2020

AUSTRALIAN CHRISTMAS SHOPPING INTENTIONS

Consumer Outlook and COVID-19 Impacts

CPM RETAILsafari THE GENERAL STORE™

FOREWORD

Christmas 2020 will be our first key retail period post the Great COVID Shift. And a lot has changed.This report has been thoughtfully compiled by CPM and Retail Safari, with primary research conducted by the CXI Research Group at Swinburne University. It shines a light on the key shifts in shopping behaviour that we can expect to see this Christmas. It is sure to provide valuable insights into the Christmas planning process. The report covers a detailed analysis of consumer spending intentions including timings, channels, and categories. And it also includes breakdowns by age, gender and location.

It's a 10 minute read that could be invaluable to retailers' success during this year's most critical trading period. I hope you find it as insightful as I did.

All the best,

Danny Lattouf
Partner and Chief Strategy Officer
The General Store

INTRODUCTION

The CPM-Retail Safari annual Christmas Shopping Intentions Survey is designed to offer insights into holiday shopping and purchasing behaviour before the gift-buying madness begins. This year's edition provides data on Australian consumer shopping behavior, and key trends to watch as the critical Christmas holiday period approaches.

Stating that 2020 has been an unusual year would be an understatement by any measure. Twelve months ago 'WFH' didn't mean much to anybody; today it's a part of our lexicon. The impact of COVID-19 on the retail sector has been significant in Australia. From panic buying to hard lockdowns and curfews, the impact of rapid change on the retail sector has been enormous. Not surprisingly, some of this year's survey results break with the trends we've seen since 2016.

As we approach the 2020 Christmas shopping season, questions around the impacts of COVID-19 on shopper behaviour abound. What will be the same as 2019? What will be different? What do we, as retailers, marketers and brands, need to be thinking about as we enter into the most important retail season of the year?

This year's Christmas Shopping Intentions report builds on data collected in our annual surveys since 2016. We examine how much shoppers are planning on spending for Christmas 2020, when shoppers are planning on doing their Christmas shopping, what channels are they planning on using for their retail purchases, where they intend to shop, and what they intend to buy. We'll compare the survey results to historical data and trends, where we'll show that in some areas COVID-19 has had a significant impact, while in others, not so much.

It's our wish that these insights will help those in the retail industry plan for the Christmas shopping season, and we look forward to working alongside you both now and into the future.

HOW MUCH?

CHRISTMAS 2020 SPENDING INTENTIONS

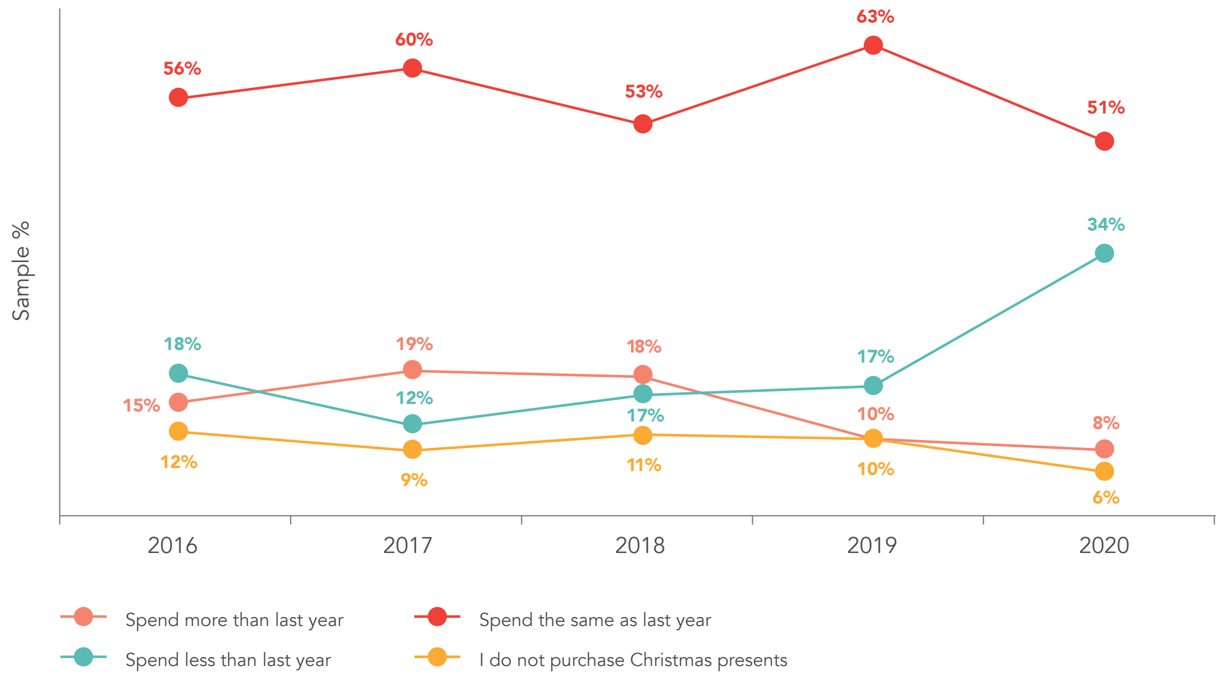

Figure 1: Christmas spending intentions
Q: How will your total Christmas spending compare with last year's Christmas spend?
Sample size: 502
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

ONE IN TWO AUSTRALIANS (51%) **ARE PLANNING ON SPENDING THE SAME AS LAST YEAR.**

CHRISTMAS 2020 SPENDING INTENTIONS

As we approach one year since the term 'coronavirus' first hit the headlines, COVID-19 continues to dominate news and impact people around the world. Unsurprisingly, heightened uncertainty around job security and real impacts on consumers' incomes from unemployment and reduced work hours have had a noticeable effect on how much consumers are planning on spending this coming Christmas.

Our survey has found that the proportion of Australians planning on spending less this Christmas has doubled from 17% in 2019, to 34% in 2020, a significant deviation from the long-term average (Figure 1). Consistent with this result, the proportion of Australians planning on spending more this Christmas is only 8%, almost half the long-term average of 15%. Clearly Australians are intending to be significantly more cautious with their spending this holiday season.

On a brighter note, one in two Australians (51%) are planning on spending the same as last year. This is only a small reduction on the long-term average of 58%, which provides a glimmer of optimism for Australian retailers in an otherwise uncertain time.

SPENDING INTENTIONS BY AGE GROUP

The intention to spend less this coming Christmas increased across all age groups. The most notable result from our survey was that – for the first time since 2016 – those aged 18-34 are now the most likely to be planning on spending less for Christmas (Figure 2). A massive 40% of 18-34s are planning on spending less this Christmas, two-and-a-half times 2019's 16%. This is likely a reflection of the fact that work hour reductions and job losses due to COVID-19 have disproportionately impacted this age group. Not far behind are the 35-54s, with 38% of this age group planning on spending less this Christmas, again more than double 2019's result of 15%. An increased proportion of the 55-74 age group are also planning on spending less this Christmas, though to a lesser extent than their younger survey respondents (26%).

Since 2016, the age group most likely to spend more has consistently been younger (18-34) consumers. This year, those aged 35-54 are the most likely to spend more this Christmas (13%), just ahead of the younger group at 12%. The 55-74 age group are the least likely to spend more this Christmas (3%), but are overwhelmingly the most likely to spend the same as last year (61%).

SPENDING INTENTIONS BY STATE

COVID-19 has led to a fragmentation of Australia. State borders have been closed to varying extents and, most significantly, Victoria experienced an extended period of hard lockdowns not seen in other states. As a reference point, this survey was undertaken during the period 10 to 18 August, coinciding with Victoria's second wave that saw Melbourne go into Stage 4 lockdown in the first days of August.

Looking at spending patterns by state (Figure 3), **Victorians are the most likely to be spending less this Christmas**, at 43% of people surveyed (average across all states = 34%). Western Australians are not far behind at 39%. Northern Territorians were found to be the least likely to spend less (22%) and most likely to spend more (11%, equal with Queenslanders). Perhaps sunshine is good for consumer confidence!

Our survey results on intended spending likely reflect the greater impact of COVID-19 on Victoria relative to the rest of the country. Recent analysis has found that year-on-year retail sales for July 2020 were $30.7 billion, up 12.0% on July 2019. Sales of household goods were particularly strong, up a massive 29.4% year-on-year. These gains were observed in all regions of Australia – except in virus-struck Victoria[1]. Clearly consumer confidence along with consumers' personal financial situations will be important determinants heading into the Christmas period.

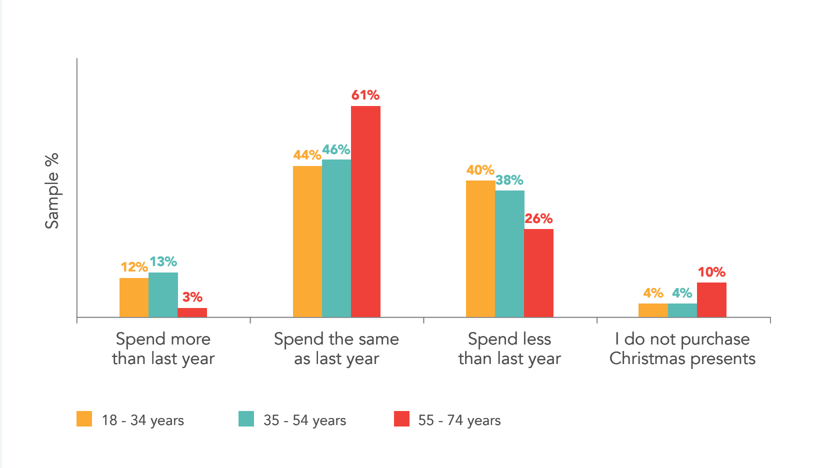

Figure 2: Christmas spending intentions by age group
Q: How will your total Christmas spending compare with last year's Christmas spend?
Sample size: 502
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

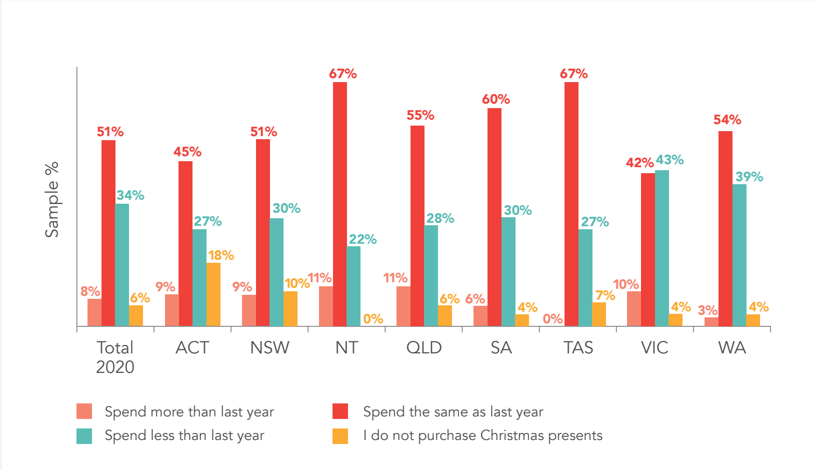

Figure 3: Christmas spending plans by state
Q: How will your total Christmas spending compare with last year's Christmas spend?
Sample size: 502
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

THE WHEN

CHRISTMAS SHOPPING TIMING INTENTIONS

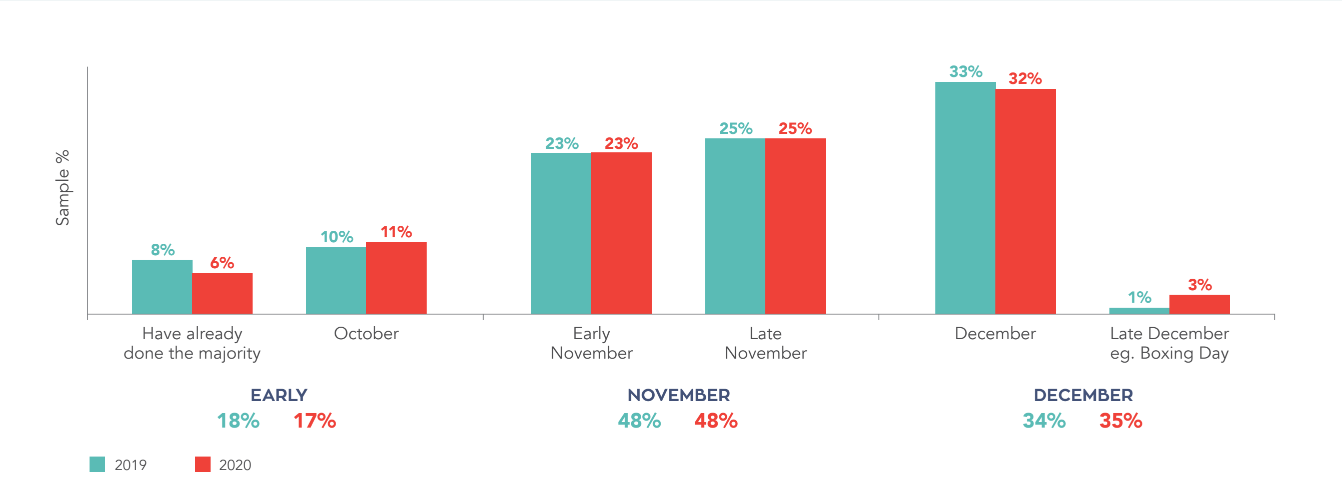

Figure 4: When consumers intend to do their Christmas shopping
Q: This Christmas, which one of these times do you expect to do the majority of your Christmas shopping?
Sample size: 470
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

WHEN SHOULD RETAILERS EXPECT THE SPENDING RUSH?

Our survey has found that consumers' plans around the timing of their Christmas shopping are basically unchanged from 2019. Australian consumers will do almost half of their shopping (48%) in November. Late November remains slightly more popular than early November (25% vs. 23%). The number of shoppers planning to shop for presents in December remains much the same as for 2019 at 35%, up 1%. By the end of November, a majority of shoppers (65%) will have completed their Christmas shopping, leaving 35% to do theirs in December.

AUSTRALIAN CONSUMERS WILL DO ALMOST HALF OF THEIR SHOPPING IN NOVEMBER.

CHRISTMAS SHOPPING TIMING BY AGE GROUP

November peaks as the most popular Christmas shopping month for the two younger age groups. Over half of those aged in the 18-34 & 35-54 age brackets intend to do the majority of their Christmas shopping in November. Those aged 55-74 are a little less likely to shop in November (39%), showing a slightly stronger preference for December (41%, up 1% on 2019).

CHRISTMAS SHOPPING TIMING BY STATE

Despite the Victoria lockdown, 64% of consumers in Victoria are still planning to do most of their holiday shopping before December. It is worth noting though that shoppers' ability to do in-store shopping may be limited by COVID-19 restrictions in some regions, particularly Victoria. These restrictions are quite dynamic, routinely changing and varying across regions and states. It would therefore not be surprising if shopper plans for their 2020 in-store Christmas shopping were disrupted because of local travel, shopping or other restrictions. This could potentially manifest as a delay in their Christmas shopping, or an increased preference for online shopping.

THE HOW

SHOPPER CHANNEL PREFERENCES

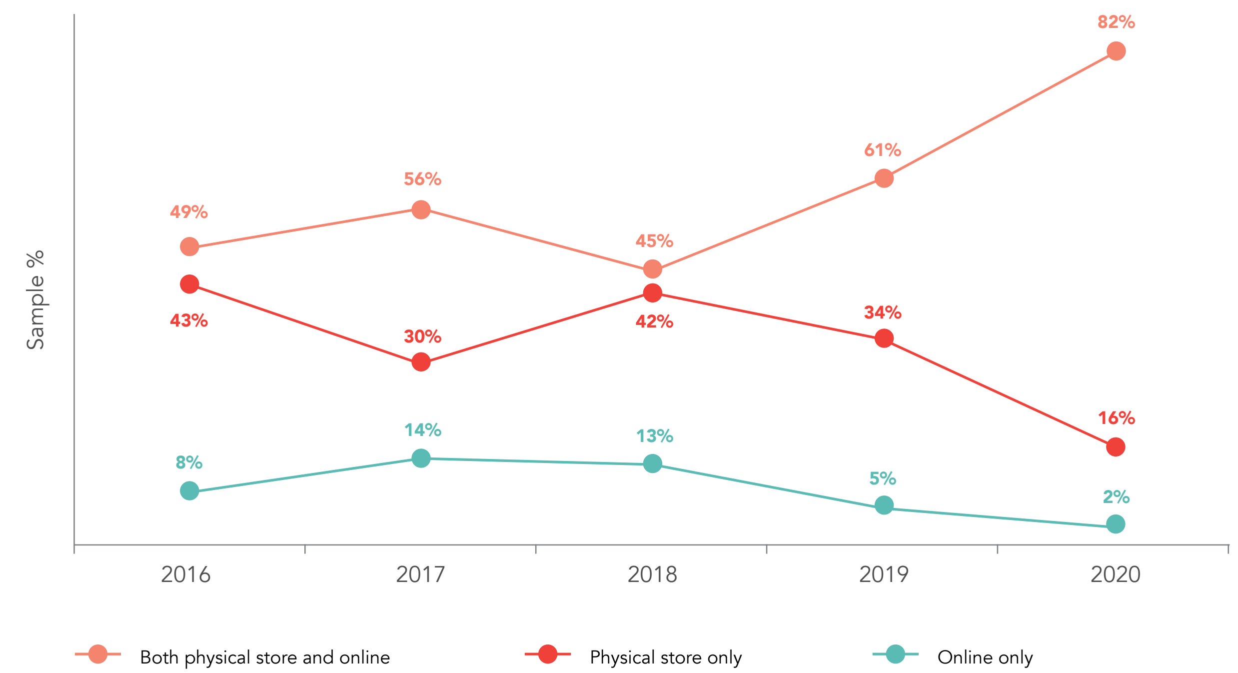

Figure 5: What channels do Christmas shoppers intend to use, 2016 to 2020.
Q: What proportion of your Christmas shopping do you plan to complete through the following channels?
Sample size: 470
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

OMNISHOPPERS ARE ON THE RISE, WITH FOUR IN FIVE CONSUMERS INTENDING TO USE AN OMNICHANNEL APPROACH THIS CHRISTMAS.

ONLINE VS. PHYSICAL STORES

As Figure 5 shows, there have been significant transformations in the retail channel space over the last five years. This is no truer than over the past 12 months, where dramatic changes in shopper channel preferences have become apparent – no doubt largely driven by COVID-19 and its impact on our daily lives.

Since 2016, the proportion of consumers intending to use only a single channel – physical store or online – for their Christmas shopping has been decreasing, with a corresponding increase in the omnichannel approach. This trend has accelerated strongly for Christmas 2020, with fewer consumers than ever planning on using a single channel for their holiday shopping.

For 2020 the proportion of consumers intending to shop in physical stores only for Christmas has more than halved, down from 34% to 16%. Similarly, the proportion of shoppers intending to shop online only has also more than halved, down from 5% to only 2%. Correspondingly the number of shoppers intending to use an omnichannel approach for Christmas 2020 is a strong majority at 82%, up from 61% in 2019. Omnishoppers are on the rise!

“COVID-19 restrictions on travel and shop openings have compelled consumers to use online channels, introducing new shoppers to this channel and further normalising it for others.”

Clearly the majority of the increase in shoppers using an omnichannel approach (up 21%) has come at the expense of the physical store-only shoppers (down 18%). We assess that there are two reasons for these changes. Firstly, COVID-19 restrictions on travel and shop openings have compelled consumers to use online channels, introducing new shoppers to this channel and further normalising it for others. Secondly, government-mandated closures of retail outlets have forced retailers to develop and expand their online presence, resulting in a shift in their relationship with their customers; that is, where online purchases from some physical store retailers were not an option in the past, now they are. This assessment is supported by recent research from Australia Post, which found that between March and August 2020, over 8.1 million households shopped online, a year-on-year increase of 16%. Over this same period, more than 900,000 new households shopped online for the first time. That's 35.4% more than the same period in 2019[2].

Drilling down into the 82% of omnichannel consumers, we see that for 2020, these shoppers are split roughly half-half in their use of physical stores and online channels (Figure 6). The proportion of shopping that they plan to do in physical stores is 54%, down slightly from 59% in 2019. The proportion of shopping that they plan to do online is 46%, up from 41% in 2019.

Despite ongoing COVID-19 restrictions around travel and shopping, the proportion of consumers intending to do all of their Christmas shopping online only is at a five-year low of 2%, while omnichannel consumers are planning on using physical stores for more than half of their shopping. Combining physical store-only shoppers with omnichannel shoppers, 60% of Christmas shopping is expected to be conducted in-store in 2020. Clearly consumers still want the physical store to be an element of their overall shopping experience.

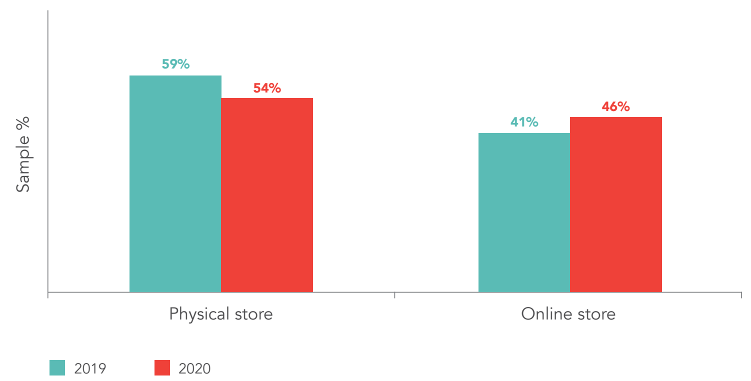

Figure 6: Proportions of physical store and online purchases for omnichannel shoppers, 2019 and 2020.
Q: What proportion of your Christmas shopping do you plan to complete through the following channels?
Sample size: 386
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

PHYSICAL STORES STILL RULE THIS HOLIDAY SEASON.

SHOPPER CHANNEL PREFERENCES BY AGE

Looking at the different age groups, it's the 55-74s that have changed their shopping channel preferences the most. In 2019, half of 55-74s (51%) used physical stores only for their holiday shopping. In 2020 their preference for this option has halved to just 26%, with their preference for the omnichannel option increasing proportionally from 47% to 72%. This massive shift is, to a large extent, almost certainly attributable to COVID-19 pushing older consumers to try online shopping – a result of travel restrictions, physical store closures, and a desire by older Australians to avoid the risks of exposure to COVID-19 infections.

Similar shifts are seen in the younger age groups as well. The proportion of 35-54s shopping only at physical stores fell by more than half, from 33% to 13%, a very significant year-on-year change. For 18-34s it fell from 15% to 5%, with their preference for omnichannel shopping now sitting at a dominant 93%.

COVID-19 has opened Australians of all age groups up to the idea of using both physical and online channels for their Christmas shopping needs. Consequently, now that most Australian consumers are comfortable with the concept of moving between physical and online channels, streamlining the omnichannel transition experience will be critical for brands and retailers, not only for the holiday shopping season, but also into the future.

IT'S THE 55 - 74S THAT HAVE CHANGED THEIR CHRISTMAS SHOPPING CHANNEL PREFERENCES THE MOST.

THE WHERE

CHRISTMAS SHOPPING RETAIL FORMATS

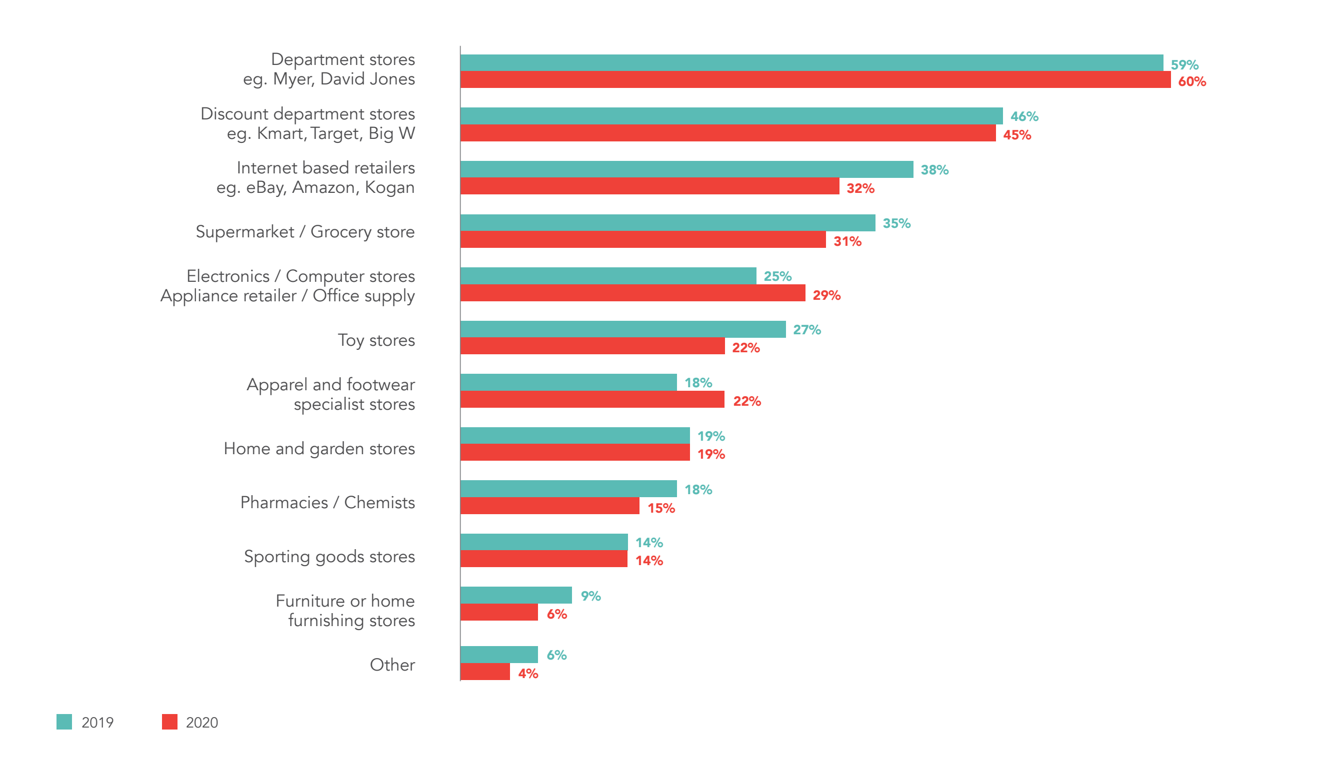

Figure 7: Where are consumers shopping this Christmas – 2019 vs 2020?
Q: This Christmas, at which of the following retail formats will you likely shop for presents?
Sample size: 470
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

CONSUMERS WON'T BE USING A SINGLE RETAIL FORMAT FOR THEIR CHRISTMAS SHOPPING IN 2020.

As we have seen over the past several years, consumers won't be using a single retail format for their Christmas shopping in 2020. They will continue to shop across a variety of locations, with retail formats that boast a large selection of categories likely to be the most popular with holiday shoppers.

The top three retail formats for Christmas shopping across all age groups are unchanged from past years. In top place are department stores, with 60% of consumers planning on visiting them for Christmas shopping this year.
In second place are discount department stores at 45%, followed by internet-only retailers at 32% (a slight drop on 2019's 38%).

The rise in popularity of electronics / computer stores / appliance retailers / office supplies was boosted by the 35-54 age group, which increased by 9 points to 32%. This age group also shows the strongest preference for toy stores at 34% - pressies for the kids!

On average, shoppers continue to be least likely to shop for presents at furniture or home furnishing stores (6%). Of note however, of all the retail formats surveyed, this category shows the greatest preference disparity among the three age groups. The 18-34 age group shows a much stronger preference for the furniture or home furnishings category (21%) than the older groups (6% and 3% for the 35-54s and 55-74s respectively), a result that is consistent with survey results from past years.

THE WHAT

PURCHASE INTENTIONS FOR GIFTS THIS CHRISTMAS

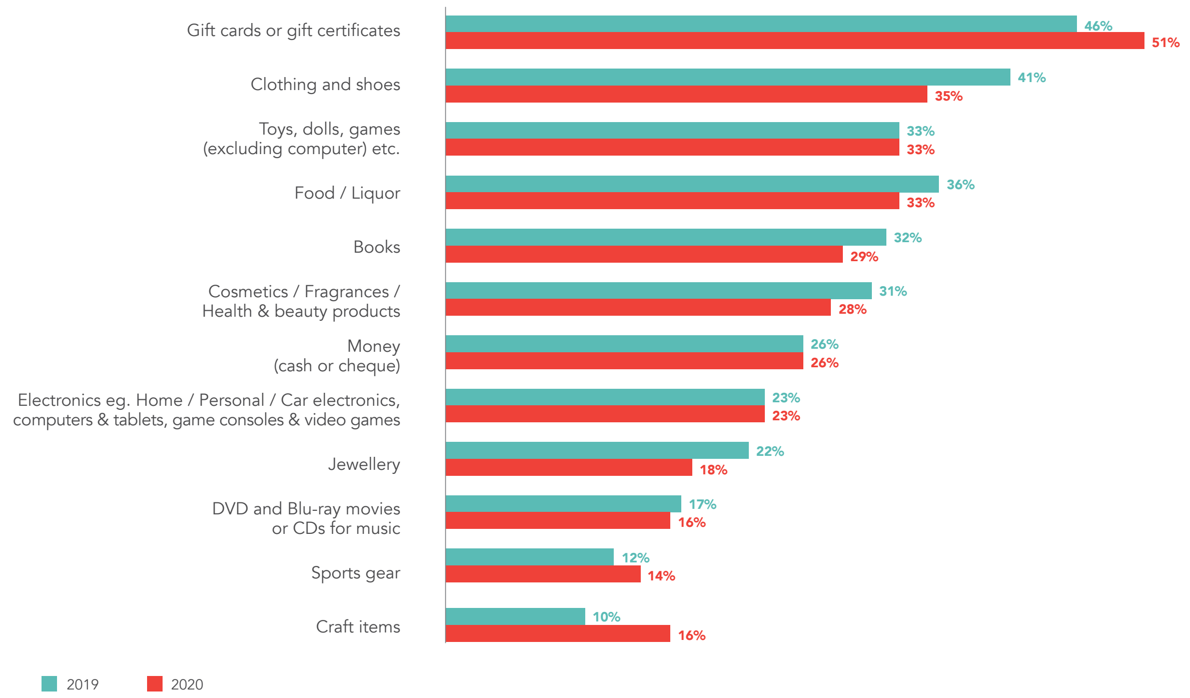

Figure 8: Purchase plans for presents
Q: This Christmas, which of the following types of presents do you plan to buy?
Sample size: 470
Source: The CXI Research Group & CPM Australia's ExChange Pulse survey Q3 2020

GIFT CARDS AND CERTIFICATES MAINTAIN THEIR STATUS AS THE NO. 1 GIFT HOLIDAY CONSUMERS PLAN ON GIVING.

THE CHRISTMAS GIFT LIST

As we have seen in past years, there is little change in the types of gifts on shoppers' purchase lists this Christmas. Gift cards and certificates maintain their status as the No. 1 gift holiday consumers plan on giving, and their popularity continues to rise, with one in two shoppers (51%) planning on purchasing these (up from 46% in 2019). Clothing and shoes also remain a popular choice, particularly with those aged 18-34 (49%, a decrease of 6 points on 2019).

Craft items and sports gear are the least popular gift categories, a status that has not changed over the past five years. However, this year the intention to include craft items on Australian consumers' Christmas shopping lists has increased substantially, up from 10% to 16%. Craft items are particularly popular with the 18-34 age group, with 24% of this group intending to purchase craft items for Christmas 2020. The rise in the popularity of craft items is likely due to restrictions and lockdowns associated with COVID-19, and subsequent increasing interest in stay-at-home activities like hobbies, arts and crafts. If you're going to be stick at home, may as well do something interesting!

KEY TAKEAWAYS

The 2020 Christmas shopping season will be different. As Denise Lee Yohn recently wrote in Harvard Business Review, 'Retailers need to stop expecting business to return to "normal". There's no going back to how it was anytime soon'[3]. As brands and retailers plan for the busiest shopping period of the year, understanding what shoppers now need, want and expect will make a difference.

In order to assist in winning the holiday retail season this year, here are three key takeaways for brands and retailers preparing for the upcoming Christmas shopping period.

1

OMNISHOPPERS AREN'T THE FUTURE. THEY ARE THE NOW!

Christmas shopping this year is set to be more multichannel than ever before. The number of shoppers intending to use an omnichannel approach for Christmas 2020 is a strong majority at 82%, up from 61% in 2019. Fewer consumers than ever are planning on using a single channel for their holiday shopping.

With omnishoppers using physical stores and online shopping in almost equal proportions, a seamless shopping experience – whether they are shopping on a mobile device, a laptop, or in a brick-and-mortar store – will be highly desirable.

To ensure consumer shopping experience expectations are met during the holiday season, it is critical for both brands and retailers to prioritise their omnichannel shopping experience, focusing not only on physical and digital availability, but also taking the customer experience to the next level. By offering an integrated approach, brands and retailers can offer holiday shoppers exactly what they need, the moment they need it, wherever they are, regardless of what device they are on or shop they are in.

Myer is taking this approach by partnering with Amazon, providing its customers with an option to pick up Amazon parcels from any of 21 Myer stores, starting this September. The new partnership not only blends the advantages of both online and offline retail platforms; it also brings greater convenience to time-poor customers who gain access to the Myer's great array of services and brands while picking up their Amazon parcel[4].

2

AN ONLINE BOOMER BOOM!

In 2019, half of 55-74s (51%) used physical stores only for their holiday shopping. In 2020 their preference for this option has halved to just 26%, with their preference for the omnichannel option increasing proportionally from 47% to 72%. COVID-19 has clearly compelled them to rapidly become more familiar and comfortable with e-commerce.

The rules have changed, and digital channels are no longer about reaching younger demographics exclusively. According to PayPal, Australia has shown that Aussies have quickly adopted online shopping over this period, with sign-ups to PayPal having almost tripled compared to pre-pandemic levels. This surge of new users included a 65% year-on-year increase in sign-ups among 'silver tech' Australians who are 50 or older[5].

Failing to connect with older age groups is a missed opportunity in these changed times. To reach this group, brands and retailers need to go beyond traditional avenues and develop an online presence that tailors the e-commerce experience to an older demographic. This will help older Australians maintain their relationships with their favourite bricks-and-mortar retailers during a period where visits to physical stores are limited.

3

NEXT LEVEL?
CUSTOMER EXPERIENCE!

Going the extra mile during this promotional season will see retailers reap the benefits. A positive and engaging customer service experience will help brands attract and keep customers, not only across the 2020 holiday season, but for the long term. Offering special experiences and services in-store not only attracts customers; it also gives them reasons to buy more, come back, and recommend the retailer to friends and colleagues. This applies to both physical and online shopping experiences.

This promotional period, shoppers will want to feel COVID-safe, but will also want to be able to have a great shopping experience. For instance, for those who can visit physical stores in person, the in-store experience should be both exceptional and meet the safety standards that consumers now expect. For those who are shopping online or, for example, using click-and-collect services, the shopping experience should be seamless with responsive customer and after-sales service.

ABOUT THE SURVEY*

To better understand Australians' Christmas shopping preferences and behaviour, we partnered with the CXI Research Group ExChange Pulse Omnibus Tracker via an online survey with a sample size of 502 representing the Australian population during August 2020.

AUTHORS

If you would like further information regarding the 2020 Christmas Shopping Intentions research, please contact us.

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Mariluz is CPM's leading in-house expert on omnichannel retail, consumer behaviour and trends affecting the shopping space. As our noted retail authority, Mariluz leads CPM's marketing strategy and research, and is a key collaborator on thought leadership initiatives. Her research covers retail-oriented topics such as retail forecasting, trends and customer shopping habits, as well as merchandising and customer service best practices.

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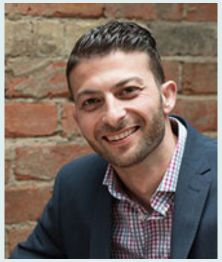

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A natural collaborator, Nabs jointly finds solutions that transform retail landscapes. Leading initiatives of strategy, sales and merchandising operations, he's a key driver in helping clients strengthen their brands and generate sales. Nabs works in partnership with our clients to develop insights, strategies and ideas that ensure success of their marketing and sales efforts.

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Matt founded The General Store in 2012 with the ambition to create a multi-disciplinary agency that could create holistic retail experiences. Matt is a highly experienced retail strategist, and he is on the Advisory Board for the Masters of Marketing program at Swinburne University and NORA. He is a regular speaker within the retail and marketing industries on topics like retail innovation, brand strategy, neuroscience, and the decision-making process.

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Danny Lattouf
Partner & CSO
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Danny has over 20 years of experience within the retail marketing, services and sales sector. He has worked with retailers and brands all over the world, having lived and worked in London, Singapore and Sydney for global and local brands across several marketing disciplines. Danny is passionate about creating memorable and impactful retail shopper experiences – both in store, online and essentially anywhere brands can be engaged, and transactions can be influenced or made.

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* Five-year data sourced from surveys conducted by CXI Research Group (2018-20) and ACRS, Monash University (2016-17).

CPM AUSTRALIA

Whether at home, at work, at leisure or in retail stores, we connect brands and people. CPM Australia operates under a group structure, with brands including CPM and Retail Safari. We provide field, contact centre, talent acquisition and training solutions, and a complementary suite of retail marketing services that connect the consumer with a brand in environments where the ability to influence is at its strongest.

For further information visit:
www.cpm-aus.com.au
www.retailsafari.com.au

THE GENERAL STORE

The General Store is an award winning specialist in retail strategy and innovation. Working with retailers across consumer insights, segmentation, market analysis and brand strategy. Creatively, the team spans a diverse set of disciplines from advertising to architecture and from digital to design. This very unique combination of skills delivers retail innovation that transcends any one channel.

For further information visit:
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CUSTOMER EXPERIENCE & INSIGHT (CXI) RESEARCH GROUP

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Working collaboratively with organisations to create and deliver customer value, and ultimately compete on customer experience. Achieving this through employing a range of qualitative and quantitative research methodologies and frameworks that generate powerful insights.

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