



Retail and Consumer Products Commentary

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Will fall match expectations?

As usual, the back-to-school season will be critical to retailers' bottom lines this month; however, many rightfully remain cautious. The economy continues to be a concern, but there are several strategies retailers can implement to differentiate themselves and increase market share. Director of Retail and Consumer Products Advisory Services, former industry analyst Jeffrey B. Edelman, discusses the valuable opportunities retailers can take advantage of to continue momentum as we move into the fall season.

NRF is forecasting a strong back-to-school season: The National Retail Federation's (NRF) recently released projection, based on consumer buying intentions, calls for a very strong back-to-school season with sales increasing at a double-digit pace. This rosy outlook is partially based on demographics, realizing that compared to the rest of the year, this period has typically been less impacted during uncertain economic times.

The economic news may not be great, but kids still go back to school: Size change is an important catalyst to purchase. Momentum should build into fall as temperatures cool, when seasonal merchandise and fashion newness create excitement; nevertheless, practicality will remain a high priority. The entire fall season, which incorporates September and early October, however, will be driven by a broader list of merchandise categories.

Retailers exhibiting caution: Retailers appear to be taking a more cautious view following a disappointing spring season. Nevertheless, profits held up better than the top line because

margins benefited from lower inventory and fewer markdowns than last year for most stores. Abercrombie & Fitch was one of the exceptions and could potentially spark a more promotional season in their categories.

Want to buy will be critical: The want to buy will be a key for the fall season rather than the need to buy categories that are not back-to-school. As always, fashion and color will be a major incentive for wardrobe updating. Some stores noted favorable response to new seasonal merchandise in their July sales commentaries, but that sample was relatively small and not necessarily broad based.

Online shopping will continue to be a big contributor: Last month, Macy's noted that a little more than half of its comparable sales increase was generated online. It will be critical for brands and retailers to be consistent with their message and remain focused on their target customer. While the season is pretty much set with respect to merchandise assortment and inventory level, there is ample opportunity to enhance the online experience. Social media is increasingly becoming a more important element of an advertising and promotional program, especially peer influence.

Maintain the value proposition: While this varies by customer, value remains a high priority, more so than just low price alone. Time is often the most valuable commodity and therefore, variety and assortment, along with ease in facilitating the transaction can frequently dictate the site of choice. Providing insightful product information such as sizing and care instructions will often be the critical determinant behind the consumer selection.

Customer service can be a key differentiating factor: Customer service has the potential to transform what might be a mediocre season to one that exceeds budget for many. Sales staff could be encouraged to bring three items into a dressing room rather than one, increasing the likelihood of a multiple purchase. Ability to locate any unavailable size in the store and overnight ship at no charge will go a long way to increase consumer loyalty. For non-apparel merchandise, product knowledge will often help make the sale. Training costs might be higher, but those should be more than offset by incremental volume. A loyal customer will generally frequent a store or website more often, make a larger dollar purchase and is usually more profitable. The cost to secure a new customer is about three times more than an existing customer, raising the importance of the loyal customer.

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