

Black Friday's Verdict: Stores See Decent Sales, but Caution Reigns

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Still stressed, but not panicked. That's the retail state of mind following the Black Friday weekend, which saw unexceptional yet decent enough traffic and sales to hold out hope that the holiday season might not be too bad. At least when measured against last year's disaster.

On Sunday, retailers told WWD they made their Black Friday weekend plans, albeit conservative ones, citing pent-up demand, "frugal fatigue," lots of self-purchasing as opposed to buying gifts, widespread doorbusters often starting at 5 a.m., and targeted price promotions. Browsing without buying seemed less an issue this year compared with 2008, though retailers caution Black Friday is not necessarily a barometer for what lies ahead.

Momentum from October did continue through the Black Friday weekend, albeit it's off the low, low base from last year. And now retailers expect to see fourth-quarter profit improvement, having better managed their inventories and markdowns all season. Top-line sales are another matter. A range from negative to positive 2 percent is forecast.

Along with the record level of doorbusters covering everything from gadgets to garments — Sears alone had 599 while Macy's offered 250 and Kohl's had over 300 — retailers cited novelty cashmeres, boots, digital readers, flat-screen TVs well under \$1,000, fashion items with sparkle, boxed gift sets and discounted kitchen appliances as the weekend's winners. The losers were coats and cold-weather fashion and accessories, as well as furniture, while gift cards were not the bonanza of year's past. The luxury sector remains the slowest. Retailers also said tweeting was a significant factor, getting consumers directed on where to go for the best deals. Today is "Cyber Monday" meaning another blitz of bargains blasted online.

According to the National Retail Federation, 195 million shoppers visited stores and Web sites Friday, Saturday and Sunday, up from 172 million last year. However, spending over the weekend dropped to \$343.31 per person on average from \$372.57 a year ago. Total spending reached an estimated \$41.2 billion.

ShopperTrak reported Black Friday sales rose just 0.5 percent to \$10.66 billion after increasing 3 percent in 2008.

"Shoppers proved this weekend that they were willing to open their wallets for a bargain, heading out to take advantage of great deals on less expensive items like toys, small appliances and winter clothes," said Tracy Mullin, NRF president and chief executive officer. "While

retailers are encouraged by the number of Americans who shopped over Black Friday weekend, they know they have their work cut out for them to keep people coming back through Christmas. Shoppers can continue to expect retailers to focus on low prices and bargains through the end of December.”

“Inventories are clean, so retailers are not going to feel pressure to put everything on sale,” said Bill Taubman, chief operating officer of Taubman Centers. “If the weekend had been bad, they would.” He said there were traffic increases both Friday and Saturday at Taubman malls. He is concerned about the consumer psyche, which he characterized as “fairly fragile” and potentially hurt by Dubai’s financial crisis (see story, page 7), though so far, “It doesn’t seem to have impacted customers.”

“Retailers are not going to look back on Black Friday this year to see how busy it was. They’ll look to see how profitable it was,” said Marshal Cohen, chief industry analyst, The NPD Group. “Clearly, this year it was more profitable.”

Generally, retailers gambled that markdowns relatively restrained at up to 40 percent — compared with 60 or 70 percent a year ago — would cut it for consumers. “Most people were satisfied with the deals,” Cohen said. “The consumer came out with the intent to shop and when they saw good deals, they took advantage of them. The good news is the crazy chaotic frenzy [of Black Friday] became more organized. It was organized chaos. Retailers have done a better job of communicating what’s on sale and what to expect.” Cohen said he was sticking to his August prediction that retail would have 0.5 to 1.5 percent comp-store growth for holiday, and 2 or 3 percent profit margins. “They will be happy to just be in the black.”

This week, Cohen predicted retailers will slowly “move the needle to 50 or 60 percent off. “It’s discount detoxing. Discounts are clearly not as deep and the consumer is responding favorably.”

The destination of choice this past weekend was department stores, with 49.4 percent of holiday shoppers visiting at least one, a 12.9 percent increase from last year, the NRF said. Discount retailers took “an uncharacteristic back seat” with 43.2 percent of holiday shoppers and another 7.8 percent heading to outlets.

Electronics stores captured 29 percent; clothing stores, 22.9 percent, and grocery stores, 19.6 percent. Of Americans shopping over the weekend, 28.5 percent went online.

“The traffic was definitely stronger than last year and talking to the merchants, we’ve gotten very good feedback,” said Michele Rothstein, senior vice president of marketing for Chelsea Premium Outlets. “It’s still too early to tell how it’s going to end up, but it appears the outlet shopper is still willing to spend.”

“Stores who offered incentives definitely fared better than those who didn’t,” said Liz Gillespie, a spokeswoman for Atlantic Station, a midtier mixed-use center in midtown Atlanta. “Fifty-four percent of Old Navy’s sales [on Black Friday] were featured items in their sales flyer.” Gillespie said other retailers offered markdowns on cashmere sweaters, fragrances and beauty products, and said apparel, shoes, handbags, jewelry and home accessories were the top sellers. Shoppers

bought mostly for themselves “because the deals were so good,” said Gillespie.

DEPT. STORES PRICE-CONSCIOUS AND PREPARED

“There is more traffic in the stores. People are more upbeat and we are getting back to a normal rhythm of business,” Pete Nordstrom, president of merchandising at Nordstrom told WWD on Sunday. “Our business trend has been improving for the last four to six weeks and it continued through the weekend. The direct business has really been a significant contributor to our volume. Our markdowns are way down from last year.” Shoes, particularly boots across all categories, was the top merchandise division last weekend at Nordstrom, with strong performances by Uggs, Steve Madden, Fry, The NorthFace and Hunter. Jewelry, watches, cashmere hats, scarves and gloves, and private label sweaters were good, too.

“We are being very, very aggressive on prices. They’re sharper than a year ago,” said Terry Lundgren, president, chairman and ceo of Macy’s. He listed Tommy Hilfiger leather jackets at \$99 from \$450, and 12-piece set of pots and pans from Tools of the Trade at \$29.99 as strong bargains. “Fortunately, we are the largest customer for every vendor we do business with. This year, while still very challenging, it’s easier to forecast. I feel good about our inventory levels and how we are managing our margins,” he said.

Lundgren ranked Black Friday as among the top three volume days of the year for Macy’s, with the Saturday before Christmas and the day after Christmas as bigger volume days. He cited fine jewelry, watches, small electronics and home furnishings as among the stronger areas for Black Friday.

“We had a good trend going into the holiday season and we improved a little bit. We had a double-digit lift,” Friday and Saturday, said Brendan Hoffman, president and ceo of Lord & Taylor. “We exceeded plan but we still have a long way to go. Last year we were all reacting to the sudden downturn. This year promotions were more targeted, preplanned, in the end very conscious of giving great values. We were more strategic. I know it will help margins at the end of the month.”

Hoffman listed cashmere sweaters from \$70 to \$100, oversize stuffed animals under \$100, Uggs, and boots in general, as bestsellers. He also cited sportswear from Lauren, Jones, Calvin Klein and Michael Kors.

“I felt very good about November and our online business was stupendous,” said Michael Gould, chairman and ceo of Bloomingdale’s. “Unlike other upscale stores, we did not discount cosmetics. We do not run early-bird specials.”

As far as the weekend, “It was a mixed bag. Friday was soft versus a year ago, but we took a fraction of the markdowns we took a year ago. Saturday was just fine.” Gould mentioned Louis Vuitton, David Yurman, Chanel, Ralph Lauren/Polo men’s wear, cashmere, ladies shoes, and new additions to cosmetics including Space NK, Sisley and Giorgio Armani. He added: “Our home business had the best month it had in a year from big-ticket items to housewares and domestics.”

Andrew Hall, ceo of Stage Stores, said he was pleased with business over the weekend, but still expects overall sales this season to be challenging.

“We saw several examples of strength including doorbusters, promotional items, as well as full-price selling.” He declined to be more specific, noting that the company will be detailing November sales on Thursday.

“We guided the fourth quarter [guidance] down 4 to 7 percent based on what we saw in the third quarter (down 5.4 percent) and the fact that we are still operating in a 10-plus-percent unemployment environment. While we are happy with our Black Friday results, we still believe that the consumer will be measured in their fourth-quarter spending.”

At J.C. Penney, “Black Friday was strong across all areas of the country with customers responding well to our gift assortment and the great values it offers,” a spokesman said, noting the company promoted more goods than ever before. Bestsellers were budget-oriented, such as Worthington cashmere-blend peacoats for \$49.99, Worthington and St. John’s Bay sweaters at \$9.88 and women’s fashion boots for \$29.99. Leading men’s items included flannel shirts for \$8.88, suede polos at \$9.99 and dress shirt box sets for \$9.99. “Red Box” gifts of hard goods like picture frames and wireless speakers also did well, and fine jewelry exceeded expectations.

SPECIALTY CHAINS FEEL RELIEF

Lou Amendola, chief merchandising officer of Brooks Brothers, said, “the weekend was very good,” with outlets and online up in the double-digits and over plan,” and outperforming retail stores, he said. He added “Midnight Madness” promotions whereby outlet malls opened at midnight on Thanksgiving, “really worked. I’d say 75 percent of the business was done between midnight and 8 a.m.” He said sales at these stores were strong in everything from shirts and sweaters to men’s tailored clothing. Shirts and sweaters were also strong on the Internet.

“Promotions this year have to be very simple and focused. In our outlets, we just did a straight percentage off,” he said. The stores ran an “extremely successful” special the Tuesday and Wednesday before Thanksgiving, offering two shirts for \$99, Amendola said. A promotion on Scottish cashmere sweaters for \$199 also drew shoppers. Nevertheless, the stores “missed plan” Friday and Saturday by single digits. “Early-bird specials meant nothing,” he added. “We opened early and offered 10 percent off until noon, but that didn’t really have an impact on business. Traffic was pretty steady and it was a calmer environment than last year.”

Overall, Amendola said that with inventories down 30 percent from last year, margins will be “much higher. So from a profitability standpoint, this will be an extremely profitable year.”

Neal Black, ceo of Jos. A. Bank Clothiers, said “My observation as a consumer is that there was more traffic everywhere than last year and traffic remained strong later into the afternoon than last year.” The company offered doorbusters and was pleased with the response. “Customers were looking for bargains everywhere,” he said. “We offered camel hair blazers for \$99 and cashmere sweaters for \$69, among other items, which seemed to meet customers’ expectations

for great bargains.”

Gap Inc. used a slew of TV commercials to appeal to customers, opening some 1,000 stores on Thanksgiving day this year, and enticing customers with buy-one-get-one promotional offers across Gap, Old Navy and Banana Republic lines, as well as hosting in-store events.

“We know the customer is looking for value, and we are more than prepared to compete this year,” said Gap spokeswoman Kris Marubio. “We have seen strong response to our promotional offers. Lines of customers turned out at our outlet stores and a surprising number of people were shopping on Thanksgiving day.”

Sunglass retailer Solstice saw a jump of 15 percent in outlet business Friday, with a 6 to 8 percent increase in retail outlets. “We are all hurting, but the accessory business has been stronger than most and we can capitalize on that,” said Solstice chief operating officer Rick Talmage.

Fast-fashion retailer Forever 21 saw stronger sales and foot traffic than last holiday season, and offered promotional discounts on denim.

“We’re seeing even stronger response than last season,” said Forever 21 executive vice president Larry Meyer. “Our inventory has not increased, which means we are nimble with regard to customer need. Client response to value-priced, trend-driven merchandise remains strong; we are a testament to that.”

At Uniqlo, the Japanese chain with one store in the U.S. in New York’s SoHo, sales were significantly higher than last year, according to Shin Odake, chief merchandising officer. “It was a good weekend,” he said. “We had a 50 percent increase over last year.”

He said sales were strongest on a cashmere V-neck that was promoted Friday and Saturday. “That was our top-selling item,” he said, noting the retail price was \$59.99 for men and \$49.99 for women. “That’s almost 50 percent off regular price,” he said.

He added down jackets and the company’s HeatTech merchandise — T-shirts from \$7.90 to \$12.90, and leggings for \$12.90, that create and retain warmth — were also well-received. “Those were very good sellers for us,” Odake said, noting that they were promoted at 20 to 30 percent off.

Looking ahead to the rest of the season, Odake said he’s encouraged. “It’s definitely better than last year,” he said. “Our price points are quite competitive and the customer is still frugal and looking for value. They’re looking for basics at a very good price, and we offer that.”

LUXURY LOOKS FOR RECOVERY

“I got the sense that people were responding to the offers,” said Stephen Sadove, chairman and ceo of Saks Inc., commenting on the weekend. “Whether it was something at Best Buy at 5 a.m. or some other early-morning specials,” which Saks participated in again this year. With

clearance goods, Saks took an extra 40 percent off, which was less than last year's 50 percent. "And the amount of clearance was a lot lower," Sadove added.

"Compared to last year, it was infinitely better for us. A year ago, we were right in the middle of the tornado," observed Henri Barguirdjian, president and ceo of Graff in the U.S. "This year, we feel so much more upbeat. On Black Friday, we don't have a stampede like Wal-Mart. However, all six Graff stores across America traded very well. Even Florida, the weakest link, did decent business. Americans realize putting a substantial amount of money — one-, two-, three-, four-million dollars — in a very high-quality gem is really a safe haven for their money because it increases its value. I think we are on the path to recovery. But is the entire luxury goods industry back to the level it was, probably not."

Neiman Marcus launched a different "surprise" daily deal on its Web site from Friday through Monday, such as a free tin of cookies with a \$100 purchase Saturday. The luxury chain also got into the promotional fray in its stores by offering a \$50 gift card with a \$100 purchase from 9 a.m. to noon Friday. It's good through Dec. 6.

"Obviously we've never seen it as an indicator of the season for us, but we were pleased with the weekend," said Ginger Reeder, vice president. "We were focused on regular price merchandise as opposed to last year." The company also called out a lot of gifts priced under \$100, which were bestsellers.

Top categories were shoes, at all heel heights and prices, cosmetics, cashmere and anything with sequins, she added. "People were thinking about holiday dressing."

Michael Celestino, executive vice president of store operations at Barneys New York, said he was "encouraged by the traffic in stores over the weekend." The business was led by Co-op and women's accessories, he added, and "in particular, the men's business picked up."

Although Barneys does not offer any doorbusters, he said the retailer started its "public sale" on Friday, "which impacted many areas of the business." Items were offered at 30 to 40 percent off, he said, noting that stores opened earlier than usual in some markets as well to take advantage of the anticipated sales.

"Overall, my opinion remains the same now as it did going into the weekend," Celestino said. "I'm cautiously optimistic. There's not anything to make us feel less or more encouraged. We all feel a little better but the economic signals are still not there [to lead to significantly higher sales.] But time will tell. At least we're clearly less promotional than a year ago."

ONLINE OUTSHINES

ComScore, which tracks the digital world, reported that for the first 27 days of November, \$10.57 billion has been spent online, marking a 3 percent increase versus the corresponding days last year. Black Friday saw \$595 million in online sales, making it the second heaviest online spending day to date in 2009 and representing an 11 percent increase versus Black Friday 2008, ComScore said.

Web sales were a surprising winner, according to Lisa Walters, principal of Retail Eye Partners consulting firm. “Retailers got much smarter about offering deals the whole week and online-only specials for Thanksgiving Day,” she noted. “Web sales were way beyond expectations in some cases. We saw sellouts within minutes at walmart.com.”

However, overall, Thanksgiving weekend didn’t quite live up to the expectation that consumers were starting to spend more freely, she added. “The buying mentality was completely focused on doorbusters and little impulse buying. Overall, I think it was a little lackluster.”

“We are seeing a lot of positive data,” said Jeff McCall, senior vice president for strategy services at GSI Commerce, an online and multichannel service provider for 200 brands, retailers and professional sports. “Online continues to be a bright spot for retail.” There are a couple of things that jump out this year, McCall observed, including deals offered before Black Friday, greater transparency on prices via social networking, which retailers began really jumping on this season, and a rush of teasers about upcoming Black Friday deals. “Consumers continue to be more and more in control,” McCall said. “They’re demanding free shipping, the ability to shop later and still get on-time Christmas delivery, and deep discounts.” There were also big spikes on the Internet before and after Thanksgiving dinner, McCall added. “That used to be taboo.”

INDEPENDENTS HANG IN

Bill Mitchell, vice chairman of Mitchells in Westport, Conn., Richards in Greenwich, Conn., and Marshs in Huntington, N.Y., said that the store did not participate in any doorbuster promotions over Thanksgiving, but was still pleased with business.

The store has run its own “stimulus packages” and rewards programs for customers, but these are “legitimate” promotions, he said, in response to the current economic climate. The store also added more opening price point merchandise from its top vendors such as Zegna and Canali. Top sellers this weekend, he said, included women’s ready-to-wear as well as men’s sportswear and sport coats. And the jewelry business has picked up, he said, with Hanukkah arriving on Dec. 11.

“The last several months at all three stores, we’ve seen people are spending again,” Mitchell said. “It still can’t compare to one-and-a-half years ago, of course, but we’ve set our budgets accordingly and we’re meeting them. So we’re cautiously upbeat. It’s been a tough year, but those of us who have survived feel blessed.”

Ron Herman, who owns Fred Segal and his namesake boutiques in West Hollywood and Beverly Hills, said “I chose not to join the ranks [of retailers staging big discounts] this year. It’s time for specialty stores to hold the line. We need to find our role with unique selection, customer service and what we offer.”

“If things keep going the way they are, I’ll have the nicest margin and best profits I’ve had in three years,” Herman said.

Beverly Hills jeweler Martin Katz said he’d quadrupled his entry level price point offerings over

the last year, in the \$8,000 to \$35,000 range. Katz also noted a minor uptick in clients' use of cash and debit cards rather than credit lines.

DISCOUNTERS RELY ON DOORBUSTERS

Sam's Club opened on Black Friday at 5 a.m. and served a hot breakfast to members. The membership retailer offered savings on 40 items, including a Vizio 47-inch LCD TV for \$997, sterling silver bracelet set, \$148, and toys for \$15 and \$20. According to a spokeswoman, the most popular items at Sam's Club on Black Friday were 1/2 carat diamond earrings for \$299, the Wii active bundle, \$69, Acer notebook, \$197, and the 42-inch Hitachi HDTV, \$598.

At Amazon.com and Endless.com, diamond stud earrings were the top sellers. The e-commerce sites had a promotion offering 70 percent off select diamond-stud earrings. The sites had over 90 styles to choose from, including a pair of platinum round 1-1/2 carat diamond stud earrings for \$5,599.99, reduced from \$22,387.50, and 1/2-carat round diamond earrings for \$279.99, marked down from \$999.99.

"We had some surprises with watches," said a spokeswoman. "We saw all price points, styles and brands dominate the top-seller list this year. If there was one dominant style among women's watches, it was diamond accented." Top-selling watches included a \$49 Casio Baby-G and a Swiss Legend diamond watch for \$700, reduced from \$1,995. Amazon.com and Endless.com also offered a Chanel J12 white diamond watch for \$8,466, originally \$9,859, and Cartier women's tank Francaise stainless steel watch, \$2,875 from \$3,875. "Based on our Black Friday promotion at Endless.com, the top-sellers, for the most part, offered few surprises," the spokeswoman said.

"However, Hunter, which is a fairly new brand for us and was not part of our Black Friday promotion, was one of the top-selling boot brands. Stuart Weitzman also did very well with pumps and boots dominating the top spots within the Designer collection. Belle by Sigerson Morrison boots were also a customer favorite."

As far as the sites' 70 percent off promotion on boots, slippers and accessories, Bearpaw, EMU, Jessica Simpson, Michael Antonio, Minnetonka and Steve Madden did well. There was a wide variety of top-selling brands in the handbag category, but the top seller was LeSportsac's classic hobo in all colors.

Asked whether consumers were focused on bargains, the spokeswoman said, "Diamonds and watches sold well in all price points, but yes, many customers did gravitate toward our items that offered significant price reductions."

For the first time, Target stores opened an hour earlier than previous Black Fridays at 5 a.m. "Many stores reported a strong turnout," a Target spokesman said. "We shared with guests lined up outside store, reusable gift bags and maps of the store" so they could find what they wanted easily.

In addition to in-store marketing for the holiday season, a variety of in-store signage calling out

doorbusters and 50 percent off specials communicated to guests where doorbusters could be found. “The merchandise may not be located in its home location,” the spokesman said. “TV sets and DVD players, among some other electronics, were in the apparel section. It was about finding space for those hot items”

Among the sought after products were a 32-inch Westinghouse HDTV for \$246, which sold out nearly immediately, the spokesman said. Household kitchen appliances for \$3 were big traffic drivers in the first few hours the stores were open. Advertised specials included bath towels for \$1.50, pajamas for \$5 and men’s and women’s fleece pants for \$5.

As an additional incentive, Target provided \$10 gift cards to customers spending \$100 in the store. “Two of our busiest categories were electronics and toys,” the spokesman said. “Guests were focused on doorbuster items for those two categories. From a traffic perspective and an excitement perspective, we were very busy and guests were very receptive to the doorbusters.”

Best Buy for the first time augmented its holiday computer lineup with a value-priced HP laptop for \$197, widely considered the lowest published price for a laptop this holiday season. A spokeswoman for Best Buy said, “It would be very hard to find one of the \$179 laptops now. It was overwhelmingly a very strong turnout.”

Best Buy used a ticketing procedure for doorbusters on Friday Morning. Tickets were distributed between 2 and 4 a.m. The retailer distributed maps of store layouts and used colored balloons to identify popular items in the store. Best Buy also offered a Pitch In card gift options that allows people to contribute toward a larger gift.