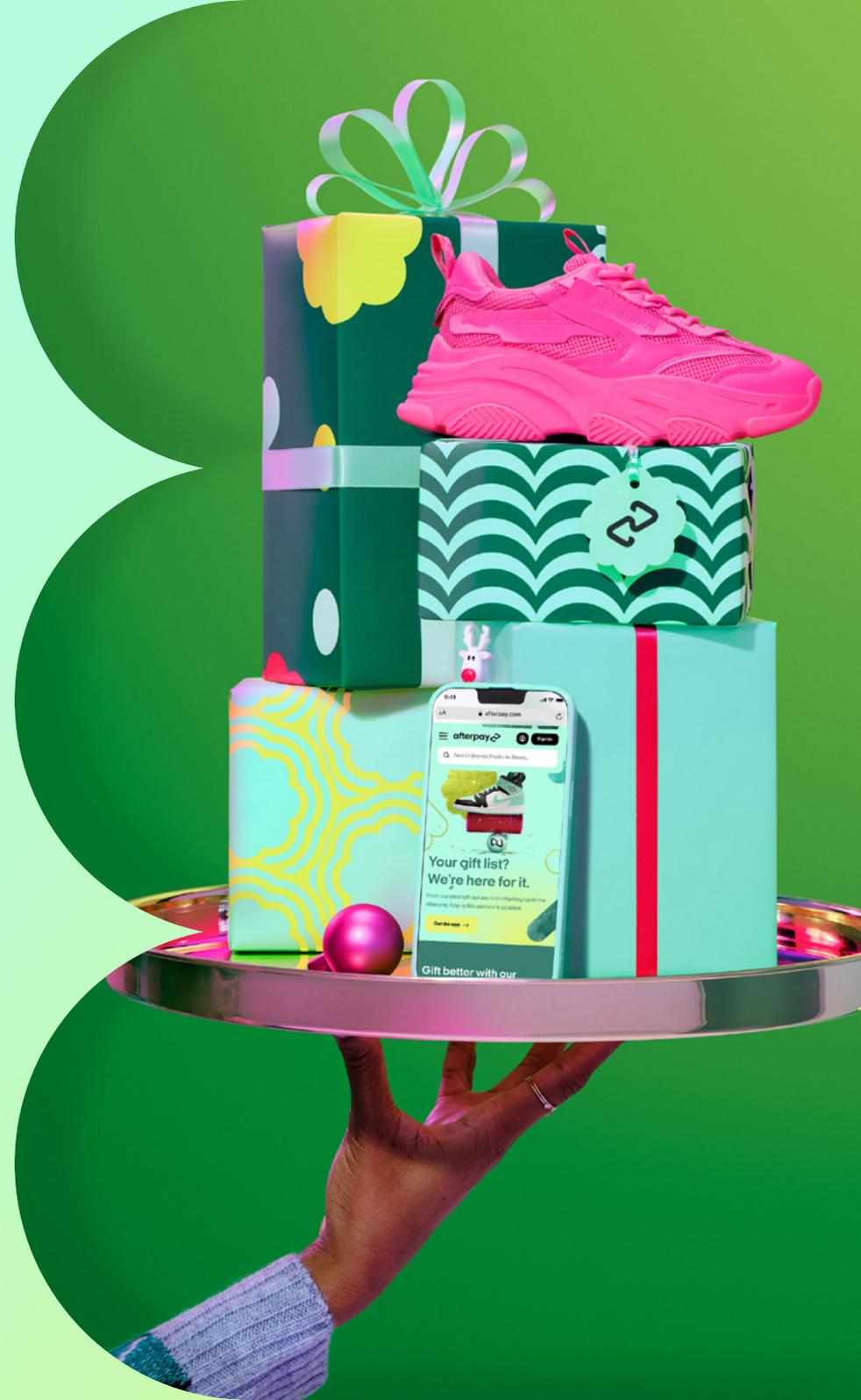


afterpay

2022

Festive forecast.

Sleigh with Afterpay this holiday season, as we share the latest insights into how Aussies will be balancing shopping, spending and saving amidst the rising cost of living.



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Foreword.

Christmas is the most critical time of year on the retail calendar, and despite rising interest rates, inflationary concerns and staff shortages, businesses are looking to the festive trading period with cautious optimism. Our forecasts show nearly \$64 billion will be spent in stores and online in the lead up to Christmas – a 3% increase on last year, which indicates that consumers will continue opening their wallets in the face of cost-of-living pressures.

What's helped to sustain spending throughout the year is the high level of savings Australians accumulated during the pandemic, supported by government stimulus and cost-of-living relief measures. This has acted as a buffer to the financial shocks for households and are contributing to the record levels of consumer spending. It does take some time for the full impact of rising interest rates to wash through the economy, while inflation is yet to reach its forecast peak and savings are starting to erode, so we are realistic about the potential for a softening of sales in 2023. But as it stands right now, businesses are riding the wave of record retail sales, and that's set to continue for the remainder of the year.

The biggest issue preventing retailers from trading at their full potential is staff shortages, with job vacancies increasing, and now running at over 46,000. Businesses are trying to recruit as many casuals as possible as they look to cover the increased demand over Christmas, but the challenge is immense. Supply chains are also set to be full stretched over the festive trading period, so it's important that businesses increase resilience in their logistic networks, while the advice for consumers is to shop early for their online orders to avoid disappointment.

Christmas is the most special time of year, and despite the ongoing economic disruption, Australian retailers have good reason to feel upbeat.

Paul Zahra

CEO
Australian Retailers Association



We surveyed **1,500** Australian consumers.

This survey was conducted between 29 August and 9 September 2022. Core sample data was nationally representative across age, gender and location.

Gender

51%

Female

49%

Male

Generation

12%

Gen Z (18-24)

29%

Millennials (25-40)

21%

Gen X (18-24)

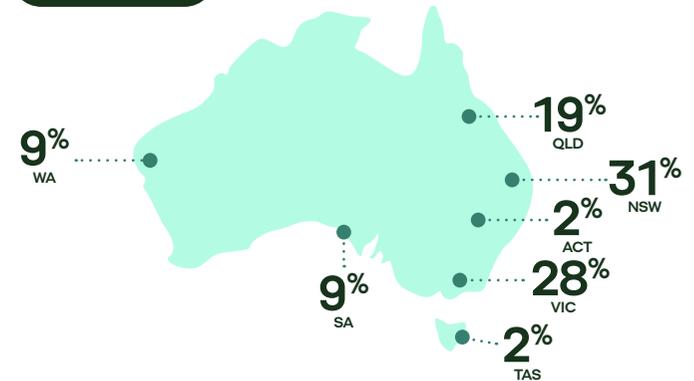
28%

Baby Boomers (55-74)

8%

Post-war (75-99)

Location



The five things you need to know this Festive season.

Because noel-edge is power.

Festive spending still looks strong.

Despite Aussies feeling inflationary pressures, most shoppers plan to spend the same or more this Christmas.

Christmas will come early.

Younger shoppers in particular, are getting organised and making gift lists early.

Gift-giving inspiration uncovered.

Consumers will look to family and friends' recommendations, in-store environments and social media for gift ideas.

Top retail categories revealed.

Gift cards and vouchers, along with clothing and toys, will top gift lists this year.

BNPL: The best thing since sliced (ginger)bread.

Buy-now pay-later (BNPL) services are most popular among Gen Z and Millennial shoppers. 1 in 10 Aussies plan to use BNPL to help with budgeting for larger purchases.



How inflation will impact holiday spending.

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

38%

Cutting back on general purchases.

24%

Shoppers strongly agree they're finding it hard to save amid rising costs.

24%

Cancelling or stopping certain activities, such as subscriptions.

17%

Shoppers are spending the same on essentials, but cutting back on "nice-to-have" purchases.



No, ho, ho, holding back on holiday shopping.

Although many Aussies are feeling the pinch, few plan to cut back on festive shopping. In fact, the majority will be spending the same – or more – than last year.

49%

will spend the same as last year.

20%

will spend slightly more.

5%

will spend significantly more.

56% of shoppers are prompted to purchase if an item is on sale.



TIP

Shoppers will be seeking the deals, so consider how to emphasise value or look at buy-one-get-one-free offers or free shipping over a certain price point.

Why are we gifting?

Here's what shoppers say is motivating them to purchase gifts.



Merry motivations



TIP

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

Gen Z are amped for the holiday season.

Gen Z are amped up for the start of the holiday season. Why? Around a third [32%] are looking forward to seeing friends and family, while one in seven [15%] just want to party.

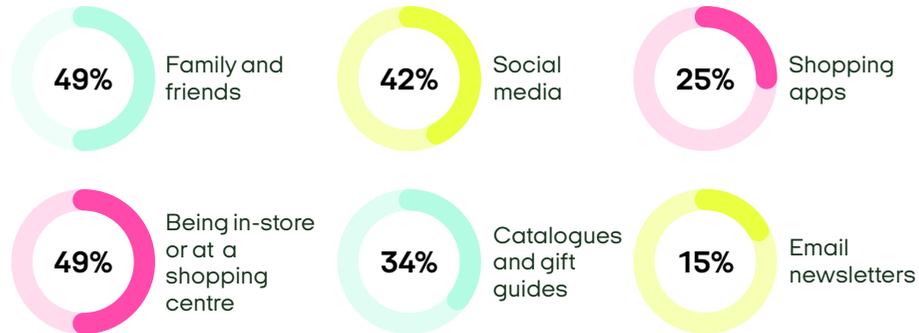
Generation Generous.

Different generations have varying motivations for gift-giving. Older shoppers, especially the Post-War generation, love the act of giving and also enjoy providing presents that the recipient would find useful. Gen Z, on the other hand, wanted to gift something 'meaningful'.

Stocking up on ideas.

Discover where Aussies get inspiration for pressie purchases.

Gift ideas inspiration.



TIP

If you're an in-store seller, start planning your festive window displays and ensure that signage encourages shoppers to enter.





What we'll be gifting.

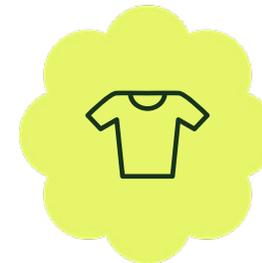
What and when shoppers are buying this holiday season – and who they are treating.

Gift cards continue to grow.

Shoppers say they're mostly likely to purchase gift cards [or vouchers], followed by clothing and accessories and children's toys this holiday season. Gift cards are especially popular for older shoppers, while clothing is more likely to be gifted by Gen Z.



Gift cards



Clothing and accessories



Children's toys

AVERAGE
SPEND

\$50 -150

IRL vs online.

58%

online

42%

in-store

Who gets the gifts?

24%

Partner

24%

Children

14%

Other family relatives

10%

Siblings

8%

Friends

5%

Themselves

Get, set, gift!

We looked at the key shopping moments across the season to understand when consumers will be purchasing.

24%

Early
November

41%

Cyber
weekend

21%

Early
December

10%

Mid-
December

3%

Week Before
Christmas



Sleigh with Afterpay.



Why Afterpay?

Shoppers spending more this festive season are more likely to use Afterpay, with many explaining that they use Afterpay because it is a "safe and secure" way to pay.

E-commerce shoppers embrace Afterpay.

When purchasing gifts this year 19% of shoppers plan to use BNPL online and 12% in-store.

1 in 6 Australians would use a BNPL service to budget for larger purchases.

TIP

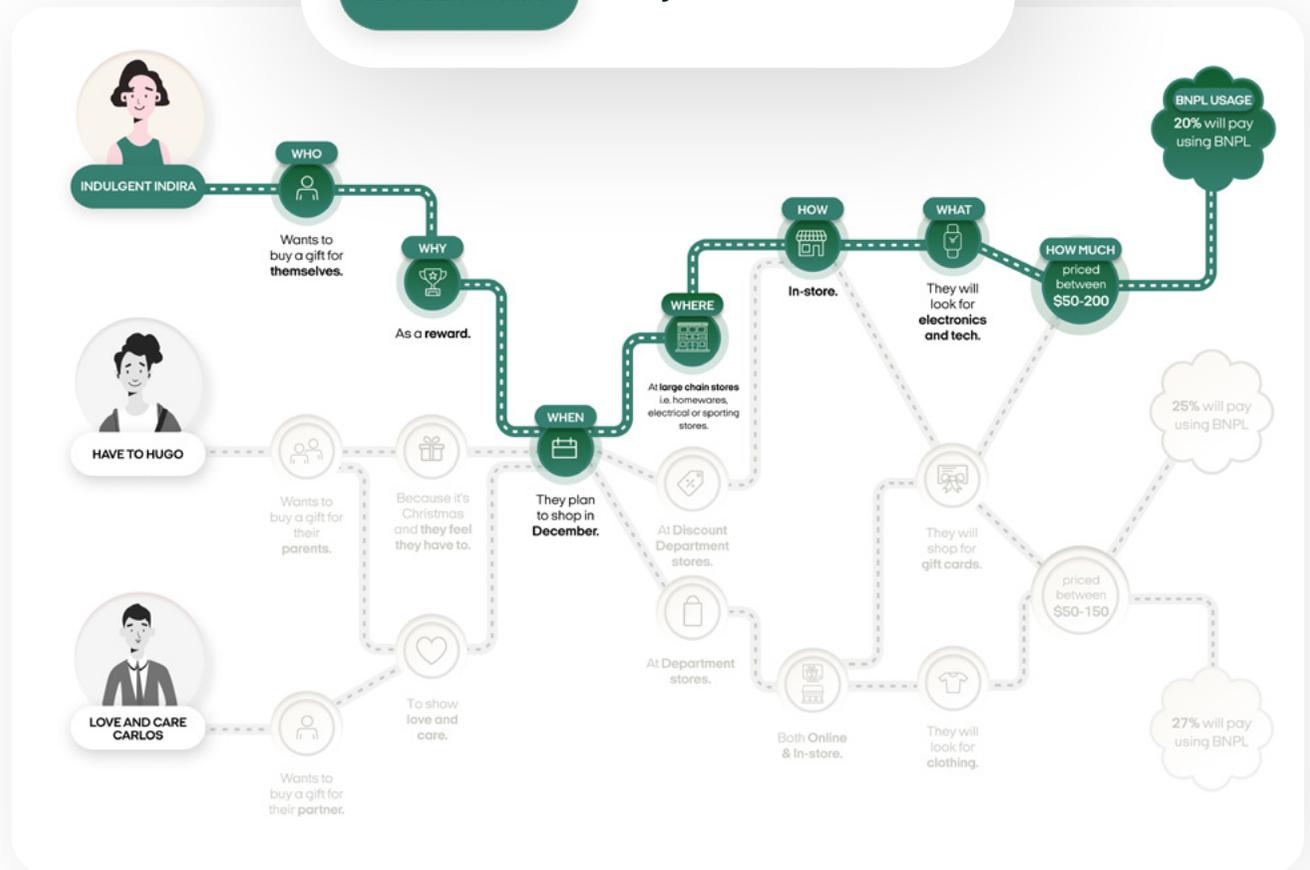
Make sure Afterpay is clearly displayed on your online store, so consumers know you offer it. Head to Afterpay's website for marketing resources to help you promote Afterpay online.

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.



Indira wants to splurge on one person this Christmas... herself. She's looking to indulge in her own gifts.



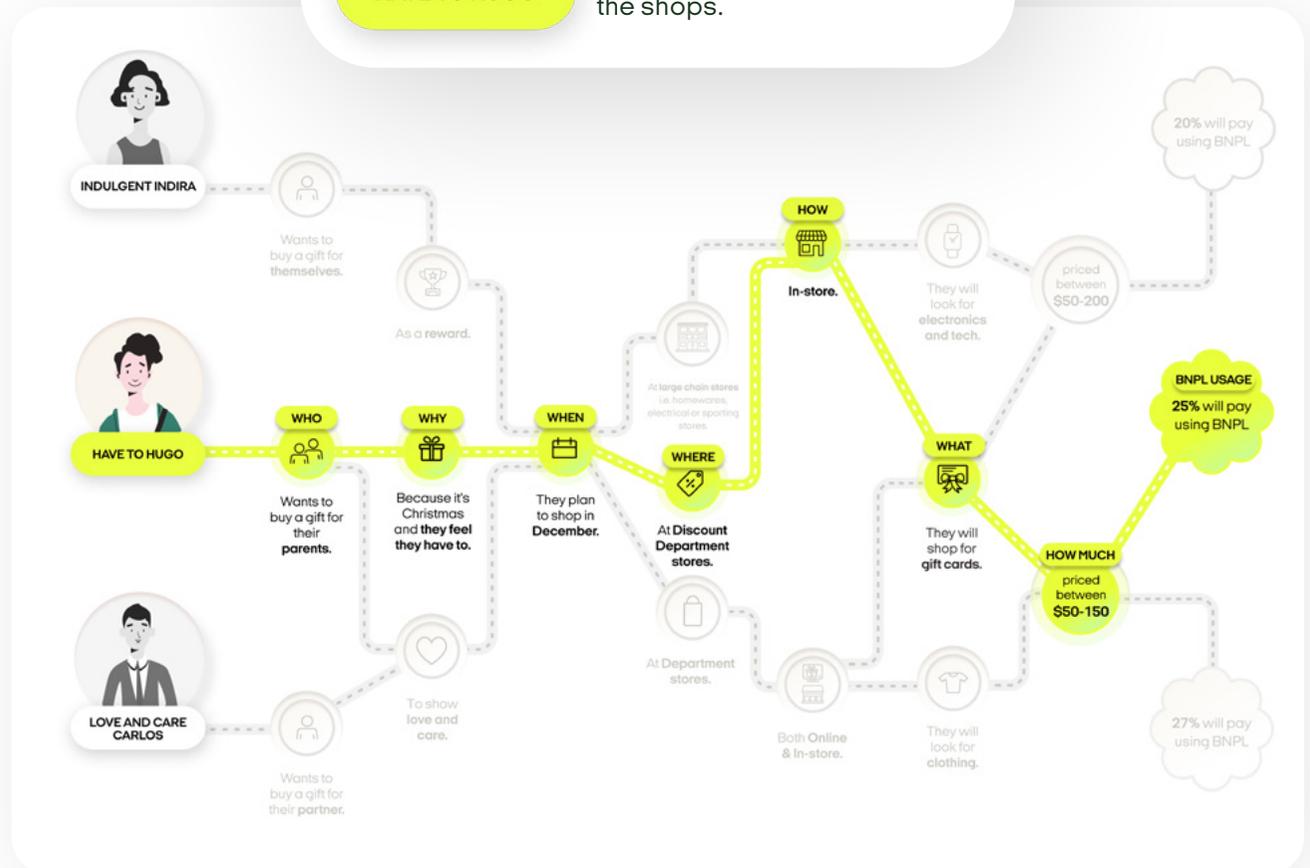
Present-buying predictions.

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



HAVE TO HUGO

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.



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.



LOVE AND CARE CARLOS

Carlos is all about showing the people he loves how much he cares this Christmas. He'll be looking for gifts that have the extra care factor.



Fun festive facts for the holiday.

Understand shoppers' mindset this holiday season.

Happy holidays.

Aussies are most keen to spend time with family and friends this festive season [47%], while one in seven [14%] are looking forward to taking a break from work. Others, can't wait to head on holiday [10%] and eat festive food [9%].

The gift is in the giving.

More Aussies say they are most looking forward to giving gifts [9%] compared to those who say they are looking forward to receiving them [4%].

Tickets come out on top.

The gift that most people want to receive are tickets to an event, followed by fashion, sustainable products and appliances or homewares.

Join the festivities.

Whatever you do, don't serve brussel sprouts at Christmas - they are the least liked festive food, with 53 per cent of Aussies saying they hate them. Roast spuds, on the other hand? A winner, with 93 per cent declaring they are keen to indulge this holiday season.

Wishing you a very **merry** sales season!

It would be rudolph us not to wish you a happy holiday! We hope you use these insights to delight your consumers.

