

QUALITY SELLS DURING 2004 HOLIDAY SEASON

A post-season surge saved the holiday season for U.S. retailers—especially those that focused on quality products.

The biggest gains were reported by Neiman-Marcus, up 10.3 percent over 2003, and Nordstrom with 9.3 increase for comparable store sales. Among specialty stores, American Eagle Outfitters, up a whopping 32.9 percent, and Abercrombie and Fitch's 10 percent, led the list. Both cater to teen apparel.

Wal-mart, with sales in excess of \$38.4 billion during the season, had comparable store increase of 3 percent, but overall sales increase of 13.4 percent including new stores. This represented a dramatic turnaround after a poor start the week-end after Thanksgiving.

For some retailers, the 2004 holiday season was a disappointment. Gap sales were down 1 percent, Sears sales fell 3 percent, and JC Penney off 1.2 percent.

ONLINE SALES SOAR

Shoppers spent over \$23 billion online, boosting internet sales by 25 percent over 2003, according holidays retailer reports for 2004.

Online shoppers spent most for apparel—16 percent of all sales—with electronic games and toys around 10 percent. Jewelry sales doubled.

KMART MOVES INTO PROFITS

Kmart topped off its remarkable 2004 turnaround will strong holiday sales.

Kmart said November and December sales were up 10 percent over the previous year; with profits exceeding \$250 million. In 2003, same store sales were down almost 5 percent.

An \$11 billion merger with Sears Roebuck and Co. is expected to be finalized this spring.

Expansion in the works?
New executives on board?
New product debut?

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Purchasing managers expect costs to mount this year, perhaps prompting inflation, according to a survey by the Institute of Supply Management.

Some 69 percent of manufacturing purchasing agents – including those in hosiery – expect to confront rising prices, compared to 50 percent two years ago.

On average, the purchasing executives expect a 4.4 percent increase, compared with 1 percent a year ago and 1.8 percent two years ago.

Among non-manufacturing purchasing agents over 71 percent said price increases

of 3.6 percent will be will incurred in 2005.

But can these increases be passed on to customers?

In the past, companies have been able to boost output per worker to absorb price increases and still preserve margins. Also recent declines in oil and commodity prices may help reduce pressures, the agents asserted.

In the survey, 47 percent of manufacturing agents and 39 percent of non manufacturing managers said they have realized half the potential benefits from technology to wring out additional efficiencies.



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