



November 9, 2012

## **Omnichannel retailing: Digital disruption and retailer opportunities**

**by Darrell Rigby, Kris Miller, Josh Chernoff and Suzanne Tager**

*E-commerce is this holiday season's growth engine, and mobile shopping is taking center stage. Innovation is the key to winning in this new digital world. After years of struggling to keep up with innovations by online-only retailers, traditional retailers are poised to fight back and gain share in the virtual marketplace. This issue reviews October sales performance and macroeconomic drivers, explores how digital technologies are changing consumers' shopping behaviors, and describes how traditional retailers are evolving to win in an increasingly omnichannel world. Bain continues to expect e-commerce growth of 16% and GAFO sales growth of 3.5% this holiday season, notwithstanding the impact of Hurricane Sandy.<sup>1</sup>*

### **Buoyed by strong consumer confidence, October same-store sales growth was healthy**

October sales continued the healthy momentum we have seen this year to date. Same-store sales for major retail chains excluding drugstores increased 5% over last year, according to the International Council of Shopping Centers' index. This compares favorably to the 4.1% growth we saw in October 2011 and reflects current consumer optimism. Same-store sales including drugstores grew just 2.3%, down from 3.7% a year ago (*Chart 1*).<sup>2</sup> Performance varied significantly across retailers, with Nordstrom, T. J. Maxx and Costco posting the fastest growth in the group, and drugstores reporting declines, largely due to the impact of generic drug introductions (*Chart 2*).

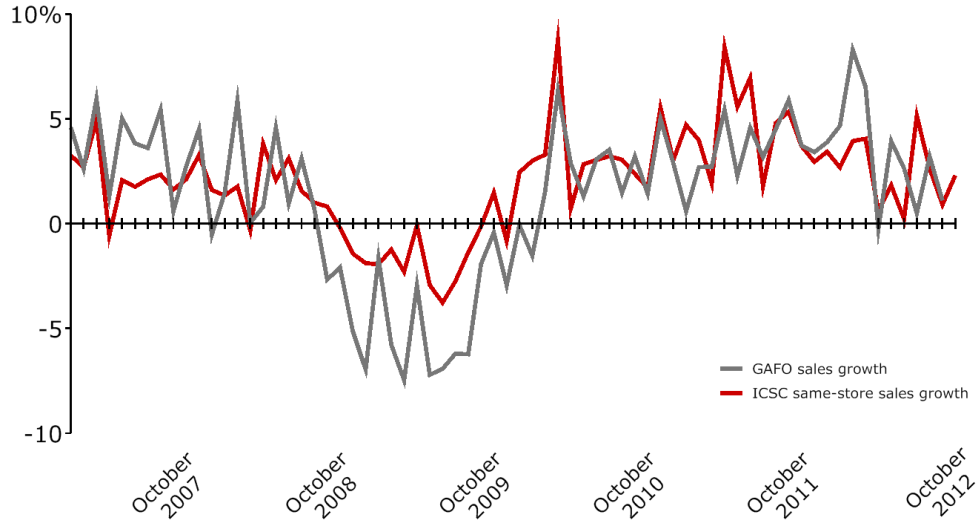
---

<sup>1</sup> See Chart A in the Appendix for definitions of GAFO and other sales measures.

<sup>2</sup> We will continue to watch same-store sales as an indicator of overall sales, but we should note that this metric may not be as relevant as it was a few years ago. Many retailers no longer report same-store sales: Just 19 today versus 50 in 2007. Most of those that have stopped reporting have done so to focus on long-term growth and to avoid stock price fluctuations in response to monthly comparable-sales numbers. Moreover, the retailers that still report use different definitions, making it difficult to compare results. For example, Dick's Sporting Goods and Nordstrom report same-store sales and e-commerce sales separately, while Target and Ralph Lauren report them together.

**Chart 1:**

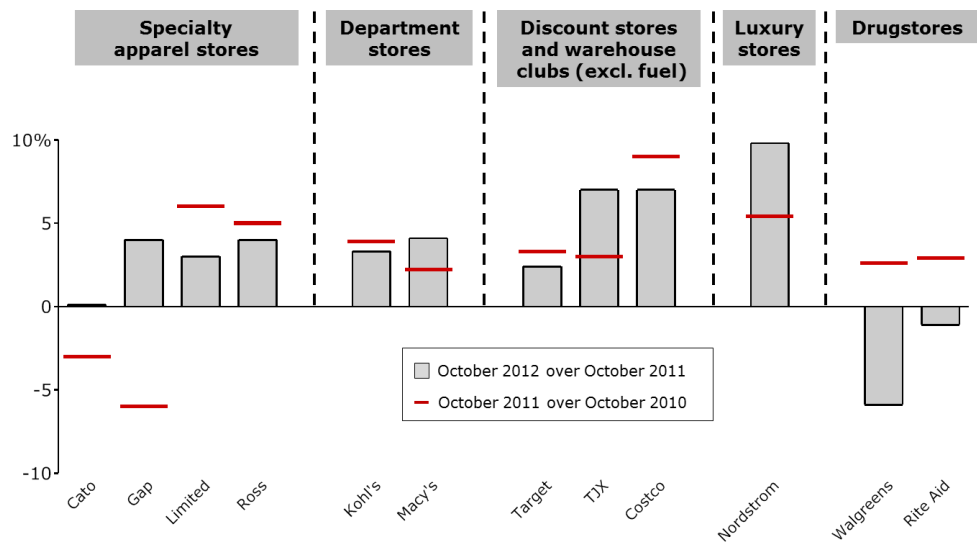
Change in ICSC same-store sales and GAFO sales, year over year, January 2007–October 2012



Note: Sales growth is compared to the same month in the previous year; GAFO sales data are available through August 2012; we used GAFS data for September 2012. We find a relatively strong correlation ( $R^2 = .7$ ) over the last five years between same-store sales and GAFO growth, but differences within individual months have been as much as 5 percentage points  
 Source: US Census Bureau; ICSC

**Chart 2:**

Growth in same-store sales, October 2010–October 2012



Source: ICSC

Consumer confidence remains at its highest level since before the recession. Both the Michigan Consumer Sentiment Index and the Consumer Confidence Index climbed 6% in October, an indication that shoppers are upbeat going into the holiday season. That optimism is supported by a number of positive indicators:

- A 9% decrease in average gas prices over the last month.
- Continued strength in the stock market. The S&P 500 Index is up 10% since the beginning of 2012 (despite the post-election drop we describe below).
- US employers added 171,000 jobs in October, more than the 125,000 jobs economists expected and above the monthly average of 155,000 between January and September.

But we've also seen further evidence of slow economic growth:

- Overall unemployment remains high at 7.9%, tempering the job-growth data (and our enthusiasm).<sup>3</sup>
- Nominal GDP grew 1.2% in the third quarter of 2012—higher than the 0.7% growth we saw in the second quarter but still anemic.
- Personal-consumption expenditures were up a solid 3.8% in September 2012 relative to September 2011, but growth was down from 5.4% in 2011 and 4.2% in 2010.
- The S&P 500 Index dipped 3.4% in the three days after the presidential election. Concerns about the potential impact of the “fiscal cliff” may move stock prices even lower in the coming months, which could erode confidence and influence holiday spending.<sup>4</sup> However, consumers' incomes won't be impacted by the fiscal cliff this November and December: Any potential effects would start in the new year.

We expect that optimistic consumers will drive GAFO sales to grow at a rate of 3.5% this holiday season, but we remain concerned about the state of the overall economy going into 2013.

### **It's a digital life**

Digital is the biggest disruption to hit the retail industry in the last 50 years. Online shopping, mobile devices and social networks are revolutionizing how consumers shop and what they expect, and how retailers operate. There are 32 million more smartphones in the hands of US shoppers this holiday season than a year ago and 34 million more tablets. With consumers researching products, reading reviews and comparing prices online, digital will influence more than 50% of all holiday retail sales, or about \$400 billion. According to a *Time* magazine poll, 80% of 18- to 24-year-olds and 50% of adult

---

<sup>3</sup> Total unemployment, including underemployed and discouraged workers, was 14.6% in October.

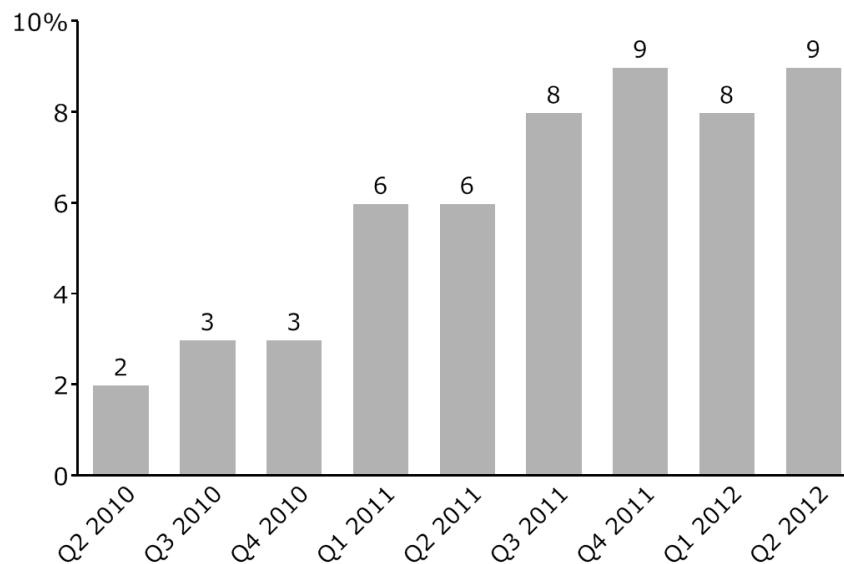
<sup>4</sup> We discussed the potential fiscal cliff impact in the first issue of our Retail Holiday Newsletter, published October 19, 2012. To access a copy, go to <http://resultsbrief.bain.com/pdfs/2012-bain-retail-holiday-newsletter-1.pdf>

Americans sleep with their phones next to their beds, and 20% check their phone every 10 minutes. In another survey, 20% of respondents admitted they would rather lose their wedding ring than their iPad. London’s Science Museum did a study in 2011 on what people “just couldn’t live without.” An Internet connection came in second, behind sunshine and ahead of clean drinking water!

A Google/Ipsos OTX holiday shopping study found that a whopping 80% of smartphone and tablet owners intend to use those devices while they shop for the holidays – to compare prices, research products, look for coupons, locate stores, consult with their friends and read reviews. Smartphone and tablet purchases grew to 9% of all online spending in the second quarter of this year, more than quadrupling in the last two years (*Chart 3*). At the end of September, Facebook began offering its new Gift app, which allows users to choose, ship and pay for real-world gifts. Given that Facebook reaches 1 billion active users globally, that’s an opportunity for a lot of gift giving.

**Chart 3:**

Purchases through smartphones and tablets  
as a share of e-commerce spending,  
Q2 2010–Q2 2012

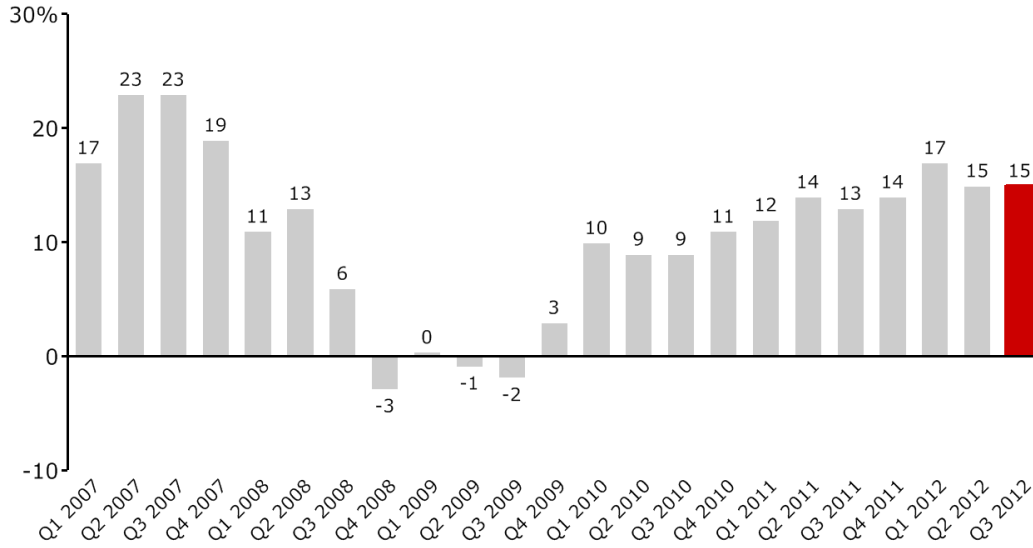


Source: comScore

Digital retail continues to drive overall sales growth. According to comScore, e-commerce sales totaled \$41.9 billion in the third quarter of this year, up 15% over last year and in line with 13% growth in the third quarter of 2011 (*Chart 4*). E-commerce is expected to comprise around 10% of total retail sales in the fourth quarter of 2012, up from 8.9% a year ago. However, online penetration varies widely by category, with consumer electronics estimated at 20%, apparel and accessories at 12% and grocery at 2% for the year (*Chart 5*). Bain is projecting that the momentum will continue through the holidays, and that e-commerce sales will grow 16% in November and December.

**Chart 4:**

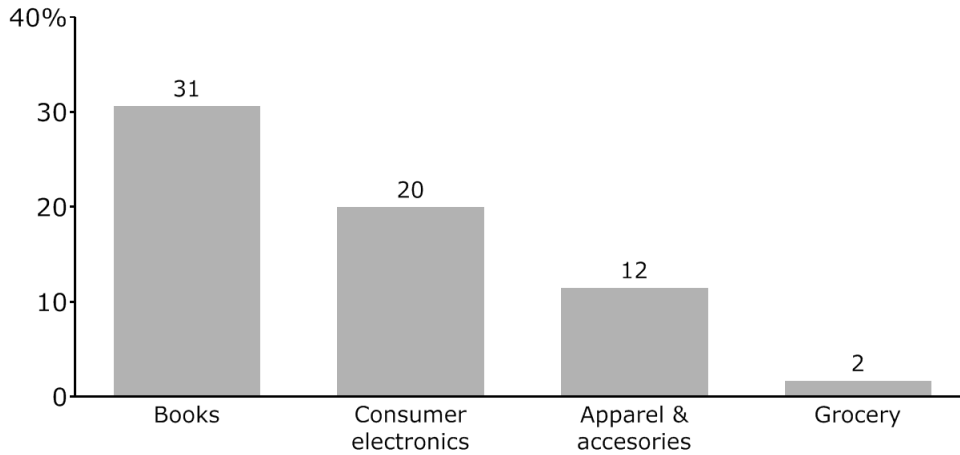
Year-over-year growth in e-commerce sales,  
Q1 2007–Q3 2012



Source: comScore

**Chart 5:**

Online channel share by category,  
2012 forecast



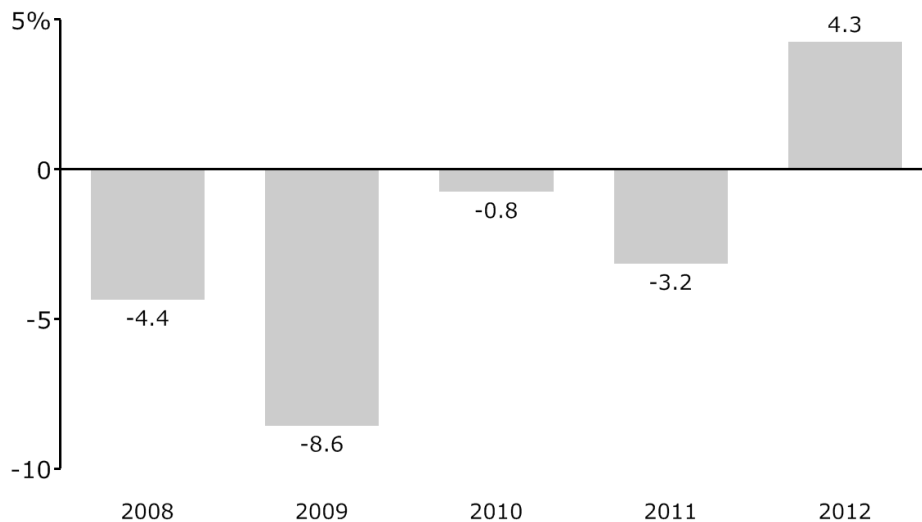
Note: Selected categories shown  
Source: Forrester

Omnichannel shopping, a seamless experience across various channels, is “happening” this holiday season: 51% of consumers intend to do their holiday shopping research online but buy in a store. And 32% will do their research online, visit stores to look at products they are thinking about buying and then go back online to make their purchases.<sup>5</sup> This is good news for traditional retailers. In Bain’s experience, omnichannel customers typically spend more than the average customer shopping through just one channel – sometimes up to 70% more.

Brick-and-mortar stores remain critical in the omnichannel world. When they are integrated into the omnichannel strategy and managed effectively, they can offer consumers advantages over online-only competitors. E-commerce may be taking share, but brick-and-mortar stores still account for approximately 90% of all retail purchases. To dig deeper into the role of stores, Bain teamed up with ShopperTrak to understand how foot traffic has changed since the recession.<sup>6</sup> After four years of declining traffic, we are finally seeing some rebound: Foot traffic is up 4.3% in 2012 to date (*Chart 6*). Still, this boost does not make up for the cumulative traffic loss of 16.1% from 2007 to 2011, and traffic remains far below prerecession levels.

**Chart 6:**

Annual change in foot traffic, 2008–2012



Note: 2012 figures are year to date; traffic growth reflects gains and losses in number of stores within the marketplace

Source: ShopperTrak

<sup>5</sup> These rates are from *Pre-Holiday 2012 Consumer Intentions* (Google/Ipsos OTX, October 2012).

<sup>6</sup> ShopperTrak ([www.shoppertrak.com](http://www.shoppertrak.com)) is a retail technology company that anonymously counts people, analyzes data and identifies opportunities to increase revenue for retailers, mall developers and entertainment venues. Founded in 1995, ShopperTrak counts billions of shoppers annually in more than 50,000 locations across 74 countries. The Chicago-based company has more than 200 employees with offices in England, Dubai, and China.

Bain also partnered with PollBuzzer to understand how shoppers intend to approach Thanksgiving weekend, traditionally the busiest shopping weekend of the year.<sup>7</sup> We surveyed approximately 900 consumers, and 51% of them told us they still intend to go to stores this Thanksgiving weekend; 29% said they intend to shop online only; and 20% said they don't intend to shop this Thanksgiving weekend. Among the most common reasons mentioned for visiting stores were better deals, being able to touch and feel products before buying them, browsing products, and wanting to partake in the holiday tradition. Consumers who plan to shop online only are doing so to avoid crowds and long lines, get better deals and compare prices, and research products and read reviews. Thanksgiving weekend will be the first true test for retailers this holiday season. The winners will find ways to delight shoppers both in stores and online.

### **'Tis the season for innovation**

Online-only retailers of all sizes are driving innovation in the industry. Amazon.com has revolutionized how consumers shop: The company has created a shopping experience that allows consumers to read product reviews, see recommendations, compare prices, check out with only one click, track orders and get free and quick shipping (*Chart 7*). eBay introduced online auctions, and Zappos.com, a company now owned by Amazon.com, proved that great service is possible online. Gilt Groupe brought shoppers daily flash sales; Groupon popularized local deals; and Pinterest has made shopping more social. From mobile payments (Square, Google Wallet, PayPal Here) to personal-shopping services (Trunk Club), online-only retailers continue to raise customers' expectations of their shopping experience.

Until recently, many traditional retailers have either ignored the need to innovate or struggled to keep pace with online innovation, lagging behind in online growth. Some continue to ignore the Amazon.com threat, despite forecasts that the company will grow its North American revenues 37%, to \$13.6 billion, in the fourth quarter of 2012, and take share from other retailers. We regularly hear three myths from many of these retailers:

- *Amazon.com doesn't have to make money.* Amazon.com has a long history of making investments behind innovations, and of tolerating the short-term share price fluctuations that follow those investments. More recently, Amazon.com has been investing heavily in building new fulfillment centers and developing new mobile devices and content. Although the company's profit margins have been thin over the last five years, it has posted an average return on investment of 14% over that period, higher than that of most retailers. Bain & Company research has found that revenue growth and return on invested capital are highly predictive of stock price growth (*Chart 8*).

---

<sup>7</sup> PollBuzzer™ ([www.pollbuzzer.com](http://www.pollbuzzer.com)) offers a real-time consumer opinion survey product. According to PollBuzzer, clients use demographic, geographic and socio-economic filters to build customized panels drawn from PollBuzzer's proprietary national respondent pool, build their own surveys using a do-it-yourself web interface, and receive Excel-formatted results in as little as one hour after launch (including full demographic profiles for each respondent and cross-tabs across questions).



**Chart 7:**

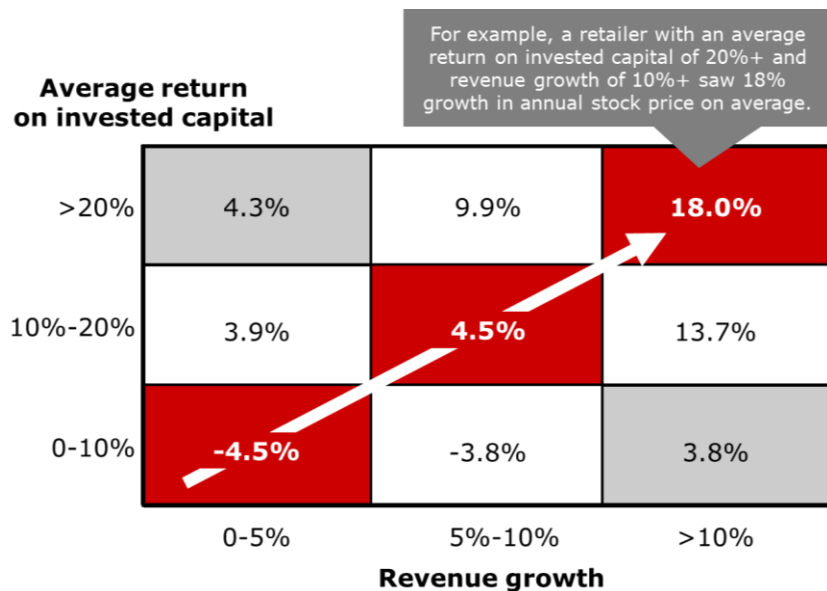
Amazon.com retail innovations, 1995–2011



Source: Amazon.com

**Chart 8:**

Annual stock price growth of retail companies



Note: Uses annual revenue, return on capital, and stock price data for 84 retailers for a 10 year period; the grid does not include companies with negative revenue growth or return on capital  
Source: Bain analysis



- *Amazon.com can't hurt us.* Over the years, Amazon.com has expanded from books and other media to a broad range of product categories and geographies. The company often enters a new category using third-party retailers to manage expansion risk and reduce the need for incremental investment. Amazon.com also uses third-party retailers to determine which products have the highest profitability and then sources those products directly from manufacturers. Today, little seems to be out of Amazon.com's reach. The company has even taken on clothing and shoes, products that customers often want to see, touch and try on before making a purchase.
- *Once Amazon.com's tax advantage goes away, we'll be fine.* Amazon.com now collects sales tax in eight states, including some of the most populous states (California, New York and Texas). It will start collecting taxes in at least two additional states in 2013 and in three more in 2014. But that won't eliminate the company's pricing advantage. Amazon.com uses its scale to get significant discounts, and it uses profits from its third-party business to help fund its investments. Wells Fargo analysis found that the company has a 10% price advantage over Bed Bath & Beyond and an 8% price advantage over Williams-Sonoma – even after taxes. In addition, Amazon.com is betting that it will be able to offset its eroding tax advantage with cheaper and faster deliveries – and it has made significant investments in its supply chain to enable this advantage. Amazon already offers next-day service, and its new fulfillment centers may enable same-day delivery in certain markets this holiday season.

Some traditional retailers have started to fight back and win share online. In the second quarter of 2012, Amazon.com grew its North American revenues 36%, and eBay saw the gross value of its merchandise go up 14%. Several traditional retailers did as well or better over the same period: Dick's Sporting Goods grew its online sales by 35%, Macy's by 36%, Kohl's by 39% and Nordstrom by 40%. To achieve these growth rates, traditional retailers have embraced the best of both worlds, creating a seamless omnichannel experience for their customers.

Successful omnichannel retailers do five things especially well, and evidence of all five is on display this holiday season:

### **1. Develop a compelling and credible omnichannel vision.**

- *Think revolution, not evolution.* Retailers must create a compelling vision for why they will thrive – not just survive – in the new world that is digital retailing. For example, Nordstrom is pursuing a vision to create the best-in-class customer experience across all channels. Its stores have long been famous for their exceptional service, and the retailer is now investing in revolutionizing its online customer service and extending its lead in stores. As a result, the shopping experience will be different at Nordstrom this holiday season. Salespeople will use mobile point-of-sale devices to make checking out faster in stores. Shoppers will be able to browse Nordstrom's website more intuitively, check their local store inventory online and elect to pick up their purchases at a store or have

them shipped for free. They also will be able to use Nordstrom's new iPad application to create looks by putting together different products in their "Dressing Room" and then share their looks on Facebook, making holiday shopping both convenient and fun.

- *Understand omnichannel customer experience paths.* The way customers shop is rapidly evolving, and so is the way retailers communicate with them. Stores, websites, apps, Facebook, Twitter, Pinterest . . . the list keeps growing. Individual customers want different experiences through various channels. Retailers need to present their brand consistently, but they also have to build their omnichannel experience to meet their target customers' needs. Williams-Sonoma is a case in point. The retailer spent two years building a sophisticated customer database using data ranging from demographics and purchase history to the time of day people shop and the products they've considered but did not buy. Now it is using this rich data to better meet individual consumers' needs. This holiday season, shoppers can expect to receive marketing offers tailored to their preferences and to get personalized content when they visit the retailer's website. Williams-Sonoma already has seen encouraging results from its efforts. According to the company's CIO, John Strain, right now only 8% of the company's emails have targeted content, but they drive 32% of sales.

## 2. Make the tough strategic and operating decisions now.

- *Invest in getting the merchandise and pricing right.* Online-only retailers have long used their cost advantage to undercut traditional retailers' prices. This holiday season, traditional retailers are fighting back by increasing their private-label and exclusive merchandise:
  - Kohl's grew its private-label and exclusive business from 25% of sales in 2004 to more than 50% in 2011. Kohl's is partnering with designer Narciso Rodriguez to create another exclusive line for the holidays.
  - Neiman Marcus and Target have taken exclusives to the next level: They are partnering with 24 American designers on an exclusive holiday collection.

Some retailers are also matching prices of online-only retailers to fight showrooming—checking out a product in a store and then buying it online:

- Target has announced it will match pricing on Amazon.com, Walmart.com, BestBuy.com, ToysRUs.com and BabiesRUs.com this year from November 1 to December 16.
  - Best Buy also has started matching the prices of a broad set of online retailers, but it plans to suspend the practice over Thanksgiving weekend and on Cyber Monday.
- *Create the best of both worlds.* Omnichannel winners will make every channel best in class, integrate them seamlessly and strike a good balance among them. Some retailers have gone too far in aligning inventory and messages across their

channels, but J.Crew has found a way to align the brand experience while still differentiating across channels. The retailer offers a broader product assortment online, including online exclusives, an extensive wedding collection and extended apparel and footwear sizes. The Body Shop is another retailer with aligned brand experiences, but differentiated channels. It redesigned its stores to feature a “story selling” table, where customers can receive hand massages and experiment with products. It also offers individualized online promotions to shoppers based on their browsing history. At the same time, the retailer keeps channels integrated through consistent messaging of its core values (human rights protection and environmental conservation) and through its operations, enabling services like in-store returns of online purchases.

- *Embrace social, mobile and local.* Social media and mobile and local tools create opportunities for innovation across all core functions – marketing, merchandising, sales, pricing and promotion, and customer service. These efforts make shopping more convenient and fun, driving traffic and loyalty. They also can foster efficiencies. Here are a few examples:
  - *Social.* Burberry was one of the first traditional brands to adopt social as a way of doing business – both externally, with customers, and internally, within the company. The brand unveiled its 2012 collection on Twitter and Instagram right before it hit the runway, and streamed the show live on its YouTube channel. Its social presence has grown to more than 1 million followers on Twitter and more than 14 million on Facebook. Burberry is the most followed luxury retailer on Instagram and Facebook. The company uses Salesforce.com’s Radian6 platform to “listen” to what customers are sharing through social media and to react quickly to service issues and other feedback. Burberry also uses Salesforce.com’s Chatter platform for internal communications. In fact, Angela Ahrendts, Burberry’s CEO, often posts messages to the organization using Chatter.
  - *Mobile.* Mobile commerce is on the rise, and traditional and online-only retailers increasingly are investing in mobile-optimized websites and applications. Today, 141 of the top 300 retailers offer at least a mobile site and one mobile application. In the third quarter of this year, more than 800,000 new users made their first eBay purchase on mobile devices, and downloads of eBay mobile apps topped 100 million globally. Mobile apps cover a broad range of tools:
    - *Extending store reach:* Peapod, the online division of Ahold USA, has set up billboards in commuter rail stations. Shoppers can use their mobile devices to scan barcodes for grocery items and have them delivered. More than 30% of Peapod orders are made on mobile devices.
    - *Delivering mobile discounts:* Grocers like Dominick’s and Meijer have integrated their loyalty programs into their mobile apps and use them to deliver mobile coupons to shoppers.

- *Locating products in stores:* Nobody should feel lost at The Home Depot or Ikea. These retailers have partnered with Google Maps to provide shoppers with store maps and navigation.
  - *Solving stock-outs:* Customers worried about their local Target store running out of this season's hottest toys can rest easy: Shoppers can scan QR codes for the top 20 toys and buy them online in case they are sold out in the store.
  - *Enabling self-checkout:* Walmart is testing iPhone-enabled self-checkout. Walmart's app already allows shoppers to create lists and see which products are in stock.
- *Local.* Geofencing and access to inventory at local stores are some of the most important local tools. Traditional retailers have embraced these tools primarily to drive store traffic and conversion:
- North Face uses geofencing to offer deals or information on in-store events to consumers near their stores or near parks and ski resorts where people are more likely to be using North Face products.
  - T. J. Maxx ran a mobile campaign in which consumers who clicked on ads were directed to the nearest store and store-specific promotions.
  - eBay is piloting a new app, eBay Now, in San Francisco. The app lets shoppers access the inventory of around 200 local stores, order a product, and get it delivered in as little as an hour. It has a \$25 order minimum and a flat \$5 delivery fee. The Bain team tested the service by purchasing chocolates from Walgreens. The app assigned us a valet, who sent us updates on her progress and was available by phone throughout the 60-minute delivery. Valets are available for all types of purchases. They will deliver a jacket to a windy beach, or even bring snacks to an outdoor park. If San Francisco shoppers forget party hats on New Year's Eve, eBay Now could prove very convenient!

Time will tell which of these innovations will end up being successful, and which ones will evolve further into new tools. One thing is certain: Retailers are accelerating the pace of innovation, and innovative experiences will be on display this holiday season.

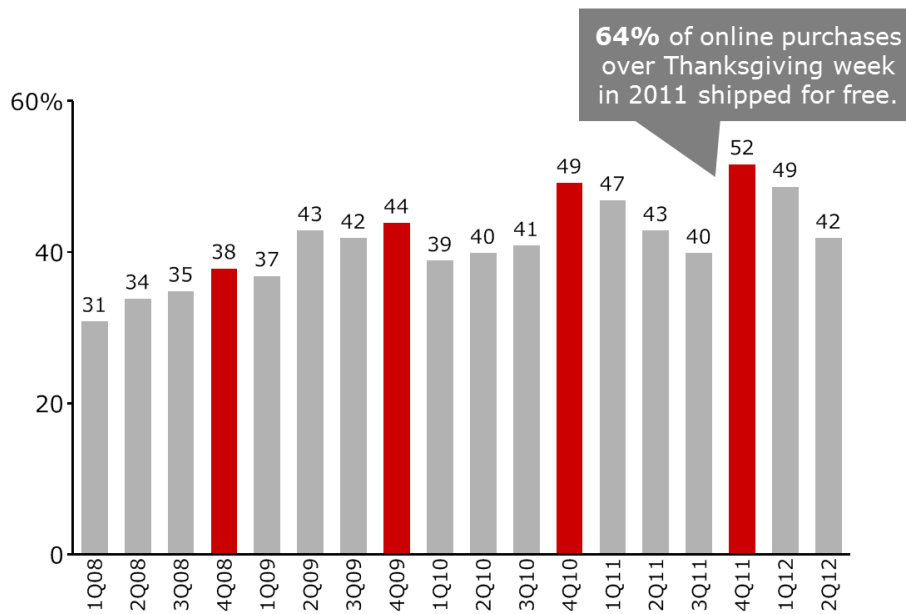
### 3. Build infrastructure and capabilities.

- *Create a flexible fulfillment infrastructure to compete on delivery.* Flexible fulfillment is becoming more and more important for traditional retailers. It entails setting up operations to get products to customers quickly and efficiently. Some traditional retailers are leveraging their stores as distribution centers to expedite shipment of online orders. Macy's plans to draw from inventory in 292 stores to fulfill online orders during the holidays when products are out of stock at the company's fulfillment centers. Walmart is piloting same-day delivery in select markets, shipping products directly from stores through a partnership with UPS.

Free shipping is everywhere this holiday season. According to Shop.org's eHoliday Study, 90% of retailers plan to offer some form of free shipping this month and next—37% plan to offer free standard shipping with conditions (for example, a minimum purchase), 30% will offer free standard shipping without conditions, and 23% already offer free shipping year-round. Of the 23% that regularly offer free shipping, some do it without conditions (for example, Nordstrom and Bonobos), some offer it only to customers participating in loyalty programs (Target), and some offer it only for orders exceeding a certain value (Macy's). Since 2008, free shipping has steadily become more common, particularly during the holidays (Chart 9). In 2011, a whopping 64% of all online purchases during the Thanksgiving weekend were shipped for free.

**Chart 9:**

Free shipping as a percentage of total e-commerce transactions, Q1 2008–Q2 2012



Note: Based on retail spending, excluding travel auctions and large corporate purchases; includes transactions that required a certain minimum-dollar spend to qualify for free shipping

Source: comScore

- *Invest in information technology infrastructure and give the Chief Information Officer a seat at the table.* Information technology makes the omnichannel customer experience possible. It is “mission critical” to get it right both in stores and behind the scenes. Aéropostale recently opened a new high-tech store in New Jersey to drive higher conversion and spend by encouraging teens to spend more time in the store. The store offers iPads for scanning products, reading reviews and running a build-your-own-outfit guide that shoppers can use on their own or with the help of an associate. Macy's and Nordstrom have integrated in-store

and online inventory systems. JCPenney is rolling out Wi-Fi in its stores and moving to radio-frequency identification (RFID) ticketing and mobile checkout – investments that should both increase shoppers’ convenience and drive down operating costs. Omnichannel winners will continue investing in the information technology systems they need to transform their business and infuse world-class talent into their digital organizations.

#### 4. Align the organization.

- *Clarify where and how critical decisions are made across channels.* Who decides what merchandise should be carried in stores and what should be carried online? How are markdowns and promotions decided across channels? Who crafts email messages, and how do they relate to longer-term marketing campaigns? Who owns the customer relationship? The complexity of these decisions means that retailers that manage their online channel as though it is just another store have seen limited success. Marketing, merchandising and pricing across channels represent some of the most important omnichannel decisions. Employee incentives and performance metrics need to reflect the blurring lines between channels, and should encourage workers to drive both in-store and online sales. If a consumer buys an item online and picks it up in a store, which channel gets the credit? If a product is out of stock in a store and a sales associate orders the product online for delivery to the customer’s home, how is that sale accounted for? These decisions are critical, especially for retailers that will have a large share of online orders picked up in stores over the holidays. For example, more than 50% of Walmart.com and more than 40% of BestBuy.com purchases are picked up at stores.
- *Empower the front line.* Traditional retailers need to invest in their sales associates to deliver peak customer experiences in stores and online. Lowe’s recently equipped its employees with over 42,000 iPhones, complete with point-of-sale systems and apps designed to enhance the shopping experience. Sales associates can use their iPhones to look up inventory at their store and other local stores, and to check competitors’ prices. They can also share how-to videos with customers, and access online tools to answer shoppers’ questions, like “How much paint do I need to paint a 12-foot by 10-foot room?” Consumers can complete purchases or order products online directly with a sales associate, avoiding the need to wait in line.

#### 5. Manage the transformation.

- *Create a culture of innovation.* Most traditional retailers struggle to infuse innovation into their cultures. Winning omnichannel retailers need to build a test-and-learn innovation process to keep improving the customer experience as new technologies become available. They need to prioritize customers’ needs, scan for emerging trends and identify new opportunities. Some retailers have built innovation teams as a way to achieve these goals. For example, Walmart made several acquisitions of innovative companies and started @WalmartLabs to create new platforms and products around social and mobile commerce. Among



@WalmartLabs' products are an iPhone app that provides in-store aisle location information and allows consumers to make shopping lists, and an iPad app that serves up local-store specials to shoppers.

Omnichannel retailing is hard and disruptive – and critical to get right. This holiday season, and beyond, omnichannel capabilities will separate winners from losers. We look forward to discussing in future issues more examples of the innovations retailers are making to build their omnichannel capabilities and delight shoppers.

**Next issue: Thanksgiving recap and lessons learned**

We are fast approaching the holidays. Our next issue will recap Thanksgiving weekend traffic and sales. It also will examine the strategies retailers used to attract shoppers to their stores and websites, and discuss implications for the rest of the holiday season.

**Newsletter schedule**

Our next newsletter will be released in late November, with a new issue every two to three weeks through the holiday season (*Chart 10*). This schedule allows us to incorporate newly released holiday forecasts and performance data in a timely manner. Please let us know if you have any questions or suggestions for additional analysis or would like to arrange a follow-up discussion on omnichannel trends or the macro-economic outlook.

**Chart 10:**

Indicator update and newsletter schedule

Data source	Nov			Dec				Jan			
	5-11	12-18	19-25	26-2	3-9	10-16	17-23	24-30	31-6	7-13	14-20
US Census Advance Retail Sales (GAFS/GAFO)		▲ (11/14)				▲ (12/13)					▲ (1/15)
ICSC Monthly Same Store Sales			▲ (11/29)						▲ (1/3)		
Michigan Consumer Sentiment		▲ (11/21)				▲ (12/21)					
Consumer Confidence Index			▲ (11/27)				▲ (12/27)				
BEA Gross Domestic Product			▲ (11/29)			▲ (12/20)					
BEA Personal Income and Outlays			▲ (11/30)			▲ (12/21)					
Holidays			▲ <i>Thanksgiving (11/22)</i>			▲ <i>Christmas (Tue)</i>					
Bain Retail Holiday Newsletter (tentative)	★		★			★					★



## Appendix

### Chart A:

#### Definitions

	GAFO	GAFS	GAF	Nonauto retail sales
General merchandise stores	✓	✓	✓	✓
Clothing and clothing accessories stores	✓	✓	✓	✓
Furniture and home furnishings stores	✓	✓	✓	✓
Electronics and appliances stores	✓	✓		✓
Sporting goods, hobby, book and music stores	✓	✓		✓
Office supplies, stationery and gift stores	✓			✓
All other retail trade sales not included in GAFO (excluding auto and auto parts)				✓
Auto and auto parts sales				

## Selected References

Bain & Company has included in this document information and analyses based on the sources referenced below as well as our own research and experience. Bain has not independently verified this information and makes no representation or warranty, express or implied, that such information is accurate or complete. Projected market and financial information, analyses and conclusions contained herein are based (unless sourced otherwise) on the information described above, and Bain's judgments should not be construed as definitive forecasts or guarantees of future performance or results. Neither Bain & Company nor any of its subsidiaries or their respective officers, directors, shareholders, employees or agents accept any responsibility or liability with respect to this document.

Adams, Steve. "Online Grocery Delivery Service Lets You Place Order While Waiting for Train." PatriotLedger.com, October 11, 2012. (<http://www.patriotledger.com/business/x493269495/Online-grocery-delivery-service-lets-you-place-order-while-waiting-for-train>)

Amazon.com. "Form 10-Q for the Quarterly Period Ended September 30, 2012." October 26, 2012.

Baker, Liana B., and Gerry Shih. "Facebook Crosses Billion Threshold, on Quest for Growth." Reuters, October 5, 2012. (<http://in.reuters.com/article/2012/10/04/facebook-billion-users-idINDEE89307P20121004>)

Banjo, Shelly. "Wal-Mart Is Testing Mobile Checkout." WSJ.com, September 3, 2012.

"BBBY vs. AMZN: Our Analysis of 5,000 Key SKUs." Wells Fargo Equity Research, July 11, 2012.

Bensinger, Greg, and John Letzing. "Amazon Swings to Loss." WSJ.com, October 25, 2012.

"Burberry's Digital Activism." Enders Analysis, August 2012.

Bureau of Labor Statistics. "The Employment Situation – October 2012." Economic news release (<http://www.bls.gov/news.release/empst.nr0.htm>), November 2, 2012.

Burritt, Chris. "Lowe's Upgrades Website, Adds 42,000 iPhones to Spur Sales." Bloomberg.com, September 8, 2012. (<http://www.bloomberg.com/news/2011-09-08/lowe-s-upgrades-website-to-spur-sales-at-iphone-equipped-stores.html>)

Claburn, Thomas. "Lowe's Bets Big on Mobile." Information Week, September 12, 2012. (<http://www.informationweek.com/global-cio/interviews/lowes-bets-big-on-mobile/240006818>)

Clifford, Stephanie. "Luring Online Shoppers Offline." NYTimes.com, July 5, 2012. ([http://www.nytimes.com/2012/07/05/business/retailers-lure-online-shoppers-offline.html?\\_r=0](http://www.nytimes.com/2012/07/05/business/retailers-lure-online-shoppers-offline.html?_r=0))

Clifford, Stephanie. "Nordstrom Links Online Inventory to Real World." NYTimes.com, August 23, 2010. ([http://www.nytimes.com/2010/08/24/business/24shop.html?\\_r=1&ref=business](http://www.nytimes.com/2010/08/24/business/24shop.html?_r=1&ref=business))

Clumsy Rick. "Best Buy: Multi-Channel Growth Set to Accelerate." Seeking Alpha, April 15, 2011. (<http://seekingalpha.com/article/263692-best-buy-multi-channel-growth-set-to-accelerate>)

comScore. "comScore Reports August 2012 U.S. Mobile Subscriber Market Share." Press release ([http://www.comscore.com/Press\\_Events/Press\\_Releases/2012/10/comScore\\_Reports\\_August\\_2012\\_U.S.\\_Mobile\\_Subscriber\\_Market\\_Share](http://www.comscore.com/Press_Events/Press_Releases/2012/10/comScore_Reports_August_2012_U.S._Mobile_Subscriber_Market_Share)), October 1, 2012.

comScore. "comScore Reports September 2012 U.S. Mobile Subscriber Market Share." Press release ([http://www.comscore.com/Insights/Press\\_Releases/2012/11/comScore\\_Reports\\_September\\_2012\\_U.S.\\_Mobile\\_Subscriber\\_Market\\_Share](http://www.comscore.com/Insights/Press_Releases/2012/11/comScore_Reports_September_2012_U.S._Mobile_Subscriber_Market_Share)), November 2, 2012.

comScore. "Free Shipping Day Punctuates Heavy Week of Online Holiday Shopping as Four Individual Days Eclipse \$1 Billion in Spending and Season-to-Date Exceeds \$30 Billion." Press release ([http://www.comscore.com/Insights/Press\\_Releases/2011/12/Free\\_Shipping\\_Day\\_Punctuates\\_Heavy\\_Week\\_of\\_Online\\_Holiday\\_Shopping](http://www.comscore.com/Insights/Press_Releases/2011/12/Free_Shipping_Day_Punctuates_Heavy_Week_of_Online_Holiday_Shopping)), December 18, 2011.

Conniff, Megan. "Customer Service Is Changing, and So Is Nordstrom." *blog.shop.org* (<http://blog.shop.org/2012/09/12/customer-service-is-changing-and-so-is-nordstrom/>), September 12, 2012.

Dick's Sporting Goods. "Form 10-Q for the Quarterly Period Ended July 28, 2012." August 23, 2012.

"Dick's Sporting Goods' CEO Discusses Q2 2012 Results – Earnings Call Transcript." Seeking Alpha, August 14, 2012. (<http://seekingalpha.com/article/807821-dick-s-sporting-goods-ceo-discusses-q2-2012-results-earnings-call-transcript>)

D'Innocenzio, Anne. "Walmart Tests Same-Day Delivery Service." *Boston Globe*, October 10, 2012. Available at <http://www.bostonglobe.com/business/2012/10/09/walmart-tests-same-day-delivery-for-holidays/TnY6fHb0Y6bfYSPg0qj80O/story.html> (accessed November 8, 2012).

Edelson, Sharon. "Aéropostale Unveils High-Tech Retail Prototype." *Women's Wear Daily*, October 19, 2012.

Facebook. "Introducing Facebook Gifts." Press release (<http://newsroom.fb.com/News/445/Introducing-Facebook-Gifts>), September 27, 2012.

"Feeling Flush." Science Museum (London), September 13, 2011. Available at [http://www.sciencemuseum.org.uk/about\\_us/press\\_and\\_media/press\\_releases/2011/09/Feeling%20Flush.aspx](http://www.sciencemuseum.org.uk/about_us/press_and_media/press_releases/2011/09/Feeling%20Flush.aspx) (accessed November 7, 2012).

Felix, Samantha. "The 20 Most-Liked Facebook Companies Ever." Business Insider, August 17, 2012. (<http://www.businessinsider.com/the-20-most-liked-companies-on-facebook-2012-8?op=1>)

Felix, Samantha. "Meet the 10 Most Followed Companies on Instagram – Ever." Business Insider, October 18, 2012. (<http://www.businessinsider.com/the-10-most-followed-companies-on-instagram-2012-10?op=1>)

Forrester. "Online Retail Forecast, 2011–2016." January 2012.

Freeman, Kate. "These Business Travelers Would Sacrifice a Lot for Their iPads." Mashable, September 18, 2012. (<http://mashable.com/2012/09/18/business-travelers-sacrifice-ipads/>)

Fulgoni, Gian, and Andrew Lipsman. "State of the U.S. Online Retail Economy in Q2 2012." comScore Webinar ([http://www.comscore.com/Insights/Presentations\\_and\\_Whitepapers/2012/The\\_State\\_of\\_the\\_U.S.\\_Online\\_Retail\\_Economy\\_in\\_Q2\\_2012](http://www.comscore.com/Insights/Presentations_and_Whitepapers/2012/The_State_of_the_U.S._Online_Retail_Economy_in_Q2_2012)), August 14, 2012.

Gibbs, Nancy. "Your Life Is Fully Mobile." *Time*, August 27, 2012. Available at <http://techland.time.com/2012/08/16/your-life-is-fully-mobile/> (accessed November 7, 2012).

Google/Ipsos OTX. *Pre-Holiday 2012 Consumer Intentions*. October 2012. (<http://www.thinkwithgoogle.com/insights/uploads/940933.pdf>)

"Ikea Helps Customers Find Their Way with Indoor Google Maps." Google Case Study, 2012. ([http://static.googleusercontent.com/external\\_content/untrusted\\_dlcp/maps.google.com/en/us/help/maps/indoormaps/assets/casestudies/ikea-ca-20120622.pdf](http://static.googleusercontent.com/external_content/untrusted_dlcp/maps.google.com/en/us/help/maps/indoormaps/assets/casestudies/ikea-ca-20120622.pdf))

International Council of Shopping Centers. *ICSC Chain Store Sales Trends*. November 5, 2012.

Johnson, Lauren. "47 Percent of Top Retailers Have a Mobile Site and App: Study." Mobile Commerce Daily, October 19, 2012. (<http://www.mobilecommercedaily.com/47-percent-of-top-retailers-have-a-mobile-site-and-app-study>)

Johnson, Lauren. "T. J. Maxx Relies on Targeted Mobile Ads to Drive In-Store Sales." Mobile Commerce Daily, June 4, 2012. (<http://www.mobilecommercedaily.com/t-j-maxx-relies-on-targeted-mobile-ads-to-drive-in-store-sales>)

Jopson, Barney. "Amazon Robo-Pricing Sparks Fear." FT.com, July 8, 2012.

Kats, Rimma. "Target Bolsters In-Store Sales Via Location-Based Rewards App." Mobile Commerce Daily, May 25, 2012. (<http://www.mobilecommercedaily.com/target-bolsters-in-store-sales-via-location-based-rewards-app>)

Katz, Ian. "Labor Department Says Hurricane May Affect Jobs Report." Bloomberg Businessweek, October 29, 2012. (<http://www.businessweek.com/news/2012-10-29/labor-department-says-hurricane-may-affect-jobs-report>)

Kohl's. "Form 10-Q for the Quarterly Period Ended July 28, 2012." August 31, 2012.

Kowitt, Beth. "Burberry's Angela Ahrendts: High Tech's Fashion Model." CNNMoney, June 5, 2012. (<http://tech.fortune.cnn.com/2012/06/05/burberry-angela-ahrendts/>)

Li, Shan. "Target, Neiman Marcus Unveil Holiday Collection with Top Designers." LATimes.com, October 17, 2012. (<http://www.latimes.com/business/money/la-fi-mo-target-neiman-marcus-holiday-20121017,0,1974114.story>)

Macy's. "Form 10-Q for the Quarterly Period Ended July 28, 2012." September 4, 2012.

"Market Equity Prices." Bloomberg.com, October 9, 2012.

Mattioli, Dana. "Macy's Recoups in Warehouse Wars." WSJ.com, May 14, 2012.

Mattioli, Dana, and Miguel Bustillo. "Can Texting Save Stores?" WSJ.com, May 8, 2012. (<http://online.wsj.com/article/SB10001424052702303978104577362403804858504.html>)

Moin, David. "Penney's New Look to Include Joe Fresh." *Women's Wear Daily*, July 25, 2012.

Nordstrom. "Form 10-Q for the Quarterly Period Ended July 28, 2012." August 27, 2012.

O'Brien, Terrence. "Walmart Testing 'Scan & Go' iPhone Self-Checkout App, Cashiers Becoming Endangered Species." Engadget, August 31, 2012. (<http://www.engadget.com/2012/08/31/walmart-testing-scan-and-go-iphone-self-checkout-app-cashiers-b/>)

Perloth, Nicole. "eBay's Focus on Mobile Apps Helps Lifts Revenue 15%." NYTimes.com, October 17, 2012. (<http://www.nytimes.com/2012/10/18/technology/revenue-and-profit-are-up-at-ebay.html>)

Peterson, Kristina. "Politicians Use Jobs Report to Make Their Cases." WSJ.com, November 2, 2012.

"Primed for Upside, Transferring Coverage with a Buy Rating." Deutsche Bank Markets Research, September 20, 2012.

"Pulse Boutique." The Body Shop, 2012. (<http://www.thebodyshop.com.au/Content.aspx?Id=266>)

Ralph Lauren. "Form 10-Q for the Quarterly Period Ended June 30, 2012." August 9, 2012.

Rancilio, Alicia. "Rodriguez's Celeb Friends Kick Off Kohl's Launch." Yahoo! Finance, October 23, 2012. (<http://finance.yahoo.com/news/rodriguez-s-celeb-friends-kick-off-kohls-launch-152705744.html>)

"Ratio Comparisons." OneSource, October 26, 2012.

Rueter, Thad. "Amazon Will Build Two Fulfillment Centers in California." Internet Retailer, May 4, 2012. (<http://www.internetretailer.com/2012/05/04/amazon-will-build-two-fulfillment-centers-california>)

Sansonetti, Cheryl. "The Retailer's Definitive Guide to m-Commerce Success." 5th Finger, May 2012. Available at [http://www.nrf.com/modules.php?name=News&op=viewlive&sp\\_id=1371](http://www.nrf.com/modules.php?name=News&op=viewlive&sp_id=1371) (accessed November 8, 2012).

Seebacher, Noreen. "Williams-Sonoma Relies on Relevance." All Analytics, October 12, 2012. ([http://www.allanalytics.com/author.asp?section\\_id=2220&doc\\_id=252232](http://www.allanalytics.com/author.asp?section_id=2220&doc_id=252232))

Sehgal, Vikram. "Forrester Research Web-Influenced Retail Sales Forecast, 2011 to 2016 (US)." Forrester, April 27, 2012.

Shahani, Aarti. "California Sales Tax Faces Enforcement Hurdle." *Morning Edition* (NPR), September 14, 2012. (<http://www.npr.org/2012/09/14/161083090/california-online-sales-tax-faces-enforcement-hurdle>)

Shop.org. "Online Retailers Plan to Ramp Up Free Shipping, Online Promotions This Holiday Season, According to Shop.org." Press release (<http://www.shop.org/press/20121024>), October 24, 2012.

Smith, Steve. "Can Walmart Beat In-Store Apps at Their Own Game?" *MoBlog*, June 4, 2012. (<http://www.mediapost.com/publications/article/176024/can-walmart-beat-in-store-apps-at-their-own-game.html>)

Solsman, Joan. "Best Buy Limits First Foray into Online Price Matching." WSJ.com, October 12, 2012.

Somerville, Heather. "Walmart, eBay Face Challenges with Same-Day Delivery." MercuryNews.com, October 21, 2012. ([http://www.mercurynews.com/business/ci\\_21801869/walmart-ebay-face-challenges-same-day-delivery](http://www.mercurynews.com/business/ci_21801869/walmart-ebay-face-challenges-same-day-delivery))

Steigrad, Alexandra. "As Defectors Mount, Comps Lose Relevance." *Women's Wear Daily*, October 5, 2012.

Target. "Form 10-Q for the Quarterly Period Ended July 28, 2012." August 23, 2012.

The Conference Board. "The Conference Board Consumer Confidence Index Increases Again." Press release (<http://www.conference-board.org/data/consumerconfidence.cfm>), November 1, 2012.

“The Home Depot Helps Customers Find Their Way Around with Indoor Google Maps.” Google Case Study, 2012. ([http://static.googleusercontent.com/external\\_content/untrusted\\_dlcp/maps.google.com/en/us/help/maps/indoormaps/assets/casestudies/homedepot-cs-20121005.pdf](http://static.googleusercontent.com/external_content/untrusted_dlcp/maps.google.com/en/us/help/maps/indoormaps/assets/casestudies/homedepot-cs-20121005.pdf))

Thomson Reuters/University of Michigan Surveys of Consumers. “Record Gains in Consumer Confidence.” Press release ([http://thomsonreuters.com/content/financial/pdf/i\\_and\\_a/438965/2012\\_10\\_26\\_record\\_gains\\_in\\_consumer\\_confidence.pdf](http://thomsonreuters.com/content/financial/pdf/i_and_a/438965/2012_10_26_record_gains_in_consumer_confidence.pdf)), October 26, 2012.

Urbanski, Al. “Recency, Big Data, and Williams-Sonoma.” *Direct Line Blog* (<http://www.dmnews.com/recency-big-data-and-williams-sonoma/article/265022/>), October 23, 2012.

US Census Bureau. “Monthly Retail Trade Report.” Available at <http://www.census.gov/retail/> (accessed November 8, 2012).

US Bureau of Economic Analysis. “National Income and Product Accounts Gross Domestic Product: Third Quarter 2012 (Advanced Estimate).” News release (<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>), October 26, 2012.

US Energy Information Administration. “Weekly U.S. Regular Conventional Retail Gasoline Prices (Dollars per Gallon).” Table ([http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm\\_epmru\\_pte\\_nus\\_dpg&f=w](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epmru_pte_nus_dpg&f=w)), October 29, 2012.

Wohl, Jessica. “Target Bets on QR Codes, Exclusive Toys This Holiday.” Reuters, October 3, 2012. (<http://www.reuters.com/article/2012/10/03/us-target-toys-idUSBRE89205J20121003>)

“WSM vs. Competition: Analyzing All of Williams-Sonoma’s 4500 SKUs.” Wells Fargo Equity Research, March 27, 2012.

Zimmerman, Ann, and Elizabeth Holmes. “Target to Match Online Prices, Following Best Buy.” WSJ.com, October 16, 2012.