



Research Brief

Home for the holidays

Shopping, work, and travel
trends during COVID-19

IBM Institute for
Business Value



Home for the holidays

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The holiday season is normally a time for joy and rejuvenation. People cross great distances to see friends and family, or to explore a new horizon. They give gifts that delight their loved ones—and buy a little something special for themselves. Then they rest and recharge so they can start the new year strong.

But 2020 hasn't exactly been normal. And the holiday season promises to be a bit different, as well.

As global coronavirus cases continue to hit new highs, consumers are stymied. Health concerns and economic constraints weigh heavy on their minds—and they're trying to plan for the holidays in a state of constant flux.¹ Restrictions and regulations are changing by the week, making it tough to tell what celebrations might be safe—or even possible—when the holidays roll around next month.

To better understand how the pandemic will impact consumer behavior over the holidays, the IBM Institute for Business Value (IBV) surveyed more than 12,000 adults across eight countries. We asked how they plan to shop, work, and travel this holiday season, and how these expectations differ from years past.

Overall, we found that people are downsizing their celebrations. They plan to give less, spend less, and travel less, all while they plan to work more. Unsure of how to spread holiday cheer without spreading the virus, consumers are opting for a more subdued season spent closer to home. Holiday parties and religious services are off the table for a majority of individuals, many of whom are opting for video conferences with friends and family instead (See Figure 1). Nearly a third say they're not even sending holiday cards—perhaps because they don't have as many exciting stories to share.

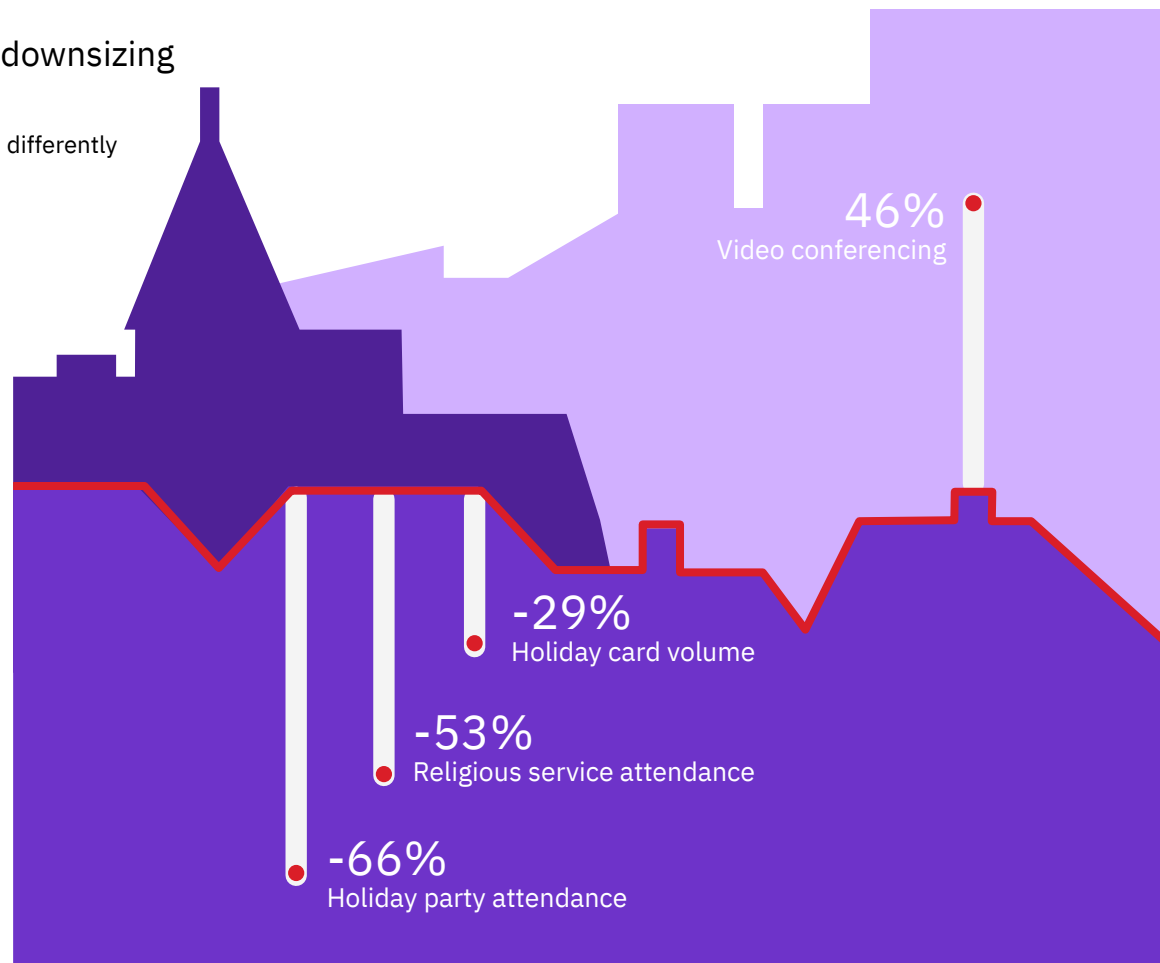
But it's not all bah, humbug. Our research implies that consumers are opting for a more intimate holiday season. While they're spending less on luxury items and social outings, they are investing in the comforts of home. And they're dreaming big for the future. 1 in 5 consumers say they're saving their time off for 2021, when they expect to safely enjoy their favorite places once again.

While many sectors will see a downturn in consumer spending this season, there are bright spots where the holiday spirit shines through. This year comes with one unique gift, as well. Companies have a rare opportunity to show people who they are. Those that listen and respond to the needs of their customers and employees have the chance to build a brand identity that money can't buy. And those that don't could suffer. According to Edelman, 71% of global consumers say that if they believe a brand is putting profit over people, they will lose trust in that brand forever.² The key to success in this climate is understanding what people want—and need—for the holidays this year.

Figure 1

Global consumers are downsizing their holiday plans

People are planning to celebrate differently than they did last year.



Consumer spending: Less is more

While many things have been cancelled this year, online shopping is not one of them. As of May, online spending was up 77% year-over-year, and some experts say the pandemic has accelerated e-commerce growth by 4 to 6 years.³ This trend is going to continue through the holiday season, when more than 60% of consumers plan to shop online. This is a huge upswing, as e-commerce accounted for only 20% of holiday sales in 2019.⁴ Much of this growth is driven by Baby Boomers, who plan to buy online 116% more than they did last year.

All of this online shopping also jumpstarted the holiday season. By the end of October, 1 of every 3 global consumers had already started their holiday shopping. Usually consumers in the US wait until Black Friday, the day after Thanksgiving, to start their shop-a-thons. This year they started earlier, but with the same goal in mind—getting the best deal. Amazon Prime Day, a two-day sales event offered in 19 countries, gave consumers around the world early access to Black Friday prices, encouraging them to snap up in-demand items ahead of schedule.⁵ Alibaba, China's online retail giant, also moved up the start of its Singles Day promotion to 1 November, stretching the sale across 11 days.⁶

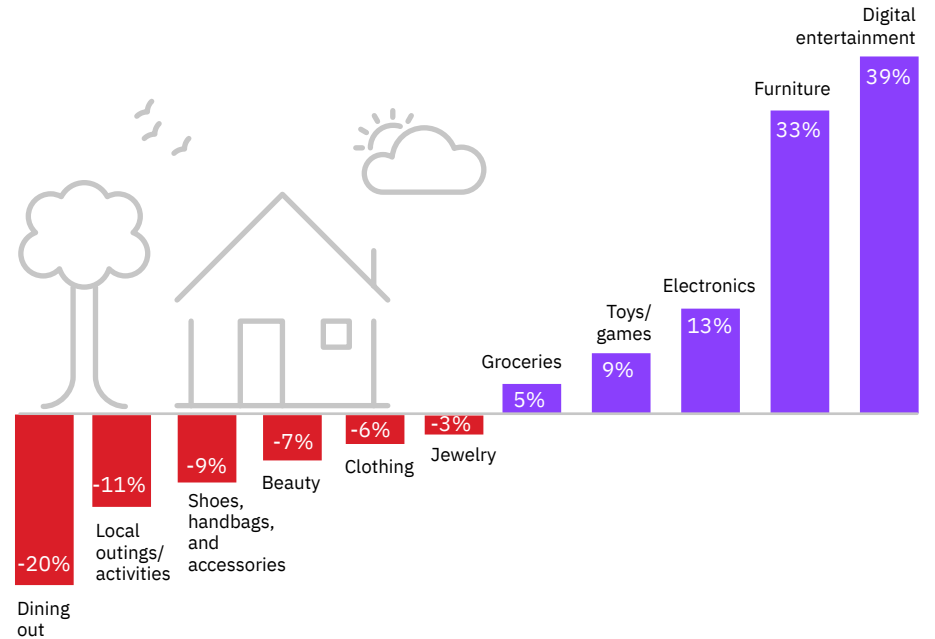
It makes sense that sales would be particularly impactful this year, as more than half of global consumers have seen their discretionary spending decline. That has translated to tighter budgets and shorter gift lists. On average, global consumers are buying for 33% fewer people than they did last year, and they've slashed their holiday budgets by 25%. Of course, some people are spending more than others. Upper-income consumers in the US are only reducing their spending by 7%, and people across income brackets in Germany plan to spend just 12% less.

People are also willing to spend more on things they can enjoy at home. While global consumers expect to spend 20% less on dining out and 11% less on local outings this holiday season, they will spend more on toys and games (+9%), electronic goods (+13%), digital/streaming services (+39%), and even furniture (+33%) (See Figure 2).

Figure 2

Consumers are shifting their spending toward products they can enjoy at home

Compared to last year, people are spending less on outdoor activities and more on indoor entertainment.



Purpose-driven consumers: A sustaining force

There was a time when convenience was king. Even this year, more than 40% of global consumers named price and convenience as their top priorities.⁷ However, almost as many consumers say they are purpose-driven, meaning they seek out products and services that are aligned to their values.

While the pandemic has caused many households to tighten their belts, these purpose-driven consumers have stayed committed to their principles. Attributes such as health and well-being, environmental responsibility, trust, and authenticity are continuing to be important when consumers choose a brand amid the pandemic, according to the results of our September consumer survey.⁸

When shopping for the holidays, 4 in 10 consumers will be considering sustainability to a great extent as they choose brands this year. What's more, 1 in 2 consumers say they are willing to change their holiday purchasing habits to help reduce environmental impact. This figure is even higher in the emerging markets (74% in India, 74% in Mexico, 66% in Brazil), demonstrating that sustainable shopping has become a powerful global trend.

Travel itineraries are limited

Exciting end-of-year adventures are not on the docket for most travelers this year, as a combination of safety concerns and logistical issues limit holiday travel options. Two-thirds of global consumers usually travel during the holidays, but more than half of those plan to travel less this year. However, 1 in 5 were still undecided about whether they would travel, and 13% say they will travel more. Perhaps unsurprisingly, 4 in 5 of those planning to pack their bags are under the age of 40.

People who do plan to venture out this year largely expect to stay within their own borders. Globally, only 12% of holiday travelers plan to leave the country—though 49% remained undecided about their travel destinations. Travelers in India are most likely to go abroad, with 24% planning an international trip this holiday season.

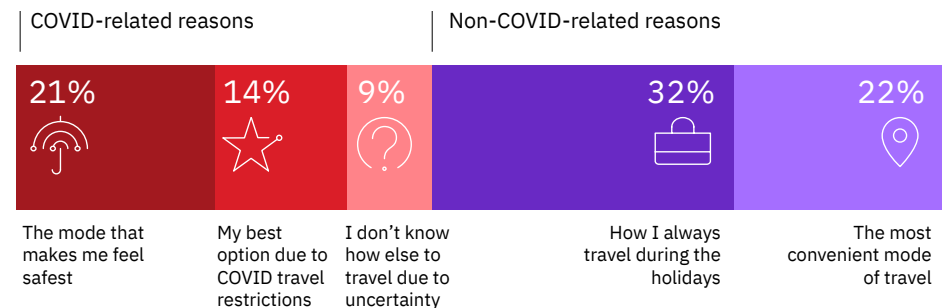
Travelers are also opting for automobiles over planes and trains. While people are expecting to fly 43% less this year, they are planning to rent cars 51% more. And the number of people choosing to drive personal cars is up 27% over last year.

However, the factors influencing these decisions aren't always related to COVID-19. In fact, more than half of travelers said they will choose the mode of transportation that is most convenient—or just travel the same way they always do. Only 1 in 5 travelers said they will choose the mode that makes them feel the safest (See Figure 3).

Figure 3

COVID-19 isn't the only factor influencing travel choices

Almost a third of consumers say they're acting out of habit.



All work and no play is taking its toll

The isolation and stress of the pandemic has been tough to manage—and some people are taking it harder than others. According to the CDC, COVID-19 has had a notable impact on mental health in the United States, with 40% of adults reporting mental or behavioral health issues.⁹

But rather than slowing down to process everything that’s happened this year, employees have actually taken less time for themselves. Although respondents, on average, took a slightly higher number of paid time off (PTO) days this year than they did last year, a large portion of that time was used to deal with COVID-19-related issues, such as caring for a family member or recovering from the illness themselves.

As such, employees are feeling the fatigue as 2020 comes to a close—and there doesn’t seem to be much relief in sight. On average, respondents have 13 days of PTO left this year, but are planning to leave half of those days unused. And their reasoning reflects back on their employers: Half of global employees won’t take time off due to job-related concerns. Nearly a third of employees say they have too much work or that their work schedule is too restrictive, and 18% say they’re worried about their job security if they take time off. However, 1 in 5 people simply have a bleak outlook—they aren’t taking time off because they have nothing to do and nowhere to go (See Figure 4).

Leaders have the opportunity to ease these burdens on their employees—but few are jumping at the chance. In fact, even as the pandemic has underlined the importance of health and safety in the workplace, organizations seem to be focusing less on employee welfare. In our recent study on the future of human resources, 61% of US HR executives said employee wellness was emphasized in the organization’s culture.¹⁰ This year, that number curiously dropped to 48%.¹¹

In the same breath, nearly two-thirds of CHROs say their culture is important to their ability to recruit and retain critical talent. And they aren’t wrong. Today’s workers understand that they are expected to bring their whole selves to work—and that the line between the workday and personal time has been blurred. But they also expect more holistic support in return. In an increasingly volatile business landscape, in-demand talent will be drawn to companies they believe will take care of them in a crisis. When the global labor market recovers, the organizations that can demonstrate how they supported their employees through the pandemic will likely have a competitive edge.

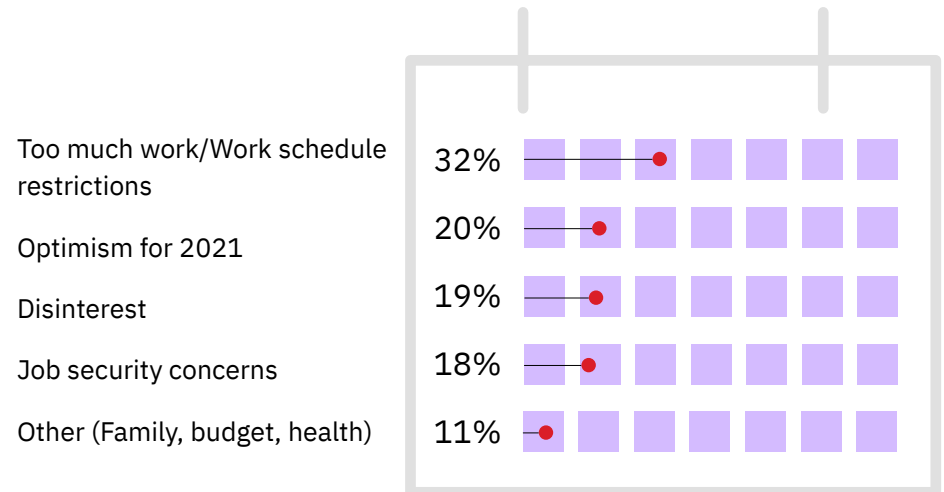
As the COVID-19 crisis continues, companies have the opportunity to step up and show their employees what they’re made of. By focusing on the employee experience, and transforming their people practices, organizations can distinguish themselves from their peers—and become an employer of choice.¹² While executives may think they’re doing well enough in this area, given everything they’re juggling, leaders need to check in with their employees to make sure they’re on track. Recent IBV research found that while 80% of executives think they are supporting the physical and emotional health of the workforce, only 46% of employees actually agree.¹³

In 2020, companies saw their cultures play out in real time. Leaders made tough choices—and their actions separated their true values from lip service. As the holiday season approaches, weary employees are watching. And they won’t forget what happens next.

Figure 4

Employees aren’t planning to use all their remaining PTO

People aren’t taking time off due to work restrictions—and a lack of interest.



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