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Retailers wish for huge sales on New Year's Day

Analysts say consumers will turn New Year's Day into the "Big White One" and keep shopping through January, but the rest of 2011 looks rocky for retail.

By Adrienne Pasquarelli

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The gifting season is over, but the shopping is not yet done, according to some retail experts. January is expected to bring in a big sales haul for retailers as consumers continue spending from Christmas.

Still, some experts say the Grinch may take over the rest of 2011. Because of the blizzard that crippled the Northeast, many New York area retailers are also hoping to make up for missed sales from Dec. 26, a big shopping day, with January shopping.

"This will be the biggest January we've ever seen at retail," said Gary Stibel, chief executive of the New England Consulting Group, adding that shoppers are still compensating for a bad holiday season in 2009 by splurging on gifts they cut back on last year. In addition, if stores ran out of certain hot items before Christmas, consumers might return in the beginning of 2011 to scoop up new inventory or discounted old inventory.

"It's the same reason why when you come off of a diet, you overeat, and gain more weight," Mr. Stibel said.

He is calling Jan. 1, 2011, the "Big White One." Several retailers are already looking at the date as a rival to other big shopping days such as Black Friday and Christmas Eve. Typically, most stores close on New Year's Day. But recently, more retailers have begun operating on Jan. 1. Big-box stores, including Wal-Mart, Target and Kohl's, are all expected to be open on the first of the year, as are Macy's stores in some areas, according to the New England Consulting Group.

In addition, Toys R Us is planning extended hours for Jan. 1. Last year, the toy chain was open from 10 a.m. to 9 p.m., but this year, operating hours begin at 9 a.m.

Though January might see sales climb, following a better-than-expected holiday season, analysts predict that the rest of 2011 will present problems for the retail world. The rising costs of Chinese labor, shipping and cotton will put pressure on most apparel retailers, who are expected to pass the costs on to shoppers.

"[Such increases] will make 2011 the first year of cost increases we have seen in the modern retail era," said Paul Lejuez, a retail analyst at Nomura Securities International Inc., in a recent research report. "[Retailers] will have practically zero visibility about 2011 demand trends or whether consumers will accept the price increases."

Mr. Lejuez predicts that retailers who use very little cotton in their manufacturing will fare well. That would include Coach, which primarily produces leather handbags, or yogawear store Lululemon, which uses synthetic fabrics instead of cotton. In addition, discounters such as T.J.Maxx and Ross Stores will have their pick of unsold merchandise shunned by consumers unwilling to pay high sticker prices.

However stores which manufacture lower-priced goods made of cotton, such as Old Navy, Aeropostale and American Eagle Outfitters, are expected to have a skimpier new year.

"These retailers will be forced to either offset higher input costs through levers in other parts of the supply chain, or pass through price increases to the consumer, which is not likely to be easy," Mr. Lejuez said.

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