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Deloitte's 2011 Annual Holiday Survey
What will fetch consumer spending this season?

October 2011

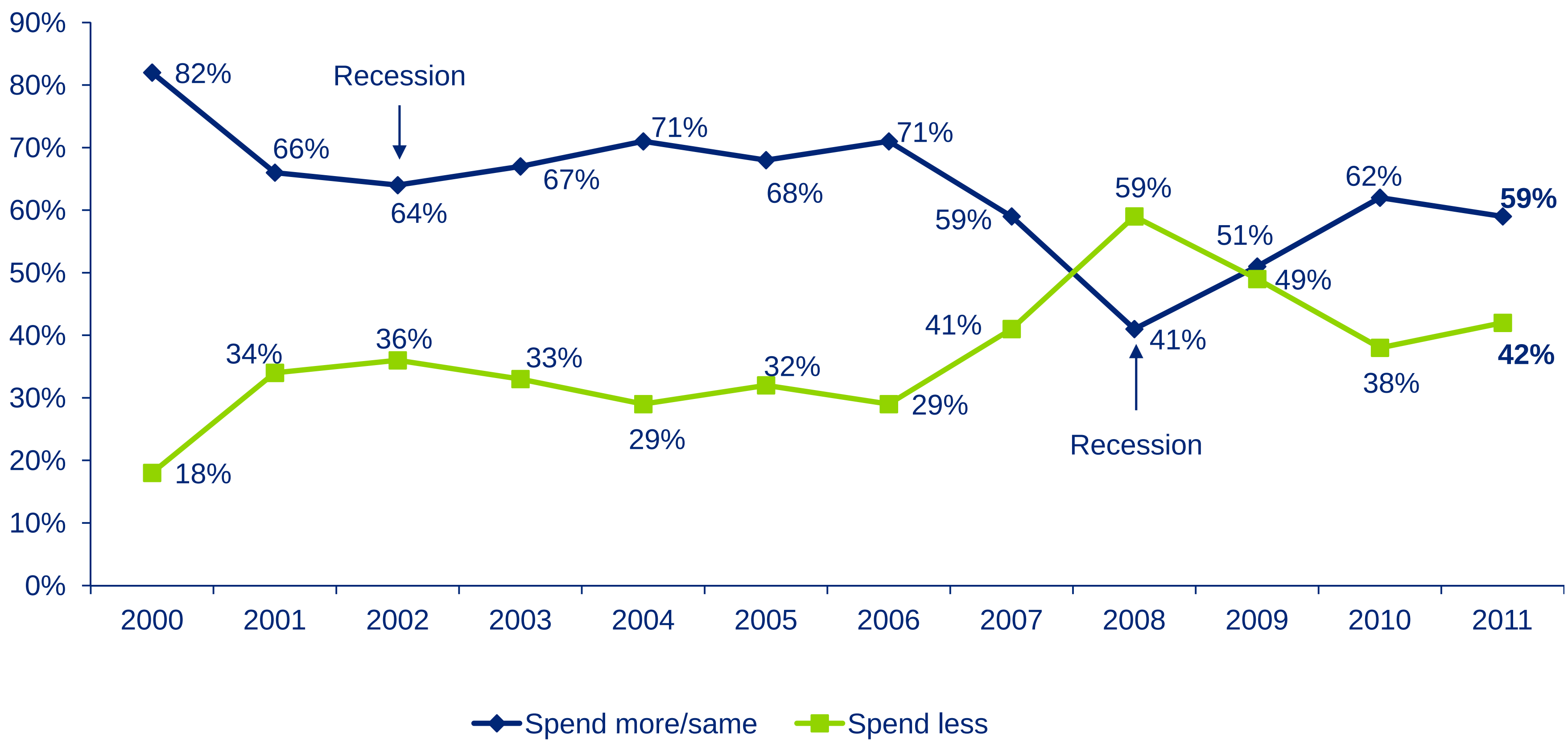
2011 Holiday Survey themes

- After an uptick in confidence in 2010, consumers have a more concerned outlook in 2011 about the economy and their personal financial situation
- Planned holiday spending is therefore on the decrease, including gift giving — both the absolute amount and the number of recipients
- Although gifts will be limited, giving will be more **personal** this year (fewer gift cards and cash)
- Online is still an important channel for purchasing, and social media is now becoming a prime source for **researching** and looking for discounts
- Smart phones will play a role this year in holiday shopping; in fact, of those who own smart phones, over one quarter will use them to locate stores, compare prices, obtain product information/availability, etc.
- Loyalty to retailers is trending down while shopping behaviors change — the search for lower prices and free shipping, and using online reviews before buying, are more prevalent

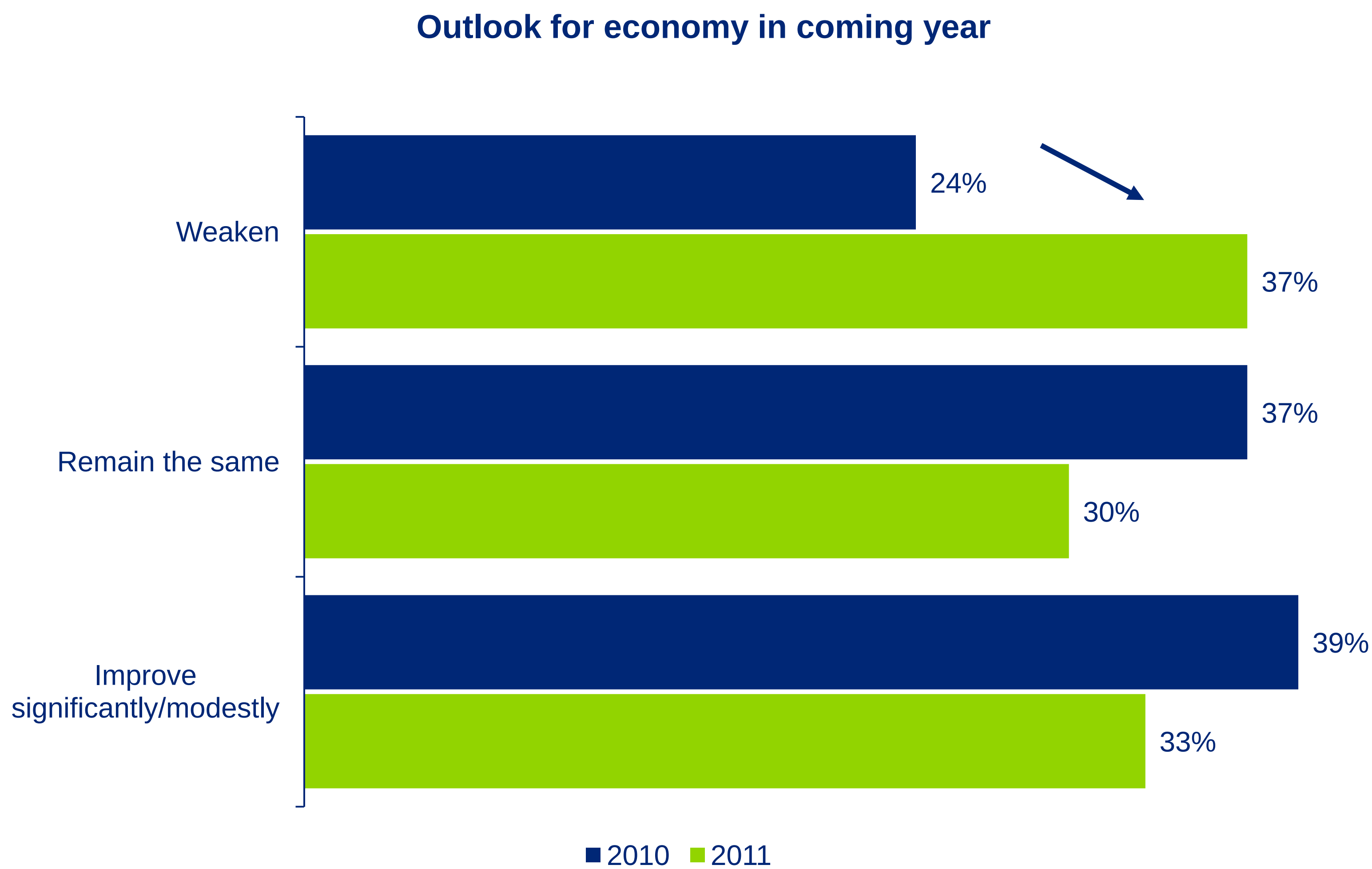
General recessionary concerns and attitudes

Inclination to spend “more or the same” is slightly down from 2010

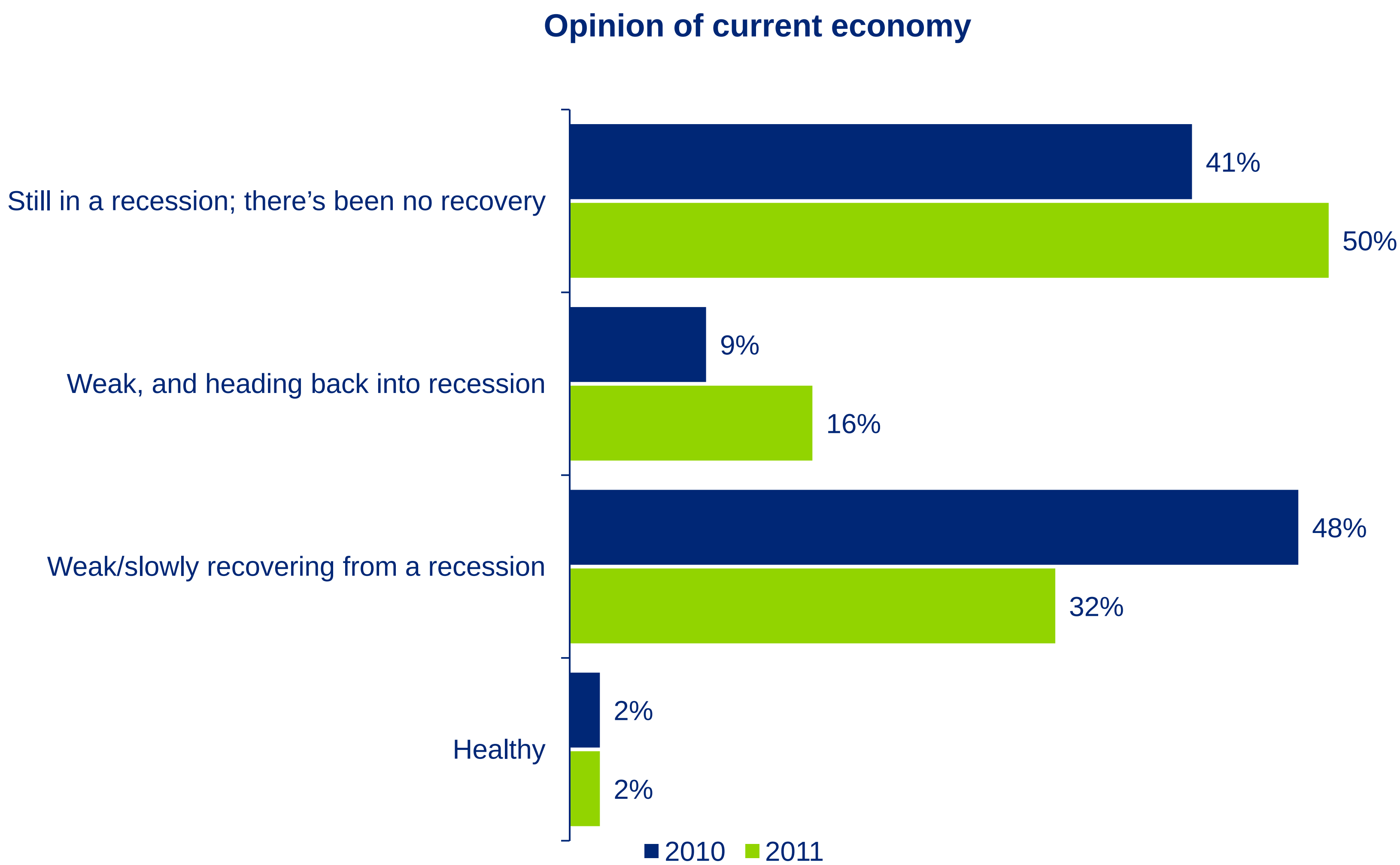
Consumers’ expected holiday spending change from prior year



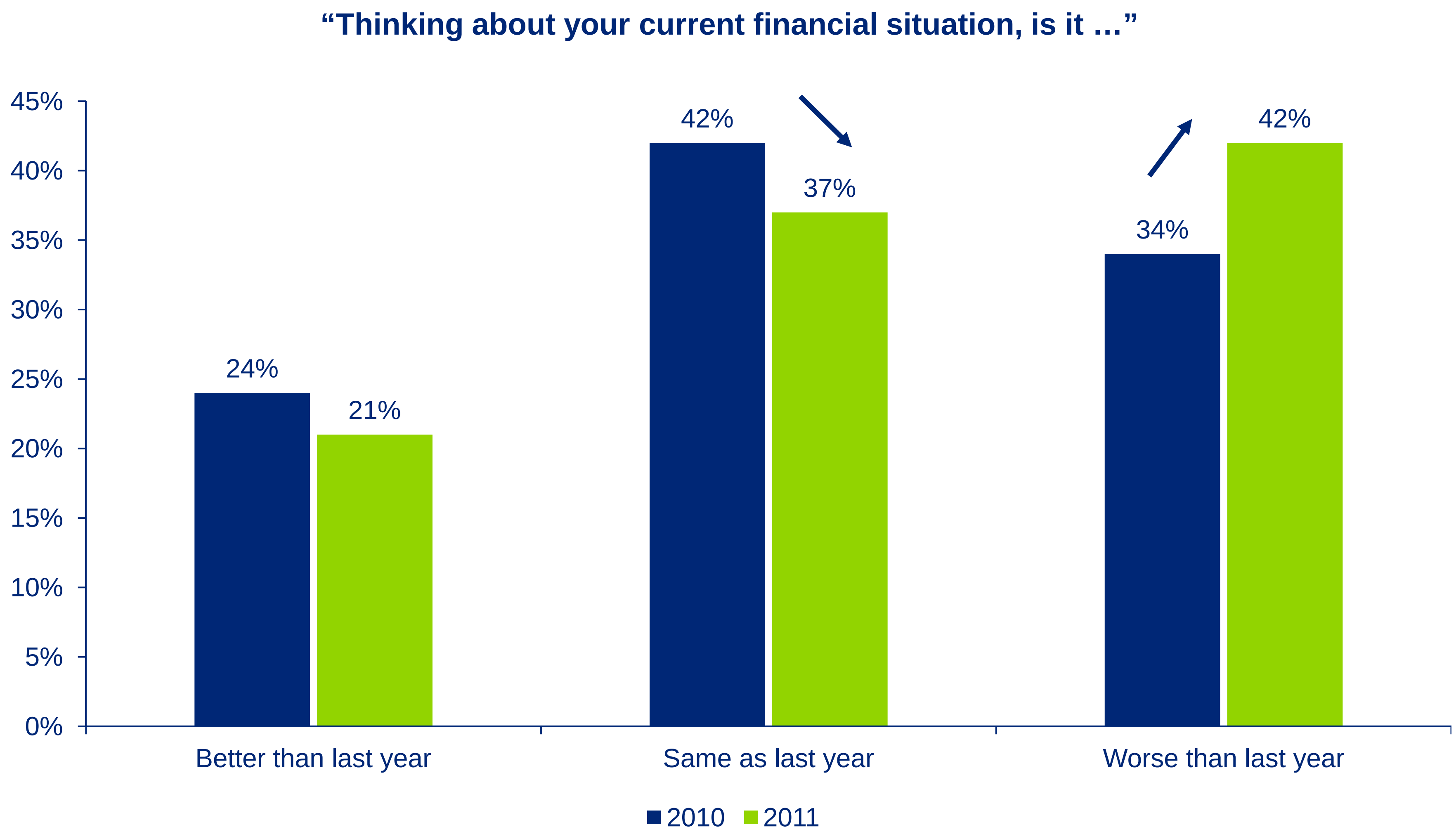
More consumers think the economy will weaken next year…



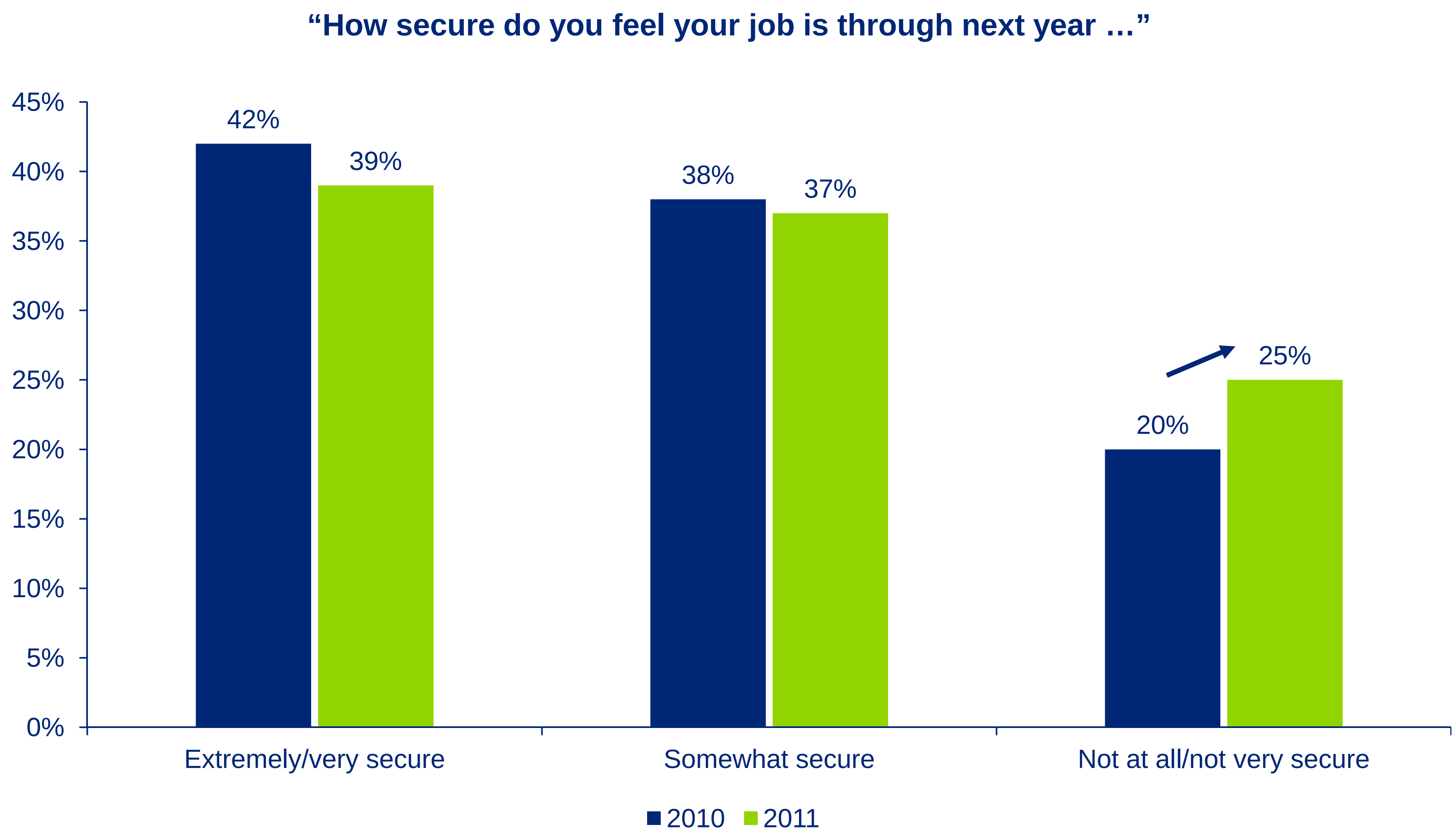
. . . and more now believe we are into, or heading back to, a recession



Consumers' personal financial situation is worsening...



… and concerns regarding job security are also up



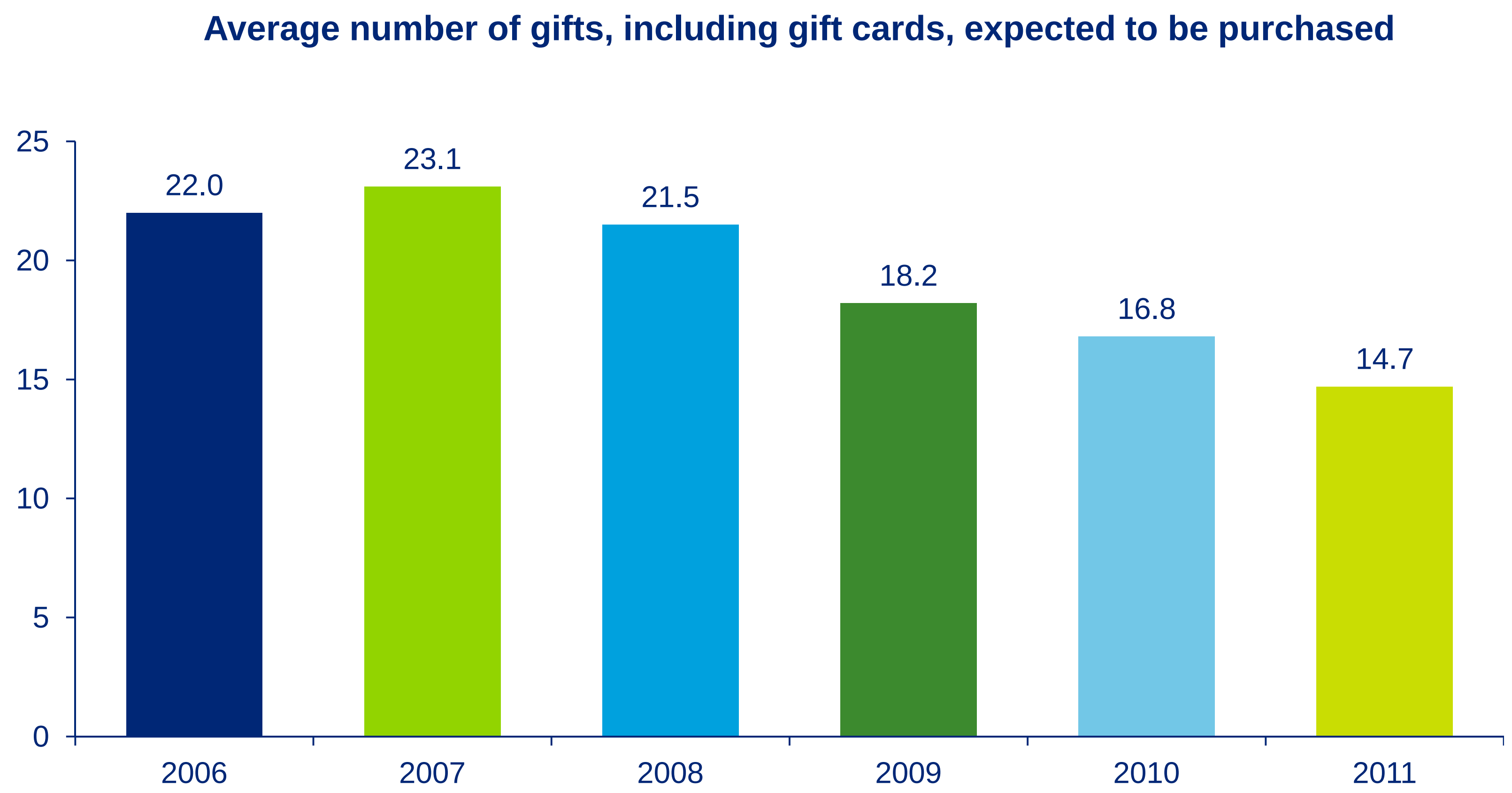
The impact on holiday shopping

Spending on the biggest holiday expense, gifts, will be down and total spending is down

Consumers' expectations for holiday spending on:

	2010	2011	% change
Gifts	$466	$395	-15.2%
Socializing away from home	$244	$250	2.5%
Entertaining at home	$194	$153	-21.1%
Non-gift clothing for family or yourself	$146	$135	-7.5%
Home/holiday furnishings	$110	$88	-20.0%
Any other holiday-related spending not listed above	N/A	$81	N/A
Total	**$1,160**	**$1,102**	**-5.0%**

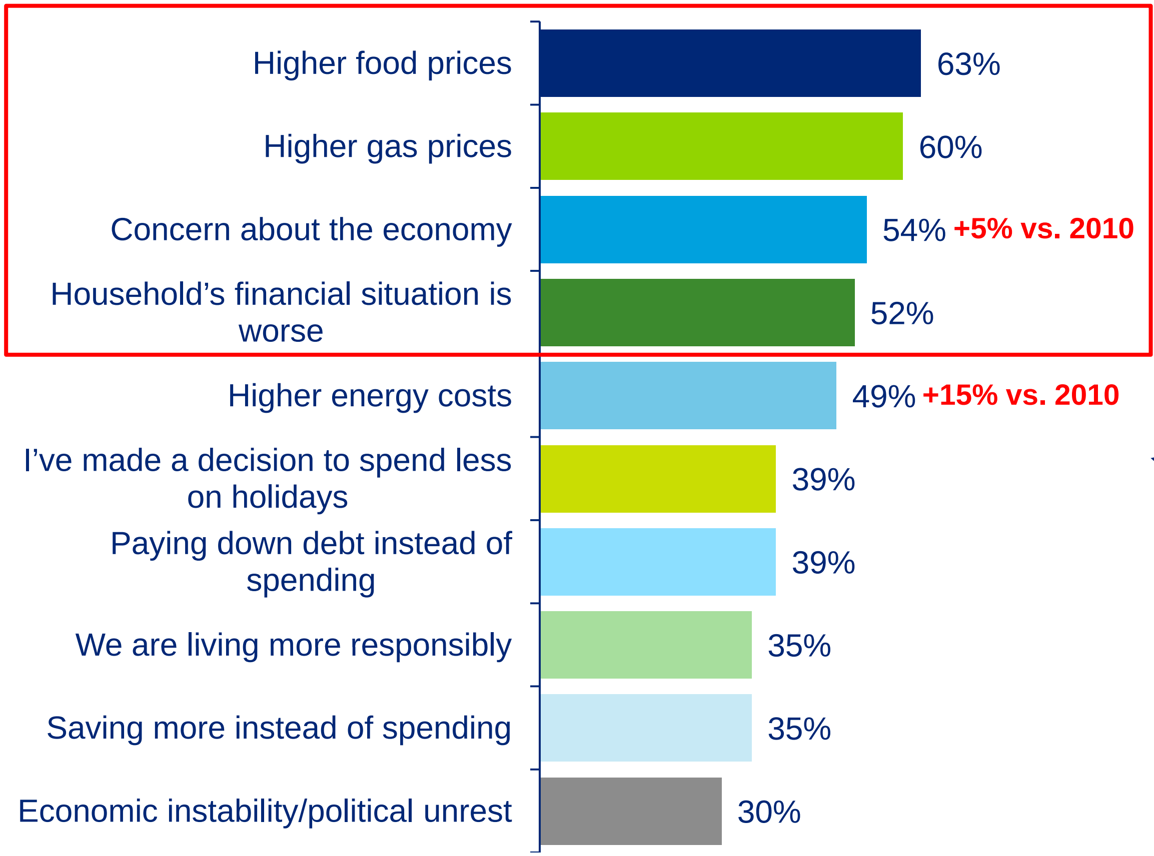
The expected number of gifts decreases for the fourth straight year



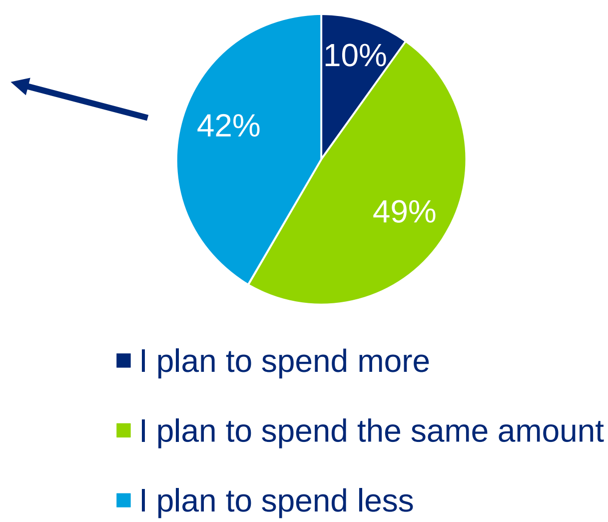
44% of all consumers surveyed say they have a <u>specific budget</u> in mind for the holiday season

General economic concerns and higher prices (gas, food, energy) are driving a desire to spend less this year

What are the reasons you plan to spend less?



How will your total holiday spending compare with last year's holiday season?



Responses under 30% not shown

Most (68%) are changing how they shop to save money, driven by a search for a sale

68% of survey respondents will change the way they shop to save money …

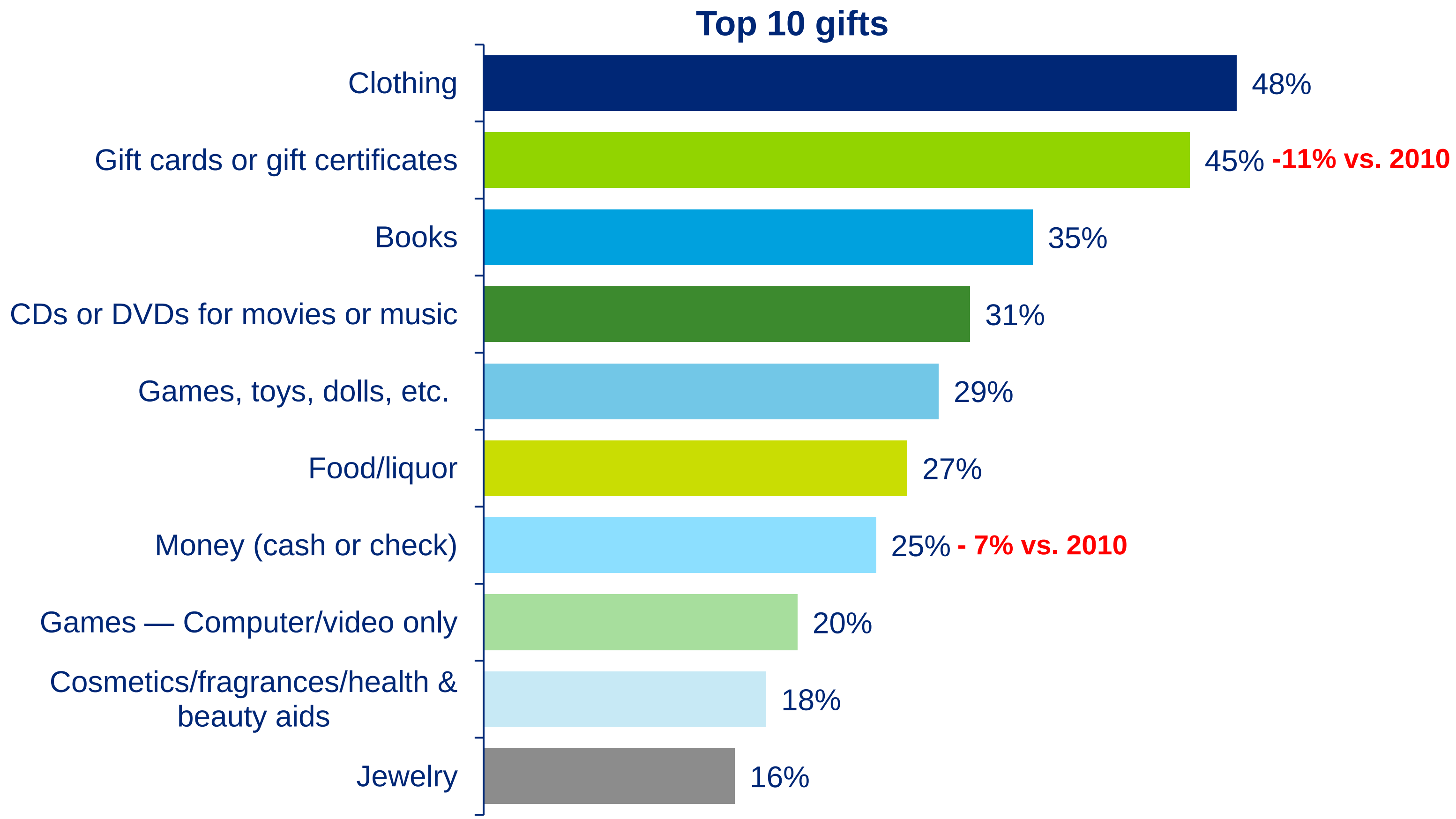
In what ways will they change?

Responses under 30% not shown

What shoppers are planning to buy (and when)

Clothing remains a top gift idea, while gift cards and cash have seen a decrease in popularity

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



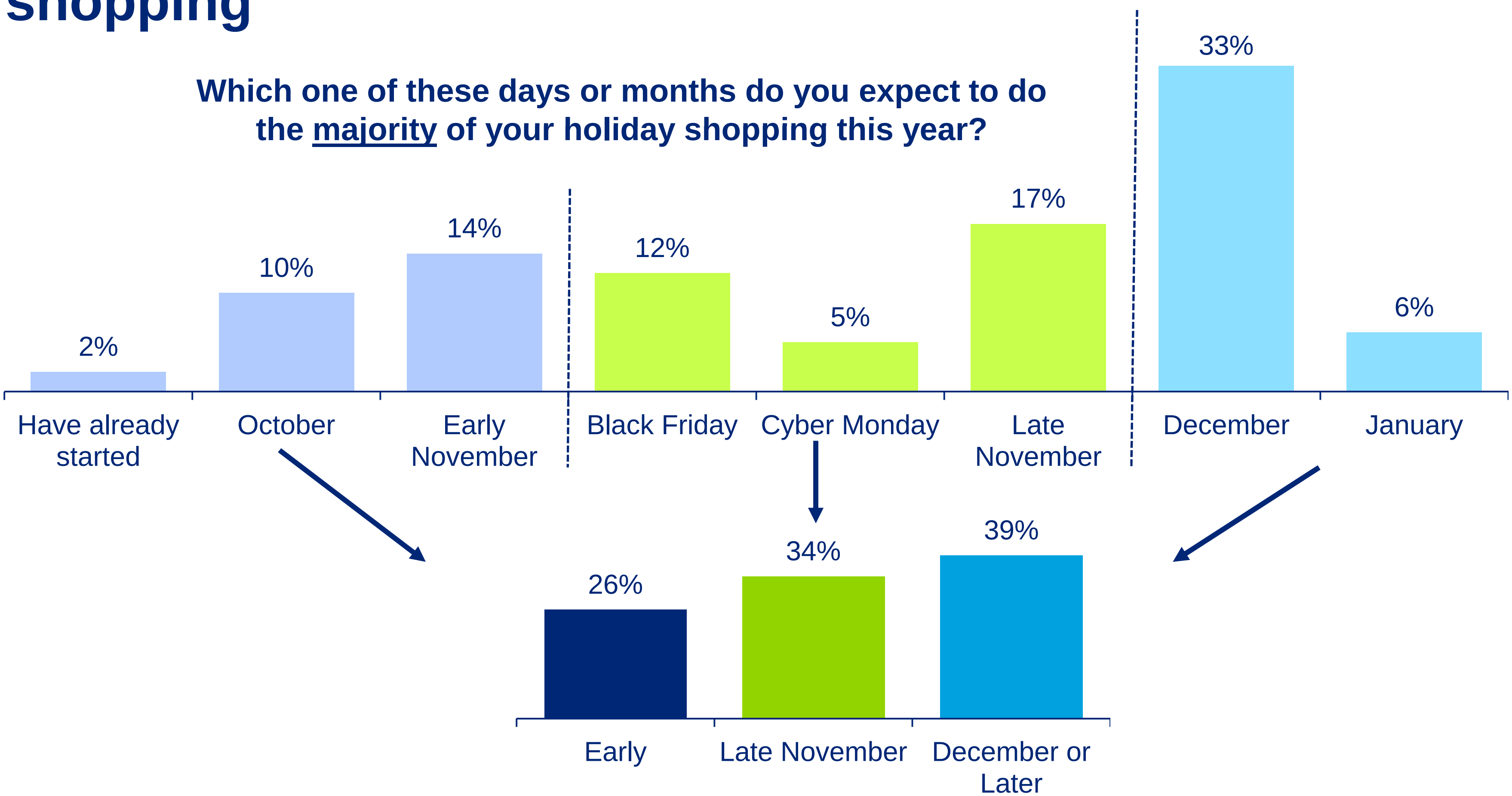
"Technology" gift = 38%. Would rank third*

*Technology comprises of home/personal/car electronics, computers, game consoles and video games

While consumers are buying fewer gift cards, they will place a slightly higher amount on them

Average number of gift cards expected to be purchased, and average $ spend per card

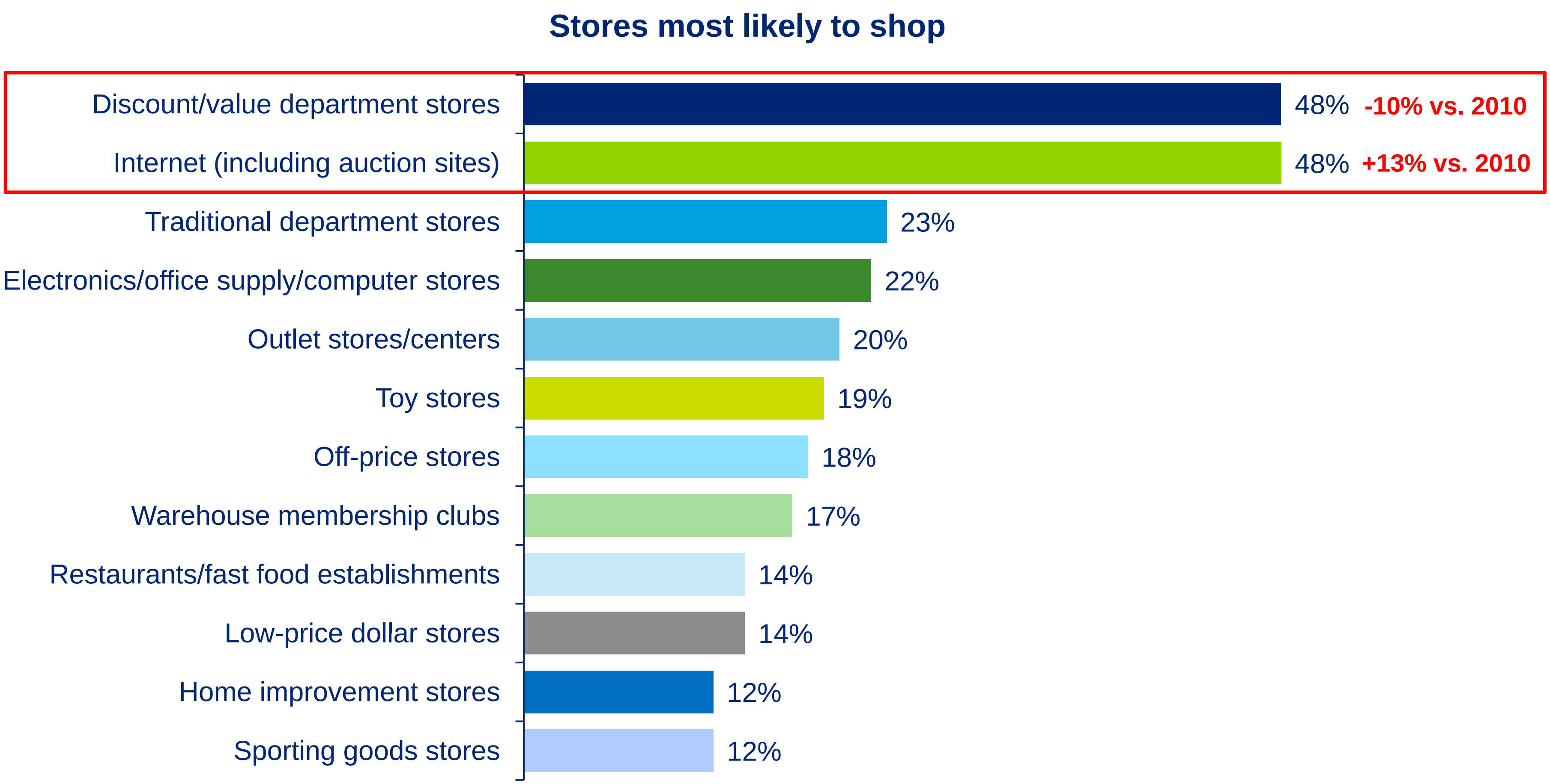
While many shop before Thanksgiving, later November and December should still account for the majority of shopping



29% believe they get the best deals if they shop early in the holiday season.
28% believe they get the best deals if they shop late in the holiday season.

Where are shoppers planning to buy and how will they research?

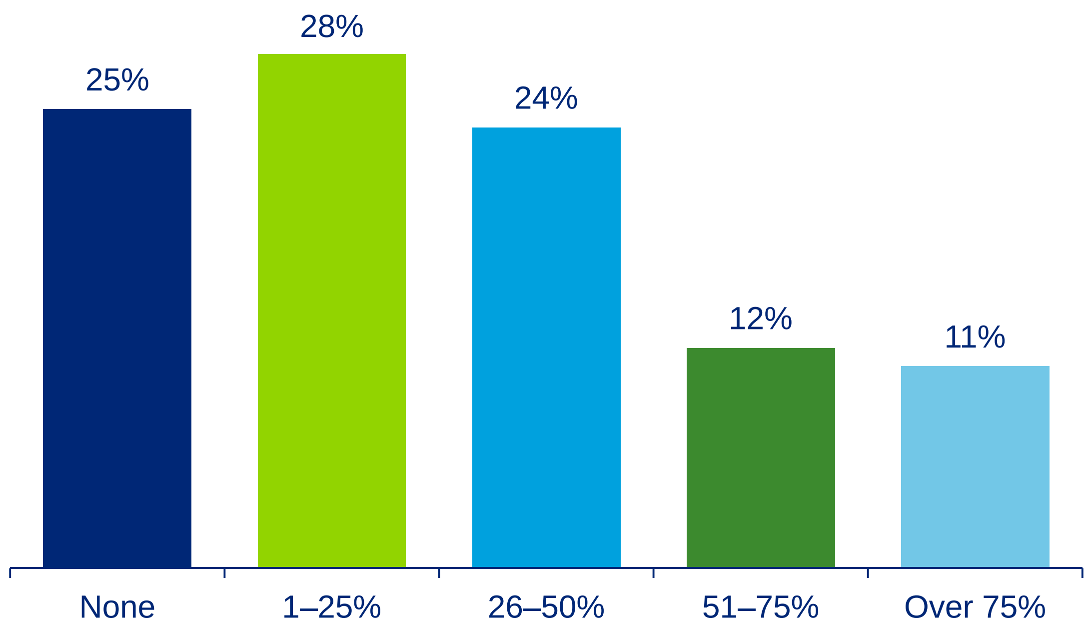
Discount stores will attract the most shoppers; far more are planning to shop online as well



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

Consumers expect a third of their holiday spending to be online this year

What percentage of your total holiday spending do you expect to purchase online?



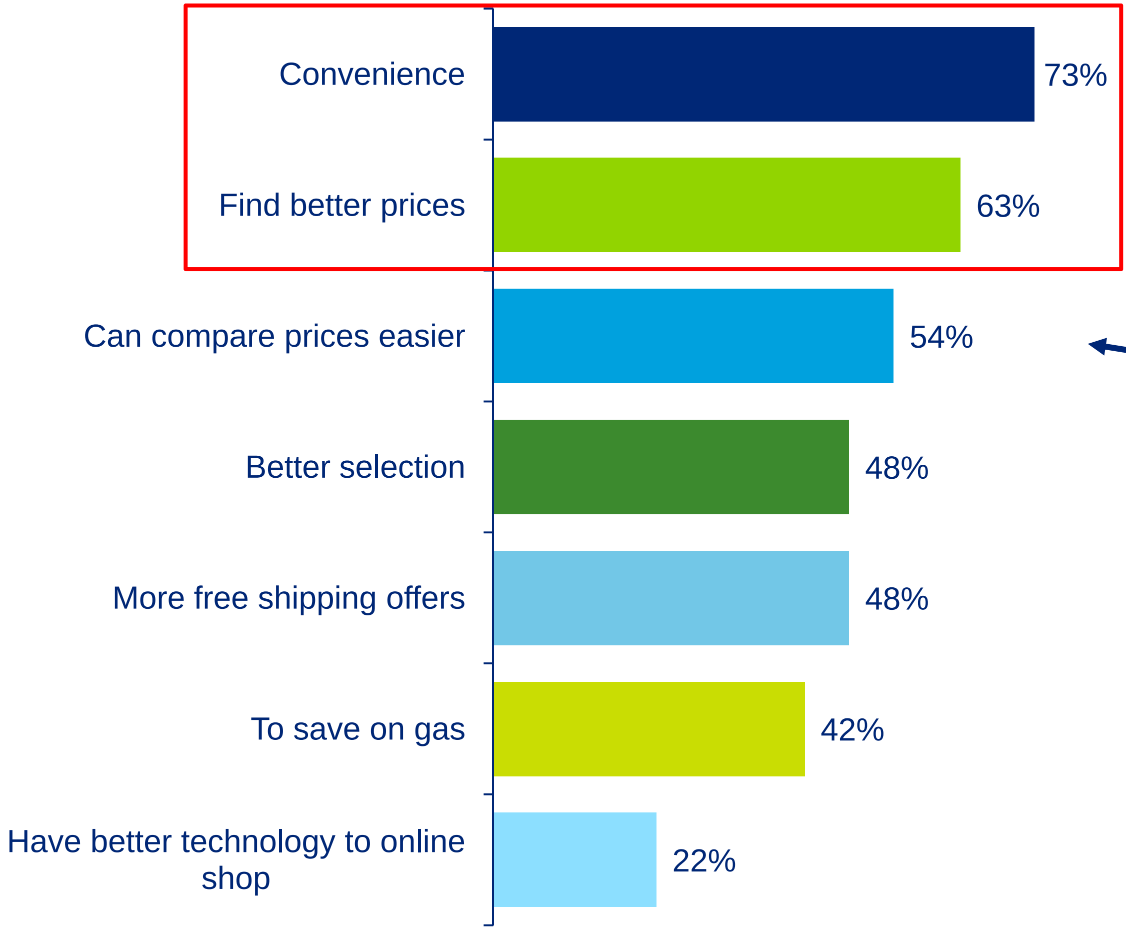
- An average of 33% of shopping is expected to be completed online
- 69% of survey respondents are more likely to shop from online retailers who offer free shipping

Internet spending no longer skews toward youngest consumers

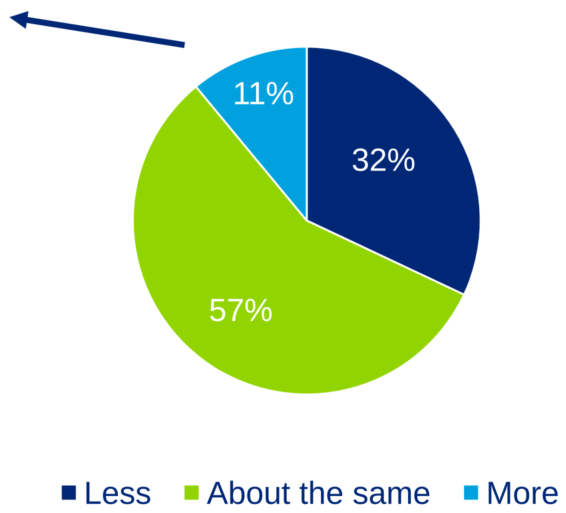
		Age					Income	
% of total holiday spending which will be online	Total	18–24	25–34	35–44	45–54	55+	<$100K	$100K+
Base	5019	574	911	1051	1227	1256	4098	921
None	25%	22%	19%	22%	25%	33%	28%	13%
1%–25%	28%	32%	26%	27%	27%	29%	28%	30%
26%–50%	24%	25%	26%	25%	25%	21%	23%	30%
51%–75%	12%	9%	16%	14%	12%	9%	11%	14%
More than 75%	11%	11%	14%	12%	11%	8%	10%	13%
Mean	**32.9%**	**32.3%**	**38.9%**	**35.7%**	**33.3%**	**27.1%**	**31.3%**	**39.6%**

Convenience and the quest for better prices are driving online shopping increases...

11% of consumers surveyed will spend more online: Why?



How much are you expecting to spend online this holiday season compared to last year?



… and while low prices drive all shopping, "free shipping" is important for online

When shopping in stores or online how important are…

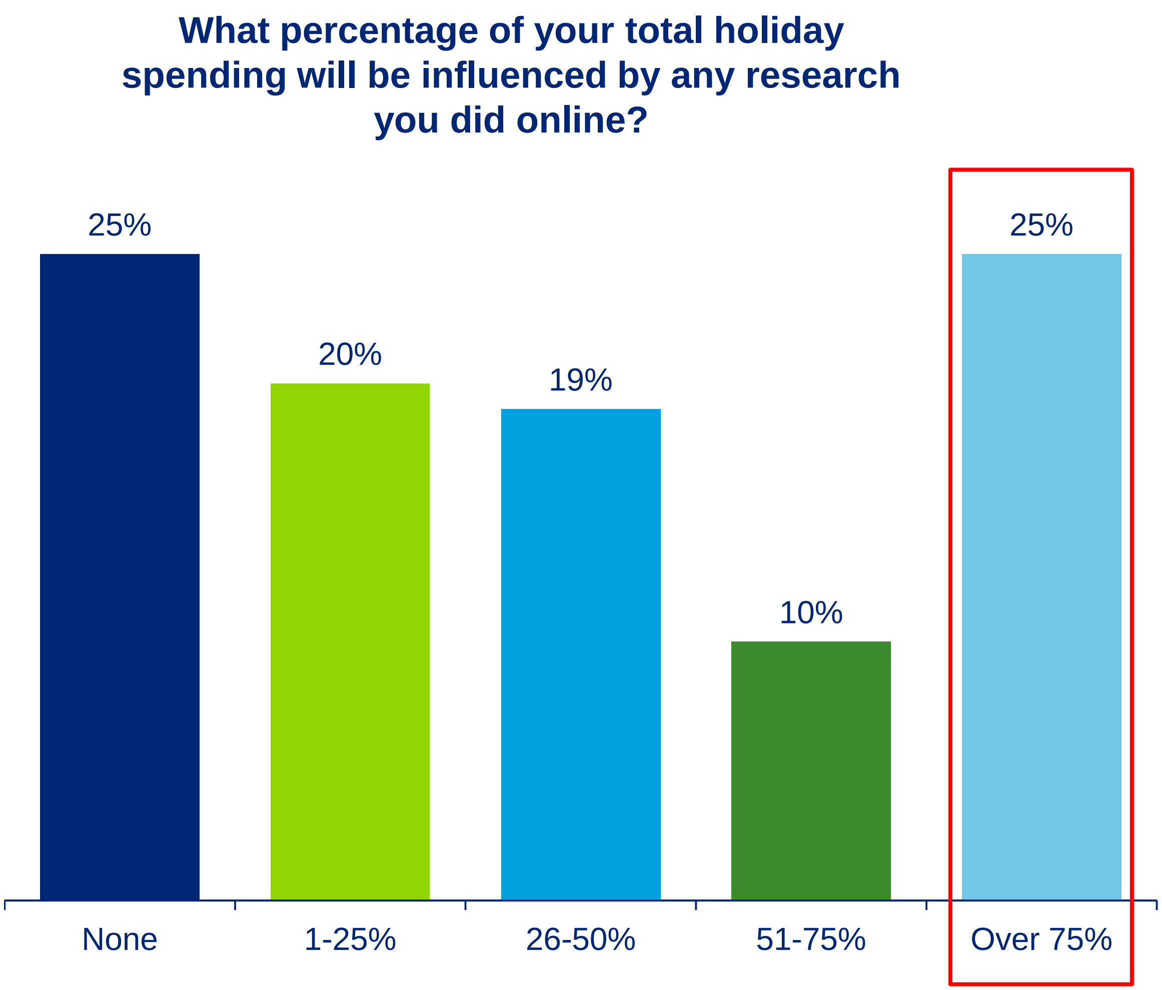
In stores

	Ranked most important
Low prices	54%
Wide merchandise selection	14%
Ease of shopping	13%
Free shipping	6%
Store associates/ customer service	6%
Speed of shopping/checkout	4%
Return policy	3%
Loyalty program	2%

Online

	Ranked most important
Low prices	48%
Free shipping	20%
Wide merchandise selection	11%
Ease of shopping	10%
Return policy	4%
Online assistance/ customer service	3%
Speed of shopping/checkout	2%
Loyalty program	2%

The Internet will also be a major research tool this holiday season

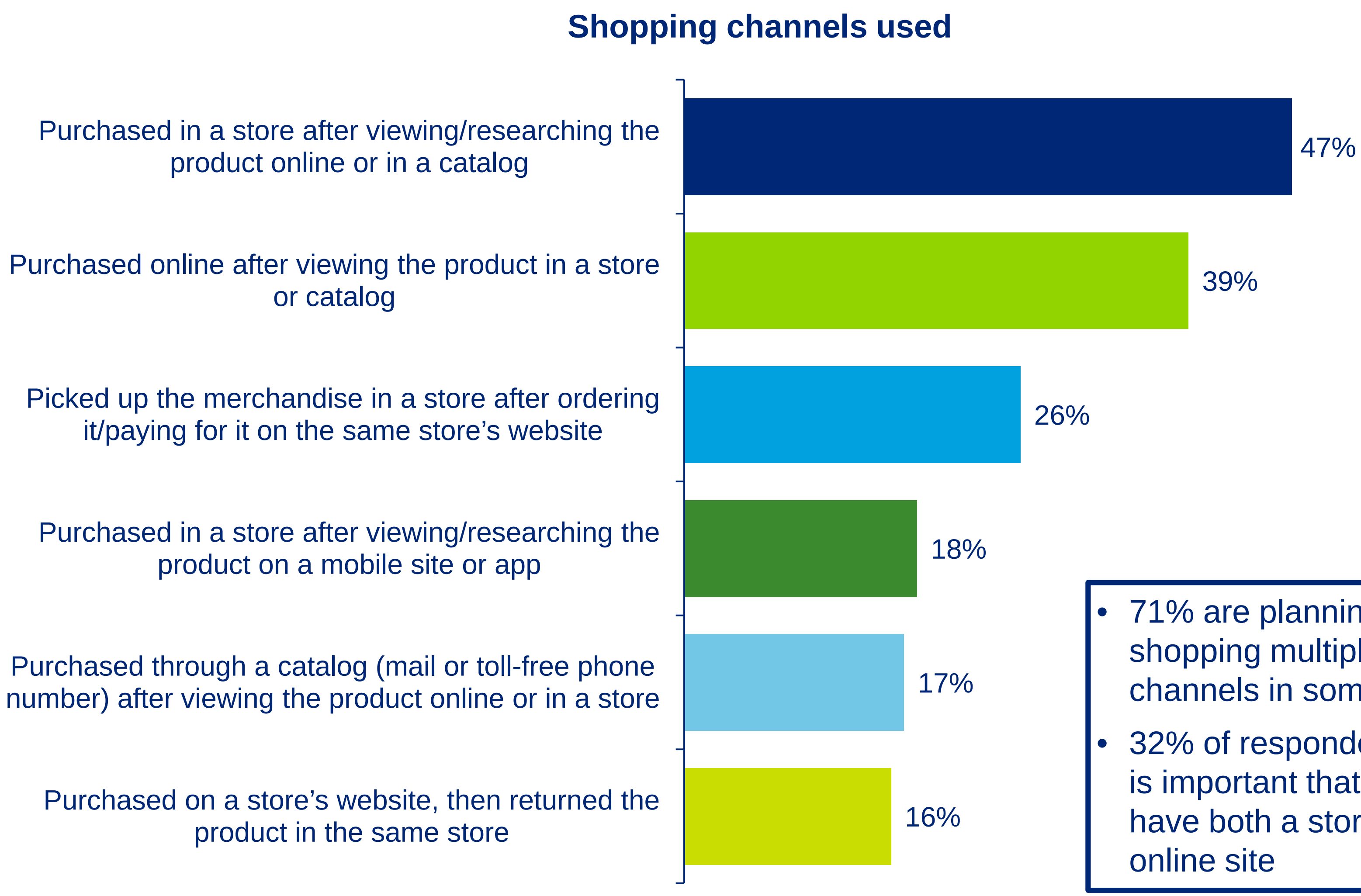


- 75% of consumers surveyed will do some research online
- 52% report that they often read online reviews before buying holiday merchandise online

Internet research skews highest to high-income consumers

		Age					Income	
% of total holiday spending influenced by research	Total	18–24	25–34	35–44	45–54	55+	<$100K	$100K+
Base	5019	574	911	1051	1227	1256	4098	921
None	25%	22%	22%	21%	25%	33%	29%	13%
1%–25%	20%	23%	18%	19%	19%	23%	20%	23%
26%–50%	19%	19%	21%	21%	21%	15%	19%	22%
51%–75%	10%	12%	12%	10%	8%	8%	9%	12%
More than 75%	25%	24%	28%	29%	27%	20%	24%	30%
Percent who will do some research online	**75%**	**78%**	**78%**	**79%**	**75%**	**67%**	**71%**	**87%**

Many purchase in one channel after viewing or researching in another



- 71% are planning on shopping multiple channels in some manner
- 32% of respondents say it is important that retailers have both a store and an online site

Close to half will use social media to make purchase decisions (mostly to find discounts)

Of those planning to use social media for holiday shopping: Why?	
To find discounts	57%
Read reviews	51%
Research gift ideas	49%
Check what gifts family/friends want	46%
Browse products	40%
Post comments/share links	35%
Go to retailer's fan page	29%

Will social media be part of your holiday shopping process?

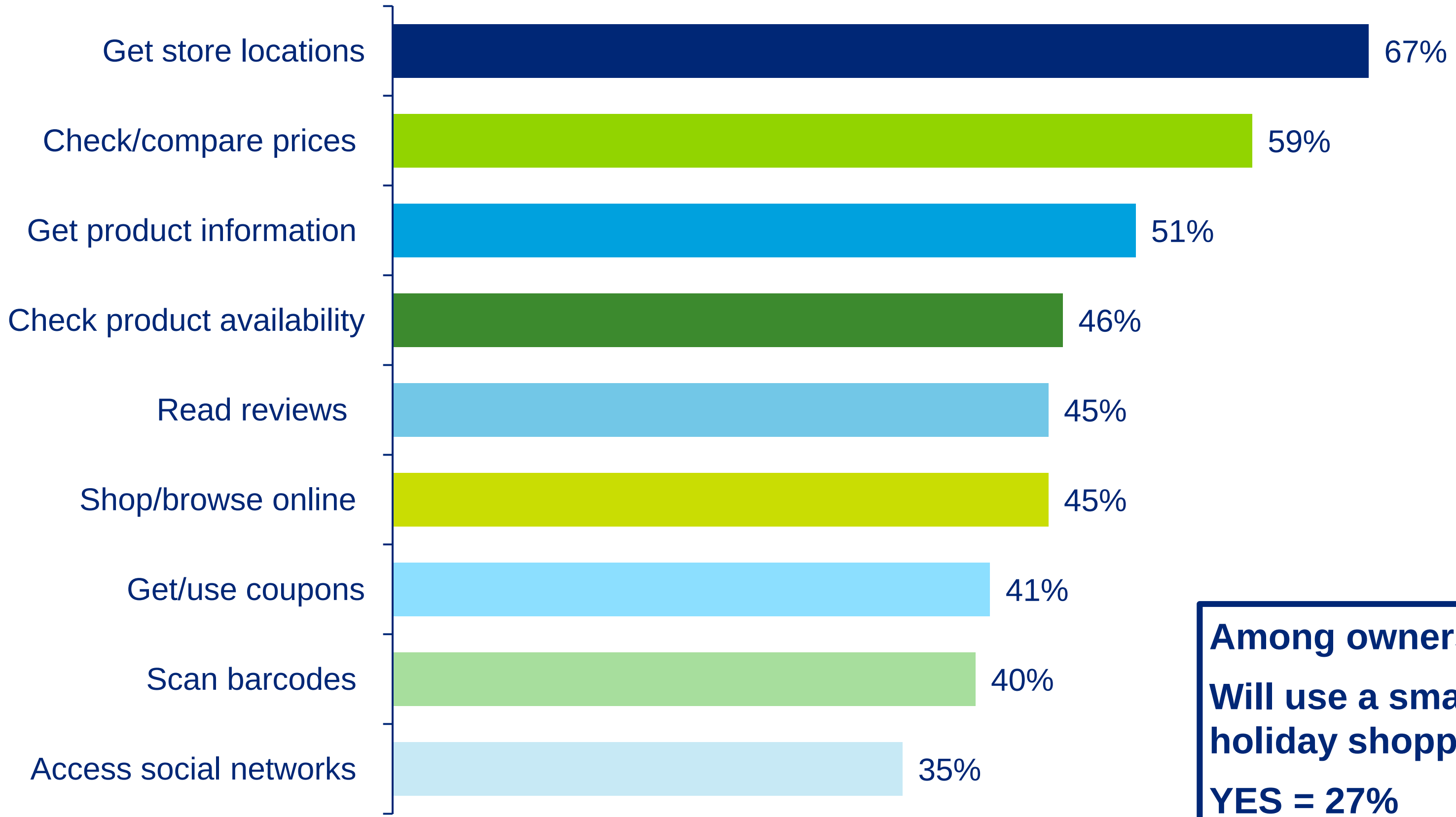
YES = 44%

Smart phones will be used by owners in myriad ways

Total own a smart phone: 42%

18–24 year olds: 51%

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



Among owners:

Will use a smart phone for holiday shopping

YES = 27%

Responses under 35% not shown

The increased use of social media sites comes with concerns however

I am concerned about my privacy when I visit **social media** sites:

2010 total

43%

2011 total

48%

18–24 year olds: **38%**

55+ year olds: **58%**

I am concerned about my privacy as a result of retailers accessing information about me through my **smart phone**:

2010 total

24%

2011 total

30%

18–24 year olds: **27%**

55+ year olds: **30%**

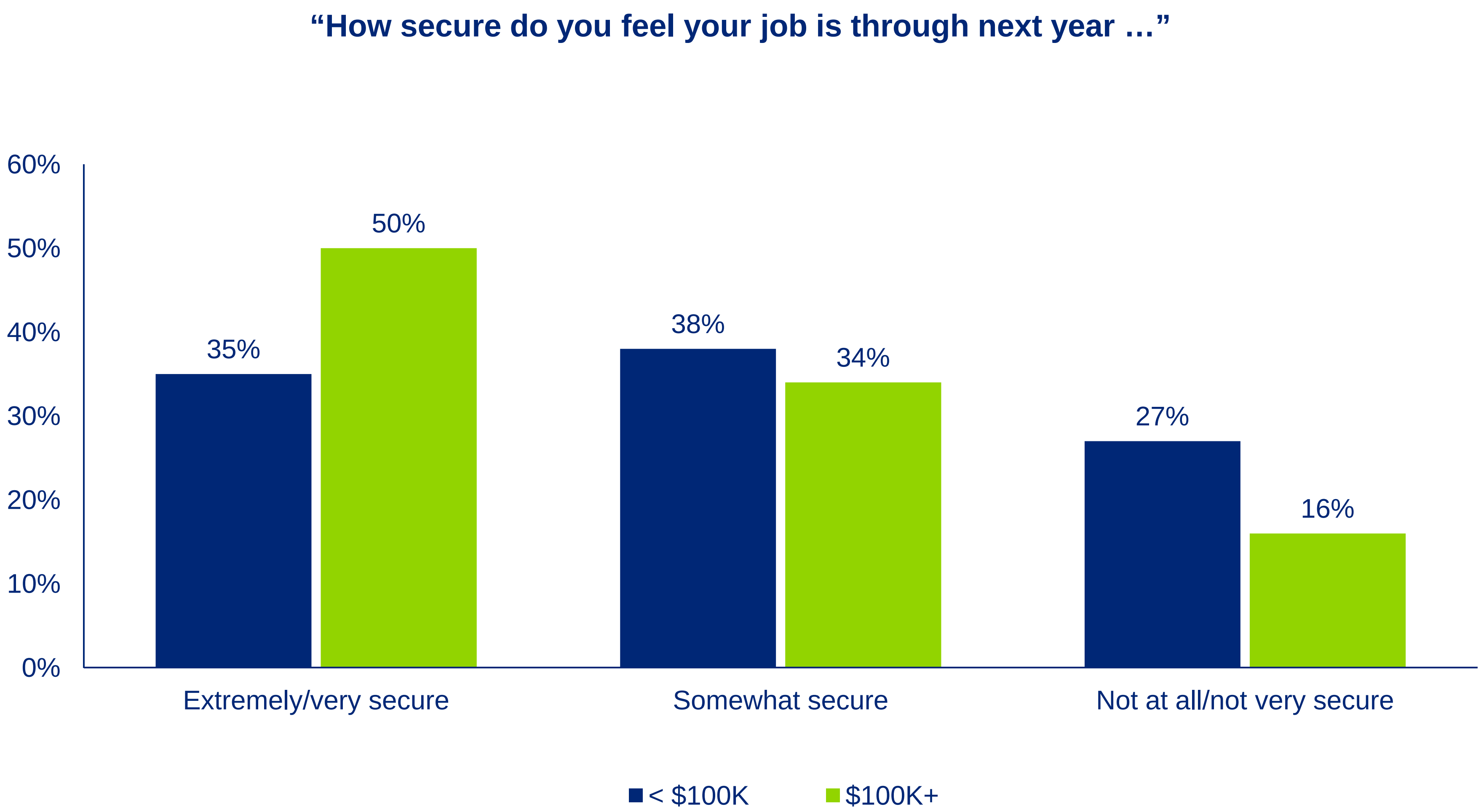
Household income differences

Wealthier households are slightly more likely to feel things are getting better

Opinion of current economy (by income level)

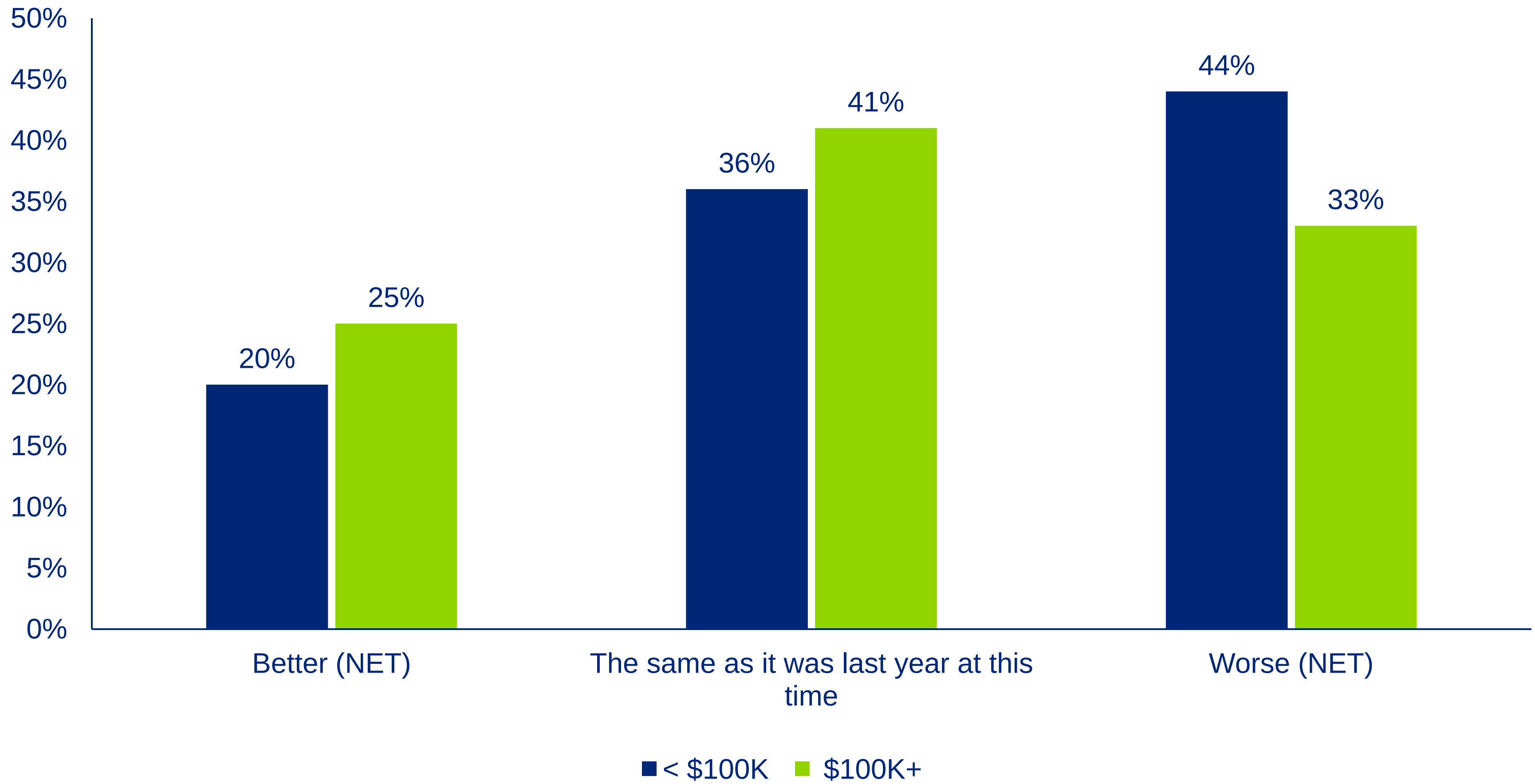
	Total	<$100K	$100K+
Healthy	2%	2%	2%
Slowly recovering from a recession	32%	31%	34%
Heading back into recession	16%	16%	18%
Still in recession; there has been no recovery	50%	51%	45%

The wealthier also enjoy more job security …



… and feel that their household financial situation is better than those making below $100K

“Thinking about your current financial situation, is it …”



Change in spending expectations versus last year

Consumers' expectations for holiday spending:

	2011 household income:			2010 household income:		
	<$100K	$100K+	Difference	<$100K	$100K+	Difference
Gifts	$291	$812	+$522	$396	$826	+$430
Socializing away from home	$166	$589	+$422	$184	$524	+$340
Entertaining at home	$125	$262	+$136	$171	$279	+$108
Non-gift clothing for family	$118	$202	+$84	$127	$230	+$103
Home/holiday furnishings	$79	$125	+$46	$84	$211	+$127
Any other	$64	$152	+$88	NA	NA	NA
Total	**$844**	**$2,142**	**+$1,297**	**$962**	**$2,070**	**+$1,108**

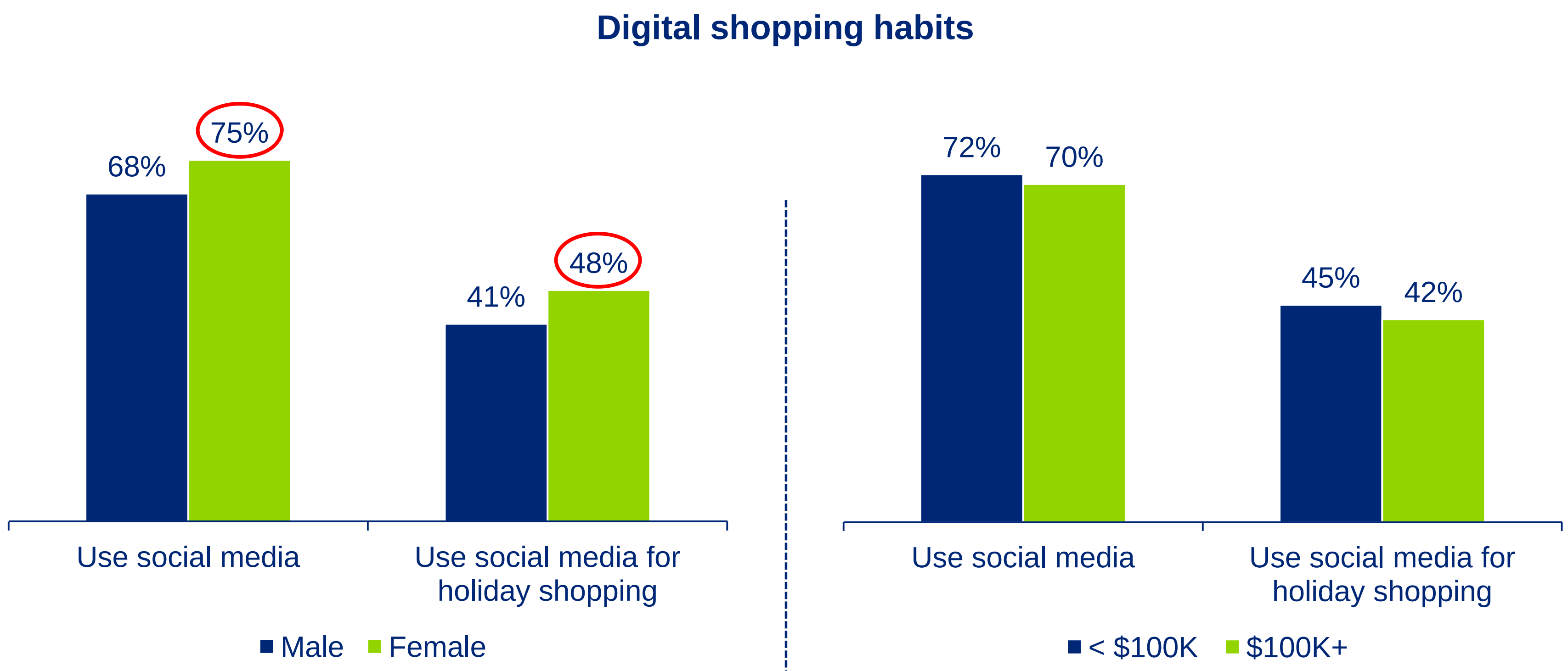
Lower income HHs: -12% vs. YAGO
Higher income HHs: +3 vs. YAGO

Those with higher incomes would also be more likely to invest a bonus

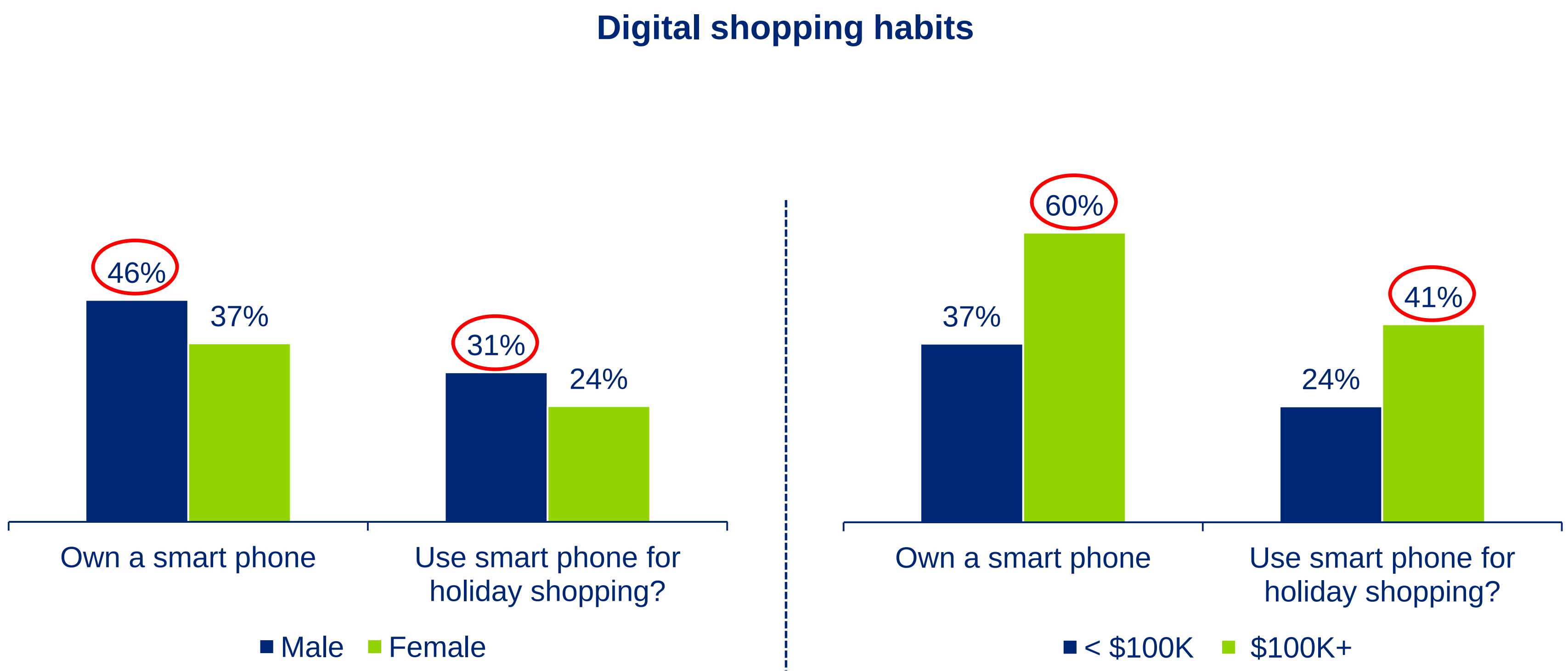
“If you were to receive a large bonus what would you do with it?” (By income level)

	Total	<$100K	$100K+
Put it in savings	51%	50%	54%
Pay down debt	48%	49%	44%
Pay for everyday necessities	28%	31%	15%
Spend more on the holidays	16%	17%	12%
Invest it	13%	11%	22%
Take a trip/vacation	11%	11%	14%
Donate it to a charity	11%	10%	13%
Purchase a big ticket item (e.g., car or appliance)	9%	9%	8%

Social media use skews to females, but cuts across all incomes



Smart phone usage skews to men and the affluent



About the survey

The survey was commissioned by Deloitte and conducted online by an independent research company between September 16–26, 2011. The survey polled a national sample of 5,019 consumers and has a margin of error for the entire sample of plus or minus one percentage point.

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