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What Worked During the Holidays

A number of key elements clicked during the holidays, which helped drive record online sales.

The holidays unwrapped:

Analyzing the final two months of 2017

The 2017 holiday season set online sales records, with the largest U.S. online sales day ever on Cyber Monday and mobile devices generating $2 billion in U.S. web sales on single day for the first time.

By April Berthene

Online holiday sales had another banner year in 2017.

Consumers spent $108.15 billion online in November and December, a 14.7% increase over the 2016 holiday season, according to Adobe Digital Insights. And retail sales continued to shift away from stores. The National Retail Federation estimates that nonstore sales accounted for 20% of its estimated $691.9 billion in total retail sales in November and December. Nonstore sales mainly take place online, but also include mail and telephone orders, door-to-door sales and sales through vending machines. That's a 1.3 percentage point jump from the NRF's 2016 nonstore sales estimate. Adobe does not estimate e-commerce's share of total retail sales.

And then there are the flashy numbers: Consumers spent at least $1 billion online on 58 days of the 61-day stretch of November and December up from 53 $1 billion-dollar days in the 2016 holiday season, according to Adobe. The only three days that consumers didn't spend at least $1 billion online were Dec. 23, Dec. 24 and Dec. 25. Adobe's data is based on its analysis of 1 trillion visits to more than 4,500 retail websites and 55 million SKUs. $108.15 billion surpassed Adobe's pre-holiday season projection that shoppers would spend $107.4 billion from Nov. 1-Dec. 31.

A confluence of events contributed to the strong 2017 online holiday sales, including a strong e-commerce market leading into the holiday season. U.S. online retail sales increased 15% year over year in each of the first three quarters of 2017, according to the U.S. Commerce Department. Other economic conditions, such as low unemployment, high consumer confidence and a soaring stock market also contributed to the record-breaking season.

The big weekend

The first sign that a strong holiday season was coming online arrived during the Cyber 5 weekend that ran from Thanksgiving through Cyber Monday (Nov. 23-27), when sales reached $19.62 billion according to Adobe, a 15.2% increase from the comparable period in 2016. Online sales surpassed $2 billion each of the five days and increased 9.5% year over year or more each day.

Cyber Monday was the largest online retail sales day in U.S. history, reaching $6.59 billion in sales, a 16.8% year-over-year increase from a year earlier. Sales on Thanksgiving Day posted the largest year-over-year growth at 18.3%. Here's how each day shook out:

- Thanksgiving: $2.87 billion, an 18.3% year-over-year growth
- Black Friday: $5.03 billion, 16.9% growth
- Saturday: $2.43 billion, 10.8% growth
- Sunday: $2.70 billion, 9.5% growth
- Cyber Monday: $6.59 billion, a 16.8% growth

Many retailers generated strong growth during this Cyber-5 period. For instance, web-only home furnishings retailer Wayfair Inc. says Cyber Monday was its largest sales day ever, and sales over the five-day weekend grew 53% over the year-ago period. And organic cosmetics retailer Juice Beauty increased its sales 40% over the five-day stretch. The retailer says bundling several items into a gift set helped increase sales.

The Amazon factor

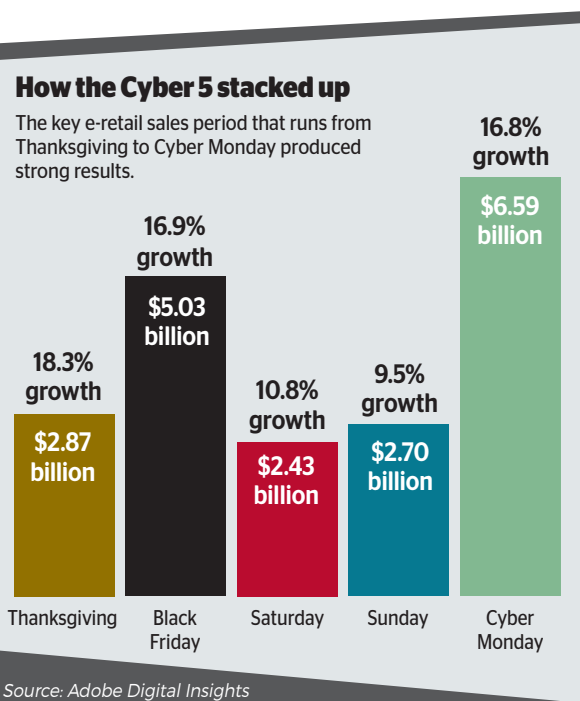Looming over the holidays, of course, was Amazon, which continued to gobble up an ever-growing share of retail sales. Cyber Monday was Amazon's biggest sales day ever, Amazon says, surpassing its previous largest sales day, Prime Day 2017, which generated an Internet Retailer-estimated $2.41 billion in sales.

Amazon accounted for 37.53% of total U.S. e-retail sales from Nov. 1-Dec. 31, up from 37.04% during the same period a year earlier, according to estimates by Slice Intelligence, which tracks email receipts from a panel of 5 million online consumers.

This large chunk of e-commerce sales blew all other online retailers out of the water. The next online retailers that grabbed the most holiday web sales dollars were Best Buy (4.74% of sales), Target (2.97%), Walmart (2.48%) and Apple (2.36%).

Even so, Amazon's 37.53% share of e-commerce sales for the holiday season was less than its share of sales for the entire year. The 12-month average is 38.6%, according to Slice data. This may be because other retailers are playing their "A game" over the holiday season, especially during the Cyber 5 stretch, while Amazon doesn't have to roll out aggressive incentives to drive shoppers to buy, says John Fetto, senior analyst research and marketing at Hitwise, which is part of digital marketing firm Connexity Inc.

Amazon's dominance during the holiday season was more pronounced in December than it was in November, according to Slice data. Amazon accounted for 31.9% of e-commerce sales in

How the Cyber 5 stacked up

The key e-retail sales period that runs from Thanksgiving to Cyber Monday produced strong results.

18.3% growth	16.9% growth	10.8% growth	9.5% growth	16.8% growth
$2.87 billion	$5.03 billion	$2.43 billion	$2.70 billion	$6.59 billion
Thanksgiving	Black Friday	Saturday	Sunday	Cyber Monday

Source: Adobe Digital Insights

November and 40.6% of sales in December.

"Amazon's biggest share gains can be seen in the period after Cyber Monday and peak the Monday before Christmas, validating the hundreds of millions of dollars that Amazon continues to spend on fast fulfillment," says Ken Cassar, principal analyst for Slice.

Tuesday, Dec. 19 was the peak day for Amazon to fulfill holiday orders, according to the web giant, which declined to provide further details. Traditionally, sales on pure-play e-commerce sites slow as Christmas approaches, as retailers post shipping cut-off dates in order to guarantee delivery by Christmas Eve. This was not the case, however, for Amazon, as its Prime loyalty program guarantees delivery for millions of eligible products in two days, and in some cases and cities, one day or one hour for its Prime Now program. This made shoppers more comfortable placing orders later in the season, as demonstrated by Amazon's late-in-the-season peak fulfillment day. More than 4 million consumers started a Prime free trial or paid membership in one week alone during the holiday season, although Amazon did not specify which week.

Amazon's expansive shipping and fulfillment network—the retailer grew its distribution center square footage more than 30% last year—helped.

Amazon's positioning made it difficult for web-only retailers to compete as many of them had shipping cut-off dates around Dec. 20-22. However, store-based retailers could extend their cut-off dates further by implementing ship-from-store or buy online pick up in store. In fact, Target Corp. says that stores fulfilled 70% of Target's digital order volume in November and December. This figure includes both buy online, pick up in store and ship from store, Target says. This was a much higher share than it had in the lead up to the holiday season, when about 50% of digital orders were fulfilled from stores, says a Target spokesman. He attributes the increase to the retailer expanding the number of stores that can ship online orders to 1,400 stores, which is about 75% of its chain, from about 1,000 before the holiday season.

Early shoppers

Consumers began their holiday shopping online earlier than ever this year. Online sales from Nov. 1-Nov. 23, which was Thanksgiving Day, were up 17.9% year over year, according to an Internet Retailer estimate.

Musical instruments and equipment retailer Sweetwater.com says its pre-Thanksgiving online sales increased 28.5% compared with this period last year, says David Stewart, the retailer's chief marketing officer. Overall, Sweetwater's November and December sales rose 22% year over year, he says.

The week before Thanksgiving, about Nov. 12, is when logistics provider Newgistics saw online orders start to significantly ramp up, say Lila Snyder, executive vice president and president of Pitney Bowes Commerce Services. Pitney Bowes Inc. recently acquired Newgistics, which provides logistics for 700 online retail clients.

Online orders posted a double-digit percentage increase the week before Thanksgiving compared with the comparable period last year, Snyder says, declining to reveal specifics. The "creep up" of the season likely stemmed from online retailers starting their promotions early in the season to relieve pressure, as well as technical and logistical overload off the Cyber 5 weekend, she says.

"Shoppers are looking for a good deal early, and they know earlier in the season is when retailers are more likely to have what they want, in the right color, in the right size and in the right style," Snyder says. "Savvy shoppers are waiting for the sales to start to begin their shopping early to take advantage of that."

For instance, U.S. Polo Assn. launched its Black Friday preview sale the week before Thanksgiving for its email subscribers and allowed them to access Black Friday promotions early with a code. That helped boost e-commerce sales, particularly the week of Nov. 17, when overall online sales were "comping very well to last year," says Matt Debnar, vice president of e-commerce at U.S. Polo Assn. and Jordache, declining to share specific details.

"E-commerce is maturing," Debnar says. "People are used to shopping online as their first choice rather than a second choice or their backup," he says. "Plus, retail stores are moving sales up earlier in November and talking holiday earlier and earlier."

Similarly, Spreadshirt, a print-on-demand, web-only merchant of apparel, reduced its prices early in the season on certain products in order to generate more sales, says Hugo Smoter, the retailer's chief commercial officer.

'E-COMMERCE IS MATURING. PEOPLE ARE USED TO SHOPPING ONLINE AS THEIR FIRST CHOICE RATHER THAN A SECOND CHOICE OR THEIR BACKUP.'

MATT DEBNAR, VICE PRESIDENT OF E-COMMERCE AT U.S. POLO ASSN. AND JORDACHE

Early discounting contributed to the retailer's 15% year-over-year increase in sales from Nov. 1-Dec. 12. The retailer's production facilities were already at capacity by Dec. 12. Smoter wouldn't reveal full season numbers, only that the retailer exceeded its goal of 100 million euros ($124 million) in revenue in 2017.

A shift to mobile

A larger share of consumers made purchases on their mobile devices during the holiday season. Mobile commerce had its first $2 billion-day on Cyber Monday, which was a 31% year-over-year increase. Smartphones generated the bulk of the mobile growth on Cyber Monday, accounting for $1.4 billion in online sales compared with $980 million in 2016. Tablets generated $600 million on Cyber Monday, up from $550 million in 2016. This $2.0 billion is just higher than the $1.9 billion spent on mobile devices a few days earlier on Black Friday 2017, mobile's previous largest sales day.

In terms of mobile's share of e-commerce sales, smartphones continued to chip into desktop's share, while tablets remained constant. Smartphones accounted 23% of online holiday sales last year, generating $25 billion, tablets 10% with $10.8 billion and desktops 67% with $72.3 billion. This is compared with 2016 when smartphones were 21% of holiday sales, tablets 10% and desktops 69%.

In terms of traffic, mobile accounts for 56% of visits to e-commerce sites, with smartphones generating 46% and tablets 10% from Nov. 1-Dec. 31.

That shift created an opportunity for athletic apparel retailer Left Lane Sports, which invested in mobile initiatives throughout the year, such as a revamp of its mobile shopping cart page, says Erik Fialho, chief operating officer. The redesigned shopping cart, which launched in mid-2017, involved flipping the order of items listed on the shopping cart page to have the cart total and checkout button listed

first, followed by the list of products in the shopper's cart. Previously, the shopper saw her products first and had to scroll down to see the order total and then click checkout.

At the end of 2016 the retailer invested $225,000 in a responsive design website, which is one site that formats to the screen the consumer is viewing it on. Previously, the retailer had a separate mobile site.

Those efforts helped drive mobile to account for 58.0% of all traffic to its website from Thanksgiving through Cyber Monday, up from 46.5% during the same period in 2016, he says. Plus 48.0% of its orders over the holidays stemmed from a mobile device, up from 36.0% in 2016. What's more, Left Lane's mobile conversion rate increased by 52.8% during that stretch, Fialho says. Although the redesign occurred more than a year ago, Fialho still attributes its holiday season increases to the new website design.

"We are continuing to pour energy into creating a superior mobile experience," Fialho says.

Searching for shoppers

Many retailers focused on their paid search marketing during the holiday season in hopes of getting more shoppers to their sites. When planning for this holiday season, 55.9% of retailers named paid search as one of the marketing categories where they planned to spend a large share of their holiday ad dollars, according to an Internet Retailer survey of 68 online retailers conducted in the summer

US Polo's Product Listing Ads—the visually-oriented ads that present product images, prices and business names to users searching on Google—generated the largest increase in return on ad spend of all of its marketing channels this year, Debnar says.

That success stemmed in part from the retailer working with digital marketing firm Elite SEM to ensure that the product tags and metadata that it sends to Google meet the search giant's specifications. For example, if the retailer listed a product

color as "midnight," the vendor would change it to "black" so Google could easily categorize it in search results because shoppers don't type in "midnight polo" to Google, but rather "black polo."

The retailer also used Google's artificial intelligence tools this year for its PLAs. Here's how the tools work: The retailer gives Google 25 to 30 of its keywords, its desired return on ad spend—which is $5 in sales for every $1 in ad spend—its budget and a time frame, Debnar says. Then Google runs the campaign and optimizes the bids and ads to reach that return on ad spend goal.

With artificial intelligence, Google uses a variety of PLA ad iterations (such as different orientations or different wording) until it determines which ads have the best click-through rate and conversion rate. Google then automatically adjusts the ads to serve the best one, Debnar says. The retailer also is able to tweak this based on the times of day ads best convert, down to the hour range.

"We've kept our sales from paid search pretty much even while cutting spend," Debnar says.

This helps with one of the retailer's goals for the season, which is to increase profitability, Debnar says.

Amazon, however, was also a major player in search marketing this year. Out of the U.S. search traffic that came to Amazon.com in November-December, 18% was paid traffic and 82% organic, which is about a 64% increase in paid traffic from the 2016 holiday season, when 11% of Amazon.com's search traffic was paid and 89% organic, according to SimilarWeb.

Plus, this was the first holiday season Amazon used PLAs. Amazon captured 11.9% of U.S. Google desktop text ad clicks and 3.2% of desktop PLA clicks from Black Friday to Cyber Monday among 2,500 top retail product keywords, such as "laptops," "shoes" and "uggs," analyzed by search marketing data provider Adgooroo. Amazon led in mobile text ad clicks, with a 9.1% click share, and it was fifth in mobile PLA clicks at 2.9%.

"Amazon is now a major player in PLAs and that's affecting results for everyone else," says Jim Leichenko, Adgooroo's director of marketing. "Amazon has the resources and ability to transfer its dominance in text ads to PLAs."

While Amazon may have grabbed more shoppers, more searchers and more dollars during the final two months of 2017, other retailers generated significant e-commerce dollars. The 2017 holiday season was marked with early shoppers, mobile shoppers and most importantly, a 14.57% year-over-year increase in sales. ●

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WHAT **WORKED** D U R I N G T H E **HOLIDAYS?**

A number of key elements clicked during the holidays, which helped drive record online sales.

BY APRIL BERTHENE

There was plenty for online retailers to celebrate during the holiday season.

E-commerce accounted for 29% of all transactions during the Oct. 28-Jan. 1 period, up from 26% in the comparable period in 2016, according to payment processor First Data, which based its results on data from more than 1.3 million U.S. merchants. Moreover, the average e-commerce ticket was $103.49, 50.9% more than the $68.57 average ticket among physical stores.

There were many reasons behind the strong season, says Michael Klein, director of industry strategy for retail at Adobe. For instance, because Thanksgiving was early (Nov. 23), there was a longer period between Thanksgiving and Christmas compared with 2016. That helped many consumers get in the holiday shopping mindset earlier and provided a few more days between the two holidays for shoppers to buy online before shipping cutoffs later in the season, he says.

At the same time, retailers' efforts to build up their mobile infrastructure and strategies over the past few years paid off as consumers were increasingly looking to shop on their smartphones, Klein says. Sales on mobile devices, including smartphones and tablets, grew 28.0% year over year, according to Adobe.

Mobile sales were particularly strong on key days such as Christmas Day, when smartphones accounted for 68% of traffic and 50% of online transactions,

and Thanksgiving Day, when smartphones accounted for 62% of traffic and 46% of orders, according to e-commerce platform and technology service provider Salesforce Inc. Commerce Cloud. Salesforce bases its findings on data from 2,750 e-commerce sites and 350 million shoppers in 53 countries.

Moreover, mobile conversion rates rose during the holiday season. Over what's known as the Cyber 5, the five-day period of Thanksgiving through Cyber Monday, mobile conversions rose more than 14% year over year, according to Adobe data.

Traffic to top e-commerce websites increased 15% year over year on Dec. 31, according to Verizon's Holiday Retail Index, which monitors Wi-Fi traffic via desktops and mobile devices to the top 25 U.S. online retailers based on annual revenue.

On New Year's Day, total traffic grew even more with a 32% year-over-year increase compared with the same day last year, according to Verizon.

"Retailers have been successfully wrapping up the season as consumers rang in 2018 by taking advantage of end-of-year promotions and other appealing offers," says Michele Dupré, group vice president, retail, at Verizon Enterprise Solutions. "The big chill in much of the country likely helped to heat up the digital market-place too," she adds, referring to the cold weather in many parts of the U.S.

Web measurement firm SimilarWeb Ltd.

also reported traffic increases to top U.S. e-commerce sites. Amazon.com, for example, increased its overall daily traffic year over year Nov. 1-Dec. 31 by 1.2%, which translates into more than 1 million additional visits per day to the web giant. Walmart.com increased its traffic by 2.4% during this time period.

Some of those traffic gains came with a price tag. Retailers had to buy more of their search traffic during the holiday season than they did in the months preceding it, according to SimilarWeb. For example, between August-October 2017, 86% of Amazon.com's desktop search traffic stemmed from organic search and 14% via paid search, whereas in November, 83% of search traffic was organic versus 17% paid.

Only Costco Wholesale Corp., which had 100% organic traffic, and Walmart (68% organic, 32% paid) maintained their paid versus organic search ratio from August-October into November, according to SimilarWeb.

For many retailers, those costs were worth it as the holiday season produced strong returns. ●
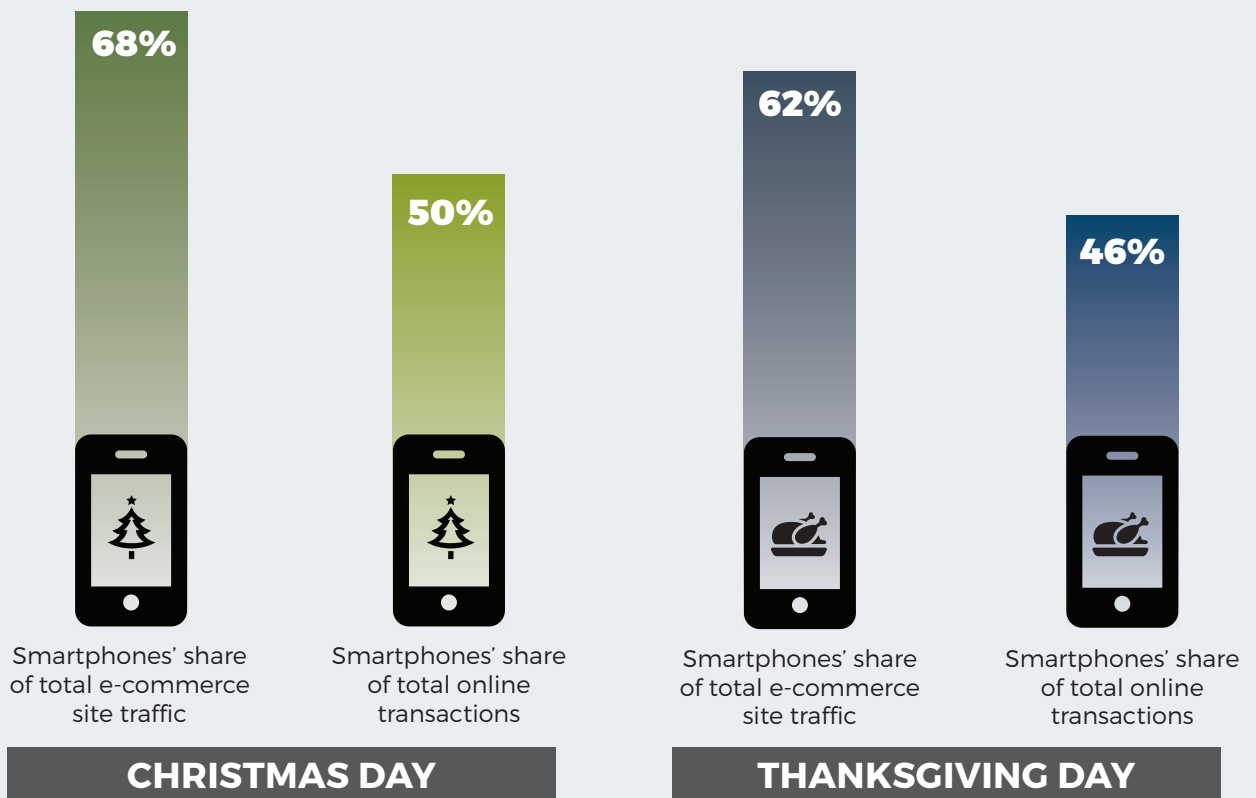
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E-COMMERCE'S MARKET SHARE GROWS

Retail sales shifted online during the 2017 holiday season, which ran from Oct. 28-Jan. 1.

2017
- Physical stores **71%**
- E-commerce **29%**

2016
- Physical stores **74%**
- E-commerce **26%**
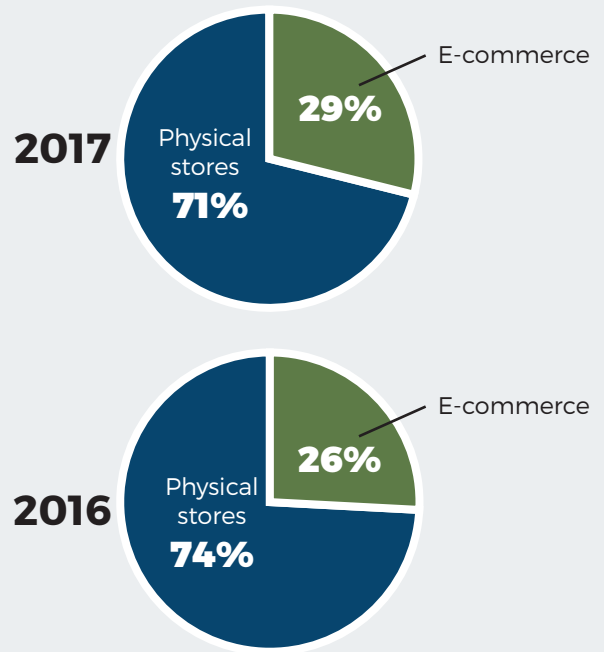
Source: First Data

HOW SMARTPHONE TRAFFIC AND SALES STACK UP ON CHRISTMAS AND THANKSGIVING

68% — Smartphones' share of total e-commerce site traffic

50% — Smartphones' share of total online transactions

CHRISTMAS DAY

62% — Smartphones' share of total e-commerce site traffic

46% — Smartphones' share of total online transactions

THANKSGIVING DAY

Source: Salesforce Inc. Commerce Cloud

Preparing for holiday season 2018: go mobile first, safeguard against fraud

SHANTANU KEDAR

senior product marketing manager
at Akamai, a cloud delivery
and security platform

Between last year's Thanksgiving Day and Cyber Monday, U.S. consumers spent a record-breaking $19.62 billion online—15% more than they spent during the same time frame last year, according to Adobe Digital Insights. Meanwhile, overall traffic to physical stores fell and consumers' use of mobile devices during the holiday season jumped, with close to 40% of the online revenue generated on Black Friday coming from mobile devices, Adobe says.

"This demonstrates that retailers have understood and implemented strategies to improve the mobile experience for their users, and that those investments paid off," says Shantanu Kedar, senior product marketing manager at Akamai, a cloud delivery and security platform.

But many retailers that still haven't fully embraced the mobile movement and aren't providing their customers with seamless and engaging mobile experiences, Kedar says. "Those retailers lost out on the opportunity to capitalize on the mobile shopping frenzy during Black Friday and Cyber Monday," he says.

If the past is any indication, 2018 will experience an even further increase in mobile traffic and revenue. "Plus, consumers have become extremely impatient," he says, pointing to Google Analytics data that shows 53% of visits are abandoned if a mobile site takes more than three seconds to load, and 49% of users expect a mobile app to respond within at least two seconds.

"Those retailers that haven't fully adopted mobile and focused their resources on optimizing experiences for desktop devices should start evaluating tools to deliver superior mobile experiences and make the most of next holiday season," Kedar says. "It takes time to perfect, so it's important to start early."

Retailers that want to up their mobile game before the 2018 holiday shopping season should first identify ways they can better understand and serve their customers with differentiated digital experiences. "Today's digital user demands rich, engaging content that is fresh, personalized and fast," Kedar says. "If a retailer's website and mobile app can't deliver, those customers are gone."

TO SUCCEED DURING the 2018 holiday shopping season, retailers need to leverage user data to monitor how visitors interact with their website and app, he says. They should optimize behaviors that drive the most revenue across user locations and devices. And, using real-world situations, they should validate whether those optimizations resulted in desired business outcomes.

Retailers should also look for a technology vendor that takes a tailored approach to helping individual retailers and that can implement a suite of tools to help them accomplish these goals.

An ideal technology vendor will help retailers assess website performance under peak traffic using a scalable, load-testing platform and ensure there are no interruptions during those busy times, he says. It should also be able to deliver a retailer's content quickly to any device, anywhere in the world. And, with the uptick of fraudulent activity—especially during peak shopping seasons—it should be able to protect retailers against attacks.

"The increase in malicious traffic and the ever-changing threatening landscape make it challenging to ensure robust security," Kedar says. "Customers expect secure digital experiences, so it is important that retailers invest in protecting their apps, websites and infrastructures from cyber attacks."

Retailers should leverage technology, such as Akamai's, that will deliver the digital experience customers expect, as well as maximize engagement and revenue to ensure a successful 2018 holiday season, he says. ∎

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Understanding 2017's holiday shopping trends can help retailers prepare for this year

CHRIS LOBAY
director of product at Shopify,
an e-commerce platform provider

The holiday shopping season is a critical period for many retailers. As both competition and customer expectations grow, retailers must provide consumers with highly satisfying shopping experiences—from the first moment of customer engagement all the way to shipping and delivery, and even through the returns process. Getting it right can be the difference between success and failure.

"Every year, online sales during the holiday shopping season grow by leaps and bounds, and 2017 certainly proved that with record-breaking sales once again," says Chris Lobay, director of product at Shopify, an e-commerce platform provider.

Shopify merchants reached $1 billion in gross merchandise volume for the Black Friday through Cyber Monday period. At the peak of the holiday season, Shopify merchants also generated more than $1 million worth of transactions in just one minute, Shopify says.

2017'S STRONG ONLINE holiday sales revealed several noteworthy trends, Lobay says.

For instance, mobile shopping continued to grow in popularity. Mobile orders accounted for 64% of orders over the four-day Black Friday to Cyber Monday weekend on Shopify, which was a 10% year-over-year increase. "Mobile is increasing consistently," Lobay says. "It is quickly becoming the standard way consumers access a retailer's store and products."

Retailers also found that email marketing produced strong results during the season, Lobay says. During the 2017 holiday shopping season, email had the highest conversion rate (4.29%) among channels, such as search (3.04%), direct (2.93%) and social (1.81%), according to Shopify data.

"Email has often been said to be dead compared with other channels, but we continue to see email be the highest converting of all these sources," he says. "That goes back to understanding your customer."

Cyber Monday, which was conceived in 2005, is catching up in popularity to Black Friday, which has been a major shopping event for nearly 60 years. "More

shoppers actually shopped online on Black Friday in 2016 despite Cyber Monday's focus on e-commerce," Lobay says. "But in 2017, Cyber Monday continued to catch up to Black Friday in terms of online order volume for merchants."

Additionally, the entire Black Friday-Cyber Monday shopping weekend is growing globally in terms of web sales. The biggest year-over-year sales increases came in the United Kingdom and Spain, as well as in South Africa, which generated 5.3 times as many orders on Black Friday compared with a year earlier, according to Shopify data.

'Merchants that have focused a particular holiday sales event on their North America customers need to understand for next year how they can engage their global customers.'

"Black Friday has very strong roots in North America and Cyber Monday is relatively new, but both of these retail events are becoming global phenomenons," Lobay says. "Merchants that have focused a particular holiday sales event on their North America customers need to understand for next year how they can engage their global customers."

With traffic and sales continuing to increase during these peak times, it is important for retailers to prepare early to ensure they can successfully

navigate this busy time, he says. "Retailers need to make sure they understand which promotions will resonate with their customers, they need to engage with them in the right channels, and they need to make sure they have the inventory to serve customers wherever they are in the world," he says.

Smart retailers spend the slower times of the year learning as much as they can about their customers and begin working on their holiday season strategy as early as August or September, Lobay says. "By preparing early and tailoring an approach specific to their unique customers, merchants can get ahead of peak-season challenges," Lobay says.

SHOPIFY LAST YEAR helped retailers on its platform better prepare with a Black Friday-Cyber Monday campaign it launched for them in September. "The campaign was driven by artificial intelligence and machine learning, and it gave Shopify retailers insights for their specific businesses and guided them on how to best prepare for this busy time," Lobay says.

For example, Shopify identified the products that would be popular with merchants' customers, the promotions with which their customers would best engage and the channels in which they should market. "We launched the campaign very early in the season to encourage our merchants to preplan and get ahead of the trends," he adds.

Retailers also need to ensure they have the ability to scale their businesses for peak periods such as

November and December, Lobay says. "We've heard horror stories from online retailers whose sites couldn't manage the influx of traffic," he says. "No one should have to worry about their site going down and losing what could amount to millions in sales during the most important time of year."

A few years ago, Gymshark was one of those horror stories. The U.K.-based fitness apparel startup had initially launched its e-commerce business on Shopify, but the fast-growing company quickly outgrew

replatforming on Shopify Plus. "Now the Gymshark team sleeps well at night knowing Shopify has its back," Lobay says. "But their story is not that unique. We hear similar stories time and again."

Lobay says many Shopify clients come to the platform after their previous one fails to meet their needs. "We often have merchants moving to Shopify from other platforms after they have lost hundreds of thousands of dollars in sales and the trust of their customers," he says. "We have proved to be the platform that has

'No one should have to worry about their site going down and losing what could amount to millions in sales during the most important time of year.'

the platform. At the time, Shopify had yet to launch its enterprise e-commerce platform Shopify Plus, so Gymshark switched to a different platform.

The retailer spent six months and hundreds of thousands of dollars to build and maintain the site, which launched just in time for Black Friday. But it couldn't handle the peak season traffic and quickly went down. Gymshark estimates the failure cost the company 100,000 pounds ($140,000).

"That was supposed to be a huge day for us but we let our customers down," says Ben Francis, Gymshark's founder.

Francis handwrote apology letters to every customer affected by the site's failure, and 10 months later, Gymshark returned to Shopify,

high stability to scale—especially during peak shopping seasons."

Shopify regularly seeks to improve its products to address the changing e-commerce landscape and trends like the ones that emerged this past holiday shopping season. Lobay says this helps retailers better serve their customers. "We recently rolled out new point-of-sale hardware, for example," he says. "And we are continuing to improve our shipping and checkout experiences."

Shopify's goal is to make it as easy as possible for small and midsized online retailers to compete with large, enterprise retailers, Lobay says. "It's simple. We help them scale their business seamlessly," he says. "We take away a lot of anxiety, and save them time. That's our job." ■

Retailers need to strengthen their fraud defenses this year

GLEN GOLDSTEIN
vice president of technology,
retail and e-commerce at TransUnion,
a global risk information provider

The 2017 holiday shopping season was one for the history books. U.S. shoppers spent a record-breaking $800 billion, with online sales rising 18.1% compared with the 2016 season, according to MasterCard's Spending Pulse retail report. And mobile devices accounted for 47.4% of e-commerce visits during the Black Friday weekend, according to Adobe Digital Insights.

While 2017 may have been a record-breaking year for U.S. e-commerce, it was also hit hard by data breaches. "Last year saw more than 1,000 data breaches in the U.S. alone, making it the country most affected in terms of both number of occurrences and total identities stolen," says Glen Goldstein, vice president of technology, retail and e-commerce at TransUnion, a global risk information provider. "That means it's more important than ever that retailers have a strong fraud-prevention strategy in place."

While many retailers have traditionally relied on simple identity verification tools to prevent fraud, as the incidents of fraud increase along with the sophistication of criminals, that is no longer enough, Goldstein says. "E-commerce companies must have a digital and device verification layer alongside their identity verification tools to sufficiently manage fraud," he says.

Digital verification analyzes a consumer's behavior on a website or mobile app. It compares a shopper's interactions to normal browsing behavior patterns to identify potential fraud. It also examines hundreds of attributes on the device itself—such as system settings to identify whether a phone is jail-broken and to understand where a device is located compared to where the device should reasonably be—to help detect potentially fraudulent transactions a retailer might otherwise miss, Goldstein says.

"Many retailers realize they must adopt these types of next-generation tools that can counter fast-changing fraud patterns with speed and scale," Goldstein says. "Machine learning can help retailers analyze thousands of data points to detect potential anomalies and allow for real-time model updates that can improve risk scoring."

DURING THE 2017 holiday shopping season, one top U.S. clothing retailer received a record number of online transactions—putting its TransUnion fraud prevention system to the test. "Our machine learning tool helped achieve a 96.5% pass rate and 99% accuracy rate, whereas the apparel industry average pass rate is around 92%," Goldstein says. The pass rate, also known as the acceptance rate, is the percent of total orders that are accepted by a merchant. "This means more legitimate customers were approved while more criminals were declined. That helped the brand offer shoppers a smooth shopping experience during the crucial holiday season."

While these types of tools are helping retailers strengthen their fraud defenses, Goldstein says criminals will continue to innovate. For instance, new-account fraud will rise to an estimated $8 billion in 2018, according to Javelin Strategy & Research.

"The next 'bubble' in card-not-present fraud will be synthetic fraud, which is much harder to detect," he says. Synthetic fraud describes a criminal combining real and fake information, such as an actual consumer's Social Security number with incorrect information such as a different name or address, to create an identity, open fraudulent accounts and make fraudulent transactions. "Synthetic fraud impacts financial institutions and retailers," Goldstein says. "Once criminals have built fake identities and are ready to cash out, they make major retail purchases before dumping the identity and leaving the merchants to bear the cost."

To prevent fraud spikes, retailers need new defenses to fight back, such as the tools offered by TransUnion. "We help retailers handle the scale and velocity of transactions during peak shopping seasons with confidence," Goldstein says. "Our technology combines thousands of digital data points, along with a powerful decision matrix and continuous machine learning, to detect digital identity elements and look for stability or clues that a synthetic identity may have been created. This way, retailers can better gauge those consumers who are genuine and those who are not." ∎

Retailers:
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