

Black Friday Week – 2010

Will a rising tide lift all ships?

Another Black Friday has come and gone, but this one appears to have delivered more joy for the retail community than recent years have managed. Early estimates put Black Friday shopper traffic at over 212 million, up 8.7% from a year ago.¹ It also appears that this increase in foot traffic translated into an increase in consumer spending — specifically, 6% over last year.² In addition, the online sales growth rate in November continued to outpace in-store sales, and are expected to be up 24%.³ The question, as always, will be which retailers excelled, which lagged and how do causal factors such as promotional offers, product mix, pricing and placement correlate to these performances.

We believe that the effective execution of these elements has the greatest impact on the consumer in the buying cycle — 1-7 days before purchase. Of course, the right branding is vital, having efficient merchandising sets the stage and in-store execution is essential. However, we believe it is the opportunity to influence the shopper at that critical moment of truth that can determine if a retailer wins the day.

In this *Market Track Perspective*, we will explore causal factors across various mediums including print, online and e-mail promotions. We will provide our overview in the context of the traditional Four P's of marketing: Product, Price, Place(ment) and Promotion. In addition, we will look at the full week of Black Friday, from the pre-Thanksgiving period to Cyber Monday, to see how retailers maneuvered these 3-4 distinct, but related promotional events in the span of seven short days.

Shop Early, Shop Late But Please, Just Shop...And Spend

From a macro view, there are clear and notable observations from this year:

- Promotions started earlier and expanded to be a “week” event vs. a “day” event.
- Promotions seemed to be broad-based vs. focused on a few mega deals.

¹National Retail Federation

²Thompson Reuters

³comScore, Inc.

In This Perspective...

Market Track analyzed the results of this year's Black Friday sales in relation to key factors such as promotional offers, product mix, pricing and place(ment). In addition to gaining a bird's eye view on industry trends that are and aren't working, readers will gain insight on how to:

- Plan for key event periods
- Ensure promotional mediums are aligned
- Maintain a consistent message across channels
- Track the promotional environment

- Some retailers made strong moves to build connectivity between their printed promotions, online sites and e-mail strategies.
- Retailers accurately anticipated a less frugal consumer and promoted more high-end and luxury items.
- Some retailers effectively used overlay promotions that may have increased sales as the overall price perception was lowered at the store due to the additional discounts.

Let's take a look through the lens of the four P's at how the market executed during this year's Black Friday week.

Product

When looking at Product, there are several perspectives one can take. Obviously, front-page content and category assortment is important but at this time of year, shoppers will search the entire flyer for a broad range of gifts. Market Track's point of view is that product category-share data and relative ad space (measured in square inches) is significantly more accurate than simply counting ads. Counting ads assigns no more value to a half-page illustration than a basic line listing.

This year, the front page was again led by Electronics with just over 35% of the product-specific space followed by Toys, Games and Media (TGM) with 16%. Apparel was the third most promoted category on the front page at 15%. It is worthy to note that the major influence on these numbers was the fact that Black Friday advertising is dominated by department stores and mass merchants, which collectively account for over 50% of the circulars, and therefore half the share of shopper influence during this ad cycle.

Although, as noted above, the front pages are important drivers of traffic and sales volumes, those 1,029 interior pages sitting behind the front pages carry their own importance at this time of year. Figure 1 illustrates the share of total ad space allocated to primary categories across the major trade classes excluding Grocery. While it is still the dominant category across all pages, year-over-year comparisons show that Apparel lost promotional share to TGM and Electronics, which possibly reflects retailer perception that shoppers would trade off need-based purchases for more discretionary items. In addition, the General (theme) and Coupon space reflects more use of storewide promotions and key messaging, which we will discuss shortly.

Black Friday Circular

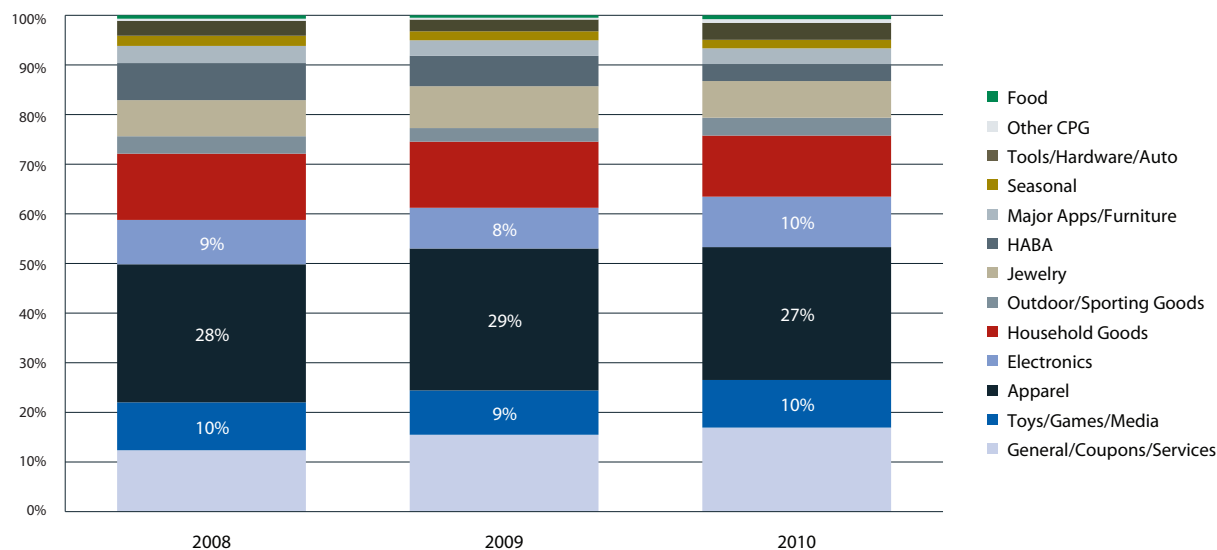


Figure 1: Black Friday Circular

As we break product assortment down across major trade-class groups, some interesting trends come to light. In Figure 2, we show three-year trending in the Mass Merchant channel. Over this period, Target has shifted space to Apparel and Household with a material reduction in TGM and Electronics. Conversely, Walmart has almost doubled the space for Electronics with major tradeoffs coming from Apparel. Also note the meaningful reduction in space allocated to Walmart's categories outside their top 5 in 2010. We believe this to be a break from typical retailer dogma of always allowing each department their space in the circular. During key events, what is advertised should be what drives traffic to the store!

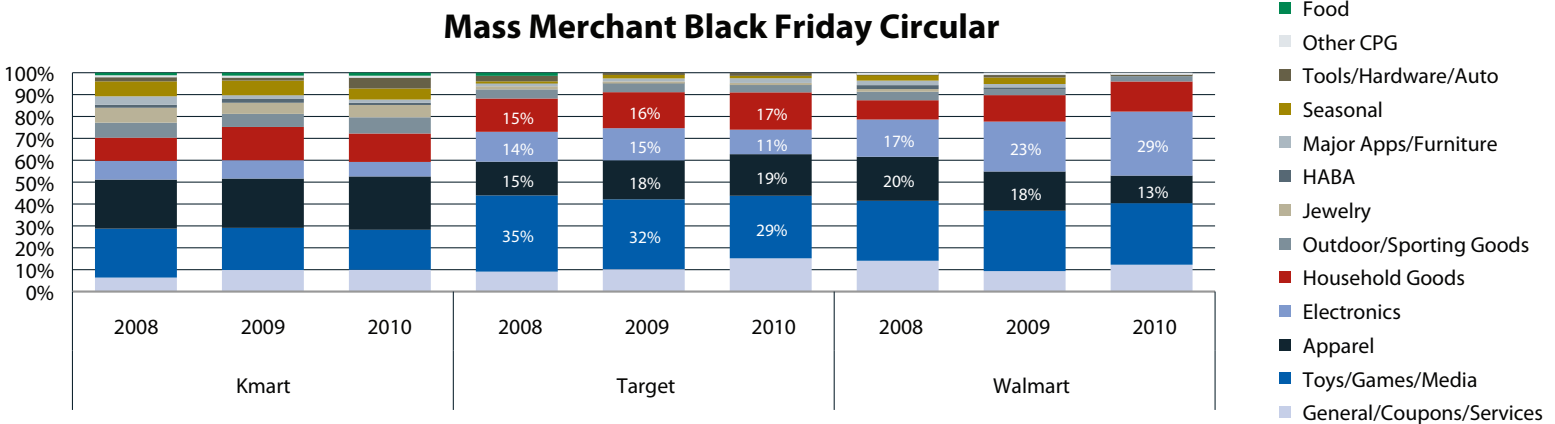


Figure 2: Mass Merchant Black Friday Circular

Figure 3 illustrates the ad space allocation in the major National Department Stores. The breaks largely reflect the trade strategies of the store brands: For example, Sears' focus on Tools; Macy's balanced portfolio across Apparel, Cosmetics and Fragrances (HABA), Jewelry and Household goods; and JCPenney's and Kohl's centering on Apparel. Also note Kohl's meaningful allocation to Toys, which was prominently featured on their front page, and believed to have contributed to their strong Black Friday sales performance in 2010. Macy's increased their year-to-year allocation for luxury items, again possibly reflecting anticipation of a less conservative shopper in 2011. Further evidence that this strategy was well founded is that Jewelry Stores' online sales were up 97% in November!⁴

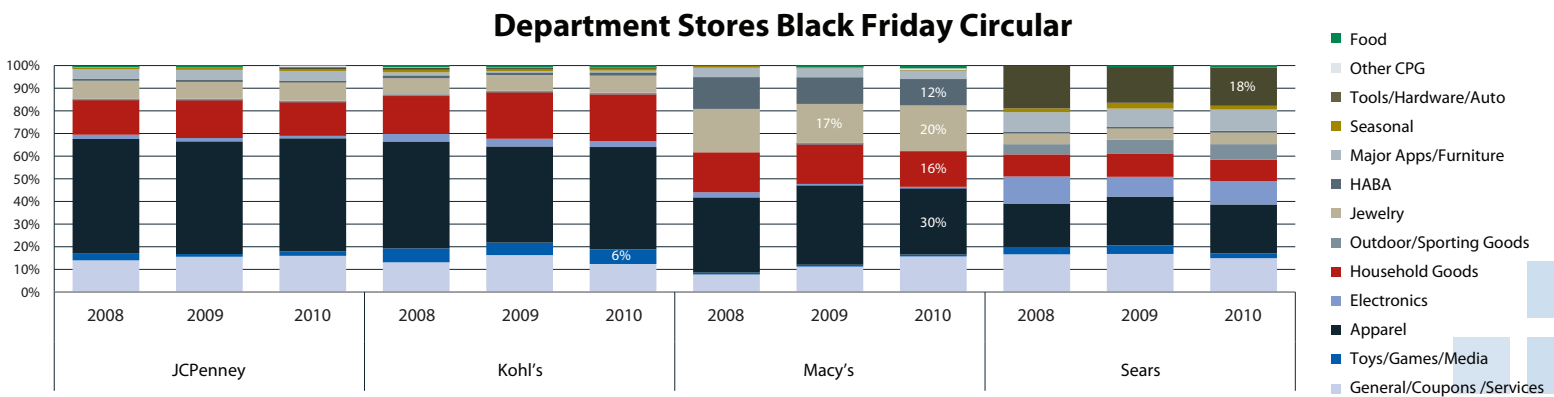


Figure 3: Department Stores Black Friday Circular

⁴comScore, Inc.

While Mass Merchant and Department Stores dominated the volume of promotional features during Black Friday, other trade classes also attempted to catch the lift. Using smaller pieces than deployed by the aforementioned channels, we can see in Figure 4 what the Drug channel offered on their front pages. Without labels, one might conclude these are three retailers from completely different channels: CVS' product mix with the heavy focus on Electronics could pass for Mass; and Rite Aid, after abandoning Electronics and Toys this year, could pass for Grocery.

Front Page Drug Stores Black Friday Circular

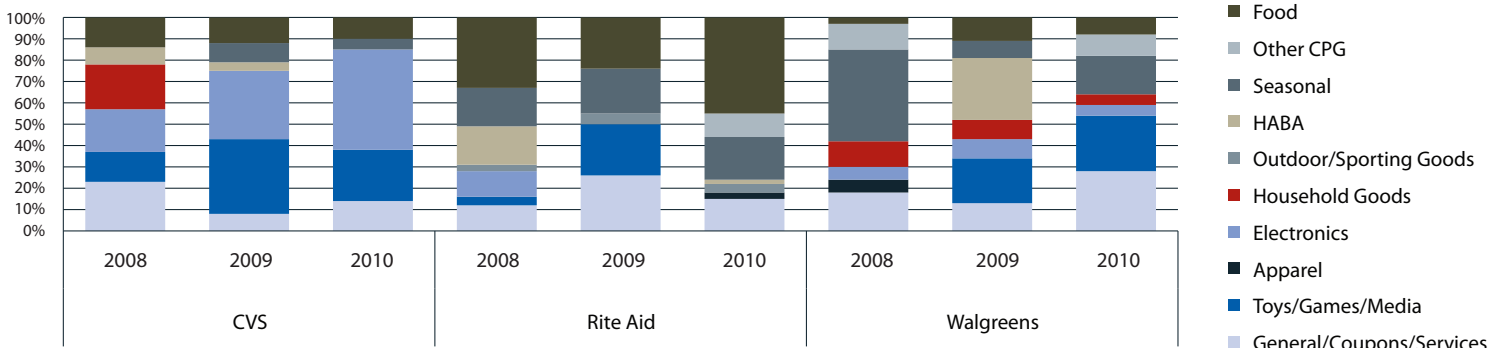


Figure 4: Front Page Drug Stores Black Friday Circular

Pricing

It seems that this was the year of “the whole store is a door buster.” Of course, there were good deals on some select merchandise but the breadth of discounts across the store seemed as compelling as the one-offs on the front page. Many retailers used overlay promotional discounts such as \$10 off for every \$50 spent. We also noted a confusing array of discounts by category from some merchants that made it difficult to understand where the best overall pricing was, particularly in the Department Store channel. This also fueled the perception that everything was on sale.

Market Track developed a simple model to determine where the best deals were at the National Department Stores. To analyze this space, we assumed a shopper spent \$1,000 in the three largest categories promoted: 40% on Apparel, 35% on Housewares and 25% on Jewelry. Using their stated discounts in these categories and any overlays offered, we found that Kohl’s provided the best overall pricing at a net 64% off, which was heavily influenced by the 8% bump from its cash overlay. The discount range ran from this high at Kohl’s to just over 47% at Macy’s, which makes sense given Macy’s premium brand strategy.



Not surprisingly, the category promoted the most was Electronics. Market Track looked at TV pricing, which can sometimes be misleading as not all products are directly comparable; e.g. not all 40” LCDs are the same. We analyzed the average sales price on identical models from August through October 2010 against the best front page prices on Black Friday. Using this method to look at the last three years, the Black Friday savings totaled 32% in 2008, 10% in 2009 and 11% in 2010, indicating a softening in the true level of event discounting. To our earlier point about super deals not being limited to the front page, when applying the same analysis to the interior pages we found these savings were 10% in 2008, 10% in 2009 and 13% in 2010. This would indicate that the best deals on TVs, based on their most recent sales prices, were in fact on the interior pages.

Place(ment)

We recognize that these aren't the exact definitions of the Four P's, but allow us a few liberties for just a moment. We looked at placement along several continuums: front page vs. interior pages, promoted in print vs. online, and on the day of the week a particular ad was placed.

As everyone knows, eye-catching deals and hot products make the first page. This has meant front page domination by Electronics especially as compared to the rest of the circular, with the exception of Apparel and Household Goods as indicated in Figure 5.

Black Friday Circular

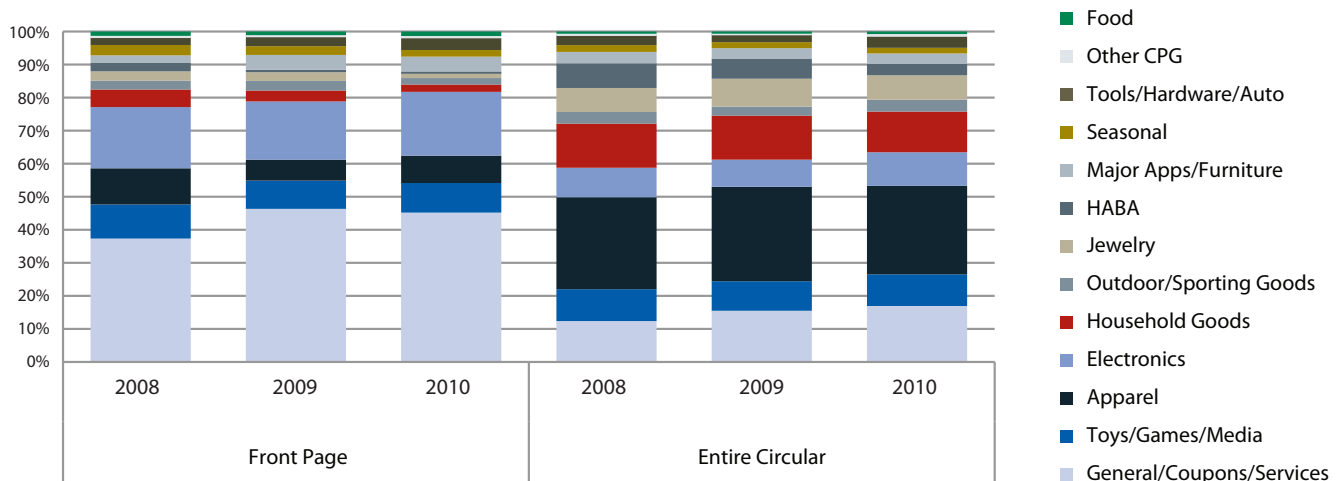


Figure 5: Black Friday Circular

Following the trend of the last two years, we continue to see multiple ad-vehicle placements. Nine major retailers dropped multiple circulars on Black Friday. A question to consider is if this is a strategy to offset early and unauthorized releases of the primary circular? Or is it a logistics and distribution challenge or a demographic strategy? One clear benefit is that the retailer gets two or maybe three front pages.

What about the relationship between the retail brand's website and their circular? In general, we found some encouraging signs of effective alignment between these important promotional mediums. However, in spite of this improvement, we still had difficulty finding the same products promoted on the front page of some retailer circulars as were available on their website. Often when we did find it, it was out of stock on the website. We suspect this reflects a conscious marketing and merchandising strategy between the channels.

What may be helpful here is to label what is "in-store only" and "online only." There are risks: if a shopper happens to go from viewing the circular to conducting research online and finds the product is out of stock, they will most likely conclude it is also out of stock in the store. If it is a key value item, the retailer runs the risk of prompting the consumer to choose another retailer.



Another area we explored was how retailers approached Black Friday week – the period from Sunday, November 21 through Sunday, November 27. Our first question was to determine how the trade classes promote throughout that week. Figure 6 illustrates these trends for the last three years. This highlights the earlier point that Mass Merchants and Department Stores dominate the page counts during the Black Friday event period.

Black Friday Week Page Counts

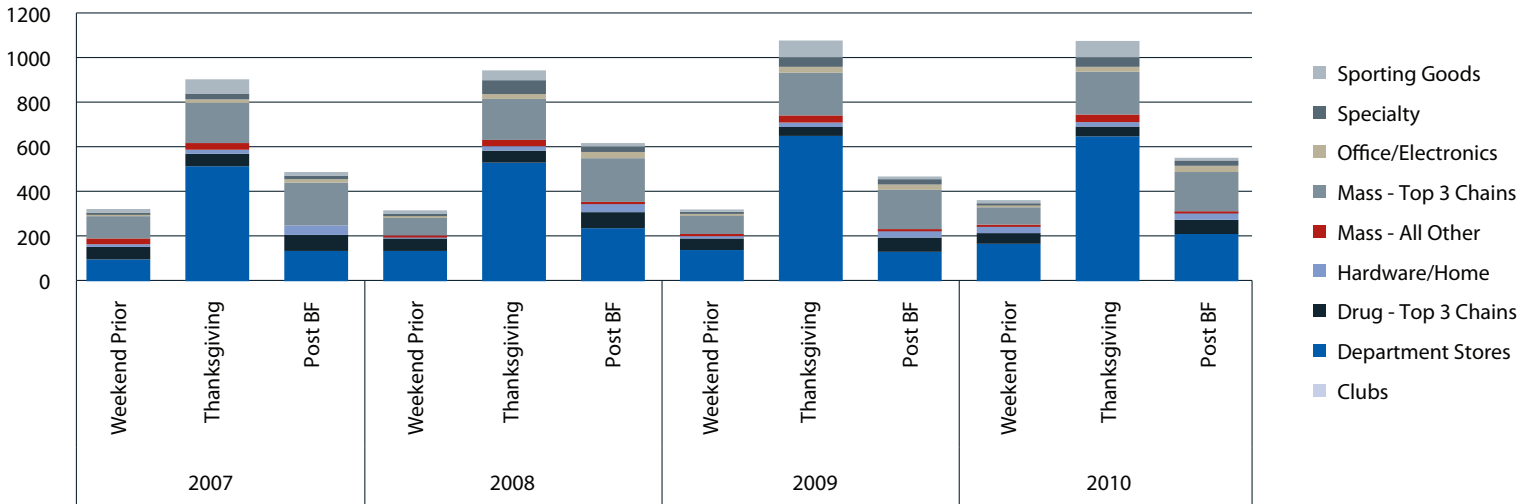
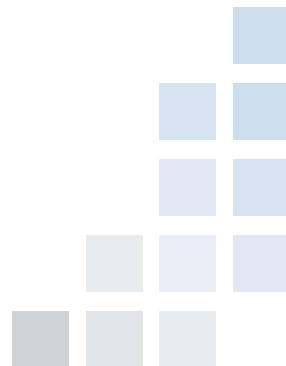


Figure 6: Black Friday Week Page Counts

It is interesting that while Mass Merchants and Department Stores have roughly comparable shares on the weekend after Black Friday, the Department Stores double-down for the event and, in recent years, have increased their volume the preceding Sunday. This seems to indicate a much greater sensitivity by the Department Stores to capture the episodic demand on Black Friday.

In terms of variation in what is offered at the three main Black Friday week promotional points, Figure 7 shows the category-share changes that unfold for Mass Merchants and Department Stores. On Black Friday, Mass Merchants significantly drops CPG space in favor of Electronics and Toys, while Department Stores lower Apparel and Household Goods in favor of Jewelry. Of course these aggregations can be misleading as most retailers follow their own pattern but a general trend toward more category diversity on Black Friday is clear. One can't help but wonder if there isn't a better strategy that might be applied by breaking from the pack with even bigger deals on the preceding Sunday – with a theme along the lines of: "We've moved Black Friday to Sunday so you can enjoy your Thanksgiving Weekend!"



Black Friday Circular

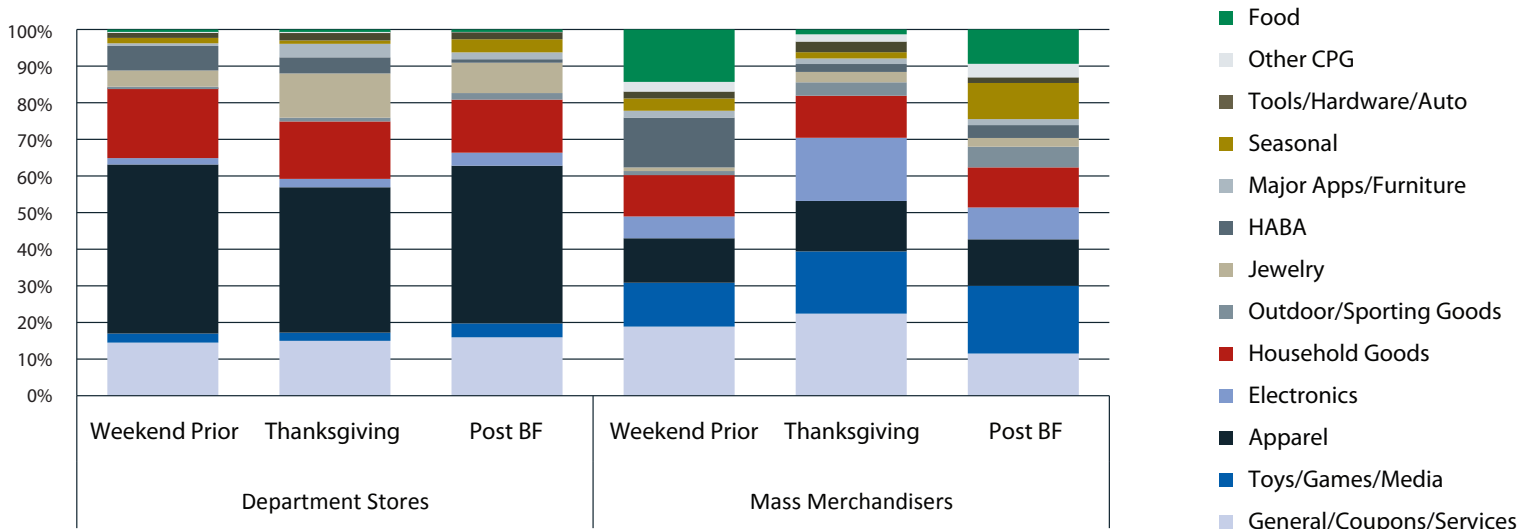


Figure 7: Black Friday Circular

Promotion

Promotion took every permutation possible, but in print did not produce much we haven't seen before. There was heavy use of the overlay discounts, rebate cash, free gift cards, etc. One exception was the steps taken to make shopping easier for the consumer. For example, Walmart used tabs at the bottom of their circular to guide the shopper to key areas of promotion within the circular, which we saw as an effective promotion of the interior pages of the circular.

This "helpful to the shopper" theme was also evident in the collaboration between print and online with elements such as the printable "door buster" maps online for in-store deals. This thoughtful collaboration and better integration of messaging between in-store and online is precisely what we suggested in Market Track's *Online Promotions Perspective* earlier this year.

Walmart and Best Buy in particular did a good job of messaging between their home page relative to the circular and in-store activities by prominently referencing terms such as "find more deals online" in their circulars. Department Stores have also made good progress following this best practice, which undoubtedly contributed to the trade classes' 38% increase in November online sales.⁵ Macy's CEO, Terry J. Lundgren, commented on their effectiveness with this strategy stating: "We are clearly seeing the results of our omnichannel strategies to integrate stores and online so that we can serve customers no matter how they prefer to shop."⁶

We also saw growth in tie-ins to social media including the now ubiquitous Facebook and Twitter links, but also more sophisticated special deals linked through smart phone readable bar codes at retailers like Best Buy and Sephora. Radio Shack had a tie-in with Foursquare and a 10% discount for "liking" Radio Shack on Facebook.



⁵comScore, Inc.

⁶Macy's press release dated December 2, 2010

E-mail promotion is emerging as another meaningful media channel to the market. Marketing to their “opted-in” community, retailers can communicate special deals, be more reactive and precise when they get beaten in a print promotion or simply amplify or overlay a key print or online promotion. The pattern Market Track has observed to date reflects usage that is primarily in alignment with either the retail brand’s online site or their circular team. In other words, it is following the flow and content of their general promotional campaign and is simply another media form to reach the shopper.

Note the e-mails in Figure 8 that mirror key JCPenney’s circular and online promotions for the week. We have also not observed meaningful variation in promotion across different demographic or geographic profiles. We believe that both of these trends will change in the coming year with more effective, targeted and precise use of this media type.



Figure 8: JCPenney Promotions

Figure 9 reflects the Mass Merchants channels’ e-mail promotions by category received in the weeks leading up to Black Friday as well as those received during that week. The patterns generally follow the diversification across the categories that are typically targeted in the circular promotions. You will note that all Mass Merchants shifted considerably to Electronics, just as they did in the circular. Then take a look at the complete concentration by Target in the big three Black Friday categories of Electronics, TGM and Apparel. Clarity of purpose drives traffic.

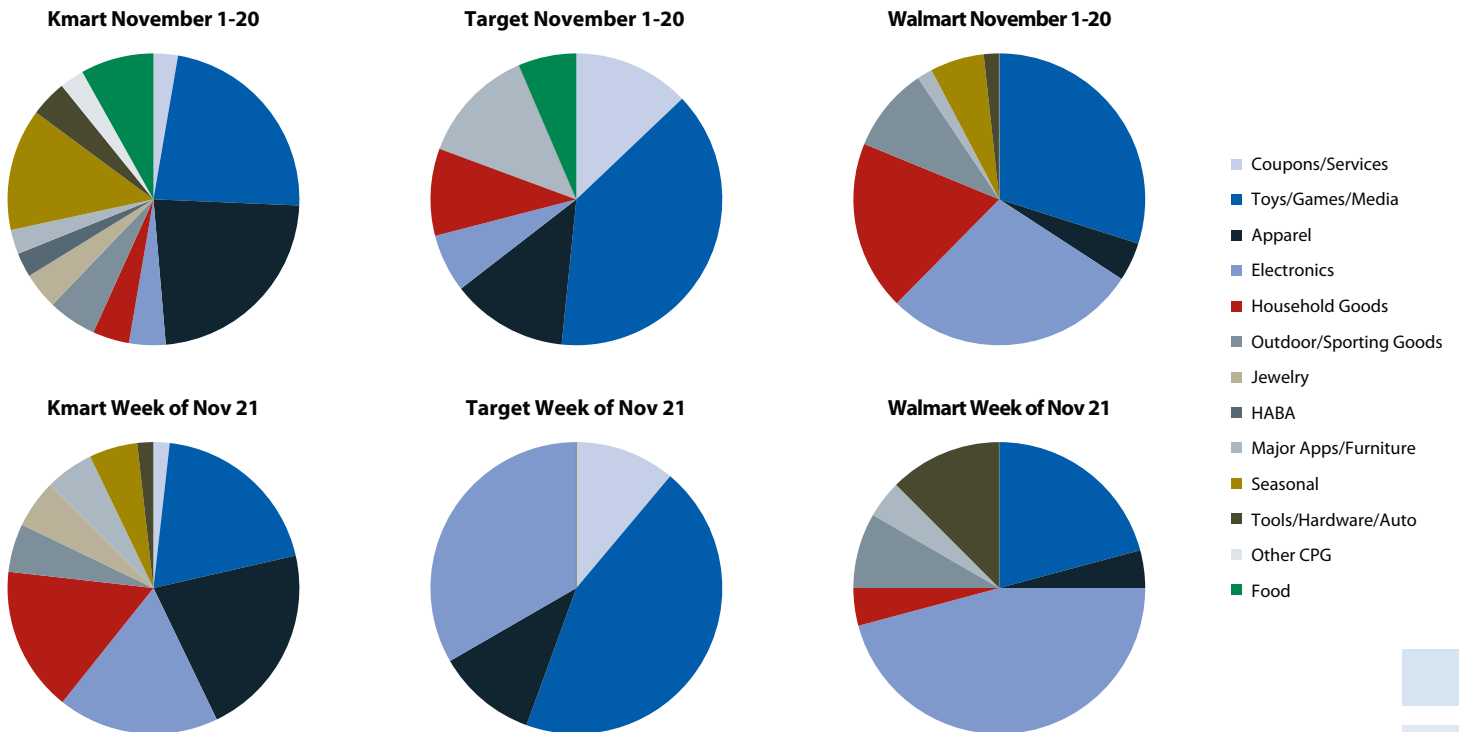


Figure 9: Mass Merchants E-mail Promotions

Conclusions and Key Takeaways

If early returns mean anything, it looks like it has been a successful Black Friday week for the Department Store and Mass Merchants group with early-sales returns up 6-9% on a same-store basis. When looking across a wide array of retailers, including drug and specialty stores, we are seeing a range of performance in same-store sales, from down 2% to up over 20%.⁷ Clearly, the tide has not lifted all ships.

At Market Track, we understand that there is a multitude of factors that impact sales results, from product assortment and in-store execution to building strong brands and shopper loyalty. Assuming you execute on all these dimensions, we believe **the most important determinant of success is effective promotional and pricing strategy**. You must be positioned to win at that moment of truth in the buying cycle. Without effective market intelligence, you are guessing at your competitor's next move. Here are some things to consider:

- Make sure that you are tracking the promotional environment across all key consumer channels – Print, Online, E-mail and Social Media.
- Ensure that all your promotional mediums are thoughtfully planned and strategically aligned.
- Have a consistent message to your shopper that whether they shop online or in the store, it is still one brand!
- When planning key event periods, consider thinking out of the box.
- Repetitive strategies rarely produce bold results!

⁷Kantar Retail



About Market Track

Market Track is a market intelligence firm dedicated to increasing our customers' returns on their promotional investments. Through innovative technology and marketplace expertise, we monitor and analyze over 200 U.S. and Canadian markets for every channel of trade in order to provide retailers and manufacturers with superior tools to monitor promotional activity, support dynamic decision making and turn information into market intelligence.

Learn More

For more insight into online and print promotions or an analysis of your online and print strategies, call Market Track at 1.800.235.3781.