



ARTICLE

Like Everything Else in 2020, The Holiday Season Is Different This Year

COVID-19 has upended nearly all aspects of normal life in 2020, so we should hardly be surprised that it will disrupt the holiday season as well. Those hoping that perhaps the holidays would be spared the impacts of social distancing and stay-at-home tendencies will be disappointed, because the third wave of COVID is fully underway nationally as we enter the season.

AAA expects the number of Americans travelling this Thanksgiving week will be down at least 10% from a year ago, and it would be safe to assume that this will hold true for Christmas as well. There most certainly will be a holiday season in 2020 but it will be more subdued, more local, and hopefully, more reflective. This has implications for the commercial side of the holiday season, as our recent follow-up Holiday Survey indicates.

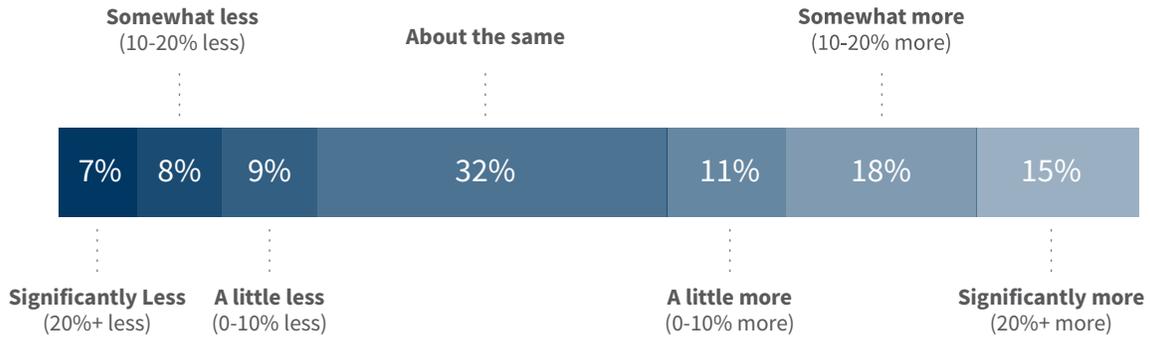
Consumers Will Spend Less This Year

Shortly after Election Day, we polled a survey of 1,000 respondents, as we did just before Labor Day, to see if shoppers' attitudes and intentions had changed since late summer. Our findings are highly consistent with the earlier survey, both of which reflect our expectation that this holiday season will be uniquely different in several notable ways.

Foremost, our survey indicated that, on average, **shoppers will be spending less this holiday season—about 4% less overall.** While a majority of respondents intend to spend nearly the same as last year, more than twice as many respondents say they'll spend somewhat/significantly less (33%) than those spending somewhat/significantly more (15%).

This undoubtedly reflects the financial hardship caused by the economic fallout of the pandemic on those Americans who have lost jobs, income or financial security. However, many Americans have been untouched economically by the effects of COVID-19, while others have benefitted from reduced commuting costs, higher savings, and steady incomes, and they will be spending more liberally. The uncertainty of additional federal financial relief to individuals going into 2021 will heighten the anxiety of those

How Much More or Less Consumers Plan to Spend This Year



financially hurt by the pandemic and may dampen holiday spending for that cohort. Beyond economic considerations, holiday spending may be more subdued because consumers' gift circles will contract this year given reduced get-togethers and other social or work-related gatherings. More distant relatives or co-workers who would normally be on shopping lists for smaller gifts may be overlooked this year. In the aggregate, that could put a dent in the holiday spending tally.

Early Holiday Shopping Is In Overdrive

The holiday season continues to get more diluted each year and that trend will accelerate in 2020, primarily because Amazon moved its annual Prime Day promotion to October from its traditional July slot. Amazon said the shift was made to ensure its distribution and logistics systems could handle the additional order volumes in a year that has already tested these limits due to COVID.¹ That may be so, but it also pushed Prime Day into autumn, allowing Amazon to kick start the holiday season and take some early shoppers. This premise was validated by our survey, which indicated that **49% of respondents bought holiday gift merchandise from Amazon on Prime Day, and those that did had completed 55% of their intended holiday spending on Prime Day.** This windfall for Amazon represents market share taken from the traditional holiday season.

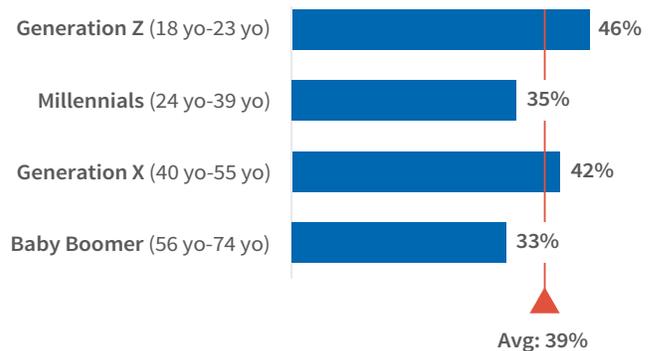
Overall, respondents told us they had already completed 39% of their holiday shopping when the survey was fielded in early November, and that percentage was even higher among younger age cohorts. It seems holiday shoppers are starting the season a bit earlier each year, and Amazon pushed the opening kickoff into early October this year. It's

intriguing to ponder whether Amazon will move Prime Day back to July next year.

Sorry, We Are Closed On Thanksgiving

Another noteworthy change this year is that nearly all major retail chains will be closed on Thanksgiving Day, including Walmart, which was the first major retailer to announce this back in July. This move reverses a decade-long trend of keeping stores open on Thanksgiving, a practice that was losing popularity with shoppers, store employees or

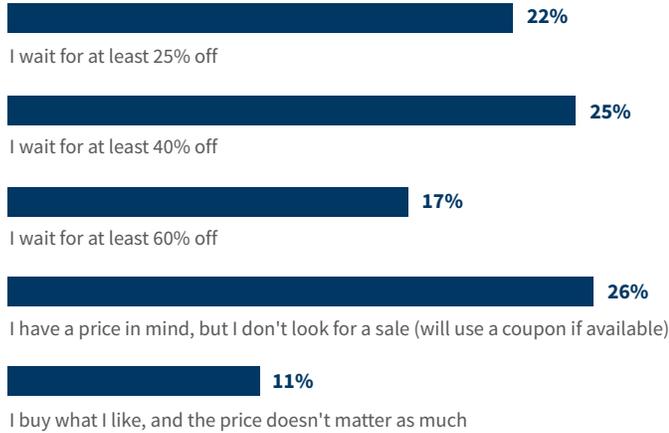
How Far Along (%) In Completing Holiday Shopping?



merchants to begin with. Most chains said they were closing this year to thank workers for their extraordinary efforts during this pandemic-stricken year.

We hope that sentiment is sincere but the economics of staying open on Thanksgiving are likely less attractive this year given the wariness of in-store shopping amid COVID spikes and the desire for more together-time at family gatherings. Store closings on Thanksgiving should have minimal impact on the fortunes of the season.

How Important Are “% Off” Promotions In Buying Gifts?



We hope that sentiment is sincere but the economics of staying open on Thanksgiving are likely less attractive this year given the wariness of in-store shopping amid COVID spikes and the desire for more together-time at family gatherings. Store closings on Thanksgiving should have minimal impact on the fortunes of the season.

Beyond Black Friday: Keep the Markdowns Coming

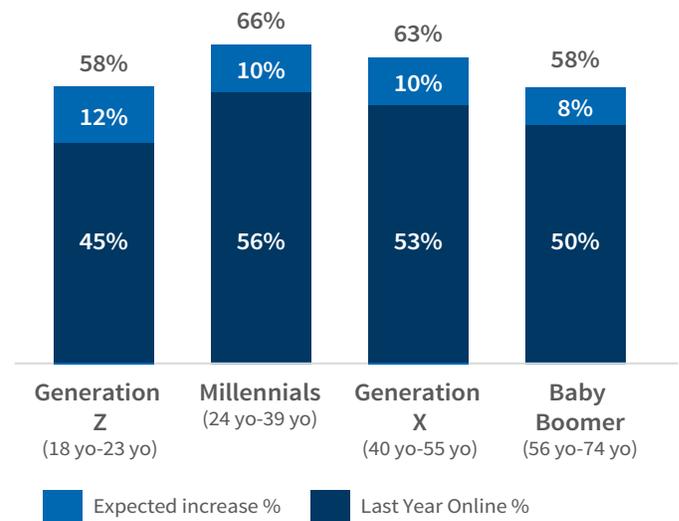
Black Friday will continue to lose luster with shoppers, as it has for the last few years, since door-buster-type promotions are no longer restricted to a single day or weekend. This season Walmart rolled out its Deals for Days Don't expect to see videos of shopping hordes trampling over each other as they burst through store doors at 5:00 a.m., as Black Friday shopping will be less frenetic. Even Cyber Monday may lose some significance this year, as online sellers prefer to spread high order flows more evenly over the season to avoid overwhelming already stretched systems and warehouses. The diminished importance of Black Friday weekend doesn't mean shoppers don't want deals; they just expect to find them more often. In fact, 42% of our survey respondents intend to wait for markdowns of at least 40% from full retail price before making a purchase.

Consumers Will Shop Online More Than Ever Before

Online retail sales will continue to take chunks of market share this holiday season, as they have done nearly all year due to the pandemic. Just over 80% of our survey respondents said they would shop online more this year than last year.

Furthermore, respondents said they intend to do approximately 63% of their total holiday gift buying online this year compared to 53% last year. This uptick was similar across all age demographics, including Baby Boomers, who are adept online shoppers despite some impressions to the contrary. Perhaps most noteworthy, of all the reasons cited for shopping more online this year, only 12% pertained to health or safety issues involving COVID, with convenience, best prices and free shipping being far more prevalent reasons cited for shopping online. This strongly suggests that most of the uptick in online sales and market share in 2020 due to COVID-19 will stick once the pandemic passes. Worse yet for traditional and omnichannel retailers, those who told us they will be shopping more online this season strongly prefer to do so at online-only sites or general merchandisers, such as walmart.com or target.com, with nearly one-third of respondents saying that's where they'll be spending their bucks online. Department stores and specialty chains are second thoughts when it comes to online spending, further challenging these already depressed segments.

Online Spending Percentage by Demographic YOY



In Summary

Social distancing and limited family gatherings are also impacting the type of gifts that consumer will purchase this year. Consistent with our previous survey, gift cards, kids’ toys and clothing, and electronics will be the clear winners of this holiday season. On the other end, consumers are cutting down on jewelry and men’s and women’s apparel, a trend that started back in April with the outbreak of the pandemic in the U.S.

What has made the holidays a special time for decades is that they have been relative constants in a world that seems to be changing rapidly all around us—and that is especially true in recent years. But that observation is not entirely accurate, as the holiday season itself has been evolving for years in the ways in which it is celebrated, and this year will be no exception, though it may be more pronounced.

1. <https://www.cnn.com/2020/10/08/amazon-prime-day-annual-sales-event-will-be-most-challenging-yet.html>

CHRISTA HART

Senior Managing Director, Retail & Consumer Products
+1 212.499.3619
christa.hart@fticonsulting.com

J.D. WICHSER

Senior Managing Director, Retail & Consumer Products Practice Leader
+1 312.428.2677
jd.wichser@fticonsulting.com



The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, its affiliates, or its other professionals.

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, its affiliates, or its other professionals. FTI Consulting, Inc., including its subsidiaries and affiliates, is a consulting firm and is not a certified public accounting firm or a law firm. ©2020 FTI Consulting, Inc. All rights reserved. www.fticonsulting.com

