Nielsen Forecasts Flat to Declining Sales for Holiday Season

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More Than One-Third Of U.S. Consumers, Including Nearly One-Third Of High Income Consumers, To Cut Holiday Spending

U.S. consumers arenâ€™t feeling particularly jolly heading into the holiday shopping season this year with more than one-third (35 percent) of U.S. consumers across all income levels expecting to spend less, according to new research from The Nielsen Company.Â With an economy in turmoil, only six percent expect to spend more and fifty percent of consumers surveyed expect to spend the same amount as last year during the holiday shopping season, historically defined as Thanksgiving week through the last week of December.

Nielsenâ€™s survey of 21,000 U.S. households shows that economic concerns are also putting a damper on holiday spending among high income ($100,000 plus) consumers, with nearly one-third (32 percent) of affluent shoppers planning on spending less this holiday season.Â Only five percent expect to spend more.

â€œClearly, consumers across all income levels have some trepidation about holiday spending,â€• said Todd Hale, senior vice president, Consumer & Shopper Insights.Â â€œThe unstable economic environment is creating a high level of caution among consumers, leading us to conclude that this will be a tough holiday season.â€•

All I Want for Christmas isÂ . . . Value

Of those consumers that report theyâ€™ll spend about the same, about half report they will spend the same amount this year in grocery stores, supercenters and mass merchandisers.Â The holiday season may prove to be a bigger challenge for department and electronic stores, with almost one-third (28 percent) of consumers expecting to spend less in these stores this year.Â Convenience and gas retailers may come out ahead this year with 12 percent of consumers expecting to spend more in these locations, likely related to a rise in pre-paid gas cards as gifts this holiday season.

â€œRetailers answering consumersâ€™ call for value will capture shoppersâ€™ attention this holiday season,â€• said Hale.Â â lower prices, instant rebates or free shipping offers, value messages will speak to bargain-seeking consumers in todayâ€™s tough economic climate.â€•

Itâ€™s My Party, And Iâ€™ll Spend Less if I Want To

Of those consumers surveyed who entertain at-home, almost one-third (29 percent) plan to spend less this holiday season -- including 26 percent of high income consumers.Â For those entertaining away-from-home, 33 percent expect to spend less, including 31 percent of affluent consumers.

â€œThe trend to entertain at-home continues as consumers grapple with high gas and food prices, and it bodes well for manufacturers and retailers promoting at-home optionsâ€• said Hale.Â â€œAt the same time, it points to a challenging holiday season for restaurants, hotels and banquet facilities catering to the holiday crowd.â€•

Holiday Forecast:Â Flat to Declining Sales

Nielsen forecasts 4.7 percent growth in dollar sales or $98 billion across grocery stores, drug stores, mass merchandisers1 and convenience stores, for the holiday shopping season.Â The growth forecast, slightly higher than last yearâ€™s 4.5 percent gain, is in large part due to higher commodity prices. Nielsen projects unit sales, however, to be flat or down 0.8 percent versus a year ago.

â€œWe project unit sales to be flat to declining as consumers reduce spending and modify their shopping activities to focus on necessity versus discretionary items,â€• said James Russo, vice president of marketing, The Nielsen Company.Â â€œThe expanding credit crisis, housing malaise, commodity price pressures, an unstable labor market and plummeting consumer confidence all contribute to a weak holiday shopping season and quite possibly the worst holiday spending decline since the worldwide recession in the early â€˜90s.â€•

Deck the Aisles with Shoppers
How can retailers and manufacturers survive this holiday season?Â Nielsen reinforces consumersâ€™ desire for value and offers these suggestions:

With a high level of planned reductions in spending among shoppers, manage inventory like never before to avoid extra inventory come January.

Reach out to your best customers in stores, through direct mail and/or via advertisements and make them feel special about your brands and your stores by providing customers with special coupons or sale prices.

Recognize that necessities, not the nice-to-haves, will drive strong sales this holiday season.Â Toiletries, baby care products, food items and gift cards for groceries, gas, telephone and car maintenance are expected to succeed.Â

This holiday season, retailers are likely to see a big upside in consumer packaged goods (CPG) sales.Â Leverage these CPG products to drive basic gifts and stocking stuffers, such as toiletries, pet care, household cleaners and special holiday packs for food and beverage items.