

For: Buxbaum Group, Agoura Hills, Calif.
From: Parness & Associates, Aberdeen, N.J.

FOR IMMEDIATE RELEASE

**DISMAL CONSUMER CONFIDENCE UNDERMINES 'IMMUNITY' OF LUXURY RETAIL,
SAYS VETERAN RETAIL ANALYST**

--June retail sales reveal a rattled consumer obsessed with price

AGOURA HILLS, Calif. (7/17/08) – Luxury retailers' immunity to the economic slump has been an article of faith on Wall Street, but that faith was shaken this month by pallid sales reports from several upscale chains. The erosion of this last bastion of certitude speaks volumes about consumer confidence in the United States, says Stevan Buxbaum, executive vice president of Agoura Hills, Calif.-based Buxbaum Group.

"The only thing we can count on is, we can't count on anything," Buxbaum observes. "Uncertainty is the watchword of the day."

And both Wall Street and Main Street abhor uncertainty, he notes. "Consumers are going to be extremely careful with their purchases," says the veteran retail consultant and analyst. "They want name brands or quality merchandise at a value price, and so chains that can offer them this—examples include Target, Kohl's, TJX Cos., Aeropostale and Ross Dress For Less—will be clear winners moving forward."

Retail sales reports for June underscored these trends. Even with economic stimulus checks worth a total of \$50 billion in their pockets, shoppers opted not to splurge on luxury goods, but instead picked up low-cost staples at discount and warehouse club chains, Buxbaum says. "Same-store sales at Wal-Mart were up 6.1%, Costco's rose 9% and BJ's Wholesale posted a 16.5% increase. Although each benefited to some extent from rising gasoline prices at their fuel center operations, their stores alone still enjoyed healthy gains," he notes. "Meanwhile, at the luxury end of the spectrum, Neiman Marcus, whose customer has long been considered too wealthy to be affected by a slump, was among the companies posting a same-store sales decline, with its results dipping 2.4%."

Fueled by high gas prices and unsettling headlines about bank defaults, home foreclosures and the like, these economic jitters also will shape the important, back-to-school selling cycle over the rest of the summer, Buxbaum adds. Unlike certain department store chains which sell assortments by a multiplicity of independent brands, chains like Aeropostale and Target are better able to control the cost of their inventory as they are vertically integrated and control their own brands. That means they will be able to woo bargain-hunting parents by offering better deals on name-brand merchandise, he says. Indeed, Aeropostale, which sells popular clothing for teens at lower prices than its competitors, saw same-store sales rise by 12% in June, he notes. The New York-based chain also raised its second-quarter sales projections, citing successful promotions.

Tighter inventories also will help chains like Target and Aeropostale avoid painful markdowns, Buxbaum contends. "Retailers are going to have to be more discerning with their styles and offer narrower assortments. Instead of six colors, that might mean four colors," he says. "Inventory control is absolutely critical."

The imperative to keep inventories and costs at a minimum also will translate into increased pressure on manufacturers, Buxbaum adds. "Giving the retailer the opportunity to demand an additional, upfront markdown because you were late with a shipment is not a position you want to be in right now as a

manufacturer,” he says. “It is going to be critical for the wholesalers to be absolutely on-time with their deliveries. Otherwise, they will get punished.”

Chains in markets where Port Washington, N.Y.-based Steve & Barry’s operates likely will face even stiffer competition during the back-to-school selling season, Buxbaum notes. Steve & Barry’s, which operates 276 stores in 39 states, filed for Chapter 11 bankruptcy earlier this month and could start liquidating inventories by the beginning of August. “It is quite possible Steve & Barry’s will be in liquidation for the entire back-to-school season,” Buxbaum says. “That will no doubt attract a lot of shoppers, because those deals will be hard to beat.”

Meanwhile, the luxury retailers that have long been considered beneficiaries of the bifurcated U.S. economy now face the prospect of ever-more-sluggish sales. “People need to start paying attention to the luxury sector,” Buxbaum advises. “We’re starting to see some cracks in that armor in the United States. Wealthy shoppers have stock portfolios that are going down, and they’re being inundated with the same unsettling economic news as everyone else. These doldrums are starting to affect everybody.”

About Buxbaum Group

Buxbaum Group has built its reputation for over 30 years as one of the largest liquidators and appraisers of retail and wholesale inventories across North America. While continuing to operate in those areas, the company has shifted its primary focus in recent years to turnaround investing.

#####

Press Contacts: At Buxbaum Group, Stevan Buxbaum (612) 363-6517; at Parness & Associates Public Relations, Lisa Kreda or Bill Parness, (732) 290-0121, parnespr@optonline.net