**Econsultancy**

# Ecommerce Performance 2018

In association with

**CONVERSION.**

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Econsultancy

# Contents

# 1. Executive Summary

The **Ecommerce Performance** report, published by Econsultancy in association with **Conversion.com**, is based on a survey of more than 400 ecommerce professionals.

The key findings from the research can be summarised as follows:

**Ecommerce goes from strength to strength, but is becoming more competitive.**

- This research highlights the buoyant nature of online retail, with more than three-quarters (78%) of companies reporting their ecommerce revenues have grown in the past 12 months.

- Just over a fifth (22%) of client-side ecommerce professionals report ecommerce growth of 50% or more in the last year, and 7% say they have more than doubled their online sales over that period.

- However, the world of ecommerce is becoming increasingly competitive, and less forgiving of brands that do not offer an exemplary customer experience for website visitors.

**Companies strive for a strategic approach to ecommerce, but capability gaps are evident.**

- Just over half (54%) of company respondents say their ecommerce strategy is advanced, with 11% considering it 'very' advanced.

- But though most ecommerce professionals believe their companies have reached maturity in their ecommerce capabilities, that still leaves 46% who rate themselves as either 'not very advanced' (40%) or 'immature' (6%).

- Less than a third have a good understanding of what usability issues are most likely to affect the conversion (31%), or what types of content make people more likely to buy or convert (30%).

- Furthermore, companies overwhelmingly say they understand the importance of mobile as an integral part of the shopping journey (95%), but only 13% strongly agree they have a clear understanding of customer journeys across channels and devices.

**Experimentation is recognised as the bedrock of performance optimisation, but there is a gap between expectations and reality.**

- More than half (56%) of company respondents rate the impact of running experiments as 'high' or 'very high', while only 16% say the impact is 'low' or 'very low'.

- Establishing a platform for consistent and thorough experimentation requires cultural, organisational and technical agility, as well as a strategic and structured approach that is backed by senior leadership and looks to the long-term.

- However, only a minority say their entire business, including executive leadership, is invested in regular experimentation (47%), or that they have access to budget specifically allocated to experimentation (39%). Furthermore, only 50% of companies run their tests in sequence and around defined areas.

- Most companies are carrying out experimentation at either a basic level with limited resources (38%), or on an ad hoc basis based on hunches and guesswork (37%).

**Companies will need support to realise their ambitions around personalisation as resource is focused on getting the basics right.**

- The research looks at the extent to which companies are prioritising four different areas, namely multi-device optimisation, providing a seamless experience across channels, delivering a personalised shopping experience and catering for multiple markets/languages.

- Multi-device optimisation is regarded as the highest priority area, with more than half (54%) describing this as critical and 43% saying it is important. The next highest priority is a seamless cross-channel experience, with just under half (49%) of businesses regarding this as critical.

- With companies more focused on getting the basics right around the multi-device and cross-channel journey, personalisation is the next step for companies seeking to provide a frictionless and intuitive customer experience. Just over a third (37%) currently give a personalised shopping experience the top priority rating, with others apparently needing support to develop their capabilities in this area.

- Personalisation may feel beyond the reach of many companies who are struggling to get the right insights relating to both identified or anonymous individuals, and to operationalise these insights with tailored experiences. Nine in ten respondents are struggling to gain insight into customer preferences and shopping behaviours.

**A failure to quantify checkout abandonment is losing companies significant sums of potential revenue.**

- The failure to acknowledge and mitigate site abandonment is bordering on the negligent. The vast majority of companies say they have 'limited understanding' or 'no understanding' of why people abandon the shopping cart and transaction (82%), or why visitors leave their sites without converting (85%).

- Only 15% of company respondents claim to have an accurate idea of how much online revenue is lost through site abandonment due to a poor user experience online.

**Complexity and technical shortcomings are among the most significant barriers to progress.**

- More than a quarter (26%) of respondents cite IT process roadblocks as a top-three challenge, while 24% indicate that limitations of their ecommerce solution are among their biggest issues. Meanwhile, legacy technology is cited by 16% of respondents.

- However, the most significant barriers to delivering an optimal ecommerce experience are complexity of business (59%), business culture (37%) and organisational structure (36%).

- For many businesses, ecommerce activities have become a highly complex and critical part of their operational activities. A large part of the complexity relates to the need to integrate online retail data and operations with other parts of their business as they strive for a more multichannel or even omnichannel approach to business.

**Conversational commerce and AI for personalisation are very much on the radar**.

- Companies face a balancing act in trying to optimise performance in the here and now, while innovating for the future. Asked about their plans for experimentation in relation to a range of trends, companies are most likely to be planning for conversational commerce (for example through chatbots and messaging apps), followed by artificial intelligence for personalisation.

As competition to provide the best possible customer experience intensifies, companies are striving to make the experience as personalised as possible, deploying machine learning to help ensure they provide the most relevant content and calls to action at the right time.

**Five key recommendations to kickstart ecommerce performance through experimentation.**

The report also makes five main recommendations for companies seeking to improve ecommerce performance through experimentation.

These tips include the following (with more detail in *Section 8* of the report):

Experimentation goals should be strategic, not just tactical.

Create a culture of experimentation.

Focus on the 'why' as well as the 'what'.

Ringfence ecommerce budget for experimentation.

Find the right agency.

# 1.1.    Methodology

There were 408 respondents to our research request, which took the form of a global online survey fielded between October and November 2017. Respondents included companies with a transactional website and/or app, as well as the agencies, vendors and implementers who provide related services and solutions.

Information about the survey, including the link, was emailed to Econsultancy's user base and promoted via social media. The incentive for taking part was access to a free, advance copy of this report just prior to its publication on the Econsultancy website.

Detailed breakdowns of the respondent profiles are included in the *Appendix*.

If you have any questions about the research, please email Econsultancy's Head of Commercial Research Services, Monica Savut (monica.savut@econsultancy.com).

# 1.2. About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy has offices in New York, London and Singapore.

Econsultancy is used by over 600,000 professionals every month. Subscribers get access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription is supported by digital transformation services including digital capability programs, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as running events and networking that bring the Econsultancy community together around the world.

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# 2.   Foreword by Conversion.com

Disruption is on the rise. Industries are changing faster than ever, and the driving force behind this change is experimentation.

The ability to quantify beyond reasonable doubt the impact of any change.

The ability to try new messaging, design, product changes – even pricing.

The ability to test radical changes – without having to commit to them.

But this report has revealed that many organisations still don't rank experimentation as a high strategic priority. For those that have embraced experimentation, the majority see high or very high returns from their efforts. This report shares insights that diagnose the causes of this apparent contradiction, and highlights the challenges organisations can face in embracing experimentation.

**Maturity in experimentation is still limited**

Most organisations still think of experimentation as AB testing the user interface, rather than as a tool for challenging business decisions such as product offering or pricing. As such, few have progressed beyond the basics and into the higher levels of experimentation maturity.

It's clear from this report that organisational structure and politics can often be the biggest barriers to overcome. Organisations struggle to successfully connect the different departments, teams and data silos that need to work together to take experimentation to the next level. Organisations that recognise this are starting to invest in breaking down these barriers and are reaping the rewards of a more unified, mature approach to experimentation.

**Foster a culture of experimentation, from top to bottom**

A common theme amongst recent industry disruptors is a culture and philosophy built from the ground up around experimentation. Failure is embraced as a key step before success and experimentation is the framework that allows failure to be controlled and studied.

Organisations where decisions are made through experimentation are able to move fast and with greater confidence in their actions and the outcomes. Organisations that fail to embrace an experimentation culture are at risk of being eclipsed and left behind.

Senior leadership need to play a driving role by setting experimentation as a strategic priority, actively engaging in experimentation themselves and by ring-fencing budget for experimentation.

**Moving beyond gut-feel to become more strategic**

The core principle of experimentation is to remove the gut-feel from decision making and replace it with scientific certainty.

We've seen through this report though that when it comes to experiment strategy, a significant number of organisations are still relying on gut-feel rather than solid data. If the majority of these gut-feel organisations are already reporting very high returns from the experimentation they are performing, then as these organisations develop in their experimentation maturity and move away from the gut-feel approach, we'd expect to see even greater returns and more valuable strategic insight.

**There has never been a better time to invest in experimentation**

Every day experimentation becomes a little bit easier.

There are now more AB testing platforms than ever before. AB testing functionality is being recognised as an essential feature requirement for any digital tool and this is enabling experimentation in more areas. There are increasing number of agencies offering experimentation, and competition in our space is driving greater innovation.

This report has shown that ecommerce continues to grow and that there is opportunity out there in every direction. Experimentation is the key to unlocking that opportunity and staying one step ahead.



**Kyle Hearnshaw**
**Head of Conversion Strategy**
**Conversion.com**

# 2.1. About Conversion.com

Conversion.com is the largest, specialist testing agency in the UK. They help companies test everything from new messaging and website functionality, all the way through to products and pricing.

Founded in 2007, Conversion.com is a London-based agency who have run experiments with some of the world's most well-known brands. They've added over a billion dollars in additional revenue for their clients, who include the likes of Facebook, Just Eat and Samsung.

Starting by identifying goals and opportunities, before understanding an audience's motivations and objections, they create and test new user experiences all whilst measuring the impact on revenue and conversion rate.

The company's mission is to put experimentation at the heart of every business. Experimentation is changing how individuals and today's fastest-growing companies operate, and they believe they can spearhead that change.

If you'd like to learn more about how Conversion.com can add value for your company, please contact:
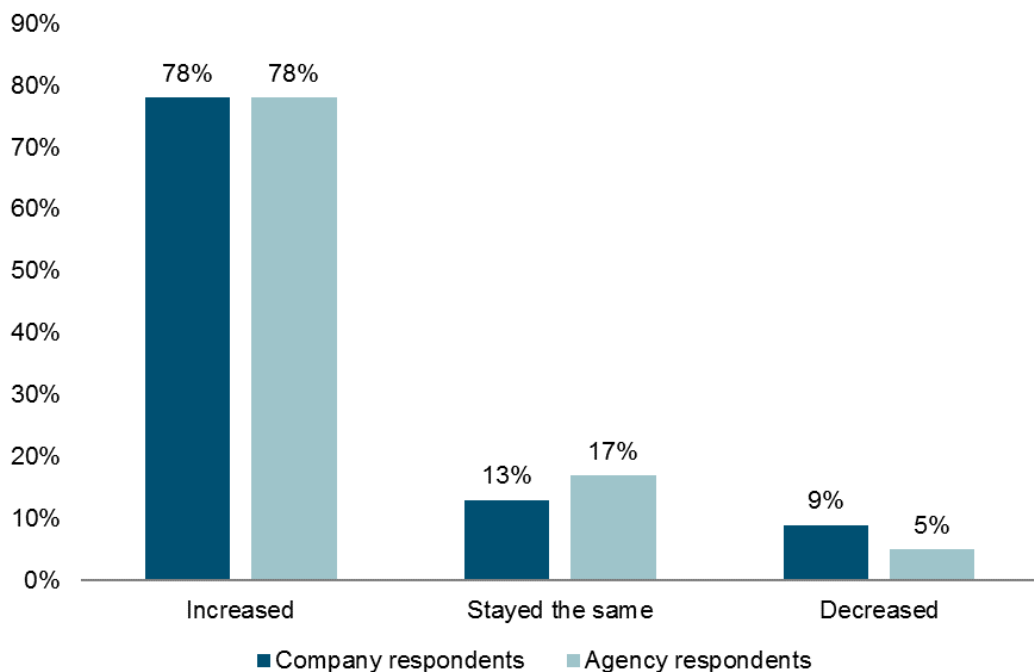
Natalie Mead - natalie.mead@conversion.com

Josh D'Arcy - josh.darcy@conversion.com

# 3. Ecommerce continues to grow strongly

Figure 1: In the last 12 months, how have your (or your clients') ecommerce sales changed?



*Company respondents: 228*
*Agency respondents: 137*

There is a wealth of external market data that shows the buoyant and global nature of online retail.

- On Black Friday alone last year, more than $5bn was spent online just in the United States, according to Adobe[1].
- In China, on Singles' Day, ecommerce behemoth Alibaba sold $1.5bn worth of goods in just three minutes[2].
- According to the IMRG Capgemini eRetail Sales Index[3], £133bn was spent online with UK retailers in 2016, up 16% compared with 2015.

This research study provides more evidence about the strong growth of ecommerce.

- More than three-quarters (78%) of companies surveyed for this study – organisations with a transactional website and/or app – report that their ecommerce revenues have grown in the past 12 months (*Figure 1*). Only 9% say there has been a decrease.
- Meanwhile, the same proportion of supply-side respondents (78%) say their clients' revenues have grown over that timeframe, and only 5% say there has been a decline.
- The steep trajectory of ecommerce growth continues for many businesses. Just over a fifth (22%) of company respondents (i.e. those working client-side) report ecommerce growth of 50% or more in the last year, and 7% say they have more than doubled their online sales (*Figure 2*). The average reported increase is 34%.

[1] https://techcrunch.com/2017/11/24/black-friday-deals-net-640m-in-sales-so-far-mobile-60-of-all-traffic/
[2] http://fortune.com/2017/11/10/alibaba-singles-day-china-sales/
[3] https://www.imrg.org/media-and-comment/press-releases/uk-online-sales-in-2016/

For comparison, overall retail sales are growing only very modestly, if at all. According to October 2017 data from the UK's Office of National Statistics, retail sales were up only 0.9%, while online sales increased year-on-year by 11%, accounting for 17% of all retail spending[4].

Online sales will undoubtedly continue to be a key area of growth for a whole range of businesses, with consumers spending more and more time on connected devices, researching and buying all manner of products online, from groceries to furniture, and cars to holidays.

Figure 2: By how much have your (or your clients') ecommerce sales increased in the last 12 months?
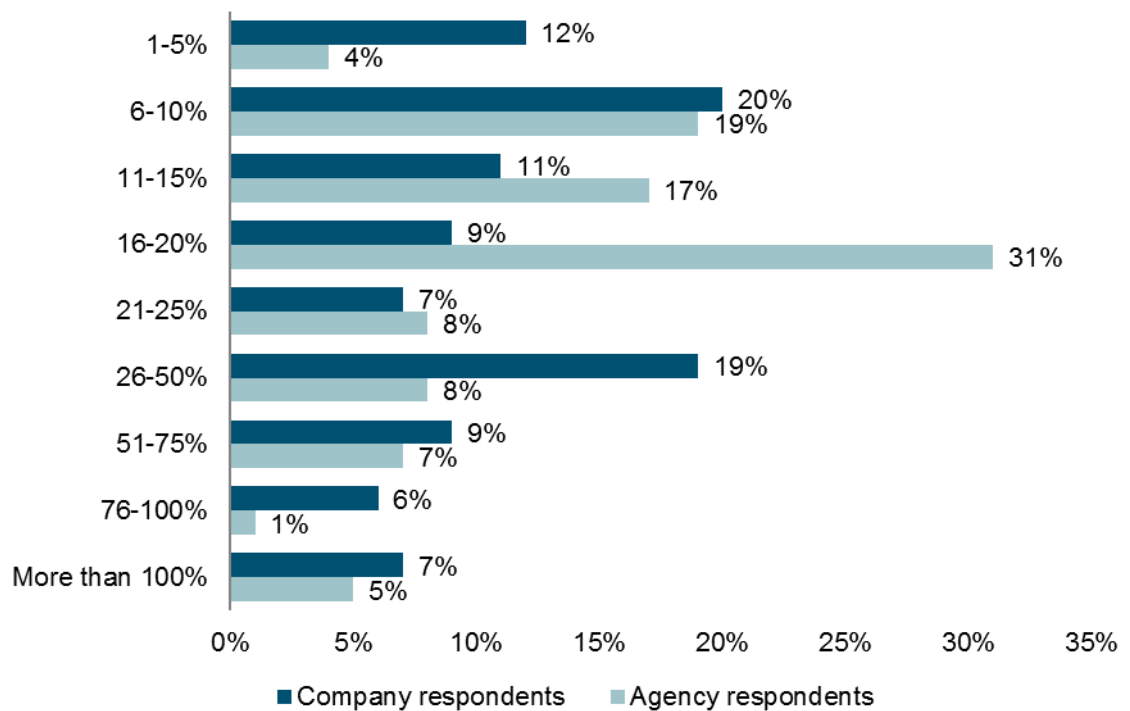


*Company respondents: 151*
*Agency respondents: 93*

But while growth in online sales continues in a seemingly unabated fashion, the world of ecommerce is becoming more and more competitive, with established brands generally having got their act together, and more disruptive start-ups coming up with innovative and compelling propositions. Against this backdrop of opportunity and competition, this report explores the importance of improving and maintaining ecommerce performance through experimentation.

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[4] https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2017

# 4. Companies strive for strategic approach but capability gaps remain

Figure 3: How advanced is your organisation's (or your clients') ecommerce strategy?
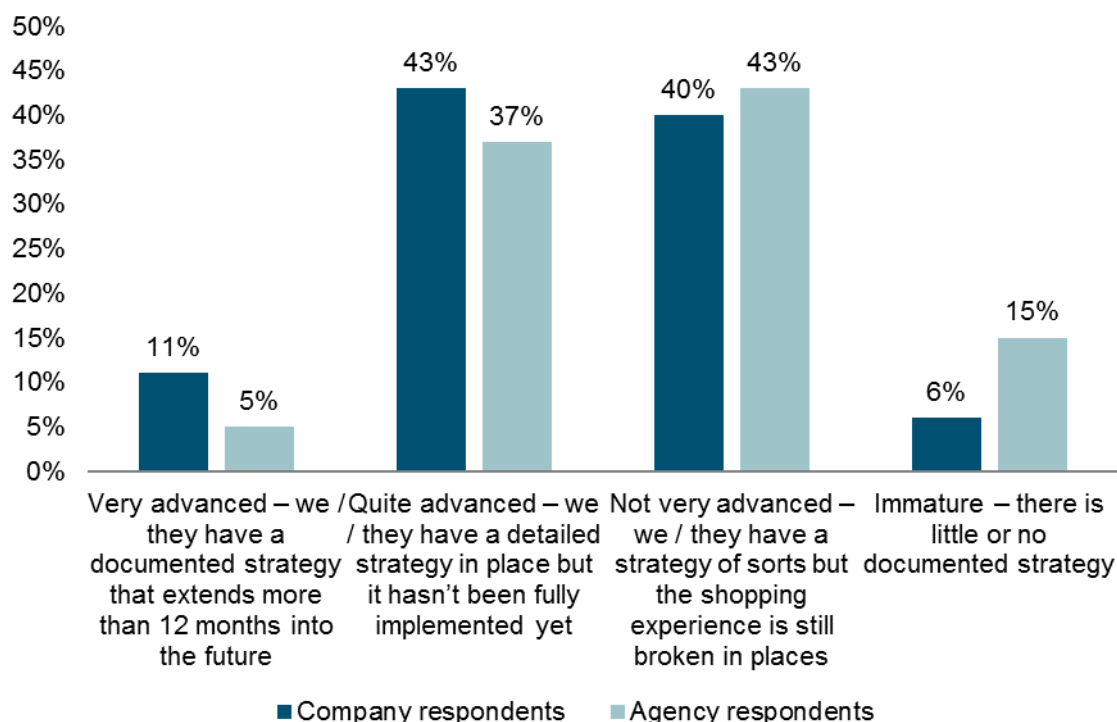


Company respondents: 197
Agency respondents: 113

Ecommerce is no longer the new kid on the block. While a decade ago many companies were still feeling their way with digital channels to market, most established multichannel retailers have now caught up with their pureplay competitors who had stolen a march on them when ecommerce was still relatively immature.

Just over half (54%) of company respondents say their organisations' ecommerce strategy is advanced, with 11% considering it 'very' advanced (*Figure 3*). But while the majority perceive themselves to have reached maturity in their ecommerce capabilities, that still leaves 46% of companies who rate themselves as either 'not very advanced' (40%) or 'immature' (6%). Furthermore, the majority of agency respondents (58%) are of the opinion that their clients have not yet progressed to an advanced level of maturity, and only 5% say they are very advanced.

As well as sales revenue growth, another key benchmark for ecommerce maturity is the quality of experience provided to customers and prospects. Less than a third (30%) of companies claim that their customers rate the shopping experience they provide as 'better than the average' in their sector, while nearly three in five (57%) say it's 'about average'. The challenges that impede progress here will be explored in more detail in *Section 6* of this report.

Figure 4: Compared to competitors, how do you think your customers (or your clients' customers) rate the shopping experience you (or they) provide?
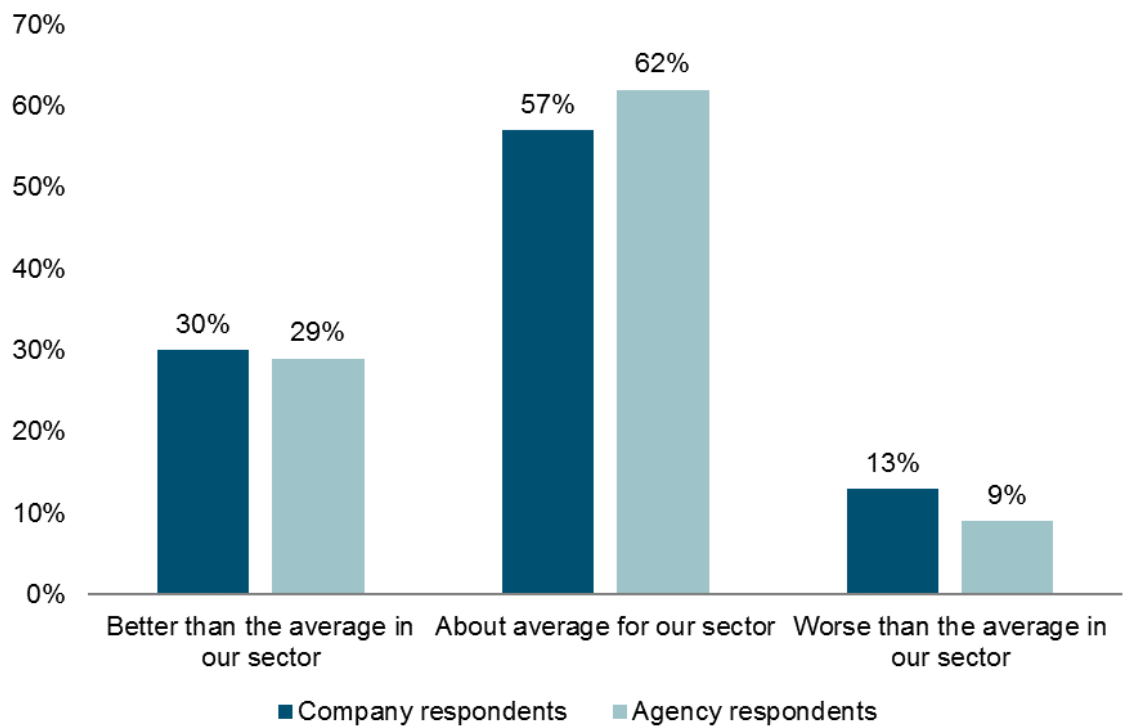


*Company respondents: 197*
*Agency respondents: 113*

Figure 5: Do the offline parts of the business have visibility of how individual customers have engaged with your website (or your clients' websites), i.e. insight into individual customer activity?
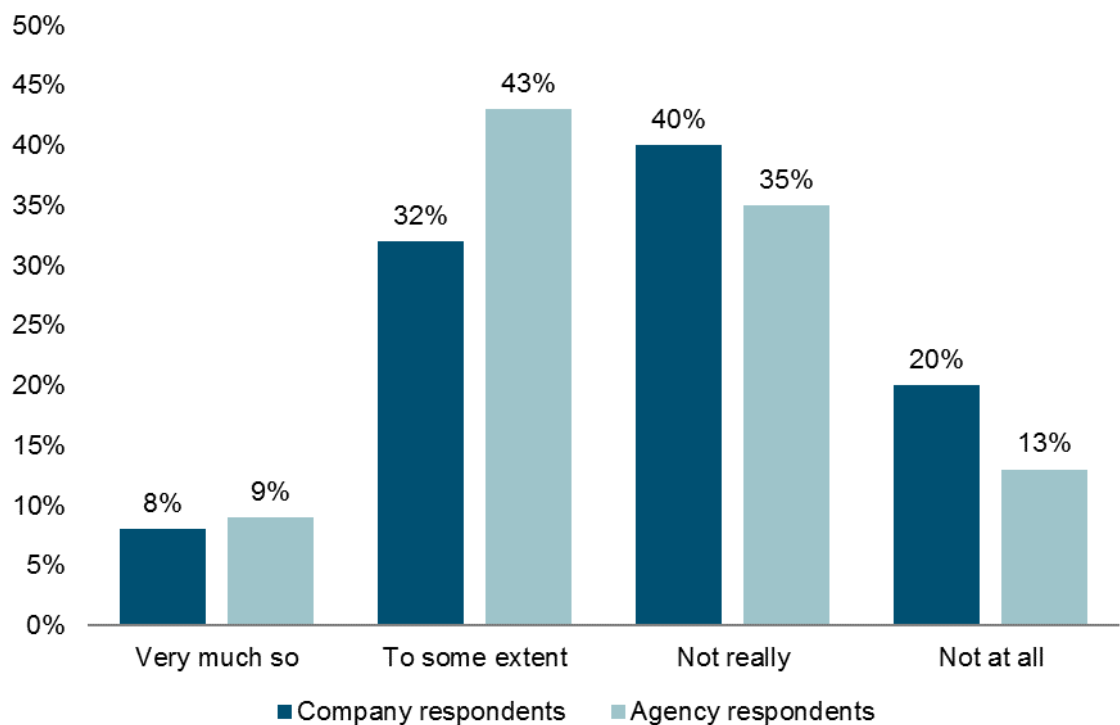


*Company respondents: 133*
*Agency respondents: 96*

Another indicator of ecommerce maturity is the extent to which online and offline parts of the business are truly integrated (*Figure 5*). One way of assessing this is the extent to which information about online customer behaviour is available to offline parts of the business. Less than half (40%) of responding companies say that offline departments have this visibility, compared with 60% who say that this is 'not really' the case, or 'not at all'.
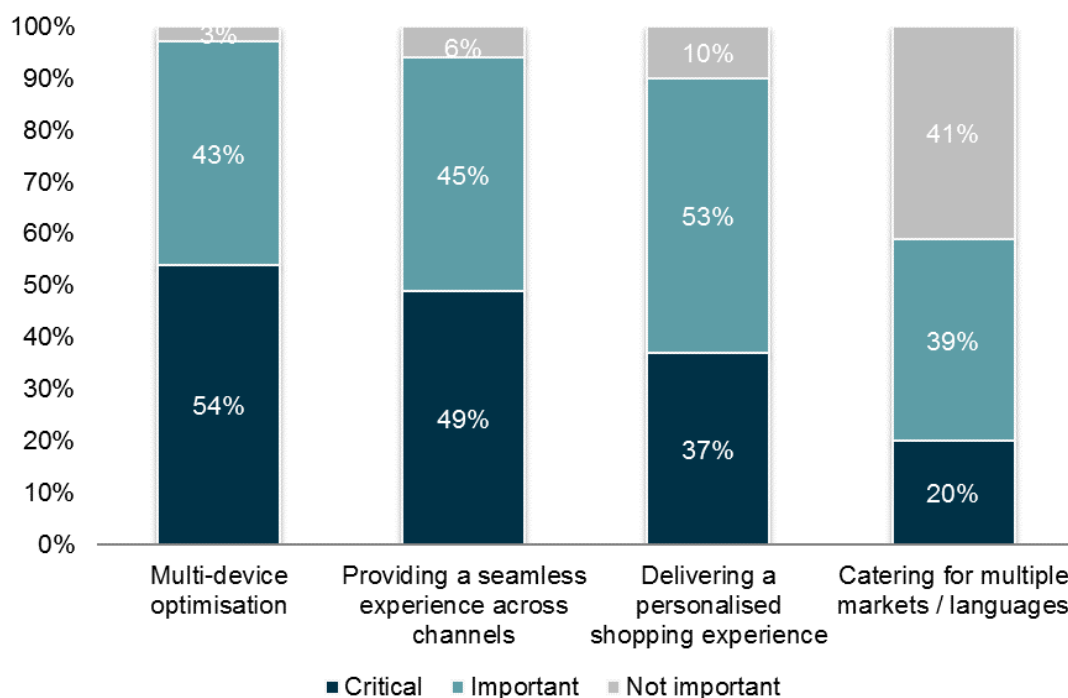
As we shall explore later in the report, many businesses are struggling to break out of a siloed organisational structure, a challenge that can impede the ability to take a truly customer-centric and omnichannel approach.

Company respondents
Figure 6: How important are the following in the context of your ecommerce strategy?



*Respondents: 182*

*Figure 6* shows the extent to which companies are prioritising four different areas, namely *multi-device optimisation*, *providing a seamless experience across channels*, *delivering a personalised shopping experience* and *catering for multiple markets / languages*.

Multi-device optimisation is regarded as the highest priority area, with more than half (54%) describing this as critical and 43% saying it is important. The next highest priority is a seamless cross-channel experience, with just under half of businesses (49%) regarding this as critical. While there is almost universal acknowledgement of the need for frictionless customer experiences across different devices, delivering a personalised shopping experience is less of a priority. Just over a third (37%) give it the top priority rating.

The inference here is that many companies are predominantly focused on doing the basics right, without necessarily seeing personalised experiences as a hygiene factor. Personalisation, which can come in various forms based on both explicit and implicit data, may feel beyond the reach of many companies. Many organisations are struggling to get the right insights relating to both identified or anonymous individuals, and to operationalise these insights with tailored experiences. The lack of visibility relating to individual customer needs is evident in *Figure 7*, which shows that nine in ten respondents *struggle to gain insight into customer preferences and shopping behaviours*.

The good news for companies is that they are already on a natural path towards personalisation if they are engaging in conversion optimisation and experimentation activities. By understanding what works best for certain segments of users in different customer journey scenarios – and optimising accordingly – companies have, in effect, already begun to personalise the experience for their prospects and consumers through the process of segmentation. If the skills to do this internally are not readily available, then agency support is recommended to take the necessary steps towards a more personalised experience.

Company respondents
Figure 7: Thinking about your organisation, please indicate the extent to which you agree or disagree with the following statements.
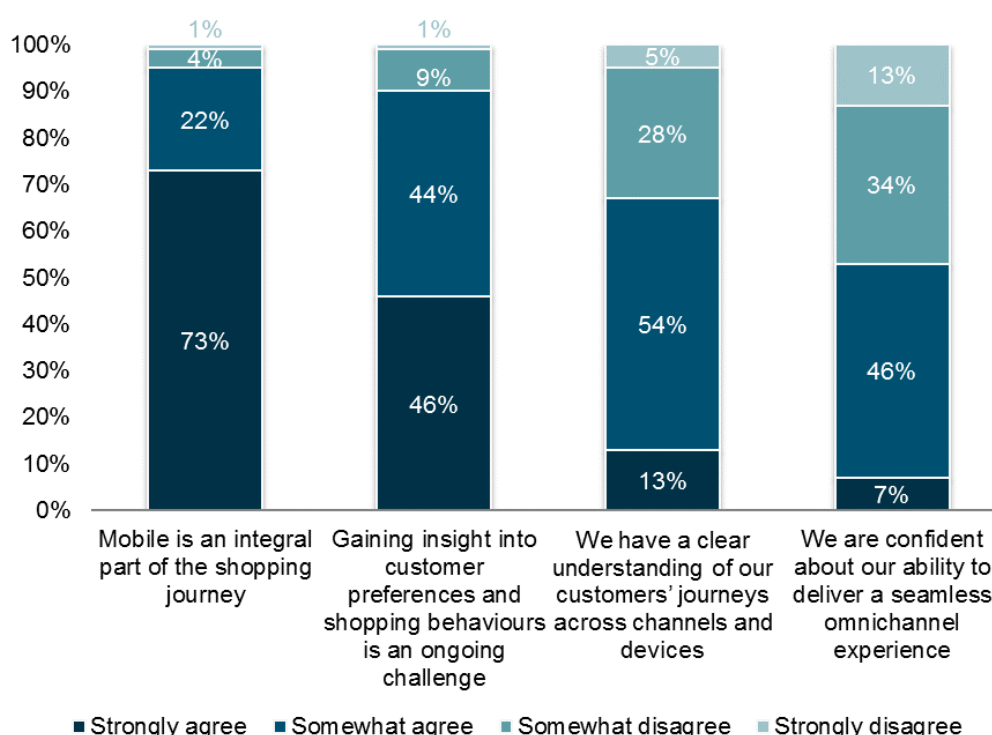


*Respondents: 181*

More encouragingly, this research shows that companies understand the importance of mobile as an *integral part of the shopping journey.* Almost three-quarters (73%) of respondents say they 'strongly agree' that this is the case, and a further 22% somewhat agree. This tallies with *Figure 6* where we saw that multi-device optimisation is a very high priority.

However, while the importance of mobile is widely appreciated, that doesn't mean that companies truly understand how customers interact with them across different touchpoints and devices. Only 13% of client-side respondents strongly agree they *have a clear understanding of customers' journeys across channels and devices,* highlighting the difficulty associated with getting data and clear insights in this area. Meanwhile, only 7% are very *confident about (their) ability to deliver a seamless omnichannel experience,* and this reflects the complexity of meeting customer expectations for a joined-up approach across different touchpoints.

In terms of understanding what is positively or negatively influencing customers on the path to purchase, many retailers appear to be in the dark (*Figure 8*). Respondents are most likely to say they have a 'good understanding' of *what usability issues are most likely to affect the conversion* (31%), or *what types of content make people more likely to buy or convert* (30%). At the opposite end of the spectrum, companies are more likely to have 'limited understanding' or 'no understanding' of *why people abandon the shopping cart / transaction* (82%) or *why visitors leave the site without converting* (85%).

The lack of insight into the barriers to conversion is highlighted by *Figure 9* which shows that only 15% of company respondents claim to have an accurate idea of how much online revenue is lost through site abandonment due to a poor user experience online. The failure to acknowledge and mitigate site abandonment is bordering on the negligent. According to global research by BI Intelligence[5], approximately $4.6 trillion worth of merchandise was left unpurchased in online shopping carts in 2016 alone, with recoverable sales worth an estimated $2.75 trillion.

Company respondents
Figure 8: How well does your company understand the reasons for the following activity?
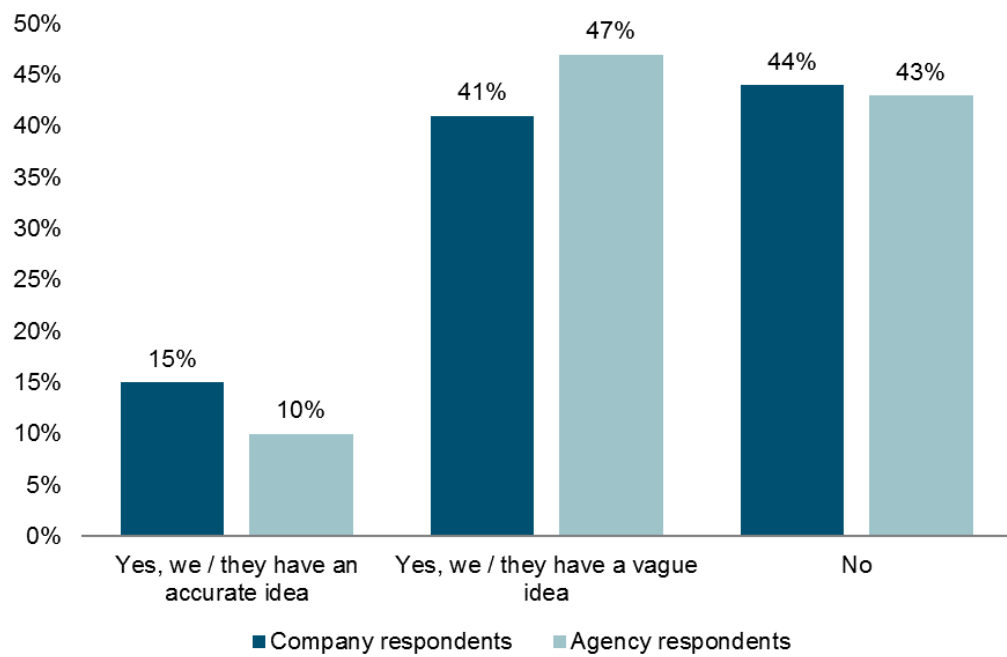


*Respondents: 169*

[5] http://uk.businessinsider.com/shopping-cart-abandonment-merchants-now-leave-46-trillion-on-the-table-and-mobile-is-making-the-problem-worse-2016-11
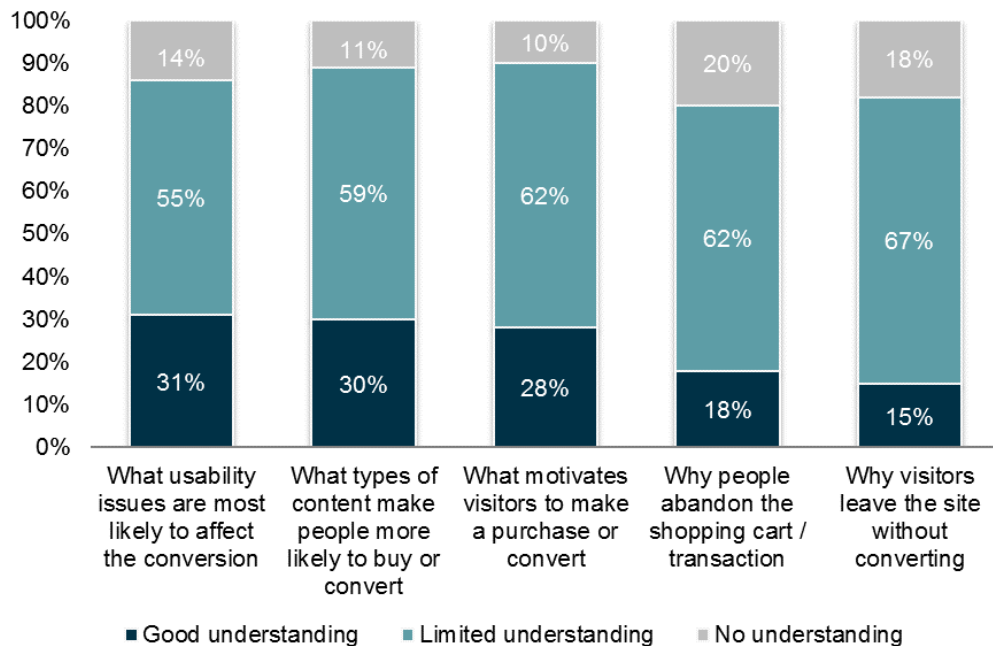
Figure 9: Is your organisation (or are your clients) able to quantify how much online revenue is lost through site abandonment due to a poor user experience?



*Company respondents: 144*
*Agency respondents: 89*

# 5. Experimentation is critical to performance

Figure 10: How would you (or your clients) rate the impact of running experiments/tests on your organisation's (or their) ecommerce performance?
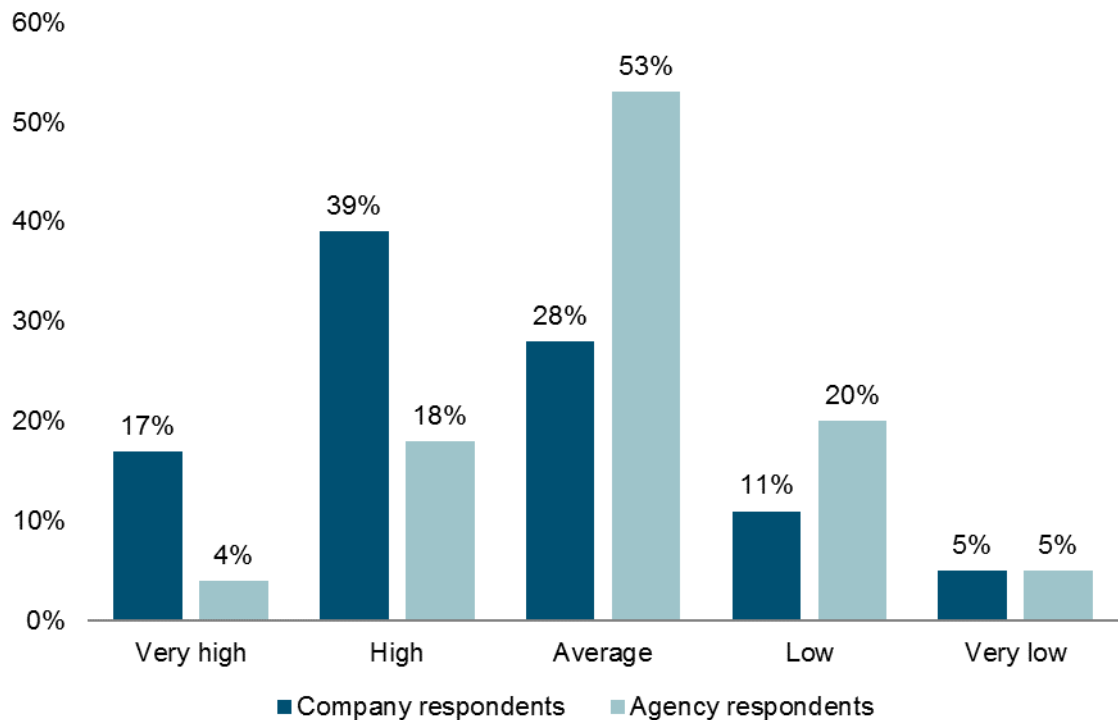


*Company respondents: 144*
*Agency respondents: 88*

It is widely acknowledged that experimentation can be a key business enabler in the modern, cut-throat world of ecommerce, where companies are often marked out as predators or prey depending on their ability to innovate and adapt.

Establishing a platform for consistent and thorough experimentation does not come easily, however. It requires cultural, organisational and technical agility, as well as a willingness to accept temporary setbacks in the broader pursuit of delivering better customer experiences.

The value of using experimentation to drive ecommerce performance is widely acknowledged by survey respondents. Only 16% of company respondents say that the impact of running experiments or tests is 'low' or 'very low', while over half (56%) rate the impact as 'high' or 'very high'.

Agency respondents tend to be more circumspect and reticent towards experimentation than their client-side counterparts. The majority (53%) of supply-side research participants deem its performance impact to be 'average', and only a tiny portion believe their clients are reaping 'very high' gains from the trials they run (4%, versus 17% for company respondents).

Overall, however, it is clear there is broad buy-in among respondents about the case for experimentation, and recognition of the benefits it can have in terms of improving ecommerce performance and driving business strategy.

Company respondents
Figure 11: Experimentation - the gap between expectations and reality



| Collating ideas for testing from across the business makes testing more effective | 88% | 74% | Anyone in the business can contribute ideas for testing |
| Ongoing reporting is a key element of experimentation loops | 95% | 53% | We have and use integrated back-end reporting to assess the impact of our efforts |
| Experimentation should be a structured endeavour, not ad hoc | 94% | 50% | Our experiments follow a sequence and are structured around defined areas |
| Taking a short-term view is no longer acceptable in ecommerce | 91% | 44% | We take the long-term view (more than a year) in all our efforts |
| Senior leadership support is critical to building and sustaining a comprehensive experimentation programme | 96% | 47% | The entire business (including C-level) is invested in regular experimentation |
| Having a dedicated budget for experimentation is critical to long-term ecommerce success | 88% | 39% | We have budget specifically allocated to experimentation over the next 12 months |

■ Expectations    ■ Reality

*Respondents: 160*

Despite broad positivity about the benefits of running experiments, it is apparent that many companies are not yet delivering on their own ambitions. There is a significant gap between expectations and reality.

As shown in *Figure 11*, there is widespread recognition of how experimentation can benefit ecommerce performance, and can impact businesses positively in a variety of ways. However, in all cases, many respondents who understand these advantages have not yet performed specific actions designed to unlock them.

This, in many ways, is a positive. It shows that many companies have yet to reach a certain level of maturity in ecommerce optimisation, and have significant room to progress and improve as they move along the ecommerce experimentation maturity curve. It is evident from the responses that many companies believe they have made progress in laying the cultural groundwork for their teams to benefit from a more open and risk-friendly environment, but have not necessarily 'locked in' this change through systems and processes, or seen a change in ethos filter upwards to business leaders.

A strong majority (74%) believe that, within their companies, *anyone can contribute ideas to testing*. However, only a minority say their entire business, including executive leadership, is *invested in regular experimentation* (47%) or that they have access to *budget specifically allocated to experimentation* (39%). This evidence that business leaders are restricting experimentation and innovation comes in spite of widespread recognition that fiscal and senior executive support are key success factors.

In terms of frameworks, only around half (53%) of respondents *use integrated back-end reporting* to assess the impact of experimentation, or run their tests *in sequence and around defined areas* (50%). Again, this is despite a broad consensus around the importance of these factors.

Figure 12: To what extent does your organisation (or do your clients'
organisations) support a culture of testing and experimentation?
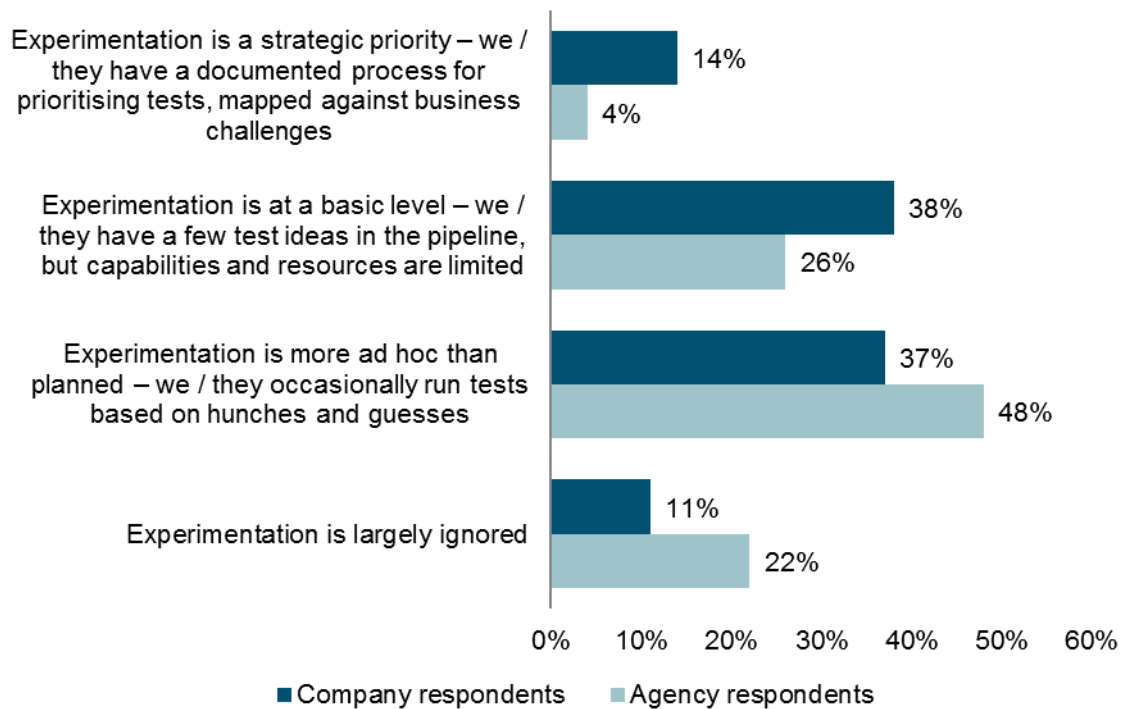


*Company respondents: 149*
*Agency respondents: 93*

The findings shown in *Figure 12* back up the message that many organisations are yet to address
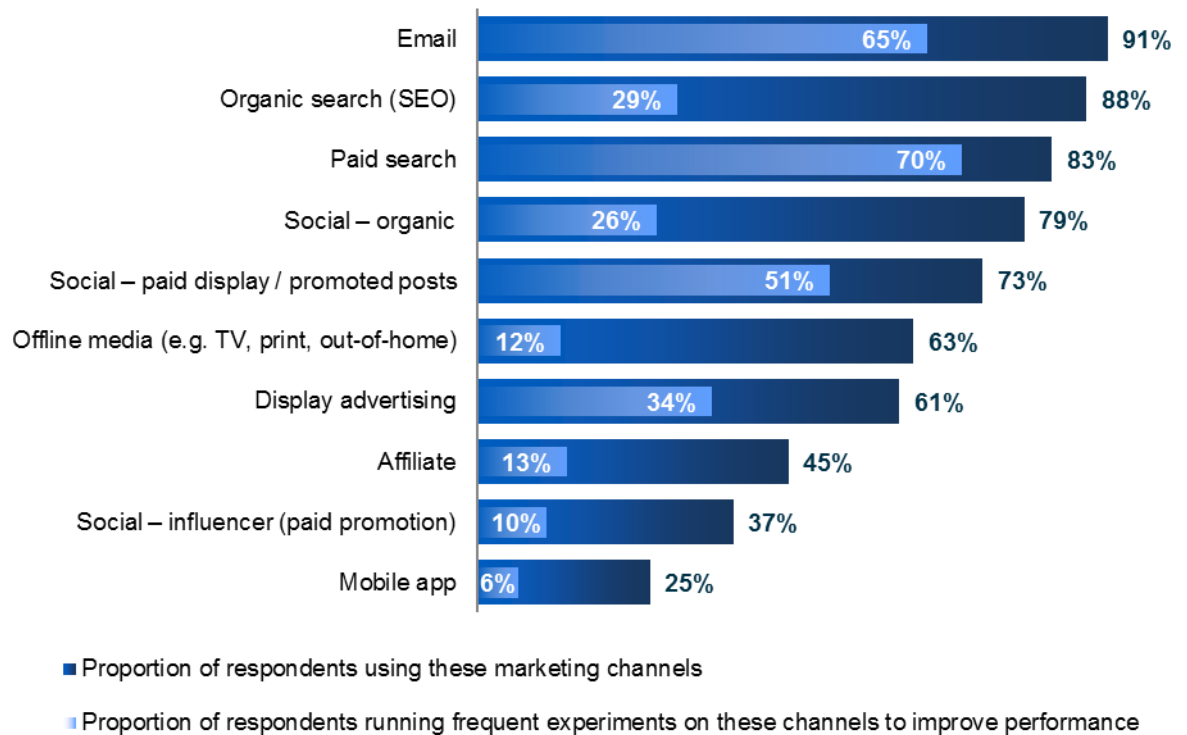the practicalities required to maximise the business benefits of experimentation.

Only 14% of companies surveyed describe experimentation as a *strategic priority,* with a
documented and structured approach to prioritising and mapping tests against business
challenges. The vast majority fall into the bracket of treating experimentation at either *a basic
level*, with ideas often being held on the back burner because of limited resource and capability
(38%), or being carried out on an *ad hoc* basis, where occasional experimentation is occurring but
decision-making is largely unscientific (37%).

Clearly, for a sizeable number of businesses, the lack of management buy-in and financial backing
evident in *Figure 11* remains a significant counterweight to ecommerce innovation.

As noted previously, it is evident that there is less tendency towards experimentation among
supply-side than company respondents. Only 4% of agency respondents believe that
experimentation is a *strategic priority* (4%) for their clients, and more than one in five (22%)
describe it as *largely ignored.*

Company respondents
Figure 13: Use of experimentation on marketing channels

| Channel | Using | Experimenting |
|---|---|---|
| Email | 91% | 65% |
| Organic search (SEO) | 88% | 29% |
| Paid search | 83% | 70% |
| Social – organic | 79% | 26% |
| Social – paid display / promoted posts | 73% | 51% |
| Offline media (e.g. TV, print, out-of-home) | 63% | 12% |
| Display advertising | 61% | 34% |
| Affiliate | 45% | 13% |
| Social – influencer (paid promotion) | 37% | 10% |
| Mobile app | 25% | 6% |

■ Proportion of respondents using these marketing channels

■ Proportion of respondents running frequent experiments on these channels to improve performance

*Respondents: 145*

The upshot of these limitations on experimentation is that many organisations are failing to run frequent experiments on the marketing channels they are using to support sales, and activity tends to be narrowly spread.
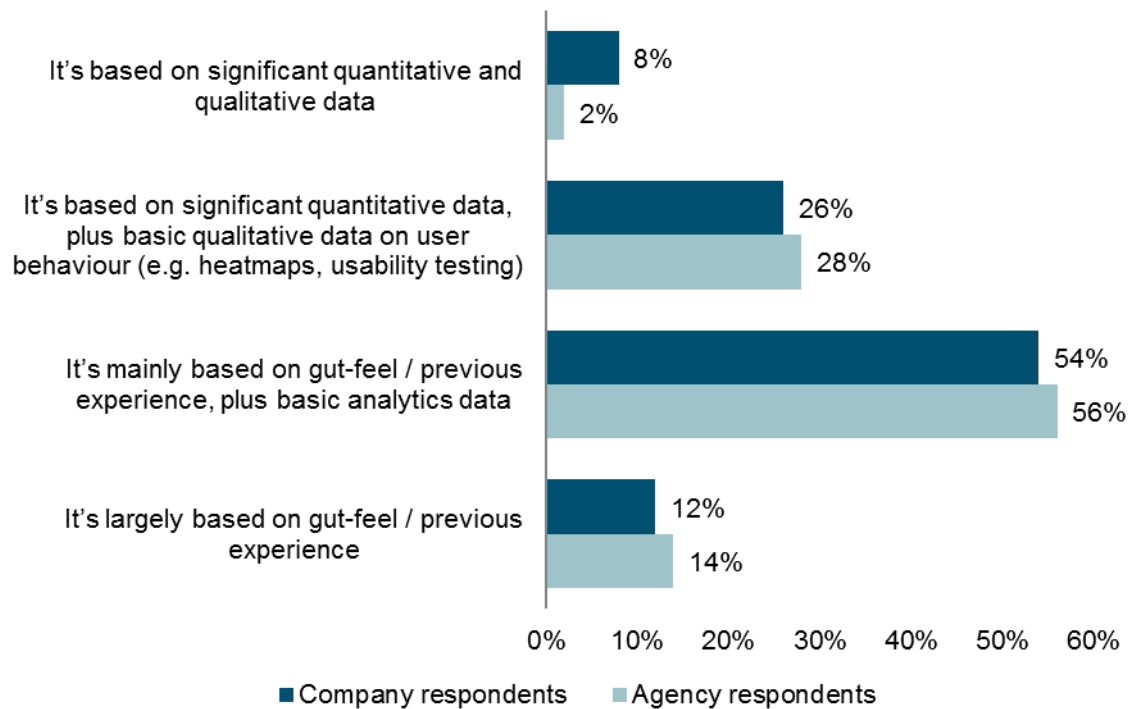
Experimentation is most often used for *paid search* (70%), *email* (65%) and *paid social* (51%). In each of these areas, a majority of respondents perform frequent experiments to improve performance, showing they are seen as the lowest hanging fruit.

Across the other marketing channels covered in the survey, a third or fewer companies run frequent experiments, indicating that many businesses retain significant room to hone their approaches and techniques across these disciplines.

Strikingly, key 'organic' activities such as search engine optimisation (SEO) and non-paid social see relatively little experimentation, despite being very widely used, a sign that results in these less transactional areas can be more nuanced and harder to gauge. In both cases, more than half of survey respondents are using these channels to market to customers, but not running regular experiments to improve how they do so (59% in the case of SEO, and 53% for organic social). This raises clear questions over whether companies are doing enough to make the most of their investments in these channels.

In advertising, digital media's greater suitability for innovation and optimisation is apparent. Respondents are nearly three times as likely to experiment frequently with their display advertising as they are with offline media channels, despite similar levels of overall adoption.

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Figure 14: To what extent does data support experimentation in your organisation (or your clients' organisations)?



It's based on significant quantitative and qualitative data — 8% (Company), 2% (Agency)

It's based on significant quantitative data, plus basic qualitative data on user behaviour (e.g. heatmaps, usability testing) — 26% (Company), 28% (Agency)

It's mainly based on gut-feel / previous experience, plus basic analytics data — 54% (Company), 56% (Agency)

It's largely based on gut-feel / previous experience — 12% (Company), 14% (Agency)

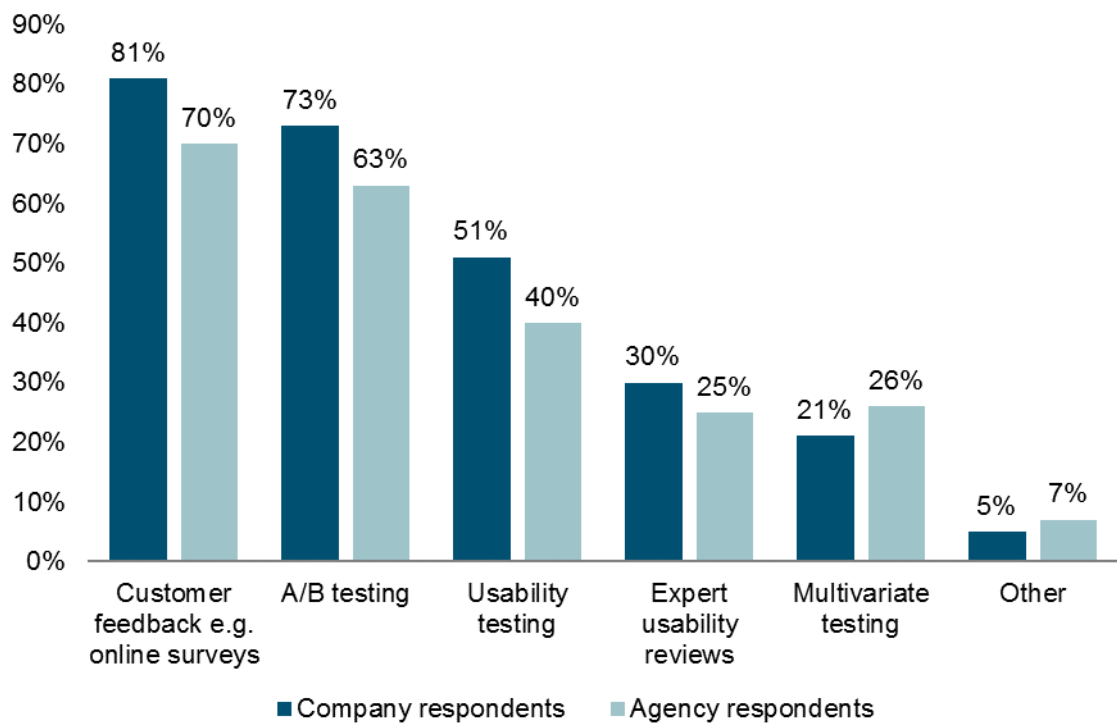■ Company respondents   ■ Agency respondents

*Company respondents: 148*
*Agency respondents: 90*

As well as indicating that many organisations are restricted in terms of the volume of testing and experimentation they conduct, the survey shows relatively low levels of sophistication in many of the experiments they run. As such, it is evident that companies are often basing their ecommerce decisions on limited and imperfect data.

In two-thirds (66%) of all organisations surveyed, experimentation is *mainly based on gut-feel / previous experience, plus basic analytics data*, or merely the former.

Only 8% of client-side respondents, and 2% of agencies, say that *significant quantitative and qualitative data* is used as a foundation for experimentation programmes.

Figure 15: Which of the following do you (or your clients) use for experimentation in order to improve ecommerce performance?
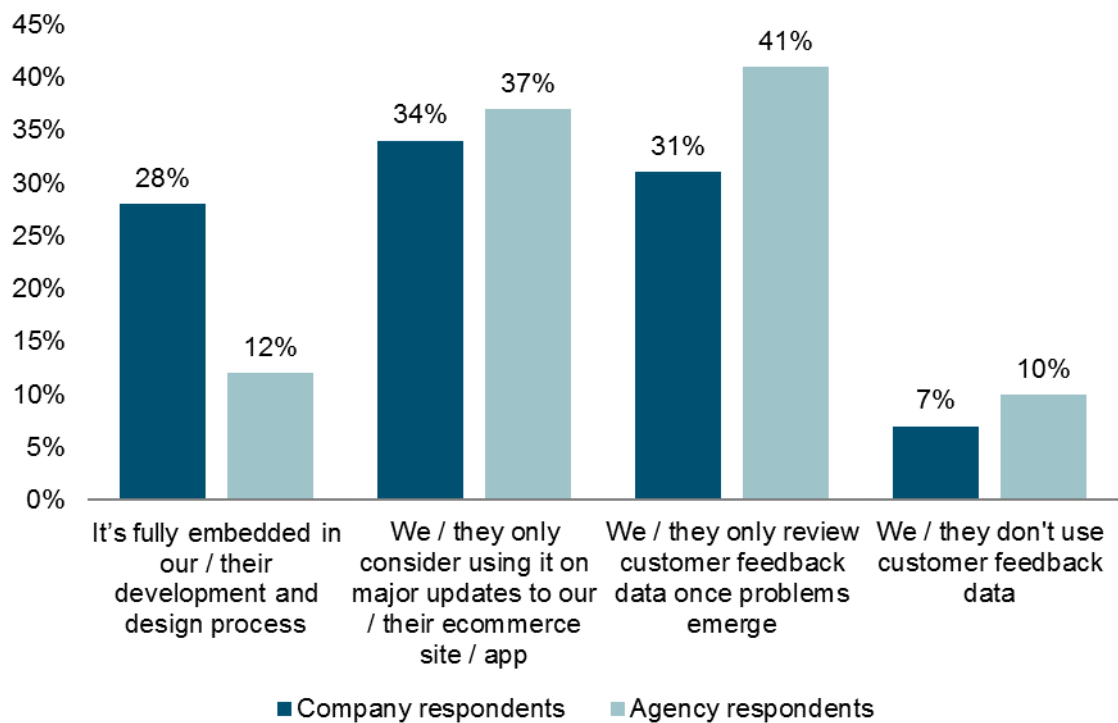


*Company respondents: 155*
*Agency respondents: 91*

As would be expected, considering the constraints on experimentation activity, companies tend to focus their time and resource on the more basic and accessible tools they have at their disposal. But to prioritise testing based on resource rather than outcome will inevitably give only a partial picture of what is going on in terms of customer experience.

Harvesting and analysis of *customer feedback* is the most widely adopted experimentation technique for improving ecommerce performance (81% of company respondents, and 70% of agencies), although many of those organisations use it only irregularly (*Figure 16*). A/B testing has also achieved relatively broad adoption among both companies (73%) and agency clients (63%).

Strikingly, however, only around half (51%) of company respondents, and a minority of agency respondents (40%) cite use of usability testing. Expert usability reviews (30% from the in-company perspective) and multivariate testing (21%) have only penetrated a small proportion of organisations. In all cases except multivariate testing, experimentation techniques have higher adoption in companies than agency respondents suggest.

Figure 16: Which of these statements best describes your organisation's (or your clients') approach to using customer feedback data (e.g. surveys, reviews)?



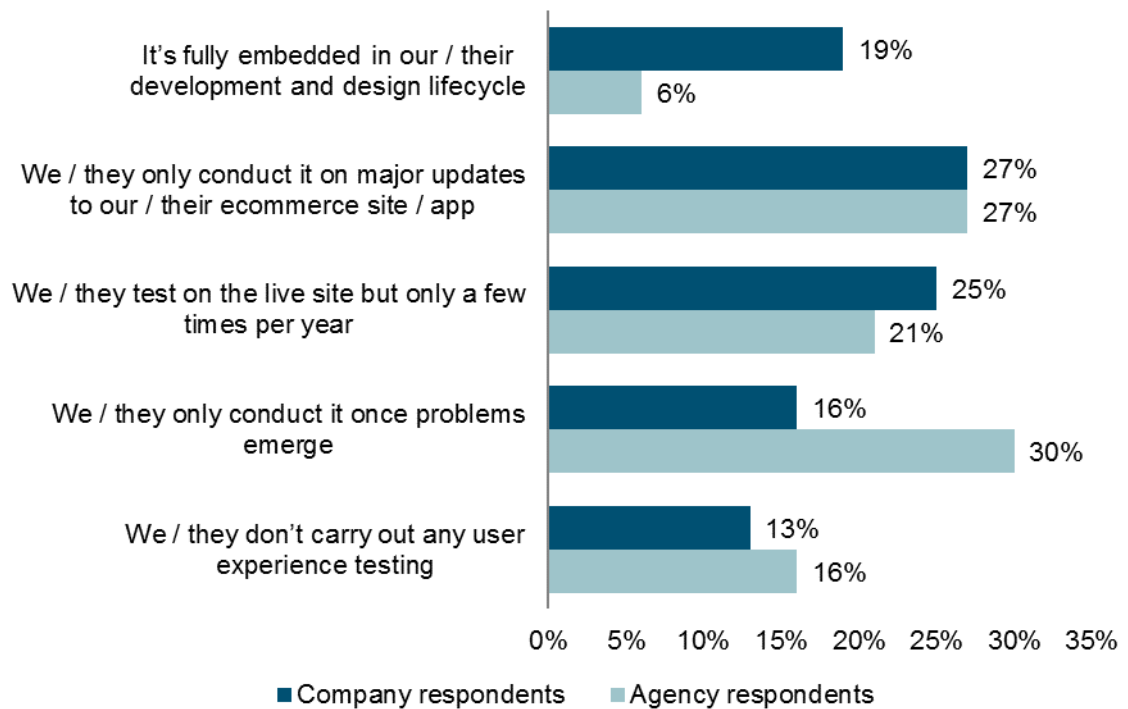*Company respondents: 145*
*Agency respondents: 86*

Although customer feedback data – whether negative or positive – can be a highly valuable font of information for ecommerce organisations, and is the most popular source of insight cited by survey respondents, there is a clear opportunity for it to be used in a more proactive and consistent fashion.

Fewer than one in ten (7%) respondents indicate they *do not use customer feedback data* at all. However, it is *fully embedded into development and design processes* in only 28% of companies (and only 12% of clients through the lens of agencies).

The majority of companies (65%) fall into the bracket of using customer feedback *on major updates to their ecommerce site or app* (34%), or only review customer feedback data *once problems emerge* (31%).

Figure 17: Which of these statements best describes your organisation's (or your clients') approach to user experience testing?



*Company respondents: 146*
*Agency respondents: 91*

There is a similar picture when it comes to user experience testing. Relatively few organisations (19% on the client side) say it is *fully embedded in the development and design lifecycle.*

More than two-thirds (68%) of company respondents merely schedule user experience testing infrequently – *a few times per year* – or when triggered by the emergence of problems or a major update.

Clearly, in a highly complex field, where results can turn by the hour or even minute, it is questionable whether this approach is enough to avoid disconnects developing between the retailer and customer. As noted by many respondents, thorough testing is key to ensure that ecommerce companies are competing effectively and maximising their return on investment.

The agency responses highlight the extent to which companies are being reactive rather than proactive around user experience testing, and only deploying their testing resources when they need to find out what has gone wrong – as opposed to getting ahead of difficulties before they emerge fully. Nearly a third (30%) say their clients *only conduct user experience tests once problems emerge.*

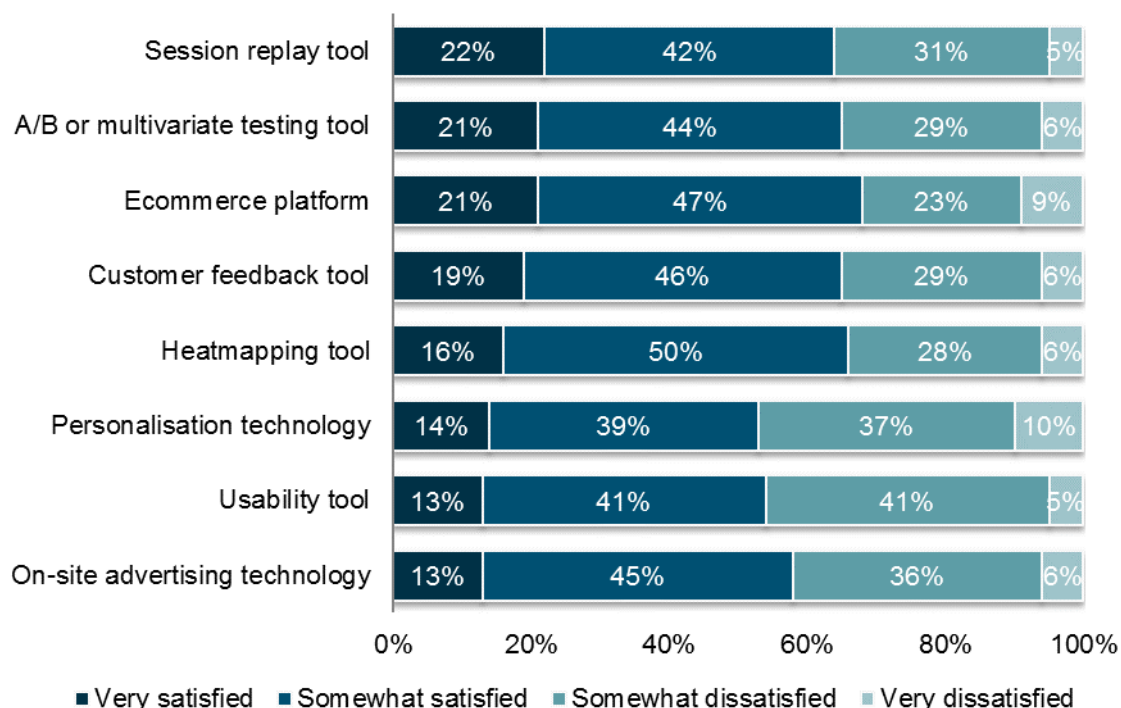# 6. Barriers: technology, resources, budgets and complexity

A variety of barriers relating to technology, resources, budgets and culture can act as a handbrake that slows businesses attempting to accelerate their journey along the road towards ecommerce maturity.

**Technology**

Starting with technology, there are a range of tools that companies need to rely on as part of their efforts to optimise ecommerce activities, but it is clear from *Figure 18* that software isn't always fit for purpose.

Company respondents
Figure 18: How satisfied are you with these types of technology in terms of allowing you to improve performance?



| | Very satisfied | Somewhat satisfied | Somewhat dissatisfied | Very dissatisfied |
|---|---|---|---|---|
| Session replay tool | 22% | 42% | 31% | 5% |
| A/B or multivariate testing tool | 21% | 44% | 29% | 6% |
| Ecommerce platform | 21% | 47% | 23% | 9% |
| Customer feedback tool | 19% | 46% | 29% | 6% |
| Heatmapping tool | 16% | 50% | 28% | 6% |
| Personalisation technology | 14% | 39% | 37% | 10% |
| Usability tool | 13% | 41% | 41% | 5% |
| On-site advertising technology | 13% | 45% | 36% | 6% |

*Respondents: 130*

Across a broad range of technologies used to improve performance, less than a quarter of respondents are 'very satisfied' with their tools. Among the worst offenders are *usability tools* and *on-site advertising technology* which rank at the bottom of the list, with only 13% of respondents saying they are 'very satisfied'.

However, companies are most likely to have negative experiences with their *personalisation technology*, with almost half (47%) reporting dissatisfaction with this type of tool. Challenges experienced by businesses in the context of this type of technology can relate to difficulties synchronising systems of record (for example CRM systems or customer data platforms) and systems of engagement (for example content management systems or marketing automation platforms). Companies can also be hindered by a lack of customised content for different segments or personas, which can render the technology redundant.

Respondents are most likely to be satisfied with their ecommerce platforms, with more than two-thirds of companies (68%) saying they are 'very' (21%) or 'somewhat' (47%) satisfied. *Session replay tools* are the type of technology where respondents are most likely to be 'very satisfied' (22%). This software can be a great way of identifying sticking points in the customer journey, though viewing videos of users on your site can be time-consuming. *A/B or multivariate testing* tools are also seen relatively positively, and this software has historically been very highly rated by respondents taking part in Econsultancy's annual Conversion Rate Optimisation[6] survey.

### Resources

Another barrier to optimisation can be the lack of staff to manage ecommerce sites. Over two-fifths (43%) of those surveyed have less than five people managing their ecommerce site (excluding fulfilment and logistics). Agency respondents report smaller numbers of staff in their client teams, and this is likely to be because smaller teams are more likely to require help from third parties such as agencies and consultancies.

It is testament to the size of the ecommerce industry that a quarter (25%) of all companies surveyed now have more than 20 employees dedicated to their ecommerce sites.

Figure 19: How many staff do you / your clients have managing your / their ecommerce site (excluding fulfilment and logistics)?



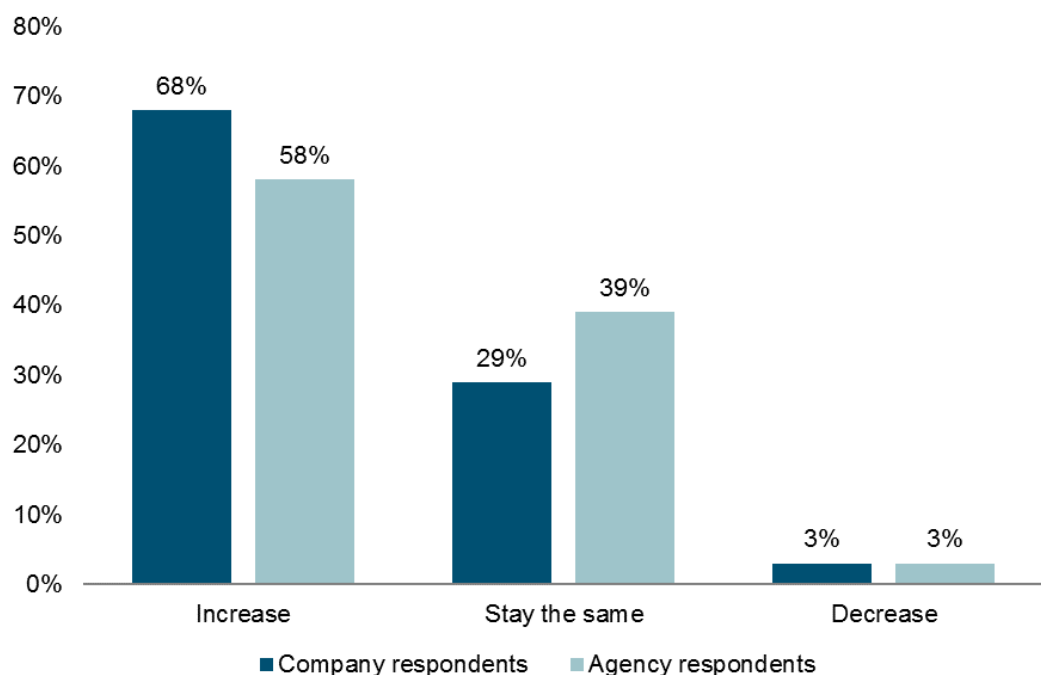*Company respondents: 131*
*Agency respondents: 82*

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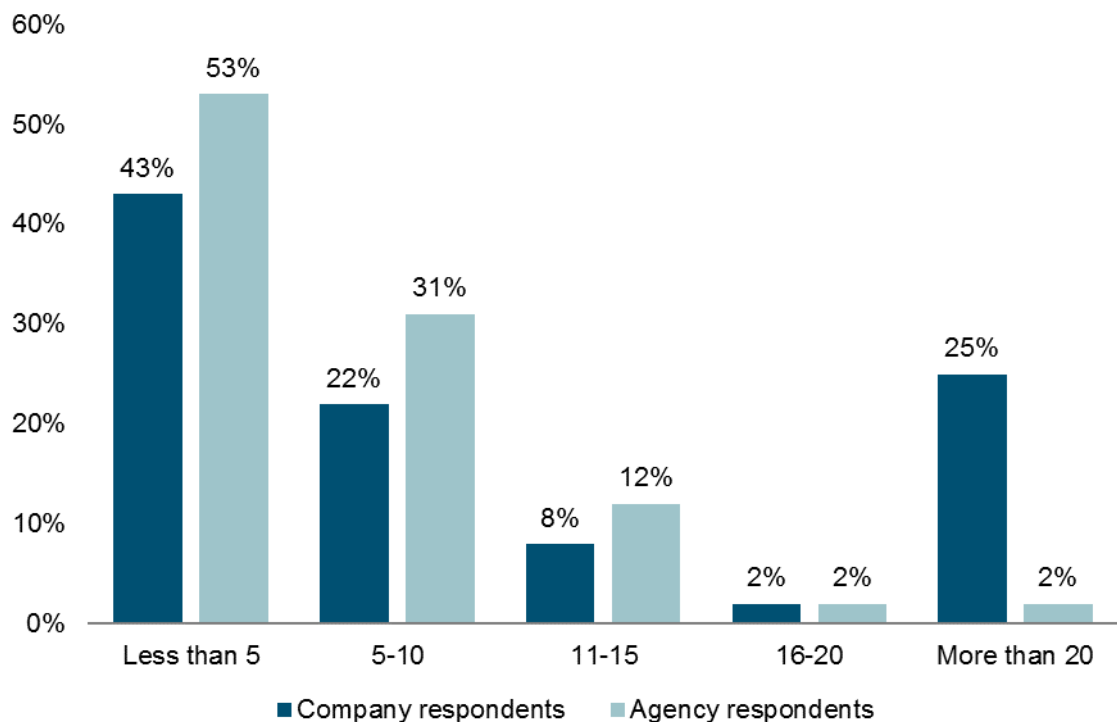
## Budgets

It was seen in *Figure 11* (*Section 5*) that the overwhelming majority (88%) of company respondents believe that having a *dedicated budget for experimentation is critical for long-term ecommerce success*. There is widespread acknowledgement that a failure to do so can significantly hinder their prospects of success, and this is borne out by *Figure 20* which shows that companies are budgeting in a way that shows they mean business.

Almost seven in ten (68%) companies plan to increase their ecommerce budget over the coming year, while 29% will maintain the same level of investment. Only 3% of responding companies are planning to decrease their ecommerce budget over the coming year. On average, company respondents expect ecommerce budgets to increase by 24%, though the figure drops to 18% from the perspective of agency respondents who are slightly less bullish about the extent to which budgets will increase.

A report[7] published by Forrester in 2015 predicted that US companies would nearly double their ecommerce technology spending between then and the end of the decade. The analyst firm said that spending would grow at an average rate of 12%, from $1.2 billion in 2015 to $2.1 billion in 2019, representing overall growth of 75%.

The report said that some of this spending will be driven by companies upgrading existing technology, including those that are using in-house commerce tools.

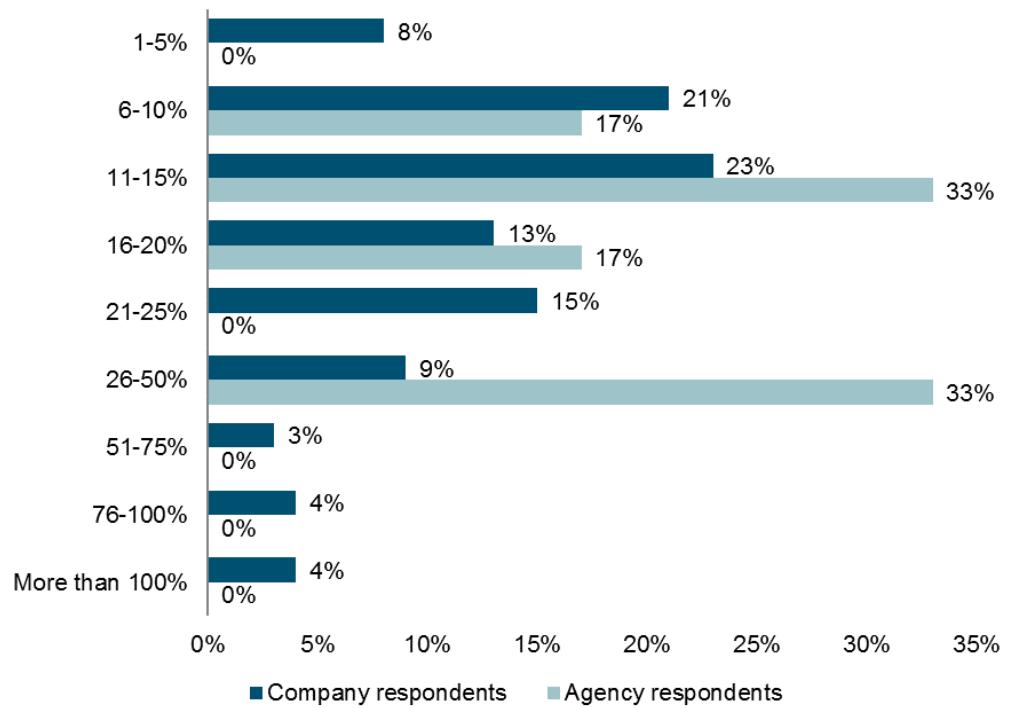Figure 20: How will your organisation's (or your clients') ecommerce budget change over the coming year?



*Company respondents: 131*
*Agency respondents: 82*

Figure 21: By how much do you expect your organisation's (or your clients')
ecommerce budget to increase?



Company respondents: 80
Agency respondents: 40

While *lack of budget / resources for experimentation and optimisation* can clearly be a significant hurdle to overcome, it is only fourth in the pecking order of challenges, according to company respondents.

The most significant barriers to delivering an optimal ecommerce experience are *complexity of business* (59%), *business culture* (37%) and *organisational structure* (36%).

Figure 22: What are the main barriers your organisation faces (or your clients face) in trying to deliver an optimal ecommerce experience?
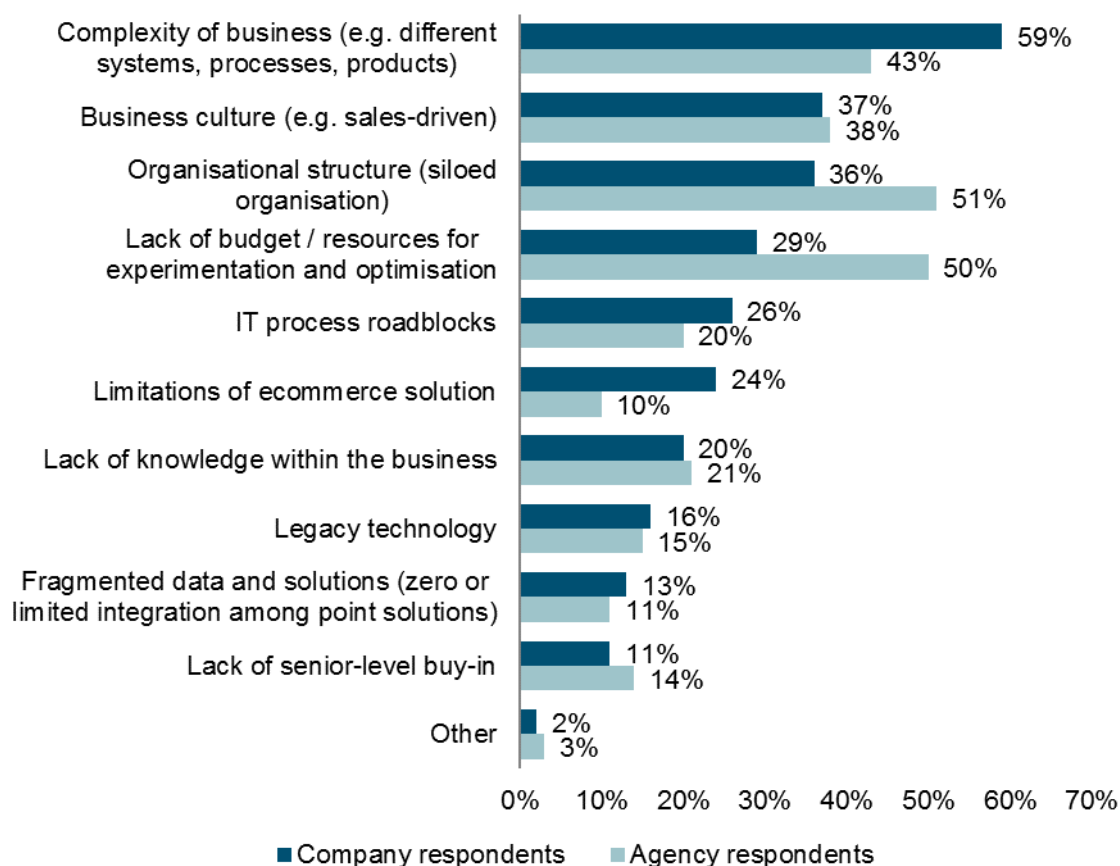
Methodology note: Respondents could check up to three options.

**Ecommerce complexity**

For many businesses, ecommerce activities have become a highly complex and critical part of their operational activities. A large part of the complexity relates to the need to integrate online retail data and operations with other parts of their business – for example merchandising, 'offline' CRM systems and supply chain management – as they strive for a more multichannel or even omnichannel approach to business.

Another important element of ecommerce complexity is the need to manage a whole raft of third-party technologies that underpin ecommerce operations. While some smaller businesses may be able to plug in a relatively simple transactional storefront, large businesses will need a broader array of vendors as part of a wider solution that requires implementation and optimisation by a third-party integrator.

The difference between a multichannel and omnichannel business ultimately boils down to whether retail businesses have integrated their retail channels, rather than offering products

across multiple but siloed channels including in-store, online, mobile and apps. Moving to a more omnichannel approach is a huge undertaking for businesses that have evolved with separate offline and online channels, and the difficulties are exacerbated by companies operating in different markets and different languages.

A closely related challenge to complexity is *organisational structure (siloed organisation)*, an obstacle to success cited by more than a third (36%) of client-side respondents as a top-three barrier. From the perspective of supply-side respondents, this is in fact the foremost barrier to an optimal ecommerce experience (cited by 51% of research participants), closely followed by lack of budget/resources for experimentation and optimisation (50%).

These challenges are often more evident to outside parties looking in, than they are to people within a business who are less likely to acknowledge or appreciate these problems. Company respondents may be less likely than their supply-side counterparts to know 'what good looks like', i.e. to have had the benefit of working with organisations that are blessed with the right organisational setup and decent investment in experimentation and optimisation.

While barriers that are explicitly technology-related do not feature among the top four challenges cited by either client-side or agency respondents, there is still certainly evidence of issues relating to tech deficiencies.

More than a quarter (26%) of respondents cite *IT process roadblocks* as a top-three challenge, while 24% indicate that *limitations of ecommerce solution* are among their biggest issues. Meanwhile, *legacy technology* is cited by 16% of respondents. The harsh reality is that the very technology that is meant to be an enabler of a better ecommerce experience can end up as a millstone weighing down the organisation. Legacy solutions can restrict the ability of companies to prototype and then launch ecommerce solutions that drive a consistent and mobile-friendly experience across channels.

While companies can benefit from third-party solutions, the complexity of ecommerce operations – including the need to integrate thoroughly with different parts of the business – means that retailers need to make huge investments in their tech capabilities.

In 2016, Walmart paid $3.3 billion to acquire ecommerce startup Jet.com, in a deal widely seen as an 'acqui-hire'. At the time, the deal was viewed with much scepticism by commentators, though, a year later, there is evidence that the deal is adding value for shareholders[8].

Eyebrows were similarly raised in 2012 when Marks & Spencer announced that it was investing £150m in a new ecommerce technology platform. While M&S undoubtedly experienced some initial teething problems[9], in May 2016 the retailer revealed a 23% increase in full-year web sales.

As these real-life examples show, the reality is that ecommerce technology is enormously strategic for businesses, and an expensive endeavour that can result in huge organisational challenges. For those companies that do make the investment – whether predominantly through homegrown technology or third-party solutions – it is crucial that there is a continual process of experimentation and optimisation to get full value from technology.

[8] http://uk.businessinsider.com/walmart-stock-price-jet-acquisition-one-year-later-2017-10?r=US&IR=T
[9] https://econsultancy.com/blog/65244-where-did-the-marks-spencer-website-relaunch-go-wrong

# 7. The future – in the long and short term

Figure 23: Which of the following does your organisation / do your clients plan to experiment with by 2020?
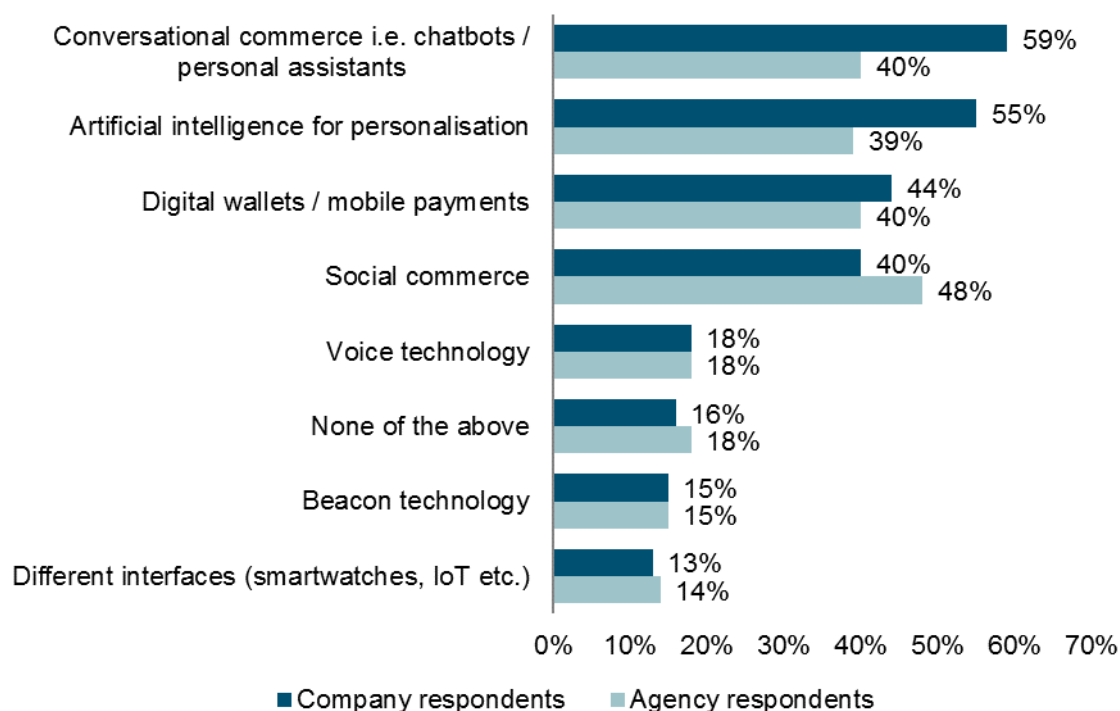


Company respondents: 121
Agency respondents: 80

Companies face a balancing act in trying to optimise performance as effectively as possible in the here and now, while also ensuring that they are experimenting and innovating in response to technological trends that are changing customer behaviour irreversibly.

Asked about their plans for experimentation in relation to a range of technological and consumer trends (*Figure 23*), companies are most likely to be planning for *conversational commerce*, a term that describes the trend towards engaging in dialogue with consumers on messaging apps, most obviously through chatbots that help steer them towards a purchase. Around six in ten (59%) companies say that this is on their radar.

There is no shortage of examples of companies harnessing chatbot technology, including Uber enabling customers to hail a ride from Facebook Messenger, and Pizza Hut and Domino's trying to make it easier for people to order takeaways[10].

*Artificial intelligence for personalisation* is the trend next most likely to be on the agenda for businesses, with 55% of company respondents pointing to forthcoming experimentation here. As the competition to provide the best possible customer experience intensifies, companies are striving to make the experience as personalised as possible, deploying machine learning to help ensure they provide the most relevant content and calls to action at the right time.

[10] https://www.econsultancy.com/blog/68046-five-pioneering-examples-of-how-brands-are-using-chatbots

*Digital wallets / mobile payments* (44%) and *social commerce* (40%), respectively, are third and fourth in the pecking order for client-side respondents though social commerce is, in fact, the area of experimentation most likely to be highlighted by agency respondents (48%).

Surprisingly, fewer than a fifth (18%) of companies are planning to experiment with *voice technology*, even though this is a hugely important consumer trend already impacting how we research and buy products. This trend is only set to accelerate as the likes of Google, Amazon and Apple focus on voice-related technology and services, and the accuracy and user friendliness of virtual assistants improve.
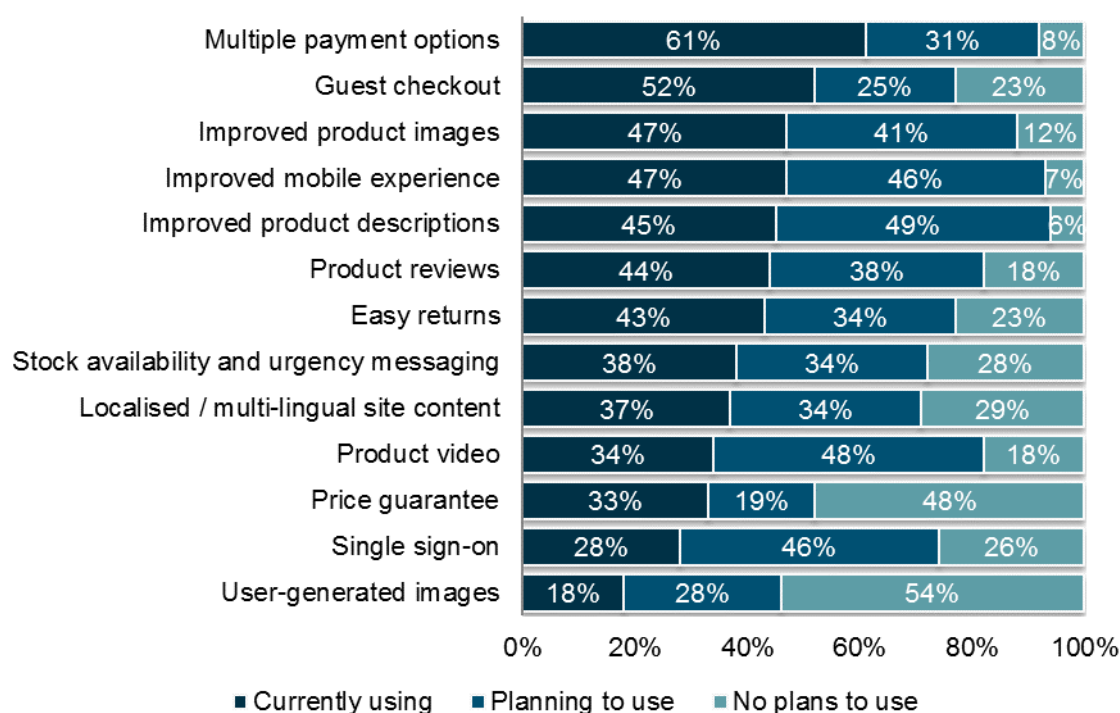
Voice technology was among the trends called out in Mary Meeker's influential 2017 Internet Trends report[11] released in May 2017. As cited in her study, 20% of Google mobile searches in 2016 were made using voice, while 70% of requests made to Google's assistant (GOOG) are 'natural' or made in 'conversational language'.

Though experimentation here is low, we have already seen that conversational commerce is on the radar for the majority of companies, a trend that can incorporate voice search even if its main focus currently is typed messaging and commands on chatbots and messaging apps.

In the short term, as can be seen in *Figure 24* (what companies are 'planning' to use to drive improved ecommerce performance), just under half of company respondents intend to focus on using *improved product descriptions* (49%), *product video* (48%) and *single sign-on* (46%), or delivering an *improved mobile experience* (46%).

Company respondents
Figure 24: Which of the following is your organisation using or planning to use to drive improved ecommerce performance?



| | Currently using | Planning to use | No plans to use |
|---|---|---|---|
| Multiple payment options | 61% | 31% | 8% |
| Guest checkout | 52% | 25% | 23% |
| Improved product images | 47% | 41% | 12% |
| Improved mobile experience | 47% | 46% | 7% |
| Improved product descriptions | 45% | 49% | 6% |
| Product reviews | 44% | 38% | 18% |
| Easy returns | 43% | 34% | 23% |
| Stock availability and urgency messaging | 38% | 34% | 28% |
| Localised / multi-lingual site content | 37% | 34% | 29% |
| Product video | 34% | 48% | 18% |
| Price guarantee | 33% | 19% | 48% |
| Single sign-on | 28% | 46% | 26% |
| User-generated images | 18% | 28% | 54% |

*Respondents: 128*

[11] http://www.kpcb.com/internet-trends

In terms of current usage, companies are most likely to offer *multiple payment options* (61%) and *guest checkout* (52%) in a bid to improve ecommerce performance.

The importance of multiple payment options is a drum that Econsultancy has been banging for many years in our attempts to help companies to maximise conversions, for example as detailed in a blog post by former Econsultancy editor Graham Charlton as far back as 2009[12].

Similarly, we have long advocated that the advantages of guest checkout in reducing friction in the journey to purchase outweighs the benefits of new registrations. However, companies can get the best of both worlds by allowing guest checkout in a way that doesn't present a barrier to transaction[13] by being obligatory or too onerous, while also explaining clearly the advantages of registration.

*Improved product images*, already used by 47% of companies and on the radar for a further 41%, are becoming increasingly important. Tips for making these visuals more effective include making them larger, showing products from different angles, making images zoomable and – perhaps most importantly – making them mobile-friendly[14].

[12] *https://econsultancy.com/blog/3781-e-tailers-need-to-offer-more-payment-options-survey/*
[13] *https://econsultancy.com/blog/64385-how-to-attract-registrations-without-creating-a-barrier-to-checkout*
[14] *https://econsultancy.com/blog/63153-15-tips-for-making-your-product-images-work-harder*

# 8. Tips for improving ecommerce performance through experimentation

1. **Experimentation goals should be strategic, not just tactical.** Every business needs to start somewhere when it comes to ecommerce experimentation. Some relatively basic A/B testing to improve conversion rates is a good starting point to demonstrate the value of a test-and-learn approach to the business. It is important to have clear goals for your experimentation, for example by focusing on specific metrics and key performance indicators (KPIs) that you are trying to improve, and then measuring the impact over a long enough timeframe to ensure that any improvement or decline in performance is not just a blip. Experimentation should also seek to address specific business challenges, with the ultimate aim of trying to drive the strategic direction of the business through experimentation, rather than simply being tactical and ad hoc.

2. **Create a culture of experimentation.** While testing and experimentation are likely to be driven initially by one or two people in the digital and ecommerce team, companies should strive for an organisation-wide approach to experimentation that involves people from across the business. A collaborative approach is likely to be more effective in the long run, to ensure that experimentation doesn't just happen in a particular business silo. Qualitative input from colleagues in customer-facing roles can be a great way of surfacing specific pain points in the customer journey. Employees need to be encouraged to collaborate, and rewarded for doing so. Experimentation needs to be rooted in empirical data, with senior employees aware of the dangers of the HiPPO effect whereby decisions are based on the 'highest paid person's opinion'.

3. **Focus on the 'why' as well as the 'what'.** Although effective experimentation is predominantly about people and culture, companies must ensure that they embrace a range of tools and techniques to get the most from their ecommerce testing programmes. Digital analytics such as site traffic and browsing data are a great way to understand 'what' is happening on your web properties, but this information needs to be used in conjunction with more qualitative information elicited from heatmaps, session replay tools and on-site or even offline customer satisfaction surveys. Companies should ultimately strive to develop an iterative and sequenced approach to experimentation which uses the right mix of tools and techniques to generate actionable insights.

4. **Ringfence ecommerce budget for experimentation.** Investment in an ecommerce platform that is fit for purpose can boost a company's chances of online and indeed multichannel retail success, though technology is rarely a silver bullet on its own. Companies must ensure that they set aside the resources to develop and maintain strategic experimentation activities. They should seek to nurture their employees to ensure that they are developing the right technical and data-driven capabilities among their staff, while also nurturing team members to improve their softer skills to facilitate collaboration across the business. Team members also need a good understanding of overall commercial objectives to ensure that experimentation is ultimately driven by strategic business goals. As well as investing in people, budget needs to be set aside for the analytics and testing tools that are a prerequisite for success.

5. **Find the right agency.** Consider employing an agency to get you on the right experimentation path, or to take your programmes to the next level if you have already committed to a test-and-learn approach to ecommerce. Specialist conversion rate optimisation agencies are able to call upon their experience from working across an array of different business sectors, and are likely to bring a fresh perspective on the challenges that can limit experimentation success. External consultants are also in a stronger position to benchmark performance and understand what kind of aspirations are realistic and achievable.

# 9.    Appendix

## 9.1.    Additional data

Agency respondents
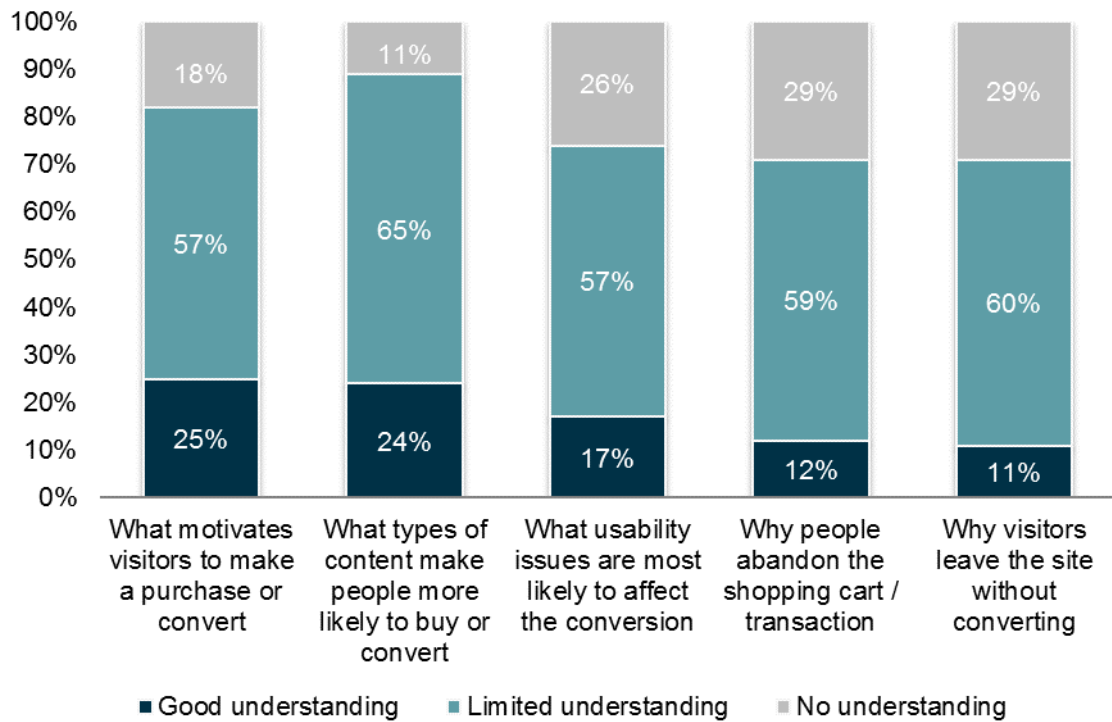Figure 25: How important are the following in the context of your clients'
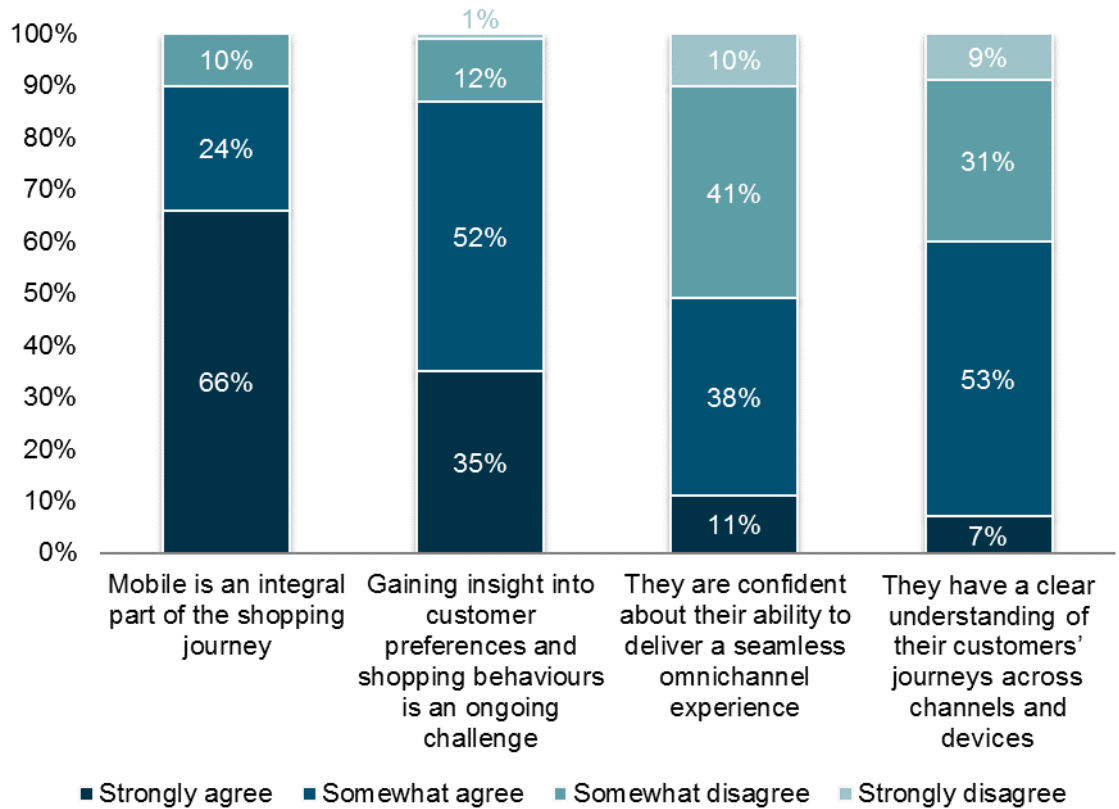ecommerce strategy?
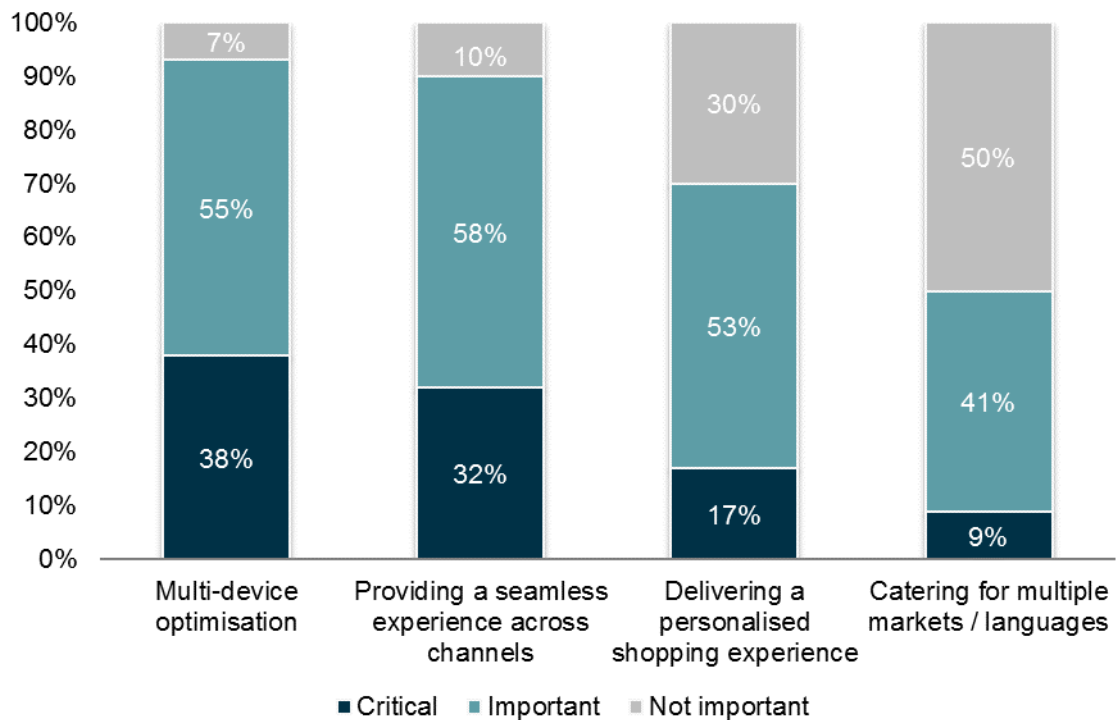


*Respondents: 100*

Agency respondents

Figure 26: How well do your clients typically understand the reasons for the
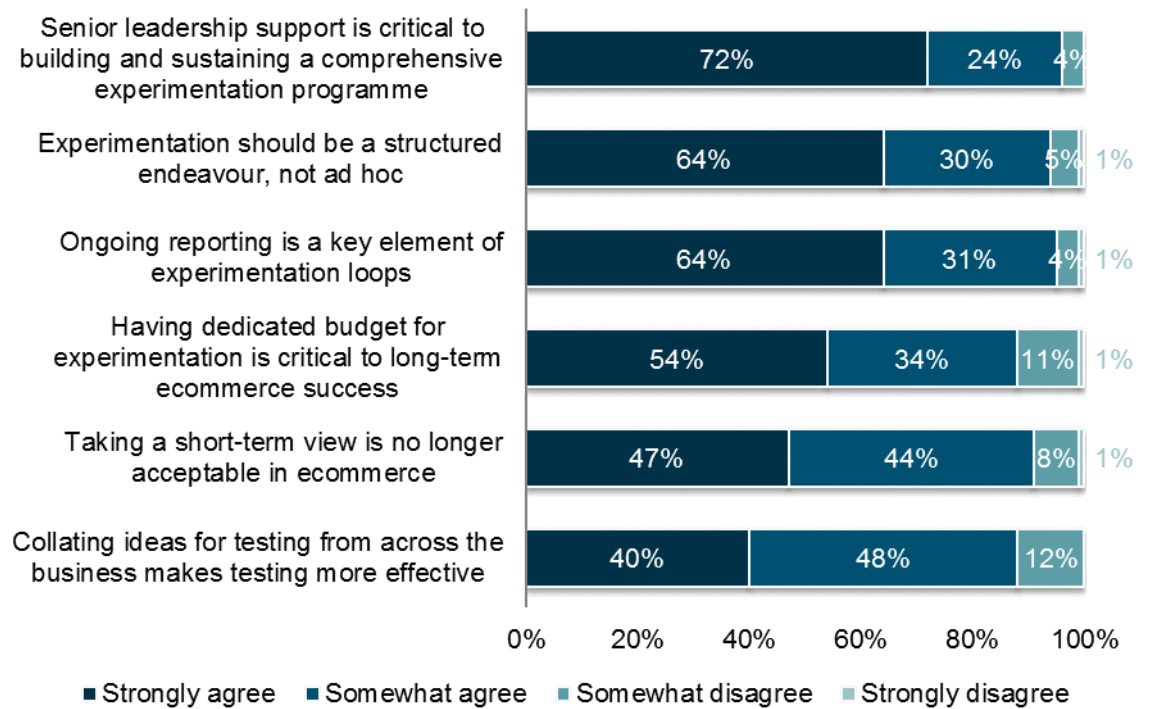following activity?



*Respondents: 97*

Agency respondents
Figure 27: Thinking about your clients, please indicate the extent to which you agree or disagree with the following statements.
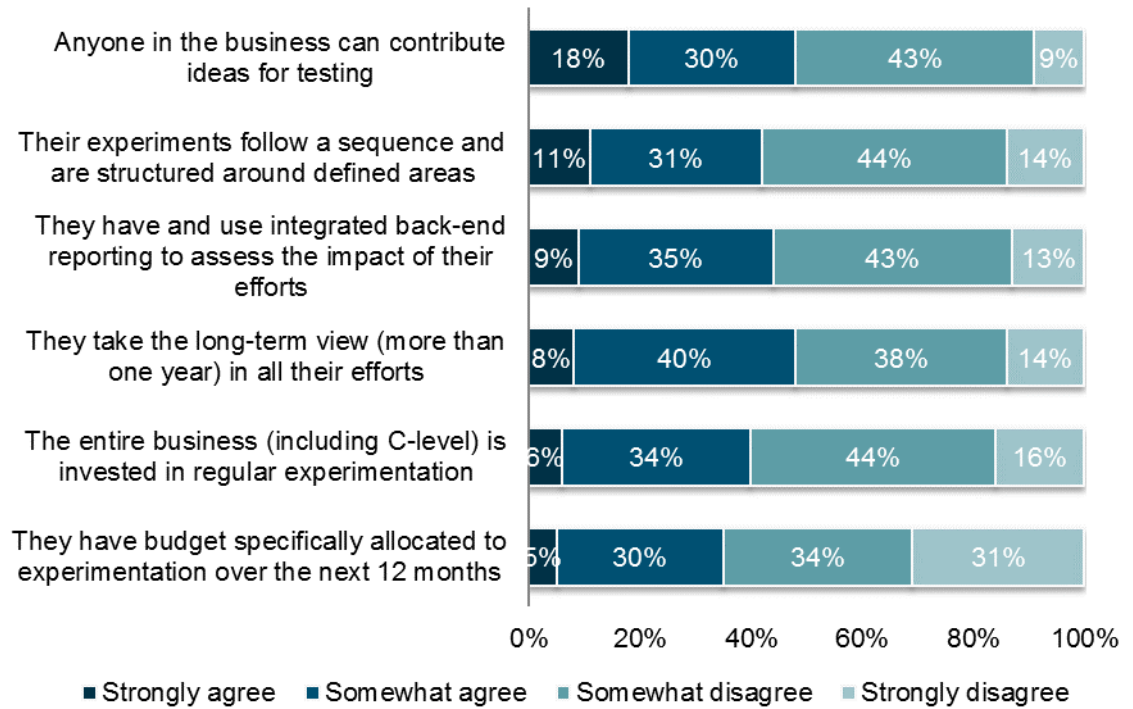


*Respondents: 99*

Agency respondents

Figure 28: Please indicate the extent to which you agree or disagree with the following statements.



*Respondents: 94*

Agency respondents
Figure 29: Thinking about your clients' approach to improving ecommerce performance, please indicate the extent to which you agree or disagree with the following statements.
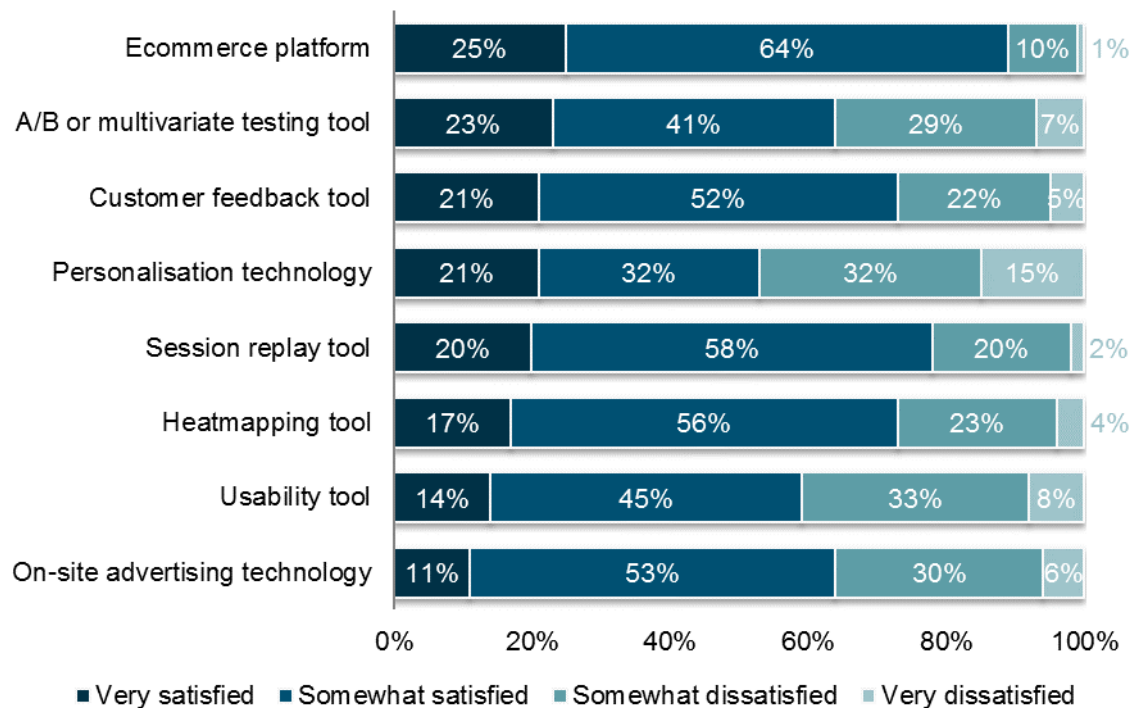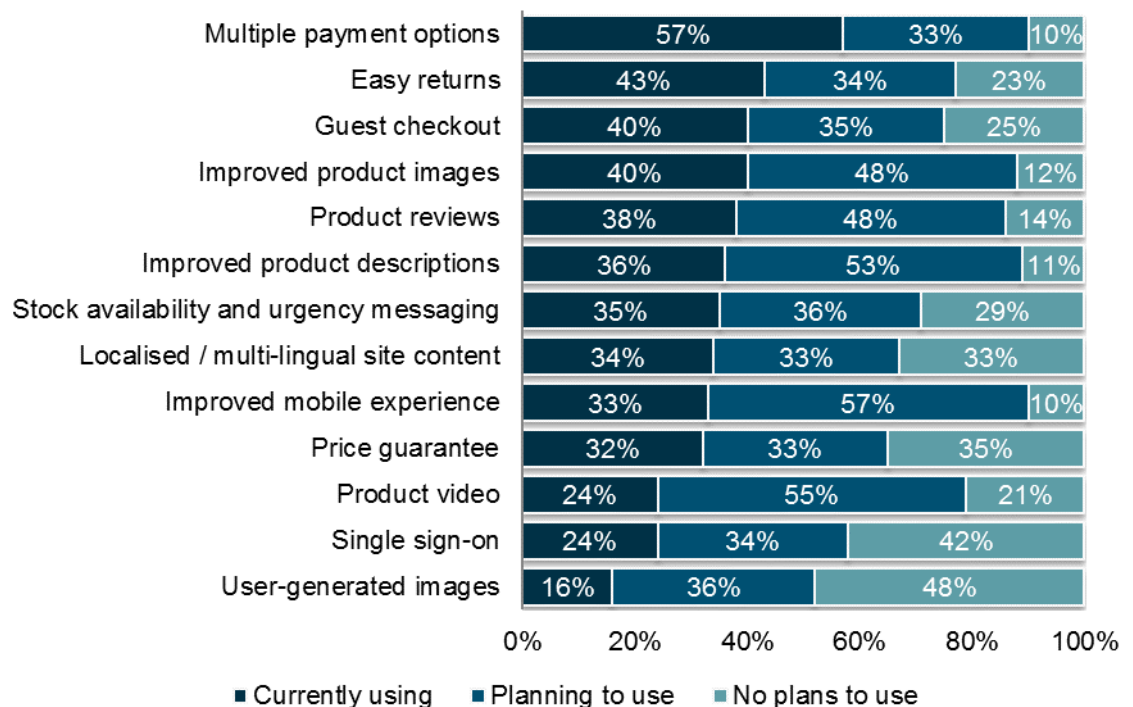


*Respondents: 87*

Agency respondents
Figure 30: How satisfied are you with these types of technology in terms of allowing you to improve performance?



| | Very satisfied | Somewhat satisfied | Somewhat dissatisfied | Very dissatisfied |
|---|---|---|---|---|
| Ecommerce platform | 25% | 64% | 10% | 1% |
| A/B or multivariate testing tool | 23% | 41% | 29% | 7% |
| Customer feedback tool | 21% | 52% | 22% | 5% |
| Personalisation technology | 21% | 32% | 32% | 15% |
| Session replay tool | 20% | 58% | 20% | 2% |
| Heatmapping tool | 17% | 56% | 23% | 4% |
| Usability tool | 14% | 45% | 33% | 8% |
| On-site advertising technology | 11% | 53% | 30% | 6% |

■ Very satisfied ■ Somewhat satisfied ■ Somewhat dissatisfied ■ Very dissatisfied

*Respondents: 80*

Agency respondents
Figure 31: Which of the following are your clients typically using or planning to use to drive improved ecommerce performance?
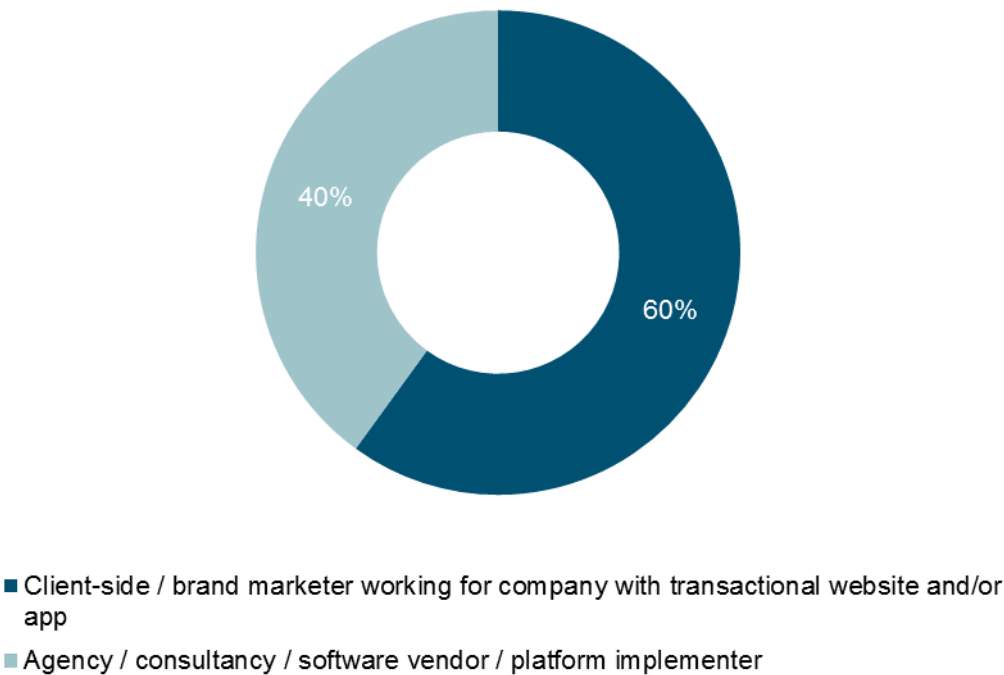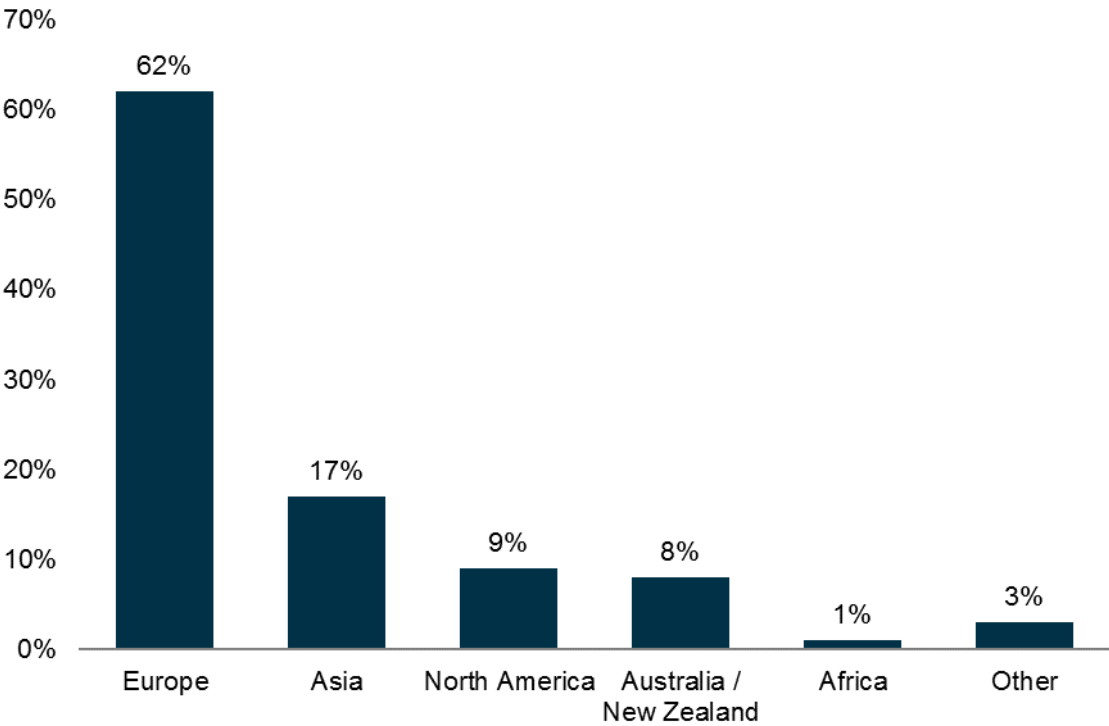


| | Currently using | Planning to use | No plans to use |
|---|---|---|---|
| Multiple payment options | 57% | 33% | 10% |
| Easy returns | 43% | 34% | 23% |
| Guest checkout | 40% | 35% | 25% |
| Improved product images | 40% | 48% | 12% |
| Product reviews | 38% | 48% | 14% |
| Improved product descriptions | 36% | 53% | 11% |
| Stock availability and urgency messaging | 35% | 36% | 29% |
| Localised / multi-lingual site content | 34% | 33% | 33% |
| Improved mobile experience | 33% | 57% | 10% |
| Price guarantee | 32% | 33% | 35% |
| Product video | 24% | 55% | 21% |
| Single sign-on | 24% | 34% | 42% |
| User-generated images | 16% | 36% | 48% |

■ Currently using ■ Planning to use ■ No plans to use

*Respondents: 85*

## 9.2. Respondent profiles

Figure 32: Which of the following best describes your company or role?



■ Client-side / brand marketer working for company with transactional website and/or
app

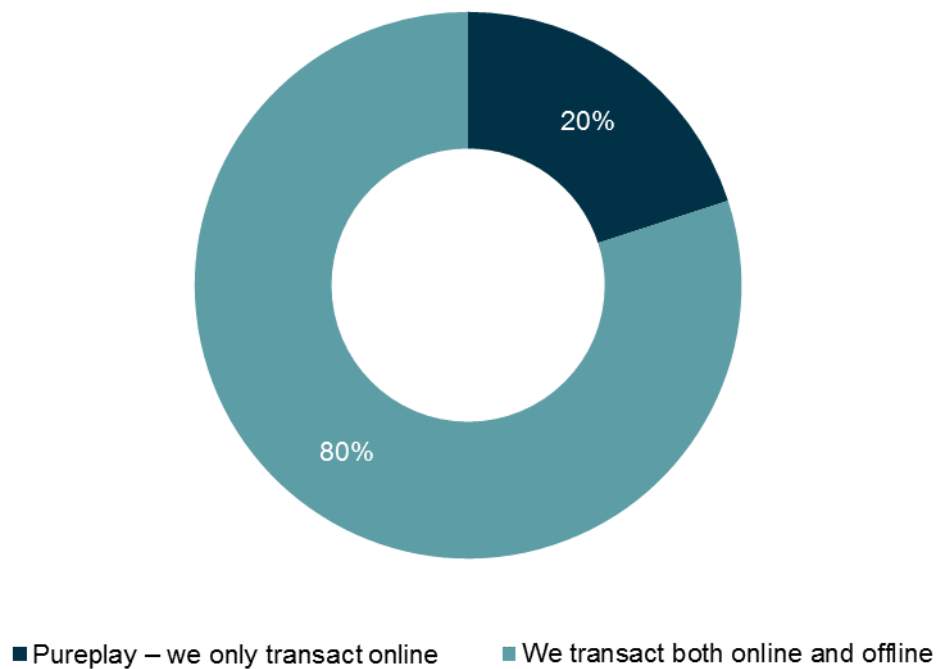■ Agency / consultancy / software vendor / platform implementer

*Respondents: 408*

Figure 33: In which region are you based?



*Respondents: 408*

Company respondents
Figure 34: How would you best describe your business?



- Pureplay – we only transact online  ■ We transact both online and offline

Figure 35: As a percentage, how much of your (or your clients') total revenue comes from ecommerce?



| | Company respondents | Agency respondents |
|---|---|---|
| 1-10% | 30% | 13% |
| 11-20% | 12% | 13% |
| 21-30% | 6% | 17% |
| 31-40% | 8% | 8% |
| 41-50% | 4% | 9% |
| 51-60% | 7% | 9% |
| 61-70% | 3% | 5% |
| 71-80% | 7% | 11% |
| 81-90% | 4% | 6% |
| 91-100% | 19% | 9% |
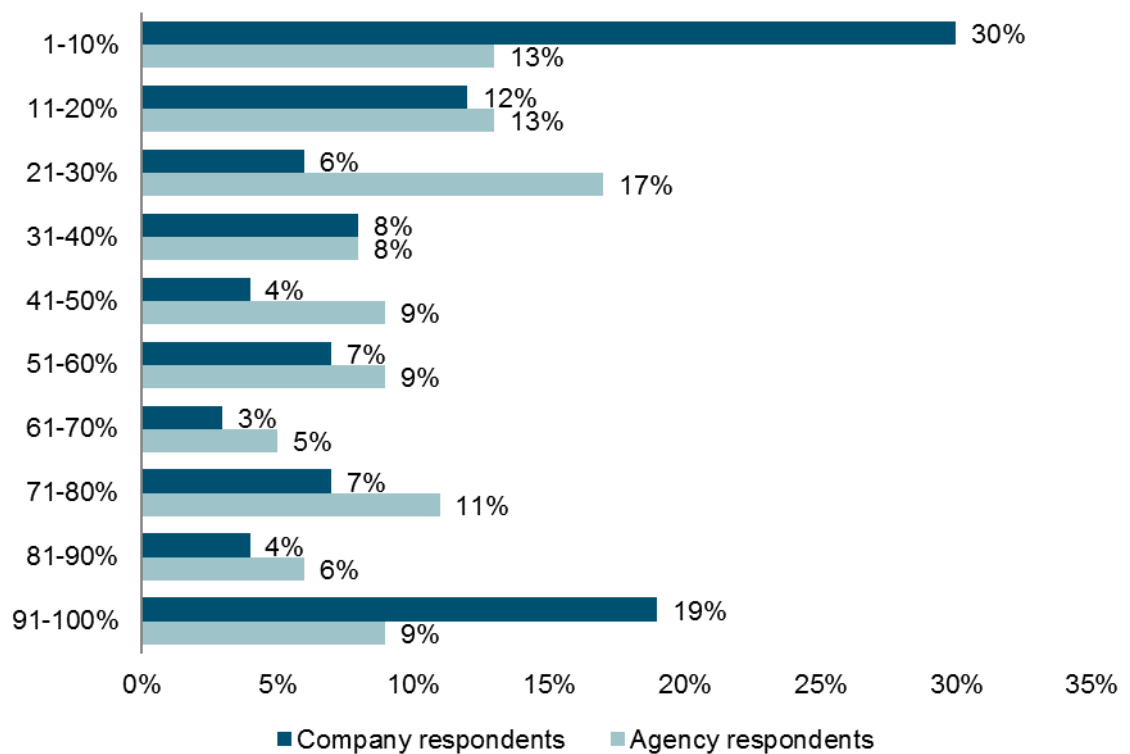
■ Company respondents  ■ Agency respondents
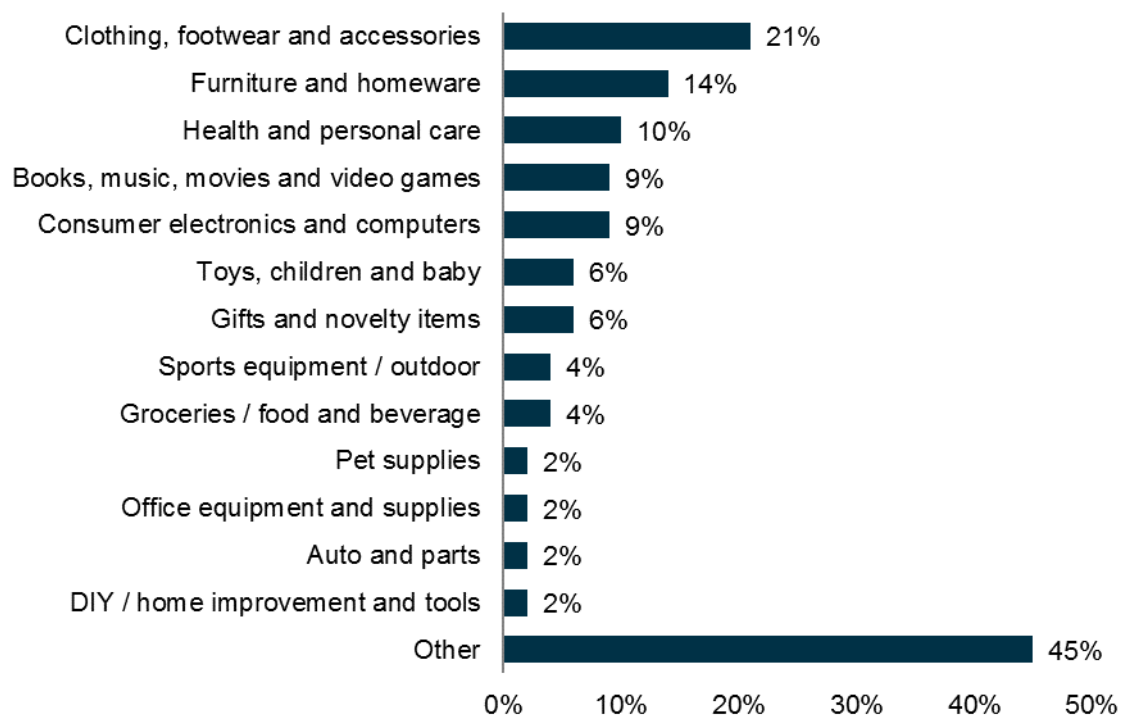
Company respondents
## Figure 36: Are you more focused on B2B or B2C ecommerce?
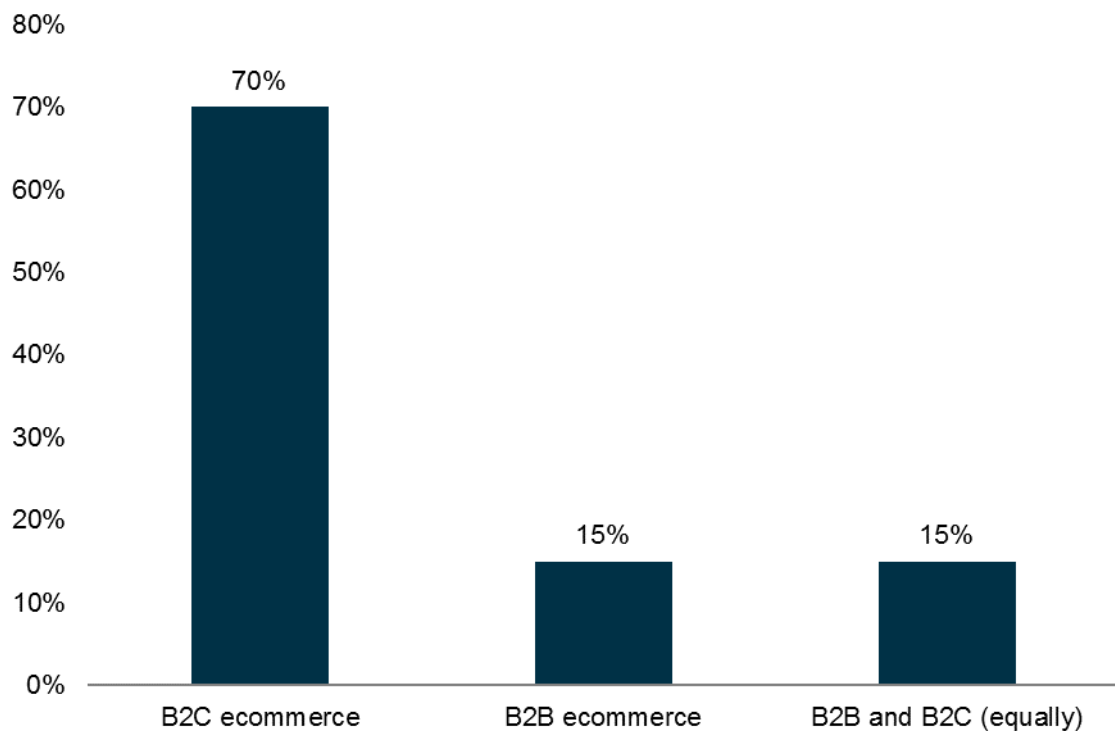


*Respondents: 229*

Company respondents
## Figure 37: Which of the following product categories do you sell online?



*Respondents: 206*

If you'd like to learn more about how Conversion.com can add value for your company, please contact:

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