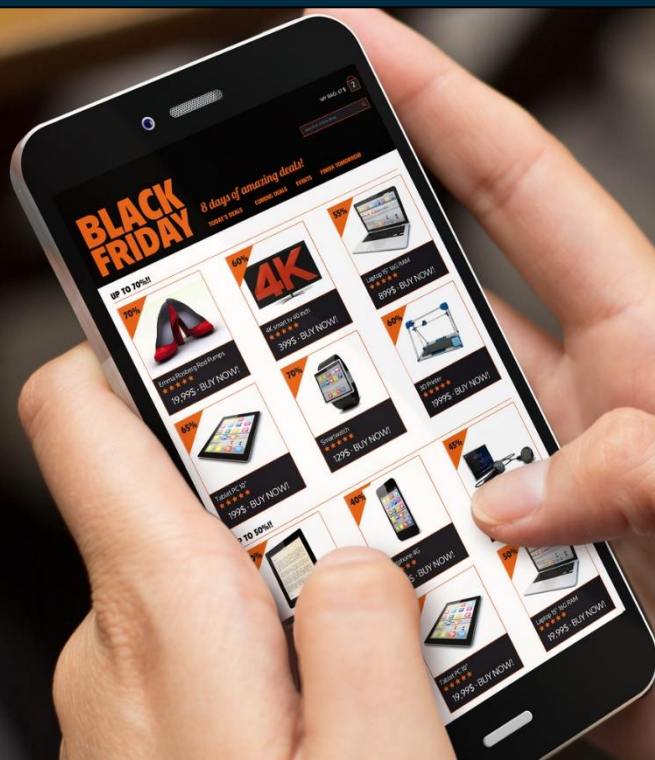


IMRG Christmas and Black Friday Review 2018

Comprehensive insight into 2018's Christmas peak period



An IMRG report, supported by IBM, looking at online retail sales performance over the Christmas and Black Friday trading peaks

Supported by:



IMRG Foreword



Black Friday has demonstrated a remarkable ability for refusing to settle down into a reliable pattern. It was a day, then a weekend, then a week and now, quite possibly, it's the entire month of November.

Or, is it even more than that? As people know that there is a period approaching Christmas when all retailers are forced into heavy discounting, it has a significant impact on customer behaviour over the months leading into – and out of – November too.

Black Friday 2018 was a very interesting event, probably the most disruptive and confusing one since 2014. So what did we learn this year, and where does it go from here?

Andy Mulcahy, Strategy and Insight Director, IMRG

IBM Foreword



For retailers, heads of ecommerce, and any executive focused on transformation in the B2C and B2B worlds, the Black Friday and Christmas trading period can deliver illuminating insights.

The data from 2018 is characteristic of an industry experiencing an unprecedented level of change and is

likely to prompt more questions than it provides answers.

But – in order to grow, compete, and offer better value to their customers in 2019, organisations will need to review past performance, learn from their experience, adopt new strategies and find the answers that will help prepare for next year's peak trading period.

Neelam Kharay, Customer Experience Analytics IBM Europe

David Hogg, Watson Commerce Sales Leader, IBM Europe

When is 'peak'?

While Christmas does unquestionably represent a peak period for retail, quite what timeframe that term refers to is a moot one that may be answered in a number of ways. The Christmas peak in retail technically covers several months (November and December at least, sometimes including October as well) but from an online perspective the peak days have tended to take up a lot of focus.

The final Monday in November and first Monday in December (usually, though there are some variations depending on where the days fall) have traditionally been known as 'Cyber Monday' and 'Manic Monday' respectively and marked the biggest sales days in the lead-up to Christmas. These were peak days that were 'noticed' rather than 'enforced' – Mondays were often the peak days of the week for online sales, people receive their final pay cheques before Christmas around those times and, as the year moves into December, people become more conscious of needing to start shopping.

Black Friday, on the other hand, is enforced as it has no cultural significance in the UK (since we don't celebrate Thanksgiving here). Consequently 'Black Friday', while still a major sales day, actually often refers to an indeterminate period of time that can vary widely from one retailer's campaign to another.

One thing that has become quite clear in recent years is that Christmas marketing gets 'turned on', mostly during early November, then 'turned off' around mid-November to focus campaigns on Black Friday instead. To illustrate this point, the below chart shows when the Christmas videos were published by several large UK retailers and when the on / off points were.

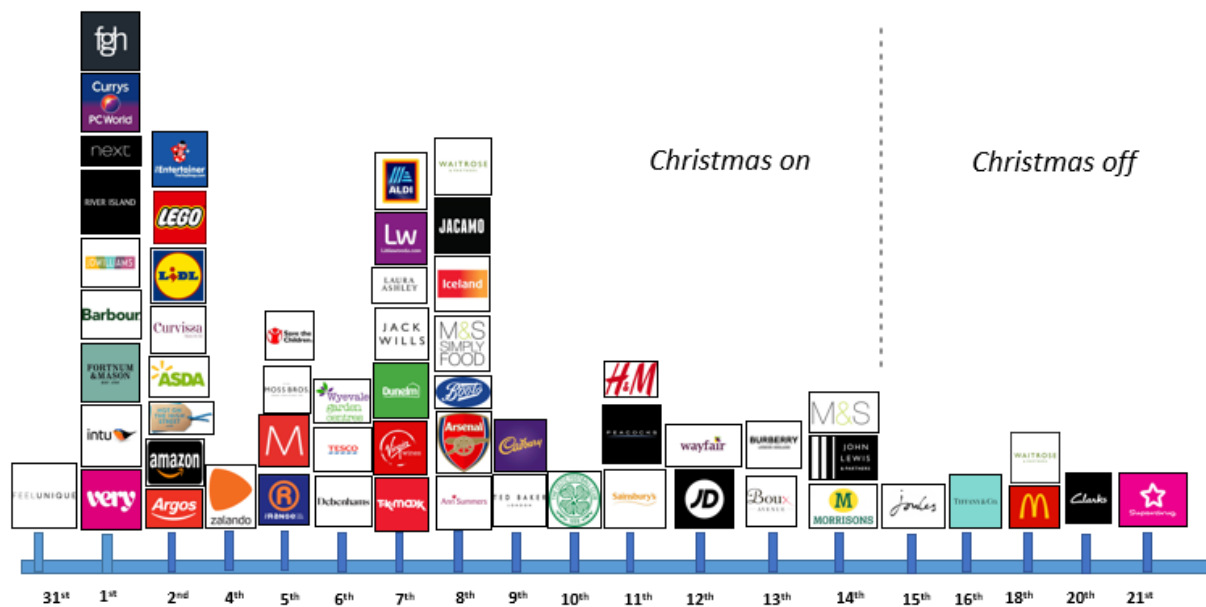


Chart 1 – Launch of retailer Christmas videos, November 2018

It is that 'off' period that has generally come to be regarded as the 'peak of peaks' of the overall Christmas period. If we break down November's sales volumes by week, showing the percentage of the total sales volumes each of the four weeks accounted for, it reveals that Black Friday week (week 3) featured over one-third (34.5%) of the month's sales volume. The share of spend between 2017 and 2018 was almost identical.

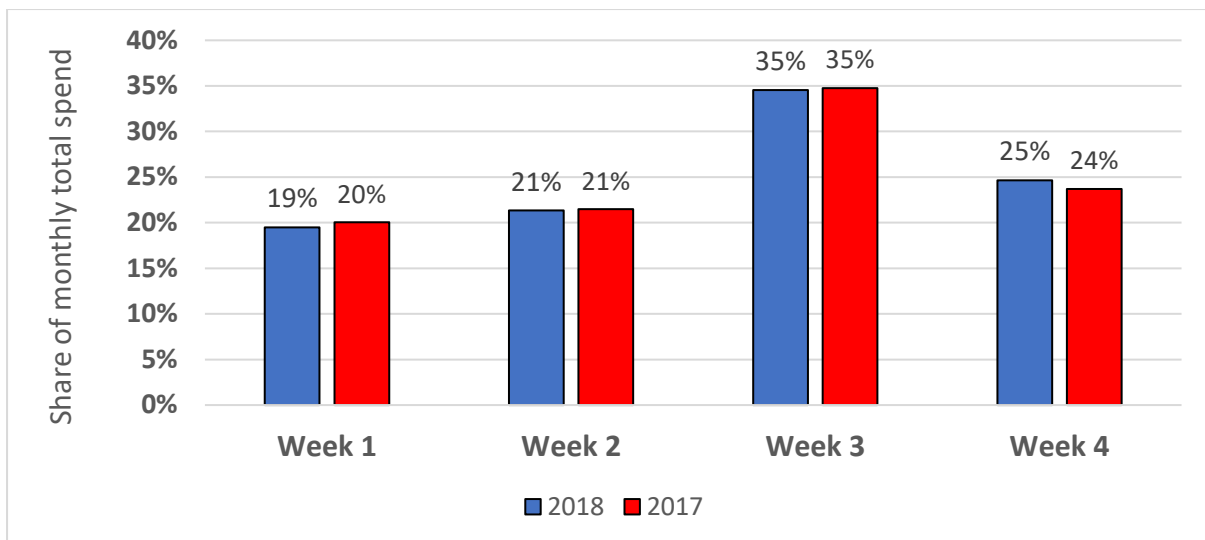


Chart II – Share of weekly online spend for four weeks of November 2018

So – although there were multiple Black Friday campaigns live before Black Friday week (see later section), the majority of the spend is still concentrated within that period. This is likely because a higher number of retailers are participating by that point and shoppers are more aware – through advertising and coverage in media – of the event.

Commentary from David Hogg, IBM

“In Europe and the UK, we saw some impressive online performance around Black Friday: Arcadia saw a 39% increase in peak day trading; El Corte Ingles a 38% increase on orders processed over Black Friday period. How did they do it? By taking the fight to the only field where Amazon doesn’t do battle (for now): brick-and-mortar stores. By making the store a fully integrated component of the customer experience, whether through click and collect, reserve online and pay in store, or return anywhere. These omnichannel capabilities are becoming game-changing competitive advantages.”

Christmas trading overall performance

Before getting into the detail of Black Friday, this section looks at online retail performance for the full peak period.

2018 will be remembered as a year when the pace of change in retail accelerated. Store retail in the UK experienced a very tough year from start to finish, but growth for online retail displayed a more lopsided pattern – as the below chart shows, growth was very strong in the first half of the year, then fell away notably in the second half of the year, culminating in just +3.6% for December, the lowest ever recorded for any month in the 18 years the IMRG Capgemini e-Retail Sales Index has been running.

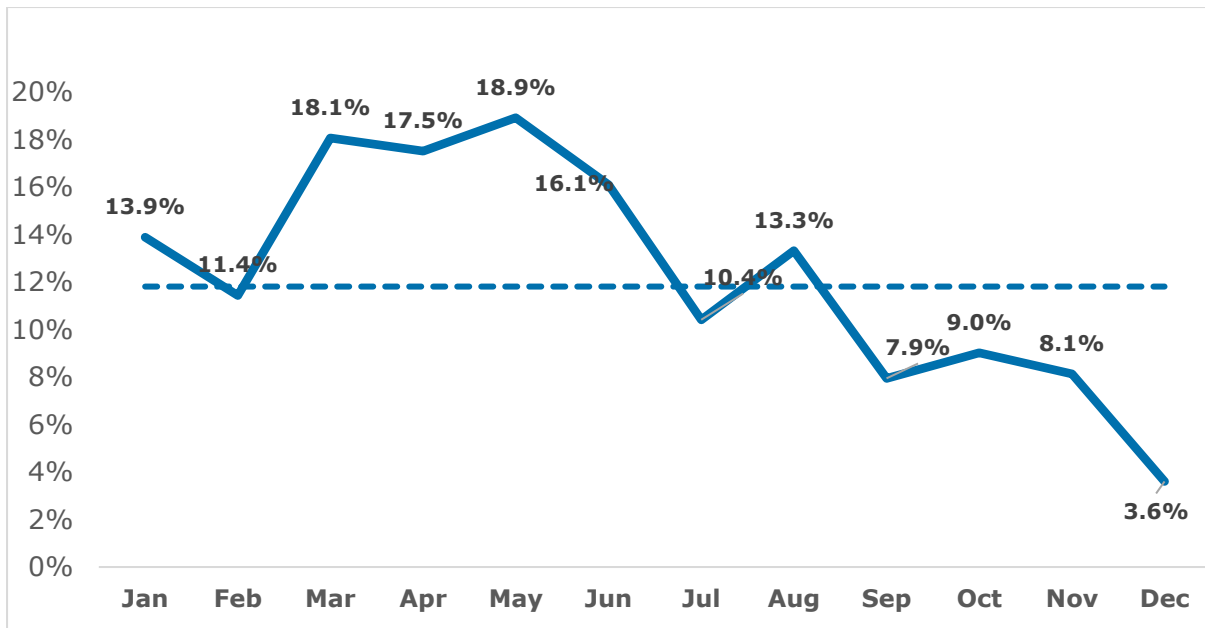


Chart III – YoY growth rates, Jan-Dec 2018

If we focus specifically on the traditional Christmas shopping months – October to December – we can see that year-on-year growth rates for each of those months in 2018 were below those recorded over the past two years.

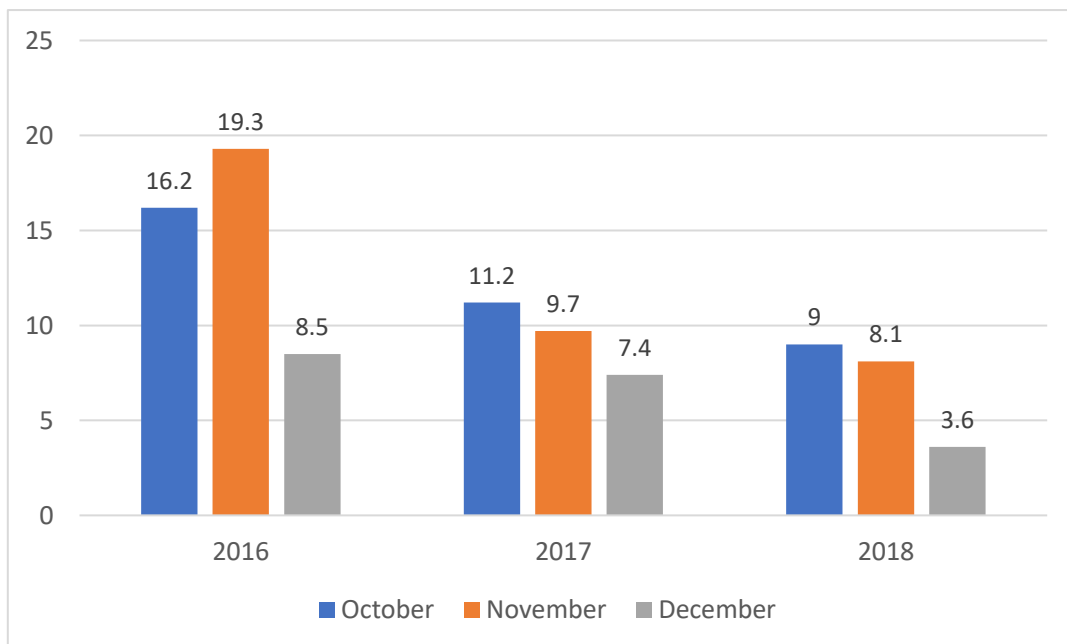


Chart IV – YoY sales growth rates, Oct-Dec 2016-18

Splitting out those three months by month-on-month growth indicates that a pattern has been well established now – whereas growth between November and December used to be positive, it is now in the negative each December with the rate declining further over time.

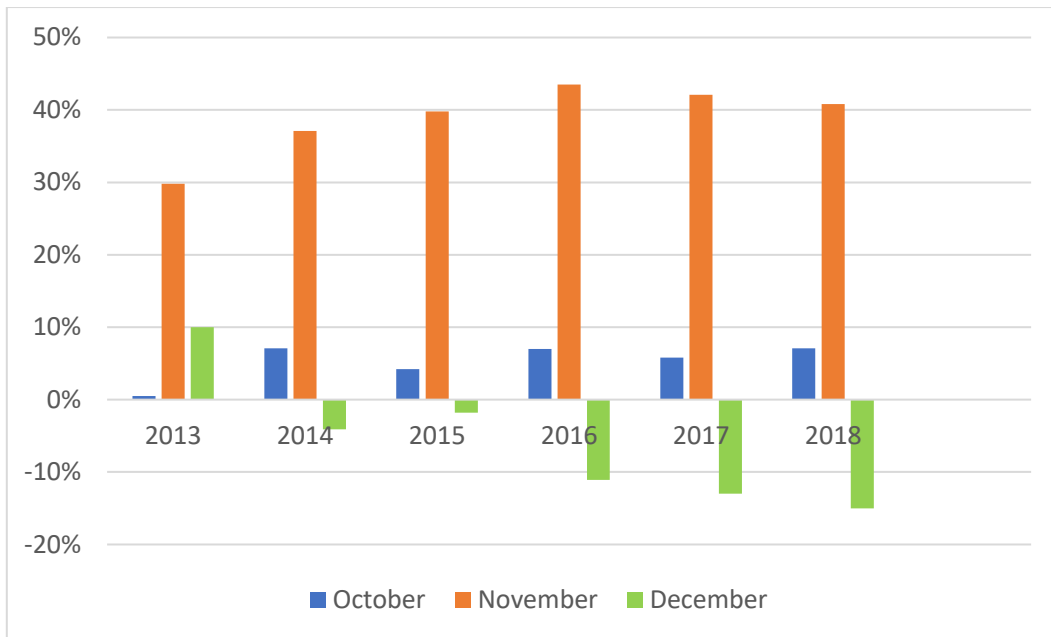


Chart V – MoM sales growth rates, Oct-Dec, 2013-18

In short, the Christmas trading period was underwhelming throughout, with Black Friday sales coming in well below expectation (see next section) and December providing little relief from the downturn. The heavy rates of discount being promoted across much of the industry are likely to have impacted margins, but this wide availability of bargains does not seem to have influenced shoppers to buy in markedly higher volumes as a consequence.

It was a Christmas that appears to have been characterised by cautious spending, in line with trends reported by various shopper confidence trackers toward the end of 2018, as the UK approaches the determining period for what happens with Brexit.

What we learnt from Black Friday in 2018

Christmas trading in general was some way below par then, but the Black Friday period revealed some interesting trends and developments that, as ever, produced more questions than answers. This section analyses performance and shares insight relating to online retail sales, campaigns and marketing during that period.

In the IMRG Capgemini e-Retail Sales Index, we have 210 retail participants providing sales and performance data monthly. Over Black Friday week (an eight-day period from Monday 19 – Monday 26 November), a sample (80) of those retailers gave us their sales data daily to get the benchmark results quicker and in greater detail.

The below graph shows how the percentage of sales volume was shared across those eight days.

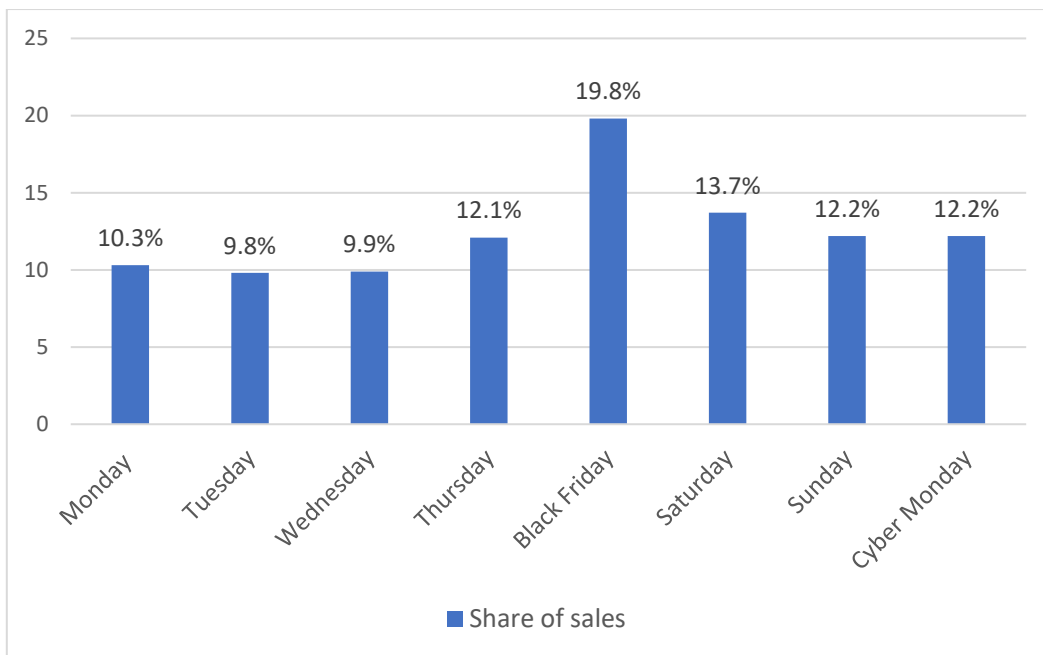


Chart VI – Daily share of total spend, 19-26 Nov 2018

Black Friday accounted for the largest share for that eight-day period, by some distance (just under 20%), but the second- and third-largest (Saturday and Sunday) were a bit more surprising – Cyber Monday was only the fourth-largest.

Commentary from Neelam Kharay, IBM

“Figures from 2018 show a healthy increase in consumer spending, albeit perhaps not as healthy as some analysts predicted. They also seem to indicate a smoothing of the specific impact of Black Friday, with retailers seeking to persuade UK consumers that they don’t have to wait to start their discount shopping. Whatever the specific nuances, though, the fact remains that on the day itself UK consumers spent a cool £1.49bn online.”

In terms of sales revenue growth for Black Friday, it was up +7.3%; but this was down against IMRG’s forecast of +13.2%. For the eight-day week as a whole, the actual sales revenue growth was +6.8% versus a forecast of +12.5%.

Chart VII below shows how sales growth fluctuated throughout the week for all participants combined (the black line), plus sales growth for six product categories.

Electricals started off the week strongly but tailed off sharply toward the back-end of the week, while clothing, health & beauty and gifts all started slowly but recorded sharper growth as the week progressed. A few points of note – the YoY comparisons here apply to the day rather than the date (so Monday of Black Friday week this year, 19 November, is compared to Monday of Black Friday of last year, 20 November) and heavy uplifts or falls in sales growth are often influenced by large retailers launching their campaigns earlier or later than the previous year (as that often triggers competitors to follow).

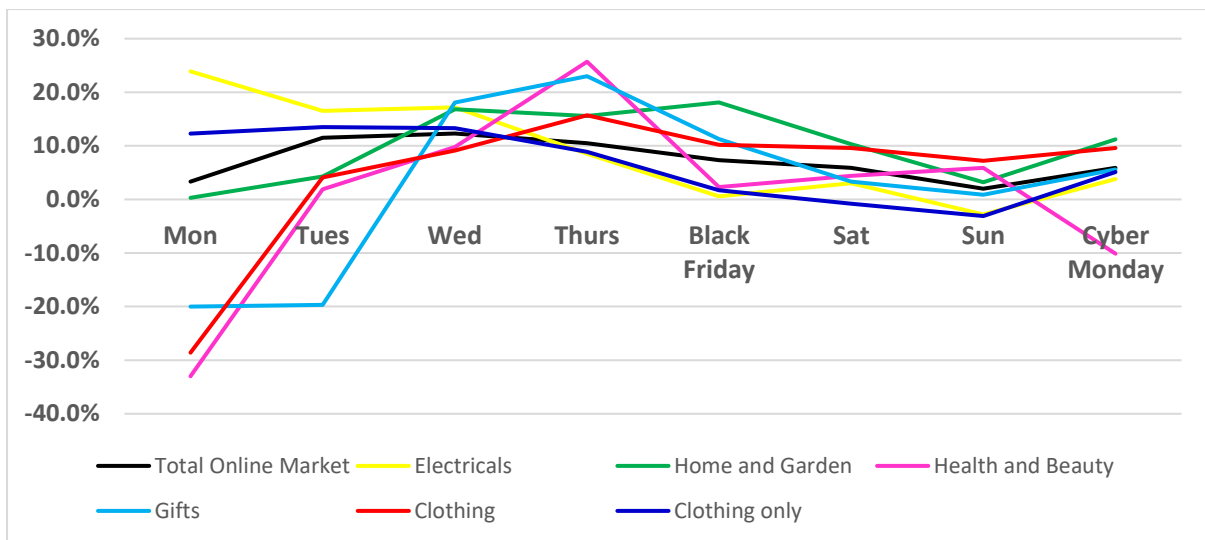


Chart VII – Daily YoY sales growth, 19-26 Nov 2018

Six possible reasons why spend was subdued over the BF period

As Black Friday spend was far below expectation, there were several reasons as to why that may have happened. Here are six questions that arose from Black Friday trading in 2018.

1. Had discounting already been going on too long in the lead-up to Black Friday?

Many retailers felt the pressure of market conditions throughout 2018 and, consequently, high / wide-ranging discounting had been in place long before November. When some retailers get stuck in that cycle it often forces their competitors to follow suit, creating a knock-on effect.

One of the metrics IMRG tracks in our quarterly benchmark is the discount rate, which is defined as ‘percentage of gross revenue generated from items on sale / discount’. In Q3 2017 (Jul-Sep), the discount rate was 17%; in Q3 2018, it was 23%, an increase of around a third.

This wide availability of heavy discounts meant that retailers’ capacity for grabbing attention by going into sale was lessened over the Black Friday period.

2. Have people started to switch off?

Black Friday marketing is loud, ubiquitous and with, generally speaking, precious little variety. In line with the above point, is Black Friday losing some of its appeal for shoppers as it extends over such a long period now?

3. Have the naysayers’ messages gotten through?

It has become very common for surveys and research to be published in the weeks leading up to Black Friday criticising the integrity of some of the deals – Which? magazine being the most prominent – typically pushing the message that Black Friday deals do not always represent the best of the year.

While there is no reason why Black Friday deals would need to represent the best possible prices of the year to be legitimate, it's possible that these messages have started to influence shopper behaviour.

4. Were the deals less appealing this year?

Are there some standard retail reasons as to why shopper spend was a bit subdued, such as the actual products on offer being less enticing than in previous years? Difficult to quantify of course, but a potential factor nonetheless.

5. Did the spend just get spread more evenly throughout the Christmas trading period?

Black Friday was very early in the month in 2018 (23 November), which meant that the significant portion of people who get paid on the final Friday of the month had not received that in time for this year's event.

This led to some speculation that a portion of the sales might fall into December but, as per the previous section, December featured the lowest growth ever in the sales index.

6. Were the discount rates too high?

Throughout November, IMRG monitored over 260 retail sites every day to track when Black Friday campaigns were switched on and what the headline level of discount was. We undertook the same exercise in 2017, but covering fewer retailers (210). Chart VIII shows how many of those 210 had Black Friday campaigns live on each day throughout November in 2017 (blue bars) and same period in 2018 (green bars – note for the purposes of this comparison, the 2018 data only had 205 retailers as five of the retailers had gone out of business during the last year).

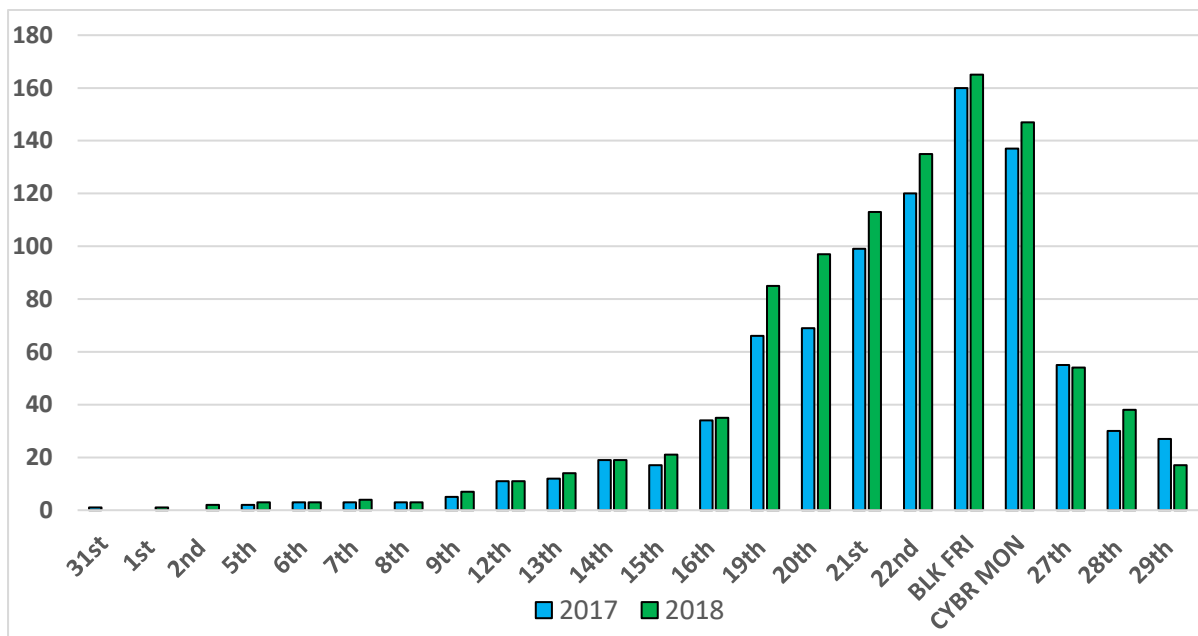


Chart VIII – Comparison of retailer Black Friday participation, Nov 2017/18, sample of 210 retailers

For the period leading up to Black Friday week, the bars track very closely but, on Monday 19 and Tuesday 20 November there were a significantly-higher proportion of retail campaigns live in 2018 (19 and 28 more respectively). This was largely due to some tier-1 retailers

launching their campaigns earlier this year, which likely triggered a reaction from various competitors.

In terms of the rate of discount that each retailer was offering, chart IX shows the number of the 260 retailers tracked throughout November 2018 that were had discount campaigns running during that period (note – this is all discount campaigns, not just specific Black Friday ones).

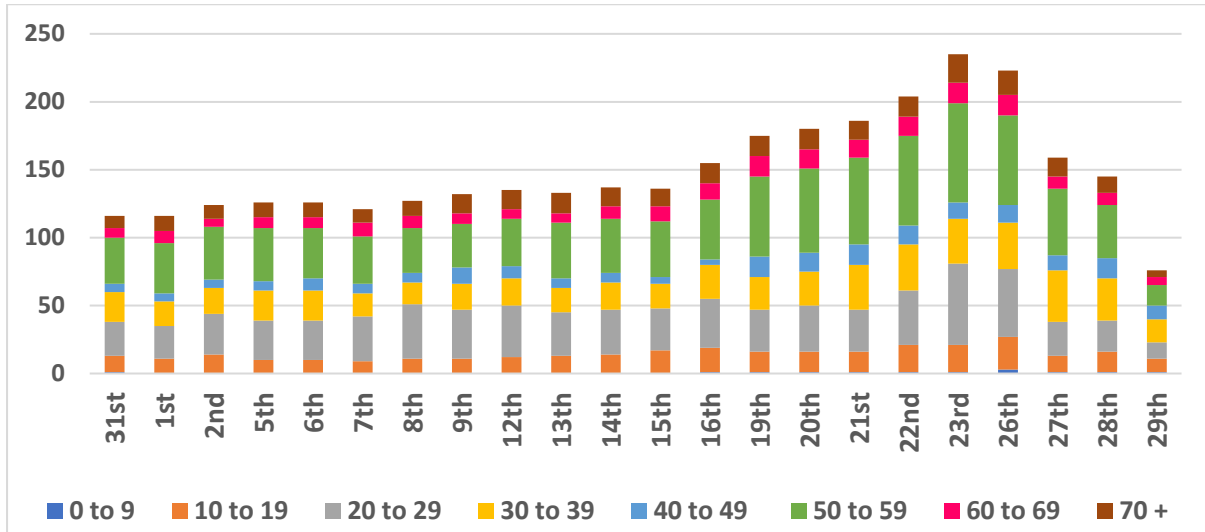


Chart IX – Retailer live discount campaign participation, Nov 2018, sample of 260 retailers

The colours on each bar signify the number that promoted headline discounts within those ranges. So, for example, on 1 November there were 37 retailers offering discounts in the 50-59% range. As per point one above, even before Black Friday week started (19 November) there was already very wide availability of heavy discounting across retail sites.

Chart X shows the same dataset, but split into product categories – so showing the number of electricals retailers that had 50-59% discount campaigns live on Black Friday.



Chart X – Sector discount rate and scale, Nov 2018, sample of 260 retailers

Email marketing

As part of our tracking over the Black Friday period, IMRG subscribed to all 260 retailers' newsletters to monitor the types of communication that were being sent out – and when the peak times for sending were.

In total, we received over 2,600 emails during November. The chart below shows how this volume was spread over each day of that month.

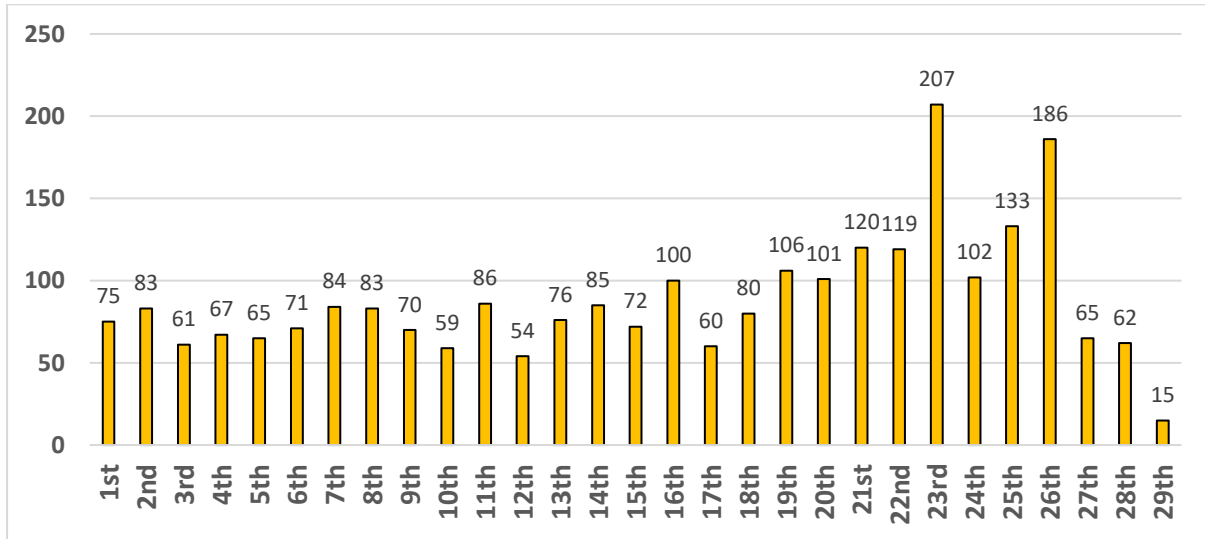


Chart XI – Email volumes by day, Nov 2018, sample of 260 retailers

As mentioned above, we tracked 210 retailers during the same study in 2017. Just focusing on that same sample of retailers in 2018 to give a year-on-year comparison, we can see that there was a significant increase in activity this year:

- There were 19% more emails sent during November 2018 than in 2017
- There were 38% more emails sent on Black Friday 2018 than in 2017

In terms of when the highest concentration of emails were sent, the below chart compares Black Friday 2017 (left, blue circle) with Black Friday 2018 (right, green circle); the darker the segment, the higher the number of emails sent.

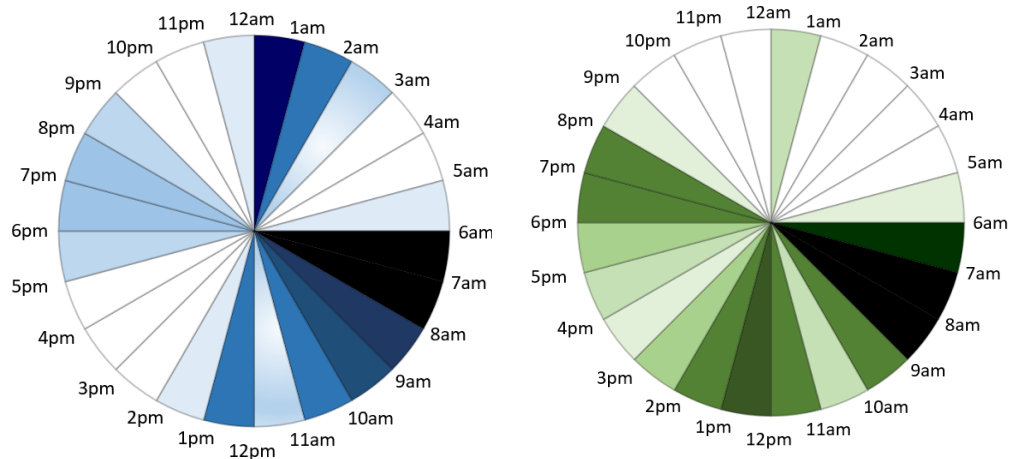


Chart XII – Email volumes by time of day, Black Friday 2017/18, sample of 260 retailers

The notable differences were that there was less activity between 00:00 and 02:00 in 2018 and a heavier concentration between 07:00 and 09:00 (while it was 06:00 and 08:00 in 2017).

Use of next-day

The majority of UK-delivered orders now use next-day as the fulfilment option. This puts pressure on on-time delivery rates at any time of year, but during peak the volumes are much higher so the problem can be exacerbated by over-promising next-day.

IMRG looked at how next-day was being promoted during our monitoring of the 260 retail sites throughout November. We noted which retailers were offering next-day delivery on 1 November, then again on Black Friday in the AM and finally Black Friday in the PM.

This was the results:

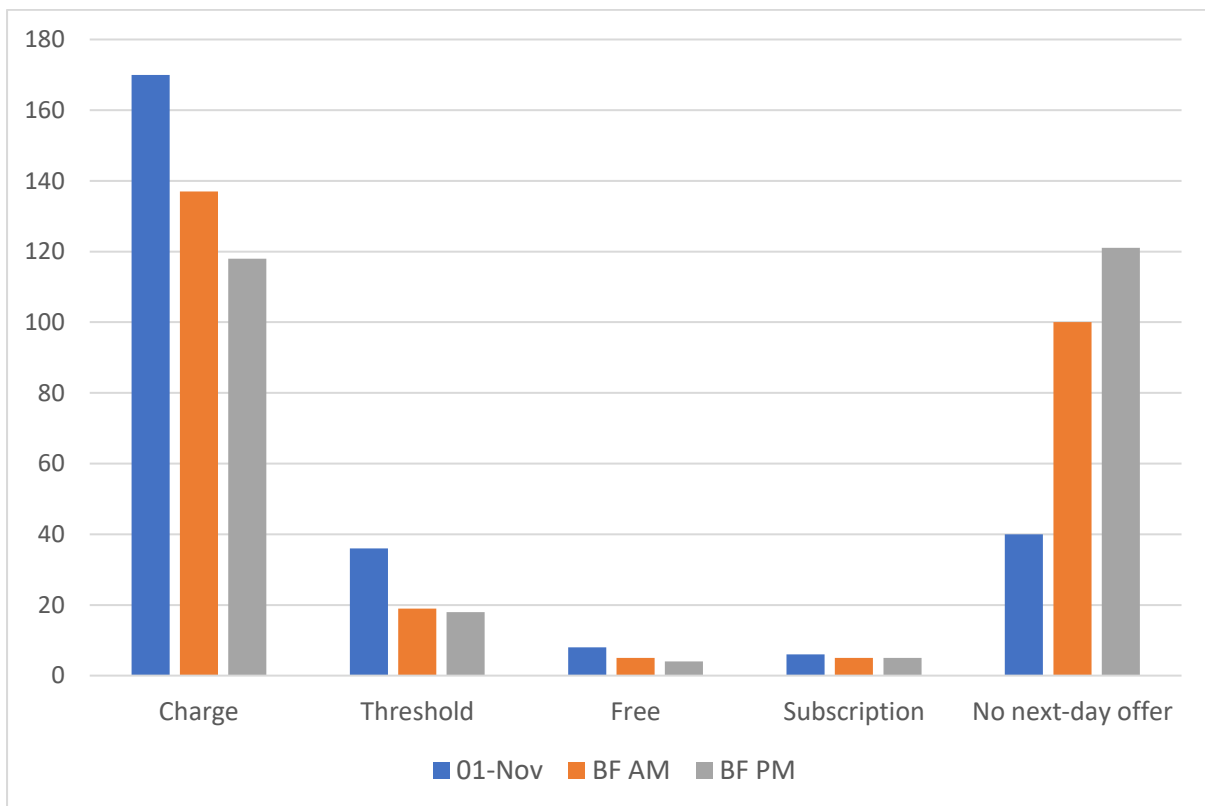


Chart XIII – Next day offer, 1 Nov and Black Friday 2018, sample of 260 retailers

So, for example, on 1 November, 170 offered charged next-day delivery and 36 had a threshold (spend over £80 to get free next-day). On the morning of Black Friday, this dropped to 137 and 19 respectively, as retailers restricted it. Then as the volumes built on Black Friday, the number of retailers offering no next-day option rose from 40 on 1 November to 100 on the morning of Black Friday, and 121 in the afternoon.

Observations and outstanding questions

Should you let shoppers know when you plan to launch?

Black Friday, as a concept, has always been problematic as shoppers are aware that there is a specific date, close to Christmas, when lots of products will have heavy discounts against them. The message inadvertently given to shoppers is that they shouldn't shop in early November, or even October, as it will be cheaper on Black Friday.

Many have reacted to this by changing elements of their site black in early November, to instil the idea that the deals are already good. It has also become common for retailers to be very specific about when Black Friday deals are going to start; either by giving a date, or using countdown mechanisms ('Black Friday starts in 5 days').



BLACK FRIDAY IS COMING!
DEALS START 15 NOV

SHOP OUR CURRENT DEALS

An outstanding question concerns whether this is a positive marketing approach. While using prominent banners like that should impact conversion in the lead-up to launch, it does create anticipation around it in a way that could generate far more interest than sudden launches (where the retailer doesn't mention Black Friday at all before switching it on).

At other times of year it is sometimes the case that retailers – particularly large ones – do sometimes shift huge numbers of products on the days when they launch special campaigns. So the drop-off in advance of launch might be made up in a single day using this approach.

The jury is out on this currently, though it's something IMRG will look at tracking in more detail in 2019.

Use of rich content

Going back a few years, best practice advice was to strip down site pages for the Black Friday peak – using low-resolution images and temporarily removing any kind of content or functionality that might introduce lag to load speeds when traffic levels get so high.

A lot of work has gone into ensuring sites can handle this load, to the extent that rich images and non-essential functionality is still used on retail sites during Black Friday. Some even use auto-play videos on the homepage on Black Friday.

Black Friday used to be the day of the year where usual retail best practice is ignored and all the focus goes on promoting a headline discount to shift as much stock as possible – black background, large text, no bells and whistles. Many are now far more adventurous with their site displays, though there is still an issue with sites falling over on the day – so the balance might not be quite right yet.

Newsletter subscribes / unsubscribes

In principle, Black Friday can be viewed as a strong opportunity to attract new customers and reward existing ones. It has become very common for retailers to promote subscription to their marketing lists as the gateway for early access to the best deals.

Though we cannot currently quantify how successful this approach is, anecdotally many report that it is technique that drives sales over this period.

Email volumes can become fatiguing for shoppers around Black Friday however, with some including temporary opt-out options in their emails. These must have been inspired by customer feedback and are not yet used widely, but an interesting communication development.

Take a break from our emails until Black Friday is over ▶

Comment from Neelam Kharay, IBM

“Across most measures, email open-rates during the holiday period are about 5% or more lower than they are during the rest of the year. The overall number of emails we open will be well up, of course, thanks to the sheer volume being sent, but it’s interesting to note that even though we’re expecting to be hit with offers from our favourite brands, we’re not jumping conspicuously on the chance to check them out. More worrying for retailers, perhaps, is that click-through performance is even poorer at this time of year, dropping by an average of 17.6%. So almost one in five people who have seen something they like in a subject line, from a brand they respect, are less likely to investigate a promotion than they are to click through to less competitive offers during the rest of the year.”

A logical conclusion to retail’s annus horribilis?

The Black Friday period was very interesting this year, featuring heavier discounts and more campaigns than ever before. The period leading into it was already difficult, forcing retailers into offering those high and wide-ranging discounts, but the demand just did not quite keep up and it’s hard to interpret performance over the full Christmas period as anything other than disappointing.

That said, there are reasons for optimism in online retail. As shown in this report, the first half of the year was very strong even while store retail has experienced an annus horribilis; online seemed to be benefiting from declining sales and footfall on the UK high street. In Q2 2018, when there were many elements influencing a feelgood factor (warm weather, royal wedding, World Cup etc) online sales growth was very strong. Things seemed to be going very well at that point.

It is only the second half of the year where the suppressed confidence and spend, evident in so many other sectors, has spread to online retail; the macro-economic situation must be exerting pressure here, particularly with Brexit approaching its crunch period in Q1 2019. If there was greater certainty and shopper confidence had not been so negatively impacted, it seems a reasonable bet that online retail could have finished 2018 with much stronger growth.

It appears that there might be something of a fork in the road heading into the new year then. If Brexit is somehow resolved, however it plays out, to an extent that helps build shopper confidence again, online is likely to be a key beneficiary. If 2019 proves to be a year of continuing uncertainty, with repeated delays and political developments causing market disruption, it may prove to be a tough year for online retailers to navigate.

Comment from Neelam Kharay, IBM

“The annual autumnal bonanza has proved hugely popular in the past, with UK shoppers looking to snap up some serious bargains as Christmas shopping begins in earnest. Indeed, some even questioned whether shopping habits would ever be the same again: why would anyone be prepared to pay full whack in December when the month is bookended by two massive sales? This year’s subdued peak represents a shift in approach, and it will be interesting to see if a turbulent 2019 further unbalances the scales.”

About IMRG



For over 20 years, IMRG (Interactive Media in Retail Group) has been the voice of e-retail in the UK. We are a membership community comprising businesses of all sizes – multichannel and pureplay, SME and multinational, and solution providers to industry.

We support our members through a range of activities – including market tracking and insight, benchmarking and best practice sharing. Our indexes provide in-depth intelligence on online sales, mobile sales, delivery trends and over 60 additional KPIs.

Our goal is to ensure our members have the information and resources they need to succeed in rapidly-evolving markets – both domestically and internationally.

www.imrg.org

About IBM



Artificial intelligence (AI) is changing the way marketers, commerce and supply chain professionals engage customers. Fuelled by the Watson AI platform, IBM Watson Customer Engagement is leading the way with proven solutions that are designed to fit seamlessly into the way practitioners work and get smarter over time. It extracts new value from all the right data to deliver more personalised customer experiences; deepen interactions through better recommendations; and provides unprecedented visibility to mitigate risk.

With embedded expertise and advice, Watson Customer Engagement gives marketing, commerce and supply chain professionals a 360-degree view of the business that results in better outcomes for every customer.

IBM Watson Customer Engagement is the only AI powered solution enabling clients to: do more with their data, enrich individual interactions, assess and pre-empt disruptions and act with confidence.

For more information, please visit [here](#).

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