

At The Ends of the Days

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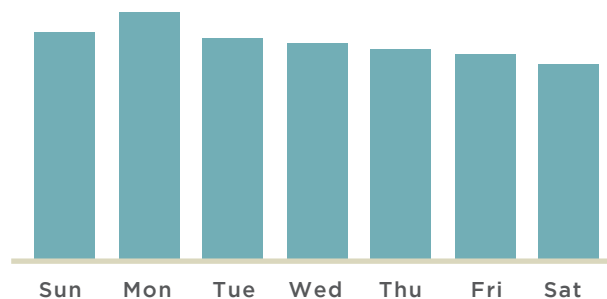
Ecommerce enables consumers to shop for what they want when they want. Likewise, streaming video services empower consumers to view what they want when they want. Use patterns of these technologies illustrate that consumers are active on different days of the week and different hours of the day than previously imagined. Patterns suggest a broad set of lifestyles more than they indicate a desire for instant fulfillment.

- >> **Consumers want to shop on Mondays and watch video on Tuesdays**
- >> **More shopping is occurring late in the evening and more video viewership is occurring early in the morning**
- >> **Three days counts as "now" for today's consumers**

Thank God It's Monday?

From negligible levels at the turn of the century, ecommerce has now grown to exceed eight percent of all retail sales. Ecommerce sales grew at an 11% rate in 2017, about five times the growth rate of retail on the whole. Cyber Monday, which follows Black Friday, has become a big day on the annual shopping calendar. A concentration of ecommerce sales on Monday, however, is not unique to that day. Distinct from brick-and-mortar shopping, most ecommerce happens on Monday throughout the year. Mondays have the most online sessions and the highest conversion rates for online retailers. Given that Monday is a traditional work day, it appears that ecommerce is more transactional in nature than it is social in nature. Consumers want or need products and they tend to execute those purchases on the first day of the week.

Average Daily Revenue by Day of Week



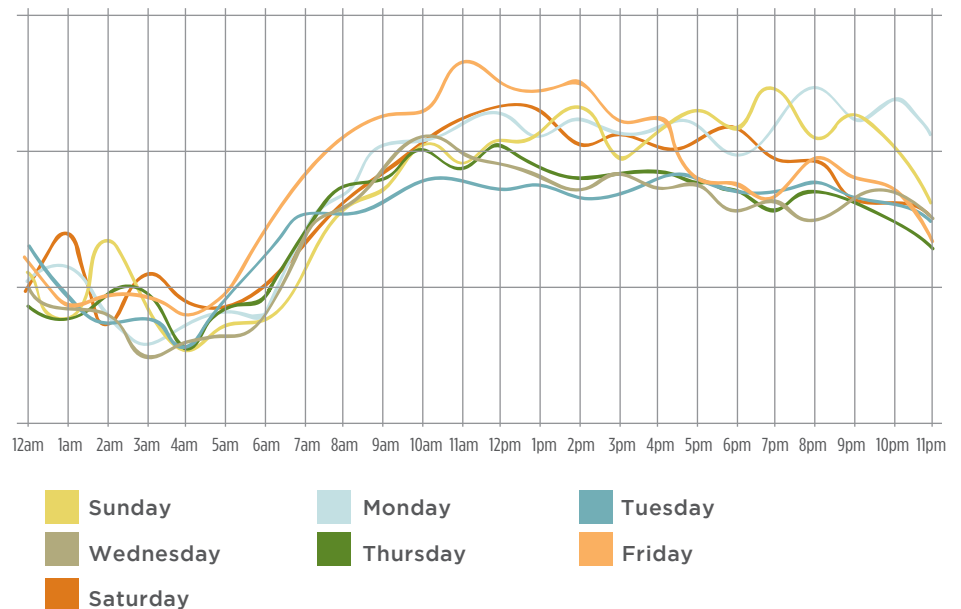
Source: www.workarea.com

Just as on-demand commerce is a growing trend, on-demand video is capturing consumer attention as well. Networks once scheduled their best shows for prime time Thursday, but consumers have spoken and Tuesday has become the biggest viewing day of the week for streaming video. Jokingly, we suggest that consumers are chilling after Monday shopping.

What Time?

A signal for the importance of the convenience factor in ecommerce comes from the peak times of day when consumers use the technology. Data suggests that peaks in ecommerce activity occur near eight o'clock p.m., ten o'clock p.m., and there is a mini-peak between one and two o'clock a.m. Retail store hours seldom extend late into the evening, and consumers are showing a preference for shopping late into the night. Our view is that consumers are shopping when it is convenient for them and that they want to execute purchase decisions immediately upon making them.

Hourly Conversion Rate



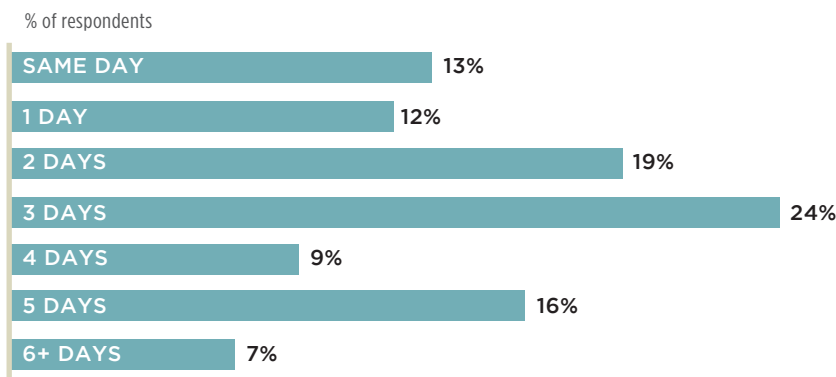
Source: www.workarea.com

On-demand video also enables consumers to time-shift their usage patterns. While viewing of streaming video is up about 20% over the last year, viewership in the 5 o'clock a.m. to 8 o'clock a.m. time slot is up 38%. This represents significant erosion in Top 20 network viewership from their heretofore largest live viewing daypart. Given the option, consumers seem to want to shop at 10 p.m. and to watch video at 6 a.m.

Add Water. Wait 3 Days.

While ecommerce consumers seem to exhibit transactional and time-shifted demand, they do not appear to be terribly sensitive to immediate delivery. “Now” can mean “three days from now.” Consumers do demand free shipping. It is the second largest determiner between consumers filling online shopping carts and pressing the ultimate buy button. However, as long as that delivery is within three days, ecommerce shoppers are pretty ambivalent as to acceptable shipping times. Wanting a product delivered same day represents only 13% of shoppers, but 43% of consumers distinguish two-to-three day delivery for non-urgent purchases as fulfillment “now.” Separate data indicates that ecommerce customers are less than half as likely to engage in impulse purchases than those consumers shopping in a brick-and-mortar store.

Acceptable Timeframe for Ecommerce Order Shipping According to Internet Users in North America: Q3 2015



Note: for non-urgent purchases

Source: A.T. Kearney, “Retail Operations: People Are Still the Best Investment: 2016 Achieving Excellence in Retail Operations (AERO),” May 17, 2016

Source: www.eMarketer.com

Longer time frames apply to video consumption as well. Three days seems to be the magic number for consumers as the Nielsen ratings service has gone from emphasizing release date ratings to measuring and reporting new video episode viewership in the first three days following release.

Conclusion

On-demand commerce and on-demand video technologies have enabled consumers to shift consumption patterns from the weekends to the weekdays and from daytime to the wee hours. This degree of flexibility is valued to the degree that customers regard three days’ time as the equivalent of fulfillment now. Customer-focused technologies that enable time shifting are the ones most valued by the marketplace. At JAG Capital Management, we are finding attractive investments among leading companies with these attributes.

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