



Ninth Annual National Shopping Behavior Study From Cavallino LLC Reveals Many Reasons Why Department Stores Tanked During the 2008 Holiday Season

Survey Base of Over 800 Indicates That the Tattered Economy was Just One of Several Spend-less Factors

SAN FRANCISCO, Jan. 5, 2009 (GLOBE NEWSWIRE) -- Cavallino LLC, the private equity and consulting firm, released the Ninth Annual National Shopping Behavior Study to ring in what retailers hope will be a much better New Year. The results of the study/survey may come as a big eye-opener to scrambling department store executives who blame global economic conditions for their 2008 holiday-season demise.

Those surveyed indicated that department stores are not meeting their needs, including having desired items in stock, fair everyday pricing, easy return policies and helpful employees with product knowledge.

"It appears that the department store business model is not broken, but the go-to-market strategy and execution is," said John Rittenhouse, chairman of Cavallino LLC. "Sure, the recession took a big bite out of consumers' wallets during the holiday season, and spending was down as much as 55 percent. However, retailers need to look in the mirror and not be so quick to place all the blame on challenging economic conditions."

Rittenhouse said that the main issues for retailers are directly related to management not following customers' rules. "Our study indicates that stores with overpriced branded merchandise, hi-lo pricing schemes, coupons and loyalty programs have very limited appeal," he said.

Historical data from the study also reveals that department stores' market share declined from 11 percent to 6 percent. Even more distressing is that their appeal to core affluent customers is on

the decline. These customers are moving their shopping to catalogs and the Internet to find the selection they want.

Other key findings from the study include:

- . Nearly 20 percent of consumers spent more than a year ago, while 54 percent reported spending less
- . For the first time in many years, Wal-Mart was more effective in attracting new customers than Target
- . 54 percent gave more practical gifts
- . 30 percent relied more on cash as gifts
- . 54 percent shopped closer to home

"These findings are consistent with data from The Gordman Group 2008 Retail Trend Tracker studies," said Rittenhouse. "When the economy turns around for retailers, and I have a strong indication of when it may, stores that offer products consumers want to buy at fair, everyday prices will have sustained, profitable growth. However, those retailers that rely on gimmicks such as contests, meaningless loyalty programs and hi-lo pricing will see their market share continue to erode."

Looking ahead, Rittenhouse cited the Cavallino Consumer Shopping Intentions Study, set for release in mid-January. If consumers stay true to their word, 69 percent plan to spend less in 2009, while almost 80 percent in the 35-54 year-old demographic plan to tighten their belts.

"Despite the intention to spend less, consumers are relatively optimistic about the economy in 2009," said Rittenhouse. "About two-thirds of consumers expect signs of recovery by the fourth quarter. Overall, only 12 percent of consumers expect to be worse off in 2009, while almost 90 percent expect the situation to remain static or get better."

This year's study was conducted nationwide through random telephone interviews with 815 consumers during the weeks preceding Christmas Day. Consumers answered carefully crafted questions designed to show how current economic conditions affected what motivated them to shop, where they shopped and what mattered to them most when making a purchase. All store data was collected by specific store name, catalog or website.

The survey was underwritten by Cavallino, LLC, and was designed and managed by The Gordman Group, a consulting practice that helps mid- to large-size companies create actionable, real-world profit development strategies. Research was conducted by Weise Research Associates, Omaha, Nebraska.

To speak with John Rittenhouse, set up a broadcast interview, or obtain the study, please contact Duane Coda at 973-588-4667 / 646-228-1661 / dcoda@cavallinollc.com.

About Cavallino LLC

Cavallino LLC is a private equity and consulting firm specializing in cooperative business transactions to create improved asset performance. The firm also provides comprehensive turn-around performance by drawing upon extensive and diverse industry experience. The

management team has over 100 years of major firm consulting experience and has held significant industry positions. The firm currently provides strategic services to several Fortune 100 companies. Headquartered in San Francisco, Cavallino has offices in Washington, DC; Seattle; London; and Los Angeles. Visit <http://www.cavallinollc.com/> for more information.

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