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## Procrastinating shoppers boost December sales



**View Photo Gallery** — In 2011, many retailers opened earlier for Black Friday and offered more markdowns.

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By Ylan Q. Mui, Published: January 5

Christmas came down to the wire for retailers this season as a last-minute surge of shoppers, lured by heavy discounts, buoyed sales in December, according to industry results released Thursday.

The International Council of Shopping Centers, a trade group, reported that December sales rose 3.5 percent compared with the previous year, reversing a three-month trend of slowing growth. For the holiday season overall, sales increased a solid 3.3 percent, the group said.

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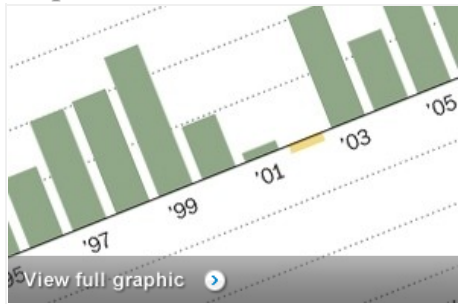
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**Graphic**



Percentage change in retail chain-store sales during the November-to-December holiday period, compared with the same period a year earlier, seasonally adjusted.

**Video**



Jan. 5 (Bloomberg) -- Liz Dunn, analyst at Macquarie Group, talks about the U.S. holiday retail shopping season and retail industry picks. She speaks on Bloomberg Television's &quot;InBusiness With Margaret Brennan.&quot; (Source: Bloomberg)

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Consumers have been reluctant to open their wallets during the sluggish recovery, forcing retailers to entice them with increasingly aggressive promotions. A Deutsche Bank analysis found that, together, Wal-Mart, Target, Macy's, J.C. Penney and Kohl's increased the number of ad inserts in December by 10 percent from a year ago. The steep discounting could end up taking a toll on retailers' bottom lines.

"Most retailers had to depend on deep price discounts in order to increase sales revenue, taking a bath on per-unit profits," said Chris G. Christopher Jr., an economist with IHS Global Insight.

The strategy also backfired on retailers in an unexpected way: Shoppers realized that if they waited long enough, the deals would emerge.

It happened in November, when shoppers held on to their dollars before the bonanza on Black Friday. They retrenched again in December, and then showed up in full force the week before Christmas after retailers marked down prices by 40 percent or more. Analysts said the yo-yo spending pattern is also a symptom of shoppers' stretched budgets.

"Recent consumer spending has been supported by a declining saving rate, not a solid foundation for retail sales growth," Christopher said. "Retailers will have to adapt or suffer the consequences."

Though Thursday's results are not a comprehensive portrait of the industry's performance, they are the first snapshot of how the crucial Christmas shopping season went. The figures are based on monthly sales at stores open at least a year and operated by roughly three dozen of the nation's largest retailers.

"There was a lot of unevenness across the segments," ICSC chief economist Michael P. Niemira said. "But looking at the month from an overall standpoint, the performance was good relative to its long-term trend."

Sales were strongest at high-end stores such as Nordstrom, which reported an 8.7 percent jump. Saks enjoyed a 5.8 percent spike in sales from a year ago. Sales at

luxury stores have been outpacing the industry average as high-income shoppers return to

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Gold Feb12	1,616.80 USD/T Oz	↓ 0.20%
Corn Mar12	643.50 USd/Bu.	0.00%
Soybeans Mar12	1,196.50 USd/Bu.	↓ 1.03%

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\$30K Home Equity Loan	5.82% 5.82%
1 Year CD	0.69% 0.68%

their pre-recession spending habits.

Meanwhile, retailers catering to lower-income shoppers have also reported strong results. Sales at TJX, which owns T.J. Maxx and Marshalls, jumped 8 percent, while Ross Stores rose 9 percent.

Ross chief executive Michael Balmuth said the company's results exceeded its expectations, and the company raised its fourth-quarter forecast from a range of 77 to 80 cents per share to a range of 82 to 83 cents per share.

"These results reflect that value-seeking shoppers continue to respond favorably to the wide array of compelling name-brand bargains throughout our stores," he said.

Several other retailers reported disappointing results, however. Gap said sales at its eponymous stores, along with its Old Navy and Banana Republic banners, dropped 4 percent in December, a bigger decline than last year.

At Target, monthly sales nudged up 1.6 percent, but the increase was less than executives had anticipated. Sales were particularly weak in consumer electronics, music, books and movies, the company said.

"We'll continue to pursue initiatives designed to deliver compelling value and a superior shopping experience against the backdrop of continued slow and volatile economic growth," chief executive Gregg Steinhafel said.

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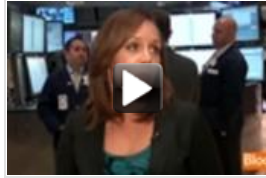
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