



2016 EQ²

Monetate Ecommerce Quarterly Report

Ecommerce growth sets new records in Q2

How the world's ecommerce leaders are maintaining growth amid big red flags



2016 EQ²

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About the EQ

As retail brands learn to grow revenue in a digital world, they're searching for ways to engage with their customers online. And they're collecting—and using—more data than ever to accomplish that.

The Monetate Ecommerce Quarterly (EQ), published every quarter since Q1 2012, aims to explore that constantly evolving process and provide insights around the strategies, tactics, and data methodologies that have been proven to create better customer experiences and generate more revenue. The Monetate EQ has been featured in *The Washington Post*, *Business Insider*, *Digiday*, and *AdWeek*.

The U.S. Commerce Department reported that year-over-year (YOY) ecommerce sales growth was 15.8% for Q2 2016. And in August, an *Internet Retailer* analysis noted that the YOY growth was the highest in nearly two years—and the third-best YOY growth mark since Q1 2014. In this EQ, we explore the driving factors behind this strong Q2 growth.

To do that, we analyzed more than seven billion online shopping sessions that took place during Q2 2016. We'll show you where the growth came from, and show you practical examples from retailers who are turning their own data analyses into personalization success stories. In one example, an iconic motorcycle brand is drastically improving conversion rates among new visitors with a very simple—yet targeted—change to its product detail pages. In the other, an online gift retailer has found a personalization tactic that allows it to increase revenue from its returning visitors.

As always, it's our goal to give you interesting insights that help you think strategically about how you do your job.

Introduction

If you read news about the business of retail as regularly as we do, you probably came across some rather depressing news. *Bloomberg News* recently reported that “sales at U.S. retailers dropped more than forecast in August”—and the slump affected industries from seven out of 12 retail categories. And that news came on the heels of disappointing news about retail’s performance in July.

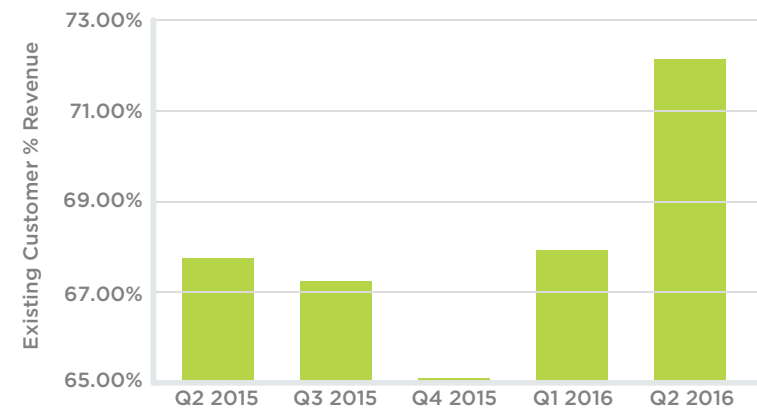
But a report from the U.S. Commerce Department found that online retail sales grew nearly 16% YOY during Q2, one of the highest ecommerce growth rates we’ve seen in recent years. It had us wondering: How could quarterly results be so encouraging, while the macro retail news is anything but?

To answer that question, we dug into our dataset of nearly 1.5 billion online shopping sessions to find out what (or should we say “who?”) is responsible for this complicated story line.

We found out a lot: That returning visitors accounted for the entirety of that record sales growth cited by the Commerce Department and that personalization tactics used by leading ecommerce leaders helped fuel growth while others struggled.

Inside this EQ, we’ll share how returning visitor traffic impacted growth and where online retailers are struggling with their shopper base, while also exploring the personalization tactics used by two ecommerce leaders to capitalize on opportunities and address larger performance issues.

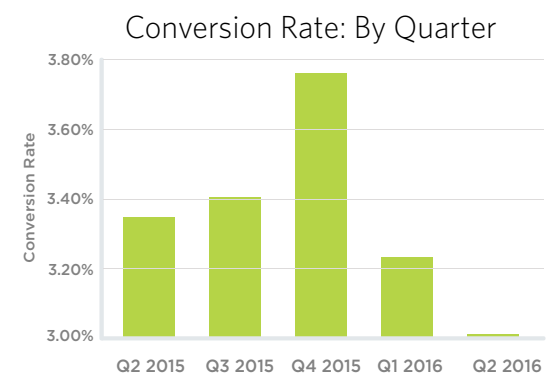
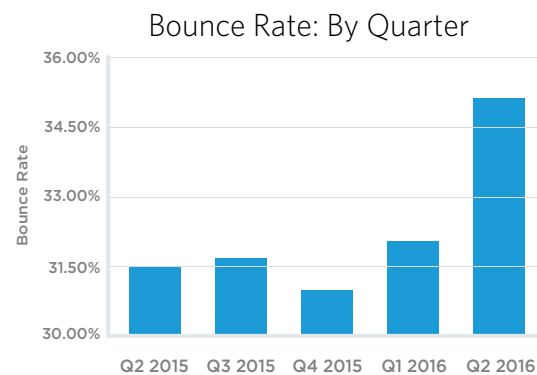
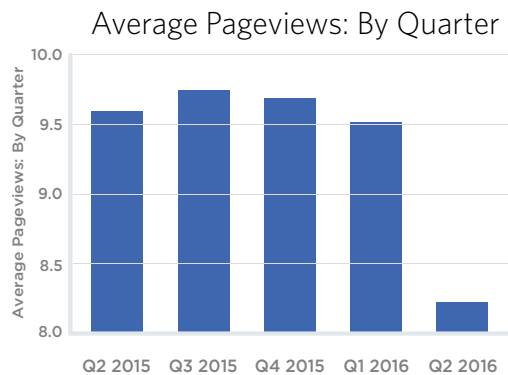
Existing Customer: Percentage Overall Revenue Growth



A quick big-picture look, before we dive deep

According to Monetate EQ data, global ecommerce revenue was up 13.2% YOY in Q2 2016 and sales transactions increased 9.8%.

Those figures, though, were buoyed by a nearly 22% increase in traffic and a 9% increase in Average Order Value (AOV) (up from \$112 to \$123), because key metrics like bounce rate (35.1%), average pageviews (8.2), and conversion rates (3%) were all at their worst when compared against the previous four quarters.



The big growth driver: returning visitors

While our data showed ecommerce revenue in Q2 climbed 13.2% YOY, it was all a result of strong spending from returning visitors. Revenue from returning visitors grew 20.5% YOY and sales transactions grew 17.8%.

Those strong figures are particularly noteworthy because new customer performance actually declined. In Q2 2016, new customer revenue dropped 2.5% and sales transactions dropped 4.9%, while traffic increased 10%.

We'll dive deeper into new customer performance shortly, because, in our view, this performance disparity is an even bigger story than a high-growth quarter.

For now, though, let's explore returning customer performance. Here are some key stats:

Three key metrics that improved:

- Traffic up 34.7%
- Add-to-cart rate up 6%
- AOV up 10%

Three key metrics that declined:

- Average pageviews down 18.8%
- Bounce rate increased 21.1%
- Conversion rate down 13.2%

These numbers paint a muddled picture, so it's worth exploring where existing visitors are coming from when they visit their retailers of choice and which devices they use.

Two notorious underperformers (at least when it comes to conversions), social and mobile, grew significantly YOY. Social's share of the referring traffic pie grew 40% while mobile's share of the device traffic pie grew 39%.

What's a retailer to do?

Find personalization tactics that help you strengthen your relationship with returning visitors.

A major online gift retailer that uses Monetate did just that.

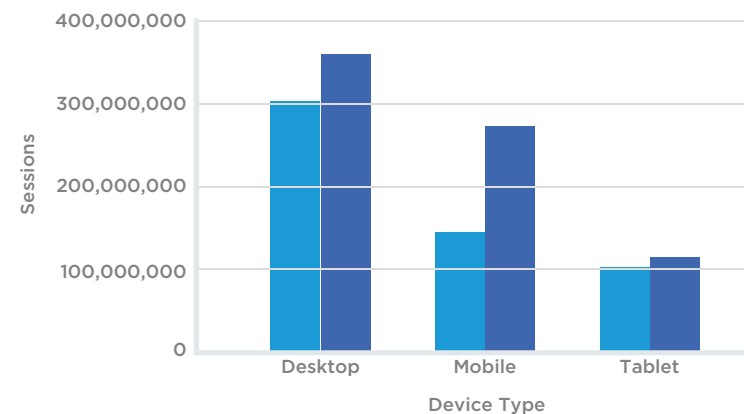
Here's how:

The gift retailer targeted returning visitors who had previously purchased an item with a homepage hero image that allowed for quick shopping views of specific products and easier navigation to the category page related to their previous visit.

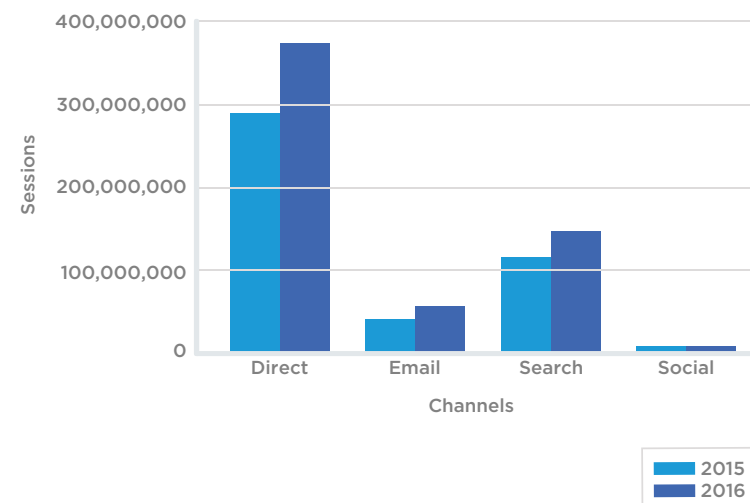
Combined, the two navigation improvements for those returning customers netted the retailer a 10% lift in conversion rate, a 14% decrease in cart abandonment, and an 18% increase in revenue per session.

By using readily available historical data, this retailer was able to quickly improve experiences for returning visitors—and improve its performance within that segment.

Existing Customer Devices: 2015 v. 2016 Traffic



Existing Customer Referral Channels: 2015 v. 2016 Traffic



The big drag: new visitors

On the other end of the performance spectrum, we have new visitors.

We already covered the drop in revenue (down 2.5% YOY) and the decline in sales transactions (down 4.9% YOY), but it's worth repeating—especially since traffic from new visitors grew 10% YOY.

That 10% growth is the highest we've seen since we started tracking new customer performance separately two quarters ago.

Like existing visitors, key metrics like average pageviews, bounce rate, and conversion rates were all on the decline.

Here's how those metrics break down for new visitors:

- Bounce rate increased 8.1%
- Average pageviews down 12.2%
- Add-to-cart rate down 7.7%
- Conversion rate down 14%

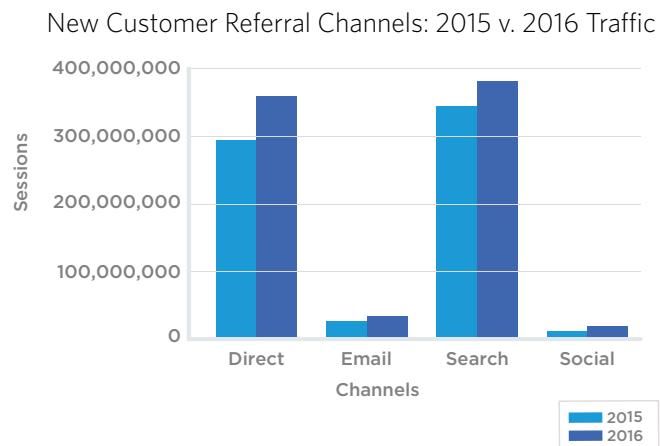
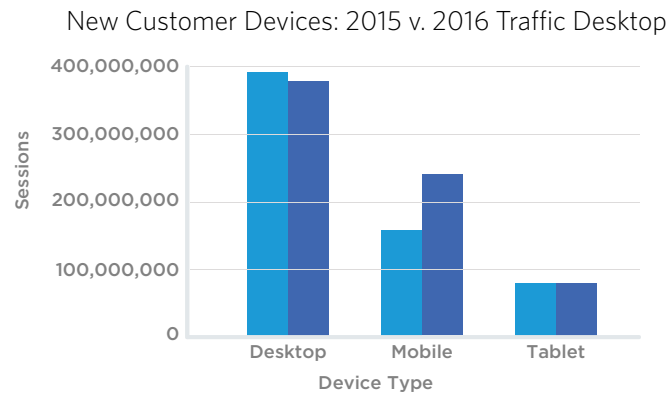
Not all news related to new visitors is bad news.

Mobile traffic was up nearly 51% among new visitors on mobile devices, an incredible level of growth when considering new customer traffic from desktop and tablet both fell YOY. What's more, mobile revenue within the new customer segment was up 51% YOY, as well, while desktop revenue fell 8% and tablet revenue gained nearly 3%.

Mobile's bounce rate among new visitors is also beginning to fall more in line with the normally better-performing desktop. In Q2 2016, mobile bounce sat at 43% (up 3% YOY from 42%) while desktop's bounce rate sat at 39% (up 9% from 36%).

Conversion rates, too, improved slightly, as they increased from 0.9% to 1%.

Another bright spot: When it comes to generating revenue through search, new visitors actually outperform existing visitors. That wasn't true a year ago.



You might think that's based entirely on shopper intent, but personalization can play a role there, too.

The iconic motorcycle brand Harley-Davidson was able to do that with Monetate, turning new visitors into new customers with a small tweak to its product detail pages.

Here's how:

Harley-Davidson, in an effort to capitalize on that shopper intent, increased urgency by adding an inventory message on its product detail pages. The message, which was displayed directly above the "add to cart" button, indicated the number of those items left for purchase.

It was a simple change, but produced a big impact with new visitors.

Conversion rates for new visitors jumped nearly 23% and generated an estimated annual impact of \$263,000.

Conclusion

The data we analyzed for this EQ clearly demonstrates that there's plenty of room for growth, even in an increasingly competitive ecommerce landscape. The most effective way to get there is with a robust testing and personalization strategy that optimizes the funnel for new visitors while delivering a relevant, personal experience for the visitors you already have.

But managing the number of tests it would require to optimize every experience, for every type of user, can be daunting. The new Monetate Dynamic Testing solution combines the power of automation and machine learning with your own marketing instincts. It monitors website traffic in real-time, then uses machine-learning algorithms to decide which split is the top performer.

To learn more, visit monetate.com.

About Monetate

Monetate is the global leader in personalization for brands worldwide.

The Monetate personalization platform makes it easy to deliver personalized experiences across web, email, and mobile apps.

Monetate is the global leader in personalization for brands worldwide. We make it fast and easy to test, target, merchandize, synchronize, and personalize experiences across channels and devices.

Our clients grow their businesses by delivering one-of-a-kind experiences. Monetate combines marketer creativity with predictive models and machine learning to optimize every moment, on every channel, in real-time.

Founded in 2008, Monetate influences billions of dollars in annual revenue for world-class brands like QVC, Office Depot, Patagonia, Sur la Table, and The North Face. During Cyber Week 2015, Monetate influenced more than a third of all U.S. ecommerce sales. Monetate is the industry leader, with more clients in the IR 500 than any other company.

Benchmark reports

Website Visits:

	Website Visits by Device	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GLOBAL	Traditional	58.78%	56.49%	53.40%	52.98%	51.03%
	Tablet	15.51%	14.98%	14.45%	14.04%	13.54%
	Smartphone	25.71%	28.53%	32.15%	32.98%	35.44%
US	Traditional	59.50%	57.60%	54.25%	53.93%	52.27%
	Tablet	14.49%	14.17%	13.62%	13.16%	12.65%
	Smartphone	26.01%	28.23%	32.13%	32.91%	35.08%
UK	Traditional	43.67%	39.14%	37.15%	36.46%	34.67%
	Tablet	27.01%	24.53%	24.13%	23.67%	22.11%
	Smartphone	29.31%	36.33%	38.72%	39.87%	43.22%

Website Visits:

	Website Visits by Platform	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Android	12.61%	13.50%	14.61%	14.97%	15.52%
	Chrome OS	0.53%	0.53%	0.60%	0.65%	0.59%
	Linux	0.92%	0.99%	0.91%	1.13%	1.11%
	Macintosh	11.49%	11.42%	11.80%	11.44%	11.12%
	Windows	45.71%	43.37%	39.80%	39.49%	37.92%
	Windows Phone	0.32%	0.32%	0.31%	0.28%	0.26%
	iOS	28.41%	29.87%	31.97%	32.05%	33.47%

Conversion Rate:

	Conversion Rates	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Global	3.35%	3.40%	3.76%	3.24%	3.02%
	US	3.38%	3.43%	3.87%	3.27%	3.04%
	UK	4.74%	4.81%	4.70%	4.43%	4.18%

	Conversion Rates by Device	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GLOBAL	Traditional	4.20%	4.34%	4.97%	4.23%	3.99%
	Tablet	3.44%	3.58%	4.14%	3.55%	3.46%
	Smartphone	1.40%	1.50%	1.64%	1.55%	1.48%
US	Traditional	4.31%	4.46%	5.21%	4.37%	4.11%
	Tablet	3.36%	3.53%	4.23%	3.52%	3.42%
	Smartphone	1.30%	1.34%	1.51%	1.42%	1.34%
UK	Traditional	6.20%	6.51%	6.41%	6.12%	5.80%
	Tablet	4.65%	4.79%	4.72%	4.46%	4.36%
	Smartphone	2.67%	3.01%	3.09%	2.90%	2.80%

Conversion Rate:

	Conversion Rates by Platform	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Android	1.68%	1.69%	1.87%	1.76%	1.60%
	Chrome OS	2.90%	3.20%	3.50%	2.84%	2.83%
	Linux	1.86%	1.61%	1.02%	0.76%	0.66%
	Macintosh	4.53%	4.67%	5.14%	4.22%	4.10%
	Windows	4.19%	4.36%	5.07%	4.39%	4.12%
	Windows Phone	1.18%	1.22%	1.33%	1.35%	1.27%
	iOS	2.38%	2.45%	2.66%	2.32%	2.22%

Add-to-Cart Rates:

	Add-to-Cart Rates	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Global	9.76%	9.73%	10.94%	9.85%	10.26%
	US	9.71%	9.69%	10.82%	9.55%	9.82%
	UK	12.49%	12.31%	13.66%	14.02%	14.79%

	Add-to-Cart Rates	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GLOBAL	Traditional	11.30%	11.33%	13.06%	11.45%	11.98%
	Tablet	10.55%	10.39%	11.65%	10.74%	11.30%
	Smartphone	5.88%	6.32%	7.19%	6.99%	7.47%
US	Traditional	11.44%	11.51%	13.34%	11.50%	11.98%
	Tablet	10.39%	10.21%	11.53%	10.34%	10.95%
	Smartphone	5.50%	5.84%	6.38%	6.12%	6.26%
UK	Traditional	14.81%	14.69%	15.66%	16.13%	16.54%
	Tablet	12.44%	12.30%	12.86%	13.23%	13.46%
	Smartphone	9.06%	9.70%	12.24%	12.56%	14.11%

Add-to-Cart Rates:

Add-to-Cart Rates by Platform		Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Android	6.45%	6.52%	7.16%	6.79%	6.85%
	Chrome OS	10.94%	11.74%	12.66%	11.23%	11.85%
	Linux	8.82%	12.15%	11.77%	7.13%	6.92%
	Macintosh	13.64%	13.46%	15.19%	13.29%	14.40%
	Windows	10.80%	10.80%	12.57%	11.12%	11.54%
	Windows Phone	5.35%	5.05%	5.52%	5.33%	5.27%
	iOS	8.16%	8.27%	9.21%	8.73%	9.32%

Average Page Views:

	Average Page Views	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Global	9.62	9.75	9.71	9.53	8.22
	US	8.96	9.15	9.12	8.88	7.73
	UK	13.97	13.82	13.53	13.94	10.93

	Average Page Views	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GLOBAL	Traditional	10.50	10.68	10.91	10.42	9.17
	Tablet	10.48	10.72	10.44	10.66	9.19
	Smartphone	7.13	7.48	7.45	7.65	6.52
US	Traditional	9.93	10.17	10.38	9.82	8.67
	Tablet	9.55	9.76	9.45	9.43	8.30
	Smartphone	6.49	6.85	6.91	7.18	6.13
UK	Traditional	15.55	15.76	15.83	16.87	13.62
	Tablet	14.26	14.72	14.51	15.59	12.28
	Smartphone	11.37	11.16	10.75	10.31	8.10

Average Page Views:

	Average Page Views	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Android	8.47	8.56	8.63	8.80	7.29
	Chrome OS	11.04	11.52	11.32	10.93	9.62
	Linux	5.42	5.42	5.53	4.97	5.13
	Macintosh	11.89	11.97	11.30	10.84	9.53
	Windows	10.29	10.49	10.98	10.52	9.26
	Windows Phone	7.15	7.32	7.44	7.37	6.18
	iOS	8.35	8.60	8.26	8.42	7.25

Average Order Value:

	Average Order Value	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Global	\$112.46	\$111.20	\$115.18	\$113.97	\$123.02

	Average Order Value by Device	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GLOBAL	Traditional	\$119.32	\$118.95	\$122.62	\$124.16	\$138.87
	Tablet	\$98.44	\$96.48	\$104.21	\$99.87	\$98.70
	Smartphone	\$83.74	\$82.58	\$88.95	\$82.72	\$82.65

	Average Order Value by Platform	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Android	\$78.53	\$78.07	\$83.90	\$77.82	\$76.40
	Chrome OS	\$90.81	\$92.99	\$97.01	\$93.09	\$94.94
	Linux	\$135.03	\$151.36	\$148.33	\$143.96	\$152.06
	Macintosh	\$131.77	\$128.22	\$134.89	\$130.36	\$146.18
	Windows	139.17	141.67	137.87	138.86	150.71
	Windows Phone	\$70.32	\$74.13	\$74.97	\$68.85	\$65.38
	iOS	\$97.40	\$94.58	\$101.71	\$96.46	\$95.26

Average Order Value by State	AOV
Armed Forces - America	\$128.98
Armed Forces - Europe	\$152.67
Alaska	\$150.30
Alabama	\$124.42
Armed Forces - Pacific	\$160.78
Arkansas	\$126.03
Arizona	\$122.89
California	\$151.60
Colorado	\$142.71
Connecticut	\$120.17
District of Columbia	\$160.65
Delaware	\$124.97
Florida	\$131.86
Georgia	\$129.81
Hawaii	\$132.02
Iowa	\$113.40
Idaho	\$126.70
Illinois	\$125.67
Indiana	\$114.18
Kansas	\$115.04
Kentucky	\$120.39
Louisiana	\$133.73
Massachusetts	\$122.65
Maryland	\$121.73
Maine	\$112.60
Michigan	\$118.42
Minnesota	\$130.49
Missouri	\$120.19

Average Order Value by State	AOV
Mississippi	\$123.76
Montana	\$124.44
North Carolina	\$121.44
North Dakota	\$125.97
Nebraska	\$123.04
New Hampshire	\$116.33
New Jersey	\$126.71
New Mexico	\$122.67
Nevada	\$147.78
New York	\$127.35
Ohio	\$113.73
Oklahoma	\$126.25
Oregon	\$135.79
Pennsylvania	\$104.72
Rhode Island	\$112.49
South Carolina	\$123.79
South Dakota	\$400.93
Tennessee	\$122.48
Texas	\$145.63
Utah	\$256.59
Virginia	\$134.53
Vermont	\$124.76
Washington	\$135.12
Wisconsin	\$122.19
West Virginia	\$106.27
Wyoming	\$123.54

Average Order Value:

	Average Order Value by Category	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	Direct	\$113.82	\$112.99	\$116.37	\$115.08	\$123.79
	Email	\$111.03	\$111.41	\$112.40	\$111.00	\$111.85
	Search	\$105.57	\$104.68	\$110.36	\$106.86	\$116.53
	Social	\$95.44	\$95.35	\$106.18	\$97.67	\$88.92
	Unknown	\$118.23	\$114.63	\$120.40	\$123.34	\$132.02

	AOV by Device	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
US	Traditional	\$121.41	\$120.36	\$124.07	\$126.81	\$145.25
	Mobile	\$86.87	\$86.92	\$94.15	\$88.08	\$88.89
	Tablet	\$100.53	\$97.19	\$106.24	\$101.99	\$100.42
UK	Traditional	\$94.94	\$98.08	\$102.42	\$96.95	\$98.31
	Mobile	\$68.47	\$67.64	\$69.57	\$62.05	\$62.63
	Tablet	\$86.60	\$88.32	\$92.58	\$87.12	\$88.14



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