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Black Friday and Cyber Monday Kick off the Year's most Important Retail Season on Friday

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On November 26, the traditional "Black Friday" of discount deals in the US and many other countries officially kicks off the immensely important Christmas shopping season for many industries. However, in view of the trend towards online shopping, which has accelerated since the start of the coronavirus pandemic, restrictions that are still in place or have been reinstated, supply bottlenecks and rising inflation rates, the mega-shopping day constitutes a rocky start to this year's Christmas season.

The shopping day, which is advertised with many promotions, originated in the US as a bridging day after the Thanksgiving holiday on the third Thursday in November. It has long been a popular day for Christmas shopping and by far one of the strongest sales days of the year. Numerous retailers celebrate Black Friday with special Christmas offers and discount promotions, with many goods offered at half price or even less. Americans traditionally flock to shopping malls on this day, some of which open as early as midnight.

In the 2000s, with the increasing trend toward online shopping, Black Friday saw the addition of Cyber Monday, the Monday after Thanksgiving, on which numerous online retailers offer their goods online at heavily discounted prices. In 2020, according to an estimate by the market researchers at Adobe Analytics, Americans are likely to have spent more than USD 10.8bn on purchases online on Cyber Monday – which means that it has overtaken Black Friday as the shopping day with the highest sales.

Meanwhile, Black Friday and Cyber Monday have also become increasingly established in European and Asian countries. According to a current forecast by the German Retail Association (HDE), German retailers are expecting record sales of around EUR 4.9bn on these two days this year, an increase of 27 per cent compared to the previous year.

Surveys Raise Hopes of Higher Spending than Last Year

Retailers but also the financial markets are now eagerly awaiting the upcoming Black Friday. The day should provide a good indication of the overall Christmas business, and this is particularly important in the US economy, which is heavily dependent on domestic consumer spending. Initial forecasts are cautiously optimistic about the shopping weekend. A survey by Boston Consulting for eight major industrialized nations, for example, showed that 27 per cent of the consumers surveyed intend to spend more this year than last year. Only 14 per cent expect to spend less during this year's Black Friday and Cyber Monday sales than they did in 2020.

The survey shows the strongest expected increases for the US, where 33 per cent of respondents plan to spend more than last year. Only 12 per cent expect their Christmas shopping to be more frugal this year. According to the survey, Americans are likely to spend an average of around EUR 370 per person this year during the two discount days. The UK slightly exceeds this value with EUR 390, while Germany is slightly below with EUR 340 per person. Recent announcements from companies also give reason to hope for stronger US Christmas sales: US retail giant Walmart for instance raised its forecasts for the entire year as part of its quarterly results presentation in anticipation of a good Christmas season.

A survey conducted by management consultants PwC for Germany came to a similar conclusion: 69 per cent of the German consumers surveyed plan to take advantage of Black Friday and Cyber Monday offers this year, intending to spend an average of EUR 266, 25 euros more than last year.

Once again, electronics and fashion items are at the top of the shopping lists. In the international survey conducted by Boston Consulting, one in two consumers stated that they also intend to buy consumer electronics this year. One in two Germans is also likely to be on the hunt for technology bargains, according to PwC. 36 per cent plan to buy fashion articles, shoes and accessories.

The trend toward online shopping, which has further been accelerated by the coronavirus pandemic and lockdowns in 2020, is likely to continue. 74 per cent of consumers surveyed by PwC, for example, plan to shop primarily online. Only 23 per cent intend to look for bargains in brick-and-mortar shops. The anti-coronavirus measures are likely to continue to make shopping sprees significantly less attractive, to which is added the fear of catching the virus in stationary retail, the PwC experts explain. According to the Boston Consulting survey, however, online retailing is unlikely to dominate to quite the same extent as in the previous year: Whereas 57 per cent of those surveyed by Boston had stated in 2020 that they only wanted to shop online, this figure was "only" 53 per cent in 2021.

Supply Bottlenecks and Inflation Could Curb People's Enthusiasm for Shopping

However, people's desire for shopping could be dampened this year by a number of additional factors. For example, the global computer chip supply bottlenecks are likely to affect the availability of the smartphones, computers and video game consoles that are in such high demand at Christmas. "Due to the strained supply chains, there may be bottlenecks in some product categories this year," expects Christian Wulff of PwC for one. For example, many products are likely to be missing from store shelves in physical retail, while in online retail many consumers fear longer delivery times this year.

In addition, inflation is likely to put a further strain on Christmas sales. Recent price spikes could make it harder to grant discounts in key gift categories such as consumer electronics, and higher prices could reduce consumers' willingness to buy. Rampant fear of inflation has already sent US consumer confidence to its lowest level in a decade in November. The University of Michigan's consumer sentiment index fell 4.9 points to 66.8 this month, its lowest level since 2011.

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