

Seasonal squeeze: How winter spending is set to change

An analysis of pandemic spending trends and how these will shape consumers' behaviour for Christmas and winter sales during 2020 and beyond. Featuring new research, insights and expert predictions.



Retailers will be fighting for a share of a smaller pot this Christmas. After a month-long Black Friday and, for many consumers, a huge drop in income, Brits are set to spend £24.2 billion on gifts this year, which is around £2.7 billion less than in 2019, according to new Finder research.

In our recent survey on Black Friday spending, two thirds of Brits said they intended to shop only online during the sales event. And in another recent Finder survey, just over a third of Brits said they didn't plan to do any Christmas shopping in-store this year.

The lurch to online shopping in 2020 has brought multiple challenges for businesses whose online operations were already under stress from social distancing in distribution centres. It has also shone a spotlight not just on delivery speed, but also delivery costs.

While small businesses might not be able to offer free delivery, there is some good news for local firms. Out of the pandemic has emerged a community spirit, with some support for local shopping.

For all retailers, the year has crammed a decade's worth of evolution into the space of 10 months - from spruced-up websites to new ways for taking contactless payments. And for some high street giants like Arcadia, it has spelled devastation.

In this report, we share new Finder research along with insights, data and expert predictions for how winter sales and Christmas spending will evolve in 2020 and beyond.

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11 November: Singles Day

Singles Day was originally a celebration of China's young single people, but interest in the sale event surged in the UK in 2019 and continued in 2020, Google Trends shows.

30 November: Cyber Monday

Cyber Monday debuted in the US in 2005 and was brought to the UK by Amazon five years later.

26 December: Boxing Day sales

Some experts date the origin of these to the 1990s, when Sunday trading laws changed.

This year, major retailers including John Lewis and Marks & Spencer won't open their doors on Boxing Day.

13 and 14 October: Amazon Prime Day

Prime Day is usually in July but in 2020 it moved to October after Amazon was overwhelmed with orders earlier in the year.

27 November: Black Friday

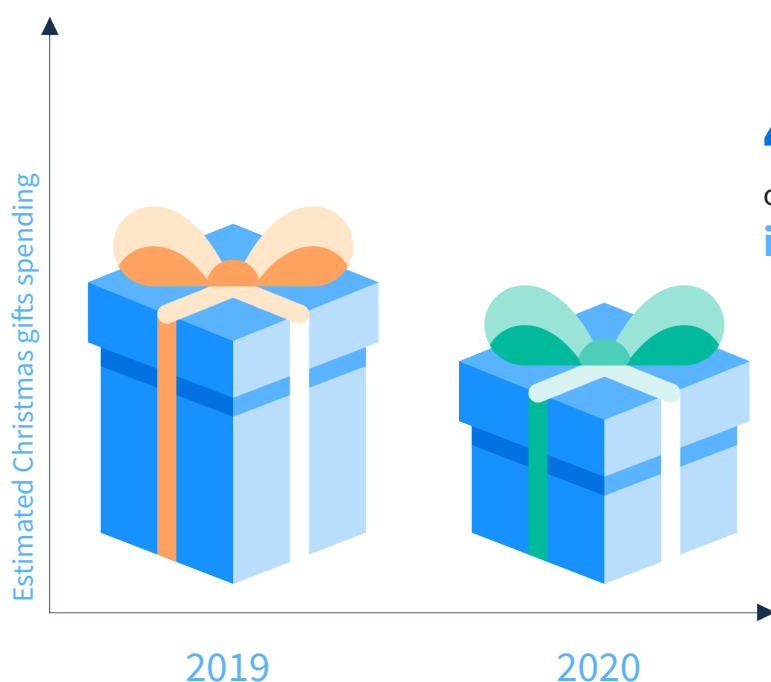
Finder research showed fewer Brits planned to take part in 2020, but those willing to shop planned to spend more: projected spend is £6 billion, vs £5.6 billion in 2019.

18 December: Pre-Christmas sales

Major retailers such as Miss Selfridge, ASOS and Kurt Geiger have been offering pre-Christmas sales since 2017.

1 January: January sales

January sales have been around since at least the beginning of the 20th century. An advert in the London Daily News on January 1, 1910 advertised Harrods' sale week.



49% of Brits are spending **less** on **Christmas gifts** in **2020** than in 2019

Source: Finder research, November 2020

The pandemic has hit the finances of millions of Brits, and this is reflected in how the UK is shopping for Christmas. But how big will the impact be?

Finder polled 2,000 adults in November about their plans for spending on Christmas gifts; nearly half (49%) of Brits plan to spend less this year than they did last year, our survey showed.

This translates into an overall drop of 10% year-on-year, from £26.9 billion in 2019, to £24.2 billion this year. The average spend is set to be £476 this year, compared with around £513 last year.

The pandemic's impact on their finances is the number one reason why Brits aren't spending as much, being cited by 20% of those who said they planned to spend less.

Within this group are undoubtedly many who have been made redundant or furloughed during 2020, or who have seen a drop in their self-employment income. In the three months to September 2020, the UK unemployment rate was 4.8%, according to official figures. That is 0.9 percentage points higher than a year earlier.

On the next page, we show the breakdown of reasons for spending less, but respondents' comments also give a good flavour of this. Several respondents mentioned the fact that they would be seeing fewer relatives and friends and that it would be a "low key" Christmas. Some also mentioned bereavement.

One respondent summed up the overall mood: "This year has been a reality check about priorities, and spending at Christmas for the sake of spending makes no sense whatsoever."

Brits are set to spend **£24.2bn**
on Christmas gifts in **2020** vs
£26.9bn in **2019**



While 20% of those planning to spend less said it was due to the financial hit they'd taken, there was a further 14% who were wary of buying gifts for friends and family who'd be unable to reciprocate due to their own financial difficulties.

For 16% of those reining in their spending, simply not visiting shops was the reason. Others had the three-household Christmas mixing rules in mind: 15% said they wouldn't be buying for extended family or friends they might not see.

Similarly, 14% said they didn't see the point in spending as much on Christmas while faced with restrictions. And the prospect of a brighter new year, with fewer restrictions, caused 6% to say they would put off buying gifts until then.

While many have taken out loans or used their plastic to fund Christmas, this year will see fewer people given that option. In our latest research, 5% of people planned to spend less because they wouldn't be able to put their spending on credit.

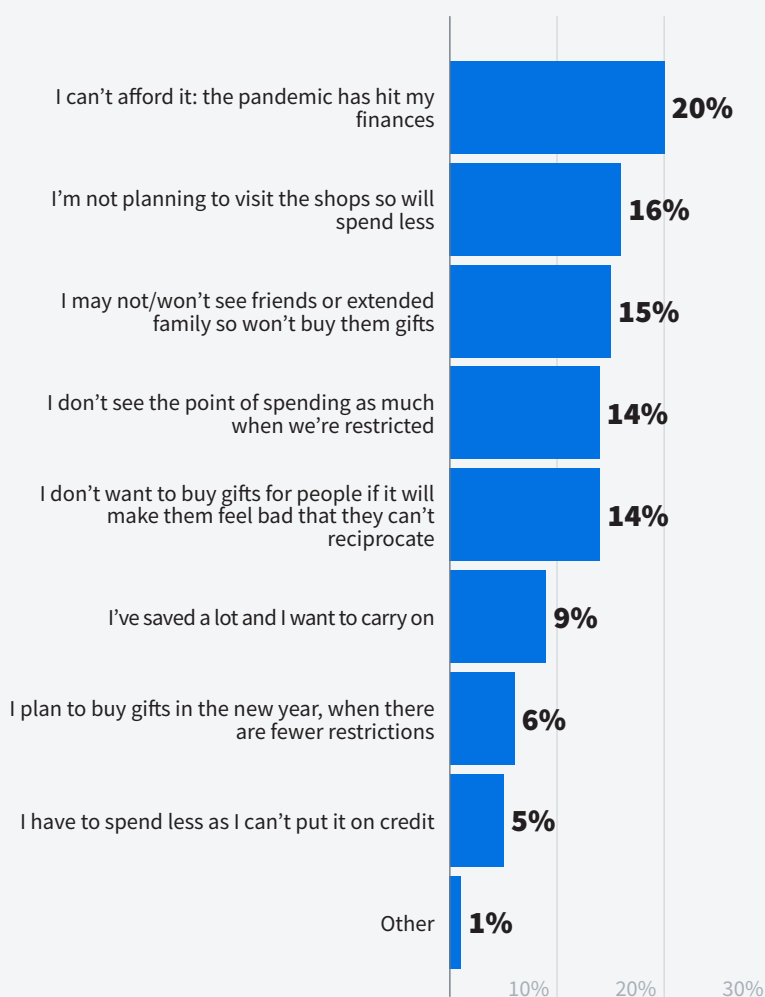
The saving habit

For some, saving money has simply become a habit they want to stick to: 9% said this was their reason for spending less.

Finder research conducted in April found that Brits were saving £4.6 billion every week of lockdown, through not commuting to work and not socialising.

This works out as an average saving of £54.67 per week for missed leisure activities, and those working from home were thought to be saving a further £44.78 per week on transport costs.

Reasons cited for planning to spend less on Christmas in 2020



Source: Finder research, November 2020

The first lockdown came unexpectedly for small and medium-sized (SME) business owners; 66% of SMEs in England felt more prepared for the second national lockdown than they did for the first one, according to a Barclaycard survey.

The pandemic has undoubtedly made many small businesses more agile in their fight for survival. But there has also been a distinct drive among consumers to support local firms - willing them to succeed.

Is shopping locally the new normal?

When Finder polled 2,000 consumers during the first lockdown in April, 36% said that they would continue to use their local stores more frequently after lockdown ended.

The third most common reason (after avoiding crowds and queues at supermarkets) was to support local businesses during the financial squeeze.

The finding is reflected in a PayPoint study in October which found that Brits stayed loyal to local stores between July and September despite the freedom to shop further afield during that time. The company used data from its UK network of 27,500 local convenience retailers for the research.

Incentives to “shop small”

American Express runs a campaign every year, usually in December, to encourage shoppers to buy from small businesses. It incentivised its cardholders by offering £5 back in credit when they spent £10 at a small business.

Additionally, the company runs “Small Business Saturday” each year on the first Saturday in December; 2020 will be its eighth year in the UK.

An estimated £800 million was spent in small businesses across the UK on Small Business Saturday 2019, with 17.6 million people choosing to shop locally that day alone.

36% of consumers said they'd continue to **shop locally more often**



Source: Finder research, April 2020

The shift to online has been well documented in 2020 and is underlined by a Finder survey in November of 2,141 Brits. More than a third (35%) didn't plan to do any Christmas shopping in-store this year.

Retailers' delivery services have been under increasing pressure, with the shift to digital shopping. And the expectation set by Amazon Prime has added to this: consumers are becoming accustomed to next-day, and even-same day delivery.

Subscribing to an annual service for delivery - whereby individual delivery costs are replaced by a set fee for the period - is becoming commonplace.

With more than 150 million subscribers to Amazon Prime worldwide (costing £79 a year per subscription in the UK), it's clear this is a proposition that consumers value.

Food retailers like Tesco, Sainsbury's, Morrisons and Ocado all offer a "delivery pass", while clothing and entertainment retailers such as New Look, Next and Very all offer their own equivalent subscription.

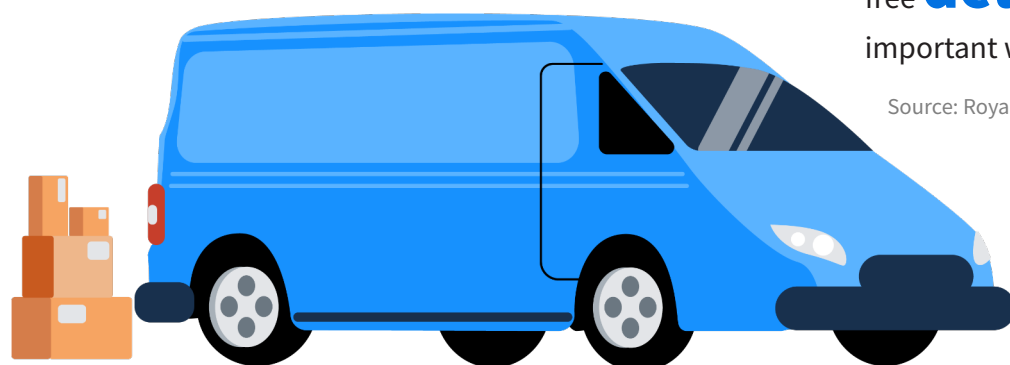
In November this year, Royal Mail published figures for the popularity of subscription shopping services, as part of its annual Delivery Matters study. The research found that 44% of UK online shoppers subscribe to a subscription delivery service - up from 34% in 2019.

Royal Mail also reported that 83% of consumers said that free delivery was important to them when buying online.

Small businesses

For small businesses, free delivery can add up to a significant cost. Finder spoke to several small business owners to ask about their approach. John Piga, co-founder Hampshire-based Custom Crayon Company, said that the firm would offer free delivery on big orders, but as a new small business, it was still trying to balance spending with the revenue.

He added that customers seemed happy to cover postage costs and pay a bit extra to support a small company.



83% of consumers said free **delivery** was important when **buying online**

Source: Royal Mail survey, August 2020

Technology continues to evolve to make paying online more streamlined. Several big tech players - PayPal, Facebook and Google - are operating in the sector. There have been some bumps along the way, however.

PayPal

PayPal was the most used online payment method in 2019 in the UK, according to a survey by market research agency Attest. But Black Friday this year proved to be difficult for PayPal, with a peak of 634 reports on the error recording site downdetector.co.uk that PayPal was down, with the most reported issues being logging in (62%) and sending a payment (33%).

Facebook Pay

Facebook, which also owns Instagram, WhatsApp, and Messenger, is currently rolling out its own payment system, Facebook Pay, in the UK. It allows customers to add their payment information to their social media profile to make charity donations, send money to friends and purchase items, meaning customers don't even have to leave Facebook to shop.

Buy now, pay later

Buy now, pay later (BNPL) is currently the fastest growing online payment method in the UK.

In Finder research from July 2020, more than a quarter (27%) of Brits who had recently used BNPL services more – or planned to do so – cited not wanting to use or take out a credit card as a reason for choosing these services. With fewer credit options on the market this Christmas, more consumers are likely to turn to BNPL services.

“The offer of interest-free instalments and no hidden fees allows shoppers more flexibility but also can lessen their perceived risk of debt, and lead to overspending,” says Finder shopping expert Amelia Glean.



35% of millennials used **BNPL** more to help fund their lockdown and **24%** plan to **use it more** afterwards

Source: Finder survey, July 2020

Some of 2020's biggest retail challenges were driven by the sudden shift to digital shopping, which has changed patterns of behaviour and created pressure on distribution systems.

Increased demand at distribution centres

There have been many stories of distribution systems creaking under the weight of demand - systems that were already under pressure due to the need for social distancing in warehouses.

Marks & Spencer (M&S), which reported a 39.2% increase in its online sales during the first lockdown, has created automation systems to meet demand. Percy and Penny, named after M&S's iconic sweets, are two "autobagger" machines which are able to pack 2,000 items per hour. M&S also announced in October that it was recruiting 500 temporary staff to work in online distribution over Christmas.

Recreating the in-store experience online

One challenge for high street retailers that haven't been able to open their doors as normal is how to offer an experience online that has all the benefits of a bricks-and-mortar store.

In the run-up to Christmas, how could retailers recreate online the magical displays that their stores were famous for? To address this, John Lewis created a virtual Christmas shop, which allows shoppers to browse its London Oxford Street flagship store from their armchair. In an experience similar to Google's Street View, customers can take a virtual walk through the store and see the lights, ornaments and trees on display.

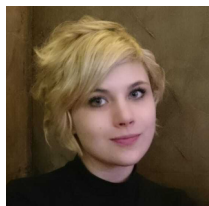
The lack of digital changing rooms poses another challenge for clothes retailers. Amazon has introduced Prime Wardrobe, which lets customers try on up to six items of clothing at home and pay only once they're sure they want them. Customers can return items they don't want for free.

The loyalty question

Even before the pandemic, a debate was raging about customer loyalty, particularly among the latest generation of shoppers, and the issue is heightened at Christmas. In a 2019 survey by Facebook, 53% of UK festive shoppers said they explored new products more during the festive season than in the rest of the year.

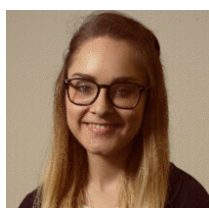
All this feeds the need to tempt shoppers with huge seasonal discounts, and as fashion brand PrettyLittleThing told Finder, for our Black Friday report, this can lead to a race to the bottom on price.





Rebecca Smith, senior behavioural analyst, Canvas8

“This year, people are being more careful with their spending - which may lead them to think twice before splashing out on sales...With a recession looming, people who are anxious about their future finances are using lockdown to get savvy with saving and reassess their everyday spending habits. So instead of swiping up deals they’ve just seen, people may pick out a few products they need, and watch for the best discounts on these.”



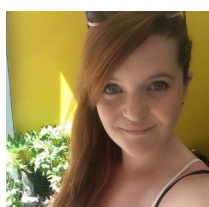
Zoë Mills, senior retail analyst, Global Data

“While there has been a significant decline in footfall to physical locations during the Boxing Day sales period over the past five years, there is still demand for consumers who wish to have a rummage around stores to find a hidden bargain. This year will see notable queues to enter stores with total capacity at any one time now far lower...We are increasingly seeing that the pandemic has given rise to more planned purchases, with consumers visiting a certain store for a particular item and then heading home again. Part of the appeal of Boxing Day sales has been the chance of finding a great deal on an item you hadn’t set out to buy but this concept will be somewhat lost this year.”



Lara Conradie, spokesperson, British Retail Consortium

“This year has marked a remarkable shift to online shopping due to the closure of non-essential retail on two occasions. Many only engaged with online shopping for the first time during the pandemic, and these habits are likely to stick. Thankfully, due to lockdown, there has been a huge investment by retailers in online platforms and delivery logistics.”



Georgia-Rose Johnson, shopping publisher, Finder

“With Brits divided over their spending on Black Friday - fewer taking part in the event, but others able to use savings they’ve made in 2020 - we’re expecting to see the pandemic affect retail spending across the Boxing Day and January sales periods, too, in similar ways. Through the growth of buy now, pay later (BNPL) services in the last year, we’ve seen that Brits are looking for new ways to make their budget stretch, and the flexibility of shopping online has facilitated this. We expect BNPL services to continue growing in popularity in 2021 as online shopping becomes a new habit for many. We may also see the financial regulator tighten the rules on BNPL, following its unsecured credit review.”

Conclusion

The pandemic’s impact on their finances is the primary reason cited by Brits cutting their Christmas spending. Planned spend per person is £476, down from last year’s average of £513. The pandemic has opened up a split among shoppers - those who are still working but not commuting have saved, while those who have lost income are struggling and cutting back.

Winter sales have started earlier, and will finish later this year, as retailers fight ever harder to keep the discounts going. For 2021, the outlook is brighter with the promise of vaccines, but the online shopping habits formed during 2020 are likely to stick.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (source: Experian Hitwise).

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About the author

Zoe Stabler is a writer for Finder specialising in investment and banking. Zoe has a BA in English literature and several years of experience in writing about all things personal finance. Before embarking on her journalism career, she worked as a management accountant.