



THE 2021 CYBER 5 REPORT

With all that's changed in retail in 2021, Cyber Monday is still the U.S.'s largest online shopping day, and consumers resumed in-store shopping on Black Friday. But online sales over the 2021 Cyber 5 period didn't measure up to 2020's pandemic boom. Here is how everything went down on retail's biggest weekend, Thanksgiving through Cyber Monday.

ONLINE CYBER 5 SALES FALL JUST SHORT OF 2020 PANDEMIC PEAK

U.S. consumers spent \$33.90 billion online during the five-day stretch from Thanksgiving to Cyber Monday, a 1.4% year-over-year decrease.

By Jessica Young

Holiday buying during the ultimate peak on the retail calendar—or the mad shopping dash during the five days from Thanksgiving to Cyber Monday—has wrapped up for 2021. The

industry-dubbed Cyber 5 period was another huge one in ecommerce, with U.S. consumers spending \$33.90 billion online, according to data from Adobe Analytics. While that is just shy of



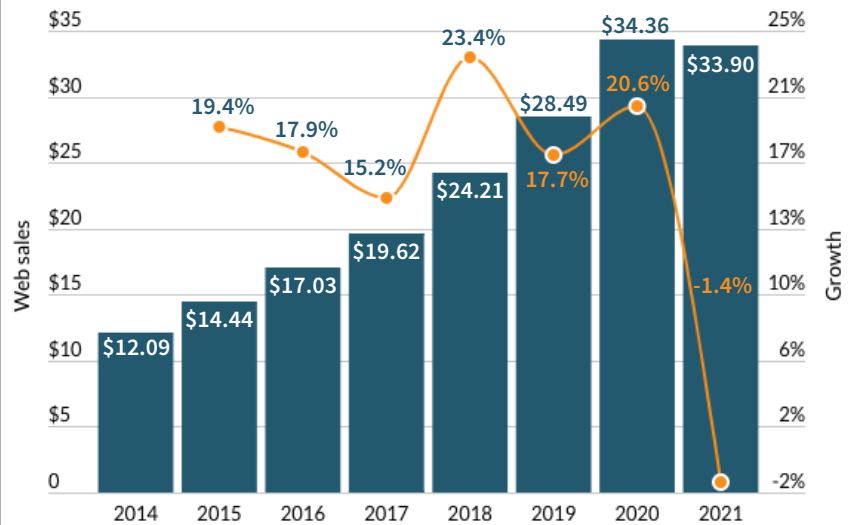
the record \$34.36 billion in digital revenue during the same long weekend last year and represents a slight 1.4% year-over-year dip, it still marks a 19.0% jump over the more normal pre-pandemic spending levels in 2019.

Research firms, including Digital Commerce 360, projected a significant slowdown in ecommerce growth during the Cyber 5 after years of double-digit increases. In another unorthodox year in retail, merchants dealt with several challenges that tempered online buying for the period. Those included rising costs and supply chain snafus like clogged ports and low inventory leading to stronger earlier spending but weaker Cyber 5 discounting. That, coupled with shoppers heading back to stores after a hiatus in 2020, meant digital revenue didn't keep pace with even moderate single-digit growth forecasts.

Adobe's analysis is based on more than 1 trillion visits to more than 4,500 U.S. retail sites and covers 100 million SKUs in 18 product categories. The firm measures transactions from 80 of the top 100

US CONSUMERS SPEND \$33.9 BILLION ONLINE DURING CYBER 5 IN 2021

Cyber 5* ecommerce sales, in billions, and year-over-year growth

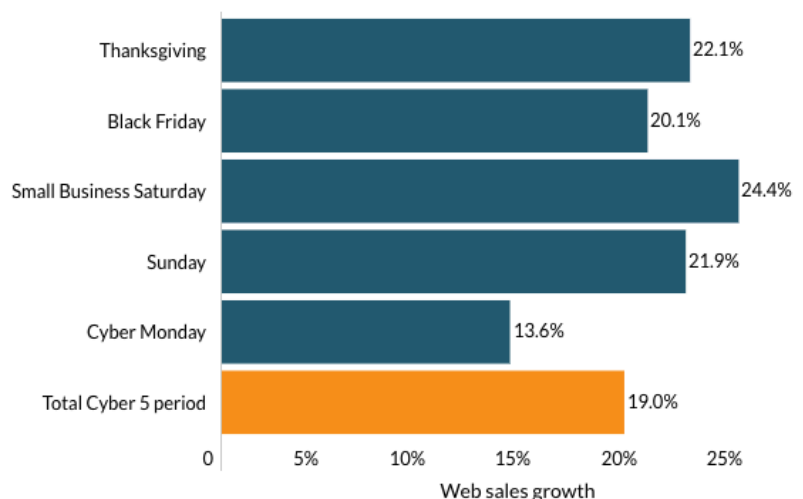


Source: Adobe Analytics November 2021

*Captures the period from Thanksgiving through Cyber Monday

2021 CYBER 5 ONLINE SALES GROW CONSIDERABLY COMPARED WITH 2019

2-year stacked web sales growth (2021 vs. pre-pandemic 2019) by day



Source: Adobe Analytics November 2021

“Thanksgiving weekend and Black Friday in particular were, once upon a time, the kickoff to the holiday season. ... Now they’re closer to halftime than the kickoff.”

— Matthew Shay, NRF president and CEO

online retailers ranked in the Digital Commerce 360 Top 1000.

Black Friday continues to close gap with Cyber Monday

Cyber Monday again claimed the no. 1 spot among all Cyber 5 contenders and is the biggest online shopping day of the year to date, hitting \$10.69 billion, according to Adobe data. As shoppers raced to catch deals before they expired during the final push from 11 p.m.-midnight ET, consumers spent \$12 million on ecommerce sites every minute. But the peak hour wasn’t enough for the day’s total to reach the \$10.84 billion

19.0%

Percent increase in online sales over the Cyber 5 in 2021 compared with 2019.

Source: Adobe

consumers spent on Cyber Monday 2020—leaving sales down 1.4% year over year.

Black Friday was the runner-up again this year, raking in \$8.92 billion in web sales, down a bit from \$9.03 billion last year, Adobe says. With a 1.3% drop in ecommerce, the day’s year-over-year decline was a hair smaller than Cyber Monday’s, which means Black Friday gained some ground on its weekend rival.

Historically, Black Friday has been a brick-and-mortar-focused retail sales holiday, with consumers navigating congested parking lots, braving jam-packed store aisles and waiting in long lines to grab doorbuster deals. Recently, retail chains have extended more Black Friday sales to consumers buying online, and the trend was magnified in 2020 as merchants sought to discourage crowds at physical stores. For years, Cyber Monday, which originated as the internet’s answer to the store-centric Black Friday, grew

Cyber Monday still accounted for nearly one-third—31.5%—of the five-day period’s collective ecommerce revenue but dropped incrementally from 2020, when the share still rounded to 31.5%. Meanwhile, Black Friday represented a greater share of Cyber 5 sales this year, 26.31% of the weekend’s sales, up just slightly from 26.28% of 2020’s Cyber 5 sales.

According to Adobe, the only Cyber 5 day that didn’t decline year over year was Thanksgiving. Still, online sales were relatively flat at just a 0.5% increase over last year, to \$5.14 billion from \$5.11 billion in 2020.

Number of in-store shoppers increases during Cyber 5

Seasonal foot traffic to stores took a major hit last year amid consumer anxiety over being in crowded spaces during a pandemic. For instance, the number of brick-and-mortar shoppers on Black Friday was cut in half in 2020, according to Coresight Research. But with the broad rollout of COVID-19 vaccines in the U.S., store traffic rebounded this year.

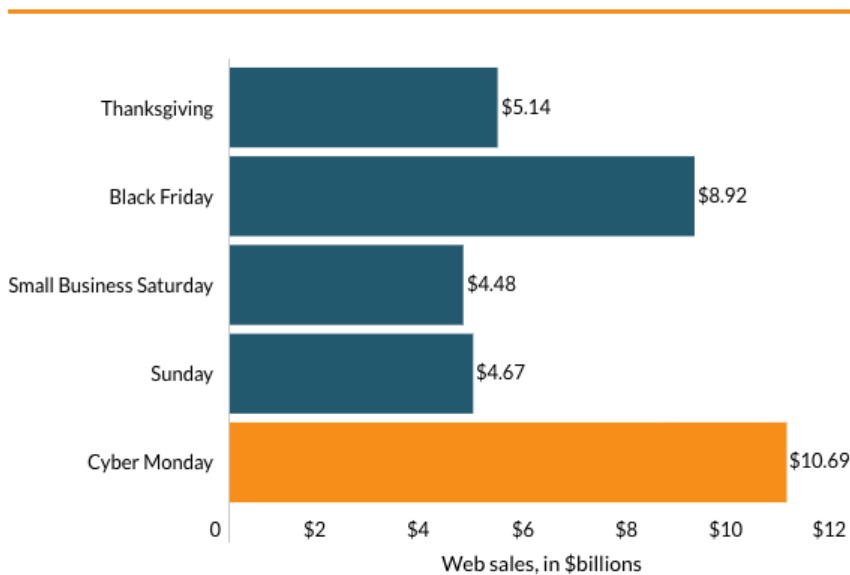
More consumers shopped at physical locations each day during this year’s Cyber 5 than in 2020, according to NRF and Prosper data. During the five days, around 104.9 million shoppers visited stores, up from 92.3 million—a gain of 12.6 million people,

representing a 13.7% uptick. The uptick corresponded with a 12.1% decrease in consumers shopping on the web during the same period—27.8 million shoppers vs. 145.4 million in 2020, according to NRF.

“That obviously reflects the changed health environment and the level of comfort and confidence that consumers have about being out in stores, resuming many of their pre-pandemic behaviors,” said Matthew Shay, NRF president and CEO, in a Nov. 30 press conference.

US CONSUMERS SPEND NEARLY \$34 BILLION ONLINE DURING 2021’S CYBER 5 WEEKEND

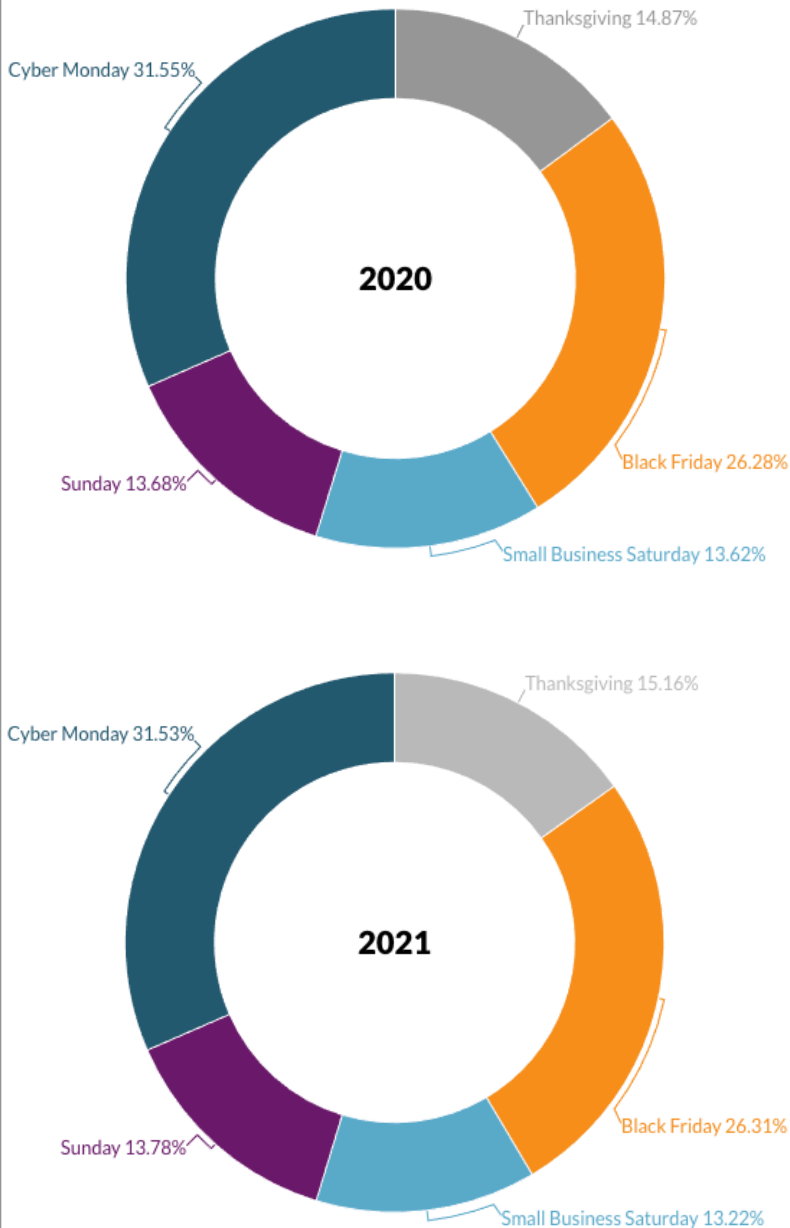
2021 ecommerce sales by day, in \$billions



Source: Adobe Analytics, November 2021

THANKSGIVING AND BLACK FRIDAY GROW SHARE OF HOLIDAY WEEKEND ONLINE SPENDING WHILE CYBER MONDAY LOSES GROUND

Share of Cyber 5 online sales by day, 2020-2021



Source: Adobe Analytics November 2021

Overall, the total number of shoppers across all channels reached 179.8 million, according to NRF and Prosper, which exceeded expectations by more than 21 million. While the figure was below the 186.4 million total shoppers in 2020, it's in line with the average of the past four years, Shay says.

Data from Numerator also reflects a shift back to in-store shopping this past Cyber 5. 32% of consumers reported doing most or all of their holiday weekend shopping online, according to the consumer insights and technology company, which surveyed 4,048 verified buyers during the Cyber 5 period. That's down from 46% last year. Meanwhile, 16% of respondents said they did most or all of their shopping in stores last weekend—up from 11% in 2020.

Numerator also found that the impact of the pandemic on consumers' shopping choices was down significantly over 2020's Cyber 5. Of the survey respondents who reported shopping more online during the long weekend

17.7%

Amazon.com's share of total Black Friday sales.

Source: Numerator

compared to last year, 24% said it was to avoid large crowds—a decline from 53% last year. And this year, 21% of consumers said they were shopping more online in general due to COVID-19 concerns—again, a drop from 52% in 2020.

Early season online sales cut into Cyber 5 spending

Nearly half—49%—of shoppers said they took advantage of early holiday sales or promotions before Thanksgiving this year, according to NRF and Prosper data. That was mainly due to consumer awareness of supply chain disruptions, Shay said during the press conference. He added that retailers did a good job of communicating the overall retail environment, creating incentives and encouraging shoppers to get a head start.

“Thanksgiving weekend and Black Friday in particular were, once upon a time, the kickoff to the holiday season,” Shay said. Between the pandemic and shifting consumer behavior with inventory scares, “now they’re closer to halftime than the kickoff.”

Numerator data shows more dramatic early shopping trends, with nearly two-thirds—63%—

\$10.69 BILLION
Online consumer spend on Cyber Monday in the U.S.

Source: Adobe

of shoppers reporting taking advantage of pre-Thanksgiving sales, up significantly from 52% in 2020. Analysts agree that consumers getting a jump on holiday buying to avoid missing out on coveted items, as well as inventory shortages dominating headlines drove early spending.

The prevalence of out-of-stock messages surged 250% in October when compared with the pre-pandemic period of January 2020, according to Adobe data. For October alone, consumers saw more than 2 billion out-of-stock messages online, up a staggering 325% compared to the same month in 2019. From Nov. 1 through Cyber Monday on Nov. 29, out-of-stock messages were up 169% vs. January 2020 and surged 258% vs. two holiday seasons ago in November 2019, Adobe says.

Retailers urged consumers to order early with pre-season messaging to combat this product availability issue. In the Digital Commerce 360 retailer survey of 100 retailers this fall, nearly 6 in 10 merchants (59%) said they planned to start seasonal marketing before November. More than a quarter of respondents said they’d begin campaigns in October, 16% expected to do so in September, and another 16% talked about starting holiday marketing as early as July or August.

On Monday, Nov. 22—a full week before Cyber Monday—more than two-thirds, or 69%, of the top 100 retailers offered a promotion on their websites, with 20% featuring a sitewide sale, according to site checks completed by Digital

Commerce 360 researchers. And the median deepest discount was 50% off—the same level offered on the official Cyber Monday holiday.

All of this worked to smooth out the typical spending peaks this season, pulling revenue forward and diminishing the Cyber 5 share of the holiday period.

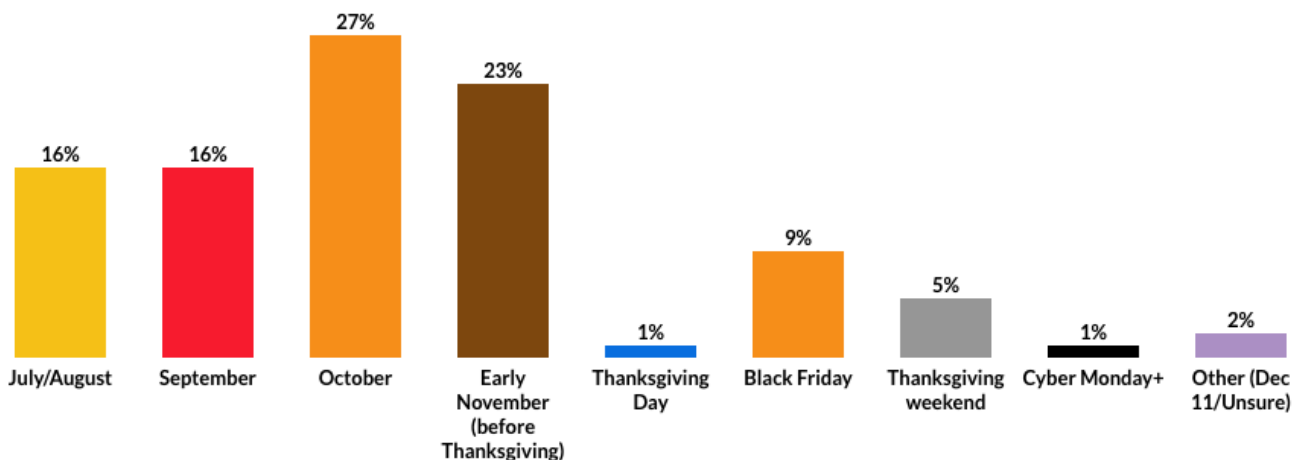
October's retail figures supported this trend, bolstering survey results. U.S. total retail through all channels rose 10.8% year over year in October—the second-highest recorded rate for the month, according to a Digital Commerce 360 analysis of retail data from the U.S. Department of Commerce. And U.S. ecommerce sales increased 8% in October over the same month in 2020, according to Adobe data.

Consumers spent \$75.89 billion online from Nov. 1 through the day before Thanksgiving on Nov. 24, which is up 19.1% over last year, according to Adobe. And 22 days surpassed the \$3 billion mark in online spend through Nov. 29—a new record. In 2020, only nine days topped \$3 billion in digital revenue for the same timeframe, the firm reports.

“With early deals in October, consumers were not waiting around for discounts on big shopping days like Cyber Monday and Black Friday,” says Taylor Schreiner, director of Adobe Digital Insights. While those sales holidays remain leaders on the retail calendar, “the surge in online shopping is coming from the less marketed days of the season.”

59% OF RETAILERS SAY THEY PLAN TO START HOLIDAY MARKETING IN OCTOBER

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



Source: Digital Commerce 360, survey of 100 retailers, 2021

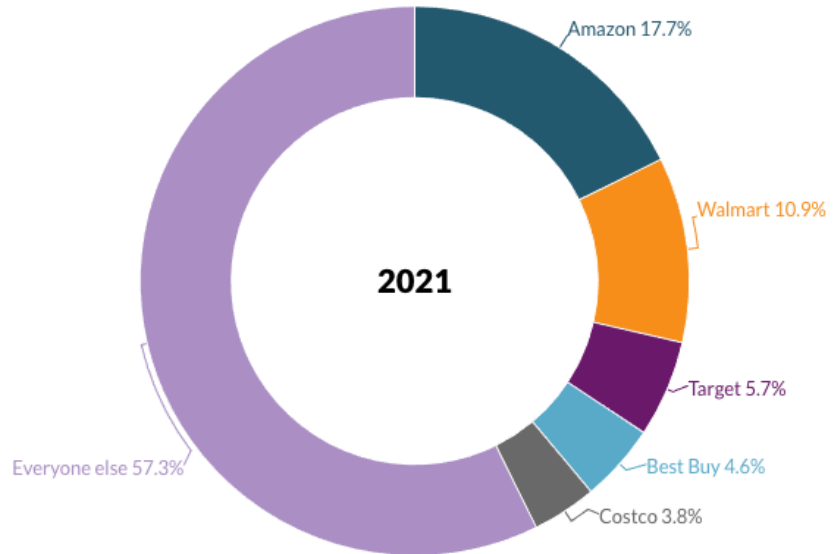
Amazon grows its share of Black Friday spending

Amazon.com Inc., No. 1 in the 2021 Digital Commerce 360 Top 1000, touted its record sales on Black Friday and Cyber Monday. However, the retailer didn't disclose specific revenue figures or even growth for the period. Amazon didn't respond to a request for comment on the company's holiday weekend performance. But in the continuing campaign to highlight its marketplace as a champion for small, independent companies, the web giant reported that more than half of its sales from Black Friday through Cyber Monday were from third-party sellers—most of which are small- to medium-sized businesses, Amazon says.

However, Numerator insights show Amazon grew its share of the overall market—at least for part of the Cyber 5 period. The web giant captured 17.7% of total Black Friday spending across all channels this year, making it the top retailer for the sales holiday for the second consecutive year. The 5.1 percentage point share increase from 2020 widens Amazon's lead over second-place Walmart Inc. (No. 2), whose Black Friday

MORE THAN \$1 IN \$6 SPENT ON BLACK FRIDAY CAME FROM AMAZON ORDERS

Black Friday share of total spending through all channels, by retailer



Source: Numerator; analysis based on survey of 4,048 verified buyers from Nov. 25-Nov. 29, 2021

spending share declined 0.5 percentage points. Target Corp. (No. 6) also took a bigger piece of the pie, growing its Black Friday share by 1.7 percentage points to 5.7%. Spending shares for Best Buy Co. Inc. (No. 5) and Costco Wholesale Corp. (No. 10) all declined by less than 1 percentage point, Numerator says.

Percentage changes may not align exactly with dollar figures due to rounding.

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Q&A

The right tech stack can help retailers scale and provide the experiences customers demand

An executive conversation
with **Nick Sibley**,
product marketing manager,
Amplience



Ecommerce retailers face a crowded landscape. If a customer can't buy what they want from one retailer, they will quickly move on to the next. Retailers today need to be more agile than ever while prioritizing providing stellar shopping experiences if they want to stand out amongst the noise. To discuss how optimal site performance will help retailers handle the increased holiday season traffic to offer great customer experiences, Digital Commerce 360 spoke with Nick Sibley, product marketing manager at Amplience.

What were some lessons learned from the 2020 holiday shopping season?

Ecommerce traffic reached unprecedented levels last year, and it continues to grow. Digital is now more reliable than brick-and-mortar shopping. But many businesses had discovered that their tech stacks weren't ready to deal with large traffic volumes.

Customer expectations have also shifted. According to recent research from Zendesk, 65% of customers want to buy from companies that offer quick and easy online transactions. For a long time, digital was the only channel for customers. Many retailers are now merging their online and in-store experiences by implementing savvy AI-power chatbots to make physical customer service representatives available online.

What should retailers' biggest priorities be this year?

The trend toward increased online sales will continue. But this year, there are greater supply chain concerns. Consumers are likely to place orders earlier than they typically would—meaning an earlier uptick in traffic. And there's still a lot of unknowns around COVID-19. The future is uncertain.

With all of this in mind, retailers should guarantee delivery and increase transparency to build consumer trust. They should also be building shopping experiences that amplify their brand personality on technology that can scale. They need to utilize their brand equity by creating a unique experience rather than following the sea-of-sameness. To do this, retailers need customizable and scalable solutions.

What challenges are they facing?

Retailers must strike a balance between reacting to market conditions and proactive planning. They need their strategies in line and ready but to build in enough room to be agile and react to external conditions.

They also need to make sure everything is consistent and ready at speed. To be agile, you must move fast, whilst maintaining consistency across all channels—from your app to your website content. Managing content and changes effectively on all these channels requires ways of working and functionality that legacy systems weren't designed to deliver. Essentially, the challenge is executing the level of agility that the last couple of years have demanded.

What strategies can they implement to address these concerns?

Firstly, they need to establish processes that enable greater agility to mitigate and capitalize on the unexpected.

Secondly, they need to set themselves up for success with scalable solutions. Provisioning for more traffic than normal at an earlier period this year—and be ready in case the traffic spike is earlier than expected.

They should also look to make their tech stack more flexible and differentiate their online presence—utilizing new approaches like headless and MACH. To consider taking a modern approach to their Jam stack to increase scalability and reduce load times, thus increasing conversion (JavaScript, API-first and markup).

Finally, retailers should partner with a technology provider that can help them become as agile as possible while providing the shopping experiences today's customers demand. Amplience, for example, gives retailers the capabilities they need to plan and pivot for success.





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DIGITAL NATIVES INCREASINGLY OFFER CYBER MONDAY DEALS

Of the 80 DNVBs in the Top 1000, 81.3% offered a discount on Cyber Monday but discounts weren't as deep as top online retailers.

By James Risley

Cyber Monday promotions at digitally native vertical brands are at an all-time high. The number of DNVBs in the 2021 Digital Commerce 360 Top 1000 offering online sales on Cyber

Monday was almost the same as the number of Top 100 online retailers in the Top 1000, as 81.3% of Top 1000 DNVBs offered some kind of deal or discount, compared to 82.0% of Top 100



and 84.0% of the Top 50, according to research by Digital Commerce 360. Last year, 71.4% of Top 1000 DNVBs offered a sale on Cyber Monday compared with 88.0% of Top 50 retailers.

Historically, digital natives have touted products as year-round deals because they claim to cut out the middleman between brand and consumer. However, as retailers age and growth slows, many merchants often turn to discounting to attract new customers and continue growing sales.

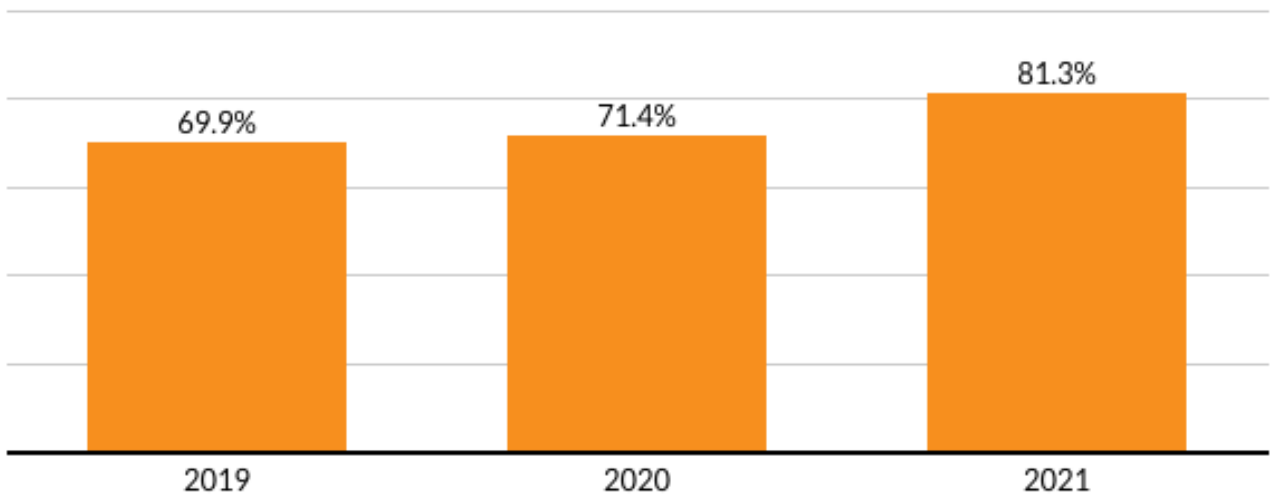
While more DNVBs than ever were offering discounts, the number of the discounts

continued to be lower. Of the 60 DNVBs touting a percentage-based discount on their homepages, the median discount was just 30% compared to a median of 50% offered by the 78 Top 100 retailers. DNVBs also waited longer to start their sales—just 60.0% offered a holiday promotion the day before Thanksgiving, while 69.0% of the Top 100 already offered a Thanksgiving weekend-themed promotion on the Monday before Thanksgiving.

One of the more drastic changes this year is shoe brand Allbirds. In 2020, Allbirds did not offer a promotion on Cyber Monday and instead raised

DNVBs OFFERED MORE DISCOUNTS THAN EVER

Share of Top 1000 DNVBs offering Cyber Monday sales



Source: Digital Commerce 360

prices by \$1, which it said it donated to “Mother Nature” (but did not specify how that donation would work exactly). This year, Allbirds offered more traditional discounts amounting to about a third off regular prices, although it is advertised as a lower dollar figure rather than a percentage-based discount. While sustainability still features heavily on the homepage, the retailer is not charging more to help the environment. Allbirds did not respond to a request for comment before press time.

Other DNVBs avoided discount prices, but still gave deal-hungry shoppers something to salivate over. Pet brand Bark Inc. offered a gift box with double the items for the first

month for new subscribers starting a multi-month subscription.

Similarly, online jeweler Brilliant Earth LLC offered a free gift with a purchase from its store, but didn’t discount merchandise. It also offered a “Win your ring” promotion that offered a chance at receiving rings ordered on Cyber Monday for free.

81.3%

Percent of Top 1000 DNVBs that offered a promotion on Cyber Monday.

Source: Digital Commerce 360



Bark's banner touted a different kind of discount.

Meanwhile, some DNVBs offered many more traditional sales. Beauty retailer BH Cosmetics Inc. offered up to 80% off with splashy images taking up the majority of its homepage.

However, other DNVBs reduced discounts by the time Cyber Monday rolled around. The Pink Lily

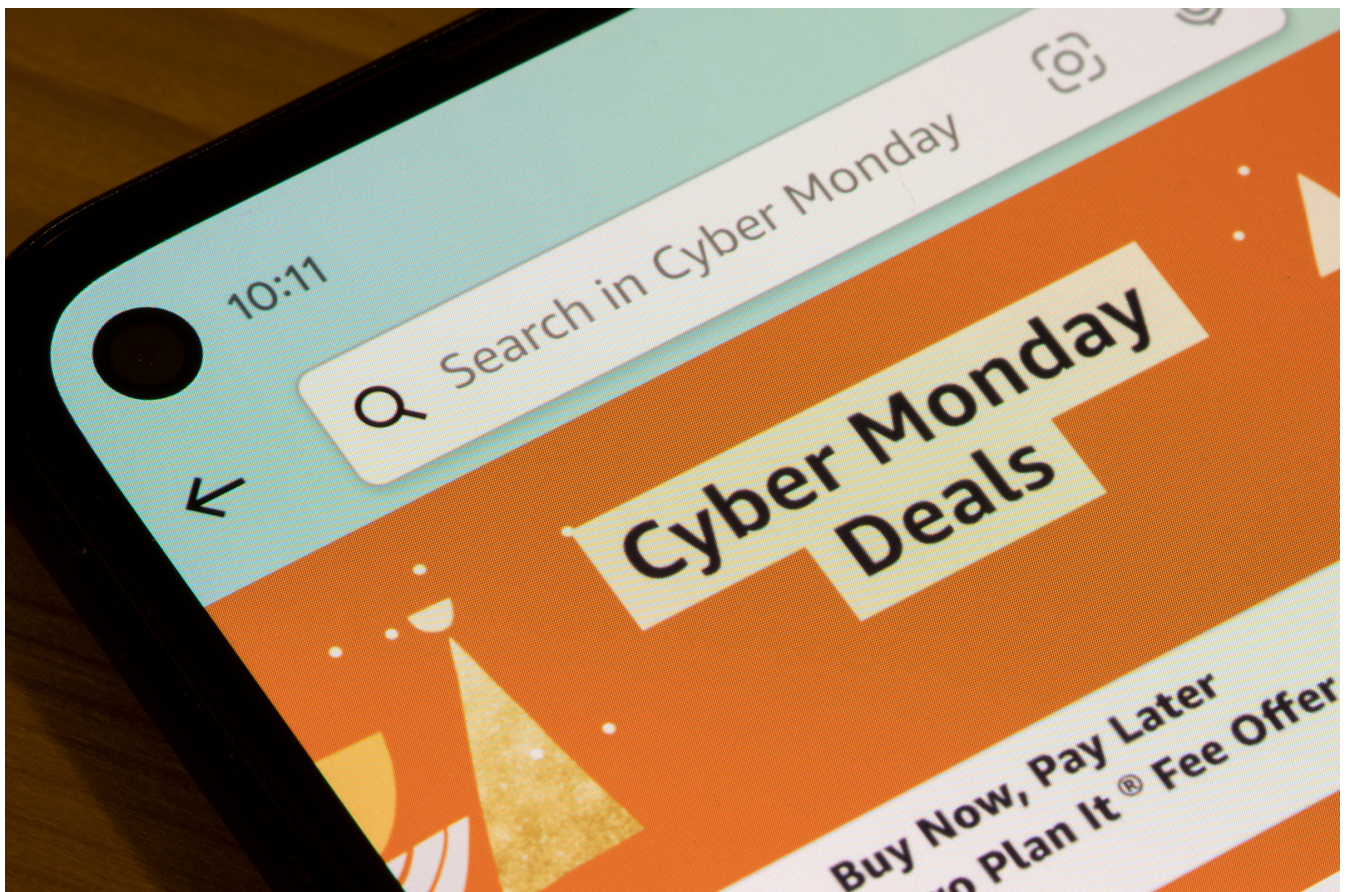
30%

Median discount advertised on DNVB homepages on Cyber Monday.

Source: Digital Commerce 360

Boutique offered up to 80% off on its homepage for Black Friday before Thanksgiving, but only touted 35% discounts on Cyber Monday. Social media posts from this Saturday and Sunday mentioned 30% discounts over the Cyber Five weekend. Men's shirt brand Untuckit offered deals up to 50% off on Wednesday, but just 30% off orders more than \$200 and 25% off all other orders on Cyber Monday. Overall, seven DNVB retailers reduced homepage discounts on Cyber Monday compared to the Wednesday before Thanksgiving.

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82% OF THE TOP 100 ONLINE RETAILERS OFFER A SALE ON CYBER MONDAY

On Cyber Monday, nearly all of the Top 100 online retailers are offering a sale, up from 69% of the Top 100 offering a sale on the previous Monday. Merchants offer roughly the same deep discounts week to week.

By April Berthene

Top retailers continue to flaunt promotions to entice online shoppers to purchase on Cyber Monday.

Of the Top 100 online retailers in North America, 82% of them offered a sale on Cyber Monday, with 80% of the Top 100 using “Cyber Monday” or other holiday terms in their marketing language, according to a check by Digital Commerce 360 editors.

Of the Top 100, 24% offered a sitewide sale. For merchants that did not offer a sitewide sale, they offered discounts that varied by category. Digital Commerce 360 recorded the deepest discount retailers showcased on their homepages, and the median deepest discount for these 82 retailers promoted on their homepage was 50% off.



More retailers offered a sale and a sitewide sale Cyber Monday compared with just a week before, on Monday, Nov. 22, when only 69 of the Top 100 online retailers offered a promotion on their websites, and 20% offered a sitewide sale.

Interestingly, the deepest percent-off discount for retailers that offered a promotion on their websites Nov. 22 was a median of 50% off, the same as the median discount on Cyber Monday.

Some Digital Commerce 360 editors noticed that a number of retailers showcased similar

banner images and marketing language each week, just replacing the words “Black Friday” with “Cyber Monday.” Kohl’s Corp. is one example of having a similar home page on Wednesday, Nov. 24, and on Cyber Monday.

These findings—the large majority of retailers offering a big sale a week before Cyber Monday and at the same discount level—reflects the recent online holiday sales trend of spreading out sales over the holiday season, instead of concentrating purchases over the five-day period of Thanksgiving through Cyber Monday.



82%

Percent of Top 100 online retailers offering a sale on Cyber Monday.

Source: Digital Commerce 360

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SUPER CYBER MONDAY

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Shop Now
\$10 & Under
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\$50 & Under

Kohls.com's homepage on Nov. 24, the day before Thanksgiving (top) and on Cyber Monday.

“Online sales on big shopping days like Thanksgiving and Black Friday are decreasing for the first time in history, and it is beginning to smooth out the shape of the overall season,” says Taylor Schreiner, director at Adobe Digital Insights.

In fact, 21 of the 28 days from Nov. 1-28 have exceeded \$3 billion in online sales, according to Adobe Analytics data. In 2020, only eight days topped \$3 billion in online sales by Nov. 28.

Compared with 2020, when Digital Commerce 360 conducted a similar online test, 88% of Top 50 online retailers offered a promotion on Cyber Monday, slightly higher than 84% of the Top 50 in 2021. Again, the median percent off discount was 50% for the merchants in the Top 50 that offered Cyber Monday promotions in both 2021 and 2020.

Adobe says smaller discounts are expected after 17 months of inflation online, with overall online prices 1.9% higher in October than they were a year ago. Adobe uses the Fisher Price Index to track ecommerce prices,

56%

Percent of the Top 100 online retailers that mentioned free shipping on their homepages on Cyber Monday.

Source: Digital Commerce 360

as well as its data based on 1 trillion visits to retail sites and over 100 million SKUs in 18 product categories.

Price is a critical factor to online holiday shoppers, according to a Digital Commerce 360/Bizrate Insights survey of 1,000 online shoppers in September 2021. 60% of consumers said competitive prices was the most important factor when choosing an online retailer for the holidays, the second most popular response behind free shipping, which was cited by 66% of consumers surveyed. Shoppers could pick more than one answer.

Retailers use shipping costs to either entice shoppers (by offering free shipping) or to increase their margins (by not offering free shipping). Only 56% of the Top 100 retailers mentioned “Free shipping” on their homepages on Cyber Monday, up two retailers from the 54% of the Top 100 that mentioned free shipping on the previous Monday, Nov. 22.

For the merchants that offered free shipping, 26.8% of them offered free shipping unconditionally on Cyber Monday, up from 20.4% of them who offered unconditional free shipping on the Monday before. For merchants that offered free shipping with a minimum purchase, the median threshold on both Mondays was \$49.

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WEBSITE OUTAGES, SLOWDOWNS HIT DOZENS OF RETAILERS DURING CYBER 5

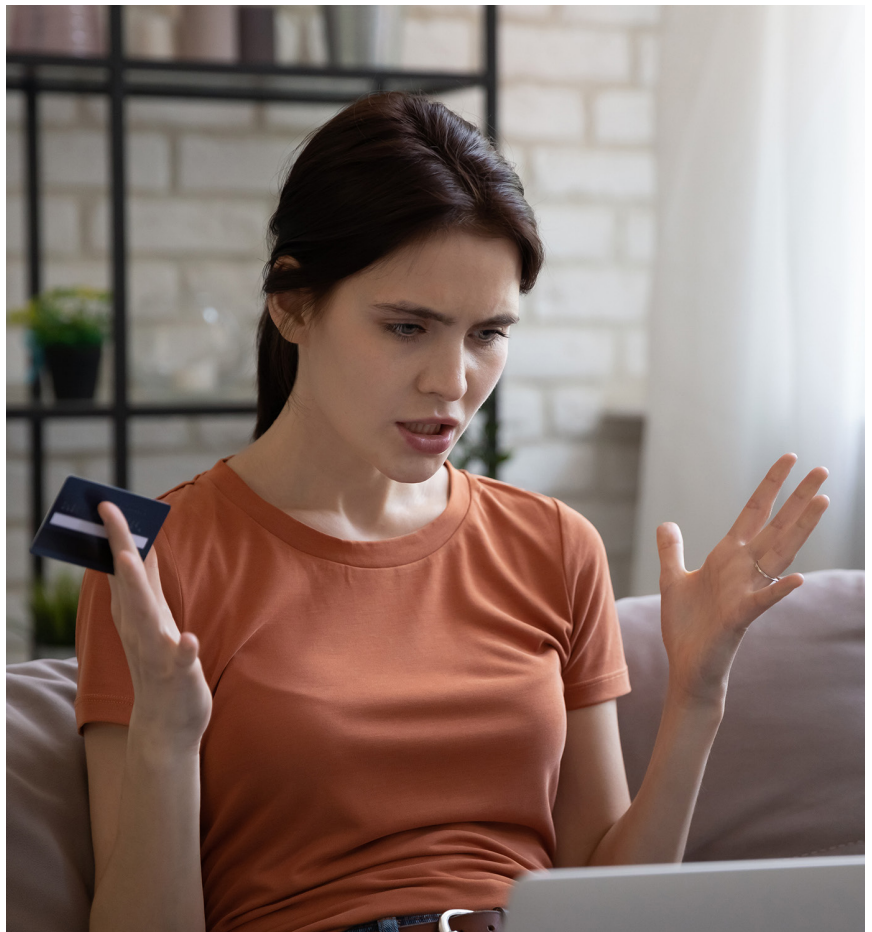
Office Depot went down for hours on Cyber Monday. Other major retailers such as Walmart, GameStop and Cabela's also suffered tech woes during the peak shopping days of Cyber 5.

By Paul Conley

It's a nightmare scenario for many ecommerce retailers: the website goes down in the middle of the busiest time of year for online shopping. During Cyber 5 this year, a lot of those nightmares came true.

The worst known incident involved Office Depot Inc. According to Catchpoint, which monitors user experience on major websites, Office Depot's site went down at 11:20 a.m. ET on Cyber Monday and remained offline until 2:08 p.m., according to a post on Catchpoint's LinkedIn page.

A spokesperson for Office Depot said in a written statement



that “some of our customers experienced intermittent disruptions while placing orders” on Cyber Monday. The retailer said it would extend its Cyber Monday sale through Tuesday as a result.

Office Depot wasn’t the only retailer to face tech glitches. More than 40 direct-to-consumer brands and retailers experienced crashes, freezes or slowdowns as shopping boomed starting on Thanksgiving Day, according to Yottaa, a provider of web optimization software. This year’s performance problems were slightly less widespread than in 2020 when Yottaa detected issues on 50 ecommerce websites.

Walmart Inc., GameStop Corp. and the Boohoo Group PLC’s fashion brand PrettyLittleThing were among the ecommerce retailers that experienced website outages, site crashes, slow load time and other performance issues during the 2021 Cyber 5, according to Yottaa.

The cost of website outages

Site crashes and slow loading speed lead to lost revenue for ecommerce retailers as

40

Number of retailers with web performance issues over the Cyber 5 weekend.

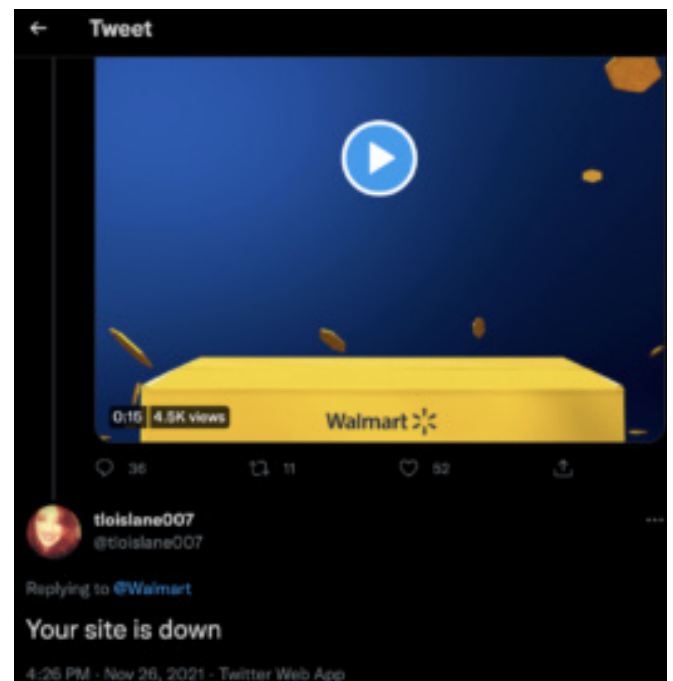
Source: Yottaa

frustrated shoppers look elsewhere to complete their purchases.

This year the surge in traffic online retailer usually see over the Thanksgiving through Cyber Monday period began much sooner.

“With Cyber 5 promotions beginning earlier than ever, we started seeing significant online traffic increases across the 1,500 ecommerce sites on the Yottaa platform in mid-October,” Buffone says.

The online traffic peak this Cyber 5 came at 10 a.m. ET on Black Friday (as opposed to 9 p.m. ET on Black Friday last year), according to Yottaa.



On Black Friday, consumers took to Twitter to alert Walmart of site issues.

Even as traffic declines from that peak, performance problems continue across the web. The IsItDownRightNow service, which monitors major sites across the globe, also detected outages on Cyber Monday at Bass Pro Shops and its Cabela's brand site.

Social media and website outages

In addition to the risk of revenue loss, retailers can suffer reputation damage when a website fails to meet shoppers' expectations for always-on commerce.

Shopper frustration with performance issues was a recurring theme on social media during this year's Cyber 5 period, as shoppers voiced their displeasure on Twitter, Facebook and elsewhere.

And earlier this month, Walmart faced social media wrath when its long-awaited restocking of gaming platforms Playstation 5 and X Box Series X ran into website outages and glitches that prevented shoppers from buying the platforms.

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BLACK FRIDAY 2021 FOOT TRAFFIC REBOUNDS AFTER LAST YEAR'S SHARP DECLINE

2021 marked the return of Black Friday in-store visitors. While in-store shopping levels are not as high as 2019, more consumers shopped in store compared with 2020.

By Gretchen Salois

A year riddled with pandemic-related shipping delays and limited inventory had shoppers buying online and in-store throughout November instead of waiting until Black Friday

to snag deals. While in-store visits did not reach the magnitude of pre-pandemic years, 2021 marked the return of Black Friday in-store shopping.



Black Friday still recorded more than a 200% jump in store visits for many department stores compared with the same store's daily average visits in November. Mall visits increased 83.5% year over year. However, 2021's visits were an 8.5% decline compared with Black Friday 2019, according to Placer Labs Inc. (Placer.ai).

Placer.ai foot traffic data is based on geolocation and proximity data collected from 30 million mobile devices, which through AI and machine learning capabilities, makes estimations about overall visits to any location.

Increased in-store shopping might be part of the reason online Black Friday sales decreased this year. U.S. consumers spent \$8.92 billion on retail websites on Black Friday 2021, down 1.2% from \$9.03 billion on the same day last year, according to Adobe Analytics, a unit of Adobe Inc. that bases its estimates on 1 trillion visits to U.S. retail sites. But 2021's online sales were up 19.8% compared with \$7.43 billion in online sales on Black Friday 2019.

83.5%

Percent increase of in-store mall visits on Black Friday 2021 compared with Black Friday 2020.

Source: Placer Labs Inc.

So, proclaiming the demise of Black Friday is premature, says Ethan Chernofsky, vice president of marketing at Placer.ai. He believes 2021 traffic could also strongly indicate what the holiday retail season could look like moving forward. For example, significant foot traffic on days like Black Friday, but still not as high as in previous years because consumers are shopping more throughout the month instead of concentrating on Black Friday.

While foot traffic rebounded for Walmart Inc., Target Corp., Best Buy Co. Inc. and Ulta Beauty Inc. compared with 2020, The Home Depot Inc. did not fare as well. And none of these retailers were able to reach 2019 levels, with only Ulta gaining 10.3% of visitors in 2021 compared with 2019. Best Buy and The Home Depot fared the worst when comparing 2021 to 2019, in part due to shoppers continuing to shop online after doing so in 2020.

Of the five noted, Home Depot's foot traffic only increased 1.3% compared to 2020. Home Depot offered a Black Friday 25% discount on certain items this year compared to 40% last year, where more shoppers moved online during the height of the pandemic. The retailer also offered deals earlier in the month online for items including power tools and large kitchen appliances.

Regarding U.S. foot traffic, shopper visits declined 21.7% for Black Friday weekend

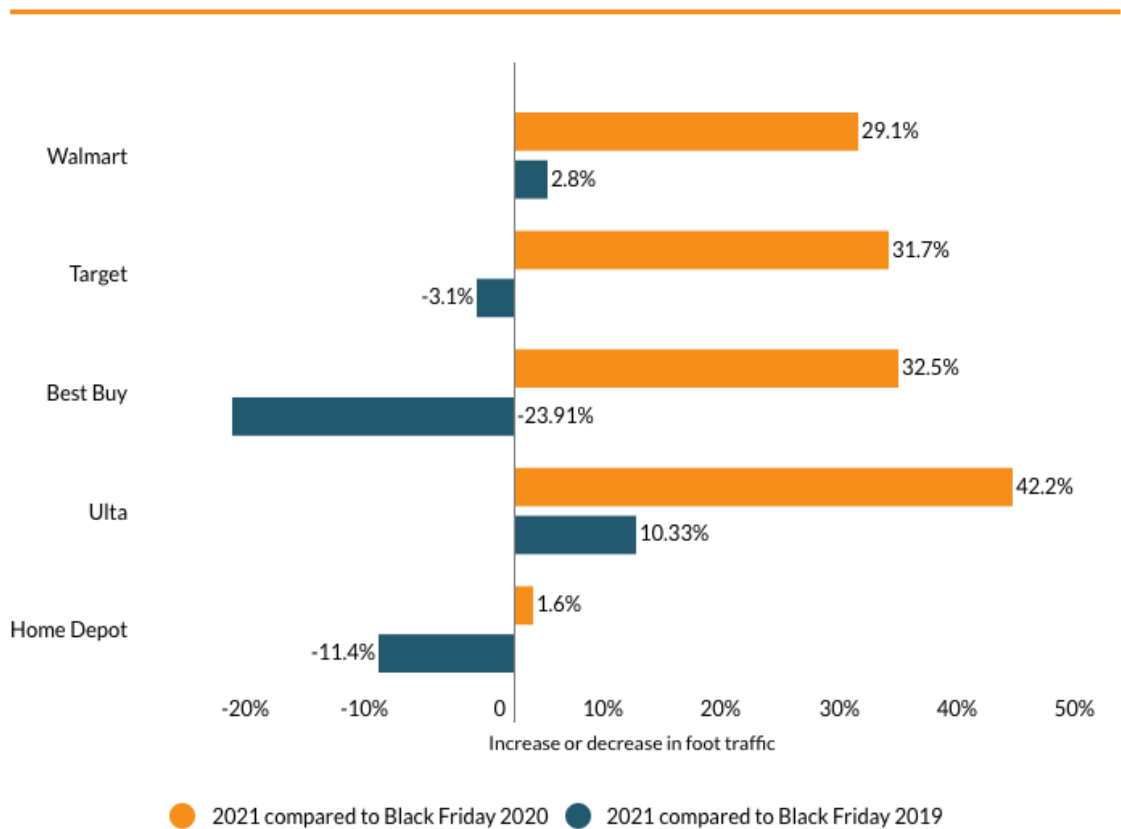
compared with 2019 (Friday through Sunday), the last pre-pandemic year, according to Sensormatic Solutions. But foot traffic increased 34.2% compared to 2020, suggesting as more people become vaccinated consumers are venturing out to do some in-store shopping, Sensormatic says.

Sensormatic is a Johnson Controls company that tracks store visitors using traffic counting

devices at entrances and throughout the store to deliver insights on consumer behaviors. Sensormatic's traffic data is compiled from core retail categories including: apparel and accessories, home, and wireless and electronics. Sensormatic does not reveal its total national store point, but it has more than 2,100 global brands that it covers.

BLACK FRIDAY FOOT TRAFFIC 2021

Year-over-year and year-over-two year foot traffic, 2019-2021



Source: Placer.ai 2021

Sensormatic's store traffic weekend breakdown:

- Thursday, Nov. 25, (Thanksgiving) decreased 90.4% compared to 2019 as many locations remained closed for Thanksgiving like last year.
- Friday, Nov. 26, (Black Friday) decreased 28.3% compared to 2019, but is still projected to be the busiest in-store shopping day of the holiday season in the U.S. this year.
- Saturday, Nov. 27, decreased by 17.6% compared to 2019.
- Sunday, Nov. 28, decreased 8.1% compared to 2019.

“While in-store shopping is still not back to 2019 levels, more shoppers felt comfortable visiting stores in person this Black Friday than in 2020,” said Brian Field, senior director of global retail consulting, Sensormatic Solutions in a company statement.

15%

Projected percent decrease of in-store foot traffic for all of 2021 holiday season compared with 2019.

Source: Sensormatic Solutions

Overall, Sensormatic projects U.S. in-store traffic for the entire 2021 holiday season to be down between 10% and 15% compared with 2019.

Sensormatic Solutions projects the 10 busiest U.S. shopping days in 2021 to account for 40% of all holiday foot traffic:

- Friday, Nov. 26 – Black Friday
- Saturday, Dec. 18 – Super Saturday
- Thursday, Dec. 23 – Thursday before Christmas
- Saturday, Dec. 11 – 2nd Saturday in December
- Sunday, Dec. 26 – Day after Christmas, aka “Boxing Day”
- Wednesday, Dec. 22 – Wednesday before Christmas
- Saturday, Nov. 27 – Saturday after Thanksgiving
- Saturday, Dec. 4 – First Saturday in December
- Tuesday, Dec. 21 – Tuesday before Christmas
- Sunday, Dec. 19 – Sunday before Christmas

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MARKETERS PIVOT HOLIDAY MESSAGING STRATEGY WITH CHALLENGING SUPPLY CHAIN

Shoppers began the hunt for holiday deals earlier in the season, a carryover from pandemic-fueled shipping and inventory woes in 2020. Retailers also prepared in advance, anticipating delays and interruptions. And the clear message to shoppers: buy early or risk going without.

By Gretchen Salois

Over the last 18 months, digital marketers have gotten used to pivoting strategies to mitigate supply chain interruptions and missing or delayed inventory.

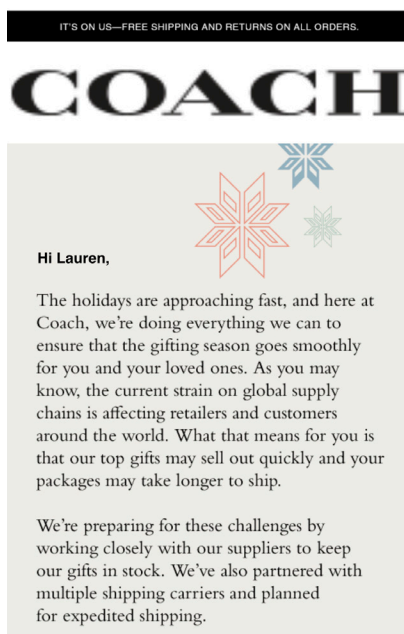
“We’ve been kind of having fire drills every day for the last 18 months,” says Deirdre Kelly, director of acquisitions at jewelry and accessories online retailer Pura Vida.



The key, she says, is making sure the customer doesn't realize it.

This holiday season, digital marketers contended with an uncertain supply chain, delayed deliveries and the iOS privacy protection measure. The message retailers sent to shoppers was clear: buy early or risk going without. As early as October, retailers like Coach began sending notifications, notifying customers of possible inventory shortages and shipping delays.

Online retailers Pura Vida, Christmas Central, MVMT, Acme Tools and ADAY share some marketing strategies intended to drive shoppers to shop on their websites earlier this year. Those strategies include adjusting the timing of promotion rollouts to offset unexpected inventory shortages or shipment delays,



Retailers like Coach messaged customers as early as October to expect delays and plan ahead.

reassessing how to invest advertising dollars across social media channels and taking care not to inundate customers with updates.

Once shoppers were in full swing of Thanksgiving-shopping mode, marketers pivoted to focus on in-stock items. Out-of-stock messages increased 250% in October 2021 compared to a pre-pandemic period (January 2021), according to Adobe Digital Economy Index. When compared to October 2019, out-of-stock messages are up a staggering 325% in October 2021. Consumers saw over 2 billion out-of-stock messages online in October.

Brands should tailor content and marketing campaigns around products with available inventory for the holidays to maximize what is in stock, says Tucker Matheson, managing partner and co-founder at digital strategy firm Markacy. He added that they should also actively monitor return rates, customer service responses and set clear expectations for consumers about inventory and shipment timelines.

“Many shoppers are still willing to wait for their preferred products, as long as brands are upfront about the timeline,” Matheson says.

The beauty of digital marketing, says Chris Costello, senior director of marketing research at Skai, a marketing insights company, is it is “fairly well-suited to adaptation in real time,” he says. If a retailer doesn't have the inventory available, marketers can switch off ads for those items and

“We’ll pay more for expensive air freight shipping in order to be confident we’ll have inventory when we need it.”

— Deirdre Kelly, director of acquisitions at jewelry and accessories online retailer Pura Vida

focus on in-stock merchandise. That’s unlike TV ad buys or other traditional advertising methods that require more lead time, he says.

Pura Vida manages behind-the-scenes uncertainty

Last year, coronavirus-related shipping delays resulted in Pura Vida receiving its fall merchandise or Black Friday items after the holidays, Kelly says. To prevent that from happening again, this year, the accessories retailer has planned “way, way in advance,” she says, without revealing the retailer’s typical ordering schedule.

The supply chain issues have also caused the jewelry retailer to move its shipping cut-off dates—or the last day a shopper can purchase and receive the product in time for Christmas—earlier this year.

“We used to be able to do Dec. 15 or even Dec. 18 prior to 2020,” Kelly says. Pura Vida relies on its

shipping carriers for shipping estimates before it shares that information with customers.

“Right now, we’re looking for standard shipping cut-off dates more like Dec. 9—so that’s a big difference.”

The online retailer offers personalization for many of its gifts, and the cut-off date to receive personalized items by Christmas this year is Dec. 2. That gives Pura Vida even less time to sell its customized products and be able to ship in time for Christmas, “so that’s kind of a big mess for us,” she says.

“We’ve struggled with preorders (from suppliers) because the promised shipping dates and estimated time of arrival timelines have moved around so much these past 12-18 months, so we’re very particular about what we’ll set for preorder,” Kelly says. “We’ll pay more for expensive air freight shipping in order to be confident we’ll have inventory when we need it.”

And no matter how much planning is involved, some products inevitably “get stuck somewhere in customs,” Kelly says. When that happens, Kelly says Pura Vida pivots its message to customers by sharing updated expected shipping dates on its website.

To offset earlier shipping cut-off dates, Kelly says Pura Vida plans to emphasize gift cards “to react to that dead time after shipping cut-off dates and also promote express shipping,” she says.

To reach potential customers, Pura Vida is diversifying beyond Facebook and Instagram, due in part to Apple’s iOS changes. “Last year, Facebook and Instagram were between 85% and 90% of our total media mix,” Kelly says.

*Does not include Weekend delivery.

US	Holiday Cut Off	Engraving Cut Off
Standard	12/9	12/3
2-day	12/17	12/10
Overnight	12/20	12/13
CA	Holiday Cut Off	
Standard	12/9	
Expedited	12/15	
EU	Holiday Cut Off	
Standard	12/9	
Expedited	12/15	

Pura Vida provides shoppers with shipping cut off dates, which are earlier this year.

This year, Pura Vida plans to reallocate 10-15% of that marketing budget to more video-focused platforms, TikTok and YouTube. “We still use Facebook because while Instagram does drive traffic to our site, Facebook brings in about 20% higher AOVs compared to Instagram. iOS14 also certainly hit us quite hard, but Facebook is still our biggest discovery channel.”

The online retailer also uses social media to poll customers and ask which items to restock sooner than others. “Meanwhile, we are furiously working on it behind the scenes,” she says, “but we’re fueling the appetite for those items on social and once it’s back in stock, we can alert our customers.”

SMS texting is another way Pura Vida can reach customers who have provided their cellphone numbers. “We’ll be doing a lot of SMS messages this holiday season where we mix up the headline to offer gift-giving guidance or share a link to items that are \$15, for instance,” Kelly says. “Or ‘This category starts at \$10,’” rather than send links to general landing pages or the homepage.

Christmas arrives early at Christmas Central

Average order value is up at holiday décor retailer Christmas Central, says Laura Gordon, director of communications. “Everything is up this year,” she adds.

“We’re nimble in terms of managing expectations and are careful to never message about a new product launch until we’re absolutely sure that we can ship the product to customers within four weeks.”

— Brenna Davis, ADAY senior vice president

In October 2021, Christmas Central’s online orders increased by 83% compared with October 2020. As of the week ending Nov. 5, AOV was up 60% compared to the same week in 2020.

“People have been hearing about supply and demand issues from so many sources,” Gordon says. “We definitely saw more orders in October 2021 than we usually do.”

Gordon credits the jump in part to corporate clients that purchase more expensive commercial items, such as large Christmas trees for the office or lobby. Clients did not buy these items last year because of lockdown orders which resulted in office shutdowns and people working from home.

Like other merchants, this year, Christmas Central bought inventory early. “And we bought in deep quantities,” Gordon says.

Emphasizing transparency to shoppers is also key to providing a better customer experience, she says. “There is nothing worse than if somebody has an idea that they’re going to get something on time and they don’t,” Gordon says.

The message Christmas Central has been putting out to shoppers through email and social media is that it has inventory available.

Christmas Central primarily invests its marketing spend in Google and Bing ads. Shoppers also find the retailer organically while searching for holiday décor ideas on Pinterest, for example, by pinning ideas onto their boards. The retailer also posts videos on TikTok and Instagram without investing in paid ads.

Tools and equipment online retailer Acme Tools also uses Facebook and Google Ads to promote its in-stock items for the holiday season, and

then relies on its website to communicate shipping deadlines, says Dean Spicer, chief technology officer.

MVMT's crucial fourth quarter

For brands like watch retailer MVMT, the holidays are integral as Q4 typically brings in about 50% of the brand's total yearly revenue.

In response to supply chain disruptions, MVMT once again expanded the period in which it offers "Black Friday" discounts to several weeks as it did last year. MVMT offered a site-wide pre-Black Friday 25% discount code for all shoppers Nov. 1-21.

The longer promotional period is also an attempt to grab more sales, as MVMT anticipates stronger competition from other accessory brands. "I think you're going to see steeper discounts across the board [from other brands] and a wider timeframe to really allow a global audience to get their gifts on time and have their expectations met," Stumbaugh says.

Currently, MVMT integrates its products on Instagram by tagging them, allowing consumers to tap and be re-directed to buy from MVMT's website without leaving the Instagram app. MVMT has a "fair amount of conversions" on social platforms, Stumbaugh says, without revealing more.

Social media continues to be a driver for MVMT, and the brand is now focused on creating its marketing materials for social media and mobile devices. This is a switch from just six years ago, as back in 2015, 75% of MVMT's orders were placed by customers using desktop computers, Stumbaugh says.

MVMT is owned by Movado Group Inc., No. 316 on Digital Commerce 360's Top 1000. Operating within its parent company's supply chain, MVMT can tap into Movado's established network of legacy relationships with suppliers, which has alleviated shipping-related headaches.

ADAY carefully times its product launches

The pandemic forced ADAY to rethink its promotion strategy in 2020 after it was left with an excess of suits when people stopped going into the office. The brand focused on buy one get one (BOGO) promotions, which helped it sell the suits. This year, ADAY shifted to up to 30% off select styles and a tier-priced promotion, in which the more a customer buys, the bigger the

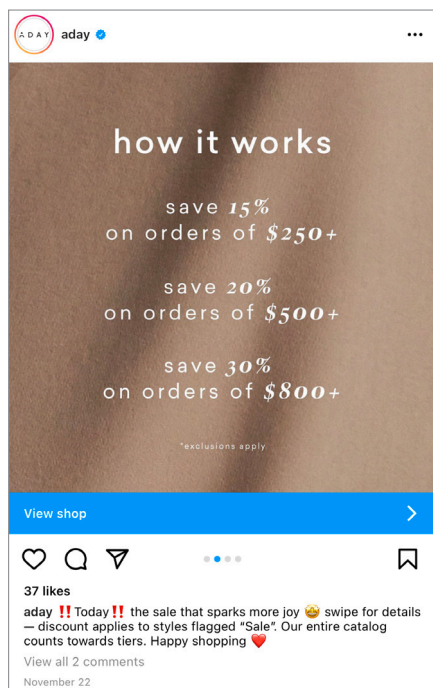
50%

Roughly the percent of annual revenue Q4 brings in for watch retailer MVMT.

discount is. As of November 2021, customers could save 15% on orders of \$250 or more, save 20% on orders of \$500 or more, and save 30% on orders of \$800 or more.

As a smaller retailer, ADAY senior vice president Brenna Davis says the brand can quickly adjust its marketing messages to keep customers informed about product launches and holiday-related promotions.

“We’re nimble in terms of managing expectations and are careful to never message about a new product launch until we’re absolutely sure that we can ship the product to customers within four weeks,” she says.



ADAY offered a tier-priced promotion during the month of November as shown here on an Instagram post.

ADAY waits until items are in the warehouse before announcing a product launch. A pre-launch window is four weeks. “At that point, we know the items have already passed quality control and we know based on historical timelines that it’s going to reach our warehouse within a really short period.”

While the brand expects shoppers to holiday shop in November, it’s holding back on publishing shipping deadlines for the holidays until December.

“We are planning to start publishing that information in December,” Davis says. “Any sooner and it’s information overload because between Singles Day (Nov. 11) and then Black Friday and Cyber Monday—it can just be a lot.”

Planning beyond the Cyber 5

When brands plan promotions and marketing budgets for the holiday season, Chris Jones, Markacy managing partner and co-founder says it’s important not to make the mistake of exhausting promotions and budgets by Christmas.

325%

Percent increase of out-of-stock messages online in October 2021 compared with October 2019.

Source: Adobe

“There are still several weeks they should plan for,” Jones says. “Once shipping cutoffs for Christmas begin through the end of January—the period known as Q5—is an opportunity for brands to capture customers who are still excited about shopping and have money to spend.”

He adds that this is a period when it typically costs much less to advertise than the weeks leading up to Christmas. “This is partially due to elevated conversion rates in combination with lower advertising costs,” says Jones.

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ONLINE RETAILERS WORK TO TURN PANDEMIC BUYERS INTO HOLIDAY BUYERS

The shift to online shopping during the pandemic means e-retailers have sold to lots of consumers for the first time in the past 20 months. Some are using the holiday period to strengthen ties with these shoppers. Their tactics vary with the nature of their business.

By Don Davis

Online shopping took off during the pandemic, and that means e-retailers find themselves with more newly won customers than they normally

would have during a typical holiday season. For some merchants, solidifying the loyalty of those shoppers is a priority.





“Gaining that amount of customers in that amount of time can be tough to deal with for a small company like ours. For this holiday season it’s important to re-engage those customers.”

— Brian Greenspan, chief operating officer, Inmod.com

Among those is Inmod, a web-only retailer of modern furniture and home décor whose customer base grew by 105% during the pandemic, says chief operating officer Brian Greenspan.

“Gaining that amount of customers in that amount of time can be tough to deal with for a small company like ours,” Greenspan says. “For this holiday season it’s important to re-engage those customers.”

Getting back in touch with those shoppers is particularly important now because many consumers are open to shifting their buying preferences. A recent survey by consumer credit bureau Experian found only 73% of U.S. consumers say they’re loyal to the brands they shopped with before the pandemic, down from 79% in the same survey last year.

Consumers expect more from online retailers because so many of them have gained experience in web shopping during the pandemic, says Sharon Gee, vice president of revenue growth and general manager, omnichannel, at ecommerce platform provider BigCommerce.

“Shoppers are more digitally mature about shopping online because that’s what we’ve all had to do,” she says. “Because shoppers are more mature, merchants must become more mature to remain competitive.”

How each online retailer steps up its game varies with what they sell and the shopping behavior they’ve observed from the consumers they’ve sold to during the pandemic. Here is how three e-retailers are building on the gains they’ve made during the COVID-19 period and trying to turn new customers into long-term customers.

Inmod adds text messaging to its marketing mix

COVID-19 caused web sales to explode for Inmod. That's because many consumers purchased furniture and other items to make their domiciles more comfortable while working remotely and huddling at home during the pandemic. Inmod's sales doubled in 2020 over 2019 and grew by another 50% in the first half of this year, Greenspan says.

He says he's turned his attention more to customer retention as the holiday season kicked in and bigger competitors like Wayfair Inc. and Macy's Inc. started advertising heavily online, raising ad prices and making new customer acquisition more expensive. That prompted Inmod to market more to existing customers, including those who purchased for the first time during the pandemic.

One way Inmod is doing that is through email drip campaigns that send a series of personalized emails encouraging previous buyers to make another purchase. "If you purchased a dining room table we may send you

105%

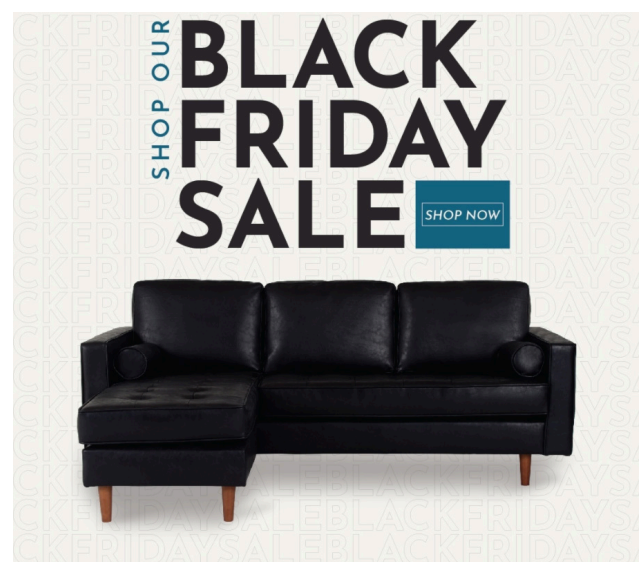
The percent increase of furniture retailer Inmod's customer base during the pandemic.

an email about dining room chairs," he says. "If you open that one, another email will go out to keep the story going."

A newer strategy is to market to consumers via text messages to their cell phones. Inmod began in July 2020 asking consumers who arrive on its website from mobile phones for their phone number so that the retailer could communicate via SMS.

While the click-through rate on text messages is lower than that for email, the conversion rate is twice as high. That doesn't surprise Greenspan.

"People may have many email addresses, but they usually just have one phone number," he says. "Someone who is willing to give out their cell number is likely to be more engaged than someone who gives out their email."





“If your product is back-ordered we’ll have a sales engineer pick up the phone and tell the customer, ‘You’re guitar is not being manufactured for a while, what do you want to do?’”

— Jeff Ekblad, senior director of performance marketing, Sweetwater

Sweetwater prioritizes improved service amid growing sales

Customer acquisition wasn’t a problem in 2020 for musical instruments and gear retailer Sweetwater, whose online sales grew more than 35% last year over 2019 by Digital Commerce 360’s estimates. But the retailer’s executives worried that the sales surge meant first-time buyers weren’t getting the

kind of expert advice and personal attention Sweetwater prides itself on, says Jeff Ekblad, senior director of performance marketing.

“We want to provide real value to musicians, not just ship boxes,” Ekblad says. “If your product is back-ordered we’ll have a sales engineer pick up the phone and tell the customer, ‘You’re guitar is not being manufactured for a while, what do you want to do?’”

He says Sweetwater’s salespeople are musicians themselves who can give knowledgeable advice, and that’s a service that you can’t scale up overnight to meet a sudden surge in customers. But Sweetwater made the investment in bringing on more staff to ensure it could maintain its high level of customer service.

612

Number of distribution center employees at Sweetwater, up from 319 before the pandemic.



The retailer increased its number of sales engineers from 463 in February 2020 when the COVID-19 outbreak took hold in the U.S. to 581 today. It also nearly doubled its distribution center staff to 612 employees from 319 to ensure orders will be shipped promptly, despite the higher volume. It also added a third shift in its warehouse earlier this holiday season than in the past to accommodate the increased demand, which is up 20% this year over last year.

“We’ve been placing bets on ourself that we can scale, so that the second purchase is a good experience,” Ekblad says.

As Sweetwater ramped up its sales and fulfillment staff it went on what Ekblad calls a “win-back campaign,” sending emails to encourage first-time buyers to make a second purchase. He says it’s worked well, and that the new pandemic-era customers are converting at a comparable rate to those who first bought in earlier years.

More of the first-time customers are just starting to learn a musical instruments than previous buyers, but Ekblad says Sweetwater has not altered its marketing approach as a result.

80

Net promoter score at Drinks.com, up from a 70 NPS in March 2020.



Michael Rogers, senior vice president of marketing, Drinks.com

“Our style is we do one-to-one personalization by talking to you as a human,” he says. That means recommending products that fit each customer’s needs, whether they’re a beginner or a pro, and providing information on cost, availability and warranties.

“The power of that approach,” Ekblad says, “is that any kind of customer fits into that very well.”

Drinks.com makes wine buying accessible to younger consumers

Online wine sales posted triple-digit increases in 2020 as many brick-and-mortar stores closed, and that made it a banner year for Drinks.com, which operates such wine sites as Wine Insiders and Martha Stewart Wine Co. and provides wine-selling technology to several other retailers. As a result, Drinks.com found itself with many new customers as it prepared for the 2021 holiday season, says Michael Rogers, senior vice president of marketing, who declined to provide exact figures.

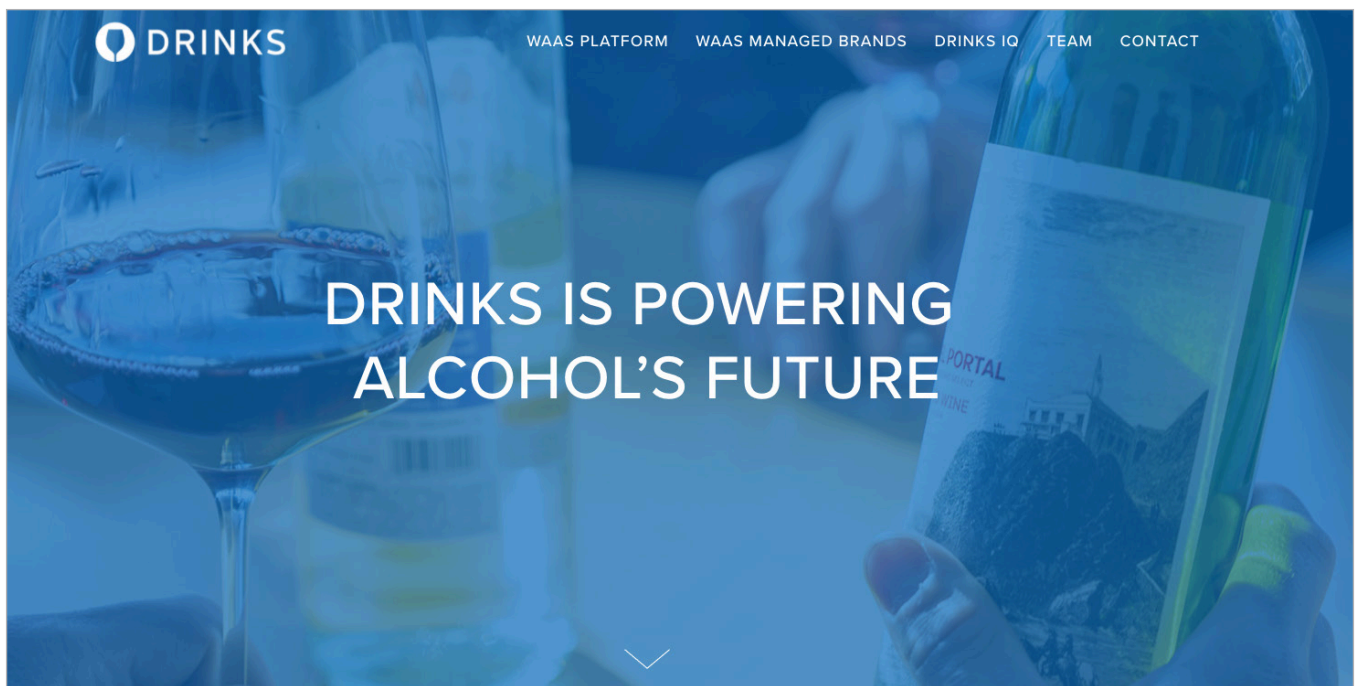
Many of those new customers are millennials, consumers in their late 20s to early 40s. Customer acquisition in that age group surged 75% in 2020 over 2019 and another 20% this year compared with 2020.

Drinks aims to take the mystery out of wine shopping, especially for these relatively young tippers, and that's led it to add more information about wine, especially to Wine Insiders, Rogers says.

“We’ve created a whole section we call Wine 101, with information about particular varietals or

types of wine, or about the ideal temperature for serving white or red wine,” he says. “We’ve beefed up the content because we want to be the online wine resource.”

Millennials are spending 7% more per order in 2021 than they did last year, and they’re not the only ones buying more from Drinks’ sites. For Baby Boomers, shoppers from their late 50s to mid-70s, repeat orders per account increased 27% in 2020 and another 5% so far this year, while their average spend per order is 17% higher than it was in 2019.



THE OPERATING SYSTEM FOR ONLINE ALCOHOL

DRINKS is reinventing wine buying for the 21st century. Through the pioneering Wine as a Service (WaaS) platform, the company brings adult beverages safely and conveniently to customers across the United States in 1–2 days. DRINKS powers this unique ecosystem with its patented DRINKS IQ technology, including the ability to customize merchandising and deliver unique recommendations and messaging for each shopper.

“People may have many email addresses, but they usually just have one phone number. Someone who is willing to give out their cell number is likely to be more engaged than someone who gives out their email.”

— Brian Greenspan, chief operating officer, Inmod.com

In another step to “take the mystery out of wine research and wine shopping,” Wine Insiders began virtual wine tastings, sometimes with celebrities like chef Ludo Lefebvre. Feedback from the events, which took place roughly every quarter, has been positive enough that Wine Insiders plans to continue them even though wine stores have reopened, Rogers says. To participate, consumers order the wines to be tasted in advance, then sip along with the experts during the online event.

Wine Insiders’ customer satisfaction rises during the pandemic

Wine Insiders has taken several other steps to keep in touch with the new customers it’s won.

They include:

- A welcome series of between eight and 12 emails to new customers
- Introducing text message marketing

- Stepped-up social media activity, including contests and member-referral programs
- Promotional tie-ins with famous culinary experts such as Gregory Zakarian and “Chef Ludo” Lefebvre.

These marketing campaigns, combined with Wine Insiders keeping customers supplied with their Chardonnay and Merlot during the stay-at-home mandates, has lifted the online retailer’s Net Promoter Score, a widely used measure of customer satisfaction to 80 today from 70 in March 2020.

That’s one sign Wine Insiders is likely to emerge from the pandemic with a larger and more loyal customer base than it had before the coronavirus outbreak. Given that millions of consumers have shopped more online in the pandemic period than ever before, many other online retailers have the opportunity to do the same.

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HOW WILL ONLINE TOY SALES FARE FOR THE HOLIDAYS WITH OUT-OF-STOCK INVENTORY AND SUPPLY CHAIN WOES

Staying in stock is one of the main issues online toy retailers are grappling with this holiday season, and not even Amazon is immune. Supply chain challenges impact many facets to toy retailers' holiday strategy including inventory, marketing and discounting. Two toy brand manufacturers share their holiday plans.

By April Berthene

With the start of the 2021 holiday shopping season, the question on many online toys sellers' minds is—will they have enough inventory to meet all the consumer demand?

The 2021 supply chain snarls are keeping toy sellers nervous about fulfilling surging demand during their busiest time of year. In fact, for all of 2020, Q4 online toy sales made up about 46% of the category's annual sales dollars in 2020, according to retail analytics firm 1010data.

For toy-brand manufacturer Fat Brain Toys, it's even higher: The retailer generates 50% of its annual revenue in November and December, says president and co-founder Mark Carson.



Meaning having enough inventory to sell is paramount.

“It’s going to be thinner,” Carson says about the online retailer’s inventory. “There are going to be select items we are going to flat run out of.”

41% of retailers said securing sufficient inventory to support demand is one of their top obstacles for the 2021 holiday season, according to a Digital Commerce 360 pre-holiday survey of 100 online retailers. This was the third most common response, after increasing costs (47% of retailers) and timely delivery, (44%).

While out-of-stocks and late shipments might be inevitable for the 2021 holiday shopping season, Carson is still confident that it will have enough inventory overall.

41% OF RETAILERS SAY SECURING INVENTORY IS A TOP HOLIDAY SEASON OBSTACLE

What obstacles do you face as the 2021 holiday season is on the horizon?



Source: 2021 Digital Commerce 360 survey, 100 online retailers

“We’ve got a lot of inventory arriving on a weekly basis, but it’s anywhere from 30 to 90 days late,” Carson says. “Some of that is hard to manage and it is a little bit unnerving. But we have lot of product arriving, and ultimately, we’re going to have enough to fulfill a really good holiday season.”

Staying in stock is one of the crucial issues online toy retailers are grappling with this holiday season. These supply chain challenges impact many facets of retailers’ holiday strategy, including marketing and discounting. Two toy consumer brand manufacturers—Fat Brain Toys and Exploding Kittens—share how they have prepared for this demanding holiday sales season and how they plan to make it a successful one.

Digital Commerce 360 projects that online toys sales from the top toy-focused retailers will increase 19.5% year over year in 2021. That projection is based on the expected sales growth of the 137 toys and hobbies retailers in its Top 1000 and Next 1000 databases, referred to as the Top 2000. This 19.5% increase is notable as this category collectively grew web sales 58.0% in 2020.

Online toy sales surged in 2020, as consumers clamored to purchase at-home entertainment during the coronavirus pandemic, which hit the United States in early 2020. The higher-than-normal demand during the peak of pandemic-

related shutdowns in 2020 makes comparisons with 2021 problematic.

By month in 2021, Criteo finds that online toy sales have decreased year over year nearly each month in 2021 starting in March, when comparing to peak pandemic periods began. Criteo's data is based on data from 3,500 U.S. retailers. Despite early holiday shoppers, toys sales are down year over year in October, Criteo finds. This could be because of supply chain issues and inventory availability, among other factors, says senior vice president Tim Rogers.

“Categories facing the greatest inventory issues, including toys, have seen a surge in pricing since as early as August,” Rogers says. “For toys

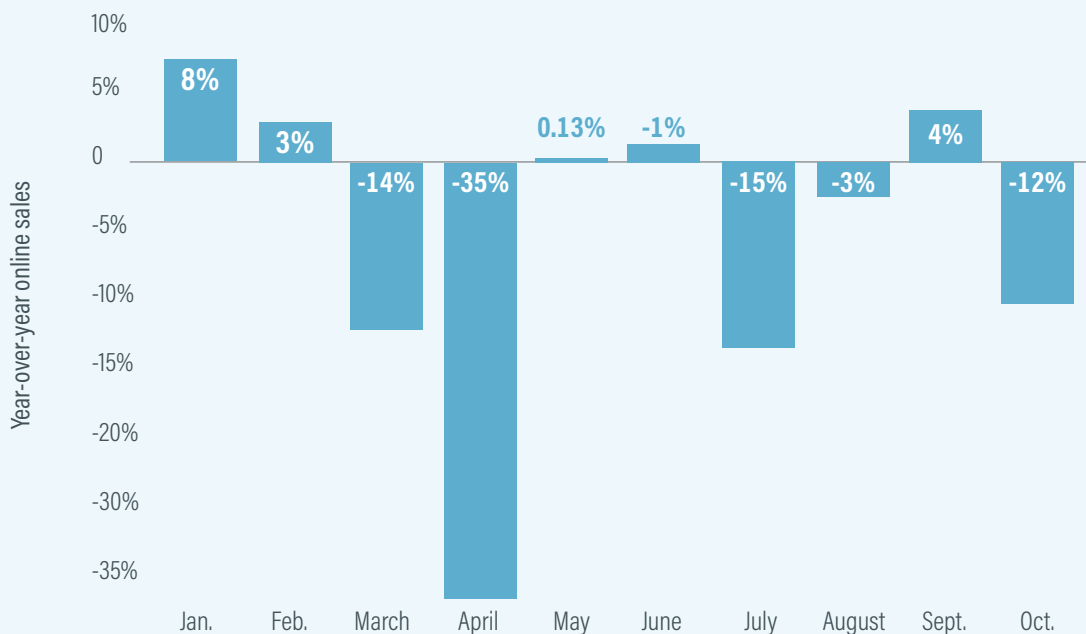
specifically, on average the cost per unit has been going up 1.2% each week, which could be affecting consumers decision to purchase an item or wait until the price goes down. It's also entirely possible that toys were just a more popular gift last year due to quarantines.”

Holiday sales for toys begin in October

Some toy merchants have already started to see holiday season sales pickup. Exploding Kittens—which sells through its own direct-to-consumer site and wholesales with large mass merchants including Target, Amazon and Walmart—says that by mid to late October, it already noticed a ramp-up in daily sell-through rates from its wholesale retailers, says Carly McGinnis, chief operating officer.

ONLINE TOY SALES SLOW IN 2021 AFTER PANDEMIC BOOM

Year-over-year online toy sales, by month



Source: Criteo 2021

Fat Brain Toys has noticed the same, as sales were roughly flat year over year each month in 2021, but from October through Nov. 4, 2021, increased 40% compared with this same period last year, Carson says.

“Our D2C channels are more or less flat, but that’s saying a lot, and that’s strong growth over 2019,” Carson says. “The calendar turned to October and things have taken off like a rocket.”

Carson and McGinnis mostly credit this uptick to consumers hearing about supply chain issues from news reports and retailers.

“The message is, ‘Get out there and shop early. Toys may be in short supply.’ They have heeded that warning and really gotten out in droves,” Carson says.

From what Carson can tell, stores are decently stocked as of early November. But, if shoppers see any empty shelves, they may use that as an excuse to go online and check out options.

41%

Percent of retailers who say securing inventory is a top holiday season obstacle.

Source: 2021 Digital Commerce 360 survey, 100 online retailers

Holiday marketing and discounting strategies

Typically, Fat Brain would wait until Nov. 1 to start its holiday marketing campaigns, but not this year.

“I’m hesitant to talk about Christmas before Halloween, but this year we did jump on that a little bit,” Carson says.

This year, Fat Brain sent its digital holiday gift guide to its previous customers on Oct. 20, earlier than its typical Nov. 1. In addition, instead of sending the guide to both previous and potential customers at the same time, it waited



Fat Brain Toys emailed its holiday gift guide to some shoppers on Oct. 2.

to send out the catalog to a list of prospective customers until mid-November.

“I wanted to make sure our customer had first shot at our inventory,” he says.

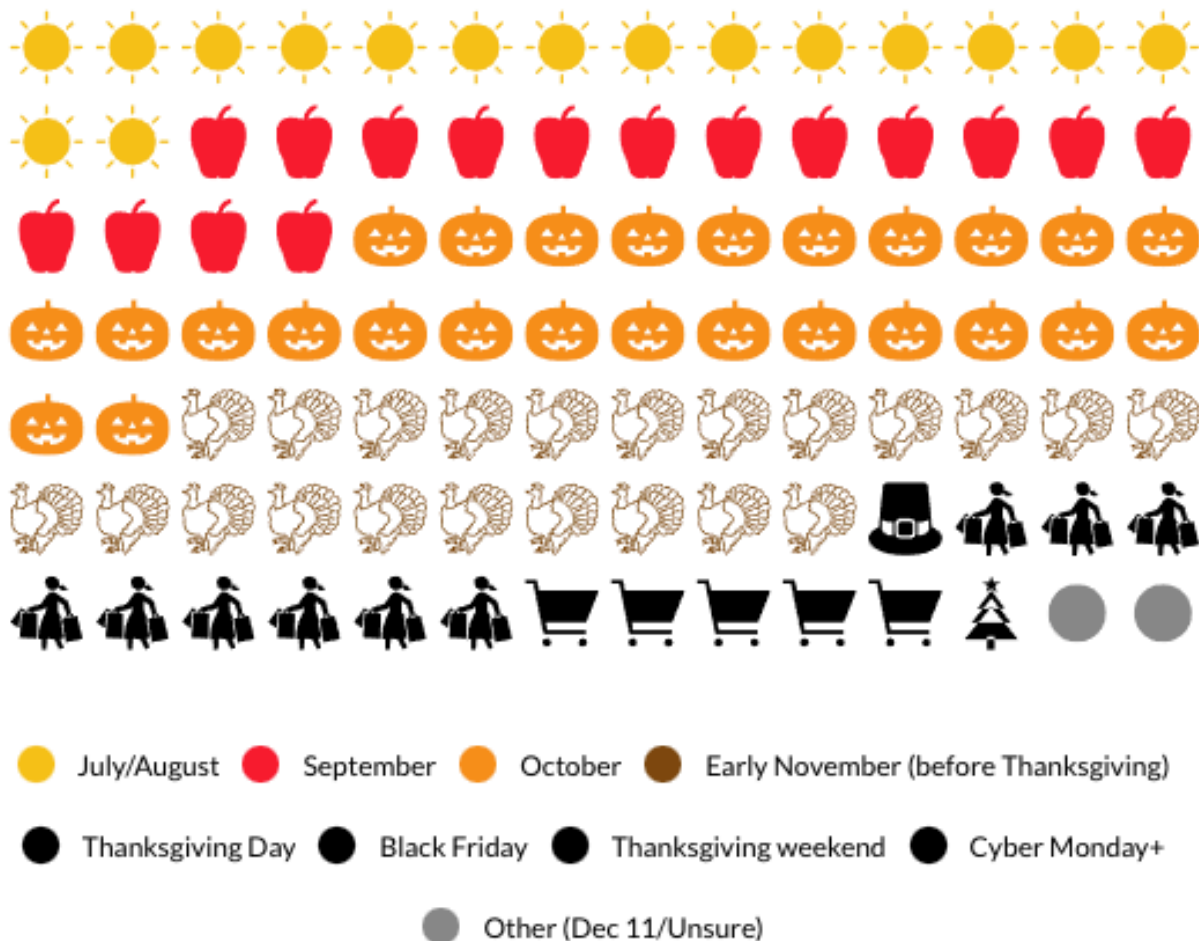
Some marketing was subtle, such as an “early bird special” message and other messages were more overt, such as—“early birds get the toys.”

“Seed in the customer mind that, ‘I better not procrastinate, that I better get the order in right now,’” Carson says.

The Digital Commerce 360 survey of 100 merchants found that 59% of retailers started their holiday marketing campaigns in October or before.

59% OF RETAILERS SAY THEY PLAN TO START HOLIDAY MARKETING IN OCTOBER OR BEFORE

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



Source: Digital Commerce 360 survey, 100 online retailers, 2021

“The message is, ‘Get out there and shop early. Toys may be in short supply.’ [Shoppers] have heeded that warning and really gotten out in droves.”

— Mark Carson, president and co-founder, Fat Brain Toys

Exploding Kittens, however, did not bother marketing for the holidays in October because it didn’t need to, McGinnis says.

“The demand is going to be there,” McGinnis says. “The other thing to keep in mind is that, unfortunately, when other shelves are bare, that’s another opportunity for us.”

Regarding discounting, both brand manufacturers plan to be less promotional this year than in years past.

Exploding Kittens says its Cyber 5 promotions will range from 10-30% off, compared with 50% off in 2020, McGinnis says. Fat Brain, too, will be less aggressive than its previous 15% off discount around Black Friday and Cyber Monday. If it does have that deep of a discount, it will only be for a shorter period, Carson says.

Fewer promotions will likely be a larger trend online toy shoppers see, says Sean Maharaj,

managing director in the logistics practices at management consulting firm AArete.

“Ecommerce promotional discounts are going to be harder to come by,” Maharaj says. “We’re going to see less of that; It is a seller’s market.”

Toy inventory issues for big and small brands

Both Carson and McGinnis say they are cautiously optimistic about having enough inventory to fulfill the holiday demand. But it’s not been easy to get into this position by November, nor will it be easy to maintain.

Fatbraintoy.com carries roughly 3,000 SKUs, 800 of which it manufactures itself. Those 800 also make up the vast majority of its revenue and Carson is confident it will have enough supply of these products for the holiday season.

For the 2,000-plus other toys, however, Carson is unsure. For some of its suppliers, the retailer

only has received 25% of the goods in its purchase order, whereas it should be about 85% in stock by this time, Carson says.

“We’ll sell what we got,” Carson says.

And it’s not just smaller brand manufacturers having inventory issues, as giants including Amazon.com Inc. and Mattel Inc. have all had to navigate supply chain challenges in 2021.

An analysis of 100-plus toys and games SKUs on Amazon.com shows a steady decline in product availability from March 2021 through October 2021, according to data from ecommerce analytics vendor DataWeave. 80% of the selected Amazon.com toys and games SKUs were in stock in March, which dipped to only 61% in stock in June and only 56% in stock in October, according to DataWeave.

Each toys and games subcategory on Amazon.com differs, as the games & accessories subcategory mirrored the overall category trend. In contrast, the sports & outdoor play

70

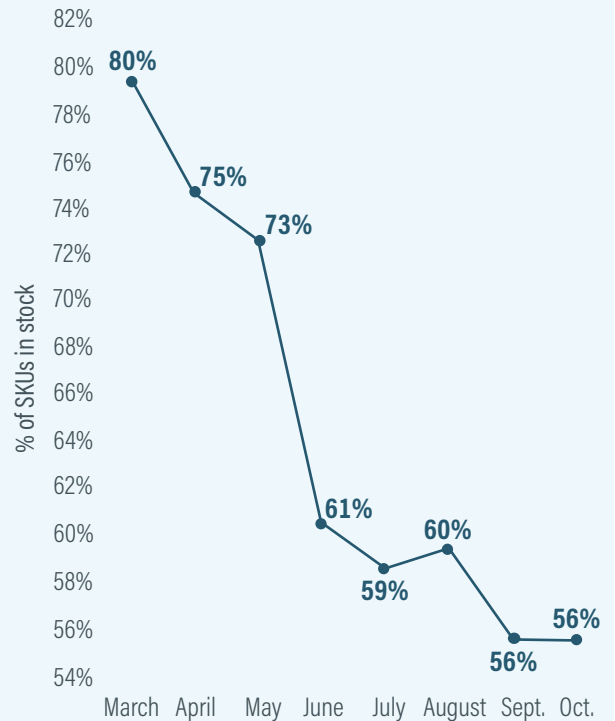
The numbers of days it could take for Exploding Kittens to receive merchandise in its warehouse from China, up from a typical 25 days.

subcategory had their lowest in-stock status in June and July but have since rebounded, according to DataWeave. The vendor says it chose the 100-plus products it analyzed as ones that provided the best sample for an average category analysis for toys & games on Amazon.

For the total ecommerce market, Adobe Inc. says out-of-stock messages increased 325% in October 2021 compared with October 2019. In

IN-STOCK TOYS ON AMAZON.COM PLUNGES DURING 2021

An analysis of 100-plus toys and games SKUs on Amazon.com finds that only 56% of them are in-stock as of October, down from 80% in-stock in March.



Source: DataWeave 2021, Amazon.com toys & games analysis of 100-plus SKUs

“Really all the way down the supply chain, it’s stretched to a breaking point for sure.”

— Mark Carson, president and co-founder, Fat Brain Toys

just October 2021, online shoppers encountered more than 2 billion out-of-stock messages online. Adobe derives its data from more than a trillion visits to U.S. retail sites and over 100 million SKUs in 18 product categories.

“With over 2 billion out-of-stock messages last month, consumers are beginning to understand the real impact of the supply chain challenges,” says Taylor Schreiner, director of Adobe Digital Insights. “Some have begun to adjust their holiday strategy accordingly, with parents shopping for toys earlier and some settling for gift cards this season. For those who have not yet started their holiday shopping, they will need to be prepared to be flexible.”

All the challenges throughout the supply chain contribute to inventory instability. Disruptions included facilities in China periodically shutting down because of COVID-19, backlogs at ports, congestion on the routes, backlogs at the destination port and delays in having the ships docked and unloaded. The delays in unloading ships then lead to delays in loading containers of

products onto rail cars or truck trailers on their way to warehouses and distribution centers.

“Really all the way down the supply chain, it’s stretched to a breaking point for sure,” Carson says.

And fixing one part of the supply chain—such as allowing ports to operate overnight—only pushes the bottleneck further down the supply chain, as there will not be enough tuckers to remove that merchandise from the port, AArete’s Maharaj says.

Securing toy inventory

Larger brands have more options at their disposal to secure inventory than smaller retailers, Maharaj says. Established brands, for example, have decades of experience of in-depth supply chain planning, a significant presence in China, well-established relationships and a mature supply chain of raw materials, he says. Plus, they have the resources to build up inventory and charter their own vessels—which Walmart Inc. has done—or team up with other larger brands to commission ships together.

Large brands may also have the resources to air freight merchandise, as toys are not as dense as other products that would be difficult for air transportation, he says.

Smaller brands have to get more creative or just wait.

Running smoothly, Exploding Kittens should receive its merchandise from China in about 18-20 days from port to port, and 25 days from port to warehouse, McGinnis says. But in 2021, this has taken anywhere from 40-70 days and costs 600% more.

To get its goods from overseas and into its warehouse, Exploding Kittens has taken several measures. These include air freighting 5% of its merchandise as a backup, diversifying where it manufactures its goods beyond China and routing its inventory to alternative ports, such as Seattle, Houston and Tacoma, Washington, which are less congested than the Long Beach, California port.

600%

Percent increase in the costs for Exploding Kittens to transport its merchandise from China to its warehouse because of supply chain issues.

Air freighting merchandise is usually 30-times more expensive than ocean freight, McGinnis says. However, because ocean freight is extremely expensive right now—McGinnis says the retailer is paying \$35,000 for one container compared with a typical \$2,000-\$5,000 price tag—air freighting is only eight to 10-times more expensive than ocean cargo.

“It’s worth it not to be out of stock during the busiest time of year,” McGinnis says.

“Air freight is very attractive because you can get door-to-door within two weeks,” she adds.

In addition, both exploding Kittens and Fat Brain Toys put in their holiday orders in earlier than usual to give them some buffer.

For example, Fat Brain Toys put its holiday purchase order in with suppliers in July, about two months before it usually does, in the hopes of having its order at the front of the line.

It normally waits until September to have better visibility into sell-through rates for a product. This early strategy, however, seems to be working, and the products it selected are selling, Carson says.

While it may have fewer resources and less visibility into its supply chain than a multi-billion-dollar mass merchant, being small has advantages. Fat Brain Toys can be more nimble

and make quick adjustments to what it shows on its ecommerce site or what it markets, Carson says.

For late merchandise from its suppliers, Fat Brain Toys has cancel-by dates. This means, if it hasn't received the products from the supplier by a certain date, Fat Brain can cancel the inventory without penalty. Caron knows he will have "quite a few" of those decisions to make, which will not be easy. For example, cancel-by dates are usually in early December, when there are still some good sales days left in the season. But how realistic is it that it will have to sell 500 units of a particular product?

"It's not uncommon to make adjustments, but there's just going to be bigger adjustments to be made this year and a lot more of them," Carson says.

Regardless of size, retailers that want to sell toys for the 2021 holiday season should already have that merchandise in its possession, hopefully in a port or be on the water, Maharaj says. If the product is still at a manufacturing facility in Asia now in early November, it's likely too late for Dec. 25, he says. "If you are still trying secure product, it's probably a futile effort," he says.

For toy retailers without enough inventory to sell, he recommends promoting gift cards or digital toys, such as downloadable electronic games.

Unfortunately, retailers and analysts say that toy inventory issues will not get ironed out by Christmas 2021 and likely not for months into 2022.

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