



HOLIDAY

2022 RETAIL PREDICTIONS

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Retailers will face a tricky predicament this holiday season.

Consumers are returning to physical stores but expect their online-offline decision-making journeys to be seamless and convenient. And while the supply chain crisis is finally showing some improvement and inflation in some categories cools, these macro forces will still restrict the ability of retailers to deliver ideal offerings and experiences. **Following are CI&T's predictions** about what retailers will face, along with recommendations for how brands can still impress their customers and win new ones over the holidays.

This will be another year of disappointments with the supply chain crisis, primarily because of all the excess unwanted inventory retailers are working through.

Additionally, anticipated stock outs due to manufacturing and logistics-based delays have paved the way for retailers to embrace the fulfillment business as a differentiator. Smart retailers will navigate this creatively and strategically by:

- Evolving the business to include upcycling and/or custom design partnerships where hard-to-move inventory can get reimaged in resonant ways.
- Incorporating made-to-order and pre-order models; evergreen approaches to alleviate some of the supply chain pressures.
- Either vertically integrating logistics solutions or establishing exclusive partnerships with logistics providers to compensate for some of the lost time, making for happy consumers.
- Offering consumers (first asking if they're ok with it, though!) a "certificate of ownership" with a delayed arrival timeline.



Thanks to inflation, we can expect prices to remain higher than usual for the holiday season, so retailers must be highly strategic when offering seasonal deals. The offered deals will likely signal which categories face inventory above demand, considering the problems over-ordering has caused over the last year. Discounts unique to the season on new items will be few and far between, so getting creative with extending incentives is the name of the game. For example, we may see deals unlocked on particular items after a specific quantity of a gift is purchased or if a consumer buys a mix of certain products, instead of simply offering deals per unit.

Data points toward many consumers returning to their pre-pandemic in-store shopping patterns. As a result, retailers should prepare for a rise in foot traffic compared to last year. That's not to say e-commerce won't also grow. It's just that foot traffic will likely bounce back considerably, splitting the overall growth more evenly among the two channels.

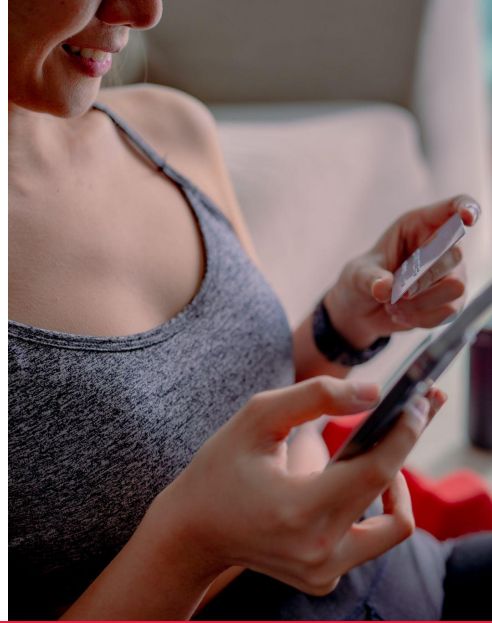
Retailers keeping this projection in mind can strengthen their in-person environment by leaning into operational efficiencies and engaging experiences:

- Many retailers have been leaning into store-in-store partnerships. It would be wise to team up and sell exclusive seasonal ranges offered only in those physical spaces.
- In-store activations and demos will establish brick and mortar as a destination. Still, these demos must show the products in a highly creative, unconventional light. Retailers should draw inspiration from viral TikTok hack videos, which gain popularity because of the unexpected tips/tricks they provide with product usage.
- Leverage the "halo effect" e-commerce has on brick and mortar stores by posting in-store activity schedules to location-based webpages or incentivizing BOPIS with a gift or discount.
- Although we expect a hike in foot traffic, that doesn't mean consumers are comfortable with crowded floors and long wait times. In-store pickup should be systematized by automating as much as possible. Additionally, advanced apps/sites should be personalized sufficiently to show the customer's local store as a heat map indicating which parts of the store are hectic.



Although shoppers will be gravitating back towards brick and mortar, e-commerce should also experience some growth. Retailers who build in holiday-specific features helpful for shoppers will win the season. Retailers should take their websites a significant step further this holiday season by going above and beyond the typical "gift guides" and "gift shops" and creating more customized gifting edits. Enabling smart recommendations once a shopper indicates whom they're shopping for and pushing the right content for inspiration once a gift is selected is vital.

Lastly, with the growth of mobile commerce over the last few holiday seasons and the eagerness consumers have displayed for more personal relationships with brands, this is a perfect time to debut chat commerce.



Or, for those retailers that have started to dabble, to get it right. Since the holiday season proves to be an annual growth time for mobile, retailers should leverage their apps and texting capabilities to improve customer service through messaging. Purchases made during the holidays might be trial buys with a new brand, so retailers that deliver personalized help when answering questions along the path will win major points. What shouldn't this season be? A mass of impersonalized, automated messages that turn shoppers off.

While the large-scale challenges retailers continue to face are limiting, they also provide a pivotal opportunity to differentiate by exceeding expectations. Working through these issues in uniquely creative ways will allow retailers to set a tone of excellence that will extend beyond the holiday season.

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