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Deloitte's 2013 Annual Holiday Survey

Naughty or nice? How will retail sales fare this holiday season?

October 2013

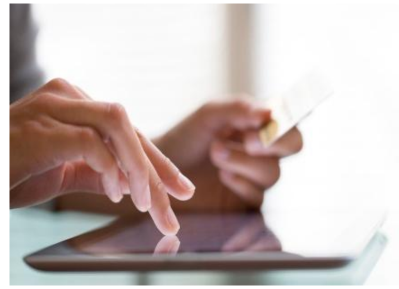
2013 holiday survey themes

Economic outlook and spending

- There is a rise in confidence in 2013 versus 2012 — on the economy, household finances and job security.
- This more positive outlook is leading to higher expected gift buying and holiday spending in general. Total holiday spending is expected to increase 12% over 2012.
- Additionally, the expected number of gifts has leveled off after years of decline.

Holiday shopping: what, when, where, how

- Gift cards/certificates and clothing remain the top gift ideas, yet both categories are dropping in popularity.
- Respondents are most likely to want to receive cash this holiday season.
- Top locations shopped are Internet (No. 1 for first time in survey's history) and discount/value dept. stores.
- Nearly four in 10 will do the majority of their holiday shopping in December or later



Technology and social media influence

- Smartphone ownership has grown nearly 20% since 2011.
- 68% of smartphone owners and 63% of tablet owners will use their devices to help them shop this holiday season.
- Smartphones will be used more for finding store locations and tablets more to shop/browse.
- Almost half (45%) will use social media to assist in shopping (no change from 2012).

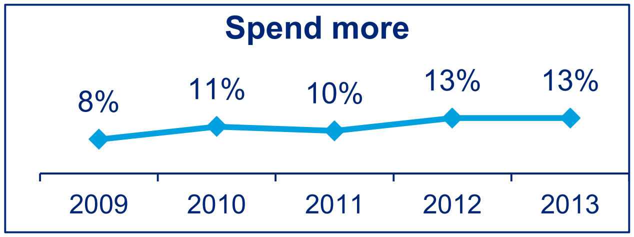
Online vs. in-store/ shopping locally

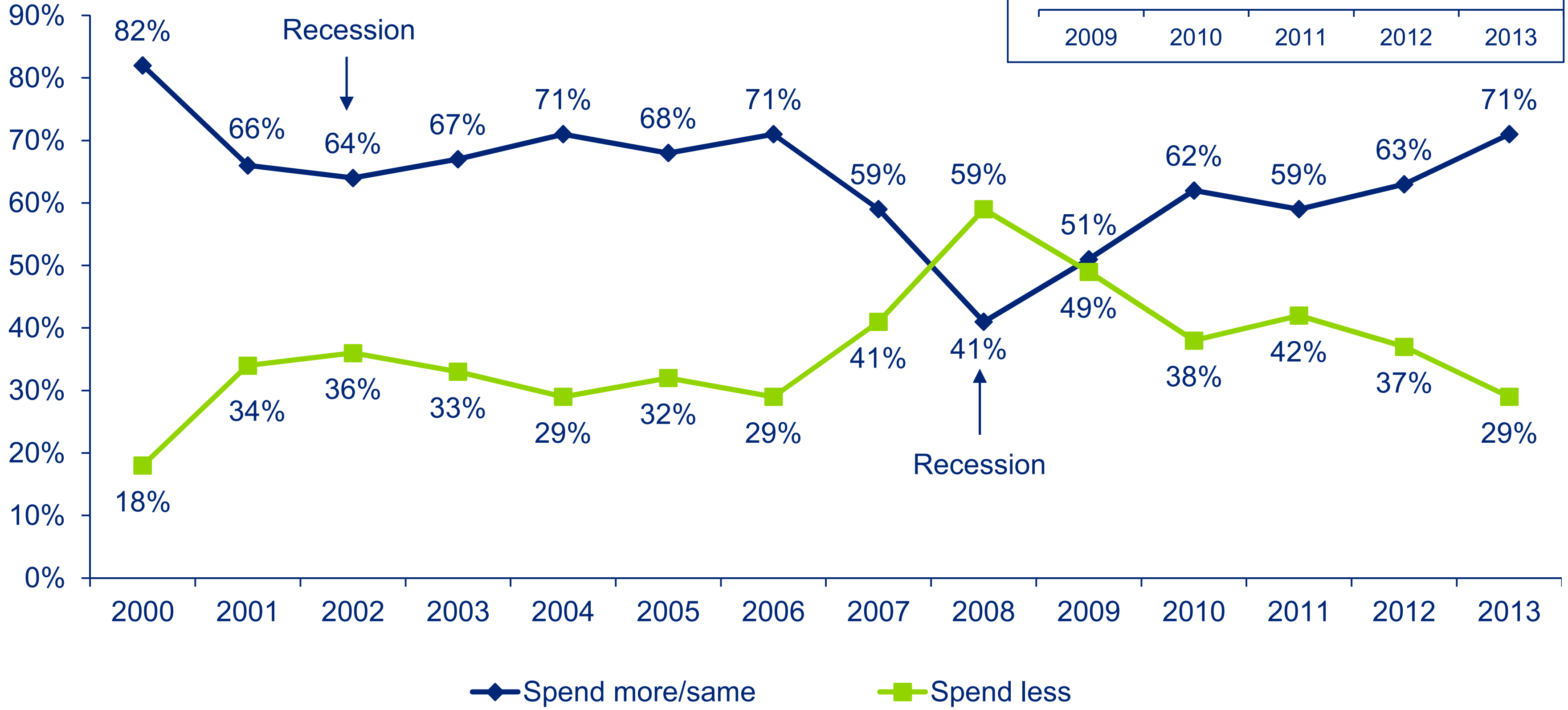
- Nearly six in 10 expect to use self-help technologies in-store when holiday shopping — price checkers and self-checkout most commonly used.
- Consumers show more willingness to stay with the same retailer if a product is out-of-stock in-store, whereas they are less loyal if the product is unavailable at the store's website.
- Shopping "local" will be done by 66% of respondents, mostly to support the local economy or to find unique gifts.

Economic outlook and spending

Consumers' intentions to spend "less" are at the lowest levels in seven years

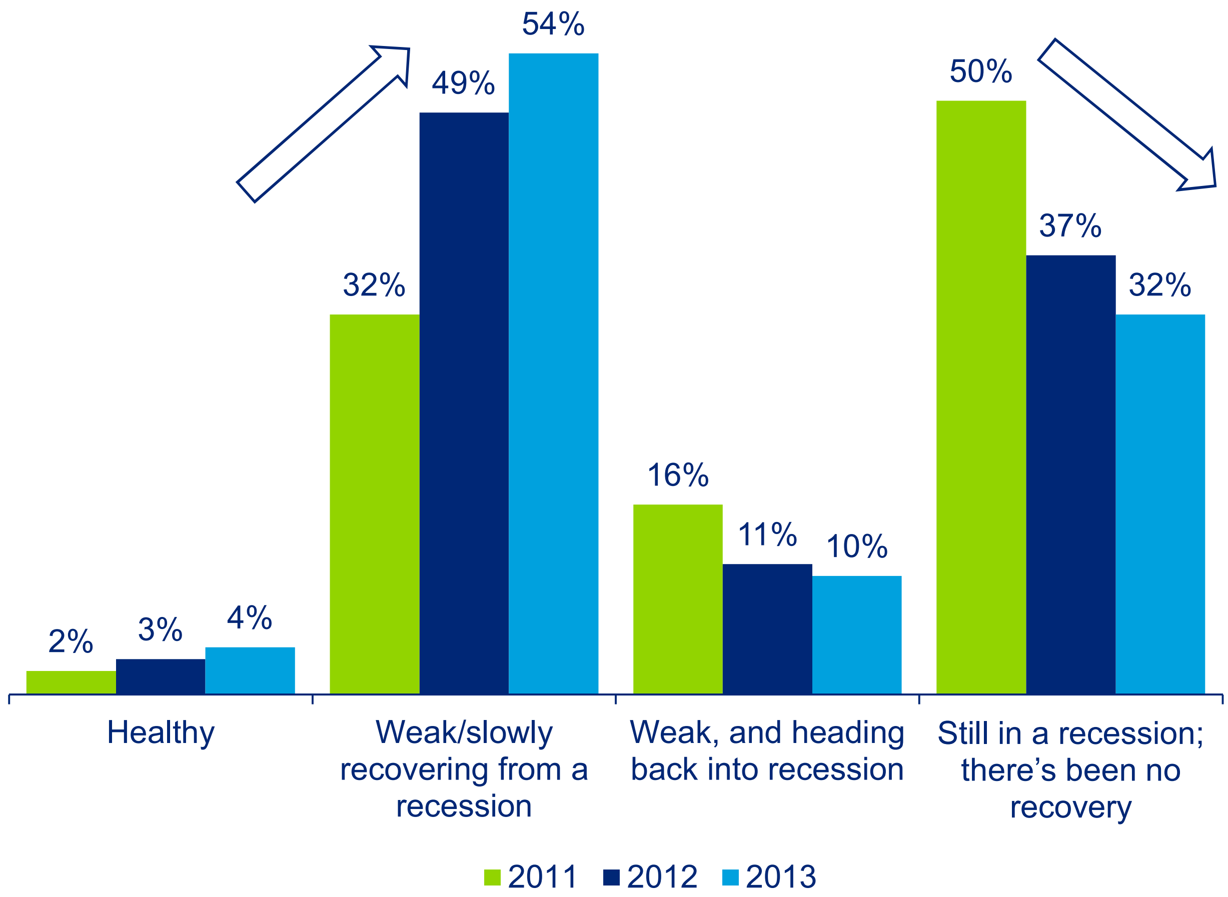
Consumers' expected holiday spending change from prior year





Optimism is rising, as fewer respondents feel we are "still in a recession"

Opinion of current economy



Increased confidence is resulting in higher expected holiday spending; predicted gift spending alone is +9%

Consumers’ expectations for holiday spending on:

	2012	2013	% change
Gifts	$386	$421	9%
Socializing away from home	$242	$270	12%
Entertaining at home	$149	$159	7%
Non-gift clothing for family or yourself	$119	$136	14%
Home/holiday furnishings	$65	$81	25%
Any other holiday-related spending not listed above	$74	$87	18%
Total	**$1,035**	**$1,154**	**12%**

Both wealthy and non-wealthy households are predicting higher spending amounts versus last year

Consumers' expectations for holiday spending:

	2013 household income:			2012 household income:		
	<$100K	$100K+	Difference	<$100K	$100K+	Difference
Gifts	$319	$771	+$452	$298	$741	+$443
Socializing away from home	$170	$612	+442	$168	$538	+$370
Entertaining at home	$128	$264	+$136	$118	$274	+$156
Non-gift clothing for family	$109	$228	+$119	$98	$202	+$104
Home/holiday furnishings	$59	$157	+$98	$51	$119	+$68
Any other	$69	$151	+$82	$57	$145	+$88
Total	**$854**	**$2,183**	**+$1,329**	**$790**	**$2,019**	**+$1,229**

Smartphone users and omni-channel shoppers (mobile, store, Internet) have even higher spending expectations

Consumers' expectations for holiday spending on:

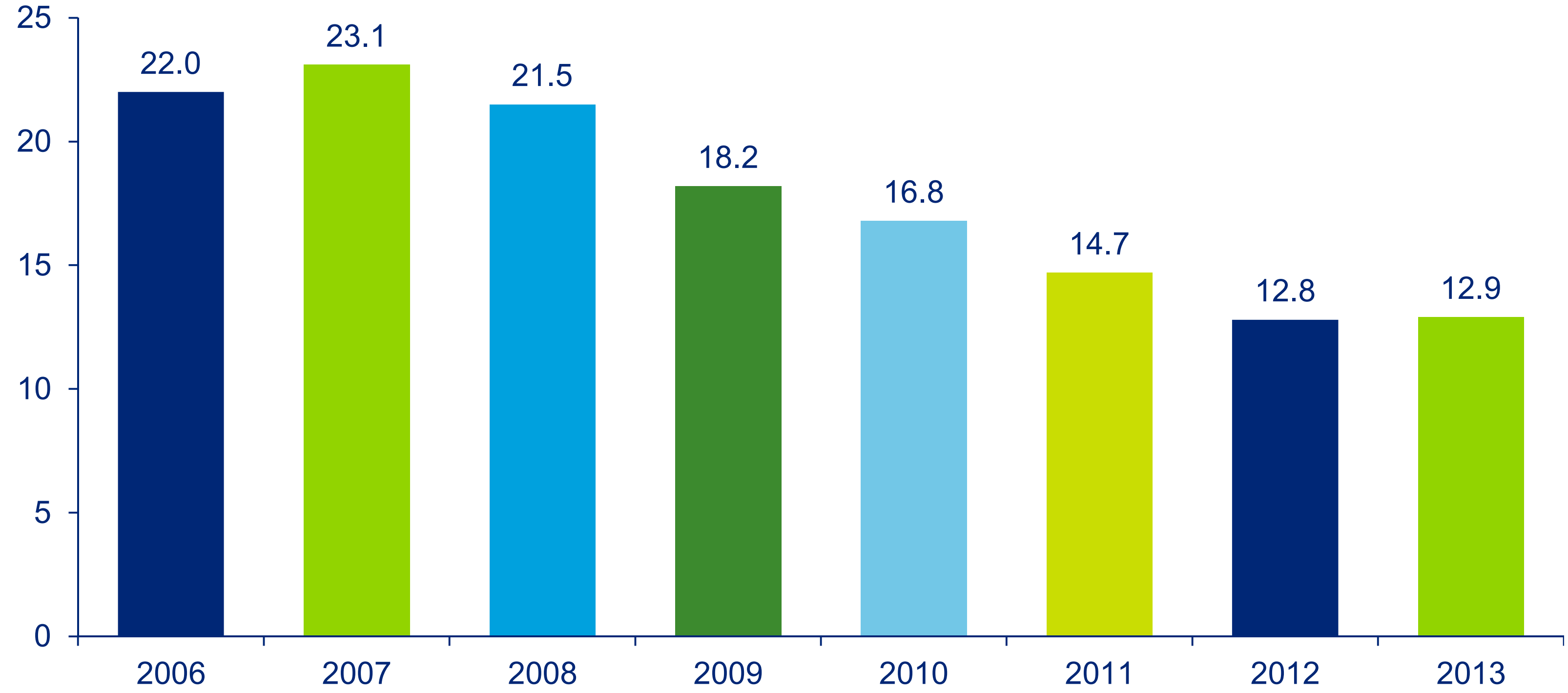
	Respondents that own and will use smartphones to assist in holiday shopping	Will not use smartphone to assist in holiday shopping and all non-smartphone owners
Gifts	$480	$378
Total*	**$1,494**	**$910**

	Shop mobile, store, Internet combined	Shop stores only
Gifts	$558	$356
Total*	**$1,643**	**$934**

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."

The decrease in expected number of gifts given has leveled off

Average number of gifts, including gift cards, expected to be purchased



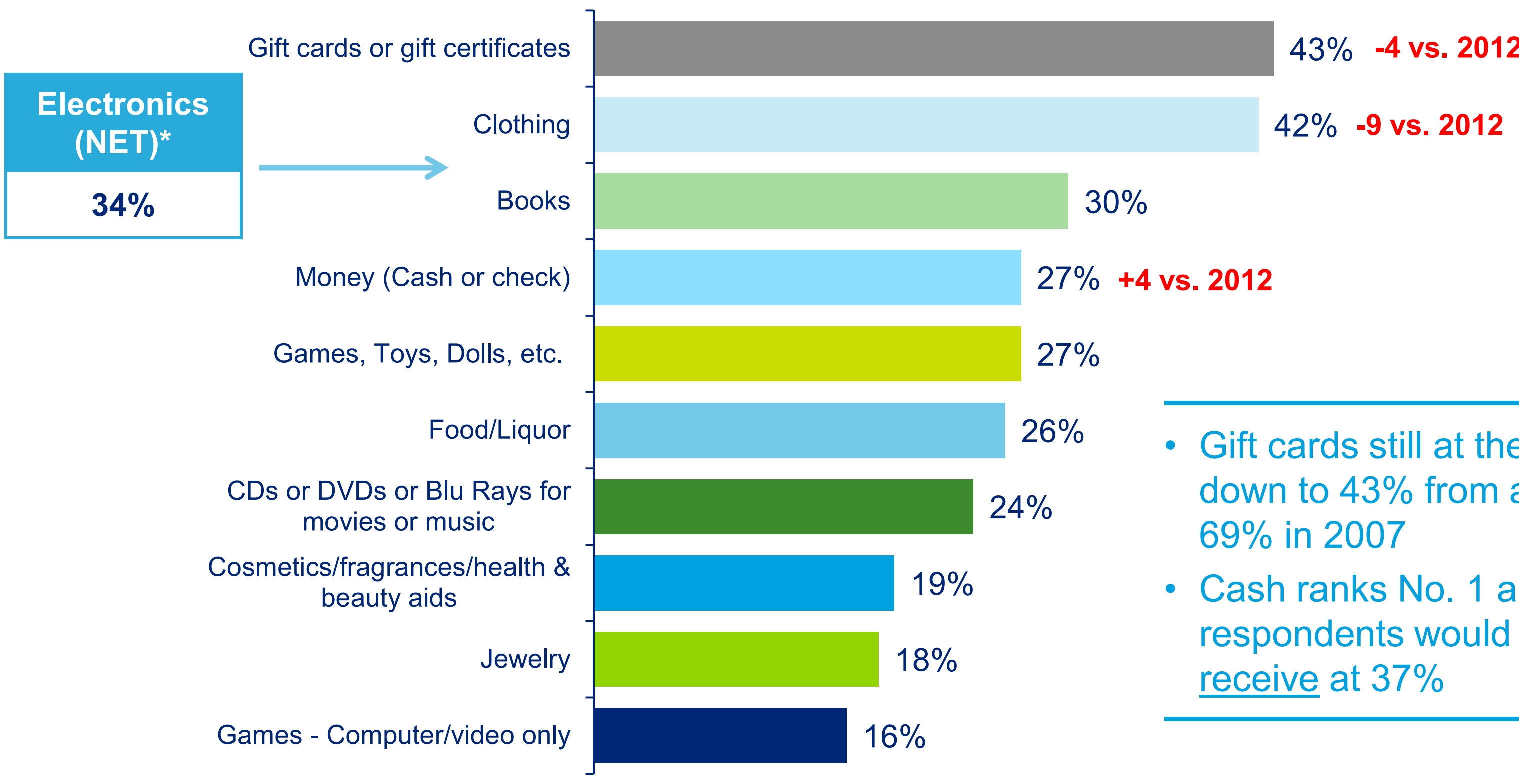
- 43% will purchase gift cards
- 34% who plan to buy gift cards/certificates plan to buy digital gift cards

Holiday shopping:
what, when, where and how

Gift cards and clothing are the top gifts consumers expect to purchase, however both have seen a drop

Percentage of consumers surveyed who expect to purchase each item this holiday season

Top 10 gifts consumers plan on buying



- Gift cards still at the top, but down to 43% from a high of 69% in 2007
- Cash ranks No. 1 as the gift respondents would like to <u>receive</u> at 37%

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

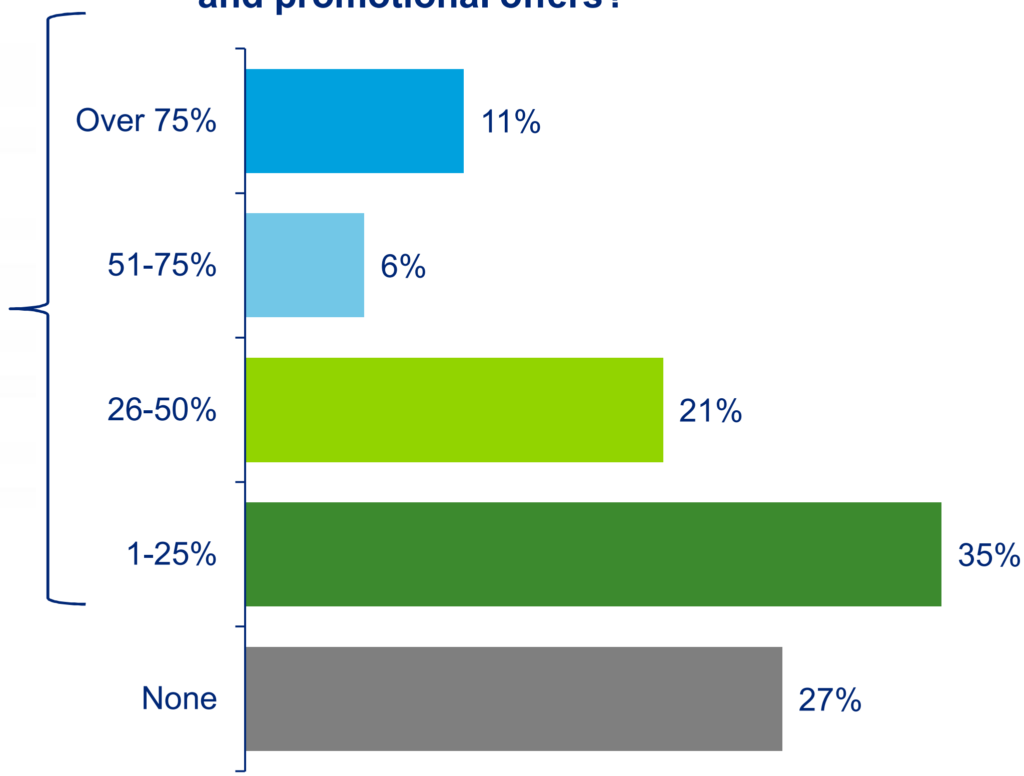
Coupons/promotions will play an important role in influencing holiday spending, more so among higher income households

73%

will be influenced by coupons/promotional offers

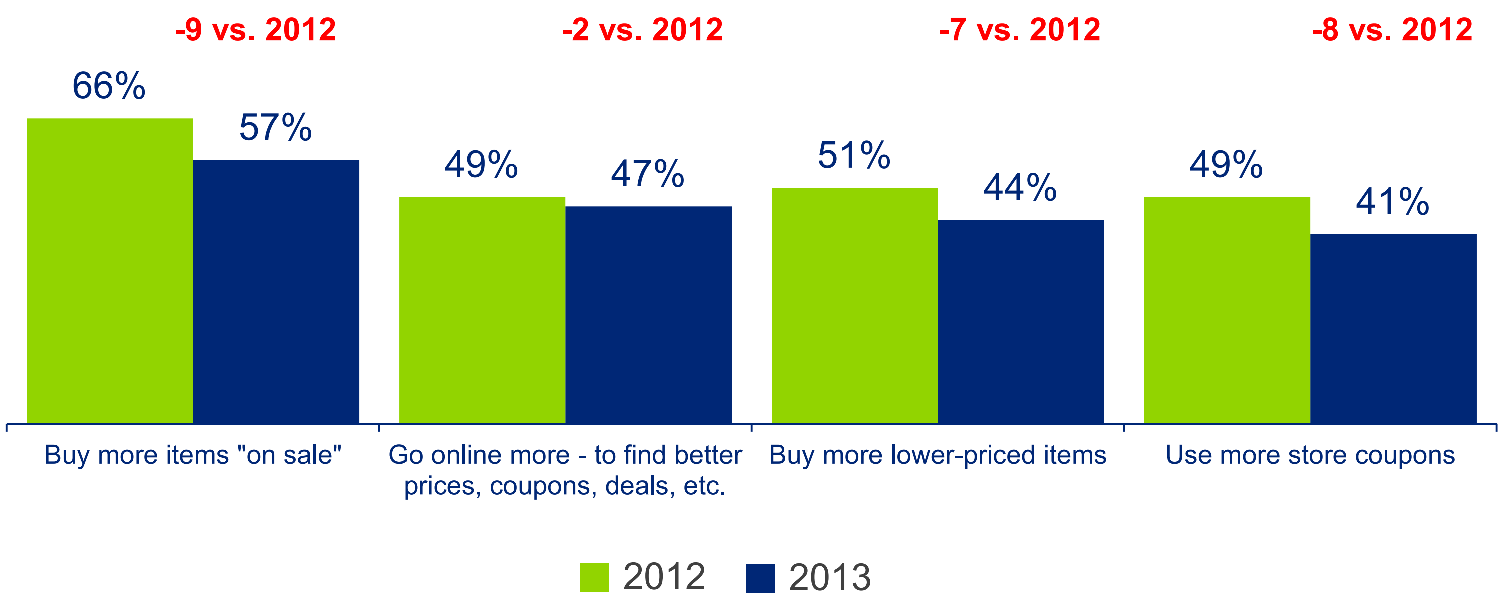
Income	
<$100K	$100K+
71%	79%

What percentage of your total holiday spending will be influenced by any coupons and promotional offers?



57% expect to change how they shop to save money (vs. 63% in 2012); the top strategy of buying on sale will be less frequent

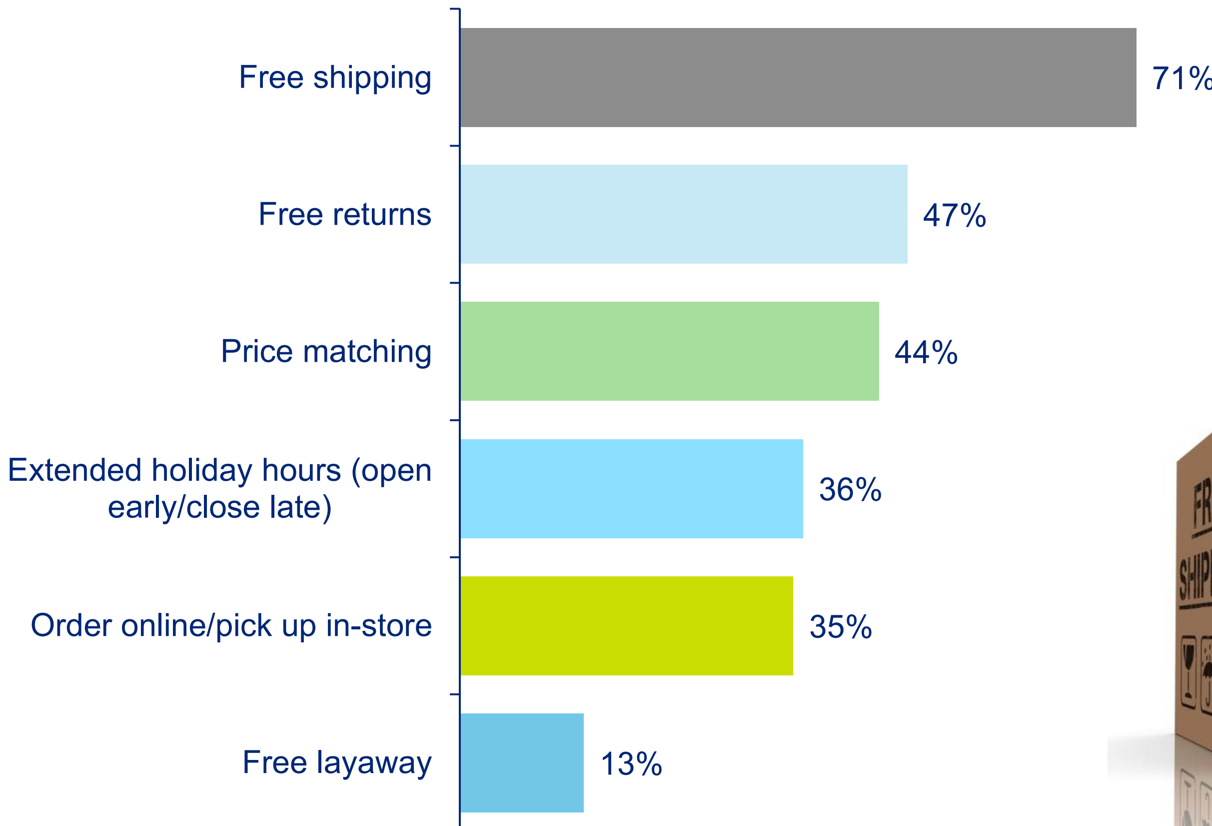
How will these respondents change to save money?



Responses under 41% not shown

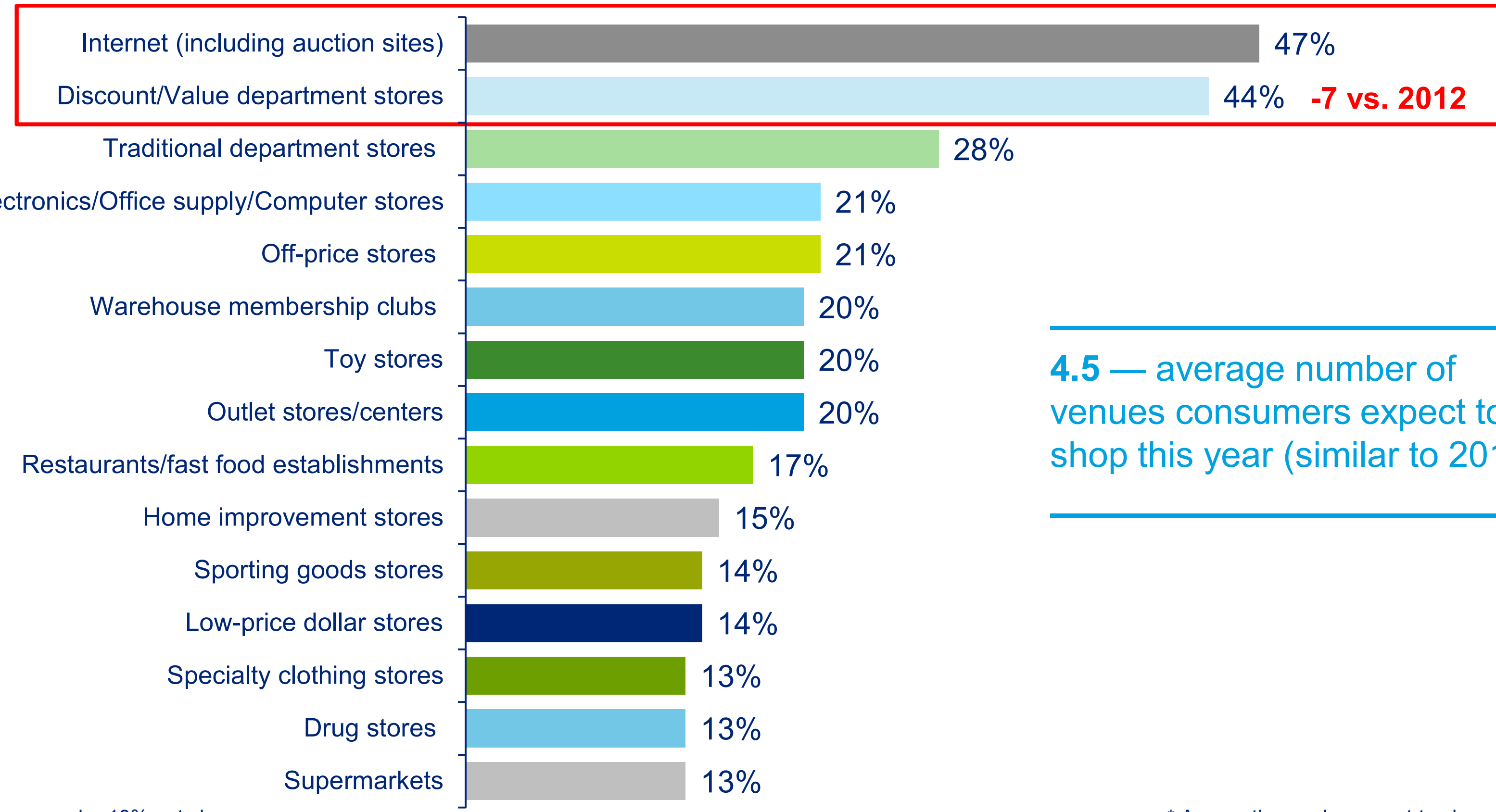
Consumers are looking for convenience this year — which might mean free shipping, free returns, price matching and extended store hours

Retail offerings that respondents will take advantage of this holiday season



For the first time, “Internet” ranks No. 1 on the list of venues respondents expect to shop; “discount/value department stores” show the biggest drop among venues

Percentage of respondents who expect to shop at each venue this holiday season



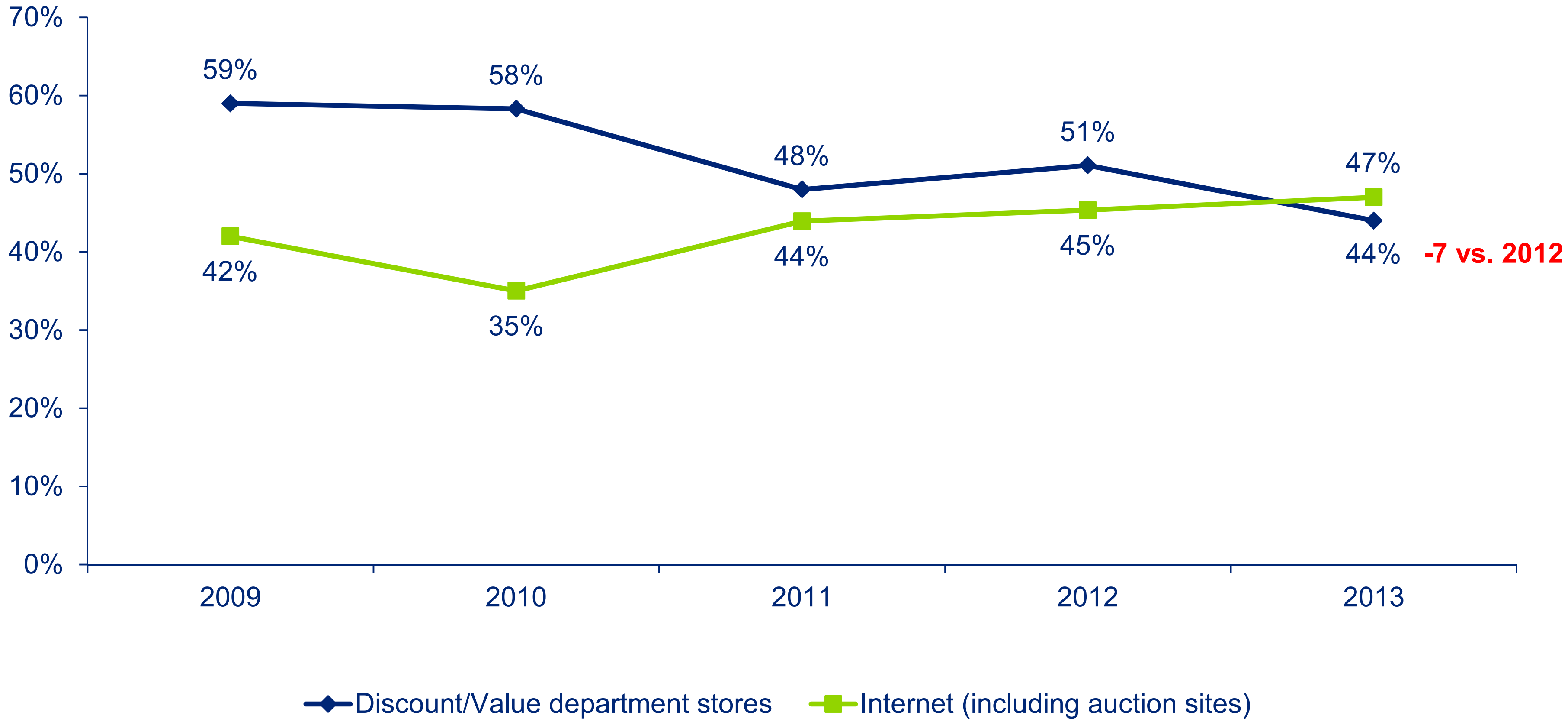
4.5 — average number of venues consumers expect to shop this year (similar to 2012)*

Responses under 13% not shown

* Among those who expect to shop at venues

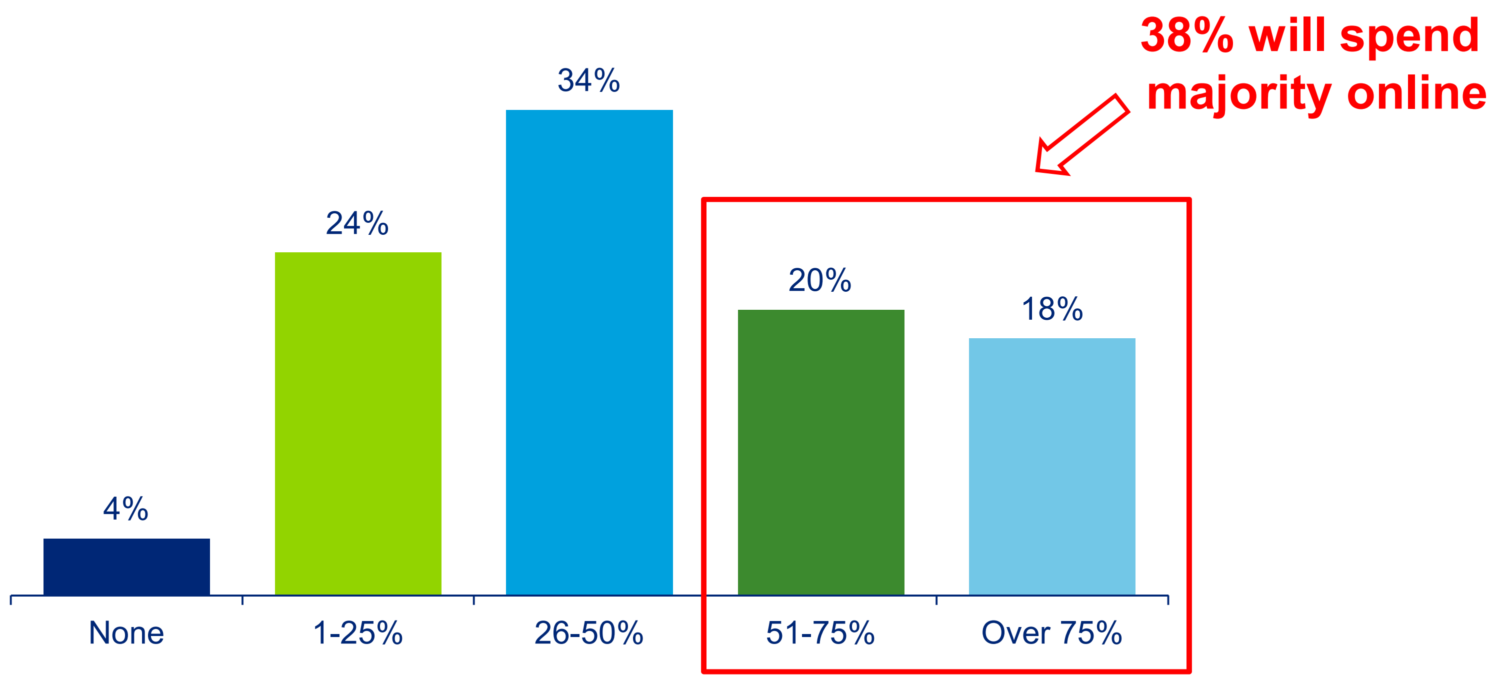
In 2013, “Internet” surpasses “discount/value department stores” on the list of venues respondents expect to shop

Percentage of respondents who expect to shop at each venue this holiday season



Among those shopping online, 38% say they will spend the majority online

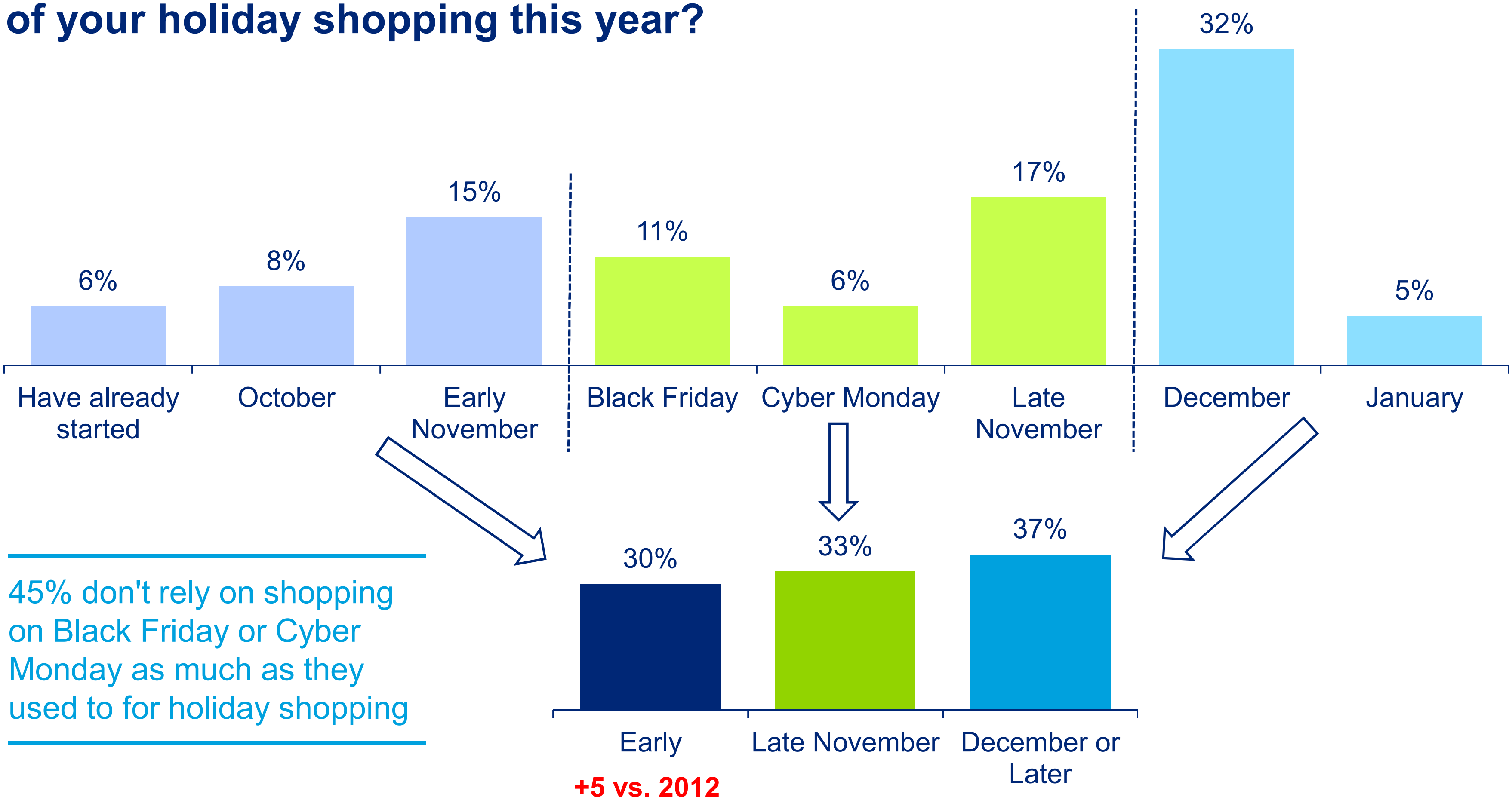
Among the 47% shopping on the Internet — What percentage of your total holiday budget do you expect to spend online?



Among those who expect to spend online

Nearly four in 10 will do the majority of their holiday shopping in December or later, but three in 10 will do it before Thanksgiving

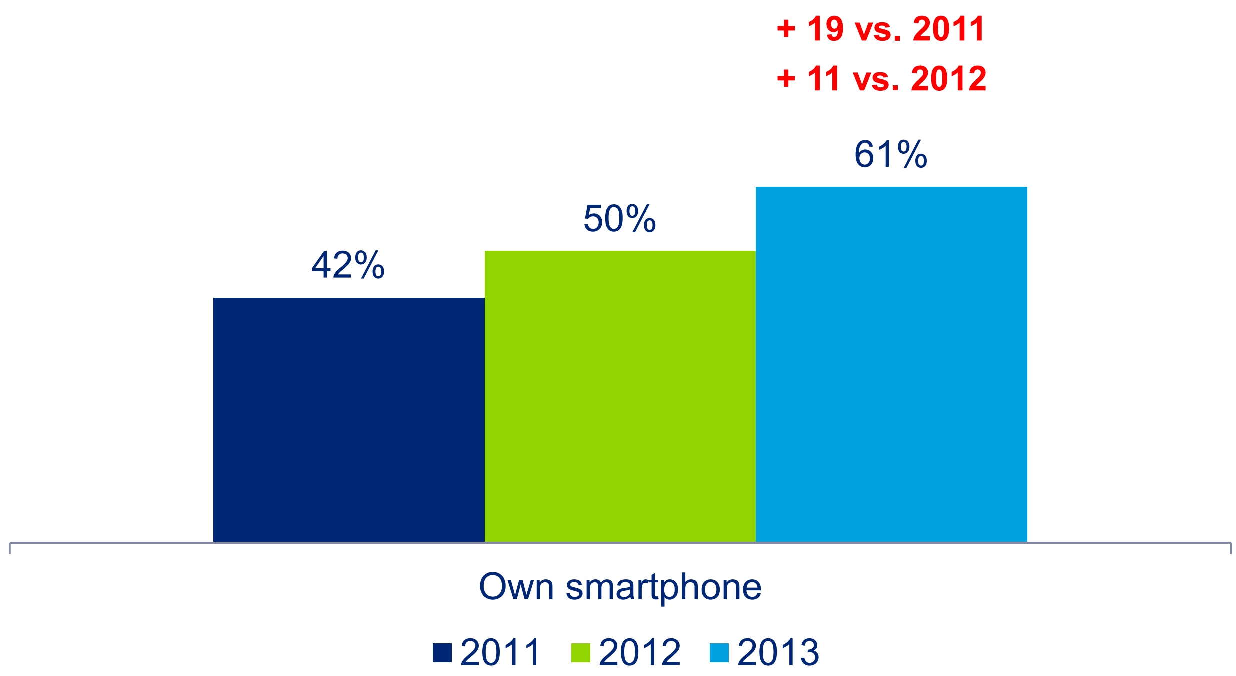
Which one of these days or months do you expect to do the majority of your holiday shopping this year?



45% don't rely on shopping on Black Friday or Cyber Monday as much as they used to for holiday shopping

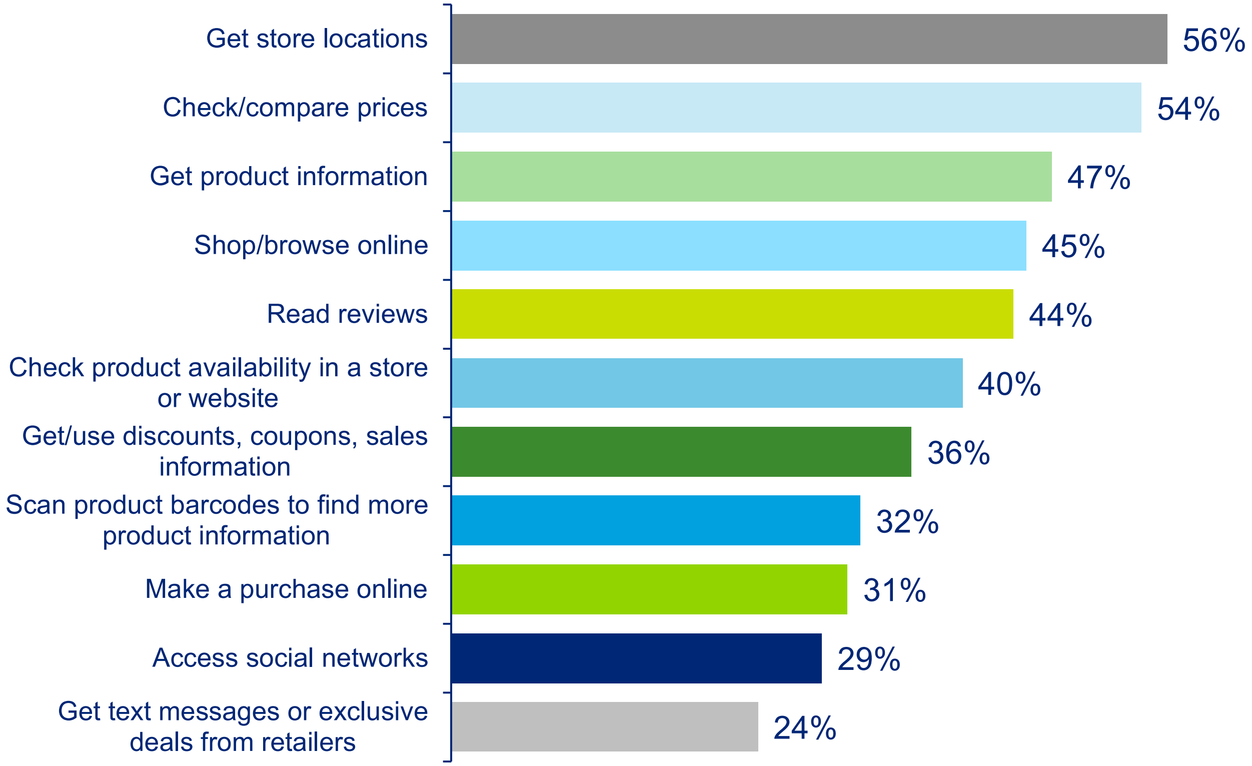
Technology and social media influence

Smartphone ownership increases nearly 20 percentage points in two years



Among smartphone owners, nearly seven in 10 (68%) will use their device for holiday shopping — and for many uses

Among those who will use a smartphone for holiday shopping — In which of the following ways will you use it?



Responses under 24% not shown

Almost two-thirds (63%) of tablet owners plan to use it for holiday shopping

Total own a tablet: 38%

Among those who will use a tablet for holiday shopping — In which of the following ways will you use it?

Responses under 30% not shown

Nearly half of all respondents will use social media to assist with their holiday shopping

Will social media be part of your holiday shopping process?

YES = 45%

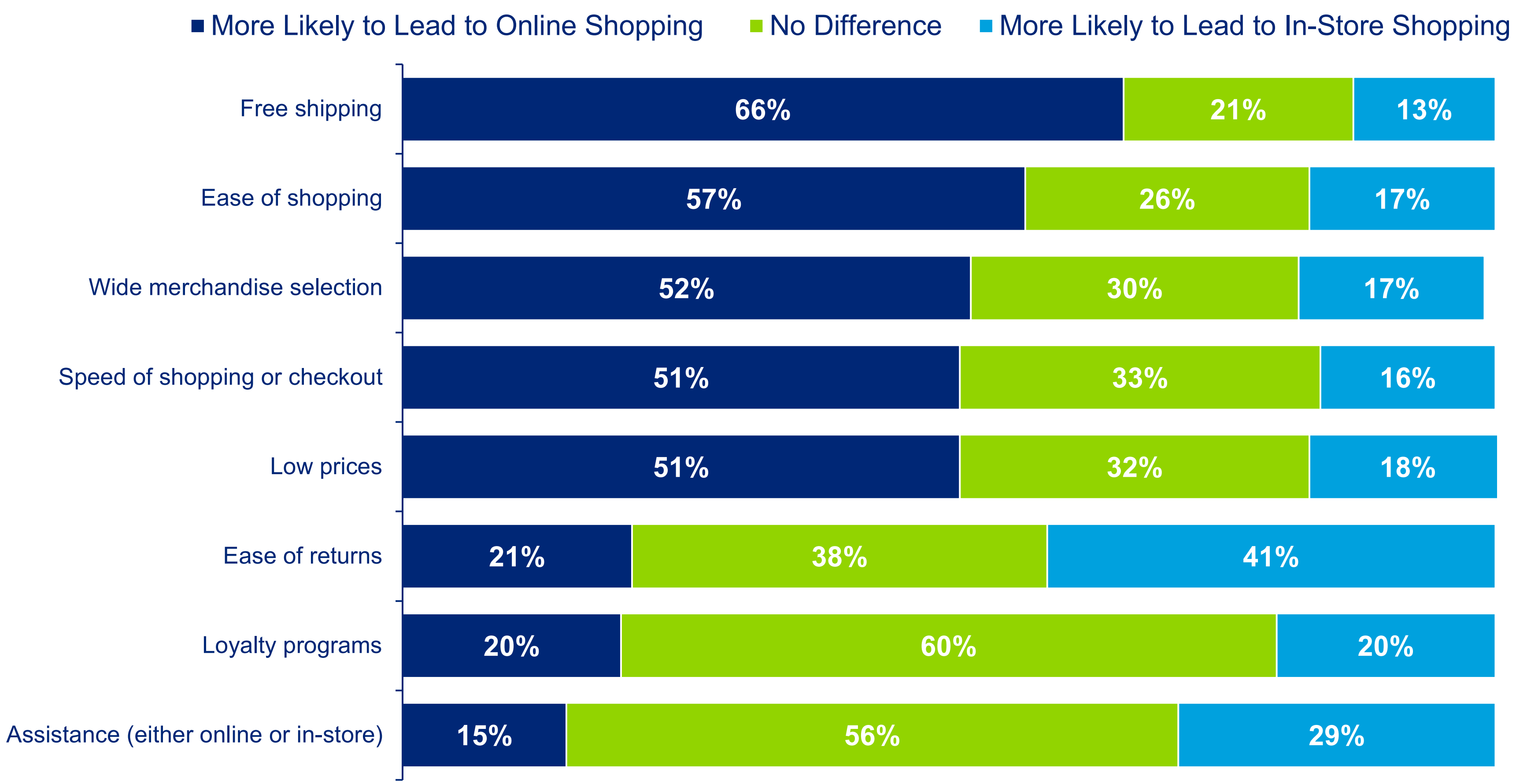
No change vs. 2012

Of those planning to use social media for holiday shopping: Why?	
Research gift ideas	48%
To find discounts	44%
Read reviews, "likes", or recommendations	40%
Browse products	37%
Check what gifts family/friends want	35%
Post comments/share links	25%
Go to retailer's fan page	21%

Online vs. in-store/ shopping locally

“Free shipping” more likely to lead respondents to online shopping, whereas “ease of returns” more likely to lead to in-store shopping

Which aspects lead you to…



Sales associates should be knowledgeable about products and offers … however more consumers feel they are actually better connected than sales associates

Consumers' expectations of interactions with store associates

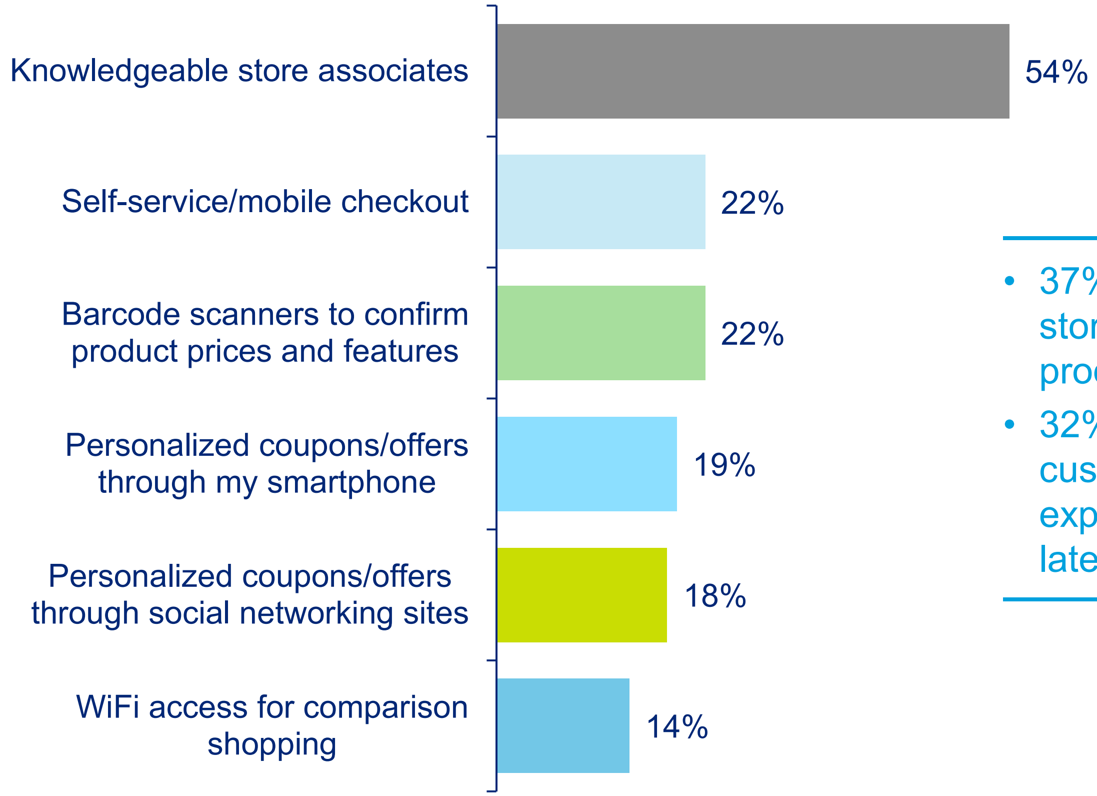
Responses under 25% not shown

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

YES = 59%

While in a store, a knowledgeable associate can make the difference

During the holidays, more likely to purchase in-store from a retailer offering …

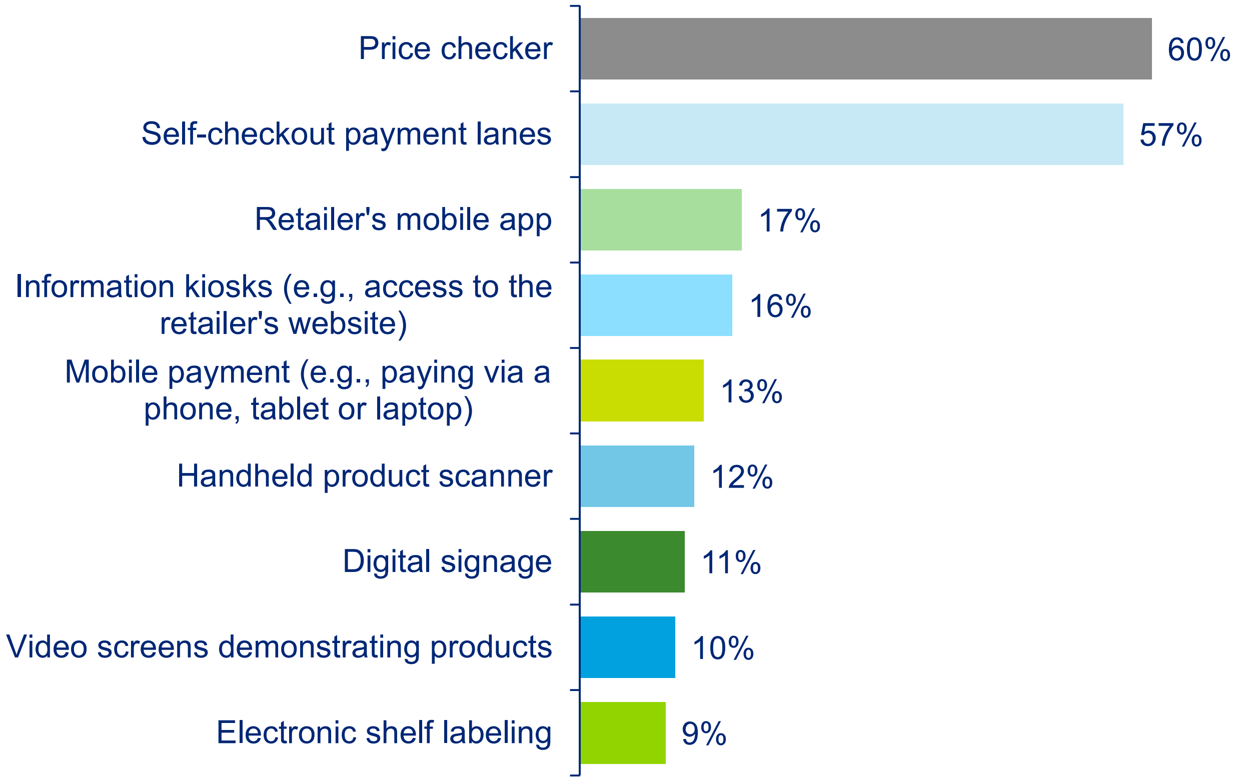


- 37% prefer shopping in the physical store rather than online for holiday products
- 32% feel store associates can provide customers a better shopping experience when equipped with the latest mobile technologies

If using a self-help technology in-store, “price checkers” and “self-checkout” are the ones most expect to use

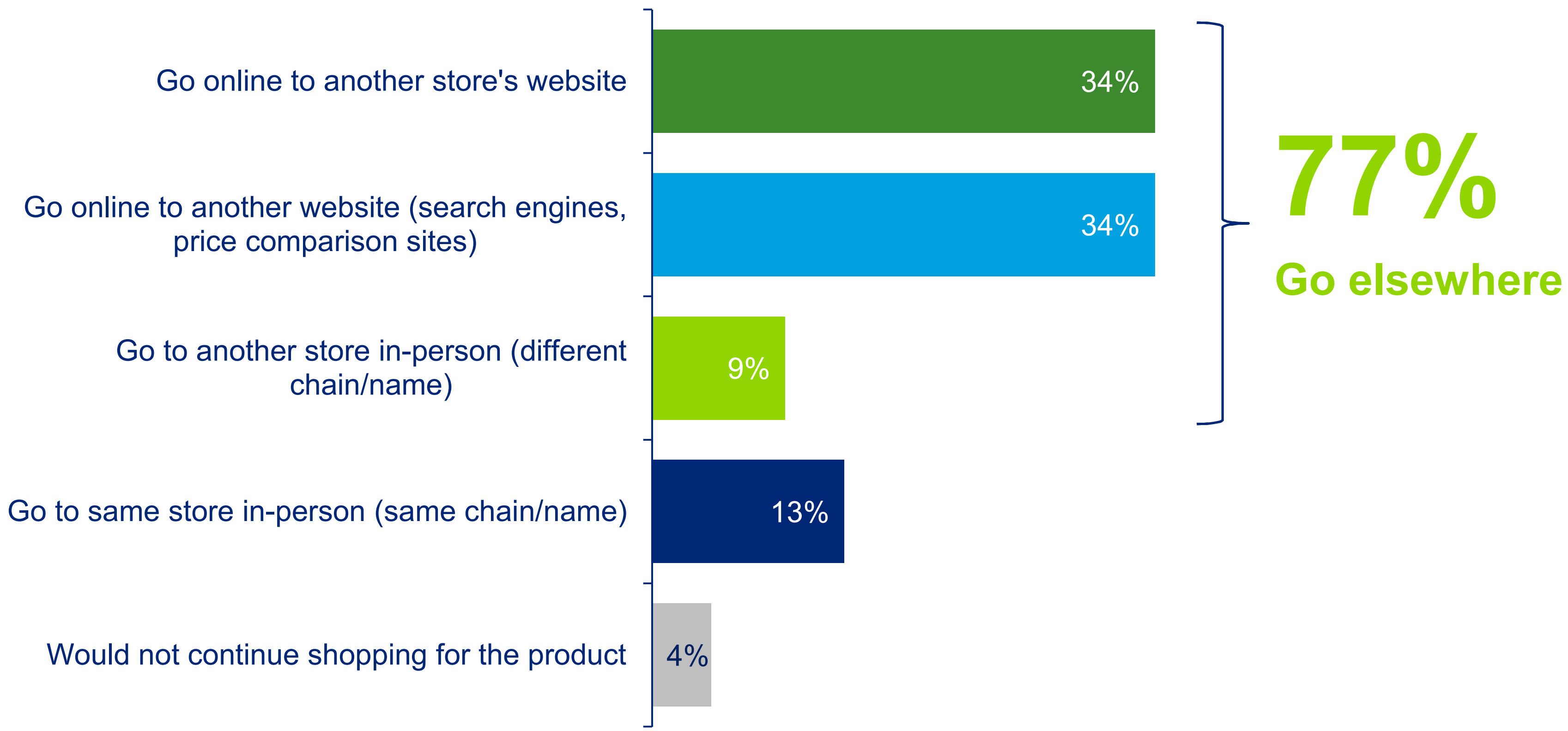
Will use self-help technologies: 58%

Among those planning to use self-help technologies in-store, here is what they plan to use



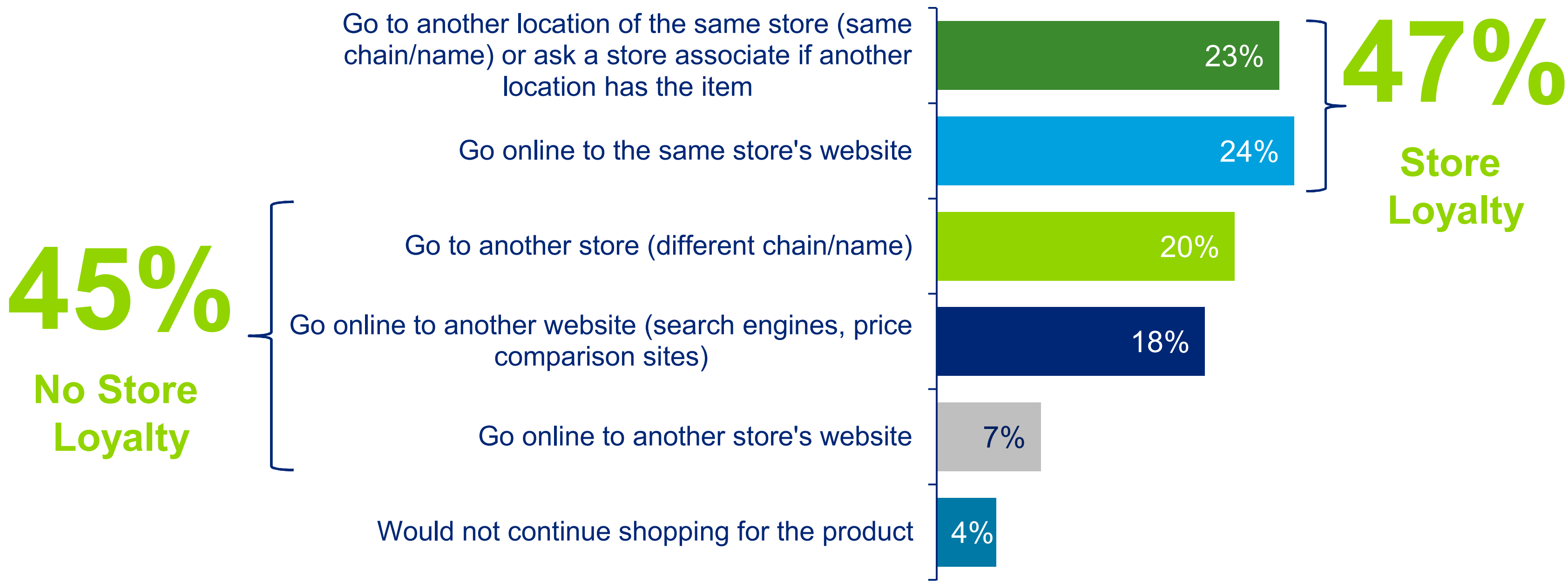
If a product is not available on the store's website, only a few will stay with that retailer — three-quarters would go to another store, either online or in-person

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



If a product is not available in-store, almost half will go somewhere else, especially males and younger consumers

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



	Gender		Age				
	Male	Female	18–24	25–34	35–44	45–54	55+
No Store Loyalty	51%	40	50%	47%	42%	44%	43%

Among the two-thirds who "shop local," the reasons center around supporting the local economy and finding unique gifts

Will you shop at local retail stores*?

YES = 66%

*Local retail stores are defined as small businesses, independent retailers, or boutique shops which are not part of national chains.

For what reasons will you shop at local retail stores?

34% **Average percentage of total holiday budget spent on local stores**

About the survey

The survey was commissioned by Deloitte and conducted online by an independent research company between September 13–23, 2013. The survey polled a national sample of 5,018 consumers and has a margin of error for the entire sample of plus or minus one percentage point.

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