

RECENT IN RETAIL HOLIDAY SEASON SHOPPING

The holidays are almost here! Despite economic fragility and restrictions around travel, consumers still seem ready to spend. Yes, 82% of consumers are still intending to purchase gifts this year and 61% are planning to spend the same amount as they did in 2019. But what do the holidays look like in a year filled with such uncertainty? Let's unwrap the data!

Unwrapping Your Consumer

When it comes to creating a marketing strategy, consumer segmentation is a key element. However, in times of a recession those traditional demographics become less important.

Instead, it becomes more crucial to understand consumers' emotional reactions in regard to economic uncertainty. This means shifting focus to psychological segmentation. Having this insight allows brands to effectively adapt their strategy and messaging to consumers in a way that integrates their current mindset and, therefore, likely buying behaviors.



PENNY PINCHERS

They are the most financially vulnerable consumer segment — based on job security, health issues and other risk factors. They are the first to reduce spending by eliminating, reducing or substituting.



WATCHDOGS

This represents a wide range of income levels and is the largest consumer segment. They're optimistic about long-term recovery but are economizing where needed as they keep an eye on the economy.



AFFLUENT & UNAFFECTED

This segment primarily consists of people in the top 5% income bracket. They feel secure and are confident they can withstand current and future economic downturns.



CAREFREE & CONTENT

This group is usually younger, urban and prefer to spend on experiences rather than material goods. Unemployment is the only factor which would cause their consumer behaviors to change. Unconcerned about their savings.

Where does your product fall this holiday season?

Regardless of the consumer, goods and services are categorized into one of four segments. This is especially relevant during a recession. With the exception of the Carefree & Content segment, customers usually adjust their consumption priorities depending on the economic outlook.

For example, a brand name product that a shopper considers "essential" can be switched to a private label brand to save money. Treats such as dining out might be shifted to the "postponable" or "expendable" category to meet new budgets.

CONSUMER SEGMENTS' CHANGING BEHAVIOR

	RISK OF SALES DOWNTURN				
	LOW			HIGH	
	ESSENTIALS	TREATS	POSTPONABLES	EXPENDABLES	
PENNY PINCHERS	Will seek lower-cost product and brand substitutes such as private labels.	Will deeply reduce or eliminate treats or seek lower-cost substitutes.	Will put off all durable purchases unless it's an emergency; will delay repairs and personal services, such as dental cleanings.	Will eliminate purchases in this category.	BEHAVIOR CHANGE HIGH LOW
WATCHDOGS	Will seek out favorite brands at lower prices but settle for cheaper alternatives; will stock up on good deals.	Will cut back somewhat on frequency and quantity; emphasizes value.	Will delay major purchases, repair rather than replace, seek value and negotiate at point of sale.	Will deeply curtail expendables.	
AFFLUENT & UNAFFECTED	Will continue to buy favorite brands at prerecession levels.	Will be more selective in purchasing luxuries.	Will seek better quality for the price and negotiate harder at point of sale.	Rarely regards any purchase as unjustifiable but may reduce the most conspicuous consumption in this category.	
CAREFREE & CONTENT	Will continue to buy favorite brands at prerecession levels.	Will continue to buy favorite brands at prerecession levels.	May buy if there is a great deal; otherwise may postpone.	Is reluctant to regard any customary purchase as unjustifiable; may not want to expand consumption to new types of purchases.	
	■ STABLE MARKET ■ MIXED MARKET ■ DECLINING MARKET				

Gifting in the time of COVID-19

Amidst an economic downturn, it's no surprise that item value (34%) and cost (32%) are the most important factors when it comes to gift shopping. In addition, concerns around activities deemed safe or practical (in regard to COVID-19) have also impacted the type of gifts shoppers plan to purchase. For that reason, we expect to see gifts that integrate new COVID-19 lifestyles, hobbies and behaviors. (At-home gym and office equipment, cooking tools, etc.)



60%

SHOPPERS
LESS LIKELY TO GIVE
PHYSICAL PRODUCTS



54%

SHOPPERS
LESS LIKELY TO GIVE
GIFT EXPERIENCES



55%

SHOPPERS
LESS LIKELY TO GIVE
GIFT SERVICES

What to expect from consumers this holiday

Even with uncertainty and unrest across the country, most Americans are still planning to purchase holiday gifts this season. However, we do expect shoppers to heavily gravitate toward shopping experiences that minimize contact and avoid crowds.

We also expect shopping lists to shrink. With more people at home and smaller gatherings, consumers won't be spending as much on food/entertainment for hosting.



SMALL-SCALE CELEBRATIONS

From virtual concerts to Zoom happy hours, we expect consumers to stay in and stay within a small group this holiday. This will affect edible and non-edible categories as shopping lists shrink.



BLACK FRIDAY BUST

Surveys indicate that that 1/3 of shoppers who normally shop in store for Black Friday deals will not this year due to social distancing concerns. Expect increased demand for e-commerce sales and curbside pickup services.



MORE DIY BUYS

Between COVID-19 concerns and cold weather, we expect DIY projects to be on the rise this season. This mindset may trickle into gift-giving ideas and presents opportunity for manufacturers of equipment, ingredients and product parts.



HIGH CORPORATE EXPECTATIONS

More consumers are evaluating the brands they buy from based on their values and social responsibility. Keep in mind your public appearance and how you are maintaining a safe environment for your employees.



QUICK TRIPS

The intent for in-store holiday purchases have declined -11% pts vs 2019. Because shoppers want to get in and out, expect more online engagement to research products, check stock and order ahead.

How can your brand integrate these altered buying habits into your holiday marketing plan? We can help.

Harvard Business Review: <https://hbr.org/2009/04/how-to-market-in-a-downturn-2>
<https://www.criteo.com/blog/holiday-trends-2020/>
<https://www.bazaarvoice.com/resources/pandemics-and-presents-a-look-at-how-consumers-plan-to-shop-for-the-holidays-in-2020/>
<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-great-consumer-shift-ten-charts-that-show-how-us-shopping-behavior-is-changing#>
<https://www.thinkwithgoogle.com/consumer-insights/pandemic-holiday-shopping/>
<https://www.digitalcommerce360.com/2020/08/25/ecommerce-during-coronavirus-pandemic-in-charts/>

TRENDING INSIGHTS

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