

SHOP.ORG[®]

SORO

A SHOP.ORG STUDY
CONDUCTED BY FORRESTER
RESEARCH



The State of Retailing Online 2015: Key Metrics, Initiatives, and Mobile Benchmarks

For: eBusiness &
Channel Strategy
Professionals

The State Of Retailing Online 2015: Key Metrics, Initiatives, And Mobile Benchmarks

by Sucharita Mulpuru, February 9, 2015

KEY TAKEAWAYS

Online Retailers Continue To See Significant Gains

Online retailers surveyed in the annual State Of Retailing Online study generally experienced strong annual growth. Nearly three-quarters of respondents said that their eCommerce sales in 2014 grew at least 10% over 2013.

Omnichannel Is A Growing Investment Area

We asked retailers about their key priorities for 2015, and behind mobile, the most cited theme was omnichannel capabilities. Retailers look to improve their in-store pickup offerings, ship-from-store programs, and inventory visibility across channels in 2015.

Retailers Know Mobile Is Huge But Are Investing Modestly

The biggest priority area for retailers in 2015 is mobile. On average, sales via smartphones grew 87% in 2014 over 2013 and sales via tablets grew 52%. While some invested seven figures in their smartphone efforts, half of retailers surveyed said they invested less than \$250,000. Retailers on average have dedicated three full-time hires to mobile.



The State Of Retailing Online 2015: Key Metrics, Initiatives, And Mobile Benchmarks

by [Sucharita Mulpuru](#)

with [Carrie Johnson](#) and Laura Naparstek

WHY READ THIS REPORT

Forrester partners with Shop.org, a division of the National Retail Federation, to survey retailers annually about their eCommerce businesses and key initiatives for the coming year. This latest survey also incorporates benchmarks and insights about the mobile performance and investment levels of retailers. eBusiness executives in retail will find these benchmarks effective in guiding their road maps. Overall, the retailers we surveyed continue to grow rapidly and improve their online business performance. While metrics such as conversion rates are improving, retailers report that they grapple with expenses such as fulfillment and returns. On the mobile front, retailers are seeing tremendous growth in their mobile revenue, but many are choosing to forego the large investments that apps require.

Table Of Contents

2 Strong Execution Drives eCommerce Growth

Online Retailers Continue To Take Share From Other Channels

Mobile Continues To Top The Key Priority List

Mobile Performance Still Strong In Spite Of Modest Resources

RECOMMENDATIONS

15 Use These Benchmarks To Guide Your Near-Term Road Map

15 Supplemental Material

Notes & Resources

Shop.org and Forrester Research annually execute a survey of online retailers regarding their key metrics and areas of focus. The online survey was fielded in November and December 2014 and included questions pertaining to key metrics, initiatives, investments areas for 2015, and mobile.

Related Research Documents

[The State Of Retailing Online 2014: Marketing](#)

August 22, 2014

[The State Of Retailing Online: Key Metrics And Initiatives 2014](#)

February 12, 2014

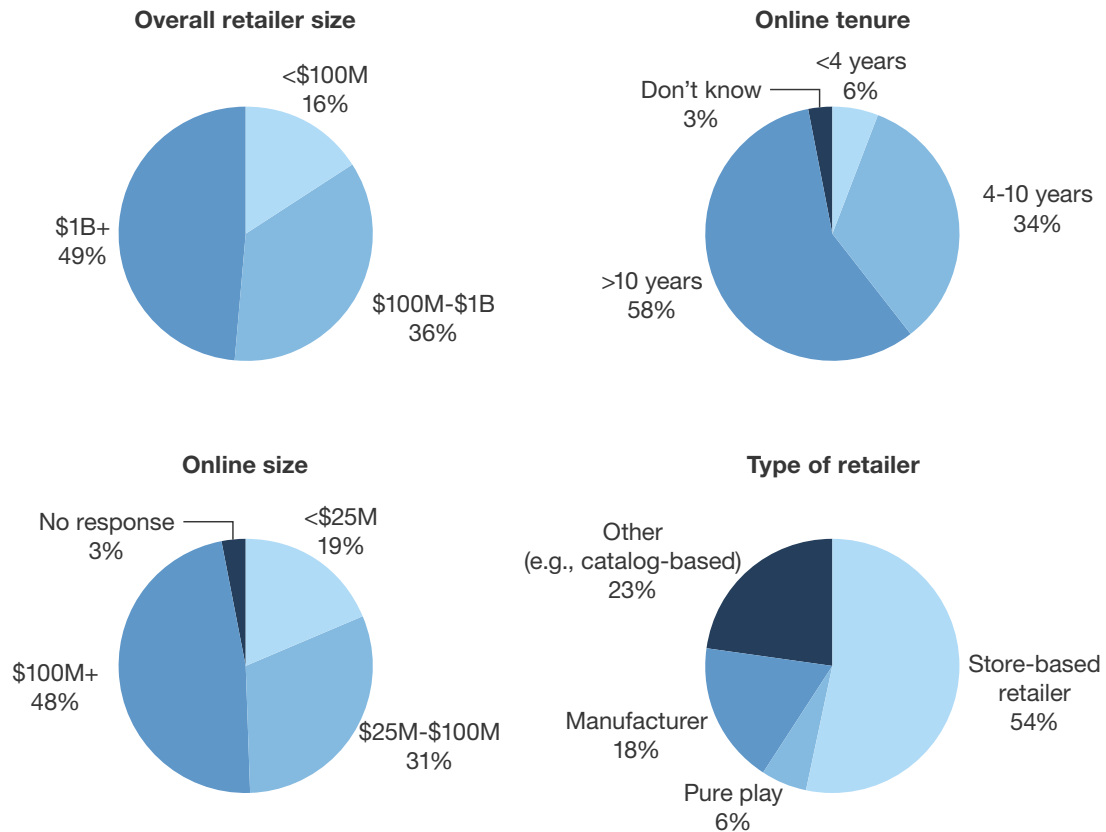
[The State Of Retailing Online 2013: Marketing And Merchandising](#)

July 30, 2013

STRONG EXECUTION DRIVES ECOMMERCE GROWTH

The annual State Of Retailing Online study is a joint effort between Shop.org, a division of the National Retail Federation, and Forrester Research. The study is a set of surveys that gather insights and benchmarks on the eCommerce performance of different types of retailers selling on the Web. The survey for this report was conducted in November and December 2014. Seventy-one retailers responded to this survey. The study skews toward larger, established retailers (see Figure 1). The respondent profile includes primarily:

- **Large multichannel companies.** Seventy-two percent of respondents were either store-led retailers or branded manufacturers. Nearly half of respondents were from companies generating more than \$1 billion overall.
- **Large web businesses.** Forty-eight percent of survey respondents said their web businesses generated more than \$100 million in sales. Eleven percent said they generated more than \$1 billion in web sales.
- **Mature web businesses.** More than half of the survey respondents said their web businesses were over a decade old.

Figure 1 Respondent Demographics

Base: 71 retailers
(percentages may not total 100 because of rounding)

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Online Retailers Continue To Take Share From Other Channels

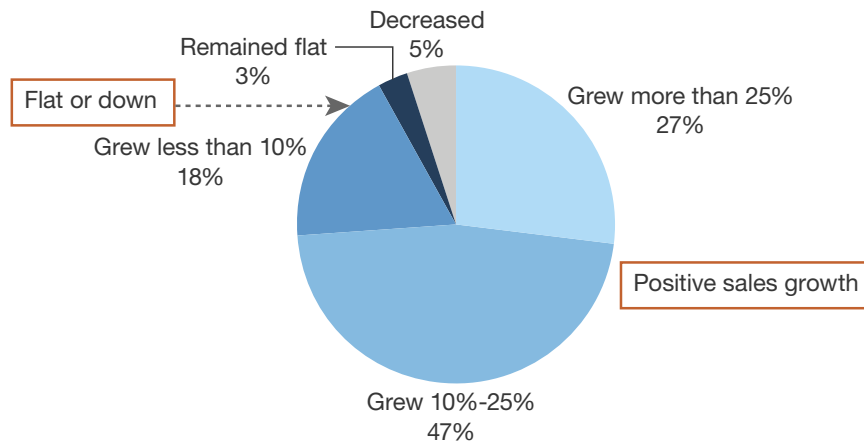
Online retailers have been a significant success story in retail in the past decade. While current growth rates are decelerating because US eCommerce is nearly a \$300 billion sector, online retailers continue to see large gains. In fact:

- **The majority of US eCommerce retailers are growing at double-digit rates.** The growth of eCommerce retailers continues to outpace that of store retailers. Of the retailers surveyed, 74% reported that their web sales growth in 2014 was at least 10% higher than in 2013, and 27% responded that they grew by more than 25% for the year. Only 8% of respondents reported that they were flat or declined during that same period (see Figure 2).
- **Conversion rates continue to head in the right direction.** More shoppers are spending time online, but retailers are also steadily improving their websites and making shopping more appealing through attractive assortments, compelling promotions, and effective checkout flow. In fact, 71% percent of retailers surveyed said that their conversion rate increased in 2014 over 2013 (see Figure 3).
- **Fulfillment expenses, however, still challenge eCommerce.** While online commerce has proven attractive to shoppers, it is not always the most cost-effective way to service customers. Shipping expenses, which must frequently be absorbed by retailers due to the prevalence of free shipping, cut into the thin margins of retailers that already compete aggressively on price. One-quarter of retailers said they saw their fulfillment cost per order increase in 2014 over 2013. Carriers have announced shipping cost increases for large packages starting in 2015, so we expect fulfillment cost per order to increase even more this year. Furthermore, many retailers have seen their reverse logistics expenses increase, as well. Twenty-seven percent of retailers said their returns as a percentage of orders increased.

Figure 2 Most Web Retailers Are Growing

“How have your gross online sales (top line) for fiscal year 2014 performed relative to fiscal year 2013?”

(Note: please include gross sales transacted via both the Web and mobile devices [mCommerce], if applicable.)

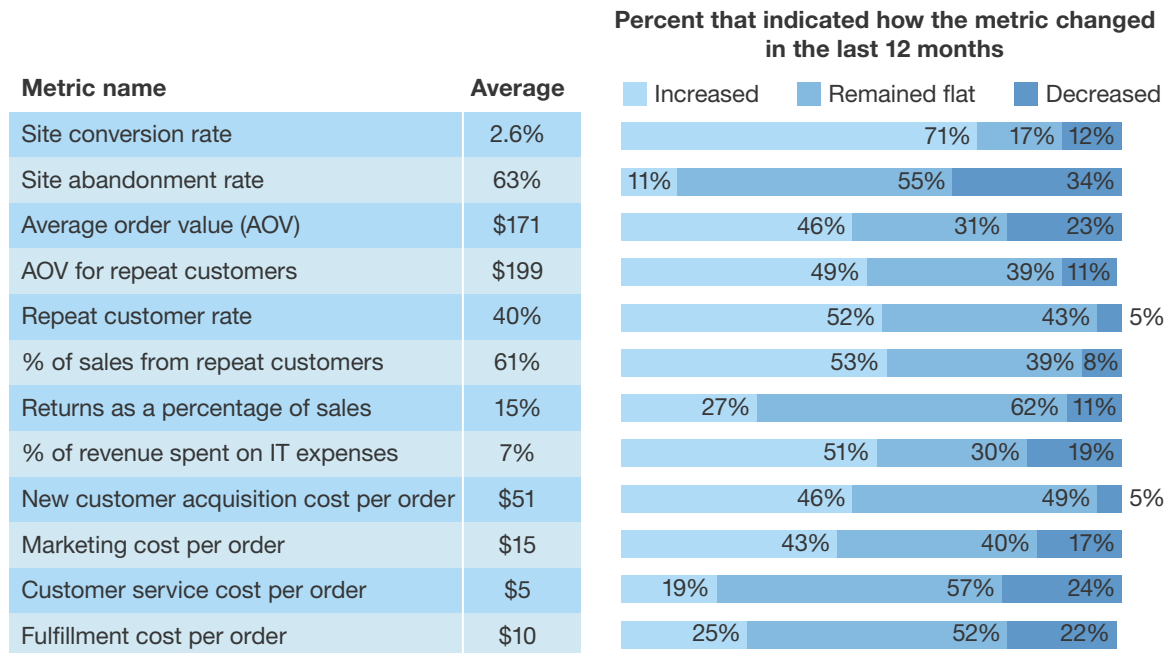


Base: 66 retailers

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Figure 3 Many Web Metrics Continue To Improve

Base: 61 retailers
(percentages may not total 100 because of rounding)

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

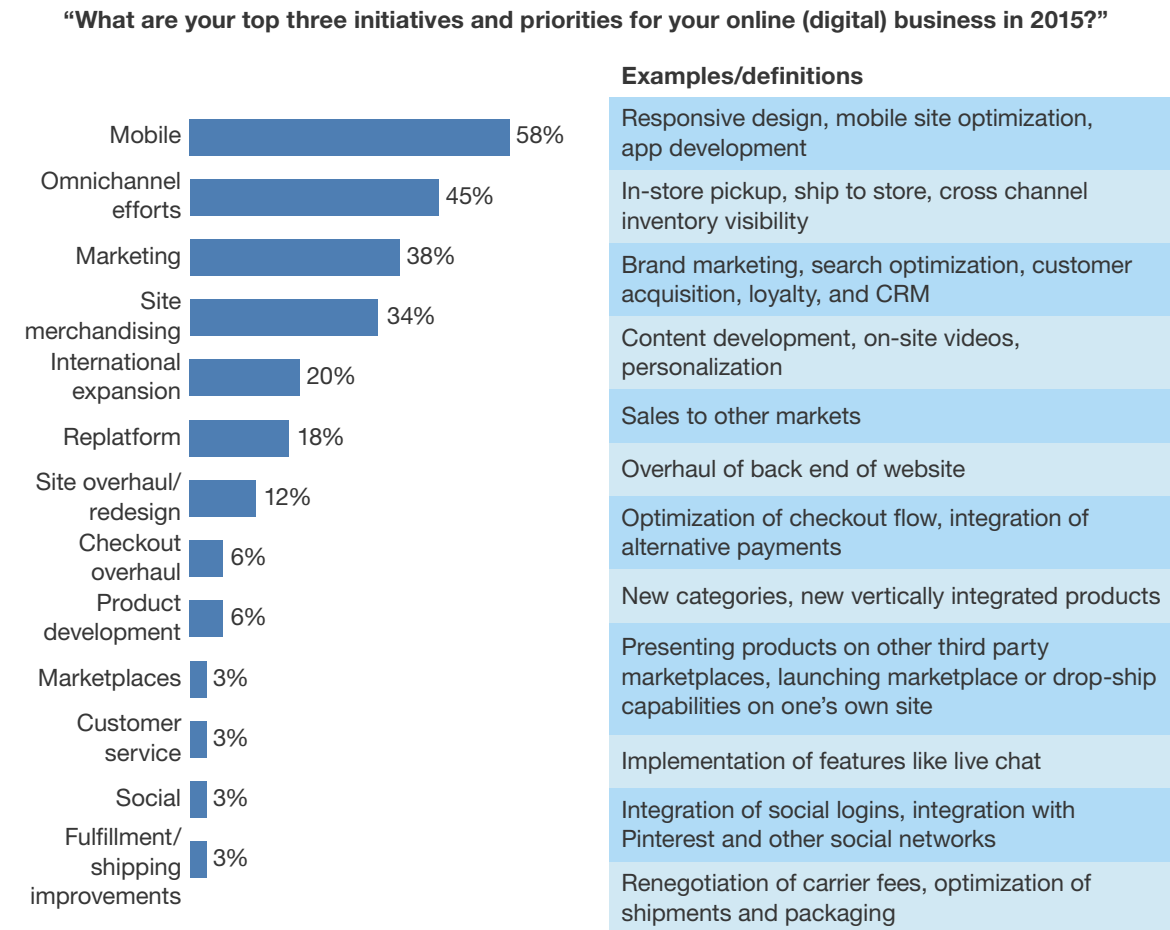
Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Mobile Continues To Top The Key Priority List

A variety of priorities compete for retailers' attention every year. Among them are focus areas like customer service technologies, social technologies, and marketplaces. Most of these areas, however, fail to become top spending priorities for any given year because they have questionable returns or are displaced by bigger opportunities. We asked retailers for their top three priorities in 2015 and found that:

- **Mobile support tops the list.** As more consumers adopt smartphones and tablets, retailers know they need to invest time and resources into ensuring that their content is displayed effectively on these devices. Mobile optimization efforts were therefore the most commonly named priority among retailers surveyed. Fifty-eight percent of retailers surveyed said that mobile initiatives were among their top three priorities for the year (see Figure 4).

- **Omnichannel investments are not far behind.** Because fulfillment costs continue to grow and retailers still need to coax productivity from stores, omnichannel investments also rose to the top of the priority list. In particular, functionality like in-store pickup and ship-from-store programs were frequently mentioned by the retailers we surveyed as specific initiatives for the year. In fact, 45% of retailers mentioned one or more omnichannel tactics as being at the top of their 2015 priority list.
- **Marketing optimization is a key opportunity.** Though eCommerce sales continue to grow for most retailers surveyed, those gains are hard earned. Over 40% of retailers surveyed said that their marketing cost per order increased in the past year, and 46% said that their new customer acquisition costs increased, as well. Finding ways to improve customer retention and drive more sales from existing marketing dollars was therefore cited as a key goal of many retailers in 2015. Thirty-eight percent of retailers surveyed said that marketing optimization is a top priority for the coming year.
- **Site merchandising improvement continues to have strong support.** Given that most of the retailers surveyed have had eCommerce functionality for over 10 years, best practices in site merchandising such as site search, ratings and reviews, image zoom, and color swatches are well established. Retailers investing in site merchandising now look more toward other advancements such as site personalization, video, and content development to drive sales lift. Thirty-four percent of retailers surveyed cited these site merchandising efforts as a key priority for 2015.

Figure 4 Priorities And Investment Areas In 2015

Base: 60 retailers

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

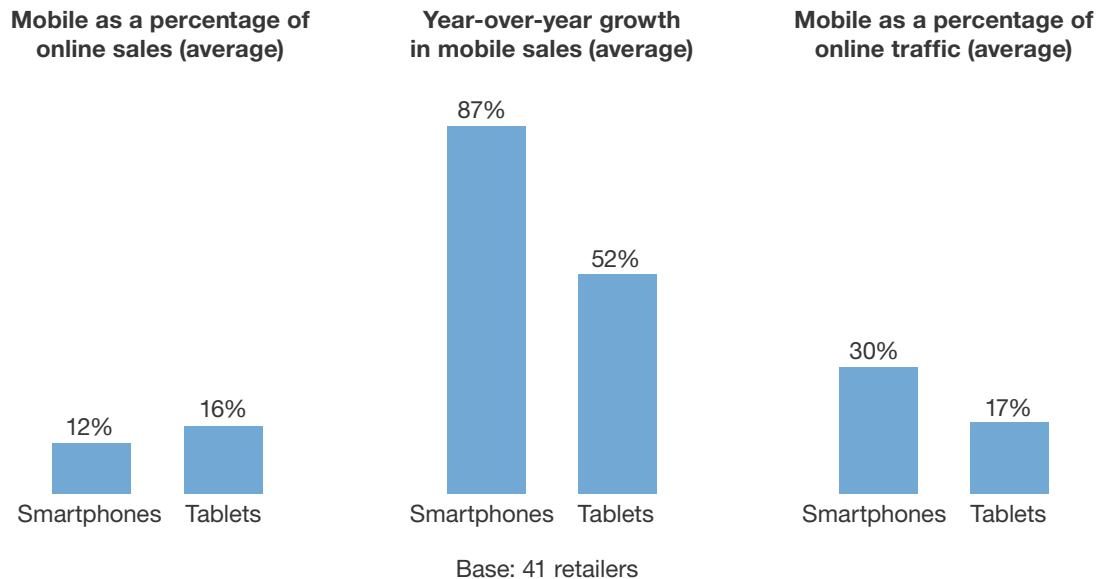
Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Mobile Performance Still Strong In Spite Of Modest Resources

Retailers are stymied by how to adapt to tremendous growth in traffic from mobile devices. While ultra-sleek mobile services like Uber or even Starbucks' mobile app have set the bar for mobile commerce experiences, few merchants have developed such sophisticated solutions or have found that they even need to develop such solutions. Rather, many have taken simple approaches, often with meager budgets, and have nonetheless seen tremendous gains. The retailers we surveyed reported that an average of 28% of sales now come from mobile devices (both smartphones and tablets) (see Figure 5). Additionally, shoppers report being more pleased with their mobile shopping

experiences than ever before. Over 40% of online shoppers with mobile devices say they never experience problems when shopping on those mobile devices.¹ Retailers report the following with respect to their mobile efforts:

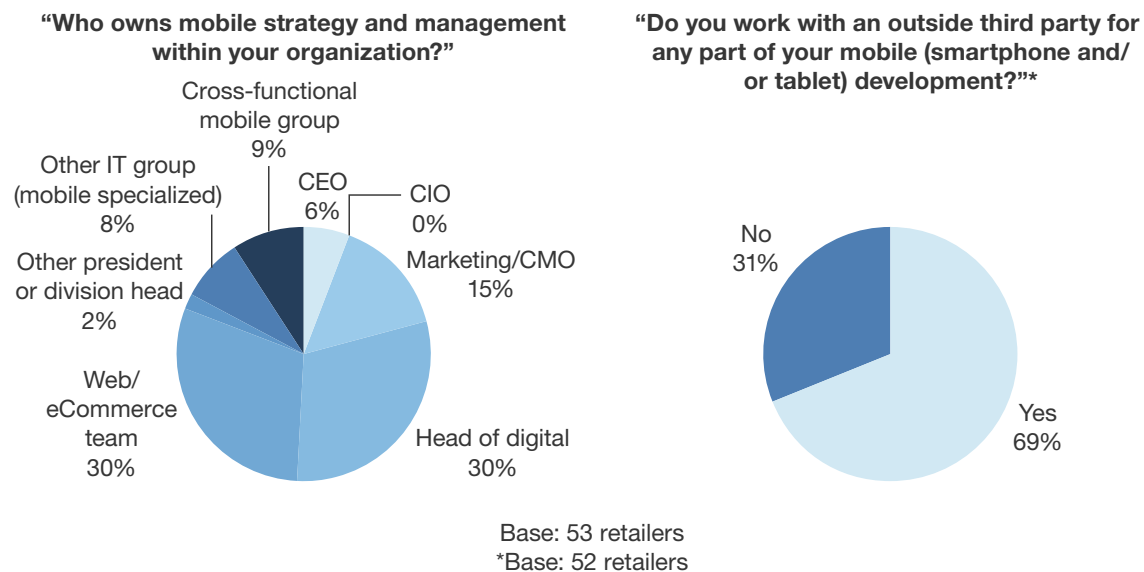
- **Smartphones sales growth is outpacing tablet sales growth.** In the past, most of what comprised total mobile sales came from tablet devices, as tablet experiences were more akin to desktop and laptop transactions. More recently, smartphones (which now are more likely to have larger form factors) have gained share and are growing rapidly. While nearly half of US website traffic comes from mobile devices, the growth in sales is greater for smartphones. On average, retailers reported that sales via smartphones grew an average of 87% in 2014 over 2013 and sales via tablets grew an average of 52%.
- **The digital and eCommerce teams now own the mobile experience.** Retailers have not had clear goals for mobile devices in years past: for example, whether or not they should drive sales or traffic to stores. More recently, companies have settled upon tangible mobile commerce targets. As a result, 60% of the retailers surveyed said that mobile now sits under their digital or eCommerce teams, albeit with the support of third-party developers (see Figure 6). More than two-thirds of respondents said they used outside developers to aid the onerous requirements of numerous devices. The most common functionality now is helping shoppers get product information and mobile payments, both of which drive direct sales on mobile devices.
- **Proprietary apps are no longer a priority.** While retailers frequently continue to question whether apps should be central to their mobile strategy because of the success of a few blockbuster apps, the high costs of development and app downloads weigh on merchants. As a result, many companies have quietly opted to put apps on the back burner. Many more retailers say they have a mobile-optimized website for mobile browsers or pages designed with a responsive design approach, versus those with iPhone or Android apps (see Figure 7-1). In fact, 56% of retailers surveyed said that apps are not a key component of their mobile strategy to consumers, and an even greater percent agreed that they weren't critical for their employee strategy, either (see Figure 7-2 and see Figure 7-3).
- **Mobile investment is still modest.** One of the best insights in recent years is that solid, elegant mobile experiences that can deliver a double-digit share of sales actually don't need millions of investment dollars. The retailers surveyed had on average only 3.1 full-time employees dedicated to mobile development. Thirty-two percent of respondents spent less than \$100,000 on their smartphone development efforts, and 68% of respondents spent less than \$1 million (see Figure 8-1). That said, retailers are spending more every year: 85% of respondents said they plan to increase their mobile budgets by at least 20% in 2015 over 2014 (see Figure 8-2 and Figure 9).

Figure 5 Mobile Momentum Continues

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Figure 6 Digital Teams Own Mobile For Retailers But Frequently Outsource

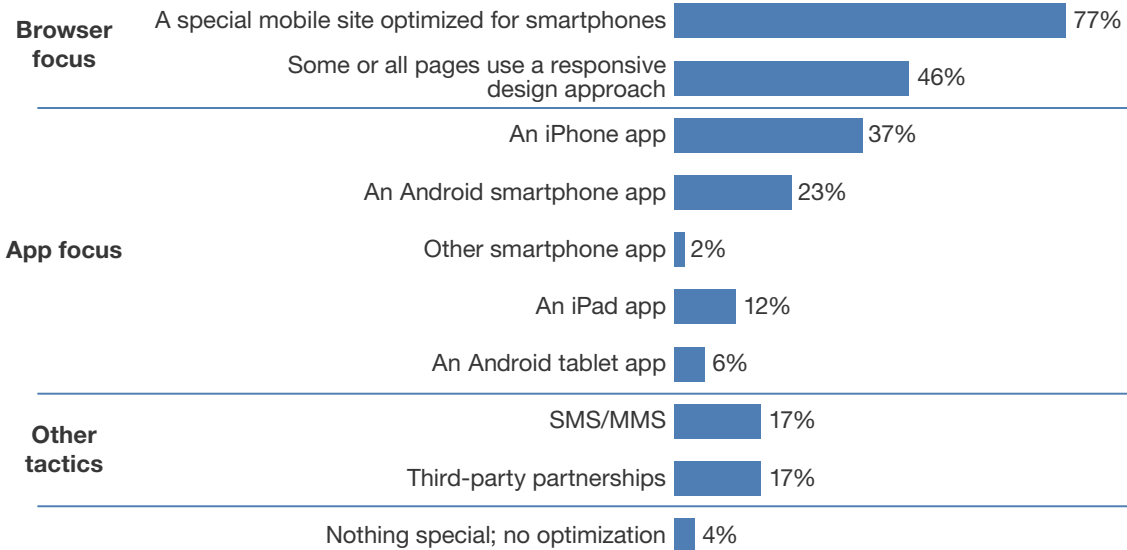
Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Figure 7 Retailers' Customer And Employee Mobile App Strategies**7-1 | Retailers are focusing more on mobile browsers than apps**

**"Which of the following best describe your company's smartphone and tablet device presence?
(Select all that apply)"**



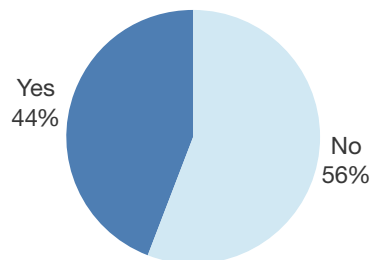
Base: 52 retailers

(multiple responses accepted)

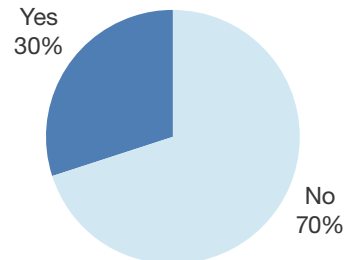
Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

7-2 | Interest in apps is mixed

Apps are a key component of our mobile offering for consumers



Apps are a key component of our mobile offering for store associates to help customers in stores

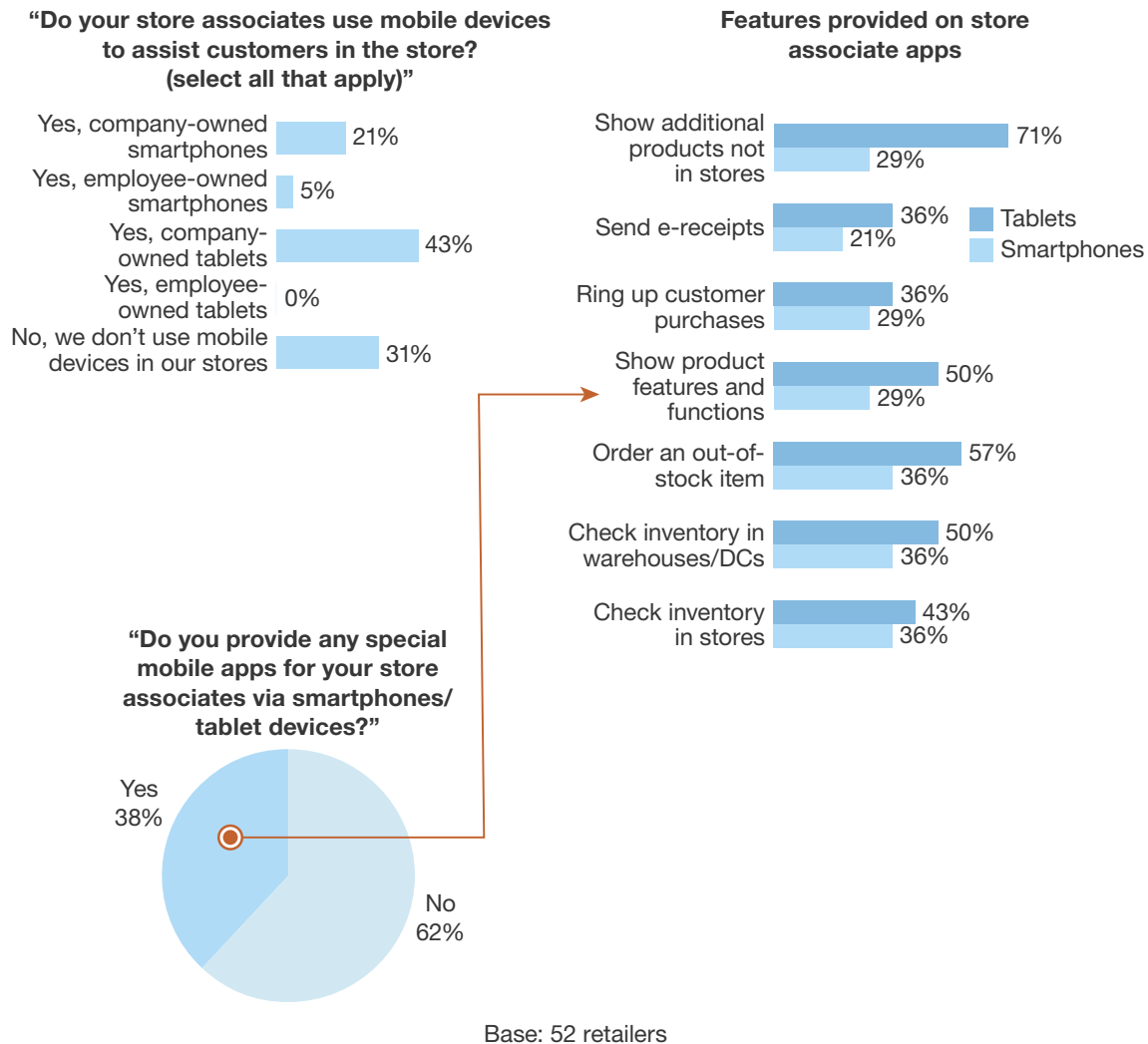


Base: 51 retailers

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

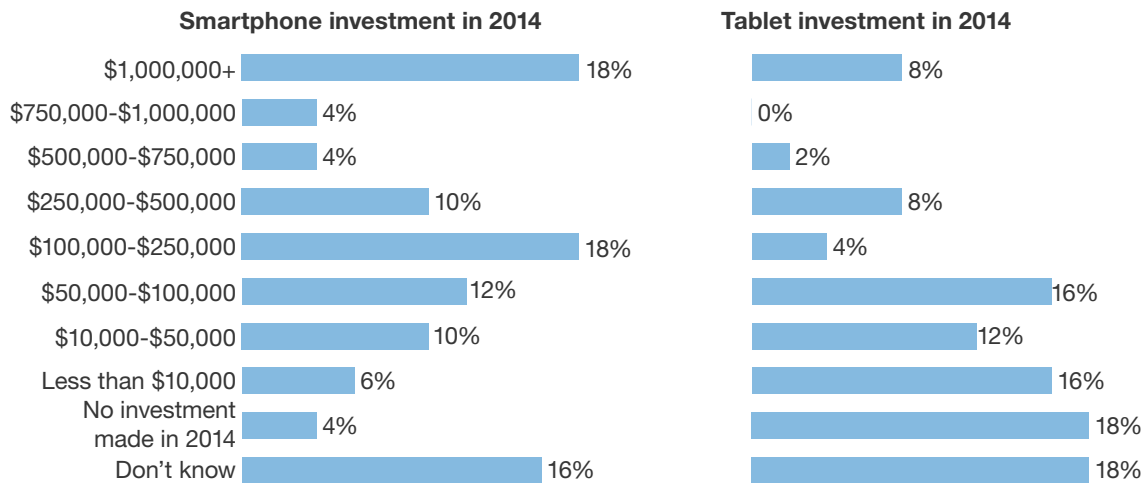
Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Figure 7 Retailers' Customer And Employee Mobile App Strategies (Cont.)**7-3 | Store associate usage of mobile**

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

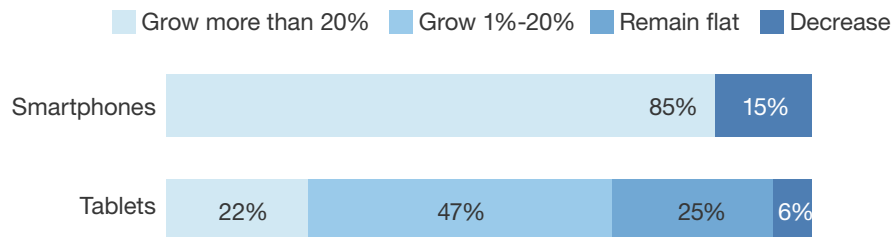
Figure 8 Mobile Investment In 2014**8-1 | Investment levels continue to be modest for mobile**

Average number of full-time employees dedicated to mobile: 3.1
 Average number of part-time employees dedicated to mobile: 7.1

Base: 51 retailers
 ((percentages do not total 100 because of rounding)_

8-2 | Spend levels will increase for mobile in 2015

“How will your investment in mobile initiatives for smartphones and tablets change in 2015?”



Base: 52 retailers

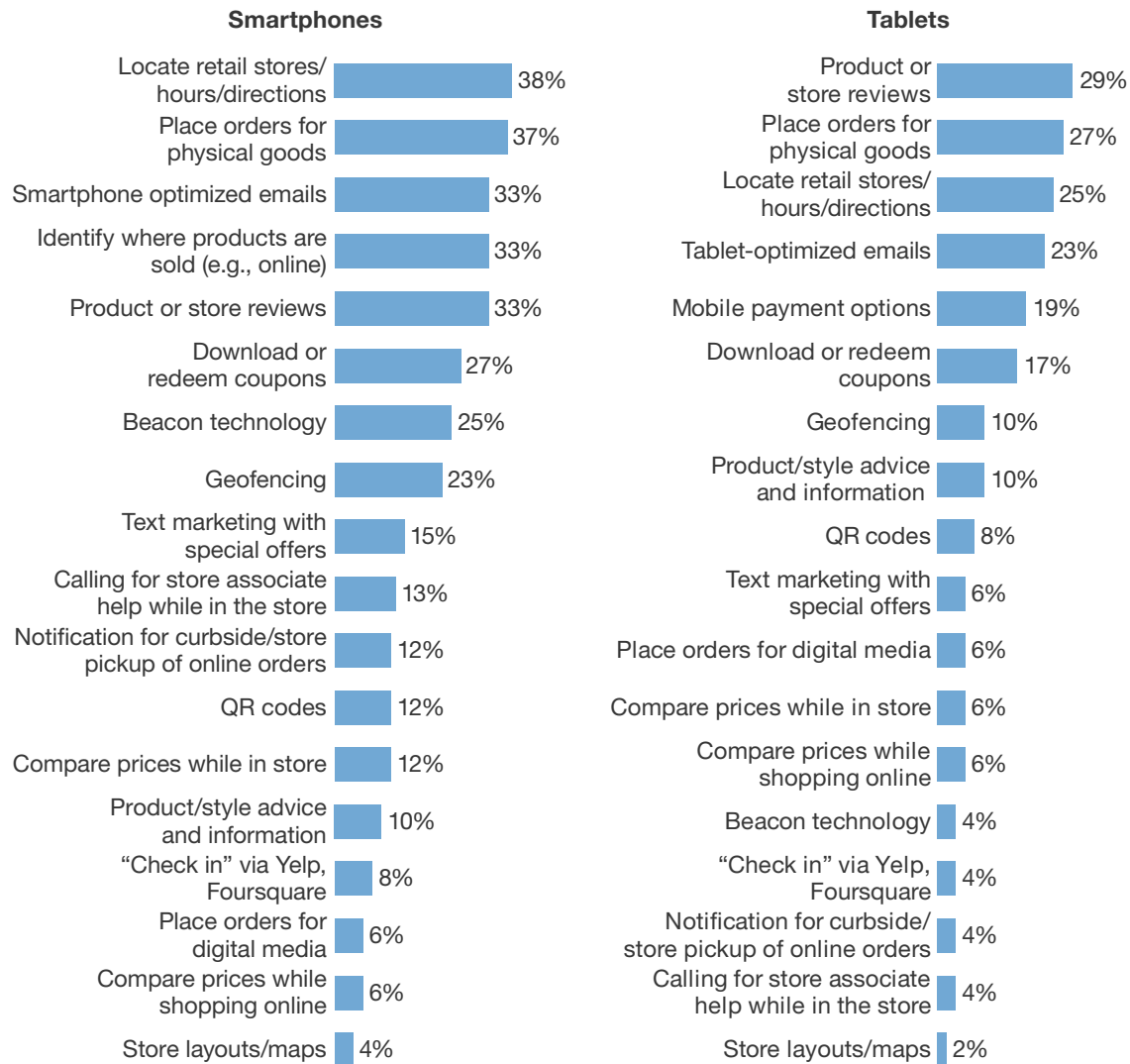
Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

Figure 9 Top Mobile Features For Retailers

“Which mobile site features and functions are you investing in this year for smartphones/tablets — whether you are deploying entirely new or enhancing/updating an existing feature?”



Base: 52 retailers

Source: The State Of Retailing Online 2015, a Shop.org study conducted by Forrester Research

116879

Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

RECOMMENDATIONS

USE THESE BENCHMARKS TO GUIDE YOUR NEAR-TERM ROAD MAP

The metrics above cover a range of different maturity levels in eCommerce. eBusiness executives in retail should look to different benchmarks to guide their plans to win, serve, and retain customers in 2015. In particular:

- **Younger businesses need to get to industry standard.** While new eCommerce businesses tend to have higher growth rates, their overall metrics such as conversion rates are often weaker than those of their competitors. Companies not on par with their competitive set should address marketing and site merchandising challenges first to get those key metrics to an industry standard.
 - **Mature businesses need to focus on retention.** The law of large numbers means that growth rates for eCommerce will continue to decline as the base of sales grows larger. Retailers already report challenges around marketing costs per order. Retaining existing customers — and reactivating lapsed customers — needs to be a significant priority for retailers with established customer bases.
 - **Only a few companies will benefit from mega-mobile investments.** The truth is that consumers don't have high expectations for mobile shopping content. At a minimum, they often just want content to load quickly and for links to be easy to click. However, there are retailers looking to redefine the mobile retail landscape with radical innovation. Recognize that mobile investments over \$1 million are not an imperative but a choice made by innovative executives looking to define the next frontier of retail. Retailers who plan to invest in mobile at a seven-figure level must recognize that their experiments may have a high likelihood of failure.
-

SUPPLEMENTAL MATERIAL

Methodology

Shop.org and Forrester Research annually execute a survey with online retailers regarding key metrics and areas of focus. This survey was fielded in November and December 2014 and included questions pertaining to key metrics, initiatives, investment areas for 2015, and mobile.

The Shop.org/Forrester survey resulted in 71 complete and partial responses across a variety of industries, including apparel, footwear, general merchandise, home furnishings, and personal care.

ENDNOTES

- ¹ Forrester partnered with Bizrate Insights (a division of Connexity) for consumer research on mobile phone behavior. In October 2011, 33% of consumers said they experienced no problems shopping on mobile devices. By April 2014, 43% of consumers said they experienced no problems shopping on mobile devices. Of those that did experience problems, they were largely due to mobile optimization issues such as pages not loading quickly or difficulty to click on links.

About Forrester

Global marketing and strategy leaders turn to Forrester to help them make the tough decisions necessary to capitalize on shifts in marketing, technology, and consumer behavior. We ensure your success by providing:

- Data-driven insight to understand the impact of changing consumer behavior.
- Forward-looking research and analysis to guide your decisions.
- Objective advice on tools and technologies to connect you with customers.
- Best practices for marketing and cross-channel strategy.

FOR MORE INFORMATION

To find out how Forrester Research can help you be successful every day, please contact the office nearest you, or visit us at www.forrester.com. For a complete list of worldwide locations, visit www.forrester.com/about.

CLIENT SUPPORT

For information on hard-copy or electronic reprints, please contact Client Support at +1 866.367.7378, +1 617.613.5730, or clientsupport@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.

Forrester Focuses On eBusiness & Channel Strategy Professionals

Responsible for building a multichannel sales and service strategy, you must optimize how people, processes, and technology adapt across a rapidly evolving set of customer touchpoints. Forrester helps you create forward-thinking strategies to justify decisions and optimize your individual, team, and corporate performance.

« ERIC CHANG, client persona representing eBusiness & Channel Strategy Professionals

