

IMRG Capgemini Quarterly Benchmarking Report

November 2017 to January 2018
(Q4 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.



e-Retail Benchmarking

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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

Key Findings:

- Checkout abandonment continues to rise, peaking at its highest ever rate of 35%. The average is now 6% higher than a year ago
- Basket abandonment also increased to 65.3%, suggesting the increases are not isolated to checkout, but a wider industry pattern
- Organic search placement is increasing its importance — it now represents 32% of revenue generated on a website. Up from 28% a year ago
- The percentage of visits via mobile devices continues its upwards trend, now representing 69% of all visits
- The percentage of gross order value that came from orders with a discount applied to them reached a new high at 19.9% — likely due to Black Friday and post-Christmas sales
- The average length of user sessions jumped up to five and half minutes, again a likely consequence of Christmas shopping and deal searching during the festive season

The latest Quarterly Benchmarking results reported the highest checkout abandonment rate for two years. It moved up by 2% from Q3 to reach 35%. The total market checkout abandonment has increased steadily over the last two years, driven primarily by the increasing share of sales taken by smartphones, which typically have the highest abandon rates of any device.

Click and collect rates took a surprising fall to 30.5% from last quarter's 34.7%. We've seen click and collect popularity steadily rise over the last four years (it was at 10% at the beginning of 2012). It occasionally dips between quarters but rarely during Q4 where its popularity is at its peak during the festive season.

Matthew Walsh,
IMRG

Q4 2017/18 – Platform Split

Q4 2017/18 (Nov/Dec/Jan)	<u>Total Online Retail market average</u>	<u>Smartphone market average</u>	<u>Tablet market average</u>	<u>Desktop/Laptop market average</u>
Visitor bounce rate	29.2%	32.5%	27.7%	23.2%
Basket abandonment rate	65.3%	59.9%	64.2%	65.1%
Checkout abandonment rate	35.0%	42.3%	31.2%	28.5%
Cancellations due to fraud	3.70	N/A	N/A	N/A
Percentage of units returned	18.0%	N/A	N/A	N/A
Average selling price per item	£30	£32	£33	£33
Average order value	£91	£67	£81	£83
PPC ROI per pound spent	£5.18	N/A	N/A	N/A
Affiliate ROI per pound spent	£17.12	N/A	N/A	N/A
Online marketing ROI per pound spent	£15.24	N/A	N/A	N/A
% revenue derived from marketing method: paid	21.8%	22.9%	21.0%	22.5%
% revenue derived from marketing method: affiliate	6.1%	5.2%	5.2%	7.8%
% revenue derived from marketing method: email	11.9%	13.1%	13.1%	10.2%
% revenue derived from marketing method: organic	32.2%	23.3%	28.6%	34.7%
% revenue derived from marketing method: direct	23.0%	25.1%	23.2%	20.5%
% revenue derived from marketing method: social	0.60%	0.7%	0.2%	0.3%
% revenue derived from marketing method: display	0.7%	1.00%	0.5%	0.7%
% revenue derived from marketing method: other	3.8%	4.4%	3.8%	0.3%
Percentage of sales via mobile devices	53.8%	N/A	N/A	N/A
Percentage of visits via mobile devices	68.5%	N/A	N/A	N/A
Percentage of click and collect sales	30.5%	35.2%	30.0%	29.5%

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.

Q4 2017/18 – Extra Quarterly Metrics

		Q4 2017 Market Average
Customer Funnel	Percentage of total visits that view a product page	49.6%
	Percentage of sessions that convert from a product page view to 'Add item to bag'	17.0%
	Percentage of 'Add to bag' sessions that convert to checkout	55.0%
	Percentage of checkout sessions that convert to payment	55.3%
Site Navigation	Length of user session (secs)	334
	Home page bounce rate	11.3%
	Home page exit rate	17.2%
	Site search percentage	22.9%
	Search page exit rate	16.1%
	Product page exit rate	33.8%
	Home page start rate	38.3%
	Product Page Start Rate	21.9%
Mobile and App data	Mobile device platform — Android share of sales	31.1%
	Mobile device platform — iOS share of sales	46.8%
Customer engagement	Old customer reactivation rate	4.6%
	New visitor conversion rate	12.8%
Discounting	Discount rate (% of gross revenue generated from items on sale/discount)	19.9%

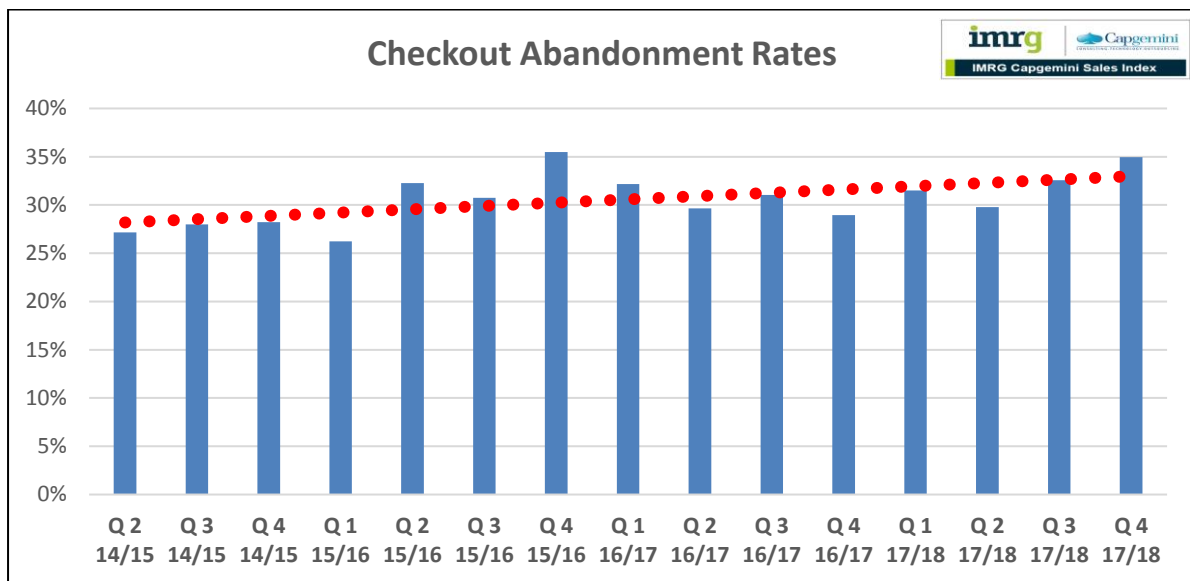
Clothing / Apparel Quarterly Benchmarking KPIs

CLOTHING MARKET ONLY	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Visitor bounce rate	30.8%	29.2%	29.4%	29.6%	26.0%
Active customer retention rate	21.3%	20.1%	41.0%	36.2%	31.4%
New customer %	50.5%	54.5%	59.3%	59.8%	59.4%
Average selling price per item	£40	£44	£28	£29	31
Average order value	£77	£70	£60	£59	£62
PPC ROI per pound spent	£4.19	£4.99	£5.48	£4.90	£4.74
Affiliate ROI per pound spent	£20.29	£19.79	£11.61	£11.94	£10.29
Online marketing ROI per pound spent	£16.04	£16.21	£13.93	£13.39	£12.39
% revenue derived from marketing method: paid	18.7%	21.0%	29.6%	28.6%	31.4%
% revenue derived from marketing method: affiliate	12.5%	10.8%	8.9%	9.9%	10.0%
% revenue derived from marketing method: email	7.7%	8.2%	8.7%	7.8%	6.8%
% revenue derived from marketing method: natural	30.3%	28.0%	26.4%	27.9%	30.7%
% revenue derived from marketing method: direct	19.1%	20.5%	21.3%	20.2%	15.0%
% revenue derived from marketing method: social	1.0%	1.1%	1.1%	1.3%	2.0%
% revenue derived from marketing method: display	1.1%	0.9%	1.7%	1.6%	1.2%
% revenue derived from marketing method: other	2.9%	2.7%	2.1%	2.7%	3.0%
% of sales via mobile (including tablets)	56.8%	54.2%	45.8%	47.6%	48.2%
% of visits via mobile (including tablets)	71.4%	67.0%	60.5%	61.1%	58.5%

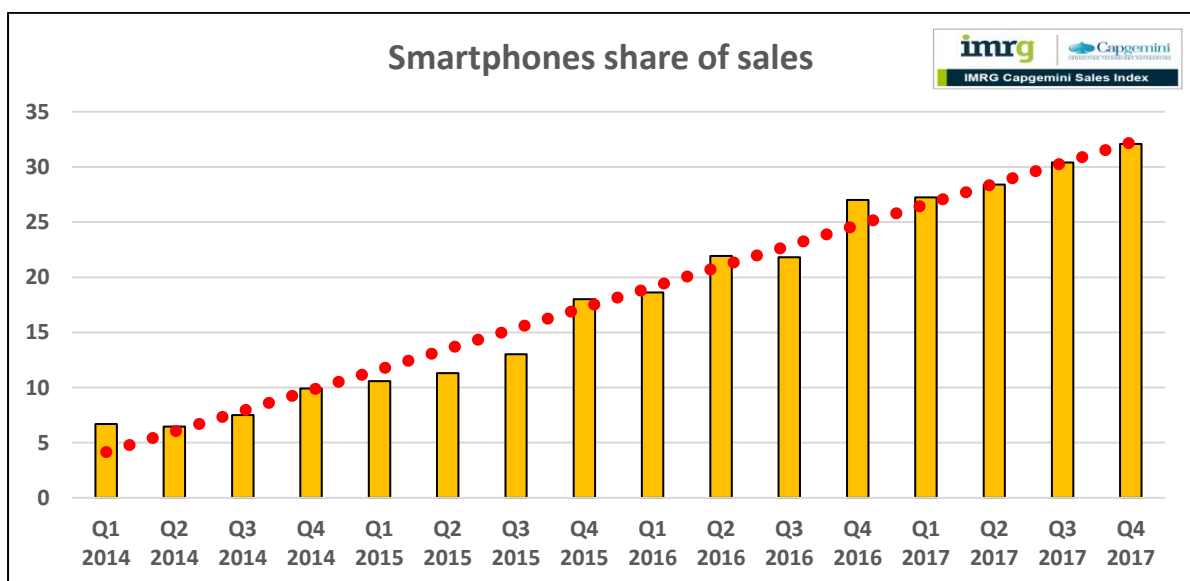
Checkout Abandonment Rates

The market average for checkout abandonment rate saw a jump in Q4 2017 to 35.0%, up from the previous quarter's 32.6%.

The checkout abandonment trend line shows a gradual incline over the last four years. It correlates nicely with the growth in sales share taken by smartphones. Smartphones typically have a higher checkout abandonment rate than other devices which has brought the overall market figure up.

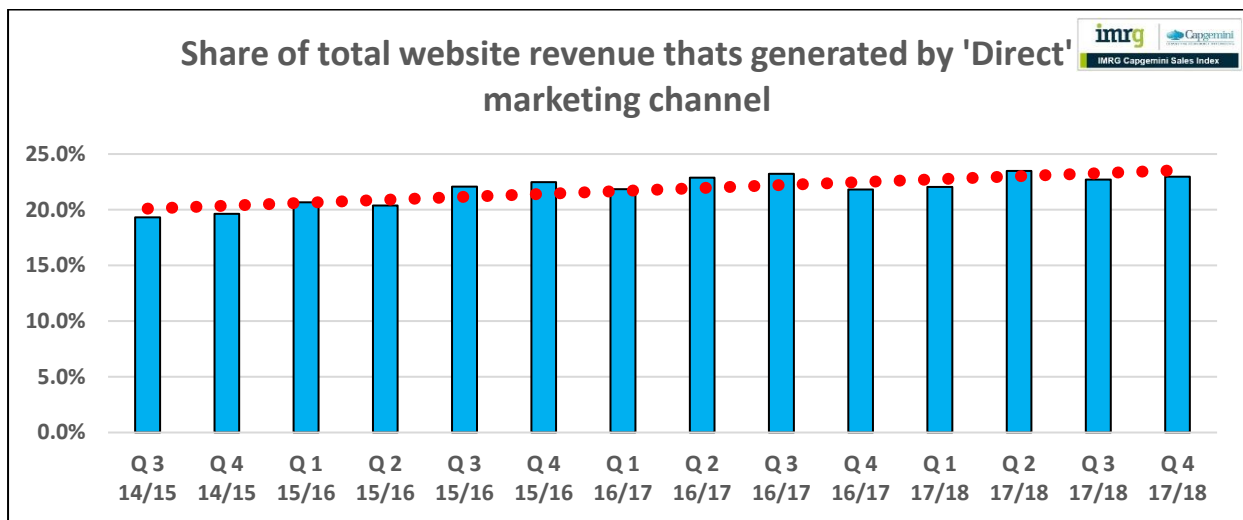


The incline is steeper for smartphones growth, however its share is still just under a third. Therefore when factored in to the total market abandonment rate, the growth isn't as pronounced.

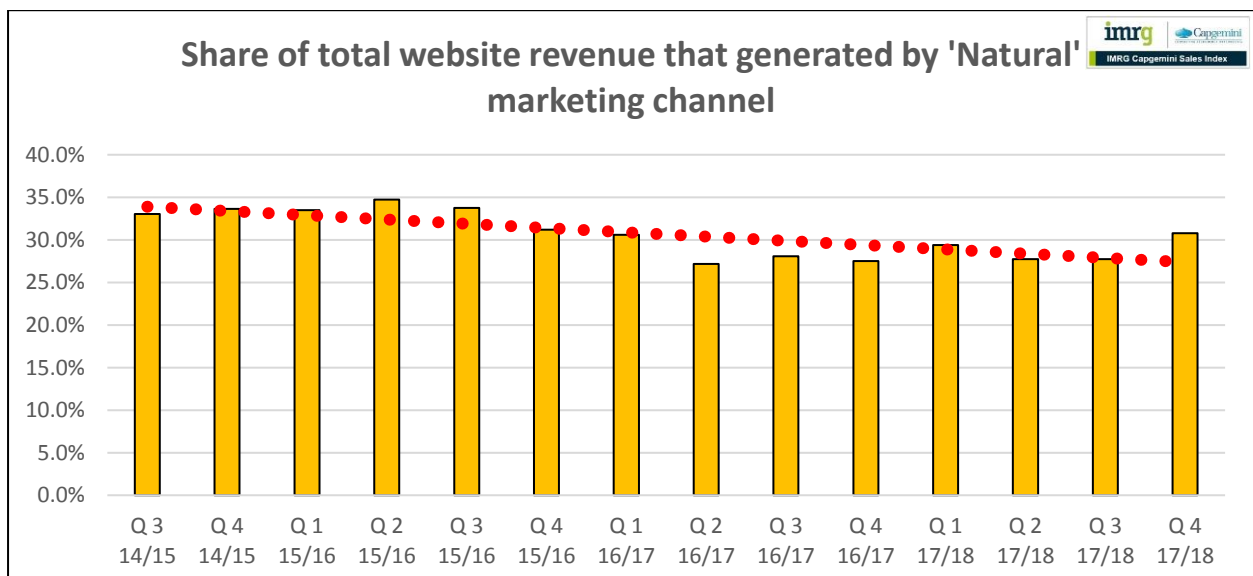


Revenue split by marketing method

IMRG track the share of revenue taken by different marketing channels. The data is based on a last-click model. The share taken by 'direct traffic' (customers landing directly onto a retailer's website by going direct to a specified URL e.g. www.retailshopexample.co.uk) has slowly increased over the last 3 years.



Consumer habits of sticking to the same retail brands may come into play on this trend. One possible explanation is shoppers going straight to their favourite brands/retailer websites when searching for new items instead of going via search engines...indeed looking at the trend for revenue via natural search could back that up.



Mobile operating system

iOS devices took a slight increase in share of sales during Q4 taking away 2% from the Android platform. The main driver of the change would have been the iPhone X, that was released in November. The new large screen phone from Apple was highly anticipated and likely drew consumers across from the android platform.

Share of sales from mobile devices by operating system



47%

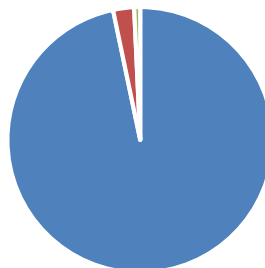


31%

Sales from geographic regions

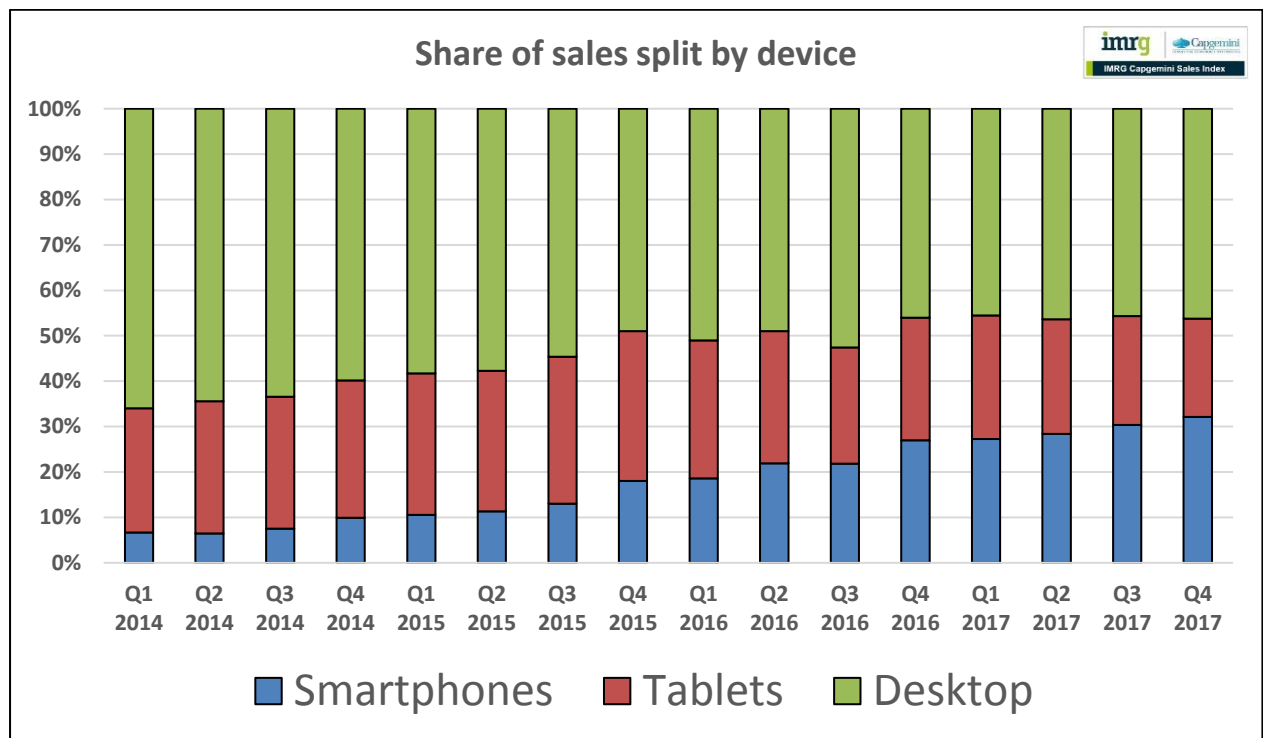
The below pie chart shows where sales originate from for the average retailer in the UK. The percentages have varied less than 2% over the last 3 years.

Where do sales come from?



■ UK ■ EU ■ ROW

Device sales split



Smartphones have experienced the largest growth rate over the last three to four years. At the beginning of 2014 the devices held just under 7% of all sales online for the average online retailer. Fast forward to the end of 2017 and they now hold nearly a third of all sales. Tablets have been the device to sacrifice the largest share, falling from a high of 33% at the end of 2015 to 22% two years later. Desktops initially saw a decline of sales share to correlate with the explosion of smartphone growth, however in recent quarters they've held firm at 45-46%.



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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 online 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



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	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:

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