

## Company Participants

- Chen Grazutis, Analyst
- Jennifer Bartashus, Analyst
- Mike Spriggs, Director of Product Development, Information and Analytics Solutions
- Poonam Goyal, Senior Analyst
- Rishi Chhabra, Vice President of Information and Analytics Solutions
- Seema Shah, Analyst

## Presentation

### Poonam Goyal {BIO 16489913 <GO>}

Good morning. Good morning and thank you for joining us for a recap of Black Weekend, Thanksgiving through Cyber Monday. Today from BI, we have our BI analyst Jen Bartashus, Big-Box, Food, Retail and Restaurants analyst; Chen Grazutis, Branded Apparel and Footwear analyst; Seema Shah, Consumer Hardlines analyst; and myself Poonam Goyal, Specialty Apparel and Department Store analyst.

We also have our guest speakers from First Data, welcome Rishi and Mike; Rishi Chhabra, VP of Information and Analytic Solutions of First data, where she has been with First Data since January of 2012 helping them commercialize the launch of the next era of Big-Data-driven solutions. Joining him is Mike Spriggs, Director of Product Development at First Data, Mike is in charge of the SpendTrend reports you see on BI that help analyze broader industry trends using real data directly from retailers point of sale.

A few housekeeping notes before we begin. Today's presentation will be recorded and available for playback. At the button of the slide window, you'll notice that you can adjust volume and maximize your screen. Feel free to ask any questions by submitting one to the right of the slides, we will address your questions at the conclusion of the presentation. A copy of the slides will be available for download in the post-event email.

About BI, BI is -- it provides in-depth analysis data sets on industries, companies and government, ESG, credit and economic and litigation factors that you can use for your analysis and investment decision. It's backed by 300 third-party data providers of which one is First Data. Our analyst team has an average of 20 plus years of experience from mostly the buy and sell side. And BI is only available to Bloomberg Professional Service Clients.

With that, I'd like to turn the call over to Mike and Rishi, and have them talk to you about the largest selling period in November, and one of the largest of the year, Black Weekend, what we call it. Tell us how Black Weekend sales fared and what you

saw based on the real data that you analyze from the point of sale system. Thank you, and welcome Rishi and Mike.

## Rishi Chhabra

Thank you, Poonam. This is Rishi Chhabra from First Data. Appreciate you having us on this call. Before we get started, let me speak about the exact numbers and what we saw in the Black Weekend or Black Friday through Cyber Monday. I just want to -- kind of take a step back and talk about First Data, we are one of the largest payment processors for electronic transactions across the U.S.. We process transactions credit, debit, prepaid, what have you all kinds of electronic transactions for over 4 million clients in the U.S. at any given point of time. What we did was as we think about analyzing a spend for the Black Weekend or Thursday through Monday, we use a methodology for same-store sales that we do for SpendTrend that Poonam, you and others at BI are pretty familiar with. And the whole idea here being is, if we keep a set of merchants constant up for over a period of time, see what the growth is in spending by consumers in real-time using their electronic payment mechanisms at those merchant locations.

So for this period, we actually looked at over a million merchants, combination of both brick and mortar and e-commerce merchants for [ph] whom we process. One of the things as we make sure these merchants are constant, they have been on the First Data platform for a while, and their growth and their volumes are normalized. So everything we're analyzing is true consumer spending, and we look at this from a year-over-year perspective, to look at growth number is not month-over-month, not week-over-week, but to normalized for spending patterns at different points in the year or times, we make sure we look at it from a year-over-year perspective.

One of the other things we did just make sure for holiday spending, we excluded gasoline stations and fuel dispensers, just to make sure that, the gas prices or the falling in gas prices do not be an effect from a holiday spending perspective.

So if we go over to the next slide, Poonam, to your question, what did we see in this holiday? We actually saw pretty robust growth. This slide speaks to overall spending, so this is both retail and non-retail spending, and we'll get to retail spending only as well.

But if you look at this slide, for 2016, we saw a 7.8% growth just for the Thursday and Friday. And when you look at the Thursday through Monday numbers, we came in at 5.6% growth in actual dollar volume being spend at these merchant locations year-over-year. And the 5.6% can be broken out into brick and mortar and e-com.

So brick and mortar was more like 3.7%, and e-com was 12.1% with the weighted average being 5.6%.

Now if you compare this to a year ago, we have seen pretty strong growth rates a year ago as well at 7.5%. So you can see that on a year-over-year basis, we have seen pretty strong growth rate from a overall spending perspective. And we also compute

what we call the pre-holiday season, which is the time period leading up to the holidays. So in this case, it was the time, the 21 days leading up to the Wednesday before Black Friday -- sorry before Thanksgiving. And the growth rate spend were about 3.4%, so you can see that sustaining the growth just 3.4%, and the 21 days leading up to the holiday, and then you had 7.8% for Thursday, Friday. And then net around nicely at 5.6% for Thursday through Monday.

Similarly, if you go to the next slide, and you look at numbers specific to retail, very, very similar trends, numbers being slightly higher. So Thursday, Friday for retail came in at 9%; and then Thursday through Monday came in at 5.8%. The brick and mortar being 4.1%, and e-com being 14.3%. Once you would notice that it's the pre-holiday day leading up to this was slightly sluggish at 1.6%. So clearly, directionally, you could say that a lot of the consumers were holding back purchases leading up to the big weekend of the holiday weekend. And it's consistent with the numbers that we're seeing at our merchant locations that we process for.

### **Jennifer Bartashus** {BIO 1827328 <GO>}

Thanks, Rishi. This is Jen here. Just wanted to ask quick questions. It looks like things slowed down a little bit from Black Friday into Cyber Monday. Can you just tell us a little bit more what was happening there?

### **Rishi Chhabra**

Yeah. Sure, Jen. Good question, good observation, Jen. I think what happened was, we saw a pretty robust growth leading up to Thanksgiving, so the week leading up to the Thursday, especially the Wednesday right before, clearly a lot of spent happen on the way we see it on the day before Thanksgiving.

Now that is again a mix of retail and non-retail, that's a combination of both, but lot of spending happened leading up to Thanksgiving, Thursday, Friday came in strong. And I think Saturday, Sunday, Monday together are lower the averages to some extent, Monday was strong as well, but overall from a Thursday to Monday perspective -- if you look at a five day window versus the two day window to your point, Jen growth did slowed down a little bit, but it's still consistent with what we saw exactly a year ago.

I'm just going to head upon this slide, and then I'll move -- I'm happy, if there are any more questions from the BI team. But if you look at this slide, we clearly are seeing the trends shifting a lot to Wednesday, it is becoming a big day for shopping and spending. What we try to do was look at a comparison of growth rates on Wednesday versus Black Friday, and where is the growth coming from. And if you can see on Wednesday, it is much stronger on non-retail -- non-retail categories or MCC codes as we would like to say it.

And driven by food and beverage stores and eating places or eating and drinking places, clearly, a lot of shopping happening for Thanksgiving. Cooking, eating out

with families, you can see a lot with hotels, leisure as well. So a lot of travel involved on the day before Thanksgiving compared to the Friday or Thanksgiving.

So clearly, shift in spending in terms of dollars, Wednesday has become a very, very big day from a spending perspective. But with that said, clearly, if you look at just retail categories, this has dominated a lot more on Friday versus Wednesday.

**Seema Shah** {BIO 18919310 <GO>}

And this is Seema, I just had a question, which is the 10% growth that you saw before one of the biggest selling days of the year, what was the impact on holiday sales? You're saying that it's different categories versus the core retail categories?

**Rishi Chhabra**

That's right. So the 10% was overall, that includes all categories. It is retail and non-retail. So clearly, there was a big jump in retail as well, but again, lot of the growth was driven by non-retail categories on Wednesday, the day before Thanksgiving.

**Chen Grazutis** {BIO 16090672 <GO>}

So this is Chen. Can you give us some ideas as you're moving through this information on any details about what's been happening day-by-day for Thanksgiving and Black Friday?

**Rishi Chhabra**

Yeah, absolutely, we can do that. And if you look at this particular slide, chen, one of the things we kind[ph] of see is the share of spend versus online versus brick and mortar. So the top chart is for overall, so it's all spending retail and non-retail, and the bottom chart is retail only.

And if you look at the top chart, clearly, as time goes by from 2014 to '15 to '16, '16, you can look at Thursday and Friday, you can look at Thursday through Monday, pretty consistent 24%, 25% is online, and 75% is offline.

And lot of that has grown over time, you can compare to 2014, 2015, 2016, you can clearly see a pattern there on how online spending has a bigger shift or a bigger share of spend.

And in 2016, if you look at Cyber Monday only, clearly, you can see how much spend -- 40% of all spend -- dollars being spend are coming from online versus offline. Similarly, very similar trend in retail-only, you can see a 35-65 shift on Cyber Monday compare that to -- I would say two years ago in 2014, where you are at 87-13 split. So a big, big shift to online e-commerce, which I think again, it's not super surprising, but our data backs up what others are seeing in the economy as well.

I think Jen, this one is going especially to your question around what trends did we see by the hour on Thanksgiving, Black Friday, Cyber Monday? This is broken by hour, and this again looks at all over million merchants, the data that we analyze for. One of the clear things we saw on Thanksgiving Day, it's a growth rates at lot of our merchants were negative until about 6:00 PM on Thursday. And I think that's where lot of the brick and mortar shops, stores or locations opened up the stores this year compared to last year. So we saw positive and strong growth after malls and stores opened up, the physical outlets after 6:00 PM are pretty sustained growth all through Black Friday, and then Cyber Monday as well. And if we click go over to the next slide, I think we do a deep dive on Cyber Monday.

You can clearly see on the bottom chart, it's brick and mortar, not very, very strong growth of brick and mortar on Cyber Monday, a lot is driven by e-commerce as you can see on the top chart. E-com is pretty much dominated all through Cyber Monday with very, very strong growth rates by the hour, whereas brick and mortar, it was kind of mix and match through the day. During some hours on Monday, we did see positive growth rates, were pretty much has been flat for brick and mortar across the day on Cyber Monday. So lot of the growth on Cyber Monday actually came from e-commerce sales as one would expect.

Mike, do you want to speak to this specific slide?

### **Mike Spriggs** {BIO 1772239 <GO>}

Sure. Yeah. As we look at the progression of sales throughout the day, these slides kind of show how sales mount, and so each hour adds additional volume to the total. And so what you'll see in the top left quadrant for Thanksgiving Day is exactly the kind of thing that Rishi just talked about, whereas we all know a lot of retailers made a concerted effort to keep the stores closed, kind of as a goodwill gesture, I guess to their workers. And to be a little bit more observant of the holiday and family time.

And so you see the green line representing brick and mortar activity doesn't really even kick in until around that late afternoon 6 o'clock hour, it peaks sometime after 6:00 PM. Conversely though, if we kind of put this in the context of what we've all probably observed for this holiday season, online deals and activity really encompass the whole month. There are extended deals for online, discounts and things like that.

And as you can see, there is pretty steady sustained online activity, it's represented by the red line for Thanksgiving Day. And so what we see here is evidence of the delivered choices that a lot of retailers have made for this particular holiday season being manifested in the activity and the behavior of shoppers.

If you look at the chart to the right, and we're looking at Black Friday 2016 just that day in isolation. We also see how just because of the availability offers leading up to the holiday weekend, and of course, based on the activity of the merchants, and how they've adjusted their hours, we see this bill and spend happen a little bit later in a day. Then we've seen in past days, where stores were opening at 5:00 AM and

things like that, and that still happen, that just didn't seem to drive the behavior this year. But we do see a kind of an expected bill shape just moved a little bit further down, the daytime continuum.

If we look at the Cyber Monday, I thought this was interesting. Look at the Cyber Monday activity, we see that the lines are very close together in terms of how shoppers were kind of executing their sales across the day. And as the green line shows, certainly the red line, but as the green line shows. it seems like the shoppers took more advantage of the regular daytime hours between 11:00 and 4:00 -- 11:00 and 5:00 PM to execute the bulk of the shopping that they did.

And the last one, the bottom right quadrant, the e-commerce slide. This is looking at e-commerce activity on Thanksgiving, and then on Black Friday, and then on Cyber Monday. And what you'll see is that for Black Friday and Cyber Monday, the e-commerce activity was pretty consistent. Those lines almost overlap each other suggesting that consumers kind of behave the same way for both Black Friday and Cyber Monday. And the red line shows a little bit different kind of activity for Thanksgiving Day. I guess in consideration of all the other things that consumers are probably taking part in family activities, things like that.

Kind of keep in line with what we just saw with regard to how that shoppers were executing their spending across time for each of those days. This chart right here gives us kind of a peak into why these things probably have been the way they did. The chart on the left, the bar graph on the left is a depiction of essentially the decrease in the number of stores that were open by hour on Thanksgiving Day for this year versus Thanksgiving Day last year, and on average, it's about 10% fewer stores were opened during that time. And that has to translate into a decrease in traffic, and of course a decrease in spend just following the math there. And that's what you see on the right hand side, there was a huge decline in traffic, especially in the early daytime hours, where this year was totally different than last year.

But just like as my colleague pointed out earlier, once the late afternoon rolled around, and it seem by most reports that we saw most retailers, who chose to open, chose to open about 4:00 maybe 6:00 PM, so when they did so, you could see an abrupt shift to the positive in terms of traffic and obviously translating into spend for the day -- for Thanksgiving Day.

**Jennifer Bartashus** {BIO 1827328 <GO>}

Thanks, Mike. It's Jen here. I just wanted to remind listeners before we go ahead with the rest of the presentation, that there is -- on the right hand side of the screen, there is a Q&A box that you can click into and ask questions, we're going to have some time in the end of the presentation.

Mike, I think we did a great job so far just looking at the spending on retail as a whole, but I know you guys also look at specific categories and regions. Can you share a little bit of that data with us.

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## Rishi Chhabra

Sure. I think we have that on the slide, I think Mike has a slide up right now. Jen, obviously, we break down retail, the whole retail into separate merchant categories and industry categories.

So if you look at the slide, clearly, electronics and appliances was a big winner this holiday season of those five data spending. We saw 16.1% growth year-over-year, very -- almost double or one and half times of what we saw last year at 9.6%. And again, this is across Thursday to Monday.

If we just look at Thursday, Friday by itself, and I know it's not on this slide, the growth rates were more like 23% or 24%. So electronic appliances, people were flocking both brick and mortar, online, flocking to buy electronic and appliances.

We did see a big jump in average ticket of electronics and appliances as well, you'll see that in one of the slides later in the deck, but when I'm going to that is, the basket size increased when it comes to electronic appliances, which means not only people were shopping more, there were more transactions happening electronics and appliances, these dollars being spent on a per transaction basis went up drastically as well for electronic and appliances.

We saw a very sustained growth in building materials and garden equipment as well, 11.8% similar to what we had seen along the lines, what we have seen last year at 17.1%. Sporting goods, Harvey's book stores, music stores saw big jump at 7.7%, last year, this category came in a flat, but saw pretty good growth this year as well.

In clothing and accessory stores, I know it shows 2% on year, we have seen a higher number for Thursday and Friday, but when you look at Thursday and Monday combined, the growth rates kind of went down to 2%, still positive, but it's somewhat slowdown from what we saw on Thursday, Friday by itself.

So yeah, I think pretty robust growth across all categories of retail. And a lot along the lines that we have seen last year as well.

What we did was before we broke down these growth rates for retail into e-commerce and bricks and mortar. So to my earlier point, if you look at electronic appliances, which is halfway through the slide, pretty similar growth rates both online and brick and mortar, averaging or netting out at 16% across the board.

One of the interesting ones is general merchandise [ph]enure. These are stores which are department stores are enure, discount stores are enure, and so on and so forth. Lots of retail stores are enure in this category, we saw a big, big growth in online and a lot being driven by Cyber Monday, specifically that we saw a lot online growth in this specific category, but brick and mortar actually declined year-over-year, so lesser foot traffic as it relates to general merchandise stores.

But net-net came out at 1.3% positive, again, because the share of volume put in brick and mortar and e-com, it's more weighted towards brick and mortar. Again, across the board, pretty positive growth rates for e-com and brick and mortar across all of these categories. Mike, is there anything you want to add to this?

**Mike Spriggs** {BIO 1772239 <GO>}

Yeah. The only thing that I would add here is to make sure that we consider these numbers in context and of great interest is that general merchandise stores number. Just like we have talked about in the earlier slides, we have seen that the volume -- and spend a little bit more spread out over the month. So when you look at these growth rates, keep in mind that we're comparing against last year's performance for the same timeframe.

So when we think about last year's performance, there was a kind of a different posture, different mood certainly with how our merchants were going after consumer activity. All right, there were these camp out 5:00 AM, 3:00 AM door buster events that just didn't happen this year. But instead retailers invested in -- especially from the e-commerce side, a lot of activity leading up to the holiday as well as in-store specials that we're not just saved for Black Friday, Cyber Monday timeframe.

Also, we took a look at for both e-commerce and for brick and mortar. We took a look at among all of the retail categories, which ones contributed the most to the growth in each one of those formats. So as this slide will show you from an e-commerce perspective of all the growth that we saw, that came in e-commerce about 8.5% of that came just from building materials and garden supplies.

You'll see to the point that Rishi was making earlier, general merchandise stores contributed a third of all of the retail e-commerce growth that we saw for the time period. And sporting goods also had a great season, this season, and they contributed a little bit more than a third to all of the growth in e-com. And brick and mortar was a different story, and I think this kind of helps us understand which format customers choose depending on the -- depending on the categories that they want to shop.

So what we'll see here is that, building materials, as you can assume by the nature of the product that you're buying, this is more or less a brick and mortar kind of thing. And it contributed close to 50% of all the brick and mortar growth that we saw.

Similarly, electronics and appliances, people buying large screen TVs or taking advantage of kitchen appliance deals and things like that, obviously, that's a brick and mortar thing. And so that's where most of the growth in brick and mortar came from at least the third of it came through electronics and appliances.

We see that clothing and accessories, whether it was e-commerce or brick and mortar, they contributed about the same between 5% and 6%. We know that historically as we look at this particular category that weather plays a big, big deal,



big, big part in its success. And we know with historically low temps for a long time now, it's been hard to sell traditional, cool or cold weather clothing at this time a year. And so the discounts being offered sometimes come at the expense of sales growth.

And then, you'll see other categories there. Interestingly, I'll point out here one thing that you don't see on the brick and mortar slide, the chart is any evidence of general merchandise retail growth, and that's because it actually trended negative during this timeframe. Again, because of all the issues that we pointed out before.

Rishi, do you want to talk about some of the more geographic trends with regard to retail?

## **Rishi Chhabra**

Sure. And I think we have that in the next, next slide. So what we also did was obviously, be[ph] process and we know where these all of our merchant clients are allocated, so we can breakout this data by geography, both by states and regions.

So we took a kind of a regional view of growth rates. And pretty much across the board, if you look at brick and mortar, this is brick and mortar only, and you look that across the board for Thanksgiving through Cyber Monday, every region had a pretty strong robust growth, but though the West region outpaced the others, so we saw 6.3% growth for the Western region compared to 4.4 for the Southwest and so on and so forth.

One thing to point out here in the Western region and the slide doesn't call out. Specifically, we saw strong growth rates is in the Washington State for Thursday and Friday, pretty strong growth rates there. And a lot driven in the Western region by electronics and appliances against no surprises, no shockers, but the data attested to what we thought is going to happen during the holiday season, and again, the growth rates were pretty robust across the board, across all regions.

This one just gives you a view by state, again, you can see that pretty strong growth rates by across most of the states in the U.S., and there are couple of states, which are negative growth rates. A pretty strong positive growth rates Thursday through Monday for all of the states in the U.S.. As I was saying before, the Washington State had a pretty strong, you can see 10.2% [ph]year, which may be lower than 11.2 or 10.6 at some other state side, but it has slowed down Thursday through Monday, but Thursday and Friday, I do recollect that Washington had a pretty strong growth rates and outpaced all the other states in the U.S.. Anything you had [ph]sort of add to this Mike?

## **Mike Spriggs** {BIO 1772239 <GO>}

Yeah. I think that about covers it. I think you're right, Rishi in terms of what's driving the growth on the West Coast, we definitely saw it coming from electronics and

appliances, there was pretty good activity within building materials and supplies there.

Interestingly, historically speaking, the West Coast has kind of led the growth across the U.S. this year in terms of where we're seeing growth coming from by region. And certainly that held true for the holiday season. So yeah, you're right. Not a whole lot of surprise here. And again, the states that we see trend negative on a state-by-state basis has a lot more to do with perhaps what was happening from a weather perspective during those time frames versus last holiday season, that has probably more to do with that than any deficiencies within any of the categories that we track.

**Seema Shah** {BIO 18919310 <GO>}

Rishi and Mike, this is Seema, I just want to ask you about average ticket, what impact that had on the numbers you're showing geographically or by category?

**Mike Spriggs** {BIO 1772239 <GO>}

Sure. Let's go (Multiple Speakers)

**Rishi Chhabra**

Yeah. You can speak to that.

**Mike Spriggs** {BIO 1772239 <GO>}

Okay. Yeah. So definitely average ticket plays a role. You might recall Rishi saying earlier that, again with electronics and appliances, which seemed to kind of win the season for this holiday season. When we looked at it just for Thursday, Black Friday, when we isolated those two days and ran them against last year, we saw that there was almost a \$41 increase in the average ticket for the category.

As we look across the entire five day cycle, we know that Saturday and Sunday kind of dampen the numbers and bring them back down a little bit closer in line with last year's.

And so we see here that overall, there was about a 3% growth in average ticket, not too much, but when you think about how that breaks out by category, we still see pretty decent gap between this year's five-day window and last year for electronics and appliances, for furniture and home furnishings.

We see that, because of the level of discounting and also the under performance in traffic with general merchandise, we see that there is an instance where average ticket actually came down just a little bit this year versus last year. So yes, average ticket plays a big role in how these categories perform, especially when you have big issue that we saw this year with traffic being compromised because stores were

closed for a longer period of time this year versus their hours last year. Rishi, you have anything to add to that?

### **Rishi Chhabra**

I think you hit all the points. I think overall, the retail average ticket grew year-over-year, and then a lot of the growth was driven to Mike's point by electronic and appliances and some of the other categories. And again, this trend is similar to the trend we have seen a year ago from a average ticket perspective.

### **Mike Spriggs** {BIO 1772239 <GO>}

Okay.

### **Poonam Goyal** {BIO 16489913 <GO>}

Alright. Thank you very much. If you're done going through your slides, so you guys ready for questions from the audience?

### **Rishi Chhabra**

Yeah.

### **Mike Spriggs** {BIO 1772239 <GO>}

Yeah, yeah. That's how we've prepared. Yeah, we're happy to take questions.

## **Questions And Answers**

### **A - Poonam Goyal** {BIO 16489913 <GO>}

Excellent. So the first question that we have is whether, you can speak a little bit more regarding the weakness in the front half of the months, the most retailers have actually talked about, and that time period leading up to the holidays, and what you saw there?

### **A - Rishi Chhabra**

We are happy to speak to that. So yeah, we did see, and I had a slide I think some place, and we can just pull it up on my laptop here, but we did see the growth rates for the first half on November as well as the first 21 days or 22 days leading into the holiday season pretty sluggish, and that was across almost all of the retail categories on a year-over-year basis. We were trying to see them any impacts of the election, if something could come out because of that. One of the trends we did see, and this was more on a week-over-week basis, so we looked at week-over-week for this election period compared to week-over-week for the elections back in 2012.

And we did notice that the week of the elections, I think that was November 8, if my memory serves me right. That week compared to the week before, we did see some flat or negative growth rates, but that's pretty much bounced right back the week after to the levels we have seen back in 2012.

So nothing in the 21 days leading up to the holiday season or the Thanksgiving was unique in a way, because I think every year, we kind of looked at the November trends for the last two or three years. And the trends look pretty similar from a growth rate perspective, which were kind of flat. If I recollect the mid-month numbers for November, the first 15 days, the growth rates from a year-over-year perspective are pretty flat or just slightly negative. And those trends were identical to what we had seen from a year before.

So nothing again very unique this year versus last year. And again, this trend we've been noticing for the last couple of years, which is the first 20 days in November tend to be slower. And I think that's go to the lot with people waiting for the deals or the holidays to do lot of the shopping, and they hold back their spending towards the end of November or the last week of November versus the first three weeks into November.

Mike, anything else you want to add to that?

**A - Mike Spriggs** {BIO 1772239 <GO>}

Yeah. No, I think you hit all the major points. You're right, the early part of November was a little bit sluggish. And as we showed in that chart, I guess I'm going to flip back to it. As we showed in this chart, that looks at the week part at Thanksgiving is where we see things start to pick up. So that helped improve the momentums into the holiday. But prior to this, there were two to three weeks of pretty sluggish volume. So that had an impact on the numbers that we see here, where we talk about, what was the growth rate coming into the five day weekend. Does that answer your question? Yeah.

**A - Poonam Goyal** {BIO 16489913 <GO>}

Thank you. So we have one other question, another question from the audience. And Rishi and Mike, we've spoken about this at [ph]length. In the data that you provide us, you gave us spending or actually same-store sales year-over-year, ticket, traffic and the growth rates. And for department stores, specifically, you mentioned that general merchandise has contributed to online growth of which department store is the component of. But tell us about the weakness that we're kind of seeing lately in this category, what's driving it? How should we think about the category? And what can you tell us to just help better understand the double-digit declines we've seen in November from the department stores?

**A - Rishi Chhabra**

Yeah, Poonam. That's a great question. I know we've had this conversation separately as well. I think the general merchandise as a category has a lot of, lot of stores in it. It's got department stores, it's got discount stores, it's got other kinds of stores in

there. The trend you are talking about, Poonam has been -- we've seen the decline happening over the last two, three, four months, and I think it's got exaggerated in November. It's driven a lot by some of the department stores. Again, as -- we process transactions, payment processing for millions of clients, and a lot of those retail clients fill -- or fit up in that category.

So I can't take specific names for merchants or clients we process for, but overall, we are seeing that category slow up, and it definitely did exaggerate in the month of November. We saw that in the mid-month November, we saw end of month November, you are seeing some of the numbers for Thursday through Monday, it's a trend we have been seeing consistently.

Now some other trend move the other way from a online perspective, e-com, so there is some good growth coming from online perspective, but again, I think because so much of the volumes are heavily weighted towards brick and mortar, we are definitely seeing slow traffic in that specific general merchandise category.

And I think it's pretty much across department stores, I also go back and check what discount stores look like, but definitely department stores as a category or sub-category within general merchandise. We are definitely seeing that slow down a lot on a year-over-year basis.

**A - Mike Spriggs** {BIO 1772239 <GO>}

Yeah. I would add (Multiple Speakers). Go ahead.

**A - Poonam Goyal** {BIO 16489913 <GO>}

Is that slowdown predominant, if you can just, I guess the questions that we're getting is that slowdown is broad based, or it's more led by specific merchant from the department store group? We should[ph] be look at as a broad based slowdown, or is there specific outliers that may be driving this deceleration?

**A - Rishi Chhabra**

So I think it's more -- so definitely, it's a broad based slowdown. I think in general, the category, we're seeing a slowdown, not exaggeration that you might be seeing in some of the numbers recently in mid-month November, end-month November that may be driven by some outliers from a merchant processing standpoint. But clearly as a category, we are seeing a broad slowdown.

**A - Mike Spriggs** {BIO 1772239 <GO>}

Yeah, I would piggyback on that to say, I think Rishi is absolutely right, it's a combination of those things. It's a broad slowdown, but then there are some players in the market, who are significantly underperforming their counterparts. As we look at general merchandise stores, which includes value retail as an entire category, within there, we'll see discount stores, department stores, other types of general merchandise stores, variety stores things like that.

And historically, department stores as a percent of that mega category of general merchandise has hovered around 32%, 33% of that total number, that's -- as recently as like the calendar year of 2015, as we look at it now, as we've kind of moved through 2016, we see that, that percentage has dropped to about 25%, 26% of the total. So it's struggling no doubt.

And to Rishi's other point, it is primarily a brick and mortar business, that is the business model for department stores. When we look at e-commerce sales that can be attributed to traditional department store merchants. We see that e-commerce sales make up about 5% of the total volume. So clearly, they're not on pace with the rest of their competitive set. And so that has bearing.

And then they're getting kind of kicked around the edges by a lot of newcomers to the marketplace, they don't classify as traditional department stores. And who have essentially an e-commerce offering. And there is a whole host, those kinds of shopping websites, where they just (inaudible) product every month, and you return what you don't like. And that's really starting to wear away at some of these department store merchants, who here for haven't really developed a coherent or a compelling online strategy.

And I think when situations like this come up with the Black Friday or Cyber Monday or things like that, and they're not -- their offer is not as compelling. It really exacerbates the weakness that we see.

**A - Jennifer Bartashus** {BIO 1827328 <GO>}

Thanks, Mike. We have the average ticket slide up there, and we talked about before that the basically the only two categories that show increase was furniture and electronic appliances.

Now looking at the category like general merchandise stores, we see a big drop from \$61 to \$50 year-over-year. Now considering there is a lot of online transactions, can you talk -- have you done any analysis on the average ticket between the e-commerce to brick and mortar?

And then if we looked just at e-commerce year-over-year, do we see a increase or decrease for that average ticket transaction?

**A - Mike Spriggs** {BIO 1772239 <GO>}

Yeah. That's, that -- let me let me look through what I've got here to see if I can provide some commentary on that. We didn't have a slide prepared for that, but let me see, if I can quickly while around on the call here do a little bit research to answer that for you.

**A - Jennifer Bartashus** {BIO 1827328 <GO>}

Okay.

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**A - Rishi Chhabra**

And I think -- yeah, sorry. Why don't we move to next question Jen, and we can come back to that one.

**A - Jennifer Bartashus** {BIO 1827328 <GO>}

Okay.

**A - Seema Shah** {BIO 18919310 <GO>}

I have a question, this is Seema. We -- I was just wondering, I mean, was there any difference in store hours year-over-year for brick and Mortar, home-improvement retailers and electronic appliance retailers and sort of related to that, do you have any further detail on those categories? What categories and appliances and electronics kind of drove the growth in the broader category?

**A - Rishi Chhabra**

Are you saying, sorry Seema, I just want me to understand your question, was your question specific to the hours, that some of these retailers were open on Thanksgiving? Or are you saying within electronic appliances, do we have further breakdown or what's driving it or just want to make sure, I understand the question.

**A - Seema Shah** {BIO 18919310 <GO>}

Yeah. Actually both, so there is two questions. So the first one is to understand, was there any change in the store hours for the bricks and mortar retailers over this period? And then --

**A - Rishi Chhabra**

Yeah.

**A - Seema Shah** {BIO 18919310 <GO>}

Like would do you have any granularity about which categories, which particular items, TVs, refrigerators, what appliances actually drove?

**A - Rishi Chhabra**

Right, right. Okay. So got it. Yeah, so I think from a from -- going back to your first question, which is around the hours, I think one of the only things that really set out from a hours perspective, I think, Mike and I hit upon this earlier in the presentation, which is the hours, the retailers were open on Thanksgiving Day. Lot of the retailers had opened shop much earlier in the day last year versus this (inaudible) 4:00 PM or 6:00 PM local time to kind of open up the shops, brick and mortar.

And I think that was across the board, across the categories. I think it wasn't, it didn't stand up for one category versus the other, it was pretty much across the board that

we saw that most of the locations, our store fronts opened up after 4:00PM or 6:00 PM local time.

I think the second question in terms of which sub-categories within electronics and appliances? Clearly, we saw a robust growth in some of the products and software services, or buying of software and hardware devices for sure from a computers, tablets, laptops perspective.

No specific insight into what appliances were driving the growth or not driving the growth. So whether that was a refrigerator versus a microwave oven and/or washer dryer, so on and so forth. So we do not have insight into product level skew, because lot of the data that we collect is on the total basket versus the individual components of the basket.

So no specific insights into that, but we did notice that some of the merchants or retailers classified as a software, especially the hardware stores had robust growth in both on Thursday, Friday as well as Cyber Monday.

**A - Poonam Goyal {BIO 16489913 <GO>}**

Alright. We have a couple of questions just regarding how you classify some of your data. So can you let us know, whether your data contains dollar stores and how those are categorized? Whether Wal-Mart and Target are classified as general merchants or discount stores, whether it's like the Sears type stores, whether it's general merchandise or department store. And then finally, with regard to private label, do you -- do you continue -- do you have data that's generated from private label credit cards and -- included in your data set?

**A - Rishi Chhabra**

Yeah. So I'll take all those. Yeah. So I think the classifications, obviously not taking any specific client names and merchant names. The classification of merchants clearly depends on how we set them up when they start processing with us as a client. It's a lot based on the category they belong to and what category they think they belong to.

So I'll give an example, a Dollar store traditionally or should be what we would categorize as a Discount store, if they were a client or merchant. And then Discount stores could roll up or would roll up into general merchandise, the way we have classified.

Wal-Mart or Target could be in many of -- could be in one specific category, could be in multiple categories, depending how they've been set up. So their pharmacy could be different than their the general retail [ph]sellers or what have it. So I think it just depends how they have been set up to begin with us from a processing standpoint, and then we classify them into something what we call MCCs, Merchant Category Codes.



And then we have 500 plus Merchant Category Codes that roll up into what we call industry categories, that's what you guys are seeing on these slides. But all of these categories are made up of bunch of Merchant Category Codes which are more granular, and which kind of roll up into these specific categories.

So the clients can be classified one or many different ways. Typically, they would be classified the way you think they should be classified. But every now and then, we could have a client who's classified slightly differently, either based on their preference or based on where the majority of the business is from a dollar volume standpoint.

I think to your last question, which is around private label cards, absolutely, we do process private label cards. Lot of the private label card data should be in this data set as well. Any kinds of electronic payments, whether it is credit card, debit card, gift card, private label card, all of that should be in this data set. Assuming again, we processed for that specific merchant, and if we do process, then we pretty much process all kinds of electronic payments for that specific merchant or client.

**A - Seema Shah** {BIO 18919310 <GO>}

Rishi, this is Seema. I think we have time for one last question. Earlier in the presentation, you talked about building materials, and how their growth over the time period was 11.8%. I was wondering, if you could break that down for us with traffic and ticket? I assume some of it is the ticket, because of the impliances[ph], but if you have any more color that you could give us on that category over that time period?

**A - Rishi Chhabra**

Yes, I think, I have to go back and Seema look at specific numbers, and I can follow up with you after this presentation, but both average ticket saw an increase for home stores, home furnishing stores, and then we also saw an increase in the number of transactions, so the transactions count went up as well. So it's both driven by dollar volume growth in average ticket as well as absolute number of transactions. What the exact number was, I can send that to you after this presentation, if that's okay with you.

**A - Seema Shah** {BIO 18919310 <GO>}

Yeah. That will be great. Thank you.

**A - Rishi Chhabra**

Absolutely.

**A - Poonam Goyal** {BIO 16489913 <GO>}

So thank you, Rishi and Mike. So just following up, were you able to get some clarity on Jen's question earlier, regarding just the breakdown on a category level?

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**A - Mike Spriggs** {BIO 1772239 <GO>}

Yeah, yeah. I -- with regard to average ticket, I think Jen's question was with regard to average ticket. So I've done a little bit of investigation here. And I thought it would be interesting to kind of give you a flavor for how the average ticket varies or the gap between brick and mortar and e-com for some of the larger categories.

So for example, we were just talking about building materials, and we see there, the average ticket is roughly 87.46, I believe is but what we've shown on the slide. Well, the decomposition of that shows us that in store brick and mortar average tickets were roughly about \$85 -- \$85.41 is what our data shows, but the online portion, those average tickets averaged about \$126.02. So just kind of showing you the difference in terms of the purchasing dynamics, brick and mortar versus e-com.

I'll give you another one for clothing and accessory stores, their average tickets were more in line. Overall, when you add both brick and mortar and e-com together, we saw that the average retail was \$77.41.

If you look at it for just brick and mortar was \$75.95. And if you looked at just e-com, it was \$86.67. And that's kind of play all the way through. Another one that I'll point out is electronics and appliances, four to five day cycle ending on Cyber Monday or just round an \$150 average ticket in 2016 for the category, but if you broke that down to brick and mortar and e-com, brick and mortar was \$165, almost \$166 in store average tickets, whereas online consumers are spending roughly about \$82.40 with each transaction. So that kind of gives you a flavor of I guess the spending dynamics based on the format, it's being used to shop.

**A - Poonam Goyal** {BIO 16489913 <GO>}

That helps. Thank you.

**A - Mike Spriggs** {BIO 1772239 <GO>}

Okay.

**A - Rishi Chhabra**

Thank you.

**A - Poonam Goyal** {BIO 16489913 <GO>}

With that, I think we're running out of time. We have a few minutes left. So I'd like to take the time and thank everyone for joining us. And thank you, Mike and Rishi for presenting the material to us, it's always very insightful, and since it's based on real data, we appreciate the color that you have.

As a reminder, all -- most of the data that you've discussed will be in the slides, and everyone will get a copy of that who has joined. In addition, we do get First Data reports three times a month, which are available on the BI dashboard. So please look

for those to get up to date point of sale transactions over the holiday season, especially in December.

Thank you all for joining us, and have a great day.

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