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IPSOS VIEWS

Black Friday: The story so far

By Tim Denison



In 2017, Black Friday falls on 24th November. Tim Denison takes us on a tour of the history of this prominent date in the retail calendar, identifies some successes (and failures) along the way, and offers some thoughts as to what the next few years might bring.

Black Friday: its heritage

From humble beginnings in Philadelphia some 50 years ago, “Black Friday” has become a global retail phenomenon thanks largely to the internet and the media. The sales extravaganza was originally conceived as a one-day bargain bonanza in shops, to be held on the day after Thanksgiving Day in America, designed to kick-start the Christmas shopping season.

In actual fact it only became a national US fixture in the 1990s and only surpassed the Saturday before Christmas Day as the busiest shopping day of the year there in 2005. But since then it hasn’t looked back. In 2011 Walmart controversially opened its stores on the evening of Thanksgiving Day, breaking the midnight curfew for the first time. Today it is no longer a 24-hour national sprint, but a multi-day international marathon, loved by the media, awestruck by the speed and spread of its advance.

Stepping out

Black Friday found its way across its first country border in 2009, with American retailers launching it in Canada, despite their own Thanksgiving Day being held a month earlier than in the United States. That same crusading approach has served American retailers very well since. In 2010 Amazon introduced it to the UK. The following year the likes of Apple, J Crew and Bloomingdales took it into Australia. And in 2014 Macy’s and American Apparel Inc took up the pioneering challenge in China via Alipay.

American retailers had learnt quickly that they could benefit from introducing the event in markets in which they had no physical presence. It just required a viable online channel and competitive shipping rates. The global march continued into 2015. Then, eBay got the “Black” ball rolling in India, despite the fact that the festive season of Diwali is already over by the end of November. Over the years it has morphed from being purely a bricks-and-mortar occasion, to an omnichannel one.

Retailers in their home territories have joined the action when the Americans have led, but in other countries they have taken the initiative first. A group of Russian and Austrian entrepreneurs were the first to bring Black Friday into Russia, attracting hundreds of prominent online retailers to take part in their promotional ‘000 Black Friday’ website. In 2013 a weather white-out accompanied e-tailer CDON’s introduction of Black Friday into Sweden. In 2014 the domestic grocery retailer, Checkers, initiated South African shoppers to the world of Black Friday.

In 30 or more countries, from Spain to Senegal, from Israel to Iceland, shoppers around the globe now enjoy the November bargain-fest. Even in France, where discounting is heavily regulated, “Le Black Friday” is gaining momentum after the first tentative steps were made by Auchan and FNAC.

Black Friday: A timeline

1960s: Term first used in Philadelphia, in the wake of the post-Thanksgiving traffic jams

1980s: Black Friday is used to describe the point in the year when the retailers start to make a profit

1990s: By this time, it's a national fixture in the United States

2005: Black Friday overtakes the Saturday before Christmas Day as the busiest shopping day of the year in the US

2009: American retailers export the concept over the border to Canada

2010: Black Friday comes to the UK

2011: Australia joins the party

2012: Unscrupulous e-tailers offer phony sales in Brazil

2013: Online entrepreneurs launch Black Friday in Russia

2014: Scuffles break out in UK stores as shoppers rush to take advantage

2014: Checkers introduces Black Friday in South Africa

2014: Black Friday loses its place as busiest US shopping day of the year - a trend which continued in 2015

2015: eBay introduces Black Friday to India

2016: First time Black Friday takings in the US from mobile devices exceeded \$1bn on a single day

2016: Alibaba's Single's Day knocks Black Friday off the perch as the world's most popular promotional event.



A great American export?

There are many great things to have come out of America, but is Black Friday one of them?

Most shoppers will invariably be advocates, enjoying the opportunity to buy sought-after goods at knockdown prices. Whether they are for Christmas gifts or for their own consumption, everyone loves a bargain. Yet Black Friday has had its darker side. Thousands of households were defrauded by unscrupulous e-tailers in Brazil offering phony sales on “Black Fraud Day”, 2012. In the UK, bedlam broke out in stores across the country as overzealous shoppers fought for prized booty on infamous “Black and Blue Friday” in 2014.

For retailers, the event has its disciples and its critics. Some argue that Black Friday does little more than pull forward festive sales and threaten margins rather than grow the size and value of the whole cake. They argue that it risks undermining consumers’ willingness to pay full prices, just when they are gearing up to loosen their purse-strings for a Christmas splurge. Rich pickings for shoppers patently can come at a cost for retailers.

Others see Black Friday as a potent tool to boost seasonal sales artificially, with the potential to also grab market share from competitors. They argue that consumers have really connected with the concept of Black Friday and so, played correctly, it can make a significant contribution to a retailer's coffers.



Inspired by Black Friday, Mexico's El Buen Fin ("The Good Weekend") takes place in mid-November, to coincide with the national holidays to commemorate the Mexican Revolution

Whatever their perspective, it is generally acknowledged by retailers that Black Friday, once introduced into a market, soon becomes an established fixture in their promotions' calendar, and will remain so at least for the short term. As John Lewis' MD Andy Street put it in January 2015, "I don't think we can put the genie back in the bottle."

"I don't think we can put the genie back in the bottle but do we need to stoke that fire anymore? I personally hope not"

Andy Street, former MD of John Lewis

Five steps to success

Every year there are new lessons to be learnt from Black Friday. Getting it wrong can have serious consequences for a retailer, given its size and its profile with the media. Our top five steps to a successful campaign are as follows:

1. When it comes to Black Friday, there is no such thing as over-planning. Determine well in advance what to promote, when to promote and how to deliver in a proactive, managed way, working hand-in-hand with suppliers to avoid nasty surprises and knee-jerk reactions.
2. Agility is key. Black Friday is a disruptive event where demand is impossible to predict. Social media has the capability to spread news (good or bad) with alarming speed. It can mobilise the shopping masses to descend on the best offers like plagues of locust sweeping through fields of crops.
3. Manage shopper numbers entering stores. Overcrowding invariably damages the customer experience and risks grabbing the news headlines for all the wrong reasons.
4. Stress-test logistics' capacity and end-to-end execution. The short window of heavy discounting can create unprecedented demand and all too easily overwhelm the normal running of operations. As online shopping has an intrinsically more important contribution to make to Black Friday, it's not just building headroom into stock, fulfilment and payments facilities, but resilience and capacity into website search and content services.
5. Prepare to put crisis management into practice. Operational failures and brutal media exposure can risk damaging reputations if they are not dealt with speedily and effectively.



Survive or prosper?

Black Friday has become a global retail phenomenon in less than 10 years. In most markets sales continue to grow year-on-year on the day as its reputation with consumers and its participation among retailers become stronger.

Yet, the story is very different in its country of origin, the United States. There, Black Friday relinquished its title as the busiest shopping day of the year in 2014 and went back further in 2015. It is no longer the centre of gravity for sales in the holiday season. There are a number of good reasons as to why Black Friday is losing its relevance in its home of origin:

- The single day event, as originally conceived, has bled into a multi-day one, which has taken the edge off the special excitement it used to generate. Its demise arguably began when retailers pulled it forward into starting on Thanksgiving Day. The likes of Macy's continue to open its doors from 5pm, after the turkey has disappeared, but increasingly more retailers are questioning the wisdom of doing so.
- Its inevitable transformation into an omnichannel event has diluted its physical visibility and presence and its sense of theatre and occasion.
- Everyday promotions and the rise of the discounters have diminished the once exclusive nature of Black Friday deals.
- The allure of Amazon's Prime Day, targeting relevant offers to its most valued customers, directly and personally, is gaining resonance and appeal compared to the blunderbuss mass-market approach of Black Friday. Revenue in 2016 exceeded the previous year by a massive 60%.
- Some leading brands, such as Apple, have begun to turn their backs on Black Friday store promotions. This is a trend which will have a huge impact on the popularity of the day if it gains momentum.

The future of Black Friday

If it has a sustainable future, Black Friday has got to become an event that is healthier for retailers rather than bigger for consumers. By extending the duration of the event from one day to four, then five and now ten, in some cases, retailers are playing into the hands of the likes of Amazon, by making it a race to the bottom by slashing prices and diluting margins. It's the equivalent of a land grab and the reason why Amazon goaded other retailers in 2016 by touting 'more than 35 days of Black Friday' on November 16th. Extending the event longer only serves to intensify the pain for conventional retailers tasked with delivering a profit each year.

There is little or no incentive for retailers to make greater efforts if they are purely diluting margins without expanding sales.

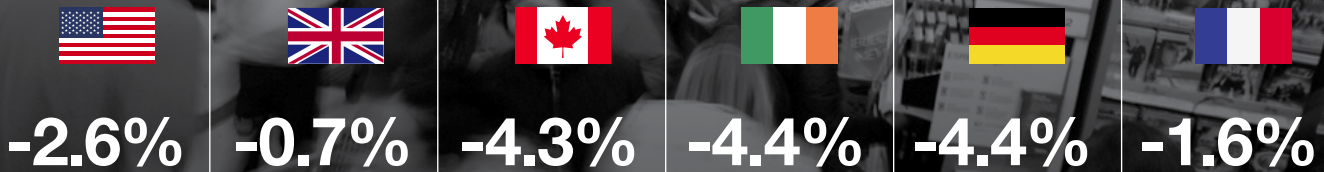
Value growth has to feature in the future of Black Friday. This means taking a more nuanced approach, looking to discount limited lines and targeted reductions while enticing customers to explore the fuller range. Amazon has signposted how it has learned from the ills of Black Friday and now presents an evolved approach to its "Prime Day" event: offering the best and most relevant deals to its Prime customers directly and personally. It aims to deliver everything that its customers cherish: offers that people engage with, didn't know they needed and are tempted by, unrepeatable value and a pain free shopping experience.

The Black Friday proposition must evolve from being a Sales Day under strain, with a mass market, scattergun approach to in-store and online offers. To survive it must become a smooth and sophisticated showcase event that demonstrates the best of a retailer's omnichannel capabilities to enrapture shoppers and provide well-founded reasons to spend in November without diminishing the gifting appetite over the rest of the festive period. Perhaps that's the means of differentiation – by making Black Friday the event targeted at spending on oneself, as opposed to the rest of the festive campaign when the spirit of shopping is directed at buying for others. It should be about moving away from a transactional relationship to something which may involve membership and focus, leading to stronger loyalty and higher conversion rates. Retailers will be able to take back control of Black Friday if they manage to turn shoppers around from doing the hunting to them becoming the hunted. Personalised communication of tailored and managed offer could make this transposition possible. But to salvage the profitability of Black Friday, the challenge will be to entice the hunted into the store. In 2016 Black Friday online sales grew by 21.9% in the States compared to about 4% overall. The same growth pattern is expected again this year. The difficulty this presents is that online sales have more cost associated with them and the introduction of next day delivery in the marketplace this year has just raised the stakes even higher. Once again, Amazon has stolen a lead here, by introducing a fee for becoming a Prime member. The charge helps cushion the higher costs of rapid delivery.



Black Friday footfall in stores

2016 vs 2015



Source: Ipsos Retail Performance

It is a fast moving, highly competitive industry, in which today's hottest sellers are relocated unceremoniously to tomorrow's bargain basement.

Without evolution, Black Friday could be expunged from the retail calendar as quickly as it appeared on the scene. Like every other promotion, the success of Black Friday boils down to retailers being able to strike a balance between securing higher sales volumes whilst maintaining acceptable margins. In markets where this is achievable, and the steps to success are followed, the immediate future of the event looks set fair. In markets where Black Friday is more established, striking a new balance may be less feasible and Black Friday may fade from the scene. If any market where the steps to success are ignored, Black Friday could become as notorious in retailing as the Black Death was in civil history, ravaging the health of retailers and leaving devastation in its wake.

Nothing in retailing is guaranteed for long. It is a fast moving, highly competitive industry, in which today's hottest sellers are relocated unceremoniously to tomorrow's bargain basement. Technology companies such as Amazon, Alibaba and Google are driving structural change within retailing and alongside the new business models of the likes of Uber and AirBnB are disrupting conventional practice. Speed of innovation and the release of new initiatives from these disruptors is mind-blowing and there is little doubt that while Black Friday might survive in name, its DNA will mutate into something entirely different, just as rhythm and blues led to rock and roll.

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