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• Business Columnists

MARKET MATTERS: Black Friday activity indicates transition in progress



Joseph Matthews

As many families finished up their Thanksgiving meals, others were preparing to begin their holiday shopping. This year, the number of shoppers on Black Friday hit 154 million, exceeding last year's 151 million by a sizable 3 million consumers. In addition,

total retail sales for this holiday season are expected to hit approximately \$655.8 billion, an increase of 3.6 percent, according to data from the National Retail Federation.

The day after Thanksgiving traditionally is the busiest shopping day of the year since it marks the onset of the holiday shopping season and the point when most retailers begin to see profits — hence, “black ink” on their balance sheets. This one period is important to the overall economy because an estimated 30 percent of annual retail sales occur between Black Friday and Christmas, although for some consumer goods, such as jewelry, it could be as high as 40 percent.

But this year, some retailers didn’t wait for Thanksgiving, and offered up some earlier specials online. That proved to impact consumers, as online shopping attracted more than 108 million people over the weekend, about 5 million more than last year. The number of people who said they shopped in stores — 99 million — was down 3 million from last year. It is important to note, however, that the figures may include some overlap in these shoppers.

Data from the National Retail Federation also revealed that 44 percent of those surveyed made purchases online, while 40 percent went to a traditional retail store. Coupled with the early shopping available through stores that opened on Thanksgiving Day and/or offered online specials, shoppers spent \$1.9 billion online on Thanksgiving Day and another \$3.3 billion on Friday.

And the other good news about Black Friday purchasing is that only about 9 percent of consumers are done shopping, down from 11 percent last year, and nearly a quarter of consumers surveyed haven’t even begun shopping yet, which bodes well for the rest of the season.

But in all this data, there are gleamings of a trend away from brick-and-mortar and onto websites. While online shopping makes it easier for customers, there also are some industry experts who question whether the Black Friday chaos scenes at the malls have run their course.

An analysis of net sales at brick-and-mortar retail stores reveals that they fell 5.0 percent over Thanksgiving and Black Friday, with the number of transactions also falling 7.9 percent. The initial data also indicated that shopper visits to retail stores fell a combined one percent during the two-day period, when compared to 2015.

Morgan Stanley is optimistic retail sales will continue on a positive path this holiday season, driven by three important factors:

- Recent reports have shown that retailers have been performing better in 2016 than the year past.
- Weather experts are predicting a colder winter this season, which is seen as favorable to sales as consumers prepare for the colder temperatures with clothing and emergency preparedness purchases. However, it is important to note that the colder weather may also pose a risk as it may disrupt store traffic.
- Indicators have pointed to a potential improvement in post-election consumer confidence. In early October, the Sentiment Index fell to its lowest level since September

2015, largely resulting from near-term uncertainty surrounding the presidential election, but it has since rebounded.

While there are a variety of factors at play when it comes to holiday shopping, there is reason to expect that shifts in the weather, both sequentially and year-over-year, and improved consumer sentiment will help to drive better top-line results for retailers.

So as you begin decorating your gingerbread house and crossing gift items off your list, remember to keep an eye toward the economy, as signs are pointing to good holiday sales this year.

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