

# SHOE WARS

California department stores seem strapped in their efforts to defend against discount shoes.

By Rich Smith

**W**ar is heel. Just ask anyone connected with the retail footwear industry in Southern California. "Is it competitive out here? That's the understatement of the year," says Jack Evans, director of the Western Shoe Retailers Association in Los Angeles, where a swift-moving army of bargain-priced shoe shops is striving to outflank the region's major department stores.

A recent newspaper advertisement for Adler Shoes says it all: In announcing its big Easter weekend sale, the California-based chain of discount stores depicted a rabbit sporting a combat helmet. The ad copy urged consumers who have grown weary of paying high prices at department stores to fight back by patronizing a neighborhood Adler store (which was *not* decorated with sandbags, trenches and barbed wire during the promotion). The ad proceeded to list and illustrate brand name shoes at the regular and discounted pricepoints: Bandolino from \$75 to \$39.99; Palizzio from \$80 to \$39.99; Bare Traps from \$42 to \$15.99.

For the most part, the West Coast public has heeded the call to arms — or feet, at least — by Adler and other low-end assault forces such as Standard Shoe and Payless Shoe Source.

"There is no question that the discounters have increased their sales, while the department stores have been losing sales in the shoe area," says Nathaniel Schwartz, who monitors the discount merchandising industry in Southern California and elsewhere.

## DEEPENING LOSS

How much of a toehold have the discounters attained in the L.A. shoe market? Locally, authoritative numbers are difficult to come by, but nationally, department stores lost 2.5 percent of the market between 1984 and 1986. Discounters boosted their share by 3.2 percent during that same period, according to MRCA Information Services in Stamford,

Connecticut.

Last year, department stores (including low-to-moderate priced Sears, J.C. Penney, and Montgomery Ward) accounted for 22 percent of all shoe sales in the U.S.; discount shoe stores for 10 percent. (The remaining 68 percent belongs to mass merchants, shoe stores, apparel specialty stores, sporting goods stores, and catalog/mail order houses.) Knowledgeable sources within the footwear industry expect that this year discounters will increase their national market share by another 1-2 percent, largely at the expense of the department stores.

The perception among merchandisers at the higher end department stores in California seems to be that their loss of market shares is even more pronounced than the national figures suggest.

"The discounters have had a moderate impact on our share of the footwear market in Southern California," says a merchant from one of the largest and most influential department stores in the state.

So significant is the erosion of market share for department store retailers that at least one regional chain — Bullocks — is said to have surrendered its moderate shoe business rather than continue fighting a losing battle. Even Nordstrom, the acknowledged West Coast department store champ in footwear warfare, has sustained more than a few wounds, insiders report. However, virtually no one on the department store side is willing to talk openly about the discount retail menace.

"It's a very close-knit industry," explains Chris Jacobsen, who, as spokeswoman for a May Department Stores Inc. subsidiary, is herself a believer in the military adage that loose lips sink ships.

## NO REAL STRATEGY

However, the unidentified merchandiser at the large Southern California department store chain suggests a different reason for the reticence.

"None of the department stores has a strategy for dealing with the discounters," the source says. "We haven't rec-

ognized what kind of competition they represent. Nor have we done a good job of marketing to customers accordingly."

Gail Murray, footwear dmm at J.W. Robinson's in Los Angeles, disagrees with that assessment. "I have a strategy for running my business, absolutely," Murray says. "What the other department stores do is entirely up to them. I feel that if there is a strong strategy for the company as a whole, then the strategy (for the footwear division) will work, too."

Not surprisingly, Murray is silent when asked to elaborate on the elements of her defensive strategy. But Evans of the Western Shoe Retailers Association is inclined to side with those who think the department stores are unprepared to challenge the cut-rate retailers.

"The department stores haven't developed a merchandising plan to combat the competition," Evans says. "I'm not sure that they can develop such a plan. The powers that be at the department stores expect the footwear department to maintain a certain gross margin — usually around 50 percent — on the shoes they buy. The merchandisers aren't going to get very many open-to-buys approved if they try to come in on margins of 30 percent, which is the minimum it would take to match price with the discounters."

"That reality tends to inspire the department store merchandisers to make all the deals they can with manufacturers. If they can get the manufacturer to sell at less than the going price, the department store can offer it at a discount and still make a reasonable mark-up."

"But top management of the department store isn't going to be looking at the lower price as an on-going means of dealing with people like Standard Shoe. They'll look at it as a leader to get people into the store, to generate traffic for the other departments."

## LOWER OVERHEAD

Price, of course, is the discounters' principal weapon. They can deliver savings of up to 40 percent and more on name