

# DynamicAction Retail Index

## 2018 Analysis & Christmas Outlook

2018 has seen European retailers make considerable headway learning from the lessons of 2017 around shipping profitability and marketing spend, with customer retention and acquisition holding steady. As they head into the Christmas season with increased inventory levels, retailers are upping their reliance on markdowns to counteract the problem.

Retailers now need to understand their product demand and promotional cycle in the coming months to prepare for Christmas in order to avoid heading into 2019 with unmanageable stock levels, a typical repercussion in the wake of the festive season.



### PROMOTIONS & MARKDOWNS TRENDS

In 2018, retailers have focused heavily on curbing the over promotions that occurred in 2017:

- Orders using a promotion were **↑2%** in 2017
- Orders using a promotion in 2018 **↓5%** thus far
- Margin impact due to promotions **↓3%** YTD

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

- Orders using a markdown **↑13%** in 2018 vs 2017
- Margin impact due to promotions **↑10%** YTD



### SHIPPING & RETURNS TRENDS

European retailers are holding their ground on free shipping, utilising it as a promotion or "special benefit" rather than a year-round offering:

- Free shipping **↓28%** in 2018 thus far vs 2017
- Free shipping during the summer months (June-August) **↓36%**

The value of returns for European retailers is on the rise:

- Value of returns in 2018 **↑33%** vs 2017



### MARKETING SPEND IMPACT

After a year of high marketing spend in 2017 (**↑57%** for that year) there has been a **downward trend** in 2018:

- **↓32% decrease** in marketing spend in 2018 vs 2017
- Summer months (June-September) saw marketing spend decrease even further, **↓35%**



### TOP TIP FOR CHRISTMAS

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



### TOP TRENDS AROUND CUSTOMERS

New customers were on average **↓2%** in 2017 versus 2016, and are flat thus far in 2018.

More telling, the 6<sup>th</sup>-10<sup>th</sup> time customer is the most profitable in Europe, 4% more profitable than first-time customers.



### KEY TRENDS ON INVENTORY & AVAILABILITY

European retailers have held more inventory thus far in 2018:

- **↑11% increase** in inventory held in 2018 vs 2017
- **↑22% increase** in inventory held during the end of summer months (August-September)

On a good note, retailers in Europe are more accurately aligning their customers' desires with inventory levels:

- **↑9% increase** in **views availability** in 2018 vs. 2017

### METHODOLOGY

The **DynamicAction Retail Index: 2018 Analysis & Christmas Outlook** is an analysis of more than £7.6 billion in online consumer transactions globally from 1<sup>st</sup> January-3<sup>rd</sup> September 2018. The transactions analysed account for more than £4.1 billion in North America and nearly £3.5 billion in Europe. The DynamicAction Retail Index analyses consumer transactions in the general merchandise, home goods and apparel categories. It does not include grocery, nor does it include Amazon transactions.