

'Tis the season of receiving

Commercialism has swamped the joy of giving, says **DOUG SACKS**, as the spectre of 'Christmas Presents' surfaces once more.

Ho-ho-ho! 'Tis the Christmas issue! 'Merry Christmas', as we say here. 'Happy Christmas', as they say in the land where this magazine is published. But, call me Ebenezer, my favourite childhood holiday has evolved into my least favourite.

My 'Christmas Past' was a time to slow down, re-visit family and friends and abide by the novel concept of, at least once a year, treating others with kindness, courtesy and respect.

Vacations from work were measured in weeks, not days. Hallowe'en, Thanksgiving and finally Christmas were all celebrated in their proper order with no competition from the upcoming holiday.

But the USA now derives a full two-thirds of its total economic activity from consumer spending; and Christmas is the gas-guzzling engine in this enormous commercial vehicle.

So now, Christmas-themed movies are advertised in September and open the first week in November. Christmas displays in stores go up before Hallowe'en at the end of October. TV ads for Christmas gifts and spending saturate the airwaves two months before The Day. Houses are decorated the day after Thanksgiving - which this year happened on November 23.

It's all about how much you spend and how much the lucky

recipients can acquire. It's about receiving, not giving. And the giving cannot be a gift of time, attention or love. It must be material. And not homemade. We have to keep those factories in China operating at capacity.

Christmas predictions

The National Retail Federation estimates sales will reach \$474.5 billion, a four per cent increase over 2006. *e-marketer* thinks \$37bn of this will come via online activity. That represents an 18.5 per cent increase over 2006. Jupiter is a bit more optimistic with a prediction of \$39bn - a 20 per cent increase over last year.

Some pundits are predicting more dire results.

Retail sales were only up 0.2 per cent in October. Consumer confidence is falling due to the steep slump in housing sales and tighter credit conditions due to the sub-prime mortgage meltdown. Inflation remains low but higher gasoline and fuel oil prices could burst that bubble. Food costs are surging as well. The stock market is volatile with large losses followed the next day by large gains.

Luxury goods sales should be very strong as all of President Bush and Vice-President Cheney's friends and supporters are coining money as fast as it can be made. But all is not rosy for Bush and Cheney.

Congress is angry about the

We were taught that the American Dream was to own one's home. Fiscal reality has intervened.



presidential veto of the domestic spending bill. The \$606bn dollar appropriation to fund education, health and labour programmes was considered too expensive by Mr Bush. The \$606bn was \$10bn over the President's proposed budget but contained, as we say, 'a lot of pork' - more than 2,200 pet projects of the legislators known as earmarks. So, there was some justification.

But with the wars in Iraq and Afghanistan estimated to cost up to \$2.4 trillion - the war in Iraq accounting for 80 per cent of that - vetoing a domestic bill while claiming full war funding must remain in effect, has many in Congress spitting nails. An unpopular decision for an unpopular war.

So, will this be a year of bargains for the few confident consumers with money to spend? Not likely.

Last year, retailers were caught with excess inventories leading to price wars; the consumers benefited and the retailers were wounded. Profits at major retailers dropped by 30-60 per cent.

Not so this year.

Retailers are better prepared. Mergers, and low interest rates have given retailers a stronger overall position. Expected slower sales growth has limited inventories. Slashing retail jobs has also occurred, as has upgraded pricing, planning and inventory software. So the

retailers are ready. But are the consumers willing to co-operate? Steep price cuts may still be necessary to entice a consumer base with shaken confidence.

Economic ennui

The major cause of the economic ennui is the widespread after-effect of the implosion of the sub-prime mortgage market.

We were taught that the American Dream was to own one's home. Wall Street's greed and creative bundling of high-risk sub-prime mortgage securities seemed to make that a reality for almost everyone - at least until fiscal reality intervened. So, lots of people who probably shouldn't have owned homes in the first place will lose them.

And the rest of society will suffer in the form of tighter credit and lost confidence in a damaged economy.

But maybe all is not bleak.

A Christmas present comes from across 'The Pond' - a report based on research from Warwick University in the UK indicates that widespread homeownership may actually hurt the economy.

Who knew?

Phew!

This news arrived just in time; how coincidental!

According to scholarly research, homeowners are less likely to be economically flexible,

ie willing to follow jobs and opportunities to other areas. So unemployment may rise if a worker refuses to move and leave his home.

And these pesky homeowners even have the nerve to insist on tighter zoning restrictions to protect their investments.

This comes at the expense of unrestricted development. Let's forget about the benefits of people becoming more invested in their communities, working harder to maintain property values, improving schools, supporting town infrastructures.

Thank you, Warwick University, for that one piece of good economic news.

I noticed while researching this column that different surveys and research organisations have significantly different predictions.

Is overall retail spending set to rise four per cent over 2006, or will disaster strike as nervous and cash-strapped consumers look to consolidate?

How this will affect the fourth quarter of 2007 and Quarter One of 2008 retailers, direct marketers and the economy remains to be seen.

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