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CREDIT & COLLECTION MATTERS - Holiday Edition

December 2009

Naughty or Nice?

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Saldutti Law, LLC
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**Best wishes for a joyful holiday season
and a happy & healthy New Year!**

THINK THE ECONOMY IS BAD NOW?

The Obama Administration has proposed, and the House is moving forward on, legislation to create a massive new government agency to regulate consumer financial products. This new agency, the Consumer Financial Protection Agency (CFPA) would have unprecedented powers and authority to determine the types of financial products consumers can choose from. In fact, the bill extends far beyond traditional financial services products to a vast majority of the economy – in short creating a new regulatory overlay over the entire business community.

The U.S. Chamber of Commerce supports more effective consumer protection that is centered on ensuring consumers have access to clear and concise disclosures about risks posed by financial products, and on weeding out the fraudulent and predatory actors.

The CFPA would make a bad economy even worse. Help stop big government before it's too late. For more information, go to <http://www.stopthecfpa.com/>



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U.S. Online Holiday Retail Sales



Online Retail Sales Growth Remains Weak

Online holiday sales are set to grow a modest 8% this year according to research from Forrester, by way of Read Write Web. It's an improvement over last year's anemic 5% growth, but it's a long way away from the boom times just three years earlier.

Source: The Business Insider

A Toy Hamster, Holiday Sales and the Economy



In a world full of economic indicators, the best one during the holiday season may prove to be a furry toy hamster. Zhu Zhu Pets are the must-have hit for the holidays. They're out of stock in lots of places, and retailers are flying in the robotic hamsters from China in a desperate attempt to replenish their store shelves. This is about much more than the next Tickle Me Elmo. The Zhu Zhu Pets' craze tells us a lot about the state of the economy.

The Zhu Zhu Pets' cheap price - \$8 to \$10 - shows how Americans still are extremely focused on price and value. This toy mania also

illustrates how stores are keeping inventory levels low — so low that a sellout of a given product doesn't necessarily mean soaring demand and a stronger economy.

Economists are watching holiday sales for indications of how robust the economic recovery will be. While many believe the recession is technically over since the economy grew 3.5 percent in the third quarter, there aren't any signs that a truly strong recovery has begun. Forecasts for overall spending during the all-important Christmas period are lackluster. The National Retail Federation, the world's largest retail trade group, predicts total holiday sales will drop 1 percent for the combined November and December period from last year's already weak spending.

The cost of this year's "it" toy was set deliberately low by Zhu Zhu Pets' creator, toy-industry veteran Russell Hornsby and his small company, Cepia LLC of St. Louis. Hornsby said in a recent interview that he recognized the kind of economy he was launching this toy in, and knew that affordability mattered.

While keeping toy prices low has been a winning strategy for the 2009 toy industry, low prices tend to leave retailers and manufacturers with thin profit margins, which will keep them from adding new jobs or expanding their facilities or production.

Last Christmas, retailers found themselves with too much merchandise after consumers cut back their spending in the weeks after the financial meltdown. Stores had to slash prices to move out goods, hurting profit margins. Last year retailers suffered their worst sales declines in at least three decades. This year, merchants are being extra careful. Inventory levels are expected to drop as much as 13 percent, according to Ken Perkins, president of the consulting firm Retail Metrics LLC. When inventories are kept so thin, new production of goods is limited.

There's no denying Zhu Zhu Pets are a holiday hit. But the ultra-low pricing strategy and razor-thin inventory levels that got them there actually may be signs of weakness in the economy.

Source: CNBC

Information contained in this publication should not be construed as legal advice or opinion, or as a substitute for the advice of counsel. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for clients and others who may be interested in the subject.

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