

CAROCP MARKET WATCH

(A Monthly Trends & Forecasting Report)
December 2004

COMPANIES WITH THE BIGGEST UPS AND DOWNS IN 2004

Even in confusing times, business serves up winners and losers. Below are some of the busts and breakthroughs of 2004:

Ups

- Apple – Ipod Mini boosted its market share in hard drive based MP3 players to 90 percent.
- Burger King – TV advertising and web presence resulted in a 13 percent sales spike.
- Chrysler – The 300 scored a much-needed hit.
- Genentech – Avastin, its colon-cancer drug, took off.
- Google – The highly anticipated IPO was a hit with investors.
- IBM – Revenue from services edged past products for the first time.
- PalmOne – The PDA pioneer bounced back with the Treo 600 and the new 650.
- Toyota – Rising gas prices turned its Prius into a hot seller with six-month waiting lists.

Downs

- Disney – Amid board turmoil and a falling out with Pixar, CEO Eisner vows to leave, someday.
- Gateway – The company closed retail stores and abandoned consumer electronics. Their last line of defense: ultra cheap PCs.
- Krispy Kreme – Overexpansion sent stock into a tailspin, plunging 71 percent this year.
- Merck – Company stock took a nosedive when Vioxx turned out to increase users' risk of stroke and heart attack.
- Netflix – Blockbuster has already copied its DVDs-through-the-mail model. Amazon may be next.
- Oldsmobile – The 107-year-old line was your father's Oldsmobile, so GM shut it down.
- US Airways – This airline made a roundtrip to bankruptcy.

Business 2.0, December 2004

JOBS, JOBS, JOBS

Job prospects for graduating college seniors are very bright this year, especially those with degrees in accounting, engineering and business. A recovering economy and baby boomer retirements should spark a 13 percent increase in college hiring over last year. Seven out of 10 employers said they expected to increase pay offers to new college grads, with an average increase of 3.7 percent. Companies are hiring to handle new work but also making up for years of conservatism. The Orange County Register, November 16, 2004

LESSONS LEARNED IN 2004

The middle gets squeezed. Luxury sells—Coach, Neiman Marcus, Tiffany. Affordability sells—Target, Costco, Wal-Mart. Those in the middle—Sears, Kohl's, May Co.—have seen their sales drop from last year. Why? Upper middle-class households might not be feeling the pinch of rising oil prices and stagnant wages and consumers who have are taking their business to the big discounters.

You can do more with less. Automation and offshoring met in a big way this year and it was ugly for IT workers. Since 2001, productivity has risen 14 percent which means that fewer workers are using technology to do more work. Many who didn't lose their jobs saw them outsourced. Offshore call centers and coding farms are proving inexpensive and efficient—two good reasons to expect the trend to continue. And yet, that's not entirely a bad thing. In India an influx of 750,000 new jobs will spur \$420 billion in additional spending during the next four years. Smart companies like Coca-Cola, Levi's, McDonald's and Nike are moving in to serve the new middle class.

The handheld is now the platform. Smart-phones were *the* gizmo of 2004. Hundreds of millions of dollars went into developing mobile applications enabling customers to play games, read e-mail, listen to music, and send photos and video clips, in addition to text messaging. Consumers spent \$9 billion dollars on these multitaskers this year. Cellular data services, now 9 percent of the monthly cell-phone bill, are expected to rise to 30 percent over five years. [Business 2.0](#), December 2004

POP-TARTS AND BEER

Wal-Mart is utilizing their massive database to meet the needs of their customers. Using predictive technology, Wal-Mart looked at shopper history in Florida to determine what products people purchased prior to Hurricane Charley. Surprisingly, strawberry Pop-Tarts and beer were the top sellers. Armed with this data, Wal-Mart loaded its shelves accordingly in preparation for Hurricane Frances.

With 3,600 stores in the United States and approximately 100 million customers each week, Wal-Mart has access to information about a broad slice of America. Wal-Mart meets with each of its suppliers to establish sales goals. A manufacturer that fails to meet its target or has problems with delivery or returns can expect tougher negotiations with Wal-Mart in the future. Eventually, experts predict that Wal-Mart will use its technology to institute what is called scan-based trading, in which manufacturers own each product until it is sold. The impact of shedding \$50 billion of inventory is huge. Suppliers would be hardest hit but would have little say. Wal-Mart lives in the world of supply and command, instead of supply and demand. [The Orange County Register](#), November 22, 2004

SIGHT AND SOUND

Oakley is leaping into the portable music market with the introduction of Oakley Thump, a pair of classic Oakley shades embedded with a digital music player that can store approximately 70 songs. Thump blasts music from two dime-size speakers protruding from the frame, giving digital-music junkies another option in the \$1.3 billion industry dominated by iPod. By blending two seemingly unrelated products – eyewear and electronics – Oakley has invented a player for the “on the go” audiophiles to wear while skateboarding, skiing or mountain biking. The two models retail for \$395 and \$495. [The Orange County Register](#), November 20, 2004

A GIANT LEAP FOR MANKIND

Space tourism is closer to becoming a reality. Burt Rutan made history recently by flying the first private craft to outer space and back. He predicts that commercial travel in the 21st century will include spacelines instead of airlines and resort hotels in orbit. Market studies by NASA have shown that there are sizable markets for space tourism and that the markets will grow rapidly as the cost of sending a person into space drops. British businessman Richard Branson has signed a deal with Rutan to begin a spaceline called Virgin Galactic which would charge \$230,000 a person to take a three-hour flight and experience three minutes of weightlessness. Flights are planned for as early as 2007. [The Orange County Register](#), November 21, 2004

ANGELS AND DEVILS

Best Buy is attempting to attract “angel” shoppers and exorcise its “devils.” Store clerks receive hours of training in identifying desirable customers based on their shopping preferences and behavior. Angels are customers who boost profit by snapping up high-definition televisions, portable electronics, and newly released DVDs without waiting for markdowns or rebates. Devils apply for rebates, return purchases and then buy them back at returned-merchandise discounts. They load up on loss leaders and then sell the goods at a profit on e-Bay.

A corporate task force concluded that 20 percent of Best Buy’s customers accounted for the bulk of its profit. Best Buy is examining sales records and demographic data to identify good and bad customers. To lure the big spenders, it is stocking more merchandise and providing more appealing service. To deter the undesirables, it is cutting back on promotions and sales tactics that tend to draw them into the store. [The Orange County Register](#), November 22, 2004

FOR YOUR EYES ONLY, WAL-MART WOMAN

Time, Inc., the world’s largest magazine publisher with 134 titles, discovered an unfilled niche market: middle America’s discount shoppers, mostly women. Just as these bargain hunters seek out good deals, they want a low priced magazine with models of all shapes and skin tones wearing clothes from stores like Kmart and Sears and they were fine with fewer pages and no celebs. They want to know how much it would cost to make a recipe and how to do simple home repairs. Time Inc.’s new magazine, *All You*, priced at \$1.47, is sold only at Wal-Mart, no subscriptions. Why? Wal-Mart attracts 138 million shoppers each week; more than 15 percent of all newsstand sales of magazines occur at Wal-Mart; and Wal-Mart is a ready-made distributor saving 50 percent in launch costs. [BusinessWeek](#), November 15, 2004

TECHNOLOGIES THAT CHANGE EVERYTHING

Forget about science-fiction, these innovations are already here and they're about to hatch some of tomorrow's biggest business opportunities.

Printable Mechatronics

An adaptation of ink-jet technology is used to "print" mechanical parts and electronic devices. Product designers, ink-jet technology companies, CAD software vendors win. Die makers, manufacturers with inflexible assembly-line factories lose.

Plastic Power

New photovoltaics will provide an efficient and flexible way to generate electricity from virtually any surface exposed to the sun. Broader use of solar power means less pollution and less dependence on established utilities and Mideast oil. Consumers and developing nations win. Regional electric utilities, coal producers, OPEC lose.

Microfluidic Testing

"Lab on a chip" procedures will quickly and inexpensively diagnose disease or detect bioweapons. Blood, saliva or urine samples are analyzed after coming in contact with tiny amounts of a chemical reagent. As the size and cost of microfluidic tools drop, tests are likely to be sold in drugstores creating a \$10 billion dollar market by 2010. Biopharma companies, insurance providers, people exposed to disease agents win. Centralized testing labs, makers of test equipment lose.

[Business 2.0](#), September, 2004

HOW FULL IS YOUR BUCKET?

Each of us has an invisible bucket. It is constantly emptied and filled, depending on what others say or do to us. When our bucket is full, we feel great. When it's empty, we feel awful. Each of us also has an invisible dipper. When we use that dipper to fill other people's buckets—by saying or doing things to increase their positive emotions—we also fill our own bucket. When we use the dipper to dip from others' buckets, we diminish our own.

A full bucket gives us a positive outlook and renewed energy. Every drop makes us stronger and more optimistic. But an empty bucket poisons our outlook, saps our energy, and undermines our will. That's why every time someone dips from our bucket, it hurts us. We face a choice every moment of every day. We can fill other's buckets or we can dip from them. It's an important choice—one that profoundly influences our relationships, productivity, health, and happiness. [How Full Is Your Bucket?](#), Tom Rath and Donald O. Clifton, Ph.D., 2004

[Trends & Economic Forecasting Committee –December, 2004](#)

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