2018
HOLIDAY
RETAIL
OUTLOOK

Reach more customers this
holiday season and build
lasting loyalty all year

AllianceData. CARD SERVICES   EPSILON   CONVERSANT   LoyaltyOne

Get ahead this holiday season

The retail industry is growing in the midst of incredible change, reinventing itself to appeal to customers with an ever-increasing number of choices and high expectations for a great experience.

As we look to holiday 2018, the industry outlook is positive. Coming off the strongest holiday since 2011, retail is forecasted to open 5,000 net new stores in 2018 and total retail spend is projected to increase by approximately 4%.[1] With positive momentum in place, brands that put their customers first and create convenient, seamless, and engaging experiences stand to gain the most this holiday season.

Experts across Alliance Data's businesses have teamed up to equip retailers with data-backed insights and knowledgeable advice they can use to finalize their holiday plans and keep customers coming back all year long.

In this guide, we cover:

The customer is the only channel that matters

Stores drive experience; digital delivers convenience

Maximize mobile's micro-shopping moments

Enable on-demand, in-the-moment customer service

Make it easy to get the goods

Build loyalty that rewards at holiday and beyond

Inspire customers to find that perfect gift

The new holiday calendar

The customer is the only channel that matters

Today's savvy customers are more nimble, moving in and out of channels simultaneously, and they expect brands to deliver an experience that revolves around them and their needs. They view brands' channels as all part of one cohesive brand ecosystem and expect seamless experiences as they move fluidly through their journeys.

- **Customers are engaging across all channels.**
  Most customers are comfortable both online and in store, shopping multiple ways, with 88% indicating they will make in-store holiday purchases and 75% saying they will shop online.[3]

- **Customers expect seamless experiences on their path to purchase.**
  As customers complete their holiday shopping journeys, they will engage with brands in multiple channels along the way, with 58% starting research online and completing their purchase in store and 46% starting in store and purchasing online.[3]

- **Multi-channel customers continue to be the most valuable for brands.**
  Proprietary data show that customers who shop multiple brand channels make 3.2 more trips than those who only shop one channel.[2]

Younger customers are more likely to engage via brick-and-mobile

Customers under age 35 are

34% more likely

than older customers to use a mobile device in the store.[3]

Technology brings new opportunities into focus[3]

31% of customers have already made a purchase via voice commerce.

78% of younger customers shop both in store and online for gifts.

GET A HOLIDAY HEAD START

Customers are viewing their experiences at the brand level, not within specific channels. Implement strategies that take a more cohesive, holistic approach to foster customer-brand engagement.

→ **ENABLE**
customers to leverage tools and technology that help bridge the online and offline experience.

→ **ENSURE**
customers have access to information how and when they want it, and that content across channels is consistent.

→ **EQUIP**
permanent and seasonal employees with the knowledge and tools that enable them to service customer needs in the moment.

Nordstrom
focused on reducing the hassle of holiday shopping last year, offering customers conveniences across all channels, including reserve online, try on in store, free gift boxing, buy online, pick up in store, last-minute alterations, free shipping and returns, and curbside pickup.[4]

Stores drive experience; digital delivers convenience

Armed with endless options and instant access, customers choose how, when, and where to shop based on their in-the-moment needs. Leaning into the native advantages of all of the brand's channels will help retailers meet customers' ever-increasing expectations.

● **Stores can deliver the magic of the holidays.**
Accounting for nearly 90% of all retail sales, stores are a vital channel for customers. They look to stores for a great experience and for conveniences, like free gift wrapping and entertainment.[5]

● **Digital channels make holiday shopping easier.**
While digital can't offer the sensory and immersive experiences available in a store, customers increasingly look to online shopping to help cross things off their busy holiday to-do lists. In fact, 75% of customers agree with the statement "online shopping for gifts has made things so much easier."[3]

Look across channels to create more holiday memories and less stress

When asked how they feel about shopping in store versus online during the holidays, customers said:[3]

In store

Overwhelmed
Anxious Good
Crowded Stressed
Excited Happy Frustrated
Rushed

Online

Convenient Relaxed
Comfortable Easy Love
Calm
Good Excited Happy

Customers expect choice[3]

50% increase in the number of customers who said they expect to spend more time in store this holiday.

52% of customers prefer to avoid in-store crowds and purchase holiday gifts online.

GET A HOLIDAY HEAD START

As customers choose the channels that are most relevant to them, be ready with solutions that bolster the experience wherever they engage.

→ **PROVIDE**
extra services and conveniences that take the hassle and stress out of the holiday shopping experience.

→ **USE**
customer data and insights to create personalized interactions and memorable moments that speak directly to customers' needs.

→ **AIM**
for frictionless experiences that help customers quickly find what they need.

Express

is piloting a new customer experience in New York City, looking across channels to deliver a unique experience everywhere the customer chooses to engage. Targeting young professionals, the store will host monthly events for entrepreneurs and will offer conveniences like reserve online and try on in store, digital styling screens, lounges, and phone chargers.[6]
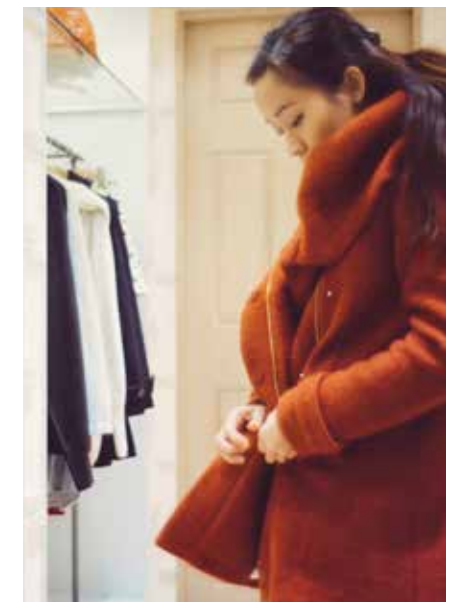
Maximize mobile's micro-shopping moments

Now that more than 90% of customers own a smartphone,[3] the mobile shopping experience is a critical component of any brand's holiday strategy. Better mobile experiences enable customers to shop anytime, anywhere, making every moment an opportunity to engage.

● **Customer behavior is shifting to more frequent, but smaller, trips.**

Driven by better mobile experiences and the removal of spend thresholds for free shipping, proprietary data show the number of shopping trips is going up, but the average transaction size is going down.[7]

● **Customers look to mobile to make the most of their time.**

When asked what they like best about shopping on their phone, the top responses were it's easy, convenient, fast, and can happen anywhere.[3]

Focus on mobile

Last year, digital shopping took a decidedly mobile turn, and it will continue to play an important role this holiday season.

Mobile purchases broke records during the holiday 2017 season, with

66%
of digital orders made on a phone or tablet,
up from 58% in 2016.[9]

62%
of customers plan to use an email coupon redeemed on mobile
during holiday this year.[3]

34%
expect to shop more on their phone for holiday;
61% are likely to shop a similar amount on their phone.[3]

How customers pass the time shopping mobile[3]

31% while flipping through their social media accounts.

40% while watching TV.

63% during free time.

GET A HOLIDAY HEAD START

Mobile impacts nearly every aspect of a customer's journey. Look at their behaviors across devices, online and offline, to understand how and when customers are using the technology.

→ **DELIVER** a streamlined experience that enables the purchase to be completed in quick moments and with the fewest steps possible.

→ **ENSURE** promotions can be redeemed via mobile app or a mobile-optimized website.

→ **GIVE** them mobile access to accounts and rewards.

→ **ENABLE** location-based technology to provide the right message to the right customer at the right time.

LEADING BRANDS MAXIMIZE THE MOBILE MOMENT

Kiehl's
enhanced their SMS program using predictive data and artificial intelligence to determine how quickly a customer runs out of a product, then automatically sends a message as that time approaches. Customers can respond with yes, no, or remind me.[8]

Enable on-demand, in-the-moment customer service

Customers expect access to brands on demand and on their terms. Brands need to stay one step ahead and anticipate their customers' needs in every channel, by offering the tools and support to help them through their journey.

- **Convenient self-service tools are necessary, but in-store associates are crucial.**
  6% of all possible sales are lost because of a lack of service, and 30% of customers who've experienced a problem in store were not able to locate an associate.[10]

- **Customers expect instant gratification.**
  Whether shopping in store, on their phones, or online, customers expect to find answers to their questions quickly and effortlessly.

- **New payment technologies at checkout matter.**
  New and emerging payment technologies and digital wallets are attractive alternatives at checkout. Research shows that while initial adoption is low, it drives high satisfaction for users.[11]

Make it personal

Customers, especially younger ones, seek input from store associates.[3]

29%
of all customers expect to
look to associates
for guidance
on what to purchase.

48%
of customers ages 16–24
look to a store associate
to find out about a store's offers, promotions, or discounts.

Meeting customer expectations to close the sale[3]

47%
of customers selected "the ability to check out without having to wait in line" when asked what service or experience they would most prefer.

21%
of customers over age 25 plan to use a store-branded credit card.

GET A HOLIDAY HEAD START

Understand which parts of the shopping experience customers value most and anticipate what they need.

→ **SIMPLIFY**
the customer experience by ensuring servicing options are easy to find and navigate across channels.

→ **DEVELOP**
digital resources that enable customers, and associates, to find what they need and accomplish their tasks quickly.

→ **OFFER**
customers control over how to pay by enabling mobile and digital payment technologies, in addition to traditional options.

LEADING BRANDS PUT CUSTOMER SERVICE FIRST

Macy's
is rolling out new tools for customer service across its store fleet, including mobile Scan and Go, which enables users to check out using their smartphones. In addition to app enhancements, the company also launched a new website offering product availability in store and tailored search capabilities that enable customers to find what they need quickly and easily.[12]

Make it easy to get the goods

Delivering the goods in a way that's most convenient to the customer is a critical satisfaction point during the holiday season. A free, reasonably timed shipping option is table stakes now, and two-day free shipping is quickly becoming the new norm.

● **Free shipping is a customer expectation.**

56% of the customers surveyed said "free shipping" is the promotion they prefer most at checkout and 91% of the customers surveyed said "free shipping" had at least some influence on their decision to buy.[3]

● **Customers look to buy online and pick up in store to save time and money.**

One third of customers bought items online and picked them up in store last year, and 45% of customers expect to use the service this holiday season. The top three reasons customers opted to pick up purchases in store were because they could get items faster, shipping to their home was too expensive, and there was a discount to pick up in store.[3]

Amazon has changed the game when it comes to fast and free shipping[13]

60%
of all customers and
70%
of Prime members shop the platform for free shipping.

Free shipping would persuade
33%
of Amazon customers to purchase from a different retailer.

Optimizing the buy online, pick up in store (BOPIS) moment

Data from last year's holiday shopping season show that online sales peak in late November, with the percentage of online sales continually decreasing through December.[7]

20–45%
of customers make an additional purchase when picking up their purchased merchandise.[14, 2]

GET A HOLIDAY HEAD START

Customers want flexibility when it comes to receiving their purchases. As the holidays draw closer, they trust shipping deadlines less and look to stores more frequently to fulfill their needs.

→ **OFFER**
a variety of shipping and pickup options that enable the customer to choose the method that best meets their needs.

→ **INCENTIVIZE**
customers to pick up merchandise in store to drive traffic and increase engagement.

→ **MAXIMIZE**
the BOPIS opportunity with quick gift options, impulse merchandise displays, and appropriate staffing at pickup locations.

LEADING BRANDS PUT THE CUSTOMER FIRST

Amazon
Always a leader in shipping and delivery innovation, Amazon now offers free in-home and in-car deliveries for Prime members. Members can track packages with real-time notifications and receive a photo when the package has been delivered.[15]
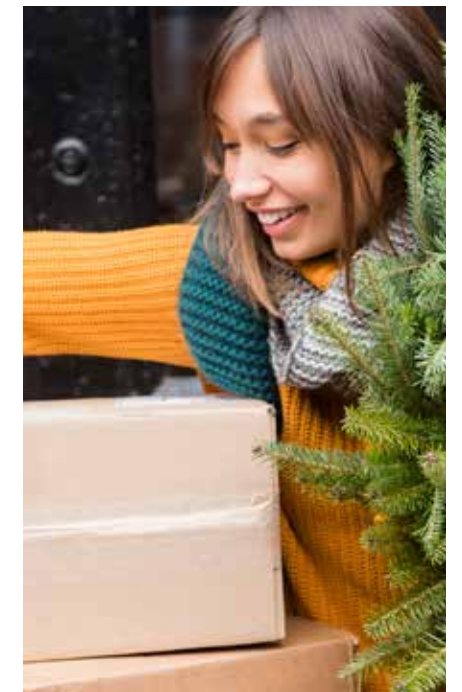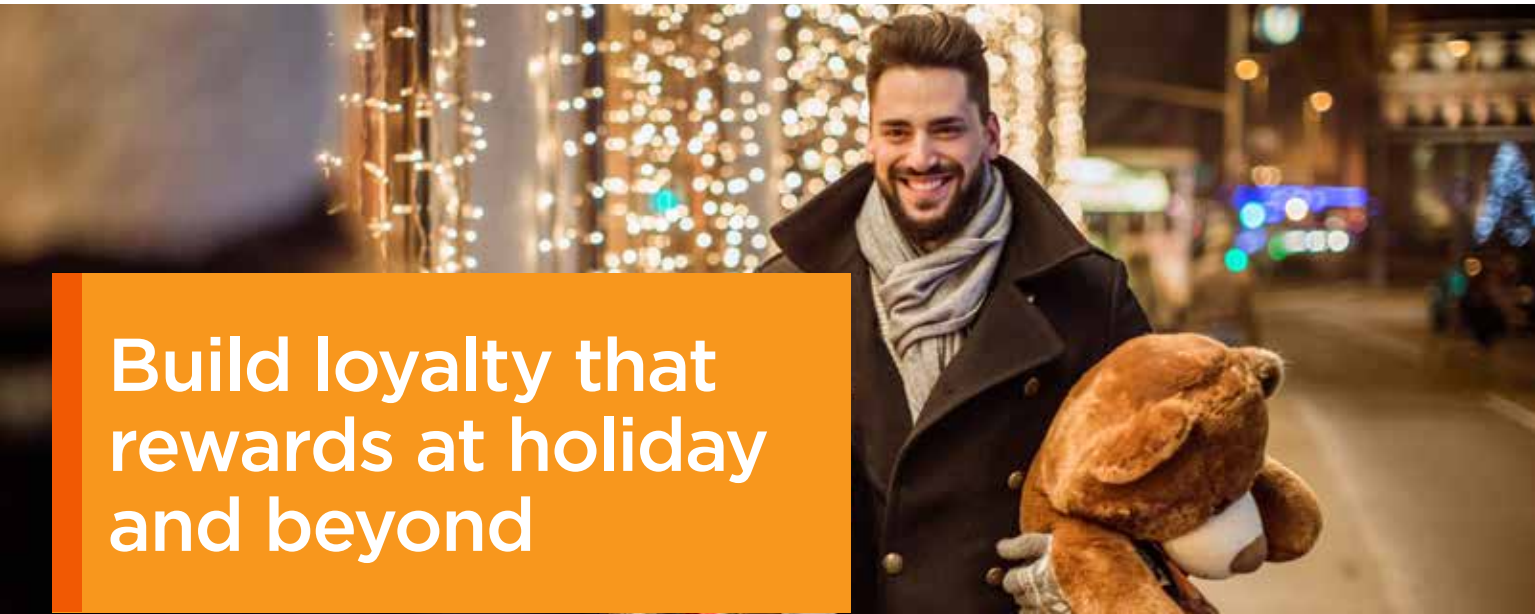
Build loyalty that rewards at holiday and beyond

Holiday is a key opportunity to introduce new customers to the brand and deepen connections with exisiting ones. With increased access and visibility to customers, brands look to their loyalty programs to help build lasting connections.

- **Loyalty programs can reward both customers and brands.**

  With 89% of customers belonging to multiple loyalty programs, it can be difficult to stand out.[3] Building a simple, straightforward loyalty program with meaningful rewards, like program-specific discounts, promotions, and offers, can deepen relationships during the critical holiday shopping season.

- **Customers are loyal to brands because brands are loyal to them.**

  63% of younger customers agree they have lots of choices of where to shop, making it more important for brands to get the foundations of loyalty right: demonstrating trust, honesty, and reliability.[16]

Earning and using rewards at holiday drives sales

Customers are earning and redeeming rewards more frequently during the holiday period. Proprietary credit cardmember data show:[2]

Rewards earned can
increase by 18%
during the holiday period.

Rewards redeemed can
increase by 25%
during the holiday period.

Additionally, customers with private label credit card rewards
spend 2x more
than the value of the reward during redemption moments.

39%
of customers say they are much more likely to shop a store where they are part of the loyalty program, a 26% increase from last year.[3]

69%
say they are likely to use loyalty program rewards at holiday.[3]

Credit cardmembers have
2x more transactions and
3x more spend than non-credit cardmembers.[3]

GET A HOLIDAY HEAD START

Make this holiday season a rewarding one for customers. Customer loyalty is earned and the best way to earn it is to establish authentic connections through a strong loyalty program.

→ **OFFER**
members surprise-and-delight moments throughout the season.

→ **ELEVATE**
the rewards-redemption moment to ensure members feel special and valued.

→ **PROMOTE**
the program across all channels, including giving customers a view into all of their options as well as higher-level loyalty program tiers that offer bigger benefits for increased spend with the brand.
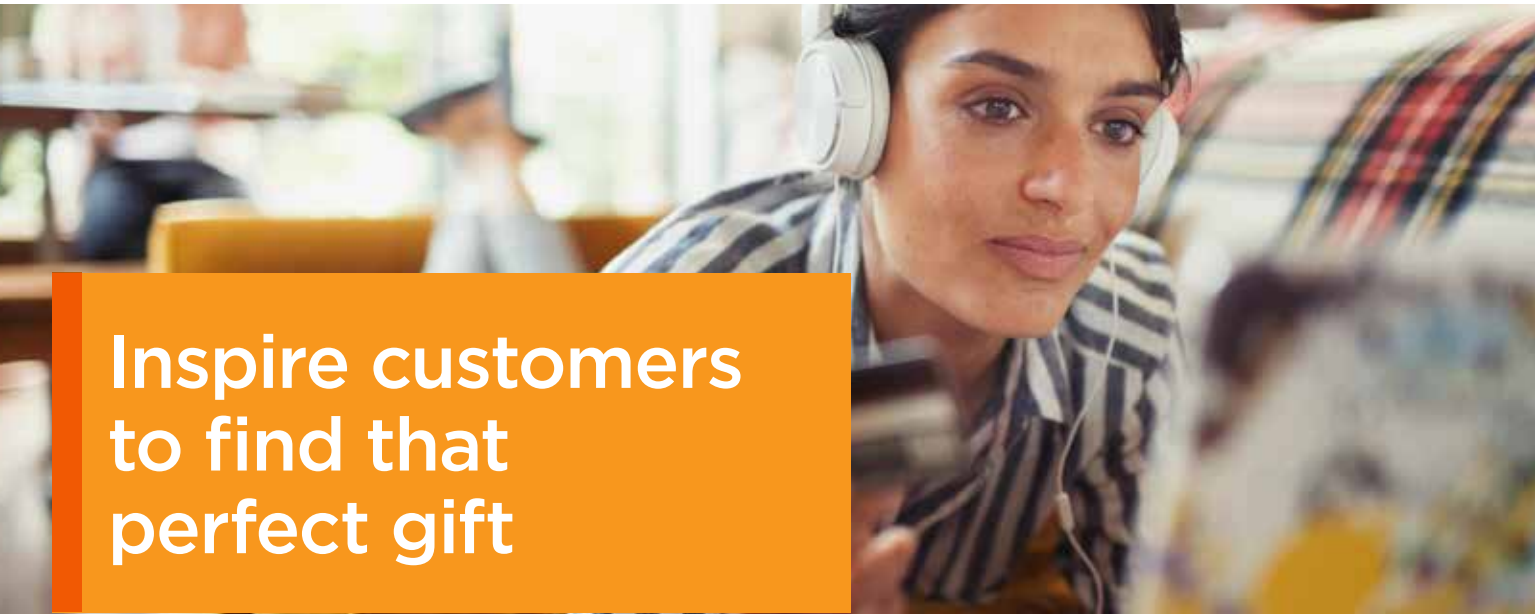

LEADING BRANDS BUILD LOYALTY THAT LASTS

DSW
overhauled their loyalty program to reward customers with better perks as they increase engagement with the retailer. The brand's tiered approach provides progressively better rewards that can also be shared with friends, extending the reach of the brand.[17]
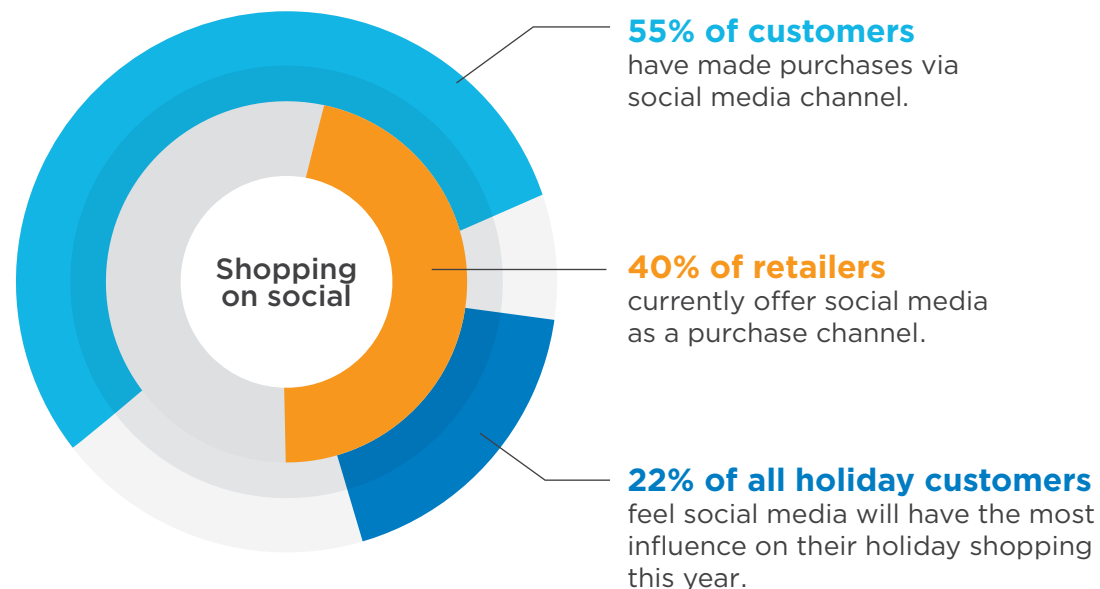
Inspire customers to find that perfect gift

Brands are providing new ways to introduce holiday customers to products and help them find the perfect present. Buzzy branded advent calendars, connected wish lists, and highly stylized gift guides curated around hobbies, life stage, psychographics, and more have become critical tools for customers trying to find the perfect gift.

- **Social media influences customers.**

  All platforms continue to see increased adoption, but Facebook is still the social platform customers look to most frequently for inspiration, followed closely by Pinterest and Instagram.[3]

- **Smarter technology helps connect customers to the perfect gift faster than ever.**

  Powered by artificial intelligence, machine learning, and predictive analytics, tools like chatbots and smart speakers are evolving to serve up better, more personalized product recommendations. After a few short, conversational questions, these tools connect customers with new brands, products, and services.

Social media's evolving role in holiday shopping[3]

Shopping on social

55% of customers
have made purchases via social media channel.

40% of retailers
currently offer social media as a purchase channel.

22% of all holiday customers
feel social media will have the most influence on their holiday shopping this year.

Customers look to a variety of sources for inspiration[3]

33% of holiday customers say they are likely to use gift guides, both online and off.

23% of customers use a wish list created by the recipient.

GET A HOLIDAY HEAD START

Help connect customers with the perfect gift through social media and evolving technology.

→ **DEVELOP**
a social media strategy that enables customers to start, and even complete, their journey via their preferred platform.

→ **CREATE**
compelling, curated gift guides, including guides by interest, price point, theme, and other psychographic elements.

→ **EXPLORE**
how new technologies, like voice commerce, fit into the customer's gift buying journey.

→ **WORK**
with partners invested in innovative machine learning techniques that will help your brand stay connected as customer behaviors evolve.

LEADING BRANDS HELP CUSTOMERS FIND THAT PERFECT GIFT

Kay Jewelers

enabled customers to interact with fine jewelry through a special Snapchat filter which allowed users to virtually try on necklaces via augmented reality.[18]

The new holiday calendar

Set your sights on the key holiday moments that matter

69% are on the **lookout for holiday gifts year-round.**[3]

JAN

FEB

MAR

24% have **already started their holiday shopping as of March.**[3]

APR

MAY

JUN

JUL
53M Americans **bought something on Amazon Prime Day** last year.[23]

AUG

SEPT

OCT
Some brands start sales before Halloween.

NOV

Holiday officially kicks off!

Thanksgiving Day e-commerce sales in the U.S. were **up 18% over last year.**

Black Friday and Cyber Monday set records for online shopping, with **$11.6B in sales over the holiday weekend.**[19, 24]

DEC

Christmas Day in-app purchases and subscriptions were **up 12% over last year.**[20]

**50%** were **finished shopping by December 3.**[21]

Nearly **60% shopped during the two weeks following** Christmas Day.[3]

Post-holiday sales continue to grow more prominent, with industry analysts finding 40% of customers saying they planned to shop post-holiday, up from 5% just five years ago.[22]

As you enter into the upcoming holiday season, now is the time to assess and re-evaluate your holiday game plan. The customer is the only channel that matters, and taking a holistic approach that considers their needs everywhere they choose to engage will help your brand drive deeper connections and build loyalty that will last all year and beyond.
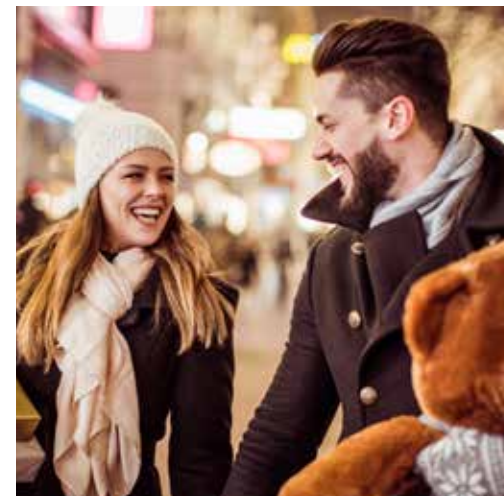
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The Alliance Data family of businesses

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