

IMRG Capgemini Quarterly Benchmarking Report

November 2016 to January 2017
(Q4 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.



e-Retail Benchmarking

Table of Contents

| | |
|--|----|
| Introduction..... | 3 |
| Executive Summary | 4 |
| Platform Split (Smartphone / Tablet / Desktop & Laptop | 5 |
| Clothing / Apparel Statistics | 7 |
| Checkout Abandonment Rate | 9 |
| Active Customer Retention Rate | 10 |
| Click & Collect | 11 |
| PPC Marketing ROI | 12 |
| Percentage of Sales / Visits via Mobile | 13 |
| About the IMRG Capgemini Quarterly Benchmarking | 14 |



Introduction

The IMRG Capgemini Quarterly Benchmarking tracks over 40 key performance indicators across seven 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 52.6% in Q3 2016 to 56.0% in Q4 2016.
- Traffic via mobile devices (including tablets) increased to 68%.
- Click and collect increased from 29.3% in Q3 2016 to 30.6% in Q4 2016 for multichannel retailers. The highest rate IMRG have tracked.
- Basket abandonment increased from 59% in Q3 to 61% in Q4, however checkout abandonment decreased from 31% to 29%.
- The average percentage of units returned was 19% in Q4, which is up 2% from Q4 in 2015.

The latest Quarterly Benchmarking results show a continued increasing trend of click and collect orders for multichannel retailers. The average click and collect rate for multichannel retailers has now reached 30.6%. Looking back to Q4 in 2012 the rate was 16.6%, so a significant increase during a four year period.

Mobile devices penetration of sales jumped up 3.5% to 56.0% in Q4 2016 for the average retailer. The share of visits from mobile devices on average increased by 3.0% to 68.5%.

Checkout abandonment in smartphones continues to fall — it's at a record low of 36%. In Q4 2015 it was at 46%. Meanwhile checkout abandonment for desktops has remained steady over the last 3 quarters with Q2 at 25%, Q3 at 26%, and Q4 at 26%.

Basket abandonment remains stubbornly high, the market average stands at 61%. IMRG have been tracking basket abandonment since the beginning of 2010 and it has remained between 55% and 63% with no upwards or downwards trend. This is possibly caused by little movement in shopper habits of using the basket as a 'wish list' instead of a 'intention to purchase' mechanism.

Search engine optimisation remains the highest driver of revenue out of the multiple marketing methods. The average retailer now collects 28.5% of their revenue from customers that arrived to the site via a search engine (based on last-click modelling).

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 Q4 2016/17 reveal:

- Basket abandonment on smartphones increased from 61% in Q3 to 63% in Q4.
- The revenue share for email marketing on smartphones increased from 11.7% in Q3 to 13.6% in Q4. By comparison in Q4 2016 the rate was 13.2%.
- Affiliate marketing had a successful Q4 with increases in marketing revenue share across all three device formats. Desktops increased from 8.1% in Q3 to 9.8%. Tablets increased from 6.0% to 6.6%. Smartphones increased from 5.7% to 6.4%.
- PPC ROI on tablets saw a very large increase during Q4. For every £1 spent on PPC on tablets the average retailer saw a return of £6.26. Which is a large increase from Q2 in 2015 when it was just £3.98.
- SEO had less influence on visits from tablet shoppers in Q4 — the proportion of visitors arriving on the site via natural marketing dropped from 28.5% to 25.5%. The main winner during Q4 for visitor increases was affiliate marketing.

Q4 2016/17 – Platform Split

| | <u>Total Online Retail</u> | <u>Smartphone</u> | <u>Tablet</u> | <u>Desktop/ Laptop</u> |
|---|--------------------------------|-------------------|---------------|----------------------------|
| Visitor bounce rate | 31.3% | 35.7% | 29.8% | 25.0% |
| Basket abandonment rate | 60.8% | 63.1% | 61.5% | 60.0% |
| Checkout abandonment rate | 29.0% | 35.6% | 26.1% | 25.6% |
| Average selling price per item | £33 | £35 | £35 | £35 |
| Average order value | £84 | £71 | £79 | £84 |
| PPC ROI per pound spent | £7.69 | £4.19 | £6.26 | £6.10 |
| Affiliate ROI per pound spent | £18.37 | £23.77 | £25.42 | £25.73 |
| Online marketing ROI per pound spent | £18.23 | £16.46 | £24.08 | £25.05 |
| % revenue derived from marketing method: paid | 20.3% | 19.4% | 19.8% | 18.0% |
| % revenue derived from marketing method: affiliate | 7.6% | 6.4% | 6.6% | 9.8% |
| % revenue derived from marketing method: email | 12.2% | 13.6% | 12.6% | 9.5% |
| % revenue derived from marketing method: natural | 28.5% | 25.9% | 26.8% | 31.8% |
| % revenue derived from marketing method: direct | 21.8% | 21.8% | 21.7% | 19.0% |
| % revenue derived from marketing method: social | 0.6% | 0.8% | 0.4% | 0.6% |
| % revenue derived from marketing method: display | 0.9% | 0.7% | 0.8% | 1.3% |
| % revenue derived from marketing method: other | 6.9% | 5.6% | 4.9% | 5.3% |

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 Q4 2016/17**FOR CLOTHING/APPAREL SECTOR**

71 VISITS
71 % **MOBILE**
DEVICES

57% OF ONLINE
SALES
VIA MOBILE
DEVICES



30.8% **AVERAGE**
BOUNCE
RATE

Clothing / Apparel Quarterly Benchmarking KPIs

| | <u>Q4 2015</u> | <u>Q1 2016</u> | <u>Q2 2016</u> | <u>Q3 2016</u> | <u>Q4 2016</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Visitor bounce rate | 29.8% | 31.6% | 30.4% | 32.1% | 30.8% |
| Active customer retention rate | 21.9% | 23.2% | 22.8% | 22.0% | 21.3% |
| New customer % | 59.1% | 54.8% | 54.2% | 51.5% | 50.5% |
| Average selling price per item | £40 | £40 | £36 | £42 | £40 |
| Average order value | £65 | £75 | £73 | £82 | £77 |
| PPC ROI per pound spent | £4.99 | £4.96 | £5.49 | £4.44 | £4.19 |
| Affiliate ROI per pound spent | £20.88 | £19.91 | £19.69 | £18.06 | £20.29 |
| Online marketing ROI per pound spent | £14.75 | £16.06 | £14.68 | £17.31 | £16.04 |
| % revenue derived from marketing method: paid | 26.0% | 22.2% | 23.1% | 19.9% | 18.7% |
| % revenue derived from marketing method: affiliate | 9.9% | 11.0% | 10.4% | 11.3% | 12.5% |
| % revenue derived from marketing method: email | 6.8% | 10.0% | 8.3% | 7.3% | 7.7% |
| % revenue derived from marketing method: natural | 29.2% | 30.3% | 30.6% | 29.0% | 30.3% |
| % revenue derived from marketing method: direct | 23.5% | 21.7% | 21.3% | 21.9% | 19.1% |
| % revenue derived from marketing method: social | 0.6% | 0.6% | 0.8% | 0.9% | 1.0% |
| % revenue derived from marketing method: display | 0.3% | 0.4% | 0.9% | 1.0% | 1.1% |
| % revenue derived from marketing method: other | 3.7% | 3.2% | 4.6% | 2.5% | 2.9% |
| % of sales via mobile (including tablets) | 53.6% | 51.7% | 52.9% | 52.7% | 56.8% |
| % of visits via mobile (including tablets) | 70.2% | 68.4% | 69.3% | 66.8% | 71.4% |

Checkout Abandonment Rate

(Definition — percentage of abandoned sessions after the customer had navigated to the checkout)

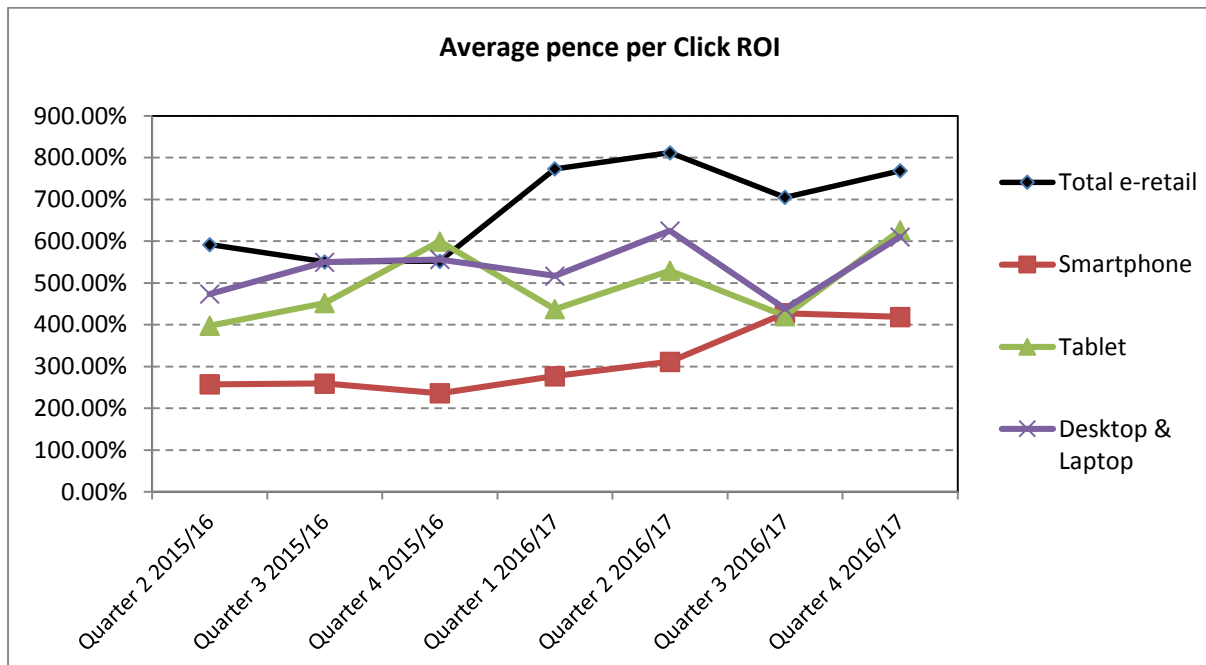
Although, we have seen a general downward trend in checkout abandonment rates over recent years, these remain stubbornly high. Following two consecutive years of decline from 35% in 2010 to 32% in 2012, in 2013 the average rate rose to 35%. Since 2014 the average checkout abandonment rate has ranged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

29%

The average checkout abandonment rate recorded in Q4 2016/17

The overall average checkout abandonment rate decreased to 29.0% in Q4 2016, down from 31.1% in the previous quarter. This compares with 35.5% in the same period last year.

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------|------|------|------|------|------|------|
| 35% | 33% | 32% | 35% | 30% | 31% | 30% |



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)

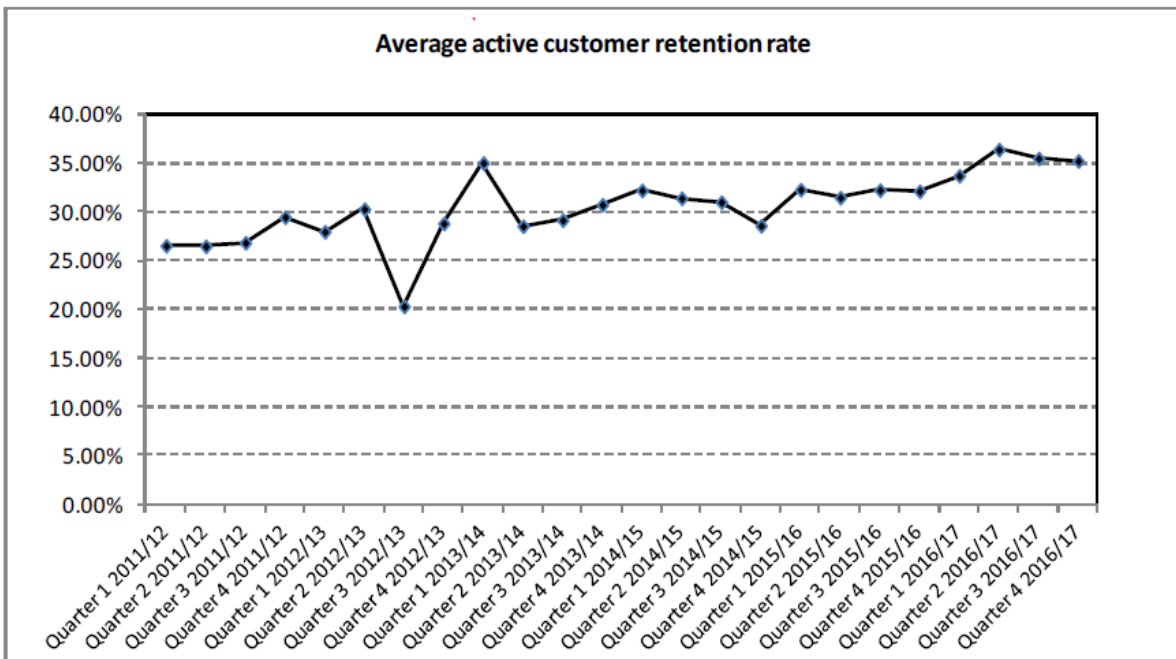
The average active customer retention rate recorded 35.2% in Q4 2016/17, a marginal change from 35.4% in Q3. By comparison the recorded rate in Q4 2015 was 32.1%

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.

35.2%

The average online active customer retention rate in the UK during Q4 2016/17

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





e-Retail Benchmarking

Click and 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, when transaction completed online.)

The penetration of click and collect sales of online for multichannel retailers has more than doubled since 2010, when the average rate recorded was 10%. During Q4 it reached its highest rate yet at 30.6%, a jump from 12 months ago of 22.4% in Q4.

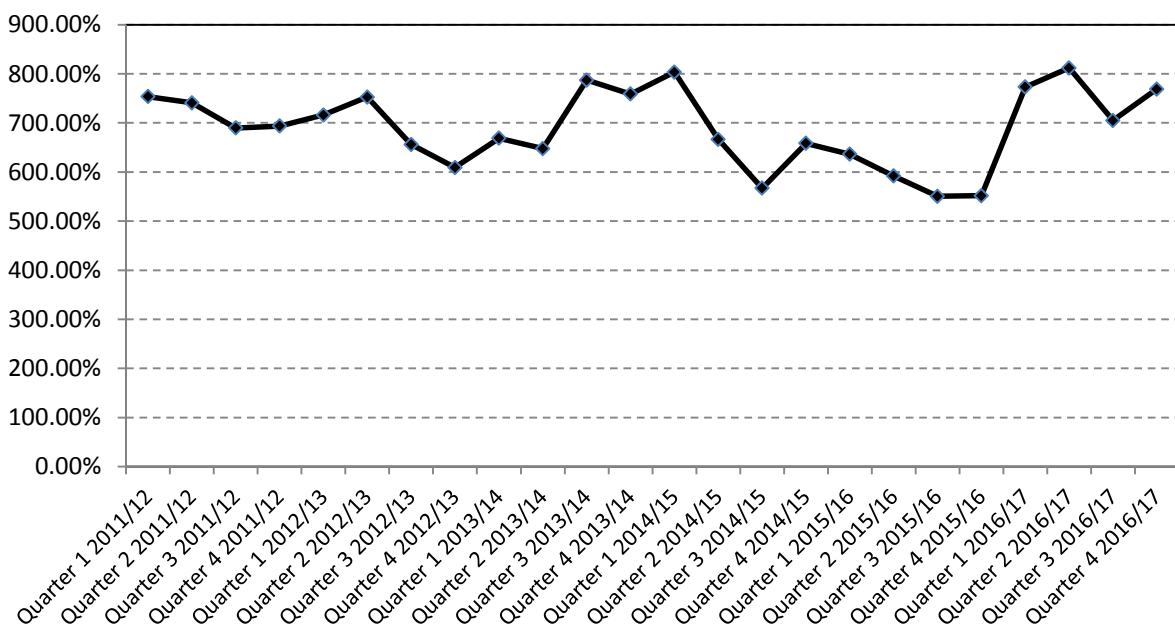
In 2011, click and collect accounted for 9% of multichannel retailers' online sales, rising to 14% in 2012 and 15% in 2013. During 2014 the penetration rate rose 3 percentage points to 18% and last year click and collect accounted for 23% of online sales for multichannel merchants, up 5 percentage points from the previous year. In 2016, click and collect accounts for 27% of online sales for this group of merchants.

30.6%

The average percentage of click & collect sales in Q4 2016/17 for multichannel retailers

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------|------|------|------|------|------|------|
| 10% | 9% | 14% | 15% | 18% | 23% | 27% |

Average pence per Click ROI





e-Retail Benchmarking

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.)

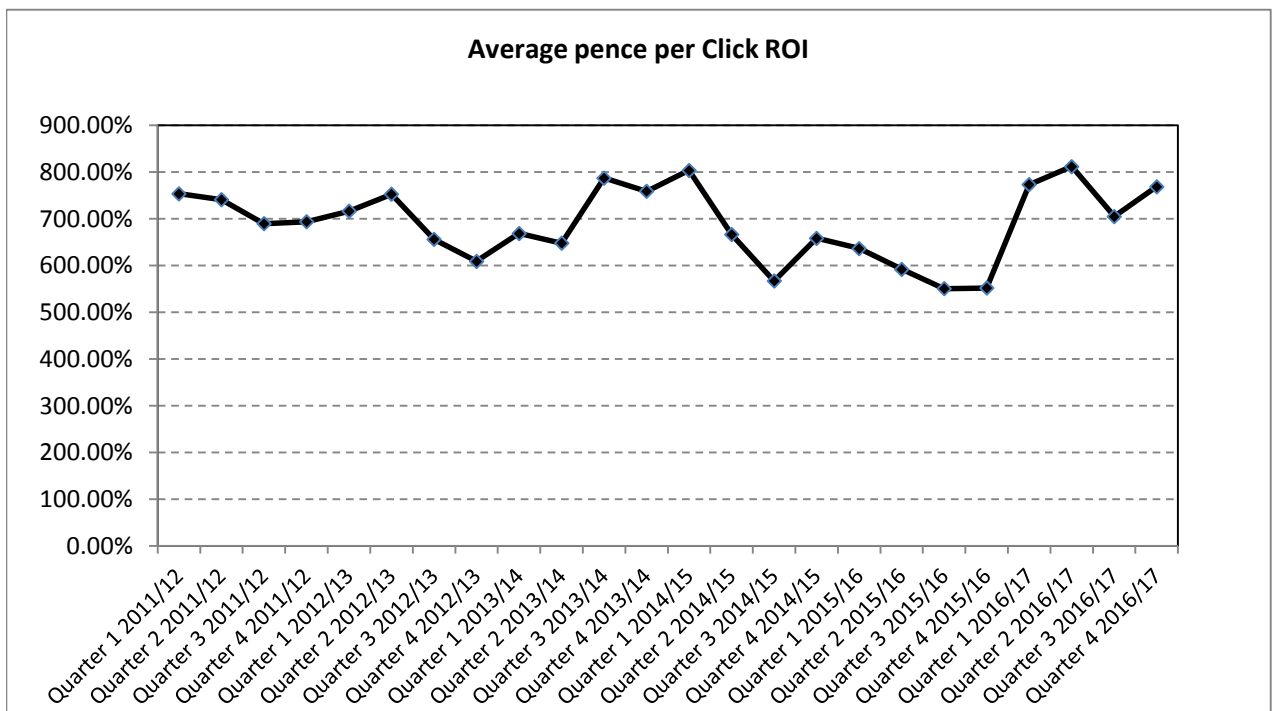
The ROI per pound spent on affiliate marketing reached £7.69 during Q4 2016, up from £7.05 in the previous quarter. That is the highest rate during Q4 since 2010.

Between 2010 and 2015 the average ROI fell from £7.21 to £5.83. But it has since returned to record levels of £7.65 in 2016.

£7.69

The average ROI recorded in Q4 2016/17 per pound spent on PPC marketing by UK e-retailers

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------|-------|-------|-------|-------|-------|-------|
| £7.21 | £7.19 | £6.83 | £7.16 | £6.74 | £5.83 | £7.65 |



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.)

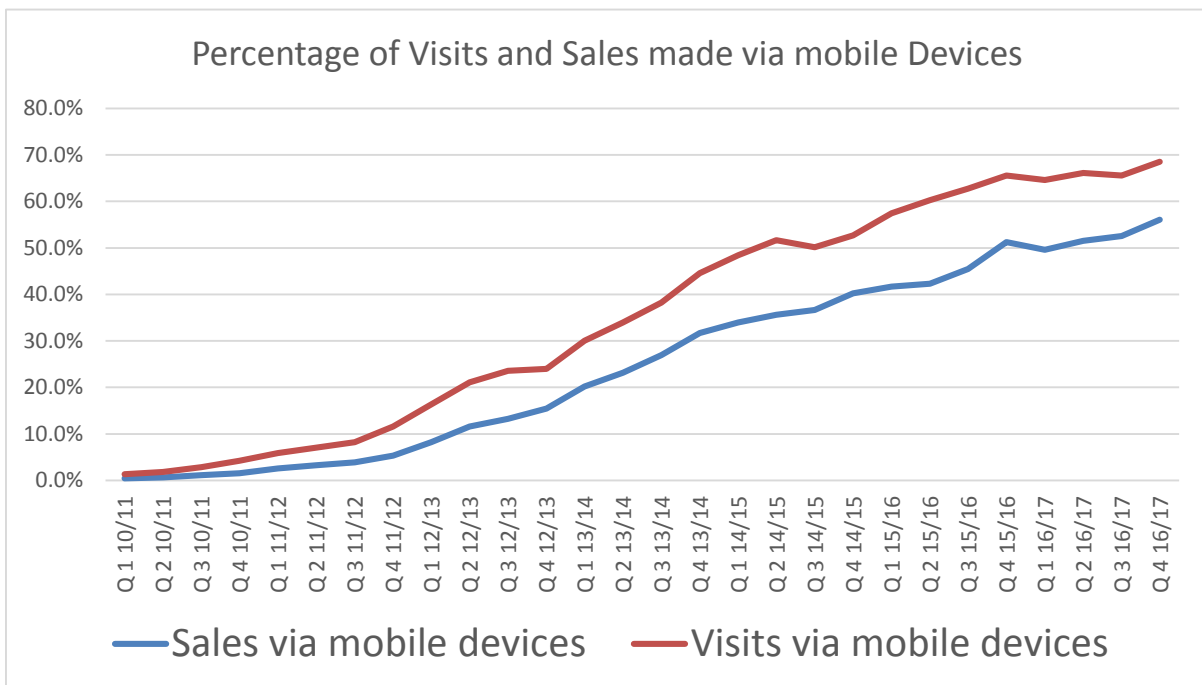
During Q4 2015 we reported a major digital tipping point had been reached, when the percentage of UK online retail sales made on mobile devices exceeded 50% for the first time, reaching 51.3%. By Q4 2016 the rate has increased to 56.0%.

During 2012, mobile commerce accounted for 12% of total online retail sales, up from 4% in 2011 and 1% in 2010.

56.0%

The percentage of online sales via mobile devices in the UK in Q4 2016/17s

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------|------|------|------|------|------|------|------|
| M-retail sales | 1% | 4% | 12% | 26% | 37% | 45% | 52% |
| M-retail visits | 3% | 8% | 21% | 37% | 51% | 62% | 66% |





e-Retail 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



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:

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.

Rightshore® is a trademark belonging to Capgemini