

# Why Black Friday benefits the poor, and why stores are happy about Black Friday boycotts

[Swedish]

*Black Friday handlar om prisdiskriminering, inte främst om att boosta försäljning, i motsats till gängse uppfattning. Det är en shoppinghögtid som gynnar de fattiga på bekostnad av de rika då det är ett sätt för företag att ta olika pris av olika konsumentgrupper. De fattiga är de som gynnas, tack vare att de rika är mindre priskänsliga och därför inte tar sig upp dagen efter thanksgiving för att leta efter billiga fynd. Anti-konsumtionsrörelsen som uppmanar till bojkott av Black Friday skadar inte företagen, tvärt om. Genom att få de opriskänsliga konsumenter att inte ta del av de låga priserna får de Black Friday att fungera än mer effektivt som mekanism för prisdiskriminering.*

[English]

*Black Friday is about price discrimination, not primarily boosting sales contrary to popular perception. The shopping holiday benefit the poor at the expense of the rich as it is a way for firms to charge different prices for different groups of customers. The poor are the ones who benefit from the low prices, thanks to the rich not being as price sensitive to get up the day after thanksgiving to scavenge for bargains. The anti-consumption movement that boycott black friday doesn't hurt black friday. No, rather the opposite. By motivating the not-so-price sensitive to boycott the event, it makes black friday even more effective as a mechanism for price discrimination.*

Last weekend it was Black Friday, the shopping event that occurs the day after thanksgiving every year. Even though Swedes don't celebrate thanksgiving, Black Friday gets bigger and bigger every year here too. Accompanying this annual shopping holiday is a debate about our consumption habits, where the critics of Black Friday argue for boycotting the whole thing.

The critique against Black Friday is that it encourages consumption and that people already consume too much (meaning more than what is sustainable environmentally and socially). They mean we should re-use and buy second hand instead of buying new things. Here

in Sweden there's now even a "white monday" to counter Black Friday.

A key question then is if consumption actually increase because of black friday. It might sound obvious, since there's news every year about how much more stores sell on this day compared to the rest of the year's days. But that is hardly strong evidence for the claim that black friday increases total consumption. It might very well be the case that people simply buy less the rest of the year, and so take advantage of the special discounts of black friday. It's a shock to no one that Black Friday is coming, so it's easy enough to plan ahead of time.

## Price discrimination is key

But if the purpose of Black Friday isn't to increase total sales, why would so many stores participate? It's a way for them to split up their customers into different price segments. What we call price discrimination.

Customers have different willingness to pay. If you can only charge one single price to all customers, you'll set your price where you make the most profit. With the effect that some people won't buy even though their willingness to pay is above the production cost of your product. If you instead can charge different prices to different groups of customers, you will be able to set the prices so that everyone who's willing to pay is above the production cost will buy.

The winners of price-discrimination strategy are the people who wouldn't afford your product under the one-price strategy, but now do. A one-price policy on the other hand benefits those who have a lot of money and who are less price-sensitive, because with price discrimination they would pay more.

## Price discrimination isn't easy

The difficult thing about price discrimination is to prevent rich people from accessing the lower price. This is essentially a huge part of product design and marketing - to frame the same or similar products for different customers that have different willingness to pay. It's not that it costs more to produce women's (pink) razors than men's razors, or the premium versions of software programs compared to the budget version, or business class train rides compared to economy class. These are ways to get those customers who are willing to pay more, to actually do so.

In the case of Black Friday, rich people are kept out of the cheap prices by things like the

inconvenience of having to do the buying at a specific day of the year. And not any day either but the day after thanksgiving. They also have to having to spend time in awfully crowded stores for example. There's another very creative way to prevent rich customers not to take advantage of the low prices: persuade them to boycott the event for karma points. The price sensitive people won't care much about the boycott, but the well-educated middle class people will jump for an opportunity to show of how much they care about the environment. I'm not claiming there's a big conspiracy going on here, but if I were an executive at one of those stores that have huge black friday sales, I'd be thrilled over the boycotts!

Again, Black Friday is about price discrimination, and the winners of it is the most price sensitive consumers who are willing to sacrifice convenience for a lower price. The anti-consumption movement that plead you should boycott Black Friday could very well have been orchestrated by the stores as it help them in their effort to price discriminate.

/John Norell, 28/11-2018