

# Holiday Retail Outlook

## *NPD's Eighth Annual Survey Looks Back-to-the-Future*

### The NPD Group Press Release – October 13, 2009

The NPD Group, Inc., a leading [market research](#) company, released the results of its annual survey of consumers' holiday spending intentions. Thirty percent of consumers surveyed told NPD they 'plan to spend less' this holiday, which is a four point increase over last year's results.

| U.S. Consumers' Spending Intentions<br>2009 vs. 2008 |      |      |
|--|------|------|
|  | 2009 | 2008 |
| Plan to Spend More                                   | 11%  | 11%  |
| Plan to Spend About The Same                         | 59%  | 63%  |
| Plan to Spend Less                                   | 30%  | 26%  |

*Source: The NPD Group, Inc./Annual Holiday Survey*

"That 4 percent increase is certainly a sign of the times. On the other hand, that 4 percent is not as dramatic as it could have been." said Marshal Cohen, chief industry analyst, The NPD Group, Inc. "I think consumers will be looking for the right gift, rather than the most extravagant or expensive one. That combined with the soft numbers we are up against from holiday last year, and I think we will see growth, albeit a modest 0.5 to 1.5 percent."

It is the 0.5 to 1.5 percent growth that takes us 'back to the future' and to holidays past when growth rates of 5 percent or more were unheard of and unexpected. For Holiday 2009, not only will actual spending levels go 'back to the future' but the kinds of gifts being bought will 'go back' to more traditional holiday gift items.

"The survey results point to a return of more gifts being made of sweaters, fragrances, music, books, movies, and wallets, again," said Cohen, "We are also seeing make-up and TV's showing signs of growth. Other standouts are notebooks/netbooks. They have been growing and will continue to grow through the holiday."

| <b>Top 10 Items Consumers Plan to Buy as a Gift<br/>2009 vs. 2008</b> |  |             |             |
|---|--|-------------|-------------|
|   |  | <b>2009</b> | <b>2008</b> |
| 1   | Apparel  | 49%         | 49%         |
| 2   | Toys   | 34%         | 37%         |
| 3   | Movies<br>(DVD, Blu-Ray)   | 29%         | 29%         |
| 4   | Books  | 28%         | 27%         |
| 5   | Electronics<br>(TVs, Home Theater Systems/DVD Players/Recorders, Home Audio Products,<br>Satellite Radio, GPS Systems, Cell Phones, Desktop/Laptop Computers,<br>Computer Peripherals, Digital & Video Cameras, MP3 Players) | 24%         | 23%         |
| 6   | Accessories<br>(Bags, Small Personal Accessories, Watches)   | 22%         | 20%         |
| 7   | Music  | 21%         | 20%         |
| 8   | Video Games  | 20%         | 22%         |
| 9   | Fragrances   | 19%         | 17%         |
| 10  | Food   | 18%         | 17%         |

*Source: The NPD Group, Inc./Annual Holiday Survey*

While there is no change in the top five categories, there is some movement in the bottom five categories. The survey results show some upward movement in consumer purchasing intentions for accessories, music, and fragrances. The number of consumers saying they will purchase those as gifts for holiday has shifted. Accessories moved up one spot from seventh to sixth this year, music was up one spot from eighth to seventh and fragrances moved up one spot to ninth this year.

For the electronics categories overall, the NPD Holiday Survey shows a 20% rise in the 18 to 24 year old demographic saying electronics are the 'gift to purchase.' "This age group is clearly demonstrating that they feel electronics are no longer a luxury but are in fact a necessity," said Cohen.

Apparel is also a bright spot. Last year 49 percent of consumers told NPD they intended to buy apparel as a gift; this year that number is holding at 49 percent. "That is good news for apparel," Cohen said, "Its multi-year slip has stabilized this year."

What will motivate consumers to purchase this holiday? The survey results point to 'value' as a primary motivator this year. Sixty-two percent of survey

respondents stated value plays a big role in determining what and where they buy.

This is followed by 'special sale' at 61 percent and convenient location with 50 percent.

However, Cohen says this holiday holds a number of variables that could contribute to the outcome of the 2009 holiday retail season. Or as he calls it: the 'X-mas X-Factor.'

'X-factor' for Timing

When will consumers begin their shopping? This year there was a 3 percent change in the number of consumers saying they will begin their holiday shopping during the Thanksgiving weekend or later. The number of consumers that said they would begin their shopping in early December or at the last minute posted an eight percent change. "The X-factor here points to a later start for this season's shopping," said Cohen.

'X-factor' for the impact of state of the economy on consumer spending. Almost 50 percent of consumers told NPD that the 'state of the economy' will have a significant effect on their holiday spending. "Will the economy force the consumer to dip into savings or just cut down those on the list? Perhaps if you are an in-law, you might just find yourself getting a card rather than the gift this year," says Cohen.

"Perhaps the biggest X-mas X-factor is the overall state of U.S. consumers' psyche. Will they be feeling frugal or will they have a case of frugal fatigue and unleash some pent-up demand?" said Cohen.

***Source:** The NPD Holiday Survey of Consumer Purchase Intentions was fielded September 8th to September 15th, 2009. The findings presented here are based on information from 1,995 completed interviews of NPD's online consumer panel.*