Deloitte.

2017 holiday survey

Retail in transition

Deloitte's 2017 Holiday Survey

Key Insights

Economic outlook & holiday spending

- Holiday shopping season accounts for more than $1 Trillion and more one quarter of annual US retail sales
- Holiday spending expectations continue to rise in large part due to improved household finances
- Gifts only represent one third of average holiday spend, with the bulk of shopper budgets going to non-gift items and experiences
- Average expected spend for the 2017 holiday season is $1,226 per respondent

Holiday shopping: What, where & when?

- The number of gifts shoppers buy has remained relatively flat since 2011, and clothing and gift cards tie for top gift category
- Half of consumers shop for themselves while shopping for others, and more than half expect to gift indulgences
- Internet sites and mass merchants remain the top shopping destinations, but internet sites widen their lead over other formats
- Shopping skews late in the season, with many shoppers seeking post-holiday sales to stock up on non-holiday items

Digital influence: Use of online & mixed channels

- Expectations of online spending (51% of budget) exceed those of in-store spending (42%) for the first time, after reaching parity last year
- Respondents report that online outperforms in-store along critical customer satisfaction dimensions of search and product quality and variety
- The vast majority of customers will use a desktop/laptop during the shopping journey, and conversion to purchase is high (75%)
- Propensity to shop via smartphone is up, taking on a whole variety of mobile payment forms

Retailer policies: Shipping & returns

- Three quarters of shoppers plan to take advantage of free shipping, and almost 90% consider free more important than fast
- Still, there are high expectations around shipping speed, with shoppers expressing low willingness to pay for even expedited terms
- Shoppers still plan to take advantage of in-store pick up options for cost savings and expediency, especially when shopping for home appliances, electronics and clothing
- Expectations of flexible returns policies and near-constant sales and promotions pervade the season

Shopping by age, income & education level

- Higher income shopper segments ($100K+) are expected to spend nearly double the market average ($2,226 vs. $1,226)
- Spending also varies with age, rising through the Baby Boomer generation and then declining significantly among Seniors
- Younger and higher income segments expect to spend more of their budgets online
- Internet leads among all income levels and age groups, but other venue preferences vary by income and age cohort

Economic outlook & holiday spending

Holiday shopping season accounts for more than one quarter of annual US retail sales

2017 retail holiday sales expected to rise by 4–4.5 percent over last year*

Holiday season is the **biggest shopping season** and involves...

126 Million households

>$1 Trillion retail sales

1/4 of annual retail sales**

>$110 Billion online sales

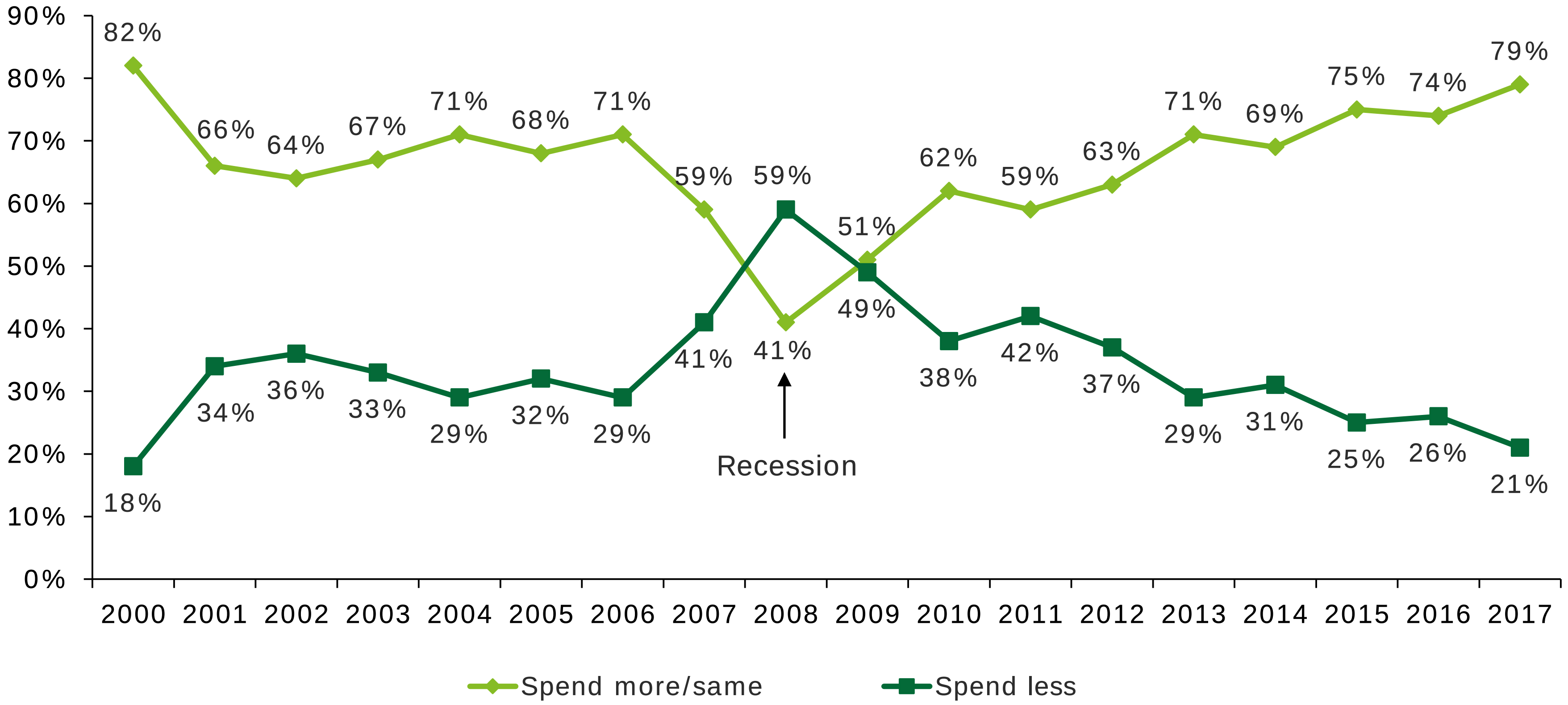
*According to Deloitte's 2017 holiday season forecast, published September 20, 2017.

**According to US census, 2016/17 annual retail sales were $3.7 trillion. Deloitte estimates $1 trillion would be ~1/4 annual retail sales.

Holiday spending expectations continue to rise

Almost 80% of consumers expect to spend the same or more this holiday season

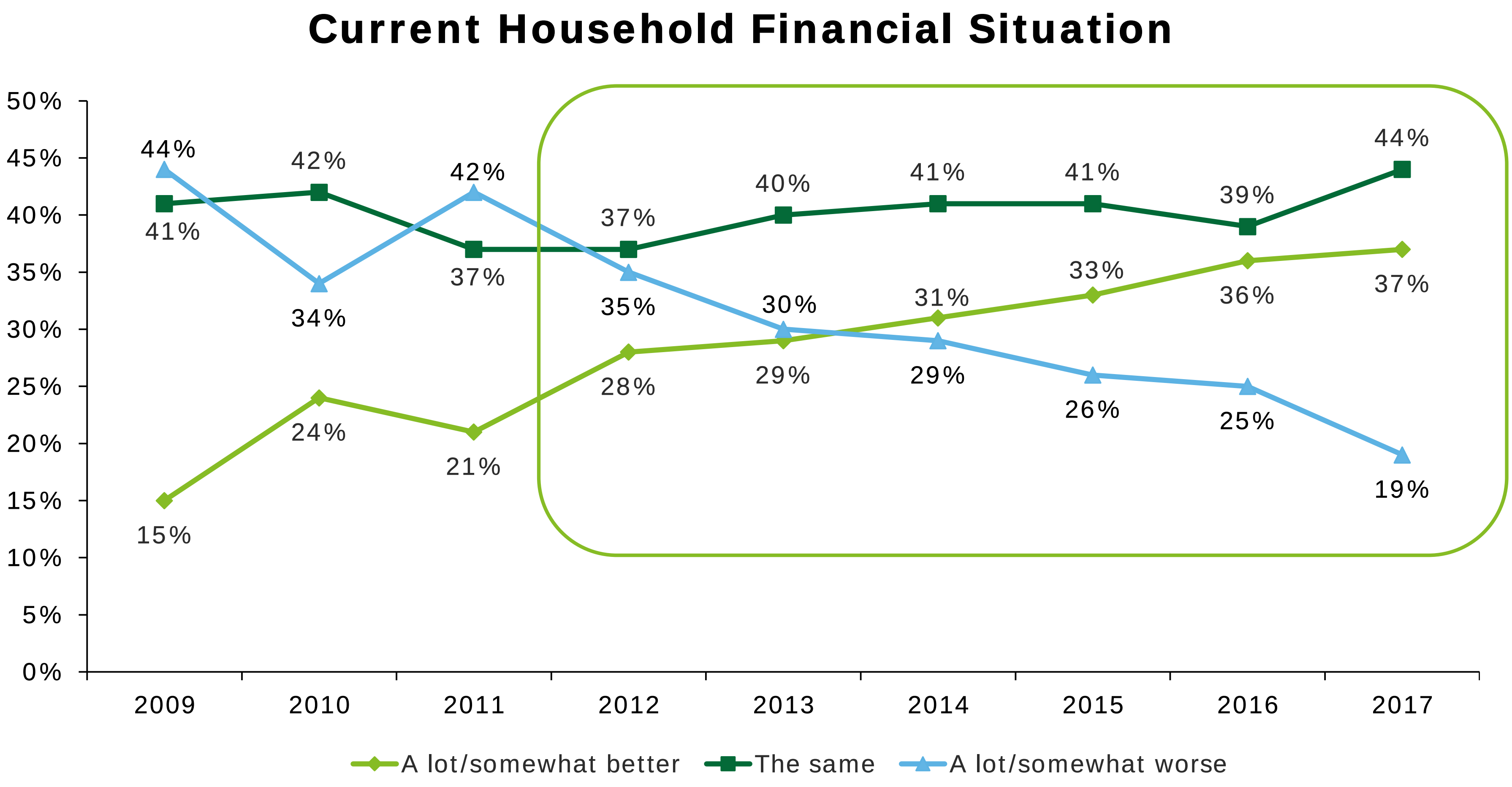
Compared to Last Holiday Season…



"How will your total holiday spending compare with last year's holiday season? Please consider all holiday gifts, holiday entertainment/socializing, holiday decorations, holiday donations, etc."

Stronger household finances improve spending sentiment

More households perceive their financial situation as the same or better (81%) and fewer perceive their financial situation as worse (19%)



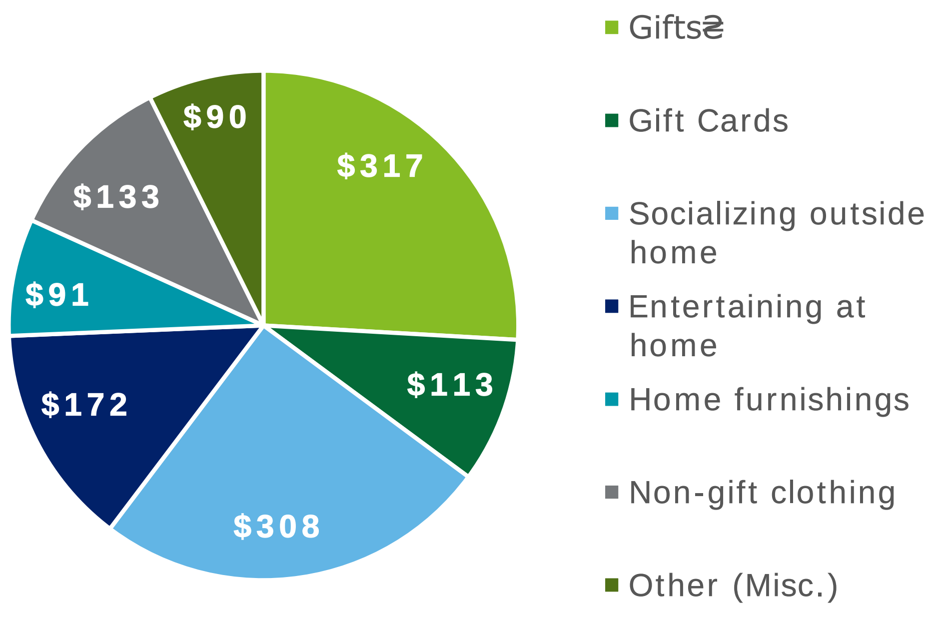
“Thinking about your household's current financial situation, would you say it is...”

Gifts only represent one third of average holiday spend

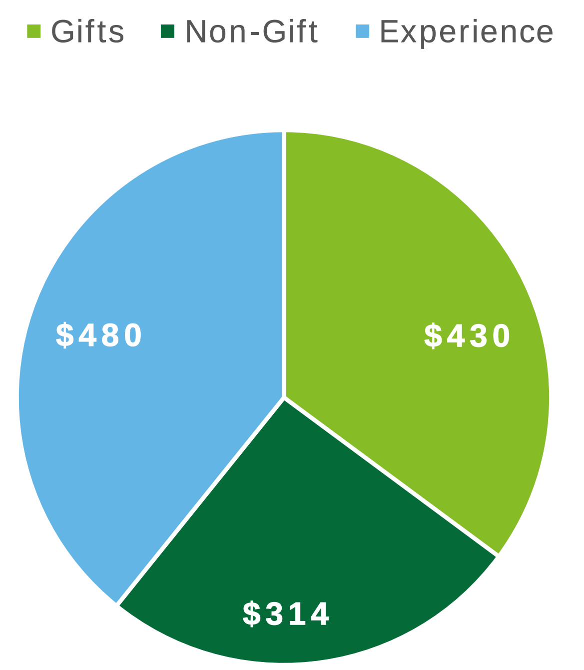
Non-gift categories – like socializing, entertaining and clothing for oneself – comprise the bulk of non-gift seasonal spending

Anticipated average spend (2017): $1,226

Category spend



Gift vs. non-gift spend



₴ Actual products not gift cards.
* Socializing & entertainment
◊2016 average gift spend ($426/-1% less)

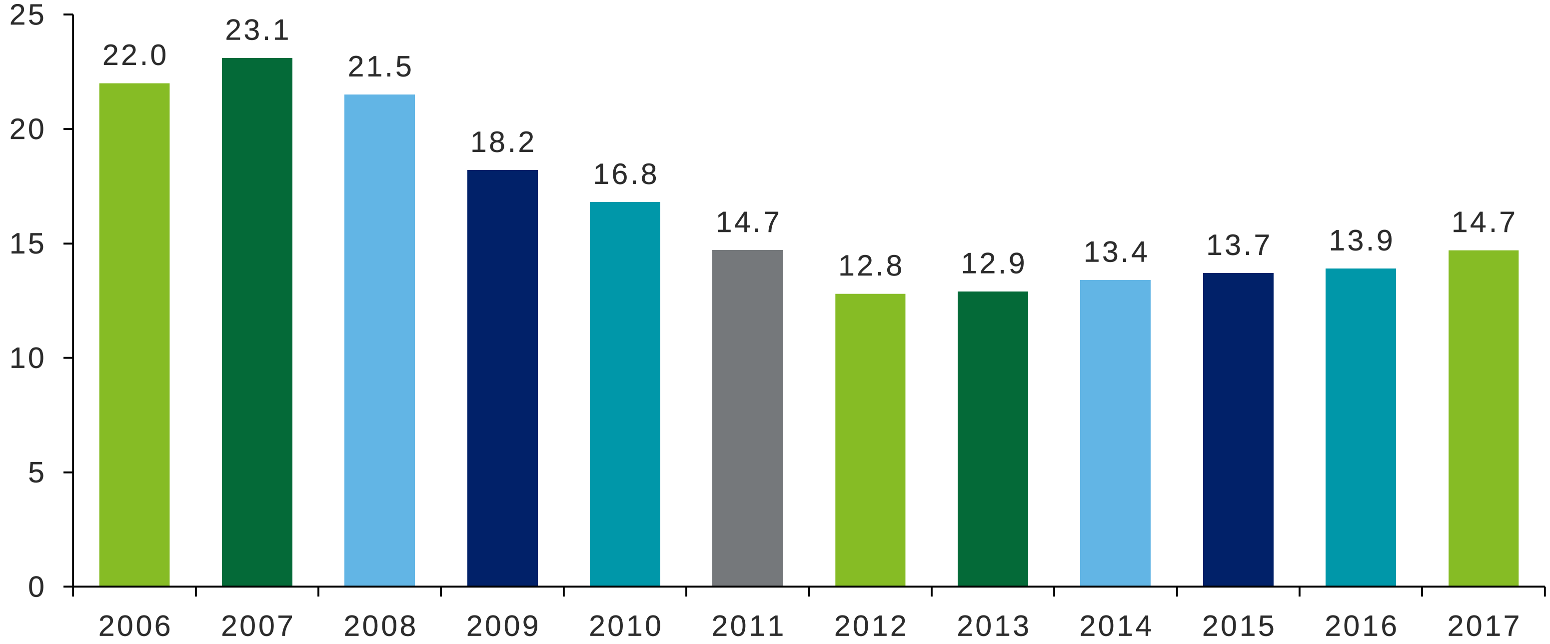
Holiday shopping:

What, where & when?

The number of gifts shoppers purchase has remained relatively flat since 2011

On average, consumers plan to purchase nearly 15 gifts

Number of Gifts Purchased



"In total, what is the number of gifts, including gift certificates/cards that you expect to buy this holiday season?"

Roughly one quarter of shoppers plan experiences or entertaining in lieu of traditional gifts

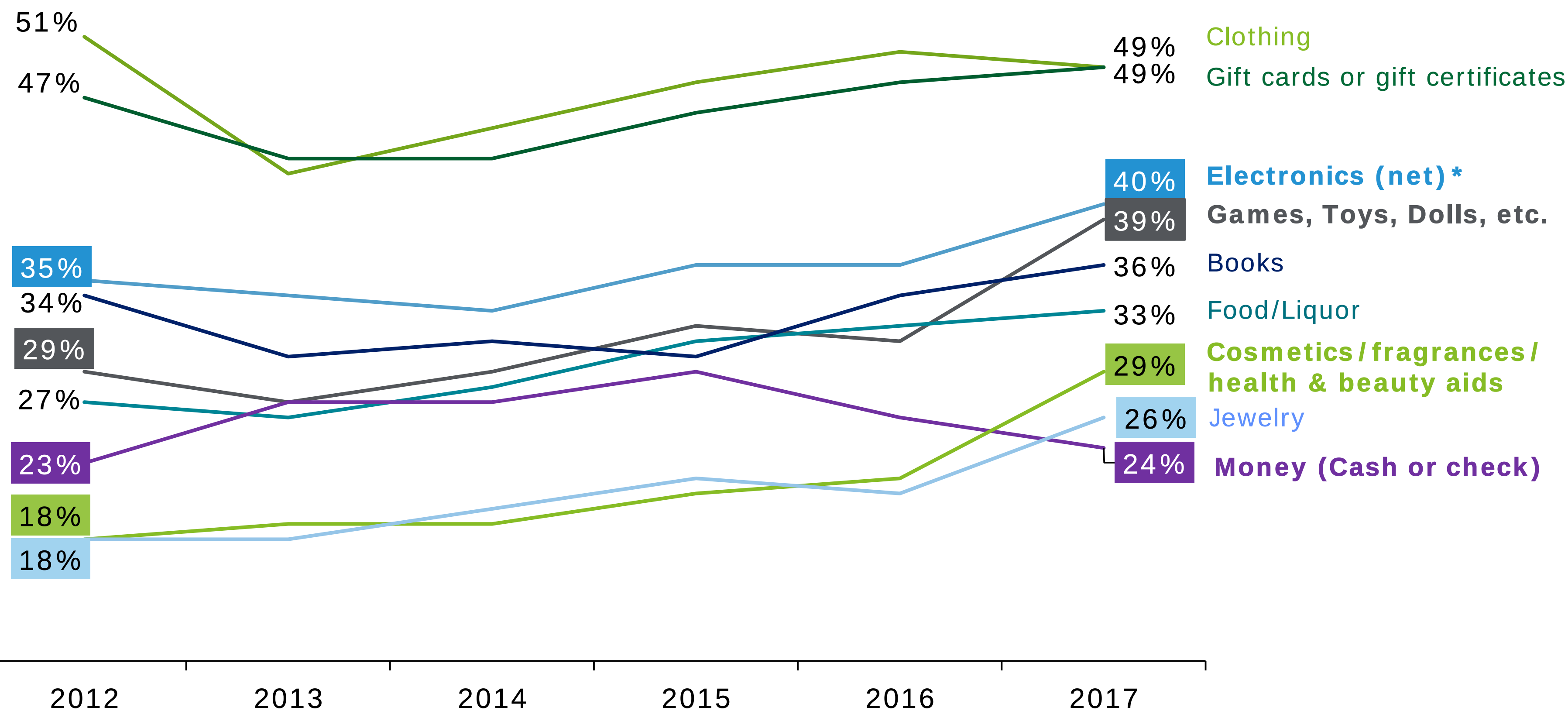
27% I prefer to **buy gifts that are an experience** (e.g., concert/show, vacation, restaurant, etc.) for the recipient

24% I plan to **host or attend more holiday events with friends and/or family** than participate in traditional gift exchange

"Using a scale of 1 through 5, where 1 means you "Very much disagree" and 5 means you "Very much agree", please state how much you agree with each of the following statements."

Clothing and gift cards tie for the top gift giving spot

Electronics and games & toys rise in popularity and luxury categories continue to climb



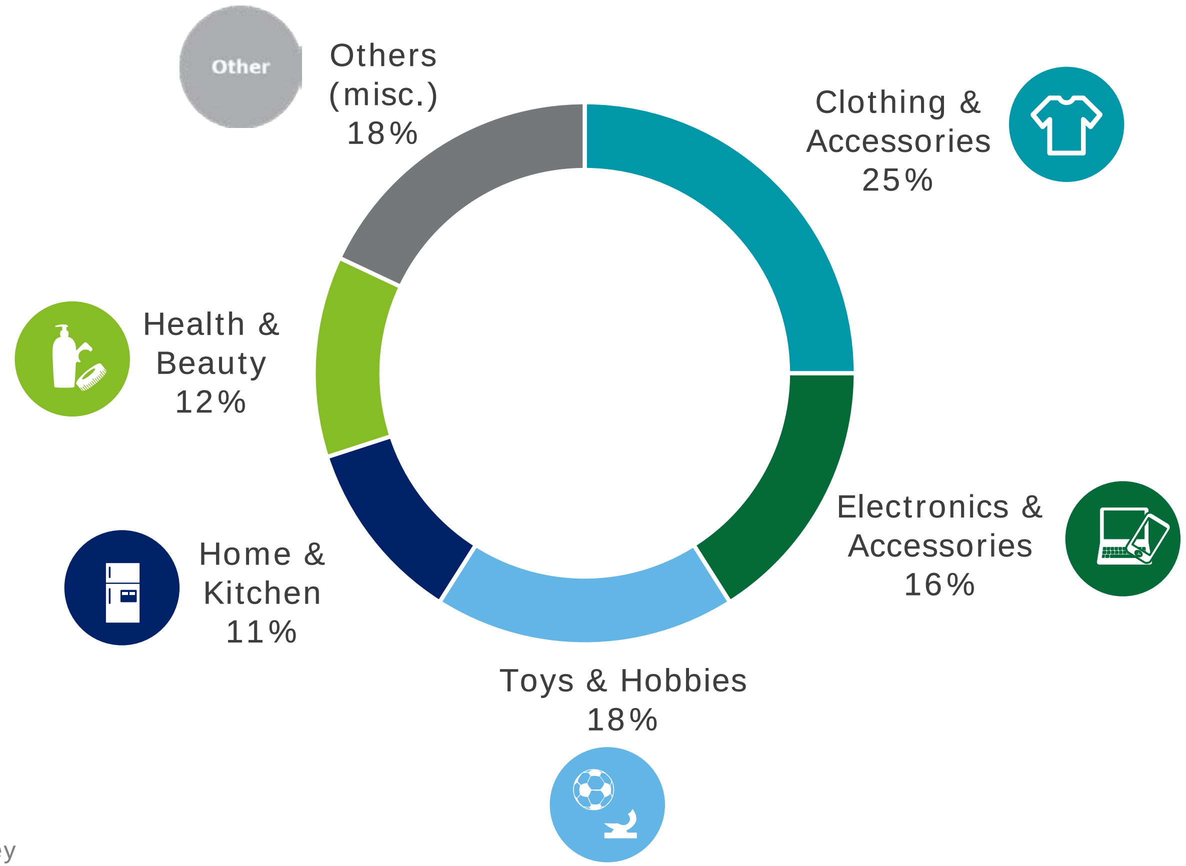
Electronics (42%), gift cards (39%) and cash (36%) are the top gifts to receive

"Which of the following types of gifts do you plan to buy this holiday season? And which of the following gifts would you like to receive this holiday season?"

*Games, Toys, Dolls, etc. (excluding computer games or video games)

Clothing consumes 25% of planned budget, with toys (18%) and electronics (16%) rounding out 60% of shoppers' total allocation

Percent of average anticipated gift spend

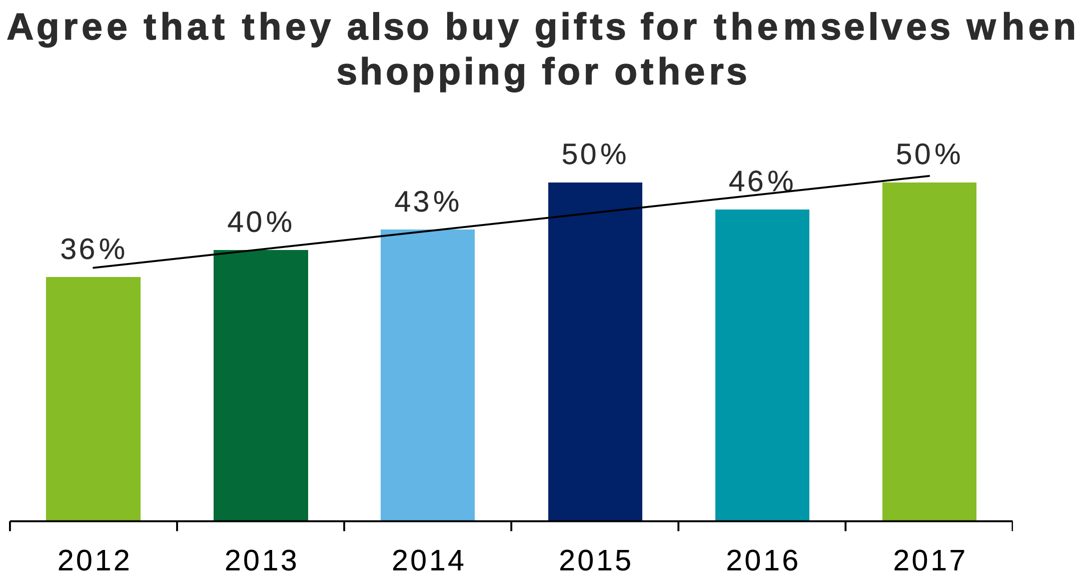


Source: Deloitte survey
Avg. spend is calculated only for the respondents who plan to purchase at least one item from the above mentioned categories
*Others include data plans, gift cards/gift certificates/money, tickets to events, and socializing experiences.
N=5085

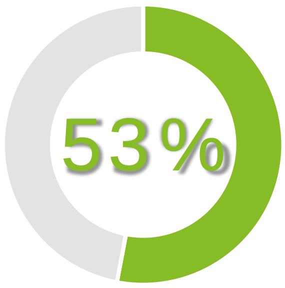
Half of consumers shop for themselves while shopping for others

More than half plan to spoil their recipients with indulgent gifts

Shop for themselves



Give indulgent gifts

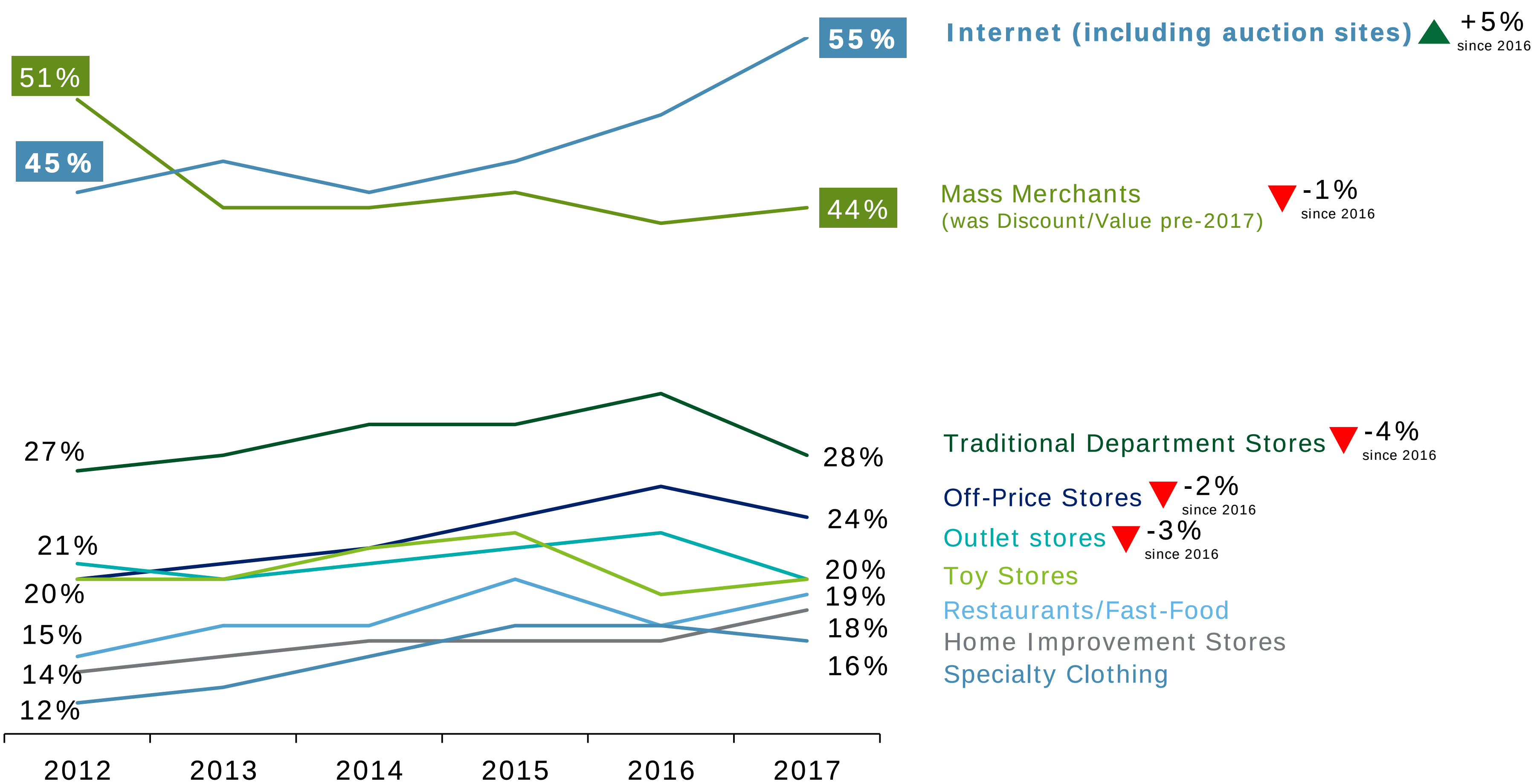


Prefer to buy gifts that are more likely to be indulgences that people will not buy for themselves

"Using a scale of 1 through 5, where 1 means you "Very much disagree" and 5 means you "Very much agree", please state how much you agree with each of the following statements."

Internet sites and mass merchants remain top two destinations

Internet stores widen their lead

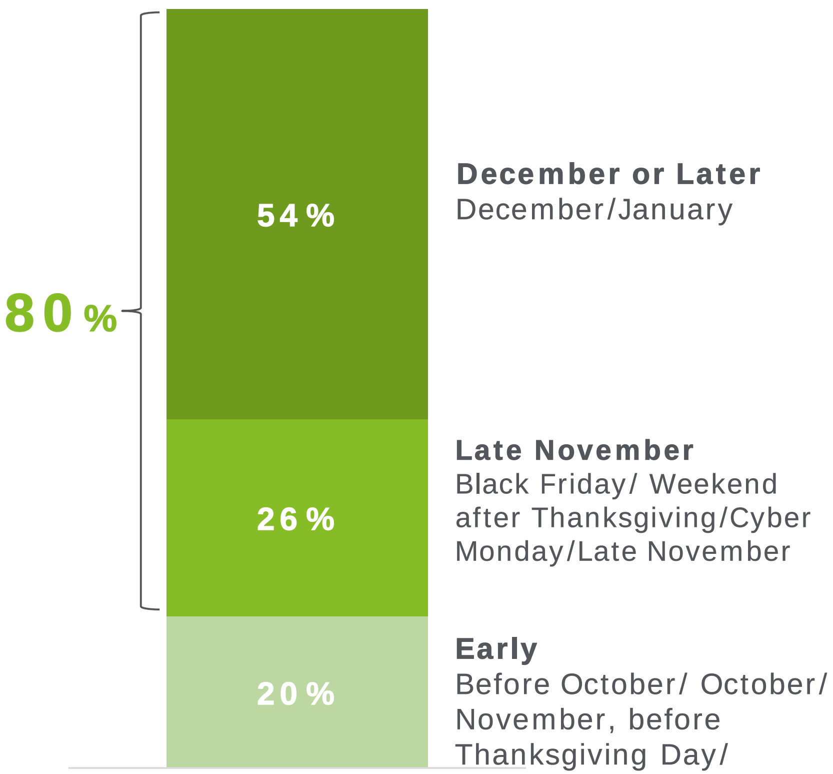


“At which of the following retail sources or venues will you likely shop for holiday gifts?”
“How many individual shopping trips do you expect to take when purchasing holiday gifts over the next several months? (A "trip“ is defined as a single outing to visit one or more physical stores.)”

Most consumers complete their shopping after Thanksgiving

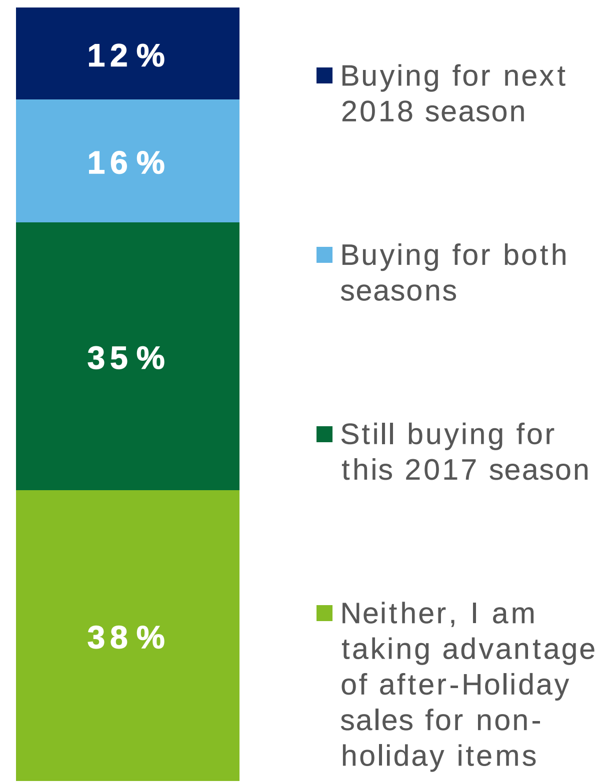
Nearly 40% of after-Christmas shoppers are buying non-holiday items

When shoppers will complete majority of shopping



One in five shoppers will spend 23% of budget after December 25th

Among those who shop after December 25th, reasons are:



"By which one of these days or months do you expect to complete the majority of your holiday shopping this year?"
"Will any of your holiday shopping be after Christmas Day (December 25th)?"
"Thinking about all of the holiday shopping you will be doing this holiday season, what percentage of your total holiday shopping will be done after Christmas Day - meaning December 26th through the 31st, or in January 2018?"
"When you shop this year after Christmas day, will you still be buying items for this 2017 Holiday season, or for the next 2018 Holiday season?"

Digital influence:

Use of online & mixed channels

Online pulls ahead as the destination for spend after reaching parity in 2016

Desktop/laptop is still the go-to method for online spending

% Spending by Purchasing Method

% Spending by Purchasing Method	2017
Online Desktop/Laptop	36%+
Online Mobile/Smartphone	10%+
Online Tablet	5%
In-store	42%
Catalog/Direct Mail	4%
Other	3%

Online
51%
Of dollars spent

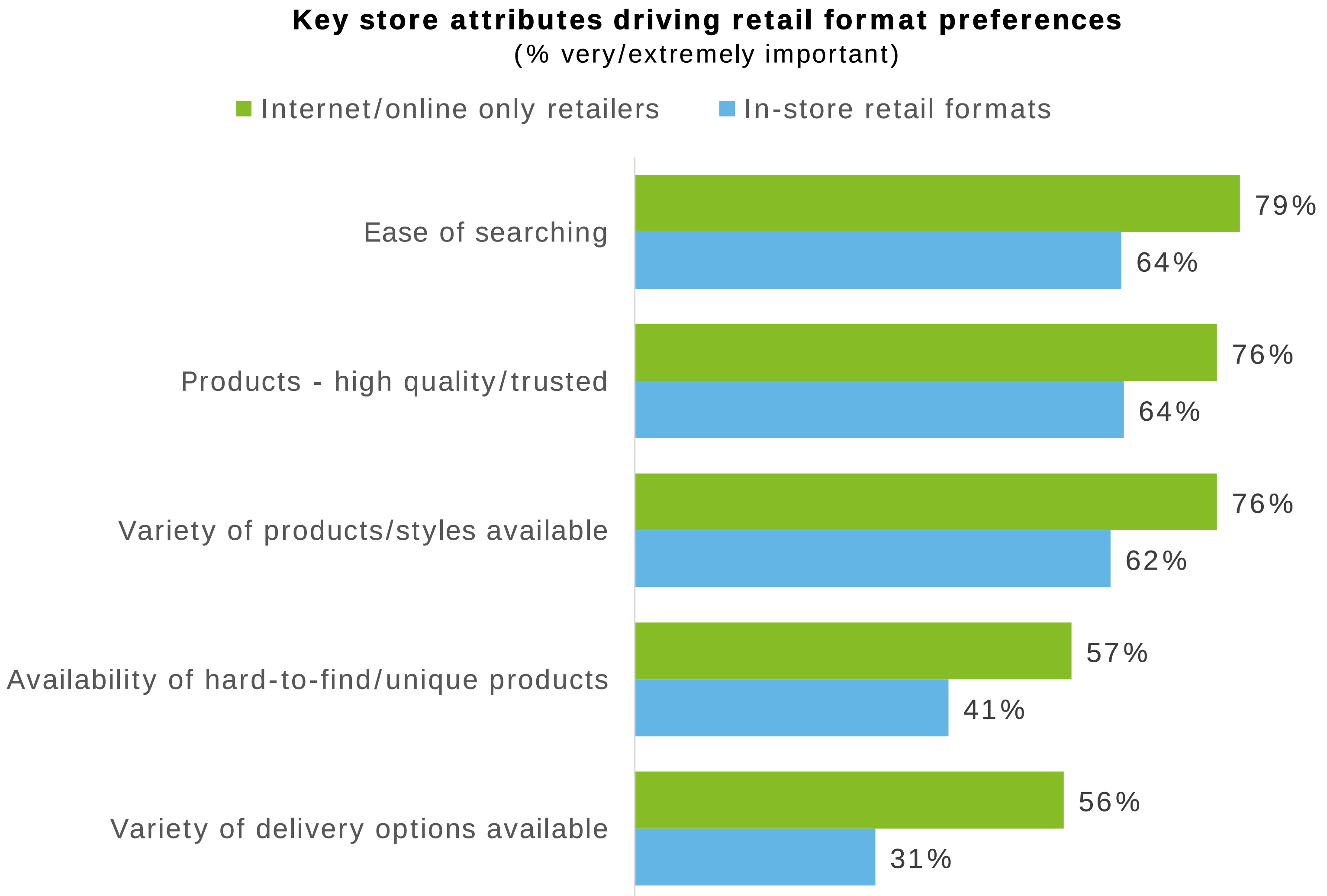
47% in 2016

In store
42%
of dollars spent

47% in 2016

"What percentage of your total holiday budget do you expect to spend...?

Online is winning by outperforming in-store venues in five key areas



* Findings from 28 retail formats

Note: The above chart depicts findings related to top 3 of 28 retail formats and 5 of 18 store attributes evaluated in Deloitte's 2017 holiday survey. In-store retail formats include traditional department stores, mass merchant department stores, warehouse membership clubs, supermarkets, etc.

Still, for many retailers, maintaining a dual in-store and online presence will remain important

50% I prefer shopping online rather than in the physical store during the holiday season

36% I prefer shopping in the physical store rather than online for holiday products

32% It is important that the retailers I shop at have both a store I can visit and an online site

"Using a scale of 1 through 5, where 1 means you "Very much disagree" and 5 means you "Very much agree", please state how much you agree with each of the following statements."

The vast majority of customers will use a desktop/laptop during their holiday shopping journey

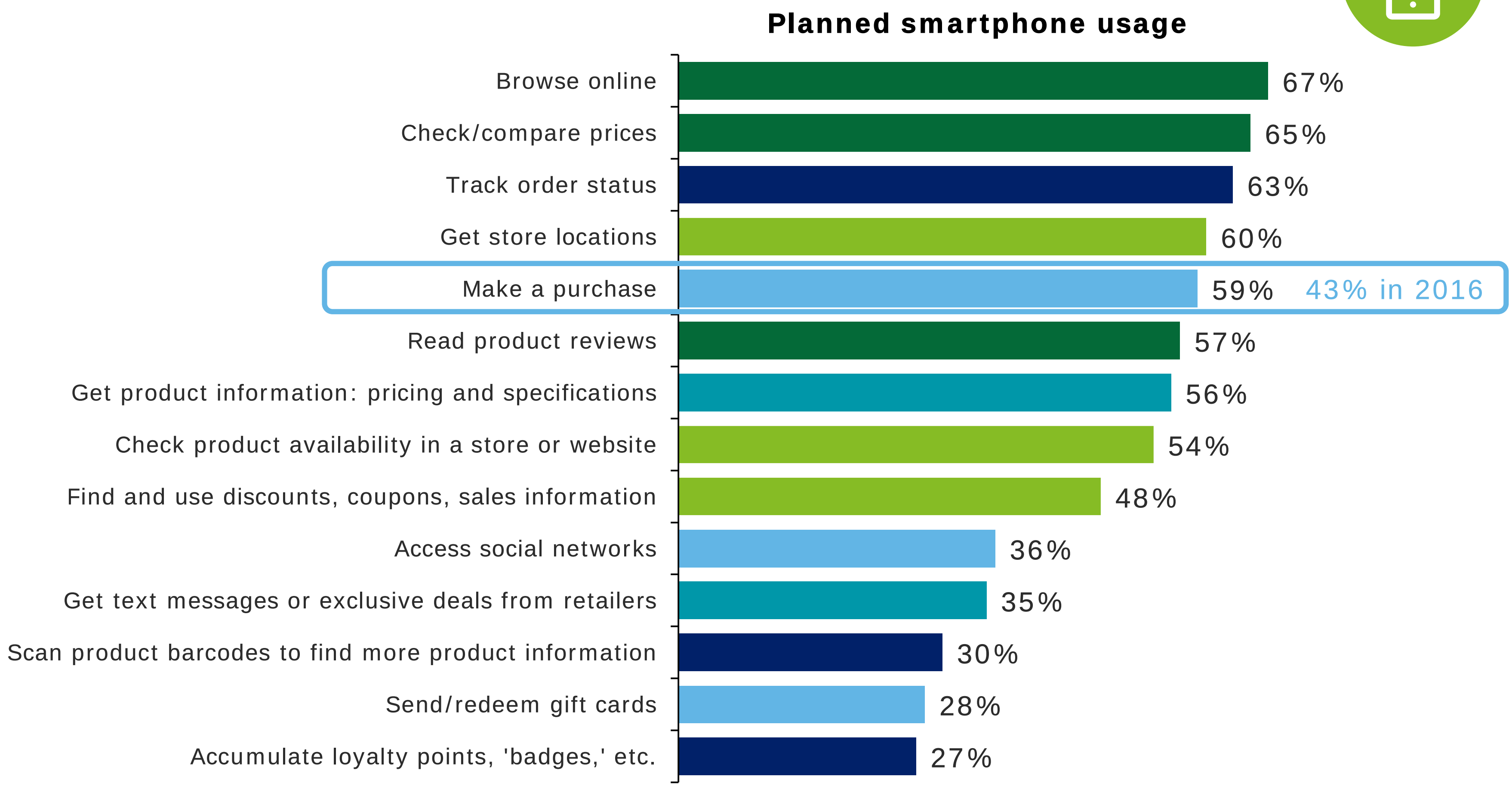
The probability of converting a desktop/laptop shopper to purchaser is 75%

83% use desktop/laptop for holiday shopping

"How do you plan to use desktop/laptop to assist you in your holiday shopping?"
*Probability is based on a 100% base of 83% that use a desktop/laptop for holiday shopping

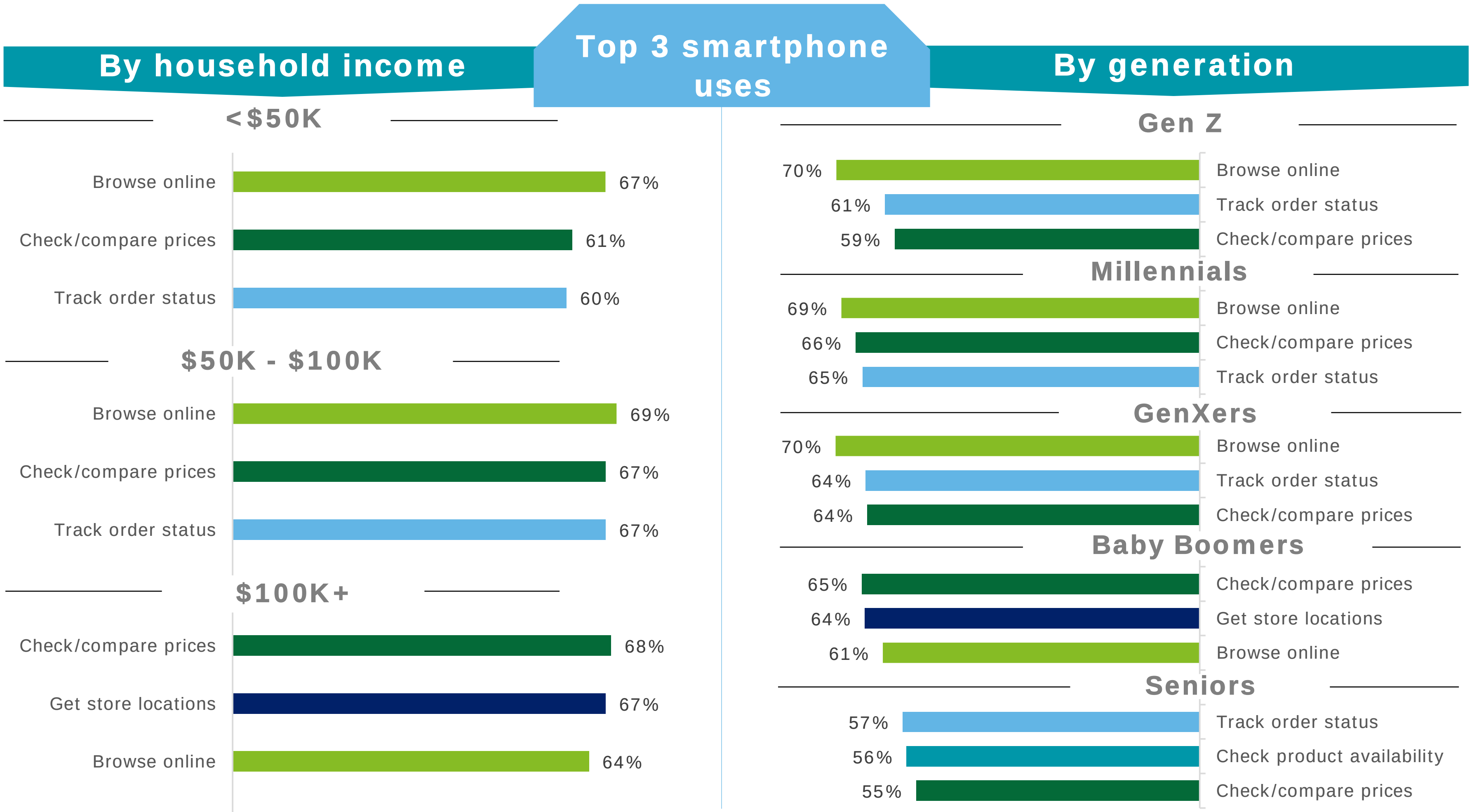
Smartphones are widely used for browsing and price comparisons

The probability of converting a smartphone shopper to purchaser is 59%, significantly higher than last year



"How do you plan to use tablets, smartphones, or desktop/laptop to assist you in your holiday shopping?"

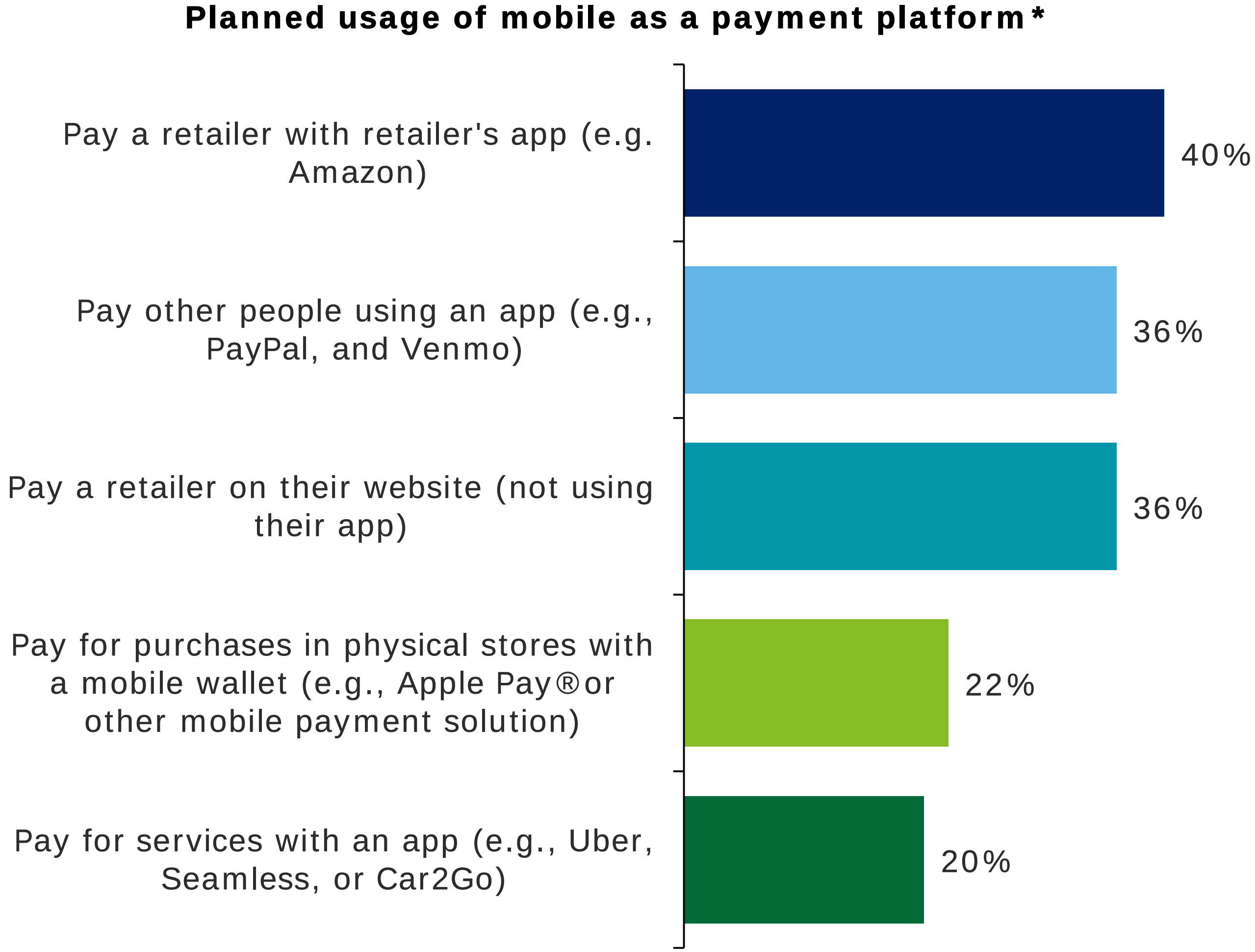
Usage of a smartphone in the shopping journey varies slightly by income and age group



““How do you plan to use smartphones to assist you in your holiday shopping? Base: [Among Those Using Smartphone to Holiday Shop]?”

Paying by smartphone takes on many forms for shoppers

Smartphone shoppers most often turn to dedicated retailer apps or payment apps



*Multiple Choice. Will not =100%

12AC—N=Weighted Base 2034

Retailer policies: Shipping & returns

The majority of shoppers plan to take advantage of free shipping

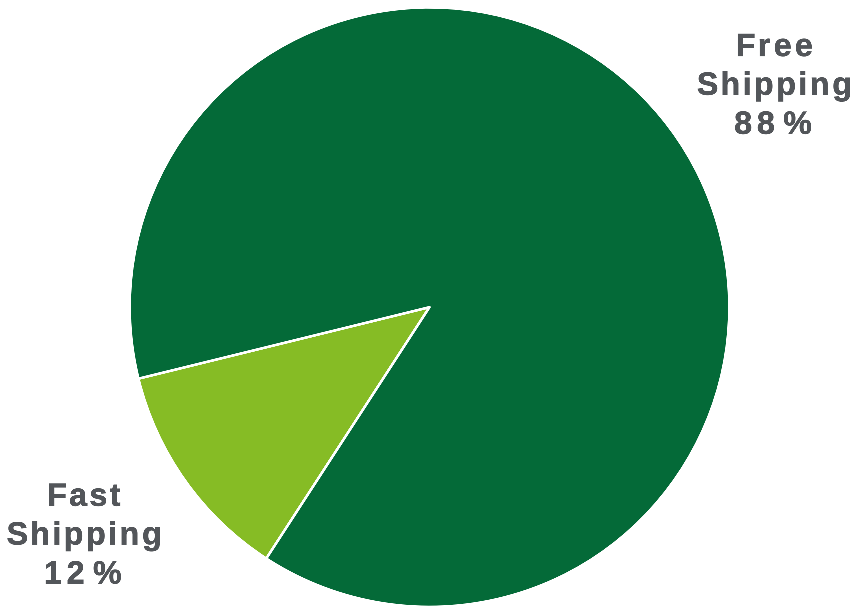
Other notable retailer policies include easy returns and price matching

"In general, what retail offerings will you take advantage of when spending this holiday season?"
"What percentage of your total holiday purchases will be influenced by any coupons and promotional offers that you receive?"

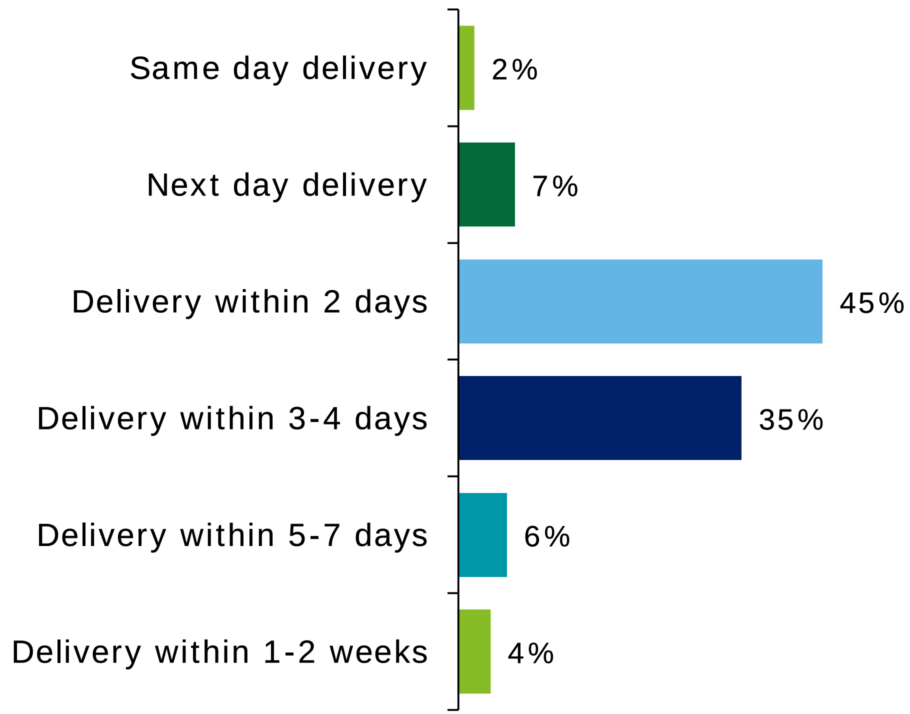
Free shipping is more important than fast shipping

The vast majority believe fast shipping means delivery within 2-4 days

More Important…



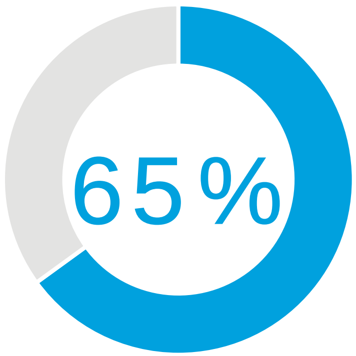
Perception of Timeframe



"When you are shopping online, which of these two promises below would be more important to you?"
"Which of the following would you consider to be 'fast shipping' and which would you not consider to be 'fast shipping'?"

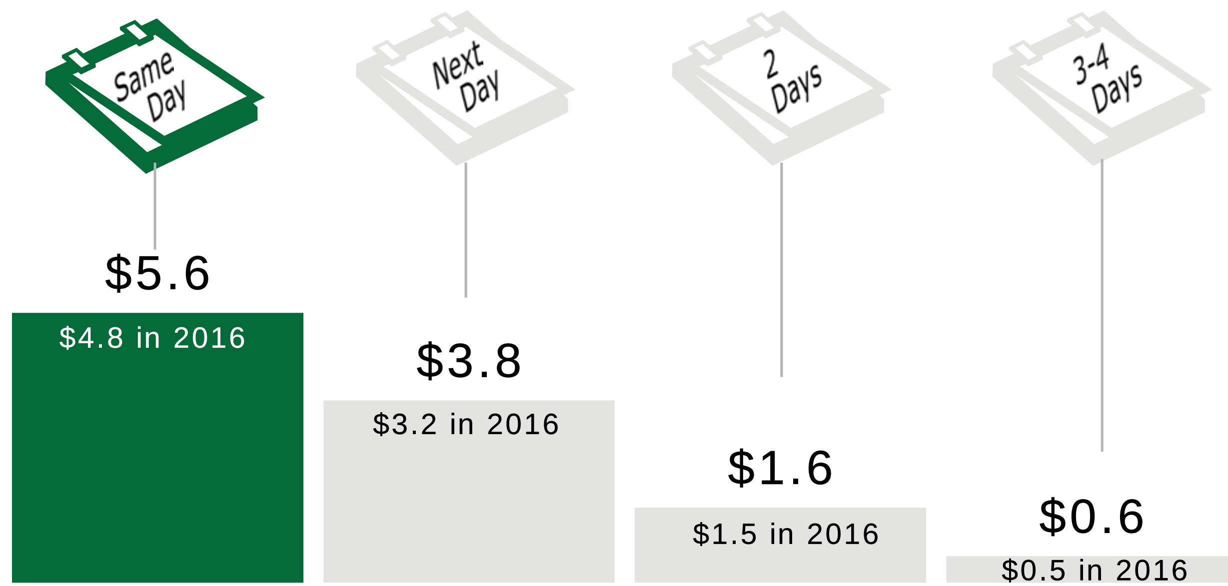
Willingness to pay for shipping remains low

Most expect fast shipping but are only willing to pay a few dollars for same or next day delivery



Think they could order sometime after December 17th and still get free shipping

On average, would pay an extra…



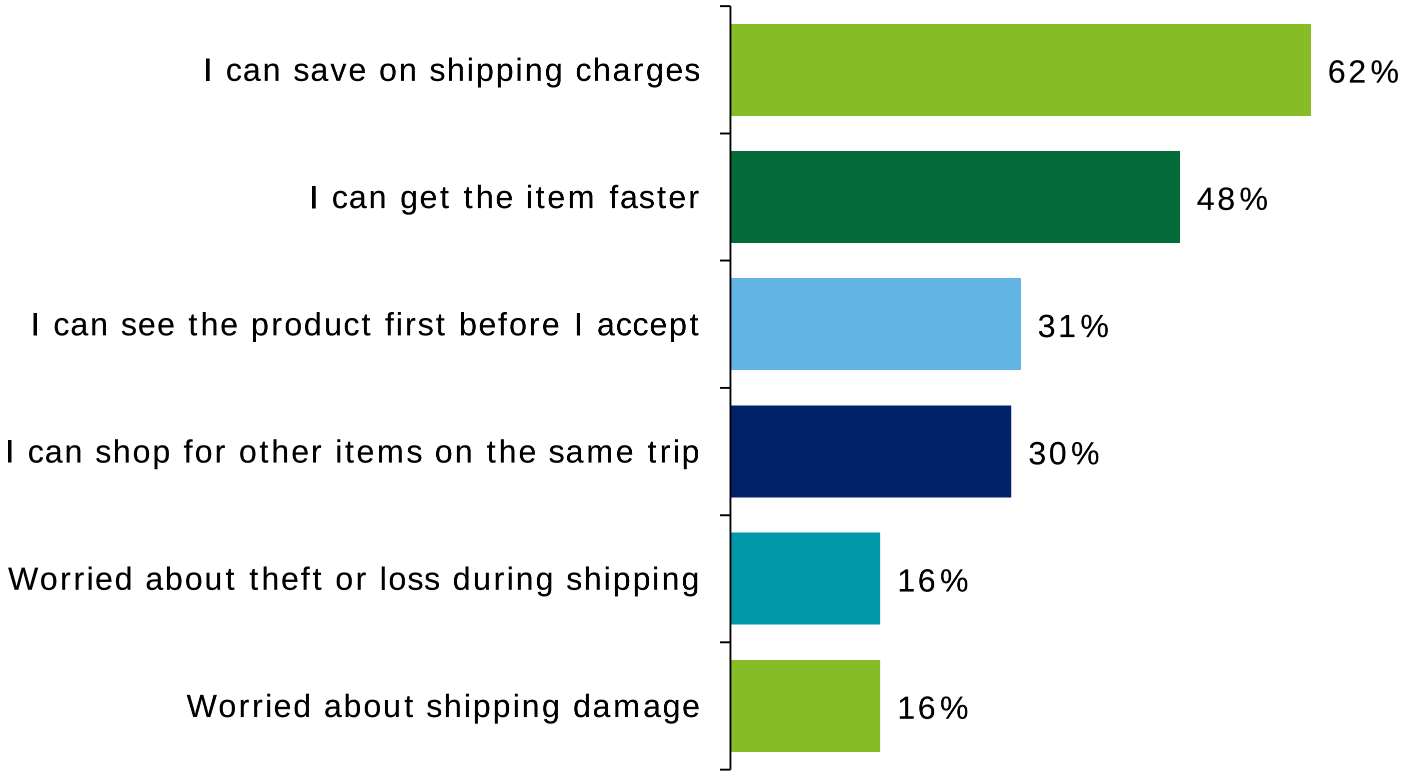
Would pay nothing extra for this	25%	32%	64%	88%

"How much extra, might you be willing to pay above and beyond regular shipping costs to receive a standard-sized gift package (price defined as $50-$100 US) within the shipping timeframes below?"
"What is the latest day you think you can order gifts this year and still receive them by December 24th, under two types of shipping below? Assume a standard sized package."

Savings and speed compel shoppers to pick up items in store

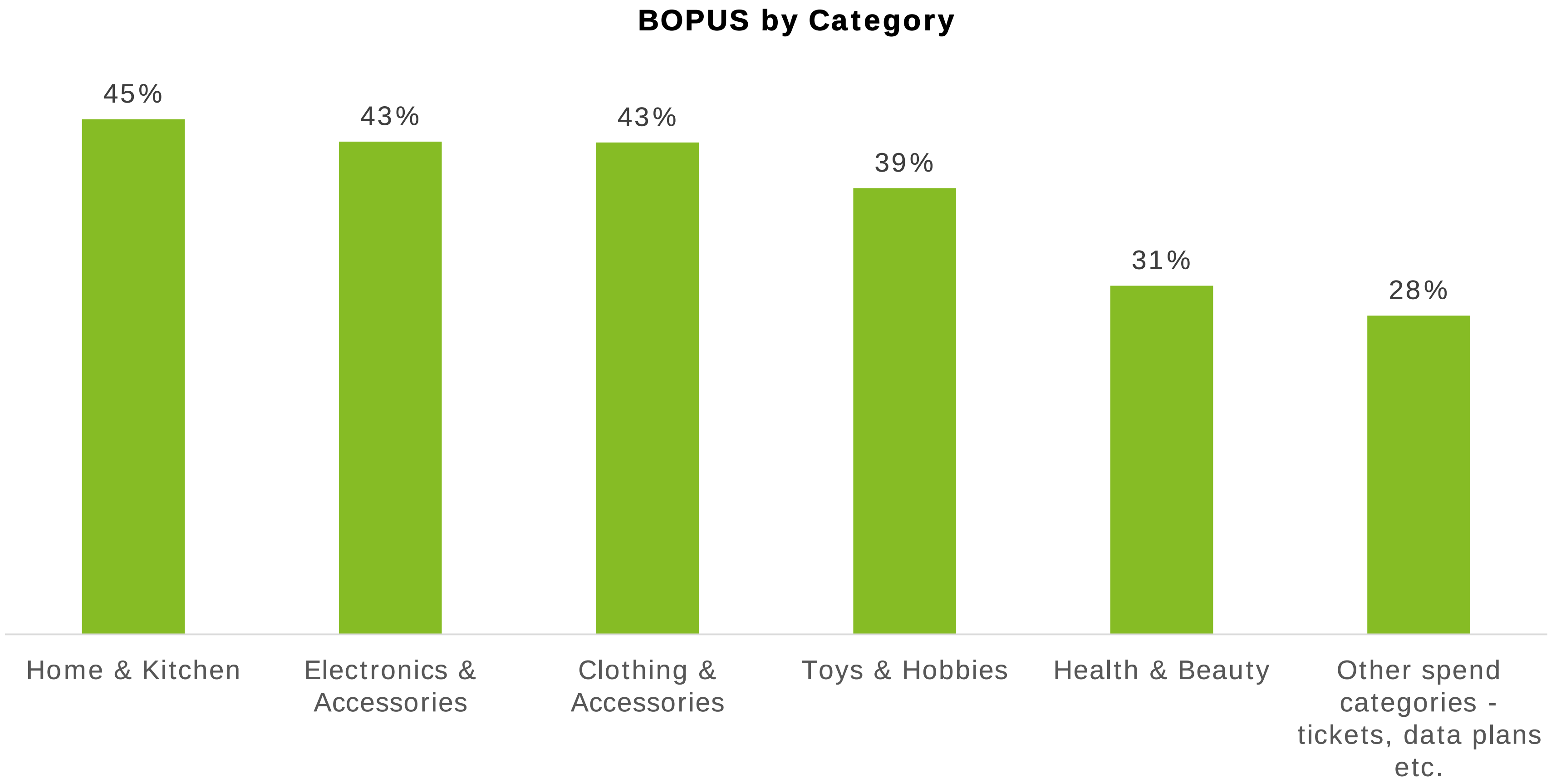
43%

Likely to do store pick-up for certain items*



"How likely will you be this holiday season to buy a product online and then instead of having it shipped to you, you will go to the store to pick up the item?"
"Why are you likely to buy online but pick up at the store?"
*Bopus: Certain categories include: 45% -- Electronics / 45% Home & Kitchen

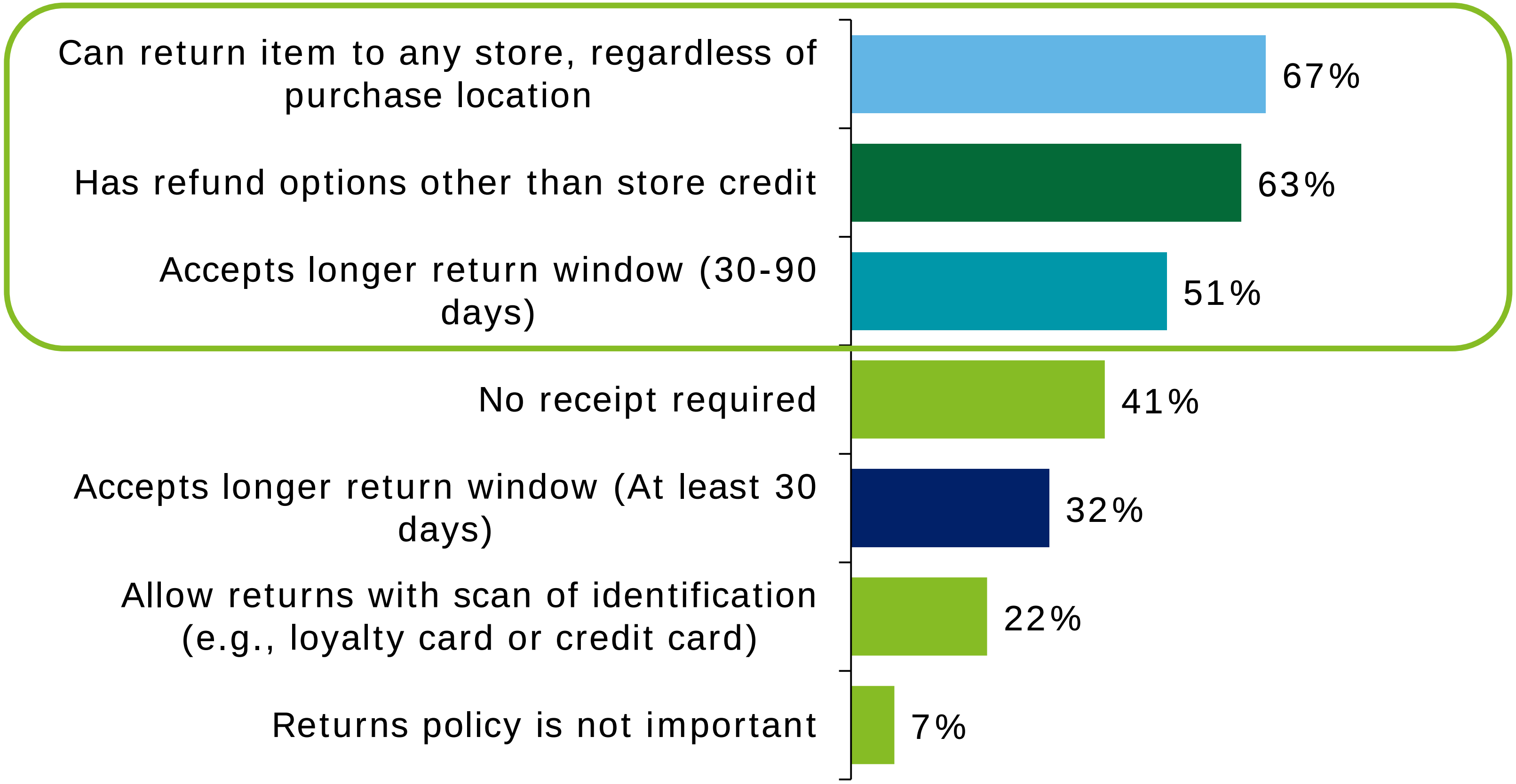
Home appliances, electronics and clothing top the list of categories shoppers plan to buy online but pick up in the physical store



Methodology:

- The 'highest spend category' was identified for each respondent as the category which received more than 50% of the shopper's holiday budget.
- If no category received more than 50% of the holiday budget spend, then the respondent was categorized under 'No-specific category'.

Most desirable return policies are returns to any store, generous refund options and long return windows



"When holiday shopping in either an online or a physical store, which of these return policies are most important to you?"

Deals still compel to many shoppers, who will seek out opportunities to save

53% I don't rely on Black Friday as much as I used to

44% I wait for **holiday sales** to buy other larger or big ticket items for myself or household

42% I know things will eventually go on sale so I only **buy sale items** when holiday shopping

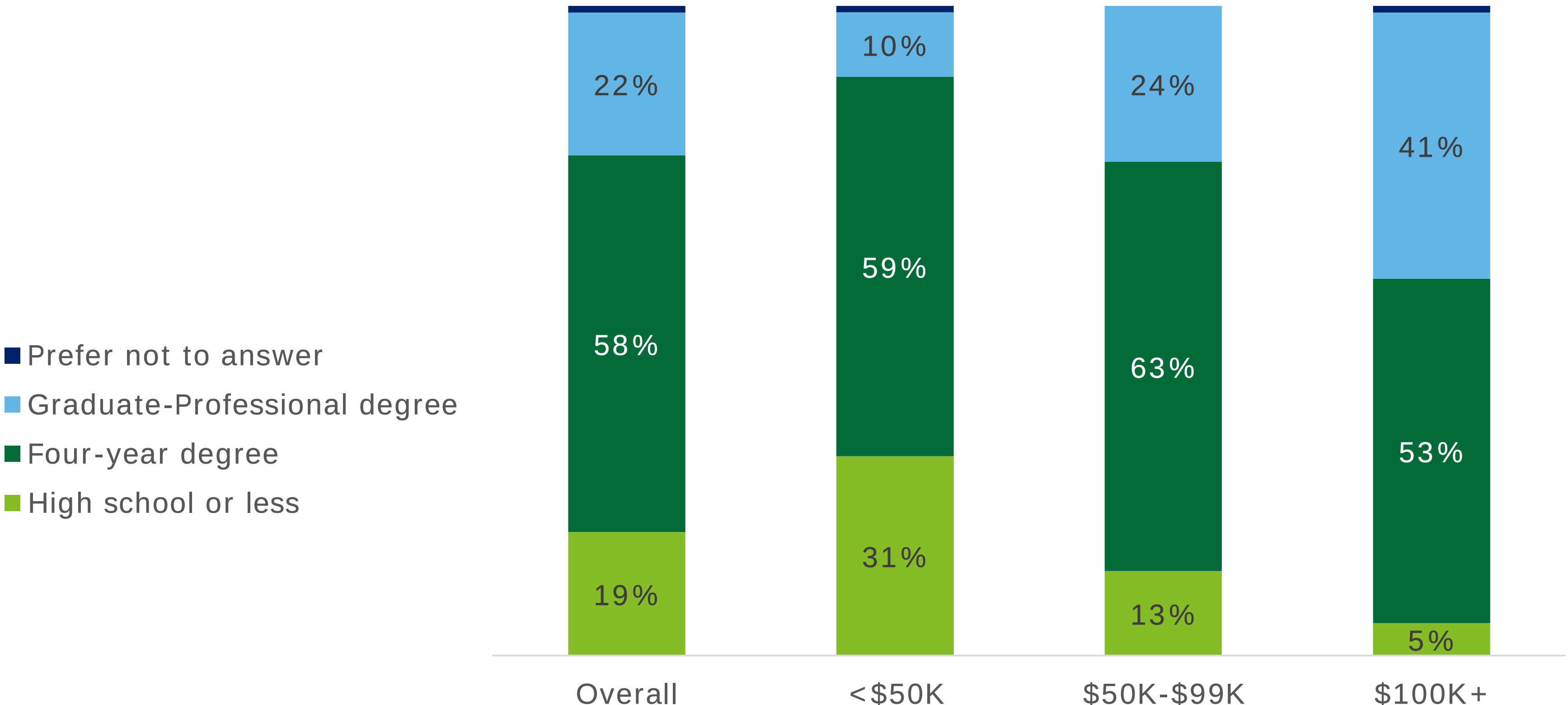
80% of respondents and 34% of purchases will be influenced by coupons/promotional offers

"Using a scale of 1 through 5, where 1 means you "Very much disagree" and 5 means you "Very much agree", please state how much you agree with each of the following statements."

Shopping by age, income & education level

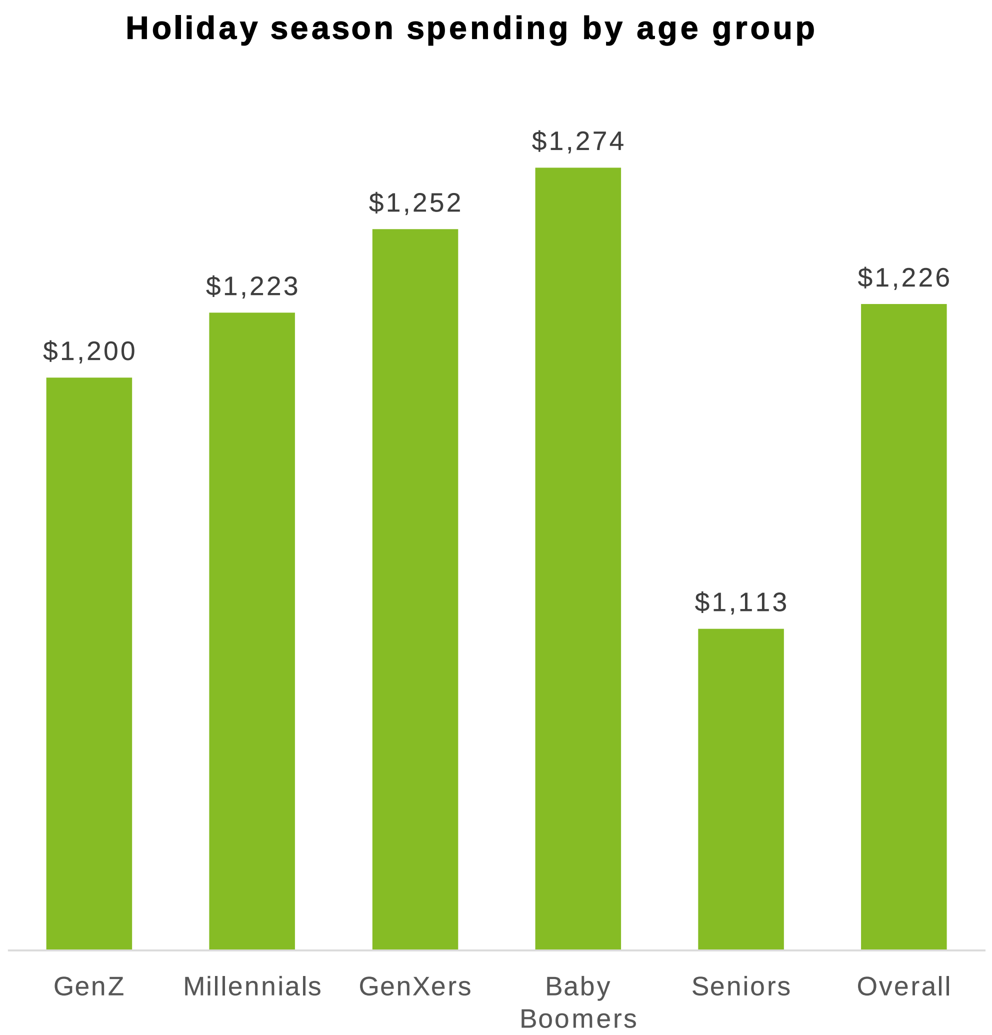
Higher income shopper segments ($100K+) are expected to spend nearly double the market average

Education level of respondents by household income group (%) and anticipated 2017 holiday spend



Average holiday spend	Overall	<$50K	$50K-$99K	$100K+
	$1,226	**$598**	**$1,232**	**$2,226**

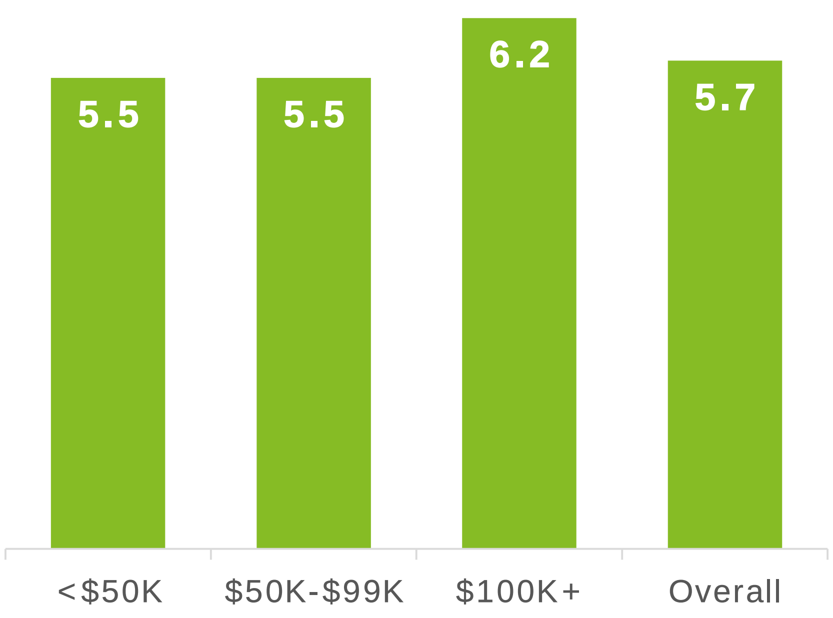
Spending also varies with age, rising through the Baby Boomer generation and then declining significantly among Seniors



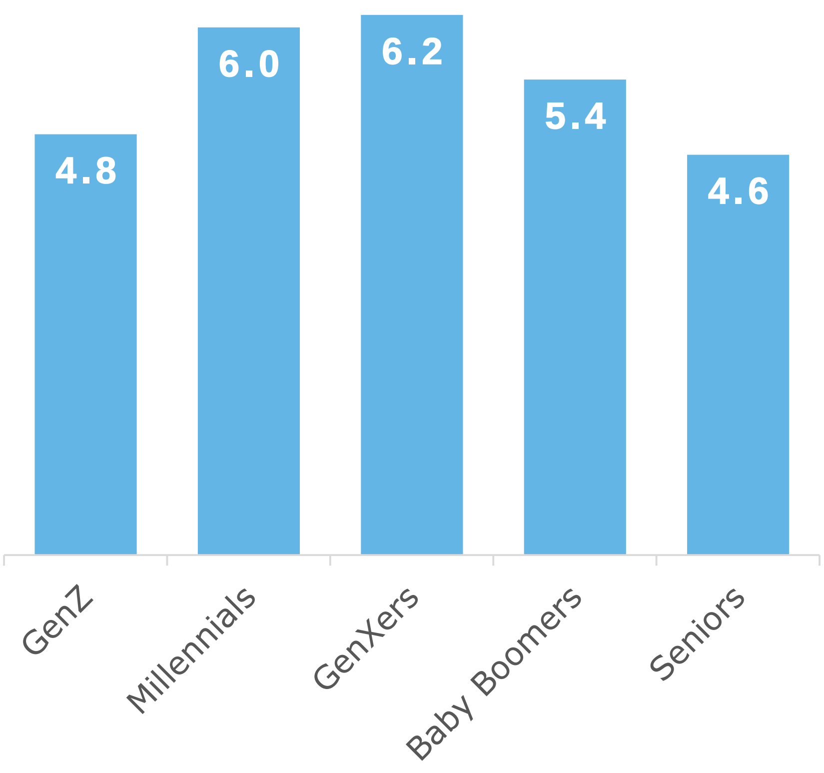
Shoppers average 5.7 shopping trips during the season

GenXers and higher income households (>$100K) plan to make the most trips

Average shopping trips by income level



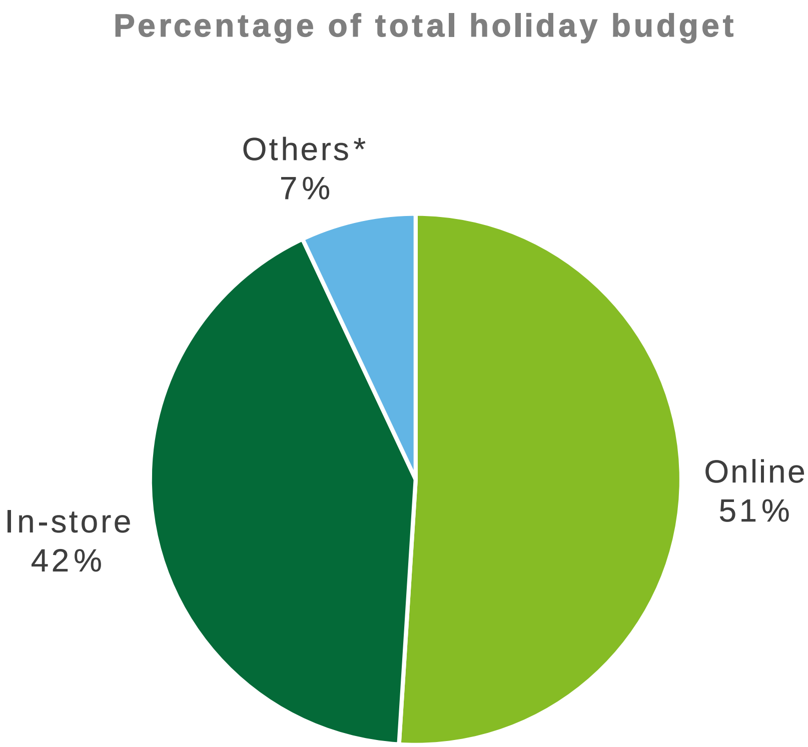
Average shopping trips by generation



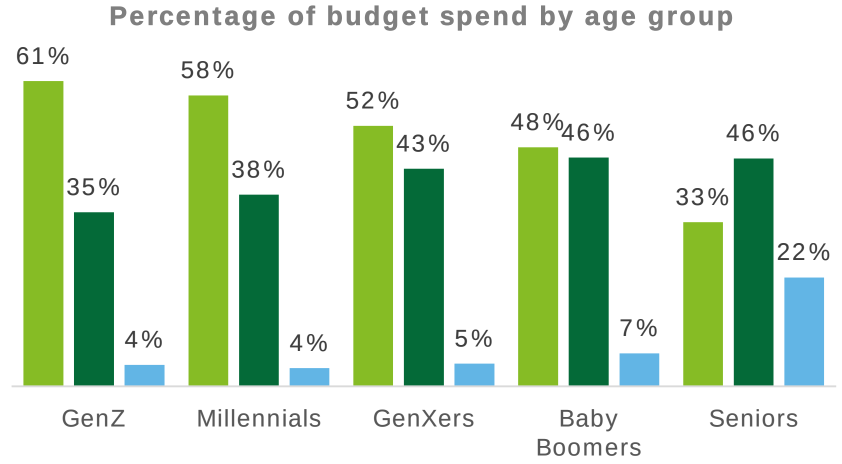
"How many individual shopping trips do you expect to take when purchasing holiday gifts over the next several months?"

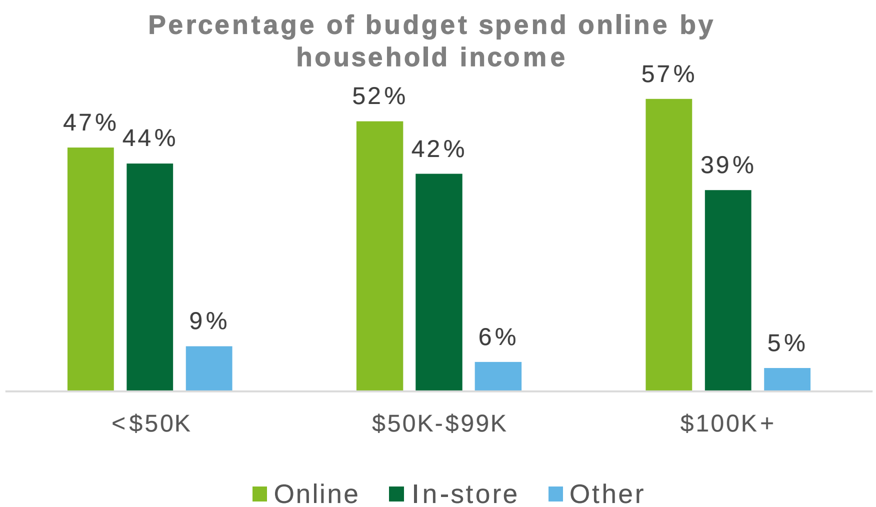
Shoppers expect to spend more than half of their budget online

Younger shoppers and higher income shoppers skew more online



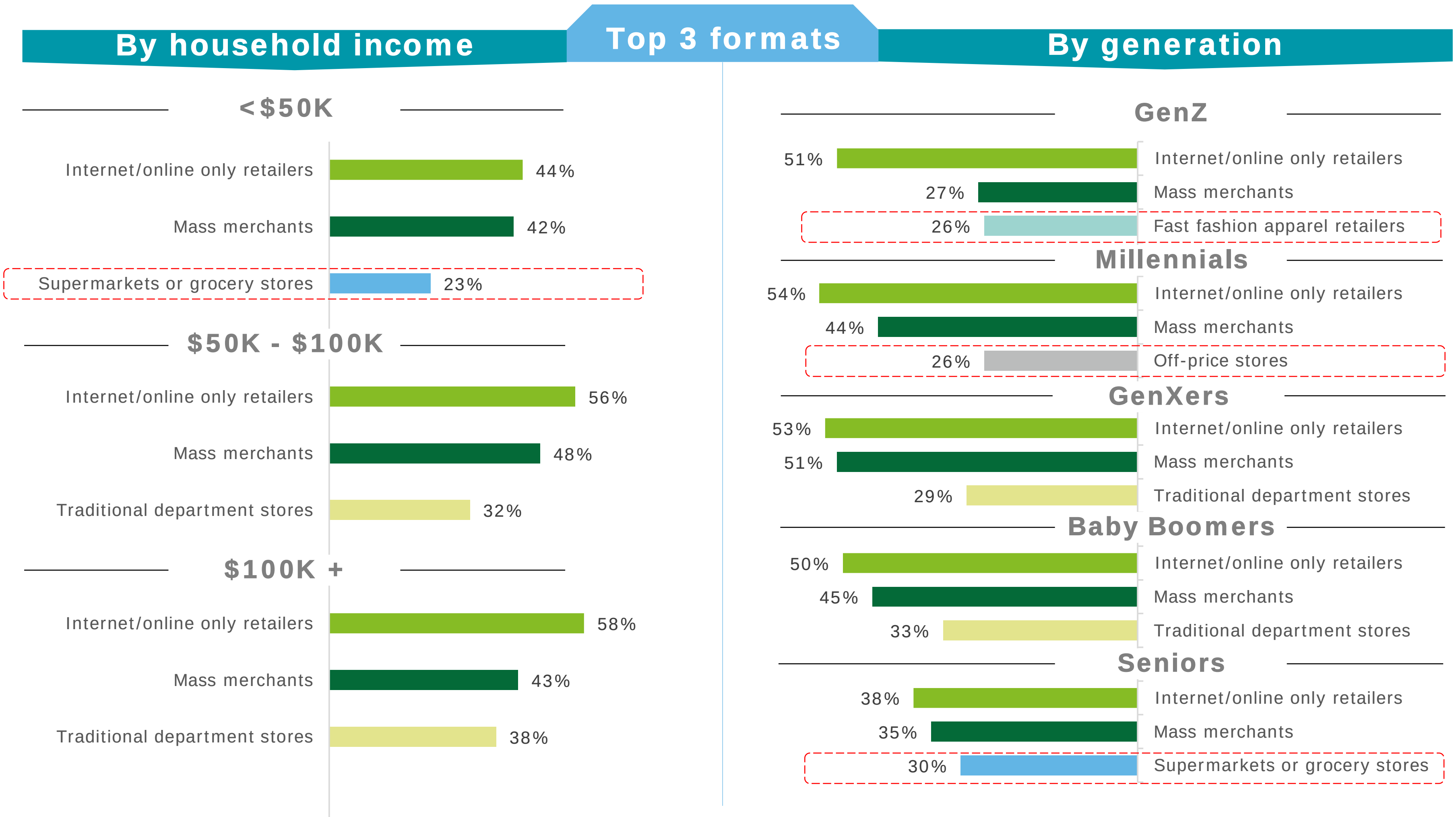
*Others include Catalog or direct mail promotion





"What percentage of your total holiday budget do you expect to spend (online vs. in-store vs. other)?"

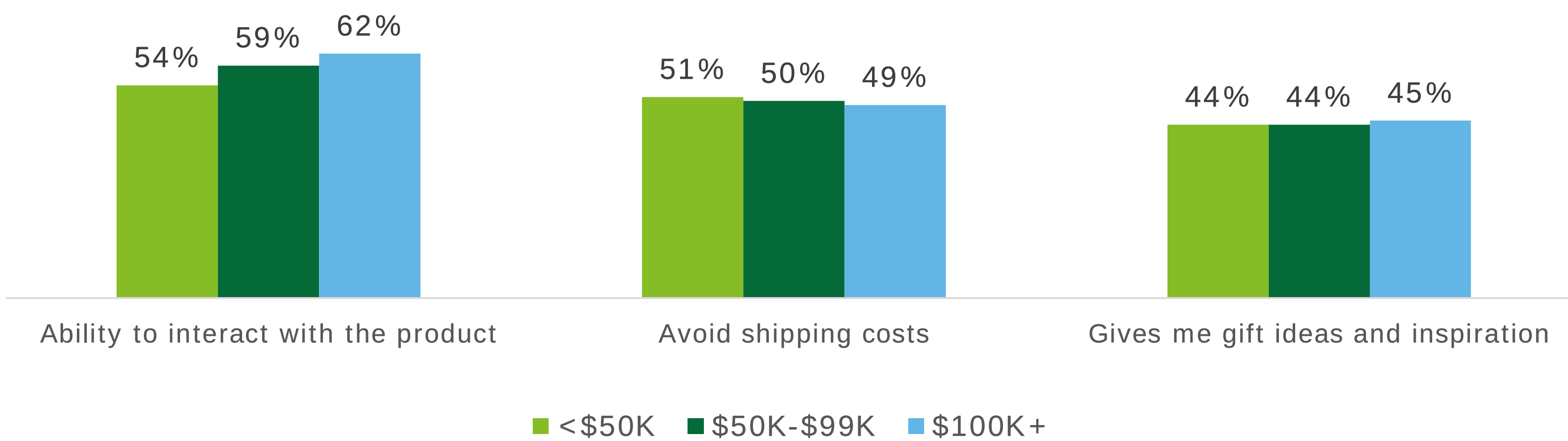
Internet leads among all income levels and age groups, but other venue preferences vary by income and age



"At which of the following types of retailers will you likely shop for holiday gifts?"

Ability to interact with product, avoid shipping costs and find inspiration top the list of reasons consumers shop in store

Reasons for selecting in-store over online: By household income



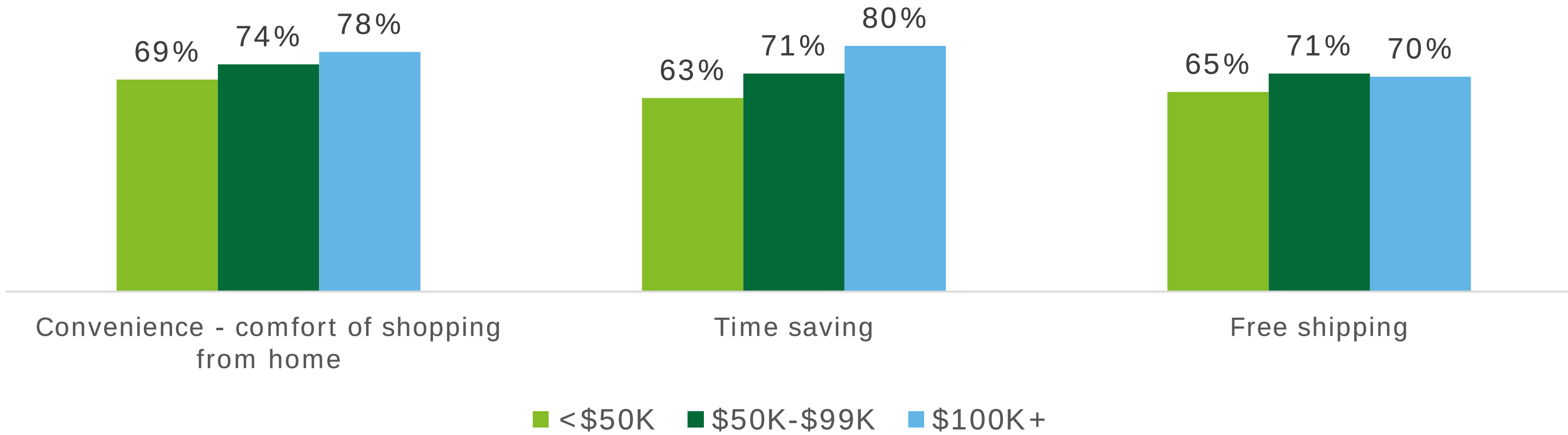
Reasons for selecting in-store over online: By age group	GenZ	Millennials	GenXers	Baby Boomers	Seniors
Ability to interact with the product	49% 2	52% 1	59% 1	63% 1	62% 1
Avoid shipping costs	72% 1	47% 2	49% 2	47% 3	57% 2
Gives me gift ideas and inspiration	29%	40% 3	43% 3	49% 2	51%
Easier to make returns later	23%	31%	33%	39%	55% 3
Need to acquire gifts immediately	42% 3	34%	33%	25%	31%

1 Most selected reason
2 Second most selected reason
3 Third most selected reason

“What are the reasons you plan to shop in a physical retail store rather than online?”

Convenience, time saving and free shipping top the list of reasons consumers shop online

Reasons for selecting online over in-store: by income level



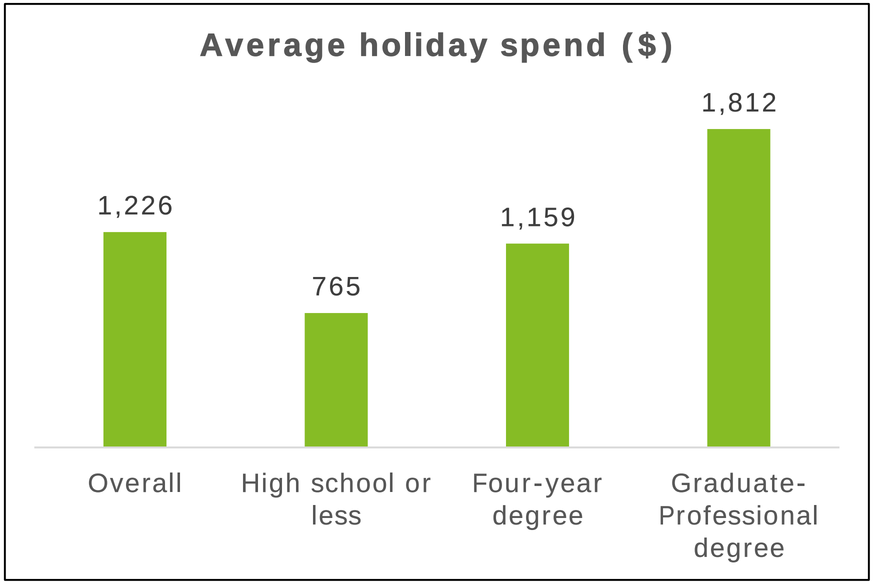
Top 3 reasons	GenZ	Millennials	GenXers	Baby Boomers	Seniors
Convenience - comfort of shopping from home	66% 2	67% 1	76% 1	83% 1	77% 3
Time saving	64% 3	66% 2	74% 2	75% 2	74%
Free shipping	68% 1	61% 3	72% 3	74% 3	80% 1
Home delivery	48%	56%	71%	72%	77% 2

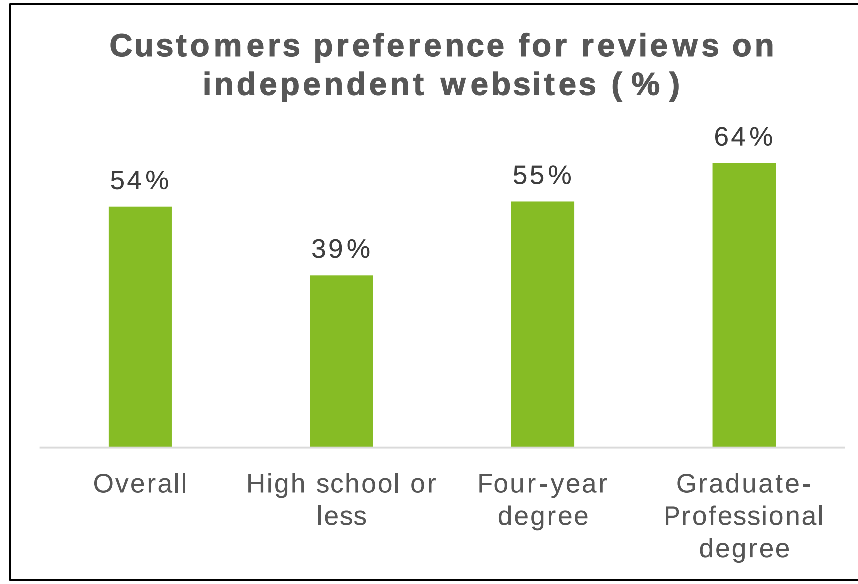
1 Most selected reason
2 Second most selected reason
3 Third most selected reason

"What are the reasons you anticipate shopping online instead of in a physical store?"

Spend, device usage and web research skew with education level

Consumers with graduate/professional degrees spend more on average ($1,812 vs. $1,226) and research products before purchasing at a higher rate (64% vs. 54%)





Planned device usage for holiday shopping

		
High school or less	**38%**	**28%**
Four-year degree	**55%**	**44%**
Graduate-Professional degree	**64%**	**41%**

About the survey

This survey was developed by Deloitte and conducted online by an independent research company between September 6-18, 2017. A national sample of 5,085 consumers aligned with the US Census for age and income was polled which has a margin of error for the entire sample of plus or minus one to two percentage points.

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