imrg

Black Friday and Christmas Preview 2017

A report looking at what we can expect from Black Friday and the online retail Christmas trading peak in 2017

INTRODUCTION – A SETTLED PEAK PERIOD?

When we talk about Christmas peak in retail, these days we tend to mean Black Friday. Or at least the Black Friday period, to be more accurate. There are other peaks of course, but that's become the one that really matters for many.

It's been fascinating to watch this event evolve over the past few years. The scale of it is so huge that it appears to be a bit uncontrollable. Its character changes, the period it covers extends (might it contract again?), tactics and strategies adapt to suit this new format of peak trading.

And therein lies part of the problem. It's such an important time of year for sweeping up a share of the huge (albeit, often discounted) spend that goes through the virtual tills that the approach retailers take does seem to have become a bit safe; a bit uniform.

We've had 3 years of this new format peak trading now and the first year (2014) was a bit traumatic. Retailers don't want to (indeed, can't afford to) miss out on having a successful peak, so they do what seems to work.

But – and it's a big but – this thing doesn't ever seem to settle into a reliably predictable pattern. It's shown a remarkable capacity for evolving in size and scale each year and the opportunity for innovation is absolutely ripe for those who find clever ways to stand out against their competition.

So – in this report, which we have written in conjunction with ecommerce consultancy Salmon, we are looking ahead to what might happen during the Christmas trading peak in 2017. There are some fairly established best practice techniques to consider and we cover those of course, but always with an eye on where we might just see some innovative strategies creeping in this year.

This thing won't stand still and neither should you.

Andy Mulcahy
Editor, IMRG

PEAK OPERATIONS – PREPARE WELL IN ADVANCE

While it would be premature to call 2016 the end of Christmas sales, what's clear is that peak trading has shifted dramatically towards the Black Friday period. With more traffic, more orders and more conversions occurring over Black Friday week, consumers are embracing the smorgasbord of deals that November offers, leaving Christmas deals trailing in its wake.

This was the third year running that ecommerce consultancy Salmon ran its cross-client Peak Operations Centre, where it set up a dedicated, multi-disciplined team of ecommerce professionals including system engineers and front and back-end software developers to provide an escalation path for some of the largest online operations teams across UK retail including Argos, Selfridges, Habitat, GAME and Ted Baker.

Data from its Operations' Centre shows the Black Friday period (22–28 November) was significantly busier than peak trading at Christmas (21–27 December), with 28% more orders taken than during the festive period.

Consumers are also twice as likely to convert sales on Black Friday day as they are on Boxing Day; the latter, arguably the most famous and traditional sales day for millions across the UK, is being overtaken by the online phenomenon Black Friday. For the Black Friday period overall, the conversion rate was 35% higher than the Christmas period.

So what does this mean for operations peak planning in 2017? We've included a detailed breakdown in the operations section of this report where readers can find a link to download our 'Black Friday 2017 Operations Playbook' for further insight. However, the big points to watch out for in 2017 include:

1. Black Friday is here to stay with big traffic spikes so get prepared well in advance with a rehearsal of systems and people. Remember it's going to start early this year!

2. Focus on your back-end interconnecting systems for order-capture, payments, communications and fulfilment. Get them ready for order spikes.

3. Think mobile first. 2016 saw a tipping point for mobile when, for the first time, the majority (51% of Black Friday orders) were made on mobile devices, up from 46% in 2015. This is likely to increase in 2017.

Finally – ensure you have a plan in place for the growing interest in Black Friday deals from international buyers and the impact this has on operations, fulfilment and payments.

James Webster
Head of Managed Services, Salmon

Salmon
**SHAPING FUTURE COMMERCE**

PEAK 2016 – A QUICK RECAP

Let's start by summarising the history of Black Friday (in the UK) in a single paragraph – 'Christmas peak' used to refer to Cyber Monday and Mega Monday primarily. Black Friday first reared its head around 2009 / 2010, on a small scale, largely on Amazon. It built up awareness over the subsequent years before exploding onto the scene in 2014 as the peak trading day, then extended over a long weekend (Thu-Mon) in 2015 before becoming more of a 'peak week' in 2016 (Mon-Mon).

This is not to suggest there is any consensus on campaign periods, it just represents a period of heightened activity – some run them for a day, others a weekend, a week, two weeks or even a month. There is no logical limit or restrictions, as Black Friday is linked to Thanksgiving in the US and therefore isn't anchored to anything in the UK. It can be as short or long as a retailer desires and take on whatever character they choose – remember, not everyone discounts and some seek to make a virtue of that fact.

We ran a daily sales tracker in 2016 covering the Black Friday week and, as chart 1 shows, there are two clear trends:

- The more established peak days (Black Friday and Cyber Monday) have the lowest growth rates, though they are still the big days from an overall value perspective; and

- The highest growth was all in the days preceding Black Friday, particularly the Monday.

YoY & Growth for the Black Friday Period
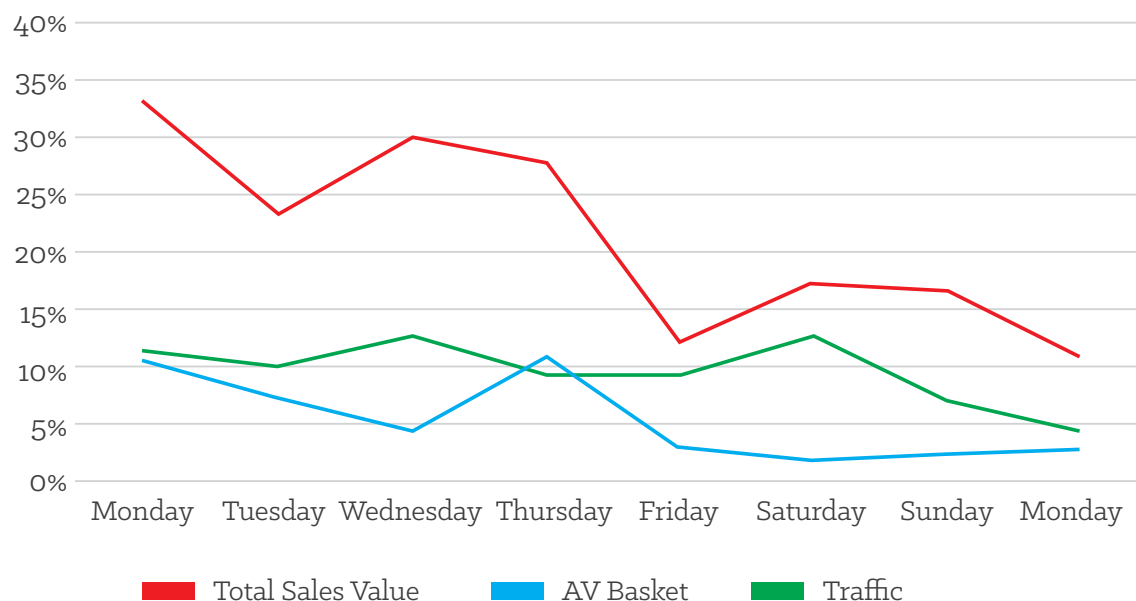
Chart 1 – YoY growth for the Black Friday week

Chart 2 illustrates just how widespread Black Friday participation is. This was a tracker of how many of the top 75 UK retailers had either launched, or were actively promoting an upcoming Black Friday campaign on their homepage, on those days. Over half (43) were already doing this by 14 November, almost two weeks before Black Friday. Participation ramped up over the week leading up to it, then peaked on the day itself at 65.

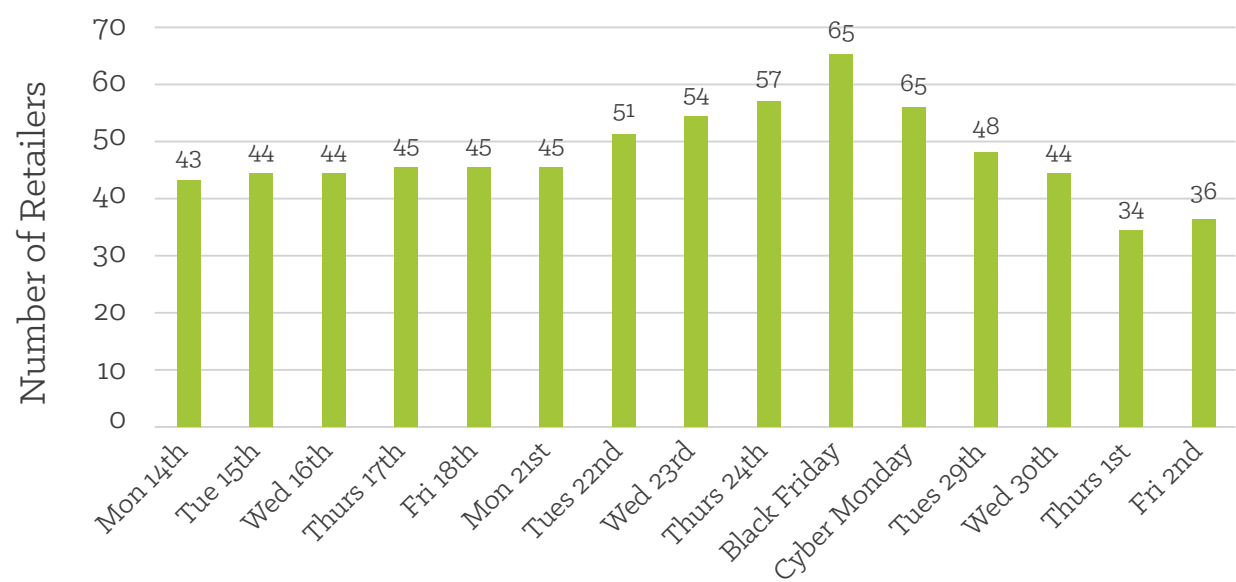## How many Retailers from the 'Top 75' participated in Black Friday Deals

Chart 2 — Top 75 retailer' participation in Black Friday

The Black Friday period is the one that attracts the greatest interest during the festive period, but there were some other notable trends we picked up on over the season as a whole. We also ran a daily tracker over the period leading up to Christmas Day (chart 3). The major spike is 19 December, which was the Monday before Christmas. It's likely that this was expressive of the final day on which people felt confident of definitely getting their order in time for Christmas Day. The next peak on 23 December may have been the late-late shoppers taking advantage of click & collect fulfilment options.
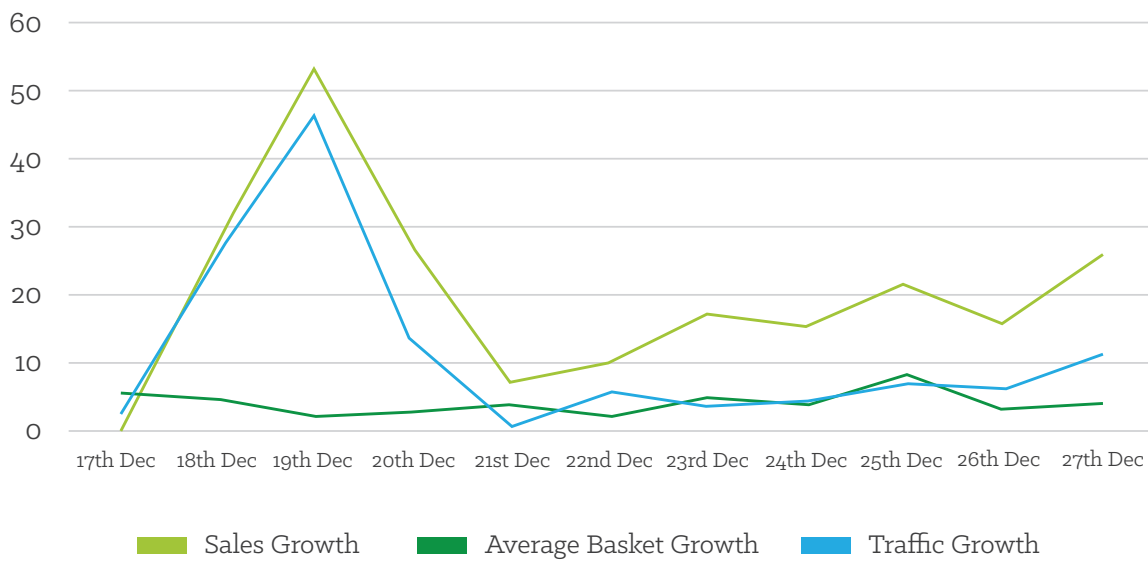
Christmas Sales Growth - YoY

Chart 3 — Christmas week YoY sales growth

If we split that period by device, chart 4 shows some interesting, though perhaps not entirely surprising, variations in usage. On the Monday (19) and Tuesday (20) leading up to 25 December, desktops accounted for the highest share of sales – as many people were still at work at that point. Then, from Christmas Eve to Boxing Day, smartphones took the highest share. During that period many people visit family so smartphones may be the only device they have to hand.

Share of sales by Device - Total Market
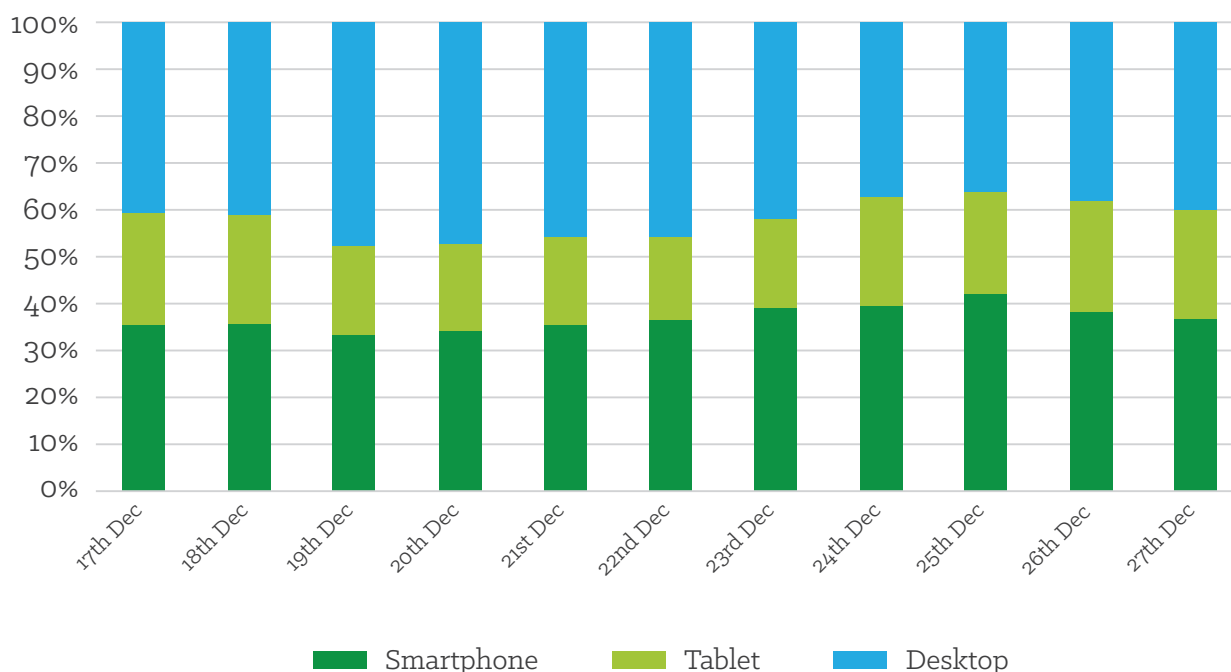
Chart 4 – Share of sales by device, Christmas week

BLACK FRIDAY – AN ONLINE RETAIL EXCEPTION?

At any other time of year, best practice for online retail is fairly-well established – if ever-evolving due to the complexity of operating in a fast-paced digital market. Retailers often speak of (with apologies for the clustered use of jargon) their focus on the customer experience and the need to personalise, provide relevant content, get the right mix of delivery and payment options, remove friction, gain a single view of customer etc.

When it comes to Black Friday (and, arguably, Christmas more generally) these terms are conspicuous by their absence. The old adage has it that November and December account for around 25% of retailers' revenue, so all focus turns to shifting units. As Black Friday has condensed the peak time-frame into something far smaller than it used to be, there isn't much margin (no pun intended) for getting it wrong. Hence the style and finesse that may characterise marketing approaches at other times of year is largely side-lined to push the idea that big savings are available for a limited time only.

Black Friday exceptionalism seems to have become problematic from the perspective of shoppers though. There are two primary reasons for this - advertising & marketing fatigue and shopper cynicism.

imrg

Advertising and marketing fatigue

There tends to be two main types of advertising that retailers use around this time. One is to showcase a few examples of the kinds of deal available, which typically takes the form of a series of boxes featuring the best deals and gives the feel of a B2B catalogue. The other is minimalism, stripping out all specifics and appealing to shoppers' sense of curiosity, hoping to attract them to the site to delve into the full range of deals. White text on a black background is the standard here, typically with only slight variations between different brands (image 1).

While that approach may be in line with the character of Black Friday – ie it's all about discounting and massive scale – there appears to be such consensus on this format that it can become very fatiguing for shoppers. On Black Friday 2016, the Metro newspaper featured a whopping 35 Black Friday-themed adverts from separate companies (note – not all retailers), all of whom almost universally used the same style of advertising and very little in the way of engaging, specific or original content. This 'sale now on, hundreds of deals available' approach was replicated across commercial radio stations, again offering little or no variety with which to engage the listener.

BLACK FRIDAY
SALE

Image 1 – Black Friday sale; excited?

If we compare this to the more general advertising approach to Christmas, the difference is stark. Retailers increasingly look to video as a means for creating highly shareable content that can reach millions of people via YouTube and any other network users feed it into. These are typically multi-million pound blockbusters, running over several minutes and featuring clever story-lines or dance routines (image 2) – all unique and designed to stand out from the competition and appeal to a target demographic.

On Black Friday 2016, the Metro newspaper featured a whopping 35 Black Friday-themed adverts from separate companies
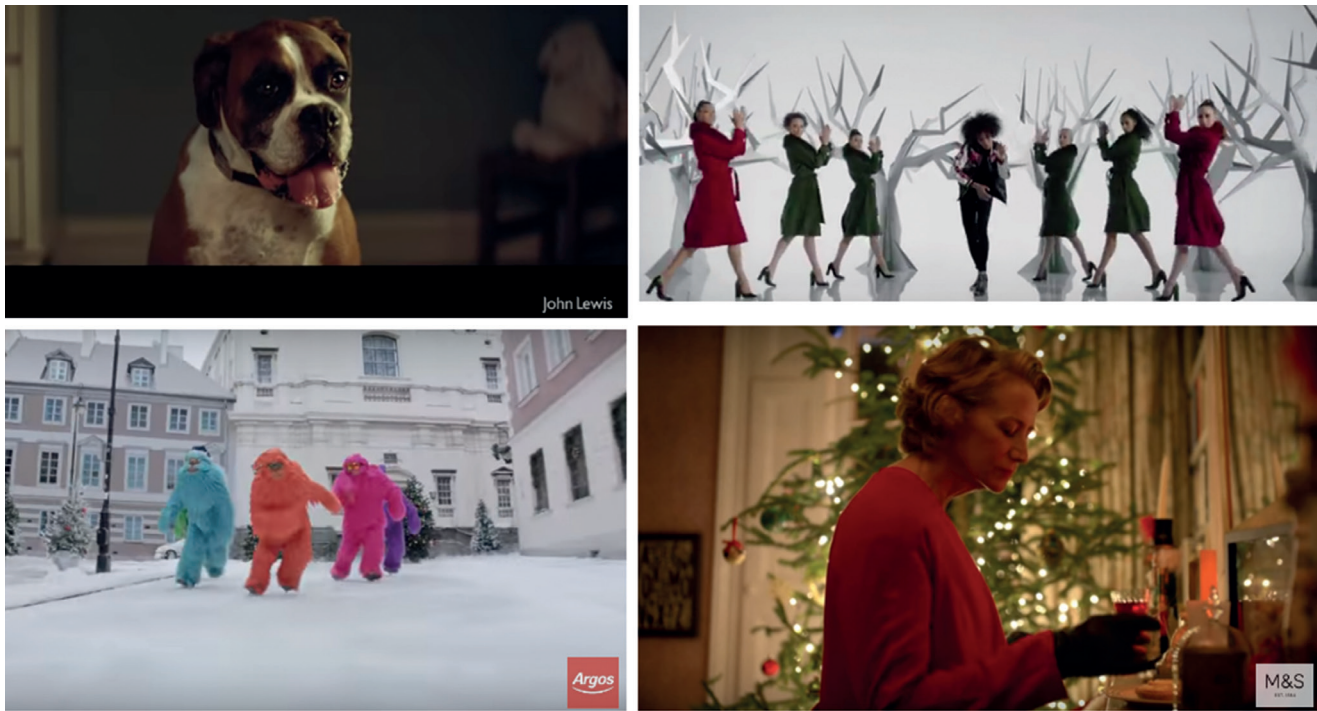
Image 2 – Christmas adverts, L-R clockwise; John Lewis, House of Fraser, M&S, Argos

While email newsletters offer a lot more scope for imaginative and focused marketing, particularly for those with the resource to structure different content for every day of their campaign, there is the issue of volume to consider. Regular shoppers are likely to be signed up to multiple retailer lists and receive marketing emails from several sources at any time of year, but during the Black Friday period the subject lines can become remarkably similar and again it can be fatiguing.

Shopper cynicism

In the week before Black Friday in 2016, as the marketing clamour was reaching fever pitch and retailers were braced for the mass upturn in sales activity, the consumer group Which? published the findings of research[1] they had carried out into promotions. Over a five-month period (three before and two after Black Friday 2015), they tracked the prices of 178 products daily (which were specifically promoted as Black Friday deals) and found that only 90 were available at their cheapest rate for that period on Black Friday itself. The other 88 could have been purchased at a cheaper price at other times during those five months (so the Which? research alleged, at least).

Image 3 – Are they whiching you?

---

1 The Guardian, Black Friday warning as report finds only half of offers are the real deal, 16 November 2016

For a retail event that is already no stranger to negative PR, to challenge the very reason why it manages to keep engaging people on such a huge scale (ie that the prices on offer are best-of-year) it was something of a body blow. It served to underscore and provide evidence for the nagging doubts that people generally have when faced with promotions that seem too good to be true.

As it turns out, Black Friday (as in the week-long period, as opposed to the single day) still performed well enough from a sales revenue growth perspective. We estimated that £1.23bn was spent online on Black Friday (+12.2% higher than same day in 2015) and £6.45bn over the period of Monday 21 – Monday 28 November 2016 [2].

The problem is that it adds to the cynicism that people have regarding the event, which is already fairly prominent. A survey we ran with Toluna [3] in October last year found that 61.5% of respondents do not trust claims made about Black Friday discounts. All of which of course makes it harder for retailers to convince shoppers that they really are getting a good deal.

Like it or not, the Black Friday period has become a crucial part of peak for retailers so shopper sentiment toward it is important. In another survey we ran with Toluna [4] in June 2016, we asked shoppers how they felt about sales events like Black Friday. 24.5% either hated or disliked them, 31.5% either loved or liked them and the remaining 44% had no strong feelings either way. In a similar survey ran a year earlier with eDigitalResearch, the love / like and hate / dislike split was very similar, at around 30% for each. As this data suggests, people are not changing their minds about disliking it to liking it, but instead to apathy with the whole thing.

But the big question here concerns whether the Which? report will have any lasting impact on shopper attitudes. We have seen customer feedback, sourced by a retailer, that asked why they didn't shop with them on Black Friday. If this feedback (which we can't quote verbatim or name the retailer, for obvious reasons) is anything to go by, then the influence is clear to see – common phrases were 'it's a con / lie', 'I can get things cheaper at other times' and 'I don't believe the deals are genuine'. It's the exact language of the Which? report, suggesting it has had a pretty tangible influence.

It remains to be seen whether Which? will publish results of similar research in 2017 but, even if they don't, it may well be that the damage has already been done.[5]

Ominous signs:
'It's a con / lie', 'I can get things cheaper at other times' and 'I don't believe the deals are genuine'. Common phrases in Black Friday feedback from shoppers.

31.5%   44%   24.5%
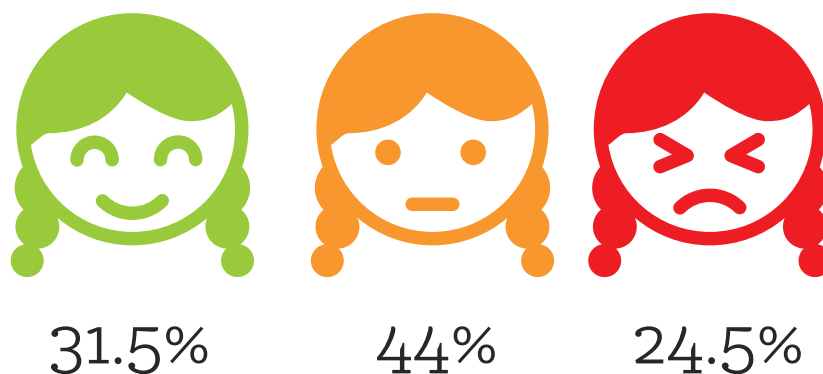
IMRG / Toluna survey of 1,000 respondents – 'how do you feel about sales events like Black Friday'

2 IMRG, IMRG – Black Friday online sales performance update, 29 November 2016

3 IMRG, How do shoppers perceive value today?, 7 December 2016

4 IMRG, What people think about Black Friday, 27 June 2016

5 At time of writing, Which? were not listing Black Friday on their website as one of their campaign focuses

Working out what works for you

The Christmas trading period used to have a predictable pattern in terms of where the peaks would fall. Traffic and sales activity on retail sites would gradually build toward the end of October / start of November, reach a peak for the full period on the last Monday in November and first Monday in December, then gradually fall away again with a few remaining peaks around final guaranteed delivery dates etc.

Black Friday, post-2014, has disrupted this pattern in two ways primarily – firstly, by pulling a bulk of ordering activity further forward into November and, secondly, by compressing a large share of Christmas sales into a more focused period.

Whether retailers like it or not (and opinions do tend to be very split depending on who you speak to), Black Friday has altered the structure of Christmas trading to such as extent that it seems unlikely it could revert to its old pattern. That said, it's important to remember that there is no consensus on when 'Christmas' has to start or end for any particular retailer – which provides flexibility to a degree, but also plenty of scope for getting it wrong.

One thing that can be relied upon from a structural perspective regarding Black Friday is that it is a 'period' as opposed to a day. Black Friday itself remains the biggest day in terms of sales volumes and site traffic, but there is no reason for retailers to view it as being static and restricted to a set time-frame. This is not to say that retailers can't just offer deals on the day itself – plenty do – the challenge each year is optimising when to launch, how long the campaign should run for and how wide-ranging the deals should be.

As explained previously, in 2016 several Black Friday campaigns were launched earlier than had been the case in the two previous years. Campaign activity and marketing ramped up on the Monday of the Black Friday week (w/c 21 November) but actually there were already several campaigns in full flow before that, including some by very large retailers. Which begs a question – when is the best time to launch?

If we look at the November 2016 Sales Index data [6], broken down by week, we can see that the biggest share (34.2%) of online retail sales for November occurred during week 3 (by our index definition of when the weeks fell [7]), which was Black Friday week. This was a similar pattern to what we recorded in 2015, though the share in 2016 for Black Friday week was slightly higher (by 1.2 percentage points).

This would appear to indicate that the best time to focus campaign activity is Black Friday week. It's worth bearing in mind that this data is signalling sales revenue growth – so the greatest share of actual purchasing is being completed within that period. However, this also coincides with when the heaviest marketing activity was taking place, so the unknown variable is whether people are principally buying then because they are receiving so many promotional communications about it (ie they are being encouraged to do so) or whether that is the period when they are primed and willing to shop anyway. If the bulk of marketing activity jumped forward a week, would shopper behaviour follow or is there a logical limit to when people are ready to start their Christmas shopping?

As with so many things in retail, being able to predict exactly how shoppers en masse will react to something is very difficult. Retailers have had since 2014 to trial different campaign durations, so will probably already have a reasonably good idea of what works for them. But – it is very important to ensure you build some degree of agility into your campaign plan, in case your main competitor does something surprising that catches you out. Being too rigidly adherent to your original, best-case scenario plan could be extremely limiting in that situation.

---

6 IMRG Capgemini Sales Index, December 2016

7 Week 3 in 2016 was defined as Sunday 20 – Saturday 26 November

imrg

BLACK FRIDAY AND ITS IMPACT ON OPERATIONS

Sponsored by Salmon

Thinking about how to ensure your supporting operations are optimised for performance during this crucial time of year, here are four things to consider and six tips to aid your planning, from ecommerce consultancy Salmon.

1. It's no longer a one day phenomenon, so plan your operations accordingly

We're now seeing the majority of retailers participate in Black Friday sales well before the actual event. Ecommerce agency Salmon labelled it 'Black FiveDay' in 2016, as most of the traffic and orders appeared from Thursday 24 – Monday 28 November. This spread in promotions over a longer period has had its impact on operations. It's no longer the case that on the stroke of midnight on Black Friday a company's website will be flooded with consumers looking for the deal as soon as it goes live. This is good from a systems point of view, as traffic loads are balanced out across a 24 or 48-hour period. What this does result in is a need for your operations team to be on duty for longer periods – so personnel planning needs to be factored in with shift patterns in place.

Being able to rapidly react to situations is key. These could be tactical issues such as the need to launch earlier than expected in reaction to a competitor launch or if there are any unforeseen operational issues arising during Black Friday peak itself. All the right skills, from operations, front and back-end developers, DBAs and technical architects need to be on hand to achieve a timely solution.

2. It's not just about the UK customer – think international

Several retailers supported by Salmon reported a significant increase in international sales in 2016, which could have been impacted by Brexit and the depreciated value of sterling against international currencies [8]. It's now more economical for overseas shoppers to buy from UK retailers. Over the 'Black FiveDay' period there were increases in international traffic at peak hours across Europe, the US and as far as China. This had down-the-line implications for back-end processes that potentially hadn't planned for strong order numbers entering the system at off-peak times. It also reinforces the need for global brands to have robust international online and fulfilment capabilities.

3. Advance load-testing is still important

Retailers are certainly getting far better in dealing with the 'peaks' phenomenon. They are slowly gathering more and more information from data centres, and cloud computing has allowed them to scale systems to a point where they can deal with extremely heavy loads. However, this does not mean that stress-testing needs to be de-prioritised in 2017.

Stress-testing and advanced planning can help in preparing important contingency measures, which will shore up performance during peak. Content caching is an excellent option for times of high traffic. Non-transactional and personalised content such as product images and descriptions may be cached using content delivery networks (CDNs), taking load off the transactional servers at peak times.

Similarly, limiting functionality on the site during peak period is advisable, as the focus shifts from functionality and shopping experience to performance. Kill switches may be introduced to enable non-essential elements to be turned off during periods of high activity. This ensures that external sites and services, for example, can't negatively impact performance.

Retailers with cloud-based platforms also need to check their cloud service provision as many cloud-based services are likely to be shared between many different businesses, making services vulnerable to being flooded by requests and crashing.

---

8 To get an idea of the impact the drop in the value of sterling has had on cross-border ecommerce, see: IMRG, Non-EU destinations accounting for a greater share of online orders post-Brexit, 26 October 2016

4. The need for system interconnectivity

Most front-end web experience worked well in 2016; it was the back-end where issues occurred. The interconnectivity of systems for order capture, payments, communications and fulfilment needs to be improved across the industry.

The consumer desire for same-day / next-day delivery has put enormous stresses on companies' fulfilment and operations systems, as inventory now has to be ready to be dispatched almost immediately after purchase. It's therefore crucial that back-end systems are heavily interconnected. Ecommerce systems now incorporate myriad platforms – warehouse management, payment transactions (for example, with PayPal), credit card clearers, a search service, and a content service.

All of these platforms need to work collectively and equally quickly for retailers to survive heavy loads during peak periods. If one platform slows, this could decelerate the whole process; the payment transaction service might be quick, but if the search service is clunky, the customer might not even make it to the payment screen.

SIX OPERATIONAL TOP TIPS FOR THE MONTHS AHEAD FROM THE SALMON PEAK TRADING OPERATION TEAM.

To help keep your operations in check, here are some top tips for the months ahead:

1. Implement and rehearse plans for such aspects as how you are going to get your product, pricing and promotional content loaded onto the website with time contingency so you don't run over a pre-advertised start time.

2. When you're stress-testing your systems to see what they're capable of doing, make sure you test them in their totality – everything from back-end including fulfilment systems and services they connect to, right up to the front-end with payment transaction and search fluidity.

3. Examine all aspects of potential system failure and plan ahead with your provider's support teams. If your payment provider's service slows down with heavy loads, do you have the ability to fix or switch provider if it is impacting the customer experience?

4. Pro-actively look at the data you're working with, so you can head off any problems before they occur. Implement an operations dashboard in advance so that you can pro-actively respond to issues before they're escalated.

5. Check to see you have safeguards in place to stop overselling. Make sure your back-end systems can keep your front-end up-to-date with stock levels.

6. Ensure you have a plan in place for international buyers and how that might impact the timing of your operations.

DOWNLOAD THIS REPORT: www.salmon.com/black-friday

BLACK FRIDAY 2017

SPECIAL OFFER

SALE

BLACK FRIDAY

LIMITED TIME ONLY

DISCOUNT

PEAK TRADING
ECOMMERCE OPERATIONS PLAYBOOK

Salmon
SHAPING FUTURE COMMERCE

UNDERSTANDING CUSTOMERS

The Black Friday period attracts a lot of shoppers to retail sites, many of whom may not be existing customers (or active ones, at least) but are motivated to browse on a wider range of sites than normal in the hope of finding something of interest at an attractive price.

On the surface then, it would appear to be a good time to acquire new customers – but not all customers are equal in terms of the value they provide to a retail business and that can become particularly apparent during peak.

Through a process of segmentation, it's possible to understand who your most valuable customers are. This might not simply be the ones who shop with you most frequently – it's more likely to be the ones who give you the most margin (ie pay full price), have a low propensity for returning goods and are 'active'. Obviously it would be ideal if every customer was like that, but it tends to be pretty far from reality for many retailers.

November is a bit different…

This table shows how sales revenue growth through smartphones has been on a general downward trend from a high base over recent months. The exception is November (where Black Friday occurs), when behaviour switches notably to using these devices for multiple shopping tasks – browsing sites conveniently and clicking through emails featuring the latest offers, for example.

MONTH	SMARTPHONE YOY GROWTH
August 16	77%
September 16	77.8%
October 16	66.2%
November 16	100%
December 16	57.5%
January 17	48.5%
February 17	57%
March 17	42.1%

At the other end of the value spectrum might be those who are purely responsive to discounting, so the profit margin you are able to make from them is lower, yet they may also be relatively demanding – checking out with a high-cost basket but returning most of the items and complaining to customer services about it anyway.

Given that a reasonable percentage of the new customers acquired during a period of widespread discounting are likely to fall into this kind of low-margin category, it's worth giving some thought to the marketing segments that these people will be put into for post-Black Friday campaigns. Although the fact that they bought something at a discount doesn't necessarily mean they can be categorised quite so easily. That said, a percentage of these new customers might be different from your usual targets, with different expectations and requirements.

They may be converted into becoming more active (and profitable) customers yet, but it might require a slightly different approach to securing their custom long-term. Taking the hit to margin at the acquiring stage might become more justifiable if they can then be subsequently moved into higher margin customer segments.

For those existing customers that are among your 'best' (which is to say, most consistently profitable really), you might consider giving them the VIP treatment in the lead-up to Black Friday – providing a discount code early to your very best, then staggering access to it over a few days to bring in your second-best, third-best segments etc. Black Friday is about huge numbers of people trying to get access to the best deals ahead of each other – having a sense of exclusivity could be a useful way of developing relationships with your VIP customers.

Using a segmented approach that helps boost relevance of experience for the different types of customer you might be attracting may also help to protect profit margins. Another way is through using product associations – a familiar method for pushing up basket values, which during periods of heavy discounting can really help to balance out the hits to margin on products with the heaviest (and therefore most enticing) reductions against them. The products pushed alongside these may be full price or perhaps available at lesser discounted rates, but can have high appeal as long as they really add something to the product they are associated with.

STANDING OUT FROM THE CROWD

As mentioned earlier, Black Friday advertising has become very monotonous with most retailers simply focusing on the fact that there are deals to be had and relying on shopper interest to be sufficiently piqued to visit the site and find out the details.

For some shoppers, this may correlate with their behaviour quite well – intending to browse multiple sites, far more than they usually would, in search of the best deals; so perhaps just providing an indication that a retailer is participating in discounting activity is enough for them.

It does, however, leave plenty of room for innovation and imagination to capture shopper attention. A defining characteristic of the Black Friday period is the amount of marketing noise that shoppers are subjected to, with huge volumes of emails and adverts all promoting a slight variation of the same message – sending more emails with increasingly bombastic subject lines may not cut through it very effectively. The potential for ever-increasing cynicism among shoppers may also serve to dent levels of responsiveness.

Remember that Black Friday is tied to Thanksgiving in the US – it has no cultural significance in the UK, so it doesn't have anything to inherit its characteristics from. That's why the period to which it refers (which often gets the non-committal moniker 'the Black Friday period') can extend and contract; it's not tied to anything meaningful in this country.

That means your Black Friday activity doesn't have to be based around discounting (though clearly that shopper expectation has been set) – it's a time of year when people have been programmed to shop in huge volumes, so you just need to be able to attract their attention and do something that fits with your proposition and inspires them to buy from you.

This could include not participating in discounting activity over the Black Friday period, and making a virtue of the fact to drive engagement with shoppers. While, on the surface, that would seem counter-intuitive ('we aren't offering any deals, come check us out') it all comes down to the retailer's proposition, the expectation its customers have and how it goes about its campaign. Some have been able to secure considerable media coverage by digging their heels in against discounting – equally, campaigns that actively run against Black Friday as an event can be made to attract a lot of attention and produce positive results if executed in an intelligent way.

The opportunity is there for those with the imagination to grasp it.

INNOVATIVE APPROACHES FROM 2016

Lidl ran a Twitter campaign where the more people tweeted about a product, the more the price came down. This resulted in them selling 40,000 lobsters in a single day[9].

In an interesting twist, the Whisky Exchange[10] marketed the fact that they were putting up prices on Black Friday 2016. This was specific to a small number of the Glendronach 15 Year Old Revival whisky, which was discontinued in 2015 and hence hard to find.

9   Guardian, Lobster tweets lend Lidl bumper Christmas sales, 11 January 2017

10   https://www.thewhiskyexchange.com/feature/blackfriday

LOGISTICS

In 2014, the scale of Black Friday took us all by surprise. As a consequence, there was a lot of attention put on fulfilment operations as some became overwhelmed by the unprecedented demand placed on them. Since then, the focus has tended to be put on other areas as fulfilment has, generally speaking, adapted to the new shape of peak trading and managed to avoid any repeat of 2014. A key element to that has been the extending of the Black Friday period over a longer time-frame, easing the strain of compressed demands on delivery – but industry has also had to work hard to ensure it can cope with the shift.

Yet this is far from saying there are no changes going on affecting the fulfilment planning for peak. One very noticeable and, perhaps, not unexpected development that we have tracked in the IMRG MetaPack UK Delivery Index[11] has been a disruption to month-on-month (MoM) growth rates. Table 2 illustrates how the Oct-Nov rate jumped up in 2015 and remained at that level in 2016, which is due to a bulk of orders being pulled forward from December – the Nov-Dec rate has tumbled over that same period, while the Sep-Oct rate took an initial hit but has since returned to a similar rate to that of 2014.

MOM GROWTH	SEP-OCT	OCT-NOV	NOV-DEC
2014	+14.8%	+24.8%	+27.7%
2015	+11.6%	+40.1%	+14.3%
2016	+13.4%	+40.3%	+4.5%

Table 2 – MoM growth rates, 2014-16

Note that the highest number of orders are still being fulfilled in December, but November is now accounting for a greater share. Black Friday falls on different dates depending on the calendar (it is the fourth Thursday in November) so when it occurs later in the month, much of that bulk from the day itself may actually be fulfilled in December.

As this chart shows, the MoM growth rate between Nov-Dec flattened out, which was against the trend recorded over previous years
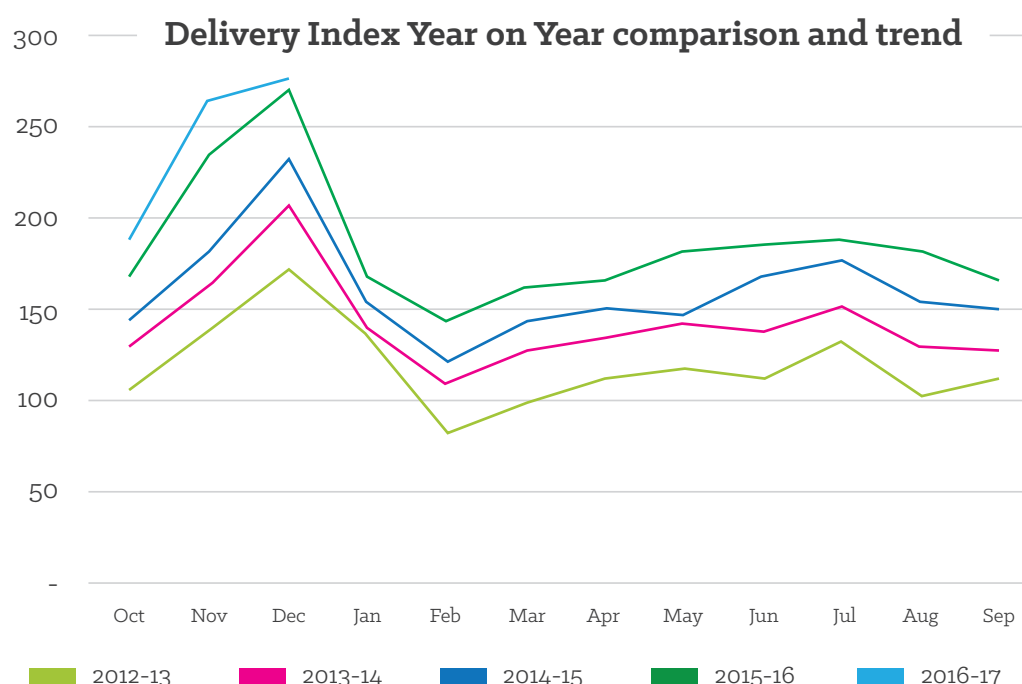
Chart 5 – MoM growth rates 2012/13 – 2016/17

---

11 IMRG MetaPack UK Delivery Index, January 2017 (member only page)

In tandem with this, we are seeing a general move toward faster delivery – same-day in a few cases, but next-day on a more widespread basis. The established pattern for the peak period is for a spike in economy services in November (when shoppers aren't under pressure to need their orders quickly) followed by a sharp upturn in use of next-day services in December. This remains the case now but, as chart 6 shows, next-day has become a lot more popular (and heavily promoted by retailers) so the gap between them is lessening. Ultimately, fast delivery capacity is finite and adapting to this change in shopper behaviour and expectation is one of the focus areas for fulfilment operations.
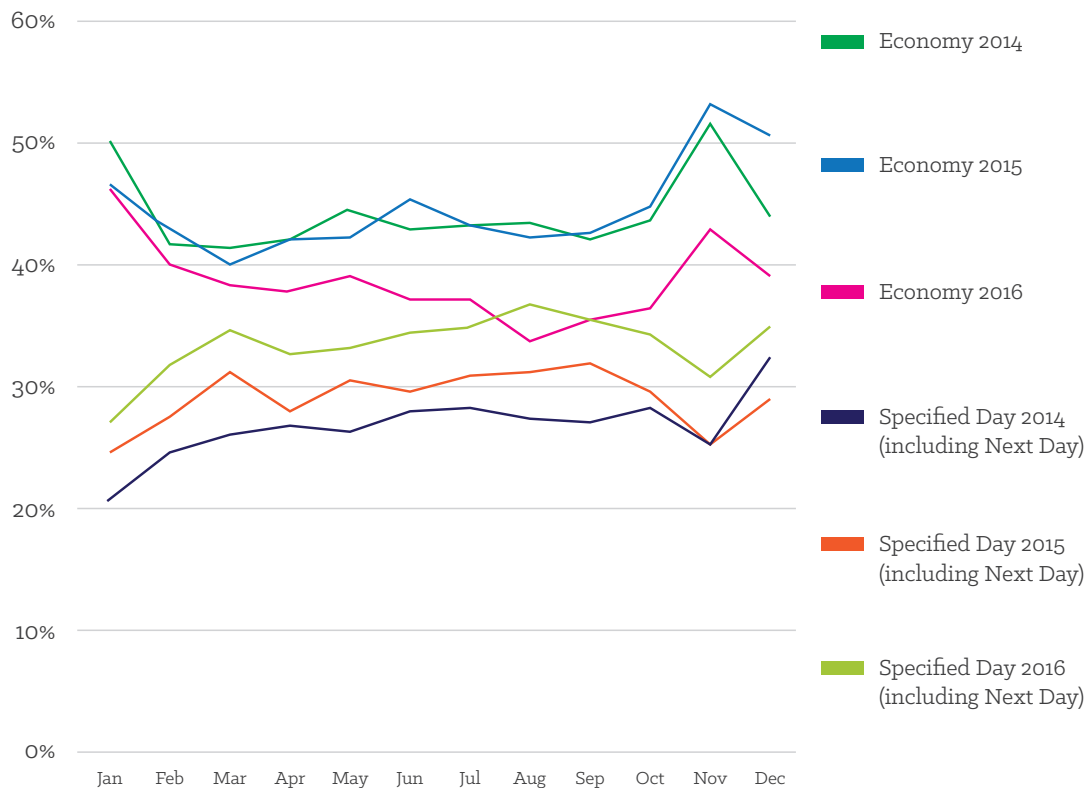
Chart 6 – Economy and next-day service usage

As mentioned earlier, click & collect appears to be playing an important role in supporting fast delivery – with multichannel retailers seeing a greater sales uplift on 23 December, as Christmas Day gets very close (see chart 3).

Packaging

One impact of increased demand for deliveries is rising demand for packaging and other consumables. An otherwise well-oiled supply chain can grind to a halt for want of the right materials.

The Christmas peak is also a time when the packing line comes under pressure to get orders dispatched – packing quality can suffer using wrong-sized packaging and too much void fill; which in turn may hit delivery costs and the end-customer experience. The Christmas peak is when click & collect gets used the most and too much packaging can make a convenient pick up something of a struggle. In a recent interview[12], Tim Robinson, chief executive of Doddle, the parcel collection service, said "We found last year when retailers were working against the clock to deliver in time for Christmas was when the most packaging waste occurred. We saw a lot of retailers fall into the one-size-fits-all trap, using excess packaging in a bid to speed up picking and packing operations. Here you end up with an excessive item to air ratio, which frustrates customers when they find they've lugged home a big box for a small item."

---

12 Referenced in Smurfitt Kappa, The power of packaging – a missed opportunity, October 2016

CHECKLIST

Since Black Friday disrupted the established pattern of Christmas peak trading, it has been difficult to forecast what is going to happen with any real certainty. The time-frame of the 'Black Friday period' can extend and contract, retailer campaigns can alter the character of it and, ultimately, shopper responsiveness to it is a determining factor.

Nevertheless, there are some things that we can be fairly sure of and this checklist is designed to help ensure you have considered the key factors when honing your campaign strategy.

1. Plan your campaign with agility in mind

The Black Friday period became a 'peak week' in 2016 (Mon-Mon), but this is not to suggest there is any overall consensus on campaign periods. Some will launch earlier, others later. Identify what is most likely to work for you and plan around that, but build in sufficient agility in case a competitor does something surprising.

The biggest share of sales for the month of November has been in week 3 for the past few years – but that doesn't mean you have to launch or focus on that exact period, it is whatever works for you. It does however provide a clue that it's when people are primed to spend, generally speaking.

2. Be aware of behavioural peaks

Around Christmas, customer behaviour can shift quite sharply between devices. Smartphone usage is generally higher on Black Friday for example. These are easy enough to anticipate if you consider the likely context of shoppers in advance (ie when people are at work, desktop usage is higher, but on weekends smartphone use increases) and knowing which device people will be tending to use at which time of which day may influence elements of your campaign around that time.

3. Beware shopper fatigue

Established best practice around Black Friday is different due to the pace and scale of the event, but that can be problematic from the perspective of shoppers due to the fact that they receive huge volumes of communications from multiple sources, often at the same time – which can be very fatiguing.

4. Be imaginative

Advertising and marketing has become very mundane and standardised – shoppers probably expect the same thing to happen in 2017. By showing some imagination in campaigns – both content and overall approach – the opportunity seems ripe to stand out from the crowd and grab shopper attention.

5. Monitor developments

The Which? report came out the week before Black Friday week in 2016 and arguably elevated shopper cynicism toward the event. Which? may do something similar this year, or someone else might – monitor what is happening to ensure some revelation broadcast through media doesn't conflict with specific elements of your campaign (the exact wording of marketing text, for example) or you could accidentally end up with a PR headache.

6. Don't cut corners in your testing

Shoppers can be very impatient around the Black Friday peak and the increased volumes of traffic can put a strain on your operations. When testing your systems, do so right across the board – from back-end systems and the services they connect to, right through to the front-end covering payment transaction and search fluidity.

7. Have a follow-up marketing plan

New customers might have just been responding to a bargain with no intention of becoming a regular customer. Having a follow-up marketing plan to convert bargain hunters into the kind of customer that can provide you with greater margin in the long-term will make any short-term loss seem a lot more sustainable.

8. Find the approach that works for you

You don't have to discount – some make a virtue of the fact. But equally you don't have to base everything around such a binary decision as that. Find an approach that works for you and engages your customers – remember Black Friday doesn't have any cultural significance in the UK or anything to inherit its character from; it's what you make it.

9. Delivery

We are seeing a move toward faster delivery generally, particularly next-day, which may be something that can be supported without too much disruption at quieter times of year but the capacity to offer it as standard is finite, so needs to be managed carefully as part of the customer promise during the Christmas peak.

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 40 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.

For more information please visit www.imrg.org

Salmon

SHAPING FUTURE COMMERCE

ABOUT SALMON

Salmon is a global digital commerce consultancy that defines and delivers market-changing ecommerce solutions and customer journeys for the world's leading brands.

Founded in 1989, with offices in London, Amsterdam, New York, New Delhi, Beijing, Melbourne and Seattle, Salmon has over 750 experts in multichannel commerce, shaping client platforms that drive €7.4 billion in revenue annually across retail, CPG, FMCG, B2B and financial services.

Clients include Argos, Audi UK, DFS, Halfords, Premier Farnell, Sainsbury's, Selfridges and Ted Baker.

Salmon runs the UK's largest dedicated Black Friday and Peak Operations Centres during the peak period supporting its clients throughout these periods. It also publishes the Peak Trading Operations Guide www.salmon.com/black-friday and provides consultancy services to companies looking to prepare for peak trading.

For more information please visit www.salmon.com

imrg

Black Friday and Christmas Preview 2017