

Black Friday Sale: Breaking Down Pricing Strategies in Consumer Electronics

5th Dec, 2019



BY DATAWEAVE

Online holiday shopping (Nov-Dec) in the US for 2019 is projected to be \$143.7B, a 14.1% increase from 2018. This sets a rather exciting stage for retail giants in the battle to claim market share. Interesting patterns emerge as each one tries to out-smart the other. Black Friday, in particular, is when most of the activity was expected to be concentrated.

Inevitably, consumer electronics had strong representation, according to [research](#) by Coresight. As traffic steers more towards online shopping, there's an increased sense of comfort in purchasing big ticket items on an ecommerce platform. There are multiple reasons why electronics lead the race during the holiday season – easy to gift, personal indulgence, comparatively shorter shelf life and well, because who among us can really resist a gadget on sale.

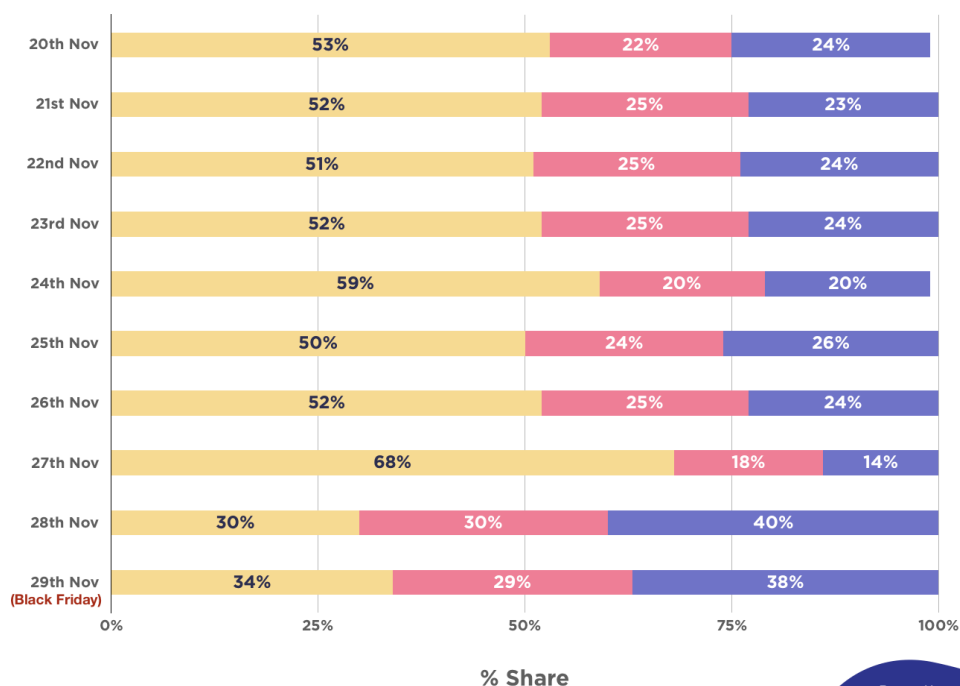
In line with expectations during the season, there's been a slew of generous discounts across the board. According to prior trends, Amazon was on course to be the lowest priced. In order to assess this, we decided to study a sample of 1000 products on Amazon and match them against its competitors like Walmart, Target, Best Buy and New Egg. Doing this gave us an accurate picture of the comparative pricing across retailers during this season, right up to Black Friday.

Competitive Pricing Analysis

There is a commonly held assumption that Amazon is the lowest priced retailer in most cases. How true is that? Here are our findings:



■ Amazon is exclusively the lowest
■ Amazon shares the lowest price
■ Amazon is not the lowest



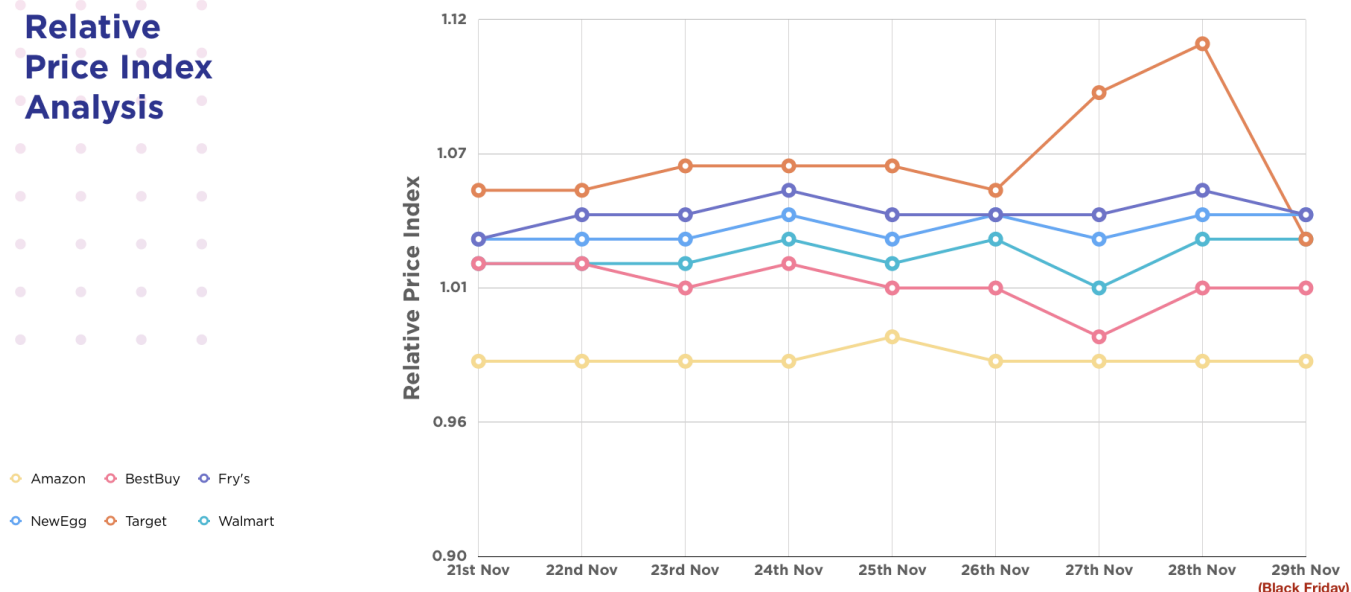
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We tracked the split across three scenarios during the holiday period – Amazon being exclusively the lowest priced, Amazon sharing the lowest priced spot and Amazon not being the lowest priced.

Clearly, Amazon monopolized the share of lowest priced products during the entire period – with its share of lowest priced products ranging between 86% and 60%. The dip from 86% to 60% was immediate on the 27th, as Amazon's competitors caught up. In general, Amazon's share of lowest priced products fell from 76% to 62% on Black Friday, as its competitors launched their most aggressive promotional campaigns for the holiday season. As shown in the next chart below, a large portion of this can be attributed to Target's pricing activity.

Relative Price Index

Relative Price Index Analysis



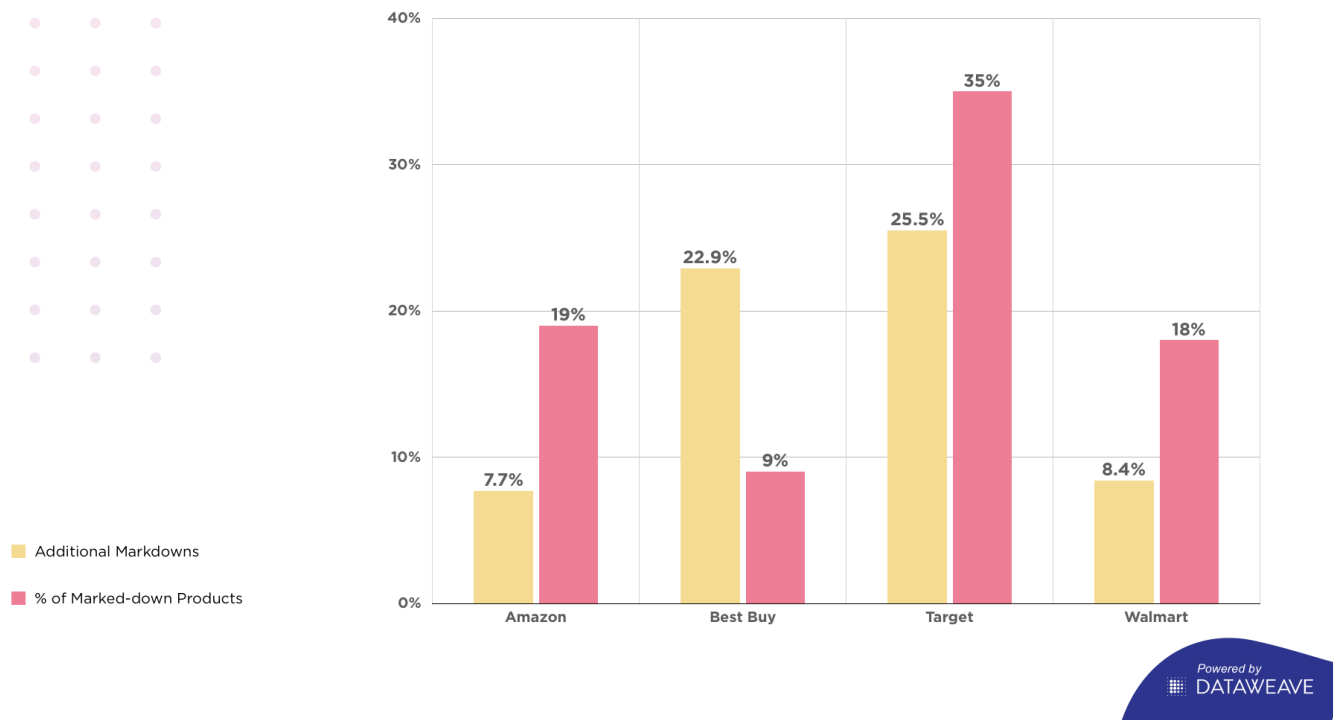
From 21 November until Black Friday, we calculated the price index across retailers, which indicates the relative pricing levels each day for the set of matched products – the lower the price index, the lower the average relative price.

Unsurprisingly, Amazon has been consistently the lowest priced by a fair margin. A few rungs down, New Egg and Fry's have been going head-to-head with their price positions. Target on the other hand, underwent a spike in relative pricing from 26-28 November. To sum up, in order of lowest pricing, it's Amazon, Best Buy, Walmart, New Egg, Fry's and Target.

Additional Markdowns

While the insights above were unearthed by comparing the products of retailers against a sample of 1000 Amazon products, we went further and performed a separate analysis on a different sample of 15,000+ products across retailers, which focussed on the top 500 ranked products of each product type for Amazon, Best Buy, Target and Walmart. The product types considered include Digital Cameras, DSLRs, Headphones, Laptops, Mobile Phones, Refrigerators, Tablets, Televisions, USB Flash Drives and Wearables.

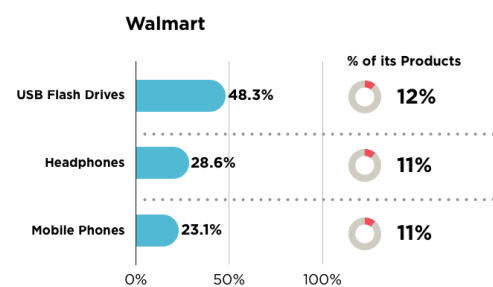
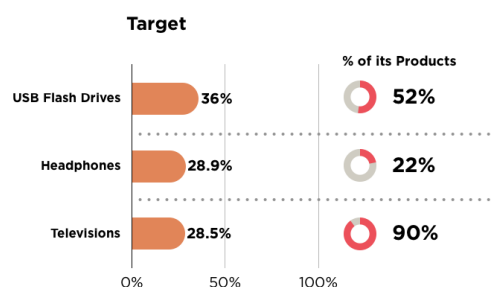
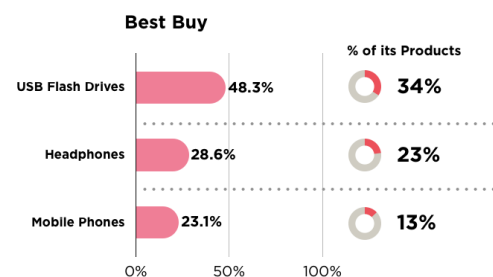
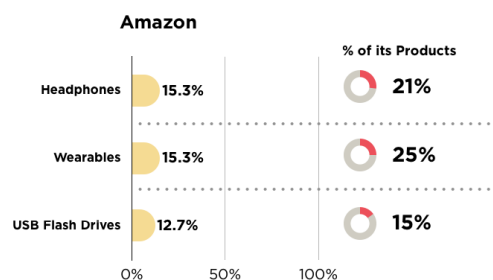
Here, we compared the prices during the sale with the mode of the prices of the same retailer the week before. This put into perspective the level of additional markdowns during the sale period, enabling us to better understand the additional value to shoppers during the sale period (since discounts are often offered during non-sale periods too).



Looking at opposite ends of the spectrum, we find Amazon with the least drastic markdowns during the sale as it tends to consistently have lower prices across the board. At the other end, there's Best Buy and Target with the most aggressive markdowns; Target taking the lead, 25.5% on 35% of its products, which is also consistent with the activity we observed in the previous sample of matched products.

Going further, we've broken down the markdown activity by the top product types for each retailer. Across the board, we observe attractive discounts on Headphones, USB Flash Drives and Mobile Phones.

Additional Markdowns by Product Type



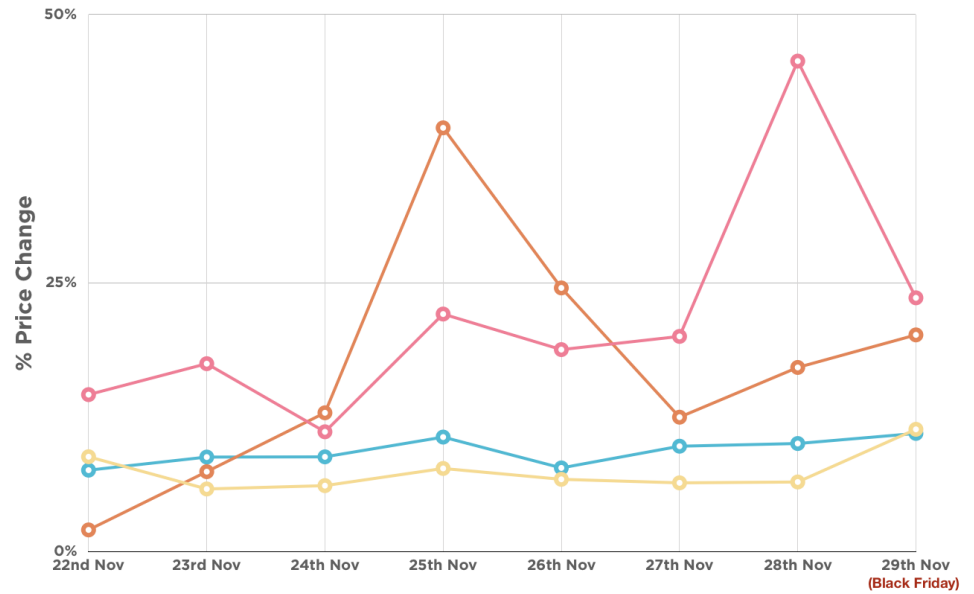
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Price Change Activity

With the proliferation of pricing intelligence tools (often driven by algorithms), dynamic pricing is a commonly observed behavior among retailers. We analyzed this trend during the holiday period to identify the retailers that are most aggressive in their price change activity. The following charts reveal the number of price changes performed by retailers in our sample as well as the average price variation during this holiday period.

Price Change Magnitude

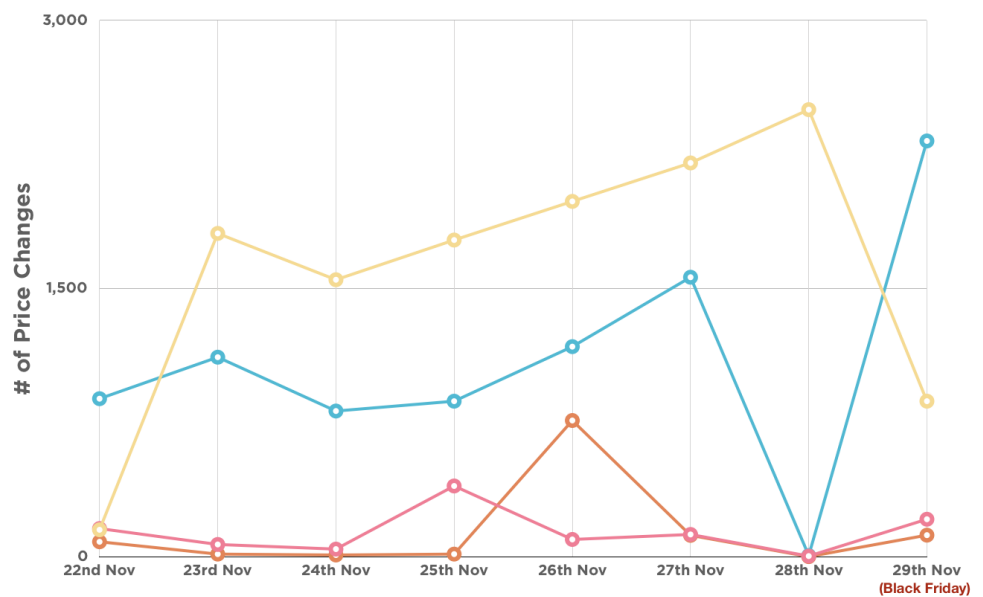
Amazon BestBuy
Target Walmart



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Number of Price Changes

Amazon BestBuy
Target Walmart



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Amazon made several price changes during the week but with a relatively low magnitude, since it was the lowest priced anyway through the week. The only other player with similar activity was Walmart. Target and Best Buy had significantly fewer price changes but when they did make the changes, the magnitude was much larger. Their focus was solely on a smaller, select set of products where they went all in.

In conclusion

As the years advance, the duration of holiday sales is no longer restricted to the actual holiday, but the days preceding and following them as well. With more and more people getting increasingly comfortable with online shopping (14.1% increase from 2018), buying habits are evolving too. Big retailers are cashing in on this and driving their pricing strategies to keep up with the evolution.

One of the clear cut findings from our research is that there are two primary paths they take: smaller additional markdowns over a longer period and larger additional markdowns over a shorter period. Whichever path they choose, retailers need to be on top of the game with valuable insights, that give them a competitive edge. For accurate and large scale competitive intelligence, [reach out to us](#).

- **DataWeave Marketing**

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