

DynamicAction Retail Index

2018 Analysis & Holiday Outlook

Across the board in 2018, grabbing the attention of the digitally savvy new consumer continues to elude North American retailers, who are actively vying for their wallet share with an increased marketing spend. However, the misalignment between what customers want and what's being made available, coupled with an increase in markdowns could have detrimental consequences on customer retention and profit. Gaining a true understanding of customer profitability has never been more important leading into the busiest shopping season of the year for retailers and brands.



PROMOTIONS & MARKDOWNS TRENDS

Promotions have become the status quo for North American retailers:

- In 2017, orders using a promotion were **↑1%**
- Orders using a promotion **↑2%** thus far in 2018
- Margin impact due to promotions **↑3%** YTD

North American retailers have held more inventory in 2018, resulting in increased markdowns to solve the problem:

- Orders using a markdown **↑5%** in 2018 vs. 2017
- Margin impact as a result of markdowns **↑27%** YTD

RED FLAG FOR RETAILERS: 18% INCREASE
IN MARKDOWNS IN AUGUST 2018 ALONE



TOP TIP FOR THE HOLIDAYS

Pulling inventory levels into alignment with demand ahead of the holidays will be paramount to driving profitability through the lens of '**views availability**'- ensuring specific products customers are seeking do not fall into fragmented or out-of-stock levels prior to the holiday season.



TOP TRENDS AROUND CUSTOMERS

Retailers & brands continue to struggle with heightened competition for both customers' attention and share of wallet:

- New customer orders **↓5%** YTD vs. 2017
- 1st to 2nd time buyers **↓8%** YTD vs. 2017
- 2nd-5th time buyers are the most profitable in North America, **14% more** profitable than 11+ time buyers

RED FLAG FOR RETAILERS: NO WEEKLY INCREASE
YoY IN NEW CUSTOMER ORDERS SINCE APRIL 2018



SHIPPING & RETURNS TRENDS

North American retailers are seeing a steady uptick in both free shipping and the value of returns in 2018 so far:

- Free shipping up **↑13%** YoY thus far in 2018
- Value of returns **↑36%** YoY thus far in 2018



KEY TRENDS ON INVENTORY & AVAILABILITY

North American retailers have held more inventory thus far in 2018:

- **↑21% increase** in inventory held in 2018 vs. 2017

There has also been a downward trend in the availability of products that customers are seeking online in North America:

- **↓3% drop** in **views availability** so far in 2018 and a further decline of 13% in August 2018 YoY



MARKETING COST IMPACT

Marketing cost was down fairly consistently in North America in 2017 (**22% drop** vs. 2016). However, that marketing cost has been continuously rising in 2018 so far:

- **↑5% increase** in marketing spend in 2018 vs. 2017
- Summer months (June-September) saw marketing costs soar even further, **↑60%**

METHODOLOGY

The DynamicAction Retail Index: 2018 Analysis & Holiday Outlook is an analysis of more than \$10 billion in online consumer transactions globally from Jan 1 - Sept 3, 2018. The transactions analyzed account for more than \$5.4 billion in North America and nearly \$5 billion in Europe. The DynamicAction Retail Index analyzes consumer transactions in the general merchandise, home goods and apparel categories. It does not include grocery, nor does it include Amazon transactions.