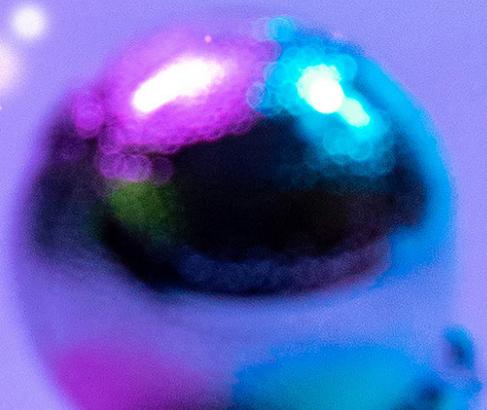




MadisonMarquette
A Capital Guidance Company



2022 HOLIDAY TRENDS: What's In, What's Out



Introduction



Madison Marquette’s report, 2022 Holiday Trends – What’s In, What’s Out, presents our analysis of the holiday shopping season.

This year, as COVID-19 concerns diminish, consumer spending is being swayed by uncertainties and anxiety about inflation, recession, and geopolitical tension. Black Friday is taking on a new meaning from a shop-to-you-drop identity to one of counter-consumerism ethics. Retailers are offering record promotions and deals to maximize sales to liquidate excess merchandise. At the same time, consumers are relishing a nostalgic return to pre-pandemic normalcy by prioritizing purchases based on value and affordability.

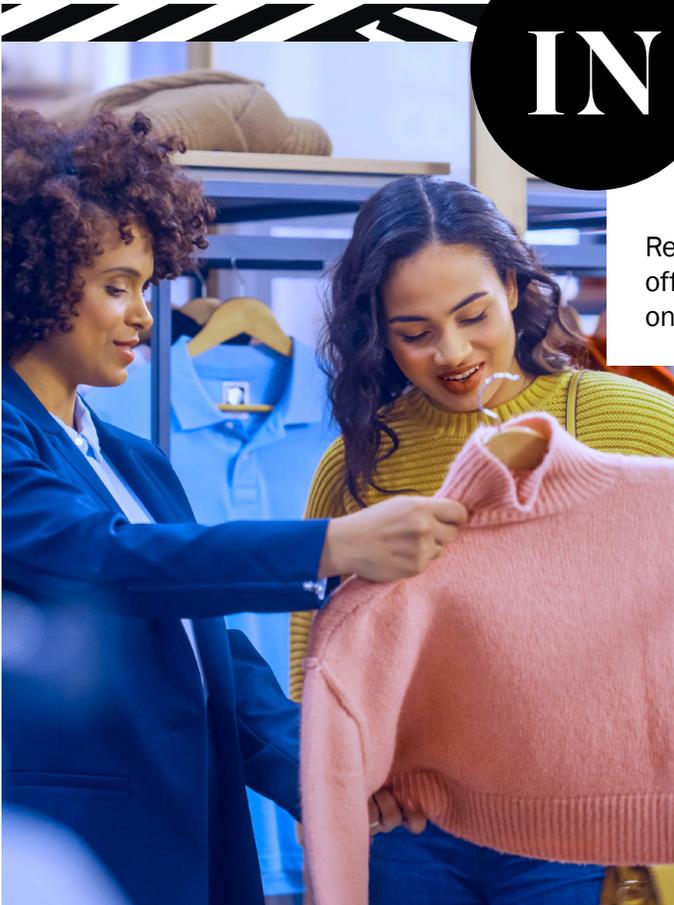




IN

SUSTAINABLE BLACK FRIDAY ALTERNATIVES

Retailers and consumers are seeking alternative ways to kick off the holiday season on Black Friday by focusing spending on eco-friendly products and substitutes to shopping.



OUT

TRADITIONAL BLACK FRIDAY DOORBUSTERS

The spirit and deals of Black Friday are alive and well, but the elongated selling season and omnichannel shopping are closing the door on the high-volume door-busting sales tradition.



IN

INFLATION-DRIVEN RETAIL SALES GROWTH

The highest inflation in four decades will outpace demand in retail sales growth and is causing a dramatic consumer shift towards value and affordability, and raising concerns about credit reliance.



OUT

COVID-19 CONCERNS

COVID-19 concerns and pandemic-era precautions are gone as retailers and consumers seek a return to holidays-past for the first time in two years.



IN

SUSTAINABLE BLACK FRIDAY ALTERNATIVES



The holiday season is critical for retailers to reach their sales and profit goals. Black Friday, once the biggest shopping day of the year and the official kickoff to the holiday season, is losing relevance.

The contributing factors to its waning significance are rooted in the elongation of the promotional selling season and the growing share of digital retail sales. The spotlight has also dimmed because of a strong cultural shift in values from Black Friday's and Cyber Monday's historic consumerism to a desire among shoppers to buy longer-lasting and sustainably made products. At the same time, consumers are seeking more environmentally and ethically compatible shopping behaviors and exploring alternative ways to give and gather with family and friends.

Black Friday wreaks havoc on the environment as the most polluting single shopping day. Mega sales at big box retailers, online orders and shipping, product packaging, and transportation emissions are counter to sustainable retail shopping. This year, brands are responding to eco-conscious shoppers, especially for Gen Z and Millennials, by encouraging more environmentally friendly recommerce, circular fashion, and eco-friendly. The cultural shift away from consumption for consumption's sake is being nurtured by promoting purpose-driven alternatives, small businesses, and more meaningful activities, such as visiting a park or museum, taking a walk, hosting a DIY gathering, and supporting social and charitable causes.

IN

SUSTAINABLE BLACK FRIDAY ALTERNATIVES

The overly commercialized Thanksgiving shopping weekend is being replaced by Green Friday, Small Business Saturday, Artisan Sunday, Green Monday, and Giving Tuesday. EcoCart will calculate the carbon emissions of each order so that consumers can make informed decisions about the environmental impact of their online purchases over the holiday weekend.

Given the uncertain economic climate, the need to maximize sales and the imperative to liquidate excess inventories, fewer retailers are boycotting Black Friday in 2022 in favor of sustainability and social initiatives compared to 2021. Instead, to drive sales retailers are resuming record promotions and deals to provide shoppers with affordable gift options and value. REI remains one of the few prioritizing environmental and ethical commitments before profit. In October, REI announced that it will close more than 170 locations for Thanksgiving and Black Friday every year as part of their #optoutside movement, including stores, call centers, distribution centers, warehouses, and headquarters. In addition to advocating for causes involving environmental welfare, inclusivity in the outdoor industry, and responsible recreation, the retailer will pay approximately 16,000 employees for the days off to incentivize them to spend time outside versus shopping.

80%

**OF THE ITEMS SOLD ON BLACK FRIDAY
END UP IN LANDFILLS, INCINERATION,
OR LOW-QUALITY RECYCLING**

Source: Green Alliance

Sources: EcoCart, Emodo, REI

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TRADITIONAL BLACK FRIDAY DOORBUSTERS



Black Friday's popularity peaked in the late 1990s and early 2000s when shoppers lined up in the middle of the night to score doorbuster deals and secure coveted toys, electronics, and impulse items.

The elongation of the selling season and growth in omnichannel shopping has eliminated the need for door-busting stampedes and in-store pandemonium. Traditional Black Friday shopping has evolved, featuring more intentional purchases and across digital shopping channels, social commerce, and in-store events geared toward in-person brand engagement. Omnichannel shopping also gives customers the best cross-shopping deals and fulfillment opportunities.

The extended shopping season began pre-pandemic largely to compete with Amazon Prime and was exacerbated by pandemic-era supply chain issues, product shortages, and social distancing measures in 2020 and 2021. Today, consumers regard shopping on Black Friday as procrastination, given the pressure consumers feel to secure gifts and to take advantage of early cost-savings incentives by retailers. To capitalize on deals, this year consumers are price tracking earlier than ever and retailers are responding by extending price matching and return timeframes. Target, for example, is offering price guarantees from October 6th to December 24th and will accept returns in January. Amazon offered a second Prime Day event in October after consumers shopped for Christmas gifts as early as July's Prime Day. Walmart, Nordstrom and Best Buy also began offering deals in October normally slated for Black Friday.

IN

INFLATION-DRIVEN RETAIL SALES GROWTH



Retailers and consumers are facing another radically different year in which financial constraints outweigh COVID-19 concerns.

After two years of record-breaking retail sales growth during the pandemic driven by stimulus payments, extra unemployment, and excess savings, consumer demand has cooled in the face of four-decade high inflation and rising interest rates. Many shoppers are forced into frugality. Inflation is driving early shopping as customers are taking advantage of deals and spreading out spending.

Retail sales growth for the 2022 holiday season will be the result of higher prices, not consumer demand. According to forecasts from Deloitte, Mastercard, and NRF, holiday retail sales (excluding auto and gas) are expected to grow between 3% - 7% year-over-year to more than \$1.3 trillion compared to 13% growth in 2021 over 2020. With annual inflation currently hovering around 8%, spending from demand will be flat. Even e-commerce sales growth is expected to soften to between 12% - 15.5% according to Deloitte, Axios, and eMarketer.

The dominant concern this year to budget-conscious shoppers is rising costs of essentials like rent, vehicles, groceries, gas, energy, and medical services. While consumers cannot escape steep inflationary pricing, they have proven resilient and will deploy strategies to save money, shop for deals and promotions, and buy a targeted list of gifts in 2022.

IN

INFLATION-
DRIVEN RETAIL
SALES GROWTH

Consumers are buying more on credit and using buy-now-pay-later programs to compensate for inflationary pricing. Greater financial distress and less disposable income is the culprit, especially among Gen Z and Millennials. Credit card debt reached a staggering record with consumers adding \$67.1 billion in new revolving debt in Q2 2022, before the holiday spending spree began, according to WalletHub. As holiday budgets shrink and the cost of daily needs rise, shoppers are forced to make tradeoffs to stretch their dollars. Consumers will trade down brand names for private labels, store selection, quantity, or pack sizes to save on gift giving, as reported by McKinsey. Shoppers may also postpone home or personal purchases in order to dip into savings to buy gifts for others and entertain.

Prudent shoppers are benefitting from retailers stuck with lingering inventory surpluses stemming from supply chain bottlenecks of the past two years. Deeper discounts and promotions are being applied to entice shoppers to spend and liquidate excess merchandise as customers trade loyalty for value. Consumers may buy less overall from fewer retailers this year, but they are also purchasing more thoughtful gifts and are expected to have higher individual basket sizes. Many big-ticket items across the typical holiday categories like electronics, sporting goods, toys, and appliances were purchased in 2020-2021. Sales of nostalgic items will dominate this year, such as the Stranger Things franchise, 1980s and 1990s throwback gifts favored by Gen Z, gift cards, experiences, and products featured on social media.

89%

**OF SHOPPERS
SAY INFLATION
IMPACTING
HOLIDAY
PURCHASES**

Source: 2022 ICSC Holiday
Intentions & Forecasts Survey

**OUT**

COVID-19 CONCERNS

The COVID-19 public health crisis changed the shopping dynamic with social distancing supply, chain challenges, and a major shift to online shopping. Today, pandemic-related impacts are no longer the primary concern for U.S. retailers and consumers.

Customers still like the convenience of pandemic-era services like curbside pickup, but affordability is the top priority in 2022 regardless of the fulfillment method, according to Emodo. Shopping, events, and celebrations are returning to normal for the first time in two years, breeding nostalgia and exuberance. Holiday markets, caroling and photos with Santa are back in full swing to drive traffic, experience, and a celebratory outlet for budget-conscious consumers. Although there is an ongoing variant risk, health officials and the public believe the U.S. is approaching the endemic stage of COVID-19. As a result, people are gathering in a pre-pandemic fashion.



Sources: Emodo, APIC

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