

ShipStation[®]

Holiday Shopping Trends Report 2023

Building a risk-resistant ecommerce strategy



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Introduction

The holiday season is more than just a time of gift-giving – it's an 'annual pilgrimage' for many shoppers. It's a time when consumers discover new products, wallets loosen, and purchases hope to deliver seasonal joy.

For online merchants, it's the apex of the year. Shoppers are primed and brands have the opportunity to outperform – and in doing so – delight customers and generate sales.

Optimism that 2023 would bring relief to retailers after a turbulent 2022 needs to be tempered and contextualized. While pandemic-related disruptions and high inflation have largely stabilized for many markets since last year's research, new challenges have arisen.

The global retail landscape continues to be dominated by cost-of-living concerns, as consumers feel the attritional effects of two years of squeezed disposable incomes.

While price pressures have eased, the aftereffects of inflation linger on, as higher interest rates prompt cautious behavior. Consumers' intention to cut back on non-essential spending remains high as shoppers continue to favor businesses and channels that offer value for money.

However, technological strides, digital transformation, and lessons from the past three years have prepared many businesses for a successful holiday season in 2023. This year, brands have the opportunity to provide multi-channel, value-driven solutions, and exceptional shopping experiences across the entire customer journey, from the discovery of products to delivery and returns.

This is in part due to increasingly fragile customer loyalty and expectations that understandably soar during the peak holiday season. As a result, the need for delivery speed, flexibility, and reliability in the delivery experience has never been more critical. Merchants are tasked with going beyond promises of free shipping; and opting for high-caliber, all-encompassing, and dependable services.



Introduction

Throughout this report, we will review how global consumer expectations are continuing to evolve and detail actionable steps US ecommerce merchants can take to capitalize on growth in an ever-evolving industry.

The report is divided into three main sections:

- 1 Section 1: Consumer Cutback Intentions & Merchant Sales Expectations**
An overview of the macroeconomic forces and cost of living pressures facing consumers and how this impacts demand expectations during the holidays.
- 2 Section 2: Key Industry Themes for Holiday Shopping 2023**
Explores evolving shopper behaviors and three key themes that will shape the performance of retail markets during the holiday shopping season – in particular, honing in on the rise of online marketplaces.
- 3 Section 3: Strategies for Holiday Success**
Details five key strategies online merchants can employ to help navigate these changes in consumer expectations and behaviors, and boost sales through the holiday season and beyond.

Insights within this report are crucial for online merchants and retail organizations to better understand and navigate consumer demands ahead of the holiday season.

“Our research reaffirms that consumers’ expectations for the brands they shop with rise and evolve during the holiday season. This year, we anticipate that consumers will be more mindful, earlier spenders, do the majority of their holiday shopping online, and request faster, more reliable shipping experiences that align with critical seasonal deadlines. Merchants have an opportunity to cultivate customer loyalty by promoting holiday deals earlier, selling their products on more online channels, and offering a wider variety of premium shipping options.”

AL KO
CEO, AUCTANE

Auctane is the parent brand of ShipStation

“This year, we anticipate that consumers will be more mindful, earlier spenders, do the majority of their holiday shopping online, and request faster, more reliable shipping experiences that align with critical seasonal deadlines.”



About the Study

Methodology

Consumer and B2B merchant surveys were conducted in July 2023 and include answers from a sample of 8,000 nationally representative households and 2,000 online sellers across the US, UK, Canada, Australia, Germany, France, Italy, and Spain. Economic modeling and retail sales forecasts are based on proprietary Retail Economics data and official national statistics.

Respondents

Consumers



(1,000 per country)

Merchants



(1,600 US)



US



UK



Canada



Australia



Germany



France



Italy



Spain

Global

Consumer Profile Highlights

- **91%** are concerned about their personal finances
- **75%** plan to cut back this holiday season

Merchant Profile Highlights

- **72%** ship 0-499 packages a month
- **92%** said US and Canadian markets account for the majority of their sales

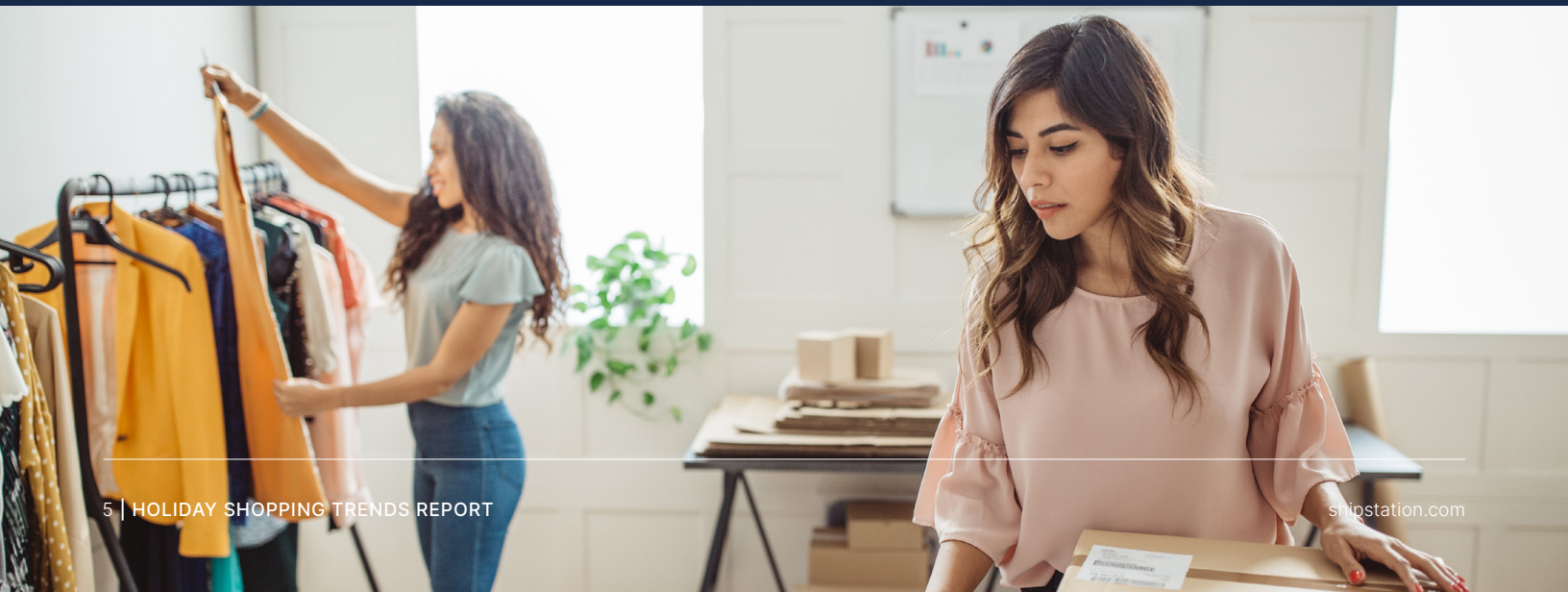
US

Consumer Profile Highlights

- **73%** are concerned about their personal finances
- **72%** plan to cut back this holiday season

Merchant Profile Highlights

- **89%** ship 0-499 packages a month
- **98%** said US and Canadian markets account for the majority of their sales



Key Findings



1. Optimize holiday promotion strategies and cater to 'early bird' shoppers

41% of holiday shoppers in the US will begin their shopping *before* October – the earliest of all the regions we surveyed. Merchants also intend to increase the number of holiday promotions this year, with the same proportion planning to launch promotions pre-October.



2. Opt for more delivery options over free shipping

Consumers will prioritize delivery experiences as much as delivery costs this holiday season. The majority of Millennials and Gen Z are also more willing to pay for premium delivery this holiday season. This is great news for merchants looking to shed some shipping overhead!



3. Use marketplaces to your advantage

The majority of shoppers use marketplaces. Globally, older shoppers value low prices and comparison shopping, while time-poor younger shoppers value convenience and choices. If your business isn't omnichannel, you're missing out on sales.



4. Prioritize constant customer communication during the delivery journey

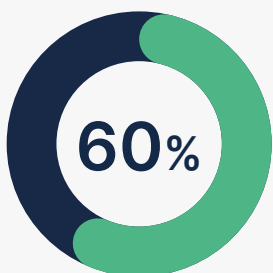
By integrating advanced tracking and communication systems, merchants can provide real-time updates on delivery progress, enhancing transparency and trust. These efforts can help reduce cart abandonment, curb support inquiries, and promote brand loyalty.



5. Leverage data and technology for forecasting and efficiency

Data-driven decision-making is paramount for peak season success. By identifying peak shopping hours and geographic trends, retailers can refine their logistics operations, guaranteeing timely deliveries – even during surges.

By the Numbers



60% of US consumers plan to do **most** of their holiday shopping online this year

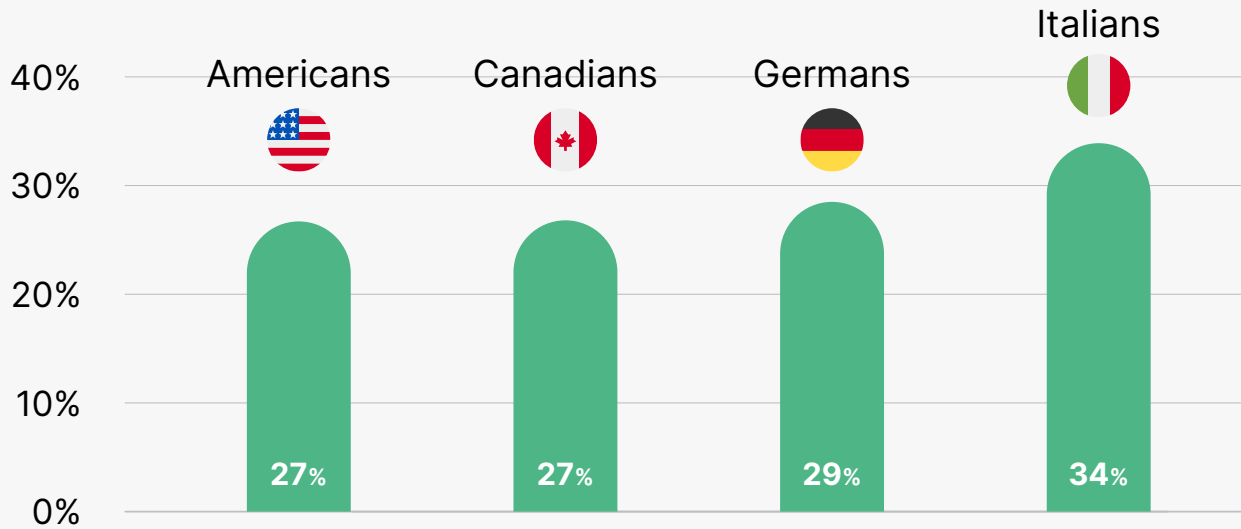


9 in 10

consumers globally are concerned about their personal finances (Up from 87% last year)

By the Numbers

US, Canadian, German, and Italian markets are best positioned for holiday spending



About a third of consumers in these countries say they have **NO plans** to cut back this holiday season

Shoppers are being strategic with how to save this holiday season

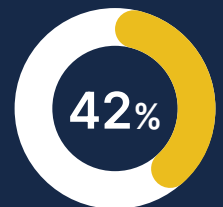
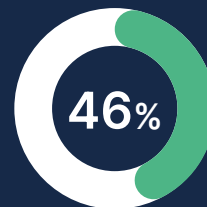


3 in 4

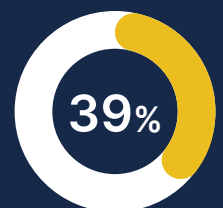
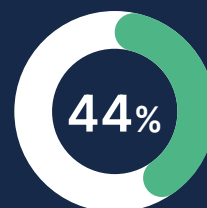
shoppers plan to cut back spending this holiday season (up from 58% last year)

● Women

● Men



plan to take advantage of sales events like Black Friday and Cyber Monday



plan to make a budget and stick to it

By the Numbers

Consumers are shopping on marketplaces for increased convenience and better deals



\$253 billion

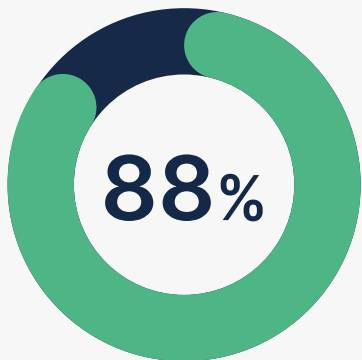
of holiday sales this year are expected to be attributed to online marketplaces

(\$183 billion in US and Canada)



1 in 2

online orders over the holiday season will be purchased from a marketplace



of global consumers plan to shop on online marketplaces this holiday season

Top Marketplaces:



Based in US



Based in US



Based in US



Based in Singapore



Based in China

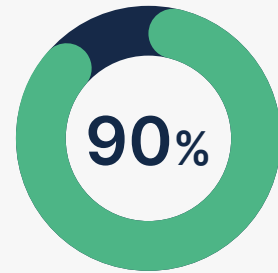
Most visited online marketplaces worldwide. [Statista](#), 2023.

By the Numbers

Delivery speed increasingly as important as delivery cost during holidays

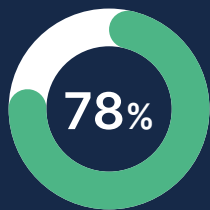


Speed of delivery ranked #1 when shopping online

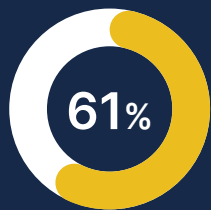


of shoppers expect an online purchase to **arrive in no more than four days**, without paying extra delivery costs

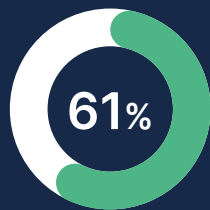
Willingness to pay for premium delivery is on the rise



of Millennials and Gen Z will pay for premium delivery during the holidays



are willing to pay up to \$9 extra for same-day, next-day, or scheduled delivery (Global respondents)



are willing to pay up to \$9 extra for same-day delivery (US respondents)



Stolen packages (US)



Late or rerouted delivery (UK, Spain & Germany)



Long delivery times (France & Italy)



Shipping costs too high (Australia & Canada)



1

Consumer Cutback Intentions and Merchant Sales Expectations

Despite last year's gloomy predictions of recessionary behaviors and massive cutbacks, the US market has been remarkably resilient leading into the 2023 holiday season. But this doesn't mean consumers aren't still cautious about their discretionary spending — and for good reason.

To better understand the consumer cutback intentions and merchant expectations, this section will explore:

- 1. The outlook for consumer and retail over the 2023 holiday season**
- 2. Current economic challenges**
- 3. Regional differences and sales expectations**

Holiday shopping uncertainties

As 2024 nears, advanced economies once again face heightened uncertainty. The global economic backdrop is mixed. For many consumers, the dual impact of sharp interest rate rises and prolonged cost-of-living pressures have dampened prospects for a continued post-Covid rebound.

To some extent, economic conditions have improved since last year's holiday season: inflation has receded from decade-high peaks, labor markets are resilient, earnings growth is accelerating, and consumer confidence has picked up from record lows.

On the other hand, to curb inflation, central banks worldwide have undertaken significant interest rate hikes, propelling borrowing costs to levels not seen since the 2000s. Simultaneously, pent-up pandemic savings that sustained household spending over recent years are in decline, exposing consumers to the cumulative toll of nearly two years of disposable income erosion.

UK consumers have experienced the highest levels of inflation across the countries covered in the research¹ and continue to show the strongest intentions to either cut back, trade down, or fiercely manage budgets. However, in markets such as the US, rates of inflation have been shallower, and spending power has now returned to positive territory. As such, this makes performances highly uncertain this holiday season.

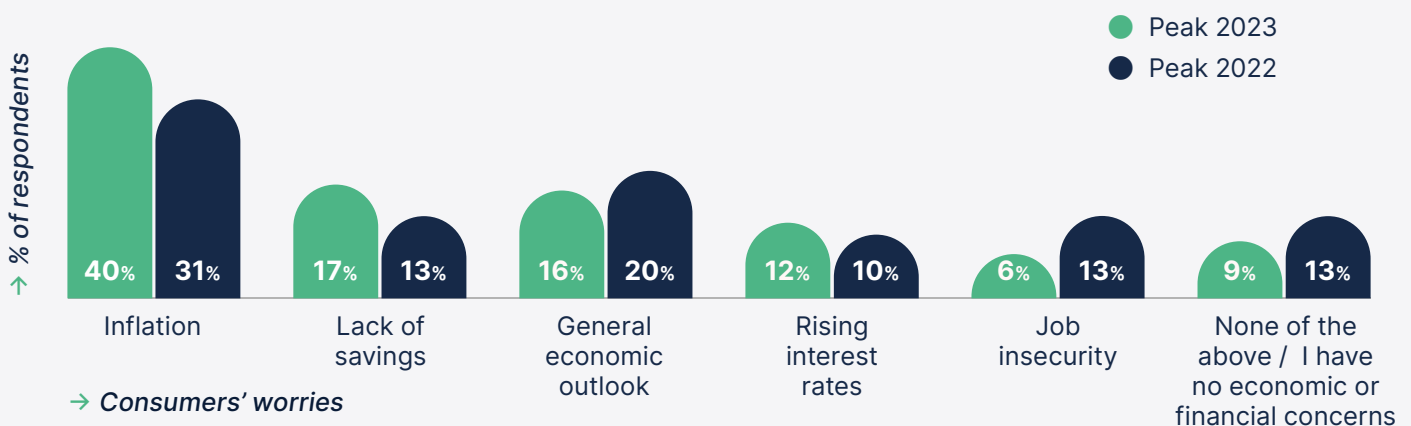
Economic worries persist

As interest rates rise and cost of living pressures continue to pinch personal finances, the 2023 holiday season will once again be defined by a cautious consumer backdrop.

Across all major markets included in the research, **nine in ten (91%) consumers are concerned about economic prospects and their personal finances heading into the holidays**, up from 87% last year.

Fig 1: Consumers' worries persist heading into the 2023 holiday season

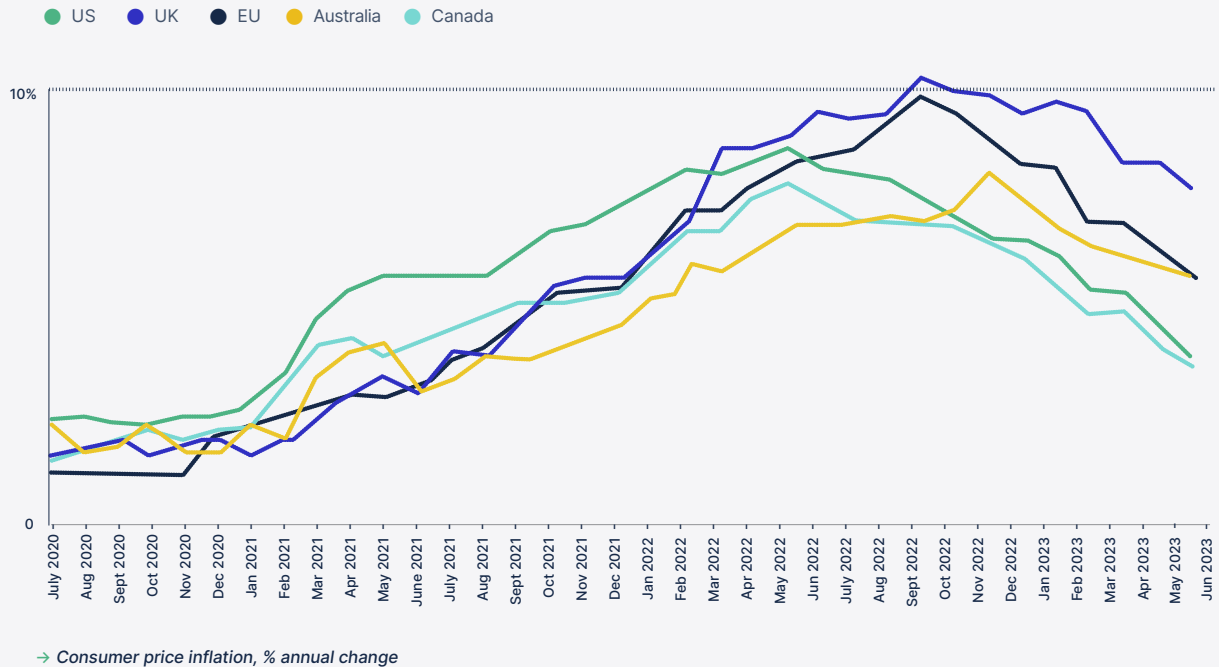
Q: Thinking about the economy and your personal finances, what are you most concerned about heading into the holiday season?



Source: Auctane, Retail Economics. Global average.

Although global inflation is cooling, particularly for US markets, it remains the single biggest factor affecting households, as price pressures take time to return to palatable levels, particularly in the UK and EU which experienced steeper double-digit peaks, topping out at 11.1% in October 2022 (Fig 2).

Fig 2: Inflation by country: price pressures easing globally, but remain elevated across UK and Europe



Source: Retail Economics, official statistics.

Start of Inflation by Country

2021



Peak Inflation by Country

2022



Lack of savings is also becoming a growing concern for consumers. As more return to pre-pandemic behaviors (ie commuting into work, resuming social events) individuals find it harder to put cash aside.

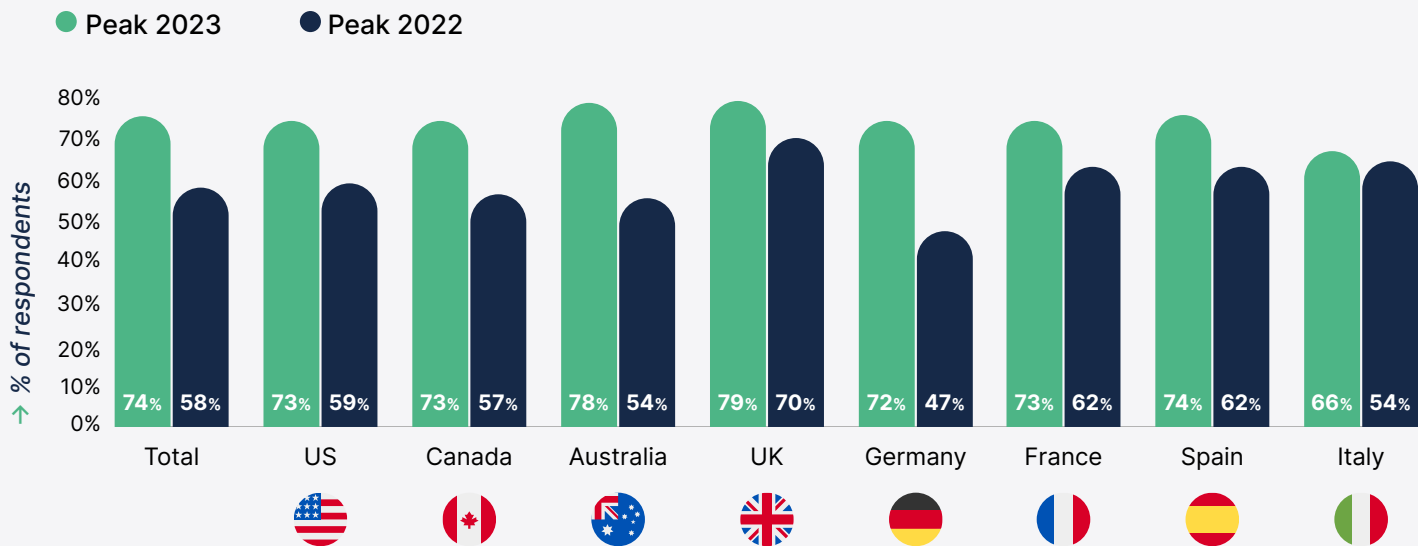
Holiday shopping cutback intentions

Consumers' cutback intentions remain elevated. **Three in four consumers (74%) plan to cut back over the holiday season (e.g. Black Friday, Christmas), up from 58% in our 2022 Holiday Shopping Trends Report.** Only one in four (26%) intend to spend as normal over retail's holiday shopping season. This global average is in line with how US consumers plan to cut back (Fig 3).



Fig 3: Consumer cutback intentions this year compared to last holiday season

Q: Thinking about your non-food spending over Black Friday and Christmas, do you expect to cut back (i.e. spend less, delay purchases) this year compared to last year?



Source: Auctane, Retail Economics.

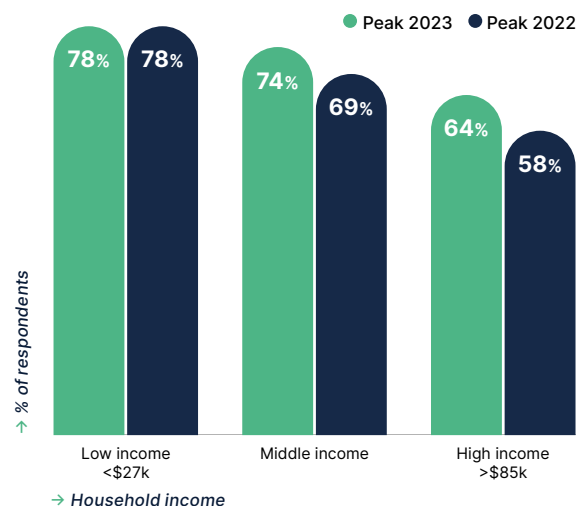


The increase in cutbacks last holiday season is being driven by a step change in the proportion of middle- and higher-income households planning to cut back (Fig 4).

Cost of living concerns are extending beyond the least affluent, as higher interest rates increase pressure on the middle classes, including those with mortgages and student debts.

Fig 4: Consumer cutback intentions during the holidays, by household income

Q: Thinking about your non-food spending over Black Friday and Christmas, do you expect to cut back (i.e. spend less, delay purchases) this year?



Source: Auctane, Retail Economics. Global average.

Regional variations

The impact of the cost-of-living crisis varies widely by country, which will shape industry growth prospects over the coming months.

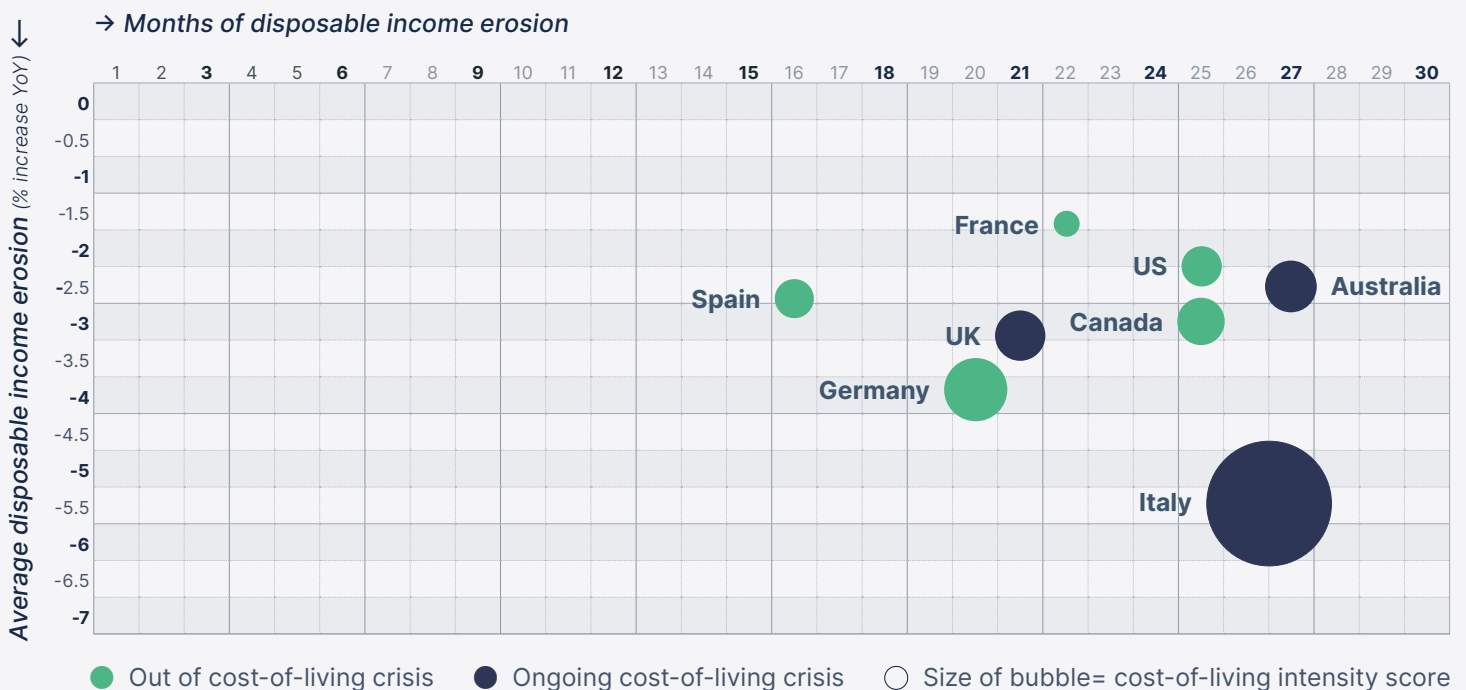
Fig. 5 shows the intensity and duration of household disposable income erosion for each of the markets included in our study. Across these markets, households are entering the holiday season with an almost two-year span of declining real earnings, encompassing 23 months (July 2021 - June 2023).

However, relief emerges for certain markets as the cost-of-living crisis has abated, easing the burden on households just in time for the holiday period.

Disposable income growth has tiptoed into positive territory in the US, Canada, and France. This positive shift, attributed to cooling inflation and the resurgence of genuine earnings growth, arrives despite consumers' anticipation of cutbacks.

For instance, consumers in Australia and Germany find themselves in a more financially strained situation compared to the previous holiday season. This is reflected in their significantly heightened cutback intentions, which have worsened due to ongoing economic challenges. These challenges have resulted in a notable economic slowdown, with consumers actively reducing non-essential spending in response to continuous declines in disposable income.

Fig 5: Length and intensity of cost-of-living pressures vary by country, real disposable income growth, % YoY



Source: Retail Economics, Auctane.



While the UK may appear to be an anomaly, this is because the intensity of consumers' cutting back has been consistently strong over the last two years (i.e. both this holiday season and last). In Q4 2022, UK retail sales volumes fell 6.8% YoY – the worst for over a decade – reflecting predictions of last year's research.

Concerningly, UK consumers face a further financial setback this holiday season, with households set to be £109 (~\$133) worse off this Christmas compared to last year as cost of living pressures persist over the final quarter.

This underscores the enduring impact of the crisis on individuals' financial well-being and its implications for their holiday spending.

Understanding these regional variations in consumer outlook is key to identifying pockets of growth and adapting strategies to suit specific market conditions.

Merchant sales expectations

Despite consumer sentiment remaining weak, retailers appear to be more optimistic about the prospects for peak demand this year.

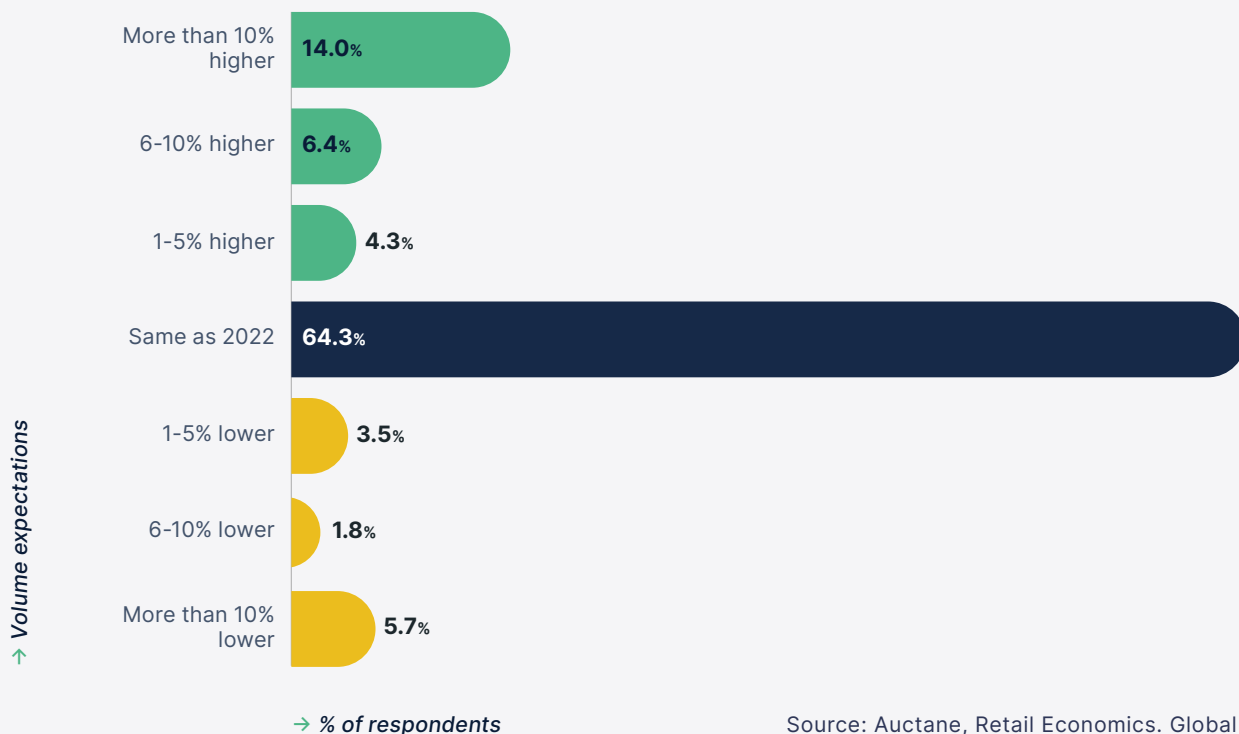
Granted, almost **two-thirds of ecommerce merchants surveyed believe that sales volumes are likely to be broadly aligned with last year**, but a net 13% (24% higher minus 11% lower) expect sales volumes to rise on last year, despite the continued pressure on households.

In part, this may reflect improvements in business confidence compared with the same period last year when the macroeconomic outlook was more uncertain. Either way, the divergence between business and consumer optimism could present challenges in early 2024 if retailers are left with excess inventory.



Fig 6: Merchant expectations for 2023 holiday order volumes compared to last year

Q: What order volumes do you expect for Black Friday and Cyber Monday (holiday shopping) compared to 2022 volumes?



Source: Auctane, Retail Economics. Global average.



2

Holiday Delivery Trends and Shopping Behaviors

So, we know going into this holiday season that there will be some cutbacks among global consumers. The question is how the last of this financial squeeze will affect buyer expectations and shift how, where, when, and who is shopping online.

We've broken this next section down into three key themes that will shape the online retail and delivery sector over the 2023 holiday season and beyond.

Spending intentions and behaviors



Holiday channel trends



Holiday delivery priorities



THEME 1:

Holiday spending intentions and behaviors

This first theme explores consumer behaviors during holiday shopping in the context of spending intention, shopping strategies and timings, and regional differences amongst other factors.

By Region

Strongest spending prospects in US

Reflecting ongoing cost-of-living concerns and cutback intentions (covered in section one), all international markets show an overall negative net spending intention over the holiday season, with more consumers planning to spend less rather than spend more.

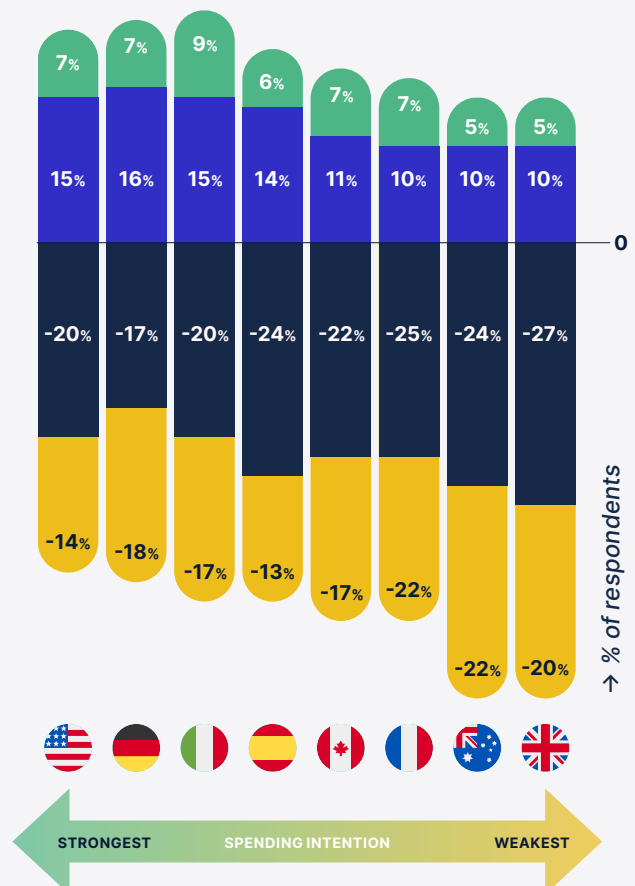
Shoppers in the US are the most resilient, and likely to spend, with two-thirds planning to either spend the same (44%), or more (22%), than last year. Whereas the UK, with the highest rates of inflation among developed markets, shows the weakest spending intentions. Here, almost half (47%) of consumers plan to spend less than last year.



Fig 7: Consumer spending intentions by region

Q: Thinking about your shopping in the final three months of the year (e.g. Black Friday and Christmas), what are your spending intentions across the following categories?

- Spend **much more** than last year
- Spend **more** than last year
- Spend **less** than last year
- Spend **much less** than last year



Source: Auctane, Retail Economics.

Note: 'spend about the same' was also an option.

By Sector

Apparel and beauty preferred over big-ticket home categories

While all categories show negative spending intentions over this coming holiday season, some will prove more resilient than others as consumers adopt recessionary behaviors.

DIY and Electronics are most at risk of consumer cutbacks. Our research shows that 48% of consumers plan to spend less on DIY and gardening items this holiday season, followed closely by Electronics (44%).

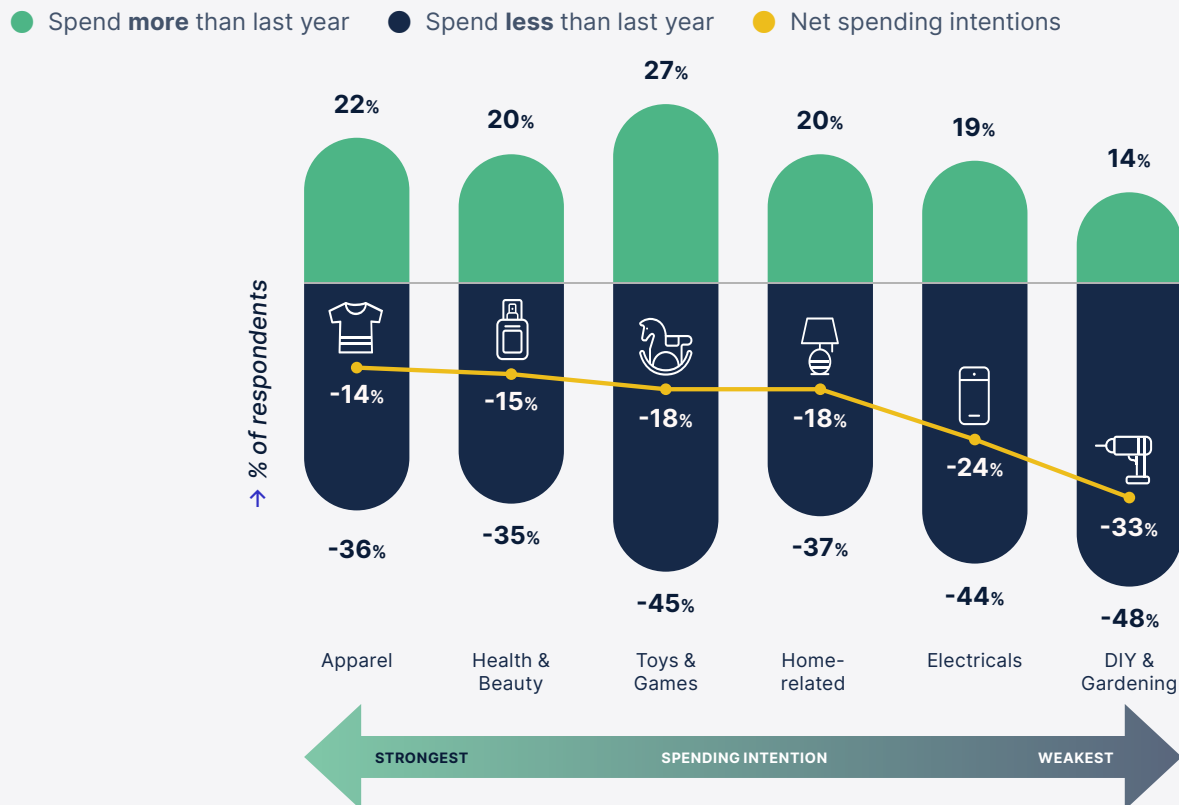


This reflects subdued demand for big-ticket items and home improvement as borrowing costs rise. Electronics also face cyclical challenges.

There also continue to be 'hangover effects' from COVID-19, as consumers continue to prioritize leisure and social occasions boosting categories such as Apparel and Beauty, which show the strongest spending intention during the holiday season. **In particular, the Beauty category continues to benefit from the 'lipstick effect,'** where consumers tend to increase their purchases of small indulgent items, like cosmetics, during times of economic uncertainty or recession, as a way to boost their mood and maintain a sense of luxury and normalcy despite financial constraints.

Fig 8: Consumer spending intentions by sector

Q: Thinking about your shopping in the final three months of the year (e.g. Black Friday and Christmas), what are your spending intentions across the following categories?



Source: Auctane, Retail Economics. Global average.

Holiday shopping strategies

During the holiday season, consumers are likely to shop more strategically. These tactics involve spending during promotional events like Black Friday, shopping for gifts early, being highly selective with who to buy gifts for, or opting for 'Secret Santa' exchanges.

In the wake of successive waves of disruption in recent years, consumers have become well-versed with these shopping strategies. Our research found that women exhibit a greater inclination towards adopting astute holiday shopping tactics compared to men (Fig 9).

Christmas creep: extended holiday season as consumers shop early

Consumers are also increasingly adopting an 'early bird' approach when it comes to their holiday shopping. This strategy has intensified in response to harsh economic conditions. Here, shoppers look to spread the cost of Christmas across several paydays, while it gives them more time to shop around and capitalize on promotions.

We've noticed the Christmas creep among ecommerce and brick and mortar merchants as well, with Black Friday and holiday sales events happening earlier and earlier each year.

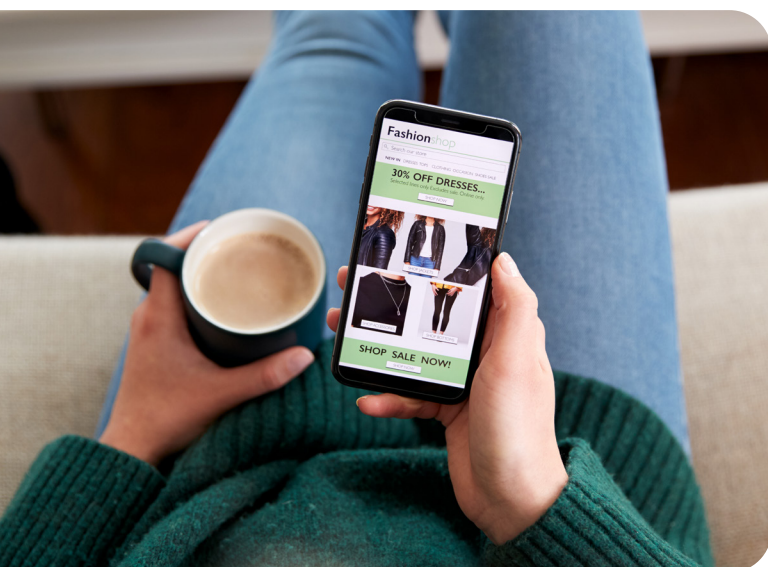


Fig 9: 2023 holiday shopping strategies

Q: Do you plan to do any of the following when shopping over the holiday season this year?

● Female ● Male

Shop during promotional events (e.g. Black Friday, Cyber Monday)



Set a budget or limit for Peak Season spending and try to stick to it



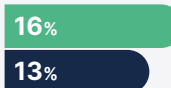
Shop earlier than normal



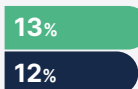
Look for value brands or retailers more than normal



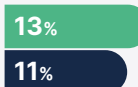
Buy fewer gifts or participate in Secret Santa to reduce the number of gifts you purchase



Buy multiple gifts at one retailer in order to meet free delivery thresholds



Buy more second-hand or pre-owned items



“Mindful spending will be a priority for consumers this holiday season. Our research found that one strategy they’ll implement is shopping earlier. Merchants, don’t wait until November to kick off your holiday promotions and discounts. Keep seasonality in mind, but plan on starting these campaigns earlier. Consider offering perks like lengthier return timeframes to align with the elongated holiday season.”

LISA JOHNSTON
CMO, AUCTANE

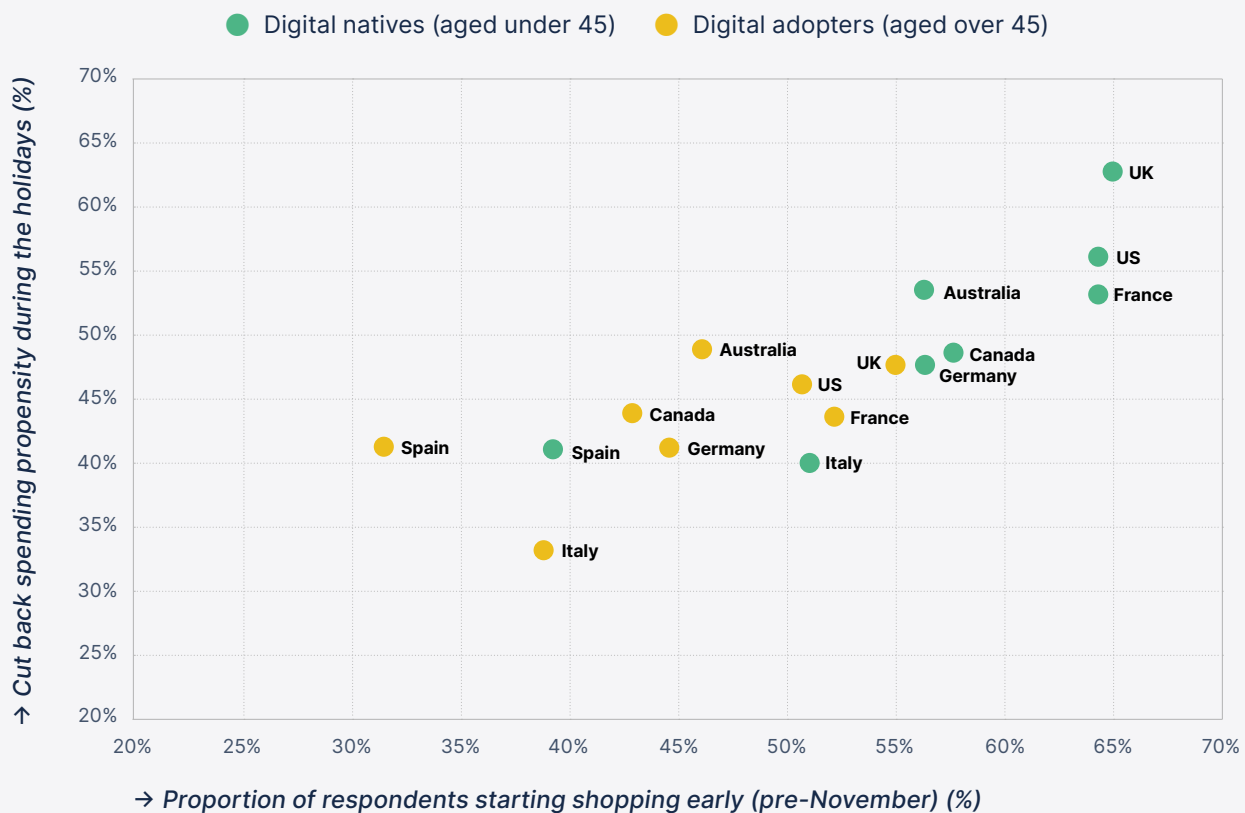
Auctane is the parent brand of ShipStation



A third of consumers intend to embark on festive shopping and gift purchasing earlier than normal this year; overall, as many as 54% of shoppers plan to start before Black Friday and the Christmas trading period in November and December.

Furthermore, our research shows a distinct link between consumers’ intention to cut back and their inclination to shop early, (Fig 10).

Fig 10: Cutback shoppers are more likely to shop earlier than normal over the holiday season





Led by the likes of Amazon's Prime Early Access sales, last year, many retailers rolled out Black Friday promotions as early as October and offered holiday sales through to the end of the year – effectively elongating the holiday season. This year, Amazon even announced a second Prime Day event in early October, called 'Prime Big Deal Days', to try and garner holiday sales earlier than their traditional Cyber Monday campaigns. Other retailers, such as Target, Walmart and Best Buy, have followed suit by introducing similar promotional events the first week of October.

Our research suggests retailers will follow the same pattern this year as early shopping becomes the norm.

One in four (25%) merchants surveyed intend to increase the number of holiday promotions this year, with the same proportion planning to launch promotions ahead of the final quarter (pre-October).



1 in 4

merchants intend to increase the number of holiday promotions this year

Who are the early birds?

US and UK consumers who are planning to shop this holiday season are most likely to be 'early bird' shoppers, with as many as two in five US (41%) and UK (40%) shoppers starting their Christmas shopping *before* October.

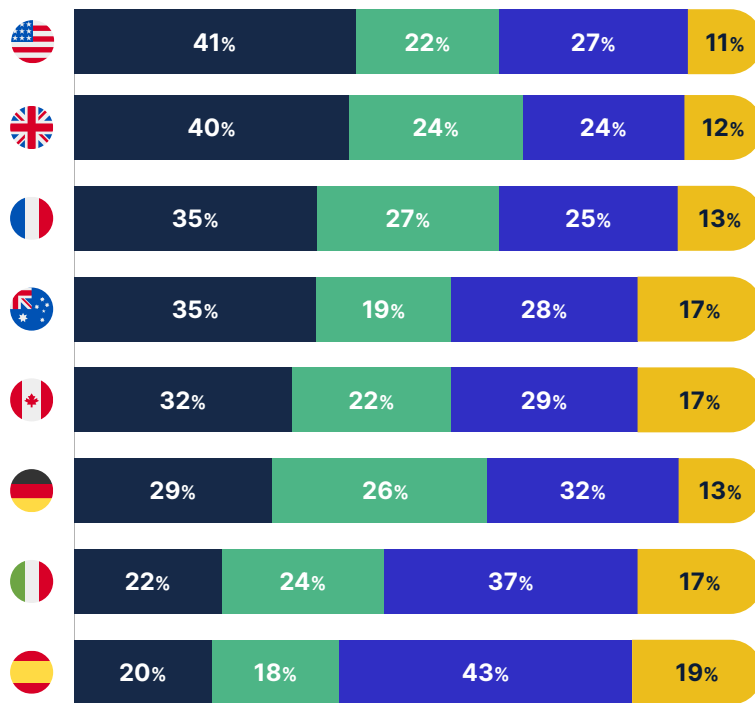
This contrasts with a more laid-back approach adopted by Spain and Italy, where the majority of shoppers will not start their holiday shopping until November at the earliest – partly cultural as many households wait until Epiphany in early January to exchange gifts.

Fig 11: US & UK start shopping for holidays earlier than ever

Q: When do you expect to start your Holiday shopping this year?



● Pre-October ● October ● November ● December



→ % of respondents

Note: includes holiday shoppers that plan to make a non-food purchase in Q4 2023.

Source: Auctane, Retail Economics.

41%

of US shoppers will start their holiday shopping before October.

Digital natives and the power of promotions

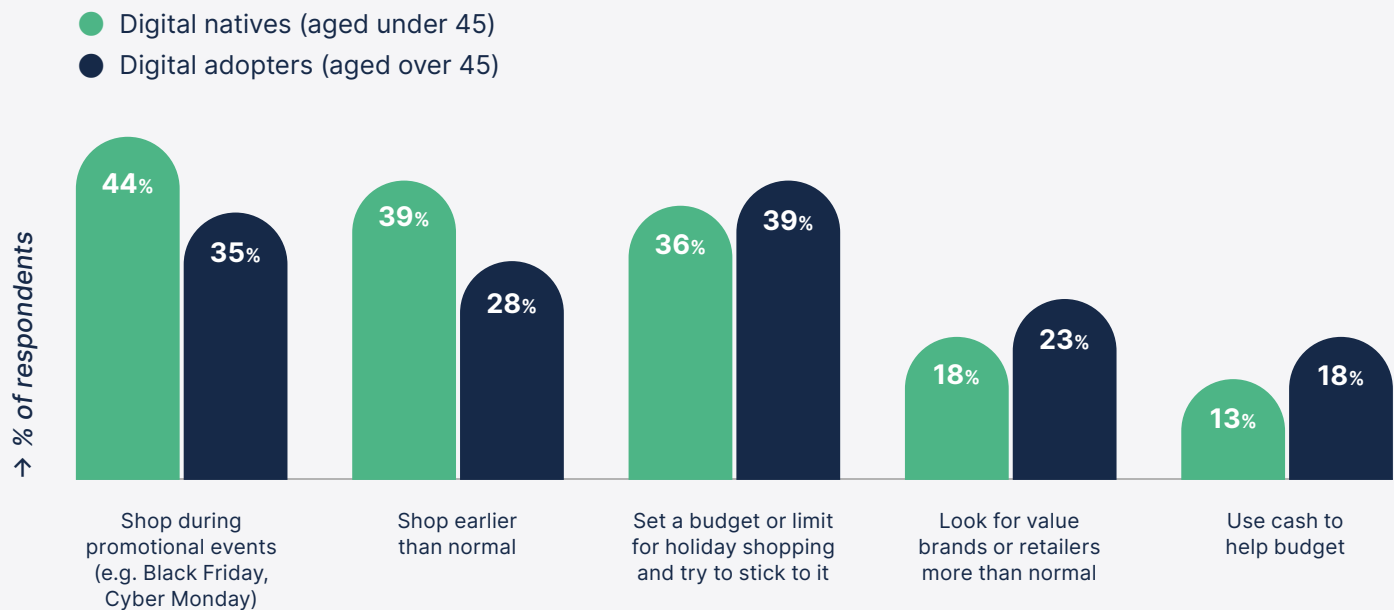
The motivation to shop early and benefit from promotions over the holiday season is particularly pronounced among younger shoppers. 44% of digital natives (consumers under 45) intend to engage in their holiday shopping during promotional periods like Black Friday and Cyber Monday.

Conversely, older shoppers are more likely to adopt more traditional approaches to better manage budgets for their festive purchases. These include self-imposed spending limits, trading down to value brands, and using cash to help them stick to their budget.



Fig 12: Younger shoppers embrace early shopping and sales events

Q: Do you plan to do any of the following when shopping over the holiday season this year?



Source: Auctane, Retail Economics. Global average.



THEME 2:

Holiday channel trends, online to perform better

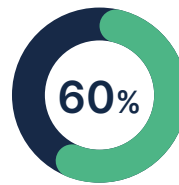
Ecommerce performance has significantly fluctuated in recent years. Many businesses experienced unprecedented highs during the pandemic, followed by lows as stores reopened and spending reverted to physical channels quicker than expected.

The 2022 holiday season saw a strong resurgence in physical store sales as shoppers gravitated to in-person experiences in what was the first 'normal' Christmas since COVID-19. There were also many bargains to be had in-store as retailers turned to discounting to clear inventory backlogs as supply issues eased and consumer demand softened.

While the consumer backdrop remains tough, our research indicates better online prospects this year. 57% of consumers globally plan to do most, if not all, of their holiday shopping online, up from 49% last year (Fig. 13). This sentiment is felt even more strongly in the US, with **60% of consumers planning to do most, if not all of their holiday shopping online.**

Merchants are in agreement, with 41% expecting customers to shop more online compared to last year, versus less than 10% expecting to shop more in-store – with the caveat that most retailers surveyed are online sellers.

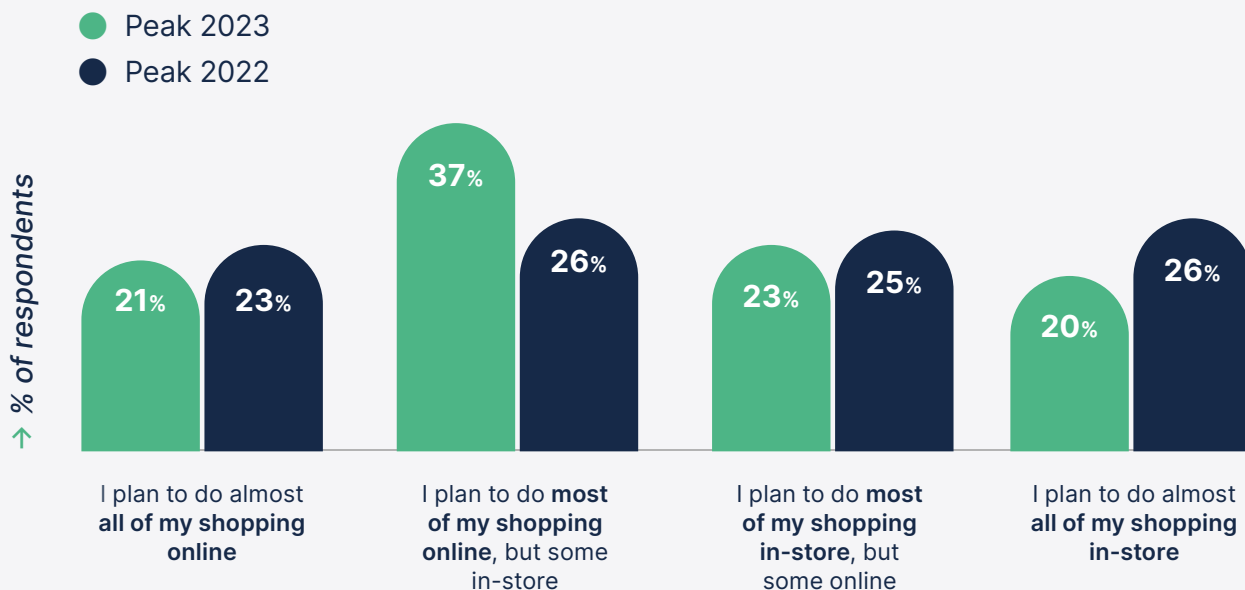
For many brands, the distinction between online and in-store is now less relevant. Consumers are adopting omnichannel behaviors, transitioning between digital and physical channels on the path of least resistance toward purchase. **They want the ability to shop effortlessly across all channels** reaping maximum benefit, including browsing online, ordering via apps, and collecting in-person, with marketplaces playing an increasingly pivotal role in facilitating demand for seamless and convenient shopping experiences.



60% of consumers planning to do most, if not all, of their holiday shopping online

Fig 13: Consumers' channel preferences for Holiday 2023

Q: Where do you plan to do most of your holiday shopping (e.g. Black Friday and Christmas) this year?



Source: Auctane, Retail Economics. Global average.

Marketplaces to outperform

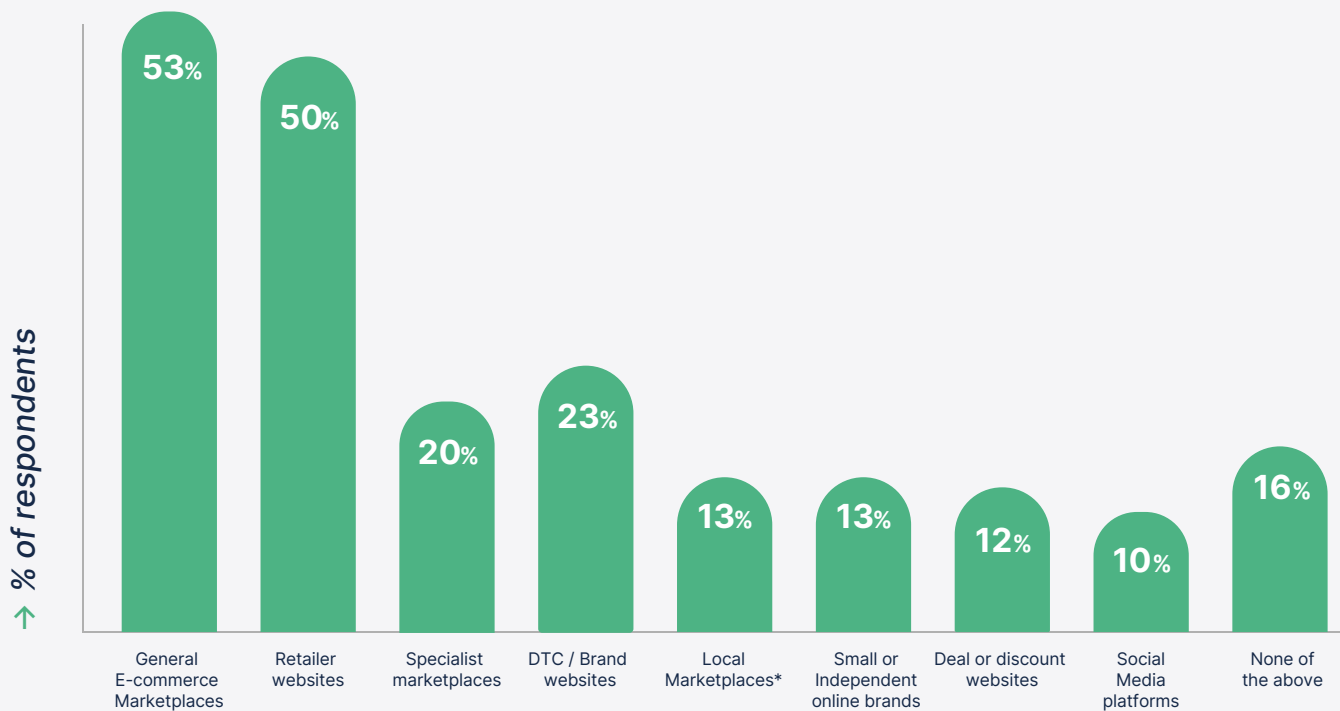
Online marketplaces (e.g. Amazon, Walmart, eBay) are set to be the most popular online channel for consumers during the holiday season. **Nine in ten (88%) shoppers plan to shop on online marketplaces for their holiday shopping this year.**

Our research shows around one in every two online orders over the holiday season will be made via a marketplace, including general marketplace giants such as Amazon and eBay, and more specialty marketplaces such as Wayfair and Etsy.



Fig 14: US Shoppers' most popular online channels during holiday season

Q: Which of the following online channels do you expect to use for your holiday shopping (e.g. Black Friday and Christmas) this year?



*These platforms focus on connecting buyers and sellers within a specific geographical area (e.g. Gumtree, Facebook Marketplace)

Source: Retail Economics, Auctane. US.

Across our eight markets¹, online marketplaces will account for almost \$253 billion worth of sales over the 2023 holiday season, with growth outpacing the wider ecommerce market, according to Retail Economics.

North America accounts for the vast majority of this (\$183 billion), with US-based retailers such as Amazon, Walmart, and eBay among the largest marketplaces worldwide.

\$183 billion in US and Canada holiday sales this year are expected to be attributed to online marketplaces

Fig 15: \$253 billion online marketplace sales projected over holidays

Online marketplace sales over peak (Q4 2023, non-food, \$)



Source: Retail Economics, Auctane. Note: EU includes France, Germany, Italy and Spain, North America includes US and Canada.

Main differences between online marketplaces and direct online retail

Online marketplace model	Direct online retailer
<ul style="list-style-type: none"> ● Multi-Seller Platform: Curates products from diverse sellers, offering a wide selection of products and services. ● Aggregated Inventory: Typically don't own inventory; instead, the platform facilitates transactions between third-party sellers and buyers. ● Pricing: Sellers typically set their own prices. Drives competitive prices due to sellers vying for attention. ● Customer data: Sellers may receive limited buyer information for transaction processing. ● Fulfillment: This may be managed by individual sellers or by the marketplace itself, depending on the platform's policies. Some marketplaces offer fulfillment services to sellers. 	<ul style="list-style-type: none"> ● Single-Seller Model: Offers products directly from the retailer's inventory. ● In-House Inventory: Owns and manages its inventory, which is sourced from suppliers or produced in-house. ● Pricing: The retailer determines the prices at which products or services are sold to customers. ● Customer data: Retailers hold complete customer data, enabling personalized marketing and customer service. ● Centralized Fulfillment: Retailers have direct control over fulfillment, allowing them to maintain consistent quality, branding, and delivery times.

¹ USA, Canada, UK, France, Germany, Italy, Spain, Australia

Source: Retail Economics, Auctane.

What is driving the growth of marketplaces?

Online marketplaces are becoming increasingly relevant with more retailers recognizing the value of forming partnerships and offering consumers a wider range of choices, hosted by brands they know and trust. They represent an attractive alternative to traditional first-party online channels, with **68% of shoppers, globally, recognizing the benefits of marketplaces over other online channels.**



“Online marketplaces offer the convenience, value, and myriad of product choices that today’s consumers demand. In fact, according to our research, online marketplaces are the top channel US consumers plan on using for their holiday shopping this year. Why? When it comes to new customers discovering a product or brand, it’s hard to beat an ecommerce marketplace. There’s an implicit trust that a consumer places in a marketplace in trying a merchant’s products for the first time.”

KRISH IYER
VICE PRESIDENT, STRATEGIC PARTNERS & INDUSTRY RELATIONS, AUCTANE

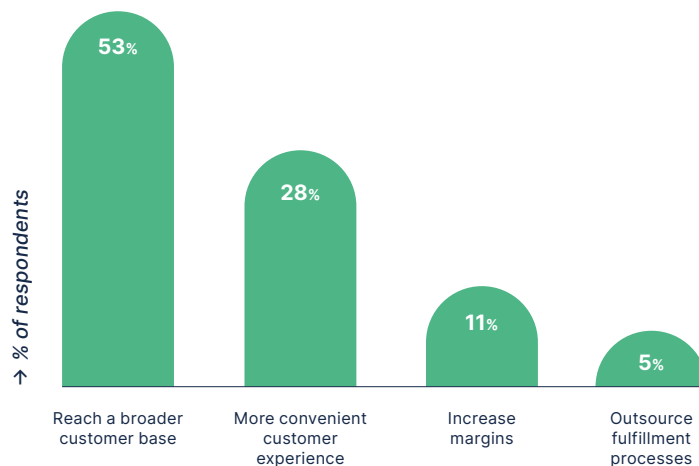
In a competitive retail environment with high customer expectations and fragile loyalty, marketplaces deliver the convenience (shipping times, wider assortment, and product availability) and compelling value that consumers demand; so much so, that almost half of online product searches now start on marketplace platforms in key markets such as the US and UK.

Leading retailers from across North America and Europe (including Macy’s, H&M, Michaels, Decathlon, and B&Q) have recently launched marketplace propositions, embracing an omnichannel strategy, and opening up their online storefronts to third parties to attract shoppers and drive loyalty.

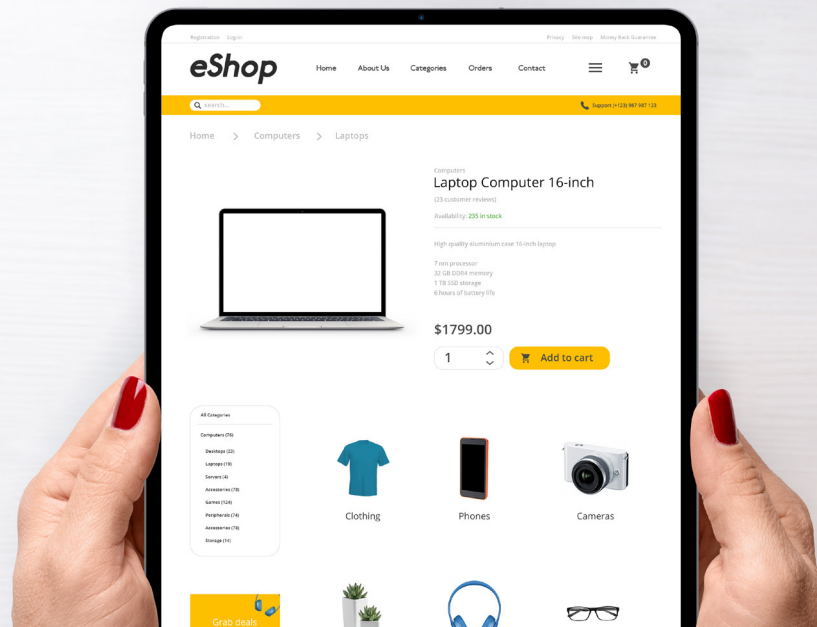
For sellers and smaller brands, marketplaces offer access to a larger customer base and economies of scale, considerably reducing investment costs in fulfillment and developing their own online presence.

Fig 16: Marketplaces a popular route to market for brands

Q: What are the main reasons for selling via online marketplaces? Select all that apply.



Source: Auctane, Retail Economics. Global average.



Why consumers shop online marketplaces



Choice:

With an extensive choice of products and gift options from various sellers, marketplaces provide shoppers with a one-stop destination to fulfil their diverse shopping needs.



Convenience:

The ease of browsing, comparing products, and reading customer reviews within a single platform also aligns well with the time-sensitive nature of holiday shopping, and reduces decision-making complexity.



Competitive prices:

Marketplaces harness their extensive scale and promote seller competition, driving competitive prices. This approach, facilitating various sellers to vie for shoppers' attention, resonates with consumers seeking value-for-money, especially in the current environment. Particularly for older consumers (Fig 17), competitive pricing is the key driver for shopping via marketplaces as opposed to purchasing directly from online retailers.



Membership incentives:

Marketplaces like Amazon Prime often provide free and swift delivery which offers both convenience and cost savings, especially given current cost-of-living issues. Their extensive product range offers product 'bundles' (i.e. multiple associated products), consolidating orders and reducing shipping fees. A third of shoppers under 45 indicate marketplaces as their first option due to their account benefits (e.g. special deals and enhanced delivery options).



Shop second-hand:

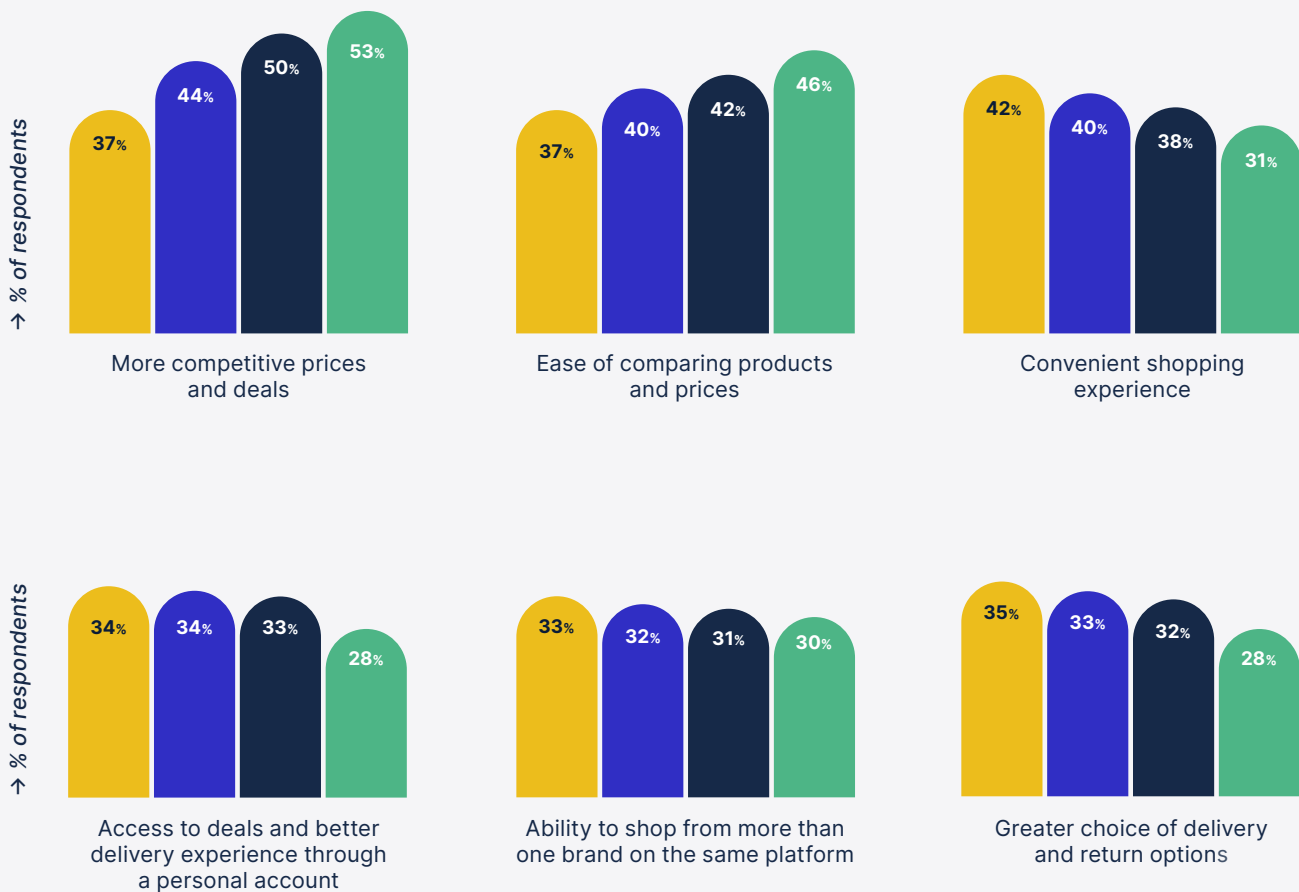
The increasing popularity of preowned marketplaces (e.g. Poshmark, Depop) empowers cost-conscious shoppers with the option to acquire affordable used goods or older models.



Fig 17: Older shoppers value low prices and comparison shopping, while time-poor younger shoppers value convenience and choice offered by marketplaces.

Q: What do you see as the main benefits of shopping with an online marketplace rather than an individual retailer?

● Generation Z (1994 - 2001) ● Millennials (1980 - 1993) ● Generation X (1965 - 1979) ● Baby Boomers (1946 - 1964)



THEME 3:

Holiday delivery priorities: Beyond free shipping

The holiday season is a prime opportunity for brands to tap into new customer segments and build relationships with existing ones. But with fragile customer loyalty and high expectations, understanding how shoppers' delivery preferences and priorities shift during the holiday season is crucial.

Consumer expectations vs. merchant realities

Comparing consumers' delivery priorities between peak and non-peak periods, and against merchant expectations, reveals interesting trends (Fig. 18).

In our Holiday Shopping Trends Report 2022, we showed how consumers' financial concerns were impacting delivery priorities. The cost of delivery was clearly the most important conversion factor, ahead of speed and convenience (i.e. choice of delivery location).

While the cost of delivery remains significant, its influence appears somewhat tempered during the holiday season. The unique seasonal dynamics and heightened emphasis on gift-giving associated with the holiday period amplifies the value that shoppers assign to other aspects of the delivery experience (Fig 18).



Examples of a GREAT holiday delivery experience



Delivery options

Consumers choose the cost, speed, and preferred carrier



Flexible returns

Generous return window, intuitive returns policy, self-service returns process

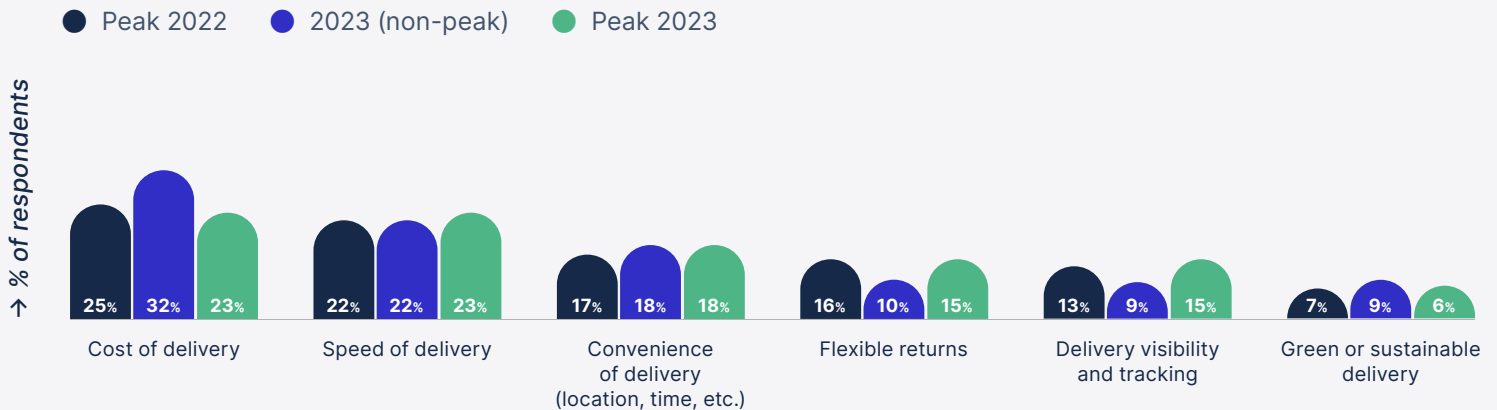


Package visibility

Real-time tracking notifications, branded tracking experience

Fig. 18: Greater focus on speed, parcel visibility, and flexible returns during holidays

Q: Which of the following delivery features are most important when ordering online?



Source: Auctane, Retail Economics. Global average.

As Fig. 19 shows, online merchants have an inflated perception of the importance of free or low-cost delivery during the holiday season, while understating the importance of delivery speed, convenience, and reliability (e.g. parcel tracking, communication from seller). This is great news for merchants, who may be able to offload some of the shipping overheads onto willing consumers.

One area where consumers and merchants are misaligned, however, is returns. Only 8% of merchants believe consumers want flexible returns when, in reality, 15% of consumers indicated this feature is critically important to the online shopping experience.

With tools like [Return Rabbit](#) and [ShipStation's branded returns portal](#), merchants can ease their burden of providing seamless self-service returns and exchange experiences all while increasing their ROI.

Delivery speed remains a consistent priority throughout the calendar year. However, during the holidays, it holds equal importance to delivery cost, as shoppers seek to receive orders in time for that 'big day'.

PARTNER SPOTLIGHT:

Benefits of Return Rabbit

1. Enables exchanges with seamless inventory management

Propel exchanges by displaying your full catalog and offering incentives when a customer begins the return process.

2. Offers self-service returns and exchanges

From the moment your customer starts a return to fulfilling their exchange order, we handle it all seamlessly for you.

3. Customize return reasons

Create your own return reasons for each product or category and use return data to improve product offerings.

4. Provides a branded experience

Ease your customers into the post-purchase process by providing a branded returns experience right out of your website.

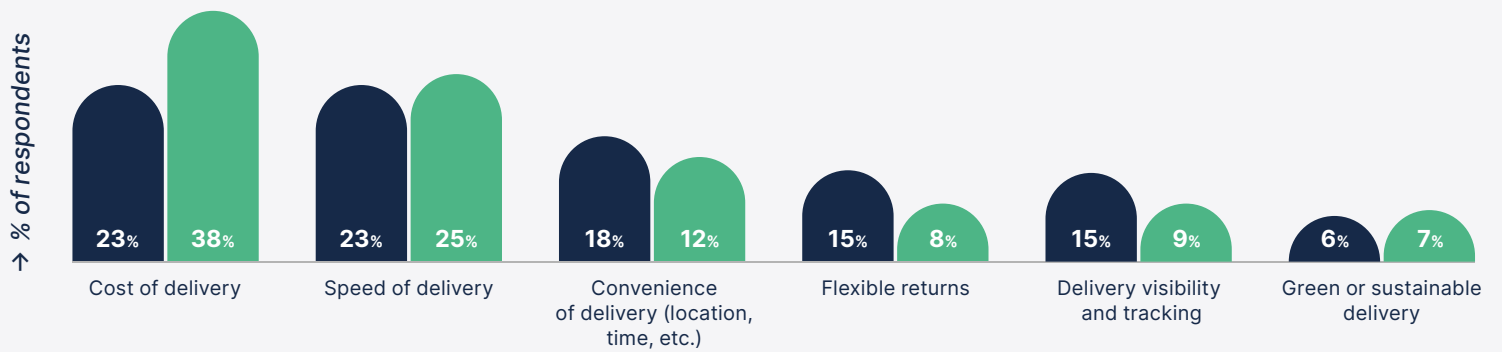
[Learn more](#)



Fig 19: Cost of delivery less important to customers during holidays than merchants believe

Q: Which of the following delivery features are most important to consumers when ordering online?

● Consumers ● Merchants



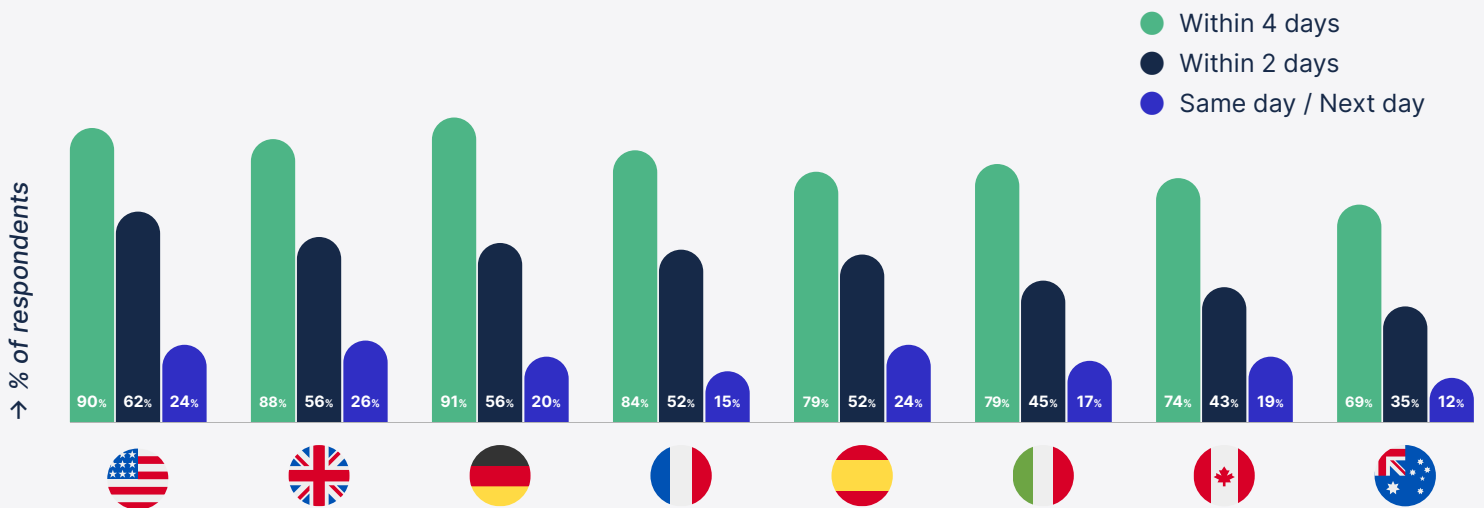
Source: Auctane, Retail Economics. Global average.



Half of shoppers expect an online purchase to arrive within **two days** over the holiday season (as standard), rising to as high as 62% in the US.

Fig 20: Half of shoppers expect an online purchase to arrive within two days over the holiday season

Q: How quickly do you expect a package to arrive during the holiday season (without paying extra for shipping – i.e. with a free delivery option)?



Source: Auctane, Retail Economics. Global average.



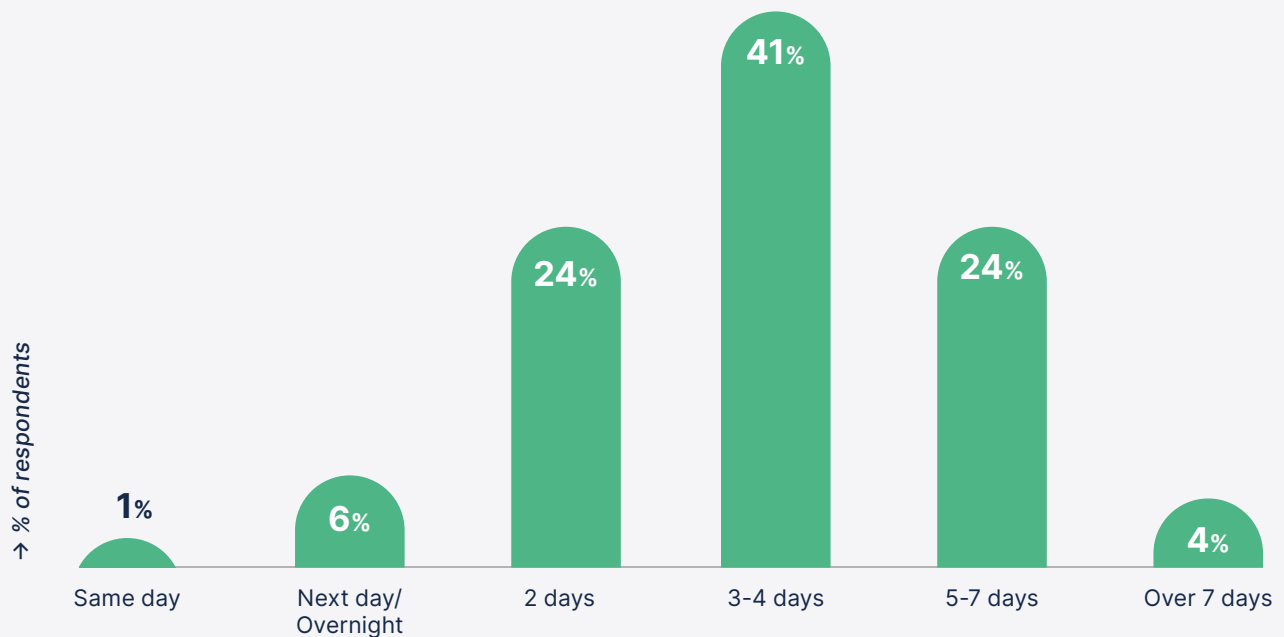
Less than 31% of merchants offer delivery of two days or less as standard

72% of merchants offer delivery of four days or less

Recommended Solution
Offer more carrier options to consumers at checkout

Fig 21: Standard delivery times fall short of consumers' high expectations during holidays

Q: What is the standard delivery time frame you promise to your customers during holiday season (without additional cost premium, when shipping within your own country)?



Source: Auctane, Retail Economics. Global average.

Among the top delivery frustrations for shoppers, globally, during the holidays include packages arriving late or when no one is available to receive them and lengthy scheduled delivery times (Fig 22).

The survey shows the top delivery frustrations experienced by shoppers during the peak holiday season. Delivery delays, missed deliveries due to unavailability, and lengthy delivery schedules are among the most common grievances.

Specific pain points vary by country. In Australia and Canada, high shipping costs irk shoppers the most. In the UK, Germany, and Spain, late deliveries top the list. France and Italy are concerned about slow delivery times, while ‘missing’ parcels are a significant issue in the US.

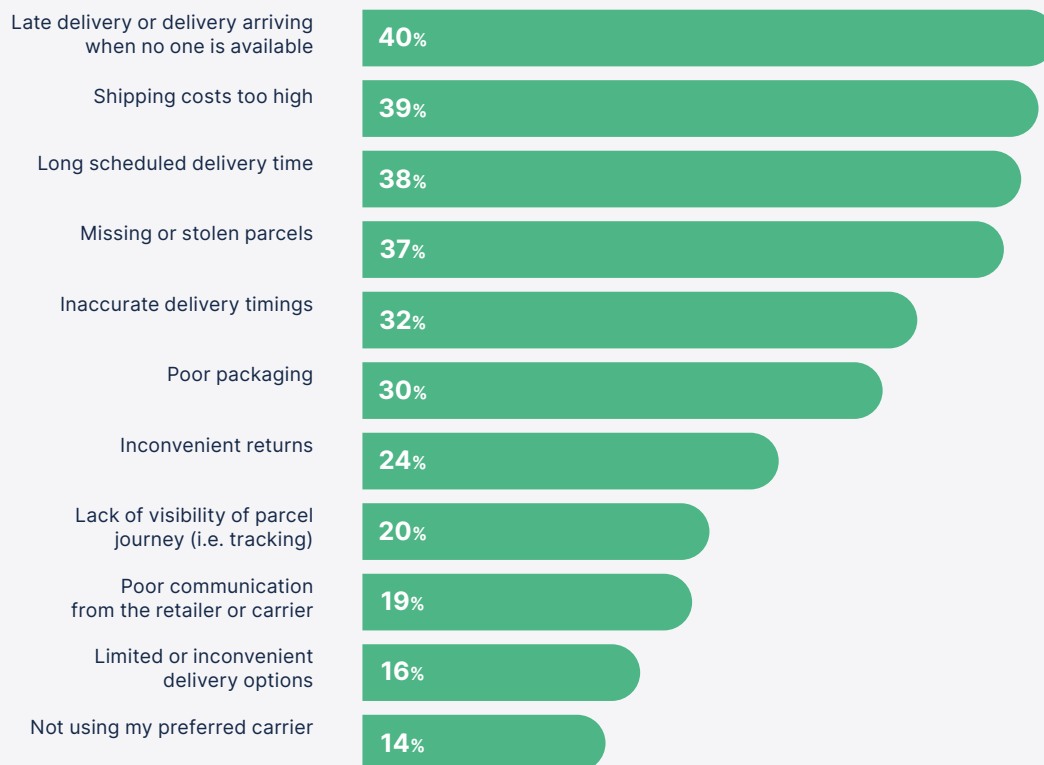
This is no surprise, as porch piracy is reportedly on the rise. **39% of merchants said they use or plan to offer shipping insurance this holiday season, with 18% reporting a recent rise in insurance claims.**

Package protection solutions like [ParcelGuard](#) allow merchants to safeguard their delivery experience by protecting both branded and unbranded packages against loss, damage, and theft.

To excel, retailers need region-specific strategies that address these challenges efficiently and cost-effectively.

Fig 22: Holiday delivery concerns: Delays and long delivery times among consumers' top delivery frustrations

Q: What are your main concerns as a shopper when it comes to delivery during the holiday season?



→ % of respondents

Source: Auctane, Retail Economics. Global average.

Benefits of using third-party insurance, ParcelGuard, on ShipStation



- Save up to **67%** off carrier insurance
- Full coverage on both branded and unbranded packages
- Coverage includes lost, stolen, and damaged packages
- Pay using the ShipStation Balance
- File claims directly in ShipStation
- A-rated underwriter

[Learn more](#)



Across all markets, shoppers' expectations are higher than normal over the holiday season – they demand speedy and punctual parcel journeys with regular updates, delivered to their location of choice, with the reassurance of hassle-free return options.

Free delivery no longer a prerequisite

Leveraging free delivery as a strategy to entice customer spending is a proven technique to drive sales – but it's by no means the only tactic. Empowering shoppers with a choice of convenient delivery options is the way to success over the holiday season.

In an increasingly competitive online marketplace where cost pressures continue to mount, the 'race to the bottom' on pricing can compromise customer delivery experiences, risking frustration and damaged loyalty.

Other premium delivery approaches are often more suitable, depending on the shopper's mission and product type. Our research suggests that the holiday season is an occasion where shoppers are receptive to paying a small fee for a reliable, high-quality delivery experience.



#1 Delivery Concern Among Shoppers



Missing or stolen packages



Late or rerouted deliveries



Shipping Costs Too High



Long delivery

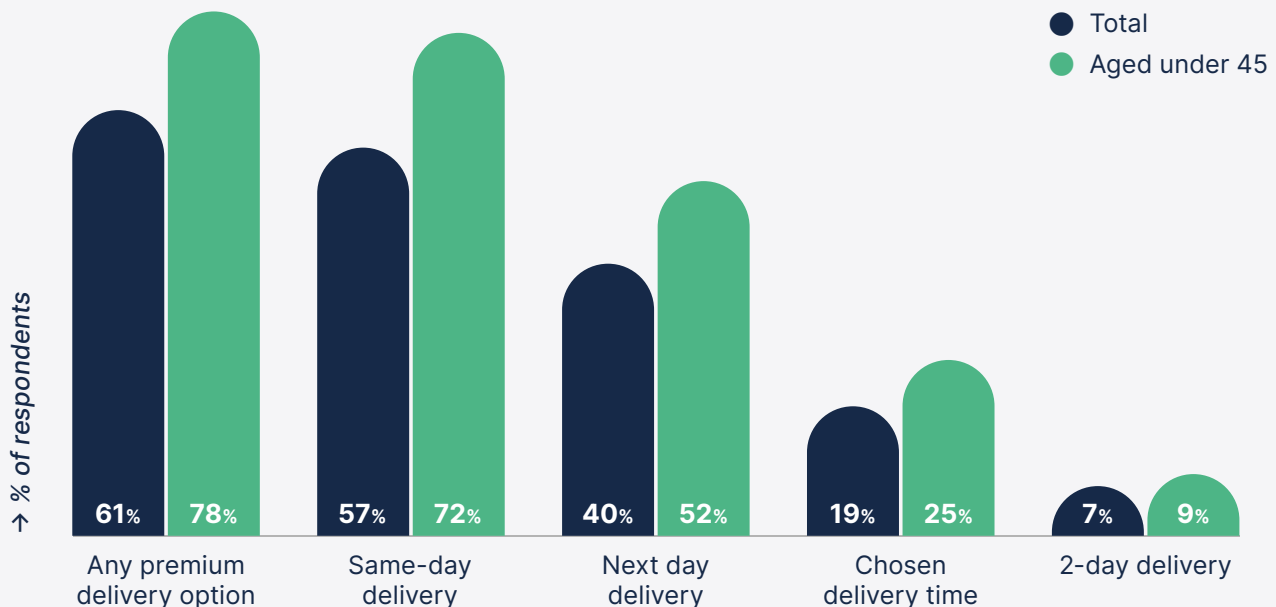
Our survey found that a significant majority of consumers (61%) are willing to pay up to \$9 extra for premium delivery services during the holiday season, including options like same-day, next-day or scheduled delivery.

Willingness to pay rises to as high as 78% among individuals under 45 (Millennials and Gen Z) – the most commercially significant consumer demographic for online retail. These digital-native shoppers, often time-poor with young families or juggling busy schedules, place a high value on speed and convenience.



Fig 23: Most consumers willing to pay for premium delivery during holiday season

Q: Thinking about holiday shopping, would you be willing to spend \$7-\$9 extra to have a typical \$40-\$60 internet order delivered by any of the below methods? (select all that apply)



Source: Auctane, Retail Economics. Global average.

Premium delivery and maintaining profitability during the holidays

Spiraling cost pressures are forcing online businesses to switch focus from growth to profitability. This includes rethinking the foundational (ecommerce) principle that fast, free delivery should be provided to customers at any cost.

Many brands have increased fees for faster deliveries, introduced return charges, and raised minimum purchase values for free delivery. Even some marketplaces are introducing an additional charge for same-day, next-day, or premium delivery to help stem final-mile losses.

Raising fees for shoppers grappling with their own financial challenges might appear risky, particularly during the intensely competitive holiday season. Some retailers even scale back premium delivery options at this time of the year to manage capacity constraints.

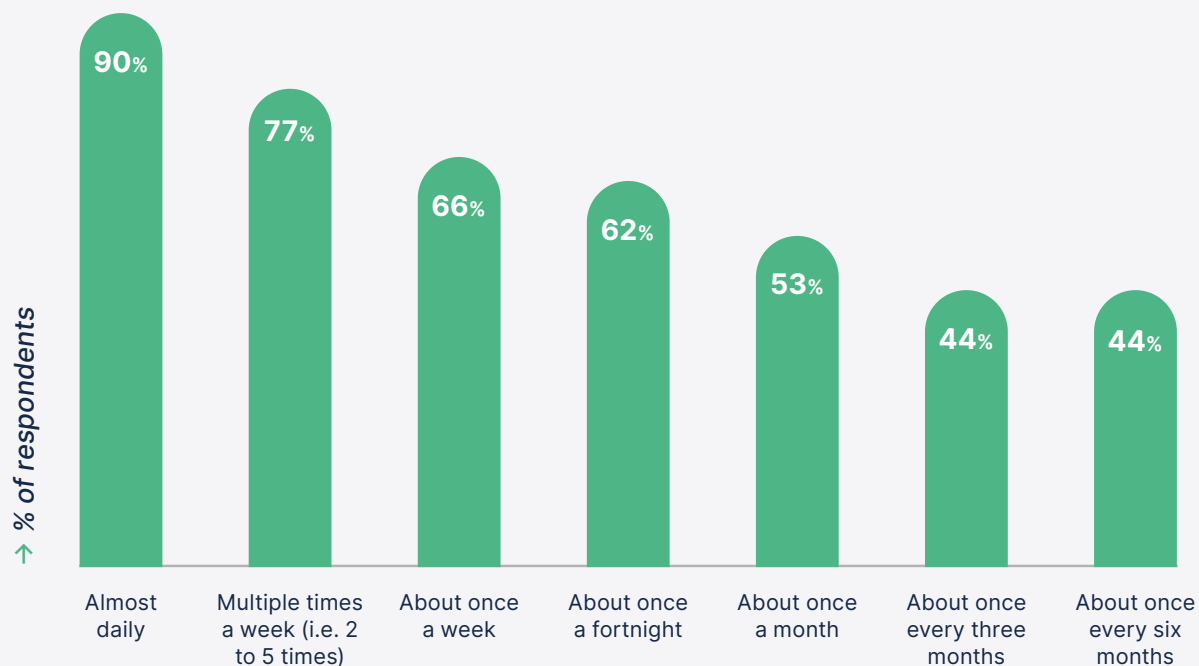
However, our research reveals a crucial insight: the inclination to pay for premium delivery is closely connected with the frequency of online shopping (Fig 24). This link supports the case for premium delivery services during the holidays, creating an avenue to implement premium delivery services or paid delivery membership fees tailored for loyal customers. This strategic move isn't just prudent from a profitability standpoint; it wields substantial potential for retailers.



Incorporating premium delivery choices alongside low-cost alternatives not only enriches customers' selection and flexibility but also introduces additional revenue streams that can potentially offset costs associated with free delivery, boosting profitability.

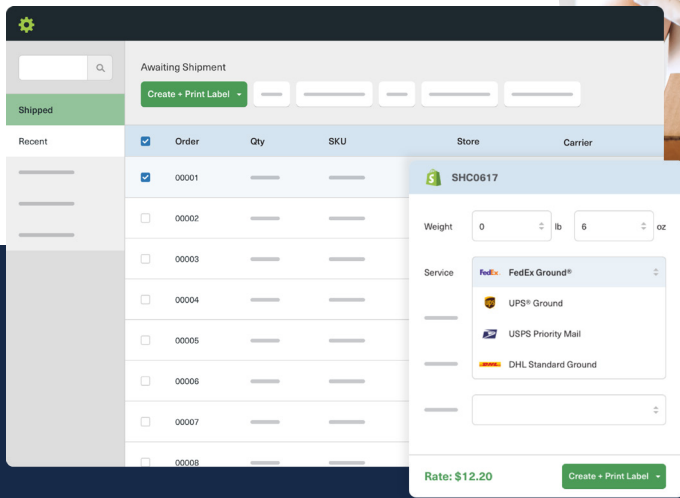
Fig 24: Frequent online shoppers are those that are most likely to pay for premium delivery

Willingness to pay for a premium delivery according to online shopping frequency



Save up to 89% on shipping with ShipStation!

ShipStation makes you exceptionally efficient at syncing, managing, and shipping your order at the best rates.



Wherever You Sell

With direct integrations to over 70 of the best selling channels, we make it easy to manage all of your orders from one platform.



However You Ship

Quickly generate discounted shipping labels for all of your orders and connect to all of your carriers in one place.



Exceptionally Efficient

Easily automate day to day shipping tasks and eliminate errors. With just a few clicks, you can spend more time selling and less time shipping.

Connect with all your channels, carriers, and platforms.



Start free trial



3

Strategies for Holiday Success

The retail industry faced unprecedented challenges in recent years. Now, 2023 will test its resilience once more. We explore some key themes that can help retail brands improve operations during peak trading season.

2023 Key Themes

1. **Optimize holiday promotion strategies**
2. **Opt for more delivery options**
3. **Use marketplaces to your advantage**
4. **Prioritize constant customer communication**
5. **Leverage data and technology**



1. Optimize holiday promotion strategies and cater to 'early bird' shoppers

As the holiday season approaches, retailers face a delicate balancing act between driving sales and maintaining profitability. Shoppers are embarking on their holiday buying journeys earlier than ever, seeking value for money and aiming to capitalize on promotional events such as Black Friday. The allure of mega-sale events like Black Friday can tempt businesses into deep discounting and prioritizing free delivery, potentially eroding profit margins amidst rising costs.

While such strategies can boost short-term revenue, they should be approached with caution. Considering various commercial factors like balance sheet strength, pricing power, market share dynamics, and regional competition, many retailers will need to explore ways to maximize operational efficiencies and profitability - instead of relying solely on heavy discounting for long-term success.

Sophisticated use of analytics and forecasting tools can help retailers with targeted promotions, sophisticated customer segmentation, optimizing inventory management, reducing overstocking, and minimizing the need for steep markdowns. Given the soft consumer backdrop in many markets, there will be pressure on retailers to focus on value to entice a wider range of customers and to remain relevant. Using data to create sophisticated customer segmentations (e.g. based on the most profitable customers) can provide a much higher return on investment. Retailers can transform their data into competitive advantages, helping to personalize promotional messaging and shift away from generalized marketing.

By focusing on operational efficiency and adopting intelligent promotion strategies, retailers ensure that holiday sales contribute to long-term profitability rather than a short-term spike.

2. Opt for more delivery options over free shipping

During the bustling holiday season, consumers demand a greater choice of delivery options, and many are willing to pay for premium services to match their heightened needs and expectations. Therefore retailers must ensure they offer a comprehensive suite of delivery choices, catering to the diverse needs of customers. This includes economical shipping solutions to expedited delivery services and convenient out-of-home locations, providing a valuable middle ground that effectively balances cost considerations and delivery speed.

Additionally, diversifying carrier portfolios becomes crucial as it provides a contingency plan against unforeseen supply chain disruptions that can wreak havoc on the delivery experience.

By adopting this approach, retailers not only safeguard their bottom line but also meet the heightened expectations of customers during the peak season, preventing potential profit erosion and contributing to a smoother and more satisfying shopping experience.

Furthermore, this strategy enables retailers to provide value-added solutions tailored for the holiday season. This includes services like express delivery, international shipping, and convenient pick-up locations, all of which elevate customer satisfaction and reduce customer churn during the peak holiday rush.

Express
delivery



International
shipping



Convenient
pick-up locations





3. Use marketplaces to your advantage

Our research underscores the pivotal role marketplaces play during the holiday season, with growth outpacing the wider online retail market. For retailers and brands, these platforms represent a valuable opportunity to extend their reach and access a broader audience. By harnessing the power of marketplaces, retailers can strategically position themselves to tap into this growth potential. This allows them to connect with a larger customer base, expanding their product offerings and bolstering their presence in the ecommerce landscape.

As retailers seek to make the most of the peak season, capitalizing on marketplaces is a strategic move that can significantly contribute to their success.

To ensure you're able to capitalize on the growth of marketplaces, ShipStation enables seamless integration with leading selling channels, such as eBay, Amazon, and more. These integrations enable you to automatically import orders and benefit from powerful shipping functionality.

4. Prioritize constant customer communication during the delivery journey

Clear and consistent communication with customers takes on paramount importance during the peak season, where consumers tend to be more impatient and expect enhanced transparency. This is particularly true in light of the current economic backdrop where savvy consumers shop around, switch channels, and abandon baskets if demands are not met. To stay competitive, retailers must embrace a customer-centric approach with targeted communication that recognizes these behaviors.

By integrating advanced tracking and communication systems, retailers can provide real-time updates on delivery progress, enhancing transparency and trust. These updates serve to alleviate uncertainty, providing customers with peace of mind regarding their deliveries. Effective communication of this nature goes beyond preventing cart abandonment; it actively contributes to a positive shopping experience.

By prioritizing a seamless, customer-centric delivery journey, retailers not only secure sales during peak periods but also cultivate long-lasting brand loyalty that extends beyond the holiday rush.

5. Leverage data and technology for forecasting and efficiency

Data-driven decision-making is paramount for peak season success. Retailers should harness data analytics to anticipate demand patterns, optimize inventory levels, and allocate resources effectively. By identifying peak shopping hours and geographic trends, retailers can refine their logistics operations, guaranteeing timely deliveries – even during surges. Advanced route optimization technologies driven by AI can minimize fuel consumption and delivery times, heightening customer satisfaction. Real-time tracking and performance analytics enable swift issue resolution, while automated alerts for potential delays facilitate proactive management.

Whatever size shipper you are, having access to data that empowers you to make more informed decisions is critical to growing your business. ShipStation offers an inventory management tool that enables you to effectively manage and monitor your inventory levels, something that becomes even more important during peak season. Reduce unnecessary errors and increase efficiency with intelligent features and inventory-specific reports.



Learn more about ShipStation Features



Access a reliable carrier network

Save up to **84%** off retail shipping rates and automatically select the best carrier for the job, every time.



Automate your shipping process

Add rules to your ShipStation dashboard to automate your most complex and time-consuming tasks.



Easily embrace multichannel selling

Expand to marketplaces and enjoy seamless integrations with your favorite third-party tools and platforms.



Manage inventory

Combine, split, filter, and edit orders from all of your selling channels. Assign order tags to optimize your delivery options.



Ensure a seamless delivery experience

Scan to Verify, branded tracking, and customizable packing slips make it simple to meet your customer's delivery expectations.

Want to try ShipStation for free?

[Sign Up](#)



Conclusion

Review

In the dynamic world of retail, the approaching holiday season presents a golden opportunity for retail brands to excel. However, amidst the backdrop of a post-pandemic recovery, deeply understanding consumer behavior, spending intentions, and ongoing economic uncertainties is critical for success.

Presented with cost-of-living concerns, inflationary pressures, and interest rate hikes, consumers worldwide will approach the holiday season with caution. Essentially, they will want to retain holiday norms but will be highly budget-conscious, seeking value-for-money and cost-effective solutions.

Nevertheless, resilience and adaptability within the retail sector are clearly evident. Technological advancements, digital transformation, and a focus on customer-centricity have enabled businesses to manage disruptions and provide exceptional shopping experiences.

While recessionary concerns prevail globally, regional variations in consumer spending intentions highlight the need for retailers to tailor strategies accordingly.

Importantly, loyalty is at a premium, so prioritizing shipping options to meet heightened demands with delivery speed, flexibility, and reliability during the holiday season, is more critical than ever. Today's consumer expectations transcend free shipping.

These collective actions will not only help retail brands get their customers through a challenging end of year, but will also position them as beacons of resilience, and adaptability, and as trusted allies, ready to deliver value, convenience, and a touch of festive magic during the holiday season and beyond.



Prioritizing shipping options to meet heightened demands with delivery speed, flexibility, and reliability during the holiday season, is more critical than ever.





About ShipStation

Every day, tens of thousands of ecommerce retailers rely on ShipStation to solve the day-to-day challenges of importing orders and processing shipments.

A trusted leader in shipping software since its founding in 2011, ShipStation helps online sellers scale their businesses and deliver exceptional customer experiences, with an intuitive online solution that allows them to efficiently ship orders -- wherever they sell and however they ship. The multi-channel and multi-carrier platform offers a multitude of integrations, with more than 300 partnerships with leading shopping carts, marketplaces, carriers, and fulfillment services, including USPS, UPS, FedEx, Amazon, Shopify, and BigCommerce. ShipStation is a member of the Auctane family of companies and is headquartered in Austin, TX with offices in London, Sydney, Madrid, El Segundo, and Zielona Gora.

For more information, visit <https://www.shipstation.com>.



About Retail Economics

Retail Economics is an independent economics research consultancy focused on the consumer and retail industry. They analyze the complex retail economic landscape and draw out actionable insight for our clients. Leveraging their own proprietary retail data and applying rigorous economic analysis, they transform information into points of action.

Retail Economics' service provides unbiased research and analysis on the key economic and social drivers behind the retail sector, helping to inform critical business decisions and giving you a competitive edge through deeper insights.

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