

Brand Keys Predicts Small Rise for Holiday Retail Sales, Most Shoppers Still Seek Sales, Value-for-Dollars Rules

NEW YORK NY November 14, 2011 - Retailers will have to provide even greater value this holiday season if they want their share of a small increase in holiday spending, according to Brand Keys, Inc. www.brandkeys.com, a New York City-based brand and customer loyalty research consultancy. In the face of a much slower economic recovery than expected, Brand Keys projects the average increase in consumer holiday spending will match last year's – up only 3%.

Methodology

Brand Keys interviewed 16,000 consumers in the nine US census regions during the first-half of October in regard to their anticipated holiday spending activities.

1. Holiday Spending

Consumers indicated that they are going to be extremely conservative. Seventy percent (70%) indicated that the economy is still impacting their holiday spending plans.

An on-going trend Brand Keys has observed is that no matter how much consumers spend, “the time-honored ‘price-value’ equation retailers have relied on for decades has been transformed by the economy, in-market experience, and consumer expectations into a ‘value-for-dollar’ doctrine,” noted Brand Keys president Robert Passikoff. “The retail brand, and what it stands for, has become a surrogate for added-value. If retailers really understand consumer expectations and actually know how to address them they’ll see higher profits. Unfortunately, most don’t. Most think lower prices will do it.”

Two-thirds of Shoppers Seek Sales... Deals before Brands

As in past years, retailers are expected to focus on inventory control, discounting, sales, and promotions. “But as discounting has become price-of-entry. Shoppers are looking for deals before they are looking at brands. Sixty-five percent (65%) of shoppers indicated that they’ve already begun looking for sales. Sixty percent (60%) indicated they were using on-line shopping and price comparison applications to find the best deals. More than half (56%) indicated that they were going to rely on coupons and customary promotions to keep spending down,” noted Passikoff.

Over the past decade retailers have taught, and consumers have learned, there are always lower prices available someplace. Smart retailers that want a larger piece of a smaller holiday pie will have to leverage their own retail brands and the shopping experience. Here’s how consumers responded when asked if they were going to spend more, less, or the same this holiday season as they did last year:

Spending	<u>2011</u>	<u>% Change From 2010</u>
More	10%	- 2%
Same	70%	+ 6%
Less	20%	- 4%

Consumers Don't Want to Ignore the Holidays

"While it's the same increase over last year, it's moving holiday spending in the right direction, and with one critical factor amplifying the consumers' desires to spend," said Amy Shea, Brand Keys executive vice president of Global Brand Development. "The holidays provide a traditional 'reason to buy,' and act as a relief valve for pent-up desire for some good old fashioned discretionary spending, and it's showing up in the products and services they have on their shopping lists."

2. How Much Will They Spend?

Customer spending intentions were at the same level seen last year. On average consumers indicated that they were intending to spend about \$824.00, or about 2.9% more than last year.

3. Where Will They Spend Their Money?

Consumers indicated that they *would* use the full range of retail channels available.

"More shoppers say they'll go online to shop this holiday season," said Passikoff, "but that's been a continuing trend." Given that consumers are being careful, when it comes to bricks-and-mortar stores, consumers will be looking for higher levels of customer service. "Retailers have already made free shipping a price-of-entry offer. Free returns too. But shoppers expect a lot more. What once 'delighted' shoppers has now become an 'expectation,'" noted Shea. "Retailers need to deliver delight this season."

Ten percent (10%) of shoppers indicated customer service could be a real retail differentiator, "a continuing trend we've seen in our Customer Loyalty Engagement Index," noted Passikoff. "They want more service and an enhanced shopping experience. Retailers who can deliver will see more sales, higher loyalty, and increased profits."

	<u>2011</u>	<u>% Change From 2010</u>
Discount Dept. Stores	90%	+ 3%
Traditional Dept. Stores	70%	- 2%

Online	97%	---
Specialty Stores	35%	+ 5%
Catalogue	70%	- 2%

Location and Value are still the key engagement and loyalty drivers for the retail category at all levels. “But even with tighter budgets, *Merchandise Range*, *Store Reputation*, and especially *Shopping Experience*, play a larger role in engaging customers and generating sales,” said Brand Keys’ Shea. “Specialty stores have somewhat greater control over those elements, and they’ve learned how to discount and promote competitively like other platforms without significant loss of brand values, which is why more consumers indicated they were going to use that channel this year.”

4. On What Will This Money Be Spent?

“Shopper responses were similar to last years’ intended purchases. There’s always an increase in gift cards,” noted Passikoff. “Jewelry and personal care products and services still appear on this year’s list, a good indicator that the desire for discretionary spending, is there even if the money isn’t.” All other traditional purchase categories are either flat or slightly down.

	<u>2011</u>	<u>% Change From 2010</u>
Gift Cards	92%	+ 2%
Clothing & Accessories	70%	-0-
Electronics/Computers/Phones	50%	- 10%
CDs/DVDs/Video Games	40%	- 5%
Jewelry	18%	- 10%
Personal Care Products/Services	22%	-0-
Food & Wine	20%	-0-
Books	10%	- 5%
Home Décor	10%	- 2%
Travel	1%	-0-

Two-thirds of the consumers surveyed (66%) indicated that they would begin their holiday shopping earlier this year, looking for deals and sales *before* ‘Black Friday’ or ‘Cyber Monday.’ “But you only have to walk through the stores,” noted Passikoff, “to see that sales are underway. It’s only going to ratchet up.”

Brand Keys (www.BrandKeys.com) is the only research consultancy that specializes in **customer loyalty**, providing brand-equity measures that accurately predict future consumer behavior. These measures enable companies to anticipate every shift in a rapidly changing marketplace and to better engage customers.

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