

## U.S. Retailers Slash Prices After Sales Growth Slowed 2004-12-21 08:38 (New York)

By Greg Wiles

Dec. 21 (Bloomberg) -- U.S. retailers including Macy's and Circuit City Stores Inc. are cutting prices by half on some items during the final push before Christmas after posting a disappointing sales gain last week.

Sales growth at stores open at least a year slowed to 3.5 percent from 5.7 percent a year earlier, according to the International Council of Shopping Centers-UBS weekly index released today. This year's gain in the week ended Dec. 18 was the largest in the last four weeks, signaling that sales may pick up as people take time off work to shop before the Saturday holiday.

"It reflects a last-minute and later push by consumers," Michael Niemira, chief economist at the ICSC, said in an interview. "Presumably this week will be a strong week. A third of our consumers we surveyed said they are shopping later than last year. It's a trend."

J.C. Penney Co. stores will open early at 7 a.m. tomorrow and Kohl's Corp. will offer 50 percent discounts as retailers try to boost sales after a lackluster start to the holiday season. Sales have been hurt because of lackluster job growth, prompting retailers to boost discounts, Niemira said. U.S. employers added 88,000 less jobs in November than the 200,000 forecast by economists.

Weather may play a role in getting shoppers to buy seasonal items including coats and hats this week as cold Arctic air sweeps into the U.S. Midwest and East, according to weather consulting firm Planalytics Inc. of Wayne, Pennsylvania. The cold weather "should drive an uptick in seasonal demand during this critical shopping week," wrote Merrill Lynch analyst Daniel Barry. "A general trend of procrastination on the part of consumers so far this December should also contribute to an unusually sharp burst of shopping activity."

### Wal-Mart

The Standard & Poor's Supercomposite Retailing Index fell 1.79 to 423.49 yesterday. It's fallen 2.29 percent since Thanksgiving. Shares of Wal-Mart Stores Inc., the world's largest retailer, rose 18 cents to \$52.20 in New York Stock Exchange composite trading.

Wal-Mart, the world's largest retailer, is forecasting December same-store sales will slow to a 1 percent to 3 percent gain from a 4.3 percent increase last year. The retailer on Dec. 18 said sales were rising within its forecast during the latest week because of shoppers buying more food and general merchandise.

Lower-income shoppers that Wal-Mart and other retailers cater to have been hurt by rising energy prices as well as slower job growth. Gasoline prices last week were 22 percent higher than a year earlier.

Luxury chains such as Tiffany & Co. and Neiman-Marcus Group Inc. are expected to do better as higher income shoppers splurge. Neiman-Marcus's same-store sales rose 8.4 percent in November and compared to a 1.8 percent increase for 73 stores tracked by ICSC.

### Forecast

ICSC forecasts same-store sales in the November-December holiday period will rise by 2.5 percent to 3 percent. That's lower

than the gain of as much as 4 percent he had projected at the start of the season for the sales, which exclude results from newly opened or closed locations.

"We may still get to an okay monthly number, but it all rides on how much of a lift there is this week and how much of a lift we get in the post-Christmas period," said Niemira in an interview.

He said only 31 percent of shoppers had finished their gift buying by Sunday night. "Our stores feel there's going to be a lot of business yet this week," Karen MacDonald, spokeswoman for Bloomfield Hills, Michigan-based Taubman Centers Inc., owner of 31 U.S. shopping centers.

### Gift Cards

J.C. Penney and Sears, Roebuck & Co. boosted traffic last weekend by being "super aggressive with early-bird specials," Britt Beemer, founder of America's Research Group, said today in an interview. "They had what consumers wanted. Consumers want 50 percent off."

Gift-card sales and Internet sales are rising and may be cutting into purchases at traditional locations. Purchases of gift cards, which are not counted by retailers until recipients redeem them, may increase by \$100 million to \$17.3 billion this year, according to the National Retail Federation.

Internet sales are projected to rise as much as 26 percent to as much as \$15.5 billion, according to ComScore Networks Inc., a Web research firm.

Retail Metrics LLC said profits at 138 retailers are forecast to rise by an average 9.1 percent during the fourth quarter, which for many merchants ends in January or February.

That compares with a 14.7 percent rise a year earlier, said Ken Perkins, president of Swampscot, Massachusetts-based Retail Metrics.

"Last year was such a strong year for retailers due to the economic rebound and tax refunds that comparisons will be very difficult to match this season," said Chris Antley of Columbia, South Carolina-based CCM Investment Advisors, which manages more than \$1 billion in assets, including shares of Best Buy Co. and Lowe's Companies Inc.

"Not to say that this is a down year, but signs of growth will be sporadic."

--With reporting by Rachel Katz, Brian Sullivan, Peter Schacknow and Lisa Kaplan. Editors: Wright, Bielski