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A retailer's guide to
trading during the
festive season

Contents

Introduction	3
Is November the new December?	4
Buy now, pay later	6
How do they work?	6
Is cheaper better for retailers?	6
Trending Christmas toys this season	7
Buy local this Christmas	9
Predictions for ANZ Christmas retail	10

Introduction

Each country has a different way of celebrating the holiday period and the lead up to Christmas, yet a common theme for this festive time of year is the onset of the biggest shopping season.

Black Friday - the name given to the Friday after Thanksgiving Day in the US – celebrated on the fourth Thursday of November, and in recent years it has extended to numerous countries around the world including Australia and New Zealand. It marks the official start of the end-of-year retail trading.

Cyber Monday - the name given to the Monday immediately after Black Friday¹ – but while Black Friday has existed for decades, Cyber Monday only originated in 2005, before the online shopping trend became popular. Black Friday and Cyber Monday may be done and dusted but before businesses can heave a sigh of relief, the next wave of sales on Boxing Day is about to come crashing ashore.

Cyber Monday began in response to the success of brick and mortar retailers and as such, wanted to compete against in-store Black Friday sales. In-store sales are a massive tradition and the hype will continue each year, yet the numbers are only going up for e-retailers due to an influx of price comparison apps and websites. As a result, e-retailers created a sale of their own and Cyber Monday was born.

In this whitepaper, we look at the volume of media mentions around Black Friday, Cyber Monday, Boxing Day sales and the new addition - Click Frenzy. We look at their success over the years and what these sales mean for retailers. We also look at what's on trend with gifts for children in the lead up to Christmas 2019.

Cyber Monday was originally held because in the mid noughties, people had better internet connections at work than at home, which meant Monday's were the peak day for online shopping.

¹<https://www.news.com.au/finance/business/retail/ebays-99-apple-airpods-cause-frenzy-during-black-friday-sale/news-story/acb1780590ad1d524bb647ad6deab703>

Is November the new December?

The countdown to Christmas is on. Australian's are estimated to spend almost \$53b before Christmas.² Black Friday and Cyber Monday kicked off pre Christmas sales, creeping into November and extending out the sales period. Consumers take advantage of these retail sales as they want to get their Christmas shopping done sooner rather than later. Across ANZ, Black Friday and Cyber Monday have enjoyed a 28% year-on-year increase from 2017 to 2018.

With these figures, retailers should ensure they factor Black Friday and Cyber Monday into their Christmas sales strategy to maximise their profits.

The time period between the Cyber weekend and Boxing Day sales is the best opportunity for businesses to understand what went well and what could have gone better. With little time in between, businesses may be concerned with another influx of customer enquiries, returns, and the odd complaint. To help ensure the rest of the peak retail season is smooth and positive for businesses and their customers, there are three essential takeaways businesses can learn from:

1. Be prepared
2. Learn from your customers and,
3. Be where your customers want to be.

Within ANZ, Boxing day still remains the reigning sales day of the holiday retail season, however newer sales days including Black Friday and Cyber Monday are boosting consumer purchases and increasing overall online sales. This increase has meant shoppers are no longer waiting until Boxing Day for a bargain. This has seen an increase in online sales, resulting in increased Christmas shopping deliveries. Within Australia, growth has been 10% year on year.³

Click Frenzy, the latest addition to the retail sales started as the Australian equivalent of Black Friday. An online 24-hour mega sale traditionally held on the third Tuesday of November. It originated in 2012 and not with the best start - the website crashed almost immediately when the first sales event went live, disappointing many shoppers.

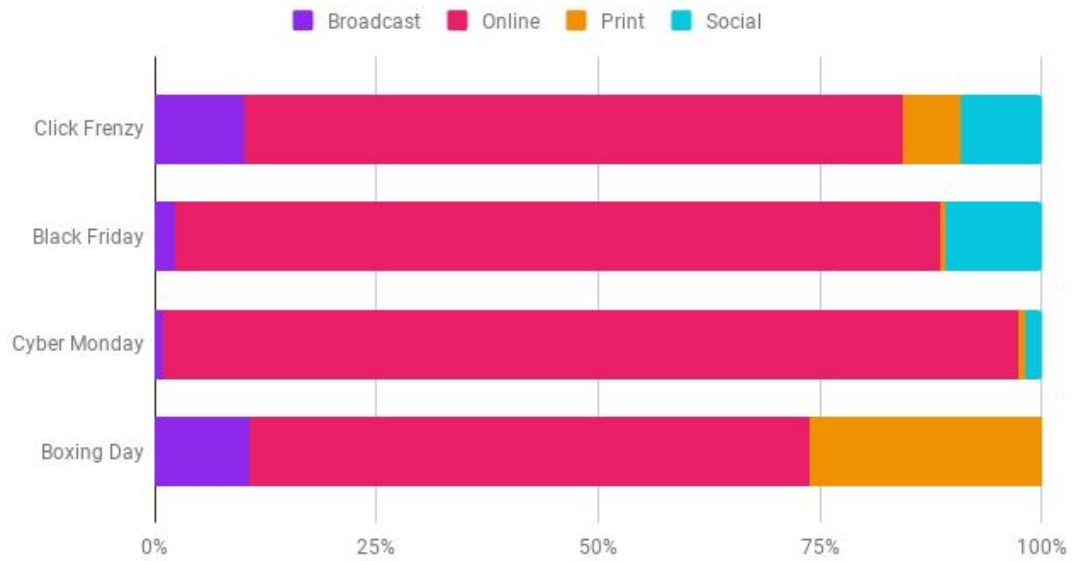
After addressing the initial teething issues, the mega sale now occurs multiple times each year and has extended to 29 hours, offering many deals from top brands for the online-only shopping event.

For the time period 1 October 2019 to 12 December 2019, media data was collected from Broadcast, Print, Online and Social media across Australia and New Zealand for media mentions of key retail days. The first graph below shows within Australia, the terms 'Click frenzy', 'Black Friday', 'Cyber Monday', and 'Boxing Day' receiving coverage predominantly across online channels.

²<https://www.news.com.au/finance/business/retail/all-of-the-best-black-friday-deals-on-offer-from-australias-leading-retailers/news-story/c6bcfbca96e3c5ea8d431a9731d38bfe>
³https://auspost.com.au/content/dam/auspost_corp/media/documents/inside-australian-online-shopping-ecommerce-report.pdf

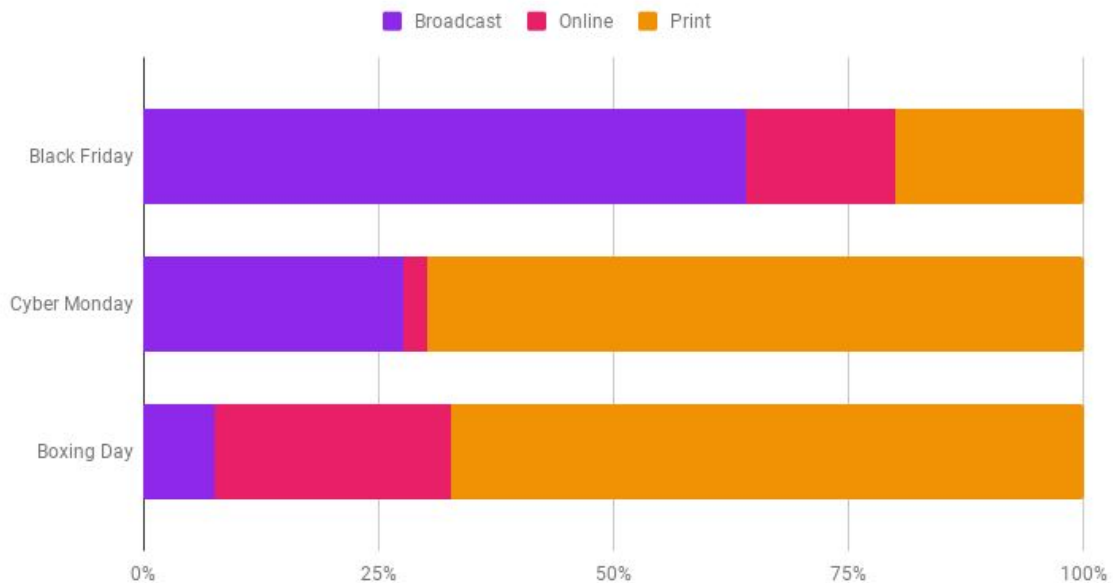
Comparatively, in New Zealand 'Black Friday' was heavily mentioned over Broadcast and 'Cyber Monday' and 'Boxing Day' were heavily mentioned across print. Click Frenzy wasn't mentioned in New Zealand due to it being an Australian retail sale.

Australian media coverage of retail sale days



Australian media coverage of retail sale days across broadcast, online, print and social media. Period 1 October to 12 December 2019.

New Zealand media coverage of retail sale days



New Zealand media coverage of retail sale days across broadcast, online, print and social media. Period 1 October to 12 December 2019.

Buy now, pay later

The rise of popularity between the two top fintech 'buy now, pay later' businesses has allowed customers to buy goods or services without the need for a traditional loan, or paying upfront fees or interest. According to the Australian Securities & Investments Commission (ASIC), between financial year 2015-16 and 2017-18, the number of consumers using buy now, pay later services increased from 400,000 to 2 million people.⁴

How do they work?

Afterpay's business model is to sign merchants to its platform, enabling their retail customers to pay for purchases in four instalments, without interest. Afterpay pays the retailer in full upfront and assumes all non-payment risk, before recouping the purchase value from their customer.

Zip Co, uses a different business model to Afterpay. They also offer a buy now, pay later service, yet with a difference. They offer consumers a line of credit through its cloud-based digital "wallets," of which there are two: Zip Pay, for purchases up to \$1,000, and Zip Money, for purchases between \$1000 and \$30,000⁵

These line of credit alternatives are largely adopted by millennials due to reducing the need of owning a credit card or reducing the use of their credit cards. Both situations allow shopping to be more 'affordable'.⁶

Is cheaper better for retailers?

At a time when overall retail sales are in decline and consumers grow less willing to splurge, the threat of shrinking profit margins from blanket discounting is of real concern.

Discounted items may be great for the consumer, but how do they fare for the retailer?

Heavily discounted items promote more sales however the bottom line could be affected with multiple sale days each year.

When to discount and by how much remains a critical decision for retailers, with 39% planning to discount before Christmas to drive sales, compared to 31% in FY18 through Cyber weekend sales campaigns.⁷

The annual Deloitte Christmas Retailers' Survey revealed tough economic conditions and the falling Australian dollar were to blame for a negative outlook from retailers ahead of the festive season. The survey shows 62% of retailers expect to see higher sales this Christmas compared to 80% in 2018.

⁴ <https://www.asx.com.au/asxpdf/20160503/pdf/436zmt8bidwvkf.pdf>

⁵ <https://www.finder.com.au/interest-free-finance>

⁶ <https://www.bt.com.au/professional/knowledge-centre/market-insights/perspectives/buy-now-pay-later-the-rise-of-afterpay-and-zipco.html>

⁷ <https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/retailers-christmas-survey.html>

Studies show (to the dismay of retailers), consumers have been holding back this festive season and it's shaping up to be one of the least profitable years on record.

These figures are not reflective of stronger demand, yet they are due to increasing cost pressures from a weaker Australian dollar, an increased minimum wage, and supply disruptions from droughts and floods. With retailers being squeezed on both sides from weak sales volumes and increasing costs, margins are coming under pressure.⁸

Recently, some popular Australian clothing retailers have gone into voluntary administration. An occurrence that is becoming more common as a result of Australian retailers competing in a highly cluttered and increasingly discount-driven market.

Although 2019 has been bleak for retailers, the outlook for 2020 is looking strong. A stronger growth in wages, reinvigorated housing market and moderate price pressures will support greater profitability.⁹

Trending Christmas toys this season

Kids are fickle customers and as they're extremely spoilt for choice, they can be demanding when it comes to asking what they want for Christmas. Experimental activity that motivated and saturated the category in recent years has faded, as sales and outcomes haven't lasted the distance or lived up to their hype.

STEM toys are Science, Technology, Engineering, and Maths based toys geared towards learning, curiosity, and education. There are many varieties of STEM toys on the market, focusing on core disciplines in coding, engineering, chemistry, mechanical toys and more. STEM Toys tend to grow in popularity as it draws closer to the holiday season. They keep kids occupied and provide education while on school holidays, and reinforce the importance of learning in a fun way.

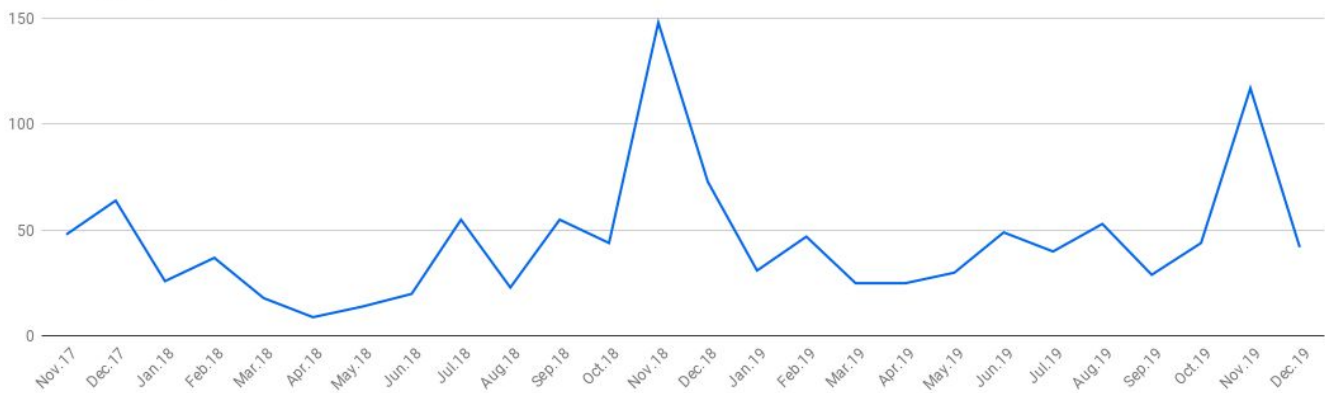
Most of the toy favourites for the season fall into three categories: interactive toys that require love and nurturing, the classics including LEGO, board games and books and STEM toys.

In the below graph, a trend can be seen with the popularity of STEM toys across a two year period. Prominent peaks can be seen in November 2018 and November 2019, depicting the interest of STEM toys increasing closer to retail sales days and the onset of the Christmas and holiday season.

⁸<https://retailworldmagazine.com.au/retailers-dismayed-at-low-consumer-spend-this-festive-season/>

⁹<https://www.insideretail.com.au/news/why-2019-was-so-tough-for-retail-201912>

STEM toy popularity in Australia



Trend on popularity of STEM toys over time period 1 November 2017 to 12 December 2019

What made the top 10?

From interactive animals, superheroes, action figures, scooters and retro roller skates, there's an abundance of toys on the market for young and older kids. Below are the top 10 lists for both age brackets.¹⁰

Top 10 toys for young kids:

- Owleez™
- Hatchimals™ WOW
- Candylocks™ basic doll
- Disney© The Lion King Mighty Roar Simba FurReal™
- ZURU Pets Alive™ Boppi The Booty Shakin' Llama

Top 10 toys for older kids:

- Razor® A5 DLX Scooter
- NERF™ Fortnite™ TS Blaster
- Pictionary Air™
- Artie 3000™ The Coding Robot
- LEGO® Star Wars™ BOOST Droid Commander 75253

¹⁰ <https://www.cnet.com/news/hottest-christmas-toys-for-2019/>

Buy local this Christmas

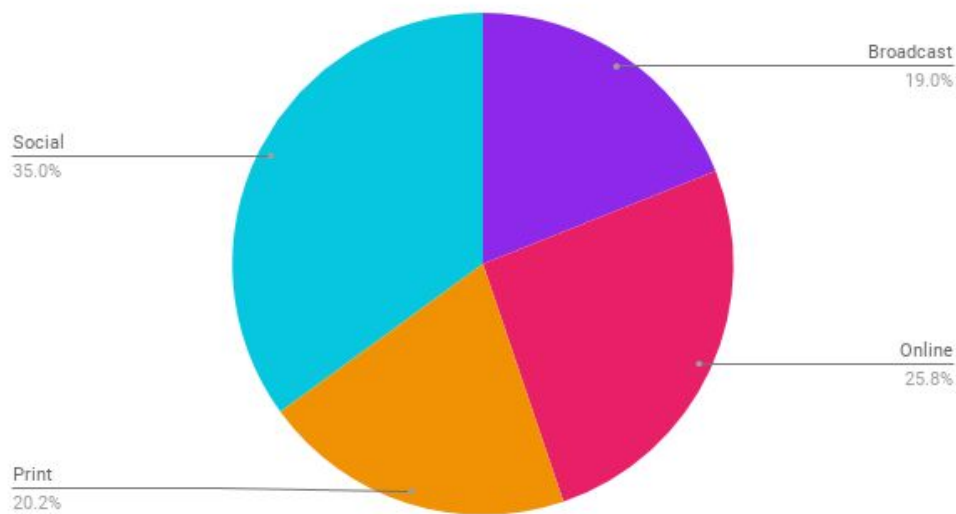
Within Australia, drought is ravaging the land. It not only impacts the land, it also impacts rural communities and businesses, who are left to bear the financial burden that comes with a lack of tourists and a strain on resources.

Thanks to social media, it has provided the opportunity to directly support rural businesses who are doing it tough. In October 2019, an Instagram movement was started by [@buyfromthebush](#) encouraging all Australians to buy products in-store or online to help struggling rural businesses make a living.¹¹

For these rural businesses, it provides exposure to their creations and every single dollar from their sales truly goes a long way, especially during a long, devastating drought.

Another initiative, 'Go Country For Christmas' was established by Senator Hollie Hughes and was started due to the devastating impact of the drought in rural Australia and in aid to support businesses in the country. The Senator encourages all Australians to buy at least one present from a business that is based in the country to show their support.

Buy From The Bush



Breakdown of 'Buy from the Bush' media mentions across broadcast, online, print and social media. Period 1 October to 11 December 2019.

From the chart above, social media is seen to be the highest promoter of the term 'Buy from the Bush' with 35 percent of media mentions across the four channels. This result reflects the campaign being created on Instagram.

¹¹ <https://www.mamamia.com.au/drought-relief-nsw/>

Predictions for ANZ Christmas retail

Australia and New Zealand shoppers continue to embrace growing holiday trends and from the collated data, there have been some notable trends.

1. Cyber weekend will continue to grow in popularity as revenue has grown faster across the weekend in comparison to Christmas and Boxing Day sales.
2. ANZ shoppers are inclined to wait for a discount and will continue to be incentivised by discounts during the holidays. A 2019 PayPal survey of 1,000 Australian shoppers found that seven out of ten shoppers actively seek out online sales or discounts, while 50% have waited until an item was on sale before buying it online.¹²
3. Local holidays such as Boxing Day sales will continue to grow in Australia and New Zealand.

The retail space is constantly evolving, and the subsequent emergence and presence of social media has seen an increasing shift in consumer behaviour as well as advertising expenditure online.

Fierce competition (from online, overseas and bricks & mortar retailers), combined with subdued consumer demand, has led to margin compression (an inability to pass on cost increases).

Consumer behaviour will continue to be a large factor in the success of the retailers in the lead up to Christmas and the holiday season.

If you would like to learn more about how we can provide unparalleled insights into your industry, get in touch with us today.

¹² <https://www.paypalobjects.com/digitalassets/c/website/marketing/apac/au/optimized/mcommerce-index/pdf/PayPal-MayTrendReport-2019-FINAL.pdf>

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