

2016 THE YEAR OF PROMOTIONS

The DynamicAction Retail Index: Holiday 2016

An analysis of more than \$8 Billion in consumer transactions that occurred online in 2015 and 2016. Those transactions account for more than \$6 Billion in North America and nearly \$2 Billion in Europe

PROMOTIONS ↑

2016 was the Year of Promotions for North American retailers, with orders using promotions up **34% YoY**

↑ **52% over the holiday season**

The reliance on promotions reduced product profit margins by **19%** year-to-date YoY

North American retailers saw **marketing cost increase 7%** throughout 2016, which **soared to 25%** during the holiday season

The increase in marketing cost throughout the year and into the holiday season should have heralded new customers, and yet North American retailers struggled to get shoppers in the digital door. New customer acquisition **↓12% YoY** and **↓6%** over the holiday season

Promotions do not need to = profit erosion

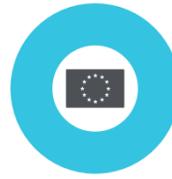
1 Segue to customer-centric promotions that are low-cost, yet with perceived high-value, perhaps free gift with purchase

2 Understand & promote product and brand affinities to convert sale shoppers to buy additional items at full price

Will overstocks steal North American retailers' stockings?

Although European retailers are making strides to protect themselves against costly overstocks, North American retailers continue to struggle to get their supply-and-demand ratio balanced

North America
Holding **12% MORE** inventory YTD



Europe
Holding **33% LESS** inventory YTD

Customer Experience

North American retailers are more focused than ever on answering their customers' true desires and providing better experiences through every interaction, which will be an ongoing focus in 2017



Availability of products, based on what shoppers are actually viewing and seeking **↑4%**



Free shipping **↑3%**. As customers now expect free shipping, retailers need better visibility into true profit margins and must hold steadier on price and promo costs

Retailers will need connected data in order to keep a close eye on their returns levels, customer reviews and return codes, as they are entering the highest return season of the year, post-Christmas, in a negative position:



The value of returns is **↑6%** YoY vs 2015 and **↑26%** over the holiday season



This study benchmarks retail trends in key categories from January 1, 2016-December 5, 2016 in comparison to the previous year. Any references to the "holiday season" indicate November 1-December 5, 2016 versus the previous year



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