KEY FINDINGS FROM THE 2018
ONLINE PEAK SEASONS
REPORT

Internet Retailer, a Digital Commerce 360 brand
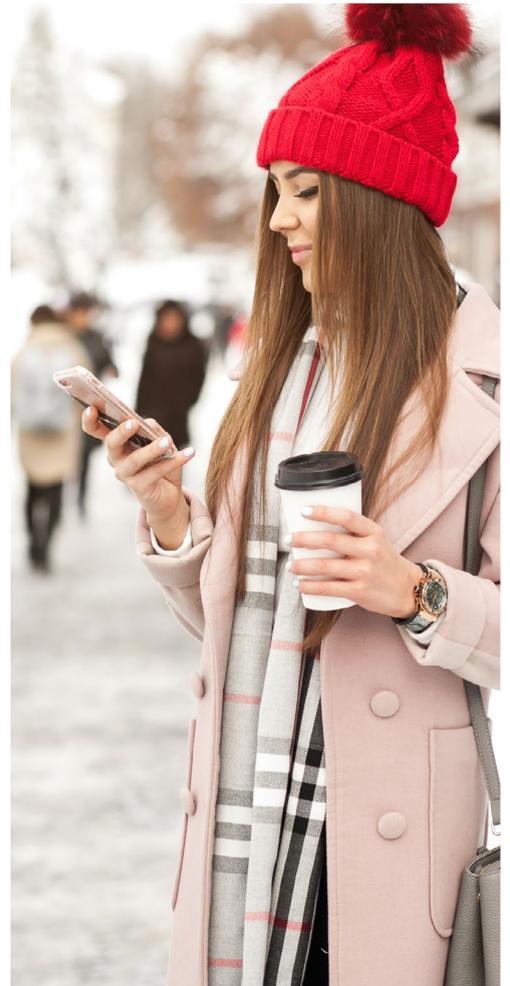
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OVERVIEW

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Five holidays from Halloween 2017 through back-to-school 2018 accounted for more than $136.69 billion in online sales, Internet Retailer estimates.

A holiday gives a consumer a reason to shop, whether it is for a gift, décor or a tradition that the holiday is not complete without. For this report, Internet Retailer analyzed five holiday periods that have a strong shopping component: Valentine's Day, Mother's Day, back-to-school season, Halloween, and the Christmas and Hanukkah holidays.

These five holiday periods combined accounted for an Internet Retailer-estimated $806.31 billion in total retail sales from Halloween 2017 through back-to-school season 2018, and e-commerce accounted for 17% of these sales, or $136.69 billion. This 17% is higher than e-commerce's usual share of total retail sales, which Internet Retailer estimates was 13% of total retail sales in 2017. This makes sense as gift givers may want to browse different sites to look for ideas or deals. In addition, online retailers increase digital marketing during peak season shopping periods, often leading to more sales online.

The Christmas and Hanukkah season in November and December by far takes the lion's share of annual holiday-related sales at $103.88 billion in online sales, which accounts for 76% of annual holiday-related online spend. Nearly all retailers care about the fourth-quarter holidays that bring in a significant share of sales every year.

But that still leaves $32.81 billion in holiday-related online spend for the remaining four holidays. For retailers that specialize in a certain niche, their category-specific holiday is way bigger than Christmas will ever be for them. They prepare all year for this peak season, much like large retail chains do for Christmas. For example, costume retailer Costume SuperCenter attributes 70% of its annual sales to Halloween and starts prepping 15 months in advance of Oct. 31.

The e-commerce penetration varies for each holiday depending on the products and traditions associated with each. For example, electronics, which are frequently bought online, make up a significant share of back-to-school sales, and back-to-school season has one of the highest e-commerce penetrations, compared with Mother's Day, which has the lowest e-commerce penetration at 14.5%, as fathers may make shopping for mom an outing at the store, or adult children may pick up flowers at a store on the way to visiting mom in person.

A shadow looming over each holiday, however, is Amazon.com Inc. and other mass merchants. As a specialized retailer in a niche category, no merchant wants to give up share in their peak season to a giant that continually eats everyone's lunch. For example, during the 2017 Christmas holiday season, Amazon accounted for roughly 37.5% of total online retail sales in the U.S. Nov. 1-Dec. 31, and was by far the retailer that generated the most sales online during this time period, according to Rakuten Intelligence, which bases its estimates on email receipts from more than 5 million consumers.

The good news is that Amazon is not a heavyweight for all the holidays, and retailers can take advantage of their expertise and holiday category know-how to guard their sales. And while Amazon sells everything, niche retailers can showcase their depth of product and product knowledge for their holiday-related category.

This report will analyze the differences in the annual holidays for online retailers and how merchants prepare for their peak season. The full report is organized in order of each holiday's size in terms of online sales and includes:

▶ How much is spent online for each holiday and e-commerce's share of sales compared with total retail spending for the holiday

▶ Interviews with key online retailers for each holiday's main product categories

▶ An analysis of web traffic increases for the holiday

▶ An analysis of of the retailers that generate the most search ad clicks for appropriate categories per holiday

▶ Conversion rate increases for key retailers per holiday

▶ An analysis of most-opened emails, their subject lines and send dates for top retailers for each holiday

▶ An analysis of consumer spending patterns for each holiday, either by product pricing, average order value or when shoppers are spending the most for each peak season

▶ A chapter on performance management during a peak traffic period ▲▲

Q&A

An executive conversation with **Ricardo Layun,** Vice President, Customer Care Services, Radial

How have shoppers' customer service expectations during peak seasons changed in recent years?

Shoppers expect fast and highly personalized experiences all year, but it's especially challenging during the high demand of the holiday season. Customers want service agents to have full knowledge of their history including product and buying preferences and order history—ideally enabling the agent to predict the reason for the inquiry. Shoppers also expect flexibility of how and when they contact the retailer—whether via phone, chat, text, or other method. For example, a recent study by CFI Group revealed that 55% of consumers would try visual interactive voice response (IVR) before contacting a live agent.[1]

What pain points do retailers face when addressing these increasing demands?

One pain point is the proliferation of data—being able to collect and synthesize all customer data across multiple channels and make it easily accessible to agents so they can improve the experience. Retailers need to get creative about how to harness the data and leverage it to improve each experience and customer loyalty. As a result, the role of service agents has evolved and become more complex—requiring more training than in the past. Not only do agents need to possess the soft skills critical to customer service, they must be analytical, be able to multitask, and have strong written skills to interact with customers via email, chat, and other popular channels.

What strategies should retailers implement to meet these expectations?

First, retailers need to develop the right approach to leveraging advanced analytics to collect information about what customers are likely to do next (predictive analytics) and determine what steps should be taken to provide better service in the future (prescriptive analytics). Self-service is a second area of opportunity to deliver more efficient and personalized experiences. In fact,

80% of consumers say they'll try self-service (whether web, social or a mobile app) before contacting an agent, demonstrating the rising importance of these tools.[1] Lastly, new agent training needs to be hands-on and replicate real, on-the-job scenarios. The old classroom style is not preparing them for the complexities of the job.

What role does technology play in enabling a successful customer experience?

Technology makes self-service tools, like bots, automation and visual IVR a reality. These tools—which help improve agent efficiency through augmented intelligence—can be leveraged to get customers the information they need in the channel they desire without bogging down agents for common service questions, thereby freeing agents to handle more complex interactions. Advanced analytics is another technology that gives agents consolidated and critical information about the customer to minimize the complexity of navigating multiple systems. Such data provides important information about the customer for retailers to leverage to make continual improvements toward meeting customers' expectations.

What else should retailers consider as they approach the holiday shopping season?

Recruiting and training are particularly challenging during the holidays. Retailers need a strong plan in place for recruiting, training and incentivizing seasonal employees. They are critical to meeting customer expectations during the heightened demand of the holiday season. It's extremely competitive for seasonal associates so recruitment, training and incentive plans should begin several months in advance.

1. CFI Group, "Retailers Must Manage the Whole Customer Service Journey," May 2018

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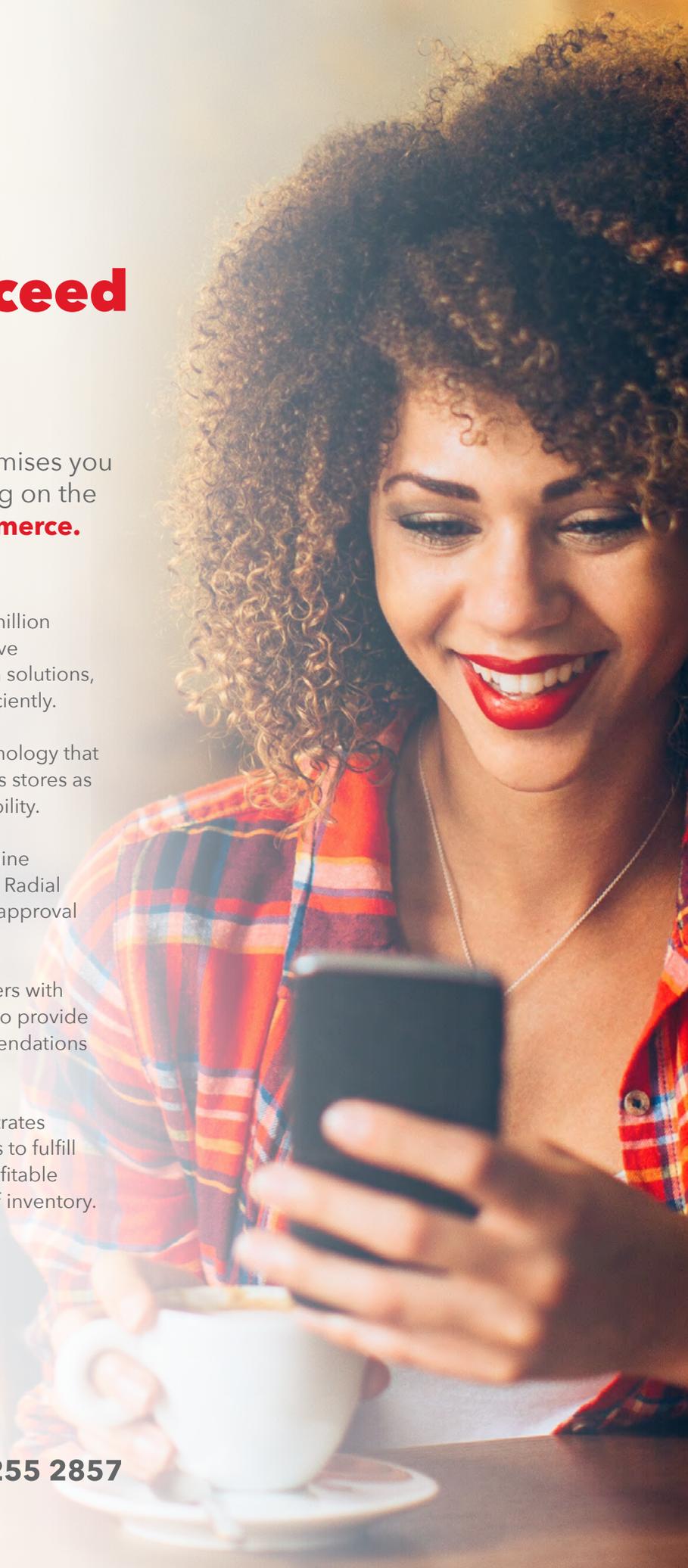
CHRISTMAS/ HANUKKAH

CHRISTMAS/HANUKKAH

The November and December months are retailers' big moment. They scrabble all year to set the table for the shopping feast. A large majority of retailers across categories see an influx in sales around the Christmas and Hanukkah shopping time frame and consider this period the year's ultimate peak season.

For personalized products retailer Men's Society, 70% of its annual sales hinge on this holiday period, says Ross Patrick, digital marketing executive at Men's Society, and it is a make-or-break time. And even if sales are more spread out throughout the year, like at Browns Shoes Inc. where 33% of sales are holiday-related, the season is still a significant priority, says Richard Sejean, the retailer's director of e-commerce.

Consumers spend more than $103.88 billion online in November and December, and this represents about 15.2% of total retail sales during this period, Internet Retailer estimates.

This is even more impressive as this is higher than e-commerce's annual average penetration, which Internet Retailer estimates was 13% for all of 2017. This makes the holiday season even more of a key period for online merchants.

U.S. shoppers spent at least $1 billion online every day in the 61 days in November and

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CHRISTMAS/HANUKKAH

2017 ONLINE SALES
$103.88 billion

2017 E-COMMERCE PENETRATION
15.2%

WHEN
Christmas: December 25;
Hanukkah: Exact dates vary. The holiday lasts eight days sometime within late November through early December.

MAIN SHOPPING PERIOD
November 1-December 31

RETAIL CATEGORIES
All retailers

FAST FACTS
Days with highest online sales, in order, are Cyber Monday, Black Friday and Thanksgiving.

Amazon accounts for 31.9% of online sales in November and 40.6% in December.

Source: Internet Retailer

December 2017, except for three days: Dec. 23, Dec. 24 and Dec. 25, according to Adobe Digital Insights, which bases its data on 1 trillion visits to more than 4,500 retail websites and 55 million SKUs.

Amazon takes about 37.5% of November and December online sales, according to Rakuten Intelligence, which bases its estimates on email receipts from more than 5 million consumers. That dominance, however, comes later in the season, as Amazon accounted for 31.9% of e-commerce sales in November

AMAZON TAKES A LARGE SHARE OF TOTAL ONLINE SALES EACH MONTH

Amazon's market share, 2017

January	February	March	April	May	June	July	August	September	October	November	December
40.0%	38.4%	37.9%	38.9%	40.5%	40.6%	41.7%	39.4%	35.7%	37.6%	31.9%	40.6%
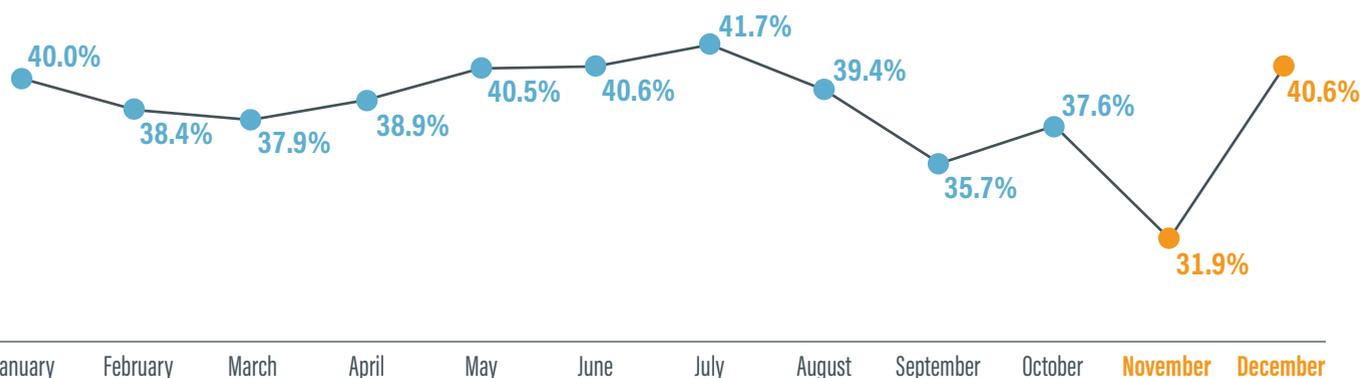
Source: Rakuten Intelligence

and 40.6% of sales in December, according to Rakuten Intelligence.

In fact, Amazon's 31.9% share of online sales in November is actually its lowest monthly e-commerce penetration all year and less than its monthly average share of 39% in 2017, according to Rakuten Intelligence. This is likely because most retailers are heavily marketing and offering their deepest discounts of the year around Thanksgiving. This entices shoppers to purchase at many retailers versus just searching and buying on Amazon.

Amazon's greater dominance in December is likely because Amazon's Prime loyalty program guarantees delivery for millions of eligible products in two days. This makes shoppers more comfortable placing orders with Amazon later in the season. For example, Amazon's peak day to fulfill orders was Dec. 19 in 2017, according to the retail giant, which declined to provide further details. This theme—of Amazon's late-in-the-season dominance—

comes up again in other holidays when there is a certain date by which shoppers need to have a product.

Unlike Valentine's Day and Mother's Day, which have sales concentrated in two-week sprints, or even Halloween, which has about a four-week sales period, the Christmas holiday season goes on for several months, similar to the back-to-school season. Although, unlike back-to-school shopping that has a gradual upswing in sales, the Christmas holiday season has a defined peak shopping period around Thanksgiving. This five-day stretch, sometimes referred to as the "Turkey 5" or "Cyber 5" are the five days from Thanksgiving through the following Monday, which is Cyber Monday. The Turkey 5 accounts for roughly 18% of online sales for November-December, according to Adobe, and is considered the peak five-day period for the season.

While 18% of sales in five days for an entire two months is impressive, it still leaves plenty of runway outside of the peak. ▲▲

The unofficial start to the holiday season is Nov. 1—the day after Halloween. However, some retailers, such as Staples Inc. and Best Buy Co. Inc., email about Black Friday before Halloween, according to email performance data provider eDataSource. Typically, email promotions start mid-October with their cadence increasing after Halloween and really ramping up until the "official" start of the holiday shopping period, which is Black Friday. In fact, an eDataSource analysis found that from Oct. 14-Nov. 13, 2017, 14 major retailers sent 103 Black Friday-themed email campaigns to an average 9.0 million consumers per send, with an open rate of roughly 14.7%.

The email subject lines during this time period, still weeks away from Black Friday, all referred to a promotion, including a message from Amazon with a 56.3% open rate, the most-opened email of the bunch.

Early emailing is effective to grab shoppers who are looking for a good deal early and are looking for something specific. Shoppers know early in the season is when retailers are more likely to have the right size, color and style of what they are looking for, and will pounce if they see it.

Apparel retailer U.S. Polo Assn. launched its Black Friday preview sale the week before Thanksgiving for its email subscribers and allowed them to access Black Friday promotions early with a code. That helped boost e-commerce sales, particularly the week of Nov. 17, when overall online sales were "comping very well to last year," says Matt Debnar, vice president of e-commerce at U.S. Polo Assn. and Jordache, declining to share specific details.

Amazon has a sophisticated email marketing program and is sending more targeted emails to consumers most likely to open them, says John

## EMAILS TEASING BLACK FRIDAY DEALS ARE AMONG THE MOST-OPENED CAMPAIGNS
Amazon's email campaigns were the top-two most opened, Oct. 14-Nov. 13, 2017

RETAILER	SUBJECT LINE	SENT	RECIPIENTS	OPEN RATE
Amazon	Black Friday is just two weeks away!	Nov. 10	29,000	56.3%
Amazon	Enjoy our early Black Friday deals, and more	Nov. 11	279,000	32.0%
Walmart	BLACK FRIDAY! The ad is here	Nov. 12	24,000	25.0%
Sears	SPECIAL INVITE—You've been selected to preview our Black Friday ad	Nov. 7	200,000	22.7%
Dick's Sporting Goods	Black Friday prices start NOW + The Weekend's Hunt Deals	Nov. 5	492,000	19.9%

Source: eDataSource

Landsman, director of strategy and analytics at eDataSource. On Black Friday itself, Amazon sent 52 Black Friday-themed email campaigns, a sharp decrease from the 119 it sent a year earlier. However, the approach helped double the open rate on its Black Friday-themed emails 30 percentage points, to 60% in 2017 from 30% a year earlier. Similarly, Amazon sent 59 Cyber Monday-themed emails on Cyber Monday, nearly half the 117 it sent a year earlier. But the open rate for those emails reached 42%, up from 26% a year earlier.

Other large retailers also sent fewer Black Friday-themed emails. For example, the number of Black Friday-themed email campaigns that 14 large multichannel retailers sent on Black Friday fell 36.0% to 114 from 178 a year earlier. However, that trend hasn't carried over to smaller merchants. In a sample of 400 retailers, eDataSource found that the number of Black Friday-themed email campaigns increased 17.3% on Black Friday to 834 from 711.
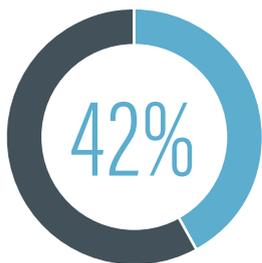
42% Open rate for Amazon's Cyber Monday-themed emails that were sent on Cyber Monday

Source: eDataSource

CONCLUSION

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Consumers shop with the seasons. Throughout the year, online retailers can count on consumers needing to shop for Valentine's Day, Mother's Day, back-to-school, Halloween and the Christmas and Hanukkah holidays. Collectively, these holidays accounted for $136.69 billion in online sales from Halloween 2017 through back-to-school 2018.

Retailers gear up for their peak season throughout the year because the season is responsible for an outsized share of their annual sales and can make or break an entire year. Online retailers that sell in a holiday-specific category should take note of how they can squeeze more out of their peak season, whether that is by emphasizing their specialty products, selection breadth or customer service. More shoppers are looking for inspiration online during a holiday period than throughout the year, so retailers need to convince shoppers to stop browsing and purchase.

Specialty retailers should also be wary that Amazon and other mass merchants are encroaching on their territory. Their marketing messages via email and search need to stand out from not only their direct competitors but these mass merchants as well. But even though mass-merchant retailers do take a chunk of sales, category-specific retailers have a chance to shine during their peak season. ▲▲
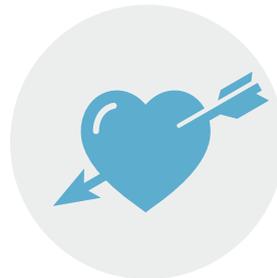
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ABOUT INTERNET RETAILER RESEARCH

At Internet Retailer Research our goal is to provide data and information about e-commerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on roughly 6,000 online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their e-commerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key e-commerce topics, including online marketplaces, cross-border e-commerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

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