

# Gadget-hungry consumers lift retailers, and expectations

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Positive reports from several points along the consumer electronics business chain showed that people appear willing to spend money on smart phones and other gadgets, and the news helped lift shares of companies from chipmakers to online and traditional retailers.

Upbeat quarterly results from electronics retailer [Best Buy](#) Co. Inc., as well as bullish analysts comments on online retailers Amazon.com Inc. and [eBay](#) Inc. and a new, raised outlook from Qualcomm Inc. conspired Thursday to suggest that consumer spending on tech products is on the rise.

Probably the most-obvious sign that consumers might be feeling a little more confident came from Best Buy, the largest [consumer electronics](#) retailer in the U.S. Before the market opened, Best Buy said its fourth-quarter earnings rose 37 percent from a year ago, to \$779 million, or \$1.82 a share, on revenue of \$16.6 billion. The results were better than had been expected, and the company said its performance was driven by strong sales of discretionary and big-ticket items such as flat-screen TVs, [notebook](#) PCs and mobile phones.

The report also helped drive Best Buy's shares up \$1.48, or 3.6 percent, to close Thursday at \$42.66.

Bob Pavlik, chief market strategist at Banyan Partners, said the Best Buy results suggest that even though the consumer might not be sold on the economy, they are still likely to open up their wallets if they really want

something bad enough.

"I think it's just that," Pavlik said. "What's happening is consumers will say one thing, that they are still a bit concerned about the economy, but when it comes to the bottom line and they need a new computer or something else, they're going to do a little shopping. And I think we might see more of this continue."

One of the beneficiaries of the rise in demand for mobile phones has been Qualcomm Inc., which builds chipsets and licenses technology for smart phones and other wireless communication devices. The company raised its outlook for its second quarter and now expects to earn 42 cents to 44 cents a share on revenue in a range of \$2.55 billion to \$2.65 billion.

Cody Acree, an analyst with Williams Financial Group, said Qualcomm's outlook was impressive, but when combined with the results from Best Buy, suggests that demand isn't limited to one particular segment of tech products.

"(The) March quarter demand is obviously well ahead of normal, seasonal weakness," Acree said, in a research note.

[Qualcomm](#) shares flexed their muscles, rising \$2, or almost 5 percent, to close at \$42.19.

And two of the classic bellwethers of Internet retailing are also signaling that consumer spending is at least taking some tentative steps forward.

EBay Inc. climbed by 63 cents a share to \$27.57 in the wake of a ratings upgrade by analyst Spencer Wang of Credit Suisse. Wang lifted his view on eBay's stock to outperform from neutral, and raised his target price on the company's stock to \$32 a share from \$25.

In Wang's view, much of eBay's strength is coming from its PayPal payments processing business. When eBay reported its fourth-quarter results in January, the company said the total volume of payments through PayPal came to \$21.4 billion, a 34 percent rise from the prior year. And as the majority of eBay merchants use PayPal to process their transactions, the growth of the business means that more consumers are willing to spend on the traditional non-discretionary items sold through eBay.

Other signs of a rise in consumer online commerce came from data released by online sales tracker Channel Advisor, which said that online same-store sales in February rose 17 percent from January. Aaron Kessler, an analyst with Kaufman Bros., said the Channel Advisor reports implies that consumers are increasing spending on larger-ticket items that cost more than \$250, and that Amazon is benefitting from this trend.

"(The) data are positive for Amazon," Kessler said, in a research note. He said the data indicates Amazon's so-called electronics and general merchandise sales, which include televisions and other electronic goods, are doing better than Kessler's own forecast for year-over-year growth of 65 percent.

Amazon saw its shares surge \$6.69, or more than 5 percent, to end the day at \$134.73.

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