

IMRG Capgemini Quarterly Benchmarking Report

May to July 2016

(Q2 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 e-Retail Sales Index. It tracks over 40 key performance indicators across 7 categories, leading to unique insights into the performance of the UK e-retail sector.

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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 e-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

- Following a slight dip in the m-retail penetration rate between Q4 2015 and Q1 2016, the average rate rose to 51.5% during Q2.
- Traffic via mobile devices (including tablets) also rose, accounting for two-thirds of visits to retail websites during the second quarter (66.1%).
- Checkout abandonment rates fell across all devices, with the overall average rate reaching 29.7% during Q2 – the lowest rate recorded over the past year.
- Bounce rates increased across all devices, with the overall e-retail average reaching 30.6% in Q2.
- The active customer retention rate reached a record high of 36.4% during Q2, up from 33.7% in the previous quarter and 5% higher than the rate recorded in the same period last year.
- Average selling price per item reached lowest rate in over 3 years at £31 – suggests more discounting during the quarter, which aligns with our analysis of the July Index results. This is 9% lower than the average recorded in Q2 last year.
- Average returns rate reached a record high of 19.7% during Q2.
- Click & collect accounted for 25% of online sales for multichannel retailers in Q2 – this is the highest rate recorded and compares with 22% in the previous quarter.

The latest Quarterly Benchmarking results reveal a number of interesting e-retail trends that may be emerging. There is some evidence that online retailers are focusing more on retaining existing customers than acquiring new ones. The active customer retention rate reached a record high of 36.4% during the period May to July, a full five percentage points up on the same quarter last year. This means that the percentage of customers making return purchases was at its highest rate since we started tracking it in 2010, while conversely the percentage of first-time customers was at a record low.

Another trend we've observed this quarter is a decline in the average selling price per item, which reached its lowest rate in over 3 years during Q2, down a full 9% on the same period last year – which suggests that there was more aggressive discounting over the quarter.

Following a dip in the m-retail penetration rate during Q1, the latest results indicate this is stabilising with the average rate rising to 51.5% during the second quarter, in line with the average recorded during Q4 last year.

Tina Spooner
Chief Information Officer, IMRG

Quarterly Benchmarking Platform Split

IMRG and Capgemini are now able to report the performance of a number of Quarterly Benchmarking KPIs by the following platforms:

- Smartphones
- Tablets
- Desktop / laptop

The results for Q2 2016/17 reveal:

- Checkout abandonment rates continue to be highest on smartphones, however, the average rate on these devices fell from 44.6% in Q1 to 38.5% during Q2. During the same period the average rate recorded on tablets fell from 31.2% to 26.8%.
- Average selling price per item fell across all devices during Q2, however, smartphones recorded the highest value at £33, while tablets and desktops / laptops recorded an average of £32.
- Tablets and desktops/laptops recorded a 1.3% rise in average bounce rates from the previous quarter, while the average bounce rate on smartphones increased 0.5% between Q1 2015 and Q2 2016.
- Smartphones accounted for the highest share of revenue derived by email and direct marketing during Q2, with these devices accounting for 14.0% and 23.2% of revenue, respectively.
- The highest share of paid marketing was derived through tablets during Q2, with these devices accounting for 24.6% of revenue for this marketing method.
- The largest share of revenue from affiliate and natural marketing came via desktops / laptops at 8.5% and 34.1%, respectively.
- ROI per pound spent on PPC marketing rose 12% on smartphones from Q1 2016, reaching £3.11 in Q2 2016. During the same period the average ROI for this marketing method rose 21% on tablets, from £4.37 in Q1 to £5.29 in the second quarter.

Q2 2016/17 – Platform Split

| | <u>Total e-Retail</u> | <u>Smartphone</u> | <u>Tablet</u> | <u>Desktop/ Laptop</u> |
|--|-----------------------|-------------------|---------------|----------------------------|
| Visitor bounce rate | 30.6% | 36.0% | 29.8% | 25.8% |
| Basket abandonment rate | 59.2% | 61.1% | 60.5% | 62.6% |
| Checkout abandonment rate | 29.7% | 38.5% | 26.8% | 25.1% |
| Average selling price per item | £31 | £33 | £32 | £32 |
| Average order value | £82 | £68 | £77 | £80 |
| PPC ROI per pound spent | £8.12 | £3.11 | £5.29 | £6.25 |
| Affiliate ROI per pound spent | £17.96 | £20.05 | £21.61 | £22.94 |
| Online marketing ROI per pound spent | £18.84 | £8.52 | £12.17 | £21.19 |
| % revenue derived from marketing method: paid | 22.0% | 22.5% | 24.6% | 20.3% |
| % revenue derived from marketing method: affiliate | 6.9% | 5.7% | 5.7% | 8.4% |
| % revenue derived from marketing method: email | 12.7% | 14.0% | 11.7% | 9.1% |
| % revenue derived from marketing method: natural | 28.1% | 24.7% | 26.9% | 34.1% |
| % revenue derived from marketing method: direct | 22.9% | 23.2% | 22.9% | 19.9% |
| % revenue derived from marketing method: social | 0.8% | 1.0% | 0.3% | 0.6% |
| % revenue derived from marketing method: display | 0.8% | 0.7% | 0.8% | 1.3% |
| % revenue derived from marketing method: other | 5.3% | 5.0% | 4.4% | 4.7% |

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

QUARTERLY BENCHMARKING STATISTICS Q2 2016/17

FOR CLOTHING/APPAREL

69 VISITS
% **MOBILE
DEVICES**

**53% OF ONLINE
SALES
VIA MOBILE
DEVICES**



30.4 % **AVERAGE
BOUNCE
RATE**

Clothing / Apparel Quarterly Benchmarking KPIs

| | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|--|---------|---------|---------|---------|---------|
| Visitor bounce rate | 30.2% | 30.2% | 29.8% | 31.6% | 30.4% |
| Active customer retention rate | 21.8% | 22.0% | 21.9% | 23.2% | 22.8% |
| New customer % | 59.3% | 54.6% | 59.1% | 54.8% | 54.2% |
| Average selling price per item | £36 | £40 | £40 | £40 | £36 |
| Average order value | £68 | £76 | £65 | £75 | £73 |
| PPC ROI per pound spent | £4.76 | £4.19 | £4.99 | £4.96 | £5.49 |
| Affiliate ROI per pound spent | £21.38 | £19.85 | £20.88 | £19.91 | £19.69 |
| Online marketing ROI per pound spent | £17.21 | £16.20 | £14.75 | £16.06 | £14.68 |
| % revenue derived from marketing method: paid | 20.6% | 21.3% | 26.0% | 22.2% | 23.1% |
| % revenue derived from marketing method: affiliate | 10.2% | 11.8% | 9.9% | 11.0% | 10.4% |
| % revenue derived from marketing method: email | 10.0% | 9.1% | 6.8% | 10.0% | 8.3% |
| % revenue derived from marketing method: natural | 34.7% | 34.7% | 29.2% | 30.3% | 30.6% |
| % revenue derived from marketing method: direct | 19.6% | 19.5% | 23.5% | 21.7% | 21.3% |
| % revenue derived from marketing method: social | 0.5% | 0.4% | 0.6% | 0.6% | 0.8% |
| % revenue derived from marketing method: display | 0.5% | 0.3% | 0.3% | 0.4% | 0.9% |
| % revenue derived from marketing method: other | 4.0% | 2.8% | 3.7% | 3.2% | 4.6% |
| % of sales via mobile (including tablets) | 46.9% | 49.6% | 53.6% | 51.7% | 52.9% |
| % of visits via mobile (including tablets) | 65.0% | 65.4% | 70.2% | 68.4% | 69.3% |

Checkout Abandonment Rate

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

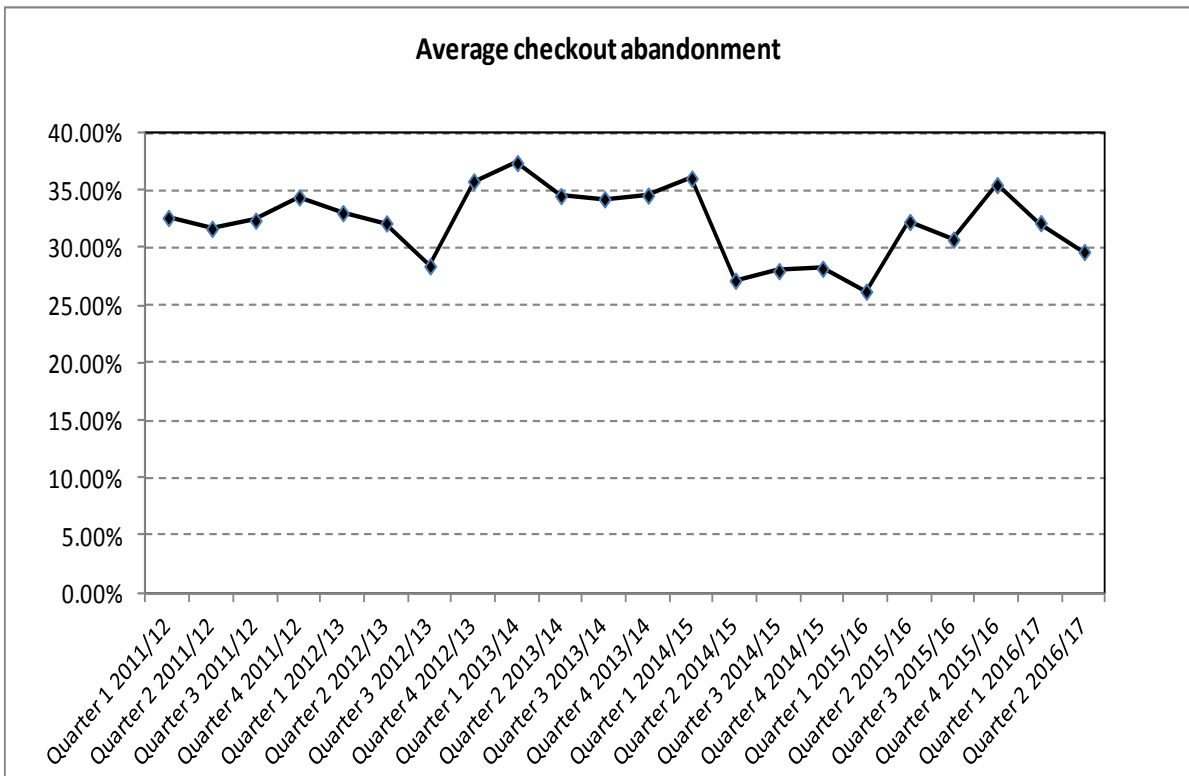
Although, we have seen a general downward trend in checkout abandonment rates over recent years, these remain stubbornly high. Following two consecutive years of decline from 35% in 2010 to 32% in 2012, in 2013 the average rate rose to 35%. Since 2014 the average checkout abandonment rate has ranged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

The overall average checkout abandonment rate fell to 29.7% in Q2 2016, down from 32.2% in the previous quarter. This compares with 32.3% in the same period last year and is the lowest rate recorded since Q1 2015.

29.7%

The average checkout abandonment rate recorded in Q2 2016/17

| 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)

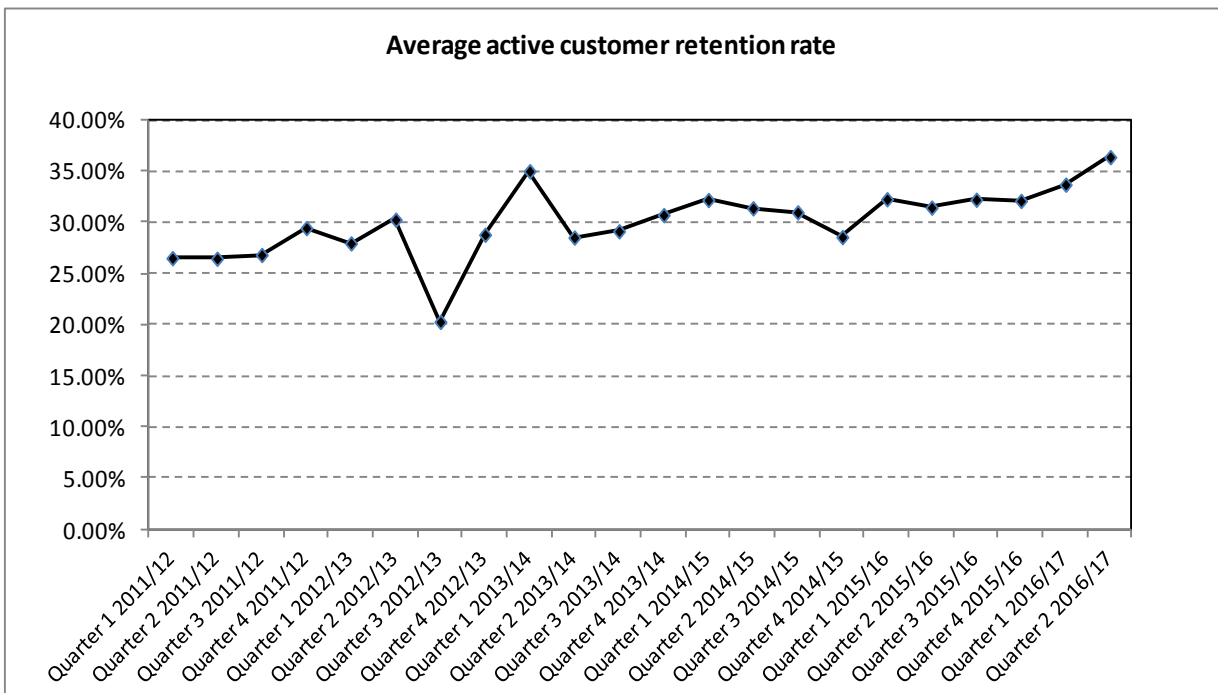
The average active customer retention rate reached a record high of 36.4% in Q2 2016/17, up from 33.7% in the previous quarter and 31.5% in Q2 last year.

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.

36.4%

The average online active customer retention rate in the UK during Q2 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)

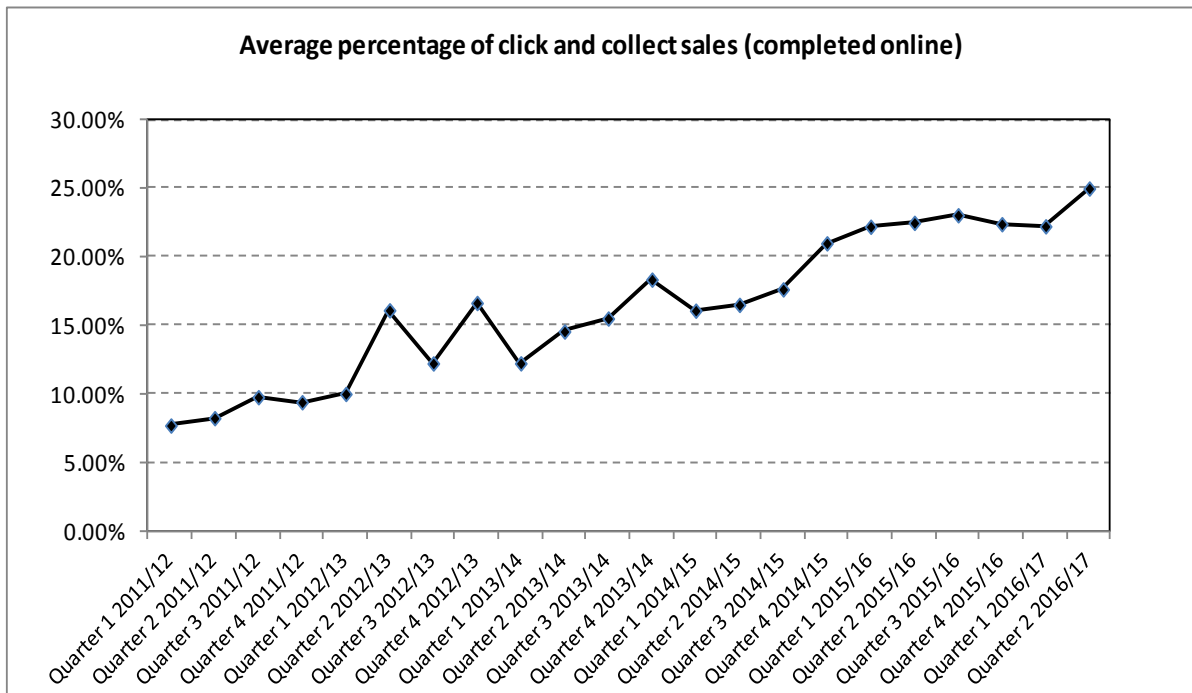
The penetration of click & collect sales of online for multichannel retailers has more than doubled since 2010, when the average rate recorded was 10%. During Q1 2016 click & collect accounted for 22.2% of online sales for multichannel retailers, unchanged from the previous quarter, however, in Q2 this reached a record high of 25.0%.

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 24% of online sales for this group of merchants.

25.0%

The average percentage of click & collect sales in Q1 2016/17

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD |
|------|------|------|------|------|------|----------|
| 10% | 9% | 14% | 15% | 18% | 23% | 24% |



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)

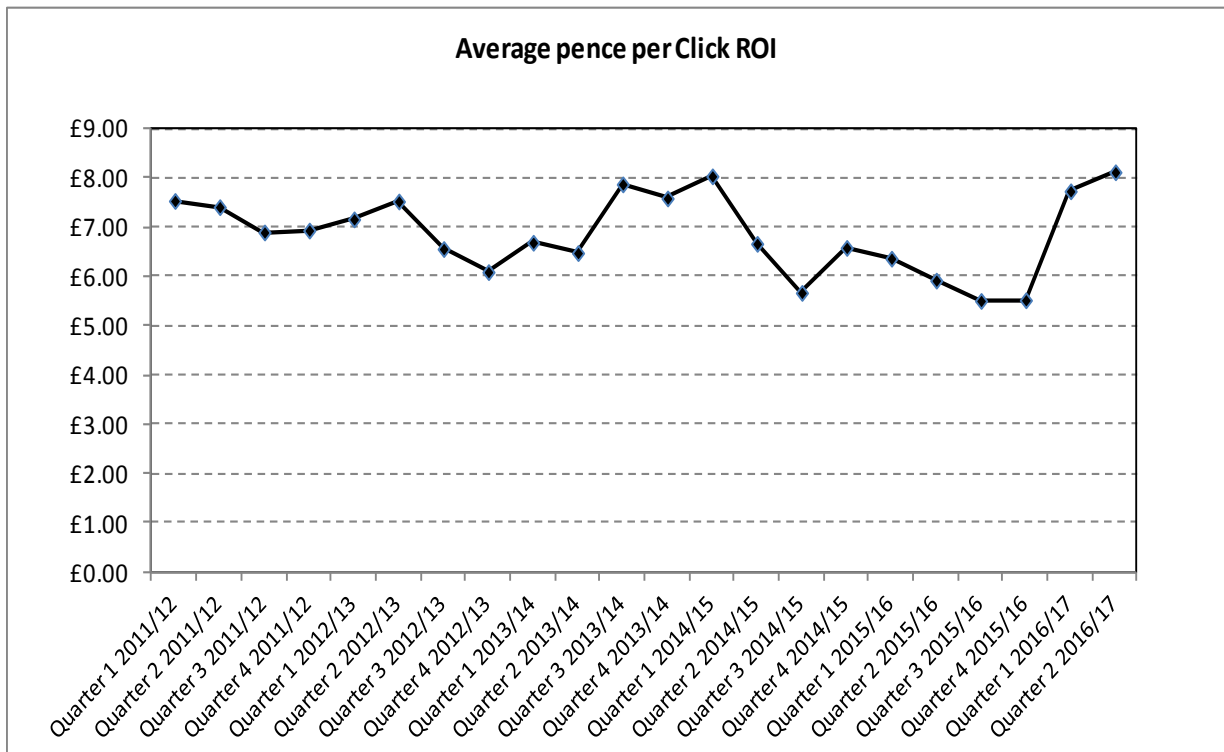
The ROI per pound spent on affiliate marketing reached £8.12 during Q2 2016, up from £7.73 in the previous quarter. This is the highest rate recorded since Q4 2010 and compares with an average ROI of £5.92 in the same period last year.

Between 2010 and 2015 the average ROI fell from £7.21 to £5.83. However, year-to-date in 2016, it has risen to £7.92, up 29% from the same period in 2015 - £6.14 average during Q1 and Q2 2015.

£8.12

The average ROI recorded in Q2 2016/17 per pound spent on PPC marketing by UK e-retailers

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD |
|-------|-------|-------|-------|-------|-------|----------|
| £7.21 | £7.19 | £6.83 | £7.16 | £6.74 | £5.83 | £7.92 |



Percentage of Sales Within the UK

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

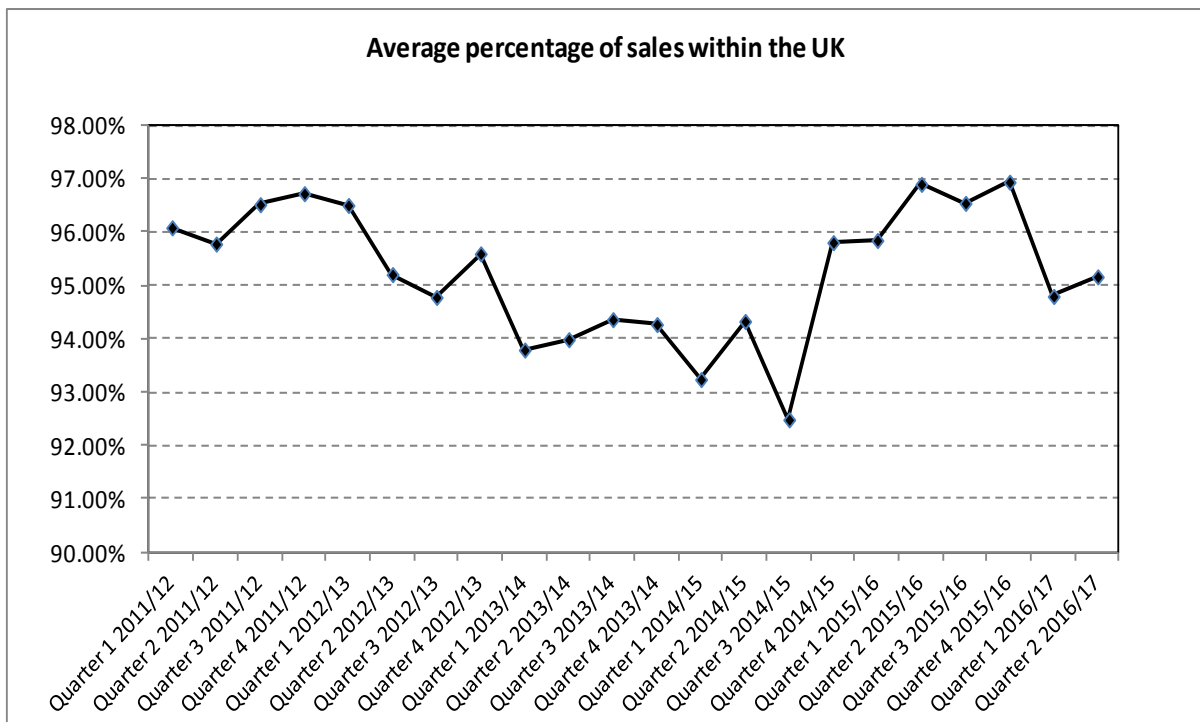
The percentage of online sales within the UK (despatched from UK-based online stores) reached 95.2% during Q2 2016, up from 94.8% in the previous quarter but down from 96.9% in the same period last year.

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%.

95.2%

The percentage of online sales within the UK during Q2 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)

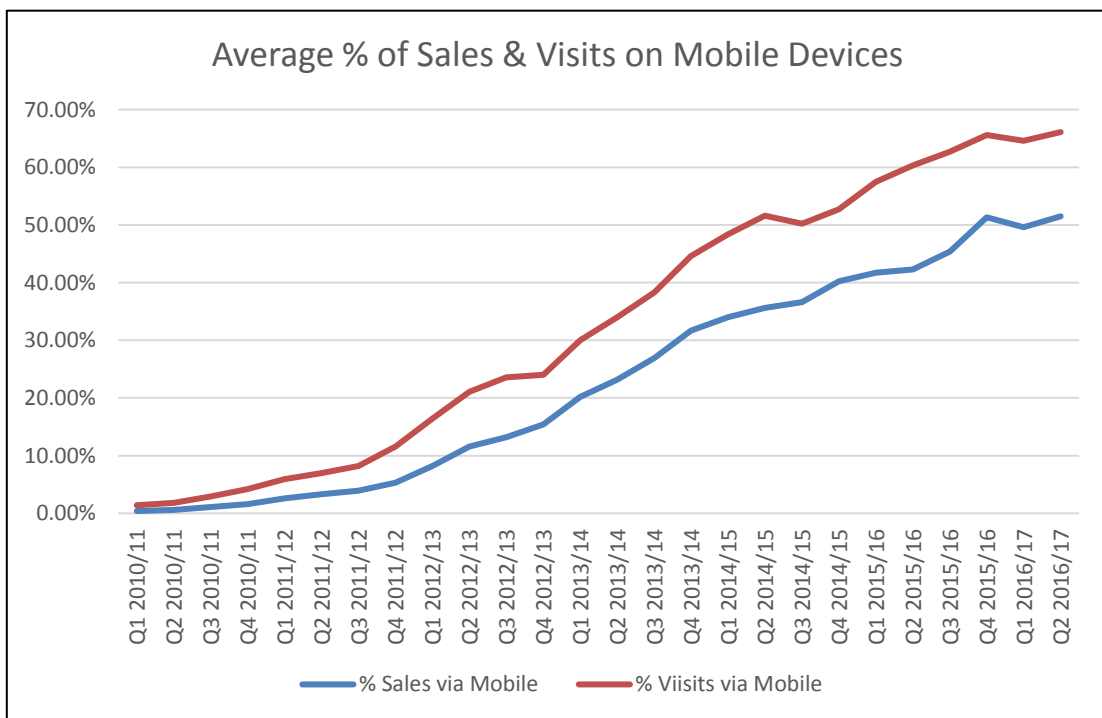
During Q4 2015 we reported a major digital tipping point had been reached, when the percentage of UK online retail sales made on mobile devices exceeded 50% for the first time, reaching 51.3%. For the first time in the history of the Quarterly Benchmarking, we observed a fall in the rate of m-retail penetration, with the average falling to 49.6% during Q1 2016. However, the latest results indicate this is stabilising, with the Q2 average reaching 51.5%.

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.

51.5%

The percentage of online sales via mobile devices in the UK in Q2 2016/17s

| | 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% |



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:

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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.

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