

PennLive.com

Department stores can struggle as buyers seek bargains

Published: Monday, January 02, 2012, 9:36 AM

Updated: Monday, January 02, 2012, 9:43

By DIANA FISHLOCK

The Patriot-News The Patriot-News



Department stores are taking a hit as consumers look to discount stores hoping for bigger savings this season, some analysts said.

Both Reading-based [Boscov's](#) and [Bon-Ton](#), headquartered in York and Milwaukee, have survived some stomach-lurching ups and downs in recent years.

Boscov's emerged from Chapter 11 bankruptcy in September 2009, then reported several better-than-expected shopping seasons, hiring people throughout its 40 mid-Atlantic states stores.

Chairman and CEO Al Boscov, Vice Chairman Jim Boscov and spokeswoman Esta Neugroschel did not return numerous phone calls over the last two weeks.

The Bon-Ton Stores Inc., announced in November it is closing five of its 276 stores, including one at the West Manchester Mall in York. Despite past interviews, Bon-Ton officials, too, were close-mouthed this month.

Both Boscov's and Bon-Ton are in a tight spot in the middle of the pack between discount stores such as Walmart and higher-end stores such as Neiman Marcus and Saks, analysts said.

"I think they're both trading with a customer who is trading down and watching every dollar," said Howard Davidowitz, chairman of Davidowitz & Associates Inc., a national retail consultant and investment banking firm headquartered in New York.

"Bon-Ton, we know, is doing poorly," he said. "They're going to continue to be in a tough position. Their shoppers are going to continue to go to Kohl's, T.J. Maxx, Target, Walmart."

Boscov's is better at drawing in those customers than Bon-Ton, he said. "Boscov's over the years has been an aggressive promoter and has known its customers," Davidowitz said. "Bon-Ton has spread out all over."

Boscov's was a trendsetter, with a discounting format that Kohl's, Macy's and other stores are adopting, said Bob Gorland, vice president of Matthew P. Casey & Associates, which evaluates retail chains.

"They're all going more to the supermarket type thing with the large weekly ads and discounting. Boscov's has always followed that format," Gorland said.

He calls Bon-Ton a hybrid store, with unadvertised sales where they show the retail prices and the discount amounts.

Neither chain is growing and both face stiff competition as everyone from Walmart and Target to Costco and wholesale clubs sells fashion, Gorland said.

“No one wants to pay full price on dresses or slacks or sweaters anymore,” Gorland said. People who used to shop at Boscov’s and Bon-Ton now shop at Goodwill stores.

Pennsylvania’s settling into a slower pace of recovery after the recession than some other areas, partly because of Hurricane Irene and Tropical Storm Lee, said Ryan Sweet, an economist who covers Pennsylvania for Moody’s Analytics.

Nationally, consumer spending is up, Sweet said. [The holiday season started strong](#), but then fizzled, which isn’t surprising because consumers are price sensitive. Joel Naroff, president of Naroff Economic Advisors in Holland, Lancaster County, echoed that sentiment. But he was less pessimistic about Pennsylvania’s economy and spending habits and about the health of midrange department stores such as Boscov’s and Bon-Ton.

Pennsylvanians are in better condition to spend more aggressively, he said. Because the state didn’t experience as dramatic a housing bubble, its declines are more manageable. Pennsylvania’s credit and foreclosure pipeline isn’t bursting at the seams, he said.

Bon-Ton’s closing five stores is part of a larger trend, Gorland said.

As leases come up for renewal, chain stores are seeing their 30-year leases explode from \$3 to \$5 per square foot to up to five times more. “That’s when you see retailers exiting the market. For a lot of retail players, including grocery stores and drugstores, the weak die and the strong survive,” he said.