

RETAIL

Early holiday campaigns contribute to sluggish December sales: report

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Panic about COVID-19 means folks will spend less on holiday gifts in December. Image credit: Selfridges

By ELLEN KELLEHER

The premature arrival of holiday campaigns this year, combined with new restrictions related to the pandemic, is set to upend retail spending this December.

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As luxury retailers move into the holiday homestretch, they should expect to see flat to declining December sales, according to a report from **Berkeley Research Group**. The anticipated slowdown in shopping is expected to continue the acceleration of shifts to ecommerce and contactless delivery.

"Retailers did a good job responding early with holiday promotions to pull sales ahead, starting in October," said Keith Jelinek, a managing director of the retail performance improvement practice at BRG, Boston. "However, luxury specialty retailers have experienced some of the most difficulty, as much of their business has been impacted due to a lack of tourists, compounded with many store locations being within enclosed malls."

BRG's survey was based on U.S. census data, earnings reports, proprietary tracking of sales performance across physical stores and online channels as well as weekly COVID-19 case rates.

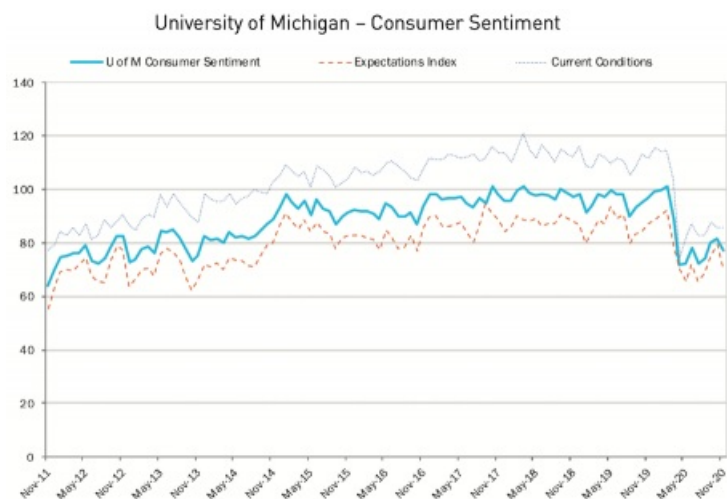
Sluggish December expected

The report "Closing Out 2020 Will Not be a Holiday for Many Retailers" forecasts pressure on sales in this final run of the holiday season and beyond.

BRG research suggests that holiday sales in November will increase by as much as 10 percent compared to 2019 while December sales will be down by as much as 2 to 4 percent year-over-year.

Holiday shoppers have done much of their purchasing early this year, having taken advantage of fall discounts and store closing sales. Retailers have also played a critical role in this trend as they have sought ways to incentivize shoppers to combat sales declines driven by the pandemic.

Another challenge is that consumer sentiment is hovering near a two-year low, which means shoppers are hesitant to spend as freely as they did before. Unemployment, uncertainty about the pandemic and shutdowns are making shoppers frugal.



Consumer sentiment is close to a two-year low. Image credit: BRG

There is optimism about the COVID-19 vaccine, which was recently introduced by Pfizer in the United Kingdom. However, COVID-19 still threatens the retail picture as cases are on the rise in the U.S. and elsewhere in the world, driving increased restrictions and shutdowns and creating concerns about lower employment.

COVID-19's ubiquity will continue to drive the shift to ecommerce and contactless delivery, but sales could be constrained as retailers remain unprepared for handling demand.

Curbside delivery, home delivery and BOPIS (buying online and picking up in stores) are methods which are expected to remain in vogue as the pandemic lingers ([see story](#)). The popularity of virtual and appointment-based shopping are also not likely to wane.

To respond to the ongoing crisis, BRG offers recommendations for retailers.

At a macro level, retailers must remain flexible and agile as their success will depend on their ability to respond quickly to customers' demands.



Retailers have to be agile to meet customers' demands. Image credit: National Retail Federation

Store operations should remain the focus of omnichannel sales efforts, however, with experiences emphasizing pleasantness and safety. In-store traffic should also be capped with the help of queuing lines and gates.

Fewer shopping trips will be the norm, so retailers should make each trip count and focus on bundling various products.

Another pointer is to identify which stores are most at risk of COVID-19 penetration. Those stores may need to limit hours or close due to a lack of traffic.

Shipping capacity from distribution centers should also be reviewed as ecommerce is expected to surge to levels which exceed past peaks.

Inventory capacity should be managed closely to avoid "trapped" inventory that could lead to cash-flow difficulties. Frequent, smaller-quantity shipments can be used to adjust to the shifting mix of demand from various channels.

Across retail, sector performance varies widely. Unlike home centers, sporting goods and grocery stores which have

seen a surge in pandemic business, specialty apparel brands and department stores have been pummeled.

Luxury goods sector battered by pandemic

From Paris to London to New York, the effects of the pandemic on the luxury goods sector have been notable.

Foot traffic to stores has slowed to a near halt at many luxury brands. Research from Zenreach found correlations between restaurant spending and confirmed coronavirus cases in states across the U.S., which is a good indicator of what things might look like into next year ([see story](#)).

Another difficulty is that the arrival of remote work and school has almost eradicated the need to dress up, per BRG.

As COVID-19 suddenly and swiftly spread across the U.S., many white-collar workers including employees of many luxury brands shifted to remote work essentially overnight. Conference room meetings became video calls and business suits became loungewear ([see story](#)).

Looking ahead to the end of the year, while essential retailers will continue to benefit from the increasing shutdowns, sectors such as apparel and specialty apparel will face the likelihood of severe pullbacks in December, according to BRG's study.

"We see much of the same over the next four to six months, while we await vaccines to be distributed, and for consumers to be comfortable with going back to the malls and making the shopping experience more of a social occasion, rather than an in-and-out expedited experience," BRG's Mr. Jelinek said.

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