

STEVE FECHT/staff photographer

Shila Wu, 2, of Livonia makes her choice at Children's Palace.

Girl-land, boy-land

An upscale world in toy-land

By Louisa Okrutsky
staff writer

In a holiday season featuring traditional toys reincarnated as electronic gadgets, optimistic predictions of livelier sales are tempered by uncertain consumer reaction to an old Michigan bugaboo, auto plant layoffs.

"The strength (of the day after Thanksgiving sales returns) surprised me," said Arthur A. Nitzsche, president of TeleCheck Michigan Inc., a check acceptance corporation. Nitzsche's computer database provides him with updates on Christmas sales.

"The overall season hasn't been the barn burner we'd like it to be." Auto plant closings in Flint and subsequent white collar layoffs are seen as threats to a prosperous shopping season.

"Consumers in Michigan start tightening their belts before (the actual closing) happens," he said.

"We expect a back-to-the-basics Christmas," said Teri Kula, spokeswoman for K mart Corp., Troy. The firm expects the holiday season to continue the 7.7 percent sales increase it forecasts for the year. "We expect (the seasonal) sales increase to be in line with that," she said.

Statewide, Nitzsche sees a 6 percent increase in sales over last year. On Friday after Thanksgiving, the traditional day of the holiday shopping season showed a 7 percent increase in sales. It dipped slightly on the following Saturday to a 6 percent increase before slipping to 5 percent on Sunday.

ON THE AVERAGE, sales in Detroit and Flint are expected to hit a 6 percent increase. Lansing lags while Grand Rapids sales are making a strong showing this year. "It's a different economy, a different economic mix in Grand Rapids," Nitzsche said.

Oakland County leads the Detroit area in sales. "I think that's attributable to the great level of affluence there. Upscale items are selling well," he said. "I see more fur ads out that way."

"In previous years, throughout Michigan, this Friday after Thanksgiving really has been winding down in Michigan. People are wiseing up, I thought. They get better service if they go later on," he said. "But there's been a turnaround this year."

Sales promotions usually reserved for slower marketing times were used this year to boost the traditionally heavy shopping season. Early bird sales running 7-10 a.m. Friday after Thanksgiving were used to lure shoppers into the stores. "Crowley's, K mart, Hudson's, Meljers used this and supplemented it with sales that lasted the weekend. It was effective," he said.

Kula said that K mart runs an early bird special the Friday after Thanksgiving each year. Those markdowns and appearances by Santa Claus over that weekend in each store are annually used to boost the start of the holiday season.

At the moment, the toy market remains unscathed by whatever shaky economic prospects that might lie ahead. Only board games languish on the shelves. However, Wheel of Fortune, based on the television game show, is doing quite well at the checkout counters, according to retailers.

MOST CHRISTMAS wish lists are filled with toys that talk and high-tech items for the home.

"In general, we're up very strongly in the toy market," Nitzsche said. "People are buying upscale items. They're looking at good value, and they're willing to pay

a little more for twice as much value. People are buying compact disk players but good ones, not the bottom of the line. Same's true for VCRs. Of course, they might be rationalizing that purchase by saying they can save money by renting movies."

Although this marks the last year that consumers can deduct from their income tax the sales tax and interest rates on big ticket items, Nitzsche doesn't see this as an automatic impetus to a heavy buying spree. Purchase incentives offered to consumers earlier in the year by auto makers have increased the consumer debt.

"There's fewer dollars left for the Christmas season. That affects large-ticket items," he said.

He remains sceptical about whether consumers will take advantage of the limited time left for them to write off sales tax and interest rates.

"I don't think the average consumer really takes that into consideration when he's buying. I think you'll see more people paying with cash. They can't rationalize the interest rates any longer."

IF THERE'S a real winner this holiday season, it's the battery manufacturers. Nationally, Toys R Us stores spokespersons are keeping the chain's holiday sales figures as secret as Santa's own gift list.

They do admit they can't keep enough boxes of Laser Tag in stock. Once batteries are popped into this plastic toy gun the weapon shoots invisible infrared light beams, similar to those in a television remote control unit. Players aim at opponents' flashing StarSensor badges. When they score a hit, the badges' sensors squawk loudly. The starter set retails at the toy chain for about \$50.

"We can't get them in fast enough," said Angela Bourdon, Toys R Us national spokeswoman.

If that isn't available, then Photon Warrior, which retails at the chain for about \$20 more, is proving to be another fast mover. "It's very much the same kinds of toy as Laser Tag," Bourdon said.

"I think when something comes out, there's a close competitor for it, these days," Nitzsche said.

It's a high tech holiday for K mart Corp., too. Like Toys R Us, K mart customers seem taken with electronics. Laser Tag, Teddy Ruxpin, the talking Big Bird and other plush animals made crudite through cassettes and batteries are moving well, reports Kula.

WHILE THE GUNS for a futuristic showdown are popular, they've yet to rival the marketability of the Cabbage Patch Doll.

"Cabbage Patch is a phenomena. I don't know if it's going to be in that category," Bourdon said. "It would be nice to have something like that every year."

Dolls that don't talk prove to be popular as well. Barbie continues to make gift lists. For a generation being raised with MTV, this year's Barbie is rockin' out with her own band, Barbie and the Rockers. The move puts her smack in competition with another rocker doll, Jem, and her group, the Holograms. Jem's sales are bolstered by a cartoon series. Not to be outdone, Mattel, Barbie's creator, has put on stage a real live Barbie and the Rockers who appeared in Macy's Thanksgiving Parade.

"Dolls in general are showing more movement aside from high-tech toys. Cabbage Patch Cornsilk Kids are doing very well." This year's addition to the patch features hair that can be combed and washed. The dolls also can hold small items in their hands. A smaller version, the Cabbage Patch baby doll comes complete with diapers and diaper rash. "I hope it doesn't come with colic," said Bourdon with a laugh.

A state at risk?

Michigan's position at peak of business cycle worries economist

By Tim Richard
staff writer

Far from being a "comeback state," Michigan is in its weakest position in 50 years, says conservative economist Patrick L. Anderson.

"Gov. Blanchard is telling the truth when he says, 'Things are better than they were four years ago.' Every state's better off at the top of the business cycle," Anderson said in an interview.

But in his newly published study, Anderson compares Michigan to other states and comes up with a dismal picture of high business costs.

"It's devastating. We're in the midst of a strong national recovery. We should be almost 10 percent above the national average" in employment and personal income.

INSTEAD, Michigan trails. At the top of a business cycle, Michigan's personal incomes ran 9 percent better

than the national average. Today, Michigan runs 2 percent below.

"We should be outpacing the nation. We're at severe risk. If all Michigan can do is get behind the national average in good years, what's going to happen in bad years?"

"Michigan is in severe trouble right now because this recovery isn't going to last forever. For the first time in 50 years, we start (a downturn) from a position of weakness."

A Lake Orion resident, Anderson is between jobs. Until last April, he was an economist at Manufacturers Bank, doing business index studies with Vice President David Littman.

Anderson left to work on the gubernatorial campaigns of Richard Chrysler, who ran second in the Republican primary, and then for William Lucas, the nominee.

HIS 28-PAGE study was published this week by The Heartland Institute, a Chicago-based, two-year-old group, which commissions and publishes public policy papers.

"They commissioned it from me last spring when I was still at the bank," Anderson said. "Putting it together took three months of intensive work."

Titled "Michigan in the Current Recovery," it's available for \$3 from The Heartland Institute, 55 E. Monroe, Suite 4316, Chicago 60603.

He advocates many familiar conservative solutions: reducing state and local taxation, fourth highest rate in the nation; reducing per capita welfare spending, second highest in the nation; and reducing state-federal employment costs, highest in the nation.

WHAT MAKES Anderson's study different from the Grant Thornton study of business climates is that "mine looks at Michigan in historical perspective," he said.

Grant Thornton continually rates Michigan last among the 48 continental United States in business climate. Blanchard administration critics say Grant Thornton merely gives good marks to states with low rates of unionization, like the Dakotas, and bad marks to highly unionized states like Michigan.

Anderson cites Grant Thornton with approval but says unionization is only one factor. Others are per capita income, employment and population loss.

"Michigan used to be a powerhouse. Now we're a poor state," he said.

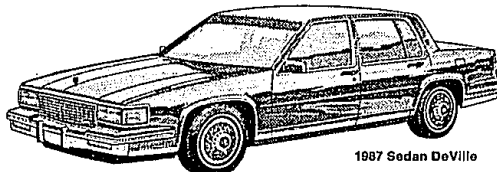


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