



FTI Consulting Retail Report Projects 3.0 Percent Increase in 2011 Holiday Season Sales

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Annual Report on State of U.S. Retailing Shows Resilience of Sector despite Economic Woes

WEST PALM BEACH, Fla., Nov. 17, 2011 /PRNewswire/ -- FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today released its 2011 Retail Report, which forecasts a 3.0 percent increase in U.S. holiday spending. The report was conducted by the firm's team of leading retail industry professionals with deep expertise in corporate finance, operational improvement, liquidity management and turnaround and restructuring services.

This year's annual report provides an analysis of the U.S. retail sector, which includes total GAFO category sales, as well as online and mail order sales, for November 2011 through January 2012. The forecast model now takes into account the divergence of consumer spending along income lines and incorporates this pattern into the forecast. Overall, the economic variables that make up the model are reading slightly weaker now than they were a year ago.

"Last year's holiday season proved to be considerably stronger than most predictions, gathering unexpected strength from last-minute tax relief measures through 2012 that encouraged spending by lower and middle income families and perhaps some splurging by high income households," said Bob Duffy, Global Co-Leader of the FTI Consulting Corporate Finance/Restructuring practice. "U.S. retail sales have held up respectably in 2011 amid a weakened economic backdrop and low consumer confidence, and we expect modest growth for the pending season. The stellar growth of the online channel, which maintains its position as the growth engine of the industry, will continue to take market share this holiday season."

Key insights on the U.S. retail sector from the 2011 report include:

- **Promotions and Discounting on the Rise:** 2011 is shaping up to be a very promotional holiday season despite tightly managed inventory levels for most large chains. The economic slowdown since May 2011 and the renewed financial anxieties for many American households have dissuaded many retailers from boosting prices even as product costs rise. To address consumers' pricing sensitivities, promotions and aggressive discounting will set the tone for the season, largely easing earlier concerns of accelerating inflation for shoppers of non-consumable goods.
- **Online Retailing Continues to Dominate while Social Media Drives Visibility:** The direct-to-consumer channel was the standout performer of the 2010 holiday season for U.S. retailers, accounting for 20 percent of total 2010 holiday season sales. FTI Consulting expects the popularity of online shopping to continue growing at low double-digit rates this holiday season — slightly lower than last year. Mobile commerce still is not a factor here yet but certainly will be in the years ahead.
- **Going Global Is within Reach for Strong Brands:** The online channel as a shopping and transacting medium on a global scale, combined with strong distribution capabilities and the marketing potential of social media for large retailers, gives established national brands a shot at global reach like never before. Communications technology continues to tear down geographic barriers pertaining to commerce.
- **Retailers Learned to Do More with Less during Recession:** U.S. retailers were forced to make sharp cuts to their workforces during the recession. Between 2007 and 2009, the industry saw an unprecedented decline in jobs, equaling nearly 8.0 percent of its pre-recession workforce. Today, few of these jobs have come back due, in large part, to retailers' ability to do more with less since the recession. Consequently, labor productivity has soared for the sector. With concerns of another slowdown or recession, large chains have shown little inclination to boost hiring from current levels with the exception of seasonal help. Most large retailers have managed their businesses aggressively through marked improvements in supply chain management and working capital investment — and such measures have been fruitful for the sector.
- **Retail Real Estate Is Showing Some Cracks:** The bankruptcies of several large retail chains over the last few years, including Borders and Blockbuster store closings in 2011, is beginning to weigh on some types of retail real estate, particularly strip malls, with vacancy rates at cyclical highs for these shopping centers and rental rates generally depressed. Furthermore, the popularity of online shopping also will serve to discourage new store openings in non-essential markets. Only "Class A" shopping malls needn't worry about these developments.
- **Office Supply Retailers May Face Consolidation:** Similar to the channel migration issues faced by large booksellers and music stores in the past few years, FTI Consulting expects office supplies to be the next sector to experience some degree of consolidation activity. With online sales of office supplies now accounting for nearly one-quarter of total sales in the sector and growing, there could be noticeable store closings by some or all of the three top chains. Online retailers, like Amazon, have expanded their product offerings in this category. FTI Consulting believes that the office supply category is naturally suited for the online channel and currently is over-stored.

This year's report, entitled "... Fear Itself," examines the macroeconomic conditions impacting the United States and the roles that fear, anxiety and anger can play in formulating our worldviews and influencing our economic and financial decision making. The full report is available at www.fticonsulting.com.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,800 employees located in 23 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The company generated \$1.4 billion in revenues during fiscal year 2010. More information can be found at www.fticonsulting.com.

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