



Christmas Creep: The Shopping Season Is Longer, but Is It Better?

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Call it "Christmas creep." Holiday decorations are going up earlier in stores with each passing year, seasonal merchandise gets stocked on shelves soon after Halloween, and Christmas-related commercials are appearing on TV long before Santa Claus makes his way through Manhattan in the Macy's Thanksgiving Day parade.

But is a longer Christmas season good for retailers? The phenomenon of an ever-earlier Christmas season is a boon to the people responsible for supply-chain management at retailers large and small, according to operations experts at Wharton. But Wharton marketing scholars and other analysts say an extended Christmas season is something of a mixed bag. It may hold advantages, disadvantages -- or even no advantages -- for store owners.



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"Mini-arms Race"

Christmas creep, says Wharton marketing professor [Stephen Hoch](#), has been a topic among consumers and retailers for some years now, much like complaints about the National Football League season extending into February and baseball's World Series being held so late in the fall that cold temperatures at game time have become the norm. "It's like a mini-arms race. The competition among retailers means nobody wants to be second. That moves the shopping season up a little bit more each and every year. Are consumers going to revolt against it? No. Will it get people in a holiday mood? No; people will get in the holiday mood during the holidays. Does it give retailers a chance to set displays up sooner? Sure. Does it make stores more crowded? Yes. Decorations and special displays tend to make stores cluttered and hard for shoppers to move around."

Hoch suggests that Christmas creep, and the 20% and 30% discounts associated with it, have become something of a self-fulfilling prophecy. Retailers gauge the success of the current selling season by using a metric called same-store sales -- comparing this year's figures with those from the same period in the same stores a year ago. "Once one of these sales happens, it will happen forever," Hoch explains. "If you had a sale last year, you pretty much have to have the same sale again this year to see if you exceeded what you sold last year. This may be why retailers are putting up Christmas decorations and displays earlier and earlier. They're looking not just at the quarter or month but every week and every day."

Marketing professor [Patricia Williams](#) says no data exists quantifying exactly whether or how extending the shopping season benefits retailers. She says she is of two minds about whether a longer season is good for merchants. "As I was driving in to work today [the Monday after Black Friday] I was listening to a report on the radio about retail sales and it sounded like a lot of shoppers were out, but they stopped buying once the early-morning specials on Friday were over. My first thought was, 'Of course, because they know they can wait and let prices go down even more.' So pushing Christmas sooner probably helps in some ways and probably not in other ways. It might help with small purchases and impulse purchases. Everyone knows the stress from last-minute shopping, and an earlier season may make people say, 'I'm going to finish my shopping earlier this year.'"

On the other hand, Williams says, a number of consumers are taking their time, waiting for sales and

putting off their Christmas shopping to the last minute. "Some data suggests that's the case. They know the deals come at the last minute and also because they're busy and don't have a lot of time to shop."

William S. Cody, managing director of the [Jay H. Baker Retailing Initiative](#) at Wharton, says retailers have pushed the holiday season sooner and sooner for one simple reason -- to try to boost sales. "Holiday sales represent, for most retail formats, between 20% and 30% of annual sales, so it's the most important time of the year," Cody says. "The key to success in the holidays is to be very aggressive: [getting out] of the gate earlier and earlier because you covet these profits and you want to be out in front. In 2003 and 2004, we have seen the season creeping up earlier, and those two years have been successful in terms of year-over-year sales."

Herb Kleinberger, a partner and retail store practice leader at IBM Business Consulting Services, says that some individual retailers may enjoy higher sales by extending the Christmas season but notes that a longer season may largely be a wash for the industry as a whole because there are only so many shopping dollars to go around.

"I don't think retailers are really benefiting," Kleinberger says. "Dollars are limited. There are too many stores chasing too few customers. It's a market-share game. The game may be won by starting early, but extending the season doesn't create more business for everybody. It just allows some retailers to get a jump on getting their share of spend."

Kleinberger says the retailers that may benefit from a longer season are those that stock unique products or items that are hard to get because they are in short supply. Other potential beneficiaries of an extended season: retailers who simply offer the deepest discounts for products generally in demand.

"At the end of the day, you're trying to maximize profit, not just sales," Kleinberger notes. "Promoting deep and early is a way to drive traffic and some early business, but it may not be profitable." In addition, some consumers may be put off by a too-early holiday season. "Jumping the gun too soon can create an emotional pushback," Kleinberger adds. "In a certain sense, the consumer has to be emotionally ready to shop, and that may not happen until the weather [becomes colder]."

For his part, Wharton's Cody says a backlash will occur only if stores fail to deliver the goods to their customers. "In general, retailers need to deliver on what they're promoting. If it's early November and they sell out [of a given item] they may shoot their whole holiday season in the foot. If I want to buy a DVD player and it isn't in yet, I may not come back to your store for the holiday season. If I'm shopping in early December or late November, that DVD player had better be on the shelf if you're advertising it. An earlier season means the onus is more on the retailer to make sure products are in stock. Outside of the merchandise itself, execution is the most important thing a retailer can do. Execution is of the utmost importance early in the season. It's the halo effect. If you do well on Black Friday, or earlier in the season, that's a great indicator how you will do the rest of the season."

Stocking the Shelves

Execution, of course, depends on accurate product forecasting and strong supply chain management, among other things. "From an operational perspective I can only see bonuses from having a longer season," says [Gerard P. Cachon](#), professor of operations and information management at Wharton. "It gives retailers an opportunity to adopt a 'read-and-react' strategy, whereby you observe early season sales and react to those sales by getting additional products whose sales you have under-forecasted. If a product is selling better than you thought it would, and the season is short, you don't have a lot of time to react. A longer season can give you a couple of extra weeks to get [the goods], even from overseas suppliers."

Cachon says retailers' hiring practices can also benefit from a longer Christmas season. He notes that the complex process of getting products from factories to warehouses to store shelves is a tough job even in

the best of circumstances. Physically moving products requires a lot of labor, and if that work is compressed into a few weeks, it means store owners may have to go to the expense of hiring temporary help. "A longer season allows you to smoothly bring products into the store, with less hiring" and lower overtime payments, says Cachon. "You will have better-looking stores and better-selling products on the shelves."

[Marshall L. Fisher](#), a colleague of Cachon's in Wharton's OPIM department, agrees that an extended holiday season is good news for those who manage inventories. He says two factors make supply-chain management difficult at Christmas. First, predicting sales is always a challenge, but is doubly hard at Christmas because there is such a big jump in consumer purchasing that it is harder to make accurate sales predictions. Second, the same employees who sell goods to customers also unload the delivery trucks -- a situation that can generate headaches.

"There's a ferocious bottleneck for the last two weeks leading up to Christmas," notes Fisher, who also serves as director of Wharton's [Fishman-Davidson Center for Service and Operations Management](#). "Retailers know they need more products if they see that sales are high, but they may not have the capacity to unload trucks because the employees who need to unload the trucks are busy selling what the store already has. It can be very frustrating. Most retailers begin to build for the Christmas selling peak a few weeks before Christmas because of these two issues. I think a longer season helps with both of those. In general, the greater the spike in demand, the harder it is to control inventories."

According to [Serguei Netessine](#), also of Wharton's OPIM department, it makes a lot of sense for retailers to expand the holiday season because it helps retailers smooth out demand for products and reduce inventories. In the one-month period from Thanksgiving to Christmas, retailers record a huge chunk of their annual sales, which creates huge challenges in supply-chain management.

"Retailers start stocking inventory for the Christmas season far in advance; in September or October you already see an inventory spike," Netessine says. "So expanding the selling season is reasonable. The inventories are there anyway. It's not like the products are delivered the day before Thanksgiving. Therefore, retailers have decided, 'What the heck? Let's start selling them earlier.' The best situation is smooth demand through the season without any spikes. The worst situation is a short selling season when your entire chain is disrupted and you have to hire temporary workers. You have to build enough capacity in your supply chain to handle the spike around Christmas. A longer and longer selling season simplifies supply-chain management."

Netessine adds that even retailers operating on the Internet can benefit from an extended Christmas season. "Internet retailers have it much worse than brick-and-mortar retailers. Around Christmas you not only have more customers buying stuff but many more people just searching for stuff on the net. That can overload servers, big-time. When you're managing a web server, you have to hire temporary workers to handle those additional visits. You need servers that are much more powerful than on an average shopping day, and that is extremely expensive. So Internet retailers are not as flexible as brick-and-mortar stores and they can really suffer during the Christmas shopping season. Four or five years ago top Internet retailers were not able to deliver around Christmas. But it's gotten better since then."

September Christmas Displays

Weather is playing a major role in the emergence of a longer Christmas shopping period. Richard D. Hastings, senior retail sector analyst at Bernard Sands in New York, says that the Christmas retail season has become longer than many may suspect. "The holiday is changing dramatically right in front of everybody. Halloween is the gateway to the holiday season." Some retailers ship Christmas catalogues in October, and Hastings says he has seen some merchants put up Christmas displays not long after Labor Day.

How has this come about? Hastings suspects that warm autumns in recent years are a key factor. "Climate

change was so significant that the fall season didn't begin clearly enough," he explains. "Retailers had to use dramatically different display techniques to change the mood of the shopper. Summer went on and on endlessly. If we don't get a clear transition [from summer to autumn] like we did 40 years ago, people's moods regarding merchandise don't change on time, and that's why retailers have to jump-start [the Christmas season]. By putting out those Christmas displays, they're changing the mood. Retailers are saying, 'We know it's still hot, but we have to do Christmas.'"

Despite the mixed reviews for the effectiveness of a longer season in delivering greater profitability, Hoch says Christmas creep is here to stay. "I don't think we'll see a retreat on this one. Comping [comparing this year's sales to the same period last year] is a self-fulfilling prophecy. That will keep on driving this Christmas creep."

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