

AN ENVIRONMENT REFLECTING CONSERVATIVE SHOPPERS AND AGGRESSIVE COMPETITORS

It should really come as no surprise that consumers entered this holiday shopping season with a tight clinch on their wallets. With continued weakness in the housing market and a stubbornly high unemployment rate, practicality and sensibility seemed to be the spirit of the day.

If the issues of the day were not enough to mute shopper activity, the lack of new, blockbuster products also dampened motivation this year.

Never the less, retailers aggressively positioned themselves for the fight over the sober shoppers in an effort to maintain store patronage and sales.

And in this fight, the now familiar but increasingly influential on-line players wielded significant influence and continue to capture an increasing share of the Black Friday spend.

CIRCULAR REFLECTIONS

Whether obvious or not, there is an imbedded pun in this title. Circular, in the context of the promotional vehicle used to drive customers to the retailer's doors but also "circular" in that we've seen this before – just not a lot of change.

Characterizing this year's circular, we see fewer distinct inserts with higher page counts thus yielding greater density (Figure 1). Density, however, seemed to follow the historical pattern of each retailer's circular, with clean remaining clean and high density going more granular.

In terms of front page category ad share, with minor variation, the pattern followed that of the last three years (Figure 2). Within these buckets, however, there were new twists, with retailers featuring higher-end products at very good prices.

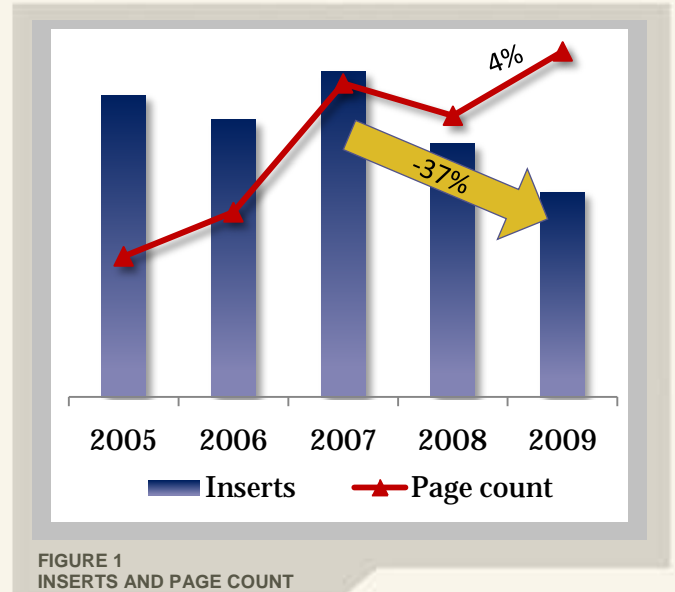


FIGURE 1
INSERTS AND PAGE COUNT

When looking at the overall circular, ad share again remains relatively unchanged and primarily follows the trends of 2008. Consistent with the past three years, four categories – Electronics, Apparel, Coupons/Services and Children's Gifts – accounted for approximately 70% of total circular ads.

Carrying on with a familiar theme, with few exceptions, overall pricing did not reflect sizable shifts in either mean or modal measures on the front page. Where there were meaningful price changes on the front page was in electronics and in particular, the digital TV category. This was clearly the "door buster" product of choice and it was reflected in great offers.

Beyond the front page, there was meaningful growth in share of items under \$20, reflecting alignment with reduced holiday budgets. We will explore more details on pricing below in [Pricing That Mattered](#).

So the net on Circulars 2009: Déjà vu. As all who know this space will attest, practices in circular strategy tend to reflect a great deal of inertia and there is little seen in this episode of Black Friday to change that perception.

BLACK FRIDAY

PROMOTIONAL PERSPECTIVE©
NOVEMBER 2009

PRICING THAT MATTERED

As noted above, the promotional items of significance from a price perspective were electronics. Clearly, many retailers banked on these items to drive store traffic and it appears to have done the job. The National Retail Federation said on November 27 “that retailer’s saw strong traffic”.

Flat panel televisions were a lead product from many retailers and prices were aggressive. We found that five of eleven front page digital TV features were less than \$250 compared to a comparable measure at \$400 in 2008. It was noted that in addition to the normal heavy promotion of mid and lower end models, 2009 promotions also offered great values on many higher end products as well.

The best recorded prices on 32” LCD units came in at \$246, with the 50” units offered at an eye popping \$548. We believe that this trend seems to follow a strategy of offering a wider range and quality of products at great prices. An example at the higher end was the 32” Sony Bravia offered at multiple locations at circa \$379 (Figure 3).

Digital Cameras were also heavily promoted and the median advertised price dropped nearly 17% from 2008 levels. In addition, nearly 50% of all advertised digital cameras were priced below \$100 compared to just 29% last year. An example was Target’s front page lead with a high-end 10 megapixel Nikon CoolPix camera at \$88.

Computers, navigation and gaming were also a draw. Walmart led the way with a \$298 deal on an HP Laptop. Nearly all off the Mass and electronics specialty stores featured navigational devices all priced at under \$100 but with significant price variation across brands.

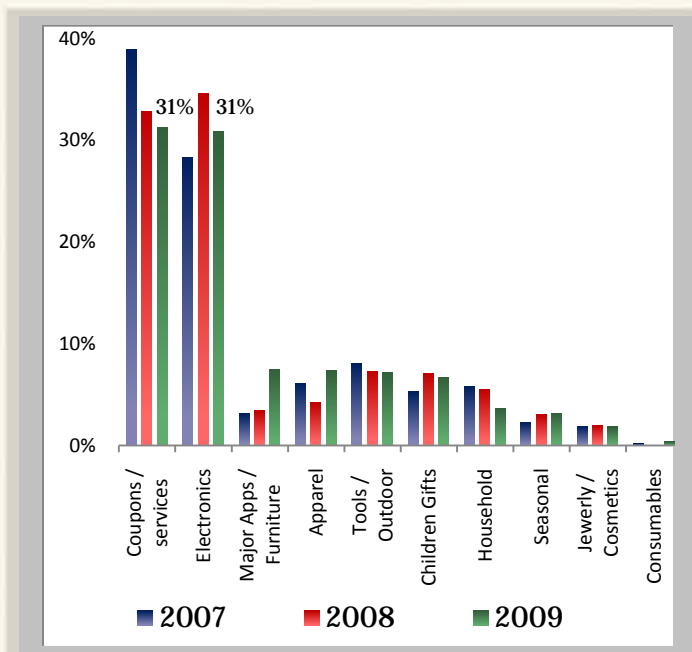


FIGURE 2
FRONT PAGE AD SHARE

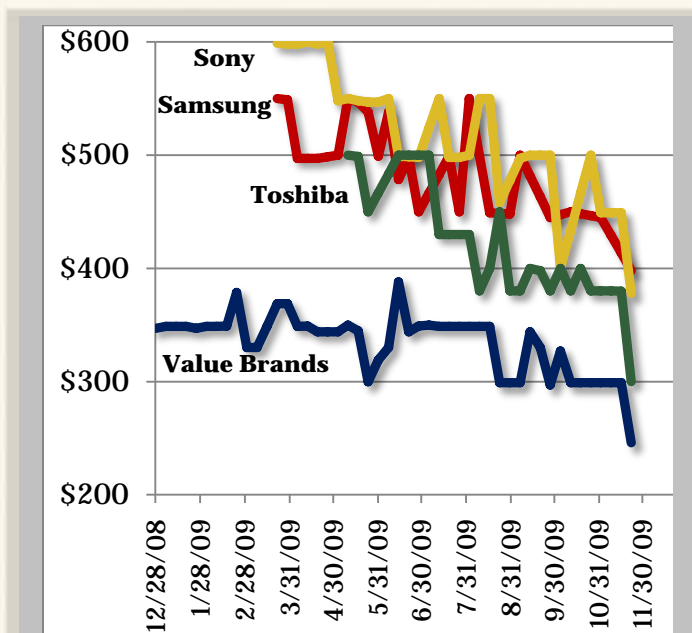


FIGURE 3
MINIMUM PRICING ON VALUE AND
PREMIUM BRAND 32” LCD HDTVS

BLACK FRIDAY

PROMOTIONAL PERSPECTIVE©
NOVEMBER 2009

THE EFFECT OF ON-LINE

NIMBLE, AGGRESSIVE AND GAINING SHARE

While still a relatively modest element of the Black Friday sales volume, on-line participants are gaining share and are well positioned to continue doing so.

Black Friday sales are expected to be up less than 1% while on-line sales are thought to have risen 35% according to Coremetrics, a web analytics firm based in San Mateo, California.

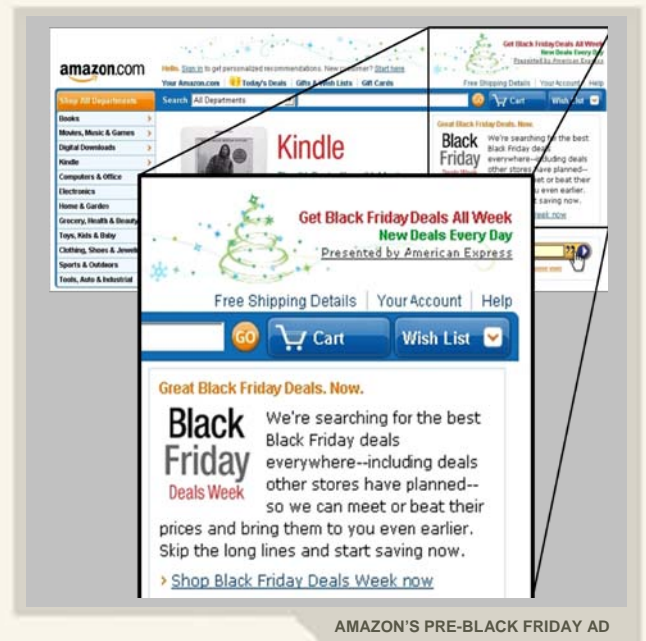
On-line retailers hold some interesting advantages when it comes to early holiday shopping. To begin with, they don't have to figure out the bricks and mortar pricing strategy – they just wait to see it released and then adjust on-line specials to trump the hand.

On-line firms also don't have to drag people out of the house at 5 a.m. to close business. Pay Pal reported a 25% increase in on-line payment volumes on Thanksgiving Day versus 2008. This means customers were shopping from home and were likely taking advantage of those great trump prices set up by the on-line retailers.

The on-line retailer's goal is clearly to take customers out of the market before they make it to the mall or store. Amazon started its "Black Friday Deals Week" on Monday. And now that we are past Black Friday, we are on to Cyber Monday – did this leave some shoppers wondering if they should head out to the stores this weekend or wait to see what these offers hold?

Most of the bricks and mortar retailers are actively in the mix with the pure play on-line participants. Many used their sites to respond with comparable on-line and some in-store specials not featured in their circular. We saw Radio Shack respond to Target's 10 megapixel Nikon CoolPix camera at \$88 with their own Nikon CoolPix for \$99, after previously advertising it in their circular for \$129.

One thing is clear, however, on-line promotional competition is real and must be accounted for as bricks and mortar retailers plan their ongoing and event based promotions.



AMAZON'S PRE-BLACK FRIDAY AD

Questions to Ponder:

As we reflect back on Black Friday 2009, one is left with some interesting questions in preparation for 2010:

- *When do we break the inertia and go with a breakout circular strategy?*
- *Was there an opportunity lost in not thematically tapping into the spirit of the day – sensibility?*
- *Was there a missed opportunity to deploy a “hook them and keep them” strategy?*
 - *Great features + “spend up to X and get a \$100 gift card to use by Y”.*
- *How do bricks and mortar stores implement a defensible circular strategy vs. the on-line world?*
 - *Is there a veiled “in store only” offer that you must be present to see and receive?*
- *In the bricks and mortar world, is the on-line site's primary goal to win on-line or to drive store traffic? Are both possible?*

BLACK FRIDAY

PROMOTIONAL PERSPECTIVE©



The Market Track Vision

Market Track's vision is to be a strategic partner for our clients, enabling better business decisions through visibility and insight into promotional initiatives

www.featurevision.com

10 S. Wacker
Suite 2550
Chicago, Illinois
Phone: 312-529-5102
Email: perspectives@markettrack.com