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## Last-day shoppers do it for the sales

**Some are procrastinators, but many go for discounts.**

**By Jon Ortiz -- Bee Staff Writer**

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Procrastination has its rewards.

Especially on the last day of the holiday shopping season, said Roseville resident Wendy Howell as she poked through children's clothing at the Westfield Shoppingtown Galleria at Roseville.

"Look at this," the 28-year-old nurse's aide said, pointing to the "up to 60 percent off original price" sign in a Gymboree Corp. store window. "This is why you wait."

Kyle Baumgartner, a 36-year-old physical education teacher, was shopping in the mall for a different reason.

"Christmas sort of sneaked up on me," he said, a bag from Crate and Barrel in one hand and a sack from the Yankee Candle Co. in the other. "I wouldn't be doing this today if I didn't have to."

For many years, the malls on Christmas Eve drew mostly panicked gift buyers who were more worried about getting their shopping done than getting the best price, experts say.

But the sales tables have turned on holiday merchants, said Ben Ball, senior vice president with marketing consultants Dechert-Hampe & Co. Retailers have created a "discount vortex," he said, by offering the sales in December that they used to offer after the holidays to get rid of extra merchandise.

"They do this because they believe shoppers are waiting until after Christmas to get better bargains," Ball said, "and because they are trying to lap last year's holiday sales numbers with an increase."

Retailers have been largely disappointed with their seasonal sales. ShopperTrack RTC, which tracks retail sales, said merchants took in 3.3 percent less last weekend from the same two days in 2003.

By most estimates, holiday shoppers have spent between \$215 billion and \$217 billion so far. That represents a solid 3 percent above last year, but still less than the 4 percent to 5 percent growth that many analysts predicted.

"When retailers get nervous, they discount," said Michael Niemira, an economist with the International Council of Shopping Centers. "They're nervous this year."

The culture of retail buying also has changed, said consumer behaviorist Bonnie Ulman.

"People used to brag about paying full price and spending lots of money - it was a sign of affluence," said Ulman, chief executive officer of Haystack Group, an Atlanta marketing firm. "But now we're in the era of the discount chain retailer where price is everything. The cachet comes with getting a better deal than the next guy."

One ominous sign for merchants is that higher-income shoppers, like last-day holiday gift buyers, are becoming bargain hunters.

The trend surfaced among consumers with annual incomes above \$50,000 in a monthly survey of 8,500 women's apparel shoppers. The survey by BIG-research, an Ohio firm that studies consumer attitudes, found this month that only 13.1 percent of shoppers with incomes above \$50,000 said sales were "not important" when they shop, down from 23.7 percent in December 2002, when the survey started.

Meanwhile, the percentage of higher-income shoppers who "usually" or "always" buy women's clothing on sale has risen from 76.3 percent two years ago to 86.9 percent this year. In other words, most affluent shoppers are price conscious, said retail consultant T. Scott Gross.

"The number of consumers that do not consider price have joined the 'usually buy on sale' group, which has in turn lost membership to the 'only buy on sale' group," said Gross, the co-author of "When Customers Talk," a book about consumer attitudes. "That's scary if you're a retailer."

Some analysts contend that holiday discounting has eroded the retail industry's profit margins, that consumers have pressed merchants into literally giving away the store.

"One has to wonder about pressures on the bottom line created by all of these late-season sales," said consultant Doug Fleener, president of Dynamic Experiences Group in Lexington, Mass. "The goal is to make a profit, not just push out product."

Toy prices have fallen 20.7 percent since 2000, followed by jewelry (9 percent), apparel (8.5 percent) and sporting goods (2.8 percent), according to a study released this week by consulting firm Ernst and Young LLP.

Consumer electronics fell 4.9 percent, but prices typically drop for those items as sales rise and production costs decline.

Meanwhile, the Consumer Price Index, which measures overall prices for goods and services, rose 9.5 percent in the same period.

That retail price deflation underscores the power of mega-retail discounters such as Wal-Mart Stores Inc., which have been reluctant to raise prices, said Jay McIntosh, director of retail and consumer products for Ernst and Young. Lower-priced imports from Asia are also a factor, he said.

The competition has been particularly brutal in the toy category, where Wal-Mart has dominated the sector by using it as a loss leader. FAO Schwarz Inc. and KB Toys Inc. were pushed into bankruptcy protection this year, while the former leader, Toys "R" Us, is considering leaving the business.

Companies have compensated for narrowing profit margins by boosting supply-chain efficiency, developing private label lines with better margins and upping employee productivity.

"But much of that savings has been generated," said McIntosh. "Retailers are probably close to the end of being able to cut those kinds of costs."

Don't expect Howell, the nurse's aide, to shed a tear for merchants, however. She is spending less on gifts this year because, she said, her modest annual raise didn't cover the higher cost of fuel and groceries.

"I went financially backwards this year, too," Howell said. "That's why bargains are a bigger deal than ever."

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