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**8 BUYING TRENDS  
TO WATCH THIS HOLIDAY**



## 8 BUYING TRENDS TO WATCH THIS HOLIDAY



### PRICE OVER CONVENIENCE

Across the board, analysts agree that while the consumer's buying power and excitement is much stronger this holiday over last, economic concerns and pricing factors will remain forefront of the decision-making process. The National Retail Federation's (NRF) holiday surveys reveal that 40% of shoppers say the economy will affect their purchasing decisions this holiday. While this is down 20% from last year, it's not an insignificant percentage. The consumer has already shown product discernment with their Halloween shopping. The overall per person/household spend is trending up from last year, but much of these sales are expected to be at discount stores.

*Today's customer is a multi-platform purchasing savvy shopper—and still on a budget. They shop with the mindset that the retailer needs them, not the other way around. With options at their fingertips and retailers fighting for their attention through sales, rebates, price matching and loyalty programs, the customer has the upper hand.*



### ONLINE SHOPPING

It's no surprise to the industry that online sales are growing exponentially. Total e-commerce (desktop plus mobile) grew 13% in Q1 2014 and registered the largest non-Q4 of total online buying, according to iMedia Agency Summit 2014 (ComScore data). Multichannel retailers held a slight edge in market share of e-commerce dollars in 2013 at 53%.

The NRF and Shop.org expect online holiday sales to grow between 9-11% in 2014—\$105 billion of e-commerce sales. Our FBIC estimate is for online sales to increase 13-15%. Shop.org's October E-Holiday Retail and Consumer Study shows that online shoppers plan to do 56% of their shopping via digital channels and that 63% of online shoppers plan to shop at discount stores. Free shipping offers have also increased the appeal online over in-store shopping.



### M-COMMERCE

It's now as easy to buy anything from furniture to handbags to airline tickets—all from your phone. This year has seen a huge rise in the popularity of shopper apps with the ease of purchase literally at your fingertips, whether directly from retailers or third parties. Companies like Zappos have made it that much easier to be fashion conscious with the development of digital services such as Ask Zappos, their interactive "personal assistant".

*We think the best thing about Ask Zappos is its application across m-commerce platforms—meaning you can hashtag #AskZappos on Instagram and have a Zappos Labs member deliver a same-day response. Then you can go right to your Zappos app and make a purchase. This type of proactive approach is the future of sophisticated m-commerce.*

Mobile commerce reached \$7.3 billion and accounted for nearly 12% of total digital dollars in Q1 2014 (iMedia Agency Summit, ComScore data). According to Digi-Capital, mobile internet has the power to drive the market, and while Asian countries may currently have nearly half the m-commerce market share, m-commerce sales are forecast to hit \$700 billion in revenue by 2017, a more than 300% growth over 4 years.

It is of note that 25% of consumers state that easy-to-use web and mobile sites are key in their choice of retailers, and that 56% of smart phone owners plan to use their phones for everything from price and product research to purchase (NRF).



#### PRICE MATCHING

Last year's highly competitive holiday offerings such as price matching had a significant impact on retail sales, increasing total sales by 3.9% YoY, while non-store holiday sales increased 9.3% (NRF). These savings tactics were attractive to the buyer, but the deep discounts affected retailer profit margins, and thus some Q4 results. For this holiday season, will the big retailers continue to fight to the death over customer retention?

Intense price matching is likely to start closer to Black Friday, and we believe that retailers will focus on altering prices in real- or near-real-time to keep their margins the best they can. This year the buzzword is VALUE. According to the NRF's latest holiday poll, 61% of shoppers state quality of merchandise as important, 60% look at selection, and 42% consider free shipping and other shipping incentives.



#### SHOWROOMING

According to the NRF, 19.1% of consumers regularly buy from another retailer's website after visiting a brick and mortar store, frequently using a mobile or other device. The eighth annual consumer survey by Prosper Insight & Analytics concluded that as ease and familiarity with online shopping increases, people are branching out from their favorite companies (online or brick and mortar) and are more willing to try a new retailer.

The bottom line is that people are still budget-conscious, especially when it comes to electronics and big ticket items. Since most people carry a smart phone (58% of Americans age 18+, as of January 2014, Pew Research Center), checking out retail options is a no-brainer.

*Loyalty to one company comes second to stretching a budget, especially as the holiday season gears up.*



## CROSSING THE DATA LINE

To share or not to share? This is the question retailers are investing both time and resources into answering because the first to cross this data line will have the best formed marketing and sales strategies.

Millennials are more willing to share than other groups, especially when incentivized by discounts, coupons or other VIP-type promotions. The fact remains that only 11% of data breaches occur at retailers versus 34% at financial institution, but impression is everything (Verizon Enterprise Solutions).

Will consumers avoid the stores with a history of major data breaches this holiday? Since the initial data breach with Target a year ago, Prosper Analytics has been tracking several retailers, specifically to find out how consumers felt about spending in each respective store. Target continues to bear the brunt of negative customer perception that is expected to continue through this holiday. The customers who were directly affected are going to have greater concerns, but overall only about 19% say they're somewhat or very likely affected, and again this number skews older. Millennials continue to show greater openness to sharing data. However, they're also more likely to have paid with cash in the past and not have been directly affected by the data breaches.

At the crux of the data issue is the trust relationship with the customer. Gaining that trust will equal more "opt ins".



## GIFT CARDS

For the eighth straight year, the NRF's holiday survey has gift cards beating out apparel and accessories as the most desired holiday gift. This also reflects a rise in grocery store shopping, with 51.2% planning to spend at grocery stores, a growth of 15% since 2007. Grocers offer a one-stop shop for gift card buyers, and some have extra incentives like frequent buyer points or other rewards.

By 2016 the gift card business is expected to grow by close to \$20 billion and some of the new trends include digital gift cards, which can be stored on a phone or computer and lower the risk of getting lost. Where traditional gift cards are concerned, eco-conscious retailers are starting to replace plastic with recyclable material such as paper or wood.



## SELF-GIFTING OR "SELVING"

The trend of self-gifting this year has shown some conflicting viewpoints, with the October 16 NRF press release raising their anticipated per person spend to \$804.42, up over last year's actual \$767.27, but expecting that increase to go toward more gifts for loved ones. At the other end of projections is the Survey of Affluence and Wealth, published by Time Inc. and YouGov noting that this year, consumers want to reward themselves for getting through the "tough times."

Even with some wariness on the state of the economy, 45% of shoppers who are parents with kids under the age of 18 plan to buy gifts for themselves, up from 42% last year and 36% in 2012. While jewelry, food, wine and fragrances are some of the top self-gifting items, donating to a favorite charity as a self-gift is expected to more than double this year, up to 11% (YouGov).

*What we all agree on is that optimism is driving the holiday retail experience this year.*

Could this optimism lead consumers away from self-gifting items they would otherwise be incentivized to buy discounted? Perhaps, if consumers feel that income and economy will continue on a positive trend. However, age and income still seem to be strong factors in self-gifting. Younger shoppers are more bullish when spending on themselves, with 73% of 18-23 year olds and 70% of 25-30 year olds planning to self-gift (NRF).

With surveys showing that the use of revolving credit is increasing, consumers are simultaneously focused on savings. We believe that a positive shopping environment will inspire the consumer to pick up that one personal special item.

