

Shop Talk's Update Forecast, Facts, and Future Retail Trends

Wow! The "Golden Quarter" has come and gone! All the final numbers are not yet in for the holiday sales. I will be covering the National Retail Federation Convention in New York City in mid-January. Look forward to receiving my next newsletter full of current information from the convention.

Meanwhile, these two articles on on-line sales and gift cards are very interesting and timely.

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The following article focuses on some new issues that retailers and consumers are now confronting with what seems to be the silver bullet and perfect solution for gift giving—no concerns with sizes, colors, returns, etc. But, as we fast forward, where does this type of thinking take us?

Food for thought,
Margie

So much plastic, so little time Popularity soars, but many gift cards languish in wallets

By Jenn Abelson, Globe Staff | December 31, 2006

Jill Greim has so many gift cards that she carries a second wallet inside her purse just to hold them.

The 18-year-old college freshman from Walpole got seven gift cards worth \$460 this Christmas -- for places such as J.Crew, Bertucci's, and Simon Malls -- and already had six others from past holidays.

"It's annoying to have all these cards. I forget about them, I never know how much I have left. I don't even shop at some of these places," Greim said. "I'm OK getting them from my grandparents because otherwise I'd end up with a unicorn sweater. But really, I love unwrapping presents."

This holiday season every retailer -- from gas stations to lingerie shops -- promoted the ubiquitous plastic card as the present of the year, the perfect stocking stuffer for your mother who has everything and your co-worker who likes nothing. Many consumers appreciate gift cards because they get to select the present and don't have to pretend to like the unicorn sweater.

Still, the sheer volume of gift card giving this year -- estimated at \$82 billion by Needham market research firm Tower Group Inc. -- has led to a gift card fatigue for many shoppers who are carrying wallets filled with \$5 cards for Blockbuster, for instance, where they don't even have memberships.

About 23.3 million Americans have unused gift cards from last year's holidays, according to an October study by Consumer Reports. Of the people who received gift cards in 2005, 19 percent of them have not used one or more of the cards nearly a year later. Tower Group estimates that the value of unredeemed gift cards has now grown to about \$8 billion over several years.

"Gift cards have become such an easy way of gifting, and we live in a society of excess. If people are receiving three or more gift cards, it's like getting three or more sweaters. How many can you really use?" said Madison Riley, a principal at retail consultancy Kurt Salmon Associates.

Merchants love gift cards because they help cut back on costly returns and exchanges, and because about 55 percent of people redeeming a gift card wind up spending more than the gift card value, said Brian Riley, an analyst with Tower Group.

Retailers typically don't count the cards as revenue until they are redeemed, but the growing number of unused cards has prompted some merchants to refine their bookkeeping. In June, [Home Depot](#) said it had sold more than \$40 million in gift cards in recent years that it concluded were unlikely to be claimed. The home improvement chain recorded the money as income, making millions of dollars for selling nothing but cards of plastic.

Already, a new crop of online companies is emerging as a place to buy, sell, and swap gift cards, including [Plasticjungle.com](#), [Cardavenue.com](#), and [Swapagift.com](#). Many of these sites charge a fee, but consumers should be on the lookout for people peddling fraudulent cards. Online behemoth [eBay](#) saw more than 4,000 auctions for gift cards and certificates on Friday, with many sellers recouping less than face value, including a \$500 Home Depot gift card that sold for \$450 and a \$200 [Best Buy](#) gift card that went for \$182.50.

For Jonathan Cleveland , 15, of Walpole, collecting gift cards is a hobby. His wallet is stuffed with seven gift cards worth more than \$150 to stores including Dunkin' Donuts, [McDonald's](#), and Best Buy -- all presents saved over the past two years.

"They'll come into use some day," Cleveland said, "if they don't expire first."

Gift cards can present a dizzying array of potential pitfalls -- from activation fees to dormancy fees (money deducted for each month the card is not redeemed) to expiration dates to replacement fees. Visa gift cards issued by mall operator [Simon Property Group](#) impose a \$2.50-a-month fee after 12 months, a \$15 fee to replace an expired gift card, and a 20-month use-or-lose provision on many of its cards.

Such hassles leave Linda Nwosv, 25, longing for the simpler era of thoughtful presents. She spent the day after Christmas scurrying around South Shore Plaza in Braintree, trying to spend her \$50 gift cards at Macy's and Lord and Taylor. Nwosv had trouble activating her [American Express](#) gift card, and has given up spending a \$40 gift card she received two years ago to shoe discounter DSW -- a store she never shops at. "Gift cards are like a double-edged sword -- great gift if done right, terrible waste if not," said Marshal Cohen , chief retail analyst at NPD Group, a market research firm in Port Washington, N.Y. "The real kicker is getting cards that don't match one's lifestyle, such as a gas card for someone that doesn't own a car or even drive."

The next wave, Cohen said, is regifting gift cards, like John Lamb , 23, of Wakefield, who gives away his stash to his friends.

Said Lamb: "I'm just not a fan of them."

Amelia Brown , of Hingham, can't use her gift cards fast enough. The 11-year-old received nine gift cards for Christmas totaling \$200 and she wanted to clear some off before next month, when she expects to receive a new batch for her birthday.

"It gets annoying getting all these cards out of my wallet and going to all these places," Brown said. "I'd rather just have the money."

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On-line Impact of Retail Sales This Holiday, recapped by Margie Johnson

On-line sales set new milestones exceeding \$100 Billion in 2006. This phenomenon was fueled by time-starved consumers' quest to "get it done," the acceptance of security concerns, the promise of on-time delivery and perhaps wrapped, etc., etc.

The following article gives an up-to-date recap of the on-line sales history through last week. This is something for all retailers to look at carefully as they position their business for the future. The following article is adapted from comScore Networks.

Holiday E-Commerce Spending Up 26 Percent with Surge Continuing the Week Before Christmas, According to comScore Networks.

comScore Networks, a leader in measuring the digital age, today released its estimates of consumer online non-travel (retail) spending at U.S. sites for the 2006 holiday season through Tuesday, December 26. During the first 56 days of the holiday season, total online retail spending reached \$23.11 billion, marking a 26-percent increase versus the corresponding days in 2005. Sales during the week prior to Christmas (December 18 – December 22, 2006) rose 38 percent versus the corresponding week in 2005. Importantly, **year-to-date non-travel e-commerce spending surpassed the \$100 billion mark for the first time ever** on Saturday, December 23, 2006.

| 2006 Holiday Season To Date vs. Corresponding Days in 2005 Non-Travel (Retail) Spending Excludes Auctions and Large Corporate Purchases Source: comScore Networks | | | |
|--|---------------|---------|----------------|
| | Billions (\$) | | |
| | 2005 | 2006 | Percent Change |
| November 1 – December 26 | \$18.28 | \$23.11 | 26% |
| Mon. – Fri. before Christmas (12/18 – 12/22) | \$1.63 | \$2.25 | 38% |

"That online retail consumer spending for the year-to-date has surpassed the \$100 billion mark is a testament to the continued growth and strength of the online marketplace," continued Mr. Fulgoni. "Retail e-commerce now accounts for approximately 7 percent of consumers' U.S. retail spending (excluding gas, autos and food), making it an important component of the total U.S. economy."

Amazon.com Ranks Highest in Online Sales during the 2006 Holiday Season to Date; "Bricks and Mortar" Retailers See Highest Percentage Increase in Sales versus 2005

| Top Retail Web Sites, Ranked by Dollars Spent* Non-Travel (Retail) Spending Excludes Auctions and Large Corporate Purchases 2006 Holiday Season to Date (Nov. 1 – Dec. 26) Source: comScore Networks | | | |
|---|------------------|----|---------------------|
| 2006 Sales Rank | Retail Site | | Retail Site |
| 1 | Amazon.com | 6 | JCPenney.com |
| 2 | Dell.com | 7 | Apple.com |
| 3 | Yahoo.com | 8 | Bestbuy.com |
| 4 | Walmart.com | 9 | Victoriassecret.com |
| 5 | Ticketmaster.com | 10 | Circuitcity.com |

* Excludes Auction Sites

Sales in Jewelry & Watches Category Puts a Shine to 2006 Holiday Retail Spending

Growth in online retail sales during the 2006 holiday season has been fueled primarily by sales in high-ticket and popular gift categories. High-ticket categories experiencing gains include Jewelry & Watches (up 67 percent), Video Game Consoles (up 63 percent), and Consumer Electronics (39 percent). Popular gift categories include Video Games (up 64 percent), Event Tickets (up 55 percent), Toys (up 35 percent), Sport & Fitness (up 32 percent), and Apparel & Accessories (up 30 percent).

| Fastest Growing Online Product Categories, by Dollar Growth Non-Travel (Retail) Spending Excludes Auctions and Large Corporate Purchases Holiday Season to Date (Nov. 1 – Dec. 26, 2006) vs. Corresponding Days in 2005 | |
|--|-----|
| Source: comScore Networks | |
| Retail Category | |
| Jewelry & Watches | 67% |
| Video Games | 64% |
| Video Game Consoles & Accessories | 63% |
| Event Tickets | 55% |
| Consumer Electronics | 39% |
| Toys | 35% |
| Sport & Fitness | 32% |
| Apparel & Accessories | 30% |

comScore Networks 2006 E-Commerce Forecast

| Online Non-Travel Holiday Consumer Spending Excludes Auctions and Large Corporate Purchases | | | |
|--|----------------------|-------------|-------------------|
| Source: comScore Networks | | | |
| | Billions (\$) | | |
| | 2005 | 2006 | Pct Change |
| January – October | \$62.6 | \$77.5 | 24% |
| Holiday Season (Nov-Dec) | \$19.6 | \$24.7* | 26%* |

**comScore Networks forecast (revised 12-28-2006)*

Link to: www.comscore.com for more information.