IMRG Capgemini
Quarterly Benchmarking Report

August 2017 to October 2017
(Q3 2017/18)

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 key performance indicators across 12 categories, leading to unique insights into the performance of the UK online retail sector.

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Introduction

The IMRG Capgemini Quarterly Benchmarking tracks key performance indicators across twelve 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
- Customer funnel
- Site Navigation
- Mobile and App data
- Customer engagement
- Discounting

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

Executive Summary

- **Checkout abandonment rose to a two year high at 33%. It increased across every device, most notably on smartphones by 3%**
- **The percentage of sales via mobile devices increased slightly from last quarter to 54.3%. The rolling annual average is now 54.6%**
- **Click and collect now accounts for 34.7% of all multichannel retail sales, an increase of over 5% in the space of 12 months**
- **Bounce rates rose to 32%, which aligns with a longer term upwards trend**
- **Return rates remained steady for the total market at 21%, the 12 month average is 20%**

<u>NEW METRICS</u>

IMRG are in the second quarter of reporting a new set of metrics, revealing some interesting new data points…

- **Add to bag sessions that proceeded to checkout dropped by over 2% in the third quarter – a possible consequence of shoppers 'wish-listing' in anticipation of the upcoming sale season**
- **The share of sales made via iOS devices jumped by over 5%, likely caused by shoppers switching to the newly released iPhone 8 and 8plus, which were released in September**
- **The percentage of revenue collected from discounted products decreased by a small margin to 17.8%. A combination of full-price new clothes stock, and holding back promotions for the Black Friday season will have been an influence**
- **Product page exit rates increased by 2.5% in Q3 over Q2, adding further evidence to suggest that shoppers are browsing more, and not progressing to the checkout or other areas of retailers' websites**

The latest Quarterly Benchmarking results reported the highest checkout abandonment rate for two years. The most notable rise came via smartphones with a 3% rise, tablets increased by 2% and desktops by 1%.

Interestingly the share of sales made mobile devices continues its upwards trend despite the abandonment rate increase. 54.3% of all sales online were via a tablet or smartphone during Q3.

Click and collect continues its upward trend. The delivery option now on average gets selected for 34.7% of all orders for multichannel retailers.

Matthew Walsh,
IMRG

Q3 2017/18 – Platform Split

	Total Online Retail	Smartphone	Tablet	Desktop/Laptop
Visitor bounce rate	32.50%	33.90%	28..3%	22.60%
Basket abandonment rate	61.30%	58.20%	59.00%	59.50%
Checkout abandonment rate	32.60%	38.90%	29.60%	28.30%
Cancellations due to fraud	3.30%	N/A	N/A	N/A
Percentage of units returned	21.00%	N/A	N/A	N/A
Average selling price per item	£29	£31	£33	£33
Average order value	£83	£70	£84	£86
PPC ROI per pound spent	£4.76	N/A	N/A	N/A
Affiliate ROI per pound spent	£10.66	N/A	N/A	N/A
Online marketing ROI per pound spent	£15.80	N/A	N/A	N/A
% revenue derived from marketing method: paid	22.00%	19.40%	17.80%	17.80%
% revenue derived from marketing method: affiliate	6.70%	4.70%	5.00%	7.60%
% revenue derived from marketing method: email	11.50%	14.20%	13.80%	10.80%
% revenue derived from marketing method: natural	29.50%	23.80%	26.40%	31.40%
% revenue derived from marketing method: direct	22.70%	25.90%	25.50%	23.40%
% revenue derived from marketing method: social	0.70%	0.40%	0.20%	0.20%
% revenue derived from marketing method: display	1.00%	1.00%	0.80%	1.20%
% revenue derived from marketing method: other	6.30%	7.10%	7.10%	5.50%
Percentage of Sales via mobile devices	54.30%	N/A	N/A	N/A
Percentage of Visits via mobile devices	66.80%	N/A	N/A	N/A
Percentage of Click and Collect sales	34.70%	33.70%	30.90%	37.50%

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.

Q3 2017/18 – Extra Quarterly Metrics

|		Q3 2017 Market Average
Customer Funnel	Percentage of total visits that view a product page	52.50%
	Percentage of sessions that convert from a product page view to 'Add item to bag'	17.40%
	Percentage of 'Add to bag' sessions that convert to checkout	51.90%
	Percentage of checkout sessions that convert to payment	57.60%
Site Navigation	Length of user session (mins : secs)	03:18
	Home page bounce rate	10.40%
	Home page exit rate	16.10%
	Site search percentage	22.30%
	Search page exit rate	15.40%
	Product page exit rate	34.30%
	Home page start rate	38.50%
	Product Page Start Rate	22.10%
Mobile and App data	Mobile device platform — Android share of sales	29.40%
	Mobile device platform — iOS share of sales	46.00%
Customer engagement	Old customer reactivation rate	4.60%
	New visitor conversion rate	12.20%
Discounting	Discount rate (% of gross revenue generated from items on sale/discount)	17.80%

Clothing / Apparel Quarterly Benchmarking KPIs

| CLOTHING MARKET ONLY	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Visitor bounce rate	32.1%	30.8%	29.2%	29.4%	29.6%
Active customer retention rate	22.0%	21.3%	20.1%	41.0%	36.2%
New customer %	51.5%	50.5%	54.5%	59.3%	59.8%
Average selling price per item	£42	£40	£44	£28	£29
Average order value	£82	£77	£70	£60	£59
PPC ROI per pound spent	£4.44	£4.19	£4.99	£5.48	£4.90
Affiliate ROI per pound spent	£18.06	£20.29	£19.79	£11.61	£11.94
Online marketing ROI per pound spent	£17.31	£16.04	£16.21	£13.93	£13.39
% revenue derived from marketing method: paid	19.9%	18.7%	21.0%	29.6%	28.6%
% revenue derived from marketing method: affiliate	11.3%	12.5%	10.8%	8.9%	9.9%
% revenue derived from marketing method: email	7.3%	7.7%	8.2%	8.7%	7.8%
% revenue derived from marketing method: natural	29.0%	30.3%	28.0%	26.4%	27.9%
% revenue derived from marketing method: direct	21.9%	19.1%	20.5%	21.3%	20.2%
% revenue derived from marketing method: social	0.9%	1.0%	1.1%	1.1%	1.3%
% revenue derived from marketing method: display	1.0%	1.1%	0.9%	1.7%	1.6%
% revenue derived from marketing method: other	2.5%	2.9%	2.7%	2.1%	2.7%
% of sales via mobile (including tablets)	52.7%	56.8%	54.2%	45.8%	47.6%
% of visits via mobile (including tablets	66.8%	71.4%	67.0%	60.5%	61.1%

Checkout Abandonment Rates

The market average for checkout abandonment rate saw a jump in Q3 2017 to 32.6%, up from the previous quarter's 29.7%.

Abandonment rates have fluctuated within a fairly narrow band over the last 3 years. The modern shopper now has multiple interaction points throughout the journey to purchase that rising checkout abandonment would have appeared an inevitability. Indeed it's a credit to retailers' website optimisation that the rate hasn't increased dramatically since the domination of smartphones.
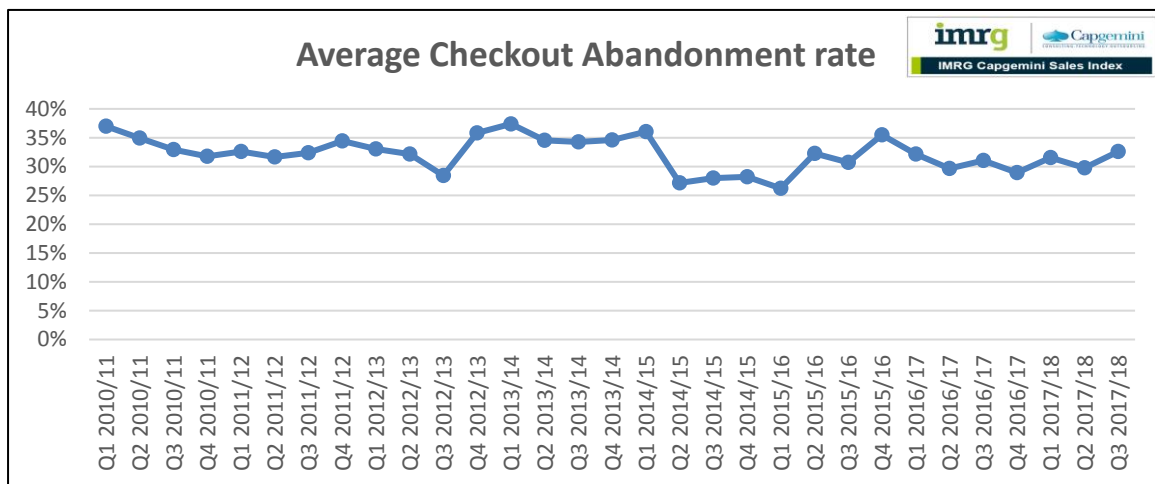

Checkout abandonment is best studied in detail by looking at the rates split by device. The most noticeable trend is how smartphones have decreased from a high of 45% to a low of 36% last quarter. Smartphone optimisation is a large priority for retailers — indeed a survey by IMRG in August 2017 revealed that 78% of retailers had increased the budgets allocated to mobile optimisation within their business. These efforts have clearly paid off by gradually increasing the number of customers going beyond the checkout and paying on their smartphone.
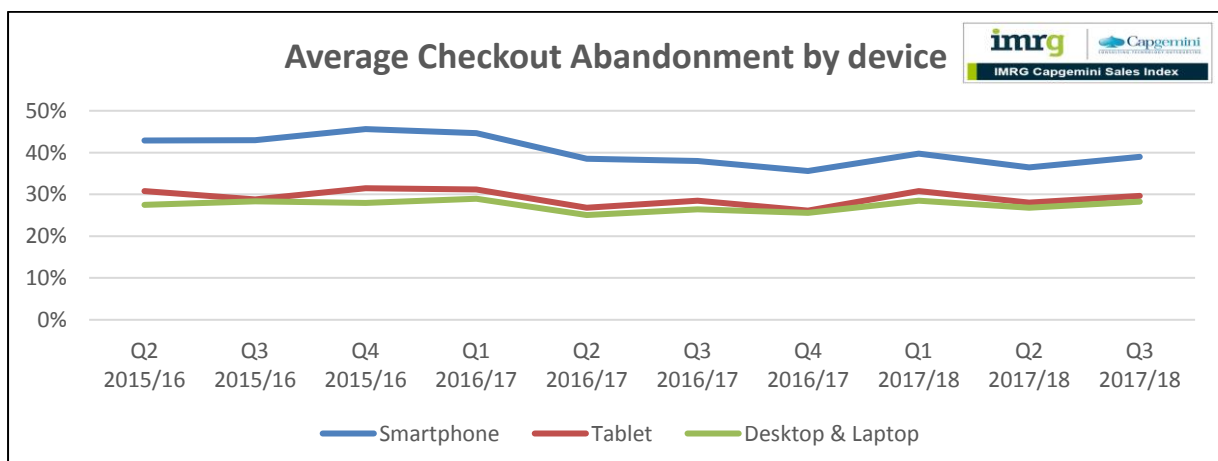
Customer Funnel

The below funnel shows the average result IMRG received for each of the 4 stages of the customer funnel during Q3 2017. The data shows the average 'pass through' rate of customers during the journey to purchase.

We received a notable spread of results for the 'add to bag' section — results ranged from less that 5% to above 30%.
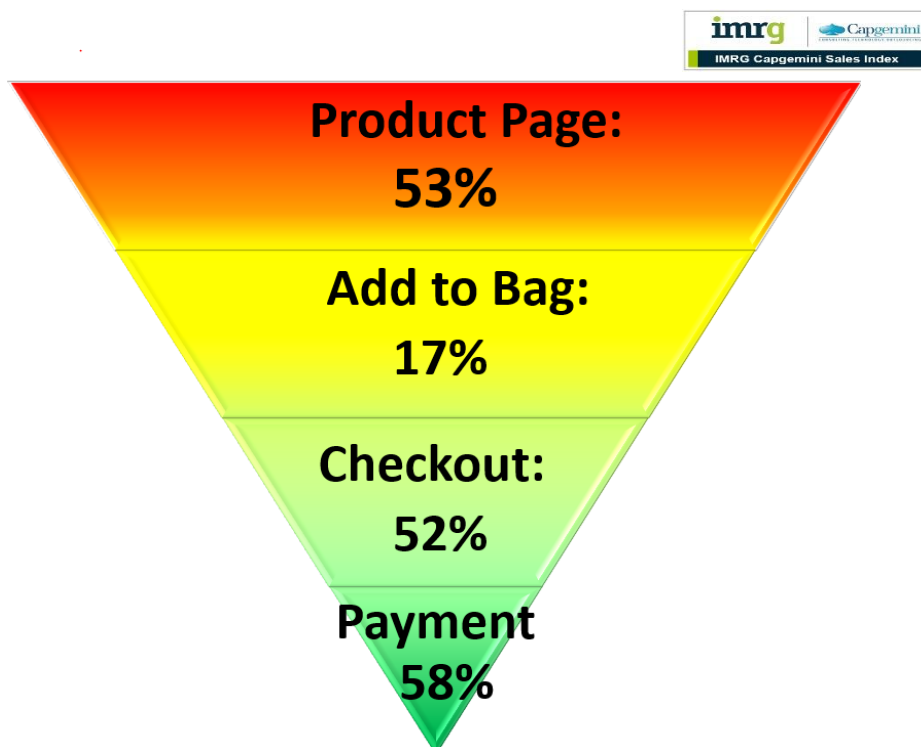
IMRG analysed the websites of the best and worst performing retailers for the 'add to bag' stage in search of user experience details that could explain their success.

Two common themes emerged popular amongst the top performers, but absent from the poorer performing ones.

1. Exit pop up offers. The top 10% of results IMRG received all used an exit pop up offer on the product pages, not one of bottom 10% did.
2. 'Add to basket' button. The top 10% of retailers used a large green 'Add to basket' button that was located on its own area of the page (i.e. no other surrounding or sidelined text). The lowest performers all used either black or orange buttons.

Although no single design change will dramatically cure poor conversion, small details such as the above collectively help improve the performance.

Traffic split by marketing method

The below image reveals the share of traffic each marketing channel generates for the average retailer. Data is based on last click
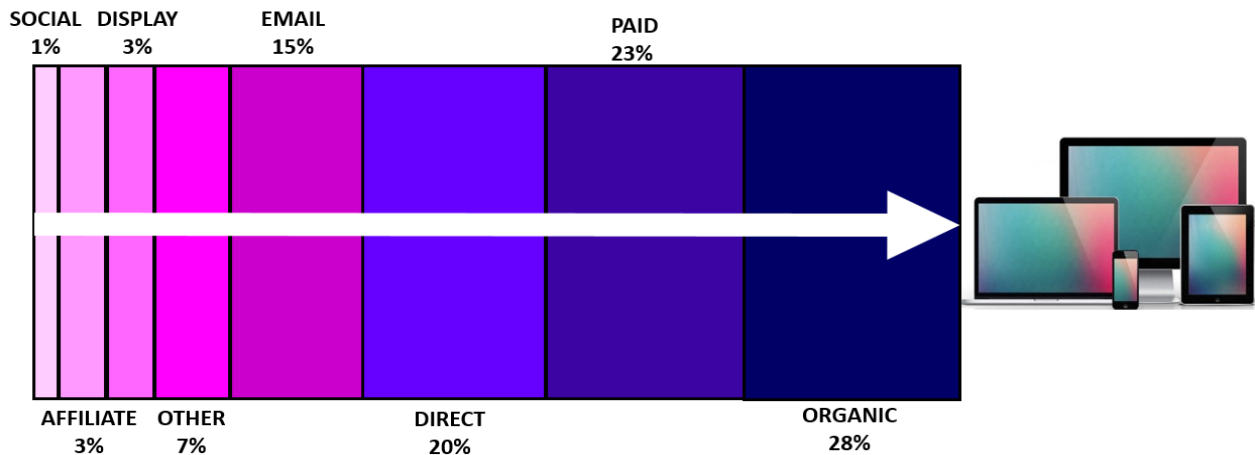

Looking at a longer-term view (and switching to revenue share instead of visits) two of the marketing channels show a notable trend — paid marketing is on a slow downwards trend, to the benefit of direct. Direct marketing has increased its share from a low of 18% in Q4 2013 to its current rate of 23%. Similarly, during the same period paid marketing has dropped from 25% to 22% in Q3. One likely explanation of this trend is the growth of smartphone shoppers. Going direct to a site on a smartphone is a cleaner and quicker user experience than clicking on paid adverts at the top of a search results page that aren't always the exact site the user requested.

Revenue share split by market channel - based on last click
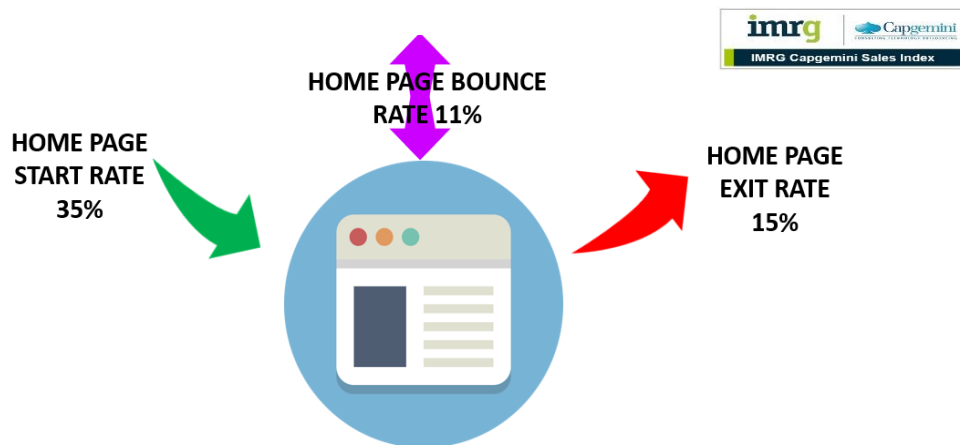
Quarterly Benchmarking © - Q3 2017
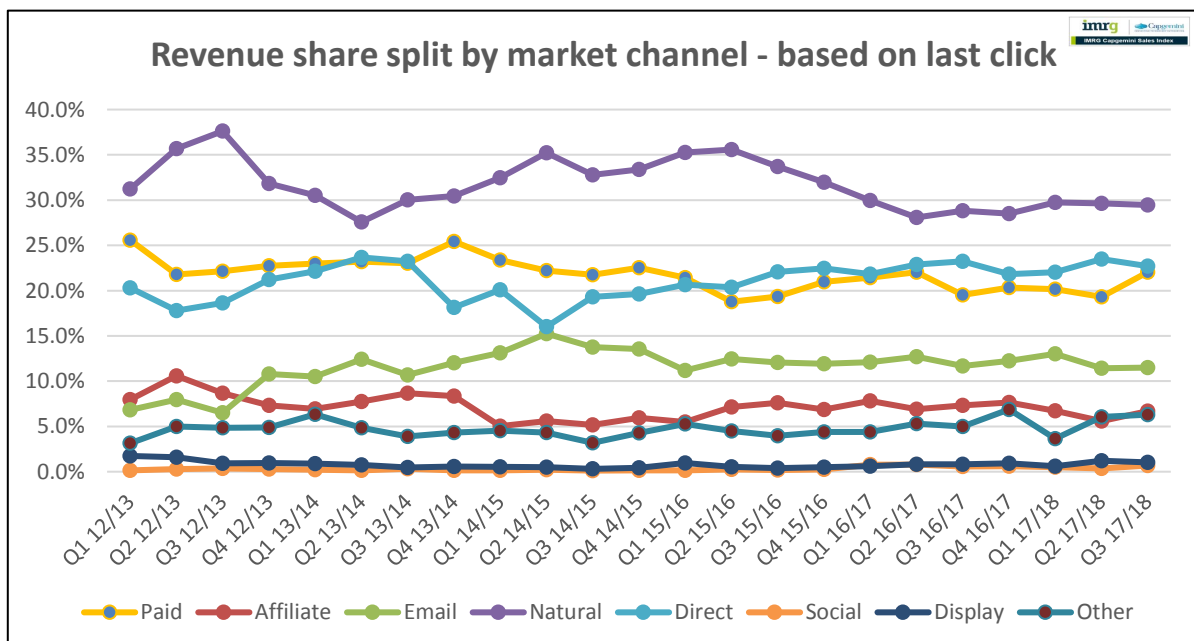
Bounce Rates

The average bounce rate during Q3 2017 was 32.5%, which is up 1.5% from the same period last year.

Smartphones report the highest bounce rate out of the three device sets, with an average of 34% during Q3 2017. IMRG's bounce rates are calculated using single page visitors, irrespective of which page (not unique).
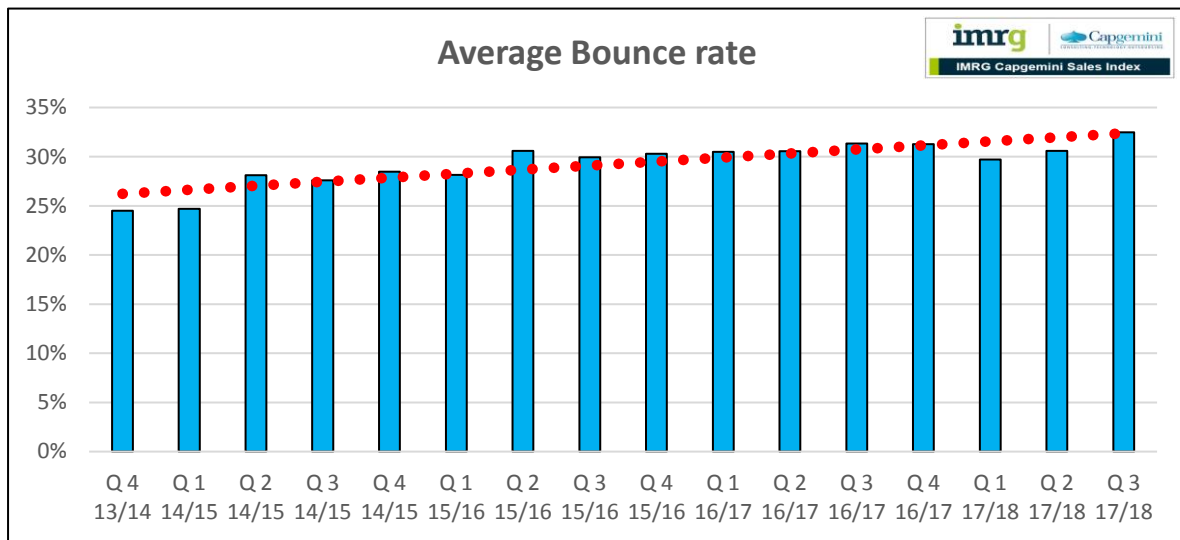
IMRG's new metrics reveal industry averages for activity around the home page.

IMRG's new metrics reveal that on average 35% of all visits to the average retailer will start on the home page. On average 15% of those visits will then leave immediately without clicking onto a further page.

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)
Customer Funnel	Percentage of total visits that view a product page
	Percentage of sessions that convert from a product page view to Add item to bag
	Percentage of 'add to bag' sessions that convert to checkout
	Percentage of checkout sessions that convert to payment
Site Navigation	Length of user session
	Home page bounce rate
	Home page exit rate
	Site search Percentage

	Search page exit rate
	Product page exit rate
	Home page start rate
	Product Page Start Rate
Mobile and App data	Mobile device platform- Android share of sales
	Mobile device platform- IOS- share of sales
Customer engagement	Old Customer reactivation rate
	New visitor conversion rate
Discounting	Discount rate

Full year runs from February to January. 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

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 online retailers of all sizes. For further details, or to join the Quarterly Benchmarking please contact:

Matthew Walsh
IMRG
Tel : +44 (0)20 3696 0987
Email: matthew.walsh@imrg.org

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.

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