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COMMERCE

# Consumer spending persists despite Omicron concerns: Deloitte

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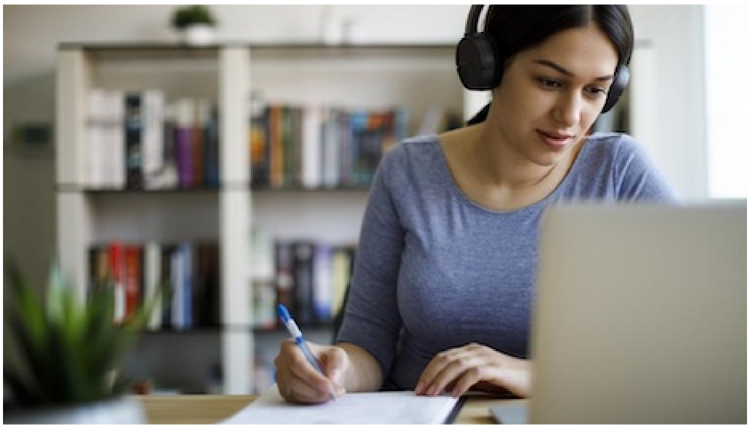


*With more consumers working remotely, luxury retailers and brands could see this as additional opportunities to engage with them online. Image credit: NRF*

By KATIE TAMOLA

Consumers have not been deterred from discretionary spending even as the Omicron variant has prolonged the pandemic.



According to new data from Deloitte's Global State of the Consumer Tracker, consumers may be concerned regarding their overall safety causing them to restrict participation in in-person events, but they are still spending money and shifting their spending. As consumers look to allocate money toward material items and technology, luxury brands and retailers have an opportunity to spotlight their ecommerce offerings and increase revenue.

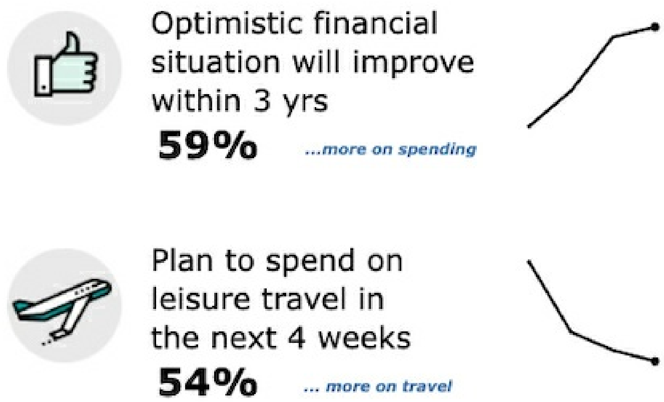
"Higher income consumers have shown greater immunity to financial swings,"said Stephen Rogers, managing director at Consumer Industry Center, Deloitte. "We've seen both premium and discount retailers perform well before and throughout the pandemic."

The survey was conducted between Dec. 23 and Dec.29 in 23 countries where at least 1,000 consumers per country were polled.

Spending unshaken

In the wake of new variants of the COVID-19 virus, consumers are shifting their spending, as certain areas of luxury and overall spending are thriving more than others.

Since September, the percent of U.S. consumers who say they are spending more on material things, versus experiences, has increased from 19 percent to 25 percent.



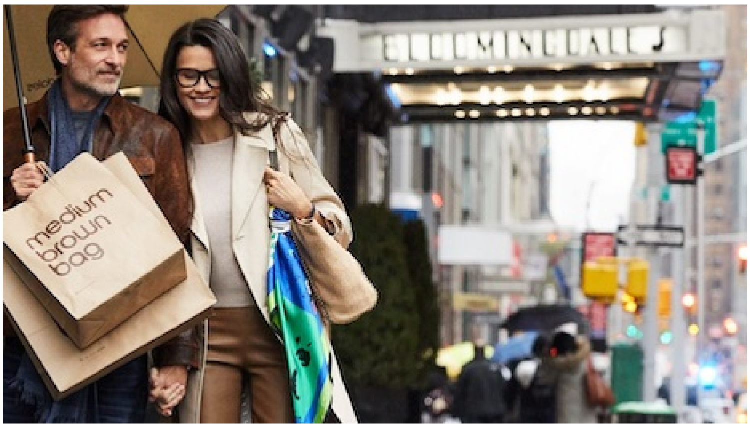

*Consumers are optimistic the financial landscape will improve. Image credit: Deloitte*

Those who report replacing more in-person interaction with digital services increased from 21 percent in September to 26 percent.

U.S. consumers are feeling less comfortable participating in in-person events, including travel, as safety perceptions declined for flying from 48 percent to 42 percent and engaging in one-on-one services from 71 percent to 65 percent, respectively, since early November.

The lack of comfort continues to be visible, as U.S. families sending children to school dropped from 40 percent in November to 33 percent in December.

Morale is high regarding the future of the economy in the U.S. however, with 59 percent of American consumers optimistic that the financial situation will improve in the next three years and 54 percent even saying they plan to spend on leisure travel in the next four weeks.




*Consumers are recently leaning towards purchasing material goods over experiences. Image credit: Bloomingdale's*

U.S. consumers continue to spend more time working remotely compared to the rest of the world, with the average number of work-from-home days coming in at three since September. With the popularity of remote work, luxury retailers and brands could see this as additional opportunities to engage with them online.

U.S. consumers expect to spend an average of $4,800 per household over the upcoming month, dedicating 35 percent of their budgets to more discretionary categories such as recreation and entertainment, restaurants, electronics and leisure travel.

Treat yourself

As the future regarding the pandemic and how it will affect where people can go and what they can do remains unclear, consumers are taking solace in shopping from the comfort of their own homes.

Although the share of luxury ecommerce sales continues to climb, the online shopping experience can still become more elevated.

Speaking at a session at the Vogue Business and Google virtual summit "The Way Forward" on Nov. 11, retail and technology experts discussed how improvements in data capabilities will continue to improve ecommerce. While consumers do not think in channels, bridging the gap between in-store and online experiences is as essential as ever for luxury players (see story).

With more consumers looking to treat themselves while not leaving their homes, luxury brands are being called to capitalize.

Being slow to digitize luxury has kept brands from fully personalizing high-end retail experiences.

In a conversation with Launchmetrics CEO Michael Jas at Launchmetrics' Performance digital summit on Jan. 19, Farfetch founder, chairman and CEO Jos Neves discussed his predictions for luxury retail. While the share of luxury ecommerce sales has grown during the COVID-19 pandemic, the vast majority of luxury sales still take place in physical stores (see story).

"Premium and luxury brands specifically have benefited from the fact higher income consumers' financial sentiment and lack of financial concern has been fairly steady, and there's little evidence this trend will change," Mr. Rogers said.