Sara Lebow, Jeremy Goldman, and Zak Stambor

Reimagining Retail: Lessons from the 2023 holiday shopping season and some way-too-early predictions for the 2024 holidays

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how the 2023 holiday shopping season really went, whether we've shaken the feeling that we're in a recession, and what this means for the start of this year. Then for "Red-Hot Retail," our analysts give us two spicy predictions about the 2024 holiday season and two about what they would like to see from retailers. Join our analyst Sara Lebow as she hosts director of Briefings Jeremy Goldman and analyst Zak Stambor.

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Episode Transcript:

Sara Lebow:

Hello, listeners. Today is Wednesday, January 10th. Welcome to Behind the Numbers: Reimagining Retail: an eMarketer Podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is How the Holidays Went.

First, let's meet today's guests. We have back the same people who have been discussing the holidays with me all of last year. Joining us is Senior Director of Briefings, Jeremy Goldman. Hey, Jeremy.

Jeremy Goldman:

Great to be with you.

Sara Lebow:

Also with us is Senior Analyst Zak Stambor. Hey, Zak.

Zak Stambor:

Hey, Sarah. Hey, Jeremy.

Sara Lebow:

Happy not holidays to both of you. Happy end of holidays. Let's get started with Free Sample, our did you know segment where I share a fun fact tidbit or question. Today I've got a stat for you: $743 billion. That's how much US retail returns amounted to in 2023 according to the National Retail Federation and Appriss Retail. As a percentage of sales, that number, the total return rate, for 2023 was 14.5%. So 14.5% of sales in 2023 were returned according to the NRF. That's wild to me. I don't think I made a single return this year. Are you guys big returners?

Jeremy Goldman:

No, Not at all.

Zak Stambor:

I absolutely am. I think that part of it is I can just say, well, I cover this stuff. So it's a good excuse for me to be part of the economy so I get to buy more things and wardrobe at home. A lot of other people do the same based off of the data.

Sara Lebow:

So Jeremy, are you a bracketer, you're buying things and returning things that don't fit?

Jeremy Goldman:

Oh, very much. Yeah. I think when in doubt. Especially if you've got to think about it, a lot of people are, let's face it, gaining weight more than losing it over the holiday season. So I always think there's a chance that I've gone up a size and therefore I'm just going to buy the stuff. Frankly, with some companies, especially households get used to just returning a ton of stuff, particularly to places that they order from frequently like Amazon and it gets built into the cost structure of these companies.

Sara Lebow:

Okay, you heard it here. As your prices go up and your free returns go away, you can blame Jeremy Goldman. Now it's time for our next segment, Retail Me This, Retail Me That, where se discuss an interesting retail topic. Today's topic, as I mentioned before, is How the Holidays Went. It's January. The holiday season is over depending on who you ask, but I've decided it's over. I'm ready to move on, but not before we have one final discussion for how the holiday season really went. We made a bunch of predictions. Tell me how did the holiday retail season actually shake out?

Zak Stambor:

So the numbers are still flowing in, but by and large, despite lingering inflation, despite relatively sluggish consumer confidence, and shrinking excess savings, people still pulled out their wallets and spend. You can look at various different numbers that have come out, whether it's the November Commerce Department numbers where retail sales were up 4.1% year over year or the MasterCard SpendingPulse data that tracks spending from November 1st to December 24th, which had a 3.1% gain or the Adobe e-commerce sales data over the final two months of the year, which had online sales up 4.9% year over year. By and large, there's a clear trend, which was a relatively strong but not far from spectacular holiday season.

Jeremy Goldman:

Yeah. Just to add to that, I think the Adobe numbers which came out recently were really interesting, because you get to pull a number of different insights from that. Whether or not we should start tracking the holiday season at November 1st can certainly be up for debate given how many sales happened in October. I think one of the things that definitely struck me is the rise in BNPL payment platforms. That's something that continues to go up, which does make you think, is there a ceiling? Is there a certain point where people stop putting things on credit and buying through BNPL, and then those forms of commerce just dry up over time? So I think that that's probably going to be a problem for another day, but those numbers were really interesting to watch this year.

Sara Lebow:

Yeah. We had mild growth this holiday season, but mild growth when there's always growth makes it a record breaking holiday season in terms of spend with that Adobe number being 222 billion dollars being spent online between November 1st and December 31st. So where is the growth coming from?

Zak Stambor:

It's actually really interesting in terms of the categories that were strong, because a lot of them were categories that haven't been strong for most of the year. Electronics and appliance sales were strong. Apparel sales were strong, furniture sales were strong, and a lot of that was due to people finding good deal. Those were some of the most heavily discounted categories, and so people saw those discounts and decided to spend.

Jeremy Goldman:

Yeah. I think that that was definitely a huge part of the story. I know I've talked a lot with that you in the past about the spreading out of the whole entire season. I thought one other thing that I thought was really interesting is, besides that more people are transacting via smartphones, but that consumers spent the most via mobile on Christmas Day driving 63% of online sales that day. It just goes to show that not everybody is buying other people Christmas presents. They more so get in the spirit of purchasing, even if it's after when you would think that the spending would start to slow down.

Sara Lebow:

Yeah. I bought a lamp on my phone on Christmas Day because I was bored and I remembered I needed a lamp. So I'm definitely contributing to those furniture, e-commerce Christmas Day mobile sales.

Zak Stambor:

Yeah, mobile shopping has just become the norm for so many consumers. This year for the first time, Adobe reported that mobile shopping outpaced desktop shopping, and it even outpaced our what I thought was a fairly aggressive projection of 49.6% share of online sales. So I think you're far from alone, Sara, in pulling out your phone and just spending, because the experience has become really good.

Sara Lebow:

This is a conversation that we could talk about forever, but I do find myself more and more pulling out my phone to make a purchase. I bought plane tickets the other day. I looked them up online, but then I actually made the purchase through the app on my phone, because that's where the Delta app lives and that's the easiest place for me to make the purchase. So obviously plane tickets are separate, but yeah, definitely seeing that behavior in myself

Jeremy Goldman:

Sara, to your point, I think a lot of brands and retailers have noticed that it really pays to have a really strong omnichannel experience. It almost doesn't matter necessarily which channel, if it's mobile or desktop, gets credit for the sale because people are also doing the same thing almost in reverse. Using the Amazon app to add things to their cart and then remember later, by the way, I forgot to check out and then checking out from desktop at home. If you can have a really strong unified experience, and the same thing goes with online and offline. If you can go into a store and essentially have bookmarked a number of different things and then to be able to find them seamlessly in store, retailers are realizing that that's the type of experience that winds up paying for itself over time.

Sara Lebow:

Speaking of customer experience, for the past year we've been seeing headlines mentioning a vibe session. Essentially the economy has felt bad, products feel expensive, spending feels risky. It feels like there may be a recession, but there isn't actually a recession or there hasn't been one. Bloomberg columnist Connor Sen wrote in December that we're finally shaking off those vibe session feelings. So my question for both of you is, are we out of the vibe session?

Zak Stambor:

It's a really good question and it's hard to say because there has been such a strong disconnect between consumer behavior and consumer sentiment or what people are saying how they feel. If you look at what they're doing, they've been spending all along. What we have seen over the course of the last year is the American consumer has been incredibly resilient. Third quarter GDP growth was incredibly strong. It's probably going to slow a bit in Q4, but all in all, it's still strong. It's an election year, and so there's going to be a lot of vibes flowing out from both sides of the aisle.

Sara Lebow:

Both sides of the vibe aisle.

Zak Stambor:

Yeah. So there's a segment of consumers who are always going to feel bad when the opposite side of the aisle is in power. So I don't know how much it's going to change, but I think people will continue to spend.

Jeremy Goldman:

Just to throw something else in there, I'm curious what you guys think, but there is the survey of consumers from University of Michigan that we look at pretty frequently.

Sara Lebow:

Go blue.

Jeremy Goldman:

Yeah. The consumer sentiment for December was 13.7% up month over month, 16.6% up year over year. Then the Index of Consumer Expectations, which is a little bit different, was actually up 18.7% month over month, 12.3% up year over year. So when you look at those three different metrics and each one of them is up over 10%, that tells you something. That tells you that there is a lot of good vibes that are still around. Yeah. I think there is a lot of trepidation about what the second half of the year might look like too. So people are cautiously optimistic and a lot of the marketers that we speak to are also cautiously optimistic. A lot of data suggests that they are going to be spending more to reach consumers and to build their retail presence in the year ahead.

Zak Stambor:

One reason for that uptick in December I think is gas prices in particular. Gas prices have such a huge impact on how people feel and gas prices are pretty low right now. That said, two of the other reasons that people haven't been feeling great, I think are unlikely to resolve themselves. It's just become so difficult to afford to buy a car and to buy a house. That's a bad feeling when you just feel as though you can't get a new car, you can't buy a house, and that's unlikely to change this year even as the Fed is likely to cut interest rates.

Sara Lebow:

Yeah. Zak, you also mentioned to me that restaurant spend is outpacing inflation. I feel like that's a good indicator that the vibes are good. Restaurants feel good vibes to me. I think there are a lot of factors that could shake that up in January. COVID, for example, is really high right now. That might be a hit on restaurants or it might not be, but I do think that that's contributing to our vibe meter here.

Zak Stambor:

Yeah. I'm so glad you mentioned that, because restaurant spending was really strong, which is just another one of these indicators that the way in which people behave and what they say don't necessarily align. It goes very much in line with what we've seen over the past year in terms of people looking to experiences to spend time with people, to indulge in things like dining out that are just kind of fun.

Sara Lebow:

Yeah, I think that's a good note to end this first half on. I want to look forward to the rest of the year. Yeah. So let's do it. It's time for our segment, Red Hot Retail.

This is our guests' opportunity to give us their very specific and potentially risky predictions on a topic. The predictions could be mild, medium, spicy, or extra hot. So Zak and Jeremy, I've asked you both to make approximately 1 million holiday 2023 predictions so far. Today, I'm asking you both to make the first two predictions our listeners will hear for the 2024 holiday season. That's right. We're already kicking it off. I also want to hear two things that you would like to see this holiday season. I know we're nine months out and this is an impossible task 10 months out depending on who you ask, but I don't care. Tell me what's in store for holidays 2024. Let's start off with predictions. Zak, what is your first spice level and first prediction?

Zak Stambor:

Yeah. So my spice level, I just looked up the Scoville scale, and I think this is like a habanero. It's middle of the road. It's spicy, but it's not super, super spicy. So I think the presidential election is going to have a major impact on holiday sales. Let's not look to 2020 because that was such a weird year, but if you look back to the 2015 and 2016 holiday seasons, you saw a huge increase in terms of growth rate. In 2015, holiday sales grew just 2%. A year later when Trump was elected, holiday sales rose 4.1%. I think a lot of that spending was a sizable segment of the population feeling like the election of Donald Trump was the end of the world, so we might as well just spend like it. I think this time around, no matter who wins, there's going to be a sizable segment of the population that's going to feel like this is the end of the world, so we might as well spend like it. So I think the presidential election is going to impact how consumers spend.

Sara Lebow:

Yeah. I definitely agree with this. I mentioned to both of you that something that I feel in my vibe meter for this year is this trend of gluttonous grandiosity, where things are starting to feel a little bit better, but at the same time, there's sort of a sensation that the world is ending. I'm not saying it's ending, but there's this feeling and I think that as a result, people are spending. Jeremy, what is your spice level and prediction?

Jeremy Goldman:

I don't think this is so spicy, so I'll say it's more like a serrano, like a background substance. I think that you're going to see a lot more partnerships in order to drive consumer interest in both online and offline channels. During the holiday season, part of that is just because it becomes so expensive to reach consumers and this is one way to essentially earn some media coverage. It's a way of getting your brand in front of like-minded brands. Like we saw partnerships like Anthropology and Pinterest, Saks and Dior, and there are a lot of other unconventional ones that we saw this past holiday season. I'm expecting that you're definitely going to see more of it, just simply for that reason that it is a great way to reach people in a low cost, low stakes kind of way.

Sara Lebow:

Yeah. Partnerships was one of our overall trends for 2024, and in that we mentioned really big ones like Amazon and Meta for example, I think you're spot on about these unexpected or more niche partnerships. You see buzz around companies creating new unusual products, new unusual experiences through partnerships between two companies that you didn't expect to see working together. McDonald's and Crocs is the most obvious one that I can think of. I think that's the kind of thing that we're going to keep seeing.

Moving on to things you would like to see this holiday season, but I'm going to make you guys assign a spice level to these also because I like it when you guys name peppers for me. So Zak, give me a spice level and something you'd like to see this holiday season.

Zak Stambor:

I'm going to tone it down a bit, go to just a jalapeno.

Sara Lebow:

Mm.

Zak Stambor:

So I'd like to see better personalized offers. I recently saw some survey results that just 44% of consumers who received tailored offers said that those offers were actually relevant to their needs. It doesn't surprise me just based on my own experience. A lot of the time that you get personalized offers or tailored discounts or whatnot, it just doesn't align with what it's that you actually want or need and there are a lot of reasons for that. Largely just because most retailers have a narrow view of who you are, what you want, what you like. So hopefully this holiday season retailers find ways to better understand what it is that consumers want and deliver more finely tuned discounts and offers.

Sara Lebow:

That makes sense. As retail media ad spend goes up, as AI improves, this seems like the next logical step is personalized offers.

Zak Stambor:

Absolutely.

Sara Lebow:

Okay. Jeremy, give me a spice level and something you would like to see this holiday season.

Jeremy Goldman:

I think that this is maybe a little bit, it's higher than a habanero. So there's a Red Savina habanero, which is not quite at the chocolate level or Ghost Pepper, but it's a little bit higher up there.

Sara Lebow:

That seems really spicy.

Jeremy Goldman:

It is, but it depends who you are. I can handle, but I don't mean to brag. One time we'll have an actual hot pepper.

Sara Lebow:

We'll do hot ones. We'll eat them on air.

Jeremy Goldman:

Oh, let's do that. Let's do that and we'll record it. Okay, and we will post it on YouTube. No, but in all seriousness, I will say that there will be a lot of brick and mortar retailers that will just not lean into necessarily the experiential aspects of their retail, and they will just watch their stores die a slow death or blame it on organized retail crime rings, even though that was far overblown, as we all know. I think that there's going to be, what I'd like to see at least, is leaning into the experiential aspects of stores, doing more loss leaders and gift with purchases, compelling things that actually made the channel stand out from the crowd. You have to look at it about the fact that you have this big physical infrastructure. Leverage it as best you can.

You see retailers like Target using their stores as distribution centers because they're trying to maximize the potential of that physical location. You can do the same thing in front of the scenes by creating some excitement in store and giving people a reason to go. If you don't do that, then obviously more and more will start to move towards e-commerce, which is great for some players, but it's also going to be eating into your overall margins if you can't maximize your brick and mortar presence.

Sara Lebow:

I think you're right, because akin to something Blake said on a recent episode, maybe our last one, this is also content creation opportunity. When you make events, you are making a space where creators or average shoppers can make content with the potential to go viral or even somewhat viral on TikTok, and that becomes an omnichannel, e-commerce opportunity in itself. It becomes native advertising in itself. So it's not just this in-store is we're also investing in it. It's investing in-store that turns into content creation opportunities that turns into either paid advertising if they put paid money behind it or into e-commerce, and it fulfills the cycle.

Jeremy Goldman:

Amen.

Sara Lebow:

Okay, well, that is all we have time for today. So I'm officially calling it the end of this holiday season. Thank you so much for joining me this holiday season, Zak.

Zak Stambor:

Yeah, thanks for having me.

Sara Lebow:

Thank you for spending these holidays with me, Jeremy.

Jeremy Goldman:

It was great to be with you both.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at Insider Intelligence. Thank you to our listeners and to Victoria who edits the podcast turning every episode into a vibe session, but like vibes plural, space, session, like a session for Vibes. I can assure our listeners that Zak and Jeremy are laughing on mute. We'll be back next Wednesday with another episode of Reimagining Retail and eMarketer Podcast. Tomorrow, join Marcus for another episode of the Behind the Numbers Daily.