

# Consumer Business Compass

Winter 2007

The Newsletter of the BDO Seidman  
Retail and Consumer Product Practice

## The Big Picture

### Largest Retailers Forecast Strong Holiday Growth

by Al Ferrara



At 5:30 a.m. on November 24, half an hour before the store was to open, shoppers waited in a line that extended around the block outside of Macy's flagship store in midtown Manhattan. This scene was repeated at hundreds of stores around the country on "Black Friday" as retailers reported crowds of shoppers and a robust start to the critical holiday shopping season, which is seen as an important indicator of the strength of the \$12 trillion U.S. economy.

According to a new study by BDO Seidman, LLP, this positive start should carry through the 2006 holiday shopping season. The **2006 BDO Seidman Retail Compass** survey which examined the opinions of 114 chief marketing officers at leading retailers located throughout the United States reveals broad based optimism regarding the 2006 holiday season. The retailers in the study were among the largest in the country, including more than one in five (21%) of the top 100 based on annual sales revenue.

Two-thirds (67%) of the marketing executives contacted in the national telephone survey expect an increase in holiday sales from last year, compared to 31 percent who predict revenues will mirror those of 2005. Only two percent forecast a reduction in sales. Overall, the retail CMOs predict an average increase of 7.8 percent in 2006 holiday sales. In comparison, holiday sales rose 6.1 percent in 2005 according to the National Retail Federation. The largest retailers are the most positive about this year's holiday season, with more than three-quarters (80%) of the marketers at the top 100 retailers surveyed predicting sales increases from a year ago. Overall, top 100 CMOs forecast an average growth rate of 9.3 percent for

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## Did You Know...

According to the **National Retail Federation**, more than 140 million shoppers took to our nation's stores over the Thanksgiving – "Black Friday" weekend. The NRF estimated consumers spent an average of \$360.15, up 18.9% from last year's \$302.81...

**ShopperTrak RCT Corp.**, which collects data from 45,000 electronic sensors in enclosed mall and strip shopping centers

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**BDO Seidman, LLP**  
Accountants and Consultants

## The Big Picture

### Largest Retailers Forecast Strong Holiday Growth (continued from page 1)



their businesses this holiday season.

Some of the major findings:

#### Critical Holiday Season.

The importance of the holiday season to the retail industry cannot be overstated. The senior marketing executives in the study estimated that they will generate, on average, 24.3 percent of their annual sales during the holidays. That figure jumps to 31.9 percent of annual sales when looking exclusively at the top 100 retailers.

#### The Net to Lead Percentage Growth Among Sales Channels.

Almost three-quarters (74%) of the CMOs expect to increase their holiday sales over the Internet, compared to 56 percent forecasting an increase in gift card sales, 47 percent predicting increased in-store sales and 39 percent anticipating improvement in the mail/catalog channel.

**The Top 100.** The very largest retailers are the most positive about the holidays. More

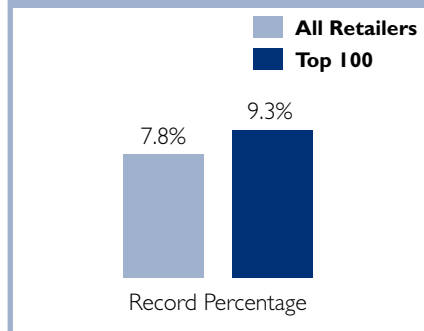
than three-quarters of CMOs at the top 100 retailers are predicting increased sales over last year's holiday results and they are forecasting 9.3 percent growth versus 7.8 percent for all retail marketers. The top 100 were also much more bullish on the growth

interest rates as the primary external factor and 14 percent cited the slow housing market.

**Stable Staffing.** One-quarter (25%) of the CMOs plan to increase their temporary staffing for the holiday season. This compares with a solid majority (69%) of the retail marketers who said their temporary staffing for the holiday season would remain about the same as 2005. Six percent are planning to decrease staffing.

There are a myriad of factors that contribute to consumer holiday buying patterns. However, given the strength of retail sales in the first half of 2006 – up 9.6 percent according to Commerce Department data – it is not surprising that the largest retailers are counting on a strong season. If these expectations are met, the industry will have cause to celebrate a very happy new year.

How much higher/lower do you believe your holiday sales will be (on a percentage basis) this season as compared to last year?



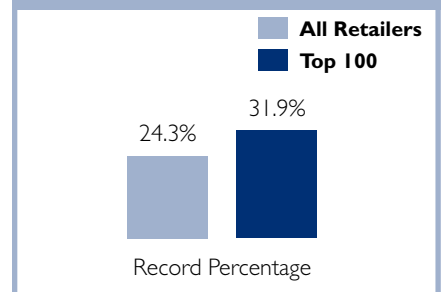
prospects of their gift card sales channel, with 83 percent forecasting gift card sales growth versus 56 percent overall.

**Double Digit Expectations.** When considering only the 67 percent of CMOs forecasting holiday sales growth, the average anticipated revenue increase jumps to 12.2 percent versus 7.8 percent for all of the marketing executives in the study.

#### Spike in Energy Costs Chief Concern.

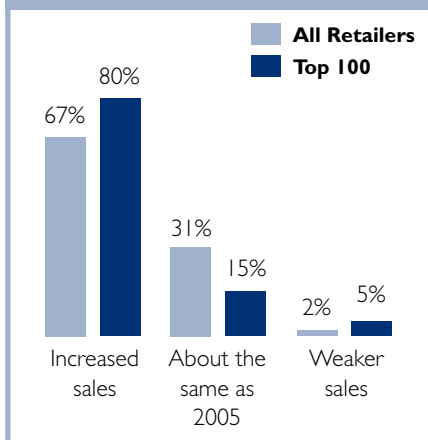
When asked to pick one external issue that will have the greatest impact on the 2006 holiday sales season, a majority (52%) of the marketers were focused on energy costs. Given their concern about the impact of energy costs on consumer buying, a spike in oil and gas prices in the near term could adversely affect the lofty expectations in the survey. In addition to energy prices, more than one-quarter (28%) of the CMOs cited

Please estimate what percentage of your annual sales will be generated during the holiday season?



The 2006 BDO Seidman Retail Compass study is a national telephone survey conducted by Market Measurement, Inc., an independent market research consulting firm, whose executive interviewers spoke directly to chief marketing officers, using a telephone survey conducted within a scientifically-developed, pure random sample of the nation's largest retailers (with revenues ranging from over \$100 million to more than \$50 billion).

What are your expectations for your company's sales performance this holiday season?



## Did You Know...

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around the country, reported a 6 percent increase in Black Friday sales from one year ago...

The number of people who will shop online for holiday gifts from work is expected to surge to 61.0 million people this year, up from 51.7 million people last year, according to a recent **Shop.org** survey conducted by **BIGresearch**. In fact, more than half of consumers (50.7%) with Internet access at work plan to do some holiday shopping online from the office, up from 44.7 percent last year. Young adults with online access at work are the most likely to shop, with almost three-fourths (71.5%) of 18-24 year-olds and two-thirds (66.4%) of 25-34 year-olds planning to browse or buy online from the office this holiday season...

As their popularity continues to rise, retailers can expect to see a surge in gift card sales this holiday season. The fourth annual **National Retail Federation (NRF) Gift Card Survey, conducted by BIGresearch**, found that gift card sales will total \$24.81 billion this holiday season, an impressive \$6 billion increase over 2005 when gift card sales hit \$18.48 billion. Furthermore, the average consumer will spend more on gift cards than they did last year (\$116.51 vs. \$88.03 in 2005)...

### BDO Seidman Retail & Consumer Products Practice

BDO Seidman, LLP has been a valued business advisor to retail and consumer products companies for almost 100 years. The firm works with a wide variety of retail clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, on a myriad of accounting, tax and other financial issues.

## Mark Your Calendars...

The following is a list of upcoming conferences and seminars of interest for retail and consumer product executives:

### December 2006

**December 6-9**

**TREX (Total Retail Experience) Conference**

Jacob K. Javits Convention Center, New York City

### January 2007

**January 8-January 11**

**International Consumer Electronics Show**

Las Vegas Convention Center  
Sands Expo Center/The Venetian

**January 14-17**

**National Retail Federation (NRF)**

**96th Annual Convention and EXPO**

Jacob K. Javits Convention Center, New York City

**January 19**

**International Council of Shopping Centers (ICSC)**

**Executive Learning Series**

ICSC Life Long Learning Center,  
1221 Avenue of the Americas, New York City

**January 21-24**

**2007 Vision Consumer Products Conference**

Grand Hyatt, Denver, CO

**January 23**

**BDO Seidman, LLP Retail Leaders Breakfast**

Four Seasons Resort, Dallas, Texas

**January 24-27**

**Food Marketing Institute's and Effective Collaboration**

**Retail Marketing Summer Seasonal Snack, Beverage**

**and Grocery Efficiency Program Planning Session**

Scottsdale Plaza Resort, Scottsdale, AZ

**January 31-February 2**

**Shop.org FirstLook 2007**

Gaylord Palms Resort & Convention Center, Orlando, FL

### February 2007

**February 7-9**

**Retail Advertising Conference**

Hilton Chicago, Chicago, IL

**February 13-16**

**MAGIC Marketplace**

Las Vegas Convention Center  
Las Vegas Hilton

**February 16**

**ICSC Executive Learning Series**

ICSC Life Long Learning Center, New York City

**February 20-23**

**ICSC Specialty Retailing Conference**

Palm Springs Convention Center, Palm Springs, CA

**February 28-March 1**

**RetailWeek Conference 2007**

London Hilton Metropole, London

For more information on BDO Seidman's service offerings to this industry vertical, please contact one of the regional service leaders below:

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