

2022 Report

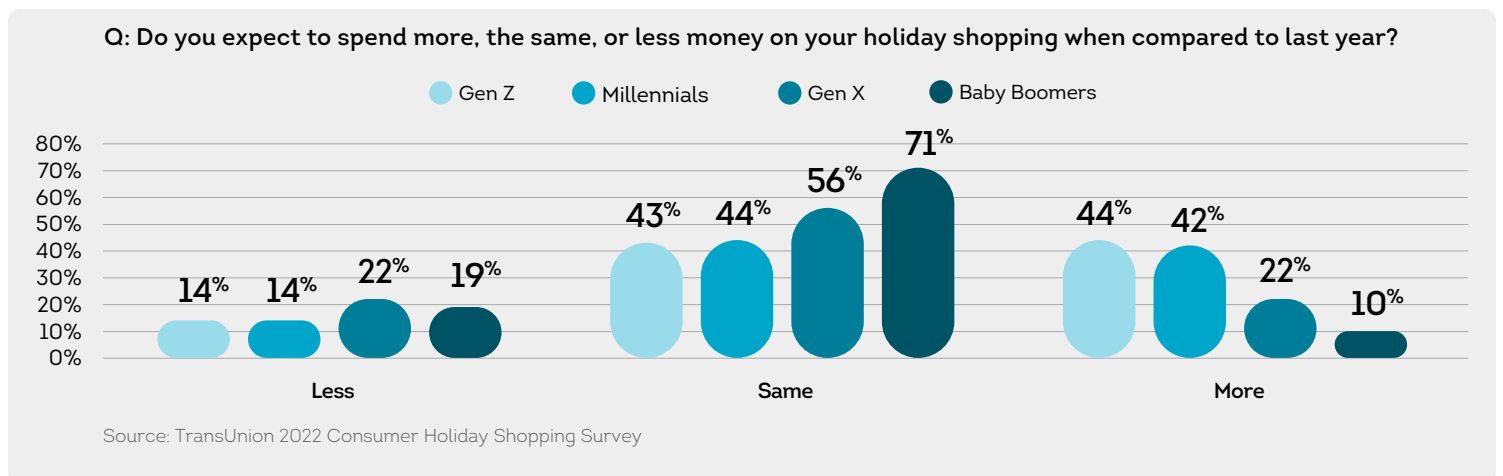
Holiday Shopping Report

Introduction

“The pandemic has changed everything,” was the refrain for the past two years, but when it comes to holiday shopping, it appears that pandemic era changes were not set in stone. This year, many shoppers are racing into the holiday shopping season with equal or increased enthusiasm relative to last year. A significant portion of those consumers are excited to return to a sense of pre-pandemic normalcy. Though online shopping remains critical to consumers and retailers alike after the pandemic, the shift to all or mostly online shopping did not mark a durable change – at least not yet. Aside from Millennials, many consumers are reducing the amount of shopping they plan to do online, including Gen Z. Enthusiasm for the holiday shopping season, however, is tempered by inflation. While most consumers expect to spend as much or more as last year, a shift to more affordable or practical gifts appears likely as consumers find ways to stretch their holiday budgets. One thing that didn’t change for holiday shoppers was their high expectations of retailers. Whether it is speedy delivery, increased fraud prevention or alignment with consumer values, holiday shoppers are more demanding. As retailers compete for shoppers – especially those with stretched budgets – meeting or exceeding those lofty expectations remains a key priority.

CONSUMER SPEND AND SENTIMENT THIS HOLIDAY SEASON

Despite persistently high inflation straining household budgets, most consumers were planning to spend the same or more during the upcoming holiday season when compared to last year. Of respondents, 56% said they planned on spending the same amount on holiday shopping this year as they did last year, while 26% planned to increase their spending this year (up from 19% last year). Only 18% of consumers planned to spend less this year (down from 26% last year). Younger shoppers appeared to be leading the charge this holiday season; 44% of Gen Z and 42% of Millennial consumers said they planned to spend more this holiday season, while the majority of Gen X (56%) and Baby Boomers (71%) planned on spending the same amount as last year. This aligns with **TransUnion’s Q3 Consumer Pulse Study** which showed younger generations’ resilience to inflationary pressures.



Even though many Gen Z consumers said they planned to increase their holiday shopping spend this season, this young generation still spends relatively little compared to their elders. Millennials are understandably expected to spend the most given their households are likely to have children present. Baby Boomers followed Millennials in planned spending, likely due to the presence of grandchildren.



Though budgets were mostly flat or increasing, consumers across all generations were still having to make adjustments to their holiday shopping in order to stretch their budgets. Roughly a third (31%) of consumers said they planned to buy fewer gifts this year, while 23% planned on buying cheaper versions or more practical gifts, such as gas cards. Twelve percent of consumers said they planned on buying the same amount of gifts but spending more money to account for inflation. While these shopping adjustments were relatively heightened among low-income¹ respondents, consumers across all income levels planned to take a more practical approach to their holiday shopping this year.

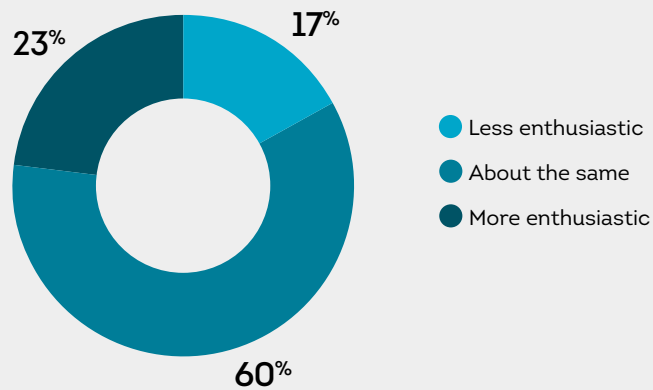


¹ Income tiers are defined as: Low <\$50,000, Medium \$50,000-\$99,999, High \$100,000+

Despite the challenges facing consumers, holiday shoppers appeared to be in fairly high spirits about the upcoming season; over 80% reported they were as enthusiastic or more enthusiastic about this holiday shopping season when compared to last year. Younger generations' resilience is evident when looking at consumers who are more enthusiastic relative to last year: 43% of Millennials; 37% of Gen Z; 20% of Gen X; and only 4% of Baby Boomers.

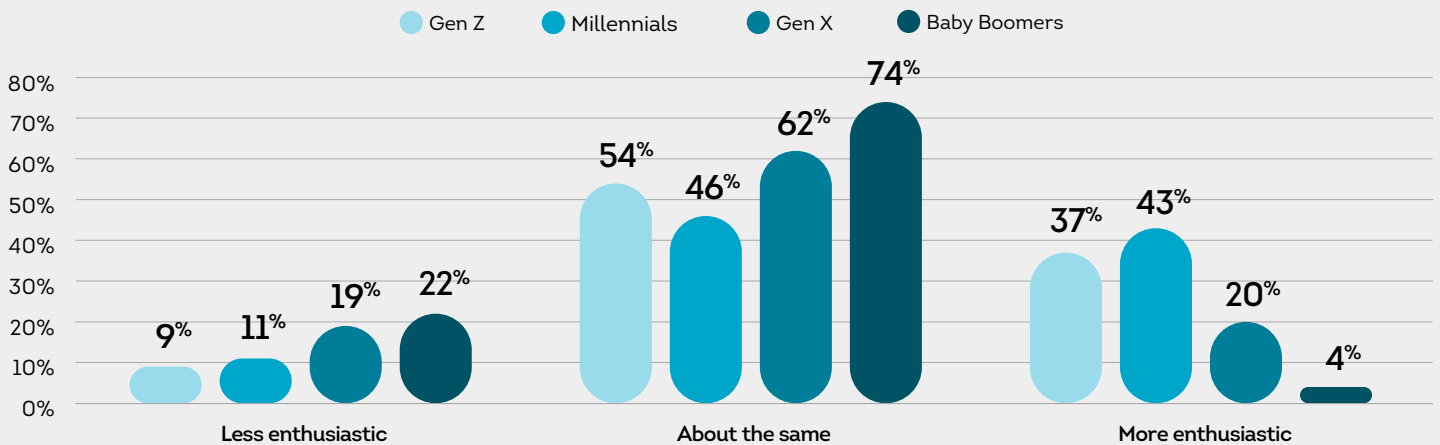
Of those who reported being more enthusiastic about this year's holiday shopping season, the primary driver of enthusiasm was being in a better financial position this year (35%) than in 2021. That said, finances weren't the only reason behind shopper enthusiasm. Excitement about a return to normalcy coming out of the pandemic (27%), as well as being able to gain some respite from events happening in the world (21%) were also large factors behind increased shopper enthusiasm. For those less enthusiastic about this season, unsurprisingly, finances were the main driver; 42% reported that not having the money to purchase the gifts they wanted to give. Another 25% reported being consumed with the problems of the day, while another 15% felt there wouldn't be any great deals this year.

Q: How has your enthusiasm about the holiday shopping season changed since last year?



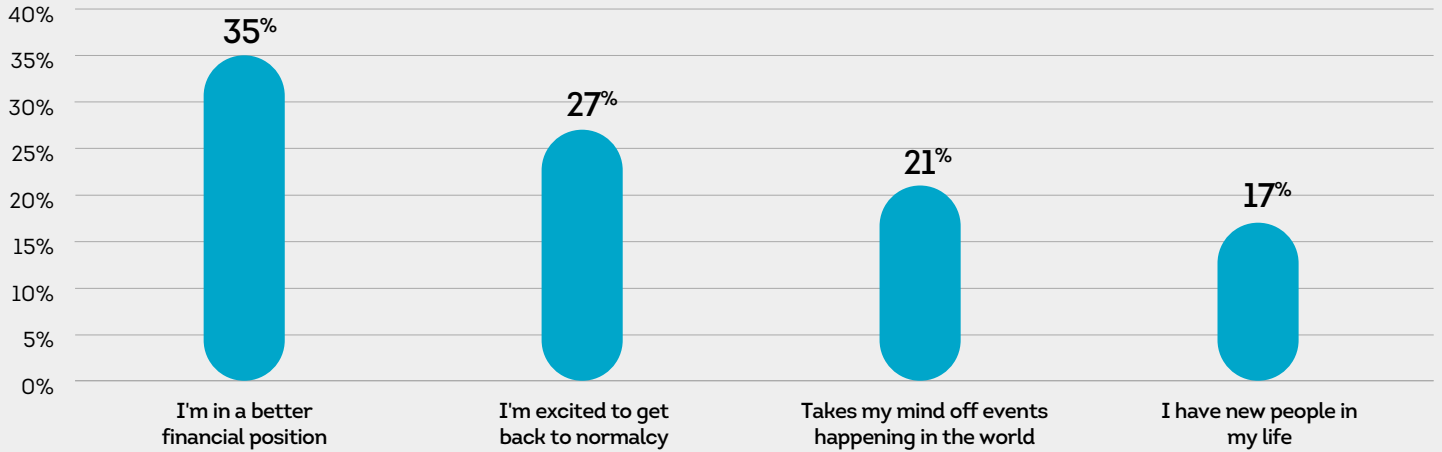
Source: TransUnion 2022 Consumer Holiday Shopping Survey

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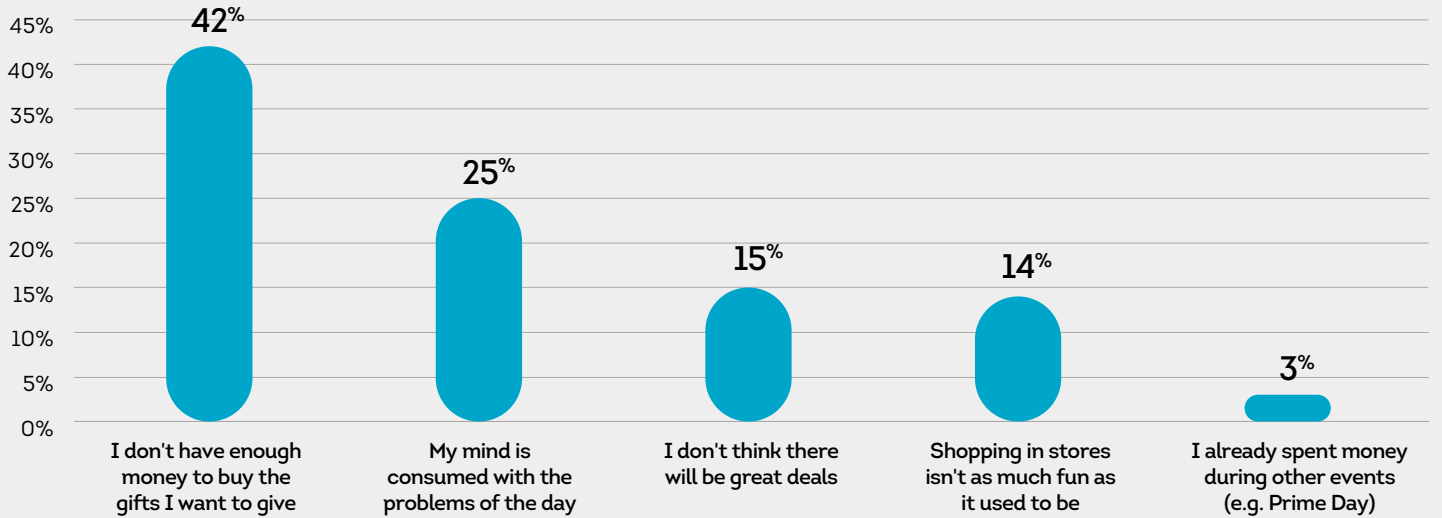
Source: TransUnion 2022 Consumer Holiday Shopping Survey

Q: Why are you more enthusiastic about holiday shopping than you were last year?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

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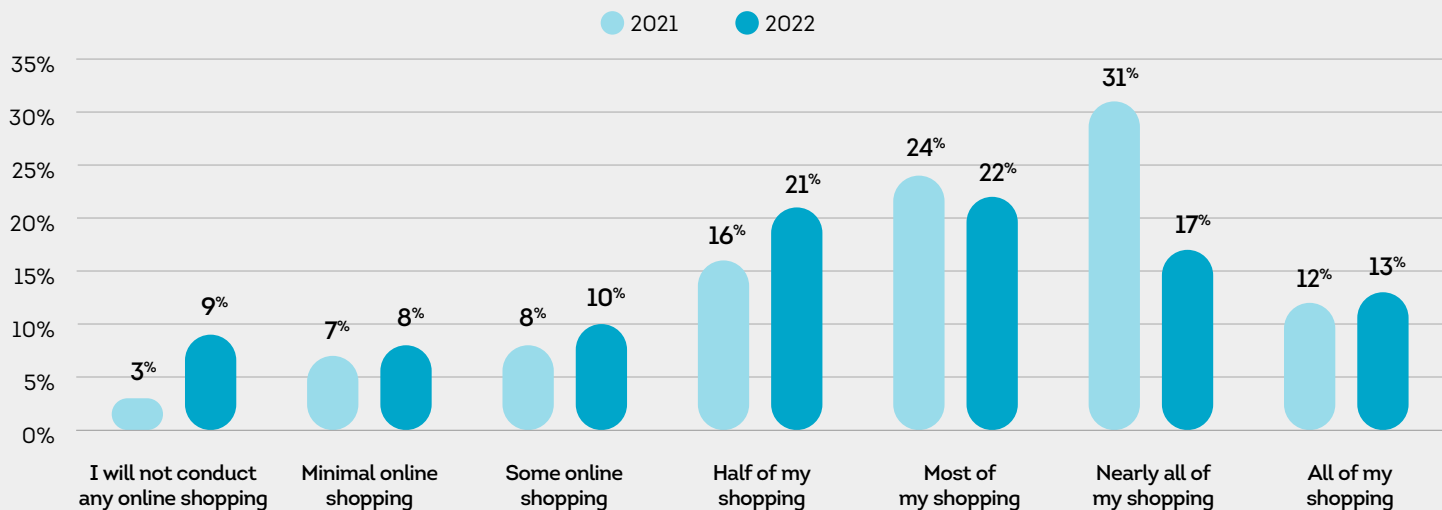
CONSUMER SHOPPING PREFERENCES

While the pandemic supercharged online shopping, there appeared to be some pullback in how much holiday shopping consumers were planning to conduct online this year. While conducting at least some shopping online remained the dominant preference for consumers, there was significant growth in the percentage of shoppers who reported they will not conduct any online shopping this holiday season.

There was a significant change in consumers who planned to conduct nearly all their shopping online (defined as 75%–99% of total shopping), decreasing from 31% of consumers in 2021 to 17% in 2022. Conversely, nearly three times as many consumers planned to do all their shopping in stores this year when compared to 2021; 9% of consumers said they'll conduct all their shopping in-store vs. 3% in 2021.

Unsurprisingly, older generations were much more likely to report a desire to shop in store or conduct minimal online shopping. However, what is notable is relative to Millennials, a surprisingly large share of Gen Z consumers appeared to be planning on doing less than half of their shopping online: 18% for Gen Z vs. 11% for Millennials. In fact, Gen Z lagged their Millennial counterparts across almost all levels of online shopping, perhaps indicating a reversal of trend when it comes to online vs. in-store shopping. The Gen Z lean toward in-store shopping may be attributable to their desire to return to post-pandemic normalcy, which they also cited as their top reason for enthusiasm this holiday season. This was consistent with our **Q3 2022 Consumer Pulse Study** where we speculated Gen Z's desire for experiences and authentic brand engagement steered them toward in-store experiences.

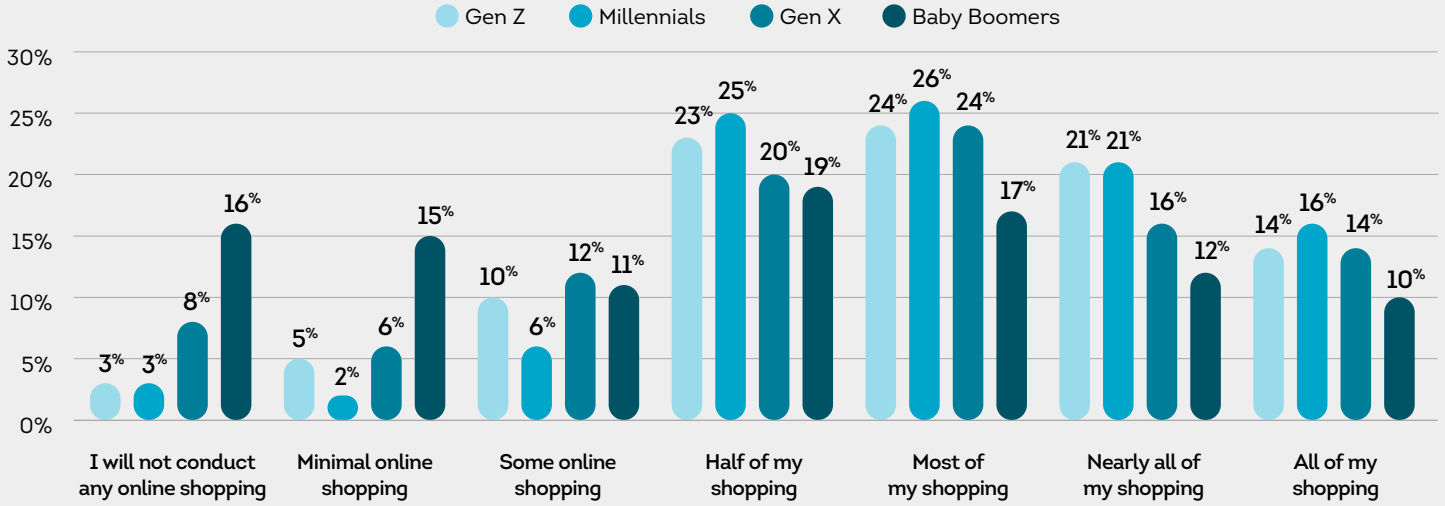
Q: What percentage of your holiday shopping will be done online?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

Minimal: 1-24%; Some 24-49%; Most 51-74%; Nearly all: 75-99%

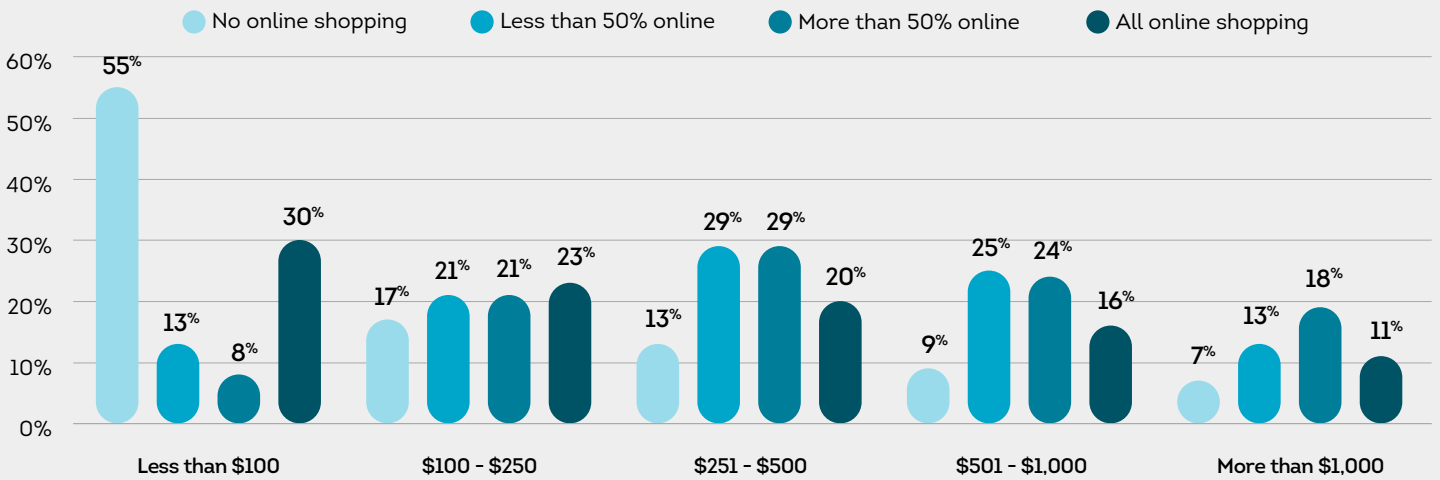
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It's also interesting to note that consumers who expected to do all their shopping either exclusively online or exclusively in store were also likely to spend the least amount of money on holiday shopping. This could indicate those who choose to shop exclusively online or in store may just have less shopping to do overall – thus being least likely to engage in omnichannel shopping.

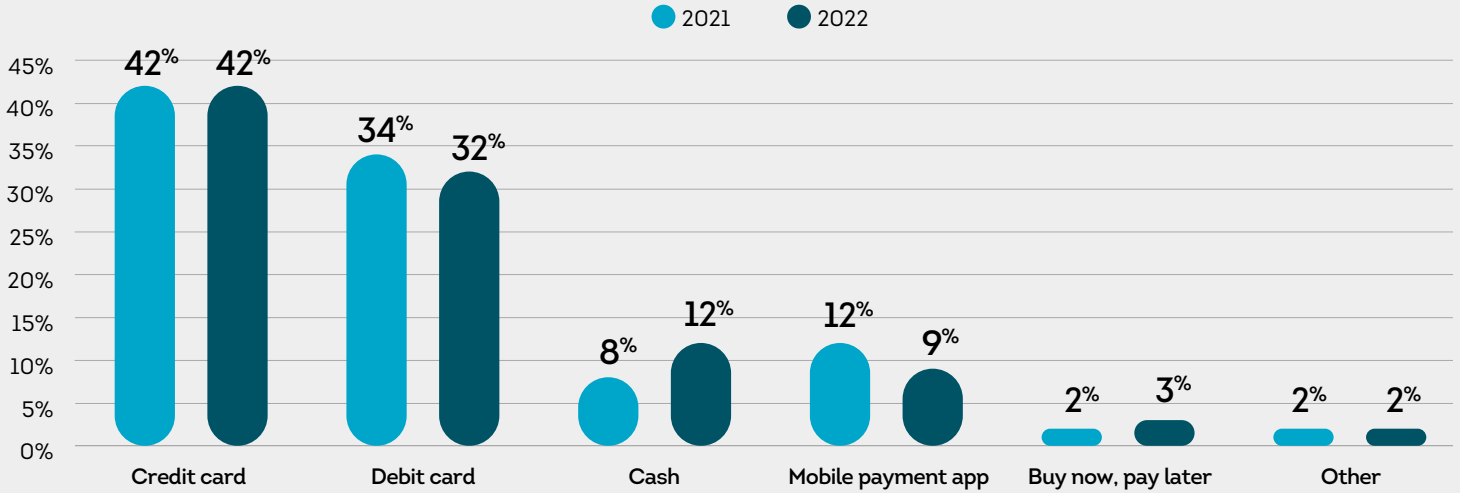
Q: How much do you expect to spend on holiday shopping this year?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

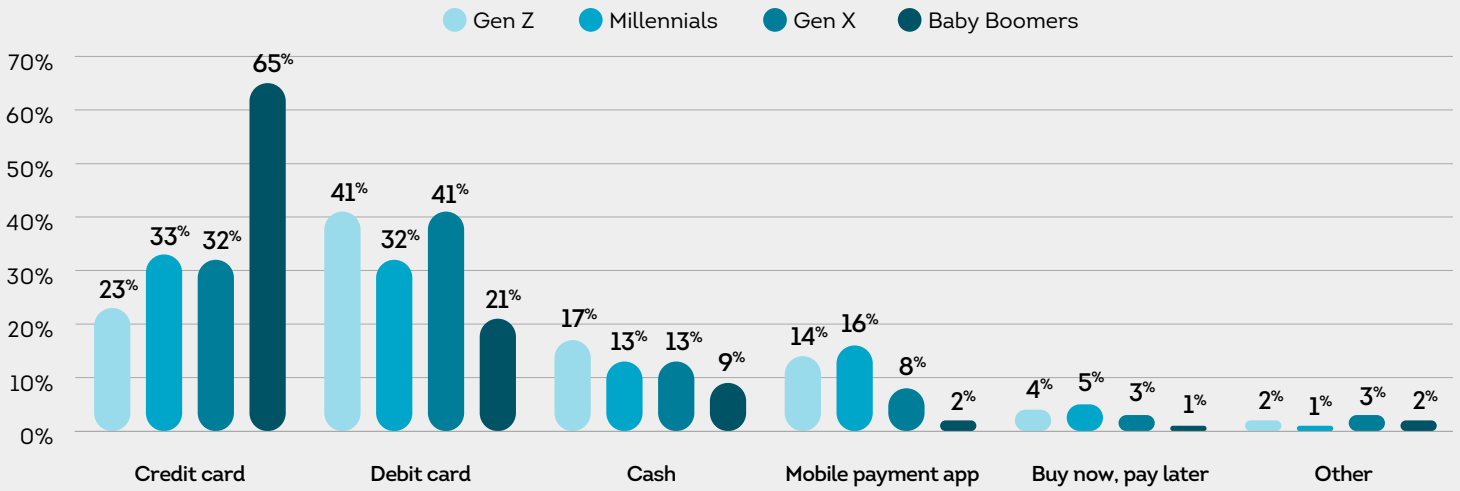
While there appeared to be some easing in online shopping emerging from the pandemic, there also appeared to be some shifts in consumers' payment preferences. Notably, there were fewer consumers who reported mobile payment apps as their preferred method of purchase, while more reported cash was their preference. There was also very little growth in consumers preferring to use buy now, pay later as their preferred payment method relative to last year.

Q: What is your preferred payment type during the holiday shopping season?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

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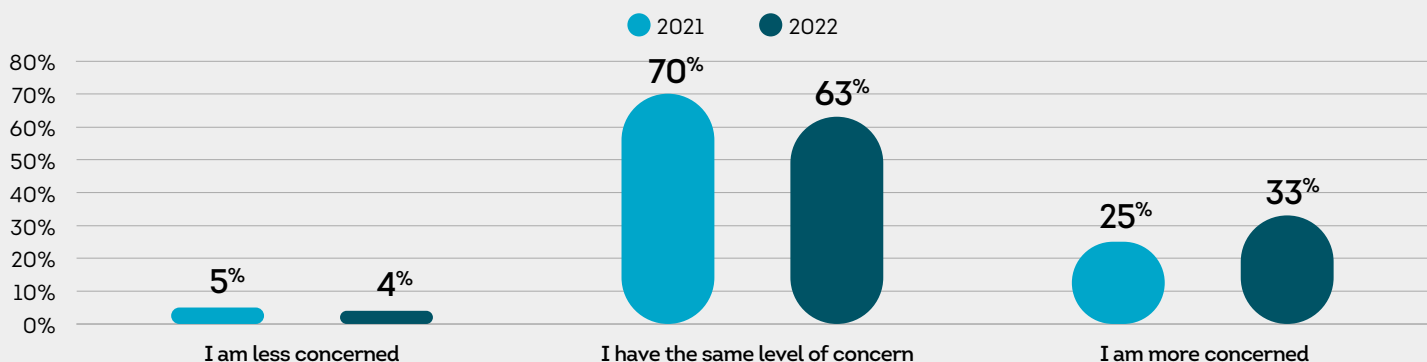
Our recent research showed consumer preference for mobile payment apps is linked with other shopping behavior. The **2022 Back-to-School report** showed consumers preferring mobile payment were more likely to shop with retailers that offered it, while this survey showed a correlation between consumers using mobile payment and those planning to spend more. Of Millennials, 22% of those using mobile payment plan to spend more, which is more than double the rate of other generations, including Gen Z.

CONCERNS ABOUT FRAUD AND SECURITY PLAY A GREATER ROLE

As more and more shopping has moved online, consumer concerns about fraud and identity theft continued to rise. Of survey respondents, 33% said they were more concerned about being a victim of fraud or identity theft when compared to last year (up from 25% in 2021), while only 4% reported being less concerned. Millennials were the most aware; 44% cited increased concerns over last year followed by Gen Z (31%).

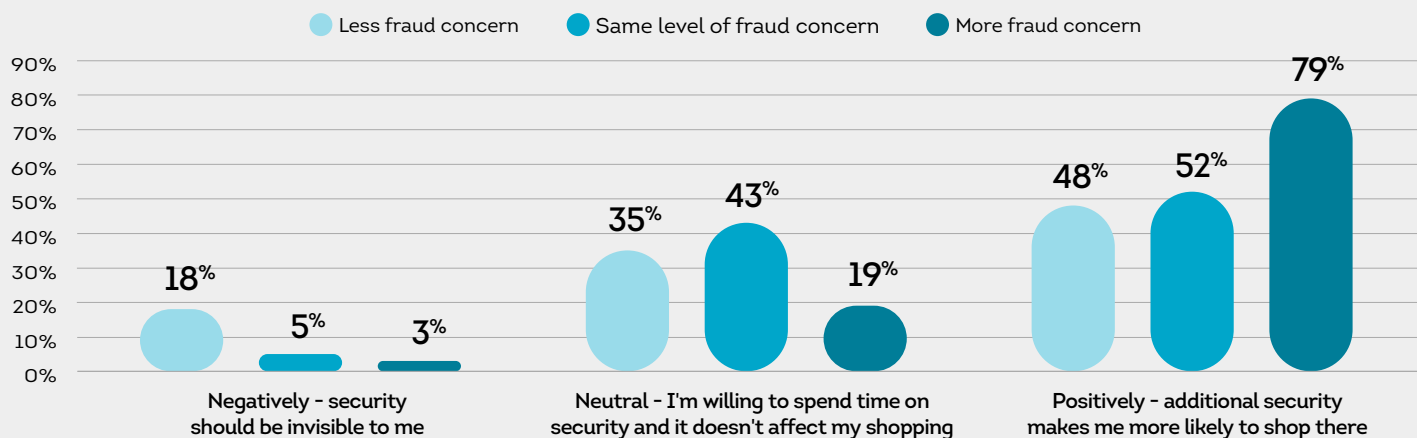
Heightened concerns about fraud and identity theft appeared to have a dramatic impact on a consumers' willingness to go through added security measures while shopping online. Of those who reported being more concerned with fraud and identity theft, 79% indicated they viewed extra security measures positively, and additional security makes them more likely to shop with merchants. This positive sentiment was broadly shared by those consumers who were less concerned with fraud and identity theft relative to last year (48%) and consumers who had the same level of concern as last year (52%).

Q: How does your concern with being victimized by online fraud or identity theft this holiday season compare to last year?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

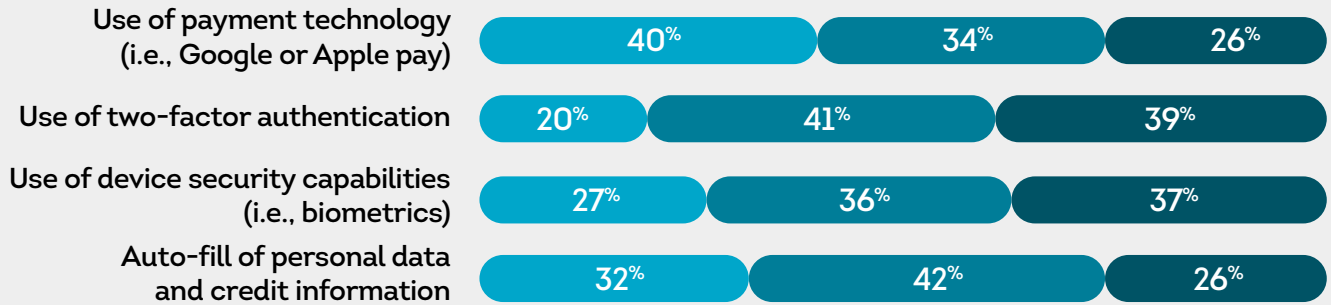
Q: When making a purchase online, how do you view additional identity validation requirements during the check-out process?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

What's more, for those shopping on their mobile device, use of security features like two-factor authentication and biometrics (e.g., fingerprint or facial recognition) were rated as the most important features by consumers.

Q: Please indicate how important each of the following are to you when using your mobile device to shop online

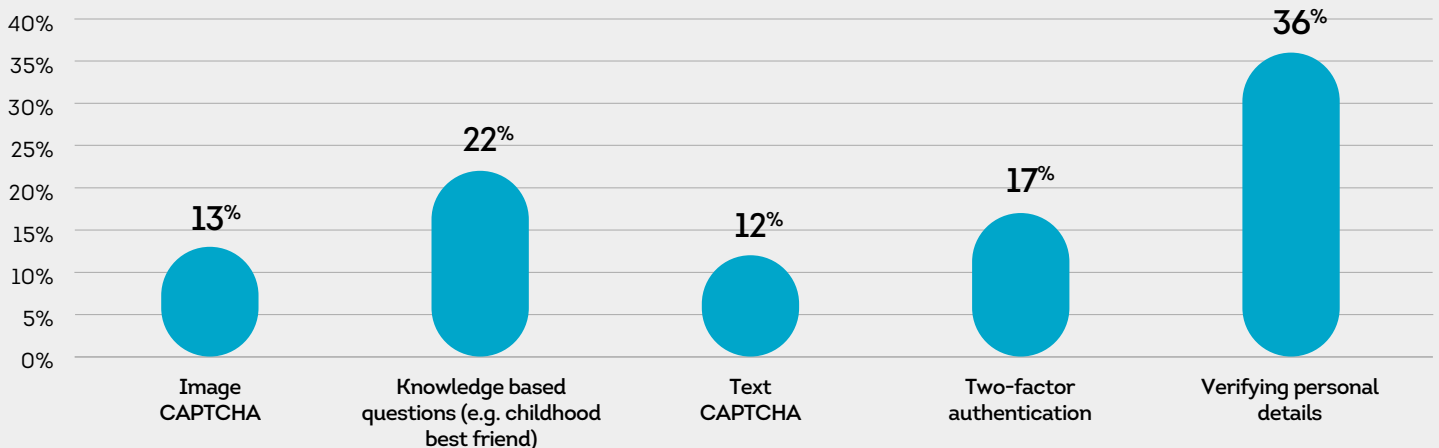


Source: TransUnion 2022 Consumer Holiday Shopping Survey

● Not important ● Moderately important ● Very important

New security features such as these are likely to play an increasingly important role in facilitating a safe and secure shopping environment without placing undue burden on a consumer's experience. Traditional security features, such as verifying personal details (e.g., identifying past home addresses), are increasingly seen by consumers as a potential barrier to transacting.

Q: Which of these security measures is most likely to stop you from transacting?



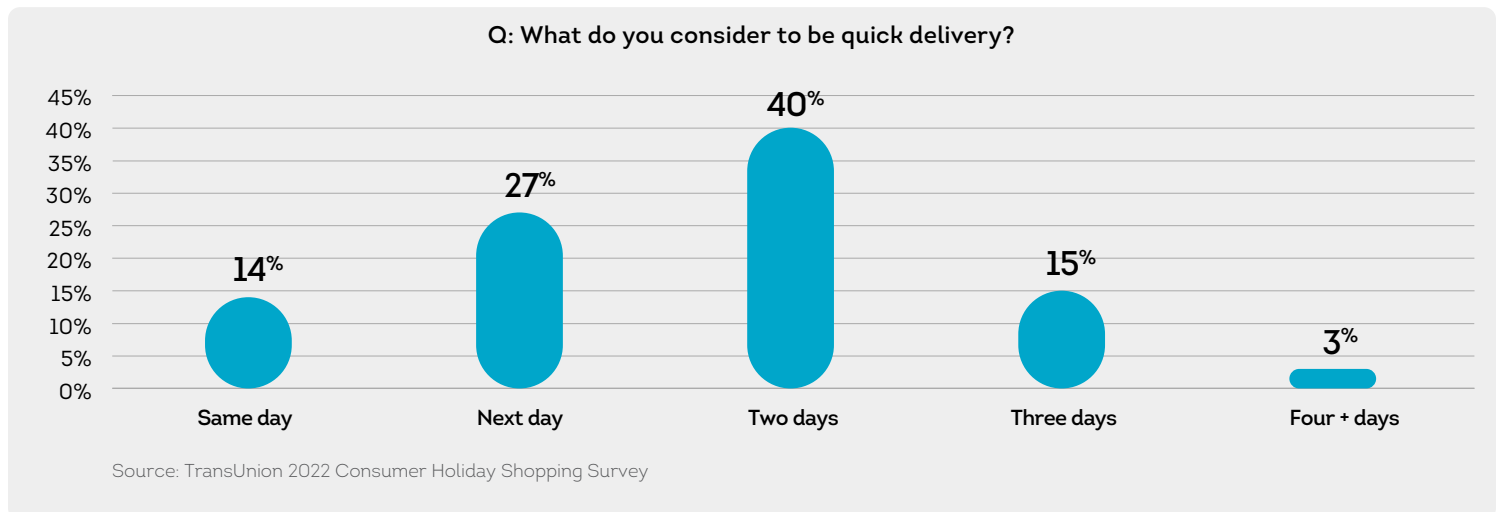
Source: TransUnion 2022 Consumer Holiday Shopping Survey

HIGH EXPECTATIONS FOR SHOPPING EXPERIENCE

Consumer demands for retailers did not stop at providing a secure and friction-right experience. As online shopping becomes more dominant, and consumers can swiftly compare products and services from the comfort of their mobile devices, demands on retailers will climb as well. While product quality continued to be the top concern for consumers (with 83% of holiday shoppers ranking this as extremely or very important), factors like free shipping (74%), trust in the retailer (72%), and hassle-free returns (71%) were also top of mind.

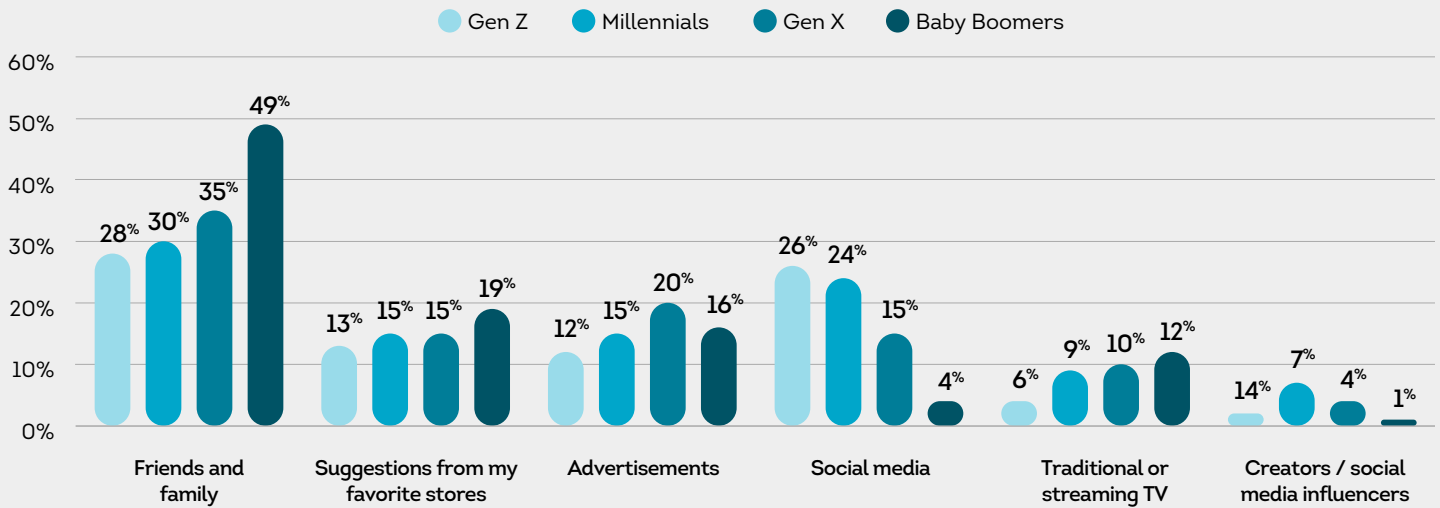


As consumers continue to do more shopping online, expectations for the best experiences across retailers become embedded. When looking at delivery expectations, 81% of consumers considered quick delivery as two days or less. Millennials had even higher expectations; 55% said quick delivery was same or next day vs. 41% of the overall population. We speculate this is tied to the life stage of Millennials which often includes the presence of children – increasing their need for convenience and consistent with increased usage of curbside pickup seen in our **Back-to-School Report**.



Another increasingly important category of consumer expectations was a retailer's alignment with a customer's values. Forty-three percent of consumer said having a reputation for diversity, equity and inclusion was either extremely or very important, while 39% said the same for environmental responsibility. While family and friends continued to be important sources of inspiration for gift-giving ideas, social media and influencers are becoming increasingly important for younger cohorts. In an era where social media algorithms tend to reinforce consumers' values, retailers will need to be more mindful of their ability to be viewed by young consumers as a company that shares their values.

Q: Where do you plan to look for ideas and inspiration for holiday gift ideas?



Source: TransUnion 2022 Consumer Holiday Shopping Survey

CONCLUSIONS

While inflation is having a clear impact on consumer behavior and spending, enthusiasm about the holiday shopping season remains strong. However, examining the data at a detailed level revealed how consumers' shopping attitudes and behaviors varied across generations. **Focusing on Millennials as the highest-spending generation yields insight into how consumers have come to value convenience and security in the shopping experience:**

- Millennials using mobile payment apps were twice as likely to increase holiday spending relative to last year. Retailers should be sure to promote this option as a fast, secure way to complete their orders.
- Millennials were most aware of the increased risk around fraud and identity theft. Retailers should implement customer-friendly measures, such as two-factor authentication, to create a safe, secure shopping environment.
- Millennials placed high importance on features that make mobile shopping safe and convenient. Retailers should understand what makes for a “best-in-class” mobile shopping experience and ensure their mobile channel meets those standards.
- While social media and influencers get lots of buzz, retailers should not forget the tried-and-true influence of friends and family. Even for Millennials and Gen Z, it remained the top source for driving inspiration on holiday gift giving. Thus, it's important retailers have the capability to target households consisting of the individuals in the target audience (referred to as “identity resolution”).

While Millennials were not the only generation spending money with retailers, they are indicative of future trends. A proactive approach to understanding these trends will enable retailers to focus their innovations and operations and get ahead of the curve in this fast-changing marketplace.

Please note some chart percentages may not add up to 100% due to rounding or multiple answers being accepted.

RESEARCH METHODOLOGY

This online survey of 1,984 adults was conducted August 12-22, 2022 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older were surveyed using an online research panel method across a combination of desktop, mobile and tablet devices. Survey questions were administered in English. To ensure general population sample representativeness across United States resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender and household income. Generations are defined as follows: Gen Z, born 1995-2004; Millennials, born 1980-1994; Gen X, born 1965-1979; and Baby Boomers, born 1944-1964.



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A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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