

RETAIL

Rising tariffs could dampen consumers' holiday spending

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Consumers are concerned about the impact of tariffs on prices. Image credit: Nordstrom

By SARAH JONES

Impending further tariffs on Chinese imports could dent the holiday shopping season, as a new survey finds that 54 percent of consumers are worried about price increases related to greater import taxes.

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A report from Intelligence Node finds that consumers are the most apt to seek out deals when buying categories including fashion and electronics, two of the areas that will be hit with tariff hikes beginning on Sept. 1. Even luxury shoppers look for promotions, portending a potential downturn in fourth quarter spending.

"Based on our survey findings, if U.S.- China trade tariffs result in price hikes to the buyer, then we expect to see fourth quarter consumer spending decline," said Sanjeev Sularia, CEO of **Intelligence Node**. "Our August data reveals that 54 percent of U.S. consumers are concerned that the new tariffs on goods from international markets will impact the cost of items they regularly purchase.

"These consumers will compare products online, because they want to find the best prices so retailers that can adjust prices real-time will be at an advantage," he said. "It's also possible that spending on counterfeit products will rise as consumers look to obtain luxury goods look-a-like items at a price tag to which they are accustomed.

"In the end, how retailers decide to respond to these tariffs will ultimately determine consumer buying behavior."

Intelligence Node's **report**, produced in partnership with Dynata, was based on a survey of 1,000 U.S. consumers.

Price conscious

On Aug. 1, President Donald Trump tweeted a threat to raise tariffs to 10 percent on billions worth of goods. This latest round includes products such as toys, iPhones and sneakers, and is in addition to the \$250 billion worth of goods that already have 25 percent tariffs (**see story**).

Since then, the administration has planned to raised the planned tariffs from 10 percent to 15 percent. The taxes are set to go into effect in two phases, on Sept. 1 and Dec. 15.

"It's impossible for businesses to plan for the future in this type of environment," said David French, senior vice

president for government relations at the National Retail Federation, in a statement in response to the latest move. "The administration's approach clearly isn't working, and the answer isn't more taxes on American businesses and consumers. Where does this end?"

While retail organizations have been cautioning the government on the potential impact of tariffs on consumers and U.S. businesses, the trade war has continued to escalate.

Even though consumer confidence and spending has maintained momentum, Intelligence Node's study shows that consumers are feeling the pressure of raising costs for goods. This worry about higher prices may make some abandon purchases.

Eighty-three percent of shoppers say they have decided not to make a purchase because of price either sometimes or often.

The majority of consumers also compare prices on multiple sites before making an ecommerce purchase. Twenty-two percent always comparison shop, while only 12 percent say they only compare prices on rare occasions.



Consumers comparison shop online. Image credit: Neiman Marcus

Price sensitivity also leads some shoppers to wait for key discount days to make purchases. A quarter of consumers say they often or always delay a big purchase for a moment such as Prime Day or Black Friday.

Beyond the price of products themselves, consumers consider retailers' shipping policies.

Affordable, fast delivery is the number one reason that consumers return to the same ecommerce site, followed by low prices. Additionally, 84 percent of consumers have abandoned their shopping on a site because shipping was too costly.

The report also found that 54 percent of consumers say that the targeted ads they receive do not feature realistic price points for them.

Despite some deep pockets, global luxury shoppers are evenly split in their purchasing habits, with a YouGov report finding that half only buy luxury items at a discount ([see story](#)).

"It's important for luxury brands to track product pricing and consumer spend to understand if and how events like the trade tariffs are impacting consumption consumers are less likely to splurge on luxury goods if they are feeling

pinched in other areas," Mr. Sularia said. "It's therefore important for luxury retailers to look at product pricing and consumer spending trends in other markets so that they can adjust their product prices in real-time and remain attractive to buyers.

"Targeting the right audience can be achieved by staying close to repeat customers and monitoring their spending habits in order to uncover their buying trends in the product selection and pricing," he said.

Counterfeit concerns

With consumers seeking out deals, there is also the risk that consumers searching for luxury products online will find fake goods instead of the real thing. Fifty-seven percent of customers are worried that they will encounter counterfeits while shopping for luxury goods via ecommerce.

Luxury fashion brands and secondhand retailers need to be as vigilant as they can be in regards to fake and counterfeit goods, as the quality of false reproductions becomes superior.

"The State of the Fake" report by handbag authentication platform Entrupy reveals that while Louis Vuitton is one of the most frequently authenticated brands, it is also the most often duped. The luxury goods maker is an example of how heritage and desirability put these brands at risk for counterfeiting ([see story](#)).

"Luxury brands can assuage concerns about authenticity by closely tracking all instances of their products being sold online," Mr. Sularia said. "Using price optimization and Web crawling technology, luxury brands can see increases and decreases in their own products as well as those of counterfeit goods, in real-time, and thus they can react quickly to this information and minimize the problem.

"Tracking counterfeit competitive products is vital to keeping a pulse on what is happening in the market," he said. "It's also important for luxury brands to more aggressively promote to consumers where they can buy authentic goods online.

"Helping buyers avoid purchasing counterfeit products will increase consumer confidence and provides an opportunity to build trust between the brand and its consumer."