



Holiday spending expected to increase, at the expense of profit margins

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The shifting crystal ball predictions for retail sales this holiday season turned more buoyant Tuesday with the release of two reports predicting consumers will spend more on this year's Christmas gifts than they did last year.

The 2009 Holiday Spending Study from Scotiabank said Canadians expect to spend an average of \$891 this year, compared to \$884 last year. And in the United States, sales at stores open at least a year climbed 2.4% in the week ended Dec. 12 from the same period a year ago, according to a report yesterday from the International Council of Shopping Centers and Goldman Sachs Group Inc. - the 14th straight week of U.S. sales increases spurred by holiday promotions.

Recent statistics from market researcher Sageworks Inc. of Raleigh, N.C., suggests that more discretionary merchandise categories in the industry, such as apparel, are on the upswing. Sales at privately held clothing stores in Canada grew less than half a percentage point in 2008, Sageworks noted, but will rise an estimated 4.5% in 2009. That's compared with a decline of 3.2% at U.S. privately held clothing stores for 2009, the company estimated.

But those sales fuelled by markdowns and consumer incentives could come at the expense of profit margins, said Anthony Stokan, partner at Toronto-based shopping centre consultancy Anthony Russell and Associates, who predicts the retail economy will begin to recover in the spring.

"There certainly hasn't been the rebound that we had thought there might be with the back-to-school season recovery that we saw," he said. "As so many retailers in this country now are subsidiaries of U.S. [chains], we are definitely getting a sense of many, many retailers in Canada going on sale a week or two weeks earlier than they did in previous years as a result of anxiety in the U.S. Across the board all retailers are anxious, even though as Canadians we have not see the carnage that we have seen at retail in the U.S. and the U.K. Canadian [consumers] are being cautiously optimistic, they are looking for value and they are being realistic about their purchases."

Deals abound at Canadian retail right now; Sears offering 30% off selected items and toys, Zellers holding midnight madness sale on Friday with deals on digital cameras, bedding, toys and household goods and Canadian Tire is selling tools at up to 75% off ticket.

Mr. Stokan noted retailers across the continent have been building up consumer databases and are relying less on traditional media to communicate sales offers to consumers. "People are getting email blasts about promotions [retailers] are running. And more and more retailers are using the gift card as a [consumer] incentive, where you get deals like spend \$75 and get a \$25 gift card for the store that is time-sensitive - you have 60 days to spend it."

The Soctiabank survey said consumers in Alberta would spend the most on their holiday shopping, an average of \$1,087, and Quebecers were planning on spending the least, at \$814. The top gift item this season listed by consumers surveyed was gift cards, at 53%, followed by clothing, 47%, and toys, 40%.