

Holiday Shopping : A Glimpse into the Future of Consumer Spending

December 5th, 2024

CREATIVITY WITHIN EXCELLENCE

A blurred photograph of a shopping cart in a store, with a white focus box around the word "Focus".

Focus

Holiday shopping : A Glimpse into the Future of Consumer Spending

Key Takeaways

- Holiday sales demonstrate the strength of the U.S. consumer and the major trends reshaping consumer habits.
- Buy Now, Pay Later is becoming a popular choice.
- Households increasingly use AI tools to find the best deals.
- Physical stores enhance online shopping by providing an omnichannel experience that improves the overall shopping journey.
- AI and social media offer powerful ways to target and customize the needs.

According to the anticipated numbers from the traditional Black Friday and Cyber Monday, 2024 should be a very successful year. Although not all the data has been released yet, sales are expected to increase by around 3.4% compared to the same period in 2023. According to Mastercard, the increase in online purchases is expected to reach around 14%, with spending estimated at roughly USD 10.8 billion, while in-store purchases are expected to grow by just 0.7%.

purchases, while artificial intelligence and social media play a growing role in consumer behavior. Consumers are using AI tools to find the best deals and mitigate the effects of inflation. AI is also helping retailers to better understand customer's sentiment and act on shopper feedback. Social media is growing as a discovery channel for products and deals, especially among younger generations with TikTok's influence soaring.

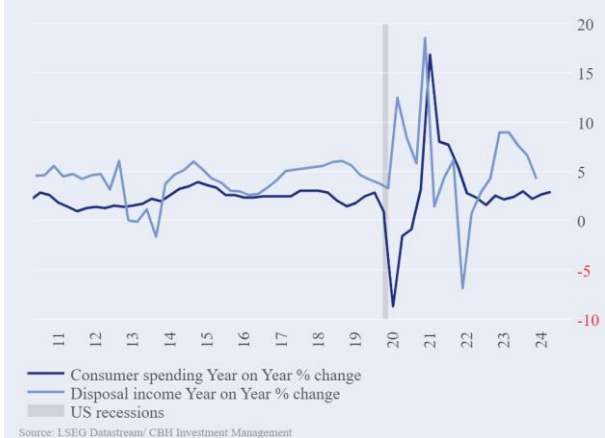
These trends are expected to continue, with online shopping increasing its market share.

Second, whether online or offline, the U.S. consumers spent more during the 2024 holiday season than they did during the same period in 2023, which may be an indication of the consumers' relatively good financial health.

A closer look reveals that household disposable income rose by 4.23% over the year, while consumption increased by only 2.9%. The difference therefore leaves a reservoir of disposable income of 1.3% which, if triggered, could have a positive impact of 0.68% on U.S. growth, all else being equal.

This reservoir is all the healthier given that consumption as a share of disposable income is at an all-time low. It stands at about 17%, down from 24% at the height of the 2008 crisis. In contrast, credit card debt is at an all-time high. This can be explained by the sharp rise in online purchases.

Consumption and disposable income growth As of Q3 2024

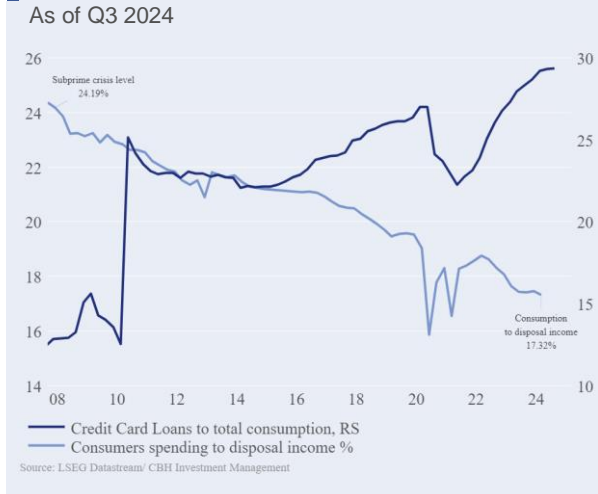


What lessons can be learned from these events?

First, online purchases account for the lion's share of growth, while in-store transactions are stagnant. One of the factors driving consumer spending is flexible payment options with the so-called "buy now, pay later" concept. This is not new, as it was first introduced in the 19th century, but it is now increasingly adopted by the general public thanks to the emergence of a growing number of fintechs offering this type of service. The increased adoption of these services is helping to attract consumers by making shopping more accessible. The success of Swedish pioneer Klarna illustrates the power of this trend.

Meanwhile, physical stores continue to offer unique buying experiences that complement online campaigns to drive

Credit card debt As of Q3 2024



In closing...

Black Friday and Cyber Monday numbers are good and show the strength of the American consumer. They are benefiting from a healthy labor market, robust wage growth dynamics, and still have reserves to spend more. Meanwhile, new trends are shaping consumption drivers and channels, leading the way for stronger consumption dynamics and the emergence of new players.

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