

BLACK FRIDAY RECAP: SALES SET RECORDS, MOBILE GAINS GROUND AND TAKES A TOLL ON BRICK-AND-MORTAR



- 1) Black Friday was overall more promotional this year than it was last year. According to the National Retail Federation (NRF), more than one-third of shoppers polled said that 100% of the items they purchased this Black Friday weekend were on sale.
- 2) The NRF said that 154 million shoppers showed up at stores and malls this Black Friday, up from 151 million last year.
- 3) Total online sales for Thanksgiving Day and Black Friday combined reached \$5.27 billion and were up 17.7% year over year, according to Adobe. The firm noted that Black Friday online sales set an all-time record this year, coming in at \$3.34 billion, beating the company's forecast of \$3.05 billion.
- 4) Adobe said this year's most popular items included the Lego Creator building sets, drones, Samsung Electronics 4K television sets, and Apple iPads and MacBooks.
- 5) Amazon commented that sales as of early morning on Black Friday were on target to beat last year's. Target's CEO noted that the company had significantly improved its website in order to prepare for the holiday season and that it had equipped its stores with the ability to fulfill online orders.



Our View

The Black Friday weekend results suggest that even though the number of shoppers is increasing, people are generally spending less. This is probably due to more competition and discounting, as consumers are now able to harness multiple retailers' omnichannel offerings, and easily compare prices, leading to all-around deeper discounts. Shoppers are also shopping in a more cavalier manner, browsing more often on their phones and tablets from the comfort of their couches. Although these consumers are not cavalier with their dollars, they bought more than \$1 billion worth of goods via their smartphones and other mobile devices this Black Friday, breaking the all-time sales record for mobile shopping.

Black Friday Sets All-Time Sales Records

Black Friday sales set all-time records this year, with online sales coming in at \$3.34 billion, according to Adobe, beating the company's forecast of \$3.05 billion. An additional \$1.93 billion was spent online on Thanksgiving Day, slightly below the \$2.0 billion that had been forecast. Combined online sales over the two-day shopping holiday totaled \$5.27 billion and were up 17.7% year over year, according to Adobe.

Black Friday 2016 was the first day in retail history to drive more than \$1 billion in mobile revenue: mobile sales totaled \$1.2 billion, up 33% year over year and reaching an all-time high. According to comScore, Black Friday online sales were up 19% year over year, and contributed \$1.97 billion to the \$24.5 billion that has been spent online for the holiday season to date.

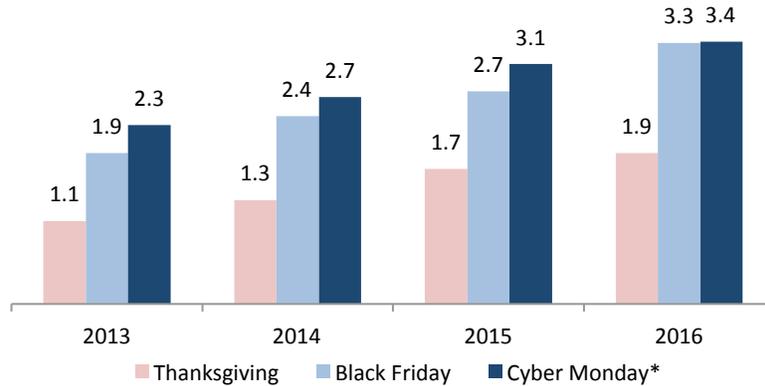
According to the NRF, average spending per person over the shopping holiday weekend totaled \$289.19, down slightly from \$299.60 in 2015, as shoppers chased deeper discounts this year. However, more shoppers showed up this year, with Black Friday shopper numbers totaling 154 million, up from 151 million in 2015. Eight out of 10 millennials shopped over the Black Friday weekend, according to the NRF, with 56% of 25–34-year-olds shopping in-store and 62% of them shopping online. Households with annual incomes of \$100,000 or more accounted for 42% of buyers and 45% of desktop spending on Black Friday, according to comScore.

So far this year, Black Friday has been the most popular day to shop online, according to the NRF. The organization said that 74% of shoppers shopped online on Black Friday, up 1.3% year over year. On the Saturday immediately following, 49% of shoppers shopped online, while 36% shopped online on Thanksgiving Day and 34% on Sunday.

Amazon was one retailer that benefited from strong Black Friday sales. As of Friday morning, the online retailer said it was on pace to surpass the number of items sold last year on Black Friday, and that Alexa devices were topping the list of popular items.

Given the strength of the mobile commerce and ecommerce trends, Target's CEO noted that the company had significantly improved its website in order to prepare for the holiday season and that it had equipped its stores with the ability to fulfill online orders.

Figure 1. Online Retail Sales for the US Holiday Season (USD Bil.)



*Cyber Monday 2016 is a forecast
 Source: Atlas/Adobe

Mobile Spending Is Exploding, but Digital Issues Still Exist

Mobile sales accounted for 36% of all digital sales on Black Friday this year, according to Adobe. Mobile drove the majority of traffic—55%—to retail websites on Black Friday, with smartphones accounting for 45% of visits and tablets for 10%. According to Walmart, mobile devices drove more than 70% of the company’s online traffic on Black Friday this year.

Mobile shopping’s popularity took a toll on in-store shopping on Thanksgiving Day and Black Friday. According to ShopperTrak, shopper visits to brick-and-mortar stores declined by 1% over the two-day period. Black Friday shopper visits were flat compared with the same day last year, although shopper visits on Thanksgiving night were down year over year.



Source: Shutterstock

In recent years, Thanksgiving Day store openings pulled shopper visits from Black Friday. However, fewer stores opened on Thanksgiving Day this year (and the Mall of America was closed on the Thursday holiday), so the trend was reversed. This marked the continued importance of Black Friday for retail and perhaps signified that shoppers have found a medium between online and in-store shopping.



While mobile traffic is up, the channel still has one of the lowest conversion rates, averaging 2.4%, versus 4.6% and 5.5% for tablets and desktops, respectively, according to Adobe. Low mobile conversion rates are likely due to the fact that many consumers still run into issues while shopping digitally. Adobe says that 60% of consumers find smartphones less practical than desktops for finding items, while 30% say pages are easier to navigate on a desktop and 26% say improved image quality on a bigger screen contributes to them completing a purchase.

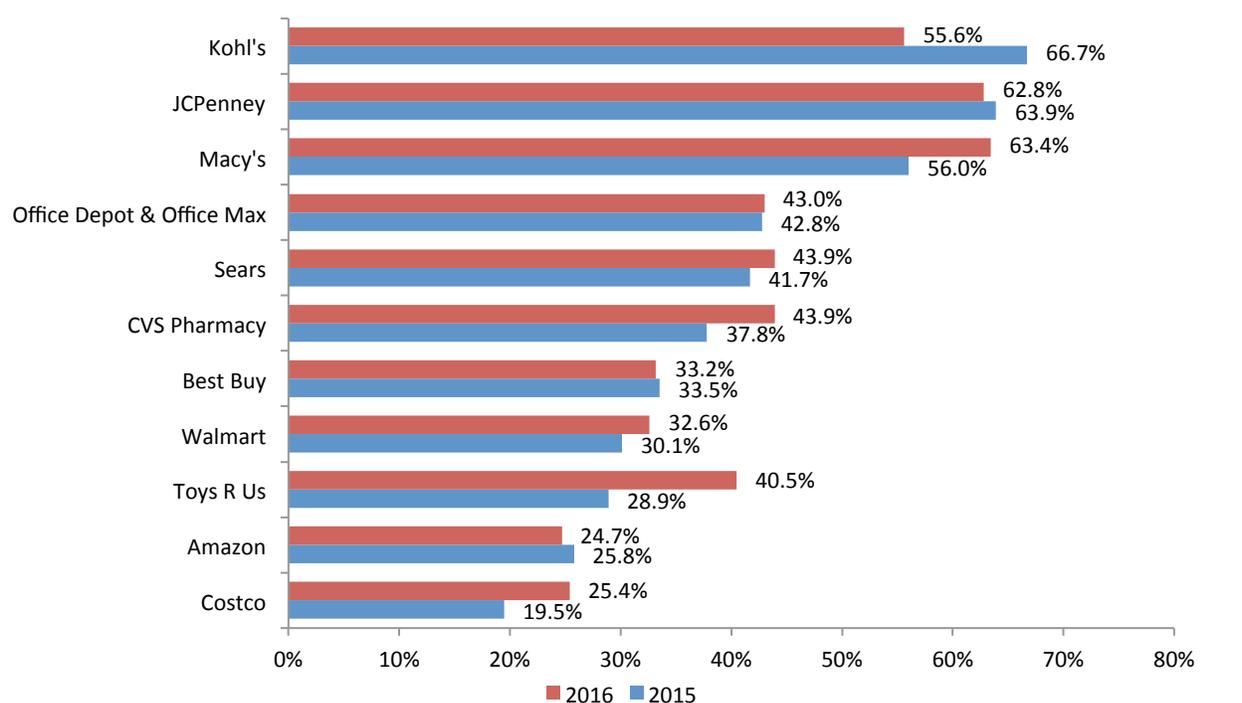
Macy's experienced technical difficulties this Black Friday due to increased online and mobile traffic; its website crashed multiple times. The company said it experienced "heavier traffic than normal" online as well as strong traffic in-store, particularly at its New York flagship. According to Bloomberg, Victoria's Secret, Express and Pier 1 Imports all experienced Black Friday technical hiccups.

Deep Discounts Lured Shoppers Online and into Stores as They Sought Out Good Deals

According to the NRF, more than one-third of shoppers surveyed said that 100% of the items they purchased this Black Friday weekend were on sale. Additionally, 50% of those surveyed who had shopped in-store over the weekend indicated that the deals they saw were simply "too good to pass up."

According to WalletHub, many retailers offered deeper discounts over Black Friday this year than they had in previous years.

Figure 2. Average Percent Discount, by Retailer, 2015 vs. 2016



Source: WalletHub

Tablets were the items that saw the highest price drops this year; they were discounted an average of 25.4%. TV discounts averaged 23.2%, while toy discounts averaged 15.0% and computer discounts 11.6%, according to Adobe.

Electronics and Toys at the Top of Everyone’s List

Adobe said this year’s most popular items included the Lego Creator building sets, drones, Samsung Electronics 4K television sets, and Apple iPads and MacBooks.

According to Adobe, the electronics items that retailers were most likely to run out of included the Nintendo NES Classic, the PlayStation VR bundle, the PlayStation 4 *Call of Duty Black Ops* bundle, Beats Solo headphones, the Nintendo 3DS XL *Solgaleo Lunala* Black Edition and the Xbox One S *Madden NFL 17* Console Bundle. In terms of toys, Hatchimals, the Razor Hovertrax 2.0, Kurio smartwatches, the Lego *Star Wars* Advent Calendar, the Lego *Star Wars* set, the *Paw Patrol* Jungle Rescue Tracker’s Cruiser Vehicle and the Little Tikes Princess Horse & Carriage were all items that ran out of stock at many retailers.

JCPenney attributed a Black Friday boost to the company’s decision to sell big home appliances again after a 33-year hiatus. Sales of refrigerators and other large appliances are expected to see a 2.5%–3% boost in the holiday quarter. JCPenney put major appliances front and center over the holiday weekend.



Source: Twitter, @philwahba

This year’s Black Friday set an all-time sales record and the US consumer is emerging as the biggest winner. On average, consumers spent less in 2016 than a year ago benefiting from more discounts and better deals. Retailers, on the other hand, are relying on heavy discounting as their dominant strategy to generate sales in a competitive, omnichannel environment.



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