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How to Manage Digital Commerce Metrics

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Supporting Key Initiative is [Digital Commerce Technologies](#)

Application leaders responsible for digital commerce technologies are often overwhelmed by the amount of digital commerce metrics, and can lose focus. Start by building a single dashboard spanning corporate, customer, process and operations, to show causality and drive business outcomes.

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Overview

Key Challenges

- Businesses use a large number of digital commerce metrics without being able to diagnose changes in them or understand their interdependencies, making it hard for application leaders to identify the root cause of issues.
- Each department tracks its own metrics, often using different data sources, measurement and interpretations. This leads to disconnections in analysis and sometimes contradictory conclusions.
- Businesses often struggle to set benchmarks as data is not always available. Sometimes they borrow data from industry leaders or other industries, which may not be relevant.
- Businesses often fail to align metrics to employees' KPIs, making metrics irrelevant to what people do in their daily work.

Recommendations

Application leaders responsible for digital commerce technologies should:

- Obtain buy-in and resources from C-level executives to create a single, cross-functional dashboard for digital commerce. Ensure that it includes all related business units, such as sales, marketing, product development and operations.
- Work with business and analytics leaders to define the hierarchy of metrics, to cover corporate, customer, process and operational metrics for management and employees at various levels.
- Obtain inputs from C-level executives on corporate objects for digital commerce, and from business leaders on benchmarks for customer and process metrics. Keep refining those benchmarks as the business makes incremental improvement.
- Advocate to align digital commerce metrics with the KPIs of employees whose job functions have the most direct impact on digital commerce performance.

Introduction

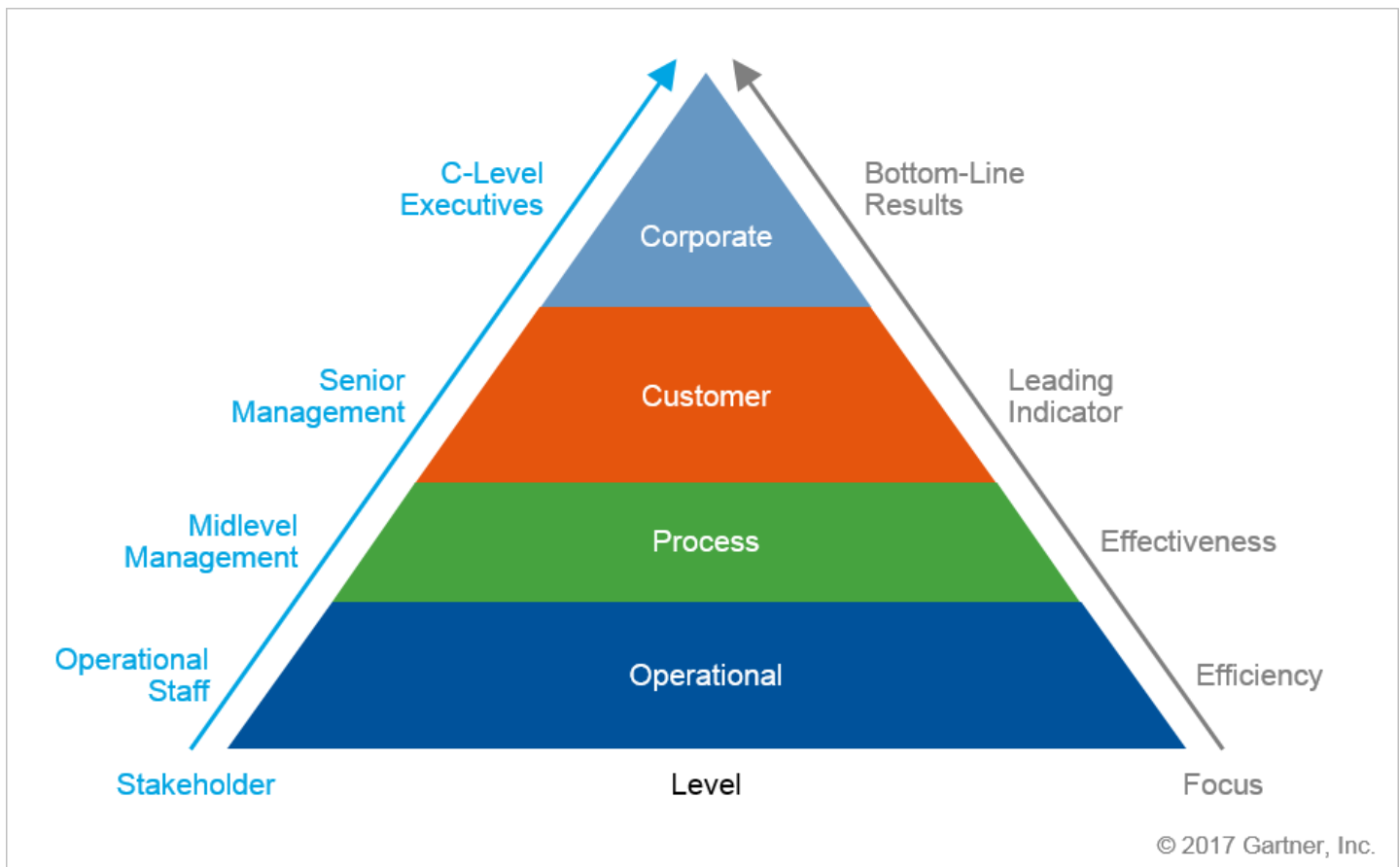
Application leaders responsible for digital commerce often track too many metrics and lose focus on what really matters operationally, and on how to relate those metrics to corporate goals. Digital commerce is a cross-functional discipline that involves departments such as product management, marketing, sales, customer service, operations, supply chain and IT. These functional departments often use their own metrics in isolation, not sharing data or knowing what metrics others are tracking. The combination of these makes it difficult for application leaders to quickly track down root causes when things are not working.

Other times, businesses may lack data and wonder what benchmarks they should use. Some resort to benchmarks about industry leaders or for other industries, but these numbers may not be relevant as each business has different goals and operational capabilities. Benchmarks borrowed without looking at where the organization currently stands or its own capabilities aren't true benchmarks.

Another issue often neglected is tying the metrics with employees' KPIs. Remedying this will create employees motivated to make changes rather than merely doing the same things as before.

This report introduces a framework for managing metrics for digital commerce, helping application leaders divide metrics into a hierarchy based on the level of the stakeholders in the organization. Figure 1 shows the conceptual framework, outlining the hierarchy and levels.

Figure 1. Digital Commerce Metrics Framework



Source: Gartner (March 2017)

The framework looks at four levels of metrics, and the related stakeholders and focus of each:

- *Corporate level* – This is what the executive operating committee focuses on. Businesses highly dependent on commerce should have commerce-specific metrics here. Most common metrics include digital commerce revenue, profit and market share.
- *Customer level* – This focuses on metrics measuring customer growth, conversion and retention. These metrics are often leading indicators of digital commerce performance, and are the concern of senior management responsible for digital commerce.
- *Process level* – This takes a closer look at the effectiveness of digital commerce by customer segment, category or traffic source, and is the concern of midlevel management.
- *Operational level* – This looks at the efficiency in technology, operations and processes at the front-line employee level, and is the concern of operational staff.

Analysis

Create a Single, Cross-Functional Dashboard for Digital Commerce

Digital commerce is a cross-functional discipline. Application leaders must get everyone on the same page by having a common dashboard, to ensure that all departments use the same data with consistent

measurement and interpretation. This avoids the situation of each department tracking its own set of metrics, using its own data and measurement, and thus missing the interdependencies of cross-functional metrics.

Start by obtaining buy-in from C-level executives and senior management for developing a cross-functional dashboard, as this requires substantial efforts and strong leadership in getting departments to work together. Application leaders need to understand from business leaders which metrics are important for them and the organization overall, and what data points are available. It is important to understand that the dashboard should be not a hodgepodge of data points, but something to help employees focus. It won't include all metrics used by every product or marketing manager, but instead only those that contribute to the top-level digital commerce objectives.

Specifically, application leaders should:

1. Discuss with C-level executives, senior management and business leaders to understand which metrics are the most important for the entire business. Although these apply to the whole company, they need to be included on the dashboard to show how digital commerce links to executive priorities. Involve finance when doing so.
2. Audit the metrics being used by each department. Understand what the departments are trying to accomplish with those metrics, how those metrics contribute to corporate objectives, and what data points and measurement they are using.
3. Work with business leaders to identify data available in-house and from third parties, and agree on how to measure it.
4. Work with the development team to build a dashboard that pulls data from internal and external systems, and populate it with the agreed metrics.
5. Work with UI/UX designers to make the dashboard easy to use for business users, employing interactive graphics, visual cues, search and filter, drag-and-drop functionality, and so on.
6. Continuously refine the dashboard as you gain more insight into the business and understand which metrics are KPIs.

Define the Hierarchy of Digital Commerce Metrics

The hierarchy of metrics covers corporate, customer, process and operational aspects of digital commerce, giving a complete picture of performance. It is important to link tactical metrics (operational and process) to strategic metrics (customer and corporate), so that operational adjustments will contribute to strategic business goals.

The hierarchy allows employees at different levels to focus on metrics that are relevant to their work and responsibilities, and understand how they contribute to the corporate objective. Figure 2 is an example of digital commerce metrics based on the organizational hierarchy. Businesses can adapt this to their specific needs. (See Note 1 for a more extensive list of example metrics that businesses can choose from.)

Figure 2. Example Hierarchy of Digital Commerce Metrics

Corporate C-Level Executives	Revenue Growth Revenue Contribution Market Share		Profit Growth Margin Growth ROI		Net Promoter Score Customer Satisfaction Customer Loyalty	
	Customer Growth Conversion Average Order Value		Lifetime Value Acquisition Cost Customer Profitability		Customer Ratings/Complaints Return Rate Retention	
	Category Growth/Share Conversion Funnel Cart Abandonment Time to Conversion		Traffic Source Acquisition Cost by Source and Category Purchase Frequency		Active/Drowsy/Sleeping Customers Revenue/Profitability/Conversion by Customer Segment/Category Repeat Purchase	
Operational Employees	Web Site Traffic Visits/Page Views Load Time/Latency Bounce Rate Attachment Rate	App Downloads Open Frequency Crash/Freeze Bandwidth Battery Drain	Customer Service Click-to-Call Rate Self-Service/Bot Service Ratio Time to Serve First Call Resolution	Retail Online Orders Placed/Fulfilled BOPIS Ratio BOPIS Wait	Marketing CTR/CPC/CPM Traffic Patterns Email Open Rate No. of Likes/Comments/Shares/Followers	Fulfillment Order Fulfillment Time and Costs Out-of-Stock Ratio Time to Refill

BOPIS = buy online, pick up in store

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Source: Gartner (March 2017)

Corporate Level: Ultimate Measurements of Digital Commerce Performance

Target audience: C-level executives such as the CEO, CMO, CFO and COO

This level of metrics looks at the digital commerce performance at the company level, in terms of revenue, profit, market share and growth. This is what the executives use to run the company, and on average they use seven top-level metrics – almost all financial. Digital commerce has to demonstrate how it contributes to improving these.

These metrics are already in place unless the corporate strategy is changing direction. Ideally, top-level financial results should be complemented with at least one customer experience metric, such as Net Promoter Score (NPS), customer satisfaction, loyalty and retention.

Customer Level: Leading Indicators of Digital Commerce Performance

Target audience: Senior management such as the VPs of digital commerce, of operations and of marketing

This level takes a closer look at the customer metrics from three aspects: customer acquisition, customer profitability and customer retention. These are the leading indicators of digital commerce performance. If customers are growing at a healthy rate, are of good quality and are generating profits, digital commerce will succeed.

While it is difficult to establish a direct connection between customer and corporate metrics, businesses should look for patterns of impacts. For example, when digital commerce conversion increases, does NPS or customer satisfaction move in the positive direction? Or when NPS and customer satisfaction drop, how

does that impact digital commerce revenue? It is important to understand the reasons behind such movement. For example, when revenue increases but customer satisfaction declines, that may point to aggressive promotions while product quality or after-sales service is not up to standard.

It is also important to look at customer satisfaction from the customer journey perspective. Businesses tend to measure customer satisfaction within the specific channel where the interaction or purchase took place, such as online, the mobile app, in-store or the call center. But this assumes that customers spend the whole journey in the same channel, which is usually not the case. Surveys should focus on how much effort customers spend across all channels and touchpoints to complete the purchase, rather than within a single channel or touchpoint.

Balance customer acquisition and retention, otherwise you could not be growing fast enough or treating existing customers well enough. Metrics such as customer rating, complaints and return rates often impact the overall retention rate. Social media, online forums and commerce sites are good places to find out the reasons behind those numbers, to see which areas customers are (un)happy with. Customer lifetime value (LTV) and customer acquisition cost (CAC) measure the revenue a customer brings throughout her lifetime and the cost you spent in acquiring her, respectively. The higher the ratio (LTV:CAC), the more profitable the customer.

Many of these metrics are available from digital commerce platforms and web analytics tools, but some are not easy to calculate. For example, CAC needs to include the total spending in all channels and media, such as search engine, banner ads, TV ads, promotions and campaigns, related to acquiring the customer. Application leaders need to work with marketing and finance to ensure that the majority of these costs are accounted for, to get a true picture of CAC.

Process Level: Effectiveness of Digital Commerce Processes

Target audience: *Midlevel management such as the directors of digital commerce, of operations and of marketing*

This level requires more-detailed data across types of customers, operations and channels. Some organizations have ready access to metrics from within their web analytics or digital commerce analytics tools; others require cross-team collaboration to gain visibility of this data, including that from customer journey analytics tools.

Metrics at this level focus on detailed steps. For example, conversion rate is broken into conversion at each step of the purchase process, such as from home page to product page, to shopping cart, to order placement and check out. This helps pin down the exact point where issues arise. This level may also measure customer engagement as they go through the life cycle, so that operational adjustments can be made to retain them.

Businesses tend to look at metrics by channel to identify which channel is the most profitable. But this can be misleading as today's customers often hop across channels when going through the purchase process. For example, when businesses see that online profitability is high and keep investing in online platforms at the expense of retail stores, they can neglect the fact that customers use retail stores for product evaluation, trying out the product and talking to salespeople there. Without this, the online sales may not

happen at all. Therefore, it is better to measure by customer segment and product category to avoid channel bias.

Operational Level: Operational and Technology Efficiency

Target audience: *Employees in the front line*

This level provides detailed visibility into technology and operational efficiency by channel and functional unit, including web, apps, the call center, retail, marketing and fulfillment. The metrics focus on the efficiency within that channel or department, where operational staff can take actions. This is different from the process level, whose focus is on the customer journey across channels.

Work with business leaders in each of the following domains to identify which of their metrics are relevant for digital commerce, and include those on the dashboard:

- *Web* — Measures site performance and offers granular visibility of how the web channel performs on the technical level.
- *Apps* — Measures the efficiency and technical performance of mobile apps, and their impact on customer experience.
- *The call center* — Measures the effectiveness of customer service agents in helping customers and solving problems. This domain often gets neglected as it doesn't appear to be "digital" or directly relate to digital commerce. In reality it is an important step in helping customers make purchase decisions and changing their perceptions of the business.
- *Retail* — Measures the efficiency of retail operations in driving store visitors and increasing sales.
- *Marketing* — Measures the efficiency and effectiveness of marketing activities in traffic generation, visitor conversion, customer retention, cross-selling and upselling.
- *Fulfillment* — Measures efficiency in logistics, supply chain and warehousing, and their impact on multichannel order fulfillment. Also measures their support for new customer experience initiatives such as "buy online, pick up in store."

Set Benchmarks Based on Capabilities and Business Goals

Many Gartner clients often ask for digital commerce metric benchmarks. It is not possible to give meaningful industry benchmarks — even for businesses in the same vertical. This is because the attributes of each business vary a lot depending on the product offering, target market, marketing capability, cost structure, operation model, geographic presence and so on. It makes sense to benchmark businesses only with very similar attributes to your own, such as your closest competitor in a particular market.

We suggest businesses do the following:

- *Clarify the top corporate metrics* — Clarify with C-level executives on the rank order of corporate metrics that digital commerce should contribute to.

- *Establish a baseline for all operational, process and customer metrics* – Know where you currently stand, and how digital commerce already contributes.
- *Set milestone goals based on your capabilities* – Set short-, medium- and long-term goals such as six months, one year and three years, respectively, based on your capabilities in marketing, product offerings and operations.
- *Be realistic* – If your targets are too aggressive, the team can get discouraged when they fall short. Take small steps and motivate the team by letting them see the targets are achievable.
- *Be focused* – Highlight fewer than 10 key metrics per layer so that you know where to focus. Use business objectives as a guidance to identify the top 10 metrics. For example, focus on customer metrics such as NPS, customer satisfaction and retention if your primary goal is to better serve and retain customers. Focus on growth metrics such as revenue, customer growth and new acquisitions if your primary goal is growing the business.
- *Keep improving* – Once you set the milestones, work out a way to continuously improve metrics by working with all functional units and seeing how they can contribute. Review and refine the benchmark at set intervals, such as every three or six months.

Cultivate Expertise to Interpret Metrics

In addition to having metrics, businesses need expertise in interpreting what's happening behind the numbers. People who are close to the business, have digital commerce expertise and are familiar with testing tools are best-suited to find out the exact causes of change. For example, conversion rate can change due to a range of reasons, such as site design, pop-up windows, check-out flow, transparency of order information, payment process, delivery options or even the size and placement of a button. Businesses can look at the step-by-step conversion rates to narrow down the likely causes. For example, if the shopping-cart-to-check-out conversion rate is low, issues can exist with check-out flow, order information or page design. Specialists may be able to identify the exact issue, or test the hypothesis with A/B and multivariant testing to pinpoint the exact issue.

Look at metrics in conjunction to understand what is actually going on. For example, when customer acquisition is growing while profitability is low, there can be issues with excessive acquisition costs or drops in customer retention. Or, if return rate is high at the same time, it can point to product quality issues that give rise to low retention. It is important for application leaders to work closely with business leaders to interpret the metrics, to quickly identify problems and make adjustments.

Such expertise can be developed over time. Start with employees with in-depth operational knowledge both of the business and digital commerce. Partner them with people from other functional units, such as marketing, product, supply chain and IT, so that they can identify problems in specific domains and suggest corrective measures.

Advocate for Employee KPI Alignment With Commerce Metrics

It is important to align metrics to employees' KPIs so that they are motivated to reach and even exceed their targets. Two examples of problems that can arise if this doesn't happen:

- A B2B enterprise has deployed the latest digital commerce platforms but is finding that few customers are using them. It transpires that the salespeople have been discouraging customers from using the digital channel as they don't get compensated for online orders. Changing how salespeople are compensated will have an impact on the digital commerce performance.
- A business measures its customer service agents by the number of calls they take, instead of by how many problems they solve or sales they drive. It finds that agents are trying to finish calls quickly rather than being helpful to customers. Changing their KPIs will have an impact on customer satisfaction, retention and potential sales.

Advocate for such an alignment and get support from the executive committee. Support department heads and HR to identify the employees whose job functions have the most direct impact on digital commerce performance.

Advocate for communication of corporate-level metrics to the entire organization, so that employees are clear on the top-level objectives. C-level executives and senior management should talk about those targets when they have an opportunity, such as during town hall meetings or companywide communications, so that employees know the company is serious about achieving those numbers. Make the dashboard accessible to all employees so that everyone can see the progress, identify problems and contribute ideas for improvement.

Note 1

Example Digital Commerce Metrics by Hierarchy Level

Corporate

- Total revenue growth
- Revenue growth
- Market share
- Total profit
- Margin growth
- Net Promoter Score
- Customer satisfaction
- Customer loyalty
- Brand value

ROI

- Return on equity
- Asset utilization
- Same-store sales

Customer

- Customer growth
- Net acquisition
- Conversion rate
- Average order value
- Lifetime value (LTV)
- Customer acquisition cost (CAC)/growth
- CAC:LTV ratio
- Customer profitability
- Customer rating
- Number of complaints
- Customer retention
- Customer effort score
- Return rate
- Order volume

Process

- Category revenue/growth/share
- Visit to product page conversion
- Time to conversion
- Product page to cart conversion
- Cart to sales conversation discounted sales percentage
- Sales/cost/acquisition by category

- Revenue/profit/conversation by customer segment
- Cost per sales/visit
- Cart abandonment rate
- Traffic source percentage
- Purchase frequency
- Active/drowsy/sleeping customers
- Number of repeat purchases
- New vs. repeat customer mix
- Number of loyalty program members
- Top sellers
- Percentage loyalty members active
- Loyalty program penetration
- Purchase gap

Operational

- Daily/monthly active users
- Visits to the site/store
- Direct visits
- Page views/sessions
- Page views per session
- Page load time/latency
- Bounce rate
- New visitors
- Site availability
- Session duration
- Product views

- App downloads
- App open frequency
- Crash/freeze
- Battery drain
- Attachment rate*
- Click-to-call rate
- Self-service/bot service ratio
- Time to serve
- First-call resolution
- Check-out wait time
- Shelf availability
- CTR/CPC/CPM
- Branded keyword visits
- Email list growth
- Email CTR/conversion
- Task completion rate
- Newsletter signup rate
- Exit survey completion rate
- Search/display impressions
- Social media followers/comments/shares/likes
- Clicks per social media post/video
- Promotion conversion/sales contribution
- Time/cost per fulfilled order
- Out-of-stock products/back orders/returns by category
- Inventory carrying cost
- Inventory mark down

- Out-of-stock ratio
- Time to refill

** Attachment rate: The percentage of sales where customers buy a secondary item at the same time as they buy the primary item due to natural product association or recommendation.*

Recommended by the Authors

How to Manage Customer Experience Metrics (<https://www.gartner.com/document/code/268913?ref=ggrec&refval=3640217>)

The Eight Building Blocks of CRM: Metrics (<https://www.gartner.com/document/code/313925?ref=ggrec&refval=3640217>)

How to Develop a Digital Commerce Strategy (<https://www.gartner.com/document/code/290525?ref=ggrec&refval=3640217>)

Industry Vision: Commerce That Comes to You (<https://www.gartner.com/document/code/304025?ref=ggrec&refval=3640217>)

Recommended For You

Toolkit: A Metrics Framework to Guide Digital Workplace Program Success (<https://www.gartner.com/document/3859671?ref=ddrec&refval=3640217>)

Toolkit: Use Gartner's 2018 IT Key Metrics Data to Optimize IT Costs (<https://www.gartner.com/document/3867970?ref=ddrec&refval=3640217>)

Toolkit: Sample KPIs and Metrics for Compliance PMOs (<https://www.gartner.com/document/3869276?ref=ddrec&refval=3640217>)

Toolkit: Sample KPIs and Metrics for a Delivery PMO (<https://www.gartner.com/document/3874387?ref=ddrec&refval=3640217>)

Toolkit: Using New Metrics to Measure Innovation Effectiveness Will Drive Your Brand (<https://www.gartner.com/document/3879771?ref=ddrec&refval=3640217>)

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