



2022

Festive Forecast

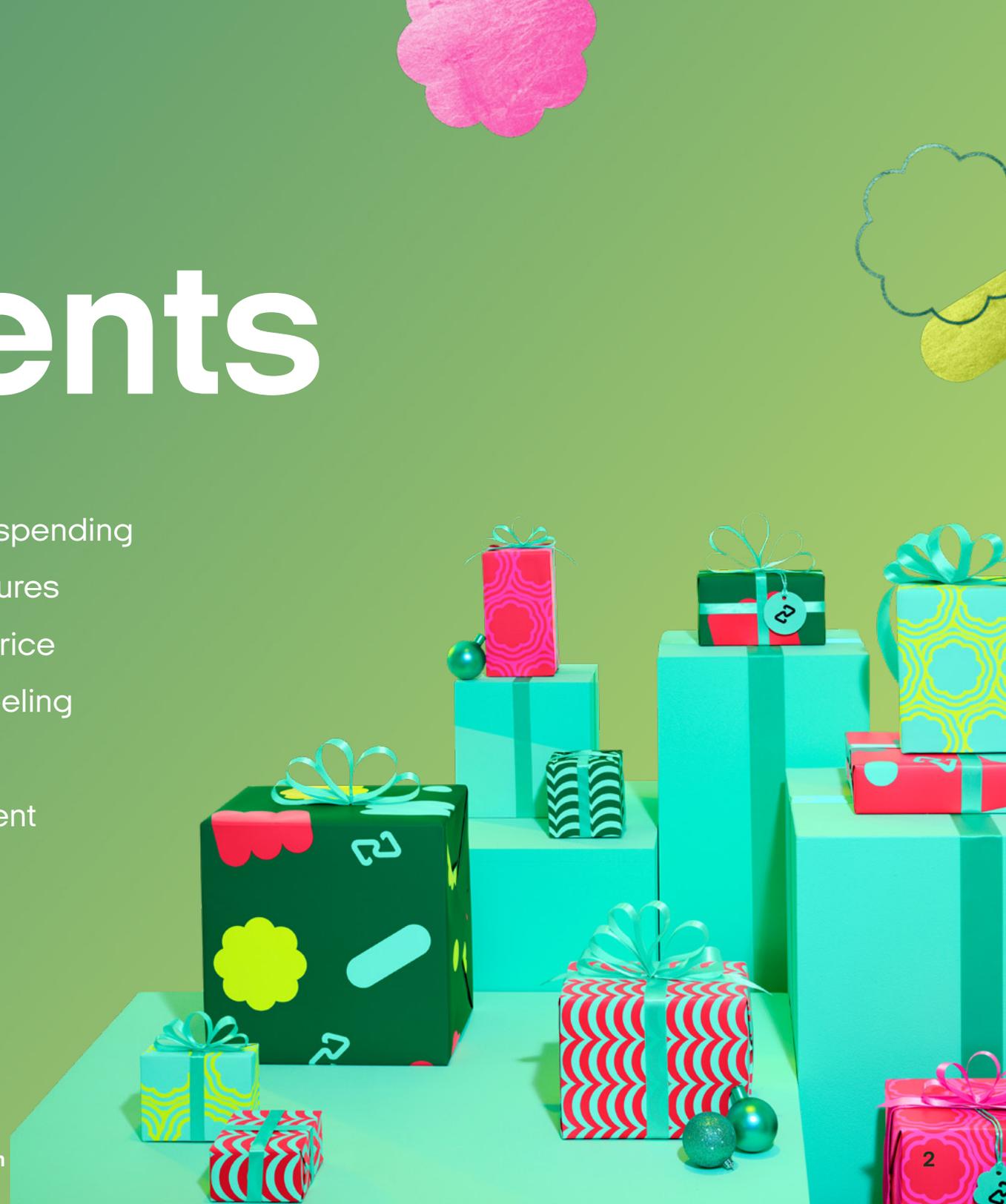
Small & medium business edition

Unwrap the latest insights from Afterpay & Square to discover how shoppers will be spending this holiday season.



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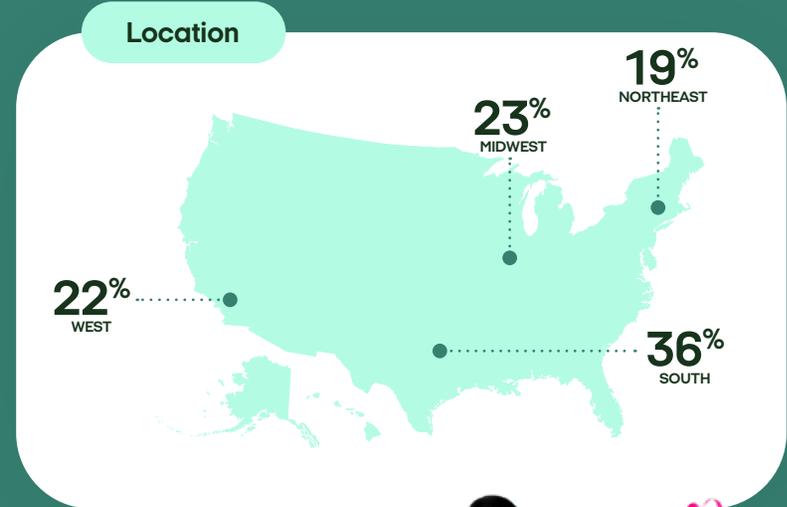


We surveyed 1,000 U.S. consumers, plus a boost of 500 Gen Z and millennials.

This survey was conducted between August 29 - September 9 2022. Core sample data was nationally representative across age, gender and location. We also surveyed 573 Square sellers in the U.S. Retail industry (mid-market to SMB) between September 21- and September 27, 2022, while analyzing year-over-year

Square and Afterpay data in the U.S. retail sector from June and September 2022.

For this report, we focused on the respondents who said they want to shop with small and medium businesses this festive season.



Festive findings wrapped up.

Top-line results to turbocharge your 2022 sales season.

Shoppers feel the squeeze.

Americans are heavily impacted by inflationary pressures, and many are making cutbacks and trade-offs.

Making a list, checking the price.

Despite the rising cost of living, 34% of shoppers are more likely to increase their holiday spending than decrease it. Some Americans will look for more affordable gifting alternatives.

Gift-giving inspiration, uncovered.

Consumers will look to family and friends' recommendations and in-store environments for gift ideas. Sales may spur them to spend.

'Tis the season for excitement.

Gen Zers and millennials are especially excited about the holiday season.

The gift of giving.

What are Americans gifting this holiday season? Vouchers, gift cards, fashion, and food and beverage.

Sleigh with Afterpay.

One in ten Americans plans to use a BNPL service like Afterpay to manage and budget their finances during the gift giving period.

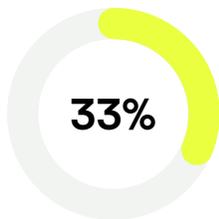


Inflation will impact holiday spending.

Costs are rising. Here's how shoppers are reacting.

Americans are feeling the pinch.

Consumers who shop with small-to-medium-sized businesses are adapting to the rising cost of living by cutting back on general purchases [39%], working longer hours [25%] and dipping into their savings to cover costs [24%]. More than one in 10 plans to sign up to a BNPL service to gain greater control of their finances.



Small biz shoppers say they're finding it hard to save amid rising costs.



Americans who shop with small businesses are spending the same on essentials, but cutting back on little luxuries.



Positive Forecast.

Although many Americans are feeling the strain of rising costs, most shoppers will be spending the same – or more – than last year.

46%

will spend the same as last year.

24%

will spend slightly more.

10%

will spend significantly more.



Retailers feel inflation pressures.

Alongside consumers, 74% of businesses report that inflation has had an impact on their preparation and approach to the holidays. Fifty percent report they plan to increase prices before the shopping season.



Retailer sentiment is also mixed about how the holidays will compare to last year.



TIP

Transparency is key to earn buyer trust. Be sure to properly communicate any business or pricing changes to set expectations during the holiday season.

“Our hope is that COVID and inflation don’t affect consumer spending in the coming months. As a business owner, hiring and inventory have been the two most difficult issues to deal with this year, as costs for both are increasing significantly. It’s been busy preparing for the holidays, and since we had record holiday sales last year, our goal this year is to match or beat those numbers.”

- Blake Grandon, Owner of Party Mania Bethesda, a party supply retailer in Bethesda, MD

Making a list, checking the price.

Some shoppers [18%] say they'll be on the lookout for more affordable gifts this year, while some [13%] will be forgoing gifts altogether to focus on their own daily expenses.

Shop with soul.

1/3

Nearly one third of small biz shoppers prefer to buy products that are sustainable or ethical. Nearly three in 10 small biz gifters say they love shopping and a similar amount are choosing to buy sustainable products.

Discount devotees.

2 in 5

Americans say they're always on the lookout for a bargain.

Support small

1 in 7

Americans choose to buy from small and local businesses, rather than chain stores – and Millennials, in particular, love to shop small.

Eat, drink, donate, and be merry.

Gift-giving isn't the only spending priority this holiday season. Plenty of people will be splurging on food and drink [50%], spending for Thanksgiving [38%], socializing [36%], and decorations [29%]. Nearly one in four Americans said that donating to charity was a holiday spending priority.

TIP

Shoppers will be seeking value, so be sure to emphasize deals. You can also consider buy-one-get-one-free offers or free shipping over a certain price point.



How festive shoppers are feeling.

'Tis the season for excitement.

Merry motivations

Why are SMB Gifters buying gifts:



Merry Z-mas.

Gen Zers and millennials who shop with small businesses say they are "extremely excited" about the holiday season. Why? About one in four [25%] can't wait to see friends and family, while one in eight [12%] are looking forward to giving and receiving gifts. Other small biz shoppers [10%] just love the holiday season.

The reason for gift-giving season.

When asked why they buy gifts, more than half [52%] said they wanted to show "love and care." A similar number [57%] just wanted to "put a smile on someone's face." For others, it's the act of giving that motivates them [48%].



Generosity across generations.

Different generations approach gift-giving differently. Gen Z and millennials are more likely to give gifts to maintain a good relationship with someone they care about. One in seven small biz shoppers buys gifts as a form of retail therapy.

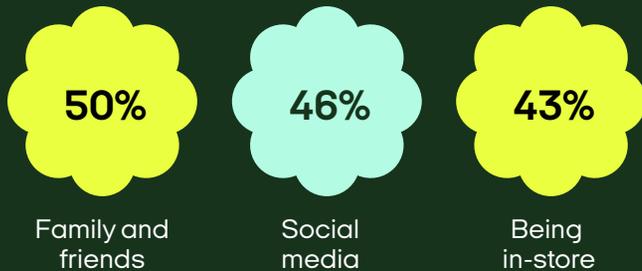
TIP

Think about your target demographic and how you are positioning your products' value to them. Are you emphasizing utility or meaning?

Stock up on ideas.

Discover where shoppers get inspiration for holiday purchases.

Inspirational sources.



“For the upcoming holiday season, we’re looking forward to testing out new ways to engage new and existing customers. This is the first year we are heading into the holidays using Square Loyalty, and we’re excited to see how receptive customers are to the rewards and how it will affect our business in the long-term. So far our regulars love it, and we are optimistic it will increase overall sales and result in engaged customers.”

- Sasha Safarzadeh, Operations Manager of The Chakra Shack, a spiritual gift shop in Laguna Beach, CA.

TIP

Consumers trust recommendations from their friends and family, so consider setting up a referral or loyalty program to reward customers for sharing the love. You can also leverage these programs to send out marketing messages to share holiday sales and specials to keep your brand top of mind for shoppers.

Social shopping.

Social media is another important influence, with around one in three shoppers spotting gift ideas on Facebook [34%] or Instagram [24%]. Younger shoppers, in particular, reported that social media posts prompted them to purchase.

Square and Afterpay found the majority of businesses plan to enlist a number of online channels. 59% of retailers intend to sell on social media, 45% will sell through their online store, 38% plan to sell through marketing campaigns, and 16% will leverage selling through text message via [conversational commerce software](#). Only a quarter of businesses [26%] don't plan to use any online channels this holiday season.

TIP

Promote and sell across a variety of online channels to increase brand awareness and sales.

Sales drive sales.

Another shopping cue? Noticing that a product is on sale. Roughly 45% of consumers say that sales would prompt them to purchase, while more than one in four [26%] small biz shoppers also say they'd be compelled to shop during a sale event like Cyber Monday.

TIP

Small biz shoppers are especially influenced by the in-store environment. Start planning your [festive in-store displays](#) and ensure that signage encourages shoppers to enter.

Brick-and-mortar matters.

In-person sales are still important. Seeing a product in a shop window would prompt some shoppers to spend [23%], along with seeing a sign in a store window [18%] or noticing holiday decorations [23%].

TIP

Don't forget to clearly communicate that your store offers Afterpay both online and in-store. If you don't already offer Afterpay, now is the time to start, as consumers would use a BNPL service to buy their gifts. Square and Afterpay transactions have a 70% higher average order value compared to other payment methods, helping increase revenue.

When Afterpay is available as an option in-store, the BNPL platform converts one in eighteen shoppers [18%].



Where the magic happens.

“Since we are a mobile business, we don’t have a traditional brick-and-mortar store. This works for us because we have the advantage of meeting our customers wherever they are. For example, Summer fairs have been great for us, and we plan to take a similar approach to sales for the holiday season.”

- Randy Fulkerton, Owner of Korie’s Kloset, a children’s clothing store in Seminole, FL.



AVERAGE SPEND
\$50 -150



44% consumers plan to purchase gifts online



56% consumers prefer to purchase in-store

TIPS

1

Leverage omnichannel operations to increase revenue and meet buyers where they are for easy commerce.

2

Ensure your store is fully staffed while maximizing employee availability and impact through integrated team management and payroll software.

More ways to shop.

Consumers continue to want a blend of online and in-person shopping experiences so they can purchase however they want. 44% of consumers plan to purchase gifts online compared to the 56% who prefer in-store.

44% of retailers expect sales to grow during the holidays and another 20% expect sales to remain the same. Selling across channels will

ensure retailers meet business goals by increasing visibility and discoverability among target audiences.

Offer exceptional in-person experiences.

Retailers continue to adopt hybrid, mix-use business models in order to offer personalized, unique experiences that attract in-store customers. For example, hiring growth

of baristas, servers, and bartenders at retail locations has outpaced hiring growth 8X.

In hopes of dealing with increased foot traffic, 16% of businesses report they plan to hire more staff while 23% plan to increase staff hours. However, Square found that hiring for general retail employees is flat, showing businesses haven’t extensively increased hiring in the months leading up to the holidays.

TIPS

1

The best way to prepare for gift card season is to make sure you're offering both physical and e-gift cards so buyers have a choice.

2

Start promoting your gift cards as soon as possible so buyers know that they're an option and can easily be purchased on your website or in-person the next time they visit your store. Retailers can also promote gift cards through marketing messages and on social channels.

Popular presents.

The most popular gift category is clothing, followed by gift cards. Food and beverage also rates highly among small biz shoppers.

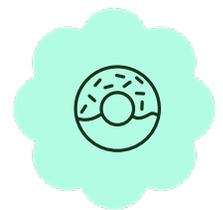
Anecdotally, almost half of gift card sales from Square merchants fall between October and December, since these months hold major holidays like Hanukkah, Kwanzaa, Christmas, New Year's Eve, and others.



Clothing



Gift cards



Food and beverage

There's no time like the present.

What and when shoppers are buying this holiday season - and who they're treating.

Shopping starts...now!

3 in 5

small business shoppers will have their holiday shopping done by December.

1 in 6

will start purchasing in early December.

14%

will leave it until mid-December or later.

TIPS

1

Timing counts this festive season. Ensure in-store staff are trained early.

2

Online shoppers often start purchasing earlier to avoid shipping delays. Confirm your delivery policy as soon as possible and ensure customers have all the information they need about products, including size and fit, to confidently buy online.

Who gets the gifts?

Shoppers are putting family at the top of their gift lists. They're most likely to buy presents for their children [25%] or a partner [20%], followed by other relatives [13%].

Timing is everything.

Gen Z is most likely to purchase during Black Friday and Cyber Monday [BFCM] sales, while older shoppers are more likely to buy in December.

TIP

Ensure your BFCM marketing speaks clearly to younger shoppers using the most relevant channels, such as social media. Consider ways to reach older, more traditional customers through targeted marketing efforts.

Sleigh with Afterpay.

Make the most of the festive season by offering Buy Now, Pay Later (BNPL).

Don't miss out on customers.

One in 10 shoppers plan to use a BNPL service. Younger shoppers are especially likely to use BNPL.

The Afterpay appeal.

Why do small biz shoppers plan to use BNPL services? Many reported that it enabled them to shop immediately and gain access to higher priced items. Others said it allowed them to spread out their payments and spoil their loved ones.

One in ten shoppers would sign up for a BNPL service to help with budgeting for larger purchases.



TIP

Ensure that Afterpay is clearly displayed on your e-commerce website and in-store, so customers know you offer it. Head to [Afterpay's website for marketing resources](#) to help you promote Afterpay.

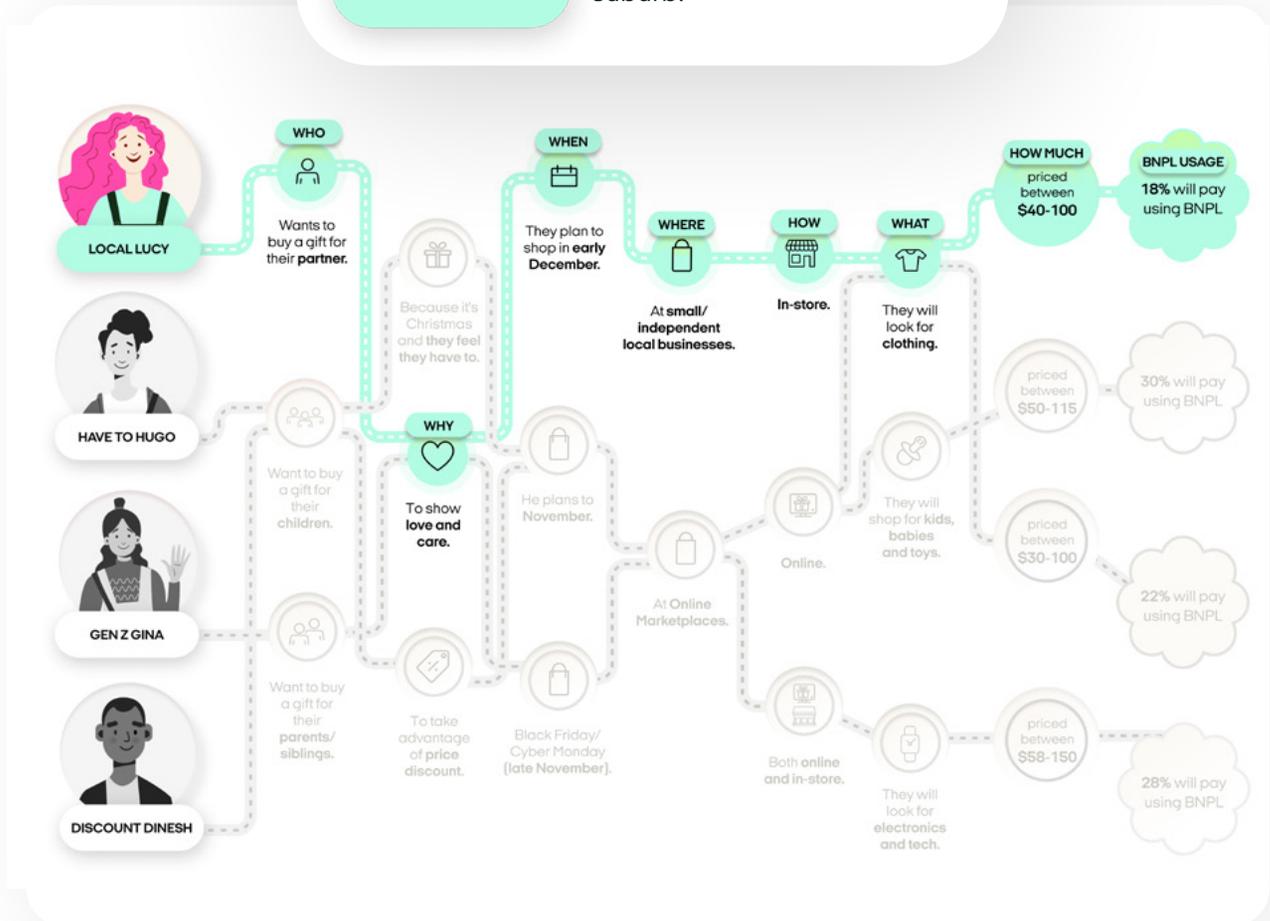
Present-buying predictions.

Want to target specific shoppers this festive season? We took a deeper dive into our data and created three key shoppers and their journeys.



LOCAL LUCY

Lucy is your small biz shopper, looking to support SMBs online and local businesses in her suburb.

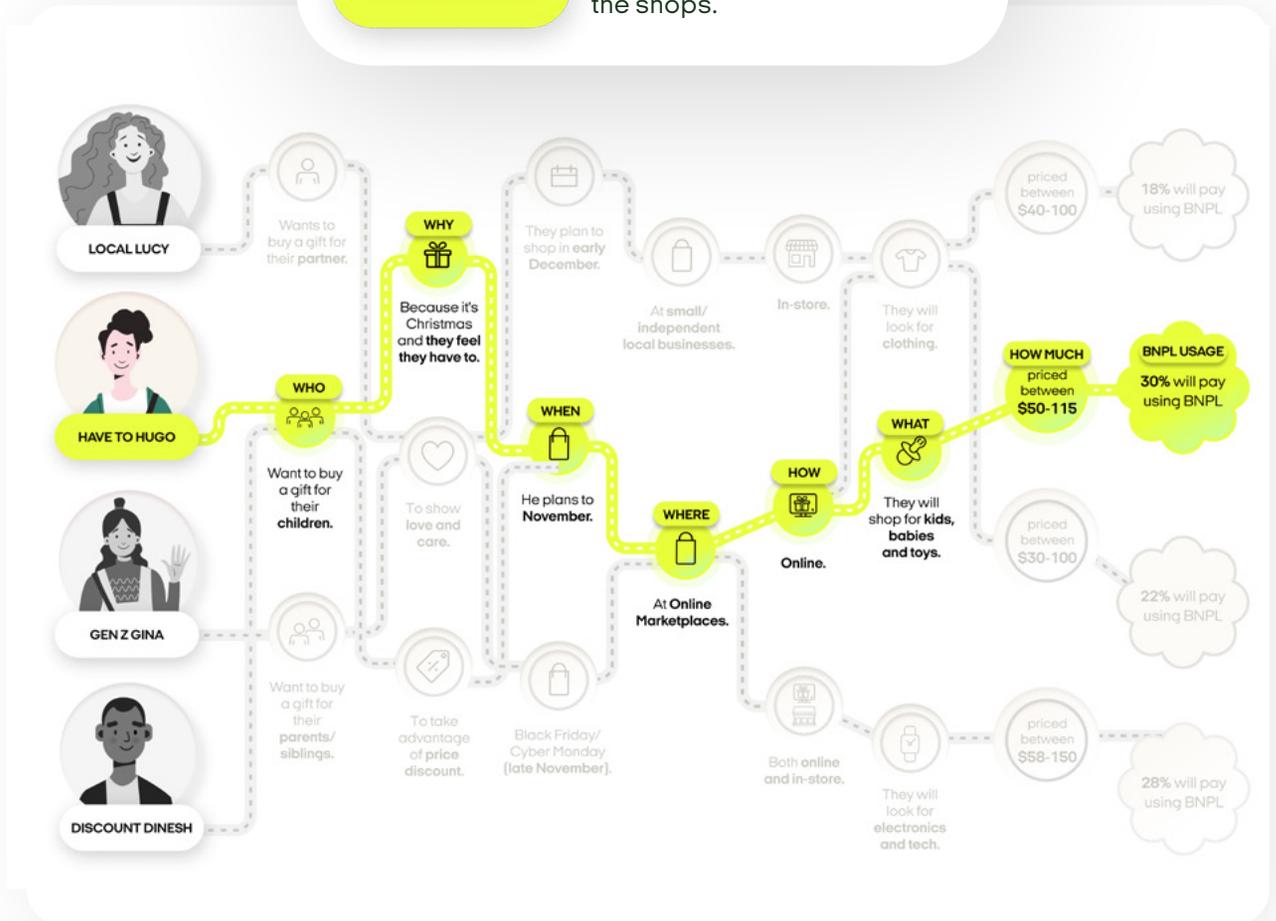


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Hugo will be out holiday shopping... but only because he has to. It's the pressure of gift-giving that's making him hit the shops.



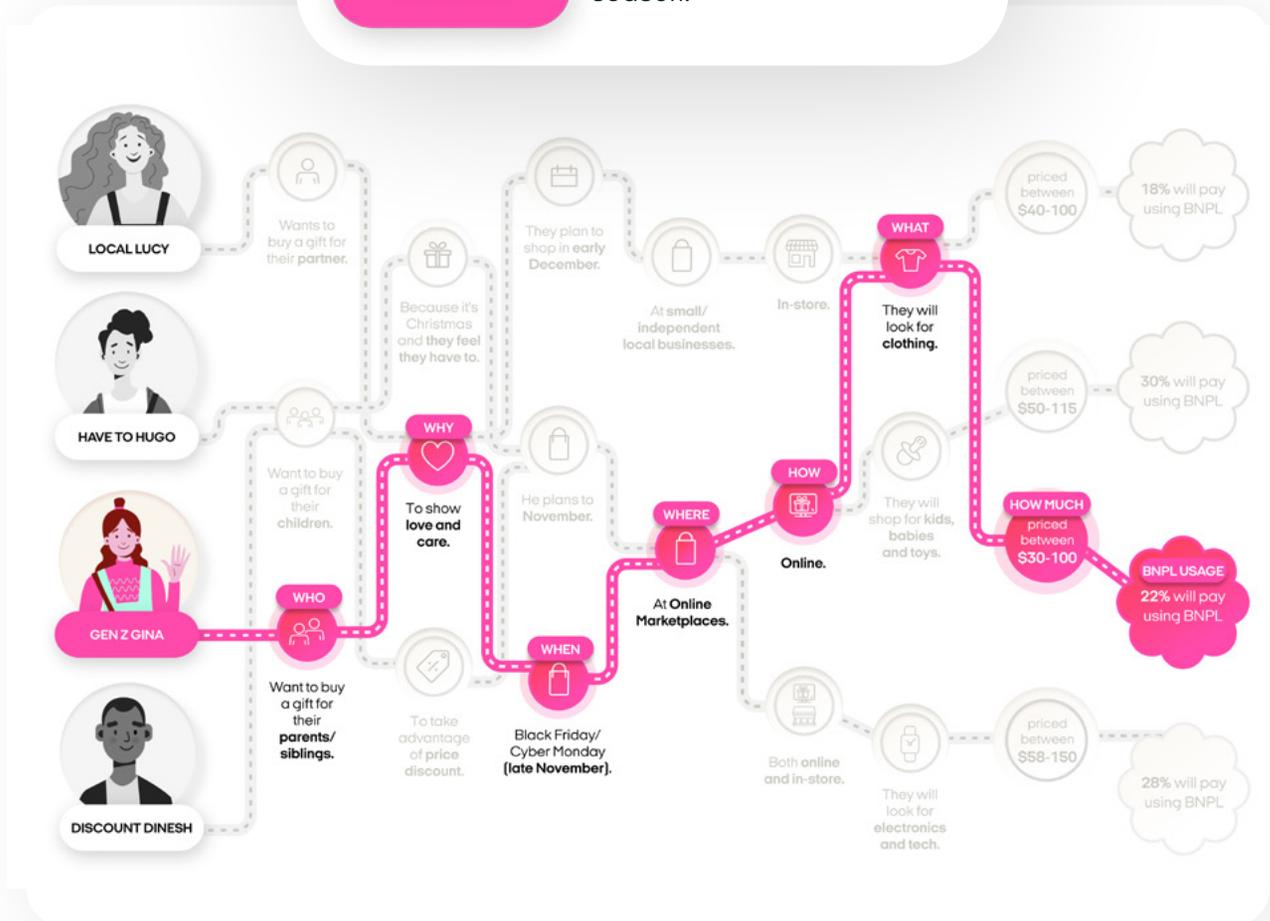
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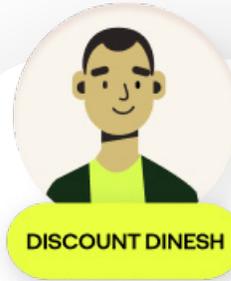
GEN Z GINA

Gina's your typical Gen Z shopper, looking for the hottest gifts and what's trending this season.

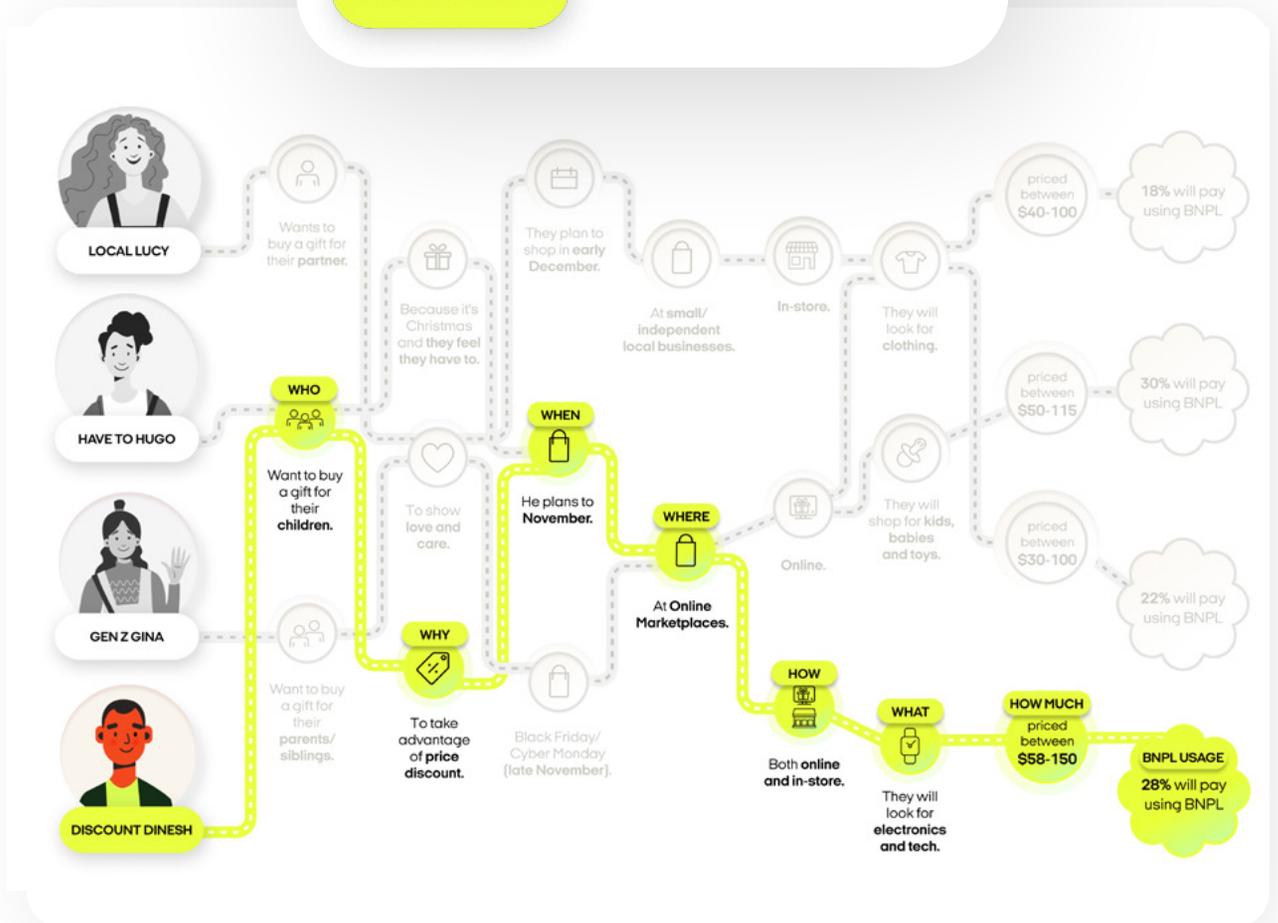


Present-buying predictions.

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Dinesh loves a bargain! He's searching for the best deals and discounts this season.



Festive feelings.

Understand the shopper's mindset this holiday season.

Happy holidays.

Americans are most eager to spend time with family and friends this festive season [44%], while one in six [14%] are looking forward to treating their loved ones to gifts. Others can't wait to eat festive food [11%] and see the decorations [7%].

Fashion first.

Want to win the holidays? Give the gift of fashion. Nearly three-quarters of Americans say that they most want to receive fashion products or clothes.

Split on spirits.

Americans are divided on whether alcohol makes a good gift. More than half [55%] would love to receive it, but a similar number [45%] would hate to be gifted alcohol.

A very merry menu.

Put roasted potatoes on the menu! Nearly nine in 10 Americans say they love the festive food, along with chicken, turkey, cornbread, and macaroni and cheese.

Easy on the eggnog.

Forget the eggnog. Almost half of Americans say they hate it, with baby boomers, in particular, giving it a thumbs-down. As for Gen Z? Step away from the beans. Green bean casserole is one dish they do not want to see this holiday season.

Wishing you a very merry holiday season!

We hope you sleigh your sales targets and
delight your customers this festive season!

