ROAD TO RECOVERY:
REAL TIME DATA ON ECOMMERCE SALES & ONLINE SHOPPER BEHAVIOR

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SEARCH ENGINE OPTIMIZATION

SOCIAL MEDIA MARKETING

AMAZON MARKETING SERVICES

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RESEARCH OVERVIEW

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 presentation is intended to provide retail industry leaders with a perspective on the evolving situation within the 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The outbreak is moving quickly, and some of the perspectives in our presentation may fall rapidly out of date.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 **August 8, 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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CONSUMER PREFERENCES ARE CHANGING WEEKLY AS THEY ADAPT TO THE NEW NORMAL
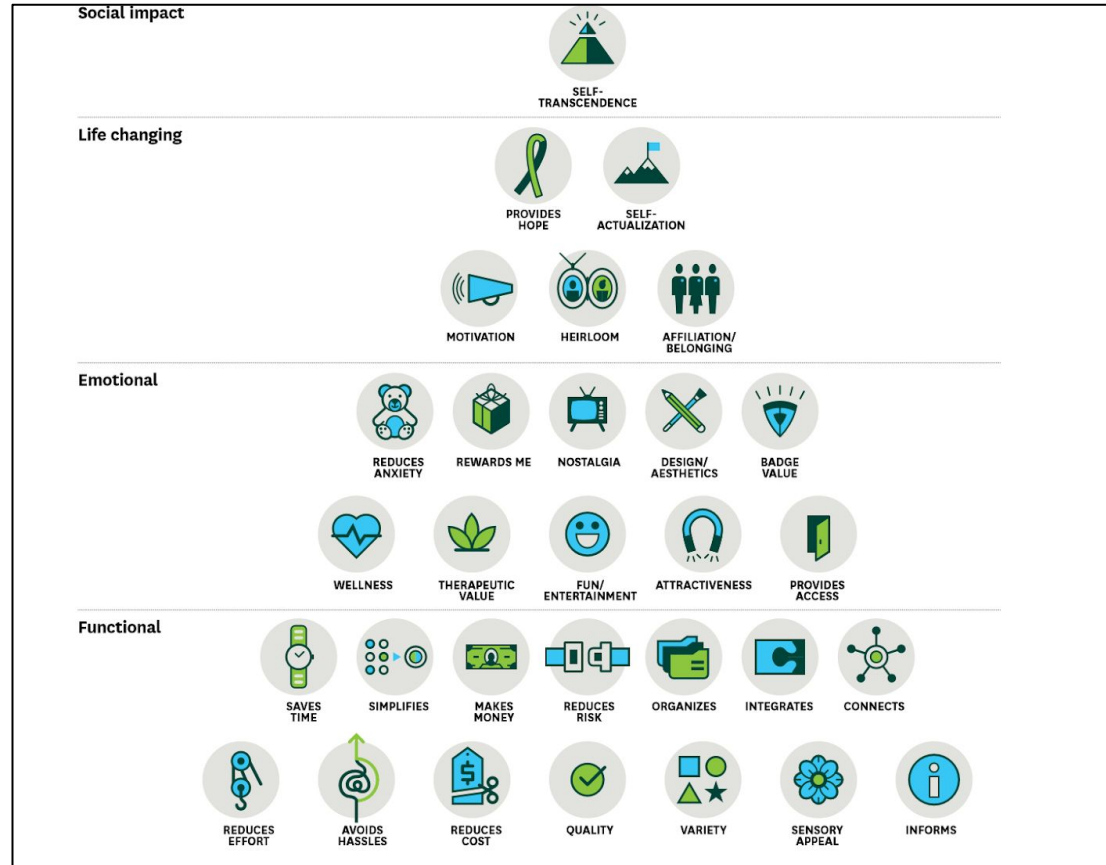
Source: Elements of Value, Bain & Co, 2015

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QUESTIONS
MARKETERS ARE ASKING US

- Will this outbreak lead to permanent shifts in consumer behavior?

- Will the new customers continue to shop with us after the pandemic is over?

- How should I calculate the Return on Marketing Investment when I am not sure of the LTV of the new customer?

- How do we prepare for this holiday season when there is so much uncertainty?

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RESEARCH OVERVIEW

- We aggregated and analyzed daily online sales metrics for 7 retail categories over fourteen, 14-day periods:

  - **Period 1** (The Beginning): 2/9-2/22

  - **Period 2** (The First Spike): 2/23 – 3/7

  - **Period 3** (The Outbreak Spreads): 3/8-3/21

  - **Period 4** (The Second Spike Starts): 3/22-4/4

  - **Period 5** (The Outbreak Spreads 2): 4/5-4/18

  - **Period 6&7** (The Curve Starts to Show Signs of Flattening & States start to reopen in phases): 4/19-5/16

  - **Period 8&9** (The Curve Flattens & Most States have Reopened): 5/17-6/13

  - **Period 10, 11, 12** (The Outbreak Spreads like wildfire): 6/14-7/25

  - **Period 13 & 14** (The Outbreak Continues to Spread): 7/26-8/8

- We compared daily data from 2020 to 2019 over these fourteen time periods.

- The retail categories considered for our research: Apparel, Home Decor, Tools and Hardware, Food, Gifting, Pet Supplies, 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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# ONLINE SALES CONTINUE TO GROW AT AN EXPLOSIVE PACE ACROSS CATEGORIES

%Y/Y Increase in Online Sales (2020 vs. 2019)

Date	Apparel	Food	Gifting	Home Furnishings	Home Décor	Pet Supplies	Hardware & Tools
2/9-2/22	-3.06%	61.98%	-3.03%	15.25%	19.43%	18.24%	1.88%
2/23-3/7	11.54%	44.91%	13.86%	5.08%	26.44%	39.94%	14.92%
3/8-3/21	-12.20%	186.16%	49.15%	2.84%	14.61%	14.71%	3.98%
3/22-4/4	-22.22%	590.64%	80.57%	30.86%	14.12%	56.33%	46.65%
4/5-4/18	-4.00%	263.00%	96.00%	57.00%	55.00%	81.00%	71.00%
4/19-5/02	16.90%	426.00%	89.00%	112.00%	114.00%	89.00%	114.00%
5/03-5/16	19.20%	278.00%	94.00%	116.00%	113.00%	68.00%	107.00%
5/17-5/30	24.86%	184.00%	74.00%	155.00%	89.00%	86.00%	95.00%
5/31-6/13	11.2%	107.00%	73.00%	133.00%	78.00%	64.00%	71.26%
6/14-6/27	14.7%	82.73%	56.06%	129.34%	46.57%	71.98%	81.02%
6/28-7/11	24.3%	73.51%	45.51%	111.14%	38.57%	60.9%	69.79%
7/12-7/25	25.9%	93.84%	39.23%	124.40%	36.4%	73.27%	59.88%
7/26-08/08	32.2%	46.21%	33.89%	178.00%	24.4%	67.22%	48.45%

US Digital Buyers Ages 45+, 2019-2023
millions, % change and % of internet users

86.5 — 76.1% — 5.1%
91.5 — 78.7% — 5.8%
94.1 — 79.5%
96.7 — 80.4%
99.3 — 81.3%
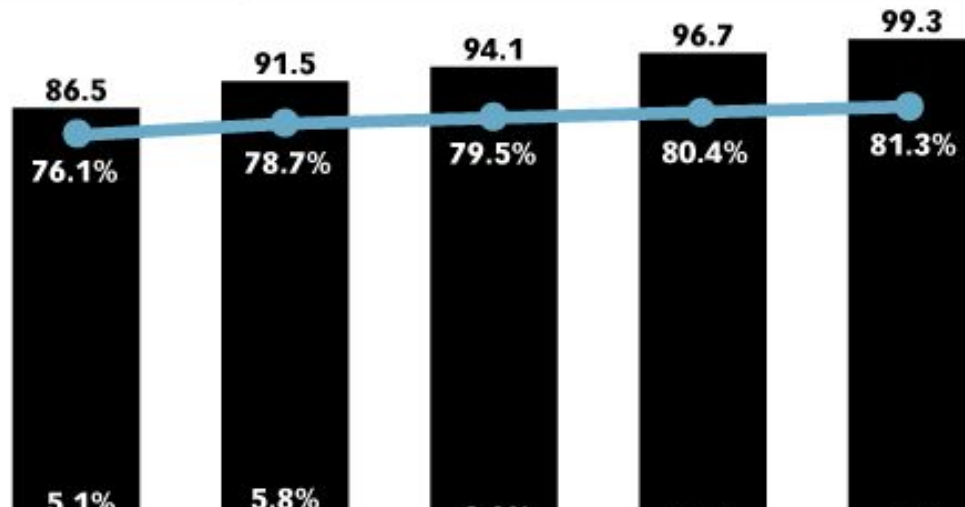
7.4 MILLION
NEW DIGITAL BUYERS IN 2020

255991

www.eMarketer.com
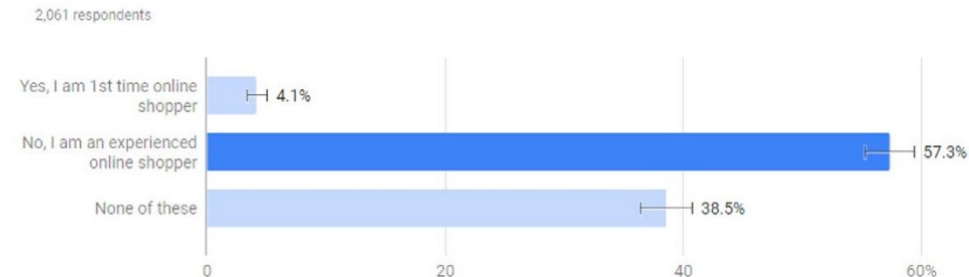
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NEW TO ONLINE SHOPPERS
&
HIGHER PURCHASE FREQUENCY

ARE THE KEY GROWTH DRIVERS

HAVE YOU SHOPPED ONLINE FOR THE 1ST TIME EVER DURING THE COVID-19 PANDEMIC?

RESULTS:

2,061 respondents

Yes, I am 1st time online shopper	4.1%
No, I am an experienced online shopper	57.3%
None of these	38.5%

ON AVERAGE, HOW MANY ONLINE ORDERS HAVE YOU PLACED SINCE COVID-19 SHUTDOWNS BEGAN IN MARCH 2020?

RESULTS:

1,194 respondents

0	2.8%
1-2	10.6%
3-4	19.3%
5-6	14.8%
7+	52.5%

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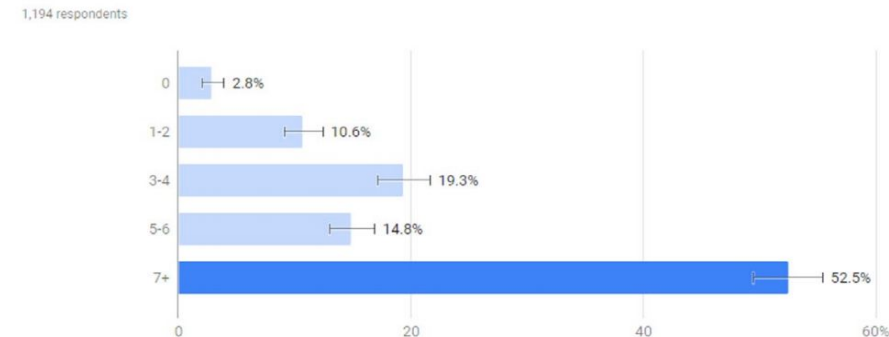
ONLINE SALES GROWTH DRIVERS: STATS

- % Contribution by New Shoppers has increased (average across categories has increased from 37% in 2019 to 41.2% in 2020).

- The New Online Shoppers have been purchasing faster (18%-27% faster than the pre-pandemic shopper).

- The Online Shoppers have been purchasing more frequently (30% more purchase instances compared to the pre-pandemic shopper).

- The Online Shoppers have been spending more per purchase (12% increase in AOV compared to the pre-pandemic shopper).

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OBSERVATIONS & PREDICTIONS: ECOMMERCE SALES

- Contribution of mobile sales has increased from an **average of 48% to 59%** across categories. This may very well be a permanent shift.

- The top online shopping dayparts have changed for **every category**. The dayparts when shoppers search, shop and buy during the upcoming Cyber 5 maybe very different from any prior year.

- **Gifting has emerged as an important trend** this year – especially by the 18-24 and 25-34 age groups to 55+ age group. We believe this will have a substantial impact during the holidays. New gift categories and products will emerge. Unboxing experiences have changed due to the pandemic. There are opportunities for creativity for retailers with the unboxing experience that may lead to substantial competitive advantage.

- eCommerce Sales Growth should continue at **+30% Y/Y for the remainder of 2020**.

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ALONG THE ROAD TO RECOVERY:
How the Coronavirus Pandemic Reshaped E-Commerce Trends and Online Shopping Behavior

NETELIXIR.COM/HOLIDAYS

WHAT MAKES 2020 HOLIDAY SEASON UNPREDICTABLE FOR RETAILERS?

- The ongoing pandemic and its impact on EVERYTHING.

- Retail Sales are rapidly moving online (we expect 25%+of total retail sales this holiday season to happen online) and most retailers are still struggling to manage the online sales spikes.

- Holiday in-store sales are expected to be lower than last year. Brick and Mortar businesses are trying to ramp up their online capabilities as quickly as possible.

- Manufacturing disruptions may lead to product shortages. We maybe surprised to see empty shelves during the holiday season.

- Unpredictability of the "pandemic" holiday shopper behavior. Safety is going to be an important value element for shoppers.

- Election Year Impact on Shopping Behavior is likely to add to the uncertainty.

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The Pandemic is a **negative somatic marker** (A Somatic Marker is a psychological process that controls your decision-making, an emotional bookmark so powerful that you'll never forget it. (Martin Lindstrom)

The negative Somatic Marker the world's population has installed in our brains over the past few months is likely to have a powerful, lasting impact on how we behave. We're likely to shop differently, touch the shopping cart differently, visit fitting rooms differently, touch elevator buttons differently. And those are relatively trivial changes. Consider train stations, airports, political rallies, and demonstrations. **We might call it a paradigm shift. In many cases, it will weaken and even replace entire industries and institutions**.

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HOLIDAYS 2020

WHAT TO EXPECT

- Shoppers are likely to start their online purchases early this year. Holiday shopping may start as early as October 5-6.

- Retailers will increase their digital marketing spend 30%-150% Y/Y in an effort to win online shoppers and drive up sales. Google, Facebook, and Amazon will compete for the digital marketing dollars.

- Unpredictable demand spikes will lead to supply chain challenges for most retailers. Retailers will constantly need to match the demand and supply sides of their business.

- Omnichannel retailers will rely heavily on BOPIS. Reliance on curbside pick up will increase. (Creative curbside delivery options may emerge. Example: Sam's Club Concierge Service for Seniors). Local Business Delivery Service – a possible option.

- A longer holiday season coupled with a shift of retail sales from in-store to online, may lead to new and unique purchase patterns (Cyber 5 may become Cyber 10; Last minute purchases are likely to decrease; Higher number of purchases may happen through the entire season, etc.)

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AMAZON WILL DRIVE AN EARLIER START TO THE 2020 HOLIDAYS

Wirecutter

When is Amazon Prime Day 2020?

Amazon Prime Day, according to recent reports, has now been delayed until October, with Amazon providing sellers with the week of October 5 as a placeholder date (while still making it clear that Prime Day's dates were

AMAZON MAY DECIDE NOT TO DO PRIME DAY THIS YEAR.

another shift in Amazon's evolving response to the global pandemic. The event (when and if it does occur) is likely to be a at least a two-day affair, and we expect even more preview deals over the weekend prior to Prime Day kickoff. However, due to the potential for supply-chain issues, warehouse strains, and other coronavirus-driven concerns to crop up again, it's impossible to say at this point whether Prime Day will happen at all—we'll have to wait and see.

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ATTRIBUTES OF A SUCCESSFUL HOLIDAY READINESS STRATEGY

- **Flexibility:** Given the unpredictability of this holiday season, the plan has to be flexible to adapt to the flow. We recommend having a Plan B and even a Plan C ready.

- **Nimbleness:** Retailers will need to be extremely nimble and quick to execute their plans. We expect the consumer demand to be extremely dynamic (and, occasionally volatile) this holiday season. If the retailers aren't nimble, they will miss the opportunities.

- **Always On:** Over 80% of online purchases during the Cyber 5 happens outside of office hours. This holiday season, with a high percentage of people possibly still working from home, the shopping hours are likely to be more spread out through the day. Vigilance and agility are essential attributes. 24/7, expert management of digital marketing campaigns and other demand generation initiatives is not an option – it is a necessity.

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HOW NETELIXIR CAN HELP

HOLIDAY OPERATING MODEL FOR
FAIL SAFE PERFORMANCE

HELPED 500+ RETAILERS GROW ONLINE HOLIDAY SALES
BY 3X THE INDUSTRY AVERAGE SINCE 2005

DIGITAL MARKETING EXPERTS WORKING 24/7

RAPID CUSTOMER COMMUNICATION PROTOCOL FOR HOLIDAYS

OPERATING PROCESSES CUSTOM BUILT FOR THE RETAIL INDUSTRY

PREMIER CHANNEL PARTNER SUPPORT

AROUND THE CLOCK TECHNICAL SUPPORT

REAL TIME OMNI-CHANNEL CUSTOMER ANALYTICS PLATFORM

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DIGITAL MARKETING HOLIDAY

BLUEPRINT

NETELIXIR HAS TEAMED UP WITH GOOGLE & MICROSOFT TO OFFER
20 FREE PERSONALIZED CONSULTATIONS

NetElixir + G + Microsoft

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THANK YOU

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