

HOLIDAY 2021: THE SPRINT HAS BEGUN

5 Actions Retailers Can Take Today to Deliver for Q4

November 2021

 **PMG** DIGITAL
MADE FOR
HUMANS™



EXECUTIVE SUMMARY

Consumer spending this holiday season is predicted [to reach an all-time high](#) as Americans are both eager and pressured to begin their holiday shopping earlier than ever before. We've compiled PMG portfolio trends, historical holiday season performance, and new Q4 Consumer Outlook Survey data in partnership with YouGov Direct to identify opportunities for brands to realize the full potential of digital this holiday season.

From a rise in ecommerce adoption to a decline in coronavirus cases, varying supply chain constraints, and a positive consumer outlook, today's market conditions require brands to adopt proactive and agile approaches.

During Q4 2021 PMG recommends marketers:

- 1** *Pull budget forward, invest early, and flex to performance.*
- 2** *Further diversify how customers are reached.*
- 3** *Actively pursue and measure market share and customer growth.*
- 4** *Understand the relationship between stores and digital, and support the brand across both.*
- 5** *Be ready to shift to Buy-Online-Pick-Up-In-Store (BOPIS).*

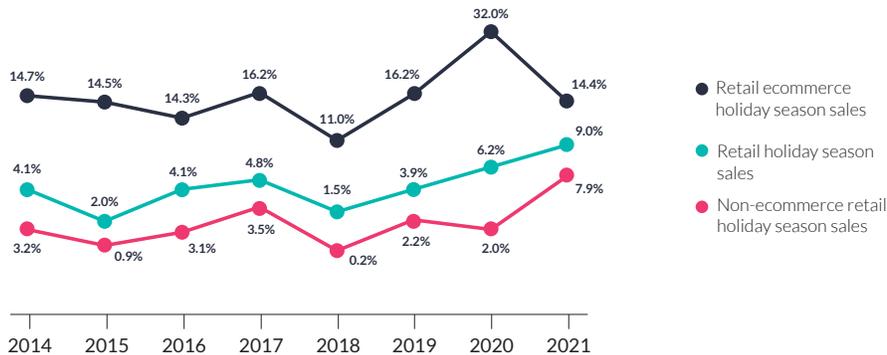
Brands that remain agile, capitalize on competitive advantages, and stay in tune with consumer expectations and behaviors will be best positioned to deliver strong performance throughout this year's holiday season, setting them up for a successful 2022 and beyond.

The 2021 holiday season has already begun, and while some degree of uncertainty still looms due to fluctuating consumer sentiment and global supply chain challenges, it's clear that:

1 *Consumer spending strength will deliver an impressive holiday season, with early indicators showing that macro challenges, such as a decline in coronavirus cases, may soon ease from their peak period.*

2 *Omnichannel retail brands that take an aggressive stance and an early approach to marketing for calendar Q4 may be best positioned to both seize the opportunity and maximize the advantages of an omnichannel presence.*

US RETAIL, RETAIL ECOMMERCE AND NON-ECOMMERCE HOLIDAY SALES GROWTH



Source: eMarketer, 2021

To better understand shopper intent and the consumer mindset during this critical period for your business, PMG partnered with YouGov on a proprietary Q4 Consumer Outlook Survey that began in October and will run through the end of the year. The first wave of survey results supported our initial predictions of overall bullishness for retailers this holiday season. By taking into account industry data and research conducted by PMG's strategic planning and insights team, several trends have emerged and are worth taking note of.



KEY TRENDS

Retail and ecommerce strength

Total U.S. retail sales in August and September jumped 15 percent and 16 percent, respectively, year-over-year, even as the American economy was confronted with multidimensional headwinds, such as the Delta variant and supply chain challenges. Ecommerce sales in November and December are expected to surpass the [\\$200-billion mark for the first time](#), representing a healthy 12.1 percent gain over 2020, which saw sales increase by more than 40 percent. According to our data, 67 percent of consumers are looking to spend the same or more on their holiday purchases this year.

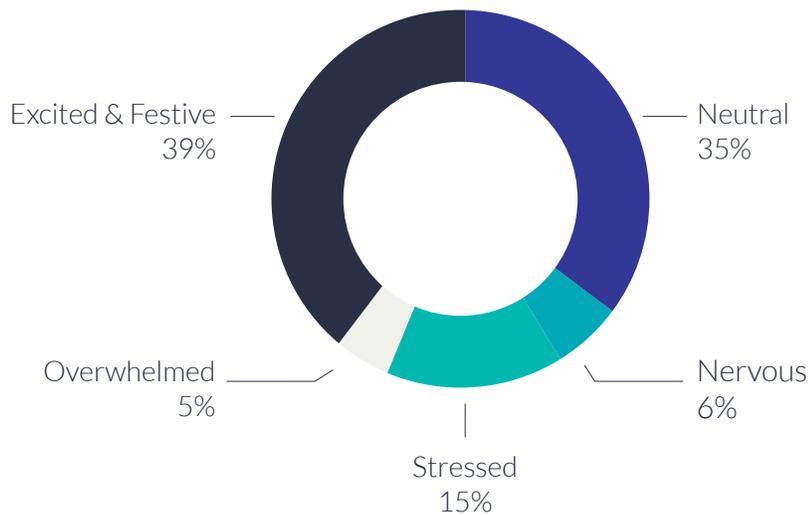
Consumers are buying despite challenges

While 26 percent of consumers in PMG's Q4 Consumer Outlook Survey reported having a "Stressed," "Nervous," or "Overwhelmed" outlook for the season, two-thirds of respondents still anticipate spending at least the same as they did during the 2020 holiday.

The holidays carry greater emotional importance for consumers

According to our findings, a majority of consumers have a positive outlook for the holidays, with 39 percent feeling “excited and festive.” In a survey conducted by Quantum Metric [earlier this year](#), two in three consumers (64 percent) reported expecting the upcoming season to be more meaningful than in years prior.

Q4 CONSUMER OUTLOOK



Source: PMG x YouGov Direct Q4 Consumer Outlook Survey, 2021.

Pricing power

Retailers, along with sellers, across verticals, have a greater ability to pass cost increases on to consumers. PMG has seen average order values (AOV) increase across its client portfolio relative to 2020 figures, along with successful approaches to reducing promotional depth. In fact, just 65 percent of respondents to PMG’s Q4 Consumer Outlook Survey named “price” and “promotion” as a critical consideration to purchase, down from 74 percent on a 2018 Deloitte Holiday Survey. Furthermore, roughly half of respondents said “availability” is a critical determining factor, reinforcing a prevailing consumer attitude of “if I find it, I’m buying it.”

PRICE AND VALUE LEAD AVAILABILITY AND SHIPPING AS TOP PURCHASE CONSIDERATIONS



Source: PMG x YouGov Direct Q4 Consumer Outlook Survey, 2021

Improving macro trends

As of mid-October, the macroeconomic environment shows low jobless claims, an increase in bank deposits, and the highest-ever consumer net worth, a drop in Delta variant cases, and even the possibility that supply chain problems have reached a peak.

In aggregate, these trends indicate an improved outlook for retailers, but as always, the ability to act quickly on the favorability (or unfavorability) of these trends will be critical to success this season.

While we know the holiday shopping season has become longer, [headlines speaking to a more challenging shopping environment](#) due to supply chain constraints, inflation, and other challenges, may be urging Americans to begin their shopping sooner than originally anticipated. According to PMG's Q4 Consumer Outlook Survey:

18%

of consumers completed their holiday shopping by mid-October.

74%

of shoppers are actively browsing online for holiday gifts.

67%

of survey respondents report their purchase behavior is "around the same" as last year.

In short, the adoption of trends that emerged during the pandemic has accelerated into 2021, with an even bigger percentage of holiday shoppers poised to begin — and even complete — their gift buying by early November.

In line with these trends, the media environment has also experienced rapid changes throughout the last 18 months. Our analysis confirmed that across the major platforms and varying spend levels, costs of media in calendar Q3 of this year were up anywhere from 15 to 35 percent relative to Q1.

CONSUMERS' HOLIDAY SHOPPING PROGRESS



Source: NRF, 2020

These increases are the result of three factors: privacy changes, the permanence of a shift to ecommerce, and greater competition. While the exact mix of the three isn't known, we can say with a high degree of confidence that none of these three factors are expected to change or lessen as we approach the big shopping days of late November and December.

With a favorable consumer outlook, added pressures for early shopping, and a media cost-base that will shift with competition and other market factors, PMG has developed the following holiday season recommendations and guidance to drive business success immediately and throughout the critical remaining months of 2021.



STRATEGIC RECOMMENDATIONS

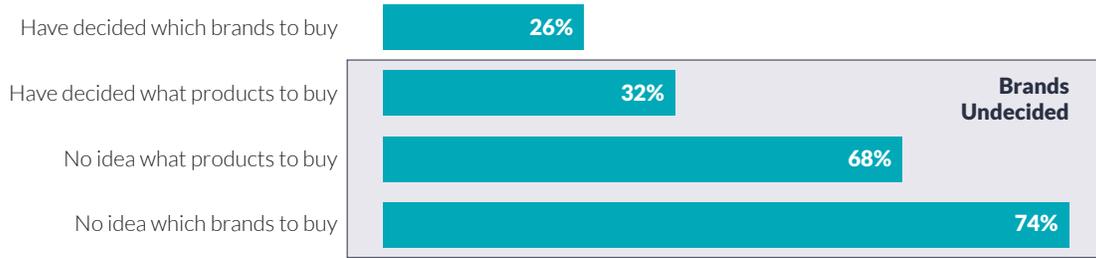
Pull budget forward, invest early, and flex to performance

Alongside still-ambitious plans for Cyber 5 and December performance, PMG retailers saw outsized results in 2020 as a direct result of pulling investment into late October and early November as performance dictated. Specifically, certain brands exceeded November sales plans by eight-figure totals, driven largely by the first two weeks of the month.

This year, waiting to increase spend and better understand performance across channels and tactics risks momentum later in the season due to shipping variability, more competitive media costs as the season progresses, and the potential for reduced media efficacy in the face of continuing iOS and privacy implications.

For consumers, holiday discovery has already begun, providing brands with a critical moment to influence purchase decisions. While 74 percent of Americans are already in discovery mode for their holiday shopping via online storefronts, few have decided what specific products or brands they'll buy.

MARKETER OPPORTUNITY: MOST CONSUMERS ARE UNDECIDED

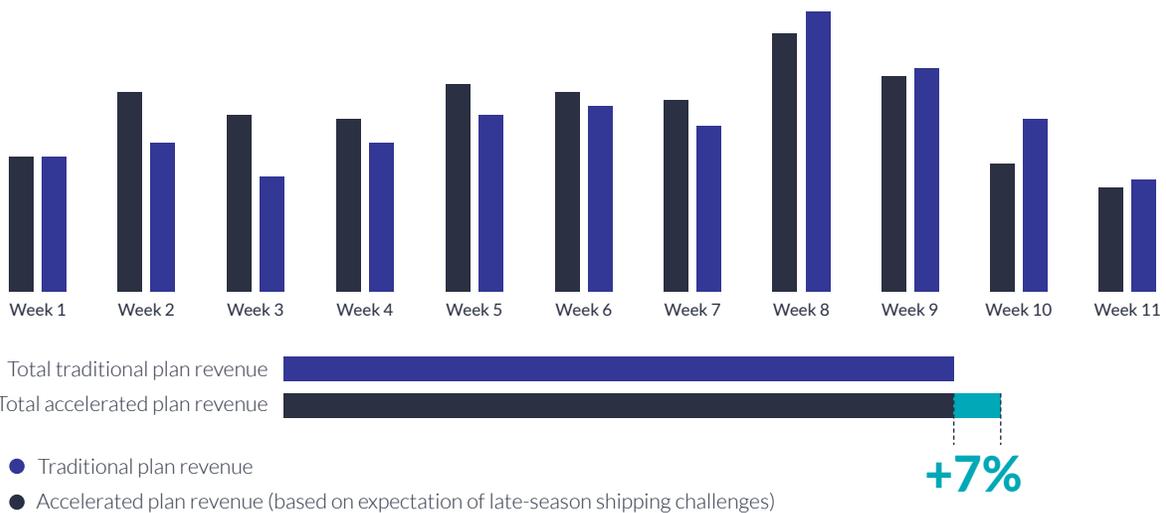


Source: PMG x YouGov Direct Q4 Consumer Outlook Survey, 2021

The combination of the state of the market and consumer intent is already presenting tremendous opportunity for brands that are positioned to make agile media investments early in the season. Whether an effort to acquire the next generation by building brand momentum into peak, or to defend against potential shipping challenges and their projected impact on conversion and sales timing, PMG recommends an opportunistic, pull-forward approach to help capture share and/or alleviate pressures anticipated around peak shopping days. In fact, based on our analysis of retail data seen in seasons past, combined with recent shopping behavior across our retail set, we project that a pull-forward strategy would yield roughly seven percent more overall sales revenue during the 11 weeks ending December 18.

PULL FORWARD SPEND TO COMBAT UNFAVORABLE SHIPPING CONDITIONS

Accelerated investment can yield a sales revenue increase of **7%** across the 11-week holiday season



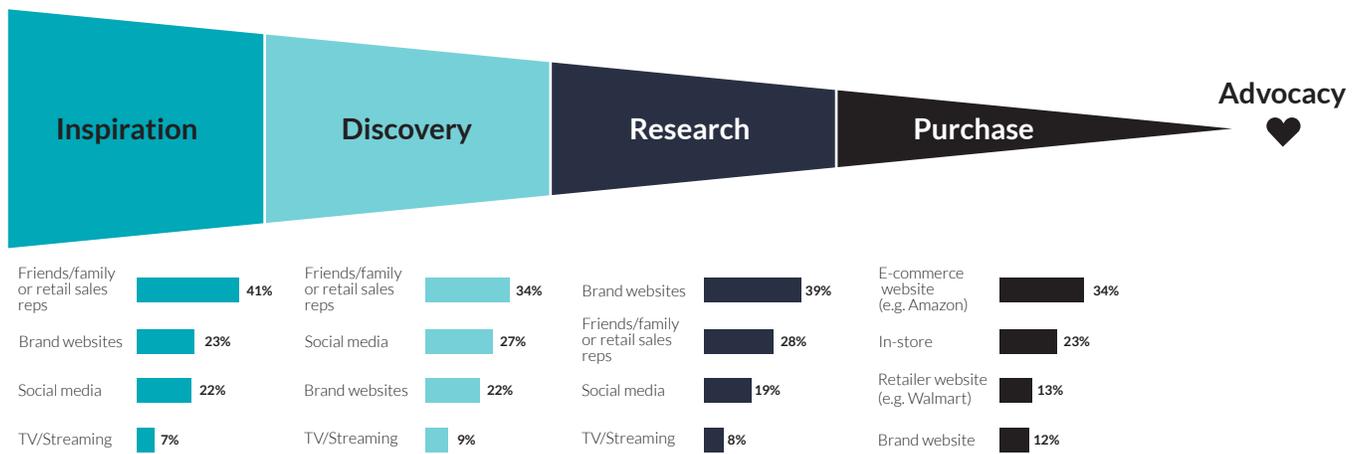
Source: PMG Portfolio Data

Further diversify how customers are reached

Brands that deliver effective messaging across a variety of platforms will be in the best position to protect against rising costs and diminishing returns. Investment and real optimization must be put into understanding the value and experience of each platform to better enable the entire customer journey, priming customers with high-reach messaging and raising efficiency on lower-funnel tactics. By waiting until the historically bigger budgets of November and December to arrive to begin the work in earnest, brands will have already missed an opportunity to multiply optimization levers during a less costly time.

LOYAL CONSUMERS ARE MORE POWERFUL THAN ANY PLATFORM

At every stage of purchase consideration, consumers look to trusted recommendations, and loyal consumers will go to brands for information when researching products



Source: PMG x YouGov Direct Q4 Consumer Outlook Survey, 2021

PMG's Q4 Consumer Outlook Survey asked consumers about their sources of inspiration, discovery, research, and purchase heading into this holiday season, and responses show that a diverse, agile media and messaging strategy will be critical to breaking through across the customer journey. Consumers are seeking clear information from brands in their ads and on their websites that speak to product availability and accessibility, reviews, and product options. Social media needs a balanced role across the funnel with diverse messaging, creative, and platform strategies that match the customer's holiday shopping journey. Owning the point of conversion via retail media (if applicable) and ensuring excellence in lower-funnel tactics will help convert clicks into sales.

Actively pursue and measure market share and customer growth

The widely discussed “shock to loyalty” that emerged in 2020 will persist into this year. According to PMG’s Q4 Consumer Outlook Survey, 90 percent of respondents will switch brands this holiday season when their needs aren’t met. In this moment of weakened customer loyalty, measurably growing the customer base and fighting to protect a brand’s core customer set versus the competition will underpin any successful holiday strategy. Our view is that with early entry and an aggressive customer focus, market share and retention opportunities this year will be plentiful. Leading brands will look to market and customer signals to capture these opportunities and define a distinct strategy, goals, and measurement approach for “right to win” and “right to retain” consumers.

90% *of consumers will switch brands this holiday season when their needs aren’t met.**

Customer Signal: 30% would choose a brand in close proximity/easily accessible if needs aren’t met.



Activation Opportunity: BOPIS messaging, drive to store/local, competitive foot traffic assessment.

Customer Signal: 28% would choose a brand recommended by family/friends if needs aren’t met.



Activation Opportunity: Above and below the line influencer, lifecycle/customer re-engagement.

Customer Signal: 27% would choose a direct competitor brand/second favorite brand in the space if needs aren’t met.



Activation Opportunity: Competitive conquering, look-a-like audiences, shopping density (non-brand and competitor), dynamic ads for broad audiences.



Understand the relationship between stores and digital, and support the brand across both

In media mix models where PMG has visibility and a clean, robust data set, we've seen that digital marketing alone can contribute to between 10 to 20 percent of store traffic and sales. Along with a pursuit of online customer growth and ecommerce ROAS, marketers need to ensure a throughline with visibility that links digital activity to store sales goals while providing messaging options to remind consumers of the store experience, whether through testing or evergreen inclusion (via site links or similar).

Using foot traffic signals — such as the PMG Location Insights Hub — to connect digital media investment with footfall and proximity-based data, PMG teams can provide real-time insights to better inform media investment decisions and identify pockets of omnichannel opportunity. Critically, this understanding doesn't require advanced measurement methodology to be directionally helpful during peak times. Using every signal to your advantage — even platform-provided or third-party data — will help marketers understand customer patterns and make recommendations that competitors aren't poised to capitalize on.

Be ready to shift to Buy-Online-Pick-Up-In-Store (BOPIS)

Assuming the holiday push began in October, and any remaining logistical challenges are ironed out, brands with a brick-and-mortar presence should do everything possible to support the in-store pickup of online orders. In the five days leading up to Christmas in 2020, retailers offering curbside, drive-through, and [in-store pickup options](#) saw online spending grow 54 percent, compared to 34 percent growth for those that didn't. With typical shipping cutoffs, BOPIS already represents a significant opportunity. Should shipping cutoffs extend to ten days or longer, the ability to pivot effectively could very well mean the difference in making or missing the entire quarter.

Digital marketing alone can contribute 10-20% of store traffic and sales.

This year, consumers are already indicating that shipping methods, cost, and availability are critical factors in their decision-making for a holiday purchase, according to PMG data. This sensitivity, combined with shopping habits developed over the past 18 months, will make BOPIS a season-long opportunity for retailers. As we gauge consumer intent and their patterns in the moment, our recommendation is for brands to be ready to shift into BOPIS messaging as soon as mid-November — launching parallel messaging to their core campaigns.



EMPOWER A CULTURE OF AGILE OPTIMIZATION

The idea of fast decisions and fast actions is easy to support, but its practical application is what fosters success. With the pace of holiday consumer behavior and the continuously shifting competitive environment, teams should build, know, and rely on numerical thresholds that provide in-the-moment guidance on how hard to push or pull back. The broader the executional understanding, the more quickly and more often action can be taken. Provide autonomy that proceeds from an operational framework, and enable constant communication about actions taken rather than approvals sought.

In the five days leading up to Christmas in 2020, retailers offering curbside, drive-through, and in-store pickup options saw online spending grow 54%, compared to 34% growth for those that didn't.

Furthermore, if cost pressure based on competition is substituted as the variable, flighting that fails to ramp up media spend until the most competitive times sacrifices both volume and efficiency.

Through these early and decisive moves into the holiday season, brands that take bold strokes aimed at customer acquisition and always-on agility can proceed confidently in a posture to overdeliver compared to the competition. As we navigate through a holiday season unlike any other, the PMG team will continue to provide action plans, up-to-date scenario planning, and strategic recommendations on how to anticipate and address potential headwinds and take advantage of new opportunities and more in the days and weeks to come.

*PMG's Q4 Consumer Outlook Survey was conducted on YouGov Direct. 800 U.S. adults 18+ were surveyed on October 13, 2021 between 11:11 AM and 6:08 PM Eastern time. Data is weighted on age, gender, education level, political affiliation and ethnicity to be nationally representative of adults 18+ in the United States. The margin of error is approximately 5.6% for the overall sample.



START A CONVERSATION

To learn more about holiday readiness, follow us on social media or connect with our teams at insights@pmg.com.

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