



# Holiday Season Insights

How did retail apparel promotions perform in 2019?

This *Executive Insights* was written by **Jon Weber** and **Chris Randall**, Managing Directors in L.E.K. Consulting's Retail and Consumer Products practices. Jon and Chris are based in Boston.

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L.E.K.

L.E.K. conducted a rigorous analysis of promotional activity across leading apparel retailers during the 2019 holiday shopping period (November and December), including a comparison with 2017 and 2016 trends

Approach

Gathered and analyzed daily email promotions from specialty apparel and department store retailers during the holiday period of Nov. 15-Dec. 25 for 2016, 2017 and 2019

Included retailers

Specialty apparel

Department stores

ANTHROPOLOGIE



BANANA REPUBLIC

NORDSTROM

Abercrombie  
& Fitch

URBAN OUTFITTERS

J. CREW

Neiman Marcus



AMERICAN EAGLE  
OUTFITTERS

TALBOTS



VICTORIA'S  
SECRET

★ macy's

Note: Analysis excludes all outlet and off-price retailers

Source: L.E.K. analysis

# 2019 Retail Apparel Holiday Promotional Analysis

The 2019 holiday season between Thanksgiving and Christmas was 26 days, five fewer than in 2017 and four fewer than in 2016



**30**  
Days between  
Christmas and Thanksgiving



**31**  
Days between  
Christmas and Thanksgiving



**26**  
Days between  
Christmas and Thanksgiving

Thanksgiving was much later in 2019 than in prior years, resulting in the shortest possible number of days between Thanksgiving and Christmas

Note: 2016, 2017 and 2019 analysis includes data collected from Nov. 15 to Dec. 25 for consistency  
Source: L.E.K. analysis

## 2019 featured a high level of activity and a lack of focus by apparel retailers, as they sought to compensate for the shortened holiday season

### Always on

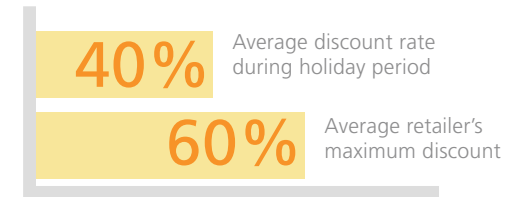
- Promotions **started early** and brands **promoted nonstop** through the holiday season, with **multiple categories on sale** at any given time
- Compared with 2017, **promotions started earlier and ran longer for Black Friday/Cyber Monday** in 2019; **retailers made a strong push in activity and discount depth on these days** and **continued high-intensity promotions** throughout December at a rate above 2017



Average length of Black Friday/Cyber Monday-named promotions offered by apparel retailers, up from seven days in 2017

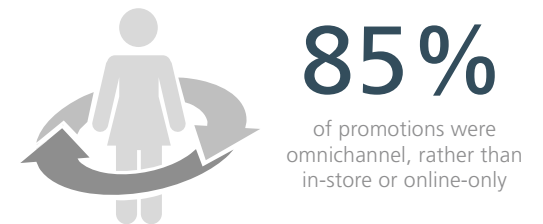
### Always deep

- Average **discounts were consistently deep** and more aggressive than in 2017, indicating that retailers may be **promoting without a clear understanding of what drives consumer response**
- Average **discounts ranged from 36% to 43%** throughout the holiday season



### Broad and omnichannel

- Retailers increased focus on category-specific promotions; however, many still defaulted to full-store deals
- The large majority of offers were omnichannel; the focus on omnichannel efforts increased since 2017, signaling that retailers may be missing opportunities to maximize value by deploying select channel-specific strategies

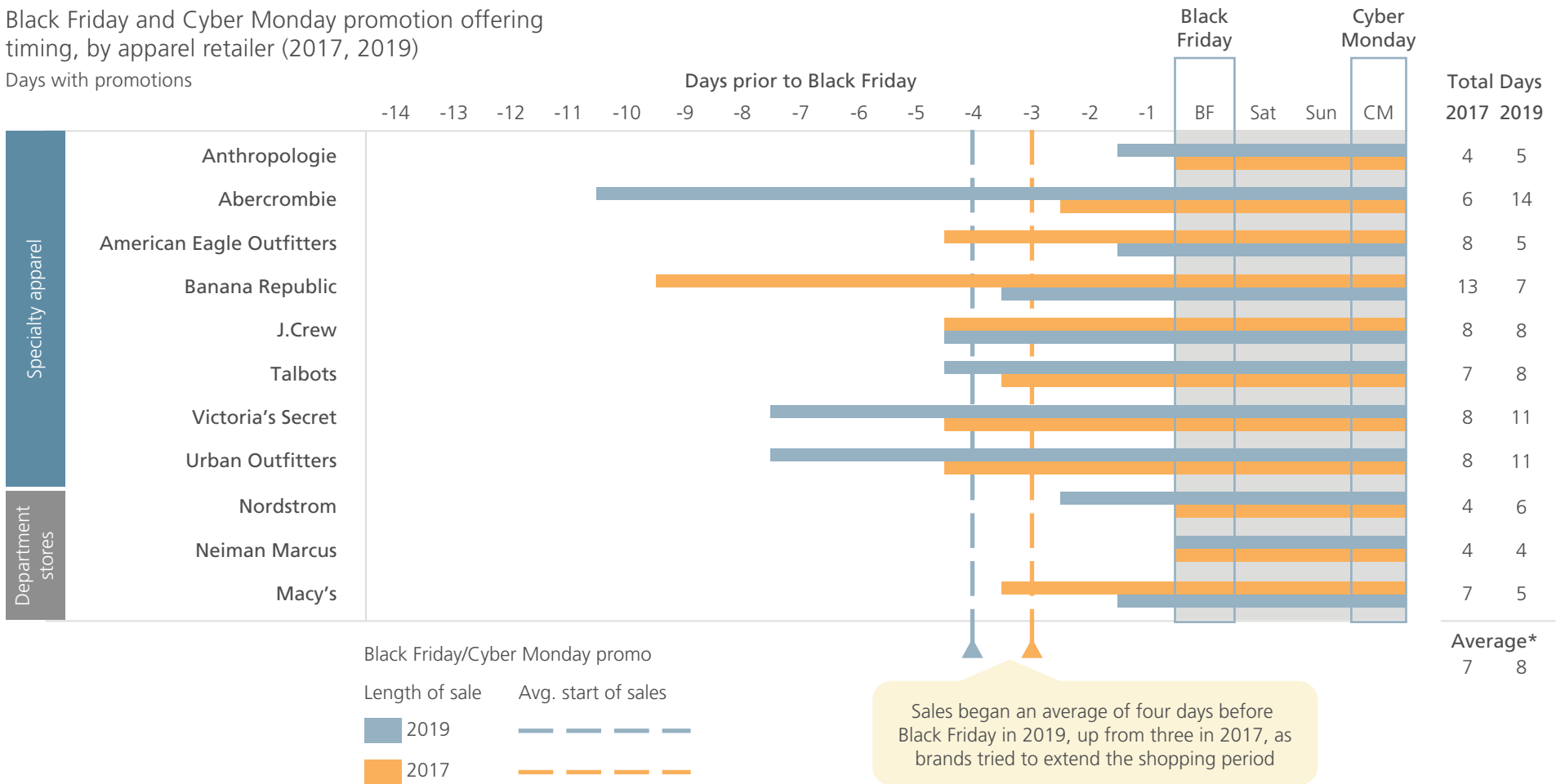




# Black Friday and Cyber Monday events started earlier in 2019 than in 2017 and lasted longer, in part to compensate for the shortened holiday season

Black Friday and Cyber Monday promotion offering timing, by apparel retailer (2017, 2019)

Days with promotions

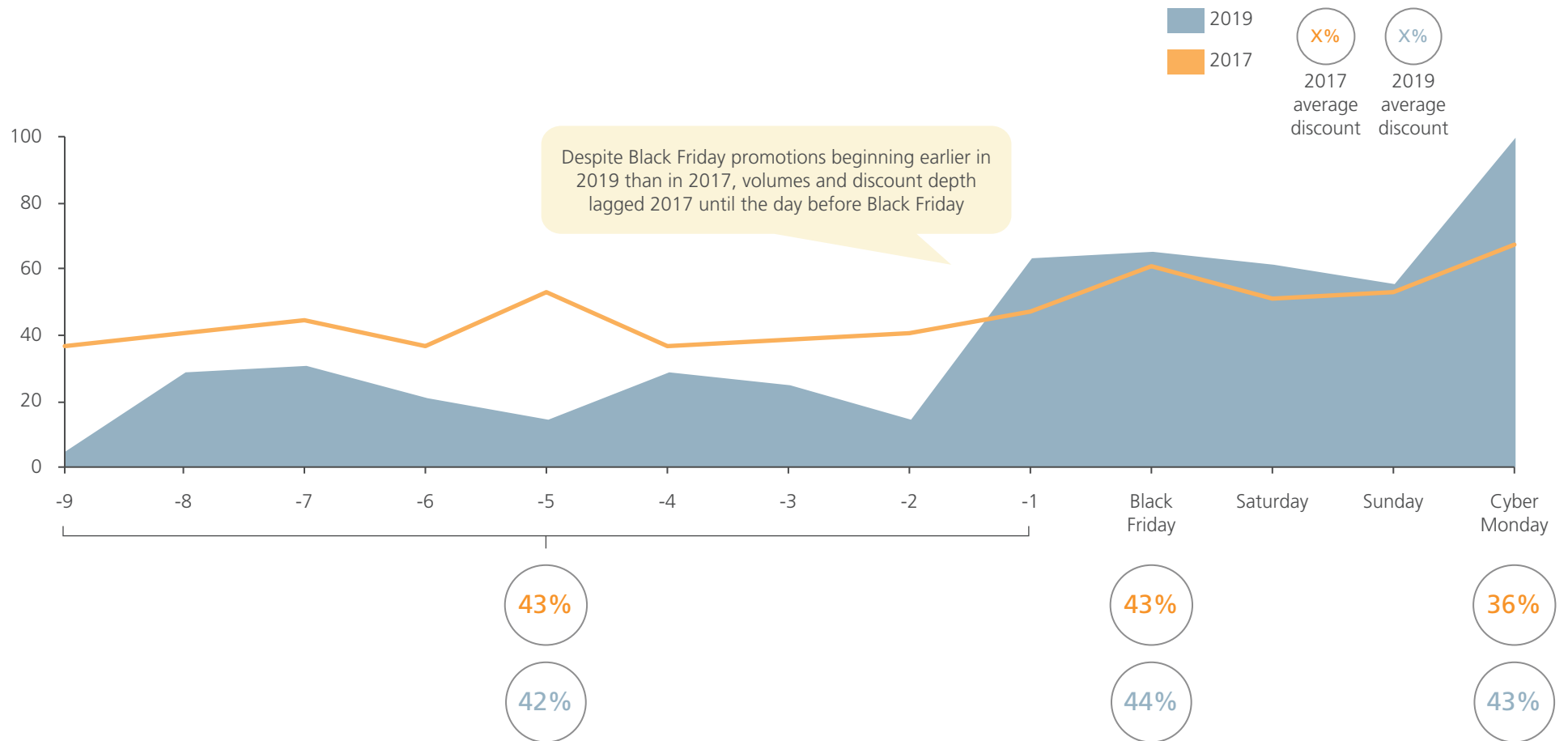


# 2019 Retail Apparel Holiday Promotional Analysis

## Retailers made a strong push in email activity and discount depth on Black Friday and Cyber Monday, accelerating above and beyond 2017 rates

Holiday promotional email volumes and average discount (2017, 2019)

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

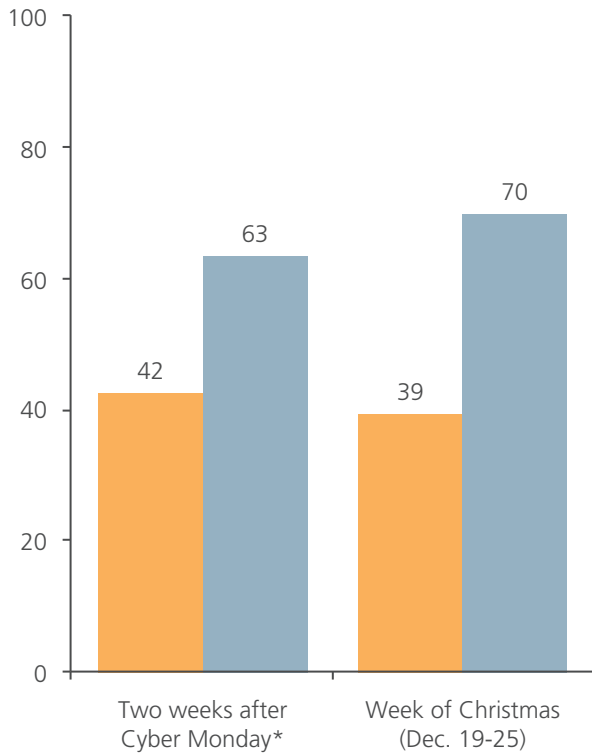


Source: L.E.K. analysis

## Elevated email activity and discount depth continued throughout the rest of December, at a level well above 2017

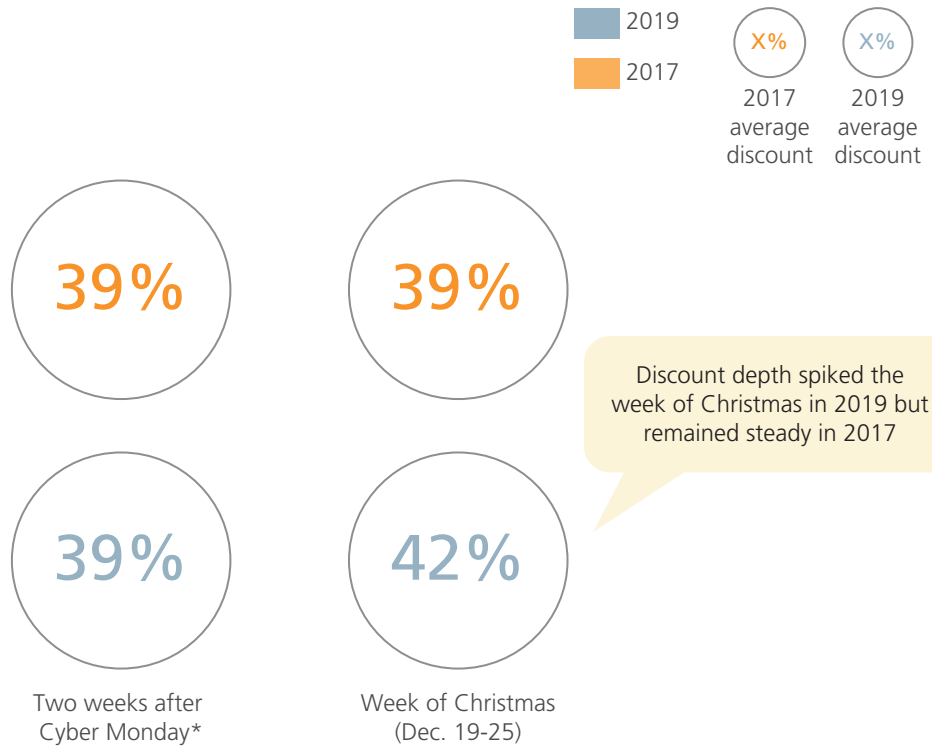
Holiday promotional email volumes (2017, 2019)

Email volume per day indexed to 100



Holiday discount depths (2017, 2019)

Average percentage discount



\*Nov. 28-Dec. 11, 2017; Dec. 3-Dec. 16, 2019  
Source: National Retail Federation, Retail TouchPoints, L.E.K. analysis



# Average and maximum discounts were deep across channels and were generally more aggressive than in 2017

Specialty apparel — 2019		
Retailer	Average discount <sup>^</sup>	Maximum discount
Anthropologie	35%	50%
Abercrombie	35%	70%
American Eagle Outfitters	43%	60%
Banana Republic	38%	50%
J.Crew	47%	60%
Talbots	46%	50%
Victoria's Secret	39%	50%
Urban Outfitters	30%	50%

Department stores — 2019		
Retailer	Average discount <sup>^</sup>	Maximum discount
Nordstrom	45%	50%
Neiman Marcus	40%	75%
Macy's	43%	75%

Max discounts for specialty were typically for specific categories or clearance

Max discounts for department stores were mostly online-only

■ 5 PPT or greater increase 2017-19    ■ (5) PPT or greater decrease 2017-19

## Retailer holiday discount depths

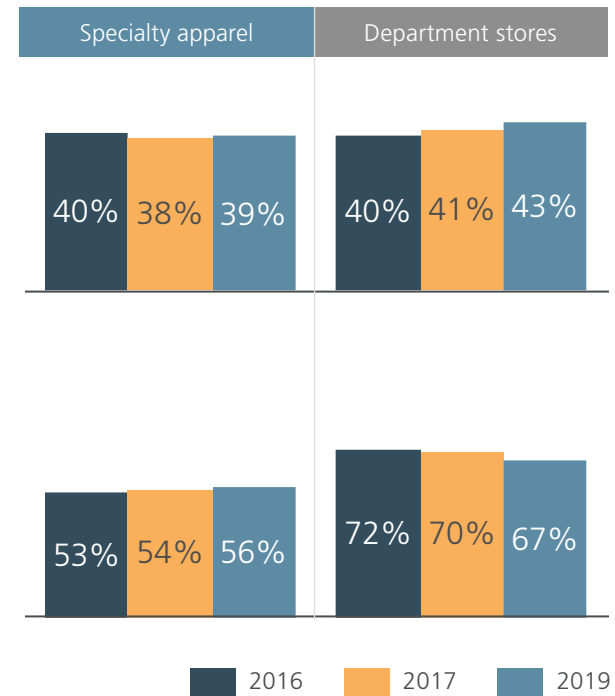
(2016,\* 2017,\* 2019)

Percentage discount

Without clear insight into what is driving response, discount depth has remained extremely high

Average<sup>^^</sup> discount  
41% overall in 2019

Average<sup>^^</sup> maximum discount  
60% overall in 2019



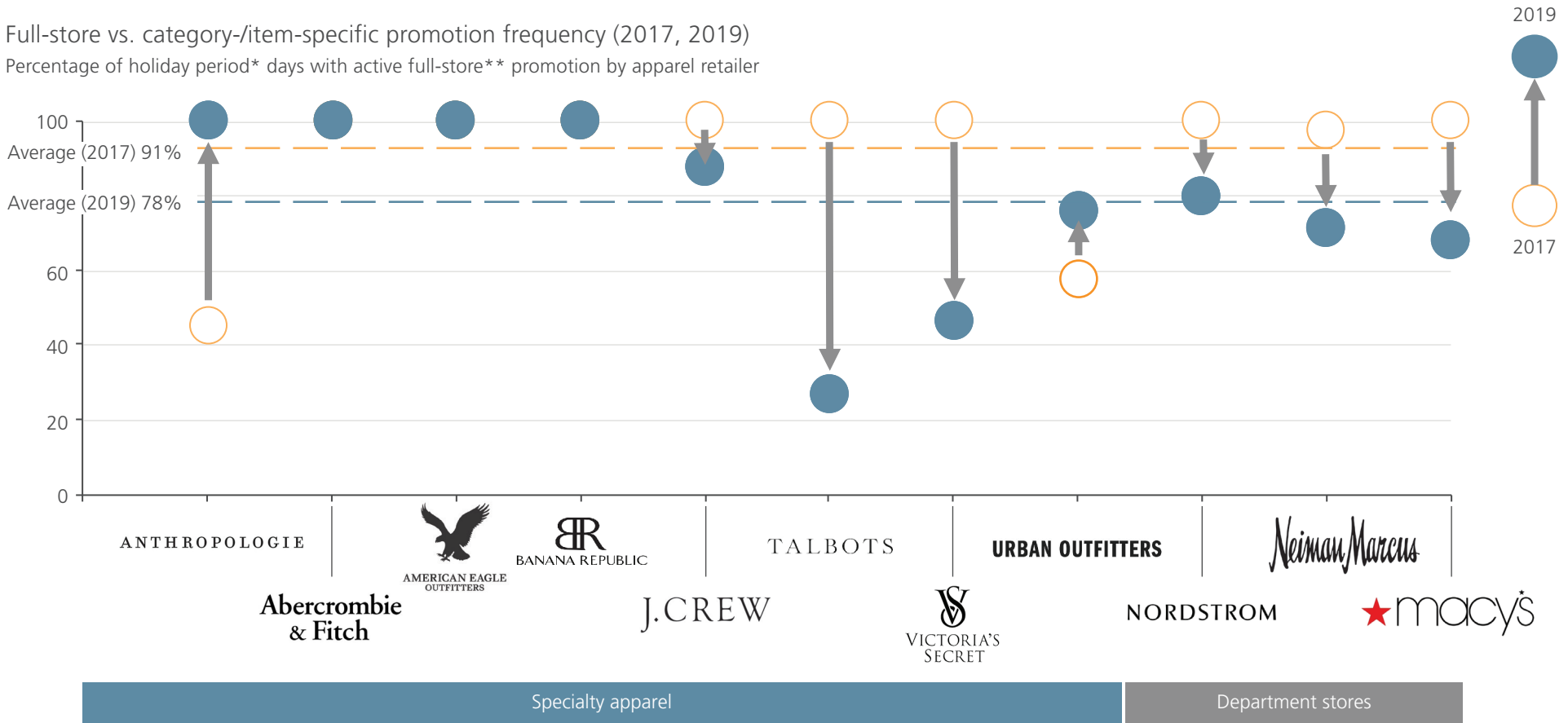
\*2016 and 2017 numbers include retailers that may have been excluded in the 2019 analysis; <sup>^</sup>Straight average of discount rate by brand; <sup>^^</sup>Averages are all straight averages of discount rates by brands within each segment  
Source: L.E.K. analysis

# 2019 Retail Apparel Holiday Promotional Analysis

## Most retailers continued to default to full-store promotions, while some appeared to be sharpening focus on key categories

Full-store vs. category-/item-specific promotion frequency (2017, 2019)

Percentage of holiday period\* days with active full-store\*\* promotion by apparel retailer



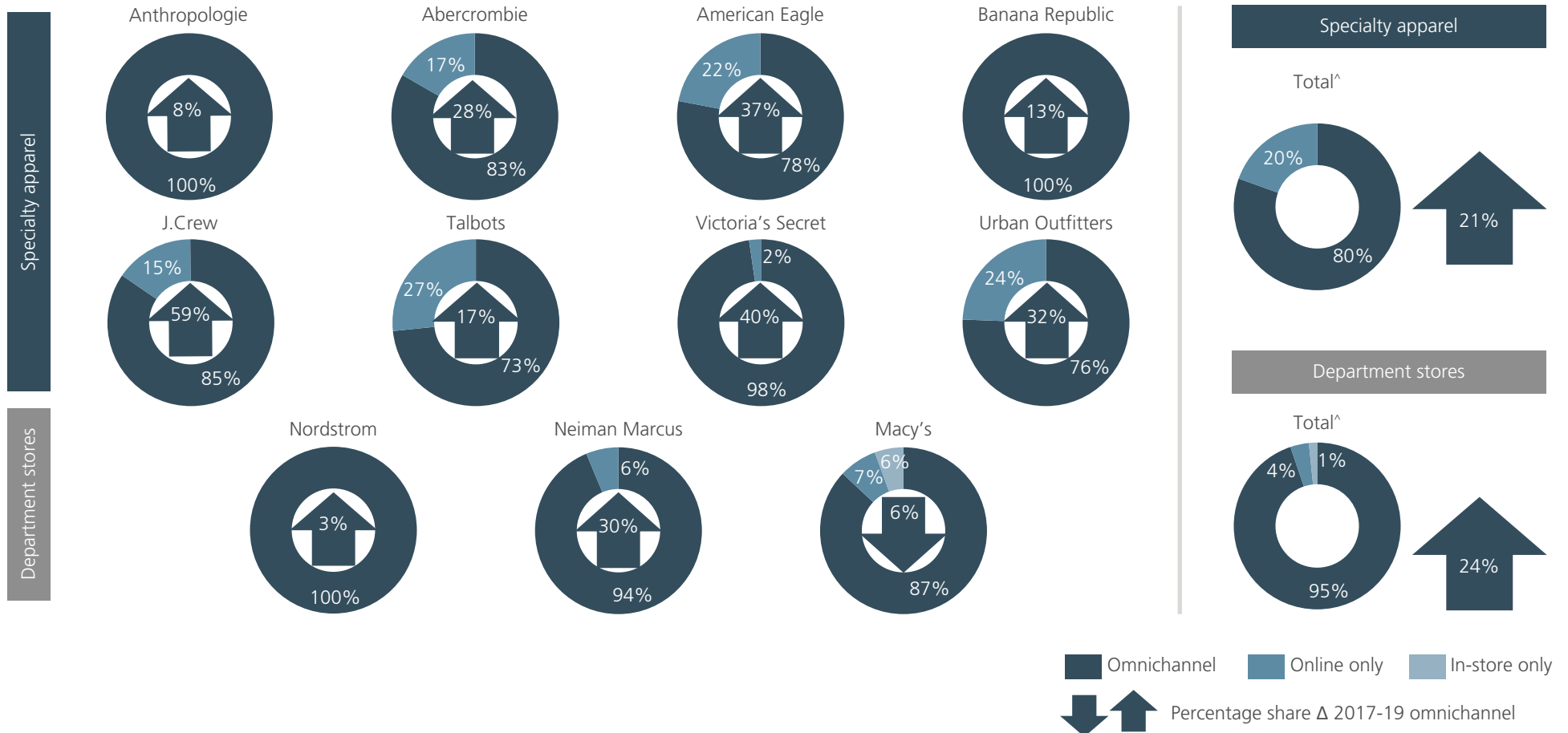
\*Holiday period defined as running from Nov. 15 to Dec. 25; \*\*Full-store promotion does not correspond to having products from all categories on sale (e.g., an additional discount on all clearance items across categories would not qualify as a full-store discount)

Source: L.E.K. analysis

# Omnichannel promotions were most common in 2019, signaling retailers are likely not taking advantage of different consumer behaviors across channels

Retailer promotions, by channel (2019)

Percentage of promotions, percentage change in omnichannel (2017-19)\*



\*Promotions not explicitly marked as in-store or online are assumed to be omnichannel; ^Total is a weighted average based on number of promotions by brand  
 Source: Retail Wire, company websites, L.E.K. analysis

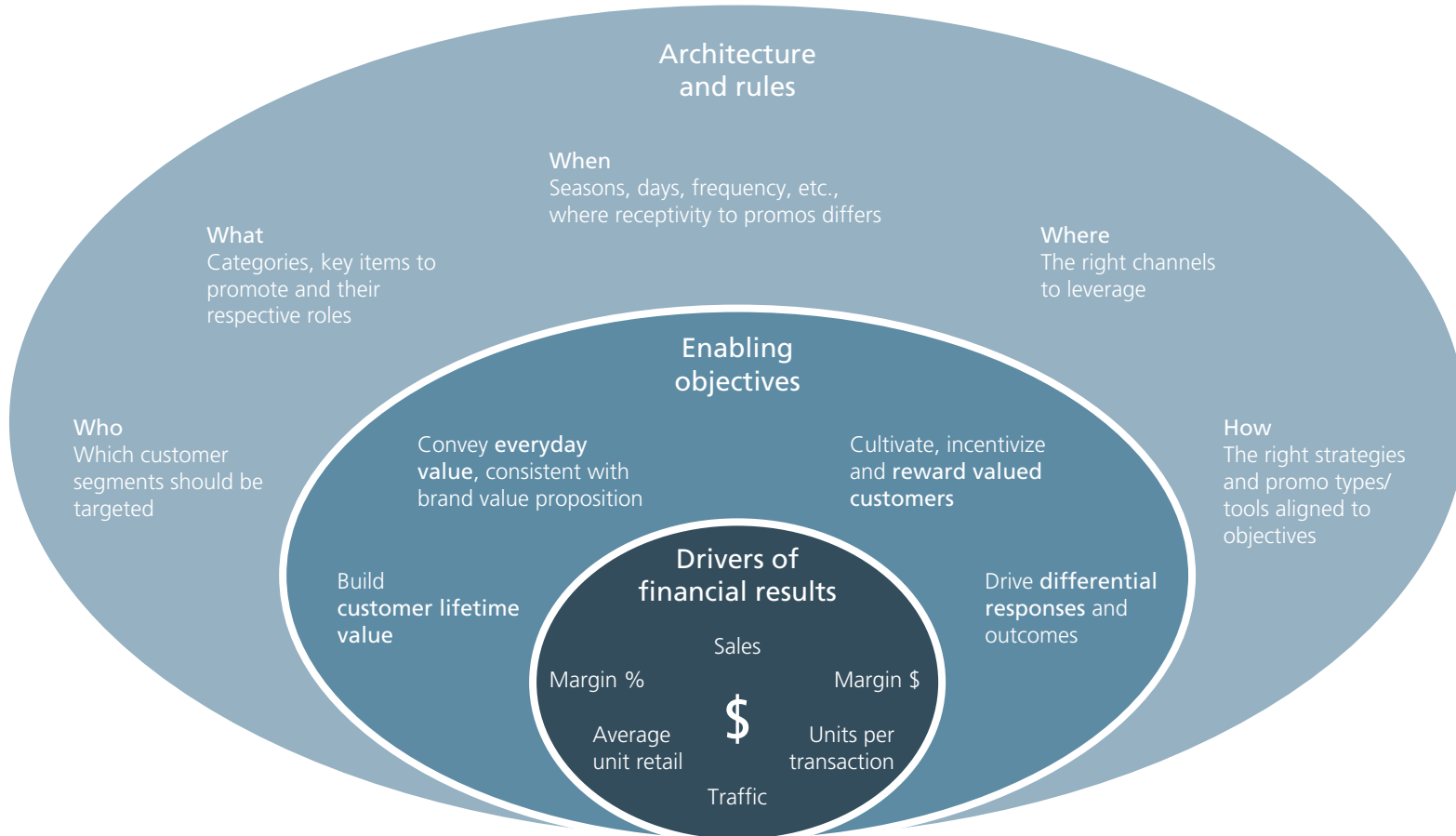
### Summary and strategic considerations

There is opportunity for apparel retailers to employ greater promotional differentiation to drive more value

- The holiday season between Thanksgiving and Christmas was 26 days in 2019, its shortest possible length
- This led to a high level of promotional activity and a lack of focused promotions, as retailers sought to compensate for the shortened holiday season and to win mindshare
- A high level of noise led to deeper discounts and an increased focus on omnichannel promotions, indicating that retailers are promoting without a clear understanding of the nuances of what drives consumer response
- This “always on, always deep” approach is unsustainable for retailers
- Our observations of the 2019 holiday season point to several areas for apparel retailers to explore:
  - Integrate more variation in promotional activity, including promotions that emphasize key product categories
  - Protect your core: Promote marquee product lines and other key assets more selectively and strategically to avoid losing their impact and margin benefit, and build stories and merchandise around them to cut through the noise
  - Use full-store promotions more selectively, as they can unnecessarily erode margins
  - Deploy targeted, channel-specific promotions where and when they can drive value beyond pure omnichannel promos
  - Use big data and analytics to develop a better understanding of promotional response and create a value-maximizing day-to-day promotional calendar to break the paradigm

## We employ a proven framework to define winning promotional strategies

L.E.K.'s approach to pricing and promotional strategy



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## About the Authors



Jon Weber is a Managing Director and Partner in L.E.K. Consulting's Boston office. He is a member of L.E.K.'s Global Leadership Team and led the firm's Retail and Consumer Products practices for nearly a decade. Jon has extensive experience working across retail channels and with worldwide consumer brands, and he 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 and leads L.E.K.'s Pricing and Promotions practice. He advises clients on a range of critical strategic issues, including growth strategy, promotional effectiveness, retail format and network strategy, brand and marketing strategy, organizational strategy, and mergers and acquisitions.

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## About L.E.K. Consulting

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