



Retail executive outlook: Holiday report 2022

Consumer & Retail

September 2022



Key themes from our recent retail executive survey (1 of 3)

1

Revenue mix update

- KPMG estimate for holiday retail growth is 4.2 percent, down from 14.1 percent last year as reported by the National Retail Foundation.
- 75 percent of respondents make 40 percent or less of their total annual sales during the holiday period, with over half making between 20 percent –40 percent of annual sales during the period.
- Most retail executives expect holiday sales to improve over 2021, with 68 percent of respondents expecting sales to improve compared to only 24 percent expecting a decline relative to last year.
- Expectations for year-over-year change in holiday sales is not being driven by retail subsector, as all sector groups other than department stores are expecting to improve holiday sales this year versus last.
- Buy online pick up in-store (BOPIS) and shipping from stores are expected to grow their share of omnichannel fulfillment while drop shipping is expected to decline slightly but remain the most common.
- Roughly half of respondents expect increases to both physical store and e-commerce traffic (51 percent and 50 percent respectively).
- Retailers are significantly more bullish than industry analysts, expecting strong increases to demand regardless of channel.
 - Respondents whose primary sales channel is street based were the most optimistic about holiday traffic, with 68 percent expecting increased traffic, versus 50 percent for e-commerce and mall-based respondents and only 32 percent of shopping center/plaza/strip respondents.

Key themes from our recent retail executive survey (2 of 3)

2

Sales and promotional strategies

- Estimated marketing spend during the holiday period is about 30 percent, down from about 36 percent last year.
 - Almost all respondents plan to spend a smaller share of marketing during the holidays than three percent of annual sales they generate during the period.
- Roughly half of respondents (47 out of 95) spend over 50 percent of their holiday marketing dollars on digital campaigns, with greater spending on digital advertising generally correlating with a greater share of holiday sales through ecommerce.
- 75 percent of respondents expect to increase their holiday digital marketing budget over last year versus only 40 percent expecting to increase their nondigital marketing budget (37 percent of respondents expect to increase both their digital and nondigital marketing budgets).
- Most respondents will be open on Thanksgiving, with 44 percent expecting to close all stores. 85 percent and 82 percent are planning Black Friday and Cyber Monday promotions respectively, down slightly from last year in both cases.
- The majority of respondents expect to be more promotional than last year (73 percent), a greater share than respondents' 2021 expectations over 2020 (only 68 percent expecting to increase promotions).

3

Retail operations

- Temporary labor force increases are the most common changes to store labor versus last year (48 percent of respondents), followed by increased bonuses (38 percent) and hours (36 percent).
 - Temporary labor force increases expected to be less common the more stores a company operates, decreasing from 57 percent for less than 50 store companies to 44 percent for greater than 500 store companies.
- 70 percent of respondents expect some shortages of holiday inventory for their key categories, though companies with above-average share of holiday sales were almost twice as likely not to expect shortages.
- Most respondents also expect delays in inventory receipt, with 77 percent expecting delays and 44 percent expecting two or more weeks of delay.
 - Respondents with above-average share of holiday sales also expected shorter delays, with 66 percent expecting a week or less versus 44 percent for companies with below-average share of holiday sales.
- 56 percent of respondents are planning for inventory hangover, and most commonly plan to address this through increased clearance sales (52 percent of respondents) and cutting receipts (48 percent).

Key themes from our recent retail executive survey (3 of 3)

4

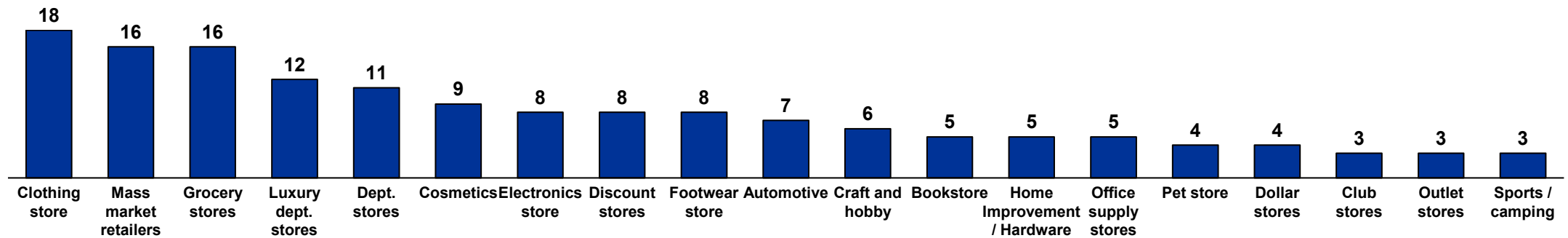
Recession considerations

- Almost all respondents (92 percent) are expecting a recession in the near future, with 71 percent saying a recession has already begun or expecting one in the next 12 months.
 - 81 percent of respondents expecting a recession predict it will last a year or less, and none expect it to last more than 2 years.
- Respondents most frequently use store traffic, average basket size, and purchase frequency to assess the likelihood of a recession.
- The most common action to deal with recession headwinds is reducing indirect expenses (52 percent), followed by investing in customer loyalty, reducing inventory, and reducing direct expenses (42 percent).
 - Less frequently selected actions are generally longer lead time initiatives (e.g., divesting noncore business, changing technology investment) and were selected more often by respondents that expect a recession to occur more than 12 months from now.

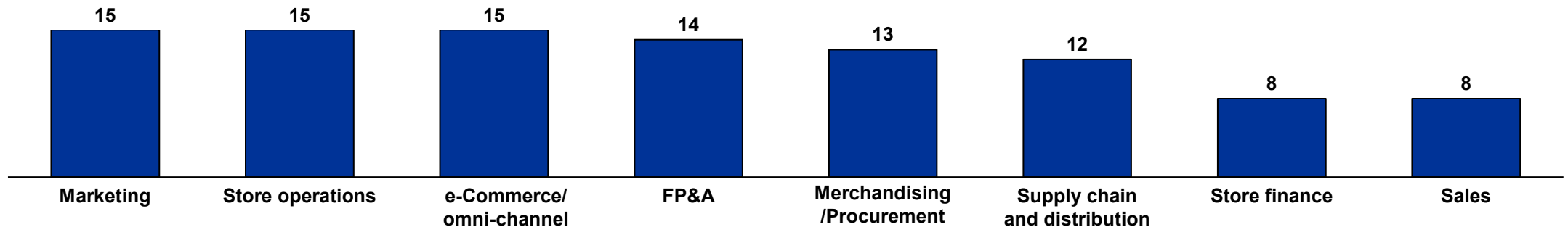
Survey demographics captured a variety of retail subindustries and job functions.

Respondent demographic profile

Subindustry (n=100)



Job function (n=100)



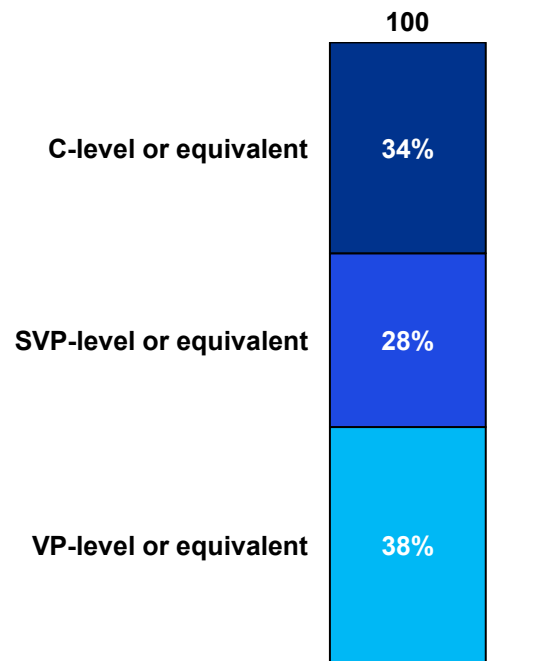
Note(s): (a) KPMG conducted surveys of a representative sample of 100 retail executives, and, in all instances, asked the questions: "Which of the following retail segments best applies to your organization?", and "Which of the following best describes your department within your organization?"

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

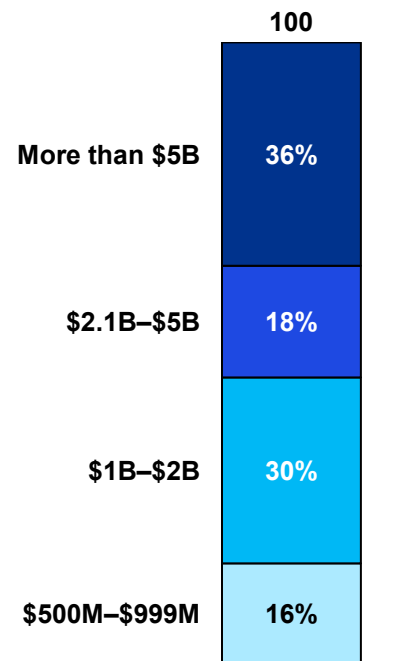
Survey demographics captured a variety of respondent job levels and company sizes.

Respondent demographic profile

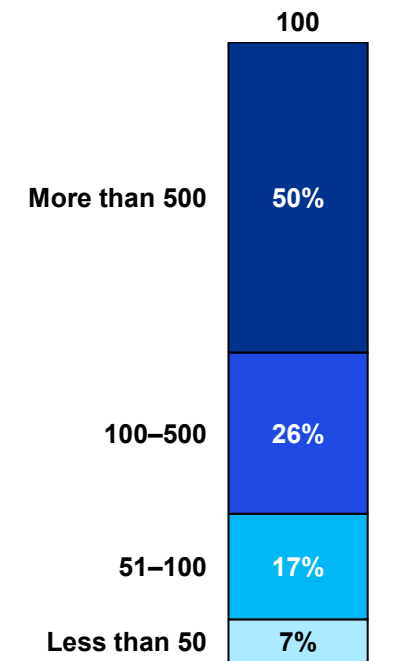
Job title (n=100)



Company revenue (n=100)



Number of company stores (n=100)



Note(s): (a) KPMG conducted surveys of a representative sample of 100 retail executives, and, in all instances, asked the questions: “What best describes your title?” “What was your organization’s approximate total revenue in the last fiscal year?”, and “How many stores does your organization currently have?” (b) The percentages for each chart may not add to 100 percent due to rounding.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

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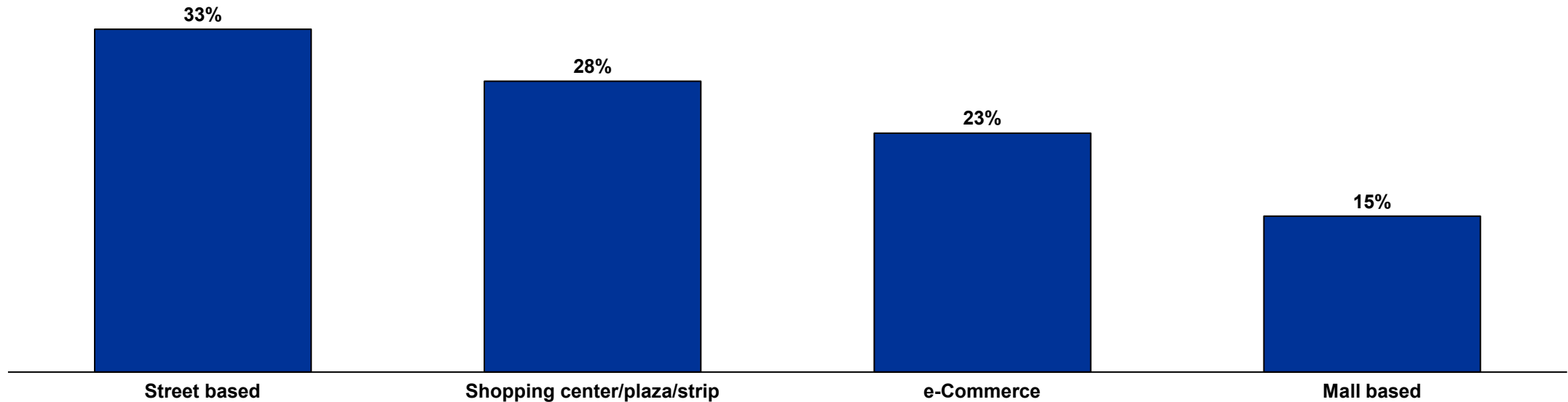
Revenue update

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Survey respondents represent a variety of different primary sales channels.

Primary channel

Company's primary footprint/channel (n=99)^(c)



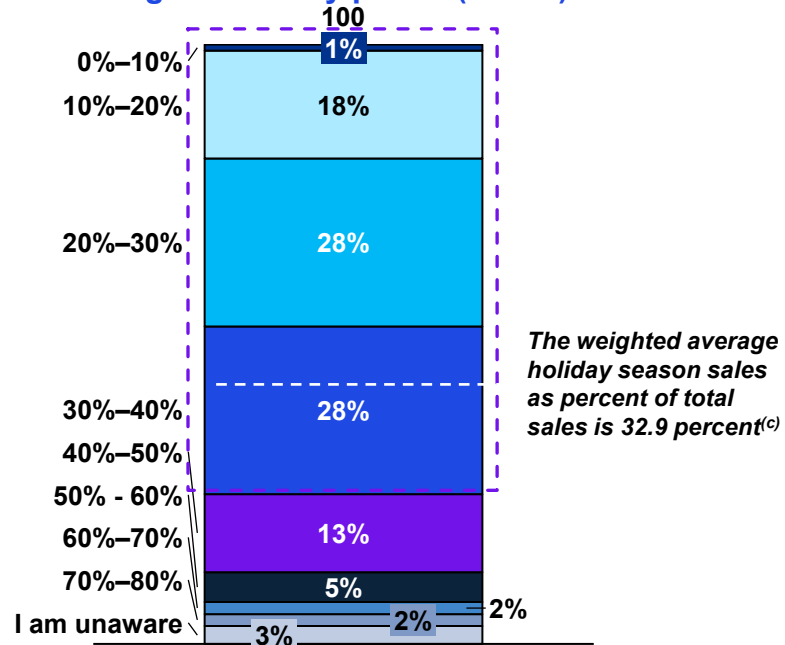
Note(s): (a) KPMG conducted surveys of a representative sample of 100 retail executives, and, if applicable, they were asked the question: "What best describes your company's primary retail footprint/channel?" (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Does not include one response of "Other".

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

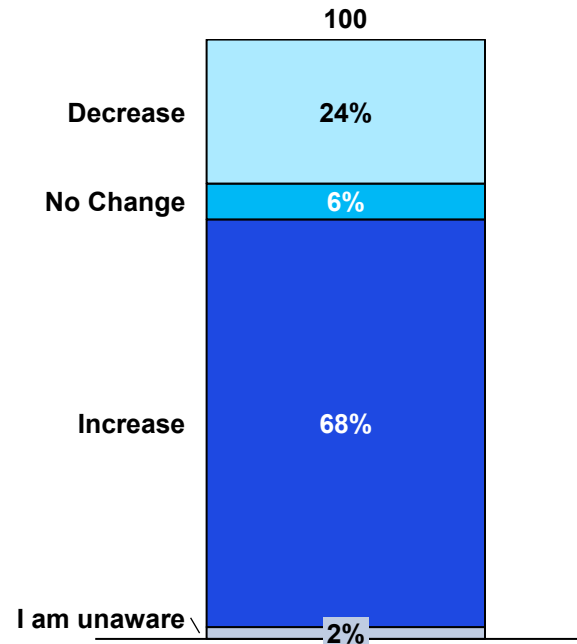
75 percent of respondents stated 0–40 percent of annual sales occur during the holiday period, and estimated growth for holiday sales is 4.2 percent.

Percent of sales during the holiday period

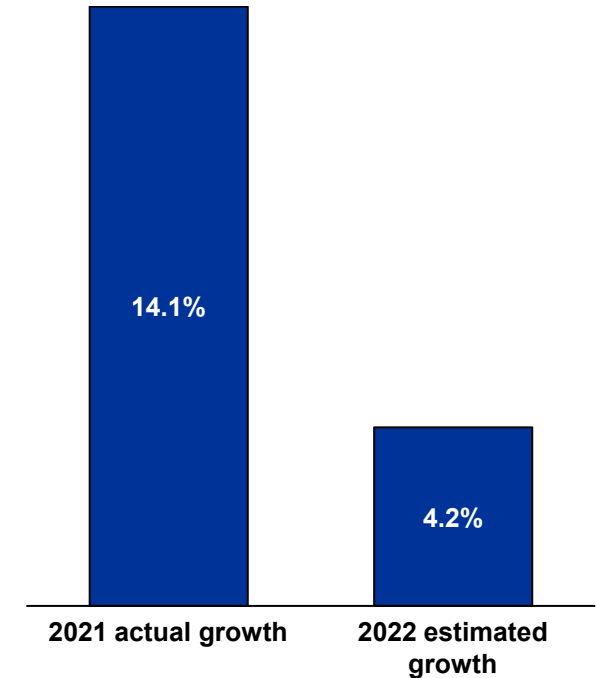
Percent of total company sales that occur during the holiday period (n=100)



Anticipated change in 2022 holiday sales versus 2021 holiday sales (n=100)



Anticipated change in 2022 holiday sales versus 2021 holiday sales ^(d)



Note(s): (a) KPMG conducted surveys of a representative sample of 100 retail executives, and, in all instances, asked the question: "Approximately, what portion of your company's sales typically occur during the holiday period? (i.e., Between Thanksgiving and New Year's)"; (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Total weighted average was calculated by calculating the average by subindustry, and weighting each subindustry average by the total Q4 2021 sales of the sub-industry based on census retail sales data; (d) KPMG calculated holiday sales growth rates using a weighted average of consensus analyst forecasts for the top 50 largest public retailers. Source: Analyst reports from Refinitiv, Accessed Aug 2022. Top 50 retailers and 2021 actual results sourced from National Retail Association.

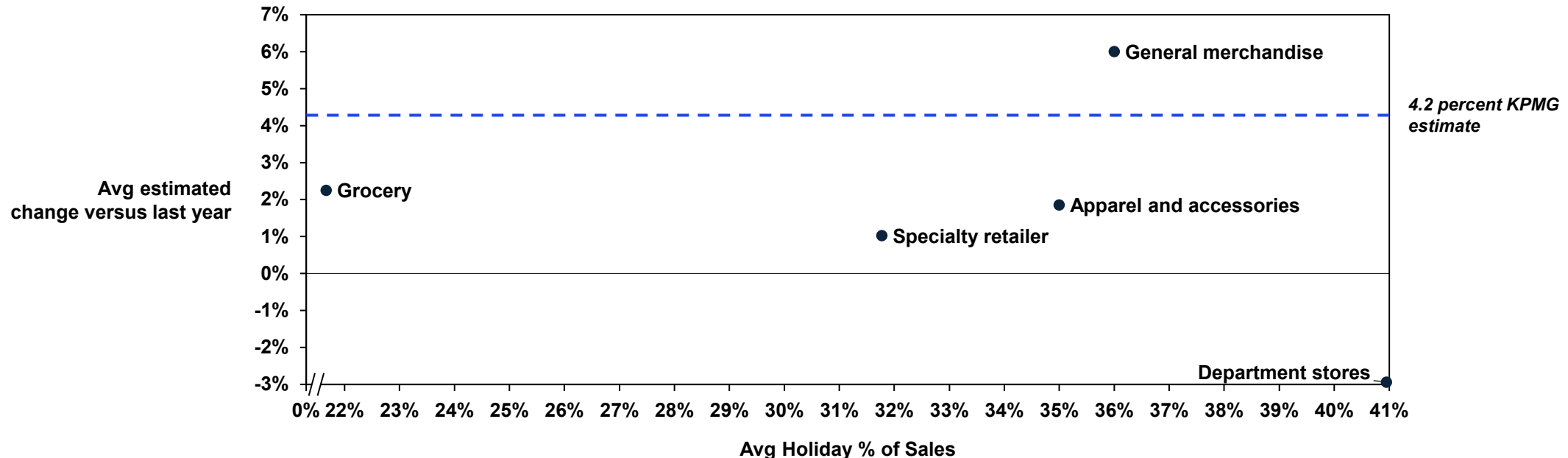
Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022; US 2021 Census; National Retail Foundation



All retail subsegments with the exception of department stores are expecting greater holiday sales over last year.

Percent of sales during the holiday period

Average estimated holiday percent of sales ^(a) and estimated change in 2022 versus last year by industry ^(b) (n=100)



Note(s): (a) KPMG conducted surveys of a representative sample of 100 retail executives, and, in all instances, they were asked the question: "Approximately, how do you anticipate 2022 holiday sales will compare to 2021 holiday sales?"; (b) KPMG calculated holiday sales growth rates using a weighted average of consensus analyst forecasts for the top 50 largest public retailers. Source: Analyst reports from Refinitiv, Accessed Aug 2022. Top 50 retailers sourced from National Retail Association.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

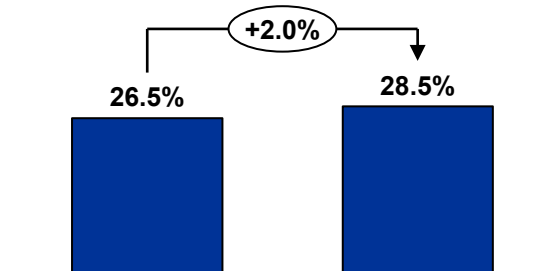
While shipping direct remains the most commonly used e-commerce channel, BOPIS and ship from store are expected to increase their shares of total e-commerce channel sales by 2.0 percent and 0.7 percent, respectively.

e-Commerce channel services

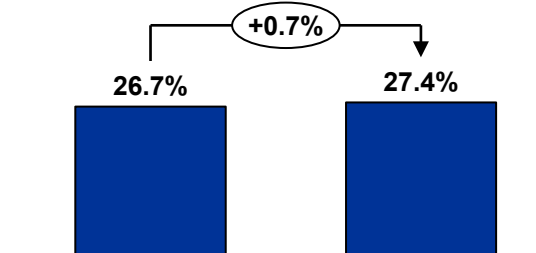
Average percent of e-commerce channel sales for the holiday season by year and method of delivery (n=94)^(b)

“Last mile delivery continues to be a critical factor during the holidays, with cost for last mile continuing to go up 15–20 percent and 80 percent of shoppers reporting they are unlikely to buy from a company after a bad last mile delivery.”
 –KPMG Supply Chain SMP

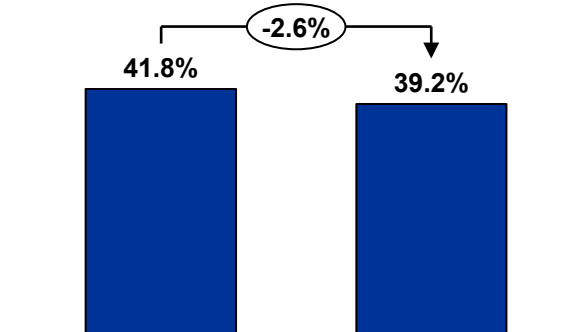
Buy online pickup in-store (BOPIS)



Ship from store/home delivery (e.g., Instacart)



Ship direct from DC/drop ship



	2021	2022
Max	100%	100%
3rd quartile	40%	40%
Median	20%	25%
1st quartile	5%	5%
Min	0%	0%

	2021	2022
Max	100%	95%
3rd quartile	40%	40%
Median	28%	30%
1st quartile	5%	5%
Min	0%	0%

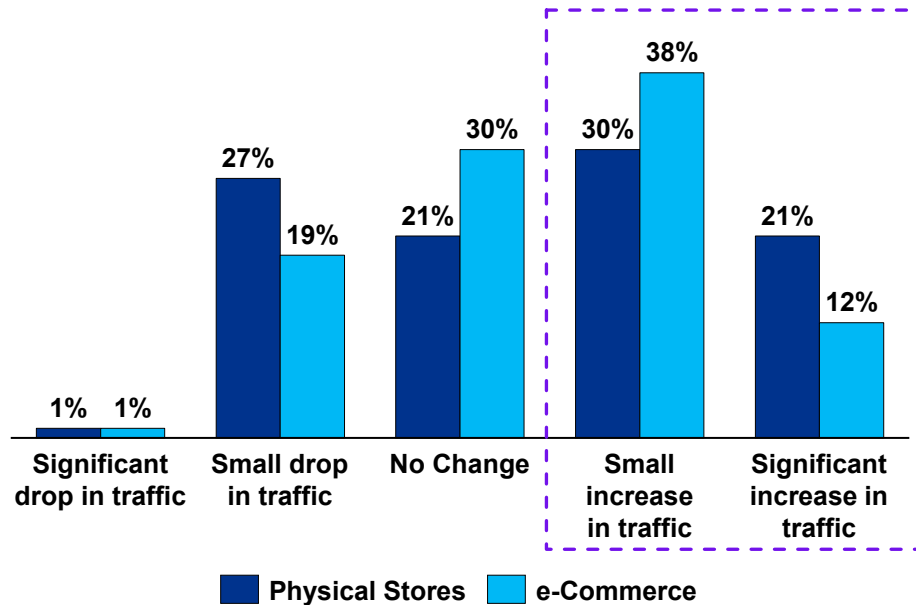
	2021	2022
Max	100%	100%
3rd quartile	74%	70%
Median	30%	30%
1st quartile	20%	15%
Min	0%	0%

Note(s): (a) KPMG conducted surveys of a representative sample of 100 executives across the United States, and in all instances, they were asked the question “Approximately, what percent of total holiday omnisales did you deliver through the following omni services last year and what percent do you expect this year?”; (b) Does not include 6 responses of “I am unaware” or “Other” method of delivery
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

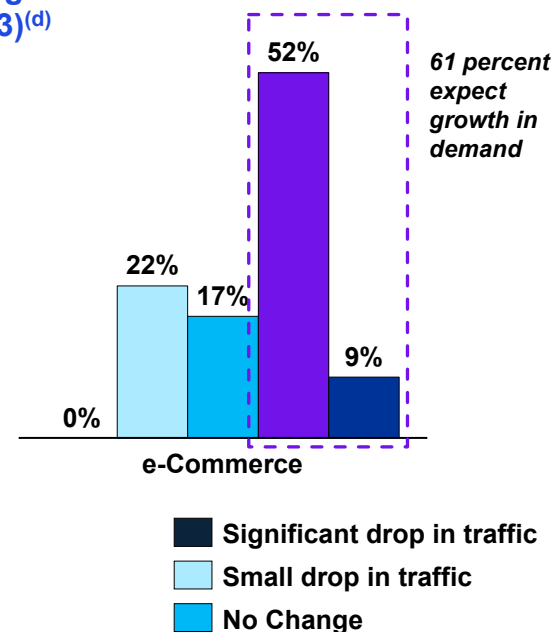
Roughly half of respondents expect growth in both physical store and e-commerce demand over 2021 holiday season levels.

Physical versus e-commerce comparison

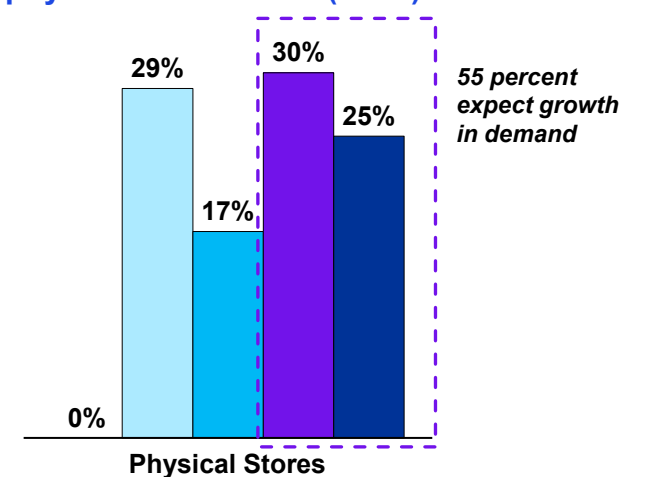
Change in 2022 holiday season total demand/traffic by sales channel versus 2021 (n=100)^(c)



Respondents with e-commerce primary sales channel expected change in e-commerce traffic (n=23)^(d)



Respondents with non e-commerce primary sales channel expected change in physical store traffic (n=77)^(d)



Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: "What type of change in expected holiday traffic/demand across in-store and online channels is your company planning for versus last year?" (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Percentages add to 100 percent across each channel; (d) Each chart displays how respondents think traffic in their own primary sales channel will change this holiday season compared to last holiday season

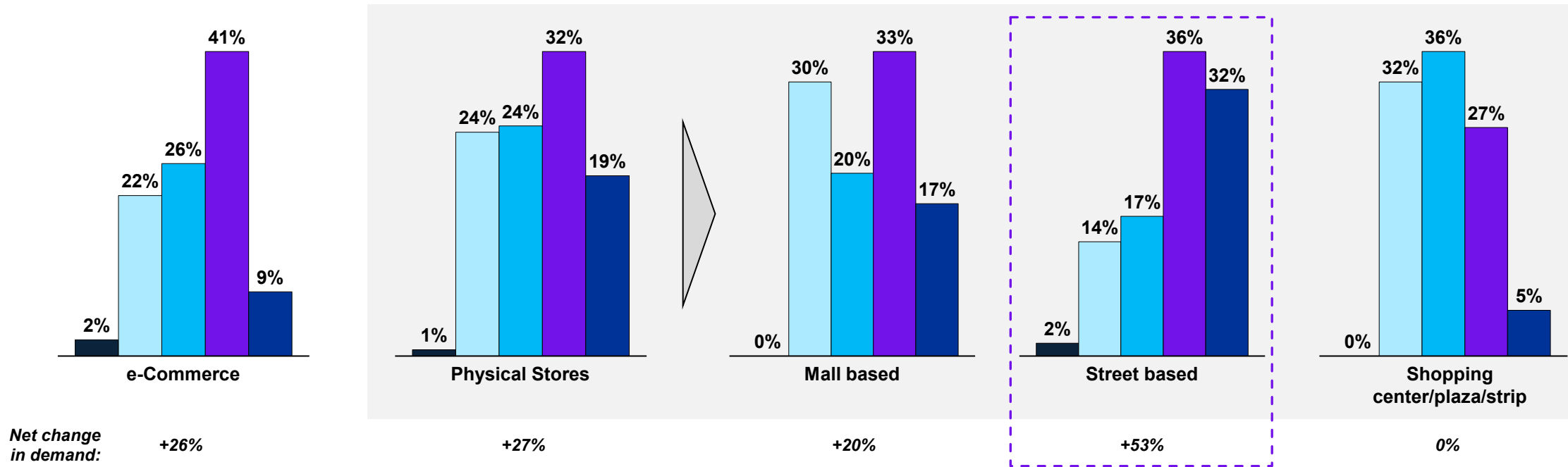
Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

Retailers are significantly more bullish than industry analysts, expecting strong increases to demand regardless of channel.

Physical versus e-commerce comparison

Change in total demand/traffic by primary sales channel (n=100)

Significant drop in traffic
 Small drop in traffic
 No Change
 Small increase in traffic
 Significant increase in traffic



Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: "What type of change in expected holiday traffic/demand across in-store and online channels is your company planning for versus last year?"
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

02

Sales and promotional strategies

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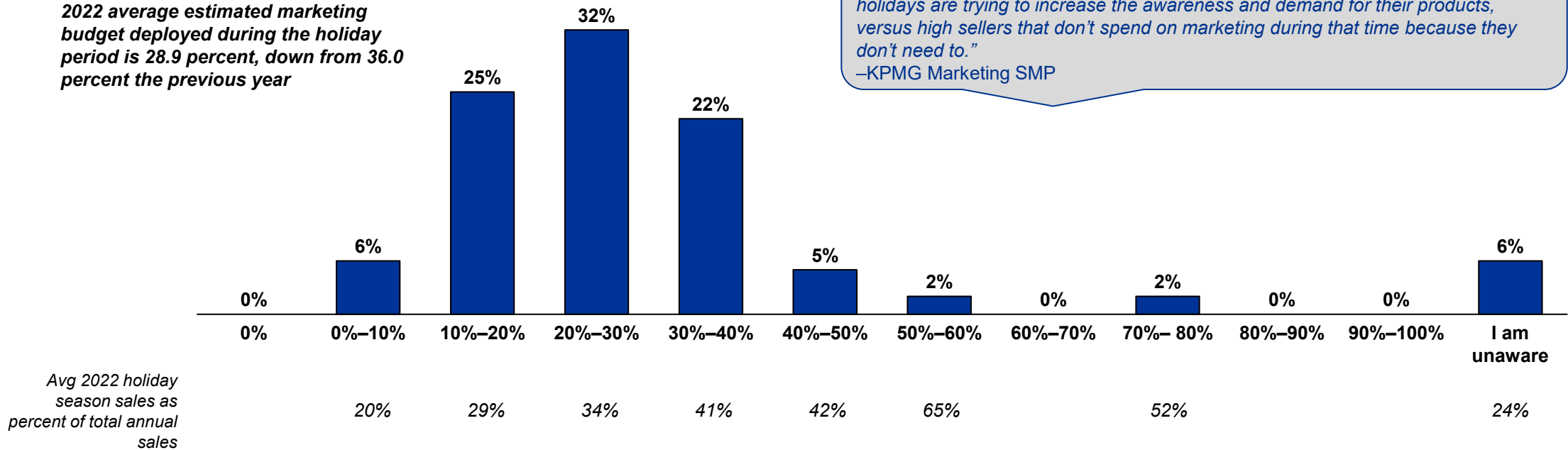
Retailers plan to spend approximately 30 percent of their marketing budget during the holidays, down from approximately 36 percent last year.

Marketing budget

Estimated percent of marketing budget deployed during holiday period (n=100)

2022 average estimated marketing budget deployed during the holiday period is 28.9 percent, down from 36.0 percent the previous year

"The companies spending the greatest share of their marketing budget during the holidays are trying to increase the awareness and demand for their products, versus high sellers that don't spend on marketing during that time because they don't need to."
 -KPMG Marketing SMP



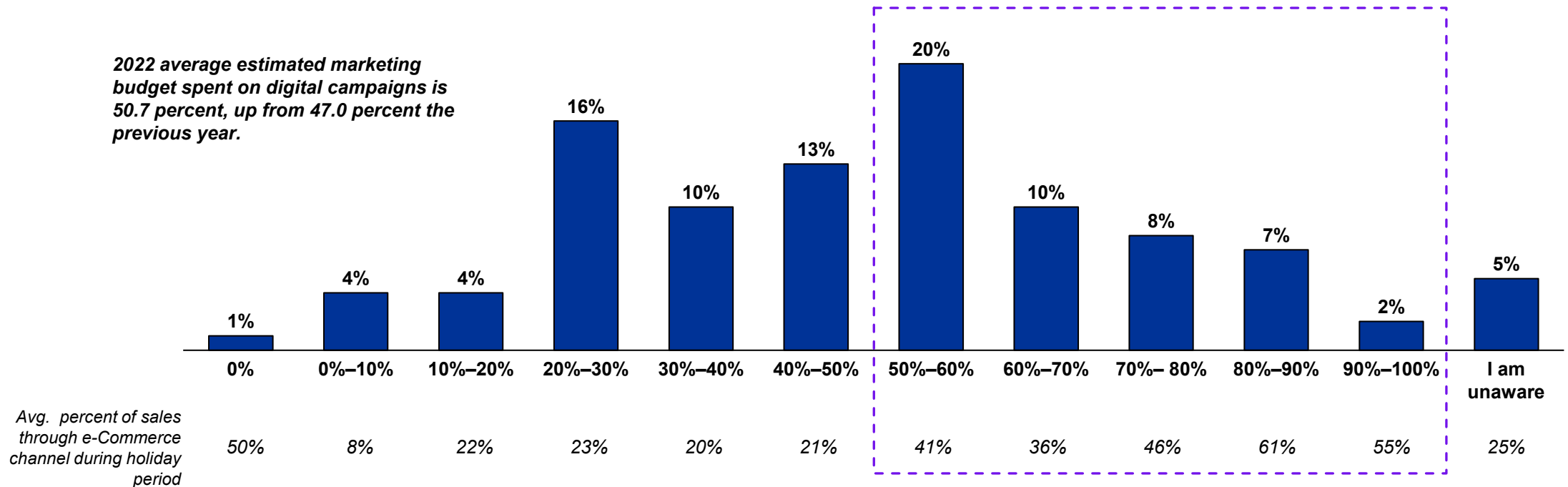
Note(s): (a) KPMG conducted a survey of a representative sample of 100 executives across the United States and, in all instances, they were asked the question: "Approximately, how much of your organizations marketing budget is typically deployed during the holiday period?" and "Approximately, what portion of your company's sales typically occur during the holiday period? (i.e., Between Thanksgiving and New Year's?" (b) The percentages for each chart may not add to 100 percent due to rounding.

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

47 percent of respondents spend more than 50 percent of their marketing budget on digital campaigns; those that spend more on digital marketing have greater e-commerce penetration.

Marketing budget

Company's estimated amount of marketing budget spent on digital campaigns (n=100)

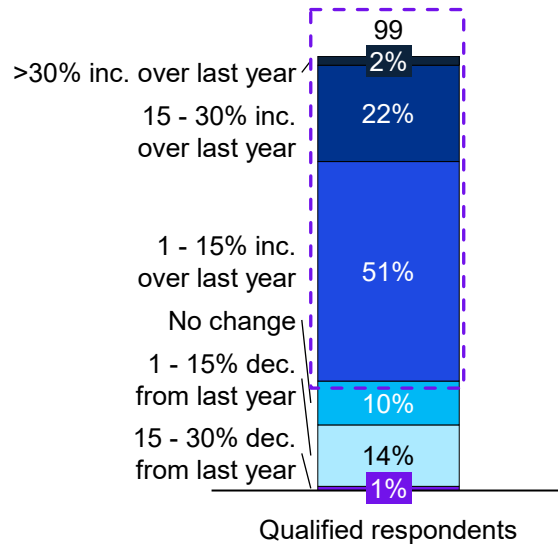


Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the question: "Approximately, how much of your organizations marketing budget is deployed on digital marketing campaigns?" and "To the best of your ability, please estimate e-commerce as a percent of total sales for the coming 2022 holiday season (includes all omni sales, e.g., buy online, pick up in-store, drop shipping, etc.);" (b) The percentages for each chart may not add to 100 percent due to rounding.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

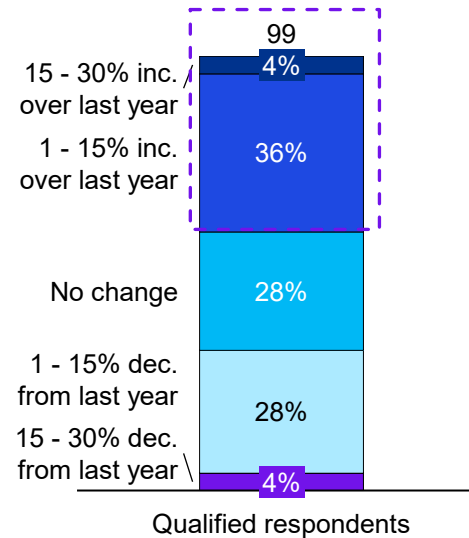
75 percent of respondents expect digital marketing budget for the 2022 holiday period will grow over 2021 levels, while only 40 percent believe nondigital budget will grow.

Change in marketing budget

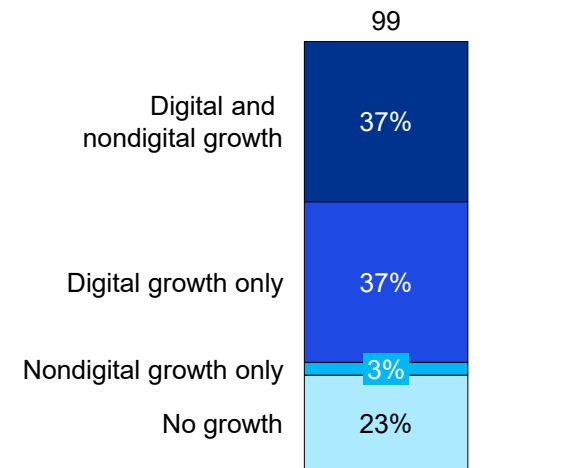
Change in 2022 holiday period digital marketing budget versus 2021^(c) (n=99)



Change in 2022 holiday period nondigital marketing budget versus 2021^(c) (n=99)



Change in 2022 holiday period marketing budget versus 2021 by type of vehicle^(c) (n=99)

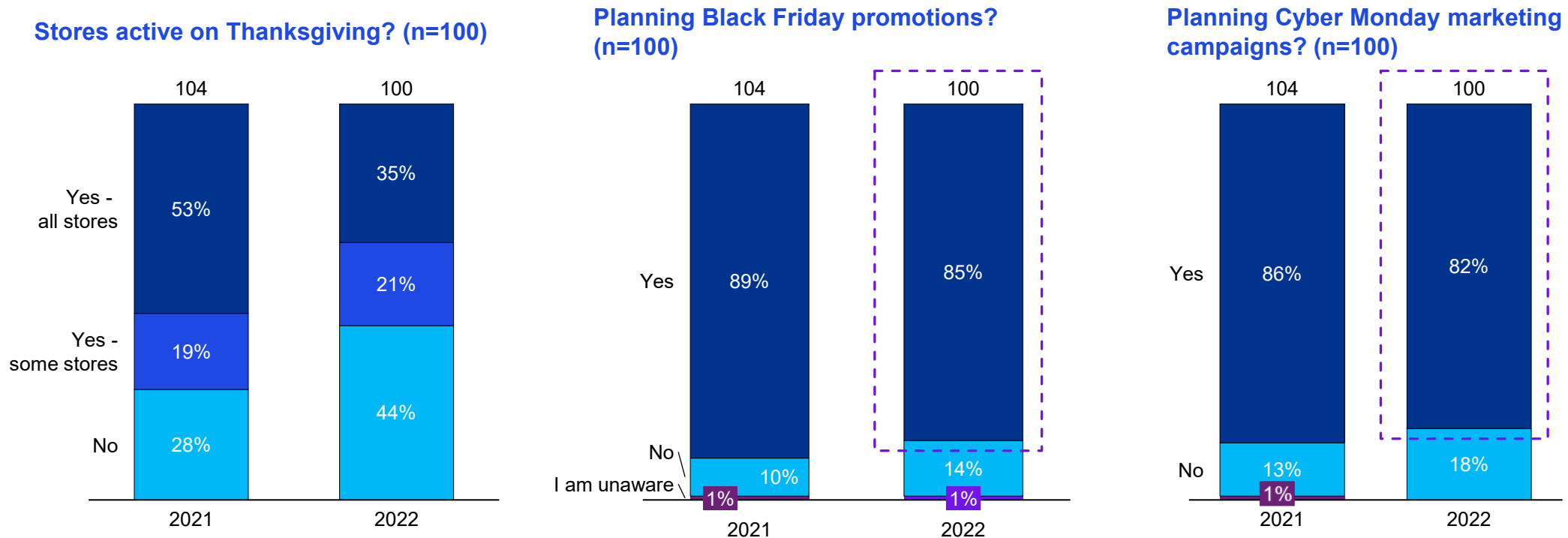


"While marketing budgets are still rising YoY, performance is softening as platform and privacy changes shift the landscape and rewrite the rules. Leaving many marketers to play catchup as they test and learn."
 -KPMG Marketing SMP

Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: "Approximately, how much does your organization expect your marketing budget will change for holiday 2022 compared to last year?"
 (b) The percentages for each chart may not add to 100 percent or perfectly align due to rounding. (c) Does not include one response that answered "I am unaware"
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

44 percent of respondents indicated stores would be closed on Thanksgiving; 85 percent and 82 percent, respectively, are planning Black Friday and Cyber Monday activities, slightly lower than last year.

Promotional activity



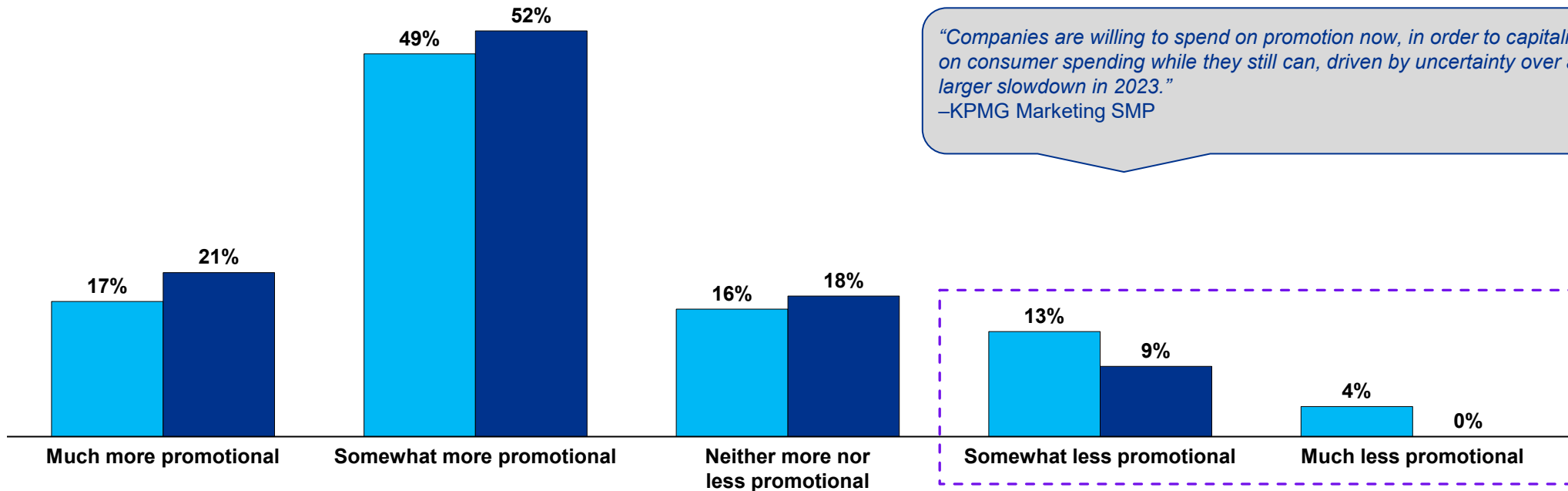
Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the questions: "Is your organization planning to be open on Thanksgiving Day?", "Is your organization planning Black Friday promotional events?", and "Does your company plan on having specific marketing campaigns targeting Cyber Monday/Cyber Week?". (b) The percentages for each chart may not add to 100 percent due to rounding.

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

Respondents are planning more promotional activity this holiday period in general; only 9 percent are planning less promotional activity than last year, down from 17 percent in 2021 versus 2020.

Promotional activity

Promotional activity for upcoming holiday period versus prior year (n=100) ■ 2021 ■ 2022



“Companies are willing to spend on promotion now, in order to capitalize on consumer spending while they still can, driven by uncertainty over a larger slowdown in 2023.”
 –KPMG Marketing SMP

Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: “Overall, do you believe your company will be more or less promotional compared to last year?” (b) The percentages for each chart may not add to 100 percent due to rounding.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

03

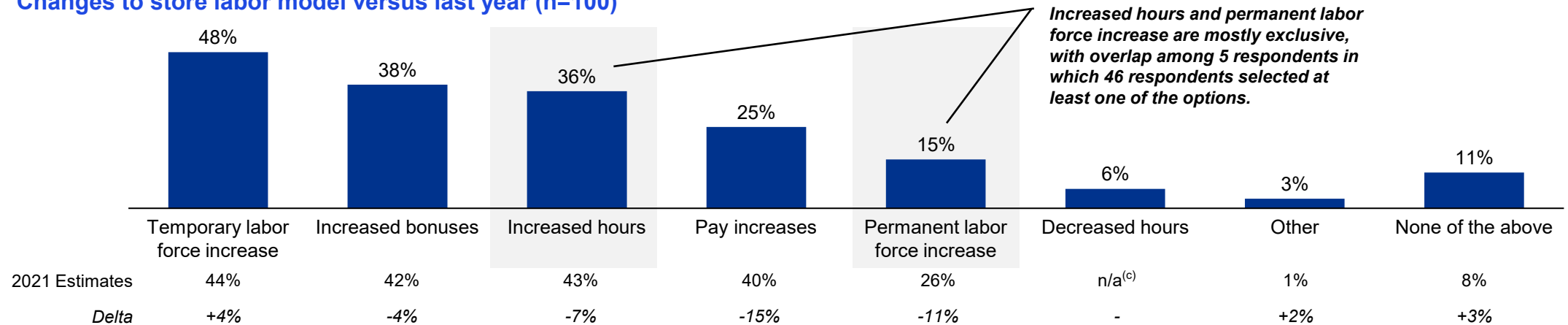
Retail operations

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Temporary labor force increase is the most anticipated change this holiday season versus last year (48 percent), but larger stores tend to view it less favorably compared to smaller stores.

Changes to store labor model

Changes to store labor model versus last year (n=100)



Changes to store labor model versus last year by store footprint

Store Footprint	Temporary labor force increase	Increased bonuses	Increased hours	Pay increases	Permanent labor force increase	Decreased hours	Other	None of the above
Less than 50	57.1%	42.9%	14.3%	28.6%	14.3%	14.3%	0.0%	14.3%
51–100	52.9%	35.3%	47.1%	35.3%	17.6%	5.9%	0.0%	5.9%
101–500	50.0%	38.5%	26.9%	26.9%	19.2%	0.0%	3.8%	15.4%
More than 500	44.0%	38.0%	40.0%	20.0%	12.0%	8.0%	4.0%	10.0%

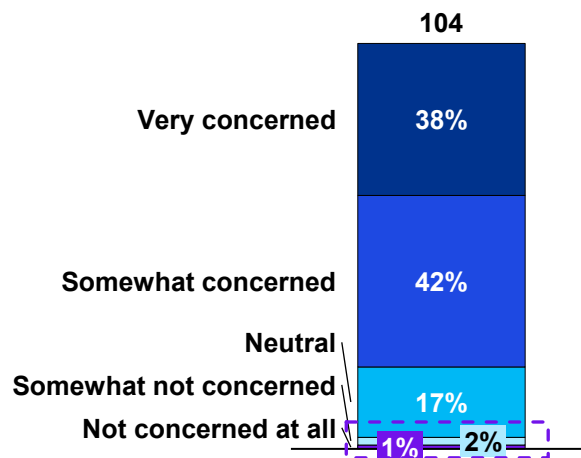
Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: "Will your organization be making any changes to your store labor model during the 2022 holiday period versus last year?". (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Option was not provided in holiday 2021 Report

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

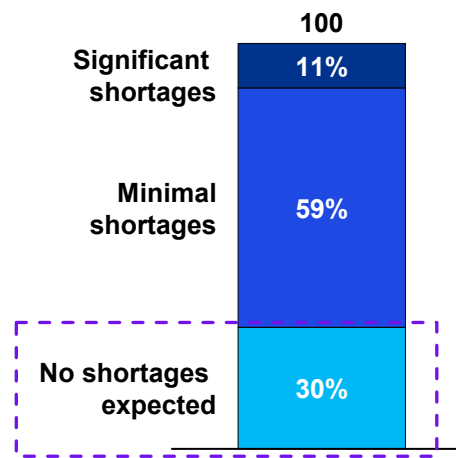
Respondents that generate above-average holiday sales as a percent of total sales were less likely to expect inventory shortages.

Inventory shortages

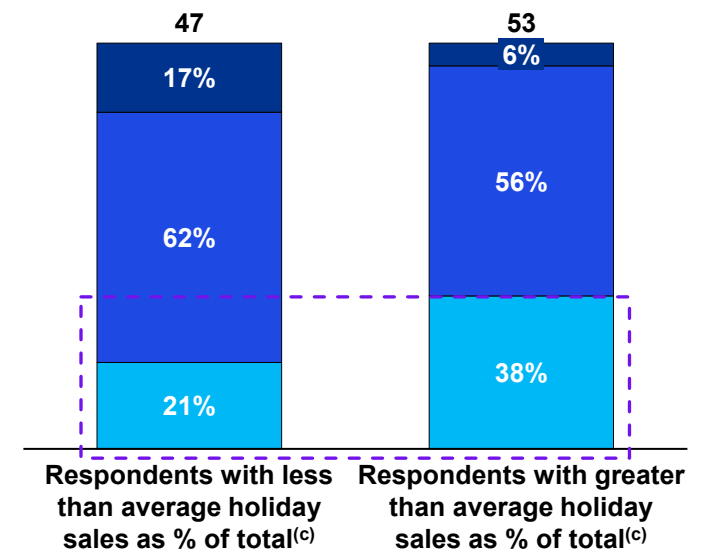
Concerns on expected 2021 holiday inventory shortages (n=104)



Expectation on 2022 holiday inventory shortages (n=100)



Expectation on 2022 holiday inventory shortages by estimated holiday sales as a percent of total (n=100)



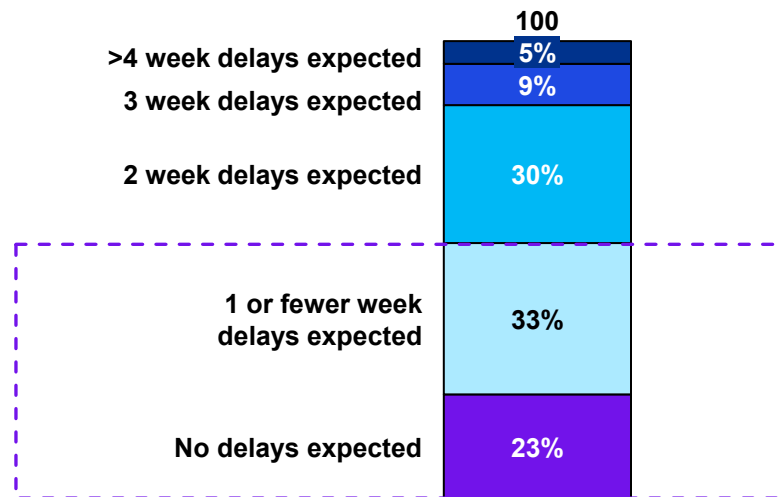
While 30 percent of respondents expect no inventory shortages during the 2022 holiday period, only 3 percent of respondents from the holiday 2021 report were not concerned at all or somewhat not concerned about inventory shortages for the 2021 holiday period.

Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the questions: "For your key holiday categories, is your organization expecting inventory shortages?"; In the holiday 2021 Report respondents were asked "How concerned is your organization with stockouts, inventory shortages or other issues obtaining merchandise?"; (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Average 2022 holiday sales as a percent of total annual sales is 32.9 percent.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

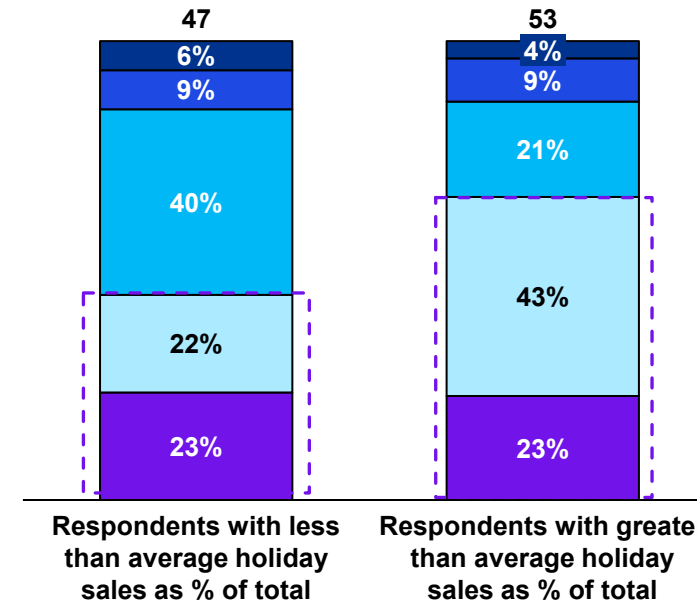
Respondents with above-average holiday sales as a percent of total sales also expect shorter in inventory receipt delays.

Inventory shortages

Expectation on 2022 holiday inventory receipt delays (n=100)



Expectation on 2022 holiday inventory shortages by estimated holiday sales as a percent of total (n=100)

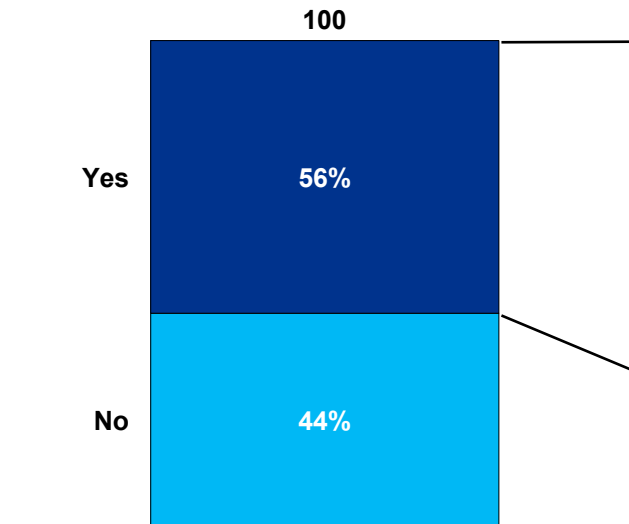


Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the questions: "For your key holiday categories, is your organization expecting delays in inventory receipts for holiday versus requested on-time delivery dates?"; (b) The percentages for each chart may not add to 100 percent due to rounding.; (c) Average 2022 holiday sales as a percent of total annual sales is 34.2 percent
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

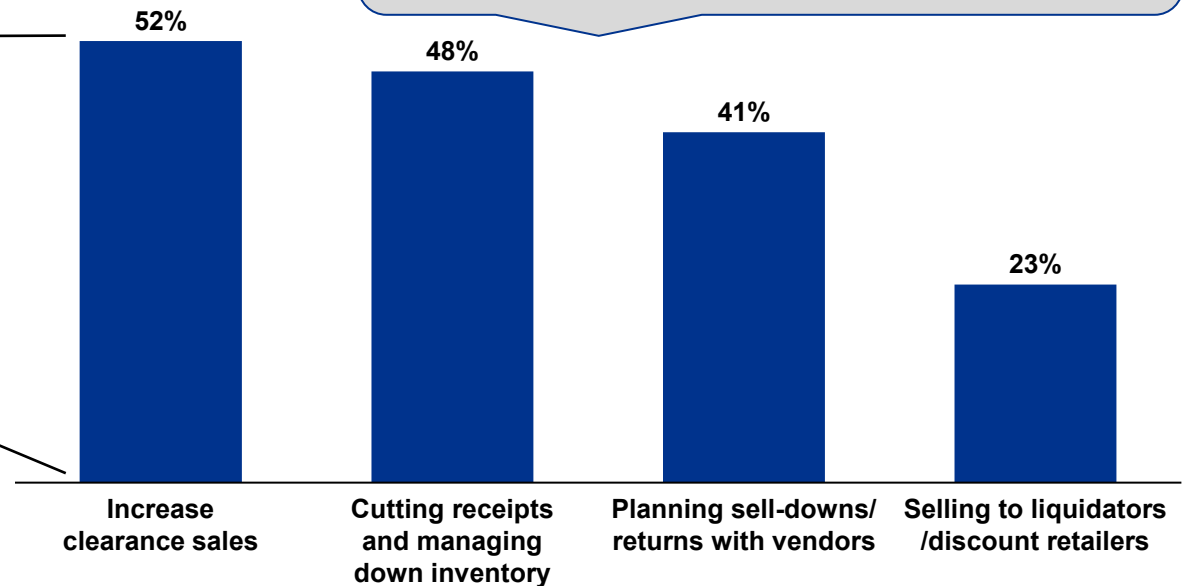
Of the 56 percent of respondents expecting inventory hangover following the holiday period, the most common actions to manage hangover are increasing clearance sales and cutting receipts.

Inventory hangover plans

Company is planning for inventory hangover following 2022 holiday period (n=100)



Actions planned to managed inventory hangover (n=56)



“Mix change plays a major role in inventory hangover, as changing consumer demand requires new products to be stocked. This is further exacerbated by continuing long lead times in supply chain.”
 –KPMG Supply Chain SMP

Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the questions: “Is your company actively managing hangover or excess inventory as consumers shift to spending on services post-pandemic?” and “How is your company actively managing hangover or excess inventory as consumers shift to spending on services post-pandemic?” (b) The percentages for each chart may not add to 100 percent due to rounding.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

04

Recession considerations

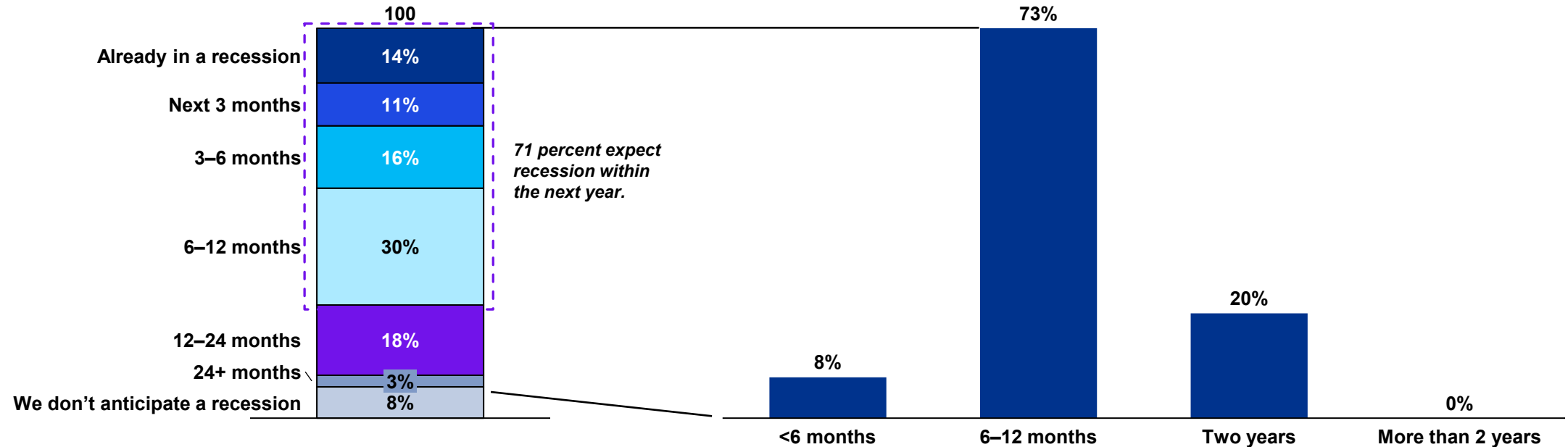
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71 percent of respondents expect a recession within the next year and the majority expect any recession to last fewer than 12 months.

Recession timing and length

Recession occurrence timing (n=100)

Recession length (n=92)

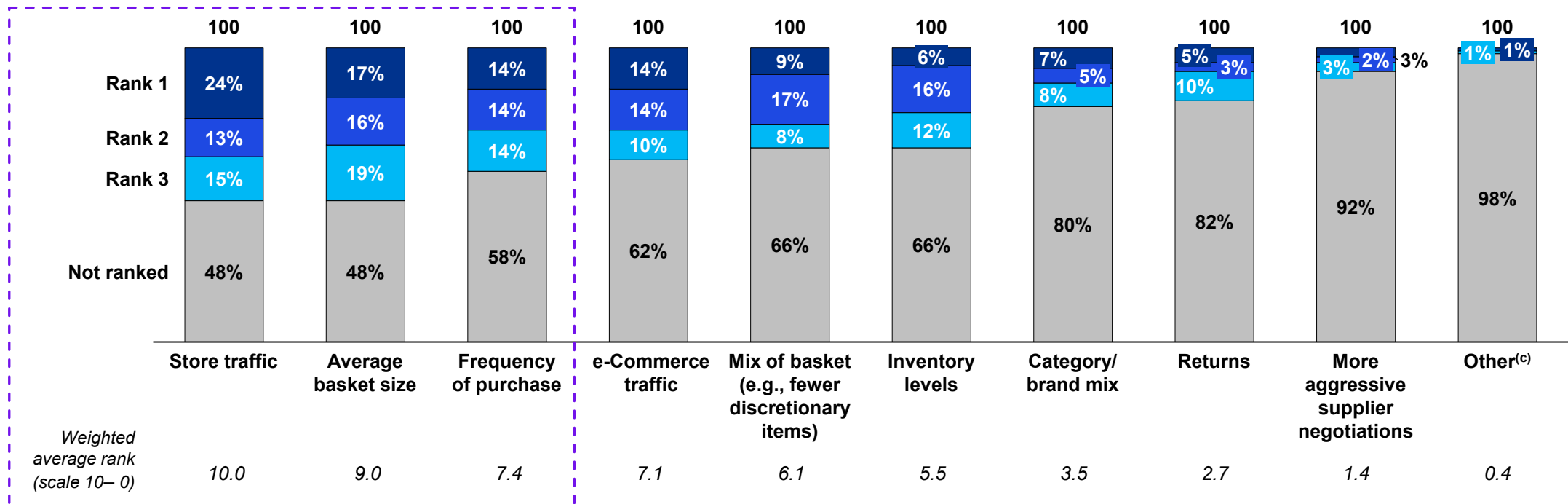


Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the questions: "When does your organization expect a recession to occur?" and "How long does your organization expect the recession to last?" (b) The percentages for each chart may not add to 100 percent due to rounding.
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

Monitoring store traffic, average basket size, and frequency of purchase are the most common indicators used to assess the likelihood of a recession.

Recession indicators

Indicators to assess the likelihood of a recession (n=100)



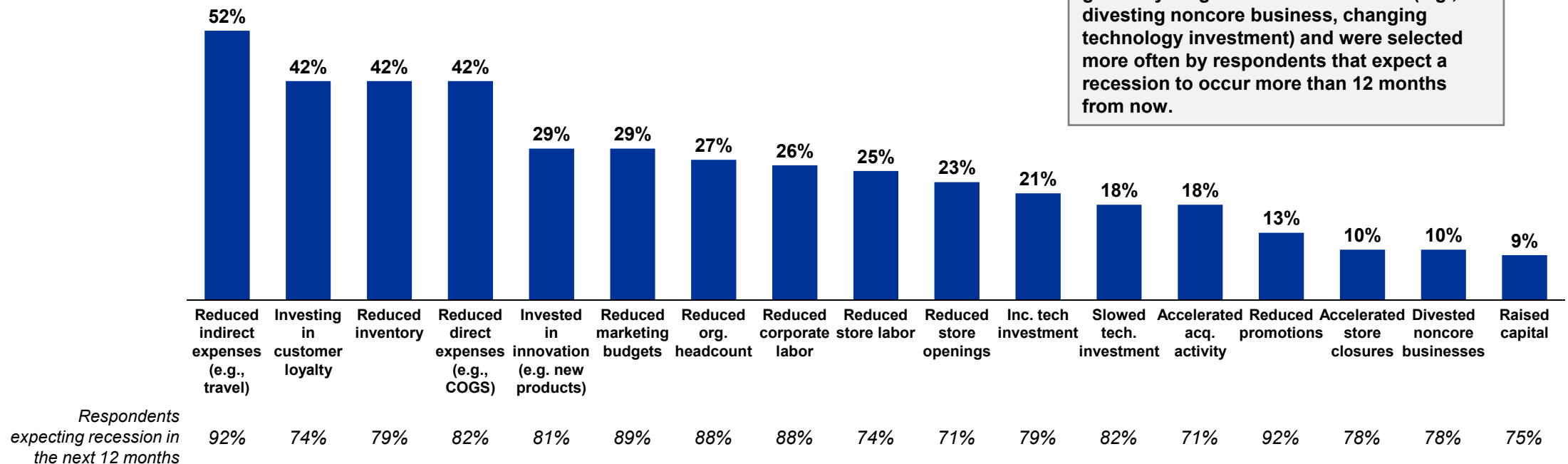
Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives and, in all instances, they were asked the question: "What key company/industry specific indicators does your organization track to assess the likelihood of a recession?" (b) The percentages for each chart may not add to 100 percent due to rounding. (c) Other responses include "Macroeconomic indicators" and "Industry / Market sector trends"
 Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

The most common action to deal with recession headwinds is reducing indirect expenses (52 percent), followed by investing in customer loyalty, reducing inventory, and reducing direct expenses (42 percent).

Recession preparations

Plans to deal with recession (n=92)^(c)

The less frequently selected actions are generally longer lead time initiatives (e.g., divesting noncore business, changing technology investment) and were selected more often by respondents that expect a recession to occur more than 12 months from now.



Note(s): (a) KPMG conducted a survey of a representative sample of 100 retail executives, and in all instances, they were asked the question: "Which of the following recession preparations has your company taken?"; (b) The percentages for each chart may not add to 100 percent due to rounding. (c) Does not include respondents that do not anticipate a recession

Source(s): KPMG Retail Executive Survey, holiday 2022 Report, fielded August 5, 2022–August 12, 2022

U.S. KPMG Consumer & Retail leadership team



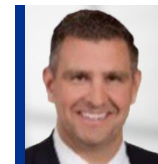
Matt Kramer
National Sector Leader,
Consumer & Retail



Duleep Rodrigo
National Advisory Leader,
Consumer & Retail



Allan Colaco
Consumer Goods Audit Leader



Brian Campbell
Tax Industry Leader
Consumer & Retail



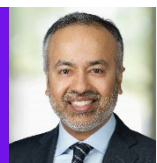
Elizabeth Miller
Retail Audit Leader



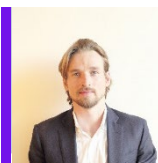
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Deal Advisory Leader
Consumer & Retail



Sam Ganga
Consulting Industry Leader
Consumer & Retail



Sunder Ramakrishnan
Managing Director
Research Lead



Dariusz Dziong
Director
Research Lead



Matthew Levin
Manager
Research Lead

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- 24,000 team members globally
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