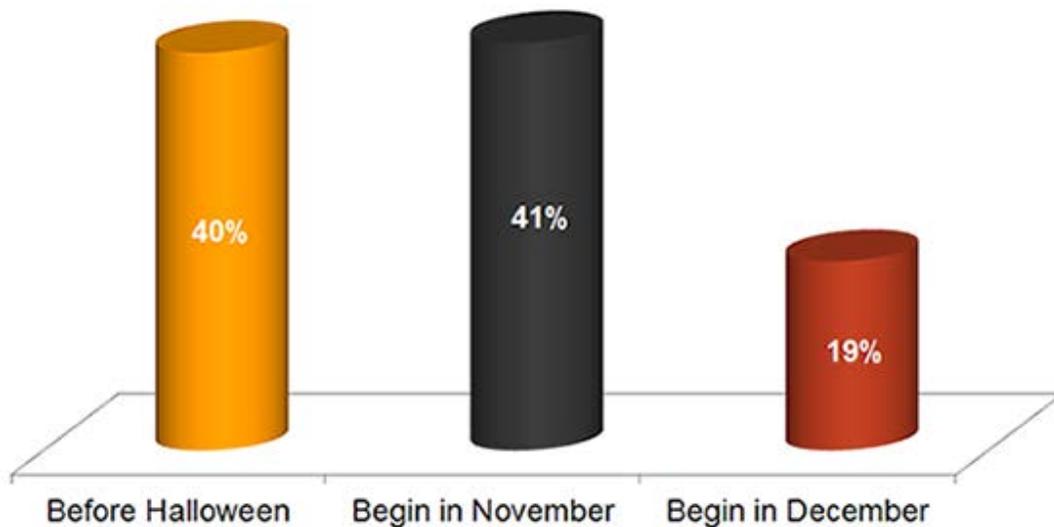




## Black Friday is graying a bit...but still quite handsome

Black Friday has been the busiest shopping day of the year in the US in both traffic and sales for over a decade.<sup>1</sup> And, make no mistake, it still packs a powerful punch. However, with so many stores open on Thanksgiving, promotions starting earlier and running longer, and other factors, retailers are seeing an overall erosion in Black Friday sales. Although there may have been a few early exceptions, major retailers in general started opening on Thanksgiving in 2010 in an attempt to capture additional holiday revenue by expanding the in-store holiday shopping season. But for you War Games (the movie) fans out there, this is mutually assured destruction (for store-level associates and support staff mostly), as it gets tougher and tougher to retain a competitive advantage. This behavior also appears to be misaligned against consumer preferences, as for the 14th consecutive year, the National Retail Federation's (NRF) holiday spending survey found that approximately 40% of holiday shoppers say they begin their holiday shopping *before* Halloween. Another 41.5% said they begin their holiday shopping in November, and 18.7% said they begin sometime in December (figure 1).

**Figure 1: When Do Consumers Begin Holiday Shopping?**



Source: National Retail Federation

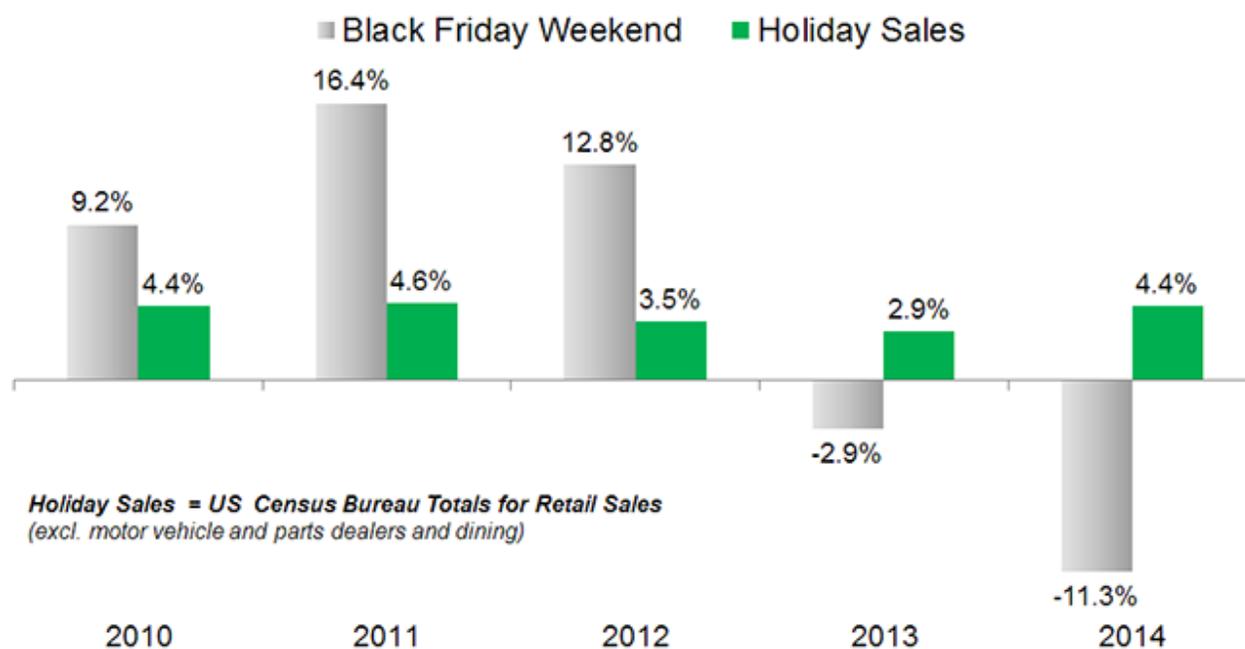
When early shoppers were asked why they begin shopping early, 61.4% said that they shop before Thanksgiving weekend, or in September or October to spread out their budgets. Another 48% want to avoid November and December crowds, and 46% seek to avoid the stress of last-minute shopping.<sup>2</sup>

Consumer reactions to Thanksgiving Day store openings have been mixed. A recent poll showed 47% of shoppers want stores closed on Thanksgiving, and although the same poll showed 33% of respondents would shop on the holiday itself, they don't have to go to a store to do so.<sup>3</sup> The groundswell of public encouragement for retailers to close on Thanksgiving remains to be seen, but it's fair to say that social media is more powerful than ever and has the potential to rally supporters to boycott retailers that remain open on Thanksgiving, creating a potential for backlash. As with most groundswell movements, it will be past the tipping point before we understand the impact. So while unlikely, the possibility does exist for a Black Swan event.

Some retailers are attempting to get ahead of this. In October, REI kicked off its #OptOutside campaign, which encourages shoppers to choose an outdoor activity over shopping on Thanksgiving or Black Friday. REI is so serious about #OptOutside that it announced it will not even ship online orders received on Thanksgiving Thursday or Black Friday until Saturday, Nov. 28, so that its employees can have the time off. Other retailers have also committed to staying closed on Thanksgiving this year, including GameStop, Costco, Nordstrom, American Girl, Barnes & Noble, BJ's, Burlington, Crate & Barrel, Dillards, DSW, Hobby Lobby, Home Depot, HomeGoods, Jo-Ann Fabric and Craft Stores, Marshalls, Patagonia, Pier 1 Imports, Publix, REI, Sam's Club, Sierra Trading Post, and TJ Maxx.<sup>4</sup> It's unclear how many of these closures are in response to consumer concerns expressed on social media and how many are in response to business trends that seem to indicate that sales are merely spread across more days. According to consumer analytics firm ShopperTrak, in 2014 "combined sales on Thanksgiving and Black Friday fell 0.5% from the same period last year."<sup>5</sup>

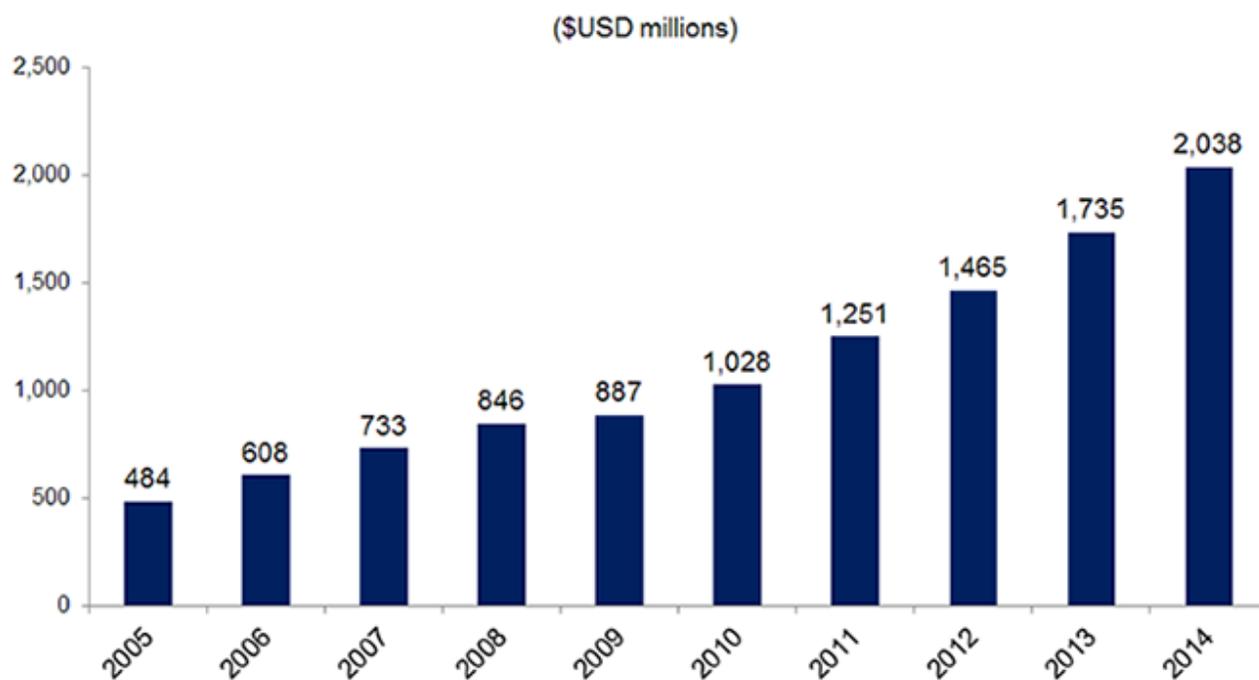
A continuing fall in Thanksgiving and Black Friday sales is not, of course, a bellwether for the entire holiday season. Black Friday Sales are clearly not a reliable forecaster for total holiday sales (figure 2).

**Figure 2: YOY Sales Change % - Black Friday Weekend vs. Holidays**



Source: US Census Retail Sales, National Retail Federation, AlixPartners Analysis

No surprise to us – for years we have tracked consumer purchase behavior over the entire year leading up to the holidays in order to develop a holiday sales forecast (see our recent newsletter: [Time to Put Away the Sunscreen](#)). Finding correlation is even more difficult as more consumers shop online and brick-and-mortar stores encourage shoppers to start spending earlier. Shoppers will likely spend more time this holiday season browsing and buying online compared to last year — a pattern the NRF has tracked for the past 10 years. The NRF survey found nearly half (46.1%) of holiday shopping (both browsing and buying) will be conducted online, up from 44.4% last year and the highest recorded result since NRF first asked in 2006. Cyber Monday sales alone were over \$2 billion in 2014 and are forecasted at \$2.6 billion this year (figure 3).<sup>6</sup>

**Figure 3: US Online spending on Cyber Monday**

Source: Statista 2015, data from comScore

What then does the future hold for stores opening on Black Friday and Thanksgiving? We believe the trend to stay open on Thanksgiving has seen its moment. We also believe Black Friday sales will continue to wane and that Black Friday hours of operation will become more like a regular shopping day. This should be welcome news to retailers, whose labor costs increase with extended hours as sales (and margins) decline incrementally.

This movement will not be entirely altruistic, as more and more retailers are understanding that the increased cost of staying open along with the typically weak margins driven by door-buster giveaways and item-based shopping patterns specific to those days, means that Thanksgiving and Black Friday become less and less attractive to the brick-and-mortar channel. As customers further embrace omnichannel, families can still shop together on Thanksgiving using PCs, smartphones, or tablets and some demographers are even seeing this as a new holiday tradition.

For retailers looking to win during the holidays, waiting for Thanksgiving or Black Friday to run holiday promotions points to a lack of innovation and worse, a disconnect with today's multi-channel consumer mindset. It also doesn't take into account consumer preferences to spread spending over a longer period. Although it may be true that those stores that open for extended hours on Thanksgiving and Black Friday and run door-buster specials to attract customers pinch a few revenue dollars from retailers who do not we think the margin squeeze and incremental costs on those door-buster retailers makes the revenue play a wash at best.

The rapid graying of Black Friday could be a gift for both retailers and their customers. And in the spirit of self-gifting, we suggest retailers adopt the following approaches for their own benefit:

- Embrace the longer selling season by planning promotions throughout the now extended holiday shopping season.
- Take advantage of the expanded shopping window to test and see how consumers react to a variety of promotions – don't just assume that what worked last year will work again.
- Remember that door-busters may drive some additional traffic but that comes at a high cost; employing big data and deep analytics can help sort the wheat from the chaff so that those who would buy an item at regular price do so (i.e., don't give it away if you don't have to!).
- Make fact-based decisions on opening hours, store labor, and the trade-off between driving sales or preserving margin.

- Use digital platforms to drive traffic even when stores are not open – and align your digital strategy with the way consumers want to shop.

Happy holidays!

## Data Pack

As always, our complete data pack of retailer and macroeconomic data is attached and includes many of the key economic indicators discussed above. [Follow this link to download the AlixPartners Comp Sales Report for October 2015.](#)

For comments and additional information, please reply to [retail@alixpartners.com](mailto:retail@alixpartners.com).

Jamie Hyatt

Director

[jhyatt@alixpartners.com](mailto:jhyatt@alixpartners.com)

+1 (917) 915-0825

Dave Bassuk

Managing Director

[dbassuk@alixpartners.com](mailto:dbassuk@alixpartners.com)

+1 (917) 679-8698

Follow [@davebassuk](#)

Joel Bines

Managing Director

[jbines@alixpartners.com](mailto:jbines@alixpartners.com)

+1 (214) 734-9222

Follow [@Joel\\_Bines](#)

Tom Clarke

Managing Director

[tclarke@alixpartners.com](mailto:tclarke@alixpartners.com)

+1 (248) 312-9423

[www.alixpartners.com](http://www.alixpartners.com)

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2 <https://nrf.com/media/press-releases/retailers-very-digital-holiday-season-according-nrf-survey>

3 <http://bestblackfriday.com/blog/black-friday-2015-and-holiday-shopping-survey/>

4 <http://www.theblackfriday.com/stores-closed-on-thanksgiving-day.php>

5 <http://thinkprogress.org/economy/2014/11/30/3597640/forcing-employees-to-work-on-thanksgiving-does-not-boost-holiday-shopping-sales/>

6 <https://nrf.com/media/press-releases/retailers-very-digital-holiday-season-according-nrf-survey>

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