

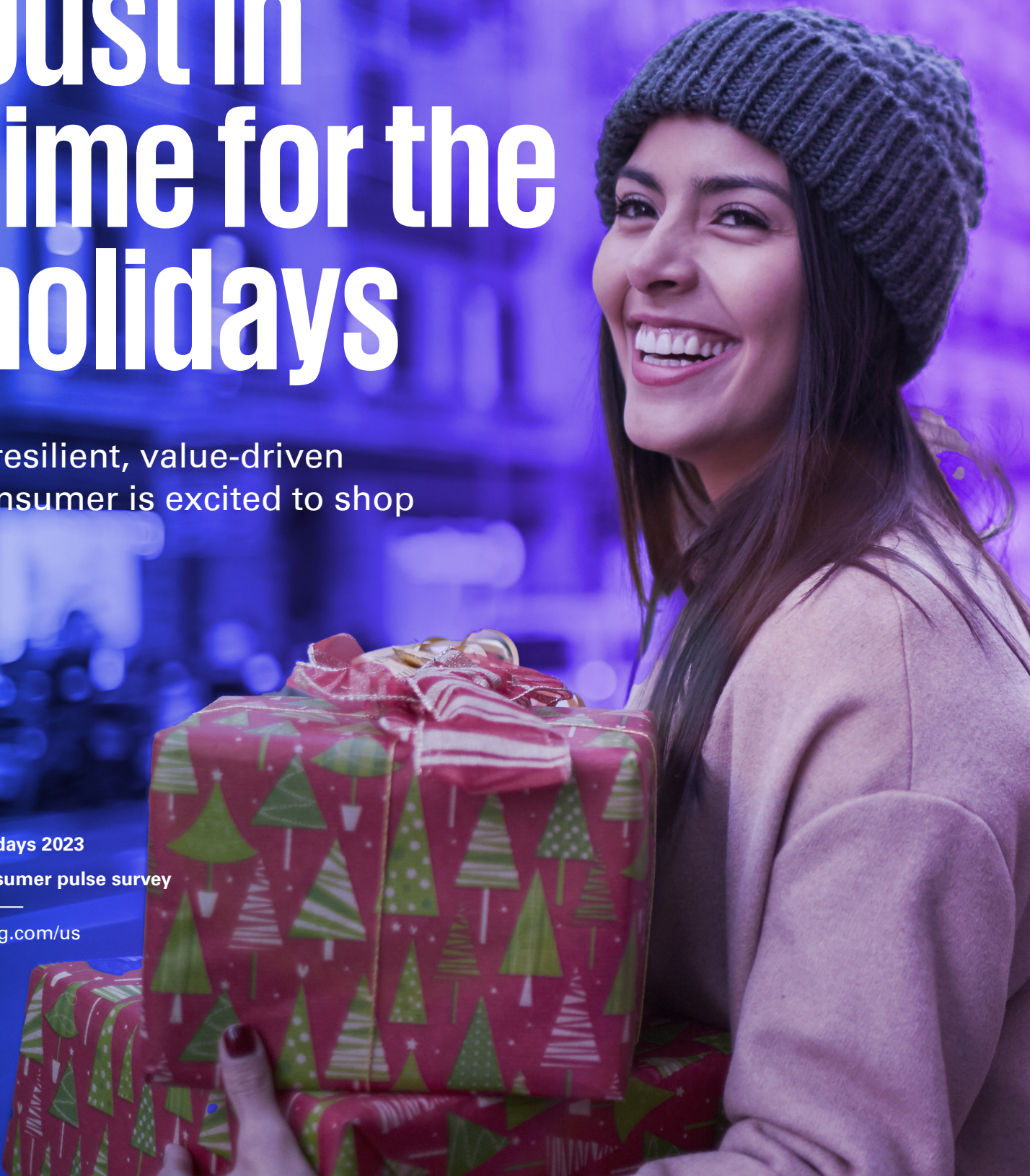


Just in time for the holidays

A resilient, value-driven
consumer is excited to shop

Holidays 2023
Consumer pulse survey

kpmg.com/us



Insights that will drive holiday shopping

KPMG surveyed over 1,000 U.S. consumers about their upcoming holiday shopping and activities. The result is insights on how, what, and where consumers will shop and entertain in the most important retail season of the year¹.

Consumers have been developing their dollar-stretching skills to make choices on purchases and experiences that are most important to them. This will continue to be the case in the 2023 holiday season with consumers telling us they will stay in the gifting and entertaining game to the delight of retailers. Diligent retailers will be wise to finetune the four Ps (product, price, place, and promotion) to capture the value-oriented consumer looking for the best for less.

Consumers report they are feeling better about their economic situations. More than half surveyed

experienced a meaningful positive change in income. That is good news for retailers vying for the shopping dollar.

Despite the need to spend on essentials that remain higher priced, consumers will spend five percent more this year during the holiday. Discretionary categories will get more of the monthly budget with a strong lean towards restaurants, apparel, and travel. Purchasing more gifts is the plan, while tightening down the list to closest family and friends. Gift cards and online shopping will continue their upward trend.

Holiday season travel and entertaining continues the post-pandemic rise with travel budgets expected to grow by 25 percent driven by extending travel days for the important family visits and holiday vacations.

"Consumers are becoming experienced value shoppers as they plan for the holiday gift buying season, and to the delight of retailers, the resilient consumer will remain as wage gains hold and the door reopens on discretionary spend categories, holiday gatherings, and travel." said Matt Kramer, National Sector Leader, Consumer and Retail at KPMG.

¹ KPMG Consumer Survey Pulse - Holiday (September 2023)

Key findings:



Higher discretionary holiday spending

Consumers expected to spend around \$1,100 during the holiday season – up 5 percent from last year.



Bigger spend on gatherings and holiday travel

81% of consumers are planning get-togethers with family and friends. Those traveling will spend 25 percent more.



New age and new tools for online shopping

Online shopping continues its trend upward. Artificial intelligence and social shopping is actively utilized by Gen Z and Millennials.



Big event days: Black Friday and Cyber Monday

In-store or online, the traditional Black Friday continues with Thanksgiving early bird shoppers and stretches into Cyber Monday.



The resilient, value-driven consumer

36 percent plan to purchase more gifts; 18 percent plan to reduce spend due to higher prices. This year's shopper wants value and will be selective.



Matt

Matt Kramer
National Sector Leader,
Consumer & Retail



Duleep

Duleep Rodrigo
National Advisory Leader,
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Julia

Julia Wilson
Principal,
Advisory Strategy and ESG

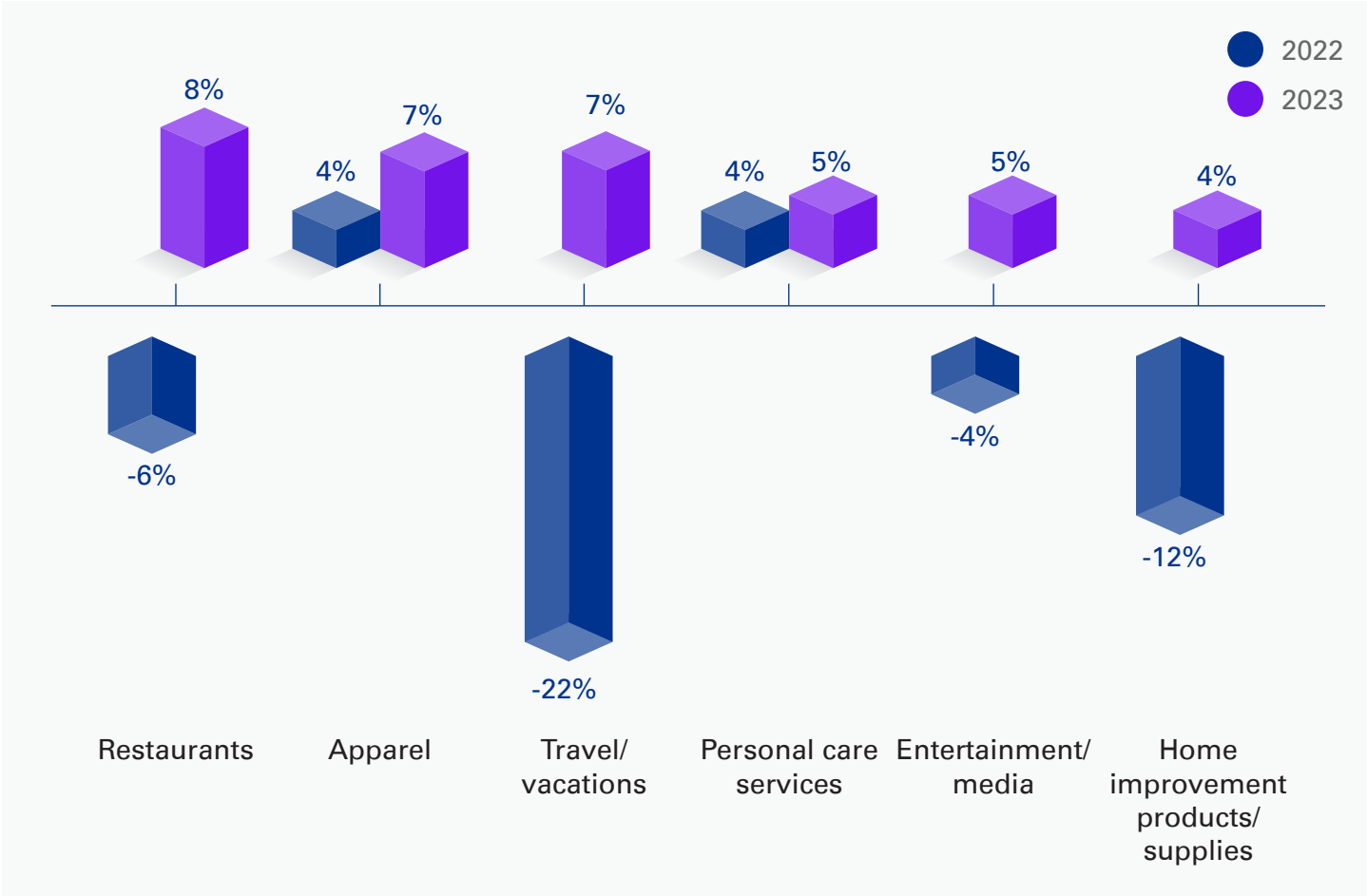
Higher discretionary holiday spending

Last year, spending on discretionary categories was in a decline as inflationary pricing on essentials and economic uncertainty put a strangle hold on consumers.²

This year, consumers appear to be more confident in putting their monthly spend into discretionary categories with all twelve categories expecting an increase, compared with only two in the prior year. A reason for shopper optimism is inflation has fallen to 3.5 percent annually while wage growth is at 4.5 percent, resulting in greater purchasing power.

A major share of the monthly spend still goes to essentials, although three of four categories are expected to absorb less of the monthly spend this season. This provides more for discretionary with winners including restaurants (+8%), apparel (+7%), and travel/vacations (+7%). It also shows a clear consumer preference to spend more on gatherings, experiences, and getaways where people want to look their holiday best.

Anticipated change in top categories of discretionary monthly spend



² KPMG Consumer Pulse Holiday (September 2022)

Bigger spend on gatherings and holiday travel

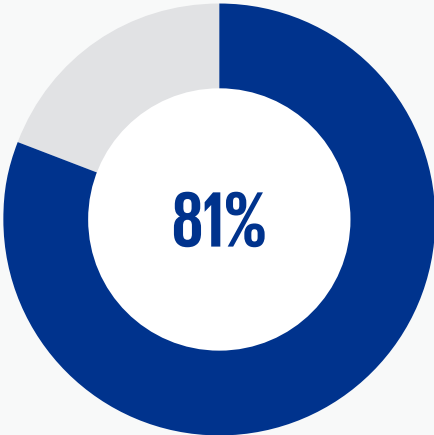
Getting together with family and friends over the holidays or traveling during Thanksgiving is a national pastime that proved challenging during the pandemic years. The return to those time-honored traditions is clearly a priority for consumers who plan to allocate more time and spending this year than any of the last three.

81 percent surveyed plan to celebrate with a special meal or gathering. The average spend on travel is expected to increase by 25 percent over last year with the most significant jump being 35% planning to spend \$1,000 or more compared to 28% last holiday season.

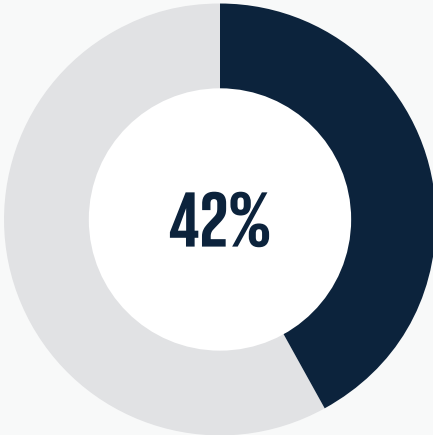
For retailers, this creates a great opportunity to cater to the traveling consumer in categories expected to grow like restaurants, apparel, personal care services, and entertainment.

“With the consumer more in a mood to spend, families also want to venture out this holiday season to dine, to travel, to share memories together,” said Julia Wilson, Principal, Advisory, Strategy.

Holiday celebrations and events

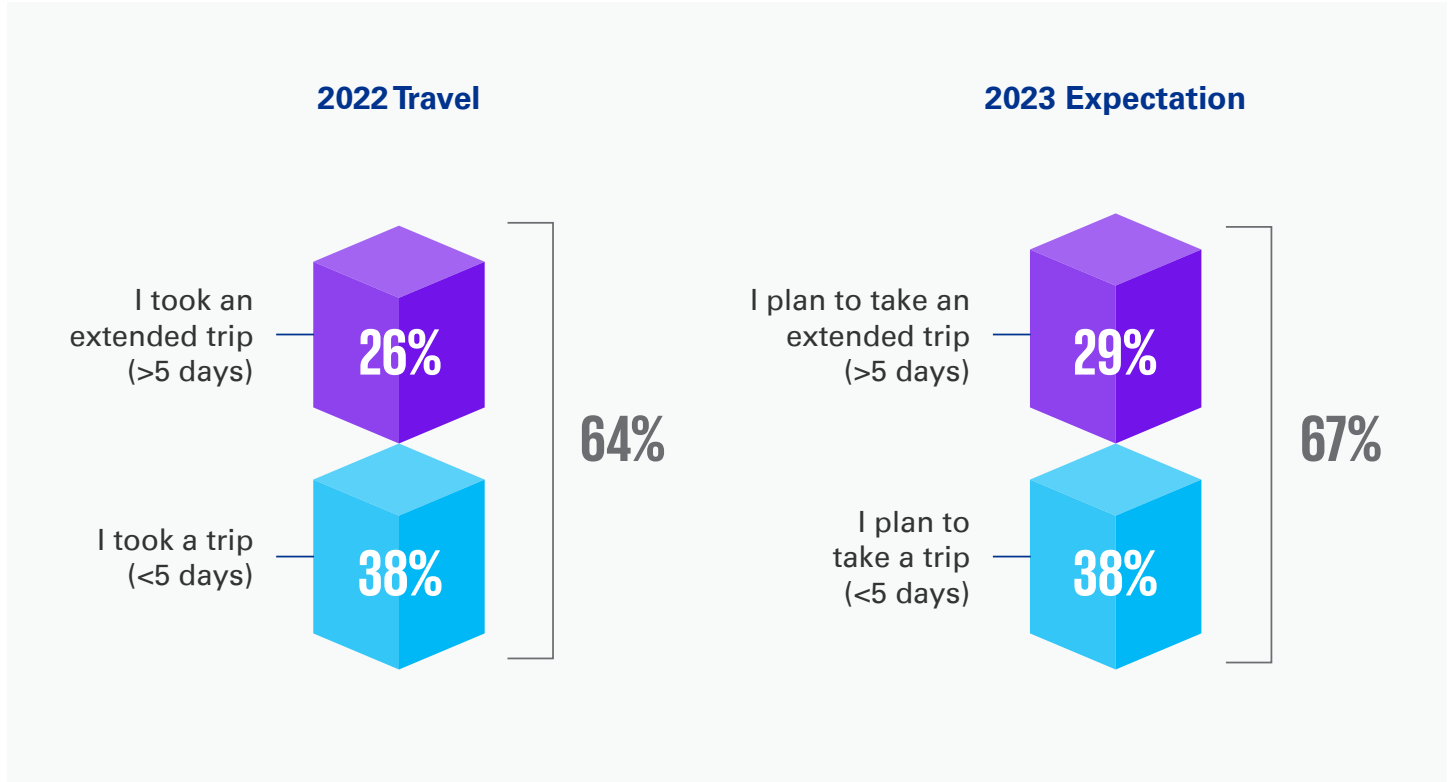


Plan to celebrate the holiday season with a special meal or gathering.



Plan to spend more in 2023 than they did in 2022

Traveling during Thanksgiving



Insight:

Consumers have more savings amassed for shopping than previously thought. Estimates put excess household savings at \$1.4 trillion in September, nearly double the previous estimate of \$700 billion.

Source: Kenneth Kim, Senior Economist, KPMG Economics

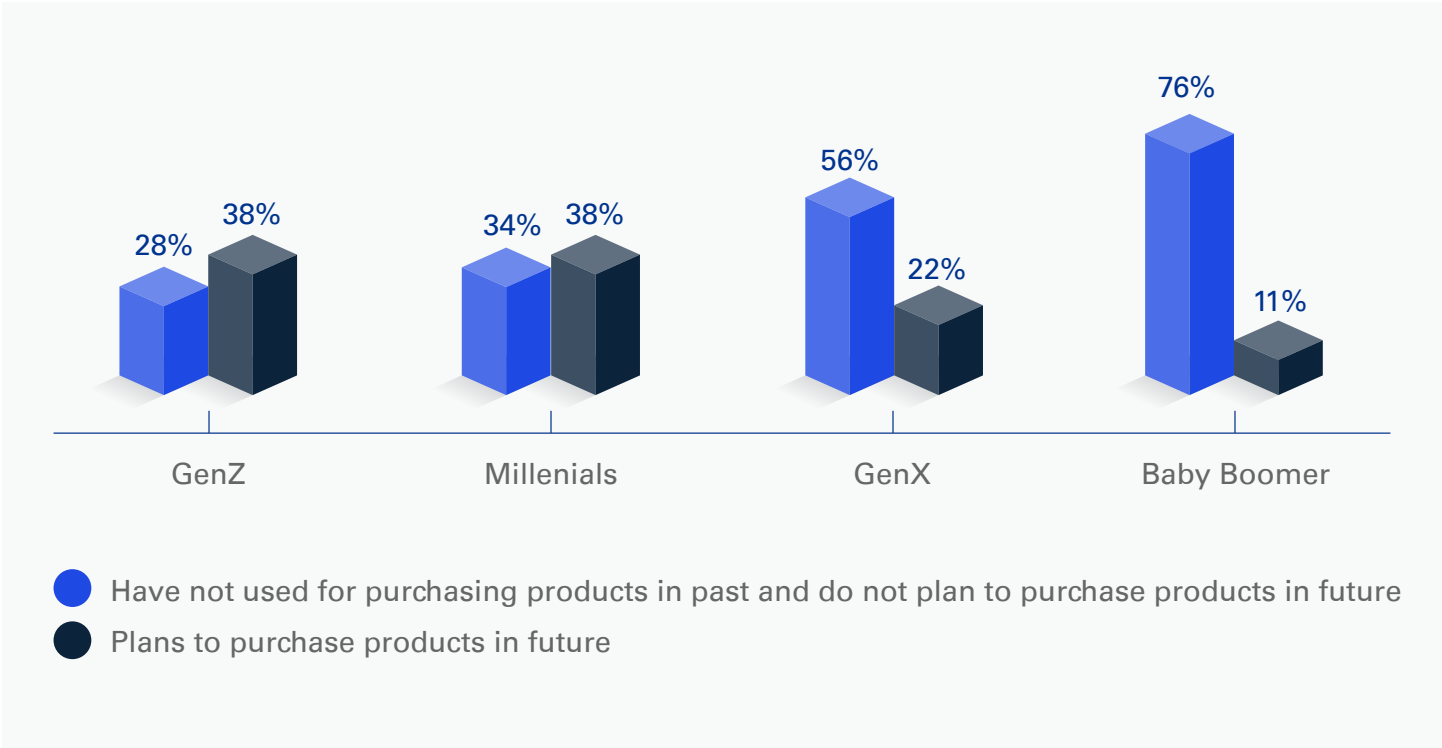


New age and new tools for online shopping

Online shopping continues its upward trend but with a twist. Millennials and Gen Z are into social media-influenced shopping and web 2.0 shopping aids. The buzz around artificial intelligence (AI) and generative AI is permeating into the holiday season, which will bring delight to retailers focused on increasing direct, digital marketing campaigns.

Gen Z (46%) and Millennial (39%) consumers have purchased from social platforms in the past, and 38% are planning to purchase again in the future, which shows strong staying power for these retail channels. The most common categories for social commerce include apparel, makeup, and entertainment/media. It is a clear sign to retailers to continue dialing up their digital presence to attract these two generations that represent the purchasing power of the future.

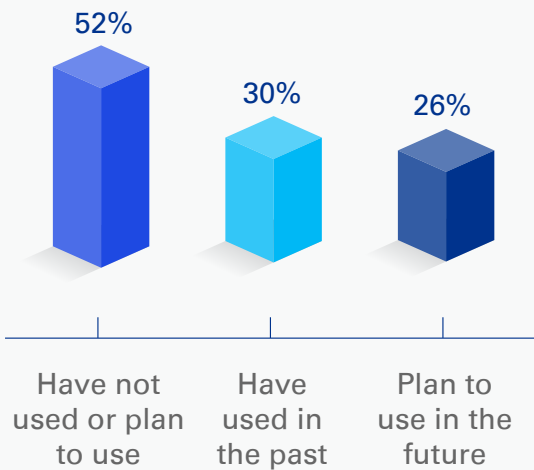
Social shopping usage experience, by generation



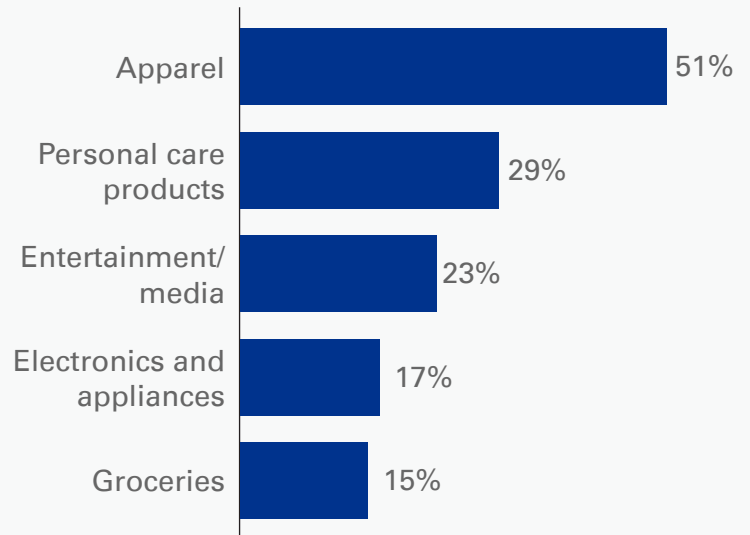
* Social shopping is defined as the purchase of products or goods through social media platforms.

Prevalence of social shopping

Social shopping usage



Top five social shopping categories



Insight:

Over 26 million Americans with public student debt restarted payments in September, which could negatively impact their discretionary income.

Source: Meagan Schoenberger, Senior Economist, KPMG Economics



Big event days: Black Friday and Cyber Monday

Consumers love Black Friday and maybe even more so in 2023 as the expectation of great bargains has become a top priority for budget conscious shoppers.

Nearly half expect more promotions and deals and 29 percent plan to get a jump on Black Friday by shopping on Thanksgiving Day. We clearly envision consumers taking advantage of more digital in Black Friday with 36 percent surveyed planning to shop online during Black Friday.

Consumers appreciate retailers that offer the same or similar deals online compared to in-store. This flexibility empowers consumers looking to avoid the risk of out-of-stock stores and a chaotic environment on Black Friday. The challenge facing retailers will be enticing consumers to shop early and often instead of waiting for the Black Friday weekend. Nearly the same percentage of consumers plan to start holiday shopping prior to November at 52% compared to the prior year of 51%.

Event based shopping experience



Insight:

A resurgent Covid or increased flu season could impact in-store shopping and drive online sales even higher.



Meet the resilient, value-driven shopper

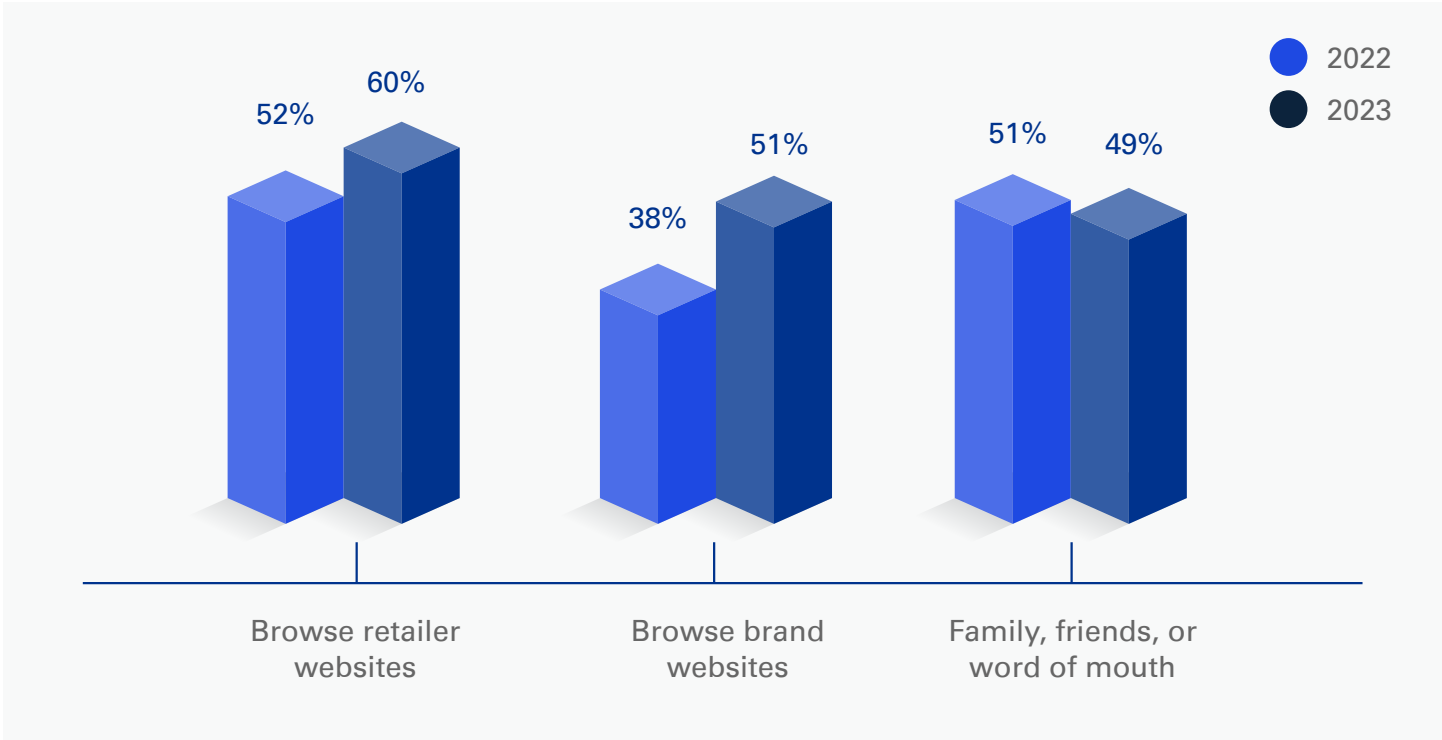
This year more than any recent year, the holiday shoppers are expected to be eager for deals and discounts to stretch their holiday budget.

Consumers are more seasoned, having seen the inflationary peak of 9.1 percent nearly 18 months ago. They have learned how to carefully stretch their dollar while benefiting from increased earnings power. As a result, 36 percent plan to purchase more gifts while 18 percent plan to reduce spend due to higher prices. It is shaping up to be a resilient, value-driven consumer with the two most prominent shopping destinations

being mass market retailers (74%) and discount stores (56%). Retailers are also experiencing shoppers that are more difficult to convert to buyers--both in-store and online as they monitor online shopping cart conversation.

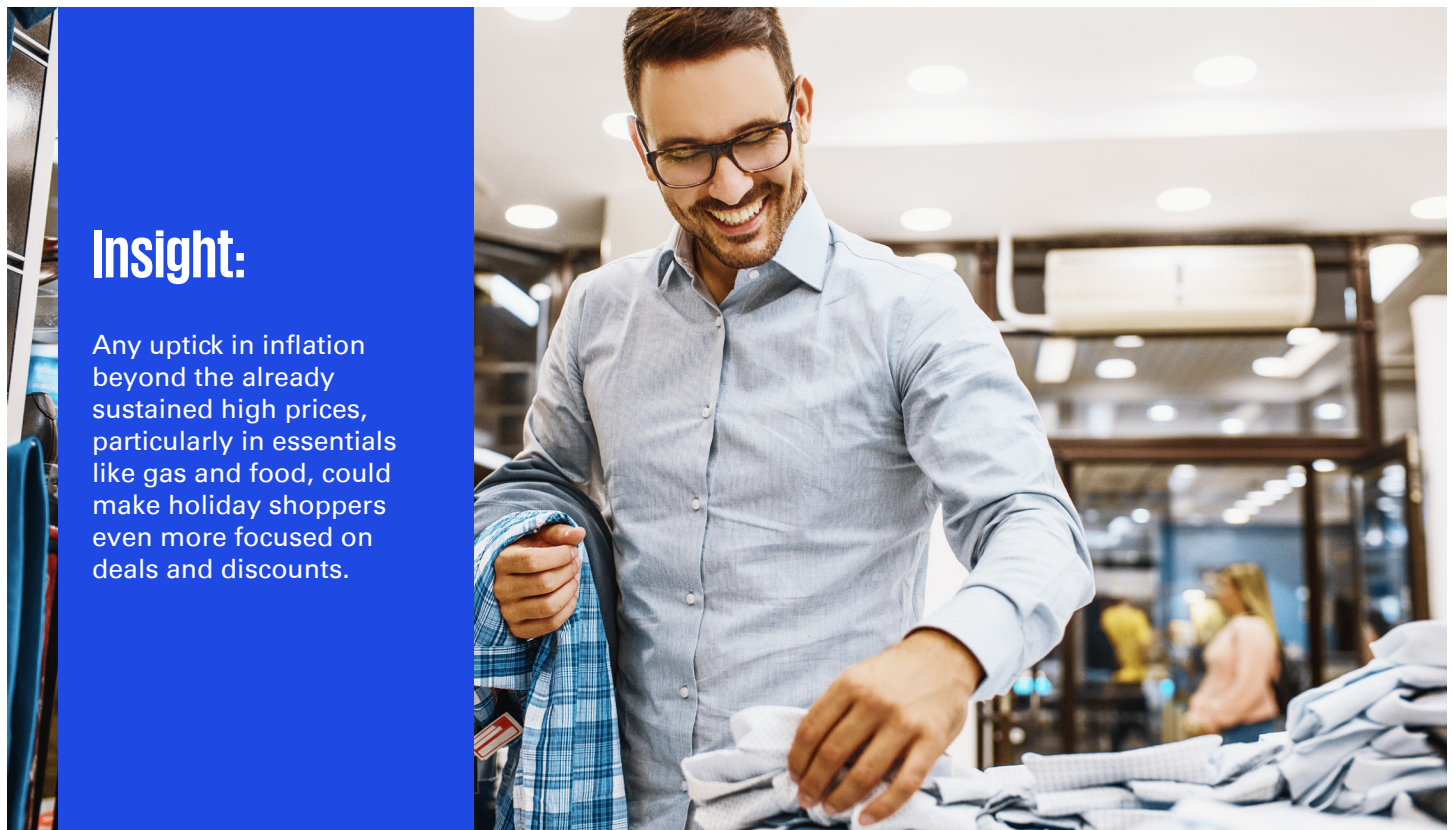
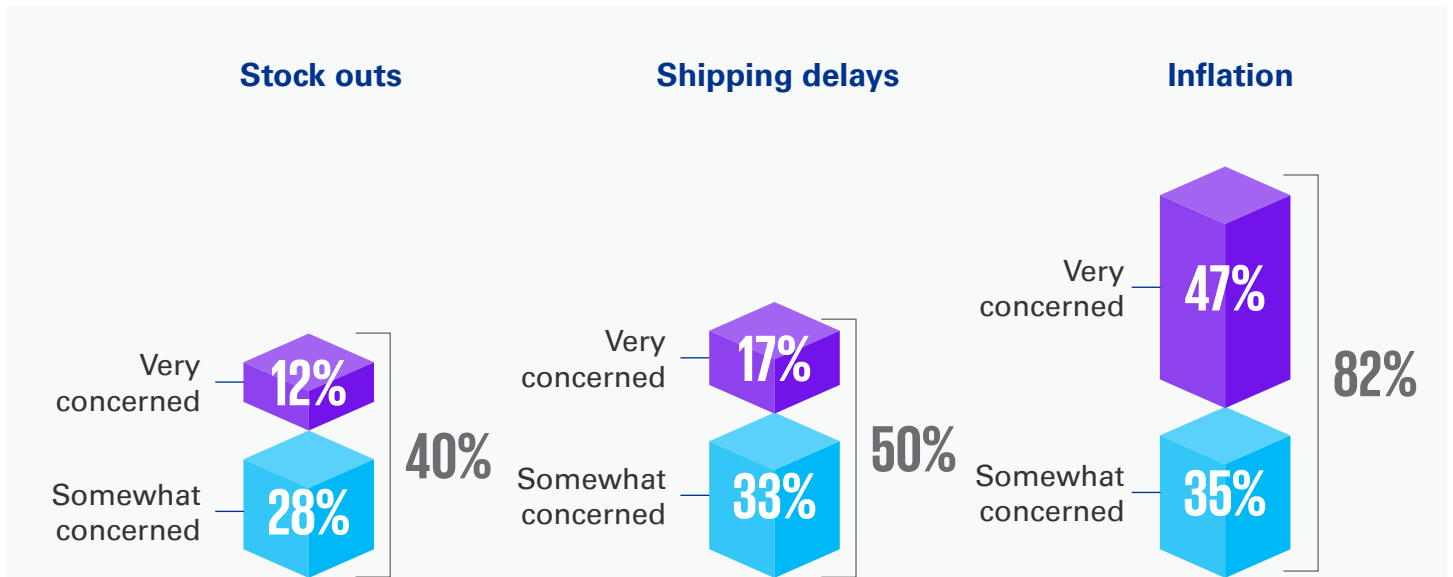
Consumers are clearly more likely to do their homework in advance of any holiday shopping with an increase in researching retailer websites (60% up from 52%) and brand websites (51% up from 38%). Retailers that can adapt to the resilient, value-driven shopper throughout the holiday season with the right merchandise mix stand to win.

Consumer holiday shopping research



Inflation clearly remains the top concern of the 2023 holiday season at 82% although down a slightly from the 2022 top concern of 85%. Shipping delays (50% in 2023 vs. 57% in 2022) and stock outs (40% in 2023 vs. 63% in 2022) have dropped more significantly as inventory levels and on-time deliveries have recovered from the challenges experienced by retailers during the pandemic.

Holiday shopping concerns



Insight:

Any uptick in inflation beyond the already sustained high prices, particularly in essentials like gas and food, could make holiday shoppers even more focused on deals and discounts.

KPMG insights

The KPMG survey of over 1,000 U.S. consumers about their upcoming holiday shopping and activities netted a treasure-trove of insights. KPMG can share deeper insights on this year's holiday shopper, as well as our perspectives on

purchasing behavior, digital disruption, rising costs, increased speed to market, and emerging competition. These four top recommendations for the upcoming season will help retailers navigate customer expectations and bring a little more holiday joy.



Price with value in mind

Retailers can navigate consumer concerns about inflation by taking a strategic approach to pricing and promotion. Use analytics to understand what pricing decisions can increase revenue while limiting the impact to unit volumes, implement category/assortment strategies toward more profitable products, optimize discounts, and increase marketing efficiencies.



Deliver effectively in-store and online.

Take a consumer-centric approach and meet consumers where, when, and how they want to shop, while carefully monitoring the profitability impact of fulfillment. Retailers can increase market share by demonstrating an exceptional customer experience across each channel.



Be hyper-focused on the full range of assortment opportunities.

Cost-conscious consumers will seek greater value and lower prices offered by alternatives or private label. Retailers can find pockets of growth by looking at expanding their inventory of private label and other value-oriented products.



Drive success from great customer experience.

Retailers have to work harder to attract sales from budget-conscious consumers. A key is to create a memorable omnichannel customer experience. An exceptional customer experience is seamlessly connected online and in-store, meeting consumers where, when and how they want to shop.

Transforming for growth in consumer and retail

With deep sector knowledge and experience, KPMG helps consumer products and retail companies transform their businesses to drive growth, capture greater value, and navigate complexity to better engage and deliver an enhanced customer experience.

We leverage our industry expertise, best-in-class methodologies, knowledge of technology, and digital capabilities, combined with our people-centric approach to deliver outcomes that matter.

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