



Ecommerce Quarterly

EQ1 2012

CONTENTS

About the EQ	3
The Death of the PC?	5
Tablet Is Not Mobile!	7
Social Commerce: Hype or Hope?	10
Benchmark Reports	12
Methodology	16
References	16
About Monetate	17

EQ EXECUTIVE SUMMARY

More than 15 million new iPads were switched on for the first time at the end of last year¹, and these and other tablet devices had an immediate impact on the web browsing habits of online shoppers. EQ1 2012 examines how tablets and smartphones have changed the way consumers browse and shop online, and reveals a distinction between the shopping habits of tablet and smartphone users.

We also delve into the world of social commerce. After the January 2012 announcement that Facebook would go public later in the year, we wondered if 845 million Facebook users rely on the social network to help make purchase decisions. Around the same time, the sudden rise of Pinterest—a comScore report found the virtual bulletin board exceeded 10 million unique monthly U.S. visitors faster than any website in history²—provided even more reason to examine the impact social networks had on ecommerce in EQ1 2012.

ABOUT THE EQ

As ecommerce companies look for ways to increase customer engagement and sales in a highly competitive online shopping environment, they're faced with challenges centered on massive amounts of data. This Big Data conundrum extends beyond the collection and storage of information about customers and prospects; the critical component of business intelligence is the ability to transform this never-ending stream of data into meaningful insights to create more relevant shopping experiences.

Managing this data is a big part of delivering relevance. Using a combination of historical and real-time data to target each website visit can delight customers who become extremely loyal and share

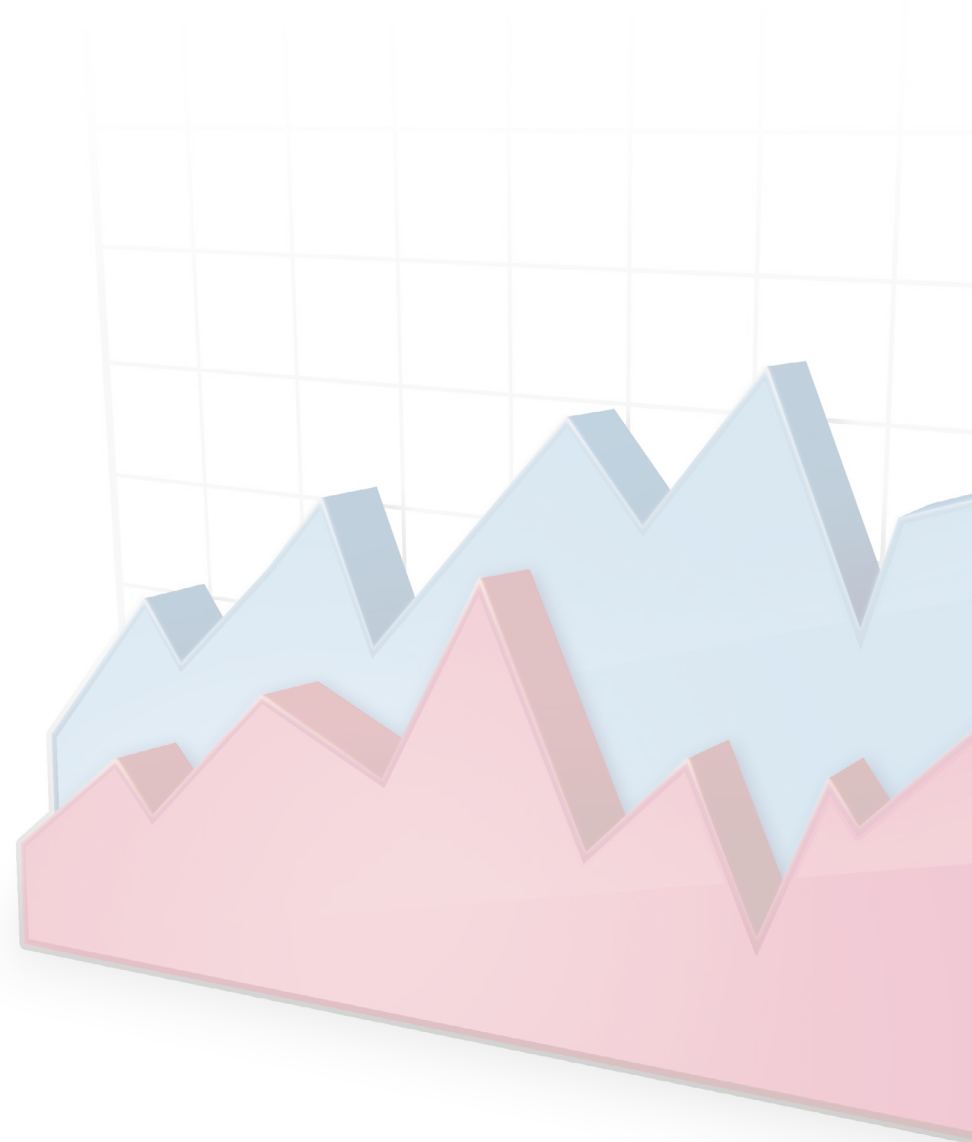
their experiences with others. Ecommerce businesses that tackle Big Data head-on focus their attention on three primary visitor segments, groups that will be explored (with examples of each) in every release of the EQ:

- **Predefined:** New versus returning; referring traffic sources; technographics; geography.
- **Custom or Proprietary:** Demographics; proximity to location.
- **In-Session Behavior:** Shopping cart activity; brand or category affinity.

Technology providers like Monetate play an essential role in helping businesses understand this data and their audiences. Through the use of the Monetate Agility Suite and advice from Monetate's website optimization experts and content resources, businesses are now able to realize the unfulfilled promise of ecommerce: Delivering relevant messages to customers at the right place and at the right time.

The EQ also provides takeaways and ideas that point to the importance ecommerce businesses must place on delivering a more engaging shopping experience to customers in ways that provide measurable impact. As more online businesses look to maximize their investments in technology and marketing, these tactics will become even more critical to consider.

The EQ is published four times a year, at the conclusion of every calendar year quarter.



THE DEATH OF THE PC?

At the current rate, website traffic from PC users will dip below 75% in less than one year.

Earlier this year, Apple CEO Tim Cook revealed that the company sold more iPads than any computer manufacturer sold of its own PCs.³ Worldwide tablet sales totaled 60 million in 2011 with more than two-thirds being iPads, according to Gartner. The research firm also forecasts global tablet sales to reach 118.9 million units in 2012, a 98% increase from 2011.⁴

While new ultrabooks—smaller, lightweight laptops designed to not compromise performance and battery life—from manufacturers such as Acer, HP, Dell, and Lenovo made their debut at the Consumer Electronics Show (CES) in January 2012, they have done very little to stave off the unprecedented increase in traffic to websites from tablet devices such as the iPad or Kindle Fire.

It appears that desktop and laptop usage is being replaced by tablet browsing. Eighty-eight percent of website visits now come from PCs (desktops and laptops), down from 92.1% the prior quarter. In fact, traffic from tablet devices increased 348% in one year, while visits from smartphone users increased 117% during the same time period.

Smartphone traffic peaked between Black Friday and Cyber Monday 2011 (7.1% of all visits), and now comprises 5.3% of all website visits.

Tablet devices showed the largest percentage increase in visitor traffic in one year, with more than 6% of all website visits now coming from tablet users. Ninety-five percent of this traffic is from iPads.

EQ TAKEAWAYS

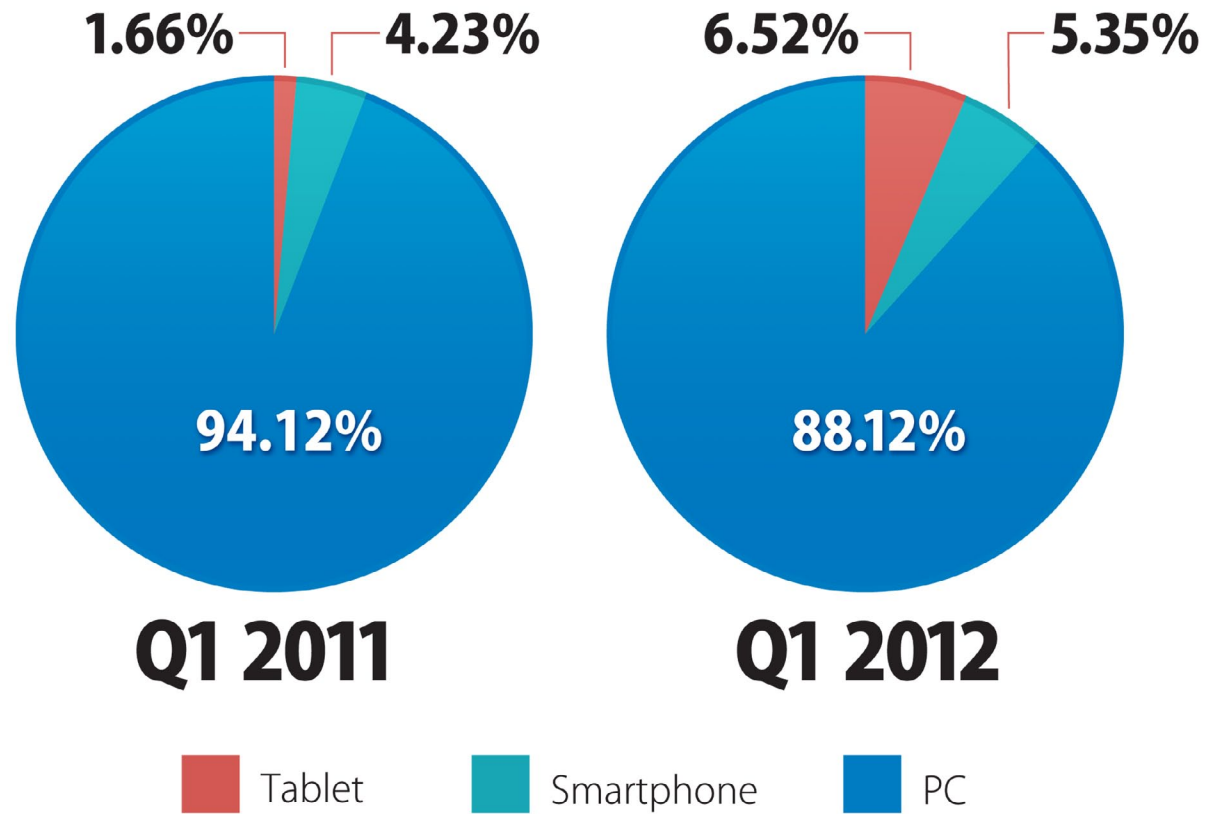
- **Will website visits from PC users continue to decrease?**
- **Website optimization tips for tablet owners:**

Assure all functionality works on tablets, i.e., drop-downs and hover states often do not work on the iPad and Flash content still isn't supported.

Use larger navigation and add-to-cart buttons.

Conduct user testing to see if your website is "swipe-friendly."

Stay on top of emerging trends, such as HTML5 and Responsive Web Design.



WEBSITE VISITS BY DEVICE

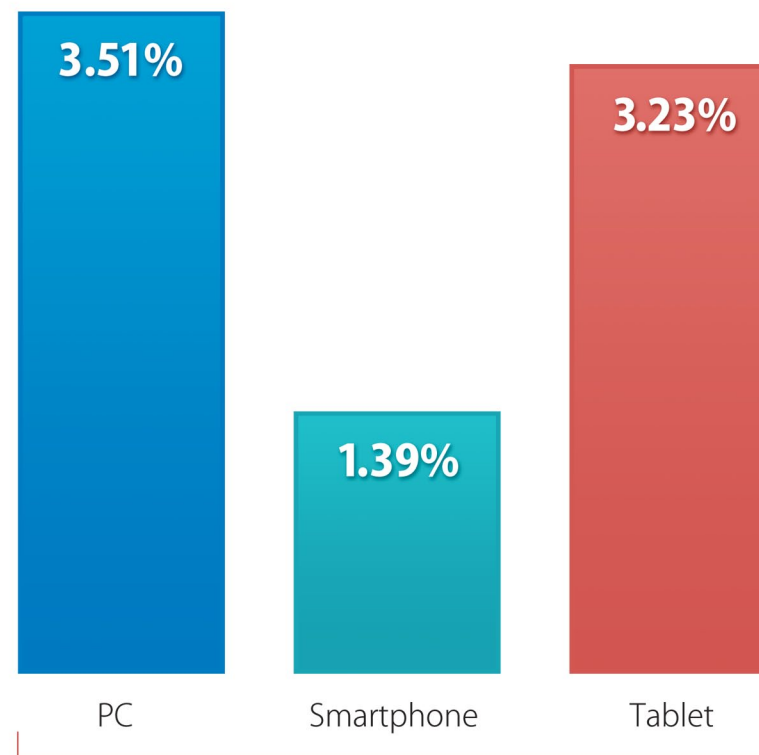
TABLET IS NOT MOBILE!

Marketers need to clearly distinguish traffic from tablets and smartphones.

With increases in website traffic from devices such as the iPad and Kindle Fire, ecommerce businesses must treat customers using tablets as a unique audience segment. Tablet users expect a different experience that takes advantage of their devices' features, such as touch/swipe functionality and screen rotation.

Websites that don't differentiate their tablet visitors from smartphone users—for instance, by redirecting both segments to a WAP website—will likely lose sales by frustrating these shoppers, who could turn to a competitor and never come back. In fact, the browsing and buying behaviors of a tablet user are very similar to those of the typical shopper on a PC.

In our research, we compared the key performance indicators (KPIs)—such as add-to-cart rate and conversion rate—of tablet shoppers to PC users. The conversion rates of both tablet and PC users are consistently above 3%, while the conversion rate for smartphone shoppers is 1.39%, and has never gone above 1.7%.



**Q1 2012 CONVERSION
RATES BY DEVICE**

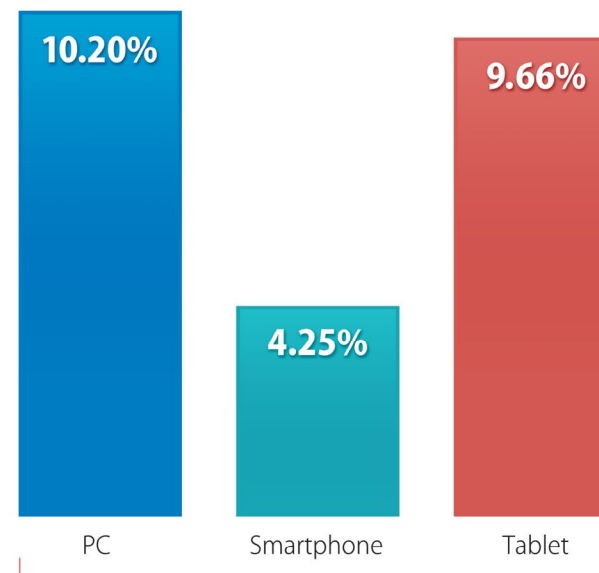
Tablet users average 11.07 page views per session, compared to 12.05 page views for PC users. Page views per session for both tablet and PC user segments remained consistent throughout 2011. Conversely, page views per session for smartphones users is 7.18 pages, up 10% from an average of 6.54 pages throughout 2011.

It seems clear that smartphone users are either doing more comparison shopping or are dissatisfied with the user experience. In fact, a recent study from comScore Inc., Shop.org, and The Partnering Group revealed that 43% of smartphone owners have used their mobile devices while in a store for a shopping purpose.⁵

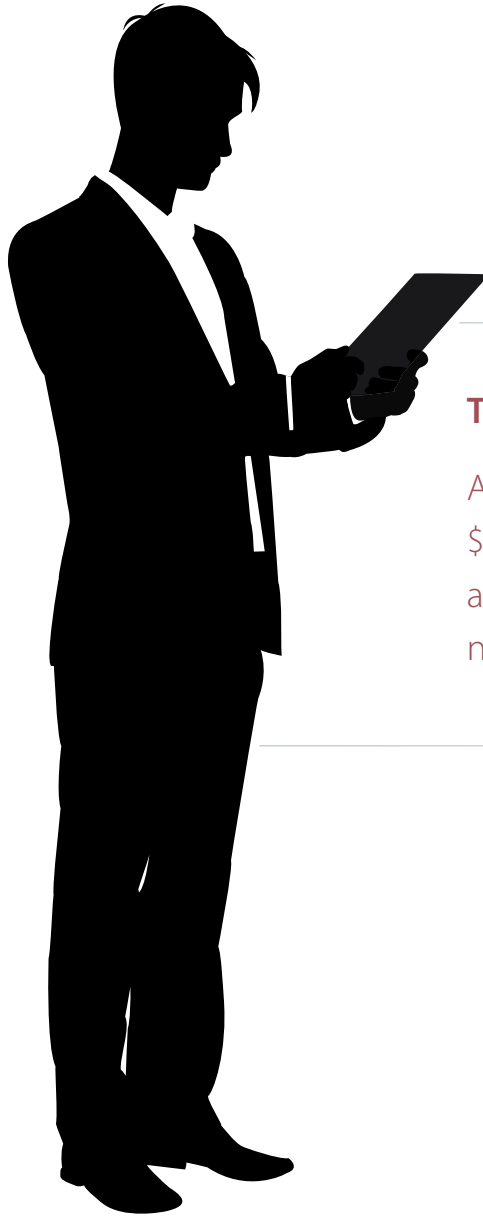
Perhaps a positive sign regarding smartphone usage is the nearly identical cart abandonment rates between all three devices. Although significantly higher a year ago (73.19%), the cart abandonment rate of smartphone users has dropped to 67.48%, and is much closer to what ecommerce businesses see from shoppers using PCs and tablets. In fact, smartphones were the only traffic source, by device, with a lower cart abandonment rate year over year.

EQ TAKEAWAYS

- Use the geographic location of website visitors to target specific offers based on whether or not mobile shoppers are near a physical store—or a competitor—to move them closer to a purchase.
- Determine if there's a difference in average order value (AOV) between shoppers using PCs compared to tablets. Target future messages accordingly.



Q1 2012 ADD-TO-CART RATES BY DEVICE



The Affluent Tablet Owner

A recent Mendelsohn study of adults with household incomes of at least \$100,000 revealed that 94% of smartphone owners use their devices once a day, and daily tablet usage has already reached 68%. Fourteen percent of non-tablet owners plan to purchase one within the next 12 months.⁶

SOCIAL COMMERCE: HYPE OR HOPE?

Retailers are paying more attention to social networks, but search remains the biggest driver of traffic and conversions.

Successful online marketers use inbound marketing channels as a way to attract new customers and re-engage with consumers who made prior purchases.

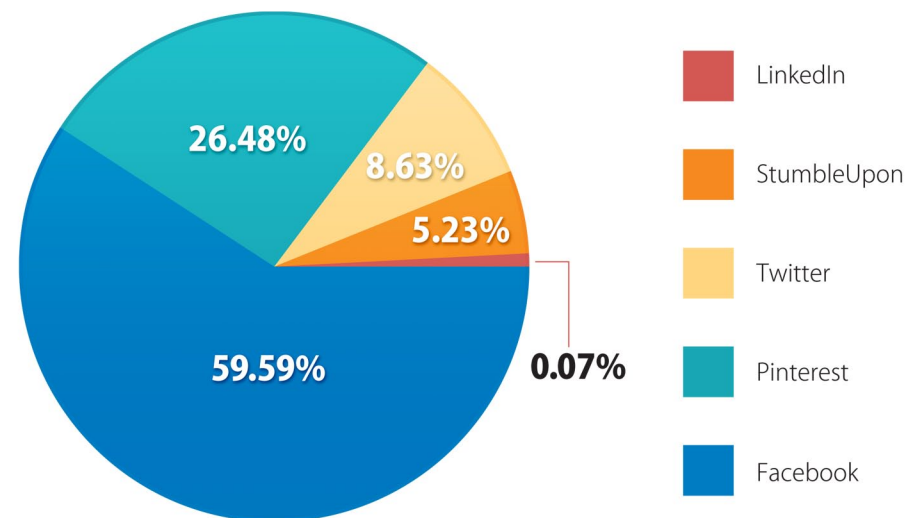
While plenty of money goes to these methods (for instance, email or affiliate marketing, Google AdWords, Facebook Ads or Sponsored Stories, etc.), marketers who manage these channels often feel that they cannot impact conversions. Fortunately, these opinions are changing as marketers gain access to new tools, allowing them to build effective programs that don't end with the click-through or on a landing page.

Our research of inbound referral traffic examines specific trends that not only detail the channels consumers use the most—or the least—to get to websites, but what happens once they get there. And we paid special attention to Facebook and Pinterest, considering the increasing amount of interest marketers have in those channels.

Facebook accounts for almost 60% of the visits from all social network traffic sources, which also include Pinterest, Twitter, LinkedIn, and

StumbleUpon. Pinterest went from driving 0.68% of traffic from social networks in Q1 2011, to 26% in Q1 2012.

While traffic from social networks has increased, it appears that it doesn't come at the expense of search engines. Rather, traffic from email campaigns has decreased 4.54%, while referral traffic from search engines increased 24.19% over the same one-year time period.



Q1 2012 SOCIAL NETWORK REFERRAL TRAFFIC

Traffic from social networks has increased 77% in one year, but the bigger story is what happens once consumers from social networks click through to ecommerce websites. For instance, although 73.19% of visitors from Facebook view at least one product detail page, almost half of the visits bounce (45.67%), leaving the website without going to another page. Of those who do stick around, only 3% add a product to a cart and just 0.49% convert to a sale.

So how does this rank against Google and search engines as a whole, which are still responsible for the largest amount of website traffic? While only 56.30% of visitors from Google view a product, websites experience just a 25.69% bounce rate from Google traffic. Visits from Google have an add-to-cart rate of 7.22%, and convert at 2.44%.

EQ TAKEAWAYS

- Will conversion rates from social networks continue to be well below averages from other inbound marketing channels such as search and email?
- Inbound consistency campaigns that “maintain the scent trail” have a much better chance for conversion. Keep the messaging in front of the visitor throughout the visit—and subsequent visits. You spend so much time, money, and effort trying to bring traffic to your website; your job doesn’t end there. Focus on the conversion.

BENCHMARK REPORTS

	Website Visits by Device	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	PC	94.12%	93.85%	92.61%	92.11%	88.12%
	Tablet	1.66%	1.98%	3.30%	3.73%	6.52%
	Smartphone	4.23%	4.17%	4.09%	4.16%	5.35%
Tablet	iPad	99.68%	98.91%	98.23%	96.49%	89.49%
	Kindle Fire	NA	NA	NA	NA	4.29%
	Android Tablet	0.32%	1.09%	1.77%	3.51%	6.22%
Smartphone	iPhone	56.63%	60.34%	55.11%	55.19%	56.17%
	Android Phone	42.36%	38.27%	43.18%	43.22%	42.43%
	Windows Phone	0.38%	0.68%	0.98%	1.01%	1.00%
	Other	0.63%	0.71%	0.73%	0.58%	0.40%

	Conversion Rates by Device	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	PC	3.57%	3.79%	3.74%	3.71%	3.51%
	Tablet	3.27%	3.76%	3.51%	3.72%	3.23%
	Smartphone	1.05%	1.33%	1.70%	1.64%	1.39%
Tablet	iPad	3.28%	3.77%	3.51%	3.73%	3.22%
	Kindle Fire	NA	NA	NA	NA	2.29%
	Android Tablet	0.77%	2.86%	3.39%	3.52%	4.00%
Smartphone	iPhone	1.08%	1.21%	1.58%	1.41%	1.18%
	Android Phone	1.02%	1.55%	1.90%	1.97%	1.68%
	Windows Phone	1.11%	1.29%	0.96%	0.97%	1.56%
	Other	0.15%	0.13%	0.25%	0.00%	0.08%

	Add-to-Cart Rates by Device	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	PC	9.34%	9.60%	9.60%	9.50%	10.20%
	Tablet	8.68%	9.44%	9.32%	9.57%	9.66%
	Smartphone	3.91%	4.29%	4.41%	4.10%	4.25%
Tablet	iPad	8.70%	9.47%	9.36%	9.61%	9.77%
	Kindle Fire	NA	NA	NA	NA	7.87%
	Android Tablet	2.89%	6.51%	7.45%	8.23%	9.35%
Smartphone	iPhone	3.83%	4.06%	4.04%	3.54%	3.71%
	Android Phone	4.06%	4.71%	4.95%	4.88%	5.00%
	Windows Phone	3.07%	3.78%	3.51%	3.71%	4.72%
	Other	1.72%	0.89%	1.34%	0.70%	0.94%

	Inbound Referral Traffic Growth	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	Search	27.15%	27.59%	27.79%	29.23%	29.67%
	Social	1.38%	2.01%	1.66%	2.02%	2.15%
	Email	7.83%	5.90%	5.54%	5.82%	6.58%

Social	Facebook	88.08%	77.10%	78.96%	66.48%	59.59%
	Pinterest	0.68%	1.55%	4.91%	13.88%	26.48%
	Twitter	4.63%	4.77%	6.85%	5.71%	8.63%
	StumbleUpon	6.47%	16.49%	9.17%	13.83%	5.23%
	LinkedIn	0.13%	0.10%	0.11%	0.10%	0.07%

	Conversion Rates by Traffic Source	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	Search	2.85%	2.94%	2.83%	3.06%	2.83%
	Social	0.53%	0.33%	0.39%	0.43%	0.38%
	Email	3.60%	4.32%	4.40%	3.45%	3.91%

	Google	2.46%	2.49%	2.37%	2.59%	2.44%
	Facebook	0.58%	0.40%	0.46%	0.56%	0.49%

	Bounce Rates by Traffic Source	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	Search	20.66%	19.97%	20.56%	22.15%	23.63%
	Social	44.18%	51.10%	45.18%	48.35%	51.24%
	Email	23.76%	26.14%	22.68%	25.93%	24.00%
	Google	22.43%	21.53%	22.18%	24.23%	25.69%
	Facebook	41.99%	46.49%	40.99%	45.02%	45.67%

	Add-to-Cart Rates by Traffic Source	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Overall	Search	7.43%	7.47%	7.36%	7.55%	7.79%
	Social	2.58%	1.90%	1.43%	1.52%	2.61%
	Email	10.93%	12.05%	12.02%	10.63%	11.98%
	Google	6.87%	6.88%	6.75%	6.88%	7.22%
	Facebook	2.79%	2.24%	1.56%	1.83%	3.08%

METHODOLOGY

The EQ analyzes a random sample of more than 100 million online shopping experiences using “same store” data across each calendar quarter.

For all media inquiries, questions, and feedback regarding the information in this report, or to obtain copies of previous releases of the EQ, contact:

Marifran Manzo-Ritchie

Director of Corporate Communications
(215) 987-4441
mmanzoritchie@monetate.com

REFERENCES

1. Apple Reports First Quarter Results: Apple (January 24, 2012)
2. Pinterest Hits 10 Million U.S. Monthly Uniques Faster Than Any Standalone Site Ever: TechCrunch/comScore (February 7, 2012)
3. Apple Sold More iPads In Q4 Than Any Single Manufacturer Sold PC Devices: TechCrunch (March 7, 2012)
4. Gartner Says Worldwide Media Tablets Sales To Reach 119 Million Units In 2012: Gartner (April 10, 2012)
5. Shop.org Research Partners Dive Into Specifics of 2012 Social, Mobile Commerce Study: Shop.org (June 4, 2012)
6. Optimism Among Wealthy Americans Is Down, Economy Worries Are Up: The Mendelsohn Affluent Survey / CNBC (May 31, 2012)

ABOUT MONETATE

Monetate drives billions of dollars of revenue every year for some of the best-known brands in the world, including Best Buy, QVC, Urban Outfitters, Aeropostale, The Sports Authority, and PETCO. The company's comprehensive product suite and conversion expertise enable marketers to deliver a more relevant customer experience with unprecedented agility.

Leading marketers rely on Monetate's cloud-based browser technology to achieve a new level of speed and control, which allows them to run

16 times more optimization campaigns compared to industry averages. The Monetate Agility Suite includes advanced products for testing, merchandising, targeting, and cross-channel consistency, providing an opportunity to bypass IT restraints and react in real time to customer demands. Monetate also helps marketers implement best practices, and drive online revenue through its expert strategic services and content publishing teams.





Expert Optimization Resources

Valuable case studies, eBooks, white papers, webinars & infographics

monetate.com/resources

Request a Demo

Call 877-MONETATE (US) | 484-323-6313 (around the world)

demo.monetate.com

1-877-MONETATE | 484-323-6313 | www.monetate.com

©2012 Monetate Inc. All Rights Reserved

