EQ²

Ecommerce Quarterly

EQ2 2013:
Email Engagement

EQ2 2013

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Executive Summary

As you read EQ2 2013, more than half of the year is over and ecommerce businesses are preparing for the busy holiday season. These final few months often determine a year's success, which, in turn, impacts future investments in technology and marketing in an effort to build customer reach, engagement, interaction, and revenue.

According to key metrics used to measure ecommerce success, 2013 has thus far been undoubtedly positive. For instance, same-store website traffic for the more than 600 million quarterly visits that comprise this release of the Ecommerce Quarterly (EQ) increased 17.60% in one year, while the same companies experienced an 8.16% gain in average order value (AOV). In fact, AOV was higher in the second quarter of 2013 ($115.27) than the traditionally strong fourth quarter ($113.05) of 2012.

These positive signs coincide with second quarter ecommerce estimates from the U.S. Department of Commerce, which include an 18.4% year-over-year increase in ecommerce sales.[1] But while these statistics—as well as many of the EQ's benchmark reports—point to a strong year for ecommerce, there are still some concerns, specifically around mobile and email.

Produced annually in partnership between Shop.org and Forrester Research, "The State of Retailing Online 2013: Key Metrics and Initiatives" study reveals that 29% of retailers believe mobile traffic and sales negatively impact their overall conversion rates.[2]

Within the past two years, visits from smartphone and tablet users to leading ecommerce websites has increased from just under 7% to now more than 22% of total website traffic. But despite the continued uptick in mobile website traffic, conversion rates of smartphone users remain well below that of shoppers using traditional computers and tablets.

While a lot of attention is going to native apps or responsive web design, focusing on delivering relevant website experiences for mobile and tablet shoppers can result in increases in these and other important metrics.

EQ2 2013 also examines diminishing returns from email, and offers new strategies on how to increase engagement by considering the real-time relevancy of email messages. Similar to how successful brands change the customer experience on their websites, marketers can use "open-time personalization," which dynamically changes the email when the recipient opens it, creating relevant email campaigns based on context and behavior that increase click-through rates and reduce list attrition.

Lastly, EQ2 2013 takes a look at geotargeting customer segments that can have an immediate impact on a business by either attracting more visitors from a certain state, region or country, or by delivering more relevant on-site experiences based on the location of website visitors. But how do you know what to focus on? A new metric that Monetate has developed, known as Impact Score, can help.

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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. This big data conundrum goes beyond the collection and storage of information about customers and prospects.

Using a combination of historical and real-time data allows ecommerce marketers to glean meaningful insights, resulting in more relevant shopping experiences that drive loyal customers who share their experiences with others. Ecommerce businesses that tackle big data head-on focus their attention on different customer 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.

- **On-Site Behavior**: Shopping cart activity; brand or category affinity.

- **Behaviors Across the Web**: Browsing and purchase patterns demonstrated on third-party websites.

The EQ also includes EQ Takeaways, ideas and best practices used by leading ecommerce websites, based on insights gained from the more than 600 million online shopping sessions that contribute to the analysis and benchmark reports found in every release.

EQ2 2013

Make the Email Experience the Right Experience

Customers demand relevant and meaningful interactions with your brand, which often begin with how they reach your website.
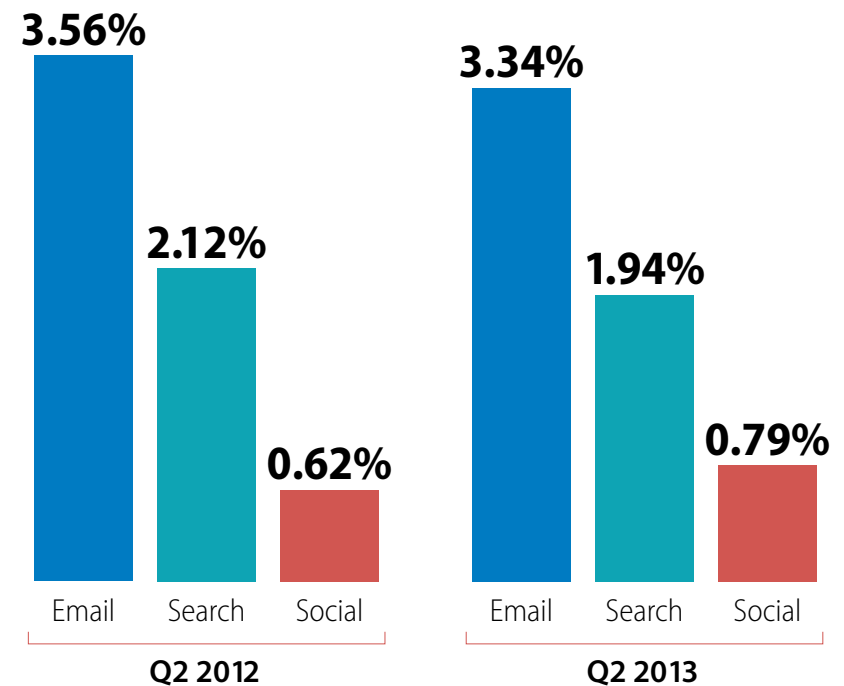
On average, 55% of retailers' interactive marketing spend goes to paid search and email, according to Shop.org's "The State of Retailing Online 2013: Marketing & Merchandising," released in July. And marketers spend $92 on driving traffic to their websites for every $1 they spend converting that traffic.[3]

Both referral traffic and conversion rates to leading ecommerce websites from email decreased since last year. In addition, the number of same-store purchases from email is down 30.66% in the past 12 months.
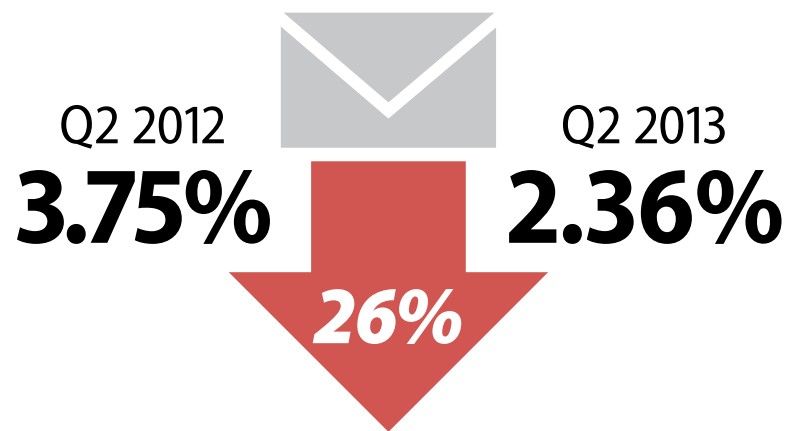
To compensate, many marketers will just send more email. In Shop.org's study, 80% of retailers indicated that they will spend more on emailing their house list in 2013.[4] The result of this strategy is likely a downward spiral: The more emails marketers send, the more customers unsubscribe or mark the email as spam. And because revenue then declines, marketers send even more emails, perpetuating the negative cycle.

Q2 2012
3.75%

Q2 2013
2.36%

26%

Email Referrer Traffic

3.56%
2.12%
0.62%

Email   Search   Social

Q2 2012

3.34%
1.94%
0.79%

Email   Search   Social

Q2 2013

Conversion Rates by Traffic Source

EQ2 2013

But what can be done when there's a drastic year-over-year drop in website traffic from the email channel? Not unlike the experience customers have on websites, email messages must be based on behaviors and data to be more effective. Circumstances can change from the time an email is sent, to when it is actually opened. For example, after receiving an email, a busy consumer could visit another part of the country where a climate change drives different needs, while another shopper, before opening the email, looks on your website at only one particular brand.

No two consumers think or behave in the same way. That's why testing entire emails—or sections within an email—to determine the types of messages that different customer segments will most likely respond to also remains crucial to the success of any campaign.

Successful email marketing involves understanding what works, and how much money is driven to your business. The result is smarter marketing and more intelligent emails that maximize click-through rates and overall performance.

EQ TAKEAWAYS

- Use "open-time personalization" in your emails. Most email content, if personalized at all beyond "Dear [First Name]," changes at the time the message is sent or, even worse, when the email campaign's list is selected within an email service provider (ESP).

  Open-time personalization targets offers and creative to the moment when a customer actually opens the email. This makes it easy for marketers to account for how their customers' context and behaviors change, while increasing important email and website metrics, such as click-through and conversion rates.

  Consider what could change from the time you deploy a campaign to when the recipient actually opens the email. For instance, a customer could visit your website directly and either view or purchase additional products after the email is sent, while another shopper opens the email on his iPhone inside your store or in close proximity to one of your competitor's stores.

  Plus, with open-time personalization, you can deliver relevant experiences right to a customer's inbox. From intelligent product recommendations to offers timed to current or forecasted weather, marketers have more freedom to help determine the right experience.

- Connect relevant emails with great on-site experiences after your customers click through. From click to conversion, customers should see consistent experiences that span every page of your website reinforcing the offer in the email. Use website creative and messaging to echo the reason why the potential buyer responded to the offer.

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# The Potential Value of Small Segments

When evaluating the performance of your customer segments, whether it's simply new versus returning visitors or a more targeted group, you'll likely notice that some perform well, but don't represent a significant amount of visitors compared to overall traffic. These high-potential segments should not be discounted; rather, marketers should prioritize them and determine where to spend more resources in the future.

Compare high-impact segments to these groups of customers with high potential. The simplest way to differentiate the two is to consider that a high-impact segment has a positive key performance indicator (KPI)—such as revenue per session (RPS) or conversion rate—and a large volume of traffic, while a segment with high potential likely has a similar strong KPI, but less traffic.

When you consider Impact Score—the potential overall value of a customer segment to your business—you'll discover a new way to rank customers by their potential based on the size of a customer segment and its performance against your website's average. More precisely, Impact Score is the difference between the rate of a behavior in one customer segment from the rate of a behavior in all website visitors multiplied by the number of visitors in the same segment.

A great example of this is website traffic from smartphones. When looking at RPS for the past five calendar quarters, you might think that everything is fine. After all, traffic continued to move in a positive direction.

With Impact Score, you notice a potential problem when looking at smartphone traffic over the past five calendar quarters. There was a significant drop in Impact Score during Q4, while RPS increased. The reality is that smartphone customers represented a big loss in potential revenue despite an increase in smartphone traffic and RPS.

Website Visits by Device

EQ2 2013
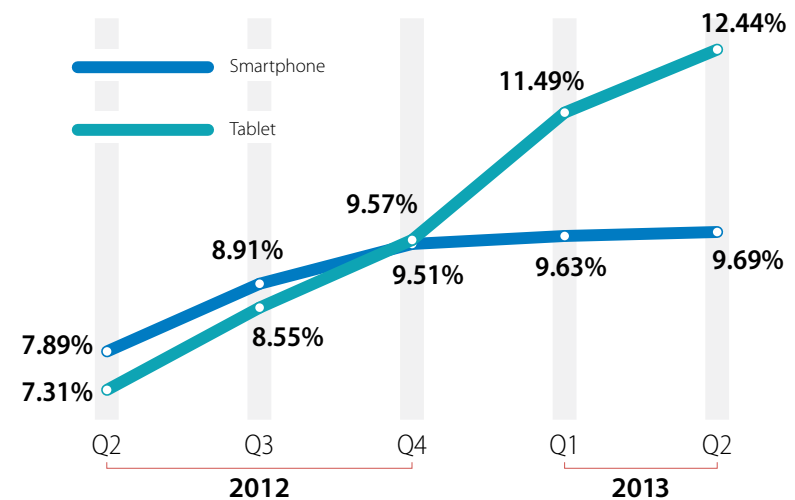
Smartphone Revenue Per Session
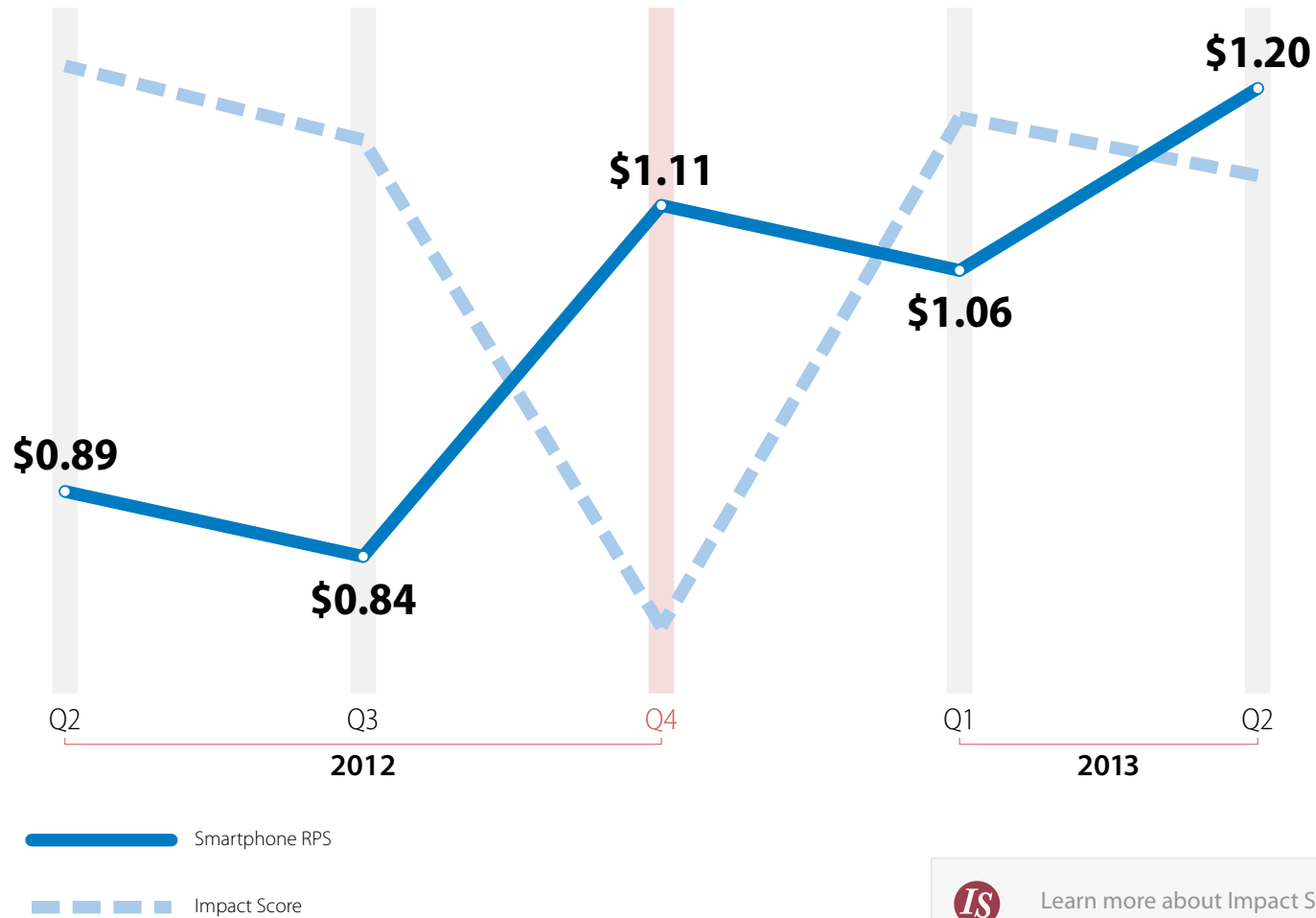
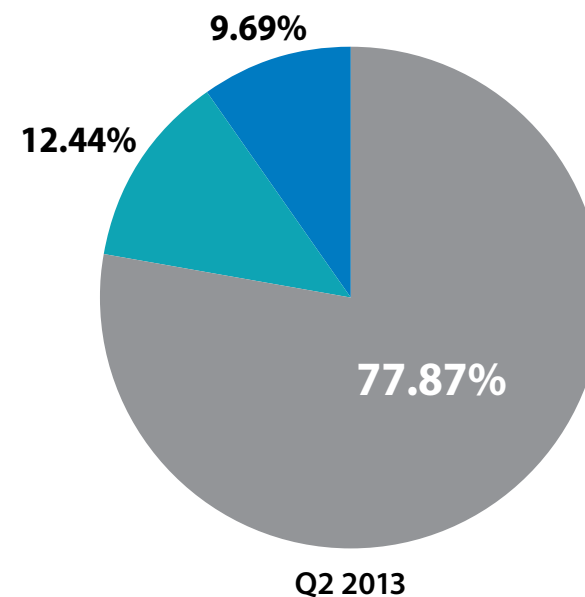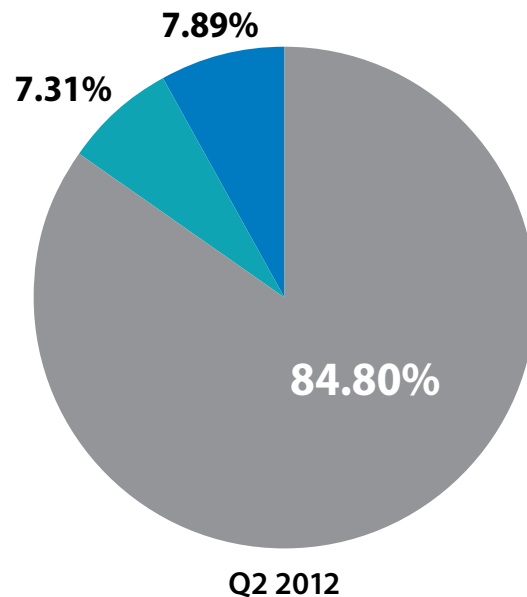Smartphone RPS

Impact Score

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Download "Introducing Impact Score"
at **monetate.com/impactscore**

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Without improving the purchasing experience for your mobile visitors, this negative impact will be even greater as more traffic comes to your website from smartphones. Within only the past year, combined smartphone and tablet traffic grew from 15.2% to 22.13%.

While it appears now that there's something interesting to work on, you actually could have started to optimize your website for mobile traffic earlier, after seeing the dip in Impact Score.

Finally, you can't give website visitors new iPads just because tablet traffic is getting an increasing share of visits and converts just as well as traffic from traditional computers. However, there is a tremendous opportunity to increase revenue with better on-site experiences when you consider that a nearly equal share of traffic from smartphone users has a lower conversion rate.
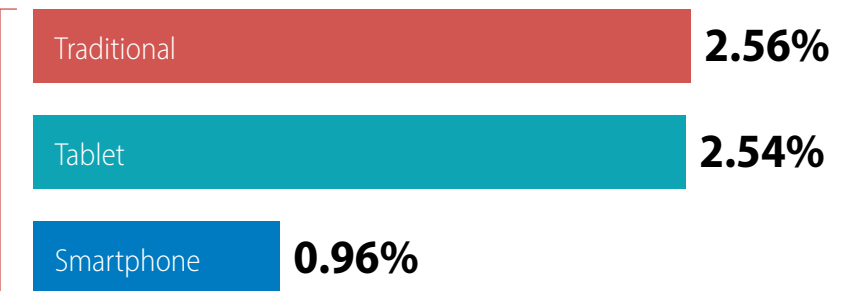
Device Share of Website Traffic

7.89%

7.31%

84.80%

Q2 2012

9.69%

12.44%

77.87%

Q2 2013

Smartphone   Tablet   Traditional

EQ2 2013

Showing these visitors relevant messages and improving the customer experience provides a more measurable way of knowing just how important this segment is to your business. Stay ahead, prioritize, and make decisions based on what data tells you. Use your inbound channels and iterative on-site testing and optimization strategies to deliver the right message to the right customer at the right time.

EQ TAKEAWAYS

- Understand which customer segments an online experience worked for and where that same experience wasn't as effective. Then take action to carve out more of the high performers, while running additional experiments to find something else that works better for customers who didn't respond as well.

- Build customer relationship over time. Your goal should be to discover what an individual customer means to your brand by putting each one at the center of your organization and tying data to analysis to understand who are your most important customers to acquire and retain.

- Don't separate the ability to know your customer from the ability to take action. If you can't combine knowledge with action, everything you know about your prospects and customers is useless.

Q2 2013 Conversion Rates by Device

Traditional	**2.56%**
Tablet	**2.54%**
Smartphone	**0.96%**

Q2 2013 Average Order Value by Device

Traditional	**$115.74**
Tablet	**$113.15**
Smartphone	**$112.73**

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Benchmark Reports

	Website Visits by Device	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
OVERALL	Traditional	84.80%	82.54%	80.92%	78.88%	77.87%
	Tablet	7.31%	8.55%	9.57%	11.49%	12.44%
	Smartphone	7.89%	8.91%	9.51%	9.63%	9.69%
TABLET	iPad	91.68%	90.18%	91.02%	90.83%	90.63%
	Kindle Fire	3.58%	4.11%	2.98%	2.15%	1.74%
	Android	4.75%	5.71%	6.00%	7.02%	7.63%
SMARTPHONE	iPhone	60.23%	60.00%	60.61%	63.89%	62.73%
	Android	38.30%	38.33%	37.97%	34.85%	35.92%
	Windows	0.90%	0.89%	0.91%	1.01%	1.16%
	Other	0.57%	0.77%	0.51%	0.25%	0.19%

Website Visits by Traffic Source	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Search	33.33%	34.62%	32.75%	31.91%	32.90%
Social	1.95%	1.70%	1.21%	1.33%	1.11%
Email	3.75%	3.49%	3.97%	3.05%	2.36%

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Conversion Rates	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
U.S.	2.90%	2.80%	2.85%	2.37%	2.60%
International	1.12%	1.08%	1.14%	0.89%	0.89%

Conversion Rates	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
New	1.95%	1.94%	2.12%	1.58%	1.69%
Returning	3.46%	3.33%	3.27%	2.82%	3.14%

Add-to-Cart Rates	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
U.S.	8.68%	8.85%	10.02%	9.09%	9.00%
International	6.56%	6.62%	7.25%	6.35%	6.30%

Add-to-Cart Rates	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
New	6.08%	6.30%	7.33%	6.47%	6.19%
Returning	10.99%	11.18%	12.31%	11.09%	11.30%

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	Conversion Rates by Device	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
OVERALL	Traditional	2.85%	2.80%	2.90%	2.35%	2.56%
	Tablet	2.53%	2.43%	2.56%	2.27%	2.54%
	Smartphone	0.82%	0.77%	0.86%	0.84%	0.96%
TABLET	iPad	2.58%	2.49%	2.62%	2.32%	2.60%
	Kindle Fire	1.65%	1.51%	1.65%	1.46%	1.56%
	Android	2.47%	2.24%	2.13%	1.91%	2.00%
SMARTPHONE	iPhone	0.79%	0.77%	0.90%	0.83%	1.01%
	Android	0.89%	0.79%	0.82%	0.85%	0.88%
	Windows	0.73%	0.75%	0.72%	0.77%	0.77%
	Other	0.03%	0.22%	0.39%	0.45%	0.38%

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Conversion Rates by Device	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2013 Impact Score

OVERALL
- Traditional
- Tablet
- Smartphone

TABLET
- iPad
- Kindle Fire
- Android

SMARTPHONE
- iPhone
- Android
- Windows
- Other

Q2 2013 Impact Score:
- Traditional
- iPad
- Tablet
- Other
- Windows Phone
- Kindle Fire
- Android Tablet
- Android Phone
- iPhone
- Smartphone

What you see here…

The mean—or average—for the respective key performance indicator is represented by the dotted lines. Negative Impact Scores appear in red, while positive Impact Scores are blue. The distance between Impact Score and the mean represent the relative additional opportunity for the specific customer segment.

EQ2 2013

Conversion Rates by Traffic Source	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Search	2.12%	1.99%	2.27%	1.81%	1.94%
Social	0.62%	0.71%	0.85%	0.69%	0.79%
Email	3.56%	3.50%	3.40%	2.91%	3.34%

Conversion Rates by Device	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2013 Impact Score
Search						
Social						
Email						

Email
Social
Search

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Add-to-Cart Rate by Referrer	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Email	10.51%	10.59%	11.48%	10.46%	10.73%
Search	6.64%	6.59%	7.84%	6.74%	6.81%
Social	2.52%	3.03%	3.75%	3.23%	3.37%

Average Page Views by Referrer	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Email	9.09	9.46	9.12	9.11	8.84
Search	9.27	9.09	9.03	8.94	8.71
Social	4.83	4.89	4.97	4.56	4.82

EQ2 2013

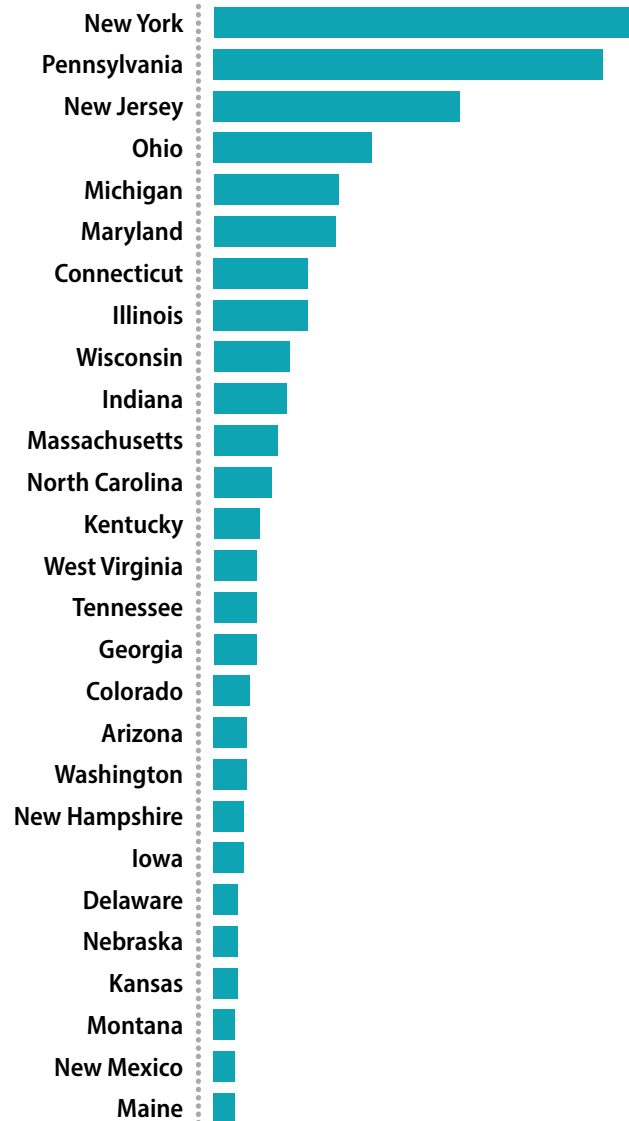| Browser Market Share	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Internet Explorer	39.05%	37.16%	37.51%	33.66%	32.31%
Chrome	17.38%	18.94%	18.99%	20.84%	22.15%
Mobile Chrome	0.01%	0.15%	0.42%	0.70%	1.08%
Firefox	16.01%	14.77%	13.65%	13.17%	12.76%
Mobile Safari	11.30%	13.01%	14.31%	16.31%	16.99%
Safari	12.09%	11.45%	11.30%	11.30%	10.74%
Android Browser	3.41%	3.77%	3.93%	3.73%	3.70%
Kindle Fire	0.33%	0.35%	0.29%	0.25%	0.22%
Opera	0.38%	0.35%	0.13%	0.01%	0.01%
Other	0.05%	0.05%	0.04%	0.04%	0.05%

EQ2 2013

Average Order Value by Device		Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
OVERALL	Traditional	$106.69	$105.14	$112.68	$107.06	$115.74
	Tablet	$108.14	$104.05	$114.49	$108.70	$113.15
	Smartphone	$97.79	$97.60	$119.15	$114.26	$112.73
TABLET	iPad	$109.55	$105.23	$115.26	$109.52	$114.18
	Android Tablet	$97.27	$94.62	$107.45	$100.47	$101.22
	Kindle Fire	$87.03	$82.07	$95.83	$89.32	$91.84
SMARTPHONE	iPhone	$99.02	$98.84	$120.73	$115.88	$114.45
	Android Phone	$96.23	$95.86	$116.65	$111.78	$109.82
	Windows Phone	$91.64	$94.99	$111.84	$100.76	$112.36

Average Order Value by Traffic Source	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Search	$103.00	$101.63	$110.12	$104.46	$111.18
Social	$75.82	$75.23	$79.61	$76.59	$86.80
Email	$89.43	$86.43	$102.74	$95.27	$99.93

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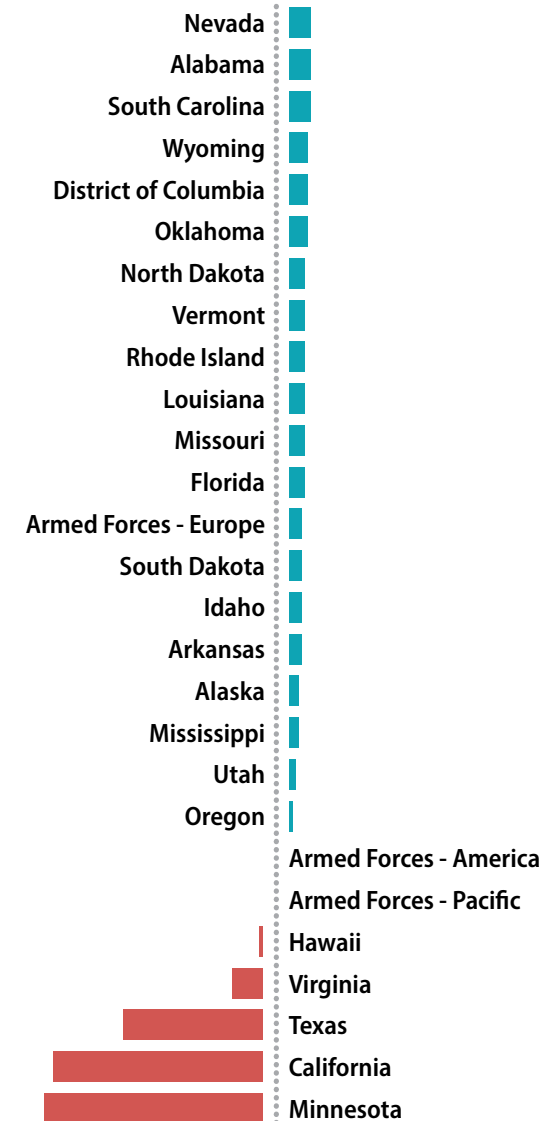| Conversion Rates by State	Q2 2013
Armed Forces - America	5.00%
Armed Forces - Europe	4.47%
Wyoming	4.35%
Armed Forces - Pacific	3.71%
Montana	3.68%
West Virginia	3.61%
North Dakota	3.35%
Pennsylvania	3.34%
Delaware	3.29%
Vermont	3.27%
South Dakota	3.22%
Alaska	3.16%
New Hampshire	3.14%
Connecticut	3.13%
New Jersey	3.11%
New Mexico	3.09%
Nebraska	3.03%
Maine	3.02%
Maryland	2.98%
Wisconsin	2.98%
Ohio	2.95%
Iowa	2.94%
New York	2.94%
Indiana	2.93%
Michigan	2.91%
Kentucky	2.90%
Idaho	2.88%

Conversion Rates by State	Q2 2013
Rhode Island	2.83%
Kansas	2.79%
Nevada	2.77%
District of Columbia	2.70%
Tennessee	2.68%
Arkansas	2.67%
Oklahoma	2.67%
Colorado	2.66%
Illinois	2.65%
Arizona	2.64%
Massachusetts	2.63%
Mississippi	2.62%
North Carolina	2.62%
Alabama	2.60%
South Carolina	2.60%
Washington	2.57%
Georgia	2.55%
Louisiana	2.55%
Missouri	2.51%
Utah	2.51%
Florida	2.43%
Oregon	2.43%
Virginia	2.32%
Hawaii	2.28%
California	2.24%
Texas	2.20%
Minnesota	1.61%

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Q2 2013 Conversion Rates Impact Scores by State

State	
New York	
Pennsylvania	
New Jersey	
Ohio	
Michigan	
Maryland	
Connecticut	
Illinois	
Wisconsin	
Indiana	
Massachusetts	
North Carolina	
Kentucky	
West Virginia	
Tennessee	
Georgia	
Colorado	
Arizona	
Washington	
New Hampshire	
Iowa	
Delaware	
Nebraska	
Kansas	
Montana	
New Mexico	
Maine	

Q2 2013 Conversion Rates Impact Scores by State

State	
Nevada	
Alabama	
South Carolina	
Wyoming	
District of Columbia	
Oklahoma	
North Dakota	
Vermont	
Rhode Island	
Louisiana	
Missouri	
Florida	
Armed Forces - Europe	
South Dakota	
Idaho	
Arkansas	
Alaska	
Mississippi	
Utah	
Oregon	
Armed Forces - America	
Armed Forces - Pacific	
Hawaii	
Virginia	
Texas	
California	
Minnesota	

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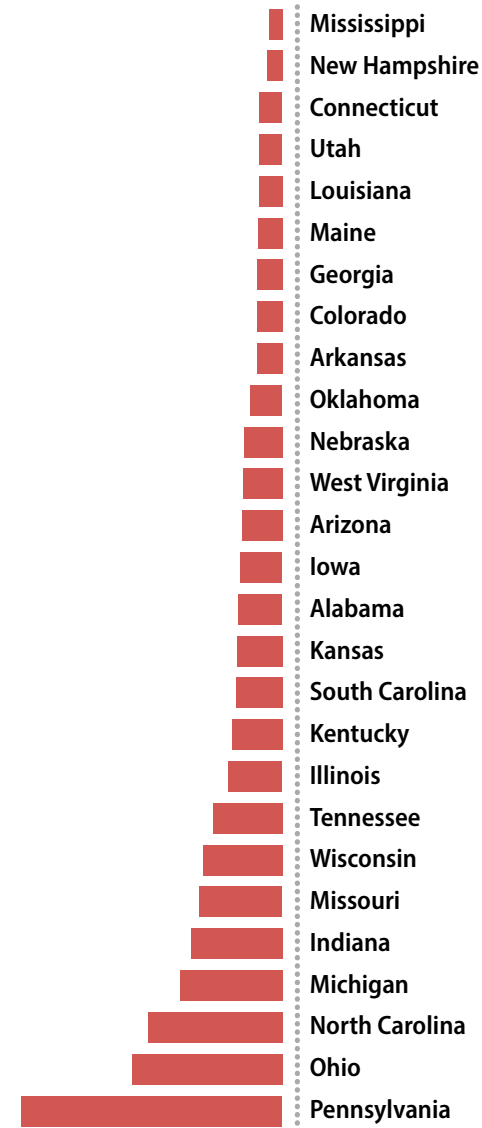| Average Order Value by State	Q2 2013
Armed Forces - America	$197.60
Armed Forces - Europe	$150.93
Armed Forces - Pacific	$132.86
Hawaii	$131.17
Alaska	$128.19
District of Columbia	$127.36
Minnesota	$125.83
California	$123.04
New York	$120.48
Texas	$119.92
New Jersey	$117.69
Maryland	$116.38
Florida	$115.59
Massachusetts	$115.14
Washington	$115.04
Virginia	$114.54
Nevada	$114.51
Georgia	$113.61
Delaware	$113.55
Oregon	$113.51
North Dakota	$112.84
Illinois	$112.63
Connecticut	$112.56
Colorado	$111.87
Louisiana	$110.80
Arizona	$110.16
Mississippi	$109.80

Average Order Value by State	Q2 2013
New Mexico	$109.52
New Hampshire	$109.48
Rhode Island	$108.81
Montana	$108.55
Michigan	$108.36
Wyoming	$108.13
Idaho	$107.80
Utah	$107.50
South Carolina	$107.43
Alabama	$107.24
Oklahoma	$106.67
Vermont	$106.67
Tennessee	$106.63
Ohio	$106.44
Pennsylvania	$106.28
North Carolina	$105.92
Kentucky	$105.59
Wisconsin	$105.08
Arkansas	$104.79
South Dakota	$104.76
Missouri	$104.39
Indiana	$104.36
Kansas	$103.05
Iowa	$103.04
Maine	$102.50
West Virginia	$100.29
Nebraska	$98.27

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Q2 2013 Average Order Value Impact Scores by State

California
New York
Texas
Minnesota
New Jersey
District of Columbia
Hawaii
Armed Forces - Europe
Maryland
Alaska
Florida
Armed Forces - Pacific
Armed Forces - America
Massachusetts
Washington
Nevada
North Dakota
Delaware
Wyoming
Montana
Oregon
Vermont
South Dakota
Virginia
New Mexico
Idaho
Rhode Island

Q2 2013 Average Order Value Impact Scores by State

Mississippi
New Hampshire
Connecticut
Utah
Louisiana
Maine
Georgia
Colorado
Arkansas
Oklahoma
Nebraska
West Virginia
Arizona
Iowa
Alabama
Kansas
South Carolina
Kentucky
Illinois
Tennessee
Wisconsin
Missouri
Indiana
Michigan
North Carolina
Ohio
Pennsylvania

EQ2 2013

Methodology

The EQ analyzes a random sample of over 600 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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2. The State of Retailing Online 2013: Key Metrics and Initiatives, Shop.org (January 2013)

3. 92:1: Marketing's Dirty Little Statistic, Econsultancy (June 2011)

4. The State of Retailing Online 2013: Marketing & Merchandising, Shop.org (July 2013)

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About Monetate

Monetate empowers marketers to leverage big data to create more personalized and engaging online customer experiences. By providing more relevant web interactions, leading brands are able to anticipate and react to consumer preferences to generate stronger customer relationships and significantly increase profits.

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

Leading marketers rely on Monetate's cloud-based browser solutions to achieve a new level of speed and control, allowing them to run 16 times more optimization campaigns compared to industry averages. Monetate solutions include 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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