HOLIDAY RETAIL SALES FORECAST: 2013

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Some General Facts about Holiday Retail Sales Forecasting

Holiday retail sales forecasting begins in earnest during the month of September. “Back to School” and Labor Day sales are the early indicators. The “Back to School” shopping period starts in mid-July and runs through September. The Friday after Thanksgiving is the next big indicator. The holiday shopping season usually peaks on the Saturday immediately prior to Christmas. While many shoppers begin their holiday browsing in October, most actually begin purchasing gifts in early November.

The other important holidays for retailers are Mother’s Day, Valentine’s Day, Easter, Father’s Day, and Halloween.

Holiday Retail Sales Defined

Holiday retail sales are generally defined as same store sales made during the last two months of the year (November and December). These sales represent 25% to 30% of total year retail sales. During the past 25 or so years, profits on these sales have been declining, indicating
deep discounting and increased competition for consumer dollars. Note that the reported figures do not include gift cards, which are counted only when redeemed.

In 2012, holiday sales increased by approximately 3% to nearly $500 billion (Walmart is excluded from this number, since it does not release sales figures on a monthly basis).

The Timing of Holiday Retail Sales

Contrary to popular misconception, the Thanksgiving weekend accounts for less than 10% of holiday sales, while retail sales during the weekend just prior to Christmas represent about 30% of holiday sales. Furthermore, the week between Christmas and New Year's now brings in about 10% of holiday sales. The “Super Saturday” before Christmas is usually the busiest shopping day of the year (it was in 2012), replacing the day after Thanksgiving. This latter day is referred to as Black Friday, allegedly so named because retailers’ profit numbers are “in the black.” While “Black Friday” is not actually a holiday, many employees are given this day off in order to shop.

Consumer Spending Patterns

On average, each consumer spends approximately $1,000 during the holiday retail sales period. This average is broken down roughly as follows: $700 on family; $150 on friends; $50 on co-workers; and $100 on others (clergy, babysitters, teachers, etc.).

Sales of hi-tech products continue to be vigorous. Expect major sellers in 2013 to be computer tablets, such as the Samsung Galaxy and the Apple iPad, smartphones, PlayStation and Xbox One game consoles, big-screen smart TVs, toys such as the Barbie Dream House and the Furby Boom, and children’s learning toys. While gaming consoles had seen brisk sales in recent years, we can expect some of these to be replaced by online and mobile phone gaming apps in
Apparel sales have been volatile, losing ground in the early 2000s, but regaining some life in recent years.

The percentage of consumers who shop in various types of stores is estimated to be as follows: discount stores – 70%; specialty stores – 50%; grocery stores – 50%; drug stores – 20%; crafts or fabrics stores – 20%; online – 50%. The majority of shoppers select their stores on the basis of price. Since more than two-thirds of the economy is fueled by consumer spending, there is hope that the economy will improve if consumer spending increases. While the savings rate of consumers exploded to more than 8% immediately subsequent to the onset of the recent recession, fortunately for retailers, it has now decreased to about 5%.

There are often significant differences among the regions in the United States. Regions include the Northeast, Mid-Atlantic, West, Midwest, Southeast, and the Southwest.

**Gift Cards**

Historically, sales of holiday gift cards, the most popular category of present, have been increasing dramatically – at about 15% per year. As always, gift cards remain a popular choice among last minute shoppers. Sales of gift cards are not recorded until the cards are redeemed – usually during January and February. In the 2012 holiday season, these sales increased significantly to an average of $160 per consumer (males about $175 and females about $145). Most holiday gift cards are sold after December 23.

**Online Retail Sales**

Figures for online retail sales exclude products like autos, auctions, and large corporate purchases. In 2012, these sales climbed about 15% from the prior year, marking an all-time
record for the season. So, web sales continue to rise but still represent a relatively modest percentage of the total. The largest growing category of products sold online is consumer electronics.

The Monday after Thanksgiving, referred to as “Cyber Monday,” is the beginning of the holiday season for web sales, when employees return to work and commence their online shopping. Mondays remain the biggest day of the week and sales progressively increase as Christmas approaches. Online sales are brisk until “Green Monday,” the second Monday in December. A select day about one week prior to Christmas is referred to as “Free Shipping Day,” i.e., the last day when goods can be delivered prior to Christmas Eve. In 2013, Free Shipping Day will be December 18.

Products such as consumer electronics, computer software, computers/peripherals/PDAs, online and mobile phone gaming apps, and books and magazines, are the top-performing online product categories.

In addition to “e-commerce,” the explosion in 2013 will likely come from “m-commerce,” as more and more tech savvy consumers use their smart phones to make purchases.

**The Major Retailers**

Luxury stores include retailers such as Neiman Marcus, Nordstrom, and Saks. The department stores include retailers such as J.C. Penney, Macy’s, and Sears. The discounters include retailers such as Costco, Target, and Walmart. The apparel stores include retailers such as Abercrombie & Fitch, Ann Taylor, and Gap. Other stores include Barnes and Noble and Pier 1 Imports. (See the Appendix for a more complete listing of select retail stores.)
In recent years, the discounters have done extremely well (Walmart continues to outperform its competitors). When the economy is strong, the specialty stores do well. The department stores (especially regional ones) have not performed well in recent years.

The Impact of Inventory Levels

If retailers overestimate demand, by December 15th or so, they begin to slash prices to unload their inventory. If retailers underestimate demand, consumers get few discounts. In either event, those hard-to-get items, such as the "in" toys, remain impossible to find, and are rarely discounted.

In the past couple of years, retailers have used high-powered software (similar to that which the airlines use) to more accurately predict demand. This has allowed them to manage inventory levels and discounting better.

Variables Used in the 2013 Forecast

Numerous variables influence holiday retail sales. These include:

• *Consumer Confidence – its direction and variability*. Consumer confidence has recently begun to fall; impacted by both increasing interest rates and the fact that the unemployment rate continues to hover close to 8%. This holiday season will be characterized by a cautious consumer.

• *Same Store Sales for Recent Months – their direction and variability*. While the numbers in recent months have shown some improvement, we still see a cautious consumer.
• Stock Market Performance (which captures the wealth effect on spending) - its direction and volatility. Although the market has been improving, continued uncertainty may cause consumers to be a bit cautious.

• Other Economic Indicators – including more tenuously related indicators, such as housing and automobiles. Although some of these markets (especially automobiles) continue to do well in 2013, recent numbers suggest that the housing market will remain disappointingly stagnant for some time.

• Consumer Debt – interest rates, credit card debt, and bankruptcies. These all have a significant impact. Current interest rates are rising, credit card debt remains high, and bankruptcies remain problematic.

• Political Climate – Consumer confidence should rise in the days immediately following the election.

• International Climate. What matters most is the public's perception of how foreign wars, terrorism, and foreign economic crises will impact the United States. The conflicts in Afghanistan, Egypt, and Syria continue to plague the nation.

• The Weather. The northern portions of the United States should ideally be cold, but not bitterly cold, and with no crippling snowstorms. The other areas need no disturbances, for example, earthquakes, floods, fires, hurricanes, etc. Obviously, it is too early to determine if this will be a major factor.

• The Day of the Week. The day on which December 25th falls is important. This impacts the number of shopping days before Christmas. Ideally, retailers prefer that Christmas falls on Sunday or Monday, allowing for weekend shopping immediately prior (it fell on a Tuesday in 2012). Unfortunately, during 2013, due to the fact that Christmas falls on a
Wednesday, and that there is a late Thanksgiving (November 28), there will be a paltry 26 shopping days in 2013, while there were 32 days in the 2012 holiday sales season. This means that in 2013 there will only be four weekends of shopping!

• *Energy.* The national average price for gasoline is expected to be a bit lower than in 2012. However, persistent unrest in the Middle East continues to create anxiety amongst drivers.

• *Inflation.* Consumers are likely to pay about 2% more for goods and services that they purchase. Recent inflationary pressures have resulted from price increases in food, rent, energy, hotel rates, tobacco, and education.

**The Forecast for 2013**

Despite the fact that consumers indeed desire to spend much more this year than they did last year, they might be unable to do so, due to the continued high rate of unemployment, fears of job losses, extremely modest wage increases, the depressed housing market, and uncertainty in stock prices.

*Accordingly, I project that holiday retail spending will increase by 3.2%.*

**About the Author**

Dr. Anthony L. Liuzzo is Professor of Business and Economics and Director of Arizona Business Programs at Wilkes University in Mesa, Arizona. He is an attorney who has earned both his MBA and Ph.D. in Business Administration.

Dr. Liuzzo’s annual predictions of holiday retail sales have been published in hundreds of newspapers and magazines throughout the United States, including the *New York Times*, the *Los
Angeles Times, the Chicago Tribune, the Christian Science Monitor, and New York Newsday. He has appeared on national radio and local television on numerous occasions, and his predictions have been the subject of reports appearing on CNN, and in The Detroit News and The Washington Times.

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Appendix

Select Retail Stores

Luxury Stores

Neiman Marcus
Nordstrom
Saks Fifth Avenue

Department Stores

Bloomingdale’s
Dillard’s
J.C. Penney
Kohl’s
Macy’s
Sears

Discount Stores

Costco Wholesale
Dollar General
Kmart
Target
TJX (HomeGoods, Marshall’s, TJ. Maxx)
Walmart (also owns Sam’s Club)

Apparel Chains/Teens

Abercrombie and Fitch
Aeropostale
American Eagle
Ann Taylor
Gap (also owns Banana Republic and Old Navy)
Hot Topic
Limited (also owns Bath & Body Works and Victoria Secret)
Pacific Sun

Electronic/Music Stores

Best Buy
FYE
Other

A.C. Moore
Barnes and Noble
Crate and Barrel
Michael’s
Pier One
Pottery Barn (owned by Williams Sonoma)