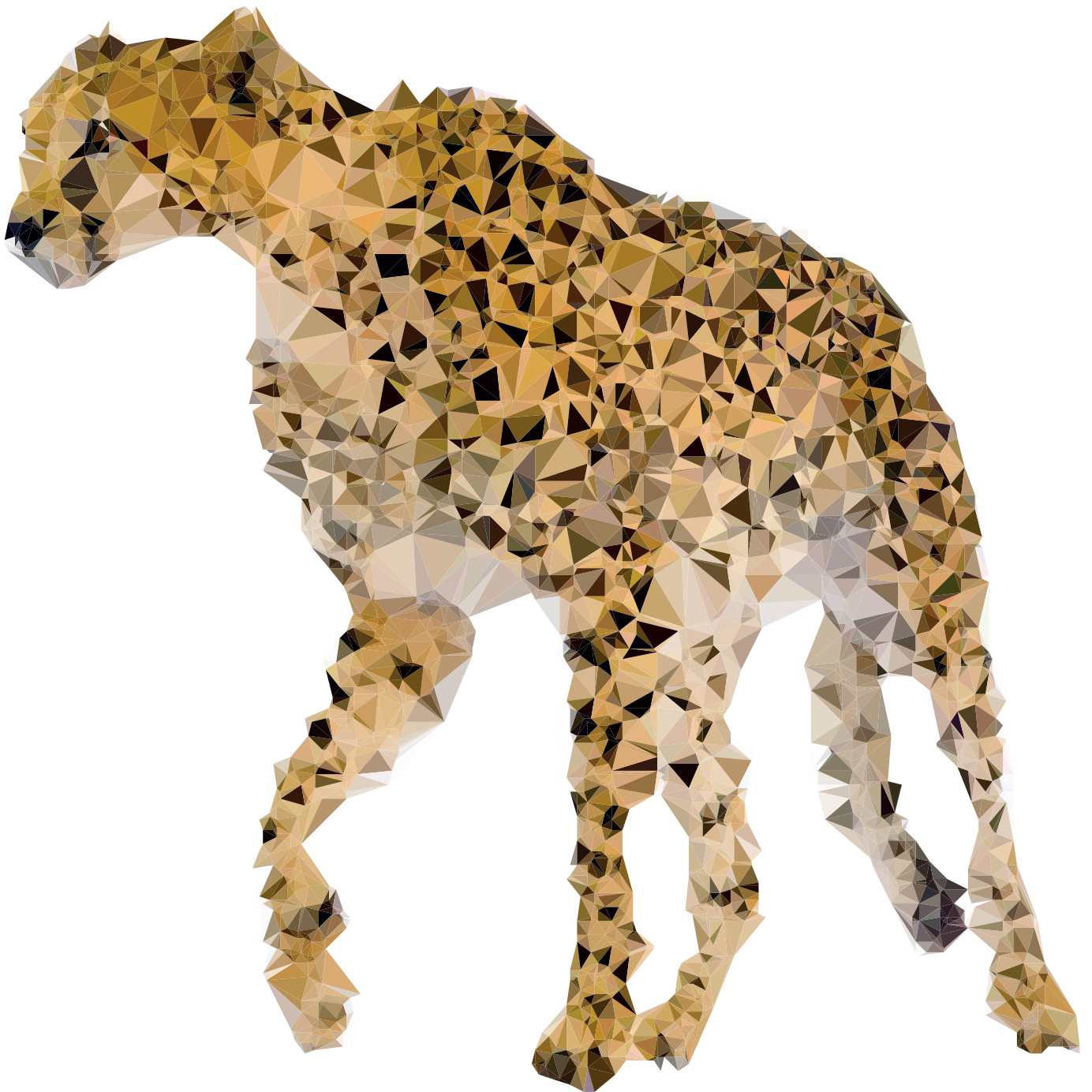


Survival of the Quickest

How web optimization is driving online retail growth



Methodology

In Q3 of 2015 WBR Digital surveyed 100 retail eCommerce executives based in Europe on behalf of Frosmo. Respondents included individuals from 30 companies with 200 or fewer employees, 19 companies with 201-1000 employees, 25 with 1001-5000 employees and 26 with 5001+ employees. All respondents were Heads of eCommerce, Directors of eCommerce or others of an equal standing. The survey was conducted by appointment over the telephone. The results were compiled and anonymized by WBR Digital and are presented here with analysis and commentary by Frosmo and WBR Digital.

“The definition of competitive advantage will be the relative speed and ability of companies to change”

Patrick Forth
Technology, Media and Telecom Practice, The Boston Consulting Group

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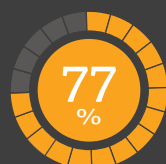
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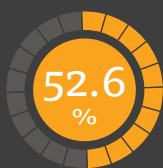
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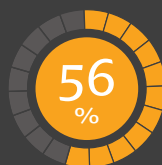
Key Findings



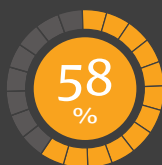
of new software projects took six months or longer to implement



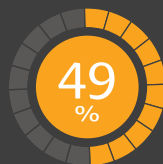
of data-based improvements are implemented by IT only when they have time



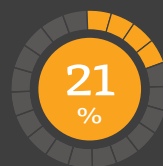
of businesses are giving up control over the customer experience to algorithm-based solutions



of companies use the eCommerce team to change content on their website



of marketing and eCommerce teams share data efficiently to improve website performance



use the IT department to change website content, despite IT being ranked least proficient at it

Foreword

With online stores of all sorts mushrooming up around the internet, it's no wonder that retailers struggle to stand out and get ahead. Websites are being transformed into a channel for conversation between retailers and customers. And while that's good news for all of us shoppers, serving the needs of increasingly demanding customers online is causing unprecedented challenges within companies.

The lines between departments are blurring: how do eCommerce, IT, and marketing departments cooperate with each other and with outsourced partners to better serve online shoppers? The answer to this question is the key to unlocking untapped opportunities, achieving growth and staying ahead of the competition.

Some of the most pressing issues keeping companies from growing and staying ahead:

- Each department has a core function, and performance indicators by which their success is measured. But when there's complexity that misaligns the core functions and responsibilities, how do departments regain control over their KPIs?
- Overcoming limitations on growth due to slow, complex processes. Things run smoothly when feedback from customers, in the form of data, can be pooled and interpreted to gain a single customer view for many different types of customers. The more integrated the data, the more insight can be gained about customers.
- While advancing technology is behind the eCommerce boom, the sheer amount of tools and platforms available can have not-so-positive effects as well. So it's important to identify whether teams are integrating efforts and taking advantage of tech disruptions to gain a competitive advantage, or fragmenting their efforts with multiple solutions. Equipping teams with modern, and most importantly, the right technology to manage and control processes, instead of being controlled by them, will make the difference in the coming years (perhaps months!) between those who break away from the pack and stay ahead – and those who don't.

The research in this report demonstrates how decision makers in retail eCommerce companies across Europe are navigating the waters in order to stay relevant to their customers, by aligning their internal processes, managing growing complexity and choosing between technical solutions.

Let's dig into what we found; happy reading!

Irina Pravet, Frosmo

Part 1:

eCommerce: A fragmented responsibility

What's driving the need to optimize?

European eCommerce is enjoying a period of rapid expansion: retail spending is forecasted to grow by 18.4 percent in 2015, according to industrial analysts from the Centre for Retail Research.

As retailers seek to capitalize on this boom in sales online competition becomes more intense: high street retailers consolidate their advantages online, and brand new pure-players enter the market taking advantage of the comparatively low barriers to entry.

For a new business setting up a web store has never been quite so convenient as it is today. There are plenty of off-the-shelf platforms available and even basic personalization software, like functions targeted at comparing purchase history, are relatively easy to get up and running.

What is not easy to do is to provide a best-in-class purchasing experience which stays front and center in

the mind of the customer, and keeps them coming back for more. In a crowded marketplace where competition comes quickly and easily, efficient site optimization is no longer a 'nice-to-have' feature, it's essential.

Every business is different, and each will have its own challenges when it comes to finding the right model for web optimization. The possibilities afforded by the technology now available are great, and with leading online retailers capable of making thousands of optimized changes to their eCommerce websites every month, it's never been more important to have an effective strategy in place.

Which department is responsible for changing your website content?



58.4% eCommerce



20.8% IT Department



11.9% Marketing



8.9% An outsourced partner, who takes care of our IT



Do you have dedicated resources for eCommerce website optimization?

- 14%** Our marketing team is responsible for eCommerce site optimization and marketing
- 32%** We have a separate, centralized eCommerce team which does all the website optimization
- 31%** We have an outsourced/consulting team for website optimization-related work
- 23%** Decentralized, meaning every department is responsible for their optimization process, for example per market or product category

eCommerce retailers without borders

Organizing and optimizing an eCommerce site across multiple geographical markets is very complicated, and it means making an important decision: doing things centrally or having each market responsible for its own optimization work.

With the extra layer of complexity it is perhaps unsurprising that 47% of companies who favor the decentralized approach hand the responsibility to the eCommerce department. I.T. and marketing however were more likely to deal with website changes for companies who work in single market – 57% and 50% respectively (ref: p7).

Businesses with a centralized eCommerce platform don't have such an obvious preference. This may be due to the fact that eCommerce departments tend to grow organically within a company when the complexity becomes too much for marketing or IT to handle.

If you work in multiple markets (geographically) do you have...



A centralized eCommerce platform and all optimization is controlled by a centralized team.



Platforms in each market with decentralized teams responsible for the optimization work.



We don't work in multiple markets – optimization is controlled in-house.

How would you define the IT skills of the team responsible for website optimization?

Content teams

An equally important question when it comes to internal structures and processes is who can make changes to the eCommerce website content.

The fact that eCommerce teams are used to manage both content and optimization by so many businesses is a clear indication that it is eCommerce teams, whether centralized or decentralized, who are best equipped with the skills to handle website optimization work. After all, optimizing the site, and thus growing sales, is the eCommerce department's core function.

The trend favoring optimization rooted in eCommerce expertise is further underlined when looking at the perception of their technical skills. Both centralized and decentralized eCommerce teams were rated as having an excellent ability to manage website changes independently by more than 90% of businesses who use them.

Decentralized, meaning every department is responsible for their optimization process, for example per market or product category

POOR
They have to turn to the IT department for every change
0%

LIMITED
They can make basic changes
1%

EXCELLENT
They can make all the changes themselves
22%

We have an outsourced/consulting team for website optimization-related work

POOR
They have to turn to the IT department for every change
2%

LIMITED
They can make basic changes
21%

EXCELLENT
They can make all the changes themselves
8%

We have a separate, centralized eCommerce team which does all the website optimization

POOR
They have to turn to the IT department for every change
0%

LIMITED
They can make basic changes
3%

EXCELLENT
They can make all the changes themselves
29%

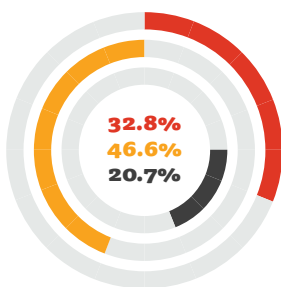
Our marketing team is responsible for eCommerce site optimization and marketing

POOR
They have to turn to the IT department for every change
0%

LIMITED
They can make basic changes
14%

EXCELLENT
They can make all the changes themselves
0%

The department responsible for changing content, sorted by the resources dedicated to website optimization.

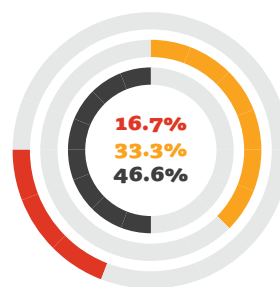


eCommerce

A centralized eCommerce platform and all optimization is controlled by a centralized team

Platforms in each market with decentralized teams responsible for the optimization work

We don't work in multiple markets – optimization is controlled in-house.

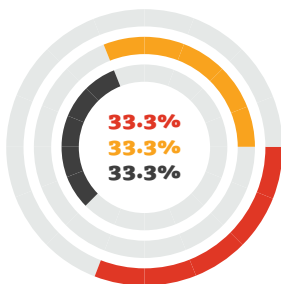


Marketing

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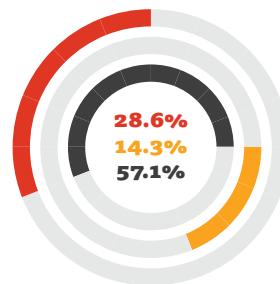


An outsourced partner, who takes care of our IT

A centralized eCommerce platform and all optimization is controlled by a centralized team

Platforms in each market with decentralized teams responsible for the optimization work

We don't work in multiple markets – optimization is controlled in-house.



IT Department

A centralized eCommerce platform and all optimization is controlled by a centralized team

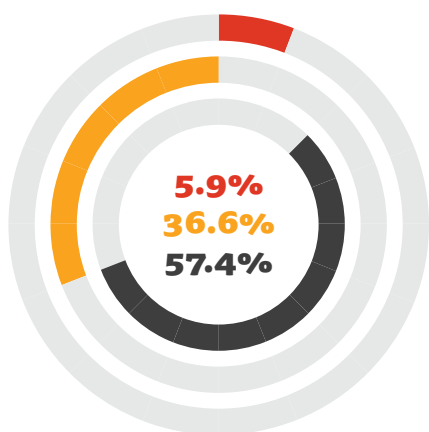
Platforms in each market with decentralized teams responsible for the optimization work

We don't work in multiple markets – optimization is controlled in-house.

Part 2:

Test to Impress: Developing and personalizing for your shoppers

Overall, **56%** of businesses are giving up control over the customer experience to algorithm-based solutions (segmenting + personalizing)



◀ How do you segment users on your website?

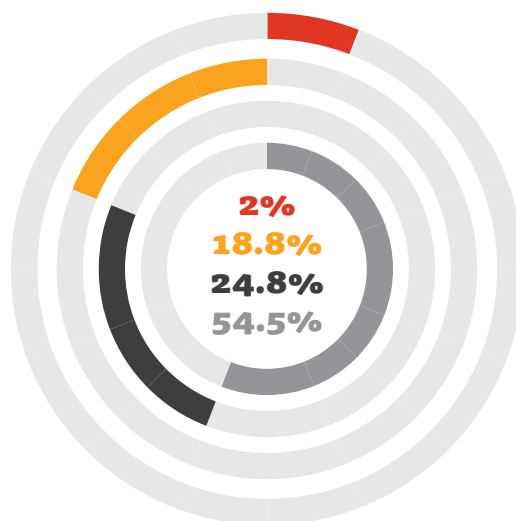
- Per test (very simple, no user-specific)
- User specific based on database/CRM information
- Fully automated algorithm

How are you personalizing your website? ▶

Time to get personal

It's clear from our findings that companies are committing significant effort to personalizing their customers' website experiences. What retailers should consider, however, is what they are giving up to an automated process that could, instead, be learnt by experts working inside the business.

Optimization offers a real opportunity to stand out from the crowd – it's a matter of keeping control of your business. Designing unique customer journeys should be a key focus for retailers, inspiring customer loyalty and building competitive advantage. The message, then, should be: Beware of brain-drain to the machine.



On a basic level via own CMS:
product recommendations based on
earlier purchases

Via a plug-in:
product recommendations based on others
users' behaviour

Marketing automation:
product recommendation combined with
email reminders

Algorithm-based:
product recommendation software with
self-learning capabilities

88% of respondents using automated algorithm-based segmentation are also using algorithm-based personalization software

Test, test, and test again

Developing a powerful testing strategy is crucially important to a successful eCommerce optimization program. Here we see eCommerce teams heading in the right direction when it comes to creating multiple versions of website content for testing purposes.

Many companies are using A/B testing and URL split methods, and although they are trendy, they're very constrained ways of testing ideas.

Customer journeys and single customer view should be considered along with optimization tests. It seems that eCommerce departments are amongst the first to catch on – good news for them; food for thought for the others.

Which testing tools do you use when experimenting with new content?

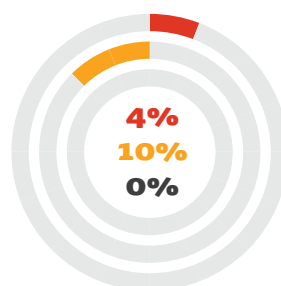


eCommerce

A/B Testing

URL Split Test

You create dozens of different versions of your website content

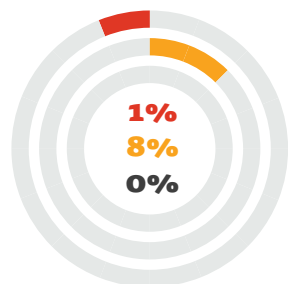


Marketing

A/B Testing

URL Split Test

You create dozens of different versions of your website content

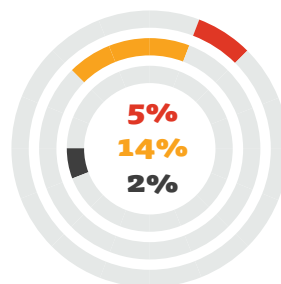


An outsourced partner, who takes care of our IT

A/B Testing

URL Split Test

You create dozens of different versions of your website content



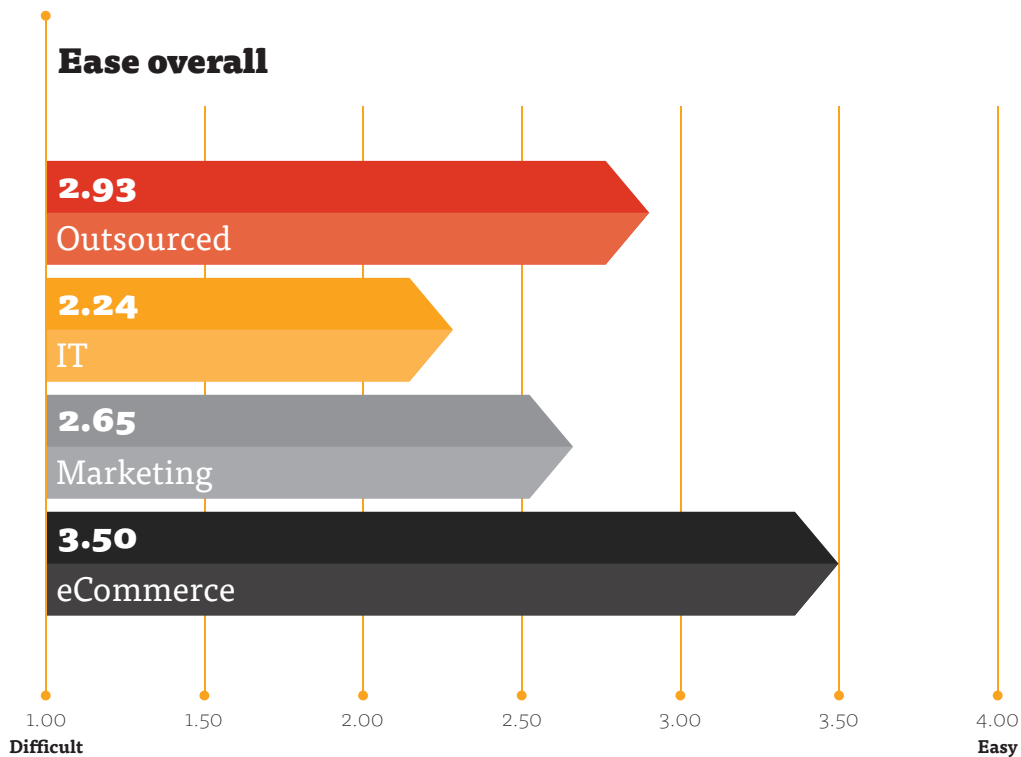
IT Department

A/B Testing

URL Split Test

You create dozens of different versions of your website content

Which departments are most comfortable with changing web content?



Change should come easily

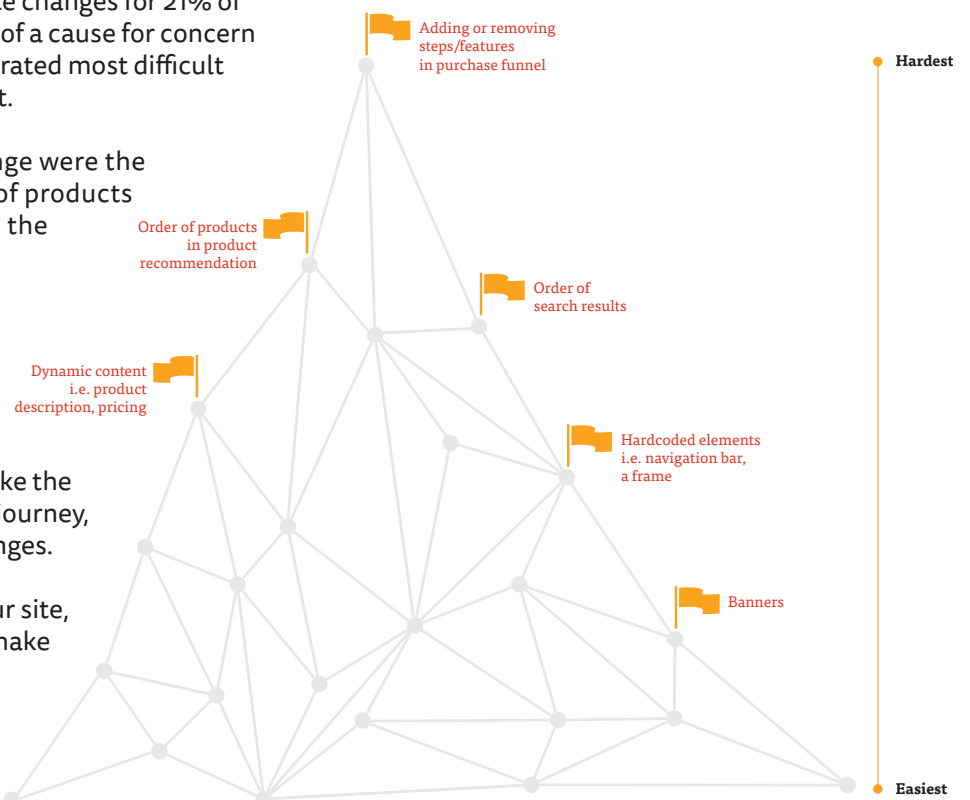
The eCommerce department's core function is to manage the company's online purchasing channel – with that in mind it makes sense that they would be the easiest to work with in terms of changing various kinds of website content.

IT is still the go-to source for website changes for 21% of companies, so it may be somewhat of a cause for concern that changing website content was rated most difficult when working with this department.

The most difficult content to change were the order of search results, the order of products in product recommendations and the most difficult task of them all: adding or removing steps in the purchasing funnel.

Even though some aspects of the site are easier to change than others, retailers must not lose sight of the changes which make the biggest difference to the customer journey, by only focusing on the easiest changes.

The more control you have over your site, the more opportunity you have to make a memorable impression.



The Future of Web Optimization

Interview with **Mikael Gummerus**, CEO, Frosmo



What's the future of web optimization?

One thing which we are seeing now, and can certainly expect to continue into the future, is a move amongst retailers to an omnichannel operating model – there really are no other routes to go down. The systems which are available have, up until now, been very expensive, but these are only getting cheaper, faster and more effective as time goes on.

For retailers, this is great news, they'll be able to harness the power of their data to build a unified customer view, and from there advanced optimization work can be done continuously. What will be profoundly interesting, however, is to see exactly how retailers implement the changes.

Where conventionally making content changes was a laborious process carried in darkened back-offices over a period of months, in the future we will see more and more retailers optimizing directly to device, whether that be a browser on a desktop or laptop, or even on a mobile browser or app. The changes which can be made are without limit – you are able to do everything you would be able to do using conventional software development.

It's really a very big architectural change, the significance of this may be quite difficult to understand now, but considering the fact that Google, amongst others, are pushing this model in a big way right now, I think there is a very good reason to believe that this will become the prevailing method in the future.

What kind of technology do you foresee having a big impact over the next year?

One thing that I'm really intrigued about are the possibilities surrounding virtual reality. People have been talking about it for years but it's reaching the point now where the hardware is becoming available, it's affordable and it's high quality. I will be really surprised if we don't see some really interesting experiments in eCommerce using virtual reality over the next year.

There are a wide range of possibilities for this technology especially for travel and retail – it could revolutionize clothes shopping once the technology has advanced a bit further. I wouldn't be surprised at all to see the gambling industry capitalize on this as well.

“Conventionally, making content changes was a laborious process carried in darkened back-offices over a period of months.”



Part 3:

Using Data: From pooling insights to adapting customer journeys

Compiling meaningful customer insights together is easier said than done. It can be very difficult to track the activities of an individual user, because the data is often stored across different systems, or on different servers. Relevant data can come from email campaigns or retargeting; it could be collected at stores, perhaps using loyalty cards; it could be from a billing or invoicing system.

Needless to say, querying from multiple databases is just as cumbersome and slow as it sounds, and it can have serious impact on your adaptability when optimizing your site.

Ideally, data is collected simultaneously, then analyzed and interpreted in order to quickly gain a single customer view, and adapt to it. This should be a continuous process which runs alongside changes to the website.

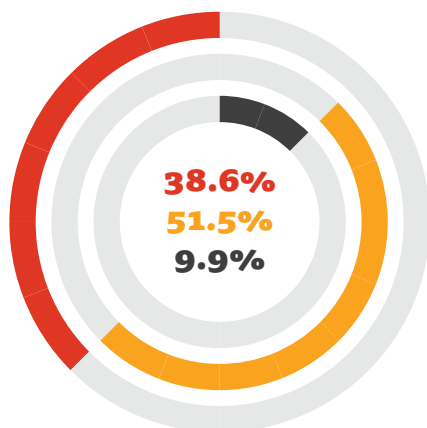
To run smoothly, these processes can't be done using traditional back-end development. Leading retailers are investing in systems which allow them to make changes directly to the end-users' browsing experience. The ability to adapt quickly offers significant competitive advantage and is only going to get more common in future.

CRM data: data collected from previous and current customers and includes information related to their purchase history as well as, potentially, their purchasing patterns.

Marketing data: data collected to assess the performance of various marketing initiatives, such as campaigns, promotions or retargeting.

eCommerce data: collected on the website. This data gives insight into user behavior on the site.

Is your CRM data used for the eCommerce website?



- Not simultaneously
- Yes, some data is used from CRM to create simple rules for the website
- No, we don't do anything with it

Knowledge is power

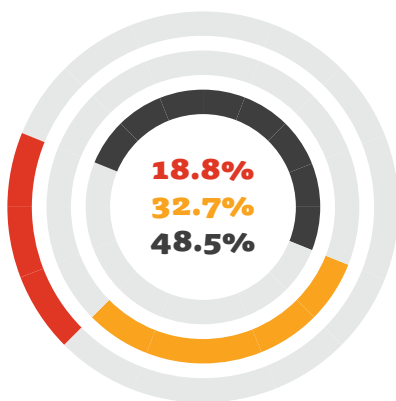
Data collection begins as soon as a new visitor arrives at your site. It's very important to understand, for example, what different customer segments you have, how they behave, and what value the different segments generate. Data should be used to create unique, memorable customer experiences, and as a springboard to lead the market.

You can't impact every visitor to your site, so you need to understand where the business opportunity lies, and which customers or potential customers you should focus on. The challenge then is translating the data into a format which can be used to guide your business.

More than half of companies surveyed are encouraging collaboration in the use of both marketing and CRM data, and as a result, should be able to enjoy significant payoffs in future.

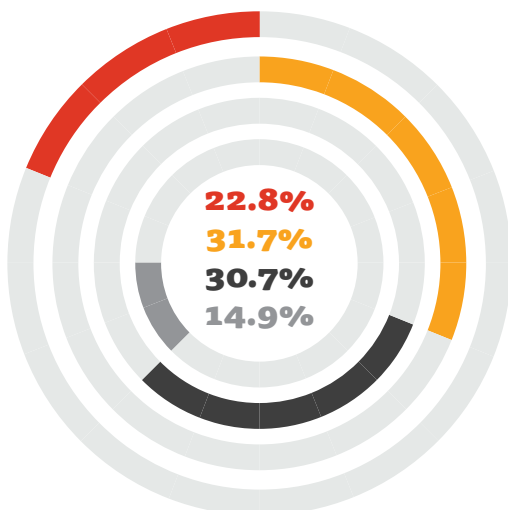
The remaining half is sitting on a big opportunity and if they don't act they risk being left behind. The companies who are most effectively able to integrate their marketing, CRM and eCommerce data to achieve a cohesive single customer view, and to leverage this data to super-charge their eCommerce site, will be best placed to capitalize.

Is your marketing data used for the eCommerce website?



- Not really, marketing and eCommerce team have separate data
- Marketing and eCommerce share data, but only related to re-targeting or email
- Our marketing team works very closely with the eCommerce team to enhance the optimization experience

Who is responsible for interpreting your eCommerce data?



- The eCommerce team
- The marketing team
- The analytics team (separate from above teams)
- An individual charged with analytics (separate from above options)

Time is money

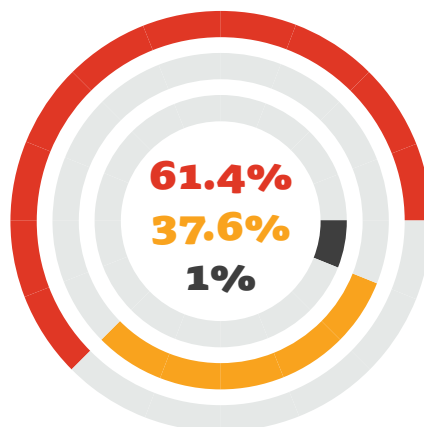
In eCommerce optimization your data is your biggest asset, and your strongest weapon. One of the key abilities of leading online retailers is collecting, controlling and interpreting data at speed. This informs their website optimization and leads to better business growth.

Implementation lags are dangerous – insights gained from data can become obsolete quickly, it's alarming to see that, in many cases, it can take so long for companies to implement the necessary changes.

Misalignment between departments can cause serious bottlenecks in the optimization process – and in this game, the old adage rings true – time is money.

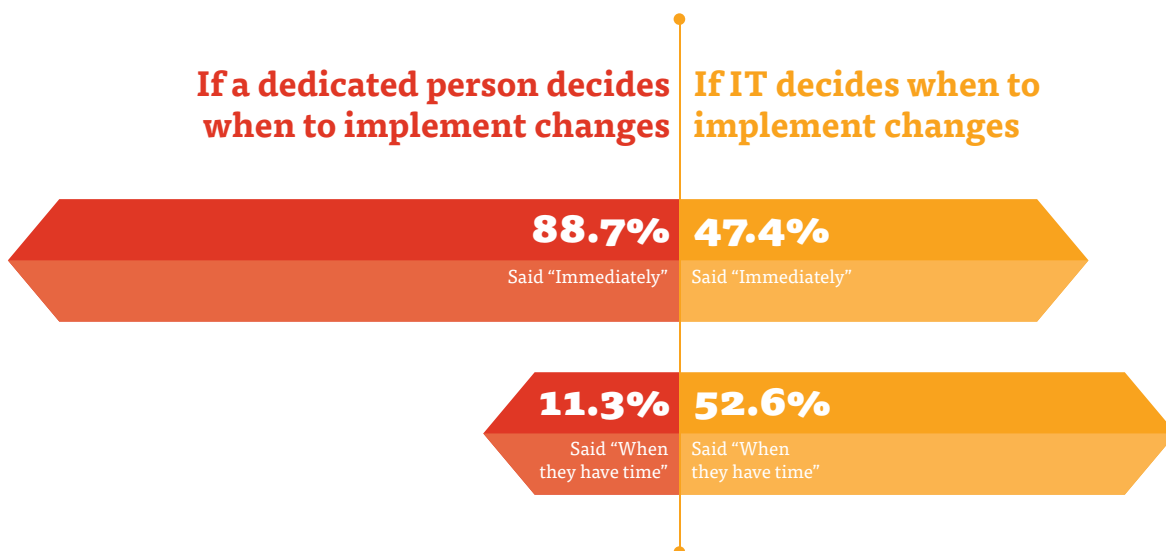
This is particularly pertinent in regard to IT teams working autonomously on deciding both what changes to make, and when to make them – only 47% of changes were implemented immediately in this case.

What happens to the eCommerce data after it is analyzed?



- A dedicated person decides which changes to make
- IT decides which changes to make
- We don't really do anything with it short-term

How quickly is the eCommerce site updated?



It's decision time

When it comes to optimization it's better in most cases for the eCommerce team to make the decisions relating to the data – they are the ones who live and breathe the business – but it's essential that they can extract all of the relevant data easily into a single place.

Once they have that data in place they can begin to test different strategies for different kinds of customer segments based on the data they have available. The eCommerce team is also well placed to detect any problems which may be present, like for example a technical bottleneck in your purchase funnel – to deal with this you need to be able to very quickly test solutions to improve things for these customers. Being able to make changes at speed is fundamentally important here, as fixing the problem may well not be as simple as changing an image, it may require a more complex multi-step process.

There are many significant business advantages to being able to extract data quickly and draw insights from it. One of these is the way it empowers different departments to break down boundaries and work more effectively together. In the past, with each project being so painful and taking such a long time it resulted in departments working quite separately from each other. Now, with the technological developments available it is possible to do things so quickly that teams like marketing, eCommerce, analytics, and even the customer support team all have the ability to share data and act on it quickly and easily.

Part 4:

Testing Tech Solutions:

How long is the wait?

The types of solutions being implemented varied widely from retailer to retailer, from email marketing solutions to CRMs, SAP and everything in between. The overwhelming number of solutions available can lead to a fragmented software landscape for retailers – you won't be able to increase conversions if all your tools have their own user interfaces and separate data. Integration is key.

In addition it's important to remember that the implementation of software solutions can be incredibly costly and time consuming. Not to mention that the solutions can only be truly tested and evaluated after implementation—so there is an element of risk involved.

Something to keep front of mind is that solutions can be individual tools with standard features, or platforms that allow you to develop custom solutions and integrate them with each other.


The more integration there is between them, the more seamless the processes, and the more your teams can manage the ever-increasing complexity present in the world of online retail.


.....

How long did you take to implement your most recent eCommerce software?

22.8% 
MONTHS

37.2% 
MONTHS

20% 
MONTHS

20% 
MONTHS

Conclusion

Leadership innovation

The radical changes underlying how websites are optimized for eCommerce growth even affect behavior at the highest levels of management amongst the most successful retailers.

Rather than complex decisions based on long-term and expensive technical projects, technology has removed a lot of the responsibilities and risk from the equation. What's left is a steady flow of accurate analytics data which lets both eCommerce teams and leadership quickly decide on which customers their efforts should be focused.

A new generation of leaders is emerging, one that understands the possibilities created by this kind of optimization process – they are able to maximize

the business advantage afforded by this new level of adaptability, whilst not losing focus due to the sheer amount of options available.

In a crowded market, where competition is both abundant and advanced, the ability to make your business stand out and make a lasting impression on the customer is one of the most important factor influencing success.

Adaptability and business advantage

Enhanced optimization technology offers the opportunity to respond to data as it presents itself, this is a powerful tool to increase growth but it also allows the job to be done using far fewer resources – a win-win from a business point of view. This level of productivity is no longer a far-off dream for retailers, it's increasingly achievable and for some retailers can lead to dramatic reduction in IT development spend, up to as much as a tenth of the cost.

It's really important for each retailer to find their own original approach, one which fits their business as closely as possible – this allows decisions to be made at speed – a significant differentiator between those who are leading the pack and the stragglers. This means that leading retailers are able to make thousands of modifications to their eCommerce site per month, this is something which would not have been possible only a couple of years ago.

Ultimately your ability to perform depends entirely on how quickly you can respond to optimization data as it presents itself. It's a jungle out there – it's survival of the quickest.

About Frosmo Ltd

Frosmo Ltd is a Helsinki-based eCommerce Growth Management company. Our approach to software and service is built for speed, alignment and integration - not only of tech solutions, but also the people behind them. Instead of forcing you to adapt to our features, we build our solution around your needs; this way, we grow and learn together.

Our platform enables you to perform any kind of website optimisation in the fastest way possible based on users' preferences and behavior. Speed becomes your competitive advantage. The faster you can make modifications, the faster you learn what works best for your customers, and the faster you can increase your revenues.

Founded in 2008, Frosmo is on a mission to pierce through current tech limitations and improve how online business is done, across all industries in Europe and Asia.

For more information, please visit www.frosmo.com or contact **An Mouton**.

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About WBR Digital

We design and execute bespoke content marketing campaigns all year round, delivering our clients unparalleled access to the wider WBR event audience.

We believe in creating rich content that engages and inspires. We mix in-depth industry research with incisive analysis, add a double-shot of creativity, then market it for you to targeted audiences of your choosing.

It's industry research, it's thought leadership, it's quality content – it's the perfect opportunity to generate qualified sales-ready leads.

Contact us to find out how your business could benefit from:

- Lead generation campaigns that fit your priorities
- Bespoke webinars, benchmarking reports and whitepapers
- In-depth research on current fast-moving issues and future trends
- The opportunity to position your company as a thought leader

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