

September 03, 2009 9:19 AM

Shopping is so last year

Same-store sales declined in August at most retailers tried to cope with penny-pinching consumers.



[+] *Photo by Bloomberg News*

Promotions and discounts did little to help retailers this back-to-school season, as many suffered another round of same-store sales declines in August.

Same-store sales fell on average 2.5%, according to tracking firm Retail Forward. While August sales were an improvement over July's 4.6% decline, they were still dismal compared with August of 2008, when sales were up 0.5%.

"August numbers are a warning sign that is in line with our expectations of a very difficult overall back-to-school season and a very disappointing holiday season," said Jacques Roizen, an Alvarez & Marsal managing director who covers retail and consumer goods. Mr. Roizen said that shopper behavior has changed as consumers postpone discretionary purchases.

"A year ago, if you wanted to buy school supplies and backpacks for back-to-school, you'd buy them no matter what. This year, if last year's items are still in good shape, you're not going to replace them," he said.

Parents might have held off purchases of kids' apparel, as same-store sales at Secaucus, N.J.-based the Children's Place fell 8% in August, a worse decline than the retailer's 4% drop in July. Gap Inc. posted drops in August same-store sales at its namesake and Banana Republic chains, but saw a 4% same-store sales gain at its lesser-priced Old Navy division.

While heavily-discounted stores like TJX Cos. saw sales increases, the department store sector endured more declines. Luxury retailer Saks Inc. posted a whopping 19.6% August same-store sales decline as more customers shied from lavish spending. Meanwhile, Macy's Inc. saw its same-store sales fall over 8% last month, and J.C. Penney, which recently opened its first Manhattan location a block away from Macy's in Herald Square, reported a 7.9% drop.

New York-based teen store Aeropostale Inc. reaped the benefits from its value-priced wares—again. The retailer posted a 9% rise in August same-store sales, following a 6% jump in July. The chain has consistently beat out rivals Abercrombie & Fitch and American Eagle, which recorded August declines of 29% and 7%, respectively.

“In this market, moms especially are shopping more with their teens than in any previous year, and they are tightly controlling the purse strings,” said Sapna Shah, a principal at consultancy Retail Eye Partners. “We weren’t surprised to see that value-oriented retailers like Aeropostale continue to be the parents’ and teens’ choice.”

She added that, due to the late Labor Day holiday this year, several schools in California and the Northeast have yet to begin the fall season, which will push a lot of back-to-school sales into September.