Why consumers are wise to holiday sales and tracking more lasting value

The better the question.
The better the answer.
The better the world works.

EY
Shape the future with confidence

Authors

Malin Andrée
EY Global, EMEIA and Nordics Retail Leader

Robert Holston
EY Global and Americas Consumer Products Sector Leader

Contributors

Marie Bos

> **Despite financial worries, "smart, savvy, shrewd" consumers are excited to join in the sales season, hunting for value, not just bargains.**

- Shoppers plan to enjoy the sales this year, but they will hold out for the best deals and will actively track discounts to maximize their budgets.
- Shopping across all channels, including heading to stores for discovery as well as purchasing, they're in search of value that lasts beyond the season.
- A growing preference for second-hand goods and flexible payment methods highlights an evolving consumer mindset toward affordable, sustainable, tech-savvy shopping.

Methodology

The objective of this survey was to track consumer sentiment and behaviors related to the end-of-year festive season. The survey includes the views of 13,000 respondents across Argentina, Australia, Austria, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, New Zealand, South Africa, South Korea, Spain, Sweden, the UK and the US between 24 September and 7 October 2024.

Shoppers globally are looking forward to the festive sales as much as ever this year, despite low consumer confidence around the world. EY research shows that 69% of global consumers plan to enjoy this year's value hunt, with around a third of them saying they will spend more than last year.

However, our data also reveals subtle yet important shifts in the way consumers plan to shop, and in what they expect and value-trends that we see shaping the consumer well beyond this year's sales.

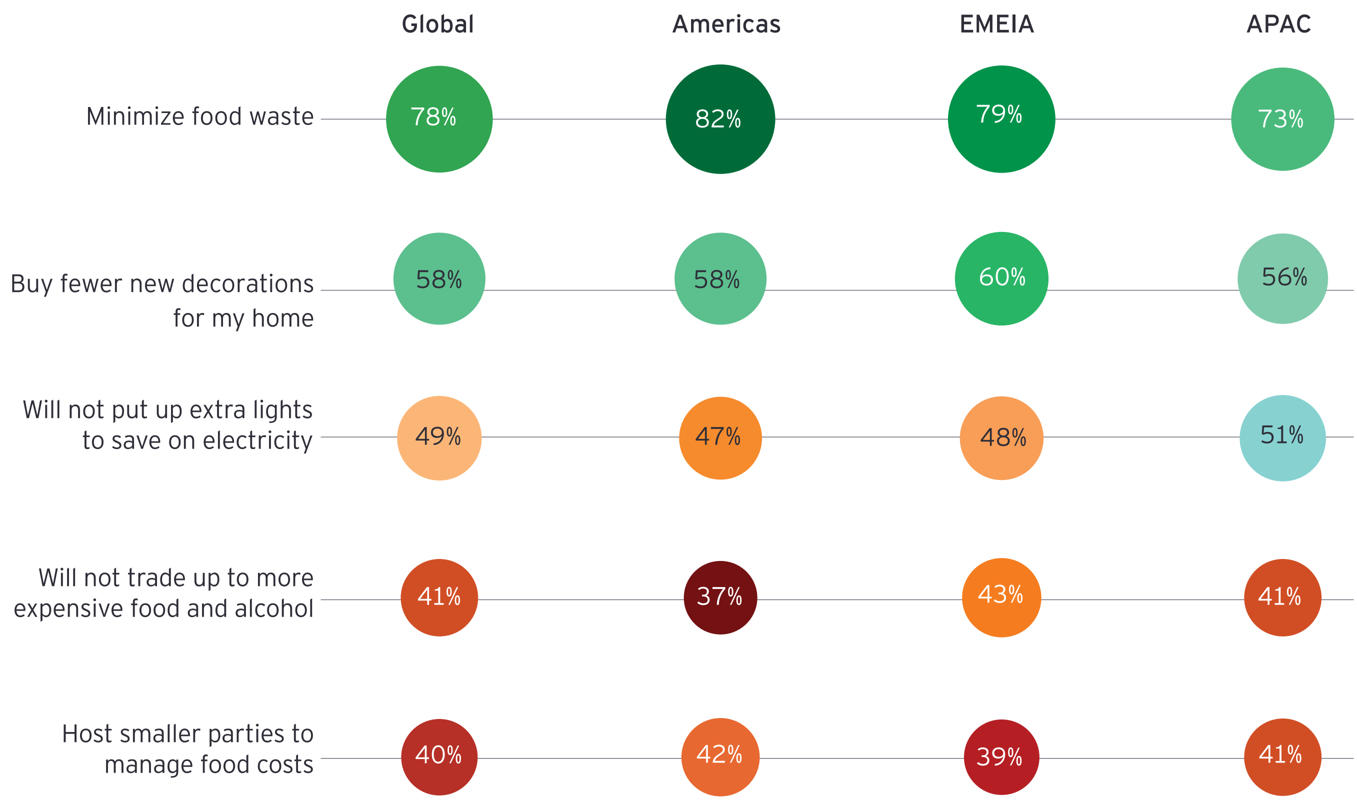
We're describing this season's shoppers as "smart, savvy and shrewd." Smart because they will use a full range of channels and technologies to get what they want; savvy because they know how to weigh the marketing and promotional offers they encounter; and shrewd because they are more discerning about what value means to them.

Shoppers will hold out for the right deals and make their budgets stretch

The festive value hunt started earlier this year, with many companies opening their seasonal sales window in September or October. Partly, that's a response to the US Thanksgiving holiday falling at the end of November, which narrows the traditional five-week spending period by a full week. It's also a reflection of a ferociously competitive market. Even so, 52% of global consumers say they won't start spending their holiday budget until later in the season. Our data suggests many are trusting that better deals will emerge as the seasonal sales unfold. In fact, the majority of global consumers say they will be buying only products that are on sale or promotion this year, and 67% are actively tracking the offers in the market to make sure they get the best possible deals – that rises to 73% for consumers with children.

Consumers are maximizing their budgets to afford gifts this festive season

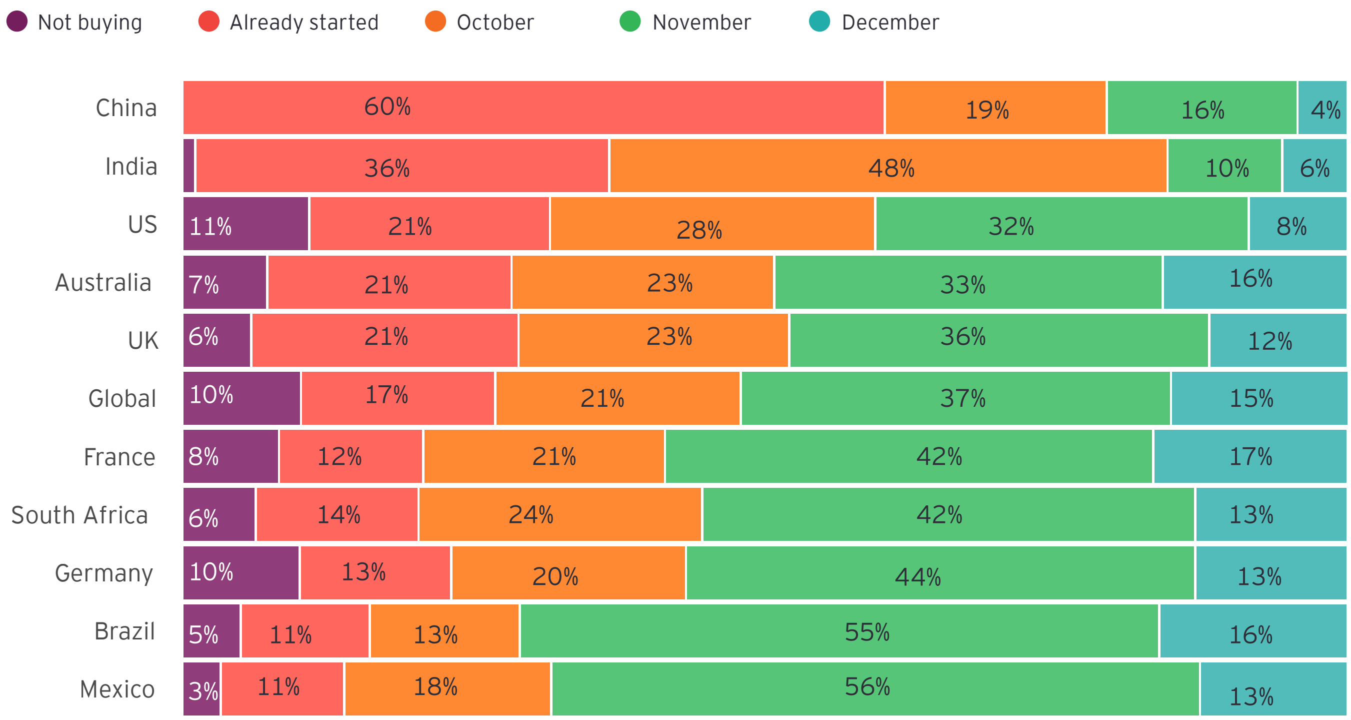
Ways consumers are planning to save this festive season



Click here to access the interactive version of this chart.

Majority of consumers will start their festive shopping in November

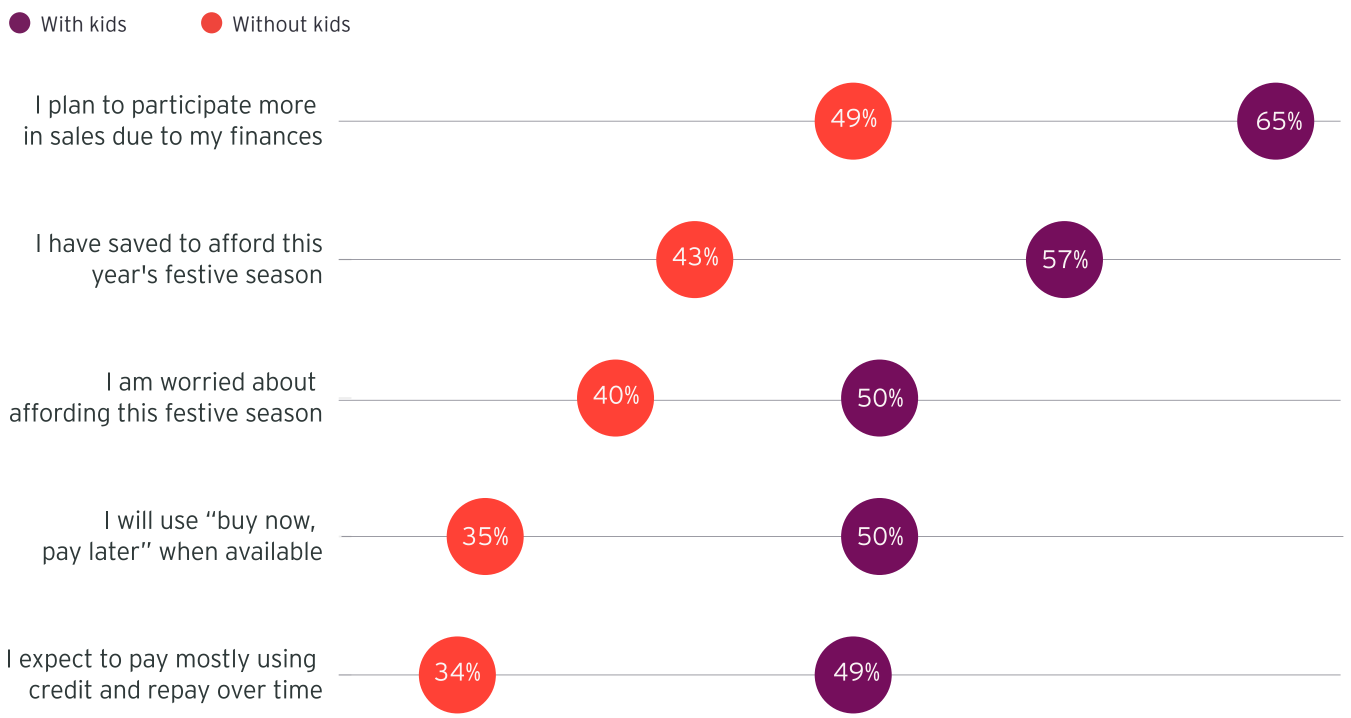
Month consumers plan to begin their festive shopping



Click here to access the interactive version of this chart.

Despite making efforts to save, households with children will be the most financially stretched and plan to use credit to pay for this festive season

% share of consumers who agree with the following statements



Click here to access the interactive version of this chart.

Shoppers are also being more intentional about when and how they spend. For many, this reflects worries about the cost of the season. Almost half will be using loans or credit cards to fund their spending, and buy-now-pay-later solutions will be an increasingly important way of deferring shopping costs, both online and in store. Not everyone is borrowing to spend; around half of all consumers say they've been saving for the festive season for some time.

Wherever the money comes from, more consumers are determined to spend it well this year. Overall, they are more interested in buying items that promise value that lasts beyond the season. For example, they are spending more on technology and reusing last year's festive décor. They are also making their holiday budgets go further by, for example, skipping holiday foods and beverages that feel a little too indulgent.

It's also true that for many consumers, and many products, festive shopping behavior has nothing to do with bargain hunting. For example, 48% of global consumers say if they find the ideal priority gift they will buy it, whether it's on sale or not. Also, 64% of consumers say they often question the real value of the discounts and promotions they see in festive sales and 58% say the items they want will not be in the sales and promotions anyway.

Taking action

To maximize value during the festive season, consumer products companies and retailers should focus on digital promotions and messaging:

- Actively fine-tune digital promotions to align with consumers' search for value.
- Design signature sales promotions to rapidly expand audience reach and increase perceived value in priority channels.
- Maintain current, integrated and easily accessible messaging throughout the season.

Festive fragmentation: balancing physical stores and rising social commerce is critical

A physical store is still where most consumers (68%) plan to shop this festive season. Yet smart, savvy, shrewd consumers will happily switch between channels to get what they want. Hence this season will intensify the ongoing fragmentation of channels.

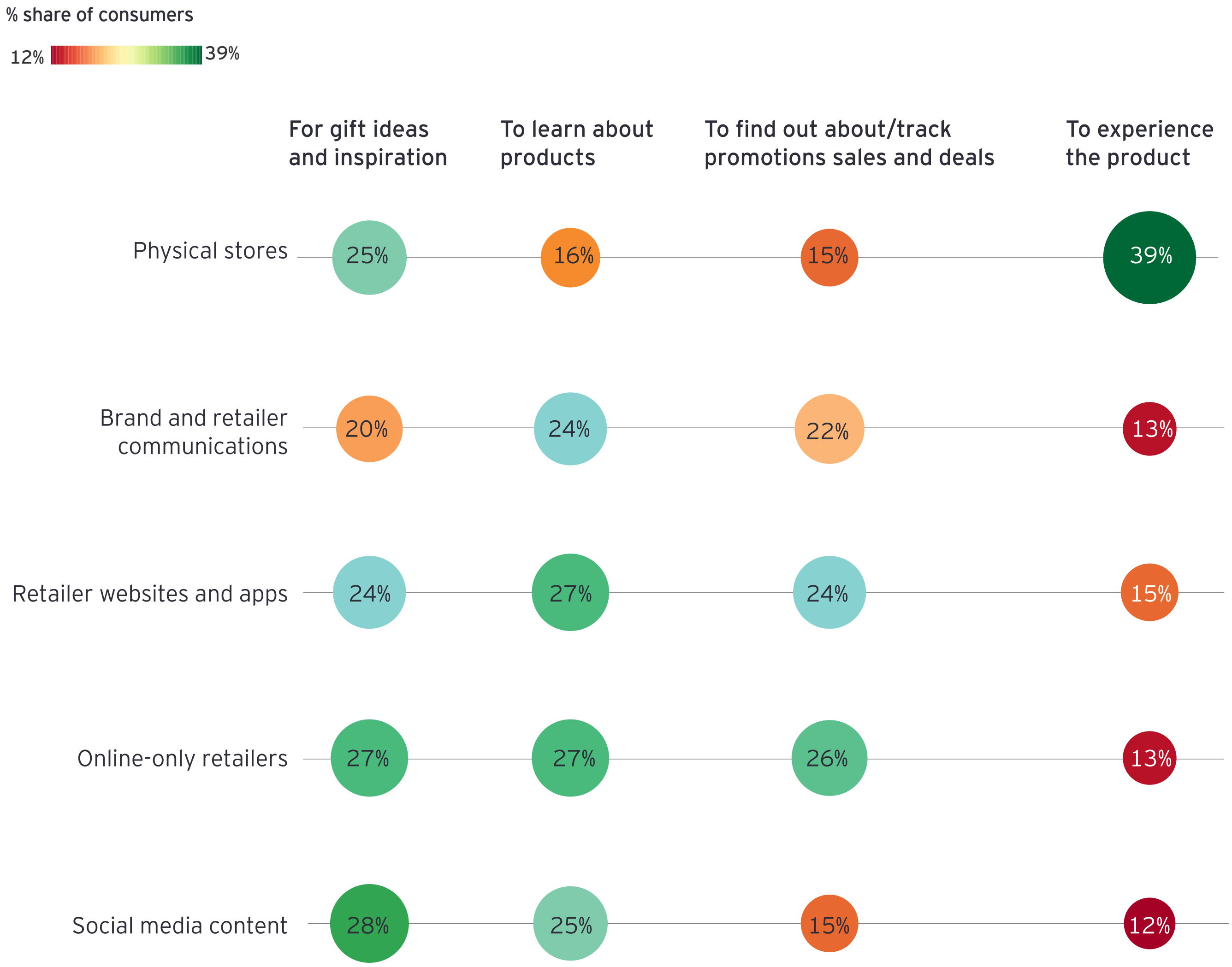
The value of the store extends beyond the festive atmosphere it offers; many consumers want to see, touch and physically experience a product before they commit to purchase. In this regard, stores provide a level of confidence that is difficult to replicate in the digital space. However, the digital experience is evolving fast.

Platforms like TikTok, YouTube and Instagram will be significant sales channels in their own right this season, with Chinese consumers leading the way. In China, 50% of consumers plan to make purchases via shoppable social media, compared with 24% in the US and 17% worldwide.

This stark difference highlights how much more advanced social commerce capabilities are in China, where consumers are used to features that have only recently become available elsewhere. For example, TikTok launched in-stream shopping in the US in 2023, three years after China and its adoption was accelerated by the COVID-19 pandemic.

More consumers from all income levels plan to increase private label consumption

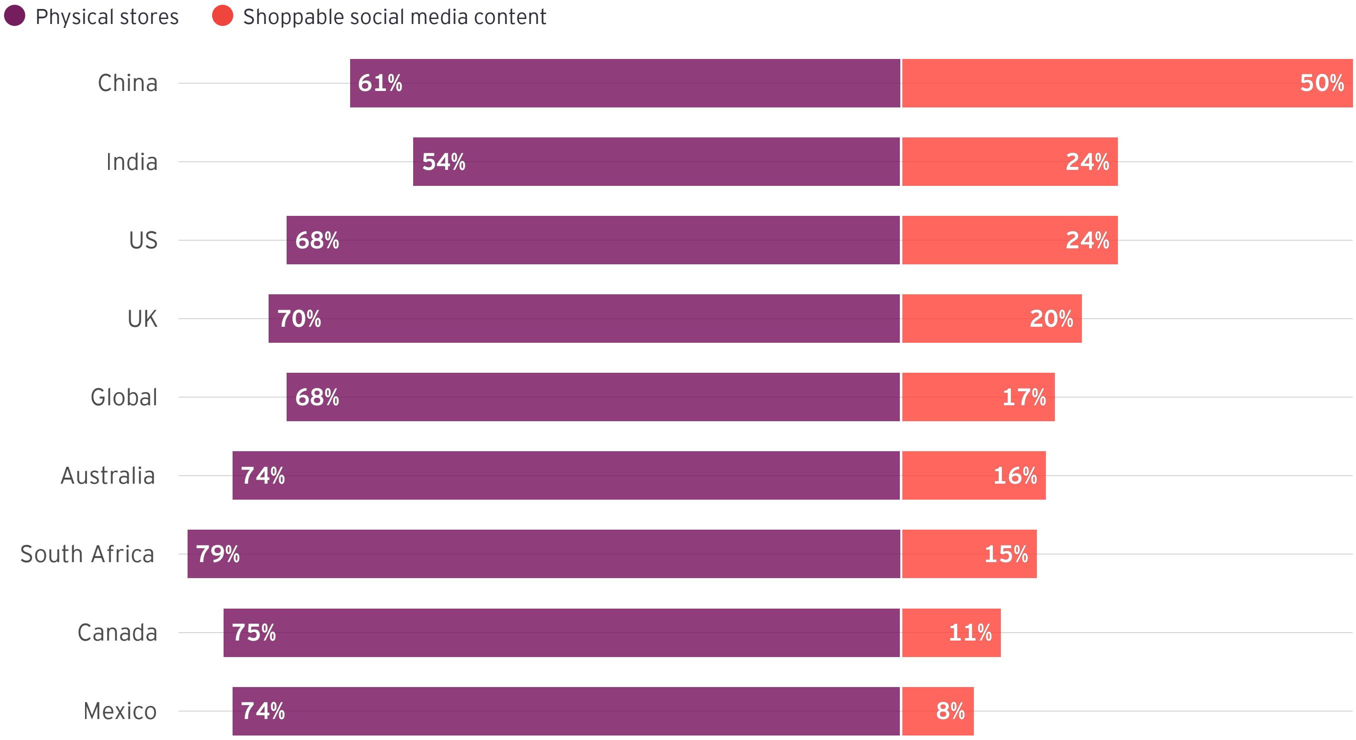
Role of each channel for consumers this festive season



Click here to access the interactive version of this chart.

Consumers still shop in stores, but are finding new ways to shop — shoppable social media is trending, with China leading the way

% share of consumers

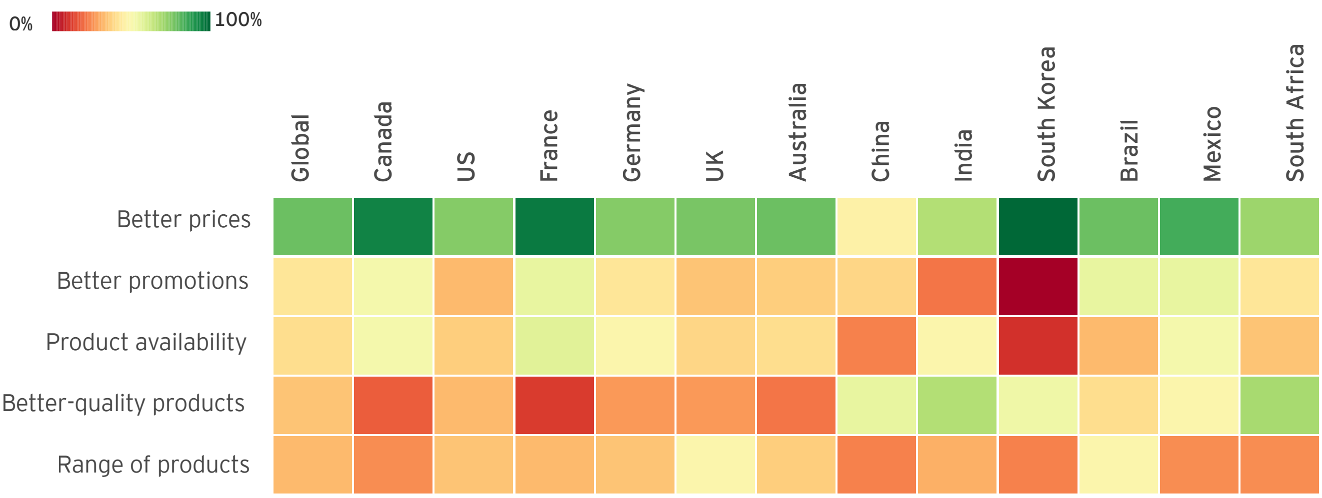


Click here to access the interactive version of this chart.

Consumers will prioritize better prices above all this festive season, even above product

Top five reasons for consumers to shop with a retailer this festive season

% share of respondents



Click here to access the interactive version of this chart.

It's reasonable to assume that global consumers will increasingly adopt social sales channels, as new capabilities enable brands to mimic a great in store experience. For example, leading brands are already using social livestreams to create competitor-free spaces in which consumers can ask influencers they trust about a product in real time, and then click a pop-up to buy it.

The range of channels might seem overwhelming, but our data shows consumers are adept at selecting the right channel to meet their needs. When selecting a retailer, consumers are prioritizing price over product, a switch from the norm, as the value from promotions will be a differentiator when deciding where to shop. While it works for shoppers, for companies it only intensifies the ongoing challenge of channel fragmentation.

Taking action

To manage the increasingly complex brand experience this festive season:

- Take a holistic view to actively analyze, prioritize and support the channels that are generating the most value.
- Test and learn using shoppable social content to accelerate the purchase journey and capitalize on impulse purchasing.
- Apply the learnings to next year's planning that is taking place today.

Gen Z preferences point to the future — self-gifting and sustainable choices

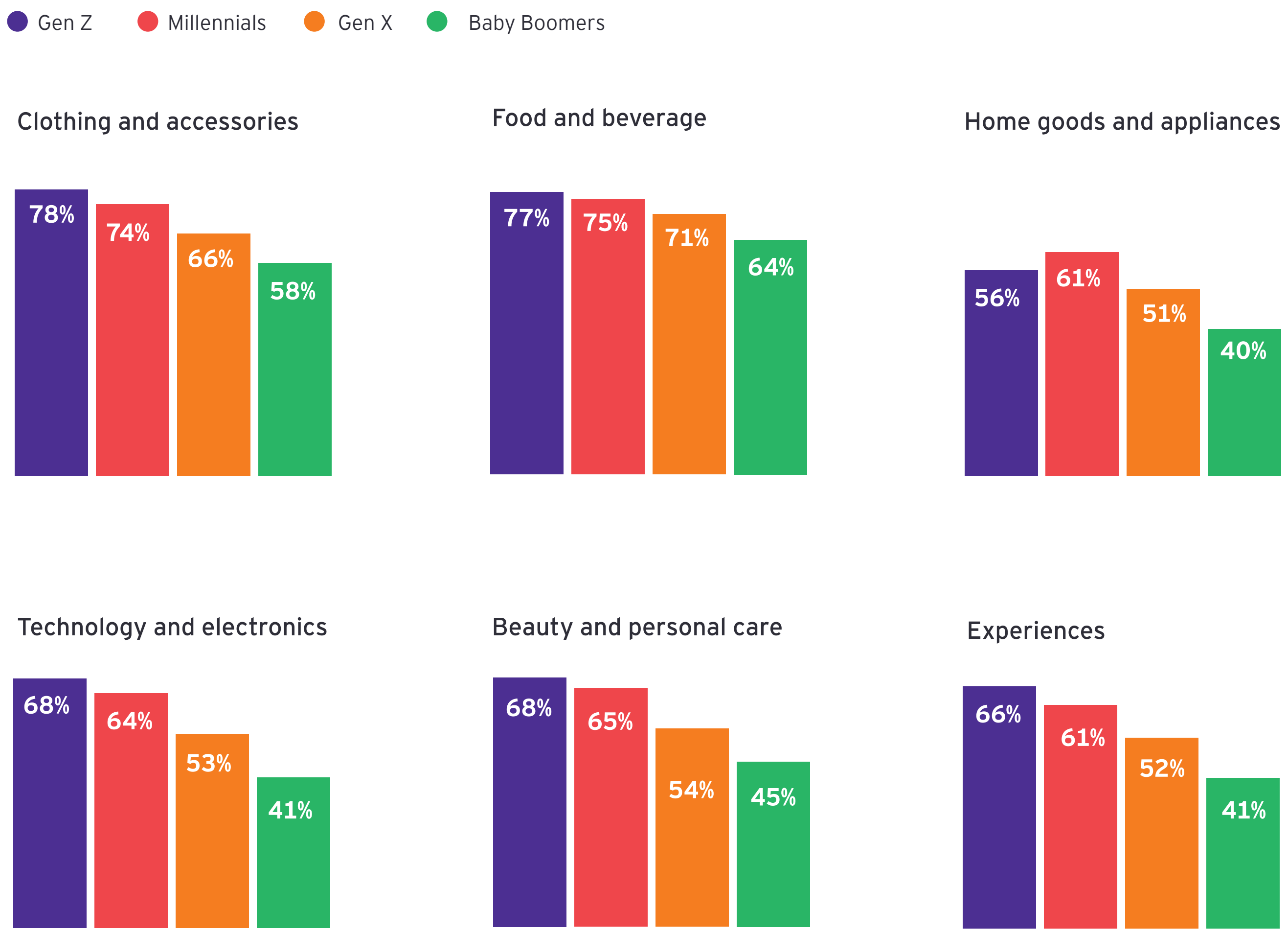
Younger consumers are likely to be the most active shoppers this festive season. In fact, members of Gen Z are planning to increase their spending across nearly every category, from clothing to technology to experiences. These consumers can be particularly hard to please. They are impatient, they want convenience, and they value sustainability. In many ways, they point to behaviors more consumers will adopt in the coming years.

This festive season, Gen Z is prioritizing products that are organic or sustainably sourced, because more than any other generation they actively seek out brands that align with their values. A third plan to purchase second-hand goods as gifts, either to stretch their budgets further or to invest in higher-quality goods they couldn't afford if new.

The rise of second-hand shopping and gifting could have a profound impact on some categories, such as fashion. Popular resale platforms are offering Gen Z the chance to find unique, affordable and environmentally friendly gifts, as well as standout items that aren't available everywhere. Some brands are already capitalizing on this trend by establishing or investing in resale platforms for their own goods. Apart from adding to sales, these platforms also help brands — especially luxury ones — maintain a high-quality experience and limit counterfeit sales.

Self-gifting is more popular among younger consumers

% share of consumers planning to buy gifts for themselves



Click here to access the interactive version of this chart.

As digital and social media natives, younger consumers prefer using online channels, where they can access a wealth of peer reviews and influencer content about things they might buy. They will trust a product because they've seen someone who looks and sounds like them unboxing it and using it – they don't need to see it for themselves in a store.

One opportunity for companies this festive season is to meet Gen Z's expectations for convenience. Younger shoppers value more control over their deliveries. They are more likely to select faster options, free shipping and flexible delivery windows compared with other generations. For example: 40% of Gen Z consumers value two hour or same-day delivery, compared with just 25% of Baby Boomers.

These expectations are challenging to meet in a way that is profitable, but they also create opportunities. For example, our data shows 47% of younger consumers are particularly willing to buy extra items for themselves if that means they qualify for free shipping, compared with 35% of consumers over the age of 60. Companies that fine-tune their shipping and delivery logistics to meet this desire can drive additional purchases and increase their margins at the same time.

The self-gifting trend has wider implications. Self-care and self-reward are themes that resonate much more deeply with younger consumers. Gen Zers are also more interested in beauty and personal care products than clothing, perhaps because they are making shrewd choices about what has to be new and what they can buy used. Retailers may need to rethink traditional gift-focused campaigns to capitalize on this cohort's preferences.

Taking action

To align with this younger generation during the festive season and beyond:

- Reimagine product assortment and business models to include preloved items, private labels, and emerging brands that resonate with Gen Z values.
- Develop cost and distribution strategies that cater to Gen Z's demand for control and convenience.
- Engage influencers to build brand transparency and demonstrate value, as their influence within Gen Z continues to grow.

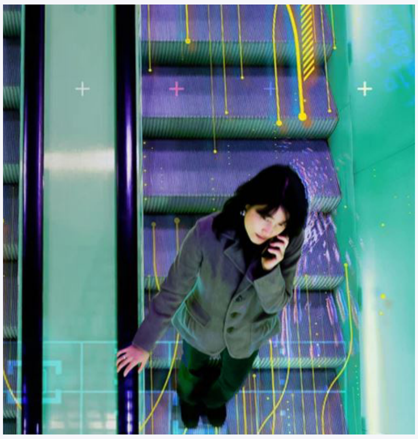
Related articles

Three ways to stay connected to the increasingly independent consumer

Consumers are optimistic about the future but are mindful of how and where they spend their time.

Rethink customer experience as human experience

Technology will transform customer experience. Competitive differentiation will come from connecting to what is essentially human.



How will GenAI prompt a step change toward autonomous supply chains?

GenAI is accelerating the rise of autonomous supply chains, but many are struggling with implementation. Leading companies can show the way.

Special thanks to the following individuals who significantly contributed to the development of the EY Holiday Shopping Survey – the survey, analysis and visualizations. Sneh Bhat, Data Visualization Engineer; Lourdes Canizares-Bidwa, Global Consumer Products Marketing Leader; Rebecca Edwards, Global Consumer Products and Retail Marketing Leader; Andreas Waelchli, Global Consumer Analyst; and Michael Wheelock, Research and Analytics Leader, EY LLP.

Summary

Despite global economic uncertainty, most consumers are excited for festive sales this year, with 69% planning to participate. Shoppers are becoming more strategic, focusing on value, using various shopping channels, and being selective with promotions. These trends continue a shift in consumer behavior that will extend beyond this holiday season. Shoppers are more discerning, tech-savvy, and intentional in how they approach deals, and this will shape future strategies for retail and consumer product companies.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2024 EYGM Limited.
All Rights Reserved.

EYG no. 010689-24Gbl

GA 2073823

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com