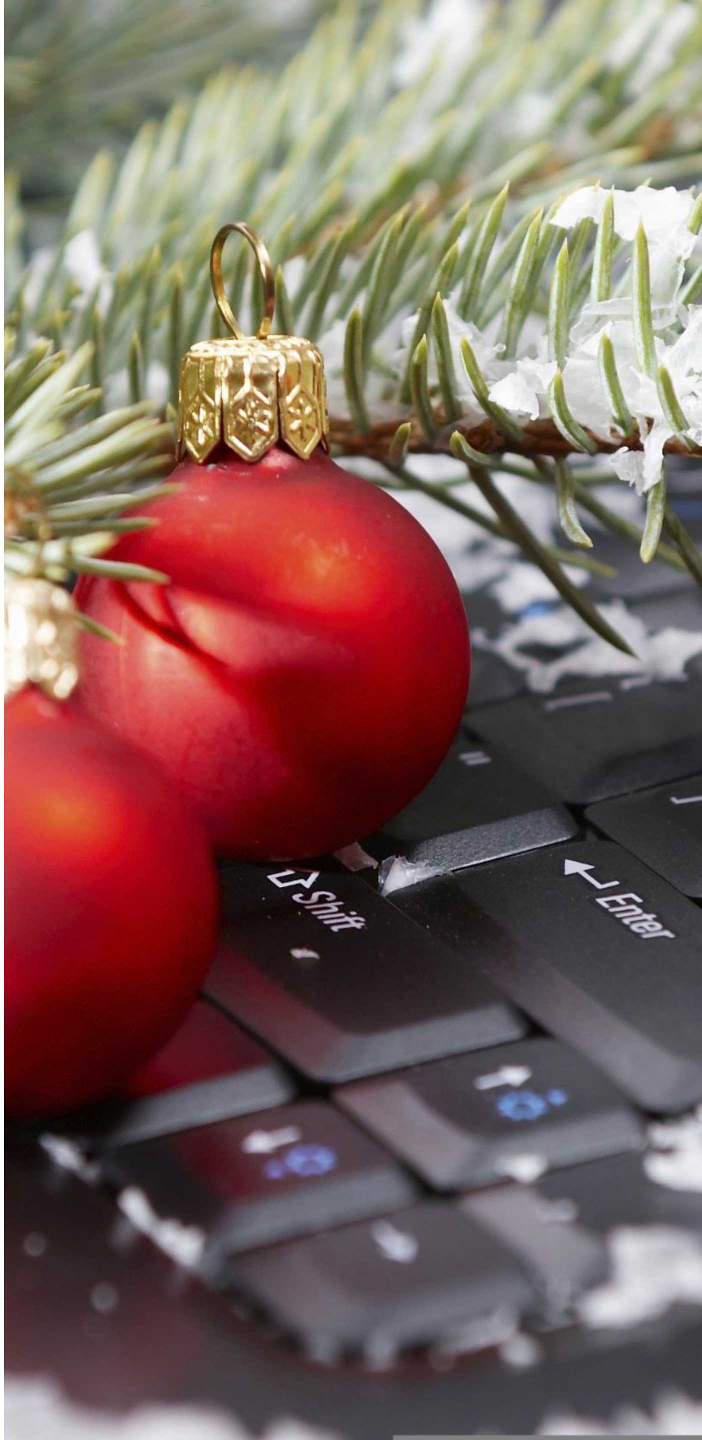
Deloitte.

30th anniversary edition
2015 holiday survey

October 2015

Agenda



Deloitte's 2015 holiday survey takeaways

Economic outlook and spending

- Consumer spending plans have rebounded to the highest levels since 2000.
- The primary driver is continued improvement in household financial situation.
- While overall spending is up, non-gift spending continues to outpace gift spending substantially.
- Shoppers report an increased propensity to buy for themselves when they shop for others.

Holiday shopping: What, where, when, and why

- Clothing and gift cards remain the top gift giving categories.
- Over the past five years, jewelry, money and food/liquor have trended upward, while books have trended down.
- Also over this period, spending at discount/value department stores is down slightly, while shopping at nearly every other venue continues to rise.
- Shoppers claim to be retailer loyal, however a majority will try new retailers for some of their purchases, and many will consider local or non-traditional venues.
- Timing continues to shift into December, with fewer consumers starting early.
- Consumers rely less on Black Friday and Cyber Monday.

Digital influence: Use of online and mixed channels

- Omni-channel shoppers expect to spend 75% more than store-only holiday shoppers this season.
- Webrooming, showrooming and in-store pickup (BOPUS) present as significant trends.
- Shoppers will rely heavily on the Internet as a research tool, and many will make purchase decisions before approaching the point of sale.

Retailer policies: Shipping and returns

- Free shipping and easy returns top the list of retailer policies, with price matching gaining in popularity.
- Free shipping is considered more important than fast shipping, however shoppers expect free shipping to be fast and are not willing to pay much to expedite it.
- When it comes to returns, shoppers care most flexibility – easy refunds and returns across store locations and channels.

Data security

- Personal data protection still concerns many shoppers, whether they transact online or in store.
- Most consumers will not let a retailer's past data breach dissuade them from shopping, but security assurances go a long way for some.
- Site familiarity, site security and consumer protection services all reassure shoppers transacting online.

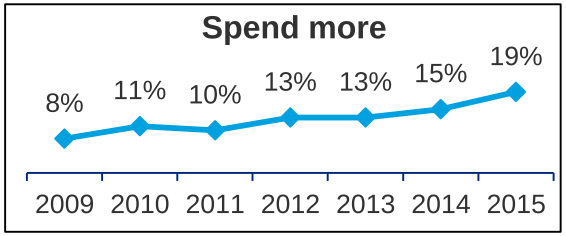
All data in this report comes from Deloitte's 2015 annual holiday survey.

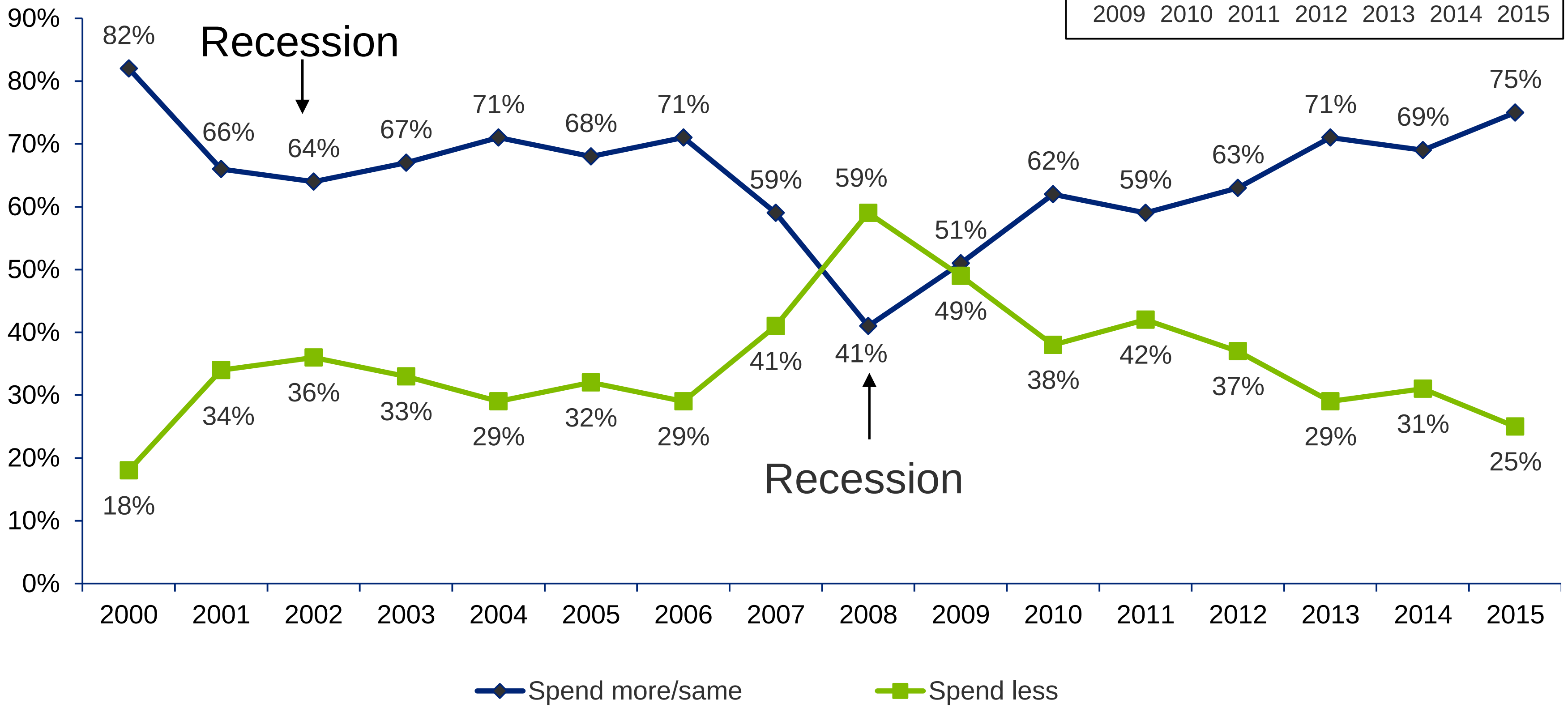
Copyright © 2015 Deloitte Development LLC. All rights reserved.

Economic outlook and spending

Consumer spending plans have rebounded to the highest levels since 2000.

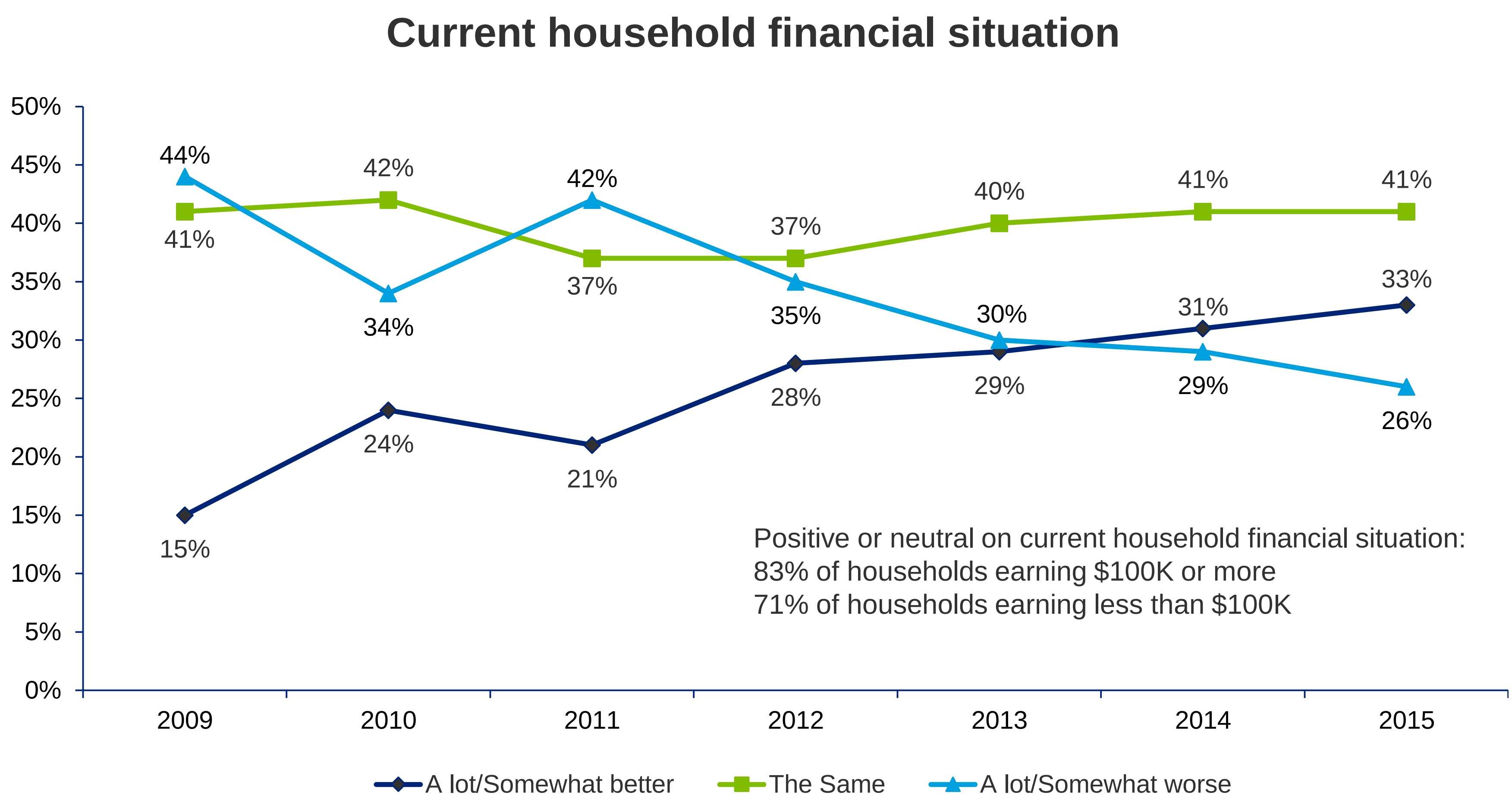
“How will your total holiday spending compare with last year's holiday season?”





Copyright © 2015 Deloitte Development LLC. All rights reserved.

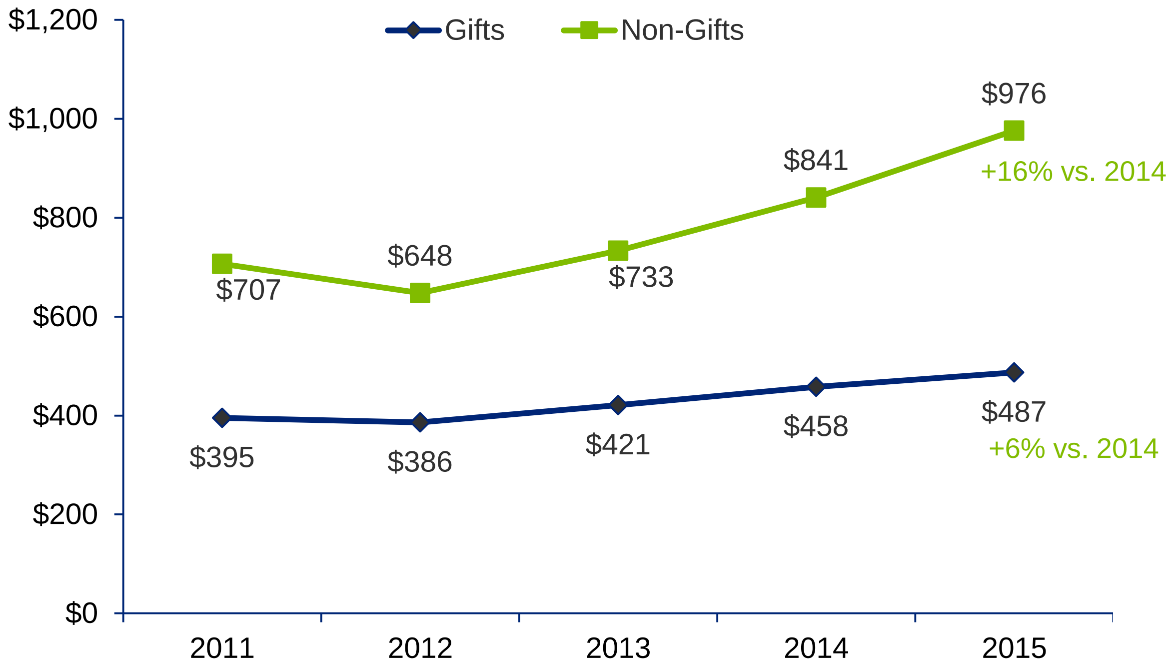
The primary driver is continued improvement in household financial situation.



Copyright © 2015 Deloitte Development LLC. All rights reserved.

While overall spending is up, non-gift spending continues to outpace gift spending substantially.

"How much do you expect you will spend during the upcoming year-end holiday season on each of the following items?"



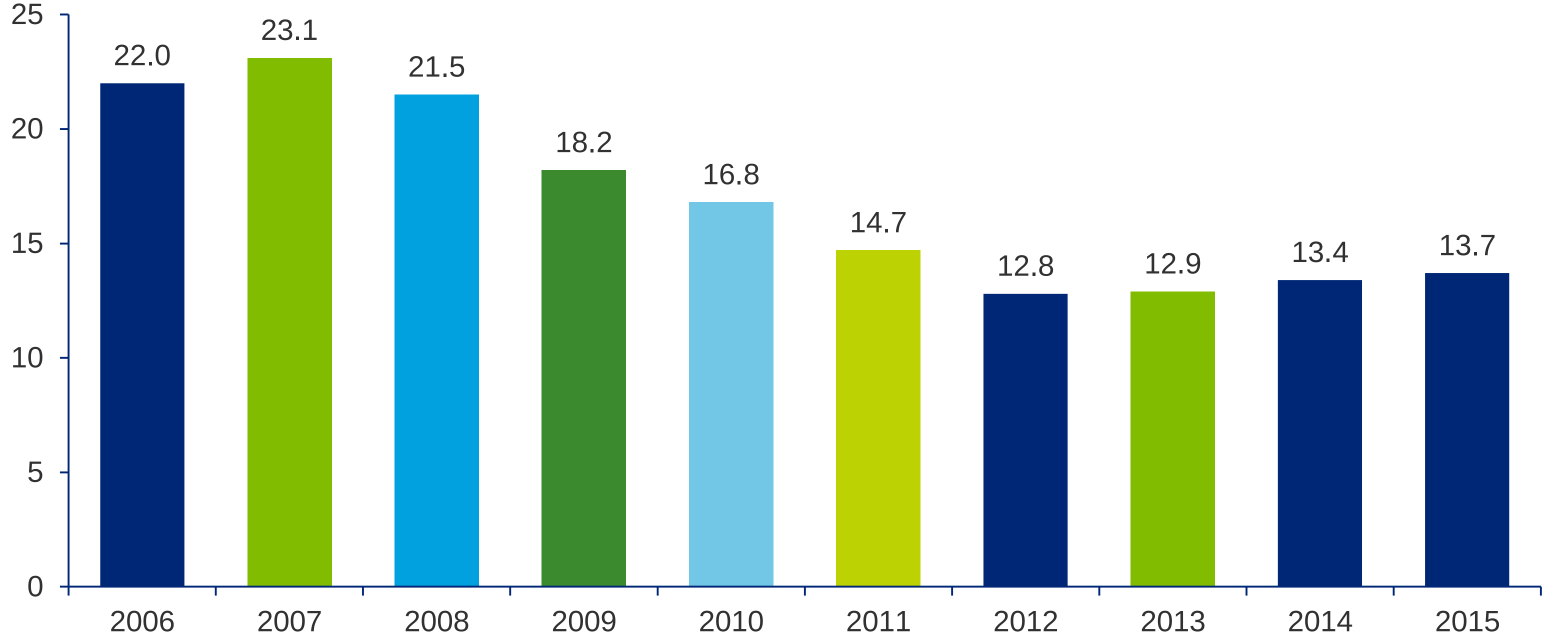
Category	Change vs. 2014
Gifts	+6%
Décor/furnishings	+33%
Non-gift clothing	+26%
Socializing outside home	+12%
Entertaining at home	+10%
Other	+10%
Total	**+12.5%**

Fewer than half (44%) of respondents have a specific budget in mind this holiday season

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Consistent with these results, the total number of gifts purchased is expected to rise only modestly and remain below pre-2011 levels.

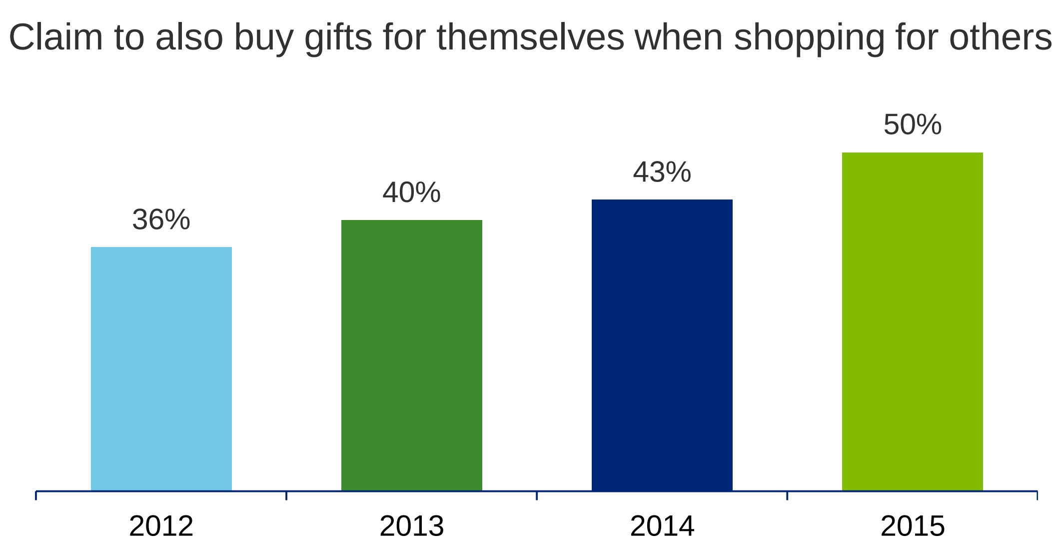
“In total, what is the number of gifts, including gift certificates/cards that you expect to buy this holiday season?”



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Shoppers report an increased propensity to reward themselves during the holiday season.

Shopping for Themselves



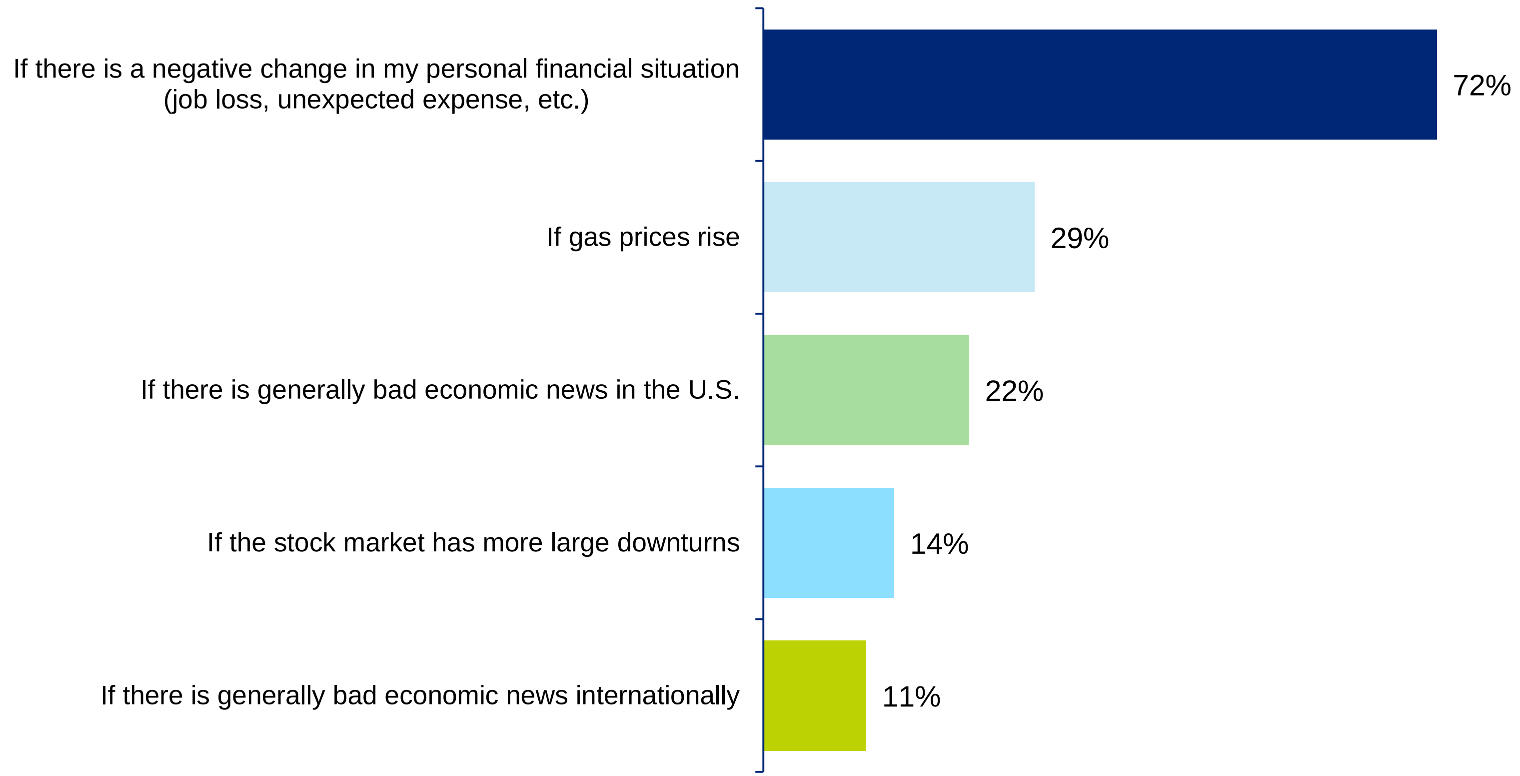
Making Deferred Big Ticket Purchases

Use holiday promotions to make a big ticket purchase on which I've held off

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Changes in personal financial circumstances are more likely to influence spending plans than shifts in the macro-economy.

"Which of the following economic factors, if any, could change your holiday spending plans?"



Copyright © 2015 Deloitte Development LLC. All rights reserved.

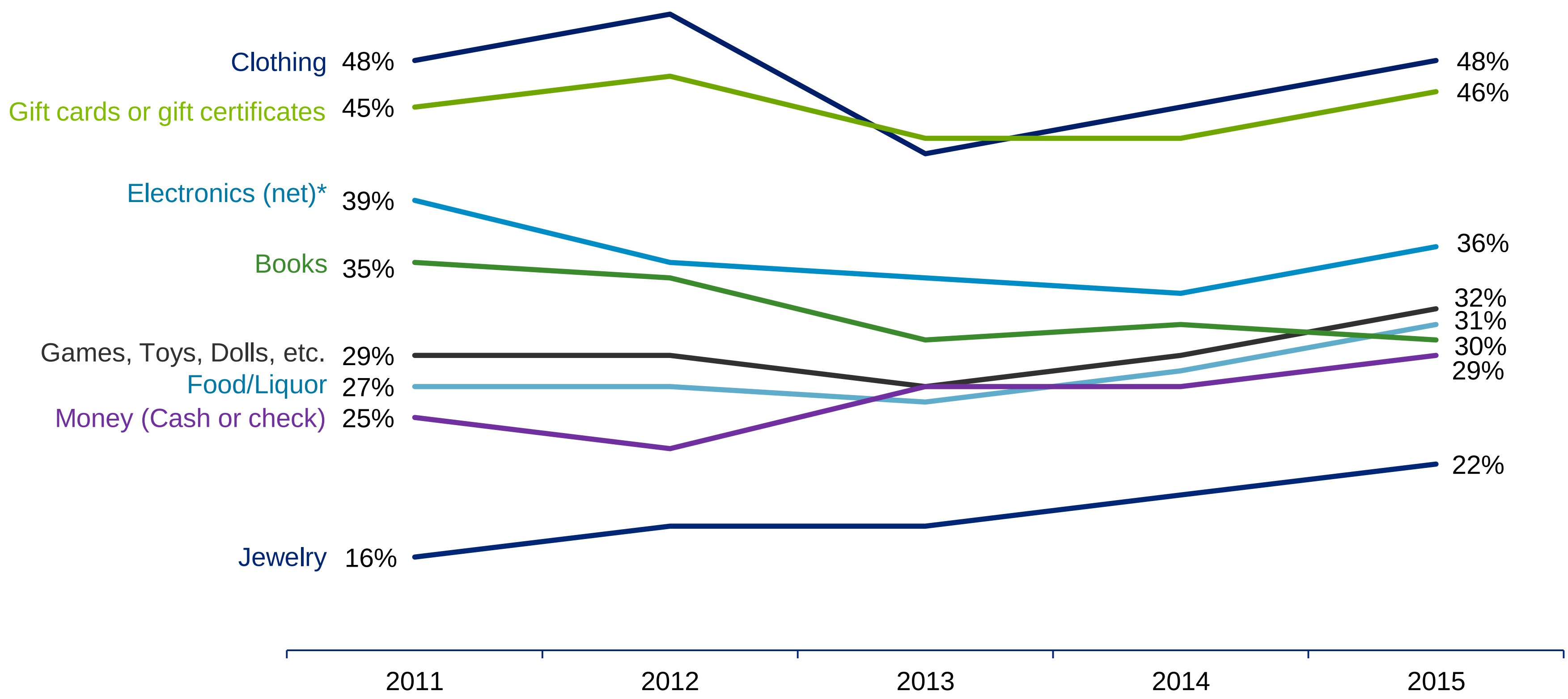
Holiday shopping:
what, when, where and why

While holiday gift categories remain fairly stable, jewelry, money and food/liquor have trended upward over the past five years, while books have trended down.

"Which of the following types of gifts do you plan to buy this holiday season?"

Top 10 gifts consumers plan to buy

Gift cards (38%) and cash (38%) rank No. 1 and 2 as the gifts respondents would like to receive

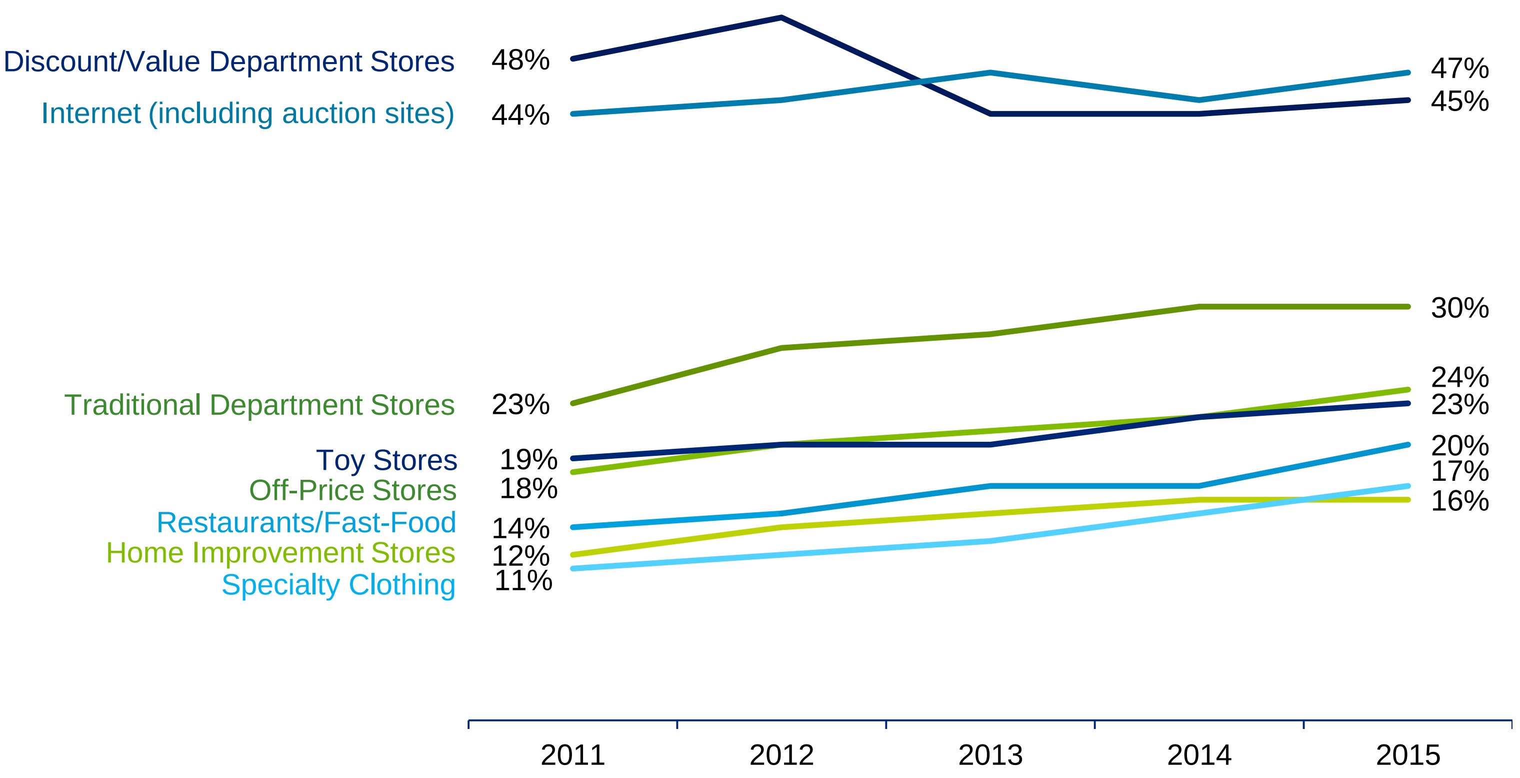


*Electronics category is comprised of home/personal/car electronics, computers and tablets, game consoles and video games

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Relative to five years ago, spending at discount/value department stores is down slightly, while shopping at nearly every other venue continues to rise.

"At which of the following retail sources will you likely shop for holiday gifts?"



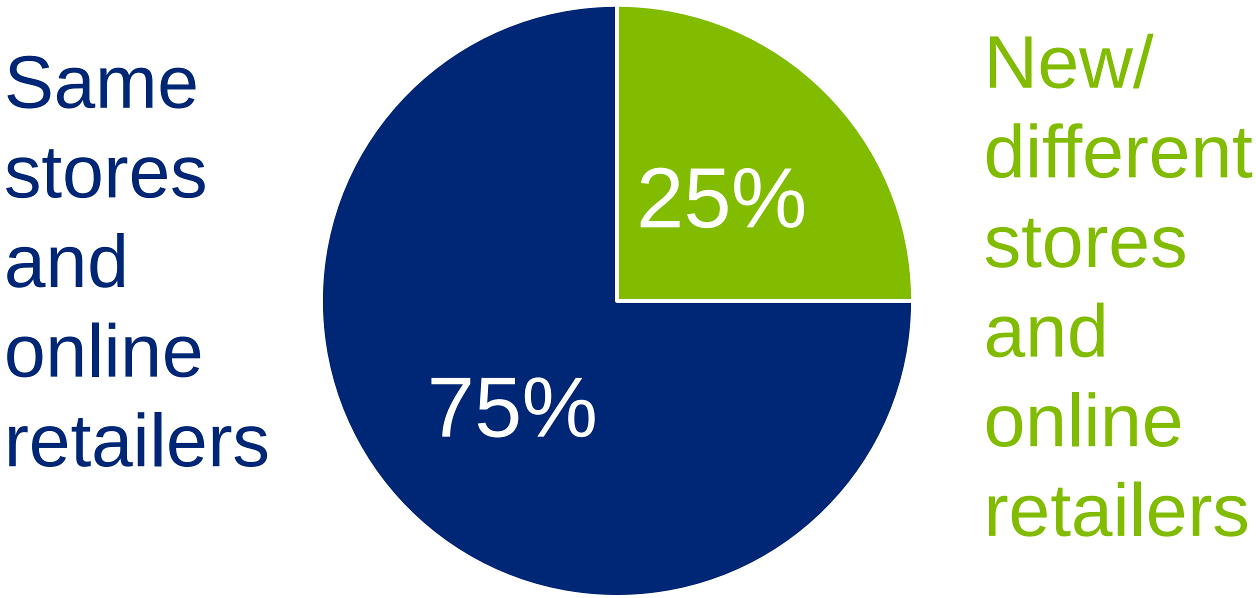
4.5 — average number of venues consumers expect to shop

6.2 — average number of shopping trips consumers expect to take

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Overall, shoppers claim to be retailer loyal, making the majority of their purchases from merchants they have visited before.

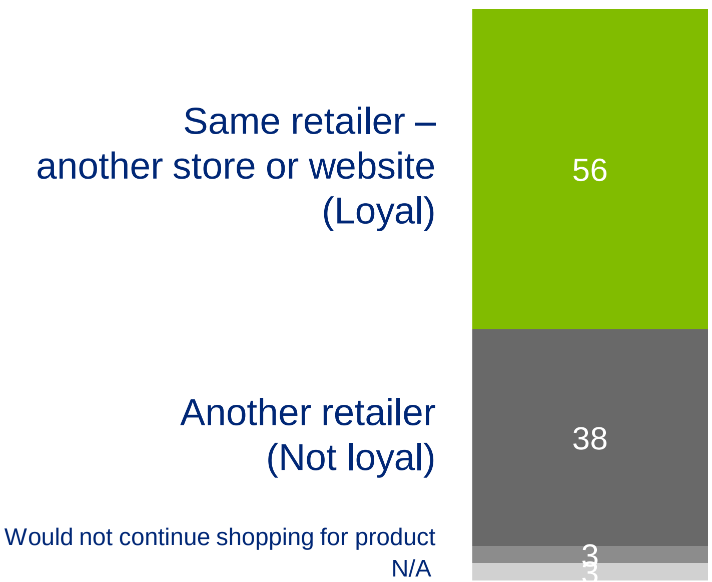
"What **percentage of all of your holiday gifts** and shopping this year will be at those same locations, and what percentage do you think will be at new stores or online retailers?



Copyright © 2015 Deloitte Development LLC. All rights reserved.

However, data shows that shopper loyalty varies considerably, depending on whether the consumer is seeking a product in store or online.

“If a product wasn’t available in the store, which would you most likely do first?”

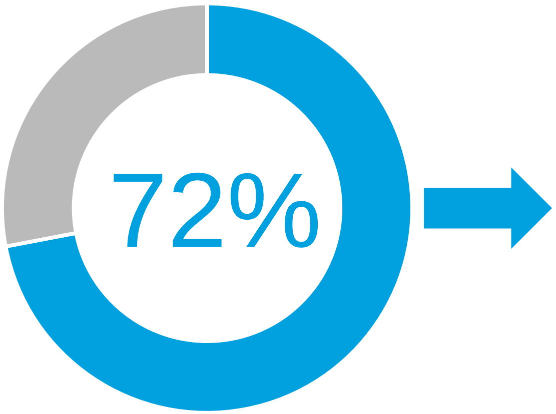


“If the product wasn’t available on a store’s website, which would you most likely do first?”

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Further, most will shop new merchants for <u>some</u> of their purchases, and many will consider local and non-traditional venues.

Will shop new/different stores or online retailers



"What types of new/different stores or online retailers are you likely to try?"

(Among the 72% who will shop at new/different stores)

Copyright © 2015 Deloitte Development LLC. All rights reserved.

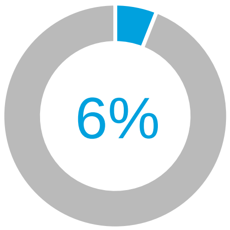
When asked why they seek the venues they do, consumers highlight distinct motivators, with local stores fulfilling a very specific set of needs.

Top motivators for venue choice

50% of holiday spending is expected to occur in physical stores

Copyright © 2015 Deloitte Development LLC. All rights reserved.

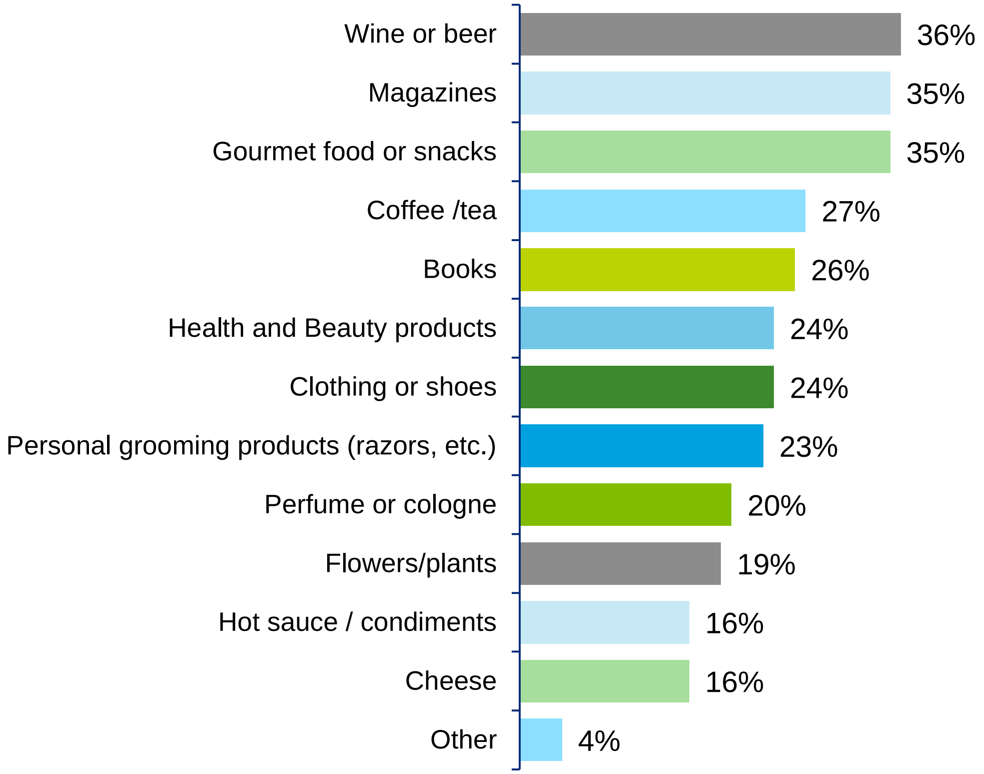
A small percentage will buy subscription products or services, mainly in the media and food/beverage categories.



Plan to buy subscription products or services

Among the 6%

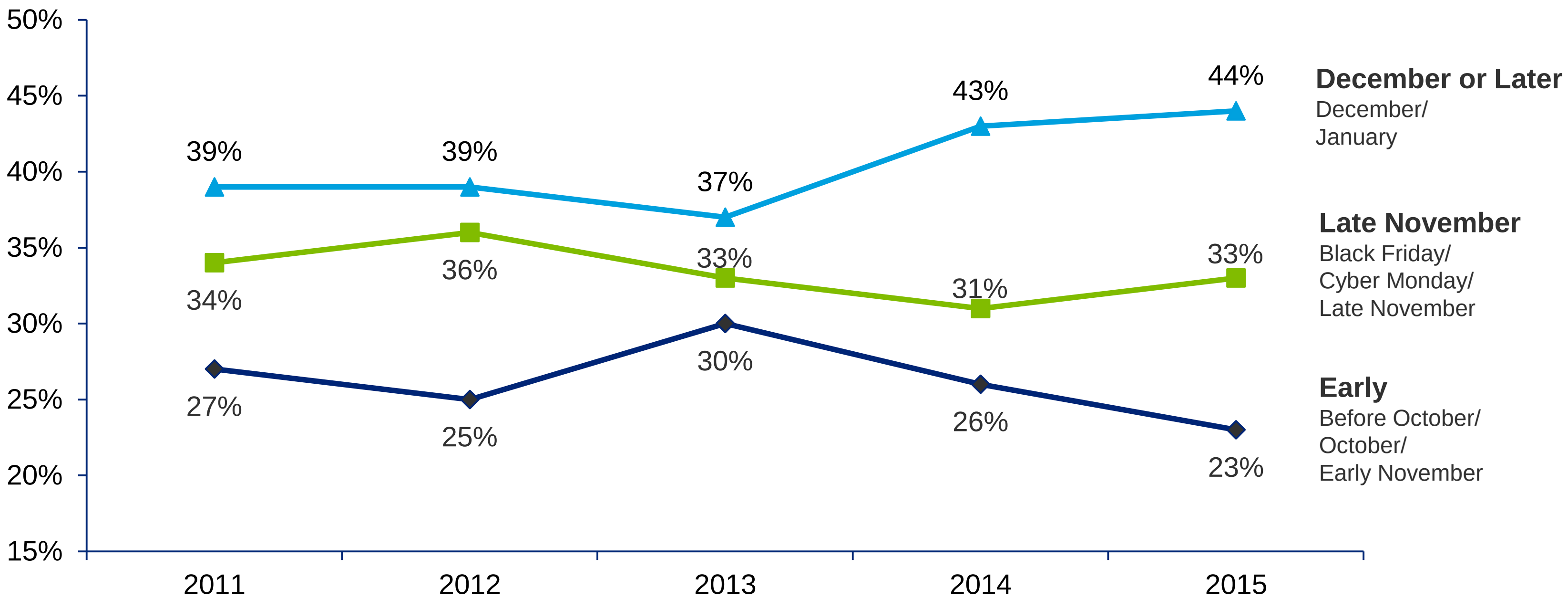
"Which of the following products or services do you plan on giving as a subscription-based gift?"



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Timing for the bulk of holiday shopping continues to shift into December, with fewer consumers starting early.

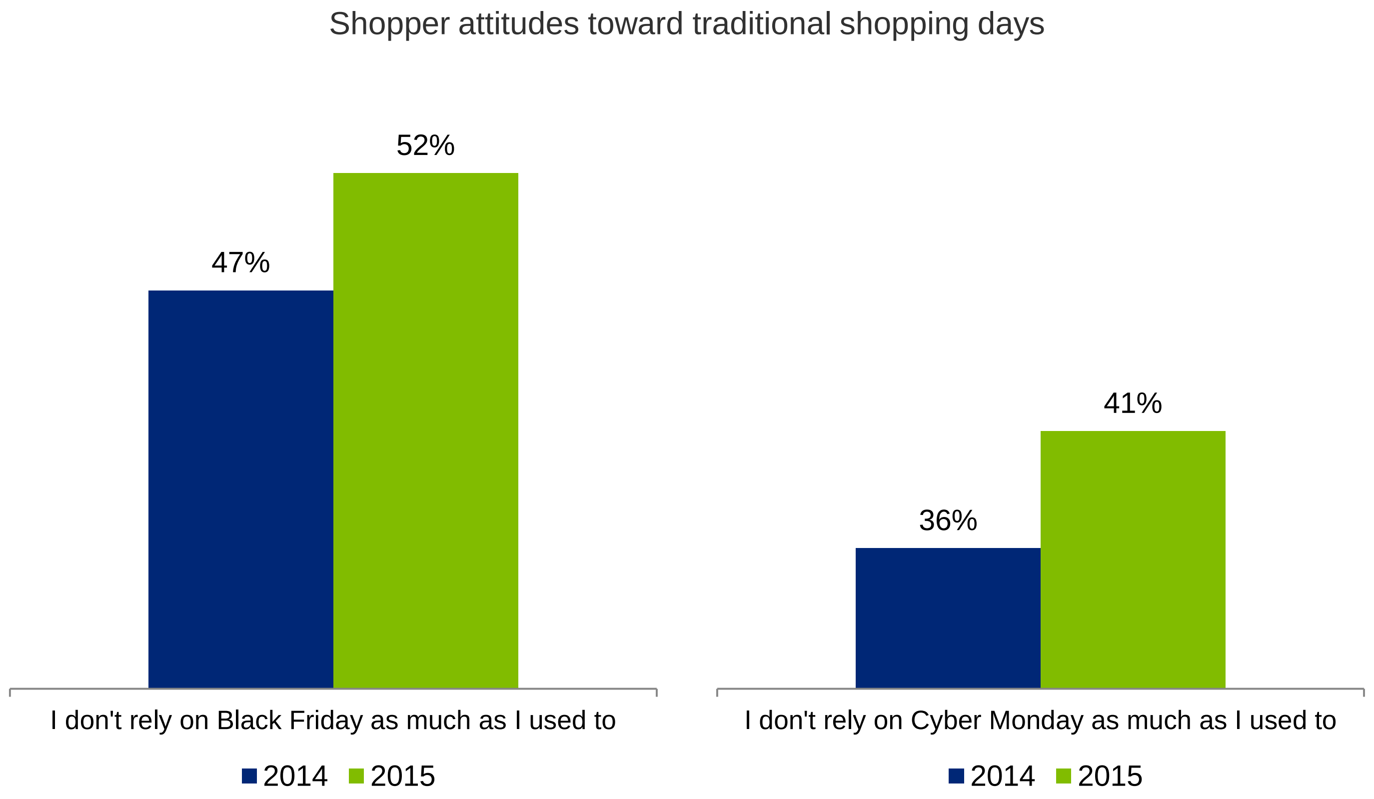
"Which one of these days or months do you expect to do the majority of your holiday shopping this year?"



16% -- Percent of households planning to shop after Christmas Day, December 25th

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Also, consumers continue to rely less on traditional shopping days (Black Friday, Cyber Monday) for their holiday shopping.



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Holiday shoppers tend to approach the whole season with an expectation of sales and promotions.

67% Plan to buy items “on sale”

47% Plan to use store coupons

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Digital influence:
Use of online and mixed channels

Digital influence matters: Omni-channel shoppers expect to spend 75% more than store-only holiday shoppers this season.

Consumers' expectations for holiday spending on:

	Omni-channel (shop mobile, store, Internet combined)		Shop stores only
Gifts	$622	+ 45%	$429
Total*	**$1,829**	+ 75%	**$1,040**

Omni-channel shoppers are more likely to be younger (<44), have children, and have higher household income ($84K vs. $53K)

Smartphone owners will spend 34% more on gifts this holiday season than non-smartphone owners and those who will not use a smartphone to assist in holiday shopping (up 5% vs. 2014)

*Total includes the following categories: "gifts," "socializing away from home," "entertaining at home," "non-gift clothing for family or yourself," "home/holiday furnishings," and "any other holiday-related spending not listed."

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Consumers intend to mix online and physical store channels in a variety of ways, with webrooming dominating the trend.

"How likely will you be this holiday season to … "

<u>Webrooming</u>

… first look at items online, then go to a store to see the item, then make purchase at store

69%

<u>Showrooming</u>

… first go to a store to look for an item, then search online for the best price, and then purchase online

52%

+ 3 vs. 2014

<u>Buy Online Pick Up in Store (BOPUS)</u>

… buy a product online and then instead of having it shipped to you, you will go to the store to pick up the item

43%

Percentages combine those respondents who selected answer choices "Very likely" and "Somewhat likely"

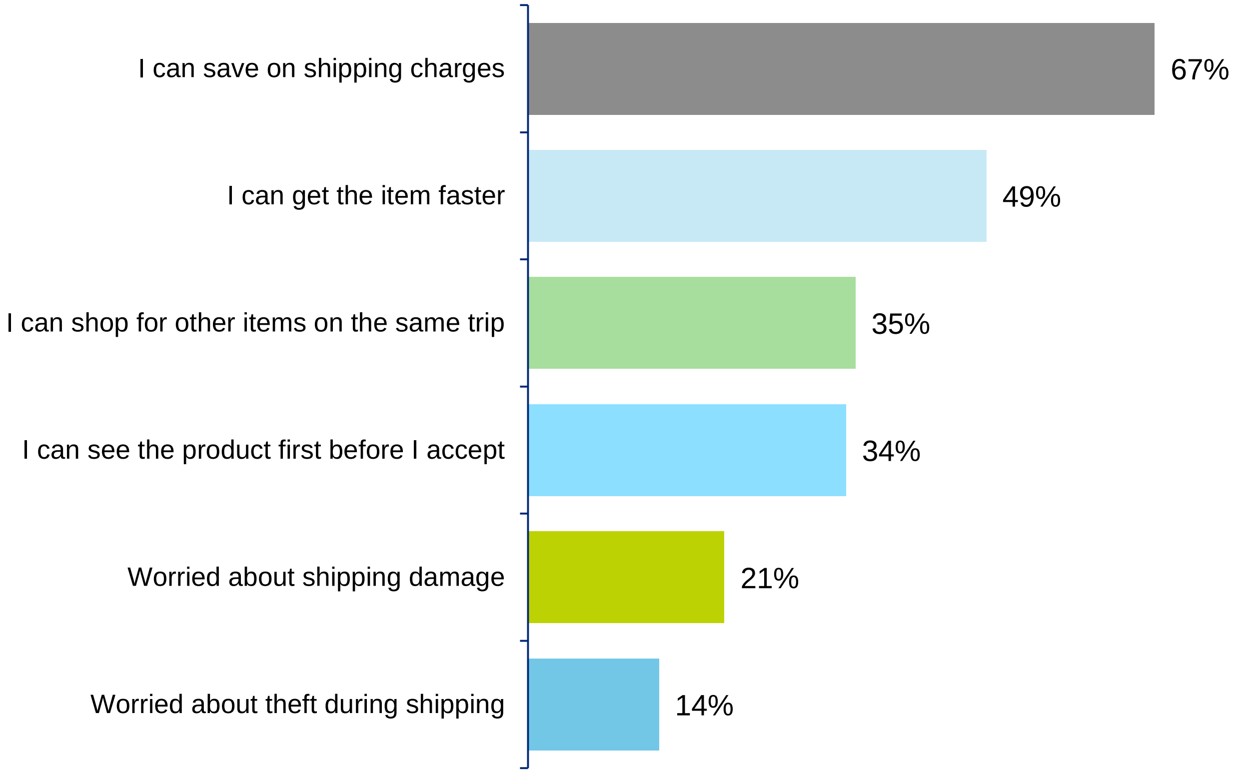
Copyright © 2015 Deloitte Development LLC. All rights reserved.

BOPUS appeals for reasons of shipping cost reduction and immediacy of product acquisition.

43%

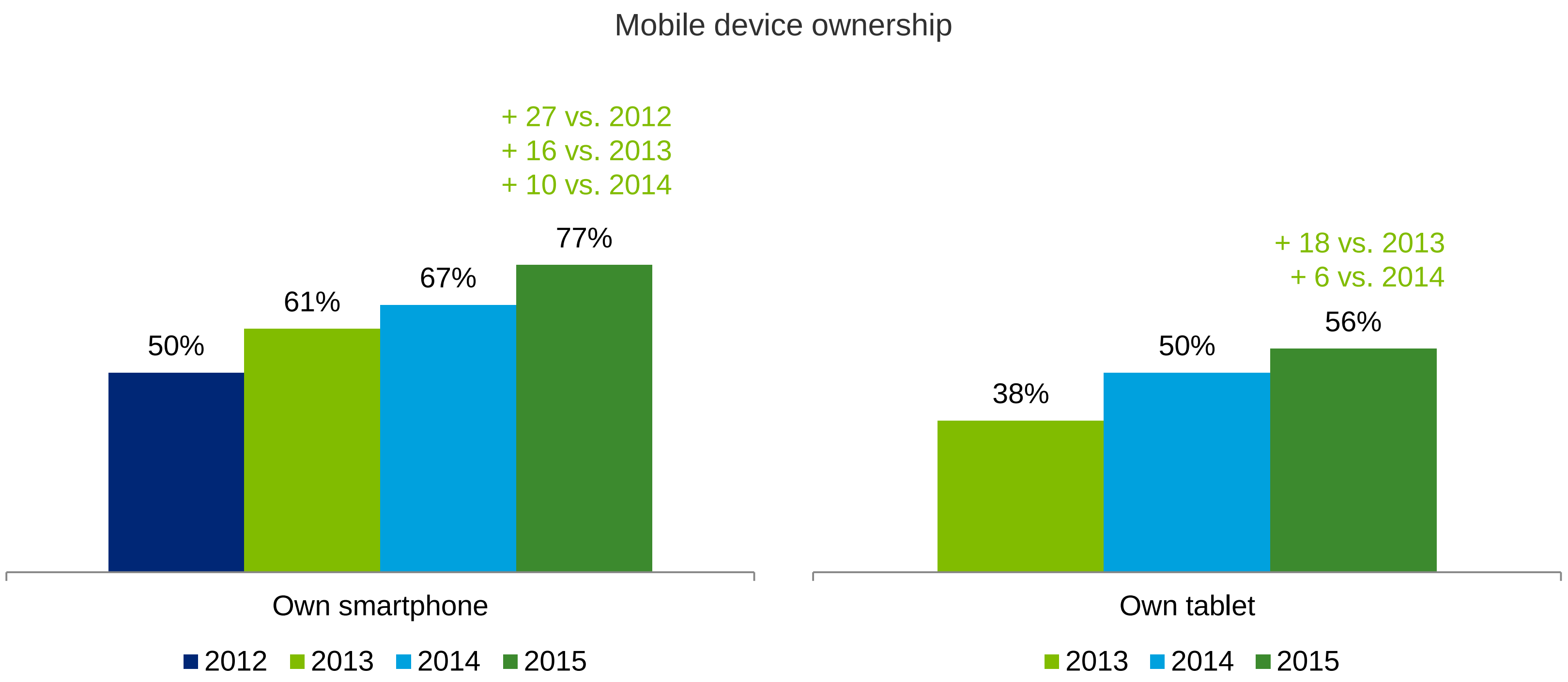
Likely to do store pick-up

“Why are you likely to buy online but pick up at the store?”
(Among the 43% who are likely to do store pick-up)



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Mobile device ownership continues to grow steadily, with almost half of consumers owning both smartphones and tablets.



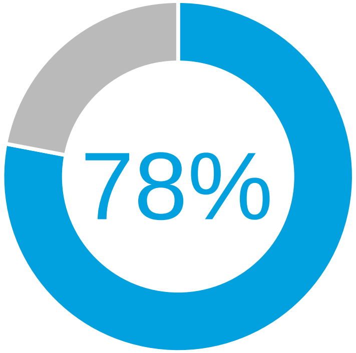
49% of consumer respondents own both a smartphone and a tablet

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Smartphone owners rely on their devices for a wide range of shopping information and activities.

"In which of the following ways, if any, do you plan to use your smartphone to assist you in your holiday shopping?"

(Among the 78% of smartphone owners who will use a smartphone for holiday shopping)



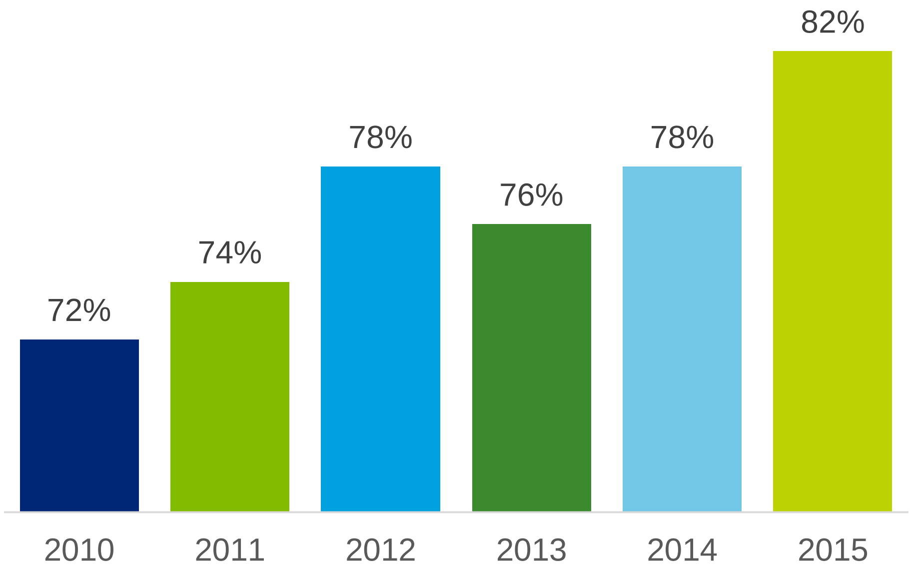
Responses under 27% not shown

Copyright © 2015 Deloitte Development LLC. All rights reserved.

More so than ever, consumers plan to use the Internet to research holiday buys.

"What percentage of your total holiday spending (online or in-store) will be influenced by any research you did online in advance of the purchase?"

% reporting that at least some of their spending will be influenced by online research



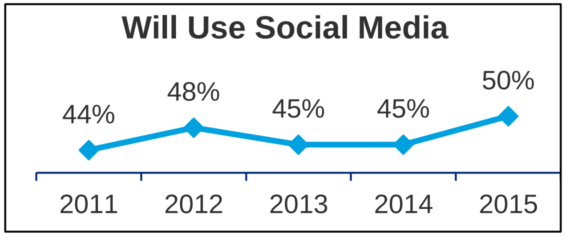
75% -- Percent of shoppers who will look to online reviews from other customers

60% -- Percent of shoppers who will look to online recommendations by the retailer

50% -- Percent of shoppers who will refer to social media during the shopping process

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Respondents will most often look to social media to get gift ideas, find savings and read peer reviews.



Among the 50% who plan to use social media for holiday shopping: Why?

Activity	Percentage	
Get gift ideas	51%	+4 vs. 2014
Find discounts, coupons, sale information	50%	+5 vs. 2014
Read reviews, "likes," or recommendations for products/stores	45%	+4 vs. 2014
Browse products	42%	
Check with family/friends on gifts they want	33%	
Post comments or share links about stores, sales, products	22%	

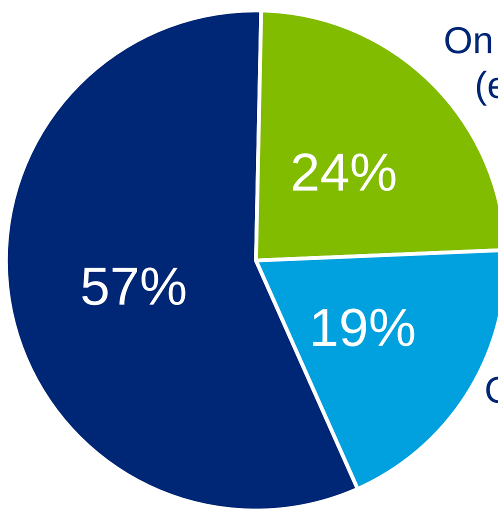
76% of all respondents use social media sites (blogs, discussion groups, or social networks) (+4 vs. 2014)

Copyright © 2015 Deloitte Development LLC. All rights reserved.

With research in hand, most shoppers expect to make decisions – either about the specific item or category – before they visit the retailer's store or website.

"If you had to estimate based on the way you shop for the holidays when in physical stores" [also "when online"], "what percentage of purchases do you make….?"

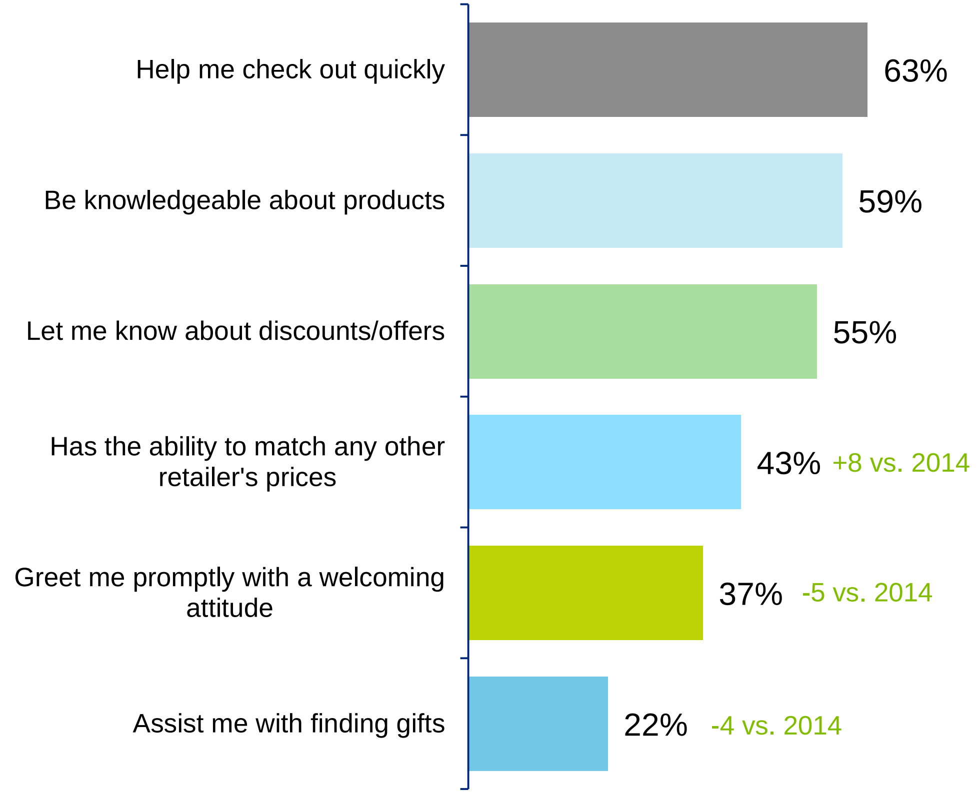
In Store Or Online



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Focused more on the transaction, shoppers say they expect store associates to enhance efficiency more so than to create a unique experience.

Consumers' expectations of interactions with store associates



Responses under 22% not shown

In general, do you feel you are better connected to consumer information, including coupons, competitive pricing, and product availability than store associates are?

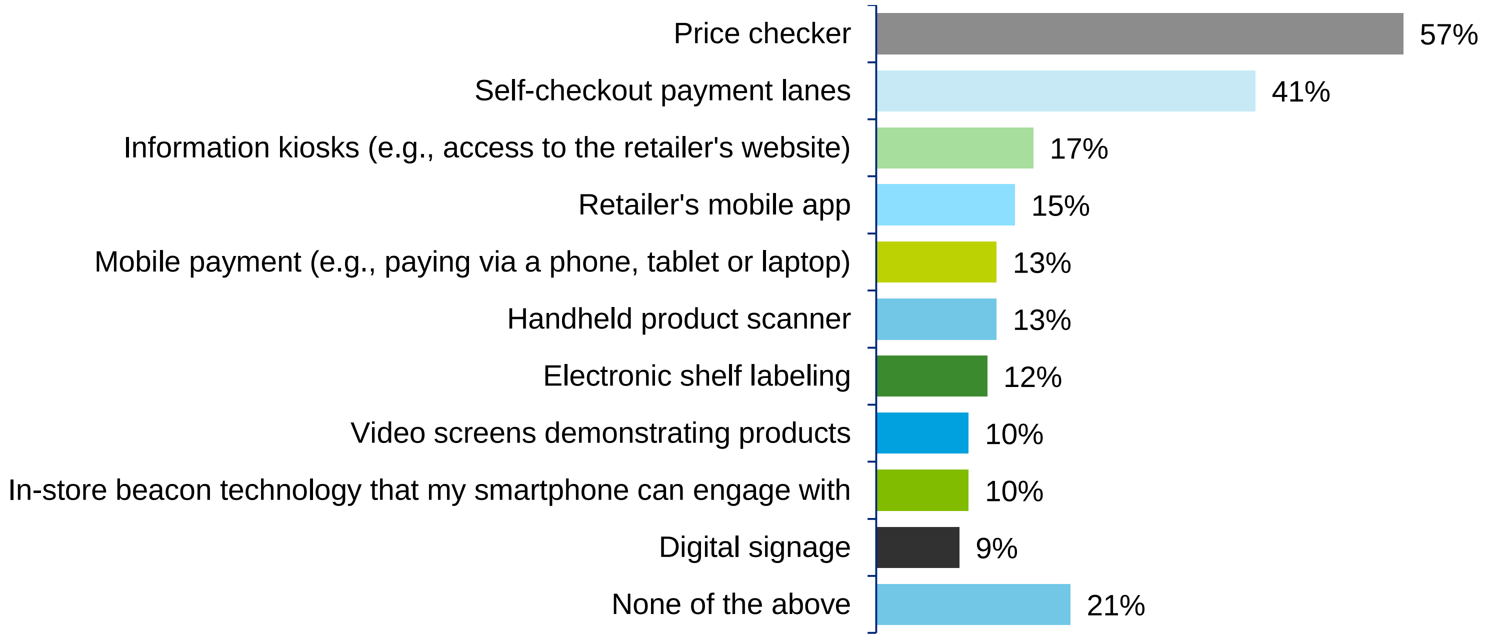
YES = 61%

+3 vs. 2014

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Despite the rise in digital influence, relatively few consumers desire to use in-store technologies beyond price checkers and self-checkout lanes.

"Which of the following self-help technologies, if any, do you desire to be available during your in-store holiday shopping this year?"



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Retailer policies: Shipping and returns

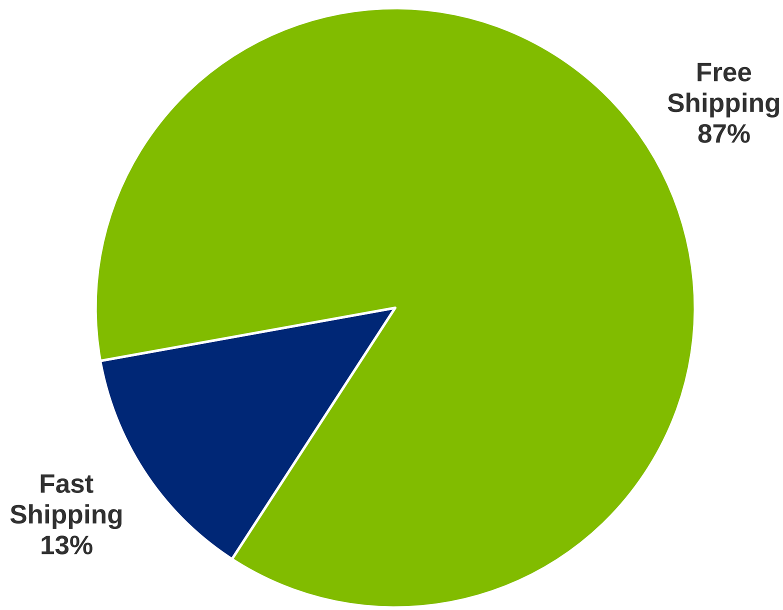
Free shipping and easy returns top the list of retailer policies, with price matching gaining in popularity.

78% of respondents will be influenced by coupons/promotional offers (+4% vs. 2014)

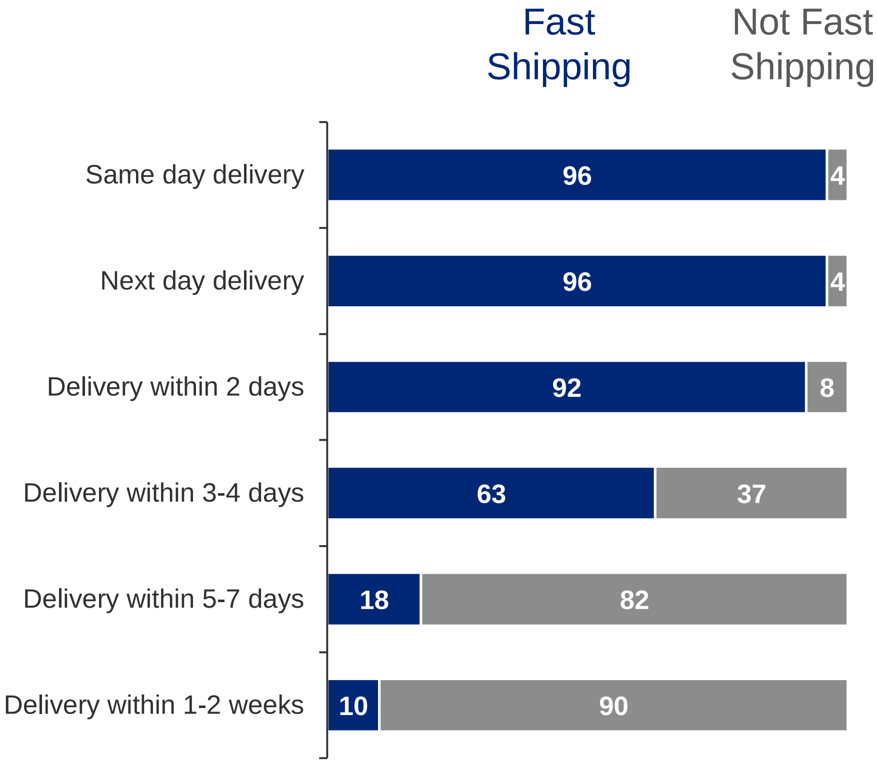
Copyright © 2015 Deloitte Development LLC. All rights reserved.

Free shipping tends to be more important than fast shipping; almost all consider 'fast' to be delivery within 2 days.

"When you are shopping online, which of these two promises below would be more important to you?"

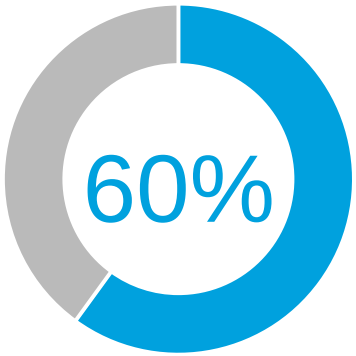


"Which of the following would you consider to be 'fast shipping'?"



Copyright © 2015 Deloitte Development LLC. All rights reserved.

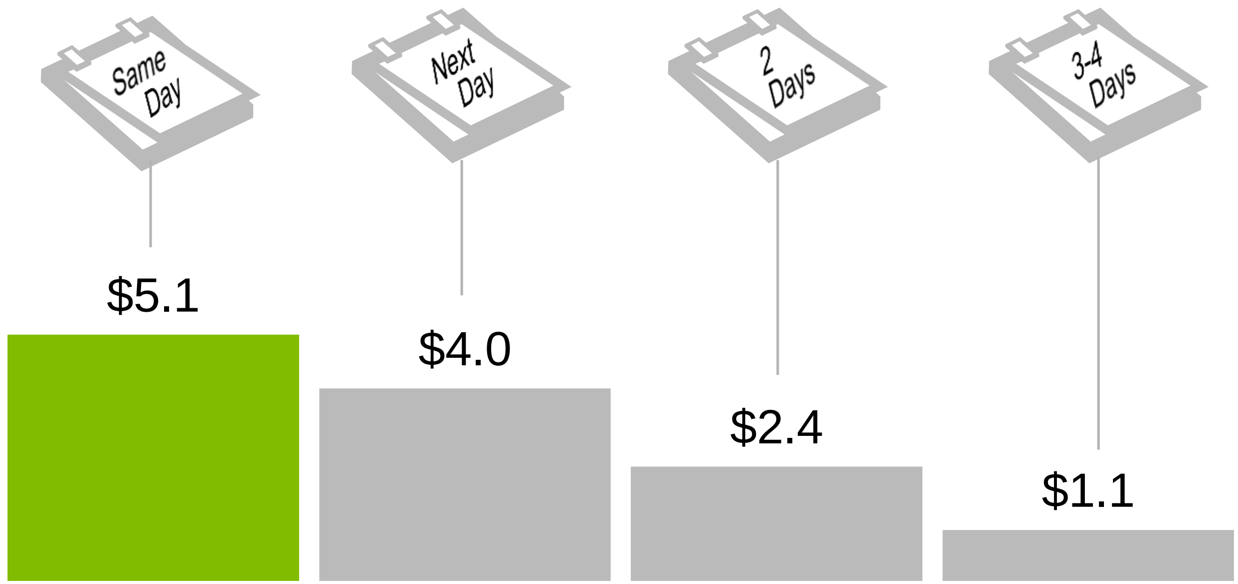
Still, shoppers expect free shipping to be fast and are not willing to pay much to expedite it.



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

"What is the maximum extra you would be willing to pay above and beyond any standard shipping costs to receive your products under the specific shipping lengths below? Assume a standard sized package"

On average, would pay an extra…



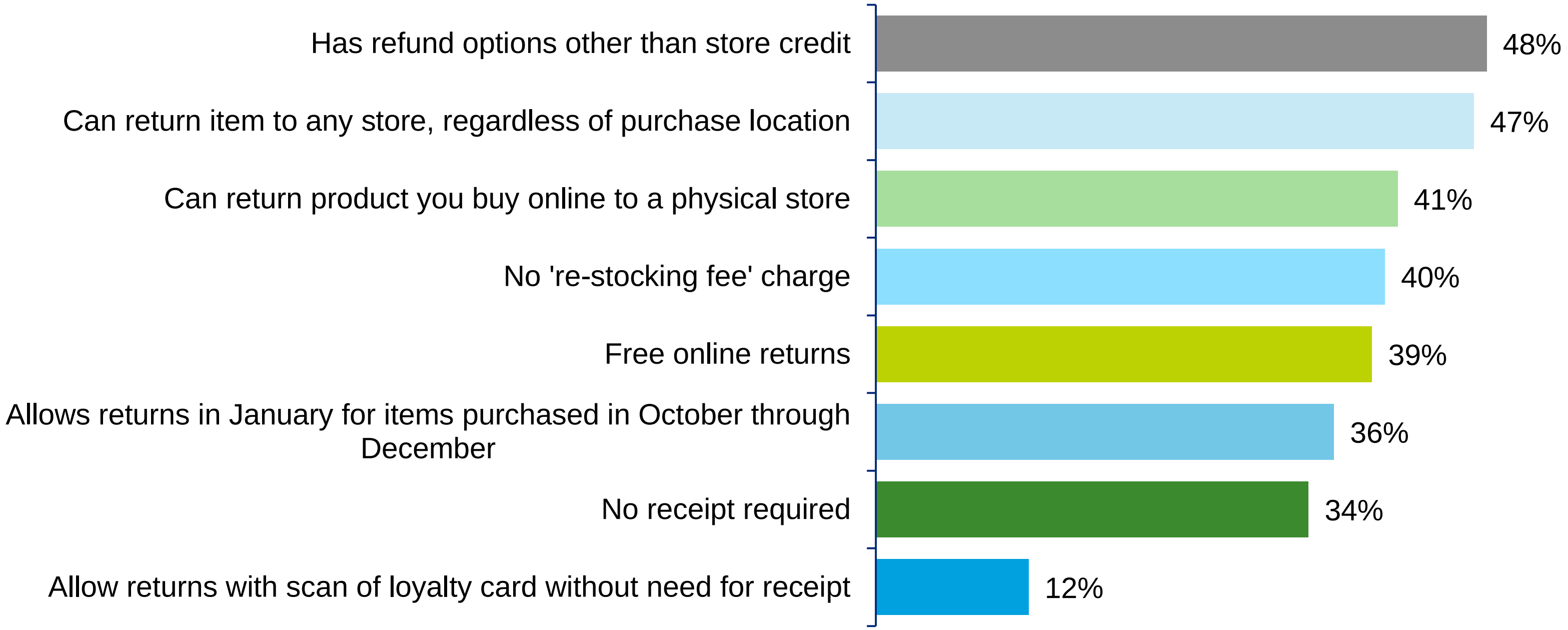
Would pay nothing extra for this	24%	22%	35%	71%

Copyright © 2015 Deloitte Development LLC. All rights reserved.

When it comes to returns, shoppers care most about flexibility – easy refunds and returns across store locations and channels.

“When holiday shopping, which of these return policies do you find most desirable?”

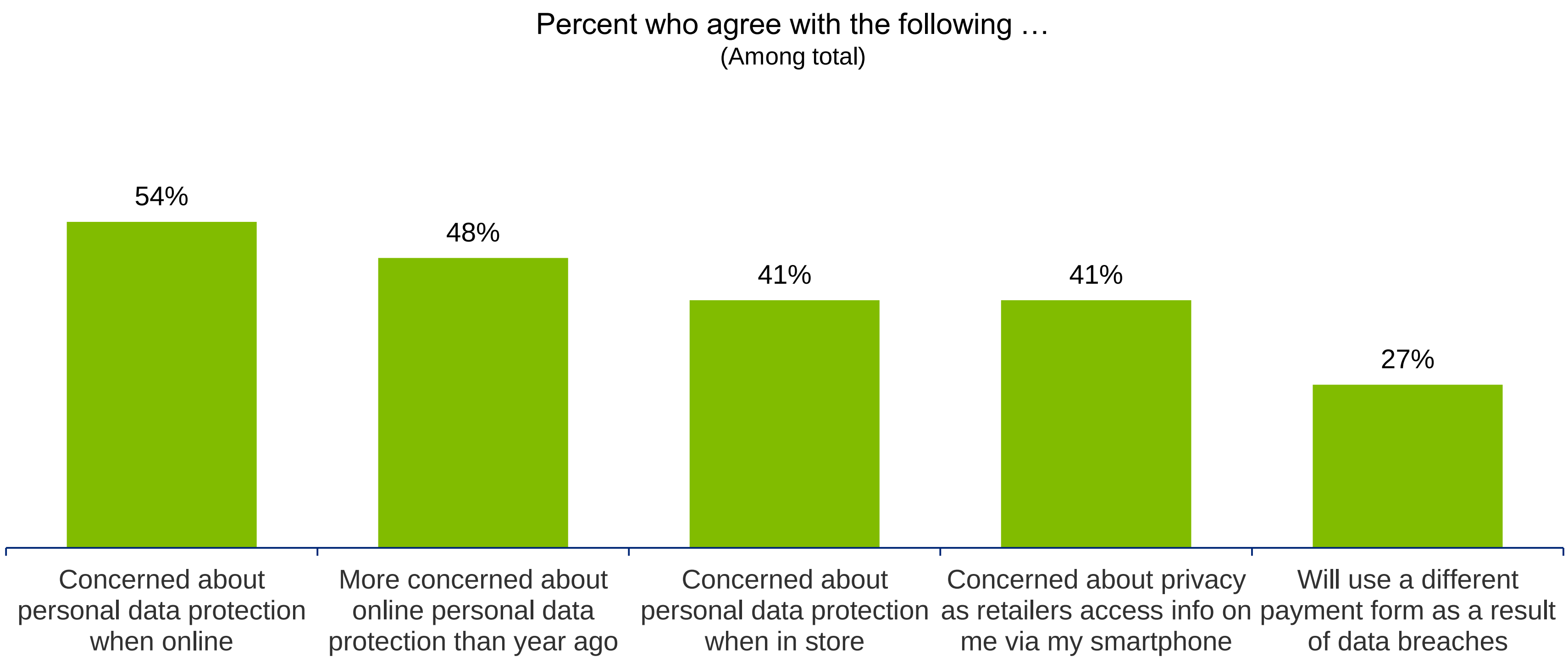
Most desirable return policies (ranked top 3)



Copyright © 2015 Deloitte Development LLC. All rights reserved.

Data security

Personal data protection still concerns many shoppers, whether they transact online or in store.



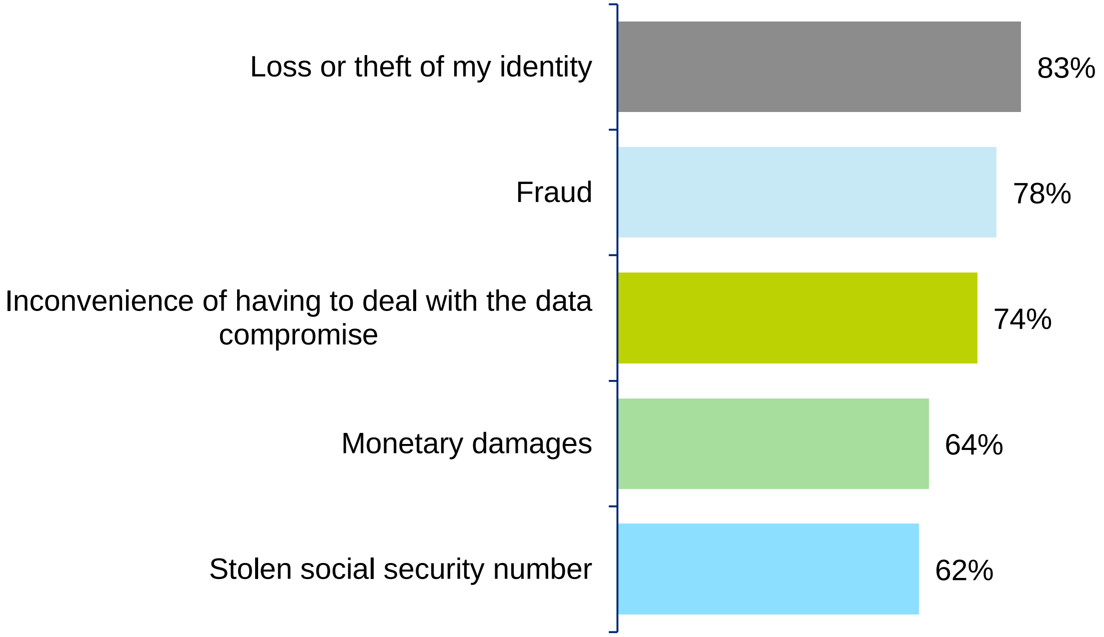
81% of all respondents are concerned about retailers that have experienced a data breach (+5 vs. 2014)

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Theft and fraud are not the only worries; the hassle of dealing with the breach is also a concern.

"Thinking about when you shop online and when you are in a store with credit or debit cards, which of the following, if any, are things you worry about in terms of data compromise?

Among those concerned when shopping, they fear/worry about. . .



Copyright © 2015 Deloitte Development LLC. All rights reserved.

The majority of consumers will not let a retailer's past data breach dissuade them from shopping, but security assurances go a long way for some.

54%

"I am concerned about retailers that have experienced a data breach but **will still continue to shop at them** this holiday season"

35%

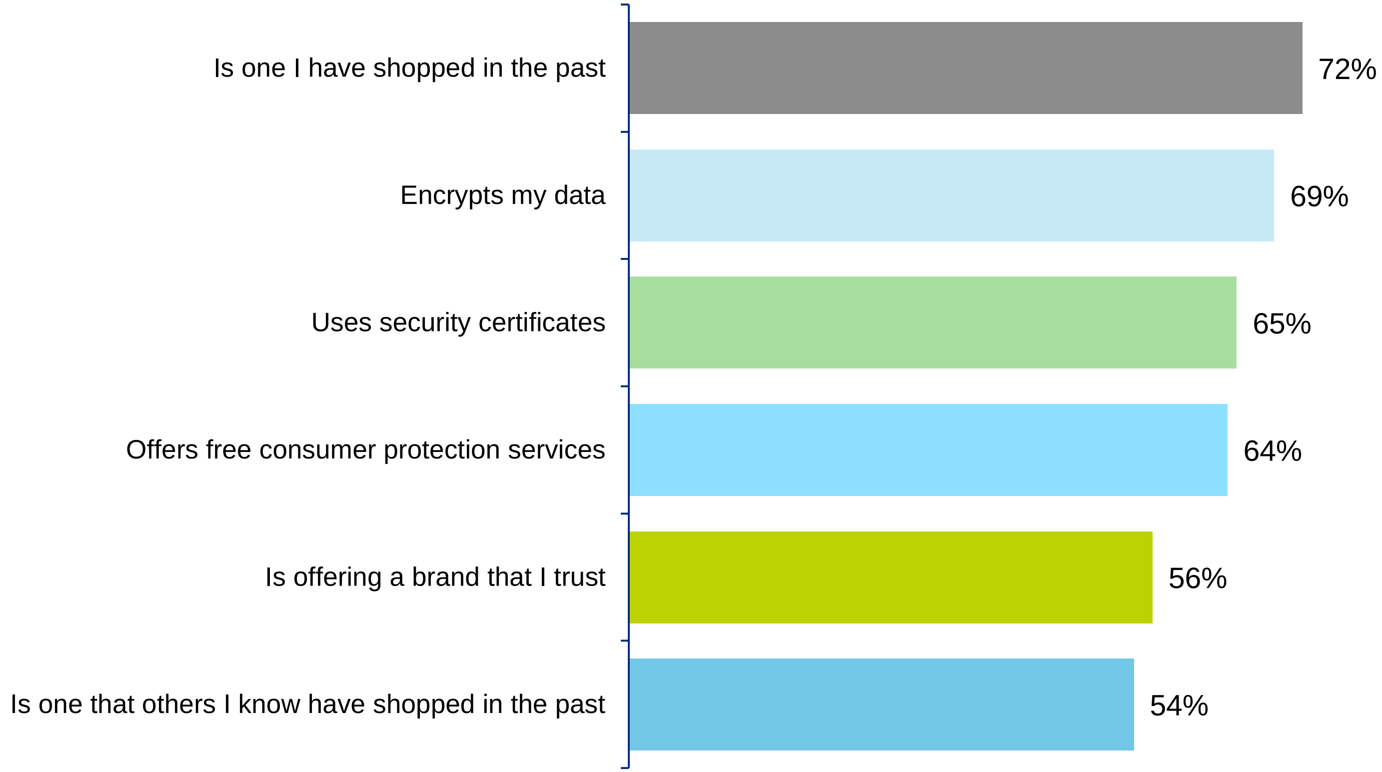
"I am more likely to shop at a retailer who provides me education surrounding the security of my personal data"

Copyright © 2015 Deloitte Development LLC. All rights reserved.

Site familiarity, site security and consumer protection services all help reassure shoppers transacting online.

"Please state how much you agree with each of the following statements about how safe you feel when shopping online under certain conditions."

I feel safer shopping online when the site…

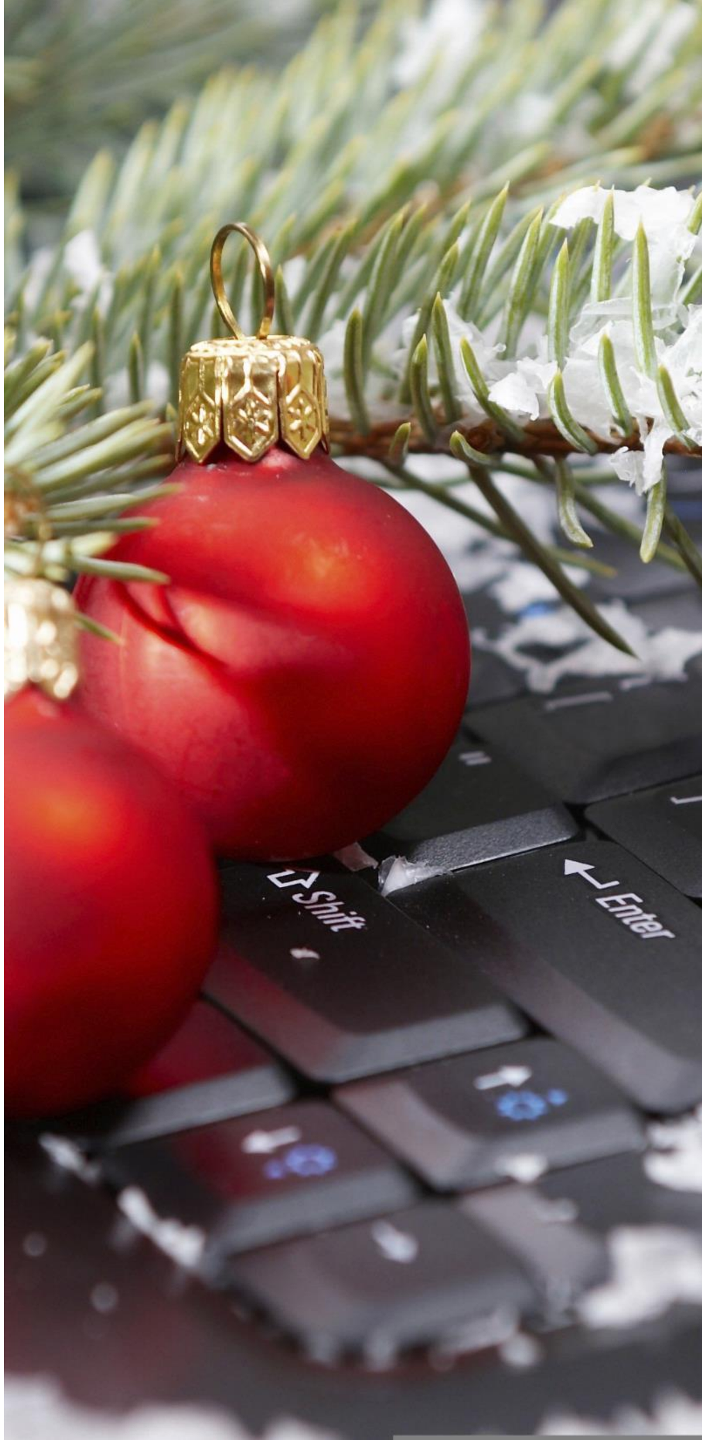


Copyright © 2015 Deloitte Development LLC. All rights reserved.

About the survey

This survey was commissioned by Deloitte and conducted online by an independent research company between September 11–22, 2015.

It polled a national sample of 4,009 consumers and has a margin of error for the entire sample of plus or minus one to two percentage points.



Deloitte.

As used in this document, “Deloitte” refers to Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Copyright © 2015 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited