

**CARAT**



# **A Christmas list from Carat**





Although many of us will be hoping for an amazing Christmas, the pandemic context and the second wave of the Coronavirus has made this a very unlikely scenario. According to Yougov, 75% of the UK think that restrictions will still be in place over this festive period.<sup>1</sup>

Consumer behaviours have changed during the pandemic, both due to circumstance and choice, and retailers must adapt and provide for a different, yet experiential shopping experience this Christmas.

With the countdown on to the big day, Carat is here to help you with the last-minute check list.



<sup>1</sup> <https://news.sky.com/story/coronavirus-britons-feel-christmas-gatherings-should-be-sacrificed-in-fight-against-covid-19-12099604>



# What is driving the customer?

## Pandemic Context

As restrictions continue and are re-imposed amidst the second wave of coronavirus and a second national lockdown recently announce, concerns are generally shared by all consumers. However, the importance and priority of messages differ. The older population are likely to be more responsive to communication around safety, health and hygiene while the younger population will be looking for communications around value and “connecting” to each other.

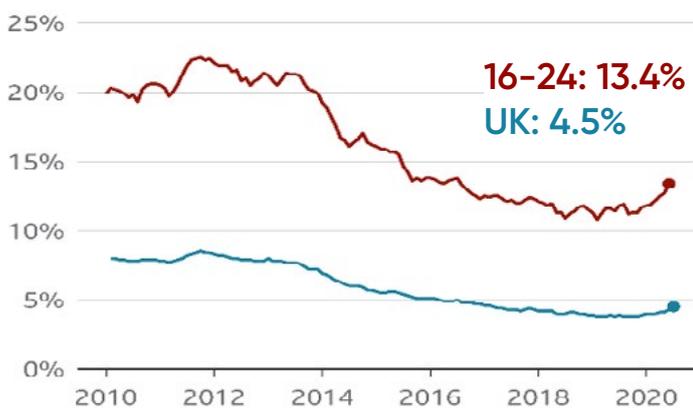
## The economy vs the health of the nation

Unemployment has increased to 4.5% in the three months to August 2020, with redundancies comparable to the impact of the 2008 financial crisis.<sup>2</sup>

However, this has not affected all industries or demographics equally, with 60% of the fall in unemployment being between the 16-24 age group. Anxiety and stress about lifestyle impact reflect this, as a fifth more of those under 34 show more acute concern for this, compared to those over 65.<sup>3</sup>

### Young people hit by rise in unemployment

Percentage of economically active people aged 16-24 who are unemployed



Source: Office for National Statistics. Margin of error: ± 0.4%

The loss of jobs has disproportionately affected those in hospitality, travel and recruitment industries and these effects are expected to intensify as tougher restrictions come into place.<sup>4</sup>

Sectors that are expected to take the brunt of the impact will be ones who have lost consumer demand, non-essential work which cannot be done remotely, and those with workers in close physical proximity.

With these factors in mind, businesses can expect certain demographics of the economy to suppress overall demand. However, there is still a capacity and desire to spend around this festive time.

2 <https://www.bbc.co.uk/news/business-54520521>

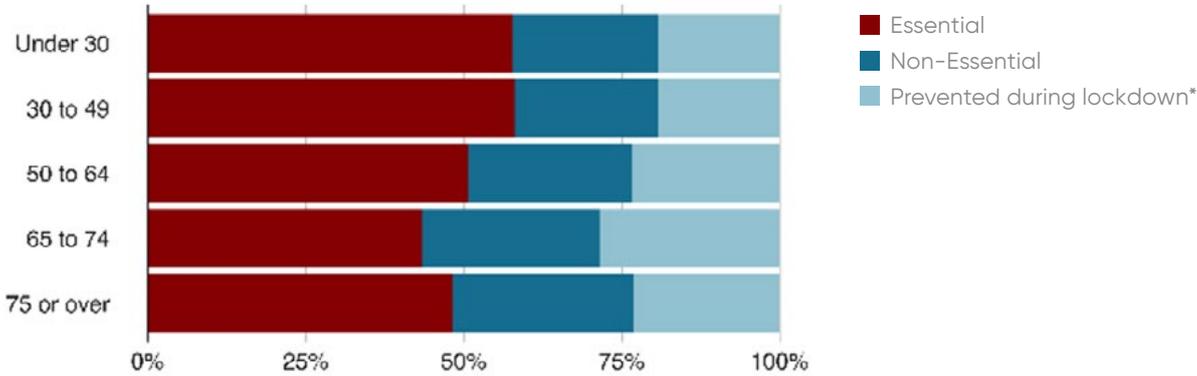
3 Mintel Research July 2020

4 <https://www.bbc.co.uk/news/business-53387647>

## Unevenly distributed effects

Savings have reached a 3-year high, and debt repayment has surged and exceeded new borrowing in since lockdown.<sup>5</sup> Those in the 50+ cohort are also spending around 25% of their weekly expenditure on non-essential purchases.<sup>6</sup> Figures also show that 70% of those earning £50,000 a year continued to work their normal hours, compared to 40% of those earning less than £20,000.<sup>7</sup>

### Weekly household expenditure by age of household in the UK



\* Spending on certain goods and services, such as holidays and eating out. Impossible due to lockdown

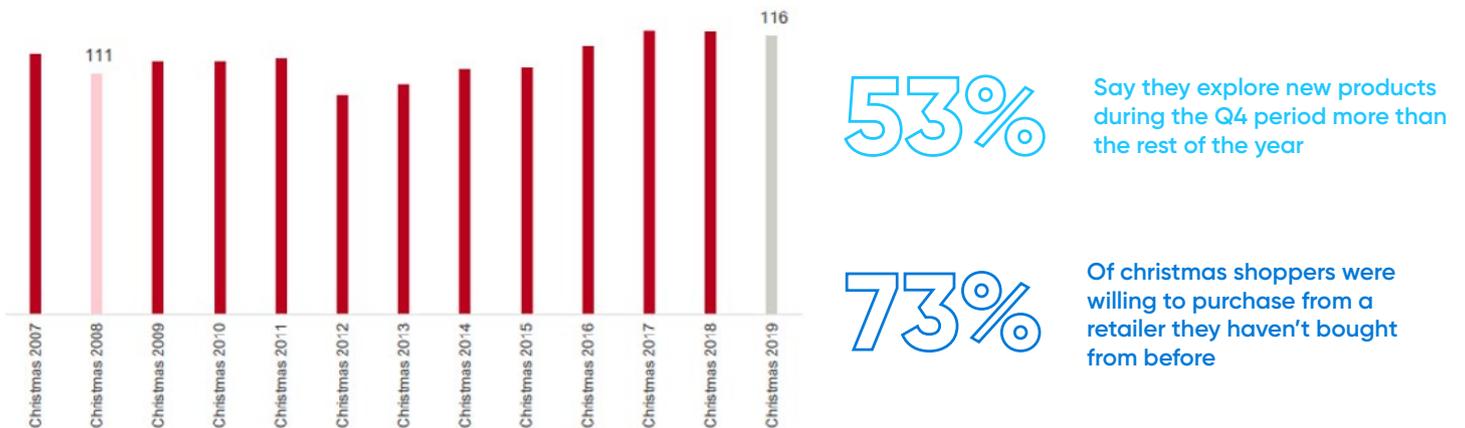
## Christmas, a time for hope

Looking at the 2008 financial crisis, household spending at Christmas only experienced a slight dip compared to other years,<sup>8</sup> suggesting celebrating remains important even during times of adversity.

Businesses may be able to capture these consumers by adapting in this turbulent time and being empathetic to consumers' new behaviours, worries and situations. Surveys conducted in 2019 show high receptivity to new products for consumers.<sup>9</sup>

### Spending more per household

Shoppers splashed out less during Christmas 2008 compared to other years, but not by much.<sup>10</sup>  
£ Spend per household index



Source: Google Peak Reimagined. Google surveys, responses collected June 26th to June 30th 2020. Facebook Seasonal Holidays Study\* by YouGov (Facebook-commissioned online study of 1,516 people aged 18+). UK data only. 2 Dec to 24 Dec 2019

5 <https://www.bbc.co.uk/news/business-53387647>

6 <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

7 <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

8 <https://www.kantar.com/uki/inspiration/consumer/consumer-christmas-spending-plans-2020/>

9 Facebook Seasonal Holidays Study\* by YouGov (Facebook-commissioned online study of 1,516 people aged 18+). UK data only. 2 Dec to 24 Dec 2019

10 Google Peak Reimagined. Google surveys, responses collected June 26th to June 30th 2020



## The Christmas Checklist

Here we share our top tips for getting ready for Christmas 2020.

- 1 Map your customer base
- 2 Start early and integrate channels
- 3 Take the pain away
- 4 Help consumers build their wishlists
- 5 Be relevant to the shopper
- 6 Connect the brand to the crisis
- 7 Find a tone that connects

# 1.

## Map your customer base



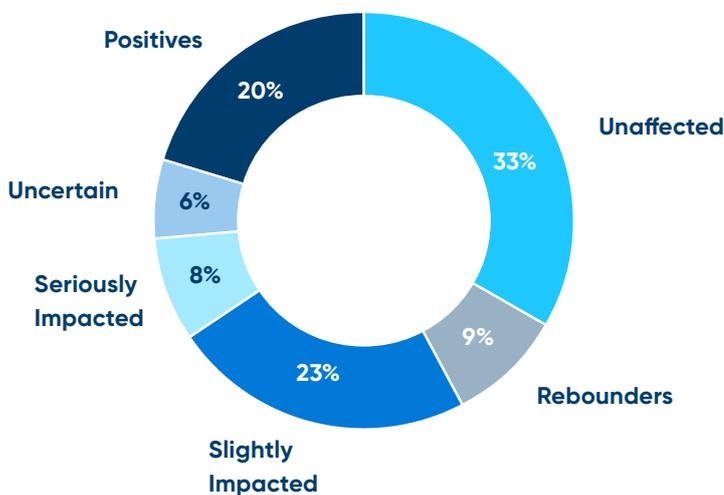
We all need to understand the situation of our customers before communicating. Financially, 31% of people have been negatively impacted, but 53% have experienced a positive or no change – older, high income or cash-rich have retained their spending capacity.<sup>11</sup>

We recommend a quick mapping exercise, plotting customers against a couple of axes: the desire to spend vs degree of economic pressure or perhaps desire to spend Vs fear of COVID.

### Covid-19 Attitudinal Segmentation <sup>11</sup>



### Covid-19 Financial Segmentation <sup>11</sup>



<sup>11</sup> DAN YouGov Covid Segmentation, Foresight Factory Covid financial Segmentation (May – June 2020)

# 2.

## Start early and integrate channels



With the lack of company of loved ones, friends and, missed special occasions, consumers are looking to put in more effort and thought into making this Christmas a meaningful one. As a result, browsing and shopping will start earlier. Last year, almost a quarter considered Christmas shopping 3–6 months beforehand and now “shoppers are being urged to buy early this year or miss out”.<sup>12</sup>

For example, **John Lewis made their Christmas store digital** in August after responding to customer searches. A virtual tour of their physical Christmas store in Oxford Street, London has been added online. This drove Christmas decorations sales up 156% in September compared to the year before.<sup>13</sup>

Plan to move the pre-Christmas plan forwards a couple of weeks and fill any gaps quickly.

<sup>12</sup> Google Peak Reimagined. Google surveys, responses collected June 26<sup>th</sup> to June 30<sup>th</sup> 2020

<sup>13</sup> <https://www.johnlewis.com/content/virtual-christmas-shop>

# 3.

## Take the pain away



Last year, 58% of Brits said that buying the perfect gift is important to them, this year this statistic will increase. Retailers websites are the first choice for gift ideas, exceeding in-store Browsing,<sup>14</sup> suggesting that digital marketing has an even greater influence this Christmas.

### ***Make sure your digital experience is not a barrier***

Help consumers with a “better” digital journey. Consumers are easily deterred when the basics of digitized shopping are not met – with 44% abandoning purchases when a product search function is missing.<sup>15</sup> With Christmas coming fast, if changes were planned, try and get them live, or if you can’t, perhaps look for ways to incentivise customers. We’re much more tolerant of challenges in user experience when there’s something in it for us!

### ***Ensure you have a good mobile experience***

According to our inhouse research, over half (59%) of UK online sales are made through phones or tablets.<sup>16</sup> 45% of retail journeys now contain mobile, from buying via smartphone to researching in-store, showing it is a crucial part of the discovery journey.<sup>17</sup>

*Tip: Contact your SEO team are ready and waiting to deliver quick audits of capability and rapid fixes to get you through the Christmas rush.*

14 <https://www.mckinsey.com/business-functions/marketing-and-sales/solutions/periscope/news/press-releases/47-percent-of-shoppers-need-gifting-ideas-for-the-holidays>

15 <https://www.warc.com/newsandopinion/news/personalization-boosts-purchase-intent-loyalty/40137>

16 Retail DNA 2019: [https://www.dentsu.com/uk/en/reports/our\\_thinking\\_retail\\_dna](https://www.dentsu.com/uk/en/reports/our_thinking_retail_dna)

17 Retail DNA 2019: [https://www.dentsu.com/uk/en/reports/our\\_thinking\\_retail\\_dna](https://www.dentsu.com/uk/en/reports/our_thinking_retail_dna)

# 4.

## Help consumers build their wishlists



Shoppers are now increasingly putting together ideal wishlists of products they would like, rather than intend to purchase.<sup>18</sup> This has extended across many categories, redefining the traditional shopping model.

*Tip: Basket abandonment may just be wishlisting, so use retargeting wisely, and ensure that popular items are incorporated into dynamic creative*

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<sup>18</sup> Retail DNA 2019: [https://www.dentsu.com/uk/en/reports/our\\_thinking\\_retail\\_dna](https://www.dentsu.com/uk/en/reports/our_thinking_retail_dna)

# 5.

## Be relevant to the shopper



Personalisation has been a driver of performance for a number of years. Personalised creative and experience builds trust and loyalty, and as a result drives business value.

There are real opportunities to be more creative with personalisation and invite the customers in, as the Vivadogs case study shows.<sup>19</sup>

### The Family #vivadogs

More than 500,000 happy dogs. Show us how your dog loves his box.  
Tag #vivadogs on Instagram or Facebook and you could see your dog here.



The Vivadogs brand, a monthly dog nutrition subscription service has over 500,000 happy dogs and owners through user-generated content. People want products promoted by peers, and in the era of digital shopping, trust has gone digital (Retail DNA)

User generated content on product pages increases time spent on site and drives conversation rates by 20-30% (Flockler).

*Tip: If personalisation is new to your brand, it's not too late, engaging content, personalisation technology and dynamic creative can still be put in place to deliver improvements this Christmas.*

<sup>19</sup> <https://flockler.com/blog/7-great-examples-of-user-generated-content-campaigns>

# 6.

## Connect the brand to the crisis



As consumers look to get the most out of their money in tough financial times, they'll be looking for value and discounts. Brands can we either dial up the budget element of ranges, or double down on the value parts of their ranges.

Retailers are also partnering third parties to help reshape credit. According to Paypal, there was a 39% increase in buy now pay later schemes from 2019 to 2020.<sup>20</sup> This prompted them to launch their own BNPL scheme for up to £2000. Klarna, a pay later third party company has "a new merchant joined us every 7 minutes in 2019," totalling 70,000.<sup>21</sup>

### A cautious consumer mindset appreciates value and payment offers



Source: Hitwise 2019

Whether you have new payment options or not, we all need to plan agility in promotions and offers this Christmas, as search analysis shows the customer is looking. Our view – set out your promotional plans out early, what are the triggers to go further, how can you connect feeds, creative, CRM and site experience to respond fast?

20 <https://www.chargedetail.co.uk/2020/10/14/paypal-launches-buy-now-pay-later-scheme-in-the-uk-for-items-up-to-2000/>

21 <https://www.kantar.com/uki/inspiration/consumer/consumer-christmas-spending-plans-2020/>

# 7.

## Find a tone that connects



Understanding the customer will help your communication go further this season, with groups of people affected differently by the pandemic impact, as well as different types of shopping behaviours shaping this Christmas. Retailers can “win” in their category by empathising with the right consumers and better targeted marketing.

Families and those with Children will tend to have the biggest basket size, with 27% of this demographic spending over £500 this Christmas.<sup>22</sup> These tend to be driven by women, who are “planner” type shoppers that buy for the family, as well as started shopping earlier than men.<sup>23</sup>

**Just under a fifth of adults will typically spend £500 or more on Christmas presents. Those with children are significantly more likely to be spending this much.**



**Taking this into account is the last step in our Christmas check list.**

<sup>22</sup> <https://www.kantar.com/uki/inspiration/consumer/consumer-christmas-spending-plans-2020/>

<sup>23</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/solutions/periscope/news/press-releases/47-percent-of-shoppers-need-gifting-ideas-for-the-holidays>

## Summary

Let's view all of the actions we suggest through the filter of your brand, and your customer. Creating unique, memorable and relevant engagements is always critical, but in a challenged market it's essential.

Having made your plans, look back through them and ask

"Is this us?"

"Could anyone else do this?"

"Are we better?"



## Sources



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Kantar FMCG panel 4 week average vs previous 12 week average

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Foresight Factory Covid tracker

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Hitwise, Holidays unwrapped webinar 2019

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Designing for People