

# WILL THE SALE SEASON SAVE THE DAY FOR CONSUMPTION?

As of late May, consumer spending on fashion and textiles in France dropped 3.8 % in value in comparison to the first 5 months of 2008. This performance is an even stronger example of a trend visible throughout 2008, when consumption fell 3 %. Upon closer examination, the fall in spending is mainly due to the lower prices of the articles purchased, mostly because of the increasing number of bargain sales and promotions. In a time when the economic situation is hard, consumers reduce their budgets but do not stop buying, as, on average, they still purchased the same number of items of clothing.

Thanks to lively activity during the first few days of the month, and for some brands, the early days of the sale period starting on the 24th, performance for the month of June should nevertheless allow consumption to pick up somewhat. Is this slight improvement enough to compensate for the poor profits that have come in thus far this year?

The price criterion has incontestably become a crucial variable in households' new consumption mindset. They are always on the

lookout for a bargain and are even more avid in times of crisis. It is therefore telling that, thanks to the winter sale period, during the month of January 2009, sales rose the most to-date: + 3.6 % in value in comparison to January 2008. Results for the month of June will most likely bring up the overall turnover and profits for the first two quarters of 2009 will show less deterioration than those in late May. However, this improvement will by no means be enough to compensate for the downturn taking place since the beginning of the year: i.e. sales for the month of June would have to increase a whopping 16.5 % for first-half 2009 consumption performance to stabilize, in comparison to first-half 2008.

The proliferation of sales is not enough to bolster consumption in times of crisis. This is all the more true as freeing up France's traditional sale periods has lessened the impact of the biannual seasonal sale periods. More sale periods may even end up reinforcing consumers' feeling of suspicion when it comes to the legitimacy of prices. The enormous discounts offered during the sale periods can indeed lead consumers to believe that the profit margins

early in the season are far too roomy, thereby tending to encourage them to concentrate their buying into the sale periods. The market share of articles bought during sale periods thus came to 41 % of sales during the first quarter 2009.

The downward trend in prices has an impact on the sourcing strategies of retailers as well. Indeed, during the first 4 months of 2009, contractors maintained their volume of sourcing from Asian producers in spite of the drop in consumption, to keep downward-spiralling prices from eating away at their profit margins. Instead, it has been European and Mediterranean Basin producers who have born the brunt and watched their incoming orders decrease considerably.

The development of Internet shopping adds to this logic of paying increasing attention to low prices. Beyond the time-saving advantages the Internet offers, it is also an incredible tool for allowing consumers to compare prices and take advantage of the many bargains on offer. Performance for the first quarter 2009 has confirmed this phenomenon: cut-rate prices have accounted for 59 % in value for on-line

clothing sales . For 2009 as a whole, the market share of bargain or promotional sale purchases, for all retail channels, may come close to 35 %, as opposed to 18.5 % only two years ago!

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