The KSA Perspective

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Retail profile for fiscal 1991

Better-than-expected results in a recession.
Discounters, hard lines specialists take lion's share of a small gain.

On the whole, publicly owned retailers emerged from 1991 in better shape than expected. Given the depth and persistence of the recession, a 2.4% drop in real consumer spending on apparel and footwear, and endless reminders about its poor health, the retail industry's numbers in this year's Profile could have been a lot worse.

Total sales for the 106 corporations listed this year were $303.9 billion — up almost 10% over 1990, but the smallest gain in five years. There was a $611-million increase (+8.5%) in profits before extraordinary items for the 102 companies whose data are fully profiled. (See Composite P&L, page 8.) Return on sales was 2.7%, a shade lower than last year, and nothing to write home about. After $1.6 billion in one-time write-offs, the bottom line was a weak 2.2% of sales.

Retailing's sales gains in 1991 were not very profitable. Moreover, they were not shared equally. Among the four sector classifications used here, discounters and hard lines specialty stores took the lion's share, at the expense of department stores and soft lines specialists. (See chart.) The department store group shrank to 28% of total sales, while discounters now represent 40%. The shift towards value accelerated in 1991.

Another quick indication of better-than-expected performance is that only 26 of the 106 listed companies lost money in fiscal 1991, versus 27 of 90 the year before. (But those in the red bled profusely. In addition to *Macy's* and *Federated,* whose P&L statements are not fully profiled, *Woolworth, Ames, Carter Hawley Hale, Highland Superstores,* and *Lionel* each lost over $100 million.)

Closer inspection shows that sales of another 34 firms either declined or failed to cover price inflation. This means that only 46 gained more than 3% last year, while 60 had losses and/or gave up business to competitors. That is the real story of retailing in 1991, and it has less to do with recessionary conditions than with long-term trends.

Large, Fast Changes.

For several reasons, consumers are spending more with a smaller number of successful, mostly large, retailers, and less in more traditional, somewhat tired, and definitely less competitive stores. There is nothing new about a continuing evolution of novel formats and concepts to replace older ones in retailing — except that there are larger