



The most wonderful time of the year?

The 2017 holiday promotional season in apparel retail

This *Executive Insights* analysis is presented by **Jon Weber** and **Chris Randall**.
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For more information, contact retail@lek.com.

L.E.K.

2017 Holiday Promotional Analysis

L.E.K. conducted a rigorous analysis of promotional activity across leading apparel retailers during the 2017 holiday shopping period (Nov. and Dec.)

Approach

Gathered and analyzed daily email promotions from vertical and multibrand retailers during the holiday period of November 16 to December 25, 2017 and 2016*

Included Retailers

Specialty apparel

Family



BANANA REPUBLIC



J.CREW

Teen

Abercrombie
& Fitch



AMERICAN EAGLE
OUTFITTERS

UO

EXPRESS

Women's

chico's

LOFT

WHITE | BLACK
HOUSE | MARKET

TALBOTS

ANN TAYLOR



VICTORIA'S
SECRET

ANTHROPOLOGIE

Department stores

Premium

Neiman Marcus

NORDSTROM

bloomingdales

Moderate

★ macy's

JCPenney
Every Day Matters

sears

Lord & Taylor

* Email promotions provided by Wiser Solutions, Inc.

The 2017 holiday period featured protracted, deep and broad discounting

Early and often

- Promotions **start early**, and once kicked off, brands **promote constantly** through the holiday season
- For most retailers, Black Friday in particular has extended into a **week-long event or more**



of days in the Nov-Dec holiday season
retailers offered a promotion

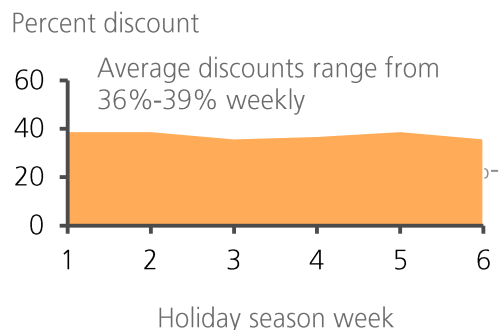


9 days

... is how long Black Friday/Cyber
Monday-named promotions were offered
by the average retailer

Race to the bottom

- Average **discounts are consistently deep**
- The ~40% average discount **persists** throughout the entire holiday season



Giving away the store

- Retailers promote their full assortment nearly every day, rather than specific items or categories
- Most offers are **omni-channel**, and very few are **targeted at loyalty members**

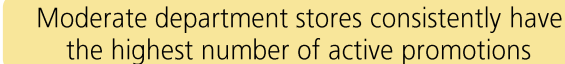
93% of the holiday period, the
average retailer had a full-
store promotion

72% of promotions were omni-
channel rather than in-
store or online-only

97% were available to all
customers rather than
targeted at loyalty members

Retailer promotional offer email campaigns (2017)

Number of active promotions



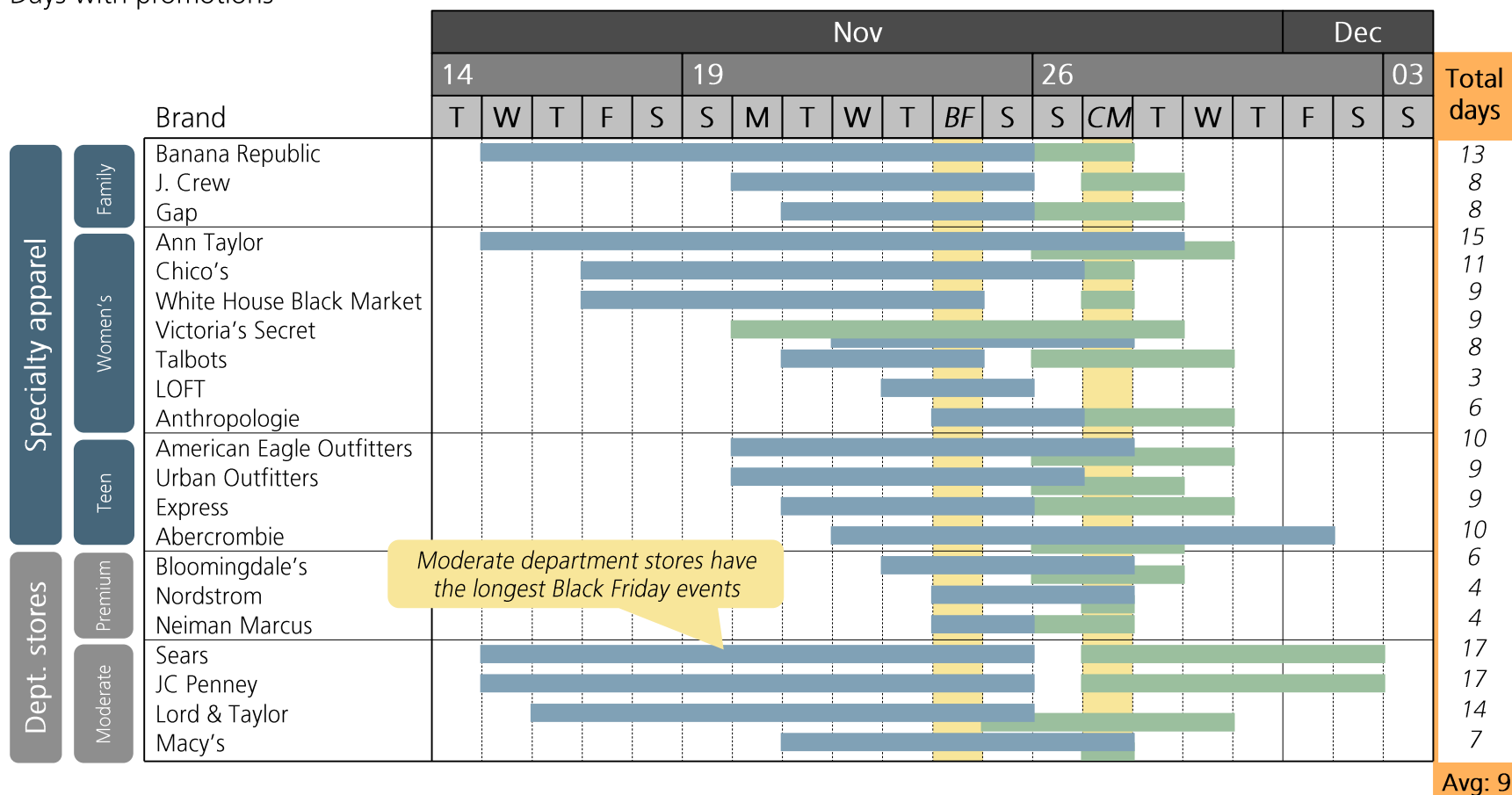
2017 Holiday Promotional Analysis

Black Friday and Cyber Monday have evolved into a week-long event or more

Black Friday and Cyber Monday promotion offering timing, by
retailer group (2017)

Days with promotions

Black Friday promo.  Cyber Monday promo. 



Note: Black Friday and Cyber Monday promotion timelines begin with the first message specifically promoting either Black Friday or Cyber Monday, and end at the latest date those promotions are active

Source: L.E.K. analysis

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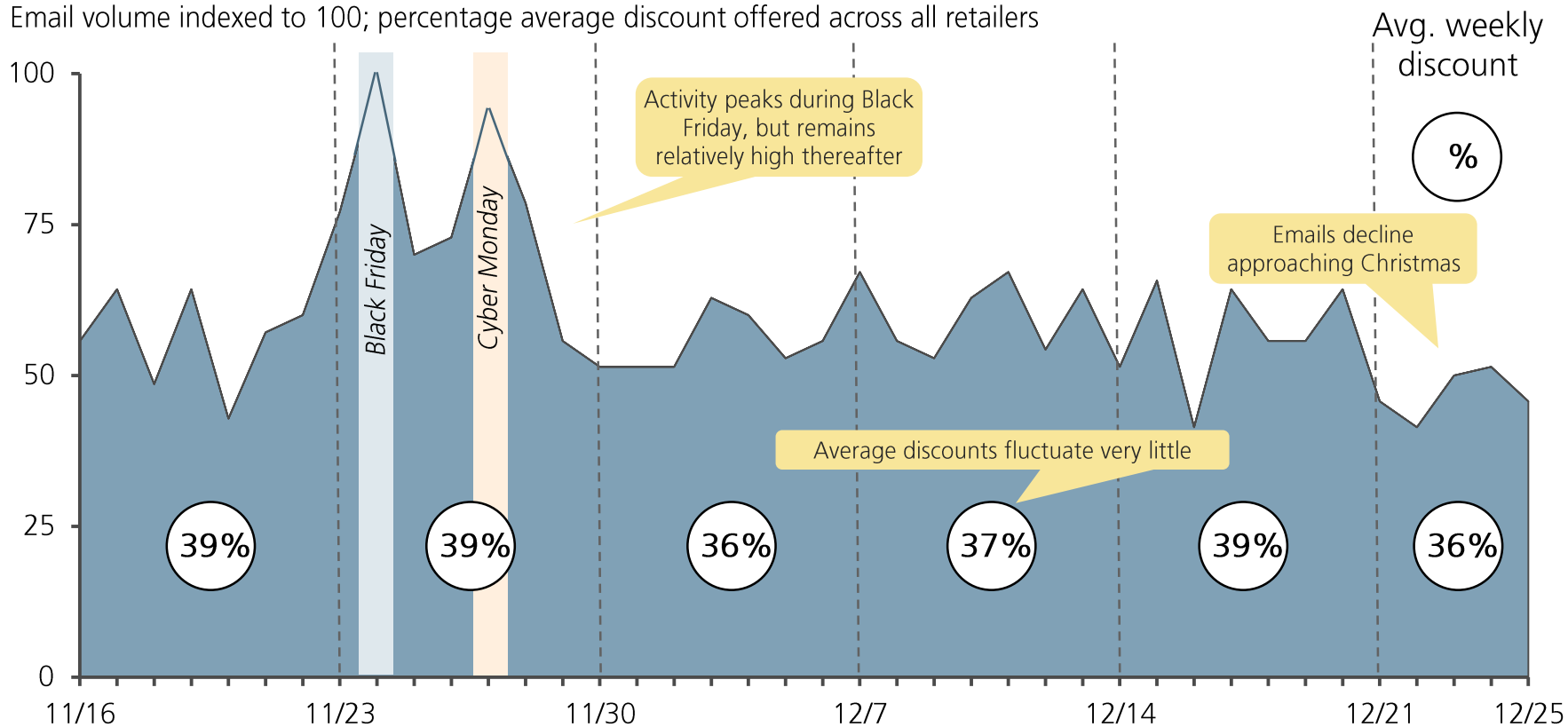
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2017 Holiday Promotional Analysis

The volume of promotional emails declined only 25% after Black Friday/Cyber Monday, but discount depth fluctuated little throughout the period

Holiday promotional email volumes and average discount (2017)

Email volume indexed to 100; percentage average discount offered across all retailers



Source: L.E.K. analysis

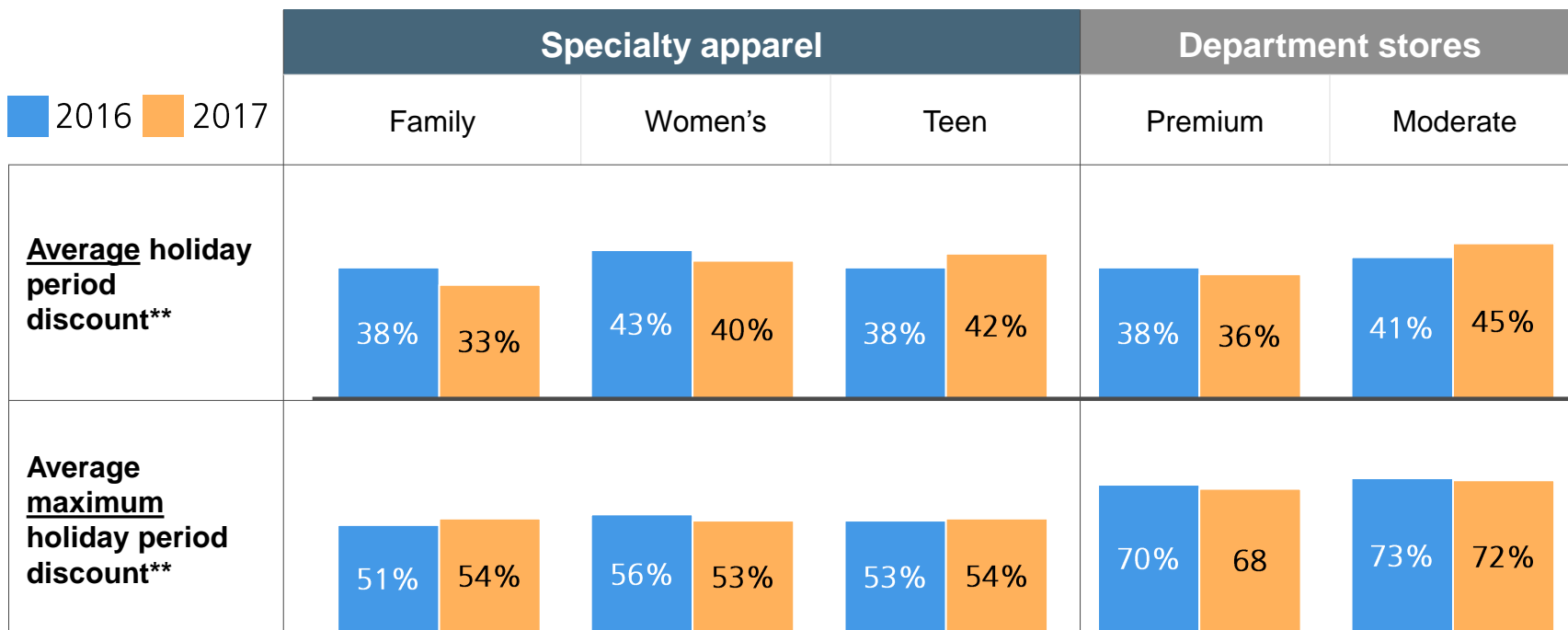
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Average discounts are deep across channels: ~35-45% is typical; maximum discounts were nearly 60% on average, with some extending above 70%

Retailer holiday* discount depths (2016, 2017)

% discount



Moderate department stores have the steepest discounts

Note: * Holiday period defined as 11/16/2017-12/25/2017 and 11/17/2016-12/25/2016

**Across retailers in the category

Source: L.E.K. analysis

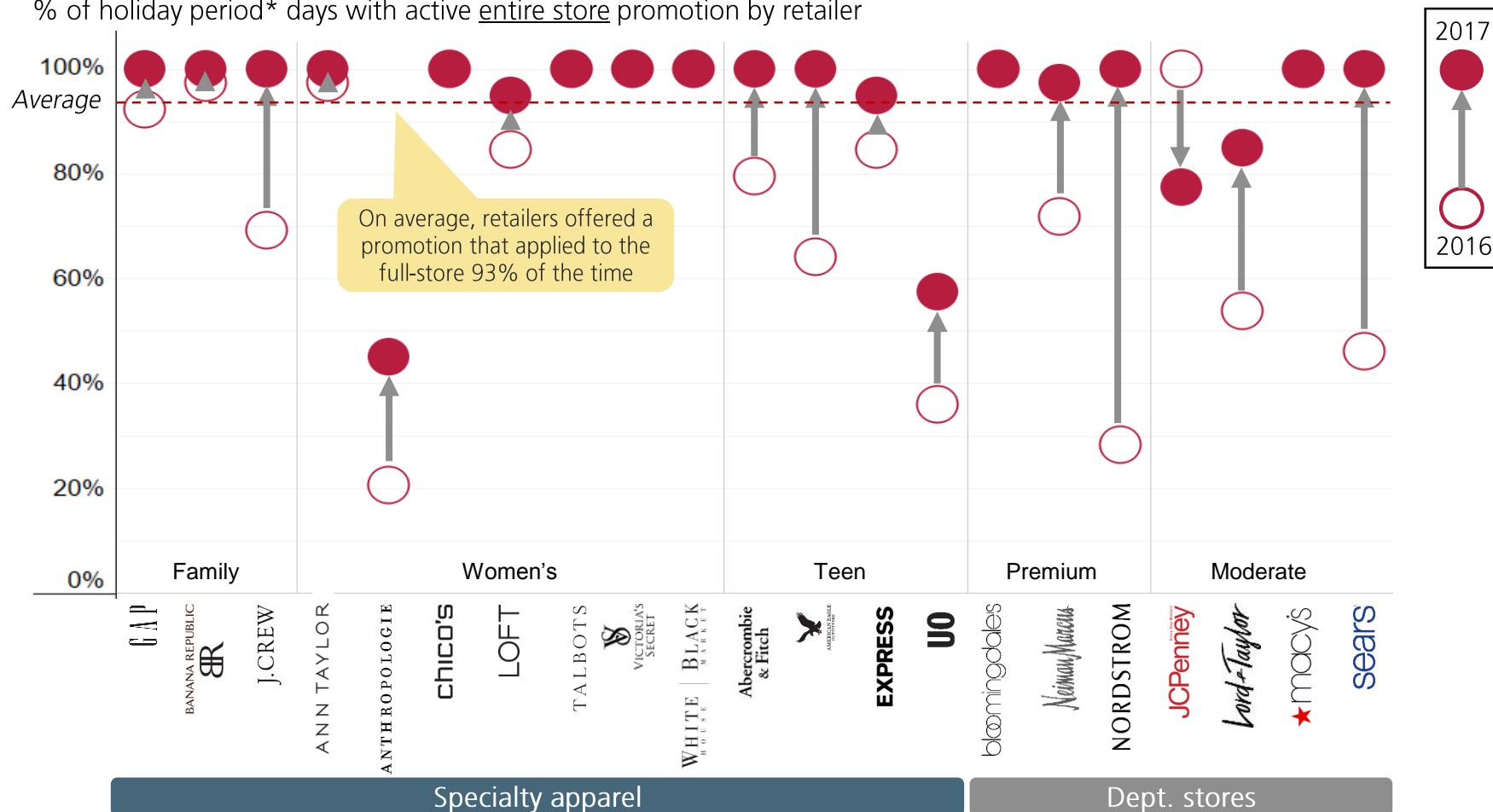
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2017 Holiday Promotional Analysis

Most retailers are defaulting to whole store discounts nearly every day

Entire store vs. category/item-specific promotion frequency (2016, 2017)

% of holiday period* days with active entire store promotion by retailer

Note: * Includes 11/16/2017-12/25/2017 and 11/17/2016-12/25/2016
 Source: L.E.K. analysis

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Omni-channel promotions have become the norm among apparel retailers

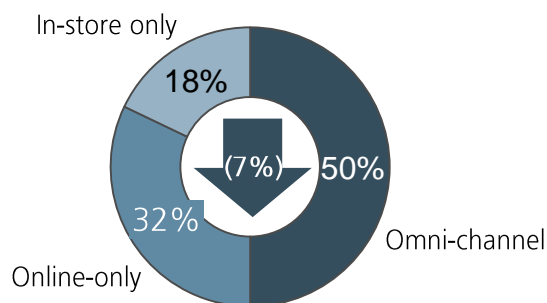
Retailer promotions, by channel (2017)

% of promotions, % change in omni-channel (2016-2017)

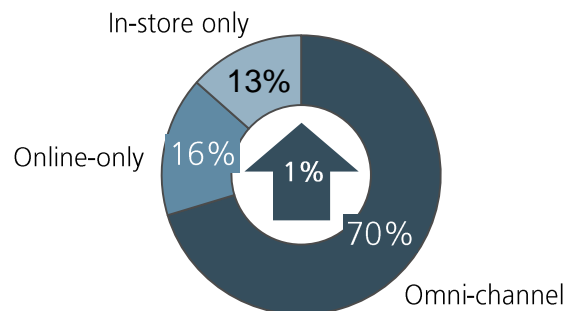
↓↑ % share Δ 2016-17 omni-channel

Specialty apparel

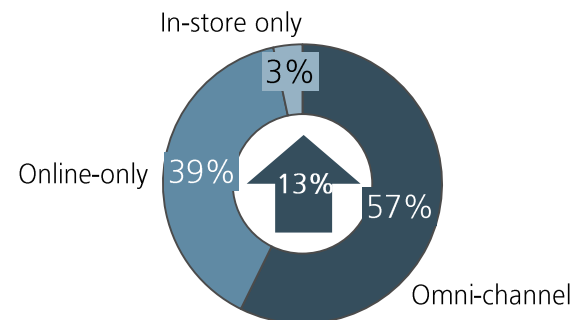
Family



Women's

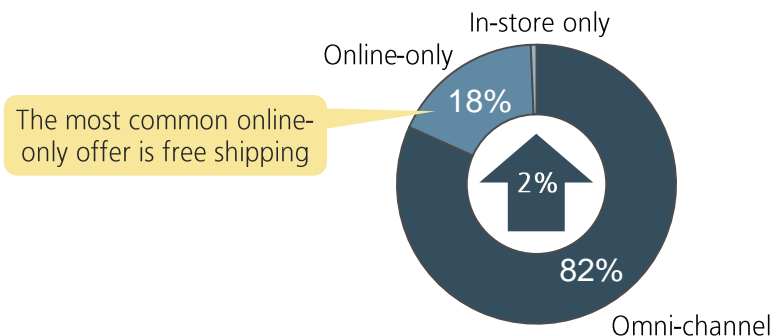


Teen

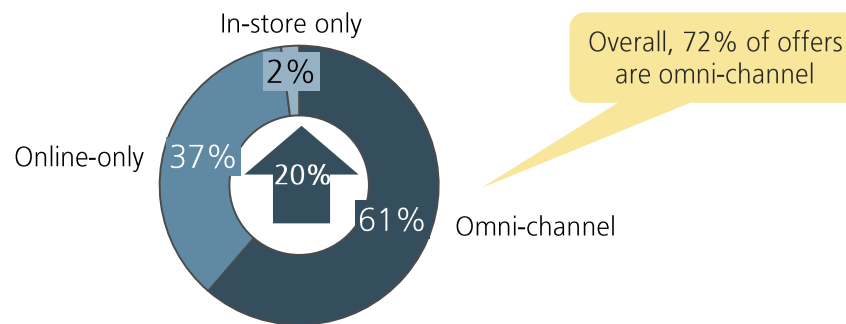


Dept. stores

Premium



Moderate



2017 Holiday Promotional Analysis

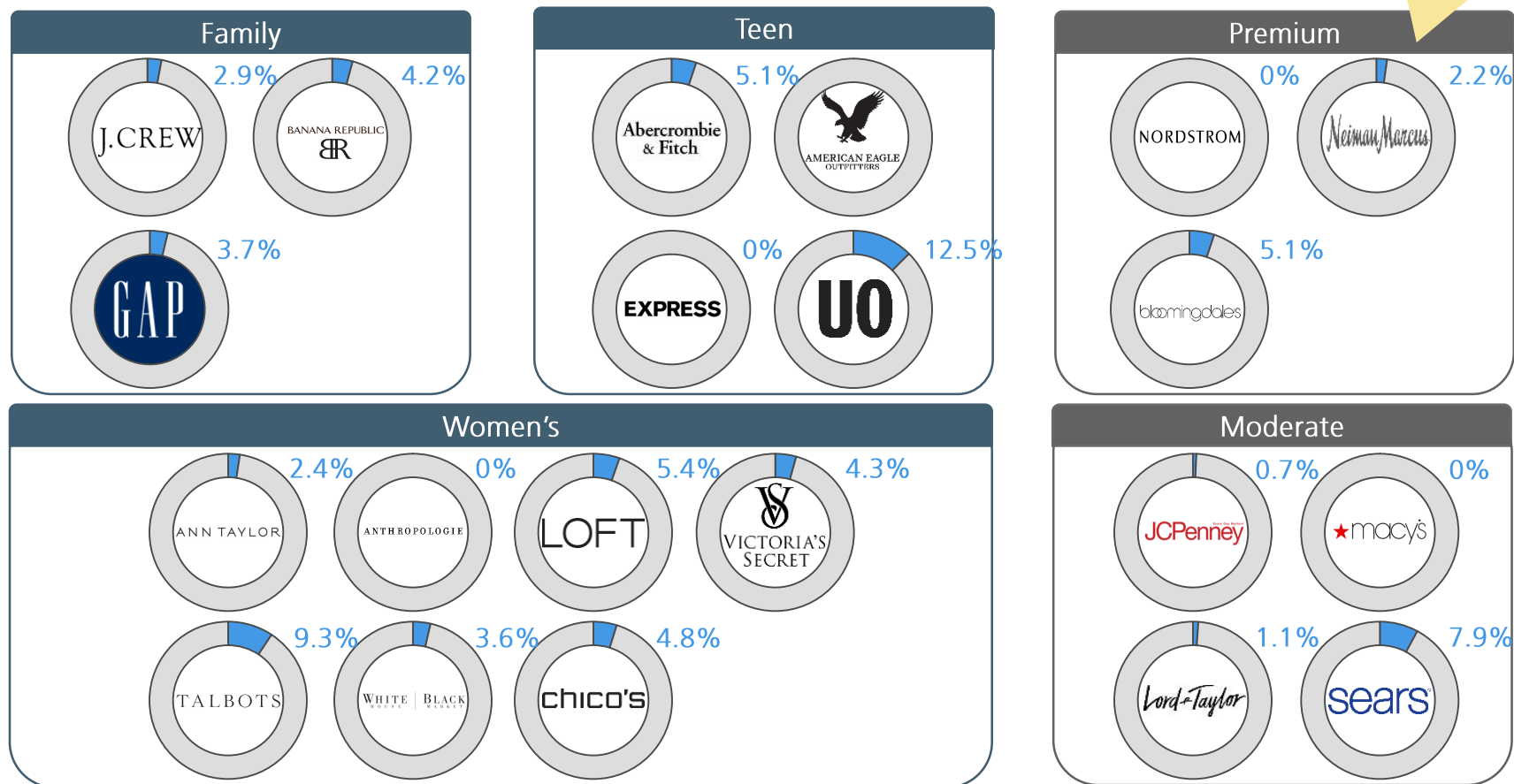
Very few promotions target loyalty or credit card members for discounts

Retailer proportion of holiday promotions targeted at loyalty members (2017)

% share of promotions targeted at loyalty members

X% = share targeted at loyalty members

Approx. 97% of all promotions are available to all customers

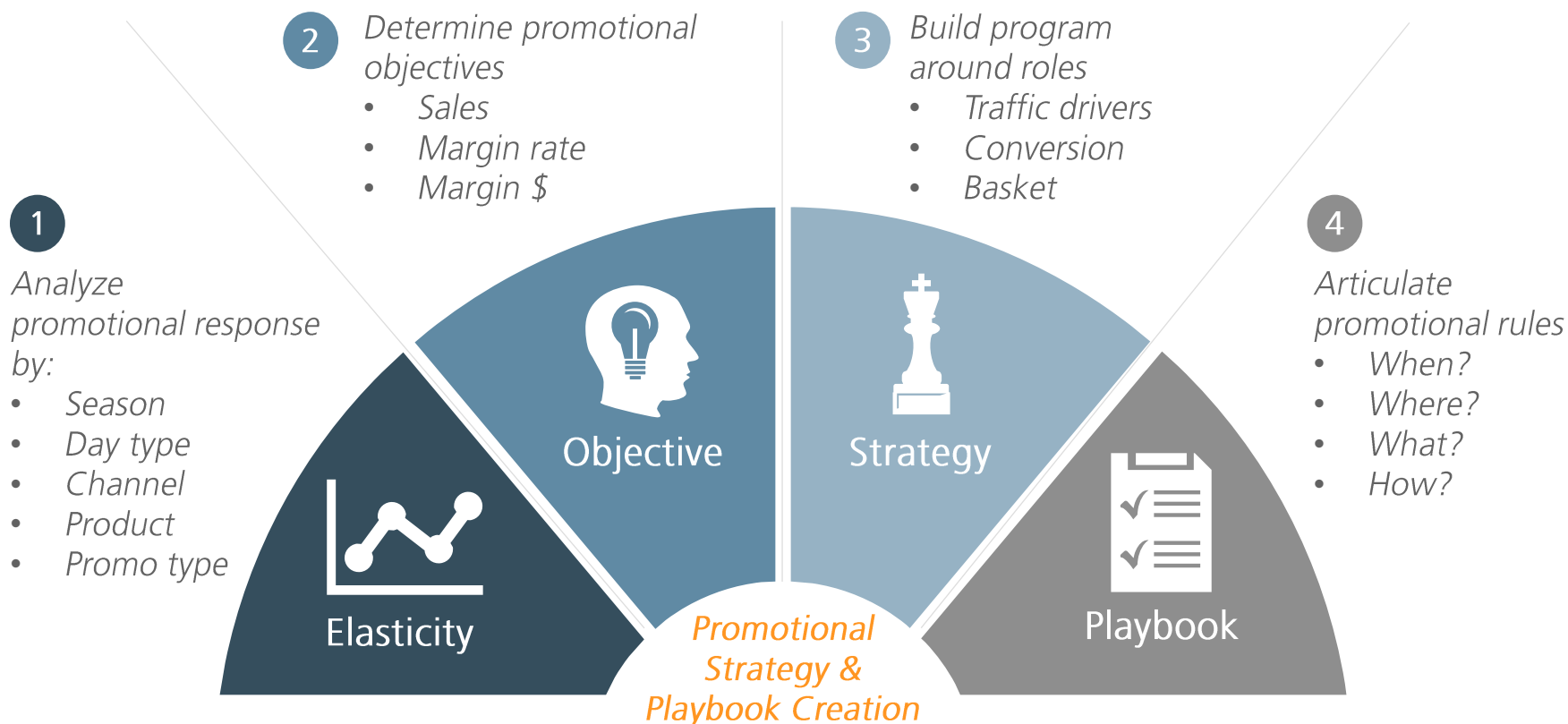


With no sign of holiday promotional activity tapering, apparel retailers need to take a critical view of what is and isn't working

- The 2017 holiday period proved that promotional activity in the apparel sector is still aggressive, and was, in fact, even more intense than in 2016
- While the industry has talked about pruning promotions, we see no evidence that this is happening
- While initial results point toward increased sales in the 2017 holiday period, the cost of these promotions (in terms of margin, pull-forward and true incremental profit) is still unclear
- L.E.K.'s experience points to several areas for apparel retailers to explore to fine-tune promotional activity in 2018:
 - Integrate more variation in promotional activity – “always on, always deep” across the full assortment can lose its impact on consumers and weaken the call to action
 - Pull back and maximize margins on days when consumer elasticity is lower
 - Protect your core: promote marquee product lines and other key assets more selectively, to avoid losing their impact and margin benefit, and build stories and merchandise around them to cut through the noise
 - Define where and when to deploy different promotion types – each can play different roles and have different effects
 - Define clear strategies for your loyalty members and find ways to treat them differentially

We employ a proven framework to define winning promotional strategies

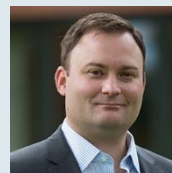
At L.E.K., we use our distinct, proven promotions framework, supported by advanced analytics, to isolate true drivers of value and architect a strategic playbook for clients



About the Authors



Jon Weber is a Managing Director and Partner in L.E.K.'s Boston office. He leads L.E.K.'s Global Retail and Consumer Products practices and is a member of L.E.K.'s Americas Regional Management Committee. Jon has extensive experience working across retail channels and with worldwide consumer brands, and is a leading advisor to the apparel and footwear industries.



Chris Randall is a Managing Director and Partner in L.E.K. Consulting's Boston office. He is focused on the Retail and Consumer Products sectors, advising clients on a range of critical strategic issues, including growth strategy, retail format and network strategy, brand and marketing strategy, e-commerce strategy, international expansion, and mergers & acquisitions.

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