



## FTI Consulting Issues New U.S. Retail Report, Forecasting 4.5 Percent Increase in Holiday Spending

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### Online Sales Again Will Capture Much of the Season's Sales Growth

WEST PALM BEACH, Fla., Nov. 14, 2012 /PRNewswire/ -- FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today released its 2012 Retail Report. The report, titled "A Real Cliffhanger," analyzes the state of the retail sector in the United States and finds resilience in consumer spending on goods despite ongoing global economic uncertainty and threats posed by the impending fiscal cliff. Consumer confidence is approximately 25 percent higher entering the 2012 holiday shopping season than it was a year ago. Included among the Retail Report's highlights are the following:

- **U.S. Holiday Spending Will Increase 4.5 Percent:** The report forecasts a 4.5 percent increase in U.S. holiday spending for 2012 and a growing dominance of online sales during the season. Our retail industry experts expect fewer instances of extreme price discounts persisting throughout the season this year, a trend that accounted for a substantial portion of 2011's 6.2 percent holiday spending increase, as the bottom line for many large chains did not benefit from such aggressive pricing strategies.
- **Online Retail Sales Will Grow by 13.5 Percent in 2013:** The report projects that online retail sales in the United States will grow by 13.5 percent in 2013, surpassing \$250 billion, and eventually will top \$460 billion in 2020. We also believe market share of online sales will approach 15 percent of retail sales by 2020 and plateau near that percentage. The online channel has bounced back sharply from the recession and has consistently grown at about three times the rate of store-based sales. Consumers have become savvy using the Internet for research and shopping and implicitly trust it as a transaction medium. The broad use of smartphones and tablets gives consumers the unprecedented ability to comparison shop anytime, anywhere.
- **Some Retail Sectors Still Have a Way to Go:** FTI Consulting estimates that if the economic recovery continues at its current pace, it will have taken between five and seven years for sales in many non-essential product categories to reach their pre-recession levels. While retail sales have improved since 2010, the progress has been relatively modest compared with the sharp declines experienced during the recession. Sales of autos and categories impacted by the housing bust, including home improvement, furniture and appliances, still trail pre-recession sales levels of 2007. Nominal sales growth in these categories remains positive but not strong enough to make up all ground lost in 2008-2009.
- **Department Stores — a Mixed Bag** Department stores have been more challenged than any other store category to stay competitive in today's cutthroat retail environment. While several department stores still are struggling, there have been enough turnarounds and encouraging stories to convince us that the department store can continue to be a vibrant shopping venue and that the right mix of pricing, service and selection can produce a winner, even if it's not a luxury chain.
- **Online Channel Also Poses a Threat to Retail Real Estate:** As the online channel continues to alter the way consumers shop and retail executives approach selling merchandise, a less obvious casualty is retail real estate. We find that the percentage of retail sales taking place in brick-and-mortar stores have been declining at an accelerating rate since 2001 — a period that coincides with the proliferation of online selling. The traditional practice of opening new stores aggressively and tolerating underperforming ones continues to be altered by the success of online selling. Landlords in all but premier shopping destinations in major markets will be challenged to adapt to this new reality without diminishing the appeal and profitability of such properties. Many mall properties in smaller suburban and exurban locales that now are uncompetitive are at risk of becoming obsolete in the near future.

"Overall, consumer spending trends have been fairly impressive considering the financial anxieties still felt by many Americans," said Bob Duffy, Global Co-leader of the FTI Consulting Corporate Finance/Restructuring practice. "Despite slowing momentum in recent months and lingering concerns over income growth and employment prospects, sales growth trends have managed to stay within the range of historical averages. We find consumer spending across a number of product and store categories to be fairly encouraging and anticipate this vigor will continue through the holiday shopping season. High-end retailers, as well as deep discount and off-price chains, should perform well in the current environment."

Steve Coulombe, Senior Managing Director in the FTI Consulting Corporate Finance/Restructuring practice, said, "The online channel remains a game changer for large retail chains, and many have turned what once was regarded as a threat into an opportunity. Online is taking a bigger slice of the pie, and we are seeing large product categories with smaller but sizable online market shares such as apparel, home furnishings, toys and sporting goods becoming the moving force behind today's growth of online sales."

The 2012 Retail Report considers retail sales in the GAFO categories (general merchandise, apparel, furniture and home furnishings, and other miscellaneous categories) and non-store sales for November 2012 through January 2013. The report was conducted by our team of leading retail industry professionals with deep expertise in corporate finance, strategic, operational improvement, liquidity management, and turnaround and restructuring services. The full report is available at [www.fticonsulting.com/ftiretailreport2012](http://www.fticonsulting.com/ftiretailreport2012).

#### 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 24 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 \$1.56 billion in revenues during fiscal year 2011. More information can be found at [www.fticonsulting.com](http://www.fticonsulting.com).

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