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Holiday bargains reel in big sales

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By **Kathy Chu** and **Jayne O'Donnell**, USA TODAY



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Consumers kicked off the holiday shopping season with a frenzy, with the average shopper spending \$372.57, up 7.2% from a year ago, according to the National Retail Federation. It was an auspicious start at a time when nervous retailers are grappling with the worst economic downturn in decades.

On the first weekend of the holiday shopping season — the Black Friday through Sunday sales period widely seen as a barometer for the rest of the season — 172.9 million consumers braved crowds to buy in stores, made purchases online or bought through catalogs, up 17% from a year ago, according to

the NRF, an industry trade group.

Black Friday, the day after Thanksgiving, is traditionally the day that retailers become profitable for the year. The Friday typically accounts for 10% of total holiday sales, according to the International Council of Shopping Centers.

But history has shown a strong first weekend doesn't always translate into strong sales though the holiday season, says Ellen Davis of the NRF, which is staying with its forecast of relatively weak holiday sales growth this year of 2.2% over last year.

Analysts also fear that retailers are driving sales with rock-bottom price promotions — which started in early November this year — that could kill profits and hurt rather than help retailers already struggling to stay afloat.

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"Because they're promoting so heavily, it's going to affect their margins," stock analyst Jennifer Black says. "Some retailers will lose money even though their sales are up. The bottom line is that (retailers') bottom lines are shrinking."

The shorter holiday shopping season — 27 days this year instead of 32 last year — also poses a risk to retailers, says David Fry, whose e-commerce company operates the websites for retailers including Crate & Barrel and Ann Taylor.

"If you do a sale wrong, under a normal shopping season, you have a week to recover," but retailers don't have that luxury this year, Fry says.

Retailers hope that shoppers' enthusiasm will continue today, one of the biggest online shopping days of the holiday season. It was dubbed Cyber Monday by the NRF in 2005, after the group observed a major spike in online sales on the Monday after Thanksgiving as people returned to their office PCs. Retail websites began offering special Cyber Monday promotions.

Eighty-four percent of retailers said they'd be offering special promotions today, up from 72% last year. And a BIGresearch survey conducted for Shop.org found about 58% of workers with Internet access, or 72.8 million people, will shop for holiday gifts from work today, up from about 45% in 2005.

A danger of heavy early promotions, however, is that retailers can run out of stock. More shoppers also can create website problems, which at the extreme could prevent consumers from completing their purchases, adding to retailers' woes, says Evan Schuman, editor of StorefrontBacktalk.com, which tracks retail technology.

A survey by market tracker TNS Retail Forward estimates online retail sales will be up 9% overall this holiday season, slower than the double-digit growth of recent years.

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