



FTI Consulting Retail Report Projects Three Percent Increase in 2010 Holiday Season Sales

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Online Retailing Will Approach \$200 Billion in 2011

WEST PALM BEACH, Fla., Nov. 23, 2010 /PRNewswire via COMTEX/ --

FTI Consulting, Inc. (NYSE: FCN) the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today released its 2010 Retail Report, which forecasts a three percent increase in holiday spending. FTI attributes the projected increase to improvements in income growth and household wealth compared with 2009. The report also identifies online retailing as the best performing segment during the recession, and projects that online retail sales will approach \$200 billion next year and will double its market share of U.S. retail sales by 2020.

The annual report provides an analysis of the retail sector by a team of the firm's leading corporate finance executives with deep expertise in operational improvement, liquidity management and turnaround and restructuring services. The report also provides a snapshot of how the retail sector fared over the entirety of the recession and its aftermath.

"This year, we are optimistic that holiday sales will continue to trend better following a modest uptick in 2009 that coincided with a gradual retail turn," said Bob Duffy, Senior Managing Director, FTI Consulting. "Amid the downturn, retailers have spent the last two years adapting to what we have seen as a new normal. They better understand the challenges they are up against and have planned accordingly. Though consumer sentiment remains stubbornly low, recent year-over-year increases in monthly retail sales demonstrate that we are trending in a positive direction, which we feel will translate into a modestly pleasant holiday season for most retailers. Robust spending by higher income households should more than offset the lingering challenges confronting lower income quartiles."

Key insights from the 2010 report include:

- Mid-size and smaller chains and proprietorships that did not have the scale, geographic diversity or financial resources to ride out the downturn felt the brunt of the recession, with large chains faring considerably better. With a few exceptions, large U.S. retailers have had an easier time adjusting to the new normal than other industry sectors. In this new environment, large retailers are focused on trying to restore pre-recession operating margins and returns on capital from an appreciably smaller revenue base. FTI believes the industry is in the process of mending, and many retail chains are well on their way to accomplishing these goals.
- A comparison of year to date (YTD) retail sales between 2007 and 2010 demonstrates that soft line categories, such as apparel, endured relatively modest sales declines in 2008-2009 and will surpass their pre-recession sales totals in 2011. Hard-line discretionary categories, such as auto, furniture and home centers, suffered cumulative sales declines of close to 20 percent or more during the recession. It will take several years for these categories to surpass pre-recession sales.
- Holiday sales may also be impacted by the impending resolution of tax uncertainties regarding the extension of the Bush tax cuts. FTI believes it's likely that some portion of these cuts will be extended for a year or two. The preservation of these cuts for high income earners in some form could result in additional holiday spending, as most high income households have been prepared for a tax hike next year. Conversely, the failure to extend the Bush tax cuts for middle and lower income families, though unlikely, would dent holiday spending, as these households have been expecting tax rates to hold steady for them.

FTI's 2010 Retail Report also has a particular focus on the surge in online spending and projects that online retail sales will approach \$200 billion in 2011, increasing to \$318 billion by mid-decade and \$442 billion by 2020. At that point, online sales will account for almost 13 percent of U.S. retail sales compared to 6.3 percent currently, representing a compounded average annual growth rate that's three times faster than the growth of U.S. retail sales.

Other findings on online retailing include:

- The online channel salvaged the 2009 holiday season, with sales jumping nearly 15% and pushing overall holiday season sales into positive growth at 1.6%.
- Despite the huge success of some Web-only sites, such as Amazon.com, the multi-channel model has emerged as the dominant platform for generating online sales.
- The relevant metric by which to gauge the online channel's strength is market share of U.S. retail sales, which continues to climb but varies greatly by product category. Sales growth in the online retail sector is slowing compared to years past due to the fact that so much growth has already occurred in most product categories and the potential of the medium to capture sales in these categories is limited from here.
- The majority of future growth in online sales will come from huge store-based categories with limited online appeal to

consumers, low market share potential and slow online growth trajectories--categories like food & drug, home improvement and mass merchants.

- Mobile commerce will be a wildcard for U.S. online retailing in the years ahead. While mobile access to the internet is in high demand by U.S. consumers, it is less clear whether mobile commerce will catch on with the same degree of enthusiasm.

The full report is available at www.fticonsulting.com or from Andy Maas at Andy.Maas@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 3,500 employees located in most major business centers in the world, we work closely with clients every day to anticipate, illuminate, and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.

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