

UK Households Predicted to Have £3bn Less to Spend This Christmas Season as the Cost-of-Living Continues to Impact Budgets

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New research from ShipEngine, ShipStation and Retail Economics suggests that households will have £3bn less to spend this Christmas as the cost-of-living continues to hang over households and consumers become increasingly savvy with spending and turn to online marketplaces

LONDON--(BUSINESS WIRE)-- UK households are set to be £3 billion worse off this Christmas compared with last (Q4 2023 vs. Q4 2022), new research from ecommerce delivery leaders, **ShipEngine** and **ShipStation** suggests. This is due to high levels of inflation continuing to erode spending power for many households as the cost-of-living climate drags on. The research was commissioned by their operating company, **Auctane**, in partnership with retail consultancy, **Retail Economics**.

To cope with the ongoing challenge, savvy shoppers report that they intend to start Christmas shopping earlier, use online marketplaces to stretch their budgets and cut back their overall spending. Indeed, UK consumers look set to spend **£17.9 billion on online marketplaces this Black Friday and Christmas** as they search for the most competitive prices. Across the eight markets surveyed (UK, US, Germany, France, Spain, Italy, Canada and Australia), the **Peak Season Report 2023** predicts that online marketplaces will account for almost **£202 billion** worth of sales over the peak season.

The state of play this peak

As high interest rates and cost of living pressures continue to pinch personal finances in the UK, with households predicted to be £3 billion worse off due to inflation, peak season 2023 is set to be impacted by a cautious consumer

backdrop. 79% of UK consumers surveyed stated they plan to cut back on non-food spending related to Black Friday and Christmas - up 9% on last year. Specifically, 34% of UK consumers cited inflation and 22% highlighted a lack of savings, as their biggest concerns heading into peak season this year.

That said, retailers appear to be more optimistic about prospects for peak demand, with almost two-thirds of online merchants surveyed stating sales volumes will broadly align with last year and 24% expecting volumes to rise on last year.

While the consumer backdrop might be tough, there is reason for optimism for online prospects, with 57% of consumers across the eight markets surveyed planning to do most, if not all, of their holiday shopping online - up from 49% last year. Looking at the UK market, 64% of consumers plan to do the majority of their shopping online.

Tom Forbes, SVP Enterprise Revenue at Auctane, ShipEngine and ShipStation's operating brand said: "Cautious consumers and unpredictable economic conditions won't dim the Christmas shopping spirit of UK shoppers, who are set to hunt for discounts, deals and value, as they try to get the most bang for their buck this year. After a grey summer in the UK, retailers will look to start promotions earlier than ever, with some already having started, as they look to shift any leftover inventory to make space for seasonal autumn and winter stock.

"Marketplaces are set to play a huge role at this peak with younger consumers spending more than ever on these platforms, which enable them to easily compare prices from different sources, while offering great choice and flexibility. Looking at delivery, the value of speed must not be underestimated with online shoppers often willingly to pay more for quicker, more convenient deliveries to ensure they get their gifts on time."

Early shopping becomes the norm

UK consumers are the most likely to be 'early bird' shoppers, with 40% of UK consumers surveyed planning to start their Christmas shopping before October. Looking at this further, 15% of those expecting to shop earlier stated they already started shopping in August. The research also suggests that retailers will look to jump on this trend, as early shopping becomes the norm. One in four merchants surveyed intend to increase the number of their holiday promotions this year, with the same proportion planning to launch promotions before October.

The impetus to shop early and benefit from promotions over the holiday season is particularly pronounced among younger shoppers. Across all markets surveyed, 44% of digital natives (consumers under 45) intend to engage in their festive shopping during promotional periods like Black Friday and Cyber Monday.

Conversely, older shoppers surveyed report being more likely to adopt more traditional approaches to better

manage budgets for their festive purchases. These include self-imposed spending limits, trading down to value brands and using cash to help them stick to their budget.

Marketplaces: the channel of consumer choice

Online marketplaces look set to be the most popular channel of choice for online shoppers this peak season. The research highlights that across the markets surveyed, almost 90% of consumers plan to shop on online marketplaces, with this figure rising to 95% for UK consumers. The research also reveals that around one in every two online orders over the holiday season looks set to be made via an online marketplace.

Driving the popularity of online marketplaces is that consumers feel they offer better value and provide a platform that allows them to easily compare products and prices. In fact, 77% of UK shoppers believe online marketplaces offer better value than individual retailers, and almost half of UK consumers state that more competitive prices and deals are offered by marketplaces. Additionally, delivery is having an impact on this channel, with 71% of UK consumers surveyed reporting that online marketplaces usually provide a fast and reliable delivery experience.

Richard Lim, CEO of Retail Economics said: “The squeeze on incomes has become a war of attrition for many households who have dwindled down their savings as the cost of living crisis drags on. Savvy consumers are using all means necessary to manage their budgets by shifting more of their spending to marketplaces to search for bargains, searching for pre-loved products and starting their festive shopping earlier to spread the cost.

“Retailers will have to work harder than ever this year to keep prices competitive while catering for more demanding customers who want to shop on and off-line in a manner that suits their needs.”

The need for delivery speed during peak

There is a shift in consumer deliveries priorities and preferences during peak season vs the rest of the year. Earlier in the year, our **Ecommerce Delivery Benchmark Report 2023**, highlighted that the cost of delivery was by far the most important factor for consumers. However, during the peak season, while the cost of delivery remains significant, its influence appears somewhat tempered, with speed becoming equally as crucial - almost 70% of UK consumers highlight the speed of delivery, alongside cost, as the two most important delivery factors. Yet, less than a third of merchants surveyed plan to offer delivery of two days or less as standard (two days or less).

Unsurprisingly, the biggest concern for UK consumers when it comes to delivery this peak season are late deliveries, with 42% of consumers highlighting this. Alongside timeliness, there are mounting concerns around missing and stolen parcels, with 41% of UK consumers identifying this as an issue.

Looking at willingness to pay for delivery, our survey discovered that over half of UK consumers report being open to paying up to £7 extra for same-day delivery and 41% would pay that amount for next-day delivery. Across the markets surveyed, willingness to pay rises to as high as 78% among under 45s – the most commercially significant consumer demographic for online retail. These digital-native shoppers, often time-poor, place a high value on speed and convenience.

To find out more about what to expect this Peak season, download the full ShipEngine report here: **Peak Season Report 2023** and the full ShipStation report here: **Peak Season Report 2023**

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Research methodology

Consumer surveys were undertaken by Retail Economics in August 2023 and include answers from a sample of more than 8,000 nationally representative consumers, additionally 2000+ Auctane customers engaged in online retail were surveyed, across the UK, USA, Canada, Australia, Germany, France, Italy and Spain. Economic modelling of household disposable incomes and online marketplace sales was conducted using a combination of official national statistics (e.g. Eurostat, U.S. Census Bureau, ONS) and Retail Economics proprietary data. For further details, please contact us.

About ShipEngine

ShipEngine is a multi-carrier shipping platform that provides best-in-class shipping functionality directly to ecommerce stores, logistics and warehouse providers, system integrators, ecommerce application integrators, and new application developers. Built specifically for developers, ShipEngine's robust set of shipping APIs enable developers to build custom workflows within their own platforms and streamline the ecommerce fulfilment process with real-time label generation, rate quoting, parcel tracking, and address validation. ShipEngine supports carriers across the United States, Europe, Canada, and Australia, including DPD, FedEx, UPS, DHL, and many more. ShipEngine is a member of the Auctane family of companies and is headquartered in Austin, TX. Auctane and its brands have offices in London, Sydney, Madrid, El Segundo and Zielona Gora. For more information, visit www.shipengine.com

About ShipStation

Every day, tens of thousands of ecommerce retailers rely on ShipStation to solve the day-to-day challenges of importing orders and processing shipments. A trusted leader in shipping software since its founding in 2011, ShipStation helps online sellers scale their businesses and deliver exceptional customer experiences, with an intuitive online solution that allows them to efficiently ship orders -- wherever they sell and however they ship. The multi-channel and multi-carrier platform offers a multitude of integrations, with more than 300 partnerships with leading shopping carts, marketplaces, carriers, and fulfilment services, including Royal Mail, DPD, UPS, FedEx, Amazon, Shopify, and BigCommerce. ShipStation is a member of the Auctane family of companies and is headquartered in Austin, Texas. Auctane and its brands have offices in London, Sydney, Madrid, El Segundo and Zielona Gora. For more information, visit: <https://www.shipstation.com/uk/>

About Retail Economics

Retail Economics is an independent economics research consultancy focused on the consumer and retail industry. We provide independent thought leadership on major economic and retail trends and analyse their impact on the industry.

Retail Economics provides proprietary data on sector growth, behavioural trends, channel performance and forecasts.

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