Industry Insights

Omni-Channel Options Lure 2018 Holiday Shoppers
Physical Stores at the Center of Buying Strategies

January 25, 2019

Key Takeaways

- This year, 93% of U.S. adults purchased holiday gifts and other holiday-related items.
- Nearly nine of 10 (87%) holiday shoppers made purchases in physical stores, a percentage that rises to 93% when those who made purchases online from retailers with stores are included.
- More than four-fifths (86%) of click-and-collect shoppers made an additional purchase when picking up their items in stores.
- Holiday shoppers allocated about seven of every 10 dollars they spent on gifts and other holiday merchandise to retailers with physical stores.
- Overall, holiday shoppers spent an average of $1,015. That includes $713 on gifts and other holiday-related goods, as well as $302 on dining, entertainment and personal services between November 1 and December 25.
- Less than half (47%) of shoppers began making holiday purchases before Thanksgiving—fewer than in 2017 (54%). This year, more (33%) waited until December to start.
- Nearly two-thirds (64%) of shoppers finished during the week and days just before Christmas—more than in previous years.
- Discount department stores, traditional department stores and dollar/variety stores, electronics/office-supply stores and off-price retailers were the most popular retailers.
- Gift cards, apparel, toys, food baskets/alcohol and accessories, such as handbags, cosmetics and fragrances, were the top gifts.
- During November and December, seven of 10 holiday shoppers visited malls and other shopping centers. While there, they shopped, dined, saw movies, used personal services and had their child’s picture taken with Santa.
- More shoppers used their mobile devices in stores this season (73%) compared to last year (66%). Top uses for their devices included comparing prices, checking inventory, getting digital discounts and taking pictures of items.
- Approximately three-quarters (77%) of shoppers indicated that promotions factored into their shopping behaviors.
- More than half of U.S. adults received a gift card during the holidays. The largest share of recipients (43%) expected to have their gift cards fully redeemed by the end of January.

A major study released by ICSC in 2018, “The Halo Effect—How Bricks Impact Clicks,” states that the core of creating a seamless experience for shoppers continues to be the retail store. This key finding also applies to the results of ICSC’s Post-Holiday 2018 survey. As a result, omni-channel shoppers loomed large throughout the season, centering their activity overwhelmingly on physical stores and capitalizing on the latest technological advances, enhancing their overall holiday shopping experience.

Omni-Channel Retailers Dominant During Holiday Season

As indicated in all previous ICSC surveys during this most recent and past holiday seasons, most holiday shoppers—nearly nine of 10 (87%)—bought goods at brick-and-mortar locations, as shown in Table 1. That share rises to 93% of holiday shoppers making purchases from traditional retailers when taking into account the 53% of them who bought online from those companies. About two-fifths (41%) purchased online from a retailer with a physical presence and had the goods shipped home, while slightly fewer (36%) picked up their online orders in store. Interestingly, a majority (54%) of holiday shoppers also indicated that when buying online during the holidays, it was important for the retailers to have a physical store presence.

In addition, those who bought online but collected their items in store continued shopping. More than four-fifths (86%) of click-and-collect shoppers made an additional purchase (at least once during the season) at that store/tenant, an adjacent establishment, or another unit within the same shopping center.

A higher share of Millennials (94%) bought more items after picking up online orders in store than Gen X (84%) or Boomers (79%)—indicating a higher propensity for impulse buying among the youngest shoppers. Furthermore, two-fifths (40%) of holiday shoppers said that during the season they were more likely to use retailers’ click-and-collect option than at other times of the year.

Overall, just as many holiday shoppers (62%) purchased from pure online retailers as in 2017. Specifically, 58% indicated spending through Amazon and 22% from all other pure online retailers in 2018. These shares were 59% and 23%, respectively, in 2017.

Also shown in Table 1, 68% of holiday shopping expenditures on goods occurred in physical stores/establishments or online from retailers that have a physical presence. This is more than the share holiday shoppers allocated to traditional retailers in 2017 (62%) and is predominantly a result of an increase in the allotment to physical establishments (44%) in 2018, compared to 2017 (38%). One-quarter (24%) of total holiday-related spending on goods was online from omni-channel retailers.

Holiday shoppers cited several reasons for their patronage of physical stores:

- The ability to see, touch or try on the merchandise (52%);
- The ability to get items immediately (48%);
- Better prices/good deals/promotions (37%);
- Not wanting to pay for shipping (35%); and
- Convenient one-stop shopping (34%).

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Table 1

<table>
<thead>
<tr>
<th>Retail format</th>
<th>Percent of holiday shoppers</th>
<th>Percent of total holiday-related expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical stores</td>
<td>87%</td>
<td>93%</td>
</tr>
<tr>
<td>Online from retailers with stores</td>
<td>53%</td>
<td>24%</td>
</tr>
<tr>
<td>Ship to home/office</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Pick up in store</td>
<td>36%</td>
<td></td>
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<tr>
<td>Pure online retailers</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Amazon</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>All other pure online retailers</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Other sources</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

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1 These results and others in this report are based on a representative poll of 1,005 adults in the U.S., conducted between December 27 and 30, 2018, by Engine Insights on behalf of ICSC.

CONSUMER SERIES
Finally, about one-fifth (21%) said they went to stores because it is a fun/traditional activity to do with others given the festive atmosphere and décor.

**Generation X Tops Other Cohorts in Total Spending**

Not unlike past holiday seasons, *more than nine of 10 (93%) U.S. adults made holiday-related purchases this year*. These shoppers spent an average of $713 on gifts and other holiday items. (See Chart 1.) This is slightly more than what holiday shoppers anticipated spending ($706) back in September when asked in ICSC’s Holiday Spending Intentions survey. In addition to their holiday-related expenditures on goods, shoppers spent $302 on dining, entertainment activities and personal care services from November 1 to December 25. In total, holiday shoppers spent $1,015 on those goods and services.

By generation, in total, Gen Xers spent the most ($1,119) during the season—about 6% more than Millennials ($1,053) and 8% more than Baby Boomers ($1,038). Despite the differences in overall expenditures, the shares of total dollars allocated to holiday goods and services among Gen Xers and Baby Boomers were very similar. Both groups spent about three-quarters of total dollars on goods and about one-quarter on services. On the other hand, Millennials apportioned a lower percentage of their overall spending to holiday goods, about two-thirds, and the remaining one-third went to service categories.

Overall, half (50%) of holiday shoppers said their holiday-related spending on goods increased in 2018 over 2017, while 23% said expenditures on items remained the same. Among those who spent more this year, the number one reason they cited for doing so was a change in the number of people they had to buy gifts for, followed by items being more expensive, good deals/promotions being an incentive to purchase more and a change in budget for personal reasons.

**Holiday Shopping Rush Lasts Until Christmas**

During this past holiday season, more shoppers got a later start than in the past. In 2018, one-quarter (25%) of holiday shoppers began in the months before the traditional two-month holiday season (November-December). In 2017, it was roughly 30%. Furthermore, higher percentages of shoppers started making purchases in December 2018 (31%) than the same period last year (27%). (See Chart 2.)

This is also confirmed by the timing of holiday shopping completions. (See Chart 3.) Almost two-thirds (64%) of holiday shoppers say they finished during the last week leading up to Christmas. This is significantly higher than both the 52% who anticipated finishing their shopping during this period back in late September 2018 and the 50% of shoppers who completed during this time last year. In 2018, Super Saturday (December 22) (19%) and Christmas Eve (13%) saw large increases in the shares of shoppers finishing on those days over 2017 (10% and 7%, respectively). Gen Xers contributed most to the late surge in shopping completions as 71% of them indicated finishing during the last week/days before Christmas compared to 64% of Millennials and 61% of Boomers.

**No Shortage of Holiday Shoppers at Discount Department Store Retailers and Shopping Centers**

Holiday shoppers sought out a variety of retailers this season. Nearly three-quarters (71%) patronized discount department stores—the most popular type of retailer by far, as shown in Chart 4. Additionally, they purchased gifts and other holiday-related items at traditional department stores (40%), dollar/variety stores (24%), electronics or office supply stores (22%) and off-price retailers (21%). Wholesale clubs/supermarkets and apparel stores were each patronized by 17% of shoppers, while 16% bought from health and beauty retailers.

Consumers visited the physical locations of the preceding types of retailers in malls and other types of shopping centers. As a result, from November 1 to Christmas, 70% of adults in the U.S. went to one. Trips to shopping centers were more common among Millennials (81%) than Gen Xers (73%) or Baby Boomers (58%). (See Chart 5.)
Nearly three-quarters (74%) of visitors said they shopped at shopping centers. But, about half (48%) of adults who went to these properties to shop also participated in at least one other activity while on the grounds. Consumers spent time dining (51%), watching movies (28%), using personal services (20%), having their child’s picture taken with Santa (14%) and attending other holiday-related events (11%). Additionally, in the season of giving, centers also engaged the most generous impulses of consumers as 12% of visitors donated to charity and/or participated in other philanthropic campaigns while there.

Gift Cards Are Still the Most Popular Item Given Out During the Holidays

The number one purchase among gift-givers this season continued to be gift cards, bought by over two-thirds (68%) of holiday shoppers. They also purchased apparel/footwear (51%), toys and games (48%), women’s and men’s accessories/handbags/fragrances (34%), food and beverage baskets (34%), electronics (31%) and household appliances (25%). (See Chart 6.) This is a near-identical distribution compared to 2017.

On average, holiday shoppers spent $99 for gift cards, representing about 17% of their total gift expenditures. (See Chart 7.) While there was little difference between the generational cohorts in the percentages who purchased gift cards—roughly 70% of each group—their expenditures on them varied. Baby Boomers spent the most ($123), on average, followed by Generation X ($106) and Millennials ($76).

A Preliminary Look at Gift Card Redemption Patterns

As gift cards grow more popular, understanding their redemption patterns becomes more important because of the impact on holiday sales distribution. Gift card sales are generally accounted for when recipients begin redeeming them, not at the time of purchase and therefore, the impact of holiday-related expenditures is not fully realized during the traditional holiday season.

Just as holiday-related spending has been extending the season earlier into the fourth quarter (and even beyond), so spending originating from gift cards is extending the effects of the season to the end of the year, and even well beyond. Over half (54%) of all adults received a gift card this season—nearly identical to 2017. More than two-fifths (43%) of those who received gift cards planned to redeem them by the end of January, followed by February or later (32%) and the last week of December (25%). This is very similar to the pattern from one year ago.

Higher percentages of the younger age groups received gift cards compared to the older age groups. Younger age cohorts tend to redeem gift cards sooner than the older groups. In particular, roughly 35% of Millennials indicated they would redeem gift cards by the end of the year, compared to 20% of Gen X and 19% of Baby Boomers. On the other hand, about two-fifths (42%) of Boomers will redeem in February or later, compared to 30% of Gen X and 28% of Millennials.

Holiday Shoppers Equipped To Make Informed Decisions in Stores

Consumers benefited from the advancing omni-channel environment by becoming better informed about choices and prices once inside a store. Overall, 73% of holiday shoppers who have a mobile device used it while shopping in a store during this past season, as shown in Chart 8. This represents an increase from the 66% who used their devices in stores in 2017. Younger holiday shoppers used mobile devices while shopping in-
store more than older groups. These holiday shoppers mostly used their smartphones or tablets in store to compare prices (54%), get digital discounts/coupons (39%), check availability (39%), take pictures of items (35%), email/text with friends/family about purchases (33%) and view reviews/ratings (31%).

Still related to the ongoing offline/online retail convergence, nearly half (49%) of holiday shoppers said that after shopping at a store during the holiday season, they also went to that same retailer’s website to do additional browsing and/or to make purchases.

Promotions Play a Significant Role in Holiday Shopping

Among shoppers who said promotions played a role in their shopping decisions, nearly half (46%) said they planned shopping around specific promotional events/dates such as Black Friday, Cyber Monday, Super Saturday and/or other big sales. About two-fifths (39%) said the promotions they saw in stores influenced the purchases made, while close to one-third (31%) said they were influenced by promotions on the Internet/social media.

Not only do discounts/low prices impact the stores visited and products bought, but other specific behaviors as well. More than three-fifths (64%) of shoppers agreed that once in store, buying holiday gifts and other holiday items at a discount encouraged them to purchase even more than anticipated because they felt they were getting a lot for their money. Additionally, 46% said that the “treasure hunt” for deals/discounts during the holiday season encouraged them to make more trips to physical stores.

Conclusion

No different than during other times of the year, holiday shoppers took advantage of all available options in the current omni-channel environment by making purchases in stores, visiting shopping centers and buying some items online. Similar to past seasons, shoppers were enticed by promotions (sometimes so much so, they actually bought more just to take advantage of the deals). Despite an early start, the greatest percentages of shoppers did not finish until the season’s very end.