

# Macro trends &

The modern Christmas business is global and interconnected. A political decision made half way around the world in Beijing can instantly affect the price of Christmas trees in New York — as happened when the Chinese government reset the value of its currency, the yuan, last summer. And, of course, factors such as the price of oil can affect sales of outdoor lighting as well as the rest of the Christmas industry and, indeed, the whole American economy.

In such a complex business environment, staying on top of the latest political, financial and demographic trends can be vital to the continued success of Christmas companies, both large and small.

*Selling Christmas Decorations* asked a number of cultural seers to look ahead at developing trends in demographics, culture, economics and poli-

tics, and to speculate on how future developments in these areas may impact the Christmas industry in 2006 and beyond.

## Demographics

This year, the oldest of the Baby Boomers — the 77 million-strong demographic group so beloved by

marketers — will turn 60. Experts say that just as this group broke all the rules in the 1960s, so too are they rewriting the unwritten rules of old age. “The Baby Boomers’ predecessors, when they turned 55 and 60, started retiring,” says Peter Francese, founder of *American Demographics* (now *Advertising Age’s American Demographics*) and currently a demographic trends analyst for Ogilvy & Mather. “Baby Boomers are not likely to retire anytime soon.”

While earlier generations of senior citizens struggled to live on fixed



incomes, Boomers’ spending power doesn’t seem to be dimming. While not all Boomers are rich, they do have the lowest poverty rates of any age group, and those in the center of the cohort, between the ages of 45 and 54, have the highest average household income, at \$68,028 before taxes, according to the 2003 Consumer Expenditure

# Christmas: 2006 & Beyond

Futurists, trend gurus and other experts offer their views of what's ahead for the Christmas industry in the years to come.



Survey. Observers say this financial cushion will serve them well in their golden years. As Francese puts it, "A big chunk of them [Boomers] have enormous wealth and no problem throwing it around....[The wealthier Boomers] think spending \$10,000 on Christmas decorations is nothing."

Francese says it is possible that the Boomers' relative prosperity compared to previous generations may mean different buying patterns in categories like Christmas. Whereas older people typically buy fewer decorations — having collected plenty in their young adult years — the wealthier Boomers may start buying for their vacation homes in their leisure years. "They are very likely to buy second and third homes," says Francese. This trend, he says, may mean buying Christmas decorations for both or all three. "When it comes to toys, Christmas decorations, whatever, they are looking for something unique — the 'Wow' factor. Price is no object."

He notes that in addition to spending on their homes and second homes, it looks like comfortably situated Boomers will likely choose to spend money on their grandchildren. "That may spill over into Christmas decora-

tions for their grandkids, either at their kids' homes or their own."

Bradley Johnson, editor of *Advertising Age's American Demographics*, agrees. "Just because they're getting older doesn't mean Baby Boomers are going to stop spending. The fastest growing demographic for car sales is 70-plus....If they're still interested in trading in cars every three years, they're still interested in trading in their sofas," and, it stands to

tend to be more highly educated and are more likely to live in two-earner households, according to a 2004 report in *American Demographics*. That means they'll shop smarter, often researching a purchase online before going to the store, and once they go to the store, they don't want to spend as much time there, according to analysts.

The oldest of the Boomers' children — individuals born between 1977 and 1994 — will quickly follow X-ers into

"A big chunk of them [Boomers] have enormous wealth..."

— Peter Francese

reason, their Christmas decorations.

But Baby Boomers are not the only force marketers will be contending with in the upcoming years. Over the next 10 years, Generation X, those born between 1965 and 1976, will enter their 40s, their peak earnings years. Generation X is 35 percent smaller than the Baby Boom generation, with about 49 million people in 2000, and they may never be as wealthy as their predecessors, but they

the peak shopping years. This demographic is almost as large as their parents' Boomer generation, notes Pam Danziger, president of Unity Marketing, which specializes in the gift industry. She predicts that the coming-of-age of this group, termed Millennials or Generation Y by marketers, bodes well for retailers in general and Christmas merchants in particular. The seasonal business, says Danziger, will benefit as this group starts to form families in the

coming years. It is during these years, when couples marry and their children are young, that couples begin to acquire the decorations and holiday products they accumulate and keep as heirlooms throughout the years. For marketers, says Danziger, this may mean that as the Boomers are slowing their purchases, their oldest children will be beginning to purchase holiday products for their newly-formed families.

One aspect of Generations X and Y that differs from Baby Boomers is their level of diversity. Among Baby Boomers, 80 percent describe themselves as non-Hispanic whites, compared to 63 percent of Gen-Xers. Of the remaining 37 percent of Gen-Xers, 16 percent are Hispanic and 13 percent are African American, according to the U.S. Census Bureau.

Blaire Borthayre, an expert on marketing to the Hispanic community, says Hispanics are "the number one minority" in terms of population and notes that their numbers are expected to

grow substantially in the short-and long-term future. Backing her up is the Census Bureau, which recently estimated that nearly 67 million Hispanics would be added to the nation's popu-

increasing buying power of Hispanic consumers will have a tremendous impact on the American economy in the years to come.

Hispanic-Americans' buying power for 2004 was estimated at \$686 billion with a predicted compound annual growth rate of 8.2 percent. (The standard rate of growth for non-Hispanics is 4.9 percent.) The center's study predicts that by the year 2009, Hispanic-Americans' buying power will rise to \$923 billion. One reason for this increase is a developing shift in the profile of this population segment. *Hispanic Business* magazine reports that there will be a continuing increase in the number of more prosperous native-born Hispanic Americans as opposed to immigrants.

Borthayre offers advice to holiday retailers serving Hispanic-American communities: first, religious and Spanish language themes may be more important than Santa and snowmen to many Hispanic Americans, and second, decorations geared to children may

### What's Your Demographic?

- ▶ **Baby Boomers:** *Born 1946 to 1964*  
(77 million Americans)
- ▶ **Generation X:** *Born 1965 to 1976*  
(49 million Americans)
- ▶ **Generation Y:** *Born 1977 to 1994*  
(71 million Americans)

lation between now and 2050. Even more key to marketers is the growing prosperity of this group of Americans. The Selig Center for Economic Growth at the University of Georgia recently released a study finding that the

## COVER STORY

prove strong sellers to this family-oriented group. Borthayre also reminds retailers of the importance of bilingual staffers and Spanish language advertising: half of the 41.9 million Hispanic-Americans are predominantly Spanish-speaking.

Also significant is the America's growing Asian-American population. Maria Albarracin, vice president, Ethnic Marketing Associates LLC, reports that

this group's spending power is growing between eight and ten percent annually, much faster than the general population. In 2001, 40 percent of Asian-American families had incomes over \$75,000 compared with 35 percent of white families.

Albarracin notes that while some Asian-Americans are Christian — many Koreans, Philipinos and Taiwanese Chinese, for example — even those

that are not Christian are likely to participate in the holiday as they assimilate into American culture. "The gift-giving and décor aspects are popular because the spirit and celebration of Christmas is pervasive in American culture," says Albarracin.

## Economics

For many futurists, the biggest economic question mark for the near-term future is the price of oil. They worry that China's increased demand for oil will deplete Mideast supplies and that prices will inevitably skyrocket as the whole world competes for what's left of this precious resource. *The Trends Journal*, published by The Trends Research Institute in Rhinebeck, N.Y., takes a particularly pessimistic view: "Business and industry (worldwide) will have few options to escape the wrath of pricey oil. Regardless of who can afford it, the cost of everything will increase....If average national gas prices...trend in the range of \$3.25 or above, the ripple effect of the oil shock on agriculture, business/industry and the consumer will steer the nation toward stagflation (no growth and inflation) or recession."

Higher prices at the pump might not hurt the Christmas industry as much as it would others, according to one expert. Madeline Temple, consumer strategist for Iconoculture, a market research firm based in Minneapolis, says that even if consumers are feeling squeezed by gas prices and heating prices, they may make an extra effort to make Christmas memorable. "They may spend Christmas at home," she says, "but retailers have a great opportunity there." Forced to stay at home, consumers may put extra effort into sprucing up their homes and decorating for the holidays.

Danziger, of Unity Marketing, offers the Christmas industry more holiday cheer. She notes also that when consumers describe themselves as "cutting back on Christmas" what they actually mean is cutting back on

gifts for people outside the family. People usually continue to buy for their immediate family and to decorate their homes even when budgets are tight, says Danziger.

Experts tend to agree that the housing market will go into a slump sooner rather than later, and discussions on that subject tend to focus on how steep the drop will be. "The real estate bubble may not burst, but the air will be sucked out of it," claims Francese of Ogilvy & Mather.

Oil and housing prices may indirectly affect Christmas product trends in another way. The average artificial tree has grown taller in recent years as new homeowners bought new, taller trees for living rooms with higher ceilings than their previous homes. Increases in oil prices could make high-ceilinged McMansion-style houses less appealing and falling home prices could limit the number of tree and decorations buyers.

Another factor that could affect con-

## Other Trends To Watch

▶ **DE-MALLING.** Malls have been around long enough for Americans to have grown tired of them. A mall in Somerville, Mass., is undergoing a renovation that will, in effect, turn it inside out. Instead of an enclosed mall with stores inside, it will feature a few big box retailers with an outdoor pedestrian shopping area of Main Street-style stores connecting the larger retailers. *The Sacramento Business Journal* describes the renovation as one of the first examples of the "de-malling" of America.

▶ **GOODBYE CITY LIFE.** *The New York Times* reports that high housing prices are prompting east and west coast big-city dwellers to relocate in search of a lower cost of living. Young families, retirees, and new immigrants are leaving New York, Boston, Washington, D.C., and high-priced California metropolises to begin anew in smaller towns and cities such as Allentown, Pa.; Oklahoma City; and Virginia Beach, Va.

▶ **TRENDS ARE A TREND.** Increased business competition has made trend-spotting a trend in itself. A *Los Angeles Times* article quotes one forecaster on why he and his colleagues are in such demand currently: "The world's moving faster, so clients don't have the luxury of waiting to see what's going to happen," says Ken Freeman, president of the North American division of TNS, a global market research firm. "They have to plan for it."

sumer spending in the coming years is the revaluation of the Chinese yuan. Last July, China announced that it would no longer peg its currency directly to the U.S. dollar but instead would tie the yuan to a “basket” of currencies, allowing it to move up and down a maximum of 0.3 percent per day after an initial 2 percent rise in value. However, since its initial readjustment, the yuan has hardly budged and business people involved in importing from China breathed a sigh of relief.

While many economists are concerned that a stronger yuan would increase retail prices on Chinese imports, some believe that the revaluation could actually cause prices in the U.S. to slide over time, according to a report in *The Wall Street Journal*.

A more costly yuan could slow China’s economic growth, leading to lower demand in that country for oil and other vital industrial materials. This could lead to generally lower prices globally.

## Culture

Madeline Temple of Iconoculture, notes the development of a number of trends in culture and style that could impact the Christmas industry.

First, she sees a craving for “cool” style and design. “Everything is a fashion statement. It’s showing up in the home as well, how your home reflects on you.”

Second, Temple says, is the convergence of technology with how people celebrate. “We call it ‘torquing’ — how performance is style and style is performance. People want the maximum impact.” She gives as an example a hotel in Paris that allows guests to change the color of their room with lighting. With the touch of a button, they can change the room to another color. (Interestingly, the Christmas industry seems to have anticipated this trend. A number of Christmas lighting and tree suppliers offer color-change technology.)

Temple also notes a trend she calls

“hyper-life.” “In general, and especially at Christmastime, people are living a 24/7 life. Everyone is multi-tasking.” The Christmas industry, she says, may benefit from this trend by emphasizing time-saving solutions such as pre-decorated trees or packages that include a tree, lights and decorations, all in one package. ■

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