

APTIMIZED DISCUSSES THE BLACK FRIDAY PANDEMIC



Black Friday was the US retail signal for holiday season shopping. As time has gone by the Black Friday event has extended from a day to a week, and in some retailers to two weeks or more. Over the past ten years the buying habits have completely changed from footfall in retailers to online shopping, to mobile app based shopping.

In bygone days the supply and demand was very simple, physical queues, some overnight, meant the throng of shoppers through the door targeted “must have” finite items and once they were sold, they were gone. Now the queuing for shops has gone virtual, but retailers are becoming savvier. By making apps readily available on phones and tablets, the access to the must have items becomes almost instant, and the demand is in some cases artificially managed.

Retailers have had to resort to these types of tactics, as the demand online has grown since 2013 online sales have rocketed from \$1.3Bn to just shy of \$7.5Bn last year. Analysts are giving mixed signals, some expecting this year to be even more high yielding due to the physical restrictions imposed by the COVID 19 pandemic. Yet others forecast that there will be a significant drop in interest as the general public are pretty much shopped out from COVID related offers throughout the year, which have been critical to keep the retailers trading.

Whichever way the spending pendulum swings, retailers are and will be faced with two challenges, one we see every year in the news, and one that is ever growing and is costing and causing retailers a big headache.

The first challenge is the Black Friday traffic peak, this is akin to the same issue seen outside of major retailers 10 plus years ago. A thousand hungry shoppers and three doors into the shop, we are reminded of old news footage of people being pushed trampled in order to get that new toy, big tv or something that someone has saved all year for.

Online this is more in the millions, the click through and access to the sites need to ensure that the user experience is the same on the black Friday weekend as it is any other day of the year. Each year we see two or three retailers succumb to traffic problems. Last year Microcenter the computer retailer crashed for 45 minutes, causing a raft of posts to social media. JCrew, the apparel retail, estimated it lost \$775,000 from over 300,000 customers as its site was down for 5 hours. This is nothing compared to the cost of a two-and-a-half-hour outage at Walmart, that estimated a loss of \$9 million. The biggest loser was Costco where their 18 hour outage lost an estimated \$11 Million.

Consumers are more fickle as the metrics with regards to online behaviors are more immediate, a three second delay on a mobile device will lose approximately 53% of your shoppers, even a microsecond in load times can lose 7% according to Akamai.

This trickles all the way to the checkout as that percentage grows when the shopper can't complete purchases due to verification, or an emerging trend inability to apply vouchers from plug-ins such as honey.

The problem becomes split as organizations need to ensure they have capacity and constant monitoring, both automated and human to address quickly any surges. In addition, support to tweak and alter functionality in the back office to ensure smooth transactions, as well as handle queries and payment anomalies associated with online sales.

In a number of sectors, online sales have rocketed, especially in sectors of entertainment and home fitness. Retailers such as Netflix, Amazon, Peloton and NordicTrack have seen the demand explode. The entertainment sector has been able to provide their service, however such has been the demand during the pandemic that Netflix had to manage the access to 4K content. Peloton and NordicTrack were so overwhelmed with orders that delivery of their products became months rather than days.

This exposes the second issue facing online retailers which is slowly growing and is in front of our eyes every day and it is related to the supply chain. The cost of shipping, packaging and aftersales is becoming more and more pressing. Large retailers are berated at sites such as Trustpilot on the handling of returns or post-sales support.

Many consumers carry out a transaction and receive their goods and the goods perform as needed without issue. Yet there is a growing number of after sales issues that are growing and depending on the type of retailer depends on the management of the problem. The first part of the problem is plain capacity. COVID has meant that the growth of online orders hasn't been matched with the uptake of customer support initiatives, in fact some organizations have done the opposite and suspended online chat or phone lines. This has left customers very frustrated.

What is more frustrating and possibly out of the control of retailers is the direct shipping market, places such as Amazon where items are sold on behalf of a third party. The impacts of the pandemic have meant that there is little to no staff available to support the sale, or even worse fulfill the order.

If Black Friday outperforms, this is going to be a big headache for merchants, as these processes are already under pressure. Retailers will have to focus on customer support, vendor management systems, and supplier stock insights. They will have to give credence to metrics of their supply chain and the element of the post-sale. Ensuring that there is a holistic 360 degree picture of customer management is key. To be successful retailers will need to wake up to the fact that purchasing the goods is only one part of the sale, good customer service makes repeat sales.

There isn't a silver bullet for this situation, but as technology changes large technology houses are providing connected solutions. ERP and SCM systems are becoming more intelligent and connections into these systems are allowing easier management. However the problem needs to be addressed as the consumer is impatient, it may not be a Black Friday problem, but it could be a fallout Tuesday issue.