

[Print \(#\)](#)

Holiday outlook forces retailers to get creative



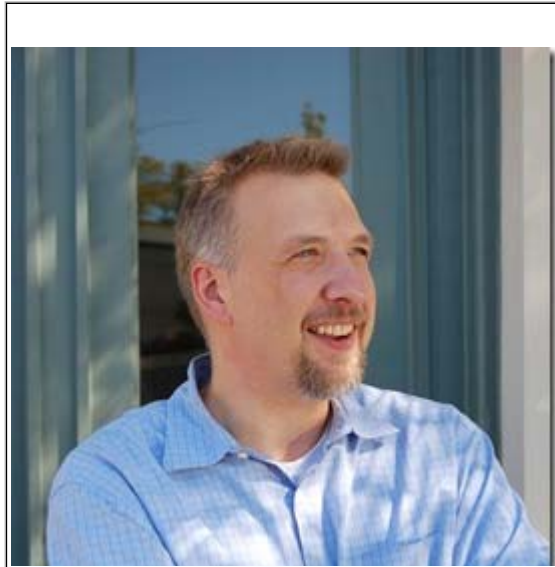
http://crbjblog.iackhq.com/files/topix5_2.jpg For the past three years, gift baskets of wine, cheese and other gourmet treats have been a major part of holiday sales at Ted's Butcherblock in downtown Charleston. But with the economy in disarray as owner Ted Dombrowski heads into his fourth holiday season, he worries that basket sales will take a hit. Based on retail sales forecasts and the latest numbers from the U.S. Commerce Department, businesses and consumers will be cutting back on gift-giving this holiday.

By Ashley Fletcher Frampton

aframpton@scbiznews.com (<mailto:aframpton@scbiznews.com>)

For the past three years, gift baskets of wine, cheese and other gourmet treats have been a major part of holiday sales at Ted's Butcherblock in downtown Charleston.

But with the economy in disarray as owner Ted Dombrowski heads into his fourth holiday season, he worries that basket sales will take a hit.



"That's something that a lot of companies might cut back on this year," Dombrowski said.

Based on retail sales forecasts and the latest numbers from the U.S. Commerce Department, businesses and consumers will be cutting back on gift-giving this holiday.

Those forecasts, combined with slow sales in recent months, have left some local retailers searching for creative ways to keep their cash registers ringing.

The National Retail Federation expects sales growth of 1.9% this season, the slowest growth since 2002. Taking a more pessimistic view, America's Research Group chairman Britt Beemer thinks retail sales will actually decline this holiday season compared with last year.



http://crbjblog.jackhq.com/files/Ted_Dombrowski_2.jpg

Ted Dombrowski of Ted's Butcherblock in Charleston said he's worried that businesses will cut back on holiday gifts this season. (Photo/Ashley Fletcher Frampton)

"I would say it's probably going to be the most difficult Christmas in the past 30 years," Beemer said.

The latest numbers from the U.S. Commerce Department back this up. Commerce reported a 3.1% decline in consumer spending for the third quarter, the biggest drop in 28 years, and an overall 0.3% decline in the entire U.S. economy.

The combination of the housing crisis, the credit crisis, the stock market's recent plummet and rising unemployment represent a perfect storm for retailers, Beemer said. Even the luxury retail sector will suffer, he said.

"The consumers who are most likely to buy luxury are the ones who are most heavily invested in the stock market," he said.

The only retailers Beemer expects to see substantial sales growth this season are savings clubs such as Sam's Club, BJ's Wholesale Club and

Costco Wholesale. Wal-Mart might see gains, too, as shoppers seek the best bargains they can find.

Expanding markets

Dombrowski says Ted's Butcherblock shoppers have been looking for bargains and more value for their dollar for a few months. He has responded by stocking more wines in the \$12 range, for instance, and offering more diverse menu options, such as a fried chicken dinner with sides.

"Instead of concentrating on who's coming into the store, we've tried to grow outside of the store and do more catering, maybe go after markets that didn't know we were around and did lunch," Dombrowski said.

Christine Osborne, owner of Wonderworks toy stores in Mount Pleasant and West Ashley, also has sought new ways to attract customers and keep them spending through the holidays.

She recently started accepting Greenbax, the customer rewards program that started at Piggly Wiggly grocery stores and has expanded to other local businesses.

"It helps the customers, and it helps the retailers, too," Osborne said.

She tells the story of a woman who recently came to Wonderworks to buy a toy castle for her granddaughter after saving for two months to buy it. The customer found out she had more than enough in Greenbax rewards to buy the castle, so she ended up buying it and accessories to go with it.

"It was found money for her," Osborne said. "She spent it here."

Osborne is also offering a layaway program and a strategy that she says is a way for parents to ensure their children get what they want, even if it's not all from Santa.

The strategy: Parents select the toys they want to give their children this holiday season and pay a third of the cost. In subsequent weeks, when relatives ask what the kids want, parents can offer them an item that's on layaway.

"When they come back, they have the list, and they have the money from their relatives for the items that they (the kids) have been dying for all year," Osborne said.

It's a way to make sure no money is wasted on toys that kids don't want, Osborne said. Clearly, it's also a way to direct more sales to Wonderworks.

Not all bad news

Beemer of America's Research Group said many retailers rely on the holiday shopping season for about 40% of their annual sales.

Some local stores declined to talk about their expectations for the holidays, citing the tough economy. Others, however, say they are doing surprisingly well.



(http://crbiblog.jackhq.com/files/Teds_2.jpg)

Holiday baskets are a popular item at Ted's Butcherblock in Charleston. Retailers are guarding against an economic downturn hurting their sales during the last two months of the year. (Photo/Ashley Fletcher Frampton)

One of those is Gwynn's of Mount Pleasant. Owner Marshall Simon said his sales in the first half of the year outpaced last year's. Even though sales slowed a bit in September and October, he expects to finish the year just fine.

"We're of the opinion that if you keep changing things and keep things fresh, people are interested," Simon said.

Last year, for example, Simon added fine jewelry to his store's offerings just in time for the holidays. Sales of the jewelry exceeded expectations, he said.

The store does not usually offer big sales or promotions, even around the holidays.

"Some stores have super Tuesday, wonderful Wednesday and just-because-it's-Thursday sales," Simon said. "Nobody knows what the real price is."

But Beemer said he expects many stores will offer big promotions on Black Friday, competing for thrifty shoppers during the traditional day-after-Thanksgiving shopping frenzy.

"Retailers know that they have to get their numbers up," he said.

The National Retail Federation predicts a similar scenario. According to the group's 2008 Holiday Consumer Intentions and Actions Survey, 40% of shoppers said sales or promotions would be the driving factor in determining where they will shop.

The next-highest factor was selection, which 21.5% of the 8,000-plus consumers surveyed said would guide their holiday shopping.

Retail imports decline

But selection might not be quite as varied as in years past. The volume of retail items coming through the Port of Charleston is down this year, a likely result of the expectation of slow holiday sales.

Retail imports typically increase starting in late summer and continue through November as big-box retailers prepare for back-to-school shopping and the holiday spending bonanza that follows.

But in July, August and September, Charleston's total loaded container volume was off 1% from the same three months last year.

Imports were down about 9%. A 9% increase in exports, driven by the weak U.S. dollar, helped steady the volume. But even that positive note is at risk of flattening. The nation's container traffic for 2008 is expected to register at its lowest level since 2005, according to Global Insight and the National Retail Federation, which track monthly activity at the country's largest seaports.

Another trend tied to the retail sales outlook is a drop in seasonal hiring.

According to a recent SnagAJob.com survey, managers plan to employ about 33% fewer hourly seasonal workers this year compared with last holiday season. The survey found that 57% of managers don't plan to hire any seasonal help this year, an increase of 8 percentage points from 2007.

Already, South Carolina's unemployment rate has been running at more than 7% for the past two months and has averaged 7.3% for the third quarter.

Charleston County still had the second-lowest rate in the state for September at 5.7%.

Osborne, for one, has altered her staffing plan for Wonderworks this season.

"I always had an extra person in case it got slammed," she said. "Now I'm going to call someone in if needed."

Staff Writer Molly Parker contributed to this story. Reach Ashley Fletcher Frampton at 843-849-3129.

[Print \(#\)](#)

