

December 6, 2011

Consumers No Scrooge With Seasonal Decor

By Chris Burritt

Peggy Curtis spent Thanksgiving week out of work, the first layoff in her 37 years making cigarettes in a Reidsville, North Carolina, factory. Instead of moping, she went shopping for holiday decorations at Home Depot Inc. (HD)

“The economy is tough, but that’s not going to stop me,” said Curtis, 58, whose \$600 spree so far includes enough lights to illuminate nine Crape Myrtle shrubs. “I love Christmas.”

With little to cheer about these days -- 8.6 percent unemployment, fears of European contagion -- Americans are splurging on LED lights, 16-foot-tall inflatable Santas and pre-decorated artificial trees. This year U.S. consumers will spend \$6 billion on decorations, the most in at least seven years, according to the National Retail Federation, which began tracking the data in 2005.

Home Depot, the world’s largest home-improvement retailer, and second-biggest Lowe’s Cos. (LOW) are trying to capitalize on the holidays, boosting orders for trees and decorations to help offset sinking demand for appliances amid projections that housing prices will keep falling next year.

“This is a business we should own,” Home Depot Chief Financial Officer Carol Tome said by telephone from Atlanta, where the company is based. “We were selling the most trees of any retailer in America, but we weren’t offering the ornaments or the light strings or the tree stands. So we expanded our assortment.”

Holiday decor sales may climb 8.1 percent this year, rising for a second straight year, according to the Washington-based NRF, citing an October survey of consumers by BIGresearch. More than 68 percent of consumers may indulge, the highest level in three years, the NRF said.

Fourth-Quarter Sales

Pushing trees, ornaments and lights will help fourth-quarter sales at Home Depot and Lowe’s, Joe Feldman, an analyst at Telsey Advisory Group in New York, said yesterday. Typically the last quarter of the year is the slowest for the home-improvement chains, generating about 22 percent of revenue.

Shoppers are drawn by new technology, Lowe’s Chairman and Chief Executive Officer Robert Niblock said in an interview. Hot sellers include solar-powered lights, LED bulbs that keep burning even if one breaks and a \$99 gadget that makes lights blink in time with “Jingle Bells” and other carols.

Thomas Schuitema, who owns the Broadway Bar & Grill in Grand Rapids, Michigan, “had to have” a string of LED lights that create the effect of snow falling down each bulb. They cost \$160 and now adorn his restaurant.

“They just caught my eye,” said Schuitema, who has been decorating the eatery for 18 of his 54 years.

Inflatable Decorations

During the past decade, home-improvement stores have taken advantage of their size -- 10 times bigger than the typical drugstore -- to grab sales with ever-growing displays of trees and inflatable decorations, said Scott Manning, Home Depot’s merchandising vice president in charge of seasonal items.

Since selling its first cut tree 26 years ago, Home Depot has given holiday decor more space and stepped up marketing. It displays garlands and ornaments at store entrances and last month gave buyers of more-efficient LED lights a \$5 rebate for trading in their old incandescent strands.

At a Lowe’s in Greensboro, North Carolina, an inflatable Santa waves and nods at shoppers entering the store. It’s new this year, as is a blow-up Santa and sleigh at Home Depot, which has boosted holiday sales every year through the economic slump, said Jean Niemi, a company spokeswoman.

Inflatable Santa gets around. He drives motorcycles and airplanes and helicopters. At Lowe’s, he looms over the entrance to the garden center. Inside the store, up on a shelf, an outhouse door pops open and Santa pops out, with an elf holding his nose.

Cut Trees

Home Depot has boosted sales of holiday merchandise by three times in the past six years, Manning said. It sells the most cut trees, more than 2.5 million in 2010, and bought about 10 percent more this year. He declined to provide sales figures.

Lowe’s, based in Mooresville, North Carolina, increased holiday orders by 5 percent to 10 percent in each of the past two years after “pulling back” on the bet consumers would buy fewer non-essential items including decorations, Niblock said.

Americas are looking to “create something positive,” Manning said. “People are staying closer to home. There is so much negative news out there.”