

Scrimp and save

Low snow affecting otherwise recession-proof Tahoe businesses

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As Americans hunker down and bear the brunt of a brutal economy, finding ways to spend less and save more is paramount among consumers.

And with the Consumer Confidence Index continuing a historic downward trend — now at 37.7 percent — even the most economically friendly retail stores are taking a hit. Bargain-based behemoth Wal-Mart Stores Inc. posted a smaller December sales gain than Wall Street expected and cut its earnings outlook for the fourth quarter, according to the Associated Press.

But despite the torrent of economic troubles being reported by businesses on a daily basis, there are some stores that resonate with the way Americans now seem to be spending their money.

And while some of these purveyors of prudent products and services have fallen on hard times just like other businesses, the ability to offer thrifty alternatives seems to be an advantage as consumers search for ways to cut costs.

Local impact

Here in Tahoe, local consignment stores that deal in winter sports equipment said business has been steady throughout the year; even better when the snow starts falling.

“We’re having a pretty good year so far,” said Andrew Laughlin, owner of 9 Lives New and Used Winter Gear in Tahoe City. “Overall, business has been about average, but right around good snow storms, we have done better than normal.”

Some winter sports enthusiasts are not only changing where they buy, but also what they buy. According to Laughlin, some of their best-selling items are backcountry skiing and riding equipment, cross country skiing equipment, and snow shoes — all activities that do not require the purchase of an expensive lift ticket.

And when people come in to Laughlin’s store looking for equipment on the cheap, many are surprised by the amount of quality products available, something Laughlin attributes to locals who have fallen on hard times and are cleaning out their closets for cash.

“People in Tahoe acquire more gear than they use, many have four to five sets of skis or snowboards,” said Laughlin. “So if they need a little extra cash, they’ll bring in two of their four set-ups to put on consignment. And customers are surprised to see the quality.”

But while consignment stores are attracting locals looking to unload extra gear and customers in search of better products at a discount, many charity-backed thrift stores are having problems getting the donations needed to keep their stores stocked.

For local thrift stores with 501(C)3 nonprofit status — those that must give 100 percent of their profit to charity — donations are all they can accept. And while employees say business at these stores has either remained consistent or dropped in recent months, most agree the amount of donations seem to be slipping.

“People will come in and ask if we want to buy their items or put them on consignment, and we can’t because we’re a nonprofit,” said Nancy Lamberth-Brown, a 12-year manager of the Children’s Cabinet Thrift Store in Incline Village. “There have been very limited donations recently.”

For Lamberth-Brown, furniture donations from sold homes drives their bottom line. But with fewer homes sold recently in the area, furniture donations have been significantly down in the past year, making it hard for her to reach a daily sales goal of \$1,000.

“If I can sell a dresser I can make \$500,” she said. “But if I’m only selling clothes I’m lucky to sell \$100 to \$200 in a day.”

But despite the varying success of local secondhand stores, some believe the stigma that surrounds shopping at thrift and consignment stores is beginning to dissipate.

“Flaunting excess in these times is becoming far less fashionable,” Laughlin said. “Being thrifty is cool.”

Seat belt tightening

While consignment stores can offer spending solutions for items like winter sports equipment, auto repair and maintenance shops offer a frugal alternative for many who are unable to afford a new car in this economy.

Those that are able to afford maintenance are getting the basic repairs done to their cars instead of trading in for something new, said John Lamoreux, owner of The Auto and Tire Doctor in Truckee.

But while auto shop owners say they tend to do well during recessions for this very reason, the work just hasn’t been coming in lately.

“People will fix what they have to but they generally don’t have the money for anything extra,” said Lamoreux. “We’re down probably 30 percent from last year,” he added.

In some cases, car owners just don’t have the money for necessary repairs.

Lamoreux said they recently had a car in need of new breaks that had to be towed back to

the owner's home until they had enough money for the repairs.

Doug Brown, manager of Incline Village Chevron, has seen similar problems.

"It was the case for a short period of time that people were getting their cars fixed more, but I think as time has progressed, people have been putting it off more and more," said Brown.

But despite the recent slump auto maintenance shops have fallen in to, Bill Sharbrough, owner of the Tahoe City Chevron, said it's too early to count them out, especially because of the lack of snow.

"It's hard to tell whether it's the lack of snow or the slow economy," he said. "Traditionally, our business has done very well in recessions because people tend to hold on to their cars."

And since Sharbrough said his shop has done better than average through the previous two recessions, he suspects the drought is the culprit.

"Whenever there's snow we see mechanical breakdowns, four-wheel-drive problems and starting problems are more prevalent," he said. "But even though sales have dropped recently, I still have to rely on what has happened in the past, and we've always been very successful during recessions."

But even when repairs and maintenance are needed, auto shops are being asked to do as little as possible.

"It's tough, most of the people that come in have a similar story," Lamoreux said "they ask, 'what can I do now to get my car through the next few months?'"

And while Lamoreux has dealt with this trend in recent months, he is currently trying to take steps to lower the price of maintenance by getting auto part vendors to lower their price while also looking to cut his labor rates; all to help car owners get by with what they have.

Savings and spending

- Consumers slashed spending at a 3.5 percent pace following a 3.8 percent cutback in the third quarter, the first back-to-back declines of more than 3 percent since records began in 1947.
- Spending for big-ticket durable goods, including cars, appliances and furniture, plunged at a rate of 22.4 percent, the most since early 1987.
- The annualized cutback in spending on nondurables, such as food and clothing, was 7.1 percent last quarter. The last time it was deeper was at the end of 1950.

- Americans' savings rate rose to 2.9 percent in the fourth quarter. That was up from 1.2 percent in the third quarter and matched the rate in early 2002, when the country was still struggling to recover from the 2001 recession.
- Homebuilders slashed spending at a 23.6 percent pace. That was even deeper than the 16 percent annualized cut in the previous three months.
- Spending by businesses on equipment and software dropped at 27.8 percent pace in the fourth quarter, the most since early 1958.
- Exports plunged at a rate of 19.7 percent in the fourth quarter, the most since 1974.
- For the economy as a whole, the 3.8 percent annualized drop was weakest quarterly showing since a 6.4 percent plunge in the first quarter of 1982, when the country was suffering through a severe recession.
- Last year, the economy grew just 1.3 percent. That was down from a 2 percent gain in 2007 and marked the slowest growth since the last recession in 2001. This year, analysts predict the economy will shrink anywhere from 2 percent to 2.5 percent, the worst performance since 1946.