

What happened this holiday season and what to expect from earnings

Article

“The mixed headlines are so hard for consumers to make decisions against.” That’s according to our analyst Suzy Davidkhanian, speaking on our [“Behind the Numbers: Reimagining Retail”](#) podcast.

The [Consumer Price Index rose 6.5% year over year in December 2022](#), though it did fall 0.1% from November. [Overall holiday spend](#) was up 7.6%, according to Mastercard SpendingPulse

data, though much of that growth may have come from inflation. Here are the real takeaways from this holiday season.

Spend was up. With the word “recession” bouncing around, a 7.6% growth in spending is “pretty much a win,” according to Davidkhanian, even with inflationary forces.

October was hot. “We’re going to have to start thinking about all of Q4 as the holiday season,” said our analyst Andrew Lipsman.

- Amazon set the tone for this with a **second Prime Day event** (something Lipsman accurately predicted back in June). The October event pushed retailers to host competing deals events, kicking off holiday shopping.
- Inflation led to consumers spreading out budgets, which also pushed the season forward.
- Inventory fears also contributed. Consumers were burned by stock issues the last two years. This year, they shopped early to avoid losing out.
- Most importantly, this behavior won’t change. Holiday shopping starts in October now. Prepare to see Santas mixed in with Halloween decor.

Apparel fared well. Electronics did not. **Clothing sales increased by 4.4%**, while electronics and jewelry sales decreased by 5.3% and 5.4%, respectively, according to Mastercard SpendingPulse.

- Spend is shifting to essential goods and services, noted Lipsman. “It was not to the benefit of those traditional holiday categories.”
- After a strong couple of years, electronics took a hit as consumers already own those big-ticket items. “That’s not a replenishment-type category,” Davidkhanian noted.

Profits may be healthy this earnings season. Gas prices and shipping container prices were down. “I think there was a little bit more breathing room for retailers than they may have anticipated going into the season,” Lipsman noted. That said, extreme markdowns could take a bite from those savings, so high sales might not necessarily mean high profits.

Expect retailers to tout mobile app investments during earnings calls. Brand loyalty is in decline, but consumers want deals. Marry that with a need for first-party data and you have the mobile app as a solution.

“Do what you have to do to tell your consumers why they should download that app ... It's a huge component to stickiness for brands,” Lipsman advised.

Holidazed and confused? You're not alone. The 2022 holiday season was full of wins, but it's difficult to discern just how much spending was influenced by inflation. Apparel was a winner. Electronics were not. Retailers are adjusting to the new Q4 holiday season normal as they look ahead to the 2023 season.

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