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Measuring transactions across home shopping

Indexed on two-year trends

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Business Intelligence

Highlights from the 2013 Abacus Annual Trends Report

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Abstract

The 2013 Abacus Annual Trends Report is designed to give a view into consumer spending patterns in the UK home shopping market. This report was made possible by the collaboration of direct commerce businesses that willingly shared their full transactional databases with the Abacus Alliance. This article summarises the key findings from the report; to view the full report please visit www.abacusdirect.com

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Background

The 2013 Abacus Annual Trends Report is designed to give a view into consumer spending patterns in the UK home shopping market during 2011 and 2012. This report was made possible by the collaboration of direct commerce businesses that willingly shared their full transactional databases with the Abacus Alliance in order to gather more insight into consumer buying behaviour. The transactional data in the Abacus Alliance enabled us to measure the revenue generated every month in a wide variety of merchandise categories in the home shopping sector. As well as spending patterns, the report covers monthly mailing volumes and provides key statistics about the UK economy that help contextualise the home shopping trends.

Methodology

In order to qualify for the analysis sample, the selected members had to be trading actively throughout the calendar years of 2011 and 2012. In addition, they had to have provided up-to-date transactional information to the end of December 2012.

Trends are presented using indices to the 2-year monthly average. The revenue in each month of 2011/2012 is compared with the average monthly revenue for the analysis period. This allowed Abacus to examine seasonal trends, as well as year-on-year (YOY) growth or decline.

8.9 per cent growth in home shopping sales in 2012

Home shopping overview

Sales in the home shopping sector sample covered by the Annual Trends Report grew 8.9 per cent YOY in 2012. This is in line with the 9.0 per cent increase reported by the Office of National Statistics for the non-store retail sub-sector.

As shown in Figure 1, sales grew strongly in the first three quarters of the year (+16.5 per cent in Q1, +14.6 per cent in Q2, +9.9 per cent in Q3). However, growth was slower in October (+5.1 per cent YOY) and overall Q4 sales contracted by 1.1 per cent YOY, with a particularly significant drop in November (–5.5 per cent YOY) as shown in Figure 2.

Dara O'Malley, head of mature customers at JD Williams, comments, 'The home shopping sector fared better than the High Street during 2012. There were definitely fewer casualties and I believe this is due to businesses having embraced new technology and e-commerce'.

His comments are echoed by Natasha Cubitt, managing director of The Handpicked Collection: 'With all the doom and gloom surrounding our economy, it's heartening to be part of the only sector of retail showing genuine growth and one which has the prospect of future growth. I'm thrilled — and less surprised — to see the power of the catalogue ruling still! We had improved conversion rates on our prospects this year and it seems the catalogue is still a hugely important driver to shop, even if that's driving them online or in-store. It's interesting that, in the reverse of cataloguers opening shops, many High Street retailers are turning to catalogues'.

Mailing volumes up 5.5 per cent YOY

Mailing volumes in this sample were up 5.9 per cent YOY with strong increases in early summer (+26.1 per cent in June, +14.7 per cent in July) and close to Christmas (+15.9 per cent in November, +40.0 per cent in December). The only substantial declines in mailing volumes were in August and October, down 9.4 per cent and 6.2 per cent, respectively. As shown in Figure 1, the main periods for the direct mail activity remain Spring and Autumn.

Figure 1: Revenue and mailing volumes by month

While the mailing trends for the first 9 months of the year closely reflect 2011 trends, a change in strategy seems to have taken place in Q4 with marketers being more conservative in October and increasing volume close to Christmas.

Samantha Fisher, director at Carat Manchester, says, 'Given that the economic climate continued to be a challenge for most home shopping businesses in 2012, it is refreshing that this sector is still committed to customer acquisition and growth. Successful businesses were the ones using integrated media campaigns across direct mail, email, TV, print and other digital channels'.

Average Order Value up 1.4 per cent YOY

Average Order Value (AOV) was up 1.4 per cent YOY, going from £50.60 to £51.30 as shown in Figure 3. However, behind this small increase were very different trends for the first three quarters compared with Q4. AOV increased 4.6 per cent in the first 9 months of the year and decreased 1.1 per cent in Q4. The size of the Q4 decline in AOV equates with the size of the decline in sales (also -1.1 per cent YOY in Q4), indicating that the volume of transactions in the home shopping sector was

Figure 2: YOY change in revenue by month

Figure 3: AOV by month

in line with the previous year, but consumers spent slightly less per order compared with 2011.

Growth sectors

Clothing sales and order values rise

Clothing grew 12.0 per cent YOY, with growth concentrated in the first 6 months of 2012 (+19.5 per cent YOY January–June). Mailing volumes were up 2.7 per cent YOY (see Figure 4). The largest circulation increases were seen in the spring season (+10.7 per cent in March and +13.5 per cent in April) and close to Christmas (+19.4 per cent in November and +22.6 per cent in December).

AOV increased over 9.8 per cent YOY, below the 12.0 per cent increase in sales. This indicates that the increased spend in 2012 was driven by additional transactions and/or more consumers coming to the marketplace.

Gifts and gadgets see additional transactions

Gifts, gadgets and entertainment saw a 6.7 per cent growth in revenue, with mailing volumes up 9.9 per cent YOY (see Figure 5). AOV was stable over the period (+1.0 per cent), indicating that the increased spend in 2012 was driven by additional transactions and/or more consumers coming to the marketplace, rather than an increased spend per order.

Home interiors up 13 per cent YOY

It was a positive year in 2012 for the home interiors category, with revenue up 13.0 per cent YOY. Mailing volumes increased 19.9 per cent YOY. Revenue in the food and wine category grew 10.6 per cent YOY, with mailing volumes up a staggering 52.8 per cent YOY.

Key trends in home shopping marketing

Delivery times are a competitive advantage

In order to provide further insight into the market forces driving the trends in the data, Abacus interviewed a selection of industry leaders. Below you can find a summary of their views. The home shopping market has been helped by improved delivery options as consumers can expect businesses to post their purchases very quickly. Kevin McSpadden, chief executive of data consultancy, More2, says, ‘The businesses that improved their

Figure 4: Clothing revenue and mail volumes by month

Figure 5: Gifts, gadgets and entertainment revenue and mail volumes by month

logistics in 2012 were winners with consumers. The ability to deliver products in a timely manner can be crucial in gaining consumer trust in a business’.

Cyber Monday gets bigger

Cyber Monday gets stronger every year. This sale event really promotes buying online, and is thus an important date in the home shopping calendar. It was, not surprisingly, the busiest trading day for home shoppers in 2012. Adrian Scott, director of Go Direct Marketing, sees this as part of aligning with consumer buying behaviour more broadly: ‘How frequently to mail/email, what offers to send and what formats/paginations to use are all vital considerations. Any learning from analysis such as share of wallet reports or segmentation should be considered to minimise wastage and maximise response’.

Surge in buying via tablets

There is considerable movement towards mobile devices as part of the transactional mix, particularly the iPad — one client’s revenue jumped from £300,000 in 2011 to £1.4 million in 2012 just on this device during the Autumn period.

Events interfere with sales

The general consensus among those interviewed was that the London 2012 Olympics and Paralympics had a negative impact on home shopping and general retail sales.

Catalogues go interactive

A rising trend was the use of interactive catalogue apps. Mobile is a powerful shopping tool — one client saw site traffic rise from 8 per cent in 2011 to 24 per cent in 2012. Rosemary Stockdale, managing director, Sterling Marketing, says, ‘Clients that saw success in 2012 had taken the time to find out who their customer was, so they were in tune with them and their requirements. They have been consistent in their approach and optimised their catalogue, email and website communications’.

Click-and-collect a key option

Retailers giving customers an all-round positive customer experience are thriving, with competitive delivery and options such as click-and-collect vital. Miri Thomas, editorial director of Direct Commerce Magazine, says, ‘Another key factor to survival is having a point of

difference. Consumers have always appreciated the convenience of home shopping, so with the growing popularity of m-commerce and click-and-collect services, it's becoming even easier for people to shop when and how they want. Retailers that can cater to the multi-channel customer and differentiate themselves from the other "me-too" offerings on the market will continue to prosper'.

Christmas still critical

For 2013, the biggest sales opportunity for the majority of direct sellers remains Christmas. Lara Bonney, Abacus UK country director, says, 'The overarching picture is of a healthy market that grew year-on-year in a challenging economic environment and is well positioned to continue that growth into 2013 and beyond'.