



Holiday Forecasting

HOLIDAY HOPES

ICSC Research Expects Moderate Gain for 2009 U.S. Holiday Sales

One might imagine that it would take a miracle on 34th Street—and Main Street—for retailers to have a successful 2009 holiday season. However, that outcome—even without a miracle—is not far fetched. This year, retailers will experience their first non-recession holiday season in three years and economic growth is fundamentally on the mend, even though there will be lingering pockets of weakness. Moreover, the wear and tear of the recession and financial crisis on the consumer psyche is slowly giving way to renewed hope, optimism and most likely, gift buying.

INFLUENCING FACTORS

The 2009 holiday season is likely to be a lot better than last year. Over the course of the last year, some retail capacity has been removed and the stores remaining open during the upcoming holiday season will be stronger—as a whole—than in 2008.

Although many retailers say sales will be weak because of the intentional slash in inventories for the upcoming season, one needs to recognize two facts. Firstly, inventories were slashed for the 2008 holiday season too and this year's inventory is on-track to be even lower. However, the lean inventories and an improving economy is a favorable combination for retailers that “price right” for this environment; they are positioned to withstand any heavy and unplanned discounting that both lowers reported sales and margins. Secondly, the 2001 experience following the prior recession showed that even when inventories were lean, sales could pick up appreciably. So, having lean inventories will not necessarily prevent stronger holiday sales and margins.

In recent years, November “holiday” sales were increasingly attracting a buy-it-for-yourself shopping motivation for consumers. In an ICSC holiday 2008 survey, about one third of all consumers (30%) reported that they used the holiday discounts as an opportunity to buy goods for themselves—especially on the day following Thanksgiving. These self-directed sales may be at risk this year, given that consumers have continuously faced favorable pricing due to the recession's impact and they may be somewhat less inclined to buy for themselves. Gifts, of course, may be another story. Spending on gifts is likely to improve from last year—though it is impossible to distinguish the ultimate recipient in the reported sales data.

One of the only positive factors that the retail industry can uniformly agree upon is that the year-over-year arithmetic is more favorable compared with the dismal 2008 holiday season. To be sure, compared with a hefty sales decline last year and given the year-over-year trend this year, GAFO store sales—for example—will likely get a lift of between 2 and 4 percentage points from that comparison factor, while the chain-store-sales performance is likely to get an arithmetic boost of between 3 and 5 percentage points.

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HOLIDAY OUTLOOK

ICSC Research projects 2009 holiday sales—in its many forms—will increase by about 1% to 2% (see Tables 1 and 2)—depending on the metric and the period. That is not strong, but it is likely to be much better than in 2008 and signal better times ahead for 2010.

Does the retail industry need a miracle to have positive year-over-year sales growth during the 2009 holiday season? No, but should you see Kris Kringle at the Macy's Thanksgiving Day Parade, put in a request for one anyway!

Table 1

"Traditional" Holiday Season Spending

Billions of Dollars, November-December Periods, Not Seasonally Adjusted—Except Where Otherwise Noted

Category	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Forecast
GAFO Store Sales (billions of dollars)	176.2	190.5	197.6	204.3	206.3	216.0	227.2	239.3	248.6	252.8	239.5	241.8
% Change	5.8	8.1	3.7	3.4	1.0	4.7	5.2	5.3	3.9	1.7	-5.3	0.9
Shopping Center-Inclined Sales	307.1	331.7	341.0	353.2	357.7	376.0	398.3	421.4	435.5	444.7	429.3	437.1
% Change	5.7	8.0	2.8	3.6	1.3	5.1	5.9	5.8	3.4	2.1	-3.5	1.8
Chain Store Sales (Same-Store, 2004=100)	87.5	91.8	93.6	94.0	93.6	97.5	100.0	104.0	108.5	109.9	103.6	104.6
% Change	4.1	5.0	1.9	0.4	-0.4	4.1	2.6	4.0	4.4	1.3	-5.8	1.0

Sources: U.S. Department of Commerce; ICSC Research.

Table 2

"New" Holiday Season Spending

Billions of Dollars, November-January Periods, Not Seasonally Adjusted, Unless Otherwise Noted

Category	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Forecast
GAFO Store Sales	230.4	247.8	258.6	267.6	271.5	286.7	300.3	318.0	331.3	336.9	322.8	327.9
% Change	6.0	7.5	4.4	3.5	1.5	5.6	4.8	5.9	4.2	1.7	-4.2	1.6
Shopping Center-Inclined Sales	420.7	450.6	467.4	485.3	494.6	521.6	549.6	583.7	604.7	617.4	600.9	612.3
% Change	5.6	7.1	3.7	3.8	1.9	5.5	5.4	6.2	3.6	2.1	-2.7	1.9
Chain Store Sales (Same-Store, 2004=100)	83.7	88.3	90.7	92.1	92.4	96.9	100.0	104.4	109.3	109.9	103.9	105.5
% Change	5.2	5.5	2.7	1.5	0.3	4.9	3.2	4.4	4.7	0.5	-5.4	1.5

Sources: U.S. Department of Commerce; ICSC Research.

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