

2021 HOLIDAY PLANNING

Prepare for a holiday season that will be like no other. Hear from fellow retailers on how they are preparing to navigate **shipping and supply chain challenges**, as well as **labor shortages**. Plus, merchants continue to make **omnichannel** and **website performance** investments to prepare for the busy peak season. Also inside, **tips on strategies** retailers can implement this Q4 and insights into what online shoppers say they want from merchants during the holidays, such as **updates to return policies**.

COMPLIMENTS OF:
Radial

BUCKLE UP FOR A HOLIDAY SEASON LIKE NO OTHER

2020's peak holiday season was a peak on top of a peak: ecommerce sales surged even more after a year of growing at unprecedented levels.

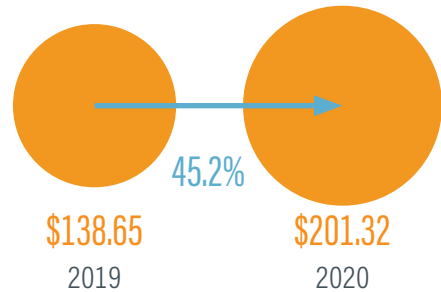
U.S. shoppers spent \$201.32 billion online during the season, up 45.2% from \$138.65 billion in 2019, Digital Commerce 360 estimates. More than \$1 in \$4 spent on retail purchases for the period came from online orders—a sizeable jump in digital penetration.

2020 was a stellar online holiday shopping season. But 2021 is a new year with its own set of challenges. A more open U.S. economy and vaccinated consumers armed with stimulus checks continue to fuel retail sales. But the world continues to grapple with the pandemic. Periodic manufacturing shutdowns, transportation backlogs and labor shortages have disrupted supply chains for months with no end in sight.

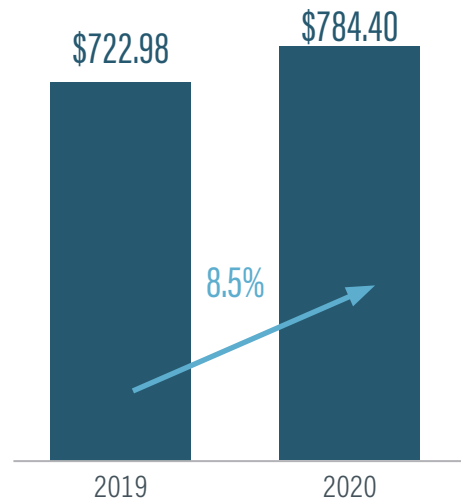
In “**Will shipping supply chain obstacles stifle holiday sales?**” on **Page 10**, Digital Commerce 360's fulfillment beat reporter James Melton details the headwinds merchants are facing within their supply chains and fulfillment operations and what that means for the holidays.

U.S. HOLIDAY SALES IN BILLIONS OF USD

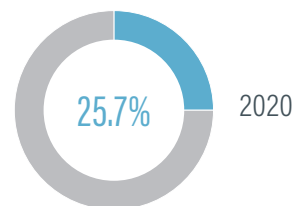
Ecommerce Sales



Total retail sales



Web penetration



Source: Digital Commerce 360, U.S. Department of Commerce retail data; reflects November and December seasonal sales; January 2021

One way merchants can circumvent last-mile shipping issues is with omnichannel services like buy online, pickup in store. **“The omnichannel holiday hustle”** on **Page 36** showcases several retailer examples about how they are using omnichannel to their advantage for the holiday season.

In **“Supply chain snarls put holidays at risk for Toy maker MGA”** on **Page 90**, MGA Entertainment CEO Isaac Larian discusses what these unprecedented supply chain challenges mean for its business, as the toy maker of L.O.L Surprise!, Bratz Dolls and Little Tikes relies on holiday sales.

Early results from the Digital Commerce 360 holiday survey show that merchants are working hard to secure inventory now—at the start of Q3—by ordering more products than usual from their existing suppliers (36% of retailers) and 33% are ordering products from new suppliers. (Retailers could pick up more than one response.) The infographic **“Retailer Insights: Holiday Prep”** on **Page 52** shows more detailed results from this survey on how retailers are preparing for the holidays.

Another challenge retailers are facing this year is holiday hiring. While many merchants ramp up operations in their customer service and fulfillment centers during the peak season, this

year retailers are finding that harder than ever to do. Several merchants weigh in on their strategies to adequately staff up this holiday season in **“The peak season hiring push”** on **Page 30**.

Two other areas that merchants always need to keep top-of-mind during the holidays is website performance and marketing. From a performance perspective, several merchants share how they are ensuring their websites and backend systems are in top condition for the expected surges in traffic they will see around the Thanksgiving weekend in **“Keep it up: Why site performance matters”** on **Page 70**.

In terms of marketing, retailers promoting the holidays seems to start earlier every year,



61%

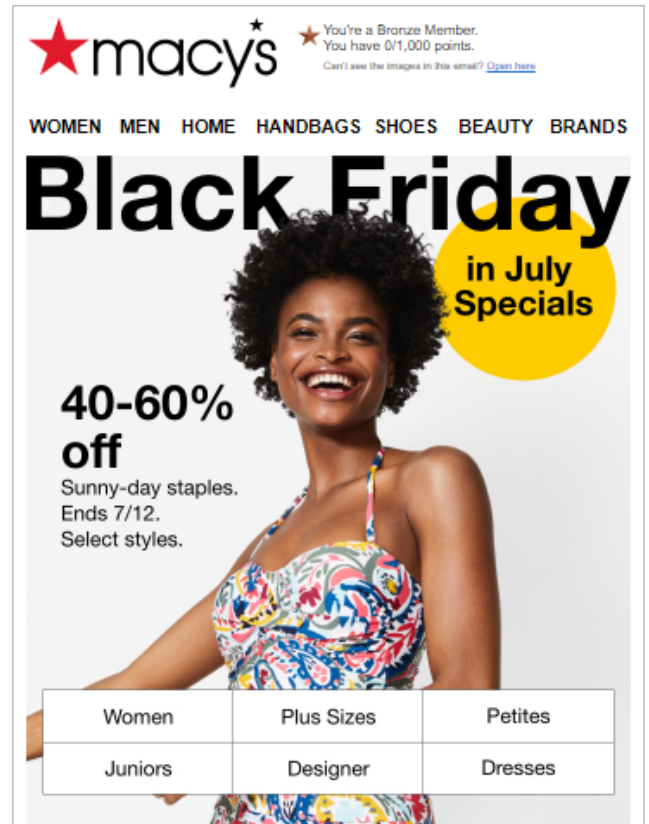
The percentage of retailers who plan to start their holiday marketing before Nov. 1.

Source: 2021 Digital Commerce 360 survey

and 2021 should be no different. In fact, 61% of retailers say they plan to start their holiday marketing before Nov. 1, with 22% of them starting in July/August, according to the Digital Commerce 360 survey.

This is certainly the case at department store chain Macy's Inc., which sent several "Black Friday in July" promotions throughout July.

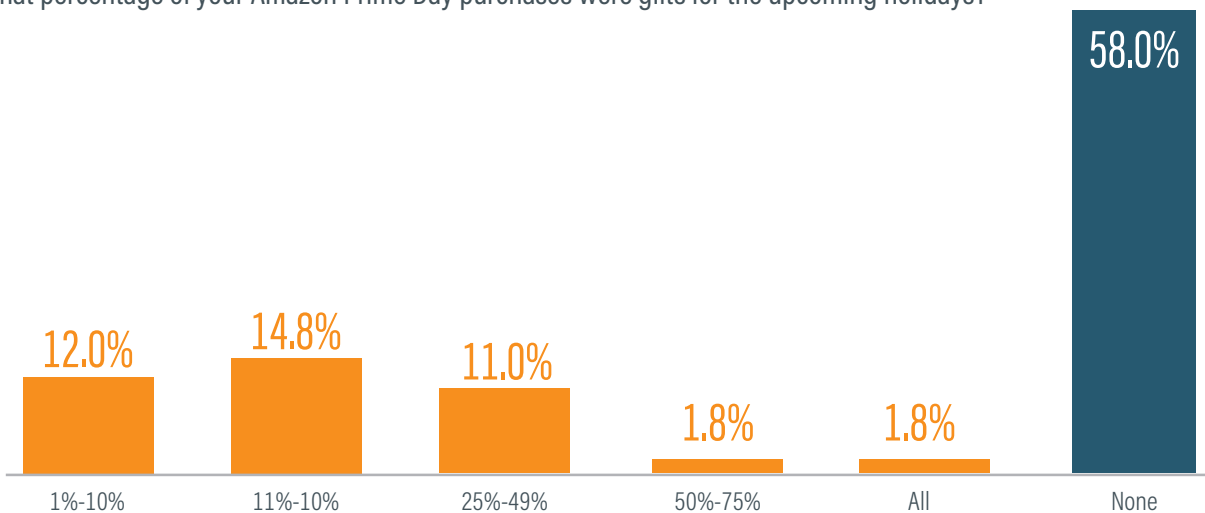
And while that may seem early—shoppers are listening. During Prime Day 2021, which spanned the two days June 21-22, 42% of Prime Day shoppers said at least some of their Amazon Prime Day purchases were gifts for the holidays, according to a Digital Commerce 360 survey of 505 U.S. online shoppers in June 2021.



Macy's sent several promotional holiday emails in July.

42% OF PRIME DAY SHOPPERS PURCHASED A GIFT FOR THE 2021 HOLIDAY SEASON

What percentage of your Amazon Prime Day purchases were gifts for the upcoming holidays?



Source: Digital Commerce 360 survey of 505 online shoppers, June 2021. Note: Data out of 283 participants

Besides early promotions, senior consumer insights analyst Laruen Freedman shares more tactics to implement to spur consumers to purchase over the holidays in her column **“Ho, Ho, Ho, are you ready for the holidays?”** on **Page 95**, which is based on multiple consumer surveys Digital Commerce 360 conducted over the past few months. One tactic is returns, and **“Shoppers favor e-retailers that make returns free and easy”** on **Page 26** shares more reasons why merchants should give their return policy a second look.

In **“4 ways online merchants can prep for holiday shoppers,”** on **Page 81**, Digital Commerce 360’s digital editor Stephanie Crets summarizes tips from Forrester Research’s recent holiday prep report, along with supporting retailer examples of implementing these practices.

The coronavirus pandemic benefitted many merchants in 2020, bringing in a wave of ecommerce sales. But the pandemic and sales boom continue to be the source of new challenges throughout the retail industry. While it is only August, retailers are knee-deep readying themselves for the holiday season. This Strategy Insights issue **2021 Holiday Planning** is packed with info to help merchants continue to prepare for a successful Q4 season amid another unprecedented year.



—April Berthene, Managing Editor

WILL SHIPPING SUPPLY CHAIN OBSTACLES STIFLE HOLIDAY SALES?

The pandemic caused a massive breakdown in the global supply transportation system. It's changing the way retailers think about their inventories.

By James Melton

Last year, the COVID-19 crisis caused a rapid, unexpected expansion in ecommerce demand. That, in turn, led to increased package volume, fee increases and surcharges from carriers and frustrating delivery delays for consumers. The good news now is that delivery delays have mainly subsided since the peak of the pandemic-

related setbacks—although it is unclear how carriers will perform during the November through December rush.

But even if improvements in package delivery speeds hold up, retailers might not be out of the woods this holiday season. Timely shipping





‘Container shipping capacity is so scarce that retailers and manufacturers are investigating all avenues to secure space, including chartering [their] own vessels.’

— Martin Dixon, director and head of research products, Drewry Shipping Consultants

does not help retailers much if they don't have inventory to sell. And, as of the middle of 2021, global supply chains remain unreliable and costly, thanks primarily to sky-high rates for international shipping and delays at major ports.

Ecommerce, which was growing fast before COVID-19 hit, soared in 2020 as the pandemic pushed even more U.S. consumers online. The crisis contributed an additional \$105 billion in U.S. online revenue in 2020 and accelerated ecommerce by two years, Digital Commerce 360 estimates.

Online sales hit \$791.70 billion in 2020, up 32.4% from \$598.02 billion in the prior year, according to Commerce Department figures. That's the highest annual online sales growth of any year for which data is available.

Supply chain disruptions remain

For retailers, supply chains remain stretched

beyond capacity, making it tough to keep their warehouses stocked with products.

Delays in getting products continue to be a challenge, says Bob Goodliffe, president and CEO of welding equipment supplier J.W. Goodliffe & Son Inc. and Cyberweld.com.

For welding machines and plasma cutters—both rich in electronic components—the best-case lead times are eight weeks, with some as long as 15 weeks, Goodliffe says. “There is no end in sight,” he says.

Goodliffe says he's not optimistic about improvements to supply chains and related costs going into early 2022.

“COVID has not gone away and the Delta and Lambda variants have yet to play themselves out in the global workforce,” Goodliffe says. “Demand is still outstripping supply in both

products and freight demand. I see the freight carriers continuing to push prices higher to adjust to market demand and higher fuel costs.”

Mark Baxa, president and CEO of the Council of Supply Chain Management Professionals, says retailers that source products or raw materials from outside the United States—or have suppliers that do—are facing a global supply chain in disarray. Repairing the worldwide transportation system will take time, he says. As a result, retailers and others have had to rethink how they handle inventory, Baxa says.

With current supply chain disruptions, many retailers are desperately trying to buy up all the inventory they can as soon as it’s available. Before, some merchants took a “just-in-time” approach to buying inventory, Baxa says. Just-in-time inventory refers to a strategy in which companies purchase goods as close as possible to when they need them. For example, a clothing retailer might try to time the arrival of summer inventory to match the launch of its summer lines. To save on inventory costs, a manufacturer

\$9,531

The average spot price to ship a standard, 40-foot container from Shanghai to Los Angeles as of July 8—up 229% from a year earlier.

Source: Drewry's World Container Index

might time parts to arrive as they are needed to produce finished goods. Retailers and others are now avoiding this strategy because they cannot count on parts or other goods to arrive on a pre-set schedule.

"Nobody is talking a lot about just-in-time inventory these days," he says.

Instead, retailers and others have been leasing warehouse space in the U.S. and abroad. Extra U.S. warehouses allow companies to stock up on inventory as it comes in, Baxa says. Additionally, leasing warehouse space overseas near factories in places such as China and elsewhere allows production to continue, he adds.

Warehouse space near factories allows companies to store inventory that otherwise would be immediately shipped but aren't right now because of delays. Having a place to store goods outside of the manufacturing facility enables production to continue, even as companies wait out delays caused by shortages of shipping containers, port closures and other factors, Baxa says. For example, stacking newly made products in the back room, on the loading docks or in the parking lot only gets merchants so far. If they run out of space, they have to close down the factory.

Given the complexity and unpredictability of the supply chain today, efficiency and sound data are vital for supply chain managers, Baxa says.

'Nobody is talking a lot about just-in-time inventory these days.'

— Mark Baxa, president and CEO, Council of Supply Chain Management Professionals

He says the pandemic has accelerated logistics technology to allow supply chain managers to improve visibility across supply chains and handle information efficiently—and they should use them.

"The need for digitalization has never been greater," Baxa says.

According to a June update of the annual "State of Logistics" report from CSCMP, written by management consulting firm Kearney, information technology and automation must work together if supply chain managers want a real-time picture of their companies' inventory.

For example, the report says, it's not enough for companies to merely use robots in their warehouses. Those robots should be able to communicate with managers and each other, making information available and actionable.

Home Depot charts a container ship

Home Depot is one retailer taking supply chain matters into its own hands. It recently chartered

a dedicated cargo ship to take greater control of its supply chain.

"We have a ship that's solely going to be ours and it's just going to go back and forth with 100% dedicated to Home Depot," Ted Decker, the home improvement retailer's president and chief operating officer, said in a June interview with CNBC. The vessel was expected to start service in July, according to CNBC.

A Home Depot spokeswoman said the retailer would not disclose additional details about the ship or the retailer's motivation for chartering it.

In a May 18 conference call with analysts, Home Depot CEO Craig Menear said: "Disruptions in global supply chains were further exasperated by port congestion" during the retailer's first quarter, which ended May 2, 2021.

In response to supply chain interruptions, he said, Home Depot "leveraged the scale of our supply chain and partnered with our vendors to maintain our in-stock positions and prioritized

key SKUs in high-demand categories," but did not provide details.

Martin Dixon, director and head of research products for Drewry Shipping Consultants, says other companies are following Home Depot's lead.

"Container shipping capacity is so scarce that retailers and manufacturers are investigating all avenues to secure space, including chartering their own vessels," Dixon says.

Container shipping costs soar

Home Depot's decision makes sense, considering the shortage of shipping containers. Moving goods worldwide is not only significantly more expensive than before the pandemic, but it's also less reliable, according to experts.

A shipping container is a large, standardized metal container designed for intermodal freight transport. That means shippers can use such containers across different modes of transport—from ship to rail to truck, for example—without unloading and reloading the cargo. A typical shipping container is 8 feet wide and either 20 or 40 feet long.

A recent shock to the system occurred in early June when Yantian International Container Terminal in Shenzhen, China, was partially shut down to control virus cases, shrinking what little capacity existed at the time. The port resumed operation on June 24, but not before causing a massive backup of outgoing goods.

"U.S. importers at the moment are panicking," Steve Saxon, a McKinsey & Co. partner in



57% of retailers said they added at least one delivery or shipping carrier in the past year, according to a Convey survey of 600 retailers in May 2021.

Shenzhen, China, told Bloomberg News in late June. "People are already worried about whether they can [get] shipping capacity in August and September."

That means shipping rates could remain elevated and delivery times could get stretched out even further heading into the peak season. That could spell trouble as many retailers like to start packing their warehouses with popular year-end holiday items around August.

Saxon told Bloomberg he expects consumer demand in the U.S. to remain "reasonably high" through the rest of the year. The big question, he said, is whether a supply chain that's "still creaking" can handle it.

Adam Greenberg, owner and president of NorthShore Care Supply, an online retailer of home healthcare products, says it was "almost impossible" to get a container in China during June. "And if you are lucky enough to get containers, prices are now five times pre-pandemic pricing," he says.

Other problems, he says, include shipping containers to inland ports like Chicago. To get containers back to China quicker, he says, many vessels refuse to drop shipments in ports outside of the West Coast.

In July, Union Pacific Railroad suspended rail service from the West Coast to Chicago for a week to relieve congestion in Chicago and divert



Merchants like Gordon Industries, an importer and wholesaler that operates such retail websites as ChristmasCentral.com and PoolCentral.com, have been paying premium to get their containers released from ports.

some rail equipment to serve other markets. Additionally, fires in the Northwest are affecting rail service.

A statement from Union Pacific says: "We temporarily paused West Coast port shipments moving east to address congestion at inland terminals, most notably in Chicago, where shippers are struggling to take boxes from our ramps. We will resume activity in a staggered approach and thank customers for their help clearing backlogged containers as we continue working together to address global supply chain challenges, such as truck driver and chassis shortages, as well as high warehouse inventory levels."

Greenberg says international shipping from anywhere is a problem, but sourcing products from Asia presents the worst headaches.

"[Importing from] Europe requires planning about two months ahead for reservations of containers, but this option is not available with Asia to U.S.A. routes for many months now. Only spot priority rates are available—if a container can be located," Greenberg says.

Spot rates reflect the real-time rate to ship cargo. They compare to contract rates, which are negotiated ahead of time and apply to shipments made during an agreed-to period.

Other major retailers are running into supply woes as well.

At department store operator Macy's Inc., global supply chain disruptions complicated its efforts to keep some products in stock during its fiscal first quarter, which ended May 1.



A report from Denmark-based Sea-Intelligence ApS says a "staggering" 695 vessel arrivals were over a week late in arriving on the West Coast from Asia from January-May 2021.

“The continuing supply chain disruptions across the entire retail industry are impacting our inventory levels and causing delays across some categories,” CEO Jeff Gennette said during a May 18 conference call with analysts. “We’re navigating the disruption by adjusting our freight strategies, working closely with our overseas carriers and brand partners and pushing for earlier deliveries. We are cautiously optimistic that the port delays will improve this summer.”

During another May 18 conference call, John Furner, president and CEO of Walmart U.S., acknowledged the same. Global supply chain problems were affecting some product categories, he said.

“General merchandise has been a bit mixed. It’s better in many cases, but there are some pockets where we continue to chase [high-] demand things like adult bicycles, and some of our categories in consumer electronics,” Furner said. “We’re monitoring things like delays at the ports and other factors in the supply chain. And we’ll watch all those things closely to continue to react.”

Rates decoupled from costs

Drewry Shipping Consultants’ Dixon says container shipping rates are in uncharted territory.

“Shipping rates have become decoupled from operating costs and are driven by scarcity of

capacity,” Dixon says. Drewry, based in London, provides research and consulting services to the maritime shipping industry.

Dixon says that typical spot rates for container freight are more than four times higher than a year ago. For example, the average spot price to ship a standard, 40-foot container from Shanghai to Los Angeles was \$9,531 as of July 8—up 229% from a year earlier—according to the Drewry’s World Container Index.

Longer-term contract shipping rates have not grown as fast, Dixon says. But Drewry expects average freight rate levels to increase 50% during 2021. That would be “by far the largest overall annual increase on record,” he says.

While costs are soaring, international shipping has become less predictable.

A report from Denmark-based Sea-Intelligence ApS says a “staggering” 695 vessel arrivals were over a week late in arriving on the West Coast from Asia from January-May 2021. Of those, 343 vessel arrivals were more than 14 days late and 132 were more than 21 days late.

“For comparison, from January 2012 to December 2020, 1,535 vessel arrivals were more than a week late, 330 were more than two weeks late, and a combined 104 vessel arrivals were over 21 days late.” the report says.

Supply chain problems have Donald Tydeman, principal at The Salt Cellar, worried and sleepless.

“I think this is a life-or-death issue for many small businesses, including ours,” Tydeman says.

Salt Cellar, which sells gourmet sea salts, bath and spa products online, has had problems acquiring products crucial to its business, including glass jars and caps, Himalayan salt products, Dead Sea products from Israel and more, he says.

“The supply chain is overwhelmed, and I do think it will take at least a 12 to 18 months to sort this all out. Inventory that was available [on a just-in-time basis] is now not available for many months. Literally keeping me awake at night.” Tydeman says.

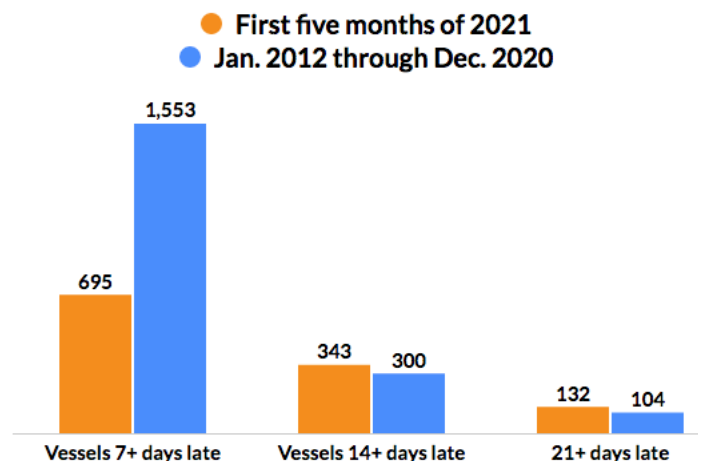
An analysis from economist Veronica Nigh, an associate economist Daniel Munch at the American Farm Bureau Federation, finds backlogs of anchored container ships at the California ports of Los Angeles and Long Beach reached as high as 40 in February 2021. Before the pandemic, such backlogs "could normally be counted on one hand," they wrote.

The number of anchored ships dropped to the low 20s and high teens by June, the analysis says. But despite that reduction, Nigh and

Delays at ports soar in 2021



How port delays in the first five months of 2021 compare to the cumulative totals over the previous eight years



Source: Drewry Shipping Consultants

Munch say delays at California ports continue to represent a significant obstacle.

Gordon Industries, an importer and wholesaler that operates such retail websites as ChristmasCentral.com and PoolCentral.com, says so far it's been lucky in terms of securing inventory. It's been able to get its containers out of nearly every port, but it has been paying premiums to do so, says chief information officer Nathan Gordon.

“The container companies are taking the highest bidder, which is driving rates and leading to delays,” Gordon says. “Luckily, we saw a large increase in sales last year and ordered our items early enough to arrive early.”

Beyond container shipping rates, other costs are rising as well. The cloud-based software company Salesforce.com Inc. predicts the cost of goods sold for U.S. retailers (online and offline) will jump by \$223 billion this holiday season compared with a year earlier. Those additional costs, it says, will include hefty year-over-year increases in prices for freight, manufacturing and labor.

Salesforce made its projection based on the activity of more than 1 billion global shoppers, and several market assumptions, the vendor says.

On-time performance improves for domestic deliveries

The pandemic stretched domestic parcel carriers to capacity—and package volume keeps growing. For example, United Parcel Service Inc. reported its average daily volume increased 14.3% year over year during the first quarter of fiscal 2021, which ended Feb. 28. More recently, a FedEx spokesman told Digital Commerce 360 in June that the carrier “continues to experience a peak-like surge in package volume due to the explosive growth of ecommerce.”

Despite the high volumes, carriers appear to be rising to the challenge. They are delivering more packages on time than they did a year ago, according to data from last-mile technology vendor Convey Inc. While carriers are still not

The cost of international shipping soars

The average spot prices for shipping 40-foot containers along selected routes

Route	Average price as of July 8, 2021	Year-over-year increase
Shanghai to Rotterdam	\$12,795	596%
Shanghai to New York	\$11,708	232%
Shanghai to Los Angeles	\$9,631	229%
Rotterdam to New York	\$5,336	125%
Los Angeles to Shanghai	\$1,326	154%

Source: Drewry Supply Chain Advisors

matching the on-time performance of two years ago, on-time package delivery rates returned to pre-pandemic levels in April and May 2021, Convey says.

The firm analyzed data derived from tens of millions of packages shipped from more than 500,000 locations in North America and found carriers delivered 82% of package shipments on time in April 2021, up from 77% in April 2020. In May, on-time rates remained steady at 82%, up from 73% a year earlier. June on-time rates grew slightly to 83%, up from 73% a year earlier.

Package delivery costs rise—a lot—in 2020

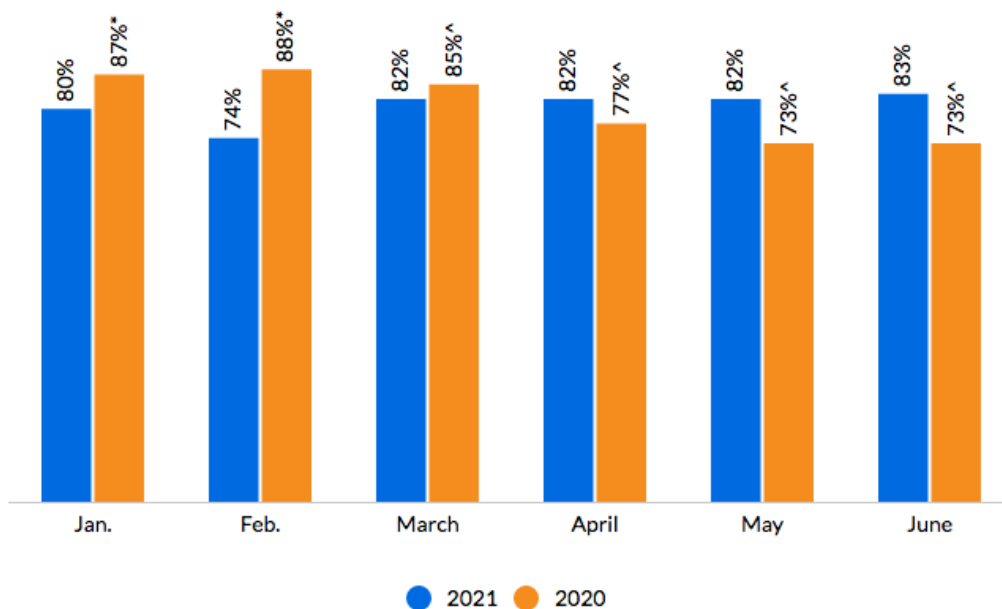
Parcel and last-mile costs increased 24.3% year over year as ecommerce orders boomed, Kearney analysts found.

Gordon of ChristmasCentral.com says the inbound and outbound shipping costs are affecting its business. The extra costs will likely lead it to increase its prices this holiday season.

“We are mostly concerned about the peak season surcharge our company will be hit with

On-time package delivery rates recover

Percentage of packages that arrive on or before the date the carrier originally promised, 2021 vs. 2020.



* Reflects on-time performance prior to the coronavirus-related restrictions that began in March 2020.

^ Percentages in March through June 2020 reflect the early impact of the COVID-19 pandemic.

Source: Convey, 2021

'Any update related to your package is a good update.'

— Lindsay Keys, senior manager, logistics, Brooklinen

in Q4. This is really going to increase the costs of shipping our items," Gordon says.

Meanwhile, total U.S. transportation costs rose by 0.8% in 2020, despite a 4.0% drop in overall logistics spending for the year and a shrinking economy. Kearney's researchers attribute the reduction in logistics spending primarily to the pandemic, which forced many global supply chains to halt and then restart.

Besides the pandemic, the report says other factors contributing to supply chain disruptions include the obstruction of the Suez Canal in March 2021 and a trend toward diversifying production locations beyond China—a process accelerated by U.S. tariffs and other trade barriers imposed on China in 2018.

Retailers diversify carriers

Once retailers get products in their warehouses, the next goal is to get them to customers. Many retailers diversified how they deliver goods to consumers, says Krieg of Convey.

57% of retailers said they added at least one delivery or shipping carrier in the past year,

according to a Convey survey of 600 retailers in May 2021.

In May 2021, Convey Inc. surveyed executives at 600 retailers and found that 57% added at least one delivery partner or carrier in the past year.

Respondents cited "meet customer demand for increased delivery speed" as the primary reason for adding carriers (70%). Next was "balance delivery costs with customer expectations" (49%) and "offer innovative delivery options to remain competitive" (35%). Also, 81% of respondents said they plan to increase investment in last-mile initiatives over the next year.

Krieg says retailers shifted some of their shipping volumes to regional carriers and began using more than one of the "big three" carriers—FedEx, UPS and USPS.

On-demand services

Merchants also have increasingly turned to on-demand delivery services like Instacart and DoorDash to deliver to customers who live near a store or distribution center.

On-demand services—many of which launched to deliver groceries or restaurant meals—started working with other categories of retailers during the pandemic. In July 2021, home goods retailer Bed Bath & Beyond Inc. contracted with the crowdsourced delivery platform Roadie to make same-day deliveries for the retailer's Bed Bath & Beyond and BuyBuyBaby.com brands. It also added curbside pickup services for those brands.

Other examples include:

- Dick's Sporting Goods Inc. launched on-demand delivery via Instacart—best known for delivering groceries—at more than 150 of its stores last December.
- Electronics retailer Best Buy Co. Inc. began offering Instacart delivery last November.
- The U.S. drug stores owned by Walgreens Boots Alliance Inc. recently moved from piloting same-day delivery with on-demand shipping platform Postmates to a nationwide rollout of the program. The retailer also added same-day shipping with DoorDash and Instacart.

Brooklinen boosts shipping transparency

Even in the best of times, shipping delays stemming from strained carriers, bad weather and other reasons can occur. Deliveries are

SHOPPERS FAVOR E-RETAILERS THAT MAKE RETURNS FREE AND EASY

By James Melton

As online orders soared in 2020, online returns during the holiday season grew 41% compared with a year earlier, according to research from returns software vendor Loop Returns, based on aggregate data from hundreds of online retailers that use its returns platform.

It's probably too soon to predict return rates for the 2021 holiday season. But retailers should be aware of some significant trends:

Consumers are increasingly handling returns on mobile devices. According to Loop, 60% of online returns happened on mobile devices in January 2021, up from 45% just a year earlier. That means that retailers must optimize their returns processes for mobile, not just their shopping experiences, Loop says.

Not surprisingly, consumers prefer to return purchases for free and look for retailers that allow them to do that. In a June Digital Commerce 360/Bizrate Insights 2021 Returns survey of 1,023 U.S. online shoppers, 74% cited free return shipping as something they consider when making an online purchase—by far the most-cited among a list of aspects related to returning online orders.

In another survey, released in May by research firm Inmar Intelligence, 62% of respondents were unwilling to pay for the shipping and handling of returns. Of those who would pay for a return, 64% said they would pay less than \$10 to return a purchase; that included 30% who would be willing to pay less than \$5.

32% of Americans intentionally “over-buy” and then return parts of their orders, according to a survey of more than 1,000 U.S. consumers by goTRG, a reverse logistics vendor. Also, 53% of respondents said they always check a store's return policy before making a purchase, so they are aware of their return options ahead of time.

Other goTRG data shows the overall retail returns increased by 10% year-over-year, ecommerce returns soared 46% in 2020.

For more details on returns jump to Page 95 to read “Ho, Ho, Ho, are you ready for the holidays?”

mainly out of retailers' control once retailers hand packages over to carriers. Plus, some consumers like the reassurance that their packages are moving along their routes on time.

A retailer can't communicate enough when it comes to a customer's purchase, says Lindsay Keys, senior manager, logistics at Brooklinen. The bedding consumer brand manufacturer learned this firsthand over the pandemic.

"Any update related to your package is a good update," Keys says.

That's why Brooklinen decided to opt-in all its customers for email communication about an order. This way, customers are informed when their order is shipped, when it was delivered and any potential snags along the way. Plus, shoppers now receive a linked tracking code for their orders so they can check in on the status whenever they like with one click.

Previously, the order status communication field was optional on the shopping cart page and

Brooklinen noticed that many shoppers were not opting in for this kind of communication. Shoppers received a tracking number, but it was not linked. It was up to the shopper to visit a carrier's website to look up the order's status. With the link, shoppers can quickly check the status without multiple steps, Keys says.

Brooklinen implemented these changes in November 2020. The retailer says the changes helped decrease "Where is my order?" calls to its customer service provider by 10% by the end of December 2020, compared with before implementing the changes, Keys says.

The bottom line for retailers is this: Expect the disruptions and prepare for them. The uncertainty and constraints of 2020 continue to strain the global supply chain. Likely, retailers will once again need to be creative and nimble this holiday season. As Brooklinen shows, control, honesty and transparency go a long way when delays occur.

james@digitalcommerce360.com | [@JDMeltonDC360](https://twitter.com/JDMeltonDC360)

April Berthene contributed to this article.

THE PEAK SEASON HIRING PUSH

How retailers are navigating labor shortages, competitive salaries and more this holiday season.



“What are your plans for hiring extra staff this holiday season?”

Retailers typically ramp up their workforce as the November/December sales surge approaches—particularly focusing on beefing up warehouse and customer service staff to get the influx of packages out the door and to handle the additional shopper inquiries. And this 2021 holiday season is no different. 36% of retailers plan to hire more employees for their fulfillment centers this holiday season, according to early results from a Digital Commerce 360 survey of 64 retailers. Additionally, 30% plan to hire customer service staff.

But this year isn't so easy. Labor shortages abound and merchants are having to increase pay to get the help they need to survive the crucial holiday season. Indeed, in our survey, 27% of merchants said they expect to have difficulty finding holiday help, with 25% saying they already are having trouble finding warehouse workers. To attract the talent they need, 16% say they will offer incentives to seasonal workers.

With that in mind, we asked several retailers: “What are your plans for hiring extra staff this holiday season?” Here's what they had to say.





We are proactively raising wages for the second time this year. First time was 7%, this time it's 10%. In two years, I think it will be more like 30%. And yet, we are worried we won't find enough people to fill open jobs. This is a big concern. We lost a few people to competitors just this week. [A competitor] offered them \$23 an hour, and I was at \$16. This is for semi-skilled production staff. What will we do about this for Q4? A cocktail of things that basically cost us money. Higher wages, sign-on pay, referral pay, free gifts (we make gifts), and more. It'll be interesting to see. We have had to raise our prices to help cover the increased costs we face.

— **JIM TUCHLER**, president of Techny Advisers LLC, parent company of GiftsForYouNow.com

We started hiring early, as we wanted everyone in place by the end of August this year to help meet the demand for the holidays. These are permanent positions in our warehouse, customer service and marketing departments. In the past, we've been able to carry much of the [sales] momentum into the new year and we expect the same this year if not more. Being an ecommerce store that handles all aspects of the business (marketing, sales, fulfillment and customer service) ourselves and with the changes in buying habits of customers over the last year shifting more and more to web purchases, we wanted to make sure we had everyone in place as early as possible so the "hectic" holidays wouldn't be so hectic.

— **MIKE COLAVITA**, co-founder, Fat Buddha Glass



When we launched Adore Me Services, our logistics center, in 2017, we considered building a full-time [logistics and warehouse] workforce who received benefits a competitive advantage. 70% of Adore Me Services employees are full time and the remaining 30% we hire from Wonolo, Headway, First Class and Instawork.

Our strong, integrated and loyal staff played a critical role in our performance during the pandemic. However, we understand that this holiday season will be an even more strategic battle in hiring, as our order volume continues to increase even in non-peak times against a backdrop of labor market tightness. We've continued to work to match the industry in pay rate and benefits. We've raised our base pay rate by 10% since April. But versus industry giants like Amazon, we are also working hard to care for our workers even more than before. We've increased perks and incentives, but even more important, we've built more in-house training programs as we consider internal employee growth to be a major competitive advantage.

One of the more popular upskilling efforts we've introduced is working with our outside technology vendors to train Adore Me Services employees who show interest. Part of this training is helping manage our automated warehouse systems and advanced technologies. We've had over 10% of our team members engage with this program and learn new, valuable skills. This is a key part of our strategy to retain talent, as we'll never be able to compete with an Amazon financially, but we can provide a more long-term oriented position.

Given how volatile the economy and market are, trying to plan for this holiday season's hiring is an incredibly complex challenge. But at Adore Me, where we have to forecast our inventory out 12-24 months, we thrive on these constantly changing environments. Our key strategy has been to build a large core team of full-time [warehouse and logistics] workers who see a genuine path for progress, knowing that temporary hiring can be highly unpredictable or tight, especially as we hit the holiday season. We've grown these full-time Adore Me Services employees 40% year over year.

— HUGO NECTOUX, vice president of distribution, Adore Me





As with most other retail businesses, we're facing an acute shortage of qualified applicants at the moment. We currently have dozens of open positions across our almost-50 retail doors. While we're hoping for some stabilization in the labor market in the fall, we've instituted a signing bonus program for most of our retail positions to help address the situation. We're also leveraging internal marketing resources, such as email and social in a way we haven't typically needed to in the past for retail vacancies.

For holiday, it's impossible to have a crystal ball, but our expectation is that we'll be combatting continued tightness in the labor market and will need a lot of seasonal retail hires to meet our needs. Signing bonuses make less sense for short-term hires, so it's likely we'll have to focus on better starting wages and experimenting with creating different roles in stores—like online fulfillment focused jobs versus sales only—to meet our staffing needs.

— **ADAM LYNCH**, chief operating officer,
Marine Layer



Every third quarter, Bean Box staffs up to meet holiday demand. We recruit seasonal associates primarily for customer service, warehouse, manufacturing and fulfillment roles, through a mixture of direct hiring and a staffing partner with whom we've worked for years. This year, we expect hiring to be much more difficult, due both to local competition from giants like Amazon, as well as broader cultural shifts around work. What we have in our favor is that we're small, have a less bureaucratic culture, pay and treat our associates very well—including coffee perks—and that we've built a culture of ownership, accountability and performance rewards. Still, our plan is to begin recruiting roughly 45 days earlier than last year.

As a secondary hedge, this year we're investing much more heavily in automation. Our vision is to automate tasks that are necessary to build and ship our products, but which are of relatively low value to the customer experience, and to reserve the personal touch for where it has the most impact for our customers and the overall quality of the experience.

Last year, we intentionally held back on hiring to maximize the safety of our team. This year, with fewer constraints around workspace, and having tripled the size of our facility, we should be in a much better position to openly hire against the level of demand we're seeing.

The other item worth noting, and this has been borne out over seven consecutive holiday seasons for us, is that those who are hired for seasonal positions and who perform best often see much longer than seasonal tenures with the company. And in many cases those high performers have become not just full-time employees, but leads, supervisors and more.

— **MATTHEW BERK**, CEO, Bean Box Inc.

THE OMNICHANNEL HOLIDAY HUSTLE

Consumers picked up their omnichannel shopping during COVID-19. Now, retailers are hustling to add more omnichannel options before the holidays.

By Katie Evans

Consumers are seeing the omnichannel light. Likely with a little nudge from COVID-19, more consumers today understand just how much omnichannel fulfillment methods like buy online, pick up in store and curbside pickup can simplify their lives.

The busy, working parent who realizes he is fresh out of milk for his toddler now knows he can place an entire grocery order online and get all of it—including the milk—without stepping foot in a store via curbside pickup. The procrastinating teen who waited until the day before senior



'We are shifting our focus and resources so that omnichannel receives almost double the resources for our new fiscal year.'

— Lewis Broadnax, vice president, global ecommerce, Sazerac

pictures to find that perfect outfit online can use buy online, pick up in store to nab her ensemble in time for her photo shoot. Consumers are returning online orders in stores and using store kiosks to purchase online products that aren't on the store shelves.

Nearly half (43%) of consumers said they said they had ordered an item for in-store pick up in the last six months, according to a February 2021 Digital Commerce 360/Bizrate Insights survey of 1,052 shoppers, up from 41% a year earlier. And curbside showed major growth; 35% of shoppers used the service, compared with 13% a year earlier. Additionally, 28% had used a store's pickup parking space, up from 17% a year earlier. And even more telling for retailers: many consumers plan to do more omnichannel shopping. For example, 33% of shoppers surveyed planned to do more in-store pickup in the next six months, 27% more curbside or drive up and 23% planned to use stores' pickup parking spaces more often. Shoppers cited

convenience (50%) and saving time (46%) as the top reasons for using BOPIS and curbside.

These savvy cross-channel shoppers are good news for retailers because they often spend more. At activewear retailer Fabletics, customers who shop in more than one channel spend 2.5 times more than those that stick to one, says Ron Harries, senior vice president, head of retail for the merchant.

All these factors are leading retailers like Fabletics, Sazerac—a retailer and parent to over 450 liquor brands—and other merchants to hustle to add more omnichannel features, or hone the ones they already offer, before the critical holiday season when consumers seek convenience more than ever.

Sazerac's ambitious holiday plans

While Sazerac may not be a household name, many 20-somethings likely have a bottle of the alcohol beverage company's Fireball Whisky

taking up permanent residence in their liquor cabinets. Or, bourbon aficionados may have toured the brand's famous Buffalo Trace Distillery in Kentucky. Those are just a couple of Sazerac's more than 450 liquor brands.

Sazerac currently sells online through four ecommerce sites: BuffaloTraceDistillery.com, SazeracHouse.com, FireballWhisky.com and Stirrings.com, which sells drinkware and other liquor accessories, says Lewis Broadnax, vice president, global ecommerce for Sazerac. Two of those sites, BuffaloTraceDistillery.com and SazeracHouse.com are what Sazerac calls homeplace sites. These ecommerce sites sell the branded products and are accompanied by information for a distillery or facility that offers guided tours, events and heavily trafficked gift shops that sell liquor, gifts and accessories.

Those homeplaces drive significant buzz for all of Sazerac's brands and, as a result, are a huge vehicle for the company to connect with consumers and drive sales. "During the Kentucky Derby, the line wraps around the store," Lewis says of Buffalo Trace Distillery.

Online sales doubled during COVID-19 for all four of Sazerac's ecommerce sites compared with a year earlier, and other metrics such as traffic, repeat visitors and basket sizes increased by 100% or more, he says. Still, the privately held company took a hit with the massive drop in

tourism sales when its distilleries temporarily shut down during the pandemic.

During the shutdown, Sazerac was forced to get creative, and the company conjured up a new cocktail of omnichannel strategies to keep customers engaged and coming back, Lewis says. They worked. And now, Sazerac is committed to adding more advanced omnichannel shopping options before the big holiday rush.

Curbside takes off

In May 2020, the company launched curbside pickup at its Sazerac House and Buffalo Trace Distillery, and it took off with shoppers. Curbside sales accounted for 20% of total online sales for Sazerac House from May through December 2020 and about 30% for Buffalo Trace during the same period, Lewis says.

Sazerac used tour guides to deliver products curbside to shoppers, he says. "A lot of our tour guides were available, and it was a way for our existing staff to engage with customers until we could reopen," he says.

30%

Percent of total online sales that were picked up curbside for Buffalo Trace from May-December 2020.

Sazerac is in the process of moving all its branded sites to Adobe Commerce Cloud. Sazerac also plans by fall 2021 to turn on ecommerce capabilities for more of its sites and to activate omnichannel capabilities for the two that also have physical locations with gift shops, Lewis says.

“When I started, we were operating eight different sites on six different [ecommerce] platforms,” says Lewis, who started with Sazerac two years ago. “We’ve been slowly migrating to Adobe site by site.”

Those sites include its A. Smith Bowman brand, which operates the oldest distillery in Virginia and Barton 1972, which operates a distillery in Bardstown, Kentucky. “We’re making

ecommerce sites for these brands and then adding omnichannel and curbside,” he says.

“We are shifting our focus and resources so that omnichannel receives almost double the resources for our new fiscal year,” he says, of the company’s fiscal year that began July 1.

Retailers predict shoppers will use omnichannel services more this year, according to early results from a Digital Commerce 360 July holiday survey of 64 online retailers. 52% of retailers said they expect buy online/curbside pickup adoption to increase this year. However, only 11% said they have made omnichannel investments so far this year to grow their holiday sales. 11% of merchants said they will offer curbside pickup over the holidays and 15% will offer



In May 2020, Sazerac launched curbside pickup at its Sazerac House and Buffalo Trace Distillery. It plans to add more omnichannel services for its brands by the holiday season.



'Over the holidays, there is increased customer demand for more options in shopping experiences.'

— Ron Harries, senior vice president, head of retail, Fabletics

BOPIS. Additionally, 13% said they will improve omnichannel offerings, specifically to better compete with Amazon this holiday season.

Two major omnichannel features Lewis and his team aim to have live by the fall before the holiday surge are buy in-store, ship to a specified location, and buy online, pick up in store, Lewis says.

Buy in-store and ship to a specified location is a feature Sazerac customers have been asking for, as many of the company's distilleries are tourist destinations that attract visitors from around the world, Lewis says. "They don't want to carry a bunch of merchandise back on the plane," he says. "It's really important we have buy in-store, shipped to home ready for the holiday," he adds.

He says Sazerac distilleries could pull off a scrappy version of this by having an associate package up, for example, a T-shirt from the showroom floor and ship it out manually.

But a more robust version the company is implementing with Adobe in time for the holidays will enable shoppers to purchase and have shipped products they see in a store on their own from kiosks or with the help of an associate using a mobile device. Kiosks will also enable Sazerac to cross-sell and upsell by highlighting other brands and products on other Sazerac ecommerce sites that aren't available at the specific gift shop the shopper is in.

Sazerac also plans to allow in-store shoppers to browse the kiosks and purchase merchandise online from any inventory in any of its gift shops or from the brand's ecommerce warehouses, a feature called endless aisle.

Self-serve will be a big component of buy online, ship to home as distillery gift shop traffic is booming since Sazerac's tours and distilleries have reopened and associates can't help each shopper individually, Lewis says. Traffic will only surge more during the holidays, he adds.

Q&A

Robust omnichannel solutions help alleviate peak season stress

An executive conversation with **Laura Ritchey**, COO, Radial



Last year's holiday shopping season presented retailers with unprecedented disruptions—from closed stores and call center shutdowns to shipping delays and suspended fulfillment operations. These challenges underscored the importance of retailers having contingency plans in place in times of uncertainty. To discuss how robust omnichannel solutions can help retailers alleviate peak season stress and better scale their operations, Digital Commerce 360 spoke with Laura Ritchey, COO at Radial.

How will the 2021 holiday shopping season differ from 2020?

It will look similar in many ways with customers purchasing gifts earlier to avoid shipping delays. One difference is the supply chain infrastructure hasn't yet caught up to the shift to ecommerce. Demand is surging as COVID restrictions are being lifted, resulting in an even higher peak purchase and shipping window than last year. This new environment means that the availability of products, and customers' ability to receive products when they want, will be much more unpredictable.

Another difference is preparation. Most retailers are fine-tuning their processes for a smooth experience. This process means fulfillment options introduced in a hurry last year—like curbside, buy online, pickup in-store (BOPIS) and online returns—will be more efficient. With more shopping choices than ever, customers are less likely to forgive delays.

What specific challenges and trends will retailers face this holiday shopping season?

Retailers will be challenged with managing evolving customer expectations and surging demand for products. They'll also be challenged to grow their customer bases instead of only capturing new customers with promotional sales. And, as they hire seasonal employees, retailers will need to continue to develop their technology to create efficiencies rapidly.

Trends we're seeing are customers don't want delays, but many are unwilling to pay additional costs for shipping, creating margin pressure. Convenience will always be top-of-

mind for customers and needs to be part of every offer—from how they pay (contactless payment and buy now, pay later options) to how they interact with your brand (through social media, chatbots or self-serve options). Curbside and BOPIS are here to stay and with the shopping season predicted to begin earlier than ever; retailers need to start shoring up the gaps in their solutions to avoid disruptions.

What strategies or technologies should retailers implement to overcome these challenges and address trends?

Retailers need to look at what they're currently doing, the technology they're using now, and find ways to improve. Is your order management system capable of removing the siloes between online and in-store inventory to avoid back orders and out of stocks? Are your customer service agents able to look up customer order information and are they empowered to provide alternative solutions for product delays? Can you offer payment installment plans and free shipping? If the answer is no, and you're running out of time or don't know where to start, it's time to bring in an experienced ecommerce partner.

Radial, for example, has an extensive fulfillment network with a global reach that can help retailers deliver on their customer promises and we negotiate with shipping carriers to get the best rates. Our omnichannel solutions include store fulfillment options like BOPIS and curbside and are made possible by our flexible order management system. Our payment, tax and fraud solutions ensure safety while providing the flexibility in payments customers want.

Having a single ecommerce solutions partner that can seamlessly provide fulfillment, omnichannel technology, customer care, and payments, tax and fraud solutions can help retailers alleviate the stress of peak from preparation to scaling as needed.





Conquer the 2021 Holiday Season

With the Right Partner, Processes & Technology

This year's peak is all about the **customer experience**. Do you have the right technology and processes in place to maintain the volume and standards your customers have come to expect?

At Radial, helping brands and retailers **scale their operations to meet holiday demand** is what we do best.

We offer: an expansive network of fulfillment centers, transportation services, omnichannel technologies, customer care services and payment and fraud solutions, so brands can confidently deliver high-value customer experiences required today.

A partner you can trust, we're here for you.
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“As soon as the distilleries opened back up, we began seeing record sales and visitation days,” Lewis says.

“We’re talking doubling-the-business type numbers,” he says. “Our brands with physical locations—where it’s tourism plus retail store plus online store—those are the ones we really want to put our focus on. We want shoppers to have the ability to buy multiple items and take some home and ship some of them. We want to be as flexible as possible.”

Avoiding strained carriers

One benefit of omnichannel fulfillment, such as BOPIS and curbside, during the holiday shopping rush is that shoppers come and get their online orders themselves, eliminating the need to rely on strained carriers to get packages to shoppers in a timely fashion.

“Supply chain problems won’t be worked out by the holidays, so be prepared to be nimble and flexible with your inventory and marketing plans,” says Adam Lynch, chief operating officer for apparel retailer Marine Layer.

Sazerac experienced package delays with the United States Postal Service last holiday season and, as a result, added more carriers to its shipping mix, Lewis says. Sazerac also plans to offer ShopRunner—a two-day shipping membership program through FedEx—by the

holiday season. “That’s high on our priority list,” he says.

Still, the safest bet for retailers with stores to get online orders in shoppers’ hands fast is to use curbside and BOPIS. Carriers continue to struggle with the heavy load of ecommerce growth.

For example, carriers delivered 82% of package shipments on time in April 2021, up from 77% in April 2020. But on-time performance still hasn’t caught up to the April 2019 level of 89%, according to data from last-mile technology vendor Convey Inc.

And last year’s holiday rush hit carriers hard. For all of December 2020, total parcel shipping volume was 22.3 million, up 19.3% from 18.7 million a year earlier, according to Convey, which works with 130 retail clients, including The Home Depot Inc., Neiman Marcus and Eddie Bauer LLC. And only 72% of packages were delivered on time in December 2020, Convey says, down from 75% a year earlier.

2.5x

Increase in spend for Fabletics consumers who shop in more than one channel compared with just one channel.

Data shows consumers also used BOPIS and curbside a great deal more in the run up to last year's holiday shopping season. The number of orders fulfilled via curbside and in-store pickup orders grew 115% year over year in November 2020, according to Adobe Analytics. Adobe also said 25% of online orders were fulfilled via those options if retailers offered them, compared with 15% a year earlier. Additionally, merchants offering these alternative delivery methods experienced 32% higher conversion rates, Adobe says.

According to the Digital Commerce 360/Bizrate Insights survey, shoppers mainly have positive experiences with BOPIS and curbside. 48% gave their BOPIS or curbside experiences a 9 or 10 on a scale of 10, while 46% rated it between a 6 and an 8.

Consumers also are likely using BOPIS and curbside more because more retailers are

offering it. In 2019, 201 Digital Commerce 360 Top 1000 retailers offered buy online pick up in store. In 2020, 240 did—a 19.9% increase. And curbside pickup growth skyrocketed over the same timeframe. A mere 15 retailers offered it in 2019 and that number swelled to 174 in 2020, a 596% increase.

Fabletics flexes its omnichannel muscle

Athletic apparel retailer Fabletics plans to add its company to that BOPIS roster come holiday time.

“Over the holidays, there is increased customer demand for more options in shopping experiences,” says Ron Harries, senior vice president, head of retail. “Fabletics is trying to adapt to the ever-changing needs of its customers.”

Fabletics has grown in many directions since its launch less than a decade ago in 2013, says



Fabletics' OmniShop technology enables the retailer to track every item that a consumer brings into a dressing room via iPads.





‘Our pickup areas were built for high traffic weekends, so holidays are not a problem.’

— Jeff Douglas, director of ecommerce, Nebraska Furniture Mart

Harries. It added stores to its mix in 2015 and now operates 55 nationwide. It has 2.3 million subscribers to its membership program and generates more than \$500 million in total annual revenue. Fabletics has many unique omnichannel offerings now and plans to launch buy online pick up in store this summer before the holiday surge.

Fabletics’ biggest leap into omnichannel thus far was with the launch of a homegrown technology called OmniShop, which brings digital not only into physical stores but directly into a shopper’s dressing room. The technology enables Fabletics to track every item that a consumer brings into a fitting room via iPads both outside and inside dressing rooms that scan the products. This allows Fabletics to quickly track what caught a consumer’s eye enough to try it on and what she tried on but didn’t purchase, Harries says.

The OmniShop technology also enables the retailer to get instant info on what heads into a fitting room.

“In stores, we know in the first half of a day that a new item launches if it is going to be popular,” Harries says.

Fabletics launched the technology in 2017. All new stores get the full suite of OmniShop features and 35 out of Fabletics’ 55 stores currently enable shoppers in fitting rooms to request help from store employees.

Data suggests the omnichannel technology is working to increase Fabletics’ valuable cross-channel shopper base. Today, Harries says 50% of its members shop both online and in stores. In 2017, when the technology first launched, that figure was around 15%.

Nebraska Furniture Mart builds out omnichannel with peak periods in mind

Meanwhile, furniture retailer Nebraska Furniture Mart, which sells online at NFM.com, says it built its omnichannel strategy with peak shopping periods like the holidays in mind.

“At NFM, customers can shop online, virtually, by phone or inside one of our huge 450,000-square-foot stores,” says Jeff Douglas, director of ecommerce for the retailer. “Once you purchase, you can set your order up for delivery and install, [delivery] to your driveway or you can pick it up.”

A consumer can buy online, enter a drive through location at one of the retailer’s stores and have a NFM employee tie a furniture item down to her vehicle in 15 minutes or less, Douglas says. “Our Dallas location can load 120 vehicles at the same time,” Douglas says.

NFM built and manages its omnichannel technology completely in house. “Our pickup areas were built for high-traffic weekends, so holidays are not a problem,” Douglas says.

During holiday 2020, the retailer made most of its deepest discounts, or doorbuster deals, available online for pick up but spread out the

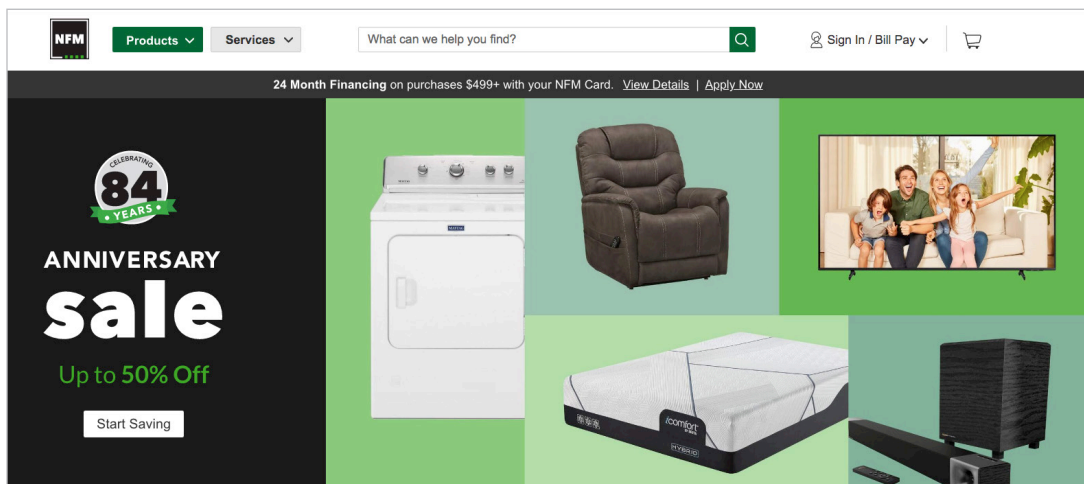
promotions over the holiday season to try and make it easier for consumers using curbside to get the deals they wanted while avoiding big crowds. Douglas would not reveal his 2021 doorbuster strategy.

Additionally, during the height of COVID-19 when pickup was popular, NFM stopped requiring shoppers to sign in for pickups as a safety measure to reduce contact. This also shaved a minute of time per order pickup, Douglas says.

“This sped up an already well-oiled process. We can process and load many cars at once,” he says.

NFM has not yet decided on the signature requirement for the fourth quarter, as it will depend on COVID-19 data.

Jon Abt, co-president at Abt Electronics, meanwhile, says his company quickly learned during COVID-19 that its shoppers wanted



NFM made its holiday 2020 doorbuster deals available online for curbside pickup.

a curbside fulfillment option, even though Abt's single store remained open during the pandemic. Responding to shopper demand, it quickly scaled up its operations to add curbside parking spaces and allowed shoppers to text a store associate when they arrived. Abt says shoppers frequently used the service during the holidays, and the merchant plans to continue offering curbside throughout 2021 and beyond.

And for all those retailers trying their hand at curbside as they gear up for the holiday season, Abt offers a hard-learned nugget of wisdom: If you are just testing out the program, use signs in the parking lot to note curbside areas instead of paint. Signs are much easier to move around as

you figure out the best logistics for the program, Abt says.

A range of retailers will likely be testing new omnichannel waters this holiday season. Some, like Sazerac, have ambitious and sophisticated omnichannel goals they aim to meet before the holidays. Others, like Abt will take a more basic approach to stand up BOPIS or curbside by November. Whatever the method, beefing up omnichannel is a wise holiday investment. More consumers today understand omnichannel. But more importantly, they are shopping across channels and oftentimes spending more when they do.

katie@digitalcommerce360.com | [@KatieEvansLR](https://twitter.com/KatieEvansLR)

RETAILER INSIGHTS: HOLIDAY PREP

Survey insights reveal retailers are increasing digital marketing spending.

By Digital Commerce 360 Staff

Early results from a Digital Commerce 360 survey on holiday readiness show that a majority of retailers—nearly 58%—expect consumers to spend more this holiday season as shoppers will be traveling and gathering more in 2021 compared with 2020. But retailers cite increasing costs, fluctuating consumer confidence and timely delivery as the top obstacles this holiday season.

ABOUT: Digital Commerce 360's retailer insights include snapshots into the ecommerce market. These holiday prep insights are early results from a July 2021 survey of 64 online retailers, including merchants with annual sales over \$100 million. Retailers surveyed include those in several merchandise categories, including apparel/accessories, consumer electronics, health/beauty, hardware and more.



RETAILERS PREDICT THAT SHOPPERS WILL BUY MORE AS THEY TRAVEL AND GATHER WITH FRIENDS AND FAMILY THIS HOLIDAY SEASON

How do you anticipate consumers' online holiday shopping will change this year? Select all that apply.



MOST RETAILERS EXPECT ONLINE HOLIDAY SALES TO INCREASE THIS YEAR COMPARED WITH LAST

Relative to the same period in 2020, how do you expect your overall 2021 online holiday season to compare from a revenue perspective?



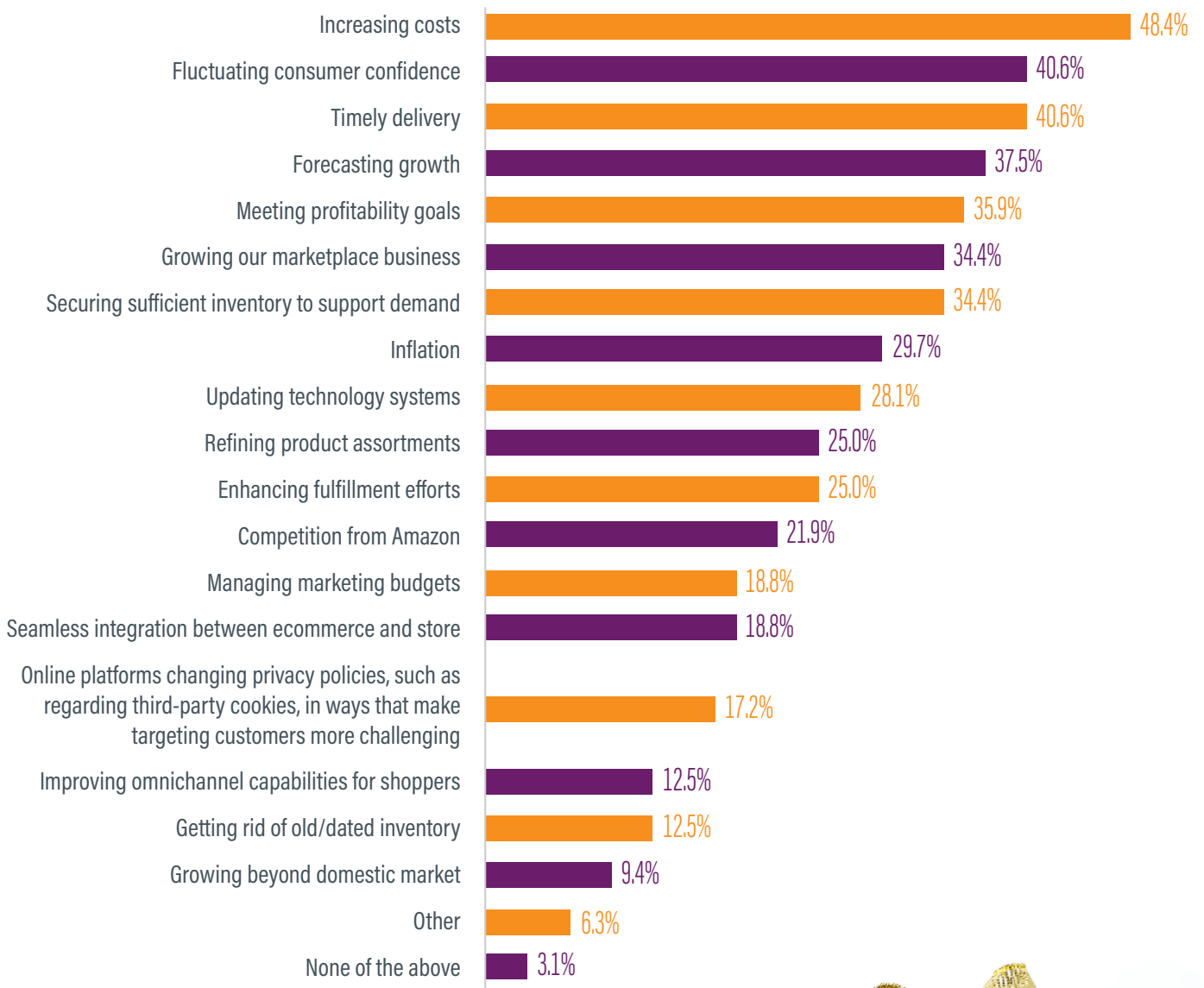
RETAILERS EXPECT ONLINE HOLIDAY SALES TO PRIMARILY INCREASE ON THEIR OWN ECOMMERCE SITES

Looking at different parts of your overall holiday business vs. the same period in 2020, how do you expect your 2021 online holiday season to compare from a revenue perspective?

Segment	Significant growth (more than 20%)	Some growth (0-19%)	Flat	Decline	NA
Own ecommerce website	30.2%	39.7%	12.7%	7.9%	9.0%
Amazon marketplace	21.0%	30.7%	16.1%	1.0%	30.7%
Other marketplaces beyond Amazon	12.9%	32.3%	21.0%	1.6%	32.3%
Domestic sales	28.0%	39.7%	19.1%	4.8%	7.9%
International sales (excluding North America)	9.0%	23.8%	19.1%	7.9%	39.7%

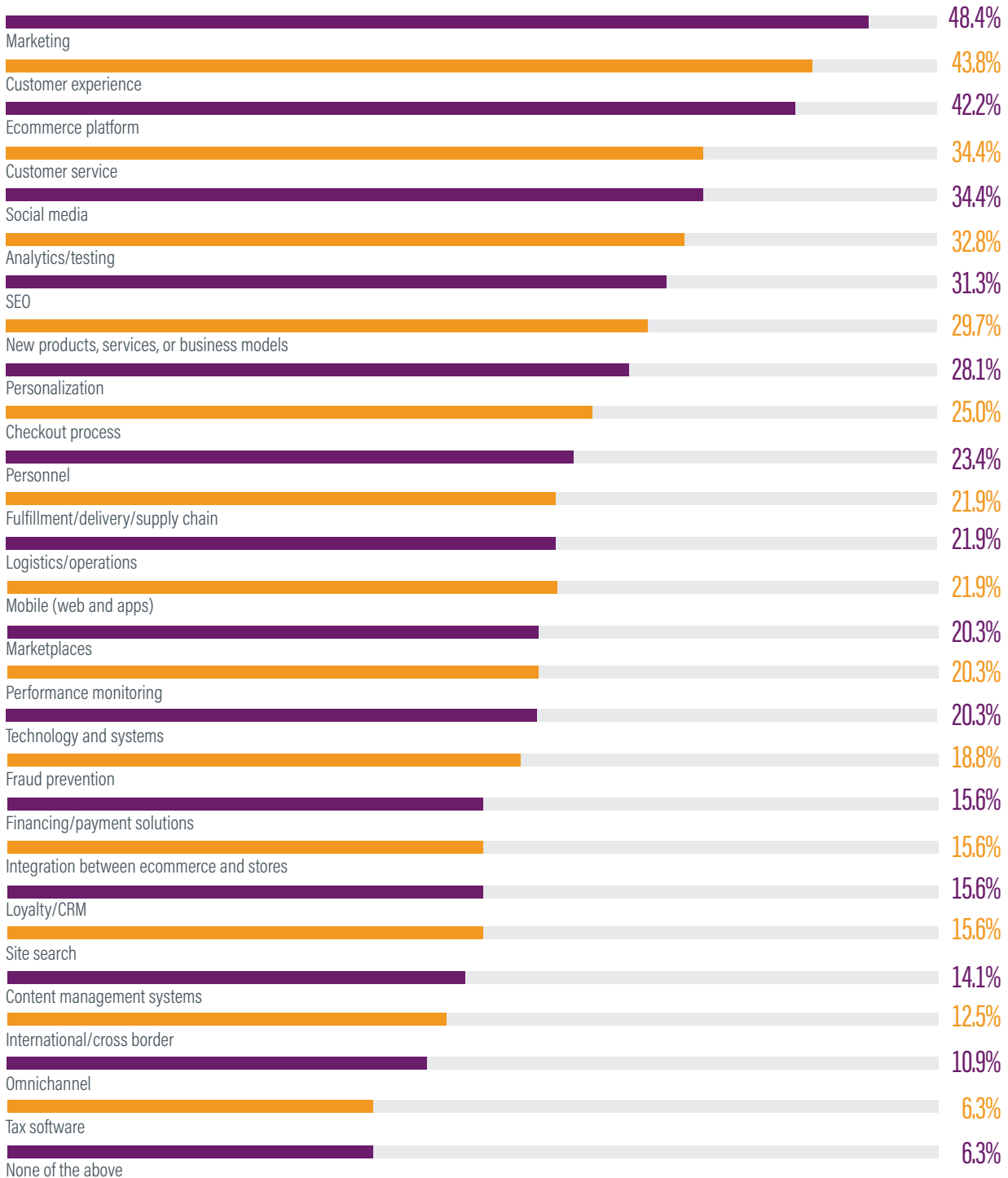
INCREASING COSTS ARE THE BIGGEST OBSTACLES RETAILERS ARE FACING FOR HOLIDAY PREP

What obstacles do you face as the 2021 holiday season is on the horizon? Select your top five.



RETAILERS INVEST IN MARKETING AND THE CUSTOMER EXPERIENCE TO GROW HOLIDAY BUSINESS

In which of the following areas have you made investments throughout 2021 to grow your holiday business?



UPGRADING KEY WEBPAGES AND PRIORITIZING ONSITE SEARCH/ NAVIGATION ARE THE MOST IMPORTANT TO IMPROVING HOLIDAY SALES

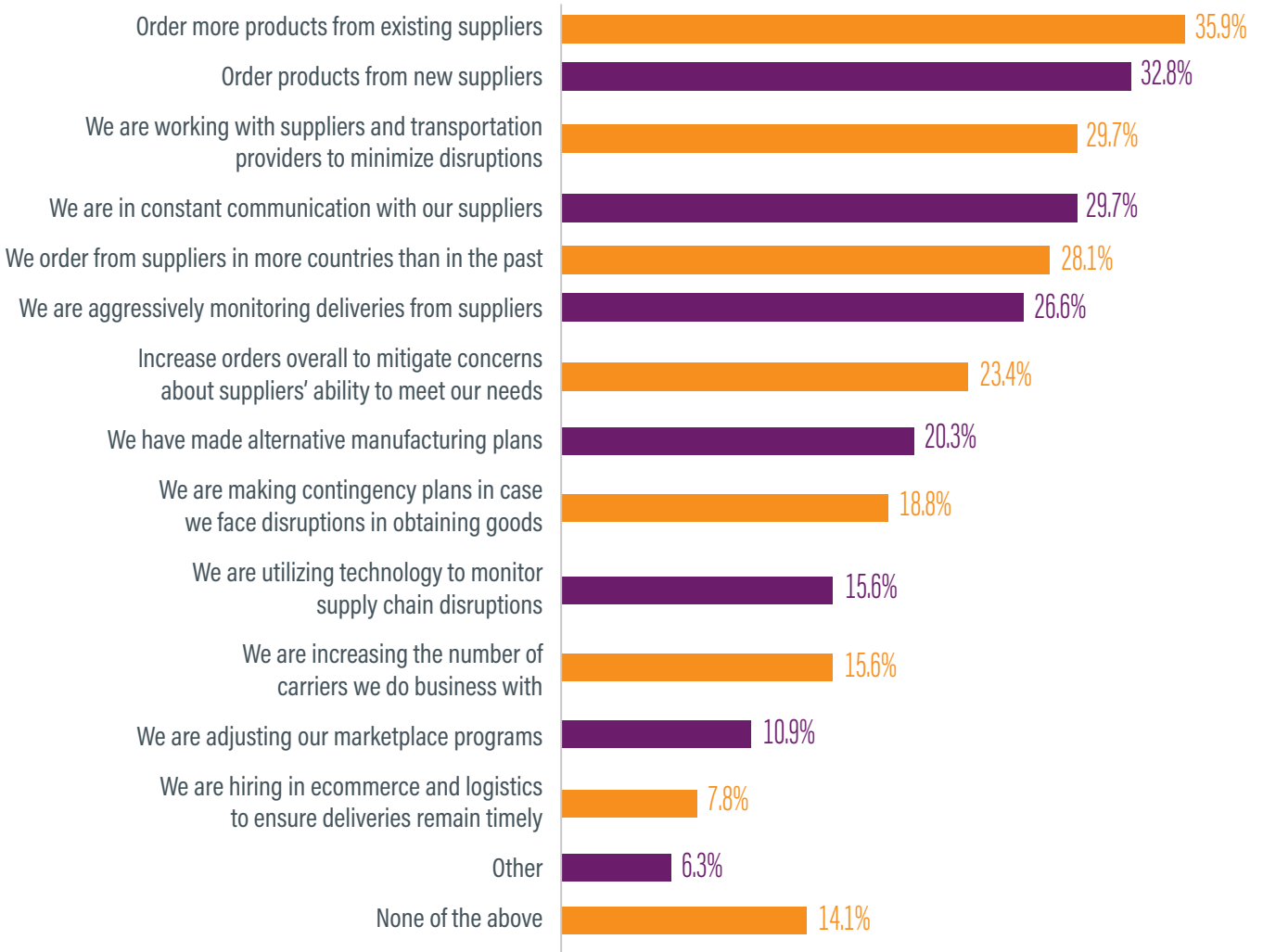
Thinking specifically about the customer experience, how important will each of the following onsite tactics be when it comes to improving your holiday business?



Responses	Important (Combined score of both very and somewhat important)	Neither important nor unimportant	Unimportant	NA
Onsite search and navigation	84.4%	7.8%	3.1%	4.0%
Upgrades to key pages including homepage and product pages	93.8%	1.6%	3.1%	1.6%
Better product information and sizing guides	75%	17.2%	4.7%	3.1%
More sophisticated product imagery (i.e. 3D images)	52.1%	23.4%	12.5%	13.0%
Videos	59.4%	25.0%	6.3%	9.4%
Interactive product-match tools and quizzes that educate and profile shoppers to help them make better selections	47.9%	28.1%	15.6%	7.8%
Virtual try-on/design including augmented reality tools	40.6%	26.6%	6.3%	26.0%
Livestream/live shopping	35.9%	20.3%	23.4%	20.3%
Personalized shopping experience/product recommendations	73.4%	15.0%	3.1%	7.8%
Improved checkout experience	78.1%	15.6%	2.6%	3.1%
Virtual appointments and/or services	37.5%	25.0%	11.8%	25.0%
Evolved customer service	71.9%	20.3%	4.7%	3.1%
Live chat	65.6%	17.2%	6.3%	10.9%

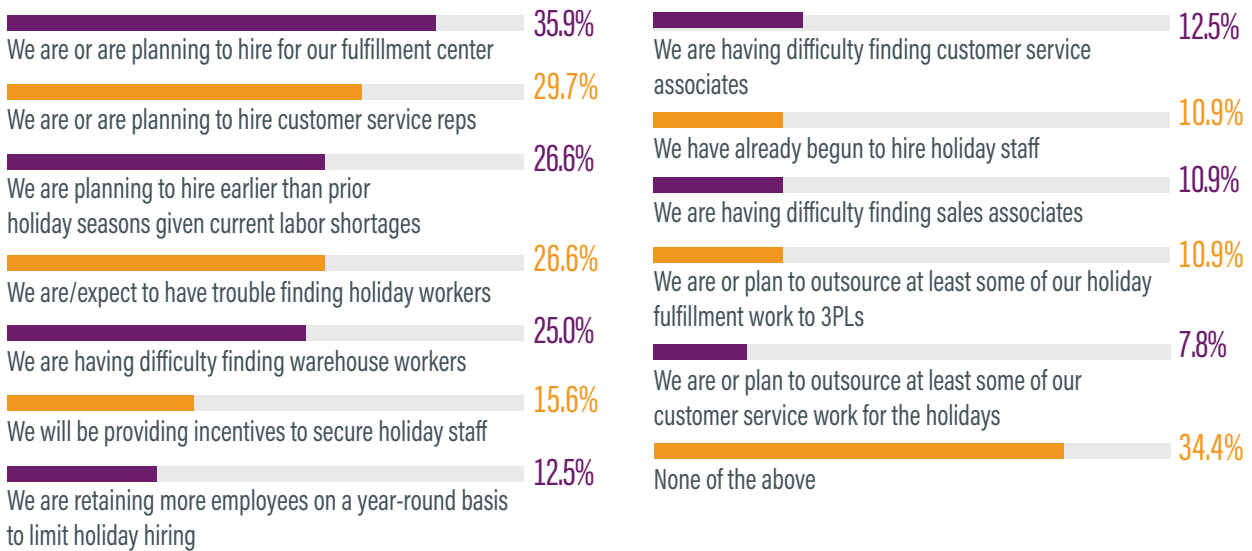
RETAILERS ARE ORDERING MORE PRODUCTS FROM EXISTING AND NEW SUPPLIERS TO MEET DEMAND

Based on current scenarios regarding the supply chain, which of the following actions have you or will you take to optimize your inventory position this holiday season?



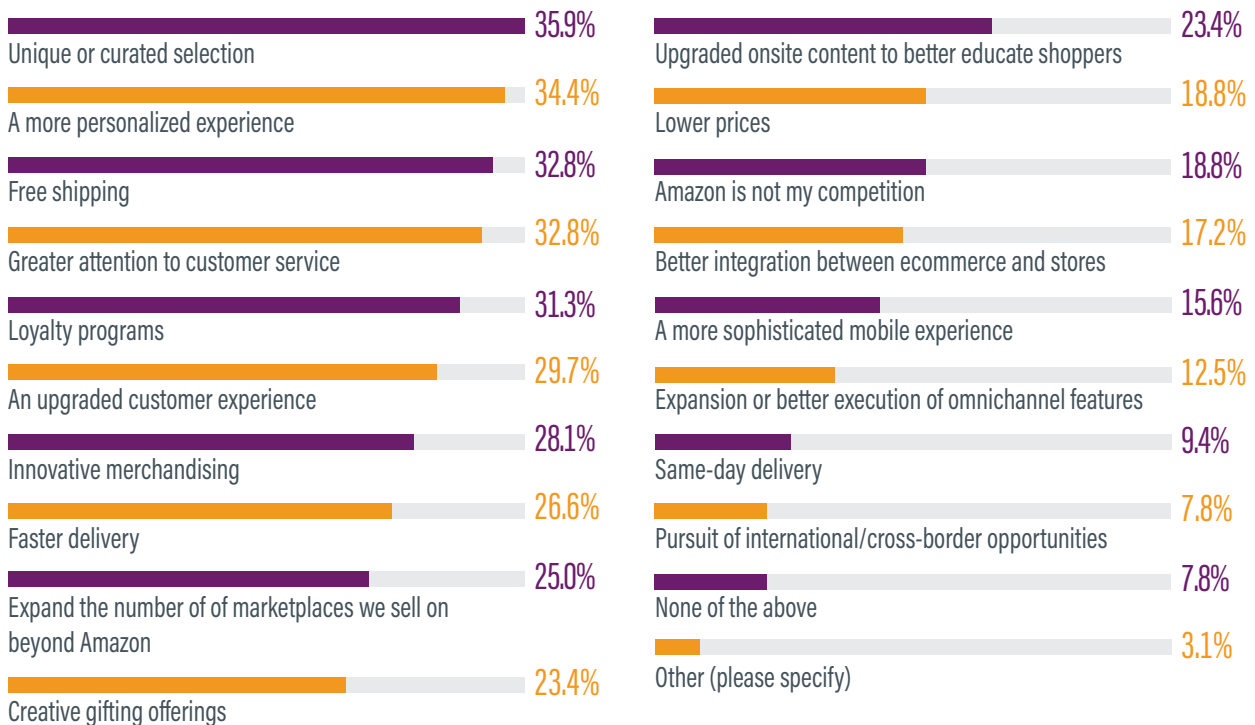
ROUGHLY A THIRD OF RETAILERS PLAN TO HIRE MORE WORKERS FOR THEIR FULFILLMENT CENTERS THIS HOLIDAY SEASON

What are some of the issues you face or steps you are taking to ensure your workforce is ready for holiday 2021?



RETAILERS BANK ON CREATING A MORE CURATED SELECTION OR PERSONALIZED EXPERIENCE TO COMPETE WITH AMAZON

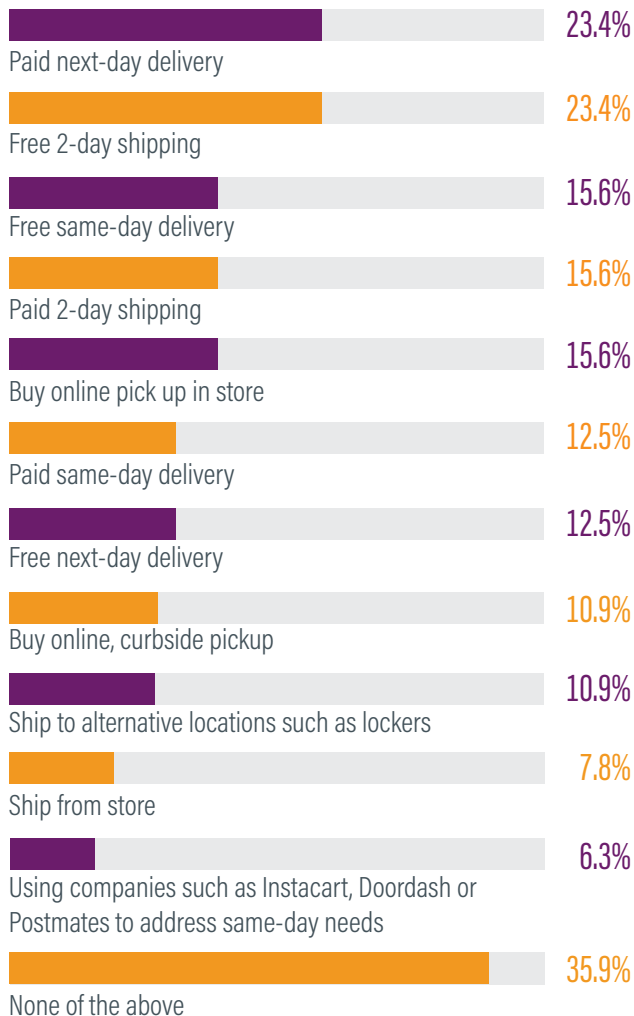
Knowing that Amazon is every retailer's competition, what will you do to more effectively compete with them?



FULLFILLMENT

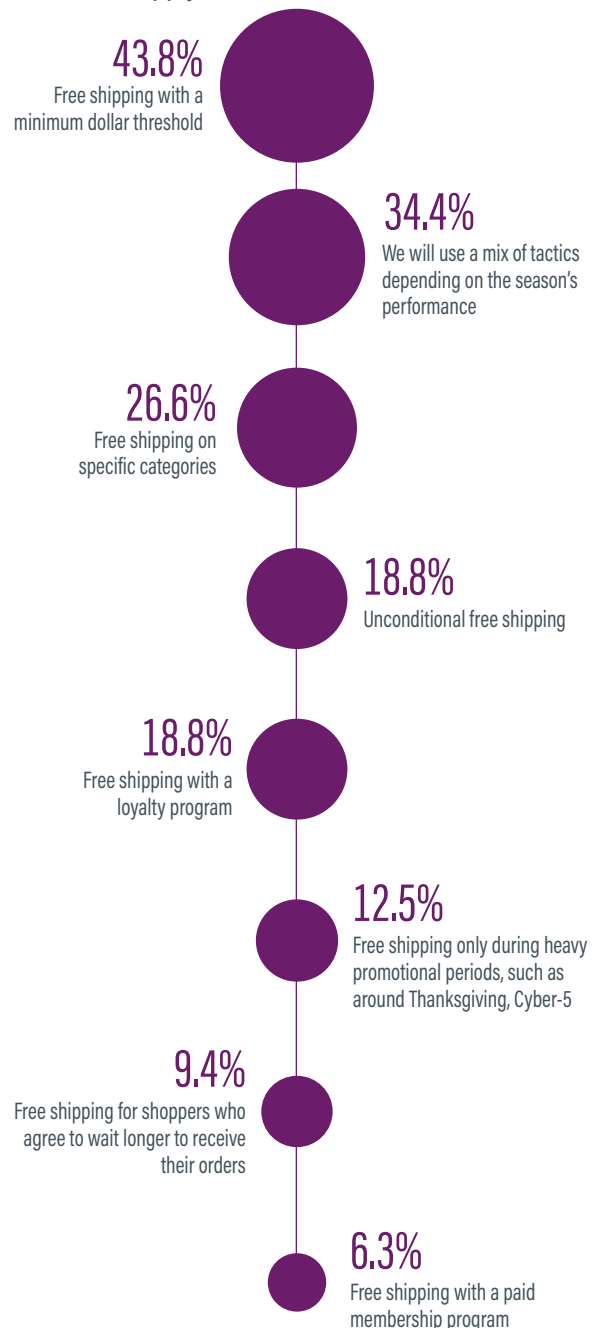
LESS THAN A QUARTER OF RETAILERS WILL OFFER PAID OR FREE NEXT-DAY SHIPPING DURING THE HOLIDAYS

What shipping options and/or services will you be offering this holiday season? Select all that apply.



RETAILERS WILL OFFER FREE SHIPPING WITH A MINIMUM DOLLAR THRESHOLD DURING THE HOLIDAYS

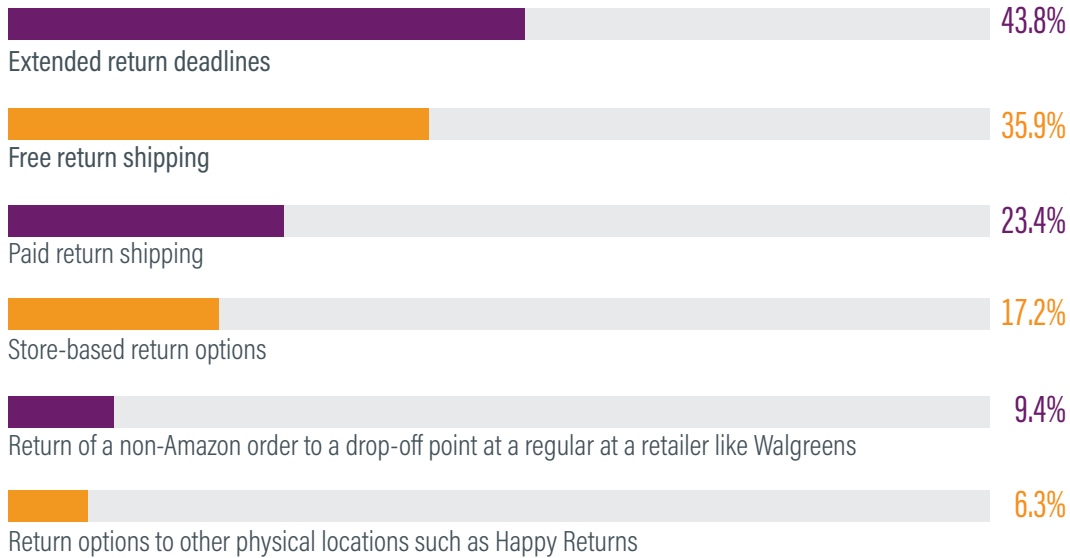
What will be your holiday policy regarding free shipping? Select all that apply.



FULLFILLMENT

RETAILERS ARE GOING TO EXTEND THEIR RETURN DEADLINES FOR THE HOLIDAYS

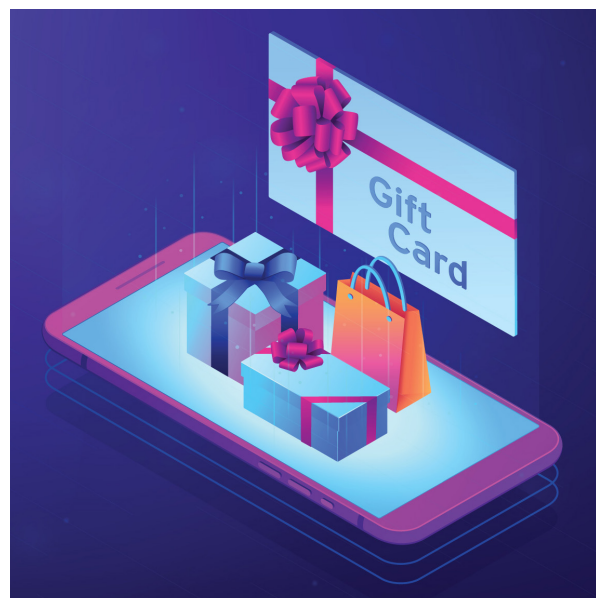
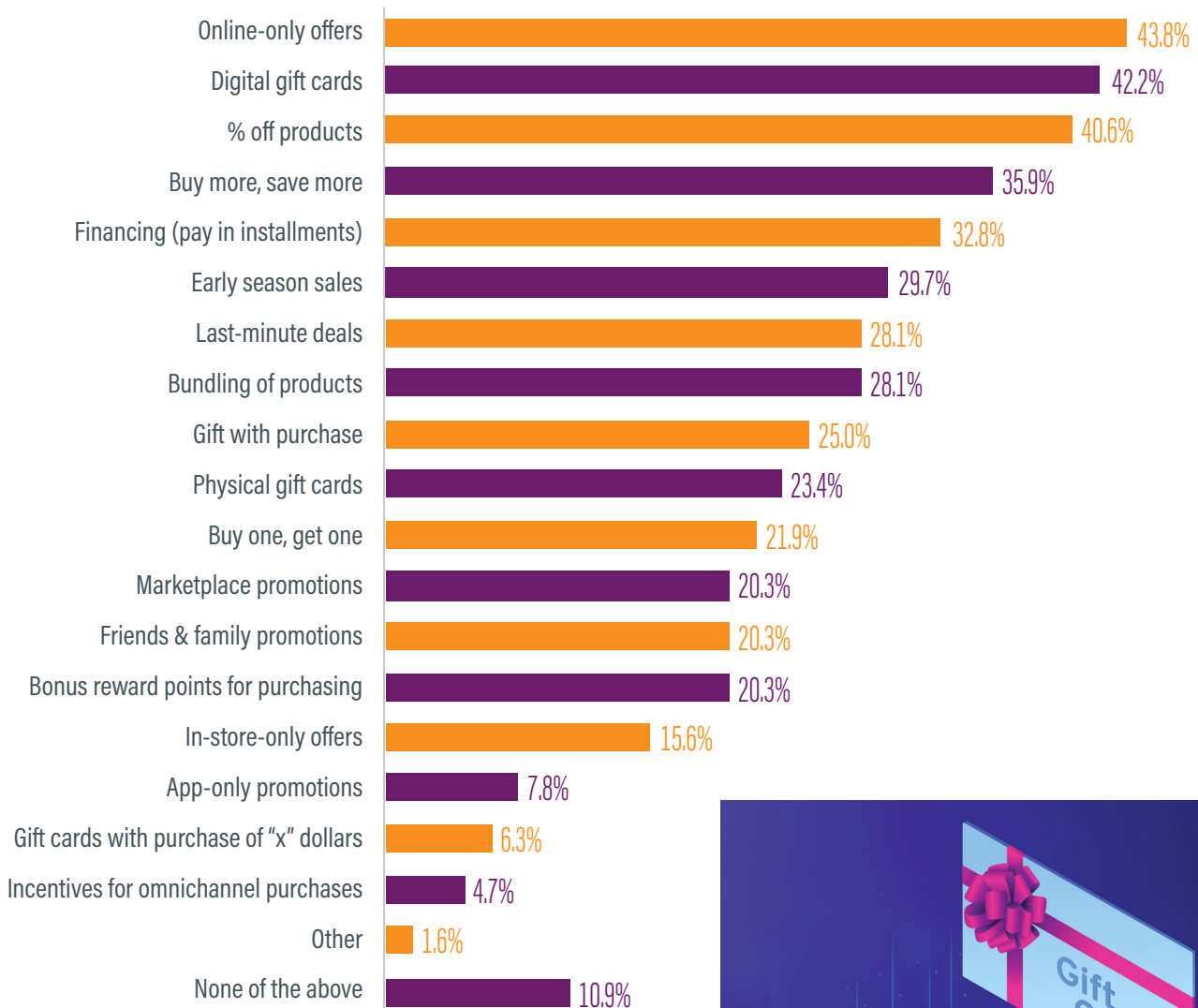
What will your return policies be over the holidays? Select all that apply.



PROMOTIONAL TACTICS

RETAILERS PLAN TO MARKET ONLINE-ONLY OFFERS, DIGITAL GIFT CARDS DURING THE HOLIDAYS

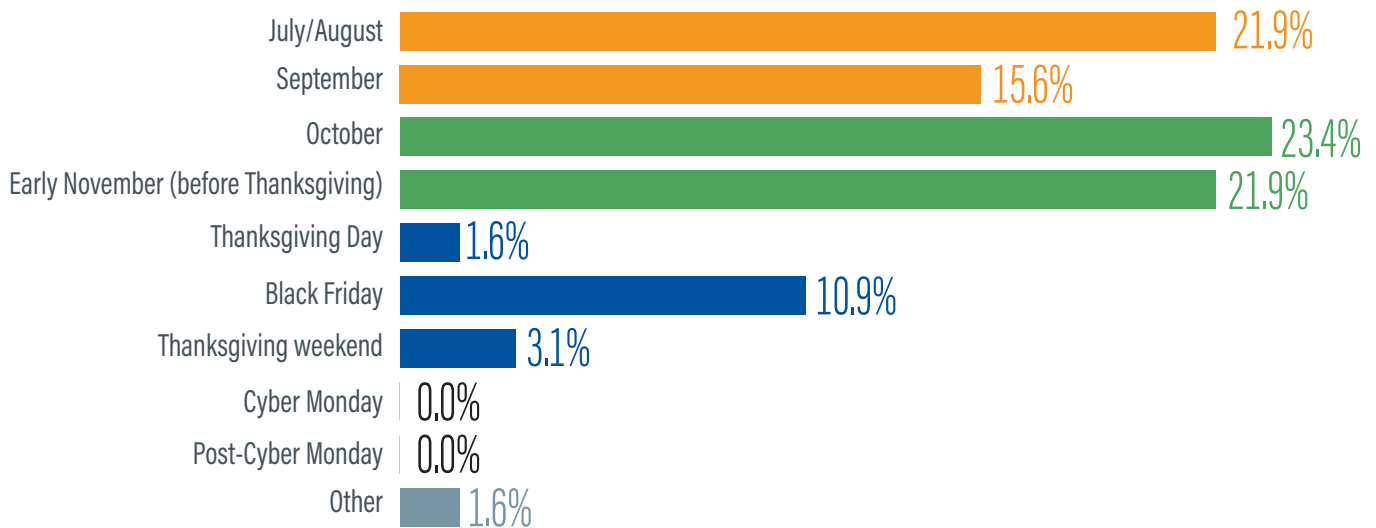
Which promotional tactics do you expect to utilize over the holiday season? Select all that apply.



PROMOTIONAL TACTICS

SOME RETAILERS HAVE ALREADY BEGUN THEIR HOLIDAY MARKETING

When do you plan to start your holiday marketing this year?



RETAILERS WILL INCREASE THEIR EMAIL AND SOCIAL MEDIA MARKETING TO HELP BOOST HOLIDAY SALES THIS YEAR

Given the changing dynamics of today's marketing programs, please assess how you plan to tweak each of these available tactics as a percent of your overall holiday budget this year.

Responses	Increase	About the same	Decrease	NA
Email	65.1%	26.6%	3.1%	4.7%
Social (Instagram, Facebook, Pinterest, TikTok, YouTube)	62.5%	26.6%	4.7%	6.3%
SEO	57.8%	29.7%	1.0%	10.9%
Influencer marketing	46.9%	23.4%	3.1%	26.0%
Content marketing	43.8%	37.5%	6.3%	12.0%
Paid search	43.8%	31.3%	6.3%	18.8%
Affiliate marketing	42.2%	23.4%	2.6%	31.3%
SMS/Text messaging	40.6%	20.3%	7.8%	31.3%
Mobile ads (web and app)	39.1%	35.9%	1.6%	23.4%
Ads on marketplaces beyond Amazon (Walmart, Target, Etsy, etc.)	32.8%	25.0%	2.6%	39.1%
Amazon ads (sponsored brands, sponsored products)	29.7%	21.9%	9.4%	39.1%
Direct mail/print catalogs	20.3%	32.8%	9.4%	37.0%

KEEP IT UP: WHY SITE PERFORMANCE MATTERS

Most ecommerce sites and systems will experience a glitch or outage at some point. But online merchants can mitigate such issues by taking steps to improve site speed and preparing for an influx of shoppers, which is likely to happen during the holiday season.

By Stephanie Crets

Amazon.com suffered a worldwide outage late Sunday evening on July 11. The outage interrupted shopping for more than 38,000 shoppers, and the ecommerce behemoth's website and mobile app were down or disrupted for nearly two hours, according to outage monitoring service Downtetector.

Downtetector tracks outages by collating status reports from a series of sources, including user-submitted errors on its website.

"Some customers may have temporarily experienced issues while shopping. We have resolved the issue, and everything is now running

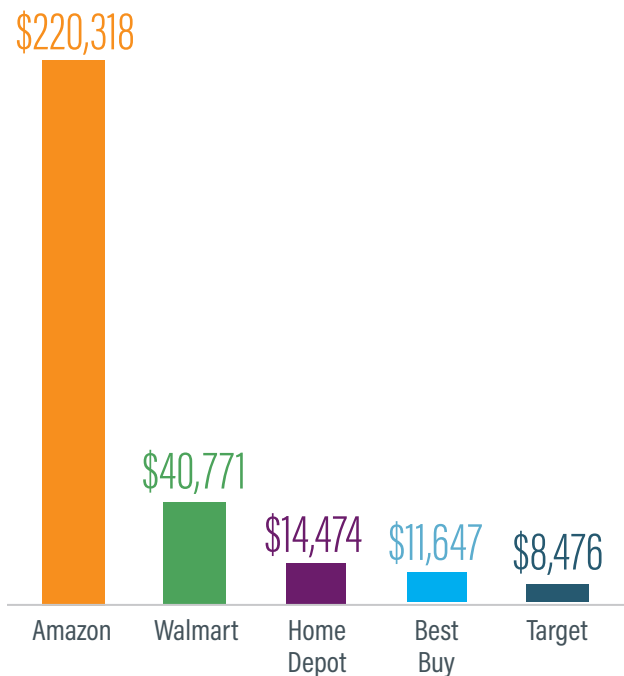


smoothly,” an Amazon spokesperson said in a written statement. The spokesperson declined to comment on the reason for the outage.

This is the second outage affecting Amazon’s services for a brief period in less than a month. The first occurred on June 24, a couple days after Amazon’s annual Prime Day sales event—held June 21-22. During that outage, more than 6,200 shoppers reported issues shopping on Amazon, according to Downtetector. Amazon did not disclose the cause of this earlier outage either.

RETAILERS LOSE VALUABLE REVENUE WHEN THEY EXPERIENCE A SITE OUTAGE

One minute of downtime can cost retailers thousands of dollars.



Estimated revenue lost per minute of downtime

Source: Gremlin, Cost of Downtime, Index, 2021 estimates

Site outages are frustrating for all online retailers. And Amazon’s two recent episodes illustrate that even ecommerce giants with vast resources aren’t immune to them. Site performance issues are also costly. Just a few seconds of downtime can cost merchants both sales and customers.

For example, just a minute of downtime on Amazon.com amounts to \$220,318 of lost revenue for the retailer and its marketplace sellers, according to estimates derived from performance vendor Gremlin’s cost of downtime calculator based on public revenue and earnings.

“Enterprise commerce businesses typically rely on a complex microservices architecture, from fulfillment, to website security, ability to scale with holiday traffic, and payment processing—there is a lot that can go wrong and impact revenue, damage customer trust, and consume engineering time,” Gremlin writes on its site. “If an ecommerce site isn’t 100% online and performing, it’s losing revenue.”

31% of retailers said improving site performance was their biggest ecommerce achievement during the 2020 holiday season, according to the 2021 Performance and Retailer Survey of 103 retailers conducted in January/February 2021 by Digital Commerce 360 and Bizrate Insights.

But as the 2021 holidays approach, early results from Digital Commerce 360’s 2021 holiday

retailer survey conducted in July 2021 show that just 28.1% of retailers are thinking about updating their technology systems. And only 20.3% have invested in performance monitoring of their systems ahead of the holidays.

Every retailer has a different circumstance that leads it to investing in and improving site performance—and sometimes it's not top-of-mind until the site goes down for the first time. Custom Neon is one retailer that weathered the COVID-19 storm to improve its site's features and performance, focusing on the speed of its site when it has an influx of customers, such as around the holidays. And grocery retailer H-E-B spent more than a year improving the back end of its curbside pickup services, which really took off when the pandemic hit.

Robust site features require more emphasis on performance

Custom Neon, a global manufacturer and retailer of custom designed LED neon lights and signs,



is one of those merchants that invested in site speed over the pandemic. Ecommerce manager Sruthi Krishna says speed is a vital factor in boosting its sales and conversions, and that was especially important during the pandemic. Much of its business is tied to events and weddings, so it lost 30% of its monthly revenue in the first month of the pandemic, Krishna says.

To make up the lost sales, it shifted its focus to business and personalized signs, corporate logos and custom lights, while also adding videos and interactive online tools to CustomNeon.com. It also created a "Save your design" function that enables shoppers to save and share their designs. In addition, it added buy now, pay later options, which boosted sales 23% for the retailer in mid-2020, Krishna says.

But the new interactive tools and video content put bandwidth and performance strains on Custom Neon's site. The retailer needed to make performance improvements so that its site could host the new functionality without slowing down. "We improved speed efficiency to maximize the consumer shopping experience on mobile or any device," Krishna says.

"We also implemented hierarchy-based breadcrumbs, as they provide a simple, user-friendly way to navigate our website and enable visitors to have one-click access to higher-level pages and eliminate the forward and back

button, reducing bounce rates,” Krishna adds, without sharing the bounce rates. Breadcrumbs, which are simple navigations words usually found at the top of a webpage under the navigation menu, enable shoppers to track where they are on a website and how far they’ve navigated from the homepage.

Custom Neon has made several changes to its site within the last 12 months, including speeding page response times, new customization capabilities, smoother site navigation and a broader product portfolio.

Some of the ways Custom Neon improved its site speed include:

- Hosting its ecommerce platform on platform provider Magento’s cloud, with Managed Magento hosting. This allows the retailer to use Magento’s cloud-based auto-scaling feature. So, if shoppers flock to Custom Neon because of a sale or holiday, Magento can scale up bandwidth to support the increased load of shoppers on its site.
- Implementing a cache system because “it is one of the most effective ways to speed up a website,” Krishna says. A cache system is high-speed data storage layer that stores a subset of data so that requests for that data are served up faster than is possible from its primary storage location.

- Using minification Javascript and CSS (Cascading Style Sheets), which means it removed unnecessary characters and coding in its Javascript and CSS for increased efficiency.
- Optimizing images, such as reducing the size of the image file without losing the quality of the image, by changing their dimensions, changing the type of image (JPEG images are smaller than PNG, for example), and compressing the images. Custom Neon hosts hundreds of product images that could bog down the site speed.

Since implementing these changes in the last 12 months, time spent on Custom Neon has increased by 40% compared with pre-pandemic times.

“By highlighting what we do and making it easy to transition through different product areas, clickthrough to our call-to-action pages has increased 39%, having a huge impact on our overall conversions,” Krishna says.

31%

The percentage of retailers that said improving site performance was their biggest ecommerce achievement during the 2020 holiday season.

Source: Digital Commerce 360/Bizrate Insights 2021 Performance and Retailer Survey of 103 retailers, January/February 2021

'Slow site speed is a conversion and experience killer, and faster sites provide a tremendous competitive edge by reducing bounce rates and increasing the engagement with the shopper to improve conversion.'

— Rick Kenney, managing director, ecommerce consulting company Leading Lights

Custom Neon doesn't plan to implement any new strategies to handle traffic spikes over the holidays but will continue to evolve its site as new technologies come out based on consumer demand, Krisha says. The retailer plans to offer special discounts and promotions surrounding the holidays and is confident its site will be able to handle the load thanks to the improvements it's made over the last year, Krisha says.

Why speed matters

A recently released report from cloud platform and web performance vendor Yottaa Inc. finds speed and online conversion are linked. The report, Site Speed Standard, is based on the shopping activity of more than 25 billion page views across 200 retailers and brands.

Yottaa's previous ecommerce site speed research focused on large brands, such as Amazon and

Walmart, but its new Site Speed Standard collects and analyzes data from more than 200 ecommerce sites that receive more than 1 million monthly site visits to represent a wide range of retail brands and sizes, Yottaa says. The data was collected from April 2020 through April 2021.

Drawing on shopping activity across the 200 merchants, Yottaa analyzed how page speed impacted them because "every session [on an ecommerce site] leads to an outcome," the vendor says. And those outcomes are either a shopper making a purchase, browsing a site or bouncing off the site. As site speed slows, conversion rate dwindles and bounce rate increases—and vice versa when merchants speed up a site.

The report shows that retailers with average page load times of less than 2.5 seconds on desktop

have an average conversion rate of 5.0% and a bounce rate of 31.4%. On the other end of the spectrum, merchants with an average page load time of more than 6.5 seconds have an average conversion of 2.4% and a bounce rate of 61.8%.

Yottaa found similar figures for mobile shoppers: Merchants with pages that load in less than 2.5 seconds on mobile have a 2.4% average conversion and 32.7% bounce rate. And with an average page load of more than 6.5 seconds, average conversion declines to 1.4% with a 63.3% bounce rate.

The data collected based on shoppers on the sites analyzed shows that when a merchant improves site speed by one second on desktop, it will have a 3.3% increase in conversion and a 12.2% decrease in bounce rate. On mobile, Yottaa finds that merchants that improve site speed by

one second generate a 5.7% lift in conversion and a 12.2% reduction in bounce rate.

“Slow site speed is a conversion and experience killer, and faster sites provide a tremendous competitive edge by reducing bounce rates and increasing the engagement with the shopper to improve conversion,” said Rick Kenney, managing director of Leading Lights, an ecommerce consulting company that builds industry benchmarks, including the Site Speed Standard, in a press release.

Reinforcing curbside pickup systems

Besides the consumer-facing website, retailers also should keep in mind their backend systems when it comes to performance during peak periods.

Texas-based grocery chain H-E-B says it needed to optimize its back-end systems that run its curbside and home delivery services to accommodate the surge in sales it encountered during the pandemic when shoppers avoided stores.

H-E-B launched curbside pickup in December 2015. The service gradually scaled up, and it now processes thousands of orders a day, up from just a handful at the start. This was great for the company’s bottom line but hard on the engineering team, says Justin Turner, senior software engineering manager.



'We're improving by focusing on bugs and things we find we need to fix for the store.'

— Justin Turner, senior software engineer, H-E-B

“Even though this was a fast-moving business that had to pivot on new learnings, we were moving very slowly to make sure we didn’t introduce any impacts [on the system],” he says. “But we were also seeing increasing incidents as we scaled up.”

For example, if it experiences an outage in the system that powers curbside pickup, the store employees who are putting orders together lose access to the details of the order, such as what they’ve already collected and what’s left. Employees fulfilling curbside orders might also lose access to other important details of a customer’s order, such as when the customer is coming to pick up her order and the rest of the curbside orders in line to be fulfilled that day.

When orders are late, it may seem like a brief impact to the retailer’s curbside productivity by delaying orders by a couple hours, but it has a long-term effect over time, leading to stores trying to recover the time they lost, Turner says.

H-E-B experienced its worst curbside system malfunction ever in March 2019—and that

motivated it to reinvest in its omnichannel technology, Turner says.

After four months of implementation work, H-E-B moved its ecommerce platform to a microservices system in July 2019. Microservices are individual components or independent services that can be swapped out with ease to help keep a business current, more agile and able to deploy new services faster. It also added anti-corruption services from Gremlin, which tracks network and system reliability, for the systems that power its curbside operations.

“When interruptions did occur, the anti-corruptions could handle it and be the buffer, and end users were no longer impacted,” Turner says. “This gave us the foundation to do a little bit more.”

With Gremlin, for example, H-E-B found that its database which contains curbside order IDs, had several issues with latency, or lag in its network. Once those issues were identified and fixed, transactions that took seconds then took milliseconds, Turner says, enabling H-E-B to

fulfill more orders in a day for its curbside and home delivery shoppers.

Just ahead of the pandemic in December 2019, H-E-B launched its mobile app My H-E-B, which allowed consumers to order groceries for curbside pickup and home delivery more quickly via their mobile devices. The app relied on working with H-E-B's already-in-place curbside pickup system.

“Then COVID-19 hit, and we went from curbside being a nice-to-have convenience for our customers to a critical resource and providing a service to immunocompromised customers

that now have a lifeline to prevent risk to themselves,” Turner says.

78% of U.S. shoppers said they had increased their use of in-store and curbside pickup options since the start of the pandemic in 2020, according to a June 2021 survey of 2,000 U.S. consumers by market research firm Ipsos. And 69% of those surveyed said they plan to continue using ecommerce options, even as the pandemic's effects lessen.

H-E-B hired thousands of employees across its Texas stores to help with the increased curbside sales load. And over the span of three days after



Curbside pickup at H-E-B went from being a nice-to-have convenience for its shoppers to a critical resource.

the U.S. went into lockdown, the grocer scaled its virtual machines to 120 from 20. A virtual machine is a computer file that behaves like an actual computer and can run as a separate computing environment.

“We didn’t know what kind of load to expect in a pandemic, so we just tested three to five times the throughput,” he says. Throughput is the amount of capacity that a website or application can handle.

In the span of a few days, curbside order volume rose “exponentially,” and rate of production doubled with no impact to the curbside systems, he says. Since July 2020, H-E-B’s workers have been able to fulfill more curbside orders at a faster rate, and more stores can handle doing curbside.

Thanks to the performance testing in late 2019, the grocery chain improved performance in its curbside system making it more than 30% faster in 2020, which means it can fulfill more orders. And now it’s at 99.99% uptime of its curbside systems when it was at 99.84% in early 2020.

99.99%

The uptime percentage for H-E-B’s curbside pickup system after making improvements.

“We’re improving by focusing on bugs and things we find we need to fix for the store,” Turner says.

These efforts all paid off for H-E-B in the form of more satisfied customers. In a June 2021 mystery shopping study by Ipsos that ranks nationwide brands on their fulfillment of online orders for pickup, H-E-B leads among the 14 grocery chains analyzed. It received top marks thanks to its in-stock availability, ability to schedule pickup times, and clear instructions on order pickup. H-E-B also received high marks for accuracy, no fees or minimum purchase requirements, and customer communication, the study says.

“As we continue to see the adoption and usage of digital offerings rise, it is critical for brands to ensure a seamless and safe end-to-end ecommerce experience to keep customers coming back,” says Carlos Aragon, vice president of Ipsos Channel Performance. “Knowing which brands are leading the pack—and more importantly, why—is critical to succeeding in the ecommerce economy.”

The good news for merchants is that there is still time to hone their website and software system performance before the holidays, but they must get started sooner than later to stave off an outage that could drive shoppers to the competition. Taking the time to prepare now for the holiday rush can ensure the critical sales season is one worth celebrating.

secrets@digitalcommerce360 | @StephCretsDC360

4 WAYS ONLINE MERCHANTS CAN PREP FOR HOLIDAY SHOPPERS

With lots of dollars up for grabs during the holidays, it's imperative retailers can handle a holiday shopping season that's getting back to normal while still being impacted by after-effects of the pandemic. Forrester Research's new report "The 2021 Holiday Planning Guide" outlines four ways retailers can best prepare for the upcoming holiday shopping season.

By Stephanie Crets

The holiday shopping season seems to begin earlier every year. And retailers need to be prepared as it's one of the most critical shopping times for them and their customers.

"U.S. retailers should review the lessons learned

from the 2020 pandemic-era holiday season to gauge consumer sentiment and demand to plan their marketing, fulfillment and more," writes Fiona Swerdlow, vice president, research director at Forrester Research, in "The 2021 Holiday Planning Guide" by Forrester.



'By the 2021 holiday season, some consumers will still be recovering emotionally and economically from the pandemic. Empathy will again be one of the best gifts merchants can give their customers.'

— Fiona Swerdlow, vice president, research director, Forrester Research

Last holiday season—November through December 2020—U.S. shoppers spent \$201.32 billion online, up 45.2% from \$138.65 billion in 2019, Digital Commerce 360 estimates. That's more than triple the year-over-year growth rate during the holidays for the year prior, when web sales grew at a rather sluggish 13.6%. COVID-19-related shifts in buying behavior translated into an additional \$41.54 billion in digital revenue for November-December, according to Digital Commerce 360.

Plus, 59% of consumers said they bought more gifts online during the 2020 holiday season compared with buying in stores and 45% said they bought most of their holiday gifts online, according to the survey. Digital Commerce 360 and Bizrate Insights conducted their annual survey of 1,137 consumers in January 2021.

Thus, with lots of dollars up for grabs, it's imperative retailers can handle a holiday shopping season that's shifting back toward normal while still being impacted by the after-effects of the pandemic. Forrester's report outlines four tips for retailers to consider that encompass the entire ecommerce experience.

1. Plan for marketing authenticity and adaptability

Forrester suggests retailers should align their marketing with what's happening in the world and being sensitive to consumers' lives.

"Retailers are on a constant mission to understand where their customers are and meet them there," says Emily Pfeiffer, senior analyst, commerce technology at Forrester. "During the pandemic, holiday messaging from retailers

reflected a sensitivity to the moment by focusing messaging, for instance, on dining in rather than entertaining. It was a shared experience that touched everyone on some level.”

During the pandemic, for example, CakeSafe—a retailer that sells protective boxes for cake transportation, among other cake-related items—switched its marketing tactics completely. “My strategy was to treat our customers like friends and family and go on that personal connection,” says Rachel Moreschi, chief marketing officer at the retailer.

While CakeSafe advertised sales during the pandemic as it typically does, it also chose to use its blog posts, social media and email blasts to tap into the human angle of the business. For example, it began to share good news via email blasts, such as an employee who had a baby, beautiful scenery, pictures of employees’ pets or a positive story of someone who overcame COVID-19. In addition, CakeSafe donated 1.9% of its proceeds to COVID-19 relief funds.

45%

The percentage of U.S. online shoppers who said they bought most of their holiday gifts online.

Source: Digital Commerce 360 and Bizrate Insights survey of 1,137 consumers in January 2021

“We’ve always treated everyone like family in our marketing, but we ran with it more after the pandemic,” Moreschi says. “Our customers’ value is more than sales. We run product designs by them, created a private Facebook group for them. The best way to sell is not for the company to tell them to buy, but from the people in the group with real experiences using our products in the group.”

Other retailers brought took the sensitive and softer marketing approach beyond the pandemic. During Mother’s Day and Father’s Day this year, some retailers gave consumers the ability to opt out of marketing messages related to the parent-centric holidays.

Natural beauty brand Three Ships enabled its email recipients to click on an embedded link in an email that would remove them from Mother’s Day-related email campaigns for a couple of weeks but would restart their full email subscription in mid-May. Ultimately, about 350 people—just over 1% of Three Ships’ email subscribers—opted out.

The company also received almost 50 emails from customers who were touched by the thoughtful gesture and began sharing personal stories of loss or fertility battles, says Lillie Sun, leader of growth and direct-to-consumer channels for the brand. One shopper told the retailer how she has dreaded May for the

'The moment a consumer places an online order, they are in their most vulnerable position of the entire buying journey. A great post-purchase experience instills trust, adds value and drives loyalty from consumers.'

— Emily Pfeiffer, senior analyst, commerce technology, Forrester Research

deluge of Mother's Day emails after her mom passed away a couple of years ago. Another customer replied to say she loves celebrating the holiday and wants to continue to receive communications but that she admires the brand for accommodating other shoppers who are going through a difficult time.

Being more sensitive with holiday marketing can be applied to Christmas and Hanukkah holidays as well.

"By the 2021 holiday season, some consumers will still be recovering emotionally and economically from the pandemic. Empathy will again be one of the best gifts merchants can give their customers," writes Swerdlow in the report.

2. Help busy, stressed customers with value-add info—at the right time

Forrester suggests merchants should, "make [their] digital content work harder to help time-starved holiday shoppers confidently research and buy."

This means retailers should take stock of the information they're providing shoppers on their homepage, product detail pages, checkout and more. And they should also offer shoppers a variety of ways to connect with them, such as live chat and virtual appointments, as well as opportunities to connect post-purchase.

"The moment a consumer places an online order, they are in their most vulnerable position of the entire buying journey," Pfeiffer says.

“They have extended something (committing their money) without receiving anything in return yet (the goods). A great post-purchase experience instills trust, adds value and drives loyalty from consumers.”

In fact, 49.2% of the Digital Commerce 360 Top 1000 retailers use live chat to enhance the shopper experience. And 73 of the top 100 retailers also have added the functionality, according to Digital Commerce 360 staff website visits in October 2020. However, just 25% of retailers in the top 100 of Digital Commerce 360’s Top 1000 offer virtual appointments or consultations.

“A strong customer experience can serve as the foundation for improving conversion as both the initial experience and for retention prospects,” says Lauren Freedman, senior consumer insights analyst at Digital Commerce 360.

The report also suggests retailers should communicate with shoppers about delivery.



“How easily can your customer track the delivery at each step? How clear are your emails or notifications?” Forrester asks.

Brooklinen, a bedding consumer brand manufacturer, got the message. The merchant decided to opt-in all of its customers for email communication about orders. This way, customers are informed when their order shipped, when it was delivered and any potential snags along the way. Plus, shoppers now receive a linked tracking code for their orders so they can check in on the status whenever they like with one click.

“Any update related to your package is a good update,” says Lindsay Keys, senior manager, logistics at Brooklinen.

“Our key focus was to be as transparent as possible,” Keys says. “Especially during [the pandemic], with packages, it basically felt like everything came to a halt and not knowing when you purchase something, when you would get it.”

3. Develop fulfillment operations to build customer delivery confidence

Forrester suggests that merchants should help their consumers understand available delivery options to get their packages in plenty of time. This is especially important in a world that is accustomed to two-day Amazon Prime delivery.

“There is no one, single fulfillment option that ‘wins,’” Pfeiffer says. “When customers have a variety of options to choose from, they feel the retailer was ‘there for them’ in the ways they needed. Meeting that need of the moment—whether it’s speed, convenience, or safety—is what consumers need from retailers, especially during the craziness of holiday shopping.”

68% of consumers said fast shipping would lead them to place an online order, according to a February 2021 Digital Commerce 360/Bizrate Insights survey of 1,047 shoppers on conversion rate.

And “fast shipping” keeps getting faster, with same-day delivery as the latest hurdle for merchants to clear. More than a third of online shoppers—36%—have ordered online for same-day delivery from a web-only merchant (such as Amazon.com or 1-800-Flowers.com) within the last six months, according to another February 2021 Digital Commerce 360/Bizrate Insights survey of 1,052 online shoppers on omnichannel shopping. This is up considerably from the 24% of shoppers who said they placed an order for same-day delivery from a web-only merchant in the last six months in August 2020.

Likely as a result, more retailers are adding same-day delivery options and other omnichannel options—such as buy online,

pick up in store and ship from store—to give customers a suite of options for getting their online purchases as fast as possible. For example, Old Navy tested same-day delivery with Postmates during the 2019 holiday season; Dick’s Sporting Goods Inc. launched on-demand delivery via Instacart at more than 150 of its stores in December 2020; and GNC launched same-day delivery using Shipt in February 2021.

“Offer options that suit the customer in the given moment,” Swerdlow writes. “Part of a merchant’s holiday prep this year involves ensuring their order management system can support the many delivery options that customers now routinely expect.”



68%

The percentage of U.S. consumers who said fast shipping would lead them to place an online order.

Source: Digital Commerce 360/Bizrate Insights survey of 1,047 shoppers in February 2021

4. Increase customer trust by proactively preparing for security scenarios

Fraud is always on the minds of retailers. But when gift-giving intensifies over the holiday period, preventing return fraud becomes more important. The National Retail Federation found that for every \$100 in returned merchandise accepted, retailers lose \$5.90 to return fraud. Return fraud can be a shopper claiming they did not receive a product and asking for a refund, as well as shoppers abusing a retailer's policy by purchasing a product, using it and then returning it to receive a refund.

Outdoor gear and sporting goods retailer Bass Pro found this to be true. The majority of Bass Pro's refund requests—about 96-97% of them—are from legitimate shoppers wanting their money back for a variety of reasons, such as a stolen package or they changed their mind about the purchase. However, about 3-4% are flagged for being suspicious and roughly 1% are refund fraud, says Keith Thompson, senior manager for fraud and investigations for the retailer.

To combat this, Bass Pro last year began requiring a signature upon delivery, which reduces customer non-receipt claims, only for certain products, and the retailer added instant refunds for legitimate returns. This means that once a shopper initiates the return and she drops off the return package at a shipping carrier, she receives her refund.

In the report, Forrester says there are four types of external attacks that will likely increase this year that merchants need to look out for: web application attacks (when a criminal can gain access to databases with vulnerable data such as customer information), exploitation of lost or stolen assets (when criminals steal sensitive information from customers, such as credit card numbers), software vulnerability and use of stolen credentials.

“With higher order volume comes increased loss to fraud,” Pfeifer says. “Certainly, retailers are always thinking about it, but if holiday peaks bring many times the order volume compared with other times of the year, the potential fraud risk is multiplicative as well.”

Luckily, Bass Pro has not had a spike in refund fraud since implementing instant refunds. Although Bass Pro was not among the first retailers to offer instant refunds, that allowed it to put proper fraud protocols in place to ensure criminals wouldn't abuse the system, Thompson says.

“It was a blessing in disguise that we could take the lessons learned from other retailers, and take those lessons live when we were ready to go,” Thompson says.

secrets@digitalcommerce360.com | [@StephCretsDC360](https://twitter.com/StephCretsDC360)

April Berthene and Jessica Young contributed to this article.

SUPPLY CHAIN SNARLS PUT HOLIDAYS AT RISK FOR TOY MAKER MGA

Operational backlogs and increased costs across MGA Entertainment's supply chain has CEO Isaac Larian worried if the maker of L.O.L. Surprise!, Bratz Dolls and Little Tikes will have enough toy inventory for the 2021 holiday season.

By April Berthene

The first half of 2020 brought in strong results for toy maker MGA Entertainment, which is the maker of popular toy brands including L.O.L. Surprise!, Bratz Dolls and Little Tikes, says CEO Isaac Larian.

The challenge for the rest of the year, however, is ensuring it has enough inventory to feed its increased demand. Supply chain challenges, backlogged transportation, increased costs and a shortage of labor have all contributed to what Larian calls a big mess.



'I've been in business for the past 42 years, and I've never seen it so bad. And I've seen everything.'

— Isaac Larian, CEO, MGA Entertainment

"I've been in business for the past 42 years, and I've never seen it so bad. And I've seen everything," he says.

Supply chain challenges for toy manufacturer MGA

The coronavirus pandemic caused a domino effect that is impacting many parts of its operations. For example, manufacturers that make containers and chassis (trailers used to transport containers between trucks, warehouses and ports) shut down for a period of time because of the coronavirus.

This slowdown in production, coupled with an increase in retail sales, caused a spike in the prices of containers, Larian says. A container should cost MGA \$700-\$1,200, but now costs \$1,000-\$16,000, he says.

Another hurdle for the toy business is increased costs, Larian says. Overall, its costs are up 23% year over year, he says. This comes from

increases in transportation, labor and raw materials. For example, resin, a material used to make plastic in toys, is up 60-70% compared with last year, he says. For labor, MGA is struggling to fill jobs in its Little Tikes factory in Ohio. It can only supply 65% of the demand for those products because of a labor shortage, he says.

To offset its increases, MGA is raising the price of its products, but not 23%, Larian says, without disclosing the increase. He knows that consumer demand would go down if the toy price increases too much, and so MGA is absorbing a lot of the cost, he says.

"We are taking a hit to our bottom line," he says.

100

The number of days it takes MGA's products to arrive on a retail shelf after being shipped from overseas.



Supply chain issues continue today for MGA toys

And issues persist today. A large share of MGA Entertainment's toys is made in China. One of China's busiest ports, Yantian Port, was closed for a few weeks in June to contain a recent COVID-19 outbreak. MGA had between 600-700 containers sitting in that port waiting to be shipped, which are now all delayed. Yantian Port is reopened, but it could take months for the backlog to clear, according to Bloomberg News. This worries Larian, as it takes about 90-100 days for a product to go from ship to shelf, he says.

Because of shutdowns and slowdowns across its supply chain, continued cases of the coronavirus

and the time it will take for the global population to be vaccinated, Larian does not expect operations will return to normal until Q1 2022.

In the meantime, MGA is airfreighting its merchandise to have the inventory to supply consumer demand this holiday season. But those prices are beginning to increase as more businesses resort to air freight with growing demand and capacity dwindling. Even with an air freight alternative, he expects the merchant to have many out-of-stocks this holiday season.

"At the end of the day, we're going to leave a lot of chips on the table," he says.

april@digitalcommerce360.com | @ByAprilBerthene

HO, HO, HO, ARE YOU READY FOR THE HOLIDAYS?

Lauren Freedman, senior consumer insights analyst at Digital Commerce 360, shares seven tactics that merchants should implement today to prepare for the holiday season ahead.

By Lauren Freedman

It's that time of year when retailers need to be on top of their game. As we used to say in retail, you only get one Christmas. With that in mind, I'm highlighting seven tactics that retailers should consider to boost their chances of a successful season. As part of this initiative, I am sharing targeted Digital Commerce 360 research that highlights the shopper's point-of-view and how it might impact each holiday strategy.

1. Free must be part of the equation

Free shipping has always been a shopper favorite. Even when it only represents a small dollar amount or percentage of the order, there is something psychological about paying for shipping. In Digital Commerce 360's June 2021 survey of 1,029 online shoppers, 68% of online shoppers said they received free shipping on at least half of their online orders.



Lauren Freedman,
senior consumer
insights analyst,
Digital Commerce 360

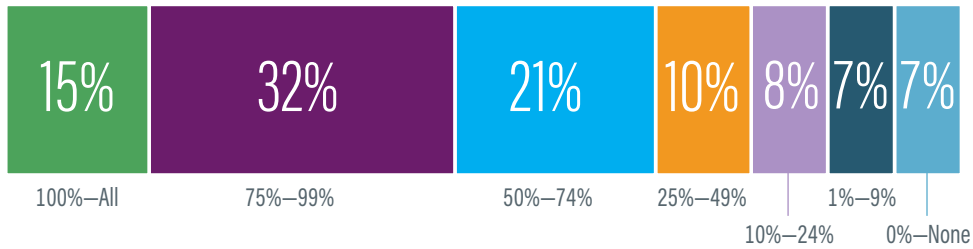
It is the perk of perks with 77.3% of the Top 1000 retailers making it available in some form. It also behooves retailers to monitor the landscape in the all-important fourth quarter as using this tactic in a strategic way may impact a retailer's profitability.

After the holiday season, we ask shoppers the reasons why they chose to shop with a particular retailer during November and December. Free shipping is consistently on top. It is the No. 1 answer and selected by 71% of online shoppers. It is more important than in-stock products, past experience with retailers and just simply liking the products they feature.



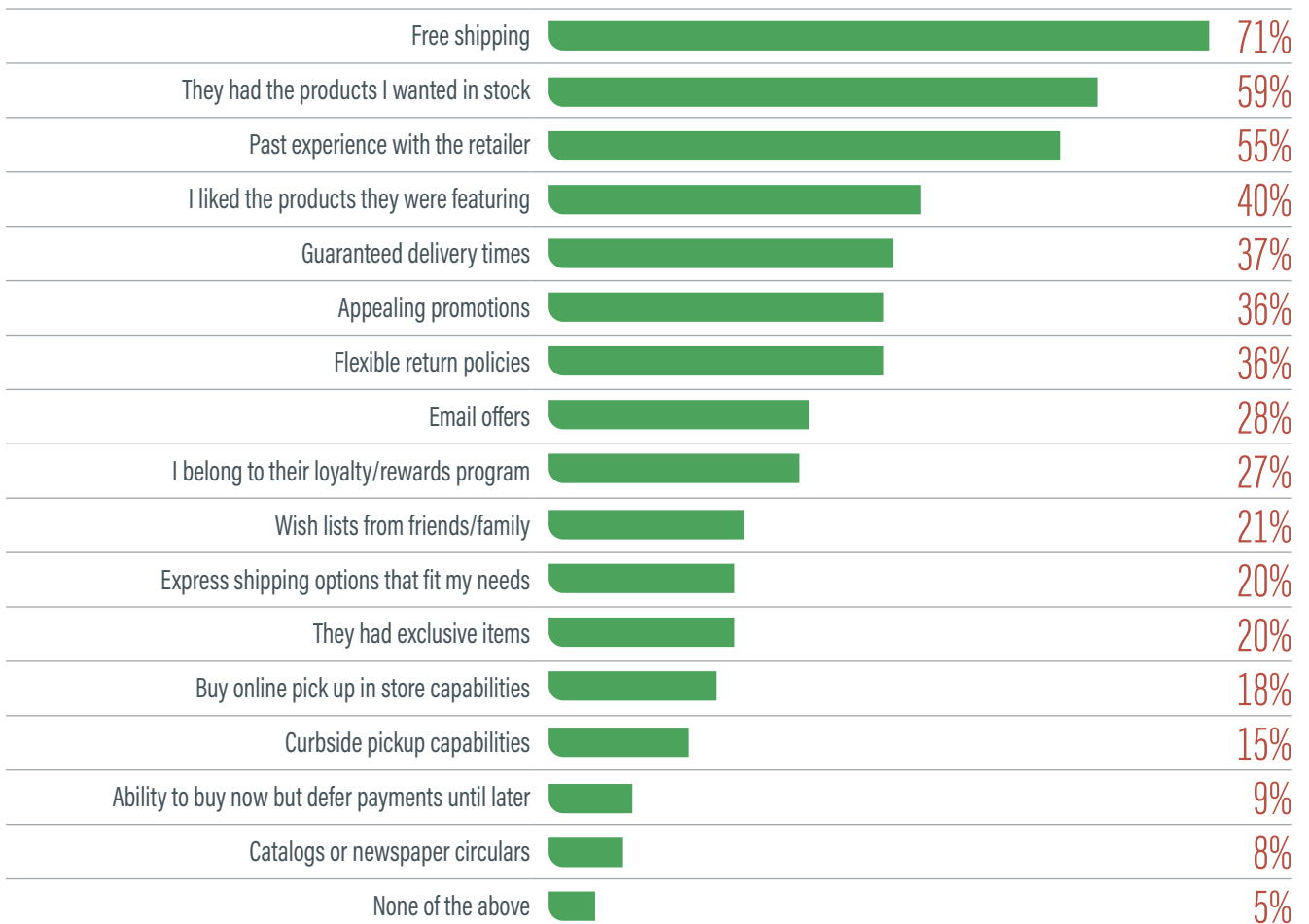
In the same study, when we asked how shoppers' behavior changed in 2020, 39% said they will only buy from retailers that offer free shipping.

WHAT PERCENTAGE OF YOUR ONLINE ORDERS OVER THE PAST SIX MONTHS HAVE INCLUDED FREE SHIPPING, OUTSIDE OF THOSE PLACED ON AMAZON.COM?



Source: Digital Commerce 360/Bizrate Insights, June 2021, 1,029 online consumers

WHAT MADE YOU CHOOSE TO SHOP WITH SPECIFIC RETAILERS OVER THE HOLIDAYS?



Source: Digital Commerce 360/Bizrate Insights, January 2020, 1,137 online shoppers

We also looked at cart abandonment in our February 2021 Conversion survey of 1,047 online shoppers. Once again, shipping fees play a big role in conversion. The No. 1 reason 54% of shoppers abandon their carts is because the shipping costs made the total purchase cost more than expected. Of course, as we have already indicated, anything higher than \$0 is more than they want to pay.

It's a done deal—free shipping is non-negotiable.

BEYOND THE STORES YOU PURCHASE FROM, IN WHAT WAYS DID YOUR SHOPPING ONLINE BEHAVIOR CHANGE IN 2020?



Source: Digital Commerce 360/Bizrate Insights, January 2020, 1,137 online shoppers



IF YOU HAVE EVER PLACED ITEMS IN YOUR ONLINE CART THEN LEFT WITHOUT PURCHASING, WHICH OF THE FOLLOWING ARE THE MOST COMMON REASONS WHY?



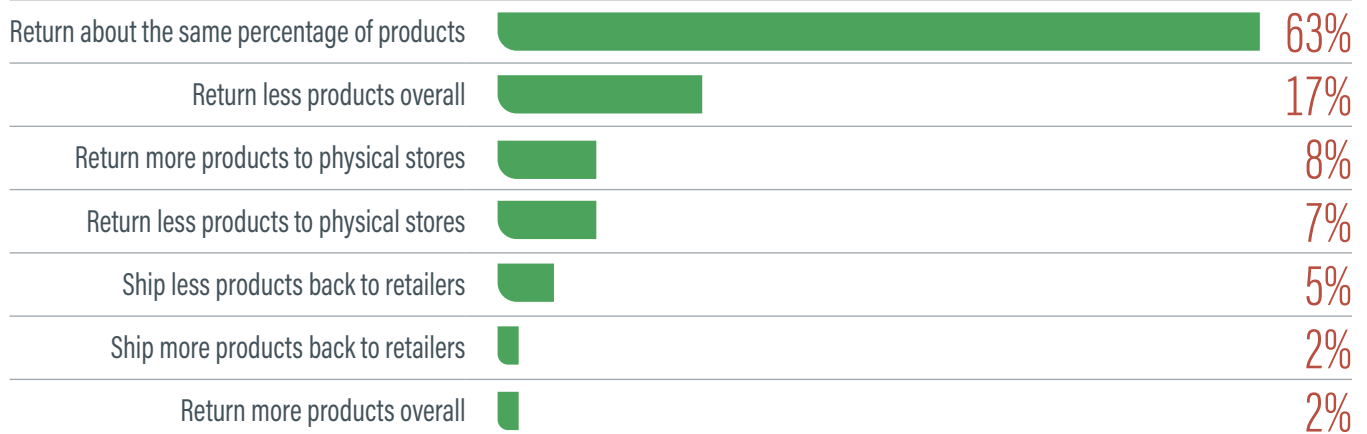
Source: Digital Commerce 360/Bizrate Insights, February 2021, 1,047 online shoppers



2. Raise the bar with free return shipping and customer-centric policies

Free return shipping is relevant and must be on the retailer's radar screen. While not a sexy topic for merchants, it has caught shoppers' attention, particularly in the past few years. Our own Digital Commerce 360 research reveals that 72% of online shoppers return 5% or less of their online purchases, and shoppers say that even after COVID-19, their online returning behavior will remain the same.

HOW DO YOU EXPECT YOUR RETURN BEHAVIOR TO CHANGE POST-COVID-19?



Source: Digital Commerce 360/Bizrate Insights, June 2021, 1,023 online consumers

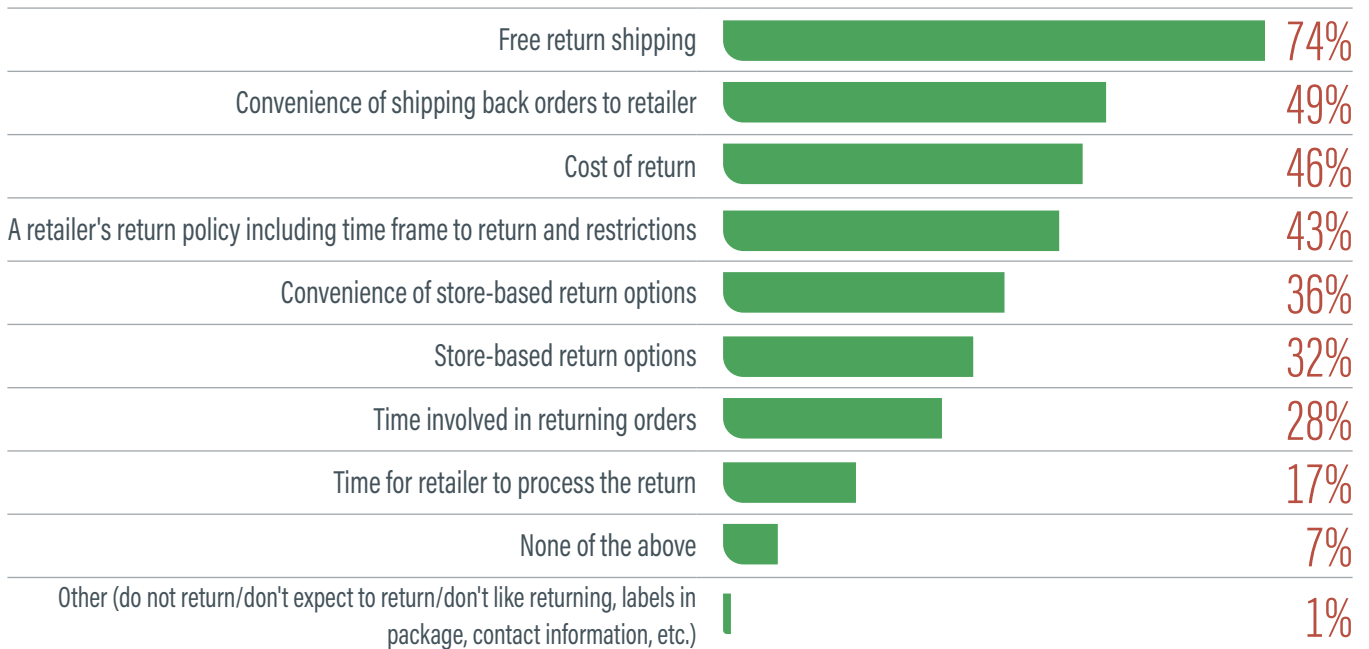


Perhaps some retailers would be surprised to learn that 74% of shoppers factor in free return shipping when making an online purchase. This should serve as a warning sign to retailers who require customers to pay for returns. It ranks higher than the convenience of shipping it back, the cost of the return and general policies. Digital Commerce 360's Top 1000 database reveals that 28.1% of retailers offer a free return policy. I remember in the early days of ecommerce this one element being a reason why I became an avid Zappos shopper—and I was not alone.

The second return dynamic that warrants attention is the retailer's return policy window. If merchants can't afford to offer free returns or an unlimited return window permanently, they might want to consider extending the return window during the holiday season to the end of January.

Lastly, if you offer these services, be sure to market them. Ensure shoppers know by promoting them on the shopping cart page and by encouraging customer service representatives to mention them.

WHICH OF THE FOLLOWING ASPECTS OF RETURNING ONLINE ORDERS DO YOU TAKE INTO CONSIDERATION WHEN MAKING AN ONLINE PURCHASE?



3. Promotions may be key to a successful season

The right price matters and shoppers are price sensitive. 76% of online shoppers in our February 2021 Conversion survey of 1,047 online shoppers said the right price was a reason they bought. There is a myriad of promotions that can also tempt shoppers. I'd suggest taking a look at competitors in your merchandise category to see the discount and promotion tactics they are using.

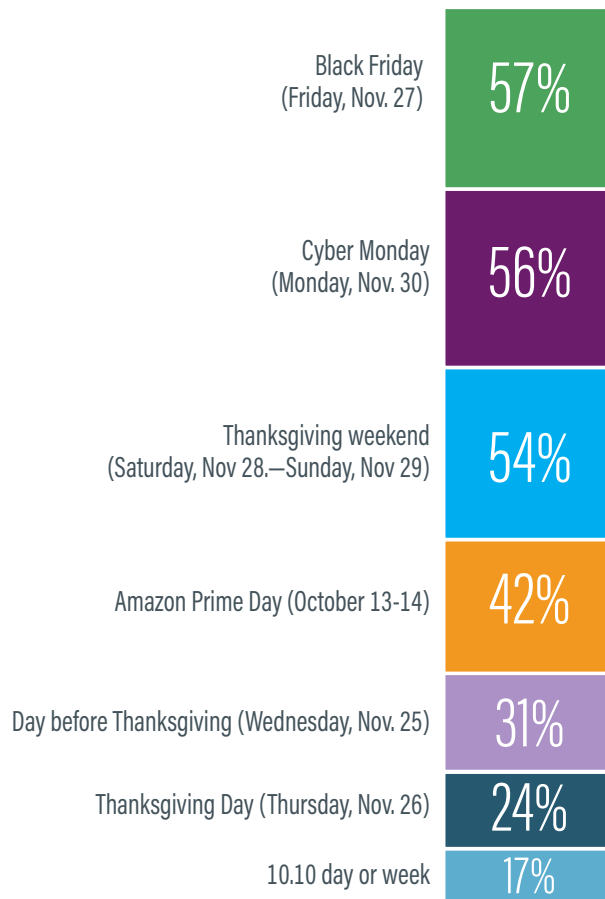
WHAT CONDITIONS ARE MOST LIKELY TO LEAD YOU TO PLACE AN ORDER ON A RETAIL WEBSITE WHEN SHOPPING ONLINE?



Source: Digital Commerce 360/Bizrate Insights February 2021, 1,047 online shoppers

More than half of shoppers took advantage of promotions during Black Friday, Cyber Monday and Thanksgiving weekend last year. When we asked consumers the reasons they shop during these holidays, 44% cited appealing promotions.

DID YOU SHOP ONLINE DURING ANY OF THE FOLLOWING TIMES?



Source: Digital Commerce 360/Bizrate Insights December 2020, 1,113 online shoppers



And knowing that 58% checked for coupons and promotions further suggests that the hunt for a good deal is always in season.

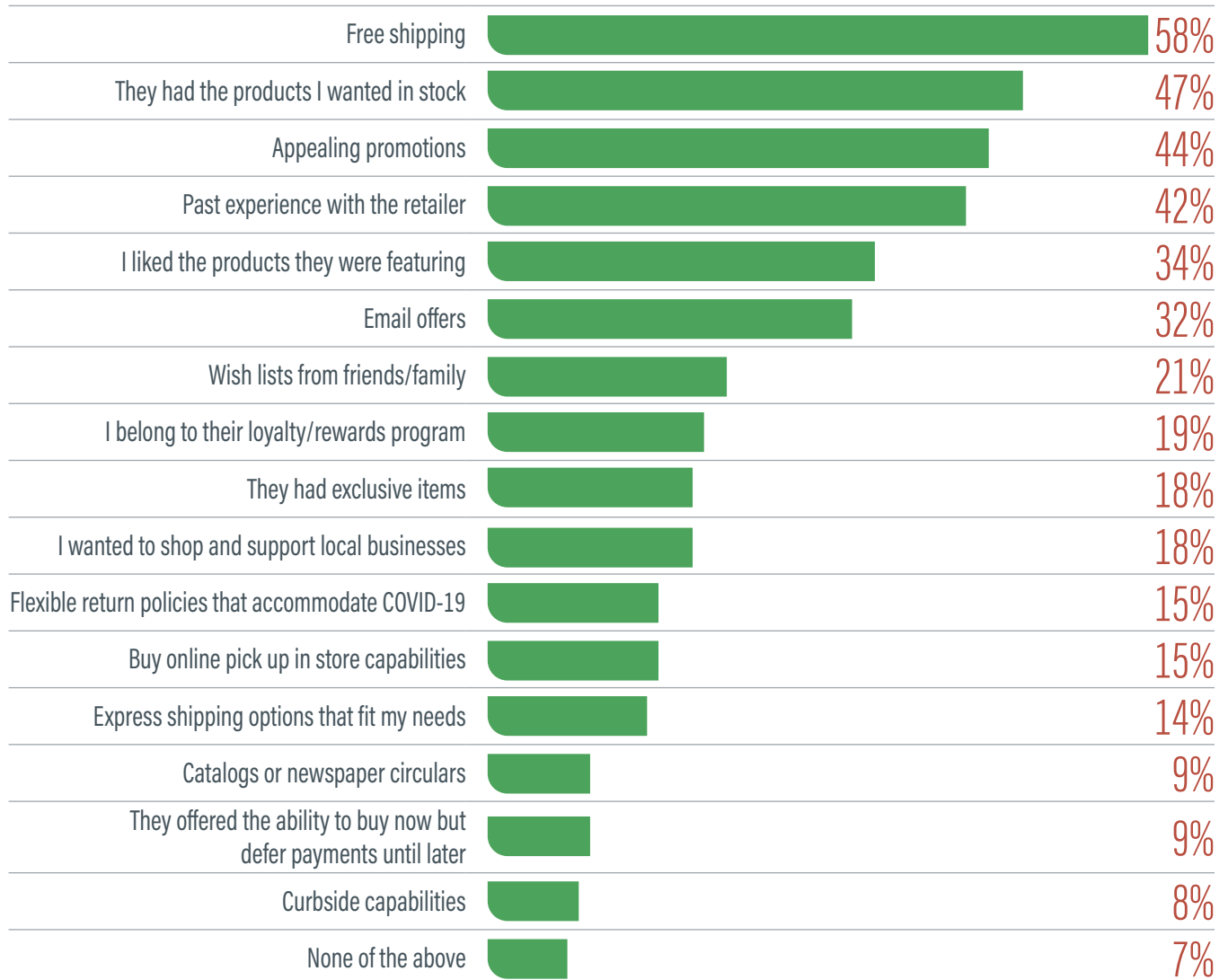
WHILE SHOPPING OVER THE FIVE-DAY RETAIL HOLIDAY SPANNING FROM THANKSGIVING TO CYBER MONDAY (THURSDAY, NOVEMBER 26-MONDAY, NOVEMBER 30), DID YOU DO ANY OF THE FOLLOWING?



Source: Digital Commerce 360/Bizrate Insights December 2020, 1,113 online shoppers



WHAT MADE YOU SHOP WITH PARTICULAR RETAILERS DURING THE THANKSGIVING TO CYBER MONDAY TIME FRAME?



Source: Digital Commerce 360/Bizrate Insights December 2020, 1,113 online shoppers



4. Omnichannel options give customers the choice they crave

2020 was omnichannel's year. If you have an opportunity to either improve or enhance your existing omnichannel offerings, there is no time like the present. Also, with curbside having been a powerful fulfillment addition during 2021, it's never too late to assess if you can specifically extend this service as well. Additionally, 58% of online shoppers indicated that they checked online for product availability at a nearby store. In Digital Commerce 360's March 2021 Omnichannel survey, 43% of online shoppers had picked up in store and 35% had taken advantage of curbside pickup.

On a side note, 75% of surveyed shoppers completed an in-store or curbside pickup in the prior six months. And when asked about retailers' performance with such offerings, shopper satisfaction with in-store and/or curbside pickup was very strong: 77% graded their experience an 8 or higher on a 10-point scale.

WHICH OF THE FOLLOWING ACTIVITIES WERE PART OF YOUR SHOPPING BEHAVIOR OVER THE PAST 6 MONTHS?



Source: Digital Commerce 360/Bizrate Insights March 2021, 1,052 online shoppers

If that wasn't enough, consider the "more" factor. 64% of shoppers said they plan to buy more online. Retailers should pay attention to the 33% who anticipate increasing online ordering with in-store pickup and the 27% who plan to increase their curbside behavior. Planning now will ensure you are prepared in the coming year.

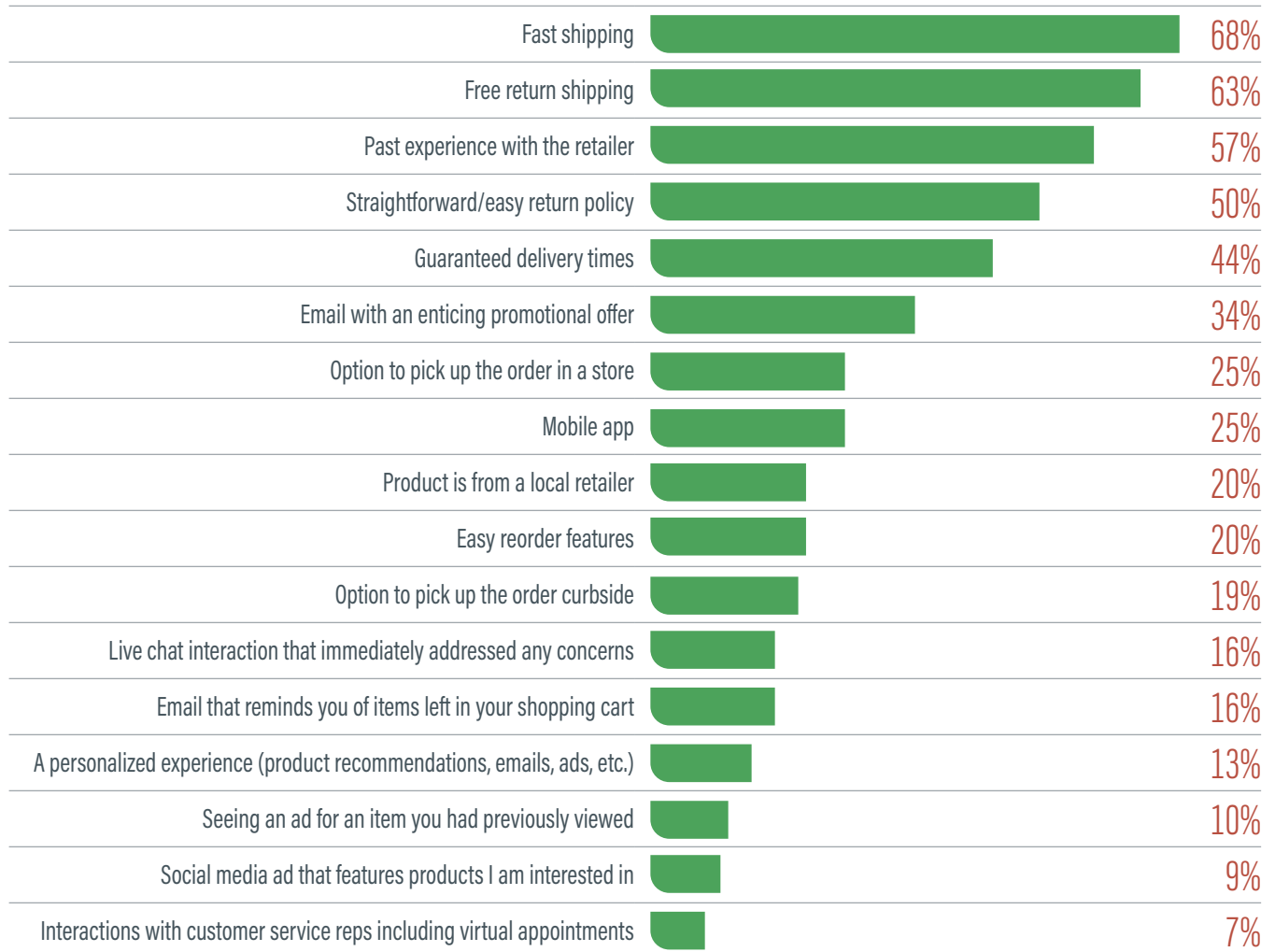
5. Being in-stock is a recipe for success

There are two components that are critical to the success of any online seller. The first is having products consistently in stock and the second is the ability to deliver products quickly. Multiple findings from our 2021 research speak to the growing importance of both in the shopper's mind. With supply chains and delivery options constrained, shoppers and retailers should be actively monitoring stock status as this season will likely be challenging in this regard.

In 2021, we surveyed shoppers about their selection of retailers when it comes to shipping and delivery, and 82% resoundingly said free shipping was the most important factor when thinking about shipping. However, almost half (48%) indicated product in-stock and ready to ship was core to selecting which merchants to purchase from as well. Rounding out the top three factors was speed of delivery, cited by 44% of survey respondents.



BEYOND THE SITE EXPERIENCE, WHICH OF THE FOLLOWING ARE MOST LIKELY TO LEAD YOU TO PLACE AN ONLINE ORDER?



Source: Digital Commerce 360/Bizrate Insights February 2021, 1,047 online shoppers



In our 2020 post-holiday survey, almost half of online shoppers said the biggest improvement they wanted to see from retailers in 2021 was having more inventory in stock. Without ample stock, retailers will be challenged to achieve desired sales levels.

WHEN SELECTING RETAILERS TO DO BUSINESS WITH ONLINE FROM A SHIPPING AND DELIVERY POINT-OF-VIEW, WHICH ARE THE MOST IMPORTANT FACTORS?

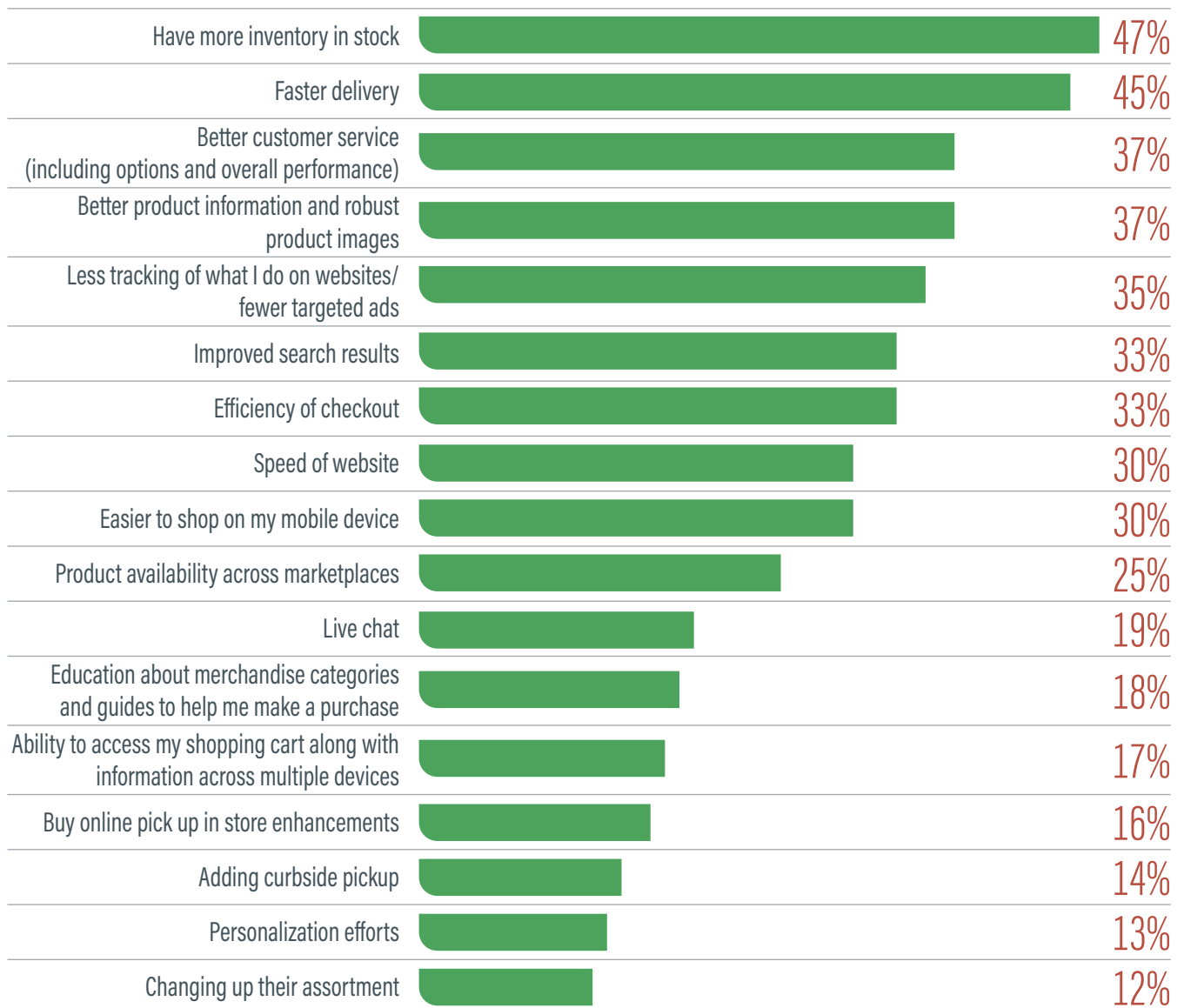


Source: Digital Commerce 360/Bizrate Insights, June 2021, 1,032 online consumers



We now turn to the need to deliver quickly. Shoppers have been conditioned by Amazon's ability to deliver fast. It is hard to believe shoppers used to frequently wait five to seven days for their packages. Thinking about what makes customers convert means fast shipping for 68%. Shoppers enjoy the convenience that comes with one- to two-day shipping and view that timing as the new normal. It's just one more reason they don't have to visit a physical store.

WHAT IMPROVEMENTS WOULD YOU LIKE TO SEE FROM RETAILERS IN 2021 THAT WOULD LEAD YOU TO BUY EVEN MORE ONLINE?



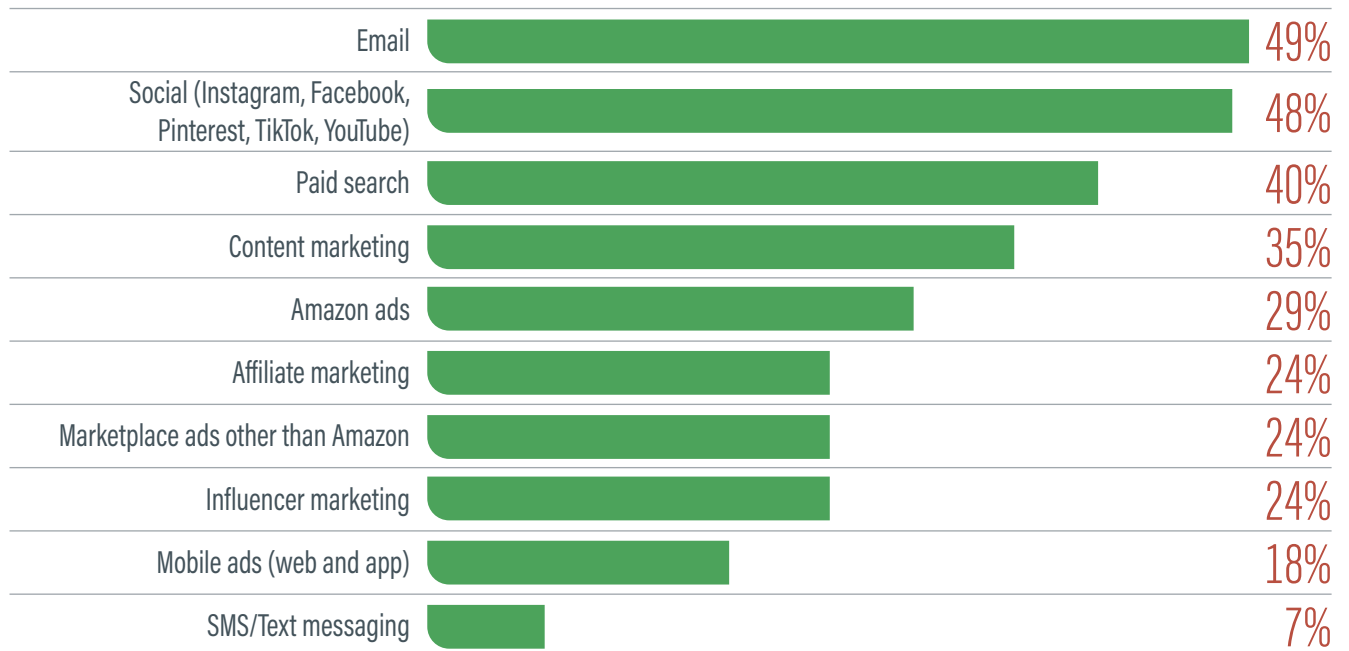
Source: Digital Commerce 360/Bizrate Insights, January 2020, 1,137 online shoppers

6. Get social

If ever there was a time to be social, it is now. Looking back, our May 2021 Digital Marketing survey based on 143 retailers sends a clear message. When asked, “Thinking about your entire range of digital marketing, how effective have each of the following been in 2020?” Social was most effective almost on par with email.

Looking at an additional question from this same survey, 48% of the retailers surveyed suggested that social was among the top three most successful tactics for acquiring customers—again, right in line with email (No. 1) and paid search (No. 3). If you are not already taking advantage of social, it certainly is an opportune time to test the waters.

WHICH MARKETING TACTICS HAVE BEEN MOST SUCCESSFUL FOR ACQUIRING NEW CUSTOMERS?



Source: Digital Commerce 360 May 2021, 143 retailers

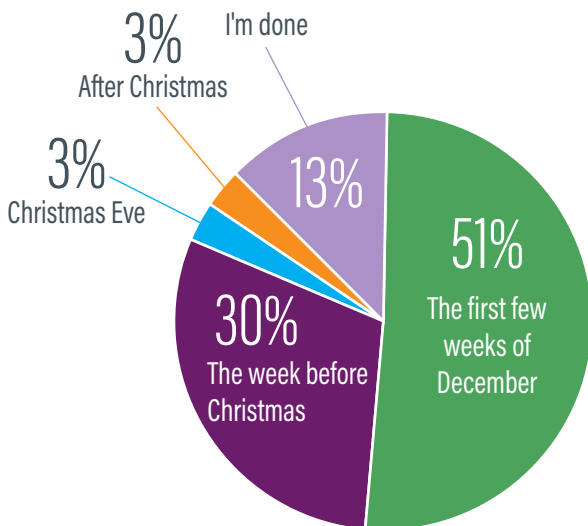


7. Flexibility and agility are essential ingredients for holiday and year-round success

One of the most important characteristics of successful retailers in 2021 will be flexibility. As we have learned all too well this year, no one can predict what's in-store for the holidays, so retailers need to be able to pivot at a moment's notice.

Last-minute online shoppers remain an important revenue stream. A look back at last year's holiday shopping can serve as a strong reminder, with half of online shoppers expected to finish shopping as late as during the first few weeks in December.

WHEN DO YOU EXPECT TO FINISH YOUR HOLIDAY SHOPPING?



Source: Digital Commerce 360/Bizrate Insights December 2020, 1,113 online shoppers

Especially as the two-month holiday season wears on, retailers should adjust to new strategies based on their earlier holiday performance. Merchants should tout gift cards later in the season and send messages about back-in-stock products that may have sold out.

Free shipping, flexible holiday return policies and omnichannel choices will drive online sales for retailers this holiday season. Of course, ensuring the price is right also helps seal the deal. The cumulative impact of these components should make the holidays one to celebrate.

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