

US March retail sales struggle to escape winter blues, late Easter will brighten April

By WGSN Newsteam, 11 April 2014

Gap comps dropped 6% last month, shares slide 3%

The slow arrival of spring weather and the Easter shift ensured those US retailers still bothering to deliver monthly same-store sales results had a tough comparable March.

Although sales improved from a wintery February almost all struggled to match or beat year-ago figures.

Excluding drugstores, total March retail sales rose 2.4%, behind the 2.7% increase a year earlier, according to Thomson Reuters which tracks seven retailers. It also said apparel sector sales slipped 3% last month despite many continuing to resort to price cuts and promotions.

Retail Metrics said March same-store sales rose 3.5% from a year earlier, beating expectations for a 2.5% boost. However, stripping out an impressive 5% sales rise Costco, which tends to close on Easter Sunday, overall retail sales increased just 1.6%, it noted

Due to the slow start to the spring selling season, "April results take on added meaning this year," its spokesman Ken Perkins said.

"Retailers and investors will be looking for strong Easter sales coupled with the release of pent-up demand for warmer weather merchandise this month," he added.

Although store traffic was hurt by continued cold weather on the East Coast, that was slightly offset by warmer-than-usual weather on the West Coast and an acceleration of tax refunds during the month, according to data provider Euclid, which also said that shopper traffic in March declined 1% from last year.

Looking to April, Euclid expects there to be a rebound of activity, especially after a depressed start to the year.

"Weather shouldn't be a challenge, there are minimal economic headwinds we see on the horizon, and store traffic should pick up," said Euclid data scientist Breton Birkhofer, adding that continuing heavy promotional activity should also drive shoppers into stores.

Late Thursday, Gap said its March same-store sales fell 6%, more than the 4.7% dip analysts had expected, with the retail giant citing bad winter weather. Its shares fell nearly 3% in after-hours trading.

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The results included a 7% drop at its signature Gap stores, a 4% dip at Banana Republic and 7% decline at Old Navy.

Gap had already warned investors that a shift of the Easter holiday into April this year, from March last year, would hinder its sales for the month. The company reported total revenue of \$1.5bn for the five-week period that ended April 5.

CEO Glenn Murphy said that while March was challenging, the company remains confident and reaffirmed its full-year forecast. But the company also warned that first-quarter gross margins will be lower than last year, due in part to the rough winter in much of the country and high inventory levels.

L Brands, formerly Limited Brands, said March same-store sales fell 1%, compared with the 1.6% decrease expected by analysts. The later Easter holiday hurt March comps by two to three percentage points, the retail group said.

Of L Brands' units, Bath & Body Works' same-store sales dropped 2% when a 2.9% decline was expected, while Victoria's Secret posted a 1% decline when a 1.3% drop was expected.

Costco meanwhile bucked the downward trend, reported a 6% increase in March comps, excluding gasoline, topping the 5.5% growth that was expected. Among top performing categories were hardware, small appliances and apparel, while consumer electronics same-store sales were flat.

Fred's reported a 1.2% dip in same-store sales, matching expectations. The company also cited the later Easter holiday as well as the continuing unseasonably cool weather as pressuring March sales.

"We expect stronger sales in April as our stores are well prepared and we look forward to the arrival of the spring season and Easter holiday," CEO Bruce Efirm confirmed.

American Apparel, who is to become the latest retailer not to report monthly sales from April, reported March comp sales fell 5%. That included a 9% dip in comps for its retail store channel, partially offset by a 16% increase for its online channel. Wholesale net sales increased 11% for the month. Total net sales were flat at \$49.6m.

CEO Dov Charney said: "Comparable retail store sales for March largely reflect a later shift in the spring selling season from the later timing of Easter this year and the unseasonal cool temperatures throughout much of the country. We are encouraged by a rebound in online sales with an increase of 16% this year on top of a 24% increase last year. Our wholesale business continues to deliver solid growth with an 11% increase for the month and a 9% increase for the quarter."

Among teen retailers, Buckle reported a 1.8% decline versus the expected 3.2% drop, while Zumiez said same-store sales fell 2.9%, beating estimates for a 4.4% drop. Zumiez also noted the late Easter hurt March same-store sales and should benefit April.

Cato's total March sales fell 3% to \$102m as same-store sales dipped 5%. Sales for the nine weeks ended April 5, fell 1% to \$188.9m, with same-store sales were down 2%, unfavorably impacted by the shift of Easter from

"We expect April sales will be favourably impacted. Because of this shift, the best measure for performance is the combined sales for the two months. We continue to expect first quarter earnings per diluted share will be in the range of \$0.89-\$0.95," said CEO John Cato

* International Council of Shopping Centers said it expects a 3.5-4% comp sales increase in April.

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