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Economy

## Retailers To Customers: Stimulate Us!

Kelly Nolan 04.22.08, 3:50 PM ET

With credit tight and the economy creaky, big retail chains are getting more aggressive than ever in capturing the tax rebate checks trickling in to customers now and the stimulus checks due later in the year. One strategy: paying you to hand them over.

Sears Holdings, expected by Wall Street analysts to show a 3% decline in sales in the April quarter from a year ago, is peddling a 10% bonus to those who turn their stimulus checks into company gift cards. Getting \$300 from the government? You can have \$330 in merchandise credit if you give it to Sears or K-Mart.

Big supermarket chain Kroger offers the same deal, hoping customers will figure tax rebate (or stimulus check) time is a good time to think about saving on groceries. The company will add 10% to its gift cards for anyone who purchases one with a tax refund.

Home Depot takes a slightly different tack. Instead of adding bonus dollars to gift cards, the company is marketing home improvement projects that can expect to cost \$300, \$600 or \$1,200--the dollar amounts people will receive from the government stimulus package.

Marketing around tax-rebate season is nothing new for retailers, but it's tough to recall a time when there was more desperation in the air. In the current economic climate, convincing a customer to turn over his entire stimulus check to one retailer is a tough sell. Industry analysts, naturally, are skeptical, even though some think the gimmick may add an extra trickle to second-quarter sales numbers.

"I'm not sure the Sears or Kroger programs will work; 10% may not be enough of a discount for some people," says Joel Naroff, chief economist of Naroff Economic Advisors.

A recent survey by American Century Investments revealed that only one in four Americans plans to spend any of their stimulus checks when they arrive--most say they plan to pay off debt or add to their savings. In other words, most people will be cashing non-stimulus checks.

Experts say there's little doubt other retailers will hop on board the rebate promotion bandwagon, given the struggle to convince consumers to spend over the next few months. If that happens, the likely result will be a few more dollars in sales, but no real competitive advantage, says Retail Technology Group analyst Mark Lilien.

"The idea is so obvious that it's easy to copy," Lilien says. "And when retailers copy each other, they are not gaining any equity."

The idea makes especially little sense at Sears, he thinks, given that retailers selling apparel and furniture routinely offer sales of 40% and 50% off. A 10% giveback, unless it's for a large appliance like a refrigerator, won't bring many people in the door.