

## Holiday Retail Report

The holidays are a time to celebrate as loved ones and family gather together. And they are a time to shop. Each holiday shopping season brings new challenges, and this year's supply chain issues are already impacting inventory, pricing, and shipping timelines.

As the holidays approach and supply chain issues continue, the Square Holiday Retail Report reveals that this shopping season might not deviate much from years past, with many consumer trends remaining steady.

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### Top Takeaways:



Even though retailers are urging consumers to start shopping early, there is no considerable spike in consumer purchasing so far, indicating that holiday shopping has not started earlier.



The average number of sales and promotions applied at a retailer this year has closely followed 2019 and 2020 trends, with no indication that merchants are offering fewer sales in relation to supply chain issues. The value of offered sales has also remained steady, with a median promotion of \$10 off and median percentage of 20% off.



Both physical and e-gift card purchases have increased as consumers look for a seamless and convenient way to purchase gifts.



Consumers are excited to return to physical stores, with the vast majority of card transactions taking place in-person, even exceeding last year's rates of in-person.



When looking at specific industries that are seeing an increase in gross payment volumes (GPV), manufacturers and distributors of books, magazines, and newspapers experienced an unusually large lift, increasing 40%, compared with a mere 0.5% last year. Home supply and warehouse retailers have seen a 32% increase in GPV, compared with just 5% last year.

## What Are Consumers Purchasing Leading up to the Holidays?

Beyond broad industry trends, Square dove into consumer spending to understand what items are popular and looked at how prices have changed in relation to general demand and supply chain issues.

Holiday decorations have seen a surge in demand, compared with last year, as consumers look to adorn their homes for the season. Wreath sales are up 25%, ornament sales are up by 27%, and garlands are up with the biggest increase of 228%.

When looking at items that were popular last holiday season, jewelry demand has increased by 26%. Air purifiers are up 59% in sales, yet the price has dropped 21%, now averaging just under \$100. General cookware items have also seen an increase of 36%. On the other hand, air fryers are no longer a hot item, down by 5%. Consumers have also seemingly completed their home gyms, as dumbbells have seen a sharp demand decrease of 74% and a price drop of 37%.

Game and toy sales have grown, with card game sales seeing an increase of 62%. Board game sales have seen an increase of 44%, while the price for board games has fallen 14%. Demand for toys is up 36%, and their average price has increased 12%. Puzzle sales have also increased 64%.

Book sales have increased 19%, while the average price of books has stayed steady, decreasing by less than a dollar. Meanwhile, the average price of bikes has increased 34%, or an average of \$37 per price tag.

Interestingly, demand for chairs and tables are up 109% and 59%, respectively, heading into this year's holiday season, which is anticipated to feature more big holiday gatherings than in 2020. Consumers are going beyond holiday decorations, snatching up 37% more wall decor and 26% more paintings to prepare for guests this season.

## 'Tis the Season of the Gift Card

Consumers have always loved gift cards, but this holiday season is shaping up to be the biggest year for them yet. With inventory tied up, consumers are more likely to turn to gift cards to secure presents under the tree. Gift card purchases are up 43%, with physical gift cards seeing a 46% increase and e-gift cards seeing a 29% increase in purchases.

With this trend, retailers are preparing for increased gift card popularity, as 32% more businesses have already sold gift cards this year than in 2020. While physical gift cards have been more popular, e-gift cards continue to be an attractive option because of the convenience they offer consumers. This year 20% more businesses are selling e-gift cards to appeal to customers.

On top of supply chain issues, businesses also lean on gift cards to maximize sales. Historically, 17% of transactions in which a gift card is used result in overspend.

Product	Demand	Price Change
Hoodies	▲ 124%	▲ 5%
Health and Beauty	▲ 81%	▲ 28%
Jackets	▲ 66%	▲ 6%
Diffusers	▲ 61%	▲ 122%
Sportswear	▲ 54%	▼ 14%
Apparel	▲ 51%	▲ 19%
Electronics	▲ 51%	▲ 51%
Beanies	▲ 49%	▲ 8%
Backpacks	▲ 42%	▼ 7%
Scarves	▲ 33%	▲ 20%
Sweaters	▲ 29%	▲ 9%
Sneakers	▲ 26%	▲ 28%
Joggers	▲ 25%	▲ 8%
Stuffed Animals	▲ 24%	▲ 26%
Bidets	▲ 21%	▲ 114%
Watches	▲ 21%	▲ 48%
Laptops	▲ 20%	▲ 70%
Headphones	▲ 12%	▼ 8%

## How Are Businesses Preparing?

Social commerce continues to be a popular method of shopping, with Facebook and Instagram consistently being top platforms of choice. Instagram minisites, on which merchants turn Instagram feeds into shopping sites, have seen an increase in weekly active businesses, as sellers explore social selling in order to meet consumers where they are.

To avoid shipping delays and to get shoppers their products in a timely manner, retailers are using a variety of fulfillment methods to meet customer demand. For retailers who started using an online store during September and October, 90% are offering shipping and 16% are offering local delivery and curbside pickup in addition to shipping. While shoppers expect businesses to offer shipping, delivery and pickup options offer a great way to give customers the options they want and need, making retailers more competitive this holiday season.

*“Businesses must find a way to create memorable and seamless shopping experiences during the holidays, further encouraging customers to come back into the New Year,”*

said Alyssa Henry,  
Executive Vice President, Square.

*“Convenience and customization will be key to meet buyer’s needs and expectations this year. These are the moments of truth that really matter and will build sustained brand loyalty and reputation.”*



## Tips for a Successful Holiday Season

**Inventory management:** With looming supply chain issues causing rifts in consumer shopping, inventory management software gives sellers an advantage in how they manage stock. Businesses can download reports on inventory and update inventory quantities in bulk while receiving daily low- or out-of-stock alerts.

**Over-communicate:** The holidays bring different business hours, and this year inventory issues may affect what products are in stock. Be sure to communicate any and all updates with your customers on your website, social media channels, or through marketing messages so customers are kept informed.

**Personalize all your customer touchpoints:** One way to stand out against the noise will be to personalize messaging, which creates high customer engagement and satisfaction and leads to more sales. Businesses can do this through loyalty programs and incentives, marketing messaging and personalized coupons, or custom gift cards.

**Get customer insights in real-time:** Businesses need to lean on data and insights to understand and identify the needs of their customers better. Real-time data will enable businesses to see which items are selling best, to identify new versus returning customers, and to understand their most frequent and most recent visitors for smarter operations.

**Mobile-friendly commerce:** Mobile is a huge part of a unified omnichannel experience, and businesses continue to sell directly through popular channels such as Facebook and Instagram to meet consumer expectations. With so many retailers fighting for consumers’ attention, mobile-friendly commerce will be key to attract and keep customers, especially Gen-Z shoppers who prefer mobile commerce.

**Set expectations around fulfillment:** Buy online, pickup in-store will remain popular, especially later in the holiday season as consumers begin to scramble for gifts. Businesses will also need to be transparent around shipping to make sure consumers can accurately expect when to receive their items. Merchants should consider broadening delivery windows to leave buffer time, or they should have substitute items to suggest if popular ones are unavailable.

**Make it easy for customers to shop:** Omnichannel operations are still the key to success, and businesses need to offer different ways for consumers to shop. Merchants should look to options such as an online store with curbside pickup and delivery. They should also look to alternative payment methods, such as payment links that can be used through social media, SMS, or marketing messages.

### Methodology:

Data compares payment transactions between September–October 2020 and September–October 2021 in the U.S. retail sector.

