

Yule Be Sorry: How to Avoid Christmas Shopping FOMO

Spending at Christmas this year is set to be higher than ever, with annual milestones like Black Friday and Cyber Monday set to break records in the UK. In fact, Sage Pay predicts that £1.7 billion will be spent this year. In 2014, spending on Black Friday surpassed industry expectations by around 50%, with shoppers spending an estimated £810m in a single day. This year, Black Friday is expected to bring in nearly £1bn in the UK alone. But what drives this frenzied approach to bagging yourself a Christmas bargain? And how well does it serve retailers and their customers?

The FOMO Factor

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So what is it that drives more people than ever to the Christmas sales? Fear of Missing Out (FOMO) plays a big part in the hype surrounding the Christmas shopping period, and dedicated shopping event days such as Black Friday. According to Vince Mitchell, Professor of Consumer Marketing at London's Cass Business School, "Black Friday harks back to the days of the hunter gatherers. When resources were scarce we had to be selfish, physical fighters to survive." Indeed, 39% of shoppers say the prospect of getting an amazing bargain is too good an opportunity to miss.

This leads to nearly three quarters of shoppers (71%) coming home with something they hadn't planned to buy, and one in five of shoppers going for broke: 20% of Brits blow their budgets on Black Friday due to bargains they can't resist. However, Professor Mitchell suggests that "when we come off the high street and out of primordial mode, we often realise we've gathered things we don't need," leading to 60% of shoppers regretting buying a bargain that they never subsequently use or wear.

It appears £72 is the tipping point at which shoppers tend to lose their inhibitions around spending and abandon budgetary constraints, causing them to spend even more.

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In the virtual world, how virtual is money?

"From the comfort of our armchairs we can now work, socialise, access information about the world and importantly gather things by shopping online," says Mitchell. This sits well with us homebody Brits, with 71% preferring shopping online to shopping in-store.

"However, in the online world, the reality of things such as money can get distorted, removing the guilt we often associate with face-to-face spending," adds Mitchell. Indeed, 43% of UK shoppers admit to feeling guilty when physically handing over cash.

"This is because technology is intermediating between our intentions and our actions making some things, like shopping, just too easy to do. Spending so much time online is beginning to divorce us from the consequences of our actions," insists Mitchell. For example, 53% of consumers spend more than they planned and feel guilty about it, while 13% feel so guilty they cover up how much they've spent.



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One size doesn't fit all

With so many different shopping experiences available to consumers at Christmas, it's clear that one-size doesn't fit all. To help retailers make sense of customers' expectations, we've worked with psychologist Dr Tomas Chamorro-Premuzic, Professor of Business Psychology at University College London, to identify the eight types of Christmas shopper.



The Hyper-Maximisers:

These shoppers have a detached relationship with their money, spending it on things they need rather than want. Furthermore, they put a great deal of energy into finding the best deal and being careful with their money, and they are well-armed with the latest technological tools to do so. However, these tools are just that - tools, rather than toys to be enjoyed.



Old School Savers:

While these shoppers are careful with their money and unlikely to splash out, they are put at a disadvantage by their slow adoption of technology. Their purchases are unlikely to be ostentatious.



Old School Spenders:

This group is impulsive and carefree with money, focusing more on the short-term than the long-term. Their purchases are unlikely to be grand or indulgent and they are more likely to pay in cash than by mobile.



Click & Collectors:

This type of shopper is more likely to spend on utilitarian needs rather than hedonistic wants; while such purchases are not typically price-sensitive, they may make use of the latest technology. This is more likely to be for the sake of convenience than for the experience of it or for saving money.



Carefree Clickers:

Shoppers in this group use technology in their purchases for the experience's sake rather than to save money; and when doing so, they are more likely to splash out on a treat than on essentials. Indeed, they are more likely to splash out at all than save their money.



Cash Flashers:

These shoppers are less likely to go cashless; their relationship with the cash they spend is both conspicuous and carefree.



Sanctioned Indulgers:

Although members of this group are careful with their money, they tend to spend it on indulgences and associate it with emotional benefits like status and freedom. They are not particularly open to new financial technologies.



Hunter-Gatherers:

These consumers are risk-averse savers and budgeters, and they use all the latest gadgets to help them in this quest. They are likely to enjoy this process, savouring the "thrill of the chase" when hunting for bargains. They use technological tools to help them save money on their indulgences.



Sustained shopping period

The Christmas shopping scramble is undoubtedly an important occasion for retailers. However, with eight different types of shoppers buying products both in-store and online, for themselves and others, there is no one answer.

Tellingly, this year Asda, who claims to have introduced Black Friday to the UK, has decided to bow out of the one-day sales battle, instead focusing on retaining and supporting its loyal customers. It seems the retail giant accepts that it can be a revenue driver in the short-term, yet it is customer loyalty that pays dividends over a longer period.

Indeed, there is a case to be made for small businesses avoiding getting too caught up in the one-day-sale events as they can be detrimental to profit margins. Slashing prices to compete with the larger companies is not only a financial risk, but one of resourcing too. Smaller businesses may not have the capacity to process a huge influx of orders, and with increased sales comes a higher risk of fraud, again requiring additional resource. The knock-on effect is potentially late delivery of products or services, causing unhappy customers who leave negative online reviews.

Additionally, a one-size-fits-all model is problematic because it won't necessarily keep shoppers coming back. With evidence that different factors appeal to different types of customer, retailers should focus on catering to them by selling and promoting in different ways. For example, a strong website with purchasing capabilities ensures customers with online preferences are targeted as well as those who will be visiting the store. The festive period is a chance for businesses to attract new customers. Retailers that understand the wants of different shoppers should do everything they can to make them feel less remorseful, in turn securing their loyalty.

For more information, please visit sagepay.co.uk

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