



USER FRIENDLY

Holiday retail trends for tech, media, and telecom

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“Nearly half of purchases are either made completely unplanned or inspiration driven while in store or online. Digital ads could certainly make a big difference if they are more effective”

Hanish Patel

Hanish Patel: It's the most wonderful time of year for shopping certainly. With Black Friday and Cyber Monday just gone, no doubt you're feeling the holiday cheer this season. And on this episode of "User Friendly," we'll discuss the recently released "Holiday Retail Survey" from Deloitte and how consumers are feeling about the economy, their financial situations, and their spending plans as they continue through the holiday season. Technology continues to play a key role in our shopping and purchasing habits and is changing a landscape for retailers

and consumers. We'll share some of those implications these findings have in companies within tech, media and telecom and how you can better prepare yourself. Joining me today are Rod Sides, Deloitte leader in Retail & Distribution, and Kevin Westcott, Deloitte leader in Telecom, Media & Entertainment. Gentlemen, welcome to the show.

Rod Sides: Thank you.

Kevin Westcott: Thank you, Hanish.

Hanish Patel: All righty, so let's get straight into it. Rod, I'd like to start with you on this one. The holiday season has traditionally been a big shopping period for many people, and just the other week we heard about "Singles Day" breaking another record with \$30 billion in a single day. I mean, that's huge numbers, but how big is it really and what can we expect this year?

Rod Sides: Well, the shopping season, especially around the holidays, is the largest one of the year. It impacts about 126 million households. We expect total sales to be just north of \$1.1 trillion. It accounts for about a quarter of all annual retail sales and this year alone about \$128 billion online, so when you talk about "Singles Day" certainly that is huge when you compare \$128 for the entire online shopping season in the US. We expect to see this season grow quite dramatically year-over-year, so we're anticipating a 5 to 5.6 percent overall growth rate and about 17 to 22 percent of that coming in e-Commerce, so with all the positive tailwinds we have in the economy, we think it's going to be a great season.

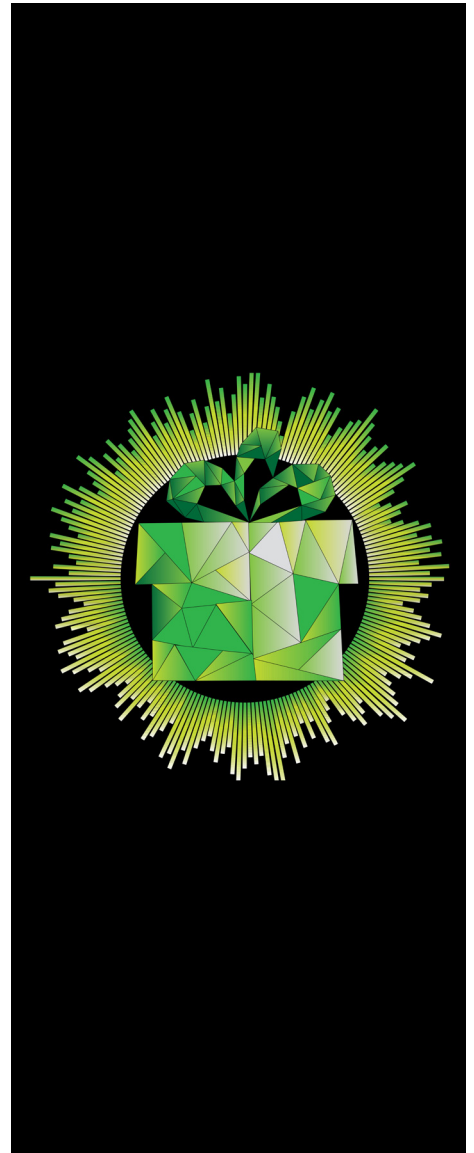
Hanish Patel: Wow, and just as you were saying that, I was doing some quick mathematics. Based on those numbers you're looking at about \$1,500 per household during the holiday season alone, which is not an insignificant amount.

Rod Sides: That's correct and that's actually up about 25 percent year-over-year. Yeah, we don't spend a lot of time publishing that because the number almost seems unbelievable in terms of how much people are planning on spending, but again we've got a very optimistic group of consumers in the US, you know, about 82 percent of them believe that their household financials are better or at least the same as they were last year. Many believe that the economy is going to continue to grow and at least be as good as it has been in the past.

As a result, a lot of folks are planning on spending more money than they have in the past, so it should be a rosy time for most retailers.

Hanish Patel: That's fantastic, and just talking about those finances, I know in the past for consumers it's all been about price, you know, price competitiveness, going for the cheapest product, but we're now certainly seeing a stronger focus on service and, with that in mind, what does that mean for businesses and how they can compete on convenience as well as historically where they did on price?

Rod Sides: As we talked about, the holiday season is generally very promotional. About 82 percent of the consumers in our survey said that they plan on taking advantage of promotions through the holiday season, so as a result you would expect price points to have to be pretty sharp. As you know, as we went across the retail landscape for the last, say five to six years, and more and more of the holiday spending moved online, this whole notion of being able to use online simply for a price advantage has gone away and what we're finding is a lot of folks really do use convenience as a really key driver in terms of what they're looking for, and so I think that's why online has grown the way that it has. That's the number one reason when we ask people about why they shop online, 77 percent say it's all about convenience. When folks choose to go back to bricks and mortar, most of them won't interact with the products, only 60 percent of the folks really talk about that, so again the inspiration element of the shopping journey now has moved online so most people start the journey by browsing their favorite device to really get that inspiration and they continue and finish the shopping journey in the store. So it really is an interesting time to see how folks are competing. So it comes back to having a unique product, unique services, that's what's really winning today.



Hanish Patel: Got it, and I want to, you know, off the back of what you said, I want to touch on technologies, and, Kevin, this is one I'd like to kind of pump to you if I could. There's certainly a lot of technologies that are available, such as like seamless checkout, you're seeing voice-assisted shopping. Do you see consumers using these sort of technologies this year or do you think that they're going to go with more traditional means?

Kevin Westcott: Well, while we have been seeing an increase in the use of these new technologies in lots of different areas, I mean, let's talk for a second about voice and I think voice is the next interface. We all started with typing and then our thumbs and then swiping and consumers, about two-thirds of consumers have actually used voice, and we're seeing a lot more voice usage actually on smartphones than on any other devices, but we're not yet seeing that actually penetrating the shopping spaces much. Same thing with the mobile payments, mobile payments, almost a third of the consumers have actually used mobile payments, but almost half tell us that they're actually a little concerned about using mobile payments because of security or not necessarily sure what the benefit is. So, with a lot of these technologies, the consumers are really waiting for the next big thing. Think about wearables, you know, wearables were a big, big item a couple of years ago, people either with fitness bands or with smartwatches but really the penetration has kind of leveled off with the early adopters being the folks who have these technologies, so in terms of the applicability to retail, I'll ask Rod to comment on that, but generally we're seeing the consumers kind of stabilizing the use of these technologies across all different uses and also kind of waiting for the next big application. Maybe Rod has a thought about how this will play into the retail experience.

Rod Sides: Kevin, you're exactly right, we've seen the same thing. We've seen a lot of that adoption rate start to level off in terms of how digital is used throughout the shopping journey. The one bright spot has been, and you called it out earlier, the increased use of the mobile phone, especially around making a purchase and actually transacting. For a long time it really wasn't used in that way so maybe it's because we have more power in those devices today, but we are looking for that next big wave to say okay, what is going to be that next piece of adoption that just makes it easier for the consumer, whether it's saving us a little bit of time in the actual shopping journey. You know, there is a number of places that are playing with AR, as an example, not only in store to determine what information do we have around the products and that's really important to be able to figure out how does this fit within my lifestyle. So we're seeing essentially the same type of trend within retail that you guys are finding from a technology perspective.

Hanish Patel: Fantastic, and a quick question around that increase in mobile. Are we seeing that across all the generations or is there a particular generation that seems to favor that?

Rod Sides: It's across all the generations, at least what we're seeing in retail. You know, we went through, a couple of years ago, where the adoption curve for the non-millennials was usually three to four months behind, now what we're finding it's a matter of weeks in terms of the amount of adoption that we're finding across the age and generational cohorts, so that adoption rate is coming on pretty quickly and folks have started to use the latest technologies pretty much at a pretty uniform fashion.

Hanish Patel: Got it, and then staying on the train of technologies, I mean, certainly no surprise that the Internet remains a leading shopping destination, but we talked a little bit about generations earlier

but is everyone on board with this trend or are there some reasons for why we continue to be lured online as a whole.

Rod Sides: There is really two cohorts, one that's based on income, one that's based on age that really seem to prefer store, so lower income and, in our definition, that's under \$50,000 of household income, tend to prefer stores over online, and the older generation so think about the folks who are kind of post-baby boomers, those are the folks who continue to show that they prefer stores, but almost every other cohort seems to prefer online at this time of the year.

Kevin Westcott: And, Hanish, I'll just comment. If you look at the consumption of media and entertainment content, I mean, all cohorts have started to consume more and more content. We see the brands moving toward mobile advertising as ways to attract folks. We know that mobile phone penetration has reached the highest level ever, so I think that the adoption is there. What seems to be missing is that while consumers are interested in engaging in digital ads, today they're not necessarily relevant. We're having a hard time connecting the consumers' interest of receiving digital and location-based ads to actually doing so and having the consumers find it to be relevant and useful. So that's really an opportunity for our clients to look at ways to truly target their consumers either based on interest and/or location.

Hanish Patel: And on that point around digital ads, I remember reading in a survey alone that many of the shoppers pretty much remain undecided on what items they buy, I think it's nearly half, 49 percent of purchases are either made completely unplanned or inspiration driven while in store or online. So that's a huge portion that, you know, where digital ads could certainly make a difference if they're being more effective.

Rod Sides: I think that's where a lot of the marketers can really find ways to connect their lifestyle brands specifically with their consumers and make sure they're doing a better job of targeting that because the holidays allow us to expand that customer set, so if you think about it, we're all buying for somebody else and you might really understand their style or it may be a chance to introduce new brands if you think it fits their lifestyle and brand. So a lot of the marketing that goes on here, what we talked about earlier being very promotional, there's a chance to really set that essence of what the brand is in the mind of the consumer and have a chance to pick up some new consumers who might be willing to try new brands because they think they identify with what that lifestyle stands for.

Hanish Patel: Both of you touched upon the increase in mobile and smartphone, and certainly the data shows that smartphone usage and ownership continue to increase while other platforms are plateauing, so to speak. How does this impact the online shopping experience for us and all those consumers?

Rod Sides: Well, I'll take that one. I would say that what it really does is it changes the role of digital throughout the journey itself as we fit this plateau. So we've seen consumers gravitate to the things that just make it easier, make my life easier, save me time, help me find the things I'm looking for, provide a seamless experience for checkout, let me do one click versus five, store my information, et cetera, that I allow you to store in a way that makes it easier for me. So what mainline retailers have had to do is to make sure that those digital experiences are consistent with what happens in store, and so I think a lot of this comes to how do you make it really easy for me, because price as a competitive position really has changed. We can all find the easiest route to the lowest price with about three clicks, and so really is how do you make it easy for me to receive the goods when I need them? How do you make it easy for me to transact?

And so that's the big focus, I think, for many retailers in this holiday season is just to get it right around inventory availability, how do you meet me where I am? If you think about a number of the big players who have talked about different ways to pick up products. You can buy online, pick up at store, you can have it shipped directly to your door, you can pull up in a parking lot and have it walked out to you. There's a number of ways to receive the goods today. You've got other folks who will place it in lockers for you at a destination you're looking for. So what we're finding is retailers are trying to meet that demand of the consumer, to meet me where I am, make it convenient for me.

Hanish Patel: Kevin, your thoughts on just the mobile smartphone phenomena in terms of that online experience?

Kevin Westcott: Yeah, I mean, we definitely see the penetration of smartphone usage continue to rise. Believe it or not, you know, other technologies are relatively flat. Laptops had a very, very small 1 percent increase over the last year. The one thing I find interesting, though, is that we're actually, for browsing and shopping, consumers prefer the larger screen size of a laptop versus the smartphone, but the vast majority, over 90 percent of consumers, actually say they use their smartphone when they're out shopping, and Rod talked a little bit about that. So the convenience points, the access to information, consumers are using all of that to make these decisions, and we'll talk probably a little bit in the future maybe about some, you know, how social media is also influencing purchases, so we see that become integral, it's no longer something you do on the side, it is integral into the experience.

Hanish Patel: Got it, so then, you know, if I think about some of the things that both of you said about access, ease, price, even social, and putting those together, what would the both of you say in terms of what's the most important to consumers

and how might holiday shoppers be influenced this year?

Rod Sides: Hanish, you know, what I think is really interesting about the question is I don't think there's one item in particular that makes it more important, because as retailers today we're trying to meet individual consumers and create kind of a one-to-one series of marketing events in connection with the consumer. So there's a group of consumers where price is going to be the most important for sure, and so we have to be really sharp with what the offer is, we have to be very clear so that they understand that. There's a whole other group of shoppers that the emotional connection with the brand is the most important element, and so finding ways to connect emotionally and really kind of get to that next level of need where I'm proud to have the product, I'm excited about it, I'm happy to own it, that's the challenge that we find in today's retail is that, you know, the market itself has bifurcated between the price players and the folks who have kind of unique product and experience, and if you're in the middle, if you have neither, it's a really tough time to be in retail, but if you're in either end of the spectrum, there's a real chance to kind of grow the overall share of the market, as well as kind of your share of the pie, if you will. So to me it's not as simple as saying, well, there's one more important than the other. It depends on kind of the psyche of the consumer that you're after and so that's why it's so important for retailers to use technology today to understand the nuances of the consumer groups, not only the demographic things we've talked about in terms of age and income level, but from an ethnographic perspective, how do you get to a point where you're identifying kind of those needs of the consumer in a different way that really speak to them individually.

Kevin Westcott: And just to add on to that, Hanish, it's very interesting, we've talked a little bit about the influence of social media and how do you reach those consumers. What I found fascinating this

year is that about three quarters of the younger generation, and when I mean younger generation, that's 31 years and younger, are actually more influenced by social media recommendations of products or services than they are by television ads. So everything Rod just said about what attracts folks but understanding quite possibly from consumers' social media profiles of what is interesting to them or what's important to them, whether it be socially compliant or sustainable products, if that's important, how to advertise to them, but recognizing the power of social media and how that actually drives buying influence right now is also something that brands really need to be thinking about, both the brands and the retailers.

Hanish Patel: And I couldn't agree more. With putting together what both of you said around just the importance of social, and, Rod, where you were going in terms of that connected emotionally, it certainly gives a lot of retailers and brands something to think about in terms of their online presence, their social presence, and how they can certainly connect and give that one-to-one experience to the younger generation. And with that in mind, I want to stay on this thread around technology if we could and revisit some of the things we briefly touched upon. I mean, we're certainly seeing those magic mirrors they have been around, we touched upon AR, you know, certainly the smartphone mobile usage taking place. How do you foresee that these technologies are actually changing the landscape for retailers and us as consumers, and Kevin, I'd love to kind of go with you first on that one if you could?

Kevin Westcott: Yeah, just starting on the technology and what's coming out, you know, as I said, smartphones are still increasing in terms of the penetration. We have new networks that will be deployed in the next year to two years around 5G, which is going to give us incredibly fast response, allow us to move lots of data around. It will enable things like AR and VR for the experience, but what we're really struggling with is what is the next

killer app, so to speak. How will we change people's behaviors? And we think about for the advent of other technologies over the last 10 to 15 years, in a lot of cases the technology or the platforms were available before we really figure out how to use that, and that's kind of where I think the market is today, especially around things like AR and VR and even 5G, which is, we haven't yet even started to explore what the possibilities are, and I'm sure that Rod may have some insights into how that's impacting retail.

Rod Sides: Yeah for sure, I would say that we're all searching for that killer app and again it comes back to being able to introduce two things: one, how do you make it easier for me, number one, and then number two, you know, how do you entertain me and how do you make it interesting from a shopping perspective. So we talked about several things we've seen, the magic mirrors have worked in a couple of instances but they really haven't taken off. They're expensive to deploy, folks are not really sure how to use that, so what did they do? They started taking selfies of themselves in the dressing room and sending it to friends. So same kind of impact, but at the end of the day it connects them in real time to a social experience, and so being able to kind of figure out what that looks like for a lot of retailers is a really interesting challenge to get into, but I do think that there is going to be a breakthrough series of killer apps that are there that's just going to make it easier. You know, for a while we talked about can you have the easy button that allows you to do the reordering and those kinds of things that really impact a lot of the commodity-type purchases that are out there. The more of those kinds of conveniences that are available to the consumer and the less we have to each individually think about it, the more I think we'll find retail start to intertwine itself into our day-to-day activity.

Hanish Patel: You know, both of you mentioned that killer app and you talked about making it more convenient, making it entertaining, making it more interesting. In order to do that, that killer app, that

application, that tool is going to know a lot more about me as a consumer. So let's just go to the topic that's been on hot for everybody: privacy, right, and data. So, from a privacy perspective, what are consumers willing to share and why, if it can lead to this potential killer app?

Rod Sides: You know, what's really interesting is we did ask that question this year for the first time in terms of how much would you be willing to share, et cetera, and what are you comfortable with, and so what we find is two things. Number one, the basic information around name, address, date of birth, et cetera, people are generally okay with sharing that. When it gets into personal financial information, you know, maybe being able to link it to my social post, et cetera, people become less interested in doing that. But what's really interesting is we said, well, if you're willing to share more information, what would it take. Sixty-one percent of our respondents said they wanted some kind of promotion, so if you're paying for the information, we'll let you have it. But what's really interesting is when we ask the question of folks that said when retailers have had a data breach, would you continue to shop them, only 7 percent of the total respondents said that they would not shop again at that particular retailer, so they would give them another chance. What that tells me is the consumer really understands the issue and the risk with data; not happy about it necessarily but I think they understand it's worth the price of admission, and as we do get to more customization, as you do make it easier for me, you have to have that in order to have information that you can use that, you know, makes it a better journey as we go through it. So it's really interesting, I think consumers are becoming more and more comfortable with that over time, and I think they realize it's the cost of entry in playing online.

Kevin Westcott: You know, Hanish, I actually kind of look at the last year as an awakening for consumers. They're finally very much aware of the amount of personal data that's being captured, and

they are concerned about it. Because well over 80 percent of our consumers surveyed say that they're concerned about how it's being used, but what's fascinating is when we ask about what behaviors have you changed since being this aware and very few have changed behaviors much at all. What we've actually found out is they're still willing to share the information, as you heard from Rod. But there are two areas that people have actually backed away from in terms of sharing and that's their photos and their address books. So you think of the contacts. So, while consumers were more willing to share those over the last few years, in 2018 they've actually backed on the amount of times they'll actually share that, and as Rod also said, we also find that people are willing to share personal data to get advertising rewards, discounts, or promotions, so they do see the exchange of value. So, as I said earlier, I think that they are aware, concerned, but not radically changing behavior.

Hanish Patel: So with that said, in terms of that privacy perspective that you both brought across, what should companies be thinking about then?

Kevin Westcott: Well, what consumers are telling us is that they need, you know, they very much want to understand what data companies are capturing and how they're using it, but also just as importantly, they want the ability to edit or delete some of the information that companies are capturing and they want the ability to erase themselves online. And we've seen a lot of regulation, some of it started in Europe with GDPR and some of it now coming to United States and certain state-level requirements, but consumers are going to start to demand the ability to manage the data that's being captured. And you can see that being a two-way street, if consumers can change or edit what's being captured, they may be willing to share more so we can do a better job of creating those personalized experiences. So, it's going to be a give

and take. I do expect that there will be continued regulation being rolled out, and our clients will need to react to that regulation.

Rod Sides: I think it's incumbent upon the retailers to define what's in it for the consumer to share that information, and I think most have not done that today. So what customization would I not have if I didn't have that purchase history or the information around, you know, geography or location, et cetera. And so I do think it's incumbent upon the retailers to clearly communicate (a) how they're using the data, and I think there will be regulation over time, just as Kevin is suggesting, in the US that requires that, but (b) what's the value to the consumer, because we find that consumers are pretty rational if they understand what they're getting from that interaction, and it's more than what we talked about earlier, which was give me a promotion for me to share that information. But I do think this is going to be a critical area in the next three or four years certainly for our clients to iron out with the consumers.

Hanish Patel: Got it, got it. So certainly, that does leave the opportunity open for the right killer app to use the right data that consumers are willing to share to really improve that overall experience that we talked about. So then with that in mind, I want to close out with some final thoughts from the both of you, and as business leaders, what are you both most excited about this year.

Rod Sides: Well, I guess I'll start. I will tell you I'm excited about just the strength of the overall economy. I think we have a chance to just have a pretty good run here for the next, you know, say 12 to 18 months where from a business perspective there's a lot of optimism. Unemployment continues to decline. I'm hopeful that we will have real wage growth and increases. We hadn't seen that in quite some time. And so what we

found over the last 10 years was that we had kind of 10 years of a sluggish recovery and we had some folks that got left behind as the economy improved and so what I'm most hopeful is that this rising tide will lift all the boats, and not only will our clients have a great, great holiday season but individuals will too, and they'll kind of enjoy the prosperity that I think has come our way in the last several years, and so that's what I'm most excited about.

Kevin Westcott: And, Hanish, I'll add to that, and I agree with everything that Rod just said. In terms of the telco, media, entertainment industry, the advances of these technologies are creating new opportunities for our clients to develop new products and services that we've never seen before. So I think what we will have, we'll be more connected than we ever have before, we'll have more information, hopefully we'll have those killer apps coming out from our clients and they'll actually make all of our experiences that much more easy and enjoyable. So, I'm very excited, the economy is doing well, our clients are doing great, and it's the time of innovation for all of us, so I think that's very exciting.

Hanish Patel: Brilliant, brilliant, and let's stick on that train of excitement. On more of a personal note to the both of you, assuming you've both been good, of course, what are you hoping that Santa is going to get you this year?

Rod Sides: I'm going to let Kevin go first on this one.

Kevin Westcott: Hanish, I'm much more of an experience person than a thing person, so I'm looking forward to planning a vacation with my family and doing something exciting.

Hanish Patel: Lovely, lovely.

Rod Sides: Well, I'm hoping that Santa can bring me a lower handicap, to be honest with you. I think I've been working too much and as a result I'm hoping to get a new driver. I'm not sure it will really matter. I think the problem that I learned years ago is that the problem is not the equipment, it's the swing. I haven't put enough time to fix the swing so perhaps a new driver will at least help me hit a little straighter. So looking forward to hopefully coming out with a little bit better set of golf clubs in my bag.

Hanish Patel: Brilliant, brilliant. Well, gentlemen, thank you for sharing, and I hope Santa makes your dreams come true, so to speak.

Consumer optimism is at a high this year and so are general holiday spending. Online shopping continues to grow and mobile utilization is a major driving force. For retailers, gone are the days of thinking about shopping experiences either in online or in store proposition. Rather it should be a blended and easy omni-channel experience that gives that true one-to-one experience with the consumer. The retail landscape has transformed. Consumer behaviors and expectations have certainly evolved. The time is right for retailers to see more than what meets the eye, redefine their strategies and capture the opportunity that exists this holiday shopping season. So with that I want to thank my guests today, Rod Sides, Kevin Westcott. Until next time, happy listening and happy shopping.

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