

Discounts, generative AI, and social media advertising will power holiday shopping this year

Article

“Economic uneasiness will drive consumers to bargain hunt [this holiday season]. The sheer number of SKUs available at any one time is helping elevate the importance of intelligent

personalization,” our analyst Suzy Davidkhanian said. “Social will not just serve as a vehicle for commerce but also for discovery, both of brands and things you didn’t even know you needed.”

In addition, courting consumers with a limited budget will require retailers to offer items at great value early in the season, coupled with generous return or price matching policies, said Davidkhanian.

As consumers hunt for the best deals, generative AI will drive \$194 billion in consumer spending by enabling brands to provide personalized customer service, marketing promotions, and commerce experiences, per Salesforce. Social media advertising will also have an outsized impact on purchase decisions versus traditional marketing efforts.

Here’s what else to expect this holiday season.

The outlook: **Online holiday sales** (between November and December) will reach \$1.19 trillion worldwide this year, a 4% increase from 2022, per Salesforce data.

- In the US, holiday sales across will grow just 1% YoY and total \$273 billion, predicts Salesforce.
- This is just slightly over our forecast for US ecommerce holiday sales of \$253.71 billion for this year.

Technical assistance: Generative AI and social media will have a major impact on shopper purchases this holiday season.

- 17% of shoppers report they’ve already used generative AI for purchase inspiration, which includes researching products and getting recommendations, per Salesforce.
- Personalized customer service, marketing promotions, and commerce experiences powered by AI will drive \$194 billion of that spending.
- Social media advertising will drive 10 times more online shopping visits this holiday season than traditional marketing.

Price is right: Deals will come early this year, as Amazon and other retailers hold sales events to lure shoppers in with attractive discounts.

- Global discount rates will rise to 19% in October and peak at 29% during Cyber Week (the seven-day period including Thanksgiving, Black Friday, and Cyber Monday), according to Salesforce.
- A quarter of all holiday digital sales will take place during Cyber Week.

Still, many consumers will likely hold off for the best and final deals toward the end of the season.

A pick-me-up: Buy online, pick up in-store (BOPIS) will drive \$28 billion in incremental store sales worldwide, per Salesforce.

- BOPIS options exploded during 2020 and have remained a staple of holiday shopping since.
- Last year, BOPIS drove 1 in 5 online orders. After shipping cutoff dates passed, that number increased to over 1 in 3 orders.

Point of no return: A majority (88%) of retailers will make their return policies stricter ahead of the holidays, per Salesforce.

But this is a risky move. Retailers with return windows of 30 days or less will see 7% fewer online sales in October and November, as forecast by Salesforce. In addition, return policies that aren't clear, easy, or reasonable will put 21% of orders at risk this holiday season.

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