

Next Gen Retail

Selling strategies
for Christmas
and beyond

November 2024

Volume 7





Irish shoppers may be tightening their belts this Christmas, but retailers should remain cautiously optimistic.”



Reflecting on 2024, it's evident that Ireland's retail landscape continues to transform significantly. To stay competitive, retailers need to adapt to fluctuating consumer sentiment amidst cost-of-living pressures.

Irish retailers have faced various economic challenges, from rising business costs, inflation, and skills shortages to fluctuating consumer sentiment, supply chain challenges, and increased competition from giant e-commerce companies. Yet they continue to show remarkable ingenuity, resilience and adaptability.

Welcome to volume seven of our Next Gen Retail series, which analyses the results of our independent research about the Irish shopper's concerns, behaviours and attitudes. This research delves into insights gathered by KPMG through a nationally represented survey conducted in October 2024. Focusing on consumers, we explore expectations related to Christmas shopping, habits and behaviours, their attitudes to sustainability and the impact of artificial intelligence (AI).

Despite its challenges, the Irish retail sector remains pivotal to the Irish economy and communities nationwide. It's a testament to its resilience that it directly employs over 300,000 people and supports thousands more jobs throughout the supply chain.

Consumers' shifting priorities

Our report provides a comprehensive view of Irish consumers' shifting priorities. Value for money stands out as a primary driver, especially amid rising cost-of-living pressures, with many shoppers adjusting their budgets and increasingly seeking deals and discounts. Despite the easing of inflation, affordability remains a significant issue for consumers.

Sustainability also remains at the forefront, as consumers demand greater environmental responsibility from brands. The report explores how sustainability influences purchasing decisions, with more than half of consumers calling for eco-incentives and accountability from retailers in reversing environmental impacts.

The adoption of AI in retail has shown mixed reception. While AI can potentially transform shopping experiences, scepticism persists, with only a few consumers viewing it as transformative. Issues around trust and practical benefits are central to consumers' perceptions of AI's role in retail.

Those retailers who listen to customers and offer compelling and competitive deals, efficient online experiences, and in-store options will be best positioned to attract sales this Christmas.

In 2025, Irish retailers will need to balance innovation with consumer trust, sustainability with profitability, and digital transformation with personalisation. Staying ahead of these trends will be essential for remaining competitive in an ever-evolving marketplace.

I hope you find this report useful, and if you have any questions, do not hesitate to contact me.

Keith Watt

Partner,
Head of Retail

Key findings



expect Christmas shopping to be more expensive this year



intend spending less this Christmas



will reduce their spending in restaurants and pubs



rank price as their top priority when choosing where to shop



prefer to buy groceries in-store



prefer shopping in-store to see and feel products before buying



rate value for money as their top shopping priority



have cut back and bought fewer items



say brands should go beyond being sustainable and take responsibility for reversing environmental damage



believe AI will transform how consumers purchase products and services.

CHAPTER

01

Attitudes to Christmas shopping

With continued pressure on household budgets, Irish consumers are preparing for a challenging Christmas this year; our research reveals most (72 percent) of Irish shoppers expect Christmas shopping to be significantly more expensive this year, compared to 70 percent in 2023. Over one in three (36 percent) expect to spend less this Christmas compared to last year.

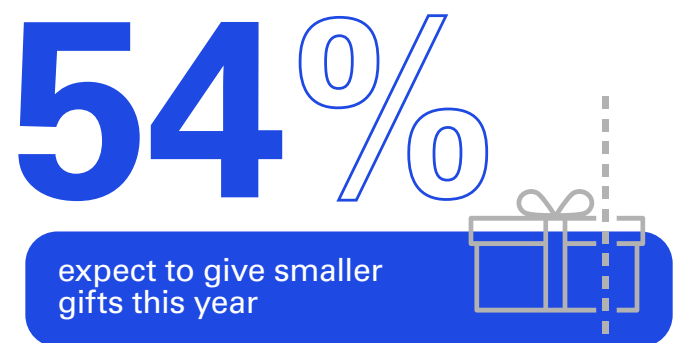
Price is still the primary factor influencing consumers when choosing where to shop, with 52 percent ranking it as a crucial consideration. Our findings suggest that this Christmas will be marked by careful budgeting and a stronger emphasis on value, presenting retailers with challenges and opportunities to meet the needs of Irish shoppers.





The research also highlights shifting spending habits, with more than half (52 percent) planning to reduce their Christmas shopping budgets and 56 percent intending to cut back on dining out to save money. The sizable proportion of 18-34s (30 percent) who plan to fund Christmas via credit facilities is of concern and is an indicator of continued cost and affordability issues in many cases.

Additionally, nearly half (45 percent) of respondents say they'll look for Black Friday and Cyber Monday deals online, while 38 percent plan to do so in-store. Over half (54 percent) expect to give smaller gifts this year due to cost of living pressures.



Actions for retailers to consider



Retailers facing a more cost-conscious consumer can engage shoppers by addressing their evolving value, quality, and sustainability needs. Emphasising customer satisfaction and competitive pricing will be crucial in attracting Christmas sales. A focus on value for money, product quality, well-stocked shelves, and efficient customer service in-store and online will be critical.

Retailers can also strengthen loyalty programs and offer personalised promotions or bundled offers to help retain customers and encourage higher spending per visit. As more consumers prioritise sustainability, offering discounts, highlighting genuine and credible initiatives and sustainable sourcing practices will meet rising expectations and create differentiation. By combining these strategies, retailers can make a compelling experience that resonates with today's cautious but quality-focused shoppers.



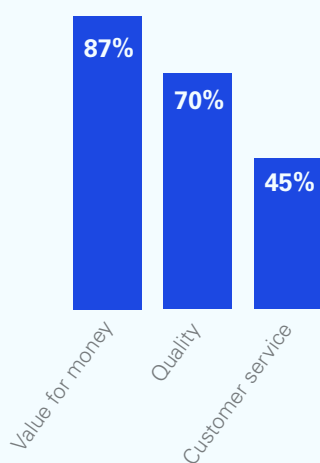
Shopping preferences and behaviours

Despite the convenience of online shopping, in-store shopping retains a strong appeal for Irish consumers who appreciate the ability to shop for items in-store. Our research reveals that 6 in 10 (62 percent) prefer shopping in-store to see and feel products before buying, highlighting the sustained importance of physical experiences. This is mirrored in Europe, where continental retailers are investing in physical shops to stimulate online and offline sales as they face increasing competition from giant e-commerce companies. They also want to take advantage of shoppers' renewed interest in visiting shops.

However, online shopping continues to grow, with 53 percent of respondents considering it generally cheaper than in-store options. Yet, complex return processes remain a barrier, with over a quarter (27 percent) avoiding online shopping altogether due to return-related hassles.

As shoppers become more value-conscious amid economic pressures, the majority (87 percent) rate "value for money" as their top shopping priority, followed by quality at 70 percent and customer service at 45 percent. Notably, value for money is most critical among those over 55 (91 percent) but less so for younger shoppers aged 18–24 (75 percent).

Most important feature of preferred retailers



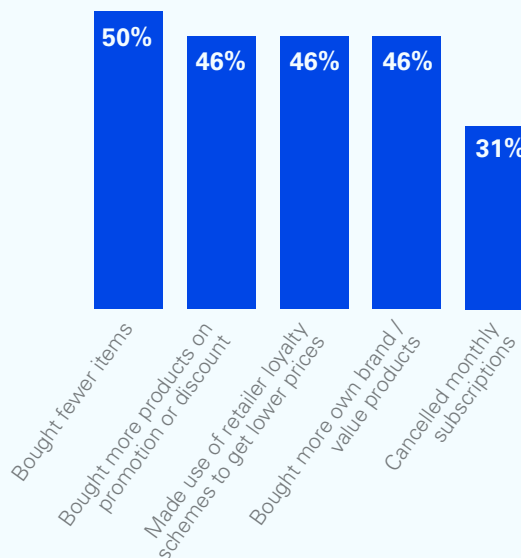
Consumers are becoming more demanding of brands

Though online shopping provides flexibility, concerns persist with over a third (34 percent) expressing caution about purchasing from brands without physical stores. Meanwhile, shoppers are becoming more demanding of brands, with over two-fifths (42 percent) expecting brands to be available to them 24/7 via webchat and/or social media, compared to 38 percent last year, reflecting a desire for greater convenience and reliability in digital shopping.

Shoppers continue to cut back

Irish shoppers continue to feel the pinch, with many cutting spending throughout the year. Half have cut back and bought fewer items, while 46 per cent have purchased more products on promotion or discounted, used loyalty schemes, and bought more own-brand products. Of particular interest are the 40 per cent of those under 45 who have cancelled subscriptions over the past year. Meanwhile, 55 per cent of those over 55 have used retailer loyalty schemes to get lower prices, highlighting the different ways cost-cutting manifests through various generations.

Shopping behaviours in 2024



Actions for retailers to consider



With value for money a primary concern, retailers can attract cost-conscious customers by offering targeted discounts, loyalty schemes, and more affordable own-brand options. Additionally, since most consumers still prefer in-store shopping, retailers could enhance the in-store experience by focusing on quality and convenience. Autism-friendly hours and dedicated spaces for recycling, such as clothes take-back schemes, can make stores more accessible and socially responsible, resonating with consumers who prioritise brands that reflect their values.

Online retailers can better cater to consumers' convenience needs by improving return processes. Retailers might also build stronger online engagement by encouraging customer feedback, as Irish customers value online reviews in their purchasing decisions. This feedback loop can improve credibility and trust, which is essential for driving loyalty.

By emphasising value, accessibility, and responsiveness, retailers can successfully navigate the evolving retail landscape, meeting in-store and online consumer needs.



Embracing sustainability

Irish shoppers are becoming more demanding of retailers regarding sustainability, with rising expectations on brands to take meaningful action. Most (77 percent) use the Deposit Return Scheme, and more than half (54 percent) say brands should go beyond being sustainable and take responsibility for reversing environmental damage.

There is also strong support (62 percent) for retailers to offer incentives like discounts to encourage eco-friendly or circular economy purchases. In comparison, nearly 6 in 10 (58 percent) want brands to provide more information about their sustainability efforts. Packaging waste remains a concern, with one in five (21 percent) respondents discouraged from shopping online due to environmental concerns about packaging. However, even with increased awareness, only 3 in 10 consumers are willing to pay a higher price for more sustainably produced goods, signalling a demand for more affordable eco-conscious choices.

6 IN 10

say retailers should offer incentives or discounts to customers for choosing ecofriendly or circular economy products

77%



use the Deposit Return Scheme



Actions for retailers to consider



Brands and retailers that meet consumer demand for affordable, transparent, and environmentally responsible options will likely capture a growing segment of eco-conscious shoppers. This trend highlights an opportunity for retailers to enhance their offerings by addressing sustainability issues in physical stores and online to build trust and loyalty among a more environmentally aware customer base.

To gain a competitive edge, retailers should consider sourcing sustainable materials and production methods, offering consumers a clear eco-friendly choice. Collaborating with suppliers to minimise environmental impact across the supply chain can also make a significant difference in the eyes of increasingly eco-conscious consumers. Consumer cynicism regarding sustainability or environmental claims is a growing phenomenon. Retailers should avoid the risk of greenwashing and ensure that eco-friendly product claims are genuine and verifiable to ensure credibility.

Offering sustainable packaging options and highlighting these efforts may resonate well with those concerned about environmental impact. Finally, educating consumers about sustainability initiatives and the benefits of eco-friendly purchases can build brand loyalty, especially among shoppers who prefer to support brands actively working toward environmental goals.



A level of uncertainty continues to exist around AI, with only 1 in 5 believing AI will improve the online and in-person shopping experience. Less than a third (31 percent) believe AI will transform how consumers purchase products and services, while one-quarter think AI will help reduce fraudulent transactions. Reflecting current limited exposure to the impact of AI on their shopping experience, it's perhaps unsurprising that AI is not yet a top-of-mind issue for Irish consumers.

Interestingly, however, males are significantly more positive towards AI than their female counterparts, with 27 percent of males saying AI will improve the in-store shopping experience for shoppers, compared to 14 percent of females.



1 IN 5



believe AI will improve the online and in-person shopping experience

1 IN 4



think AI will help reduce fraudulent transactions

Actions for retailers to consider



As AI continues to shape the retail landscape, retailers should approach the implementation of AI technologies cautiously and communicate its benefits clearly to consumers, ensuring that they understand how AI can improve their shopping experiences without compromising their privacy.

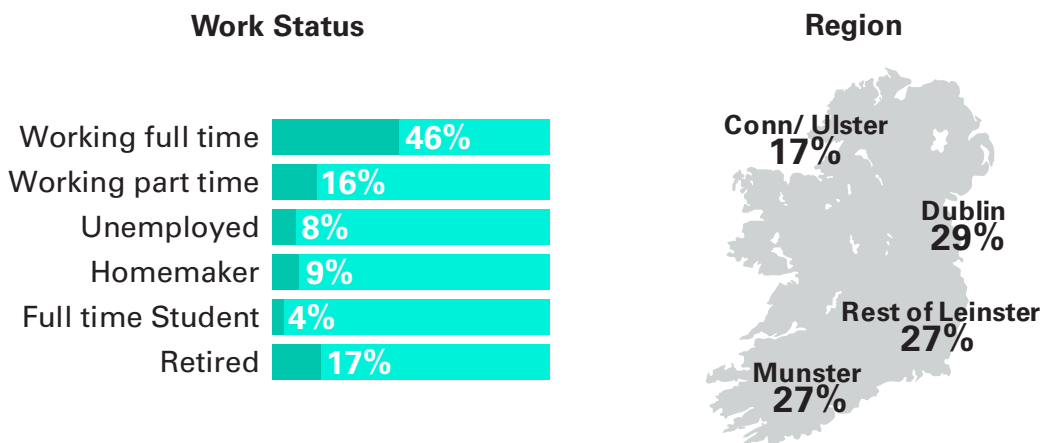
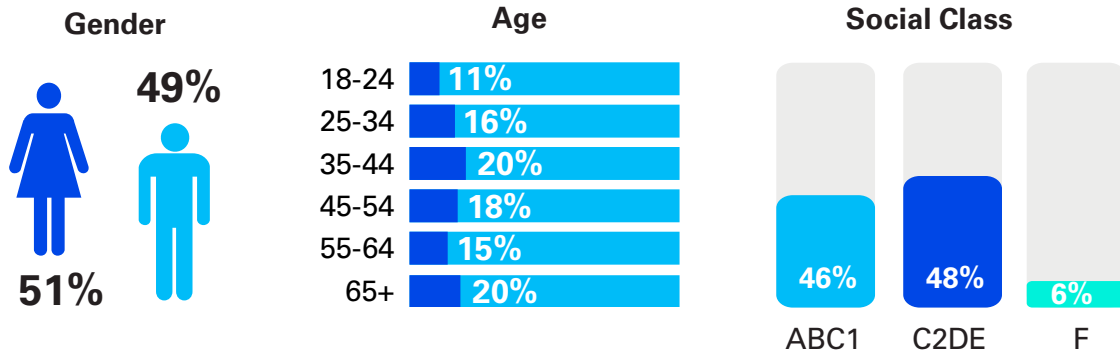
Given the growing concern around data security, retailers should consider adopting AI solutions that enhance customer experiences, such as personalised recommendations, efficient inventory management, and fraud prevention measures. Retailers could use information in their stores and websites to educate and address privacy and data security concerns.

Younger demographics, particularly those under 35, show a more favourable attitude toward AI, viewing it as a tool that can improve in-store and online experiences. This presents an opportunity for retailers to cater to this tech-savvy group by offering cutting-edge AI-driven features like personalised recommendation systems, frictionless checkout and sentiment analysis.



Methodology

KPMG’s survey of consumer retail attitudes was conducted via RED C. It focuses on understanding evolving consumer behaviours and market trends to guide businesses in adapting to the future of retail. Quotas were set on age, gender, social class, and region to ensure a nationally representative sample of 1,000+ adults 18+. Fieldwork was carried out in October 2024; results are compared to previous waves of the retail survey.



Get in touch

The pace of change is challenging retailers like never before. To find out more about how KPMG perspectives and fresh thinking can help you, please get in touch with Keith Watt, Head of Retail. We’d be delighted to hear from you.



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