MarketingSherpa

E-commerce Benchmark Study

Detailed charts on responses from 4,346 marketers:

• What are Overall E-commerce Conversion Rates?......................... Page 7
• How Much of the Marketing Budget is Spent on Each Channel?..... Page 21
• Which Metrics do Companies Monitor Regularly?......................... Page 44

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Magento®
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What Drives eCommerce Marketing Success Today?

E-commerce marketing today is more challenging than ever. Merchants compete in crowded industries, using expensive channels to reach customers who are increasingly adept in turning us off. So which marketing strategies and programs actually work to drive success?

To answer this question, Magento – the world’s most used e-commerce platform powering more than 500,000 merchants than any other platform – partnered with MarketingSherpa, a firm specializing in tracking what works in all aspects of marketing.

Magento’s research grant enabled MarketingSherpa to conduct unbiased research that helps companies improve their e-commerce marketing efforts, better market their products, and, through that marketing, ultimately better serve the customer.

MarketingSherpa had full editorial independence to research e-commerce practitioners at all levels in the organization using any platform. In fact, more than 4,000 responded to the Benchmark Study survey that is the backbone of this book.

We hope you find this report insightful, and most importantly, helpful, as you shape your own successful e-commerce endeavor. To learn more about Magento and how to use it to leverage the success-driving strategies highlighted in this research, please visit us at www.marketingsherpa.com/e-commerce

Sincerely,

The Magento Team

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What does success in e-commerce look like? The answer to this question is complex, debatable and elusive. We are focused on the most pressing questions facing e-commerce in 2014. However, we know that there is always more to learn and discover.

Each graphic spread is aimed at answering essential e-commerce questions, like:

• What are award-winning e-commerce conversion rates? (p. 7)
• Which channels do e-commerce review traffic trend? (p. 27)
• How successful are companies that frequently update customer experiences? (p. 52)

Inside, you will find the results of a collaborative effort from a range of e-commerce experts, leaders, and practitioners, who poured more than 3,000 hours of research into a collection of insightful infographics you can read in 90-minutes or less. Inside you’ll find 95 charts we’ve created to help answer 25 core e-commerce questions arranged to provide:

• Executives with high-level snapshots of annual trends
• Brand owners with strategies for achieving goals in today’s market
• Managers in the trenches with insights into the tactics being used by successful peers

Our team started this nine-month study by conducting a preliminary business intelligence analysis of publicly available e-commerce data, coupled with a literature review of 14 academic works on the topic and interviews of key e-commerce experts.

We used our preliminary research to aid our crafting of a robust benchmark survey to help answer key questions for e-commerce marketers that have been underrepresented in current, already published industry data. After 4,346 e-commerce marketers participated in the survey, we conducted an analysis to determine which companies were most successful, and then cross tabulated the data to find which practices were most commonly used by these companies — information we’re sharing with you through this Benchmark Study.

Ultimately, our job is to help you do your job better.

We trust you will come to find this Benchmark Study a valuable tool in your pursuit of a commerce success.

If there is any other way we can help, please let us know at: research@marketingsherpa.com.

Thank you for your trust.

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To define success for this Benchmark Study, the pre-survey literature review identified five key factors to consider: financial metrics, site design and performance, customer orientation, internal resources and capabilities and competitive comparisons. Questions and combinations of questions were designed for the survey that would capture several aspects of each factor. These included but were not limited to:

1. Year over year change in annual revenue
2. Year over year change in e-commerce revenue
3. Gross margin percentage
4. ROI on marketing spending
5. Average order value
6. Trend in cost of customer acquisition
7. Frequency of site change based on customer feedback
8. Steps in the purchase funnel
9. Website features
   a. Customer guarantees
   b. Product value
   c. Delivery speed
   d. Market share
10. Reputation monitoring processes

Relative and trend-based factors were used instead of raw figures to score each respondents relative standing on an index. These factors were then adjusted to a uniform scale with certain undesirable scores remaining below zero.

Scores were weighted, compensating for missing data, with the most important factors, like financial metrics, given the most weight in the model. Each respondent with sufficient available data was then tagged with a success score that theoretically could range from -4 to 18. However, measured scores ranged from .04 to 14.

To request further information about the design of this survey-based study, please contact our research team at research@marketingsherpa.com.
1.14 Overall Conversion Rates (for E-commerce Sales)

Conversion rate was most frequently less than 10%, with many responses below 1%. A smaller cluster of responses was also seen between 50% and 59%.

1.14 Gross Margins (by Trend Groups)

Margins tend to either be holding steady or rising for the majority of companies, while a minority of companies reported falling margins.

38% of all respondents reported gross margins holding steady in 2013.

1.19 Channels that Drive Significant Traffic (by Revenue)

Email marketing and organic search were the most frequent sources of e-commerce traffic for respondents across all but the lowest revenue ranges, while channels such as affiliate marketing and content marketing were less frequently used. As revenue rose, social media and referral traffic were less often significant. Both types of paid search were used more frequently as revenue rose.

What You Need to Understand

It’s important to keep in mind that while conversion rate trends are often considered the most vital indicators of performance in e-commerce, conversion rate is also dependent on a degree of the business model and quality of the site traffic.

Margins are steady or rising for the majority of e-commerce companies. However, at the highest and lowest margin levels, they are much more likely to fluctuate than at moderate margin percentages.

Lastly, email and organic search continue to be valuable tools in driving traffic.
1.1 Overall Barriers to Growth
Size of marketing budget was seen as the most significant barrier to growth, followed by generating additional demand.

1.2 Barriers to Growth (by E-commerce Revenue)
High-revenue companies saw technology as the top barrier to growth, while low-revenue companies were more constrained by marketing budget.

1.3 Barriers to Growth (by Number of Employees)
Technology and quickly changing marketplaces were more significant barriers to growth as a company becomes larger, while larger or better-funded competitors and access to capital were less significant.

What You Need to Understand
As we’ve seen in previous Benchmark Studies fielded by MarketingSherpa, the size of marketing budget is a perennial challenge for marketers—whether real or perceived. After all, money solves a lot of problems. But what specific challenges could a bigger budget help marketers overcome?

Using additional budget to combat a larger competitor’s advertising dominance is one answer. Technology is another possible answer, which was an even bigger barrier for high-revenue companies than budget.

Technology could also help with other key challenges, like product innovation and a quickly changing marketplace, by giving better visibility into and helping to create a better customer experience. One marketer indicated in the survey: “Lack of robust reporting tools that can give a 360-degree view to all aspects of a customer purchase and profile can seriously hinder growth and optimization.”

1. Items not selected by respondents were given the lowest score based on the assumption that the item was not a challenge. Those not responding to any of the 14 were excluded.
What are Average Conversion Rates for E-commerce Sales?

Conversion rate is often considered one of the most vital indicators of performance in e-commerce, yet it is fundamentally dependent on the business model and the quality of traffic arriving to a site.

Often, conversion rates vary widely between competitors or even business units within a company.

To help us better understand how successful companies are turning traffic into sales, we asked respondents to indicate their average conversion rate for e-commerce.

1.4 Overall E-commerce Conversion Rates
Conversion rate was most frequently less than 15%, with many responses below 1%.

1.5 E-commerce Conversion Rates (by Gross Margin and Overall Revenue)
The median average conversion rate for low-revenue companies (less than $1M) was higher in every margin segment than that of high-revenue (more than $100M) counterparts.

Surprisingly, the biggest distinction occurred in medium margin conversion rates for low-revenue companies: both the highest (40% to 50%) gross margin range. This group had median conversion rates nearly triple (3x) that of high-revenue counterparts (more than $100M) in the same group (with average conversion rates around 1%).

1.6 E-commerce Conversion Rates (by Product Type)
Marketers who offer electronics reported the highest mean conversion rate of nearly 25%. Business services and publishing, media and entertainment closely followed with reported conversion averages exceeding 20%. These means were driven up by high conversion rates in certain products that chart 1.7 to compare means and medians.

1.7 E-commerce Conversion Rates (by Testing and Optimization Strategy)

Companies with a testing and optimization strategy based on extensive historical data show higher median conversion rates than those that test based on intuition, best practices or default test at all. This chart shows the wide spread of reported conversion rates and the separation between mean and median caused by outliers.

25% of responding companies had conversion rates below 2%, regardless of testing or optimization strategy.

1.8 How do Conversion Rates Relate to Overall Success?
Based on the data from the Benchmark Study scores, there appears to be only a slight correlation between conversion rates and success scores.

As we’ve discovered in this Benchmark Study, having a relatively low conversion rate doesn’t mean your company is unsuccessful, as there’s always room for improvement. It can even be suggested that conversion rates should always be rising, given steady traffic.

Consequently, could testing and optimization be the key to improvement?

Based on our findings, testing and optimization do play a role in how some organizations are increasing average conversion by using historical data to help build customer theory and objectively measure the performance of site changes.

Those marketers using historical data as part of a testing strategy are seeing increases in conversion beyond their peers using less sophisticated means to datil customer insight.


1.4 Gross Margin Percentage (by Trend)
Margins tend to either be holding steady or rising for the majority of companies, while a minority of companies reported falling margins.

1.5 Gross Margins (by E-commerce Revenue)
As revenue increased for respondent companies, so did margins.

1.6 Gross Margins (by Overall Revenue)

1.7 Gross Margins (Clustered by Trend Groups)
The biggest separation was seen for companies that had a margin in the middle of the pack, 25% to 40% and, to a lesser extent, 40% to 60%. These organizations were less likely to report a change in margins, either up or down.

1.8 How do Discounts Relate to Margins?
As products are discounted, margins also decrease.

What You Need to Understand
While e-commerce has been growing overall, the macroeconomic conditions of the past few years have slowed that growth, and some companies have used discounts and incentives to sell products and grow business. Another factor that affects margins is the price transparency on the Internet. This data indicates that those clouds are parting, as companies are seeing improving margins. If your margins are falling, you may no longer be able to blame the overall economy or a shift in customers.

1. Overall and sales numbers can mask many efficiencies. For example, marketers can offer promotions, discounts or incentives on their products to increase those numbers. They can also blame the customer for the accounting instead of their products or marketing efforts, as this is reflected in the Benchmark Study survey.

3. While margins can be an indicator of macroeconomic forces and competitive pressures, margins are also a key indicator of the effectiveness of a company’s value proposition in the marketplace.

4. In our initial literature review, researchers often link margins to one of many financial metrics to help determine e-commerce performance. Consequently, in this Benchmark Study survey, we asked respondents to indicate the level of trend for gross margin percentage they experienced in 2013 for a comprehensive look at financial behavior in the market.

5. From: Lin and Huang (2013), Boy, et al. (2004), and (Wurth, Tsvetkova and Ambler (2002).

1.19 Channels that Drive Significant Traffic (by Revenue)

Email marketing and organic search were the most frequent sources of e-commerce traffic for respondents across all revenue stages, while channels such as affiliate marketing and content marketing were less frequently used.

1.20 Channels that Drive Significant Traffic (by Product Type)

The percentage receiving significant traffic from each channel was consistent across most product types. Prominent exceptions were an increased percentage of companies using email in the highest revenue and an increased percentage using referrals in business services. Content marketing was used less often by some product types like jewelry and gifts than others like publishing, computer software, and business services.

1.21 Significant Traffic from PPC

Companies using third-party offline sales frequently drew traffic from PPC ads (39%), while only 14% of companies using trade shows reported significant traffic from PPC ads.

1.22 Significant Traffic from Organic Search

Roughly 74% of brick-and-mortar stores frequently received traffic from organic search, as customers often search to find store locations.

1.23 Significant Traffic from Content Marketing

Respondents from companies making about sales through representatives, mail order sales and third-party offline sales were found the most likely to receive significant traffic from content marketing.

1.24 Significant Traffic from Social Media

Less than half (48%) of companies with online stores reported seeing significant traffic from social media.

What You Need to Understand

E-commerce companies continue to receive traffic from proven sources—email and organic search—while tactics like content marketing remain infrequently used. Emerging technologies are also creating new opportunities to engage customers through social media, yet ROI in the space remains difficult to quantify. This will likely be a paramount challenge in the future for marketers to solve as social media continues to grow.

According to one study in our pre-marketing literature review, new technologies in e-commerce have opened up new channels for customer-reader interactions. Consequently, this has also increased the need to manage integrated marketing communications effectively to understand how these emerging technologies are impacting customer traffic.

To help us further understand how these channels are producing e-commerce traffic, we asked respondents which of their marketing channels were producing their highest volumes of traffic.
1.25 Barriers to Growth (by Store Presence)

Companies with traditional brick-and-mortar (B&M) stores could be perceived to have certain advantages over online-only stores. For example, multiple physical locations could allow for faster order fulfillment. However, online-only companies may be more focused and adept at selling online and less weighed down by legacy products or processes.

To get a sense of the state of the difference between online-only companies versus companies with physical locations and an e-commerce presence, we explored these topics deeper in the Benchmark Study.

1.26 Trends in Cost of Customer Acquisition

While retailers that had a physical presence without an online store were more likely to have a falling cost of customer acquisition, those with both types of stores often saw a rising cost of customer acquisition. However, those with only an online presence were more likely to have a rising gross margin. However, does the B&M help the retailer convey a more powerful value proposition? Does it also improve trust and reduce anxiety? Is that why we are seeing this trend?

Surprisingly, a B&M did not appear to help with perceived speed of delivery, but it did bring up issues with innovation that could be caused by the significant investment required to stock and market new, innovative products across a chain of retail locations.

Retailers that had an online store with or without physical locations were ahead in a category that could be the key to future success — those companies were more likely to be innovative when compared to companies with a physical store but no online store. Another possible reason for this difference may be technology challenges, as evidenced by this response to the Benchmark Study survey.

1.27 Trends in Gross Margin

How do Companies Using Online Stores Differ from Those with Brick-and-mortar Stores?

While retailers that had a physical presence without an online store were more likely to have a rising gross margin, these companies were also more likely to have a falling cost of customer acquisition. This is, in some ways, counterintuitive. One might think that a B&M, which tends to be more expensive than an online store to operate, would not result in this trend.

1.28 Is Brick-and-mortal Presence a Differentiator?

Brick-and-mortar companies that weren’t online were more likely to perceive having a better-than-average reputation and prices that are similar to the competition.

*Our biggest challenge is the infrastructure, especially in our brick-and-mortar stores. It is tough to become a true omnichannel retailer when your systems are installed on 49-year-old, custom-built software.*
## What are Critical Characteristics of Successful E-commerce Companies Today?

While every e-commerce company wants "success," there is not one clear definition of what makes a company successful. For example, high growth in sales may come from discounting. Low margins may be due to a longstanding growth strategy outweighing short-term profits.

To define success for this Benchmark Study, the prevailing literature reviewed various success definitions (listed in the table on this page). Relative-and trend-based factors were used instead of raw figures to score consistently for both small and large enterprises.

These factors were then adjusted to a uniform scale with certain undesirable responses scored below zero.

Scores were weighted, compensating for relative weight, with the most important factors, like financial metrics, given the most weight in the model. Each respondent with sufficient available data was then tagged with a success score that theoretically could range from -4.0 to 17.8. However, actual scores ranged from -9.4 to 14.

These charts show how all of the critical characteristics in the model ranked separately.

### Success Model Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCO difference in annual and e-commerce revenue</td>
<td>10%</td>
</tr>
<tr>
<td>Margin percentage</td>
<td>20%</td>
</tr>
<tr>
<td>Number of orders trend</td>
<td>30%</td>
</tr>
<tr>
<td>Market share</td>
<td>40%</td>
</tr>
<tr>
<td>ROIC for marketing spend</td>
<td>50%</td>
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<tr>
<td>Measurement of reputation</td>
<td>60%</td>
</tr>
<tr>
<td>Value compared to competitors</td>
<td>70%</td>
</tr>
<tr>
<td>Delivery speed compared to competitors</td>
<td>80%</td>
</tr>
<tr>
<td>Acquisition cost per customer trend</td>
<td>90%</td>
</tr>
<tr>
<td>Use of dynamic prices based on market readiness</td>
<td>100%</td>
</tr>
<tr>
<td>Number of stops in checkout process</td>
<td>110%</td>
</tr>
<tr>
<td>Product guarantees compared to competitors</td>
<td>120%</td>
</tr>
</tbody>
</table>

### 1.30 Are the Most Successful Companies Outpacing Their Industry’s Revenue Growth?

Revenue growth compared to industry has a high correlation to success. In the next charts, we’ll see the practices common to successful companies.

### 1.31 Are the Most Successful Companies Outpacing Their Revenue Growth Goals?

Another element of success was outgoing goals.

### 1.32 Are the Most Successful Companies Experiencing Changes in Daily Site Visits?

The more successful e-commerce companies were also considerably more likely to have rising traffic. This is more strongly correlated to increased revenue than revenue growth.

### What You Need to Understand

While there are many avenues to success, two key factors identified in these charts are marketing spend and daily site visits. This won’t be surprising to many marketers, but it is likely a nice reassurance to what they already know. Namely, it takes money to make money. Also, it takes traffic to ultimately sell products.

When you look at the charts on this page, you are likely struck by a surprising discovery from this Benchmark Study - revenue has the weakest correlation with success. Even some companies with very little e-commerce revenue are in the most successful group, as this marketer explained in a survey response:

> “We’re internally funded with no outside capital. We’ve developed our marketing strategies and Internet presence based on a ‘show string’ budget. The availability of high-quality e-commerce platforms ... combined with the information gained from analytics ... has proven to be an invaluable asset to our success.”
2.12 Which Channels do E-commerce Companies Receive Traffic From? (by Success Score)

Organic search was the most frequently reported source of significant traffic at all success levels. Respondents of the lowest success levels were disproportionately frequent in their reliance on direct traffic and product listing ads.

2.17 How are Testing and Optimization Strategies Being Implemented? (by Overall Revenue and Success Score)

In all revenue groups except $100K - $1M, companies that test changes based on extensive historical data were the most likely to fall into the most successful group.

2.4 How Much of the Marketing Budget is Spent on Each Channel? (by Success Score)

One question we wanted to explore was the impact of marketing spend on a company’s "success" in e-commerce. To define success for this Benchmark Study, we surveyed individuals at the C-suite level to consider. These factors were then weighted with the most important factors, like financial metrics, given the most weight in the model. Each respondent was then tagged with a success score and groups were created. Based on this approach to success scoring, paid search, television, email, search engine optimization (SEO) and social media were the channels with the highest mean budget spent in the 9.12 success score range. Low-success companies spent more on average on social media, direct mail and other channels not listed here than high-success companies.

2.20 Which Departments Own Aspects of the Online Presence?

Marketing most frequently controls less technically challenging aspects of the company’s presence (email campaigns, social media, etc.). Specialized e-commerce or IT departments are more likely to control complex aspects (e-commerce, mobile sites, etc.) than the less technical aspects.
2.1 How Much of the Marketing Budget is Spent on Each Channel?
For those respondents using paid search, 23% spent more than 75% of their budget on that channel. Most channels received 10% or less budgeting from half the companies using the channel. Companies using a channel not mentioned in the survey spent relatively high budget percentages on that channel.

2.2 Which Channels are E-Commerce Companies Investing In?
Email marketing was the channel in which the most respondents spent part of their budget. Television and radio advertising were used by the least companies, at 33% and 34%, respectively.

2.3 How Much of the Marketing Budget is Spent on Each Channel? (by Overall Revenue)
Respondents from low-revenue companies reported a "double-down" spending average on SEO (roughly 24%) versus high-revenue counterparts who spent around 10% of budgets on average in the same space.

What You Need to Understand
Marketing budgets in e-commerce continue to focus heavily on channels with the potential to return high volumes of customer traffic – email, SEO and, for a select few, television advertising.

One interesting point to consider is although both low- and high-revenue e-commerce companies have shifted away from marketing spends within the traditional mediums of radio and television in favor of adopting digital channels, budgets for mobile marketing remain relatively low.
**2.5 ROI on Marketing Spend (by Trend)**

Most respondents reported that their ROI on marketing spend is rising.

Median (50th Percentile) N=168

<table>
<thead>
<tr>
<th>Trend in ROI</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Rising</td>
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<td>Steady</td>
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<td>Falling</td>
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</table>

To help us further understand this relationship, we asked respondents about their average ROI on marketing spend.

**2.7 ROI on Marketing Spend (by E-commerce Revenue)**

When respondents were separated by total e-commerce revenue, respondents in the more than $1M - $10M range saw median returns on marketing investments of around 50% when all-channel revenue was taken into consideration.

Median (50th Percentile) N=199

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<thead>
<tr>
<th>E-commerce Revenue</th>
<th>Percentage</th>
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<td>$0 - $10K</td>
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<td>$100M - $1B</td>
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**2.6 ROI on Marketing Spend (by Overall Revenue)**

Respondents in the more than $1M - $10M revenue range saw the highest median returns on marketing investments when overall revenue was taken into consideration. The businesses with the lowest revenue saw the lowest median returns.

Median (50th Percentile) N=358

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<th>E-commerce Revenue</th>
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<td>$100M - $1B</td>
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**What You Need to Understand**

The majority of marketers continue to see steady or increasing returns on their marketing investments. Not shown in a chart in this Benchmark Study is the interesting finding that ROI was more often rising for those with the highest ROI and falling for those with the lowest ROI.

How does the Competitive Landscape Shift as an E-commerce Company’s Market Share Grows?

E-commerce sales have been growing worldwide! How does that growth affect e-commerce companies? In our pre-survey background interviews, company size was identified as a factor that differentiates e-commerce companies.

“There is increasing sophistication and increasing size of the major retailers that are out there. They’re getting better at what they do, more scientific at what they do. They’re not necessarily these kinds of big boars that are hard to navigate or hard to turn around. They’re very agile even though they’re really large.” – Neal Sharma, Chief Executive Officer and Principal, DEG

In this research, we sought to identify some of those differences to help inform strategy as e-commerce companies grow. In these charts, we specifically looked at median scores of low and high market share companies to better understand the impacts of growth on challenges and competition.

2.8 How do Challenges Change as E-commerce Companies Increase Market Share?

Product innovation and quality are bigger challenges for high market share companies. Low market share companies were much more concerned with competing with larger competitors’ marketing clout.

2.10 How does Perceived Product Value Change as Market Share Changes?

High market share companies were more likely to perceive having higher-value products, but survey respondents from low market share companies also frequently thought their value was better than average.

2.11 How does Perceived Marketing Budget Change as Market Share Changes?

Low market share companies were more likely to perceive having lower budgets that were lower than competitors’ budgets. High market share companies were just as likely to perceive equality, higher or lower budgets than competitors.

What You Need to Understand

How do you become a high market share company? What steps should you take to grow? One factor that would help is being able to increase your marketing budget with the goal of spreading and improving your reputation, a sentiment echoed by this marker’s response:

“Need to advertise and grow market share. We now have a company that manages our pay-per-click advertising.”

But beyond that investment, there should be a focus on delivering value to the customer. Are marketers rating on their laurels? As the primate states, “Pride before death... and an hour’s aid before a fall.”

How often companies make customer feedback based on their customer service responsiveness is not all that different between these groups. E-commerce companies may want to take this bit of advice from Us Sharee, Head of Customer Marketing - Magento Enterprise, eBay:

“How much time do you spend thinking about customer service and customer experience online and offline? There’s a whole discipline now coalescing around customer experience.”


“...There is increasing sophistication and increasing size of the major retailers that are out there. They’re getting better at what they do, more scientific at what they do... They’re not necessarily these kinds of big boars that are hard to navigate or hard to turn around. They’re very agile even though they’re really large.”

— Neal Sharma, Chief Executive Officer and Principal, DEG
2.12 Which Channels do E-commerce Companies Receive Traffic from? (by Success Score)

Organic search was the most frequently reported source of significant traffic at all success levels. Respondents at the lowest success levels were disproportionately frequent in their reliance on direct traffic and product listing ads.

2.13 Which Challenges do Companies Face? (by Success Score)

One significant challenge reported consistently in our Benchmark Studies has been the size of marketing budgets as marketers often feel a perceived sense of being tasked to do more with limited resources, yet this was perceived as less of a challenge for those at the lowest success level.

2.14 How do Successful and Unsuccessful E-commerce Companies Perceive Their Reputation? (by Success Score)

Respondents with high success scores were more likely to report better-than-average reputation, and vice versa.

2.15 How do E-commerce Companies Perceive Their Product Values? (by Success Score)

Respondents with high success scores were also more likely to report better-than-average product value than their competitors.

What You Need to Understand

Marketers continue to perceive their lack of available financial and technological resources as a challenge alongside the need to maximize their returns on investment.

“We have focused primarily on higher conversion and lower cost of acquisition channels and off channels (that do not convert),” stated an anonymous survey respondent.

Companies that are already successful according to the success score, which is based largely on financial metrics and upward or improving trajectories, perceive lower challenges from margins and better-funded competitors, as respondents rated themselves well against their competitors and as recipients of traffic from a wide variety of sources.

Those respondents with low success scores, however, may receive fewer sources of traffic and perceive a greater challenge from better-funded competitors, demand generation and technology, rating themselves worse than their competitors in many ways.

2.17 How are Testing and Optimization Strategies Being Implemented? (by Overall Revenue and Success Score)

In all revenue groups except $100K - $1M, companies that test changes based on extensive historical data were the most likely to fall into the most successful group.

2.18 How are Websites Being Created? (by E-commerce Revenue and Success Score)

The method by which a site was built does not seem to closely correlate with success score. Although not all the data points were at the same level, there was no significant trend when results were separated by site development strategy.

What You Need to Understand

Customer loyalty is built in part on the performance of your website.

As a company grows, two factors coupled together will play huge roles in delivering improvements to customer experience and financial performance. First, e-commerce marketers must have adequate development capabilities. Second, they also need a testing and optimization program that uses formal measurement processes and extensive customer data to drive insights.

2.20 Which Departments Own Aspects of the Online Presence?

Marketing most frequently controls key technically challenging aspects of the company’s presence (e-commerce, social media, etc.) while IT departments are more likely to control complex aspects (e-commerce, mobile apps, etc.). N=2,470

2.21 Which Departments Own Mobile Experience?

As company revenue grew, the marketing or e-commerce department was more likely to control mobile experience and corresponding campaigns. N=1,978 N=2,003

2.22 Which Departments Own Social Media Presence?

As company revenue grew, the marketing or e-commerce department was more likely to control social media presence. N=1,987

2.23 Which Departments Own Email Campaigns?

As company revenue grew, the marketing department was more likely to control email campaigns. N=2,003

2.24 Which Departments Own Non-transactional Webpages?

As company revenue grew, the marketing department was more likely to control non-transactional webpages. N=1,987

2.25 Which Departments Own E-commerce Webpages?

As company revenue grew, the marketing department was more likely to control e-commerce webpages and social media marketing. N=2,015

What You Need to Understand

There is a relationship between company revenue and which departments control marketing functions.

Responsibility is spread between departments in lower-revenue companies possibly based on where the appropriate expertise is located, while control is consolidated in higher-revenue companies into the marketing and e-commerce organizations.

This could be intended to present a more consistent message to the prospect.

E-commerce is done by its own department more and more as annual revenue increases. The percentage of companies where marketing controls e-commerce stays relatively flat from $100 to $180 in revenue, but the other categories lose ground to the e-commerce department.
### 2.26 How does Expertise Relate to Revenue?

High-revenue companies are more likely to be high-expertise companies as well.

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<th>High Expertise</th>
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### 2.27 How did Companies with Advanced Measurement Programs Grow Versus Competitors?

Revenue growth of high-expertise companies outpaced industry peers.

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### 2.28 How Often do Organizations with Advanced Measurement Programs Make Site Changes Based on Customer Feedback?

High-expertise companies are more responsive to customer feedback.

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<th>Percentage Reporting</th>
<th>Frequently</th>
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### 2.29 How Often do Organizations with Advanced Measurement Programs Evaluate Customer Service?

High-expertise level companies are much more focused on customer service responsiveness.

<table>
<thead>
<tr>
<th>Percentage Reporting</th>
<th>High Expertise</th>
<th>Other Expert</th>
<th>N=2,530</th>
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### 2.30 How Often do Organizations with Advanced Measurement Programs Evaluate Webpage Usability?

High-expertise companies evaluate usability more frequently.

<table>
<thead>
<tr>
<th>Percentage Reporting</th>
<th>High Expertise</th>
<th>Other Expert</th>
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### What Level of Planning and Expertise do the Most Advanced Organizations Utilize?

“Your e-commerce website with its usability and its simplicity sometimes can lead to a value proposition because now you are a better shopping experience.”

— Linda Bates, Director of E-commerce Research, Elastic Path Software

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### What You Need to Understand

High-expertise companies’ revenue growth tends to outpace competitors in the same industry, which indicates a group that many marketers would like to emulate.

The literature review suggested that having a formal process by which you evaluate your processes is integral to your continued success. This makes sense, given high-expertise companies are likely to have marketers that are well-trained in analytics and have a system by which they evaluate and plot their marketing efforts.

These companies make changes based on customer feedback that might affect all aspects of the business including sales, marketing, product and other business practices. Through this system of feedback, the marketing organization should be able to optimize the company’s performance. From a look at the growth of the high-expertise companies in comparison to the other expertise levels, these companies have outpaced both revenue goals and corresponding industry revenue growth rates.
3.11 Web Development Approach (by E-commerce Revenue and Success Score)

Respondents who reported an e-commerce revenue over $10K, using a combination of internal development and a third-party party helped in more of the $10M success score group (P=1.2). Internal development is increasingly successful (scores greater than 6) as e-commerce revenue rises, until the over $10M group, in which it is least successful.

3.2 What do E-commerce Companies Show on Their Product Pages? (by E-commerce Revenue)

Ratings, reviews, product credibility indicators, product-variety proposition messaging and videos were increasingly common as e-commerce revenue rose, while price, stock availability, descriptive images were less common beyond $1M in e-commerce revenue.

What You Need to Understand

Marketers at e-commerce companies with rising revenue invested slightly less of their budget in SEO and relied on organic search slightly less than companies with steady or falling revenue.

As one Benchmark Study survey respondent said, “In recent years, with shifts to Google’s algorithm, we have realized that this is not the best path to follow since different indicators could mean you lose a significant amount of your value. Since, we have shifted toward researching traditional marketing and sales tactics (digital-based) that fill in the gaps created with these shifts.”

The data points to the benefit of control. Companies that invest significant budget in organic or paid search inherently have less control over the outcome of marketing efforts. Similarly, highly successful companies more often had site development strategies flexible enough to integrate the best of both internal development (which gives marketers more control) and a third-party system.

3.7 Budget Spend on Each Channel (by Cost per Acquisition Trend)

Companies with changing customer acquisition costs have higher spending on paid search than those with steady costs. This is perhaps due to the competitive bidding process leading to volatility in the paid search market.

3.5 Channel Use (by Acquisition Cost Trend)

Respondents with decreasing acquisition costs were slightly more likely to rely on organic search or content marketing than those with steady or increasing costs.

Click to share these key e-commerce strategies
What Elements do Successful E-commerce Companies Employ on Product Pages?

In our pre-survey literature review, we found that researchers suggest that price competition in e-commerce has a direct impact on customer loyalty. As a result, price strategy should be considered in website deployment because most of the time, customers are price driven.1

To help us further understand what approach successful e-commerce companies employ on product pages, we asked which elements are being displayed.


What You Need to Understand

Although price was consistently present on e-commerce product pages, supporting elements of descriptions and images are needed to effectively communicate the non-monetary aspects of value to price-driven consumers. Each company needs to choose the elements on its product pages to fully express its product's value proposition and address consumer concerns that could be held by its prospective customers.

According to Ryan Paalon, Vice President of Global E-mail Strategy, Acxiom Digital Impact, how much you know about customers will play a role in how successfully you communicate value with them.

"If successful companies that I see out there have a key sense of data and use it to advance their programs and customer insight."

19
3.4 Acquisition Cost per Customer (by Trend)

N = 168

Acquisition Cost
Mean (Average)
Median (50th Percentile)
The majority of survey respondents reported trends in average costs for new customer acquisition are rising. Several outliers in each group reported very high acquisition costs, which pulled the mean far above the median acquisition cost.

3.5 Channel Use (by Acquisition Cost Trend)

Acquisition Cost Trend
Rising
Steady
Falling
N = 925

3.6 Budget Spend on Each Channel (by Cost per Acquisition Trend)

Respondents with decreasing acquisition costs were slightly more likely to rely on organic search or content marketing than those with steady or increasing costs.

3.7 How is Cost of Acquisition Changing in Primary Sales Channels?

QID: N = 925

Customer acquisition cost trends were most frequently steady across all business types. B2C or B2C/B2B companies slightly more likely to experience rising costs than pure B2B companies.
### 3.8 Web Development Approach

Nearly half (42%) of respondents reported using a third-party solution or content management systems (CMS) built by internal or external developers as their site development strategy. This may have been affected by the sampling of a portion of the data from a mailing list for a third-party solution (see Methodology for more information on sampling procedures for this study).

Academic researchers suggest that as the current business environment becomes more competitive, the time frame of a website development project also becomes critical to the success of a final product.

To help you understand what strategies marketers are using to build their websites, we asked respondents how they approached development.

#### Internal website developers created our site from scratch

- 42%
- 12%
- 25%
- 19%

#### An external company developed our site

#### We use a third-party solution or CMS on which our site is built

#### Parts of our site were developed from the ground up and others use a third-party solution

#### We will primarily through another company’s website

H = 2,354

### 3.10 Web Development Approach (by Number of SKUs)

As the volume of SKUs increased, development strategies shifted from internal development to third-party solutions, until the volume reached a critical mass around 100 SKUs, after which ground-up development or a combination of both strategies were increasingly common.

### 3.9 Web Development Approach (by E-commerce Revenue)

Respondents with over $100M in e-commerce revenue reported use of an external company for site development less frequently than those who are growing and ground-up development.

### 3.11 Web Development Approach (by E-commerce Revenue and Success Score)

Respondents who reported e-commerce revenue over $10K, using a combination of internal development and a third-party solution, had a high likelihood of being in the top success score group (0-12). Internal development is increasingly successful (scores greater than 12) as e-commerce revenue rises, until the over $10M group, in which it is less successful.
How are E-commerce Marketers Obtaining Insights from Their Data?

E-commerce is able to produce more data than brick-and-mortar retailers because every element of the purchase process—from initial consideration to final purchase—can be tracked on some level. In addition, this data can be used to formulate customer theory. With an understanding of why customers behave in certain ways, their preferences and motivations can inform testing of new e-commerce experiences. Split testing or other techniques can be used to determine if the changes result in actual performance differences.

To determine how rigorously e-commerce companies are using these testing and tracking abilities, we included these topics in the Benchmark Study survey.

3.12 How are E-commerce Companies Approaching Analytics?

Less than one-third of companies take a rigorous approach to performance planning, execution and measurement.

<table>
<thead>
<tr>
<th>Approach to Analytics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No process or guidelines for measuring performance of programs</td>
<td>5%</td>
</tr>
<tr>
<td>Informal process with a few guidelines we sporadically perform</td>
<td>17%</td>
</tr>
<tr>
<td>Formal process with thorough guidelines we routinely perform</td>
<td>32%</td>
</tr>
<tr>
<td>Don’t know or N/A</td>
<td>46%</td>
</tr>
</tbody>
</table>

N= 4,375

3.13 How Much Analytics Expertise do Marketers Have?

Use of analytics data that could provide valuable marketing insights is limited by access or lack of training at 42% of companies.

<table>
<thead>
<tr>
<th>Level of Analytics Expertise</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost all of the marketers know how to access and interpret basic analytics data without assistance</td>
<td>13%</td>
</tr>
<tr>
<td>Many of the marketers know how to access and interpret basic analytics data, but may require occasional assistance</td>
<td>25%</td>
</tr>
<tr>
<td>A few select marketers know how to access and interpret basic analytics data, but they often require assistance</td>
<td>28%</td>
</tr>
<tr>
<td>The marketers rely upon others to access and interpret basic analytics data</td>
<td>30%</td>
</tr>
</tbody>
</table>

N= 3,519

3.14 How are E-commerce Companies Approaching Testing and Optimization?

While about half of companies test into changes, only 13% of companies based these changes on extensive historical data. A quarter of companies rather base changes on evidence or test to learn the impact of those changes.

<table>
<thead>
<tr>
<th>Testing and Optimization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We implement changes based on intuition and best practices without testing</td>
<td>13%</td>
</tr>
<tr>
<td>We implement changes based on best practices and some historical data without testing</td>
<td>25%</td>
</tr>
<tr>
<td>We implement changes based on extensive historical data without testing</td>
<td>38%</td>
</tr>
<tr>
<td>We test changes based on intuition and best practices</td>
<td>3%</td>
</tr>
<tr>
<td>We test changes based on extensive historical data</td>
<td>3%</td>
</tr>
</tbody>
</table>

N= 2,569

3.15 Which Metrics do Companies Monitor Regularly?

Companies tend to monitor the easier-to-track, top-of-the-Funnel and order data rather than often insightful purchase process metrics like add-to-cart rate or click tracking.

<table>
<thead>
<tr>
<th>Metrics to Monitor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Click through rate</td>
<td>60%</td>
</tr>
<tr>
<td>Conversion rate</td>
<td>50%</td>
</tr>
<tr>
<td>Traffic</td>
<td>40%</td>
</tr>
<tr>
<td>Average Order Value</td>
<td>30%</td>
</tr>
<tr>
<td>Bounce Rate</td>
<td>20%</td>
</tr>
<tr>
<td>Time on Page</td>
<td>10%</td>
</tr>
<tr>
<td>Traffic on Page</td>
<td>5%</td>
</tr>
<tr>
<td>Time On Site</td>
<td>5%</td>
</tr>
<tr>
<td>Referral Sources</td>
<td>5%</td>
</tr>
<tr>
<td>Exit Rate</td>
<td>5%</td>
</tr>
<tr>
<td>Page Views</td>
<td>5%</td>
</tr>
<tr>
<td>New Visitors</td>
<td>5%</td>
</tr>
</tbody>
</table>

N= 3,813

What You Need to Understand

While selling online allows companies to reach a plethora of data, and there is no shortage of tools and platforms available to help marketers track and test, a rigorous process is only brought to bear for a minority of e-commerce companies. Agencies and marketers that desire a more rigorous process may share in this respondent’s lamentation: “Most of our clients only want a website. Almost all of our clients have no understanding of the importance of creating a strategic marketing plan that integrates the website as a part of a traffic and conversion process. They also don’t understand the need to aggressively market across multiple media to drive traffic and build their database so that the website can work for them. Most just want the site built and visit for the flood of customers to come flooding in. They also don’t understand the value and benefits of analytical tools on the back-end to measure results and to modify marketing campaigns and testing for better conversion.” – Anonymous survey respondent
**3.16 Which Metrics do Companies Monitor Regularly?**

Nearly 60% of respondents reported tracking conversion rate while slightly less than half (42%) reported tracking returning-visitor percentage.

Add-to-cart rate, a metric useful in assessing whether customers are abandoning the site on the product pages or during the checkout process, is only tracked by 26% of respondents.

**3.17 Which Metrics do Companies Monitor Regularly? (by Expertise)**

Marketers who rely on others to access and interpret data for them tracked the smallest significantly less often than those able to access metrics independently. Through a lack of training or access, they lose key insights into customer behaviors on their sites.

About half of all marketers know how to access and interpret basic analytics data without assistance.

Many of the marketers know how to access and interpret basic analytics data, but they require occasional assistance.

A far smaller percentage knows how to access and interpret basic analytics data, but they offer only occasional assistance.

The marketers rely upon others to access and interpret basic analytics data.

**3.18 Which Metrics do Companies Monitor Regularly? (by Measurement Strategy)**

Visits to the site was also the most frequently tracked metric across all monitoring strategies. Respondents with a formal measurement process in place monitored customer feedback surveys, click activity and several other metrics much more often than those with informal or nonexistent processes.

There were no significant differences in the level of monitoring tracked metrics on the conversion rate, checkout rate or survey metrics that are available by default in analytics platforms, like sales or others.

**What You Need to Understand**

Insights from clickstream data are becoming increasingly essential to understanding customer behavior as sales cycles become more complex, yet the majority of respondents claim that clickstream metrics are not being monitored.

One point to consider is the role that organizational goals, customer acquisition and choice of channel attribution model may have on how data is being collected, reported and interpreted.

3.19 Transaction Method(s)

The majority of respondents (77%) reported online stores to be one of their sales models.

N=331

<table>
<thead>
<tr>
<th>Percentage Using Each Sales Model</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brick-and-mortar Store</td>
<td>22%</td>
</tr>
<tr>
<td>Online Store</td>
<td>77%</td>
</tr>
<tr>
<td>App-based Store</td>
<td>18%</td>
</tr>
<tr>
<td>Mail Order</td>
<td>45%</td>
</tr>
<tr>
<td>Telephone Order</td>
<td>27%</td>
</tr>
<tr>
<td>Direct Sales Through Representatives</td>
<td>15%</td>
</tr>
</tbody>
</table>

3.20 Transaction Method(s) (by Overall Revenue)

N=2,988

<table>
<thead>
<tr>
<th>Percentage Using Each Sales Model</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brick-and-mortar Store</td>
<td>0%</td>
</tr>
<tr>
<td>Online Store</td>
<td>0%</td>
</tr>
<tr>
<td>App-based Store</td>
<td>0%</td>
</tr>
<tr>
<td>Mail Order</td>
<td>0%</td>
</tr>
<tr>
<td>Telephone Order</td>
<td>0%</td>
</tr>
<tr>
<td>Direct Sales Through Representatives</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.21 Transaction Method(s) (by Success Score)

N=1,269

<table>
<thead>
<tr>
<th>Success Score</th>
<th>Percentage Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;3)</td>
<td>10%</td>
</tr>
<tr>
<td>3-4</td>
<td>20%</td>
</tr>
<tr>
<td>5-6</td>
<td>25%</td>
</tr>
<tr>
<td>7-10</td>
<td>25%</td>
</tr>
<tr>
<td>11-15</td>
<td>20%</td>
</tr>
</tbody>
</table>

Respondents who reported using a combination of online store, mail order, telephone order and direct sales were most likely to receive a success score of 9 or above.

What You Need to Understand

It was no surprise the majority of e-commerce companies are completing transactions online.

One point to consider is that ultimately no sales model proved to be more successful than others. The implication of this suggests that venue is perhaps second in importance to a dynamic customer experience.

Prior research suggests that marketers with an understanding of consumer behavior can enhance customer satisfaction and sales performance.1 Consequentially, to better understand customer behavior in context of transaction venue, we asked respondents about their approach to sales models to help you determine where e-commerce companies are completing transactions.

3.27 User Account Experience (by Product Type)
Most e-commerce companies do not force customers to create an account to purchase. The equipment of an account was most prevalent, however, for companies selling publishing, industrial equipment, education, financial services, computer software and video games, and business services.

In a survey, 15% of respondents said they never use accounts, while 10% said they only use accounts for certain things. The top reasons for not using an account were: it is not required, it is too much effort, and it is not necessary.

3.28 Checkout Experience (by Product Type)
There was variability among industries for shopping cart type, with companies selling industrial equipment providing the most likely to allow logged-in customers to see a personalized shopping cart. Temporary carts are relatively unpopular in most industries, as they are not compatible with multi-session shopping behaviors.

3.29 How does Revenue Growth Relate to Frequency of Customer Service Evaluation?
Companies that do not evaluate their customer service responses or evaluate only when there is a problem are less likely to meet or surpass the revenue growth of their competitors.

3.30 How does Revenue Growth Relate to Frequency of Site Usability Evaluation?
The more frequently companies evaluated usability, the more likely those companies would outpace revenue growth goals.

3.31 How Successful are Companies that Frequently Evaluate Customer Experience?
The more frequently e-commerce companies make changes based on customer feedback, the more likely those companies will be successful.

3.32 How does Customer Responsiveness Correlate with Success?
Frequency of evaluation across a number of factors correlated with overall success. Less than quarterly evaluation led to significantly lower-than-expected growth levels.

What Efforts are Companies Making to be Customer-Centric?

In the pre-survey literature review, we found that researchers had focused on several areas in evaluations of e-commerce success:

- Company revenue/profit
- Quality of site design/promotion
- Customer feedback/experience

In theory, high performance in one should correlate to high performance in another. On day 1, or.decrease produces significant revenue while providing a poor customer experience, or perform well on a technical level while not meeting the demands of users?

To find out, we compared an overall, computed success score (see page 17) with customer satisfaction practices to discover the relationship between success and these practices.

What You Need to Understand

While marketers have heard a rising tide of advice to create more customer-centric companies, product offerings, websites and sales processes, it is not easy to see that the evidence supports this advice.

By and large, companies that were most responsive and focused on customer needs were the most successful, perhaps because this group was able to better retain customers the most, as this respondent implied:

“If you give [us] better experiences to your customer for online shopping, than they will never likely go anywhere. Let’s make their [little] lazy and make things easier for them. And for that, you have to give [us] better online shopping experiences.” - Anonymous survey respondent

In the top product categories being sold are using a customer-friendly process of not requiring account sign-up, and a slight majority of companies in most product categories offer persistent shopping carts so that users can easily recover their desired items in subsequent visits.

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See what **4,346 marketing professionals** have to say about what is working in e-commerce.

Lifetime Customer Value: How are overall metrics trending? See chart 1.9 on page 9

Budget Spend on each Channel: How are e-commerce marketers attracting new customers? See chart 3.6 on page 39

Which Departments Own Aspects of the Online Presence? See chart 2.20 on page 31