Deloitte.

2018 Holiday Survey of Consumers

Shopping cheer resounds this year

Deloitte’s 2018 retail holiday survey: Key findings

Shoppers are expected to spend $1,536 per household during the holiday season this year

- The 2018 holiday shopping season is expected to account for more than one fourth of annual US retail sales.
- Gift purchases will likely account for one third (34 percent) of holiday budgets; experience purchases will account for 40 percent.
- During this gift-giving season, shoppers plan to spend $525 to purchase an average of 16 gifts, with gift cards as the most popular item.

Traditional digital usage may be plateauing—except when it comes to mobile

- The Internet remains the lead shopping destination (and continues to grow), with 57 percent of sales expected to occur through online channels.
- Mobile usage for the holiday season is continuing to increase, while other traditional digital platforms (desktop, laptop, tablet, social media) are plateauing in usage.
- As retail becomes less channel-specific, two out of three shoppers (66 percent) plan to engage integrated experiences across digital and physical channels.
- Only 19 percent of shoppers plan to use newer technology like seamless checkout, voice-assisted shopping, and VR/AR to assist with holiday shopping.

Deloitte's 2018 retail holiday survey: Key findings

This holiday season will be highly promotional as consumers are value focused

- Promotions are likely to influence 82 percent of shoppers; price discounts, free shipping, and free gifts are viewed as the most appealing.
- "Early shoppers" who begin holiday shopping before Thanksgiving are expected to spend 28 percent ($370) more than late shoppers.
- Two thirds of shoppers are willing to pay extra for sustainability, a trend driven by younger shoppers.

Online retailers and mass merchants are expected to be the top destinations

- The top shopping destinations this holiday season are expected to be online retailers (60 percent of customers) and mass merchants (52 percent of customers).
- Many shoppers remain undecided on items to buy as nearly half (49 percent) of purchases are either completely unplanned or inspiration-driven while in the store or online.
- Consumers plan to turn to online retailers (66 percent), retail stores (56 percent), and search engines (56 percent) for their shopping research and inspiration.

Shoppers concerned about data breaches are willing to forgive—under certain conditions

- Four out of ten (42 percent) customers reported they were previously impacted by a breach of personal information. Most shoppers concerned about breaches would continue to shop at a compromised retailer if the company took action or if they changed their payment method.
- Related to data privacy, consumers are most comfortable sharing simple demographics and least comfortable sharing biometrics, financial history, GPS location, and social media activity.
- In return for sharing their personal data, 61 percent of customers say they want some sort of promotion.

ECONOMIC OUTLOOK AND HOLIDAY SPENDING

The 2018 holiday shopping season is expected to account for more than a quarter of annual US retail sales

2018 retail holiday sales are expected to increase 5.0-5.6 percent from 2017.*

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

126 million households#

$1.1+ trillion retail sales*

5.0–5.6% growth from 2017

>1/4 of annual retail sales**

$128+ billion online sales*

17–22% growth from 2017

US Census data

*According to Deloitte's 2018 Retail holiday sales forecast (November 2018 to January 2019)

**According to US census, February 2017 to January 2018 annual retail sales was 3.9 trillion. Deloitte estimates of $1.1 trillion would be >1/4 of annual retail sales.

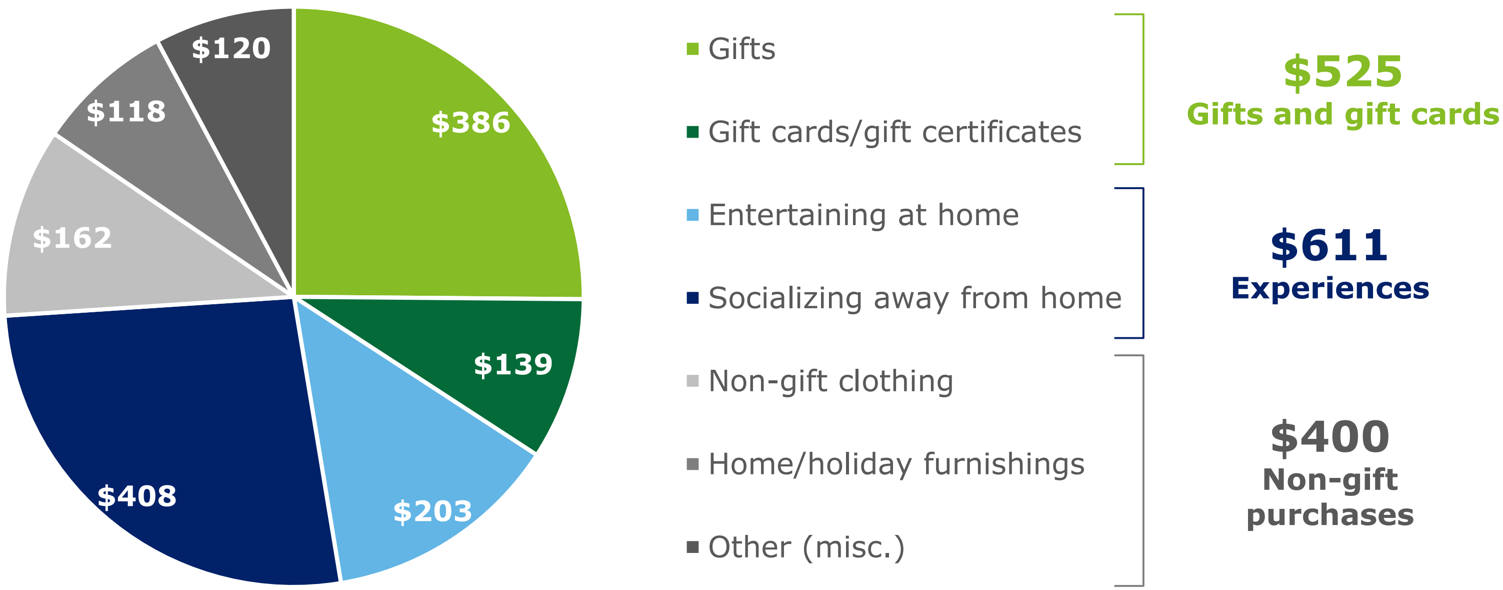
Spending on experiences, entertaining, and socializing away from home is expected to be 40 percent of total holiday spend

Spending on experiences will grab most of shoppers' budgets.

$1,536

Average amount expect to spend per household during year-end holiday season

Holiday shopping spend

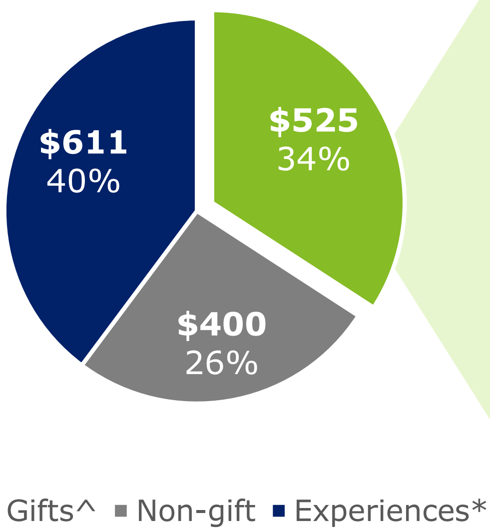


Sample size (N) = 4,036

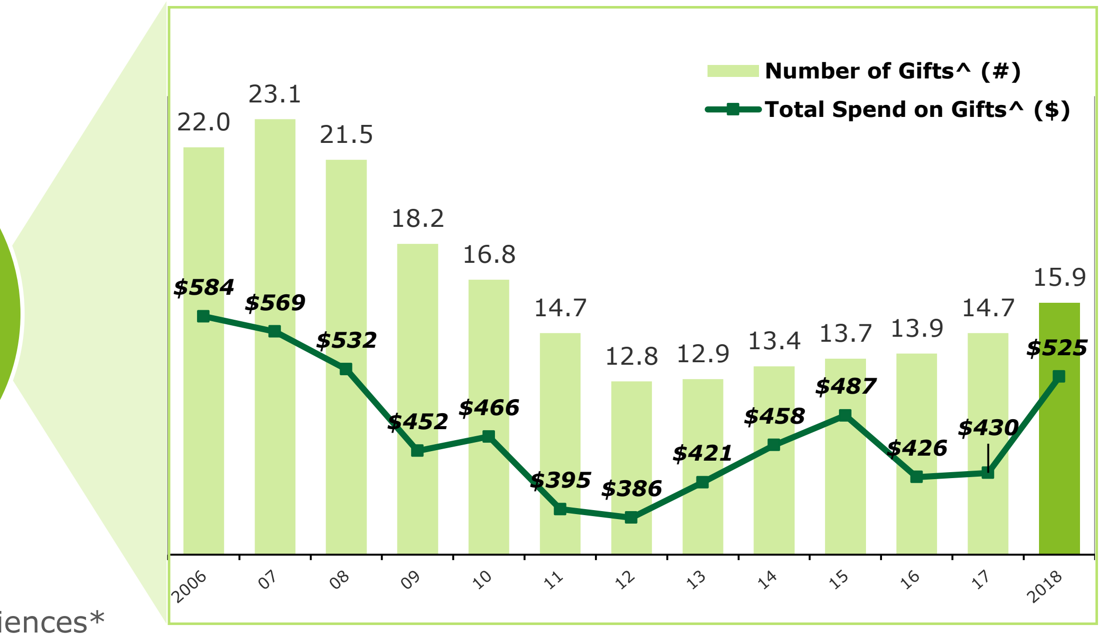
Spending on gifts accounts for nearly one third of holiday budgets

Both the number of gifts purchased and total spend on gifts are on the rise.

Categories of holiday spend



Gift purchasing: number and spend

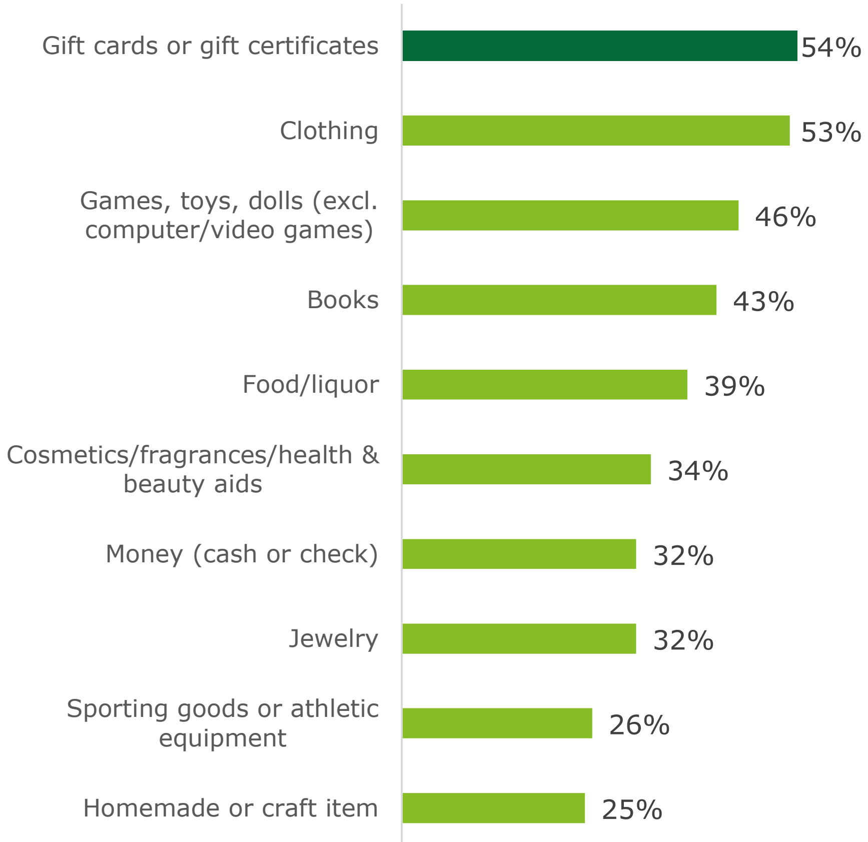


^ Gifts – Includes gift cards/gift certificates
* Experiences - Socializing away from home/Entertaining at home
Sample size (N) = 4,036

Gift cards and certificates are likely to be the top purchased gifts this year

The average spend on gift cards is expected to increase by $25 from last year.

Top 10 items – plan on buying as gift
(% of shoppers)



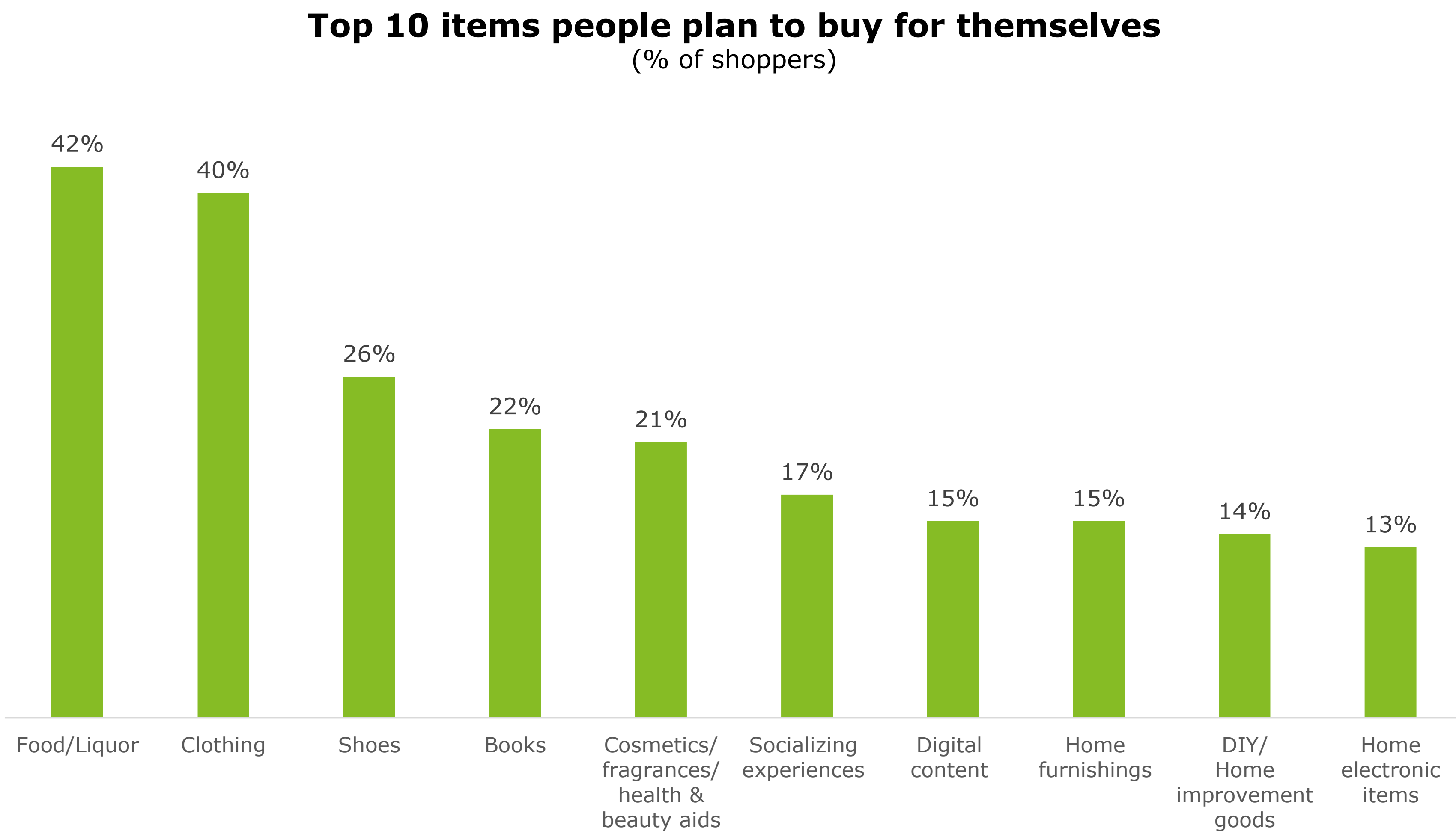
$139

Average spend on gift cards this holiday season
(vs. $113 in 2017)

The percentage of people planning to give gift cards or gift certificates has increased by **10 percentage points over the last five years**

Question: “Which of the following do you plan buy this holiday season?”
Sample size (N) = 4,036

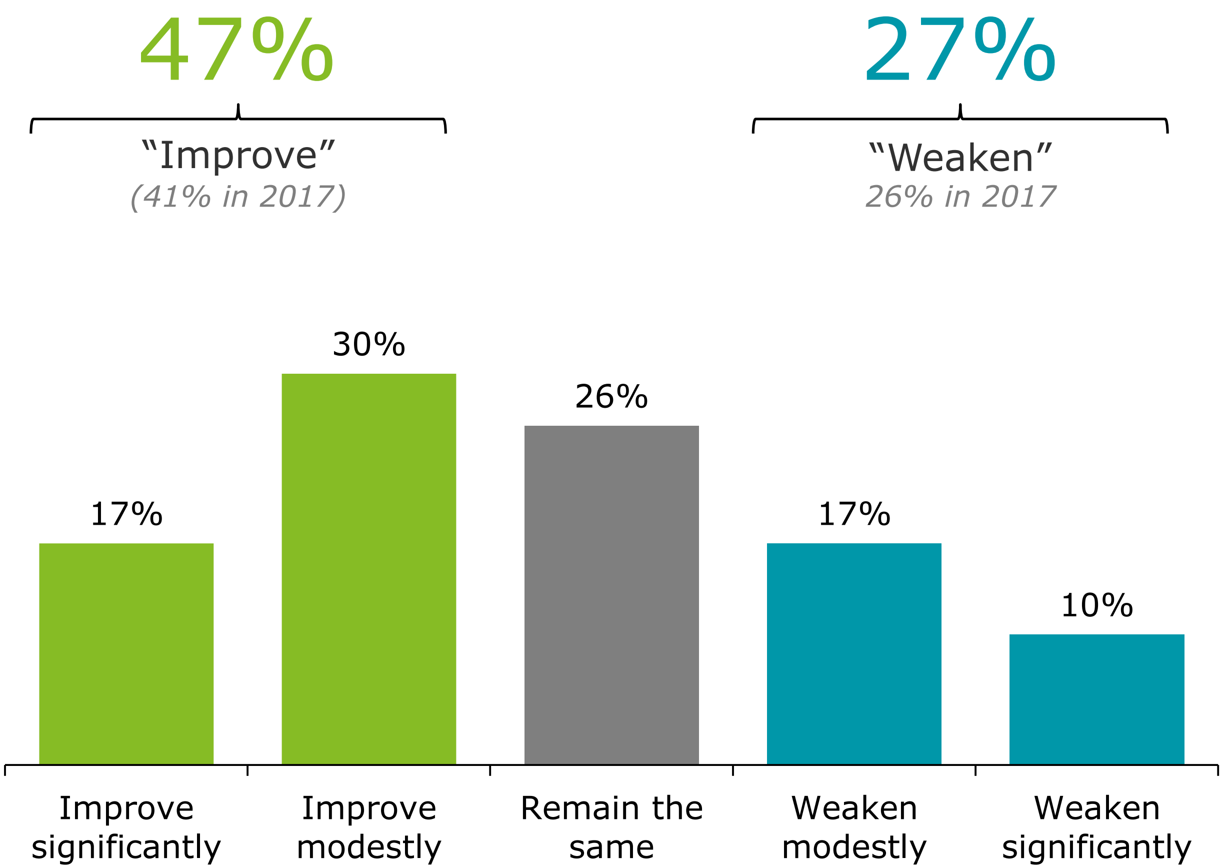
51 percent of people plan to purchase gifts for themselves when shopping for others, a 15 percentage-point increase since 2012



Question: “Which of the following do you plan buy this holiday season?”
Sample size (N) = 4,036

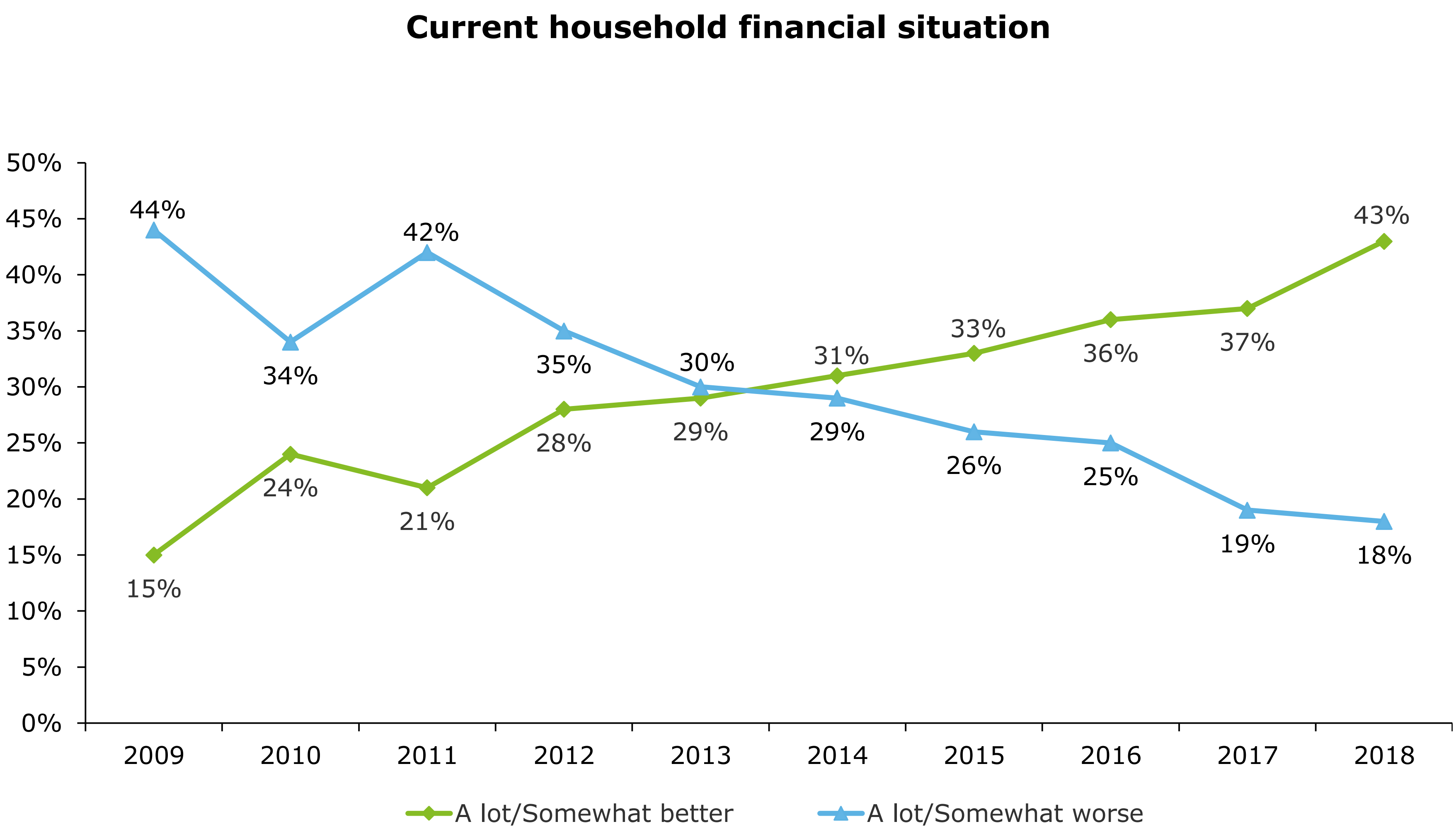
Consumers have a positive economic outlook, which is a major driver of holiday spending

Consumer expectation that the US economy will …



Question: "In your opinion, what is the overall outlook for the U.S. economy in the year 2019, compared with today? Would you say it will likely…"
Sample size (N) = 4,036

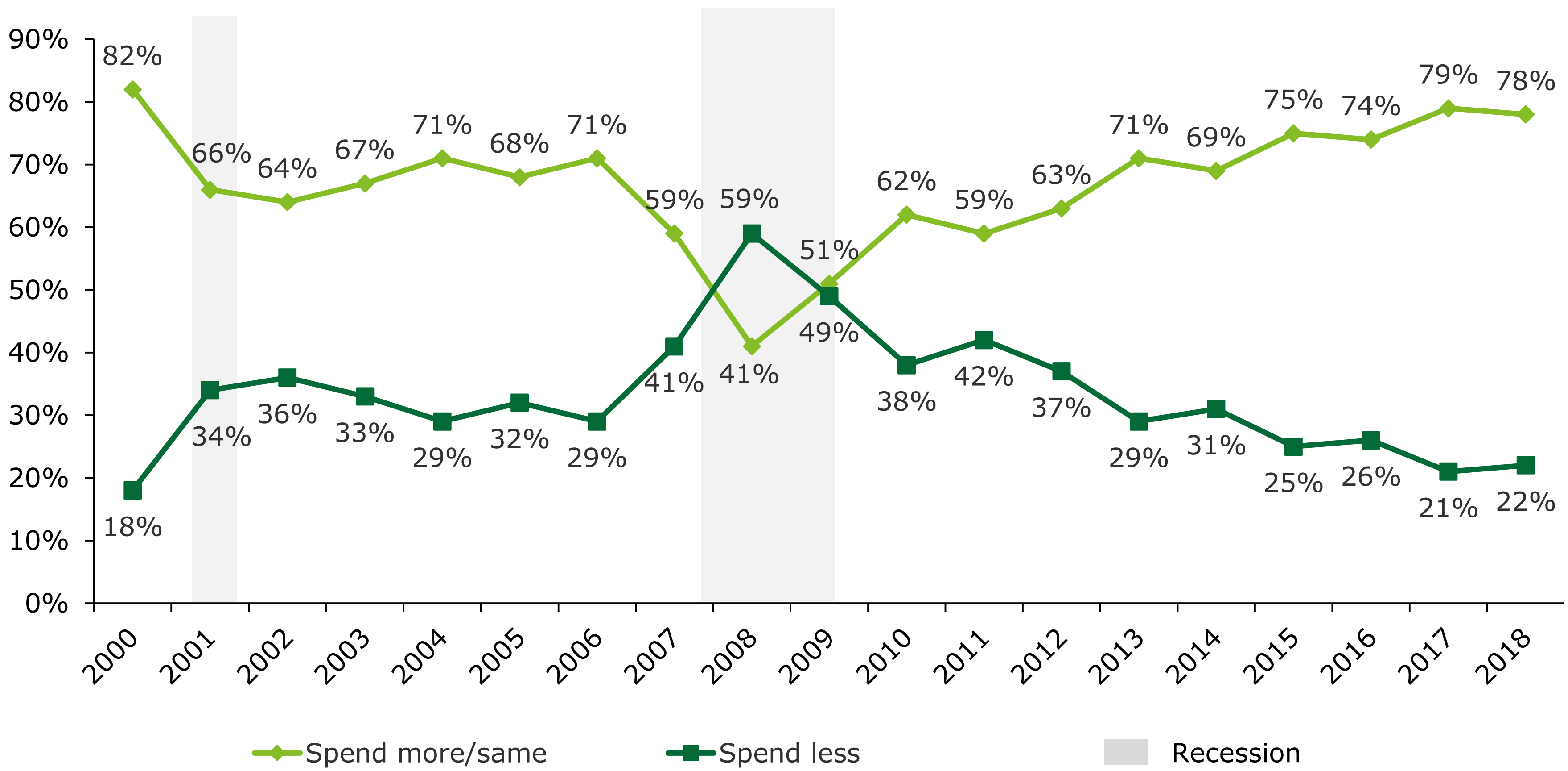
Consumers report continued improvement in household financials



Question: "Thinking about your household's current financial situation, would you say it is..."
Sample size (N) = 4,036

Consumers report strong sentiment for spending heading into the holiday season

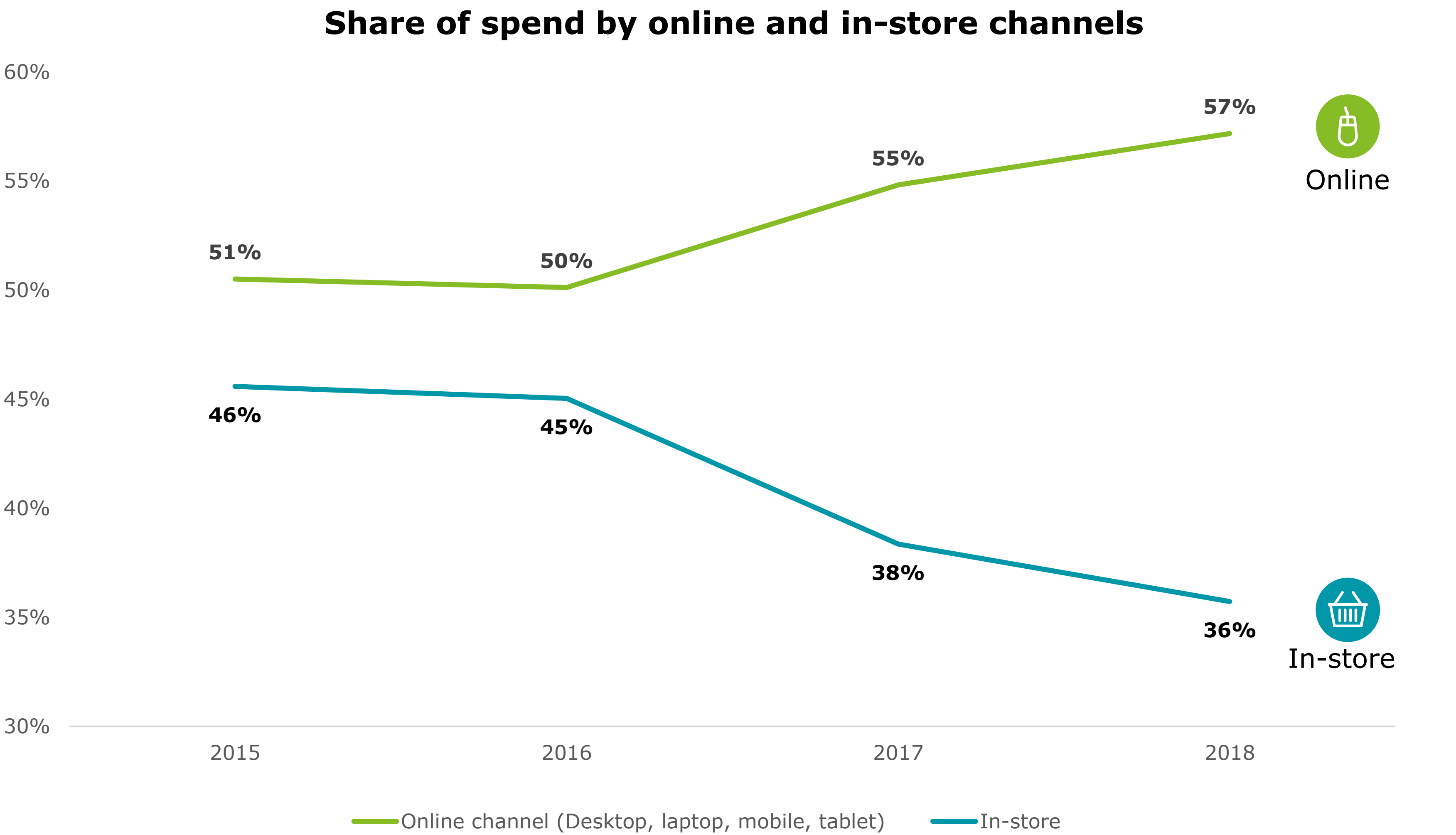
Purchase behavior compared to last holiday season …



Question: "How will your total holiday spending compare with last year's holiday season?"
Sample size (N) = 4,036

PREFERRED CHANNELS AND FORMATS

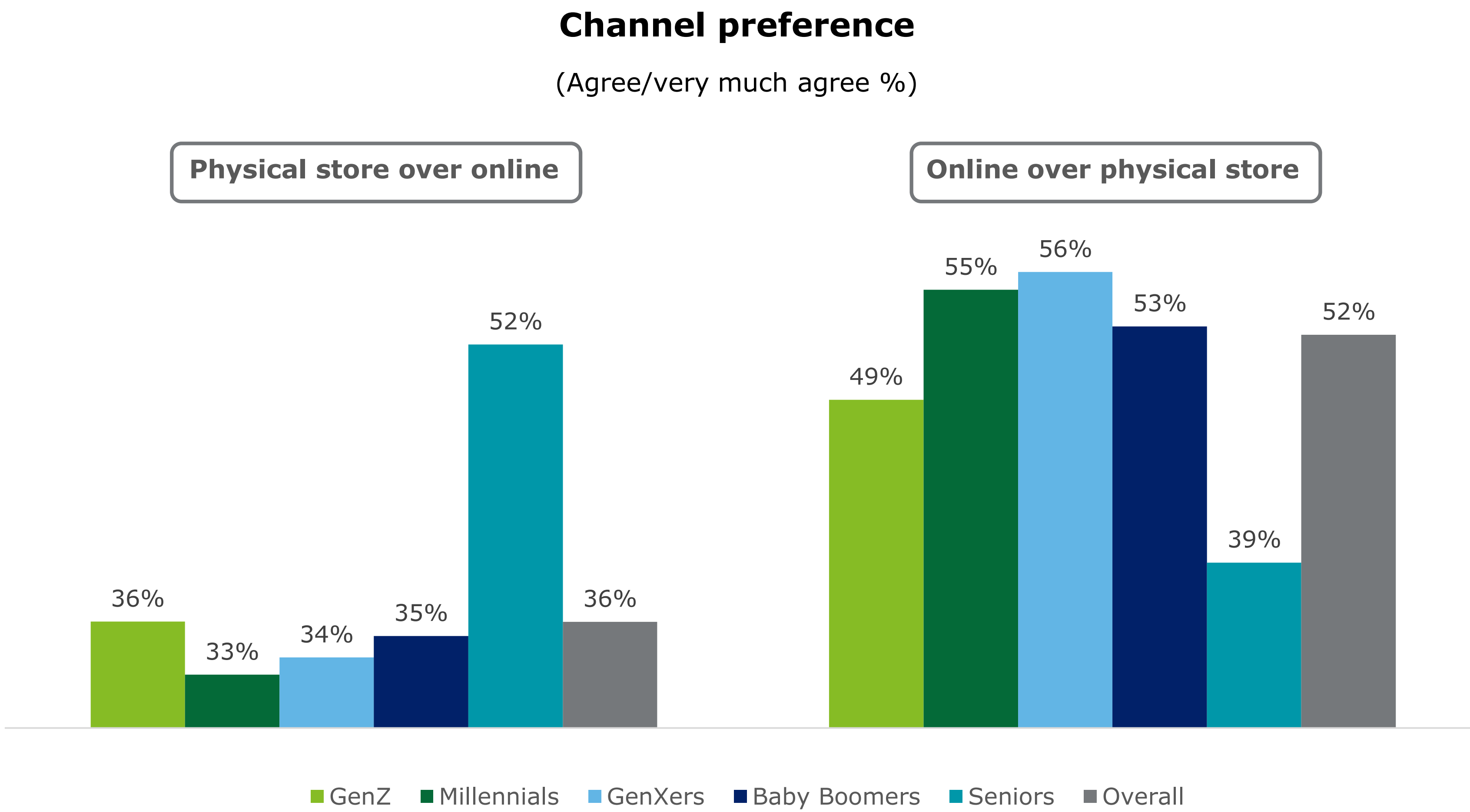
Share of spending continues to shift toward online



Question: "What percentage of your total holiday budget do you expect to spend..?"
Sample size (N) = 4,036

All generations, except seniors, prefer online formats to physical store formats

The strong preference for online channels across all generations is in line with the higher share of online channel spend expected this season.



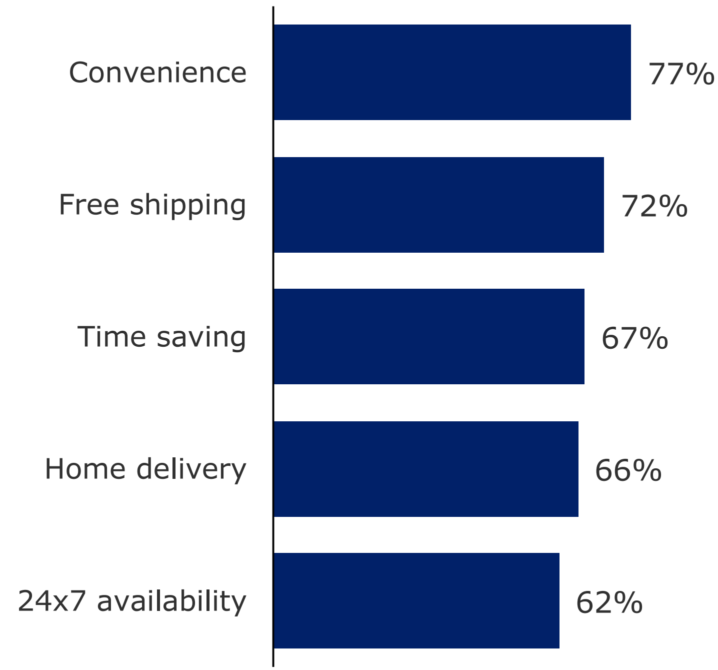
Question: "Using a scale of 1 through 5, where 1 means 'Very much disagree' and 5 means 'Very much agree', please state how much you agree with each of the following statements."
Sample size (N) = 4,036

Interaction and inspiration bring people into stores, while convenience and price draw them online

Crowds and long lines continue to be the top reasons for not shopping in-store.

Top 5 reasons to shop in-store

Top 5 reasons to shop online



Question(1): "What are the reasons you plan to shop in a physical retail store rather than online?"; Sample size (n) =1,441
Question(2): "What are the reasons you anticipate shopping online instead of in a physical store?"; Sample size(n) = 2,097

Online retailers and mass merchants are expected to be the top destinations across income levels and are increasing in popularity

The top four most-favored formats are relatively consistent among households of different income levels, but after that, preferences diverge.

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

Overall rank	Low-income*	Middle-income*	High-income*	Retailer type	%
1	2	1	1	Internet/online retailers (incl. auction-sites)	60%
2	1	2	2	Mass merchants	52%
3	4	3	3	Traditional department stores	32%
4	5	4	5	Off-price stores	28%
5	7	7	4	Bookstores	25%
6	6	9	12	Supermarkets or grocery stores	22%
7	10	10	7	Local independent stores not in a mall	22%
8	11	6	8	Restaurants/fast food establishments	22%
9	15	5	6	Warehouse membership clubs	21%
10	9	12	9	Electronics/Office supply/Computer stores	21%
11	12	8	10	Home improvement stores	20%
12	8	11	11	Outlet stores/centers	20%
13	3	14	15	Dollar stores	17%
14	14	13	13	Specialty clothing stores	16%
15	13	15	14	Toy stores	15%

* Income references annual household income: Low = <$50K, Middle = $50K-$99K, High = $100K+
Question: "At which of the following retail sources or venues will you likely shop for holiday gifts?"
Sample size (N) =4,036; # Multi-select question

Format preferred by low-income group

Format preferred by high-income group

Shoppers are undecided about their top shopping destination for each category

While conventional and specialty formats are the preferred format in most categories, retailers have significant opportunities to influence where consumers shop.

Top shopping destinations by product category

Rank	Clothing and accessories	Electronics and accessories	Food & beverage and health & beauty	Home and kitchen	Toys and hobbies
1	**Undecided** ***(41%)***	**Undecided** ***(36%)***	**Undecided** ***(48%)***	**Undecided** ***(40%)***	**Undecided** ***(37%)***
2	**Traditional department stores** *(21%)*	**Electronics/ office supply/ computer stores** *(29%)*	**Specialty health/beauty stores** *(16%)*	**Internet/ online retailers** *(13%)*	**Mass merchants** *(26%)*
3	**Mass merchants** *(12%)*	**Internet/ online retailers** *(23%)*	**Mass merchants** *(13%)*	**Furniture or home furnishing stores** *(11%)*	**Internet/ online retailers** *(23%)*
4	**Specialty clothing** *(8%)*	**Mass merchants** *(9%)*	**Internet/ online retailers** *(7%)*	**Mass merchants** *(11%)*	**Specialty arts/crafts retailer** *(3%)*
5	**Internet/ online retailers** *(7%)*	**Warehouse membership clubs** *(2%)**	**Traditional department stores** *(5%)*	**Home improvement stores** *(8%)*	**Bookstores** *(2%)**

Question: "Please provide the name of top retailer that you would visit for the following categories during this holiday shopping season"
Note: Sample size (includes only respondents who will purchase the above mentioned category); single-select question
* Sample size less than 30 respondents

DIGITAL INFLUENCE

While desktop/laptop is the most preferred device for holiday shopping, mobile has seen the largest increase over the last year

More shoppers plan to make purchases on desktops/laptops, but mobile usage will likely be driving digital growth overall.

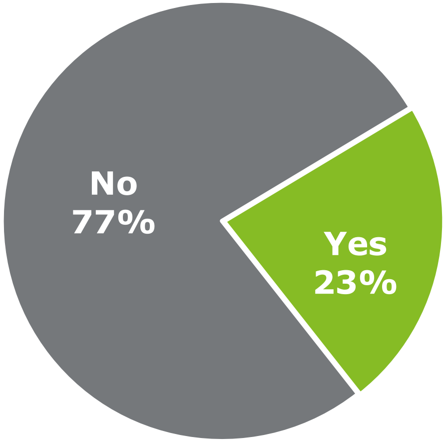
Digital device	% of total shoppers	Top 5 uses by device#	
Desktop/ Laptop	**76%** *(83% in 2017)*	Make a purchase	79%
		Browse online	76%
		Check/compare prices	70%
		Read product reviews	63%
		Get product information: pricing and specifications	62%
Mobile	**46%** *(40% in 2017)*	Track order status	72%
		Browse online	71%
		Check/compare prices	68%
		Make a purchase	67%
		Get store locations	64%
Tablet	**22%** *(20% in 2017)*	Browse online	74%
		Make a purchase	69%
		Check/compare prices	66%
		Read product reviews	66%
		Track order status	61%

Multi-select question
Question: "Please select the device(s) you use or plan to use for holiday shopping"
Sample size (N) = 4,036

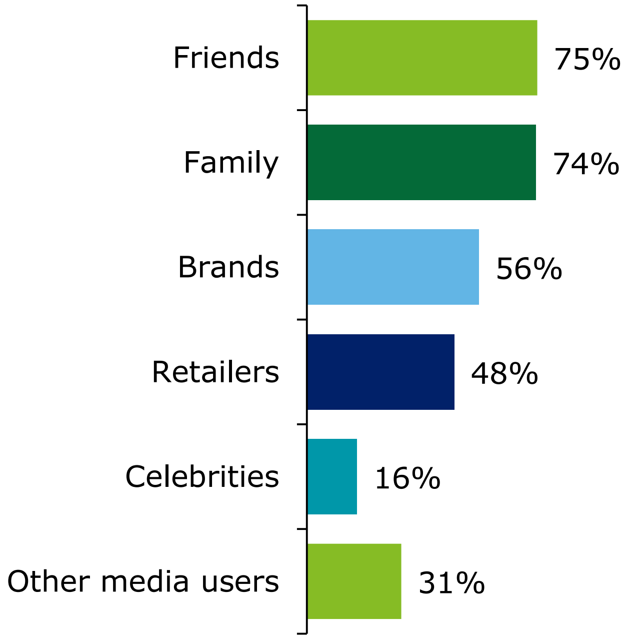
Almost one quarter of holiday shoppers plan to use social media sites to assist with holiday shopping

When on social media sites, recommendations from friends and family are trusted the most.

Planned use of social media



Most trusted sources on social media#



Multi-select question, rank top 3
Question(1): "Do you plan to use social media sites to assist in your holiday shopping?"
Question(2): "Whose product/service recommendations do you trust the most on social media sites?"
Sample size (N) = 4,036

The 2018 holiday season will likely see an integration between online and in-store formats

More than half of holiday shoppers are likely to engage across channels as they plan and make their purchases.

Popular omnichannel experiences

Research online and make purchase in-store

66%

(vs. 66% in 2017)

Research in-store and make purchase online

54%

(vs. 53% in 2017)

Buy online and pick up in-store

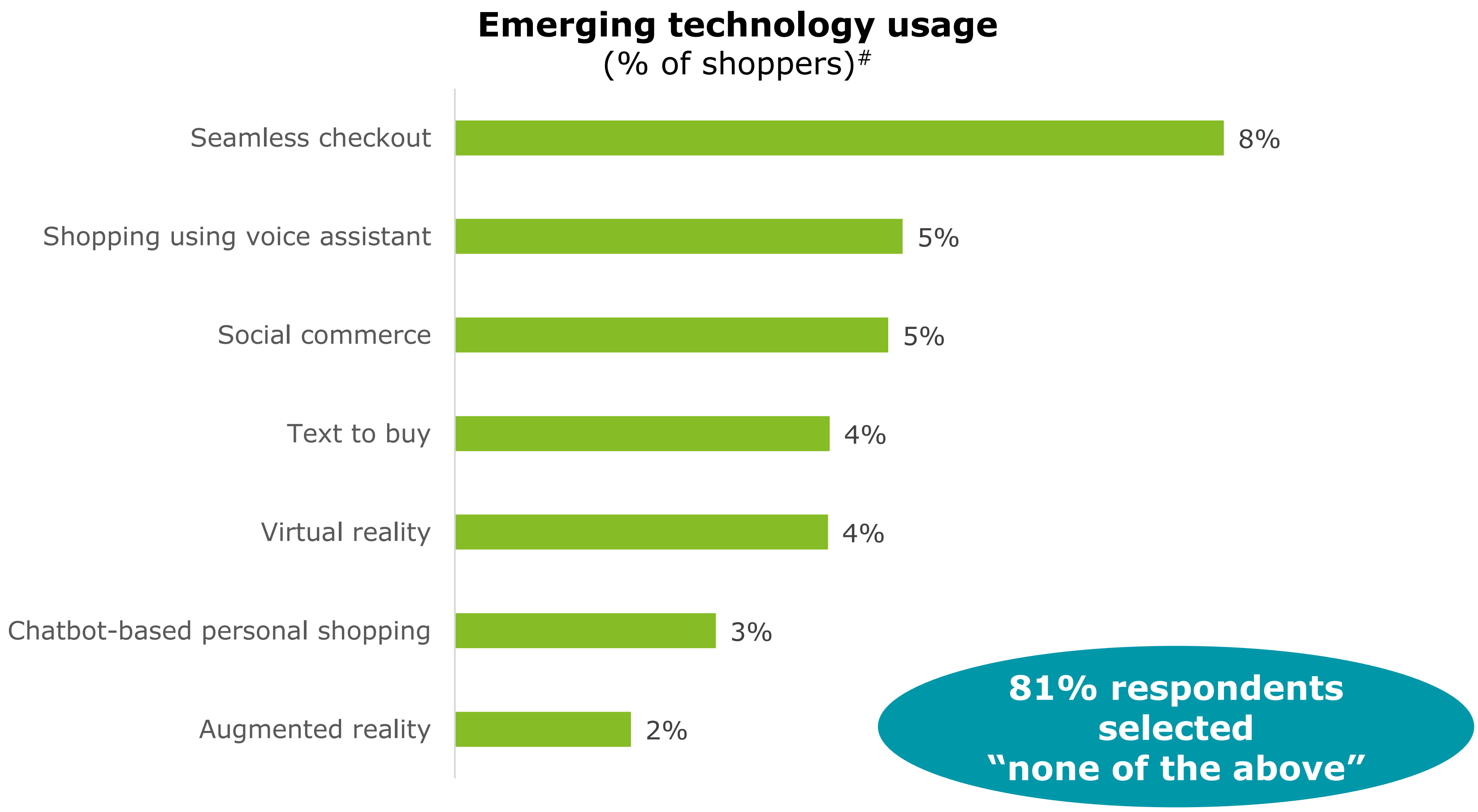
45%

(vs. 43% in 2017)

Note: Percentages combine those respondents who selected answer choices “Very likely” and “Somewhat likely”
Question(1):”How likely will you be this holiday season to first look at items online, then go to a store to see the item, and then make your purchase at the store?”
Question(2):”How likely will you be this holiday season to first go to a store to look for an item and then search online for the best price and then purchase online?”
Question(3): “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?”
Sample size (N) = 4,036

Many consumers are not yet planning to use emerging technologies for this holiday shopping season

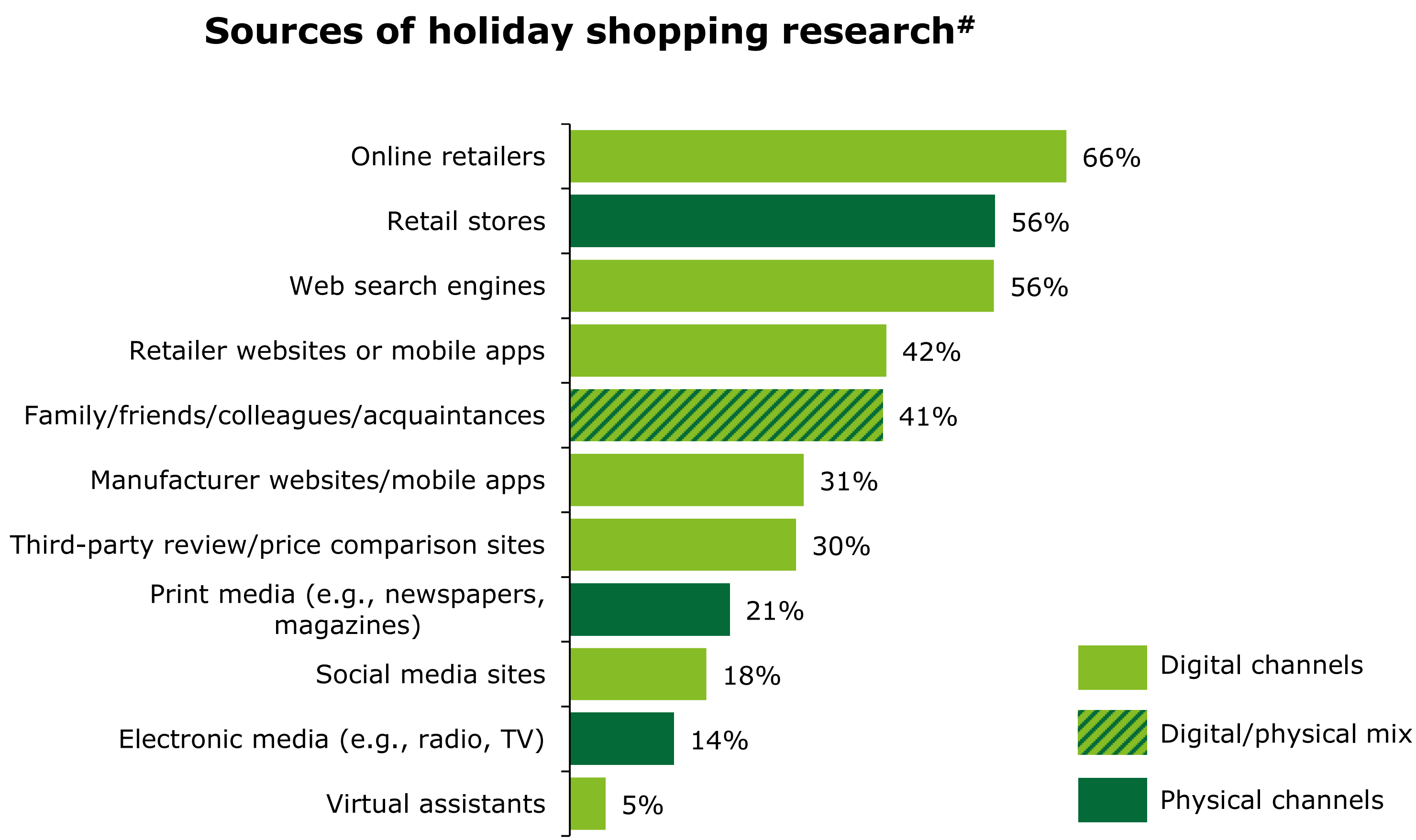
Only 19 percent of shoppers are planning to use seamless checkout, voice-assisted shopping, social commerce, or other newer technologies during the upcoming season.



Multi-select question
Question: Which of the following do you plan to use during this holiday shopping season?
Sample size (N) = 4,036

Online retailers, retail stores, and search engines are the top preferred sources for inspiration this holiday season

For holiday shoppers, the journey begins with research; brands matter, as three of the top four destinations are retailer owned, either digital presence or physical stores

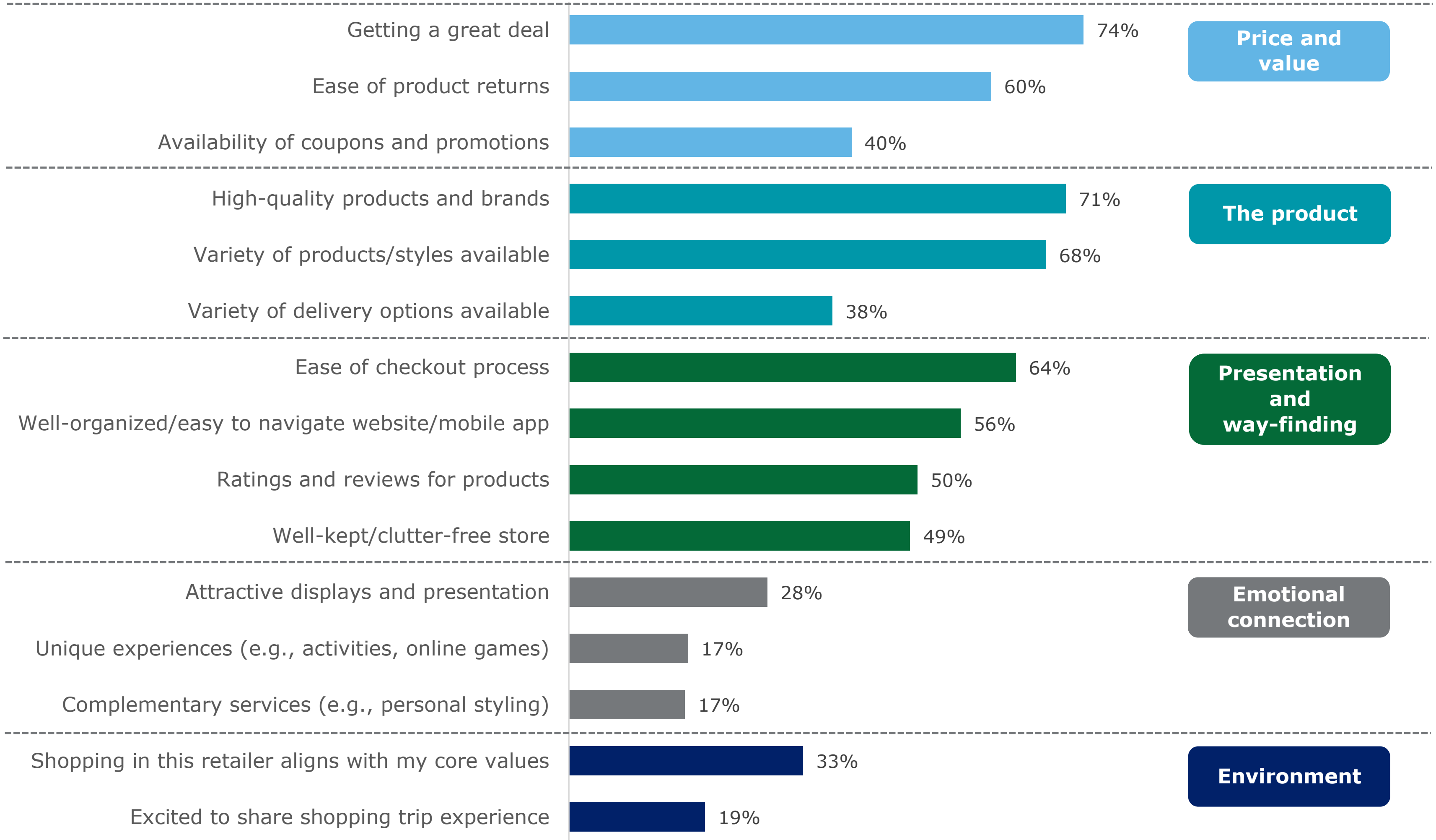


Multi-select question
Question: "Which of the following will you use for research before making your holiday purchases?"
Sample size (n) = 3,821

CONSUMER PREFERENCES

Across retailers, deal value, product quality, and variety are the most important attributes

Shopping attribute importance



Question: "How important are each of the following store attributes when holiday shopping?"
Sample size (N) = 4,036

% of shoppers who responded extremely/very important

Holiday shoppers expect to be influenced by promotions in their browsing and purchasing decisions

Price discounts and free shipping are the most appealing promotions.

82%

of consumers will be influenced by promotions

36%

of purchases will be influenced by promotions

Most appealing promotional offers#

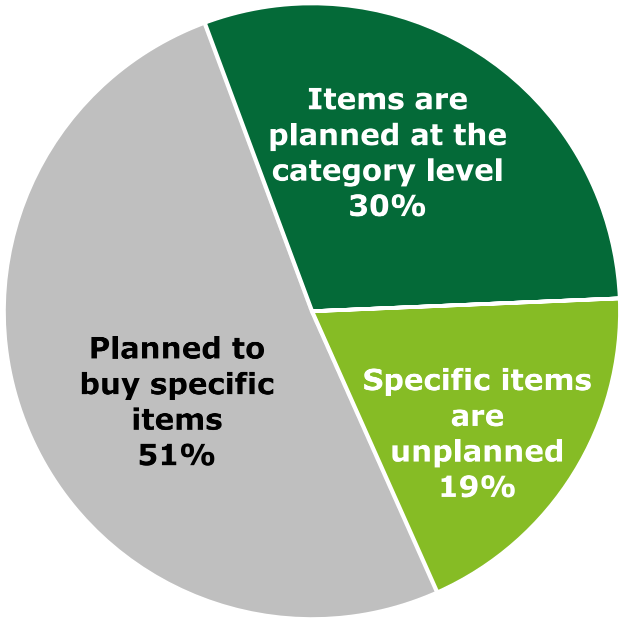
Question(1): "What percentage of your total holiday purchases will be influenced by any coupons and promotional offers that you receive?"
Question(2): "Which of the following holiday promotional offers most appeal to you?"
Sample size (n) = 3,275; # Multi-select question

Half of all purchases are expected to be either completely or partially unplanned

Across digital and physical formats, in-store and online, there are significant opportunities for retailers to influence holiday purchases.

Purchase planning across retail channels

Opportunity for retailers to impact purchase location and store selection



Opportunity for retailers to impact product selection

Question(1): "How do you typically shop for the holidays when you are in the mall or in a retail store?"
Question(2): "How do you typically shop for the holidays when online?"
Sample size (N) = 4,036

Holiday shoppers expect 77 percent of their spend will be at the same retailers they shopped last year

However, promotional activity (better prices) is the most likely reason that shoppers will try out new retailers.

Holiday shoppers expect 77 percent of their spend will be at the same retailers they shopped last year

75% of shoppers are open to trying new retailers this season

Multi-select question

Question(1): "What percentage of your holiday gifts and shopping this year do you anticipate will be at those same locations as last year?"; Sample size (N) = 4,036

Question(2): "What would influence you to try a new store or online retailer?" Sample size (n) = 2,996

Shopping preferences and digital usage vary with household income during the holiday season

Low-income households plan to be more focused on deals and the physical store, whereas high-income households expect to prefer premier experiences and online retailers.

	Low-income (Less than $50k)	**Middle-income** ($50k-$99k)	**High-income** ($100k+)
Shopping focus			
Deal focused *Expect to get the best deals by shopping early in the holiday season*	**38%**	36%	31%
Price sensitive *More likely to purchase from a retailer that sells at the lowest possible prices*	**67%**	66%	60%
Premier retailing experience *More likely to purchase from retailers that offer premier products and experiences*	32%	32%	**39%**
Digital usage			
Physical store *Prefer shopping in the physical store rather than online for holiday products*	**42%**	32%	33%
Online *Prefer shopping online rather than in the physical store during the holiday season*	46%	53%	**59%**

Note: Income levels reference annual household income
Sample size (N) = 4,036

RETAILER POLICIES

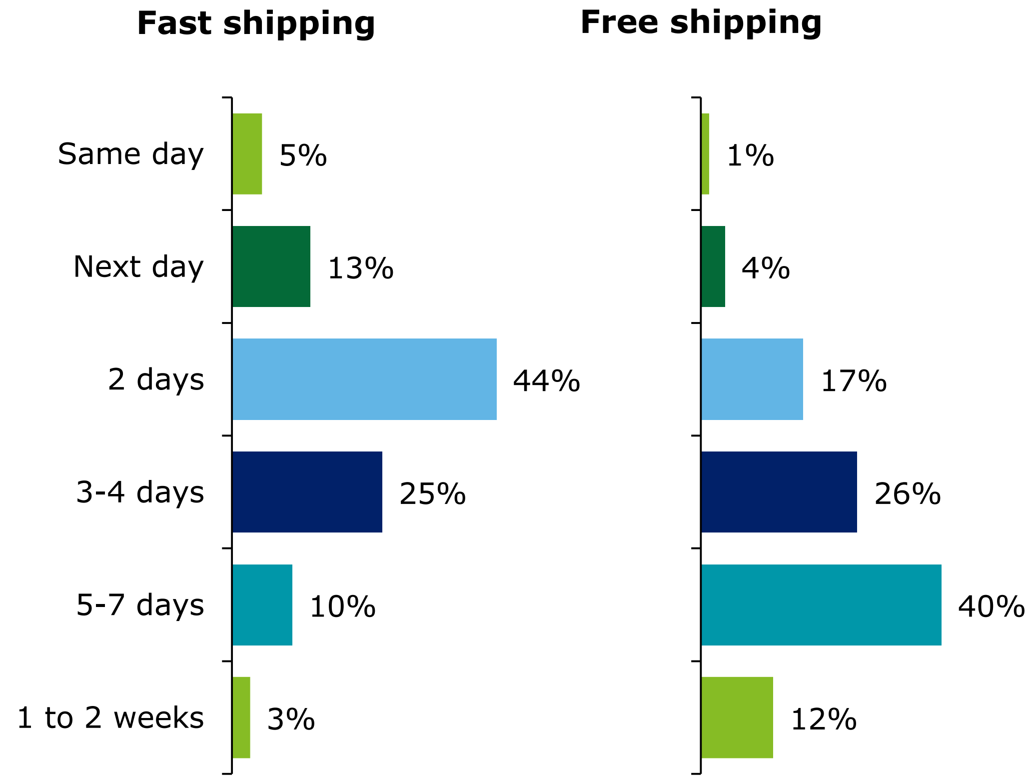
Holiday shoppers view free shipping as more important than fast shipping

Consumers expect their delivery within 2 days if it's fast shipping; for free shipping, many are willing to wait 3-7 days.

Importance of free vs. fast shipping

61% of holiday shoppers report that they will buy items that qualify for free shipping this season

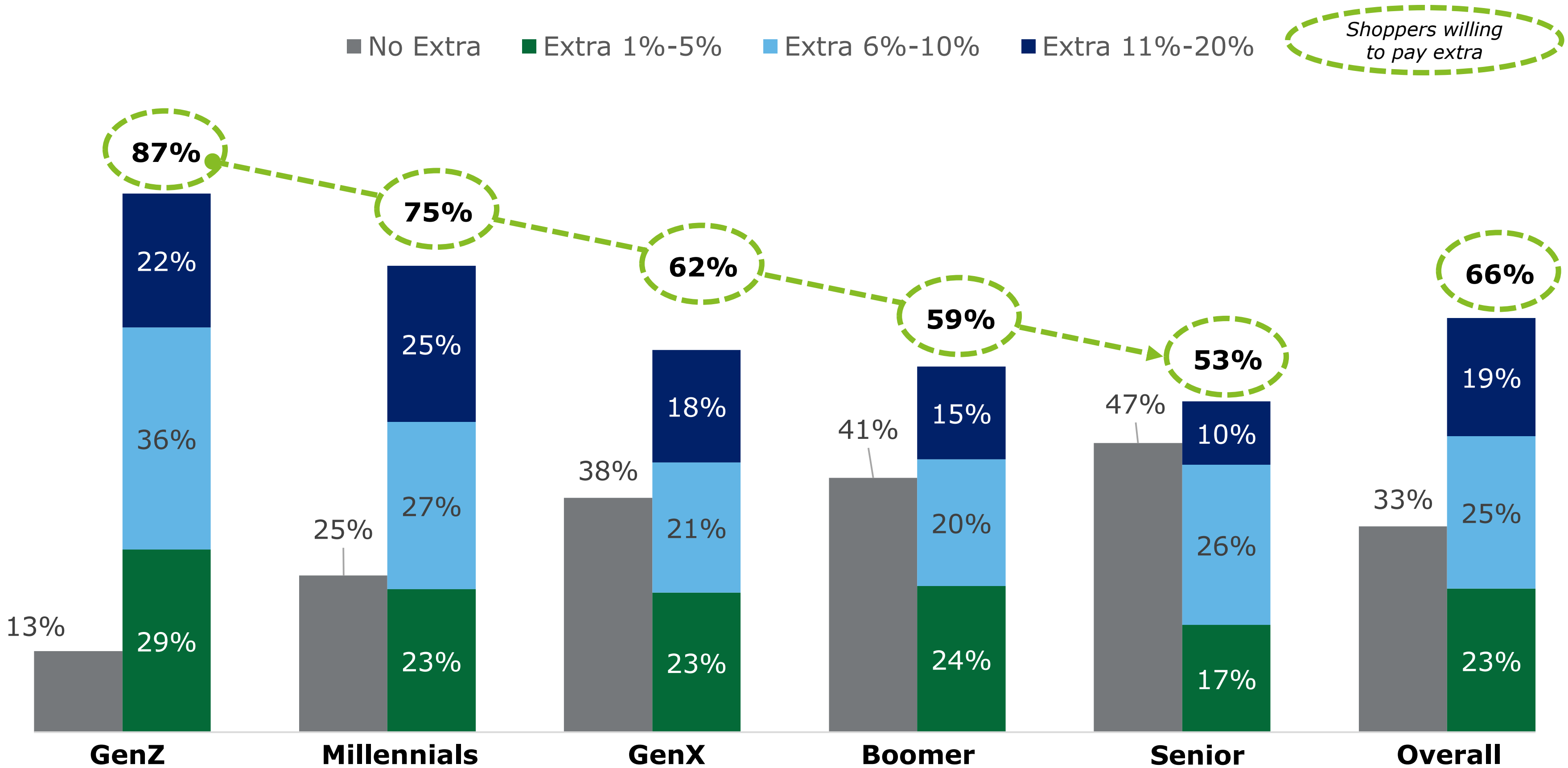
Time frame willing to wait for …



Question(1): "When you are shopping online, which of these two promises below would be more important to you?"
Question(2): "When you opt for free shipping/fast shipping, how long are you willing to wait to receive your product?"
Sample size (N) = 4,036

Two thirds of shoppers are willing to pay extra for sustainability, a trend driven by younger shoppers

Extra price shoppers are willing to pay for socially compliant, sustainable products
(% of shoppers)

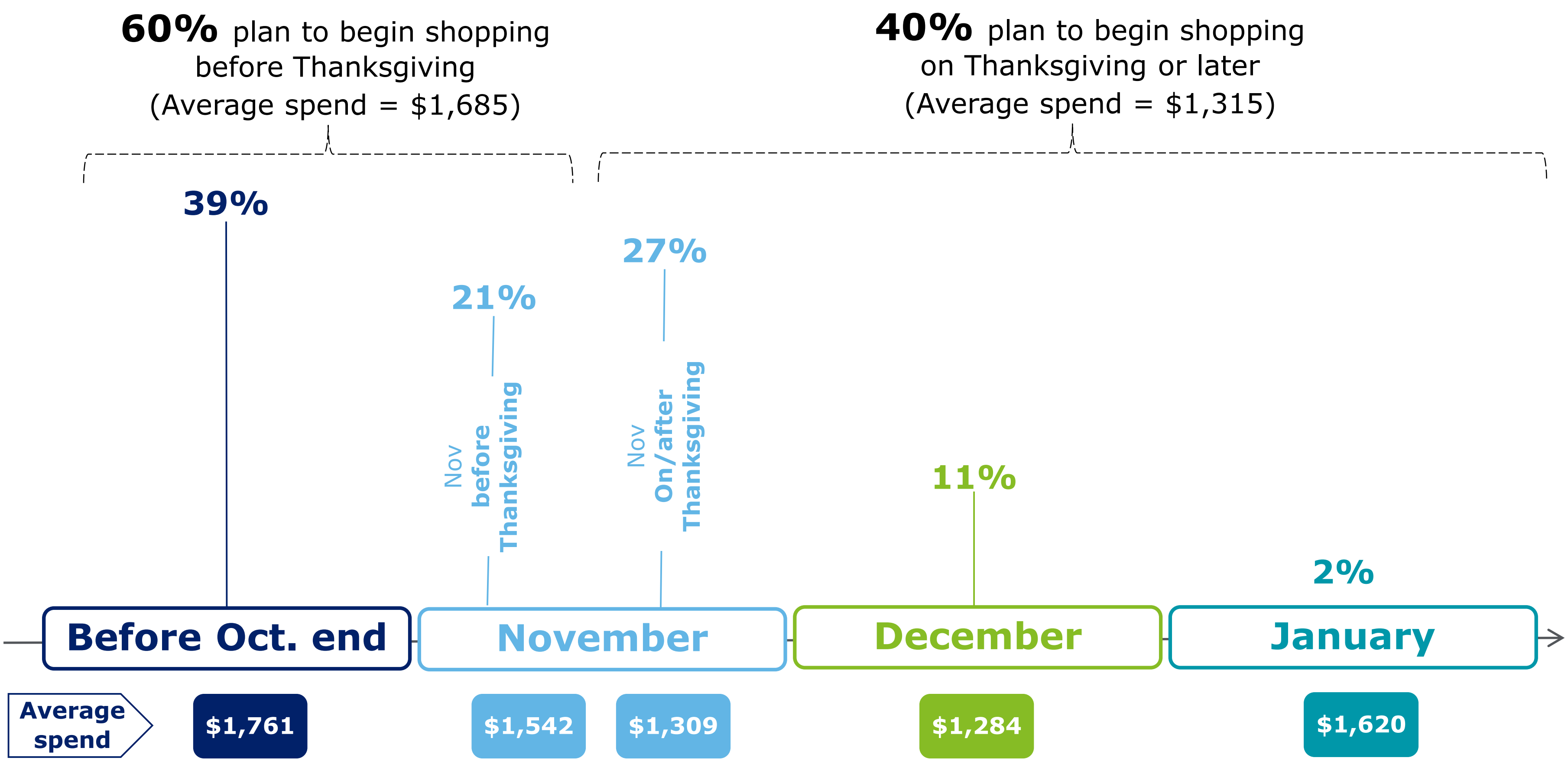


Question: "How much extra are you willing to pay for product that has been certified as being socially compliant?"
Sample size (N) = 4,036

HOLIDAY SEASON TIMING

Three in five holiday shoppers plan to begin shopping early in the season and plan to spend $370 more than late starters

Early shoppers are likely to spend 28 percent more than late shoppers during the holiday season.



Question: "When are you likely to begin your holiday shopping this year? "
Sample size (N) = 4,036

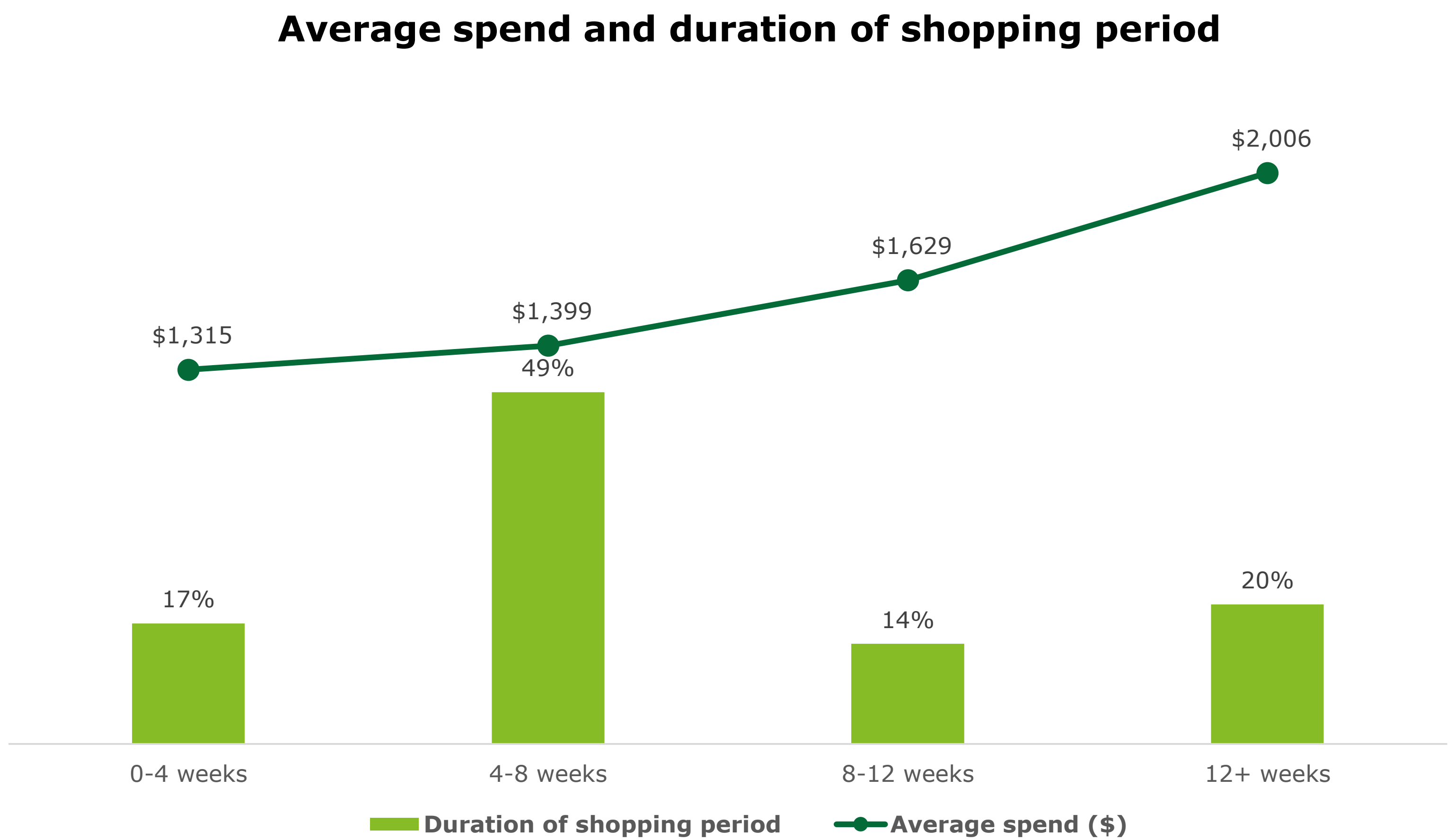
Early shoppers are cost-conscious, deal-seeking, and engaged across channels

Holiday shoppers	Early shoppers Avg. spend: $1,685	Overall Avg. spend: $1,536	Late shoppers Avg. spend: $1,315
My household's **current financial situation** is better than it was last year at this time	47%	43%	37%
I plan to use **store coupons** during this holiday season	50%	44%	36%
I plan to **go online to find better prices**, coupons, deals, etc.	63%	58%	51%
I am likely to **visit a store first, then search online** for the best price and purchase online	57%	54%	49%
I am likely to **buy online and pick up in-store**	48%	45%	41%
I prefer to buy gifts that are more likely to be **indulgences** that people will not buy for themselves	56%	54%	50%

Early shoppers – Those who start shopping before Thanksgiving Day
Late shoppers – Those who start shopping on or after Thanksgiving Day
Sample size - Early shoppers (n)=2,387; Late shoppers (n)=1,607

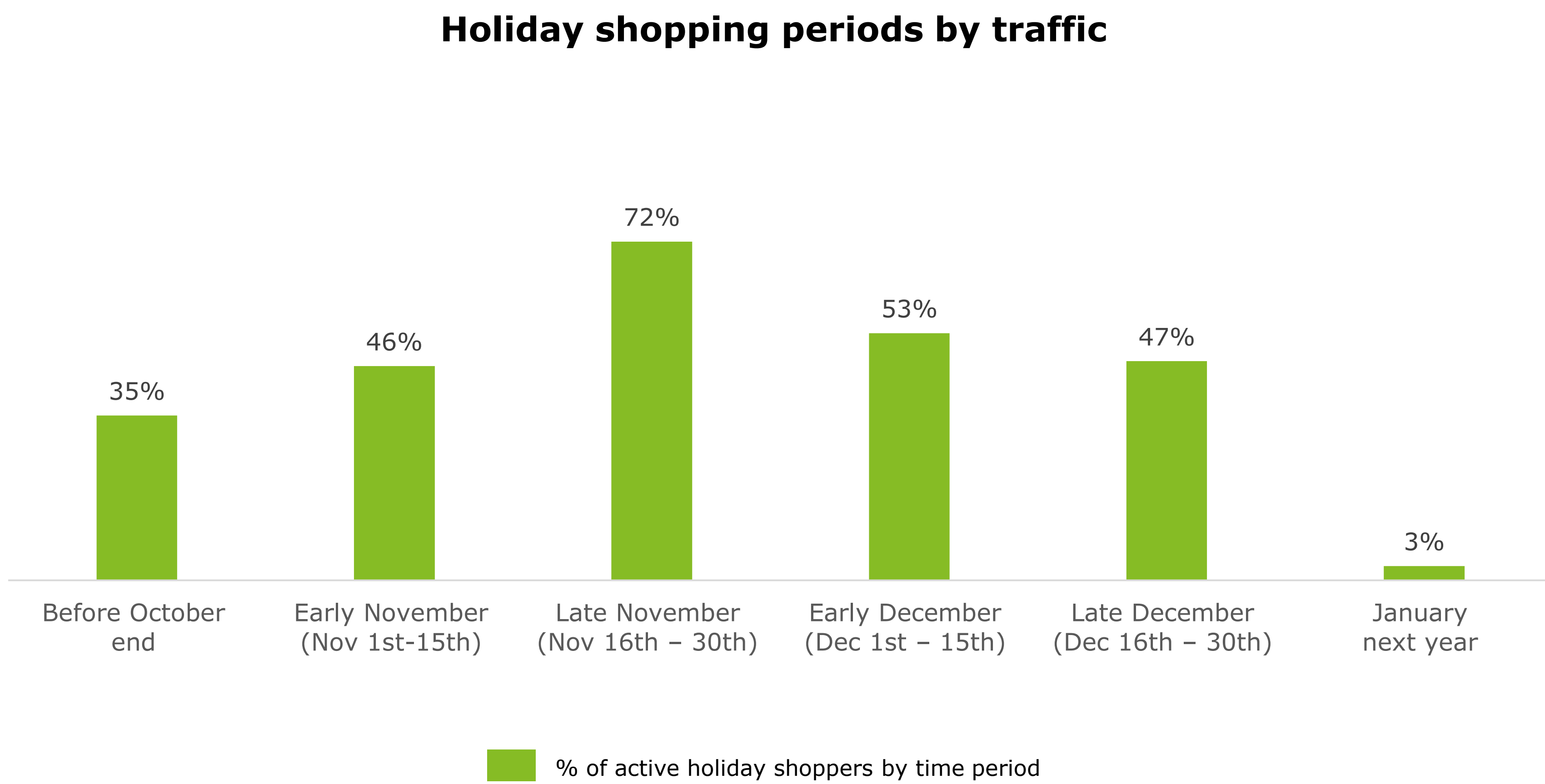
Most consumers plan to complete their holiday shopping over a 4-8 week period of time

Consumers with longer shopping windows are likely to outspend other shoppers.



Question (1) : "When are you likely to begin your holiday shopping this year? "
Question (2) : "By which one of these days or months do you expect to complete your holiday shopping this year?"
Sample size (N) = 4,036

Holiday traffic is expected to peak in late November



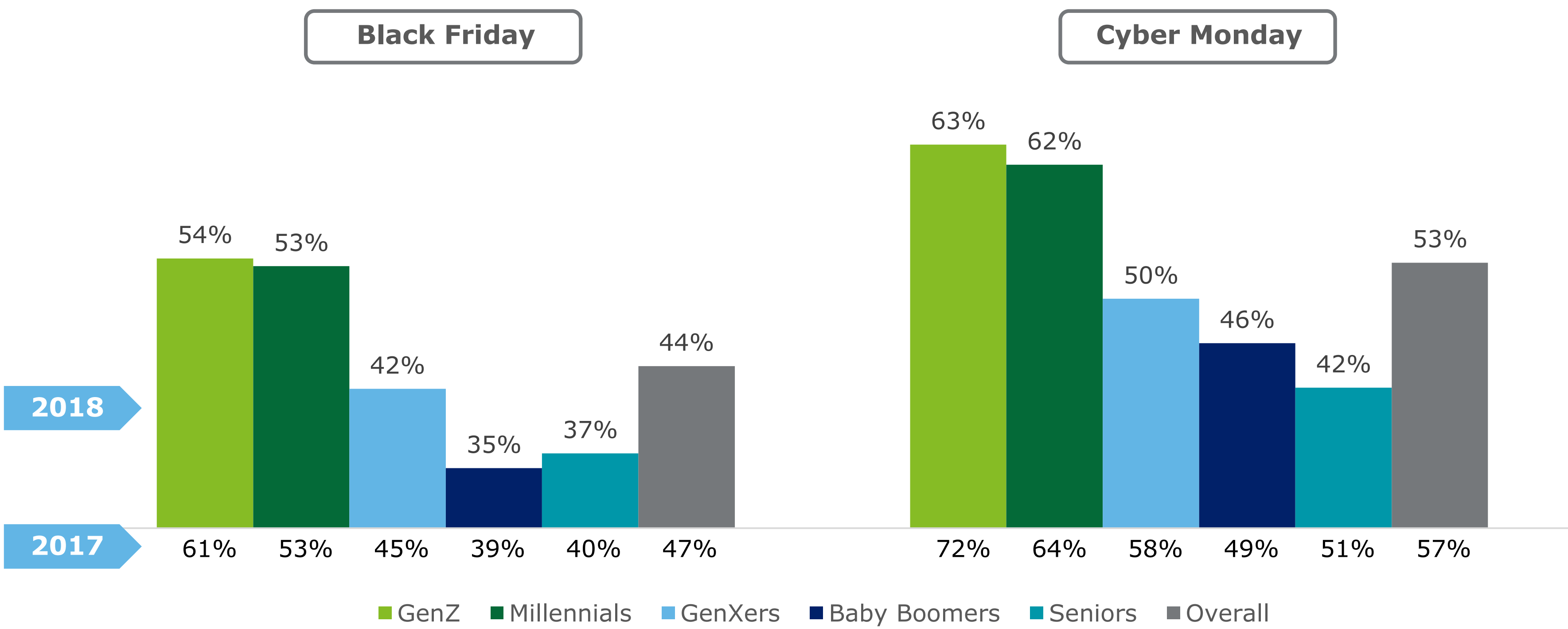
Question : "Out of _________ you plan to spend during holiday season, how much do you plan to spend during the following months?"
Sample size (N) = 4,036

Reliance on Black Friday and Cyber Monday is down for the 2018 shopping season compared to last year

Younger consumers appear more reliant on discount days such as Black Friday and Cyber Monday for their holiday shopping.

Shoppers who plan to maintain reliance on discount days

(Agree/very much agree/neutral %)



Question: "Using a scale of 1 through 5, where 1 means 'Very much disagree' and 5 means 'Very much agree', please state how much you agree with each of the following statements."
Sample size (N) = 4,036

CONSUMER DATA AND PRIVACY

Although 42 percent of consumers report they have been impacted by a data breach, they are fairly forgiving

Most who are concerned about data breaches would continue to shop a retailer that experienced a breach if the retailer took action or if they changed their payment method.

Consumer concern about data breaches

32%

I am concerned about shopping at retailers that have experienced **2 or more data breaches**

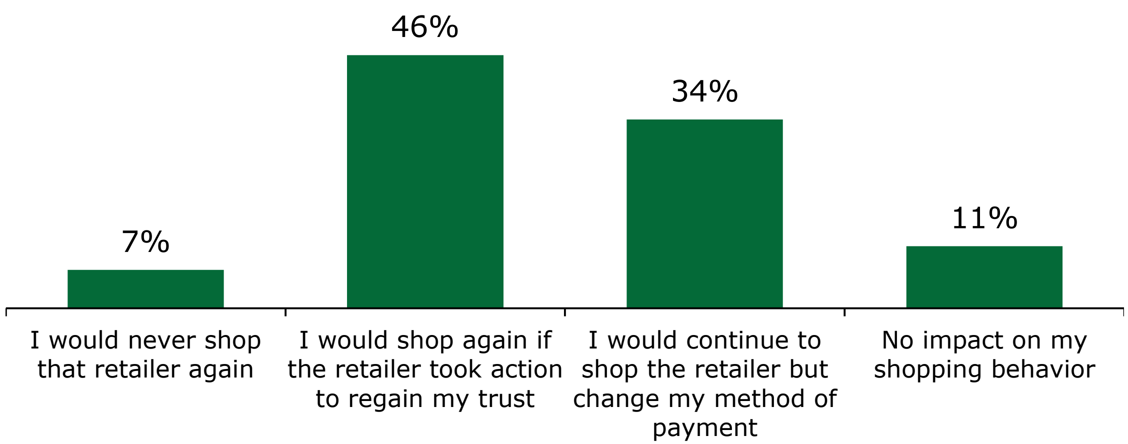
45%

I am concerned about shopping at retailers that have had data breaches **within the last year**

23%

I am **not concerned** about shopping at retailers that have experienced data breaches

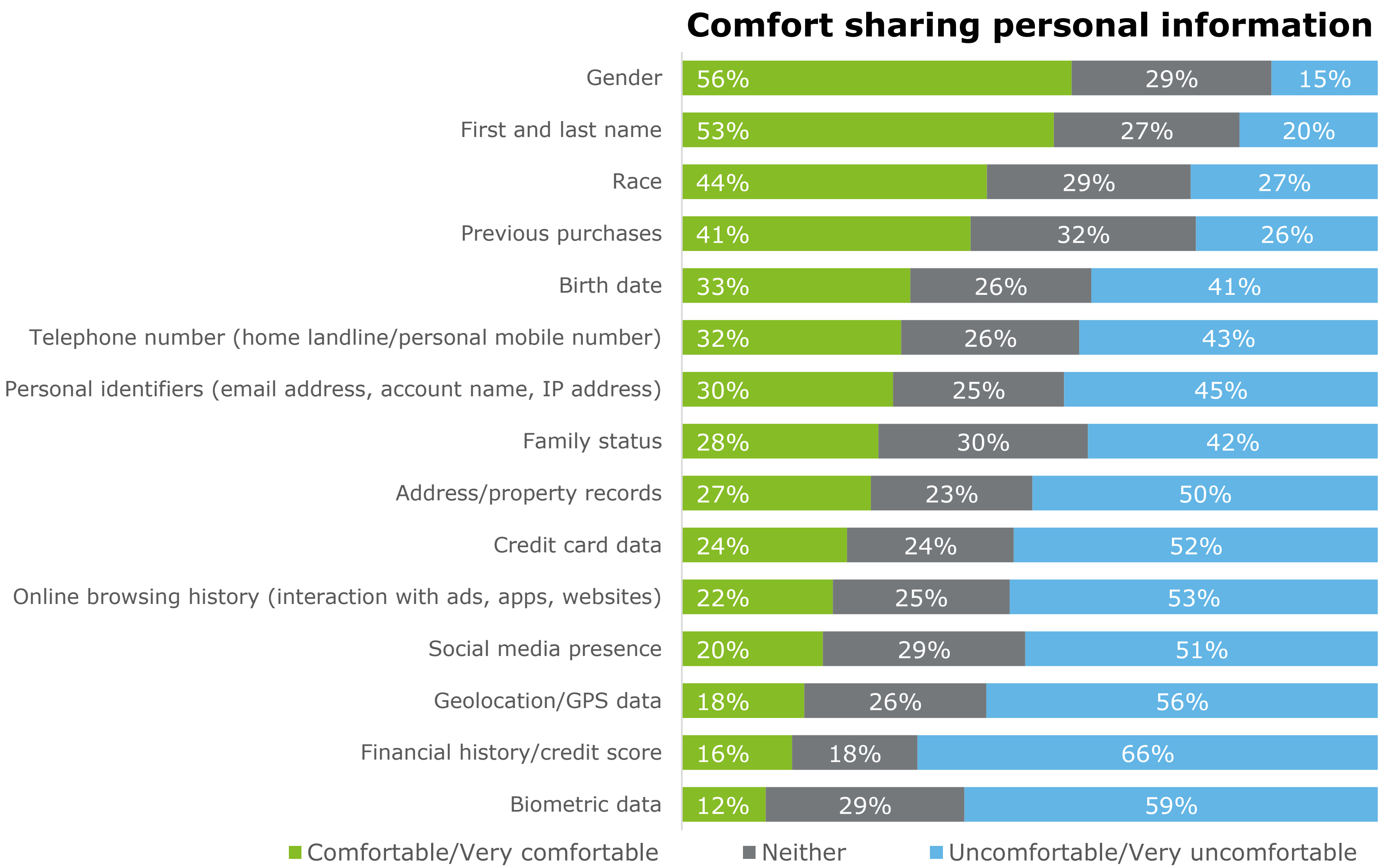
Impact on shopping behavior



Question(1): "Which of these statements are you most likely to agree with?"
Question(2): "How would your concern impact your holiday shopping behavior?"
Question(3): "In the past, have you ever been impacted by a data breach?"
Sample size (N) = 4,036

Consumers are fairly comfortable sharing basic demographics and purchase history

More than half of consumers are uncomfortable sharing more personal information.

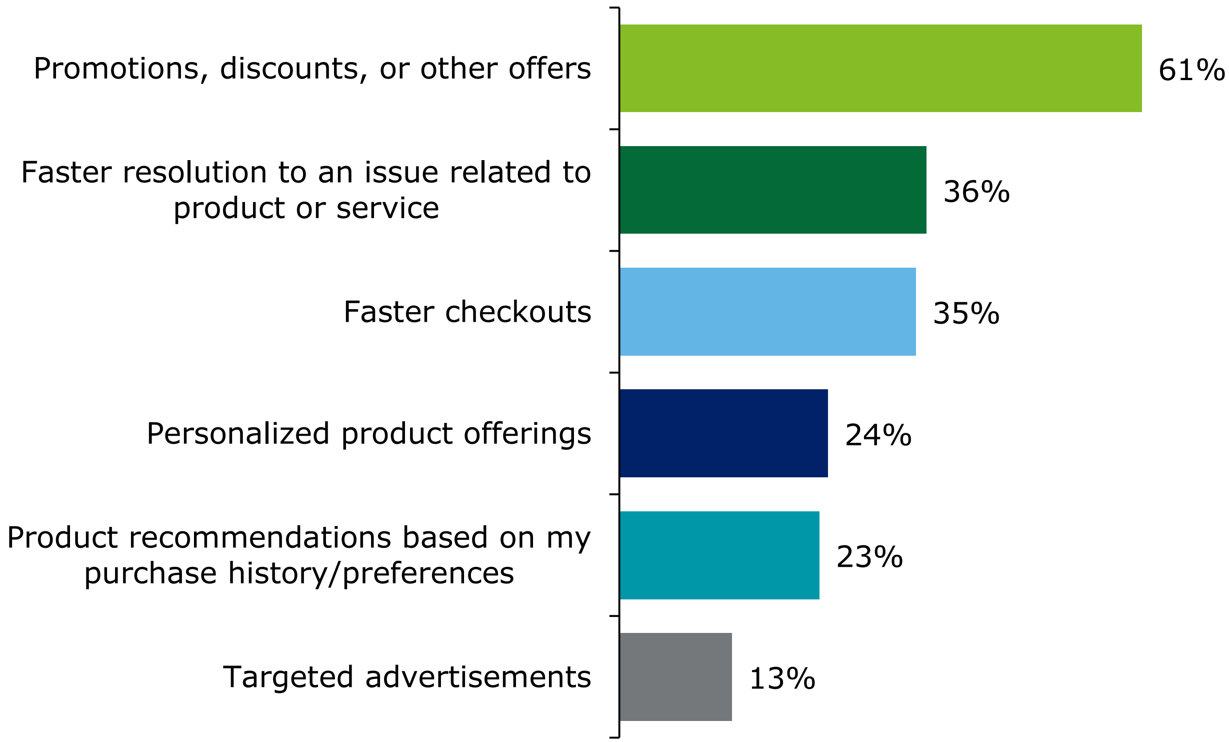


Question: "How comfortable are you in sharing the following personal information with retailers?"
Sample size (N) = 4,036

Consumers seek promotions and discounts in return for sharing personal information

6 in 10 consumers would want the benefit of a promotion or discount in return for sharing personal information.

Benefits sought after for sharing personal information



Question: “Which of the following benefits would you want from retailers in-return for you sharing personal information?”
Sample size (N) = 4,036

About the survey

This survey was commissioned by Deloitte and conducted online by an independent research company between September 6-13, 2018.

It polled a national sample of 4,036 consumers and has a margin of error for the entire sample of plus or minus one to two percentage points.

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