

Data.
Analysis.
Insight.

Five charts
to sum up
2020 in
online
retail



0203 696 0980



enquiries@imrg.org



IMRG, 16 Neal's Yard
London, WC2H 9DP

Foreword

Emarsys

With five years' worth of ecommerce growth occurring in less than a year, the last twelve months have provided us with more digital shopping data than ever before.

As retailers prepare for the next retail event in the calendar — Valentine's Day — we have examined the lessons that can be learned from the busiest shopping periods of 2020.

Through the data made available by IMRG — and Emarsys's own experience working with the world's biggest retail brands — this guide uncovers the purchase behaviours and buying trends that emerged in 2020, and how these can be applied to future shopping seasons.

For those currently planning their Valentine's Day ecommerce campaigns, this should help to guarantee a shopping success story and avoid the pitfalls of a high street heartache.

Alex Timlin, SVP Verticals, Emarsys

IMRG

The pandemic had a negative impact on many business sectors. Retail, with non-essential stores forced to close for several months of the year, was no exception, but that disruption was very lopsided. Supermarkets had to bring in purchasing limits on certain ranges as demand was so high and online retail overall boomed for much of 2020 with categories such as home, electricals, garden, beers, wine and spirits, and beauty all recording triple-digit growth at various points. Clothing retailers, meanwhile, did not experience that online uplift.

As we head into 2021 — probably the most unpredictable year in living memory — there are many lingering questions as to which of the changes enforced by the pandemic will continue long term. As these charts show, Covid-19 scattered established trend lines through peaks and troughs that could never have been foreseen in 2019.

Forecasting for 2021 is a fraught process... but at least 2020, as disruptive as it was, can be assessed with some certainty as to what happened now.



The trajectory of online sales growth

The below chart shows year-on-year online sales growth for 2018-20. The trend leading into 2020 was a general decline; in 2018, growth was relatively strong in the first half, then weaker in the second half. It was particularly notable for an underwhelming Black Friday period, which raised questions as to whether it was beginning to run out of steam. Then, in 2019, growth was subdued for the whole year until November, when the Black Friday peak was strong throughout the whole period. Good Christmas trading generally helped overall growth for 2019 to come in at 6.7%; still the lowest recorded in 19 years of tracking in the IMRG Capgemini Online Sales Index.

As can be seen, the subdued trading trend continued into the first few months of 2020. This poor performance was underscored by the fact that the same months in 2019

featured low growth,

so they were building on a low base. Then, in March 2020, the first lockdown was introduced and the trend line changed dramatically. Online was a key beneficiary of lockdown, as there were not many other options for spending money. From July, as things started to open up again, the rate of growth gradually declined but then rebounded as the second lockdown was introduced in England in November. Overall growth in 2020 came in at 37%, a near six-fold increase on that of 2019.

Looking ahead to 2021, it seems certain that the rate of growth will remain very high in Q1.

From that point on, however, there are numerous possible directions things could go in depending on how the vaccination programme progresses, how the economic fallout impacts shopper spending, and how long the government's restrictions remain in place.

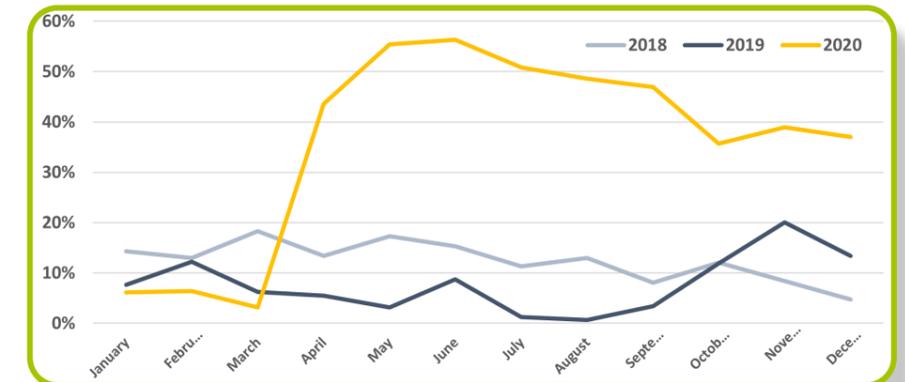


Chart I – YoY growth in online sales, 2018-2020

A multichannel year, online at least

This chart from IMRG contrasts year-on-year online sales growth for multichannel and online-only retailers in 2020. At the start of the year, the online-only retailers were securing the stronger growth of the two groups, but once the first lockdown came in, the demand shifted very sharply over to the multichannel retailers.

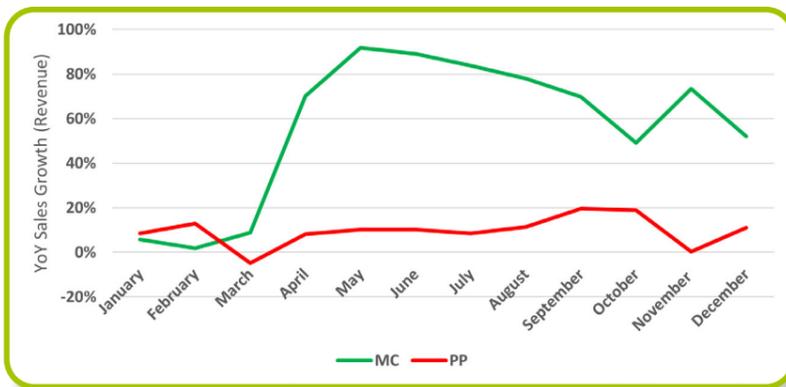


Chart II – YoY growth for online sales, multichannel and online-only (PP) retailers

Put simply, the story of the pandemic from a retail perspective is that stores were shut for three months, so people were forced to shop through those store retailers' online channels.

The demand shift was lopsided here as well though; those multichannel retailers selling in

categories such as home and electricals saw massive spikes in growth, while multichannel clothing retailers did not see the same uplift. Footwear was particularly badly impacted by that dip in demand, with the category rarely out of negative growth all year.

Emarsys commentary

With so many high street retailers now perfecting their online presence and adopting a truly multichannel approach, digital-first brands need to work even harder to maintain or regain their share of online spending.

Multichannel and mobile

With 52% of all web traffic coming from mobile, the mobile web experience is more critical today than ever before. If it's not mobile-friendly, 50% of customers will stop shopping, even if they like the brand. And mobile doesn't just have to mean apps and online experiences, multichannel campaigns that include SMS are also 48% more likely to convert.

For many, this means using their existing bank of online consumer data to ensure that loyal customers are being rewarded with discounts and contextually relevant promotions — promotions that they simply couldn't get anywhere else.

As brands begin preparing for the busiest shopping periods of 2021, digital-native retailers also need to refocus on optimising their tech stacks, removing data silos and providing the best possible multichannel experience for customers.

Online demand by categories

This chart shows online sales growth for five categories in 2019 and 2020. As can be seen, for four of them the 2020 growth rate far outstripped that of 2019, illustrating the extent to which demand was accelerated by the pandemic and even, in the case of electricals, reversed. As it was negative in 2019, the very high rate of growth for electricals needs to be contextualised accordingly, but it is still a remarkable turnaround.

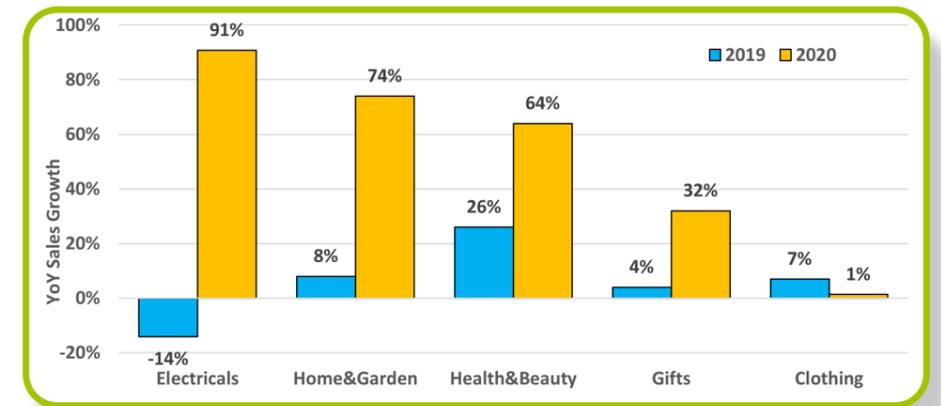


Chart III – YoY online sales growth for 2020 vs 2019, five categories

By contrast, clothing actually secured lower growth in 2020 than it did in 2019, as demand was dramatically reduced for many sub-categories (shoes, dresses, suits etc). For 2021, clothing retailers will be hoping for a quick conclusion to the pandemic so office work, events and functions (weddings etc) return.

A boom time for small retailers

This chart shows online sales growth for small (<£10m), medium (£10-100m) and large (£100m+) retailers, for the period January 2019 through December 2020.

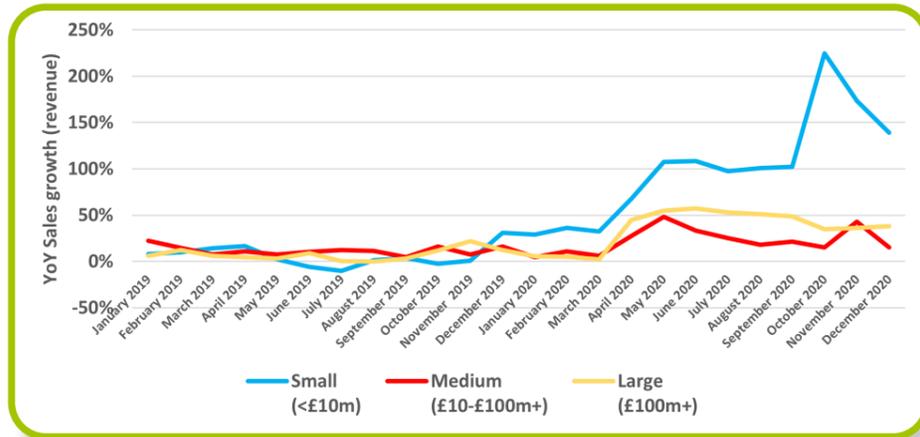


Chart IV – YoY online sales growth for small, medium, large retailers

Each of the groups saw an initial uplift as the UK went into the first lockdown; since then, the medium retailers have continued to perform ahead of last year's rate, but to a lesser extent than the large retailers (where, in some categories, demand was so high that their websites buckled under the load in the early months of the pandemic).

A likely reason as to why the small retailers have done so well (up 100%, on average, every month since May) is because of the strain the large retailers found themselves under. As shoppers flocked to them, some found they either could not get access or, where they did, saw out-of-stocks for high-demand items. In those cases, people would have searched on Google for additional options and come across the smaller retailers. Another possibility is related to larger retailers restricting marketing (emails, adword spend etc) due to excessive site traffic, so smaller retailers had greater visibility there.

The power of personalisation

Data from Emarsys show that 75% of consumers say they are more likely to buy from a retailer that recognises them by name, recommends options based on past purchases, or knows their purchase history.

Emarsys commentary

With more online customers comes more data, something which retailers of all sizes are now taking advantage of. As the Covid crisis has forced more shoppers online, brands have been able to build ever-larger data sets, helping them understand who their customers are and how best to satisfy them.

While many are still struggling to manage this influx of data, with data silos remaining a common concern, those that have succeeded are using this new information to create increasingly targeted and personalised ecommerce campaigns.

With physical stores still closed and the UK in lockdown, this type of data-driven commerce will help retailers of all sizes stand out from the digital crowd.

Black Friday campaigns started early

This final chart focuses on Black Friday, as it went through a process of acceleration just as many other areas of retail did. It shows the Black Friday campaign launch dates for the same 180 retailers over four years, 2017-20.

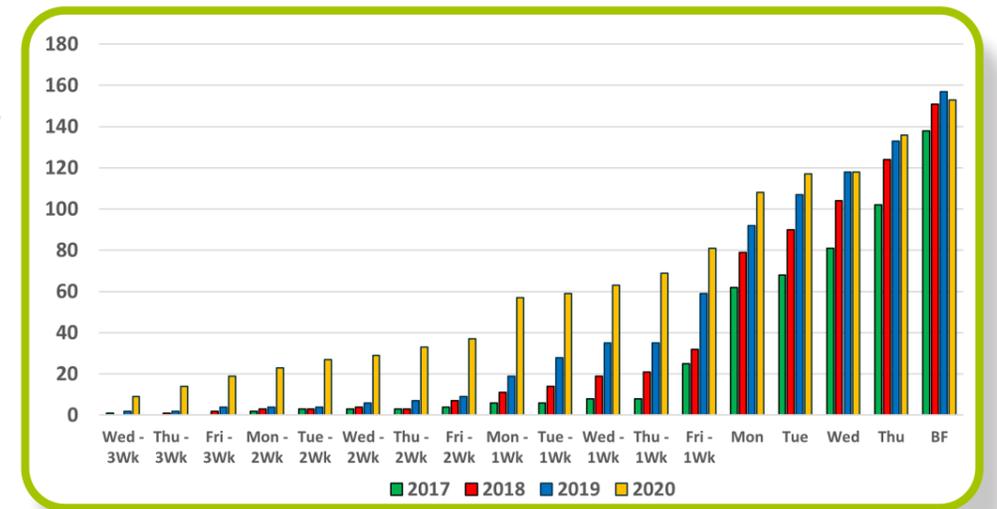


Chart V – Launch dates for Black Friday campaigns, 180 retailers 2017-20

Note that the days of November are structured in relation to the day of Black Friday, as opposed to the date, as it moves in the calendar each year (so 'Thu' is the Thursday before Black Friday, 'Fri - 1wk' is one week before Black Friday and so on).

In 2017, there were few campaigns live until the Monday of Black Friday week, then a gradual increase as the week unfolded before peaking on the Friday. In 2018, the same pattern is discernible, but with a greater number live on that Monday. In 2019, there was a notable increase in the number of campaigns live in the week before Black Friday week. Then, in 2020, campaigns launched in much higher numbers right across the whole of November, coinciding with the second English lockdown. For the first time then, it is accurate to describe it as 'Black November'.

The question for 2021 is whether that will be repeated, with campaigns going very early, if there is no lockdown or even much in the way of restrictions in place by that point.

Emarsys commentary

Already, Emarsys is planning for "Black Friday in July", anticipating that many of its biggest retail clients will start their holiday campaigns early on in 2021. While it's unlikely that these retailers will launch consumer-facing sales in July, many will begin planning their campaigns, organising their customer data sets and preparing their technology stacks long before November rolls around.

For many multichannel retailers, this early start will provide an opportunity to recoup losses from the Christmas holiday season when high street stores were forced to close due to a sudden, second wave of Covid restrictions.



A digital-first Valentine's Day

Emarsys commentary

For those preparing their 2021 Valentine's Day campaigns (the next big retail event in the calendar), the continued lockdown will mean an urgent focus on digital experiences and optimising ecommerce stores. Emarsys is already working with many of the largest retail brands — including Lounge Underwear, Charlotte Tilbury, PrettyLittleThing and others — to deliver personalised, omnichannel experiences that drive growth online.

In the case of Charlotte Tilbury, this even includes unique on-site experiences, such as a virtual consulting session, and the ability to 'try on' make up using AR. These new, personalised technologies will further help to bring the in-store experience online this Valentine's Day.

For these brands, Valentine's Day is a major retail event. With consumers unable to splash out on dinners, events, or experiences, this year will provide the perfect opportunity to ramp up gift sales online.

As the category data shown in section three, these trends could mean big boosts in online sales, especially for health and beauty gifts. According to the 2020 IMRG data, online sales of beauty products are up 67.9%, while gift sales have increased by 32.3%. The lingerie market has also seen a significant spike online, hitting a 42.2% increase over the last twelve months. As retailers prepare for Valentine's Day, they should ensure that their ecommerce stores bump these product categories to the homepage, putting them front of shop — and front of mind — for consumers.

Of course, boosting profits this Valentine's Day is only the beginning. The most successful brands will be those who not only make sales, but also encourage customers to return after the Valentine's Day rush is over. Retailers need to see such seasonal events as more than just a 'holiday boom', instead viewing them as an opportunity to build loyalty and secure repeat customers throughout 2021.

And so...2021

As we saw in chart I in this report, retail was not in a strong position heading into 2020; online growth in 2019 was at a historic low and retailers seemed to be experiencing myriad issues... then 2020 happened. Whatever confidence we had in established trend lines continuing was suddenly ruptured but, although it might seem odd to say it, after the initial shock of the March lockdown, 2020 actually became rather predictable (from a retail perspective, and with the benefit of hindsight perhaps).

2021 may end up going down the same predictable path if, say, the vaccination programme goes according to plan. But at the moment 2021 could, in equal likelihood, be a year of continued pandemic disruption, one of overcoming and renewal, or a mixture of both. Quite which kind of year we are going to get seems very hard to predict.

Whatever happens, online has been catapulted forward by the events of 2020, so retailers (or, those selling in the right categories at least) have a very strong platform to build upon.

About Emarsys



Emarsys empowers digital marketing leaders and business owners with the only omnichannel customer engagement platform built to accelerate business outcomes. By rapidly aligning desired business results with proven omnichannel customer engagement strategies — crowdsourced from leading brands across your industry — our platform enables you to accelerate time to value, deliver superior one-on-one experiences and produce measurable results... fast. Emarsys is the platform of choice for more than 1,500 customers around the world. Join thousands of leading brands who trust Emarsys to deliver the predictable, profitable outcomes that their businesses demand and the highly personalized omnichannel experiences that their customers deserve.

For more information, visit www.emarsys.com.

