail practice at AlixPartners. "A number of retailers couldn't bring in enough dollars in that environment."

The holiday season is a crucial one for retailers, often accounting for a fifth or more of annual sales. The data reported Thursday provide the first company-level read on how the season went, though the numbers leave out major merchants, including [Wal-Mart Stores Inc.](#) and [Amazon.com Inc.](#)



The 22 retailers tracked by Thomson Reuters showed a 3.4% gain in December sales at stores open at least a year, a little better than the 3.3% gain analysts had expected. For the November and December Christmas season, same-store sales rose 3.1%. That compares with 4.3% in 2010, when the industry was rebounding after softness the year before because of the recession.

Target missed its goal with a 1.6% rise in sales, leading it to cut its profit forecast. The discount chain cited weakness in electronics, music, movies and books. Sales and traffic were

strongest in the week leading up to Christmas, as customers waited to shop for last-minute gifts, the company said.

Kohl's posted a 0.1% drop in same-store sales and also reduced its fourth-quarter earnings view. The department-store chain cited sluggish sales of cold-weather wear because of unseasonably warm temperatures during the holiday season, saying it responded by taking steps to reduce inventories.



Retailers reported mixed holiday sales, with heavy promotions luring in consumers, Andria Cheng reports on Lunch Break. Photo: Getty Images.

EXPERIENCE WSJ PROFESSIONAL

Editors' Deep Dive: Retailers Reboot Sales Strategies

BRAND REPUBLIC

Luxury Brands And the Social Media Dilemma

THE CHRISTIAN SCIENCE MONITOR

At the Retail Store, a Long Line of Questions at Checkout

WWD

Beauty Heads for Yule Showdown

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

Related Video

Highs and Lows of the U.K.'s Retail Sector (01/04/2012)

Retail Sales Post Modest Rise (12/13/2011)

Free Shipping Is Boxing Some Retailers In (12/07/2011)

Perennial laggard Gap Inc. posted a 4% drop in same-store sales. "We expected December to be highly promotional, and while we competed aggressively across our brands, our performance was below our expectations," Chief Executive Glenn Murphy said in a release.

Penney posted a 0.3% rise in comparable-store sales, softer than the company had expected, and said comparable-store sales for the fourth quarter will be down slightly. The company also cut its profit outlook, citing restructuring charges and changes to its pricing and promotional strategies in advance of spring.

[American Eagle Outfitters](#) Inc. slashed its fiscal-fourth-quarter earnings outlook after it was forced to offer more aggressive promotions to drive late holiday sales. Shares of the teen-apparel retailer were down 10.4% to \$13.57 at 2 p.m.

The results underscore how shoppers have become conditioned discounting to only pay certain prices, a trend that hurt retailers during the holidays.

"It was a holiday period characterized by sharp promotions and retailers pulling out all stops by expanding hours," said John Long, retail strategist at Kurt Salmon. "What's remarkable in the numbers is that while there were some standouts, this didn't produce the extraordinary results we might have expected.

Upscale department stores still remain somewhat immune. Nordstrom posted an 8.7% increase in same-store sales, and Saks said sales rose by 5.8%.

Meanwhile, Toys "R" Us domestic same-store sales rose just 1.2%.

Write to Karen Talley at karen.talley@dowjones.com and Dana Mattioli at dana.mattioli@wsj.com

Copyright 2011 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