

Retail sector improves as consumers open their wallets

November 10 2010, By Marc Ransford

Retail sales for the upcoming holiday season should echo the nation's struggling economic recovery as consumers increase buying by 2.3 percent over last year, says a new report from Ball State University.

The [2010 Holiday Retail Sales Forecast](#) anticipates that overall [retail sales](#) should rebound above levels from 2008 and 2009 but are not close to the prerecession heights of 2007.

"We are seeing signs the economy is slowly recovering and people are feeling somewhat better about the [economy](#)," said Michael Hicks, director of Ball State's Center for Business and Economic Research (CBER), the research division of the Miller College of Business.

"Yet retailers still have not recovered from lackluster holiday seasons during the last couple of years. There are glimmers of hope in some retail sectors, but others are still struggling."

Hicks points out that most retailers face growing pressure this [holiday shopping](#) season as [information technology](#) permits more immediate analysis of their performance.

Such issues as the level of in-store discounting and the expected size of postholiday sales keeps decision makers from retailers in small towns such as Bentonville, Ark. — corporate home of Wal-Mart Stores Inc. — closely monitoring the cash register, he said.

Most sectors up

When comparing sales for the upcoming retail holiday season with those from last year, Hicks' analysis forecasts increases in several categories, including clothing, up 26.9 percent; plus department stores, 10.1 percent; consumer electronics, 9.1 percent; items at club stores, 7.8 percent; restaurant, bar and pub sales, 5.3 percent; furniture, 3.9 percent; and jewelry, 0.5 percent.

Sectors seeing declines will be used good sales, down 5.1 percent, and items at big box stores, a predicted drop of 1.4 percent — much of it due to continued flagging sales.

"This problem has especially plagued Wal-Mart through this recession," Hicks noted. "However, Target and Kmart as well as many regional big-box retailers will be responding with steep discounts this [holiday season](#). A part of this shift may be due to the expansion of the club store format, which may be pulling sales from traditional big-box stores. It is worth noting, too, that a share of this change may be simply due to Census classification of big-box stores, which are increasingly selling food items in combination grocery-department store settings. So, even with what I predict as a difficult season for big-box stores, the format remains alive and well."

The increase in automobile sales also reflects a rebound, though quite tepid overall, for the automobile market in the U.S., added Hicks.

"Robust growth in clothing sales represents a true rebound for specialty clothing sales in the U.S, such as Kohl's. A strong holiday showing here may spell the end of the ubiquitous advertisements for two-for-one suit sales that pepper any male oriented television event."

Implications through 2011

Hicks also believes the use of gift cards will continue to extended the season through the end of December. A longer than usual holiday sales season, which is 30 days from Black Friday to Christmas, also will mask the implications of daily revenue numbers.

"The past two years, especially through 2009, have seen the closing of many retailers, especially in less populated areas," he concluded.

"However, the loss of these establishments has largely run its course, and no such nationwide shrinking of the retail footprint should be expected in 2011."

Provided by Ball State University

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