

Where Are the Must-Have Items This Holiday?

Lack of Innovation, Not Only Economy, Blamed for Season's Sales Slump

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NEW YORK (AdAge.com) -- It might not just be the economy that's holding back sales this holiday season -- it's also the lack of breakout products. Industry analysts and even retailers are hard-pressed to identify any must-have items beyond an \$8 toy hamster.

"There's no killer item this year. There is no Xbox or item that's out of stock that everyone has to have, and typically we benefit when that happens," John Donahoe, eBay's CEO, said at an investors' conference this week. "There just simply ... isn't one this year. [There's] no breakout consumer electronic [other than the Zhu Zhu](#)."

While manufacturers can shoulder some of the blame for cutting back on innovation, retailers are choosing to play it safe with items that have a proven sales track record. That means a decided lack of new fashions, electronics and toys to stir up consumer interest.

"A lot of [retailers] are more interested in living another day than knocking it out of the park," said Patricia Edwards, a retail analyst and founder of Storehouse Partners. "This year is about survival. Some risk-taking is OK. ... But there just isn't room for error this year."

Ellen Davis, VP at the National Retail Federation, added that this has not been a year where risk has been rewarded by consumers or Wall Street. "You don't necessarily see as much innovation on shelves, because retailers are cutting costs wherever they can," she said.

Even so, the industry may have been too quick to pull the plug on innovation, said Wendy Liebmann, CEO of WSL Strategic Retail. "Both manufacturers and retailers have mistaken the fact that consumers are shy to open their wallets for the fact that they're not interested," she said. "They can be enticed. We've seen that. How many 'cash for clunkers' were there? How many iPhones [were] sold in the midst of the recession?"

Ms. Liebmann said her firm's research shows that without must-have items on store shelves, consumers will focus on basics and replenishment. And playing it safe comes at a

price, she said, if retailers are passing up potential sales. "People do have some money to spend, especially at Christmas," Ms. Liebmann said. "But retailers and manufacturers have to give shoppers something enticing to buy. For something new and different [shoppers] will find the money. Until then, they'll remain cautious."

Retailers get innovative instead

But this year, enticement and, indeed, innovation, are coming in retailers' approach to sales and promotions instead of on store shelves. Retailers have gotten creative with how they're marketing gift cards, for example. Stores ranging from Banana Republic to Borders to Saks Fifth Avenue are attaching discounts to the cards or bundling them with sales of certain products. That led to a surprise increase in the sales of gift cards over the Black Friday weekend, according to NRF. In a survey, 21.2% of shoppers reported purchasing a gift card, up 18.7% from a year ago, making it one of the few categories to see an increase.

"Restaurants have been doing a nice job with gift cards for years, but traditional retailers are just starting to latch on," Ms. Davis said. "One of the biggest drawbacks to shoppers on gift cards is that they don't go on sale, so retailers are promoting it as an item that's on sale or discounted."

And it's those discounts that will get retailers noticed this holiday season, said Sapna Shah, principal at Retail Eye Partners. She said retailers have forgone new, innovative merchandise in favor of discounting already popular items. And shoppers are responding, snapping up laptops priced less than \$200 and TVs priced less than \$500 on Black Friday, for example.

"What we've seen is that there's been much more focus on taking key items that were very strong last year, especially in consumer electronics, and bringing them in at new, sharp price points," she said. "The focus hasn't been on the new gadget. It's been on cheaper TVs, laptops, cameras and GPS systems."