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In hard times, frugality rules

Hawai'i residents stretch their budgets with back-to-basics, do-it-themselves approach

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At Mary's Barber Shop on North School Street, the economic downturn isn't so much about what can be seen, but what isn't.

Customers aren't getting haircuts as frequently compared to times when Hawai'i's economy was brighter and wallets were fatter.

"I noticed this from the start of this year," said proprietor Mary Endo, noting people are coming with longer hair.

"I have the same customers but they don't come around as often."

She's not the only one who notes people are on a thrifty streak because of the recession. Frugality is catching on as people tighten their budgets.

Higher unemployment and underemployment, smaller 401(k)s and retirement funds and a general worry about the economy have people spending less. People who tossed aluminum cans in recycle bins now line up to redeem them; sewing classes are said to be full and coupon clipping is on the rise.

"They are stretching their dollars," said Laura Kay Rand, vice president of corporate services for Goodwill Industries of Hawaii, operator of eight stores on O'ahu and the Big Island.

"There's been a more than 10 percent increase in customers coming in compared to last year."

rethinking habits

Nationally, there have been similar changes occurring. Hemant Sangwan, a business planning and strategy consultant for IHS Global Insight in Toronto, said the thriftiness can be traced to several groups of people, including those who've lost jobs or had their income cut, as well as those who are uncertain about what the economy may bring.

"The one key thing in this whole environment is the confidence of the consumer," Sangwan said. "People are very cautious."

He said more people are making shopping lists before going to stores and are more restrained when it comes to impulse purchases. They also are examining their everyday habits.

For example, someone who regularly goes to Starbucks before work and pays \$6 for a coffee and scone may think about cutting back.

"Over a month that's like \$120," Sangwan said. "People are doing that calculation."

Kaimuki Dry Goods Ltd., an 83-year-old fabric and sewing supply store, reports more people are making their own curtains and slip covers. Home sewing is on the increase, said Pam Metzger, store assistant manager, who reported a sewing school upstairs from the shop is full with students.

spending stifled

Valpak of Hawai'i reports that traffic to its online discount coupon site has almost doubled compared to a year ago. Moreover, people have increased redemptions of coupons they receive in the monthly envelopes Valpak mails to 160,000 O'ahu households each month.

"Our restaurants have really picked up," said Franco Arango, Valpak of Hawai'i sales manager. He said a restaurant reported getting about 60 redemptions a month last year for a buy-one, get-one-half-off coupon.

"The other day he said he got 180 in the last month," Arango said.

"People still want to maintain the same lifestyle, but they don't want to spend the money anymore."

He's also seen a rise in the number of redemptions for remodeling businesses as people choose to upgrade existing homes rather than move to more expensive locations. At Hawaiian Rent-All, owner Paul Gibfried said the number of homeowners renting equipment for do-it-yourself home improvement projects hasn't fallen despite the dip in the economy.

"People are electing to do things themselves," he said.

The new frugality has a range of implications, since consumer spending is generally said to make up two-thirds of the U.S. economy. The pullback is showing up in the latest available state tax numbers, with levies down almost 18 percent in February.

A recent poll by QMark Research found 39 percent of retailers said they've seen a decline in foot traffic this year.

It also found 54 percent of retailers saying sales were down this year.

"To me that's sort of the combination of fewer people and less spending," said Barbara Ankersmit, QMark president.

Some of the same trends are at work elsewhere, with researchers saying a back-to-basics trend has taken hold with some consumers. People are turning away from purchases of pretentious or showy luxury items, ordering cheaper meals at restaurants and waiting for brand-name goods to go on sale.

They are also brown-bagging it for lunch and eating more meals at home, resulting in a number of significant Hawai'i restaurants, including Brew Moon, Compadres Bar & Grill and Nick's Fishmarket, closing their doors in recent months.

Consumers are also holding off on major purchases such as car sales, furniture and homes. Locally, car sales dropped to a 10-year low last year and are forecast to fall further this year, though Hawaii Automobile Dealers Association spokesman David Rolf said there's been more showroom traffic lately because of discounts, rebates and a federal tax break on new car purchases.

staying power

The downturn has some businesses wondering how permanent the new frugality might be and whether people's thrifty habits will remain after the recession recedes. For some people, lifelong frugality was a legacy of the Great Depression.

"I think that's the \$64,000 question," said Dennis Christianson, co-founder of Laird Christianson Advertising.

"Some people are spending their day-to-day in the same way they always have, but are being very careful about their major purchases while others are being more frugal in their day-to-day but maintaining all of their larger spending patterns."

Goodwill's Rand said she expects the increased spending at her stores to remain because it's not just driven by economics, but also by people who are environmentally conscious in wanting to see items reused and recycled.

Ankersmit agreed.

"There's not any stigma attached to it anymore," she said. "Many people think it's the fashionable thing to do."

Researchers think some of the new frugality will stick around for years, especially with folks who've seen their retirement portfolios sliced dramatically with Wall Street's downturn.

Others may tire of putting in some of the effort that goes with pinching pennies.

Hawaiian Rent-All's Gibfried said some of the home improvement work currently being done is the result of people having slack time now that the economy and their work have slowed.

"But as their hours pick up and work gets busier they may switch back to contractors on some jobs," he said.

Rolf said it may be that people are a bit more frugal once economic growth returns. But then again, "I don't think anybody in the market knows what the new normal will look like."

Cheaper habits may raise recycling fee

In a ironic twist, people's increasing frugality could lead to people paying a higher beverage deposit fee for the state's recycling program.

That's because people have increased their redemptions of cans and bottles for the 5-cent refund, which in turn is threatening the state's budget for the program.

Karl Motoyama of the Department of Health's Office of Solid Waste Management said preliminary figures show the program's redemption rate has risen above the 72 percent achieved in fiscal 2008. It appears more people are apparently seeking refunds given the tight economy.

But the higher redemption rate may be a problem for the program's budget, which is based in part on paying expenses out of uncollected deposits. Motoyama said the program costs are actually between 7 cents and 9 cents per bottle or can, when the 5-cent refund, administrative and recycling processor costs are totaled.

But when redemptions increase, the amount of uncollected deposits dwindles and there's not as much money to pay all the costs.

Motoyama said there's a strong likelihood the recycling fee may be raised to 6.5 cents from the current 6 cents if the increase in redemption rates holds.

State law allows the fee to be increased if redemption rises above 70 percent, which is on track to do so again this year, he said.
