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IPSOS VIEWS

Black Friday: Shifting its centre of gravity

By Tim Denison



In 2018, Black Friday falls on 23rd November, the earliest since 2012. 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. Black Friday is no longer a store-based event with Cyber Monday now following on its tail as its online counter-part. Such is the omni-channel nature of retailing today that the promotional period has melded into one.

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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 Bloomingdale’s 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, e-Bay 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 omni-channel one.

Retailers in their home territories have generally joined the action when the Americans have led it, 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.

It is now a global phenomenon. From Spain to Senegal, from Israel to Iceland, shoppers around the globe now enjoy the November bargain-fest. In 2017 global sales on the day were 6 times greater than a regular Friday, according to Black Friday Global, headed by shoppers in Pakistan who spent in excess of 100 times as much. By comparison, US shoppers spent 20 times their typical Friday expenses and British shoppers 15 times as much.

However, it is not a total whitewash. The jury is out in countries where discounting is heavily regulated, such as France. There, footfall on “Le Black Friday” fell by 16.1% last year compared to the year before.

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 Singles' Day knocks Black Friday off the perch as the world's most popular promotional event.

2017/18: Amazon Prime Day 2018 outstripped Amazon sales between Black Friday and Cyber Monday 2017



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 we have seen a darker side to Black Friday. 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 the 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.

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."



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

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Black Friday has become a global retail phenomenon in less than 10 years and sales continue to grow year-on-year.

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. And work 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 locusts 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? Its evolution in the USA

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

However, 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 receded 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 country:

- 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 to begin on Thanksgiving Day. The likes of Macy's continue to open its doors from 5pm, after the turkey has disappeared, but retailers are increasingly questioning the wisdom of doing so. This year over 100 national and regional retailers, including Costco, Home Depot, Lowe's Nordstrom and TJX will not be opening their shop doors on "Turkey Day". They all express their family-oriented values as the prime reason for staying shut. Typical of the sentiments expressed is this from Costco: "As an appreciation of all the hard work our employees do over the course of the year, we have always closed on Thanksgiving to give our employees a chance to relax and enjoy time with their families." This viewpoint appears to be in line with the American people, of whom only a quarter favour stores opening on Thanksgiving Day.
- Black Friday's inevitable transformation into an omnichannel event has **diluted its physical presence** and its sense of theatre and occasion.
- Everyday promotions and the rise of the discounters have robbed Black Friday deals of their exclusivity
- 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. Despite suffering a website crash early in the day, Amazon's sales during Prime Day 2018's 36-hour extravaganza exceeded those between Black Friday and Cyber Monday 2017.

- Some leading brands, such as Apple, **have begun to turn their backs on Black Friday** store promotions. If this trend gains momentum, it will have a huge impact on the lasting popularity of the day.



The future of Black Friday

In order to be sustainable, Black Friday must 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 – in some cases - ten, retailers are playing into the hands of the likes of Amazon, making it a race to the bottom by slashing prices and diluting margins. It is estimated that discounts across global markets reached 55% in last year's event. Extending the event longer only serves to intensify the pain for retailers tasked with delivering a profit each year.

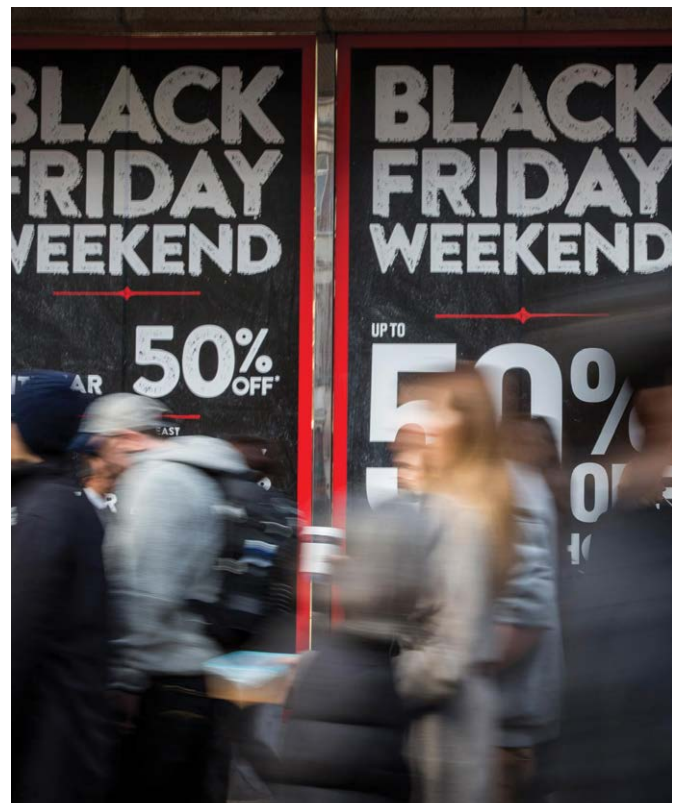
Retailers need to wake up to the fact that Amazon's business model is different to their own, and so they should not try to compete in the same way. Interestingly Amazon increased their Prime membership fee by 20% this year, with seemingly little resistance from its clientele. It also reportedly added tens of millions of Prime members globally to its platform over the Prime Day period.

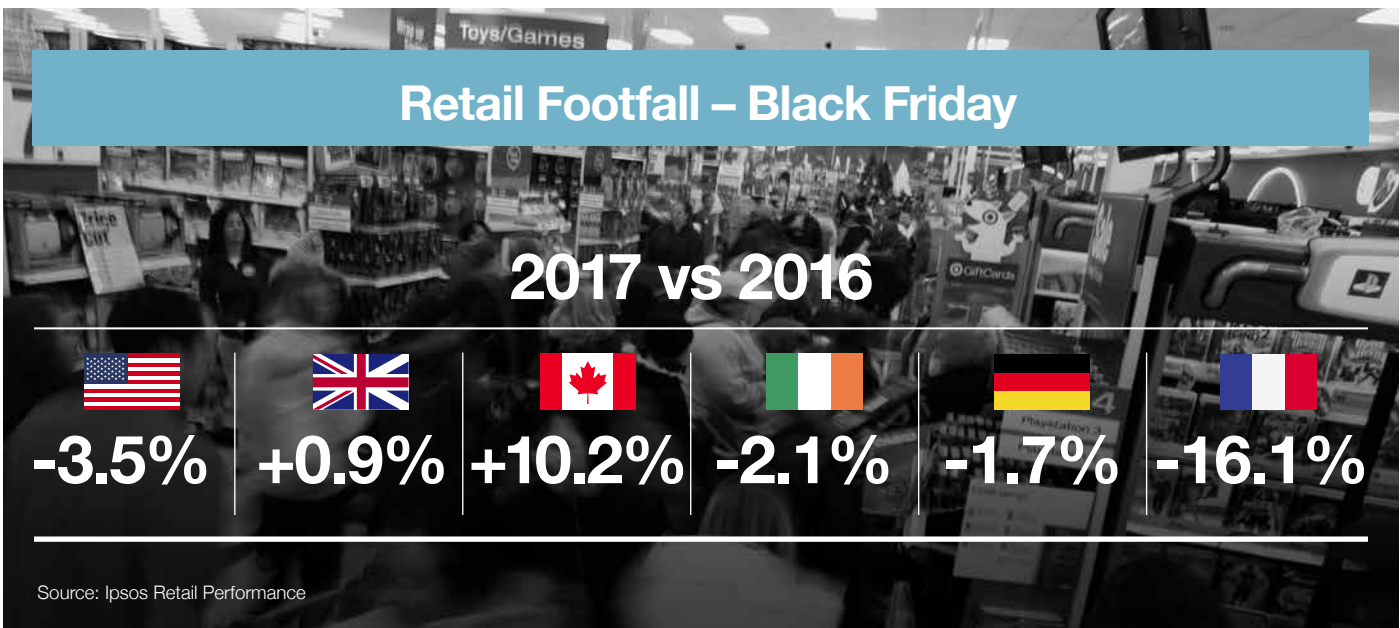
Value growth has to feature in the future of Black Friday. This means taking a more nuanced approach, looking to discount limited lines and targeted reductions while enticing customers to explore the fuller range. Amazon has signposted how it has learned from the ills of Black Friday and now presents 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, unrepeatably value and a pain-free shopping experience. This year on Prime Day it expanded its private label offering, broadened its categories on promotion and offered lower prices than Black Friday 2017 - all of which provide a clear signpost of its plans for Black Friday 2018.

To survive it must become a smooth and sophisticated showcase event that demonstrates the best of a retailer's omni-channel 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 this is the means of differentiation: the Black Friday event is targeted at spending on oneself, as opposed to the festive campaign where the spirit of shopping is directed towards buying for others.

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





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The Black Friday proposition must evolve beyond being a Sales Day under strain with a mass market, scattergun approach to in-store and online offers.

Every year there is evidence of its evolution. Mirroring the purchasing behaviour of shoppers, it is as much an online event as an in-store one now. In the UK last year 24% of people surveyed by Black Friday Global said that they shopped exclusively in store for their Black Friday bargains.

This year that proportion is expected to halve. Some 64% of shoppers say they will go online as well as in-store this year. So further evolution is a necessity.

Nothing in retailing is guaranteed for long. The rise and rise of Singles’ Day, Alibaba’s promotional escapade, is already 4 times bigger than Black Friday weekend. Last year it topped \$25bn of sales, smashing previous records for the world’s largest retail event. It teamed with offers that were innovative and novel. 33 shoppers had the opportunity to buy a lifetime’s supply of baijiu – a Chinese spirit – for just 1,111 yuan, a price symbolic of the date of Singles’ Day (11th November). It has become more than simply a retail event with its showbiz gala launch, cleverly re-positioning it away from discounting towards celebration and a reason to spend.

Retailing is a fast moving, highly competitive industry, in which today’s hottest sellers are relocated unceremoniously to tomorrow’s bargain basement. The speed of innovation in the sector 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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Tim Denison, Director of Retail Intelligence

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