

2022 holiday shopping and travel report

*Recalibrating celebrations
in uncertain times*



Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

In 2022, the world shifted its focus—again.

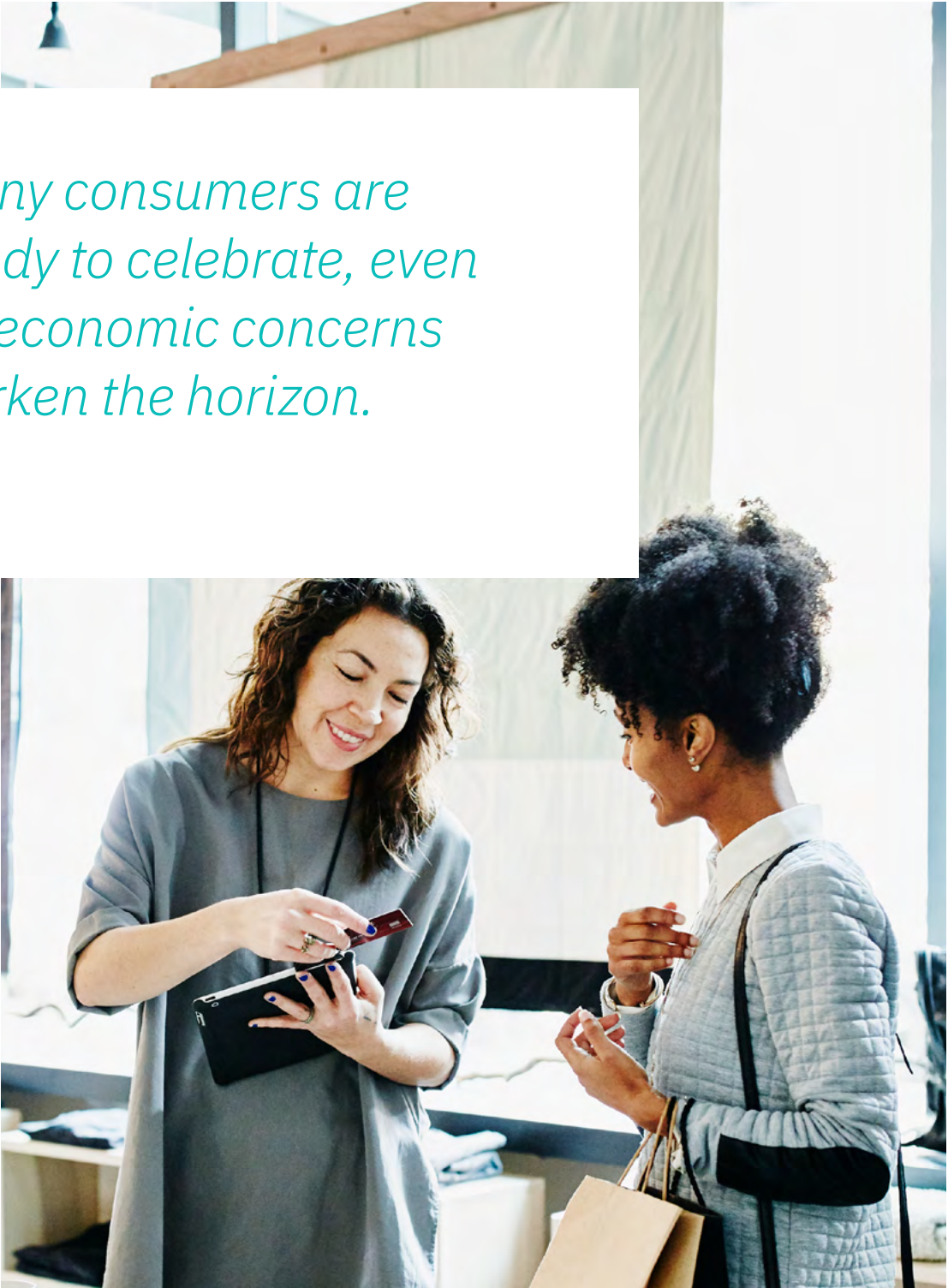
As vaccines began to make COVID outbreaks more manageable, a wider set of economic and political issues took center stage. Many individuals began to fear less for their physical safety—and worry more about their personal finances. New types of risk and uncertainty colored a year many had hoped would offer a return to normalcy.

A combination of disruption and financial strain has also diminished economic projections for the holiday season. In 2021, holiday spending jumped 14%, likely due to easing pandemic restrictions. But this year, Bain & Co. forecasts growth of only 7.5%—which drops to between 1% and 3% when adjusted for inflation.¹

In response, some consumers are rethinking their wish lists, while others are getting creative to get everything they want. After two tough years, many want to celebrate, even with dark clouds on the horizon.

To earn a greater share of this year's holiday spend, brands and retailers need to understand what consumers see as non-negotiable, what they're willing to pay more for—and what people with the most purchasing power expect to prioritize. To better understand individual perspectives, as well as their plans to shop and travel this holiday season, the IBM Institute for Business Value (IBV) surveyed more than 12,000 adults across nine countries (Brazil, Canada, France, Germany, India, Mexico, Spain, United Kingdom, United States) in August 2022.

We found that 2022 shopping budgets are up 8% over 2021—in line with Bain's economic forecast—and holiday travel budgets are up 49%. However, prices have increased, as well.



Many consumers are ready to celebrate, even as economic concerns darken the horizon.

Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

That’s probably why economic concerns are top of mind this holiday season. While 59% of individuals say they will be less concerned about COVID, two in three say they will be more concerned about the economy. 59% report worrying more about supply chain disruptions that could make holiday shopping harder or more expensive.

Consumers are also focused on environmental issues. More than half (55%) say they’ll be more concerned about sustainability this year than last year (see Figure 1).

Anxiety and uncertainty have taken a toll on individuals’ mental health, as well. Roughly one in three say their mental health has worsened in the last 12 months, and 69% of these respondents say economic concerns were a top cause, cited more frequently than any other factor.

Growing expenses and stagnant incomes could strain holiday spending. 72% of individuals say their monthly expenses rose in the last year, while fewer than one in three (31%) say their monthly income increased. But not all consumers are feeling the same pinch.

Which consumers will have the most to spend this holiday season? What are these shoppers and travelers looking for? And how can companies outpace their competitors at a time when every purchase counts?

FIGURE 1

Economic fears overtake COVID concerns

Consumers are most worried about financial issues this year



**% respondents that either somewhat or strongly agree.*

Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

To better understand the buying behavior of different individuals—and what influences their holiday purchasing decisions—we took a holistic view of consumer household finances.

By analyzing changes in income, debt, expenses, and contributions to savings and investments, we identified four groups of consumers with vastly different financial circumstances (see Figure 2).²

The Insulated (41%)

On average, individuals in this group have maintained the status quo. They've seen little to no increase in income, expenses, or contributions to personal savings and investments. They also report a modest decline in personal debt.

The Strained (31%)

These consumers are in the most precarious position. Half are from the bottom income brackets, and they've seen declining incomes—along with the highest average increase in household expenses. What's more, their savings are dwindling and their debt is on the rise.

The Secure (18%)

Despite the economic downturn, these consumers' finances appear to be on the upswing. Nearly half of individuals in this group are from the top income brackets. While they report higher than average growth in expenses and personal debt, they also report the highest average income increases and have been able to contribute more to personal savings and investments over the past year.

The Frugal (11%)

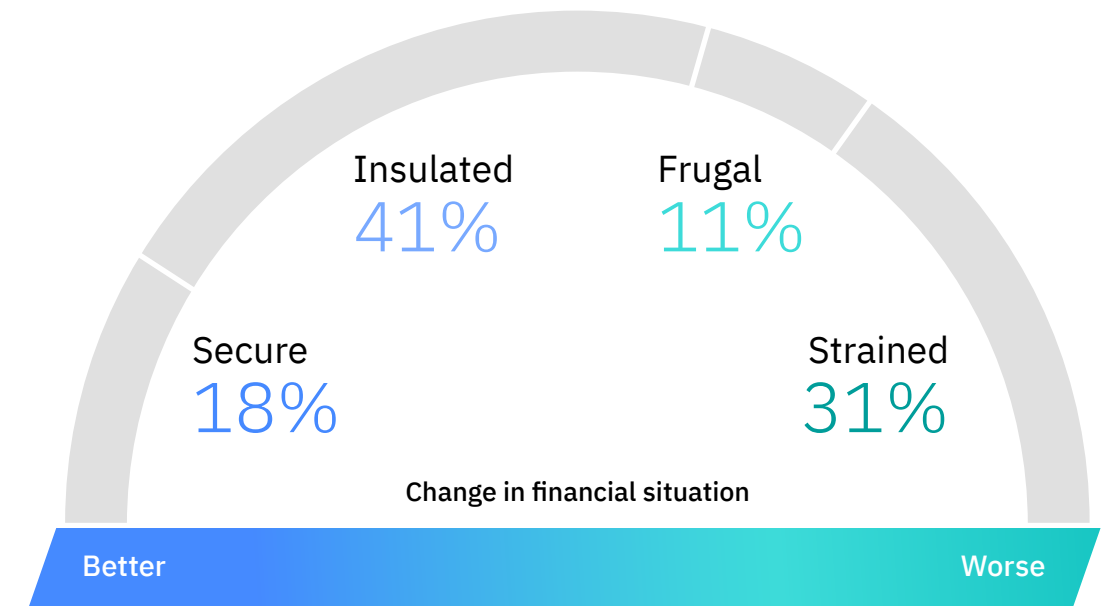
This group is more financially conservative than the others. Most (56%) of these individuals are from the bottom income brackets and have seen the highest average decline in monthly income over the past year. They report the highest average decrease in personal savings and investments, but their monthly expenses and personal debt are also on the decline.

Their financial circumstances define, in part, each group's holiday shopping and travel plans. From family vacations to gift exchanges to social gatherings, everyone will celebrate the holidays in their own way. However, individuals within these groups share many similar needs and priorities. By tailoring offerings accordingly, brands and retailers can provide the products and services consumers are willing to prioritize and pay more for—and help their customers enjoy the holiday season they've hoped for all year.

FIGURE 2

Unequal outlooks

Many consumers have seen their financial situation worsen in the past year—which could impact their holiday plans*



*Numbers do not add up to 100% due to rounding.

Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

Holiday purchasing priorities

The holidays are just around the corner but, for many consumers, the season has already begun. Overall, holiday shopping is starting earlier this year, with 58% of consumers planning to begin buying before November. This is up from 44% last year, demonstrating a massive shift away from the traditional Black Friday start of the shopping season.³

Only one in three consumers plan to start holiday shopping in November or December. And 78% plan to purchase holiday airfare before October (61%) or in October (17%).

However, when, where, and how individuals plan to spend—and what they plan to buy—varies widely among the financial groups we've defined. The Secure plan to spend 2.8 times more on goods and services than the Strained, and 6.5 times more on travel. On average, holiday travel budgets for the Secure are up 113% from 2021, hitting almost \$6,000. In the US, the Secure plan to spend an average of \$22,000 on holiday travel alone. Perhaps due to the previous impact of COVID, people with the means are planning to splurge on their holiday trips this year.

But the window for reaching these big spenders is closing quickly. More than four in five (86%) Secure consumers plan to purchase holiday air travel and 76% plan to start their holiday shopping before November.

There is more time to reach the Insulated, more than half (54%) of whom plan to shop for the holidays between October and December. Almost four in 10 plan to book their travel in the same timeframe. The Insulated also saw significant shopping (30%) and travel (26%) budget increases this year, giving them the opportunity to spend more with the brands and retailers they choose.

Due to expectations of supply chain disruption and price hikes, almost two in three (63%) shoppers are pre-ordering this holiday season to get products on time and with guaranteed prices. This approach is most common with the Secure (84%), as well as individuals between the ages of 25 and 39 (73%) and 18 and 24 (70%).



Secure consumers are planning to splurge on the holidays this year—but the window to reach them is closing.

Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

As the threat of COVID recedes, consumers will prioritize in-store (41%) and hybrid shopping (26%) slightly more this season. One in three individuals between the ages of 18 and 39 say hybrid shopping, or mixing physical and digital channels to create custom shopping journeys, will be their primary purchasing method this year.

Sustainability is another top priority for consumers across the board. Despite widespread economic hardship, 54% more consumers are considering sustainability to a significant extent when shopping for the holidays, as compared to last year.⁴ This denotes a deeper commitment to environmental responsibility from those who may have been more ambivalent in the past (see Figure 3).

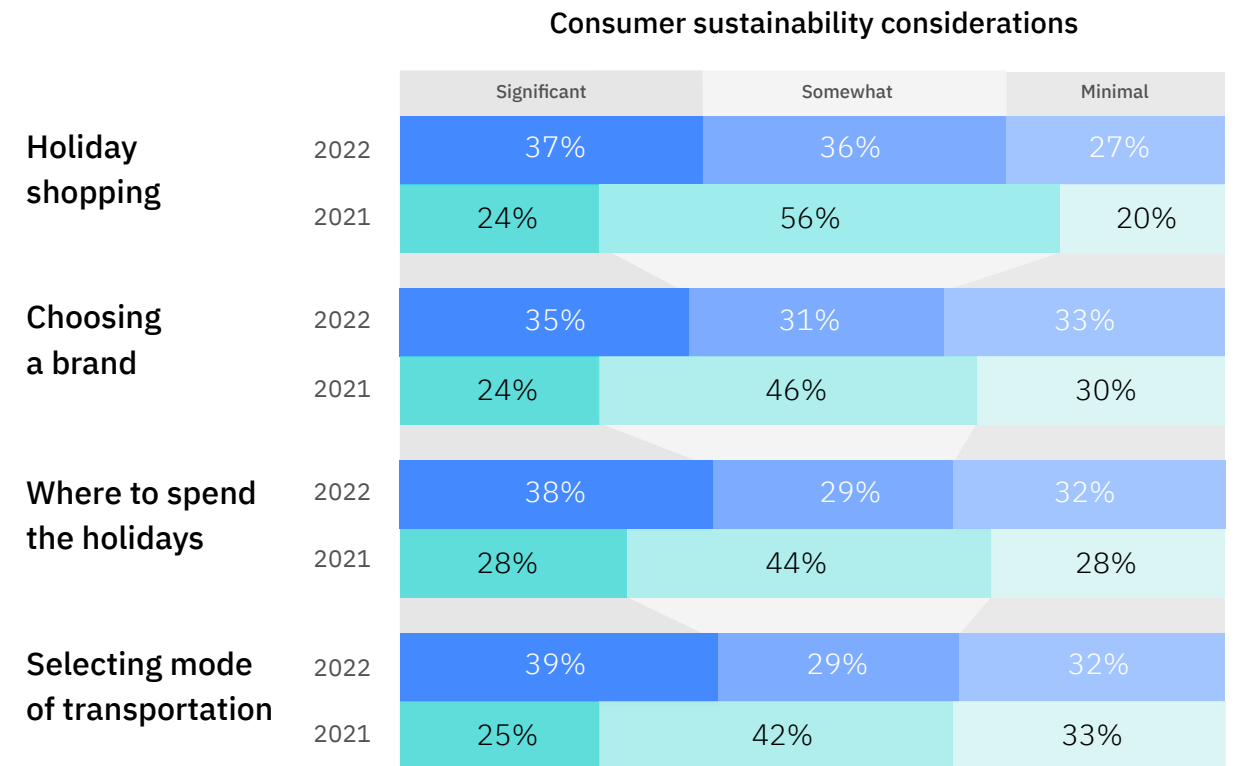
Overall, consumers are willing to pay extra for sustainability, as well. On average, they say they would pay a premium of 41% for sustainable products, 34% for more sustainable air travel, and 37% for more sustainable lodging this holiday season.

More than half of the Secure (53%) anticipate buying products that are branded environmentally sustainable or socially responsible. Secure consumers also say they are willing to pay the most for sustainability—an average premium of 70% for travel, 78% for food and beverages, and 68% for other retail goods. However, even the Strained say they’re willing to pay, on average, a 30% price premium for sustainable products, with that number rising to 34% for other lower-income households.

FIGURE 3

Going all in for the environment

Consumers are considering sustainability more seriously this holiday season



Q. To what extent are you considering sustainability/environmentalism as a factor for the following? (In a scale 1-5, (5)(4) Significant, (3) Somewhat, (2)(1) Minimal). 2021 Holiday Report Q21 series: Extent that you are considering sustainability/environmentalism as a factor (In a scale of 1-3, (3) Significant, (2) Somewhat, (1) Minimal).

Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

Planning for uncertainty

Of course, even the best-laid holiday plans aren't set in stone. Our survey found that fluctuating gas prices, new COVID outbreaks, supply shortages, and economic hardship could all influence how consumers celebrate this year.

Market shifts, for instance, could significantly change their holiday shopping and travel strategies. If goods are not available due to supply chain issues, 41% of consumers say they will spend less—but 30% will spend more if they can find substitutions easily. And if gas prices go down, 35% of consumers say they'll do more in-store shopping, while average travel demand would go up by 9%. The Secure would increase road travel by 33% and air travel by 22%, and the Insulated would travel 9% more.

A resurgence of COVID could also impact holiday shopping and travel plans. Half of consumers plan to buy more online if COVID resurges and, on average, consumers plan to travel 7% less by road and 22% less by air. However, new vaccines or boosters would have a net positive impact on holiday budgets, with the Secure saying they will spend 43% more if the newest shots are available in their area before the holidays (see Figure 4).

Many consumers are also concerned that economic hardship could shrink their shopping budgets. Roughly half plan to spend less if inflation continues to drive price increases, but those who are already struggling would be hit the hardest. Almost three in five of the Frugal and Strained say they'll spend less if prices increase and inflation continues.

If consumers are forced to cut their holiday budgets, 64% will reduce their travel spend, while 36% will spend less on physical goods. More of the Secure (72%) say they would cut from their holiday travel budget, likely because they are planning to spend the most on travel.

Economic hardship could shrink holiday budgets—with travel taking the biggest hit.



- Introduction
- Holiday purchasing priorities
- Planning for uncertainty**
- Winning more wallet share
- Action guide:
A time to celebrate

Of those who would reduce their travel spend, 35% would travel closer to home, 20% would drive more and fly less, 18% would stay with friends and family, 16% would cut international travel, and 7% would downgrade holiday travel experiences. All consumers would travel less by air and more by car, but this is especially true among the Secure, 28% of whom would drive more and fly less.

While travel could take a bigger hit from an economic downturn, brands and retailers should be mindful that if consumers are forced to cut their holiday shopping budget, more than 60% will cut nonessential items, including apparel, footwear, jewelry, and accessories.

FIGURE 4

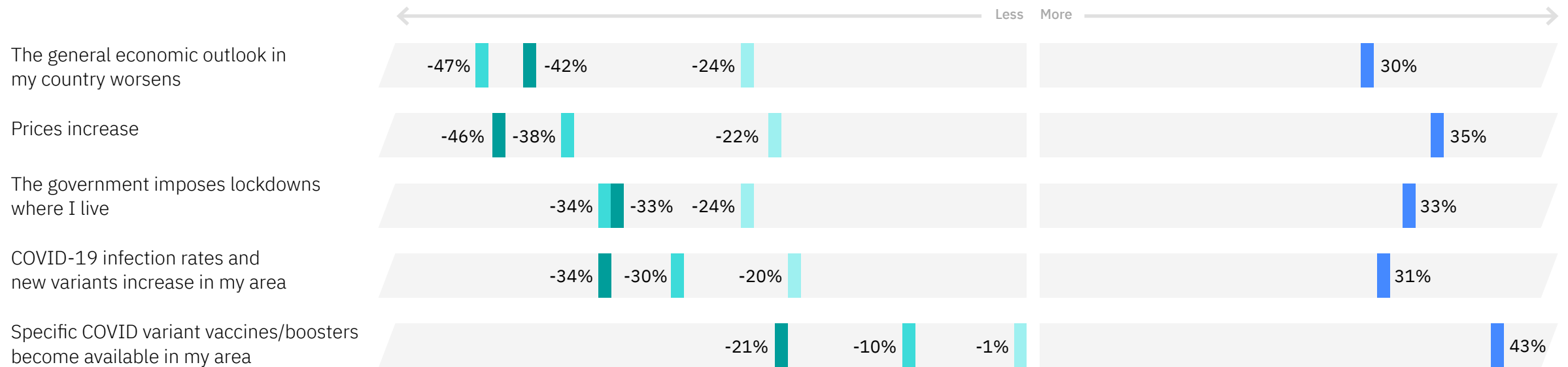
Adjusting for uncertainty

The Secure are prepared to spend more to cover increased expenses this holiday season, while others plan to dial back



If this happens

I plan to spend



Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

Winning more wallet share

In an uncertain environment, there are specific levers brands and retailers can pull to earn a greater share of holiday spend. While many budgets are tight, people still plan to shop and travel—and they’ll reward companies that offer what they want most.

For example, nearly seven in 10 consumers say they’ll opt for brands or retailers that offer both a COVID-safe environment and free cancellations, order changes, and returns. Similarly, 70% of consumers anticipate spending more money if companies offer a combination of unique products and services, flexible order fulfillment and delivery options, and free cancellations, order changes, and returns. When shopping for travel, free cancellations and returns would inspire consumers to spend 38% more—with that number rising to 48% for the Secure.

In addition to COVID safety and free cancellations, changes, and returns, those facing economic hardship, including 67% of the Frugal and 73% of the Strained, want “buy now, pay later” financing options. Almost four in five (78%) of the Strained—who plan to shop later than other groups—will spend more if companies offer “buy now, pay later” financing. Younger consumers are more concerned with the environment, with those between the ages of 18 and 24 prioritizing carbon offset purchase options this holiday season.

Shoppers that took advantage of sales earlier in the year may now be prioritizing distinctive gifts for the special people still on their lists. A large majority of those aged 25 to 39 (67%), 40 to 54 (70%), and over 55 (76%) are looking for unique products in addition to COVID-safe environments and free cancellations, order changes, and returns. Roughly two-thirds of the Secure (64%) and the Insulated (71%) are also prioritizing unique products (see Figure 5).

Consumers are prioritizing unique products and personalized experiences this holiday season.



Introduction

Holiday purchasing priorities

Planning for uncertainty

Winning more wallet share

Action guide:
A time to celebrate

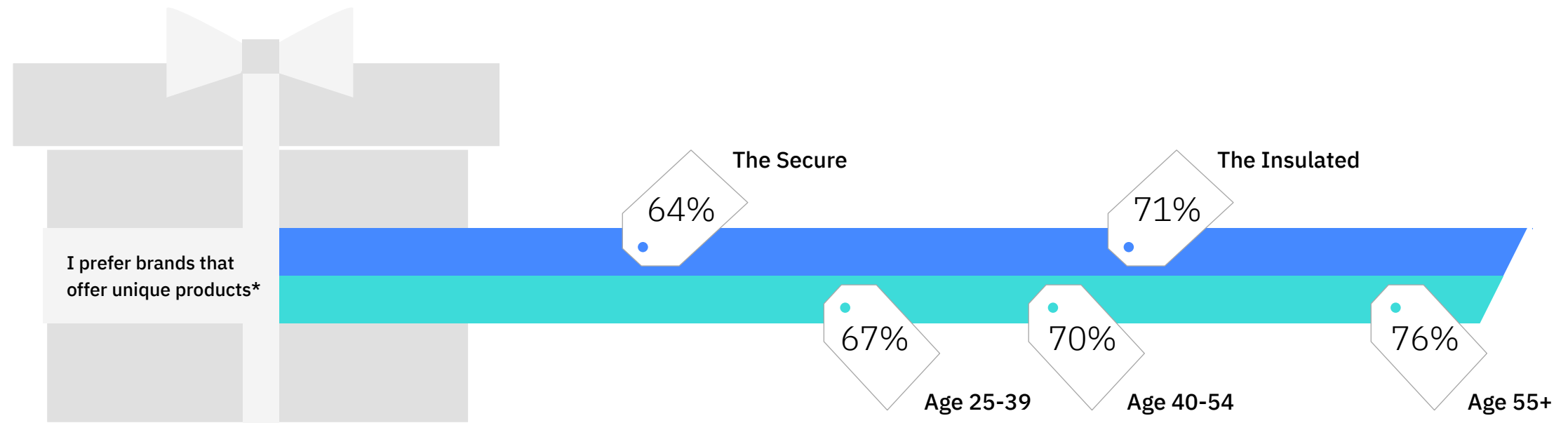
In a similar vein, 80% of the Secure and 69% of the Frugal will spend more if brands or retailers offer personalized shopping experiences. Roughly half of the Secure and 27% of the Insulated also say they would spend more with travel companies if they offered greater personalization.

As consumers look for new features and offerings from brands and retailers, companies that know their customers and target their strategies accordingly have an opportunity to attract more shoppers. Business leaders need to turn data into insights quickly and execute their strategies precisely to increase their market share this holiday season.

FIGURE 5

Finding the perfect gift

In addition to a COVID-safe environment and free cancellations, order changes, and returns, consumers want unique products



**Percentages represent the proportion of respondents that would choose a brand/retailer over another if offered the combination of a COVID-safe environment; free cancellations, order changes, and returns; and unique products.*

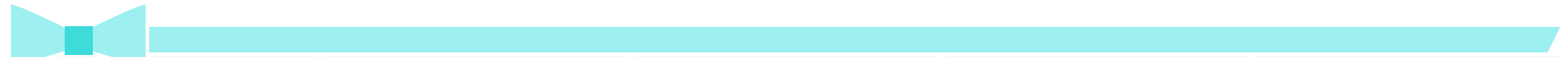
- Introduction
- Holiday purchasing priorities
- Planning for uncertainty
- Winning more wallet share
- Action guide:
A time to celebrate**

Action guide

In 2022, consumers are hoping to re-embrace holiday traditions they've had to alter for the past two years. Many are committed to celebrating, regardless of what the next few months might bring. But how they travel, where they shop, and what they buy could still be influenced by economic shifts or other forces of change.

Here are five steps companies can take to connect with consumers this holiday season—and help them enjoy their celebrations, no matter how plans may change.

Give your customers something to celebrate



<p>Target the right customers.</p> <p>Reach consumers that have interest and cash—but haven't finalized their holiday shopping lists and travel plans.</p>	<p>Personalize and differentiate products and services.</p> <p>Tailor policies, unique products, and relevant services to meet shoppers' demands.</p>	<p>Reward and incentivize customers to build brand loyalty.</p> <p>Discount programs and other loyalty strategies can attract and engage new and existing customers, especially in the nonessential and luxury product segments.</p>	<p>Emphasize sustainability.</p> <p>Identify purpose-driven consumers and provide feasible ways for them to connect with your company in supporting sustainability.</p>	<p>Plan for the unexpected.</p> <p>Make contingency plans to seize fresh market opportunities. Build capabilities to enable flexibility and adaptability. Increase visibility into inventory and enable ways to reallocate products to respond to change.</p>
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Notes and sources

- 1 Stebbins, Jack. “Holiday shopping season expected to be muted as inflation squeezes shoppers.” CNBC. September 13, 2022. <https://www.cnbc.com/2022/09/13/holiday-shopping-season-expected-to-be-muted-as-inflation-squeezes-shoppers.html>
- 2 Numbers do not add up to 100% due to rounding.
- 3 “Vaccines, variants, and déjà vu: The 2021 holiday shopping and travel outlook.” IBM Institute for Business Value. October 2021. <https://ibm.co/2021-holiday-shopping-travel-outlook>
- 4 In 2021, respondents ranked the extent they were considering sustainability or environmentalism on a 5-point scale, with selections of 4 and 5 categorized as “significant.” In 2022, they ranked responses on a 3-point scale, with selections of 3 categorized as “significant.”

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