



# **Holiday Outlook 2010**

*What To Expect For The 2010 Holiday Shopping Season*



***Retail TouchPoints Holiday Outlook***  
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## Part One:

### **The Value-Driven Consumer**

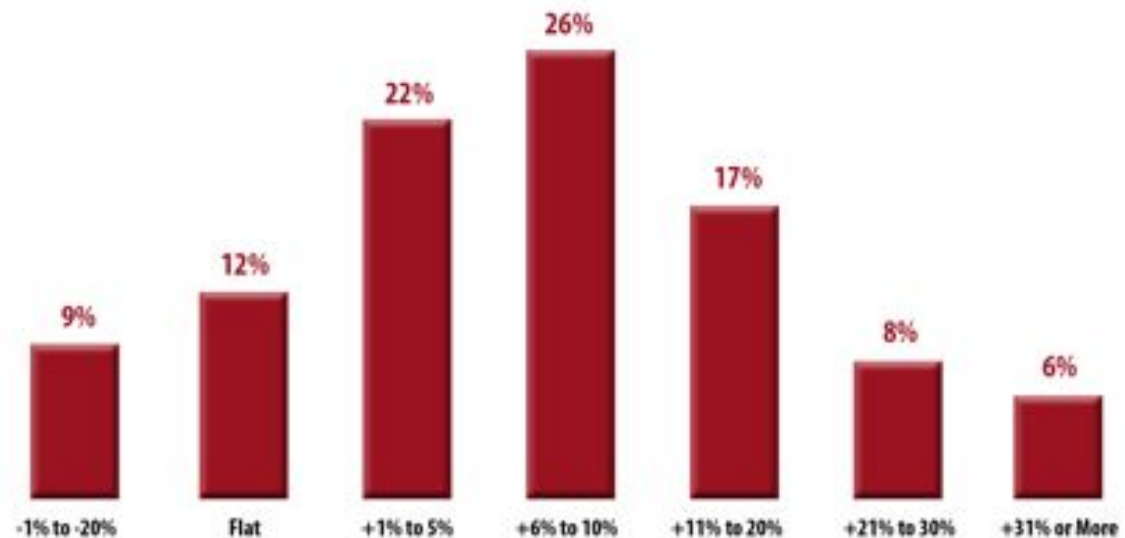
Not surprisingly, consumers are more value-conscious than ever. About one third of consumers are planning to spend less on holiday shopping than they did in 2009, according to a July survey by [BIGResearch](#) that focused on gauging the spending mindset of consumers.

“The current consumer spending mindset is preoccupied with the continuing economic and unemployment problems in the U.S. (and world),”

said Phil Rist, EVP Strategy, BIGResearch. “This is continuing the average consumers’ anxiety. They keep hearing the news and media say things are getting better, but most are not convinced it’s the truth.”

While a large portion of consumers surveyed plan to spend less, 43% of those spending less said they will “Only buy gifts on sale,” emphasizing a strong focus on discounted products.

#### **How do you believe your online sales performance will be relative to the 2009 holiday season?**





Considering the applications and tools at each shopper's hands, the time is now for price comparison, product detail search and extended cross-channel product research prior to purchase. Cross channel capabilities present the shopper with an integrated approach to shopping.

"The new value shopper (a term that was coined by WSL Strategic Retail) spans income levels and demographics," said Debra Weinswig, analyst with [Citigroup](#). "These consumers are extremely focused on price, shop for the best deals, buy items on sale and are less likely to stock up."

A recent Holiday Pulse poll of over 250 retailers by [e-Tailing Group](#) found that the retail industry is on the

fence about optimism. When asked about their sentiments for the impending period, 61% express cautious optimism and 18% are optimistic. Increases in online sales performance relative to last year are projected to be in the 1% to 10% range for nearly half (48%) of respondents, while 31% foresee sales increasing more than 10%. Just one-fifth expect sales to be flat or less than 2009, according to a press release.



## CONSUMER HOURGLASS THEORY

*Focused on the "Consumer Hourglass Theory" mantra, WSL's Weinswig said consumer spending will be concentrated at the top and bottom of the hourglass as high-income consumers recover (driven by rising equity markets and a stabilization in housing), while low-income consumers remain challenged (high unemployment and little/no savings). "This should benefit retailers that cater to high-income consumers (such as Saks and Nordstrom) as well as value-oriented retailers (such as the dollar stores)."*

*Expanding on the "new value shopper" term, coined by WSL Strategic Retail, this new value shopper spans income levels and demographics. These price-conscious consumers shop for the best deals, buy items on sale, and are less likely to stock up, Weinswig said.*

*Weinswig said mobile commerce is still in its infancy, and points to retailers like **JC Penney** and **Target** that are sending coupons to customers' mobile devices for in-store redemption. She anticipates making weekly ads available via mobile to become a more common practice. "More and more consumers are using their mobile phones as part of the shopping experience and we expect retailers to continue to develop their capabilities in this area going forward," she said. Weinswig expects retailers to increase the amount of couponing they do via mobile for the holiday season in general, to build loyalty with existing customers by offering exclusive deals.*



## Part Two:

### Traffic Trends

Consumers continue to demonstrate a focus on not only value, but on “conscious shopping.” “We have seen a rather unique trend, which really began during last year’s holiday shopping season... Consumers making less trips to malls and retail outlets, but spending more during each trip,” said Bill Martin, Co-Founder, [ShopperTrak](#). “We believe this points to a smart, value-driven consumer who is better planning each trip to minimize additional costs related to the shopping experience.” ShopperTrak’s data indicates that this year’s holiday shopping season should realize some pent-up that’s been accumulating for nearly two years.



Martin emphasizes that online shopping is a more accessible option for consumers for not only shopping, but for economically-charged mall trips. “But the bottom line, shoppers enjoy an event like the holidays, and we find that folks look forward to visiting retail locations to interact with merchandise, enjoy mall events and just soak in the ‘experience’ of holiday shopping,” he said.

To enhance customer experience and the effectiveness of store operations, retailers must have the ability to accurately count customer traffic across a chain of stores. By doing so, Martin said, they can determine store conversion rate, or the number of shoppers versus the number of sales, effectively letting managers know:

- How stores are performing versus others in a chain;
- The most efficient way to staff a store during peak hours throughout the season;
- Which sales/promotions are most effective during the season by customer count;
- When to have the most inventory on hand based on shopper visits.

## Part Three:

### Shopper-Driven Technologies

The holiday season presents an opportunity for retailers to enhance marketing messaging with innovative tools to integrate shopping channels for a seamless experience. Analysts agree that this is the competitive differentiator and the retailers that present the most value and creativity will shine.



“We find inspiration from brands that are making it easier to spend,” said Laura Davis Taylor, VP Global Retail Strategies, [Creative Realities, LLC](#). “Shoppers today are looking for retailers to get into their shoes and add some value... in every way.” Davis-Taylor points to creative “spending stimulus” strategies like **Target** offering cardholders 5% off every purchase, or **Toys “R” Us’** approach to saving, which is designed to help shoppers save for holiday gift giving. “It’s a neat twist on the layaway concept,” Davis-Taylor said. “To make it more tantalizing, they will add 3% to the

account’s balance in mid-October.” In the supply space, **Office Depot** is giving away products and offering demographically targeted gifts for spends over \$75 and \$100.

“This kind of approach is smart, but it is very important that the channels, methods and tools that are used to make people aware of them and motivate response are planned carefully,” Davis-Taylor said. “Much of the ultimate efficacy numbers will be reliant on how easy they are to become aware of, use, and keep using.”

Innovative applications like [Shopkick](#) have emerged with a retail-centric approach that ups the ante on “checking in” by synergizing location-based awareness with in-store offers and special rewards. Contrary to

**CHRISTMAS SAVERS CLUB**  
The smart way to **SAVE** for the Holidays!

**EARN A BONUS 3%**

Enjoy the Benefits of **SAVING Early!**

Our Christmas Savers Club helps you save for the best Christmas EVER! You decide how much you'd like to spend for the holidays, and with convenient at-the-register deposits, you'll have the ability to save up in the nick of time. Best of all, a balance bonus of 3% will be applied to your card, optimizing your shopping power!

**How it Works**

**SAVE**

- Add value to your card at any register now through October 16, 2010. Each deposit will be added to your Club card.
- For your convenience, you can record all of your transactions right in the Savings Tracker.

**3% BONUS**

- On October 16, your bonus 3% will be added to your card automatically!\*

**SHOP!**

- Start filling their list! (Beginning October 31, you can use your Christmas Savers Club card at Toys"R"Us to shop for family and friends.
- At time of purchase, present your card at the register... and enjoy your holiday savings!



typical location-based apps, ShopKick doesn't tap GPS, but rather utilizes custom hardware created and installed in partner stores, now including **Best Buy, American Eagle Outfitters, Macy's** and **The Sports Authority**. Customers that enter a Best Buy location with the Shopkick app open are immediately recognized via the mobile device. The customer is alerted with a message and points for deals within the location. The app can be used to scan items and earn more points and/or deals.

Best Buy has integrated Shopkick directly into its point of sale system to streamline the redemption of special in-store offers and/or added bonuses for scanning barcodes of specific products, all of which will be sent to the user's phone. Customers walk up to the cashier, provide the mobile phone number connected to their ShopKick account and any applicable personalized discounts immediately appear on their receipt.



***Davis-Taylor points to several other innovative applications designed to empower the shopper:***

- ***StripeyLines, ShopSavvy and Amazon*** are all helping people find, compare and purchase directly from a mobile device.
- ***Subports*** just emerged as a new shopping platform that let's people use SMS text to buy.
- ***Just BoughtIt*** is a social platform that allows members to share photos and comments of their purchases to friends on **Facebook** and **Twitter**. Its next iteration will be an augmented reality app that lets someone walk into a store and "see" what other people have bought and/or commented on.
- ***Flook***, another iPhone app, lets people find things to do/see/eat/or look at in real time and share with others. It has great use in a retail setting.

While these and other technologies have demonstrated great potential, one analyst points to two technologies designed to boost the customer experience, particularly during the holiday shopping season.

Nikki Baird, Managing Partner at [RSR Research](#), points to:

- **“Mobile queue management** — A virtual ‘take a number’ that alerts customers when they are close to being next in line so they can shop instead of waiting (also good for returns and gift wrap);
- **Text or badge alerts (SMS vs. in-app)** — Notifications when a product on a wish list is running low or just got a new shipment in, or

when a friend has added or removed an item from their wish list.”

Though there’s been a valid concern about consumers tapping the growing power of price comparison while in store, Baird said retailers cannot block cell signals and expect customers to tolerate it. “I know there has been a lot of angst over price comparison at the shelf via mobile, but there is much more to be gained by boosting cell signals than there is from blocking them,” she said. “Retailers aren’t ready to take advantage of interactions between mobile and in store kiosks or POS — yet. But expect to see some experimentation with that as retailers start taking more advantage of mobile.”





## *Part Four:*

### ***The Multi-Channel Must***

Online shopping will once again be the bright spot of holiday spending. E-commerce sites are becoming an increasingly significant element of the shopping experience, not only for actual conversion, but because it's where consumers start their product research and comparison. **Home Depot** said that 40% of visitors to its web site say that their next step is a trip to the store, up from only 17% a few years ago, according to WSL's Weinswig.

"The traditional brick and mortar retailers in our coverage universe are focused on multichannel

integration," Weinswig noted. "These benefits can be significant, as customers who shop both in store and online spend twice as much, on average, as customers who only shop in store."

So what are retailers doing to wow customers at every possible touch point? According to Weinswig, **JC Penney, Kohl's** and **Home Depot**, among others, are putting electronic kiosks in stores giving customers the option to order online if they can't find a product in the store. **Walmart** offers site-to-store shipping, which now represents over 40% of total orders, up from 33% in the first quarter that the program was launched.

"Online channels will continue to gain share as more shoppers strategically plan their gift purchases and build wish lists for themselves, and ultimately finalize buys in the most convenient and informed manner possible," said Leslie Hand, Research Director, [IDC Retail Insights](#). "Shopping online, whether for oneself or others, legitimizes purchases and yields higher spending through product reviews, fan pages and price comparisons. Spending will be greater this year than last, but savvy shoppers will continue to make it challenging for retailers to beat last years comp store sales and margin numbers."



## 4 Tips to Optimize Paid Search

In an effort to offer eTailers better visibility into search marketing and online purchase trends from the 2009 holiday season, and highlight the relevant best practices to help prepare for the upcoming holiday season, [Marin Software](#) built an analysis on data that suggests its clients, in aggregate, spend more than \$1 Billion dollars annually on paid search.

In a [white paper](#), the company offers 10 tips to optimize this holiday season, including:

### 1. Adjust Daily Budgets and Max Bids:

Given higher search volumes and more clicks, paid search costs will steadily increase and generally peak in the second week of December. Marin Software encourages retailers to revisit 2009 spend levels to determine a starting point for 2010 Daily Budget and Max Bids.

**2. Pay Attention to Negative Keywords:** With search volumes rising during the holiday season, it's important to filter out unwanted impressions and maximize CTR. Make a list of negative keywords for each SKU in your product catalog, and periodically check raw search queries to identify new negative keywords.

**3. Plan for Free Shipping Day:** Created to extend the online holiday shopping season and give consumers a final chance for free delivery by Christmas, the **3rd Annual Free Shipping Day** is scheduled for December 17. This year, consumers will have free-shipping opportunities from over 1,000 merchants, so be ready to take advantage of it. Selective bid boosting and highlighting free delivery on creative will be essential to getting mindshare and conversions on December 17.

**4. Leverage Social Media:** A majority of social consumers will be looking for special offers and discounts, followed by a significant percentage seeking gift ideas for friends and family. Social channels are a great way to reach value-shoppers. By using techniques like **Facebook fan-only** specials or **Twitter-coupons**, you'll ensure that your social initiatives stay focused on measurable, revenue generating activities.





The e-Tailing Group Holiday Pulse report found that social strategies will play an important role in this year's holiday season, as 91% of polled merchants have more aggressive and extensive tactics being deployed by 68%. Only 9% have no social strategies planned for this year at all.

### **Mobile Commerce: Drive Impulse Purchases This Holiday**

By Gary Schwartz, CEO & President, [Impact Mobile](#)

This year will be focused on the **5 x 5 shopping universe** (Five feet of aisle by five seconds of shopper attention). Retailers need to work to develop a

consistent, clean message across all the media touch points. The messaging, icons and imagery needs to remain consistent and be reinforced down to that five-foot quadrant of decision making in the store. This cross channel challenge will be largely solved by effectively leveraging MOBILE.

### **Apps vs. mBrowser:**

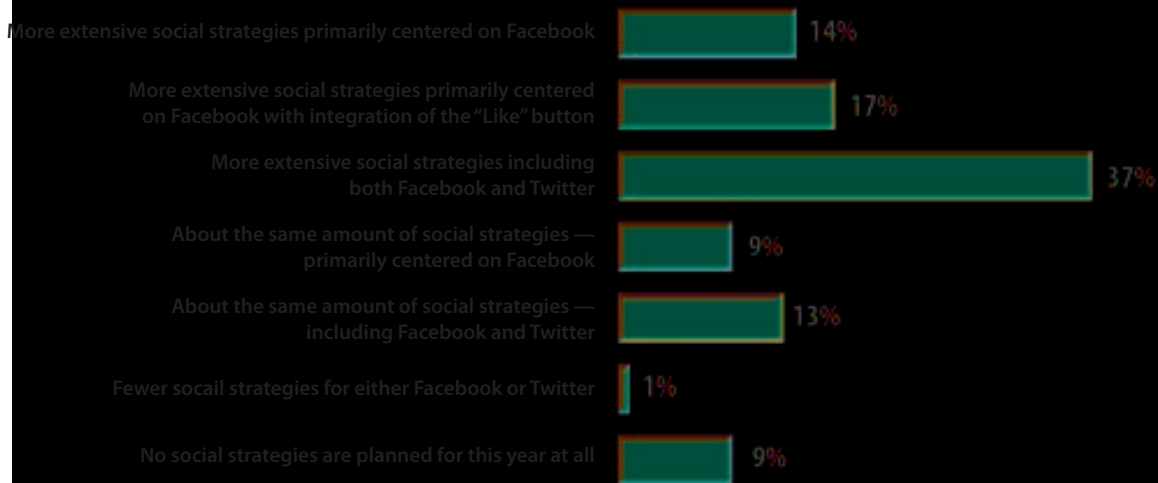
Mobile shopping success is going to depend on more than just apps. The new Apple iOS 4 continues to focus on app domination. No surprise Apple's focus is still on 200,000-plus apps, which are, in great part, Apple's marketing communications strategy.

Other players in-market are focusing on the super-app, the *mobile browser*, which, with HTML5 allows for rich app-like functionality. Steve Jobs talks about apps and the HTML5 browser as two separate platforms – Apple continues to focus all of its energy on apps and in-app iAds.

Commerce enhancements such as iOS 4's peer-to-peer app gifting is a self-serving feature. Ultimately, Apple will have to let go of this smorgasbord approach to the phone-top and focus on centralized browser functionality for m-commerce.

The shopper needs a one-stop impulse click. The shopper needs integrated SMS activation and retention hooks. Focusing on the browser with integrating location APIs and rich media caching will enable the browser to behave more like a downloaded app and drive more commerce adoption long-term.

### **How would describe your company's use of social strategies this holiday season as compared to 2009?**







### ***Put an M in front!***

Take all the existing communications hubs in the store and see what can be done to facilitate heightened functionality and interactivity via the shopper's phone.

m-Rebate

m-FSI (Free Standing Inserts)

m-Coupon

m-Receipt

m-Endcap (End-of-Aisle display and shelf talkers)

m-Product Fact Tag

m-Kiosk

m-Giftcard

m-Product Tags

m-Spiffs

**M-Point-of-sale (PoS)** is a natural place to innovate. Mobile is enhancing existing services. PoS vendors like DigiPoS, SAP, Oracle and Epicor are redesigning their point-of-sale software as a point-of-engagement for sales and mobile CRM.

There are a number of effective impulse commerce vehicles to drive more effective conversion. The key to a successful strategy is to look at mobile commerce in the context of "social commerce." It is not a

thoughtful process (as it is on the web), but it is very similar to the way we communicate on the phone: in impulse SMS responses. This is why eBay is so effective in mobile because it allows the shopper to bid on a product as if they are texting back and forth with a friend.

For retailers to effectively tap into the shopper's impulse behavior in aisle this holiday, they need to see the phone as a MOBILE MOUSE that can click and activate non-interactive hubs in the store. All engagements need to drive to a mobile opt-in and onward going efforts need to focus on mCRM (or simple list management) and to move the shopper back into the store. Note that SMS is the only channel that exposes the shopper's phone number and allows for an instant two-way dialogue.

Discuss with your POS integrator how to make your check out integrative using mobile as the interactive channel for the existing loyalty card or simple SMS engagement post transaction.

Remember: To develop an ongoing effective and cost-effective strategy you need to **connect the basket to the phone number**. Once you have the number then a world of possibilities open up from loSo (Location Social Networking) to in-channel commerce.

*For more information on m-Commerce and mCRM see the new [www.m-e-f.org](http://www.m-e-f.org) Mobile Commerce Guide or contact [suhail@m-e-f.org](mailto:suhail@m-e-f.org).*



## Part Five:

### **Inventory Goes Lean for Holiday 2010**

Following the surge of cutbacks, retailers are running lean, but are still required to balance operational plans with consumers demand. “Many retailers have taken steps to manage inventory and pricing more dynamically by implementing or fine tuning applications that enable better visibility to customer demand and competitive challenges,” according to ISD’s Leslie Hand. “That said, many retailers will be entering this holiday season with solid inventory, pricing and promotional plans and the capability to keep inventory low.”

“Inventories remain at historically low levels not only with retailers but also back in the distribution and manufacturing centers,” said Lorcan Sheehan, SVP of Marketing at [ModusLink](#). “OEMs planning their holiday strategies are doing so based on economic forecasts – which remain conservative – and the planning signals that they receive based on sales interaction with retailers.”

Sheehan said although this is similar to the experience in 2009, there are several key differentiators in 2010:

- There are already signs of shortages for certain components evident in the consumer electronics verticals as demand increases;

- Manufacturing and logistics capacities are more constrained than in 2009 due to aggressive removal of excess capacity in response to weaker demands;
- The combination of low inventory, component constraints and capacity constraints increases the risk of product shortfall if we see a further pick-up in consumer demand;
- Mitigating this risk are improvements in the efforts of both manufacturers and retailers to share plans and to collaborate with key business partners;
- Engaging in this process ahead of time helps to plan capacity and component requirements and also helps to gain a better understanding of response time to un-forecast demands;
- While point demand estimates are useful, the use of a sensitivity range can also be helpful to frame the low end and higher end of demand expectations.
- Planning ahead on how to respond to spikes in demand will also help to prepare both the retailer and OEM organizations for a more effective communications flow.





## retail TouchPoints

### *About Retail TouchPoints*

**Retail TouchPoints** is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. Tapping into the power of the Web 2.0 environment, the Retail TouchPoints network is made up of a **weekly e-newsletter**, category-specific **blogs**, twice-monthly **Special Reports, Web seminars**, benchmark research, **virtual events**, and a content-rich Web site at [www.retailtouchpoints.com](http://www.retailtouchpoints.com).

