

IMRG Capgemini Quarterly Benchmarking Report

August to October 2016
(Q3 2016/17)



What is the Quarterly Benchmarking?

The Quarterly Benchmarking is an additional reporting tool that is open to all participants in the IMRG Capgemini Online Retail Sales Index. It tracks over 40 key performance indicators across 7 categories, leading to unique insights into the performance of the UK online retail sector.



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IMRG Capgemini Quarterly Benchmarking

Introduction

The IMRG Capgemini Quarterly Benchmarking tracks over 40 key performance indicators across 7 categories, leading to unique insights into the performance of the UK online retail sector. The categories are:

- Website performance
- Customer acquisition & retention
- Commercial
- Order fulfilment
- Geographical split
- Marketing performance
- Channel

This document contains an overview of the findings from the Quarterly Benchmarking. Only participants in this initiative receive the full report with all of the key performance indicators outlined in the 'About the IMRG Capgemini Quarterly Benchmarking' section on page 16.

Around 40 retailers currently participate in the IMRG Capgemini Quarterly Benchmarking, including *B&Q, Blacks, Brora, Cartridge People, Clarks, Debenhams, Deckers, Dunelm, Feelunique.com, Freeman Grattan Holdings (Freemans, Grattan, Look Again, Kaleidoscope, Curvissa, Swimwear365, Witt International UK), Get The Label, House of Fraser, JD Sports JD Williams, John Lewis, M and M Direct, Marks & Spencer, Millets, Moss Bros, New Look, Notonthehighstreet.com, Oasis, Pink Boutique, River Island, Schuh, Screwfix, Silentnight, Size, Sparkling Strawberry, Spirit Boutique, The Body Shop, The White Company, Wilko & Woolovers.co.uk.*

Executive Summary

- The penetration rate of sales made via mobile devices increased from 51% in Q2 2016 to 53% in Q3 2016.
- Traffic via mobile devices (including tablets) remained the same at 66%.
- Click and collect increased from 25% in Q2 2016 to 29% in Q3 2016 for multichannel retailers. The largest quarterly increase and the highest rate IMRG have tracked.
- Both basket and checkout abandonment on tablets increased, to 61% and 28% respectively
- Checkout abandonment rates on smartphones decreased 1% from Q2 to 38%
- Bounce rates on smartphones increased to 37%.
- The active customer retention rate dipped to 35% in Q3, down from 36% in Q2 2016

The latest Quarterly Benchmarking results show a continued declining trend of acquiring new customers. The new customer percentage is now down to 42%- it was 45% last quarter and 48% in Q3 2015.

Click and collect orders for multichannel retailers have seen a large increase in Q3 2016. This is the largest increase IMRG have seen since Q4 2012. The Click and collect rate is now at an all-time high at 29.3%, which aligns with a general trend IMRG are seeing for multichannel retailers to direct investment towards their fulfilment offering.

The selling price per item has increased by £3 to £34 and the order value average has increased to £89.

The penetration rate of sales made via mobile devices is at an all time high of 52.6%, it was 51.5% in Q2. The percentage of visits is now at 65.6%, slightly down on Q2 which was 66.1%

Matthew Walsh,
IMRG

Quarterly Benchmarking Platform Split

IMRG and Capgemini also report the performance of a number of Quarterly Benchmarking KPIs by the following platforms:

- Smartphones
- Tablets
- Desktop / laptop

The results for Q3 2016/17 reveal:

- Visitor bounce rates Q3 on smartphones increased from 36% in Q2 to 37% in Q3, whilst tablet remained the same at 30% and desktop/laptop decreased from 26% to 25% in Q3. The latest results highlight the increasing importance of optimising the experience for users on smaller screen devices.
- Checkout abandonment on smartphones continues to decrease. The Q3 result was 38%, a decrease from 39% in Q2. The rate in Q3 2015 was 43%. Meanwhile checkout abandonment on tablets increased to 28% from 27% last quarter.
- Email marketing on smartphones reported a large decrease in Q3, down to 11.3% - which is the lowest figure IMRG have reported since we began platform split metrics in Q2 2015. This contradicts a previous trend of email marketing being a consistent growth area for revenue via smartphones.
- Revenue from direct marketing saw an increase across all three platforms between Q2 and Q3. The largest increase was on smartphones with a 1% increase, reaching 24.2% (which is the second consecutive quarter of growth for the channel).
- PPC ROI on smartphones continues its upwards trend. In Q3 the return for every £1 spent on PPC via smartphones was £4.28, marking 3 consecutive quarters of growth. When IMRG started tracking the PPC ROI metric for smartphones in in Q2 2015 it was £2.57

Q3 2016/17 – Platform Split

	<u>Total Online Retail</u>	<u>Smartphone</u>	<u>Tablet</u>	<u>Desktop/ Laptop</u>
Visitor bounce rate	31.3%	36.5%	29.9%	24.6%
Basket abandonment rate	59.4%	60.6%	61.1%	60.3%
Checkout abandonment rate	31.1%	38.0%	28.5%	26.4%
Average selling price per item	£34	£36	£36	£36
Average order value	£89	£75	£84	£86
PPC ROI per pound spent	£7.05	£4.28	£4.21	£4.38
Affiliate ROI per pound spent	£16.46	£19.32	£20.08	£21.98
Online marketing ROI per pound spent	£19.64	£21.17	£22.10	£21.72
% revenue derived from marketing method: paid	19.5%	19.3%	19.0%	17.5%
% revenue derived from marketing method: affiliate	7.3%	5.7%	6.0%	8.1%
% revenue derived from marketing method: email	11.7%	11.7%	11.0%	8.9%
% revenue derived from marketing method: natural	28.8%	26.7%	28.9%	33.8%
% revenue derived from marketing method: direct	21.4%	24.2%	23.1%	20.6%
% revenue derived from marketing method: social	0.6%	0.6%	0.4%	0.5%
% revenue derived from marketing method: display	0.8%	0.7%	0.9%	1.3%
% revenue derived from marketing method: other	5.0%	5.7%	5.3%	5.0%

NB. For some metrics you will see the overall average for online retail is higher/lower than the platform split averages. This is due to the fact the sample size by platform is lower than total online retail at present.

QUARTERLY BENCHMARKING STATISTICS Q3 2016/17

FOR CLOTHING/APPAREL SECTOR

67 VISITS
% **MOBILE**
DEVICES

53% OF ONLINE
SALES
VIA MOBILE
DEVICES



32.1 % **AVERAGE**
BOUNCE
RATE

Clothing / Apparel Quarterly Benchmarking KPIs

	<u>Q3 2015</u>	<u>Q4 2015</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q3 2016</u>
Visitor bounce rate	30.2%	29.8%	31.6%	30.4%	32.1%
Active customer retention rate	22.0%	21.9%	23.2%	22.8%	22.0%
New customer %	54.6%	59.1%	54.8%	54.2%	51.5%
Average selling price per item	£40	£40	£40	£36	£42
Average order value	£76	£65	£75	£73	£82
PPC ROI per pound spent	£4.19	£4.99	£4.96	£5.49	£4.44
Affiliate ROI per pound spent	£19.85	£20.88	£19.91	£19.69	£18.06
Online marketing ROI per pound spent	£16.20	£14.75	£16.06	£14.68	£17.31
% revenue derived from marketing method: paid	21.3%	26.0%	22.2%	23.1%	19.9%
% revenue derived from marketing method: affiliate	11.8%	9.9%	11.0%	10.4%	11.3%
% revenue derived from marketing method: email	9.1%	6.8%	10.0%	8.3%	7.3%
% revenue derived from marketing method: natural	34.7%	29.2%	30.3%	30.6%	29.0%
% revenue derived from marketing method: direct	19.5%	23.5%	21.7%	21.3%	21.9%
% revenue derived from marketing method: social	0.4%	0.6%	0.6%	0.8%	0.9%
% revenue derived from marketing method: display	0.3%	0.3%	0.4%	0.9%	1.0%
% revenue derived from marketing method: other	2.8%	3.7%	3.2%	4.6%	2.5%
% of sales via mobile (including tablets)	49.6%	53.6%	51.7%	52.9%	52.7%
% of visits via mobile (including tablets)	65.4%	70.2%	68.4%	69.3%	66.8%

Checkout Abandonment Rate

(Definition – Percentage of abandoned sessions after the customer had navigated to the checkout)

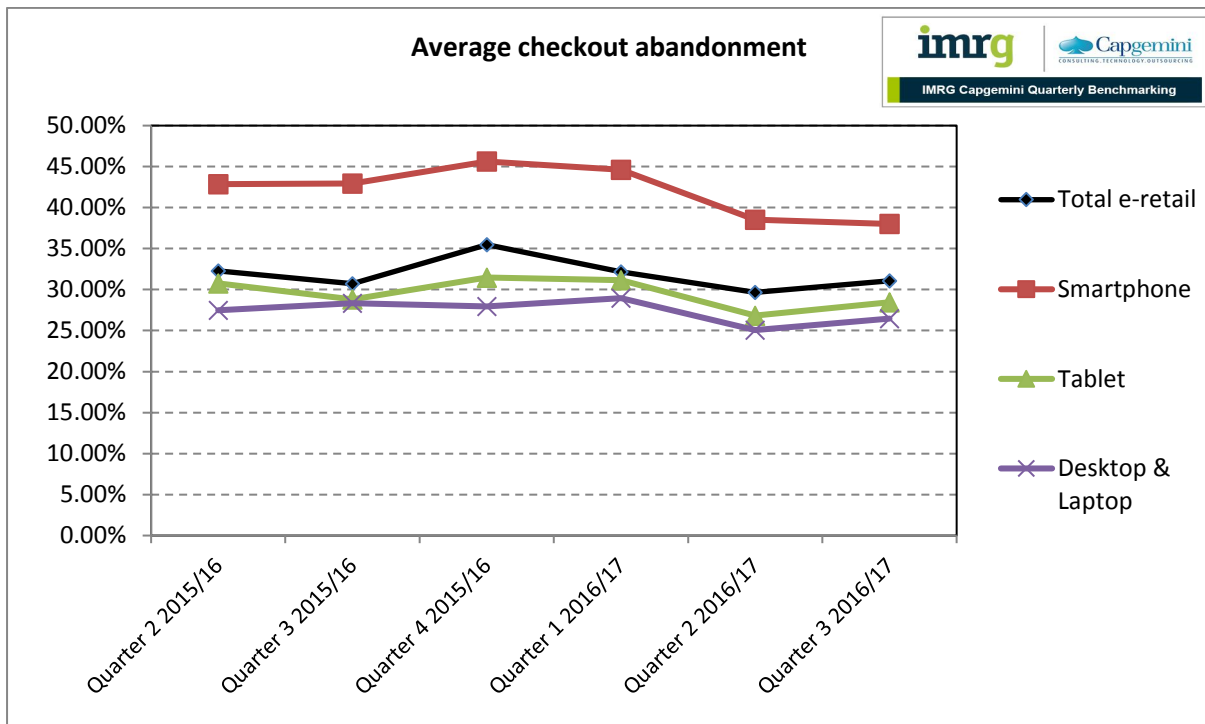
Although, we have seen a general downward trend in checkout abandonment rates over recent years, these remain stubbornly high. Following two consecutive years of decline from 35% in 2010 to 32% in 2012, in 2013 the average rate rose to 35%. Since 2014 the average checkout abandonment rate has ranged from 26% to 36%, with the overall rate reaching 31% in 2015.

28%

The average checkout abandonment rate recorded in Q3 2016/17

The overall average checkout abandonment rate increased to 31% in Q3 2016, up from 29.6% in the previous quarter. This compares with 30.7% in the same period last year.

2010	2011	2012	2013	2014	2015	2016 YTD
34%	33%	32%	35%	30%	31%	31%



Active Customer Retention Rate

(Definition – number of customers who have transacted one or more times in both the last 12 months and the previous 12 months, divided by the total number of customers who have transacted in the previous 12 months)

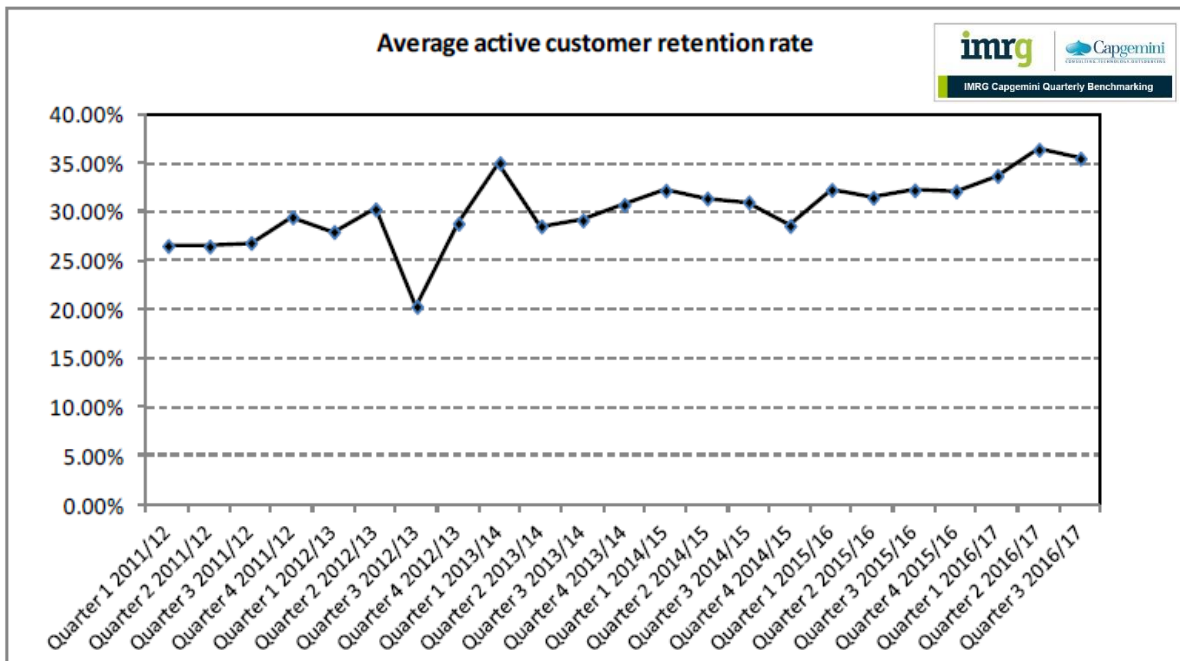
The average active customer retention rate recorded 35.5% in Q3 2016/17, down from a record high of 36.4% in the previous quarter and 32.2% in Q3 last year.

There is a general upward trend in customer retention rates - the average rate recorded in 2010 was 21%, with the average YTD in 2016 reaching 35%. This represents a 67% increase in customer retention rates over the past 6 years.

35.5%

The average online active customer retention rate in the UK during Q3 2016/17

2010	2011	2012	2013	2014	2015	2016 YTD
21%	27%	27%	31%	31%	32%	35%



Click & Collect

(Multichannel retailers only)

(Definition –total gross revenue generated through pre-paid web order for collection in store or other drop-off points as a percentage of total gross revenue for the quarter (transaction completed online)

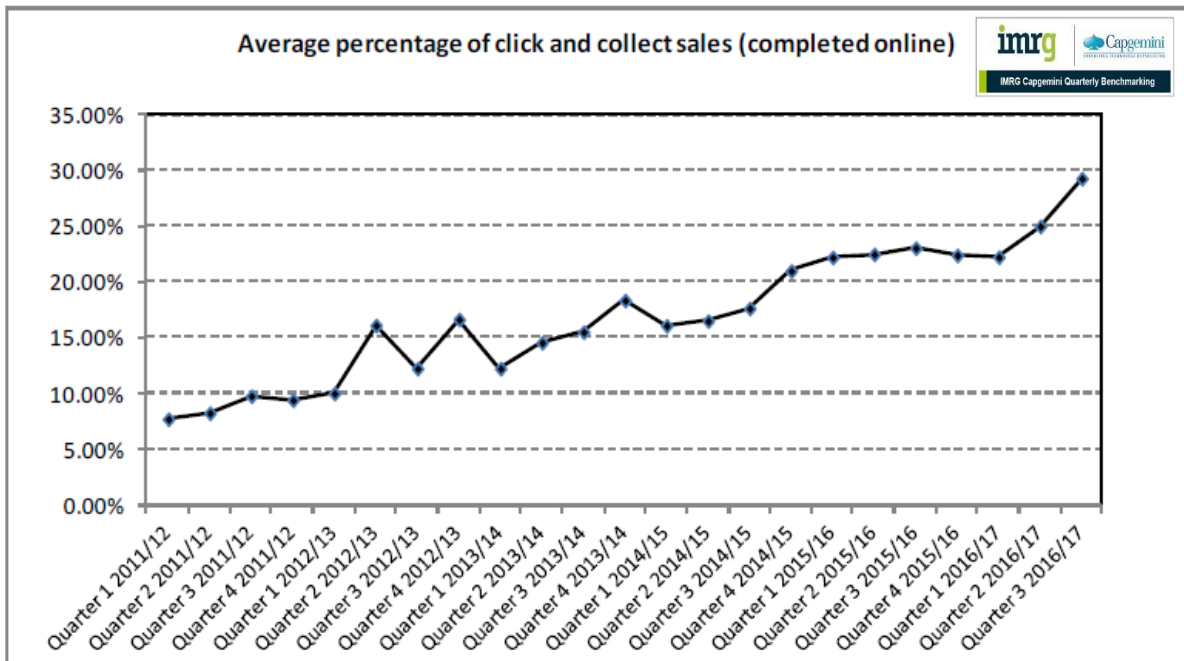
The penetration of click & collect sales of online for multichannel retailers has more than doubled since 2010, when the average rate recorded was 10%. During Q3 it reached its highest rate yet at 29.3%, a jump from 25.0% in Q2.

In 2011, click & collect accounted for 9% of multichannel retailers' online sales, rising to 14% in 2012 and 15% in 2013. During 2014 the penetration rate rose 3 percentage points to 18% and last year click & collect accounted for 23% of online sales for multichannel merchants, up 5 percentage points from the previous year. Year-to-date in 2016, click & collect accounts for 26% of online sales for this group of merchants.

29.3%

The average percentage of click & collect sales in Q3 2016/17 for multichannel retailers

2010	2011	2012	2013	2014	2015	2016 YTD
10%	9%	14%	15%	18%	23%	26%



PPC Marketing ROI

(Definition – gross revenue from a customer visit generated from PPC advertising minus amount spent on PPC advertising in the quarter, divided by amount spent on PPC advertising in the quarter)

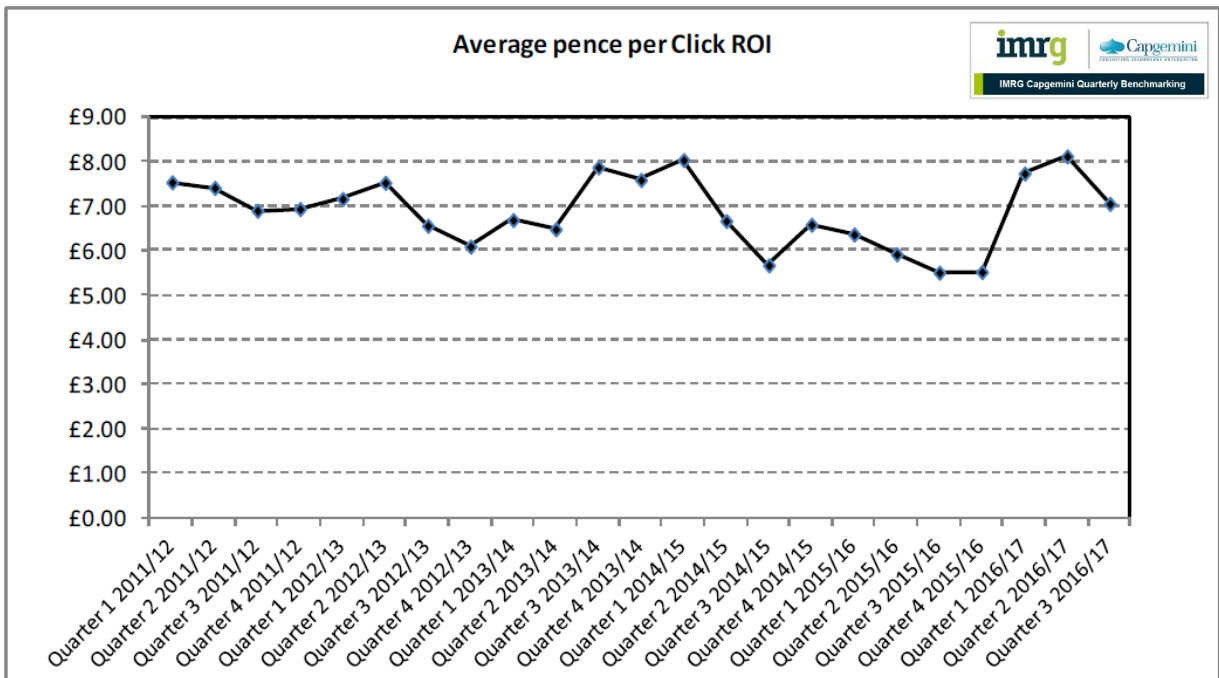
The ROI per pound spent on affiliate marketing reached £7.05 during Q3 2016, down from £8.12 in the previous quarter. This is the lowest rate recorded since Q4 2010 and compares with an average ROI of £5.92 in the same period last year.

£7.05

The average ROI recorded in Q3 2016/17 per pound spent on PPC marketing by UK e-retailers

Between 2010 and 2015 the average ROI fell from £7.21 to £5.83. However, year-to-date in 2016, it has risen to £7.63, up 30% from the same period in 2015 - £6.14 average during Q1 and Q2 2015.

2010	2011	2012	2013	2014	2015	2016 YTD
£7.21	£7.19	£6.83	£7.16	£6.74	£5.83	£7.63



Percentage of Sales Within the UK

(Definition – number of gross orders within the UK as a percentage of total gross orders in the quarter)

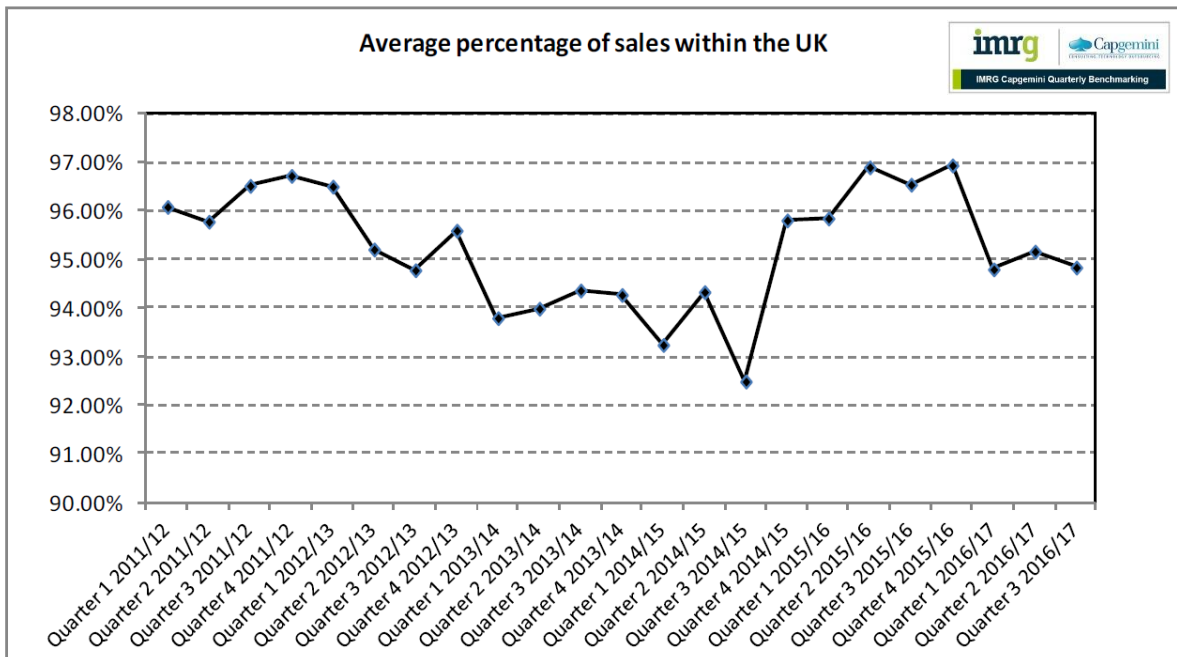
The percentage of online sales within the UK (despatched from UK-based online stores) reached 94.8% during Q3 2016, down from 95.1% in the previous quarter and down from 96.5% in the same period last year.

During 2013, the average rate of sales within the UK was 94.1%, down from 97.2 in 2010. During 2014, 94% of online sales were shipped within the UK and in 2015 this increased to 96.6%. Year-to-date in 2016, the average rate reached 95.0%.

94.8%

The percentage of online sales within the UK during Q3 2016/17

2010	2011	2012	2013	2014	2015	2016 YTD
97.2%	96.3%	95.5%	94.1%	94.0%	96.6%	95.0%



Percentage of Sales and Visits via Mobile

(Definition – percentage of gross sales / visits via mobile devices (including tablet devices) of total UK e-retail sales)

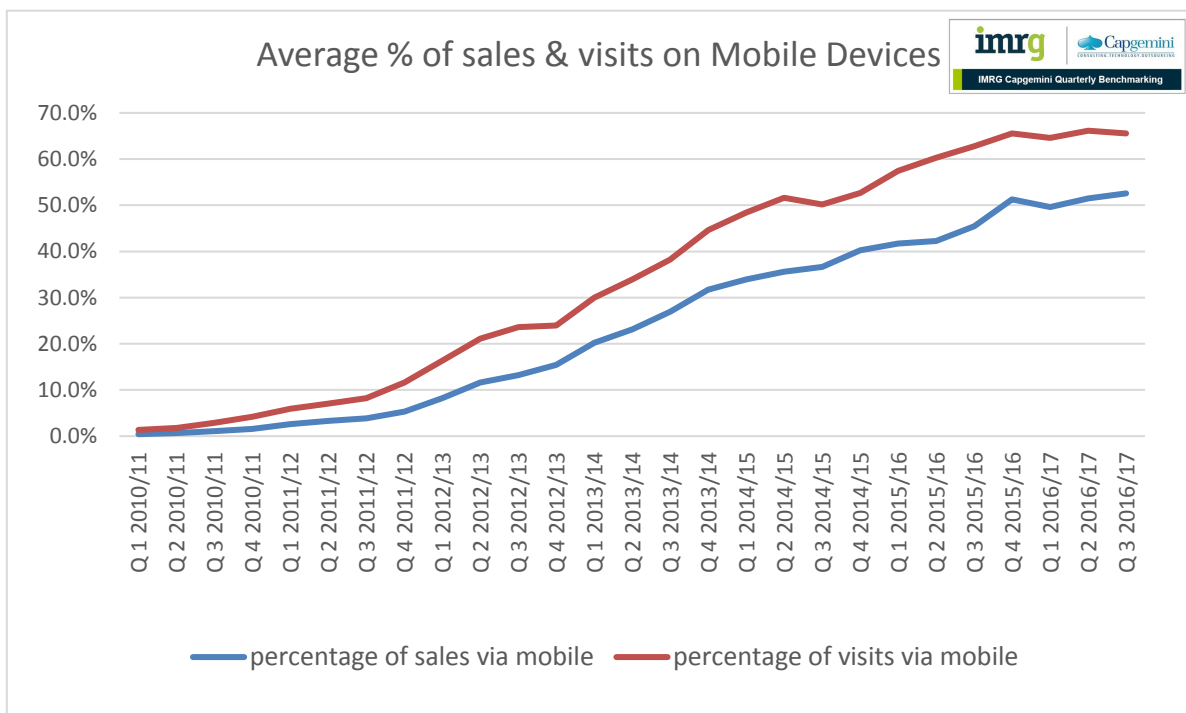
During Q4 2015 we reported a major digital tipping point had been reached, when the percentage of UK online retail sales made on mobile devices exceeded 50% for the first time, reaching 51.3%. For the first time in the history of the Quarterly Benchmarking, we observed a fall in the rate of m-retail penetration, with the average falling to 49.6% during Q1 2016. However, the latest results indicate this is again on the increase with the Q3 average reaching 52.6%

52.6%

The percentage of online sales via mobile devices in the UK in Q3 2016/17s

During 2012, mobile commerce accounted for 12% of total e-retail sales, up from 4% in 2011 and 1% in 2010. During 2013 the mobile penetration rate reached 26% of the UK e-retail sector, rising to 37% in 2014. In 2015 m-retail accounted for 45% of UK e-retail sales and 62% of traffic.

	2010	2011	2012	2013	2014	2015	2016 YTD
M-retail sales	1%	4%	12%	26%	37%	45%	51%
M-retail visits	3%	8%	21%	37%	51%	62%	65%





IMRG Capgemini Quarterly Benchmarking

About the IMRG Capgemini Quarterly Benchmarking

The Quarterly Benchmarking tracks over 40 key performance indicators across 7 categories, leading to unique insights into the performance of the UK e-retail sector. The categories/KPIs are:

Website Performance:	visitor bounce rate basket abandonment rate checkout abandonment rate
Customer Acquisition	active customer retention rate
& Retention:	percentage of new customers
Commercial:	average selling price per item average order value
Channel:	percentage of sales via mobile percentage of visits via mobile percentage of click & collect sales
Marketing:	PPC ROI affiliate ROI online marketing ROI revenue split by marketing method – paid, affiliate, email, natural, direct, social, display & other visits split by marketing method - paid, affiliate, email, natural, direct, social, display & other orders split by marketing method – paid, affiliate, email, natural, direct, social, display & other
Order Fulfilment:	percentage of total orders cancelled due to fraud percentage of units returned no. of items / products per order
Geographical Split:	percentage of sales within the UK percentage of sales within the EU 27 (excluding the UK) percentage of sales rest of the world (excluding the UK and EU27)

The quarters run as follows:

Quarter 1	-	February to April
Quarter 2	-	May to July
Quarter 3	-	August to October
Quarter 4	-	November to January

Full year runs from February to January



IMRG Capgemini Quarterly Benchmarking

What are the benefits?

All retailers taking part in the Quarterly Benchmarking receive first-hand results and charts, providing insight into over 40 KPIs (dependent on the data they are able to provide), including visitor, basket and checkout abandonment rates, percentage of orders cancelled due to fraud, geographical split of sales (UK, EU & rest of world), marketing ROI (PPC, affiliate, online) and revenue, visits & orders split by marketing method.

The retailer reports also include whisker charts, detailing the maximum and minimum value of each benchmark in the quarterly period, together with the range of upper and lower quartiles and median values of the participant data. All participants' data remains completely confidential and secure at all times.

Participation in the IMRG Capgemini Quarterly Benchmarking is available to reputable e-retailers of all sizes. For further details, or to join the Quarterly Benchmarking please contact:

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About IMRG:

For over 20 years, IMRG (Interactive Media in Retail Group) has been the voice of online retail in the UK – a membership community comprising businesses of all sizes.

IMRG track the performance of the online retail industry through a series of unique benchmarks – making IMRG the number one destination for data, insight, market intelligence and best practice.

Our goal is to ensure our members have the information and resources they need to succeed in rapidly-evolving markets – both domestically and internationally.

About Capgemini:

With more than 125,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at www.capgemini.com.

Rightshore® is a trademark belonging to Capgemini