

BLACK FRIDAY

Time to breathe new life
into the retail stalwart

By Tim Denison | November 2020



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*Thank
You for
Shopping
With us!*

(online)

Black Friday 2020 will be like no other. It could make or break retailers' years. It could mark the death knell of Black Friday itself. A lot is riding on how consumers will react to the lure of the bargain-fest amidst COVID-19 and how well retailers will execute their

operational plans. Tim Denison takes us on a tour of the history of this prominent date in the retail calendar and outlines how retailers can best steer safe passage through these dark, dysphoric and dramatic days.

THE EVOLUTION OF BLACK FRIDAY

From humble beginnings in Philadelphia some 60 years ago, "Black Friday" has become a global, digital retail phenomenon. 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 2005 it became the USA's busiest shopping day of the year and it hasn't looked back since.

Black Friday found its way across its first country border in 2009, with American retailers launching it in Canada (dubbed "Vendredi Fou" – crazy Friday), despite their own Thanksgiving Day being held a month earlier than in the United States. Amazon introduced it to the UK in 2010, but it only really found its feet in 2013 when an American-owned store-based retailer, Asda (owned then by Walmart), gave it a physical presence. Though started by brick and mortar retailers in the United States, Black Friday's rapid international expansion has, somewhat ironically, been through digital development. American retailers quickly learned 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 likes of Apple, J Crew and Bloomingdales took it into Australia. Then in 2014, Macy's and American Apparel were Black Friday pioneers in China through Alipay. The global march continued into 2015, when eBay got the Black Friday ball rolling in India.

Retailers in their home territories joined in the action where the Americans led, but elsewhere the initiative was taken up locally, primarily by online players. 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.

Today Black Friday is a retail phenomenon celebrated in more than half of all the countries in the world. Its annual global growth in sales averaged 117% over the 5 years between 2014 and 2018. Amazon is its largest single champion, running the event in every one of its 14 country markets. In Africa the torch has been taken up by Jumia, the first African tech start-up to be listed on the New York Stock Exchange, and by Shoprite, a conglomerate of physical retailers. Their rivalry is reminiscent of the online/offline contest between Amazon and Walmart. Together they support Black Friday in 24 African countries.

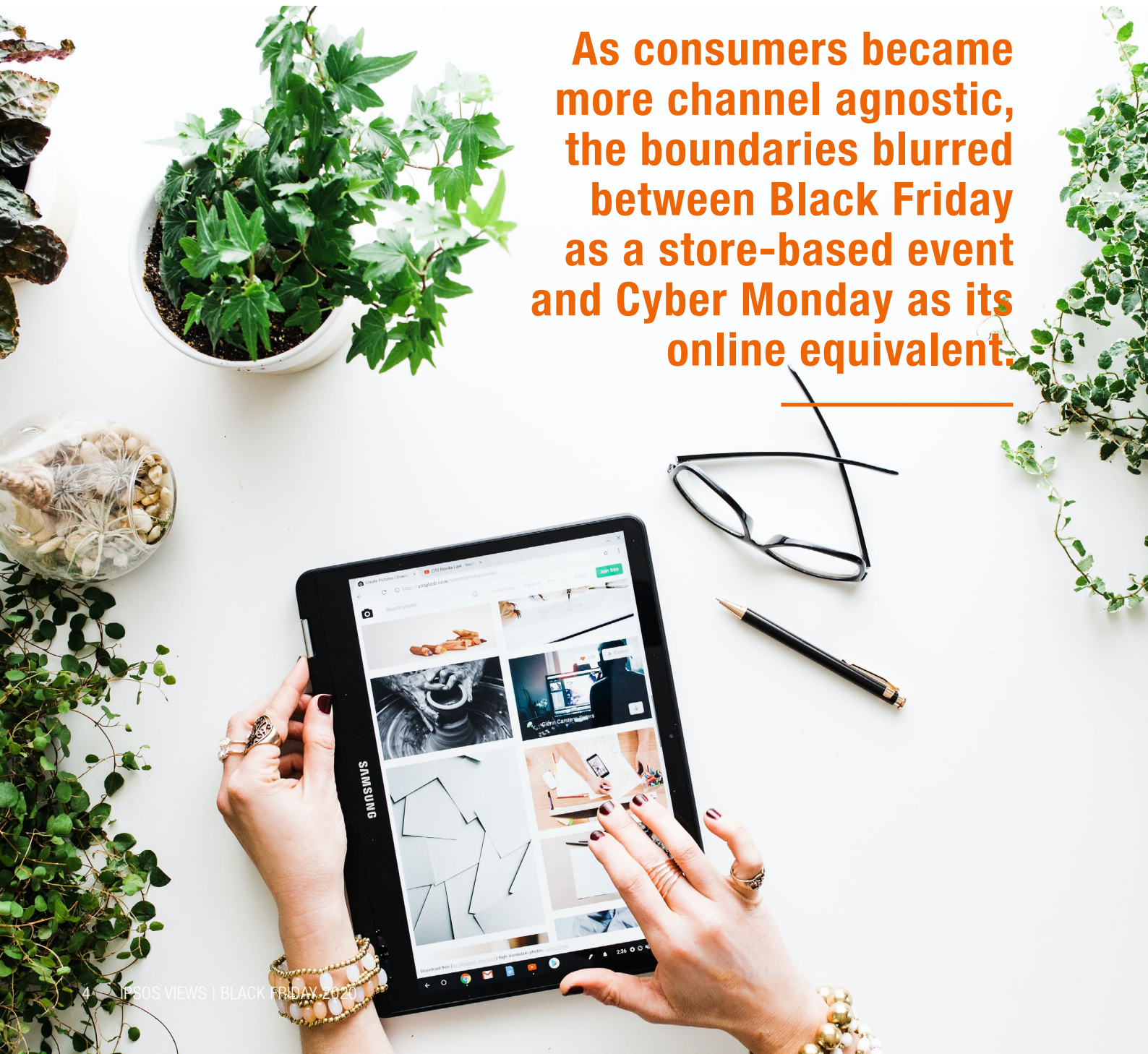
There are, of course, parts of the world that remain untouched by Black Friday with factors such as being economically poorer, a dislike of consumerism, internet access or censorship making it unviable. North Korea, Libya, Venezuela and Eritrea all feature on this list. Shoppers in Romania, Hungary and South Africa are currently among the most enthusiastic Black Friday fans. A PwC poll in 2019 reported that 88% of South African respondents were interested in Black Friday. This compares to 52% in the UK, a mature Black Friday market. Geopoll found that last year, 76% of consumers actually bought goods in South Africa on the day, 12% more than the year before. In Turkey, Finland, Greece, Singapore and Hong Kong, Black Friday is also hotly anticipated, borne out by online that peaks there just after midnight, as shoppers search for stock-limited bargains.

FROM A ONE-DAY SPRINT TO A MULTI-DAY MARATHON

Black Friday is no longer a one-day affair. In America, Thanksgiving Day (the day before) provided a natural restraint to bringing it forward. But online retailing has changed all that and physical retailers fought back by opening their doors on the holiday. In 2011, Walmart famously opened its doors on the Thursday evening, breaking the midnight curfew for the first time. By 2018 Thanksgiving Day achieved the third greatest online sales of any day in America, behind Cyber Monday and Black Friday.

As consumers became more channel agnostic, the boundaries blurred between Black Friday as a store-based event and Cyber Monday as its online equivalent. It was only a matter of time before the weekend bridging the two would become subsumed into a four-day shopping fiesta in America. In some other countries, where the same shackles of tradition were absent, it had become a multi-day affair. Colombian retailers refer to “Black Days” and this year the campaign runs from November 7th to December 3rd. Likewise, in Brazil, “Black Friday” has been replaced by “Black November”.

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BLACK FRIDAY: A TIMELINE

1960s

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

1990s

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

2009

American retailers export the concept over the border to Canada

2011

Australia joins the party

2013

Online entrepreneurs launch Black Friday in Russia

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

2018

The Apple App store and Google Play both set record amounts ever spent in a single day

Clothing replaces electronics as the most popular Black Friday purchase

1980s

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

2005

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

2010

Black Friday comes to the UK

2012

Unscrupulous e-tailers offer phony sales in Brazil

2014

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

Checkers introduces Black Friday in South Africa

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

2017/18

Amazon Prime Day 2018 outstripped Amazon combined sales between Black Friday and Cyber Monday 2017

2019

2019: First time Black Friday topped Cyber Monday as the busiest day for online traffic in the US

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 for Christmas gifts or for personal consumption, everyone loves a bargain. Yet Black Friday has shown a darker side. Thousands of households were defrauded by unscrupulous e-tailers in Brazil who offered phony sales on “Black Fraud Day” in 2012. In the UK, bedlam broke out in stores across the country as overzealous shoppers physically fought for prized booty on the infamous “Black and Blue Friday” in 2014.

Among 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 pie. 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 evidently 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.

Black Friday has recently become a political hot potato in some European countries. Although 2019 sales grew by 3.6% between Black Friday and Cyber Monday in Germany, generating just under 7 billion euros, there was a backlash from some consumers on environmental grounds.

In France too, over 200 national brands joined together in 2019 to boycott the day due to concerns about the environmental impact. Activists blocked access to an

Amazon warehouse south of Paris and protests took place in Lille and Lyon. Parliament debated environmental issues of waste and overconsumption and went on to approve an amendment to current law that will potentially ban future Black Friday publicity campaigns.

Responding to the undercurrent of consumer unrest, IKEA, the Swedish furniture retailer, has launched an initiative this year to make Black Friday greener. Customers can sell back their used furniture and receive up to half its original price. If the retailer is not able to re-sell the second-hand furniture, it will either be recycled or donated to community projects to help those most affected by COVID-19. The campaign underlines the company’s commitment to sustainability and is set to run from November 24th to December 3rd across 27 countries, including Japan, Russia, Australia, the UK, France, Germany and Canada (but not in the USA).

The pandemic that has beset the world in 2020 may also influence how Black Friday fares. In richer nations, conspicuous consumption has quietly become part of the social fabric. However, COVID-19 has pushed many individuals to reconsider their core values, re-affirm what is important and meaningful to them, and distinguish more clearly between “needs” and “wants”. As a result, shopping spectacles such as Black Friday, may become a retail casualty if perceived as purely promoting materialism for the sake of materialism. Time will tell.

“Shopping spectacles such as Black Friday, may become a retail casualty if perceived as purely promoting materialism.”

“The pandemic that has beset the world in 2020 may also influence how Black Friday fares. This year will be like no other.”



SEVEN TOP TACTICS FOR BLACK FRIDAY 2020

Every year to date, new lessons have been learnt from previous Black Fridays. However, this year will be like no other because of the pandemic. Some of the keys to success found in past practices simply won't apply this time. In the US last year, online Black Friday shopper numbers overtook those on Cyber Monday for the first time. Clearly, whether due to lockdowns, access restrictions or simply consumer preferences, Black Friday's centre of gravity will pull people more towards the online channel this year. Driving traffic to stores, whipping up crowded frenzies and offering 'door busting' time-limited, store-only promotions will not feature as major campaign objectives.

Walmart has decided to split Black Friday into three separate events each with a different product line theme attracting different audiences and to help better manage demand peaks. Each event will run for a Monday in November online and the following Friday in-store.

Here are our top tactics for a successful Black Friday in this changed environment.

1

AVOID A ONE-DAY BONANZA.

Both stores and warehouses will not be able to cope with the exceptional volumes of customers and goods that Black Friday brings. Channel throughput will be reduced, putting pressure on fulfilment. Act to flatten demand peaks. The only means to achieve high volume sales will be by lengthening campaigns. Retailers are already communicating this to consumers.



2

GO FAST AND GO EARLY.

By doing so, it will help flatten the usual peak this year, but ensure that it is promoted heavily to have the necessary impact. In the US, Home Depot has declared that Black Friday prices will begin in early November. Macy's has made reference to its "Fabulous Fall Sales" and J C Penney is alerting shoppers to its "BeautiFALL Sale".



3

STAY SHUT ON THANKSGIVING DAY IN AMERICA.

Many of the big names in the States, have already announced that they will remain closed, reversing the trend of recent years. Consumers have become more loyal to retailers who have taken care of their employees and local communities during the pandemic. Mindful of the increasingly important CSR agenda, retailers want their staff to be able to spend time with their families on Thanksgiving Day.



Optimisation and lightning-fast execution are game changers. Underestimate the importance of smartphones at your peril.

4

DRIVE SALES ONLINE.

Anecdotal evidence suggests that leading retailers have achieved six years' worth of progress and development in their online businesses in six months as they re-orient their operations. They have scaled up and are far more fit-for-purpose. Pop-up recommendations and bundled promotions will deliver extra impulse sales. Move additional temporary resources from stores to warehouses and fulfilment centres.



5

PROMOTE CLICK-AND-COLLECT (BUY ONLINE, PICK UP IN STORE) AS A CHANNEL OF CHOICE.

Both in-store and curbside collection will ease the pressure on home delivery services which will inevitably be stretched.



6

MONITOR SALES IN REAL TIME.

Stock orders for Black Friday were placed as the pandemic broke in many countries. Some retailers will have placed conservative orders to reduce the risk of leftover stockpiles. With more shoppers turning to ordering online, retailers should monitor sales and amend website operations in real time to prevent marketing products that have already sold out and so manage customer satisfaction ratings.



7

MAKE IT EASY, INTUITIVE AND FUN TO SHOP ON MOBILE DEVICES.

Optimisation and lightning-fast execution are game changers. Underestimate the importance of smartphones at your peril.

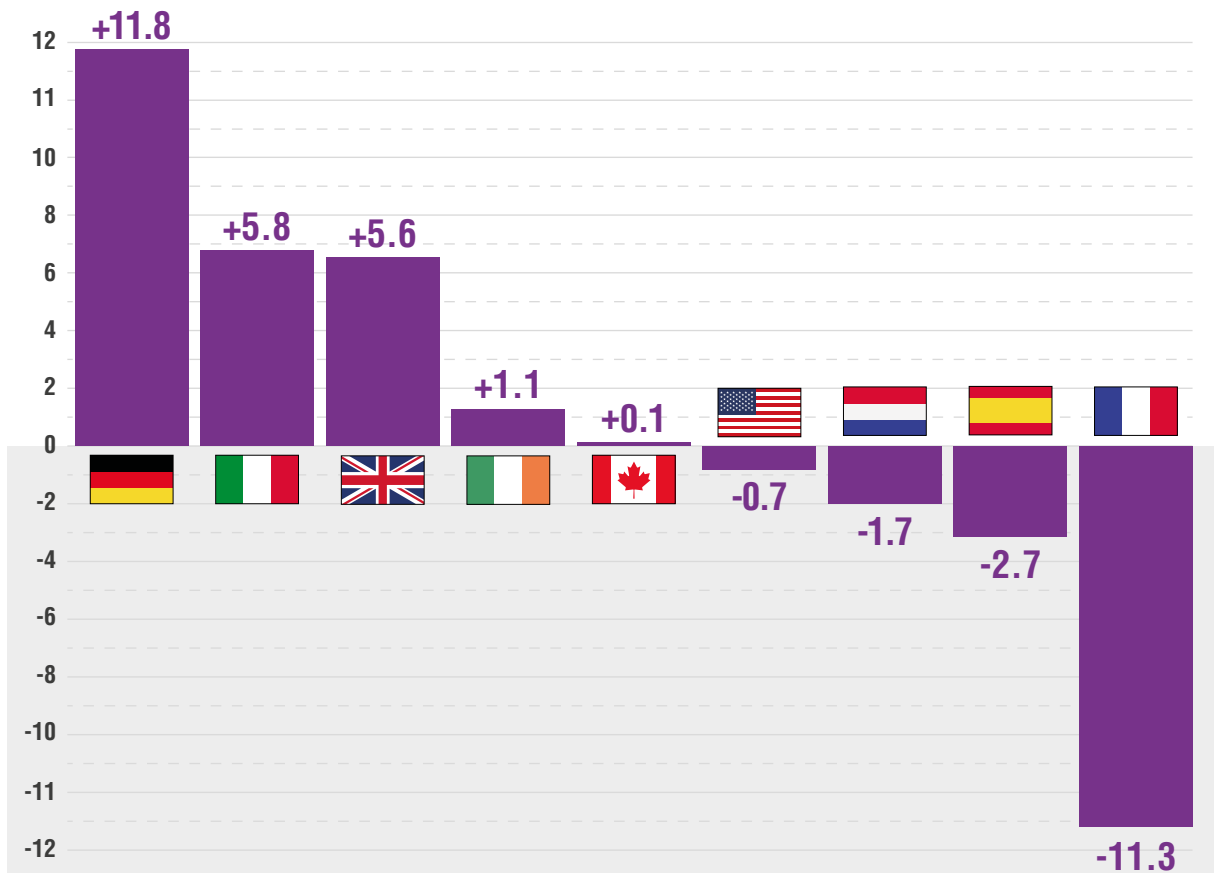


THE FUTURE OF BLACK FRIDAY: QUO VADIS?

Black Friday has become a global retail phenomenon in less than 10 years and continues to extend its reach thanks to the availability and uptake of online retailing across national

and international boundaries. With its maturity, though, come challenges.

Figure 1 Retail footfall on Black Friday (% change 2019 vs 2018)



Source: Ipsos Retail Performance

CHALLENGE ONE GROWING COMPETITION FROM OTHER RETAIL EVENTS

In countries where Black Friday is now an established fixture in the retail calendar, sales growth is being driven more by online activity than offline. In 2019, online sales were up by 19% year-on-year in the US, compared to 4% in stores. When once it was famed for overnight queuing outside stores and stampedes to secure limited special offers, the

uniqueness of its nature is now at risk of being lost and its potency diluted. No longer is it a one-day event and no longer taking place only in physical stores, it has morphed into a long weekend of discount deals, and as such risks losing its special status in comparison to other retail events.

By contrast, the integrity and popularity of Alibaba's Singles Day (11th November) continues to gain momentum – albeit at a slowing rate. In just the one day last year it generated gross merchandise value (sales) of \$38 billion, up 26% on

2018, putting Black Friday, Cyber Monday, Amazon Prime Day and all others in the shade. Beyond Asia, Singles Day has also recently seen enthusiastic support in Spain and the UAE. Its success stems from its fiesta atmosphere, building it as a social and experiential event, and releasing offers that are innovative, novel and exclusive.

Overall sales for Amazon's Prime Day have not been disclosed but are estimated to have been around \$10 billion across 20 territories. This year the event was postponed from July to October and took place over two days (except in India when it was held in August). Other retailers decided to compete head-to-head with Amazon this year and lowered their prices over the two days. As ever, it was Amazon's own products that came out as bestsellers, although this year heavier promotion was given to third party sellers on its marketplace, who enjoyed record sales.

Other events beginning to catch shopper's eyes include Shopee's Online Shopping Day in Asia (9th September) and Flipkart's Big Billion Day (10th October), although their aim seems to be more about owning a promotional day than developing anything radically different.

CHALLENGE TWO RELEVANCE IN A CHANNEL AGNOSTIC MARKETPLACE

For the last two years now, we have suggested that retailers need to re-invent Black Friday and reconstruct its value proposition. A key piece of advice given last year was to adopt a targeted online/offline approach. This year is, of course, like no other, but it is good to see some retailers (particularly in the US) advancing this concept.

Store occupancy constraints and slower warehouse fulfilment speeds have encouraged a segmented approach to Black Friday, but the notion of splitting out online and offline Black Friday events to different days as well as promoting different categories on different days is a welcome, creative advance that will help to re-energise the event and safeguard against its further dilution.

CHALLENGE THREE GREEN VS BLACK

Black Friday has become a target of environmentalists (see Section III) particularly as online becomes its growth channel. Arguably events such as Black Friday promulgate needless over-consumption, expanded carbon footprints through more exported goods and home deliveries and excessive packaging threatening valuable natural resources and use of plastics.

Sustainability is clearly important to consumers. In a nod to this, retailers should consider making Black Friday a vehicle to explore, promote and communicate greener practices. Black Friday is still big enough to draw attention, but it is at risk of losing its relevance. Repurposing its role to a lesser or greater degree may breathe new life into it for retailers and consumers alike.

CHALLENGE FOUR CONSTRAINTS TO FULFILMENT

The COVID-19-induced transition to accelerated online buying on Black Friday this year will be problematic for retailers, despite the extra investment they have made in their digital platforms, logistics networks and their attempts to extend and thereby flatten the demand peak. Quite how they will tackle the challenge is uncertain. Forging partnerships is a likely avenue being explored, but it won't be the solution for all. Encouraging more shoppers to collect from in-store or curbside may also reduce the pinch points and the pain.

Consumers have become accustomed to getting free next day delivery on Black Friday deals. But this year don't expect it to be a standard part of the offer.

2020 could be the year that marks the time that retailers were able to take stock, re-evaluate the purpose and the benefits that Black Friday delivers, and re-set the terms of the deal with shoppers. While the outcome may not quite equate to putting the toothpaste back in the tube, it could lead to shoppers being able to squeeze less out in future times.

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