

HOLIDAY HEIGHTS + THE REST OF THE STORY:

Heightened Consumer Expectations and Higher Inventory Levels Mean More Sales Through End-of-Year



With increased promotions and free shipping higher than ever, retailers need to re-think data and loyalty to drive profitability through year-end and into 2018.

DynamicAction Retail Index: Holiday 2017

An analysis of more than \$4.5 billion in online consumer transactions. Those transactions account for more than \$3.5 billion in North America and nearly \$1 billion in Europe.

Promotions & Markdowns

Retailers relied on discounts to drive consumer spending this holiday season.

After a highly promotional 2016, and a few dips in Spring and Summer, retailers held fairly steady on promotions in 2017.

51% used a **MARKDOWN**

Orders placed from Thanksgiving through to Cyber Week

87% used a **PROMOTION**

Full Price Units sold on Thanksgiving Day **decreased** versus 2016
10% in North America.
37% in Europe.

In North America, **90%** of all orders placed on Cyber Monday used a promotional code.

On average **37%** is the typical percentage discount that will entice shoppers to spend during their holiday shopping¹.

Promotions continue to erode margins
 Profit margins, as a result of promotions, were **↓ an average 5%** for the year and **↓ an average 1%** in November versus 2016.

DynamicAction clients outperform industry
Who: A top US apparel retailer
Results: Increased profit-per-order by 8% during CyberWeek 2017 versus last year and increased AOV by \$18
How: Early testing of promotions and inventory control. Gift-with-purchase offers with high perceived value and low cost.

Profit margins, as a result of markdowns, were **↓ 10%** for the year and **↓ 10%** in November versus 2016.

174 million Americans shopped from Thanksgiving to Cyber Monday – **↑ 6%** on 2016².

\$6.59 billion Online sales on Cyber Monday alone – largest day in US history³.

Inventory Value & Stock Availability

High inventory levels = More sales for shoppers

Despite extensive promotions and markdowns shoppers experienced over the holidays, retailers are showing no signs of pulling back on discounts and deals in the weeks leading up to Christmas, mainly due to soaring inventory levels.

This November **50%** ↑ The average percent of inventory not sold vs. 2016⁴ From Thanksgiving Day through Cyber Week **9%** ↑

Retailers held more stock consistently throughout the year. North American retailers had an average **30% higher** percentage of inventory **not sold** in 2017.

2018 Guidance
Look at inventory through a new lens: New metrics like **Views Availability** – how much inventory is available that shoppers are actually looking at – can inform buying and mitigate markdowns.

Marketing Cost & Acquisition

A delicate balance

Marketing costs in North America were **↓** throughout November, correlating with reduced new customer acquisition during this time.

MOUNTING PRESSURE TO ACQUIRE NEW CUSTOMERS

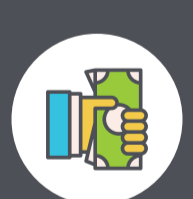
Retailers spent an average **53%** less on marketing this November versus Nov. 2016, and **20% less YTD**.

New customer orders were down an average **5%** this November, **4% reduction YoY**.

COMPARISON from Across the Pond:
 In Europe, marketing costs were **up an average of 6%** in 2017, and **up a further 17%** in November this year. Despite these rising marketing costs, new customer orders for 2017 and in November alone were **down 2%**.

Loyalty & Customer Profitability

Retail is more complex than ever. Understanding and motivating profitable customers is paramount.



2nd – 5th time buyers drove **13% more** profit-per-order this year than the most “loyal” buyers who purchased 11x or more.

2018 Guidance
Leverage understanding of additive products, as well as brand and product affinities, in order to bridge loyal shoppers towards more profitable purchases.

COMPARISON from Across the Pond:
 In Europe, unlike North America, 1st-time buyers have been the most profitable this year. The profit-per-order for first time buyers was **14%** higher than profit-per-order for 6-10 time buyers this year.

Shipping & Returns

The next frontier.

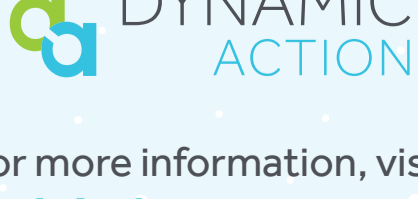
The consumer’s expectation to receive free shipping has continued to heighten this year:

Orders shipped free this year 2016 vs 2017 **↑ 10%**

Orders shipped free in November 2016 vs 2017 **↑ 13%**

Orders shipped free in the lead up to Thanksgiving 2016 vs 2017 **↑ 51%**

Industry Insight
 Walmart recently introduced Mobile Express Returns and Mobile Express Lanes in-store to answer customers’ desire for frictionless commerce.



For more information, visit www.DynamicAction.com or connect with us @DynamicAction on Twitter

This study benchmarks retail trends in key categories from January 1 - November 30, 2017 in comparison to the previous year. Any references to the “Holiday Season” indicate November 1-November 30, 2017 versus the previous year. Source¹ Accenture Retail 2017 Holiday Shopping Survey| Source² NRF | Source³ Adobe Insights

Promotions refer to offers including buy-one-get-one-free or 20%. These are usually through promotional codes entered at the checkout by the customer or automatically by the retailer. Markdowns refer to price reduced items, for example “Original price \$100, New Price \$65”. These markdowns are usually shown on the product page.