

As Wal-Mart Goes – So Go Christmas Sales?

November 29, 2004

Wal-Mart same store sales for the month of November are expected to be +0.7% compared to their earlier projections of 2% to 4%. As Wal-Mart accounts for approximately 10% to 12% of total retail sales in the U.S., this does not appear to bode well for retail sales this Christmas. However, television and newspaper reports were all aglow about Holiday shopping on “Black Friday” (the Friday after Thanksgiving). It appears as if retailers other than Wal-Mart made a special effort through discounting to attract people to their stores, thereby taking market share from “Wally World.”

It has always been difficult to project the Christmas selling season from just a weekend of shopping, even though the after-Thanksgiving weekend has always been extremely important. Most of the trade groups are estimating a 4 ½% increase this season over last years 4%. Based upon our macroeconomic outlook, we would suggest that 4 ½% is too high, but one shouldn't sell short the ability of the American consumer to spend more than what makes prudent financial sense.

Thinking again about the after-Thanksgiving weekend sales, we remember that in 2002 sales were up 11% from the previous years, however, at the close of business, year-end sales advanced only 1.2%. Many business analysts believe that Wal-Mart primarily caters to the lower-middle class income people, who have been hurt the most, on a comparative basis, by increased gasoline prices. This then accounts for their less than stellar sales. Be that as it may, they are by far the world's largest and brightest retailer, and for them to experience 0.7% when they were expecting 2% to 4% makes us believe that all the rationalizations for their performance compared to the other retailers, is a heap of wishful thinking.