

2015 HOLIDAY INTELLIGENCE REPORT

CJ Affiliate Network & CJ Insights



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INTRODUCTION

THERE'S A LOT TO BE LEARNED FROM LAST YEAR'S HOLIDAY PERFORMANCE THAT SHOULD **INFORM HOW AFFILIATE MARKETERS PLAN AND STRATEGIZE FOR THE 2015 HOLIDAY SEASON. THIS REPORT DRAWS UPON NOVEMBER AND DECEMBER 2014 SALES IN THE CJ AFFILIATE NETWORK TO PROVIDE AN ANALYSIS OF THE NOTABLE HOLIDAY **SALES TRENDS** THAT RETAILERS AND PUBLISHERS SHOULD CONSIDER, INCLUDING **TIPS** THAT WILL HELP YOU BEST **ENGAGE** WITH SHOPPERS DURING THE IMPORTANT SHOPPING SPRINT BETWEEN THANKSGIVING AND CYBER MONDAY AND BEYOND.**

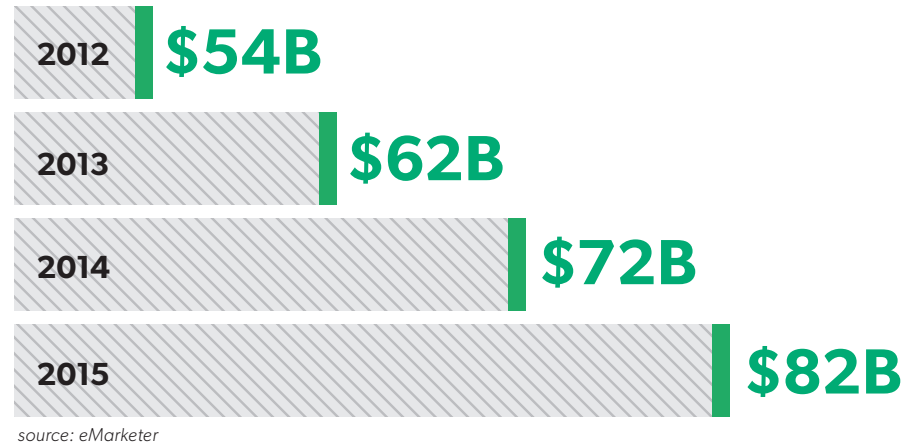
HOLIDAY SALES

U.S. HOLIDAY RETAIL SALES

\$72B U.S. sales in 2014
16% growth in 2014

\$82B forecast in 2015
14% growth forecast in 2015

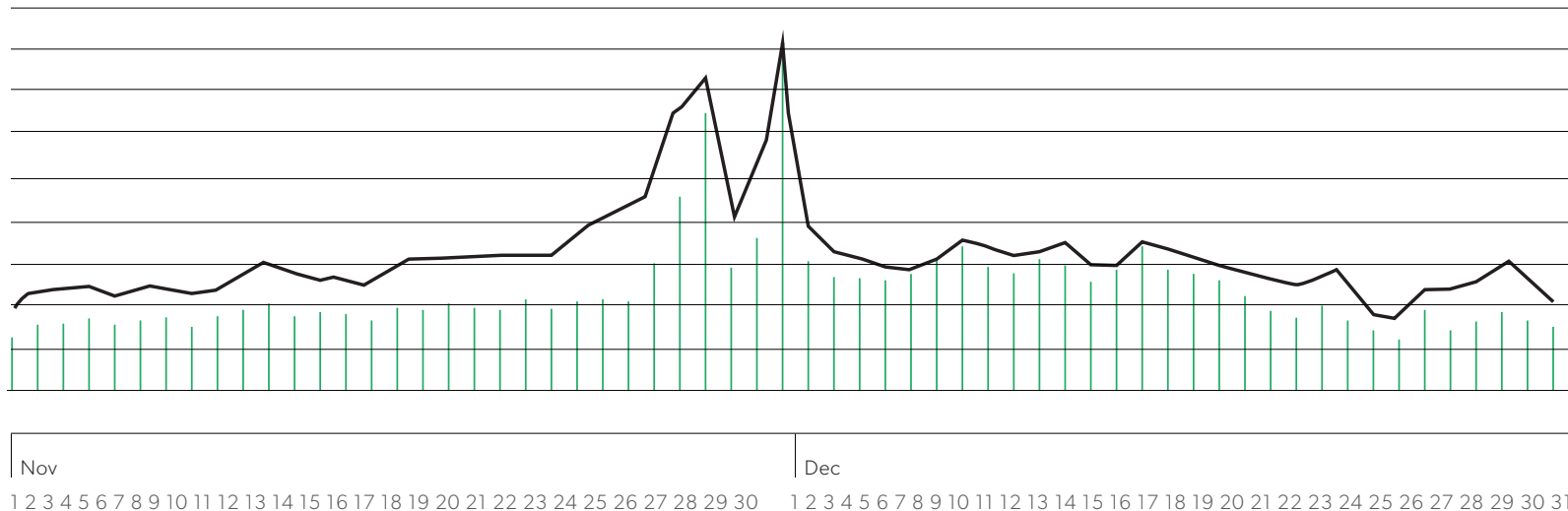
9%
of U.S. Holiday Retail Sales are Online Sales
source: eMarketer



CJ NETWORK HOLIDAY 2014

CLICKS AND SALES TREND

● SALES ● CLICKS



KEY STRATEGIES

STARTING EARLIER, RUNNING LONGER AND THE IMPACT OF SINGLES DAY

Marketers looking for incremental sales will tap a growing trend on the part of affiliate shoppers to shop earlier in November. Daily transactional volume in the first three weeks of November grew at a weekly rate of 11%. Driving part of this growth, in part, was a mid-November sales spike on Singles Day (November 11). *Already a major retail shopping day in China, Singles Day last year appeared to gain traction with the global affiliate shopping audience, particularly in the Accessories, Beauty, Clothing and Games & Toys categories.* Despite some skepticism on the part of retail analysts that U.S. shoppers' budgets can accommodate a new gifting holiday, retailers may have an opportunity to tap a holiday designed to appeal to a younger, Millennial-age shopping demographic.

Holiday 2015's peak sales day will occur within the 7 day period that begins the week of Thanksgiving and ends on Cyber Monday ("Peak Week"). Yet opportunities exist beyond this initial sprint: Mondays in December, for example, are important

sales days, delivering both the highest weekday sales and rate of conversion, particularly as the shipping window starts to close. *Conversion rates on the third Monday in December, for example, were 25% higher than average.*

Due to high mobile-connectivity and shopping rates, weekend days are a new and growing opportunity for retailers in the affiliate channel. Last holiday season sales on Sundays on mobile devices surged, suggesting affiliate marketers have a key opportunity to grow the mobile segment on both Saturdays and Sundays this year.

MOBILE BRIDGES THE GAP: ONLINE AND OFFLINE

Without a doubt, the growth in mobile shoppers is the largest opportunity for which marketers should prepare this holiday season. *Mobile traffic will likely account for half of all shopper traffic (two-thirds on smartphones) and mobile shoppers are increasing -- there is expected to be 17 million new mobile shoppers in 2015 than 2014.* (eMarketer) Larger screen sizes will likely have a positive impact on conversion and sales on smartphones.

The mobile opportunity becomes even greater for retailers with both online and offline stores. Thirty-seven percent of holiday shoppers report shopping both online and offline last year. (NPD Group) Prompts received on smartphones or tablets in the form of emails or alerts all have the potential to serve as a bridge between the ecommerce and physical stores. Further, the distribution and tracking of offers for in-store shoppers is a key and important opportunity for the omnichannel retailer in affiliate this season.

MOBILE

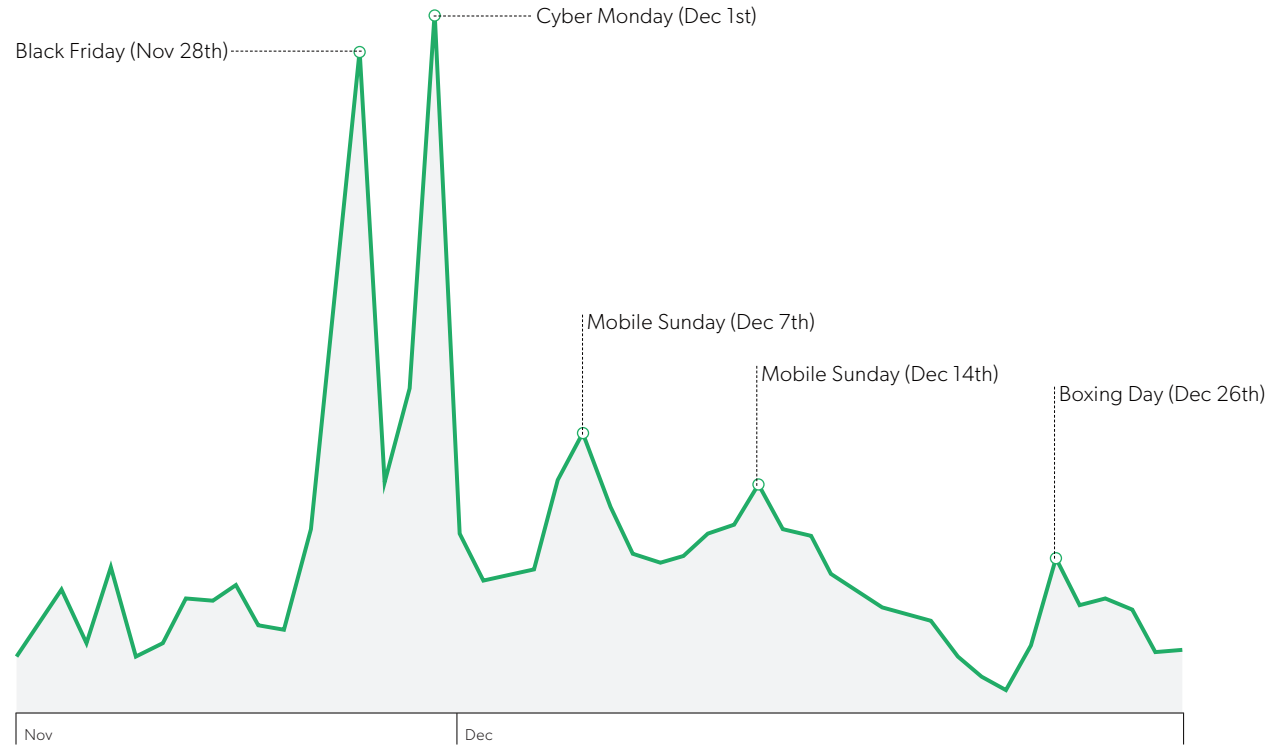
Mobile devices were a growing percentage of the network’s holiday sales last year and they’ll be even greater this year. *Last holiday season, 45% of online traffic came from mobile devices and it is expected that this year it will exceed 50 percent. (IBM)* Mobile sales for some network categories this year could easily exceed 25% of overall sales.

Shopper familiarity and comfort with purchasing on tablets and smartphones has resulted in higher weekend shopping rates. *Unexpected sales peaks on Sundays in December last year suggest that the traditional weekend lull in online sales has ended.*

Retailers should also prepare for sales post-Christmas – last year, sales on December 26 (Boxing Day in Canada) were particularly strong and many of these sales occurred on mobile devices.

CJ NETWORK HOLIDAY 2014

MOBILE SALES TREND



CJ NETWORK HOLIDAY 2014

PERCENT OF SALES ON MOBILE DEVICES

- Clothing/Apparel **22%**
- Beauty **20%**
- Entertainment **20%**
- Sports & Fitness **20%**
- Accessories **19%**
- Recreation & Leisure **16%**
- Gifts & Flowers **15%**
- Family **13%**
- Home & Garden **13%**
- Books/Media **12%**
- Department Stores/Malls **11%**
- Computer & Electronics **11%**
- Automotive **9%**
- Art/Photo/Music **5%**
- Food & Drinks **5%**

OFFERS

Coupon offers were the top offer type last holiday season by sales volume, although sales/discount offer types received more overall clicks. *Coupon offers were higher converting throughout the season, averaging 8% conversion rate compared to sale/discount and free shipping offers (7% and 5% conversion rate, respectively).*

Free shipping offer types drove considerably smaller volume overall with two notable exceptions -- 8% of sales in the Clothing/Apparel and Sports & Fitness categories tracked to a Free Shipping offer link. Free shipping offer usage was at its highest during the first two weeks of December and then dropped after Free Shipping Day which occurred on December 17 last year.

CJ NETWORK HOLIDAY 2014 OFFER TYPE PERFORMANCE

BY SALES VOLUME

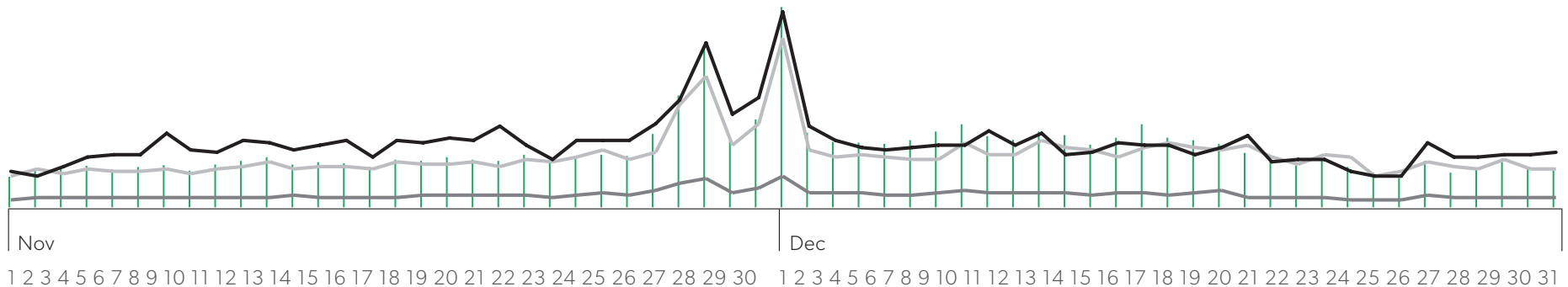
COUPON

SALES/DISCOUNT

FREE SHIPPING

DAILY CLICK PERFORMANCE BY OFFER TYPE

— HOLIDAY 2014 SALES — COUPON — FREE SHIPPING — SALES/DISCOUNT



SINGLES DAY

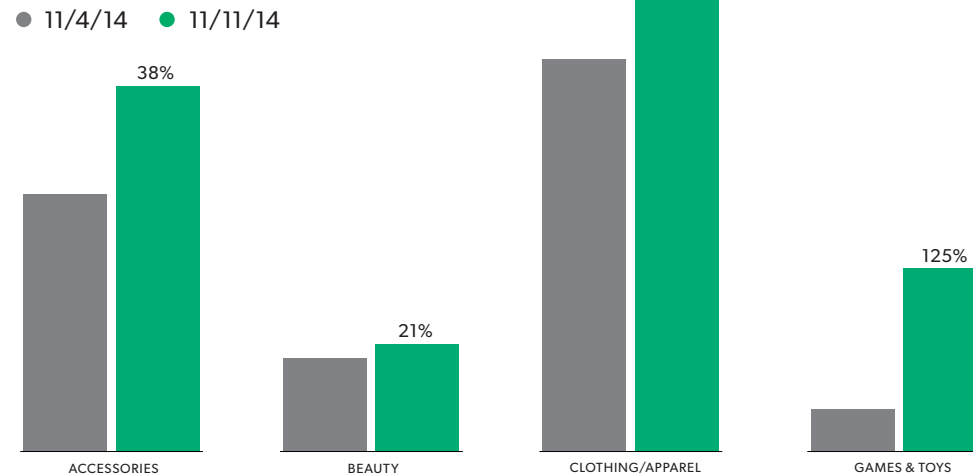
Originating in China as a day for unattached men and women to celebrate their friendships and singles-status, Singles Day has emerged as a major retail holiday for Chinese shoppers (due in large part to the promotional efforts of retail giant Alibaba). Last year, Singles Day sales on Alibaba's marketplace reached \$9 billion.

Affiliate retailers are now making efforts to grow Singles Day sales with global affiliate audiences and last year those efforts resulted in one day sales spikes.

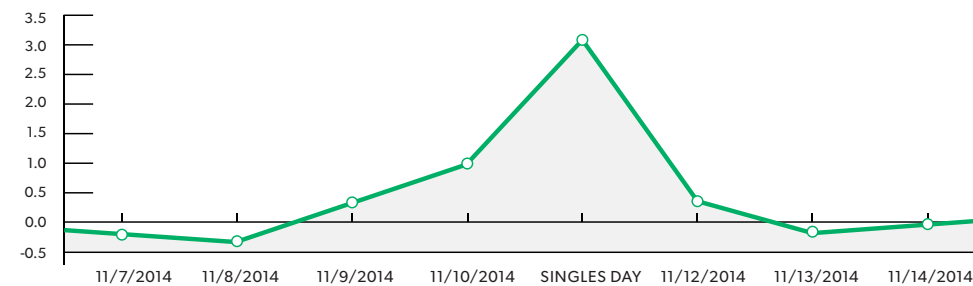
The greatest Singles Day sales growth in the CJ Network happened in the **Clothing/Apparel, Games & Toys, Accessories** and **Beauty** categories which reflect that this holiday is frequently interpreted as a day to treat yourself or a close friend with a token gift.

This new gifting event has potential to be embraced and championed in the U.S. by young Millennials. In adopting a Singles Day strategy for affiliate, retailers will want to focus on a mix of publisher reach and product promotions that will be most appealing to the younger online shopper.

CJ NETWORK SINGLES DAY 2014 WEEK OVER WEEK 1-DAY SALES GROWTH



CJ NETWORK US RETAILER DAILY SALES FROM ASIA NORMALIZED SALES VALUES



PEAK WEEK

Retailer efforts and consumer-driven demand together are resulting in an earlier start to holiday shopping in the affiliate channel. Sales last year ramped up over the course of November to a crescendo in the week of Thanksgiving through Cyber Monday. For many retailers, this stretch of days holds their peak online sales of the holiday, so we're referring to it as Peak Week.

Beginning on Monday of Peak Week last year, click volume began to tick upwards, and sales followed, beginning on Wednesday. Shoppers were likely responding to early offers and prompts from publishers and the performance of search publishers suggests there was much research and seeking activity taking place.

This week's ramping performance up to Thanksgiving, Black Friday, Cyber Monday and beyond provides a specific time-framed opportunity for retailers to seek out and win incremental sales.

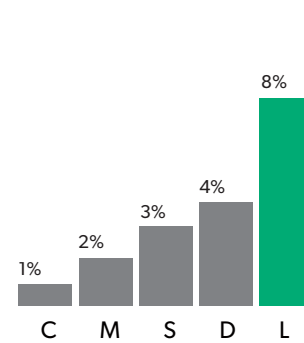
Peak Week Tip #1

Anticipate that shoppers are in research mode and aim to be a top of mind brand when those shoppers are finally ready to purchase. Tap affiliate publisher opportunities for exposure and branding during early Peak Week.

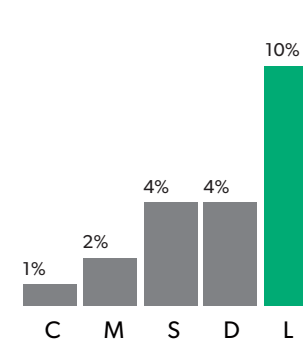
DAILY CONVERSION RATE TOP PUBLISHER MODELS

C = CONTENT
M = MALL/SHOPPING
S = SEARCH
D = DEALS/COUPONS
L = LOYALTY

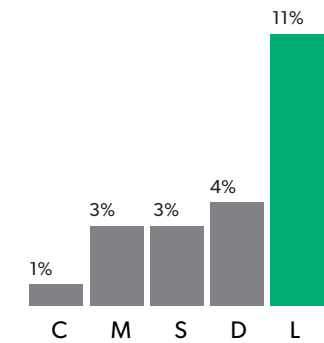
11/25/2014



11/26/2014

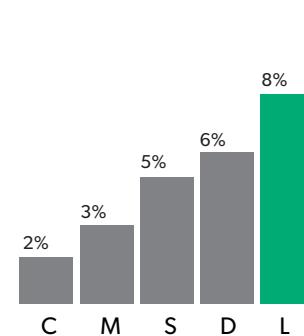
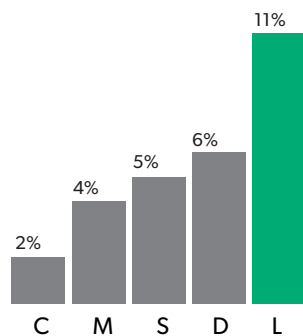


THANKSGIVING

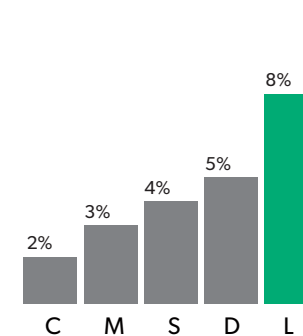


BLACK FRIDAY

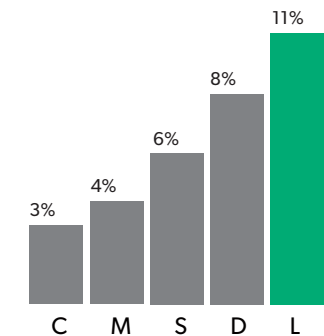
11/29/2014



11/30/2014



CYBER MONDAY

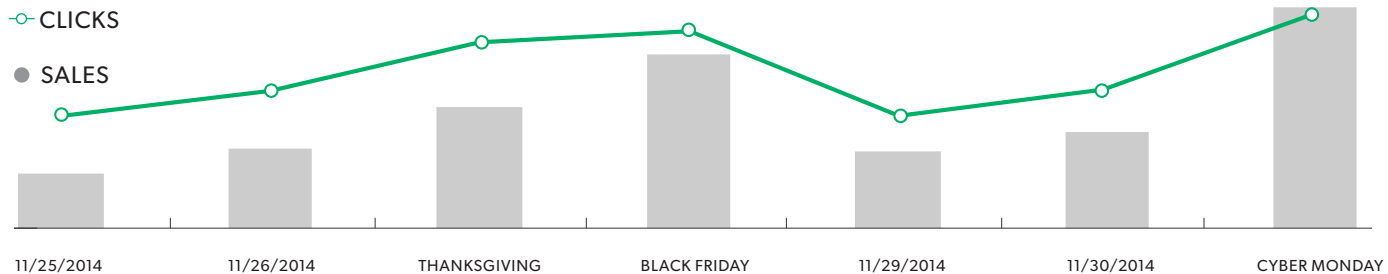


PEAK WEEK CLICKS & SALES

Trend

○ CLICKS

● SALES



THANKSGIVING

Online sales volume on Thanksgiving continues to increase every year. U.S. online sales reached \$1 billion on Thanksgiving last year, not too far from the \$1.5 billion of Black Friday. (comScore)

Last year, the network realized 29% year over year growth on Thanksgiving. *Greater mobile engagement and online connectivity and increased demand for online shopping overall contributed to Thanksgiving sales growth.* Shoppers who have a day off from work and the time to shop are choosing to check in and respond to offers from retailers and publishers.

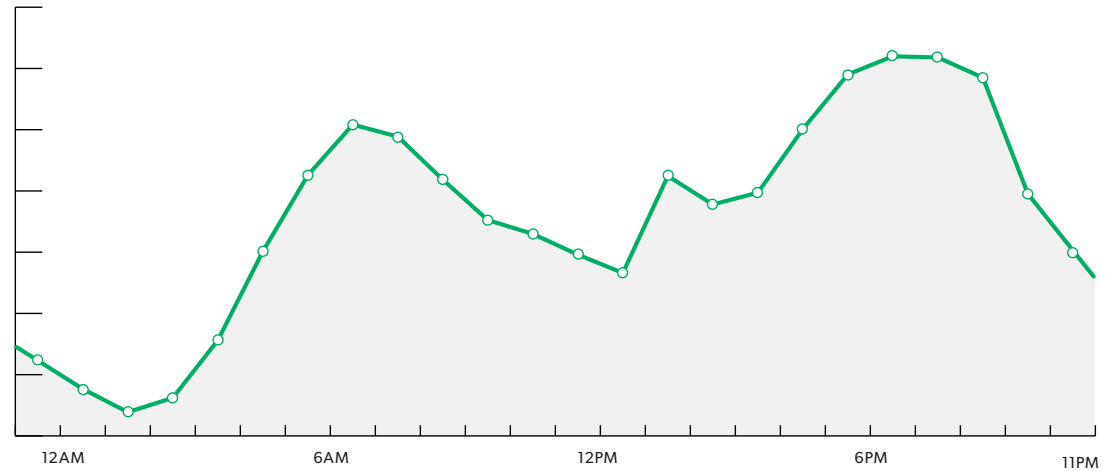
Mobile sales on Thanksgiving were strong – 17% of overall sales volume – and the top products sold were apparel items.

Peak Week Tip #2

Plan on engaging with shoppers early in the day and late in the evening and anticipate they will be on mobile devices. Be aware that browsing behavior and price-checking activity is high in anticipation of Black Friday.

CJ NETWORK HOLIDAY 2014 THANKSGIVING ONLINE SALES BY HOUR

Pacific Time



THANKSGIVING

TOP 5 CATEGORIES (RANKED BY SALES)

CLOTHING/APPAREL

DEPARTMENT STORES/MALLS

COMPUTER & ELECTRONICS

BUSINESS

HOME & GARDEN

BLACK FRIDAY

A critical day for retailers and shoppers alike. Black Friday sales last year reached \$1.5 billion, according to comScore, and many shoppers still choose this day to kick off their holiday spending.

Sales and click activity starts early and ramps quickly – network click volume last year averaged 10,000 clicks a minute, 600,000 clicks an hour. Top

retail categories on this day suggest that Black Friday audiences skew higher than other Peak Week days for male shoppers who are looking to score the best values on computer and electronic items and on household goods, including appliances.

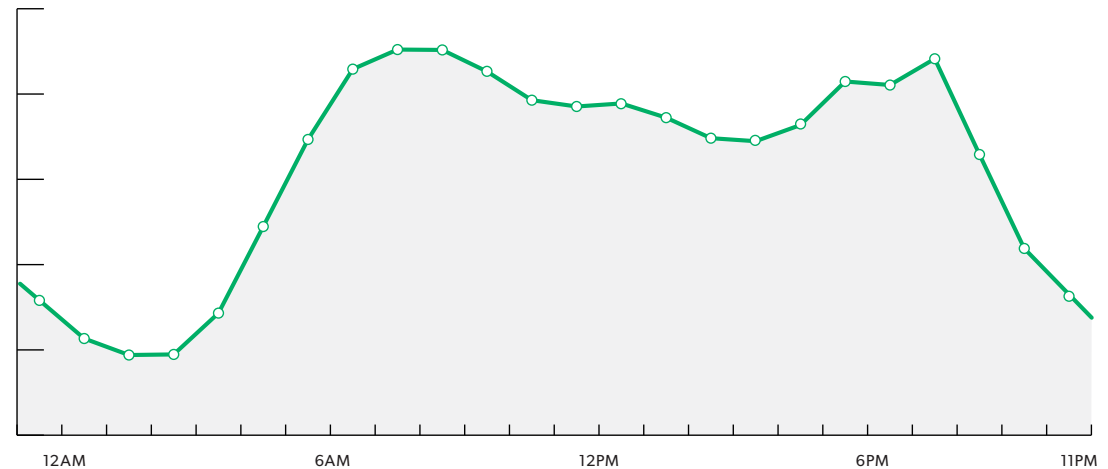
Overall conversion rates averaged 6 percent on Black Friday – one of the highest of the holiday season.

Peak Week Tip #3

Prepare for consistent and heavy shopping that lasts throughout the day. Omnichannel offers are a key opportunity to engage shoppers who likely have the flexibility to shop online part of the day and also visit local retail stores and showrooms.

CJ NETWORK HOLIDAY 2014 BLACK FRIDAY ONLINE SALES BY HOUR

Pacific Time



BLACK FRIDAY

TOP 5 CATEGORIES (RANKED BY SALES)

CLOTHING/APPAREL

COMPUTER & ELECTRONICS

DEPARTMENT STORES/MALLS

HOME & GARDEN

ACCESSORIES

CYBER MONDAY

Within the CJ Network, Cyber Monday for many years has eclipsed Black Friday in terms of sales volume. *Last year, the CJ Network same store sales growth was 22%, exceeding the comScore reported 17% average growth in ecommerce sales.* Hourly clicks and sales rate exceeded any other day and time of the year in the network and much of that volume occurs during normal working hours.

Mobile traffic and sales are lower compared to other key holiday dates due to the fact many shoppers are at work – last year, only 14% of the network’s Cyber Monday sales were on a mobile device.

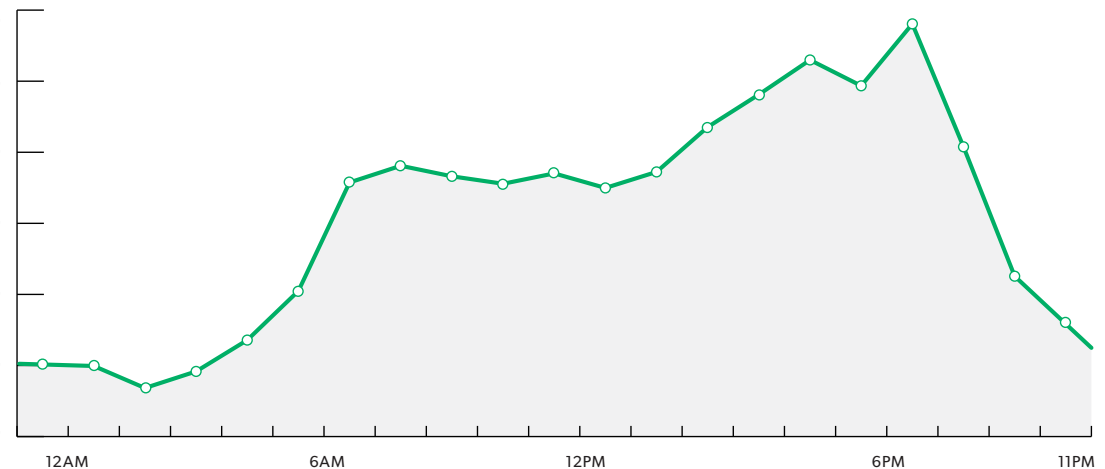
Affiliate shoppers are eager to make progress on their gift list and conversion data suggests they are in need of a compelling offer to help “close the deal” -- *conversion rates for coupon and deal sites last year were 33% higher on Cyber Monday compared to Black Friday.*

Peak Week Tip #4

Consider that many Cyber Monday shoppers are at work and more time-constrained than on Black Friday. Linking to a top product instead of a category page creates a smoother shopping experience.

CJ NETWORK HOLIDAY 2014 CYBER MONDAY ONLINE SALES BY HOUR

Pacific Time



CYBER MONDAY

TOP 5 CATEGORIES (RANKED BY SALES)

CLOTHING/APPAREL

DEPARTMENT STORES/MALLS

COMPUTER & ELECTRONICS

HOME & GARDEN

ACCESSORIES

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