

# 2010 HOLIDAY TREND REPORT

**epsilon.**  
Marketing As Usual. Not A Chance.™

Research: July 2010



# INTRODUCTION

The holiday season marks the most lucrative time of the year for retailers. It is no wonder that marketers allocate a large chunk of their budget dollars and efforts to this critical time. At the same time, consumers are often overwhelmed by marketing messages and have a difficult time wading through their inbox and mailbox. To break through the holiday clutter and reach consumers in the right touch points at the ideal time, marketers need to focus on data and customer intelligence as well as findings from past holiday seasons to guide their upcoming campaigns.

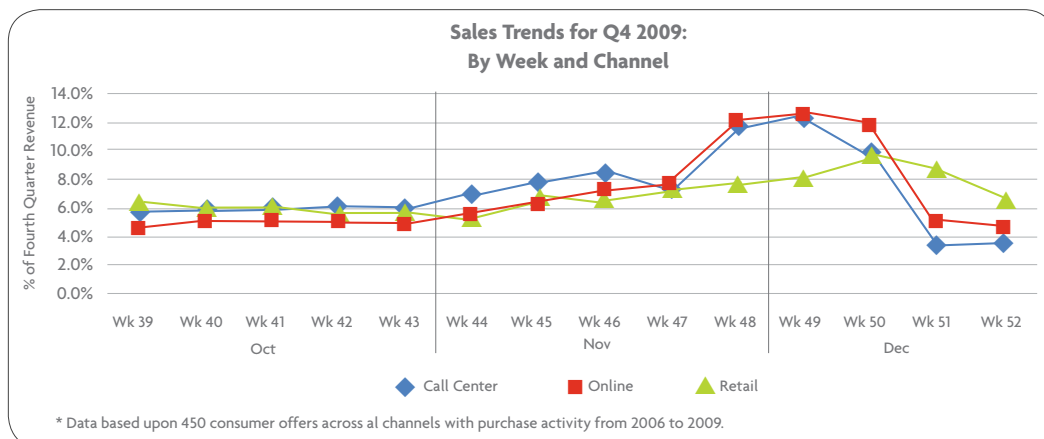
Both the successes and failures of past holiday seasons will enable marketers to develop a winning strategy in 2010. With an understanding of consumer behavior, today's marketer can develop the best offers and effectively target their key audience.

Epsilon's Holiday Trend Report provides key findings from the 2009 holiday season with a focus on channel-specific trends, the days of the week and the weeks that were best for reaching consumers and how these trends measure up in comparison to previous years.

## 'TIS THE SEASON FOR HOLIDAY SHOPPING

Sales were slightly lower in the fourth quarter of 2009 than the previous year, largely because average order value and active household counts were lower. However, there were a larger number of transactions in the fourth quarter of 2009. In both 2008 and 2009, sales peaked later in the holiday season compared to prior years.

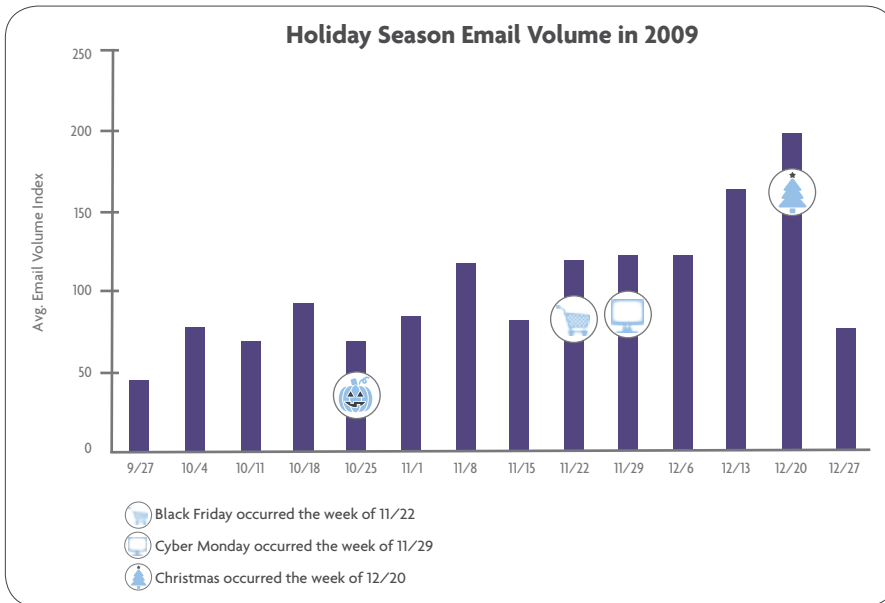
Different channels peaked at different times during the holiday season. Thanksgiving occurred in Week 47 and Cyber Monday fell in Week 48. For Online and Call Center/Mail Order, sales increased in the weeks leading up to Thanksgiving, dropped off in Week 47, and then reached their peak in Week 49. On the contrary, Retail reached its peak in Week 50, closer to Christmas Day. By recognizing where consumers are shopping and when, marketers can tailor campaigns to reach consumers at an ideal time and place.



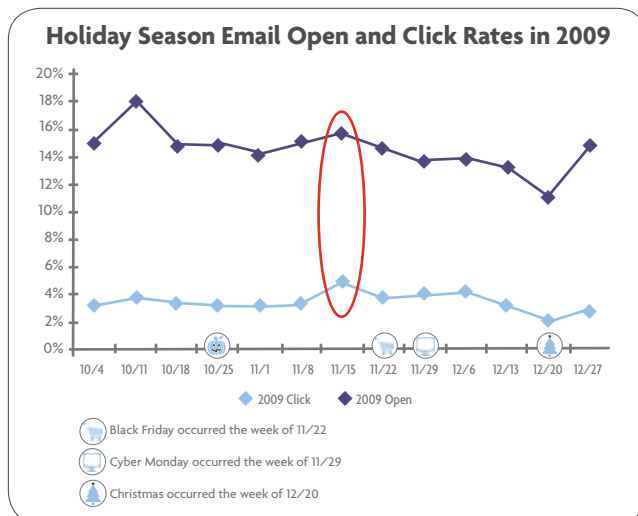
A cross-channel strategy is the best approach to fully engage consumers and leverage data and preferences. Offers should reflect and take advantage of deep customer intelligence. If a retail marketer saw an uptick in spending on smaller items the week after Thanksgiving, these items should be prominently featured in email and direct mail pieces leading up to this time period. Campaigns should focus on a gift guide that emphasizes the types of products that are most popular during specific weeks of the holiday season – i.e. big ticket items early in the season. Offers and messaging can drive online and offline sales.

## EMAIL – THE NAUGHTY AND THE NICE

Email volume followed 2008 trends with a late season surge of deployments. The increased volume could reflect a “last-chance” push by marketers as well as the year-over-year pattern Epsilon has seen for the last three years reflective of program design. In addition, volume increases also result from account re-deployments and follow-up messages.



Open rates were generally higher in 2009 compared with 2008. Open rates averaged 14.4% in 2009 compared to 12.0% in 2008. Open rates spiked the week of October 11 and the week before Thanksgiving/Black Friday. Click rates also spiked the week before Thanksgiving with retailers announcing big deals before Black Friday. Conversions were highest the week of Cyber Monday, while Average Order Value was highest the week of Thanksgiving/Black Friday.



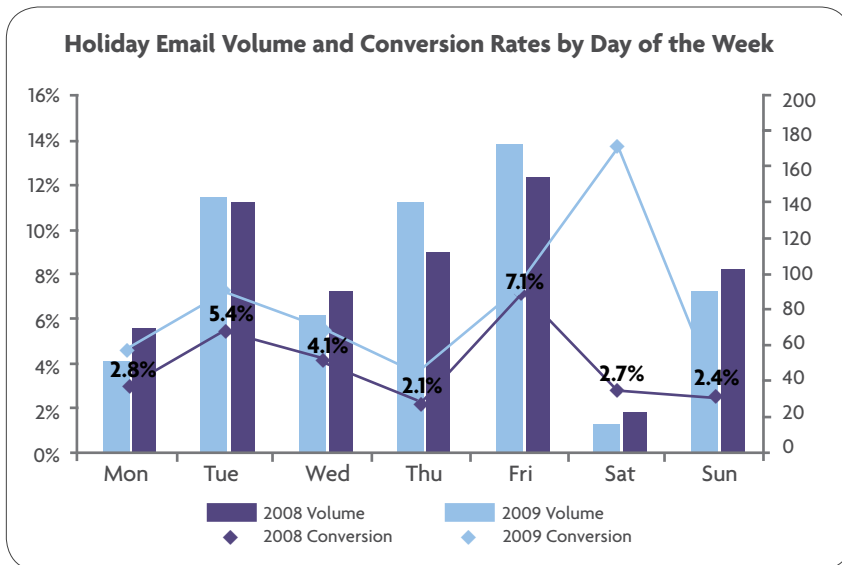
Based on three years of findings, Epsilon has found that early season purchases are consistently larger than late season purchases. Average order values fell 30% from last year, while revenue per email only dropped 3%.

Consumers browsed their emails before buying causing conversion activity to peak on emails sent the week of Cyber Monday. Marketers should note that conversion activity in the holiday season may not be immediate. They should be patient and adjust for this lagging indicator before declaring a campaign a success or a failure.

Late season shoppers spend less on purchases, besides Christmas week. With this in mind, Epsilon recommends that marketers of big ticket and expensive items deploy campaigns earlier in the season. These campaigns should focus on deals and sales to drive early purchase behavior.

Revenue per email peaked the week of Cyber Monday. Both 2008 and 2009 show an average of \$.16 revenue per email for the season.

Tuesdays and Fridays were the heaviest email volume days as well as the peak revenue per email days. Open and click rates were highest for Friday delivered emails. Emails delivered on Fridays also brought in the highest conversion rates in 2009.



### A WORD TO THE WISE MARKETER

What marketers say can be as, if not more, important as where they say it and to whom. Epsilon’s analysis of the 2008 and 2009 holiday seasons focused on the email subject lines used by marketers. Many marketing messages focused on deals, saving, a sense of urgency and exclusivity.

In both 2008 and 2009, the words “Shipping,” “Free” and “Gift” were often used in subject lines but did not necessarily drive open rates. Certain symbols were also leveraged to garner the attention of the recipient. The use of “%” was high both years, while the “\$” drove higher open rates.

Keyword	Included in 2008	2008 Open Rate	Included in 2009	2009 Open Rate
Exclusive	1.5%	9.6%	3.5%	19.9%
Ground	3.4%	8.3%	0.5%	18.7%
New	10.9%	13.7%	12.1%	15.2%
Offer	2.9%	12.5%	7.1%	15.1%
Holiday	13.1%	12.3%	17.9%	14.7%
Black	1.0%	13.7%	1.9%	14.5%
Today	7.8%	10.4%	7.9%	13.9%
Coupon	6.3%	14.7%	19.6%	13.8%
Sale	19.0%	13.0%	10.9%	13.7%
Now	7.5%	12.9%	9.1%	13.4%
Gift	25.4%	10.8%	26.3%	12.9%
Limited	0.4%	11.1%	2.4%	12.8%
Halloween	2.0%	12.9%	0.4%	11.8%
Only	16.1%	9.4%	13.2%	11.7%
Shipping	35.3%	10.7%	33.2%	11.7%
Free	35.0%	9.7%	26.5%	10.8%
Catalog	1.4%	8.6%	1.8%	10.6%
Deal	3.3%	15.7%	11.5%	10.2%
Last Chance	2.3%	10.5%	1.5%	10.0%
Hurry	1.7%	7.4%	0.9%	8.9%
Santa	0.9%	0.3%	1.8%	8.3%
Sweep	0.1%	31.4%	0.4%	8.1%
Rush	0.6%	19.5%	2.3%	8.0%
Save	17.3%	12.2%	21.3%	7.4%

Sorted by 2009 Open Rate



✓ **MERRY MARKETING TIPS**

For marketers there is intense competition in consumers' inboxes and mailboxes during the holiday season. To cut through the clutter here are some of Epsilon's top tips:

- Know your online and in-store buying and browsing trends from October through January – behavior in past years can guide future campaigns
- Consider engaging consumers earlier in the season, especially if you are marketing big ticket items
- Perform testing activities in the early holiday season while purchase patterns are weaker, to help maximize peak season performance (i.e. Thanksgiving week)
- Utilize triggered campaigns to target consumers who demonstrated early season interest – follow up with a combination of brand-building and hard-offer messages. Watch for abandoned carts and items saved in shopping carts to closely target customers
- As a late season tactic, focus on procrastination, smaller ticket items and deals. Cross-sell opportunities can mitigate the lower transaction amounts

## CONCLUSION

The holiday season represents a critical time for marketers and an opportunity to strengthen the customer relationship. Like all other times of year, creating a truly unique experience for the customer across multiple channels will provide the strongest return-on-investment. Data, analytics and testing will help marketers succeed and convert campaign efforts into revenue. Lastly, key learnings from previous holiday seasons should guide campaigns in the 2010 season and beyond.

## METHODOLOGY

Epsilon's Holiday Trend Report is based on over 1.4 billion email messages from more than a dozen companies from October, November and December 2009. Metrics were aggregated and summarized by week. The findings also reflect a segment of historical purchasing activity from the Abacus Cooperative database from January 1, 2006 through December 31, 2009.

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