

An Interview with The Couch Shopper:

The Episerver Holiday
Ecommerce Report 2020

Report



Happy Holidays Marketers & Merchandisers,

The holiday season is upon us — and not a moment too soon. After the chaotic year the world just experienced, it's safe to say we could all benefit from a generous dose of holiday cheer.

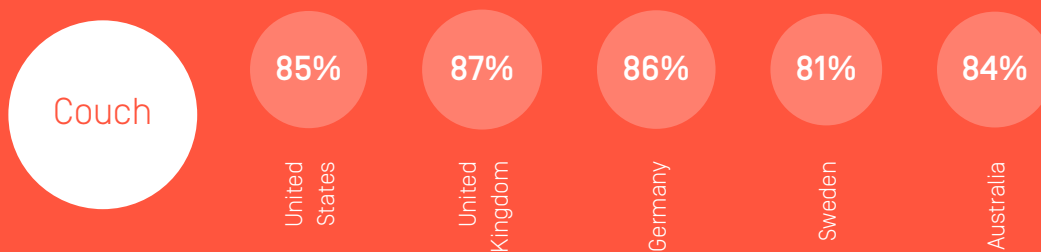
Because let's face it, not even the most prepared business in the world could have anticipated just how disruptive the COVID-19 crisis would be to the way people lived, worked, ate and shopped.

This is hardly news for retailers. Seemingly overnight, foot traffic to brick-and-mortar storefronts came to a screeching halt, while their website traffic skyrocketed.

Which is why the digital experience has become so central to how a retailer operates, grows and thrives. Every customer touchpoint, every customer interaction is created — or curtailed — by the omnichannel experience.

If a customer couldn't purchase a product in person, they could just as easily do so from the retailer's website. But the worldwide lockdown caused by the COVID-19 outbreak meant customers from around the world could only do their shopping online — from the comfort of their own home.

According to our research, a majority of these customers were doing their shopping from the most comfortable part of their home: their couches.



So here's the question for retailers: how can you turn the passive couch shopper into an active holiday buyer — and do so while meeting their demands for a faster fulfillment experience?

Key Findings

Session-driven shopping.

Retailers must prepare for record visits to their website with 2020 ecommerce traffic spiking 18% year over year.

Socially savvy shoppers.

Conversion rates on sessions starting from social have nearly doubled since 2018 with shoppers also reporting increased shopping activity on social media.

Fulfillment flexibility.

Retailers have created new fulfillment options nearly overnight with some turning to their distributors for help in standing up ecommerce sites.

It's Amazon vs. Google for searching.

When asked where consumers start their online shopping, Amazon and Google were the top-two choices but varied by country.

Reasons to leave.

Across the world, expensive shipping costs is the number-one reason for not making a planned purchase.

Targeted reminders.

Most shoppers have returned to a retail website to purchase the items they viewed/added to cart due to a retargeted ad.

Online is the top channel for gift giving.

Even before COVID required fully digital shopping in many parts of the world, the majority of consumers preferred to do their holiday shopping online.

Most online gifts to be purchased on Amazon.

In the U.S. and the UK, 42% of consumers said that of the gifts they will purchase online this year, most will be bought via Amazon.

Q: Did Stay-at-Home Mandates Make You Spend More or Less Time Visiting Online Retailers?

A: Regardless of the time of year, retailers must be prepared for sudden spikes in website traffic and new sources of website traffic too.

Failure to maintain a reliable site and manage one that adapts to where a person is visit from, costs companies in both revenue and reputation.

What retailers saw during the height of the pandemic – March through May 2020 – was incredible increases in site visits stemming from many brick-and-mortar shops being closed to foot traffic and social-distancing rules throughout the world.

According to Episerver's aggregate ecommerce session data, the highest number of sessions on record occurred in May 2020. Meaning retailers saw more website visits this month than any month before it. Traffic in the month of May increased 36 percent since 2018. Website traffic dropped back down to near-normal numbers in June. Despite the decline from the record-breaking month of May, June still saw an 8 percent increase since 2018 with the traffic leveling out during the summer.

When looking at year-over-year data of 1.6 billion website sessions, 2020 ecommerce traffic spiked 18 percent versus 2019 after 2019 taking a slight [-2.4 percent] decline in traffic from 2018.



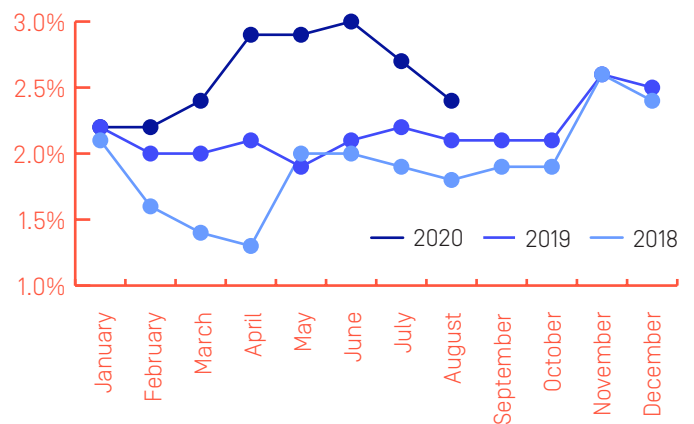
Q: Did More Online Browsing Lead to More Online Buying?

A: While the world’s website traffic data clearly shows us that more people were browsing for products online than ever before, the industry was not sure if they were buying or not.

But Episerver’s aggregate ecommerce website data proves that people were buying more too with conversion rates increasing or staying the same every month this year compared to the same period in 2019 [see chart].

In the case of our blockbuster month of May 2020, conversion rates were higher than even the holiday months. In November 2019, the average conversion rate for ecommerce websites was 2.6 percent. In December 2019, the average conversation rate was 2.5 percent. Compare this to the average conversion rate in April and May 2020, which was 2.9 percent and in June 2020 which was 3 percent, and 2020 is on track for the highest conversion rates to date. While countless scenarios exist as to why website traffic sometimes doesn’t equate to higher conversion rates, ones reason could be that people browsed now and bought later. This is because our survey data of 4,000 global online shoppers tell us quite a few things about consumer behavior.

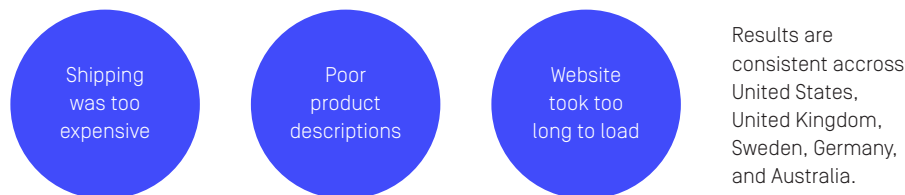
Year over year conversion rates for ecommerce websites



Q: Did Spending More Time Lead to More Buying Online?

A: As retailers know, a rise in sessions doesn't always mean a rise in sales. There are many reasons why a person might not buy – even when they planned to. Across the world, expensive shipping costs is the number-one reason for not making a planned purchase according to Episerver's survey.

What would dissuade you from making a planned purchase? (Top 3 reasons included.)



There's more to it though. Retailers try to rationalize an oft-irrational buying journey. When Episerver asked global consumers where they are most likely to be when shopping online, the number-one answer was, as the report title suggests, the couch – and that's across the globe. Why should retailers care?

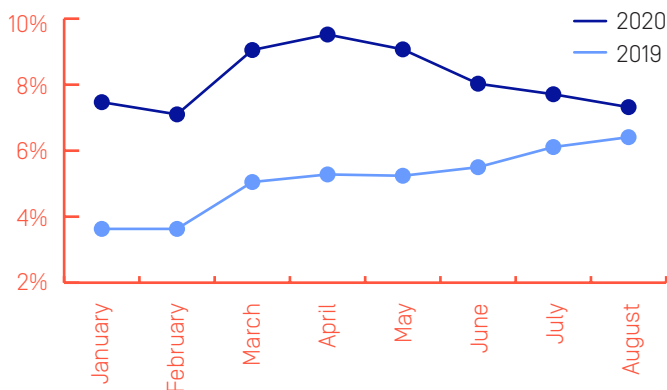
This consumer behavior suggests that second-screen activity has increased. In other words, people are watching TV, lounging on the couch and browsing on their phone. And what people do most often on their phone, is check social media.

There's a continuous loop of passive digital activity happening – check Instagram, click through an ad, go back to watching TV, check Facebook. The data proves it. Mobile accounts for 59 percent of traffic to retail websites according to data from billions of website sessions. This mobile-share-of-traffic figure continues to increase from previous years: 56 percent (2019) and 52 percent (2018).

The power of social media

One reason for the increase in mobile traffic as of late is a rise in referral traffic from social media networks, which is at an all-time high. April 2020 saw the highest percentage of traffic stemming from social media since Episerver began tracking this data in January 2018. In 2019, the average percentage of traffic going to ecommerce sites stemming from social media was 5.1 percent. In 2020 to date, the average is 8.2 percent. More people are on their phones (and as we know...on the couch) and clicking through from social media to ecommerce sites. But are they converting?

% of traffic from social



While ecommerce conversions stemming from social media have increased year over year – 2018 was .9 percent, 2019 was 1.1 percent and 2020 to date is 1.3 percent – it’s still not the most valuable channel. Rather, when isolating conversion rates across direct traffic, display, email, organic search, paid search and social, organic search – at 3.1 percent – boasts the highest conversion rate. This makes sense based on how consumers discover products.

Social-Listening for Product, Promotions

Murdoch’s Ranch & Home Supply offers a wide variety of SKUs serving sporting goods, pet, tools, apparel and agricultural needs. When one of the brands it carries starts trending, the marketing team reacts.

CMO Sean Salter and team spotted Carhartt – typically a brand associated with construction – beanies trending on social media and brought that insight to the buying team for positive results as a brand it already carried but typically for different audiences.

Q: How Do You Discover the Products You Eventually Want to Purchase?

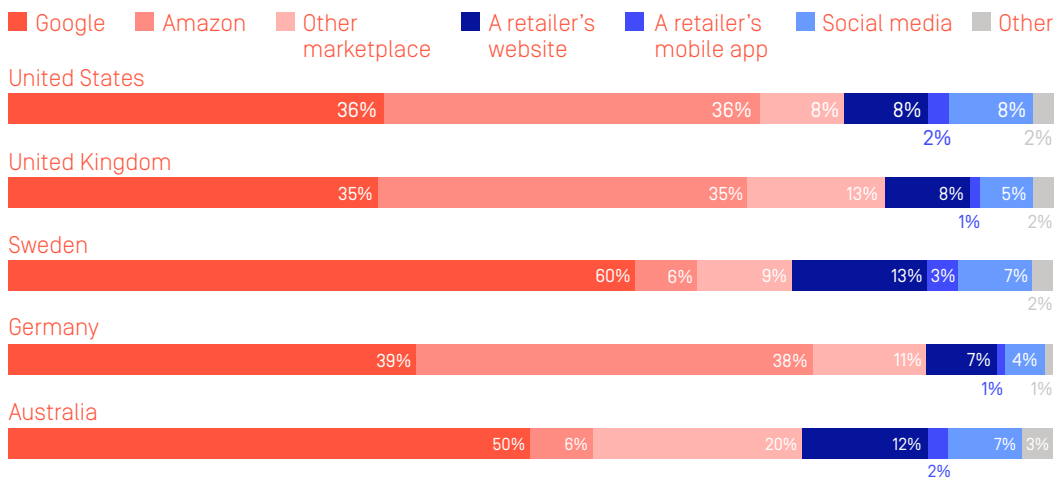
A: Millions of online retailers exist around the world, but when it comes to how consumers discover the products they sell, there are really only two channels for discovery: Amazon and Google. There's a difference, however, in how consumers use the two channels depending on where they live.

In the United States, for example, the majority (48 percent) of online shoppers go to Amazon when they already have a specific product in mind. When they don't have a specific product in mind, 36 percent of consumers still start on Amazon and an identical percentage (36 percent) use Google instead. These findings are far different in countries where Amazon is an emerging shopping option like Australia [see chart on the next page].

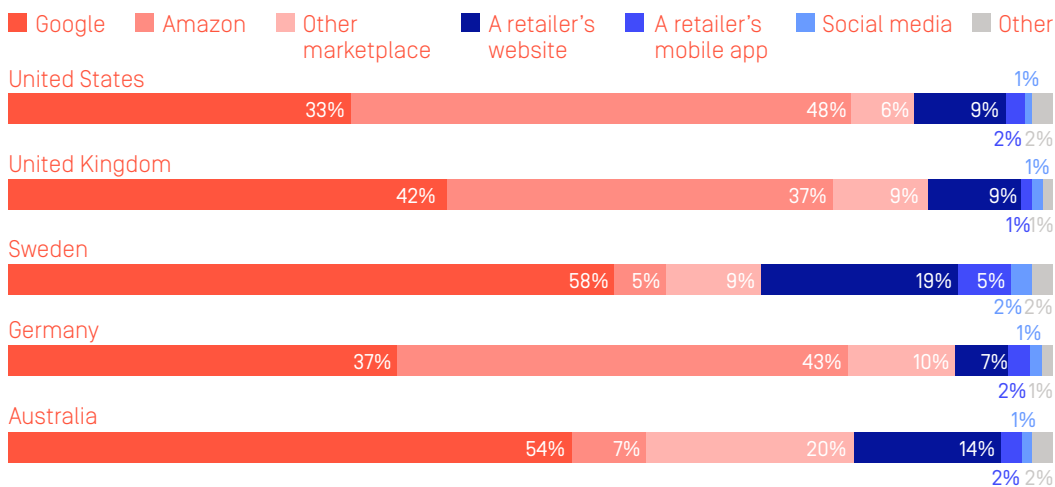


When it comes to holiday shopping, in particular, 52 percent of Americans will start their online holiday shopping on Amazon, 46 percent of Britons will do the same as will 48 percent of Germans. In Sweden and Australia, however, Google will be the initial destination – 38 percent and 32 percent respectively.

Where do you typically go first for inspiration online when you don't have a specific product in mind for purchase?



Where do you typically start your online purchasing journey when you already have a specific product in mind for purchase?



When Users Do Visit Your Site: A Tale of Abandoned Carts and Annoyed Customers

As seen in the findings, a retailer's site is rarely the initial destination for a shopper whether they have a product in mind to purchase or not. When a shopper does visit a brand's website for the first time, the majority of consumers are doing so to search for a product or service [50 percent, worldwide].

With industry conversion rates averaging between 2-3 percent, the majority of that traffic goes unrealized resulting in more abandoned carts than checkouts. Retailers have long used retargeted ads to remind shoppers about them. The gap between helpful and annoying with retargeted ads is the content itself – how relevant is it to the shopper? Often shoppers get ads with content not related to what they viewed, only related to the retailer in general.

Episerver's 2020 survey of global online shoppers proves that retargeted ads work, when they are contextual for the shopper. In fact, 56 percent of global online shoppers have returned to a retail website to purchase the items they previously viewed or added to their cart due to a retargeted ad. When Episerver asked "why" a person did not return to the retail website after being retargeted with ads, the top answers were (1) the ads were annoying and (2) the ads were not relevant to what I was looking at before. This is good news for retailers who have more control over these answers – with cadence and content – than the less-chosen responses of "I left the items for a reason" or "I bought the item elsewhere."

They Key to Making Retargeted Ads Work? Product Context and Promotion Codes.

While the number-one reason shoppers returned to a retailer from a retargeted ad was "the ads included a promotional code", the second-most-chosen reason was "the ads reminded me of what I wanted to buy." This means, retailers don't need to resort to promotional codes on the first delivery of these ads but rather add context to them to encourage shoppers to visit again.

As it stands, retailers are discounting quite heavily during the pandemic.

While the "percentage of entire catalog on sale" has evened out during Q3 2020, retailers relied on discounts in March, April, May and June to return a profit. These months saw a higher percentage of a retailer's catalog on sale versus prior years according to Episerver's aggregate customer data.

Q: How Important Is Shipping and Flexibility in Your Online Shopping Experience?

Why shoppers expect flexibility in how they shop and ship.

A: Even before COVID-19 disrupted supply chains, stores and shipping speeds, consumers had high expectations for fast and, often, free fulfillment. Across the world, “free standard shipping” was the number-one capability/service shoppers expect from brands and retailers, followed by free returns.

In fact, the ability to click and collect (e.g., buy online, pick up in-store) was expected globally by roughly a quarter of online shoppers (22 percent).

When the pandemic hit, shipments were delayed, stores were closed and shoppers needed more flexibility than ever before.

How One Company Moved Its Sales Online with BOPIS

Murdoch's Ranch & Home Supply was fortunate to be an essential shop during the pandemic – serving agricultural-related products – but customers began seeking alternative fulfillment options. Their teams quickly mobilized to offer buy online, pick up in-store (BOPIS) to enable products to be picked up in-store versus shipped (which can be costly depending on the product). And with some classes of products, customers needed instant fulfillment.

Murdoch's CIO Robert Meshew said its Denver location had a beta BOPIS store in which they were going to roll out their learnings to other stores. What they planned

to do in six weeks, they did in a week or two making an even greater number of online SKUs available for BOPIS across locations.

With Order Dynamics already deployed, the team had to “flip some switches” to offer BOPIS but in the same regard, exposed some vulnerabilities that could be addressed before the holidays when “soft goods” and gift cards are often purchased as gift-giving items.

How One Brand, Creative Co-Op, Turned a Network of Shuttered Mom-and-Pop Stores Into A Thriving Marketplace

While very different business models, Creative Co-Op also accelerated its fulfillment flexibility. As a wholesaler of 9,000 SKUs servicing 16,000 independent retailers – primarily mom-and-pop, single brick-and-mortar businesses – Creative Co-Op President Adam Schrier, and team, worked to quickly empower its customers.

In early April 2020, Creative Co-Op launched an ecommerce drop-ship program for its customers, which initially offered 1,000 SKUs (roughly 1/9 of available SKUs) and as of late summer 2020 had up to 3,000 SKUs (roughly 1/3 of available inventory). This means the retailer – who would have struggled fulfilling orders otherwise – could have Creative Co-Op drop-ship the order to the customer rather than bring thousands of products into their, often closed, store. This expands the independent retailer’s opportunity to sell and gives consumers more choice. The beauty is more of an endless aisle where a physical store can have a few hundred products, but the drop-ship option could have thousands.

“The great thing about independent retailers is they’re incredibly flexible and found other ways to conduct business – ranging from curbside delivery and Facetime live events to launching ecommerce sites or upgrading their ecommerce sites in a matter of weeks.”

Adam Schrier

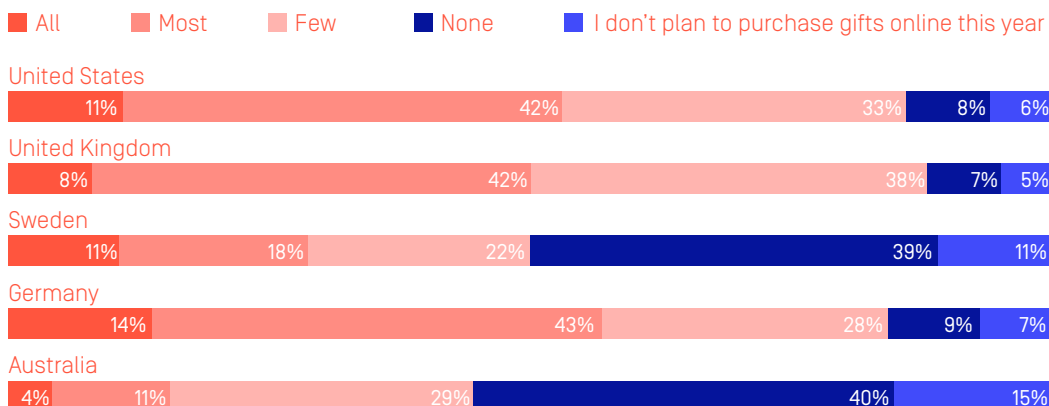
President, Creative Co-Op

Q: Now That It's The Holidays, Are You Going To Do Your Shopping in Stores?

A: Consumer behavior is drastically changing with more people staying home and retailers everywhere – particularly those that invested in their digital infrastructure prior to the pandemic – evolving just as fast.

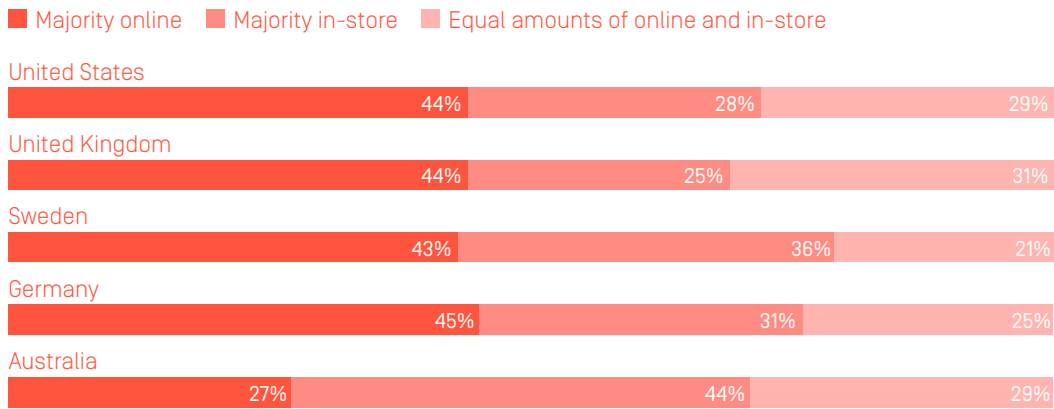
When Episerver asked thousands of online shoppers what their holiday shopping preferences would be for 2020, there were indications that the behavior had already changed anyway. Even before COVID required fully digital shopping in many parts of the world, the majority of consumers preferred to do their holiday shopping online and, in many countries, Amazon was already the de-facto choice.

Of the gifts that you will buy online this year, how many do you expect to purchase via Amazon?



When it comes to when people are most likely to begin holiday shopping, the U.S., UK and Sweden predominantly said November 16-30 while Germany and Australia predominantly said December 1-15.

Where do you prefer to do your holiday shopping (e.g., shopping for Christmas, the New Year, Black Friday, etc.)?



Happy Holidays



However you spend it or sell during it, the holiday season of 2020 will be unlike any the world has seen. The Episerver team wishes you high conversions and low bounce rates and short- and long-term success. If you have questions about the analysis, data or report, please email editorial@episerver.com.

Methodology

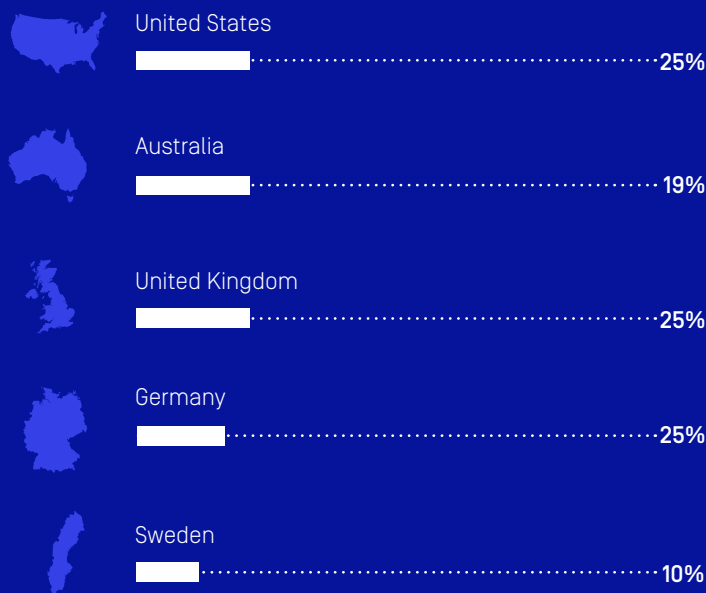
Benchmark data

The B2C retail benchmark data is based on aggregate data from 160 B2C retail and brand websites using Episerver, spanning over 1.6 billion sessions.

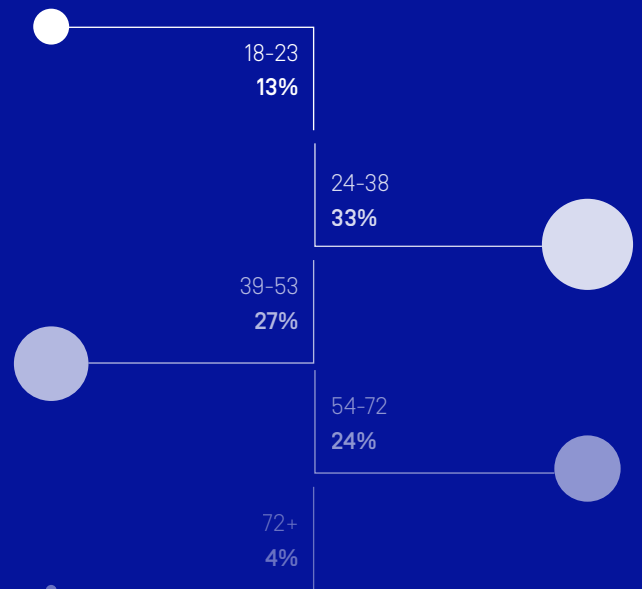
Survey Data

For this year’s Holiday Retail report, we surveyed 4,050 online shoppers across the globe with the goal of uncovering the shared behaviors and common trends shaping the future of e-commerce. Respondents are broken down as follows:

Geography



Age



Gender



Graphs included throughout this report may not add up to 100 percent since exact percentages were rounded to whole numbers.

About Episerver

Episerver empowers businesses to scale through the most customer-centric approach to digital experiences. Its Customer-Centric Digital Experience Platform™ features best-in-class content management and robust commerce, both backed by AI powered data and personalization solutions. The platform has consistently earned industry, analyst and media recognition for its vision, capabilities and customer commitment. Episerver's 900+ partners and 825+ employees in offices around the globe are proud to help more than 8,000 brands enrich their customer lifetime value, increase revenue and grow their brands.

