



Can You Afford It?
World's Ultimate Wish List
Jeanine Poggi, 10.07.08, 6:00 PM

Someone might need to tell the folks at Neiman Marcus that we're on the brink of a recession.

Need proof? Open the retailer's Christmas catalog, released today, and you'll find His and Hers life-size Lego sculptures, a Dallas Cowboy Texas Stadium end zone and a titanium fighter motorcycle, all of which range from \$500 to \$10 million.

Granted, the catalog has been the highly anticipated kickoff to the holiday season since 1926. But with fewer shoppers actually able to purchase these fantasy gifts, and many others struggling just to pay the bills, the holiday tradition could become irrelevant.

Indeed, retailers can expect a more muted, toned-down holiday season, says Milton Pedraza, chief executive officer at the Luxury Institute, a ratings and research organization of the high-net-worth consumer.

More than three-quarters of families with a net worth between \$1 million and \$10 million will spend less between now and the end of the year than they did during the first half of the year on luxury lifestyle items, according to a survey conducted by Elite Traveler, a private jet lifestyle magazine. And even those who can still afford to shop like they always have are reluctant. Joe Lupo, owner of Visual Therapy, a style consulting firm, normally feels delighted walking out of the designer stores along Fifth Avenue in New York City with his purchases. However, on a recent shopping trip to Dior (other-otc: CHDRF.PK - news - people), Lupo said he felt awkward and inappropriate swinging his shopping bags.

"The best gift-giving items are those that can be consumed in privacy," Pedraza says. "During these economic times, no one wants to be showy. Many people are hurting, and those who still have money don't want to appear insensitive or greedy. The public also does not want to be exposed to dramatic displays of consumption."

Pocket Money

While 1.6 million consumers will flip through the 155-page catalog when it arrives on doorsteps this week, few are actually spending.

Retailers are anticipating this hesitancy to shop, which will result in deeper discounts and promotions this holiday season, says Dana Telsey, chief executive officer at Telsey Advisory Group, an independent equity research and consulting firm.

"This doesn't mean shoppers won't buy designer items; they will just be more influenced by sales than ever before," says Robin Abrams, executive vice president at the Lansco Corp., a real estate firm that provides strategic advice to retailers.

This will greatly affect department stores, including the upscale players. The sector is expected to remain the biggest drag as upper-income households become increasingly vulnerable to economic pressures, according to TNS Retail Forward, a retail consultant firm.

In August, Neiman Marcus Group's same-store sales fell .5%, while their direct channel dropped 1.1%. In the fourth quarter ending Aug. 2, the company lost \$35.6 million.

But Neiman Marcus did not scale down its holiday gifts to match this new sensibility. It's offering a customized golf course starting at \$1 million and a thoroughbred package for \$10 million. The only difference is that this year the luxury department store will also mail out a smaller catalog featuring gifts under \$300.

The reason, experts say, is the catalog serves as a form of escape, especially in tumultuous times.

"The catalogue is based on 'fantasy gifts' that are extravagant in any times, and people have come to expect to be surprised and thrilled by the outrageousness of the items," says Abrams. "I think even in this economy the public will enjoy reading the catalogue and be curious to see the featured items. Most people could not afford these 'fantasy items' in even the most lucrative of times. The catalogue is more promotional than anything else and is fun."
