

Online sales plummet, discounts grow as retailers fight for consumer dollars during the holiday season

Article

In a year plagued with rising prices and supply chain constraints, many retailers are hoping the holiday season will signal a return to normal. But according to Adobe, that may not be the case.

All-time low: This holiday, **Adobe expects that US online sales** will grow just 2.5% year over year (YoY), totaling \$209.7 billion.

- Adobe's forecast is more reserved on ecommerce holiday growth than our own. We **predict** growth will be around 12.0%.
- "This is the slowest growth we've ever seen in our time of doing this modeling, and probably the history of the internet," said Taylor Schreiner, senior director of the Adobe Digital Insights team, **during an exclusive eMarketer webinar this week.**
- To put it in perspective though, over \$200 billion in ecommerce sales in the US is still a big deal, especially when considering that the larger a number gets, the harder it is to achieve double-digit growth, said Michael Klein, global director, industry strategy and marketing for retail, travel, and consumer goods at Adobe.

Fading five: Normally, the five days between Thanksgiving Day and Cyber Monday, known as the Cyber Five, outpace the general growth of the holiday season, said Schreiner.

- But this year, Cyber Five growth is roughly in line with general holiday sales growth, hovering at a 2.8% increase YoY.
- Still, the five days will draw in \$34.8 billion, 16.3% of the season's revenues.
- Cyber Monday will see the most growth (5.1%) while Thanksgiving will actually see a decrease (-1.0%).
- Though the holiday season is lengthening, spurred by earlier sales holidays from Amazon and other retailers, customers will still leverage the major Cyber Five days to maximize their buying power.
- **Fun fact:** During the "Golden Hours" of ecommerce (taking place on Cyber Monday from 7pm to 11pm PST), consumers will spend \$2.6 billion, or 26% of the day's revenues.

Rain on the parade: Inflation and tightening budgets will continue to dampen consumer spending throughout the season.

- Online grocery prices are up 14% YoY and flight prices are up more than 21% YoY, which puts a strain on holiday spending.
- In addition, consumers didn't receive any cash infusions or stimulus dollars to encourage spending like they did in 2020 and 2021.
- "This is a unique year in what's been a sequence of unique years," said Schreiner.

Power players: Just three categories (consumer electronics, apparel, and grocery) will make up about half of total holiday spend this year.

- Consumer electronics will be big as strong discounts drive prices down. The category will drive \$49.8 billion dollars, a 2.9% growth YoY.
- Meanwhile, apparel will see a 6.7% decline as consumers flock back to brick-and-mortar stores. The decrease is also due to heavy discounts as retailers continue to unload bloated inventories, noted Klein.
- Grocery purchases during the holiday season will grow 10.5% to \$13.3 billion, though inflation is accounting for most of the dollar growth.
- Grocery is a relative newcomer to ecommerce. "That's not something we talked about five years ago, but now [it's] a crucial part of the online shopping world," said Schreiner.

Let's make a deal: Consumers will see record discounting as retailers try to court new customers.

- Electronics, televisions, toys, apparel, sporting goods, computers, furniture, and appliances will all see double-digit discounts, with computers leading the pack at an average discount of 32%.
- Though started in October and November, Adobe expects discounts to deepen in December, as retailers scramble to capture last-minute deal shoppers.
- But the ultimate challenge for retailers will be getting customers back after the holiday is over, said Klein. "How do you drive repeat purchases going into 2023 and take advantage of customer acquisition costs you incurred in the fourth quarter of 2022?"

Hope remains: Though this holiday may be the toughest on record, things should look up, as both Klein and Schreiner believe there will be a return to double-digit ecommerce holiday sales growth in the years to come, especially if consumer confidence builds heading into 2023.

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