



2022

Festive Forecast

Unwrap the latest insights from Afterpay & Square to discover how shoppers will be spending this holiday season.



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Understanding consumer behavior ahead of the festive period.

We surveyed 1,500 U.S. consumers between August 29 and September 9, 2022. The core sample data was nationally representative across age, gender, and location, with an additional sample of 500 Gen Z and millennials.

Gender

51%

Female

49%

Male

Generation

14%

Gen Z (18-24)

28%

Millennials (25-40)

21%

Gen X (41-54)

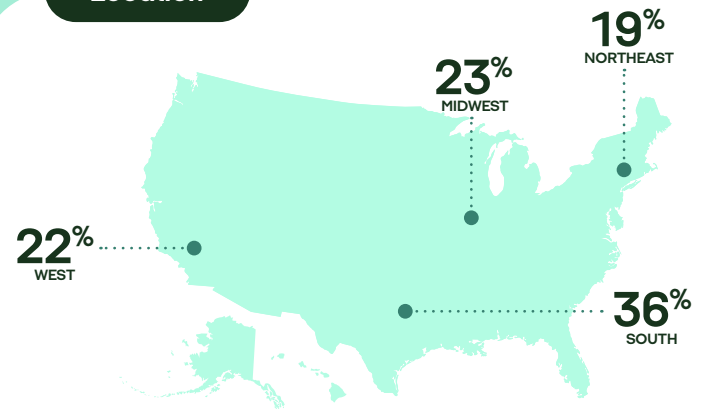
26%

Baby Boomers (55-74)

11%

Post-war (75-99)

Location



Retail industry findings were based on a survey of 573 Square sellers in the US conducted between September 21 and September 27, 2022, and analysis of Square and Afterpay data in the US retail sector from July and September 2022.

Festive findings wrapped up.

Top-line results to turbocharge your 2022 sales season.

Shoppers feel the squeeze.

Americans are heavily impacted by inflationary pressures, and many are making cutbacks and trade-offs.

Making a list, checking the price.

Despite the rising cost of living, 36% of shoppers are more likely to increase their holiday spending than decrease it. Some Americans will look for more affordable gifting alternatives.

Gift-giving inspiration, uncovered.

Customers will look to family and friends' recommendations and in-store environments for gift ideas. Sales may spur them to spend.

'Tis the season for excitement.

Gen Z and millennials are especially excited about the holiday season.

The gift of giving.

What are Americans gifting this holiday season? Gift cards, fashion, and toys.

Sleigh with Afterpay.

One in six Americans plans to use a BNPL service like Afterpay to manage and budget their finances during the gift-giving period.

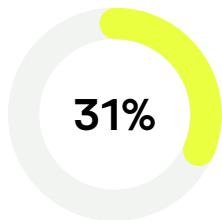


Inflation will impact holiday spending.

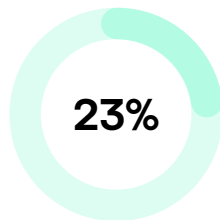
Costs are rising. Here's how shoppers are reacting.

Americans are feeling the pinch.

Shoppers are adapting to the rising cost of living by cutting back on general purchases [38%], canceling or stopping certain activities such as subscriptions [24%], and reducing how much they save [21%]. About one in 10 will sign up for a BNPL service to gain greater control of their budget.



Shoppers say they're finding it hard to save amid rising costs.



Americans are spending the same on essentials, but cutting back on little luxuries.



Positive Forecast.

Although many Americans are feeling the strain of rising costs, most shoppers will be spending the same — or more — than last year.

42%

will spend the same as last year.

25%

will spend slightly more.

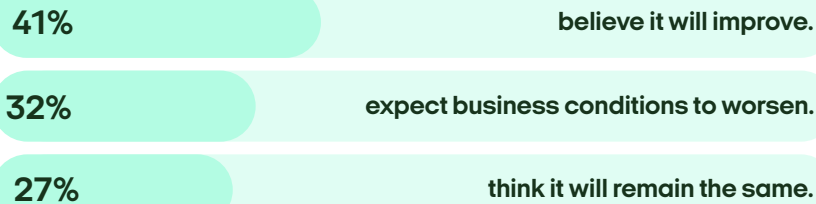
11%

will spend significantly more.

Retailers feel inflation pressures.

Alongside consumers, 74% of businesses report that inflation has had an impact on their preparation and approach to the holidays. Fifty percent report they plan to increase prices before the shopping season.

Retailer sentiment is also mixed about how the holidays will compare to last year.



TIP

Transparency is key to earn buyer trust. Be sure to properly communicate any business or pricing changes to set expectations during the holiday season.



“Our hope is that COVID and inflation don’t affect consumer spending in the coming months. As a business owner, hiring and inventory have been the two most difficult issues to deal with this year, as costs for both are increasing significantly. It’s been busy preparing for the holidays, and since we had record holiday sales last year, our goal this year is to match or beat those numbers.”

- Blake Grandon, Owner of Party Mania Bethesda, a party supply retailer in Bethesda, MD

Making a list, checking the price.

Some shoppers [17%] say they'll be on the lookout for more affordable gifts this year, while a small percentage [9%] will be forgoing gifts altogether to focus on their own daily expenses.

Shop with soul.

1 in 5

Shoppers prefer to buy products that are sustainable or ethical — this is particularly true among Afterpay customers.

Discount devotees.

2 in 5

Americans say they're always on the lookout for a bargain.

Shop 'til you drop.

3 in 10

Americans say they love shopping.

Eat, drink, donate, and be merry.

Gift-giving isn't the only spending priority this holiday season. Plenty of people will be splurging on food and drink [53%], spending for Thanksgiving [45%], socializing [36%], and decorations [26%]. Nearly one in four Americans said that donating to charity was a holiday spending priority.

TIP

Shoppers will be seeking value, so be sure to emphasize deals. You can also consider buy-one-get-one-free offers or free shipping over a certain price point.

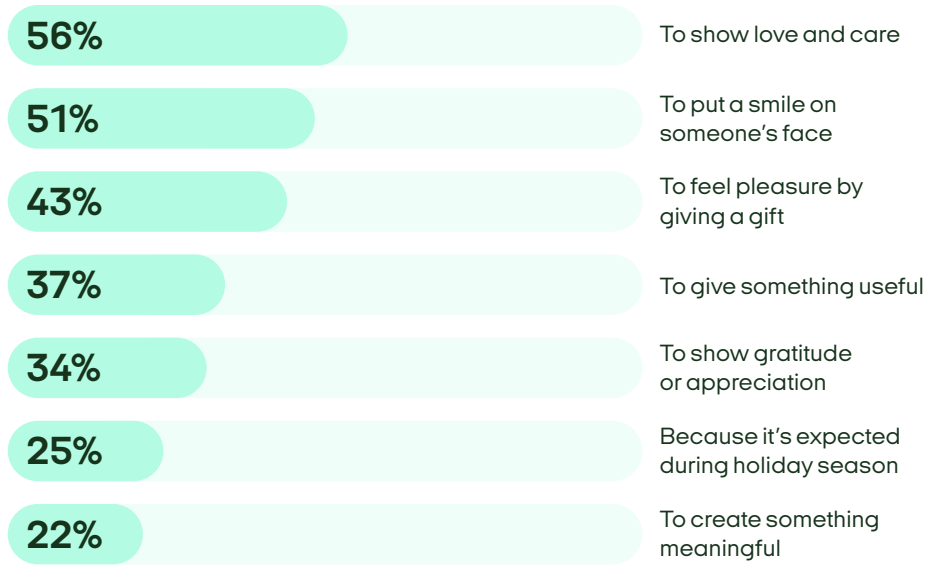


How festive shoppers are feeling.

'Tis the season for excitement.

Merry motivations

Why Gen Zers, millennials, and Afterpay users buy gifts:



Merry Z-mas.

Gen Zers, millennials and Afterpay users are amped up for the start of the holiday season. Why? About one in three [29%] can't wait to see friends and family, while one in four [24%] are looking forward to the celebratory atmosphere. For others [17%], the holiday period is all about the gifts. About one in ten [8%] just love the retail therapy that comes with buying gifts for loved ones.

The reason for gift-giving season.

When asked why they buy gifts, more than half [56%] said that they want to show love and care. A similar number said they just wanted to put a smile on someone's face. For others, it's the act of giving that motivates them [43%].



Generosity across generations.

Different generations approach gift-giving differently. Older shoppers are more likely to give presents that recipients will find useful, while younger shoppers — including Gen Z and millennials — want to create something meaningful, maintain a relationship, or be admired by others.

TIP

Think about your target demographic and how you are positioning your products' value to them. Are you emphasizing utility or meaning?

Stock up on ideas.

Discover where shoppers get inspiration for holiday purchases.

Inspirational sources.

43%

Family and friends

37%

Being in-store

19%

Websites, blogs or forums

TIP

Consumers trust recommendations from their friends and family, so consider setting up a referral or loyalty program to reward customers for sharing the love. You can also leverage these programs to send out marketing messages to share holiday sales and specials to keep your brand top of mind for shoppers.

“For the upcoming holiday season, we’re looking forward to testing out new ways to engage new and existing customers. This is the first year we are heading into the holidays using Square Loyalty, and we’re excited to see how receptive customers are to the rewards and how it will affect our business in the long-term. So far our regulars love it, and we are optimistic it will increase overall sales and result in engaged customers.”

- Sasha Safarzadeh, Operations Manager of [The Chakra Shack](#), a spiritual gift shop in Laguna Beach, CA.

Social shopping.

Social media is another important influence, with around one in four shoppers spotting gift ideas on Facebook [27%] or Instagram [24%]. Younger shoppers, in particular, reported that social media posts prompted them to purchase.

Square and Afterpay found the majority of businesses plan to enlist a number of online channels. 59% of retailers intend to sell on social media, 45% will sell through their online store, 38% plan to sell through marketing campaigns, and 16% will leverage selling through text message via [conversational commerce software](#). Only a quarter of businesses [26%] don't plan to use any online channels this holiday season.

Sales drive sales.

Another shopping cue? Noticing that a product is on sale. Roughly 44% of consumers say that sales prompt them to purchase, while nearly one in three [28%] Americans also say they'd be compelled to shop during a sale event like Cyber Monday.

TIP

Promote and sell across in-person and online channels to increase brand awareness and sales. Square found a 33% increase in sellers using marketing software leading up to the holidays, showing that retailers understand the value of instant and efficient communication

Brick-and-mortar matters.

In-person sales are still important. Seeing a product in a shop window would prompt some shoppers to spend [21%], along with seeing a sign in a store window [12%] or noticing holiday decorations [19%].

Meanwhile, when Afterpay is available as an option in-store, the BNPL platform converts one in six shoppers [15%].

TIP

Don't forget to clearly communicate that your store offers Afterpay both online and in store. If you don't already offer Afterpay, now is the time to start, as consumers would use a BNPL service to buy their gifts. Square and Afterpay transactions have a 70% higher average order value compared to other payment methods, helping increase revenue.



TIP

The best way to prepare for gift-card season is to make sure you're offering both physical and e-gift cards so buyers have a choice.

There's no time like the present.

What and when shoppers are buying this holiday season — and who they're treating.

Popular presents.

The most popular gift category is vouchers or gift cards, which are especially popular among older shoppers. Clothing, footwear, accessories, and children's toys are also highly rated.

Almost half of gift card sales from Square merchants fall between October and December, since these months hold major holidays like Hanukkah, Kwanzaa, Christmas, New Year's Eve, and others.



Gift cards



Clothing and accessories



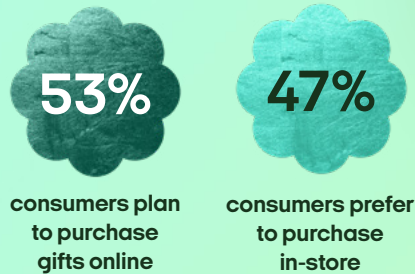
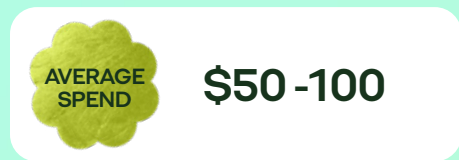
Children's toys

TIP

Start promoting your gift cards as soon as possible so buyers know that they're an option and can easily be purchased on your website or in-person the next time they visit your store. Retailers can also promote gift cards through marketing messages and on social channels.

Gifting outside the box.

Afterpay users were more likely to consider travel, experiences, events and homewares as gifts.



More ways to shop.

Consumers continue to want a blend of online and in-person shopping experiences so they can purchase however they want.

44% of retailers expect sales to grow during the holidays and another 20% expect sales to remain the same. Selling across channels will ensure retailers meet business goals by increasing visibility and discoverability among target audiences.

Festive Forecast

Offer exceptional in-person experiences.

Retailers continue to adopt hybrid, mix-used business models in order to offer personalized, unique experiences that attract in-store customers. For example, hiring growth of baristas, servers, and bartenders at retail locations has outpaced hiring growth 8x. In hopes of dealing with increased foot traffic, 16% of businesses report they plan to hire more staff while 23% plan to increase

“Since we are a mobile business, we don’t have a traditional brick-and-mortar store. This works for us because we have the advantage of meeting our customers wherever they are. For example, Summer fairs have been great for us, and we plan to take a similar approach to sales for the holiday season.”

- Randy Fulkerton, Owner of Korie’s Kloset, a children’s clothing store in Seminole, FL.

staff hours. However, Square found that hiring for general retail employees has remained flat over the last few months, suggesting that businesses won’t start increasing staff for the holiday season until November and December.

TIP

- 1 Leverage omnichannel operations to increase revenue and meet buyers where they are for easy commerce.
- 2 Ensure your store is fully staffed while maximizing employee availability and impact through integrated team management and payroll software.

Where the magic happens.

Americans are most likely to get their gifts at online marketplaces, followed by discount department stores and superstores.

Shopping starts early.

77%

of Americans will have their holiday shopping done by December.

1 in 6

will start purchasing in early December.

1 in 12

will leave it until mid-December or later.

TIP

Online shoppers often start purchasing earlier to avoid shipping delays. Ensure fulfillment centers are prepared and inventory is stocked.

Get your delivery and return policies nailed down as soon as possible, and ensure customers have all the information they need about products to confidently buy online.

Who gets the gifts?

Shoppers are putting family at the top of their gift lists. They're most likely to buy presents for their children [25%] or a partner [20%], followed by other relatives [13%].

Timing is everything.

Gen Z is most likely to purchase during Black Friday and Cyber Monday [BFCM] sales, while older shoppers are more likely to buy in December.

TIP

Ensure your BFCM marketing speaks clearly to younger shoppers using the most relevant channels, such as social media. Consider ways to reach older, more traditional customers through targeted marketing efforts.

Sleigh with Afterpay.

Make the most of the festive season by offering Buy Now, Pay Later (BNPL).

Don't miss out on customers.

One in six shoppers plan to use a BNPL service like Afterpay, citing budgeting and immediacy as reasons. Younger shoppers are especially likely to use BNPL.

Hello, high spender.

Shoppers with bigger gifting budgets are more likely to have used Afterpay in the past — and to use it in the future. Why? Many say they enjoy the fast checkout experience and want to avoid waiting to receive their purchase.

One in eight shoppers would sign up for a BNPL service to help with budgeting for larger purchases.

Ecommerce shoppers embrace Afterpay.

More online shoppers [17%] plan to use BNPL services like Afterpay when purchasing gifts this year compared to in-store shoppers [13%].

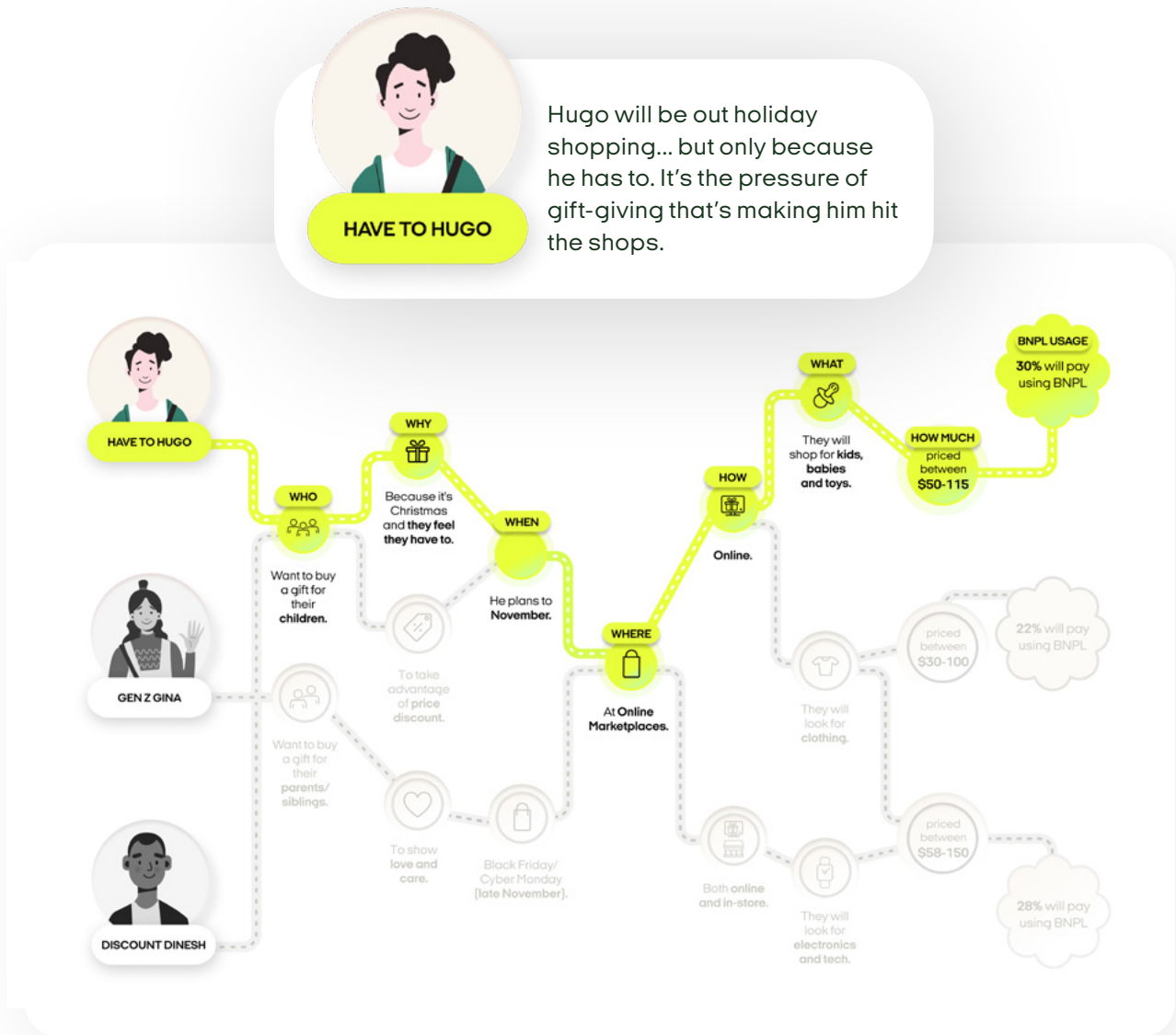


TIP

Ensure that Afterpay is clearly displayed on your ecommerce website, so customers know you offer it. Head to [Afterpay's website](#) for marketing resources to help you promote Afterpay online.


Present-buying predictions.

Want to target specific shoppers this festive season? We took a deeper dive into our data and created three key shoppers and their journeys.



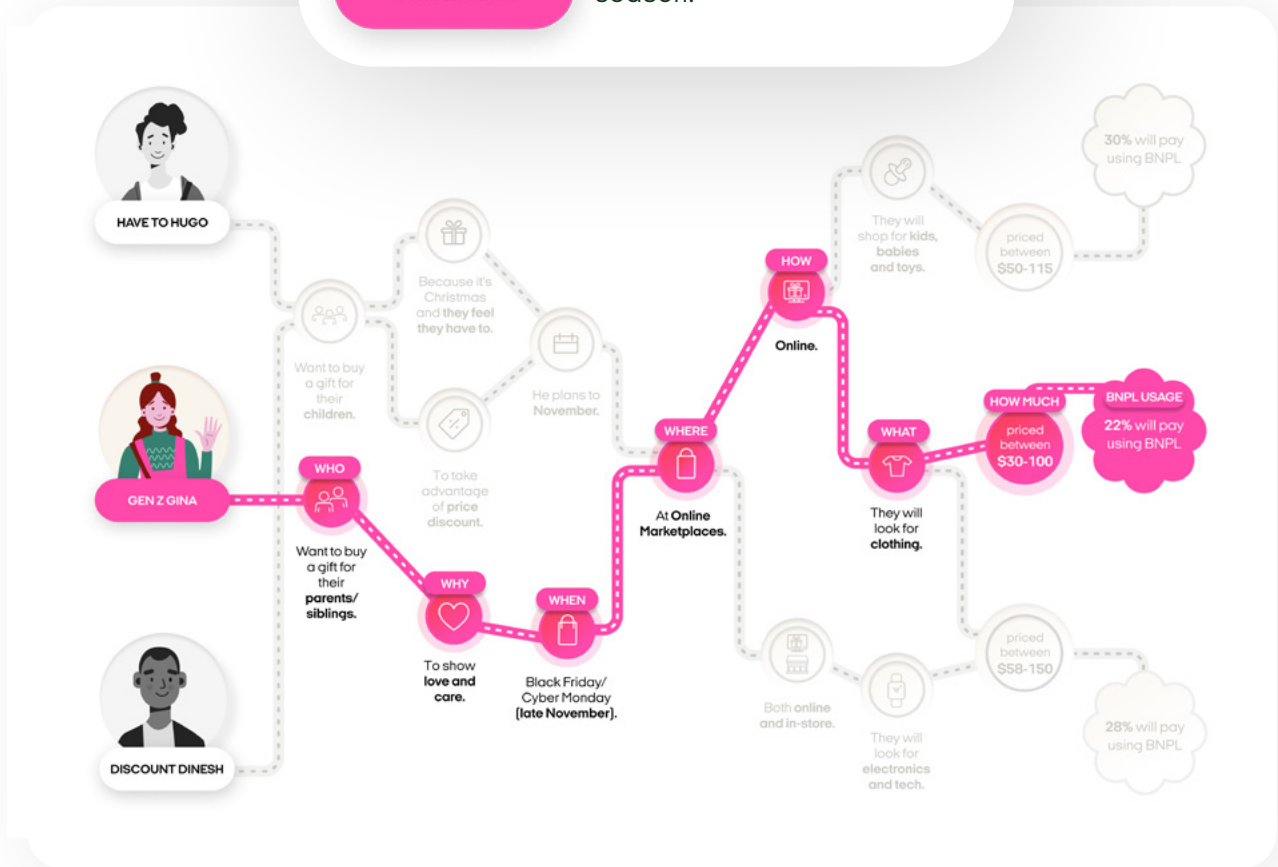
Present-buying predictions.

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GEN Z GINA

Gina's your typical Gen Z shopper, looking for the hottest gifts and what's trending this season.



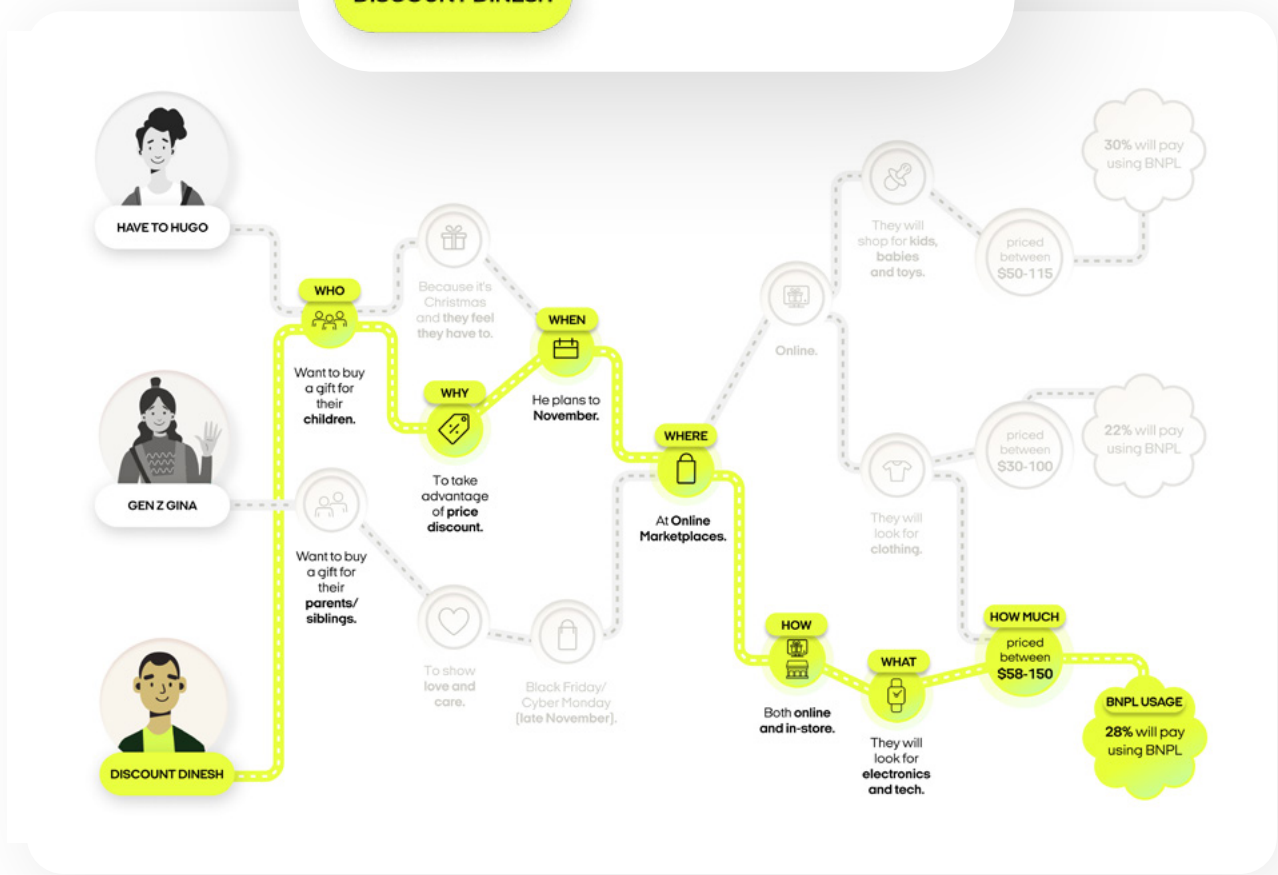
Present-buying predictions.

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DISCOUNT DINESH

Dinesh loves a bargain! He's searching for the best deals and discounts this season.



Festive feelings.

Understand the shopper's mindset this holiday season.

Happy holidays.

Americans are most eager to spend time with family and friends this festive season [44%], while one in seven [14%] are looking forward to treating their loved ones to gifts. Others can't wait to eat festive food [11%] and see the decorations [7%].

Fashion first.

Want to win the holidays? Give the gift of fashion. Nearly three-quarters of Americans say that they most want to receive fashion products or clothes.

Split on spirits.

Americans are divided on whether alcohol makes a good gift. More than half [55%] would love to receive it, but a similar number [45%] would hate to be gifted alcohol.

A very merry menu.

Put roasted potatoes on the menu! Nearly nine in 10 Americans say they love the festive food, along with chicken, turkey, cornbread, and macaroni and cheese.

Easy on the eggnog.

Forget the eggnog. Almost half of Americans say they hate it, with baby boomers, in particular, giving it a thumbs-down. As for Gen Z? Step away from the beans. Green bean casserole is one dish they do not want to see this holiday season.

Wishing you a very **merry** holiday season!

We hope you sleigh your sales targets and delight your customers this festive season!

