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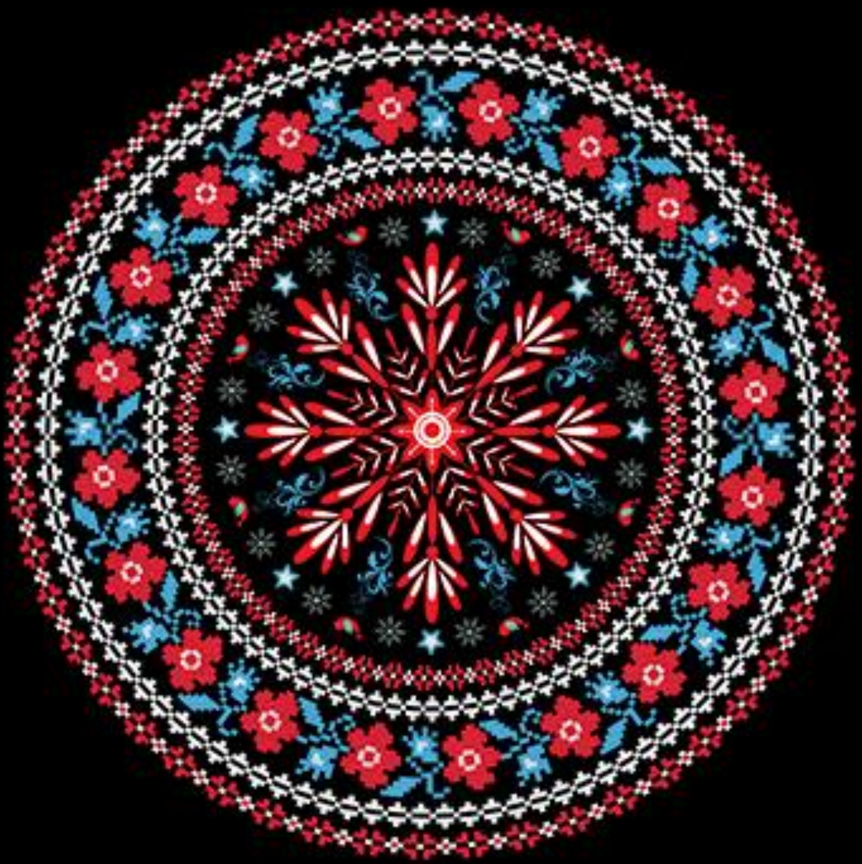

2017 Deloitte holiday study

Chicago market results

2017 holiday retail survey
An annual analysis of the peak shopping season

Holiday retail spending is bucking trends this season with only one-third of holiday budgets going toward gifts.

Online spending is expected to exceed in-store for the first time. In addition to gifts for others this year, spending on experiences and self-gifting increased. Explore more consumer spending trends in our 32nd annual holiday survey.

Click [here]() to read Deloitte's national holiday retail study.

Get in touch

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Key insights – Chicago market

Economic outlook & holiday spending

- Most (71%) of Chicago respondents believe the U.S. economy will remain the same (38%) or improve (33%) in 2018; however, Chicago respondents' outlook on U.S. economy not quite as optimistic compared to last year
- Just over a quarter (26%) of Chicago respondents planning to spend less this holiday season compared to 2016; however, overall average expected spend for the 2017 holiday season increased to $1,220 per Chicago respondent from $1,125 in 2016
- Non-gift "experiences" now represent the largest portion (40%) of average holiday spend in Chicago

Holiday shopping: What, where & when?

- The number of gifts surveyed Chicago shoppers plan to buy has decreased from 15 in 2016 to 13 in 2017
- Internet sites and mass merchants remain the top shopping destinations, with internet sites showing largest increase from 2016 to 2017
- Clothing and toys comprise almost 50% of surveyed Chicago shoppers' planned budget allocation
- Shopping skews late in the season, with many surveyed Chicago shoppers seeking post-holiday sales to buy non-holiday items

Digital influence: Use of online & mixed channels

- Expectations of surveyed Chicago shoppers' online spending (50% of budget) exceed those of in-store spending (43%) for the first time
- The vast majority (91%) of surveyed Chicago shoppers will use a desktop/laptop during the shopping journey
- Surveyed Chicago shoppers' propensity to shop via smartphone is up, taking on a variety of mobile payment forms

Retailer policies: Shipping & returns

- Three quarters of surveyed Chicago 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 surveyed Chicago shoppers expressing low willingness to pay for even expedited terms
- Expectations of flexible return policies remain higher and important to Chicago respondents

Shopping by age, income & education level

- Higher income shopper segments ($100K+) are expected to spend nearly double the market average ($2,429 vs. $1,220)
- Spending on "experiences" also varies with age, greater with younger ages and then declining among older respondents
- Internet leads among all income levels and younger age groups
- Spend, device usage and web research increase with education level

Source: Unless otherwise indicated, all data in this presentation is from the 2017 Holiday Retail Study, Deloitte Consulting LLP, 2017

Snapshot of Chicago respondent sample

The Chicago sample contained 428 respondents:

- 52% female, 48% male
- On average, 45.8 years of age
- 49% are married, 51% not married
- 49% have children, 51% do not have children
- Average annual household income before taxes of $73,300
- 43% with annual household income < $50K, 32% $50K - $100K, 25% > $100K
- 61% are Caucasian, 17% African-American, 16% Hispanic, 3% Asian, 3% other

Economic outlook
& holiday spending

Less positive outlook on U.S. economy

Chicago respondents are less positive about the outlook for the U.S. economy compared to last year

33% of Chicago respondents believe the U.S. economy will improve compared to 41% of national respondents

U.S. economy will…

33%

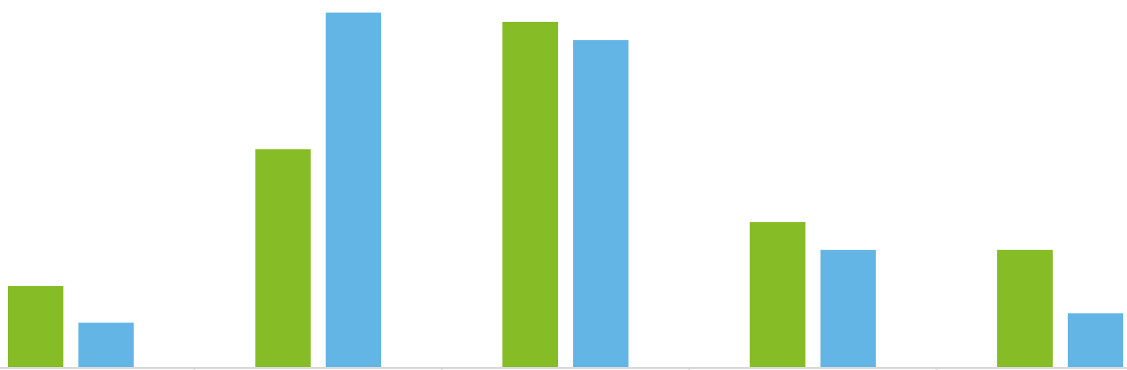
"Improve"

Down from 45% in 2016

29%

"Weaken"

Up from 20% in 2016



	Improve significantly	Improve modestly	Remain the same	Weaken modestly	Weaken significantly
2017	9%	24%	38%	16%	13%
2016	5%	39%	36%	13%	6%

2017 2016

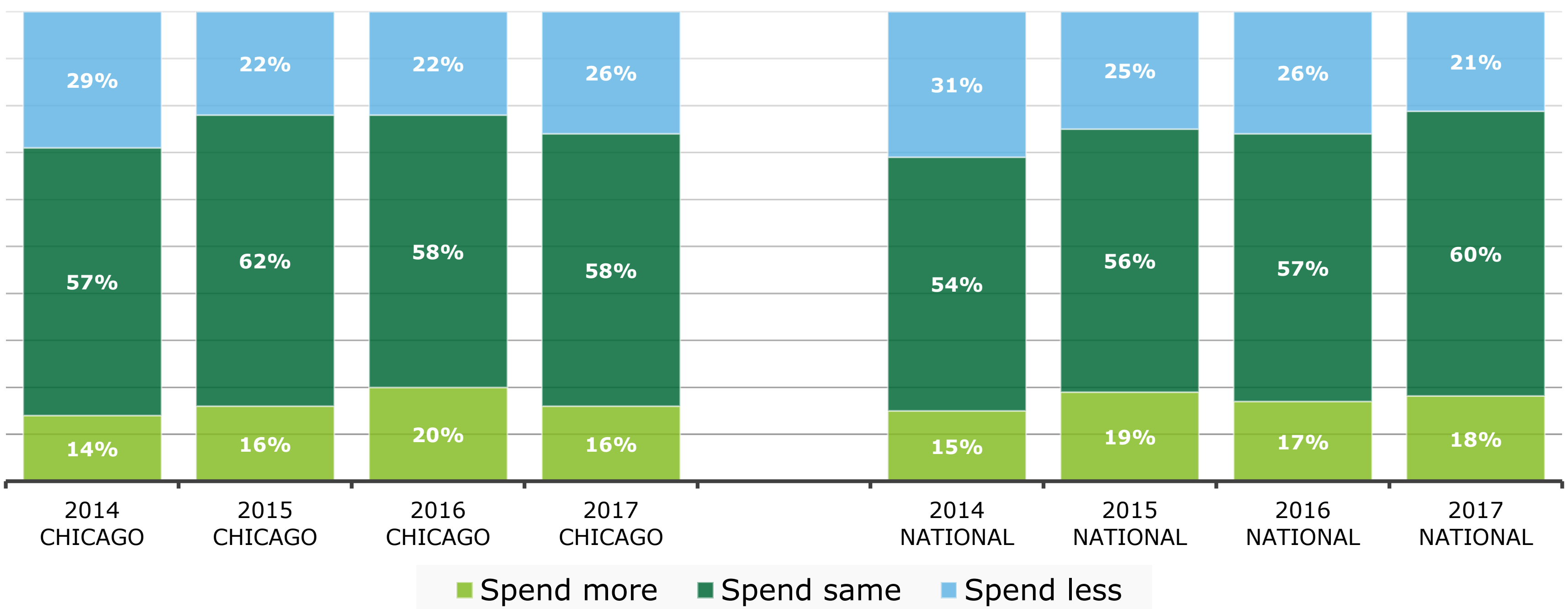
"In your opinion, what is your overall outlook for the U.S. economy in the year 2018, compared with today? Would you say it will likely…?"

Chicago respondents planning to spend less (26%) this holiday season compared to 2016 (22%)

Top reason for spending less is saving more instead of spending

74% of surveyed Chicago shoppers expect to spend the same or more, with the top reasons being improved household finances and feeling more generous

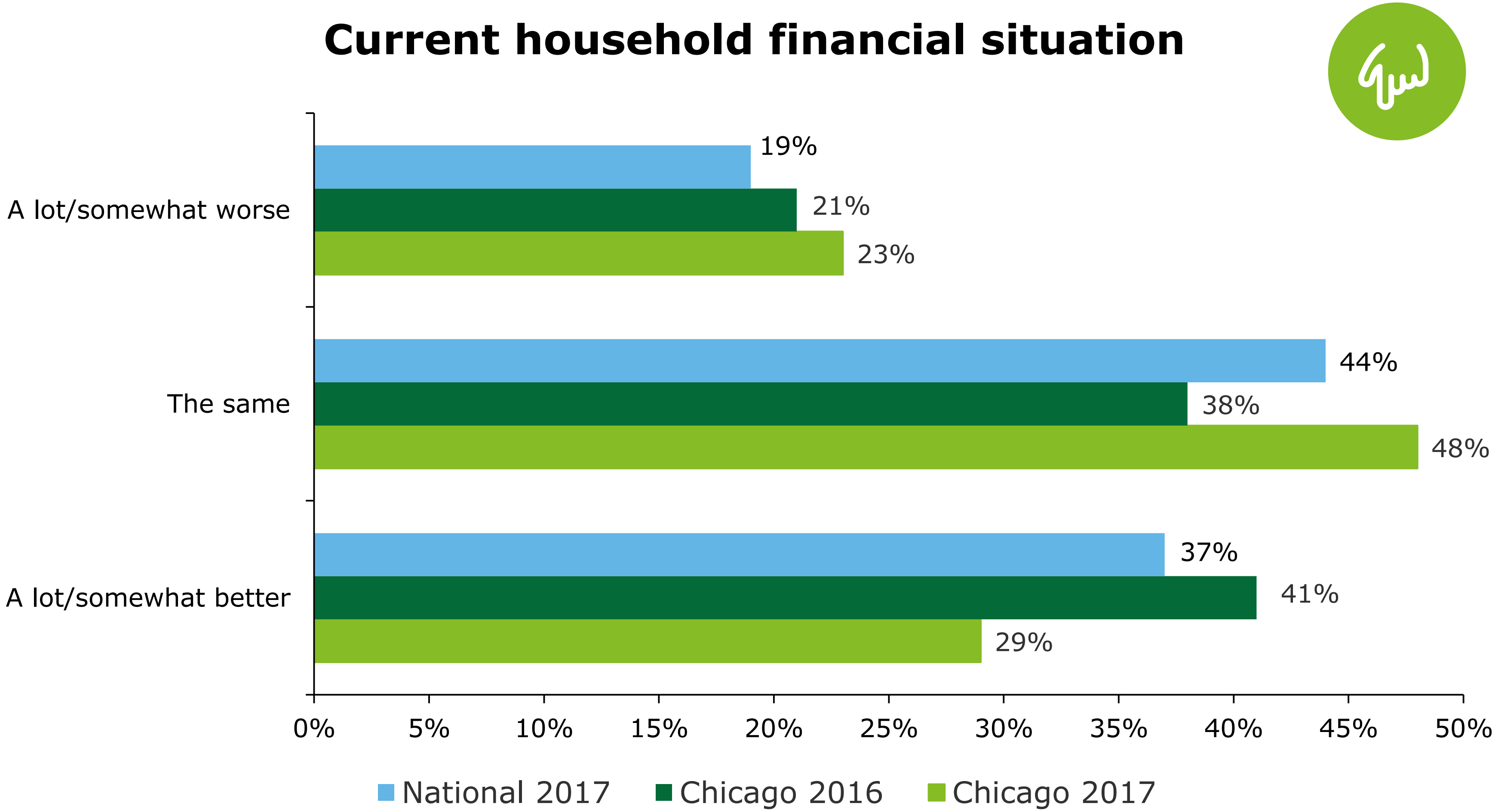
Spend compared to last few holiday seasons



"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."

Chicago respondents' household financial situations worsening compared to last year and national respondents

Though 77% of surveyed Chicago shoppers still perceive their financial situation as the same or better



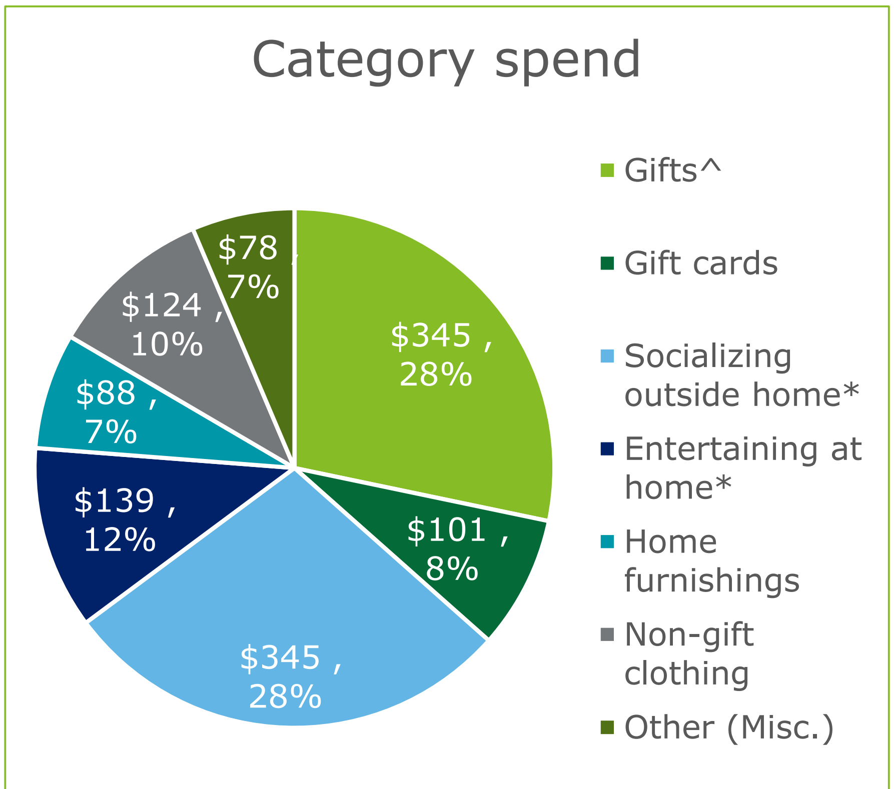
"Thinking about your household's current financial situation, would you say it is..."

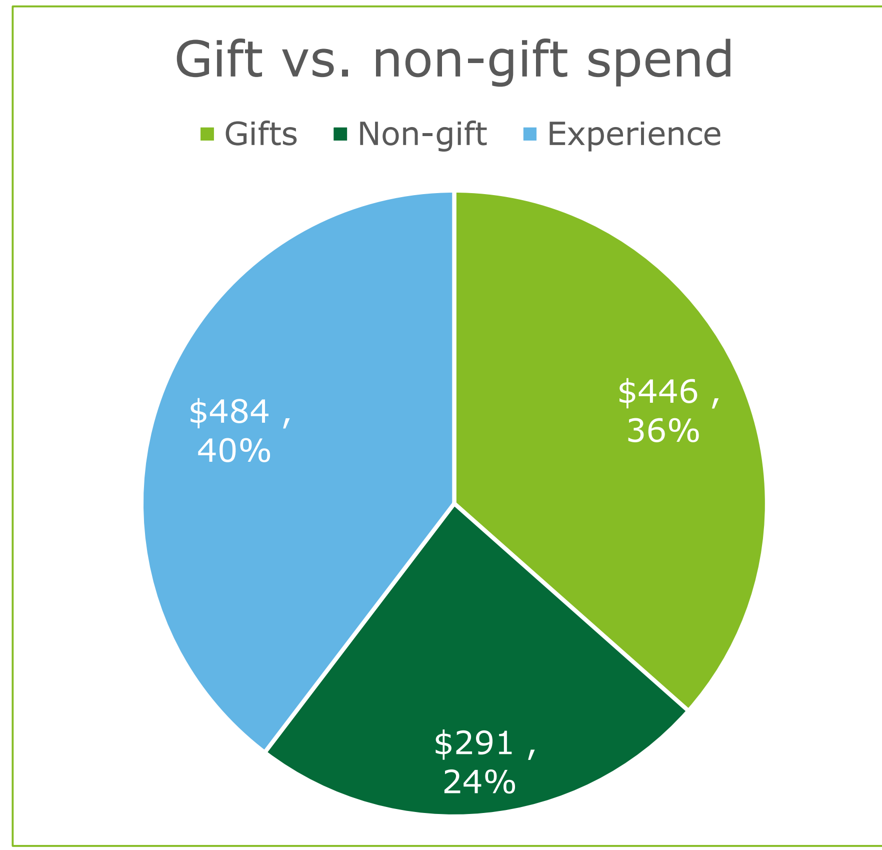
Experiences now represent largest portion of average holiday spend for surveyed Chicago shoppers

Gifts projected to represent only one third of average holiday spend in Chicago

Anticipated average spend for Chicago (2017):

$1,220





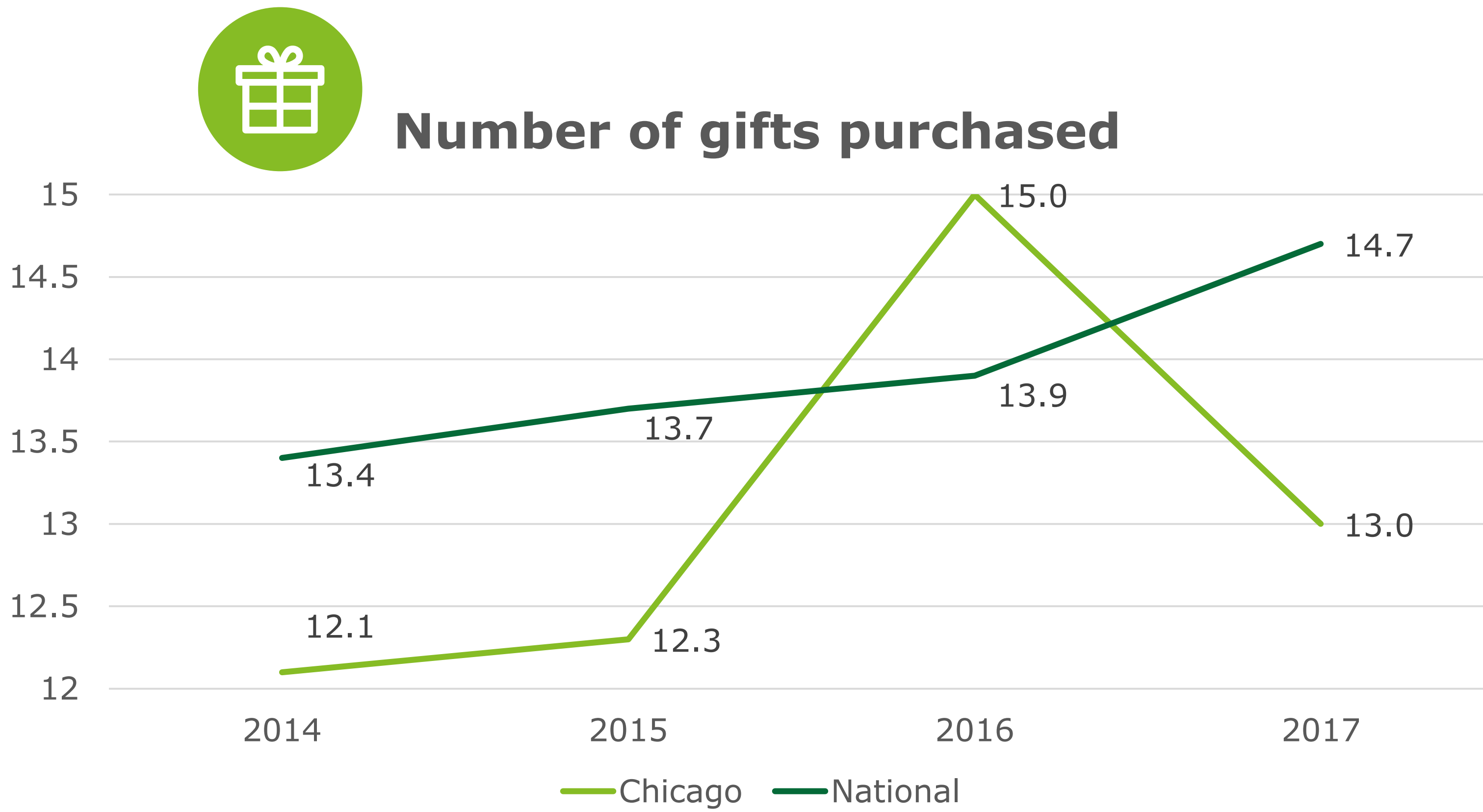
^ Actual products not gift cards.
* Experiences - socializing & entertainment
◊2016 Chicago average gift spend ($1,125 or 8% less)

Holiday shopping:

What, where and when?

Chicago respondents plan to purchase two fewer gifts compared to last year and almost two fewer gifts than the national average

Decrease in number of gifts to be purchased by Chicago respondents driven by saving more, worse financial situation, paying down debt, and higher food prices



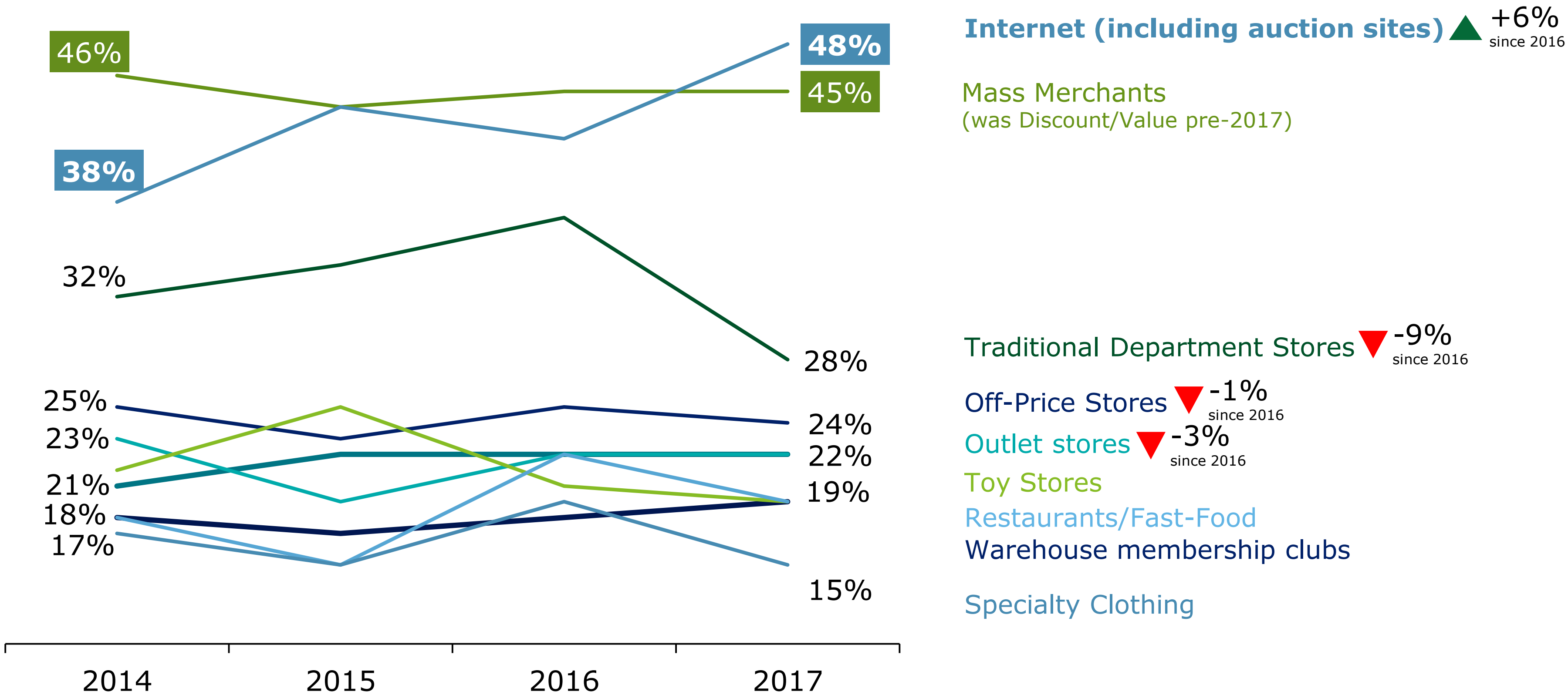
76% of Chicago respondents anticipate shopping at the **same stores and online retailers** as last year.

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

Internet sites and mass merchants remain top two destinations

In Chicago market, internet sees the largest increase from 2016 while traditional department stores see the largest decline from 2016

Chicago's top shopping channels

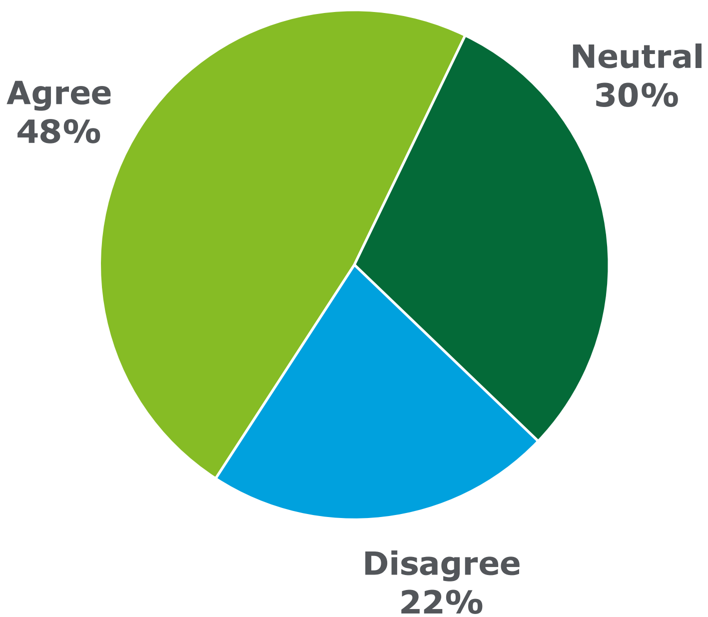


"At which of the following retail sources or venues will you likely shop for holiday gifts?"
"How many individual shopping trips do you expect to take when purchasing holiday gifts over the next several months? (A "trip" is defined as a single outing to visit one or more physical stores.)"

Almost half of Chicago respondents prefer shopping online

Top barriers to shop online are no free shipping, merchandise not available and prices not competitive enough

Prefer shopping online rather than in-store



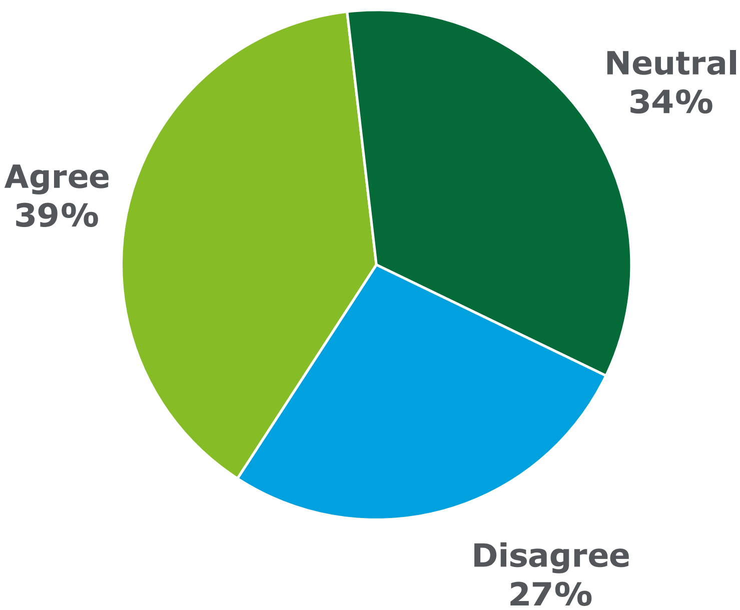
Reason for preferring online

"I prefer shopping online rather than in the physical store during the holiday season."
"What are the reasons you anticipate shopping online instead of in a physical store?"

Just over a third of Chicago respondents still prefer shopping in-store

Top barriers to shop in-store are crowds, long lines/slow checkout and items/sizes often out of stock

Prefer shopping in-store rather than online



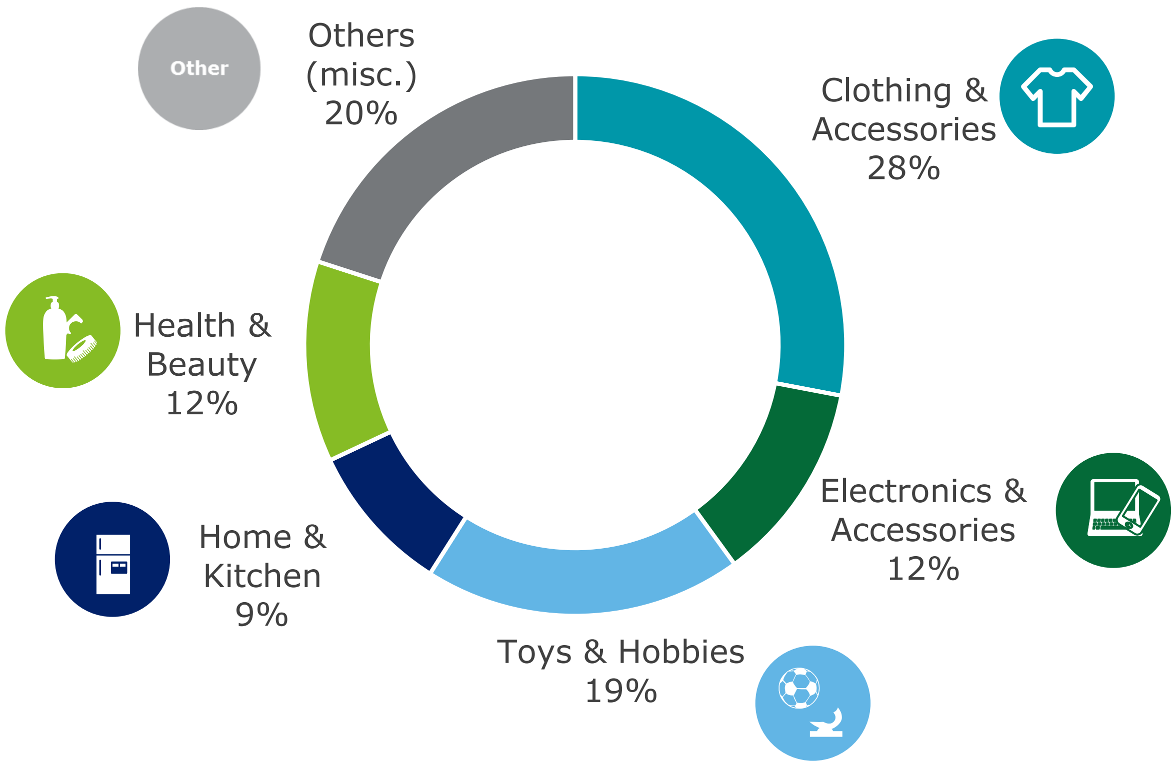
Reason for preferring in-store

"I prefer shopping in the physical store rather than online for holiday products."
"What are the reasons you plan to shop in a physical retail store rather than online?"

Clothing and toys comprise almost half of surveyed Chicago shoppers' planned budget for gifts

Gifts represent 36% of respondents' overall budget spend

Percent of average anticipated gift spend



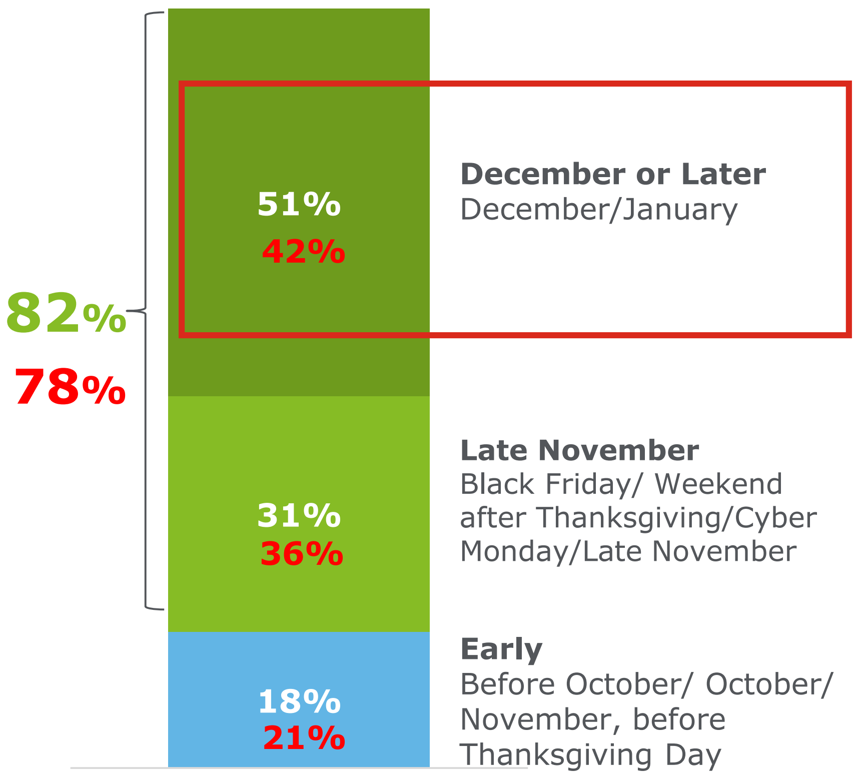
Change in preference: Clothes (52%), toys & hobbies (47%) and health & beauty (46%) are the top gifts to **receive** by Chicago respondents in 2017 compared to top three in 2016 of electronics (40%), cash (40%) and gift cards (40%).

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.

Compared to 2016, surveyed Chicago shoppers expected to buy later in the holiday season

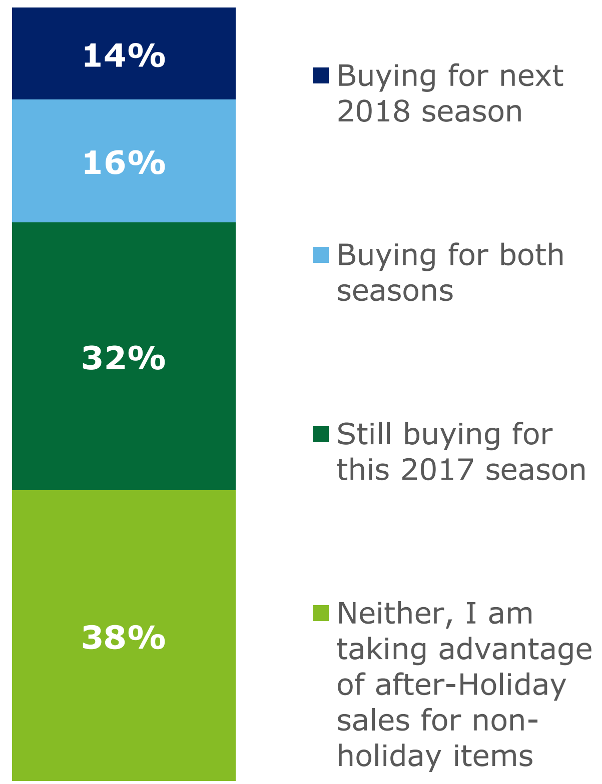
Most surveyed Chicago shoppers complete their shopping after Thanksgiving

When shoppers will complete majority of shopping



One in six shoppers will spend 25% of budget after December 25

Among those who shop after Christmas, reasons are:



Chicago 2016 responses are shown in red

"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?"

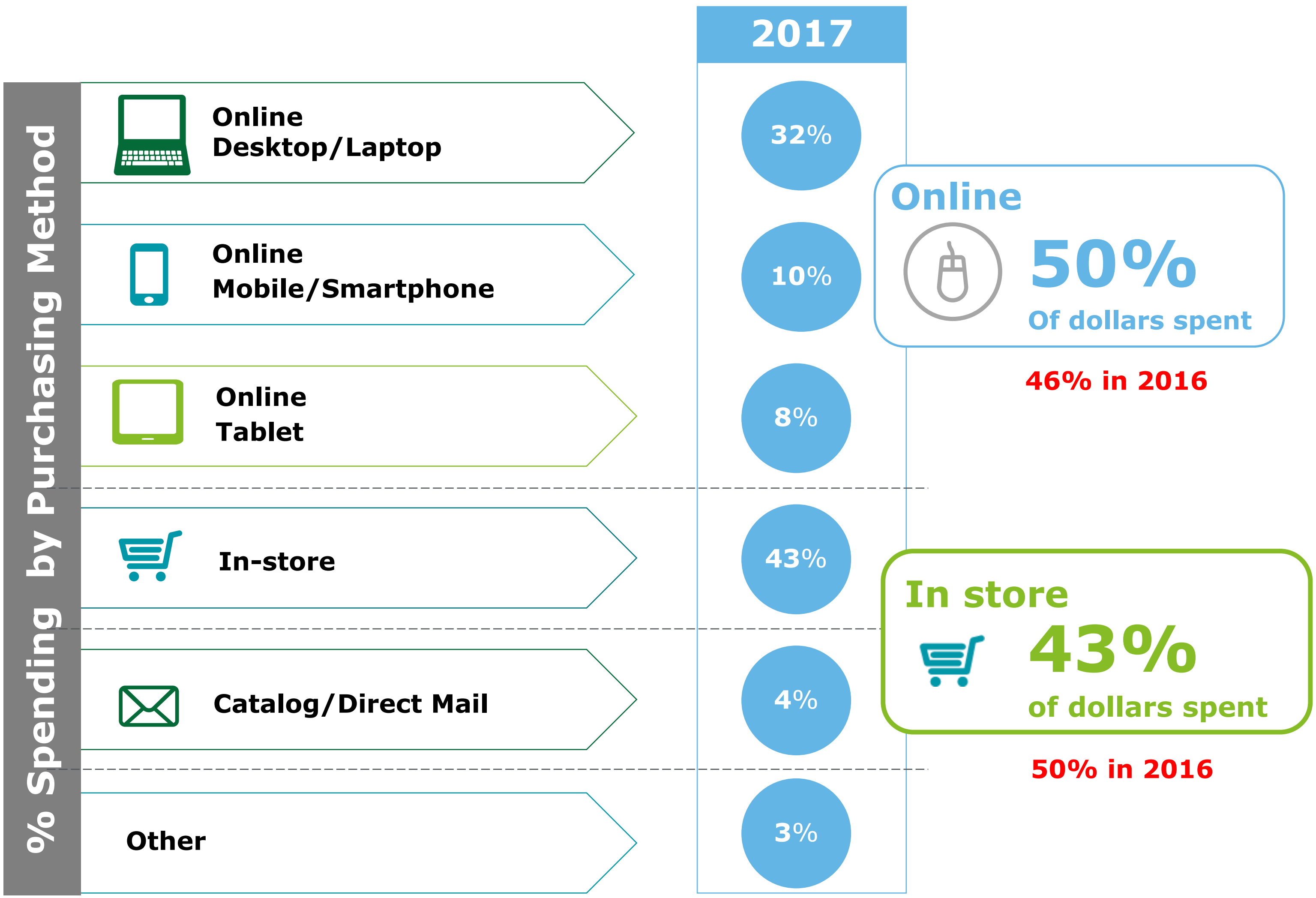
"When you shop this year after Christmas day, will you still be buying items for this 2017 Holiday season, or for the next 2018 Holiday season?"

Digital influence:

Use of online and mixed channels

Online spend pulls ahead in Chicago market for first time

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



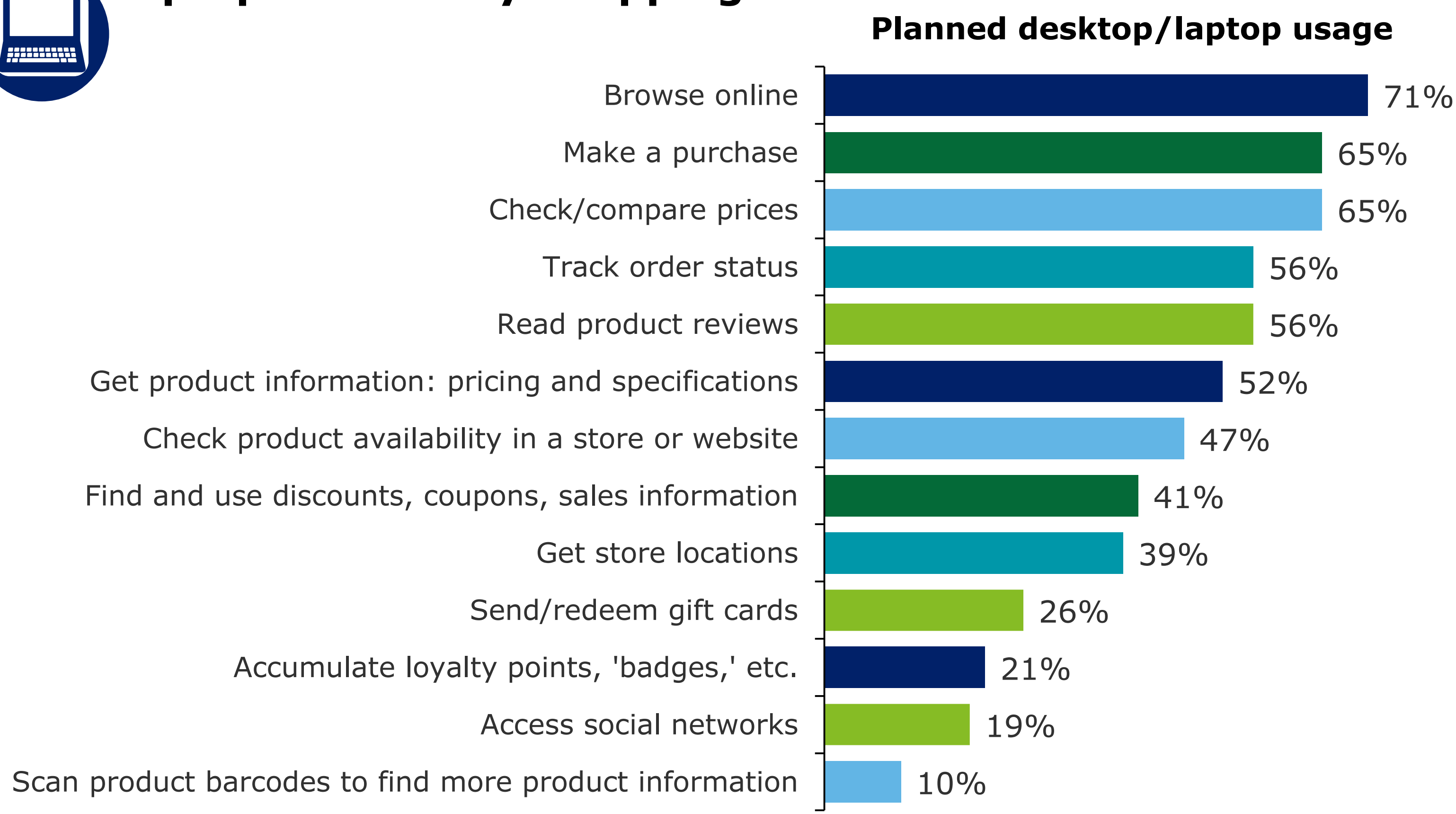
"What percentage of your total holiday budget do you expect to spend...?

Chicago 2016 responses are shown in red

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

However only one out of four respondents will use social media sites to assist in their holiday shopping

91% of surveyed Chicago shoppers say they use a desktop or laptop for holiday shopping



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

Holiday shopping preferences shifting to online

Only one third of Chicago respondents still prefer shopping in a physical store

48% I prefer shopping online rather than in the physical store during the holiday season (40% in 2016)

36% I prefer shopping in the physical store rather than online for holiday products (39% in 2016)

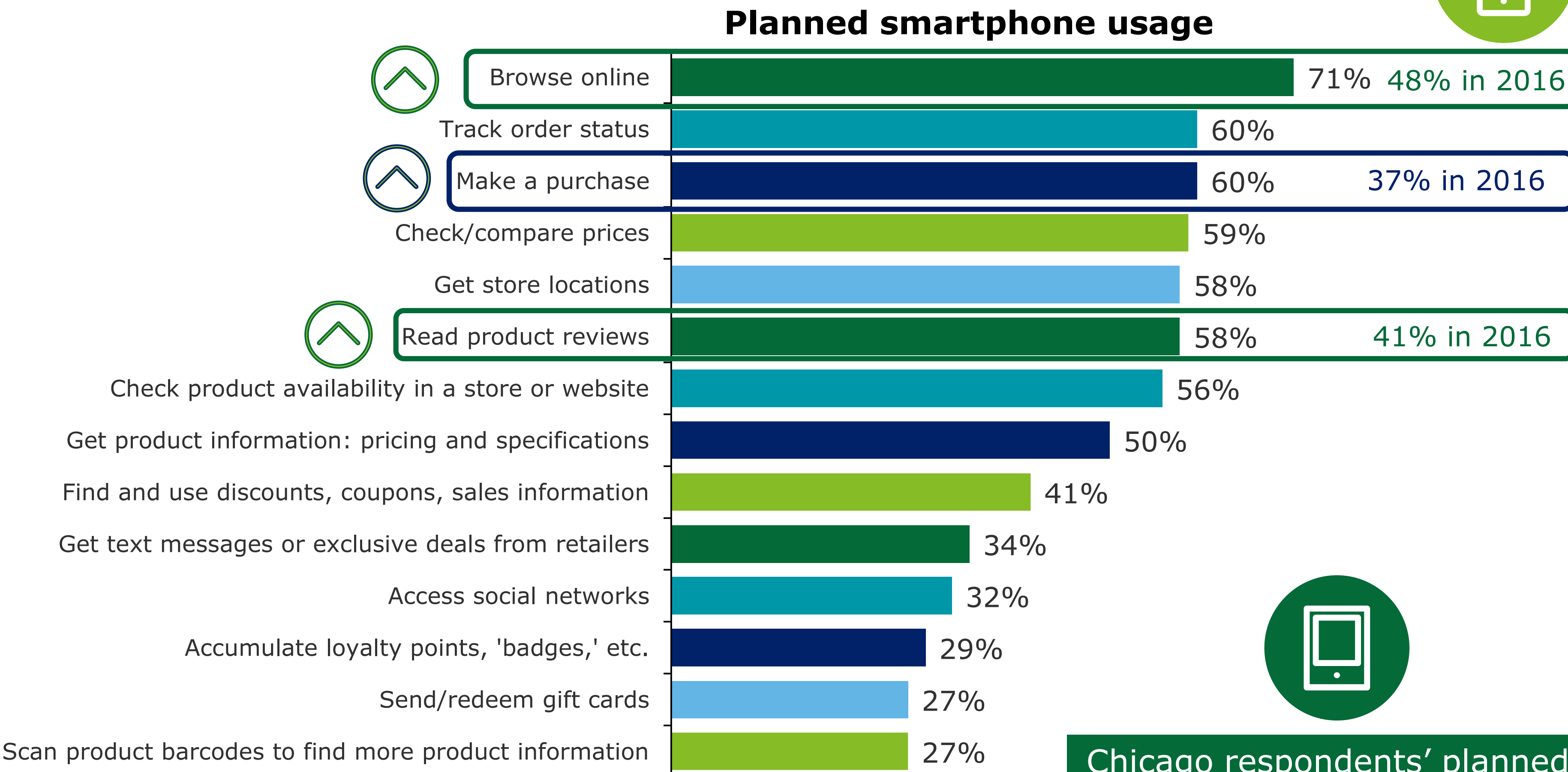
33% It is important that the retailers I shop at have both a store I can visit and an online site (39% in 2016)

Chicago 2016 responses are shown in red

"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."

Smartphones and tablets are widely used by Chicago respondents

Significant increase from 2016 in smartphone and tablet use by respondents for browsing online, making purchases and reading product reviews



"How do you plan to use smartphones to assist you in your holiday shopping?"

Chicago respondents' planned tablet usage follows similar pattern as smartphones.

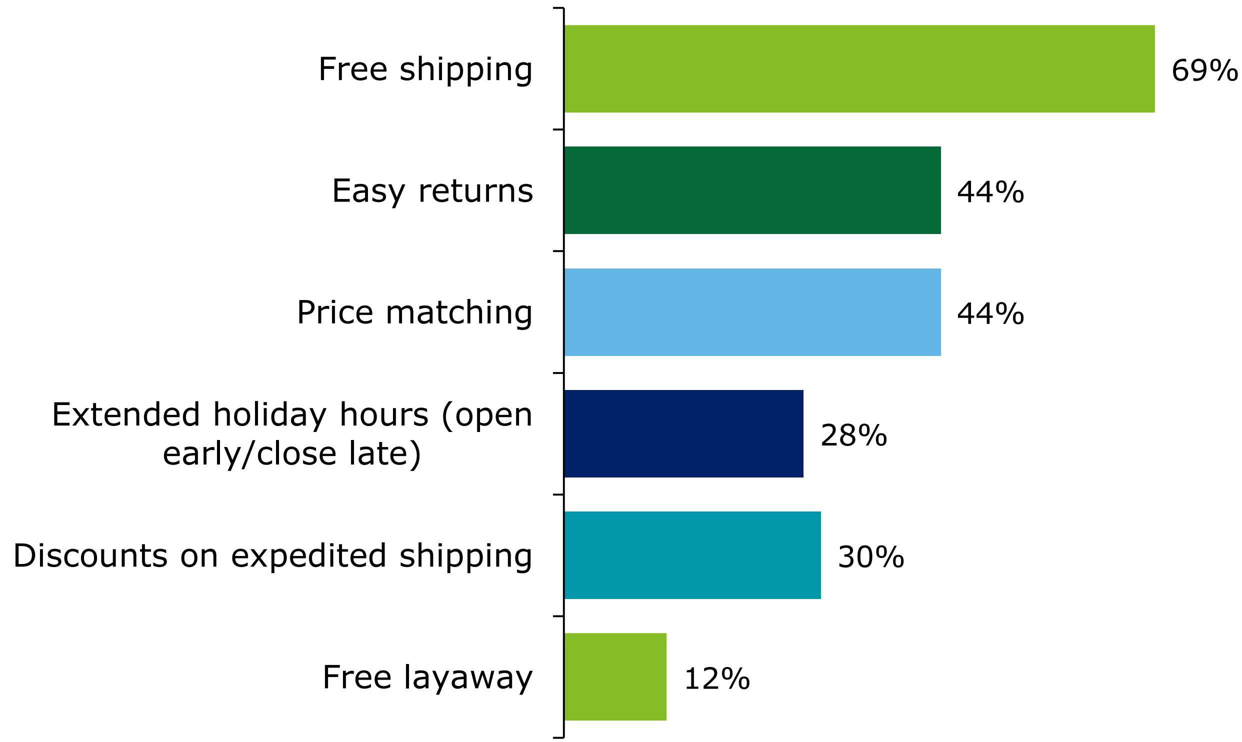
Retailer policies:

Shipping & returns

The majority of surveyed Chicago shoppers plan to take advantage of free shipping

Other preferred retailer policies include easy returns and price matching

Chicago respondents say they will take advantage of…

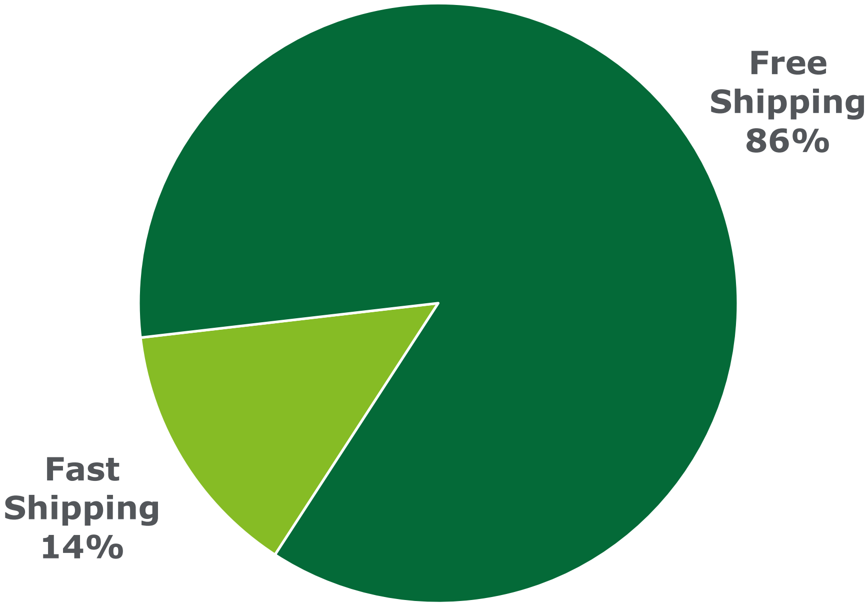


"In general, what retail offerings will you take advantage of when spending this holiday season?"
"What percentage of your total holiday purchases will be influenced by any coupons and promotional offers that you receive?"

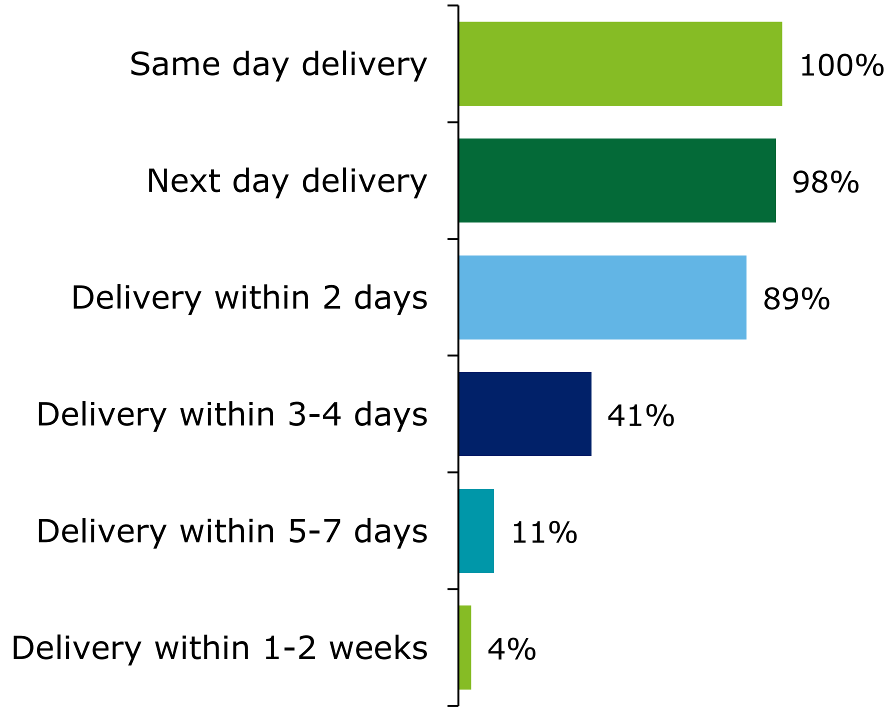
Free shipping is more important than fast shipping

The vast majority (89%) of Chicago respondents believe fast shipping means delivery within 2 days compared to only 53% in 2016

More important…



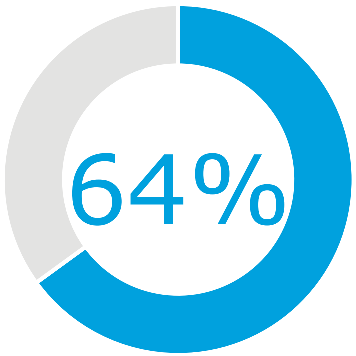
Perception of timeframe



"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'?"

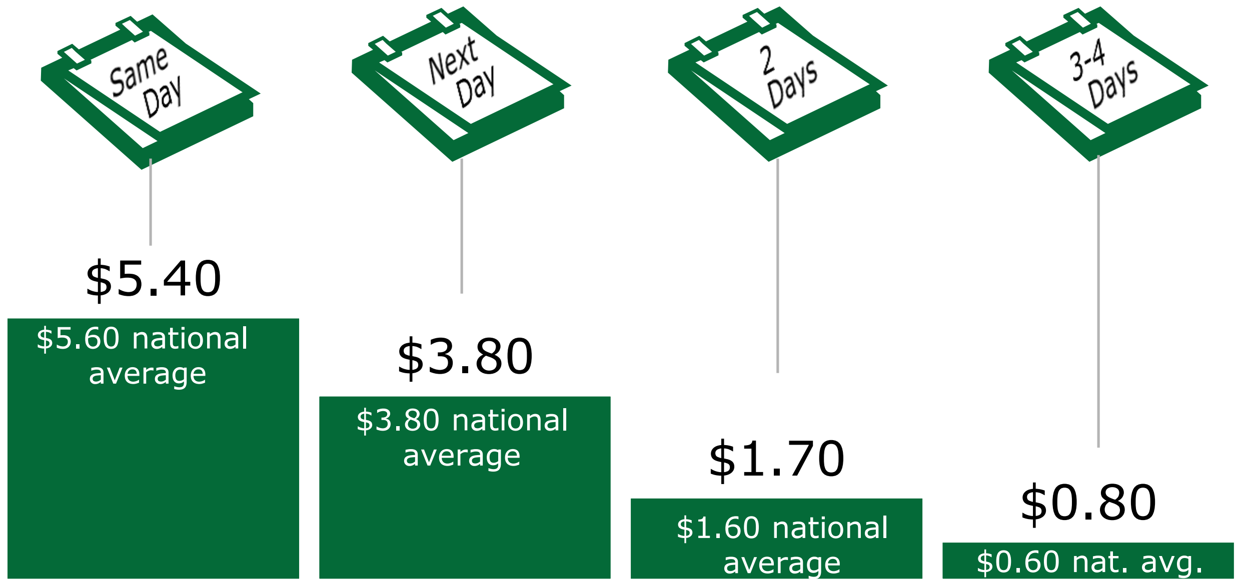
Chicago respondents' willingness to pay for shipping remains low

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…



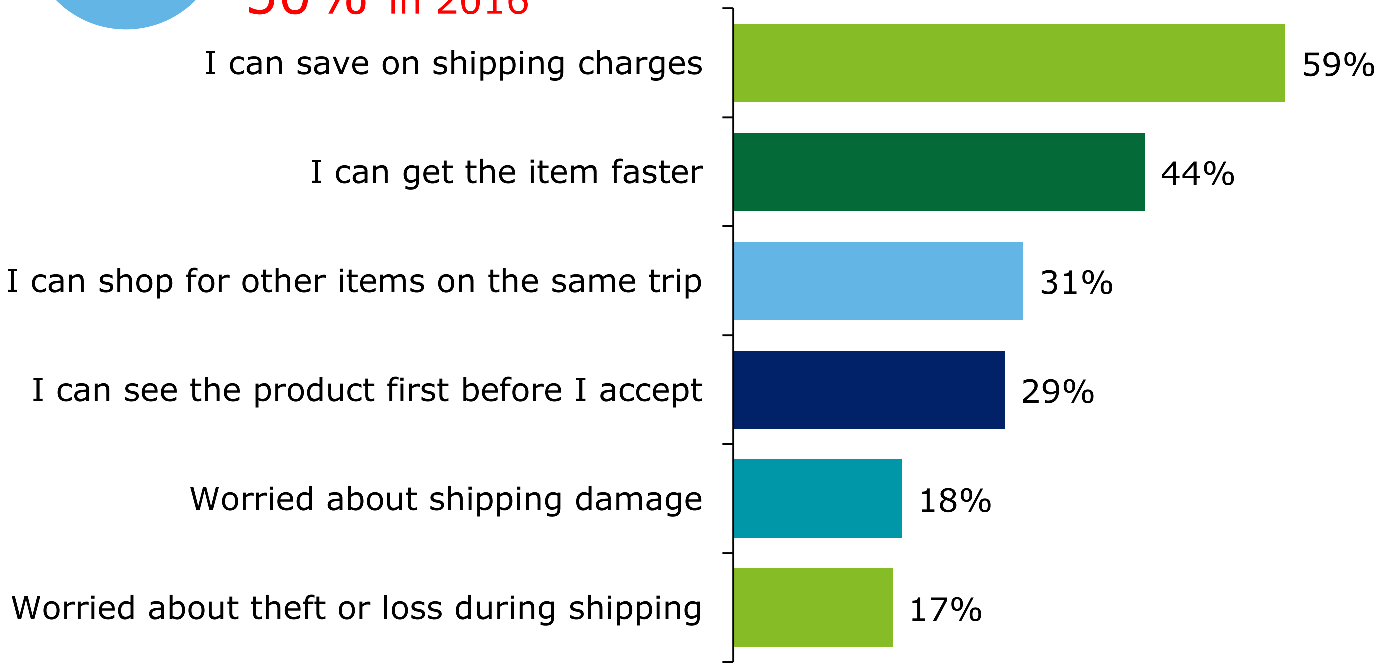
% respondents who would pay nothing extra	2017: 29%	34%	67%	86%

"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 Chicago shoppers to pick up items in store

44% Likely to buy online and pick-up in store

50% in 2016



51% **Likely to go to store first to look for an item then search online for best price and purchase online** (56% in 2016)

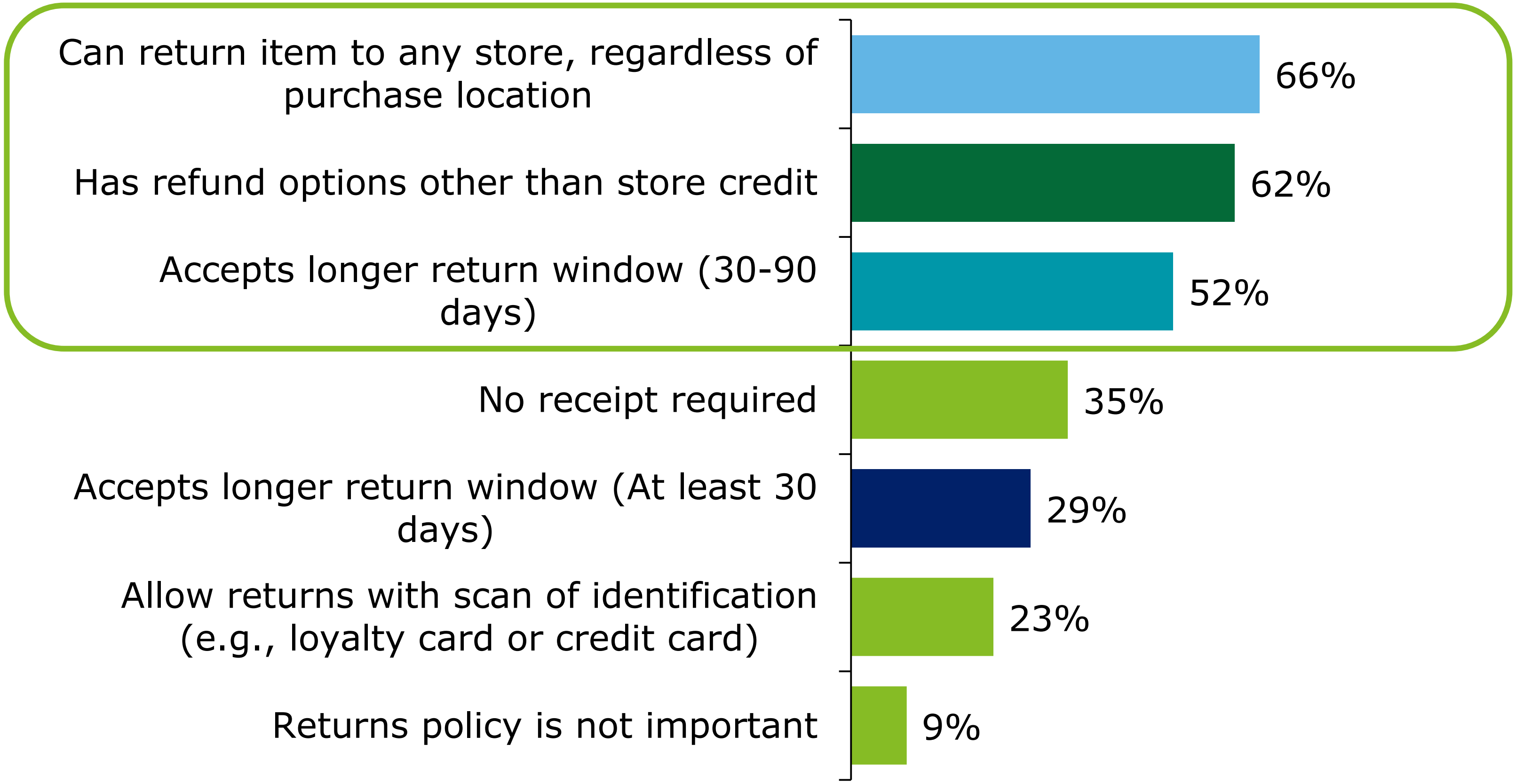
65% **Likely to look at items online, then go to store to see item, then make purchase at the store** (66% in 2016)

"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?"

Chicago 2016 responses are shown in red

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

Chicago respondents ranked their top three return policies



Return policy most important to Chicago respondents is "has refund options other than store credit."

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

Chicago respondents continue to seek out opportunities to save

50% I don't rely on Black Friday as much as I used to (54% in 2016)

42% I don't rely on Cyber Monday shopping as much as I used to for the holiday season (51% in 2016)

44% I wait for **holiday sales** to buy other larger or big ticket items for myself or household (32% in 2016)

46% I know things will eventually go on sale so I only **buy sale items** when holiday shopping (44% in 2016)

Chicago 2016 responses are shown in red

80% of Chicago respondents will be influenced by coupons/promotional offers with women (87%) being more influenced compared to men (72%).

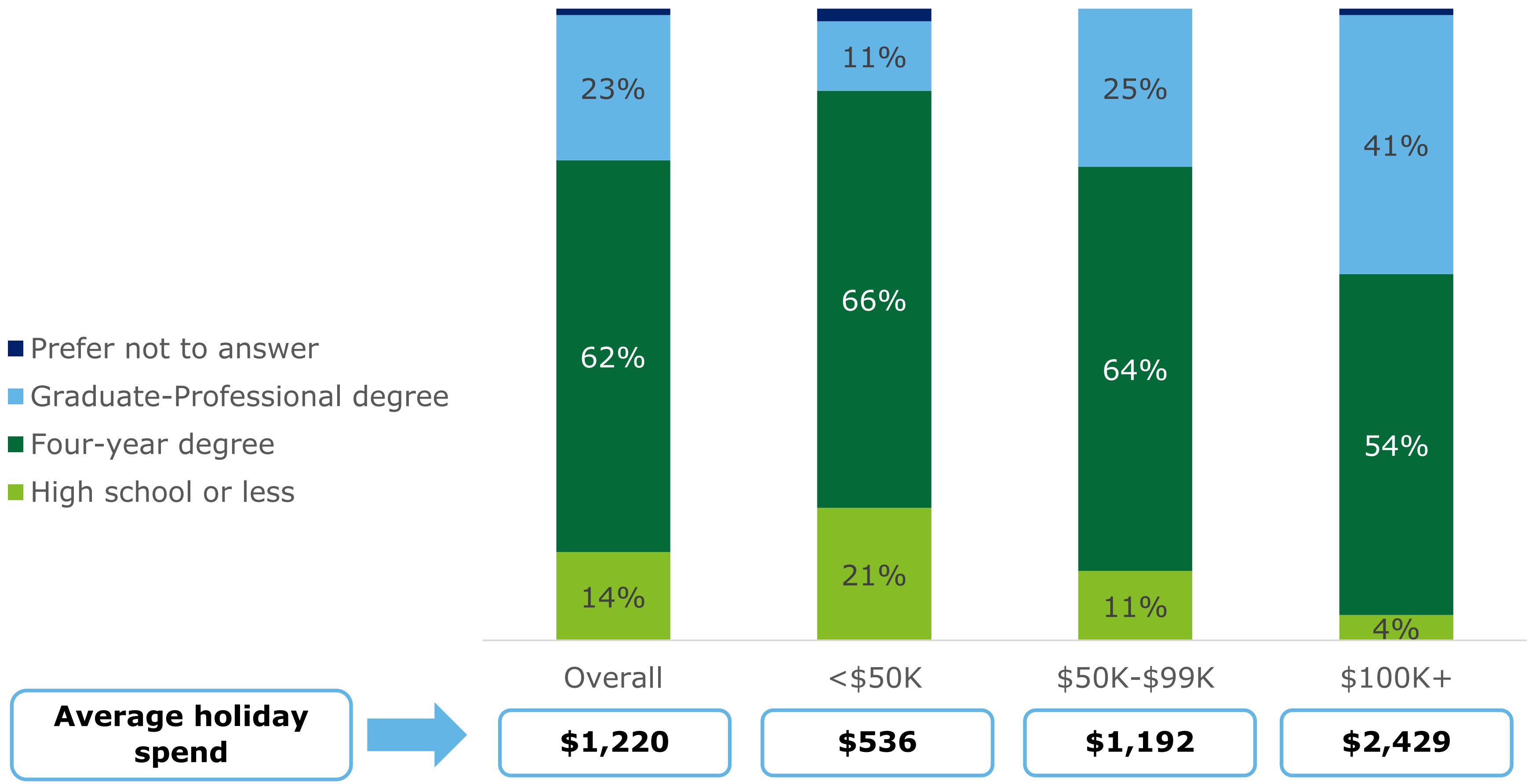
"Using a scale of 1 through 5, where 1 means you "Very much disagree" and 5 means you "Very much agree", please state how much you agree with each of the following statements."
"What percentage of your total holiday purchases will be influenced by any coupons and promotional offers that you receive?"

Shopping by age, income & education level

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

Average holiday spend for respondents expected to increase 8% from $1,125 in 2016 to $1,220 in 2017

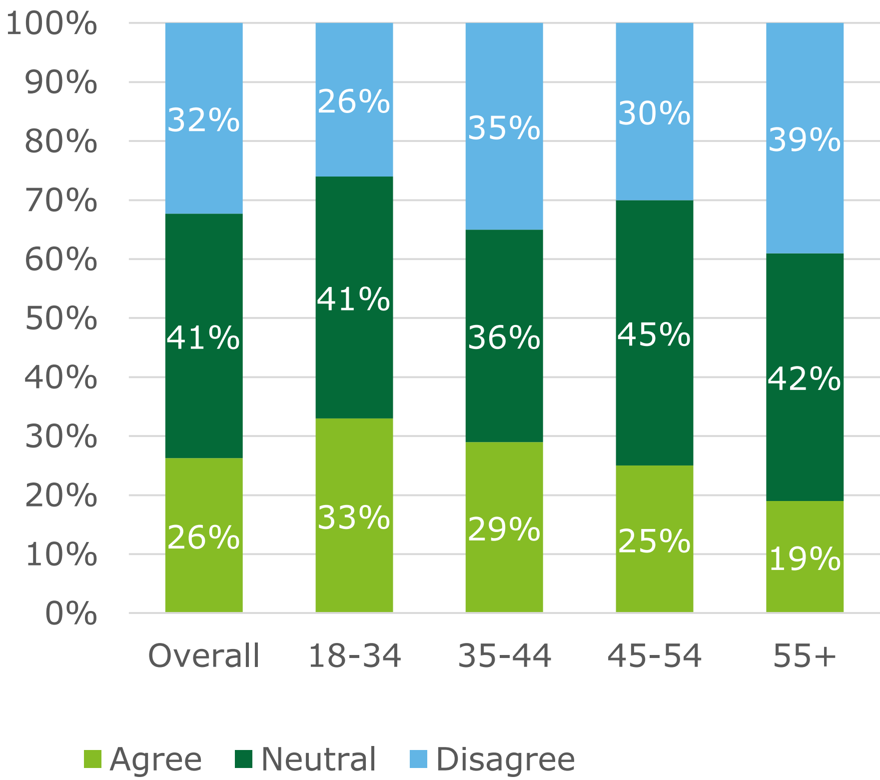
Education level of respondents by household income group (%) and anticipated 2017 holiday spend



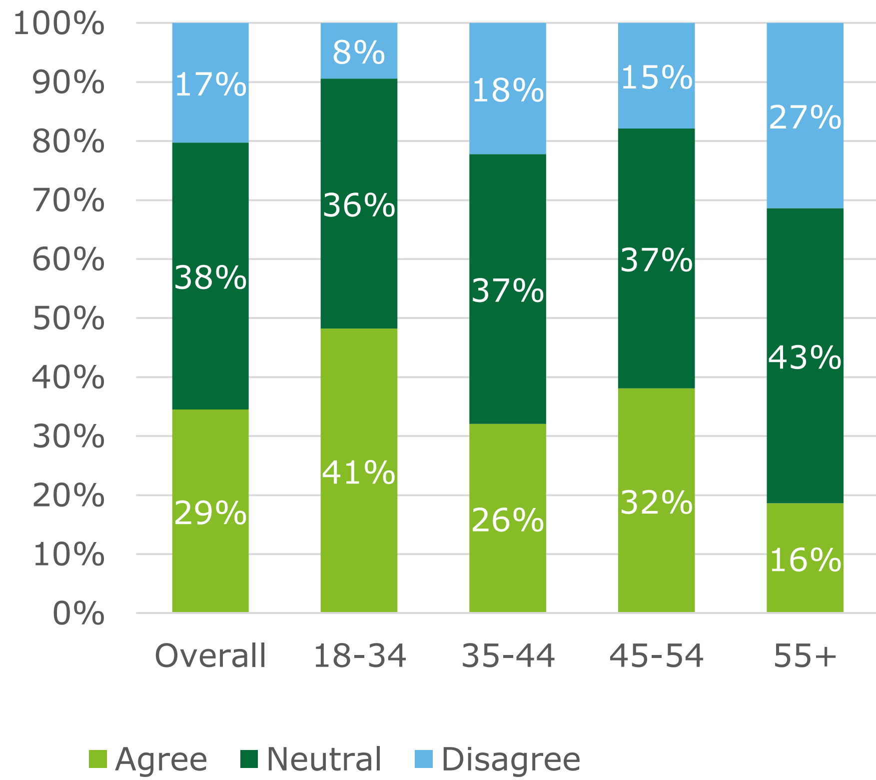
“Experiences” as holiday purchases are the future in Chicago

Younger respondents prefer gifting experiences and hosting/attending holiday events compared to older respondents who still prefer traditional gifts

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

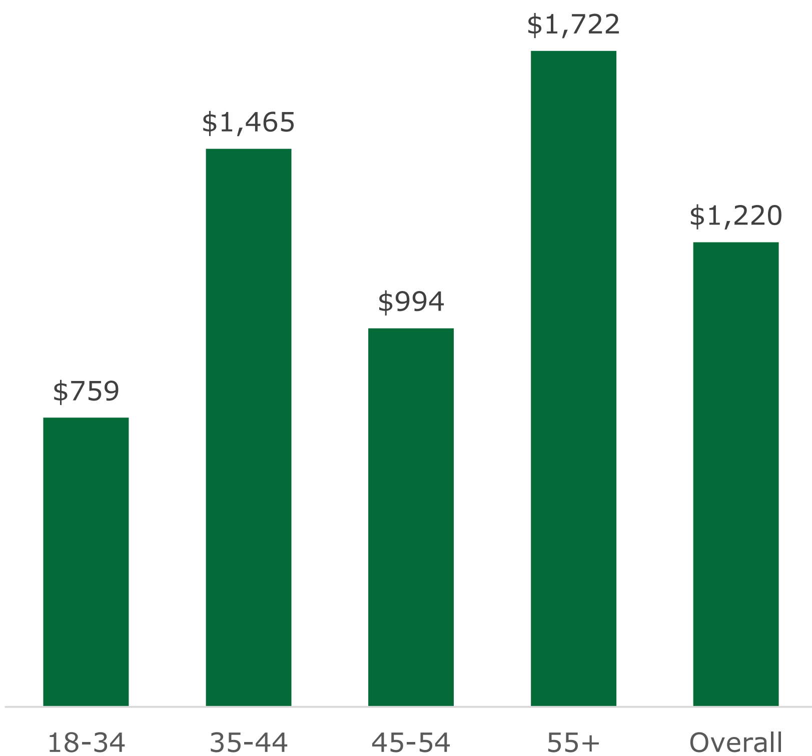


“I plan to host or attend more holiday events with friends and/or family than participate in traditional gift exchange”

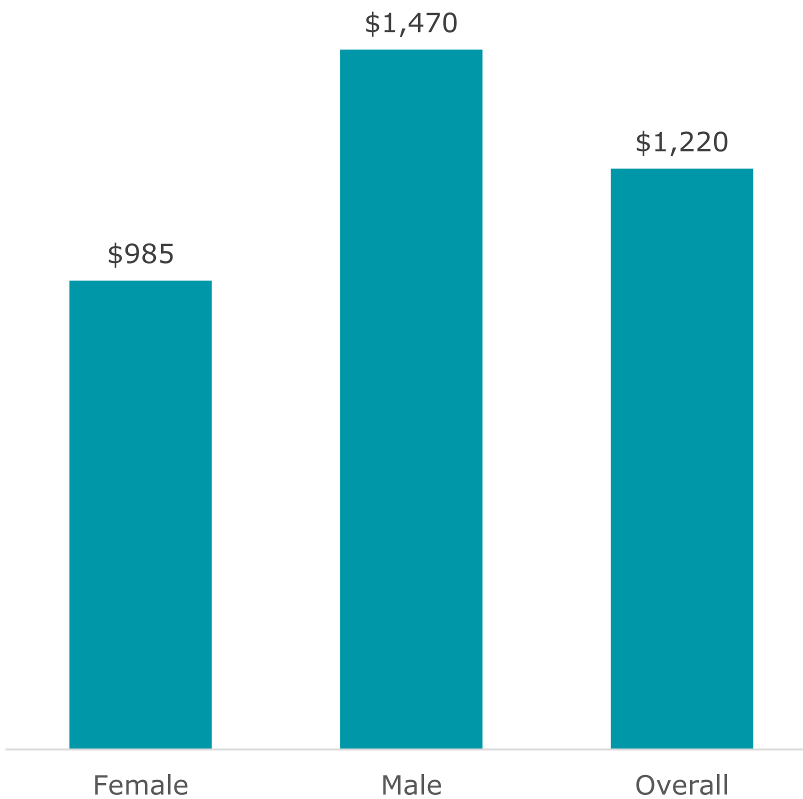


Spending also varies with age, with Chicago respondents >55 years of age expected to spend the most

Holiday season spending by age group



Holiday season spending by gender



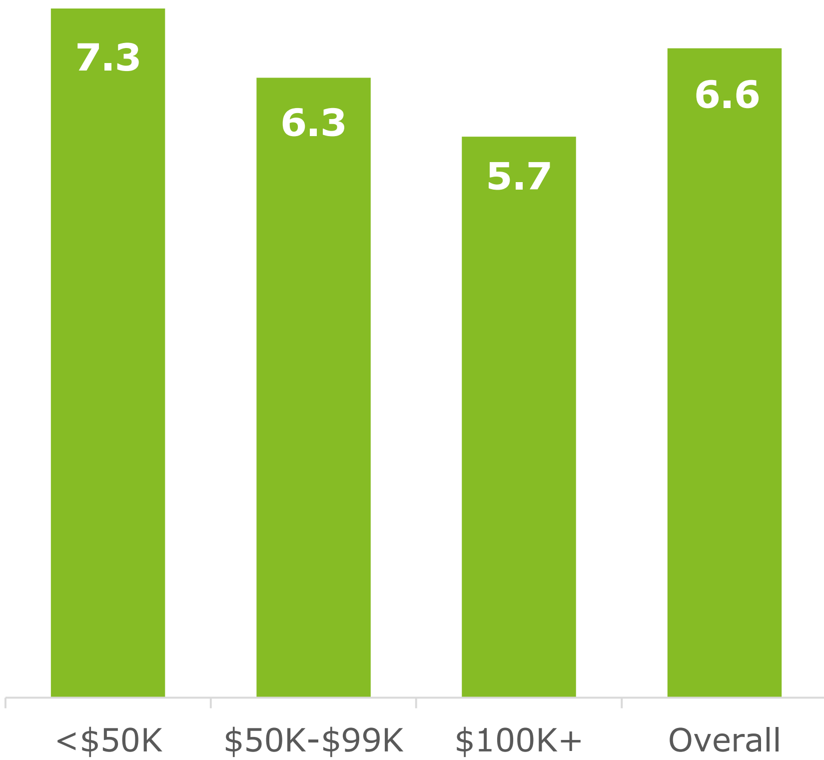
64%

According to Chicago respondents, males are expected to spend 50% more than females during the holiday season.

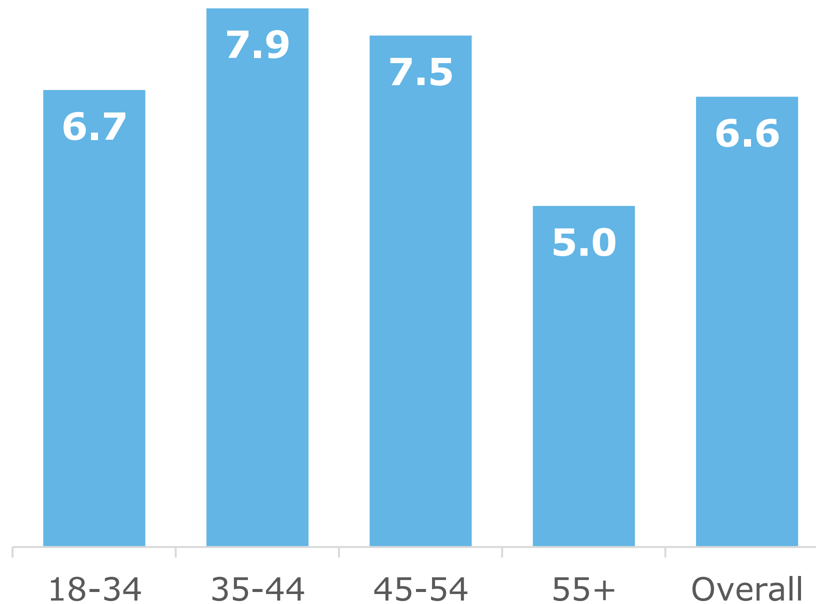
Chicago respondents average 6.6 shopping trips during the 2017 season compared to 7.5 during the 2016 season

Males average 5.6 shopping trips vs 7.5 for females

Average shopping trips by income



Average shopping trips by age

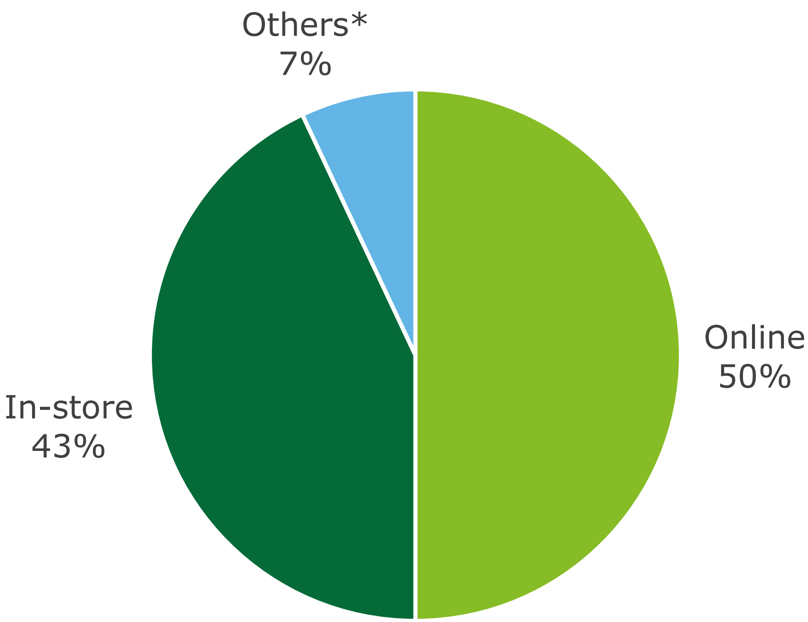


"How many individual shopping trips do you expect to take when purchasing holiday gifts over the next several months?"

Chicago shoppers expect to spend half of their budget online

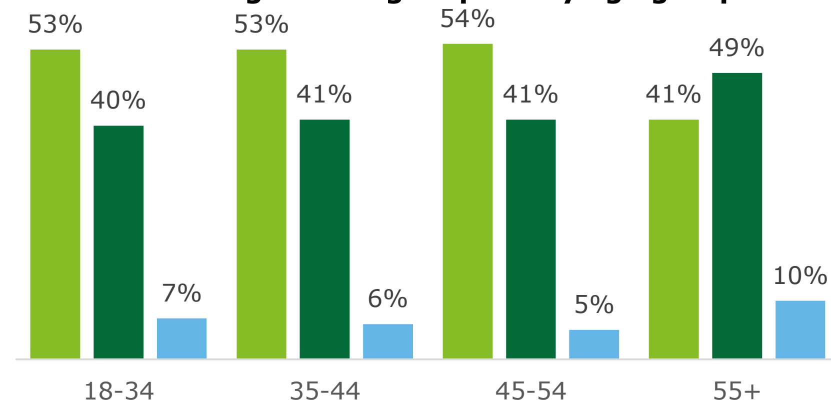
An increase from 46% in 2016

Percentage of total holiday budget

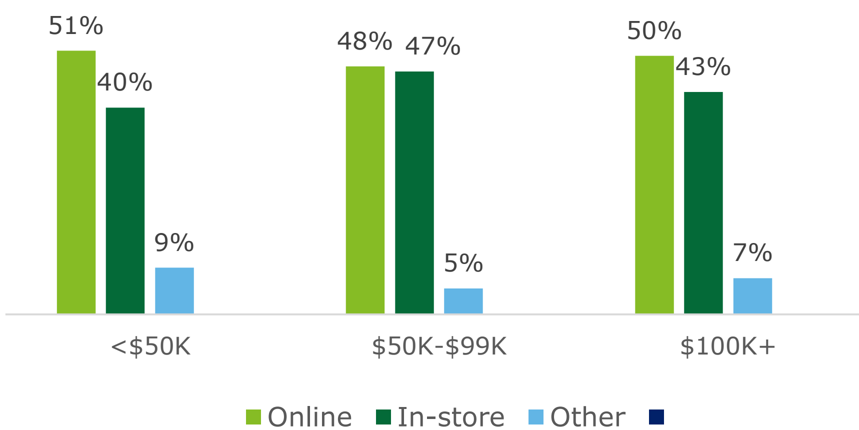


*Others include Catalogue or direct mail promotion

Percentage of budget spend by age group



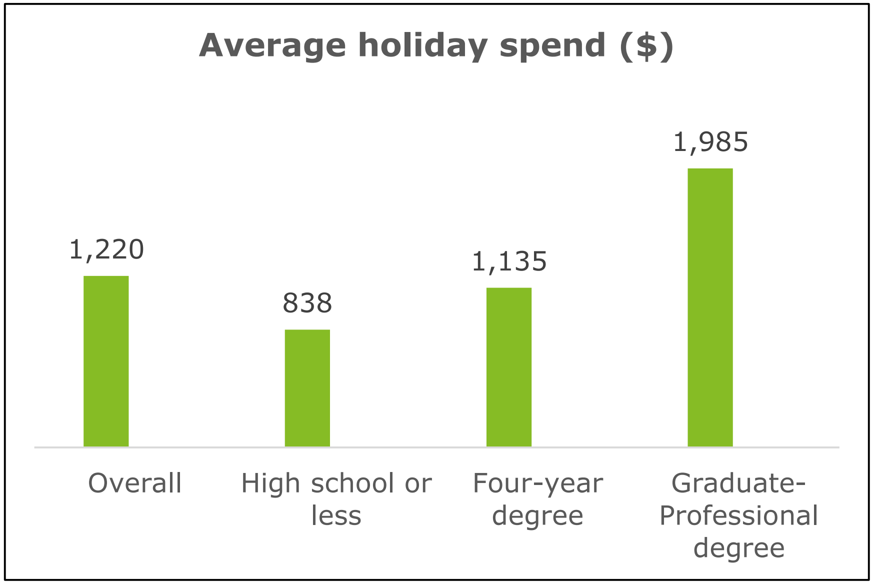
Percentage of budget spend online by household income

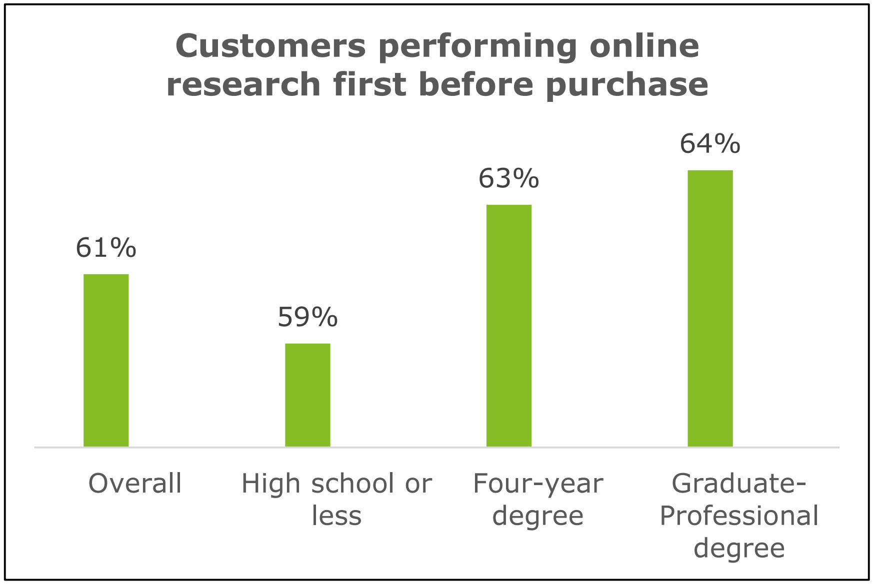


"What percentage of your total holiday budget do you expect to spend (online vs. in-store vs. other)?"

Spend, device usage and web research increase with education level

Chicago respondents with graduate/professional degrees spend 63% more on average and research many to all products before purchasing at a higher rate (64% vs. 61%)





Planned device usage for holiday shopping

High school or less	**45%**	**26%**
Four-year degree	**54%**	**38%**
Graduate-Professional degree	**64%**	**44%**

About the survey

This survey was developed by Deloitte and conducted online by an independent research company between September 6-18, 2017.

It polled a national sample of 5,038 consumers (428 in the Chicago area) and has a margin of error for the entire sample of plus or minus one to two percentage points.