

IBM Commerce

**Eighth Annual
Online Retail
*Holiday
Readiness*
Report**



IBM

Contents

3

Trends in online shopping

- 4 The impact of screen sizes on shopping behavior
- 5 The continued rise in mobile traffic and sales
- 7 Key days in the holiday shopping season

9

Best practices

- 10 Understand your customers
- 11 Engage seamlessly across all channels
- 12 Create exceptional mobile experiences
- 13 Fuel innovation, productivity and results

14

Make the holiday season profitable



Trends in online shopping

Your retail company has a huge opportunity to capitalize in the 2015 holiday season as online consumer spending continues to soar. Growth in e-commerce sales on U.S. retail websites has exceeded 10 percent each quarter over the past year, with growth at 16 percent in Q1 2015 year-over-year (Figure 1). Meanwhile, average order value (AOV) of about \$124 in December 2014 was up 10 percent compared to two years earlier.

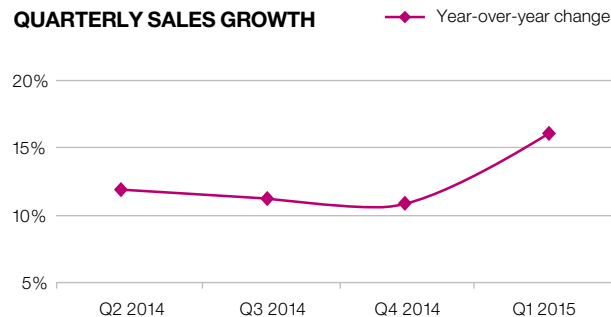


Figure 1: U.S. online retail sales grew 16 percent year-over-year as of Q1 2015.

Consumer attention	March 2013	March 2015	% change 2013-2015
Average session length	7:25	6:42	-9.7%
Page views per session	7.8	7.2	-7.9%
Product views per session	2.4	2.2	-10.0%
Bounce (one page) rate	32.5%	35.6%	9.5%
Shopping cart abandonment rate	70.6%	73.7%	4.3%

Figure 2: Key consumer attention metrics have uniformly declined over the past two years.

Consumers may be spending more online, but they're spending less time doing so. IBM® Digital Analytics Benchmark data shows a pronounced decline over two years in such key consumer attention metrics as average session length, and page views and product views per session. Meanwhile, the single-page bounce rate and shopping cart abandonment rate reached new highs in the past year (Figure 2).

Smartphones and tablets are prime catalysts behind these dramatic changes in online holiday shopping. As consumers increasingly hop across multiple devices in browsing, selection and purchasing, retailers are challenged to provide seamless omni-channel experiences and personalized marketing at the right time, over the right channel.

Now in its eighth year, the annual IBM Online Retail Holiday Readiness Report delivers data-driven insights from anonymous, aggregated information captured from U.S. online retailers participating in the IBM Digital Analytics Benchmark. It also outlines key best practices and technologies to help your retail company adapt to changing consumer behavior in intensely competitive online retail markets.

In preparing this guide, our goal is to help online retailers and e-commerce executives formulate powerful programs and strategies to take this holiday season head on.

About IBM Digital Analytics Benchmark. Data in this report is based on IBM Digital Analytics Benchmark, a cloud-based service that captures online marketing results and commerce data from participating U.S. retail websites. The industry's only peer-level, self-service benchmarking solution enables IBM customers to measure performance against the competition in anonymized, aggregated form. IBM Digital Analytics Benchmark comes standard with IBM Digital Analytics at no additional cost.

The impact of screen sizes on shopping behavior

Despite the rise of mobile devices, desktops continue to dominate retail e-commerce. Particularly when it comes time to cart an item and check out, consumers clearly prefer the larger screen size of laptops and PC monitors and the ability to see, on a single screen, critical order details, including shipping charges, tax, destination address, promotion codes and more.

As of March 2015, 75.5 percent of online retail sales occurred over desktop devices. Though that number has shrunk from about 87 percent two years earlier, desktops remain the prevailing choice for most shoppers to actually make a purchase, compared to 10.7 percent of sales over smartphones and 13.6 percent over tablets.

Desktops also enjoy the highest conversion rate at 3.6 percent as of March 2015, more than triple the 1.1 percent conversion on smartphones and also higher than the 3.2 percent conversion on tablets. Interestingly, AOV at \$121.60 on desktops is far ahead of AOV on smartphones at \$91.23 and tablets at \$102.72.

PERFORMANCE BY DEVICE TYPE—MARCH 2015

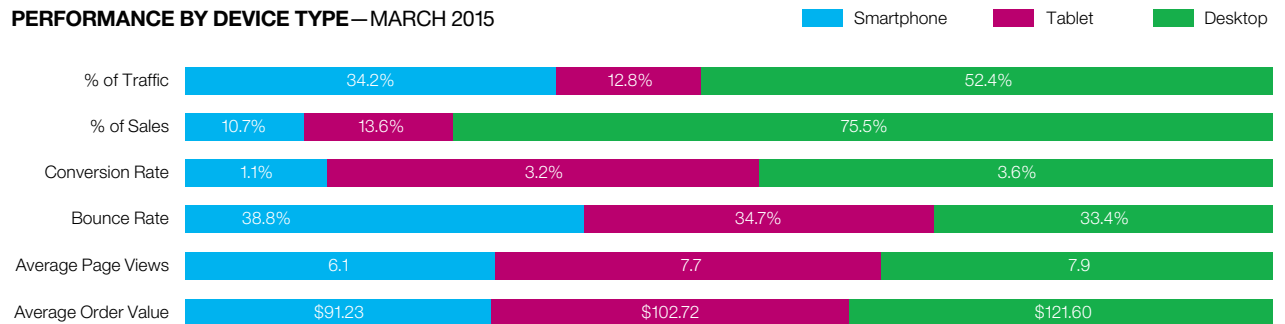


Figure 3: Small-screen devices drive nearly half of retail site traffic, yet most consumers prefer large-screen desktops at checkout time.

While desktops continue to dominate transactions, consumers rely heavily on smartphones and tablets to browse retail sites—locating products, reading reviews, and finding store directions and hours. Nearly half of all traffic to retail websites is through mobile devices as of March 2015; that number is expected to exceed 55 percent by December 2015. Many smartphone users, however, are quick to leave a retail site. The single-page bounce rate at 38.8 percent among smartphone users is significantly higher than tablets and desktops.

Utilizing multiple devices over a number of sessions is now typical in the consumer's path to purchase, with each device playing a different yet important role. Retailers that can deliver a seamless and relevant experience optimized for various screen sizes, from a 4-inch smartphone to a large desktop monitor, will be well positioned to meet the expectations of today's multi-device shoppers.

The continued rise in mobile traffic and sales

Consumers continue to push higher ceilings for online retail traffic and sales with their smartphones and tablets. As of March 2015, mobile traffic to U.S. retail websites reached 47.4 percent—a huge increase from the 28.7 percent recorded in March 2013 by IBM Digital Analytics Benchmark.

The percent of mobile sales shows an even more pronounced leap. Mobile devices accounted for 24.4 percent of all retail e-commerce sales in March 2015, nearly double the 12.5 percent of two years earlier (Figure 4). Consumers are taking advantage of mobile devices for anywhere, anytime browsing of retail websites, though the majority of sales continue to occur on the larger screen real estate of desktop devices.

For retailers, understanding consumer behavior on smartphones versus tablets, and distinctions in usage between Android and iOS devices, is important in prioritizing efforts to optimize mobile engagement.

MOBILE PERCENT OF SITE TRAFFIC AND SALES

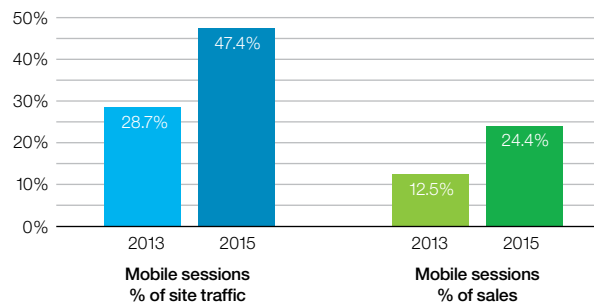


Figure 4: The percent of mobile traffic and sales is up dramatically in the past two years.

Retail websites see substantially more traffic from smartphones than tablets—34.2 percent from smartphones in March 2015, versus 12.8 percent from tablets (Figure 5). However, the equation is reversed when it comes to sales. Consumers make more purchases over tablets at 13.6 percent than they do over smartphones at 10.7 percent, clearly preferring the larger real estate and greater information visibility of a tablet.

However, recent IBM Digital Analytics Benchmark data shows that smartphones are gaining ground in both traffic and sales. The growing popularity of “phablets,” or large-screen smartphones of approximately 6 inches, is a factor behind this trend.

MOBILE PERCENT OF TRAFFIC BY DEVICE TYPE

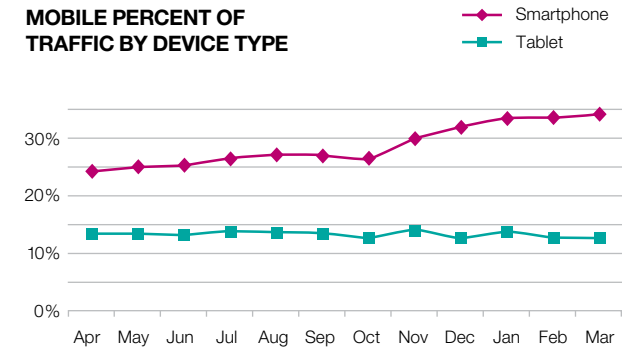


Figure 5: Among mobile devices, smartphones have widened the gap over tablets in site traffic in the last few months.

MOBILE PERCENT OF SALES BY DEVICE TYPE

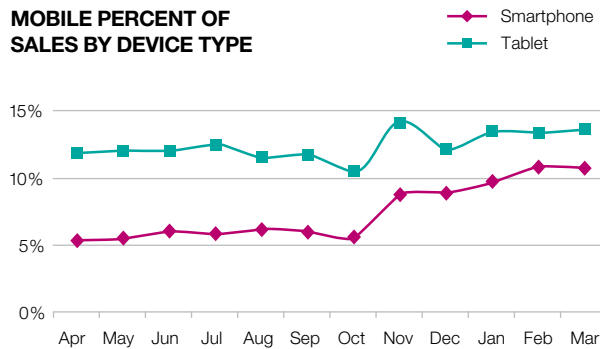


Figure 6: More sales are executed over tablets than smartphones, though the gap is narrowing.

Users of Apple devices are more prolific browsers and buyers than Android users. As of March 2015, 32.6 percent of all online traffic was from smartphones and tablets running Apple’s iOS operating system, vs. 14.5 percent for the Android OS. The disparity is even greater in terms of sales—more than three times more sales came through iOS devices at 18.7 percent than Android devices at 5.6 percent. Windows-based mobile devices accounted for less than 1 percent of traffic and sales.

Despite the iOS lead in traffic and sales, the gap in conversion between iOS and Android narrowed significantly in our 12-month reporting period. Conversion on iOS devices was 1.7 percent in March 2015 versus 1.6 percent for Android. But a year earlier, in April 2014, conversion was 1.8 percent for iOS compared to 1.1 percent for Android.

CONVERSION RATE BY MOBILE OS

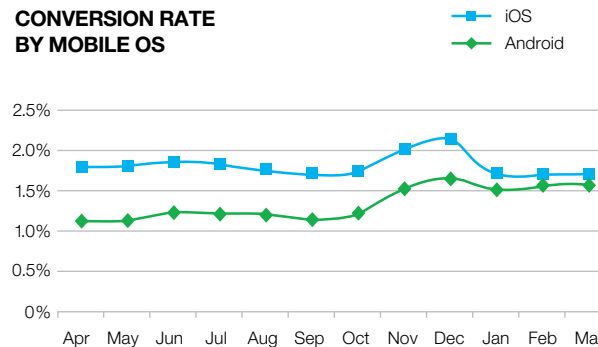
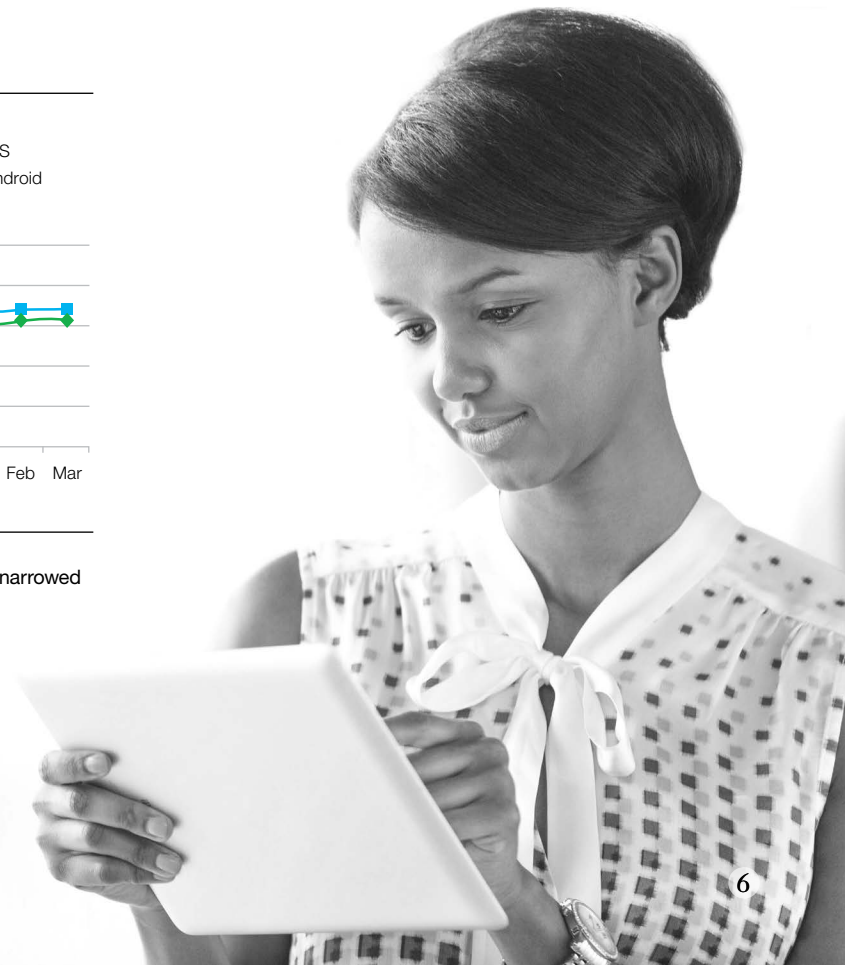


Figure 7: The gap in conversion between iOS and Android narrowed significantly over 12 months.



Key days in the holiday shopping season

In the 2014 holiday season, retailers once again won the attention and business of shoppers with discounts and targeted promotions, especially on key shopping days. IBM Digital Analytics Benchmark data shows that U.S. online retail sales were up year-over-year by 12.6 percent during the five-day shopping period spanning Thanksgiving, Black Friday and Cyber Monday 2014.

Though retailers in recent years have extended bargains over several days, Cyber Monday is still the king of online shopping days, with the most online retail sales of the season. In addition, Cyber Monday had the strongest shopper engagement with the longest average session length, highest new visitor conversion and lowest bounce rate (Figure 8). For the sake of comparison, data from October 2014 in Figure 8 illustrates the far greater engagement and conversion that retailers enjoy leading up to and on Cyber Monday and into December.

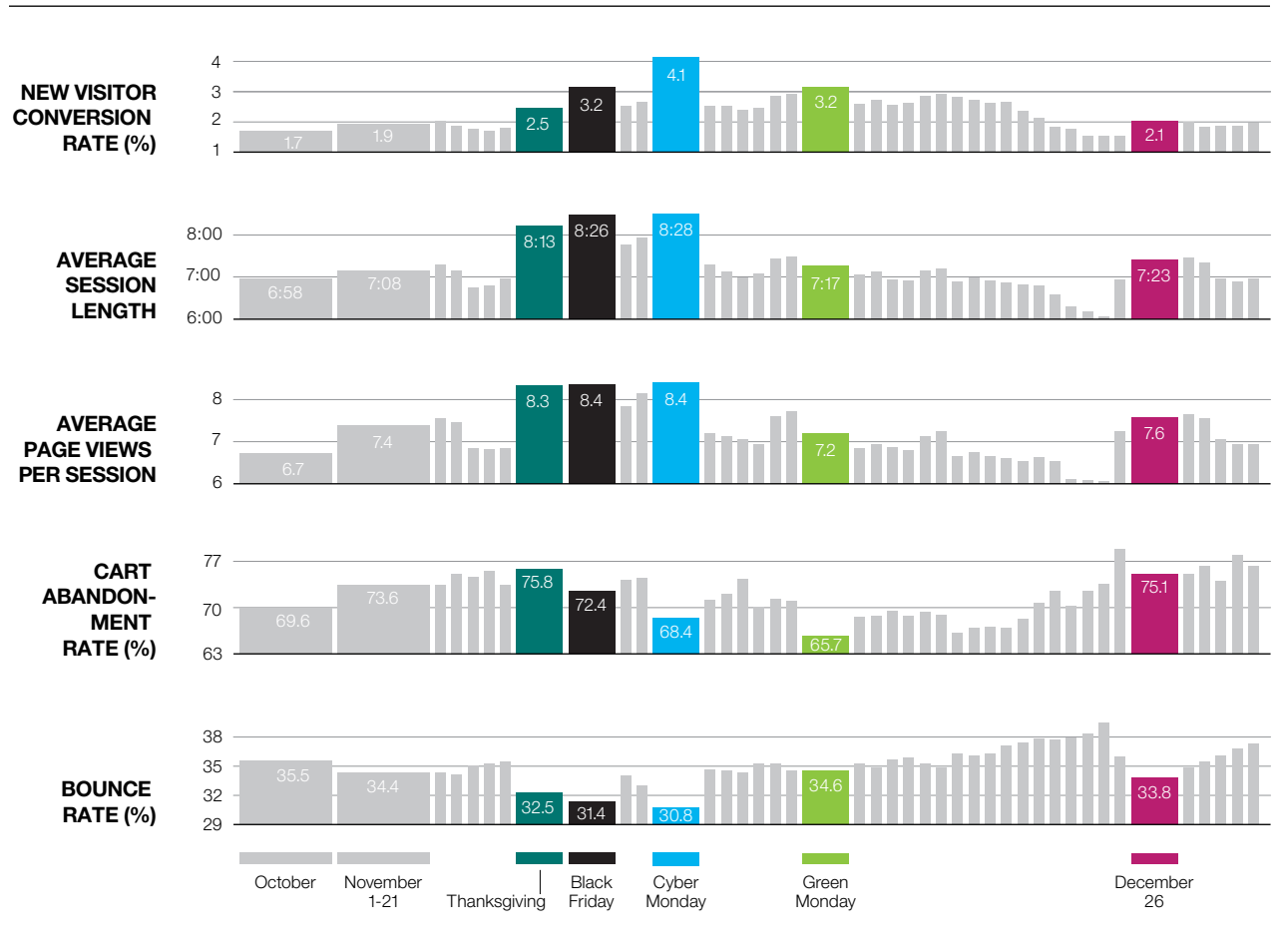


Figure 8: Most key metrics improve substantially on Thanksgiving, Black Friday and Cyber Monday.

Among key holiday shopping days, conversion was highest on Cyber Monday across all channels (Figure 9). Direct load at 6 percent, paid search at 5.9 percent and marketing at 5.2 percent were the strongest performing channels. Shoppers are clearly looking forward to deals and discounts beginning on Thanksgiving and Black Friday, as conversion declines noticeably in the days preceding.

In terms of site traffic, retailers are driving additional visitors leading up to Cyber Monday with marketing and paid search campaigns. For example, site traffic from marketing campaigns on Cyber Monday 2014 rose to 36.8 percent, up from 31.8 percent six days earlier. Cyber Monday paid search traffic hit 13.0 percent in 2014, up from 10.4 percent six days earlier.

Conversely, direct load traffic fell to 40.9 percent on Cyber Monday as consumers clicked on email and advertising links from retailers.

In strategizing over campaigns and discounts to offer on key shopping days, retailers will benefit by sizing up overall industry data and their own metrics

from recent holiday seasons. (For a detailed examination of activity on key days in 2014, see IBM's [U.S. Retail Online Holiday Shopping Recap Report 2014.](#))

CONVERSION RATE BY CHANNEL

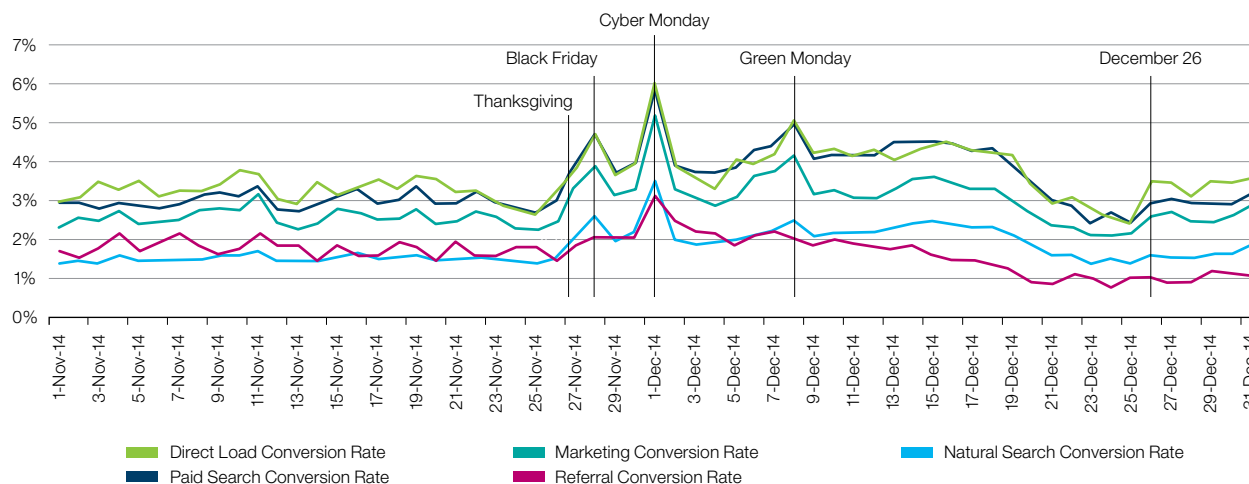


Figure 9: Conversion reaches its holiday peak on Cyber Monday across all channels.

Best practices

With the holidays fast approaching, retailers should be looking to innovate and optimize their customer engagement strategies and tactics. The following section offers guidance and highlights key IBM technologies that can help your retail organization make the most of the holiday opportunity in four main areas:

- Understand your customers
- Seamlessly engage across all channels
- Create exceptional mobile experiences
- Fuel innovation, productivity and results



Understand your customers

Retailers recognize the importance of understanding customers to drive personalized interactions, yet huge gaps exist between perception, reality and the ideal. Consider: 69 percent of marketers believe they deliver a superior online experience to customers. Yet just 22 percent of consumers feel the average retailer understands them, and only 21 percent believe the marketing communications they receive are “usually relevant,” a joint study by IBM and Econsultancy found.¹

A holistic view of customer experiences across channels is the key to success in the holiday season and beyond. The vast volume of data that customers generate across e-commerce, email, mobile and social platforms is rich in potential for retailers to understand interests and behavior and deliver the right message at the right time over the right channel.

Fully understanding your customers also requires a grasp of their experiences when navigating your main e-commerce site, and mobile sites and apps. Retailers with the ability to monitor and analyze obstacles that customers encounter on their digital journey can react swiftly to correct problems and

optimize the experience. IBM Customer Experience Analytics, including IBM Digital Analytics and IBM Tealeaf® Customer Experience on Cloud, provides a unique analytic platform that equips you to understand your customers and cater to their needs.

Gain vital insights. IBM Digital Analytics provides rich analysis of cross-channel activity and powerful marketing attribution capabilities to help you better allocate your marketing dollars. A cloud-based solution, IBM Digital Analytics delivers powerful ad hoc reporting, comparative benchmark data aggregated from industry peers and the ability to turn insights into personalized marketing actions in just a few clicks.



Video: IBM Digital Analytics

IBM Digital Analytics lets you seamlessly turn marketing insights into personalized engagement.

“IBM Tealeaf solutions have enabled us to take the customer experience to the next level by bridging the gap between the feedback our customers send us and our actual interactions with them online.”

— American Eagle Outfitters

Optimize the digital experience. IBM Tealeaf Customer Experience solutions deliver real-time insights into problems that customers experience with websites and mobile apps. Available in both cloud and on-premises versions, qualitative analytics in IBM Tealeaf lets you pinpoint the root cause of issues in transactions, navigation and browsers. IBM Tealeaf delivers actionable insight into why customers are struggling on particular touchpoints before serious damage is done to revenue and customer satisfaction.

Engage seamlessly across all channels

Customers no longer think in terms of channels. They expect a smooth and rewarding experience whether interacting with websites, mobile devices or apps, social media, email or in physical stores. Siloed channel-specific applications, however, make it difficult for retailers to meet those customer expectations and deliver a personalized experience.

For retailers, top challenges in omni-channel campaign management are to personalize messages based on behavior across channels, and to make adjustments in real time based on new information, a Forrester Research study found² (Figure 10). IBM solutions help you engage customers seamlessly across all channels with holistic, actionable omni-channel insights to automate and orchestrate interactions at optimal points.

Connect the digital dots. The IBM Marketing Cloud empowers marketers to deliver highly personalized experiences across digital web, mobile, email and social channels. The solution “connects the dots” by capturing virtually every customer digital interaction, from email opens and clicks to reviews and mobile app usage, and leverages that data to power tailored real-time communications.

BIGGEST CROSS-CHANNEL CAMPAIGN MANAGEMENT CHALLENGES

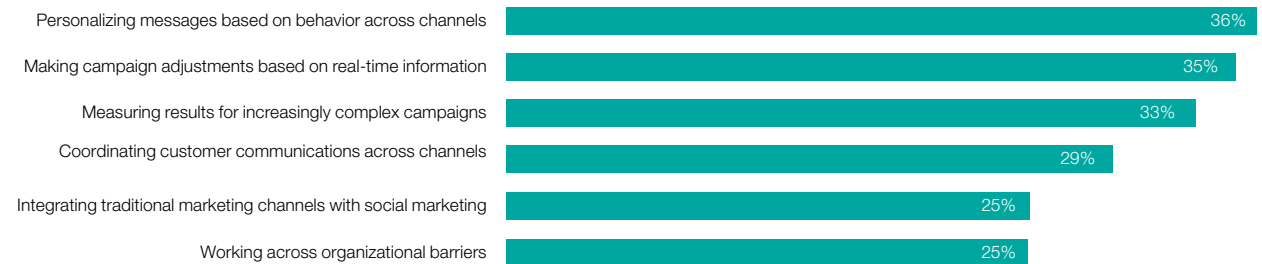
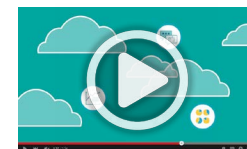


Figure 10: Personalizing messages and making adjustments with real-time data are the top challenges in cross-channel campaign management (Forrester Research).

Personalize product and content

recommendations. Using customer data to highlight products and content of interest to them is a proven technique to drive engagement and revenue. IBM solutions for product and content recommendations let you use website, mobile and email channels to highlight cross-sell and upsell products, or blog posts, videos, how-to guides and other content.



Video: IBM Marketing Cloud Overview

Deliver highly personalized interactions across all channels with the IBM Marketing Cloud.

Create exceptional mobile experiences

Customers are intolerant of subpar mobile experiences. More than 60 percent leave a mobile site or app after a poor experience and don't return, an IBM study found.³ With the continued proliferation of smartphones and tablets, and competitors investing in innovative means of mobile engagement, the pressure is on to create exceptional mobile experiences that delight on-the-go customers.

At the same time, retailers have rich opportunities to capitalize on the marketing potential of the mobile channel. SMS and location-based messaging and mobile apps tuned for marketing can help retailers build and sustain a dialogue with mobile users, and incent store visits. IBM delivers comprehensive solutions that enable you to make the most of the mobile channel.

Optimize mobile experiences. IBM Tealeaf CX Mobile enables retailers to apply Tealeaf's powerful customer experience management solutions to mobile websites and apps to detect customer struggles, mitigate impact and quantify revenue implications. Delivering full visibility by capturing user information and touch-screen gestures such as tapping, swiping, pinching, zooming, scrolling and device rotation, Tealeaf CX Mobile helps retailers deliver the exceptional mobile experience that customers expect.

Engage the mobile customer. IBM mobile customer engagement solutions enable marketers to build stronger customer engagement through targeted mobile marketing. With Mobile Push Notification for mobile apps and Mobile Web Push for mobile websites, you can create multi-step, automated programs and campaigns using multiple mobile channels, including push messaging, SMS and email. The mobile solution is fully integrated in the IBM Marketing Cloud, helping modernize the way you communicate with mobile customers.

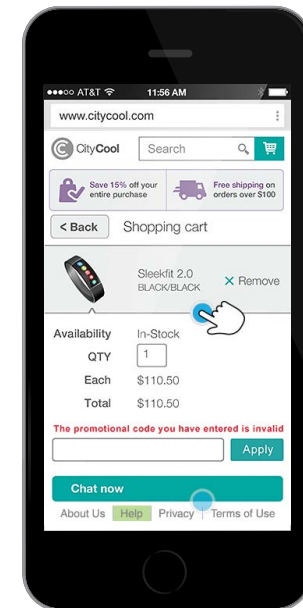


Figure 11: IBM Tealeaf CX Mobile enables you to replay a customer session to pinpoint the root cause of struggle.

Fuel innovation, productivity and results

Especially during the frenzied and hyper-competitive holiday season, marketers can't afford to spend needless time analyzing, creating and executing campaigns. The speed of the retail business and consumers empowered by mobile devices and social media put a premium on easy access to real-time insights and automation to move from analytics to action in a matter of clicks.

New IBM capabilities will empower marketers to speed innovation with a "click to connect" user interface to manage many common marketing integration needs. A new open exchange for customer interactions and audience syndication will support continuous exchange of the right data to right place, based on the marketing or analytic use case. Validated integrations from IBM partners will simplify the processes of connecting systems and help you gain a holistic view of customers and heighten cross-channel engagement.



Video: IBM Journey Analytics

Learn how IBM Journey Analytics lets you visualize and quantify the paths that customers take across channels and touchpoints.



Video: IBM Journey Designer

IBM Journey Designer empowers marketers to collaborate, design and continually improve customer experiences.

Close the customer experience gap. IBM Journey Analytics, part of the IBM Customer Experience Analytics solutions set, enables retailers to close the customer experience gap with visualizations of the customer journey across channels, touchpoints and over time, showing the effectiveness of various customer journeys. The solution provides an agile foundation to better understand customers, respond to their interests and improve short- and long-term acquisition, revenue and loyalty.

Deliver innovative customer experiences. IBM Journey Designer equips marketers to collaborate, design and continually improve customer experience and engagement. By freeing resources previously spent on marketing execution, marketing teams can easily manage efforts end to end and focus on devising innovative marketing initiatives in an integrated engagement framework.

Make the holiday season profitable

Understanding customers with real-time insights, personalized cross-channel engagement and innovative marketing strategies will separate the winners from the also-rans in the 2015 holiday season and beyond. Leaders will take advantage of data-driven automation to execute and continually optimize successful campaigns,

capturing wallet share from competitors that rely on a manual, siloed approach. Particularly with the fast time to deployment and value possible with cloud marketing solutions, retailers can now move with more speed and agility than ever to make the most of the holiday season.

Happy selling!





© Copyright IBM Corporation 2015

IBM Corporation
Software Group
Route 100
Somers, NY 10589

Produced in the United States of America
June 2015

IBM, the IBM logo, ibm.com and Tealeaf are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the Web at “Copyright and trademark information” at www.ibm.com/legal/copytrade.shtml.

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

The performance data and client examples cited are presented for illustrative purposes only. Actual performance results may vary depending on specific configurations and operating conditions.

THE INFORMATION IN THIS DOCUMENT IS PROVIDED “AS IS” WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

- 1 IBM and Econsultancy, “The Consumer Conversation: The experience void between brands and their customers,” April 2015.
- 2 Forrester Research, “Q1 2014 Global Cross-Channel Campaign Management Forrester Wave Customer Online Survey.”
- 3 IBM Tealeaf, “The Digital Customer Experience (2014 Survey),” September 2014



Please Recycle