

Washington Examiner

Retailers plan for blockbuster holiday season despite tariff overhang

by [Joe Williams](#)

| November 08, 2018 03:22 PM

Retailers are stocking their shelves to meet blockbuster holiday-shopping demand fueled by U.S. economic growth while preparing for slower sales next year as President Trump's escalating tariffs drive up prices.

The time from Halloween through Christmas is typically the most lucrative period of the year for companies from Macy's to Pottery Barn and Target, and [the retail industry is beginning to flourish](#) after a long stretch of declining revenue as Amazon siphoned off customers.

Underpinning their growth is near-record U.S. consumer sentiment and unemployment close to a 50-year low. Wages are also starting to rise more rapidly, and last year's GOP-led tax cuts let most Americans keep more of what they earn.

“We’re talking about a \$1 trillion holiday season coming up,” Ken Morris, principal at Boston Retail Partners, told the *Washington Examiner*. “A lot of these guys do half their business in a two-month period. They’re losing money most of the year until they hit the fourth quarter.”

Many companies have already announced more aggressive sales strategies for this year's season. Spurred by the bankruptcy of Toys 'R Us, Walmart, J.C. Penney, and Kohl's are planning to stock more toys, and Target is offering free shipping with no minimum purchase, a strategy Amazon soon mirrored for non-Prime subscribers who already receive free two-day delivery.

The real winners of the holiday season, though, could be department stores like Nordstrom — whose profits were up nearly 50 percent midway through the year — as shopping centers around the country get an upgrade, according to Ronald Friedman, a partner at advisory firm Marcum LLP.

"That will get more people in there, so the brick-and-mortar will do better," he said.

There's a cloud ahead, though. Profit margins may soon be crimped by costly initiatives to better compete against digital-commerce companies such as Amazon, including new delivery methods and upgrading money-making stores. Those efforts could take years to implement and will affect earnings in 2019, according to Farla Efros, president of HRC Retail Advisory.

“Retailers at this point are still trying to figure out their omni-channel capabilities, the investments they need to make to succeed with their customers,” she said in a recent interview. “Inventory is costing retailers a lot of money to get it to the right place.”

Store managers are also grappling with the likelihood of slower growth in 2019 if [President Trump follows through on threats to impose tariffs on \\$267 billion more in Chinese imports](#), covering virtually everything the U.S. imports from the world's second-largest economy.

Businesses have managed to blunt much of the impact of tariffs already imposed on \$250 billion in products from the country by raising prices. Retailers are also taking initial steps to move supply chains out of China, sources say, but such adjustments require months of deliberations and planning.

In the meantime, optimism remains high around this holiday season. A key test for retailers will be the Friday after Thanksgiving or "Black Friday," one of the busiest shopping days of the year. If sales are slower, companies will have to reevaluate their price points, says Instinet analyst Simeon Siegel.

“If the best consumer in years is not driving meaningful sales hikes, then the executives will need to come up with a pretty strong rhetoric as to why that is,” he said.