

Consumers much more conflicted

- Seeing Americans torn between splurging and saving, retailers are going all-out to lure them back into stores.

By JACKIE CROSBY • Star Tribune

This time last year, consumers mostly behaved like a monolithic bunch. As the world plunged into financial crisis and a presidential election loomed, recreational shopping dried up.

But recently, there's been a growing urge to splurge.

"You can feel virtuous about all this belt-tightening, but it does get a bit tiresome," acknowledged Shannon Romanstein, a stay-at-home mom from St. Louis Park. She recently treated herself to a \$150 handbag.

As consumers slacken the iron grip on their wallets, their unpredictable behavior is giving retailers headaches. And no one's sure yet whether this pent-up demand or slightly sunnier outlook will stick as the crucial holiday season approaches. Many stores traditionally have earned all their profit in the fourth quarter, when even tightfisted shoppers often will spend for the holidays.

"What we've seen is this teeter-totter effect," said Retail Forward's Mandy Putnam, whose ShopperScape surveys analyze consumer shopping behavior. "Consumers get optimistic, then something happens and they get pessimistic for a month or two. Each time, the momentum is less drastic. We suspect that once people stop getting pounded with bad news, they'll settle down."

When consumer spending dropped off last fall, stores moved quickly to reduce inventory and trim staff. But as Best Buy learned in recent months, unexpectedly strong demand for televisions and computers caught

the company off guard, sending it scrambling to "move heaven and earth" to stock up shelves and get more workers on the sales floor, CEO Brian Dunn said earlier this month.

While deep discounts remain the most reliable way to move shoppers off the dime, Target has found that its recessionary consumers don't always go for the lowest price. They're snapping up high-end cookware and expensive skin-care regimens.

"Consumers are much more conflicted," said Mary Van Note, co-partner at Minneapolis-based Ginger Consulting, a brand and market research company. "They have warring impulses about: 'I'd really like to shop, but I know that I shouldn't.'"

Van Note, whose company uses 400 consumers across 10 major U.S. cities to help identify trends, said consumers who have a little disposable income are "doing weird trade-offs to rationalize their purchases."

When Romanstein gave in -- using gift money and replacing a purse she'd used for two years -- she owned up to doing a little rationalizing.

"I shopped at T.J. Maxx and paid half of what it would have cost at Macy's or Nordstrom," she said. "I justified it, but I definitely enjoyed the purchase."

Still, the early days of the recession forced her to rethink all aspects of consumerism, Romanstein said. The family eliminated unnecessary spending, cut down on meat-centered meals and even sacrificed an annual trip to South Carolina. The more-frugal lifestyle is here to stay, she said.

Survey after survey shows she's in lock step with the majority of Americans, who don't plan a return to their free-spending ways anytime soon. Economists and retail watchers don't expect a spending recovery until the second half of next year, and views differ on whether the gorging consumerism of boom times will return.

Wine parties and Facebook

Meantime, retailers are pulling out all the stops, trying to catch this conflicted consumer's attention.

They're offering wine and cheese parties with private sales. And they're sweetening loyalty programs or at least giving them a fresh look. Lord & Taylor, the nation's oldest department store, is testing a promotion aimed at getting people to stores more often. Shoppers who come to stores at least twice in a month (and spend at least \$100) get \$15 back.

Retailers are turning to social networking: Nearly six in 10 leading retailers have a fan page on Facebook, according to interactive marketing firm Rosetta.

Kim Ihle of Eagan said she's getting a lot more e-mail offers from retailers than in the past.

"I get them from Express and Gap and Macy's," said Ihle, who works for commercial real estate firm CB Richard Ellis in Golden Valley. "And it's not just to buy \$100 and get \$20 off. These are just a \$20 coupon to come in the store and buy something."

There's more show-and-tell, too, which helps shoppers justify the purchase.

Saks Fifth Avenue's fall catalog goes to great lengths to describe the fabric and uniqueness, but also includes how many hours it took to make by hand. Van Note calls it "the one-two punch -- retailers have to entice people to emotionally attach, but give them a rational reason to buy it."

She pointed to a recent example at Nordstrom, where she saw a saleswoman showing a group of women how to wear a shawl nine ways. "People were buying it," she said. "Not just because it's new and it's a great color for fall, but because she gave them nine different reasons why they had to have it."

Finicky times

But price is still king.

"If it's not on sale, I don't buy it," said Christina Frigstad, eating a made-at-home lunch with her husband, Ken, during a break from their jobs at Qwest. "We're much more finicky now."

That's part of the conundrum for retailers.

"Retailers taught the consumer last year that 50 percent is no longer a great sale,"

said Britt Beemer of America's Research Group. "Now, 60 to 70 percent off is a great sale. The retail community thinks they're going back to what they used to do and everybody's going to respond. But consumers are more and more focused on the deal, and they aren't going to look at anything other than a deal."

Baby boomers led us out of previous two recessions, but there won't be a boomer bailout this time, said Retail Forward's Putnam. They may be in the prime earning years, but they're done feathering their nests and making big purchases. Now, they're taking care of aging parents and ushering kids off to college. With their own retirements looming and their savings clipped by falling stocks, they're worried about having to work five to seven years longer than they'd been planning on.

This recovery will rely more on younger shoppers -- the 26- to 45-year-old Generation Xers. They were the last to reduce spending, and Putnam said they'll be the first to jump back into the game.

Putnam's most-recent research shows that today's trends will affect the future retail landscape: Shoppers want value and they want deals. They may not care as much

about environmentally friendly purchases, but they see wasteful spending as a stigma.

"People like me are no longer comfortable with mindless accumulation," said Romanstein, who says her family is bound and determined to make it to South Carolina for the family reunion next summer. "Retailers have to figure out a way to give us products, prices and quality so that we can justify spending money. This 'mindfulness' piece is here to stay."

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