

# DO TOO MANY SALES KILL SALES?

Although the positive performance last October (+ 0.2% in value in comparison to October 2008) put an end to the drastic three-month-long slump in end-consumption of textile and fashion articles, in November, performance once again headed toward a downward trend (- 3.9 % in value in comparison to November 2008). Initial data on the month of December not only point toward a slight improvement over the admittedly weak reference point of December 2008, but also confirm that consumers still have an appetite for fashion. If the final results for the month of December confirm these initial findings, the fall in consumption of textile and fashion articles may ultimately be around - 3.2 % in value.

It appears, therefore, that business hit rock bottom during the third quarter of last year when sales plummeted - 9.1 % in value in comparison to sales in the third quarter of 2008. At the end of the year, the drop in consumption was considerably less severe, as in the fourth quarter of 2009 it hovered somewhere between - 1 and - 2 %.

As we make our way into this new year, should we expect—like last year—that the winter sales will create greater vitality in consumption? It is true that consumers, particularly in these times of economic crisis, have become more rational and are always on the lookout for bargains. The month of January therefore totalled the highest consumption rate for all of 2009. Having limited their purchases during the months leading up to the winter sales, during the sales consumers can take advantage of the substantial discounts offered by retailers. Furthermore, the onslaught of the cold weather should stimulate sales of larger items. While activity during the first days of the sales period may be quite brisk, the fear remains that the excitement will peter out rather rapidly. In addition, heavy snowfall in many regions in France has created difficult traffic conditions and ended up stimulating Internet sales.

In any case, though the sales are obviously necessary for liquidating retailers' stocks, they alone can by no means bolster consumption. Especially in light of the fact that—with the recent creation of fluctuating sales periods in

France—as sales become ever more prevalent, they help weaken the impact of the seasonal sales periods. Retailers have held their weeks of sales at different times, which has no doubt further lessened their effectiveness. Consequently, consumers are now under the impression that sales and promotions take place all throughout the year.

The increasing frequency of sales also adds to a mounting a feeling of suspicion on the part of consumers about the legitimacy of prices. The huge discounts offered during the sales periods can lead consumers to believe that the profit margins on the list price are far too spacious, thus encouraging them to concentrate their purchasing during the sales periods. For the year 2009 overall, points in market share from sales and promotions totalled 31 % of retailers' turnover, as opposed to 18.5 % only ten years ago!

The movement toward lower prices—which is reinforced by the increasing market share of sales periods and promotional sales—does have an influence

on retailers' sourcing strategies. Throughout the first ten months of 2009, contractors thus maintained the volume of their purchases from Asian manufacturers in countries such as India and Bangladesh and only very slightly cut back on their imports from China in spite of the fall in consumption, in order to keep this movement toward lower prices from eating away at their profit margins. It is European and Mediterranean Basin manufacturers, however, who have watched their orders decrease significantly.

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