Matt Wagner:

Welcome to the Main Street Business Insight podcast. I'm your host, Matt Wagner, Chief Program Officer at Main Street America, a nonprofit leading a collaborative movement dedicated to strengthening communities through place-based economic development and community preservation. Each week join me as I travel the country and take a deep dive into the personal journeys of downtown and neighborhood entrepreneurs. The stories that far too often go unnoticed and unheard. Whether you're a small business owner who wants to learn from your peers or community leader looking to better support your local business base, Main Street Business Insights is here to provide you with the tools, strategies, and personal stories to help you and all of your main street businesses thrive. So subscribe now and tune in every Wednesday to get inspired by the individuals driving our communities forward.

Welcome everyone to what I'll call a special episode of the Main Street Business Insight podcast is this week we are changing things up a wee bit. And if you've been following the podcast from time to time, I have a habit of switching things up and presenting on a topic that I hope helps to inform small business owners for really giving them better decision-making capabilities through perhaps more aggregated data that's often difficult to find or just takes more time and guided information. And that can run from annual predictions that we did last year in 2024. We'll again do in January looking ahead into 2025. In some cases it's looking at more macro trends for society or technology or the economy overall that are impacting small businesses.

So given that we're headed into the end of October when this episode is expected to air, one could certainly contend that we're at the start of the holiday shopping season and it gets earlier each year. And so I wanted to give a deeper dive into what's new and what we might be able to expect heading into the 2024 holiday season, and do so in more in what I hope for is a more relevant way relative to the capacity and the resources of most small businesses like Main Street businesses to be able to adapt to these new trend lines or what these expectations are. And so a lot of my remarks around the trends will look towards, "Well, then what can small businesses do as a reaction to that?"

So obviously I want to welcome you all then to what I'm calling the five-ish holiday trends of 2024 that will become more relevant at the end. But the more important aspect of this is really just how small businesses can position for greater sales opportunities moving forward. So kind of looking ahead, I want to establish first a foundation and about the reason why we're focused on holiday sales, why most retailers are focused on holiday sales or food and beverage industry businesses just because it makes up a big portion of the overall annual sales forecast for most businesses. It's also where make or break, is where profitability occurs as we get to the tail end of the fourth quarter, sort of the make or break season because there's so much hyper-focus of shopping and consumer spend that sort of bound up into that fourth quarter.

As you can see here just by some of the data is it has an over-representation. If you just took the four quarters and divided them up, you'd have 25% in each one. Obviously it doesn't work that way, but a lot of it is back-ended towards the fourth quarter and the holiday shopping season regardless of what retail sector you're in, obviously some more than others like Hobby Toy in game stores where a big healthy percent comes in that Q4 time period. Also, as we look ahead, what can we expect? There have been a lot of, I think, concerns in the second quarter, especially of 2024 where there was a lot of dialogue in the media and around economists about were we going to have a soft landing or a hard landing?

Was there going to be a deep recession? What was going to be happening there? What was happening with inflationary pressures that were still up even going into the summer? But I think have moderated and obviously with the September Fed interest rate cut as well, I think there's a little bit more sort of healthy expectation or I won't say exuberance heading in, but as you can see here through the national retail Federation, holiday spending is expected to grow and grow fairly well at 2.5 to 3.5% over the 2023 spend. And what that gives us just in terms of overall consumer holiday spend is anywhere between 980 billion, and then 990 billion coming in the months of November and December. So very focused and concentrated and that's compared to what was about 955 billion during 2023, so quite up a bit. And if you were actually to go back to 2019, you would see that this is a massive increase.

There are new norms in overall retail spend and certainly in holiday spend is as we look ahead into the 2024 season. A couple more stats they think are relevant specifically to 2024 is where a lot of that spend is likely to occur, okay? As all of us know holiday spend and consumer shopping has sort of gotten earlier and earlier as we tend to do wanting to get out of the gates earlier with different events and promotional activities to kind of create some early spend, capture those dollars before maybe some of the competitors do, rather than waiting towards the tail end of the shopping season when maybe a lot of people have already spent their allocation for the year. However, given where Thanksgiving falls towards the tail end of 2024, some have speculated even the election, although that doesn't appear to be playing out too much and won't have as much impact.

But I think really it's where Thanksgiving is falling. There's a lot of experiential shopping that tends to happen around that time period, especially with great events like American Express with small business Saturday. And so I think what we can expect is even though a lot of the promotional activities, a lot of the media around holiday shopping is already full in swing, I think a lot of people mentally may be delaying some of that. So we'll see a much more compressed or compact shopping spend will be up, but it might be occurring in a more compact area of the way the calendar is falling. So just be prepared for that, especially mentally. If sales seem a little slow, even though there's all this dialogue that people just might be holding back a little bit and you might have this treasure trove of sales coming in a very compressed time period.

All right, onto the five-ish holiday trends that I hope will be helpful to you. And first is kind of where some of the spend's going to be occurring. The expectation is that there's going to be some greater spend allocation towards things like home decor or just party apparel overall and of course experiences. And I think a lot of this actually has to do with still kind of a post-COVID hangover in kind of a new norm setting around many people feeling isolated, not having as many strong social ties before, many people still having hybrid or full remote work environments. And so there's this yearning around the holiday season, I think, when people want to feel connected. And when they don't, they're going to allocate a higher proportion of their spend to making that happen, to creating those memories that perhaps they're not getting in other parts of the year. A holiday is a perfect time of year to be able to do that.

We're naturally drawn to where then connecting with family and friends. And so what that naturally is looking at, and this is where the Deloitte survey really showed this was experiential spending is expected to be up about 16% year over year. That's pretty heavy and so whether 2024 was just a tougher year we've come to realize or it's just year over year sort of embedding of the kind of diminishing social ties. That's a big jump in number. And so I think for small business owners, we should leverage that. Having bricks and mortar Main Street stores, I think, gives us the ability over e-commerce or digital shopping to create those experiences, whether they're in-store promotional events or activities that bring your customers together in the form of mini-community. I think that's powerful and will make a big difference in where that allocation is spending.

If you have opportunities for additional inventory and things like non-gift items like holiday decor, decorating or just party apparel, that's supposed to be up about 9% year over year. So I think hopefully it's a big takeaway is really think about, "How can I create community in my store where people are going to feel connected?" Less about the inventory, more about the connection. All right, number two of the five-ish holiday trends of 2024, I think we're going to see some rebounding, and in certain sectors that maybe had been down, largely driven by the need to replace. And one of those areas will certainly be kind of the electronics high-tech area, some of that being fueled by lower borrowing cost or inflationary pressures, supply chains, regrouping. And so from a cost or expense perspective, they've come down in price. We bought a lot of gadgets because we were stuck in our homes during the pandemic.

And so it's amazing, four years later, how there's still a connection in consumer spending back to 2020. I just find that in some ways kind of crazy, but that's how impactful the shifts were in 2020. And so there's an expectation. MasterCard is indicating an estimated increase of 6.7% year over year in electronic sales overall. But I think there's actually three other areas that we'll also see some rebounding. So if you're in this area or have inventory opportunities, I think outdoor rec is making a rebound. We bought a lot of bikes and canoes and kayaks and fitness equipment and it has a shelf life or there is new interest that you want to pursue in this area.

Same thing with gardening supplies and home decor overall or home renovations. And so much of that interior design might be coming back as a result of just simply needing a refresh or an update or you have new interest in mind close to four years, three and a half years, call it what you will. There's sort of that time period for some of those sectors that really had been quite down in the tail end of 2022 and throughout the year in 2023. So expecting some rebounding there and through replacement.

All right. Number three of the five-ish holiday trends, I think this is where younger generations begin to put their stamp of authority, of spending authority on our holidays of 2024. The millennial generation is the largest and with the backing of Gen Z consumers now in the workforce and having spending capacity, the boomers in peak 65 and retiring and maybe thinking less about spend and conserving dollars, they're just having less of an influence. And Gen Xers, my generation, we were never really much of an influence because we're quite small and have been called more frugal in some of our spending. So I think millennials and Gen Z really are going to drive this holiday shopping season.

So as a small business owner, as you're thinking about how to reach this group, given where all that spending capacity is, watch out for the brands. Understand that within a particular sector of retail that you're in, there are various brands that have a niche or competitive position based generationally. Either they're well-known generational brands, legacy brands, and then newer up and coming brands. And you see this actually the jewelry sector where younger skewing jewelry brands are really growing. And again, this is some MasterCard data showing that younger skewing jewelry brands are expected to be up 44% over where they were in 22% or 2022 where they were at 38%. So a healthy 6% jump.

And I think you can leverage this and think about it in other sectors as well. Other, just sort of thinking around Gen Z and millennials is that social media is the go-to place. So again, think about where you're putting your social media activity. Is it in Facebook? Is it in other places that might skew to that particular generational group? Now again, first and foremost, always take account of who your shopper is and know your customer. But if you're trying to attract maybe other consumers from the generation Z or millennial group, social media is going to be one of the way. And placement is going to be critical.

Things like TikTok, which continues its dominance of this particular generation, Gen Z, and how they're using that to discover new gifts on this platform. Gen Z also cites social media as a major influence in terms of one-third of their respondents plan to find gifts via Facebook or Instagram ads and nearly a quarter through influencers. We call that social commerce. And so think about your own young consumers, maybe having them do testimonials or participate in a video, but leveraging your own customers through social commerce is a big call-out, especially with younger generations.

All right, number four of the five-ish holiday trends, this is where AI... I always joke that in 2024 I couldn't actually do a presentation if I didn't talk about AI in some way. We're certainly going to see this probably for the first time really play a very visible or have visible impacts on shopping through AI primarily around hyper personalization, which is actually a big consumer trend. And then I hope building more efficiencies for our small business owners to kind of quickly pivot, maybe take some tasks out that were very time-consuming, which you don't have a lot of time, and bring some ease to that to allow you to focus more on those value add the things that you truly need to pay attention to as you gear up for the holiday shopping season.

So 43% of Gen Zers expect to spend more this year, which is great, but more than half said they plan to use AI as a shopping assist. And so how that might look is going into one of the providers, whether it's Copilot or Gemini or ChatGPT, and simply asking some questions or having the AI learn like, "I'm going to such and such store, learn about this store and what it offers." And then putting a prompt in, "I'm shopping for a gift for my mom and she's a 67-year-old," or what have you. And putting in the profile and using AI as a way to generate gift ideas. I know it sort of loses that personal touch I'm sure. But if you're searching, you're not sure what to get a person or what have you, that's how Gen Z and millennials will begin using AI as a way to help them generate more lists or ideas for their shopping experience.

Some of the ways that businesses and what I would recommend maybe some of the things that you can do to leverage AI for the holiday shopping season, sort of a quick easy way is think about maybe adding a chatbot to your website. A lot of your website providers or e-commerce providers already have a built-in AI function now or a chatbot function that's just an add-on. Now it may be a premium, not sure about that, but I think having the capability to have a consumer on your website ask questions or whatever or get ideas is going to be a really healthy way to draw them in not only to your e-commerce site, but also to your physical store.

Again, the experience, the value add that you're able to do there. If you collect any info on your customers or just know who your customers are, what those one or two profiles are. You can actually use AI then to create, so this is sort of the inverse of my last statement, you can be using as a small business owner, AI as a way to generate customized gift ideas based on your inventory. And then leveraging your social media or a newsletter or even hyper focused emails to your customers about, "Hey, these might be great ideas for the holiday shopping," because it's able to know, obviously through your inputs, what the interest might be of your consumers and matching that then with inventory or sales or other things that you're trying to drive. And then the third area that you might want to consider this is really on the time savings front.

Simply using AI is a way to customize marketing campaigns or messages that you want to share about an event or what have you, and just putting prompts into it to develop certain messages, again, based on the details that you're providing it. You can always edit obviously and put your sort of personalization to it, but it's a great way to just save you time from starting from a blank sheet of paper, which I know for some can take hours to kind of figure out, "What should I say?" Or, "How should I put this? What's the sort of sequencing of what I'm trying to say?" One of the AI generators can really do that for you. That's called generative AI and really simplify it. And so I know if you're a little bit nervous about AI or sort of apprehensive or not trusting, this is kind of an easy way to ease to go into it, is just using it as a starter to give you ideas for how you might want to message some of your planned activities. So give it a go, try it out, see what you think.

All right. Last of the five-ish holiday trends that I want to talk about is really the cost-conscious consumers looking for deals. Even though inflation has certainly come down, there's still a lot of pressures on the consumer, pricing elasticity remains fairly tight and so you don't have a lot of room to maneuver. 66% of consumers rank better prices and promotions is their top consideration for the 2024 holiday shopping season. So one of the things that I would recommend is highlighting discounts as a lead. That doesn't mean discounting everything if that's not what your store is all about, but maybe featuring a loss leader or a couple of products that you want to feature where you're discounting and to really get them into the store and also show that there's some deals there. And start messaging early on specials, that's going to be another sort of highlight of the shopping season if you want to attract more cost-conscious consumers just to get them into the store.

All right. Now, this gets to the point of where I was wanting to wrap up with my five-ish, but I kept going and I kept thinking, "Well, there's some other things that are happening within the space," but I didn't feel like it was worth giving them tons of attention. And some of these are sort of wrapped with the other trends, but I want to quickly mention a few other things to consider or just summarize in general. First and foremost is omnichannel. If you're simply just sending out a newsletter or you're just simply posting on social media, that's not necessarily going to get it done in this sort of consumer market, especially with younger generations. And so you have to hit them in essence in multiple ways. And that's really the theory around omnichannel shopping is you have a clear and concise message, but you're delivering it in multiple formats.

So leverage that great newsletter that you have as very personalized to your consumers. Use your social media, have your website, have an in-store promotional event, but constantly share the message, but again, in multiple sorts of ways, even traditional advertising of course. All right, remember price-conscious shoppers, that's going to be big. Have a loss leader if you're able to, but counterbalance it with experience, which will provide value add over just the deep discounters out there. So yes, have some things that might be on sale or whatever or a deal, but rather than going the deep discount, which then impacts your margins, especially for smaller stores. And that's why I mention it here, put in the value add of the experience to make up for that.

Mobile commerce continues to grow, people using their cell phones either for research or for making the purchase directly through your website, but in a mobile application, make sure that your website is mobile optimized as well. So it looks good on the screen, but that's going to play an ever-increasing role as we go forward is going to be the use of the cell phone and even opportunities for geofencing and depressed messages as that consumer gets closer. That's another strategy, a more sort of complex strategy. But I think we'll see that more in the coming years. Maybe that will become part of a prediction at some point. Personalized experiences is big. Using AI to really hone in on knowing your customer and what they may be interested in relative to the services that you're offering or the products that you're offering.

Yes, we'll have some early shopping, but please remember that if you're not seeing a lot of that happening, a lot of that has to do with the compressed nature of 2024 and where Thanksgiving is landing. So just be aware of that. Non-gift purchases, as I mentioned earlier, will be big. So experiences that you can do in-store, there'll be 16% increased spending in that area and 9% increased spending in home decor and apparel, party apparel, et cetera. All right, return to physical stores. Don't buy into the media hype around the death of bricks and mortar or everything's going to e-commerce. It couldn't be further from the truth. Certainly there's some spin shifting. There's a lot of combo bricks and clicks happening, but especially during the holidays, people want to feel connected to something and e-commerce is very transactional.

While it can be personalized, it's not building connection to community or to family or friends or coworkers and colleagues. It can't do it. And so the physical nature of the holiday shopping season is really important. I think as we see the epidemic around loneliness and mental health, that connection to the actual strolling to downtown or your neighborhood commercial district during the holidays, going into the stores, having that hot chocolate, seeing your neighbor, talking with the store business owner, that's powerful. And I think if you can sort of personify that, position it, offer more promotional in-store promotional activities, build community is part of your strategy, have a third space component within your store that will pay quite hefty dividends as we think about the 2024, and I think just overall retailing in general.

And then finally, just in terms of AI, just remember the larger role that it will play and the different ways that you can leverage AI depending on your comfort, your sort of how sort of savvy with technology, your feeling, how much you want to dip your toe into it. I do think low-hanging fruit is simply to use an AI function to just ask questions, to formalize messages for a marketing campaign or social media strategy so that you can develop an outline for it and then personalize it from there. But that can save loads of time, just the getting started aspect. So before we go, I wanted to add in a podcast shout out, as we might want to call it here. And one of our listeners, so Aira Alcantara from Livewire Communications actually wrote this on our LinkedIn when we had last week's podcast come out.

"Love this conversation. Building a strong community connection takes more than transactions. It's about creating meaningful experiences and making customers feel like family. Kaycee McCoy's approach it Pawsnickety Pets exemplifies how businesses can go beyond expectations to foster lasting relationships. Programs like Pawdoption show the power of giving back and investing in both customers and the broader community, inspiring." I just thought that was so thoughtful. Really appreciate the comments, the feedback that listeners provide, and truly hope that you'll continue. It's really important and we love to hear your thoughts about it, your ideas or how you appreciate a certain component of the actual, that's it.

So if you want to reach out to me, feel free, I'd love to hear from you. And so here's my email address, mwagner@mainstreet.org. You can also hit me up on LinkedIn. So ask, invite, what have you, I love to connect. And this is a real fun experience for me and for Main Street America. And want to hear your stories, whether you're a small business owner or you're one of the community economic development professionals out there in the Main Street world that are using this in some way to impact the work with your small business owners. And so as a final housekeeping item, I've actually had the opportunity to go around and meet many of the listeners as I travel. It's not necessarily what I was primarily there to do, but I ran into Kelton Weaver, I want to do a shout-out to Kelton Weaver, the marketing coordinator at Tahlequah Main Street in Oklahoma who told me that they actually share the podcast with their business owners and even have meetups.

And I was like, "Wow, that is so amazing." And so Kelton, thank you very much. I really appreciate that. And I am so thankful that it's helpful to you and your work and that of your small businesses. So again, if you've got a great business you want to share with me, you've got an idea for the podcast, again, please write me an email or hit me up on LinkedIn. So that's going to do it for the solo episode of the week. I hope you enjoyed and let us know what you think. As we enter the holiday season, please show your Main Street business pride. I've got my, hopefully you can see that, my "Shop Main Street" shirt on, but support those local businesses and of course tell their stories. And we'll be sharing more in the coming weeks about those stories.

They're so important to our local and national economies, and most importantly, they promote and provide quality of living to the places we all call home. And remember, check out our growing library. If you're seeking other assistance or I want to talk to a small business digital trainer, go to our resources page or just watch some of our other films and videos of the podcast and trainings on our Main Street America YouTube channel. So you can find us there and obviously listen to us on anywhere that you listen to your podcast. So thanks so much. Please rate and review us and hit that subscribe button wherever it is on your screen, and tell your friends and family and neighbors and pets and colleagues to do the same. And we'll see you next week and thanks of course, for all the support.