

Condor Capital's Ken Schapiro: Affordable Luxury Retailers Benefitting from Increased Consumer Selectivity in Discretionary Spending



Author: admin // Category: [News](#)

Condor Capital on Tuesday October 26, 2010, 11:00 am EDT

MARTINSVILLE, N.J., Oct. 26 /PRNewswire/ — **Condor Capital** President and Founder Ken Schapiro reports that a divide is emerging between retailers as consumers have become more selective than ever. While low/middle market retailers continue to post single digit gains and engage in price wars, select retailers on the higher end of the price spectrum are doing quite well.

Schapiro, who manages over \$600 million in portfolio assets at Condor, notes that the highest end of the luxury retail market is only beginning to come back and not every high-end company is benefitting, but Apple, Coach, True Religion and Steve Madden – are well positioned. The following Q&A provides Schapiro's view on the market.

Why do you see consumers moving more toward upscale brands?

Consider that while sales at Wal-Mart and Target increased just 2.4% and 3.8% respectively for the second quarter of 2010 as compared to the year ago period, Apple (up 61%), Steve Madden (up 36%), True Religion (up 14%) and Coach (up 13%) had decidedly different outlooks.

Consumers have become more selective in their discretionary spending, which bodes well for companies with well-respected brands and quality products. For today's consumers, such 'affordable luxuries' are a way to have desirable status symbols even on a tight budget that may not allow for larger purchases.

What competitive advantages do you see for company's that offer an affordable luxury?

High-end retailers compete on attributes other than price; therefore, they are able to avoid the fierce, margin eroding, price wars occurring in the middle and low-end market. Luxury goods makers have produced slightly lower versions of their products to entice buyers, leveraging the prestige of their names.

Higher-end companies were hit hard during the early recession as consumers drastically reduced their expenditures. However, they are coming back very strong as consumers increase their spending, though they seek luxuries that are lower in overall price. For example, splurging on a designer handbag, jeans, or shoes, rather than a new car or expensive vacation.

Do you see the affordable luxury trend strictly as a U.S. development or is there international relevance?

Companies producing affordable luxuries have immense overseas expansion potential among the growing middle class in developing economies. China, in particular, seeks the same luxuries that are afforded to western consumers and they now have the disposable income to purchase these 'entry-level' luxuries.

Strength in the Japanese Yen has sparked an increase in third-party online retailers selling luxury items in Japan at deep discounts from the prices seen at traditional Japanese luxury retailers, where shoppers usually pay a significant mark-up, often dubbed the 'Japan Premium' over prices in domestic markets for posh surroundings and attentive service representatives. Many companies in this space are attractively valued when viewed from a historical perspective, and as compared to the broader market.

What do you like particularly about Apple, Coach, True Religion and Steve Madden?

Apple products such as its Mac desktop and notebook computers, as well as its hit new iPad are gaining market share despite carrying a significantly higher price point. Coach plans to open 30 stores in China during fiscal 2011, up from 13 in fiscal 2010, and their recent sales figures are extremely strong.

Consumers view premium denims as a value purchase in a tough economy and, as True Religion CEO Jeffrey Lubell has mentioned, jeans are not the kind of thing you wear once like a formal dress and they never go out of style. Higher end shoe retailers like Steve Madden are also noticing a pick-up thanks to improving fall sales with analysts raising the outlook for 2010 same store sales.

Condor Capital

Founded in 1988, Condor Capital is an employee-owned, SEC-registered investment advisor based in Martinsville, N.J. employing 15 professional and support staff. Since Condor is a fee-only, investment management firm, its fees are based on portfolio size, not sales commissions or number of trades. For more information on Condor Capital, please visit condorcapital.com or call 732-356-7323.

Tags: [affordable luxuries](#), [desirable status](#), [release source](#), [retail market](#), [target](#), [tuesday october](#)

Original Source: <http://newsfashion24.com/2010/11/condor-capitals-ken-schapiro-affordable-luxury-retailers-benefitting-from-increased-consumer-selectivity-in-discretionary-spending/>