

2016 Holiday Outlook

It's the most digital time of the year



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Consumers are dreaming big this holiday season. They are ramping up digital sales. And continuing to increase their use of mobile devices in the quest for the perfect gift.

They also told us they plan to spend 10% more this year than they did last year, quite a turnaround from the dampening effect of the 2008 recession on annual holiday spending in the years since. Their optimism gave us pause because it seems inherently counterintuitive.

We also wondered about the influence of recency bias, a term economists coined to describe the tendency to use recent experience as the baseline to think about future behavior. Especially in light of high levels of consumer confidence during the first half of 2016. With that contextual framework, we dug deeper into the data. And found some interesting insights for our *2016 Holiday Outlook*.

While overall holiday spending will be higher, almost half that total (42%) will accrue to travel and entertainment. Meanwhile, consumers also told us they increasingly prefer to receive gifts of travel and entertainment rather than tangible gifts. Overall, gifts (both tangible and experiential) represent 58% of holiday budgets.



However, for some time now, millennials have been quite vocal about their preference for gifts that entail experience—such as travel and entertainment. We see evidence of that preference more clearly than ever this year. Which means retailers have to continue to seek creative ways to entice shoppers into their stores—and keep them there.





The good news from our survey findings: The next generation after millennials, Gen Z, is much more tactile. They like stuff—and shopping in stores. And their influence is indisputable in the proliferation of interactive digital content, which affects digital sales and mobile shopping. Both are expected to be up approximately 25% each this year.

We conducted a national survey of 2,300-plus consumers and 200 retailers—and supplemented our survey findings with focus-group interviews of younger consumers aged 14 to 26. We also conducted a separate survey of 200+ hipsters—upwardly mobile, college-educated millennials living in enclaves such as Austin, Brooklyn, Oakland, and Portland—to study their habits more closely.

Our analysis offers further insights into consumers' mindset and likely shopping behaviors over the next few months, as well as into retailers' expectations and strategies. We assess:

- Where and when consumers will shop
- What drives their purchasing decisions
- How retailers are preparing for the season

In this report, we analyze consumer-reported data—and overlay the findings with additional PwC research and analysis—to uncover key insights and implications for retailers.





What's new this holiday season?

-  **Bigger holiday budgets**
-  **Deck the halls, woof woof**
-  **Chill for the holidays**
-  **Artisanal, crafted just for you**
-  **Shopping is social for Gen Z**
-  **Millennial parents think of others first**
-  **Holiday time . . . and the buying is easy**
-  **Thumbs a-tapping in a mobile wonderland**
-  **I want it . . . now**
-  **There's always a deal . . . somewhere**
-  **Vroom, vroom**
-  **Brands matter**
-  **Season of caring**



Tap each circle to view details





Bigger holiday budgets

Consumers are primed to spend more

Shoppers told us they plan to spend 10% more this holiday season; an average of \$1,121 each. And consumers with annual household incomes less than \$50,000 told us they will increase their percentage spending levels even more than consumers overall. Especially more—percentage-wise—than higher-income households (those with incomes over \$50,000).

Also spending more this year (versus last year) are women and hipsters, a term used to describe young, college-educated upwardly mobile millennials living in enclaves such as Austin, Brooklyn, Oakland, and Portland. Far more optimistic than the population at large, hipsters will spend an average of \$500 more than other shoppers. And they will spend more on themselves (33%) than consumers overall (25%).



84% of shoppers will spend the **same** or **more** as they did last year.





Bigger holiday budgets

Meanwhile, 62% of retailers expect an increase in overall sales this holiday season. And 84% of shoppers told us they will spend the same or more this year. However, shoppers also told us almost half their total holiday budgets (42%) will accrue to travel and entertainment rather than gifts.

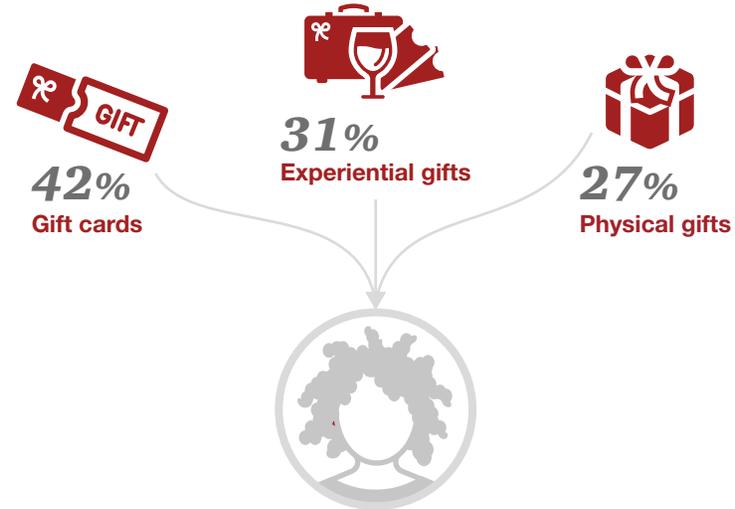
And of the amount they will spend on gifts (58% of their overall holiday budget), they increasingly prefer gifts of travel and entertainment. Rather than tangible gifts, the kind they buy from retailers. Which means retailers have to continue to seek creative ways to entice shoppers into their stores—and keep them there.

I'm dreaming of... a gift card

Of note, almost half of consumers (42%) told us they would like to receive a gift card, followed by experiential gifts such as travel and entertainment (31%), with physical gifts such as clothes and toys ranking last (27%) in preference. Their responses would indicate they enjoy the experience of shopping for themselves—with those gift cards.

When it comes to *buying* gifts, however, they choose physical items for family and friends (52%)—most likely since children often figure prominently in holiday gift-giving—followed by gift cards (32%) and finally, experiential gifts (16%).

What consumers *want to receive*



What consumers *plan to give*





Deck the halls, woof woof

Pet owners—almost half of all households nationwide—will buy the likes of everlasting treat balls and cat dancers for their favorite animal companions. Not to mention doggie umbrellas and kitty tunes—yes, eight hours of music scientifically proven to appeal to felines.

They will spend an average of \$62 this year on Fido or Tiger or both. Of our most generous animal lovers, millennials will outspend everyone else at \$81 each, followed closely by Gen X at \$79, families with children at \$71, and singles at \$70.





Chill for the holidays

The emerging influence of hipsters

Hipsters—upwardly mobile, college-educated millennials living in enclaves such as Austin, Brooklyn, Oakland, and Portland—will spend more this season than consumers overall, an average of \$1,670 (versus \$1,121). Their laid-back vibe combines a grounding in reality with a spirit of adventure, forging their own path quite apart from other consumers.

Hip to technology, they lead shoppers overall by a 20-point margin in using their mobile devices to find products and deals. In fact, they prefer shopping online (57%)—often via mobile device—rather than going to a store (43%).

Recent college graduates flexing their disposable income muscle, hipsters will spend a hefty *third* of their holiday budget on themselves. Most likely on footwear and apparel; personal and home electronics; and vacation travel.





In fact, they plan to spend twice as much on travel as consumers overall this holiday season. And a vacation is the #1 factor that could curtail their holiday spending, followed by a major life event such as a new job, marriage, or a baby. Other considerations include a new house or car.

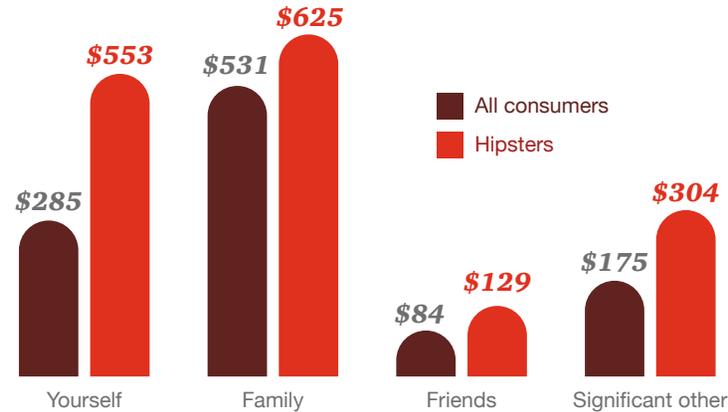
Having come of age in an era of local, artisanal gifts, hipsters aren't much for gift cards. And they aren't as interested in Black Friday as other shoppers. However, they are more likely to shop on Thanksgiving Day, especially online.

Social media wins

They prefer their discounts, promotions, and coupons via e-mail. And they sleuth out brands on social media way more so than via TV. Typically by following influencers of their choice. In fact, our hipster survey showed that their discovery of brands via television lags consumers at large by an almost 20-point gap.

These well-heeled consumers are more likely than shoppers overall to seek out luxury and specialty stores. And they donate more to their favorite causes than consumers at large. In fact, 25% of them will give more this year than last, compared with 20% for consumers overall. As with younger consumers, hipsters are drawn to brands with a clear sense of social and environmental purpose.

Hipsters **outspend** all shoppers.*



*Spending on main categories



57% prefer to shop **online**, often via **mobile device**.



45% say **vacations** mean less \$\$ for holiday shopping.

Hipsters will spend **twice** as much on **travel** as consumers overall.





Artisanal, crafted just for you

Want to give an original, personalized gift this holiday season? At a reasonable price? Easy peasy! A plethora of retailers—online and otherwise—offer a variety of options that match shoppers with artists willing to create the perfectly tailored gift that reflects both giver and recipient. Some **33% of consumers** told us they will buy **handmade gifts** this holiday season.

If you'd rather make the gift yourself, you can do that, too, with lots of guidance and supplies at hand. Often from local artisans, who are sparking renewed interest from up-and-coming generations of shoppers seeking meaningful local connections. In fact, **almost 75% of shoppers** will turn to **local retailers** this holiday season.

Meanwhile, curated marketplaces, both online and otherwise, offer a variety of niche products to suit various tastes—from environmentally friendly to socially conscious to theme-focused—for busy shoppers who don't always have the time, or the inclination, to sort or scroll through the selections themselves.

From hipsters to higher-income households to socially and environmentally conscious consumers, niche retailers are stepping in to respond to the call for new and different holiday gifts. Some are well on their way to becoming powerhouse brands in their own right.



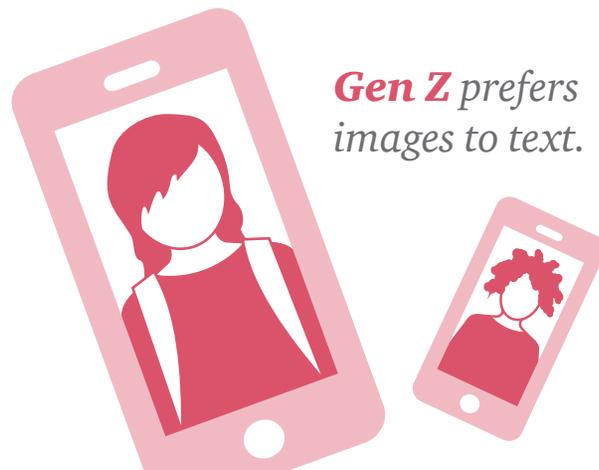


Shopping is social for Gen Z

90% relate to influencers on a personal level

At 86 million strong, Gen Z (born after 1996) is now the largest demographic in the country. While they may not yet wield the purchasing power of older consumers, their influence is indisputable in the proliferation of interactive digital content, especially mobile video.

Shopping is social for brand-loyal Gen Z consumers. They like going to stores with friends and family to buy items that reflect their personal identity. Not afraid to stand out, these young, realistic, digital whiz kids told us they prize authenticity, which means reviews from actual product users rather than corporate advertising.





Having grown up with Snapchat and Instagram, they prefer to communicate via images—moving or otherwise—rather than words.¹

They also use social media more than any other demographic—including social networks barely on the radar of older consumers such as Whisper, which maintains user anonymity.

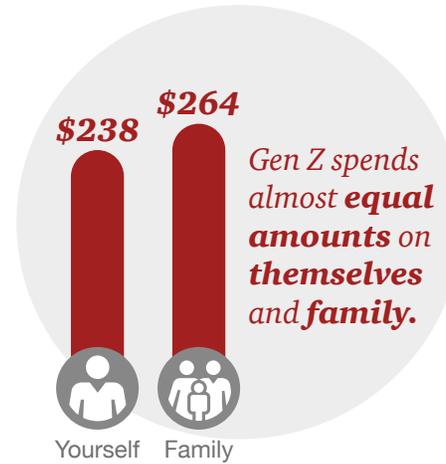
And mobile apps—which recently edged out web sites on the mobile purchase journey.² Our survey focused on older Gen Z consumers, aged 17-20, referred to as “Zillennials” in one account, since they straddle the cusp.

They like stuff

While millennials favor gifts that reflect their preference for experiences, especially travel, Gen Z is more tactile: To them, stuff matters. Stuff like personal electronics, clothes, shoes, and toys. Which is what they’re hoping to receive this holiday season.

Avid multi-screen media consumers, their holiday wish list ranks personal electronics higher than any other demographic, by far.

Gen Z is tactile. They like shopping in-store for personal electronics, clothes, shoes, and toys.



Gen Z uses social media more than any other demographic.





Gen Z will also spend slightly more of their holiday wallet on physical gifts—clothes, shoes, accessories—than millennials. And wait until Black Friday week, which is far more popular with Gen Z shoppers than the rest of the population.

Influencers—such as public figures, entertainers, and athletes with whom they feel kinship due to background, values, or experiences—are important to Gen Z consumers. The overwhelming majority of them (90%) say they relate to their favorite influencers on a personal level. They react positively when influencers promote a cause and will share the influencers' content.

However, they like to hear from influencers who actually believe in and enjoy the products they're describing. In fact, over half of them told us they have purchased a product promoted by one of their influencers. They favor relatable brands that illustrate purpose in action via specific charitable giving activities (such as the one-for-one model, in which a product is donated for each one purchased), community involvement, and social consciousness.





Millennial parents think of others first

Have smartphone, will shop

Millennial parents—busy digital natives often juggling full-time jobs while caring for young children—are almost twice as likely as other consumers to use a mobile device to pay for purchases.

In fact, almost 90% of millennials have their smartphones with them at all times, day or night.³

They are also more likely to let retailers track them while in-store in exchange for discounts and promotions. And they are more likely than other consumers to comparison-shop for the best deal while in-store.

To do all this, they need fast, simple Wi-Fi access, which they rate on par with convenient checkout—unlike other shoppers, who want convenient checkout first of all—and by a 15-point margin.





Millennial parents think of others first

Of all our survey respondents, millennial parents seem to have harnessed the magic of holiday shopping best: They start shopping earlier and they find it far more enjoyable (75% versus 61%). These mobile fiends even shop on Thanksgiving Day more than the population at large.

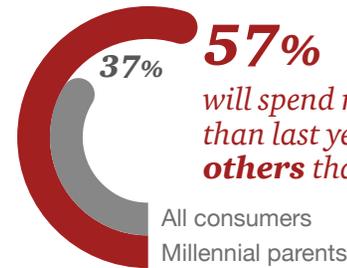
And they are far more optimistic about the economy. In fact, a majority of millennial parents (57%)—especially millennial dads (64%)—will spend more this year than last (versus 37% for all consumers).

More generous

In the spirit of the season—combined with being parents to children who are typically at the age where they're still enchanted by all things holiday—they will spend less on themselves compared with other shoppers, including millennials who are not parents.

More of them (81% versus 75% for consumers overall) will also donate to their favorite causes—community development, health and social services, education—with millennial dads leading the charge.

Millennial parents are generous givers.



57% will spend more this year than last year. And more on **others** than themselves.



81% will donate to their **favorite cause** this year.

They are charting new paths.

80% of moms won't respond to traditional advertising.



Dads are **more active** in their **children's lives** than previous generations.





Staunchly brand-loyal, almost a quarter of millennial dads say brands are very important to them. They are more active in their children's lives than previous generations, more likely to be mobile shoppers (40%) than millennial moms (25%). And more likely to respond to mobile ads.⁴

Millennial moms are avid blog readers who often steer clear of traditional advertising—more than 80% say they are unlikely to be persuaded by it—and seek seasonal deals online.⁵ They are more active on visual web sites and rely on social media to connect with brands.

More than any other demographic, time-crunched millennial parents use alternative delivery options such as click-and-collect, curbside pickup, and third-party-location pickup.





Holiday time . . . and the buying is easy

Frictionless checkout #1 priority

Consumers will combine the best of physical and digital shopping this holiday season—which means they’ll likely buy more. Our survey also revealed that single-channel shoppers buy less, in keeping with industry research.

They want the sensory experience of handling the merchandise in-store. While also comparison-shopping on their mobile phone in an inviting, accessible environment. Where products are easy to find and select, thanks to knowledgeable sales associates. Or a quick scan of online inventory—via fast, simple Wi-Fi access—for products unavailable in-store. Otherwise, they won’t hesitate to leave.⁶

And most of all, consumers want fast checkout that doesn’t require waiting in long lines with other—sometimes harried—shoppers. They told us their top in-store priority is an easy checkout process. No surprise since **90% of consumers** told us they are **Amazon shoppers**, accustomed to frictionless, one-click checkout online. So much so that almost **40%** of them **shop less often at retail stores** and **25%** **shop less often at other retailers online.**





Frictionless checkout poses an even greater challenge for retailers still transitioning to chip technology—known as EMV—intended to reduce fraud. In fact, EMV has sometimes had the unintended effect of accelerating mobile payment use, which chip technology supports. To circumvent the more arduous chip-technology process, some consumers use mobile payment instead.

Meanwhile, retailers are increasing options for checkout via tablet (21%), self-checkout (14%), or both (14%). And hiring—a 20% increase in workforce for the holidays. Indeed, PwC analysis reveals shoppers continue to seek out sales staff who can help locate products, decipher how they work, and explain key features.⁷

Substantial divide

Retailers are striving to maintain the optimal amount of inventory on hand. In fact, some are stocking regional warehouses to power a more agile supply chain for both in-store and online orders.⁸

We did notice a substantial divide. Despite ease of checkout ranking highest for both consumers and retailers, consumers ranked it far higher (56%) than retailers (42%). Similarly, consumers ranked in-store Wi-Fi access and inventory checks far higher than retailers did, with 14% and 10% margins respectively.

Consumers want a **convenient, frictionless** in-store shopping experience.

Ease of checkout



Easy-access in-store Wifi



Product availability (check other stores, online)



Sales associates who know the products well



In-store events





On the flip side, retailers believe in-store customer events matter far more to customers than customers told us they do, a 12% divide. In a world of on-demand retail and entertainment online, shoppers might well be loath to attend an event scheduled by a retailer rather than on their own time.

Variety of options

What shoppers do respond to is an effortless, immersive adventure in which they play the starring role. One that animates the imagination. While anticipating their needs—demographic or psychographic.

Be it a beauty bar in a department store, for example, that offers shoppers treatments and helps them with product selection. Or a fitness center in a sporting goods store with different equipment options available to try out.

Shoppers are protective of their time precisely because of the variety of mix-and-match physical and digital retail choices available this holiday season.





Thumbs a-tapping in a mobile wonderland

Both digital and mobile shopping up almost 25% each from last year

Anticipating an almost 25% increase in annual digital sales, the majority of retailers (68%) are boosting their investment in digital channels—from acquiring new capabilities and bolstering e-commerce supply chains to cementing online customer relationships and championing a digital mindset companywide.

They also plan to increase spending on social media by a whopping 66% in response to consumer feedback that holiday promotions received via social media lead all aspects of social media use that influence holiday shopping behavior (41%). Consumers are also influenced on social media by reviews, comments, feedback (34%), and ads (29%)—a reversal of last year's order, in which ads preceded reviews.

The majority of Gen Z (60%) and more than half of millennials (54%) learn about brands via influencers and peer recommendations on social media. Retailers are taking note, engaging consumers by identifying and cultivating early adopters of their products, who then spread the word. The





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most successful social media outreach is casual, conversational, and general—rather than clear, concise, and specific.⁹

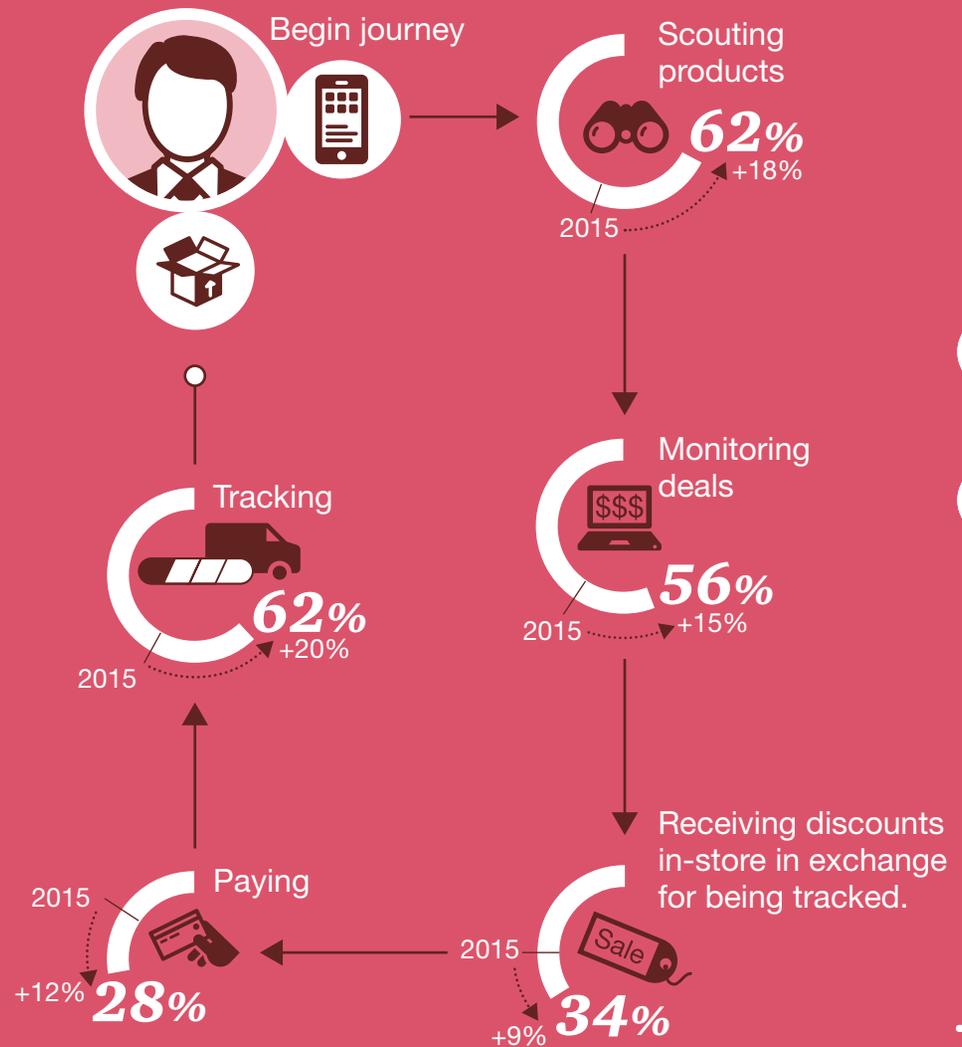
Today's purchase journey is a mobile quest. With mobile adoption occurring at accelerated rates—an upsurge of 18% from last year for product searches, 15% for deal monitoring, and 20% for package tracking. Even mobile payment, which consumers were more concerned about last year, is up 12%. And will continue to gain acceptance as new options become available via mobile devices and desktop.¹⁰

Smaller devices catching up

Smaller devices—smartphones, tablets—are catching up to online shopping via laptop or desktop this season as mobile shopping becomes more ubiquitous—with an almost 25% increase over last year. Overall, 36% of consumers prefer to use smartphones and tablets for their holiday shopping online. Meanwhile, although most people (63%) still prefer to use a laptop or desktop to shop, the preference for those larger devices is down 16%.

While most consumers will mix and match digital and physical options for their holiday shopping, hipsters are digital-first shoppers, with almost 60% preferring online and mobile options. Meanwhile, 55% of shoppers overall prefer e-mail discounts, promotions, and coupons to print options (24%—a 17% decline from last year). Not surprising, since e-mail offers personalization, interactivity, and timeliness.

*Today's purchase journey is a **mobile quest**.*





I want it . . . now

A range of last-mile options

*Today's shoppers take "free" shipping for granted; auto-pay annual subscription fees that entitle them to free shipping—and that started this trend—are often a distant memory. They've also come to expect expedited arrival, especially in large urban centers. And they demand free returns. In fact, some 60% of retailers will provide both free shipping **and** free returns this holiday season.*

Which consumers told us is a must-have: 90% say free shipping is a very important deciding factor while 78% want free returns. The largest retailers have the advantage of scale; however, smaller companies have struggled to keep up with shipping costs, which they can't always pass along to shoppers.¹¹

Home delivery is the preferred option for the majority of online shoppers (72% use it regularly; 19% on occasion).





Other options include in-store pickup (21% regularly; 48% on occasion)—during which shoppers often end up buying more than they originally ordered—and pick up at a predesignated location (9% regularly, 13% regularly for consumers in metropolitan locations; 15% on occasion; 19% on occasion for consumers in metropolitan locations).

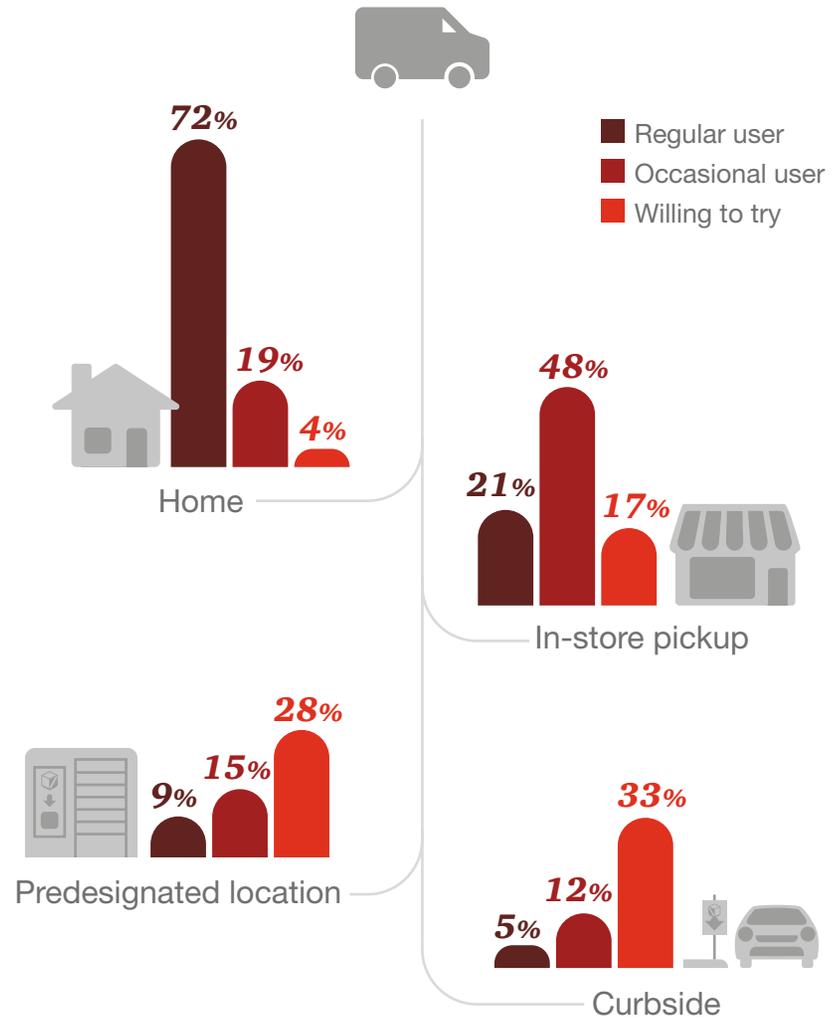
Consumers also told us they are open to options they haven't tried before: 33% are willing to try curbside pickup after ordering online (similar to in-store pickup with the advantage of not having to park and leave your car—a real benefit for parents with young children); 17% currently use that option regularly or on occasion.

Most value at lowest cost

Similarly, 28% of potential first-time consumers would be willing to try pickups at a designated location and 17% are open to trying in-store pickup. Collectively, referred to as click-and-collect, these models will undoubtedly grow as retailers and consumers trade off speed, cost, and convenience to achieve the most value at the lowest cost.

More generally, retailers are experimenting with a combination of supply-chain and distribution approaches to best accommodate customer needs—from insourcing to crowdsourcing to large and small external shippers—recognizing that what works best in a particular location might not translate exactly somewhere else.

While home delivery is most popular, shoppers will try **alternative last-mile options**.





Same-day delivery, for example—fairly commonplace in large urban centers—is not always feasible nationally, despite the increasing prevalence of regional and local distribution hubs. PwC analysis has found that consumers who opt for curbside pickup instead could shave a few days off delivery and save shipping fees. Especially since such orders are ready for pickup in 24 hours almost 90% of the time.

Retailers are well advised to educate consumers about delivery options—rather than react to competitive pressure—based on their understanding of the economics of a shipment’s last-mile as well as on consumer preferences. For example, delivering directly to households within hours instead of days rarely makes more economic sense outside of densely populated cities with high-income households—and only when a limited assortment of items is on offer.

Meanwhile, for larger gifts of electronics and appliances, customers might well be willing to wait for—and pay for—a comprehensive “white-glove” delivery and assembly service package. Ultimately, the underlying drivers of success particularly in last-mile delivery—convenience, price, speed, variety—still depend on the physical supply chain.¹²





There's always a deal . . . somewhere

Cultural, social, retailer-generated holidays mean more deals more often

*As global borders shrink and the world's population becomes more mobile, consumers shop year-round, lured by a flurry of deals and discounts. In fact, 64% of consumers will begin holiday shopping before the start of Black Friday week. And 29% will have **completed** most of it by then.*

Because, ultimately, everyday low price is the top priority for 83% of shoppers. Followed by the lure of deals and promotions (65%)—which are now ubiquitous year-round, thanks to a profusion of cultural, social, and retailer-generated holidays from Earth Day and Singles' Day to Chinese New Year and Diwali. And all these holidays are continuing to erode the significance of the end-of-year shopping season.

In fact, Amazon's Prime Day 2016 saw a 50% boost in purchases in the US in July.¹³ Even Father's Day is gaining traction, thanks to e-mail campaigns aimed to appeal to brand-conscious millennial dads.¹⁴ Not to mention the





There's always a deal . . . somewhere



widespread prevalence of everyday discounts, which are also blurring the impact of the year-end holiday shopping season.

So while Black Friday week continues to chart increased shopping patterns—19% of consumers will begin their holiday shopping and 21% will complete their holiday shopping that week—every year sees further erosion of a clear-cut shopping season.

Fewer shoppers on Black Friday, for example (51% versus 59% last year)—especially fewer hipsters (41%), who skew heavily digital in their shopping habits. Regardless, 85% of retailers will open their doors on Black Friday, as they did last year.

New ways to save

A fairly recent development during the holiday shopping season is Small Business Saturday, which chalked up a 14% increase in sales last year, with some 95 million consumers spending more than \$16 billion.¹⁵

Meanwhile, Thanksgiving Day is still fairly popular, with 40% of consumers shopping, mostly online early that morning. Retailers are split fairly evenly down the middle on extended store hours and staying open on Thanksgiving Day. And almost half of those choosing to close their doors on Thanksgiving Day are doing so to better align with their corporate values—and with their employees.

What motivates holiday purchases?



*Meanwhile, retailers offer **more deals more often, year-round.***

*And Black Friday attracts **fewer shoppers.***





Vroom, vroom

While cars may not show up on the shopping lists of most consumers, December consistently charts automaker rebates and spikes in auto purchases, according to PwC analysis. Automakers typically offer rebates in December—of \$500, on average—particularly for luxury vehicles.²⁶ Overall, despite a recent slowing, PwC’s Autofacts team forecasts that 17.6 million new cars will be sold in 2016.

Another anticipated driver of high demand could well be record-low interest rates, especially with a potential Fed rate hike before the end of the year. In an environment of record-high auto prices, low-interest auto loans could be a motivating factor for consumers.

Pickup trucks as well as sport-utility and crossover vehicles will be top sellers for shoppers motivated by low gas prices. Which bodes well for automakers’ bottom lines as these vehicles enjoy extremely high margins compared with their passenger-car counterparts.





Brands matter

Local, independent brands matter more than ever

Brands matter to 80% of our survey respondents—whether established household names, local businesses, independent retailers, or new entrants. In fact, local brands wield considerable power as consumers seek shared values and a sense of community—almost 75% of consumers plan to shop locally. While 56% will seek independent retailers.

New entrants meanwhile can build up a loyal following in short order, thanks to the power of social networks. These buzzy tech-enabled upstarts have typically disrupted their way into existence by offering a product or service that sets them apart, often in response to evolving customer needs, habits, and lifestyles.

Such as apparel rentals for special occasions, a big hit during the holiday season. Or direct-to-consumer products at far less expensive prices—with various levels of curation and personalization—thanks to nimble, global, technology-enabled supply chains. Supplemented with direct-to-consumer advertising online.





While most consumers (59%) learn about brands via television, online video is making rapid inroads with millennials and Gen Z alike, many of whom, according to PwC research, have never subscribed to cable television.¹⁶

Instead, consumers in today's multi-screen environment watch streaming video at work (46%), in the bathroom (36%), or while commuting (29%), allowing new entrants to bypass intermediaries and connect directly with consumers.¹⁷

Video ads take off

In fact, video internet advertising revenue is among the fastest-growing sub-components of the US internet advertising market, despite the finding that 81% of consumers surveyed mute them.^{18, 19}

Consumers also uncover information about brands via word of mouth (39%), social media (38%), and search engines (37%). And they might well be doing it concurrently: PwC research revealed that half of all consumers watch TV while simultaneously also using their laptop and mobile phone.²⁰

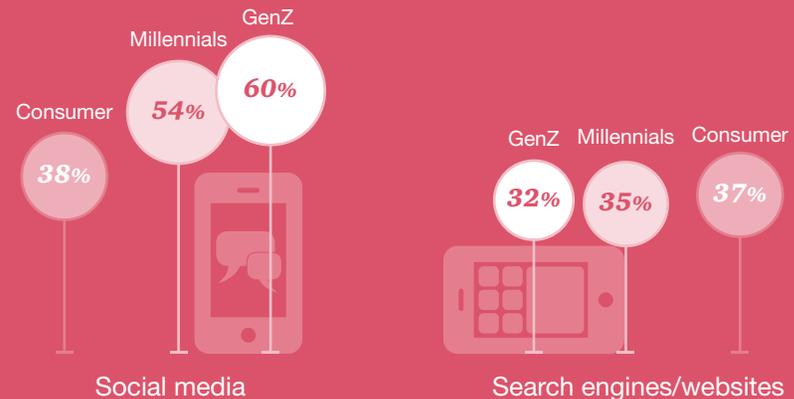
In this platform-rich environment, compounded by increasingly mercurial attention spans, brands thrive when they communicate a clear identity to consumers. Via a sophisticated multi-screen approach encompassing television and streaming video. As well as a social media strategy that integrates influencers with authentic voices.

Nearly **75%** of consumers will shop **locally**.

56% will seek **independent retailers**.



Most consumers learn about **brands** via **TV** but millennials and **Gen Z** use **alternative channels**.





One retailer, for example, used customer-provided data along with location, local weather conditions, and inventory in stock to serve up dynamic, personalized, online ads in a digital campaign that could be fine-tuned for relevance in real time to deepen brand connections. The campaign delivered a response rate six times higher than previous internet advertising.²¹

Which could account for its growth trajectory: Internet advertising—powered by a mobile surge—will outpace TV advertising in 2017, reaching \$93.5 billion by 2020 (versus \$81.7 billion for TV advertising), according to PwC analysis.²²





Season of caring

Consumers and retailers alike illustrate humanity in action

In the spirit of the season, a substantial majority of shoppers (75%) are donating cash, toys, food, and volunteer hours to their favorite causes. Of those donating cash, the average contribution is \$244.

Health and social services (52%) top the list of causes, followed by community and economic development (45%). Animal welfare and disaster relief both ranked third with 30% each. The exception—millennial parents—ranked K-12 education third.

Almost 75% of retailers will also make charitable contributions, led by monetary donations, employee volunteer hours, and products such as food and toys. And consumers are taking notice, confirming economists' research that trust is essential to doing business.²³

In fact, 60% of all consumers told us they hold retailers in high esteem who translate shared values into action—by way of charitable donations, sustainability, and community involvement. And about a third of consumers plan to spend *more* with these retailers who are committed to the





important societal, environmental, and economic corporate-responsibility issues of importance to stakeholders.

Meanwhile, 58% of retail CEOs told us corporate responsibility will be core to everything they do in five years, as consumer expectations continue to rise. And close to half of retail CEOs are committed to wider social impact.²⁴

Some are rigorous about telling customers exactly how much every item costs to produce while others are working toward gender pay parity and minimum-wage increases or rigorously minimizing their environmental footprints.

Business as a force for good

Still others—B (for benefit) Corporations—have made a formal commitment to use business as a force for good. For-profit enterprises, B Corps operate in more than 100 industries globally under a corporate governance structure that incorporates social and environmental impact in their decision making process.²⁵

Younger consumers told us they are more inclined to support a company that illustrates social impact with specific actions. This holiday season, one of those decisions might well include not opening for business on Thanksgiving Day. Almost half of retailers who will not open on Thanksgiving Day told us opening their doors would not align with corporate values or would erode employee morale.

Humanity in action — 75% of consumers and 75% of retailers will donate to charities.



36%
of consumers **will spend more** with brands that translate values into action.



60%
prefer these brands.

Consumers give to:



52%

health and social services



45%

community and economic development

30%



animal welfare, disaster relief



Are consumers willing and able to spend?

We would be remiss if we didn't contextualize our analysis against the backdrop of the economy. Consumers have already told us they plan to spend more this year. But not necessarily on tangible gifts. We also know that consumer spending hinges on ability and willingness to spend.

So far, consumers have proven willing *and* able. Despite relatively sluggish economic growth amid low commodity prices, a strong dollar, and weak foreign demand, consumers are fairly upbeat: While the economy as a whole grew at an annualized 1% in the first half of the year, consumer spending posted a healthy 3% gain.

A strong labor market and weak consumer goods prices—including low gas prices—have increased consumers' purchasing power. Strong income gains and low inflation bolstered savings earlier in the year, giving consumers a firmer cushion to absorb negative shocks and keep confidence relatively high. However, many households still struggle to meet basic needs.



#1 factor influencing holiday spending: **salary** and **disposable income**





As they did last year, the majority of consumers in our survey ranked salary and disposable income as the #1 factor influencing holiday spending, followed by healthcare costs and the cost of transportation. Rising healthcare costs, which are outpacing wage growth, might well erode purchasing power.

Retailers, meanwhile, ranked the economy highest on the list of factors affecting holiday spending, followed by consumer confidence and the political environment.

As the US economy approaches full employment, the pace of hiring is starting to slow. In addition, underemployment remains too high and the pace of improvement has slowed markedly, which may prevent consumer confidence from rising much higher.



In the context of a complex geopolitical landscape, a global recession and further European disintegration could rein in US expansion, raise uncertainty, and reverse consumer optimism. Willing *and* able? That remains to be seen...





Endnotes

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