



## Learnings from the festive season

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**Bobby Stephens:** Hi, everybody. I'm Bobby Stevens and this is That Makes Cents, the podcast where we break down consumer industry trends and explore their impact on businesses and on all of us as consumers. We're kicking off, and I can't believe it, season three with what's become an annual highlight, at least for me, it's the Deloitte holiday quick take. You know, the old quick take is a roundup of the major moments of the season, including some of the challenges that retailers, shipping providers, and manufacturers have experienced in trying to get their gifts from a warehouse all the way into the hands of excited recipients. And we'll of course cover some of the key trends to keep an eye on as we look forward into 2022. Joining me today are Chloe Harootunian and Alyssa Casale, who are part of the Deloitte Consulting team behind this analysis and report. Thank you both for being here. It's been a lot of fun to work on this with you. And welcome to the show.

**Chloe Harootunian:** Thanks, Bobby. Really excited to be here.

**Alyssa Casale:** Thanks, Bobby. Looking forward to discussing what we saw.

**Bobby Stephens:** Love it. Okay, so for listeners who have been following along through all of our seasons, this episode is actually the last in a mini-series we've done on That Makes Cents all about the holidays this year. In our last episode, we covered Deloitte's predictions for the holidays. So now that the real numbers are out against their predictions, Chloe, can you just give us a quick summary about how the season actually went down?

**Chloe Harootunian:** Sure. So first off, this holiday season we saw the highest year over year sales growth in years. We went into this holiday season predicting that there'd be strong year over year growth in total retail sales, between 7% and 9%, and

even stronger year over year growth in eCommerce sales, between 11% and 15%. Now, looking back on the holiday season, we did see that these growth metrics were in line with our predictions. Actual 2021 growth was three and a half times higher compared to last year. The strong growth this season was awesome to see because prior to the holiday season beginning, consumers expressed concerns about the pandemic and how it would affect their purchasing habits and willingness to gather during the holidays.

**Bobby Stephens:** I love it. I guess as an accounting firm at heart, we probably always feel good when our predictions hit pretty close to the actuals. But when we go beyond those top line numbers, I'm sure there's a lot of nuance and stories there. What are some major trends that maybe listeners should know about and think about that underlie those high-level predictions and high-level numbers?

**Chloe Harootunian:** So, when we started analyzing the numbers that came out of the season, we had a couple of major questions in mind. For example, how would consumers shop? Would they venture into stores or would eCommerce continue to grow market share? Secondly, the supply chain made a lot of headlines before and during the holiday shopping time. How are retailers and consumers actually impacted by these disruptions?

**Bobby Stephens:** I mean, supply chain, for the first time, I've been in consulting and retail for a while, and so you always talk about supply chain, but it really made sort of front page news going into this and I'm sure everyone's curious about that. And like other things in 2021, it was a bit hard to know what was real and what to expect. So, I can imagine people right before Black Friday wondering, would the deals be better online or should I run to the stores? Any thoughts on that?

**Alyssa Casale:** Yeah, absolutely. Alyssa here. What we saw was interesting. Online spend during Black Friday and Cyber Monday actually decreased slightly for the first time in history after last year's record high. This year, about \$33.9 billion was spent between Thanksgiving and Cyber Monday, which of course is a high number but it's down 1.4% year over year. Now, of course, the question is, why? And if I had to guess, I would say supply chain concerns definitely had something to do with it. This year, about 62% of Americans said that they had seen low or out-of-stock inventory between September and November, so they definitely were concerned about getting their items on their list early. Bobby, when did you start your holiday shopping this year?

**Bobby Stephens:** This is the first time I've ever been asked a question on my podcast, so I really appreciate that, Alyssa. It's funny, what you mentioned about Thanksgiving through Cyber Monday being down a bit, which I think is relatively abnormal if not sort of unprecedented. I probably contributed to that because I started my shopping pretty early. I would say early to mid-November was

when I started shopping, mostly online. And a lot of that was because I was shopping for a lot more people this year, but getting smaller things. So, with not being able to see coworkers in person, with all of the things that my kids' teachers went through at school, things like that, we just felt the need to get little gifts for as many people as we could. So, we started that shopping here at the old Stephens' house as early as we could.

**Alyssa Casale:** That is much better than I can say for myself. I hate to call myself out, especially on a public platform, but I did not start as early, and 49% of consumers, including you, Bobby, were far ahead of me this holiday season and chose to shop ahead of Thanksgiving weekend. Maybe if I had shopped that early, I would have secured some of the gifts on my list, but maybe next year. I do want to note, however, that while Thanksgiving weekend spend was slightly down year over year, it still was significantly above pre-pandemic levels. So to put that into a bit more context, in 2019, Black Friday online sales were about \$7.4 billion. This year, consumers spent \$8.9 billion, which is about a 20% increase from 2019. Because of this, this slight downturn is not of concern right now, but just is something that we want to keep on our radar for future holiday seasons.

**Bobby Stephens:** Yeah, that's definitely something to keep in the back of our minds, maybe we come back to that when we talk about 2022 trends and other things looking forward. But for now, let's get back to something you mentioned earlier, which is supply chain issues. Can you shed a bit more light on those?

**Chloe Harootunian:** It was certainly a buzzword this year, and honestly, I think rightfully so. We did observe stock issues that impacted both retailers and consumers. Retailers struggled to secure inventory, and there was actually a 258% increase in out-of-stock messages on websites compared to the previous years. And so, what consumers did when they saw their desired item is out of stock is that they actually switched

retailers in search for products both in store and across digital channels to find what they needed and to ensure they got it on time. So, we saw the concept of hybrid shopping grow this year, where consumers are searching for products both in stores and across digital channels. And I predict this concept will be a key theme throughout this year as well.

**Alyssa Casale:** On the topic of supply chain though, I do want to point out that, interestingly, carriers generally met on-time delivery performance expectations. Supply chain issues mainly impacted inventory levels but had relatively little impact on consumers after they placed the order. According to ShipMatrix, which analyzes shipping package data, UPS and FedEx actually had 90% on-time delivery rates between December 12 and 21, which was great for last-minute shoppers like myself. After this past season's constraints, it definitely will be interesting to track if and how retailers are going to invest more heavily in their supply chain to try to mitigate some of the issues they faced this year.

**Bobby Stephens:** Well, I'm glad the carriers were able to help you with your last-minute shopping, Alyssa. It's really important.

**Alyssa Casale:** (laughing)

**Bobby Stephens:** Also, it'll be interesting to see how the investments go forward in terms of making that supply chain resilient and being able to not only perform in known and predicted times, but when things go wrong and upstream in the supply chain.

Another topic I'd like to switch to is the—I guess you could call it the ongoing question of online versus in store, though I think we probably could all agree that online is continuing to win at least in the holiday season. What did we see in that arena and anything that we can glean from that?

**Alyssa Casale:** This season, consumers gradually returned to stores, which was definitely accurate for me. It was a great reason to venture out of my New York apartment a bit. About 8.1% more sales came

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from in-store shopping this year, which is also 2.4% above pre-pandemic levels. Still, of course, the pandemic has definitely accelerated the shift to eCommerce. In 2019, only about 31% of spend came from eCommerce, but this year that number was up 6%. I do have a question for our tiny focus group here. If you're going to shop online, what do you prefer—using your desktop or mobile phone?

**Bobby Stephens:** Well, it depends. I would say for smaller, more frequent purchases, mobile, for sure. I think when I'm looking at something a little more considered or kind of larger, I would say I still like my desktop to be able to really see full-featured photos. So, a little of both, but for those bigger purchases, I'll say my desktop.

**Chloe Harootunian:** I generally like to make purchases on my desktop but definitely use my phone more for inspiration. And I'm not alone here. As a Gen Zer, 87% of us said that they expected to be inspired by social media for holiday gifts, with YouTube, Instagram, and TikTok being our most likely sources of inspiration. Each year over the past few years, our team tracks how social media impacts holiday shopping trends, but this was the first year that we actually started to see data come in to support this topic.

**Alyssa Casale:** It's definitely going to be interesting to watch how and if social commerce takes off next holiday season. Some of the things I definitely want to look out for are, one, will there be a dramatic increase in revenue for social commerce? And two, will consumers choose to shop more directly in social media apps or will they rather continue to use social platforms primarily to browse? Only time will tell, but I know social media definitely inspired a lot of my gift purchases this year.

**Bobby Stephens:** Well, all this talk of Gen Zers and social media is making your friendly neighborhood Gen Xer a little nervous. Let's keep to that theme of looking a little ahead in the digital realm, but let's do a fun question. What was the most unique gift you came across last season? Maybe

you didn't give it, maybe you saw it on social media, maybe you saw someone giving it to somebody (laughing) on social media, maybe you received it. So, what did you come across and why did it wow you? Maybe let's start with you, Chloe, and then move to you, Alyssa.

**Chloe Harootunian:** So, I came across wrapping paper that you can customize to put a photo of someone's actual face on it. So, picture giving your friend a gift with wrapping paper that has gingerbread men on it, but it would have your face or your friend's face on top of the gingerbread man's body. I guess it's technically not the gift part of the present, but I still think it's hilarious.

**Alyssa Casale:** Oh, that's amazing. I need to look into that. I actually heard about a gift called Storyworth on Instagram. It's a pretty cool idea and doesn't require initial delivery, so also great for a last-minute shopper. When you place your order, the company sends a question weekly to the gift recipient asking different questions about their life. And then the recipient will reply their responses each week. At the end of the year, the company binds the stories into a keepsake book and ships it to the recipient so they can have it and share these stories forever.

**Bobby Stephens:** Ooh, that could be a gift for 2022. We talked about looking forward, you could start now and have a great story by the end of the year. I like it. Chloe, yours is interesting. I was on Instagram the other day and I saw that somebody famous had just gotten a gift that was a mobile for their baby, and the things that were hanging on there were like an actual little version of their two dogs that they had at home, which I thought was pretty cute. A good way to introduce your baby to your pets. So I thought that was kind of fun.

**Chloe Harootunian:** That's very cute. I like that.

**Bobby Stephens:** Bonus question. Are you ready? I need a sound effect when I say that next time. What's the most special or

interesting physical shopping experience, or what's a standout online shopping experience? So instead of the gift itself, what was the shopping experience that really stood out to you this year?

**Alyssa Casale:** That is a good question. I haven't gone yet, but my friends recently went to Showfields in Noho, in New York, and mentioned that the store had some really cool innovative experiences, including a slide that actually takes you from one floor to the next. And another great thing about this company is that they have a great mission, which is to bring together the most driven, design-oriented, innovative brands and artists into one store. So, when you check out their website, you can select to shop by mission ranging from women founded to locally made. It's pretty cool.

**Bobby Stephens:** Yeah, it'd be interesting to sort of watch, outside of just ultimate convenience of a store—I need something right now and you've got all the things I need quickly—how much just very unique experiences like the one you mentioned will permeate and will continue to prop up reasons for people to actually go to a store in person.

Now, if we look forward into 2022, there are some trends that I think retail and consumer products companies need to think about. And Deloitte has a great report out on this one, and I want to share a couple of highlights from that new report. First is trends like athleisure, health and wellness, healthy foods, still popular and probably as popular as ever as we move into the time of New Year's resolutions. Next gen advertising and eCommerce and digital marketing continue to grow in importance as more and more share of spend goes that direction. I think one place that's worth thinking about is just the customer and the employee or associate experience. This has been a tough time for folks that are working in person, a tough time for folks that are working in stores, and so how do we make sure that their wellness and retention of those folks is top of mind for many of our favorite retail brands?

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And this final piece kind of connects to that last one, which is really some clear messaging about your brand and your purpose is huge. Thinking about trust, thinking about how you engender that to the consumer, it's really important, and we're going to dive into that in an upcoming episode really to understand how that's changed in today's environment.

So, for now, I think that does it. Big, big, big thanks to you, Chloe and Alyssa, and the entire team behind you both to pull this report together, something I know started around Thanksgiving and has been going for the last couple months over a holiday

period. So really appreciate you joining to share some takeaways and tell some of your personal stories. And to the listener, I hope your year is off to a super healthy and happy start. Thanks for tuning in to the first episode of our third season. Be sure to subscribe to the show so you can be notified when our next episode drops.

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