

November 24 — November 30, 2014



\$64.95

The Rude, the Bad, And the Ugly



\$49.75



\$49.99



\$75



\$59.99

Twist, stretch, twirl: A day in the life of a candy cane 20

Puppy Surprise, a hit toy from the '90s, has a second birth 22

Disney will sing more than carols this holiday season 22

Heineken collaborates with Krups to brew up the ultimate man gift 24

The Christmas confection we love to hate 26

entrepreneurs. Anne Marie Blackman, a former stay-at-home mom with a background in computer science, picked up on the rage for ugly holiday sweaters in 2008 with the help of Google Trends. “I was looking for something to sell on **EBay** to help pay for my kids’ college,” she says. With the metrics pointing to ugly sweater parties, Blackman visited local thrift stores and picked up men’s and women’s designs. She then went to work, festooning them with more thrift store finds “like hook rugs and macramé Christmas trees,” she says. “I pictured what I’d want to wear to win the Most Ugly prize.”

That year, Blackman sold 50 sweaters on EBay, priced from \$50 to \$150. It was just the beginning of what would become a year-round, full-time job—one that provided enough money to pay for her two sons’ college tuition. “I’ve sold about 25,000 and certainly made over a million dollars in revenue,” she says. Blackman now runs **My Ugly Christmas Sweater**, based in Oldsmar, Fla., which offers vintage and modern designs to suit the full spectrum of bad taste. Some of her collection is made in Bangladesh, but all embellishments, such as the white snowlike fluff on a design featuring a sledding cat, are made in the U.S.

College buddies Evan Mendelsohn and Nick Morton, co-founders of **Tipsy Elves** in San Diego, produce most of their ugly sweaters in China. The two quit their respective jobs as a lawyer and root canal specialist after they sold more than 6,000 sweaters at \$65 each in 2011—a nice return on the \$140,000 they invested in the business. In 2013, Tipsy Elves, which has 11 employees, received a \$100,000 investment from the reality show *Shark Tank*. That year, Mendelsohn says, revenue reached “several million,” up from \$870,000 in 2012. “We can sell 5,000 to 10,000 of a popular design,” he says. This year’s hit sweater features Jesus as a birthday boy.

Jack McCarthy, 20, has been selling vintage ugly Christmas sweaters online since he was in eighth grade. “I just see the trend as a good excuse to wear something ridiculous that

your grandma used to wear,” he says. For many, the Christmas sweater is a prized tradition and a genuine expression of holiday spirit, so finding inventory isn’t a problem. McCarthy has salvaged many from thrift stores while on summer road trips through the Midwest. “I buy the sweaters for \$3 to \$5 and sell them for \$20 to \$50,” he says. Unless necessary, he doesn’t wash them for fear of “causing harm to their ugliness.”

Last year, while completing his freshman year at Babson College, McCarthy earned almost \$50,000 from the vintage treasures. He’s been able to pay for a good chunk of his college tuition with the money, he says—something that’s pleased his parents, in whose basement he stores his inventory of sartorial masterpieces.

McCarthy, who keeps a special collection of his most atrocious finds, never tires of Christmas. Still, he doesn’t plan on staying in the ugly sweater business forever, although he probably could. “Competition picks up every year,” he says. “But so does demand.” —*Caroline Winter*

The bottom line Novelty holiday apparel is helping entrepreneurs pay college tuition and quit their jobs as lawyers and endodontists.

Retailing Merchants Try to Trim Many Unhappy Returns

- ▶ **Holiday return rates are three times the usual, costing sellers billions**
- ▶ **“It’s a great area of focus. For us, there’s money there”**

With Christmas fast approaching, **Stage Stores** is busily stocking its 866 stores, in small towns and neighborhoods across the U.S., with the sweaters, dresses, and footwear that are gift-giving staples during the holiday season. But the Houston-based retailer is also preparing for a second, less-loved surge: that of the inevitable postholiday returns.

Stage’s average rate of return throughout the year is about 7 percent of sales in its physical stores and about 11 percent online, adjusted for exchanges. Over the holidays, those figures grow. (Many merchants keep the exact increase a secret.) Says Steven Hunter, chief information officer at Stage: “Holiday returns for any retailer can be challenging.”

That’s an understatement. The Christmas season is a windfall for retailers, who book as much as 40 percent of their annual sales during the season, but many of those reindeer sweaters, neon socks, and micro-miniskirts in size 16 come back to haunt them. Post-holidays, retailers see triple the

number of returns of any other time of year, says Jack Plunkett, chief executive officer of Plunkett Research. “We think something will fit or look good on us, and it doesn’t, and we send it back,” he says. The resulting pileups of returning merchandise, he says, “create a huge problem for the whole retail system.”

Returned apparel often is no longer in season, or items are brought back to locations that don’t need them. That means fewer than half can be resold at full price, finds researcher Gartner. Retailers have to discount or even dump the rest—so returns end up costing U.S. merchants as much as \$20 billion a year, says Sucharita Mulpuru, an analyst at Forrester Research.

With more online merchants letting customers ship returns free of charge, many customers have begun ordering many items in multiple sizes. “When you have generous return policies like this, consumers will take advantage of it,” Mulpuru says. “Consumers will often buy sizes 2, 4, and 6 and return two of them. I remember talking to a retailer, who said, ‘I think free returns are a stupid policy. It’s not cost-effective for me.’ But everyone is terrified of losing market share, losing their customers.”

Gartner recently called returns “the ticking time bomb” that threatens retailers’ profitability. To avoid that blowup, merchants are turning to new technologies. Online apparel seller **Revolve**, ▶

35%

Share of consumers who returned some gifts during the 2012 holiday season

▶ Garish Christmas sweaters are big business

▶ “I’ve sold about 25,000 and certainly made over a million dollars”

As an avid sports fan and the owner of **Forever Collectibles**, a sports memorabilia company in Somerset, N.J., Michael Lewis has seen his share of over-the-top apparel. Still, he wasn’t prepared for what he encountered last Dec. 20, when he came to work and found dozens of employees wearing garish sweaters covered in lights, bells, and ornaments. “It really hit me like a brick, because one outfit was more hideous than the next,” he says. It turns out it was National Ugly Christmas Sweater Day, celebrated since 2011 on the second or third Friday of December. The craze had eluded Lewis until

then, but by day’s end he was hashing out a plan to develop a line of sports-themed ugly Christmas sweaters.

The National Football League agreed to license team logos for the novelty sweaters, as did all the other sports leagues and college teams Lewis approached. “Our designers created seven designs for over 300 different logos,” he says. After putting out the \$59.99 tops in July, Lewis says, Forever Collectibles is on track to sell out of 300,000 sweaters by the end of the holiday season and bring in sales of \$10 million.

Ugly Christmas sweaters are hot for retailers big

and small. **Wal-Mart Stores**, **Target**, and **Forever21** all have rolled out their own versions. **Macy’s**, **Nordstrom**, and **SkyMall** are among more than 20 retailers selling DIY Ugly Christmas Sweater Kits (about \$30) that include a sweater, stencils, and embellishments such as felt and googly eyes. “I’ve never seen a product or category blow up like this,” says Meri Barnes, product and business developer for **Michael Gerald**, the company behind the kit. “Last year we sold more than 35,000.”

This year, she expects that number to rise to 400,000.

The novelty item has been especially good for small businesses and individual



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