

# The End of Traditional Holiday Shopping?

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**T**he holiday season is in full swing, and it comes with the usual prognostications from retail pundits about how it will go. Such attention is justified. For many large retailers, November, December and January account for 30 percent (or more) of annual sales and 40 percent (or more) of yearly operating profits. The holiday season also is a reflection of the underlying health of the consumer economy, as shoppers buy in the spirit of giving — a spirit that largely depends on their feelings about their own financial situation. So, in that way, the holiday season provides a reading on the broader economy.

The accepted wisdom is that the holidays are the best time for deals. Promotions begin around Halloween and intensify as the season progresses. Holiday markdowns in the last few years seemed to run deeper, and last longer, than usual — an added bonus for shoppers. The standard explanation for this is that today's savvy shoppers, armed with smartphones, tablets and apps, know how to find the best deals, and this has compelled retailers to be more price competitive.

But if shoppers are really as smart and deal conscious as they are portrayed to be, why are they shopping in November and December? Over a four-year period, our analysis of more than 75 publicly owned store-based retailers of discretionary goods shows that their gross margins are highest

during the final quarter of the year (200 to 300 basis points higher), indicating that retailers aren't exactly giving products away. In reality, anyone shopping for a loved one or friend during the height of the holiday season is just asking to pay more, no matter what the price tag says.

This isn't universally true. Some retailers, especially struggling ones, may be most promotional during the holidays, and, as a rule, they manage their gross margins very carefully throughout the season. There surely are deals, but many are on "select merchandise" such as Black Friday doorbuster specials "while quantities last" or "for a limited time only."

If shoppers were really savvy, they'd be doing their holiday shopping during the summer. And what happened this past summer may provide a glimpse of a future in which they do just that.

To celebrate its 20th anniversary, Amazon.com held Prime Day on July 15. By most accounts, it was a resounding success, generating higher sales for Amazon than Black Friday 2014 and a near 300 percent increase in unit orders compared with the same day a year earlier. Not to be outdone, Wal-Mart and Target held their own version of Black Friday in July.

In September, we surveyed 1,000 shoppers. Nearly 20 percent said they shopped Amazon on Prime Day, while 25 percent took

advantage of Wal-Mart's July rollback prices. And 62 percent of Prime Day shoppers and 55 percent of Wal-Mart shoppers said some of what they bought were gifts for the holidays.

Is this the start of a new trend? Possibly. Amazon already has indicated it will hold Prime Day again in 2016. Competing retailers are sure to follow. If our survey proves to be representative of most shoppers, we expect that these summer sales will dent 2015 holiday sales, which should be fairly modest, with total growth of just under 4 percent.

Christmas shopping in July may sound a bit cheerless, and some shoppers will want nothing to do with it. But in a deal-driven shopping culture, we're betting that lots of shoppers will buy that tablet or smartwatch in June or July and hide it in a closet for a few months. Some of the excitement of Christmas shopping may be lost, but let's be honest: That thrill began to wane once presents began to be bought from the kitchen table. ■

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