

# Retailers ho-ho-hopeful

## Bay Area retailers brace for stronger sales in holiday seasons

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As we move through the fall, from ghosts and goblins to gobble-gobbles, we'll soon start hearing a new sound -- ringing. Not just of jingle bells, but the ringing of cash registers. Holiday shopping season is upon us.

The National Retail Federation (NRF) predicts a 4.5 percent increase over 2003's seasonal figures, with spending expected to reach \$220 billion nationwide. The NRF considers the holiday sales season as November and December. Last year holiday sales increased 5.1 percent over 2002, according to the NRF, and many local retailers now are optimistic about Silicon Valley's economy.

"We predict a very strong holiday season," said Jennifer Halloway, director of marketing for Stanford Shopping Center. "The last two years were difficult in the Bay Area. Even though the shopping center had very good sales last year, this year we have a stronger economy."

Joe McPartland, store manager for card store Papyrus in Santa Clara's Westfield ShoppingTown's Valley Fair mall, agreed. "The holiday looks good for us based on company trends and the year's sales," McPartland said.

Holiday sales account for 23 percent of annual retail figures, according to the NRF.

But while merchants are optimistic, analysts note that retailers still have their work cut out for them.

"Last holiday season was strong in terms of margins, but sales were relatively flat, up only a small percentage," said Dale Achabal, director of the Retail Management Institute at Santa Clara University.

Retailers were able to increase margins without a huge increase in sales by doing a better job of matching their inventory to what people are actually buying, he said.

To bolster sales, retailers are making the stores look as good as possible and getting the

right assortment of products, Achabal said.

"Hopefully they'll get their inventory levels right, so they won't have to take big mark-downs," he said.

He also notes that retailers are doing better at stocking the right type and amount of inventory.

"There's been a lot of emphasis on supply chain efficiency and flowing products through the store," Achabal said. "This is extremely important when consumers don't have much time to shop and are more demanding."

Industry trade organizations are expecting this to be one of the strongest holidays of the past few years, Achabal said. But he disagrees.

"I'm not convinced that will be the case. I don't think the economy, especially in the Silicon Valley area, is all that robust." However, Achabal said that he still believes it will be an up market.

Retailers are starting to get their new merchandise out earlier, Achabal said. But while it may seem that holiday promotions and store decorating begins earlier each year, the NRF notes that 72 percent of retailers will begin holiday marketing at the same time as the last year.

This is true for Stanford Shopping Center, where the tree lighting ceremony and Santa Claus' arrival will be in mid-November, just like the two prior years.

By mid-October, Valley Fair's Papyrus was displaying "quite a bit of Christmas stuff already," said store manager McPartland. "I don't believe it's too early. A lot of people will get the boxed cards or the little stuff -- the single cards aren't out yet."

While walking around Valley Fair mall the second weekend in October, McPartland said he noticed that Macy's had already set up their holiday shop.

As Halloween costumes and candy fade from print advertisements, the red and green items quickly take their place. Yet while hoping for a better season, retailers interviewed are not planning any new or additional promotions this year.

"We haven't changed our budgets for that at all," said Stanford Shopping Center's Halloway. "Our holiday advertising is similar to last year's -- our [bus stop] shelter, billboard, newspaper print and magazine campaigns are the same."

For Tiny Tots Togs, a locally-owned children's clothing and toy boutique in Campbell, the annual promotions also are the same -- free gift wrapping, a 30 percent discount sale on all toys, books and fall and holiday clothing before Thanksgiving, and photos with

Santa in December.

"We don't really advertise (the photos) because they're free pictures, including the negative," said May Lee, Tiny Tots Togs' controller. "It's a way to say thank you to our customers."

The company typically sends out postcards announcing the Thanksgiving sale, and runs monthly ads in Bay Area Parent, said Lee. Even without doing any additional advertising, they expect a 20 percent increase in holiday sales over last year, and have just stocked 30-40 new items. That improved forecast is based on increased sales so far this year.

Many of the chain-store managers would not comment or do not know what type of holiday promotions are coming up.

"They don't tell us too much about promotions ahead of time," said Papyrus' McPartland.

He noted that Papyrus employees will each get 10 "friends and family" coupons to hand out. "That should generate quite a bit of business," McPartland said.

In terms of hot items this holiday season, Stanford Shopping Center's Hallway expects sales to be strongest in home furnishings and home entertainment, just in time for their new retailers to cash in. Some of those new arrivals include an Apple Computer store, a Sony Style store and Brookstone, which sells a variety of products from the Segway Human Transporter to luggage locks.

While reports of modest job growth have circulated in the Bay Area, holiday hiring will be the same as in seasons' past. "It's fairly typical holiday hiring," said Papyrus' McPartland. "No more, no less than in previous years."

Halloway agrees. "On our Web site, we have at least 15 retailers advertising for holiday help, similar to last year," she said.

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## Shopping online continues growth

If you shop online, it's likely you've already begun your holiday buying spree, even though merchants have yet to launch their marketing promotions.

About 53 percent of online shoppers began their holiday buying by early October, while just 14 percent of retailers were promoting holiday merchandise by that date, according to the Shop.org/BizRate.com 2004 Online Holiday Mood Study. Shop.org is a division of the National Retail Federation and is an online retailer association. Bizrate.com is a

shopping search engine that compares products, prices and retailers.

Online purchases have increased five to 10 times more than in-store sales figures, according to Dale Achabal, director of the Retail Management Institute at Santa Clara University.

"Although (Internet sales) are still a much smaller percentage of retail sales, it's growing very fast, and, for most retailers, is at a significant level," Achabal says. "It really does offer consumers an option -- which is what consumers want -- a choice."

A shop.org/Forrester Research Study showed that nationwide online sales for the year are expected to be \$144 billion, a 27 percent increase over 2003. This year, 6.6 percent of total retail sales are expected to be online, up from 5.4 percent last year.

Tiny Tots Togs' controller May Lee said she thinks sales from her company's Web site, tinytots.com, will increase 30 percent to 40 percent this holiday season compared to last year. The store, which specializes in all-cotton kids clothes, educational toys, and nursing and cloth diaper supplies, generates most of its online sales from its nursing merchandise.

Lee said because the bricks-and-mortar store is a boutique, its Web site does not include the kids' clothes.

"If people like to shop they'll come here -- they'll want to see our store," she said.

Stanford Shopping Center's marketing director, Jennifer Holloway, said she's not concerned that online sales will affect her mall's cash registers.

"For the past few years, that's been a hot topic, but we've weathered the storm," she said.

"No matter how much the Internet grows, people still want to come in and physically see and pick out the item they want to buy for a special person."

Even if shoppers purchase gifts at the mall, many are using the Internet for comparison shopping and research, according to the Holiday Mood Study.

-- Deborah Abrams Kaplan