

401

Number of price changes by
Bloomingdales on 242
price changed products

49.9%

Average price
change magnitude
Bloomingdales

15

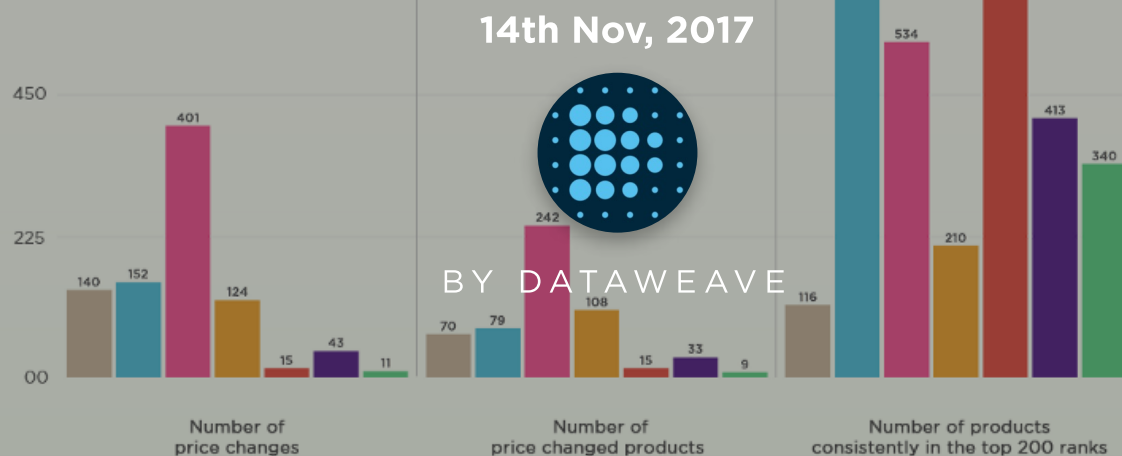
Number of price changes
by **Neiman Marcus** on
the 816 top ranked
products

293

Number of price changes
by **Bloomingdales** on
135 Men's Shirts with 67%
average price change
magnitude

Amazon Walmart Bloomingdales JC Penney Neiman Marcus New Egg Nordstrom

Black Friday Sales Season: How US Retailers Are Gearing Up



In today's rapidly evolving online and mobile worlds, few things encapsulate the competitive nature of the online retail battlefield like the Black Friday sales season. With this year's Black Friday and Cyber Monday sale events just around the corner, 2017 promises another titanic tussle between contenders.

The holiday shopping season commences on Black Friday, November 24, and continues through much of December. Anticipating the sales season, many retailers are **already offering discounts** on several key categories and anchor products, providing a sneak peek into what we can expect towards the end of the month.

While traditionally, Black Friday sales were dominated by brick and mortar retail stores, with the odd shopper stampede not unheard of, retail dynamics have changed in the recent past. Online sales now consume a larger proportion of Black Friday spending, and for the first time, consumers are expected to spend more online in the 2017 holiday season than in-store.

In anticipation of this mammoth sale event, we at DataWeave trained our proprietary data aggregation and analysis platform on several major US retailers to understand the competitive market environment before the sales kick off.

Between the 15th and 29th of October, we tracked the prices of the top 200 ranked products each day in the Electronics and Fashion categories across several major retailers. For Electronics, we analyzed Amazon, Walmart, Best

Buy, and New Egg, while Amazon, Walmart, Bloomingdales, Nordstrom, Neiman Marcus, New Egg, and JC Penney provided our insights into the pivotal Fashion category. Product types analyzed include mobile phones, tablets, televisions, wearables techs, digital cameras, DSLRs, irons, USB drives, and refrigerators in Electronics, and T-shirts, shirts, shoes, jeans, sunglasses, watches, skirts, and handbags in Fashion.

Automated Competitive Pricing Is the New Norm

With the accelerated evolution of online commerce, retailers have increasingly harnessed the power of competitive data to drive changes on the go to their pricing, product assortment, and promotional strategy. During sale events, however, these numbers spike significantly. Amazon famously made 80 million price changes each day during 2014's Christmas Season sale. Similarly, even on normal days some retailers have adopted the tactics of changing their product pricing more frequently than others, in their quest to stay competitive and build their desired price perception amongst shoppers.

In our analysis of price changes, we considered the set of **products that ranked consistently in the Top 200** from the 20th to the 25th of October. We identified the number of price changes together with the number of products affected by price changes that were implemented by the retailers.



Price Change Activity Across Retailers

Electronics

508

Price Changes by
Amazon on 236
price changed products

154

Price Changes by
Amazon on 54
Mobile Phones

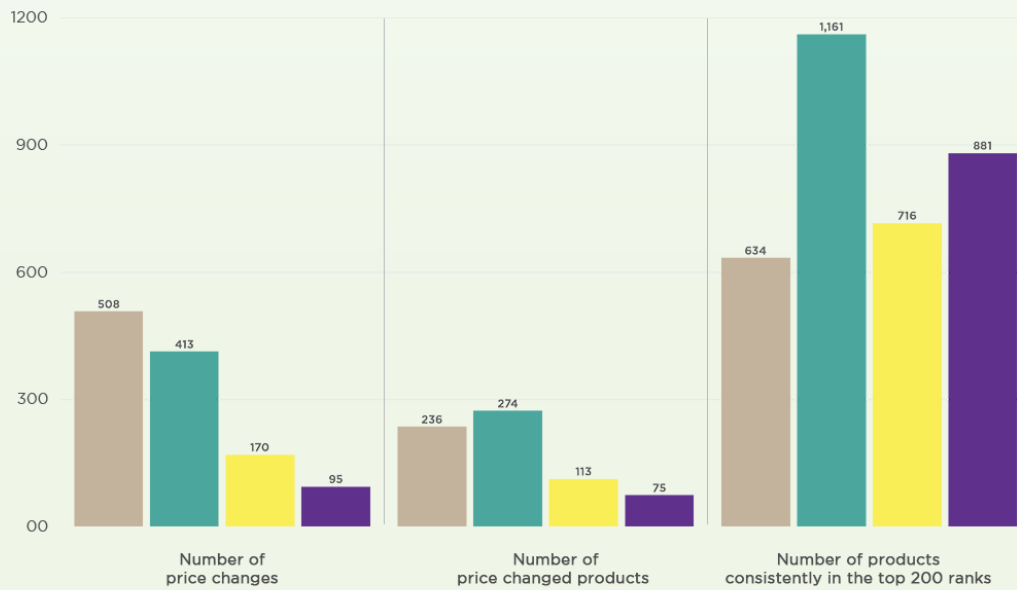
96

Price Changes by
Walmart on 57
Refrigerators

19.8%

Average price
change magnitude
by **New Egg**

Amazon Walmart Best Buy New Egg



Amount of
Price Variation

8.0%
Amazon

13.6%
Walmart

15.8%
Best Buy

19.8%
New Egg

Men's Fashion

401

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Bloomingdales on 242
price changed products

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Average price
change magnitude
Bloomingdales

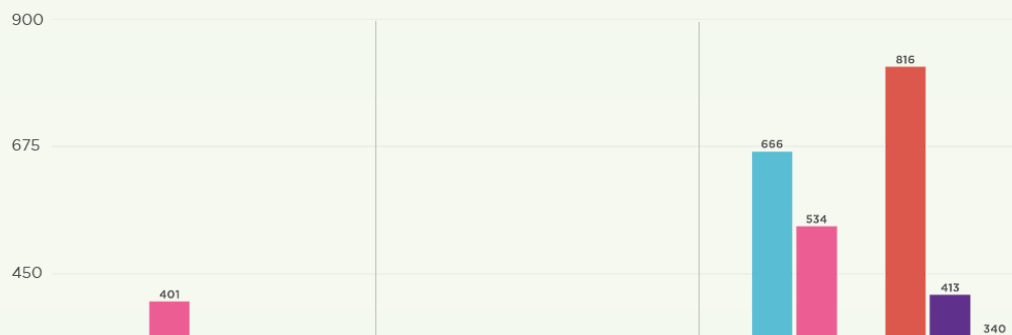
15

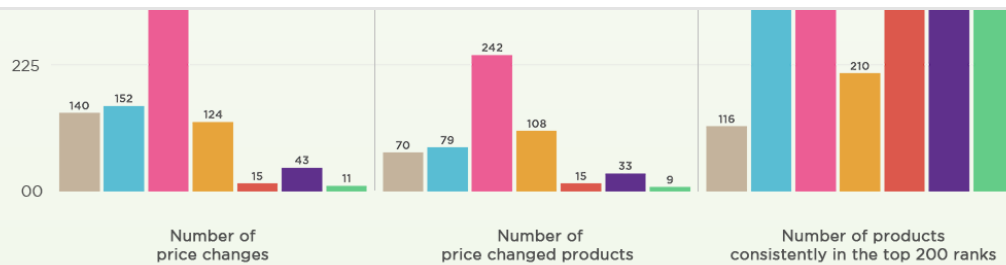
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135 Men's Shirts with 67%
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magnitude

Amazon Walmart Bloomingdales JC Penney Neiman Marcus New Egg Nordstrom





Amount of Price Variation

11.8%
Amazon

10.9%
Walmart

49.9%
Bloomingdales

34.1%
JC Penney

31.5%
Neiman Marcus

10.8%
New Egg

23.9%
Nordstorm

Women's Fashion

134

Number of price changes by
Walmart on 78 price changed
products

35.0 %

Average price
Change magnitude by
JC Penney

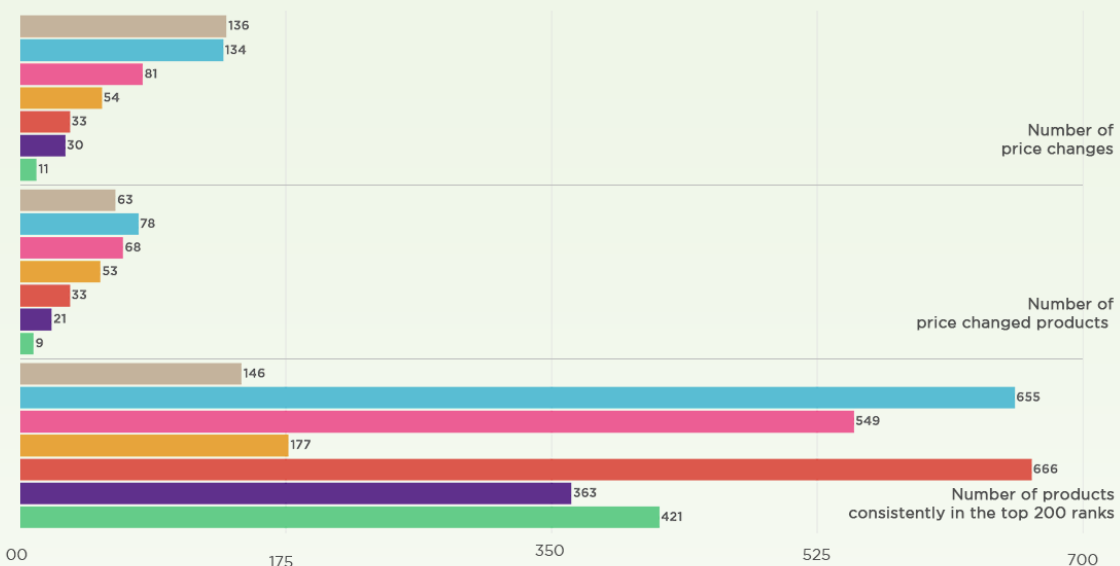
77

Number of price changes by
Amazon on 36 Women's
Watches

52.0 %

Average price change
magnitude by **Neiman Marcus**
on Women's Tops

Amazon Walmart Bloomingdales JC Penney Neiman Marcus New Egg Nordstorm



Amount of Price Variation

18.5%
Amazon

15.8%
Walmart

27.5%
Bloomingdales

35.0%
JC Penney

35.2%
Neiman Marcus

6.2%
New Egg

18.5%
Nordstorm

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As anticipated, Amazon led the way with 508 price changes on 236 products in the Electronics category during the period compared to Walmart's 413. By comparison, New Egg's 95 price changes trailed the field by a significant margin and illustrate the tactical advantage Amazon's dynamic pricing

technology confers. However, the price variation (8.0%) of Amazon's was also the lowest of the four retailers included in the study, showing that Amazon makes short, sharp tweaks to its pricing at a higher frequency than its competitors.

By comparison, the Fashion category demonstrated a much lower level of price changes than Electronics, albeit with significantly higher price variations. Walmart leads the pack, adopting an order of magnitude greater number of price changes across a significantly larger number of products compared to the majority of its competitors.

Product Mix Suited to Target Market Segments

While competitive pricing is one strategy for attracting new customers and retaining existing ones, the selection of products featured in a retailer's inventory is just as important. Ensuring a disciplined product assortment, which caters exclusively to a retailer's target market segments is key. While some retailers such as Walmart choose to house a more affordable range of products, Neiman Marcus and Bloomingdales target the more premium segment of shoppers.



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Which Retailer Holds a More Premium Product Mix?

Electronics

\$1837

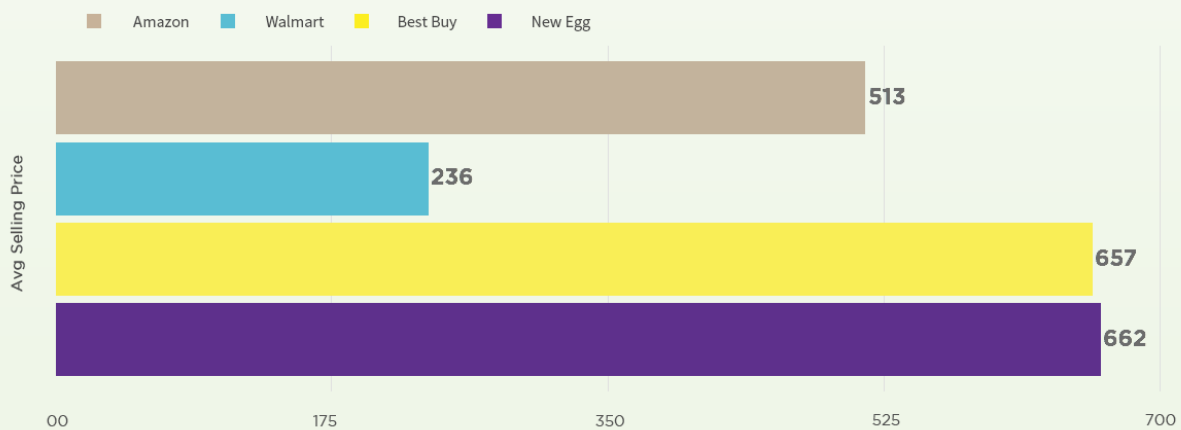
Average Selling Price of
DSLRs on **Best Buy**, compared
to \$789 on **Walmart**

\$1662

Average Selling Price of
TVs on **New Egg**, compared
to \$403 on **Walmart**

\$1615

Average Selling Price of
Refrigerators on **Best Buy**,
compared to \$215 on **Walmart**



Men's Fashion

\$2346

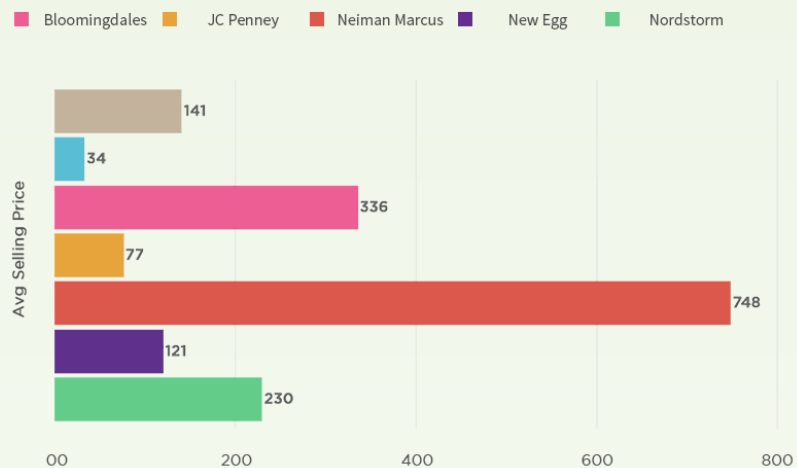
Average Selling Price of
Watches on **Neiman Marcus**,
compared to \$245 on **JC Penney**

\$45

Average Selling Price of
Sunglasses on **Amazon**

\$15

Average Selling Price of
Shirts on **Walmart**

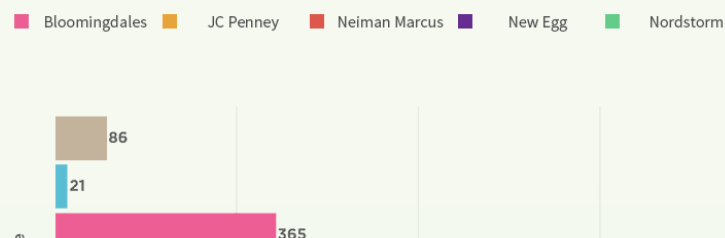


Women's Fashion

\$798

Average Selling Price of
Handbags on **Nordstorm**,
compared to \$396 on **Bloomingdales**

\$1457

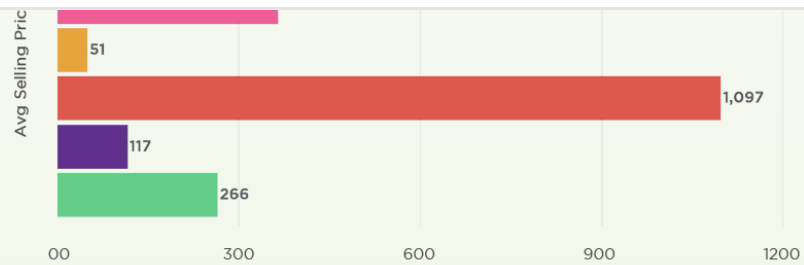


\$1457

Average Selling Price of
Handbags on **Neiman Marcus**,
compared to \$15 on **Walmart**

\$222

Average Selling Price of
Skirts on **Bloomingdales**,
compared to \$23 on **Amazon**



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It is clear from the data that Walmart has aligned its pricing strategy to support its affordability pitch to its shopper base, while Neiman Marcus and Nordstrom use pricing to juggle the demands of a more premium inventory with perceptions of price competitiveness.

Product Movement In The Top 200

Much of a retailer's sales performance comes down to how effectively it maintains the optimal mix of reassuring bestsellers complemented by attractive new arrivals. Sound product assortment clearly provides shoppers with a variety of options each time they visit the retailer's website. To achieve this balance, retailers typically employ their own, unique algorithm that ranks products in their listings based on several factors, including price range, discount offered, review ratings, popularity and promotions by brands.

To study this, we evaluated the average percentage of products that were replaced in the Top 200 ranks for each product type of each website.



New Products in the Top 200 Ranks Each Day

Electronics

39%

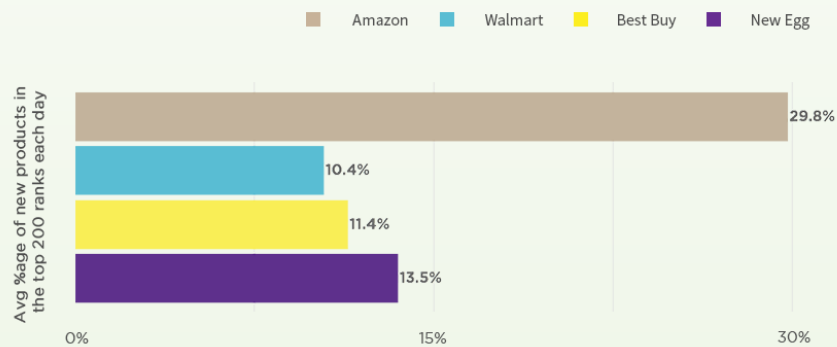
New TVs each day
on **Amazon**

15%

New Tablets each day
on **Walmart**

18%

New Mobile Phones
each day on **Best Buy**



Men's Fashion

75%

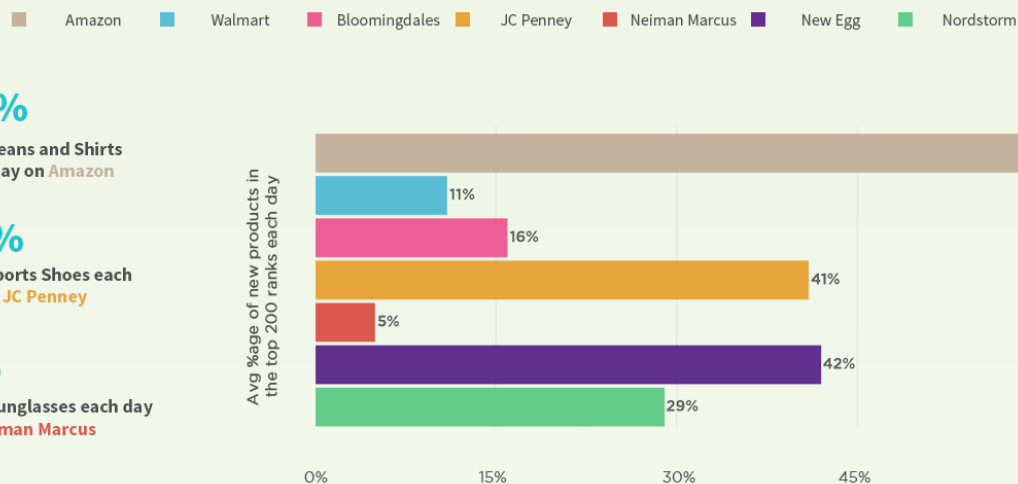
New Jeans and Shirts
each day on **Amazon**

50%

New Sports Shoes each
day on **JC Penney**

3%

New Sunglasses each day
on **Neiman Marcus**



Women's Fashion

71%

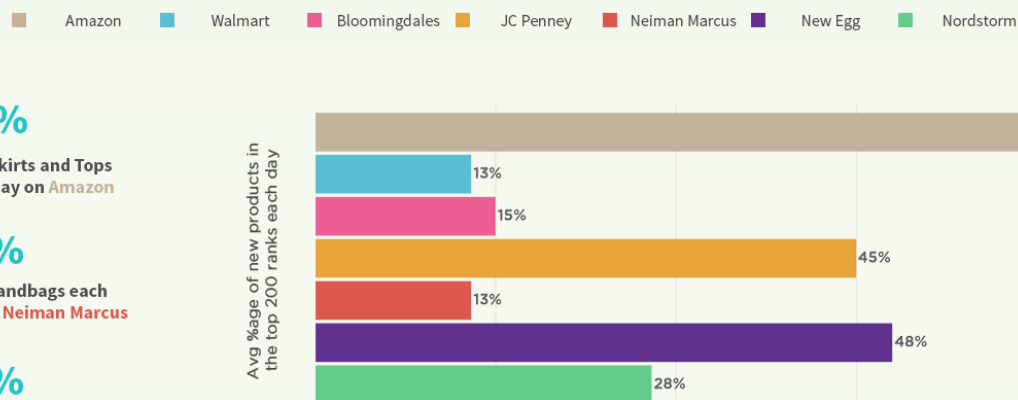
New Skirts and Tops
each day on **Amazon**

28%

New Handbags each
day on **Neiman Marcus**

20%

New Sunglasses



each day on Walmart

0%

15%

30%

45%

60%

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Amazon has clearly adopted a strategy of offering new options to its shoppers each day, with an average of **60% new products in the Top 200 ranks** of the Fashion category. Contrast that with Walmart which appears to be more conservative in its approach to churning its Top 200 products. In the case of Neiman Marcus however, the reason for the lower volume of product pricing movements in its Top 200 ranks may be due to the relatively high value of its premium product assortment, which imposes the internal constraints of having a smaller pool of new products to choose from.

Online-First, This Black Friday Sale Season

Amazon continues to demonstrate its dominance as a pacesetter in US retail, largely due to its progressive online pricing and merchandising strategies. These embrace the power of big data in its approach to online retail.

Research shows online is consistently outperforming in-store along critical customer satisfaction dimensions spanning: product quality, selection and/or variety, availability of hard-to-find and unique products, ease of searching and delivery options.

According to global consultancy Deloitte, for the first time ever, American shoppers will **purchase more online** than they buy offline in the 2017 holiday shopping season — 51 percent, up from 47 percent in 2016. With Black Friday looming in the next few weeks, it will be interesting to see how US retailers push to seize a larger piece of this growing pie.

Check out our website to learn more about how DataWeave provides Competitive Intelligence as a Service to retailers and consumer brands globally.

- **DataWeave Marketing**

14th Nov, 2017

AMAZON

E COMMERCE

PRICING

RETAIL