

2019 Holiday Outlook

Visions of sugar plums? Maybe . . .



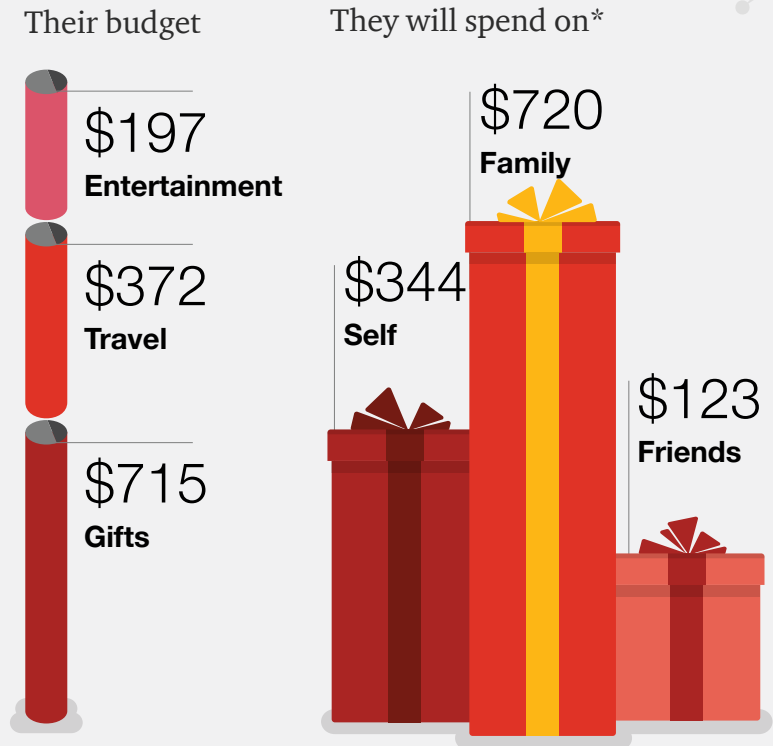
A time for family and friends

Consumers are somewhat optimistic about holiday shopping this year, if not quite as enthusiastic as they were last year. Despite looming **economic** and **geopolitical** uncertainty, other factors such as higher wage growth and lower interest rates are shoring up consumer confidence for now: 86% told us they will spend the same or more this holiday as they did in 2018.

On average, they will spend \$1,284 on gifts, travel and entertainment, a modest increase of 2.7% over last year. And the vast majority of respondents to our annual survey—almost 80%—told us they were not worried about growing credit-card debt during the holidays, despite rising levels of **credit-card debt** overall.

The majority of consumers (86%) are primed to spend as much or more this holiday as they did last year, an average of \$1,284.

Consumers will spend **2.7% more** this holiday



*Main categories

Q: Thinking about the forthcoming 2019 holiday season, how much in total do you plan to spend on yourself in the following categories? This includes gifts, travel and entertainment. Note: Please exclude any charitable contributions.

Base: 2,017

Source: PwC, *Holiday Outlook 2019*

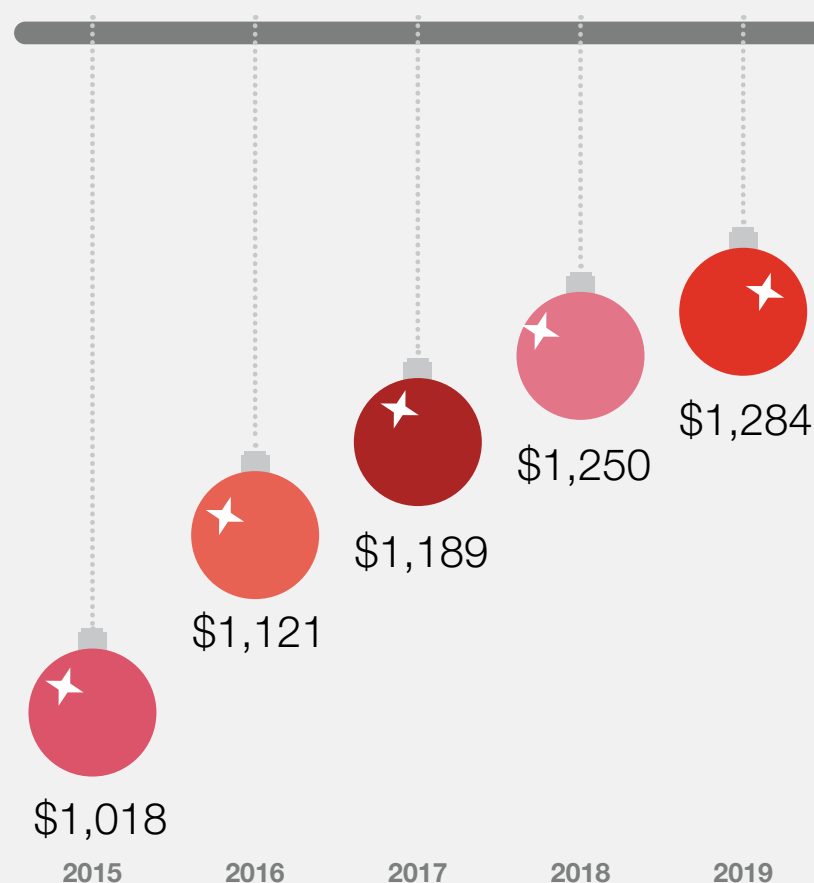


Growth in spending holds steady over 5 years

Levels off amid uncertainty in 2019

Among our biggest spenders: holiday travelers, college graduates and telecommuters. Meanwhile, almost half of young millennials (age 24-27) will spend more this holiday season than they did last year, compared to 33% of consumers overall.

Family is a top priority on consumers' holiday shopping list. They will spend a little more than half their shopping budgets on family. Not to be forgotten, however: themselves! Close to 30% of holiday shopping budgets will cover spending on self, followed by spending on friends at 10%. Interestingly, nearly 36% of millennials say they will shop for resale and rental items instead of buying new.



Q: Thinking about the forthcoming holiday season, how much in total do you plan to spend on others and yourself in the following categories? This includes gifts, travel and entertainment. Note: please exclude any charitable contributions

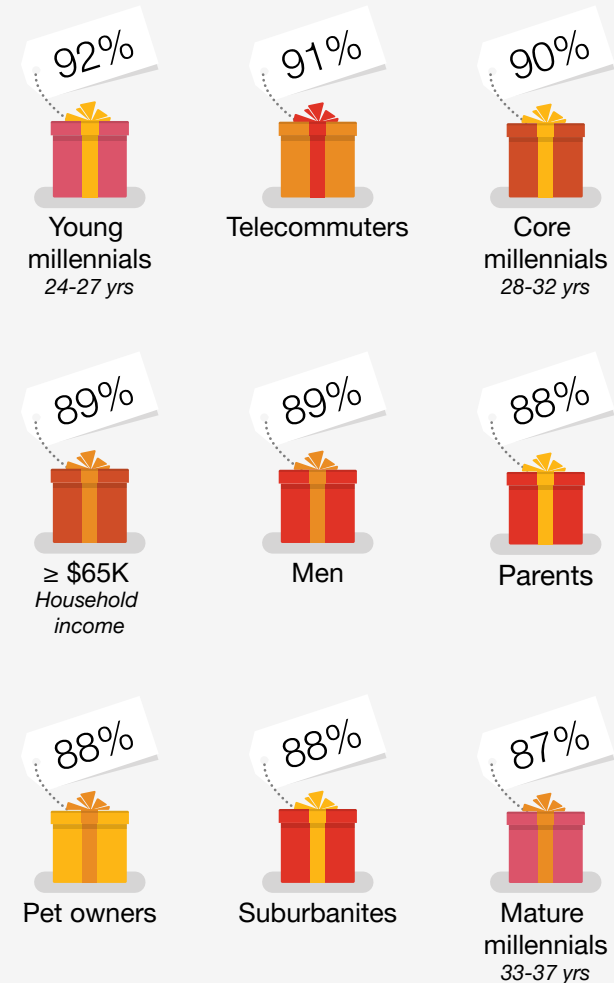
Base: Varies by year

Source: PwC, *Holiday Outlook 2019*

Primed by Prime Day, a tiny sliver of early birds (2%) had already *completed* their holiday shopping by mid-July. While another 4% will be done by the end of October. The vast majority—more than 90%—will shop in November and December.

When asked what they value most about the holiday season, consumers told us it was time with friends and family. Whether shopping together, traveling, gathering for a meal, or chilling out to a movie or TV show, the holidays offer bountiful connections with community.

Who will spend the **same** or **more** than they did last year?*



*Select consumer groups

Q: Compared to the 2018 holiday season, do you think you will . . . ?

Base: Varies by category

Source: PwC, *Holiday Outlook 2019*



Who's driving spending this holiday season?

In this analysis, we explore likely shopping behaviors over the next few months, based on what 2,017 consumers told us about their intentions in a national survey.

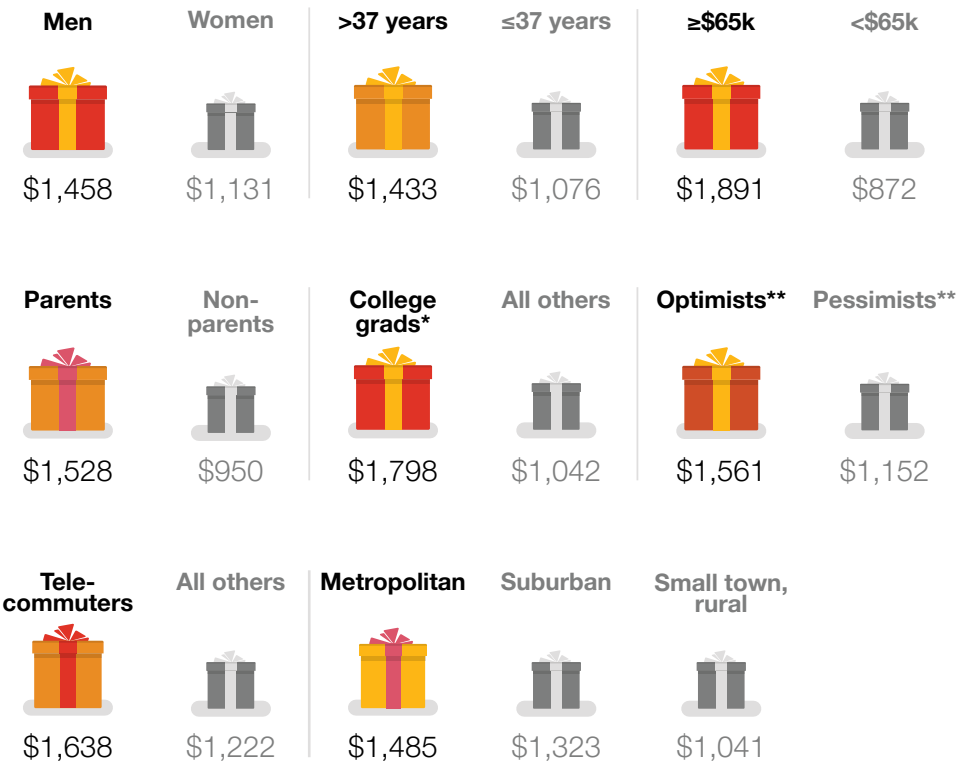
They told us:

- Where and when they will shop
- What drives their purchasing decisions
- The types of gifts they will buy
- The gatherings they will host for family and friends
- Their holiday travel and entertainment plans

We analyze this consumer-reported data—and overlay the findings with additional PwC research and analysis—to uncover implications of use to retailers.

Consumer segments by age (base) :

- | | | | |
|----------------------|-------------|-----------------------|-------------|
| • Mature Gen Z | 17-23 (353) | • Generation X | 38-52 (454) |
| • Millennials | 24-37 (490) | • Baby boomers | 53-72 (613) |
| - Young millennials | 24-27 (154) | • Greatest generation | 73+ (107) |
| - Core millennials | 28-32 (176) | | |
| - Mature millennials | 33-37 (160) | | |



*bachelor's degree or higher
**about the economy

Q: Thinking about the forthcoming holiday season, how much in total do you plan to spend on others and yourself in the following categories? This includes gifts, travel and entertainment. Note: please exclude any charitable contributions

Base: Varies by category

Source: PwC, *Holiday Outlook 2019*



Trending for holiday 2019

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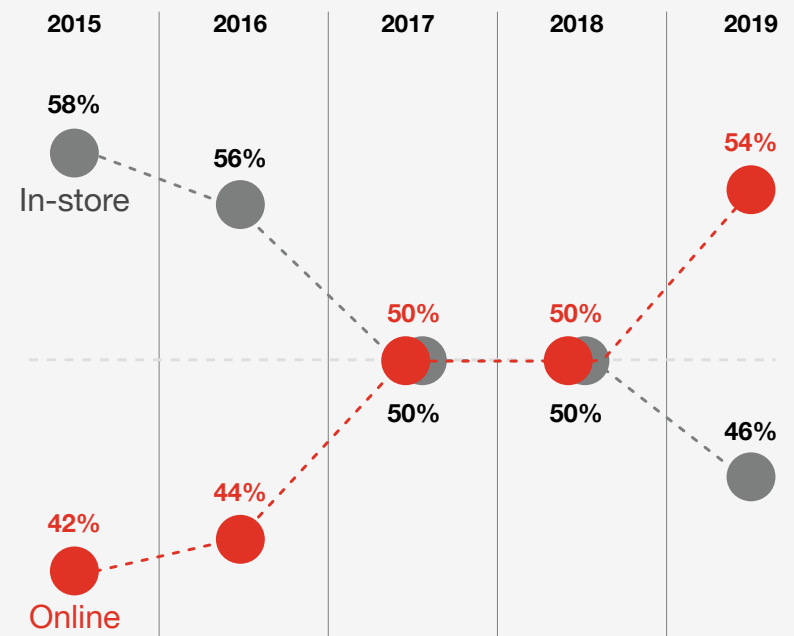
What do consumers want?

They say, “I want it my way.”

Digitally enabled convenience. That’s what consumers told us they want this holiday season. They may not have used those exact words. But we got the message, loud and clear, from more than two-thirds of shoppers who told us they want easily accessible, convenient shopping above all else.

What exactly does digitally enabled convenience mean? Well, different things to different people. A suburban mom with three young children might want the option to order online and pick up her items curbside, especially during the holiday season when she’s hosting a family gathering. She enables the store’s mobile app to track her arrival so her bags are ready and waiting to be loaded into the trunk of her SUV.

Online shopping outpaces in-store this holiday



Q: How do you plan to do your holiday shopping across the following channels?

Base: 2,017

Source: PwC, *Holiday Outlook 2019*

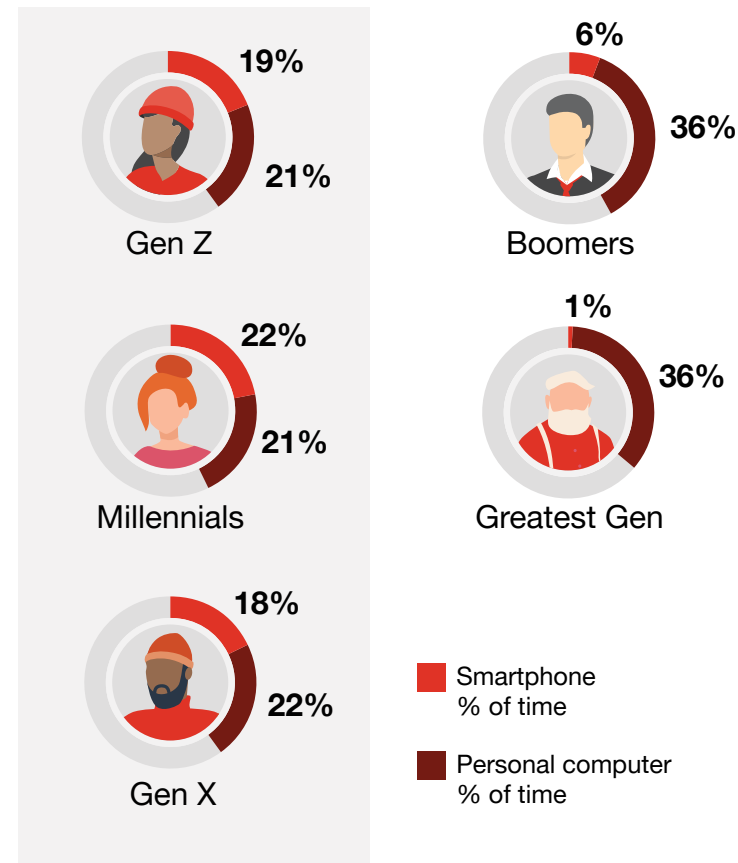
For a telecommuter, it could mean home delivery because that person is home to sign for a package if necessary. And for a college student in a big city, it could mean pickup at a location other than the store itself, yet convenient because it's on the way home from school.

Younger consumers (age 17-37) are particularly partial to digitally enabled convenience because they've grown up with it.

Each consumer defines convenience differently. And each expects retailers to deliver. Ultimately, what consumers want is overall control of their shopping trips. However, without digital enablement—the consolidation and integration of customer data, inventory, payment and logistics to respond to customer preferences no matter how they choose to order, pay and receive their items—this level of convenience would be impossible.

In fact, digital enablement has spawned a range of subscription models for items as varied as **apparel**, pre-packed school **lunches** and **shoes**, personal **grooming**, **pet food** and more. Consumers can click once and forget about it after that. The boxes will keep arriving.

Younger consumers favor mobile shopping



Q: How to you plan to do your holiday shopping across the following channels?

Base: 2,017

Source: PwC, *Holiday Outlook 2019*

While home delivery is still the most popular shipment option, it's starting to lose some ground to newer choices such as curbside pickup and personal shopping services. Younger consumers are particularly interested in new forms of delivery.

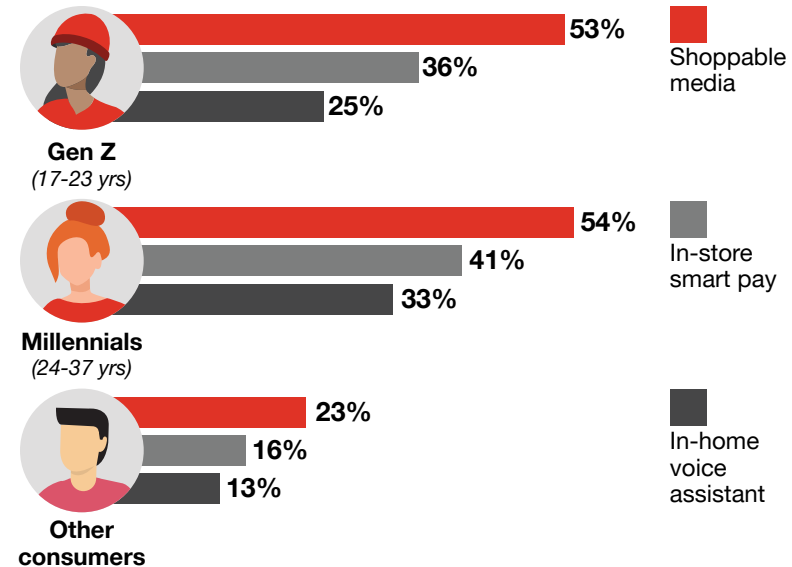
Meanwhile, the merging of online and in-store worlds continues apace with consumers increasingly mixing and matching what works best for them. When we first asked consumers about their holiday shopping preferences five years ago, they told us they would shop in stores more than online.

This year, for the first time, they will do more of their holiday shopping online (54%) than in stores (46%), in keeping with the finding that consumers now spend 6.3 hours a day **online**, up 7% from the year before.

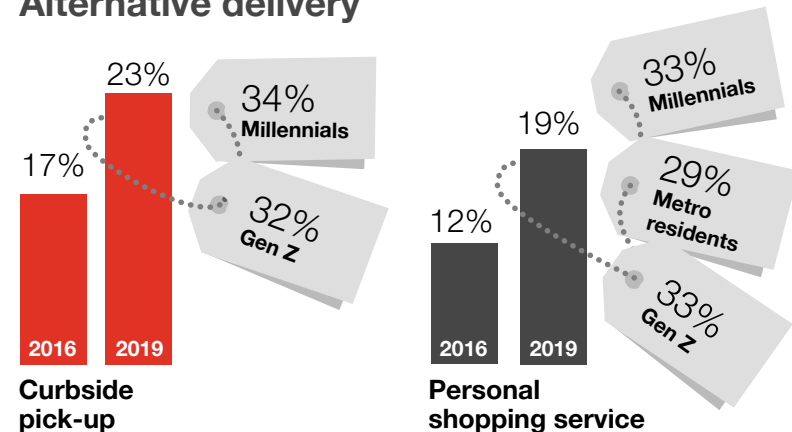
While older consumers prefer their personal computers when they shop online, millennials are just as likely to grab their smartphones for a purchase, with Gen Z close behind. Both groups are also more likely than consumers overall to use shoppable media, pay by smartphone while in stores and shop via in-home voice assistants.

Younger consumers embrace

New ways to buy



Alternative delivery



Q: Thinking about using your smartphone or wearable device as part of your shopping experience, please indicate how strongly you agree or disagree with the following statements: I will use.

Base: 2,017

Q: What form of delivery do you use for online shopping?

Base: 2,017 (2019), 2,169 (2016)

Source: PwC, *Holiday Outlook 2019*

Come on in and stay awhile

Retailers foster connection, community

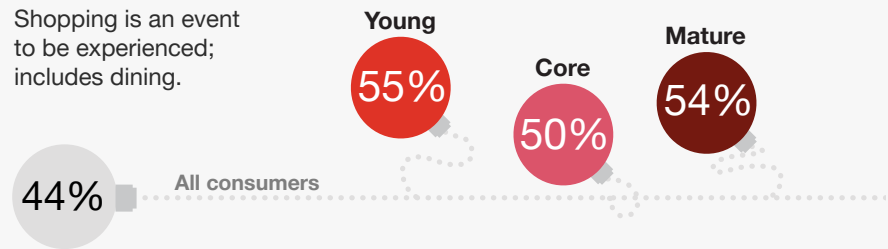
Consumers told us personal connections are paramount during the holidays. Shopping becomes an event when combined with dining and entertainment—and enjoyed with family and friends.

Millennials, metro residents and Amazon Prime members all crave experiential retail, most likely because they're used to shopping online and want more than a transaction when they make the effort to go to a store.

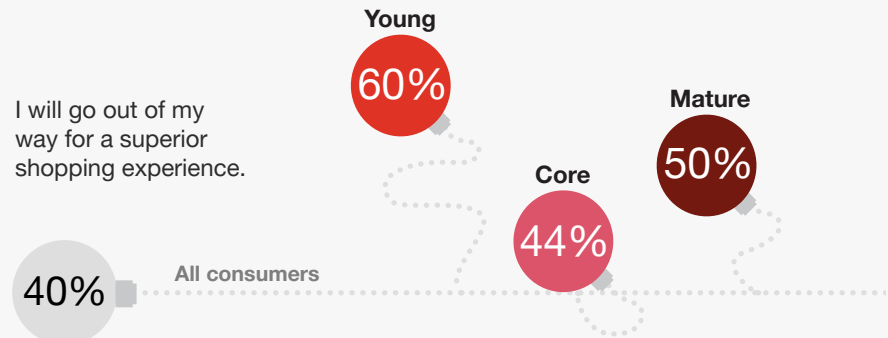
They seek connection and community. And they're willing to go out of their way to find options that transcend transactional retail. The holiday season offers an ideal opportunity for retailers to provide the connection and community that consumers seek. And in doing so, to strengthen the **customer experience**.

Millennials want a retail experience

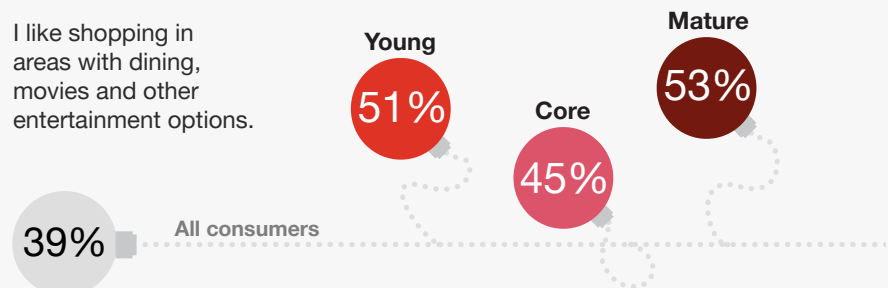
Shopping is an event to be experienced; includes dining.



I will go out of my way for a superior shopping experience.



I like shopping in areas with dining, movies and other entertainment options.



Q: Do you agree with these statements?

Base: 1,799

Note: Young millennials (24-27 yrs), core millennials (28-32 yrs), mature millennials (33-37 yrs)

Source: PwC, *Holiday Outlook 2019*

Beyond transactional retail, the relationship with a brand—based on the entirety of experiences a consumer has with that brand—is what keeps consumers coming back. And brands that foster a sense of community build that relationship with their customers. Which matters because brand trust—more than any other factor—influences buying decisions for some 70% of consumers. That’s what consumers have told us for several years now.

Retailers build brand trust by creating the connections their customers desire: the opportunity to interact with a community by way of classes, workshops and interactive showcases. They offer communal spaces, dining options, gallery-like showrooms and performance areas. And they implement **membership** programs with special rewards, which influences buying decisions for almost half of all consumers.



Q: What do you value most about the Holiday season?

Base: 1,923

Source: PwC, *Holiday Outlook 2019*

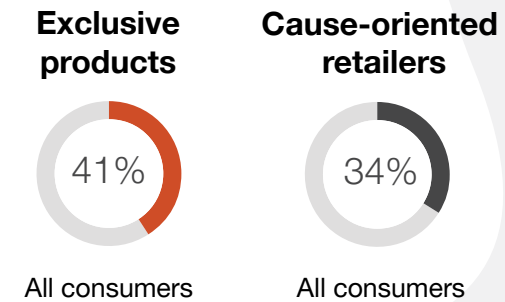
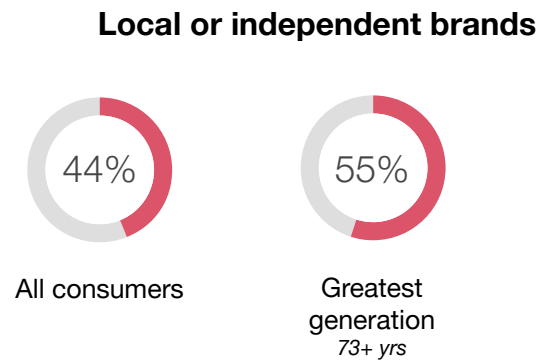
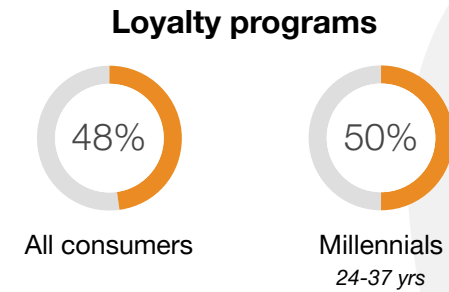
Examples include Lululemon, Apple, Crate & Barrel, Ikea, RH and more. They're curating their offerings with **human** touches that encourage lingering awhile: employees thoroughly **familiar** with the **offerings** who understand how to accessorize products and recognize what's trending. During the holiday rush, retailers are well served by **training** seasonal workers to recognize the importance of putting **customers** first.

So compelling is the community effect that newer direct-to-consumer **entrants** are recognizing the **value** of physical space in augmenting the virtual relationships they've already created with consumers in niche categories. They have the added benefit of knowing exactly what their customers want, based on these existing relationships. Among others are Third Love, Away, Allbirds, Everlane, Rent the Runway and Wayfair.

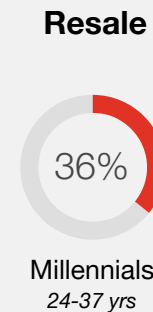
In a full-circle moment, traditional retailers are using **digital** tools and partnerships to better respond to customers' desire for connection. Just in time for the holidays, Toys "R" Us is back, this time partnering with tech start-up b8ta for new **stores**, complete with theaters, gaming workshops and treehouses.



Consumers value **trustworthy brands** above all else



Millennials have **specialized** taste



Q: This holiday season, how likely are you to be influenced by these factors?
Base: 2,017
Source: PwC, *Holiday Outlook 2019*

And Disney will open **stores** in select Target locations. Walmart is **converting** a smaller-format store into a techno-forward Intelligent Retail Laboratory, complete with sensors, cameras, processors and interactive displays to gather and analyze data.

In New York City, Hudson Yards combines a variety of retail—including boutique and high-end options—with dining, entertainment, residential and office space. Metropica in South Florida also combines retail, residential, office and entertainment space. Due to open in 2020, Area 15 in Las Vegas is a retail, dining and entertainment venue with **immersive** art installations.

Consumers reaffirmed their affinity for experiential retail that bolsters connections and community when they told us that they would be willing to go out of their way for a superior experience that combines shopping, dining, movie and other entertainment options they can enjoy with friends and family.





Wellness: a millennial imperative

From plant-forward diets to a variety of “clean” products—cosmetics, cleaning supplies, food, skin care—to tech-enabled home fitness options that mimic being in the gym, wellness has become a consumer imperative.

Especially for millennials, 40% of whom told us they favor health- and wellness-related products and services. Having come of age at a time when environmental concerns were taking center stage on the public radar, millennials are naturally drawn to a healthier, more sustainable lifestyle.

In response to millennial demand for wellness offerings from trusted sources, brands are forging partnerships, expanding their offerings and transforming their stores to underscore health and wellness.

Meanwhile shopping centers are finding that boutique fitness outfits attract new waves of millennials with money to spend: Shoppers who combine wellness, such as yoga or a massage, with retail spend more than those who come just to shop.

They favor authentic, innovative brands that offer a platform for connection to others within the same community of runners or yoga buffs or clean beauty product enthusiasts. Some are even willing to pay for the privilege

Almost **40%** of **millennials** favor wellness brands.

Need gift ideas?

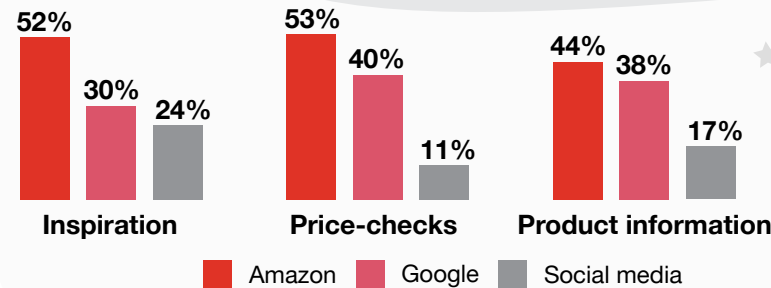
Let's start with Amazon

More than half of all consumers start their shopping journey online. At Amazon, to be precise. For ideas, price checks and product reviews, Amazon continues to hold sway.

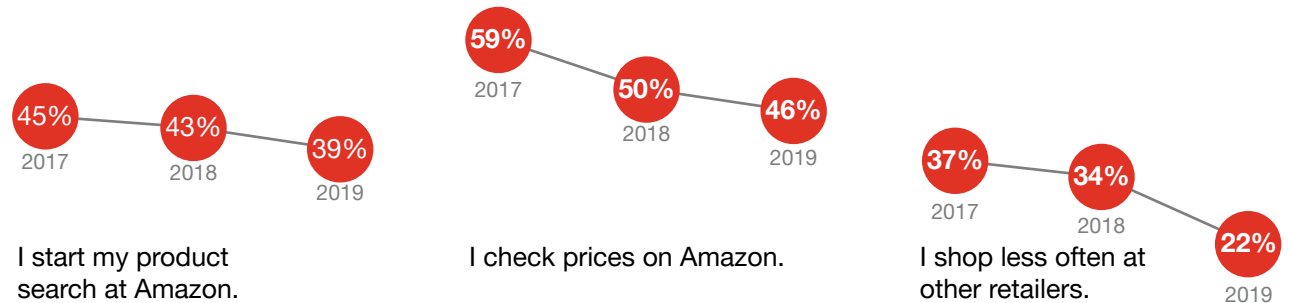
An interesting development over the past three years, however, is the leveling off of the Amazon effect. While it still serves as the go-to online destination, it doesn't shut out other retailers in the way consumers told us it did two years ago.

And while Amazon still ranks extremely high, other options for ideas, inspiration and product reviews are gaining in popularity, especially with younger consumers.

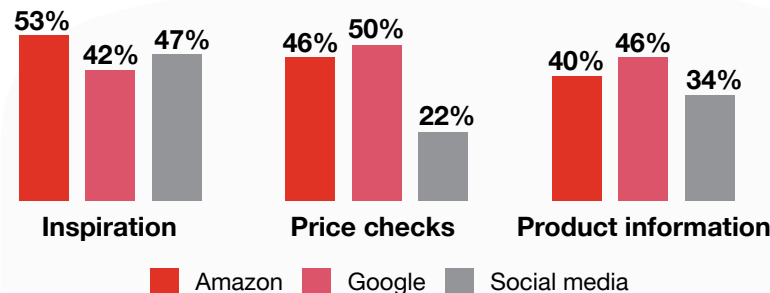
Amazon dominates online holiday shopping journey



...but its effect is starting to level off



...as Gen Z seeks other options



Q: How has shopping with Amazon influenced your shopping behavior?

Base: Varies by year

Source: PwC, *Global Consumer Insights Survey 2017 - 2019*

Q: Which of the following do you use for holiday shopping?

Base: 2,017, Gen Z Base: 352

Source: PwC, *Holiday Outlook 2019*

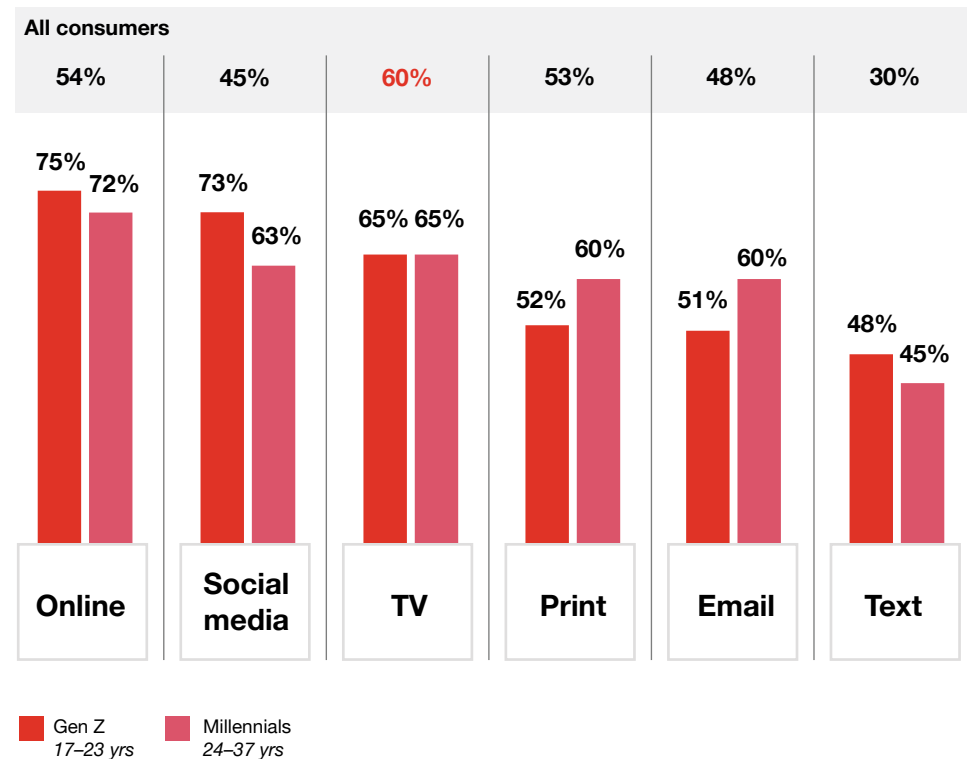
Younger consumers more responsive to digital ads

Gen Z, for example, also checks for ideas, inspiration and product reviews on social media—largely dominated by influencers—and Google. Most popular with these young consumers for price checks: Google.

Despite all the ways that consumers can find information, advertising continues to influence purchasing decisions, especially for younger consumers (age 17-37), many of whom came of age as digital advertising was hitting its stride. For the vast majority of consumers, TV advertising ranks first. For younger consumers, however, digital and social media ads rank higher. They're also keen on shoppable media.

As digital advertising, which **crossed** the \$100 billion threshold in 2018, improves its ability to target more specific consumer segments, younger consumers will be better served by more relevant ads that assist their path to purchase. For now, the right mix of advertising, both digital and otherwise, works best for all consumers.

Television in the lead for consumers overall



Q: Do ads in the following media influence holiday purchases (Net yes for some/half/most/all purchases)?

Base: 2,016

Source: PwC, *Holiday Outlook 2019*

Why buy new when resale—or rental—will do?

Technology powers new markets

The vast majority of consumers—some 75%—told us they have sustainability in mind when shopping for the holidays. Young consumers are particularly concerned about the environment. Almost half of college students told us they want to **consume responsibly**.

As the Marie Kondo **effect** continues to take hold, consumers reassess what to keep in their closets. The buying spree of the 1990s has given way to a more reasoned approach in light of sobering environmental concerns.

Economic reality also plays a role. For millennials and Gen Z consumers with prolific social media accounts, a variety of Insta-worthy one-of-a-kind outfits is essential but not always affordable. Nor are they **interested** in paying full price.

A natural outgrowth of this confluence of environmental and economic factors, the growth of rental and resale markets comes as no surprise. Starting with ride-hailing and short-term vacation rentals, tech platforms have been **connecting** buyers and sellers as never before.

Already used to sharing homes and cars, even **storage** space, consumers are now primed to share other possessions, including **apparel and furniture**. The burgeoning resale market is projected to **double** in size by 2023 while apparel rentals, which offer monthly recurring revenue, are **growing** by 20% annually.



36% of **millennials** will seek out resale items for themselves and others this holiday.

Consumer-to-consumer services as well as resale options, both **online** and **IRL**, satisfy young consumers' preferences for one-of-a-kind and vintage exclusivity. And **thrifting** has acquired a certain cachet of its own.

So popular are these new markets that traditional retailers want in: Macy's, Ann Taylor, Urban Outfitters and more have all announced subscription rental services. Rent the Runway meanwhile, is coming up on 10 years.

Several retailers also have programs to buy back and **resell** pre-owned items, including H&M, Patagonia and EILEEN FISHER. Retailers expect that in the next decade pre-owned and rental items that represent the **circular economy** will make up the **bulk** of consumer purchases.

Some have **partnered** with ThredUP to take advantage of the resale market. Meanwhile, The RealReal, a luxury reseller that started online is opening physical locations to assess the resale value of customers' items.

A lightly used item as a holiday gift? Millennials are certainly up for that option.





Lucky dog!

Who spends nearly twice as much on their pets for the holidays as everyone else? Why, young consumers, of course, especially young millennials 24-27 years old, who will spend \$140 on average (compared to \$76 for pet owners in general).

And it's not just for the holidays. From artisanal, vet-designed food delivery **services** to personalized health **options** to **DNA tests**, pet owners spare **no expense**. They might even move to a more **pet-friendly city**.

A wellness-conscious, digital-forward bunch, pet owners enjoy experiential shopping, are open to online advertising and prefer independent, socially responsible brands. They are more likely than non-pet owners to host a gathering this holiday.



Young millennials outpace all others on pet spending



Base: 1,259

Source: PwC, *Holiday Outlook 2019*

Tech-savvy telecommuters prize convenience

And they're willing to pay for it

Accustomed to the flexibility of working in their jammies, telecommuters are willing to pay for convenience in other areas of their lives. These Amazon Prime members are partial to personal delivery services and responsive to online advertising.

Most work full-time, own pets and seek out environmentally and socially conscious brands. More tech-savvy than the average consumer, telecommuters are more likely to buy wearables and smart-home technology.

An organized bunch, a quarter of them have already started their holiday shopping. They are willing to travel further for a shopping experience that includes dining and entertainment. Optimistic about the economy and their personal finances, they are planning a holiday vacation and hoping to take a break from their electronic devices.



Telecommuters: On the go at home*

Profile

Age **18-44**

Male **55%**

Work full-time
70%

Own pets
71%

Engaged with online ads

60% Email (v 44%)

43% Text (v 22%)

56% Social media (v 39%)

Digital shoppers

40% Smartphones to pay in stores (v 23%)

48% Shoppable media (v 35%)

36% Voice-activated smart tech (v 14%)

Optimistic . . . but

48% Optimistic about the economy (v 35%)

51% Positive about personal finance (v 37%)

27% Worried about holiday-related debt (v 16%)

Socially conscious

82% Sustainable products (v 67%)

40% Cause-oriented retailers (v 28%)

39% Environmentally responsible brands (v 27%)

It's the experience

51% Shopping + dining + entertainment (v 34%)

51% Will travel further (v 39%)

Gearheads; will buy

21% Wearables (v 14%)

21% Smart-home devices (v 14%)

Tailor-made or resold

41% Personalized offerings (v 29%)

33% Thrifting (v 18%)

Take me away

51% Holiday vacation (v 28%)

28% Digital detox (v 11%)

All about convenience

32% Personal delivery service (v 15%)

71% Prime members (v 59%)

Early birds

25% Started holiday shopping (v 13%)

3% Completed by mid-July (v 1%)

*Approximately 60% employed survey respondents work at home some or all of the time.

Note: Comparisons against consumers who do not telecommute.

Base: 685

Source: PwC, *Holiday Outlook 2019*



Gathering for the holidays

What do consumers value most about the holidays? Almost 75% said time with family and friends. They socialize more during the holidays, with some overindulging more than others. Time with loved ones means hosting gatherings for more than 40% of consumers. Meanwhile almost 75% will eat at restaurants.



Where they'll shop

Stores that
sell groceries



Specialized or
local stores



Online with
home delivery



Click and
collect



Artisanal or
farmers' market



Q: How do you plan to shop for
your holiday gathering?

Base: 861

Source: PwC, *Holiday Outlook 2019*



Young millennials (age 24-27) like sampling new restaurants. Younger consumers (age 17-37) are also eager to try places recommended by social media influencers and celebrity chefs. In response, restaurants are finding new ways to combine creative social and IRL approaches to debut new menu items and reintroduce themselves to younger consumers.



Where they'll go

Doesn't matter as long as I'm with family or friends

52%

I like to try new places

43%

Least expensive

32%

50%
Young millennials

Trendy

18%

Influencer-recommended

14%

30%
Millennials

22%
Metro resident

21%
Gen Z

Q: Which 3 options influence you the most for dining out during the holidays?

Base: 1,489

Source: PwC, *Holiday Outlook 2019*

Almost **75%** of consumers will eat at restaurants.

The more things change

Mature millennials morph into Gen X

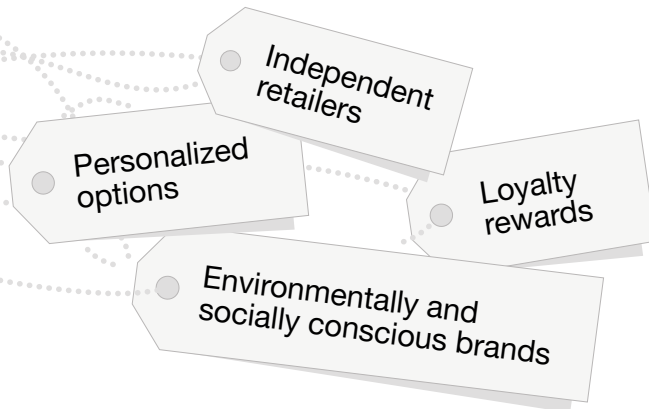
As the oldest millennials (age 33-37) settle firmly into their adult lives, their tastes are more reflective of the generation ahead of them. Family matters more than it did when they were younger. Now parents with mortgages, their holiday budgets are more in line with Gen X consumers (age 38-52) than other millennials. In fact, mature millennials will spend even a little more than Gen X.

Both groups will shop on Thanksgiving Day in similar proportions. But how they shop is different. Almost 40% of Gen X will shop only online while some 30% of mature millennials will shop both online and in stores, likely because mature millennials are keener on innovative brands that often require an in-person visit before the final decision.



Mature **millennials** mirror **Gen X**

Both age groups prefer:



Mature millennials

33-37 yrs



Gen X

38-52 yrs




Sustainable offerings	71%	68%
Non-monetary charitable donations	46%	47%
Time with family and friends	75%	72%
Hosting family gatherings	38%	40%
Holiday vacations	34%	33%
Branded hotels	44%	42%
Staying with family or friends	22%	23%
Gathering over food	43%	43%
Trying new restaurants	39%	40%

A few **differences** do exist.
Mature millennials are more:

- Interested in combining shopping with entertainment and dining
- Digital-forward
- Optimistic about the economy
- Worried about holiday-related credit-card debt
- Willing to try alternative delivery options
- Open to online advertising

Source: PwC, *Holiday Outlook 2019*



Mature millennials also told us they want to take a break from their devices this holiday, more so than any other age group. And they are looking forward to spoiling themselves, maybe even to the point of overindulgence. They're somewhat more tech-savvy, more interested in experiences and more willing to try alternative delivery options.

Overall, both mature millennials and Gen X care deeply about sustainable offerings. They are quite alike in their charitable inclinations. And they have similar preferences for independent, socially conscious, personalized brands. Their travel and dining tastes are in sync. And both are very committed to connections with their community of family and friends.





Unplug and chill

While some consumers rush around to shop and bake and travel, others want nothing more than to **shut off** their digital devices and chill. They hope to unplug their devices for a complete digital detox.

Except from digital entertainment. Consumers do plan to **stream** music, movies and TV; participate in online multiplayer games; and watch social videos.

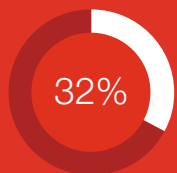
These busy—mostly urban-dwelling—pet owners started shopping early both online and in stores. So they'll likely have time to **lean back** and relax this holiday. They also plan to spend more this year than in 2018 even though they worry about holiday related credit-card debt.

Who are the digital detoxers?

Like to shop



Amazon Prime membership



Started holiday shopping



Completed by mid-July



Busy offline



Shopping + dining + entertainment

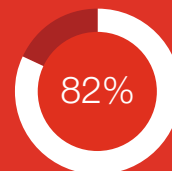


Shop multiple locations

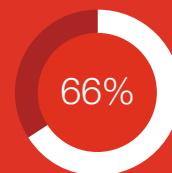


Entertain family + friends

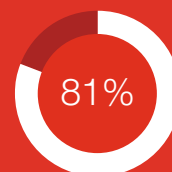
Digital entertainment doesn't count*



Will stream TV and movies



Will play multiplayer online games

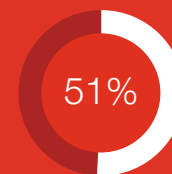


Will stream music



Will watch social videos

Live for today



Will spend more this holiday (YoY)



Worried about holiday-related credit-card debt

*Those planning to engage weekly or more often

Base: 341

Source: PwC, *Holiday Outlook 2019*

Travelers have bigger holiday budgets

Airport retail caters to disposable income

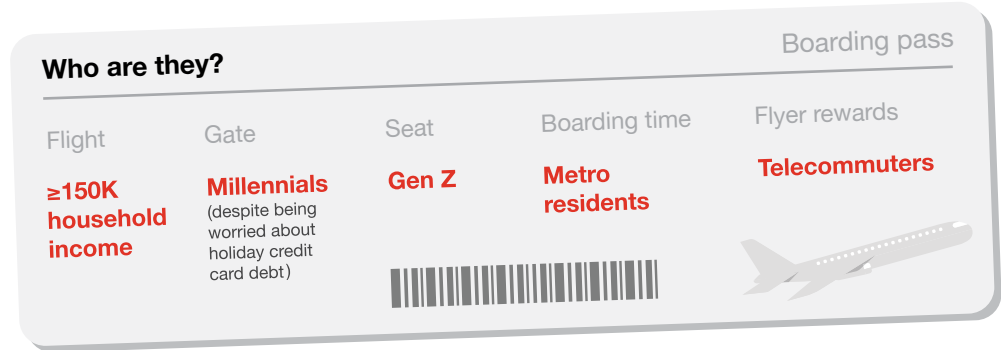
Almost 35% of consumers are planning a vacation this holiday. Typical holiday travelers tend to be younger, high-earning, metro residents and telecommuters.

Despite being worried about holiday-related credit-card debt, more millennials on average will travel this holiday. Some will use **travel agencies** to book elaborate trips. They typically spend more than the average consumer at duty-free shops in departure lounges.

As do women. In fact, duty-free shopping is so popular with women that sales of Estee Lauder products at airports worldwide **surpassed** sales at US department stores. Almost half of consumers now buy luxury goods in airports. Cosmetics and fragrances top the list.

Young consumers (age 17-37) are more likely to take international trips, in keeping with International Air Transport Association data predicting robust **growth** in international travel over the next two decades.

1/3 of consumers will **travel** this holiday



Where will they stay?		How will they book?	
Branded hotels	33%	Online travel agent	36%
Family and friends	26%	Hotel website	34%
Independent hotels	11%	Retail travel agent	13%
Short-term rentals	10%		
All-inclusive resort	8%		

Note: Millennials (24-37 yrs), Gen Z (17-23 yrs)
Q: Are you planning on going on vacation this holiday? Base: 2,017
Q: Where will you stay? Base: 685
Q: How will you book? Base: 511
Source: PwC, *Holiday Outlook 2019*

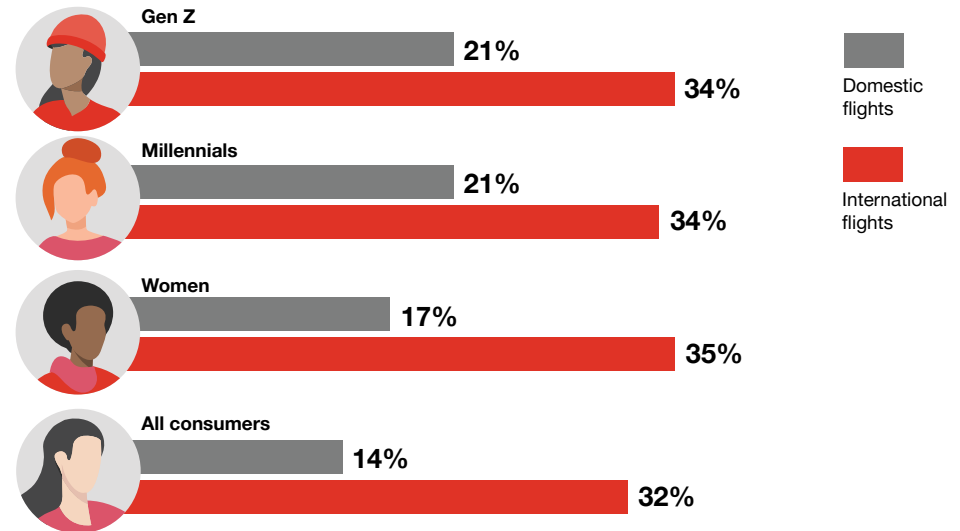
As more consumers travel both domestically and internationally, airports are becoming more **elaborate**, complete with shopping malls, museums and waterfalls. Technology continues to streamline travel as airlines and hotels improve mobile apps, introduce biometric scanning and equip staff with hand-held devices to better respond to consumer requests.

Most travelers will stay at branded hotels or with family and friends. While short-term rentals aren't the first choice for travels, they are gaining in popularity. In response, hotels are mixing and matching new **formats** from **luxury** villas to **tech-assisted** properties that tailor rooms and rates to customer needs while requiring minimal **tech-savvy** staff. They're also **modernizing** legacy properties to better respond to changing consumer preferences.

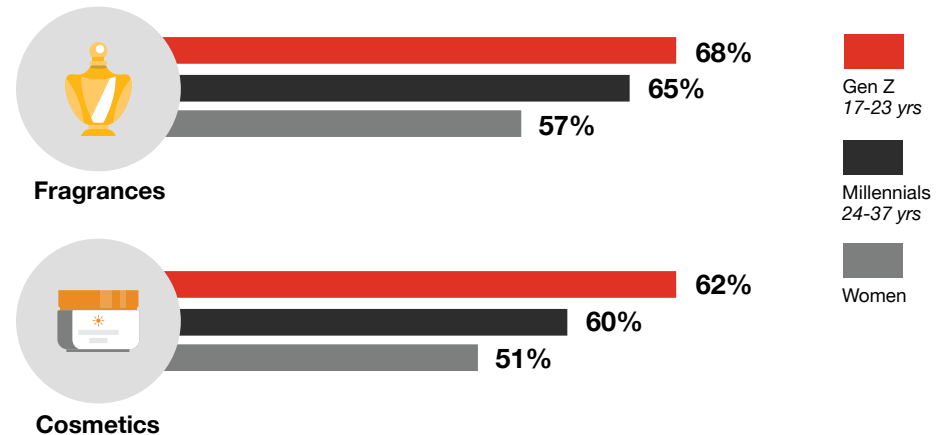
The industry's reputation for creating the right **experience** for customers has attracted retailers, who are now **experimenting** with **hospitality**, recognizing that hotels and restaurants offer the perfect **experiential** backdrop for their products.

Younger travelers, women enjoy

Duty-free shopping



Cosmetics, fragrances



Q: Which of the following do you regularly do while waiting in the departure lounge for your flight?

Base: All who have been on flights in the past 12 months, 900 (domestic flights); 490 (international flights)

Q: How frequently do you buy each of these products at the airport?

Base: All those who plan to shop in duty free stores, (267)

Source: PwC, *Holiday Outlook 2019*



More than **70%** of consumers believe **business** is better equipped than government to **protect** their **data**.

Treat customer data with care

As retailers shore up for the holidays, consumers want reassurance that their data is safe. They want value in exchange for their data. And they want transparency about how their data is being used.

All this is possible. Canon USA has been able to unlock the value of customer data safely and ethically by explaining clearly—and at multiple levels—how the data will be used. The company also provides a benefit in return, such as invitations to special events.

PwC analysis has found that companies committed to protecting customer data—by embedding cybersecurity teams throughout the organization—can expect revenue growth of 5% over the next three years. Cyber threats are top of mind for US CEOs.

Consumers have told us consistently over several years now that brand trust is paramount to their buying decisions. Fundamental to brand trust is knowing their data is secure. It is possible to unlock the value of customer data safely and ethically as Canon USA has done by ensuring a superior customer experience above all.



Through the lens of the economy

Any analysis of holiday shopping would be incomplete without the backdrop of the economy at large, especially in the wake of the past year's whipsawing economical and geopolitical uncertainty.

We've long expected slower growth in 2019 as the boost from the 2018 tax cuts started to fade. Fortunately, consumer fundamentals remain strong for now. A scarcity of available workers has nudged wages higher, while relatively weak inflation has given consumers greater purchasing power going into this holiday season.

Meanwhile, the Fed has begun to lower interest rates which should support spending on big-ticket items frequently purchased via financing. Although consumer debt levels have grown, the share of after-tax income required to service debt continues to remain low by historical standards.

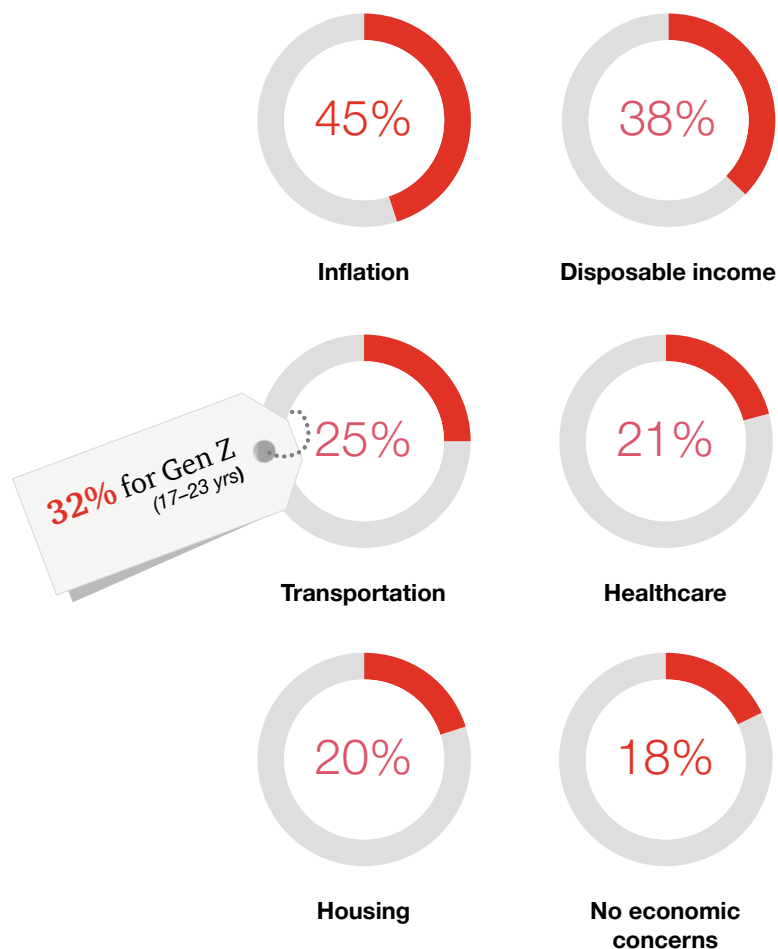


More **millennials** are worried about holiday-related **credit-card debt** than any other age group (28% v 15%).

However, a more pronounced global slowdown and the trade war between the world's two largest economies are raising the risk of recession. These events have hit US manufacturers particularly hard, restraining business investment across numerous industries. Export growth is expected to weaken, and large debt burdens are likely to restrain government stimulus—leaving consumer spending as the sole support for the economy.

Despite the lackluster outlook for the global and US economies, consumer confidence has been surprisingly resilient through the first half of 2019. Some of that resilience stems from the fact that consumer goods had mostly been spared in the trade war escalation. On Sept 1, however, 40% of all consumer goods from China faced tariffs. By mid-December, tariffs on nearly all consumer goods from China kick in. Such a vast policy change is likely to dent consumer confidence, particularly if costs are passed on to consumers.


Almost **half** of consumers worry about **inflation**



Q: Which of the following economic/political factors could impact your holiday spending this year?

Base 2,015

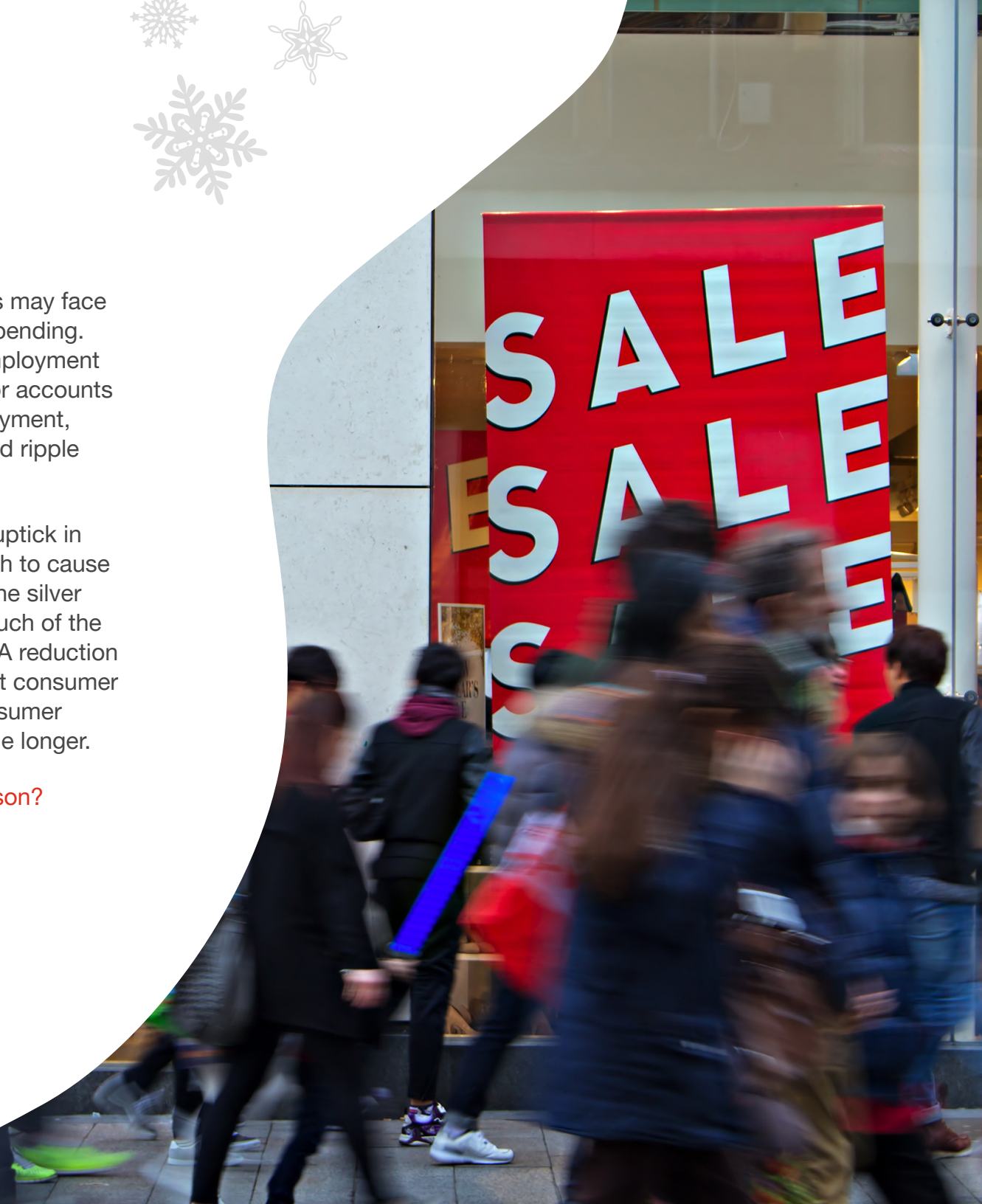
Source: PwC, *Holiday Outlook 2019*



Even if prices remain stable, consumers may face other headwinds that restrain holiday spending. US manufacturers now indicate that employment cuts are on the horizon. While the sector accounts for only a small share of total US employment, manufacturing tends to have an outsized ripple effect on the broader economy.

High-profile job losses or even a small uptick in the unemployment rate might be enough to cause consumers to pull back on spending. The silver lining in this uncertain outlook is that much of the pain in the US economy is easily fixed. A reduction in tariff rates, particularly those aimed at consumer goods could be enough to support consumer spending and avoid recession for a while longer.

Visions of sugar plums this holiday season?
Maybe . . .





pwc.com/us/ holidayoutlook19

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