WOLFGANG DIGITAL

THE DIGITAL MARKETING SCIENTISTS

E-COMMERCE KPI BENCHMARKS | 2014

"I know that half of my advertising budget is wasted, I just..."

Infamous 20th Century Advertising Problem

INTRODUCTION

Data has irreversibly disrupted the marketing industry. Advertising without dependable performance KPIs is simply no longer acceptable. The reason for this disruption is simple, data is a digital marketers best friend. Not only does it facilitate you in understaning how your campaigns are performing, it enables you to continuously improve your campaign results.

Data, however, needs context to give it meaning. Numbers without relative benchmarks are meaningless. Is three minutes “time on site” a good figure for a retailer? Is a 32% “bounce rate” for a travel website a problem? Good benchmark KPI figures allow you to accurately evaluate your own KPI performance.

> *“If you judge a fish by it’s ability to climb a tree it will live it’s whole life thinking it’s an idiot.”*
>
> *Albert Einstein*

Here at Wolfgang Digital we’ve always found it tricky to source reliable e-commerce KPI benchmark data, particularly specific industry level KPI benchmarks. In this KPI benchmark report we have set out to not just provide e-commerce average KPIs such as conversion rate, bounce rate and time on site but to go a step further and understand the relationships between the various e-commerce KPIs.

This report enables digital marketers to identify weak spots, appreciate and investigate over performing areas, and ultimately make better digital marketing decisions.

Plus, we’ve gone ahead and answered the million euro question:

HOW MANY CLICKS = 1 MILLION EUROS

THE DATA

We analysed the 56 million visits and approximately €214 million in revenue that flowed through our participating websites between 1 August 2013 and 30 July 2014. The websites were in the retail and travel sectors.

We averaged stats on a per-website basis, so that websites with high levels of traffic don't skew the stats.

We had more retail participants than travel participants so the overall e-commerce figures are not the midpoint between Travel and Retail but the average figure across all study participants.

Revenue is attributed on a last click basis.
A selection of named participants are listed at the bottom of the study.

CONTENTS

1.

WHAT SOURCES DOES WEBSITE TRAFFIC COME FROM?

Google makes the World Wide Web go Round.

Traffic Source	Google Organic	Google CPC	Direct	Email	Facebook Referral	Bing Organic	Yahoo Organic	Others
% – eComm	40.1	29.4	18.3	3.9	1.3	1.2	0.9	4.8
% – Travel	40.4	24.9	21.6	0.9	1.2	1.8	1.2	8.0
% – Retail	40.0	30.9	17.3	4.4	1.4	1.1	0.8	4.2

With a whopping 70% of website traffic coming from Google (both paid & organic) it's clear that Google makes the World Wide Web go round. While Facebook is widely seen as Google's biggest advertising competitor our results show that Google is still way out in front generating 50 times more website traffic than Facebook.

That is not to say that Facebook is overhyped. Much of the action brands get from Facebook (shares, comments, likes) happen on Facebook, so that activity doesn't make it into this website traffic study

Display is a notable absentee. According to the IAB, display accounts for approximately one third of digital marketing ad spend. But our data reveals it does not generate anywhere near a third of traffic. In this study, display advertising clicks accounted for less than 1% of traffic generated.

2.

WHICH TRAFFIC SOURCES GENERATE THE MOST REVENUE?

Win on Google, Win Online

Traffic Source	Google Organic	Google CPC	Direct	Email	Facebook Referral	Bing Organic	Yahoo Organic	Others
% – eComm	41.4	28.4	18.8	4.4	1.7	1.2	0.8	3.3
% – Travel	39.3	24.3	26.3	1.0	2.3	1.1	0.6	5.1
% – Retail	42.0	29.7	16.6	4.9	1.6	1.2	0.9	3.2

After identifying benchmark KPIs for traffic sources we decided to go one step further and identify revenue by traffic source.

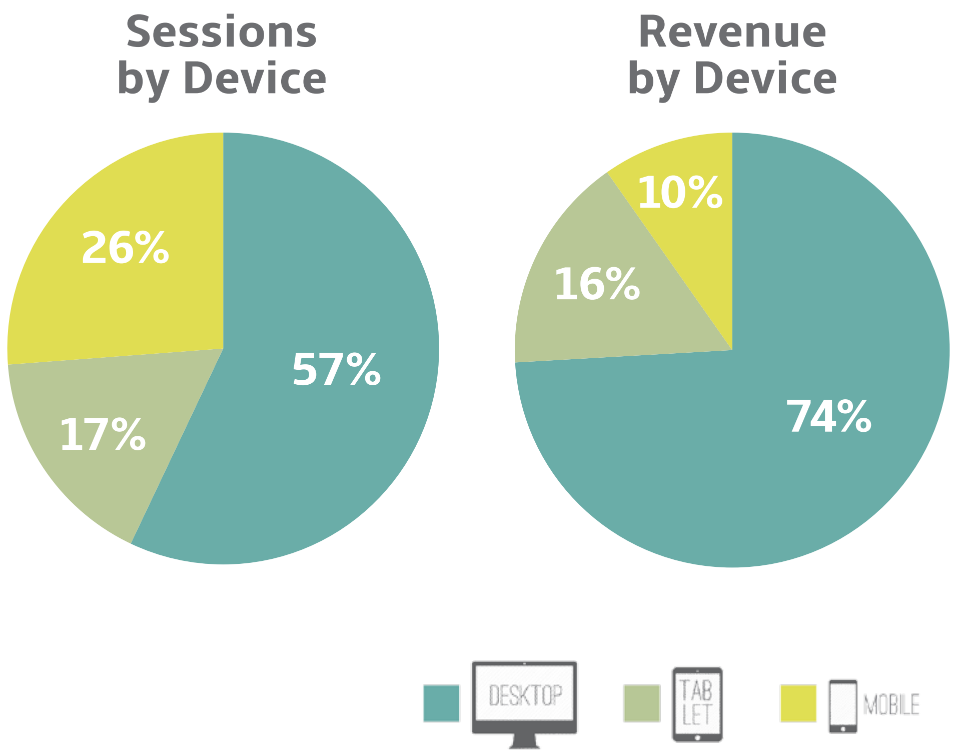
When we chop up the data by percentage of revenue contributed we see that Google is still way out in front. Google organic and CPC generate a combined 70% of revenue. Google organic and Direct Traffic marginally increase their share when compared to the traffic figure, while Google CPC has a minor fall in share. Organic traffic from Bing and Yahoo leapfrog Facebook in terms of revenue generated.

Note: We are using the web standard "last click attribution model".

3.

WHAT DEVICES IS THE USER ON?

Mobile is great for traffic but desperately poor for transaction!



Unless you are still typing away on a commodore 64 you are probably familiar with and bored by talk of the Rise & Rise of mobile. We used our data to understand how people use mobile and tablets to browse and importantly, to buy.

While mobile and tablet combined account for nearly half of website traffic (43%), they only contributed to just over a quarter of revenue (26%). Tablet performance saw the closest match between traffic and revenue: 17% of traffic and 16% of revenue. But mobile's performance was notable. Mobile accounted for 26% of traffic, but only 10% of revenue. This indicates that while mobile is a favoured device for browsing and researching, people do not like to whip out the credit card and buy during their precious "mobile moments".

While deep diving the data we did find strong correlations between mobile traffic (0.29) & mobile revenue (0.41) and overall conversion rate. Mobile was actually the only device with positive traffic and revenue correlations with conversion rate. This tells us the websites that got more mobile traffic and more mobile revenue had a higher overall conversion rate.

So we infer that while mobile traffic might not convert on that device, the user is somebody with purchase intent who is highly likely to convert later on another device.

So the lesson to learn here: Make sure you website is mobile-optimised folks, particularly for research and browsing type content!

NOW WE GET DOWN TO THE JUICY STUFF:
ONSITE BEHAVIOURAL KPIS.

WE'VE SPLIT THE BEHAVIOUR KPIS
INTO ENGAGEMENT KPIS AND THEN COMMERCIAL KPIS.

WE'VE THEN DONE A CORRELATION CALCULATION
TO SEE WHICH ENGAGEMENT KPIS
WILL INFLUENCE YOUR COMMERCIAL KPIS.

4. WHAT DOES THE USER DO WHEN THEY GET TO THE WEBSITE?

Understanding Your Engagement KPIs

Engagement KPIs	Page/Session	Average Session Duration	Bounce Rate %
eComm	5.4	03:49	35
Travel	3.6	04:35	39
Retail	5.9	03:35	34

5. CONVERSION RATE & AVERAGE TRANSACTION VALUE

LET'S TALK MONEY

Those critical commercial KPIs

There's nothing else that can drive a conference Q&A session into a frenzy like discussions and revelations surrounding the holy grail of digital marketing KPIs, The Conversion Rate.

The conversion rate metric might well be the main reason you are reading this study!

So without further ado, here are the average conversion rates and average transaction values.

DRUMROLL...

Commercial KPIs	Average Transaction Value €	eComm Conversion Rate %
Grand Total	274	1.40
Travel	689	1.56
Retail	148	1.35

We found that the nature of the retail or travel business had a very significant impact on conversion rate and average transaction value.

"Online Only" retailers had a significantly higher conversion rate that their "Online and Offline" counterparts. This is probably because retailers who also have a physical store will get traffic that often ends up purchasing in store instead, therefore not registering as an online conversion.

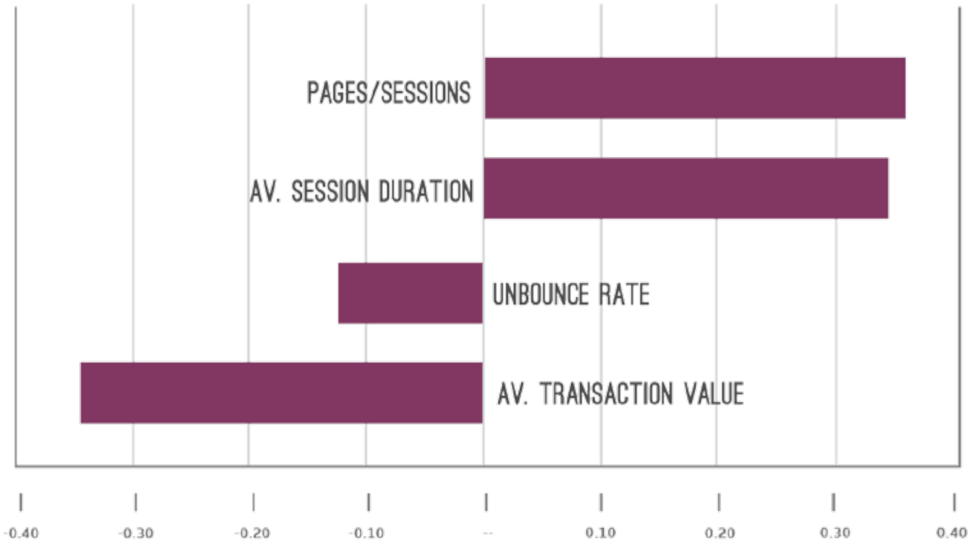
Note: learn more of the ROPO phenomenon with this piece of research.

Similarly in the Travel industry, package holiday websites had far higher ATVs and far lower conversion rates than single-service travel companies, who provide flights or accommodation or tours only.

Exact conversion rate and ATV KPIs for the travel and retail segments are available for study participants only. Apply to participate in the next study via the instructions at the end of the report.

6. HOW ENGAGEMENT METRICS CORRELATE WITH CONVERSION RATE.

Time is Money



We calculated the correlation between the engagement KPIs (including ATV) and conversion rate. This will inform digital marketers of which engagement KPIs they should seek to shift to improve conversion rate.

Correlations range from 0 to 1. 0 being no correlation at all, 1 being perfect correlation. A negative correlation indicates that as one variable increases the other decreases.

Time on site (0.34) and pages viewed (0.35) both had good positive corelations with conversion rate. This indicates that if digital marketers can improve these metrics they can expect to benefit from a revenue boosting higher conversion rate. The old adage “time is money” particularly pertinent to the digital marketing community.

There is a strong negative correlation between average transaction value and converion rate (-0.36). This tells us that higher value purchases have lower conversion rates, most likely because the consumer wants to visit the website more times before purchasing and/or the propensity to pull the trigger on the purchase is a little lower when the price is high. E.g. we’ll buy a pack of socks online without much consideration but for a TV we will require multiple trips to a website and will consider buying from a higher number of competing retailers.

If you find your conversion rate is markedly different to the report average and your ATV is also markedly difference this correlation should explain why.

In what is one of the most interesting findings of the study, bounce rate, which we converted to “unbounce rate” (1 minus the bounce rate) for consistency with positive time on site & pages viewed metrics, has a minimal correlation which is actually a small negative correlation (-0.12) with conversion rate.

This means when it comes to conversion, bounce rate don’t mean diddly.

This is particulalry interesting as we get asked about bounce rate a lot. The sense of rejection from a preceived high bounce rate seems to strike strike straight through the heart of many a digital marketer.

We’ve always felt bounce rate is one of the web’s most overemphasised and misunderstood metrics, this correlation figure demonstrates that it is not a conversion rate influencer and doesn’t warrant as nearly as much attention as time on site or pages viewed.

I would suggest that bounce rate is more a measure of the quality of a traffic source than the quality of your website.

7.

THE MILLION EURO QUESTION.

LITERALLY!

How Many Clicks = 1million euro.

Want to make a million euro online every year, every month, every week? We've reverse engineered the data to find exactly how many clicks your website needs to hit that magic million euro mark. Use the benchmark KPIs as a your guide, drive this much traffic to your website, and you'll be laughing all the way to your Caribbean island on your private jet.

	Website Sessions
eCommerce	262,000
Travel	93,000
Retail	504,000

8. INSIGHTS ON DATA.

Comments on study from contributors & author.

"We are delighted to get substantiated, qualitative insights on e-commerce in Ireland. The study looks at +50m website visits, so for us as a business in Ireland it gives us brilliant benchmark data to inform our ongoing digital marketing activities. You simply can never have too much data and insights in terms of digital marketing!"

Celine Weldon
Sales and Marketing Manager, The Guinness Storehouse.

A key issue that digital marketers – and indeed marketers who can't ignore digital any longer – must face is justifying their website performance to board level.

Senior business people are rarely digital natives, but they do know numbers inside out. This e-commerce KPI report should arm digital marketers with the ammo to communicate their performance upwards more effectively.

Alan Coleman
CEO of Wolfgang Digital and author of the study.

"For Surfholidays.com as an online business it is essential that we understand our metrics and what works well and why; details such as what pages convert better, what have lower bounce rates or what geographic area the customer is in are all vital. Studies like these keep us right on top of this and allow us make more informed marketing decisions."

Nicky Kelly
CMO of Surf Holidays

"KPI data influences and guides us in how we review our digital marketing strategy. This benchmark report gives us great info to help us make better digital marketing decisions."

Roisin Woods
Marketing Manager of McElhinneys (European Ecommerce Retailer of the Year Finalist)

"The major change I expect to see in 2015 is the rise and rise of Facebook as a traffic source. Facebook have revolutionised their advertising platform and while they will never compete with Google for conversion they can provide similar levels of traffic at a very competitive cost. Right now there is a lag between the advertising capabilities that Facebook advertising offers and marketers' successful adoption of it. I predict display budgets will migrate to Facebook advertising en masse once they get a handle on its potential."

Alan Coleman
CEO of Wolfgang Digital and author of the study.

9. KEY TAKEAWAYS

• Google Makes The World Wide Web Go Round. On average, 70% of website traffic and 70% of Websites Revenue comes from Google!

• Facebook is not being used as a direct response medium. Facebook is contributing on average 1.4% of traffic to e-commerce websites and less than 1% of revenue.

• Despite accounting for 1/3rd of online advertising budgets, display does not register as a traffic source.

• Mobile & Tablets now account for 44% of e-commerce websites' traffic.

• People don't transact on mobile but mobile users are highly likely to revisit a website and a later date on another device to purchase.

• The Sacred Stat that is Conversion Rate. The average e-commerce conversion rate is 1.4%. Retail is 1.35% Travel is 1.56%. When we segmented retail into "Only Only" retailers and "Online and Offline" retailers we found that the "Online Only" retailers had significantly higher conversion rates. Similarly, we segmented travel into "package offerings" and "single purchase offerings" (flight/accommodation/tour) and found the package offering had a far higher ATV and far lower conversion rate.

• Don't fret over bounce rate. Our correlation study shows it is inconsequential to conversion rate.

• Time is Money. Time on site and pages viewed both have strong correlations with conversion rate.

• The Million Euro Question. How Many Clicks does a website need to make €1,000,000? Answer: 262,000

SELECTION OF CONTRIBUTORS

CELTIC WEDDING RINGS
HARVEY NORMAN
KILKENNY SHOP
LIFESTYLE SPORTS
LITTLEWOODS
MCELHINNEYS
SURF HOLIDAYS
VOYA
GUINNESS STOREHOUSE
FUNKED UP FIXIES
SUNSEARCH TRAVEL

We have a large bank of participants who wish to remain anonymous.

Want to contribute to our next digital marketing KPI study? Contributors benefit from receiving deeper “closed” results. Email ***alan@wolfgangdigital.com*** to get involved.

Wolfgang Digital offer a range of digital marketing services and are particularly adept at helping businesses boost their online revenue. If you want to talk to us drop an email to ***brendan@wolfgangdigital.com***

Creative by Cleber | Numbers by David | Words by Alan

WOLFGANG DIGITAL

THE DIGITAL MARKETING SCIENTISTS