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by McKinsey

2020 Holiday Season: Navigating shopper behaviors in the pandemic

Executive Summary

To say that this holiday shopping season will be a time of profound change would be an understatement. The COVID-19 pandemic is [upending the retail industry](#) to an extent that would have been unimaginable one year ago. Confronted with the first shutdown earlier this year, people migrated to their laptops and mobile devices and conducted much of their lives from their living rooms. They gravitated toward new streaming services, and over 60 percent tried new ways of shopping, from mobile app ordering to click-and-collect. On top of that, almost two-thirds of consumers abandoned their tried-and-true brands or retailers for something new, delivering a shock to loyalty.

For many retailers, this unprecedented scope of change and worsening economic climate due to a fresh wave of COVID-19-related lockdowns is creating uncertainties heading into the holiday shopping season. Our holiday shopping survey analysis reveals big changes from previous years. For one thing, overall holiday spending is expected to decline in most countries (except China), as compared to 2019. However, our research shows surprising levels of enthusiasm for deal hunting on blockbuster shopping days such as Black Friday, Cyber Monday, Singles Day, and Amazon Prime Day.

Much of this shopping will be digital. Even in areas where retail remains open, increasing numbers of consumers will shop from home or drive to the store to pick up their purchased items in an effort to avoid crowds and possible infection. Shoppers are also starting earlier to prevent a recurrence of delivery delays or barren shelves that were common earlier this year. This shift is pulling the holiday shopping season forward this year.

To help understand what all this means for retailers, we surveyed over 3,500 holiday shoppers in the United States, the United Kingdom, China, Germany, and France. This analysis highlights the six key trends that are shaping this year's holiday season.[1]

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[1]   Consumers who indicated that they didn't shop in blockbuster holidays in 2019 and aren't planning to do so in 2020 were screened out.

Deal hunting during blockbuster days dominates

Amid the economic repercussions from COVID-19 and recent restrictions (the United Kingdom and France have closed non-essential retail stores during the peak of the holiday shopping season and Germany is restricting in-store browsing numbers), it's hardly surprising that total spending will drop this year. Yet when we asked holiday shoppers about their intentions, we noted a few important caveats. Despite 44 percent of holiday shoppers reporting a slight or significant income reduction this year, 82 percent said they would spend the same or more as last year on big holiday deal events. And in every country except the United Kingdom, more shoppers reported being "excited" or "eager" about the holidays than "anxious" or "stressed" – although it's important to note that this pulse on consumer sentiment was taken in September 2020, prior to the recent case surges in many countries.

Nonetheless, what the data reveals is that many consumers are weary of the persistent uncertainty and anxiety. They long for the normalcy and familiarity that big holiday shopping events provide, as well as the desire for savings, and more than three-quarters of the consumers* in our survey said they intend to participate in them.
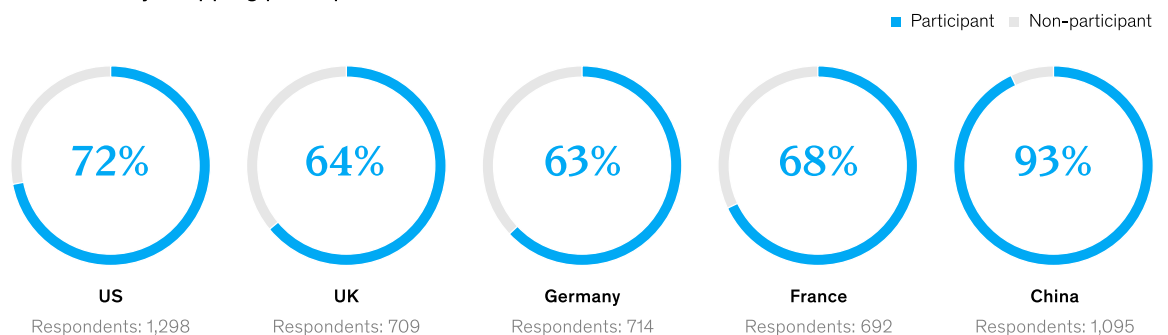
Despite 44% of consumers reporting an income reduction this year,

82%

plan to spend the same or more as last year on holiday deal events.

Consumer show strong intent to participate in holiday shopping.

2020 holiday shopping participation

■ Participant   ■ Non-participant

72%	64%	63%	68%	93%
US	**UK**	**Germany**	**France**	**China**
Respondents: 1,298	Respondents: 709	Respondents: 714	Respondents: 692	Respondents: 1,095

Question: Thinking ahead to the holidays, are you planning to participate in any of the following events (Amazon Prime Day, Black Friday, Cyber Monday, Cyber Week, Singles Day, Super Saturday, Pre-Christmas sales. Cyber week II, Boxing Day) this year? Please select all that apply.
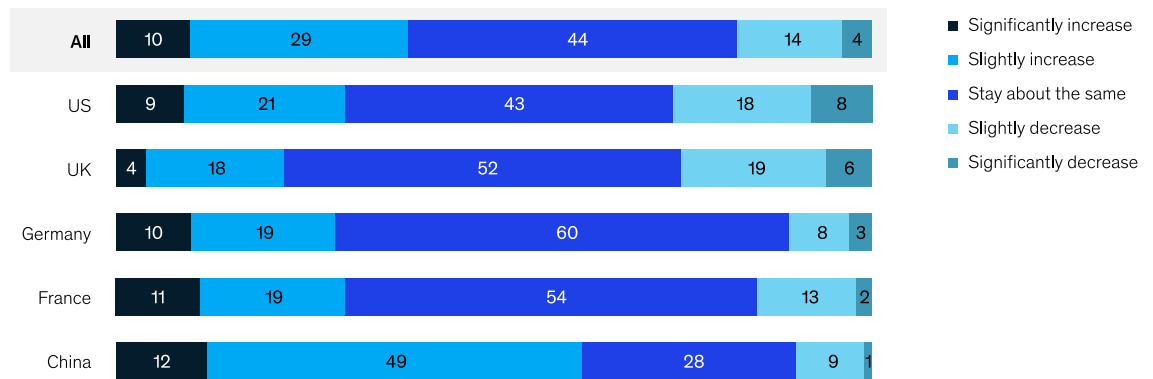*Respondents prior to screen-out are included to provide a full view.

We also saw new levels of excitement in China, which is the first major economy to recover from the pandemic (between July and September, the Chinese economy surged 4.9 percent). Three out of four Chinese shoppers said they were either excited or eager for the holiday season and 61 percent said they intend to spend more than last year on events like Singles Day. [Seventy-five percent of Chinese consumers](#) plan to maintain or increase holiday spending.

General spending is down, but dealhunting dominates during blockbuster events.

Change in holiday shopping event spending in 2020 compared to 2019

% of respondents

Country	Significantly increase	Slightly increase	Stay about the same	Slightly decrease	Significantly decrease
All	10	29	44	14	4
US	9	21	43	18	8
UK	4	18	52	19	6
Germany	10	19	60	8	3
France	11	19	54	13	2
China	12	49	28	9	1

Question: How do you think your spending for the upcoming seasonal holidays (eg, Christmas, Singles Day, Black Friday, Hanukkah) may change compared with last year?
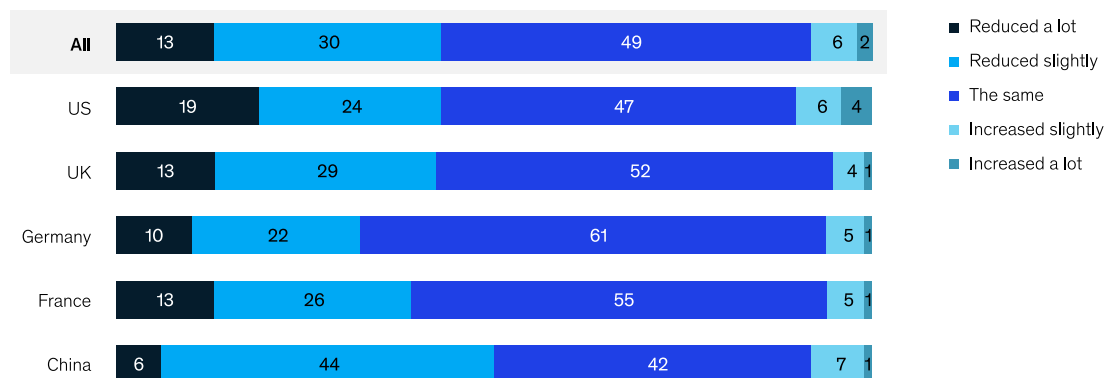Number of respondents by country: US: 778, UK: 428, Germany: 425, France: 415, China: 933.
Values might not sum to 100 due to rounding.

COVID-19 has a negative impact on income.

COVID-19's effect on income

% of respondents

Country	Reduced a lot	Reduced slightly	The same	Increased slightly	Increased a lot
All	13	30	49	6	2
US	19	24	47	6	4
UK	13	29	52	4	1
Germany	10	22	61	5	1
France	13	26	55	5	1
China	6	44	42	7	1

Question: How has the COVID-19 situation affected your (family's) overall income?
Number of respondents by country: US: 1,014, UK: 521, Germany: 521, France: 523, China: 1,022.
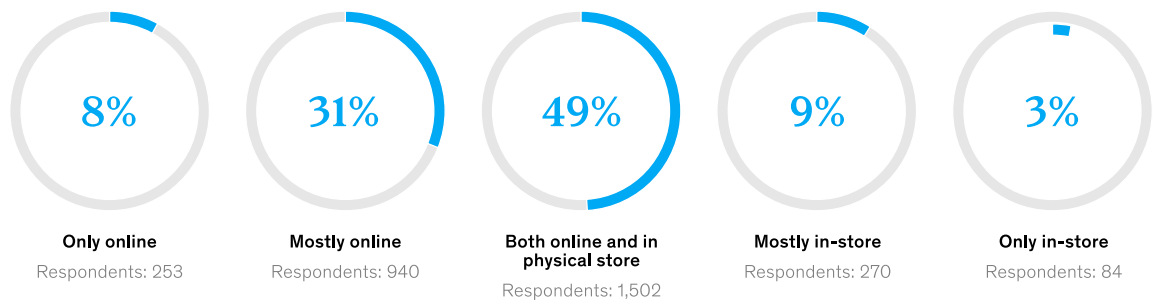Values might not sum to 100 due to rounding.

In the United States and the United Kingdom, where COVID-19 per capita infection rates are among the highest in the world, shoppers are more conflicted, with roughly one-third expressing feelings of stress or anxiety. Across all countries, the most confident holiday spenders are in the 18–39 age group. And as is the case in most years, the ability to get a great price or hot promotion on a particular product is the top factor guiding holiday shoppers' decisions about which retailer to shop from.

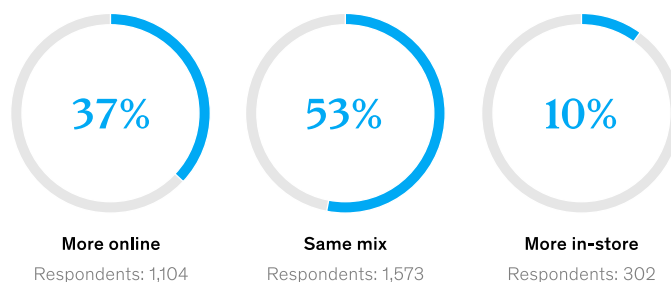## Multichannel and online shopping dominated the 2019 holiday season.

2019 holiday shopping behavior

8%	31%	49%	9%	3%
Only online	**Mostly online**	**Both online and in physical store**	**Mostly in-store**	**Only in-store**
Respondents: 253	Respondents: 940	Respondents: 1,502	Respondents: 270	Respondents: 84

Question: How did you shop for the holidays last year?

Compared to 2019, consumers in 2020 are planning to spend more time online shopping.

2019–2020 shopping behavior comparison

37%	53%	10%
More online	**Same mix**	**More in-store**
Respondents: 1,104	Respondents: 1,573	Respondents: 302

Question: This upcoming year, how do you expect you will shop?

A peak in digital and omnichannel

Seeking both safer and more convenient experiences, holiday shoppers were intent on flocking to online sites, mobile apps, and omnichannel options like click-and-collect. Across the five countries we surveyed in September, 37 percent of respondents said they intended to spend more online during the holidays this year than they did last year, with United Kingdom, Chinese, and US consumers leading the way and consumers in France and Germany moving to digital a bit more slowly. Now that the United Kingdom, France, and Germany face November shutdowns and restrictions to curb a surge in COVID-19 cases, consumers in these countries will likely return to the digital shopping behaviors akin to the first lockdown. In the United States, digital adoption is expected to translate into a surge in e-commerce holiday sales growth by at least 19 percent. In contrast, only 10 percent of shoppers intended to increase the amount they spend in physical stores.
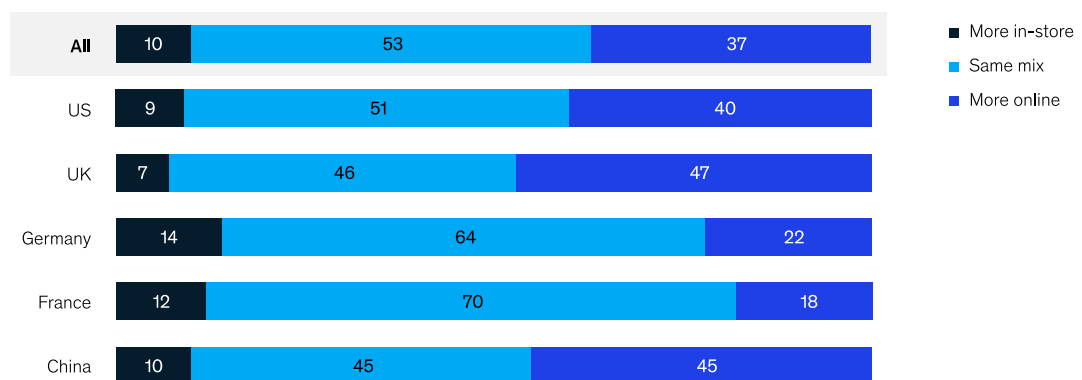
37%

of respondents said they intend to spend more online during the holidays this year than they did last year.

A strong appetite for online shopping exists across the globe.

2019–2020 shopping behavior comparison

% of respondents

	More in-store	Same mix	More online
All	10	53	37
US	9	51	40
UK	7	46	47
Germany	14	64	22
France	12	70	18
China	10	45	45

Question: You just mentioned you will start seasonal holiday shopping (Answer from previous question). Is this earlier or later than you started shopping last year?

Number of respondents by country: US: 778, UK: 428, Germany: 425, France: 339, China: 933.
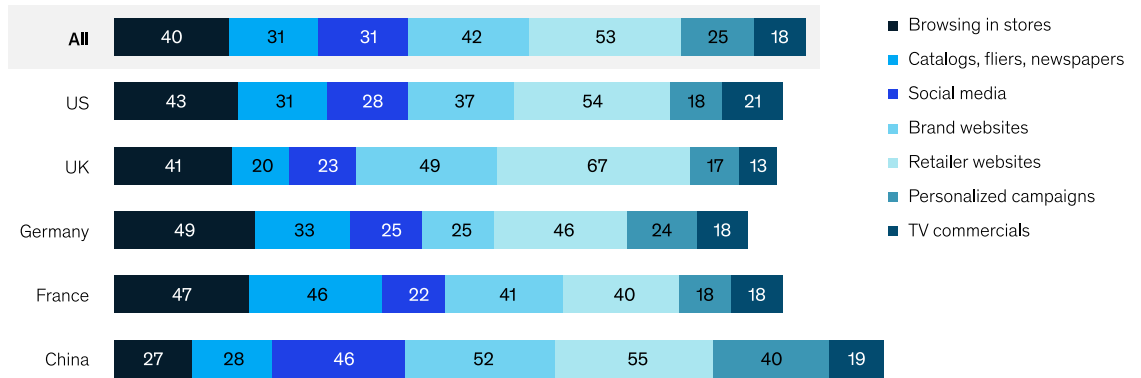
Values might not sum to 100 due to rounding.

2   Forrester 2020 Online Retail Forecast, North America www.forrester.com/report/
    2020+Online+Retail+Forecast+North+America+COVID19+Update/-/E- RES162239

Shoppers are looking to retailer and brand websites for shopping research.

Channels for 2020 research

% of respondents

	Browsing in stores	Catalogs, fliers, newspapers	Social media	Brand websites	Retailer websites	Personalized campaigns	TV commercials
All	40	31	31	42	53	25	18
US	43	31	28	37	54	18	21
UK	41	20	23	49	67	17	13
Germany	49	33	25	25	46	24	18
France	47	46	22	41	40	18	18
China	27	28	46	52	55	40	19

Question: Which channels are you planning to use to get new ideas and do research for your holiday shopping? (Please select top 3.)
Number of respondents by country: US: 988, UK: 515, Germany: 507, France: 510, China: 1,011.

In all countries except France, digital channels, especially retailer websites, are the go-to way for holiday shoppers to search for new ideas and do research for the season. Before the newest shutdown, French consumers still preferred the traditional experiences of browsing in stores and looking through catalogs, fliers, and newspapers—46 percent said this was important. In China, consumers are more likely to turn to social media for research.

This year as consumers seek to avoid both going into stores and enduring potential shipping delays, the click-and-collect option—either picking up curbside (drive-up-and-go) or in the store (buy online for pickup in-store)— is expected to explode in popularity. In the early days of the pandemic, between March and June 2020, orders using these methods more than tripled.[3]

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[3] "BOPIS grows more than 500% during pandemic," DigitalCommerce360, June 25, 2020, digitalcommerce360.com.

The big loyalty challenge

Never before has there been such dramatic disruption to consumer loyalty. Since March, over 60 percent of global consumers have [tried a new shopping behavior](#) in response to economic pressures, store closings, and changing priorities. In particular, 40 percent have [shopped at a new retailer](#) and one-third have [experimented with a different brand of product](#), especially less expensive private-label brands. Gen Z and high earners have been the most prone to switching brands.

As the holiday season kicks into high gear, many of these consumers remain open to new possibilities. Only 12 percent intend to stick with the same retailers they shopped with last year. Men have a slightly higher tendency to do this than women, and, in China, holiday shoppers are most likely to shop at new retailers. Consumers whose income has been affected by COVID-19 are more open to searching for better deals at new retailers than those who haven't suffered a financial hit.

Retailers have an opportunity to win back loyalty by making their omnichannel shopping experience stand out, understanding what their customers want, and targeting them with appealing, relevant gift ideas. Personalization and social media engagement could hold the key to winning with new and existing customers this holiday season— 31 percent of shoppers said they would use social media for holiday research and ideas, and 25 percent said personalized campaigns could trigger a gift purchase.

This year, retailers can also win digital customers by providing clear and accurate information on product availability and shipping timelines. After experiences with out-of-stock items and delivery disruptions this year, shoppers want certainty that a product is available and will get to them when it's supposed to. In all countries except China, 37 percent identified having products in stock (both in stores and online) as a top-three factor when deciding where to buy. Retailers that deliver on this front will influence near-term shopping choices for the holiday and reap customer loyalty down the road.
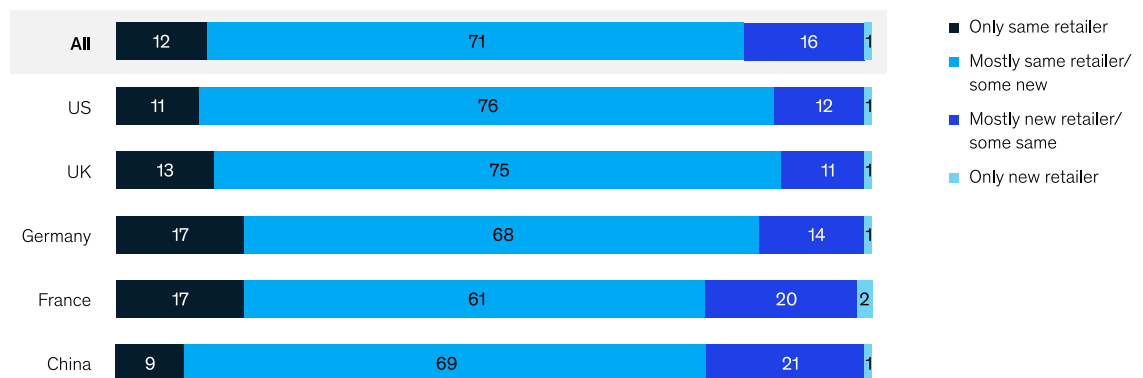
12%

intend to stick with the same retailers they shopped with last year.

Loyalty faces a big challenge during the holiday season.

Retailers to visit in 2020 compared to 2019

% of respondents

	Only same retailer	Mostly same retailer/some new	Mostly new retailer/some same	Only new retailer
All	12	71	16	1
US	11	76	12	1
UK	13	75	11	1
Germany	17	68	14	1
France	17	61	20	2
China	9	69	21	1

Question: Are you planning to visit/shop from the same retailers as you did last year?
Number of respondents by country: US: 777, UK: 428, Germany: 423, France: 415, China: 933.
Values might not sum to 100 due to rounding.

Health and safety are top of mind

Although the story of holiday shopping in 2020 is unequivocally digital, the desire to stroll through festive aisles and browse shopping malls while listening to Christmas music hasn't completely vanished. Before the recent restrictions, 45 percent of respondents planned to browse in stores, a sharp drop from last year's 65 percent. Of course, some of these shoppers now won't be able to or want to venture into stores. Savvy retailers, operating under new restrictions, will need to consider what digital experiences they can offer to replace this festive longing to browse in store.

While 2019's store experience emphasized high-touch, interactive product engagement, 2020's brick-and-mortar retail is about health, safety, and the efficiency of the shopping experience. Social distancing has fundamentally changed consumer attitudes, since the big crowds that normally characterize stores during the holidays now represent a potential health risk. When open, retailers must consider how to limit numbers for in-store browsing. Some are creatively maximizing the use of "in-and-out" shopping, employing

45%
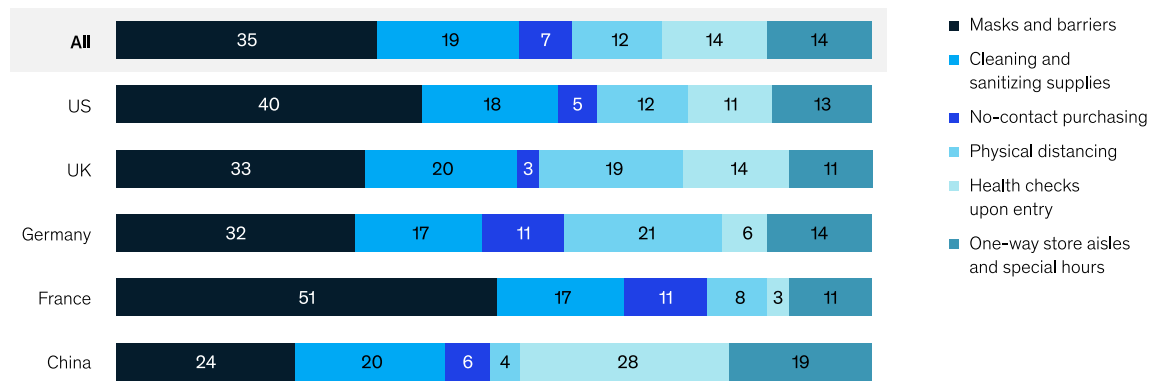**of respondents planned to browse in stores, a sharp drop from last year's 65 percent.**

in-store kiosks and outdoor space on sidewalks and in parking lots for payment, gift card purchase, gift wrapping, and returns. Lululemon, for example, announced it will rely on virtual waitlists for controlling flow into its stores and open 70 pop-up locations near existing stores to showcase featured products and fulfill excess orders via buy online for in-store pickup. Bed Bath & Beyond and buybuy Baby have partnered with Shipt and Instacart to offer same-day home delivery of products from stores.

Health and safety are top of mind concerns for in-store shopping.

The most important in-store practices

% of respondents

	Masks and barriers	Cleaning and sanitizing supplies	No-contact purchasing	Physical distancing	Health checks upon entry	One-way store aisles and special hours
All	35	19	7	12	14	14
US	40	18	5	12	11	13
UK	33	20	3	19	14	11
Germany	32	17	11	21	6	14
France	51	17	11	8	3	11
China	24	20	6	4	28	19

Legend:
- Masks and barriers
- Cleaning and sanitizing supplies
- No-contact purchasing
- Physical distancing
- Health checks upon entry
- One-way store aisles and special hours

Question: You've mentioned you are planning to shop more in-store this year. Which of the factors below will be important to you when deciding where to shop? Which will be the most important?
Number of respondents by country: US: 299, UK: 152, Germany: 218, France: 237, China: 333.
Values might not sum to 100 due to rounding.

Once in the store, holiday shoppers in every country except China rate universal mask wearing and the use of protective barriers at checkout as the most important safety feature. For Chinese consumers, the use of health checks before entering a store is considered most valuable. The availability of cleaning and sanitizing supplies is also a necessary safety element in all countries. For US and French shoppers, one-way aisles and special hours for older shoppers and other vulnerable groups are valued factors.

While 45 percent of holiday shoppers noted in late September they intend to browse in stores, far fewer (12 percent) plan to do most or all of their actual buying in stores, with US and (pre-November-lockdown) French consumers most inclined and Chinese consumers the least inclined. This gap between in-store browsing versus buying represents a valuable opportunity for retailers to capture unanticipated sales. Retailers that do this most effectively will be those that use data analytics to create compelling in-store selections that match what shoppers in a particular area are heading into stores to look for (as opposed to buying online). Compelling personalized promotions sent either ahead of time or while shoppers are in the store can also convert browsers into buyers.

Black Friday: Growing and expanding

The season's biggest deal day, traditionally occurring the day after Thanksgiving in the United States, will look quite different this year. To avoid long lines of people flooding into stores, retailers are stretching Black Friday into multiple days throughout November and also aiming to divert consumers to online shopping. Walmart, for instance, is offering Black Friday deals in three separate periods starting in early November. In an effort to reduce any in-store surge, the deals appearing on actual Black Friday will first be offered online on Wednesday, November 25. Walmart will also limit the number of customers inside stores to 20 percent of usual capacity. Store visits across the United States on Black Friday are expected to be down overall by as much as 25 percent this year.[4]

With the US Centers for Disease Control and Prevention classifying "shopping at crowded stores just before, on, or after Thanksgiving" a high-risk activity, retailers will need to be careful about the timing of their promotions and any messaging that seems to encourage onslaughts of in-store shopping. In general, retailers will have to consider the emotional welfare of consumers this year in ways that they haven't had to before. Stress and anxiety about the holiday shopping season have risen over the last 12 months. Our survey showed that an average of 20 percent of holiday shoppers are anxious and/or stressed this year, with much higher levels in the United States and United Kingdom (30 and 36 percent, respectively) and stunningly low levels in China (5 percent). In the United States, this translates to 30 percent of consumers who intend to shop for holidays planning to shop somewhere different in order to increase the safety of their shopping experience.
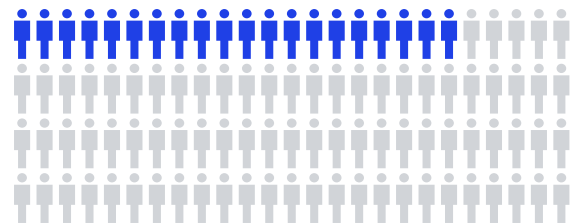
an average of

20%

of consumers are anxious and/or stressed this year, with much higher levels in the United States and United Kingdom (30 and 36 percent, respectively).

4   ShopperTrak; Phil Wahba, "Black Friday traffic could fall as much as 25% amid earlier deals, COVID anxiety," Fortune, Oct. 6, 2020, fortune.com.
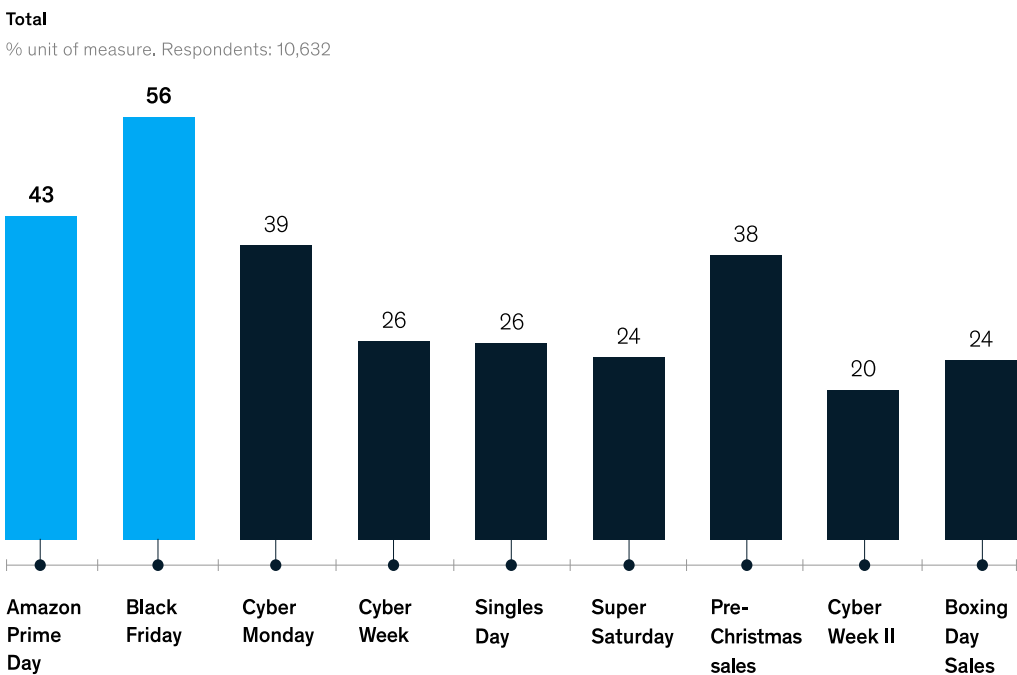
The need for empathy also applies to retailers in Europe, where Black Friday's appeal is growing. Now the most popular deal day in the United Kingdom, France, and Germany, Black Friday will see an average of 60 percent of holiday shoppers in these countries participating this year, up from 50 percent last year. In comparison, 47 percent said they would take part in Amazon's Prime Day. In the United Kingdom, Boxing Day now trails Black Friday. For Chinese consumers, however, Black Friday pales in comparison to Singles Day, which last year pulled in more than double the online sales of Cyber Monday and Black Friday combined. In China, three in four respondents said they intended to participate in Singles Day, versus just under half who will buy for Black Friday.

Black Friday and Amazon Prime Day are the most popular shopping events of the season.

2020 holiday shopping event participation

Total
% unit of measure. Respondents: 10,632

Amazon Prime Day	Black Friday	Cyber Monday	Cyber Week	Singles Day	Super Saturday	Pre-Christmas sales	Cyber Week II	Boxing Day Sales
43	56	39	26	26	24	38	20	24

Thinking ahead to the holidays, are you planning to participate in any of the following events this year? Please select all that apply.

An early shopping season

Burned by out-of-stock items, limited availability for curbside pickup windows, and delivery delays that occurred in the spring, many shoppers have already gotten a jump start on holiday gifts. Almost half of the respondents in our survey said they intend to begin shopping in October or earlier, with shoppers in the United Kingdom most likely to get a head start and consumers in France least likely. It's estimated that as much as $26 billion in global retail spending that normally takes place during Cyber Week in November will be pulled into October this year.[5]

Amazon found itself well-positioned to take advantage of this with a rescheduled Prime Day. Moved from July to October 13–14 due in part to supply-chain issues associated with the pandemic, the company said it posted another two-day record in sales, and that small and midsize businesses on its marketplace sold 60 percent more than last year.
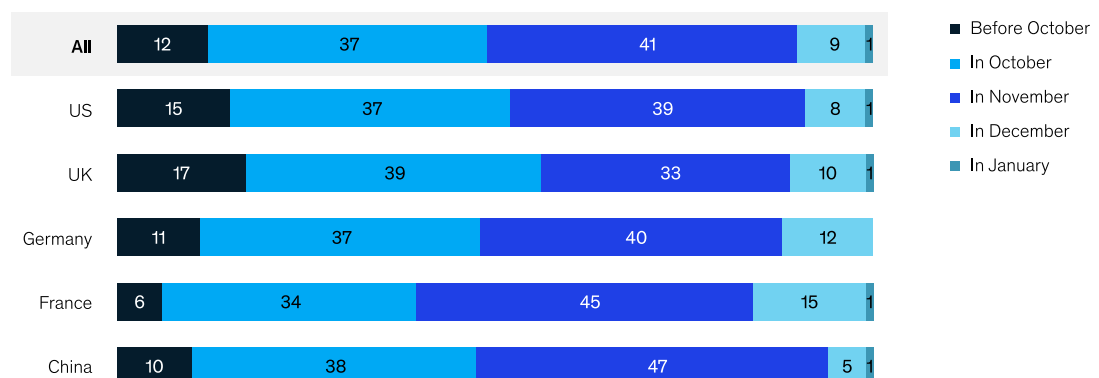
Retailers like Target, Walmart, Best Buy, and J.C. Penney also bumped up their holiday shopping deals by several weeks. Target reported that online sales during its Deal Days (October 13 and 14) grew by 2.5 times compared to last year.

On the flip side, holiday shopping is likely to wind down earlier than normal this year. In the past, last-minute shoppers could count on ordering something online just two days before Christmas and still receive it by Christmas Eve. This year, that's not likely to be the case, given that COVID-19-related supply-chain and delivery constraints won't magically disappear for the holidays. Some retailers may set shipping cutoffs for packages to arrive by Christmas Eve as early as December 15.

Holiday shoppers are planning to start earlier.

Timing for 2020 holiday shopping

% of respondents

	Before October	In October	In November	In December	In January
All	12	37	41	9	1
US	15	37	39	8	1
UK	17	39	33	10	1
Germany	11	37	40	12	
France	6	34	45	15	1
China	10	38	47	5	1

Question: When do you plan to start your shopping for the seasonal holidays this year?
Number of respondents by country: US: 988, UK: 515, Germany: 508, France: 510, China: 1,011.
Values might not sum to 100 due to rounding.

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[5] "Biggest Digital Holiday Season Ever Will Strain Shipping Capacity According to Salesforce Forecast," Salesforce, Oct. 1, 2020, salesforce.com.

[6] Annie Palmer, "Amazon says third-party sellers made more than $3.5 billion from Prime Day," CNBC, Oct. 15, 2020, cnbc.com.

Success markers this holiday season

The retailers that will be most successful this holiday season will execute well in four areas

Motivating holiday shoppers to buy early: Every holiday season, predictions are made about an earlier season. But this year, shoppers have multiple reasons to get a jump start—to avoid crowds in stores, shipping delays, and out-of-stock issues. Smart retailers are pulling demand forward by creating early Black Friday events and sending personalized communications to shoppers that will inspire purchasing now.

Giving consumers multiple options for fulfilling orders: During the COVID-19 shutdowns, consumers demonstrated their readiness to switch retailers in a search for greater value and higher levels of convenience. Retailers that provide consumers with easy options for buying the products they want—whether traditional home delivery, buy online for in-store pickup, or curbside—will be best positioned to attract new customers and win back old ones.

Flexing digital infrastructure and operation logistics for customer experience: To capitalize on the expected surge in website and mobile app traffic on key blockbuster shopping days, successful retailers will ensure that their digital storefronts and operational backbone are able to support these increases. This means being ready with additional resources for online customer support, live chat, and warehouse fulfillment. It also requires a plan for scaling up store pickup, so that click-and-collect customers are not sitting in a traffic jam or long line to pick up their orders. Planning ahead and staffing to remove pinch points will be a key differentiator this year. Retailers that excel in customer experience this holiday season could very well generate new loyalty thereafter.

Personalizing and enhancing browsing: Every year, a certain amount of holiday spending occurs because people happen upon gifts they like. With many consumers doing far less aisle-wandering and having fewer touch-and-feel experiences this year, retailers that best simulate these environments online will be able to capture those unexpected purchases. Expect retailers to increase the number of product photos, easy-to-compare features, user reviews, and generous return policies to improve browsing confidence. Retailers who perform well this season are also likely to personalize the browsing experience, merging data on customer characteristics and preferences with information on trending holiday products to optimize the assortment of products each digital shopper sees. At the same time, leading omnichannel retailers will use the opportunity to invite customers into the store for browsing, as 45 percent still plan to shop to some degree in stores.

Arriving in the midst of the COVID-19 pandemic, this holiday season will undoubtedly turn out different than most. Safety and basic uncertainty remain dominant features of daily life for many consumers around the world, and this is changing both how shopping is done and what consumers are going to buy. Instead of door-busting crowds, 2020's holiday shoppers will turn to apps and websites in record numbers and will take advantage of click-and-collect as an option that provides both safety and convenience. Consumers will also likely get an early start on shopping to avoid potential supply or delivery problems and will be shopping for more products geared toward spending time at home.

These changes represent an opportunity for retailers to connect with large numbers of consumers who have adopted new habits, are open to new brands, or are looking for new gift ideas. Retailers that have taken the time to understand how their customers have changed and have invested in the infrastructure to offer them convenience, safety, and certainty at holiday surge levels will excel this year.

Instead of door-busting crowds, 2020's holiday shoppers will turn to apps and websites in record numbers.

About Periscope® by McKinsey

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