

TotalRetail

2016 Holiday Retail Expectations: A Surprisingly Sunny Outlook

By Greg Petro for Total Retail
September 23, 2016

It's been a rough year for retail. The department store model has derailed into irrelevance, traditional brick-and-mortar stores have had to make massive investments in e-commerce, and customers' needs have continued to change at breakneck speed. Despite some surprising (and some not so surprising) developments across the industry, the majority of retailers are looking forward to one thing: the holiday season.

Traditionally, the holiday season has served as a shining light at the end of the tunnel for retailers, helping to bring up sales figures prior to the year's end. Just last year, [retailers raked in \\$626.1 billion during the holiday season](#) — and

expectations are set high again this year.

According to [new research](#) from [First Insight](#) and [Fung Global Retail and Technology](#), almost three-quarters of retailers are optimistic about the upcoming holiday season, and about a third say they're extremely optimistic.

Sales Strengthen, Marketing Picks Up

More than 60 percent of retailers surveyed believe that holiday sales will increase compared to last year, and about 25 percent expect sales to increase 5 percent to 10 percent. With [U.S. consumer spending increasing for a fourth straight month](#) in July, it's no surprise that many respondents think the

rising economy will be a positive influence on this year's holiday season, with more than 32 percent of respondents believing that changes in the global economy will have a positive impact on 2016's holiday business.

New marketing efforts and promotions were also powering their positive outlook. Last year, a Black Friday marketing backlash from several retailers caused an unforeseen ruckus in the industry. In particular, [REI's #OptOutside campaign](#) made headwinds as it encouraged consumers to get outside instead of shopping on Black Friday. The retailer promoted the campaign with a shareable hashtag and created a microsite where visitors could find hiking trail

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maps and other suggestions for fun things to do outside. And, of course, REI also provided a discount of 50 percent off some of its customers' favorite outdoor brands. Because what's the point of big marketing initiatives if they don't lead to increased sales?

This holiday season, we'll surely see creative new marketing efforts take hold, but whether Black Friday will be a controversial target again is yet to be determined.

Retailers Think Donald May Trump Some Sales

In addition to Black Friday, let's also not forget another important day this November — Election Day. In the survey, the presidential

election was by far the factor most cited as likely to have a negative impact on holiday sales, with 24 percent of retailers responding it will have a negative impact and 7 percent saying it will have a very negative impact. However, 21 percent think the impact will be positive, and 35 percent think it will have a neutral effect.

Historically, U.S. presidential elections have negatively impacted retail store foot traffic in the periods leading up to them. ShopperTrak found that it [dropped by nearly 13 percent the week before the 2012 election](#). Perhaps e-commerce will be the real winner of the election this year.

However, the U.S.

election isn't the only political force at play this year. We can't forget about this summer's Brexit headlines. For all the hoopla that resulted, 68 percent of respondents predict the Brexit vote will have no impact on holiday business in the U.S., with just 20 percent forecasting it would have a negative impact.

Will Warm Weather Strike Retailers Again?

Last year's unusually warm weather during the holiday shopping season had a negative impact on many retailers. In spite of this, 54 percent of those surveyed believe the weather will have no impact on sales this year, while 27 percent believe it will have a positive impact.

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From weather to the election, retailers face many uncertainties this year, but strong marketing efforts, more competitive pricing and strong consumer spending are reasons for the industry to be hopeful. Yet, even if the holiday season brings strong revenue growth, retailers should be cautiously optimistic.

Many retailers have to think beyond the holidays to get back on the road to profitability by continuing to address necessary changes to the core of their business, whether it's revamping e-commerce practices such as Walmart has done with the [acquisition of Jet.com](#) or investing in big data technologies to help with inventory, assortment and more.

The holiday season can be a magical time, but retailers must realize that they can't rely on it alone as the "miracle" they need.