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## Holiday spending tightens

### Discounts will aim to drive sales as families forgo big-ticket items for moderate priced gifts.

Jaclyn Trop / The Detroit News

Families can expect to find more smaller-ticket items under the Christmas tree this year, as consumers look for ways to feel good amid layoffs, foreclosures, and fears of more economic turbulence ahead.

Bleak forecasts for holiday retail sales are expected to spur early discounts in Metro Detroit shops, but even marked-down merchandise may not bolster sales enough to save some retailers from going bust. Financial pressure and a lack of consumer confidence will translate into conservative spending, analysts said.

"Families will decide together, let's just not spend this Christmas," said Ken Dalto, a Farmington Hills retail analyst. "And they'll understand because they know how bad it is."

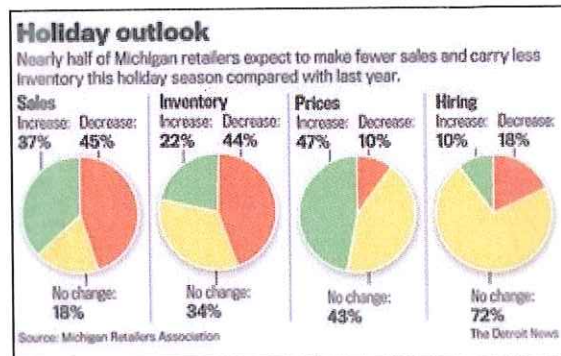
National estimates show that consumers plan to spend \$832.36 on average, up 1.9 percent from last year's \$816.69, the lowest increase in planned consumer expenditures since the National Retail Federation began tracking spending in 2002.

But no gains are expected in Michigan, which already has been mired in a one-state recession for years, with the nation's highest unemployment rate for eight months of 2008. This holiday season, the state's retail association expects an average decline of about 1.2 percent in holiday sales compared to a year ago.

A report released last week by the Michigan Retailers Association showed that 37 percent of retailers in the state expected increased sales compared to last year's holiday season, while 45 percent expected a decrease.

The report also suggested that plunging gas prices and discounted merchandise could motivate shoppers, an assumption Dalto called "premature optimism."

"I don't think going on buying sprees is reasonable to make themselves feel better," he said. "Everyone will celebrate the holidays but they will celebrate by changing their habits. They will not buy for the extra uncle, grandma, or sister-in-law, but they will stick to their core families. I



bet you that 50 percent of households in Michigan are having that discussion."

Of the families who will shop as usual, Dalto said, about 20 percent are probably worried about not having a job in six months.

Those same concerns are expected to slow sales nationwide, to an expected rise of just 2.2 percent, to \$470.4 billion, according to the National Retail Federation. The gain would represent the slowest growth since 2002, when holiday sales rose 1.3 percent. Stores normally post 25 percent to 40 percent of their annual sales during the holiday season.

The International Council of Shopping Centers predicted a more severe downturn with 1.7 percent growth for chain-store sales in November and December, compared to 2.1 percent for those months last year.

Shoppers are "feeling a lot of pain and pressure," said Richard Jaffe, a retail analyst with Stifel Nicolaus, an investment banking firm based in St. Louis. "I don't think the consumer fully understands what the market is going through but it's scary."

Consumers are expected to forego big-ticket items like computers and flat-paneled televisions in favor of apparel and less expensive gifts, Jaffe said in a conference call last week. Instead of an iPod, a popular gift this year could include "a more moderately priced sweater, hat and gloves, for example," he said.

Abercrombie & Fitch, a Columbus-based clothing retailer that owns Hollister Co. and abercrombie kids in addition to its eponymous flagship brand, has been particularly "successful in elevating its brands to an aspirational level" for teenagers, Jaffe said. Macy's, the industry's "800-pound gorilla," is expected to price its merchandise more reasonably this year.

In Michigan, about 45 percent of retailers said they planned to sell less expensive merchandise, including Becky Beauchine Kulka Diamonds and Fine Jewelry in Okemos, which reported success with lower price points.

Though analysts predict discounters will drive the majority of holiday sales, the upscale Mall at Partridge Creek in Clinton Township is anticipating strong sales going into its second holiday season.

"Our company's big line this year is that we're cautiously optimistic," said general manager Robbie Stark. The mall has gained 21 stores since last Christmas, including Nordstrom, which opened in April.

"I think we'll see sales better than the national average" of 1.7 percent," Stark said. "People know us so much better now that I think it can only go up."

The outlook, however, is bleak for stores that turn in weak sales in November and December, which are likely to be out of business in January, Dalto said.

"You'll see more strip malls with vacant signs and more anchor malls losing tenants."