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Insights

2021 Deloitte holiday retail survey

Holiday shopping: Establishing the next normal

October 2021

Contents

Executive summary

For 36 years, the annual holiday survey has helped gauge consumer sentiment heading into retail's crucial months. This year, we wanted to get a more holistic view of the changing landscape and added a new retail executive survey of 30 retail buyers, along with our survey of more than 4,000 consumers. In addition, a new holiday travel survey may shed light on how people plan to socialize away from home this year.

As we enter the second holiday season during the pandemic, the question on everyone's mind is *will the holidays ever return to normal?* Some trends seem to be heading that way. Improving anxiety around health and safety may have aided overall average spend (up 5% YoY). Some consumers expect to incorporate more in-store shopping this year, while others are venturing out to entertain, socialize, and travel, boosting spend on experiences (+15% YoY), echoing expectations found in our holiday economic forecast.

But it's clear a bounce back to pre-pandemic trends is not likely in the works. Digital platforms that consumers tried during the pandemic for safety reasons have become habits because of the conveniences they offer. And consumers plan to start shopping earlier than in the past two years because of concerns around inflation and supply chain constraints, an opportunity for retailers, as early shoppers tend to spend more.

Perhaps the most sobering pandemic trend is that low-income groups continue to suffer. Their average holiday spend decreased more than 20% YoY, while high-income spend is on the rise.

The executives we surveyed, however, were optimistic that consumers were ready to embrace the holidays again and were eager to find opportunities within the evolving pandemic challenges. Retailers that welcome the next normal and meet the shifting needs of the consumer may be well-positioned for a strong holiday period and beyond.

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At-a-glance: Key findings




Sentiment

*All is bright…
for high-income*

Consumers: Average spend up 5% YoY boosted by a return to experiences (up 15% YoY), but gains largely driven by high-income groups

Retail executives: Upbeat outlook, with seven in 10 expecting consumers to spend more YoY

Consumer behavior

*Dashing through
the stores*

Consumers: Some pandemic behaviors are sticking with 62% of spending expecting to occur online, while a decrease in anxiety levels motivates some to return to stores

Retail executives: Betting on consumers returning; holiday inventory orders up single digits for four in 10, up double digits for three in 10

Supply chain

*Delivery time
is frightful*

Consumers: Concern for stockouts (75%) and shipping delays will likely motivate shoppers to start earlier YoY

Retail executives: 6 in 10 worried about receiving holiday orders on time; majority expect holiday shopping to start one to two weeks earlier

Inflation

*It's beginning to look
a lot like markups*

Consumers: 68% expect higher prices this season, hitting lower-income groups especially hard

Retail executives: Consumers should expect higher prices, as depth of promotions won't negate higher prices (five in 10)

Key findings

Sentiment: All is bright… for high-income

- Overall holiday spend up YoY 5%, with average spend at $1,463 (versus $1,387 in 2020) largely driven by higher-income households
- Household financial situations steady, with 78% in similar or better shape than last year (versus 71% in 2020)
- While higher-income households are driving the growth in average spend, lower-income represents 65% of the total non-spenders this holiday season
- Retail executives' view: 73% expect shoppers to spend more or significantly more this holiday season

Supply chain: Delivery time is frightful

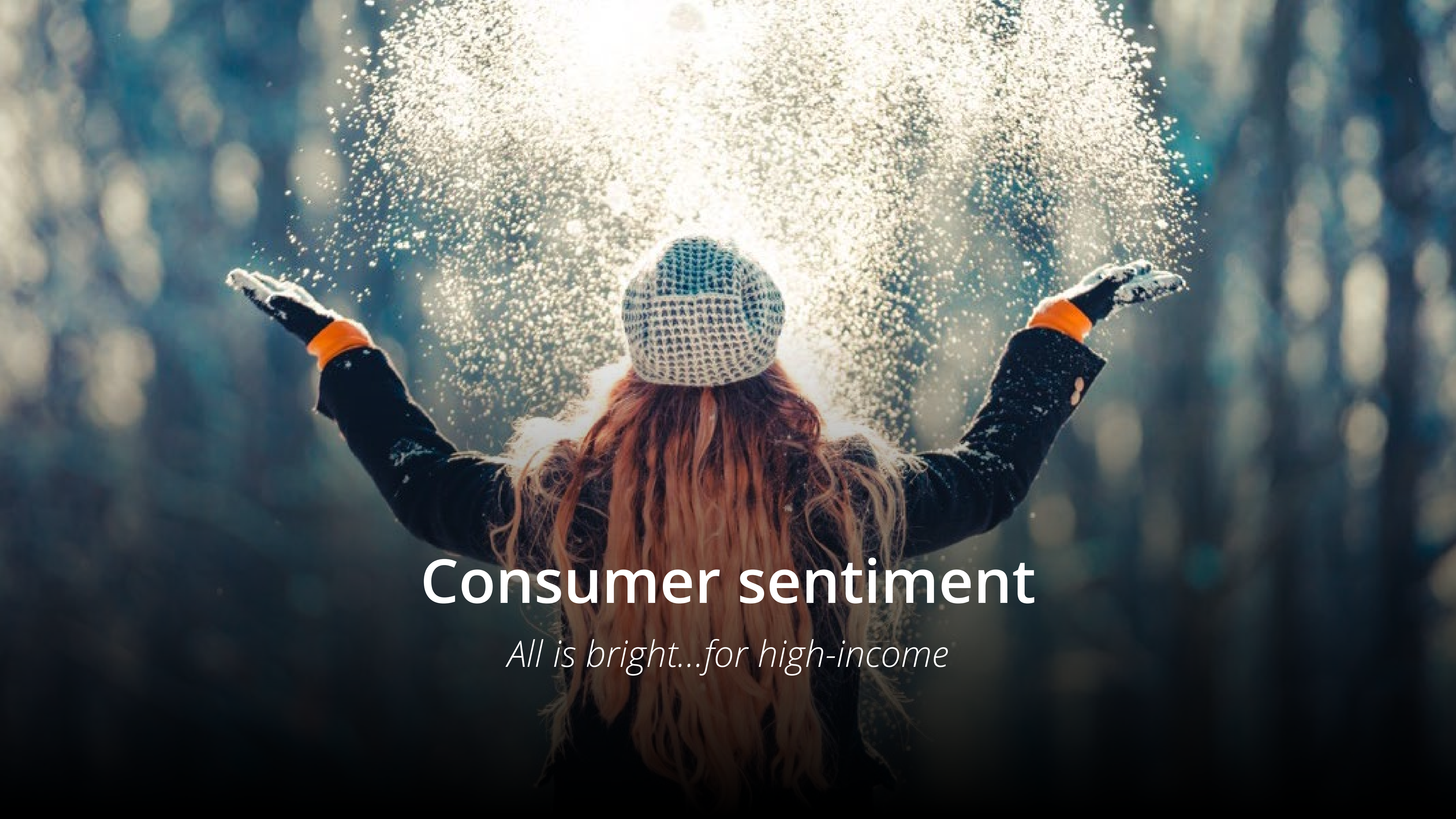
- 75% shoppers concerned about stockouts, especially with electronics, accessories, toys, and hobbies
- Four in 10 will likely start their shopping earlier this year, citing potential shipping issues (49%) and stockout issues (47%) for the shift in timing
- 68% shoppers plan to shop before Thanksgiving (versus 61% in 2020) due to stockout concerns
- Retail executives' view: 64% concerned about receiving inventory in time for the holidays

Consumer behavior: Dashing through the stores

- More consumers venturing out as health and safety anxiety decreases (40% consumers anxious versus 51% in 2020), aiding spend on experiences (up 15% YoY)
- Engagement with digital platforms remains high, and 62% of spend is expected to occur online, while curbside pickup and BOPIS remain popular for convenience aspect
- 28% say they plan to use social media this holiday, primarily for researching products
- Retail executives' view: 40% expect double-digit online channel growth

Inflation: It's beginning to look a lot like markups

- 39% of consumers (versus 20% in 2020) say they may spend more this year due to higher prices in general
- Of those that plan to spend less this holiday season, 50% blame it on higher food costs (versus 31% in 2020)
- 60% consumers say "getting a great deal" is the top attribute for retailer selection but higher prices and fewer promotions mean deals may be harder to find
- Retail executives' view: 53% expect retail product prices to increase this holiday season; 57% expect flat or lower promotional activity YoY



Consumer sentiment

All is bright...for high-income

Financial situations stabilize and retail executives plan for a comeback

67%

expect the economy to improve or remain the same in 2022.[1]
(versus 73% in 2020)

78%

have a similar or better household financial situation.[2]
(versus 71% in 2020)

RETAIL EXECUTIVES' VIEW

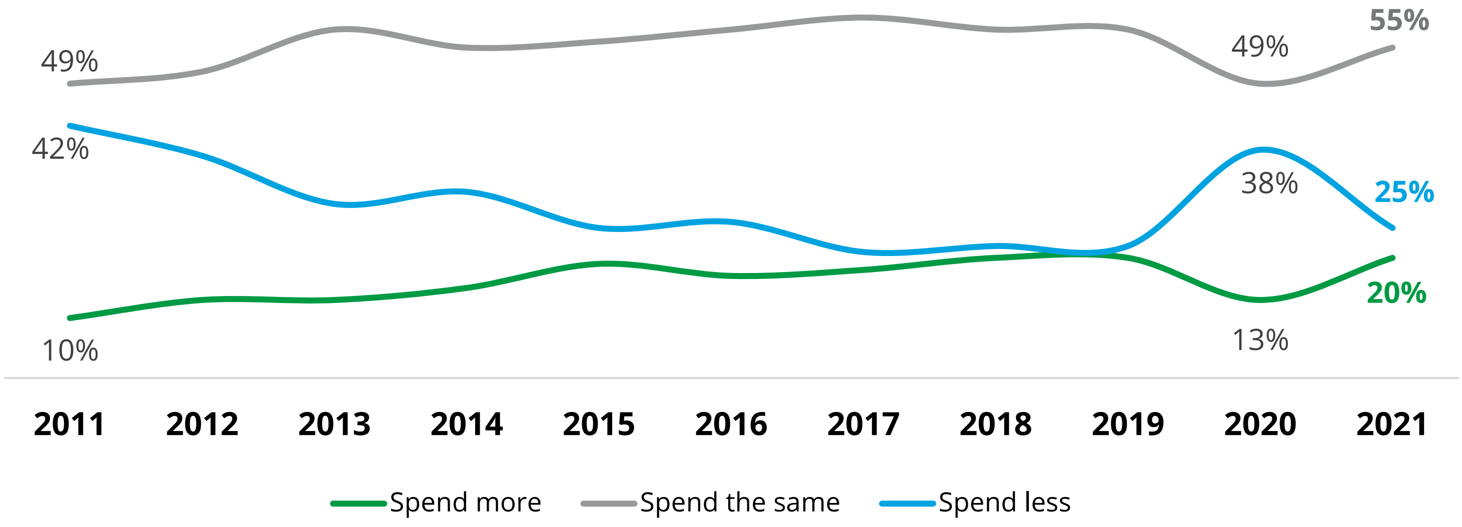
33% STATED THAT HOLIDAY ORDER VOLUMES GREW DOUBLE-DIGIT YoY

43% ACHIEVED SINGLE-DIGIT YoY GROWTH

Questions: (1) "In your opinion, what is your overall outlook for the U.S. economy in the year 2022 compared with today? Would you say it will likely…?" – Percentage of Improve modestly/significantly and remain the same; (2) "Thinking about your household's current financial situation, would you say it is…" – Percentage of A lot better than/Somewhat better than/The same as it was last year at this time.
Note: Sample Size (N)=4,315.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021), Sample Size (N)=30

Spending plans approach 2019 levels

Shopper spending intentions
(% holiday shoppers)



42% of the total holiday spend will be financed using credit cards (versus 38% in 2020)

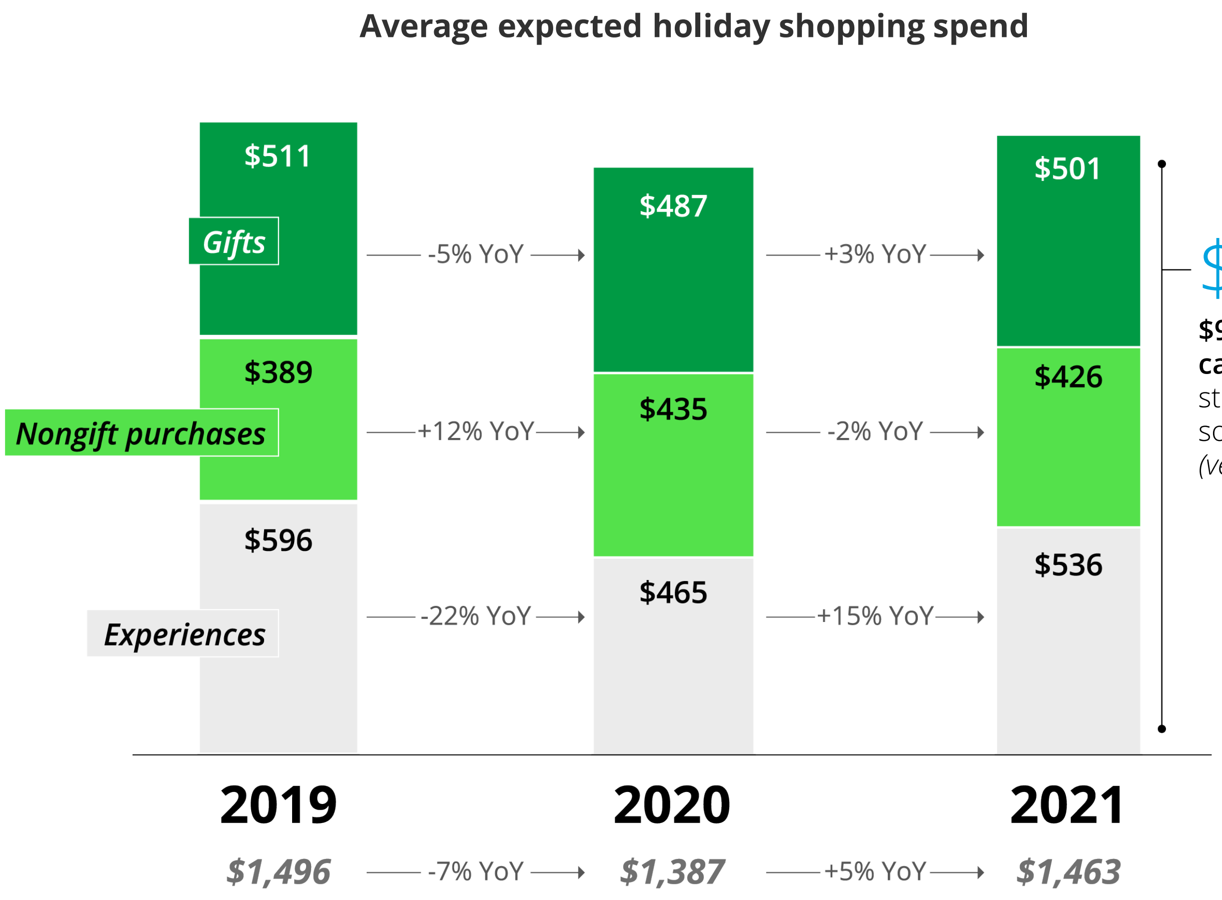
RETAIL EXECUTIVES' VIEW

73%

EXPECT SHOPPERS TO SPEND MORE OR SIGNIFICANTLY MORE THIS HOLIDAY SEASON

Questions: "How will your total holiday spending compare with last year's holiday season?" and "What percentage of your holiday shopping spend would be through the following payment modes?" – Percentage through Credit Card(s).
Note: Sample size (N)=4,315.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021), Sample Size (N)=30

Average holiday spend benefits from consumers returning to experiences



$1,463

$927 average retail category spend holds steady even with uptick in socializing away from home *(versus $922 in 2020)*

RETAIL EXECUTIVES' VIEW

"WE SEE AN OPPORTUNITY THIS HOLIDAY SEASON AS CONSUMERS RETURN TO ENTERTAINING AND IN-PERSON GIFTING."

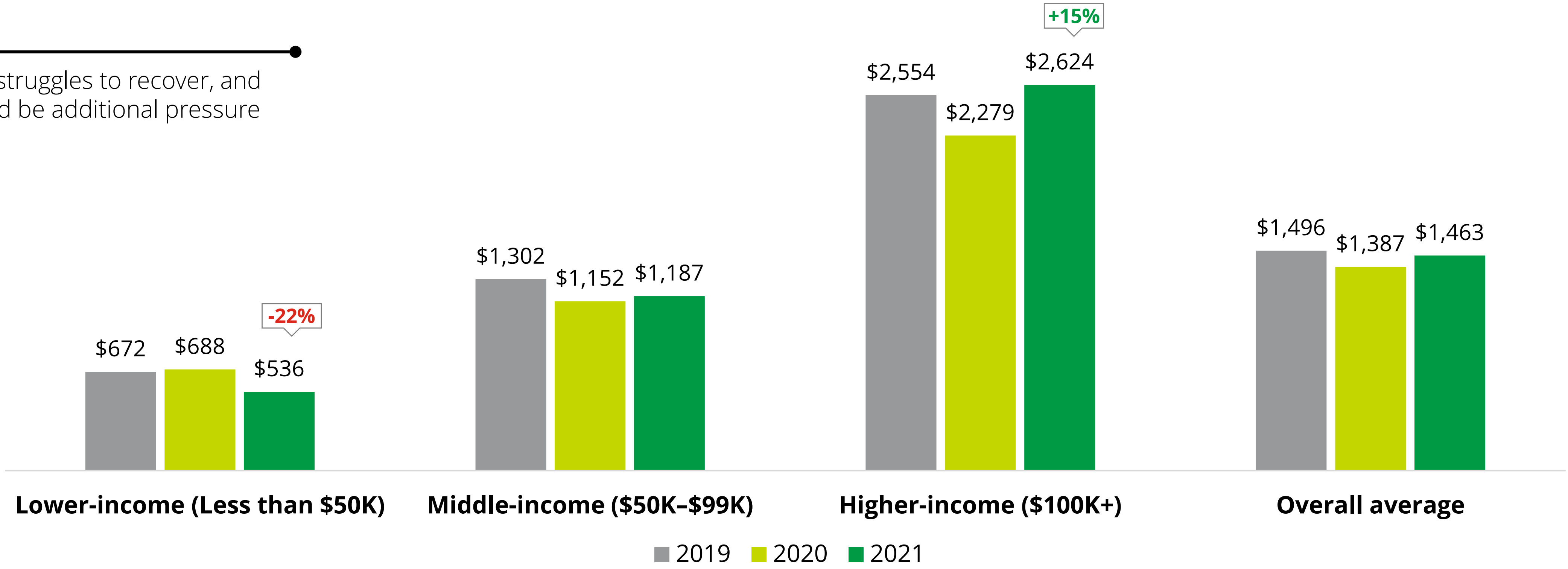
–Mass merchant executive

Question: "How much do you expect you will spend during the upcoming year-end holiday season on each of the following items?"
Notes: Sample size (N)=4,410 (2019), 4,012 (2020) and 4,315 (2021). All dollar values are in US dollar.
*Experiences include entertainment at home and socializing away from home such as travel, hotels, restaurants, concert tickets, etc.
Retail Executives' View: What are the top two opportunities you foresee going into the holiday season for your company? (N=30) Open text responses categorized into broad themes

Higher-income shoppers drive uptick in overall average spend

Low-income struggles to recover, and inflation could be additional pressure

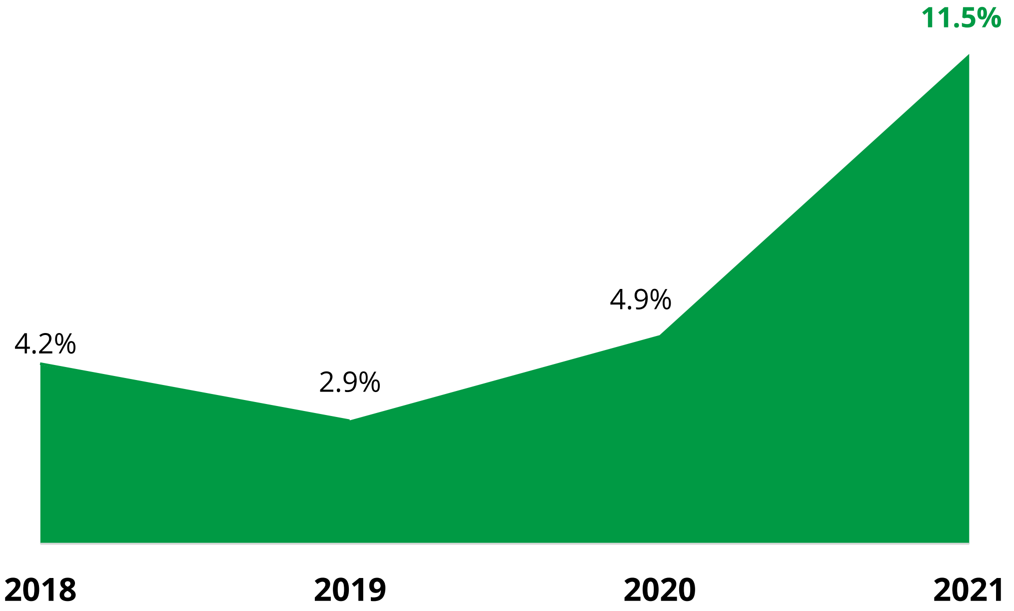
Average expected holiday shopping spend (2019–2021)
by income



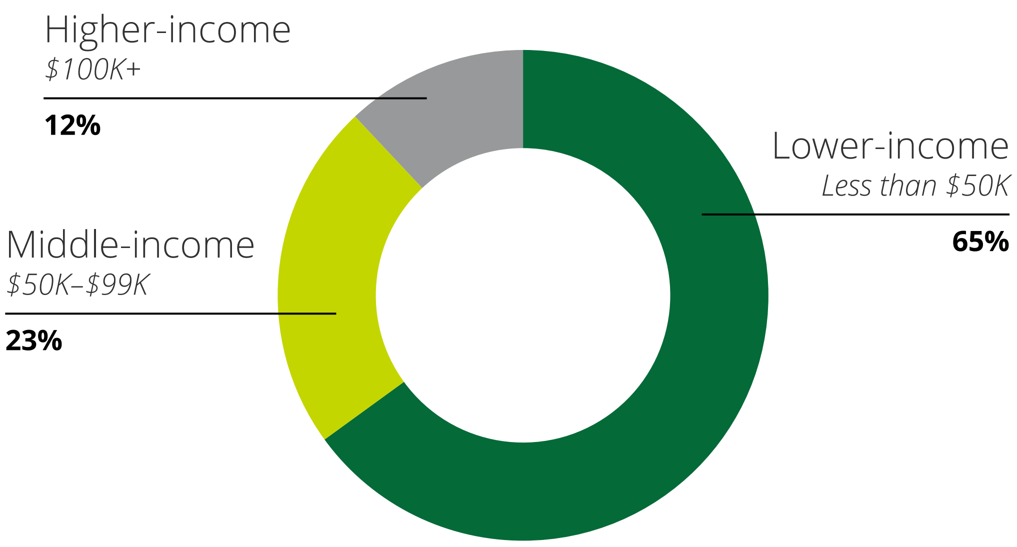
Question: "How much do you expect you will spend during the upcoming year-end holiday season on each of the following items?"
Note: Sample size (N)=4,400 (2019); 4,013 (2020); 4,315 (2021). Split of sample by income: Lower-income (Less than 50K) – 36% (2019), 34% (2020), 34% (2021); Middle-income ($50K–$99K) – 31% (2019), 31% (2020), 31% (2021); Higher-income ($100K or more) – 34% (2019), 35% (2020), 35% (2021).

Many low-income shoppers sitting out the season

Respondents who do not plan to spend this season
% holiday shoppers

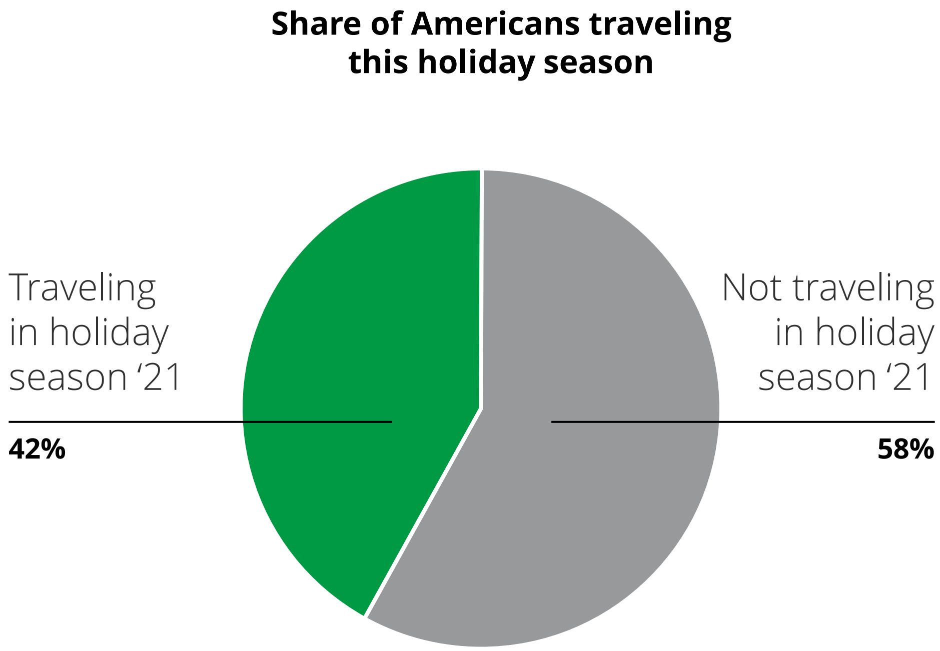


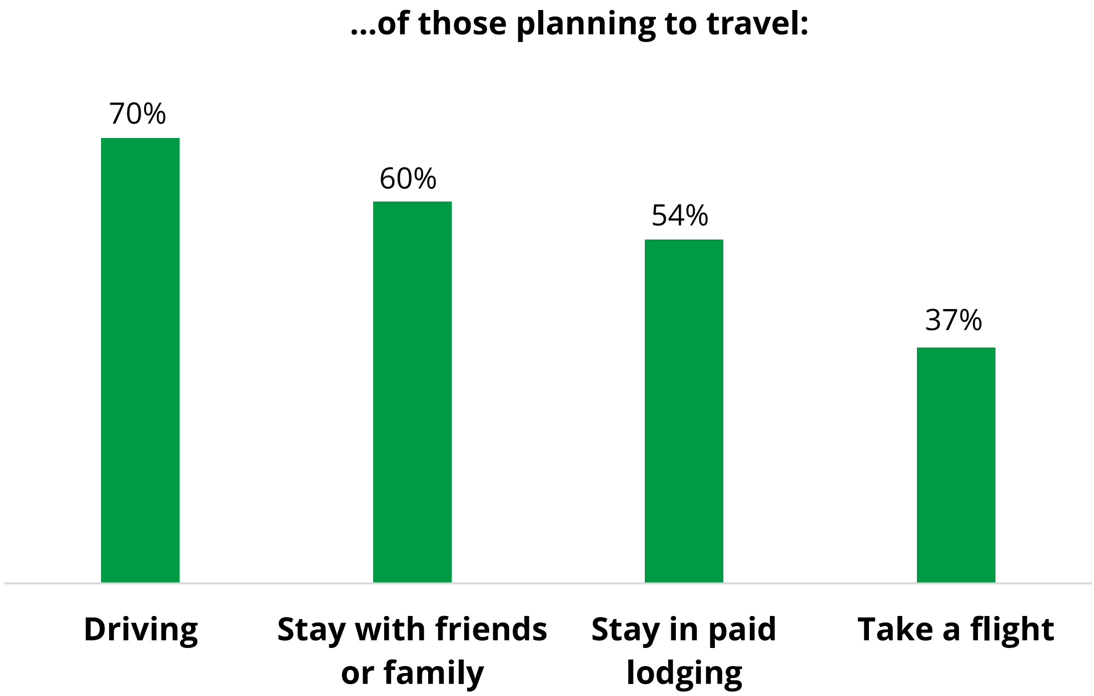
Proportion of non-spenders in each income group
% holiday shoppers



Question: "How much do you expect you will spend during the upcoming year-end holiday season on each of the following items?"
Notes: "Non-spenders" are shoppers whose overall shopping spend = $0. Sample size (N)=4,315. All dollar values are in US dollar.

As Americans return to experiences, just under half will travel this holiday season, and nearly twice as many will drive as fly





Source: Deloitte 2021 Holiday Travel Survey, N=6,512
Question: What activities are you planning to partake in during the 2021 holiday season (between Thanksgiving and mid-January 2022)?;
Source: Deloitte 2021 Holiday Travel Survey, N=2,759
Question: How many trips will you be taking this holiday season?; Across all your travels this holiday season, what travel products will you use?

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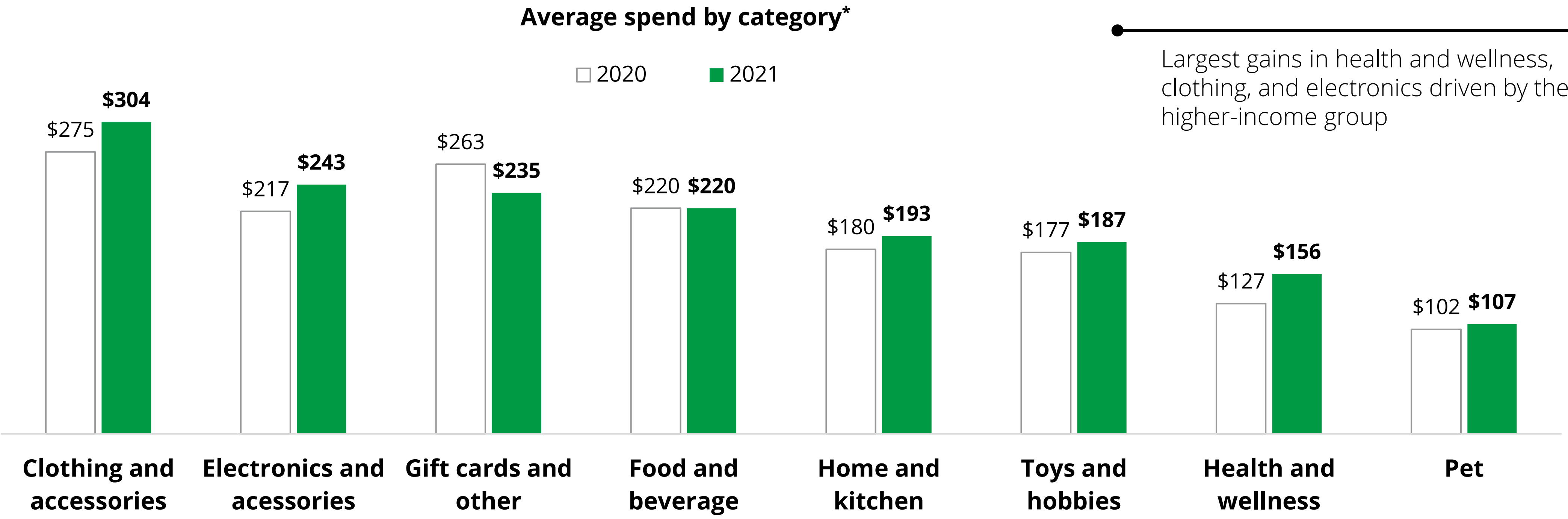
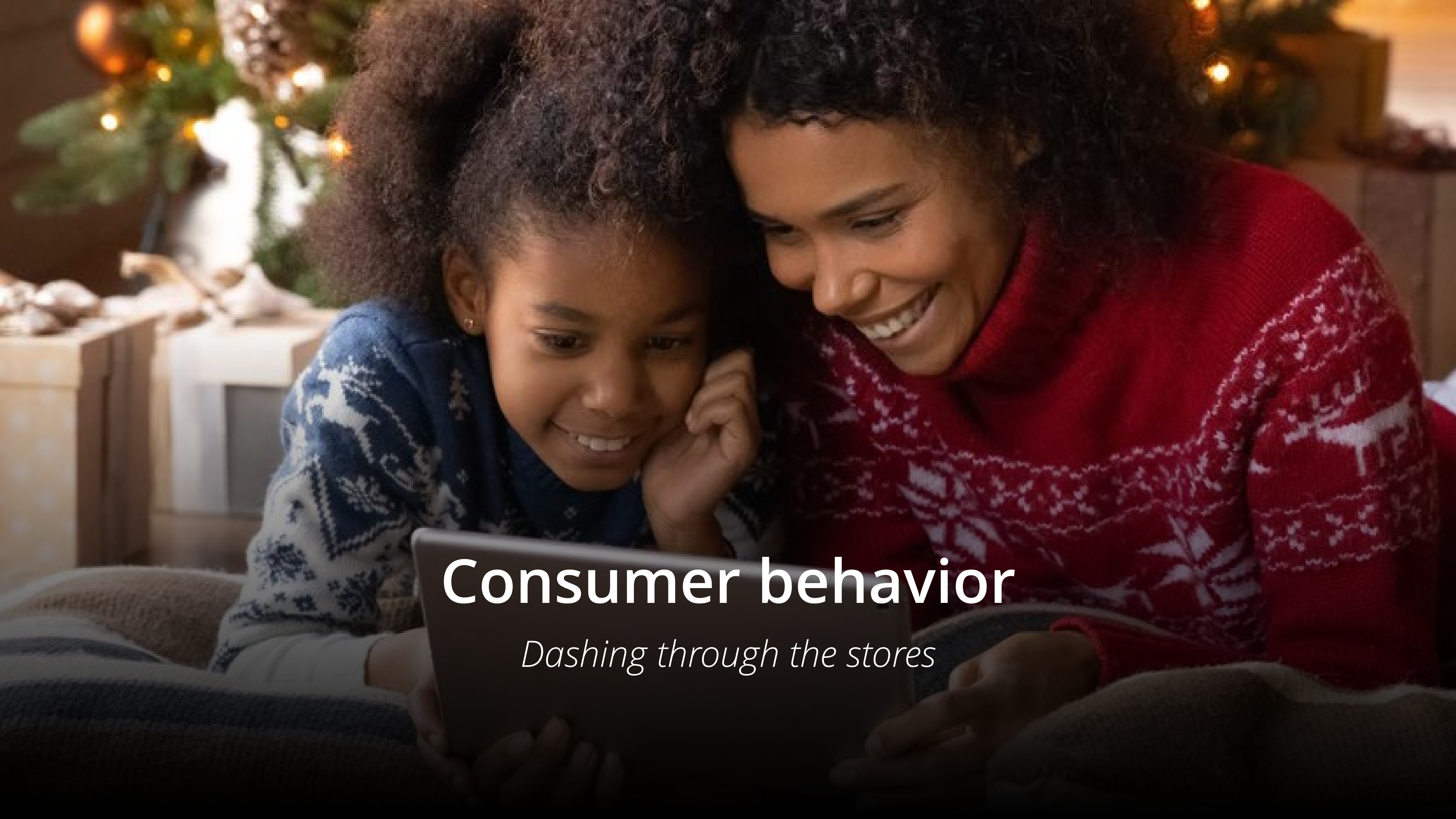
Average spend at retail sees uptick from clothing and accessories



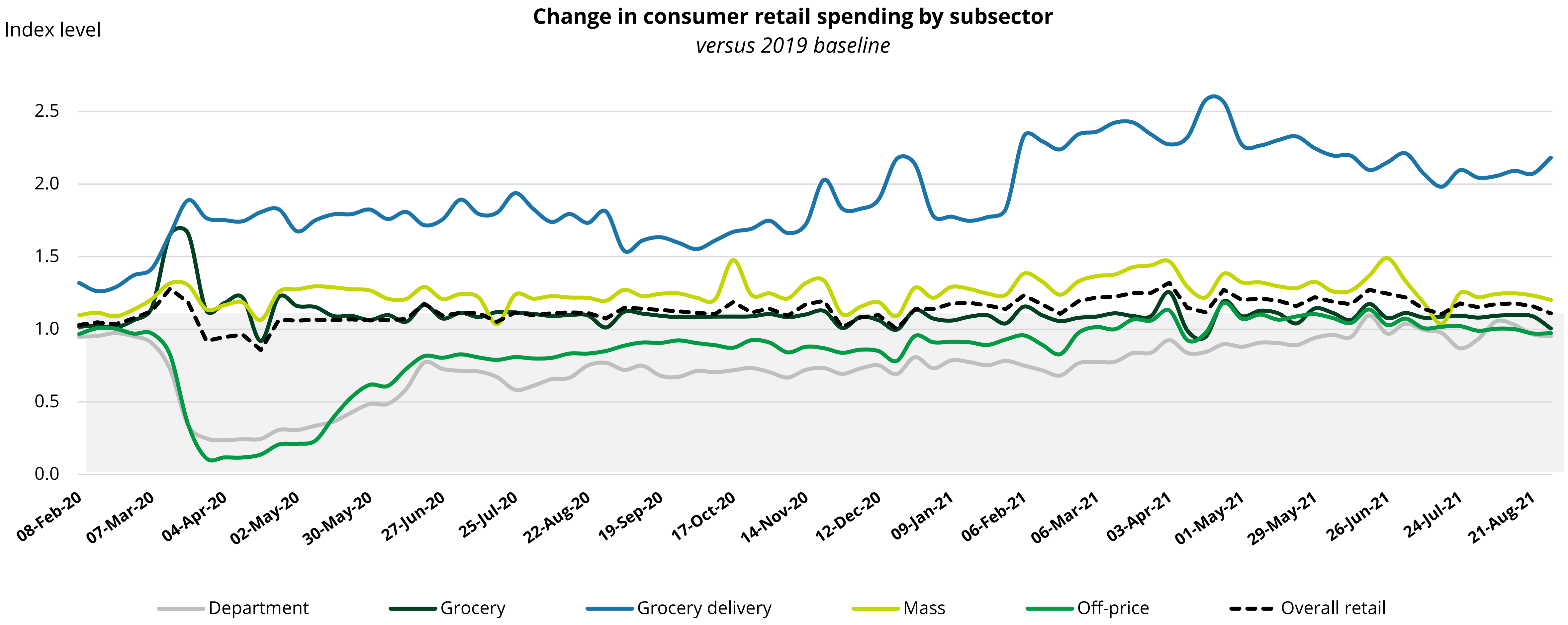
Largest gains in health and wellness, clothing, and electronics driven by the higher-income group

	Clothing and accessories	Electronics and acessories	Gift cards and other	Food and beverage	Home and kitchen	Toys and hobbies	Health and wellness	Pet
Share of total holiday spend at retail	22%	14%	17%	14%	8%	13%	8%	5%
% of shoppers purchasing	77%	61%	76%	66%	45%	76%	55%	46%

Question: "What percentage of your total holiday budget, excluding entertaining at home and socializing away from home spend do you expect to spend on the following categories?"
*Category-level averages are based on the no. of shoppers who plan to purchase the category. The sum of category averages would not equal the average retail spend ($927) which is calculated based on the no. of shoppers who plan to purchase at least one category.
Sample size (N)=3,836. All dollar amounts are in US dollars.


Consumer behavior
Dashing through the stores

Across retail sectors, spending meets or beats prepandemic levels



Source: Affinity Solutions Inc., Deloitte InSightIQ analysis.
Note: Weeks aligned to retail 4/5/4 calendar for YoY analysis; "retail" reflects a representative set of retailers across subsectors; only a few subsectors are depicted in the chart.

InSightIQ

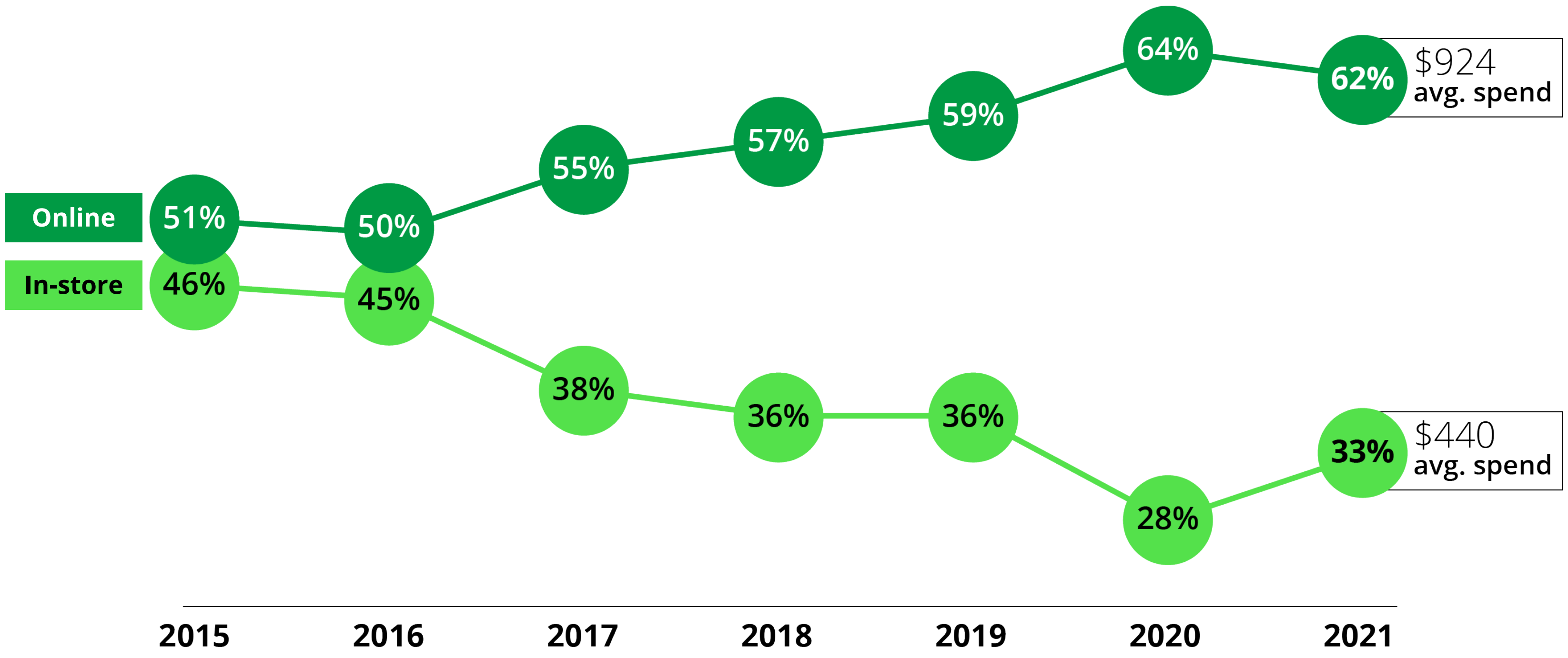
Online and mass merchants continue to lead, while supermarkets and specialty clothing likely to experience pullback

		2020	2019
Online-only retailers	55%	*58%*	*60%*
Mass merchants	51%	*50%*	*52%*
Local independent stores	27%	*26%*	-
Off-price stores	26%	*24%*	*29%*
Traditional department stores	26%	*26%*	*32%*
Warehouse membership clubs	24%	*23%*	*23%*
Bookstores	22%	*23%*	*28%*
Electronics, office supply, and computer stores	21%	*22%*	*24%*
Specialty beauty stores	19%	*21%*	*23%*
Supermarkets or grocery stores	19%	*26%*	*25%*
Home improvement stores	18%	*21%*	*21%*
Pet products stores	17%	*17%*	*13%*
Specialty arts and crafts retailer	15%	*16%*	*16%*
Specialty clothing stores	14%	*26%*	*18%*
Outlet stores or centers	14%	*16%*	*20%*
Dollar stores	13%	*16%*	*19%*

Question: "At which of the following types of retailers will you likely shop for holiday gifts (retailer in-store and websites)?"
Note: Sample size (N)=4,315.

In-store shopping regains some lost ground, but digital adoption now a holiday habit

Share of spend: Online versus in-store^



RETAIL EXECUTIVES' VIEW

40%

EXPECT DOUBLE-DIGIT ONLINE CHANNEL GROWTH

Question: "What percentage of your total holiday budget do you expect to spend ..?"
Notes: ^Other retail channels (e.g., catalogue or direct mail promotion) not included in the chart (share of spend=3% in 2015; 5% in 2016; 7% in 2017; 7% in 2018; 5% in 2019; 8% in 2020; and 5% in 2021). Sample size (N)=4,315. All dollar amounts are in US dollars.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021), Sample Size (N)=30

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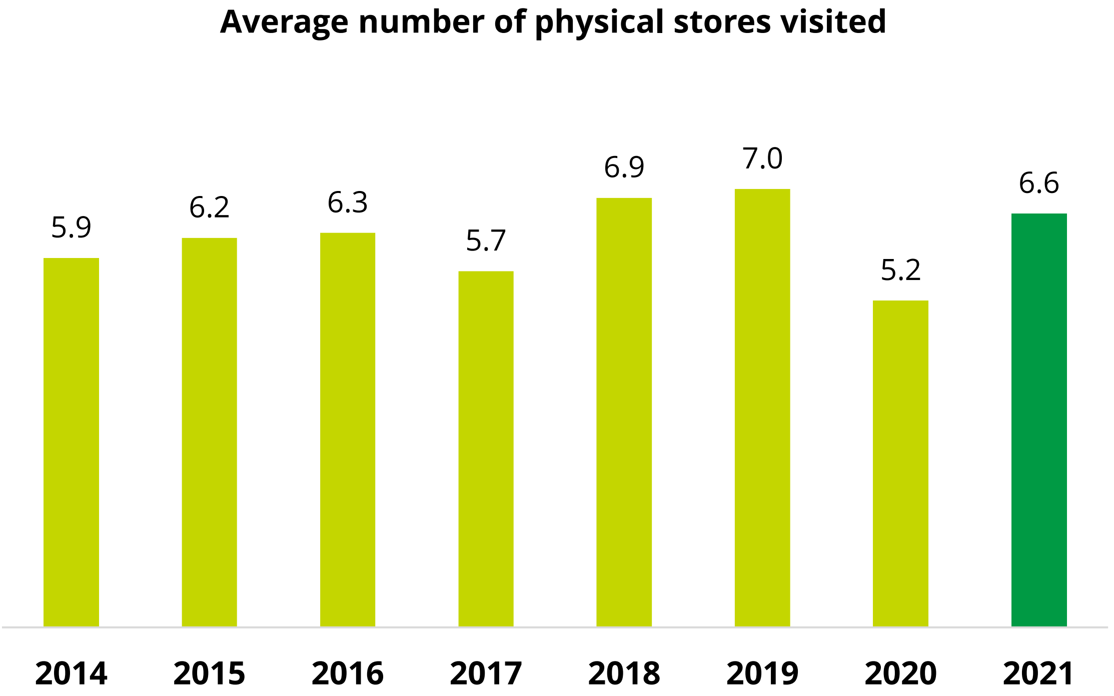
As anxiety eases, consumers return to browsing physical stores



11.5 miles

is the average distance shoppers will travel to buy a gift from a retailer *(up almost two miles from 2020)*

42%

prefer shopping at local retailers more than national retail chains

40%

are anxious about shopping in-store this season due to COVID-19 *(down from 51% in 2020)*

Question: "How many individual retail stores or websites/apps do you expect to visit when purchasing holiday gifts over the next several months?" – Number of physical stores visits; "How far will you travel to purchase a gift from a retailer?"; "I prefer shopping at local retailers over national retail chains" – Percentage Strongly agree and Agree; and "I'm anxious about shopping in-store during the holiday season due to COVID-19" – Percentage Strongly agree and Agree.
Note: Sample size (N)=3,836.

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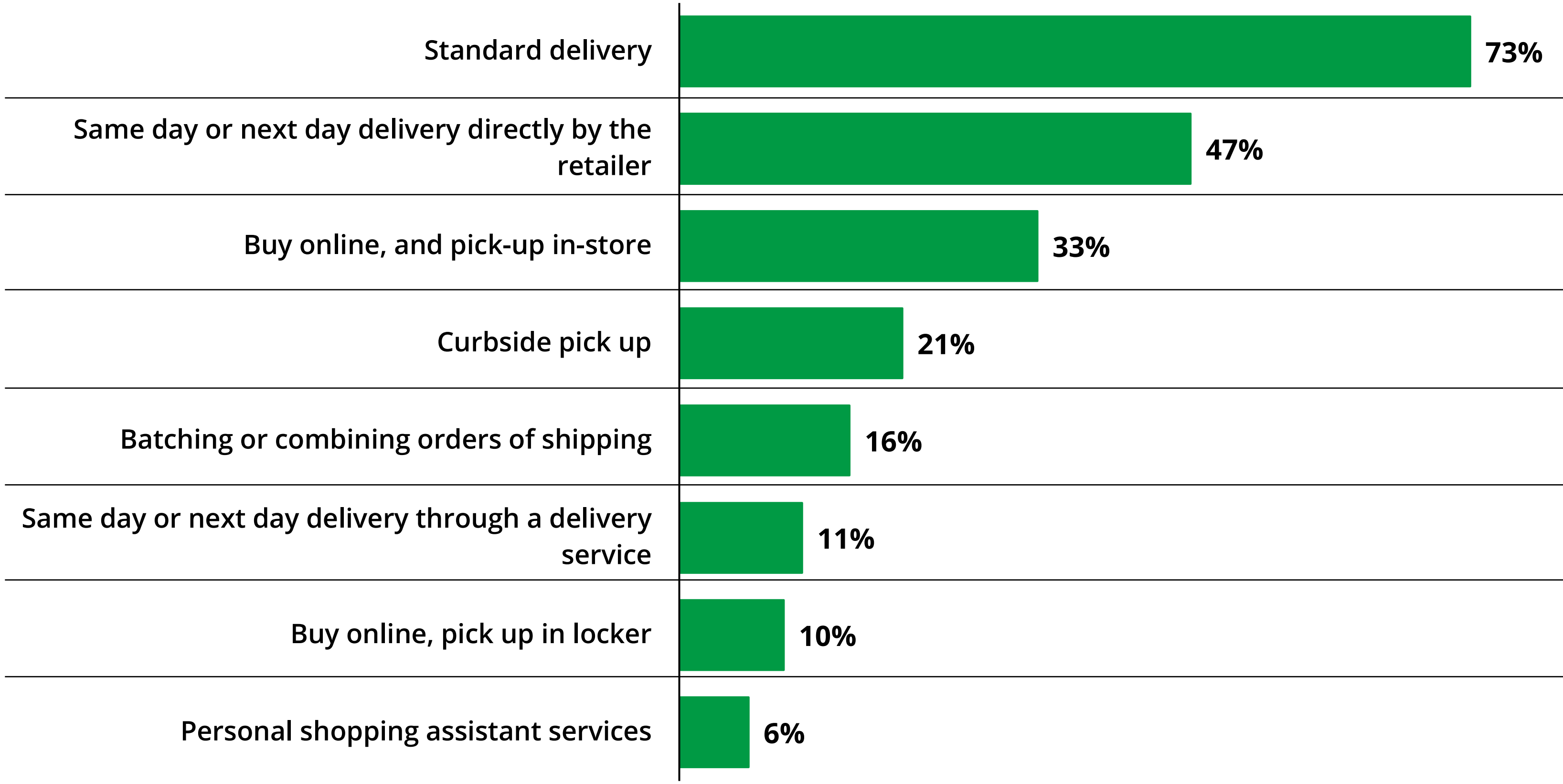
Reliance on digital platforms remains, though consumers still prefer delivery to the doorstep

Preferred delivery service



	2020	2019
Standard delivery		
Same day or next day delivery directly by the retailer	*43%*	-
Buy online, and pick-up in-store	*35%*	*34%*
Curbside pick up	*27%*	*11%*
Batching or combining orders of shipping	*20%*	*13%*
Same day or next day delivery through a delivery service	*15%*	-
Buy online, pick up in locker	*10%*	*8%*
Personal shopping assistant services	*8%*	*5%*

Question: "Which of the following delivery services are you likely to use during the upcoming holiday shopping season?"
Sample size (N)=3,836.

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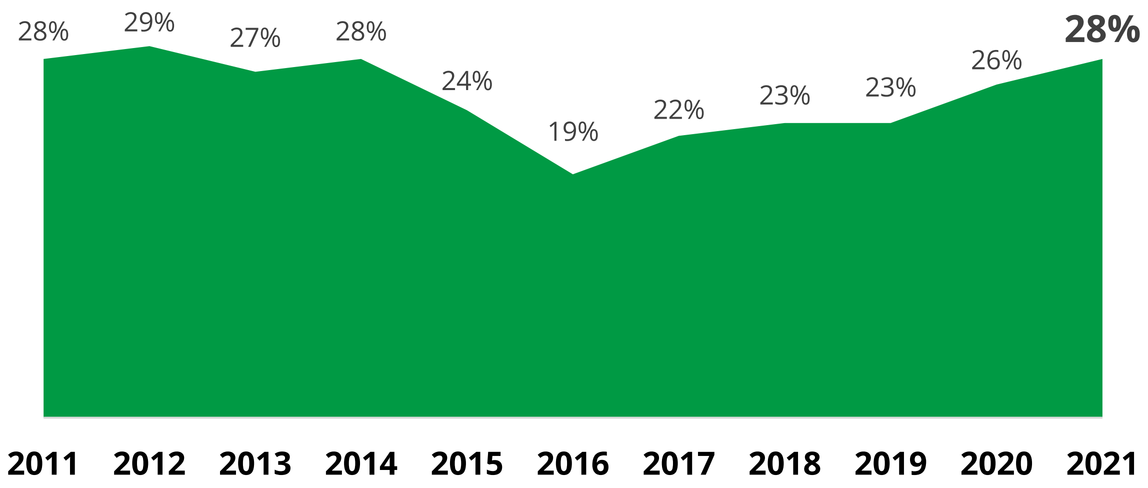
Social media serves as a source of inspiration

Use of social media for holiday shopping
% of respondents



...of those that use social media for holiday shopping:

- **56%** use to primarily research products
- **52%** leverage influencer-generated content
- **28%** use shoppable media to make a purchase

Questions: "Do you plan to use social media sites to assist in your holiday shopping (e.g., research, purchase)?" and "During this holiday season, how do you plan to use social media for shopping?"
Note: Sample size (N)=3,836.

Three key shopper types seen this holiday season

36% of holiday shoppers

$1,437 average spend

Financially weaker but hopeful about economic prospects, this group will shop later and for a shorter duration.

Late, shorter-duration shoppers: 40% start shopping on or after Thanksgiving (versus 31% overall); 35% shop for less than five weeks (versus 29% overall)

Shop at few formats: 67% will shop at one to four retail formats (versus 51% overall)

Sustainability is preferred: 50% prefer shopping at retailers that adopt sustainable practices (versus 42% overall)

How to win:

Offer a broad range of promotions late in the season: these consumers are looking to knock out their shopping efficiently, closer to the holidays. 32% believe they get the best deals if they shop late in the season (versus 19% overall) and are likely looking for the convenience of one- stop shopping.

26% of holiday shoppers

$1,773 average spend

Financially better off but slightly skeptical about the economy, this group is not anxious about shopping in store and likes to be prepared, shopping early.

Early shoppers: 52% start shopping in or before October (versus 44% overall)

Shop at few formats, least anxious: 60% will shop at one to four retail formats (versus 51% overall); only 29% are anxious about shopping in-store (versus 41% overall)

Low sustainability considerations: 55% unwilling to pay extra for certified sustainable goods (versus 37% overall)

How to win:

Promote convenience, early deals - these shoppers are planners, looking for deals and to avoid the hassle of the holiday bustle. 45% believe they get the best deals if they shop early in the holiday season (versus 38% overall), while 45% consider ease of checkout process while selecting a retailer (versus 40% overall).

17% of holiday shoppers

$2,228 average spend

Financially secure and optimistic about economic prospects, sustainability considerations and social media influence their choices.

Longer-duration shoppers: 39% shop for nine weeks or more (versus 29% overall)

Shop at many formats, support local: 57% will shop at nine or more retail formats (versus 13% overall); 52% shop at local independent stores (versus 28% overall)

Sustainability is a priority: 63% prefer shopping at retailers that adopt sustainable practices (versus 42% overall); 76% willing to pay more for certified goods (versus 63% overall)

How to win:

***Leverage digital platforms*:** these shoppers seek out the conveniences of digital channels with 37% planning to use social media to assist in holiday shopping (versus 29% overall), while 50% (versus 34% overall) plan to use BOPIS (Buy Online, Pick Up in Store).

Deloitte analysis
Note: Sample size (N)=3,615

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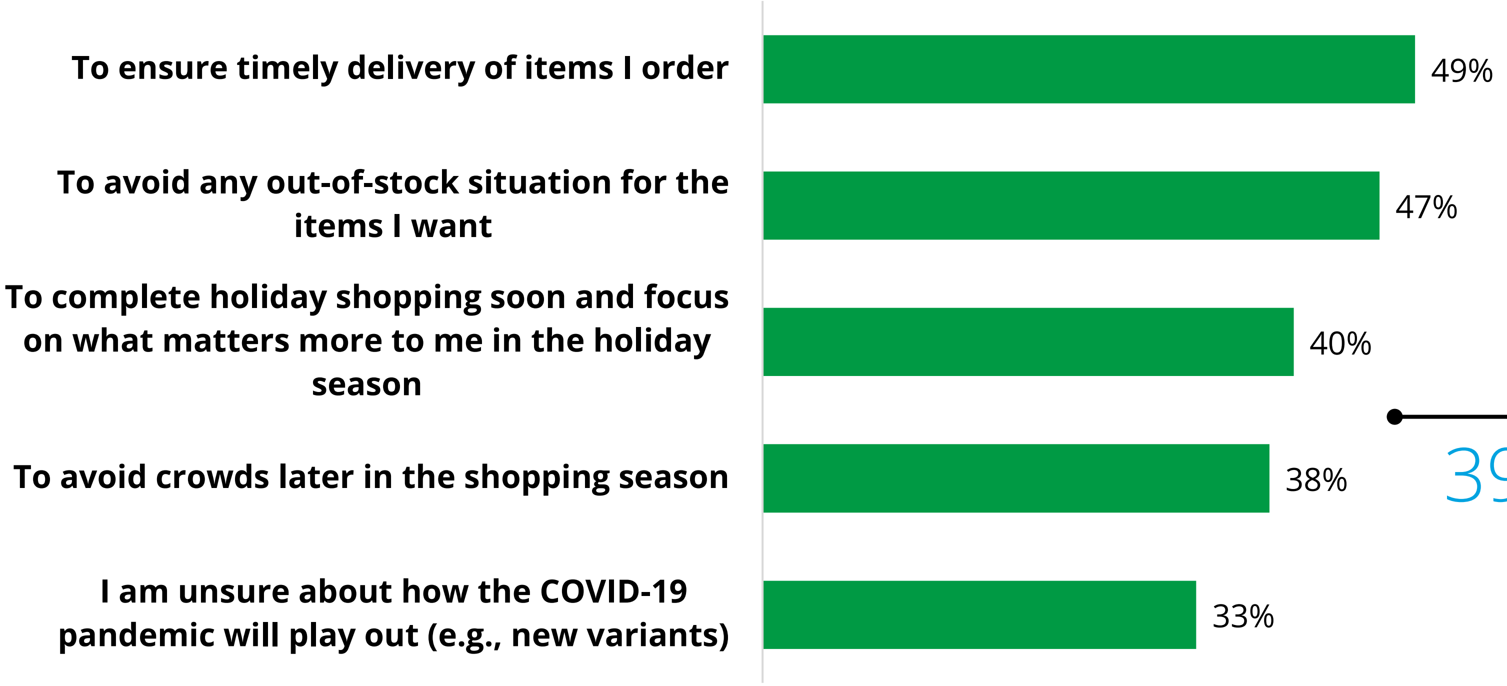
Supply chain

Delivery time is frightful

With concerns about stockouts and delivery delays, four in ten seek to beat the rush

Reasons for starting to shop earlier
of the 39%



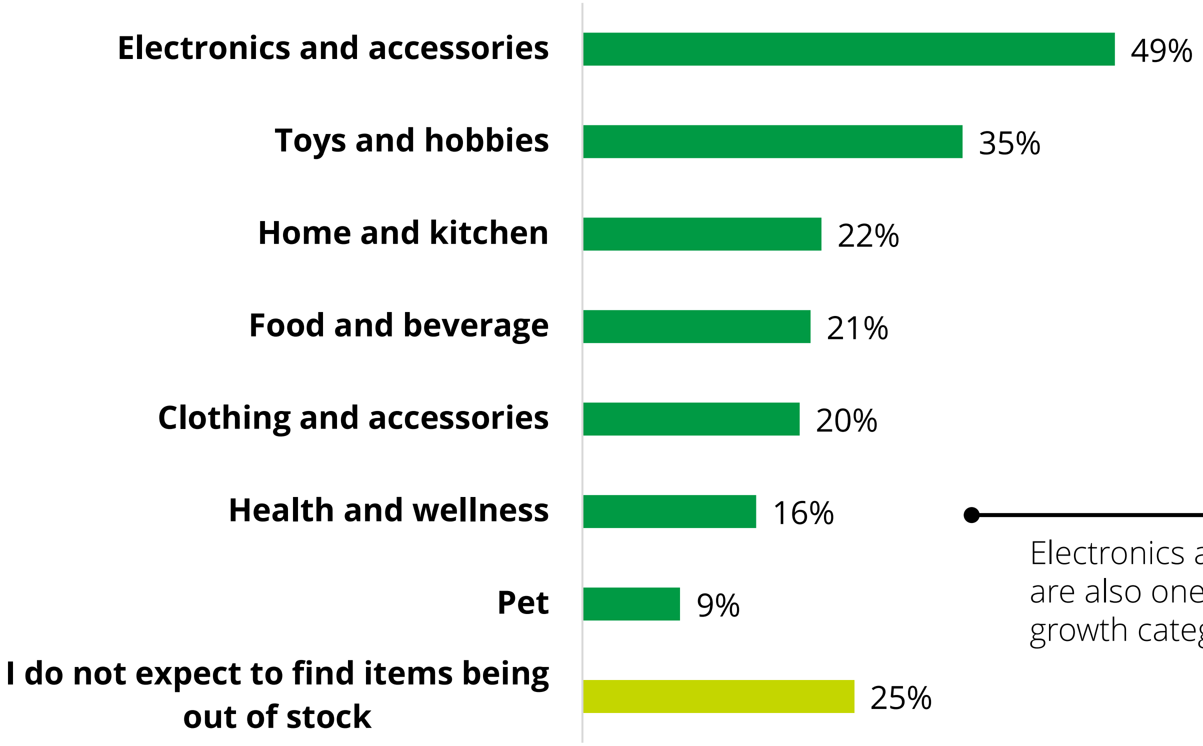
39% plan to start shopping earlier this holiday season

Questions: Please state how much you agree with each of the following statements: “I plan to start shopping earlier this holiday season” – Percentage Strongly agree and Agree; and “Why are you likely to start your holiday shopping earlier this year compared to last year?” This question asked was a multiple-response question.
Notes: Sample Size (N) = 3,836.

Retailers and three-quarters of consumers fear stockouts

Categories where stockouts are expected

% of shoppers



Electronics and accessories are also one of the biggest growth categories

RETAIL EXECUTIVES' VIEW

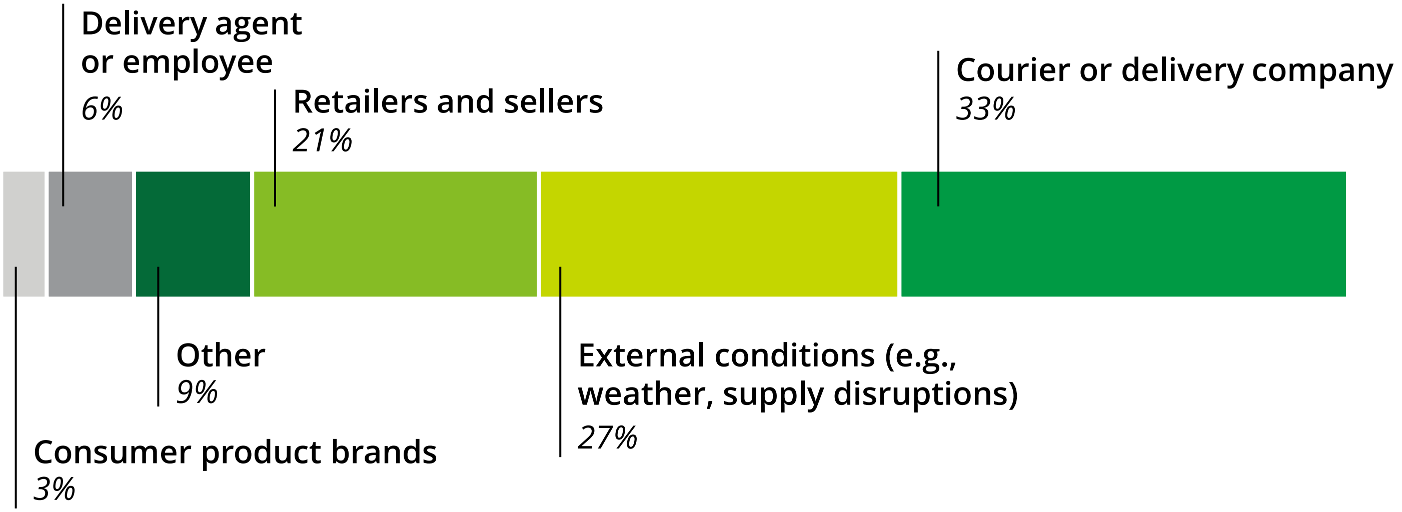
43% EXPECT DELAYED DELIVERY OF ORDERED HOLIDAY INVENTORY[1]

64% CONCERNED ABOUT RECEIVING ORDERED INVENTORY IN TIME FOR THE HOLIDAYS[2]

Question: "In which of the following categories do you expect stock-outs during this holiday season?" This question asked was a multiple-response question.
Note: Sample size (N)=3,720.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021)
Sample Size 1. N=30; 2. N=28 (somewhat, moderately, or extremely concerned)

Almost half of consumers fear delays, blame shippers

Stakeholders held responsible for delays



48% are at least somewhat concerned about shipping delays

RETAIL EXECUTIVES' VIEW

TOP REASONS TO ORDER EARLY

43% **ORDERED EARLIER COMPARED WITH 2019, WITH MAJORITY PLACING ORDERS BEFORE MARCH[2]**

89% **SUPPLY CHAIN CHALLENGES[1]**

33% **EARLY SHOPPING BY CUSTOMERS[1]**

Questions: "For products you plan to purchase online, how concerned are you about shipping delays during this holiday season? " and "Whom will you hold responsible in case of delivery delays during the holiday season?"
Sample size (N)=3,820.
Retail executives' view: Source: Deloitte Retail Buyer Survey, holiday season 2021 (September 2021), sample size 1. N=13; 2. N=30 (somewhat, moderately, or extremely concerned)

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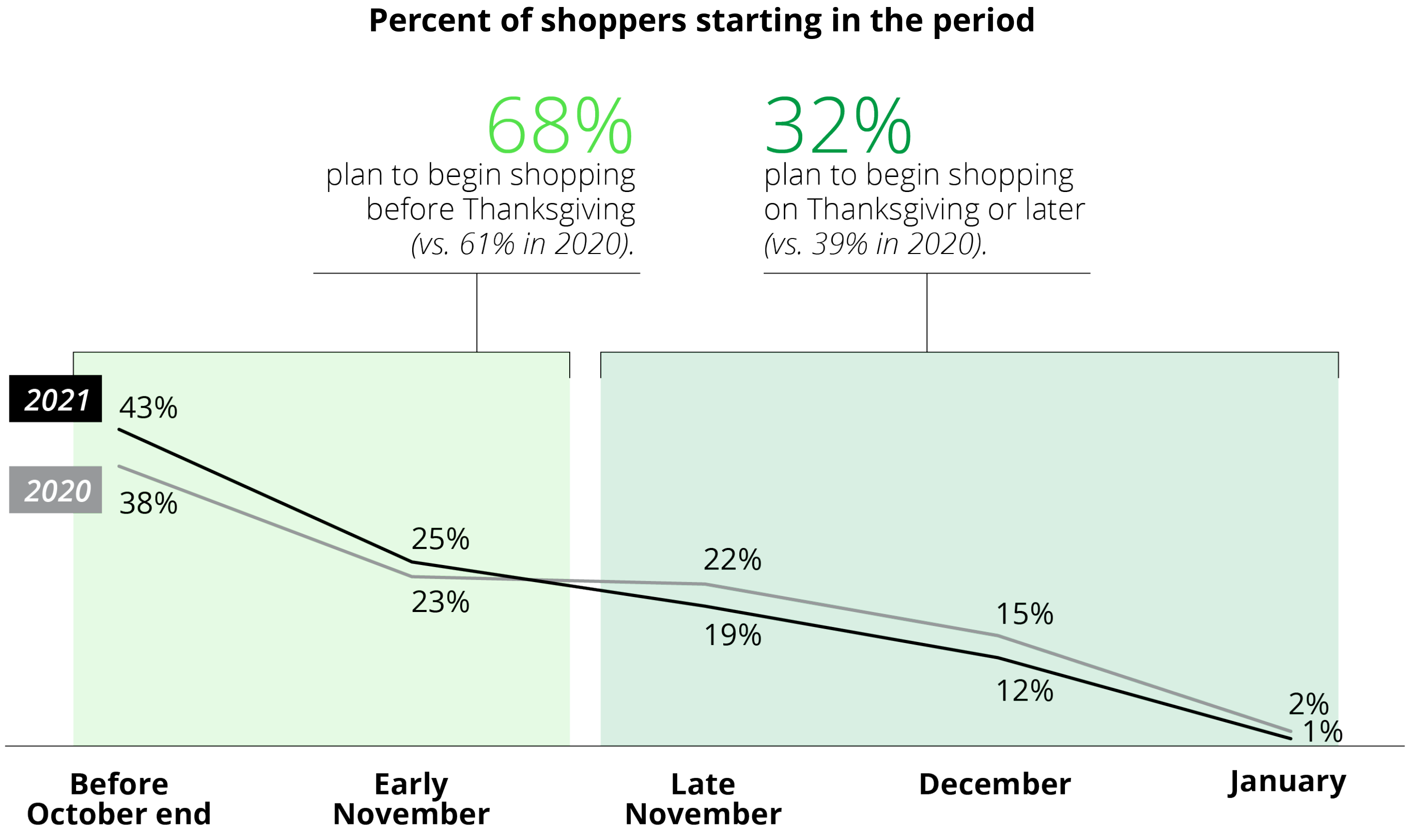
Before the bird: Pre-Thanksgiving shoppers on the rise



Those that start shopping earlier are expected to spend **23% more** than those who start on or after Thanksgiving

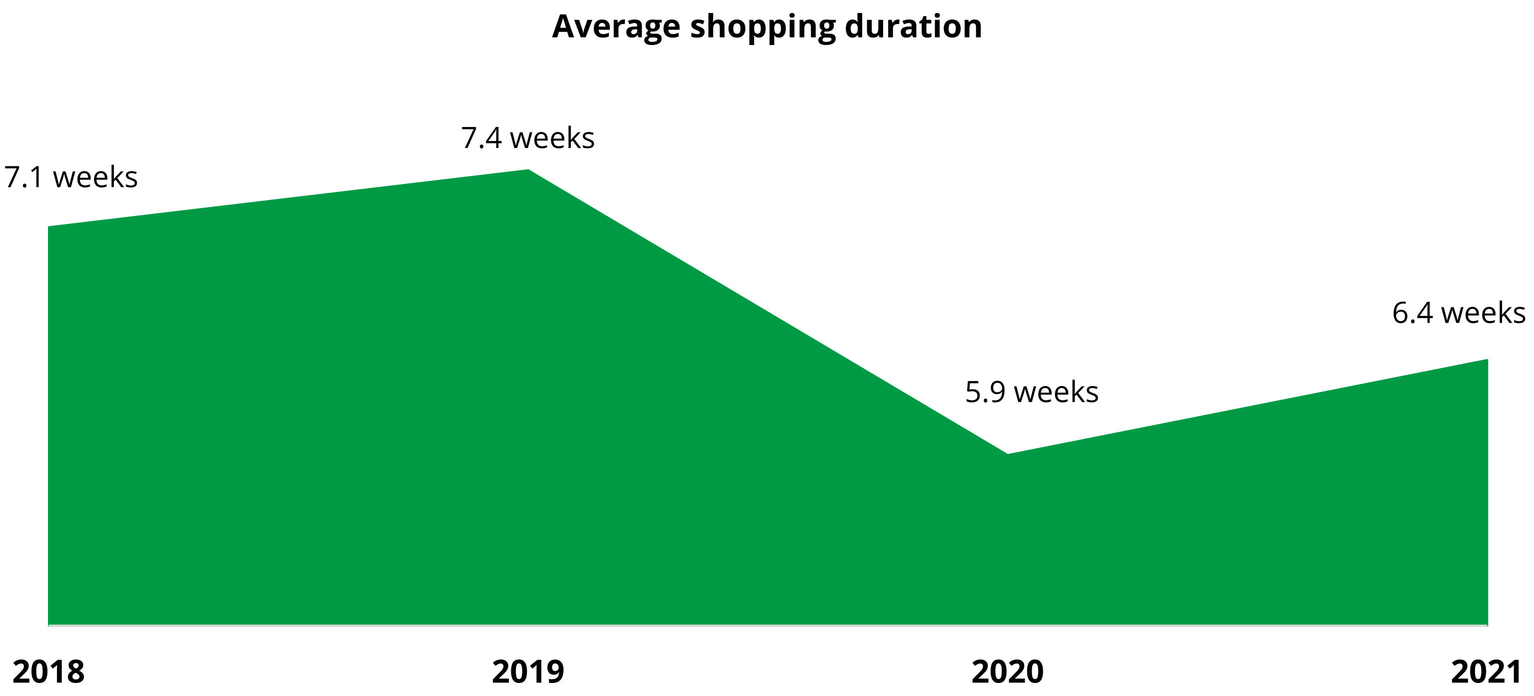
RETAIL EXECUTIVES' VIEW

67%

EXPECT HOLIDAY SHOPPING TO START AT LEAST 1–2 WEEKS EARLIER

Questions: "When are you likely to begin your holiday shopping this year?"
Notes: Sample size (N)=3,836.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021), Sample Size (N)=30 (somewhat, moderately, or extremely concerned)

The earlier start to the season extends the average shopping duration



RETAIL EXECUTIVES' VIEW

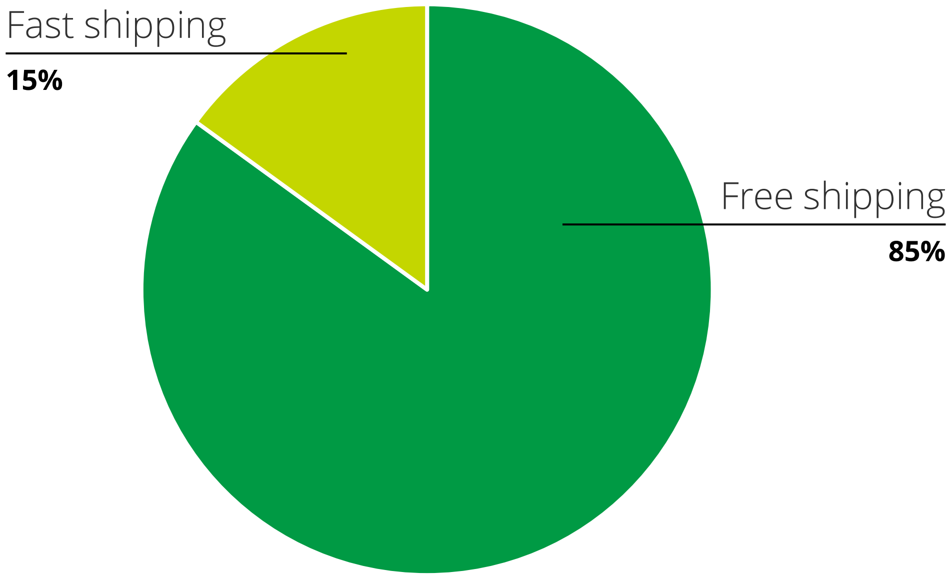
"THE BIGGEST CHALLENGE THIS SEASON WILL BE HAVING AMPLE STOCK SUPPLY TO AVOID STOCKOUTS AND SELLING OUT TOO EARLY WITHIN THE HOLIDAY SEASON."

–Clothing & Accessories retail executive

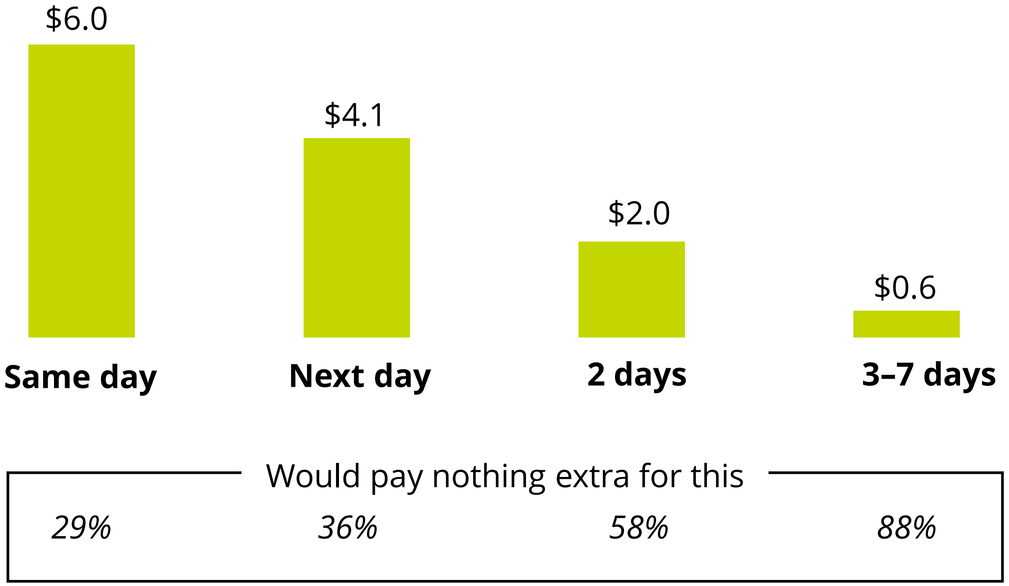
Questions: "When are you likely to begin your holiday shopping this year?"; and "By which one of these days or months do you expect to complete your holiday shopping this year?"
Notes: Sample size (N)=3,994 (2018); 4,273 (2019); 3,822 (2020); 3,836 (2021). LY denotes "last year (2020)."
Retail Executives' View: What are the top two challenges you foresee going into the holiday season for your company? (N=30)] Open text responses categorized into broad themes

Shoppers expect free shipping, and won’t pay much to expedite

Importance of free versus fast shipping



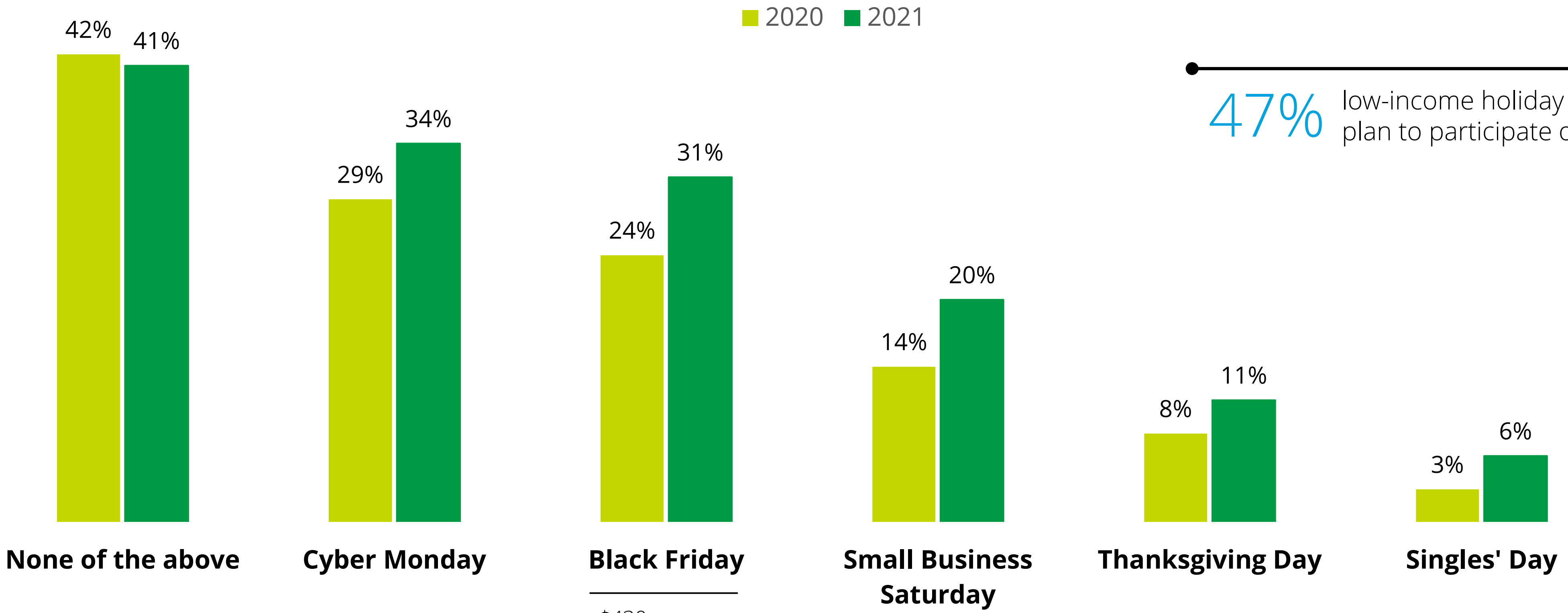
On average, would pay an extra ...



Questions: “Which of the following delivery services are you likely to use during the upcoming holiday shopping season?” This question asked was a multiple-response question; “When you opt for free/fast shipping, how long are you willing to wait to receive your product?”; and “How much extra might you be willing to pay above and beyond regular shipping costs to receive a standard-sized gift package (price defined as US$50–100) within the shipping timeframes below?”
Notes: Sample size (N)=3,836. All dollar amounts are in US dollars.

When Black Friday comes: A shopping tradition reasserts itself

Share of holiday shoppers by shopping event day



$430 average spend (versus $410 last year)

47% low-income holiday shoppers do not plan to participate on event days

Question: "On which of the following shopping event days are you likely to shop this holiday season?" and "Out of the amount you plan to spend late November during holiday season, what percentage would be spent on the below?" – Black Friday and Cyber Monday.
Notes: Sample size (N)=3,069. All dollar values are in US dollar.

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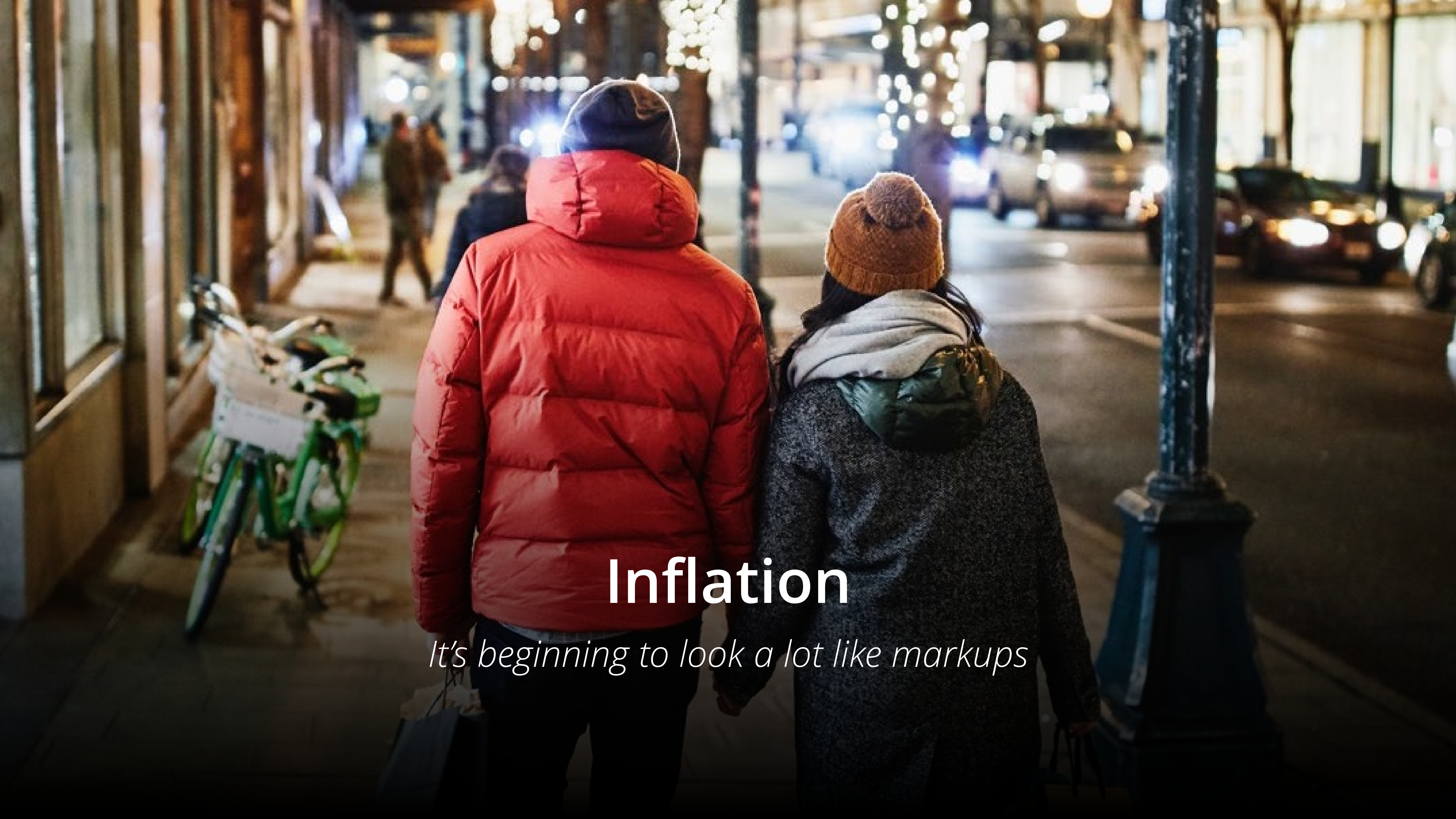
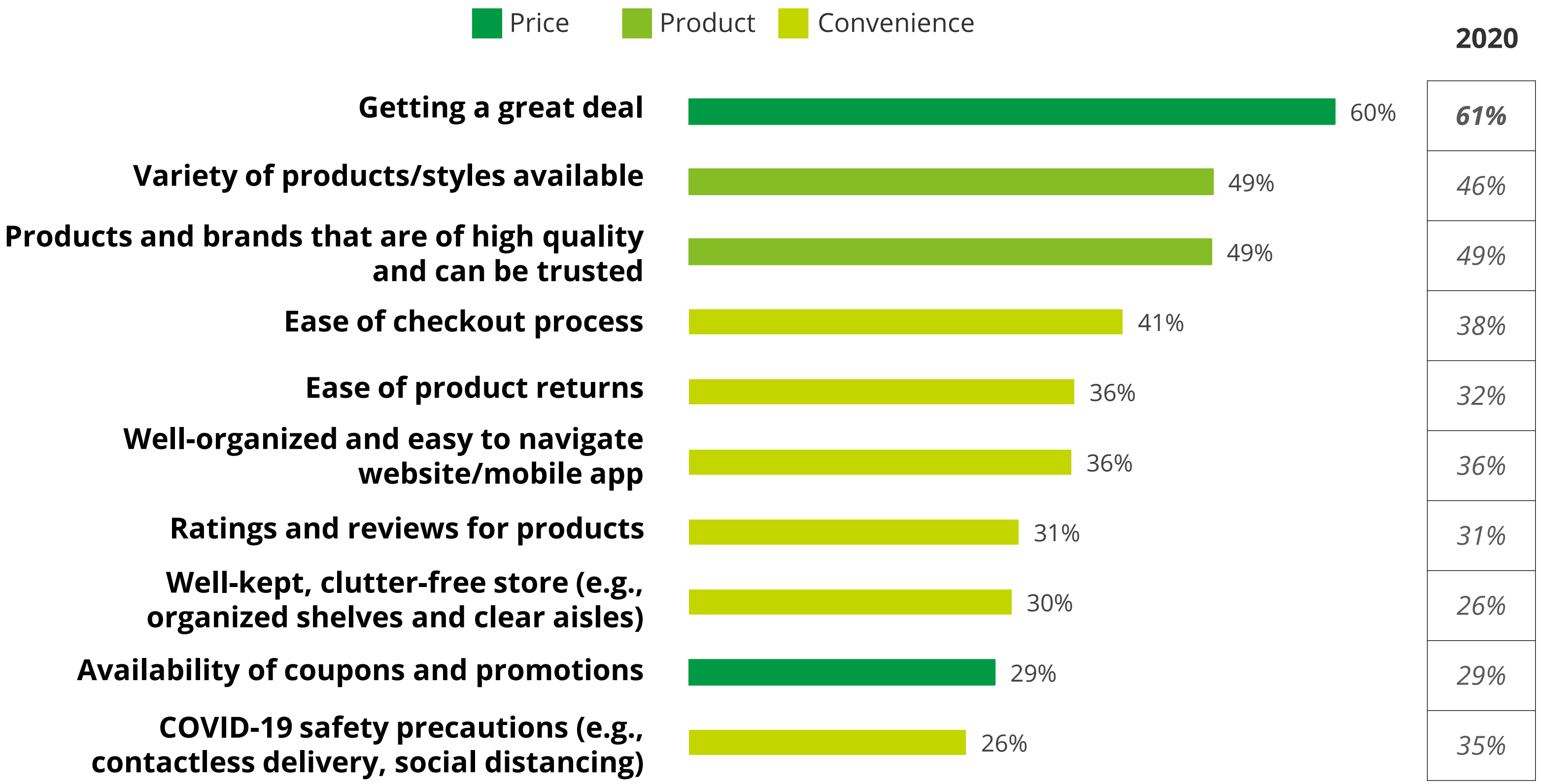


Inflation

It’s beginning to look a lot like markups

Retailers who promote early this year may be at an advantage to draw customers

Top 10 attributes for retailer selection



37% agree there are better deals shopping early in the season

RETAIL EXECUTIVES' VIEW

36% **EXPECT TO START PROMOTIONS EARLIER YoY**

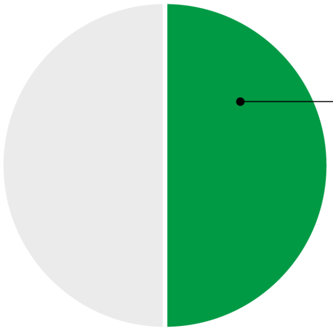
Question: "Which of the following attributes are the five most important while selecting a retailer during holiday shopping?" Please select the top 5 responses; and Please state how much you agree with each of the following statements: "I get the best deals if I shop early in the holiday season." – Percentage agree & strongly agree. Note: Sample size (N)=4,315.
Retail Executives' View: Source: Deloitte Retail Buyer Survey - Holiday Season 2021 (September 2021), Sample Size (N)=30

But higher prices and fewer promotions mean deals may be harder to find

Top reason for planned YoY change in holiday spending

% holiday shoppers

Spending less



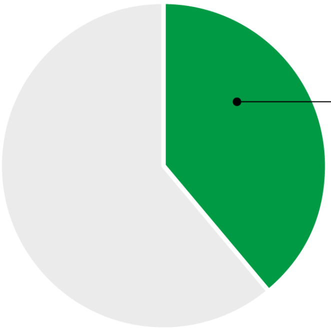
50%

HIGHER FOOD PRICES

2020: 31%

2019: 30%

Spending more



39%

THINGS COST MORE THIS YEAR IN GENERAL

2020: 20%

2019: 26%

68% of consumers expect higher prices this holiday[1]

RETAIL EXECUTIVES' VIEW

53% **EXPECT RETAIL PRODUCT PRICES TO INCREASE THIS HOLIDAY SEASON**

57% **EXPECT FLAT OR LOWER PROMOTIONAL ACTIVITY YoY**

"THE INCREASED MSRP PRICES EXPECTED DUE TO INCREASED RAW MATERIAL [COST OF] GOODS WILL NEGATE ANY PROMOTIONS…"

–Sporting goods/toys/games/hobby store retail executive

Questions: (1) "How do you expect prices to be this upcoming holiday season compared last year's (2020) holiday season?" Percentage of Significantly/Somewhat higher (N=4,315); (2) What are the reasons why you plan to spend less this year on the holidays? (N=1,068); (3) "What are the reasons why you plan to spend more this year on the holidays?" (N=872) **Retail executives' view:** What are the top two challenges you foresee going into the holiday season for your company? (N=30) Open text responses categorized into broad themes

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About the survey

About the consumer survey

This survey was commissioned by Deloitte and conducted online by an independent research company between September 7–14, 2021. It polled a national sample of 4,315 consumers and has a margin of error for the entire sample of plus or minus one to two percentage points.

About the retail buyer survey

This survey was commissioned by Deloitte and conducted online by an independent research company between September 3–6, 2021. It polled 30 retail executives across retail categories, 90% of which have annual revenues of $1 billion or more. The executives included buyers, senior buyers, and managers who had a medium or high level of involvement in buying and merchandizing for the coming holiday season.

Thank you

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