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RETAIL ROUNDUP

By Paul Wahl, Editor



Economy Looking Up

DESPITE NEAR RECORD-HIGH gasoline prices and oppressive heat over most of the country this summer, the American economy seems to be humming right along and taking the fortunes of retailers up with it. Job growth, wages and manufacturing have been strong in recent months, apparently strong enough to allow American workers to dig deeper into their pockets and find the extra cash to fill their tanks. The pickup in retail has been attributed primarily to auto sales. Offering consumers the same price for vehicles as vehicle manufacturer employees pay has been a hugely successful marketing ploy for the industry. Economic growth from June through the end of the year will probably

exceed 4 percent, according to analysts. Americans continue to flock to products made overseas. The trade deficit gap grew to an estimated \$57.2 billion in June. Also according to the U.S. Labor Department, productivity is down, and labor costs are rising. "The economy has hit its cruising speed," said Bill Cheney, chief economist at John Hancock Financial Services Inc. in Boston. "We're seeing job growth nearly across the board and solid wage growth, too, which bodes well for income and consumer spending." **PARTING SHOT:** Count your blessings. Economics are cyclical.

But Not Everywhere

IF YOU WERE A RETAILER IN THE UNITED KINGDOM, your outlook would be much dimmer. In July, the United Kingdom's economy gave its worst performance in more than a decade, much of it due to slowed retail sales. Economic seers believe fears surrounding the recent bombings in London will further depress the economy, along with drops in the manufacturing sector and less-than-spectacular export numbers. According to a recent government report, 47 percent of retailers said sales volumes were down for the year thus far. Retailers have not seen an increase in annual sales since the end of 2004. A spokesman for the British Equestrian Trade Association said sales for equine shops have been affected right along with the rest of the retail segments. A recent cut in interest rates by the Bank of England's Monetary Policy Committee (the equivalent of our Federal Reserve Board) is expected to offer some help. Meanwhile, in Europe, most retailers appear to be doing fine, thank you. Retail sales in the 12 nations that share the euro rose in July for the second time in three months. The euro's 9-percent drop against the dollar in recent months has bolstered export prospects. In Germany, unemployment numbers have fallen for four consecutive months. **PARTING SHOT:** In a global economy, a sneeze in one hemisphere can cause pneumonia in another.



Pay Day Disparities

LABOR COSTS GOT YOU WORRIED? If you live in certain parts of the country, you're probably more worried about this than other retailers. The highest wages in the United States are paid to workers in New York County, which includes Manhattan, according to a report from the U.S. Census Bureau. Others in the top five include Santa Clara County in California's Silicon Valley; Fairfield, Conn.; San Francisco, and Fairfax, Va. The region with the highest payroll annually? Los Angeles, primarily due to its 3.8 million workers—1.8 million more than Manhattan. **PARTING SHOT:** Labor costs always seem high to business owners and meager to workers.

School Bells Ring Early

IF YOU'RE A RETAILER whose business attracts back-to-school shoppers or if you have a student heading back to the classroom this fall, you already know that back-to-school promotions started earlier this year than ever in history. Fall coats and sweater sets began appearing in many apparel stores in mid-June. School-themed merchandise in general began appearing almost at the same time most students were packing for summer camp. The early start for back-to-school shopping could have mixed impacts on retailing, according to analysts. If retailers wait too long to bring out back-to-school merchandise, they may face the wrath of consumers who say their needs are being ignored. If they break too soon, stores run the risk of not having anything fresh and new when the bulk of consumers are ready to shop. Concerns about high gasoline prices and the impact they may have on consumer shopping trends also fueled the early surge in back-to-school interest. **PARTING SHOT:** Timing is everything in retail.



Security Issues Cloud Online Sales

IDENTITY THEFT IS STEALING BUSINESS from Online retailers, according to a report issued by The Conference Board. More than 13 percent of all Internet users say they or a member of their household has already been a victim of identity theft, according to board research. The board creates and disseminates knowledge about management and the marketplace to help businesses grow and thrive. The survey also found that nearly 70 percent of consumers have installed additional security on their computers, and 41 percent said they're purchasing less Online. The majority of those asked said they were more concerned today about Online security than they were a year ago. Despite the concerns, Online sales are expected to hit a record \$172 billion this year. A survey conducted by Forrester Research Inc. and Shop.org pegged Online sales at \$141.4 billion in 2004. Profitability also improved, with average operating margins at 28 percent, up from 21 percent in 2003. More women are shopping Online than ever. Meanwhile, computer giant IBM is touting technology that will allow consumers to get information about products from kiosks and handheld devices while they shop. **PARTING SHOT:** This is good news if you're a brick-and-mortar retailer trying to fend off Online competition, but bad news—maybe—if you're an Online-only retailer. ☒

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