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## Bells jingled, but who heard

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Fears of a recession led to the lowest sales growth in the US since 2002

With snow all around, carols in the air, and Santa Claus with his gifts, Christmas and New Year season is the most awaited one in the US. Sadly, this time the festive mood did not translate into accelerating retail sales. Looks like the housing and credit crunch crisis has extended itself to retail sales as well. Agrees Rick Moss, President, Founder, RetailWire.com, "There are a multitude of factors, but I would point primarily to the downturn in the US housing market." Adds Lee Peterson, VP, Brand & Creative Services, WD Partners, "The main reason for the decline is the general worry by the US consumer that there are tough economic times coming up in 2008."

According to data released by the National Retail Federation, 2007, holiday sales (combined sales of November and December) grew by only 3% against the predicted 4%. It is also the lowest growth in the season since 2002, when it had clocked a mere 1.3% growth. Well, it is definitely not a good indicator for the economy, as consumer spending comprises the major part of US economic activity. While Goldman Sachs has said that the US economy is entering a recessionary phase in 2008, Merrill Lynch believes it has already done so.

However, various retail chains tried their best to devise strategies to increase sales and fight the economic crisis. Sale figures clearly indicate their failure. "There should have been a more conservative approach to their store and square footage expansion plans and, in terms of merchandise, more concentration on affordable items that offer lasting value, as opposed to trendy, fashion-oriented goods" explains Moss. "You always need a "Best At" strategy for Holidays in the US. In other words, how can we use our "Best At" to drive sales? What is it that will make us different at Holidays? I didn't see that from retailers the past season. It seemed to be "business as usual", to which, the American consumer replied, "Oh no it's not," says Peterson.

The after effect saw many chains bringing down their profit

## About Me



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predictions; they included Kohl's Corp., AnnTaylor Stores Corp. and J.C. Penney Co.. NRF has revealed that luxury and internet sales are also not likely to be spared from the downturn of events. Tiffany, one of the largest jewellery retailer, has trimmed down profits forecast and is mulling cutting down on current year's targets, as soon as it witnessed a 2% decline in its same store sales. Apart from the economic slowdown, another factor affected retail sales, as pointed out by Mark Lilien, Management Consultant, Retail Technology Group, was the presence of many retailers and much square footage devoted to retailing. "The best-run retailers have tremendous capital allocation discipline. They don't invest unless the ROI is superior. Investing for market share growth alone is a losing strategy, but it's what most American retailer's love" says Lilien.

All said and done, the billion dollar question is that would this phase continue in 2008? With elections round the corner, there are expected uncertainties. "Nevertheless, with elections occurring in the heart of the '08 holiday season, I would anticipate a level of uncertainty that will depress spending again," says Moss. Or perhaps as Peterson says, "Things could change after the election. But it's time for retailers to batten down the hatches and go back to the innovation team for new ideas."

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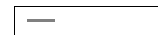


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