

Retailers See Happy Holidays, But Politics Could Change That

RETAIL: Trump Factor is Unknown; Other Indicators Good

By **LOU HIRSH**

Originally published November 17, 2016 at 2:19 p.m., updated November 17, 2016 at 2:19 p.m.

San Diego — Retail industry leaders are generally upbeat on their local and national prospects for this year's holiday season sales, starting with the traditional post-Thanksgiving "Black Friday" rush to shopping centers.



Miro Copic

But just as many other national institutions were upended by Donald Trump's upset victory in the U.S. presidential race, observers note there's also the chance that economic jitters created by Trump's ascension to the White House could dampen many bargain-hunters' mood to spend.

"The challenge for retailers is going to be this uncertainty that's been created by the elections just before the official shopping season," said Miro Copic, a marketing professor at San Diego State University's Fowler College of Business.

Copic was watching carefully to see how stores would do in the weekend prior to Black Friday, which falls this year on Nov. 25. The days leading up to Thanksgiving could set the tone for the rest of the holiday season.

Deeper Price-Cutting?

If sales haven't picked up speed by the end of the month — spurred by the traditional 30 percent to 50 percent-off deals seen in the holiday season's early days — there could be steeper price-cutting in subsequent weeks.



Gina Champion-Cain

"The good news for consumers is that you could be seeing some very deep discounting during the month of December, especially those two weeks before Christmas," Copic said. "Those discounts could be around 50 percent to 70 percent, and of course that would hit those retailers' profit margins very hard."

Retail trade organizations generally were standing by sales projections made prior to the results of this year's elections. In early October, the National Retail Federation said it expected this year's U.S. holiday sales at stores to rise 3.6 percent from a year ago, reaching \$655.8 billion.

That growth figure, the federation said, is significantly higher than the past 10-year average of 2.5 percent, and also above the 3.4 percent since the U.S. economic recovery began in 2009. Federation leaders said the optimism was based on what is still a generally strong national economy, with recent monthly gains in employment and consumer confidence.

“Increased geopolitical uncertainty, the presidential election outcome and unseasonably warm weather are the main issues at play with the greatest potential to shake consumer confidence and impact shopping patterns,” federation Chief Economist Jack Kleinhenz said in early October. “However, the economic spending power of the consumer is resilient and it should never be underestimated.”

By late October, the federation was reporting that shoppers planned to spend an average of \$935.58 during the holiday season. In the 12-year history of the survey — in which research firm Prosper Insights & Analytics this year queried more than 7,700 consumers nationwide — that figure would be second only to 2015’s \$952.58.

The trade group also projected that U.S. retailers would hire between 640,000 and 690,000 holiday seasonal workers this year, in line with last year’s 675,300.

Low Fuel Prices

SDSU’s Copic said consumer spending may be buoyed this year by factors including still-low gasoline and energy prices, which allow for more discretionary purchases. On the flip side, questions over President-elect Trump’s future economic policies could spur some individuals and households to pull back on spending.

Even Trump supporters, he said, are waiting to see how the policies of a Trump administration might affect the future of health insurance and other federal programs impacting their cash flow. “The people who are on fixed incomes or in the various entitlement programs, like Medicare, want to see how their disposable income is going to be impacted,” Copic added.

If people do decide to trim holiday spending, he said, the first cuts will likely come from what shoppers spend on themselves, usually ranging annually between \$130 and \$140.

The timing and intensity of this year’s elections — with Californians wading through massive advertising hype on dozens of local, state and national races and propositions all the way through Nov. 8 — may have delayed many consumers’ focus on this year’s holiday season. On the plus side for retailers, Copic said, is that Christmas Eve falls on a Saturday.

He said major retailers have also become more savvy about making the supply of items on shelves better match consumer demand — through pre-arrangements with manufacturers of high-demand goods — and using their physical stores for pickups and returns of items purchased online. Those cost efficiencies help retailers minimize the hits taken on their deep discounts during the holidays.

Restaurant Outlook

Like other local business operators who engage with the public during the holidays, San Diego’s Gina Champion-Cain said she’s optimistic about this year’s season at her stores and restaurants, in spite of daily headlines related to political upheaval.

The CEO of American National Investments also oversees several restaurants and coffee shops in the local market, and runs coastal stores that sell surf clothes, T-shirts and other beach-oriented lifestyle items.

“We are definitely on track to beat last year’s sales in all of our retail stores, but we also sell products that would not really be affected by any uncertainty regarding the presidential election results,” Champion-Cain said.

Champion-Cain’s bullish holiday outlook for store spending generally extends to other types of local spending, on restaurant meals and seasonal gatherings.

“Our restaurants are booming, and private party bookings are dramatically up this year for us,” she said. “We are definitely going to have a very, very merry holiday season.”