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Shopping

Ten Stores Americans Can't Give Up

Lauren Sherman, 02.19.09, 4:00 PM ET

Consumerism isn't dead. At least, it isn't according to a Feb. 12 report from the U.S. Commerce Department, which said retailers saw an increase of 1% in sales to \$344.6 billion in January 2009, compared with December 2008--the biggest percent increase since November 2007.

Some economists are saying that the number needs to be recalculated--and it's still 9.5% below what we spent in January 2008. But in any case, it seems that we haven't given up on shopping altogether. And, sure enough, there are certain retailers--even in uncertain times--that are still pulling in customers.

In Depth: 10 Stores Americans Can't Give Up

Take Philadelphia-based [Urban Outfitters](#) known best for its fashion-forward, yet affordable clothing that appeals to the [hipster, 20-something set](#). The company aims to ride out the recession by embracing distinctive trends for spring, such as ethnic-print skirts and neon. But analysts say the chain actually has more of a competitive edge than its seasonal selection.

"They're not like every other store in the mall," says Howard Tubin, director of soft line retail equity research at Montreal-headquartered RBC Capital Markets, referring to each store's unique set-up and product mix. "These aren't cookie-cutter locations."

For the three months ending Jan. 31, 2009, Urban's sales increased by 8.6% to \$213.4 million, compared with \$196.6 million during the same period last year. Comparable store sales--referring to sales in locations that have been open for at least one year--were up by 3%. Over the last year, sales increased by 22.8% to \$771.3 million.

Selling a Lifestyle

It's the same formula, to an extent, that's helped luxury goods brand [Hermes'](#) star continue to shine. While the company simply hopes to keep sales at the same level for 2009, the leather goods maker did report a 14% increase in handbag sales in the fourth quarter of 2008. (Profits for the year will not be disclosed until March, but the company did announce an 8.6% rise in top-line growth for 2008.)

Like Urban Outfitters, Hermes offers products that distinguish the brand from the pack--just on a much higher end of the price spectrum. While fewer people may be able to afford Hermes Kelly bags, which costs upward of \$5,000, those who still can might be more inclined to choose one of these carry-alls [rather than indulging](#) in several, lower-priced bags, from say, Coach.

Sure enough, that retailer announced on Jan. 13 that its 2009 second-quarter same-store sales in North America--which included numbers from the holiday season--were down 13% from the same quarter in 2008.

Joining Coach in the doldrums are chains like the Gap and Ann Taylor, which continue to see comparable store sales decline. The reason is that they sell products similar to those of other retailers instead of an exclusive or unique range of products for a certain type of person.

However, preppy, mid-market retailer [J.Crew](#) does, and has therefore bucked the trend. While J.Crew is heralded for its fun, sophisticated take on current fashions, from ruffled silk blouses in pastel silks for women to slimmer-fitting plaid button-downs for men, the retailer has had some additional support--from the Obama family, namely, which wore pieces from the collection to both the Inauguration and the Inaugural ball.

While the company doesn't release its fourth-quarter sales until March, sales from its third quarter, which ended in November 2008, indicated that the retailer would be able to work its way through the recession better than most. Sales in that quarter increased 9% to \$363.1 million from the same period in 2007, while comparable sales increased 5%.

Uniqueness Sells Online

And it's not just brick-and-mortar retailers like J.Crew benefiting from selling a lifestyle rather than a product. Despite the fact that Reston, Va.-based market research firm comScore says U.S. e-commerce shrank 3% year-over-year in the fourth quarter of 2008, [Web retail king Amazon.com](#) continues to succeed. That has a lot to do with its low prices, free shipping and easy-to-use storefront, says Dr. Robert Passikoff, founder and president of Brand Keys, Inc., a New York-based brand consultancy.

"Amazon did what they needed to do early on: They built a sense of community." The site's Recommendations tool, which gives customers ideas on what to buy next based on their previous purchases, is a part of that. Passikoff also says Amazon "ensures that merchandise graphics are high-quality and that the check-out process is easy."

Amazon also employs simple tools that make it easy for consumers to spend. The site securely saves repeat users' credit card information, as well as multiple shipping addresses, so they don't have to be re-entered purchase after purchase.

Net sales for the site increased 18% to \$6.7 billion in the fourth quarter of 2008, compared with \$5.67 billion in the fourth quarter of 2007.

Online and off, it seems, the secret to retail success in these tough times isn't so much of a secret at all. It's just that some retailers are better positioned to take advantage of the conditions than others.

"The name of the game is differentiation," says Tubin. "Consumers are not looking to part with their money [right now]. Newness, excitement: That's how you win."

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