

Holiday shopping is starting early this year — 47% of Americans began buying gifts online as early as August, mainly because they're bored and stuck at home.<sup>1</sup>

## HOW WILL THE PANDEMIC AFFECT HOLIDAY SPENDING?

### Overview

The COVID-19 pandemic has led to millions of lost jobs and a dramatic drop in GDP growth, with further anticipation of looming layoffs, evictions and foreclosures. But does that mean we're back to the holiday season of the Great Recession, with homemade gifts and trimmed-down party guest lists? That's not what retail experts are projecting.

Before the pandemic, retail analysts projected click-and-collect e-commerce sales would increase by 38.6% in 2020. Now, with millions of people not straying far from home, this number is estimated to be more than 60%, with sales anticipated at over \$58 billion this year. As for this year's holiday season, according to Deloitte's annual retail forecast, seasonal sales are expected to increase 1% to 1.5%, with a 35% increase in seasonal online sales.<sup>2</sup>

Why such positive numbers? Economic forecasters say that reduced spending on pandemic-challenged activities, such as dining out and vacationing, will likely boost retail holiday purchases this year, particularly online sales.

A recent survey found that 73% of consumers plan to spend the same amount or more on holiday gifts this year over last year, even though 58% say they have concerns about their financial situation due to the pandemic. Close to half (47%) of respondents say they have budgeted to spend less than \$500 on holiday gifts this year; nearly a quarter (24%) plan to spend more than \$1,000.<sup>3</sup>

**“Nearly 44% of consumers won't feel comfortable shopping in person until they feel COVID-19 is under control in the country or their area.”<sup>4</sup>**

### Trends for the 2020 Holiday Season

One of the biggest differences this year is that things may or may not be different from holiday shopping in the past — based on where you live. Because pandemic management can vary by state, city, county and even township, some local stores may be packed with no one wearing masks, while others may require customers to mask up and wait outside in line for a chance to shop in limited-capacity, socially distanced stores.

Expect to see retail establishments adopting new strategies for countering pandemic challenges during the holiday season:<sup>5</sup>

- With over 41% of shoppers planning to purchase most holiday gifts online this year, e-commerce and mobile sales with home delivery and curbside pickup are likely to explode this holiday season.
- Black Friday lines may be replaced by or supplemented with long lines of cars awaiting Buy Online Pickup in Store (BOPIS) purchases for curbside pickup.



- Retailers may be supplementing regular staff with some pretty unusual jobs this year, such as temperature takers and mask enforcers.
- Retail analysts expect holiday sales to align with the most online-searched product categories during the pandemic: health and wellness products, including fitness equipment; board games and other in-home entertainment; online education courses; and prepared meals, such as subscription packages, contract services and other ready-made solutions.<sup>6</sup>

## Retailer Deals

Shoppers aren't planning to wait for the traditional sales events; 70% of consumers say they are likely to buy gifts on sale in early fall, rather than wait for Black Friday or Cyber Monday sales.<sup>7</sup> Not surprisingly, merchants are looking to take advantage of the excess number of armchair shoppers browsing early this year, offering Black Friday-type discounts long before Thanksgiving.

One such retailer is Walmart, which has already announced its holiday deals will be offered both in store and online throughout the season. The merchandising giant also revealed that sizable discounts will be focused on many of the high-demand items during this pandemic, such as exercise equipment, "athleisure" apparel, outdoor grills and accessories. Other retailers that plan to launch seasonal sales early this year include The Home Depot, Target, Macy's and Nordstrom.<sup>8</sup>

## Holiday Travel

COVID-19 has put the kibosh on traditional seasonal travel. More than 40% of folks who were planning to travel for the holidays this year have canceled their plans. However, some people won't be staying at home for the holidays — 17% say they still plan to travel, and among them, 21% expect to spend more on their travel plans than they did last year.<sup>9</sup>

But those missing out on seeing friends and relatives may be adequately compensated: Three-quarters of holiday revelers who canceled their travel plans say they are going to use those savings to purchase more gifts this year.<sup>10</sup>

## Spending Tips

While the upcoming selling season looks positive for retailers, Americans aren't out of the woods yet. They may be more willing to stage a lavish holiday celebration to counterbalance all the things they haven't been able to do this year. Still, it's important not to go overboard, especially with the economy where it sits now — and not-so-rosy prospects for the immediate future. Nearly half (48%) of Americans remain vigilantly aware of their fragile financial situation and worry about going over budget and acquiring debt during this holiday season.<sup>11</sup>

For those looking for ways to spend freely without spending too much, it may come down to discipline and shrewd shopping strategies. Consider some of the following ideas.



## **No-Spend Month**

Consider cutting back on all frivolous spending for a month, or at least a few weeks. Save all the money you would normally spend on restaurant meals or other expenses and put it in a holiday account. This means sticking strictly to the essentials — and be mindful of cutting back on those where you can.

## **Budget by Week**

Put your holiday shopping on a schedule so you only spend an allotted amount each week. This can help you better plan purchases to group same-store online shopping for free shipping deals. If shopping in person, drop by your bank first and withdraw your weekly cash stipend to spend, and no cheating by putting an additional amount on your credit card. Just set aside anything that's not currently on sale, and go back the following week to finish your shopping.

## **Prime Reason To Shop Amazon**

If you're an Amazon Prime member or thinking about joining, consider applying for the Amazon Prime Rewards Visa Signature Card. Offered by Chase, this card pays out an unlimited 5% cashback on all Amazon and Whole Foods purchases; 2% cashback on restaurant, gas and drugstore purchases; and 1% on all else. New cardholders also may receive a \$50 Amazon.com gift card, awarded instantly upon approval — which can help offset the annual Prime fee (\$119) or some of your shopping.<sup>12</sup>

## **Cashback Shopping**

If you don't mind the extra step of launching your shopping efforts from a specific website, consider taking advantage of cashback websites like TopCashback.com. These vendors enable shoppers to earn a cashback percentage of their purchases on qualifying items.

## **Get Back to “Great Recession” Basics**

Let's not lose sight of the lessons learned in our recent past. The key to saving money is to rein in spending, and this holiday season is as good a time to practice this as ever. Keep gifts simple and conducive to being enjoyed at home, in case the pandemic keeps us indoors for a while longer. Consider new board games your family hasn't played before. Think about gifting fun online courses, such as those taught by celebrities and experts at Masterclass.com. The site offers unlimited access to all classes for a flat fee of \$180 a year (\$15/month), and they can be viewed via smartphone, computer or streaming devices like Roku and Apple TV.

## **Final Thoughts**

The 2020 pandemic has affected every household differently. Whether you're concerned about your financial situation or not, the holiday season is a good time to celebrate family and friends — not purchases.

The more downtime you have, the more you can concentrate on finding good value for your money. Just don't sit in front of a screen for too long, looking for deals. The coronavirus has imposed unexpected free time on many of us. Spend it wisely.



<sup>1</sup> New York Post. Sept. 23, 2020. "Why so many Americans have started their holiday shopping even earlier than usual." <https://nypost.com/2020/09/23/why-a-lot-of-americans-have-started-their-holiday-shopping-super-early-this-year/>. Accessed Sept. 28, 2020.

<sup>2</sup> Jamie Grill-Goodman. RIS. Sept. 16, 2020. "2020 Holiday Retail Forecasts and Predictions." <https://risnews.com/2020-holiday-retail-forecasts-and-predictions>. Accessed Sept. 28, 2020.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Sherry Zhao. Digital Commerce 360. Sept. 28, 2020. "The 5 most searched product categories during the pandemic (and how to promote them)." <https://www.digitalcommerce360.com/2020/09/28/the-5-most-searched-product-categories-during-the-pandemic-and-how-to-promote-them/>. Accessed Sept. 28, 2020.

<sup>7</sup> New York Post. Sept. 23, 2020. "Why so many Americans have started their holiday shopping even earlier than usual." <https://nypost.com/2020/09/23/why-a-lot-of-americans-have-started-their-holiday-shopping-super-early-this-year/>. Accessed Sept. 28, 2020.

<sup>8</sup> Michael Bartiromo. Fox Business. Sept. 28, 2020. "Black Friday 2020: Coronavirus pandemic shopping trends force retailers to rethink holiday shopping." <https://www.foxbusiness.com/lifestyle/black-friday-2020-pandemic-shopping-retail-trends>. Accessed Sept. 28, 2020.

<sup>9</sup> New York Post. Sept. 23, 2020. "Why so many Americans have started their holiday shopping even earlier than usual." <https://nypost.com/2020/09/23/why-a-lot-of-americans-have-started-their-holiday-shopping-super-early-this-year/>. Accessed Sept. 28, 2020.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Megan DeMatteo. CNBC. Oct. 2, 2020. "The best credit cards for Amazon Prime Day." <https://www.cnbc.com/select/best-credit-cards-for-amazon-prime-day-shopping/>. Accessed Oct. 6, 2020.

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