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Worries over US economy, spending uneven in apparel

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Many U.S. apparel retailers and manufacturers worry about a weak U.S. economy, credit crunch, tumbling stock market and slow consumer spending, but those with strong products, luxury customers or skillful management say business is holding up.

A credit crunch, housing slowdown, tumbling stock market and weak second-quarter results from some retailers have rattled the industry just before the crucial holidays.

"If anyone tells you they see nothing but blue skies, they're nuts," said Doug Wood, chief operating officer of Oxford Industries' Tommy Bahama brand, at the Magic Marketplace apparel trade show this week.

Retailers said they were being careful to control inventory to avoid markdowns, he added.

Worry is fueling sales of brands and businesses, said John Henderson, a director at investment bank Net Worth Solutions, which specializes in the apparel industry.

"People I called on a year ago who said, 'No, it's not the right time,' they're (now) saying, 'You know something, I don't want to be the last person on the parade here," Henderson said, adding that his business had been "busier than ever" of late.

But many industry insiders at the trade show, where stores place orders for spring merchandise, said their business had not been hit.

"Retailers that are properly managed are doing well," said George Feldenkreis, the chief executive of Perry Ellis International . "The consumer has not disappeared. Everyone has a job."

Credit woes that have roiled the sub-prime mortgage market haven't hurt a broad spectrum of people, he said, adding: "I don't think it's going to affect consumer spending."

Retailers shouldn't assume consumers don't want to shop, said Marshal Cohen, an analyst with research firm NPD group. If they're not buying, it's the industry that's to blame, he said.

"The biggest issue is there's nothing new. That's a really big problem," Cohen said, adding that there are no gift-giving distractions, except for Apple Inc's iPod, that will lure away clothing shoppers. "There's pent-up demand. This is the year apparel was poised to do well."

Retailers were not buying less for spring 2008, he said.

LUXURY PROTECTED

Makers of luxury brands and their retailers, meanwhile, say their customers' deep pockets have insulated them from a spending slowdown.

"It gets proved every month that Nordstrom and Neiman's and Saks chug away with 6 to 8 percent same-store sales growth," said Pete Collins, chief financial officer of True Religion, whose jeans are found in high-end department stores and their own boutiques. "The guys in the middle have a tougher time."

Same-store sales is a key retail measure that tracks sales at stores open at least a year.

Other product categories, too, are more insulated from any turns in consumer spending, some executives say.

Both the chief executive of Tandy Brands Accessories , Britt Jenkins, and the chief financial officer of Kenneth Cole Productions , David Edelman, said accessories are easier to sell than apparel in tough environments.

"Even in a down economy, we find accessories still perform very well," Jenkins said. "You may not be able to afford a new suit, but at least you can accessorize with a new belt, or a new necktie. It gives the wardrobe a fresh look."

Shoe brand London Underground is being relaunched despite the climate, said Paul Kaufman, creative director of the footwear brand, which was just launched at the Magic show.

"If we can establish ourselves during this time, imagine what it could be when things improve," said Kaufman, who said the "overall pinch" on the shoe market had been exacerbated by a lack of fresh product ideas.

The London Underground line, which first came on the scene in the mid-1990s before fizzling, has already been picked up by Nordstrom and specialty boutiques with retail prices between $50 and $130.

"There will be a lot of shoe companies that fall out because it's difficult. Unless you're prepared to go in and do something different, there's going to be more pressure because you're competing against everyone in the market," Kaufman said.