Deborah Weinswig: Good morning everyone, and thanks for joining us for our fourth holiday series webinar. Today we are honored to have Rick Kenney, the head of commerce – consumer insights from Demandware joining us. Demandware provides cloud based ecommerce platforms and related services for retailers and brands around the world. Rick is a thought leader on data driven digital ecommerce trends. He pioneered Demandware's benchmarking practice which identifies growth opportunities for clients.

Rick previously worked in email marketing, driving contact strategies for a number of Fortune 100 clients. Rick is going to share his insights on recent mobile commerce trends, Cyber Week, and the latest holiday results. With that, I'll turn the call over to Rick, and please refer to the slides attached as well.

Rick Kenney: Excellent. Thank you, Deborah, and good morning – good afternoon to everyone out there. We get to talk about the holiday shopping season a little bit here. It's been a really interesting one so far. We picked out a couple of things that we think would be really interesting and are going to dive into those. So I'm going to jump in – may move some slides around. We won't beat you with too many slides. We do have some good context that we can share about the stories and the data that supports those stories that we're seeing across the Christmas/Holiday shopping season.

So first, one of the points I like to make is, why is what we're actually looking through credible? One of the great assets that I get to work with at Demandware is, we look across from a 1300 digital commerce site. Across those sites we see almost 300 million shoppers. What's really interesting about that is, these are real, true shopping stories. This is not a survey of what shopping might have – what a shopper might do, but rather we can find the real trends, change of pace, and also what shoppers are actually doing. So we look across the commerce cloud. We've seen a lot of shoppers and across that we can find some really interesting things.

Now today, in particular, we're going to hone in on the peak shopping season. I want to set some context of when that period is. Essentially, we're looking at the first three weeks of the season, which includes going through last Monday as well. So we start off on the Tuesday prior to American Thanksgiving, and run right through the Monday that just passed, the last Monday. You'll notice, of course, those dates are a little bit different as the calendar shifts, and one thing to consider as well is that this year, because there's the extra day between American Thanksgiving and Christmas, the numbers that we present here are actually a little bit understated. We'll probably see about a three point incremental gain when we look back at the end of the year. So the numbers might be a little understated, but certainly directionally accurate and give a good flavor of what the shopping season looks like.

So there are three pieces that are really shopper focused that I want to share today. One, the season has shifted. You heard a lot about that beginning of the year. Some further shifts have happened, too, that we'll share as we go through. Two, anyone who's been subject to one of my talks finds that one takeaway I like to give to everyone is, it's time to start measuring the business differently. Those old metrics that may have worked a number of years ago, they don't fit. They're not representing the business the right way these days. I'll beat up on things like conversion rate in a couple of slides. I'll share some holiday shopping trends, but also what we see in some past couple of years' of data worth, as well.

And then finally, I say this somewhat tongue-in-cheek, but breaking news – mobile is a big deal, and especially this shopping season we've seen that acceleration of mobile starting to put some distance between some other devices. I'll share a number of facts and nuggets around mobile as we get into this.

So let's start with the shifting season. One of the big story lines is right out of the gate, at the beginning of this shopping season, we saw some really big days. Typically in digital commerce the big day was Cyber Monday. Well this year it shifted. And I look at the last three years of – let's look at the first week of each season and you'll see a couple of things happening. One, is that the two big days, Black Friday and Cyber Monday are actually getting better in terms of that first big week. So it becomes really the appointment type shopping days. Black Friday now holds 23 percent of that first week's share. Cyber Monday holds 27 percent. That's 50 percent of the first week's orders just on those two days.

But inside of that what's really interesting is that Cyber Monday, as the single peak, has certainly fallen down in terms of how much larger it is compared to the other days. So last year, for instance, in 2014, Cyber Monday was 30 percent larger than Black Friday. This year, as digital swept through retail, we saw Black Friday rose and now it's only 17 percent behind Cyber Monday. So some really interesting things happened with the shopper.

Black Friday typically was reserved for getting in store, fighting crowds, and traffic in parking lots across malls. But I think we saw a few anecdotes this year – some big brands saying things like, "Opt outside," closing stores on Black Friday. And I think everyone held their breath and said, "What does that really mean for retail?" I think what it is meaning for retail on the whole is that folks are starting to shift some of that in-store traffic and started to do some of that online as well on Friday, in particular. So that big shopping day of Friday, which typically was reserved for old brick and mortar retail, is now being shared across both digital and brick and mortar. And then Cyber Monday has certainly continued its' pace as the big digital commerce shopping day, but now we have those two days that look like two very tall peaks throughout the shopping season.

Overall, if we step back and we look at what's happened so far, and again, in the period that ends roughly at the end of day last Monday. And by the way, all the data we have is localized, so it's true shopping days. It doesn't cross the hour timeframes. So whether it's U.S., U.K., or time zones within the U.S., it will be per that particular local regions or local time zones into the – appropriately to that shopper.

So fashion. I want to call out fashion, which I put active, luxury, and general apparel into that bucket overall. Fashion sales are up 35 percent globally and that's by a number of orders thus far. But one thing that is really interesting is that the actual shopping basket, which is the Omni channel utility – the thing that now because folks are using phones more often, when they create a basket they're really creating their wish list. They can buy from that basket, whether they want to, right that moment. They can save it until later that weekend, certainly it's if a Saturday start of a basket they might actually buy on Monday. But also they can go in store with it. And that's what makes it that Omni channel utility. It goes everywhere with the shopper. So whether it is sharing that with a store associate or just using it to sell shop, you're using the basket in a very different way. It's not just a digital commerce basket. It is an Omni channel utility.

Year over year, those baskets are way up. So we're seeing 41 percent increase in baskets year over year. That's a really big number and something we continue to see as a real utility for that shopper. It's their wish list and now it goes everywhere with them because they're using mobile more and more. We'll come back to mobile a couple of times during this session too.

So I talked about metric change, and I want to set up a little bit of a story here about conversion rates. The first – what I'm showing here is there are three sets of bars we're looking at. Each one represents year over year growth for a particular week, starting with Cyber Week, and then post Cyber Week, and then the pre-Christmas week itself. And you'll see these metrics just jump all over the place, and two of them, in particular, in each set that you look at that jump around a lot – one is visits. You see visits just absolutely huge year over year during Cyber Week. And then the other is conversion rate. Look at conversion rate, which is that purple one. Hopefully the screen rasterization isn't too bad, but the purple one is the fourth bar in each section. Conversion rate is just leaping. First it's up, then it's down, then it's kind of midway point.

There's certainly direct correlation between visits and conversion rate. When you see that real big number of visits happening, you're going to see conversion rates shift and change. The real important thing that folks are going to be looking at are things like the orange bars, the actual change in orders year over year which has been really strong. And then also the basket. Baskets are a great indicator for not just digital commerce growth, but also that it is, like I mentioned in the previous content here, it is Omni channel. It is something someone can take in store. So if you're creating baskets, short of placing an order that's the best thing you can do. And in some cases, a basket might be the foray into a store for some of those shoppers.

So I set this slide up as shoppers are changing, and the metrics that we measure our business with are very different. And because those things are moving around so much – you see those two bars, the two bookends, if you will, of change in business and change in conversion rates really just leaping left and right. I think what that's telling us, and this is looking at apparel only, by the way. What that's telling us is, we've got to start looking at things a little bit differently. So I want to beat up on conversion rate a little bit.

I like to say to folks that are relying on conversion rate as the bellwether metric – the way that you measure performance of your business – that's an antiquated way to look at your business and it's going to lead to some inaccuracy, as well.

I'll tell a quick story here. And for those of us who have been with ecommerce for a while, you'll remember that when we kind of first were figuring out how we're going to measure our business way back when, conversion rate became a kind of standard and simple metric to use because it was, "Let's tally up all the visits and the orders. Put orders over visits and it's the conversion rate." And that term was a familiar term to folks, too. We knew it from in-store as well.

But the challenge and the difference was, when we went to the board of the directors, the presidents and said, "All right. So I want to share how the performance of ecommerce is going." And we said, "We're going to use conversion rate." Folks nodded their head up and down. And we said, "Ballpark in the industry is between two and three percent," at the time. They said, "Hold on. Two to three percent? In store, we're seeing 15, maybe 20, 25 percent." I said, "No, no. Two to three percent, industry standard in terms of ecommerce." This is back in the – call it the early 2000s even. We said, "What we want to focus on too is, we're going to improve that conversion rate."

So we started focusing our entire program on conversion rate optimization and improving conversion rate. So we did a lot of really good things. We started adding in different things like recommendations, reviews. We did a lot of work on user experience and it may have actually tipped conversion rate up. And in some cases, those folks that were at the controls, whether it be Director or VP of Ecommerce, their bonus was actually attached to that conversion rate, so they wanted to make sure they increased conversion rate.

But then, of course, we know down the road in the mid-2000s – 2007, 2008 – is when we really started to see shoppers use more than just the computer. It wasn't just logging on to a desktop computer. It was using your laptop and your phone, and then when tablets came around, starting to use that to shop as well.

So we saw shoppers going back and forth between these different devices. And they weren't just using one device. They were using multiple devices. And the challenge from a measurement perspective is that we were now taking that visit and we were increasing it. We saw this visit inflation happening, and of course when that happens there is downward pressure on the conversion rate.

So these same board of directors and folks would start to panic, saying, "I thought we were going to increase conversion rate. Now it's going down. Is this deteriorating the actual business?" And the answer is certainly, no, but I think what we learned through that is that by framing the entire performance of the business around visits just didn't work. Visit inflation was happening, and because of that we were looking at the business in a wrong way. It had become antiquated. The shopper had changed but we hadn't changed measurement.

Here's some of the data to back that up, and I'll come back to that point in a moment. So we talked about putting the shopper at the center of the business because when you start looking at the shopper – what she is actually doing – we're seeing that the visits per shopper are up, and this looks at the last couple of years' worth of data on a quarterly basis. Visits per shopper are up seven percent. More good news is that baskets per shopper are up ten percent. You'll hear more from me why the basket is a really important metric to be following.

Now naturally, when all of that happens you have downward pressure, because of those visits and that visit inflation, on conversion rate. But the punchline here is, when you start looking and putting the shopper at the center of your measurement, you'll see the orders per shopper are up. So orders per shopper are up seven percent. That's a really good number. So if you want to look at your business in an accurate way, you see orders per shopper up. Certainly, it makes sense. Digital commerce is still growing. We have more data on the way to support that. But when you start to frame and continue to frame on the old way, around visits, and you start thinking of conversion rate, that's not a good way to measure the business.

So let's talk more about that cart and certainly why this holiday season, why the cart has been so hot. One of the things I like to beat up on is abandoned shopping cart. My background is in email marketing too, so I spent a lot of years counseling folks and making sure everyone was doing all the right things they could do. And one of those programs you had to – and you still have to be running – is an abandoned shopping cart program. But the problem is, folks start to fixate on abandoned shopping cart rate.

And just like we looked at conversion rate being when you fixate just on that you start to go the wrong way, the same thing happens with abandoned shopping carts. Here's why certainly, I see that way and why the data puts that out too. Abandoned shopping cart rate is looked at as something that folks want to typically minimize. But on the other side, inside of abandoned shopping cart, is the actual creation of a shopping cart, which short of an order is the best thing you can do.

So you play that game of, would you rather? Would you rather decrease your rate of abandoned shopping carts, or would you rather increase carts? And the answer should always be, increase carts. Because again, it can go everywhere. That cart can go in store with the shopper, and short of the order is the best thing you can do.

When we look at the numbers of how that fits out, we see two things that look very different. At the bottom, abandoned cart rate is this boring metric. It's flat. It has a little bit of seasonality attached to it, but generally speaking, by device they tend to look the same over the course of a long period of time. So abandoned cart rate doesn't really do much for your business.

However, when you start looking at the actual increase in carts, what are you actually seeing from baskets per visit? Cart rate is increasing and especially cart rate is increasing on that phone. And that's a really, really important piece as we'll see in a couple of slides from now. As you look at early last year, early 2014, cart rate was under 10 percent on phone. Now we're seeing it actually reach similar to the area that we see for the other devices. That's a really important point.

So again, if you give me a choice of what would I rather – create a cart or trying to decrease my abandoned shopping cart rate? The answer is pretty easy. I want to create that cart. That's how I get paid. That's how I ultimately get that order in.

So in terms of this holiday season and this shopping season, carts are proving to be that ecommerce and store utility. They're going everywhere that a shopper goes. So what I pulled here is some data that is just for phones. So we're looking at carts just on phones. Year on year, in apparel across a large group of same site sales that we look at, add to cart rate is up 25 percent – 24.8 percent. 25 percent up year over year. That's huge on phone. And what that's showing is that shoppers are selecting the phones not just to visit, but actually to use as that wish list. They're using it to start to buy as well. You'll see those numbers in a couple of moments as well.

So really good news – if they're going to use that phone more and more, hopefully they get farther down that traditional funnel as well, certainly to purchase but definitely to cart, and they're doing that. Add to cart rate up to 25 percent.

So when you combine that increase in cart rate with the raw increase in visits, this year we're seeing double the number of carts created on phones. That's a huge number, and it's interesting to thing about this too because ecommerce is not a brand new trend. The folks on this phone, we've probably all been around this for a number of years. In some cases, folks have been doing this for 20 years. And you tend to think when you do something for 20 years you reach some point of maturity. Well, with phones, it happens to be a dramatic change. They haven't reached that maturity yet. They're seeing gigantic year over year gain. This is a really good sign for kind of the next generation, the next wave, of commerce.

So let's talk about that mobile, as well. Let's talk about what we're seeing a little bit more about phones. And when I say mobile, it generally means phones. You won't hear me say smart phone, because at this point they've all gone smart. So when you say smart phone, you tend to sound a little bit antiquated in how you're saying it, so please start using mobile, mobile phone, or phone. That's what we tend to think as the actual mobile device because, as we'll talk about in a moment, tablets are not really mobile. And I'll get back to that in a minute.

The data we have here has 119 percent listed on it. 119 percent represents, of the growth year over year in visits, phones are driving 119 percent, which certainly doesn't make sense. The reason why it doesn't make sense is because we're seeing tablets and computer decrease over the course of the year – fewer visits from tablets and computer over the course of the year.

So are phones driving growth? Absolutely. They're driving all of the growth in visits, all of the growth in baskets, and then some in both those cases. And more good news – they're driving over half of the growth in orders. And that's actually been going up steadily over the past couple of quarters. The previous quarter to this – this is looking at Q3 data. The previous quarter was Q2, and that was something like 47 percent, so we're seeing even more of that share of order growth coming from phones.

Let's get into the holiday shopping period. I want to pull out one day, globally, and look at just some of the traffic shares here. And the device on the far right – the phone – on Black Friday we saw 46 percent of global shopping share coming from phones. 26 percent of the orders, as well. So for those who have not yet caught up to say that, "I'm mobile first," – they're the folks that need to realize that for shopping share, mobile is first. It's time to make sure that your strategy is designed to be mobile first. I know we've all heard that term for over a couple of years now. Well the fact is, now it's true in terms of the reality of the action – the activity of the actual shopper.

I talked about, also, how phones don't appear to have reached maturity yet either. And one of the points that we can point to is that year over year the share of orders on phones us up 48 percent, and shared traffic on phones is up 41 percent. Those are really, really big numbers.

I'm going to come back to the tablets in a moment, but it's worth calling out that globally, tablets only help 11 percent of traffic on Black Friday. If you look back about a year or so ago, we thought that tablets were going to be the shopping device. That's changed and we'll get into that in a moment.

Overall, for the entire shopping season thus far, what have we seen? We're seeing a very, very tight race, actually, between phone and computer for the race for most traffic share. Right now, it's basically neck and neck. 45 percent go to computer. 44 percent go to their phones. The tablet has a small bit of share right in the middle. What's interesting about that is that year over year that traffic share is up 33 percent, but the order growth is up even bigger – up 52 percent. So we're seeing some really good things because if those shoppers are going to use that device, we hope they start buying, and they are. They're definitely buying on phones, which is great.

I'll make one last mobile point here, and we're winding down the content. We'll certainly be open to some questions after this. But I want to talk about tablets because tablets, if you go back a couple of years, we looked at that device and said, "Wow, look at this. It's a really great experience. It's a bigger screen than a phone and I don't need to actually open up my laptop to go shop. I'm going to use this tablet device." And we all said, "Oh great." And we even became kind of confused at the time. We said, "Well, a tablet is kind of mobile." So some folks would include tablets in their mobile reports and that got really confusing. Different people saying different things are mobile, different things aren't mobile.

Here's what we're seeing overall. I'm going to say, let's stop saying tablets are mobile. They are not a mobile device. In fact, they actually act a lot more like a laptop computer than they do like a phone. Here are a couple of things that we'll dig into.

From a numbers perspective, device only buyers – the folks who buy only on phones over the past couple of quarters have passed the number of folks who buy just on tablets. We also see the traffic share – it is not even a race anymore. Phones are far beyond tablets. Four times the share goes through phone. And what's happened year over year is that tablets are falling. In fact, all the key metrics for tablets are down. Tablets share of traffic peaked at around 15 percent early 2014. It's down to 11 percent. There have been days, especially in the U.S., where tablet share of traffic has been under nine percent. So we're seeing signs of maturity and actually the tablet is being crowded out as a shopping device.

Let me say with the tablet piece as well – I want to make a couple of points that I have and some other resources that I won't share here. One of the reasons we talk about – for time on site – is that we're seeing a decrease in the length and duration of a visit. And one of those reasons comes down to where the tablet goes and where the phone goes. The phones, as we know, they go everywhere with us. They go to every single room of the house – that's your family room, your kitchen, your living room, your bedroom, your bathroom, your den – whatever place. It's always with you. And because of that, you're going to take it out and put it away at any moment.

Your tablet is somewhat anchored. Your tablet might live generally in the family room. You might throw it in your work bag too, now and then. You might use it at work. But the phone has a very different experience, a very different usage pattern. When you go outside of the house, in particular, if you're waiting for a train you take out your train and you start shopping. Or, better put, you take out your phone, you check your email, you get a promotional email, you click through and then you start shopping. A tablet doesn't act like that. And you can insert any location, whether it be waiting for a train, waiting to pick up a child at school, waiting in line somewhere. You don't just take that tablet out wherever it goes.

So tablets are being crowded out because they don't really have that right place anymore. Phones have the right place. The phone place is everywhere. The tablet place happens to be very similar to the profile of where the laptop is. You have that laptop in the family room and the TV room. You might not always bring it up to the bedroom, but that's what you have a phone for. So why are tablets being crowded out, and we're seeing that it's absolutely the case that they're being crowded out? It's because they don't have that place. They are not the primary device and they are not the secondary device. They are actually becoming a third screen in that point and that tablet's share of both traffic and orders fit that as well.

All right. So let's rap on what we're going to see. We still have a little bit of the share of the season to come. As we look forward, about 15 percent of the season's orders are still expected. One of the big story lines, and rightfully so, in North America has been weather. The weather has been challenging for those that sell outerwear and heavy knits. It's been reported through the Fung Business Intelligence Center as well. And the numbers that we saw earlier, could those have been even higher could the weather have been different? It certainly wasn't but if you didn't have all these East Coast 50, 60 degree days, there could have certainly been some different sales and different order patterns for some of those heavier outerwear type purchases.

The other piece I want to get into is – I'll just mention it here. The biggest mobile days of the year have yet to come. The two days last year that were the largest for mobile share – one was Christmas day. We're expecting this year that number might get to 55 percent globally. The second is Boxing Day, December 26. Boxing Day may actually reach higher than Christmas day. I'm putting both at 55 percent of global traffic share. Those numbers might be even a tad higher. So we're going to see that certainly happening.

I know we have some Q and A time. I'm sure we'll get into this, but 2016 is coming. The two trends that we talked about here are certainly going to happen. One is, mobile will continue its' rise. Tablets, on the side, will continue to be crowded out. Those who aren't paying attention to that or who are stubborn to not create a best in class mobile experience are those that will lost shoppers. I heard a stat the other day that something to the effect of 70 percent of all your first time shoppers will experience you on their phones. That means if you have that old shrunken screen or even that boring accordion-style experience, that's not going to be a good representation of the brand.

And second, I think what we need to look into in 2016 that we started to hear and to see in 2015, is convergence of what's happening in marketing and in commerce. Some use the term, "Distribute to commerce." It's bringing that commerce experience into the marketing channels. We've seen it with things like buyable pins from Pinterest. Twitter had some work done in that point too – the actual buy now on Twitter.

It's just a matter of time until we start seeing other major marketing channels – and think about email marketing – major marketing channels like email marketing that actually carry commerce inside of those. How long is it until we see an actual buy button inside of Gmail? It's not going to be long. So when you think about what's coming in 2016 – more of the same, in terms of mobile is going to be a really big deal. But also a continued effort on marketing's behalf of carrying some more of that commerce forward.

So key takeaways – I think we've hit these pretty hard. Please do think about that shopper first even when designing your metrics – orders for shopper, basket rate are really important ones. Conversion rate and abandoned shopping cart just are not as relevant as they used to be. Shoppers are mobile. Be shopper first by being mobile first.

And finally, be careful about the spontaneity, but also the interruption of a shoppers – that they're going to create a whole lot more visits. They're going to spend less time on site, so whatever you can do to maximize that investment, making it a really streamlined experience. And this goes right into the trend of next year, of having marketing carry more of that commerce experience. You'll start to see some really good things happen. So those that can be mobile first, those that measure their business well, and those that can streamline that shopping experience are the ones who will win in the coming years.

There are a number of assets that I'm happy to point to. We do a wrap-up report that will be out in the first or second week of January, tarrying what happened across the shopping season. There's also a really cool resource available to you called the Demandforce shopping index. We publish that each quarter, at the same page every time. You can look at the key metrics that are happening in the business, both by country and by vertical. That's a free asset for those that can dig into it.

And with that, I'll pause for Q and A, and open it up to questions.

Deborah Weinswig: Great. So if anyone has any questions, now is a great time to ask them. I've got a few that I'm going to draw to Rick. So if you think about the cadence of the holiday shopping season this year, certainly some of it could have been different than expectations due to weather, but can you just talk about what you guys saw and how it differed versus what you expected?

Rick Kenney: I think that maybe the biggest surprise for anyone is how big that first week was. And there were a couple of reasons for it. I think we we're at and we saw the inflection point this year that digital swept through retail, and especially with that first week. Pick your day of when it starts, whether the Tuesday before American Thanksgiving, the Wednesday, or even Black Friday itself – is that digital saw bigger gains than they had ever seen before in a year over year period. A lot of that had to do with the shopper realizing that they had that shopping device wherever they happened to be, that the phone became ubiquitous in that it is connected to you. You could be shopping on your terms. We successfully have realized, both from a shopper perspective and a retailer perspective, that the friction in shopping is nearly gone completely in a digital form. One way we see that is the rise of mobile.

Folks now realize that they can shop wherever and whenever they want, on their terms. It's funny. It's a similar analogy to 15 or 20 years ago in commerce when we said, "Hey, even if I'm not right next to a store I can shop on my computer?" Well, it's the same thing. It just means that now you're on your phone. You can shop in your backyard. You can shop at a relative's home, on the train, wherever you happen to be. So I think that led to a gigantic first week overall.

I think weather certainly played a role in the second and third week of the season, especially in apparel sales overall. They could have been at least – there might have been some governors in place because of the weather that that growth could have been even bigger in the week two and week three of holiday. We'll see what week four which is really right now, leading up to Christmas looks like.

Deborah Weinswig: Do you think that you – and you have the data – do you see more or less abandonment between desktop and mobile?

Rick Kenney: Good question. The rates are actually somewhat similar in terms of abandonment rate. I expect those to shift slightly because we're starting to see that growth of carts on phones and I suspect that part of the usage of the phone is the folks are going in store. And so we in digital commerce might read that to be, that's abandoned shopping cart on a phone, when in fact they went and actually bought in store. So it wasn't actually an abandonment event from the shopper perspective, but it is from the metrics and those who are reporting on it.

So what we're seeing is that the cart rate is increasing on phone. The conversion rate on phone itself is slightly below what the other devices are right now. Folks certainly have seen that in their reporting over time. And because of that. We're going to see an abandonment rate that is generally higher on a phone, but probably not completely accurate because of that at this point.

Deborah Weinswig: If we think about the biggest surprise of the holiday season – mobile has certainly been, I think, on the tip of everyone's tongue. But if you look back, and obviously we still have a few more days

– the other thing is if I go back and I think, it wasn't even that long ago, every retailer was rolling out tablets to every sales associate. You almost had this – I keep on hearing Cyber Six or Cyber Week. And for us, the holiday season almost started with Singles' Day. There's been a lot. I feel like the holiday season has been very long and I wonder if – and thank goodness for Star Wars – I wonder how the consumer – for us, it's kind of like holiday all year long, but I wonder how the consumer is kind of viewing it. And if you have this last minute rush – maybe you can just go through your thoughts.

Rick Kenney: You hit a lot of good themes there. You talked about surprises and a changing retail climate. One of those factors is the in-store experience. I think one of the things that starts to happen is that, yes we're seeing really good things happen inside a store, that retailers have realized that they need to empower that associate. I think that's in a better place this year than it was last year, and you see more associates actually carrying something like an iPad Mini. In some cases, they might actually be line busting with an iPod touch at this point as well.

But not to be lost in all of this is the best technology is the one that walks in and out of the door every moment, which is the shopper's personal device. That's what folks have to take advantage of in a better way. We're still uncomfortable, generally, in the industry with, "Can I actually let my shopper self-checkout?" This time next year, I think we'll be much less uncomfortable – much more comfortable __ we did this time next year. I think we'll start to see that really start to happen, that the shopper can actually do more self-checkout. We'll see some different security and procedural initiatives in the store and start addressing some of that as well. That shopper is coming in knowing exactly what they want. They're carrying it in their personal phone and they're seeing whether the cart is something they want to remember so they can go in store and find it, or they want to share with the associate saying, "I'm looking for this but I didn't see it." Or, "I want to know if this is," insert what your hearing associate from returns. Are folks actually comfortable and excited about this product?

That will shift this year to empowering the associate, which I think we're starting to check that box to empowering the actual shopper to be able to do more in store like self-checkout. The other surprise, and I think it's a pretty dramatic one, is how quickly this year just completely digital swept retail, that Black Friday became a much bigger digital day than I think folks even expected getting out there. And that's on the canvas of this year had a really big

Cyber Monday, but that those two peaks are actually very similar. And one of the reasons they're actually becoming these peaks is we're seeing over the course of that entire first week a whole bunch of visits, but the consumer is getting smart about this. They're actually waiting to see when the two big deal days will be.

So even if you're browsing and you're adding to cart on a Wednesday or on Thanksgiving Day, you're very likely to wait until Friday to say, "Let me see what happens on Friday. Products will still be in my cart then. There might be a bigger deal and a discount waiting for me on Friday." Same thing for Monday. And Monday was interesting too because, as we said, it's a big day. One of the numbers I didn't share was free shipping.

Free shipping was, on Cyber Monday, was the standard. 88 percent of digital commerce orders on Monday shipped for free. So everyone's getting free shipping. Whether that's something they have to wait for or not, it's up to the shopper and up to the retailer.

But what we're absolutely seeing is that over the course of that period of time, call it the Cyber Six, from Wednesday all the way through Cyber Monday, you're seeing one big shopping day and those two points where folks actually decide it's time to buy or not. And those are all happening more and more on phone with that traffic and order share way up, and also it's starting to impact some of the stores in terms that the shoppers don't need to go in the store to actually make that purchase. And they don't worry about things like shipping, and one of the reasons you go in stores – to avoid shipping costs – they're getting orders shipped for free anyhow.

Deborah Weinswig: I mean 88 percent is like 100 percent. That's a very high number. It's interesting. So while we were chatting, we had quite a few questions come in on the line, so I'll start at the bottom and work my way to the top.

The 35 percent growth of orders from brand sites seems very high given the reported growth in e-comm of ten percent plus.

Rick Kenney: Yeah. So in terms of the growth, it's been a big holiday season. As we've continued to measure growth – and I'll compare a couple things in what we've seen. We measure by the Demandware shopping index each quarter. The last quarter we have, and I don't have it handy but I'll bring it up in a second. The last quarter we had was Q3. That value was 25 percent. So that 35 percent apparel growth is indexing over what we saw the previous quarter. I think it has been somewhat of a surprise, overall, that it would be this strong. We predicted, when I looked at some of the stuff that we look at – we were expecting order growth, overall, to be around 31 percent, so we've seen that increase a little bit higher than expected. That's with a really strong start, and again, these numbers we can expect to be a tad bit higher thanks to the extra day that comes in. But absolutely, for apparel it has been an over index on what we've seen in the previous quarters, so far.

Deborah Weinswig: Another question. Is e-gifting a common way to send gifts by Christmas for last minute shoppers. How have retailers made e-gifting easier for shoppers this season?

Rick Kenney: Good question. I'll bring up one data point we found last year. We haven't looked at it this year because the time hasn't come yet for it, but what's really interesting is that the biggest day of the year for gift card – online gift card redemption – is actually December 26. So whether that be folks who received Christmas presents and use it the day after, or folks actually from Boxing Day, globally, are using gift cards – that's redemption. That's not purchase, that's actually redemption. The rate of gift card redemption spikes that day after Christmas, on December 26.

I haven't heard too, too much about what we've seen for actually using e-gifting this year. There's some interesting technologies this year that weren't as en vogue last year. There are a number of different trends that we've seen with some of the subscription services as well that may have started to take some bites out of that e-gifting as well, because they're actually showing gifts through subscriptions. I don't have too, too much beyond what we know from the redemption rates that look high after the holiday season.

Deborah Weinswig: And then another question. Regarding your observations about conversion rate and cart abandonment, is there a difference between ecommerce using a store's own mobile app versus using a third-party platform such as Amazon? What are the future trends in consumer behaviors and metrics of third-party platforms?

Rick Kenney: I want to pick up the kind of Amazon/Marketplace against what we see from individual brands because there is quite a difference, and one way is that when you look at a player like Amazon – and certainly, we've seen the growth and you've seen their stock price and revenue increase quite dramatically. From what I've heard, they're having a good holiday season as well. One of the benefits they have of being in that marketplace position is that they're able to have a really great recognition rate across any device. Many of us are probably already Amazon shoppers. If you are logged in, registered, known, recognized, all those terms, you are it for both phone and computer. And if you're also shopping on a tablet you're recognized there too.

Advantageously, what that allows that analyst view at Amazon to look at, is you can actually discern more clearly that orders per shopper rate, which is the important one to look at. Amazon doesn't really care where you're shopping. They don't care if you're on a phone or computer or tablet. It's the order that matters. And that same mentality needs to continue to permeate through all brands and all retailers as well. Shoppers don't think about visits, they think about shopping and they don't care what device that's on.

So what we're hoping to see, and I think what folks will start to do a lot better, is starting to take the time, do better across device tracking using marketing as an intermediary to do that in some cases. And start to look at not the visit as the center of your performance, but look at the shopper at the center. Those folks will have a much better position to see what's actually happening and to cater and become more relevant to those shoppers, and take advantage of all the tried and true database marketing type techniques to identify and reactivate shoppers that may have gone cold on you, as well.

There was a question there too about mobile apps. They're still, today, in the consumer's mind – and this is just going on anecdotal data. I don't have the actual values but I did read the report of the tough shopping applications in the U.S., in particular, are nearly ubiquitously – they're all retailer type applications. That also includes marketplace type applications.

So there's a dividing line between the brands mobile application – native app – and the retailer marketplace apps. Brands have yet to make that full swing forward and create that experience that is valuable enough for the shoppers to download at the rates that they're downloading the other native apps for folks like Amazon and other big retailers that are out there.

Deborah Weinswig: We've got two more questions. There's a whole bunch, but we'll go with two. I think in the excitement of the 88 percent, there is a few questions around just the clarity of, what day was the free shipping of 88 percent? And if we look at the Cyber Six, I think there's questions over kind of, what do the free shipping rates look like over the Cyber Six period as well?

Rick Kenney: I don't have the exact number for the Cyber Six. I may have published these in previous blog posts, so maybe if we can get that contact info I can certainly find it. The 88 percent was Cyber Monday, and again, that's a localized Cyber Monday. So that's Cyber Monday for an east coast shopper or Cyber Monday for a west coast shopper, as well as U.K. and other time zones – they'll be out there. So 88 percent represented Cyber Monday's free shipping.

Deborah Weinswig: Okay, that's what I thought but I wanted to make sure. Do you see any acceleration of mobile payment playing into the dramatic growth in digital channels?

Rick Kenney: I actually had a sidebar with a colleague last night about it. I don't have any mobile payment data to share. I'm interested if someone does because I think it's a really interesting topic to dig into. I'm sorry I don't have any data for that in particular.

Moderator: This was fantastic. Thank you for all of the rich data and insights. Rick, we appreciate you and Demandware with the fantastic deck and supporting us here at the Fung Business Intelligence Center. And everyone, we will have a transcript. We'll have the slides available and we'll have a detailed note. Thanks for joining us and we look forward to having Rick and Demandware available for future calls. Thanks so much, Rick, and happy holidays.

Rick Kenney: Thank you guys. Happy holidays, everyone.

[End of Audio]