



'Tis the season to spend

Consumer pulse survey | Holiday 2021

October 2021



Executive summary:

Optimistic consumers plan for happier holidays

The results of our Holiday 2021 Consumer pulse survey emphasize what a difference a year can make. After the pandemic's overshadowing of the 2020 holiday season, the high level of optimism in our report this year is indicative of consumer resilience and a renewed holiday spirit that is alive and well.

Much of that optimism stems from consumers in our survey reporting that they are back to work, have money in their wallets, plan to go out, and are ready to celebrate, driving spend on holiday purchases both in-store and online. They also have a more positive outlook on the overall economy. Of the 1,000-plus consumers surveyed, nearly half believe the economy is already back or will be back to pre-COVID-19 levels within one year.¹

Survey responses reveal an increased appetite for in-store shopping, in-person holiday get-togethers with friends and family, and a greater willingness to travel. While Black Friday returns as a popular in-store shopping experience, online shopping continues its march toward becoming the dominant shopping channel.

Spending continues to increase

With more than two-thirds of respondents reporting household incomes returning to – and in some cases surpassing – pre-COVID-19 levels,² consumers plan to increase their holiday spending budgets by approximately 5 percent.³ Additionally, more holiday shoppers expect to give more gifts this season than they did a year ago, adding another boost to holiday sales increases.

In September, resilient consumers showed their willingness to spend despite rising prices. Retail sales experienced a firmer than expected .07 percent increase (month-to-month), resoundingly surpassing market expectations for a 0.2 percent decline. This September surprise followed a 0.7 percent August increase, which also overcame market expectations for a 0.7 drop.⁴ But these numbers are even more meaningful when you consider that some of the drops reported in July were revised sharply lower, from a 1.1 percent to 1.8 percent decline.⁵ That meant retailers had to climb out of a deeper hole in August than originally thought.



Consumers are in a better position to celebrate the holidays this year, as evidenced by their positive views on the economy, employment, and household income levels.

— Matt Kramer
National Sector Leader,
Consumer & Retail,
KPMG LLP

¹ Consumer pulse survey, Holiday report, KPMG LLP, September 2021, slide 7. Survey fielded September 2021. (All additional slides referenced in this report are from this source unless otherwise noted.) Detailed results available at <https://advisory.kpmg.us/articles/2021/consumer-pulse-survey-holiday-2021.html>.

² Slide 6

³ Slide 10

⁴ "September surprise: Resilient consumers drive up retail sales," KPMG LLP, September 2021.

⁵ "August retail sales beat market expectations," KPMG LLP, August 2021.

Key survey insights

Based on this year's survey data, some of the key themes explored in this report include:



How consumer attitudes toward the economy, employment, and household income levels have evolved in the aftermath of COVID-19 in 2020.



How much, where, and why consumers are planning to increase spend this holiday season and what will be the impact on holiday shopping budgets.



How shopping preferences compare to last year and whether online shopping will continue to dominate as more shoppers are returning to in-store experiences, especially on Black Friday.



What consumers think about getting out and about for the holidays, including travel and celebrating in person with friends and family.



How supply chain disruption may impact holiday shopping and how consumers are planning to counter the risk of inventory shortages and shipping delays.



How inflationary signals are affecting prices and consumer behavior.



Black Friday reestablishes its spot as the most important shopping event of the holiday season this year, as many consumers plan to return to shop in-store for deals that day.

— Scott Rankin
National Advisory and
Strategy Leader,
Consumer & Retail,
KPMG LLP

For their part, retailers share in holiday optimism and are expecting higher sales

Retailers are also optimistic, expecting strong holiday sales this season. KPMG predicts retail sales growth to climb 7 percent higher (year over year) compared to annual historical growth, which tends to run 3 to 4 percent.⁶ This underscores the impact holiday sales growth has on the total year-over-year retail sales growth.

Yet, supply chain disruption continues to be a cause for retailer concern. For example, in the recent KPMG survey report, [Merry and bright: Retail executives are hopeful for the upcoming holiday season](#), 82 percent of the retail executives surveyed said they are “somewhat” to “very concerned” about inventory shortages. Consumers share such worries, as 54 percent of survey respondents expressed concerns about stockouts and shipping shortages.⁷ To get the gifts they want in time for the holidays, 61 percent⁸ of holiday shoppers plan to start shopping by October. This early start is a 10 point increase from the previous year.

Shoppers will be in-store and online

Based on the insights from our survey data, we expect a strong retail sales season filled with more comfort and joy for holiday shoppers. As we enter the holiday with a bit more hope and greater optimism, consumers are gearing up for a return to a more traditional holiday season, which now incorporates online shopping as a norm. While more consumers are venturing back into brick-and-mortar stores this year, many remain perfectly content shopping online. In fact, e-commerce continues to accelerate and is expected to increase 8 percent⁹ over last year, setting new records for the digital channel.

To learn more, we invite you to take a deeper dive into our survey results on the following pages and would be happy to discuss the data and insights derived from our research. We wish everyone a very happy and healthy holiday season!



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As more ways of life return to pre-COVID-19 conditions, consumers will continue to blend traditional holiday shopping behaviors with modern preferences that improve their retail experiences.

— Julia Wilson
Advisory Managing
Director, Strategy,
KPMG LLP

⁶ Retail executive outlook, Holiday shopping report, The Consumer Pulse survey series, KPMG LLP, September 2021, slide 9.

^{7,8} Slide 17

⁹ Slide 13

Positive views on the economy, employment, and income

Going into the holiday season, many consumers have a more favorable view of the economy than they did a year ago. In fact, nearly half (48 percent) of the consumers surveyed believe the economy is back, or will be back, to pre-COVID-19 levels within one year. This is up from 37 percent that felt that way in 2020.¹⁰

More Americans are going back to work...

Of consumers with jobs most impacted by COVID-19, 83 percent have returned to work, up from 65 percent a year ago.¹¹ Yet, the impacts of COVID-19 are long lasting for some. Of the 17 percent of respondents that remain unemployed, 48 percent attribute their unemployment status to not being able to find work, while 20 percent said they do not yet feel comfortable returning to work due to health reasons.¹²

Indeed, the Delta variant remains an underlying factor in nationwide employment as evidenced by slower-than-expected job growth reported in September. While the economy added 194,000 jobs during the month, employers in some industries face challenges finding workers. However, retail employment accelerated in September amid continued economic momentum. While we expect job growth to improve through the end of the year, month-to-month job performance will continue to depend on the impact of the virus.¹³

Household income returns to prepandemic levels...

Forty-one percent of survey respondents acknowledge experiencing a pandemic-related decrease in household income.¹⁴ Of that population, two-thirds report that their income has since recovered, and in some cases, has surpassed pre-COVID-19 levels. Fifty-five percent acknowledge their income has fully recovered, while 12 percent said their household income is higher than it had been before COVID-19.¹⁵

¹⁰ Slide 7

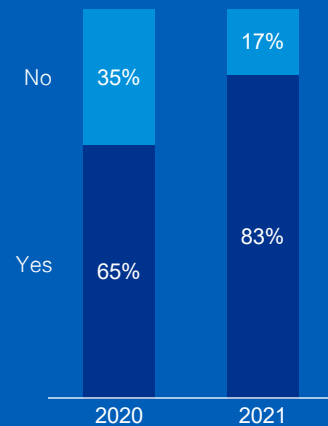
^{11, 12} Slide 5

¹³ "More than meets the eye: September's slower-than-expected jobs growth tied to multiple factors," KPMG LLP, September 2021.

^{14, 15} Slide 6

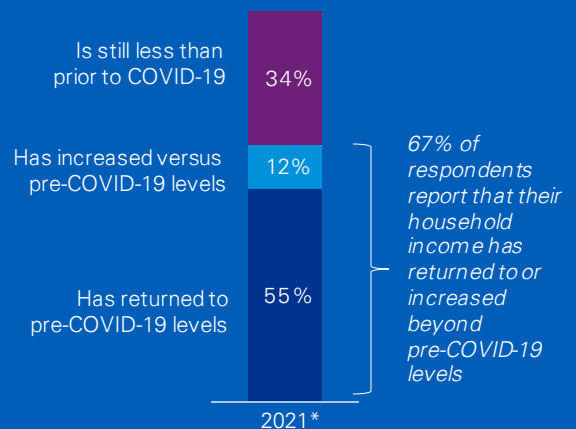
Increased employment supports more positive outlook

% of unemployed, furloughed, and self-employed respondents who have returned to work



Household income has returned to or increased beyond pre-COVID-19 levels

Household income recovery



Household spending and holiday budgets are up

Increases in shopping budgets and gift giving are expected to occur this holiday season thanks to increases in household spending levels. Survey respondents that participate in gift giving estimate that they will see a 5 percent increase in their holiday shopping budgets compared to last year.¹⁶ Their planned holiday spend on gifts is approximately \$627 this year, up from \$598 in 2020.¹⁷

Household spending is on the rise...

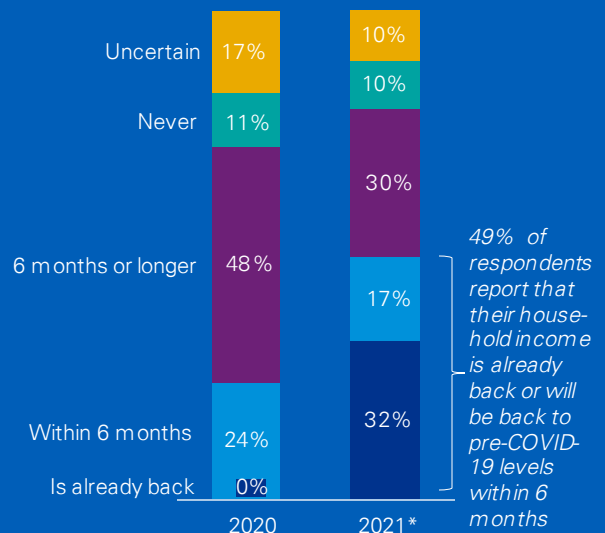
Forty-nine percent of survey respondents report their household spending has returned to (32 percent) or will return to (17 percent) pre-COVID-19 levels within 6 months. This is more than double the previous amount of 24 percent from a year ago.¹⁸

Larger spending budgets lead to more gift giving potential...

Expect more gifts this year. Less respondents (22 percent) will cut back on the number of people they buy holiday gifts for, which is down from 36 percent who made such cuts in 2020.¹⁹ In fact, more respondents are planning to buy gifts for more people, more than doubling from 4 percent last year to 9 percent this year.²⁰ Specifically, a greater number of consumers are planning to purchase gifts for their kids (8 percent), siblings (5 percent), and coworkers (5 percent) this season versus a year ago.²¹

Household spend returning to pre-COVID-19 levels

U.S. level of optimism around consumer spending to recover to pre-COVID-19 levels



Number of people for which consumers are buying gifts

Among respondents that typically engage in holiday gift shopping



^{16, 17} Slide 10
¹⁸ Slide 8
^{19, 20, 21} Slide 12

Online shopping takes the lead...again

Online shopping continues its upward trajectory, accelerating toward new highs again this year. During the 2021 holidays season, approximately 60 percent of all holiday shopping is expected to be online, rising up 8 points from 52 percent in 2020.²²

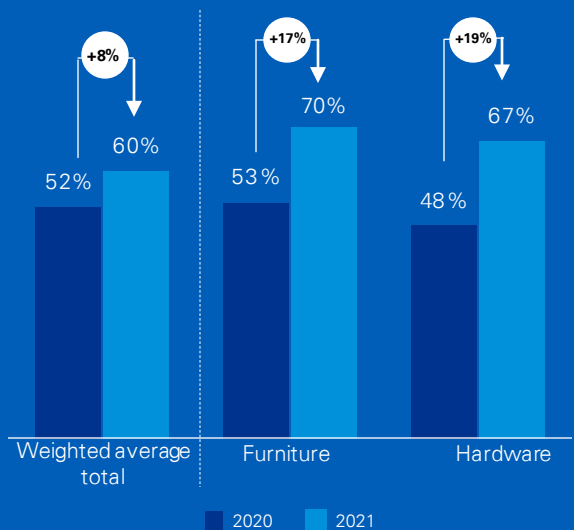
On average, respondents plan to buy more online across all categories during the 2021 holiday season. Some of the biggest increases in online holiday purchases are expected in hardware (19 percent) and furniture (17 percent).²³

Last-mile delivery remains an important factor...

Omnichannel strategies are here to stay. While they became more prevalent in 2020 to accommodate digital acceleration of buying habits, they remain a key component to holiday success this year. Consumers cite last mile delivery options such as online delivery; buy online, pick up in store (BOPIS); and curbside pickup important to this year's buying process. Each option achieved greater results than pre-COVID-19 results but slipped slightly in usage compared to 2020, with one exception. BOPIS edged up in popularity as a fulfillment option this year, gaining 1 percent higher than 2020 levels (10 percent), with an anticipated 2 percent increase over the next few months.²⁴ With e-commerce expected to surpass last year's levels, retailers surveyed also plan to rely more on BOPIS (46 percent) as well as buy online and ship from store (40 percent) and home delivery from store (35 percent) as methods of fulfillment.²⁵

Online holiday spending expected to increase in 2021

Average % of holiday shopping purchases expected to be done online



^{22, 23} Slide 13

²⁴ Slide 23

²⁵ Retail executive outlook, Holiday shopping report, The Consumer Pulse survey series, KPMG LLP, September 2021, slide 12.

Black Friday makes a strong comeback in stores

While online shopping is expected to reach record numbers this year, in-store shopping is now back in style. In fact, 32 percent of consumers surveyed said they plan to definitely shop in-store on Black Friday.²⁶ Notably, this is double the amount (16 percent) of respondents that planned to shop in-store on Black Friday last year.

The most important holiday shopping day returns...

Further responses underscore the positive change in mindset from last year. For example, this year, only 21 percent of consumers said they would definitely not shop in-store on Black Friday, a significant drop from the 35 percent of respondents that said they would definitely avoid it in 2020.²⁷

Retail executives are paying attention. Approximately 90 percent of the retail executives we surveyed plan to have Black Friday promotional events.²⁸ As a result, Black Friday marketing budgets are expected to increase by 15 percent compared to last year.²⁹

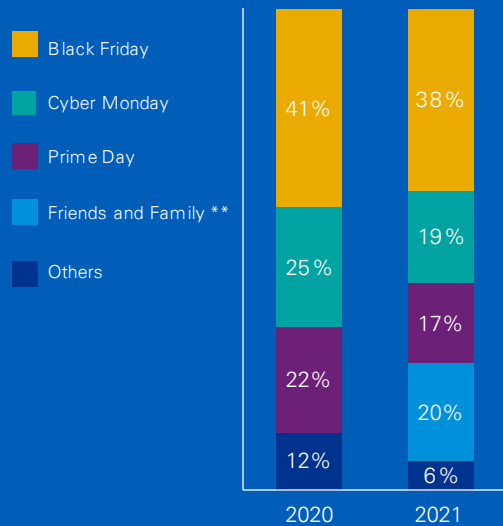


^{26, 27} Slide 18

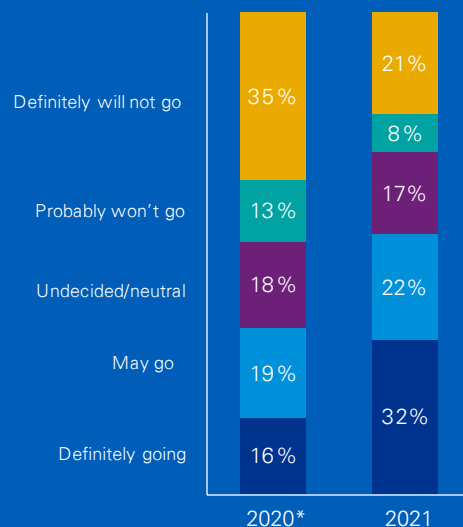
^{28, 29} Retail executive outlook, Holiday shopping report, The Consumer Pulse survey series, KPMG LLP, September 2021, slide 18.

Black Friday still most important holiday shopping event

Most important holiday sales events



Black Friday in-store shopping plans



Supply struggles to meet holiday demand

Supply chain disruption from last year continues to spill over to this holiday season. As holiday festivities draw near, both consumers and retailers share increased anxiety over inventory shortages and shipping delays complicated by port congestion, labor shortages, shipping container troubles, Delta variant concerns, and more.

Significant supply chain challenges remain...

Approximately 50 percent of consumers report being concerned about stockouts and shipping shortages.³⁰ Retailers also share similar supply chain concerns, with 82 percent of retail executives surveyed acknowledging they are “somewhat” to “very concerned” about inventory shortages.³¹ And supply chain issues are beginning to fuel signs of inflation.

So, holiday shoppers plan to start very early...

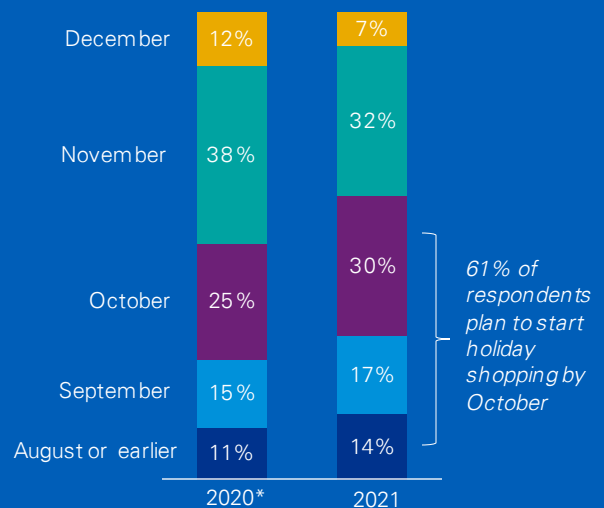
To counter the uncertainty of supply chain deliveries, 61 percent of the consumers surveyed plan to start their holiday shopping by October, up by 10 percent from 2020.³² Holiday shoppers are wise to not wait until the last minute when looking for specific gifts. They not only run the risk of not finding the product they are looking for, but they might be stuck paying a higher price tag due to limited quantities. According to retailers, prices may climb as high as 15 percent (year over year).³³

To entice more holiday shopping, retailers see promotional activity playing a bigger role this holiday season. For example, 68 percent of retail executives surveyed said this year will be “much more” or “somewhat more” promotional than last year.³⁴ More than half will keep their doors open on Thanksgiving, and most plan on launching Black Friday, Cyber Monday, and specific loyalty promotions to boost holiday sales.³⁵ These plans may change as retailers evaluate their in-stock levels throughout the holiday season.

Moreover, retailers have plans to tailor their product assortment to accommodate holiday shoppers. Fifty-four percent will offer more value options, such as boxed sets, while 39 percent will increase private label, and 38 percent will offer more premium assortments.³⁶

Plans to start shopping by October up 10%

Holiday shopping start date (among respondents that engage in holiday gift shopping)



^{30, 32} Slide 17

^{33, 34} Ibid, slide 14

³¹ Retail executive outlook, Holiday shopping report, The Consumer Pulse survey series, KPMG LLP, September 2021, slide 23.

³⁵ Ibid, slides 18, 19, 20

³⁶ Ibid, slide 14

Going out and about for the holidays

After being forced to stay at home more last year, fewer people want to stay home for the holidays this year. Survey results reveal consumers are seeking more celebrating and socializing in person with family and friends.

Making plans to see people and go places...

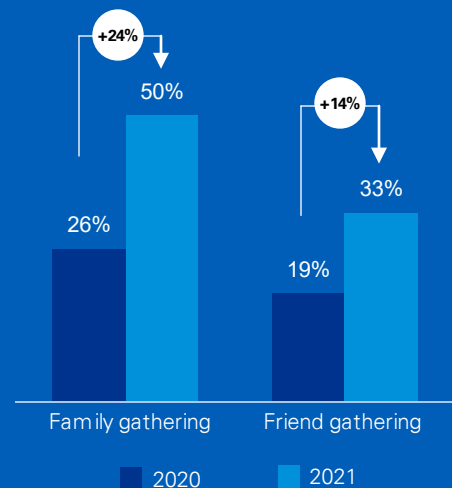
Consumers surveyed plan to attend more holiday gatherings this year than they did in 2020. Family gatherings are up 24 percent and gatherings with friends are up 14 percent year over year.³⁷ In addition, 47 percent of people do not plan to celebrate Thanksgiving at home this year versus 40 percent last year.³⁸

Coronavirus still weighs heavily on travel decisions...

However, not everyone is ready to travel over the holidays, and those that do will need to take the necessary health and safety precautions. Fifty-five percent of respondents said they are still at least somewhat dissuaded from traveling due to COVID-19, with their main concern being the further spread of the virus.³⁹ Meanwhile, approximately 50 percent of respondents believe their leisure and business travel habits have, or will, change permanently due to COVID-19.⁴⁰ For example, 54 percent of respondents now consider healthcare infrastructure when planning international trips;⁴¹ another 59 percent said they now feel most comfortable staying at a brand-name hotel.⁴² Nearly the same amount (58 percent) prefer a travel partner that employs a fully vaccinated staff over one that does not.⁴³

Increased participation in holiday gatherings

Change in % of consumers attending holiday gatherings by gathering type



³⁷ Slide 14

³⁸ Slide 25

³⁹ Slide 26

^{40, 41} Slide 27

^{42, 43} Slide 28

*Totals may not sum to 100% due to rounding.

**Friends and Family sales was not tracked in 2020.

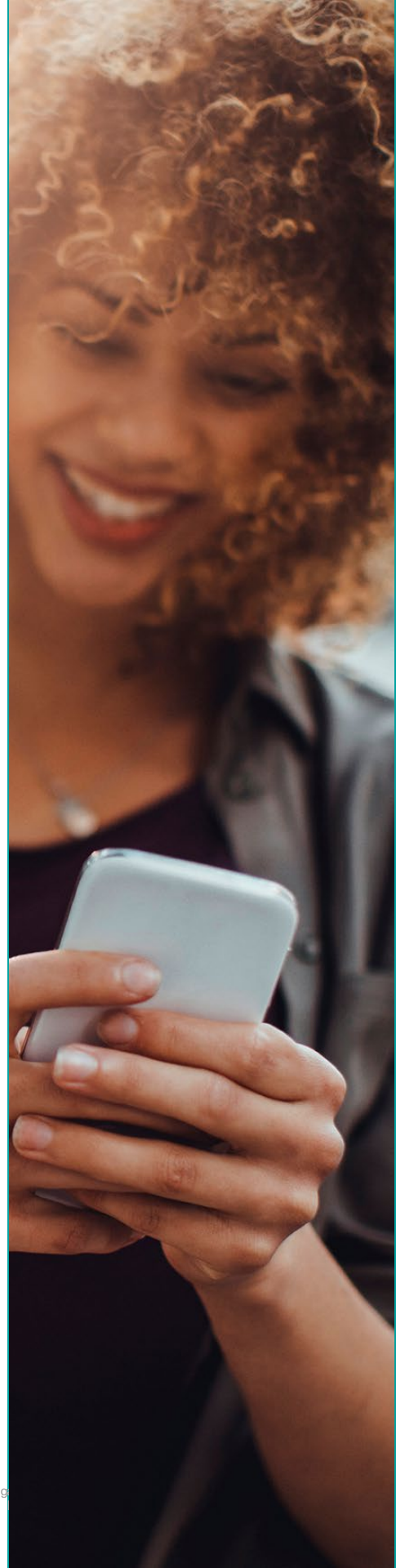
Wrapping it all up

Consumers and retailers share an optimistic outlook for the 2021 holiday shopping season. Survey results reveal that shoppers are ready, willing, and able to spend this year. Retailers are seeking seasonal success by meeting consumer expectations on where and how they shop. We recommend the following considerations for executives this holiday season:

- **Think more strategically about holiday promotions:** Consider the pressures inflation is having on margin structure. While consumers may expect to pay more, they're also looking for good deals, especially during the holidays. Retailers can navigate both the supply and demand challenges of inflation by taking a strategic approach to revenue growth management. Use analytics to understand what pricing decisions can increase revenue while limiting the impact on unit volumes.
- **Double down on digital:** Newer delivery models such as BOPIS, curbside pickup, ship from store, and click-and-collect are here to stay. Optimize an omnichannel approach to meet consumers where, when, and how they want to shop while carefully monitoring the profitability impact of fulfillment. Retailers can leverage data and analytics to understand true profitability at the product, customer, and channel level to ensure margin stability.
- **Stock strategically for the season:** Retailers facing capacity issues and shortages from COVID-19 remain concerned about adequate inventory. But holiday shoppers will go elsewhere for gifts if shelves are not stocked. Retailers can focus efforts on the categories that have the biggest impact, using consumer insights to inform the strategy.
- **Encourage shoppers to start early:** Retailers can use digital marketing, promotional events, and social media to their advantage, focusing on loyalty and rewarding their most important customers that start their shopping early. Encouraging shoppers to start earlier in the season will help counter last-minute rush and distribution bottlenecks and enable consumers to try and get specific products in time for the holidays.

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