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Principles of Microeconomics

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When it comes to Black Friday, people begin lining up outside stores to get their hands on the latest merchandise. But lately, stores have started putting up their sales days in advance to decrease the large crowds, with the assumption that people will shop before Black Friday so they can avoid the rush. However, most people end up shopping on the Friday, which is interesting because they’re putting themselves in a more dangerous situation, rather than buying the good ahead of time.

On Black Friday, prices of goods drop immensely, which, by the Law of Demand, would increase the quantity demanded of those goods, holding all else equal. Therefore, if a certain good, such as a television, is 80% off the original price, more people will be willing to purchase it, which leads to the large crowds. But the question arises when they wait until the actual Friday to purchase the good. Almost every large company participating in Black Friday sales starts the sales around Wednesday, with some stores staring Monday or Sunday. So the question to ask first is: why do companies even start their sales ahead of time?

First, the companies are the sellers in this market, and their absolute main goal is to simply gain profit. By reducing the prices of their goods, it would be assumed that the quantity supplied would be less – looking at the Law of Supply, so holding all else equal – but with such a high demand on Black Friday, companies and firms would have to increase the quantity they produce. If this is the case, their total revenue would actually increase because total revenue is equal to the price times the quantity sold. So if the price drops, but the quantity sold increases by larger amount, total revenue would increase. Now these changes in price can also lead to changes in marginal revenue and also affect the elasticity of that good. On Black Friday, there are certain goods that are highly elastic because even small drops in their price lead to massive increases in quantity demanded by consumers. Firms take advantage of this elasticity by changing the prices of those certain goods to gather more people to purchase those goods, and with all the money coming in, their marginal costs are less than their price, which leads to producer surplus. By taking advantage of these sales, firms start their sales ahead of time to alert consumers of the price changes and possibly increase sales. Consumers who purchase the good ahead of time might purchase it again on Black Friday for the sake of participating in the event.

That could be one reason why consumers participate in the sales on Black Friday rather than earlier in the week. They might enjoy the thrill of being surrounded by hundreds of other people and fighting over a certain good, but that is a different story. Consumers are price-takers, so they accept the good at the price it is set at. So when a good goes on sale, buyers are actually experiencing consumer surplus, because if they buy the good, they are most likely buying it for a lesser price than what they are willing to pay. Therefore, the quantity they purchase of the good might increase. Moreover, this is an example of price discrimination, particularly second degree. Consumers who are looking for better deals are the target audience on Black Friday because there is still a handful of consumers who don’t mind paying full price, mainly due to their income.

Another reason consumers might purchase goods on Black Friday would be time. They might not have time earlier in the week to go out shopping, and most people are given Black Friday off from work, so they have that whole day to shop. This also ties into price discrimination, because a majority of those people would have lower incomes or have to work multiple jobs which takes up more of their time. Consumers with higher incomes can be assumed to have more time, but they don’t mind paying more for a good because they have a greater budget than those with a lower income. Also, as stated earlier, some people enjoy shopping on Black Friday and enjoy the rush to buy certain goods. For those buyers, the opportunity cost for shopping in stores is less than others who shop beforehand or online.

Overall, this observation can be seen from a social perspective and an economics perspective. Nowadays, with online shopping, there are less people than before who shop on Black Friday, but there are still large groups nonetheless. Stores still have long lines of people waiting for the doors to open to purchase their goods, even though they can buy them earlier or online during Cyber Monday. Black Friday is still a hectic day for shoppers, which is why the observation that was made of most people waiting to buy goods is unusual, but that all depends on the buyers’ wants and decisions.