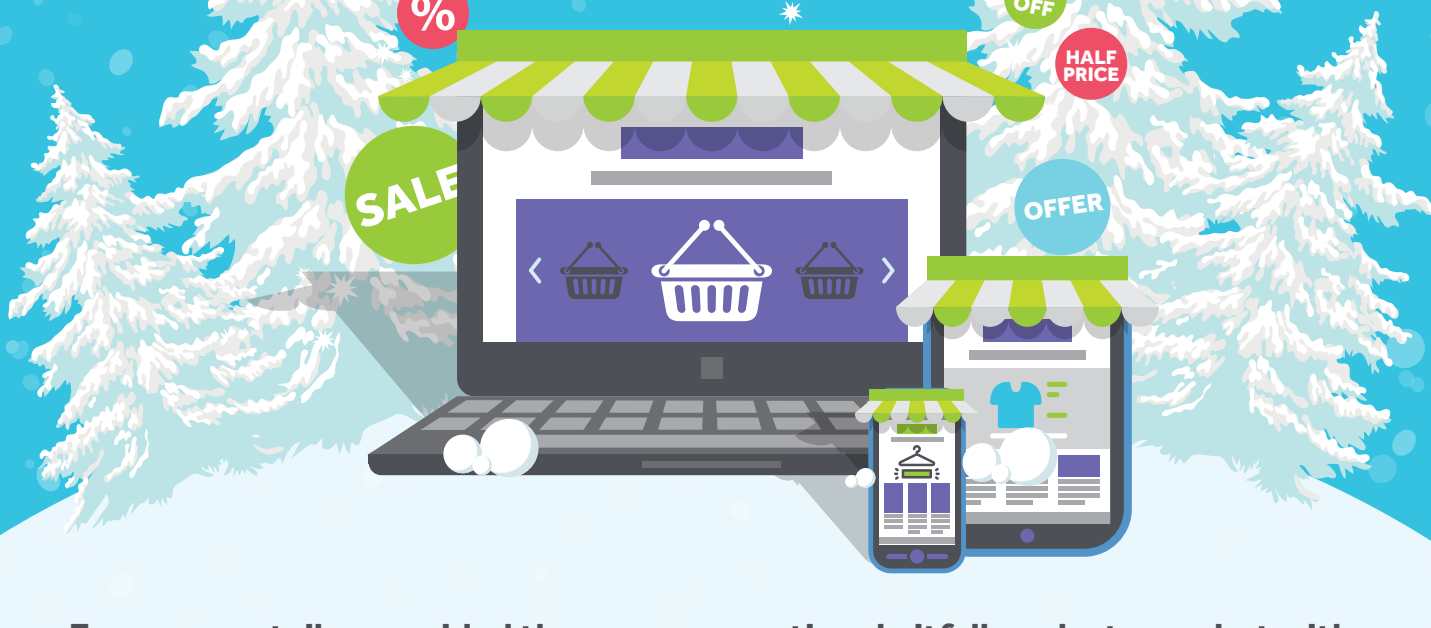


FESTIVE FINDINGS + THE REST OF THE STORY:

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



European retailers avoided the same promotional pitfalls as last year, but with declining numbers of new customer orders and rising marketing costs, retailers need to re-think data and loyalty to drive profitability through year-end and into 2018.

The DynamicAction Retail Index: Christmas Season 2017

An analysis of more than €3.5 billion in online consumers transactions. Those transactions account for more than €2.5 billion in North America and nearly €1 billion in Europe.



Loyalty & Customer Profitability

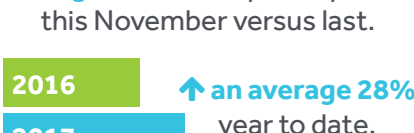
Retail is more complex than ever. Understanding and motivating profitable customers is paramount.



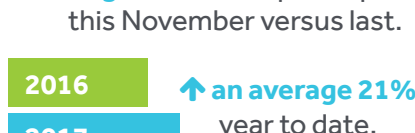
1st to 2nd time purchase rate (12-month time frame):

↓ an average 9% for November. ↓ an average 9% for the year.

1st-time customers drove an average 33% more profit-per-order this November versus last.



11+ time customers drove an average 23% more profit-per-order this November versus last.



A helping hand from 1st-time buyers
In Europe, unlike North America, where 2nd-5th time buyers are the most profitable, 1st-time buyers have been the most profitable this year.
The profit-per-order for 1st-time buyers was 14% higher than profit-per-order for 6th-10th time buyers this year.

Where are the profitable customers?
Despite driving less new customer orders in November, those new customers who did shop were more profitable for retailers. 1st-time buyers' profit-per-order was a massive 68% higher than those loyal customers who have bought 11x or more.

2018 Guidance

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

Marketing Cost & Acquisition

A delicate balance

Retailers in Europe spent a great deal more on marketing in 2017 compared to last year. Despite this increase, retailers still have work to do to attract and entice customers to shop.

MOUNTING PRESSURE TO ACQUIRE NEW CUSTOMERS

Retailers spent an average **17%** more on marketing this November versus Nov. 2016, and **6% more YTD**.

New customer orders were down an average **2%** this November, **2% reduction YoY**.

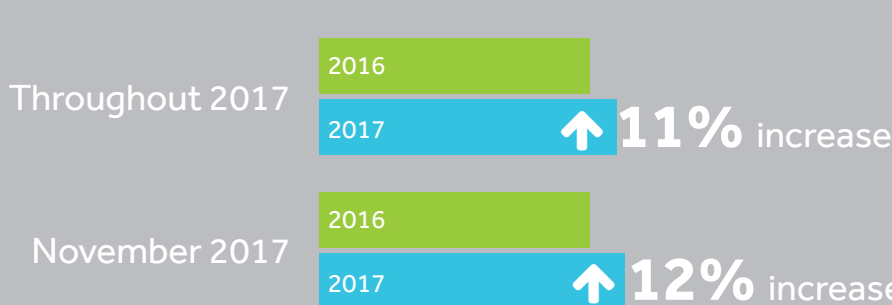
COMPARISON from Across the Pond: Marketing costs in North America were reduced throughout the 2017 festive season. Marketing costs were **down 20%** in 2017, and **down a further 53%** in November this year. However, the reduced marketing spend has had a direct impact on the number of new customer orders for 2017 with a **dip of 4%**.

Shipping & Returns

The next frontier

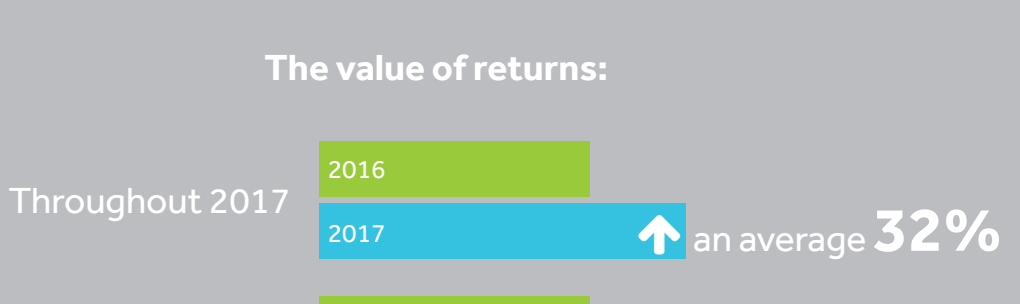
The European consumer's expectation to receive free shipping has continued to heighten this year:

Order shipped free vs. last year:



Returns are impacting European retailers more than ever.

The value of returns:



Industry Insight: UK Cyber Weekend returns rise
Nearly **1 in 5 people** are expected to return an item they bought online over Cyber Week⁴. In 2016, there was an **18% increase** in parcel returns over the Cyber Weekend⁵.

Promotions & Markdowns

After a heavy year of promotions in 2016, European retailers did a better job of protecting margins when promoting in the lead up to Black Friday and Cyber Week.

November **markdowns** ↓ an average **52%**

European retailers also relied less on price cuts this year

Markdowns throughout 2017 ↓ an average **27%**

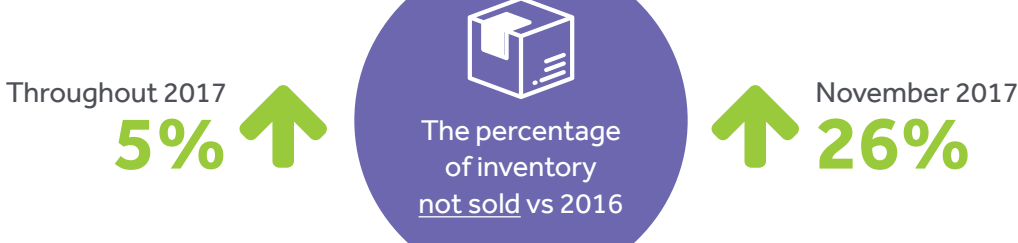
Promotional Impact

Profit margins, as a result of promotions, were ↓ an average **15%** this November versus 2016.

Inventory Value & Stock Availability

High inventory levels = More sales for shoppers

Despite the continued promotions and markdowns shoppers experienced over Black Friday and Cyber Week, retailers are showing no signs of pulling back on discounts and deals in the weeks leading up to Christmas, mainly due to higher than average inventory levels.



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.

For more information, visit

www.DynamicAction.com or connect with us

@DynamicAction on Twitter

This study benchmarks retail the following categories in comparison to the previous year. Any references to the "Festive Season" indicate 1st November – 30th November 2017 versus the previous year.

Source: Accenture Retail 2017 Holiday Shopping Survey | Source: IMRG | Source: Ingencio Group | Source: Retail Week | Source: CollectPlus

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.