

How inflation will affect shoppers this holiday season

Article

The trend: Inflation is expected to change holiday shopping behaviors as consumers look for ways to score deals and minimize expenses.

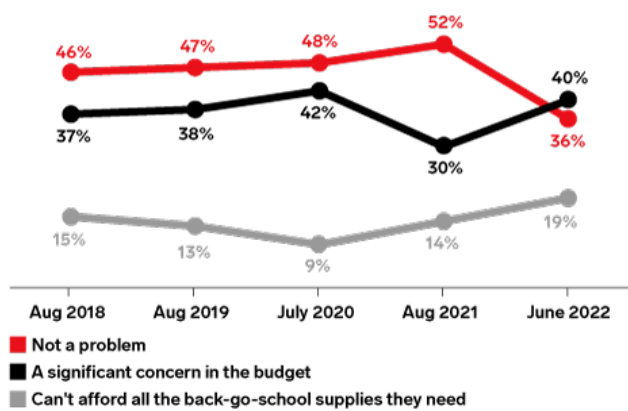
- Many shoppers plan to cut back, switch to value brands, and shop even earlier in the season to avoid price hikes.

- At the same time, consumers are enthusiastic about celebrating the holidays after two years of limited or pared-back gatherings.

Shoppers feel the pinch: More than half (51%) of consumers plan to buy fewer holiday gifts this year, per a Salesforce report.

- Over one-third (38%) of US adults expect to spend less this holiday season, per** a Digital River survey conducted by Opinium. Roughly two-thirds (67%) say they've already reduced spending on non-essential items.
- Many shoppers are already struggling with elevated back-to-school costs, which could eat into budgets for the rest of the year and cause households to scale down holiday celebrations.

Affordability of Back-to-School Supplies
According to US Parents, Aug 2018-June 2022
 % of respondents



Note: among those who are planning to make back-to-school purchases for their children; "don't know/no opinion" responses are not shown
 Source: Morning Consult, "Back to School Shopping 2022," July 21, 2022
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Looking for value: Where consumers last year prioritized availability over brand name, this year the emphasis will be on the price tag. Salesforce estimates that **half of all shoppers worldwide will switch to a different brand this holiday season because of pricing.**

- Deals and promotions will be the most important factor for shoppers deciding where to spend: 34% of US adults rated it as a top consideration, while an additional 21% said free shipping would help seal the deal, per a July CivicScience survey.

- The search for the best possible price is lengthening the shopping season. **Nearly one-quarter (22%) of adults have already begun their holiday shopping** to avoid future price hikes. Consumers who shopped on Prime Day are also more likely to have gotten a head start than non-Prime Day shoppers.

What Are Internet Users Worldwide Doing to Manage Fast-Moving Consumer Goods (FMCG) Expenses?

% of respondents, May 2022

Monitoring cost of overall basket of goods	25
Shopping online to get better deals	25
Buying whatever is on promotion	21

Note: ages 18-64

Source: NielsenIQ, "Brand Balancing Act," July 20, 2022

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What retailers should be doing: Target CEO Brian Cornell noted on the company's most recent earnings call that despite the financial difficulties many households are enduring, the retailer has consistently found that consumers are excited about celebrating the holidays. While retailers should expect more shoppers trading down and purchasing fewer items, plenty of consumers will still take advantage of the occasion to splurge on premium items.

- Retailers need to **have options on both ends of the price and quality spectrum** to make sure they appeal to consumers feeling the pinch, but don't miss out on revenue opportunities from people willing to spend more.
- Those that can't compete on price should focus on adding value in other ways, like **offering same-day fulfillment or in-store pickup options** to offer convenience to shoppers.
- With a long holiday season ahead of them, retailers should consider an earlier start to running promotions and setting out seasonal merchandise—especially with **[another Prime Day](#)** potentially taking place in October.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. [Subscribe](#) to have more hard-hitting takeaways delivered to your inbox daily.*

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