IMPACT OF COVID-19 ON ONLINE SHOPPER BEHAVIOR AND ECOMMERCE SALES

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AGENDA

ABOUT NETELIXIR

RESEARCH OVERVIEW

IMPACT OF COVID-19 ON ONLINE SHOPPER BEHAVIOR

IMPACT OF COVID-19 ON ECOMMERCE SALES

GOOGLE AD INVESTMENTS & CPC

CATEGORY-LEVEL FORECASTS + QUESTIONS

ADVICE FOR RETAIL MARKETERS

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WE HELP RETAIL BRANDS
FIND & ENGAGE
HIGH VALUE CUSTOMERS

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110+ TEAM MEMBERS | **3** GLOBAL OFFICES | FEATURED PARTNERSHIPS

PREMIER Google Partner | Bing Select Partner | UPS Ready UPS | BRIGHTEDGE | Facebook Marketing Partner

Ames Walker

ASHLEY STEWART

amika:

blindsgalore

eva·nyc

circa LIGHTING

CPO

DOVER SADDLERY

J.Reneé

Kansas City STEAK COMPANY

Lenovo

mercato

ROCKLER WOODWORKING AND HARDWARE

teleflora

WINE COUNTRY GIFT BASKETS CA EST. 1984

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TODAY'S SPEAKERS

Udayan Bose

Founder & CEO of NetElixir

linkedin.com/in/udayanbose

Parag Shah

Vice President at Wakefern Food Corporation (Grocery Division)

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RESEARCH OVERVIEW

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The coronavirus outbreak is first and foremost a human tragedy, affecting hundreds of thousands of people. With lives at risk, we hope that conditions improve quickly.

The outbreak is also having a growing impact on the global economy. This article is intended to provide retail industry leaders with a perspective on the evolving situation within United States and implications for their company's marketing programs.
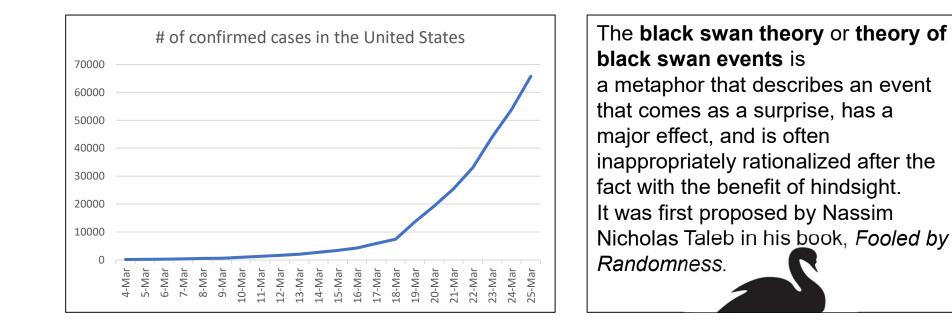
The outbreak is moving quickly, and some of the perspectives in our presentation may fall rapidly out of date. This presentation is based on first hand ecommerce sales data for a select data set of online retailers as of **March 21, 2020**.

We will continue to closely track the category-level shopper insights and ecommerce sales data to identify any significant trends that emerge as the outbreak evolves.

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CORONAVIRUS IS A BLACK SWAN EVENT

of confirmed cases in the United States

70000	
60000	
50000	
40000	
30000	
20000	
10000	
0	

4-Mar 5-Mar 6-Mar 7-Mar 8-Mar 9-Mar 10-Mar 11-Mar 12-Mar 13-Mar 14-Mar 15-Mar 16-Mar 17-Mar 18-Mar 19-Mar 20-Mar 21-Mar 22-Mar 23-Mar 24-Mar 25-Mar

The **black swan theory** or **theory of black swan events** is
a metaphor that describes an event that comes as a surprise, has a major effect, and is often inappropriately rationalized after the fact with the benefit of hindsight.
It was first proposed by Nassim Nicholas Taleb in his book, *Fooled by Randomness*.

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Digital Marketers need to have a close tab on their customer behavior and align their marketing mix accordingly. This will enable them to tap into the ecommerce opportunities that arise as a result of changing market conditions. We firmly believe marketers that are agile and have access to the right tools and, internal and external resources can find themselves in a position of competitive advantage and gain market share.

RESEARCH OVERVIEW: KEY METRICS THAT WERE ANALYZED

ANALYSIS SEGMENT	KEY METRIC	WHY WE BELIEVE IT IS IMPORTANT
Online Shopper Behavior	Latency (# of hours between 1st website landing and 1st purchase)	Are shoppers taking longer to complete their purchase?
	% of mobile orders	Are shoppers making more purchases from their mobile phones
Online Sales	Average Order Value (AOV)	Has the basket size increased?
	% new orders	Are new shoppers contributing to a higher % of total orders?
	#Online Orders	Are the retailers experiencing an increase in website orders?
Google Ad Investments	Y/Y Increase in Media Spend	Are retailers increasing/lowering their Ad Spends?
	Y/Y Increase in CPC	Has the competitive intensity increased?

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RESEARCH OVERVIEW

- We aggregated and analyzed daily online sales metrics for 7 retail categories over three 7-day periods – **Period 1** (The Beginning): 2/9-2/22; **Period 2** (The Spike Starts): 2/23 – 3/7; **Period 3** (The Outbreak Spreads): 3/8-3/21.

- We compared <u>daily data from 2020 to 2019</u> over these three time periods.

- The retail categories considered for our research: Apparel, Home Decor, Tools and Hardware, Food, Gifting, Pet Supply and Home Furnishings.

- For analyzing the Online Shopper Behavior metrics we used our proprietary, real-time customer analytics platform, **LXRInsights**™ (https://www.netelixir.com/lxrinsights)
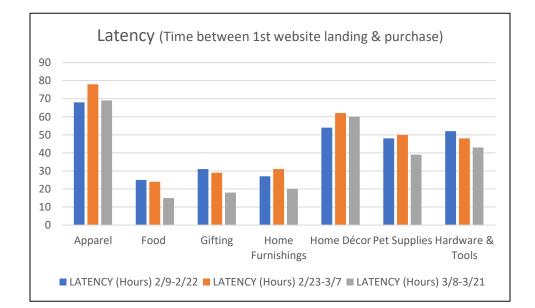
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IMPACT OF COVID-19
ON ONLINE SHOPPER BEHAVIOR

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SHOPPERS TAKE LESS TIME TO COMPLETE A PURCHASE

Latency (Time between 1st website landing & purchase)

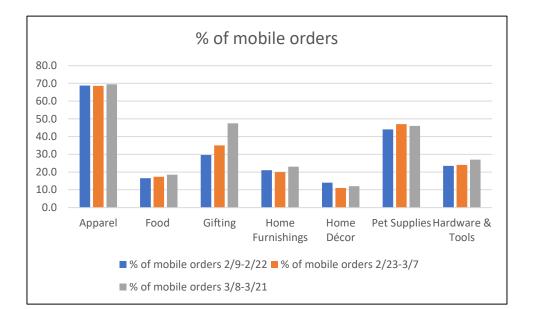LATENCY (Hours) 2/9-2/22   LATENCY (Hours) 2/23-3/7   LATENCY (Hours) 3/8-3/21

OBSERVATIONS

- First time online shoppers in each and every category took less time to complete their purchase as the outbreak intensified.

- Shoppers not just purchased "faster" but also visited the website fewer times for research and comparison prior to making a purchase.

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% MOBILE ORDERS INCREASE FOR ALL CATEGORIES

% of mobile orders

Categories (x-axis): Apparel, Food, Gifting, Home Furnishings, Home Décor, Pet Supplies, Hardware & Tools

■ % of mobile orders 2/9-2/22   ■ % of mobile orders 2/23-3/7
■ % of mobile orders 3/8-3/21

OBSERVATIONS

- % of mobile orders went up for most categories.

- Retailers are constantly trying to lower the mobile shopping friction.
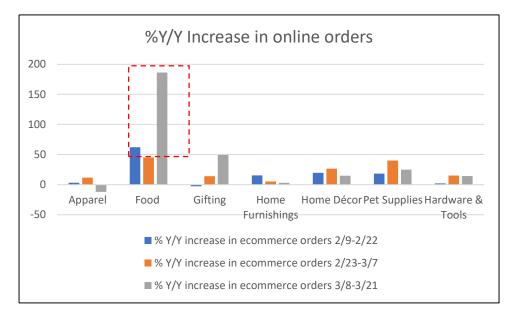
- Many retailers are offering "mobile-only" promotions.

DISCLAIMER: This presentation provides an informative overview based on data collected from a select set of NetElixir's clients belonging to the retail categories discussed. It does not purport to be a comprehensive analysis of all retailers within any particular category. Before acting on any information, you should consider its appropriateness to your particular circumstances and marketing objectives. Accordingly, NetElixir assumes no liability for the information presented.

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IMPACT OF COVID-19 ON ECOMMERCE SALES

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Y/Y ONLINE SALES CONTINUE TO INCREASE

%Y/Y Increase in online orders

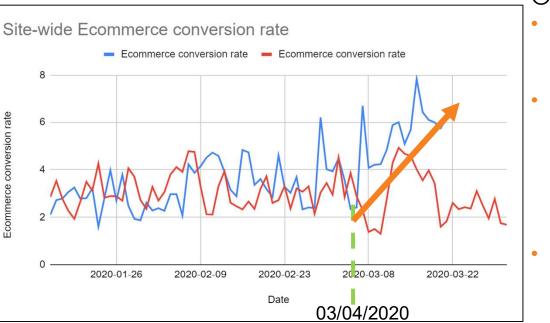**OBSERVATIONS**

- Though most categories in our data set (with the exception of apparel) have experienced an increase in Y/Y online sales, two categories stand out – food and gifting (includes greeting cards).

- Y/Y Increase in orders during the 2nd and 3rd time periods was prominent also in Home Décor, Pet Supplies and Hardware and Tools categories.

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ONLINE FOOD PURCHASES SOAR

Site-wide Ecommerce conversion rate

03/04/2020

OBSERVATIONS

- Sitewide conversion rates have been rapidly rising for the food category.
- With people spending more time at home and eating at home, food producers as well as retailers have been experiencing an abnormally high increase in demand.

- The frequent item stockouts at the retail stores (brick and mortar as well as online) is leading to an increase in online sales for Food Producers.

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% NEW SHOPPERS IS GROWING ACROSS CATEGORIES

%new orders

Legend:
- ■ % of new orders 2/9-2/22
- ■ % of new orders 2/23-3/7
- ■ % of new orders 3/8-3/21

Categories: Apparel, Food, Gifting, Home Furnishings, Home Décor, Pet Supplies, Hardware & Tools

OBSERVATIONS

- % of orders coming from new to the website shoppers showed continued increase for most categories – food, gifting, home décor, pet supplies and hardware &tools.

- We were able to establish a correlation between increase in % daily online orders for the retailers in our data set that had to close their stores
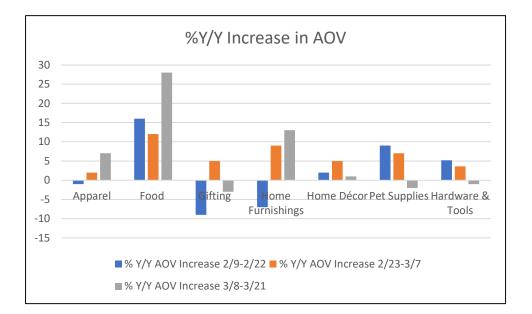
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POLL

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SHOPPERS ARE SPENDING MORE PER PURCHASE OCCASION

%Y/Y Increase in AOV

Chart legend:
- ■ % Y/Y AOV Increase 2/9-2/22
- ■ % Y/Y AOV Increase 2/23-3/7
- ■ % Y/Y AOV Increase 3/8-3/21

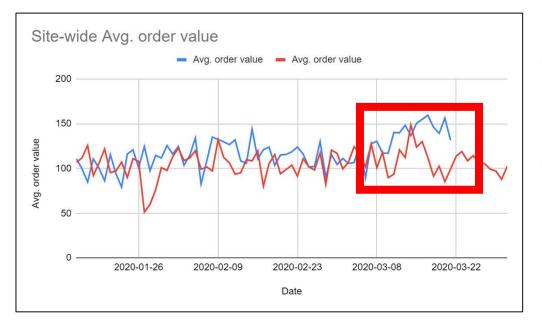Categories: Apparel, Food, Gifting, Home Furnishings, Home Décor, Pet Supplies, Hardware & Tools

OBSERVATIONS

- Basket size for food and home furnishings was higher in the 3rd time period. The significant increase in food category maybe linked with shoppers stocking up as Government advisories are issued.

- The apparel category AOV also went up. This maybe also an effect of stores having to be closed by some retailers in this category data set leading to a few of the higher value customers migrating online.

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FOOD SHOPPERS' BASKET SIZE HAS DOUBLED SINCE MARCH 4
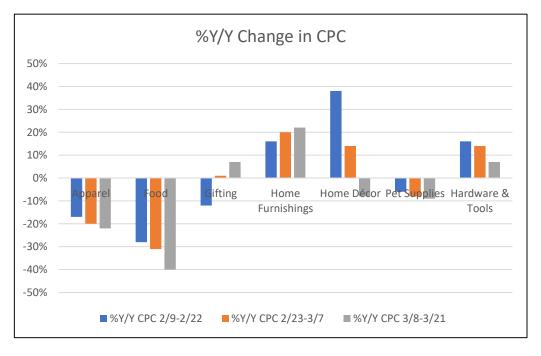

Site-wide Avg. order value

OBSERVATIONS

- Basket size for the food category has continually increased since March 4.

- This maybe indicative of panic buying as the coronavirus incidents increase and Government advisories come into effect.

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IMPACT OF COVID-19 ON GOOGLE AD INVESTMENTS & CPC

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THE CPC'S FOR MOST CATEGORIES ARE DOWN

%Y/Y Change in CPC

Legend: ■ %Y/Y CPC 2/9-2/22   ■ %Y/Y CPC 2/23-3/7   ■ %Y/Y CPC 3/8-3/21

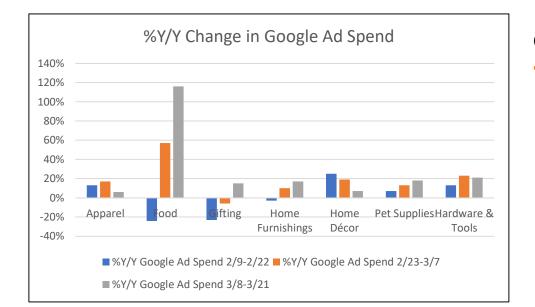Categories: Apparel, Food, Gifting, Home Furnishings, Home Décor, Pet Supplies, Hardware & Tools

OBSERVATIONS

- The CPCs for apparel, food, home décor and pet supplies are continually declining. This maybe either because fewer companies are competing per keyword or because a higher % of searches are happening from mobile devices (and mobile CPCs are still 10-15% less expensive for most categories than desktop CPCs.

- Increase in online demand along with a lower CPC presents an attractive opportunity for businesses in food, home furnishings, home décor, pet supplies and hardware & tools categories to gain precious share of voice on Google.

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MOST ONLINE MARKETERS ARE INCREASING THEIR AD BUDGETS

%Y/Y Change in Google Ad Spend

Chart legend:
- ■ %Y/Y Google Ad Spend 2/9-2/22
- ■ %Y/Y Google Ad Spend 2/23-3/7
- ■ %Y/Y Google Ad Spend 3/8-3/21

Categories: Apparel, Food, Gifting, Home Furnishings, Home Décor, Pet Supplies, Hardware & Tools

OBSERVATION

- With the exception of apparel and home décor, many marketers are continually increasing the Google ad spend to take advantage of the low CPCs and incremental online sales demand.

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CATEGORY-LEVEL FORECAST

+

QUESTIONS

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AS SHOPPERS ADAPT TO THE NEW NORMAL, MOST CATEGORIES ARE EXPERIENCING DOUBLE DIGIT %Y/Y ONLINE SALES GROWTH

RETAIL CATEGORY	%Y/Y GROWTH IN ONLINE ORDERS (MARCH 1-25)*	%Y/Y GROWTH IN ONLINE ORDERS (APRIL 1-30) NETELIXIR ESTIMATES
Apparel	-6%	+5%
Food	+183%	+150%
Gifting	+63%	+60%
Home Furnishings	+18%	+30%
Home Decor	+24%	+30%
Pet Supplies	+25%	+25%
Hardware & Tools	+17%	+30%

* %Y/Y Increase in Online Orders has been abnormally high since March 15, 2020 for all categories except apparel

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3 QUESTIONS
OUR CLIENTS ARE ASKING US

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Will the new customers stop shopping online and go back to the stores after everything is back to normal?

How much of retail store sales drop can I make up through my website?

Should our Marketing KPIs change during this time?

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ADVICE FOR RETAIL MARKETERS

MINIMIZE FRICTION TO GROW YOUR ONLINE SALES

- **Be Nimble**: Keep a regular tab on any shifts in buyer behavior and online sales and adapt your marketing programs accordingly.

- **Increase the focus on your existing customers:** How can you <u>earn</u> a higher share of their "online time"? And, strengthen your engagement? How can you HELP them during these uncertain times?

- **Review the 4Ps (Product, Price, Promotion, Place)** of your marketing mix based on the above information.
  - What categories and SKUs will you focus on?
  - Can you offer an incentive for your new customers?
  - Does a differential pricing strategy make sense?
  - Are you running location-targeted campaigns?

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COVID-19

RETAIL ANALYTICS UPDATES
EVERY MONDAY, WEDNESDAY, & FRIDAY

NETELIXIR.COM/BLOG

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IF YOU ARE INTERESTED IN LEARNING MORE ABOUT

CATEGORY SPECIFIC INSIGHTS

EMAIL US @
SHAREINSIGHTS@NETELIXIR.COM

THANK YOU

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