

HOLIDAY RETAIL BENCHMARKS SERIES:

Welcome to the new holiday peak.

Examining consumer holiday behaviors that have taken us from
Cyber 5 to Cyber Fall.

It's the most shopped time of the year.

The holiday shopping season is here again, and with it comes escalated expectations, new challenges, and fresh opportunities. This season will set the bar for how consumers shop and spend. As digital retailers focus on delivering a flawless experience, it will be more important than ever to pay attention to not just how customers make their purchases, but the “why” behind it.

Out-of-stock challenges and heightened emotional stakes for a year that promises a number of family reunions is a recipe for holiday anxiety and frenzy. How has it changed when and how consumers choose to shop online? Are media warnings really being heeded by the average consumers or simply causing more stress in an already maxed out season?

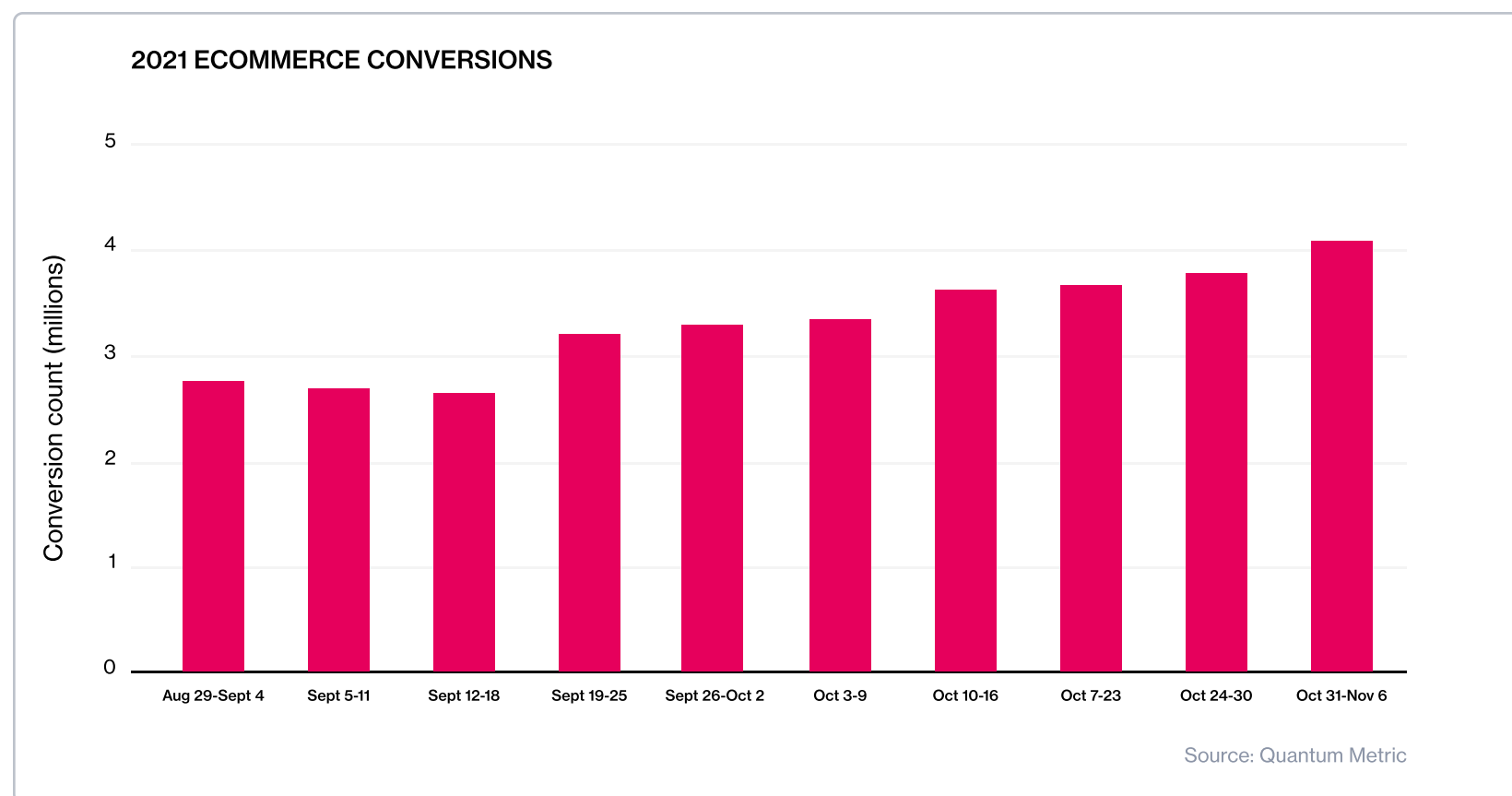
We set out to address these questions and others, examining how the 2021 holiday season will change the way consumers approach online shopping and the trends that could stick through 2022. Examining anonymized data from our own customers, as well survey insights from 2,000 U.S. consumers, we've broken down major trends for the season in general traffic, customer frustration, and the checkout experience.

We'll be monitoring these trends over the next 4-7 weeks and providing updates on what the data says about shifts in holiday shopping. We invite you to follow along with us as we aim to capture and understand what holiday shopping may look like for years to come.



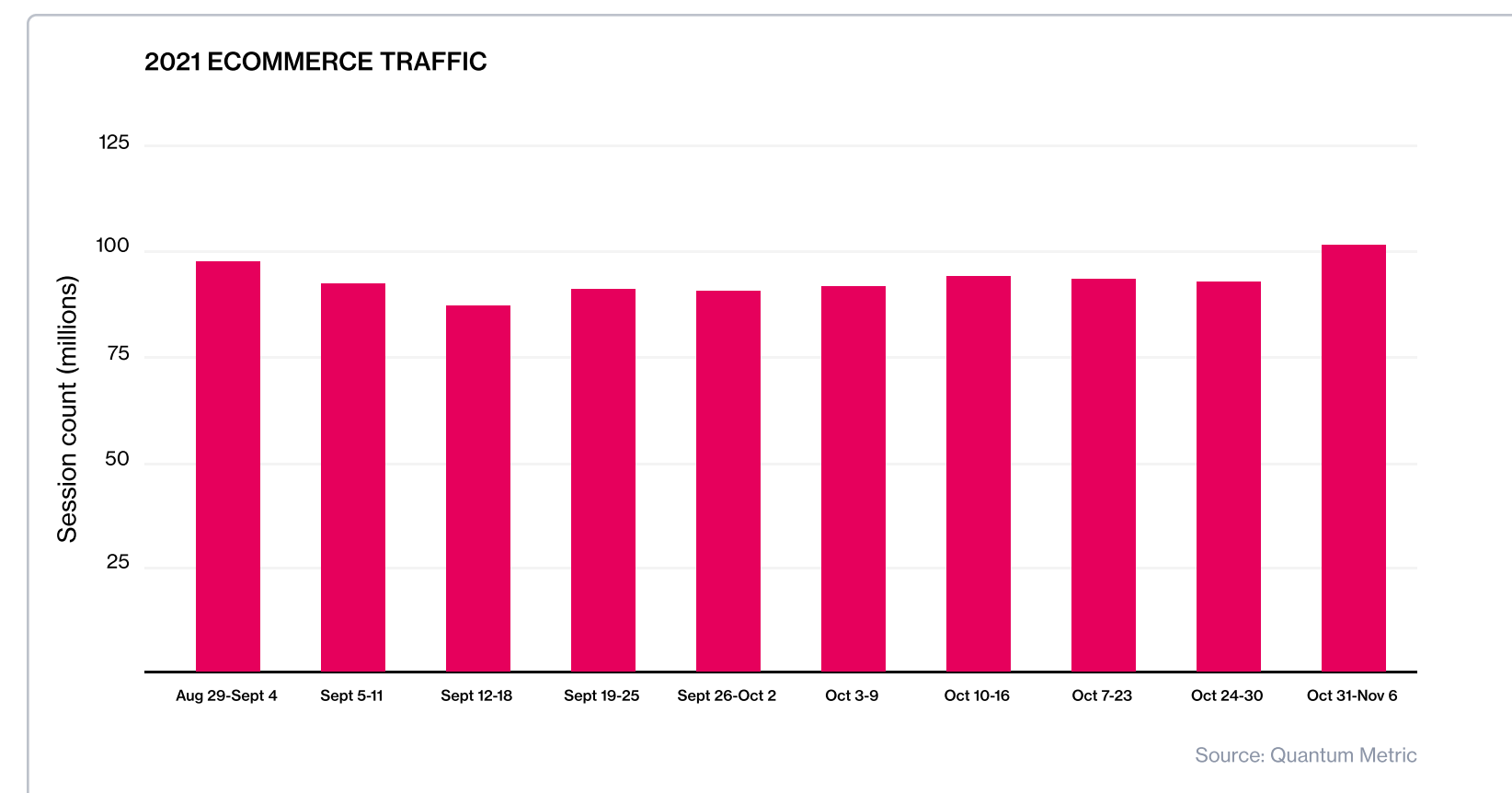
Breaking down holiday buzz.

November is assumed to be the kick-off of the holiday season. But, with many able to spend the holidays with their family for the first time in two years - and new supply chain challenges threatening a potentially “perfect holiday” - this season started long before there was a chill in the air.



In fact, the Quantum Metric platform began to see ecommerce conversions starting to climb in mid-September. In 2020, a similar growth didn't occur until the first weeks of October, showing that gradual shift of the holiday shopping season into early fall. When surveyed, 58 percent of consumers admitted they've been spending at least 30 minutes a day on holiday shopping since August. By October, 41 percent were already spending two hours or more a day.

This is despite ecommerce traffic holding steady with volumes seen all the way back in May of 2021. What we are seeing is a shift from browse to buy. While consumers are continuing to visit ecommerce sites as frequently as they did over the summer, they are now more likely to make purchases due to growing holiday pressures.

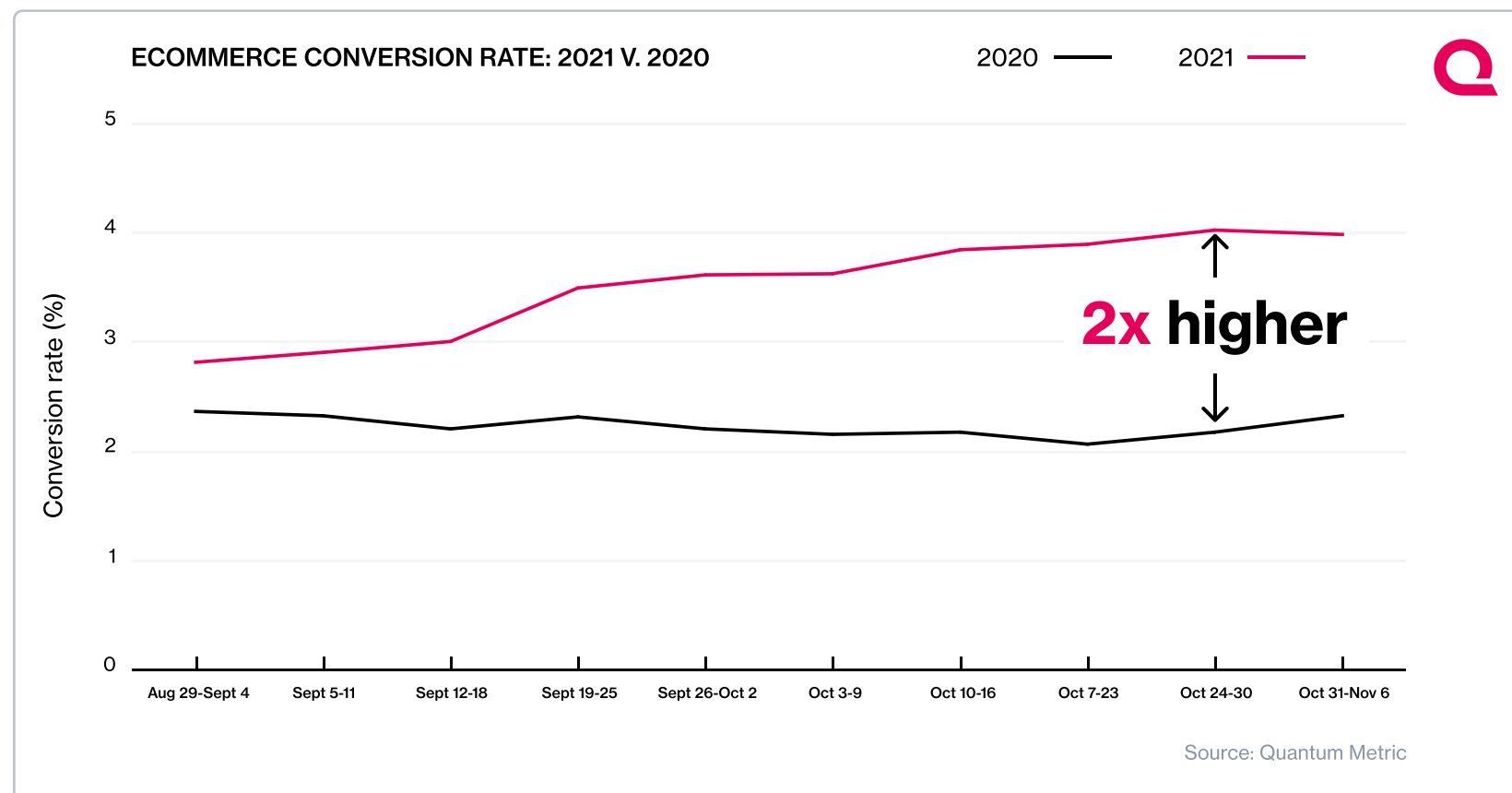


Incorporating ecommerce data from new Quantum Metric customers in mid-October, we saw an expected spike in traffic. However, conversions continued to climb showing that no matter the retailer, consumers have started their holiday purchasing earlier than ever.



How does this compare to 2020?

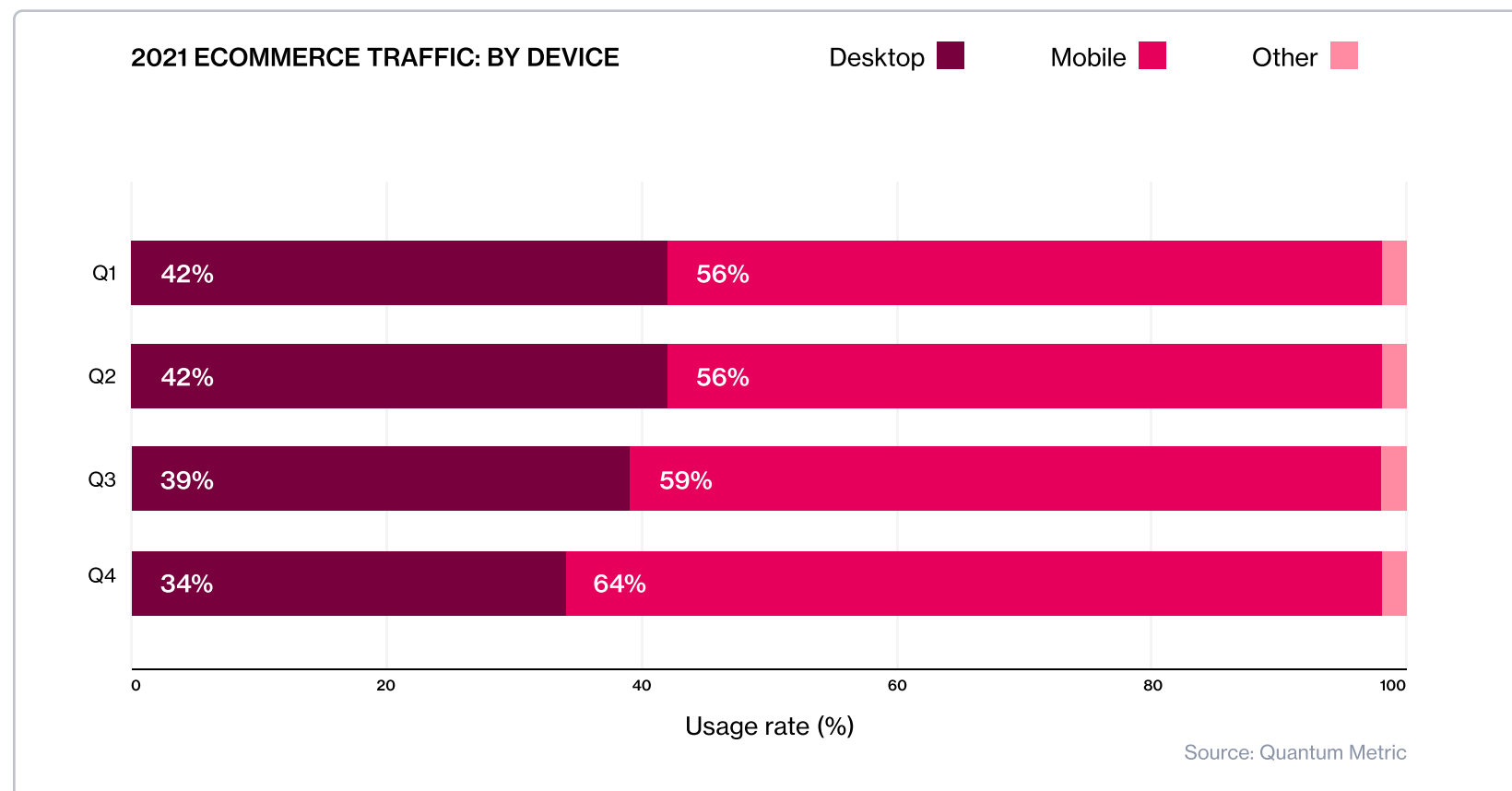
Higher conversions is not just due to higher rates of traffic. While 2020 saw bigger spikes in ecommerce traffic, 2021 has already seen conversion rates that are twice as high as what was seen in the previous holiday season.



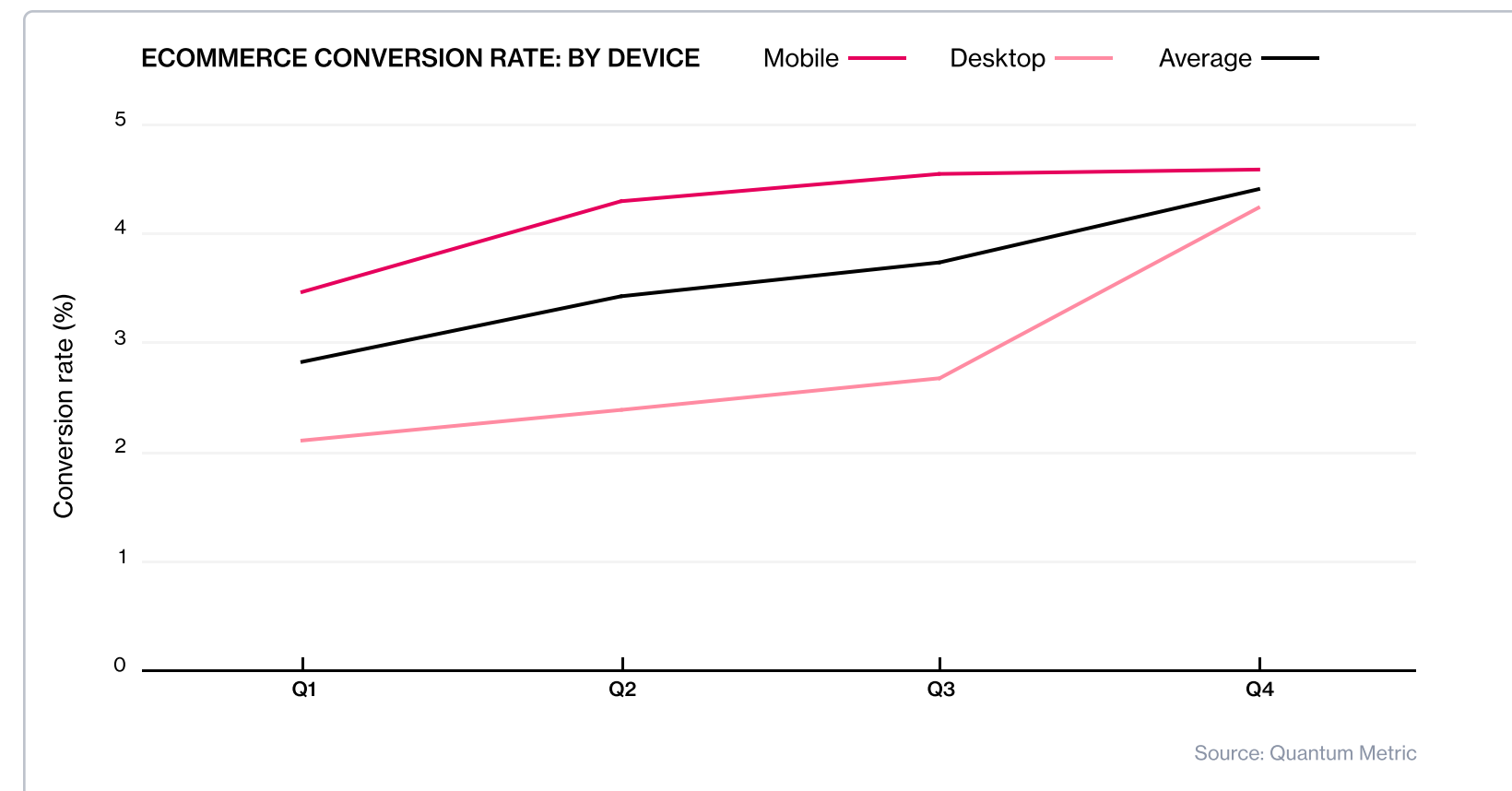
As of Nov. 1 half (49 percent) of consumers said they have 25 percent or less of their shopping done. How could this be possible with such high conversion rates? Simply put, consumers are looking to buy more this year, with 38 percent planning to purchase at least 50 percent more gifts for the holidays. This is expected to add additional strain to retail supply chains that are already facing [inventory challenges and overordering](#).

Mobile will see the biggest holiday sales.

According to Quantum Metric's data, mobile is driving ecommerce traffic for the holiday season and generating higher rates of conversions than seen on desktop devices. With data from the Quantum Metric platform showing an average of **64 percent of ecommerce sessions in November have been on mobile**, we can expect to see mobile continue to lead holiday sales, especially around Black Friday.



A pattern seen throughout the year, early holiday sales have shown just how important mobile will be to closing holiday deals. In 2021 overall, mobile has seen a conversion rate higher than the average and more than twice the conversion rate of desktop ecommerce. Our engagement data shows that desktop tends to have average session durations that are twice as long as mobile.



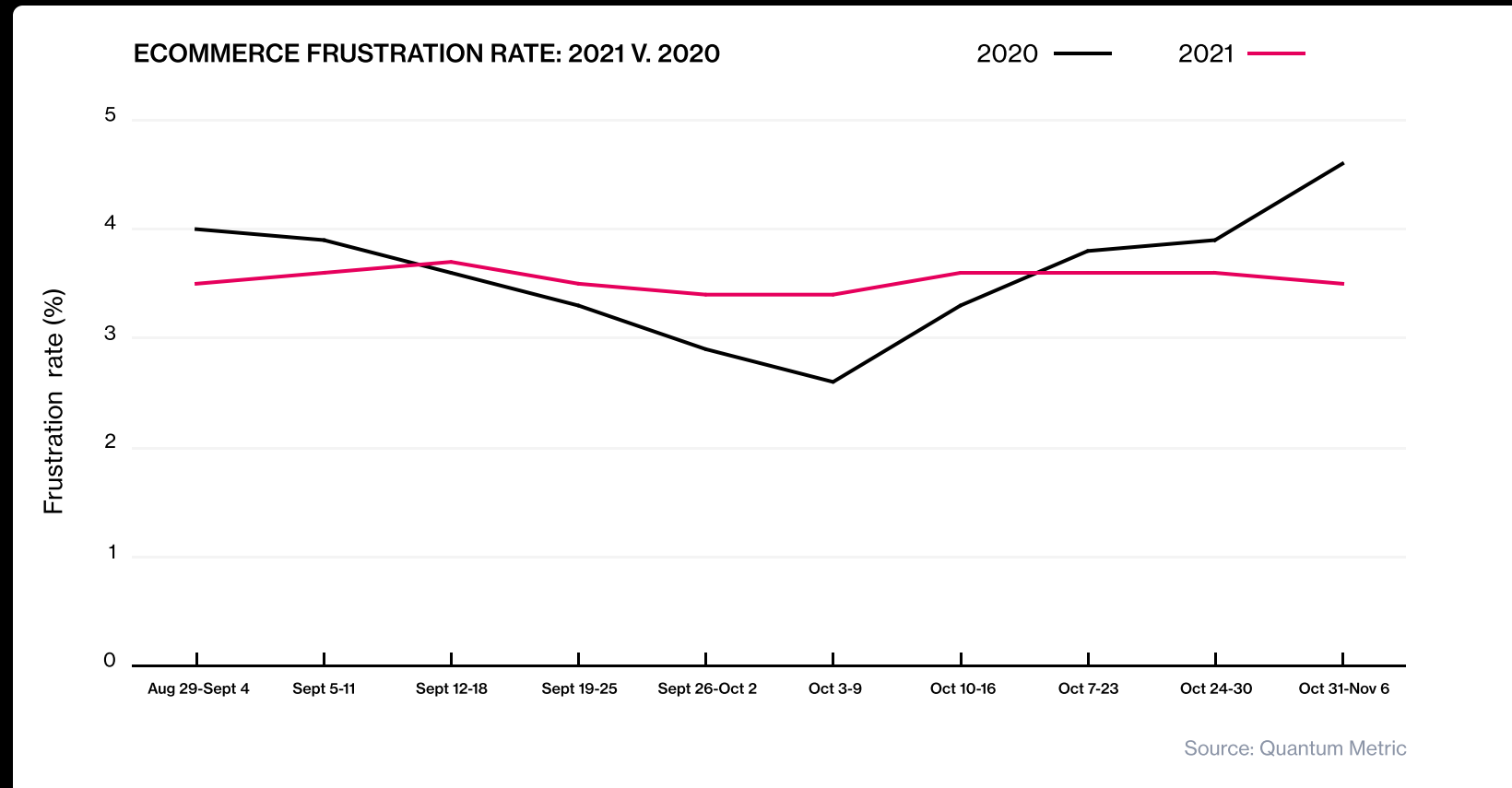
What this shows is that consumers are researching holiday gifts on desktop more often, especially for higher-priced items and 72 percent of surveyed consumers actually do so while at work or watching TV. When it comes to mobile, however, it's about making a decision - quickly.

November will be the peak of the 2021 holiday season.

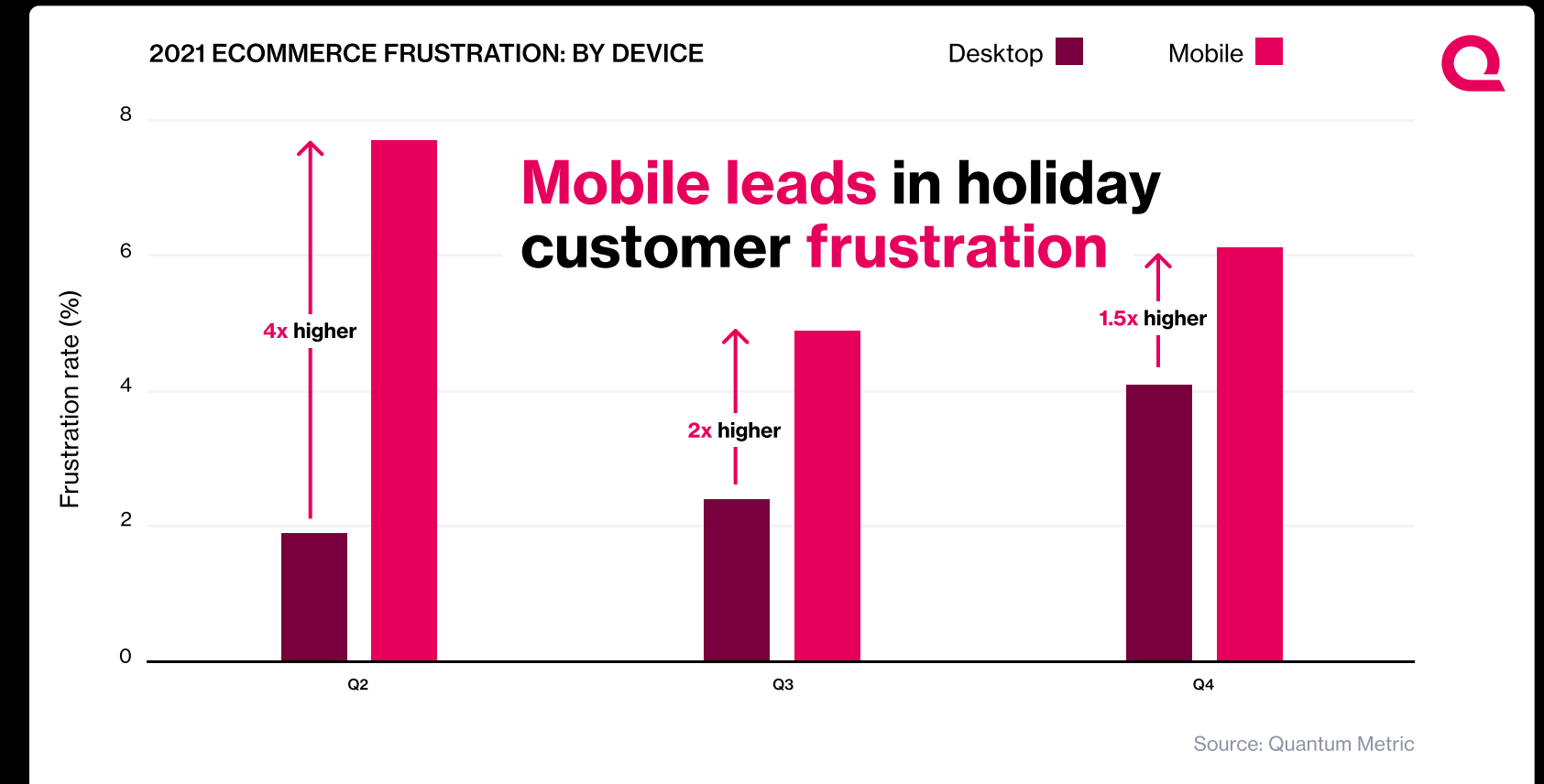
With consumers still having many items on their list, we will see the whole of November become the main frenzy for the holiday season. In fact, 56 percent of consumers plan to actually complete their shopping in November. This has shifted Black Friday/ Cyber Monday from the kick-off of the season to the grand finale. Retailers shouldn't sell these sales days short just yet, but instead think about how to maintain a quality digital experience throughout November to earn holiday revenue.

Holiday stress and frustration.

Earlier rates of holiday traffic should lead to higher levels of customer frustration - especially in light of out-of-stock challenges. As of Nov. 1, 64 percent of surveyed consumers have already experienced an out-of-stock issue, and 62 percent admit that they've actually seen more out-of-stock issues this year than they did in 2020. However, we are seeing that retailers who are making investments in their digital experience and prioritizing customer centricity are actually seeing lower rates of customer frustration when compared to 2020.



With 64 percent of surveyed consumers saying this holiday season will be more important than ever and 77 percent already feeling behind on their holiday shopping, we'll continue to monitor customer frustration to see how it fluctuates over the next few weeks.

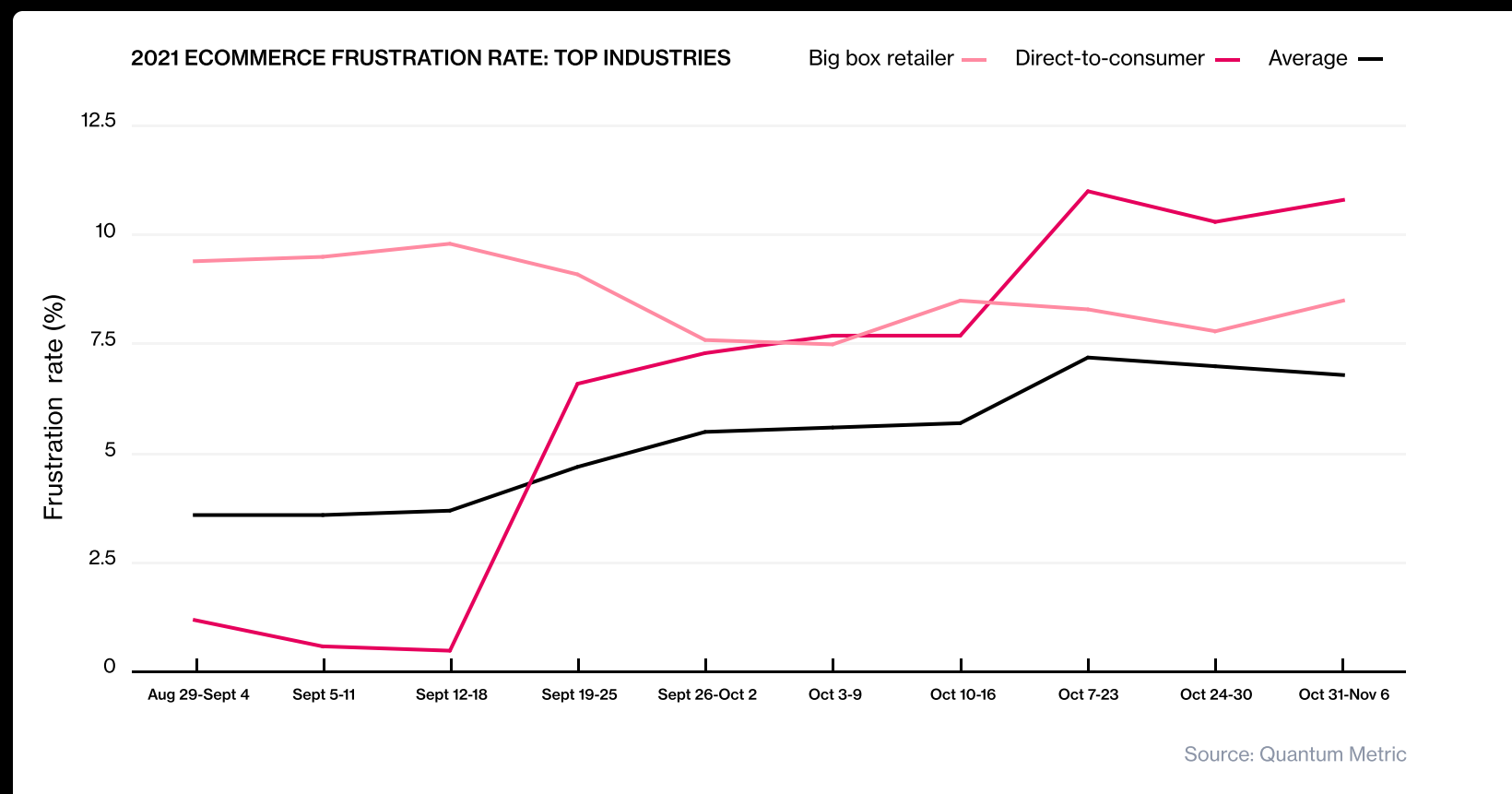


Mobile will be the center of customer rage.

Mobile experiences lead in conversions and customer frustration. In fact, mobile sees rates that are at least 1.5 times higher than desktop devices. As retailers continue to identify where to optimize their digital experience, they should consider focusing on how customers are interacting on mobile. We are already seeing retailers make these investments and begin to close the gap between the desktop and mobile experience.

What retailers are seeing the most frustration?

According to data from the Quantum Metric platform, direct-to-consumer shops and big box stores are seeing the highest rates of frustration. Direct-to-consumer retailers started seeing spikes in late September that have been sustained through early November.



Out of stock issues may hit these retailers particularly hard, as they tend to have less flexibility in how they manage inventory issues. The biggest thing DTC retailers can do to minimize frustration is establish transparent communication with the customer. Keeping customers informed about stock issues and offering alternatives will help keep them engaged during the holiday season.

When it comes to out-of-stock issues, surveyed consumers are most concerned about inventory for electronics (37 percent) and clothing (27 percent). With both categories in-demand for the holidays and struggling to hold inventory, retailers who supply one or both are likely to experience the highest rates of customer frustration.

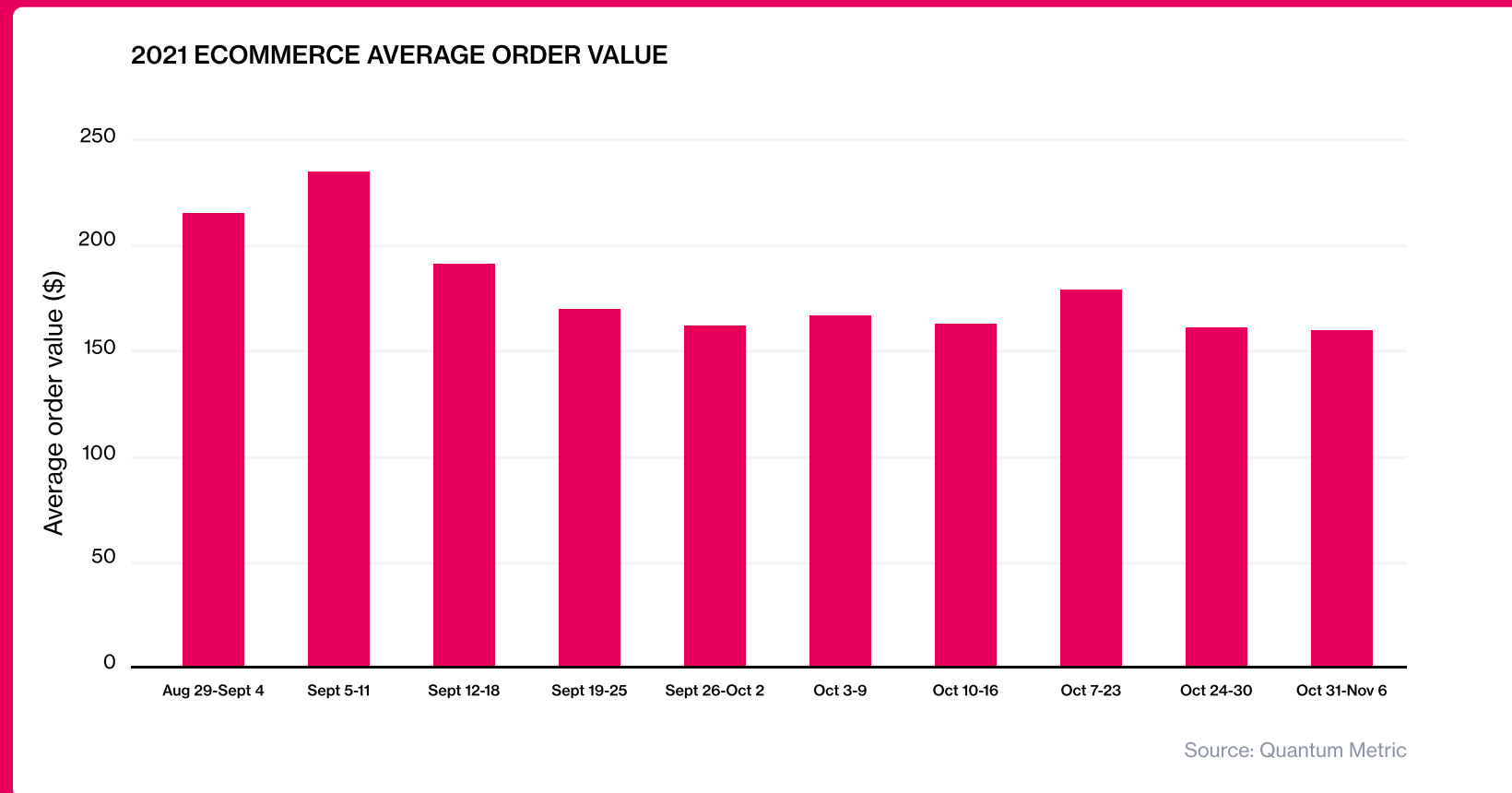
Black Friday will peak sales, but not customer angst.

The week of Thanksgiving 2020 saw the highest rates of customer frustration for the holiday season. This is not surprising, considering the complications that can come with Black Friday sales. However, with out-of-stock concerns at an all-time high and **75 percent of surveyed consumers deciding to lean on online shopping more to avoid these issues**, we can actually expect to see digital customer frustrations peak even before Black Friday.

November 2021 could likely see customer frustration rates that surpass those in 2020, even on Black Friday. Consumers today simply don't have a tolerance for a poor digital experience.

The checkout experience.

Higher rates of ecommerce traffic and conversions are a direct result of consumers shopping more frequently for the holidays. In fact, 76 percent of surveyed customers said they prefer to shop more sporadically, as opposed to setting specific times. Data from the Quantum Metric platform shows this has led to smaller average orders for the holiday shopping season, with average order values dropping 35 percent between August and October, 2021.



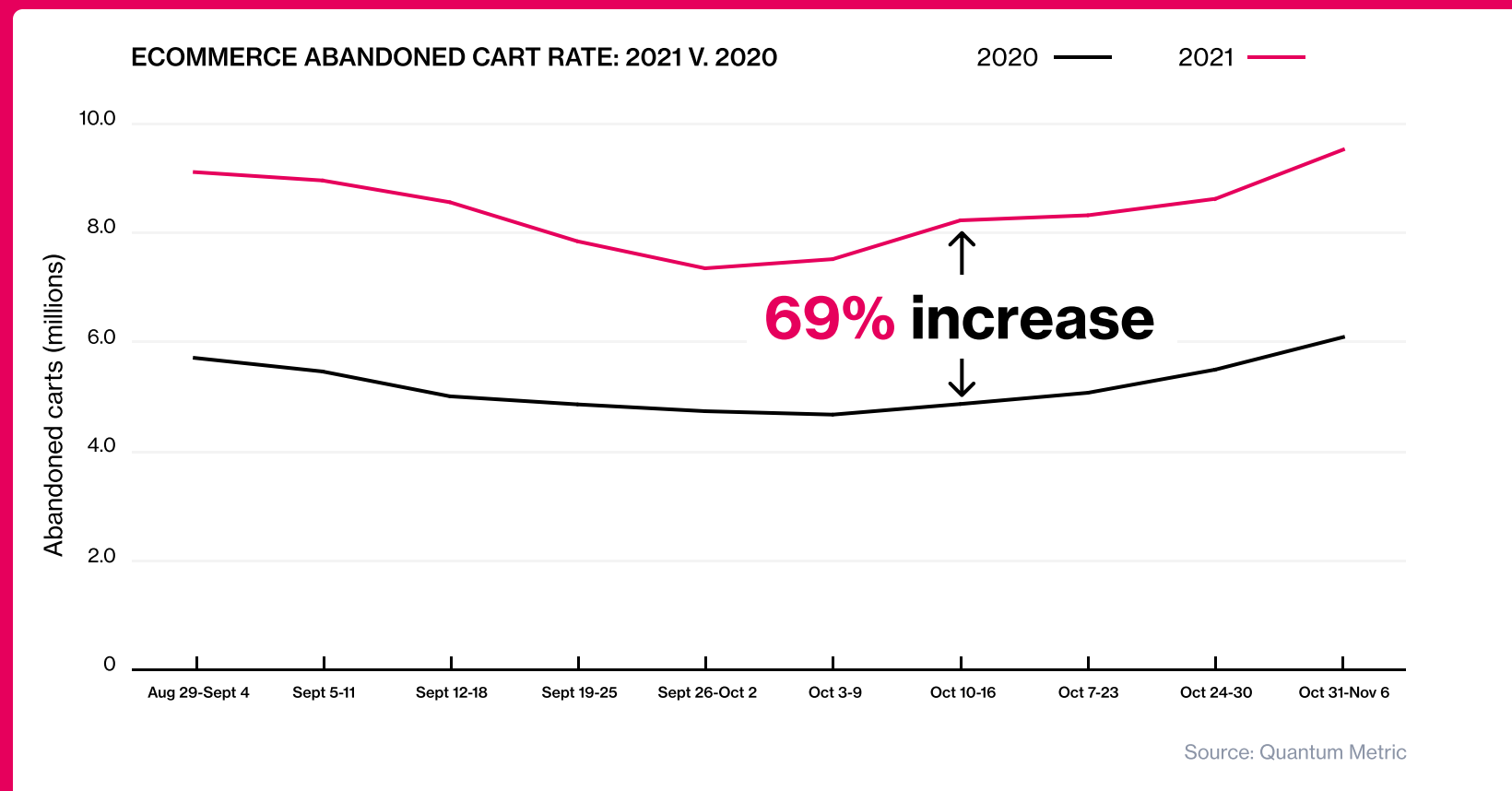
As out-of-stock fears creep in, consumers are looking to make purchases as soon as they see a product. In some cases, they are buying gifts without an intended recipient, as 53 percent of surveyed consumers admitted to.

Lower average orders does not necessarily mean consumers are spending less on their holiday shopping. In actuality, they are spending much more. With November just starting, consumers on average have already spent up to \$1,000 on holiday purchases. As inflation spikes begin to creep into holiday shopping, we could see average order values increase.

Sometimes forgoing Black Friday discounts, consumers are making certain purchases earlier and at full price. In fact, 63 percent have paid for more holiday gift items at full price this year, than in years past. Half of surveyed consumers (50 percent) actually spent at least \$100 on holiday purchases back in August. By October, 31 percent had a monthly spend of \$500 or more.

The holidays will see higher rates of abandoned carts.

Out-of-stocks and holiday pressures are creating a rise in abandoned carts as consumers simply purchase their items somewhere else. Data from the Quantum Metric platform has seen abandoned cart rates increase as much as 69% compared to 2020.

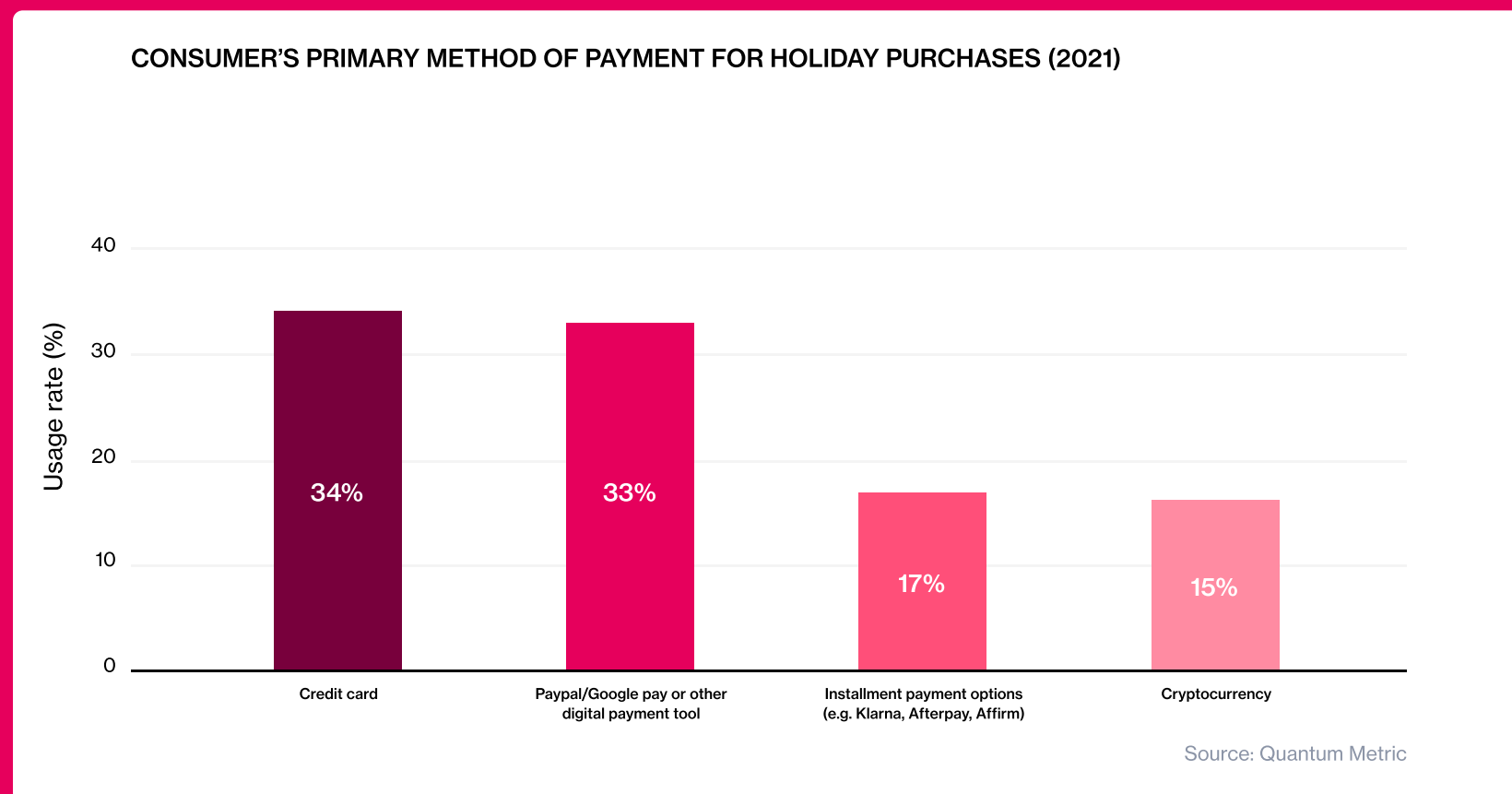


With consumers shopping in a more one-off format, we are likely to see **this number remain high and even spike to new levels on Black Friday**, as consumers quickly jump from site-to-site trying to find specific items in inventory.

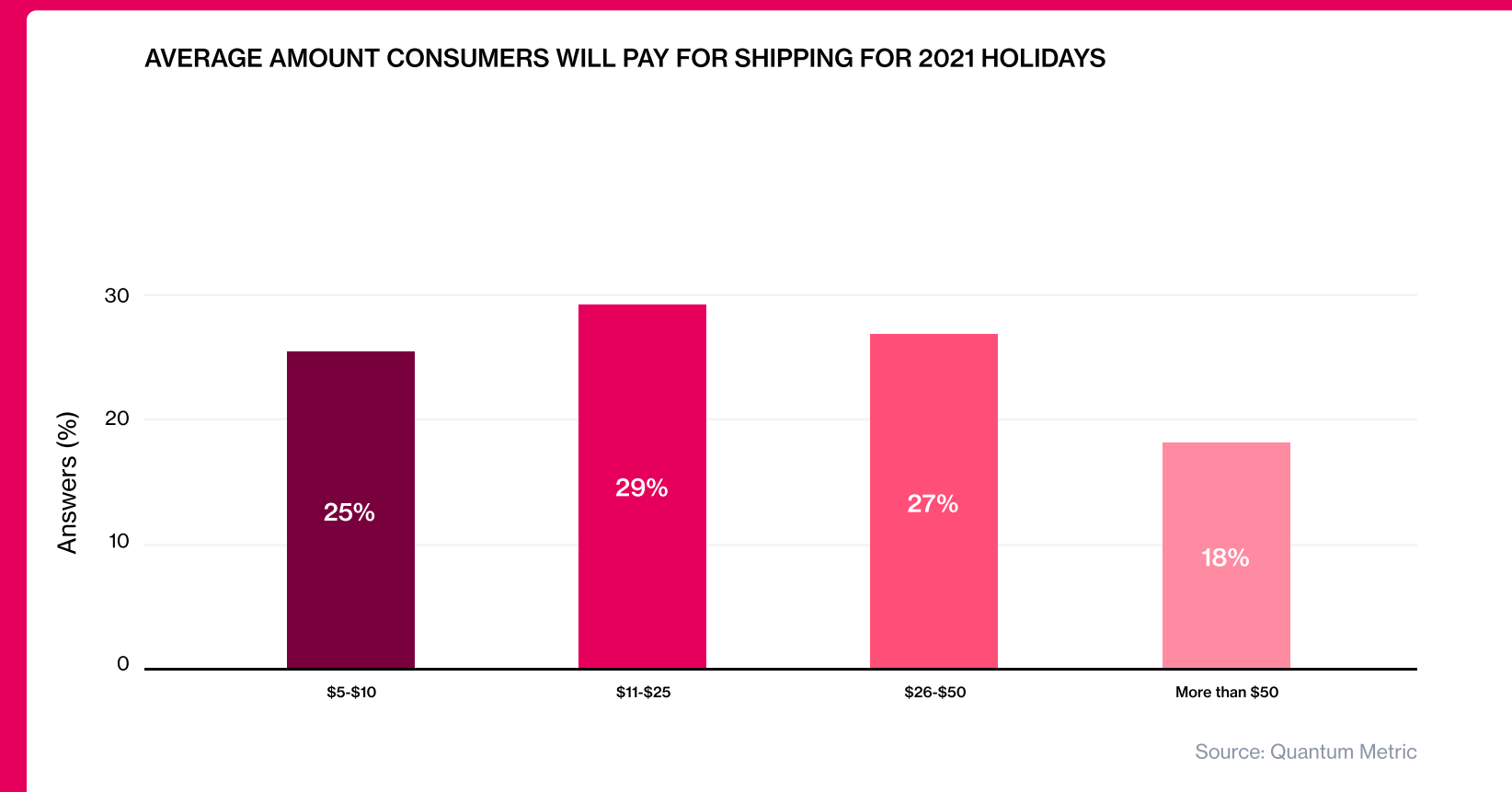
The best way retailers can help to minimize abandoned carts is by improving the seamlessness of the digital experience - even if challenges arise. For example, when experiencing out-of-stock issues online, offering details on where the product might be available in-store or recommendations on similar products can help keep customers interested. Once they have the right items in their cart, it's important to think about how to optimize the checkout experience to make the process almost too easy for the consumer.

What are consumers looking for at checkout today?

Payment options for one. Our survey showed that the rise of new digital payments such as Paypal and Google Pay have dethroned the credit card as the primary way to buy holiday gifts. Installment plans and even cryptocurrency are becoming more popular options for ecommerce as well. Almost one fifth of consumers (15 percent) plan to primarily use cryptocurrency for their holiday purchases!



Shipping options will also be critical and this year will be more about fast than free. With inventory delays likely, 67 percent of consumers have noted they would be willing to pay more to make sure their gift arrives on time. How much more? Almost half of consumers (45 percent) would pay more than \$25 for shipping to ensure they got their gift on time.



Regardless of payment, timeliness will be key to earning and retaining holiday sales. With 54 percent of consumers already planning to return holiday items, retailers must not just focus on how to get consumers to complete their purchases, but keep them. Retailers need to set accurate shipping expectations, regardless of supply chain challenges. The majority of consumers (40 percent) say if their package was to arrive more than 3-5 days late they would ask for a return and refund - opting to make their purchase elsewhere.



Customers' habits are changing. Are you prepared to build meaningful digital experiences?

Expectations for the digital holiday shopping experience have shifted from free and convenient to engaging and meaningful. Retailers will win if they are able to build experiences that do not just engage customers, but truly connect with them.

In the face of stock challenges and holiday anxieties, its critical retailers understand customers' changing needs, frustrations and its impact, in real-time. Armed with the right data, digital teams are empowered to effectively respond and build a more personalized and meaningful experience for the customer. When consumers have millions of retail options available, it's important to not just be an online store, but a partner and advocate in the shopping experience.

This recipe for holiday success is what we at Quantum Metric call customer-centricity. To learn more visit: www.quantummetric.com

About our methodology.

The findings presented in this report are based on:

- Anonymous and aggregated browsing information across multiple retail sector sites and native apps collected via the Quantum Metric platform from Jan. 2020 through Nov. 2021.
- Results from a survey of 2,000 U.S. consumers 18+ through a third-party mobile survey platform.

Definitions for metrics shown are as follows:

- **Abandoned carts** refer to the number of sessions where consumers placed items in a virtual cart, but did not complete a purchase.
- **Abandoned cart** rate refers to the aggregated percentage of abandoned carts, during a specific period of time, compared against total sessions.
- **Average order value** refers to the aggregated average amount that consumers purchase per transaction.
- **Conversions** refer to the number of converted sessions, which in turn corresponds to sessions that have completed a purchase.
- **Conversion rate** refers to the aggregated percentage of completed conversions, during a specific period of time, compared against total sessions.
- **Frustration rate** refers to the aggregated percentage of consumers who expressed frustration during their session, during a specific period of time, compared against total sessions.