



RetailWeek

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WHITE PAPER

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Making sense of the online shopping day phenomenon

What can UK retailers learn from the major discount days around the world?



INTRODUCTION

Before Amazon, July 12 was just July 12. Now it is Amazon Prime Day. A manufactured 'holiday' that proved to be the biggest day in the online behemoth's history. Impressive. Perhaps even more so when you consider the level of traffic during last year's inaugural event made it the UK's sixth-biggest online shopping day, ahead of Valentine's Day.

Love it or hate it, there is little doubt this promotional extravaganza is a game-changer. "From nowhere, Amazon changed the landscape," notes *Retail Week* executive editor George MacDonald. "And as Prime Day and similar new arrivals such as Black Friday change the market, only a retail turkey would rely on Christmas to make the tills ring."

Discount days are now part and parcel of the retail calendar. Black Friday and Cyber Monday are the biggest on these shores. Since their inception in 2010 their popularity has snowballed and last year sales for the two days combined reached about £2bn.

Again, impressive. But that figure is a drop in the ocean compared with Singles' Day in China and El Buen Fin in Mexico. The latter racked up sales of £7.9bn in 2014. The former – held on November 11 annually – was hijacked by Alibaba in 2009. It's been worth it: last year the retailer sold goods worth £9.9bn in the first 90 minutes.

Given the staggering figures resulting from these online shopping days, this white paper, produced by *Retail Week* in association with ChannelAdvisor, zeroes in on just what makes such events successful and what lessons UK retailers can learn from them. We reveal all the vital need-to-know information about the major online shopping days around the world and provide answers on what UK retailers should be doing now to prepare to get in on the action.

Discount days are now part and parcel of the retail calendar



PHENOMENON SHOWS NO SIGN OF ABATING

Why are these largely manufactured days proving so popular? The short answer is 'everyone likes a deal'. The longer one, according to John Beechen, head of managed services at Salmon, is: "It's a confluence of the fact that consumers now know the time period where items will be on sale; are choosing to wait for those days before purchase; and the maturity of ecommerce as a shopping platform."

In the UK, discount days have become synonymous with online. While in-store spend dropped from £1.14bn to £1.13bn during Black Friday 2015, online sales jumped from £800m to £1.1bn. Mobile is a driving force behind this – mobile views exceeded

non-mobile views on Black Friday and Cyber Monday last year, notes Andrew Fowkes, who heads up SAS UK and Ireland's retail centre of excellence. "Retailers must consider the full costs of this swing", he adds, "given the larger operational costs associated with shipping and returns".

Scenes of people fighting in the electrical departments in 2014 put many off the high street hunt. "Consumers used the online channel to secure bargains rather than braving the crowds and queues in stores," explains Jason Shorrocks, vice-president for retail strategy EMEA at JDA. "Retailers took steps to smooth the peaks, by extending promotions over the course of a week rather than as a



single day, and increasing efficiencies to cope with the new demand patterns."

Smoothing out the spikes

Black Friday and Cyber Monday have already become a long weekend of bargains but it won't be long before the event becomes Black Friday Week. Beechen at Salmon predicts this year's big deals could hit £5bn in sales over five days (November 24–28) as retailers "cotton on" to finding ways to manage the discount and high volumes of traffic in a more organised manner.

The feeling is that flash sales can leave customers disappointed. "Fixed periods offer more sustained value," says Stuart Rammage,

ecommerce director at Dixons Carphone, which recently took on Amazon with a 10-day super-sale event running across Amazon Prime Day. Tom Obbard, managing director at Furniture Choice, agrees: "Running offers for the whole week is what we've found works best – maximising sales and ensuring the offer mix is right to drive footfall but not impact margin."

Smoothing out the spikes can also help reduce returns – one in three online shoppers returned what they bought on Black Friday 2015, according to LCP Consulting – and the number of customers disappointed when their products are out of stock or don't arrive on time.

Consumers' tolerance for bargain-hunting is limited to 60 seconds for each 1% discount

Long waits – either in store or online – are also a sure-fire way to fail. Consumers' tolerance for bargain-hunting is limited to 60 seconds for each 1% discount when waiting for a store to open. That 'patience ratio' drops to 40 seconds at the checkout. Blue Yonder stats show customers will hold out for an average of 47.5 minutes to get online on Cyber Monday.

Having enough capacity on the website to handle demand, manage the orders, manage the payment, having the ability to pick, pack and ship the orders and manage the returns a few days later is indeed a huge challenge. "Peak demand will stretch any part of your system that is not in good shape," explains ChannelAdvisor EMEA vice-president Mike Shapaker.

And here's the rub, adds Matt Prebble, managing director at Accenture's retail practice: "It's not cost effective to have this level of capacity for the whole year and yet if the website crashes this is hugely embarrassing."

Terry Hunter, UK managing director at ecommerce provider Astound Commerce, says what's become more and more apparent in recent years is that "consumers hold a grudge".

"The challenge now is managing consumer expectations," agrees Pragma managing director Ralph Fernando.

AT A GLANCE
The online shopping day phenomenon

Black Friday
UK online sales



US sales

Average basket 2015: £93 (up £7.50)



1 in 3 customers returned goods

Cyber Monday
UK sales



Big weekender 2015



spent on Black Friday



spent on the Saturday



spent on the Sunday



on Cyber Monday

2016 prediction of £5bn in five days

Amazon Prime Day



1/3 Proportion of UK Amazon shoppers that are Prime members

398 items ordered per second in 2015

Singles' Day (China)



Growth: 2009 to 2013, sales increased 5,740%

72% of 2015 transactions via mobile

THE MAJOR DISCOUNT DAYS



AMAZON PRIME DAY

Date July 12 (2016)
Sales \$525m estimated (£404m)
Consider The 2016 event may have added between \$500m (£385m) and \$600m (£462m) in incremental sales to the retailer's top line

Making hay while the sun shines in July isn't how retailers traditionally work. But Amazon is no ordinary retailer. Not content with having brought Black Friday across the pond the retailer decided to celebrate its 20th birthday on July 15 last year with Amazon Prime Day.

Cynics, including Walmart.com president and chief executive Fernando Madeira, say this was merely a ploy to hook customers into its £79-a-year subscription service. A lot of consumers didn't appear to care: 398 items were ordered per second.

This year Amazon said things went even better: 60% more products shipped worldwide than 2015 making it the "biggest day in the history of Amazon".

"There's clearly large consumer support for a summer sales event," says David Jinks, head of consumer research at Fastlane International. The success even created some aches and groans within Amazon's IT system. When shoppers couldn't complete transactions #PrimeDayFail began to trend on Twitter.

Top tip: Standing out from the crowd on Prime Day can feel difficult. Use Amazon Sponsored Products to improve your visibility with deal hunters. Bid up on your keywords and create special campaigns just for Prime Day to attract customers.



BLACK FRIDAY

Date November 25 (2016)
Sales £1.1bn (2015, online)
Consider £495m of the £1.1bn was through mobile devices

If 2014 was the year Black Friday came to prominence in the UK, 2015 was the year it took residence. Comscore reported a 259% increase in total consumer spend on November 27, 2015 compared with November 28, 2014. Online sales surpassed £1.1bn, according to Experian-IMRG.

Black Friday is growing strongly in the UK, as it is in the US, but here the trend is towards online rather than offline. Black Friday footfall fell 4.5% last year, for example. OC&C says the weather had a part to play, but the chaos in 2014 meant many consumers stayed on their sofa to shop. A fifth (19.3%) of Brits said in a Blue Yonder survey they wouldn't be participating in Black Friday 2015 because they saw the footage of fighting from 2014.

Retailers can take advantage of the swing towards consumers buying online if they know how, according to Martin Corcoran, head of insight consulting at online retailing specialist Summit. "On Black Friday, device usage changes from mobile in the morning, desktop during the working day and tablet in the evening. Use these on-site analytics to predict how customers will behave," he advises.

Retailers who offer Black Friday deals online must make sure they can fulfil every single order efficiently. At least 15 retail websites suffered some form of loss of service during the 2015 event, according to web monitor Traffic Defender.
Top tip: Prepare well in advance and consider spreading deals over a longer period.



CYBER MONDAY

Date November 28 (2016)
Sales £968m (2015, online)
Consider Brits are willing to wait 49 minutes 55 seconds for a website if it crashes on Cyber Monday

One in five Brits has never heard of Cyber Monday, says Dunja Riehemann, marketing director at Blue Yonder. It has traditionally been an afterthought, living in the shadow of its bigger brother Black Friday. It certainly held its own last year, though: online sales on the day were up 31% to £968m as shoppers embraced ecommerce.

Digital analytics company SimilarWeb said web retail traffic was down 6% compared with the same day last year, but mobile growth helped make up some ground. SimilarWeb singled out Etsy.com, which had the largest growth of 42% in mobile web traffic in 2015 compared with 2014; Boots.com (up 32%) and Sainsburys.co.uk (up 25%) also fared well.

"Cyber Monday is becoming a key date here as retailers lengthen the holiday time-frame for discounts in order to drive volumes," says David Saez, chief executive of on-demand delivery app Stuart. Indeed, Black Friday is now bleeding all the way across the weekend, finishing with an e-flurry on the Monday.

Top tip: Shoppers are increasingly using mobile for Cyber Monday sales. Make sure your site is responsive to these consumers, regardless of their device.



SINGLES' DAY

Date November 11
Sales £9.9bn (Alibaba, 2015)
Consider Haitao shopping (buying overseas) is the fastest-growing segment of ecommerce in China (CAGR 63.3%)

Ecommerce sales in China are expected to pass \$1trn (£0.77trn) in the next 12 months and Singles' Day is the cherry on the cake. "Singles' Day is the biggest online shopping day nobody's ever heard of," says Jon Kershaw, managing partner at Havas Media.

November 11 started as an occasion for single people to spend time with single friends, but in 2009 the retailer Alibaba spotted an opportunity to woo shoppers. On Singles' Day 2015, Alibaba sold £9.9bn worth of goods and has now trademarked '11.11'.

In the UK Mountain Warehouse jumped into bed with Alibaba on Singles' Day last year and sales were "double the forecasts", according to chief executive Mark Neale.

Like any discount day, there are risks, notably high returns (30% reportedly) and the proliferation of sham goods. But there are opportunities. China is home to 1.38 billion people and an emerging middle class about the size of the US population – and they are hungry for foreign brands.

Paypal and Ipsos found that nearly half of Chinese online shoppers are more likely to shop on foreign sites during retail holidays and promotional periods. The UK is the second most popular online overseas destination for Chinese shoppers, so it's vital retailers offer preferred payment methods, such as Alipay, Tenpay and Union Pay.
Top tip: If you sell to China, this day isn't to be missed. Incorporate promotions into your campaigns to capture Chinese consumers on the prowl for a Singles' Day deal.

NEW CONTENDERS



SMALL BUSINESS SATURDAY

Date December 3 (2016)
Sales £623m
Consider 94% of SMEs have never provided any kind of promotion or discount on Black Friday

Small Business Saturday is no Black Friday, nor is it meant to be. The former encourages consumers to swap their shop from a large firm to a small, independent one, while the latter tends to be dominated by retail behemoths pushing breakthrough prices on everything from tablets to washing machines. There are, however, similarities between the two. Both are US imports, for example. Small Business Saturday was launched by American Express, and both events are proving popular among consumers.

Shoppers spent £504m at the December 6, 2014 event, up 8% on the first event in 2013. In 2015 it was £623m and #SmallBusinessSaturday trended on Twitter, according to American Express. Total reach topped 25 million people. The figures indicate growing interest in supporting local businesses. It also gives small operators a chance given that many struggle with big discount days.



GREEN MONDAY

Date December 12 (2016)
Consider The better fulfilment services become the bigger Green Monday will be

Green Monday has nothing to do with climate change and everything to do with Christmas. The term was first coined by eBay in 2009 to describe its best sales day in December. More specifically it's been defined as the Monday that falls with at least 10 days to go until Christmas.

In the US it's now become the third biggest day for online spend. Why? Because shoppers have become more confident that retailers will be able to get their online purchases to them in time for the big day.

Some retailers have started labelling it Cyber Monday 2 but, in terms of sales volumes, Cyber Monday had better watch out, because Green Monday could soon be number one.

#SmallBusinessSaturday trended on Twitter



FREE SHIPPING DAY

Date December 18 (2016)
Consider As retailers improve their multichannel fulfilment systems a December 18 guarantee is losing its gloss

Fulfilment in and around Christmas has improved dramatically in the past few years. So much so that retailers have come up with another holiday to promote their services.

Free shipping day, held annually, is when shoppers can use firms that guarantee delivery by Christmas Eve.

It hasn't yet attracted the hype of its bigger discount day brothers – not least because retailers continually outdo one another to go as close to the wire on festive fulfilment as they can.



EL BUEN FIN

Date November 18–21 (2016)
Sales £7.9bn (up 13.7% year on year)
Consider Black Friday is no longer just a gringo thing

Conceived in 2011, 'The Good Weekend' is a government and industry partnership to stimulate the economy post recession. It is timed to take advantage of Mexico's Revolution Day weekend.

A survey by Deloitte in 2014 showed that 74% of Mexicans made purchases over the mid-November weekend. What's more, the event didn't appear to cannibalise Christmas sales – 80% planned to buy more goods in December.

Campaigners point to the increasing numbers of shoppers buying on credit. There are also those that say the discounts aren't good enough.

To this, the national retailers' association (Antad) has a straightforward rebuttal: "If I want to buy a flat-screen TV and don't care about having the very latest fashion, I can get one that's a step behind at a very low price."

DISCOUNT DAYS DIVIDE OPINION

Retailers and consumers have a love-hate relationship with major discount days. An LCP study in December 2015 found that a third of UK retailers found Black Friday "unprofitable and unsustainable". Findings like this one from Worldpay don't allay fears – one in five shoppers think less of brands who take part in Black Friday and 70% returned what they'd bought.

Backing away from a promotion that the majority are embracing isn't easy, but some brands are proving there can be "marketing profit" in doing so, says ChannelAdvisor EMEA vice-president Mike Shapaker.

Clothing retailer REI decided to close its US stores on Black Friday, ostensibly to give its employees a break and encourage people to get outside on the holiday. Sales would have dipped in those 24 hours but the move will cement positive brand values among shoppers and staff, says Alasdair Lennox, executive creative director at brand consultancy Fitch.

Jigsaw ignored Black Friday completely in 2015, pushing a "reduced by nothing, standing for something" message instead. The fashion retailer posted a 12% jump in sales in the five weeks to January 2, 2016.

UK consumers on discount events such as Black Friday

31% 'like' or 'love' them
30% 'don't like' or 'hate' them
39% are unsure
30% of online shoppers are 'likely' or 'very likely' to shop

Source: eDigitalResearch and IMRG

For retailers to get it right, it's vital preparations start a year in advance, learning the lessons from the peak just passed, negotiating the deals with the suppliers and preparing the infrastructure to handle the next peak.

Here are the five biggest considerations for retailers:

- 1 Well-primed** Brits love a bargain so everything from the IT to the logistics network needs to be primed and ready when the doors open.
- 2 Well-timed** Despite the spike in activity, discount days rarely last just 24 hours. Black Friday and Cyber Monday, for example, bleed into the festive period. This needs to be factored in.
- 3 Well-studied** Data can offer insight into customer behaviour, so you know how many will be banging at the website door well before dawn and how many will be making a last-minute dash before midnight.
- 4 Well-stocked** The merchandising mix also has to be right. Pragma surveyed 2,000 shoppers in May 2016 and found that discounts prompt purchases more in toiletries (20%) and fashion (19%) than furniture, sports equipment and children's clothing (all about 7%).
- 5 Well-budgeted** It's far better to invest resources into getting it right beforehand, than it is to throw more time and money at it trying to appease angry customers when everything goes wrong.

Lessons are certainly being learnt. YouGov research showed the percentage of shoppers encountering technical issues on Black Friday 2015 was less than half that of the previous

KEY TAKEAWAYS FOR RETAILERS

- **Switch online** More shoppers will stay on the sofa rather than risk scrums in stores
- **Be prepared** The traffic generated will stretch systems to their limit
- **Smooth savings** Promotional periods are likely to be stretched over longer periods
- **Personal touch** New days will appear but expect more retailers to bring their own twist to established days
- **And finally** Love or loathe them, discount days are here to stay

year (14% versus 36%). One in four (25%) consumers said their experience was better than last year, while just one in 20 (5%) said it was worse. The day was "almost an unqualified success", says Richard Moller, YouGov's director of consumer research.

Almost. The online crush still meant more items tended to be out of stock (21% versus 17% in 2014) and delivery times were longer than stated (15% versus 10% last year). Data can help retailers meet and manage their customers' expectations, boosting sales and generating loyalty.

The future

The online shopping day phenomenon shows no signs of abating. John Lewis managing director Andy Street suggests it's impossible to put the genie back in the bottle.

However, experts predict there will be more innovation. The trend towards a personalised brand and retail experience also applies to discount days. Some retailers are already

offering a more playful and personalised view to promotional offers while still maintaining the excitement and emotional aspects of discount days.

Dixons Carphone has its 'Black Tag' event during Black Friday at PC World, for example. "I think we'll see more personalised and contextualised events," Rammage says, noting the recent hype around Pokemon Go for example. There could be other opportunities in everything from popular TV series *The Great British Bake Off* to sports events and perhaps even Brexit. "Things will happen more naturally," he adds.

This may only be the start, and given that almost every public occasion or event can be turned into an opportunity for a sale, it's clear the online shopping day phenomenon is here to stay. As we look to 2017, experts predict the arrival of even more peak sales days, making it vital retailers embrace the popularity of discount days and create a buzz around the many lucrative opportunities to come.

PARTNER COMMENT

It's remarkable that some of the biggest shopping days in the UK were relatively unknown five years ago. Where the weeks in early December leading up to Christmas were traditionally the peak days on which retailers focused in the past, the calendar is now awash with dates for retailers to embrace. From Black Friday to Singles' Day, retailers can take advantage of additional major spending sprees throughout the year.

Many of us thought nothing of it when Amazon brought Black Friday to our shores in 2010, but today it has become a household event in the UK and has shifted the way retailers prepare for the festive frenzy. Black Friday has pulled forward the beginning of the peak season, meaning retailers are beginning their festive planning far earlier than ever before.



Amazon also shook up the ecommerce landscape with the introduction of Prime Day as a 20th birthday celebration in 2015. It was uncertain if this would be a one-off shopping date or another firm fixture in retailers' calendars. After the roaring success of Prime Day in 2016, it's clear that Prime Day is here to stay and Amazon has transformed the UK landscape with two new major shopping events.

When planning your promotions calendar, make sure you prioritise peak selling days. Get prepared early and identify new ways you can capture consumers browsing for a deal. This could be through delivery deals, bundling items together, or rewarding loyal shoppers with even more discounts.

Put an emphasis on delivery – consumers are very impatient when they have to wait for their purchases. Make sure your delivery process is streamlined and your carriers can cope with the increased pressure during peak days.

Fulfilment by Amazon (FBA) can be a great way of easing the complexity of delivery, especially during peak season. With Fulfilment by Amazon (FBA), you store your products in Amazon's fulfilment centres, who then pick, pack, ship and provide customer service for these products. The added bonus – FBA also gives you access to Prime consumers, which can be crucial on days like Prime Day or Black Friday.

The ecommerce calendar has added some firm new shopping events over the past few years, and there's no doubt there'll be more to follow. Keep looking out for the next new shopping event and keep planning early for peak days.

• **Mike Shapaker, managing director, ChannelAdvisor**

CHANNELADVISOR'S KEY POINTS

- **Optimise for mobile:** In Q4 2015 mobile searches eclipsed desktop searches for the first time. Incorporate Apple Pay, PayPal or other "frictionless" payment methods to make shopping on mobile seamless.
- **Deliver on your promise:** Don't underestimate the value consumers place on delivery. If you guarantee delivery dates or final cut-off shopping days, be sure to live up to them.
- **Single out China:** If you sell internationally to China, be sure to work Singles' Day promotions into your plans.
- **Product adverting:** Consider Google Product Listing Ads (PLAs), Facebook Dynamic Ads and Instagram Dynamic Ads as part of your peak season digital marketing strategy.
- **Broaden your marketplaces horizons:** Most retailers have Amazon and eBay on their map, but there are many other marketplaces from Tesco to Zalando, that could complement your retail strategy.

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