

Chapter 22. Ecommerce: Lines in the Sand

Before we get into specific ecommerce metrics, we want to reinforce an important dimension of storefront segmentation.

There’s a tendency to think of all mobile use as the same. That’s wrong. “One of my pet peeves these days is how ‘mobile’ traffic is defined,” says investor and entrepreneur Derek Szeto. “It’s often defined as tablet plus smartphone, and especially from a commerce perspective, they’re *very* different things. If I were managing a marketplace or storefront, I’d segment my analysis into three groups: desktop, tablet, and smartphone.”

Part of the difference comes from the fact that users engage with the online world in three postures: creation (often on a computer with a keyboard), interaction (usually with a smartphone), and consumption (with a tablet). Mixing tablets and mobile phones into a single category is a dangerous mistake. And people buy more media on a tablet than they do on a PC because that’s where they consume content.

In other words: *your mileage will vary*. It’ll depend on whether you’re an acquisition-or a loyalty-focused ecommerce site; on whether your buyers are buying from a tablet, a phone, or a desktop; and on a variety of other important dimensions. The only way you can deal with this is to measure, learn, and segment properly.

Conversion Rate

In March 2010, Nielsen Online reported the best conversion rates for online retailers, as shown in Table 22-1.^[92]

Table 22-1. Top ecommerce conversion rates

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Company	Conversion rate
Schwan's	40.6%
Woman Within	25.3%
Blair.com	20.4%
1800petmeds.com	17.8%
vitacost.com	16.4%
QVC	16.0%
ProFlowers	15.8%
Office Depot	15.4%

Other big ecommerce sites such as Amazon, Tickets.com, and eBay saw lower conversion rates (9.6%, 11.2%, and 11.5%, respectively).^[93]

These companies fall into three big categories: catalog sites (which have a considerable number of offline, printed catalogs driving traffic), retail giants like eBay and Amazon, and gift sites tightly linked to intention, such as an online flower shop (people don't browse flowers casually; they go to a flower site with one thing in mind).

Many of Nielsen's highly-ranked companies fall into the loyalty category of online retailers, where you'd expect conversion to be high. Schwan's is an online grocery store; it's not the type of site that many people will browse and comparison shop with. Others, like Amazon and eBay, have incredibly strong brands that exist in the customer's consciousness on and off the Web. "In my experience, most ecommerce startups selling either their own product or retailing others' products can expect conversion rates of 1–3% maximum," says Bill D'Alessandro. "Startups shouldn't plug 8–10% conversion into their models when deciding on the viability of their business—that's never going to happen. The three things that propel you from 2% to 10% are seriously loyal users, lots of SKUs, and repeat customers. And even then it's a big accomplishment."

More typical conversion rates still vary significantly by industry. A 2007 Invesp post cited FireClick survey data that shows just how different the rates can be (see [Table 22-2](#)).^[94]

Table 22-2. Conversion rates by vertical

Type of site	Conversion rate
Catalog	5.8%
Software	3.9%
Fashion and apparel	2.3%
Specialty	1.7%
Electronics	0.50%
Outdoor and sports	0.40%

Outside of these categories, there seems to be a widely held notion that a conversion rate of 2–3% is typical for normal websites. Bestselling author, speaker, and digital marketing expert Bryan Eisenberg has an explanation for where this number may have come from: in 2008, Shop.org claimed that its affiliated members had an average within this range, and the FireClick index said the global conversion rate was 2.4%.^[95] Bryan argues that leading sites do better because they focus on visitor intent—when you’re going to buy flowers, you’ve already made up your mind; you’re just deciding which ones. A more recent 2012 study estimated the average conversion rate across the whole Web at 2.13%.^[96]

Bottom Line

If you’re an online retailer, you’ll get initial conversion rates of around 2%, which will vary by vertical, but if you can achieve 10%, you’re doing incredibly well. If your visitors arrive with a strong intent to buy, you’ll do better—but, of course, you’ll have to invest elsewhere to get them into that mindset.

Kevin Hillstrom at Mine That Data cautions that averages are dangerous here. Many electronics retailers, which have a lot of “drive-by” visitors doing research, have conversion rates as low as 0.5%. On the other hand, there’s a correlation between average order size and conversion rate.

Shopping Cart Abandonment

Shopping Cart Abandonment

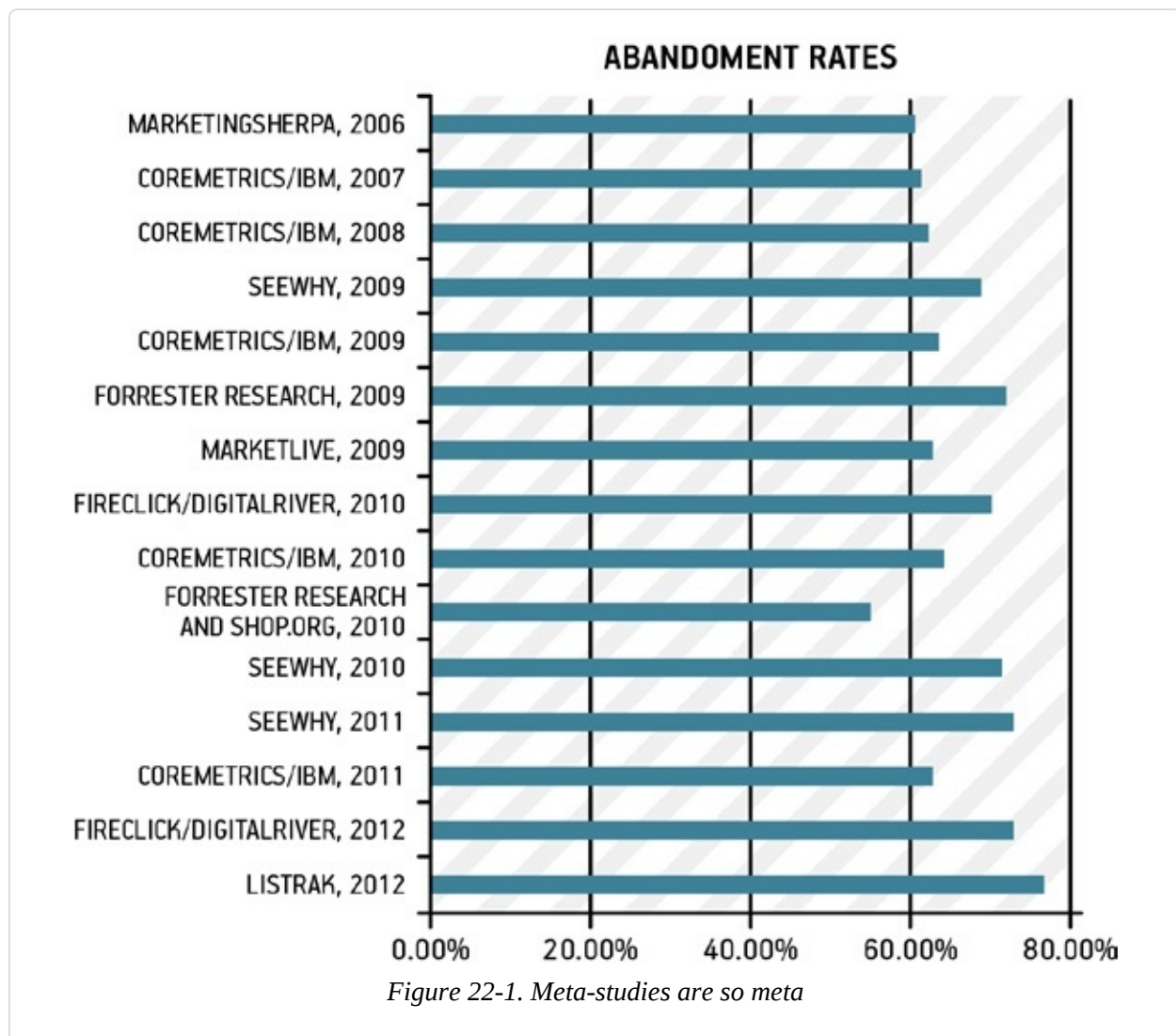
A 2012 study estimated that just over 65% of buyers abandon their shopping cart.^[97] Of those who abandon, 44% do so because of high shipping costs, 41% decide they aren't ready to purchase, and 25% find the price is too high. A February 2012 study estimated abandonment at an even higher 77%.^[98] Improving on abandonment beyond 65% seems to be a challenge, but that doesn't stop companies from trying:

- *Fab.com*, a curated catalog site, puts its shopping cart on a timer as a pressure tactic to convince buyers to complete their transaction: buy soon, or someone else may steal your purchase from you. The site's brand of exclusivity and its limited, register-first approach to offers are actually reinforced by the expiry timer.
- If you start to buy Facebook ads, then abandon the process, the company sends you a credit toward your first ads to get you restarted.

Price does seem to be a factor. Listrak might estimate a 77% abandonment rate, but that rate dropped to 67.66% on December 14, 2011—a day that many online retailers declared “free shipping day.”^[99]

KP Elements, which sells skin care products to combat keratosis pilaris (a common cosmetic skin condition), ran a pricing test where it compared a \$30 price point plus \$5 shipping on the buy page, versus a \$35 price point for the same product, with free shipping. Conversion went from 5% to 10% with that simple change. The prices were identical—\$35—but the free shipping offer was twice as compelling to customers.

In 2012, the Baymard Institute looked at 15 different studies of abandonment and concluded that an abandonment rate of roughly 66% is average, as shown in **Figure 22-1**.^[100]



Price isn't the only cause for abandonment. Jason Billingsley says that most abandonment studies ignore key variables, such as expected delivery date. "As more time-sensitive purchases move online, this becomes critical data," he says. "Retailers must expose estimated arrive dates and not just shipping and fulfillment dates."

Bottom Line

Sixty-five percent of people who start down your purchase funnel will abandon their purchase before paying for it.

Search Effectiveness

SEARCH EFFECTIVENESS

Search is now the default way for consumers to research and find products, from their initial investigation of vendors to their navigation within a site. While this is true in ecommerce, it's also relevant for media, user-generated content (UGC), and two-sided marketplaces.

In ecommerce specifically, 79% of online shoppers spend at least 50% of their shopping time researching products. Forty-four percent of online shoppers begin by using a search engine.^[101]

Mobile search traffic is particularly focused on purchasing. Fifty-four percent of iOS web traffic is devoted to search, compared to 36% for the Internet as a whole—and 9 out of 10 mobile searches lead to action, with over half of them leading to a purchase.

Bottom Line

Don't just think "mobile first." Think "search first," and invest in instrumenting search metrics on your website and within your product to see what users are looking for and what they're not able to find.

^[92] <http://www.marketingcharts.com/direct/top-10-online-retailers-by-conversion-rate-march-2010-12774/>

^[93] <http://www.conversionblogger.com/is-amazons-96-conversion-rate-low-heres-why-i-think-so/>

^[94] <http://www.invesp.com/blog/sales-marketing/compare-your-site-conversion-rate-to-ecommerce-site-averages.html>

^[95] <http://www.clickz.com/clickz/column/1718099/the-average-conversion-rate-is-it-myth>

^[96] <http://www.ritholtz.com/blog/2012/05/shopping-cart-abandonment/>

^[97] <http://www.ritholtz.com/blog/2012/05/shopping-cart-abandonment/>

^[98] <http://www.bizreport.com/2012/02/listrak-77-of-shopping-carts-abandoned-in-last-six-months.html#>

^[99] <http://www.internetretailer.com/2012/02/02/e-retailers-now-can-track-shopping-cart-abandonment-daily>

^[100] <http://baymard.com/lists/cart-abandonment-rate>

^[101] See <http://blog.hubspot.com/Portals/249/docs/ebooks/120-marketing-stats-charts-and-graphs.pdf> for this and many other statistics on search usage. Chikita provided the iOS search number, and Search Engine Land provided the mobile purchase number.