



## HOLIDAY 2022

# What Retailers Can Expect From Inflation-Weary Shoppers

### Six Key Takeaways for Retailers to Drive Holiday Success

Consumer sentiment has risen slightly in the last few months, though it remains at historically low levels. The Consumer Sentiment index hit a historic low of 50.0 in June 2022. The index has risen slightly to reach 59.8<sup>1</sup> in October, but consumer sentiment has not been this downbeat since November 2008 when it registered 55.3. The Expectations Index declined over 3% in October as consumers wrestle with continued uncertainty over inflation as we head into the holidays. And while the rate of inflation has slowed a bit of late, the U.S. savings rate is down, revolving credit levels are up, and shoppers are challenged to manage the cost of basic goods, housing costs, and fuel prices.

Against this backdrop, Ankura's Performance Improvement team conducted a survey<sup>2</sup> among U.S. consumers to understand how they are feeling about the U.S. economy and their personal financial situation and how they plan to shop and – critically – spend for the holidays in 2022. Based on the survey feedback, holiday sales could show slight improvement compared to 2021. Retailers will have to work strategically to earn shoppers' patronage during what promises to be a competitive battle for their share of the wallet.

#### Source

1. The Surveys of Consumers, conducted by the Survey Research Center at the University of Michigan <https://data.sca.isr.umich.edu/survey-info.php>
2. Ankura consumer survey, U.S. sample of 1,042 respondents aged eighteen and above (October 3, 2022)

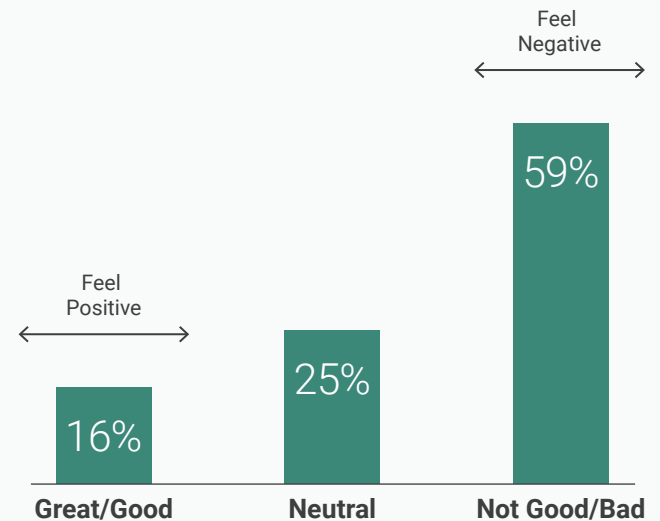
## ECONOMIC SENTIMENT

### U.S. Economy

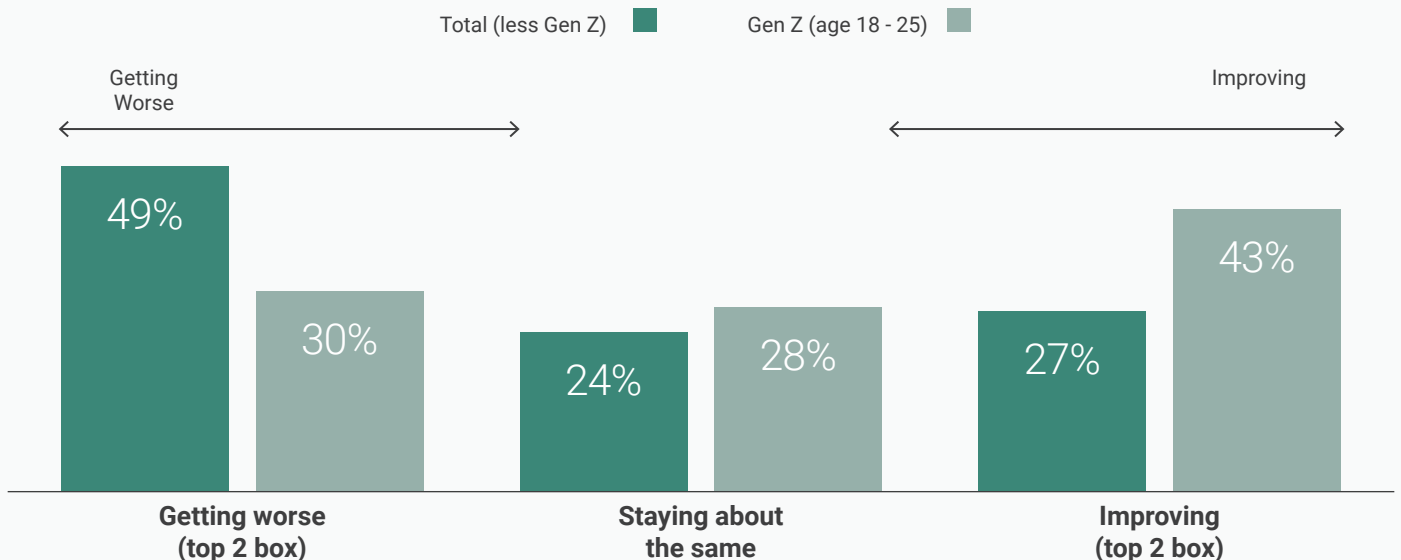
It comes as no surprise that U.S. consumers are anxious about the economy, and our survey confirms the depth of their concerns. Just 16% of respondents said they feel good or great about the U.S. economy right now, with 59% saying they feel not good or bad. Further, **68% said they felt the U.S. economy had gotten worse over the last 12 months.**

Survey results show a guarded to negative consumer outlook for the U.S. economy. Overall, just 30% expect to see improvement in the U.S. economy over the next 12 months. Interestingly, among Gen Z consumers (age 18-25), the 12-month outlook is slightly more optimistic. Forty-three percent of Gen Z respondents see the U.S. economy improving, compared to just 27% for the rest of the population.

### How do you feel about the U.S. economy right now?



### For Gen Z Consumers: Over the next 12 months, do you see the U.S. economy ...



## Personal Financial Situation

Concerns about the U.S. economy translate directly to consumers' outlook on their personal financial situation. When asked how concerned they are now about their family's economic situation,

74% said they are at least mildly concerned, and almost 25% are "very concerned."

Do consumers see improvement coming in the immediate future? **In short, no! Just 13% said they expect the U.S. economy to improve in the next 12 months**, and over half (52%) feel it will be 18 months or more before they see a "good" U.S. economy. With the current level of angst among shoppers, what should we expect when it comes to their plans for holiday?

**>52%**  
Feel Negative  
About the  
Economy

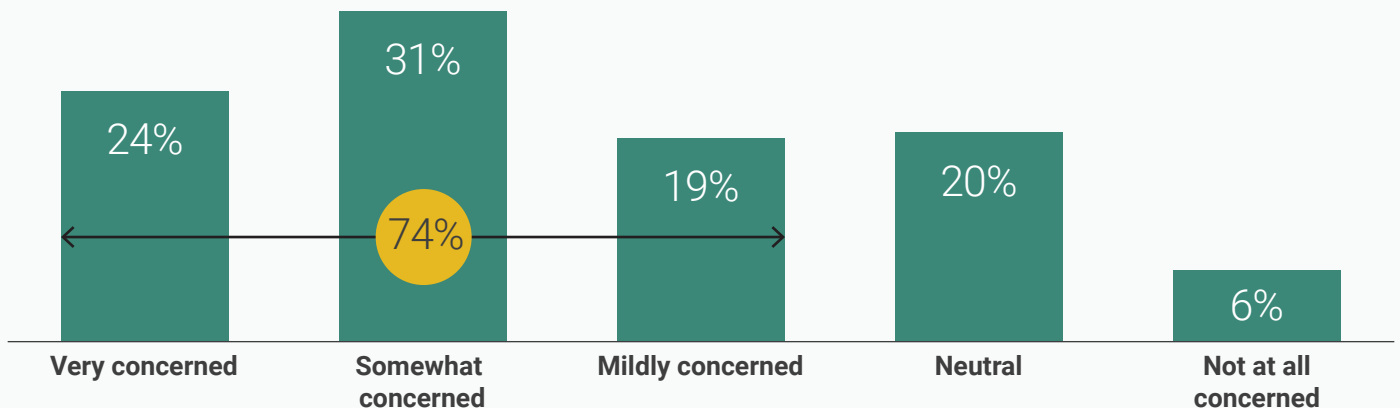


**13%**  
Feel Positive  
About the  
Economy



Vs

## How concerned are you right now about your and/or your family's economic situation?



## CONSUMER SHOPPING EXPECTATIONS

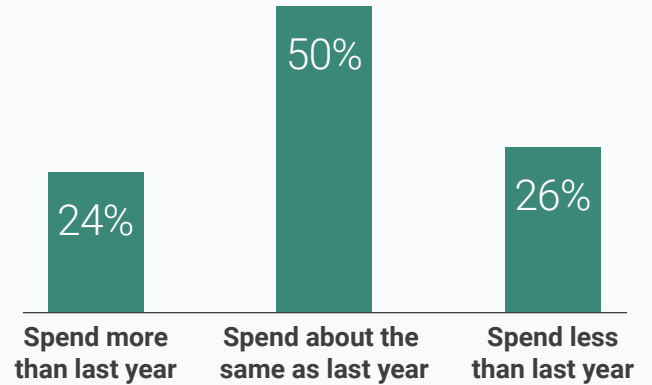
### Expected 2022 Holiday Spending

When asked about their expected spending for the holiday season, shoppers indicated that overall spending would remain on par with 2021.

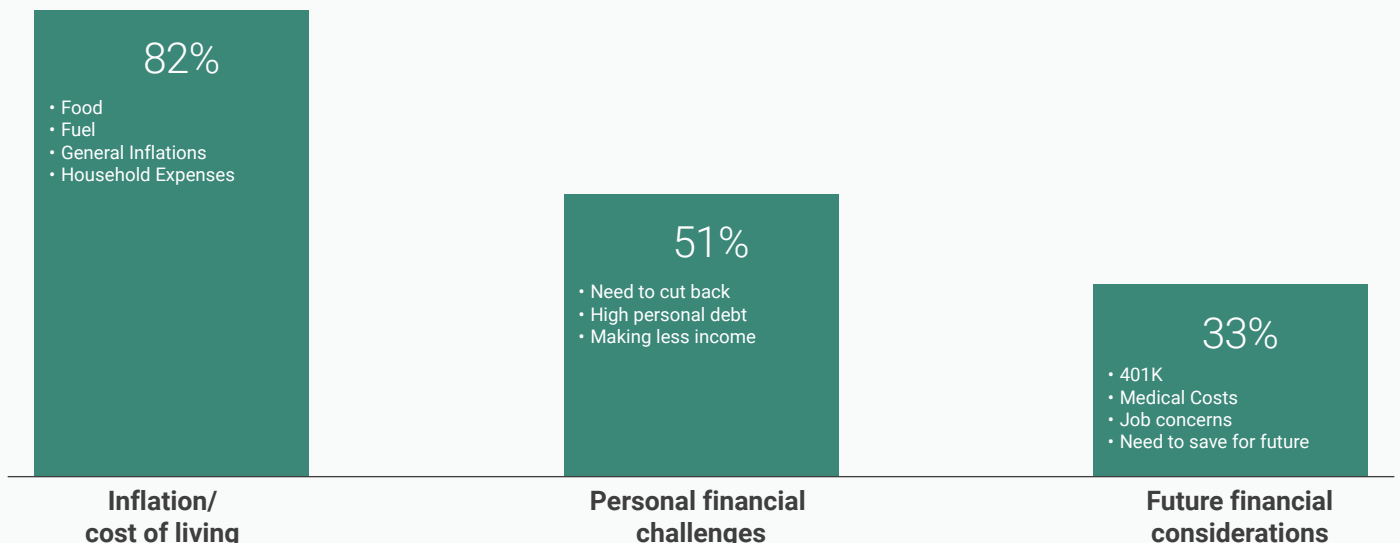
Twenty-four percent said they will spend more, 26% will spend less, and 50% expect to spend the same.

Top concerns for those planning to spend less this year centered on inflation pressures – from inflation in general to food and fuel prices specifically.

For the 2022 holidays (November – December) do you expect to...



### Why will you be spending less on holidays in 2022 than last year?



## Expected Purchases in 2022

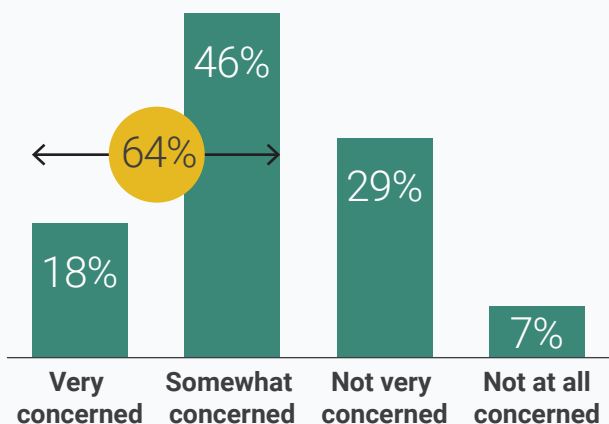
Supply chain challenges have been problematic since the onset of COVID in 2020, and even two years later the issue of out-of-stock items remains top of mind for both retailers and shoppers. Nearly two-thirds of holiday shoppers are at least somewhat concerned that out-of-stock items will be an issue when they shop for holiday gifts this year. Does this concern about inventory shortages affect what consumers will buy for holiday gifts in 2022? We believe it could.

When asked which types of products they are most likely to buy for holiday gifts in 2022,

a whopping 63% mentioned gift cards.

Other typical holiday categories scored high, as expected, but the difference in purchase intent between gift cards and all other categories was significant. Why gift cards?

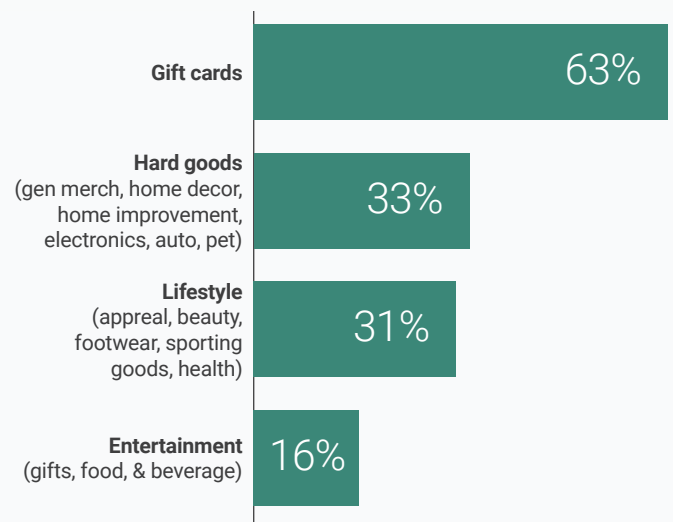
### How concerned are you about out-of-stock items when you shop for holiday gift items either in-store or online?



Gift cards offer several benefits for consumers: avoidance of inventory out-of-stocks, ability to stick to a planned spending budget, and convenience. Gift cards hold universal appeal across the spectrum of shopper types. All age groups' intent to purchase is well above 50%, while the next highest "targeted" category (general merchandise) was a preference of 38%. Among consumers aged 55-64, 78% said they plan to shop for gift cards in 2022. Older shoppers showed the highest stated purchase intent for gift cards – a sign that many older shoppers may focus on a simple, convenient shopping experience with little concern for out-of-stock inventory.

For retailers, this provides an avenue to keep shoppers in their stores or on their websites should they encounter an out-of-stock item. Gift card purchases also translate to significant sales post-holiday.

### Which types of products are you most likely to purchase for holiday gifts this year?



## WHEN WILL CONSUMERS SHOP THIS HOLIDAY SEASON?

### When Will They Shop?

Twenty-five percent of respondents have already started their shopping for 2022;

66% will be starting before Black Friday, the traditional kickoff for the holiday shopping season.

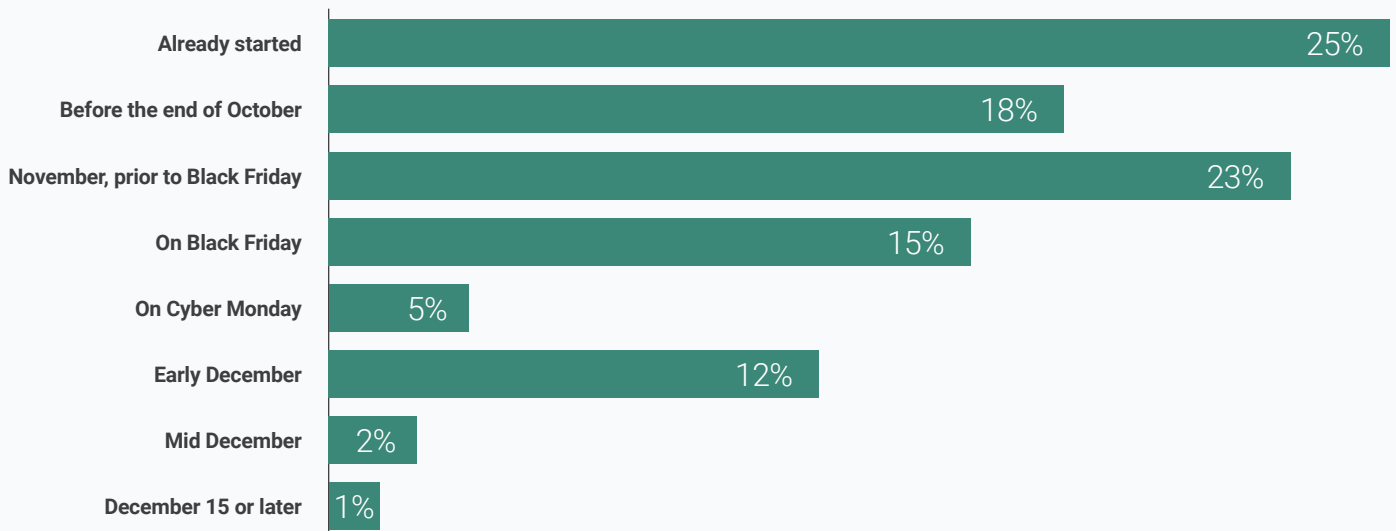
Very few (15%) said they would start in December, and only 3% plan to wait until at least mid-December. Unsurprisingly, Amazon and Walmart have already started running October holiday sales events to capture sales from early shoppers.

Older shoppers (aged 55+) are those most likely to start in early December or later; 24% of those in the 55+ age group said they will not start until December, compared to 11% for those under 55-years-old.



**October Sales  
Have Already Started**

### When do you plan to start your holiday shopping this year?



## Black Friday and Key Shopping Events

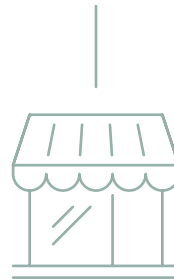
Even with the growing preference for online shopping seen in today's retail environment, traditional calendar dates like Black Friday, Cyber Monday, and Christmas Eve still hold sway with shoppers as they plan their holiday shopping.

When asked if they visited stores on these notable shopping days in the holiday season,

over 50% said they will be shopping in-store on Black Friday and/or online for Cyber Monday.

The composition of shoppers that plan to take advantage of these key shopping events skews heavily toward younger age groups. Less than 30% of survey respondents age 55+ plan to shop on Black Friday, while over 60% of those aged 18-24 will be in stores the day after Thanksgiving.

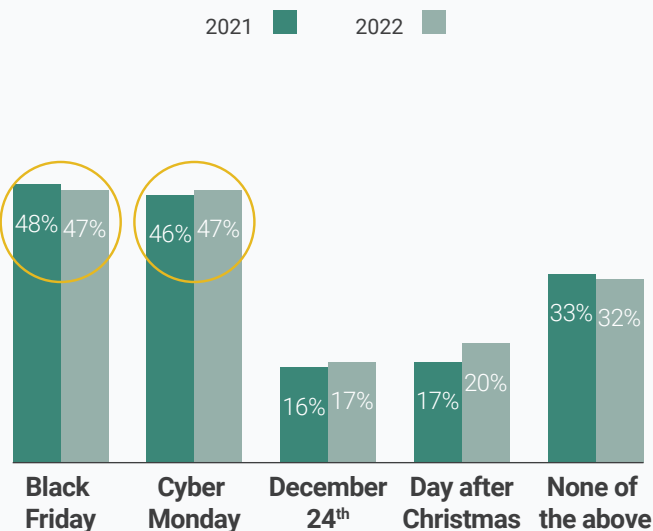
**>50%**  
In-store  
Black Friday



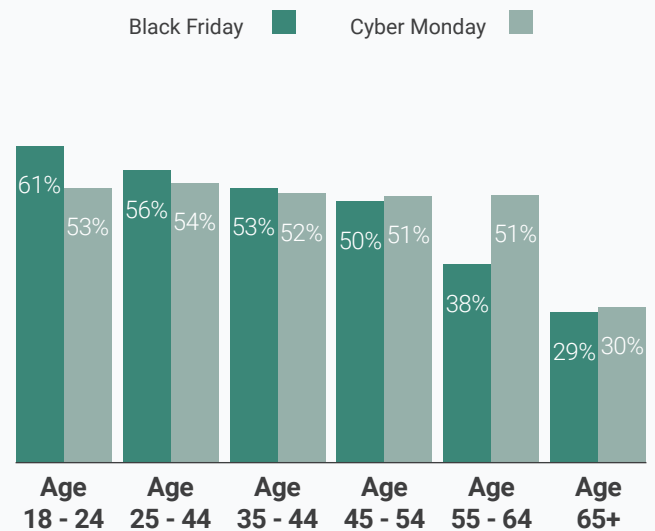
**>50%**  
Online  
Cyber Monday



### Did you shop on the following days in 2021 and will you do so in 2022?



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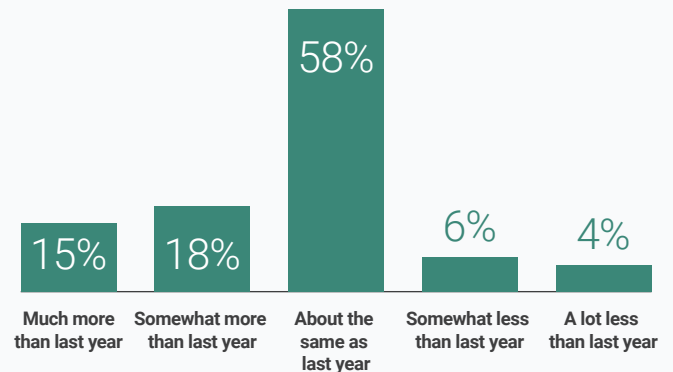
## HOLIDAY SHOPPING – ONLINE VS. IN-STORE

### Online Shopping Frequency

According to our survey, the 2022 holiday season should see an uptick in online sales as a percentage of total holiday purchases. When asked about plans to shop online and in-store, thirty-three percent said they plan to shop online more than last year, with just 10% saying they will go online less in 2022.

Not surprisingly, younger shoppers are more apt to do more of their shopping online than older shoppers, who prefer physical stores and malls more than younger age groups.

### Will you be shopping ONLINE for holiday 2022 gifts and other related items...



In-store

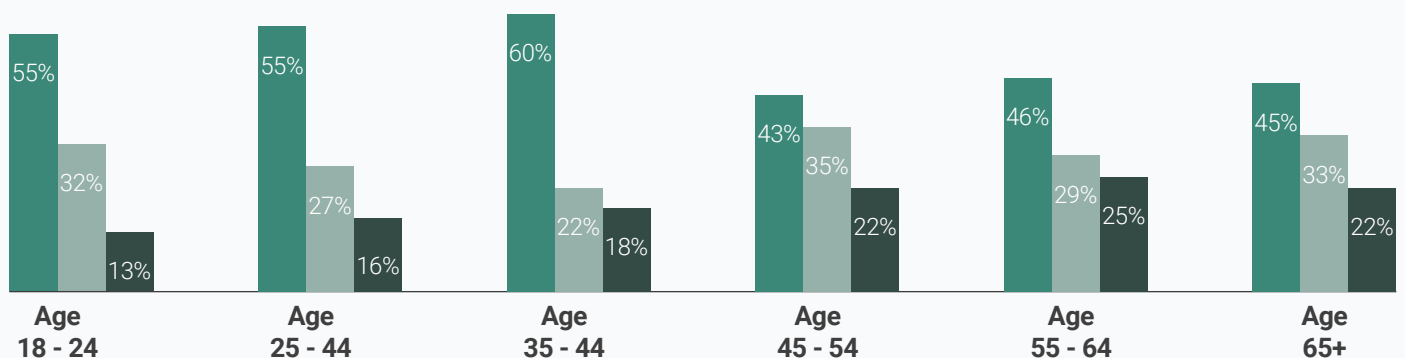
Vs



Online

### When you shop for holiday gifts this year, will you shop...

All or mostly online ■ About 50/50 ■ All or mostly in physical stores ■





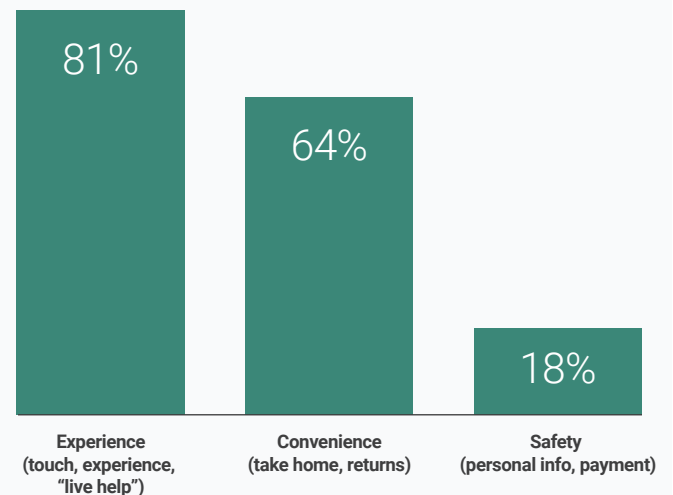
## Channel Preference Drivers

The primary reasons shoppers prefer online to in-store shopping are (1) overall convenience and (2) pricing. Shopping online always – not just during the holidays – offers the convenience of shopping from any location on multiple devices. Shoppers can avoid crowded stores and easily shop and compare different retailers with the touch of a button or click of a mouse. With current inventory challenges, online shopping also affords shoppers the best chance at finding exactly what they want without having to run from store to store.

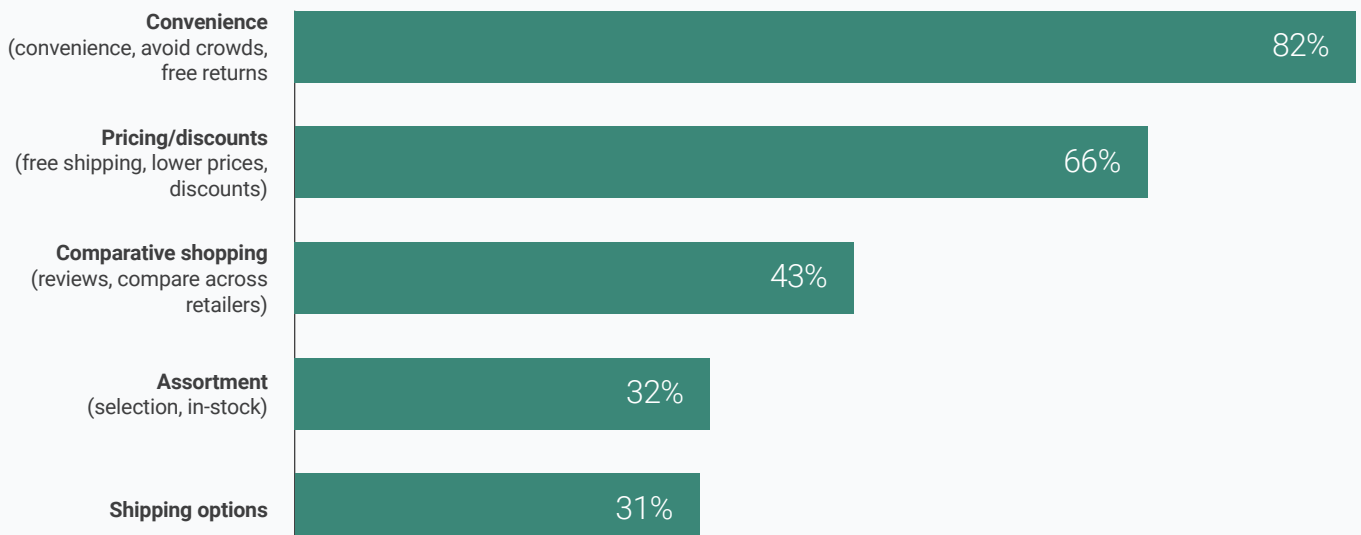
Despite the strong appeal and benefits of online shopping, many still enjoy the experience of visiting malls and physical stores. Why? Among the top reasons to shop in store, none are more significant than the “experience.” Being able to touch and feel the product – especially apparel – and to try on or otherwise experience the product live is not easily duplicated online.

Customers also appreciate having live help inside the store to help guide their purchase decisions, and the ability to take their purchases home right away without waiting for a shipment. Returns are also viewed by many as simpler in-store than through an online return process.

### What are the top reasons you plan to shop mostly in physical stores for holiday 2022 purchases?



### What are the top reasons you will shop ONLINE for holiday 2022 purchases?



## Online Shipping

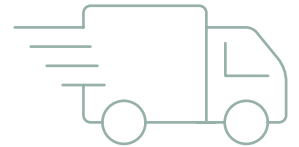
A major benefit to online shopping continues to be delivery options that make it easy for shoppers to receive their product via multiple options, be it direct shipment or in-store pickup.

While BOPIS (buy online pickup in store) has seen momentum as a preferred choice – especially during COVID lockdowns – the overwhelming preference for online shoppers is home delivery. Fifty-four percent prefer 2-day home delivery, and an added 30% prefer same or next day delivery.

During the later stages of holiday shopping, those buying closer to December 25<sup>th</sup> prefer same or next-day delivery. For retailers, providing that choice is table stakes to stay competitive.

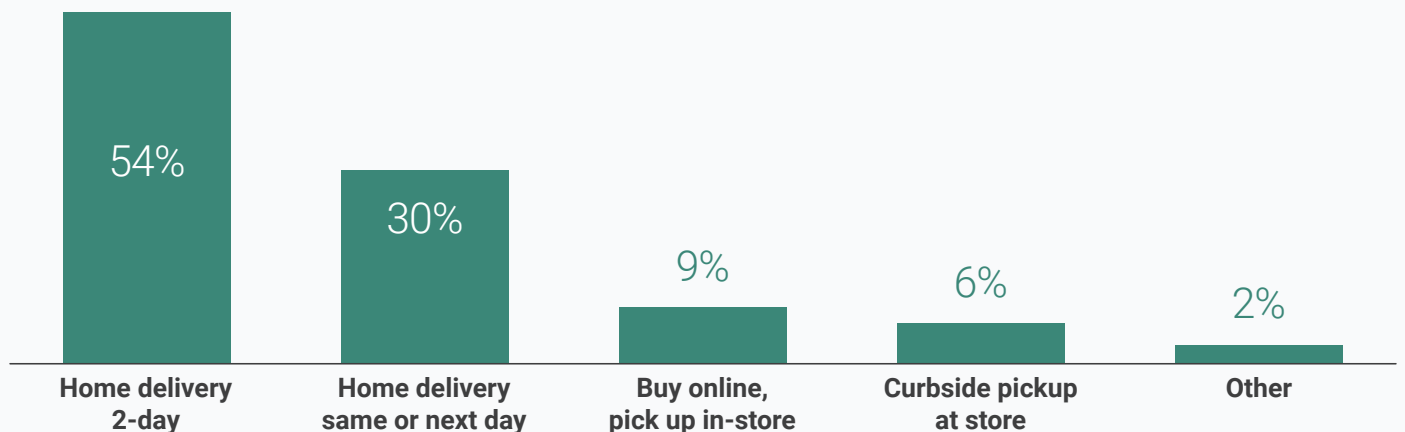


Next-Day Delivery



Staying Competitive

### What are the top reasons you will shop ONLINE for holiday 2022 purchases?



## KEY DRIVERS OF SHOPPER PURCHASE DECISIONS IN 2022

### Promotion Preferences

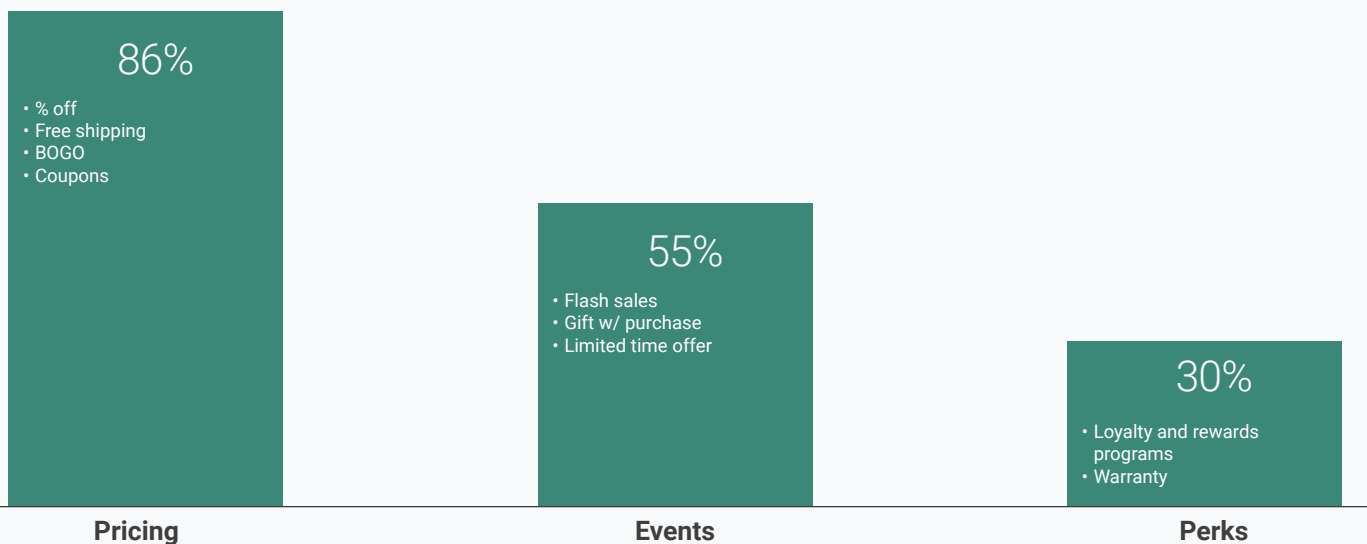
With holiday spending already well underway, shoppers are looking for attractive deals and compelling reasons to shop with a given retailer, whether online or in-store. They are looking for value, exciting deals, and a reason to buy.

Price promotions always figure significantly in the retailer sales toolkit during the holidays. But with inventory shortages still a concern in various product categories and the ongoing challenges to margins, offering compelling shopper value through promotional activity will cause retailers to perform a delicate balancing act.

Given the strategic need to compete with the likes of Walmart, Target, Amazon, and other discount and online retailers, it behooves marketers to run promotions that shoppers want to see.

We asked survey respondents to tell what type of holiday sales promotion or event would prompt them to make an unplanned purchase; free shipping and percent off promotions are clearly preferred. BOGO (buy one get one) promotions are also attractive and along with coupons and flash sales were noted by over 30% of shoppers in the survey.

### What type of holiday sale/event would prompt you to make a purchase that you may not have planned?

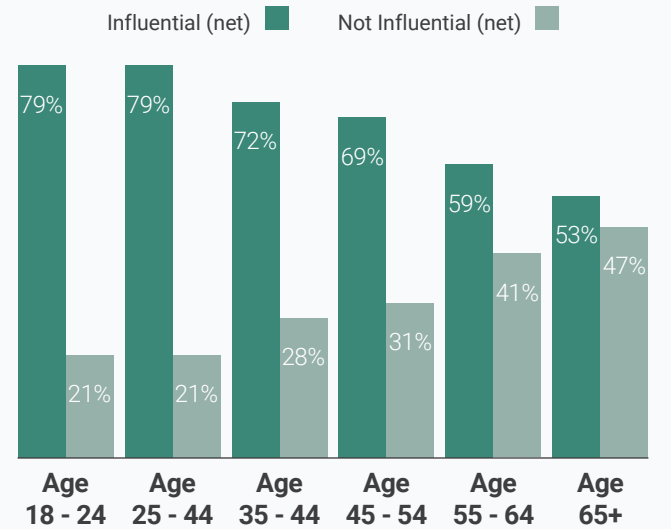


## Loyalty Programs and Social Media

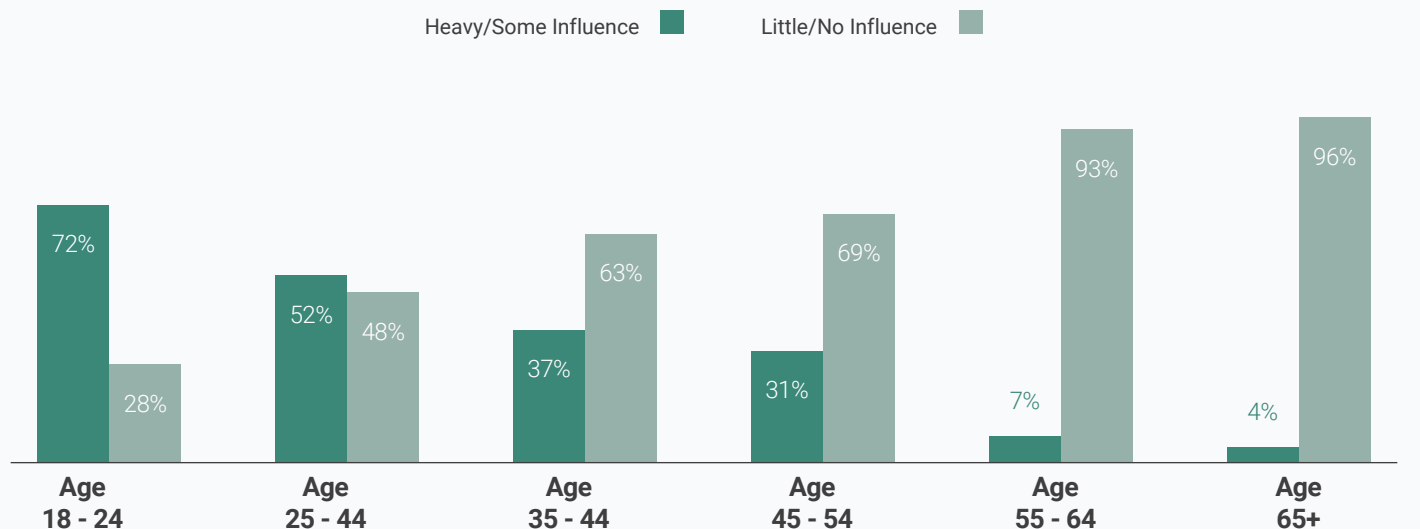
Retailer marketing communications play a key role in consumers' purchase decisions, and it is critical to communicate effectively with customers. Shopper loyalty/rewards programs can sway shoppers. Younger age shoppers are more likely to respond to such programs, but older respondents in the survey indicated that loyalty programs have some influence on their shopping behavior. Over 50% of shoppers age 55+ report that retailer loyalty programs are influential when deciding where to purchase holiday gift items.

Social media will be a factor in holiday purchase decisions, especially for younger shoppers. Seventy-two percent of respondents aged 18 - 24 say that social media will influence holiday gift purchasing, while at age 55+ the influence of social media falls off drastically.

### How influential are shopper loyalty/rewards programs to you when deciding where to purchase holiday gift items?



### How much will social media influence your gift purchasing decisions this year?



## CONCLUSION

Two key macro issues are impacting shoppers this holiday season, but in different ways based on shopper demographics. The economic climate, highlighted by inflation on essential items (food, gas, housing) and rising interest rates, is driving dampened consumer sentiment. In contrast, the reduced risk of COVID is driving increased levels of activity – social gatherings, dining, and travel. Unique differences among shoppers in their outlook on the economy and post-COVID freedom are driving their approach to holiday shopping, and the factors impacting how and what they buy will demand creativity from retailers.

Economic concerns are widespread and affect cohorts in diverse ways: younger generations are not as impacted by the current state of the economy, while older generations are more conservative, as they have experienced and felt the impact of previous economic downturns.

All shoppers are seeking value this season, as funds are tight across the board. Younger generations focus on lifestyle and “experience” spending, while older consumers are looking at durable goods and supporting family thru the downturn.

Across the board, price/value is the #1 factor in consumer purchase decisions.

With COVID risk low, consumers are looking to re-connect with family/friends and increase travel, entertaining and dining out. This also should translate to more in-store shopping trips. That said, online shopping looks to continue to increase, and younger shoppers are heavily focused on this channel, due in large part to overall convenience and price transparency.

Most have or will be starting the shopping early in the season, but there is still a focus on the notable in-store shopping events like Black Friday. Younger age groups are much more likely to shop on notable shopping days; those 55+ are more likely to shop on lower volume days.

So, what can retailers do to mitigate risk and drive a successful holiday season?

We offer these **6 key considerations** in planning and executing your holiday sales approach.



### **MARKETING**

As always, understanding what drives your audience is paramount. Young generations focus on “look and lifestyle,” going out, and experience-based activity. Older generations center on family, renewing relationships, and weathering the storm. Use direct marketing messages to appeal to their needs and concerns.



### **PRICE/PROMOTIONS**

Right product, right price, right place, right time.... more important than ever given the continuing early pre-season shopping trends, plus the focus on price and value. Make certain promotional calendars align with early buying, providing attractive offers to capture those early purchases.



### **RENEWED FOCUS ON STORES**

We expect more store shopping trips this year, as the specter of COVID has dimmed. While online is still significant, shoppers – especially older generations – will look to visit stores to make the best use of limited funds. The in-store experience, touching the product, finding the right item, and getting “live support,” are critical in driving conversion on what should be higher traffic this year. Align staffing schedule to notable holidays but ensure good sales coverage in off times.



### **INVENTORY**

Earlier shopping and the continued shift to online present an interesting challenge. Retailers must have inventory in the stores early, while still being able to support online sales through the holidays. Lighter pushes of inventory to the store and more frequent targeted replenishments will

help maintain the placement of inventory to the purchase pattern. Due the economic outlook, many retailers have been cutting buys to reduce holiday inventory, but some may still find themselves overbought.



### **GIFT CARDS**

Gift cards look to be an increased portion of 2022 holiday spending. Make sure gift cards are presented both online and reinforced with store associates. On one hand this is good news for retailers as it brings in cash early and secures a future purchase, while not depleting inventory. On the other hand, it may shift sales away from Holiday/Fall/Winter items to purchases in January and beyond, shifting revenue recognition and the category / item mix purchased. Take the gift card sales but be prepared for the shift.



### **SHIPPING**

Consumer expectations indicate 2-day delivery as the “norm”. From a shipping perspective, this is costly to retailers, as parcel carrier rates for 2-day are much higher than 3-day or standard ground. In addition, this year will see yet another increase in holiday shipping surcharges. Given the over-arching consumer price/value orientation this year, free shipping is an attractive consumer offer and sales lever for retailers, but they must factor these costs into the equation to net a favorable margin. Make sure this offer is aligned to service level (3 day +). If 2-day shipping is key to your business, consider alternatives to “free” – such as % off or \$-off shipping to minimize the margin impact.

Economic headwinds continue to cast doubt on where consumers will be in the coming weeks when it comes to their outlook on the U.S. economy and their personal financial situation. Overall inflation continues to concern U.S. consumers, but some relief has come since mid-summer with decreases in gas prices. Enter OPEC+ and their announcement regarding cuts in oil production<sup>3</sup>. Will the cuts results in higher fuel prices for U.S. consumers? If so, what impact would that have on consumers' shopping and travel plans during the holidays?

We exist in uncertain times, and uncertainty is not conducive to shopper spending.

Success for retailers this holiday season will depend on a strategic, nimble approach that addresses their shoppers' needs, preferences, and economic concerns.

What we see today may shift in the coming weeks for shoppers and that requires awareness on the part of retail leadership teams and a willingness to adapt and adjust as we move through the coming weeks.

Those that remain stuck on a fixed, unbending approach may wind up on the outside looking in.

**Source**

3. Reuters, Oil jumps 4% to 5-week high lifted by OPEC+ output cut, October 7, 2022

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