Metrics Therapy
Details, Dashboards and Diligence

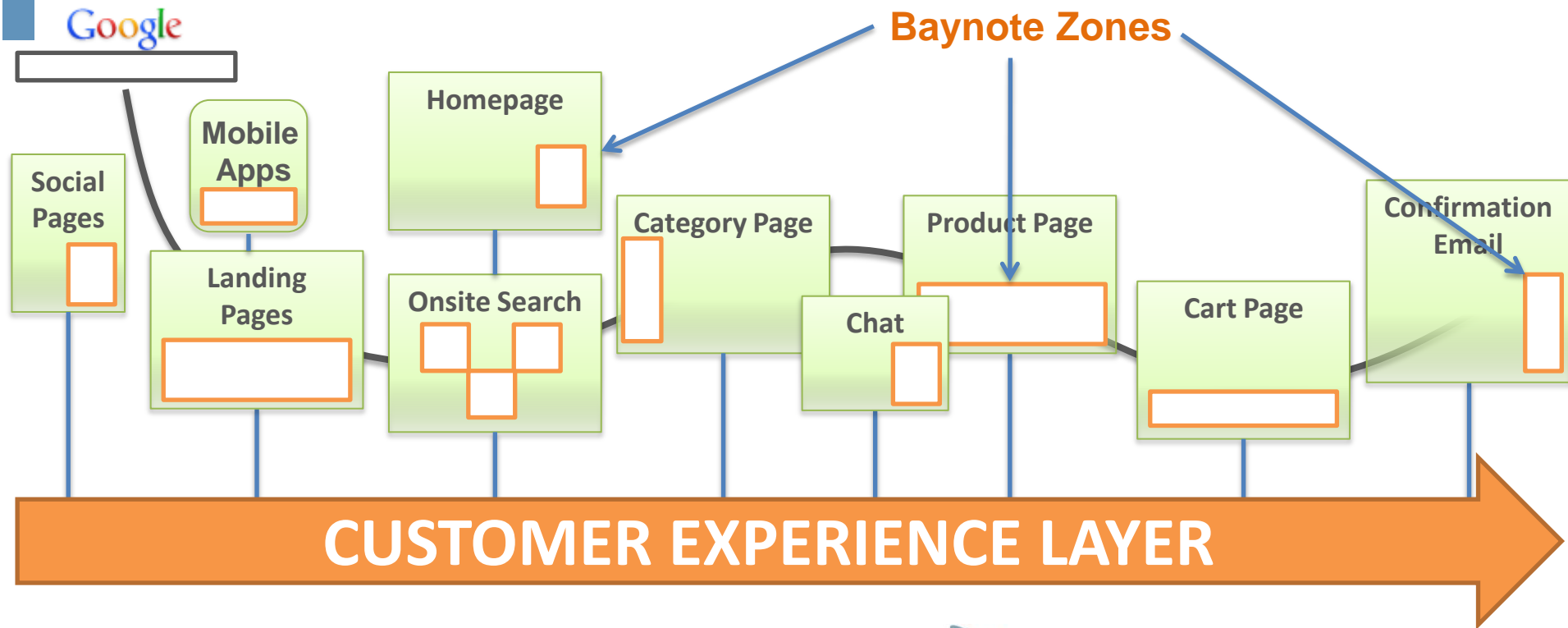the e-tailing group
11th Annual Merchant Survey

April 2012

BAYNOTE AT A GLANCE

- Founded in 2005 in Silicon Valley
  - Founders from Interwoven & Stanford/MIT Media Lab
  - Unique dynamic content vision

- Personalization Leader
  - Rated #1 by Patricia Seybold Group
  - Over 300 customer deployments
  - Customers in 13 countries
  - 29 technology and agency partners

- Technology Innovator
  - Pioneer in Social Search
  - Patented intent-driven technology
  - 6 patents, 7 pending

URBN

the knot

BLUEFLY

US Appliance

J.CREW

ANTHROPOLOGIE

NETSHOES.com.br

SingTel

RELEVANT PRODUCTS, CONTENT AND OFFERS

Baynote Zones

- Google
- Social Pages
- Mobile Apps
- Homepage
- Landing Pages
- Onsite Search
- Category Page
- Chat
- Product Page
- Cart Page
- Confirmation Email

CUSTOMER EXPERIENCE LAYER

Baynote

Personalize The Shopping Experience Across Existing Touch points

A Word from our Sponsor...

Motivation for Metrics Therapy

About the e-tailing group

The Voice of Cross-Channel Merchandising
Straight talk from "in-the-trenches" online merchandising experts

- 16 years e-commerce **consulting**

- **Author,** It's Just Shopping

- **50+** years traditional retail and catalog experience

- **Fortune 500 client projects** ranging from strategic planning, merchandising, marketing, to technology development and messaging

- **Cross-category** projects spanning specialty retail to departments

- **Proprietary research studies** on mystery shopping, merchandising, mobile and consumer behavior
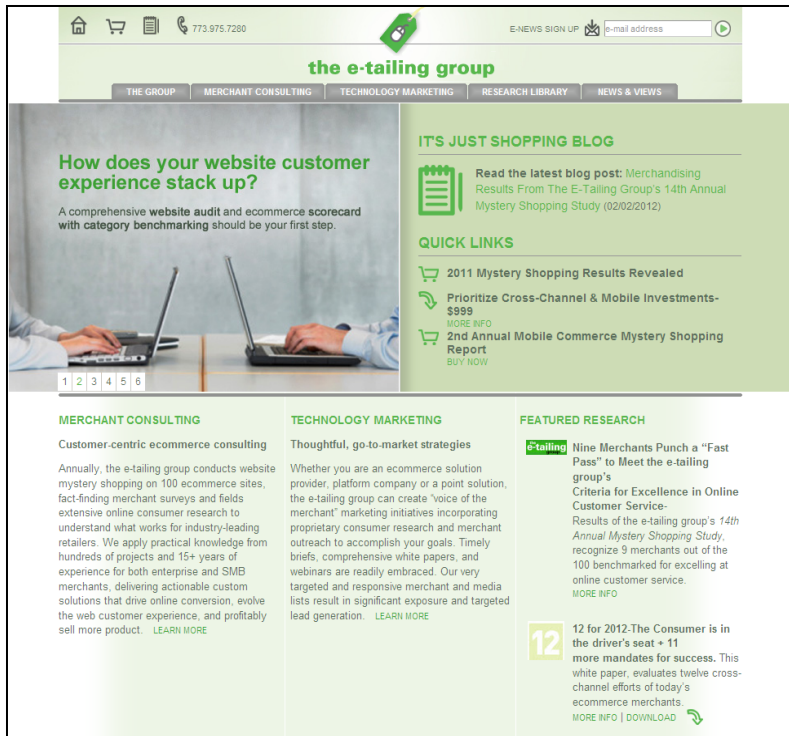
Today's Agenda

I. What's Being Measured and Why

II. Conversion and AOV Dynamics

III. Monitor Emerging Metrics and Channels

IV. A Merchant's Metrics Playbook

In-the-trenches Merchant Interviews

- Developed a questionnaire completed by a cross-section of retailers
- Topics included:
  - Metrics utilization
  - Conversion and aov dynamics
  - Organization and methodology surrounding metrics
  - Emerging metrics usage including mobile, social and cross-channel

Merchants of all sizes (annual sales)

27%	$<$1M to $20M
22%	$20M to $100M
30%	$100M to $1B
21%	$1B to $5B>

Selling through a mix of channels

99%	Internet
86%	Email
61%	Mobile
54%	Store
48%	Catalog
27%	Social
7%	TV

32 categories of products and services

32%	Apparel
28%	Home & Garden/Home Improvement
27%	Accessories/Shoes/Luggage/Jewelry
14%	Sporting Goods/Outdoor Gear
12%	Toys/Kids
10%	Gifting/Greeting Cards/Food & Wine
9%	Consumer Electronics
9%	Health & Beauty/Seniors
7%	Food & Beverages
7%	Books/Music/Video
7%	Office Supplies/Office Furniture
7%	Travel
6%	Technology/Computer Hardware/Software)
5%	Business to Business (B2B)
5%	Arts & Crafts/Hobbies/Party
5%	Pets
3%	Entertainment
3%	Educational
2%	Collectibles
2%	Mass Merchants

Analytics Evaluation Key to Retention

61% rated it as "most important retention tactic

Please rate your top merchandising and navigational tactics for customer retention with "5" being the most important to your strategy and "1" being the least important.
(Top-2 Most/Somewhat Important)

Tactic	Percentage
Analytics evaluation to see what works	93%
Pricing or promotional strategies from free shipping to private sales directed to current customers	81%
Site redesign or enhancements that improve the customer experience and navigation	79%
Making it easier to find products with enhanced onsite search relevance, sort options, and/or landing page optimization	78%
The "right" in-stock assortment	76%
Email that utilizes an array of tactics sent on pre-established frequency	76%
A/B, multi-variate or other usability testing	71%
Rich media or related tools (zoom, alternative views, audio, video, etc.) that engender consumer confidence	64%
Editorial content, expert reviews, user-generated content, and/or other helpful tools to position your site as a "go-to" expert	62%
Personalization strategies including placement of up-sells/cross-sells	62%
Elevated brand differentiation	54%
Social media elevation	44%

Source: e-tailing group Annual Merchant Survey; 2012

Q13
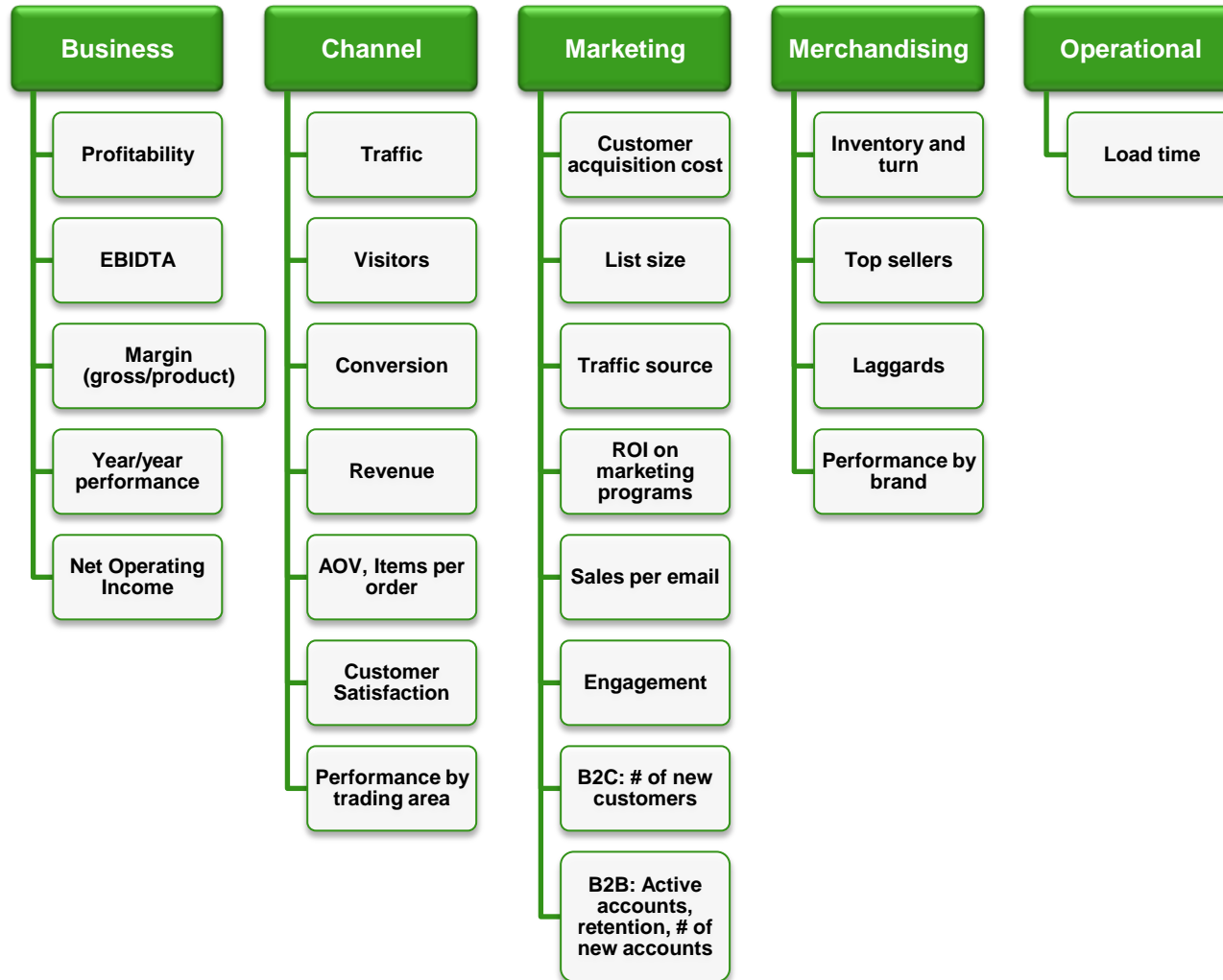
Having the Right Metrics is a Work in Progress

"In a world where everything is trackable, **"it's more about what and how to measure** where we are continually educating internally to produce desired results."

"While perhaps not fully optimized I'm happy to have the intelligence I need to make decisions, where **a clear view on business performance and forecasting of future activity is now possible.**"

"Retailers by nature tend to look back wanting to understand how they are comping relative to last year but should be **forward thinkers as consumers are demanding and ahead of the curve.**"

What's Being Measured

*What are the top five most important metrics for running your business and why?*

Business	Channel	Marketing	Merchandising	Operational
Profitability	Traffic	Customer acquisition cost	Inventory and turn	Load time
EBIDTA	Visitors	List size	Top sellers	
Margin (gross/product)	Conversion	Traffic source	Laggards	
Year/year performance	Revenue	ROI on marketing programs	Performance by brand	
Net Operating Income	AOV, Items per order	Sales per email		
	Customer Satisfaction	Engagement		
	Performance by trading area	B2C: # of new customers		
		B2B: Active accounts, retention, # of new accounts		

Profitability Paramount

"Commerce is about making money so the metrics we track must therefore assess our performance from that perspective."

"Profit is the one constant across channels and should be the most important metric."

"Conversion rate may get more media attention and is still important but when it comes down to it gross profitability is what counts."
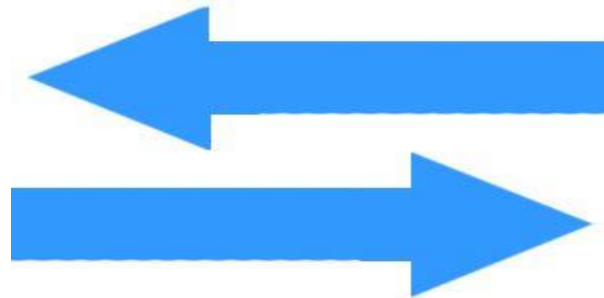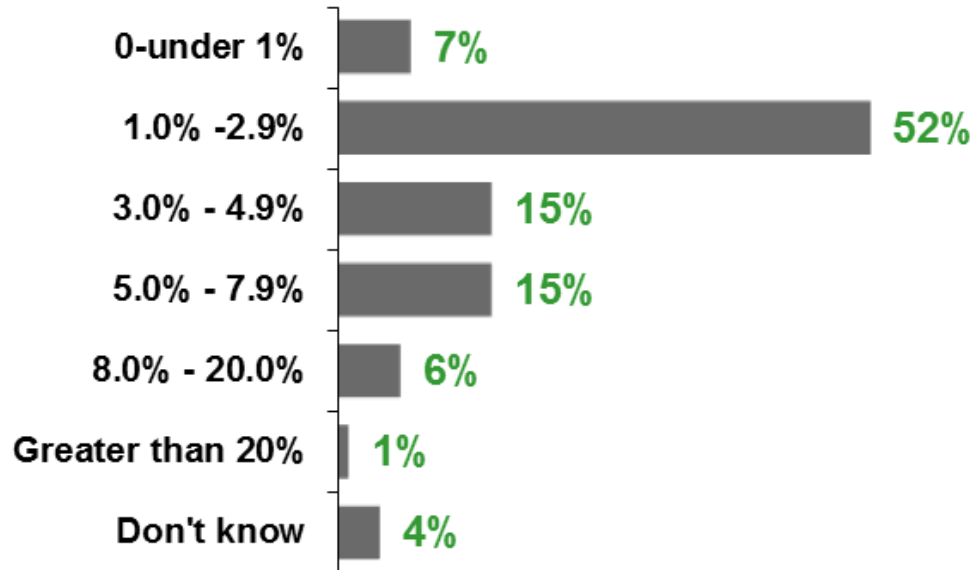
CONVERSION

DYNAMICS

Conversion is a moving target

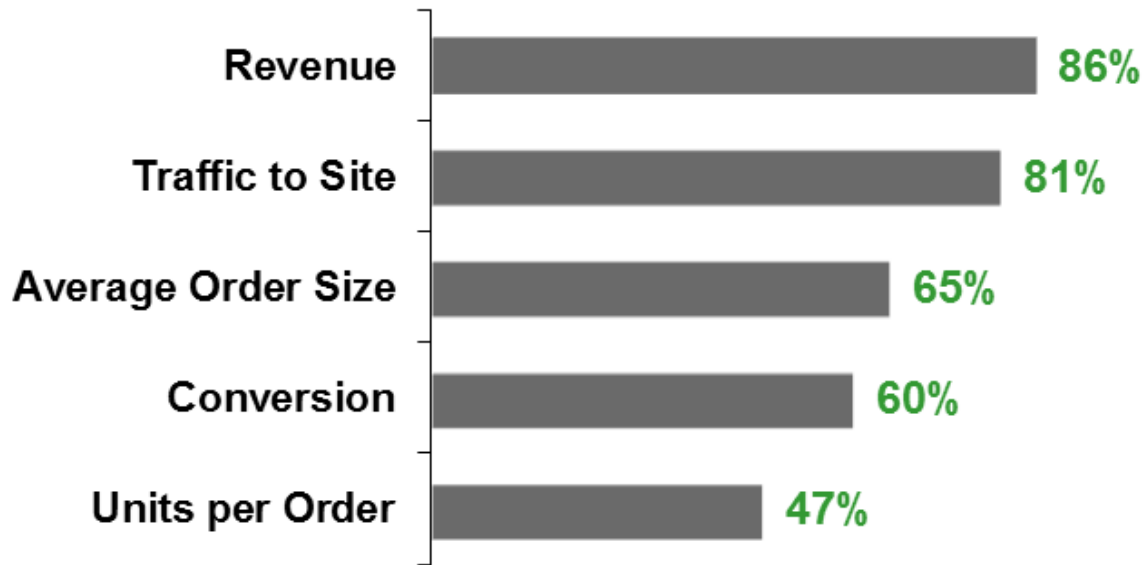*Rates remain concentrated in 1-3% range with new factors altering the meaning of conversion*

What kinds of conversion rates are you seeing on your site?(# orders divided by /# of unique visitors)

Range	Percentage
0-under 1%	7%
1.0% -2.9%	52%
3.0% - 4.9%	15%
5.0% - 7.9%	15%
8.0% - 20.0%	6%
Greater than 20%	1%
Don't know	4%

Source: e-tailing group Annual Merchant Survey; 2012

Q16

KPIs trending up

Over the course of the past year (2011), how have the following key metrics been tracking?
(Top-2 Significantly/Somewhat Increased)

Metric	%
Revenue	86%
Traffic to Site	81%
Average Order Size	65%
Conversion	60%
Units per Order	47%

Source: e-tailing group Annual Merchant Survey; 2012

Q15

Merchants must understand metrics in the context of one's business

Traffic is always a factor

Shifting priorities alter numbers

Promotions and profitability goals impact conversion numbers

Assortment challenges in play

www business dynamics

Mobile wreaks havoc on metrics

Focus on customer experience elevates numbers
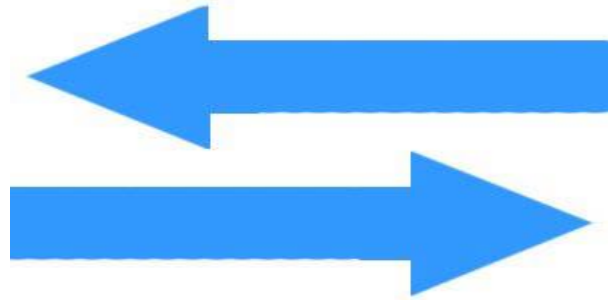
CONVERSION

INFLUENCERS

Testing

"…used 3rd party software to alter visual experience and navigation including search bar and product page all leading to increased conversion"

"…allows us to moderate promotions (i.e. test a $5 vs. $10 offer) without merchant bias as well as impact future layout, features and design"
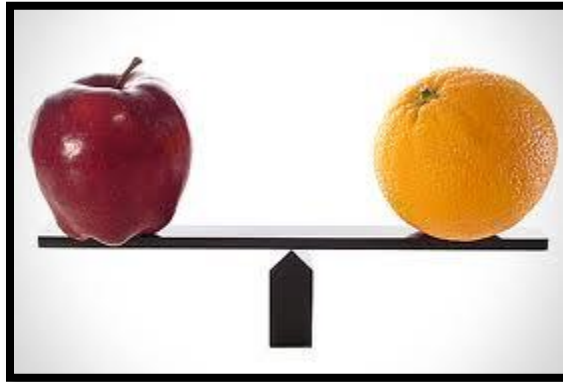
"We are testing, targeting and then tweaking as there are so many opportunities to drive up conversion."

"conducting mostly via email including creative and subject line"

"…can't say it's in an absolute true science as there are always variables but value being seen from taking advantage of testing."

Dynamic Merchandising

"Getting customers to the right product as quick as you can should have a huge impact on conversion."

"If you don't do dynamic merchandising, your conversion will just be lower."

Accelerated Promotions

"Utilizing of this tactic was more about one's go-to-market vision though one can easily become dependent on watching what's moving the needle and seeing markdowns to maintain that momentum."

New Is The Oxygen Of Our Business

"We live and die by our assortment."

"New motivates people to buy more"

"The beauty of new is that when introducing compelling products one doesn't have to discount as consumers are often willing to pay full price.
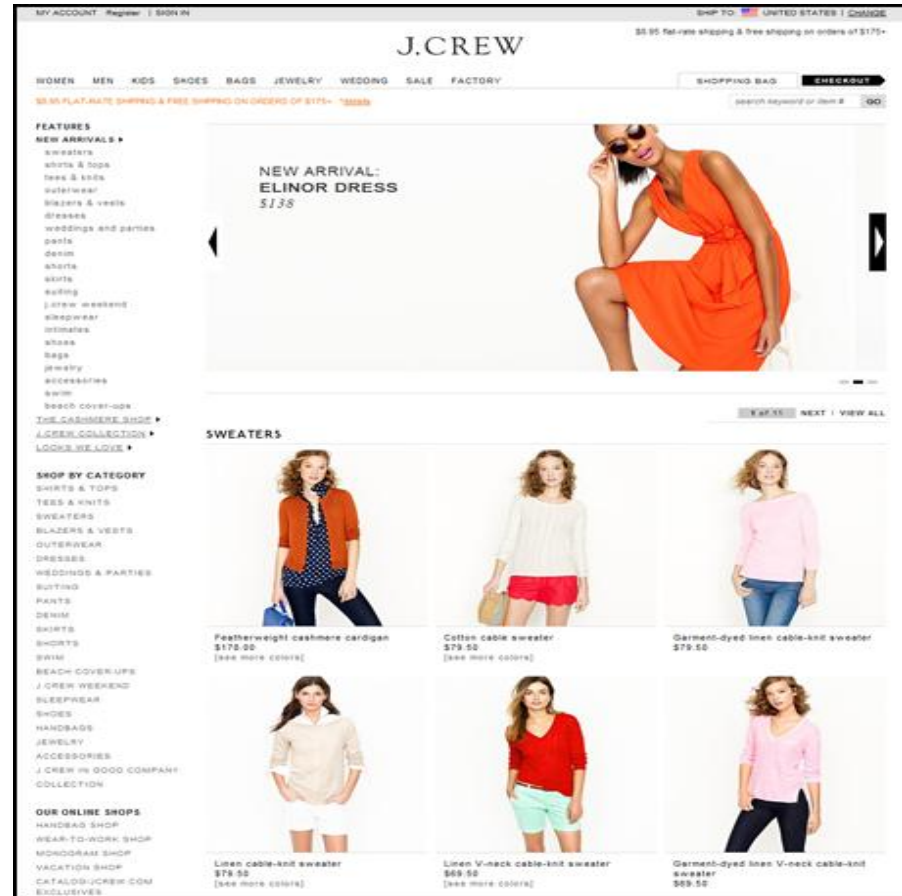
Personalization tactics perform where triggered email and remarketing top beyond the site efforts

"Personalization is the holy grail and we're aspiring to get there but need to be more proactive."

Given the array of personalization tactics available to you, how would you describe the success of each tactic from an ROI perspective?
(Top-2 Very/Somewhat Successful)

Tactic	%
Triggered shopping cart abandonment emails	55%
Retargeting	45%
Personalized product recommendations on the product page	40%
Personalized product recommendations via email	39%
Personalized product recommendations in the shopping cart	36%
Recently viewed product	36%
Longer-term customer lifecycle email personalization	35%
Home page personalized based on past browse and buy behavior	25%
Longer-term customer lifecycle onsite personalization	22%

Q29

Source: e-tailing group Annual Merchant Survey; 2012

Merchants work to perfect personalization strategies
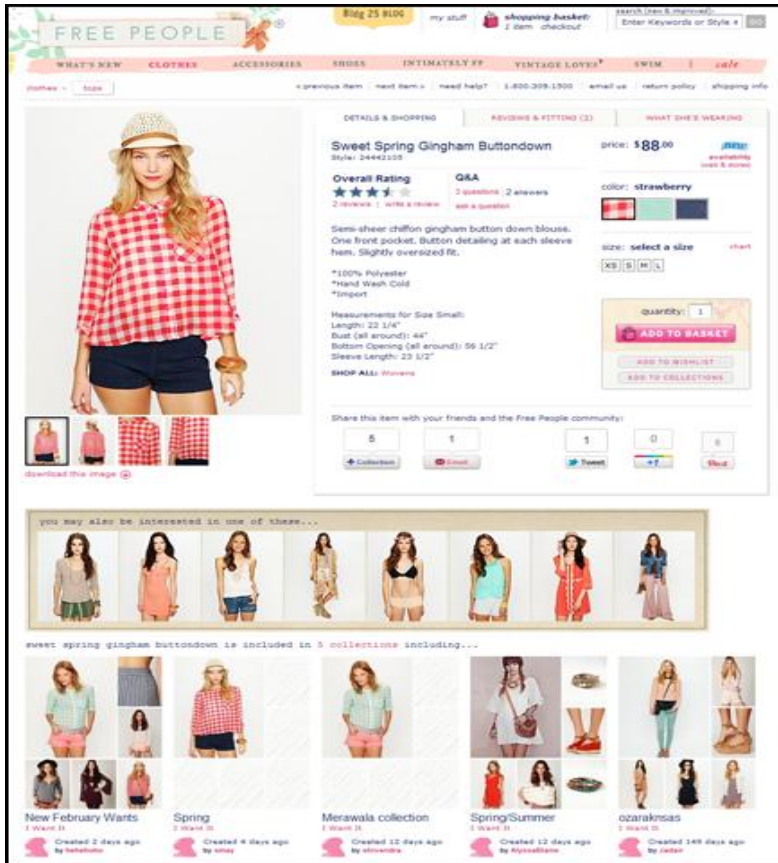
What kind of conversion rates are you experiencing when shoppers preview up-sells or cross-sells on your website?

	2012	2011
8% or more	11%	10%
5-7%	8%	9%
3-4%	8%	10%
2% or less	13%	14%
Don't Offer	7%	5%
Don't Know	53%	52%

Source: e-tailing group Annual Merchant Survey; 2012

Q23

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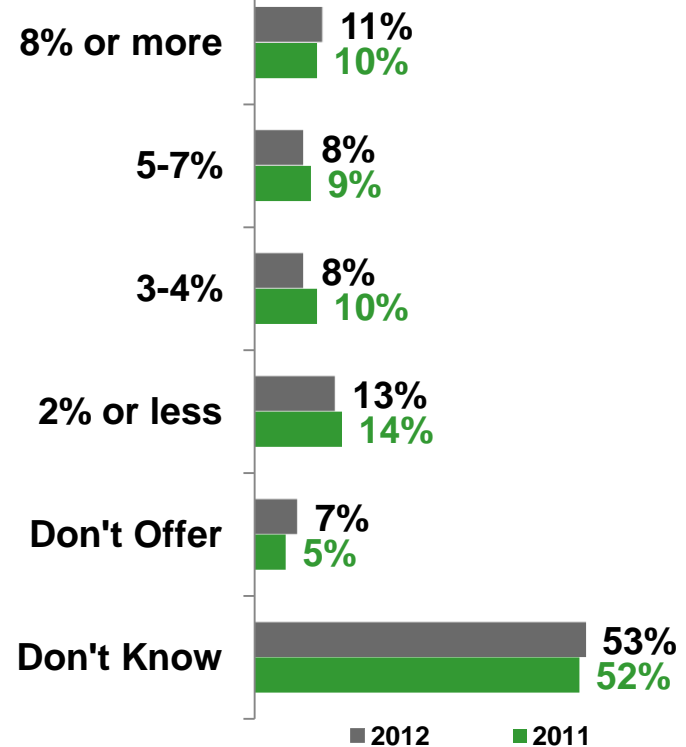
Shopping carts provide plentiful places to personalize

What kind of conversion rates are you experiencing when shoppers preview up-sells or cross-sells on your website?

	2012	2011
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Don't Know	53%	52%

Source: e-tailing group Annual Merchant Survey; 2012

Q23

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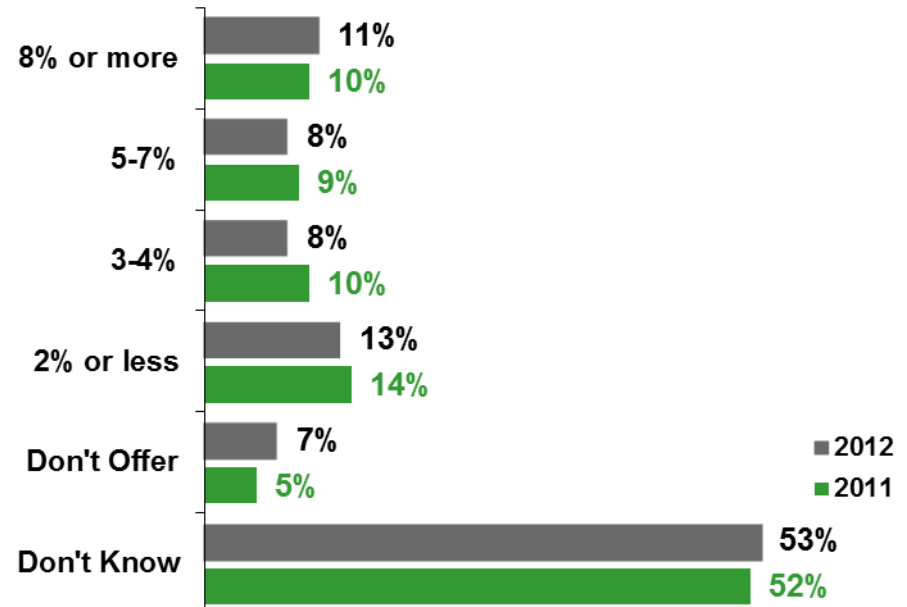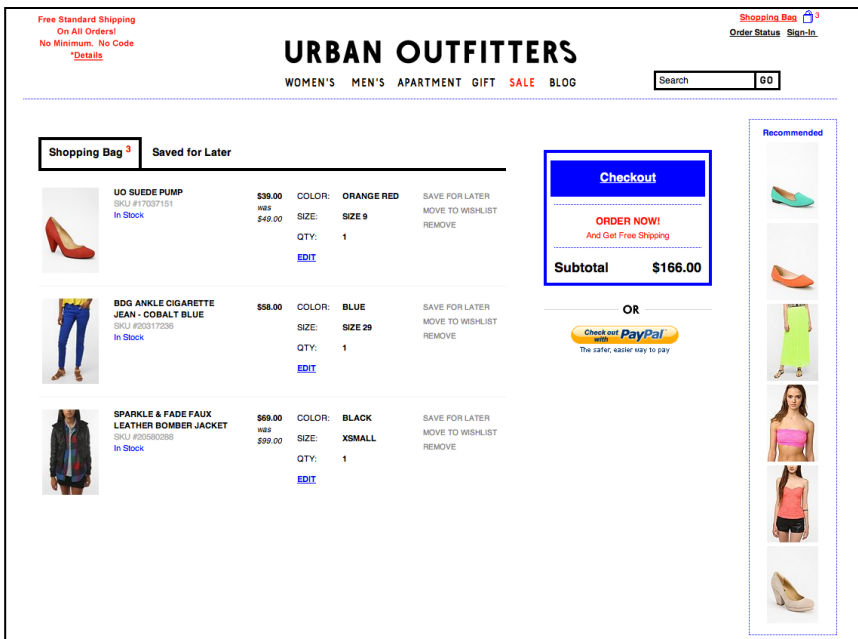
MONITOR EMERGING METRICS & CHANNELS
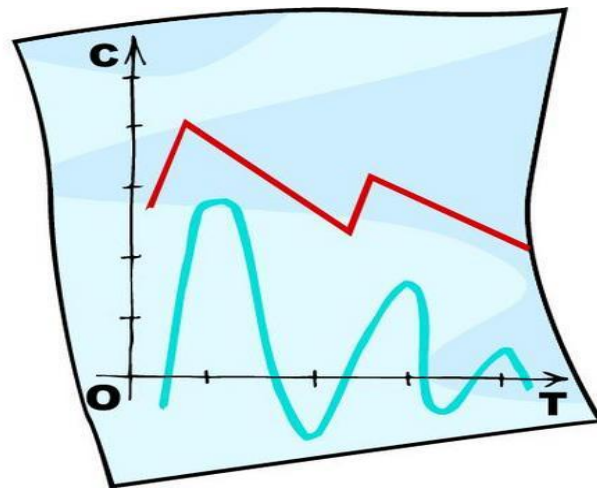
Traffic growth from mobile significant where revenues are following suit

What percent of your <u>traffic</u> comes via mobile browsers or mobile applications?

Don't know 7%
None 1%
Less than 1% 8%
1 - 2.9% 20%
10%+ 26%
3 - 4.9% 13%
5 - 9.9% 25%
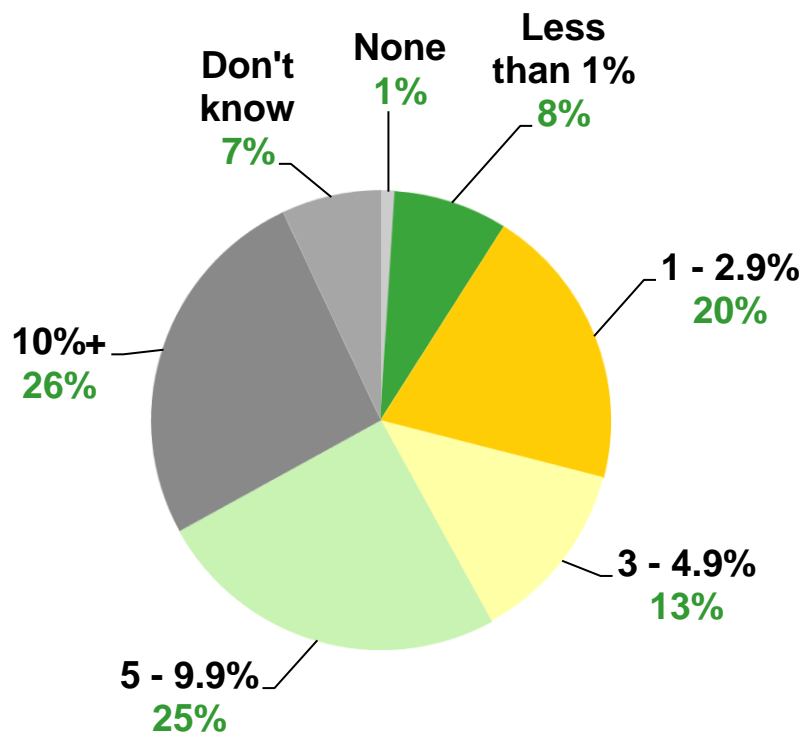
What percent of your <u>revenue</u> comes via mobile browsers or mobile applications?

Don't know 11%
None 3%
More than 10% 5%
Less than 1% 23%
5 - 9.9% 18%
1 - 2.9% 28%
3 - 4.9% 12%
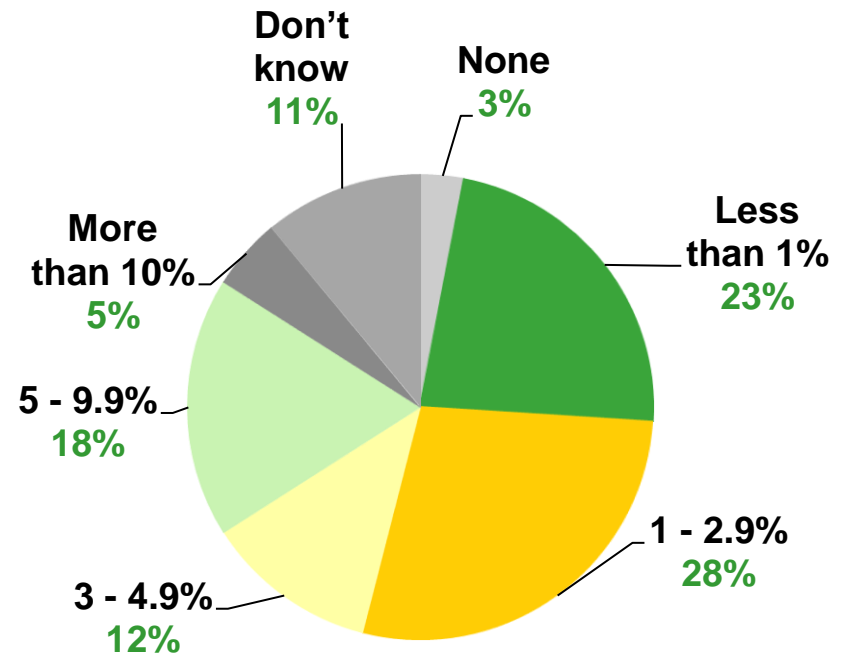
Source: e-tailing group Annual Merchant Survey; 2012

Q33-34

Mobile Matters but What Metrics

Standard demand metrics including sales, conversion and AOV were being measured

Quick information appears to be a priority as consumers seek to secure store basics by using the phone as a utility versus a shopping device

testing mobile campaigns to gain a better understanding of mobile consumer behavior for future digital allocation

Email readership on the phone in particular has wreaked havoc on delivery timing

shorter engagements on the smartphone

higher bounce rates

Tablets Rule

What conversion rates are you seeing from mobile?

Category	Significantly/somewhat more than website	About the same as website	Somewhat/significantly less than website	N/A
Mobile web	10%	11%	57%	22%
Stand-alone native apps	3%	6%	18%	73%
Tablets	22%	21%	23%	34%

■ **Significantly/somewhat more than website**

■ **About the same as website**

■ **Somewhat/significantly less than website**

■ **N/A**
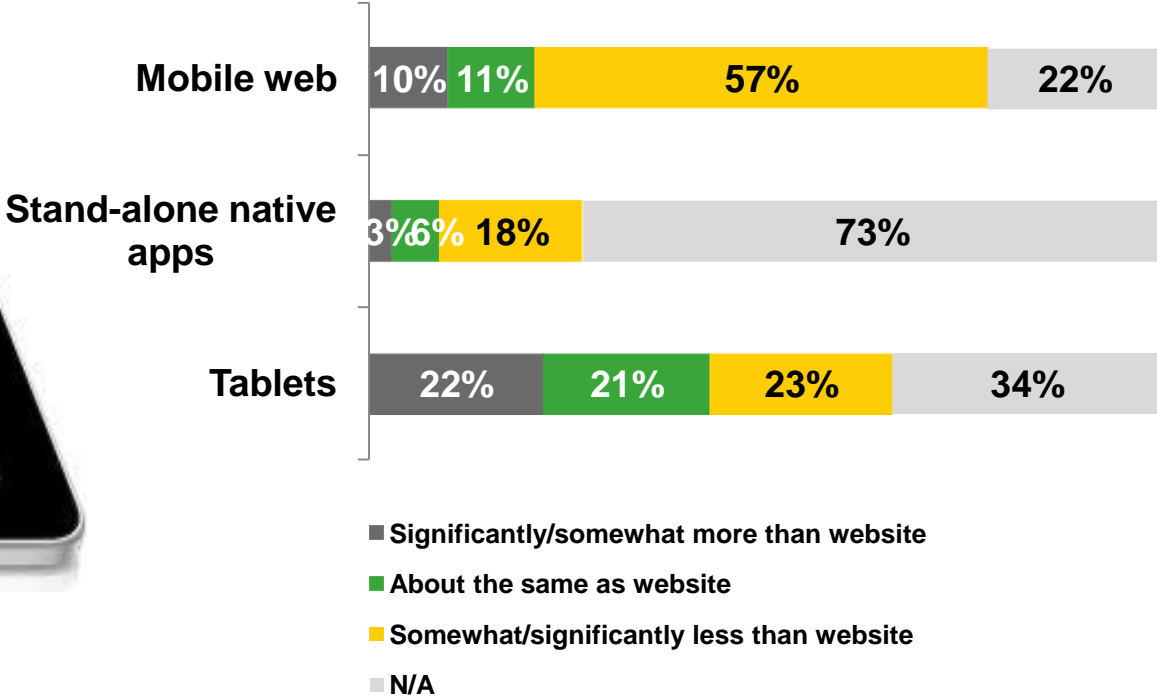
Source: e-tailing group Annual Merchant Survey; 2012

Q35

Social media measurement centers around engagement

By which of the following means are you measuring social media's success?
Check all that apply.

Measure	2012	2011
Number of Facebook fans	90%	78%
Number of Twitter followers	66%	61%
Click-through rates to retail site from social media	58%	53%
Growth rate year-over-year for pre-determined KPIs	50%	34%
Number of YouTube views	46%	40%
Sales from social networks	41%	47%
Improved SEO	37%	39%
PR and media exposure	35%	30%
Video sharing rate	13%	9%
None, unsure	1%	5%

■ 2012
■ 2011

Source: e-tailing group Annual Merchant Survey; 2012

Q40
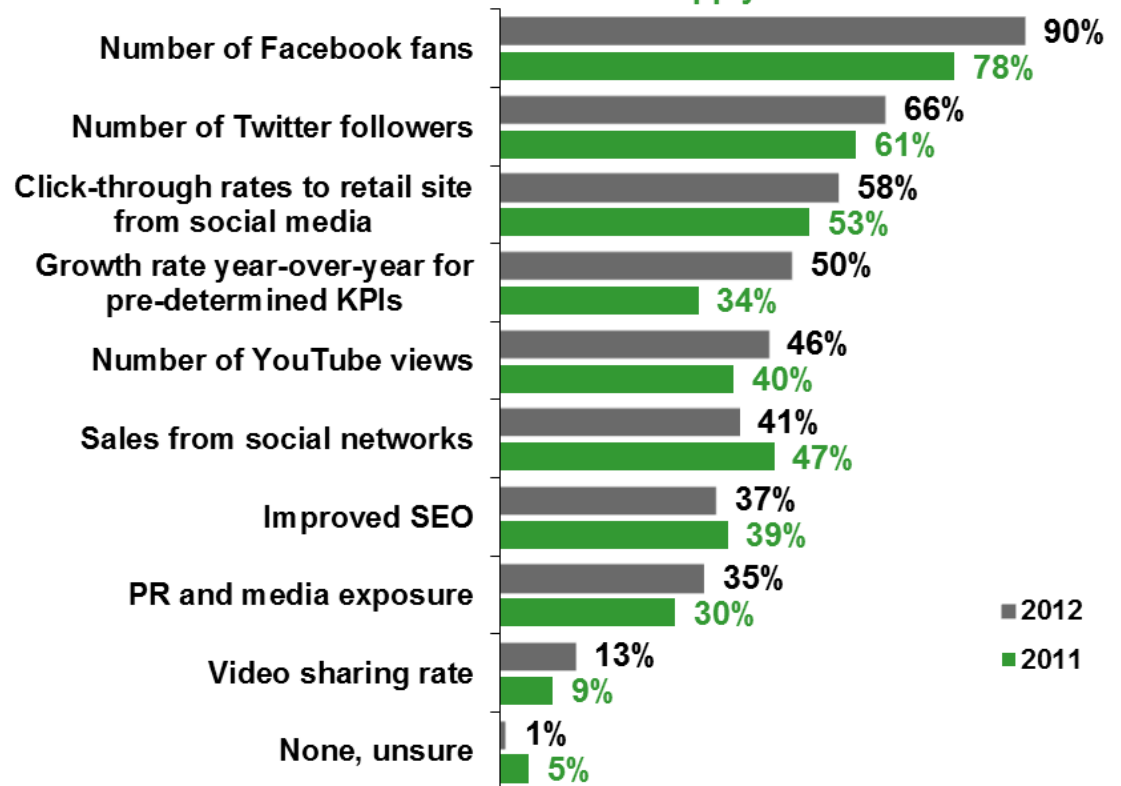
SINGLE VIEW OF THE CUSTOMER

An array of information is being captured

What behavior data do you include when attempting to garner a 360-degree view of the customer? Check all that apply.

Category	Percentage
New/return visitor	73%
Previous online purchases	71%
Acquisition source (search, Facebook, SEO)	65%
Customer/prospect	56%
Customer demographics	54%
RFM data (recency, frequency)	43%
Searches	39%
Previous offline sales	39%
Previous product interests	38%
Previous campaign responses	33%
Previous campaign exposure	30%
Previous visit patterns	24%
Point-of-sale	23%
Mobile usage patterns	12%
Customer psychographics	12%

Source: e-tailing group Annual Merchant Survey; 2012

Cross-channel behavior is measured anecdotally while LTV grows in importance

How do you measure customer-centric cross-channel behavior? Check all that apply.

	2012	2011
Anecdotal feedback from customers	49%	48%
Lifetime value analysis	44%	34%
Loyalty and other CRM programs	33%	28%
Cross-channel customer surveys	29%	22%
RFM data	29%	25%
Don't measure/Don't know	22%	28%
Do not sell across multiple channels	7%	8%

Source: e-tailing group Annual Merchant Survey; 2012

Q46
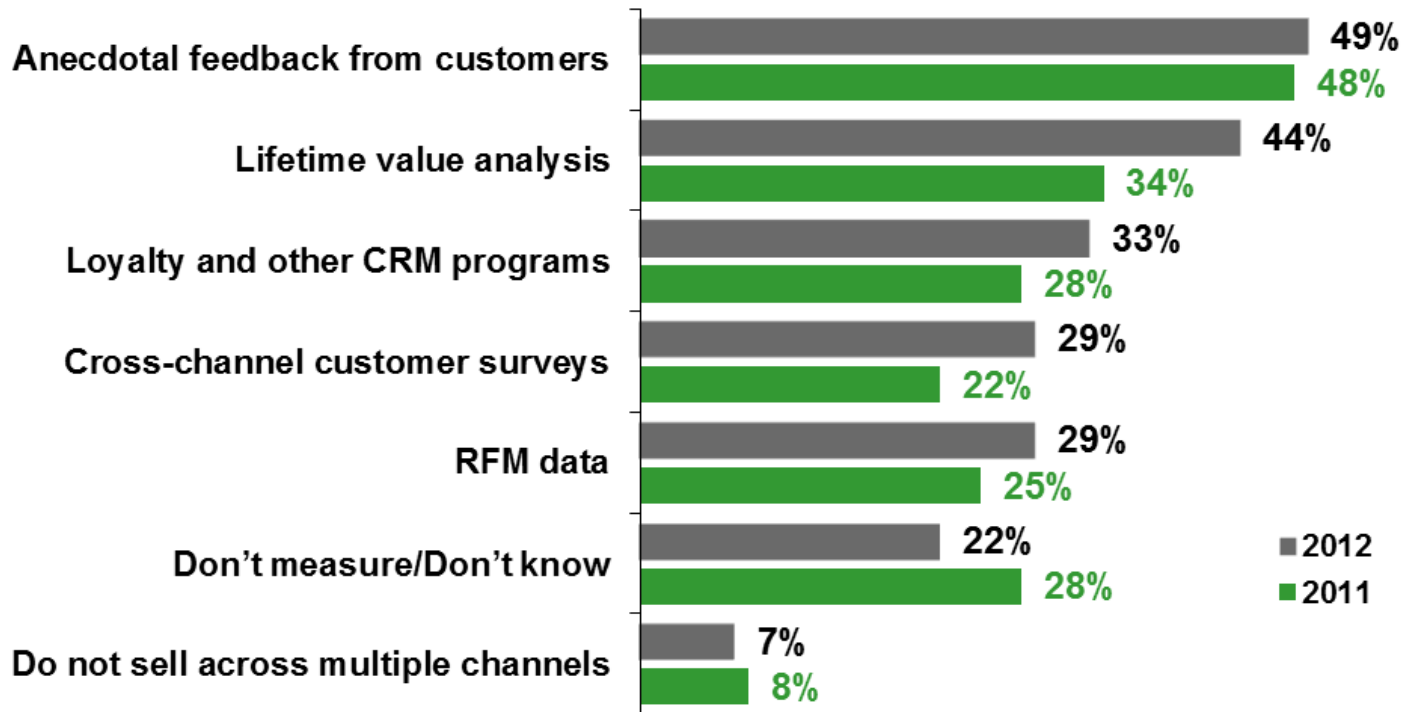
Coupons and promo code dominate measurement while call volume gains importance given mobile growth
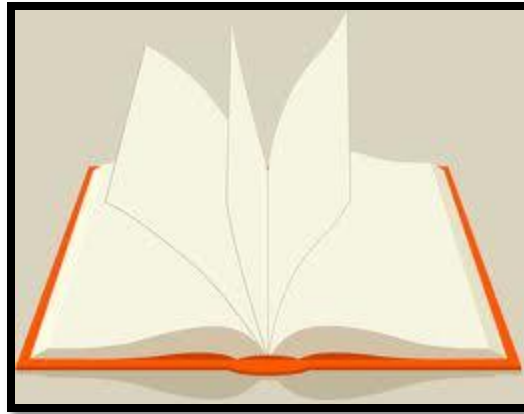
How do you measure store or catalog-centric cross-channel behavior? Check all that apply.

Measurement	2012	2011
Coupon redemption across channels	36%	30%
Call volume to call center	35%	26%
Coupons/promotional codes collected at the point-of-purchase	29%	28%
Retail store locator hits (including events)	22%	24%
Catalog requests from website or mobile device	22%	16%
Matchback to catalog/sales rep	22%	21%
Orders placed online for in-store pickup	16%	14%
QR codes from shop to mobile	16%	4%
Store inventory checks	14%	10%
Catalog quick orders by SKU#	12%	16%
Tracking in-store returns of orders placed online	11%	12%
Mobile in-store activity	5%	4%
Do not sell across multiple channels	10%	12%
Don't measure/Don't know	32%	34%

■2012 ■2011

Q47

Source: e-tailing group Annual Merchant Survey; 2012

A MERCHANTS METRICS PLAYBOOK

#1. Align Goals

- Set attainable goals that benefit the organization as a whole
- Understand how cross-channel business fits into the overall scheme of analysis
- Ensure compensation reflects goals
- If global, address the complexity of coordination and business diversity

#2. Run Company Like It's Small

"We are very transparent and run our company like it is small, passing metrics to senior executives and direct reports via email including KPIs for Internet and multi-channel performance. From there we can dig deeper on why any given category is performing up or down."

#3. Meet Regularly: The Monday Meeting

"…15 page recap created monthly and then followed up with quarterly and yearly data"

"…put together 1-2 pages (ecommerce, email, social media) on Monday followed by distribution to all concerned parties and discussion with a few key players"

"…series of weekly dashboards for each business unit pulled by our web analytics teams; distribution to a broad internal audience + key traffic partners followed by a weekly manager review meeting to digest and reset business"

#4. Standardize Definitions Prior To Analysis

"An educational process is most valuable when ecommerce upgrades are in order and KPIs focused around pre-established goals."

"Visibility to metrics should be differentiated between operating and senior level executives and standardized deliverables, with agreed upon definitions presented earlier rather than later."

DEFINITIONS
You just like arguing, don't you.
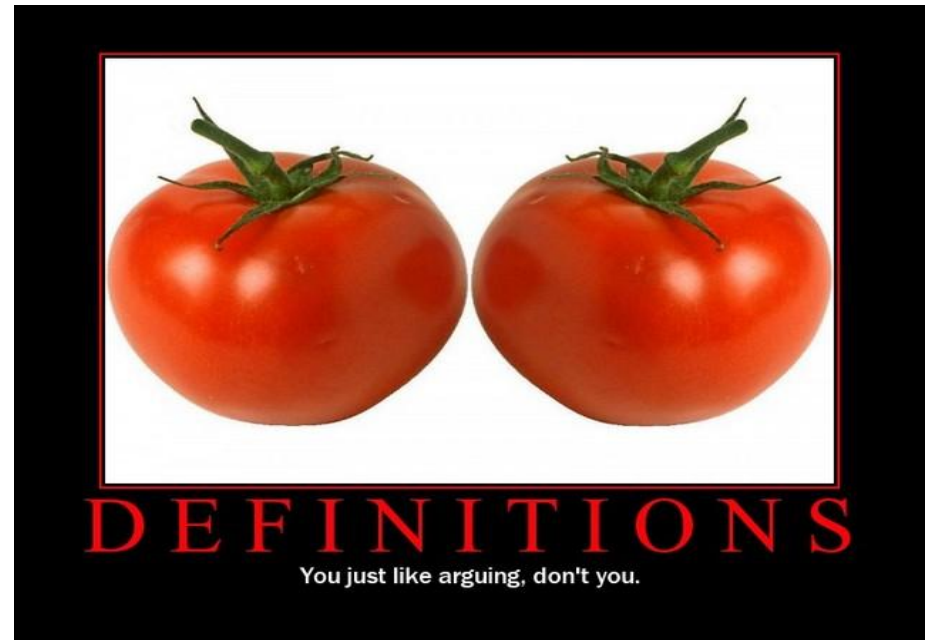
#5. Focus On The Action Needed Moving Beyond The Numbers

"We must go beyond the numbers to know what they mean and more importantly to determine what to do next."

"Retailers should not be getting paralyzed by data but instead look for important items you can actualize."

#6. Educate Internally

"Knowing who to ask to secure information and get questions answered is critical. One can find themselves 'in the weeds' when initially seeking an answer to a very simple question and time then quickly spirals out of control."

"While senior management is asking good questions today and we want to respond accordingly, we can always go deeper but have to understand there is a cost in gathering this information."

A Time to Cherish photography

#7. Invest in Datawarehouses

"We are trying to make sense of data that is being derived from multiple sources (Google, transaction, email) and that can be a challenge."
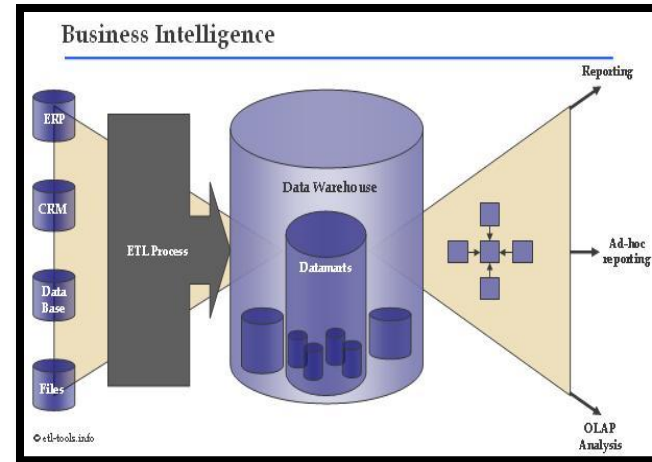
"With new back-end systems and having replatformed in 2011, metrics have been pulled from many places and when aggregated never add up to 100% (30% higher!); Our focus is to balance this out by building a merchandising reporting data warehouse from which transactional details can be filtered and dashboards created."

#8. Dialogue and Discussion

"The direction of the discussion will depend on who is present. Some people will project/interpret the results from a defensive position (i.e. my email is great), rather than seizing the moment to evaluate why performance levels didn't achieve desired goals. The ability to learn from one's mistakes and go further through exploitation of the information; gathering a true look into the why behind the numbers will best benefit future planning."

#9. Provide Holistic View Of Information

"Our lean staff makes the requisite time to get stuff done a challenge as our dashboards (internet, whole business) are time consuming to produce but worth the effort when everything comes together"

"While individuals may have strong experience within the organization, rolling data to meet the needs of senior management in a more holistic fashion often poses problems. Many times business units have their own agendas; goals can be conflicting and not all the necessary data is put forth so there is a cause and effect with the choices to be made."

the e-tailing group's Metrics Checklist

- Determine what you want to measure and why with a lens on profitability

- Assess if you have the right resources to analyze the findings

- Build a playbook that aligns goals and focuses on taking action

- Foster a culture that shares metrics and dialogues around findings in order to adapt

- Understand the changing role of conversion and the influencers that direct its performance

- Follow emerging metrics and evolve dashboards as traffic and revenue escalates

- Invest in technology to garner a 360-degree view of the customer

Thank You

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