Holiday Outlook 2023

NIQ Global Thought Leadership

September 2023

NIQ

Holiday scorecard

Our predictions:

More gifting trade-offs	**55%** of global consumers only buy what they know they'll use to **avoid waste**
Earlier shopping preparations	**56%** of global consumers **plan ahead** before shopping
Less on gatherings	**82-84%** of global consumers **will spend the same, less or nothing** on celebrations and socializing
Ignition of online shopping	**+17%** online CPG sales in US, where overall omni-sales are +9% vs. year-ago

"As consumers worldwide grapple with the challenges of rising costs of living, their holiday spending habits are shifting. Retailers and CPG companies have a mixed bag of selective optimism and calculated spending to deal with, but the right data can guide consumers to make the most of the upcoming holiday season."

Lauren Fernandes

Global Director of NIQ Thought Leadership

Sources: NIQ Mid Year Consumer Outlook Survey 2023, NIQ US Omni Sales, Total US xAOC, 52 weeks ending July 1, 2023 *excluding General Merchandise and Floral

5 emerging global trends for ***holiday planning***

1

Celebrating through the inflation long haul:

Deceleration differs from decline. News of inflation stagnation have been greatly exaggerated. The compounding impact of recent inflation has not gone away, and holiday spending will be scrutinized as prices remain high.

Future Indicator:

The cumulative & compounding impact of inflation on celebrations

2

Holiday hot spots of consumer resilience:

Consumers are finding coping strategies to navigate the cost-of-living crisis. They remain pressured but have found some comfort through careful decisions on where and how to spend their holiday spending budget.

Future Indicator:

The global state of jobs and employment through holiday periods

3

The ***season*** for calculated spending:

In-home priorities prevail among global consumers, influencing purchases for socializing and gatherings. Spending is being redirected away from big-ticket, out-of-home discretionary spending, with limited funds available after utilities and groceries. Any splurging is being handled in calculated ways.

Future Indicator:

The role of affordable celebrations in FMCG, tech & durables

4

Festive pressures on Private Label:

Historical patterns show the prominence of name brands during many holiday spending moments. Given the strong period of global private label growth this year, it will be a competitive season to justify brand positioning. Intensified role of “push vs. pull” shelf power for retailers could influence seasonal sales.

Future Indicator:

The retailer role in shifting share of seasonal assortment

5

Omni growth beyond ***seasonal prices***:

Consumers are still spending more for less products, and volumetric declines pose a major future risk headed into festive seasonal moments. Intensified holiday promotions should be evaluated for omni-efficiency to avoid risks to share market value / profitability after holiday demand subsides.

Future Indicator:

The global reliance on holiday promotions to sustain volume

NIQ

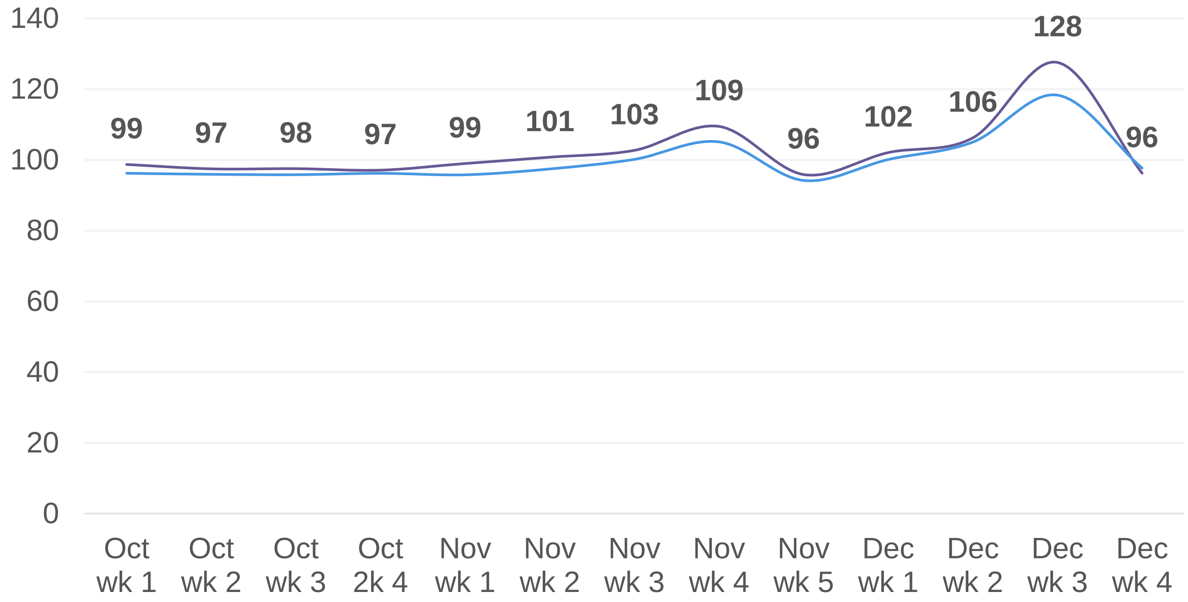
Last year during Thanksgiving & Christmas, Americans spent more in each holiday week vs. shopping in advance, but costs of living this year may force earlier / planned shopping

Dollar Sales Index* 2022 / 2021

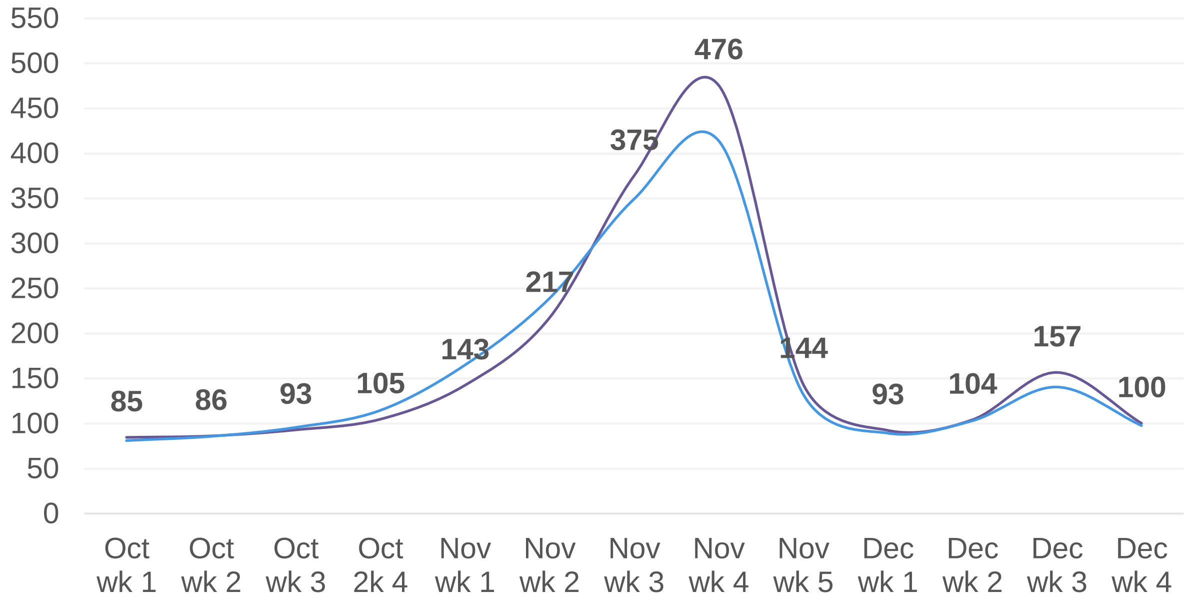
This year:

56% of US consumers say they plan ahead before shopping

Total CPG – US Market



Turkey Product Sales – US Market

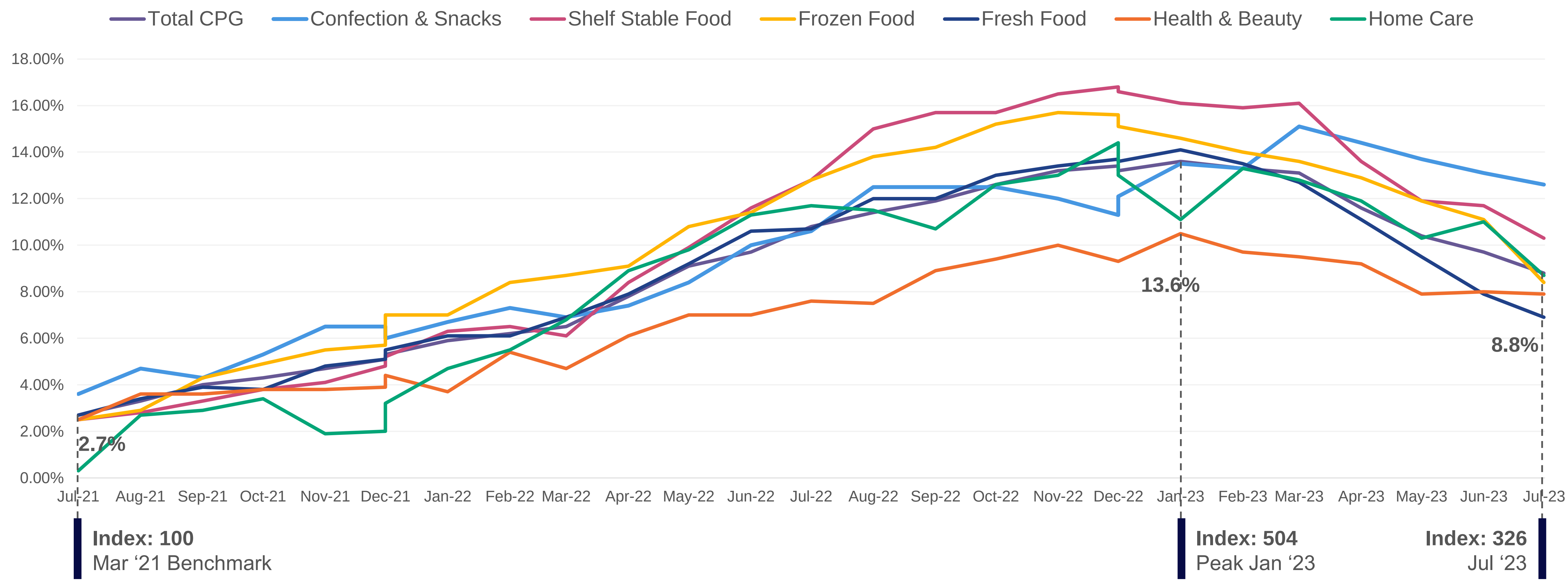


Source: NIQ, Total US xAOC, weekly periods *indexed to 52-week average

Recent deceleration, yet consumers still challenged by compounding price increases over time

Globally, overall CPG “Inflation rate” remains over 3X as high as 2021

Monthly Global Price Changes – Total CPG & Key Categories



Source: NIQ Global Inflation Tracker, Eq Price % Change vs Year Ago, Monthly periods

Overall spending will be limited by the *compounded costs* of buying everyday festive staples

Scenarios of compounded costs:

using illustrative products in 2022 against measured price changes today (Jul 2023) and scenarios of Low (3%), Mid (5%) and High (10%) compounded inflation into 2024

Dessert Mixes:

A $5 box of cake mix

Today
$6.30

2024?
Lo $6.49
Mid $6.62
Hi $6.93

Frozen Food:

A $3 bag of frozen potatoes

Today
$3.69

2024?
Lo $3.80
Mid $3.88
Hi $4.06

Crisps & Chips:

A $2 bag of chips

Today
$2.23

2024?
Lo $2.30
Mid $2.34
Hi $2.45

Chocolate Novelties:

A $10 box of chocolates

Today
$11.99

2024?
Lo $12.35
Mid $12.59
Hi $13.19

Candies:

A $5 package of candy

Today
$5.83

2024?
Lo $6.00
Mid $6.12
Hi $6.41

Seeds & Nuts:

A $15 jar of mixed nuts

Today
$15.41

2024?
Lo $15.87
Mid $16.18
Hi $16.95

Source: NIQ Global Inflation Tracker, Monthly data, Total Global measure of Eq Vol % Price Change vs. year-ago by category, Latest month ending July 2023
Note: Hypothetical price illustrations based upon Eq Vol Price % change “today”, 2024 scenarios estimate if compounded price increases of 3% in “Lo” scenario, 5% in “Mid”, 10% in Hi – actual rates of inflation could be much higher or lower

The distress of “doomerism” will limit year-end spending

Drives practical, pragmatic, purposeful consumerism – a “needed” reset to many ways of living today

18% are **less interested in** achieving certain **life milestones**
same as 18% in Jan. ‘23

55% only buy what they know they’ll use to **avoid waste**
vs. 50% in Jan. ‘23

27% are **more stressed** than ever before
vs. 30% in Jan. ‘23

“Doomerism”

Consumers may carry a disbelief in the possibilities ahead and embody a mindset of expecting and continually **preparing themselves for “the worst”**

“Stuffocation”

Value-driven consumption will end the era of mass consumption. Consumers are finding success through a mentality of **“less being more”**

“Escapism”

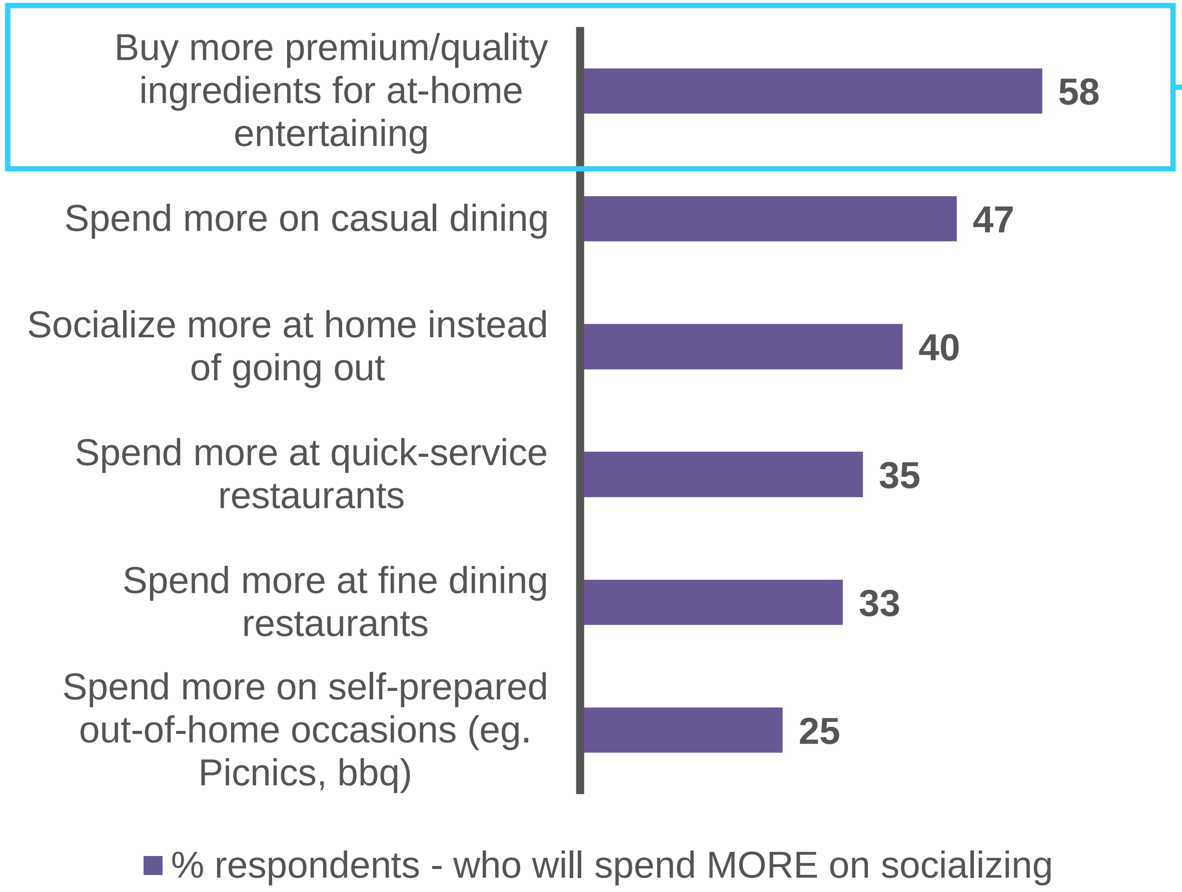
Tendencies to “seek distraction” and momentary happiness may drive hedonistic consumption of small indulgences within the purchase power of consumers

Economic optimism is being pressured around the world. According to United Nations, **public debt has increased 5X** from 2000-2022. **57%** of NIQ surveyed consumers feel they’ll be in the **same or worse financial situation by end of 2023**.

Sources: UNCTAD (United Nations Conference on Trade & Development), NIQ 2023 Mid Year Consumer Outlook Survey

CPG poised to benefit from socializing

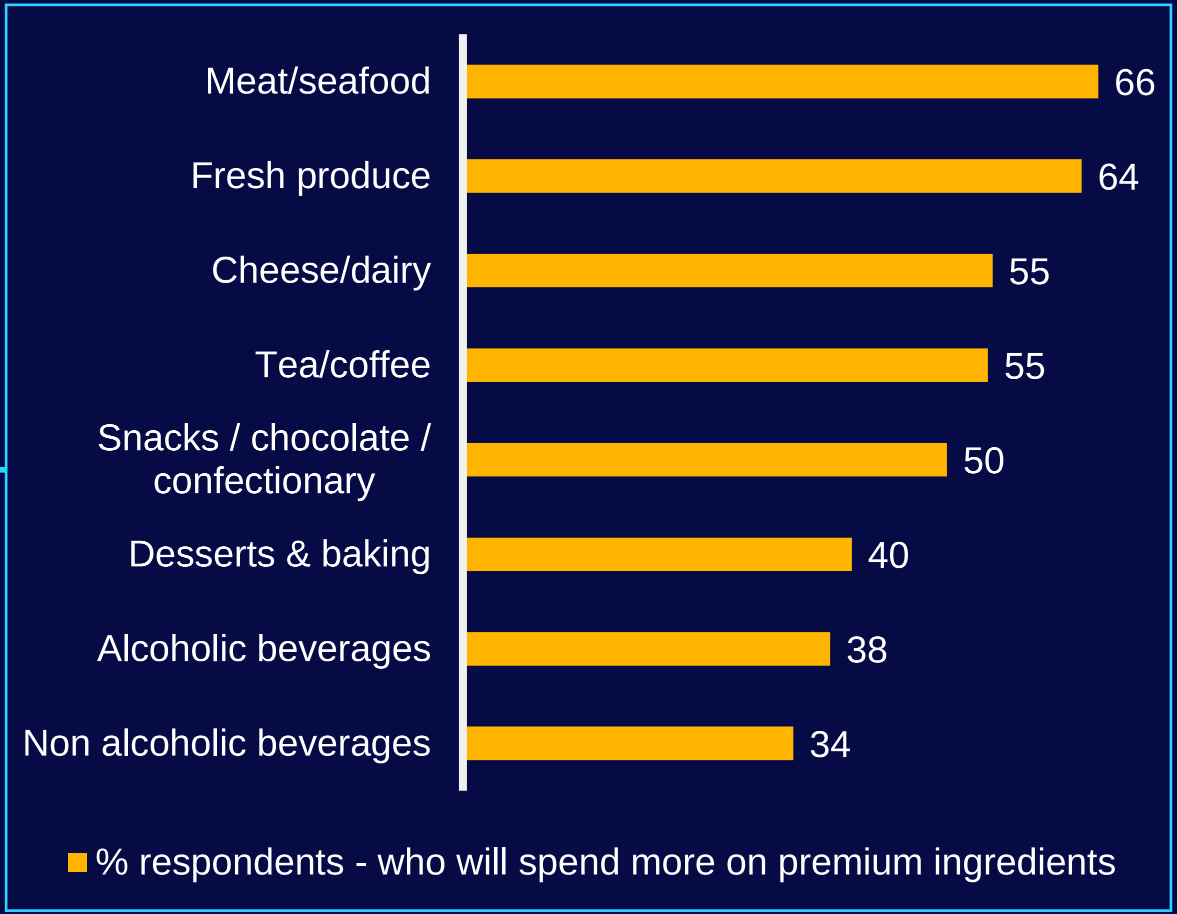
Top spending habits of those who will spend **MORE** on socializing



Source: NIQ Mid Year Consumer Outlook Survey 2023

Premium fresh foods are a socializing luxury

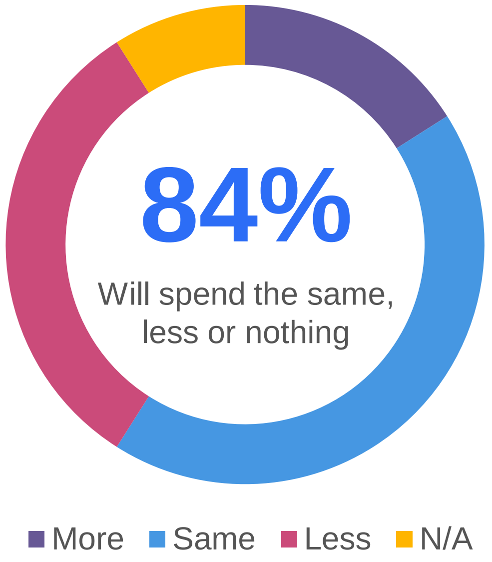
These consumers are most likely to **upgrade to a better meat or seafood option** this holiday season



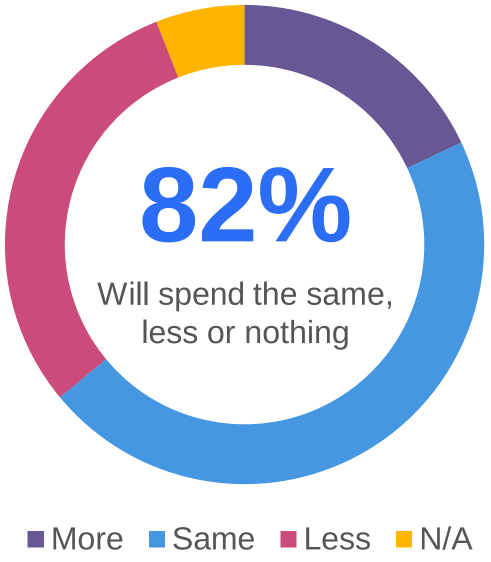
Only a concentrated group of consumers plan to increase celebratory spending this year

Pressured consumers are seeking to maintain and manage holiday spending as best possible this year

Holiday celebrations & special occasions



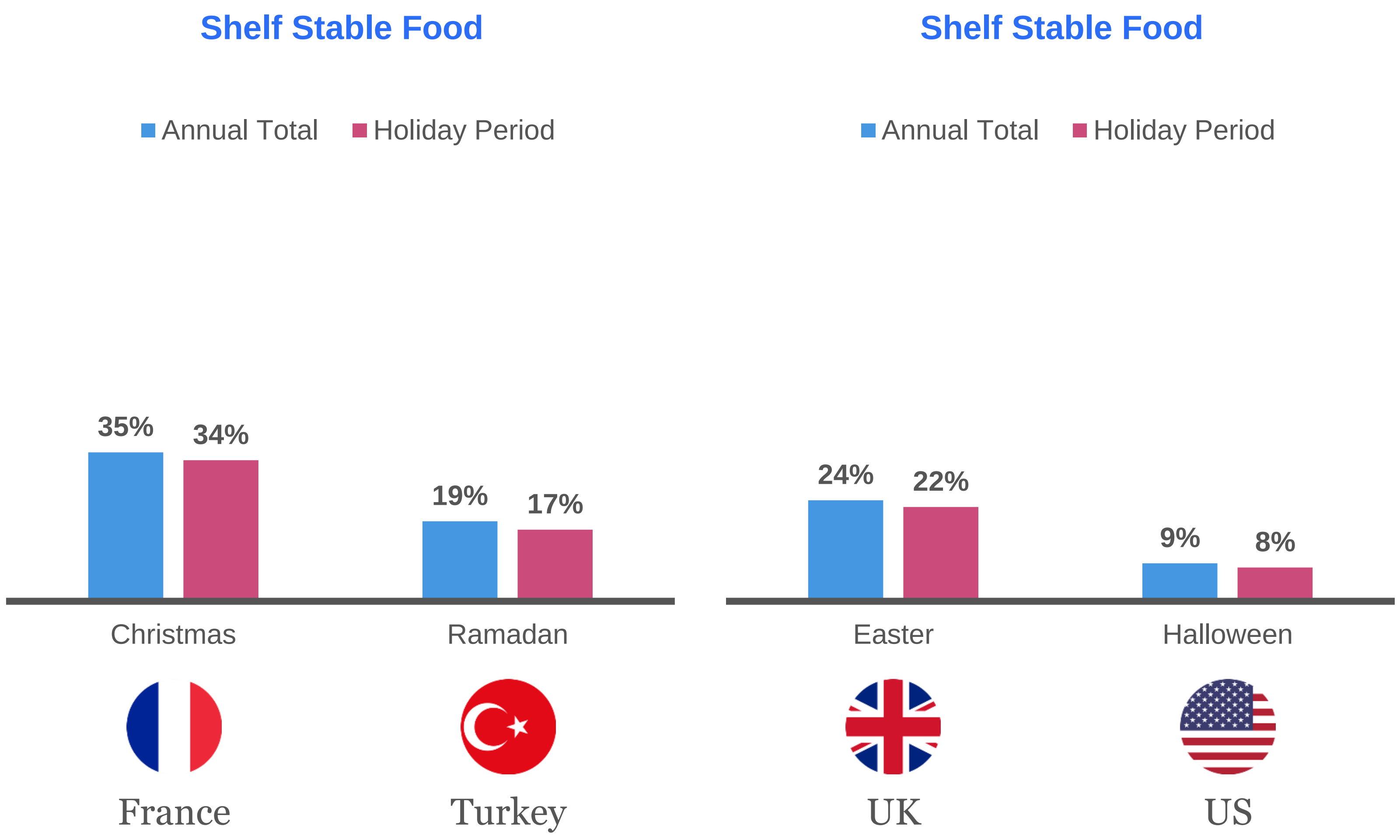
Socializing / gatherings



Source: NIQ Mid Year Consumer Outlook Survey 2023

Private label sales have yet to out-perform during many holiday moments

Private Label Share of Sales – Annual total vs. holiday-weeks total



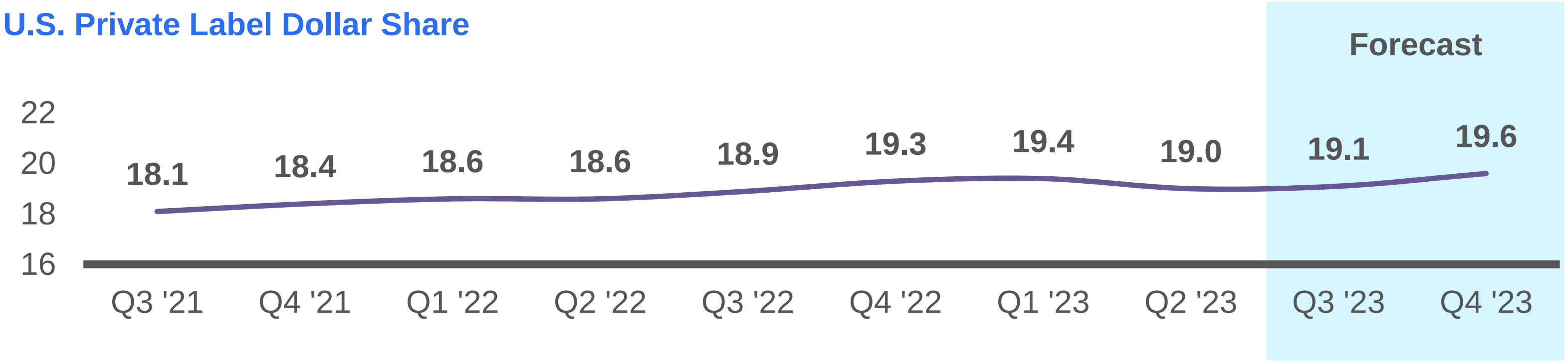
Source: NIQ Global Strategic Planner. Data ending: 23 Apr 2023

2023: The fiercest festive showdown between brands

27% of Americans plan to buy more private label as a savings strategy

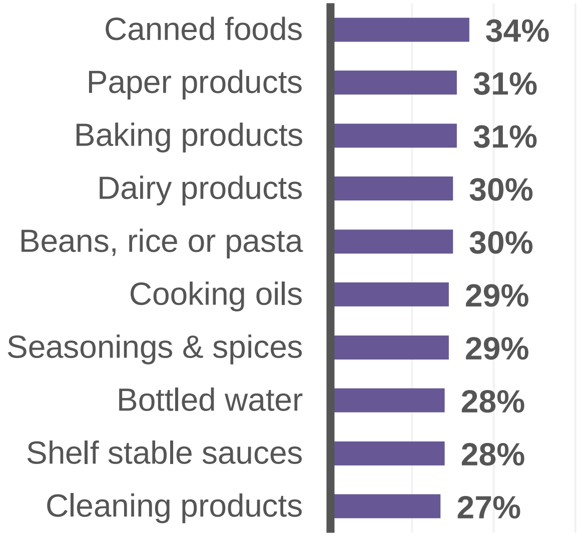
With CPG prices continuing to rise, we can expect private label share to increase this holiday season

U.S. Private Label Dollar Share

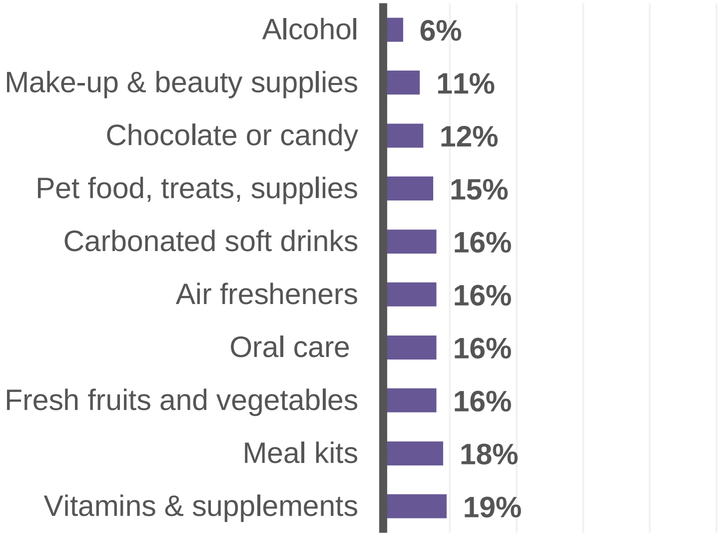


If prices continue to rise, which categories do US consumers expect to buy more private label?

*More likely



*Less likely



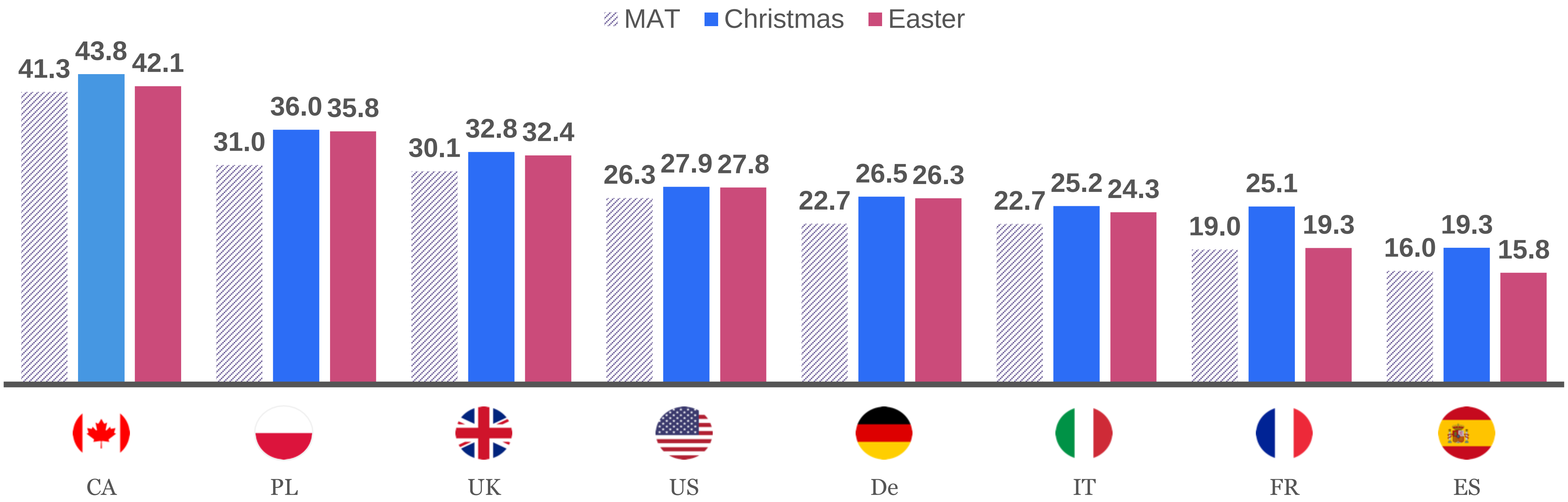
Source: NIQ, Total US xAOC, – Private Label Dollar Sales, Q2 '23: 13 weeks ending July 1, 2023, * NIQ, Attitudes towards inflation survey, US respondents

NIQ

Intensified promo pressure during holiday periods like Christmas and Easter

As scale of promotional support grows during key holiday moments, efficiency of promos must be monitored

CPG % of Sales on Promotion



Chg vs YA

	CA	PL	UK	US	De	IT	FR	ES
Christmas	-0.2pp	-2.0pp	+1.3pp	+1.0pp	+1.9pp	-1.8pp	-1.4pp	-0.8pp
Easter	+1.4pp	+4.6pp	+1.9pp	+2.3pp	+2.6pp	-0.2pp	+0.6pp	+1.0pp
MAT	+0.2pp	-2.1pp	+1.1pp	+0.3pp	+0.9pp	-2.1pp	+0.1pp	+0.1pp

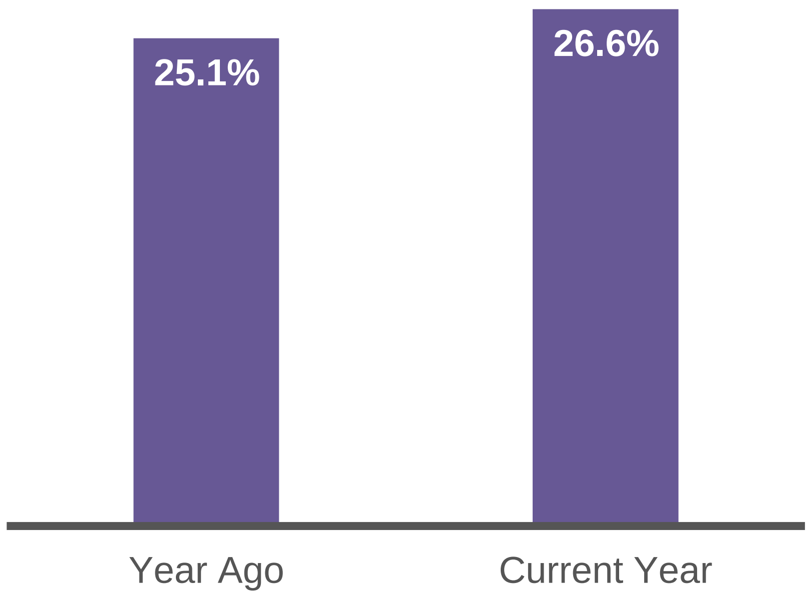
*Promotion = Any Promotion including TPRs, Display and Feature

The rising need to recalibrate promotions:

Using the U.S. as an example, increasing promotional sales due to demand for savings, but promotions are becoming less effective.

% Sold on Promotion

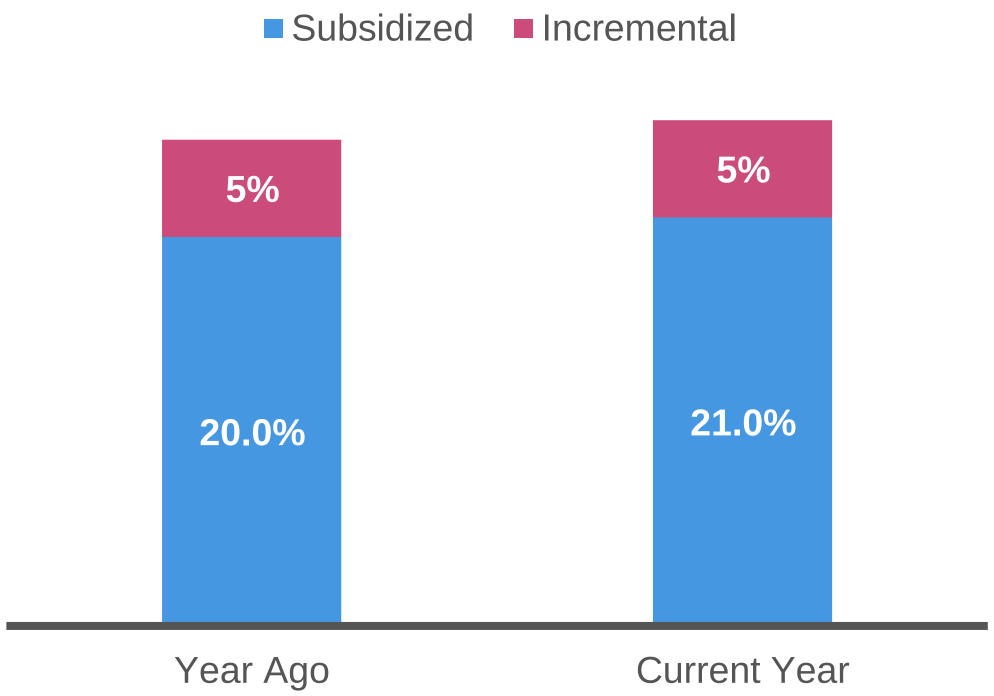
Promotions have been gaining momentum



$ % Chg **+10**

Promotion Effectiveness

Less effective with higher levels of subsidization

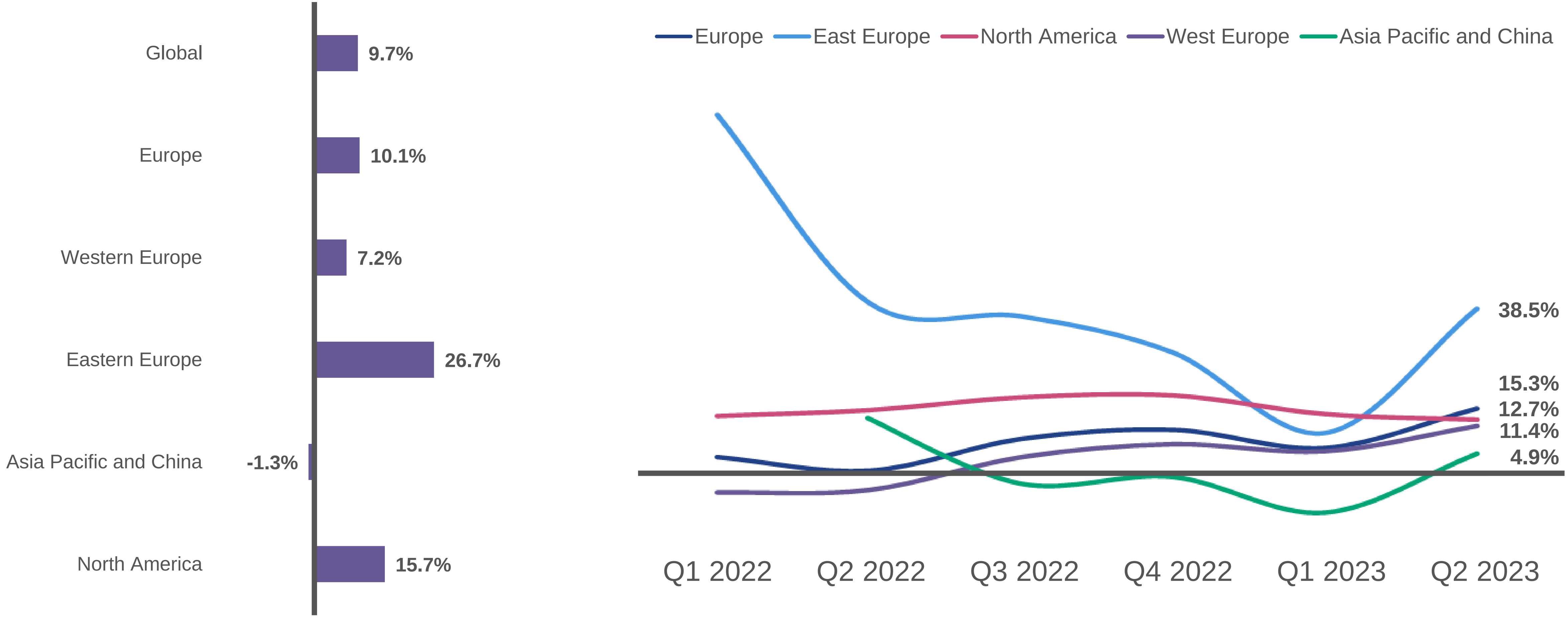


Source: NIQ, Total US xAOC, Annual periods ended July 1, 2023

Online sales pick up following periods of post-pandemic stabilization

E-commerce performance

% annual sales growth vs Year Ago



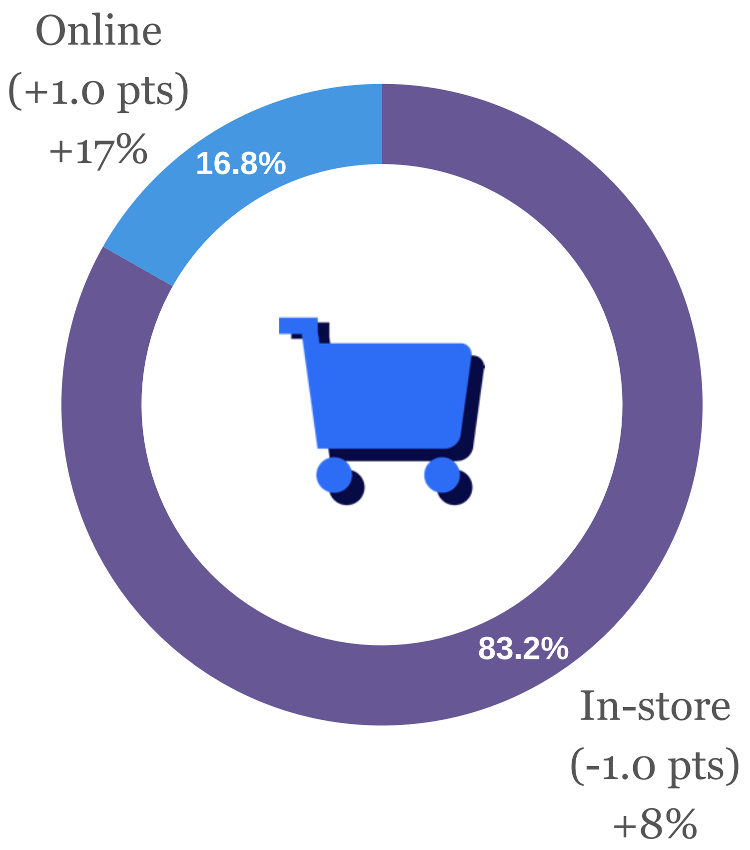
Source: NIQ Retail Measurement, Global e-commerce channel, Total FMCG, Latest annual and quarterly periods ended Q2 2023 vs. Previous year

With less assortment in-store, it may force more consumers online this holiday season

Total In-store Assortment % Change

Avg # of items Carried: 20.7k	
Total CPG	-1%
Food	+1%
Non-Food	-3%

Omni CPG* Dollar Sales: +9% Total



Source: NIQ US Omni Sales, Total US xAOC, 52 weeks ending July 1, 2023 *excluding General Merchandise and Floral, Assortment = Total Distribution Points % Chg

Tracking the omni impact of holiday favorites in America

A full view of omnisales shows key channel strengths of festive categories

Faster Online Growth				Faster Offline Growth			
Category	Omni Annual $ Sales	$ % Growth In-Store	$ % Growth Online	Category	Omni Annual $ Sales	$ % Change In-Store	$ % Change Online
Cocktail Mixer & mixing kits	**$372M**	+4%	+87%	Sparkling Wine	**$2.5B**	0%	-6%
Beer	**$39.6B**	+3%	+6%	Prepared Cocktails	**$1.8B**	+41%	+27%
Pie Crust	**$251M**	+19%	+39%	Flour & Meal	**$1.6B**	+25%	+15%
Hot Cider (Non Alcoholic)	**$29M**	-5%	+66%	Hot Cocoa	**$690M**	+16%	+9%
Cranberry Sauce	**$151M**	+16%	+40%	Figs	**$24M**	+14%	-30%

Source: NIQ omnisales, Total U.S., Latest 52 weeks ended Jul. 1 2023 vs. year-ago, Note: Alcoholic Beverage categories include measures of Total US BevAl channel

Take Action: *Holiday Leadership Guidance*

Outcomes to anticipate:

Friction between "wants" and "needs"
Polarized consumer demands; some express desires to save and survive, others will indulge to make up for a pressured year

Resilient deal finders
Thrifty consumers will double-down on savings events and sales to make the most of the celebratory season

Presence as a "present"
Calculated holiday spenders will prioritize time spent in the presence of loved ones as the best gift of all

Festive branding showdown
It may be the fiercest brand battle this holiday season, as consumers grapple between serving up name brands or emerging private label options

Less-is-more mentality
Necessity forced consumers to spend more for less volume, but omni-shopper holiday habits may form around this minimalism long-term

Perspectives from our leaders:

What does this mean for your holiday strategy?

Steve Zurek
VP of Thought Leadership, Advanced Analytics

NIQ

What to expect?

A boom in "click and collect" holiday shoppers

"

Expect an uptick in ship to store and click and collect. One of the best ways for shoppers to get everything they need to entertain is to start their shopping journey in the comfort of their home. They can maximize the use of coupons to reduce cost and minimize the need to run back to the store for something they forgot. With more retailers moving to digital features, the holidays are a perfect opportunity to drive adoption with online-only deals and incentives to sign up for loyalty rewards through retailer apps.

Key to success?

True retail collaboration with promotions

"

Brands have been cautiously increasing their level of promotions, but have experienced lackluster efficiencies and high subsidized base volume. One of the biggest differentiating factors for promotion performance is the quality of support from the retailer, more so than price reduction. If you are devoting trade dollars to a program, the support needs to be there from the retail partner.

Strategic "Watch-Out"

Earlier promotions are a double-edged sword

"

This holiday season could see promotions starting earlier and lasting longer. Shopper reaction to promotions will likely be muted initially and may strengthen as the holidays get closer. Starting holiday promotions earlier has more potential to waste trade funds than driving item velocity in certain categories.

Perspectives from our leaders:

What does this mean for your holiday strategy?

Lauren Fernandes
Global Director of Thought Leadership

NIQ

What to expect?
“Less is More” holiday spending mindset

“

This year of all years will force some people to reset their past holiday spending habits. There’s a growing group of consumers who are more stressed than ever before (27%), less interested in achieving certain life milestones (18%) and avoiding waste by only purchasing what they know they will use (55%). These mindsets of practical, purposeful consumption could limit year-end spending, and drive creative solutions like homemade gifts, second-hand gifting, or using everyday household essentials as holiday gifts.

Keys to success?
Measuring value beyond product price

“

Consumers may spread their spending between more channels than ever before. Consumers are doing the math to understand more than “what” makes it to the basket, but where it makes sense for them to buy different holiday purchases. They are taking into account a broader sense of “value” beyond price, thinking of the convenience of at-home shipping, the servings per item, the shelf life and guarantees of gifts bought ahead, the quality they expect of certain brands and more. Knowing how your brand and category performs across the full omni spectrum, is a great guide to maximizing total omni volume sold during holiday moments.

Strategic “Watch-Out”
Avoid under-estimating the holiday power of private labels

“

Private label or store branded products have soared throughout the year. But it remains to be seen if store brands can maintain momentum during the holidays. In the road ahead, all brands should avoid trying to out-price or over-promote to compete. Strive to meaningfully co-exist, through demonstrating unique benefits. Will your product last longer, taste better to guests or provide more servings per unit? Alternatively, highlighting differentiated formulation or packaging are other ways to justify your purchase positioning this holiday season.

Perspectives from our leaders:

What does this mean for your holiday strategy?

Ken Cassar
VP, Omni Industry Lead

What to expect?

A polarized set of holiday shoppers

“Expect to see a bifurcation in holiday shopping this year, between those who are struggling to pay the bills and those who are not. We can't ignore that people are seeing inflation across all aspects of life, from their food purchases to even their car insurance. The comfortable spenders will continue to shift dollars online driven by their desires for convenience and time savings. Meanwhile, those who are the most financially pressured will seek to save more through surgical shopping in stores.

Keys to success?

Think "micro" about specific customer segments

“For brands today, it has become essential to think about the mindset and spending potential of key customer segments, rather than trying to address broad swaths of consumers aligned to macro economic shifts. Changing tides at a macro level have had such nuanced impacts on individual circumstances, and different consumers are splitting their budgets to maximize value in different ways.

Strategic "Watch-Out"

Headwinds headed for CPG gifting

“In general, expect gifting budgets to be slimmer this year. Because of persistent and compounding inflation, the budget for essentials in the CPG space have encroached on available dollars for gifts. Add to the mix that many consumers are shifting their mindsets to embrace minimalism and doing more with less, there could be some major headwinds ahead for giftable segments of the CPG industry like health and beauty products as an example.

Perspectives from our leaders:

What does this mean for your holiday strategy?

Xavier Facon
SVP of Global Retail Product Leadership

What to expect?
Earlier online shopping

With higher prices, online shopping will shine as a key outlet for allowing consumers to make the most of their budget, and will inherently drive earlier shopping habits, too. For many brands, we anticipate double-digit growth via e-commerce this season.

Keys to success?
Aligning the full omni view of brand vs. category dynamics

After learning through several years of instability, this season, more brands are confident in how their individual strategy fits with trends within their category. And when it comes to the modern arsenal of retail media networks, advertisers expect to see more and more channels to reach consumers. This is leading to better alignment with merchandisers and allow more media and promotional spend opportunities throughout the holiday season.

Strategic "Watch-Out"
Carefully manage the holiday promotion flood gates

The pool of pandemic-related savings has decreased. Retail media networks are trying to strengthen the number of channels in which they can reach shoppers. Meanwhile, most brands today are keen to offset inflation-related slowdowns with various types of promotions. Our research shows that most brands (67%) expect some type of promotion to be part of their growing retail media, and I expect promotions to play a big role in strategically enticing incremental consumer spending this holiday season. Winning organizations will lead through better targeting, shifting goals away from growing overall impressions, to precisely engaging with high-opportunity buyers.

NIQ

NIQ