Shopping Trends for the 2015 Holiday Season and Beyond

By Ken Morris, Principal, Boston Retail Partners
It’s the most wonderful time of the year for shoppers – and retailers too! Consumer spending is poised to increase year-over-year from 2014. With the economy seeing steady growth, consumer confidence is on the rise. The significant drop in gas prices has added an additional $60 billion to consumers' wallets. Discretionary income is also increasing as consumers’ reap the benefits of the strong economy. With more money in their pockets and steady jobs, consumers are opening their wallets this holiday season.

In a 2015 Gallup holiday spending intention poll, consumers estimate spending an average of $812 on gifts this season – up 4% from the $781 estimated at the same time last year, and the highest estimate since 2007. While they have higher discretionary income, consumers are still frugal and price sensitive. Consumers are smart about their holiday spending and continue to search for the best value.

**Retail Impact**

Shoppers are willing to spend if retailers make it worth it. Retailers who offer customers the best deal without making them have to work for it are the most successful. Many consumers are likely to choose a retailer who offers free two-day shipping or has a better return policy than other retailers. Value is not just in the discount that is offered but also in the convenience.

**Halloween is the New Thanksgiving**

Consumers don’t have to wait until Black Friday or Cyber Monday to get the best deals. For most retailers, discounts and holiday hype began right after Halloween on November 1. And the deals don’t stop there, as discounting is continuing throughout the season. This may cause many consumers to shop around, or postpone their purchase, until they find the best deal.

With stores offering deals throughout November it becomes less imperative to have a blowout Black Friday… or even be open at all. Some retailers are taking a different approach to Black Friday. REI announced it would close all of its 143 stores on Black Friday. In an email sent to stores they wrote, “Instead of reporting to work, we’re paying our employees to do what we love most—be outside.” Gamestop and Staples have also announced they won’t open their doors for business on Black Friday.
Amazon has also softened the impact of Black Friday by not waiting to launch its deepest discounts. The Black Friday store opened on November 1. The store features new deals every day serving as a countdown to Black Friday. With a quarter of US consumers starting holiday shopping as early as September,\(^1\) deals come early and often.

Several retailers are also opting to close on Thanksgiving day this year because it wouldn’t be a big sales day even if they were open, including: Staples, Home Depot, Lowes, Costco and BJ’s.

**Retail Impact**
Nothing is holding shoppers back from capitalizing on the best deals when they find them; whether it is on November 1, Black Friday or Cyber Monday. By Halloween, 60% of US consumers have begun holiday shopping. In this competitive market, retailers must offer deals throughout the month of November and not focus solely on Black Friday or Cyber Monday to hit their numbers.

**Retailers Think “Click-and-Mortar”**

Many retailers, like Target, are gearing up for the most omni-channel holiday season yet. With 25% of sales predicted to be fulfilled through shipping from a store or order pickup, Target hopes to add value and establish itself as an omni-channel leader.\(^2\) Target has also taken a firm stance on its price match policy; it’s promised to extend its usual 14-day policy to cover November 1 through December 24. By creating a seamless and convenient experience competing on price Target is taking action to distinguish itself as a go-to destination for Black Friday shopping and beyond.

Target is not the only one with improved omni-channel offerings. Toys"R"Us has integrated their annual holiday catalog with their mobile app, The Geoffrey Shuffle. Specifically targeted to kids, the “Toys”R”Us Great Big Book of Awesome” catalog now features the ability to have an interactive experience. Kids can bring the toys to life within the app and play in virtual reality mode. This campaign helps to re-energize catalog shopping and introduces app-crazy children to the format.

Lands’ End opened pop-up shops in New York and Boston to complete their multi-channel experience. Typically an online and catalog retailer, Lands’ End’s pop-up stores carry a curated mix of merchandise and offer on-site monogramming. Customers have the opportunity to experience the brand and interact with merchandise in person. Brick-and-mortar is not going away, it’s being integrated, just as Lands’ End is attempting this holiday season.

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\(^1\) Neilsen, Christmas in October? Not Quite, but 22% of Americans are Already Shopping, October 2014  
\(^2\) CSA, How Target is going Click and Mortar this Holiday, November 2015
These are just a few of the holiday examples where retailers are honing in on offering a cross-channel customer experience that is seamless and convenient. As retailers recognize increasing customer choice they will compete on providing an exceptional customer experience integrating clicks and bricks.

**Retail Impact**
The market place is competitive and retailers realize that in order to capture their share of consumers' wallets, they need to expand and emphasize their omni-channel offerings. Shoppers have expansive choices about where and how they purchase and receive their orders. Usually, large-scale retailers can win by offering the lowest price; however, the playing field is leveling with consumers also looking for the most convenient method of receiving their order.

**Shopping on Mobile Devices Continues to Accelerate**

Mobile influence and contribution to retail sales are ramping up this holiday season. Retailers featuring their best deals on Thanksgiving will surely see an influx of mobile purchases as customers shop right from their couch. Retailers expect 75% of website traffic to come from mobile devices, which is a 70% increase from last year. According to Adobe, 51% of retailers’ website traffic is predicted to be via mobile on Thanksgiving and 29% of Cyber Monday purchases are predicted to occur on a mobile device. While customers are “webrooming” on their mobile devices on Thanksgiving, keep in mind that more than two-thirds of shoppers who browsed online ultimately bought in-store during last year’s holiday season.

Retailers need to optimize their mobile interfaces for smart phones and tablets so that shopping is intuitive and pain free for customers. Features such as checking for in-store product availability are increasingly popular and beginning to be baked into customer expectations. Ensure that checkout on the mobile device is not only user friendly but also secure. Easier checkout is the top factor that would make people purchase more on their phones. Autofill data, succinct data entry, predictive city and state from zip code, all expedite the checkout process and adapt it to mobile.

Considering the growth of mobile shopping, one would think that more retailers’ websites would be mobile friendly. In the Boston Retail Partners’ 2015 E-Commerce Survey, 68% of the retailers surveyed had a mobile friendly website and 32% offered a mobile app. While a mobile responsive website is a requirement for all retailers with e-commerce, a well-designed mobile app can elevate the shopping experience and increase customer loyalty and sales. Mobile apps function similarly to a mobile website but give the retailer the advantage of having their own piece of real estate on the customer’s phone. Retailers also have more control over their presence and an app can encourage more interaction.

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3 Adobe Digital Index, 2015 Online Shopping Predictions, October 2015
4 Avalara, How to Win at Black Friday and Cyber Monday, November 2015
Retail executives have expressed frustrations with the timing of the EMV deadline. October 1 was too close to the holiday rush to retrain customers and store employees to insert, not swipe their credit cards. Some retailers have yet to update their systems, perhaps in an effort to avoid the holiday rush.

The confusion has already been witnessed. As a customer is checking out, she naturally swipes her card and the cashier notices that the card is chip embedded so they instruct her to insert it instead. The customer fumbles for a second, maybe questions the process to the cashier, then inserts the card and has to remember to leave it in until it has completed the longer-than-expected process. Aside from being an unfamiliar operation, the push-and-pause method takes longer than the swipe. Particularly in retailers where customers are accustomed to a quick checkout, such as CVS or Target, the extra few seconds at checkout seem like an eternity. It also creates the opportunity for the customer to accidentally leave the card behind.

The few extra seconds at the cash wrap may not slow down the process enough to create extra lines but if it malfunctions or customers continue to leave their cards behind, it could certainly add extra time. If customers get frustrated enough with the process, it could encourage them to seek an alternative payment method such as mobile payments.

Retail Impact
Retailers without mobile-optimized or a mobile app will lose this holiday season. With retailers offering even more deals online, consumers are now “incentivized” to stay home. Shoppers can easily opt to use their mobile phone on Thanksgiving Day rather than fight the crowds at stores. Brands that do mobile right will win customers’ loyalty and future sales.
Retail Processes Will be Tested

This past year has brought an influx of technology advances that have been embraced by consumers and gradually adopted by retailers – mobile payments, EMV, guided selling, flexible ordering and pick-up/delivery options, endless aisle and many more capabilities. With so many new retail practices and processes and the busiest season of the year here, retailers will be tested. There is a collision of many new processes that retailers need to properly train associates and customers to conduct in a high-pressure environment.

Technology needs to function without failure when it comes to accepting mobile payments and processing EMV transactions. New fulfillment options like “buy online and pick-up in the store” (BOPIS) require additional trained labor to ensure the product is pulled from the floor and processed for the customer. Considering the amount of temporary employees during the holiday season and the increase in store traffic, retailers now have to ensure the new initiatives are a priority and customer service is not impacted.

Retail Impact
Retailers may witness mayhem if their staff has not been trained accordingly and their systems have not been prepared for increased demand. Now is the time for retailers to impress shoppers with their aptitude and win loyalty. System fumbles not only frustrate shoppers but cause retailers to lose customers for life.

Beyond 2015: Real-time Retail and Personalization are Critical

Consumers’ holiday shopping experiences transcend all channels and consumers expect immediate products and services. A customer can be shopping at a store for a specific model of computer, take a photo and get instant access to prices from multiple competitors and the closest store that has it in stock – in real-time. Real-time retail is the ability to deliver a seamless experience to a consumer whenever, wherever or however she chooses to shop. According to BRP’s 2015 POS/Customer Engagement Benchmarking Survey, retailers are focused on expanding their real-time capabilities to deliver the personalized experience customers expect. While many retailers have plans for real-time personalized capabilities, very few can deliver on this promise for the 2015 holiday season.

Real-time Features Enhance the Shopping Experience
Retailers that can provide associates with customer data in real-time before checkout are able to provide a more personalized experience and can offer suggestions to customers that impact their purchase decisions. According to the BRP survey, 510% more retailers will know what is in their customers’ closet and provide this information to sales associates in real-time. In addition, personalizing the shopping experience by understanding the customer’s online browsing history will increase by 1060% over the next three years (from 5% today to 58% in three years).
Personalized Promotions and Pricing
In the past, retailers’ pricing hierarchy was based on various levels: company, division, channel, zone, and store. Now there is a new pricing strategy and structure at the personal level – based on individual shoppers. According to the BRP survey, 174% more retailers will be offering personalized promotions/pricing in the next three years.

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<th>Tailoring the Customer Experience</th>
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<tr>
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<tr>
<td>Suggested selling based on social media activity/posts</td>
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Retail Impact
While real-time retail is not having as much of an impact this holiday season, the need to offer customers a shopping experience that transcends channels is increasing dramatically. Those retailers on the forefront of this offering will have a competitive advantage and attract and retain more loyal customers.

Conclusion
With an expected 4% increase in spending this holiday season, retailers have a prime opportunity to exceed the expectations of current customers and impress new shoppers to convert them into loyal customers. The holiday shopping season, which now extends from November 1 through Christmas, is less dependent on the traditional sales spikes of Black Friday and Cyber Monday. While this provides nearly two months of promotional opportunities, retailers still need to captivate the attention of consumers with a steady cadence of creative campaigns.

Mobile continues to play a bigger role in consumers’ shopping experiences and is expected to be a big factor this holiday season. For those retailers that have implemented EMV, it will be imperative that sales associates are properly trained on how to make the new payment process as efficient as possible for customers.

While this season will be “in the bag” before we know it, it is critical to reflect on the successes and failures that come out of this holiday season to improve the capabilities and processes for future holiday seasons. The 2016 holiday season is less than a year away – will you be ready?
About Boston Retail Partners

Boston Retail Partners (BRP) is an innovative and independent retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants’ deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm’s unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP’s consulting services include:

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- E-Commerce
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- Customer Systems and Operations
- Merchandise Management
- Private Equity

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