



# 2016 RETAIL HOLIDAY PLANNING PLAYBOOK

JUNE 2016





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# INTRODUCTION

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The best gifts, as we all know, stem from strong relationships, personal knowledge and more than a little creativity. As it turns out, so do the best holiday gift-giving seasons.

Despite the year's somewhat deflationary retail environment overall, holiday sales saw solid growth in 2015. Consumers happily shopped online, with many "very satisfied" with the experience. Bricks-and-mortar stores created unique experiences. And technology has continued to allow innovative ways to build loyalty, increase delivery options and provide visibility into inventory.

Looking ahead to 2016, it's clear that retailers are getting better at understanding shoppers' needs, wants and desires.

The gifts just keep on giving.

This second annual Retail Holiday Planning Playbook takes a closer look at what's been and what just might be ahead. Incorporating data from numerous key surveys and examples from a variety of retailers, it highlights the eHoliday retailer survey and the insight of NRF's CIO, CMO, Loss Prevention, Digital and Supply Chain councils for a holistic view.\* NRF would like to extend a hearty thanks to Prosper Insights & Analytics™ for the annual pre- and post-holiday consumer surveys, in addition to the research it conducts throughout the year such as the Prosper Insights & Analytics™ Consumer Survey.

**Let's get to unwrapping, shall we?**

\*NRF surveyed 233 retailers earlier this year to obtain their views on a range of topics. While many questions had a high response rate, some results are drawn from smaller base sizes. The findings in this report should not be viewed as representative of all retailers but of the sample that participated. Their responses, where denoted, should be considered directional in nature.

# THE BIG PICTURE

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**“Make no mistake about it,”** says NRF President and CEO Matthew Shay: **“This was a tough holiday season for the industry.” A great many factors converged; take your pick from weather, inventory challenges and timing of promotions, just to name a few. Even so, “the industry rallied, consumers responded and sales still grew at a healthy rate, which is a huge testament to the resilience, knowledge and expertise of our retail leadership.”**<sup>1</sup>

When all was said and done, more than half of retailers (55%) considered the season successful compared with the year prior.<sup>2</sup> Even at 3% growth, it beat the average of 2.5% over the previous decade.<sup>3</sup>

On the consumer end of the equation, more than nine in 10 (91%) who shopped online were satisfied with their experience — and two-thirds, very satisfied. They also spent a significant amount, with the majority of those shopping online spending \$500 or more in total.<sup>4</sup>

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## Holiday 2015 by the Numbers

- ▲ Holiday sales in 2015 increased 3% to \$626.1 billion. Non-store holiday sales grew 9% to \$105 billion.  
– NRF: “Retail Holiday Sales Increase 3 Percent” (January 2016 – [NRF.com](#))
- ▲ Seven in 10 retailers surveyed reported an increase in their overall holiday sales revenue; 81% saw an increase online, and more than half experienced an increase in-store.  
– NRF Communities Post-Holiday Retailer Survey (January 2016 – [NRF.com](#))
- ▲ Mobile, including both phones and tablets, accounted for 30.4% of online sales, up from 25.9% in 2014. Sales on smartphones rose from 14% in 2014 to 19.9% in 2015.  
– Custora: “Holiday E-Commerce 2015 – What Mattered Most” (January 2016 – [Custora.com](#))
- ▲ Internationally, Singles’ Day (Nov. 11), China’s equivalent of Cyber Monday, brought 91.2 billion yuan (\$14.32 billion) in transactions for e-commerce giant Alibaba. That’s up 60% from 2014.  
(November 2015 – [Reuters.com](#))

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## Consumer View

**Retailers attempted to lure in shoppers with earlier-than-ever promotions.** Holiday 2015 saw 59% of retailers begin promotions by September.<sup>5</sup> Retailers continued to back up the schedule for Black Friday offerings with bargains on Thanksgiving (and even earlier in the season); a PricewaterhouseCoopers study found that 52% of retailers surveyed planned to be open that day — even though only 44% of consumers planned to shop.<sup>6</sup>

**Not everyone procrastinates.** Those most likely to shop for holiday gifts year-round are young women and those who make less than \$50,000 a year. Although holiday shopping typically begins between October and early December, three in four holiday shoppers don't finish until sometime in December — 35% finish in the last couple of weeks.<sup>7</sup>

**Millennials in particular enjoy holiday shopping, at least more than their parents do, according to a report from Kelton.** Almost 60% of the Millennials surveyed said they “love” holiday shopping.<sup>8</sup>

**Gift cards continue to be an attractive option.** Almost two-thirds of shoppers (63%) purchased at least one gift card this season, up 2 percentage points from the previous year.<sup>9</sup>

**Consumers continue to think about post-holiday shopping as much as they do pre-holiday buying.** Two-thirds of respondents to an NRF/Prosper survey said they planned to shop after-Christmas sales; 47.2% expected to do in-store, and 43.1% online.<sup>10</sup>

## Retailer Perspective

**Even as Black Friday has stretched into a long weekend of promotions, the day itself continues to dominate.** In Holiday 2015, Black Friday had the highest sales revenue for 68% of retailers, regardless of channel. Cyber Monday saw the highest online/mobile sales — but one in four still said their Black Friday online/mobile was higher.<sup>11</sup>

**A quarter of retailers credit improved discounts and promotions with driving sales in Holiday 2015.** Other actions that helped: improved merchandising (11%), additional marketing (10%), additional advertising (7%), e-commerce improvements (7%) and improved shipping offerings (7%).<sup>12</sup>

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### Issues that Hindered Holiday 2015 Sales



\* Change in strategy, too promotional, not enough promotions, etc.  
Source: NRF Communities Post-Holiday Retailer Survey (January 2016)

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# ONLINE & MOBILE

**“People don’t shop at bricks-and-mortar locations the same way they do online. Our goal is to create dynamic physical experiences that embody our digital presence.”** – Ethan Song, co-founder and CEO, online menswear retailer Frank & Oak<sup>13</sup>

Holiday 2015, saw a continued trend upwards for online and mobile shopping. It’s not just that consumers continued to search for items away from the physical store; it’s that they increasingly bought them there, as well. Online marketplaces large and small — led by Amazon — had a banner year. Sellers on Amazon’s marketplace accounted for 47% of units sold during the fourth quarter of 2015, up four percentage points from the previous year. According to Amazon, 80% of consumers who bought a physical product on the site during the holiday season bought from a seller on Amazon’s marketplace. Amazon saw a 24.1% increase in the fourth quarter overall from the previous year; international sales rose by 11.9%.<sup>14</sup>

## Average Holiday Transaction Size According to Channel



Source: NRF Communities Post-Holiday Retailer Survey (January 2016)

## Consumer View

### Online, 2015 was all about “more”:

- ▲ One in three (35%) made more than half of their holiday purchases online this past holiday season.
- ▲ More than half of consumers (52%) increased the amount of shopping they did online this year.
- ▲ Consumers had more expectations than in the past. When choosing an online retailer, the top three things consumers looked for included guaranteed on-time delivery (85%), ability to view shopping cart total prior to check out (84%) and free returns (82%).<sup>15</sup>

## Smartphones, meanwhile, proved indispensable last holiday — and not just for texting friends to make plans.

- ▲ For six days — on weekends and as Christmas drew closer, according to Adobe — traffic from smartphones surpassed that of desktops.<sup>16</sup>
- ▲ The majority of search is now mobile; 56 percent of searches that resulted in a click to a top retail site during the season were conducted on either a smartphone or tablet.<sup>17</sup>
- ▲ Mobile payments are on the rise, but still not common. eMarketer estimated that 22.6 million people in the U.S. would use a mobile device to pay for a transaction in 2015. But that was still only 12.7% of smartphone users.<sup>18</sup>

## Retailer Perspective

**Despite the heightened emphasis on mobile, online shopping via desktop still brought in the highest transaction size in Holiday 2015.**<sup>19</sup> Retailers focusing on one area must be careful to not lose ground in another. The NRF/FitforCommerce Omnichannel Retail Index: 2015 Holiday Findings report notes that “yesterday’s best practices are today’s table stakes and retailers are not keeping up. Customers are looking for an easy and productive shopping experience. Faceted navigation and in-store product availability are just a few of the functions that need to exist on retailers’ sites.”

**Video, blogs, reviews and improved product detail pages are all helping drive conversion.** In our YouTube-obsessed culture, four times as many consumers would now rather watch a video about a product than read about it. Further, one in four consumers will lose interest in a company if it doesn’t have video.<sup>20</sup> In terms of reviews, almost nine in 10 consumers (88%) now trust online reviews as much as personal recommendations.<sup>21</sup> Video could be embedded right onto the product detail page, and it likely will sit alongside product recommendations and alternate images to increase sales.

### Retailer Investments for 2016: Online & Mobile

Retailers will continue to try harnessing the runaway power of mobile, optimizing the experience and attempting to spread its impact across all channels. Specific to online, 84% of retailers want to see site conversion rates increase, followed by average daily site traffic (71%).<sup>22</sup>

Here’s where retailers will focus:

- ▲ “Dynamic pricing online” – Retail Chief Marketing Officer
- ▲ “Mobile optimization” – Retail MIS Executive
- ▲ “Continue to drive mobile experience” – Retail Business Owner

## HOLIDAY CHEER

### Etsy

Thanks to improvements in its mobile app — including a “local” tab — online handmade and vintage goods [marketplace Etsy](#) saw a big boost in mobile usage during Holiday 2015. Fourth quarter revenues rose 35% to \$87.9 million.<sup>23</sup>

### Walmart

[Walmart rolled out Mobile Check In](#), allowing customers to check in using their smartphones when they arrive in-store to pick up an online order,<sup>24</sup> in addition to Walmart Pay, a convenient way to pay via smartphone at Walmart locations.<sup>25</sup>

### Best Buy

Consumer electronics and entertainment software retailer [Best Buy is using technology from Slyce](#) to enable instant purchases from its circular ads. Slyce President and CEO Mark Elfenbein notes that the scan-to-shop feature “takes all the friction from the purchase process and enables shoppers to easily act on impulse.”<sup>26</sup>

### eBags

[Online shoppers in more than 200 countries](#) were able to make purchases at [eBags.com](#) during Holiday 2015. They were able to pay in their own currency, as well as receive deliveries to their doorstep.<sup>27</sup>



# IN-STORE EXPERIENCE

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**“The great news is the retail store is not dead. But the retail store that does not have a meaningful relationship with the consumer is dead.”** – Steve Barr, U.S. Retail and Consumer Sector Leader, PricewaterhouseCoopers<sup>28</sup>

Shoppers last holiday found much more than physical items in bricks-and-mortar stores. Unique experiences are increasingly on the list. Consider, for example, JCPenney’s virtual reality offering in the corridors outside four of its mall stores. Participants could ride on Santa’s sleigh and lob snowballs at his elves, a fun effort to draw them inside.<sup>29</sup> But in-store technology isn’t just about taking consumers somewhere else — it’s also about enriching the place they actually are.

## Consumer View

**Consumers still have a solid idea of what they want when they head to a store, but remain heavily influenced by what they see and feel.** Shoppers reported making 43% of their purchase decisions during the shopping experience.<sup>30</sup>

**Shoppers are not necessarily “too busy” to attend in-store events.** Two in 10 attended one during Holiday 2015, and sales increased because of it; of those participating, almost six in 10 (58%) purchased something while there. Popular events included after/before-hours gatherings, fundraisers, concerts and DIY crafting nights.<sup>31</sup>

**Consumers expect the same level of information to be available online and in-store.** That goes beyond being able to find what they want in terms of products; comparisons, ratings and reviews should be available within bricks-and-mortar. Google reports that 42% of in-store shoppers conduct online research while in-store, and 46% are visiting the retailer’s own app or website.<sup>32</sup>



## Retailer Perspective

### **Mobile and online are increasingly considered drivers for the in-store experience.**

A third of respondents to the 2015 Holiday version of the Omnichannel Retail Index survey offered Wi-Fi during the holidays, compared to 26% in the summer.<sup>33</sup> Outside the walls of bricks-and-mortar, individual data collected online is helping create more personalized shopping experiences in-store. And savvy retailers are using websites to let consumers know what is available at their store location, as well as set up store appointments for services.

**“Smart” shelves and fitting rooms that interact with customers via mobile or touch are providing information in addition to unique store experiences.** Similar to the on-line experience, this helps consumers discover what they want to know quickly and easily.

**Retailers are showing their support for in-store with money on the table.** BDO’s 10<sup>th</sup> annual Retail Compass Survey of CFOs found that less than one in 10 CFOs will invest more capital in e-commerce, down from more than one in five the year prior. But 31% plan to put the most capital into remodeling and redesigning stores — up from 9% the year prior.<sup>34</sup>

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### Retailer Investments for 2016: In-store

In-store, there’s a growing desire to surprise and delight customers. In some cases, that might mean employee training. In others, it could be the addition of “smart” technology. But first and foremost, retailers want to get the basics — challenges such as merchandising and inventory management — nailed down.

Here’s where retailers will focus:

- ▲ “Improving the in-store experience and delivery options” – Retail Chief Marketing Officer
  - ▲ “Merchandise availability” – Retail Loss Prevention Executive
  - ▲ “Ensuring inventory is built up appropriately” – Retail Chief Marketing Officer
- 

## HOLIDAY CHEER

### The North Face

A handful of retailers including The North Face have introduced [in-store virtual reality](#) in creative ways. While visiting the outdoor apparel, equipment and footwear retailer, consumers can take a “trip” to Yosemite National Park and Moab, Utah, inspiring them to get outside.<sup>35</sup>

### Macy’s

When the doors of Macy’s Herald Square flagship store opened at 6 p.m. [Thanksgiving Day, some 15,000 shoppers were on-hand ready to “kick start” the retailer’s holiday season.](#)<sup>36</sup>



# MARKETING & PROMOTIONS

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The race to build excitement for retail sales has numerous new entrants. Augmented and virtual reality, creative use of social media and shoppable content all made plays for holiday dollars.

**“The post-Christmas market is as important — if not more than — as the Black Friday weekend, as we saw the highest traffic patterns of the season over the New Year’s weekend. The message for retailers is don’t give up on your engagement strategies once Christmas arrives. This season’s ‘sneak peek’ promotions in advance of Black Friday appeared to effectively entice consumers and the key is to evaluate these throughout the season to determine a winning formula for capturing wallet share.”** – Michele Dupré, Group Vice President of Retail, Hospitality and Distribution, Verizon Enterprise Solutions<sup>37</sup>

## Consumer View

**Free shipping was once a differentiated offer.** But now, close to 60% of online transactions include it.<sup>38</sup> So what do consumers respond to? Online-only sales (32%), percentage-off coupons (31%), free standard shipping without conditions (28%) and free shipping upgrades (25%) are all drivers.<sup>39</sup>

**Consumers know they missed out by foregoing promotions.** A third of the respondents to a Prosper Insights & Analytics Post-Holiday Consumer Survey said they would have done well to take more advantage. Black Friday discounts, for example, were over 60% for retailers such as JCPenney, Kohl’s, Stage and Groupon. The average discount from 30 of the biggest U.S. retailers was 40.2%.<sup>40</sup>

**Almost one in four (24%) visited a website they shopped on last holiday season through an email promotion.** Search engines, meanwhile, delivered 19% of consumers to the sites where they bought.<sup>41</sup> Experian Marketing Services reported that email volume rose 24.8% during the 2015 holiday season compared to 2014, across all industry verticals, resulting in a corresponding increase in the number of email opens, clicks and transactions.<sup>42</sup>

**Consumers want to do more than just look at pretty pictures.** Adweek noted that 2015 was “shaping up to be the holiday season of ‘Buy’ buttons for retailers with Instagram, YouTube, Twitter and others.”<sup>43</sup> Also, from U.K. marketing agency Outside the Box, “The popularity of shoppable marketing this holiday season demonstrates a long term trend in marketing toward an experiential, content-rich marketing experience which aims to create a long-term relationship and continuous dialogue with consumers.”<sup>44</sup> Those doing it well include the likes of Topshop, Net-a-Porter and ASOS.

## Retailer Perspective/Directional Data

**Emails to the house list topped the roster of profitable online marketing channels for Holiday 2015.** Three in four retailers considered it “very profitable.” One in two said the same about search engine optimization.<sup>45</sup> According to the Omnichannel Retail Index: 2015 Holiday Findings, 77% of retailers offered mobile-optimized emails for the holiday, up from 55% in the summer.<sup>46</sup>

**When retailers look to holiday 2016, paid listings are likely on the horizon;** 97% of retailers plan to incorporate the strategy, nearly 10 percentage points higher than the forecasts for 2015.<sup>47</sup>

**Retailers continue to see benefits from social media in terms of building brand loyalty — but aren’t yet sold on its impact on holiday sales.**

**Online-only sales, limited-time offers and free standard shipping were the most profitable promotions this holiday season.** Roughly eight in 10 respondents to the NRF Communities Post-Holiday Retailer Survey found these methods very/somewhat profitable. First-time buyer discounts also rose in popularity this year, the number of retailers offered this discount more than tripled from 2014.<sup>49</sup>

**Some retailers introduced more targeted and specialized print catalogs including Bloomingdale’s, Nordstrom and Saks Fifth Avenue.**<sup>50</sup>

### Retailer Investments for 2016: Marketing & Promotions

Search engine marketing is at the top of the list for the coming season. Over nine in 10 retailers (97%) plan to use it in 2016, compared to 88% in 2015 and 75% in 2014. Digital is expected to be a large spend overall. On average, 41% of marketing budgets are dedicated to digital; 36% devote half or more of their marketing budget to digital.<sup>52</sup> In terms of promotions, the days ahead will be as much about when the offers are made as what they are for; retailers desire more careful attention to timing for greatest impact. They also desire a greater balance between bricks-and-mortar and digital.

Here’s where retailers will focus:

- ▲ “Marketing to drive new traffic” – Retail Distribution Center Executive
- ▲ “Radio and traditional media” – Retail Chief Marketing Officer
- ▲ “Balanced messaging to customers to drive traffic to both bricks and digital. Past decade has focused on messaging to drive mostly digital traffic. Future needs to be a balanced and complimentary approach.” – Retail Loss Prevention Executive
- ▲ “Planning for product and promo with an emphasis on content” – Retail Chief Marketing Officer

## HOLIDAY CHEER

### REI

REI took a decidedly different approach to its Black Friday marketing by encouraging employees and consumers alike to [#OptOutside](#) rather than shop. The outdoor retail company closed up headquarters for the day in addition to all retail locations and distribution centers, then offered a microsite with ideas for adventures.<sup>53</sup>

### Snapchat

As consumers progressively moved toward Snapchat in 2015, so did brands and retailers. Sephora had a Snapchat Sweepstakes earlier in the year in which users drew cartoon eyebrows on selfies; with a \$500 gift card at stake, the excitement event transferred to Instagram, where the promotion’s hashtag was shared more than 6,000 times.<sup>54</sup> Target, meanwhile, offered new [holiday-themed geofilters](#) each day from December 1-25.<sup>55</sup>

### Birchbox

[Birchbox added a customizable “Lists”](#) feature of items available on the website. Account holders were automatically set up with “Holiday Wish List,” “Dying to Try” and “Favorites,” and were encouraged to add more. Better yet, one lucky shopper was able to win their wish list each day from December 1-12.<sup>56</sup>

### Burberry

London-based [Burberry launched The Burberry Booth](#), a Google-powered interactive experience that allowed consumers to create their own version of the U.K. holiday campaign with real-time video. The campaign recreates the opening scenes of the movie “Billy Elliott.”<sup>58</sup>

### Wayfair

[Wayfair reported a 109% increase](#) in overall gross sales and a 130% increase in direct retail gross sales from Thanksgiving Day through Cyber Monday. Thanks to discounts, big sellers were sofas and sectionals; according to the retailer, the single most popular recliner sold once every 80 seconds on Black Friday.<sup>59</sup>



# FULFILLMENT

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**“If you invite customers to your digital commerce party, be sure you can handle the crowd.”**

– Jennifer Polk, Digital Marketing Analyst, Gartner Inc.<sup>60</sup>

As a shopper, would you buy online and pick up in-store to reduce a \$50 purchase by \$10? Almost nine out of 10 (88%) Millennials would.<sup>61</sup> Consumers continue to speak loud and clear not only about what they want, but also when and how they want it.<sup>62</sup>

## Consumer View

**If ever a transaction needed to be “shipshape,” the time is now.** When asked, “What is the most important factor in your decision to shop a particular retailer during the holiday season?” 47% of consumers said free shipping/shipping promotions. That’s up from 42% in the summer.<sup>63</sup> As consumers become more and more demanding about delivery, free shipping has moved from bonus to expectation, as has the ability to buy online and ship or return in-store.

**With shipping, timing is (almost) everything.** UPS reports that more than half (56%) of consumers want to know the precise date their package will arrive, rather than a range. Some 85% of online shoppers will wait five days for delivery, and two more days with free shipping.<sup>64</sup>

**Consumers increasingly want to know if an item is in stock before they visit a store, but retailers aren’t yet keeping up with that demand.** Three-quarters (74%) of consumers are likely to come to the store if they’re certain a desired item is there. But only 19% of the retailers who took part in the Omnichannel Retail Index enable online shoppers to refine search results to just what’s in-store; less than half (44%) give the consumer an opportunity to check store availability on category or product detail pages.<sup>65</sup>

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### Why Did Shoppers Abandon a Cart?

**56%**

Shipping costs made the total purchase more than expected

**45%**

The order value didn’t qualify for free shipping

Source: UPS Pulse of the Online Shopper.™ (June 2015)

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## Retailer Perspective

**Omnichannel operations have changed perceptions and capabilities when it comes to ship-to-store.** The service is not a new concept; forward-thinking retailers began offering it more than 15 years ago. Today's retailers, however, are taking things a step further, beginning to view stores as mini-fulfillment centers, aided by inventory visibility. Shoppers are increasingly taking advantage of ship-to-store (now also called BOPIS, or buy online, pickup in store). Retailers are answering the call — and including the effort in their marketing. Companies such as Crate & Barrel, for example, promoted in-store pickup options on product pages.<sup>66</sup>

**BORIS, cousin to BOPIS, also is on the rise.** Buy online, return in store (BORIS) options increased from 57% to 68% from summer to Holiday 2015.<sup>67</sup> Whether picking up or returning, having the consumer in the store provides opportunities for add-on purchases.

**Retailers are learning to communicate holiday cutoff dates early and often.** In hopes of setting — and meeting — expectations, retailers are being increasingly clear about when products must be ordered for pre-holiday delivery. Pottery Barn was perhaps the first to post its cutoff in 2015, back in October. But retailers also are being increasingly clear with opportunities for last-minute shoppers: Some, such as Nordstrom and Saks Fifth Avenue, offered the ability to place orders as late as December 23 for guaranteed Christmas delivery.<sup>68</sup>

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### Retailer Investments for 2016: Fulfillment

The more seamless retail becomes, the greater the need for tighter inventory management. A single view throughout the supply chain is more important than ever. Greater inventory control also feeds another retailer desire: being able to offer increased options in shipping and delivery.

Here's where retailers will focus:

- ▲ “Click to delivery visibility for entire lifecycle of order” – Retail Supply Chain Executive
  - ▲ Continue to advance our omnichannel options, such as pickup in store. Provide faster/better product delivery for online purchases.” – Retail Chief Information Officer
- 

## HOLIDAY CHEER

### Target

Roughly a quarter of [Target's physical stores have fulfillment capabilities](#). Last year, those 460 stores handled 30% of the retailer's total e-commerce sales and 50% of online electronics orders in the fourth quarter. As a result, online orders are shipped to customers nationwide within two days. CEO Brian Cornell said in March that the number of stores with fulfillment capabilities would soon grow. It likely won't happen a moment too soon; Target's online sales soared in the fourth quarter.<sup>69</sup>

### Starship Technologies

London-based Starship Technologies, creators of Skype, have their sights set on the last mile. Starting in April, the company began experimenting with “[autonomous terrestrial drones](#)” to make deliveries on American soil; previous tests took place in the United Kingdom. The small, six-wheeled vehicles have been put to work on the campus of the University of Arkansas, home to the McMillon Family Retail Innovation and Technology Lab.<sup>70</sup>

### Amazon

By September 2015, [Amazon had about 30,000 robots](#) at work in its 13 fulfillment centers, up from 15,000 in 10 fulfillment centers at the close of 2014. Janney Capital Markets estimates that the use of robots enables fulfillment workers to pick items two to three times faster.

### Lowe's

A StellaService study of more than 40 retailers ranked Lowe's as fastest to connect consumers to agents via online chat between Black Friday and Cyber Monday. The home improvement retailer made the connections within 12 seconds on average.<sup>72</sup>



# OPERATIONS

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**When a consumer teeters between purchase and departure, a skilled sales associate can help seal the deal.** As technology continues to impact the moment of purchase — whether in-store or online — the right processes and applications can also assist with a “personal” touch.

“I want customers to be in awe when they see what we have to offer as they walk into our stores or click around our site. Our managers have made a lot of progress to improve the shopping experience before the holidays and our merchants made sure we have the right products in stock. We’re delivering the prices customers expect, but we’ve taken it up a notch. Our Supercenters, Neighborhood Markets and Walmart.com will be a powerful combination for customers this holiday season — trust me.” – Judith McKenna, Chief Operating Officer, Walmart U.S.<sup>73</sup>

**Consumers want to pay in the way that’s right for them.** The majority of Holiday 2015 online shoppers paid via credit card (52%) or debit card (51%), but more than a third (36%) paid with PayPal.<sup>74</sup> In addition, mobile and alternate payments continue to gain steam, and retailers are responding in kind. Almost half of retailers (49%) accepted PayPal during the holidays; one in five accepted Apple Pay and almost one in 10 (8%) accepted Google Wallet.<sup>75</sup>

**Millennials, sensitive to cyber security issues and identity fraud, often see gift cards as a solution.** The cards are considered safer to use online than other digital payment methods by 64% of the age group. In addition, 66% of Millennials believe gift cards limit identity fraud. These preferences may create new opportunities for online retailers seeking new audiences.<sup>76</sup>

**Consumers still desire an efficient process.** When naming desirable attributes for sales associates, “helps me check out quickly” was on the list for 63% of consumers this past holiday.<sup>77</sup> That can’t happen without the right systems in place, like mobile POS.

**Associates are using technology to help save sales and build loyalty.** Better training or better tools? Either way, 69% of store associates offered to find an item online or in another store for consumers during Holiday 2015; that’s up from 39% in the summer.<sup>78</sup> Other notable efforts: BlankLabel’s online appointment scheduling, Topshop’s augmented reality fitting rooms and Urban Outfitters’ mobile visual search.

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## Retail Investments for 2016: Operations

Consumers aren't the only ones seeking a seamless experience. Retailers expect to invest in solutions that will simplify processes, increase visibility and harmonize operations.

Here's where retailers will focus:

- ▲ "Supply chain visibility, flexibility and speed" – Retail Supply Chain Executive
  - ▲ "Mobile POS to help facilitate checkout" – Retail Chief Information Officer
  - ▲ "Simplified checkout" – Retail Distribution Center Executive
  - ▲ "Invest in more closed-circuit television" – Retail Loss Prevention Executive
  - ▲ "Corporate-aligned calendar for all aspects of the business, not limited to marketing/logistics" – Retail Supply Chain Executive
  - ▲ "More visual security between Thanksgiving and Christmas" – Retail Loss Prevention Executive
- 

## HOLIDAY CHEER

### Amazon

[Amazon expanded its workforce with plans to hire 100,000 seasonal workers](#) for its U.S. fulfillment centers. That's up from [80,000 hires in 2014](#), and double the number of 2012. The move made [Amazon the largest employer of seasonal hires](#) in 2015.<sup>79</sup> Also in late 2015: Amazon opened its first bricks-and-mortar location, Amazon Books, in Seattle.

### Rebecca Minkoff

Mobile checkout devices increasingly mean no more visible lines. In some cases, they also mean no more cash registers. Upscale stores, in an effort to sophisticate the payment experience, are increasingly hiding the registers in inconspicuous areas, if keeping them at all. At Rebecca Minkoff stores, sales [associates use mobile checkout devices](#), but consumers can also purchase via PayPal in the fitting room. "The checkout is done privately, making you feel special," said Uri Minkoff, co-founder and chief executive officer of the label. "We're not making you go through the cattle herd of waiting in line."<sup>80</sup>

### Starbucks

Starbucks sweetened the deal for reward card members with "[Merry Mondays](#)," featuring daily deals for those who paid with the Starbucks app during the holiday season.<sup>81</sup>



# LOOKING AHEAD

**“I think A.I. is a game changer,”** said Cal Bouchard, senior director of E-Commerce at The North Face, which has begun using [artificial intelligence](#) to provide a sense of human assistance to online shoppers. **“Where we are right now is the first step. This didn’t change our business in December but it will change the game. More people will engage our products. We’re not as interested in the fast sell. We want to engage people in our brand and get them stoked on it. It’s going to change online shopping over the next five years.”**<sup>82</sup>

Earlier this year, Synchrony Financial predicted the top 10 retail trends for 2016, and eight of them were related to technology. Projecting to the holidays, it’s certain that tech will influence the season in many more ways than just the number of TVs, computers and Oculus Rift virtual reality headsets under the tree. Wearable technology, video streaming, buy buttons, mobile payments and more will make an impact — whether or not retailers are ready.

But it raises as many questions as it does answers:

- ▲ Will social media and in-store shopping experiences merge in meaningful ways?
- ▲ Where will location-based strategies take retail?
- ▲ Will augmented and virtual reality become more tangible tactics in 2016?
- ▲ Will messaging services and bots become the new apps?
- ▲ How will online marketplaces continue to shift the landscape?
- ▲ What impact will payment options have on the bottom line?
- ▲ Will Singles Day (Nov. 11<sup>th</sup>) gain traction with early bird online shoppers in the United States?
- ▲ Will the additional two shopping days between Thanksgiving and Christmas 2016 compared with 2015 make a difference?

Retailers will continue to introduce new strategies and develop innovative offerings to draw customers in during Holiday 2016. Investments will be made, plans will be drafted and forecasts will be given.

**Much remains unknown, but one thing is for certain: Holiday 2016 is coming quickly.**

## Make Your List and Check It Twice

### Key Explorations for Holiday 2016

- ▲ Simplify processes and increase visibility
- ▲ Enhance and optimize mobile capabilities
- ▲ Test virtual/augmented reality
- ▲ Create shoppable content
- ▲ Develop strategic email promotions and search engine marketing campaigns
- ▲ Leverage data to build seamless commerce experiences
- ▲ Calculate scheduling of holiday discounts and offers

Find related resources at the [NRF Holiday Headquarters](#).



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