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Despite the numerous challenges that the pandemic brought for retailers in 2020 and 2021, it also created an optimal environment for those holiday seasons. Consumer spending power within the retail industry strengthened as a result of government stimuli, limited opportunities for spending on services and other factors. This trend will end this year.

In 2022, retailers will face the most challenging holiday shopping season in recent memory. Prevedere is forecasting that the economy will continue its contraction into 2023, and there are numerous warning signs that point to a weakened American consumer that will be more budget conscious and have limited spending power.

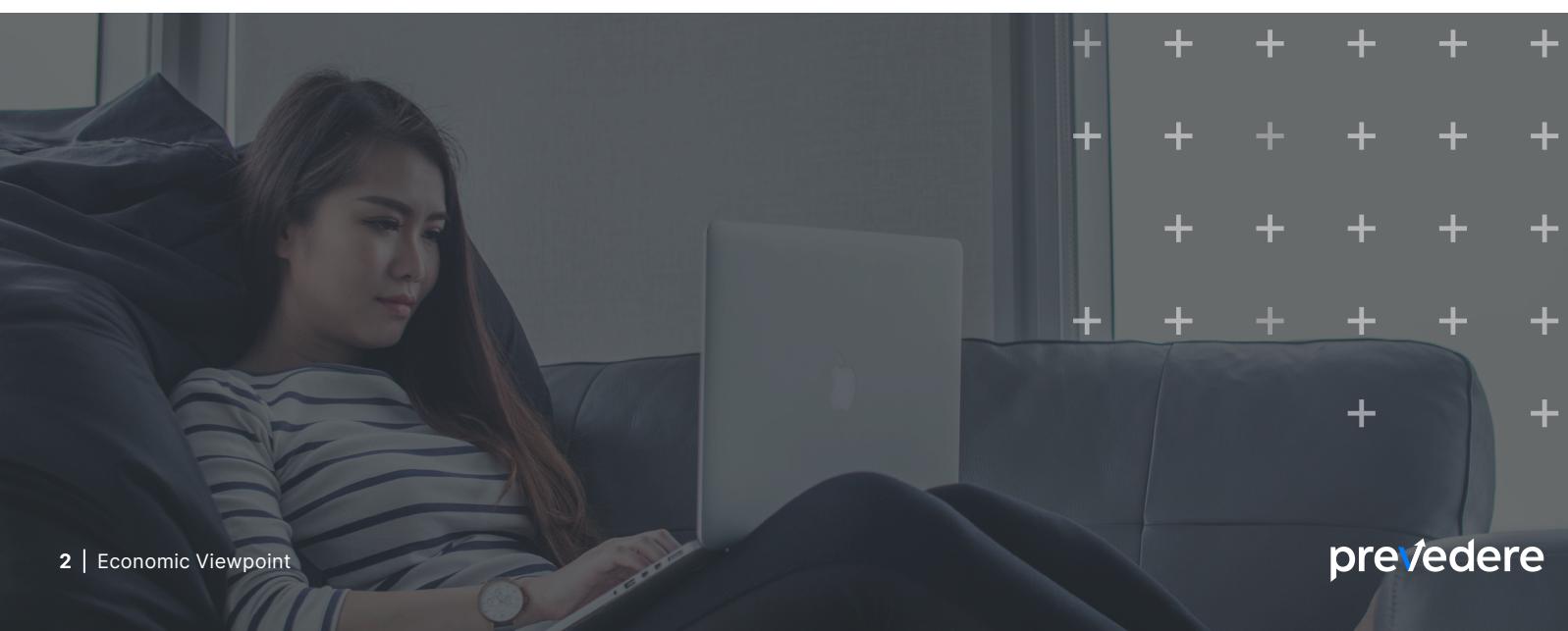
Here are five key considerations for business leaders in the retail industry when planning for this year's holiday shopping season:

The online shopping experience

Online shopping had been growing every year for more than a decade before it became the only way that consumers could shop during the pandemic. While there has been a return to in-store shopping in 2022, it still remains below pre-pandemic levels. One significant factor impacting this trend is the structural shift in mobility for many Americans. People now have more flexibility to work remotely and have simply adopted the habit of reducing time spent outside their homes.

Retailers must ensure that all products are available online and that their marketing strategies support the need to attract shoppers to their e-commerce platforms.

This also means that in-store door-busters that have largely drawn in customers might not have the same impact as in previous years. However, that doesn't lower the value of investing in other strategic promotions.



A return to more promotions

Promotions will be instrumental for reeling in budget-conscious consumers this holiday season. During the last few years, retailers were able to temper their promotions as consumers were more focused on their ability to purchase in-demand items rather than on the price. But now, consumer behavior is largely being driven by sales, coupons and seeing how far they can stretch their dollar. Not only will more incentives be necessary for retailers to attract buyers, but these promotions will also need to match the mentality and evolving habits of consumers.



The structural shift in online shopping has led consumers to leverage the online experience for finding the best deals and comparing prices between retailers. In fact, according to recent consumer surveys, there has been a clear intention displayed to utilize online shopping platforms in order to find the best deals even if they ultimately choose to purchase the item in-store.

Following the right leading indicators

There are numerous external economic data points that can be used to forecast consumer spending patterns. But, the data points that are most reliable for a specific retailer can differ based on a company's product, customer base, locations, and many other factors. In forecasting and planning for success this holiday shopping season, it will be vital for retail executives to identify which data points are true leading indicators for their business.

These indicators will be most reliable to forecast the consumer trends that will have the greatest impact on their sales opportunities. Not only should these indicators be monitored closely throughout the holiday season, but executives should also be prepared to pivot when the data shows likely changes in consumer behaviors.



Identifying the economic health of your specific target consumer

In the same way that each company has a unique set of reliable leading indicators, every retailer has a different set of target consumers. Not every American will feel the same impact of an economic downturn. It will be vital for retail executives to identify the demographics of their brand's core customers and know the economic health of people within these groups.

This includes having an understanding of their current financial situation, their feelings towards spending and how they are faring throughout the economic business cycle. Most importantly, the buying habits must be continually monitored as they evolve in response to greater economic downturns.

An agile approach to pivot in real-time

Prevedere is forecasting that the economy will experience continued volatility in the fourth quarter of 2022. To reach success during this time of uncertainty, retailers must be ready to pivot in order to reach consumers and grow sales. Modifying a brand's media spend, introducing new promotional activities or changing store hours are just a few of the changes that retailers may need to make in order to maximize sales potential.

The key will be having an agile approach and plans in place for likely scenarios so that the organization is ready to implement necessary adjustments in real time.

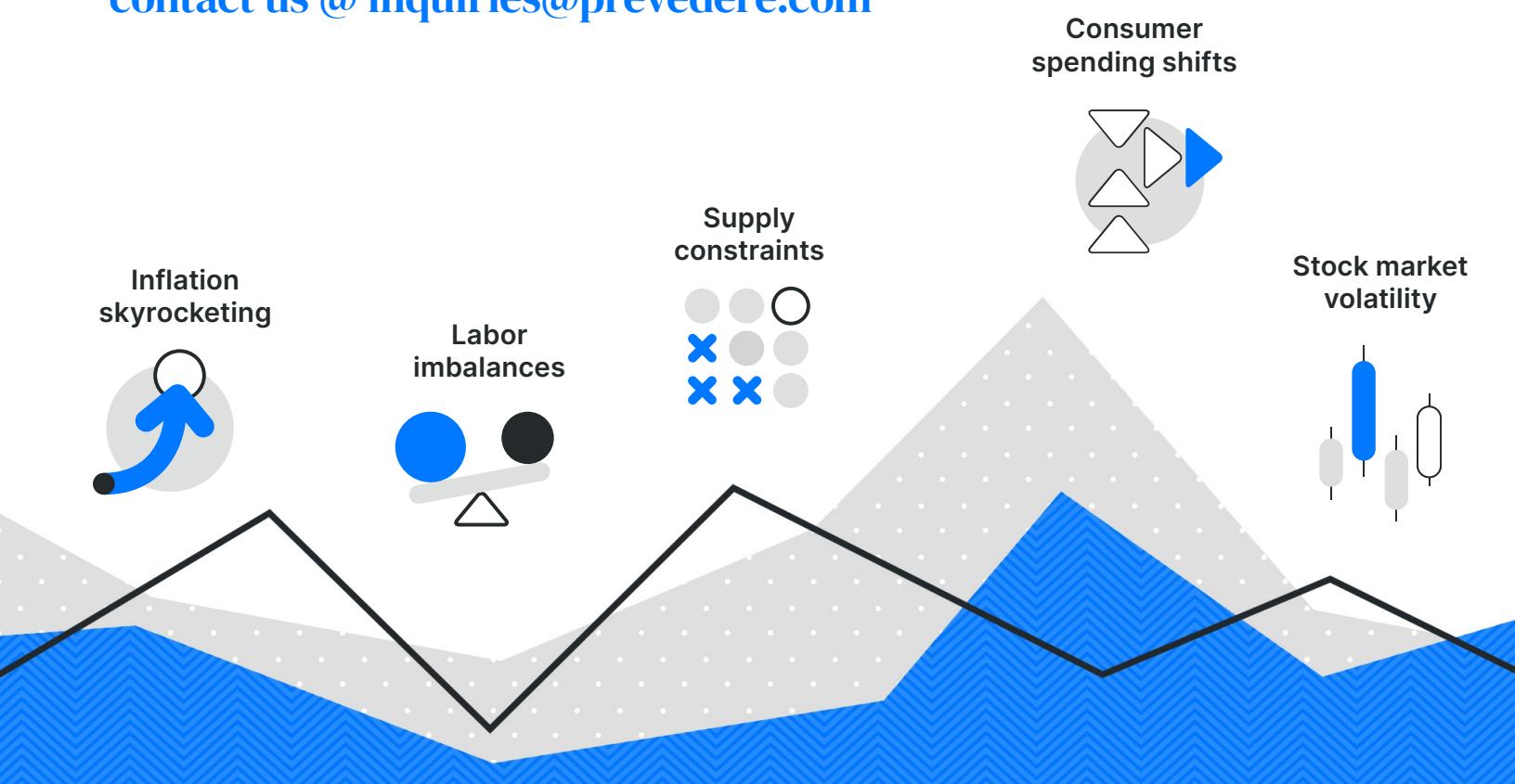
Conclusion

While the overall industry may experience a challenging holiday shopping season, there is potential for most retailers to still "win" by strategically preparing appropriately based on the most plausible scenarios, monitoring the situation as the season begins and creating an agile structure that allows the company to pivot as conditions evolve.

With today's rapidly changing market conditions, do you really know what external forces affect your organization, when and by how much?

Add a layer of confidence to your future planning with Prevedere Advanced Predictive Planning.

Learn more at Prevedere.com or contact us @ inquiries@prevedere.com



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