2018 HOLIDAY SPEND REPORT

A look at the purchase behaviors of holiday consumers and tips for capturing spend all season long
The holidays are just around the corner, and retailers are gearing up for the flurry of shoppers.

‘Twas a holly, jolly season
From 2016-2017, holiday retail spend grew by 1% year-over-year — increasing for the second year in a row.

Using Purchase Intelligence™ developed through our partnerships with over 2,000 banks, we’ve identified year-over-year changes in where, when, and how customers shop for the holidays.

Read on to learn about four key trends that can help retailers better prep for their busiest season:

**Trend 1**: Brick & Mortar stores slow loss of share by driving sales online

**Trend 2**: Black Friday and Cyber Monday are only one (less important) piece of the pie

**Trend 3**: Holiday shoppers fall into four distinct timing clusters

**Trend 4**: ‘Tis the season to acquire new customers
Customers continued to take their holiday shopping online last year, enabling e-commerce retailers like Amazon to grow their share of seasonal spend at the expense of traditional Brick & Mortars. Keep in mind, physical stores still command the majority of holiday retail spend — accounting for over 80% of actual holiday spend — but their share of spend is decreasing. In-store holiday sales saw a decline of nearly 2% in share year over year.

While traditional Brick & Mortars may be losing spend at physical stores, their online and mobile properties — what we call Brick&Mortar.com — are helping to offset this trend. Spend at Brick&Mortar.coms held steady against further share shift to online competitors (Pureplay Online).

**Holiday shoppers shifted their spend online**

### 2017 Channel Spend Distribution and change from 2016

- **Brick & Mortar**: 80.3% (−1.7 percentage point YOY)
- **Brick&Mortar.com**: 8.2% (+0.2 percentage point YOY)
- **Pureplay Online**: 11.5% (+1.5 percentage point YOY)

**Source:** Cardlytics Network 2016-2017

**Actionable Tips:**

1. Strengthen your online and mobile channels with convenience factors like price matching, gift guides, and free shipping to attract more digital customers.
2. Help customers see the convenience of in-store purchases by playing up the value of a hands-on experience, verifiable quality, and easy gift returns.
3. Tap into customers’ preference for online shopping by marketing to them through digital channels and directing them to your latest and greatest deals.

Cardlytics Direct™ helps marketers drive incremental holiday sales across all channels: in-store, online, and mobile. We partner with the largest banks in the U.S. to provide a trusted, performance-based ad channel that customers use to plan their upcoming holiday purchases. Retailers should target likely buyers and drive measurable sales by delivering personalized rewards to customers through their bank’s online and mobile channels.
Trend 2: Black Friday and Cyber Monday are only one (less important) piece of the pie

Black Friday and Cyber Monday continue to drive record online sales for many retailers, but in the grand scheme of the season, this retail event is declining in importance. In the last few years, spend across the season has shifted to both well before — and well after — Black Friday.

Marketers are kicking off their holiday campaigns earlier, and it seems to be paying off. Looking at holiday spend distribution across the season, almost 40% of all holiday sales occurred in the four weeks before Black Friday. On the other extreme, spend also intensified in the final holiday weeks. As a result, the mid-season spike in spend that you would expect to see around Black Friday and Cyber Monday is less significant than in years past.

Holiday spend distribution flattened out year over year

Source: Cardlytics Network 2016-2017
To better understand what is causing seasonality to flatten, we took a closer look at holiday spend across Brick & Mortar (in-store), Brick&Mortar.com, and Pureplay Online retailers.

**Brick & Mortar**

Still capturing the largest share of customers’ budgets, in-store spend largely mirrors overall holiday trends, with spend intensifying in the final weeks. Worth noting, we saw only modest Black Friday activity, with overall spend for this channel actually in decline year over year. With Black Friday deals now available at Brick&Mortar.coms and increased fatigue from stores opening too close to Thanksgiving dinner, people were less motivated to fight the crowds the week of Black Friday — leading to a lackluster season for Brick & Mortar only stores.

**Brick&Mortar.com**

Even if customers are staying home for Black Friday and sleeping off their turkey comas, they still shopped traditional retailers’ online channels. In fact, Black Friday and Cyber Monday saw the highest concentration of holiday spend for Brick&Mortar.coms. Still paying attention to stores well-known for their Black Friday doorbusters, customers turned to their computers to find those great deals. Spend remained strong with Brick&Mortar.coms in the weeks after the retail event, leading to overall growth for this channel, and a beacon of hope for traditional retailers.

**Pureplay Online**

Unlike Brick&Mortar.coms, Pureplay Online retailers under-indexed the week of Black Friday/Cyber Monday. While retailers reported record online sales for that same week, we saw that online-only retailers experienced an actual drop in sales year over year. Instead, Pureplay Online spend intensified in the final stretch to Christmas, with its biggest spike only two weeks before the holiday. Interestingly, even though spend tapered significantly in the final week, true procrastinators continued to shop the channel — perhaps indicating an increased confidence in reliable shipping.
Brick&Mortar.coms saw the most dramatic Black Friday/Cyber Monday spike

**Actionable Tips:**

1. **Brick & Mortar retailers:** Many customers will head in-store for the final weeks of the holiday season. Promote in-store exclusive deals during this time to help them purchase those final gifts without the stress of anxiously monitoring their package tracking info.

2. **Brick & Mortar retailers with a strong online presence:** Black Friday/Cyber Monday is your time to shine. Play up your deals along with online convenience factors: reliable shipping, no crowds, more family time, and more sleep.

3. **Pureplay Online retailers:** There is a big opportunity to capture more spend on Cyber Monday. Ramp up marketing for deal seekers in the weeks leading up to Cyber Monday to keep your brand top of mind as customers surf for after-Thanksgiving deals.
**Trend 3: Holiday shoppers fall into four distinct timing clusters**

Using machine learning to analyze a wide variety of factors, we identified that shopper timing — the period when people do the bulk of their holiday shopping — is the most cohesive way to segment and understand holiday shoppers. Let’s take a closer look at these four core shopper segments:

- **Early Birds**: Spend before Black Friday
- **Black Friday Warriors**: Spend around Black Friday
- **Procrastinators**: Spend after Black Friday
- **Steady Shoppers**: Spend across the season

![Graph showing spending patterns of different shopper segments across November and December](image-url)
Early Birds
These shoppers are all about efficiency. They knock out their holiday task lists quickly and buy from fewer stores when compared to our three other shopper segments. Early Birds are also the most "traditional" shoppers, with an average 82% of all their holiday spend taking place in a physical store. That said, they are slowly starting to adopt more online channels. In 2017, 10.4% of Early Bird holiday spend took place at online-only retailers vs. 9.6% in 2016.

Win more Early Birds: Help these efficiency-minded shoppers browse gift ideas organized by recipient type so they can complete their gift list in one fell swoop.

Black Friday Warriors
Black Friday Warriors love a good deal, but their segment is shrinking as fewer customers are inclined to fight the in-store crowds. That said, these committed deal hunters are increasingly taking advantage of digital channels, shifting 6% of their spend online.

Win more Black Friday Warriors: Get their attention with attractive promotions both in-store and online. Play up exclusive online deals via email or mobile app, and always emphasize free or reduced shipping offers.

Procrastinators
These customers leave shopping to the eleventh hour, relying heavily on online shipping guarantees as well as in-store convenience — particularly during the last week before Christmas. As a group, Procrastinators spent the smallest percentage of money in-store (78.4%) versus the 80.3% overall average and the greatest percentage online — particularly at Brick&Mortar.com. This is the only group where we saw Brick&Mortar.com spend increase faster than Pureplay Online spend.

Win more Procrastinators: Appeal to Procrastinators by highlighting extended store hours, inventory assurance tools, and gift guides. Win more online sales by offering last-minute express shipping.

Steady Shoppers
Steady Shoppers make up the highest-value segment and account for 40% of all holiday spend. These customers are traditional shoppers still preferring to spend in-store, but unlike Early Birds, they consistently shop throughout the entire season and across different retail categories. In 2017, Steady Shoppers made purchases at an average of 15 brands throughout the holidays compared to Early Birds’ average of 11.

Win more Steady Shoppers: Engage them consistently throughout the season with rewards that drive repeat purchases. Consider offering progressive discounts that increase incentives each time a customer comes back.

You need them all to win the race:
Steady Shoppers drive the most holiday spend, so it is critical for marketers to stay top of mind with ongoing marketing campaigns throughout the season. Customize messaging during different phases of the season to capture each of the distinct shopper segments and avoid leaving money on the table.
**Trend 4: ‘Tis the Season to acquire new customers**

As customers shop for loved ones, they are more likely to try a new retailer or category for the first time. Steady Shoppers were by far the most adventurous of our shopper timing profiles, spending at an average of nearly five new retailers during the holidays. Early Birds were less willing to branch out — trying only an average of 3.7 new brands during the holidays. While there is an opportunity for customer acquisition throughout the holiday season, retailers should expect the most traction as the season progresses and customers increasingly go beyond their familiar go-to stores to check off the last items on their lists.

**Acquisition Opportunity by Timing Cluster**

<table>
<thead>
<tr>
<th>Timing Cluster</th>
<th>Average New Brands Shopped During Holiday</th>
<th>Average Total Spend at New Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Bird</td>
<td>3.7</td>
<td>$451</td>
</tr>
<tr>
<td>Black Friday</td>
<td>4.3</td>
<td>$499</td>
</tr>
<tr>
<td>Procrastinators</td>
<td>4.1</td>
<td>$500</td>
</tr>
<tr>
<td>Steady Shoppers</td>
<td>4.8</td>
<td>$401</td>
</tr>
</tbody>
</table>

**Festive Facts:**

1. The children’s apparel & toys category saw its biggest spike in new shoppers the week before Christmas.
2. As shoppers remembered to treat their furry family members to some holiday cheer, the pet category also saw a steep increase in the weeks leading up to Christmas.
3. Most apparel categories saw a spike in new customers the week of Black Friday, with one exception: discount apparel hardly saw an increase in new customers that week, as customers rely on these stores for year-round deals.
For many retailers, adventurous holiday shoppers are critical, as the new customers they acquire during the holiday season account for a significant portion of their total customers throughout the entire year. In 2017, gifting categories such as children’s apparel & toys, department stores, and sporting goods saw the highest percentage of new customers during the holidays. Meanwhile, personal purchase categories such as auto services & products, home & garden, and beauty & health saw less impact from their newly acquired customers.

### Newly Acquired Holiday Customers by Category

<table>
<thead>
<tr>
<th>Gifting Categories</th>
<th>% of Total Holiday Customers</th>
<th>% of Total Customers in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Apparel &amp; Toys</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>Apparel - Department Stores</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Sporting Goods &amp; Apparel</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Personal Purchase Categories</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Services &amp; Products</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Home &amp; Garden</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Beauty &amp; Health</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### Actionable Tips:

1. As people look to complete their shopping lists, gifting categories have a big opportunity for customer acquisition. Ramp up your marketing efforts to customers in the final weeks of the holiday season to make the most of this trend.

2. For personal purchase categories, focus more of your marketing efforts on current customers vs. new in order to drive repeat purchases and build consistent shopping habits going into the New Year.
Conclusion

It’s never too early to start the holiday season off with a bang. Here are some final takeaways retailers should consider now in order to generate more holiday revenue for 2018:

Extend holiday marketing before and after Black Friday/Cyber Monday.

While Black Friday and Cyber Monday are still important, they are just one piece of the holiday pie. Avoid leaving money on the table by tailoring your marketing efforts to the four holiday shopper segments. This will help capture spend from customers at each point in the holiday season and drive repeat visits from those valuable Steady Shoppers.

Emphasize your convenience factors — both online and in-store.

Customers increasingly value the convenience of online channels. Traditional retailers are starting to reduce their losses with stronger online properties. These Brick & Mortar stores should continue to play up their online channels while also emphasizing convenience for their physical locations: the hands-on experience and peace of mind when receiving your holiday gifts on time and in one piece.

Take advantage of holiday customers’ tendency to shop new retailers in the final weeks, but don’t forget about driving loyalty.

For gifting categories, the customers you acquire during the holidays account for a significant portion of your total customers throughout the entire year. Target your marketing broadly to drive more purchases from new customers — particularly in those final weeks of the season when they’re scrambling to wrap up their lists. For personal purchase categories, focus your marketing efforts on increasing spend and purchases among your loyal customers. This will help build consistent shopping habits for success going into 2019.