

# HOUSTON★CHRONICLE

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## Will sales stimulate you to spend?

Retailers roll out specials, hoping folks don't bank government checks

By DAVID KAPLAN

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Retailers are trying to benefit as consumers get their hands on "extra money" in the form of economic stimulus payments from the government.

Some stores, including Kroger, Randalls, Sears, IKEA, Wal-Mart, and RadioShack, are offering or planning promotions with direct tie-ins to the stimulus payments that started arriving this week.

Retailers that sell basic goods are best suited for stimulus-related promotions, with so many consumers focused these days on necessities like groceries, rent and gasoline.

"Americans are in a very practical mood today," said Kit Yarrow, professor of business and psychology at Golden Gate University in San Francisco.

More stimulus promotions likely will appear in June, when many households will get their payments in check form. The ones arriving now are automatic bank deposits.

Yarrow is skeptical that many people will use the stimulus money to reduce debt.

"Consumers are saying that they intend to use a good chunk of their stimulus payment checks to pay down debt, but that hasn't proven to be the case in the past," she said.

"Free money is always easier to spend than earned money."

But Howard Davidowitz, chairman of Davidowitz & Associates, a national retail consulting and investment banking firm in New York City, said that many consumers are "feeling under water" in debt, and in no mood for a spending spree.

"Americans are in survival mode, and will likely use their stimulus payments to pay down debt, save or spend where they'll get the best deal on what they have to have," he said.

Wal-Mart stands to benefit from the stimulus payments, Davidowitz said, because of its reputation for low prices and expansive inventory of food and consumables.

Wal-Mart will cash stimulus payment checks for free and has announced price rollbacks on some items.

Yarrow said it's smart strategy, especially for discount retailers, to offer deals to customers who use stimulus money in their stores.

"Yes, they'll get that immediate sale but more importantly those retailers are seizing an opportunity to become aligned with the foremost consumer mindset of the day — getting more for your money," she said.

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Some taxpayers received stimulus payments by direct deposit as early as Monday. Stimulus checks will be mailed out beginning May 9 and continue through July.

## All manner of rebates

Starting today, Kroger is offering a program in which customers can exchange all or part of their tax refunds or economic stimulus checks for a Kroger gift card worth an additional 10 percent.

Kroger will accept payments of \$300, \$600 and \$1,200 — standard stimulus payments depending on tax status — and turn them into \$330, \$660 and \$1,320 gift cards.

A customer does not have to present a stimulus check. Kroger will give the same deal to someone paying for the gift cards with cash, debit or credit card, said Russell Richard, Kroger's manager of consumer affairs.

"It's a way we're able to help families extend their household budget," said Richard who noted that customers must have or sign up for a Kroger Plus card to participate.

Sears has a similar rewards program in which customers will be able to use their stimulus checks for gift cards and get a bonus of an extra 10 percent.

And Safeway, which owns the Houston-area Randalls chain, announced Thursday that it will offer 10 percent stimulus-related discounts starting May 14.

At IKEA, customers will get 10 percent off merchandise when paying with their economic stimulus check.

RadioShack also is offering a 10 percent discount on merchandise paid for with a stimulus check or IRS tax refund.

In the automobile industry in upcoming weeks, a likely scenario for stimulus payment promotions will be service specials, said Paul Taylor, chief economist for the National Automobile Dealers Association.

He said some motorists have deferred vehicle maintenance because of financial stress.

In subsequent weeks some car dealers will also conduct used and new car promotions related to stimulus payments, Taylor predicted.

Baybrook Mall's general manager, Brian Schroeder, said he is not aware of any stores in the mall other than Sears holding stimulus payment promotions, but predicted that stimulus money will benefit other retailers. "Overall, it's a great shot in the arm," he said.

Not all local consumers feel like celebrating, though.

Alicia Taylor, who works in a bank's client services department, will use her stimulus check to "save, save and save."

It would tempting to go shopping, she said, "but gas prices might be four dollars tomorrow."

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