

Gearing Up to Capture the Holiday Dollar

This week MasterCard announced its prediction that holiday spending by customers would increase by 7.1% over last year. This is good news for businesses that were thinking inflation may quell holiday spending. But how did they decide on this and what does your business need to know to make the most from holiday shoppers?



Increased Spending Trend

Spending this summer increased by 11.7% year over year in August, which is an increase of 20.4% over 2019. Pretty impressive numbers considering the high cost of everything. But why the predictions for increased spending? One reason is that the unemployment rate is going down (currently 3.7%, down from a high in April of 2020 of 14.7%). There's also been an increase in new jobs (nonfarm payrolls rose by 315,000 in August) in the US. Salaries are also starting to adjust for inflation.

The Conference Board Consumer Confidence Index® released the following statement nearly a month ago, "Purchasing intentions increased after a July pullback, and vacation intentions reached an 8-month high. Looking ahead, August's improvement in confidence may help support spending, but inflation and additional rate hikes still pose risks to economic growth in the short term."

So, it sounds like cautious optimism for holiday spending. Assuming customers are out there, here are a few ways you can capture their dollars this season.

Online Is Key

MasterCard revealed that online sales in August grew by 8.9% year on year, which is a 100.2% growth since 2019. If you don't have an online presence, you need to be working toward one. If you have one

already, ensure that it is user friendly and provides opportunities for upsells. Take some time to associate “also boughts” and buying suggestions to maximize upsells.

Experiences

Customers want to buy and enjoy doing it. That’s why many savvy merchants and organizations are offering special events. A wine bar or restaurant may offer an exclusive wine tasting or special farm-to-table tasting event. Look for ways you can offer your customers a larger experience than simply a purchase. Doing so helps them know, like, and trust you. Plus, it keeps you top of mind because you’re now more than just a business that sells them something. You are a part of their entertainment or a resource for learning (or experiencing) something new.

Inflation Is Still a Barrier to Buying

Despite political talk from both sides on the economy, and improved spending and consumer confidence, inflation, rising costs, and increased transportation costs are still a concern for most people. That’s why merchants and businesses that can offer the best value are most likely to capture the holiday dollar.

What can you do to make your customers feel like they are getting the most from their dollar? This is not an invitation to lower prices to bring more people in. That becomes a slippery slope of who can offer the cheapest item and that doesn’t benefit anyone. Instead, aim to offer more for your customers’ money. You can charge a premium if they feel like they are receiving excellent value or even prestige.

Hide the Cost

A lot of businesses have started charging a cash price and a (higher) credit card price to cover the increasing credit card or processing fees. While that’s a good way to look out for your operating costs, because of the negative way people perceive this “sharing of the costs” you may be better off by simply rolling those costs into your price. When someone sees an additional charge for the convenience of paying by card, they often feel put out. However, adding a few dollars to the price, if you’re providing good value elsewhere, may remove the friction from the sale.

The holidays will soon arrive and hopefully consumer spending will meet (or exceed) MasterCard’s predictions. If you want to be part of that increased spend, follow these four suggestions.

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