

THAT MAKES CENTS



Unwrapping 2021 holiday retail trends

Host: Bobby Stephens, principal, Deloitte Consulting LLP

Bobby Stephens: Hi, everyone, Bobby Stephens here, your host for That Makes Cents. You're in for a treat today. We'll be talking about my favorite time of year, and one of my favorite annual pieces that my colleagues work on—the Holiday Season and the Holiday Retail Survey. This is the 36th anniversary of this survey. It's really a great piece to look forward to every fall.

Each year we poll consumers on their shopping plans for the season—including where they'll be shopping, how much they plan to spend, what they're looking to buy, how they'll be using technology, and how they'll be using social media and much more. This year, the team conducted an additional survey—we asked retailers for their thoughts and predictions for the season, getting a pulse of retail leadership. With both the consumer and the retailer point of view, there is a ton of valuable information in this report. So I definitely recommend that you check out the full thing on Deloitte Insights. But here today, I'll give you a quick readout in case you don't want to do that just yet. I'll go through the major findings and the key stats you should know.

First, to set the scene, I'll start with a bit of info about the survey itself. We polled approximately 4,000 US consumers and 30 retail executives on a variety of questions. What's the general sentiment? Some holiday traditions are making a comeback, especially as people are feeling less anxious about health concerns and are planning to hit the stores and resume gatherings and maybe some travel, too. But as you are probably all aware, it won't really be a true return to pre-pandemic trends. Plus, some pandemic-influenced habits, like the use of digital and delivery options, are really sticking because frankly they work and people prefer them.

From the retailer side, it's interesting: executives are optimistic about the season and are gearing up to meet consumers' demands—both traditional and new. Supply chain will likely be a problem or an issue, and we will see how retailers are able to deal with that. We've talked earlier about the pre-pandemic trends and during-pandemic trends, and one thing that I've definitely done during the pandemic is curbside pickup. I'll be hosting Thanksgiving for the first time this year with my entire family, so

I'll absolutely be leveraging that to order and pick up all the food needed to make a yummy Thanksgiving meal. I'm really looking forward to that.

But enough of that. Before I get too excited about my Thanksgiving dinner here, let's get into the four major findings from the report. The first is, if you think about consumer sentiment, all is merry and bright, but only really for the high-income consumers. We are seeing overall holiday spend predicted to be up about 5% over last year, with an average spend coming in just short of \$1,500. But most of that is driven by higher income households.

I think it's probably because you're seeing stability with household income about 80% better than last year. However, again, most of that is coming in the high income. So we're seeing the tale of two consumers happening here and we asked retail execs—they are certainly hoping to take advantage of that, where almost 75% expect shoppers to spend more, or even significantly more, this holiday season than last.

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As we look at consumer behavior and, more specifically, coming to the stores and shopping in the stores, I think maybe more consumers will venture out as health and safety and anxiety decreases, and vaccine rates go up and boosters continue to come into play. In fact, we have some data to support that 40% of consumers are anxious about health and safety versus over 50% last year. So we are seeing an increase in spending on experiences and coming out of their house.

The other thing we're seeing is that engagement with digital platforms will be high and continue to be high with 62% of spend expected to occur online, much higher than the norm before the pandemic with curbside pickup and BOPIS being a massively popular and convenient offering for those who do want to get a little out of the house perhaps, but not come into the store.

The other interesting thing is almost 30% say they plan on using social media this holiday season primarily for researching products and understanding inspirational elements of it. Again, retail executives have a pretty rosy view with 40% expecting double-digit online channel growth again this year. Some of the flip side of that is if it is increased spending both overall and massive increase in spending online, we might see some supply chain problems, and I love what my colleagues said here, which is delivery time is frightful. Seventy-five percent of shoppers are even concerned about stock-ups, especially in consumer electronics, accessories, those hot toys and can't-miss hobbies for their kids. Four in 10 will also likely start their shopping earlier, citing those potential shipping issues and stock issues for the primary shift in timing.

We're also seeing some thinking about pricing and inflation as a reason to get out early, and retailers are reacting by starting some of their deals and events earlier as well. In fact, 68% of shoppers plan on shopping before Thanksgiving versus only 61% last year. Retail executives: 64% are concerned about receiving inventory in time for the holidays and that's a real potential for conflict of consumers coming out early, looking for things that aren't there yet, and then potentially not coming back. So we'll have to monitor that as we move into the holiday season.

I think the final trend to look at is really that of inflation. And I mentioned this earlier, but it is beginning to look a lot like we're seeing markups, not discount or markdowns, during the holiday season.

About 40% percent of consumers versus only 20% last year say they may spend more this year due to just higher prices. Those who plan to spend less, 50% blame it on the fact that other items like food are costing more. You know, 60% of consumers still say getting a great deal is the number one attribute for a retailer. But we're seeing higher prices and fewer promotions, which might mean that those deals are harder and harder to find for that consumer, especially that time-stretched consumer. Ultimately, I think retail executives agree here, which is about 50% expect retail product prices to increase this holiday season, while 57% expect flat or lower promotional activity. In normal years that would be a good thing. We'll have to wait and see what that looks like this year.

Well, there you have it, folks, the quick review of the findings from Deloitte's 2021 Holiday Retail consumer and executive surveys. Now this was just the stocking stuffer—an abbreviated version of the key findings. If you want to get the entire holiday gift haul under your tree, go ahead and check out the full survey report out now on Deloitte Insights.

There's a little more. I wanted to give you all a heads-up that Deloitte will be rolling out two more holiday reports: one that's specific to the pre-Thanksgiving shopping days, covering Black Friday and Cyber Monday/Cyber Week and all the trends we see there. And another report all about holiday travel and whether or not it's resurging. If you're curious about how many Americans are planning to fly, stay at hotels, or rent cars, and other holiday travel this season, you'll want to check out that survey. Or you can tune into the next episode of That Makes Cents to get a great debrief from me and a special guest.

Thanks so much for tuning in. See you next time.

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