Retail scene

Malls will center entertainment

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Let's talk for a moment about the attitude we perceive customers in Detroit will be adopting in 1980. We are now feeling several swings in consumer buying patterns, the momentum of which will carry across into 1980.

For example, value — it is more than a five-letter word. Value without quality is a misnomer, because consumers have a right to demand high standards in the merchandise they purchase in a competitive retail environment.

Detroit customers are becoming sensitive to price and successful merchants must offer quality goods at competitive price points.

At Hudson's we have selected a value-inspired-price program that offers us volume productivity via highly-visible, keenly-desired, fashion-appealing merchandise at a day-in-day-out value price.

As the basic needs of life compete for after-tax dollars, we expect the trend of more do-it-yourself, entertain-yourself classifications to grow. Areas which will benefit from this syndrome are home entertainment, represented by stereos and electronic games, and the entire realm of gourmet gadgetry, exemplified by microwave ovens and food processors.

As far as shopping habits in 1980, we look for greater traffic being generated on the weekend — with emphasis on Saturday itself.

As shopping becomes even more of a form of total family entertainment, retailers can capitalize on this emerging Saturday phenomenon by providing higher service levels and activities which attract weekend family participation.

WE HAVE SAID that 1980 will be a challenging year. There is no question that it is easy to be seduced into negative thinking about the 1980 Detroit economy, *if we only* consider statistical models, which speak a language of indices and percentage points. None of us chould lose sight of the fact that these numbers comprise the millions of *individual* consumers who reside in the Detroit market area.

Southeastern Michigan is somewhat unique because, while we are usually the very first metropolitan area to feel a downturn, concurrently, we are also the very first to enjoy an economic recovery.

We should never lose sight that Detroit retailers are the beneficiaries of the fact that area households traditionally have approximately a $3,000 edge over the national household base. It is also highly probable that the expansion of two-income families in 1980 will be a further plus.

Other parts of the country, whose local economic woes might also impact them in 1980, are no doubt *less prepared* for tough years as are the retailers in our market. Detroit retailers are better able to withstand a year of uncertainty because — perhaps more than any other city — Detroit is synonymous for wide swings in its economic cycles.

Detroit retailing is like a rollercoaster — it has always been characterized by long, steady climbs, predictably punctuated by short, abrupt drops. Granted, we are looking downhill at the moment, but even as we do, we are anticipating the next upswing.

What I'm saying to you is that all of us must stop making excuses for lackluster business. At Hudson's excuses are not acceptable — good planning and action is.

'Savings must increase'

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Recently one of Detroit's largest board of realtors reported that the average price of homes sold in October was $53,500, down from an average of $55,200 in July. Reflecting the slower sales pace, the ratio of sales to listings was 33 percent, compared to 60 percent a year ago when the real estate market was very active.

THE EVIDENCE IS already abundantly clear that there has been a dramatic downward change in the housing and real estate markets in the last two months.

What must happen before this situation will reverse itself? Two things:

First of all, interest rates must come down; and second, the rate of savings growth must increase.

The results of the Fed's action of October will, in the next few months, help to bring about much lower rates because there will be less demand. I have mentioned the effect of high mortgage rates on the real estate markets and the demand for mortgage loans, and I am sure that the recent commercial bank prime rate high of 15 3½ percent has had a similar effect on bank lending.

As business activity slows and loan demand drops, we will see lower interest rates. As a matter of fact, and as you are well aware, within the past week there have been some slight reductions in mortgage rates and in the commercial bank prime rate.

Short-term money market rates will, and have, dropped, and as they do, rates paid on savings accounts will become more attractive, and this should produce increased deposits.

The present economic conditions are not totally unlike the last go-around of high rates, tight money and recession during the mid-70s. During that period, T-Bill rates rose from a low of 4 percent in the first quarter of 1972, to a high of 10.3 percent in the third quarter of 1974.

Following that peak, short-term T-Bill rates fell to 6 percent in the first quarter of 1975. That signaled the end of tight money. Savings flows picked up, and mortgage money becamereadily available. That put downward pressure on mortgage rates, which dropped from a high of 3½ percent in September of 1974, to a low of 8 1¼ percent in April of 1977.

In connection with these remarks about the outlook for 1980, it is appropriate to talk about next year's legislative and regulatory influences upon the home financing industry. Congress and financial institution regulators will be making decisions on several major and far-reaching issues of financial reform during 1980.

Our government has signaled a substantial shift in its attitude toward providing better yield opportunities for the small-balance saver. Inflationary pressure and special interest groups, such as the Grey Panthers, have caught the attention of Congress.

CONCERN FOR THE small saver, and also concern for the small rate of American savings in general, is generating considerable congressional interest in the area of income tax incentives for interest earned on savings accounts.

No fewer than 33 separate bills have been introduced in this session of Congress. The general theme of current proposed legislation would provide a tax exemption of $100 to $200 for individual savers. Twice that amount would be tax exempt for joint returns.