



HOLIDAY SHOPPING INSIGHTS 2019



ADVANTAGE
DIGITAL TECHNOLOGY

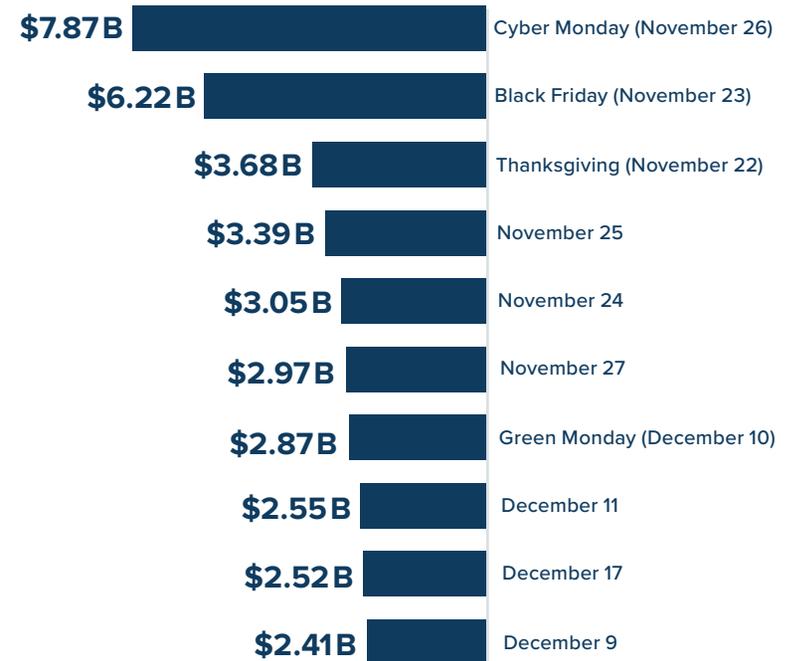
2018 HOLIDAY SHOPPING REFRESH

An estimated 165.8 million consumers shopped between Thanksgiving Day and Cyber Monday in 2018, according to the National Retail Federation. Nearly all those shoppers, 95%, used the Thanksgiving weekend to purchase holiday gifts and other items, spending an average of \$313.

Cyber Monday was the top online spending day of the 2018 holiday season with \$7.87 billion in sales. Thanksgiving Day placed third, with \$3.68 billion in online sales, according to eMarketer's review of figures from Adobe.



Top 10 U.S. Holiday Season Shopping Days Ranked by Retail E-Commerce Sales 2018



Represents activity on Adobe's platform, broader industry metrics may vary.
Adobe, January 31, 2019 from eMarketer

Thanksgiving Weekend Shopping

45%

Shoppers who said Thanksgiving weekend deals were better than those earlier in the season

65%

Purchases influenced by sales and promotions

69%

Consumers' holiday purchases that were specifically for gifts

The Rise of E-Commerce

In a sign of the increasing adoption of digital research and buying, 41.4 million online-only shoppers outnumbered 34.7 million in-store-only shoppers during the Thanksgiving weekend 2018, according to National Retail Federation. Analytics shared during Amazon Advertising's Holiday Readiness Webinar showed a 1% decline in the number of store visits on Black Friday 2018. Meanwhile, online traffic saw an increase of nearly 28%.

Mass merchandisers and home improvement retailers saw the most significant increases in online transaction volume from 2017, 24% and 23% higher, respectively, according to Bain & Company. This growth can be attributed in part to expanded free shipping services with lower minimum purchases or no minimum purchase requirements.

Target, for example, introduced free two-day shipping with no purchase minimum during the holiday season, while Walmart offered more items eligible for free two-day delivery with a \$35 purchase minimum.

The season also saw an increase in the use of smartphones for online shopping. Two-thirds of Thanksgiving weekend shoppers turned to their mobile devices to research and purchase holiday items, according to the National Retail Federation. Younger, more digitally native generations, especially, used social media apps to track sales and promotions.

Multichannel Shopping

Of the 165.8 million U.S. holiday consumers last year, 54% shopped both online and in-store during Thanksgiving weekend, according to the National Retail Federation. Brick-and-mortar merchants attracted shoppers to their stores with flexible fulfillment options, most notably, buy online and pick up in-store (BOPIS). The 2018 holiday season's BOPIS orders among multichannel retailers were up a staggering 50%, primarily because shoppers embraced the no-shipping-fees option, according to Adobe Analytics.

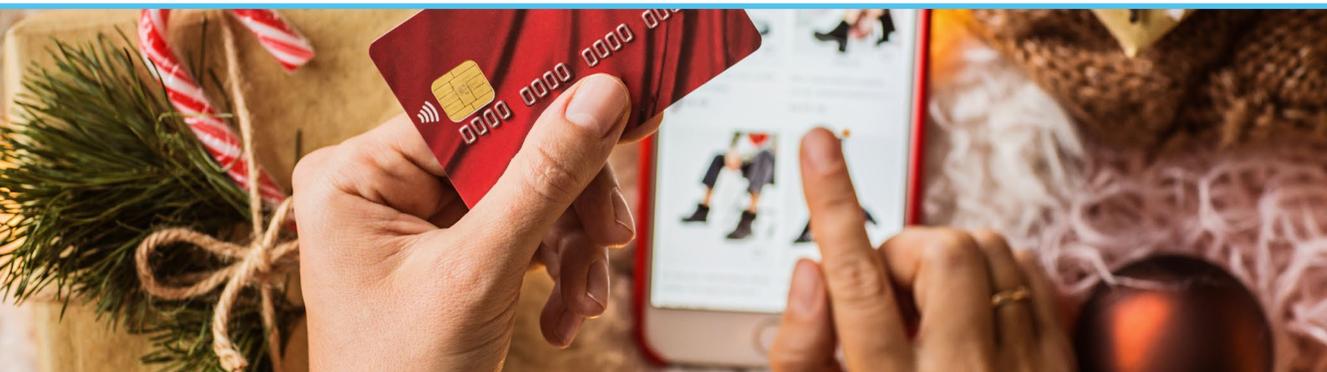
EXECUTIVE INSIGHT

“The key to a successful Cyber Monday on Amazon is not overspending on advertising. Instead, focus on advertising certain keywords to impact organic ranking and optimize listings well before Thanksgiving weekend.

“Then, four to six weeks out from Cyber Monday, marry a coupon with an increased ad spend to boost catalog visibility. These sales will provide more momentum, which in turn will get more visibility. The goal for those four to six weeks is getting as much visibility as possible, so brands won't have to pay to be on Page One during Cyber Monday.”



Ryan Mulvany
Executive Vice President
& General Manager
Quiverr



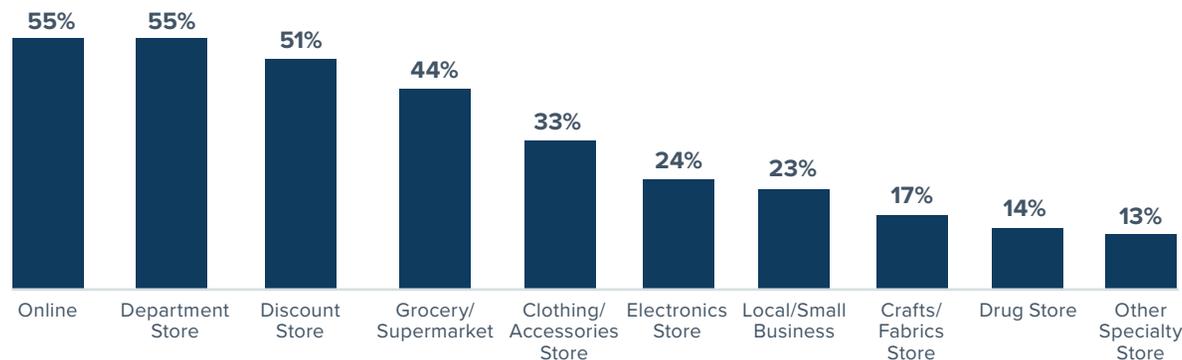
Click-and-Collect Strategies

With its innovative supply chain and disruptive business strategy, it's no surprise Amazon tops the list of most-visited websites during the holidays, with the 2018 season seeing more than 1 billion items shipped for free through Amazon Prime, according to eMarketer.

While Amazon dominated online shopping for the holidays, brick-and-mortar retailers leveraged their physical stores for last-minute purchases and as a “warehouse” for click-and-collect orders. Walmart took advantage of its expansive store footprint to drive click-and-collect purchases and command second place behind Amazon for the top U.S. retail sites, with 131.9 million online visitors during the month of December, according to Comscore statistics reported by eMarketer. Target ranked fourth with 79.1 million. Best Buy holiday sales grew 6% from 2017 to 55 million visitors to take eighth place.

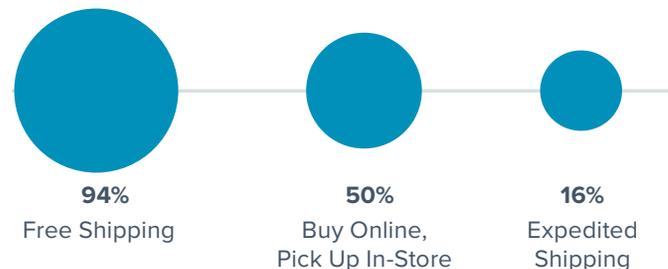
Where Consumers Planned to Purchase Holiday Items 2018

Top 10 Responses



Fulfillment Trends

Do You Plan to Take Advantage of Any of the Following Services When Shopping Online?



National Retail Federation, “Annual October Holiday Consumer Survey” 2018

EXECUTIVE INSIGHT

“In my opinion, Walmart is the clear leader for holiday omni-shopping because they truly carry the full assortment, from regular groceries to hard goods and holiday items. They have become a destination.

“Kroger is closely following behind, offering a similar breadth of product categories that makes the retailer a one-stop shop, both online and offline.

“The continuation of the importance of click-and-collect and omnichannel shopping will challenge consumer goods companies and retailers to ensure their marketing spend is being invested in the right places to maximize the impact of returns.”



Chris Butler

President

Advantage Digital Technology

Wrapping It Up

The 2018 retail holiday season was exceptional, having some of the highest growth rates for both brick-and-mortar and e-commerce sales since 2011, driven by retailers and brands accommodating shopping behaviors in a new way.

Total retail sales climbed 5.4% to \$998.32 billion, according to eMarketer. Brick-and-mortar sales remained strong, with \$874.42 billion in sales and a 3.9% growth compared to 2017 and e-commerce sales soared 16.7% to \$123.9 billion.

Several factors played a role in a successful 2018 holiday shopping season. Retailers started holiday deals early to build hype well before Black Friday and Cyber Monday with deals and incentives for consumers to apply to future sales. Retailers were also focused on digital execution.

“The season experienced a surge in mobile buying and retailers used mobile technology to ease shopper stress and provide added convenience,” observed Dawn Munno, director of strategic planning at EDGE Marketing, an Advantage Marketing Partners agency.

With the goal of gaining new customers and building excitement with existing shoppers, retailers were successful in creating a seamless shopping experience between the physical and virtual world. This resulted in shoppers increasing their click-and-collect purchases with the convenience of store pickup and embracing guarantees for orders to be delivered before Christmas with one-day, two-day and even same-day shipping.



Holiday Shopper Profile

The holiday season shopper’s mindset affects her purchase decisions.

Her Mindset

Stressed, Overwhelmed

Organization Is Key

In the Holiday Spirit

Seeking Inspiration



Her Shopping Behavior

Budget Conscious

Planning/List Making

Quality Counts

Seeking Convenient Solutions

HOLIDAY SHOPPING FORECAST 2019

Entering the 2019 holiday season, brands, manufacturers, retailers and shoppers will be impacted by the economy, a shortened shopping window and social influences. Holiday retail sales are expected to grow 3.7% to more than \$1.03 trillion in 2019, according to eMarketer.

U.S. In-Store and E-Commerce Holiday Sales



eMarketer, "U.S. 2018 Holiday Season Review and 2019 Preview"



Holiday Shopping Influencers

Economy

The potential effects of the ongoing trade war with China, which has increased the cost of many imports across retail sectors, have not been fully realized. Nearly 80% of consumers surveyed are concerned that tariffs will cause prices to rise, potentially affecting their approach to shopping, according to the National Retail Federation. Looming risks create a level of unpredictability around how much holiday shoppers will be willing to spend.

Time

Last year, the holiday shopping period lasted 32 days. This year offers just 27 shopping days between Thanksgiving and Christmas. This shorter timeframe forces retailers to start marketing campaigns and promotions earlier, limits shoppers' planning and spending opportunities and strains logistics providers to fulfill orders on time. The reduction in the number of days from 32 to 27 will result in a 25.2% increase in average daily volume for parcel companies, according to ShipMatrix. This presents a new challenge that logistic service fleets will need to address and resolve.

Social

Accessible technology gives consumers more opportunities to shop online with less in-person retail engagement, leading to the reliance of user-generated content and first impressions of online content to be the main determinants of purchase. In the past, customers were mostly local and, if not shopping nearby, faced long shipping times.

Today, e-commerce channels have disrupted the competitive landscape. Two-day shipping and same-day in-store pickup are now the norm and expectations for even shorter delivery times are increasing based on consumer preferences for immediacy, convenience and quality experiences. For example, Best Buy has just entered the fast fulfillment ring with next-day delivery on thousands of items outside of large products like TVs and refrigerators, right in time for the 2019 holiday season.



Consumers Seek Personalized Digital Experiences

This holiday season, online sales are poised to grow 14% to 18% compared to 2018, according to Deloitte's annual holiday retail projections. The rapid increase and preference for digital shopping have opened the door to new forms of marketing, advertising and consumer experiences. From artificial intelligence-backed advertising to coupons based on previous purchases, today's consumers receive more personalized offers. Winning retailers will be those that orient their strategies around the goal of improving their customers' digital experiences.

Three Ways to Personalize Digital Experiences

Meet Customers at Every Shopper Touchpoint

Retailers need to make shopping easily accessible by embedding shopping moments into everyday life, such as Instagram's "shoppable" posts that include links to direct-to-consumer websites or Instagram's "Checkout" e-commerce platform for one-tap shopping.

Offer Convenient Alternative Ways to Shop

Some retailers are looking beyond traditional mobile shopping experiences to drive sales with innovative technology that offers a streamlined path to purchase. With voice technology, shopping can be as easy as speaking. During the 2018 holiday season, orders made through Amazon's Alexa-enabled devices tripled, according to Bain & Company's Holiday Recap and Technology Trends for 2019. Jetblack rolled out a text capability that allowed consumers to text a description, photo or idea of a product and have it delivered by the following day.

Present AI-Enabled Hyper-Personalization

Consumers 34 and under are most likely to click on a digital ad if it applies to their interests, hobbies and habits, according to "Personalize to Play" by Adlucent, an Advantage Marketing Partners agency. Second to that, they click if the ad applies to their age, gender and location. Further, 46.7% of Millennials and Generation Z respondents preferred relevant ads on sites they access for free and nearly 40% say they recall clicking on an ad before making a purchase.

Tools powered by artificial intelligence make the shopping experience more relevant to individual consumers. For example, personalization engines used by retailers like Ikea, Sephora and Urban Outfitters use machine learning algorithms to customize content, while Ikea and Wayfair use augmented and virtual reality to create more personalized shopping experiences.



Today's consumers still value attractive prices, but they value their time more. The desire for convenience and speed without sacrificing quality service and at-your-fingertips access will be the primary shopper mentality this holiday season. Organizations will need to invest in tailored shopping experiences through advertising, marketing and promotions to accommodate the personalization, attention and relevancy consumers demand.

Mobile Will Drive Online Search and Sales

For the first time ever, smartphones accounted for more than half (51%) of all online visits during the 2018 holiday season, according to eMarketer's review of Adobe figures. This holiday season, mobile-driven sales are expected to approach 50% of total e-commerce dollars, based on eMarketer's predictions.

Retailer Apps

Six in 10 Christmas shoppers said they're completely or very likely to use one or more retailer-specific mobile apps to plan for, shop for and/or buy gifts this year, according to Field Agent's "2019 Holiday Preview" report. More than 58 million Americans have the Walmart mobile app on their smartphone, putting it ahead of Uber (52.1 million), Starbucks (44.2 million) and Amazon (54.4 million), as reported by Forbes.

App downloads and high app usage by shoppers will be crucial for retailers wanting to capitalize on e-commerce this holiday season. Retailers that want to be front and center on a device shoppers use almost three hours each day should motivate consumers to download their app.

Social-to-Store Buying

Social media is an essential component in driving mobile sales. In the 2018 holiday season, 8.5% of all Cyber Week mobile traffic came from a social channel, according to Salesforce. For Millennials specifically, Facebook and Instagram are the platforms of choice when searching for product information and should be leveraged to drive traffic to the store through hyperlinked stories and posts, providing a seamless purchase experience.

Mobile app drivers and social-to-store strategies can be implemented through targeted and personalized email marketing campaigns, in-store reminders, in-app special discounts or efficient sales transaction features.

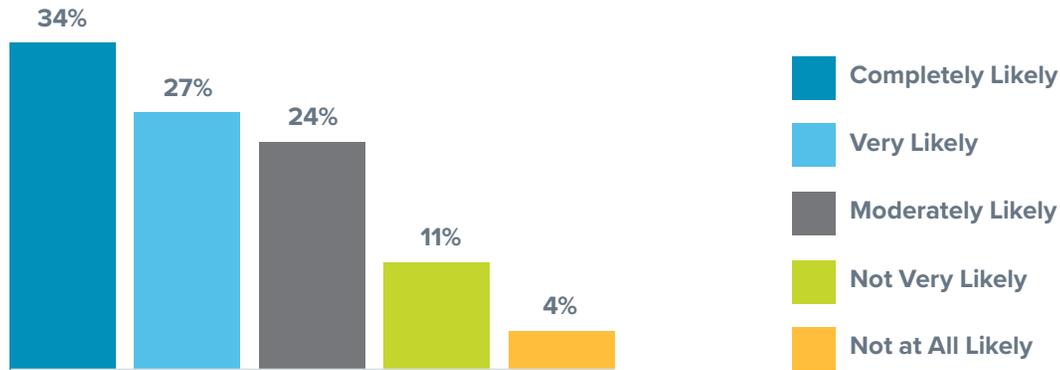
EXECUTIVE INSIGHT

"Brands and manufacturers seldom take the time to check listings on a mobile device. This isn't something you should do just for launching marketing campaigns during the holidays, but throughout the year. Search for your listings, see what your thumbnails look like in the context of competition from within the app. Take note that in mobile app searches, the title for the products go to an ellipsis after 80 characters. Make sure you get the most relevant keywords in before they get cut off. Most importantly, put yourself in the target shoppers' shoes. Ask yourself: Would this be the product I'd click on?"



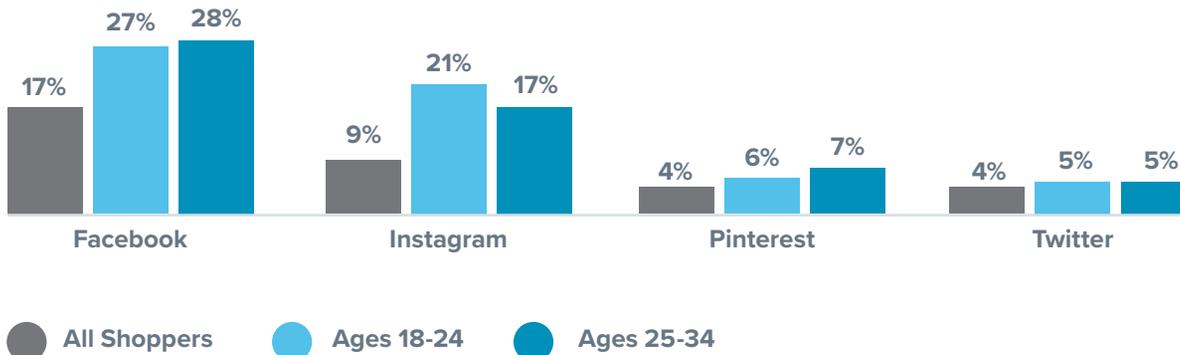
Ryan Mulvany
Executive Vice President
& General Manager
Quiverr

Consumers Plan to Use Retailer-Specific Mobile Apps to Shop for Holiday Gifts



Represents 1,484 Christmas shoppers surveyed.
Field Agent, "An Omnichannel Christmas 2019 Holiday Preview"

Percent Using Social Media to Look for Information on Thanksgiving Weekend



National Retail Federation, "Holiday 2018 Consumer Trends"

Retailer-Specific Mobile Apps Consumers Expect to Use to Shop for Holiday Gifts

75% Amazon

68% Walmart

45% Target

20% Kohl's

15% eBay

14% Best Buy

6% Walgreens

5% CVS

4% Apple Store

Represents 1,259 Christmas shoppers who are at least moderately likely to use a mobile app to plan for, shop for and/or buy gifts in 2019.
Field Agent, "An Omnichannel Christmas 2019 Holiday Preview"

Brick-and-Mortar Stays Relevant

A recent Shopkick survey of nearly 30,000 shoppers reported by Retail Dive found, across all generations, half will complete the bulk of their holiday shopping in stores this year.

Nearly 85% of the shoppers say the experience a company provides is as important as its products and services, according to the Salesforce “State of the Connected Customer Report,” which polled 8,000 consumers. Creating a great offline experience provides the customer a form of engagement that isn’t restricted to just the digital space.

38%

Shoppers who say they’ll probably visit five or more brick-and-mortar retailers this holiday season

Field Agent, “An Omnichannel Christmas 2019 Holiday Preview”

Strategies to Keep Shoppers in the Store

Multichannel Engagement

For holiday 2019, mobile commerce is expected to jump 28% to \$68.19 billion, representing 47.9% of holiday e-commerce sales, according to eMarketer forecasts. Merging mobile with in-store marketing — such as with mobile QR codes and AI-capable apps (like Facebook) that can be held up to displays or packaging for exclusive product content — can provide a unique, multichannel experience.

In fall 2019, Food Business News reported Uncle Ben’s rice partnered with the Google Lens mobile app to place Google Lens stickers on packages and retail displays so that consumers could use their phone to view recipes, nutrition advice, cooking videos and product recommendations based on the consumer’s data. This campaign offered thoughtful, proactive solutions to consumers during a busy time and inspired recipe curation and ideas to share at holiday parties and gatherings.

Loyalty Programs

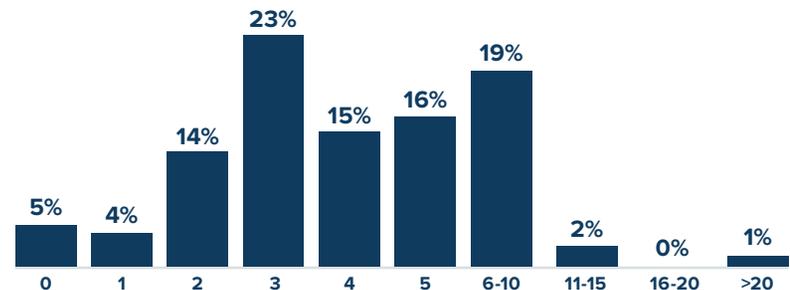
According to Shopify, more than 60% of U.S. shoppers make more store visits or purchases because of meaningful loyalty programs available at their selected retailers. Sephora actively markets its reward card program at the end of the year with exclusive holiday discounts based on the tier members reach in the calendar year. Members of the first tier, “Beauty Insider,” receive \$15 off a purchase of \$50 or more.

Holiday Traditions

One of the strongest drivers of in-store trips for the holidays is tradition. Whether it’s seeing store decorations or taking a photo with Santa, promoting in-store experiences that parallel holiday traditions brings in shoppers and encourages sales. Macy’s has made its Letters to Santa campaign an iconic tradition to bring families into stores by supporting a holiday-friendly cause. On Thanksgiving 2018, Walmart offered shoppers free coffee and cookies to add warmth to the stressful holiday shopping atmosphere.

In the “Me-Commerce Era,” where consumers buy into companies that appeal to their singular needs, stores need to become community centers, turning the in-store channel into a place of engagement with meaningful experiences. As brick-and-mortar retail reinvents itself as experience-led vs. inventory-led, retailers should invest in atmospheric and service enhancements to stimulate shopper engagement. Holiday shopping that feels fun will reengage customers and keep them coming back.

How Many Different Brick-and-Mortar Retailers Do You Expect to Visit to Purchase Your Holiday Gifts This Christmas?



Represents 1,520 Christmas shoppers surveyed.
Field Agent, “An Omnichannel Christmas 2019 Holiday Preview”

Grocery Must Attract Millennials

In 2018, approximately 60% of Millennials took on the responsibility of hosting or planning their holiday meals, compared to 40% of Baby Boomers, according to Accenture. Because Millennials are now planning most Thanksgiving and Christmas gatherings, grocery operators will need to accommodate Millennials' taste.

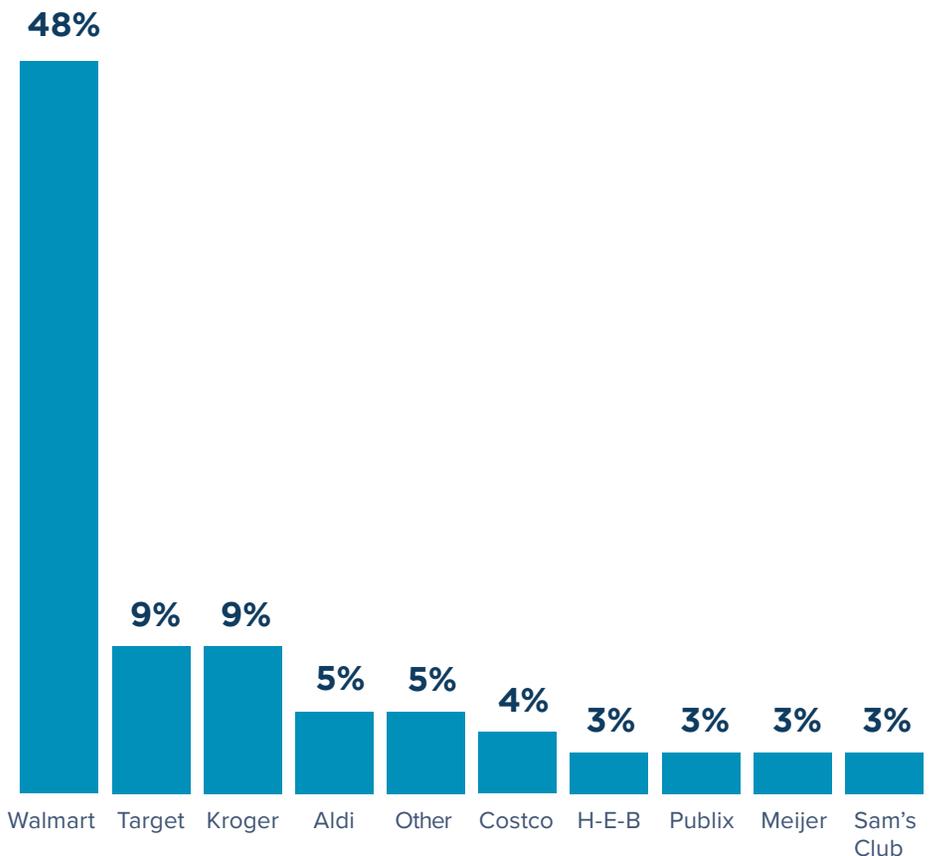
"Food and drink are tied to tradition," noted Liz Fogerty, chief strategy officer for EDGE Marketing, an Advantage Marketing Partners agency. "Millennials' attachment to nostalgia means the Millennial holiday party planner can't imagine the holidays without specific food and drinks being served at a party. What is served is often dictated by tradition and consumers don't readily deviate from it."

Top Promoted Grocery Categories by Share Print and Digital Circulars



Numerator Promotions, "November & December Numerator Survey," 2018

Where Consumers Will Shop the Most for Holiday Food and Beverages



Field Agent, "An Omnichannel Christmas 2019 Holiday Preview"

Top Promoted Spirit Categories by Share

Print and Digital Circulars

Whiskey	27.5%
Vodka	23.8%
Rum	10.1%
Cordial	9.8%
Tequila	9.8%
Scotch	6.2%
Gin	6.1%

Numerator Promotions, "November & December Numerator Survey," 2018

52%

Shoppers who compare prices at different stores before grocery shopping

Top Weeks of Alcohol Sales

\$1.2B	Christmas
\$962M	Thanksgiving
\$941M	4th of July
\$928M	Memorial Day
\$879M	New Year's
\$855M	Pre-Christmas

Numerator Promotions, "Numerator Insights: Alcohol Sales Full Year 2018"

OVER \$2.9 BILLION

in alcohol sales occurred in the final 3 weeks of the year

EXECUTIVE INSIGHT

"Millennials are digital natives. Consumer packaged goods companies will need to find a way to fragment their media across many channels and ensure they leverage highly personalized messaging to their target audience.

"We will see more ads with 'buy now' options targeting this demographic. Some media companies, like Instacart, now offer this feature as part of their ecosystem, removing the friction points for consumers to buy.

"Last year, we saw an uptick in percent of consumers using click-and-collect to purchase their groceries during the holiday season. I predict that we will see even higher numbers this year."



Chris Butler

President

Advantage Digital Technology



Photo courtesy Target.

Innovation in a Maturing Market

Innovation is imperative for survival in today's retail marketplace. To be successful, brick-and-mortar, digital and multichannel retailers must be agile in collecting early customer feedback, continuously and regularly optimizing that feedback to improve and identifying and scaling winning strategies.

Disney Store at Target

The Situation

Disney, which makes \$1.6 billion annually off its retail segment, recognized the need to adapt to changing consumer behavior. Disney and Target partnered to launch store-within-a-store formats in 25 Target locations across the United States.

The Innovation

- The in-store toy shop experience includes music, interactive displays, photo ops and a seating area where families can watch Disney movie clips.
- Along with the physical shops, Target launched the "Disney Store at Target" on its app.
- The store-within-a-store features approximately 450 products, more than 100 previously exclusive to Disney retail stores.

Key Observations

- Exclusive Disney products may help Target gain share in the competitive toy category, especially during the holiday season.
- Instead of attempting to reinvent its retail business, Disney is leveraging a relationship with a retailer that has an established omnichannel strategy and a brand collaboration mentality. This is Disney working smarter, not harder. Understanding shopping behavior inside and outside a specific brand is essential for success in the merging digital and brick-and-mortar spaces.

TikTok's New Ad Opportunities

The Situation

With 500 million users, the video-sharing app TikTok has the potential to be a key media platform for brands looking to reach young audiences this holiday shopping season. The platform is not saturated with branded content. According to Retail Dive, Chipotle Mexican Grill, Uniqlo, Ralph Lauren and American Eagle are among the first major brands to get on board.

The Innovation

TikTok is testing these new advertising features:

- Limited-time brand takeover ads that appear when a user opens the app
- In-feed ads with badges that direct users to an external site to make a purchase
- Branded augmented reality lenses that users can add to videos
- Banner ads that urge users to participate in branded hashtag challenges

Key Observations

- By offering marketing features that align with TikTok's Gen Z target user before the holiday shopping season, TikTok gives brands a new social-to-store outlet that is not oversaturated.
- Branded hashtag challenges are an easy way to promote products on the app. Brands may sponsor a hashtag that TikTok users may add to their videos, potentially boosting discoverability among other users.
- A relevant influencer can demonstrate or use sponsored products that will reach younger viewers, who may add the products to Christmas wish lists.



FINAL THOUGHTS

There are many predictions and forecasts aimed at identifying opportunities that will determine the success of the 2019 holiday season for brands and retailers. The winners will be those who deliver products and experiences that consumers demand throughout the year and make each shopper's holiday purchase journeys unique, convenient and fast.



Top Holiday Shopping Trends for 2019



Personalized Experiences Will Drive Sales

Though attractive prices and discounts regularly appeal to shoppers, consumers want deals and content curated especially for them. Whether shopper data is being leveraged for AI-hyper-personalized ads, e-blasts or product recommendations, shoppers will buy into retailers and brands that address their holiday shopping needs in a personalized, timely and convenient fashion. Investment in and strategic alignment to prioritize personalization is imperative for brands to capitalize on the holiday selling season.



Innovation Will Attract Shoppers in Mature Markets

Retailers who are successful during the holiday season and beyond will be innovation masters. Investing in new technologies can generate stronger, or even new, revenue streams. For those looking to stand out during the noisy holiday shopping season, a willingness to invest in technology will provide an opportunity to separate themselves from competitors and maximize sales potential.



Mobile Shopping Is on the Rise

With the emergence of new sales platforms, consumers have changed how they shop. Retailer apps and social media platforms will be frequent stops on the path to purchase and brands must consider how they will invest in retailers' mobile shopping apps and social media content that will drive shoppers' purchases. It is crucial brands have a seamless mobile experience and rock-solid content management strategy entering the holiday season.



Shoppers Will Go Inside the Store (but Will They Return?)

Customers may come in for fast, good and cheap, but they will come back for unique. Retailers and brands must invest in atmospheric and service enhancements to stimulate shopper engagement. Most consumers consider holiday shopping a hassle. Creating a warm, enjoyable shopping experience will engage shoppers who want to feel the holiday magic while gift shopping.



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