



# FUNG GLOBAL RETAIL & TECHNOLOGY AND FIRST INSIGHT HOLIDAY 2016 SURVEY RESULTS: RETAILERS SOMEWHAT BULLISH

Fung Global Retail & Technology and First Insight conducted a survey the first week of August 2016 to gauge retailers' sentiment regarding consumers' holiday spending this year.

## 5 KEY TAKEAWAYS

- 1) Almost three-quarters of the survey respondents said they are optimistic about the upcoming holiday season, and about a third said they are extremely optimistic.
- 2) More than 60% of those surveyed believe that holiday sales will increase compared to last year, and about 25% expect sales to increase 5%–10%.
- 3) Global gas prices could positively influence business, and 29% of survey participants said they think gas prices could have a positive impact on second-half sales.
- 4) The US presidential election is a hot-button topic, and roughly 65% of survey respondents believe the election will have a strong impact on spending in the second half of the year. Respondents were divided on what the nature of that impact will be, with 33% forecasting a positive effect, 31% a negative effect and 35% a neutral effect.
- 5) More than 32% of respondents said that changes in the global economy will positively influence holiday 2016 business, while 15% forecast that such changes will have a negative influence.



## Holiday 2016 Survey Results: Retailers Somewhat Bullish

In advance of the Project in Conjunction with P1VOT “Breakfast with The Disruptors” event to be held at the Magic Las Vegas Conference, Fung Global Retail & Technology and First Insight surveyed 102 retail industry leaders to assess their holiday 2016 business outlook. The survey respondents included 81 retailers, 13 wholesalers and eight other retail industry specialists. Of this group, 48% support buying and merchandising decisions within their organization, 28% support planning and 24% fulfill other functions, which include operations, accounting, management, sales and CEO. Fung Global Retail & Technology and First Insight conducted the survey the first week of August 2016.

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As a point of background, First Insight was founded in 2007 and is a cloud-based technology company that tests consumers’ reactions to new products across many categories, before costly investment decisions are made. The company uses predictive analytics to determine which trends, price points and design attributes resonate with consumers. Together with First Insight, Fung Global Research & Technology reached out to retailers, buyers and planners and asked these frontline industry leaders to complete our holiday 2016 retail forecasting survey.

Approximately 58.8% of those surveyed work for a company with annual revenues of under \$50 million, 26% work for companies with revenues of \$50 million–\$1 billion and nearly 15% work for companies with annual revenues of \$1 billion or more.

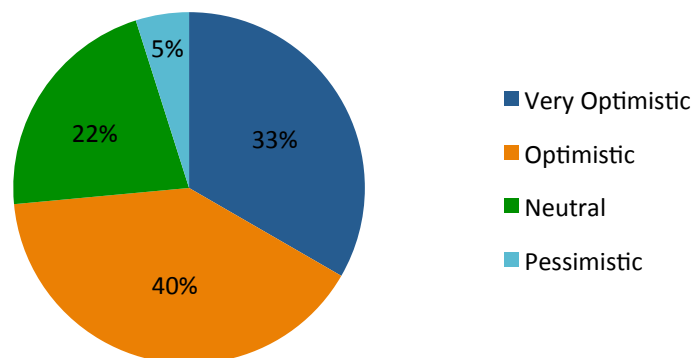
Of the respondents, 48% are responsible for buying and merchandising, 28% are responsible for planning and 24% are responsible for other organizational responsibilities. The survey included 12 questions related to the 2016 holiday season. Below, we share the key findings of the survey.

## More than 70% of Respondents Are Optimistic About Holiday 2016

More than 70% of survey respondents are optimistic about holiday 2016 relative to holiday 2015, and, of that group, 33% are very optimistic. The survey found that 22% of respondents are neutral regarding the holiday 2016 outlook and just 5% are pessimistic.

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**Figure 1. Holiday 2016 Overall Outlook**



Source: First Insight 2016 Christmas in July Survey



Respondents' stated reasons for an optimistic holiday outlook included "the economy is on the rise," "pricing has been adjusted to be more competitive," "companies are leveraging omni-channel offerings," "new marketing," "promotions" and "expanded product lines."

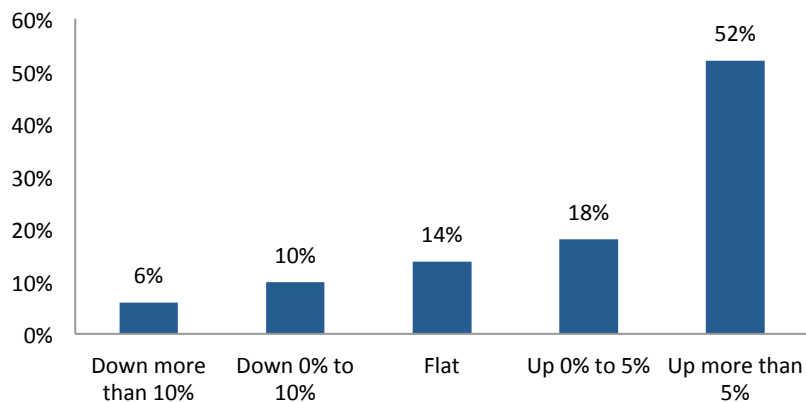
The 5% of survey respondents who are pessimistic regarding holiday 2016 cited "lighter store traffic," "the economy" and "oil prices" among the reasons for their outlook.

### More than Half of Respondents Think Holiday 2016 Business Will Be Up at Least 5%

More than 50% of respondents projected that business will be up 5% or more this holiday season compared to last year. Of those polled, 27% predict that business will be up 5%–10% year over year, while 18% think it will be up less than 5%, 16% think it will be up 10%–20%, and 9% think it will be up more than 20% versus last year's holiday season. Approximately 14% of respondents think business will be flat versus holiday 2015, and 16% think it will be down. Within the latter group, 8% estimate that business will be down 5%–10%, 4% think it will be down 10%–20% and 2% think it will be down more than 20%.

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**Figure 2. Holiday 2016 Business Outlook**



Source: First Insight 2016 Christmas in July Survey

The National Retail Federation (NRF) has not released its 2016 holiday outlook, but, according to its *2016 Retail Holiday Planning Playbook*, sales for holiday 2015 were up 3% from 2014. Additionally, retail sales for the first six months of 2016 rose by roughly 4%, which is higher than the 10-year average of 2.7%. In February 2016, the NRF projected that overall retail industry sales would grow by 3.1% in 2016; in July, the organization raised its estimate to 3.4%.

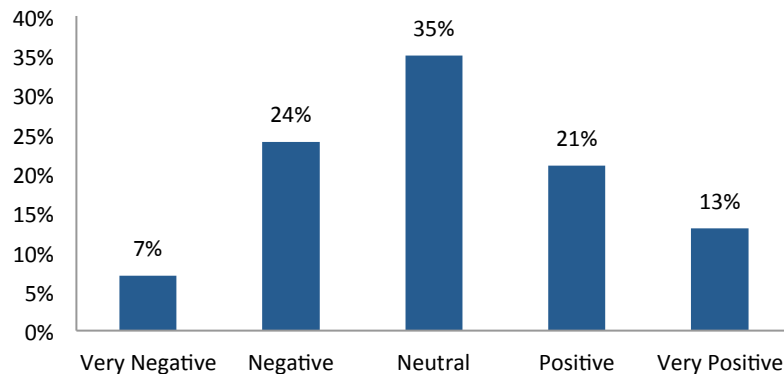
### Respondents Split on Impact of US Presidential Election

Survey respondents were split on whether the US presidential election will have a positive, negative or neutral impact on holiday business this year. The nation is divided!

The US presidential election was the factor most frequently cited by respondents as likely to cause a negative impact on holiday sales, with 24% responding that it will have a negative impact and an additional 7% responding that it will have a very negative impact. However, 21% said they think the election will have a positive effect and an additional 13% said they think it will have a very positive effect, while 35% said they think it will have a neutral effect.

*The US presidential election is a hot-button topic, and roughly 65% of survey respondents believe the election will have a strong impact on spending in the second half of the year. Respondents were divided on what the nature of that impact will be, with 33% forecasting a positive effect, 31% a negative effect and 35% a neutral effect.*

**Figure 3. Forecast Impact of US Presidential Election on Holiday 2016 Business**



Source: First Insight 2016 Christmas in July Survey

As reported in Fung Global Retail & Technology’s *2016 Presidential Election Retail & Economic Outlook*, there is evidence that presidential elections affect shopper traffic in the period leading up to an election, on the day of an election and in the weeks following. The report looked at the 2004, 2008 and 2012 elections and found that mall traffic decreased before the election and during the week of the election in each year. Data from 2004 indicate that there was an average year-over-year increase in mall traffic of 0.8% per week beginning the week after the election and lasting through the holiday season that year. In 2004, prior to the election, mall traffic averaged a year-over-year gain of 1.5% per week. During the week of the election, traffic declined by 2.4% compared with the same week in 2003.

In 2008, ShopperTrak found that mall foot traffic dropped by 3.7% in the week before the election and by 6.3% during the week of the election compared with the corresponding weeks in the previous year.

In 2012, ShopperTrak expanded its study to include traffic data from top retailers nationally instead of just data from malls, but still found that retail traffic fell around election time. The data revealed a decrease in traffic the weeks prior to and the week of the 2012 presidential election compared with the same weeks in the prior year. Two weeks ahead of Election Day, retail traffic decreased by 6.1% and one week ahead, it decreased by 12.9%. During election week in 2012, traffic declined by 12.4% compared with the same week in 2011.

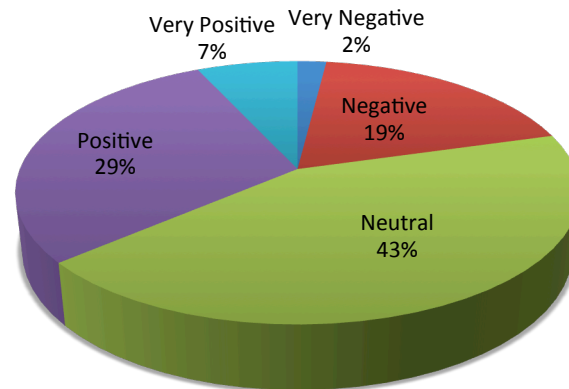
*There is evidence that presidential elections affect shopper traffic in the period leading up to an election, on the day of an election and in the weeks following. Mall traffic decreased before the election and during the week of the election in each year.*

### Gas Prices Could Positively Impact Holiday 2016 Sales

More than 35% of survey respondents expect global gas prices to have a positive or very positive effect on holiday business this year; 29% expect gas prices to have a positive effect and 7% expect them to have a very positive effect. Among other respondents, 43% think global gas prices will have a neutral effect on holiday 2016 sales, while 19% predict they will negatively impact business. Just 2% of respondents think global gas prices will have a very negative impact on holiday business this year.

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**Figure 4. Forecast Impact of Global Gas Prices on Holiday 2016 Business**



Source: First Insight 2016 Christmas in July Survey

Regular gas prices in the US dropped to \$2.15 per gallon in the second week of August, which is 18.2% lower than what they were in the same week last year. Crude oil prices have fallen below the \$40-a-barrel benchmark, which has driven an eight-week decline in costs at the pump. High gas production and inventory levels are also keeping gas prices depressed. The US Energy Information Administration forecasts that gas prices will be even lower in the second half of 2016, averaging \$2.06 per gallon, and that they will average \$2.26 per gallon in 2017.

**Figure 5. US Weekly Gas Prices**



Source: US Energy Information Administration



*More than 26% of respondents think that changes in raw material prices will positively impact business this holiday season, while 21% think they will negatively impact business.*

*More than 30% of respondents think the availability of labor resources will positively impact holiday 2016, whereas 10% of respondents think it will negatively impact business.*

As gas prices decrease, consumers spend less on gas, which increases the disposable income they have available for other purchases.

## **Survey Results Skew Positive on Weather, Global Economy, Raw Material Prices and Labor Resources**

Respondents were also surveyed on other topics that may be relevant to holiday 2016, including the impact of weather, changes in the global economy, the Brexit vote, changes in raw material prices and availability of labor resources. Those surveyed chose “no impact” most frequently in response to questions about these factors, but the responses still skewed positive overall.

Although warmer weather played a big role in holiday season sales last year, 54% of those surveyed think that weather will have no impact on this year’s holiday sales, while 27% think it will have a positive impact. Only 15% predict that the weather will negatively impact holiday 2016 sales. Other notable survey findings include:

- More than 32% of respondents said that changes in the global economy will positively influence holiday 2016 business, while 15% forecast that such changes will have a negative influence.
- More than 26% of respondents think that changes in raw material prices will positively impact business this holiday season, while 21% think they will negatively impact business.
- More than 30% of respondents think the availability of labor resources will positively impact holiday 2016, whereas 10% of respondents think it will negatively impact business.
- A large majority of survey respondents, 68%, predict that the Brexit vote will have no impact on holiday 2016 business in the US; 20% forecast that it will have a negative impact and nearly 12% believe it will have a positive impact.



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