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Credit, oil, Target hit U.S. independent retailers

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By Nick Carey

PARK RIDGE, Ill., Nov 14 (Reuters) - With gasoline prices rising, the U.S. housing sector reeling and a credit crunch squeezing consumers, the 2007 holiday season may be short on festive cheer for independent retailers like Yvonne Roeske.

"It's been a long time since we've seen so many negative things come together at once like this," said the owner of Yvonne Estelle's, a home furnishings shop in the Chicago suburb of Park Ridge, where six-figure salaries are common.

Roeske, who has been in business for six years, mixes pricier items -- bedding and tablecloths -- with more-affordable ones like fancy soaps to bring in regular cash flow.

"Both (large and smaller items) have been slowing down since August," she said. After years of double-digit growth, she expects sales this year to be "flat or marginally up."

With few exceptions, mid- to high-end retailers like Roeske say their sales have suffered because of the housing market, gas prices and the credit crunch, plus recession fears.

"How could that not have an impact?" said Jennifer Pope, co-owner of The Red Balloon Co, whose two Chicago stores sell high-priced baby clothes.

Pope has been in business for 10 years and said sales should grow by 10 percent to 20 percent this year. But that pales against the average annual growth of 40 percent during the previous nine years.

"For the first time we are seeing pushback from customers on price for some items," she said. "While customers still pay a great deal for a baby's cashmere sweater where they see intrinsic value, the same people are reluctant to spend \$30 on a child's designer T-shirt."

Few observers expect this to be a blockbuster year for retailers of any size. Citing the credit crunch, consultant TNS Retail Forward forecast pre-holiday sales growth at 3.3 percent for November and December, compared with a gain of 4.6 percent a year earlier.

"Unless the situation improves in the next six to 12 months, many small businesses, including retailers, will find themselves in trouble," National Small Business Association spokeswoman Molly Brogan said.

IN TARGET'S CROSSHAIRS?

Independent retailers have long battled big U.S. discounters. Their most oft-cited nemesis today is Target Corp (TGT.N: [Quote](#), [Profile](#), [Research](#)), a company seen mimicking the pricier products many independent retailers view as their lifeline.

"It's harder to sell right now, and one of the problems I have is competing with Target," said Anne Chalesle, owner of C'est Moi, which sells bedding and blankets in Chicago's well-heeled Bucktown district.

"Many of my customers' husbands work in the financial sector," Chalesle said, "and I get the impression they are tightening the reins on the budget due to uncertainty."

Although other retailers like Williams-Sonoma Inc (WSM.N: [Quote](#), [Profile](#), [Research](#)) unit Pottery Barn or Wal-Mart Stores Inc (WMT.N: [Quote](#), [Profile](#), [Research](#)) garner an occasional mention from the independents, Target's name is always first.

"Target is a major force," said Jan Cunningham, owner of G Whiz in the affluent northwest Chicago suburb of Barrington.

Cunningham said she still expected a stellar year with 30 percent sales growth, thanks to mid- to high-end goods like Vera Bradley bags or Pandora jewelry. But she has a wary eye on Target because of its "highly professional" attempts to stock merchandise similar to that sold at high-end independent stores like hers.

Fresh trouble lies ahead, especially for imported goods.

Home furnishings retailer Roeske said more than 50 percent of her merchandise comes from Europe. While her vendors have been absorbing the effects of the weaker dollar and she has avoided passing on a rise in shipping costs tied to higher fuel prices, she says neither she nor her suppliers can avoid raising prices in coming months.

"In the first quarter our prices will rise while discretionary spending is on the decrease," she said. "That is not good news."

But economic uncertainty may be helping Bucktown's "g boutique," a lingerie and erotica store whose sales are up slightly.

"When money is tight -- and don't let anyone tell you it isn't tight now -- people tend to stay home and entertain themselves, which is perhaps what's boosting my sales," said co-owner Cheryl Sloane. "I'll end the year up a bit, but given how many others are not doing well, I'll be happy to get that." (Editing by Peter Bohan and Lisa Von Ahn)

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