



Research Brief

Ecommerce 2020 Holiday Shipping: A Consumer and Retailer POV

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Ecommerce Strategies to Tackle Holiday Shipping Challenges: Insights Based on Merchant and Consumer Research on the Holiday 2020 Shipping Crisis

Holiday 2020 promises to be like no other for the retail industry. Retailers are concerned about their ability to deliver packages to customers on time without sacrificing too much profit due to shipper surcharges and capacity limits. Fulfillment, however, is only part of the story. Economic uncertainty is forcing retailers to make uncomfortable bets on which items to buy and how much to stock. Retailers are concerned about their ability to maintain stock of key holiday items. Many will be forced to pressure-test new digital offerings, such as ship-from-store and curbside pickup, during the most important time of the year.

In this brief, we will discuss the fulfillment risks that retailers see ahead for this upcoming holiday season, we will share fulfillment-related benchmarks from retailers surveyed, and we will offer potential solutions for some of the challenges ahead.

This brief is supported with data from a retailer survey fielded to 63 retailers between September 9 and September 14th and a consumer survey with 1,022 responses, fielded by CommerceNext's partner, BizRate Insights, between September 4 and 7, 2020.

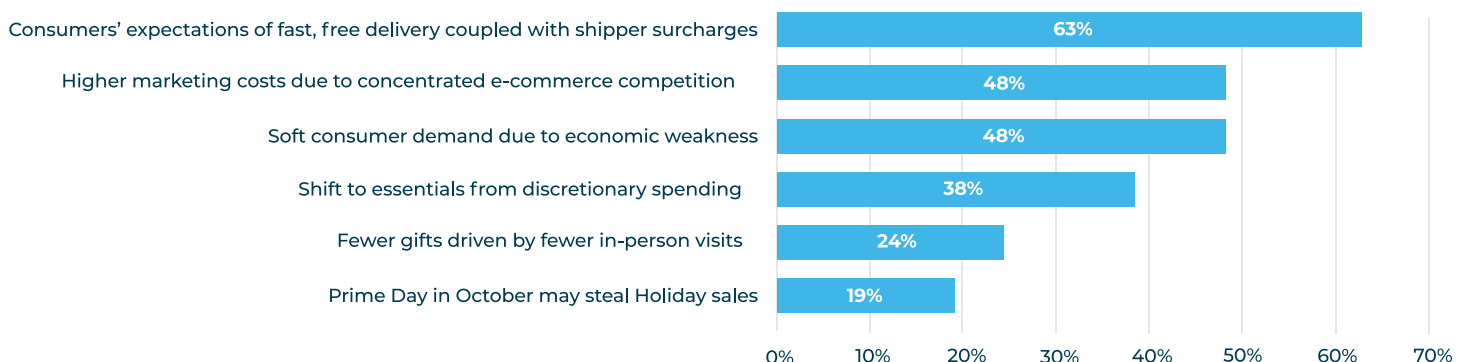
Holiday 2020: Risks abound amid elevated ecommerce demand

There is little doubt that holiday 2020 will set records for online sales. The question is by how much. Record-breaking sales has been the case in every year since ecommerce first emerged, but more consequentially this year, COVID-19 has compelled consumers to develop new online habits, buying new categories online, from new merchants, using new payment and shipping methods and buying more frequently than in the past.

We asked retailers about the risks they see on the consumer landscape during holiday 2020. The top consumer-related concern illustrated the chart below, cited by 63% of respondents, was their expectation that consumers will demand fast, free shipping at the same time that third party shippers plan to charge peak-season surcharges. Surprisingly, this was seen as a bigger concern than soft consumer demand, re-allocation of spending toward essential items and a Prime Day close to the holiday shopping season.

Merchant sources of concern during holiday 2020

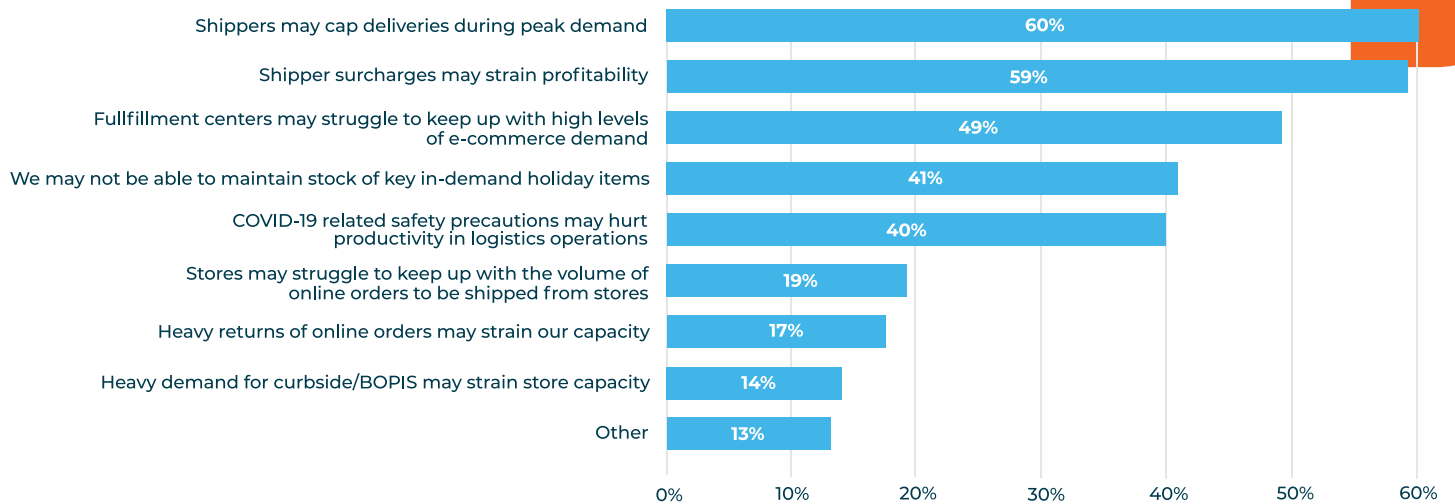
Q: What consumer-related concerns do you have for the 2020 holiday season?



When we dug deeper into holiday fulfillment-related challenges amongst retailers, illustrated in the chart below, shipper-related issues top the list. Sixty percent of merchants worry that third-party shippers may cap deliveries during peak demand periods. Fifty-nine percent worry that shipper surcharges may strain profitability. This concern is well considered, given that UPS, USPS and FedEx have all published peak season surcharges for holiday 2020 and that many retailers were told that they could not exceed newly imposed caps on packages delivered during peak COVID.

The logistics concerns for online retailers in holiday 2020

Q: What ecommerce logistics-related concerns do you have for the holiday 2020 shopping season?

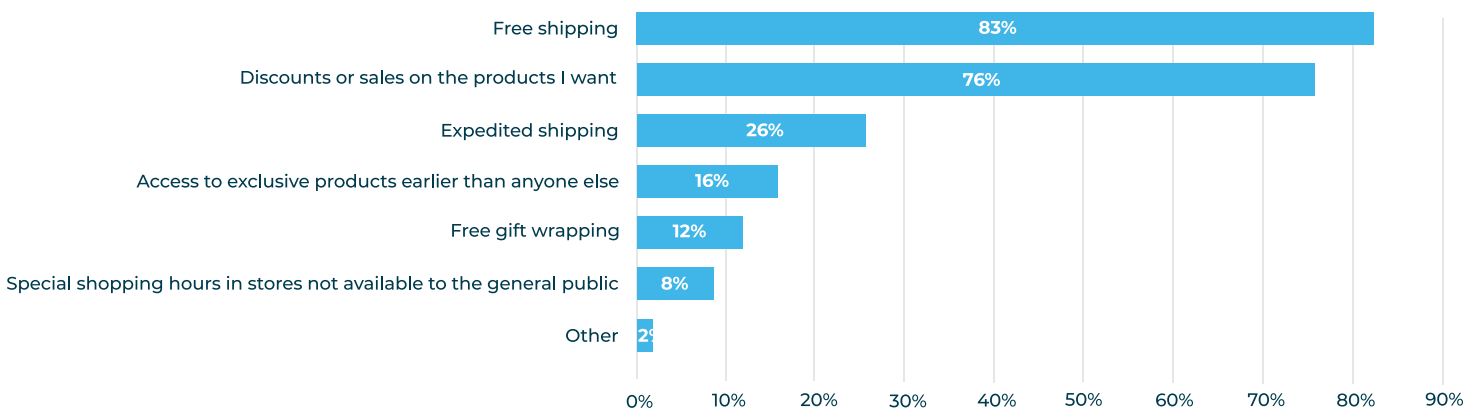


Source: CommerceNext retailer survey fielded 9/9-9/16. n=63

In our consumer survey, we learned that retailers' concerns are justified. Eighty three percent of consumers surveyed cited free shipping as the promotion most likely to appeal to them this year, consistent with the priority that consumers have historically placed on free shipping.

Holiday shopping promotions that most appeal to US shoppers

Q: What types of holiday shopping promotions do you find most appealing this year?



Source: BizRate Insights Panel, September 4-9. n=1,022

Compounding retailers' fears is the fact that consumers generally plan to do their holiday shopping in the same time range as in years past. Fifty-eight percent of consumers said that they plan to do their holiday shopping roughly when they had in the past. Thirty-four percent said that they plan to shop earlier this year than in the past – a claim that ought to be taken with a dose of skepticism. Consumers usually plan to shop early but reality perennially interferes with their best intentions. This year MAY be different, but procrastination is more likely hardwired into consumers' brains and retailers would be well-served assuming that this will be the case again this year.

Benchmarking Holiday 2020 plans

There are four big decisions that retailers need to make every year regarding holiday free shipping and handling promotions. First they need to decide if they will indeed offer free shipping and handling at all. Second, they need to decide what minimum order sizes to set for orders to qualify for free shipping. Third, they need to set the cut-off date for orders that they promise will be available in time for Christmas. Finally, they need to set a delivery promise for how quickly orders will ship during the holiday season. Together, these decisions set the operating cadence for the holiday season.

Let's dive into what we learned about the upcoming holiday season from our merchant survey.

Retailers are largely maintaining similar free shipping policies despite the unique circumstances of 2020. Not surprisingly, nearly all retailers - 92% - said that they will be offering free shipping this holiday season. Of those that do plan to offer it, the vast majority (68% of respondents) plan to offer it with the same minimum order threshold as last year. Roughly as many respondents plan to drop their minimum qualifying thresholds for free shipping from last year (11%) as plan to increase it from last year (13%).

Free shipping promotional plans, holiday 2020

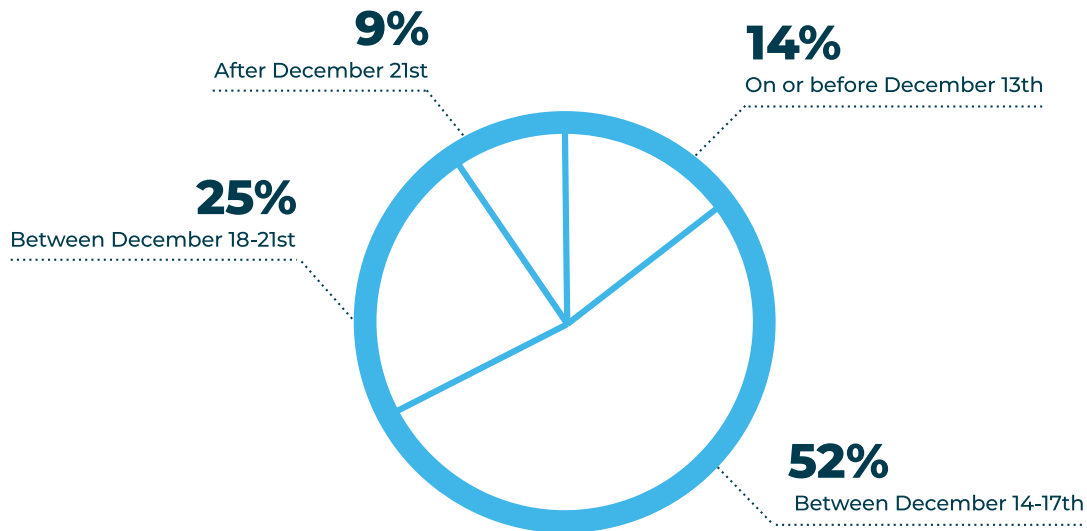
Q: If you plan to offer free shipping and handling this holiday season, how does the minimum qualifying order threshold compare with last year?



We learned from this survey that only 14% of respondents plan to end non-expedited shipping before December 13, and that only 9% of respondents plan to offer it after December 21st. These are the extremely risk averse and the extremely confident retailers. The bulk of merchants plan to cut off free shipping between December 14 and 21st – 77 % of retailer respondents, in total. This is roughly equivalent to the policies of past years.

Final shipping date during holiday 2020 for non-expedited shipping

Q: What is the last date prior to Christmas that consumers can order from your site without having to pay expedited shipping fees this year?

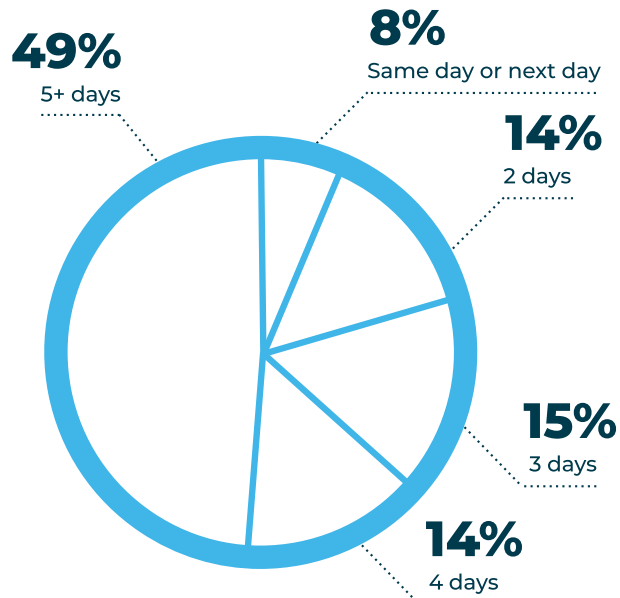


Source: CommerceNext retailer survey fielded 9/9-9/16. n=44

Our third benchmarking survey question digs into how quickly retailers plan to promise delivery of non-expedited orders this holiday season. Generally, delivery commitments will be conservative this year, with 63% promising delivery in four or more days. A surprisingly small number of merchants (22%) plan to offer 2 day or shorter shipping thresholds, the standard set by Amazon that simply cannot be matched by smaller retailers with far more modest fulfillment systems.

Among retailers with concrete plans, 63% plan delivery in 4+ days

Q: What is the standard (non-expedited) shipping commitment that you plan to offer to consumers this holiday season?



Source: CommerceNext retailer survey fielded 9/9-9/16. n=51

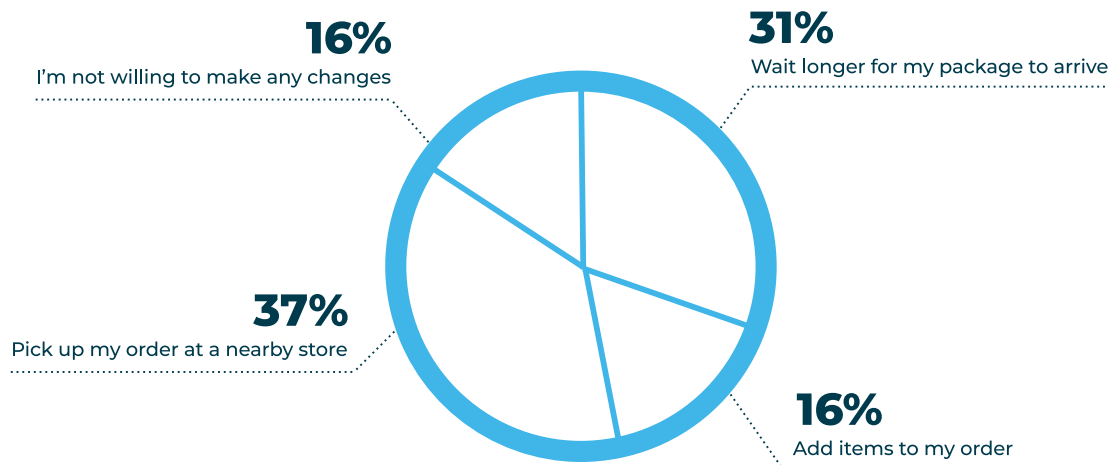
Retailers' holiday 2020 wish: Latitude

The good news for retailers is that consumers are OK with longer waits for delivery. In our pre-holiday consumer survey, 83% of respondents said that free shipping promotions appealed to them and only 26% cited expedited shipping promotions. Undoubtedly, this is driven by the fact that gifts ordered ahead are less likely to fall under the 'need it now' positions in consumers' minds. This apparent leeway gives retailers an opportunity to spread the burden on their fulfillment centers across more days, and to reduce the pressure on quick delivery from third-party logistics partners.

Framing the question of consumer leeway a bit differently, we indicated to survey respondents that retailers would be facing increased delivery costs this year and asked about compromises that they might be willing to make. Thirty-one percent of consumers said that they would be willing to wait a little bit longer for packages to arrive. Thirty-seven percent said that they would be willing to pick up their orders at nearby stores – a new habit for many consumers initiated during COVID-driven lockdowns in Spring 2020. These bits of consumer latitude offer critical openings to retailers that will be facing a year that will – for most - be defined by intense ecommerce demand and tight resources.

Compromises consumers are willing to make in holiday 2020

Q: It will cost retailers more to send packages to consumers this year. Which of the following tradeoffs are you most likely to make in order to qualify for free shipping?



Source: BizRate Insights Panel, September 4-9. n=1,022

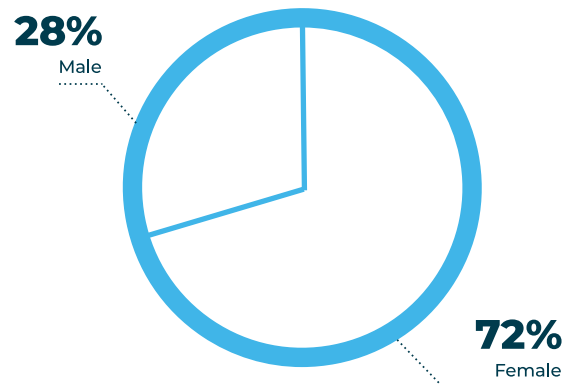
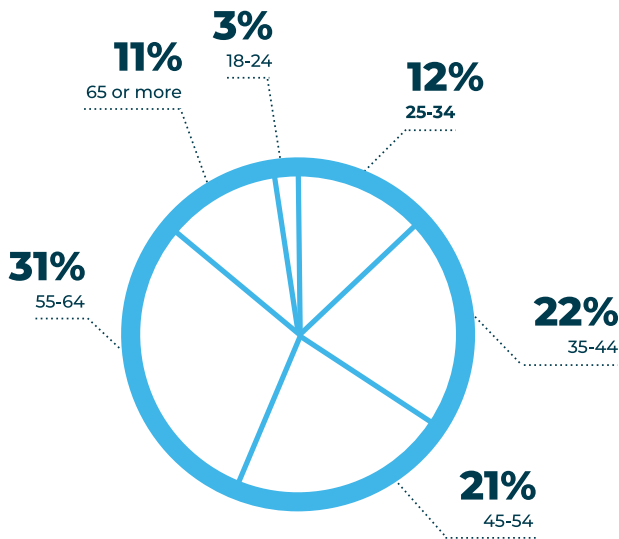
Final thoughts

Consumers understand that holiday 2020 will be different than any holiday in years past, and ecommerce will play a more important role than ever before. Consumers appear willing to cut retailers some slack this year, waiting for packages and driving to stores to pick up their orders. Perhaps COVID-19 has created more empathy for the plight of retailers.

Winning retailers will build plans around conservative commitments that they know they can beat. This is not the year to test consumers' frayed nerves by adding avoidable stress.

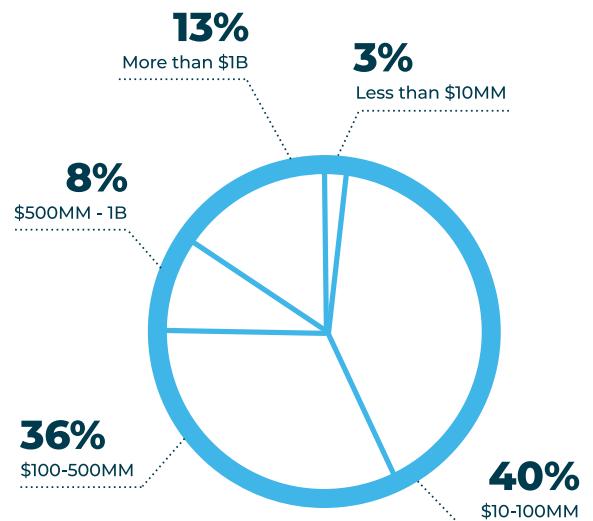
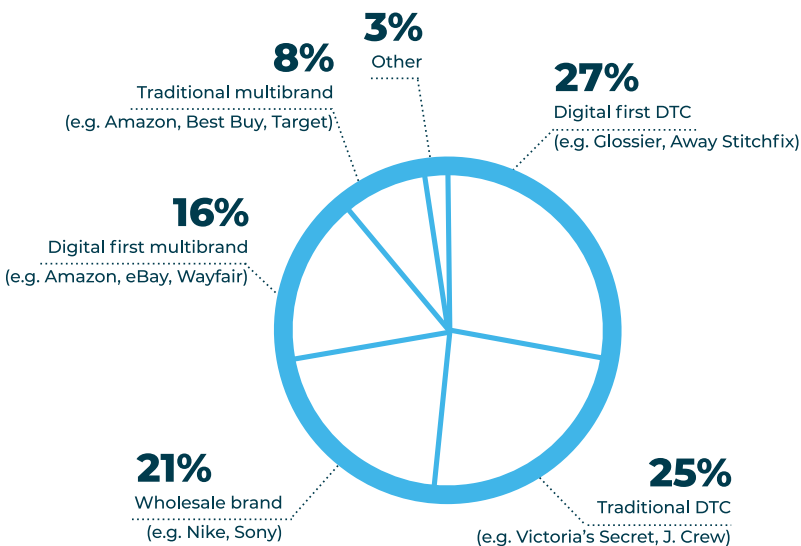
Finally, more than ever, winning at ecommerce will take the full resourcefulness of the organization. The scrappiness and fast decision making that retailers showcased during peak COVID will serve them well again this holiday season, and of course, beyond.

Demographics of consumer survey respondents



Source: BizRate Insights Panel, September 4-9. n=1,022

Characteristics of merchant survey respondents



Source: CommerceNext retailer survey fielded 9/9-9/16. n=63

About CommerceNext

CommerceNext is a community, event series and conference for marketers at retail and direct to consumer brands. Now in its third year, CommerceNext has grown to include webinars, virtual summits, industry research and an online community, in addition to the annual CommerceNext summit and the esteemed “CommerceNext’s Awards program. Inc. magazine named the CommerceNext Summit one of the Top 5 ecommerce conferences for 2019/2020. To learn more about CommerceNext visit commercenext.com.

About Exponea

Exponea is the world’s leading Customer Data and Experience Platform (CDXP). Built from the ground up for retail and ecommerce, Exponea quickly collects and unifies data from all customer touchpoints to give businesses the insights and action opportunities they need to execute campaigns that deliver real results. We pride ourselves on empowering marketers to be more relevant, efficient, and crazy-fast. Companies we’ve partnered with on this mission include Desigual, Benefit Cosmetics, Missguided, the Arcadia Group, OluKai, and Altar’d State. Learn more at exponea.com.

About BigCommerce

BigCommerce is a leading software-as-a-service (SaaS) ecommerce platform that empowers merchants of all sizes to build, innovate and grow their businesses online. As a leading open SaaS solution, BigCommerce provides merchants sophisticated enterprise-grade functionality, customization and performance with simplicity and ease-of-use. Tens of thousands of B2B and B2C companies across 150 countries and numerous industries use BigCommerce to create beautiful, engaging online stores, including Ben & Jerry’s, Molton Brown, S.C. Johnson, Skullcandy, Sony, Vodafone and Woolrich. Headquartered in Austin, BigCommerce has offices in San Francisco, Sydney and London. Learn more at bigcommerce.com.

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CommerceNext would like to thank BizRate Insights, who partnered with us and provided their panel of consumers for the shopper insights that are part of this brief. Learn more at bizrateinsights.com.

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