

OCTOBER 2023



STATE OF RETAIL & HOLIDAY OUTLOOK

OCTOBER 2023



Executive Summary

The Environment

The U.S. consumer continues to demonstrate resilience amidst uncertainty and heightened financial pressures. In the months ahead, consumers will continue to prioritize value and make more thoughtful, deliberate choices when spending on discretionary items.

Holiday Outlook

Analysts are predicting another “deal-heavy” holiday this season, with forecasts for nominal retail sales growth ranging from 3% to 4.8%. While this growth is the lowest since 2018, retailers have ample opportunity, especially via digital channels, to drive sales.

Results from Amazon Prime Big Deal Days in early October suggest strong holiday demand and a consumer who is holding out for the best deals. Softer foot traffic trends in recent months also suggest consumers could be holding off until products go on sale later in the season.

In terms of promotional depth, retailers will have to manage consumer expectations from last season, where the average discount was up to 50% off during peak periods.

The Bottom Line

Embracing full-funnel strategies early in the season will allow retailers to build engagement with in-market consumers.

With the majority of holiday sales growth stemming from digital channels, it will be critical for retailers to lean into mobile app acquisition and loyalty strategies to break through to consumers.

In-store shopping will continue to drive up to 80% of holiday sales, meaning that retailers will likely need to lean on drive-to-store programs to maintain relevancy this season and beyond.



State of Retail

In recent months, economic momentum has replaced fears of a U.S. recession, as strong travel demand, rising retail sales, a robust labor market, and increasing wages characterized much of the summer season. Heading into the final months of the year, the holiday shopping season promises a sense of predictability compared to years past.

Heightened financial pressure has been met with continued consumer resilience as shoppers keep an eye out for deals and savings, a trend we expect to continue in the months ahead. After a year of historic economic volatility, analysts predict muted sales growth across retail categories this season, with expectations of real U.S. holiday retail sales growth at around 1 percent. By some estimates, 2023's holiday retail sales growth rate will be the lowest since 2018 and below the 10-year average.



PMG's 2023 Holiday Shopper Insights Survey with Global Web Index (GWI) surveyed 3,013 internet users aged 18+, a sample of GWI USA survey respondents, on their holiday shopping intentions, gifting, spending attitudes, and travel plans this year.

While uncertainty persists, agility will be rewarded this holiday season among brands that adapt to the more cautious consumers of today while conveying value throughout the buying experience. As consumers begin their holiday shopping in earnest, there is still ample opportunity for brands to capitalize on persevering consumer demand and capture the attention of the U.S. consumer.

This State of Retail Report takes a closer look at current retail, media industry, and consumer trends, exploring how brands can drive brand loyalty and relevance during holiday and beyond.

Table of Contents

The Environment

- 6 The Resilient Consumer
- 8 Spending Patterns: Prioritizing Price & Quality
- 9 Luxury in Focus
- 10 In-Store Shopping
- 12 The Physical Store

Holiday Outlook

- 14 2023 Landscape
- 15 2022 In Review
- 16 PMG Portfolio Trends
- 17 Promotional Trends
- 18 Holiday Trends

The Bottom Line

- 21 Opportunities for Leading Brands
- 22 About This Report





THE ENVIRONMENT

Continued Consumer Resilience Stands in Sharp Contrast to an Uncertain Environment

Despite persistent uncertainty in the economy, rising gas prices, and inflationary pressures, the summer was characterized by fairly robust consumer spending. Consumers spent freely through early summer, lifting the economy and proving their resilience against uncertain financial markets in the face of recessionary fears.

Retailers, in turn, set out to appeal to shifting consumer needs by experimenting with new product collections and testing roadmaps to strike the right price and merchandising mix. Retailers that took a more conservative approach (by pulling back spend) during this time found themselves playing catch up later in the season, particularly during back-to-school shopping, after missing the summer's 'spending surge.' This holiday season, many brands may continue to feel the impact of these earlier, more conservative investment decisions in the form of lost share of voice.

September saw a continuation of consumer resilience, with retail sales beating expectations, rising 0.7% month-over-month, while clothing & accessories saw a decline (-0.8%) from the month prior. While the overall consumer is healthy, largely due to a strong labor market, some analysts predict a slowdown in spending is still on the horizon.

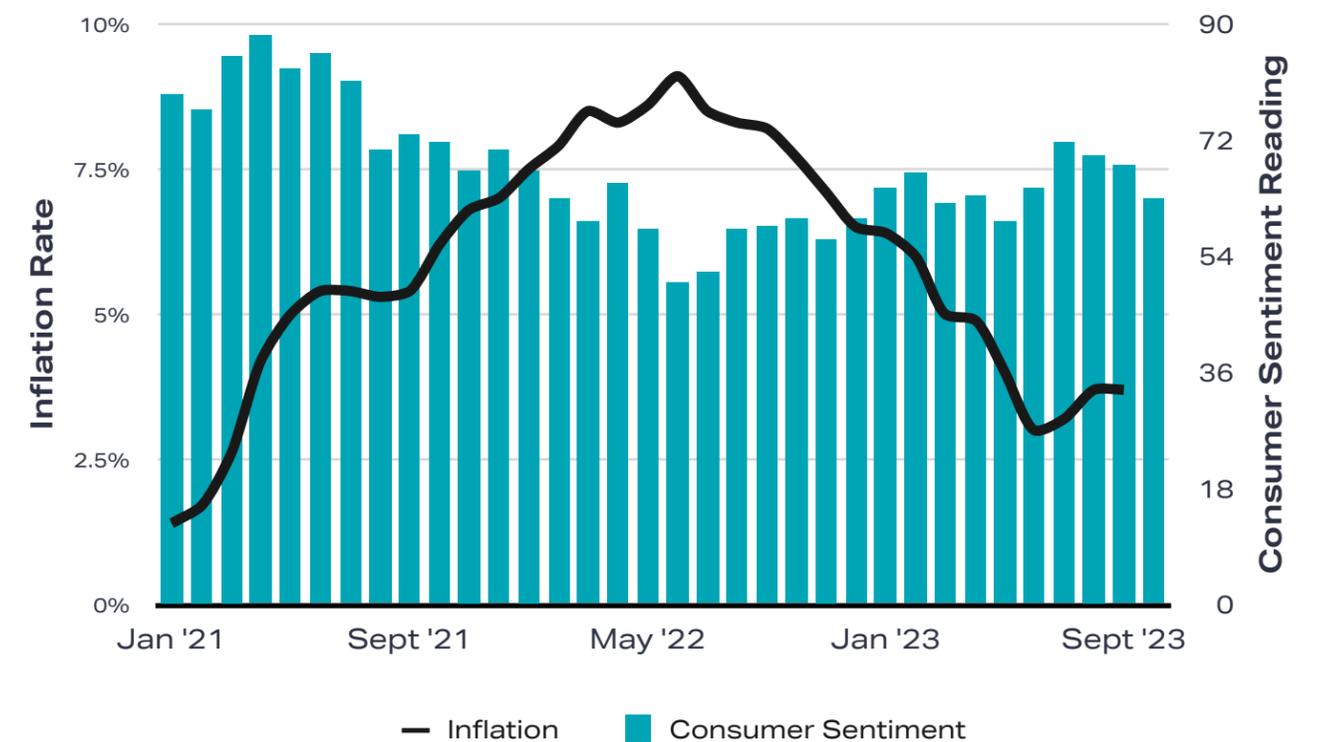
Retailers able to meet the needs of the new, more price-conscious consumer—while investing for long-term success—will be better equipped to weather any impending economic headwinds or macroeconomic forces, including the resumption of student loan repayments for millions of borrowers this month.

Source: US Census Bureau

Consumer Sentiment Fell Again in October, But Remains Above Last Year

Consumer sentiment fell sharply to a five-month low of 63 in early October, down from 68.1 in September, most likely driven by a decline in consumers' assessment of their personal finances as inflation persists. September's inflation readings remained unchanged from the prior month at 3.7%, leaving the door open for another potential rate hike in November. Despite the recent dips in consumer sentiment, it is of note that October's reading is still above what it was this time last year, and inflation has nearly halved compared to last holiday season.

Inflation Versus Consumer Sentiment Through September



Source: University of Michigan, US Bureau of Labor Statistics

Consumers Still Have the Capacity to Spend into Holiday

While the macroeconomic environment retains a measure of uncertainty and volatility, many promising signs point to consumers' continued capacity to spend into the holiday season.

PERSONAL FINANCIAL HEALTH OUTLOOK

Consumers, in general, are saving less money (with personal savings rates, at an annual average of ~6.5% pre-pandemic, falling to a record low of 3.5% in July 2023), though household balance sheets remain positive, especially as home prices continue to rise. Recent revisions made to the volume of savings by the Bureau of Economic Analysis imply households' excess savings may not be exhausted until later next year. The latest consumer research also suggests that Americans aren't planning to save at an expedited rate (as was seen during the pandemic and after the 2008 financial crisis) anytime soon.



Gen Z is more optimistic about their personal finances compared to older generations. They are also 15% more likely to spend more on discretionary purchases than last year's spending patterns.

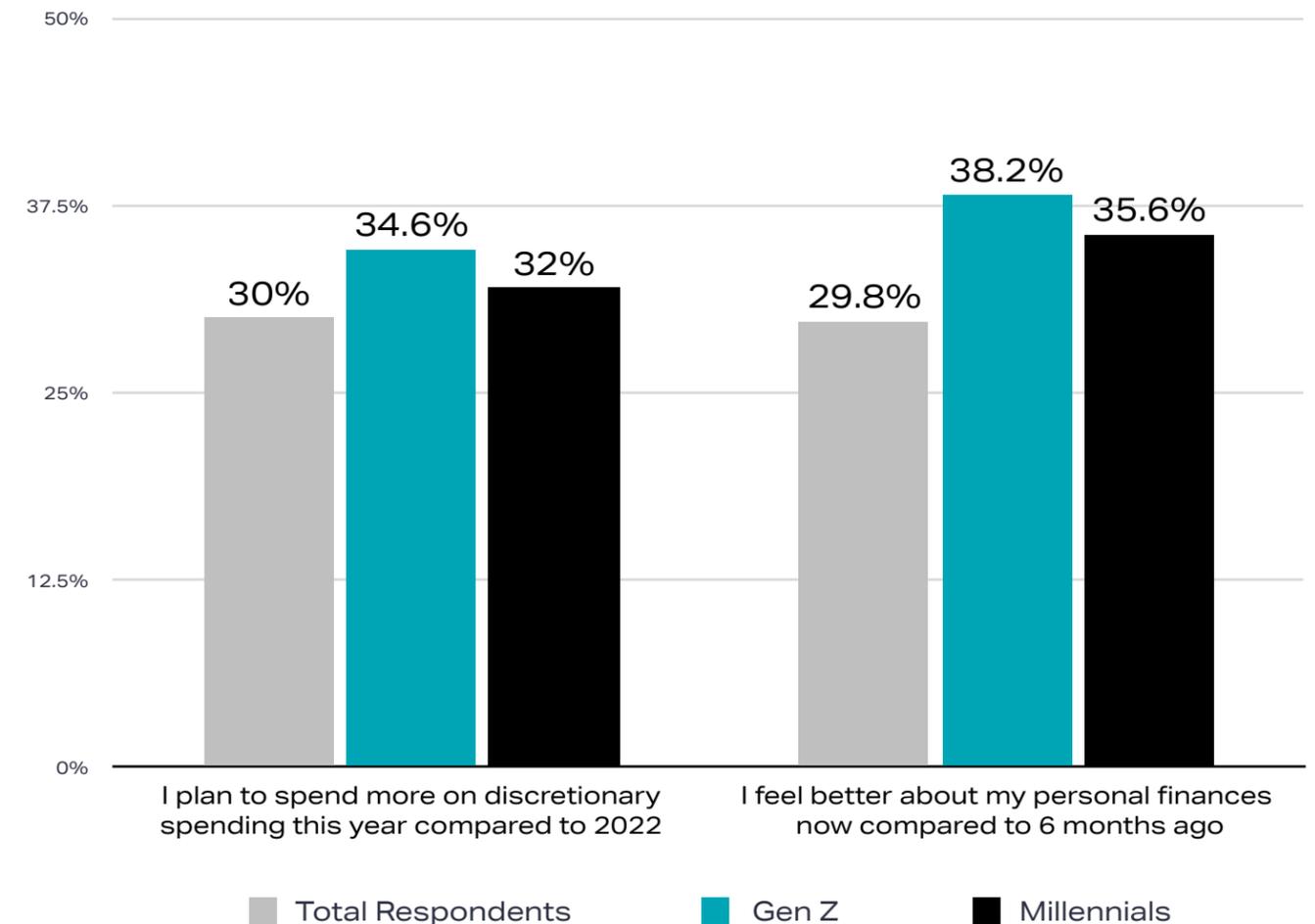
Household net worth remains at a record high, primarily due to a recent surge in home values.

Analysts expect growing home values to further support U.S. retail sales growth and consumption patterns as many households are proving they have the capacity—and interest—to spend, but doing so with added price sensitivity.

Additionally, **U.S. households are, in aggregate, wealthier than in the past.** According to JP Morgan, households' liquid assets have risen \$4.4 trillion since the end of 2019 while overall net worth has topped \$37.6 trillion. While wage growth is slowing, it continues to outpace inflation and remains above pre-pandemic levels, contributing to greater consumer spending power.

Source: JP Morgan, Insider Intelligence, The Washington Post, Bain & Company

A Third of Consumers Report Improved Financial Outlook



Source: PMG's 2023 Holiday Shopper Insights Survey with Global Web Index



SPENDING PATTERNS: PRIORITIZING PRICE & QUALITY

Consumers Are More Prudent With Their Spending

According to PMG's latest consumer research, one-third of consumers have delayed purchases due to inflation this year, reporting that they plan to resume those purchases during the holiday season if they haven't already. While U.S. consumers may have the capacity to spend, recent months have seen a notable shift in their overall spending patterns. Shoppers are making more thoughtful, deliberate choices when spending on apparel and accessories, demonstrating a greater awareness of their financial well-being and purchase decisions.

Despite the challenges posed by rising costs across categories, consumers remain committed to maintaining their holiday shopping plans, demonstrating continued resilience and adaptability.



According to PMG's consumer research, shoppers will increasingly prioritize product quality over deals when gift shopping, reinforcing a growing appreciation for overall value. Most consumers plan to shop for 3 to 7 people this holiday season, including themselves, prioritizing gifting over other discretionary purchase decisions.

Consumer Spending Trends

Discretionary Spending Priorities

58% of consumers are spending the same amount or more on apparel and accessories versus LY

48% of shoppers are pulling back on spend at restaurants to prioritize other categories like apparel

Measured Holiday Spending

32% of consumers plan to spend more on holiday purchases despite rising costs

17% of consumers are not cutting spending in any category

Discerning & Value-Oriented Shopping

56% of Gen Zers choose where to shop based on finding the best value for their money

63% of consumers prioritize promotions & deals when completing their holiday shopping

Source: McKinsey & Co., Bain & Company, PMG's 2023 Holiday Shopper Insights Survey with Global Web Index

Luxury Goods Boom Shows Signs of Softening

While higher-household income consumers remain the most optimistic about future economic prospects, recent sales figures from LVMH suggest the U.S. luxury growth boom of the last three years may be returning to historical averages.

While demand for LVMH brand's more high-end goods remained strong, LVMH cited softening sales growth from aspirational customers, as an ongoing challenge. The latest consumer research and analyst reporting suggests luxury shoppers may be taking a more cautious approach to spending in response to economic volatility and continued uncertainty.



Price is the top factor for 76% of high-income individuals, followed by value at 74%, ranking well above quality and popularity, according to PMG's 2023 Holiday Shopper Insights Survey.

These trends demonstrate that consumers will continue to shift their needs and priorities as they balance the timeless appeal of luxury and the financial prudence that may be needed during periods of economic uncertainty. According to some reports, including Citigroup in its recent earnings report, year-over-year spending growth is primarily being driven by the affluent consumer, but even the wealthiest households are seeking opportunities to exercise greater financial prudence.

76%

"Price" is the top factor for 76% of high-income individuals

74%

Followed by "Value" at 74%

Source: PMG's 2023 Holiday Shopper Insights Survey with Global Web Index, Business of Fashion, Citigroup



Softening Foot Traffic Throughout Early 2023 Buoyed by Summer Deal Days

In the earliest months of 2023, overall retail foot traffic saw strong growth compared to LY, yet growth slowed down in the spring. The decline was short-lived as strong travel demand, a promising economic outlook, and promotional holidays throughout the summer drove consumers back to stores. While big box stores, in particular, saw increased foot traffic during the summer deal days that competed with Amazon Prime Day, apparel brands saw foot traffic trends reach their summer peak in August thanks to back-to-school shopping.

In aggregate, these trends suggest pent-up demand and motivation for in-store shopping experiences as U.S. consumers gear up for the upcoming holiday sales events this fall.

Nationwide Retail Visits Exhibited YoY Growth During Summer Holidays

Overall Weekly Visits Compared to 2022



Source: Placer.ai

Apparel Category Saw Boosts in Foot Traffic During Back to School 2023 Season

Weekly Visits to Superstores, Clothing Chains, Shopping Centers, and Department Stores Compared to 2022



Source: Placer.ai

IN-STORE SHOPPING

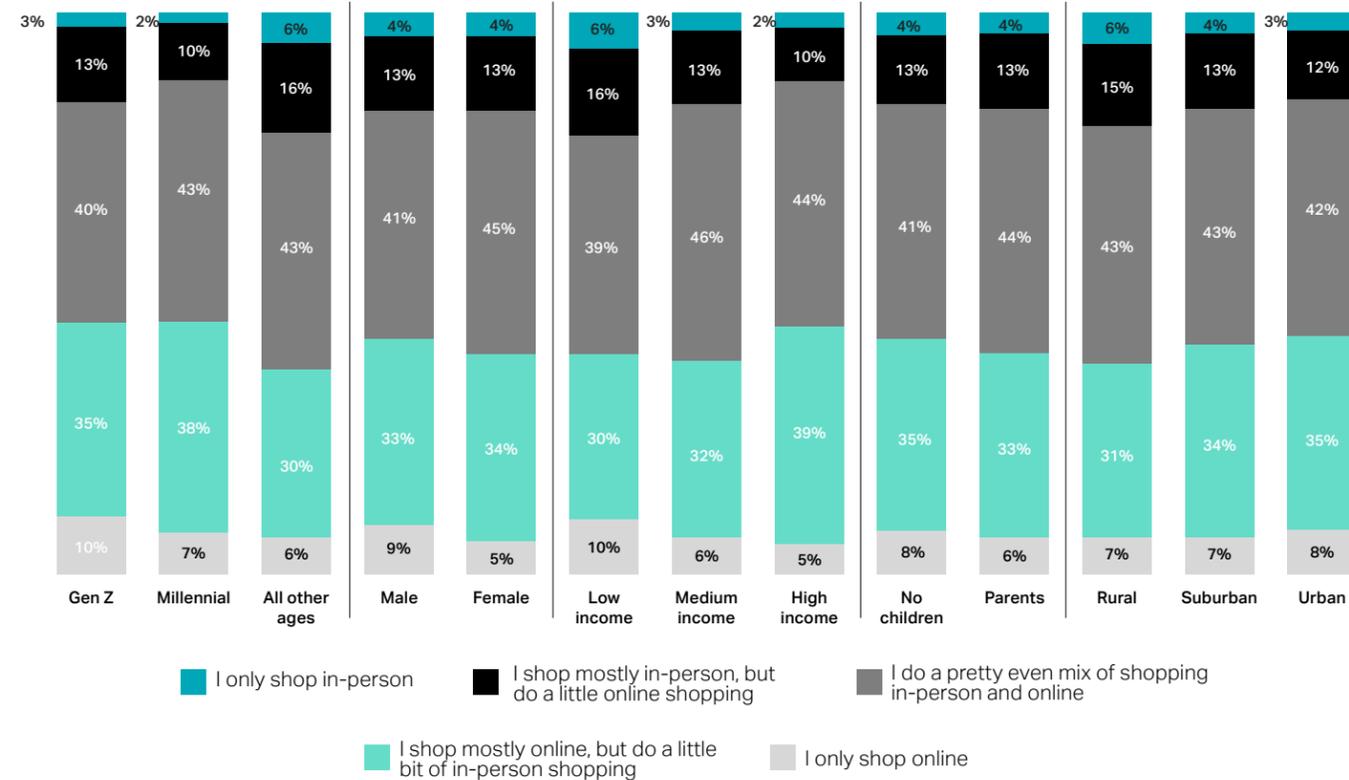
Holiday Sales Expected to Bolster Foot Traffic Trends

The relatively large year-over-year gaps in these sectors could mean that many consumers are holding off on making larger purchases until inflation stabilizes or until products go on sale later in the season. We expect in-store foot traffic to pick up in earnest the later we get into the holiday season as cold weather and the upcoming gifting holidays entice last-minute shoppers to visit their favorite brick-and-mortar retail locations.

A Mix of In-Store and Online Shopping Expected This Season

Gift shopping locations

Among those who intend to go holiday shopping this year, % who say they shop for gifts...



Source: PMG's 2023 Holiday Shopper Insights Survey with Global Web Index



Retailers Invest in Store Strategy Makeovers

Retailers across categories are investing heavily in their physical locations to attract discerning shoppers and bolster the in-store shopping experience as brick-and-mortar storefronts compete against the convenience of online shopping and returns. From hospitality additions to experiential pop-up formats, service-oriented stores, new layouts, and convenient checkout options, seemingly every retailer is undergoing a store strategy makeover that seeks to refresh and revitalize the brand's brick-and-mortar presence. Similarly, retailers like Macy's and Bloomingdale's are testing small-store formats that offer a more limited selection, reducing costs for the brand and adding greater convenience for the customer.

Luxury Retailers Explore Secondary City Expansions

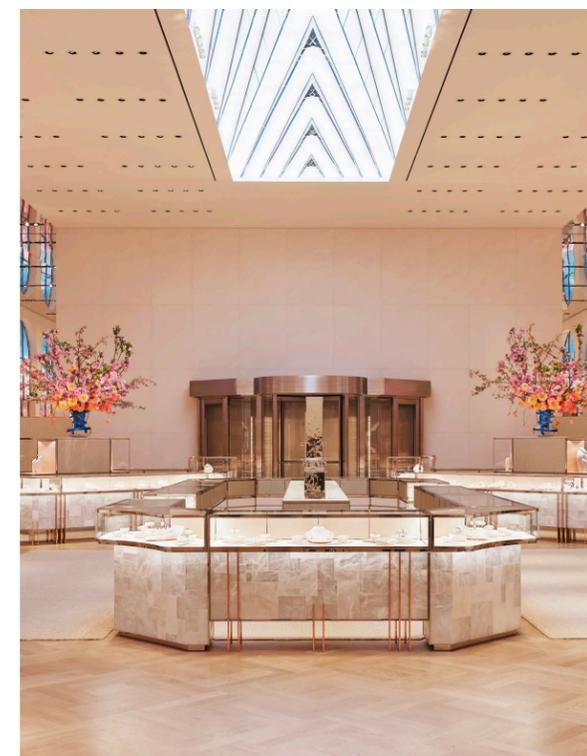
Luxury retailers, like Hermès are expanding from major cities like New York, Houston, and Los Angeles into promising areas with recent population booms, such as Round Rock or Austin, Texas. By enabling newfound convenience and relevancy within these secondary or tertiary U.S. cities, luxury brands are presented with a unique opportunity to support urban uplift. Interestingly, most of these new storefronts establish a retail presence that infuses local culture and character into a well-designed, site-specific physical experience of the brand, bolstering brand love in real-time among customers loyal and new.

While foot traffic ebbs and flows, retailers continue to invest in physical locations with “rightsizing strategies” that either grow or scale back their brick-and-mortar presence with newfound intentionality. Many, like Warby Parker and Madewell, are re-energizing their stores by bridging the gap between digital innovations and the perks and convenience of in-person shopping, offering personal stylists, in-store tailoring, and more exclusive offers and services to draw loyal customers into stores. While ecommerce and omnichannel retail growth show no signs of slowing down, these continued investments in rightsizing physical retail come at a pivotal time in the retail industry and point to continued growth opportunities and demand for in-person shopping and brand experiences for years to come.

Source: Placer.ai, WSJ, BBC, RetailDive



Louis Vuitton The Domain, Austin, TX



Tiffany & Co. Flagship Store, Fifth Avenue



Warby Parker Pinnacle Hills, Bentonville, AR



Nike Well Collective Williamsburg Brooklyn, NY



Madewell In-Store Tailoring and Pre-loved Shopping



HOLIDAY OUTLOOK

The
Melbourne
Shop
by

Glitter.
Sparkle
& Shine



2023 LANDSCAPE

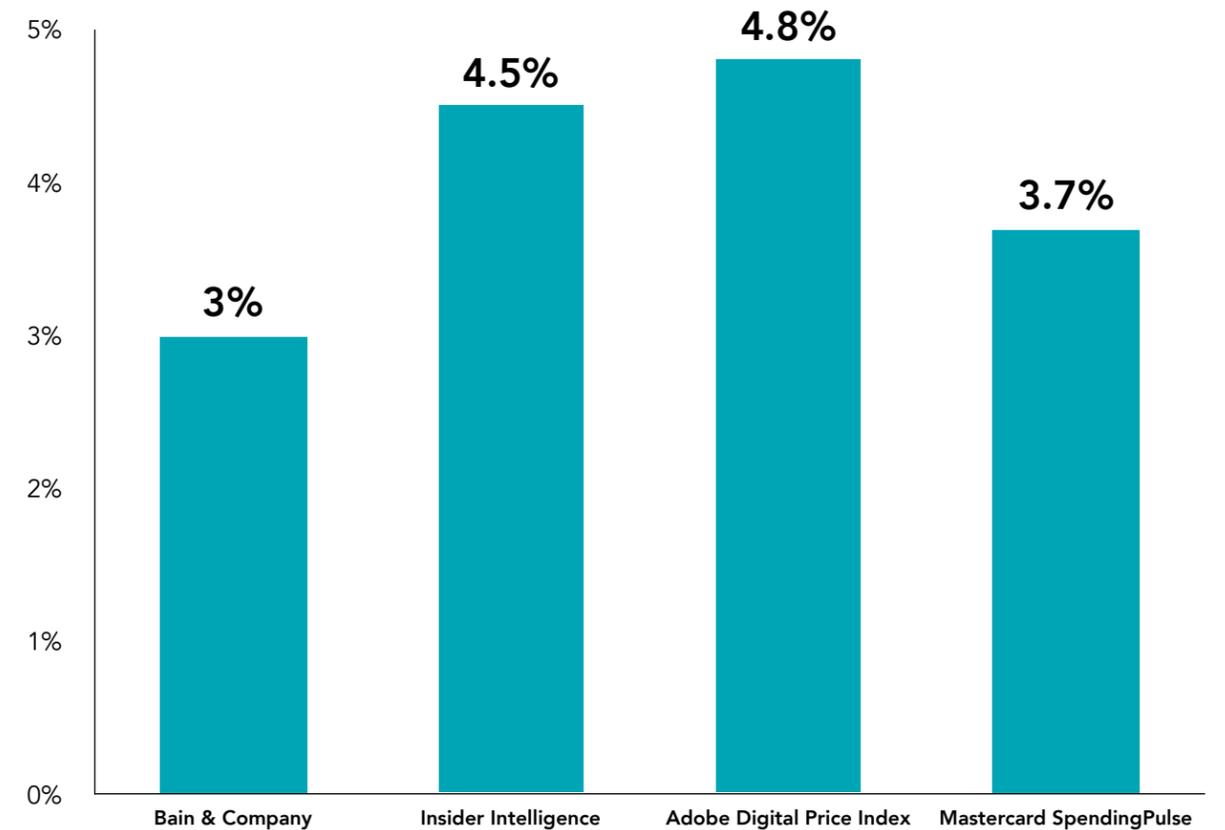
The Road Ahead: Holiday 2023

2023 Holiday Season to Experience Growth Primarily Within Ecommerce

Analysts are predicting another “deal-heavy” holiday this season, with forecasts for nominal retail sales growth ranging from 3% to 4.8%. While this is the lowest growth rate since 2018, retailers have ample opportunity, especially via digital channels.

Already, analysts predict 90% of growth this year will be via non-store purchases. However, in-store sales will continue to drive the highest overall retail sales volume, comprising 70-80% of all holiday-related purchases in 2023. According to Insider Intelligence, apparel and accessories is said to be the #1 sales category this holiday (+12% YoY).

U.S. Holiday Retail Sales Growth 2023F



Source: Bain & Company, Insider Intelligence, Adobe Digital Price Index, Mastercard Spending Pulse

Retailers Likely to Comp a Highly Promotional Holiday 2022

The economic uncertainty that clouded much of early 2022 led to heightened financial pressure for American families in the latter half of last year. This pressure dovetailed into a highly competitive promotional environment for brands and more deal-seeking and price-conscious spending patterns among holiday shoppers than ever before. A closer look at 2022 holiday trends and insights helps to inform the promotional environment and associated consumer expectations that are set to continue into the 2023 season.

Retailers Pulled the Holiday Season Forward



By October 15, **21%** of promotional brands had **launched holiday messaging on their websites**



By November 4th, **40%** of promotional brands were **running holiday-themed promotions**.



By November 21st, **78%** of promotional brands were already **running Black Friday/Cyber Monday promotions**.

Source: PMG Promotional Tracking

Promotion Depth Held Steady While The Number of Concurrent Promotions Increased

UP TO **50% OFF**

The most popular discount across categories throughout the holiday season.

Source: PMG Promotional Tracking

Black Friday Was Still the Top Spending Day of the Season

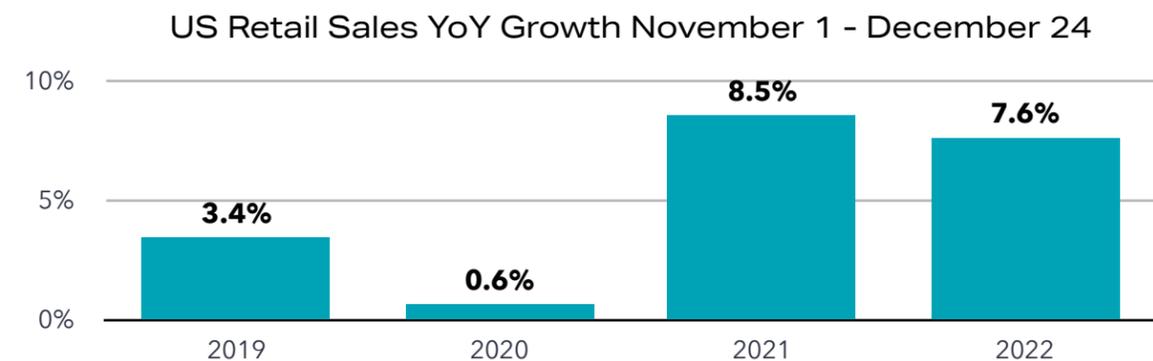
While holiday shopping was more spread out across the calendar last year, Black Friday sustained its title as the top spending day of the holiday season, up +12% YoY.

+12% YoY

Source: Mastercard SpendingPulse

2022 U.S. Holiday Retail Sales Grew at a Comparable Rate to the Previous Year

From November 1 - December 24, U.S. retail sales increased 7.6% YoY last year, a slight decrease from 2021's 8.5% growth rate, with apparel sales rising 4.4% YoY.



Source: Mastercard SpendingPulse

PMG Retail Portfolio: September 2023

Sitewide Demand Penetration: Paid Efforts Bolster Total Demand Through Tumultuous Times

With declining “owned” interest stemming from direct-to-site traffic and organic search as algorithm changes impact major partners, paid efforts across search and social have been a consistent source of growth to total site demand YoY across the PMG portfolio.

September YoY Portfolio Data Takeaways and Considerations

DIRECT TO SITE & ORGANIC SEARCH REVENUE AND TRAFFIC DECLINES

As consumer intent and brand loyalty softened given heightened economic uncertainty, direct to site and organic search revenue and traffic are seeing declines across retailers. Meanwhile, some brands have pulled back in upper-funnel investment to drive consideration.

EMAIL VARIABILITY DUE TO PROMO CADENCE

Email variability across the portfolio is due to a number of factors; including increased promotionality against core customer segments and enhanced retention and loyalty efforts.

PAID MEDIA IS DRIVING GROWTH IN DEMAND AND SHARE OF VOICE

Newfound efficiencies across paid search, social, and programmatic are driving strong growth and capturing sales while scaling opportunities against new audience cohorts.

AFFILIATE PENETRATION MODERATES

As brands shift from highly promotional cash back opportunities, which cut into margins and LTV, into more content-focused efforts, affiliate penetration has moderated in recent months.



Source: PMG Retail Portfolio Trends

September YoY Traffic & Conversion

Owned Traffic Declines Ahead of Holiday

According to PMG retail portfolio trends, owned traffic growth declined through spring as consumers became more discerning in their purchases and were impacted by inflationary pressures. Late summer proved even more challenging for brands, as **owned channel traffic experienced double-digit declines through August and September**, ahead of the holiday season.

Owned Channel Conversion a Challenge as Consumers Hold Out for Value

Retailers across the PMG portfolio have been impacted by continued conversion softness throughout this year, which only intensified during the recent summer months as consumers shifted their discretionary dollars from goods to services like summer travel. **Despite an improvement in conversion rates across retailers in August (potentially tied to back-to-school promotions), September saw the biggest conversion declines YTD.** The recent conversion declines could be indicative of shoppers waiting for holiday deals to go live—NRF reports 85% of shoppers who plan to shop online typically have tabs open when waiting for sales to begin.

Source: PMG Retail Portfolio Trends, National Retail Federation 2023 Holiday Shopping Outlook

PMG Retail Promotional Pulse Heading Into Holiday 2023

Late Summer Promotions Characterized by Persistent Markdowns

Across the retail landscape, late summer was characterized by **steep discounts and extended markdown promotions** in an effort by retailers to **clear inventory ahead of fall and holiday collections**. Entering into autumn, there are less steep discounts, and overall promotional activity has lessened, in line with seasonal trends. Yet, retailers continue to offer compelling promotions, particularly on new full-price products.

PMG tracked **50 retailers over the last three months** and found that each brand hosted at least one promotional campaign within the previous three months, **averaging six different promotions per brand in the past 90 days**.

Given seasonal promotion strategies are significantly influenced by large retailers like Amazon, establishing clear consumer expectations regarding promotionality is critically important for retailers, big or small, as we expect to see steeper discounts beginning in October across retail categories.

25-30% OFF

Average discount on full-price product

45-50% OFF

Average discount on markdown product

Source: Average discount of 50 retailers over last three months via PMG proprietary analysis

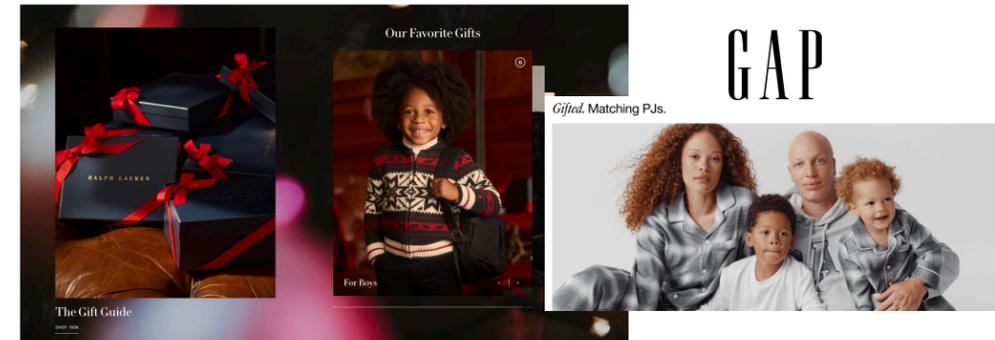
Current Promotions in Focus

During the tentpole promotional period of mid-October, retailers leaned on exclusivity and ‘spend, get’ promotions. These included exclusive deals and family & friends events to entice loyal customers.

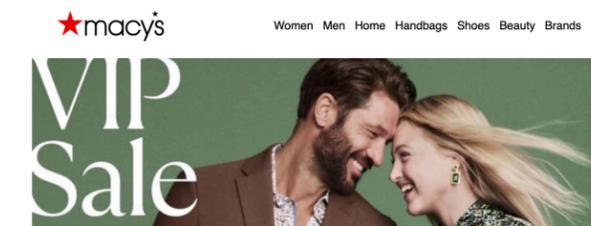
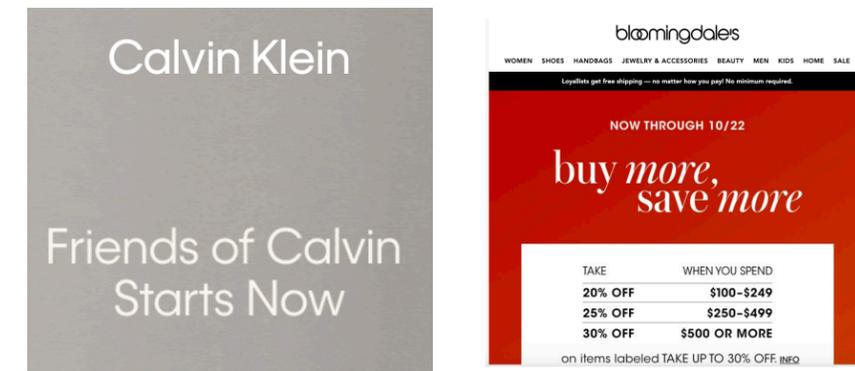
According to PMG proprietary promotions tracking of 70+ retailers, **41% of retailers had started holiday messaging, namely ‘gifting’ messaging, as of 10/17**, which is earlier than last year’s trend.

HOLIDAY MESSAGING - GIFTING

RALPH LAUREN



FRIENDS & FAMILY AND SPEND, GET PROMOTIONS



Amazon Prime Big Deal Days Set the Tone for a Highly Promotional Season

The holiday shopping season officially kicks off with mid-October promotional events, led by Amazon and department stores like Target, Macy’s, Best Buy, and Designer Shoe Warehouse— all of which announced their mega sales events and early holiday deals even earlier.

This year’s Prime Big Deal Days proved there was strong consumer demand to start the season. According to Momentum Commerce, this year’s sales from Amazon’s Prime’s Big Deal Days outpaced last year’s 2022 Fall Sale by 13%, despite clients pulling back on ad spend.

It was also more promotional, with a significant number of Amazon sellers spending more on discounts and deals to stand out to consumers. Shoppers rewarded them in turn, with 4% of Prime Big Deal Day shoppers purchasing items they’ve been waiting to buy on sale.

While Amazon saw success, performance across other retailers was not as strong. Retailers running competing discounts the same week saw sales fall by an estimated 1% compared with last year, according to Salesforce. While a halo surrounded last year’s Amazon Prime Fall Sale and bolstered sales for competing retailers, this year did not see a similar effect.

2023 Prime Big Deal Days vs 2022 Prime Early Access Sale	
2023 Prime Big Deal Days vs 2022 Prime Early Access	+13% YoY
2023 Prime Deal Days vs Prior 28-day Two-day Average	218.4%

Source: Momentum Commerce, Modern Retail, The Washington Post, Microsoft, NRF

Over Half of Shoppers Start Their Holiday Shopping Between Amazon’s October Prime Day and the End of November

With Amazon and its major competitors pulling promotions forward earlier into the calendar year, retailers should closely examine their own positioning and promotional strategies through October, ensuring they are adequately prepared for an early start as demand dictates, with a flexible plan to engage in-market deal-seeking and deliberate consumers wherever they are along their shopping journey.

Nearly 40 percent of consumers say they will begin their holiday shopping in October in an effort to “spread out their gift-shopping budget,” according to the National Retail Federation (NRF). Around half of shoppers across age groups report they will begin their holiday shopping before Thanksgiving, up from around 40 percent in 2019, according to PMG’s consumer research and NRF data. Meanwhile, around a fifth of Gen Z and Millennials planned to start their holiday shopping during last week’s Amazon’s October Prime Day sales event. A quarter of older consumers say they’ve already started holiday shopping, meaning that retailers will likely benefit from engaging these age groups earlier in the season.

The outcomes of Amazon’s Prime Day event in October indicate that consumers are actively following through on the stated intentions.

Holiday Conversions Will Come From October Clicks

Last year, on average, 67% of November purchases and 50% of December purchases were directly attributed to consumers clicks in October, according to a recent report by Microsoft. Likely more than ever, consumers’ journeys will be made up of multiple searches as price-sensitive shoppers aim to find the best value this holiday season. NRF also reports that 85% of shoppers who plan to shop online typically have tabs open when waiting for sales to begin. This indicates the importance of an agile approach as Cyber Week approaches and shoppers increasingly shift into a buying mindset.

Cyber Week Holds Significant Importance, But Winning the Full Season is Critical to Holiday Success

With holiday shopping kicking off in early October, the 2023 season is longer than ever. Retailers can expect to see similar shopping behaviors to last year, yet should strategize to meet open-minded consumers in-market early and sustain a meaningful presence throughout the new Cyber 12 and beyond.

The Majority of Consumers Approach the Holiday Season With An Open Mind

56%

Of shoppers expect to stray away from their 'list' and will make impulse purchases for themselves and others.

30%

Of people don't have a budget for their holiday shopping, and are guided by things like social media recommendations, customer reviews, and personalized recommendations to direct their purchases.

Source: PMG's 2023 Holiday Shopper Insights Survey with Global Web Index

Many Consumers Will Shop All Season Long, Wrapping Up Their Holiday Shopping in December

40%

Of consumers stated they will have yet to complete all of their shopping by December 1.

Source: PMG's 2023 Holiday Shopper Insights Survey with Global Web Index

Cyber 5 Extends to Cyber 12

Cyber Sale shopping will begin 2 days before Thanksgiving and extend 5 days after Cyber Monday, transforming Cyber Week into Cyber 12 to accompany these shopping 'shoulder days.'



Average consumer spend/day was 20% higher on Cyber 'shoulder days' than rest of Q4 overall.

Source: Google Insights

A young woman with long dark hair, wearing a grey knit beanie and a dark red winter coat with a fur-lined hood, smiles warmly at the camera. She is standing in a crowded city street at night. The background is filled with people in winter attire, some out of focus. To the left, there are warm, glowing bokeh lights from a building or street decoration. The overall atmosphere is festive and lively. The text "THE BOTTOM LINE" is overlaid in the center in a bold, white, sans-serif font.

THE BOTTOM LINE

OPPORTUNITIES FOR LEADING BRANDS

Finding Success Through Holiday and Beyond

Economic uncertainty is expected to continue through the back half of 2023. With purchase consideration, discretionary spending, and brand loyalty at record lows, it's more important than ever for brands to meet consumers where they are and seek opportunities to provide added value and drive long-term loyalty throughout the buying experience.

Creating seamless brand experiences that connect with consumers should be essential to any brand's marketing strategy as we close out 2023.

1 EMBRACE INTEGRATED, FULL-FUNNEL ACQUISITION STRATEGIES EARLY

Investing in full-funnel strategies is critical to maintain relevancy and keep pace with the shifting economic environment and consumer's ever-changing preferences and shopping behavior.

During times of uncertainty, many brands opt to pull back on upper-funnel strategies, creating pockets of opportunity for others to capture efficiencies in the market while acquiring new customers. Embracing these strategies early in the season is critical to build engagement with in-market customers.

2 LEAN IN TO MOBILE APP ACQUISITION AND LOYALTY STRATEGIES

These efforts will help to drive CVR and AOV, helping to build brand love in a challenging environment and allowing for more bespoke, personalized messaging to break through if key KPIs soften (e.g., targeted promotions).

3 DRIVE-TO-STORE TO MAINTAIN RELEVANCY

Customer expectations are at an all-time high, resulting in a cohesive, convenient, and seamless omnichannel experience being more important than ever. Winning retailers are leaning in with drive-to-store campaigns, particularly to outlet stores, to bolster in-store shopping and sales growth.

4 ALIGN COMMERCIAL CALENDAR TO CAMPAIGN MOMENTS AND COMPETITIVE ENVIRONMENT

Retailers should prepare to adjust promotional and campaign calendars in line with their competition. Flexibility across marketing decisioning (such as markdowns, sale durations, store efforts, and launch dates) will offer a competitive advantage in uncertain and evolving retail environments.

5 CAPTURE CONSUMERS AS THEY SHIFT TO A BUYING MINDSET

Amazon Prime Big Deal Days kicked off the deal-seeking mindset of the extended season. With holiday conversions stemming from October clicks, retailers need to be adequately prepared with a flexible plan through holiday to engage in-market consumers wherever they are along their shopping journey.

ABOUT THIS REPORT

Overview

PMG's State of Retail Report provides macroeconomic data and analysis of the U.S. economy and the retail sector, with a focus on apparel and home. This month's release includes an overview of key economic indicators, insights on the U.S. consumer, sector-specific trends, foot traffic trends, and a proprietary PMG analysis of competitive promotion trends.

Promotion Trends

PMG conducts an analysis of the competitive promotional environment by tracking the promotions of a subset of retailers.

Promotions on full price product are typically offered as 'Sitewide', 'Category', or 'Selects'. 'Sitewide' refers to promotions that are marketed as sitewide. They often still encompass some exclusions, although are classified as 'Selects' if indicated as such. Promotions are referred to as 'category' if there is indication in promotional copy that only select categories are discounted. 'Markdown' promotions typically include "extra" and "up to" variations, with steeper discounts correlating to the latter.

PMG's 2023 Holiday Shopper Insights Survey with Global Web Index

This survey was written in collaboration with GWI and was then distributed by a panel in an online format, to 3,013 respondents in the U.S. The survey was fielded from September 7, 2023 to September 21, 2023.

Fieldwork Dates

Start: September 7, 2023

Finish: September 21, 2023

Audience

Total: 3,013 internet users aged 18+

182 Gen Z respondents (18-26)

1,320 Millennial respondents (27-40)

1,511 Respondents age 41+

Market: U.S.



THANK YOU

