

Consumers Say: Show Me The Value *by Jessica Ellington*



LEO J. SHAPIRO & ASSOCIATES LLC

Retailing Today

THE CONNECTION TO AMERICA'S HIGHEST-VOLUME RETAILERS

A LEBHAR-FRIEDMAN® PUBLICATION

COMPANY NEWS - IN BRIEF

Wal-Mart's focus at its 15th annual analysts' meeting was positive as the retailer discussed 'Project Impact,' its new store format and the length of time in which it plans to re-merchandise and remodel its entire base of more than 3,500 U.S. stores (4). For more on Wal-Mart (5, 16).

Target has posted negative same-store sales for five of the past six months, which has the retailer focusing on the 'pay less, pay less' brand equation. However, that stance has raised concerns that the company is eroding the core of its brand message and engaging in a pricing battle with Wal-Mart that it can't win (4). For more on Target (26).



Office Depot, OfficeMax and **Staples** all posted weak sales results last month, as the severity of the nation's economic troubles plagued the nation's leading office products retailers. All three companies have implemented expense control measures and supply chain initiatives to reduce store inventory and increase sales of private brands. Store expansion plans also have been scaled back (4). For more on OfficeMax (28).

Toys'R'Us played up its marketing prowess as it rolled out its 'Biggest Toy Book Ever' last month. The toy specialist lead the pack of retailers that have launched aggressive campaigns that tout themselves as the place to shop for this year's must-have toys at low



prices. This year's version has eight extra pages and special sections that make it easier for consumers to locate the hottest toys this season (5). For more on Toys'R'Us (18).



Macy's observed its 150th anniversary last month in grand style with some high-profile events in Manhattan that included celebrities, fireworks and even the renaming of the street its flagship Herald Square store stands on to R.H. Macy Way in honor of its founder. The party stretched to Tampa, Fla. where the retailer opened a new store in a lifestyle mall and offered promotions relating to its anniversary (4).

Linens 'N Things saw the final nail driven into its coffin as the retailer announced the closing of its remaining stores last month and began to hold going-out-of-business sales on Oct. 17. The company also announced that its



Canadian subsidiary filed for bankruptcy and sought approval to liquidate its Canadian business (4).

Kroger, announced that starting Nov. 1, gift cards for restaurants, stores and entertainment outlets purchased at Kroger stores will accumulate fuel discounts at double their purchased value, earning customers 10 cents off for every \$50 in gift cards. That should provide even more aid to consumers as nationwide gas prices have been declining lately. For more on Kroger (20).

Post-election outlook shifts to: Expect worse, hope for best

Conflicting signs indicate fourth quarter may not be total loss for retail after all

BY TIM CRAIG

NATIONWIDE RT REPORT — During a year in which predicting retail performance for the all-important holiday selling season has begun to resemble a game of pin the tail on the donkey, a blindfold is only one of the challenges now facing sales forecasters. Much like an anxious donkey with an acute case of A.D.D., the economy keeps jumping up and down, and

ered a bellwether of consumer spending potential, are even mentioned in economic circles these days hinges on the sudden and dramatic effect they are having on consumers' pocketbooks. Where the national average for a gallon of regular, unleaded gas ran as high

ACCORDING TO A WEEKLY ABC NEWS INDEX, CONSUMERS EXPRESSED AN INCREASE IN CONFIDENCE IN THE WEEK PRIOR TO THE ELECTION.

with it goes the mood of many forecasters—one day talking of Armageddon, the next day pointing to signs of hope.

Bringing a slight ray of optimism to the picture are two important factors that have suddenly surfaced: the precipitous drop in fuel costs, both at home and at the pump, and the recent resolution to the presidential election, which many believe has been the greatest contributing factor over the last 18 months to indecision and lack of consumer confidence.

The fact that fuel costs, long consid-

as \$4.11 at the height of the summer travel season back in mid-July, the current national average (as of Oct. 30) is down more than 37% to \$2.55, and is expected to continue to drop. For the millions of Americans who rely on their vehicles each day, especially those who have grown accustomed to budgeting \$4-per-gallon fuel expenses, this

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Consumers say: Show me the value

BY JESSICA ELLINGTON FOR RETAILING TODAY

CHICAGO — Given the economic tsunami that has flooded both U.S. and foreign markets, it is no surprise that consumers everywhere are looking for additional ways to save. According to a recent study by Leo J. Shapiro & Associates, more than one-third (35%) of U.S. consumers feel that their income has decreased since last year, and a majority (51%) say their financial situation has

worsened—the highest levels in nearly 20 years.

"Even if you don't feel the pinch personally, you still get a sense that you do need to change how you purchase, because everyone else is," explains one shopper.

Consumers are closely evaluating each purchase by asking themselves two questions: 'Am I buying this product because I need it, or want it?' And, 'Am I getting the best value for my money?' They also are looking at

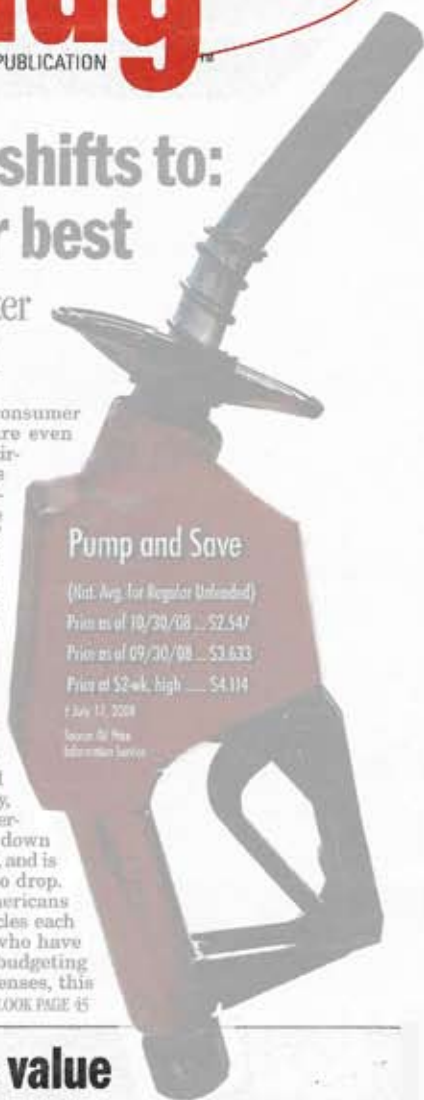
the total cost of the shopping trip and, as a result, are reducing the number of trips, finding one-stop shopping centers, and even increasing online purchases, all for the sake of saving on gasoline.

Consumers are seeking (and retailers are offering) price-based discount and incentive initiatives, but there exists the opportunity for a more strategic approach.

"At this point in the economic

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Retailer of the Year	Specialty Retailer of the Year	Food Retailer of the Year	Retail Hall of Fame Honoree	Vendor of the Year - Softlines	Vendor of the Year - Hardlines
 16	 18	 20	 26	 16	 16



OUTLOOK

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economic dynamic equates, simply, to more cash in hand.

However, other elements fighting for mindshare of the consumer psyche these days include joblessness, personal savings and the much-maligned federal economic bailout, which have led to an all-time

low in consumer confidence last month, as reported by the Conference Board. In October, the group reported that confidence had dropped to 38 basis points, down from 61.4 in September (the survey's baseline of 100 was set in 1985).

Many economists have speculated, however, that this consumer trepidation is only partially attributed to real fear. Instead, they point to the presi-

dential election, particularly the campaign rhetoric, which essentially bombarded voters with a message about how bad things have become. "It's badly broken," both candidates chimed, "and I'm the man to fix it." It stands to reason, therefore, that with the election over, that message will now change considerably, shifting from one of negativity to one of constructive, pro-active planning. And

this, the thinking goes, will alleviate, if for nothing else, the indecision that has occupied consumers' minds.

In late October, for example, when many reputable national polls reported that Barack Obama had taken a sizeable, mostly insurmountable lead over John McCain, consumer confidence began to stabilize ever so slightly, and at least in one case, it began to show im-

provement. According to the weekly ABC News Consumer Comfort Index, which uses a scale of -100 to +100, consumer confidence for the week immediately prior to election week saw a slight uptick in confidence (to -49, from -50), and despite all of the negative economic news, did not drop under its record low of -51 set in May, when news of rising fuel prices dominated the news. ■

CONSUMER VALUES

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downturn, Americans are exhibiting coping behaviors to maintain their lifestyles. They are willing to change how and what they buy, but [not] how they live," stated LJS president Matthew Smith.

LJS research identified several components that retailers should consider while developing marketing strategies in this changing economy.

- **Attention** - When the economy is down, shoppers look more closely at how, where and what they buy. You now have the customer's attention.

- **Participation** - People are willing to work harder at buying. Clipping coupons, reading weekly ads and comparing brands shows us that they are willing to participate more in an effort to save.

- **Efficiency** - In an era when 24 hours in a day doesn't seem long enough, high fuel prices force consumers to become even more efficient with their purchasing patterns.

- **Value** - Consumers are looking for retailers that provide all the value and savings they deserve for their patronage: the best "total delivered value."

"High attention levels, com-

bined with a greater willingness to participate in the buying process, create an opportunity to engage the consumer, provide efficiency and value and widen your base of loyalty," said Smith. "In addition, technology ... creates a greater opportunity during this economic downturn for retailers to engage customers."

Retailers can engage those cautious consumers by coordinating online and in-store strategies through loyalty programs. Consumers say they would be willing to become more loyal if retailers offered more comprehensive programs that go beyond in-store savings. They would like to earn discounts on future purchases or rewards that can be used at other retailers. Creating tiered levels of service, all the way up to "Platinum," can encourage movement from moderate to heavy store frequency of use.

Creating customer loyalty programs and convenient, time-saving strategies that increase the total delivered value will generate an expanded loyal customer base for the future. And 89% of the public say that when the economy improves, "they will continue to use the money saving strategies" they are implementing now. ■

LOCATIONS

CONTINUED FROM PAGE 10

service industries. The dominant Mosaic lifestyle segments nearby are known as "Urban Diversity" and "Stable Careers." Urban Diversity residents are young, single and perhaps have children. Full-time students, they tend to have lower incomes and enjoy billiards, football and music. Stable Careers households are highly-educated, but have lower incomes. They are significant consumers of Internet banking services, newspapers and books. An industry under-represented in this area is insurance. While the residents—especially the Stable Careers—are significant consumers of insurance, there are few options nearby.

As a basic tenet of the site-selection process is to know as much detailed information about consumers in the im-

mediate area, types of businesses and available services, we recommend an analysis that draws on the strength of proven customer profiling tools and a comprehensive business database. Armed with such data, decision-makers can begin to draw some specific, actionable conclusions about the types of businesses that may have the greatest chance for success. ■

Dr. Juli Zoola is the director of research and modeling for the Market Planning division of Experian Decision Sciences. She holds a Ph.D. in Social Psychology, with an emphasis in statistical methods. She began her research career by studying consumer attitudes and behaviors. For the past nine years she has focused on creating market-entry strategies, planning markets and forecasting location performance for a wide variety of retailers and restaurants. She currently is developing both custom and off-the-shelf products that leverage the vast consumer and retail data available through Experian® into actionable recommendations for real estate and marketing sciences professionals.

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