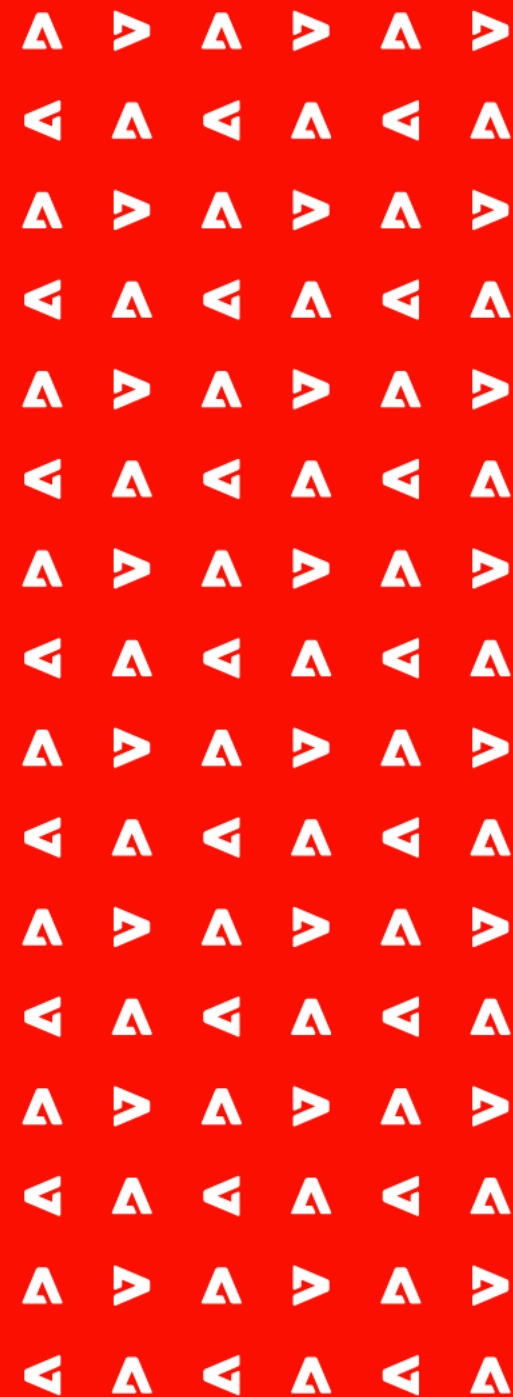# Reviewing 2020's Holiday Shopping Season

**Adobe Digital Insights**

Adobe

# Methodology

- Holiday season defined:
  - Season is the months of November and December (some analyses run thru mid-December due to timing of data availability)
  - Cyber 5 are the five days between Thanksgiving and Cyber Monday

- Analysis of more than 1 trillion visits to U.S. based retail websites.

- Product and pricing insights based on analysis of sales of more than 100 million unique products.

- Adobe Analytics measures transactions at 80 of the top 100* U.S. online retailers — more than any other technology company.

- Shipping analysis based on millions of orders in 2019 and 2020.

**Adobe Experience Cloud**     **Magento Commerce**

# Key findings

## Driven by COVID-19, the 2020 holiday season was one for the record books

- Online holiday season revenue exceeded $188.2 billion dollars, 32% YoY growth.
- Every day, including Christmas Eve, exceeded $1B. With Cyber Monday exceeding $10B, the average day eclipsed $3B for the first time.
- Early and late sales reduced the impact of Cyber 5 (Thanksgiving thru Cyber Monday), which saw a growth of just 21% compared to the 32% for the overall season
- November, which included Cyber Monday this year, reached the $100B level – the first time a single month has hit those highs.
- Christmas Day, typically the biggest mobile shopping day, saw 52% of the revenue coming from smartphones – surpassing the halfway point for the first time.

## The drivers of online revenue boost were quite varied

- More visitors and better conversion drove the lift in sales. Average order value remained flat YoY
- Home improvement and consumer electronics retailers saw strong growth whereas apparel and jewelry exhibited lower growth
- Cities with higher household incomes and /or better educated population grew more than those at the other end of the spectrum

## Minimal contact shopping

- Ordering online for local pickup (BOPIS) continued its growth over last year, peaking just two days before Christmas.
- Given the 1 billion+ orders generated it was a bit more expensive when it wasn't free – minimum threshold went up as did costs.

## David vs. Goliath

- Large retailers ($1 billion+) grew their share of total holiday revenue over small retailers ($10-50 million) thanks to a higher in-season growth rate.
- Large retailers also benefit from higher conversion of visits resulting in more money per minute.

## Top gifts for an unprecedented holiday

- New game consoles and related accessories topped gift lists, along with perennial favorites.

# Online Retail Spend

An unprecedented year resulted in a much bigger online season.

**Adobe**

# E-commerce holiday season saw two years' worth of growth, reaching $188.2B, +32% YoY

- The online holiday season exceeded $188B resulting in a strong growth rate of 32% over the 2019 Season

- The COVID-19 pandemic accelerated the shift of spending to online starting in March. By the holiday season consumers shifted twice as much as expected into one year: the 32% is twice the 15% average annual growth rate seen since 2015.
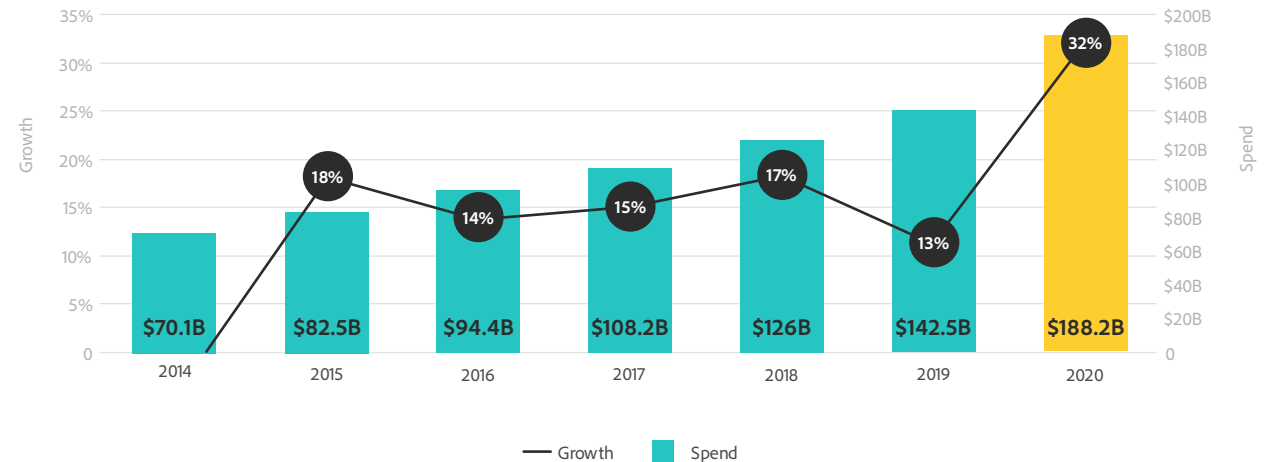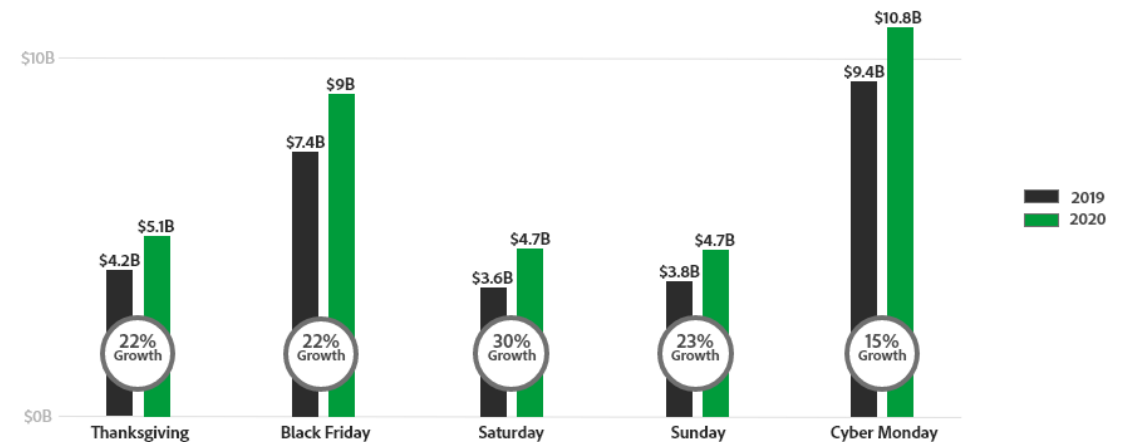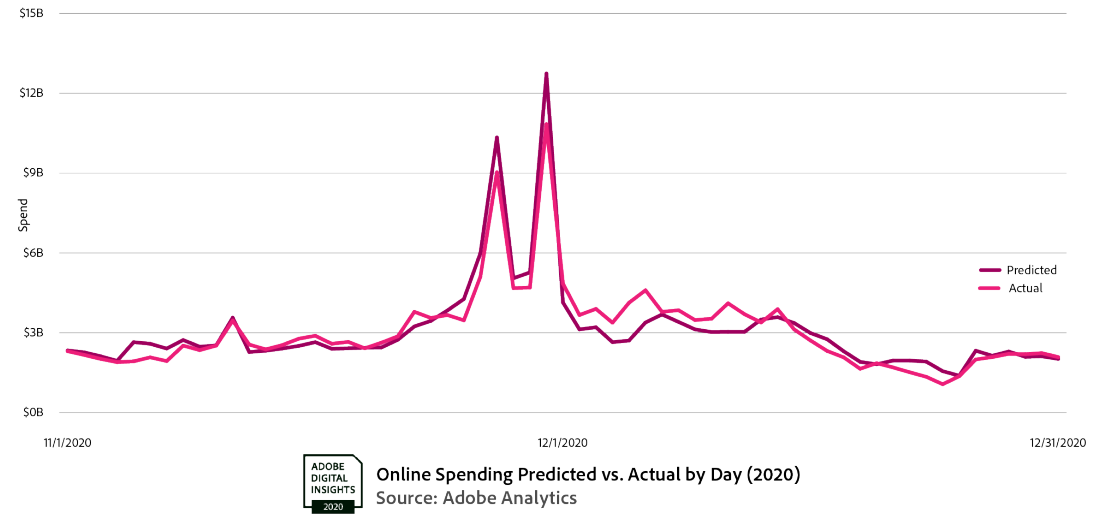


**Online Holiday Spend by Year**
Source: Adobe Analytics

# Consumers concentrated their spending during the Cyber 5 days despite earlier sales
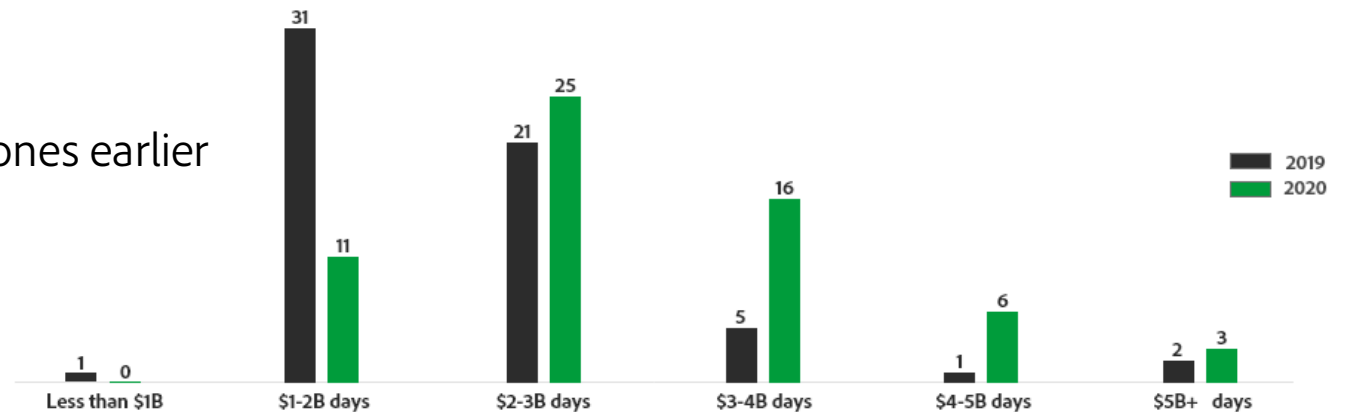
- Given YoY growth in excess of 50%* since the early days of COVID-19 and changes to physical shopping, retailers had incentive to balance the load by spreading deals out.

- The Cyber 5 days accounted for 18% ($34.4B) of the entire season, down from 20% in 2019.
  - This amounted to shifting $3.7B of sales (1.2 days' worth) to other days in the season.

- Because of the shift, Cyber 5 had some of the slowest growth rates across the season, with the five days totaling 21% growth. Only SMB Saturday came close to matching the overall season growth – 30% vs. 32%.

- Despite having a stronger growth, Black Friday still didn't surpass Cyber Monday

* There was about 51% more online shopping this year compared to last year between April 1st and Dec 14th, representing an extra $216B spend online.



Online Spending Predicted vs. Actual by Day (2020)
Source: Adobe Analytics



Cyber 5 Growth Year Over Year (U.S.)
Source: Adobe Analytics

# With every day over $1B this year consumers reached key spending milestones much earlier

- Given strong YoY growth, there were more "big days" this year
  - For the first time there were no days with less than $1B in online spend
    - Christmas Eve was the sole day in 2019 under $1B, this year sales were $1.1B
  - Thanksgiving joined the $5B club for the first time

- As a result, consumer spending reached season milestones earlier
  - $50B: Nov 20, 2020 six days earlier than in 2019
  - $100B: Nov 30, 2020 10 days earlier than in 2019
  - $150B: Dec 13, 2020 for the first time ever



**Legend:** 2019 (black), 2020 (green)

| | Less than $1B | $1-2B days | $2-3B days | $3-4B days | $4-5B days | $5B+ days |
|---|---|---|---|---|---|---|
| 2019 | 1 | 31 | 21 | 5 | 1 | 2 |
| 2020 | 0 | 11 | 25 | 16 | 6 | 3 |

ADOBE DIGITAL INSIGHTS 2020

Number of Days by Online Spend Range 2019 vs. 2020
Source: Adobe Analytics

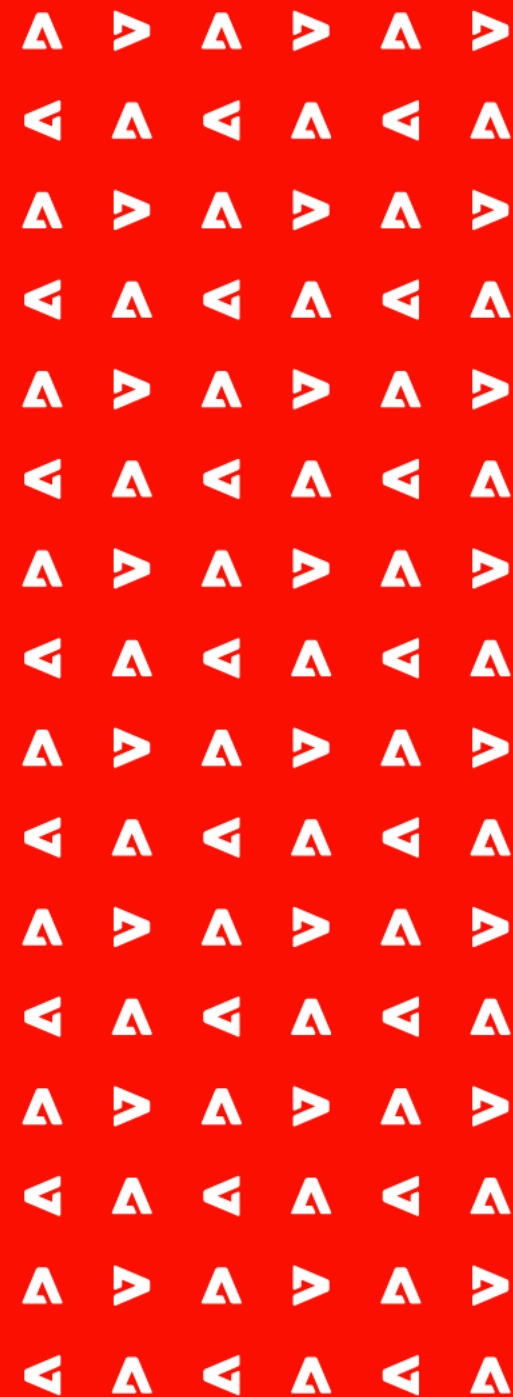# Not every region, demographic or category saw the same growth over Cyber 5

## States

| Strong Growth | Low Growth |
|---|---|
| Rhode Island | South Carolina |
| New Mexico | Wyoming |
| Maine | Missouri |
| Vermont | Arkansas |
| New Hampshire | Oklahoma |

## Categories

| High Growth | Low Growth |
|---|---|
| Consumer Electronics | Apparel |
| Grocery | Jewelry |
| Home Improvement | |

## City Demographics

| High Growth | Low Growth |
|---|---|
| HH Income > $7kk | HHI < $40k |
| Highly Educated | Less Education |

- Throughout the holiday season, groceries, appliances and books saw major boosts over October levels compared to last year - grocery at 404% higher boost than 2019, appliances at 202% and books at 107%. The toys and jewelry categories saw incremental boosts, with toys seeing 50% and jewelry 66% more boost than 2019.

# Shopping in a Pandemic

Other than the level change, not so different as past years.

**Adobe**

# Curbside / pickup provided an alternative to wandering store aisles

- Since the beginning of the pandemic consumers shifted their buying habits to take advantage of retailers BOPIS (Buy Online Pick-Up in Store) options.

- Earlier in the year at the onset of the pandemic, BOPIS increased from 15% of orders at retailers who offer the service, to 25%, a 65% share increase.

- Over the course of the holiday season, BOPIS continued to average 1 in 4 orders (25%), an increase of 40% over 2019 holiday levels (18%).

- As expected, BOPIS usage peaked for the last-minute shopping when standard or even expedited shipping won't get gifts delivered on time.
  - In both 2020 and 2019, the peak day for BOPIS usage was December 23, two days before Christmas.

**BOPIS Share of Orders (Holiday Season U.S.)**
Source: Adobe Analytics
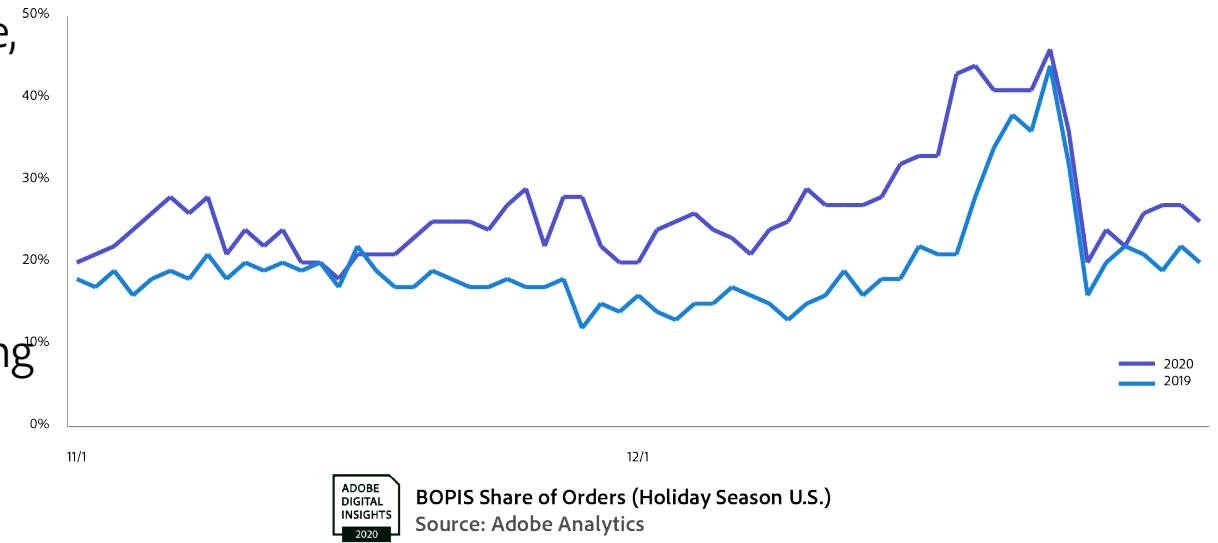
# Free shipping slightly less prevalent this year; the cost to ship rose.

- Based on Adobe's Magento Commerce data, consumers take advantage of 'free shipping' especially during the Cyber 5.
  - 57% of the season's orders thru Dec 13th qualified for free shipping
  - That rose to 64% during Cyber 5 (+16%)

- Potentially related to the stress COVID placed on the shipping infrastructure, Cyber 5 was more expensive to ship this year than last year
  1. The cost to ship (where charged) increased 12% YoY from $10.51 to $12.21
  2. The minimum observed order also increased from $20.16 to $22.86
  3. Orders shipped for free dropped from 70% during Cyber 5 to 64% this year

| Period | Metric | 2019 | 2020 | YoY Change |
|--------|--------|------|------|------------|
| Cyber 5 | Shipping Per Order | $10.51 | $12.21 | 16% |
| | Free Shipping Threshold | $20.16 | $22.86 | 13% |
| | Free Shipping % | 70% | 64% | -9% |
| Season (Nov 1 - Dec 13) | Shipping Per Order | $11.13 | $12.50 | 12% |
| | Free Shipping Threshold | $20.72 | $21.68 | 5% |
| | Free Shipping % | 59% | 57% | -3% |

ADOBE DIGITAL INSIGHTS 2020

**Shipping Insights Holiday Season vs. Cyber 5**
Source: Magento Commerce

# Retailers changed pricing at the beginning of Thanksgiving Week

Popular categories saw prices drop just before Cyber 5 (Nov 22nd) as retailers kicked things off early.

Toys and television product categories saw prices dip 19% below their October 1st benchmark, while computer prices dropped 29% by Black Friday.
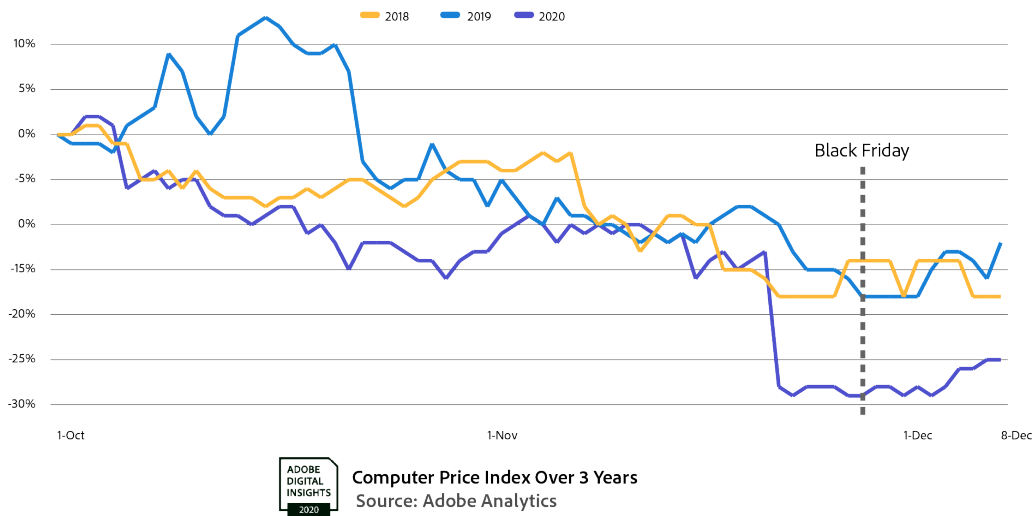
Computer prices typically drop slowly thru the holiday season, leveling off after Cyber 5. This year was different with retailers offering aggressive discounts the week of Black Friday.



**Computer Price Index Over 3 Years**
Source: Adobe Analytics
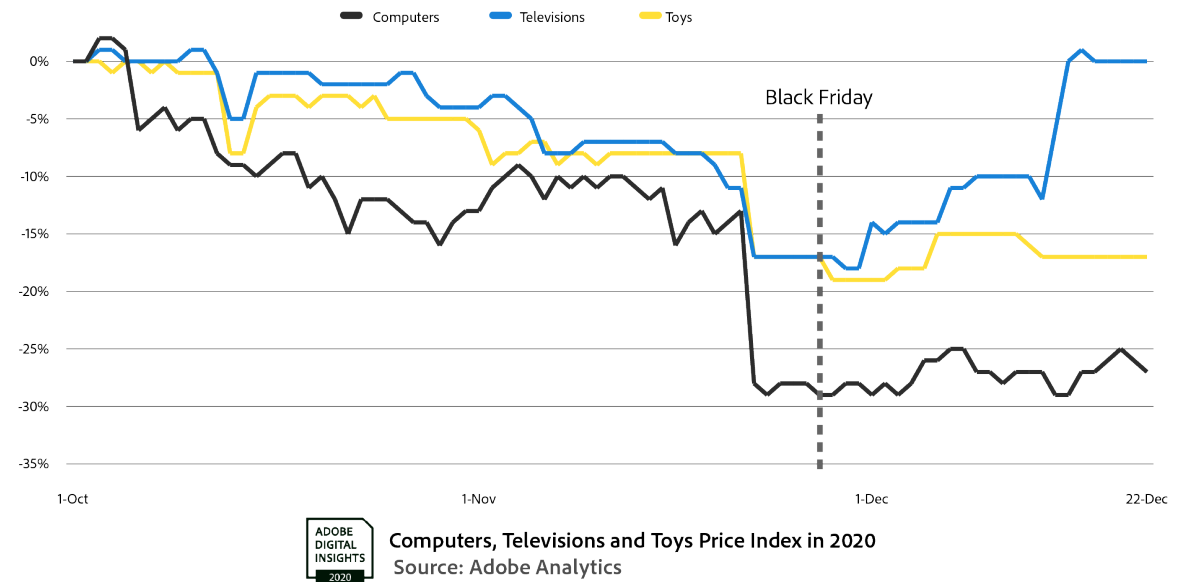
Data: Adobe's DPI where prices are anchored on October 1st



**Computers, Televisions and Toys Price Index in 2020**
Source: Adobe Analytics

# Adobe's holiday gift list included perennial brand favorites.





### Toy Brands
Barbie
LEGO
NERF
Star Wars
Spin Master

### Technology Brands
Acer
Amazon
Apple
Samsung
HP
Lenovo

### Gaming Brands
Electronic Arts (FIFA 21, Madden 21, NBA 2K21)
Ubisoft (Just Dance 2021)
Sony (PlayStation 5)
Microsoft (Xbox Series X/S)
Nintendo (Switch, Super Mario, 3D All-stars)

Data thru Dec 15th

# Website visits were more valuable this year due to better conversion

- The change in consumer behavior led to not only more visits but an increase in the value of those visits.

- Revenue per visit increased 10% YoY during holiday season.

- That improved revenue per visit was driven by improved conversion since the average order value changed by only $0.34

- Smartphones, the device with the lowest conversion, saw a 15% increase year over year, 1.77% to 2.04%

- The stable value of an order meant there were more packages to ship. Assuming just one package per order suggests that over 1 billion packages were shipped for the first time

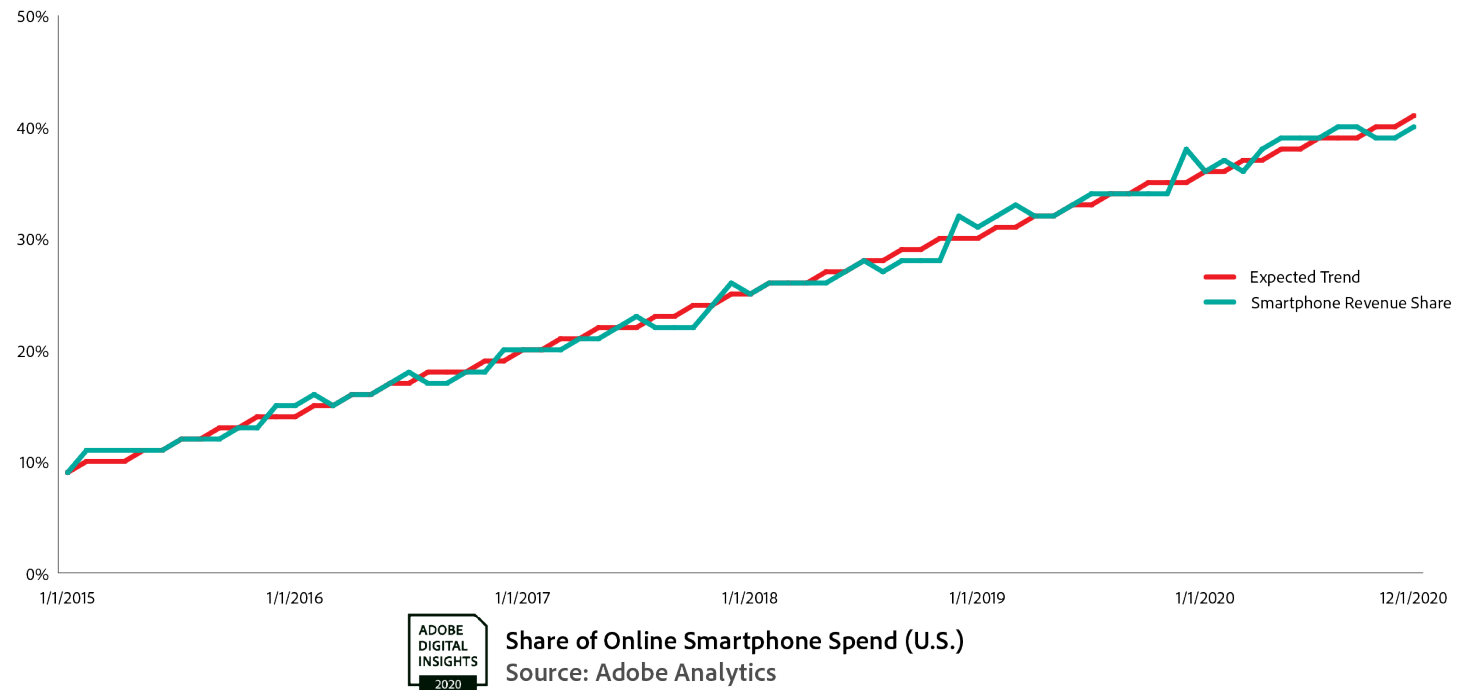| Metric | Holiday 2019 | Holiday 2020 | YOY Change |
|---|---|---|---|
| Revenue per visit | $4.20 | $4.61 | +10% |
| Conversion | 2.8% | 3.0% | +9% |
| AOV | $152 | $153 | 0% |

ADOBE DIGITAL INSIGHTS 2020

**Value of a Visit**
Source: Adobe Analytics

# Smartphones continue their steady increase despite shifting to working from home

- Consumer behavior continues a trend started in 2015, steadily moving their shopping to smartphones.

- In November and December, 40% of revenue came from smartphones in line with the long-term trend that had suggested around 41% for this holiday season.

- $23B more was spent on smartphones this year during the holiday season.

- On Christmas Day retailers saw 52% of online spend come from smartphones – the first time over 50%.



Expected Trend
Smartphone Revenue Share

ADOBE DIGITAL INSIGHTS 2020
**Share of Online Smartphone Spend (U.S.)**
Source: Adobe Analytics

# Search engines were most likely the last touch before reaching a retailer's site

- Search accounted for 45% of both visits and revenue during the holiday season. Paid search traffic was slightly more effective in generating revenue than organic search.
  - Paid search had a higher share of revenue (25%) than visits (23%), while organic was less effective, representing a 20% revenue share and a 22% visit share.

- Second to search is direct traffic which is often associated with brand strength/loyalty.

- Affiliate and partner referrals remain strong revenue producers – while they are 6% of traffic, they are 14% of revenue.

- Social networks and display are often considered awareness generators – combined they account for less than 5% of revenue and only 1 in 10 visits.
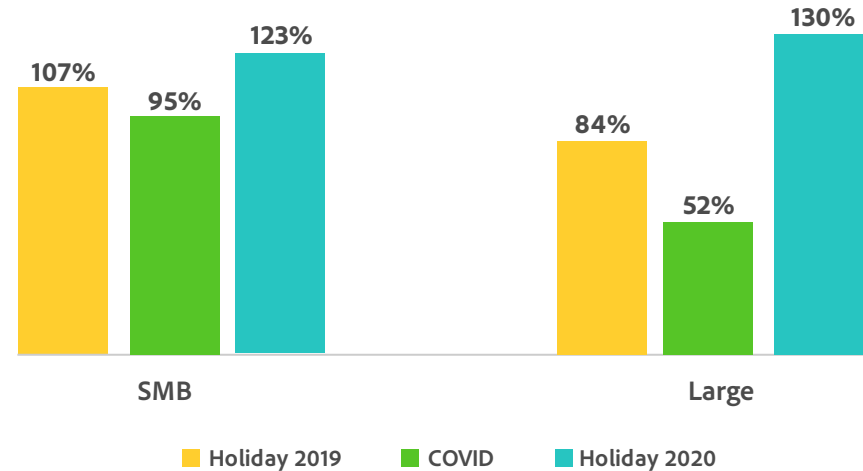


■ Share of Revenue    ■ Share of Visits
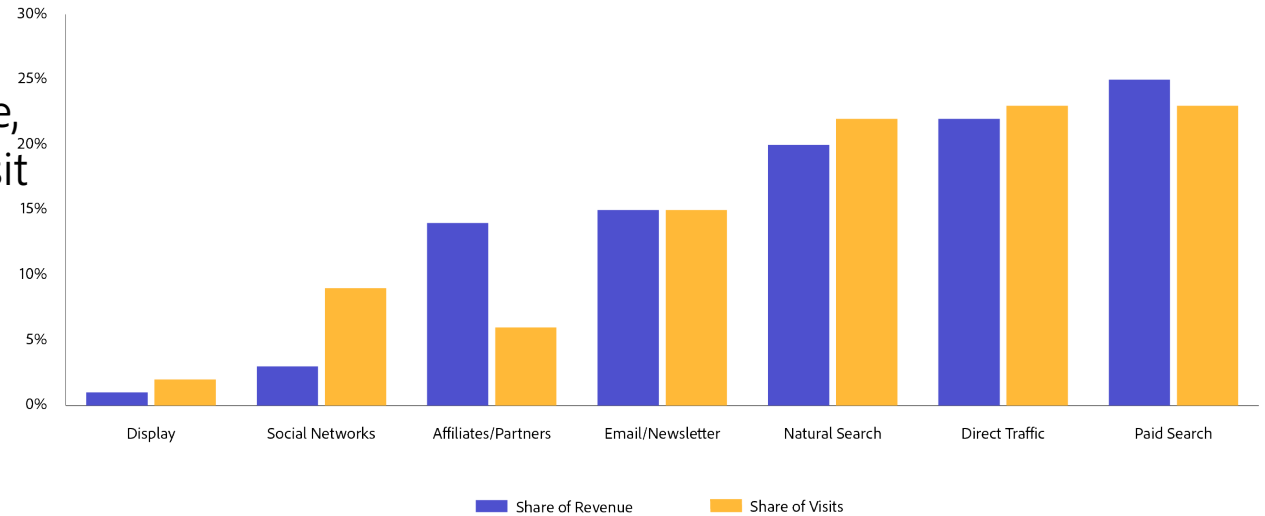
**ADOBE DIGITAL INSIGHTS 2020**
**Holiday Share of Spend and Visits by Marketing Channel (Holiday Season U.S.)**
Source: Adobe Analytics

# Small retailers' advantage in revenue boost over large retailers weakened this season.

- Small retailers ($10 - $50M) had seen a larger boost* in sales during the beginning of COVID but that advantage disappeared during the holiday season as the large ($1B+) retailers concentrated their dominance of the holiday shopping season.

- However, the boost difference for the holiday season this year**, at 110% for large retailers vs. 104% for small, was much closer than it was last year, at 107% for large and 84% for small.



Chart: Holiday Boost (2019 & 2020) vs. COVID Boost for SMB and Large Companies

SMB: Holiday 2019 107%, COVID 95%, Holiday 2020 123%
Large: Holiday 2019 84%, COVID 52%, Holiday 2020 130%

Legend: ■ Holiday 2019  ■ COVID  ■ Holiday 2020

**ADOBE DIGITAL INSIGHTS 2020**

**Holiday Boost (2019 & 2020) vs. COVID Boost for SMB and Large Companies**
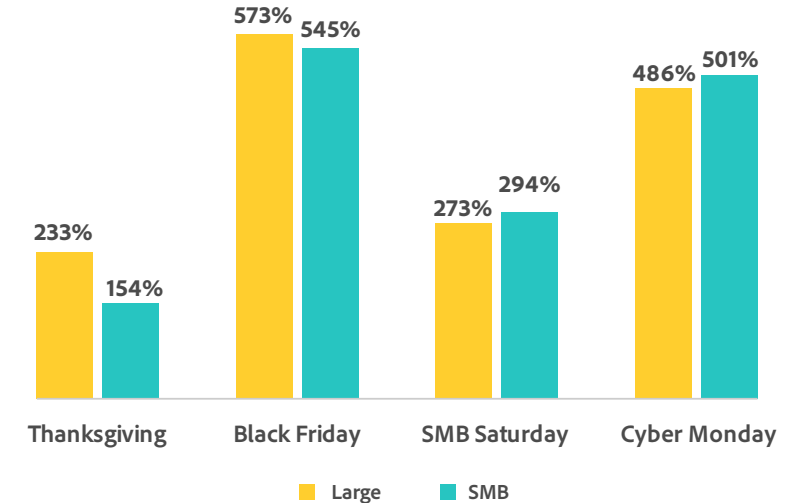
Source: Adobe Analytics

*Comparing Mar 15 – Sep 30 vs. Jan 1 – Mar 14

**Comparing daily sales in Nov – Dec vs. Oct

Adobe

# Large retailers drive sales earlier during Cyber 5, smaller ones later

- The boost difference for Cyber 5 days remains most pronounced on Thanksgiving, with large retailers having 50% more of a boost* on that day than small retailers, indicating their focus on leveraging Thanksgiving as a shopping day with deals.

- Small business had a slight boost advantage on both Small Business Saturday and Cyber Monday. The boost difference shrunk by 6 percentage points from 2018 to 2019, and we now see a 21 point advantage.



| | Thanksgiving | Black Friday | SMB Saturday | Cyber Monday |
|---|---|---|---|---|
| Large | 233% | 573% | 273% | 486% |
| SMB | 154% | 545% | 294% | 501% |

■ Large   ■ SMB

**Sales Boost on Key Days (2020)**
Source: Adobe Analytics & Magento Commerce

ADOBE DIGITAL INSIGHTS 2020

* Comparing daily sales in Nov - Dec vs. avg day in Oct

# Large retailers generated more revenue per minute of Cyber 5 shopping than smaller ones

- Large retailers were 44% more effective at generating revenue per time spent shopping, at $1.20 per minute for large vs. $0.83 per minute for small

- Metrics that are similar between small and large retailers:
  - Order value: consumers placed the same size orders with small retailers as they did at large ones, $163 vs. $167 respectively.
  - Use of smartphones to shop: 63% of visits to small retailers vs. 64% of visits to large retailers

- Metrics that set large retailers apart from smaller retailers:
  - Large retailers have a slight advantage in order initiation (carts per visit is +17%) and a significantly larger advantage in completion: cart to orders (+73%)
  - Whether it is comparison shopping, a level of confidence, or other issue, large retailers have a much higher final conversion rate: 5.1% vs. 3.0%

| Metric | Large ($1B+) | SMB ($5M - $50M) |
|---|---|---|
| Average Order Value | $167 | $163 |
| Smartphone Visits | 64% | 63% |
| Order Initiation | 10% | 8% |
| Order Completion | 55% | 31% |
| Conversion | 5% | 3% |
| Revenue Per Minute | $1.20 | $0.83 |

ADOBE DIGITAL INSIGHTS 2020

**Revenue per Minute Over Cyber 5 by Company Size**
Source: Adobe Analytics