



Furniture eCommerce: Pricing Strategies of Top U.S. Retailers on Black Friday 2019

8th Jan, 2020

BY DATAWEAVE

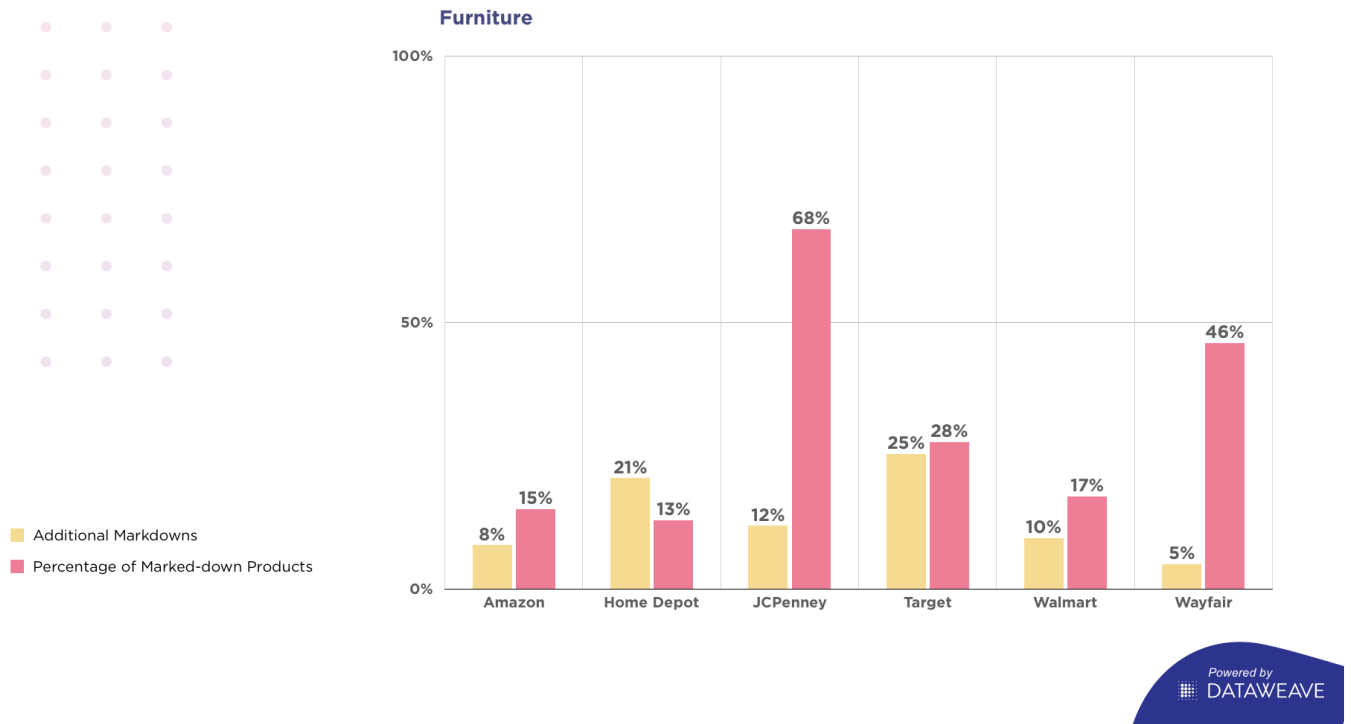
For today's shoppers, instant gratification is the need of the hour. It's, therefore, no surprise that furniture e-retail has been picking up steam over the last decade. What was once a norm to physically touch and feel before making a purchase, is now just a few clicks away. Retailers have bridged the gap by making the purchase process as seamless as possible – easy finance options, hassle-free returns and variety.

While several factors play a role in driving consumers to shop furniture goods online, price is the primary motivator, as is the case with most popular product categories sold online.

During Black Friday 2019, DataWeave performed an analysis on a sample of 23,000+ products across six of the top furniture retailers – Amazon, Home Depot, JCPenney, Target, Walmart and Wayfair. Ten product types were covered in the furniture category (such as Beds, Bookcases, Mattresses, Sofas, etc.) and the analysis focused on the top 500 ranked products of each product type.

To get an accurate depiction of the *additional* markdowns during the sale, we took the mode of the prices for the preceding week and compared them with that during the sale.

Additional markdowns

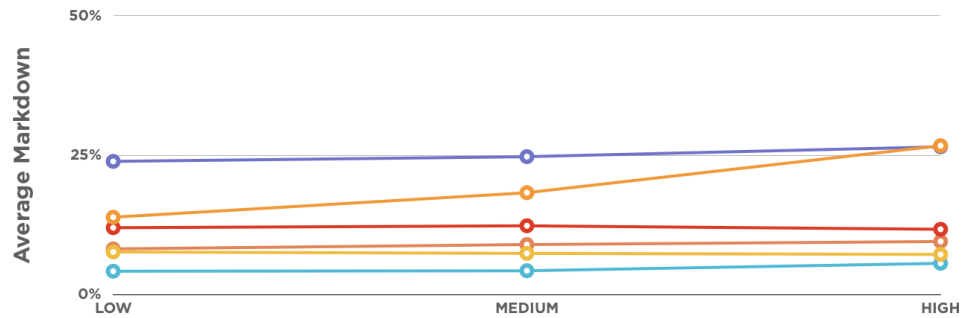


Target (25%) and Home Depot (21%) marked down their prices most aggressively during the sale. JCPenney and Wayfair stood out for offering additional markdowns on the highest portions of their ranges (67% and 46% respectively), even if the average markdown percentage itself was fairly conservative. Amazon and Walmart were steady as usual, with additional markdowns of 8% and 10% on 15% and 17% of their assortment.

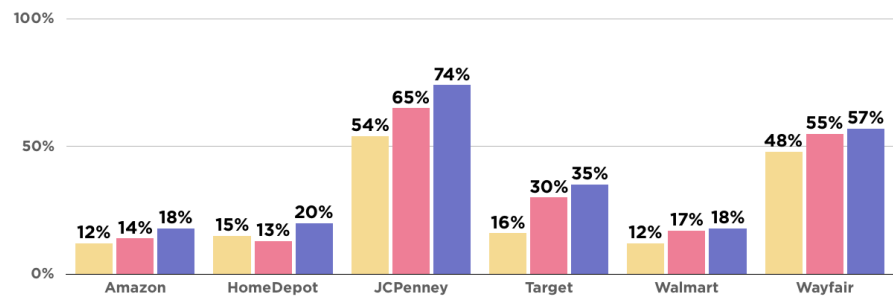
Premiumness

To further understand the pricing strategies of these retailers, we categorized their products into buckets of how expensive or cheap the product is (High, Medium, and Low in terms of price), relative to the rest of the products hosted by the retailer, and studied how the additional markdowns varied across these buckets. Where the MRP was not displayed, the most expensive price of the product during the holiday period prior to Black Friday was considered to define the “premiumness” of the product.

Markdowns Across Levels of Product Premiumness



% of Marked-down Products Across Premiumness Levels



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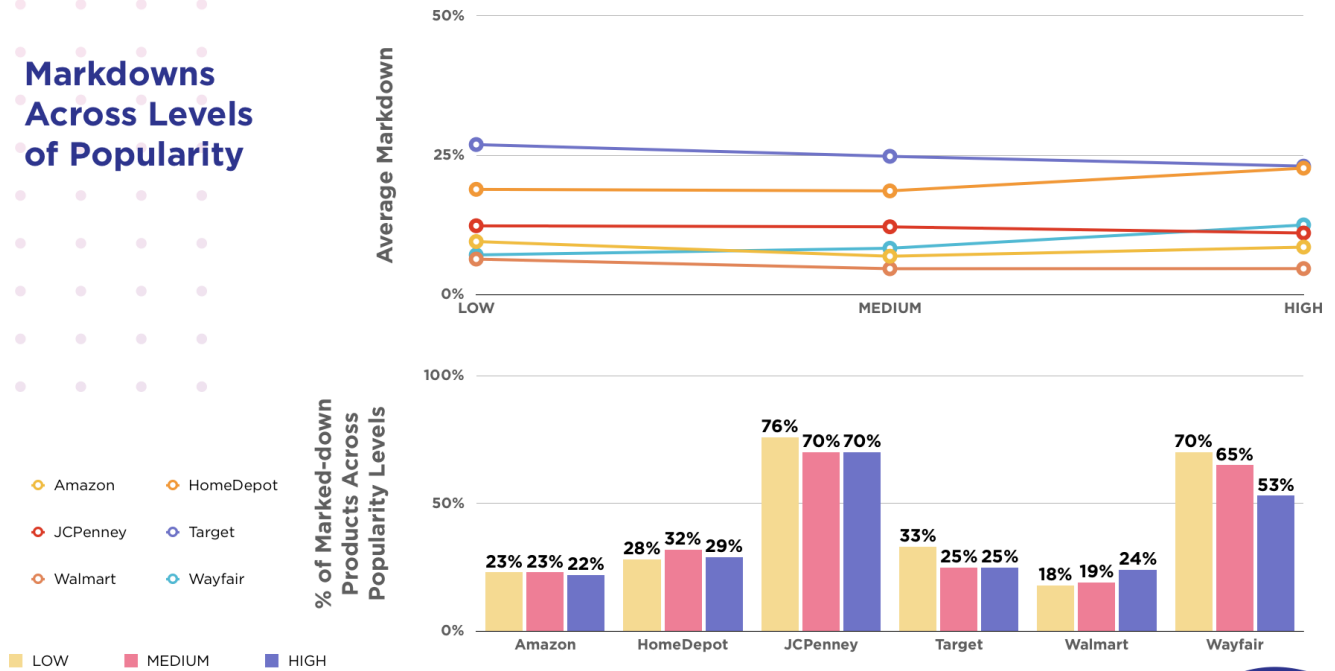
Two patterns clearly stand out from this analysis. Most of the retailers remained relatively equitable between their premium categories with nothing significant to report in terms of varying markdowns. Home Depot and JCPenney are the only exceptions here, but not by much. The other interesting insights is that the percentage of marked-down products had a near unanimous pattern of the high level being the most covered, followed by the medium and then low.

Therefore, while there wasn't a significant variation in the average markdown across premiumness levels, a larger portion of the high-premium goods were consistently offered at a discount across all retailers.

Popularity

Much like our premiumness categorization, we investigated products based on their popularity levels as well. We've defined popularity using a combination of the average review rating and the number of reviews for each product, condensed to a scale of low, medium and high.

Markdowns Across Levels of Popularity



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We observe slightly different pricing strategies adopted by retailers across popularity levels. While Home Depot, Amazon, and Wayfair chose to provide higher markdowns on their more popular products, Target, JCPenney, Walmart chose to provide higher markdowns on their least popular products. In addition, a larger portion of the least popular products were consistently offered on discount by almost all retailers.

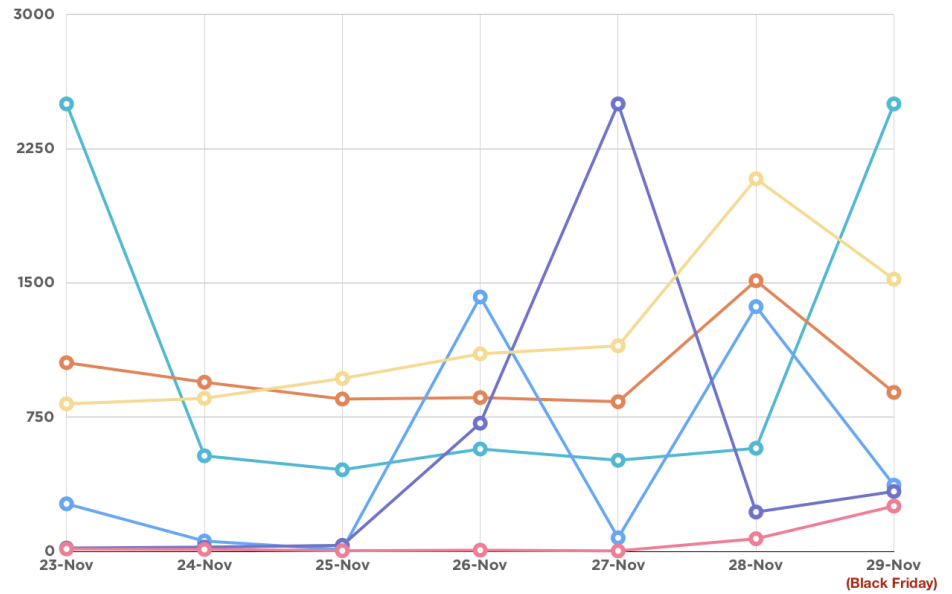
In combination with our findings across premiumness levels, we can surmise that part of the strategy of most retailers was to liquidate their stock of expensive and unpopular products during the sale.

Price Change Activity

As part of our analysis, we also tracked the level of pricing activity across retailers over the last week of November, in terms of number of price changes as well as the average price variation for each retailer.

Number of Price Changes

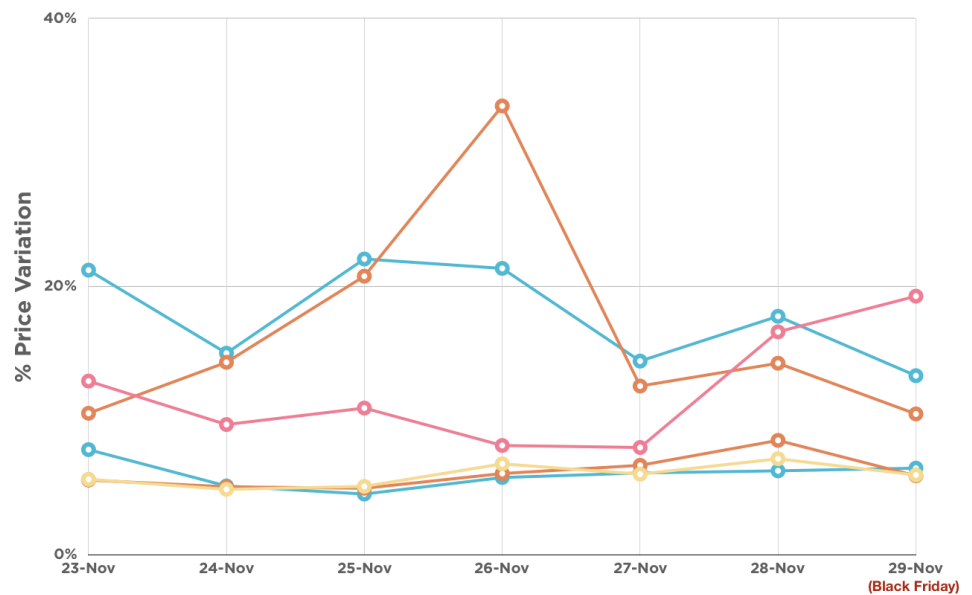
Amazon HomeDepot
JCPenney Target
Walmart Wayfair



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Price Change Magnitude

Amazon HomeDepot
JCPenney Target
Walmart Wayfair



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In general, we can see that Amazon and Walmart consistently made several price changes through the week, though the average magnitude of these price changes were relatively low. This echoes the pattern we've observed through our analysis of other product categories during the sale event, as well.

Also, we see almost a coordinated increase in the number of price changes and the average magnitude across the 27th and 28th of November. This is likely an attempt by the retailers to get a head start on Black Friday deals.

An unusual and interesting pattern was observed with Wayfair, which started out the week with the most changes at 2500. It then tanked the next day and hovered around 500 till the 28th, only to spike to 2500 again. All these changes though, had their variation in and around 5%.

If you would like to learn more about the pricing strategies of top U.S. retailers across other product categories like consumer electronics, fashion, and beauty & health, check out our [series of articles](#) on Black Friday 2019.

- DataWeave Marketing

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