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DECEMBER 2023

Holiday QuickTake





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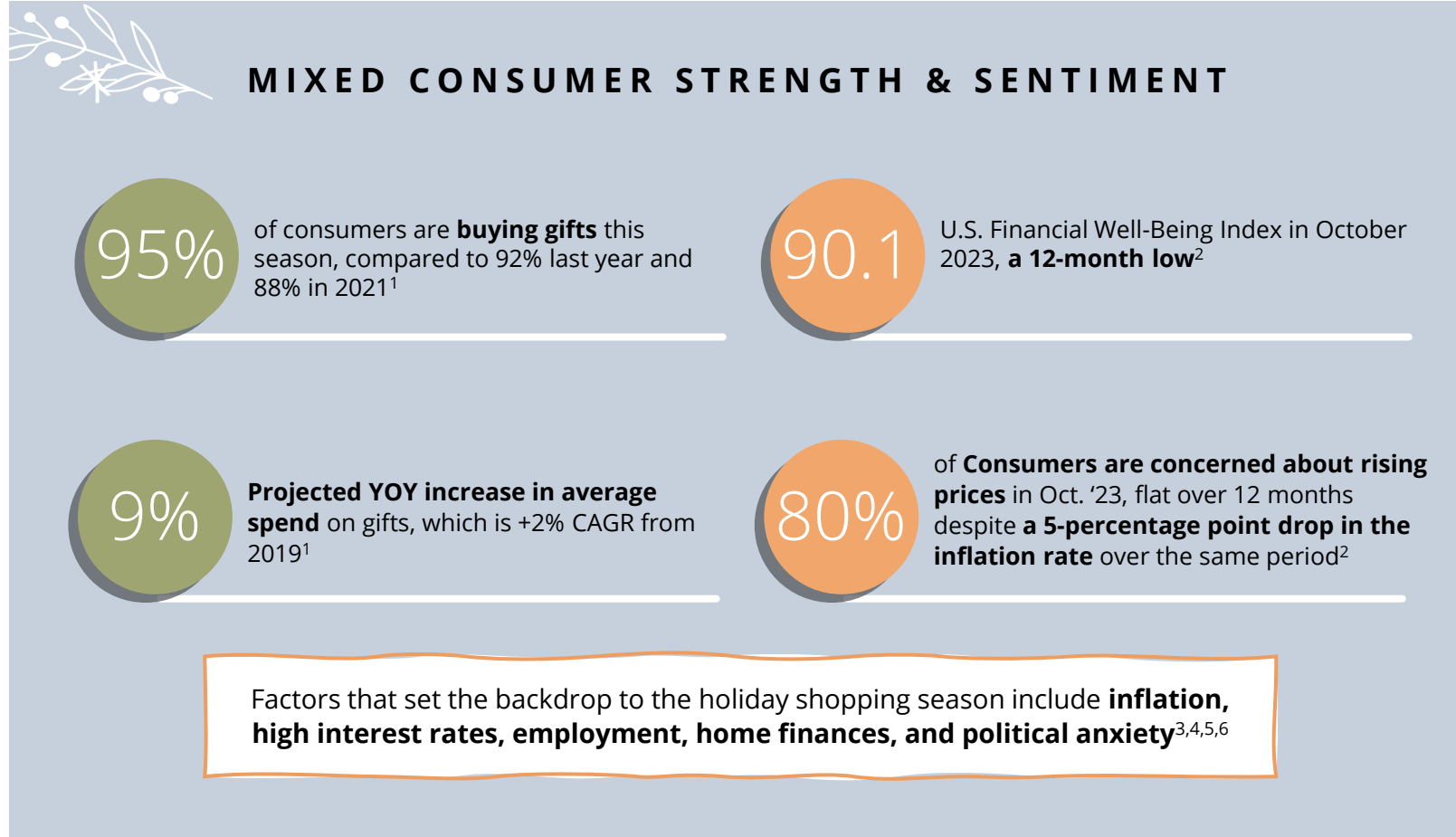
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Cheer to Come

CONTEXT & PREDICTIONS

Amid mixed consumer sentiment driven by economic concerns, slightly more consumers planned to shop this holiday season compared to last year



1) Deloitte 2023 Holiday Retail Survey, 2) Deloitte 2023 Consumer Signals, 3) MSN, 4) Forbes, 5) CNN, 6) NBC News, 7) Deloitte Holiday Sales Press Release

*The year-over-year (YoY) increases and growth rates stated in this document are based on nominal dollars and do not account for inflation

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Thanksgiving Weekend Results

KEY HEADLINES

While economic uncertainty impacted expectations this holiday season, several key themes emerged

What we learned during Thanksgiving Weekend* in 2023:

Shoppers spent a record amount on online shopping over Thanksgiving weekend, as retailers used **high discounts** to motivate consumer demand^{1,2}

Credit card debt is at a record high, making **deferred payment options increasingly appealing** to consumers, especially for Millennials^{5,6}

Generative AI has **expanded the range of services and experiences** that retailers can offer, but widespread use is yet to occur^{8,9,10,11}

After multiple years of October door-busting deals, the “new normal” is to **begin holiday shopping well before Thanksgiving weekend**^{3,4}

Discount retailers **saw strong growth** heading into the holiday season⁷

1) Adobe, 2) NBC, 3) Forbes, 4) CNBC, 5) ABC News, 6) Pymnts, 7) ModernRetail, 8) Retail Dive, 9) Retail Dive, 10) Retail Dive, 11) Deloitte 2023 Holiday Retail Survey

*Thanksgiving Weekend includes the 5 days between Thanksgiving and Cyber Monday

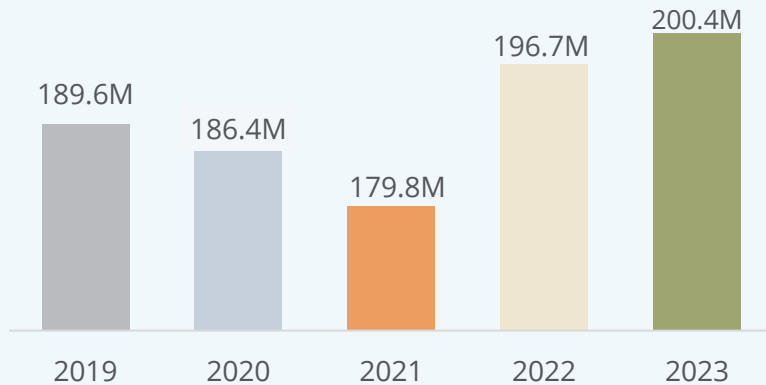
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THANKSGIVING WEEKEND RESULTS

More consumers shopped over Thanksgiving weekend than in previous years, with a stronger preference for shopping online than in store

THANKSGIVING WEEKEND TRAFFIC

Reported Thanksgiving Weekend Shoppers (M)¹



1.9% more American consumers said they shopped from Thanksgiving Day through Cyber Monday YoY, **up 5.7% from pre-pandemic levels¹**

SHOPPING BEHAVIOR YOY

According to consumers, **online shopping traffic exceeded Brick-and-Mortar** over Thanksgiving weekend¹



121.4 M

Brick-And-Mortar Shoppers (-1% YoY)¹

Most Popular In-Store Shopping Days¹

+4.5% YoY

Black Friday

(76.2M Shoppers)



134.2M

Online Shoppers (+3% YoY)¹

Most Popular Online Shopping Days¹

+3.9% YoY

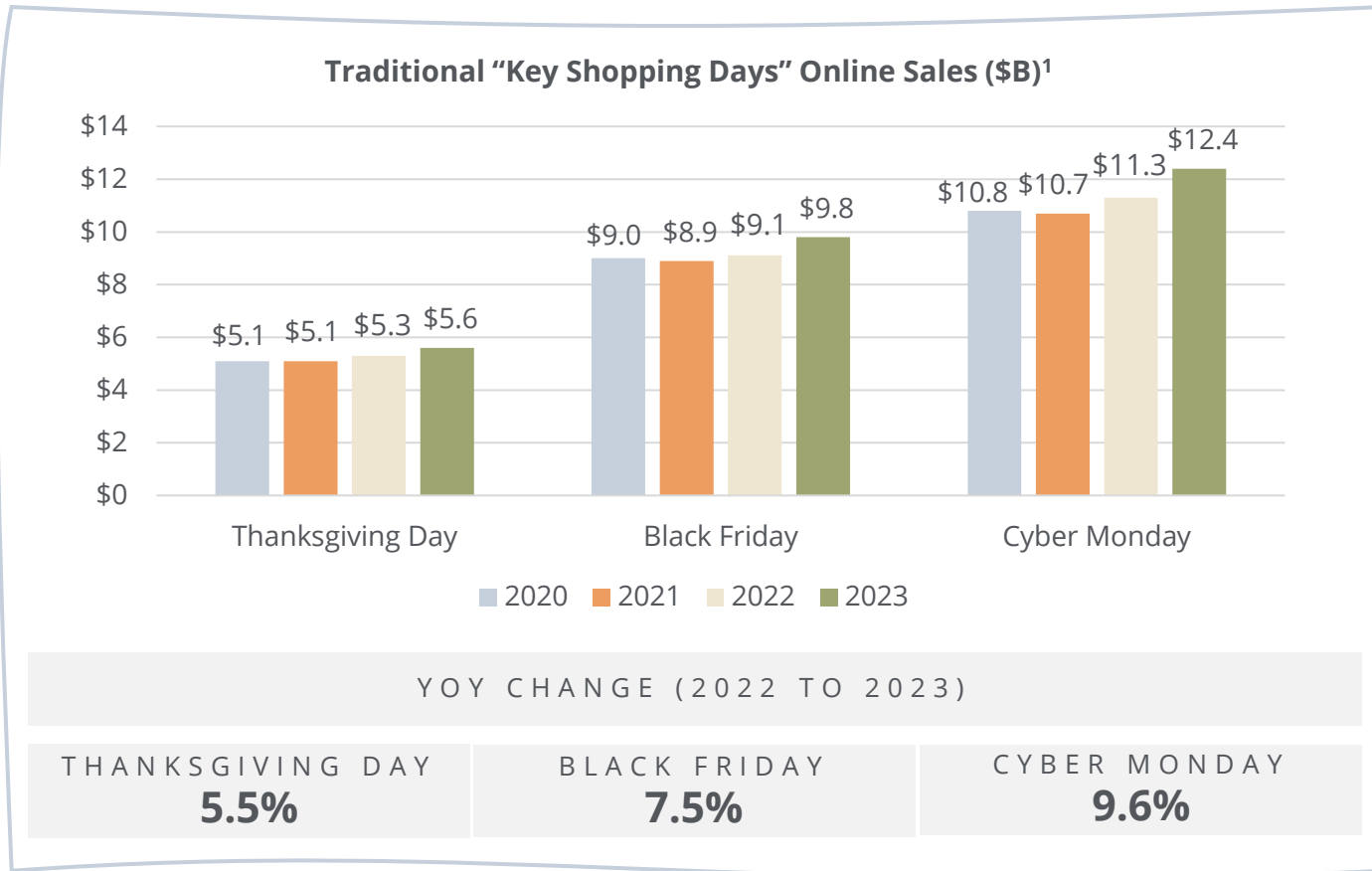
Black Friday

(90.6M Shoppers)

There was **2.5% YoY growth in total retail sales** on Black Friday²

THANKSGIVING WEEKEND RESULTS

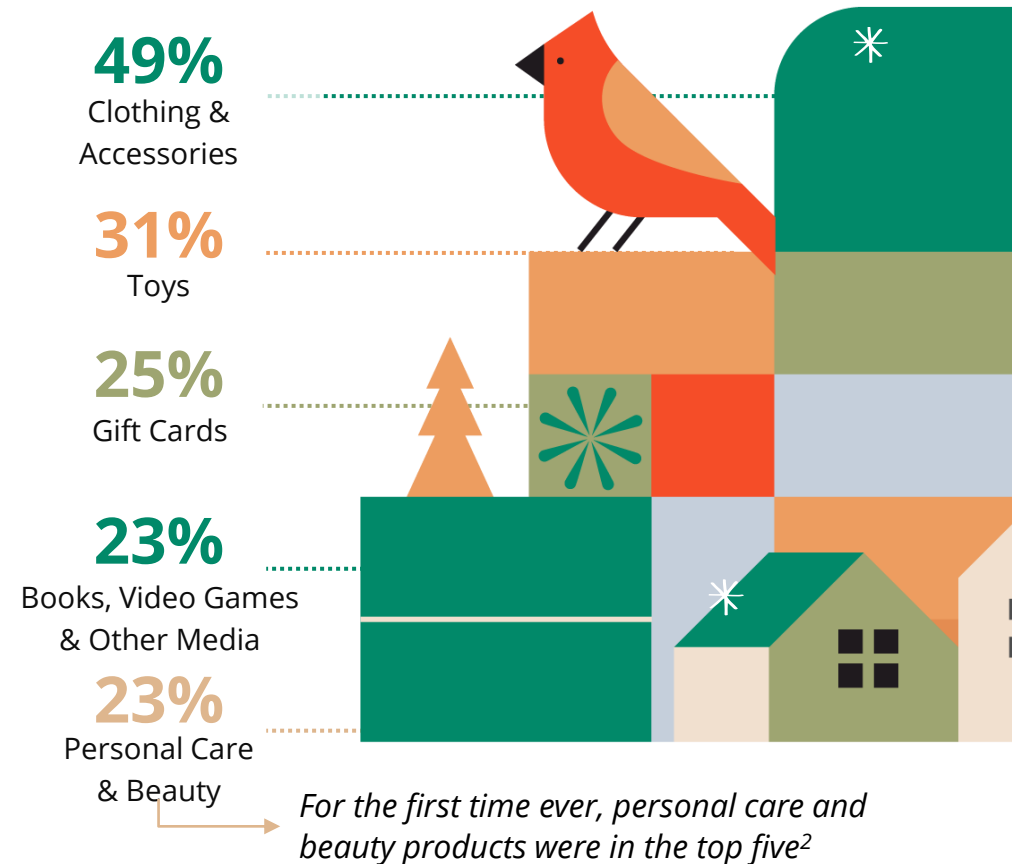
Cyber Monday proved to be the biggest and fastest growing day in terms of online sales over Thanksgiving weekend



Throughout the five days between Thanksgiving and Cyber Monday, U.S. shoppers spent a total of \$38 billion online, up 7.8% YoY¹

¹) Adobe, ²) NRF Consumer Survey

Consumers' Top Thanksgiving Weekend Gift Purchases²

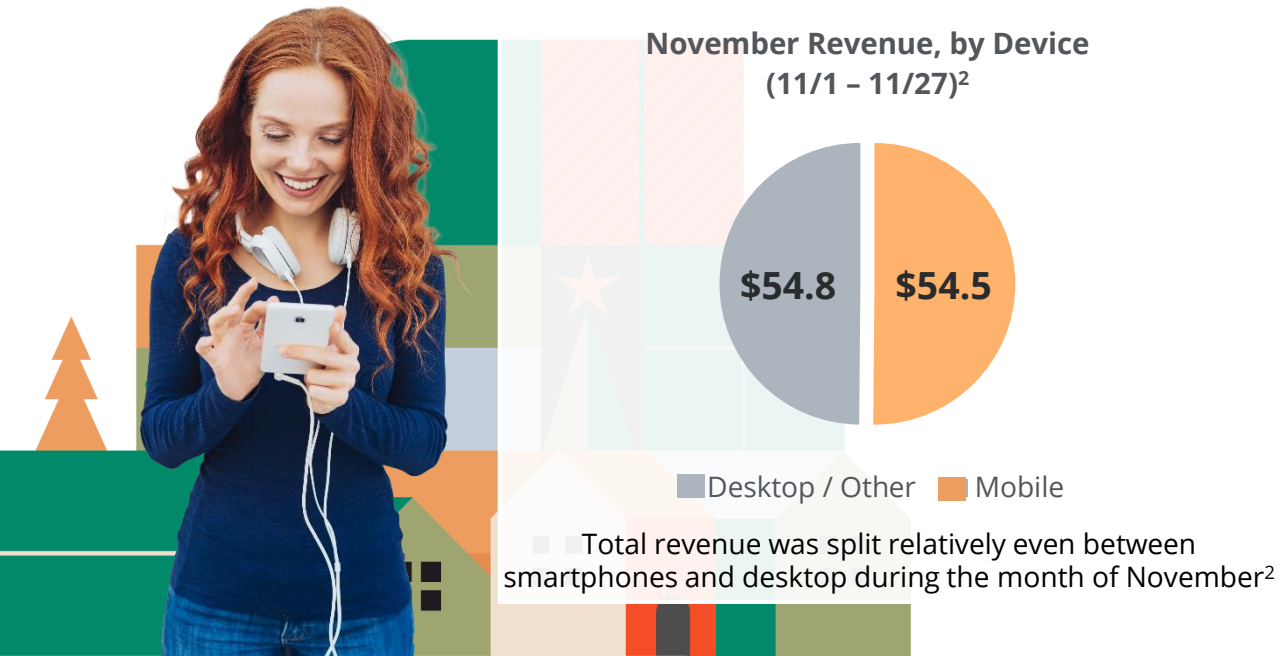


THANKSGIVING WEEKEND RESULTS

For the first time on Thanksgiving weekend, consumer spending on smartphones exceeded consumer spending on desktops

52% of **online Thanksgiving weekend sales** stemmed from **mobile devices alone**, up from 50% in 2022¹

59% of **online sales** on Thanksgiving Day were **made via a smartphone**, up from 55% in 2022¹



AVERAGE ORDER SIZE (ITEMS)²

CYBER MONDAY

3.9
DESKTOP

2.9
SMARTPHONE

2.9
TABLET

CONVERSION RATE²

CYBER MONDAY

6.9%
DESKTOP

3.5%
MOBILE

While consumers shifted their online shopping preference to smartphones, the **average order size and conversion rate remain higher for online shopping via desktop**

1) Adobe, 2) Adobe



While Black Friday is still the busiest shopping day of the weekend in terms of overall traffic, more consumers visited stores online than in store



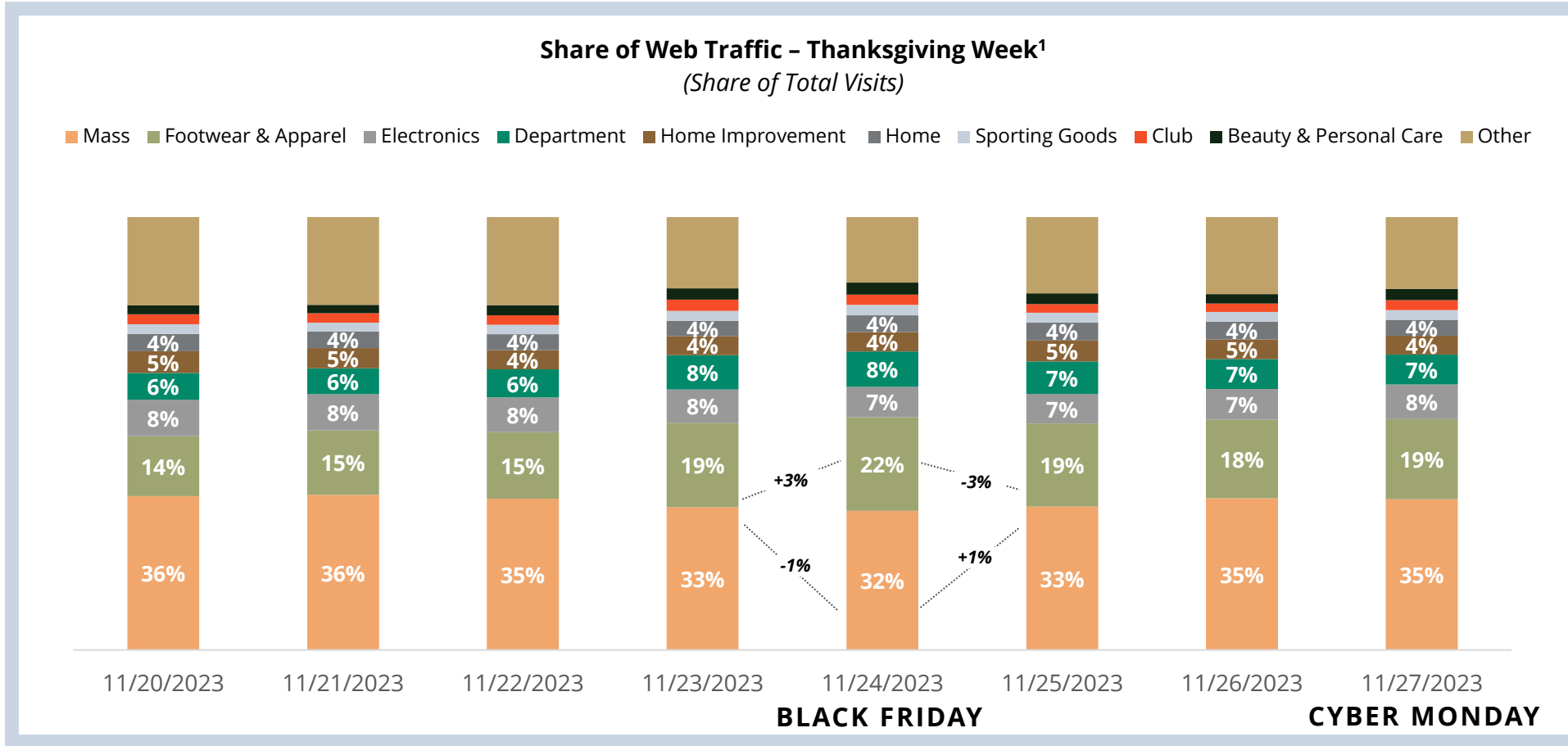
55%
Of consumers said that Thanksgiving weekend purchases were motivated by discounts, up from 52% in 2022¹

13%
of Thanksgiving weekend online orders were for curbside pickup, down from 15% last year²

1) NRF Consumer Survey, 2) Adobe Analytics

THANKSGIVING WEEKEND RESULTS

As expected, Mass retailers captured the most web traffic throughout the week



The highest share of web traffic for footwear and apparel retailers **hit 22%** this Thanksgiving week, after **last year saw a 21%** share high

1) SimilarWeb Internet Traffic Analytics Data, Deloitte Analysis

We analyzed the holiday through three distinct lenses



When and how they shopped

CONSUMERS



Where and what they bought

RETAILERS



Who and what made it possible

INFRASTRUCTURE



Consumers

CONSUMERS

Holiday shopping as early as October has become the new normal, driven by retailers offering early discounts



HOLIDAY SHOPPING TIMELINE

October 2023						
S	M	T	W	Th	Fr	Sa
1	2	3	4	5	6	7
Circle Week ¹						
8	9	10	11	12	13	14
Prime Day ² Deals Holiday Kickoff ³						
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November 2023						
S	M	T	W	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
Pre-Black Friday Deals ⁴						
12	13	14	15	16	17	18
Pre-Black Friday Deals ⁴ Early Cyber						
19	20	21	22	23	24	25
Weekend Deals ⁵						
26	27	28	29	30		



Super Saturday (the Saturday before Christmas) will be aided by an extra weekend shopping day with Christmas falling on a Monday⁶

1) Wired, 2) CBS, 3) Today, 4) BlackFriday.com, 5) Amazon, 6) Marketing Dive, 7) NRF Consumer Survey, 8) Yahoo Finance

Early Holiday Shopping
Shoppers started early to spread their budgets this holiday season

85%

of consumers started their holiday shopping **prior to Thanksgiving weekend**⁷

48%

of consumers said they have **no more items** on their list⁷



Nearly three-quarters (73%) of Thanksgiving weekend shoppers planned their shopping a few days before the weekend, with 28% saying they planned weeks in advance⁸




Direct sales through social media platforms drove a small but growing share of Thanksgiving weekend sales

Overall consumer sentiment **was positive** on social media throughout Thanksgiving weekend.



THE POSTS

There were over **2.3 million social media posts** made about holiday shopping between Black Friday and the Sunday before Cyber Monday¹

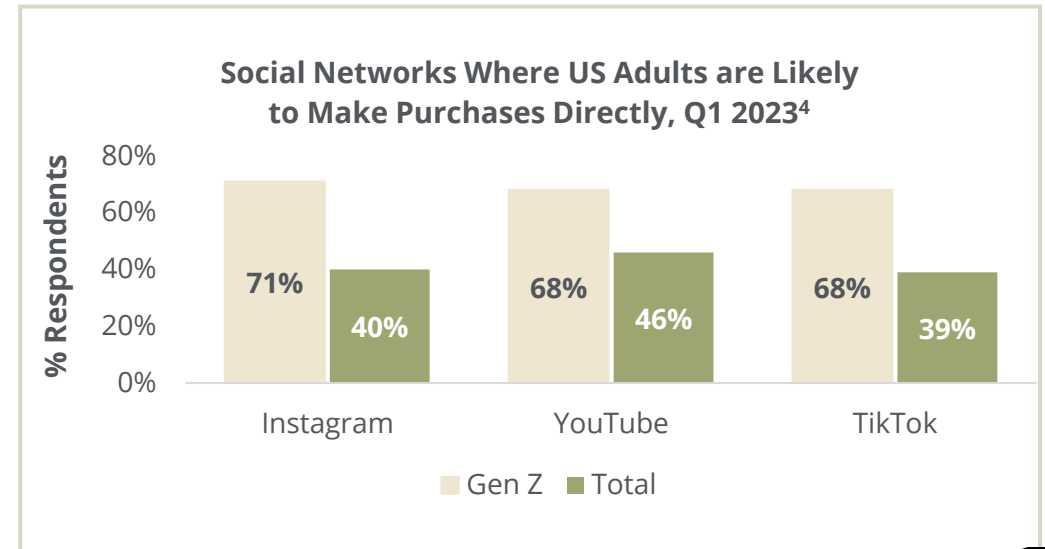


WERE POSITIVE

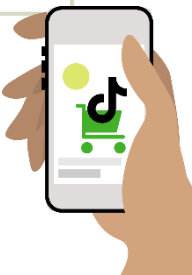
Half of the holiday social media posts were favorable, and about a third, (32%) were indifferent¹

While revenue over the holiday weekend was influenced by social media channels, direct sales through the platforms represented **less than 5% of total sales**, up 6% YoY²

34% Of consumers said that they **planned to use social media** for their holiday shopping, on par with 34% in 2022, and up from 28% in 2021³



1) Retail Dive, 2) Adobe, 3) Deloitte Holiday Survey, 4) Insider Report



Buy Now Pay Later services were utilized more heavily this year than last year, supporting a consumer base that is more debt-laden than ever before

High levels of consumer debt...

Total credit card debt in Q3 2023 rose to a record high of nearly \$1.8T¹, and credit card **interest rates** rose to record high of nearly 30%²

On top of growing consumer debt, **student loan repayments resumed in the month of October**, leading **43.5M Americans** to resume making payments on nearly **\$1.7T in total student loan debt**³

...fueled a fast-growing financing method

BNPL services saw a **42.5% YoY increase** in Cyber Monday sales, making up nearly **\$940M of total online sales** (~7.5% of total Cyber Monday sales)⁴

Millennials had the **largest BNPL adoption pre-Thanksgiving weekend**⁵, and likely played the largest role in the bump in usage over Thanksgiving weekend

The largest publicly traded BNPL provider **saw a 24% increase in stock price** from close of business on Black Friday to close of business on the following Tuesday⁶

1) ABC News, 2) CBS News, 3) CNN, 4) Bloomberg, 5) Pymnts, 6) CNBC

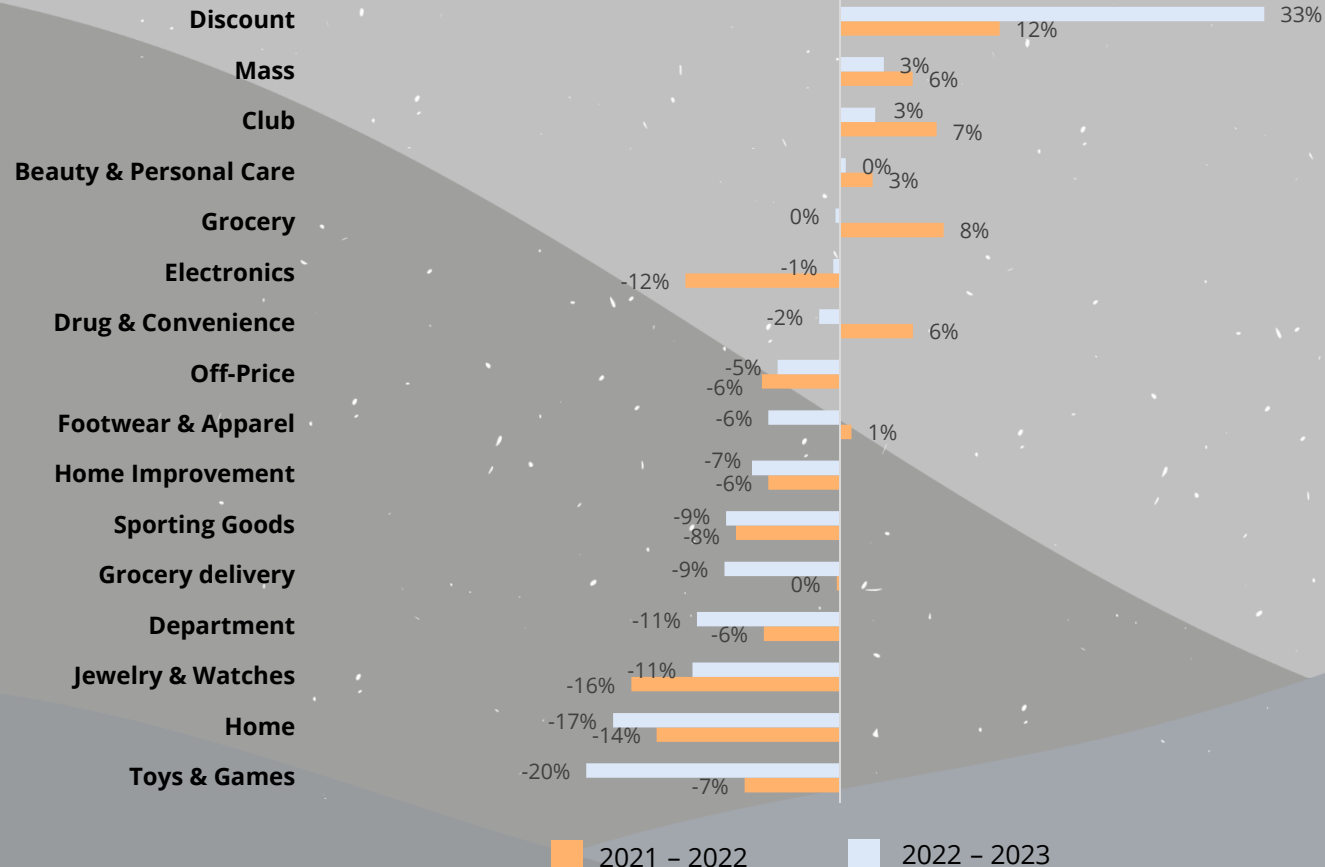


Retailers

Consumer spend declined across most subsectors, but saw significant growth in Discount

YoY % Growth by Retail Subsector¹

October - November, 2021 - 2023



Discount outpaced other retailers in growth, **at 33% YoY**, as consumers searched for deals and bargains amid continued economic pressures

Discount, Mass, Club, and Beauty & Personal Care were the only subsectors that saw **increased spend YoY**, indicative of price increases and consumers paying more

Non-discretionary subsectors grew or stayed flat while discretionary subsectors continued to decline – **not necessarily by consumer choice**

¹) Affinity Solutions, Inc. – Deloitte InSightIQ Analysis; inclusive of inflationary impacts

RETAILERS

Discount channels saw strong holiday growth due to changing market conditions, building on momentum from earlier in the year

FAVORABLE EXTERNAL TRENDS

72% of consumers said the cost of product is the most important consideration when choosing where to shop¹

Major value channel players reported **new opportunities to engage directly with CPGs** with decreased demand at traditional retailers²

Consumers making above \$100k are **15% more likely to purchase from a dollar store** than last year, indicating a **decrease in stigma around discount shopping** across income brackets³

1) Oracle, 2) Biz Journals, 3) PYMNTS, 4) FinancialTimes, 5) ModernRetail

VALUE* CHANNEL GROWTH

Discount stores have a **larger footprint than ever before** to reach holiday shoppers⁴



Off-price retailers showed explosive **growth heading into the holiday season**, closing Q3 2023 with strong comparable store growth⁵

YoY Comparable Store Growth for Off-Price Retailers, Q3 2023 (representative sample of largest off-price retailers)

Retailer #1

6%
Comparable
sales growth

Retailer #2

5%
Comparable
sales growth

Retailer #3

5%
Comparable
sales growth

RETAILERS

While some retailers and consumers are using generative AI to enhance holiday shopping this year, widespread impact will have to wait until future years

RETAILERS

Generative AI has allowed retailers to expand their services and experiences...

Small Business Support Tools¹

A major technology provider launched an AI-powered Product Studio that will allow small businesses to create experimental scenes for products using generative AI; using this tool, users can **place products in various holiday images** to spread cheer

Holiday Greeting Cards²

A major specialty retailer launched a holiday-themed virtual store featuring an AI card generator; **customers only need to answer a few holiday themed questions and will receive a custom greeting card** based on their answers

Custom Gift Recommendations³

A leading omnichannel retailer launched an AI gift recommendation tool as part of its online holiday campaign; customers can type in the gift recipients name and their personal interests to **generate a custom poem with personal gift recommendations**

Many small to mid-size retailers planned to use generative AI to **develop marketing materials (44%), customize shopper experiences (43%), and enhance their analytical capabilities (39%)⁴**

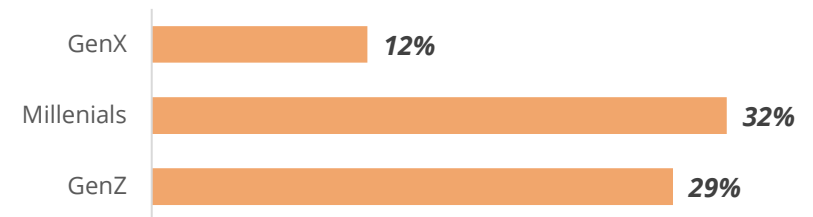
52% of surveyed retailers said they would integrate **generative AI in their contact center** this season⁵

1) Retail Dive, 2) Retail Dive, 3) Retail Dive, 4) Business Wire, 5) Chain Storage, 6) Deloitte 2023 Holiday Retail Survey

CONSUMERS

...and to simplify customers' holiday shopping experiences

Projected Generative AI Usage by Generation⁶



16% of consumers plan to use generative AI for their holiday shopping this year⁶

Users of generative AI plan to use it for...⁶

- 1 Finding the product at the best price
- 2 Offering valuable product recommendations
- 3 Making shopping less time consuming





Infrastructure

The retail industry is expected to hire fewer seasonal employees than in previous years

573,000

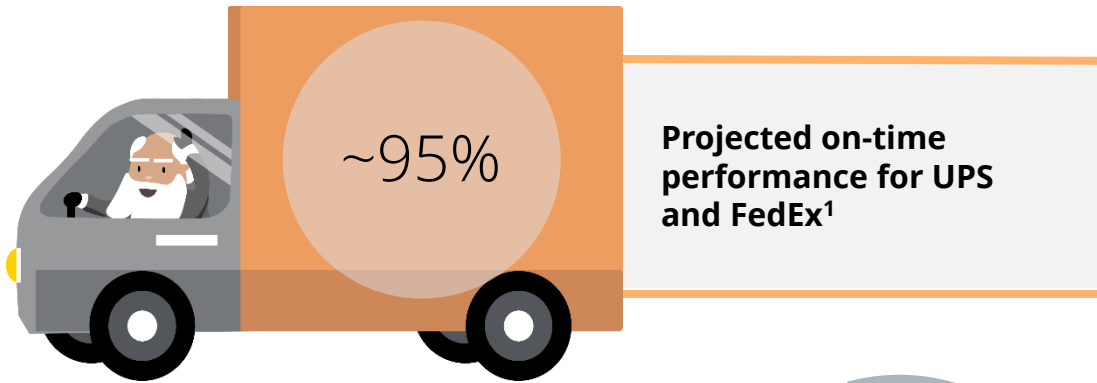
seasonal jobs were announced for 2023, down 4% from 2022¹, and the lowest since 2013²



1) ChallengerGray, 2) NBC News

Carrier performance is set to remain strong as customer expectations stay high

Once again, customers can trust the top carriers to deliver their packages on-time



Standard delivery reigned supreme over Thanksgiving weekend, and quality remains a key differentiator

CONSUMERS ARE IN NO RUSH

80% of online orders made during Thanksgiving weekend had **standard shipping selected** at check-out²

QUALITY IS IMPORTANT

74% Consumers who said that **their trust in a carrier to deliver their packages** influenced where they chose to do their online shopping³

FEES ARE A DETERRENT

50% Consumers who will decide **not to buy what's in their shopping carts** when alerted that they must pay for shipping⁴

1) Yahoo Finance, 2) Adobe, 3) Shipt, 4) Deloitte 2023 Retail Industry Outlook

THE TAKEAWAY

With great anticipation, we wait to see if the holiday season matches industry analysts' expectations

What to watch for the rest of the holiday season

Economic Pressures

In a time of economic recession and high inflation without a clear end, how will retailers keep stores afloat with fewer employees on the floor while balancing rising cost of goods amid low willingness to pay among consumers? In addition, dwindling savings, rising debt, and the upcoming 2024 presidential election could mean further consumer and economic uncertainty.

Pricing & Promotions

Holiday deals and promotions will likely continue to drive spending, but how will retailers compete and differentiate themselves in other ways? With price becoming a stronger loyalty driver for customers, will they flex on timing – potentially waiting for post-holiday clearance sales to buy holiday favorites?

Stores

With the continued growth of online shopping, what role will physical retailers play? As it gets closer to major holiday dates, will retailers draw shoppers in-store or push ecommerce with faster shipping? How will retailers leverage their physical location to drive customer choice and higher sales?

Evolution of Payments

With increasing usage of BNPL, will consumers address the negative financial impacts (e.g., potential credit score hit) or are we entering the era of buying everything on installment payments? As more players enter the space, how will providers and retailers differentiate their offerings? Will we see regulatory intervention given the proliferation?

* Thank you!



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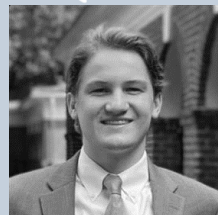
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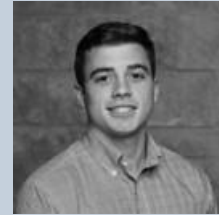
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