



5 Key Lessons E-Commerce Merchants Can Learn From the 2010 Holiday Season

The term 'Happy Holidays' has been somewhat of an oxymoron to retailers over the past few years. As the economy tumbled during the fall of 2008, holiday retail fell right along with it. Even e-commerce retail, where double-digit growth rates had been the norm, saw a dramatic decline in growth rates. Online retailers, however, have returned to growth much faster than their brick and mortar counterparts, seeing modest year over year increases through most of 2009.

However, the 2010 e-commerce holiday shopping season finally brought with it a return to pre-recession growth rates, according to the 2010 Chase Paymentech Cyber Holiday Pulse Index. For the full season, year-over-year transactions rose 38 percent, sales grew 24 percent, and average ticket declined 10 percent.

The Chase Paymentech Pulse Index presents year-over-year trends, providing historical context to holiday shopping statistics and identifying emerging online shopping trends. Now in its fifth year, the Pulse Index tracks millions of payment transactions daily throughout the holiday season, taken from a sample of 50 of the top U.S. retail Web sites as ranked by Internet Retailer magazine. Unlike similar data sources, the Pulse Index data reflects empirical merchant purchase data – it is not a consumer sample, a survey, or an estimate.

Armed with this data, there are some clear lessons that merchants should take away from the 2010 season.

LESSON ONE:
Holiday shopping starts early

In early November, it was apparent that 2010 was going to have a different shopping season than the past two years. Early season transaction counts were trending much higher than in 2009, and year over year sales growth was consistently above 20 percent. (see figure 1.0)

At peak season, the Pulse Index data clearly indicated that online shopping no longer begins on Black Friday. Thanks to the 24/7 reality of e-commerce, consumers began their shopping early, going online to take advantage of Black Friday deals before the physical stores had opened. More than ever, multi-channel merchants took advantage of their online capabilities to extend shopping hours, and consumers clearly responded.

LESSON TWO:
Cyber Monday matters, but don't ignore the rest of the week

The spending did not stop as shoppers returned to work. This season, Cyber Monday was the busiest single e-commerce day of the year, and by extension, in history. And the shopping fervor continued through the week, with data indicating record transaction and sales volumes for a single week.

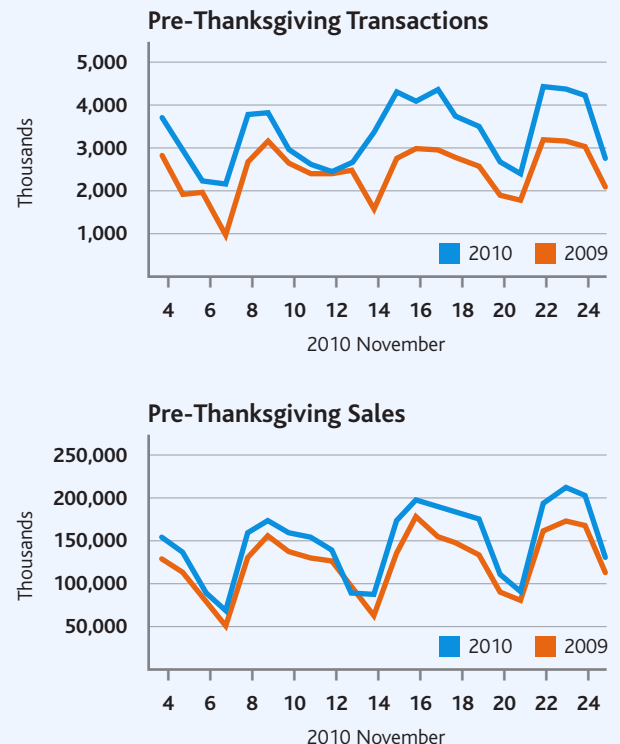
LESSON THREE:
Cyber Week is big, but the following weeks are bigger

The next week, beginning on December 5th, instead of showing the sharp spike of another Cyber Monday, the Pulse Index revealed that e-commerce shoppers logged on and made purchases all week long. And as we have seen in previous years, the following week, beginning on the 12th, fared even better, as buyers began to face shipping deadlines. Also, with Christmas falling on a Saturday this year, the week of the 19th had an additional day or two for procrastinators to squeeze in a last minute purchase without having to opt for overnight delivery.

The end result was a record season for Pulse e-commerce merchants, with strong growth in transactions and sales volume. (see figure 2.0 on the following page)



(Figure 1.0)



Source: Chase Paymentech Cyber Holiday Pulse Index

LESSON FOUR:
Average ticket declines are not necessarily a bad thing

Average ticket size fell for a third straight year. Unlike previous years, however, the reasons for the decline were clear. First, lower prices for big-ticket electronics such as televisions and the expanded availability of lower cost computers such as tablets and netbooks pushed transaction values down. Second, the rise of digital media, particularly music downloads and e-books, meant large numbers of relatively low value transactions. Mass Market/ Variety retailers, many of which also do substantial business in electronics and media, saw impressively large gains in transactions and sales volume despite lower average tickets.

LESSON FIVE:
Vertical markets matter

Looking deeper into the Pulse data, we can see that there were some sharp differences among vertical markets. (see figure 3.0)

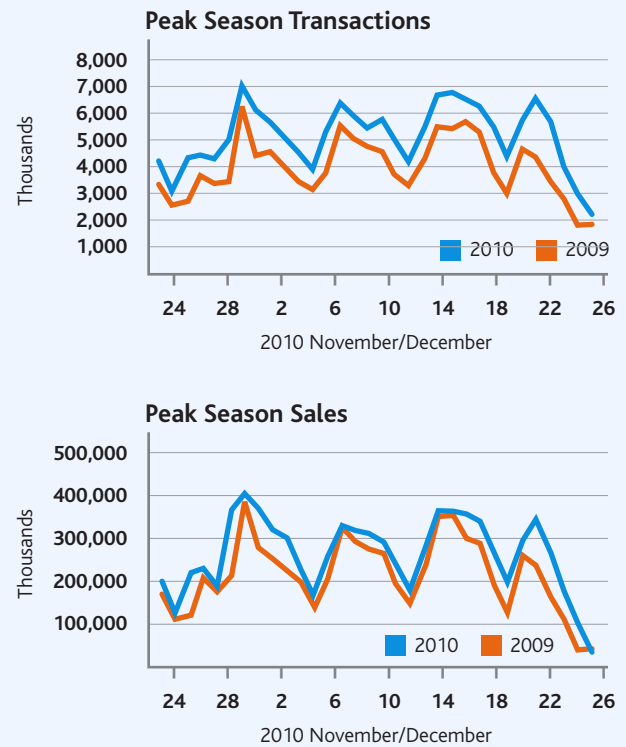
Apparel and Shoe merchants had a good season, with strong average ticket growth. Toy sellers also challenged the lower average ticket trend, with overall sales growth of more than 25 percent. Only the Gift and Jewelry sector indicated a decline in transactions, but still managed a small increase in sales.

Taking the lessons into 2011

While it may be early to begin planning for the 2011 holiday season, it's clear that many of the Pulse Index insights can be leveraged throughout the year. The weekly cycle of e-commerce has been true for years, and merchants can leverage peak weekday traffic and make efforts to drive sales on otherwise slow weekends. The success of multi-channel strategies may be replicated during other promotional periods, whether it's a holiday or back-to-school time. And the growth of digital media could have ripple effects across the retail landscape.

In the meantime, Chase Paymentech will continue to help merchants keep a finger on the pulse of e-commerce. 📍

(Figure 2.0)



Source: Chase Paymentech Cyber Holiday Pulse Index

(Figure 3.0)

VERTICAL	TRANSACTIONS	SALES	AVERAGE TICKET
Apparel/Shoes	14.30%	19.68%	4.71%
Computers and Cons. Elec.	34.32%	16.46%	-13.29%
Gifts & Jewelry	-1.41%	0.27%	1.70%
Health & Beauty	4.96%	4.83%	-0.12%
Home	26.52%	23.79%	-2.15%
Mass Market / Variety	42.63%	29.24%	-9.38%
Toys	23.44%	25.35%	1.55%

Source: Chase Paymentech Cyber Holiday Pulse Index

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