

EQ3



Ecommerce Quarterly

EQ3 2012

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EXECUTIVE SUMMARY

The Big Data challenge is not limited to the amount of information that businesses collect about their customers. The speed with which data is collected and the disparate sources that must be combined for one single view of every customer adds more complexity and presents an even greater challenge.

Solving the data dilemma also means being able to react immediately to what customers need and, frankly, expect. The ability to respond intelligently to customers in real time isn't possible with traditional analytics programs that only provide a view of customer browsing history.

Real-time analysis is taking center stage as marketers combine predefined visitor segments with in-session behavior to dynamically change the online experience. This paradigm shift provides an opportunity for online marketers to immerse themselves in situational data, transform their businesses by creating robust customer segments, and react in the moment to the needs and expectations of their customers.

Targeting visitors by geography, or geotargeting, is one way to deliver a rich customer experience based on historical and real-time customer data. While geography will have different implications for every business, EQ3 2012 should spark ideas on how to leverage historical data with in-session behavior using this proven segmentation strategy.

Lastly, EQ3 2012 looks at geography as it relates to one of the most important trends that we've covered in the past: The emergence of smartphones and tablets as increasingly popular devices for online shoppers.

ABOUT THE EQ

As ecommerce companies look for ways to increase customer engagement and sales in a highly competitive online environment, they're faced with challenges centered on massive amounts of data. As mentioned in the Executive Summary, this Big Data conundrum extends beyond the collection and storage of information about customers and prospects.

Using a combination of historical and real-time data creates meaningful insight that drives more relevant shopping sessions, delighting 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 that continue to be explored in every release of the Ecommerce Quarterly (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.

Lastly, the EQ includes "EQ Takeaways," ideas and best practices found on leading ecommerce websites, based on insights gained from the more than 100 million online shopping sessions that contribute to the analysis and benchmark reports found in every release of the EQ.



AN ECOMMERCE STATE OF MIND

Visitor location drives relevant messaging and more conversions.

In-session geographic data can play a big part in improving key performance metrics such as average order value and conversion rate. Understanding where a visitor is “right now” can lead to building lucrative customer segments, while enhancing the user experience for visitors who don’t expect to be treated like every other person.

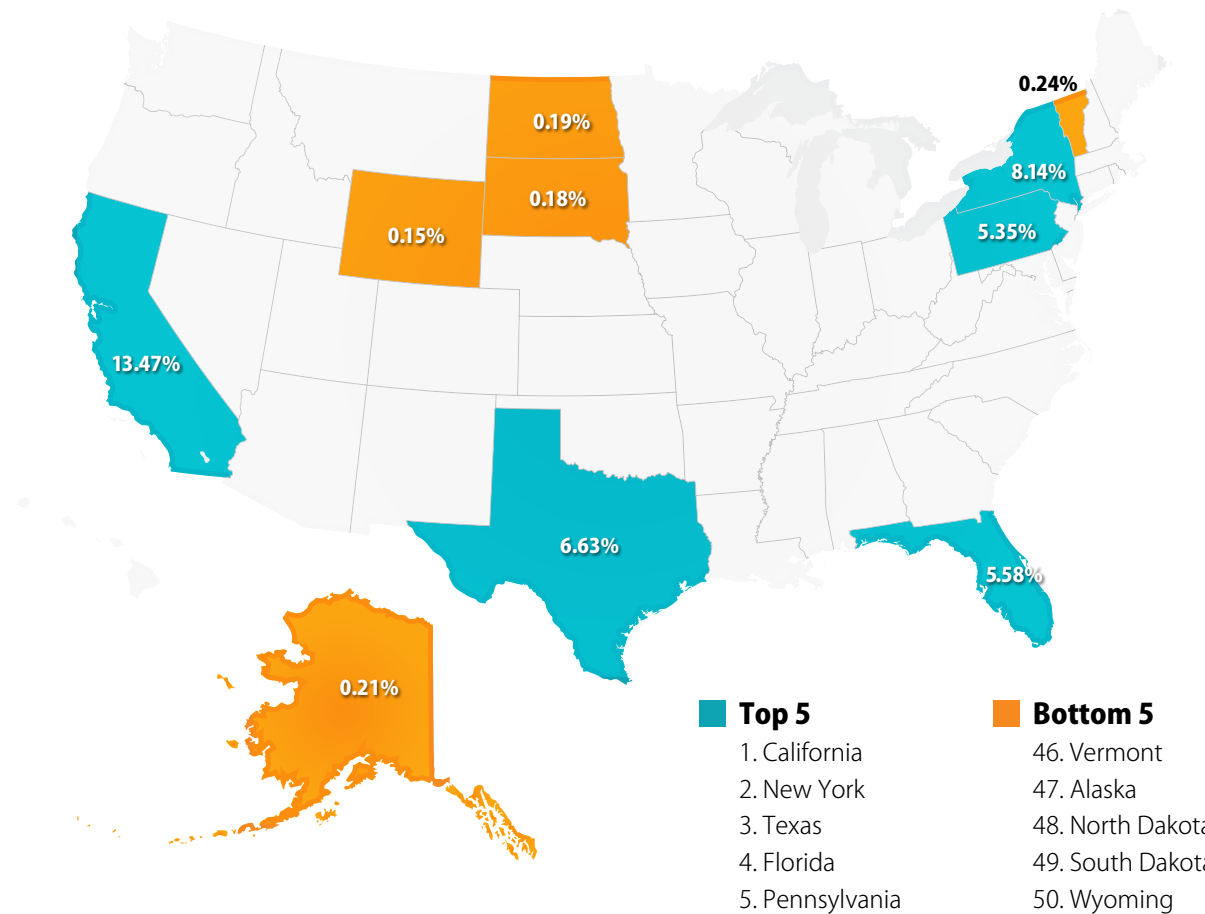
This scenario is true for any ecommerce business. For instance, a travel and hospitality marketer can combine a visitor’s location with the timing of a trip for incredible insight, meanwhile a retailer can alert visitors of a new store opening nearby based on their current whereabouts.

None of the top five states that drive the most traffic to leading ecommerce websites have the highest conversion rates. Traffic from Wyoming, which is responsible for the least amount of traffic (.15%), converts the highest

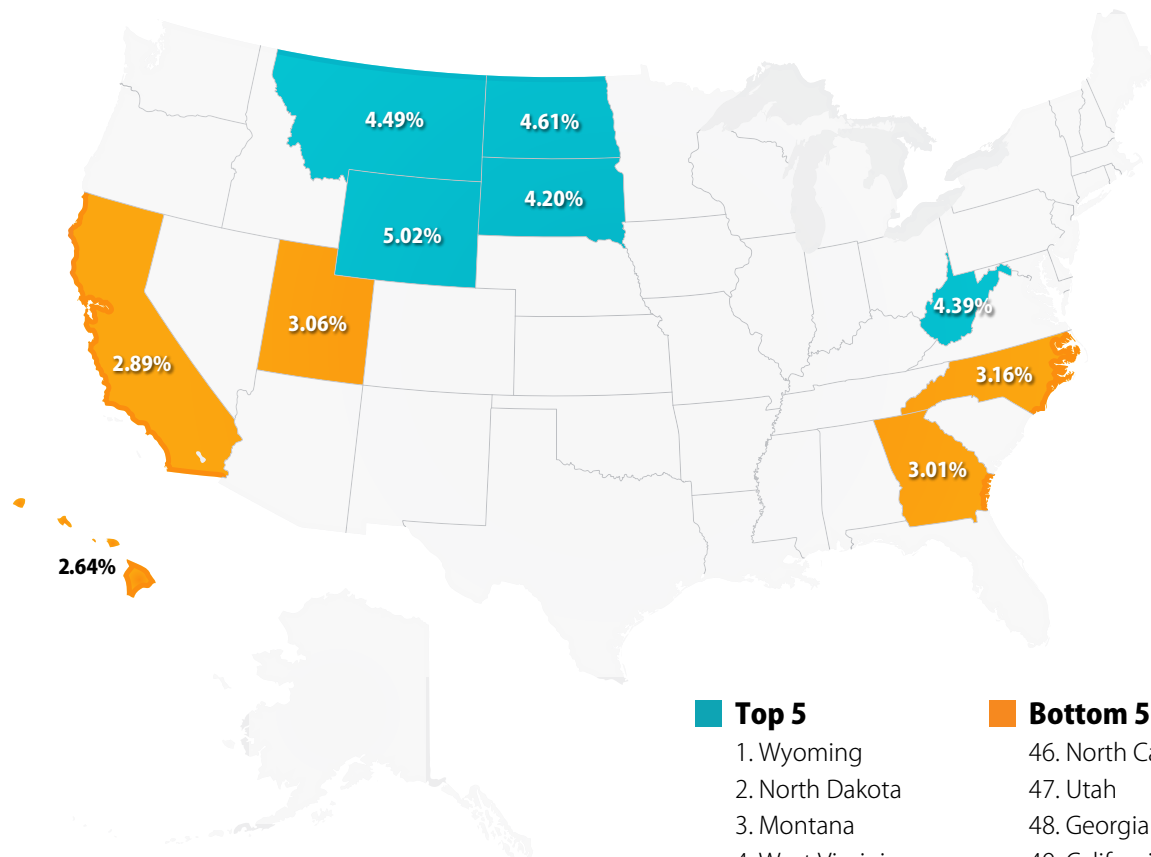
(5.02%). Equally interesting is California, which drives the most amount of traffic (13.47%), but converts at only 2.89%.

Knowing the customer’s current location—not only by state, but at the county or city level—allows marketers to build segmentation strategies that can include real-time or forecasted weather, as well as proximity to a physical store or a competitor’s location. Additional data can deliver an even more relevant version of a website. Consider the region’s population density, as well as other predicates such as the likelihood of children in the home, a specific age bracket, median family income level, education level, or traditional voting preferences.

Q3 2012 Ecommerce Traffic by State



Q3 2012 Conversion Rates by State



Top 5

1. Wyoming
2. North Dakota
3. Montana
4. West Virginia
5. South Dakota

Bottom 5

46. North Carolina
47. Utah
48. Georgia
49. California
50. Hawaii

EQ **EQ TAKEAWAYS**

- Try developing specific messages around delivery times and fees for visitors based on their proximity to fulfillment centers. For instance, visitors who live close to a warehouse will get their deliveries within two days, so there's no need to offer the option to pay more for expedited two-day shipping. Instead, ensure visitors only see the shipping options, fees, and delivery times that apply to their specific location so they have the necessary information to make a purchasing decision.
 - Use real-time or forecasted weather to make it easier for customers to find what they came to your website for in the first place. For instance, whether visitors need to buy a raincoat on a dreary day, or want to check to see how weather will impact an upcoming trip, displaying relevant products or messages will help inspire confidence in your brand's ability to meet their needs quickly.
 - Act local by testing visible messages that reference the city where the visitor currently is located. Try displaying geotargeted customer testimonials by highlighting reviews from shoppers in the same area. For instance, a visitor from the Atlanta area might be more likely to make a purchase if they see a review like this: "Great service and fast shipping," J. Williams, Atlanta."
 - Combining geotargeted messages with in-store inventory data can reveal major opportunities to drive both online and in-store sales. For instance, use a geotargeted banner to communicate when items are out-of-stock online, but available for purchase at a store near the visitor. Another option: Promote in-store returns for online shoppers who are near a brick-and-mortar location.
 - Highlighting deals and offers that are location-specific can generate hard-to-resist incentives to buy. For instance, many states have special "Sales Tax Holidays" throughout the summer. Promoting those deals based on visitor location can ensure the right visitors know about the right sale at the right time.
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Traditional Customer Segments Still Have Impact

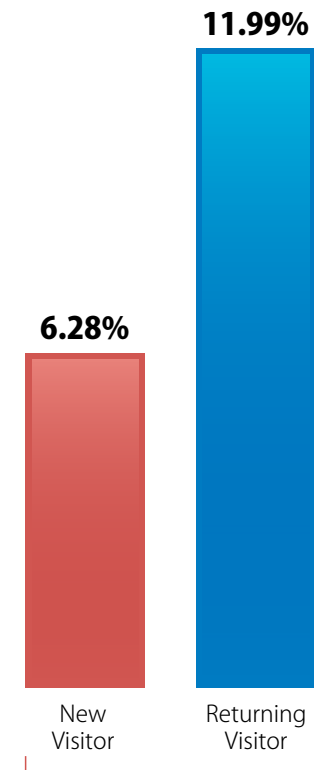
Any marketer will tell you that it costs more to acquire a new customer than it does to keep a current one. Our research into the shopping habits of new versus returning visitors reveals how critical it is to remember this business truism when developing new customer segments.

Returning customers add products to their shopping carts almost twice as much as first-time visitors, and the average conversion rates of returning visitors is 4.07%, compared to 2.09% for new visitors. Analysis of browsing and shopping habits of your most valuable customers should elicit further dialogue within your organization that uncovers new segments.

EQ **EQ TAKEAWAY**

- Dynamically change content on homepages and other popular landing pages based on whether a visitor has come to your website before. Try displaying recently-added products for returning visitors, while showing new visitors the website's bestsellers.

Q3 2012 Add-to-Cart Rates



TABLET, MOBILE TRAFFIC ACCELERATES

Skyrocketing tablet and smartphone usage extends across the nation.

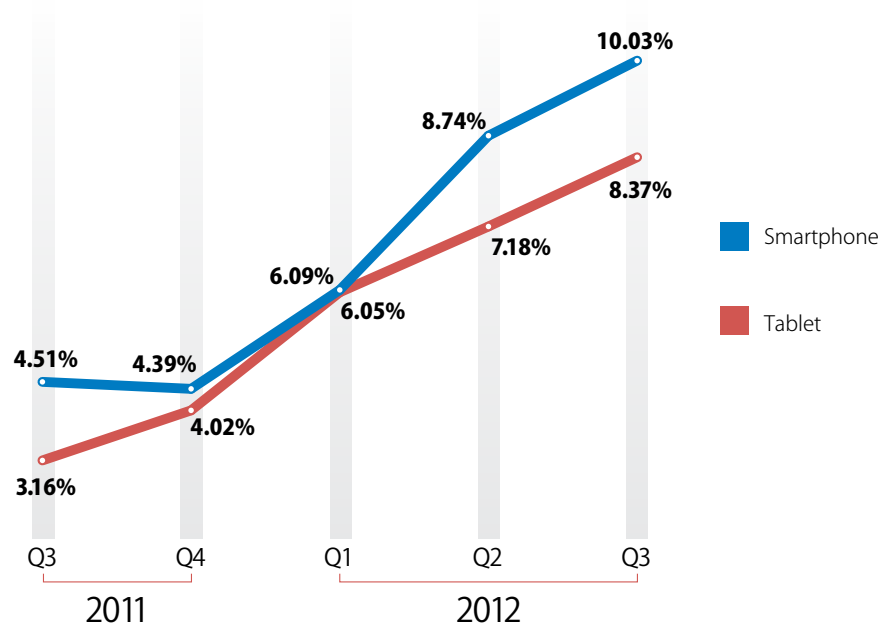
There's no denying the impact that tablets and smartphones have had on ecommerce in a relatively short amount of time. Almost one out of every five consumers has decided to make online purchases with their Android smartphones, iPhones, iPads, and similar devices. And there's no sign of a slowdown. Only a year ago, less than 8% of traffic to leading ecommerce websites was generated by tablets and smartphones.

Total shopping sessions in one year from tablets has increased 161%, while traffic from smartphones has increased an equally impressive 119%. Understanding the users of these devices is critical to developing relevant customer segments and making website personalization a significant part of your business.

There's surprisingly no correlation between the states with the overall highest market share of ecommerce website traffic and the burgeoning number of visitors using tablets and smartphones. California, which overall drives the most ecommerce website traffic, ranks close to the bottom of tablet traffic market share (7.84%), while tablet users from Iowa are responsible for the least amount of website traffic (7.18%).

Leading ecommerce websites receive the most amount of tablet traffic from shoppers in Hawaii (11.56%), with four other states having 10% or more tablet traffic market share: Texas (10.24%), Nevada (10.13%), New Jersey (10.04%) and Alaska (10.04%).

Share of Total Website Traffic by Device



When looking at traffic from smartphones, a significant increase in both Android smartphone shipments¹ and the release of the iPhone 5 led to these devices surging past tablets in overall website traffic by almost 2%, while also reaching double-digit market share for the first time.

Conversion rates of tablet shoppers still rival that of traditional desktop and laptop computers, while conversion rates for smartphone shoppers continue to be significantly lower than both tablets and traditional devices.

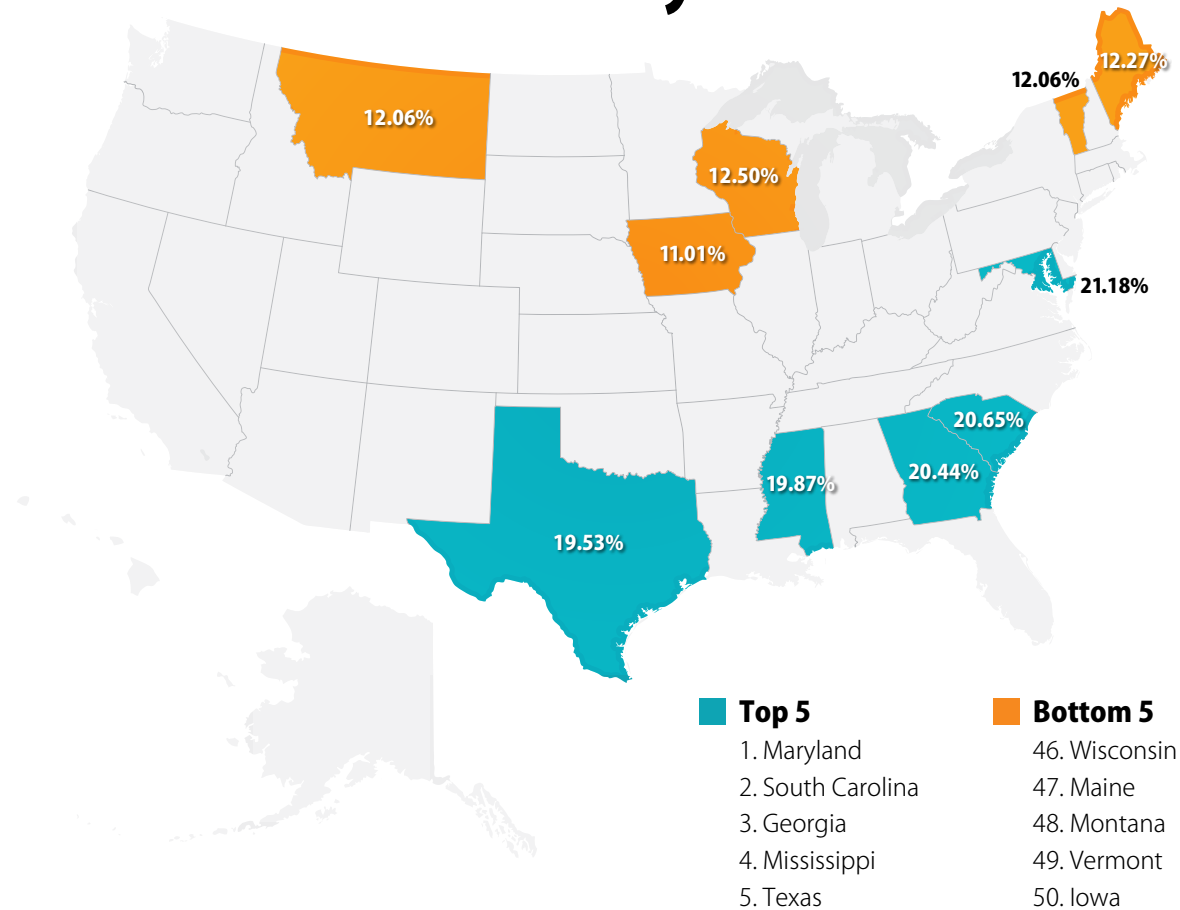
Just as conversion rates and other key metrics are different when comparing tablets to smartphones, traffic varies state by state. Maryland (12.40%) leads the way in driving the most ecommerce website traffic from smartphones, while five other states have more than 10% of smartphone traffic market share: Georgia (11.51%), Mississippi (11.21%), South Carolina (10.97%), Illinois (10.48%) and Ohio (10.31%).

EQ TAKEAWAYS

- It's critical to ensure websites are optimized for mobile traffic. Organize your products into groups or categories to make it easier for smartphone users to navigate a large catalog. Ensure critical functions (e.g., navigation, site search, checkout) work as well as they do on a desktop website, and that product photos render properly on smartphones.
- Smartphones are also having a major impact on the in-store experience, with shoppers using their devices to research product reviews and ratings. Make those reviews and ratings prominent on your mobile website or create a ratings and review mobile app to increase transparency and brand trust.
- Optimizing for smartphones isn't the same as optimizing for tablet traffic. Make sure key visitor activities render properly on tablets. Create a quick navigation bar that offers visitors the chance to click on the website's most popular functions.

Exaggerating functions like the search bar helps visitors get on the path to conversion faster. Look for website features and content that don't render properly (like Flash on an iPad), and serve up static content instead.

Q3 2012 Traffic from Smartphones & Tablets by State



GOING GLOBAL

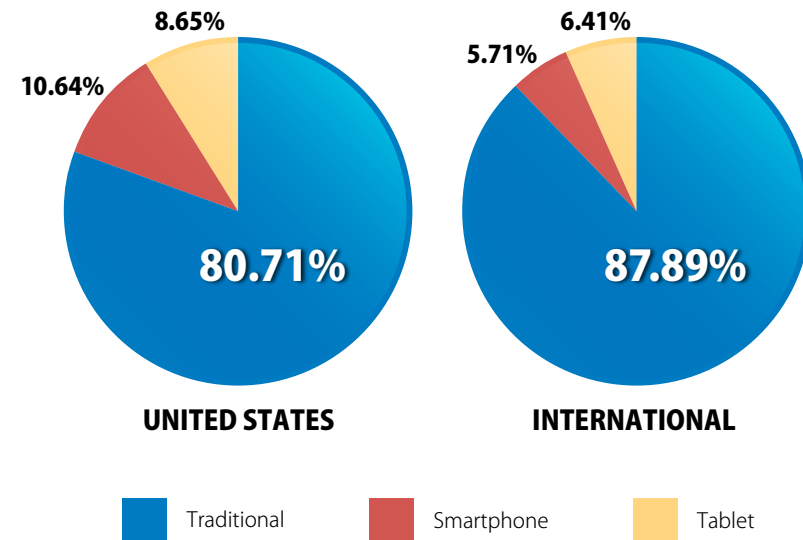
Pay more attention to traffic from around the world.

Global ecommerce sales are expected to increase 13.5% annually for the next four years, reaching an estimated \$1.4 trillion in 2015.² Based on average order value, international customers spend 38.43% more than shoppers from the United States, but key performance metrics such as add-to-cart and conversion rates are significantly lower.

While comScore reported a 15% year-over-year increase in US ecommerce sales³, our data reveals a tremendous opportunity for marketers to convert more international website traffic and increase global market share. Yet another important metric, cart abandonment rate, further indicates the missed opportunity, as more than four out of every five international shoppers (86.15%) leave websites without finishing the checkout process.

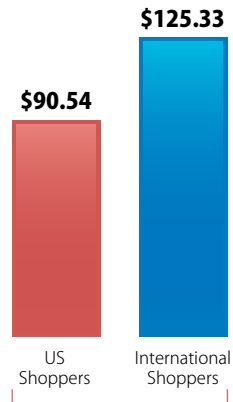
Taking steps to address the needs of international customers should be a priority, but keep in mind that while smartphone usage across the globe continues to grow⁴, ecommerce website traffic from smartphones and tablets lags behind the United States by more than 7%, with traditional desktop and laptop computers responsible for 87.89% of all international website traffic.

Q3 2012 Device Market Share

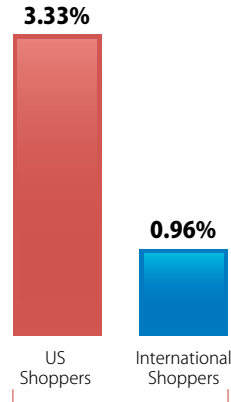


Once you've taken the steps to address the immediate needs of your international customers, consider fulfillment and operational opportunities, product/merchandising possibilities, and other logistical considerations that could help you expand further into global markets.

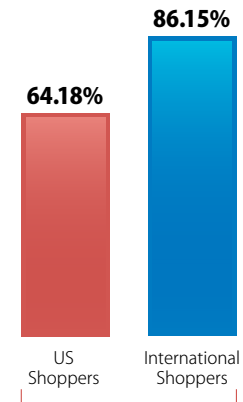
Q3 2012 Average Order Value



Q3 2012 Conversion Rates



Q3 2012 Cart Abandonment Rates



EQ **EQ TAKEAWAYS**

- Asking international visitors to “choose their country” in order to translate a website takes them out of the browsing and purchasing state. Instead, translate key elements of your website (navigation, checkout, etc.) automatically based on visitors’ location to meet and exceed their expectations.
- Display messages on the homepage that let visitors know, based on their country, whether shipping to their location is available. Then, go a step further by promoting favorable shipping terms for shoppers from regions where delivery costs won’t be extremely high. Make international shipping policies and processes as clear as possible for each country, factoring in fixed costs.
- Encourage repeat purchases from international visitors by understanding their past behaviors and responding to their needs. Rather than asking a returning visitor to select a currency preference, default subsequent visits to the currency they paid with the last time. Just be sure to provide a clear way to switch to another currency option.

BENCHMARK REPORTS

	Conversion Rates	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	US	2.77%	3.66%	3.18%	3.42%	3.33%
	International	0.97%	1.20%	0.95%	0.96%	0.96%

	Add-to-Cart Rates	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	US	7.20%	9.14%	8.73%	9.22%	9.30%
	International	5.45%	6.34%	6.51%	6.76%	6.94%

	Cart Abandonment Rates	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	US	61.48%	60.02%	63.63%	62.91%	64.18%
	International	82.19%	81.07%	85.44%	85.78%	86.15%

	Average Order Value	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	US	\$101.07	\$101.67	\$92.53	\$90.36	\$90.54
	International	\$152.63	\$147.45	\$127.22	\$122.51	\$125.33

	Conversion Rates	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	New	1.70%	2.53%	1.96%	2.06%	2.09%
	Returning	3.54%	4.38%	3.90%	4.16%	4.07%

	Add-to-Cart Rates	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	New	4.90%	6.55%	5.85%	6.10%	6.28%
	Returning	9.35%	11.48%	11.24%	11.76%	11.99%

State	Conversion Rate
Wyoming	5.02%
North Dakota	4.61%
Montana	4.49%
West Virginia	4.39%
South Dakota	4.20%
Pennsylvania	3.99%
Delaware	3.98%
Louisiana	3.96%
New Mexico	3.93%
Nevada	3.81%
Wisconsin	3.76%
New Jersey	3.75%
Indiana	3.74%
Oklahoma	3.72%
Michigan	3.69%
Maryland	3.68%
Kentucky	3.68%
Connecticut	3.66%
Kansas	3.66%
New Hampshire	3.64%
Alaska	3.63%
Arkansas	3.62%
Ohio	3.61%
Alabama	3.58%
Mississippi	3.58%

State	Conversion Rate
Nebraska	3.55%
Idaho	3.54%
Missouri	3.53%
Maine	3.52%
Tennessee	3.50%
New York	3.44%
Vermont	3.42%
Virginia	3.36%
Iowa	3.36%
Washington	3.33%
Arizona	3.31%
Florida	3.30%
Minnesota	3.27%
Illinois	3.26%
Rhode Island	3.26%
Oregon	3.25%
Texas	3.23%
Massachusetts	3.21%
South Carolina	3.21%
Colorado	3.18%
North Carolina	3.16%
Utah	3.06%
Georgia	3.01%
California	2.89%
Hawaii	2.64%

State	Average Order Value
Alaska	\$110.35
Hawaii	\$101.51
Alabama	\$97.72
Wyoming	\$96.68
Texas	\$95.83
Georgia	\$94.85
Mississippi	\$94.51
New York	\$93.50
Maryland	\$93.30
California	\$93.19
Montana	\$93.00
New Mexico	\$92.81
Nevada	\$92.22
Colorado	\$92.20
Virginia	\$91.66
Louisiana	\$91.11
New Jersey	\$91.01
Florida	\$90.82
North Dakota	\$90.54
Delaware	\$90.16
Oklahoma	\$89.78
Washington	\$89.71
South Carolina	\$89.58
Illinois	\$89.06
Arizona	\$89.00

State	Average Order Value
Oregon	\$88.82
Vermont	\$88.25
Massachusetts	\$88.10
North Carolina	\$87.90
Tennessee	\$87.83
Connecticut	\$87.68
Utah	\$87.62
South Dakota	\$87.27
Arkansas	\$87.25
Pennsylvania	\$86.99
Kentucky	\$86.95
Minnesota	\$86.82
West Virginia	\$86.45
Rhode Island	\$86.38
Michigan	\$86.24
Indiana	\$85.79
Idaho	\$85.33
Kansas	\$85.32
Ohio	\$84.93
New Hampshire	\$84.66
Iowa	\$83.89
Wisconsin	\$83.82
Nebraska	\$83.56
Maine	\$83.45
Missouri	\$81.09

	Website Traffic Device Market Share	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Overall	Traditional	92.33%	91.58%	87.85%	84.08%	81.60%
	Tablet	3.16%	4.02%	6.05%	7.18%	8.37%
	Smartphone	4.51%	4.39%	6.09%	8.74%	10.03%
Tablets	iPad	96.90%	94.50%	89.30%	88.42%	88.94%
	Kindle Fire	NA	0.93%	4.41%	5.08%	4.71%
	Android Tablet	3.10%	4.57%	6.29%	6.50%	6.34%
Smartphones	iPhone	55.36%	52.79%	57.35%	61.25%	60.85%
	Android	43.03%	45.64%	41.28%	37.38%	37.59%
	Windows Phone	0.85%	1.02%	0.89%	0.91%	0.91%
	Other	0.77%	0.55%	0.47%	0.45%	0.65%

	Conversion Rates by Device	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Overall	Traditional	2.65%	3.50%	3.02%	3.31%	3.28%
	Tablet	2.55%	3.26%	2.85%	3.13%	3.12%
	Smartphone	0.92%	1.20%	1.11%	1.07%	1.01%
Tablets	iPad	2.57%	3.28%	2.86%	3.16%	3.17%
	Kindle Fire	NA	2.07%	1.95%	2.18%	2.06%
	Android Tablet	2.00%	3.10%	3.43%	3.51%	3.19%
Smartphones	iPhone	0.86%	1.09%	0.99%	0.98%	0.97%
	Android	1.02%	1.35%	1.28%	1.23%	1.09%
	Windows Phone	0.73%	1.00%	1.08%	0.97%	0.98%
	Other	0.06%	0.09%	0.09%	0.04%	0.36%

	Inbound Referral Traffic	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	Search	29.95%	31.99%	33.10%	34.59%	35.66%
	Social	2.46%	2.56%	2.93%	2.74%	2.35%
	Email	4.26%	5.02%	4.35%	4.37%	4.19%

	Conversion Rates by Traffic Source	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	Search	2.11%	2.98%	2.40%	2.46%	2.33%
	Social	0.37%	0.56%	0.49%	0.61%	0.73%
	Email	3.68%	4.43%	3.90%	4.26%	4.12%

	Average Order Value by Device	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Overall	Traditional	\$105.66	\$104.21	\$94.57	\$91.80	\$91.76
	Tablet	\$100.76	\$106.05	\$96.29	\$96.37	\$96.84
	Smartphone	\$104.11	\$119.74	\$104.28	\$96.90	\$97.82
Tablets	iPad	\$100.54	\$105.80	\$96.61	\$97.12	\$97.87
	Android Tablet	\$107.42	\$115.21	\$99.06	\$95.63	\$94.07
	Kindle Fire	NA	\$86.21	\$85.79	\$84.27	\$81.19
Smartphones	iPhone	\$101.45	\$115.17	\$101.59	\$97.02	\$98.20
	Android Phone	\$105.77	\$125.02	\$106.98	\$96.68	\$97.26
	Windows Phone	\$114.25	\$112.79	\$96.22	\$91.27	\$95.92
	Average Order Value by Traffic Source	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	Search	\$103.34	\$99.39	\$90.66	\$90.41	\$90.60
	Social	\$60.77	\$64.46	\$63.12	\$62.97	\$63.47
	Email	\$83.64	\$88.79	\$79.44	\$83.50	\$82.34

Browser Market Share		Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
	Internet Explorer	47.02%	46.01%	40.81%	37.63%	35.95%
	Chrome	12.83%	13.85%	16.05%	17.24%	18.76%
	Mobile Chrome	0.00%	0.00%	0.00%	0.01%	0.13%
	Firefox	17.75%	17.01%	16.36%	15.83%	14.53%
	Mobile Safari	7.50%	8.65%	11.41%	14.96%	17.25%
	Safari	14.29%	14.04%	14.71%	13.54%	12.60%
	Kindle Fire	NA	0.05%	0.27%	0.36%	0.39%
	Opera	0.31%	0.28%	0.33%	0.35%	0.32%
	Other	0.29%	0.12%	0.06%	0.07%	0.07%

METHODOLOGY

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

Averages throughout the EQ are calculated across the entire sample. Key performance indicators such as average order value and conversion rate will vary by industry/market type. These averages are published only to support the analysis in each release of the EQ and are not intended to be benchmarks for any ecommerce business.

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

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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, 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.





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