



# E-commerce Benchmark Study

## Detailed charts on responses from 4,346 marketers:

- What are Overall E-commerce Conversion Rates?..... Page 7
- How Much of the Marketing Budget is Spent on Each Channel?..... Page 21
- Which Metrics do Companies Monitor Regularly?..... Page 44



Made possible by a research grant from:

**Magento**<sup>®</sup>  
an ebay inc<sup>™</sup> company

## What Drives eCommerce Marketing Success Today?

eCommerce marketing today is more challenging than ever. Merchants compete in crowded industries, using expensive channels to reach customers who are increasingly adept in tuning us out. So which marketing strategies and programs actually work to drive success?

To answer this question, Magento – the world’s most used eCommerce platform powering more IR 500 merchants than any other platform – partnered with MarketingSherpa, a firm specializing in tracking what works in all aspects of marketing.

Magento’s research grant enabled MarketingSherpa to conduct unbiased research that helps companies improve their eCommerce marketing efforts, better market their products, and, through that marketing, ultimately better serve the customer.

MarketingSherpa had full editorial independence to research eCommerce practitioners at all levels in the organization using any platform. In fact, more than 4,000 responded to the Benchmark Study survey that is the backbone of this book.

We hope you find this report insightful, and most importantly, helpful, as you shape your own successful eCommerce endeavor. To learn more about Magento and how to use it to leverage the success-driving strategies highlighted in this research, please visit us at [www.marketingsherpa.com/ecommerce](http://www.marketingsherpa.com/ecommerce)

Sincerely,

The Magento Team



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## Welcome to the 2014 MarketingSherpa E-commerce Benchmark Study, underwritten by Magento.

What does success in e-commerce look like? The answer to this question is complex, debatable and elusive.

We focused on the **most pressing questions facing e-commerce in 2014**. However, we know that there is always more to learn and discover.

Each graphic spread is aimed at answering essential e-commerce questions, like:

- What are overall e-commerce conversion rates? (p.7)
- Which channels do e-commerce receive traffic from? (p.27)
- How successful are companies that frequently evaluate customer experience? (p.52)

Inside, you will find the results of a collaborative effort from a range of e-commerce experts, leaders, and practitioners, who poured **more than 3,000 hours of research** into a collection of highly insightful infographics you can read in 90-minutes or less. **Inside you'll find 95 charts** we've created to **help answer 25 core e-commerce questions** arranged to provide:

- **Executives** with high-level snapshots of **annual trends**
- **Directors** with **strategies being leveraged** in today's marketplace
- **Managers** in the trenches with **insights into the tactics being used** by successful peers

Our team started this nine-month study by conducting a **preliminary business intelligence analysis** of publicly available e-commerce data, coupled with a **literature review of 14 academic works** on the topic and **interviews of key e-commerce leaders**.

We used our preliminary review to aid our crafting of a robust benchmark survey to **help answer key questions for e-commerce marketers that have been underrepresented in current, already published industry data**.

After **4,346 e-commerce marketers participated in the survey**, we conducted an analysis of the data to determine which companies were most successful, and then cross tabulated the data to find which practices were most commonly used by these companies – **information we're sharing with you** through this Benchmark Study.

Ultimately, our job is to help you do your job better.

We trust you will come to find this Benchmark Study a valuable tool in your pursuit of e-commerce success.

If there is any other way we can help, please let us know at: [research@marketingsherpa.com](mailto:research@marketingsherpa.com).

Thank you for your trust,



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## Research Methodology

MarketingSherpa fielded the 2014 E-commerce Benchmark Study from Jan.16 to Feb.14, 2014.

The initial query began with a pre-survey academic literature review, consisting of peer-reviewed journals, interviews with e-commerce thought leaders and published surveys across a variety of academic, business and e-commerce research verticals.

Further query took the form of an online survey of e-commerce marketers. Certain responses were removed because they were not reasonable responses to the questions. Some responses were reformatted for consistency. After data cleaning, there were 4,346 qualified complete and partial responses from e-commerce marketing and business professionals across six continents.

The sampling method used was an incentivized non-probability voluntary sample composed of MarketingSherpa and Magento registered subscribers and those responding to invitations promoted through social media platforms.

To ensure quality and relevance, submissions from respondents who indicated they were not engaged in e-commerce marketing were excluded. Results should, therefore, be interpreted in the context of that group. Comparison to those outside the e-commerce business and marketing community is beyond the scope of this publication.

The charts found within this Benchmark Study were selected for publication based on a combination of helpfulness of information to the audience and scientific validity. The number of responses, denoted with "N=" on each chart, and differentiation levels between respondent groups were both taken into account when determining the validity of charts.

Helpful insights may still be gleaned from highly differentiated but small response groups. However, each individual should use their own judgment when interpreting charts with a low number of responses. At times certain bars may have been omitted from bar charts because their category did not meet a desired number of responses.

Responses were tabulated in SAS JMP 11.1.1, and charts were prepared using Microsoft Excel and graphic design software. In many cases, responses of "not applicable" or "other" have been omitted from charts because they did not contribute to understanding the questions at hand. The incentive for participating in the survey was the chance to win a choice of an Apple iPad Air or MarketingSherpa Summit ticket (plus hotel stay at the Aria Resort), which was made available to a winner selected at random following the close of the survey.

## Success Score Modeling

To define success for this Benchmark Study, the pre-survey literature review identified five key factors to consider: financial metrics, site design and performance, customer orientation, internal resources and capabilities and competitive comparisons. Questions and combinations of questions were designed for the survey that would capture several aspects of each factor. These included but were not limited to:

1. Year over year change in annual revenue
2. Year over year change in e-commerce revenue
3. Gross margin percentage
4. ROI on marketing spending
5. Trend in orders placed
6. Trend in cost of customer acquisition
7. Frequency of site change based on customer feedback
8. Steps in the purchase funnel
9. Competitive comparisons

- a. Customer guarantees
- b. Product value
- c. Delivery speed
- d. Market share

10. Reputation monitoring processes

Relative- and trend-based factors were used instead of raw figures to score consistently for both small and large enterprises. These factors were then adjusted to a uniform scale with certain undesirable responses scored below zero.

Scores were weighted, compensating for missing data, with the most important factors, like financial metrics, given the most weight in the model. Each respondent with sufficient available data was then tagged with a success score that theoretically could range from -4 to 18. However, measured scores ranged from -0.4 to 14.

To request further information about the design of this survey-based study, please contact our research team at [research@marketingsherpa.com](mailto:research@marketingsherpa.com)

# What is Happening to the E-commerce Landscape?

The *MarketingSherpa E-commerce Benchmark Study* begins with key questions that inform executives about behavior in the e-commerce industry to help keep their finger on the pulse of the marketplace.

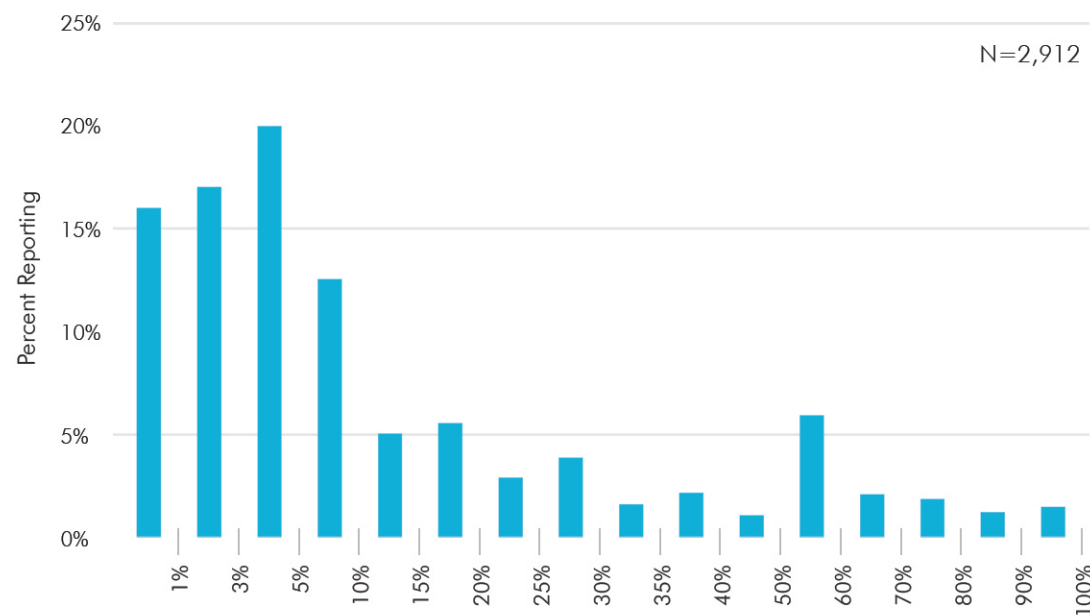
In the trends for the executive section, we focus on questions that provide needed insights to drive organizational goals.

To help give you a comprehensive view of the the e-commerce landscape, we focused on barriers to growth, average conversion rates and trends in metrics and margins. This opening graphical spread includes a few highlighted charts.

As you explore each question in this section, you'll also find a "What You Need to Understand" section with helpful analysis and commentary needed to put the information into practice.

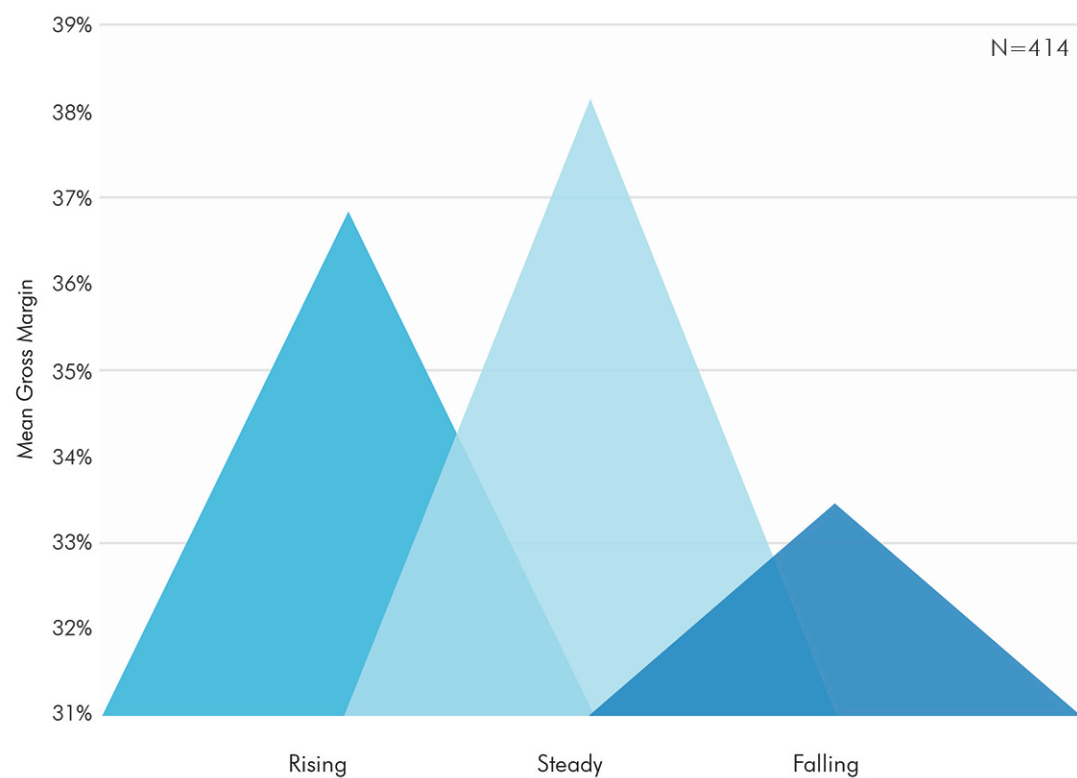


## 1.4 Overall Conversion Rates (for E-commerce Sales)



Conversion rate was most frequently less than 15%, with many responses below 1%. A smaller cluster of responses was also seen between 50% and 59%.

## 1.14 Gross Margins (by Trend Groups)

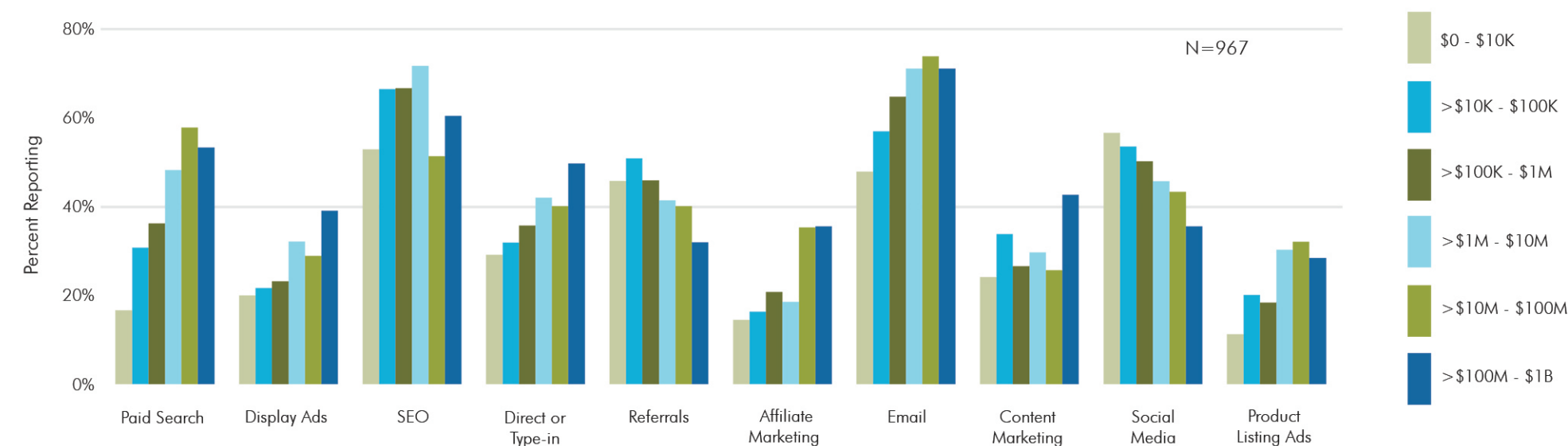


Margins tend to either be holding steady or rising for the majority of companies, while a minority of companies reported falling margins.

**38%**  
of all respondents reported gross margins holding steady in 2013

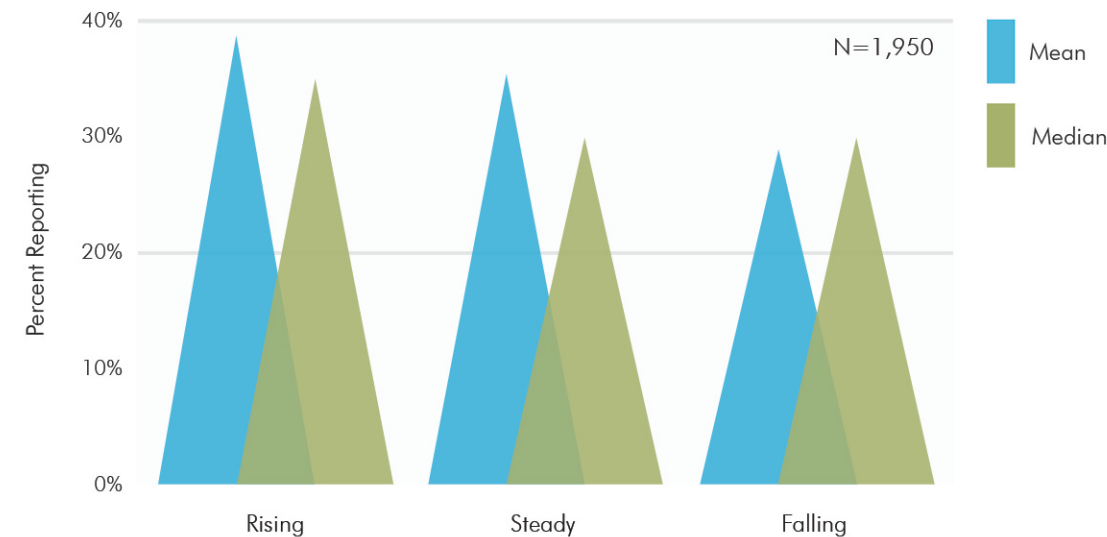
## 1.19 Channels that Drive Significant Traffic (by Revenue)

Email marketing and organic search were the most frequent sources of e-commerce traffic for respondents across all but the lowest revenue ranges, while channels such as affiliate marketing and content marketing were less frequently used. As revenue rose, social media and referral traffic were less often significant. Both types of paid search were used more frequently as revenue rose.



## 1.12 Returning Visitors

E-commerce companies with a high percentage of returning visitors are more likely to see that percentage rise than those with fewer returning visitors.



## What You Need to Understand

It's important to keep in mind that while conversion rate trends are often considered the most vital indicators of performance in e-commerce, conversion rate is also dependent to a degree on the business model and quality of the site traffic.

Margins are steady or rising for the majority of e-commerce companies. However, at the highest and lowest margin levels, they are much more likely to fluctuate than at moderate margin percentages.

Lastly, email and organic search continue to be valuable tools in driving traffic.

## What are the Barriers to Growth in E-commerce?

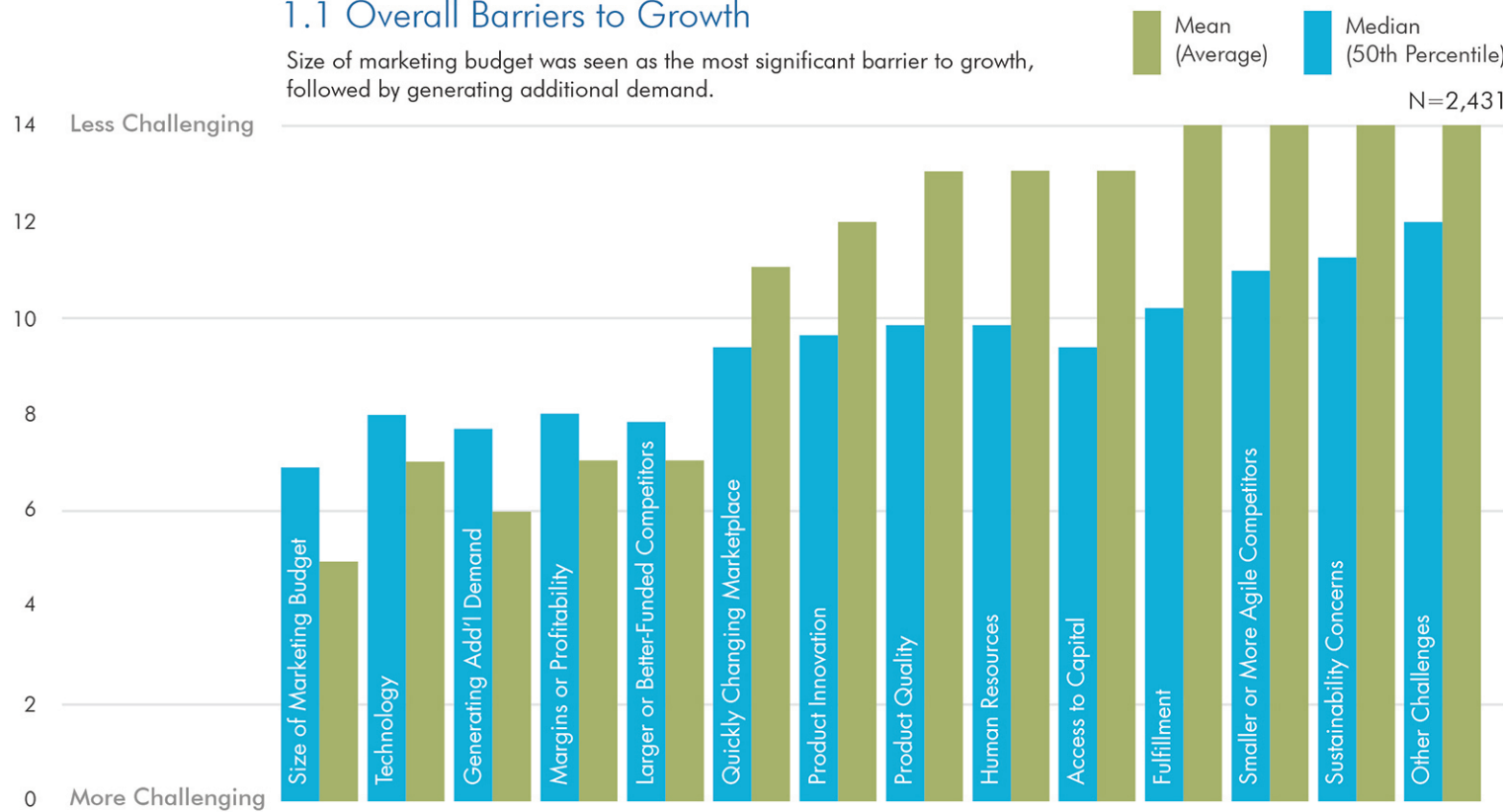
In background interviews used to create this Benchmark Study survey, the importance of customer experience was identified as an aspect e-commerce companies can leverage to grow.

“If the goal is to grow, then growth these days is really coming to companies that create exceptional consumer experiences.”  
– Lin Shearer, Head of Product Marketing - Magento Enterprise, eBay

To help you understand what challenges marketers faced in improving the customer experience and growing in general, we asked marketers to rank 14 challenges. In these charts, a lower number indicates a more significant challenge, and a higher number indicates a less significant challenge.<sup>1</sup>

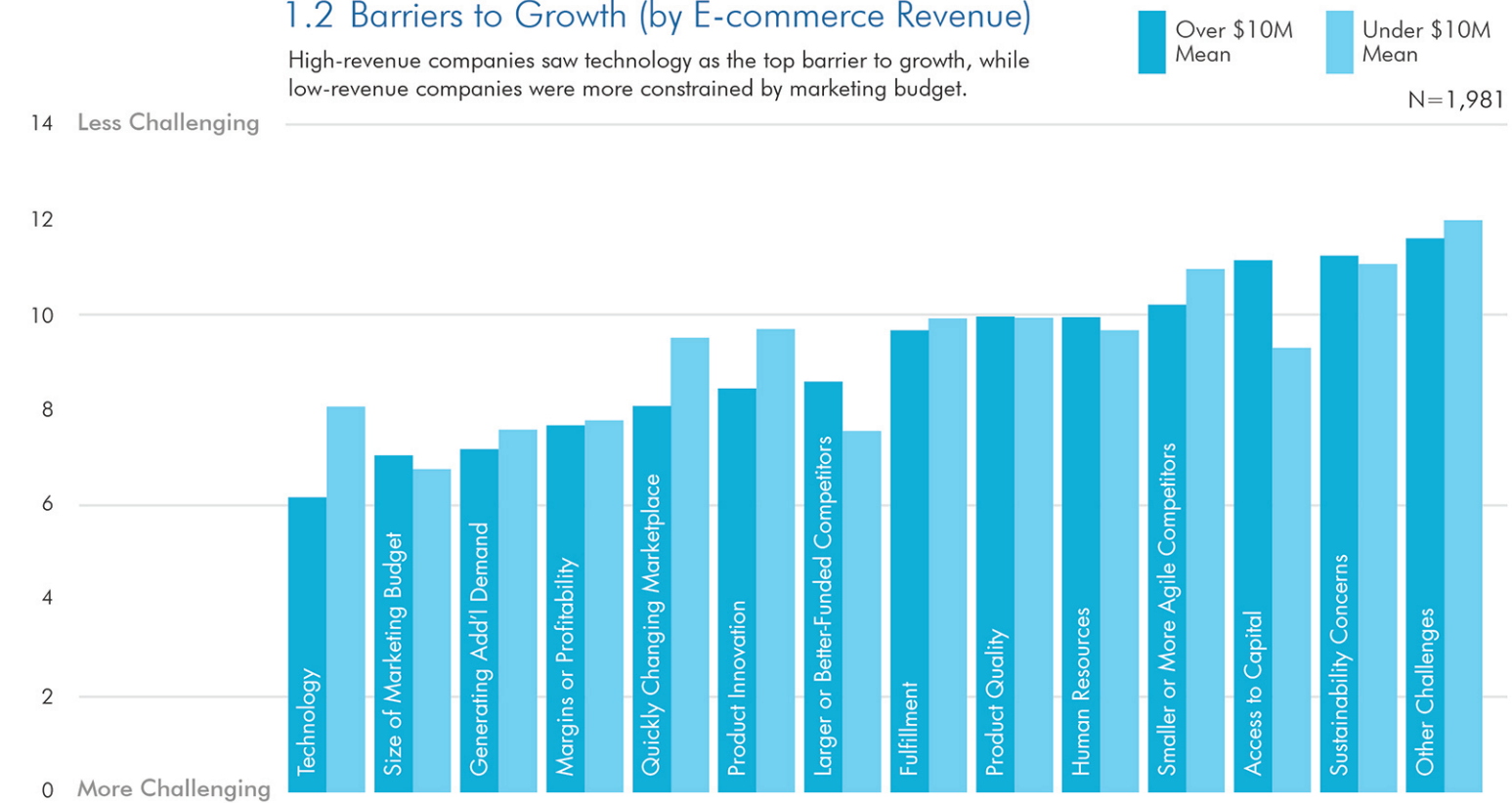
### 1.1 Overall Barriers to Growth

Size of marketing budget was seen as the most significant barrier to growth, followed by generating additional demand.



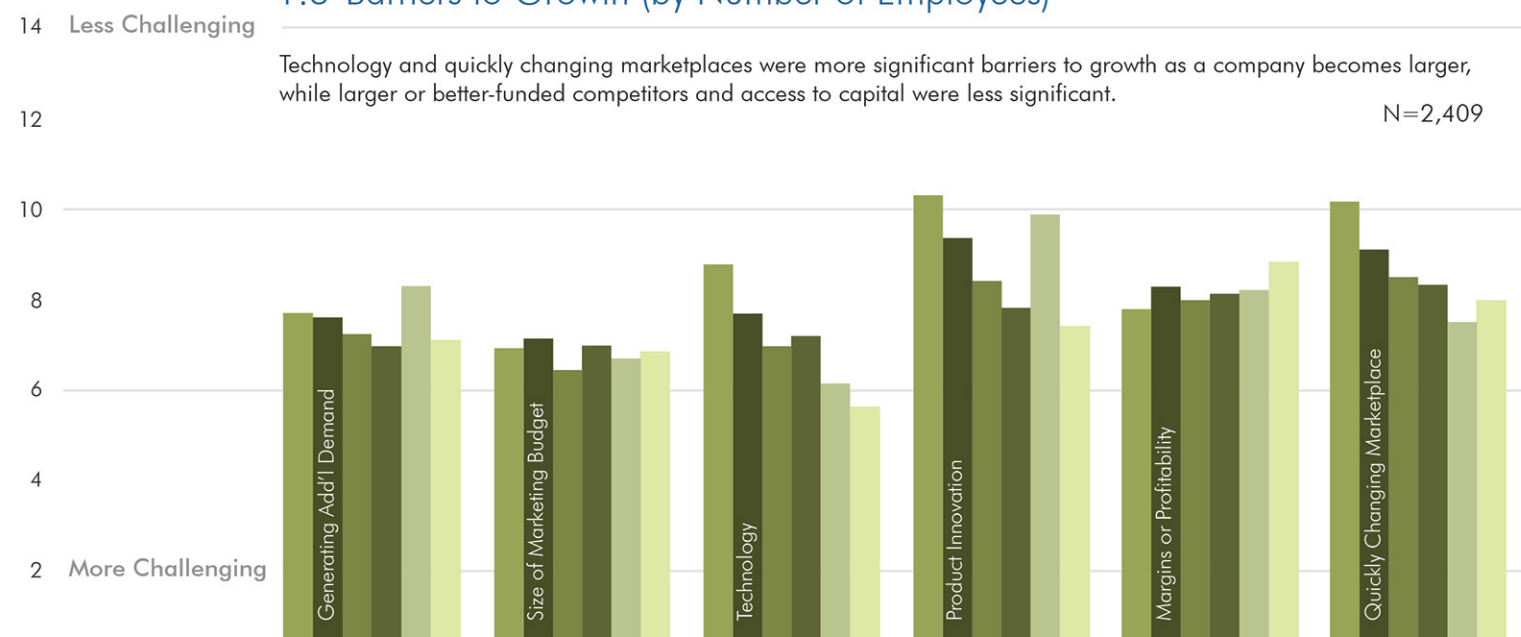
### 1.2 Barriers to Growth (by E-commerce Revenue)

High-revenue companies saw technology as the top barrier to growth, while low-revenue companies were more constrained by marketing budget.



### 1.3 Barriers to Growth (by Number of Employees)

Technology and quickly changing marketplaces were more significant barriers to growth as a company becomes larger, while larger or better-funded competitors and access to capital were less significant.



## What You Need to Understand

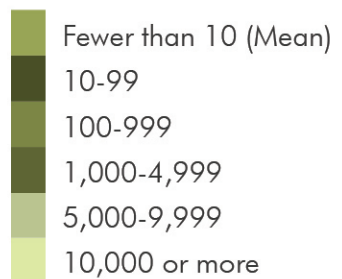
As we've seen in previous Benchmark Studies fielded by MarketingSherpa, the size of marketing budget is a perennial challenge for marketers – whether real or perceived. After all, money solves a lot of problems.

But what specific challenges could a bigger budget help marketers overcome?

Using additional budget to combat a larger competitor's advertising dominance is one answer. Technology is another possible answer, which was an even bigger barrier for high-revenue companies than budget.

Technology could also help with other key challenges, like product innovation and a quickly changing marketplace, by giving better visibility into and helping to create a better customer experience. One marketer indicated in the survey: “Lack of robust reporting tools that can give a 360-degree view to all aspects of a customer purchase and profile can seriously hinder growth and optimization.”

1. Items not selected by respondents were given the lowest score based on the assumption that the item was not a challenge. Those not responding to any of the 14 were excluded.





## What are Average Conversion Rates for E-commerce Sales?

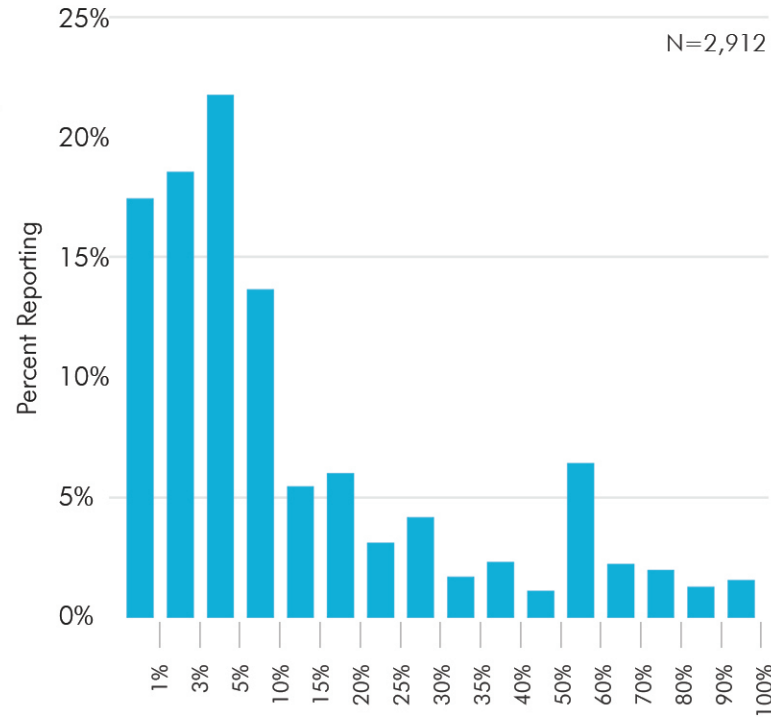
Conversion rate is often considered one of the most vital indicators of performance in e-commerce, yet it is fundamentally dependent on the business model and the quality of traffic arriving to a site.

Often, conversion rates vary widely between competitors or even business units within a company.

To help us better understand how successful companies are turning traffic into sales, we asked respondents to indicate their average conversion rate for e-commerce.

### 1.4 Overall E-commerce Conversion Rates

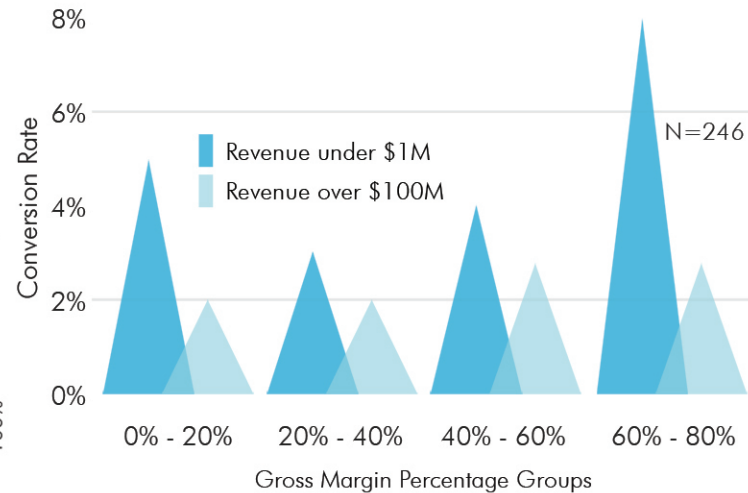
Conversion rate was most frequently less than 15%, with many responses below 1%.



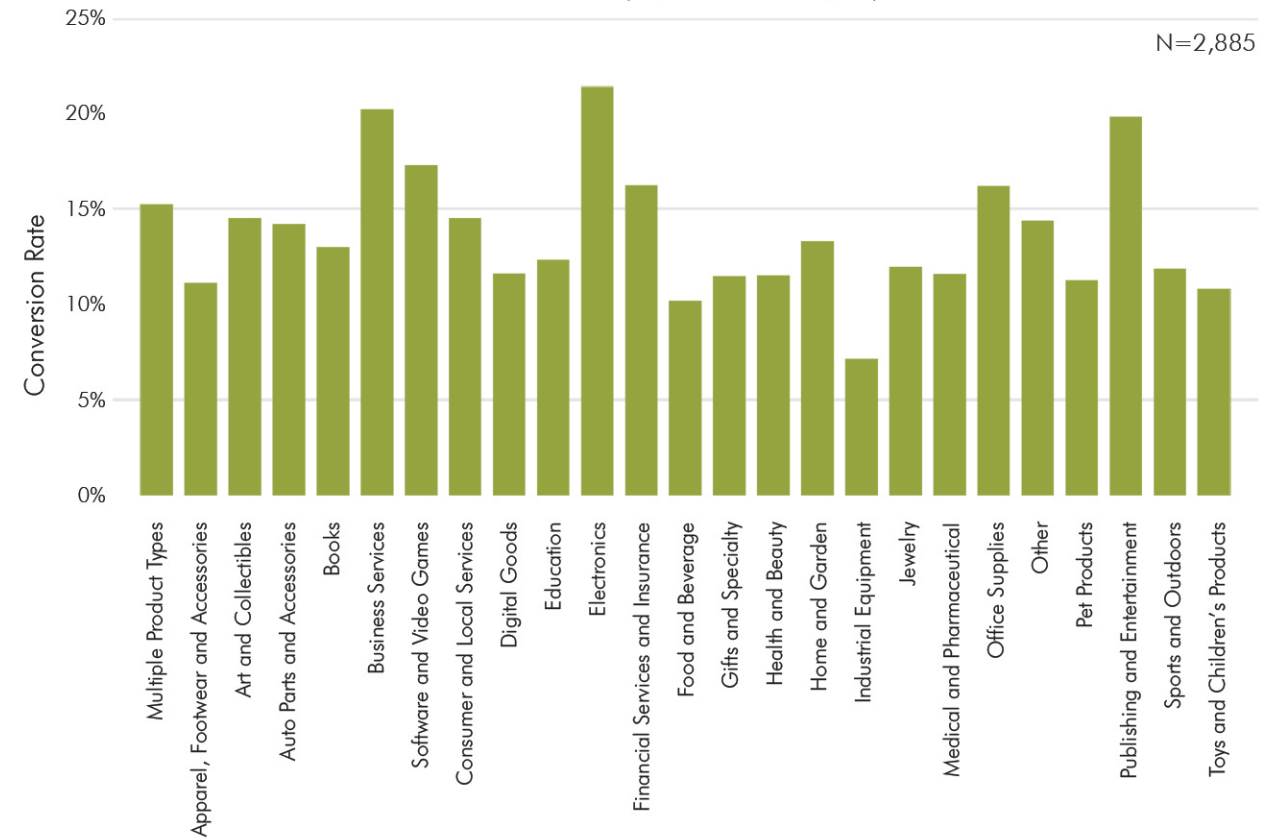
### 1.5 E-commerce Conversion Rates (by Gross Margin and Overall Revenue)

The median average conversion rate for low-revenue companies (less than \$1M) was higher in every margin percentage grouping than that of high-revenue (more than \$100M) counterparts.

Surprisingly, the biggest distinction occurred in median average conversion rates for low-revenue companies within the highest (60% to 80%) gross margin range. This group had median conversion rates nearly triple (8%) than that of high-revenue counterparts (more than \$100M) in the same group (with average conversion rates around 3%).



### 1.6 E-commerce Conversion Rates (by Product Type)



Marketers who offer electronics reported the highest mean conversion rate at nearly 25%. Business services and publishing, media and entertainment followed closely with reported conversion averages exceeding 20%. These means are driven up by high conversion rate outliers (see Chart 1.7 to compare means and medians).

## What You Need to Understand

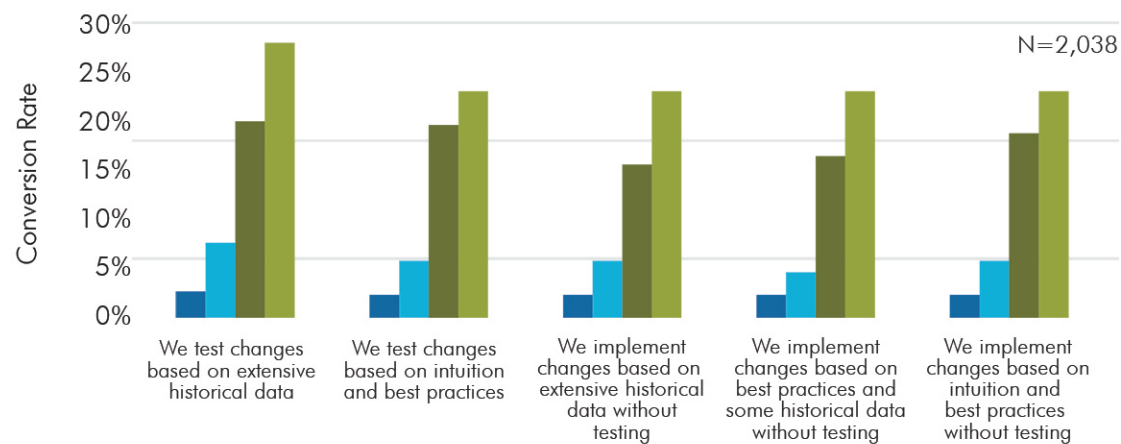
As we've discovered in this Benchmark Study, having a relatively low conversion rate doesn't mean your company is unsuccessful, as there's always room for improvement. It can even be suggested that conversion rates should always be rising, given steady traffic.

Consequently, could testing and optimization be the key to improvement?

Based on our findings, testing and optimization do play a role in how some organizations are increasing average conversion by using historical data to help build customer theory and objectively measure the performance of site changes.

Those marketers using historical data as part of a testing strategy are seeing increases in conversion beyond their peers using less sophisticated means to distill customer insight.

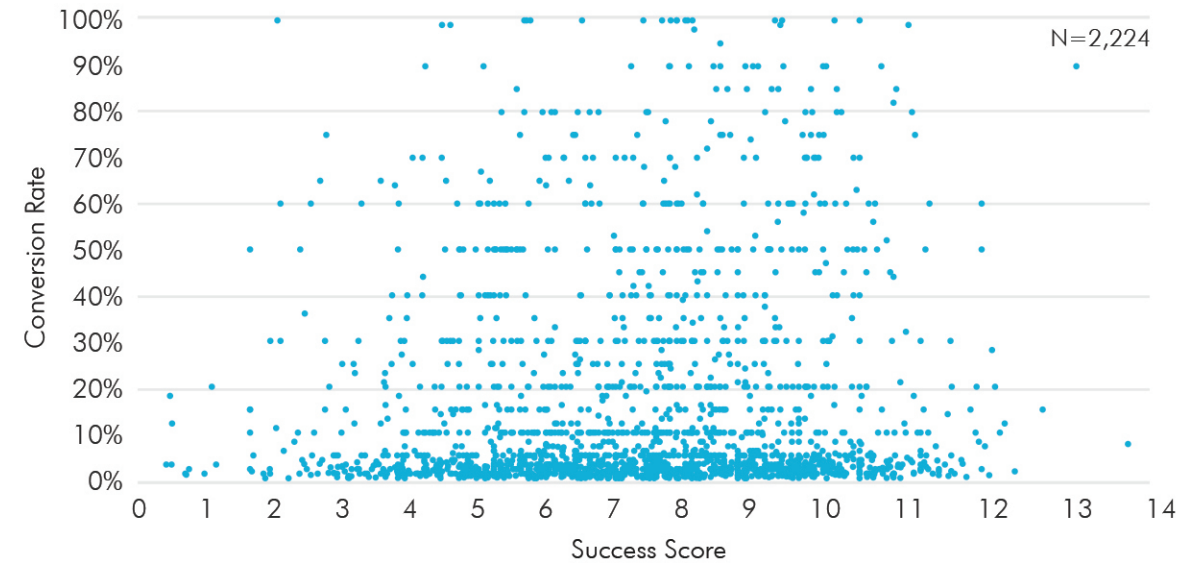
### 1.7 E-commerce Conversion Rates (by Testing and Optimization Strategy)



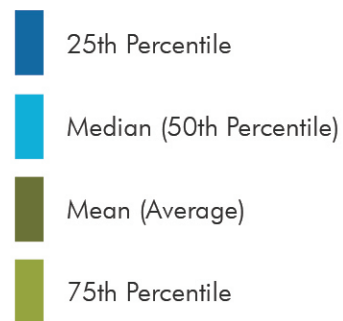
Companies with a testing and optimization strategy based on extensive historical data saw higher median conversion rates than those that test based on intuition, best practices or don't test at all. This chart shows the wide spread of reported conversion rates and the separation between mean and median caused by outliers.

25% of responding companies had conversion rates below 2%, regardless of testing or optimization strategy.

### 1.8 How do Conversion Rates Relate to Overall Success?



Based on the data from the Benchmark Study survey, there appears to be only a slight correlation between conversion rates and success scores.



# How are Overall E-commerce Metrics Trending?

Tracking the right metrics to understand customer behavior and changes in the marketplace is often no easy task.

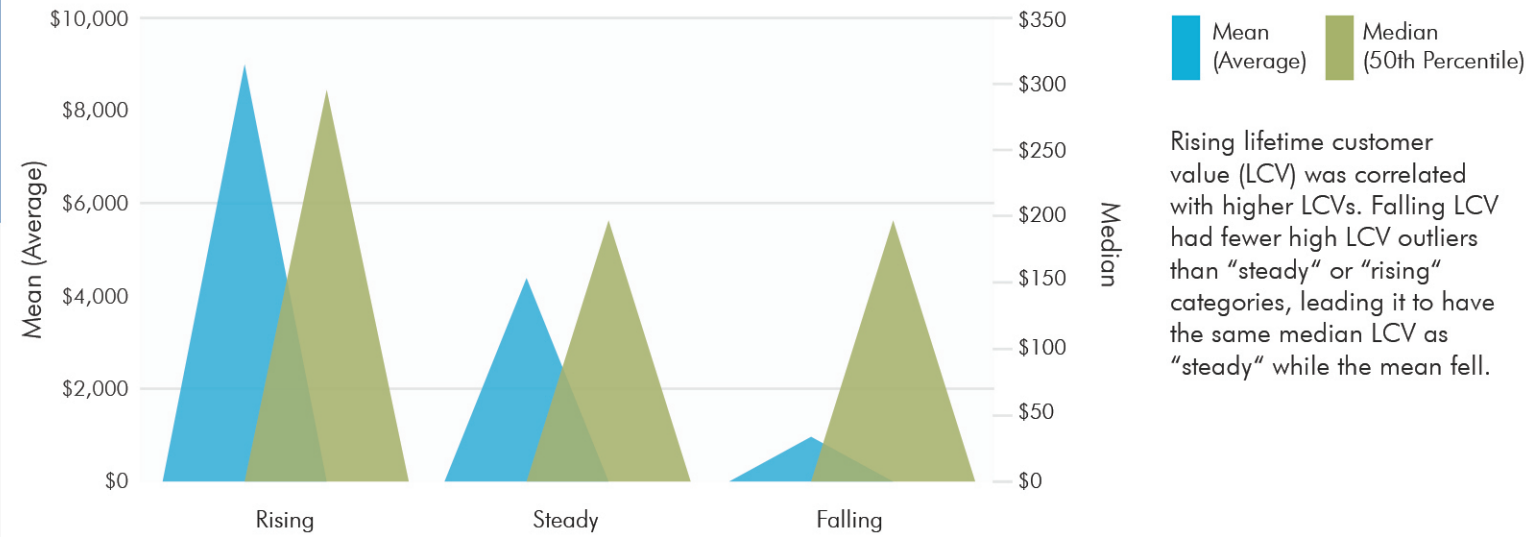
More than 100 metrics were identified from eight studies<sup>1-8</sup> before the fielding of the survey, and sorted into five major categories:

- Financial metrics
- Site design and performance metrics
- Customer orientation
- Internal resources and capabilities
- Competitive comparisons

Marketers were then asked about the value of key metrics and the trends of these metrics, which were subdivided into three categories:

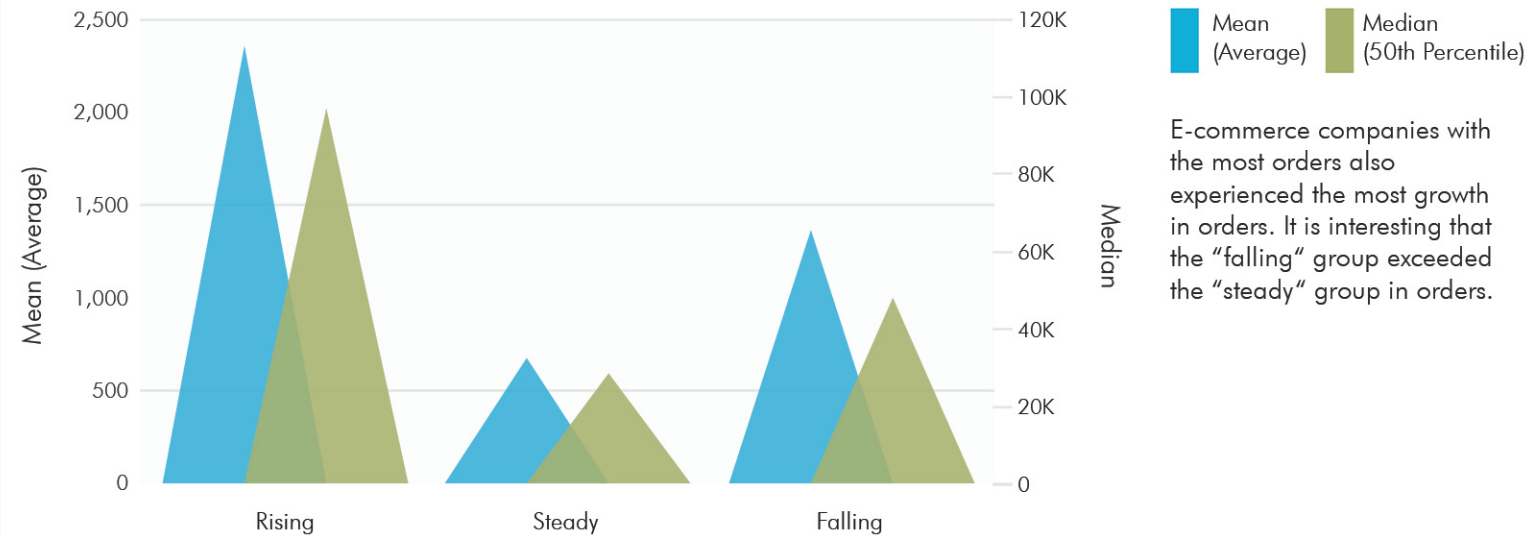
- Rising
- Steady
- Falling

## 1.9 Lifetime Customer Value



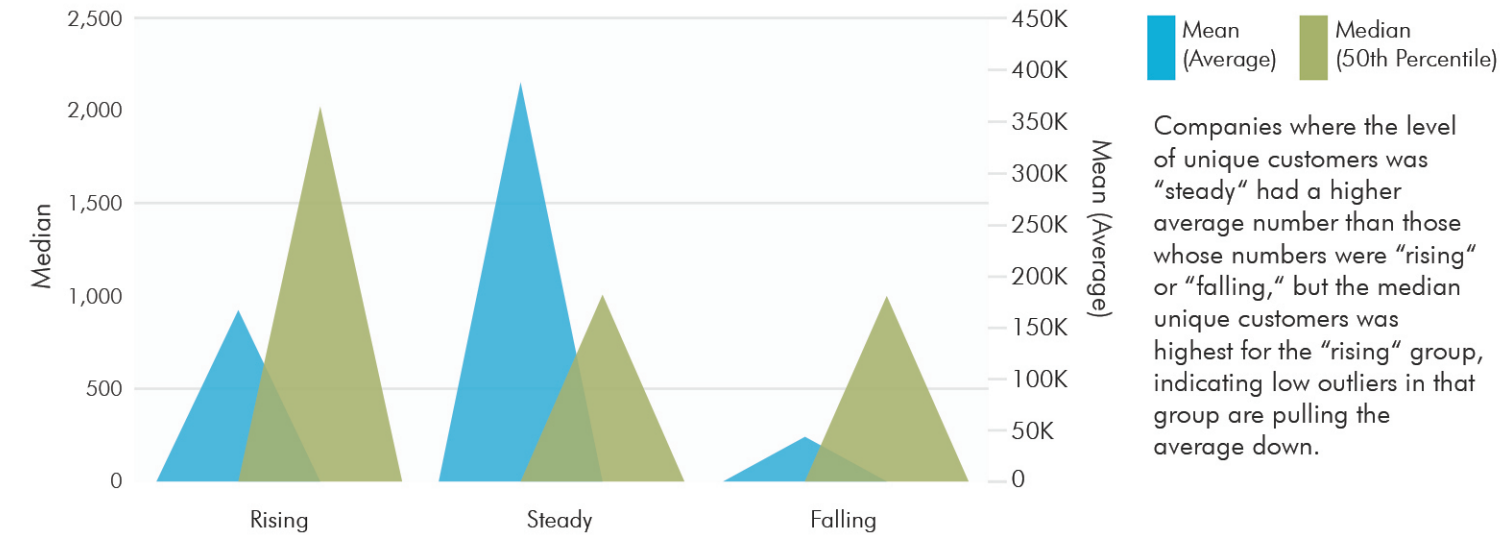
Rising lifetime customer value (LCV) was correlated with higher LCVs. Falling LCV had fewer high LCV outliers than “steady” or “rising” categories, leading it to have the same median LCV as “steady” while the mean fell.

## 1.10 Number of Orders



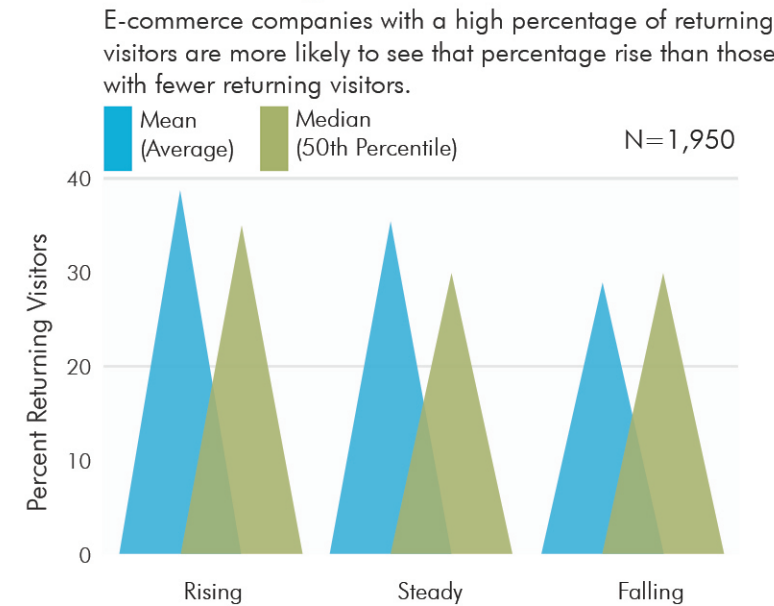
E-commerce companies with the most orders also experienced the most growth in orders. It is interesting that the “falling” group exceeded the “steady” group in orders.

## 1.11 Unique Customers



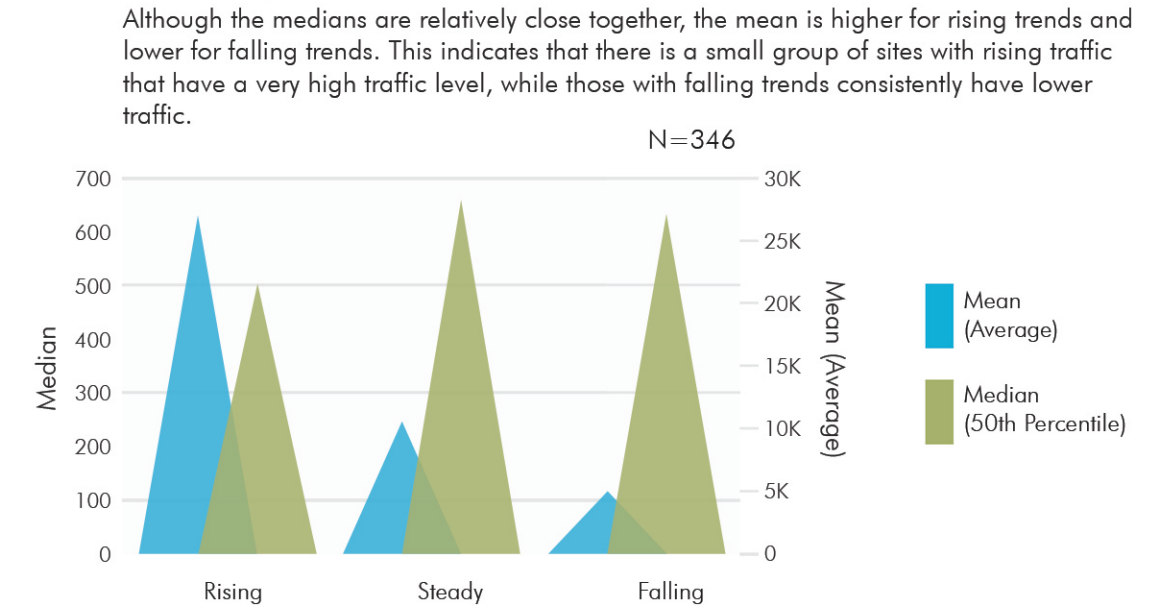
Companies where the level of unique customers was “steady” had a higher average number than those whose numbers were “rising” or “falling,” but the median unique customers was highest for the “rising” group, indicating low outliers in that group are pulling the average down.

## 1.12 Returning Visitors



E-commerce companies with a high percentage of returning visitors are more likely to see that percentage rise than those with fewer returning visitors.

## 1.13 Daily Site Visitors



Although the medians are relatively close together, the mean is higher for rising trends and lower for falling trends. This indicates that there is a small group of sites with rising traffic that have a very high traffic level, while those with falling trends consistently have lower traffic.

## What You Need to Understand

In general, the rich are getting richer – so to speak.

Those with more of a certain metric tend to be more likely to be able to increase that metric.

For example, e-commerce companies with more daily site visitors tend to be increasing the number of daily site visitors. This is congruent with what could be hypothesized from knowledge of the Google search algorithm (high traffic scores higher than low traffic).

1. Ahmad, Faudziah, Abdul Razak Hamdan, and Azuraliza Abu Bakar, “Determining Success Indicators of E-Commerce Companies Using Rough Set Approach,” *Journal of American Academy of Business*, Cambridge 5, no. 1 and 2 (2004): 65-69.
2. Ahmad Ghandour, George Benwell, and Kenneth R. Deans, “Measuring the Performance of eCommerce Websites – An Owner’s Perspective,” *Pacific Asia Journal of the Association for Information Systems* 3, no. 1 (2011): 1-27.
3. Katerina D. Gotzamani and Yannis E. Tzavlopoulos, “Measuring e-commerce quality: an exploratory review,” *International Journal of Quality and Service Sciences* 1, no. 3 (2009): 271-279.
4. Assion Lawson-Body, Lori Willoughby, and Kinvi Logossah, “Developing an Instrument for Measuring E-Commerce Dimensions,” *The Journal of Computer Information Systems* 51, no. 2 (2010): 2-14.

5. Joan Llonch, Rossano Eusebio, and Tim Ambler, “Measures of Marketing Success: A Comparison Between Spain and the UK,” *European Management Journal* 20, no. 4 (2002): 414-422.
6. Neil A. Morgan, Bruce H. Clark, and Rich Gooner, “Marketing productivity, marketing audits, and systems for marketing performance assessment: Integrating multiple perspectives,” *Journal of Business Research* 55, no. 5 (2002): 363-375.
7. Roland T. Rust et al. “Measuring Marketing Productivity: Current Knowledge and Future Directions,” *Journal of Marketing* 68, no. 10 (2004): 76-89.
8. H. Joseph Wen, Billy Lim, and H. Lisa Huang, “Measuring e-commerce efficiency: a data envelopment analysis (DEA) approach,” *Industrial Management & Data Systems* 103, no. 9 (2003): 703-710.

## Are E-commerce Margins Increasing or Decreasing?

Overall revenue and sales numbers can mask many deficiencies. For example, marketers can throw promotions, discounts or incentives at their products to increase those numbers. They can also blame the customer or the economy instead of their products or marketing efforts, as this marketer lamented in the Benchmark Study survey.

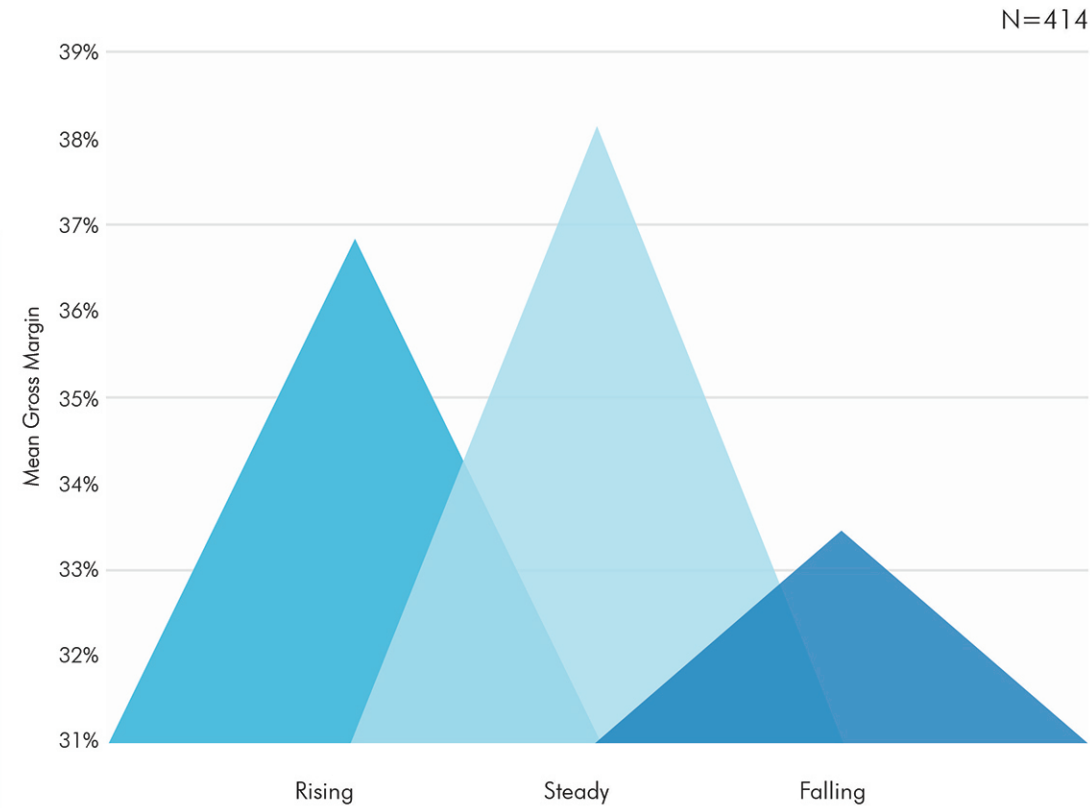
"Margins are under significant pressure, and sooner or later customers will have to choose between price and service – they can't get Rolls-Royce products at Trabant [former East German automaker] prices forever!"

While margins can be an indicator of macroeconomic forces and competitive pressure, margins are also a key indicator of the effectiveness of a company's value proposition in the marketplace.

In our initial literature review, researchers utilized margins as one of many financial metrics to help determine e-commerce performance.<sup>1</sup>

Consequently, in this Benchmark Study survey, we asked respondents to indicate the level of trend for gross margin percentage they experienced in 2013 for a comprehensive look at financial behavior in the market.

### 1.14 Gross Margin Percentage (by Trend)



N=414

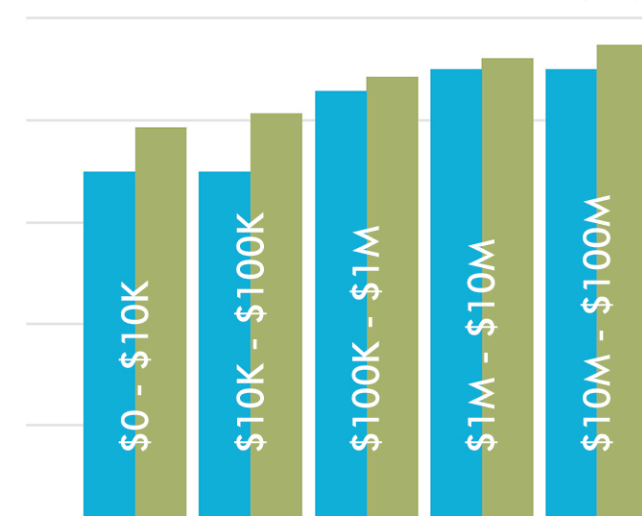
Margins tend to either be holding steady or rising for the majority of companies, while a minority of companies reported falling margins.

**38%**  
of all respondents reported gross margins holding steady in 2013

### 1.15 Gross Margins (by E-commerce Revenue)

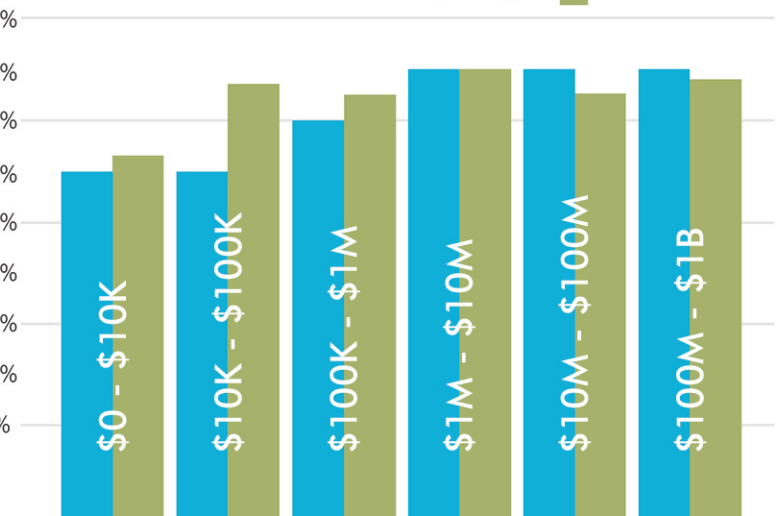
As revenue increased for respondent companies, so did margins.

N=414



### 1.16 Gross Margins (by Overall Revenue)

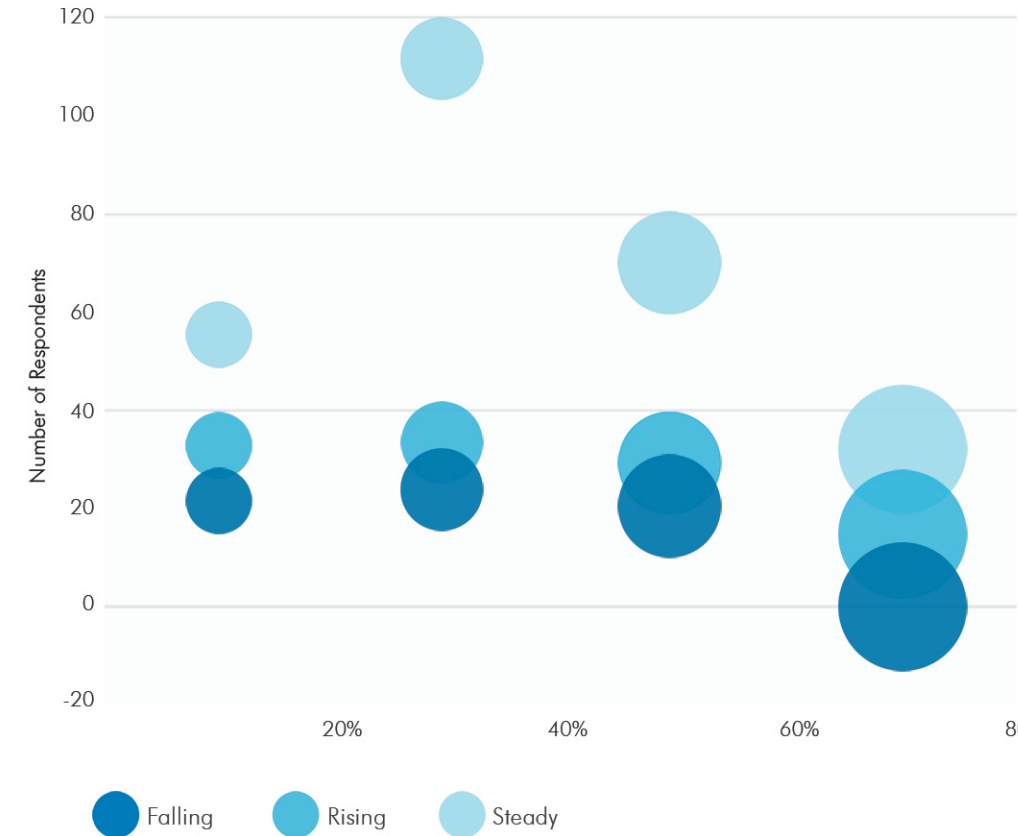
N=413



### 1.17 Gross Margins (Clustered by Trend Groups)

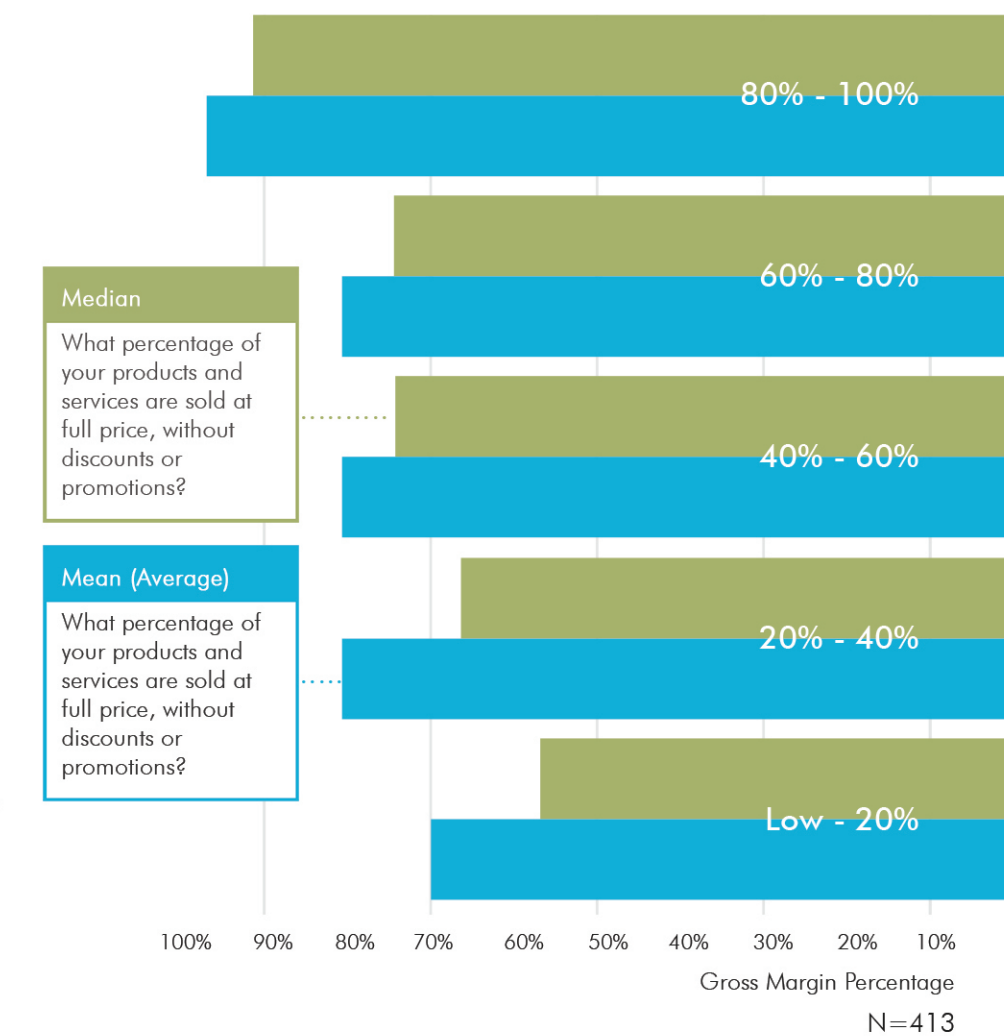
The biggest separation was seen for companies that had a margin in the middle of the pack, 20% to 40% and, to a lesser extent, 40% to 60%. These organizations were less likely to report a change in margins, either up or down.

N=454



### 1.18 How do Discounts Relate to Margins?

As products are discounted, margins also decrease.



## What You Need to Understand

While e-commerce has been growing overall, the macroeconomic conditions of the past few years have slowed that growth,<sup>2</sup> and some companies have used discounts and incentives to sell products and grow business. Another factor that affects margins is the price transparency on the Internet.

This data indicates that those clouds are parting, as companies are seeing improving margins. If your margins are falling, you may no longer be able to blame the overall economy or a shift in customers. Prior MECLABS experiments indicate a strong value proposition may have an impact as well.

1. Wen, Lim and Huang (2003), Rust, et.al. (2004), and Llonch, Eusebio and Ambler (2002).  
 2. E-Commerce Sales Growth Slows To 12% In January, Worse Than Q4," Business Insider, February 16, 2010, <http://www.businessinsider.com/channeladvisor-same-store-e-commerce-sales-up-12-in-january-2010-2>.

# Where do E-commerce Companies Generate Traffic?

According to one study in our pre-survey literature review, new technologies in e-commerce have opened up new channels for customer-vendor interactions.<sup>1</sup>

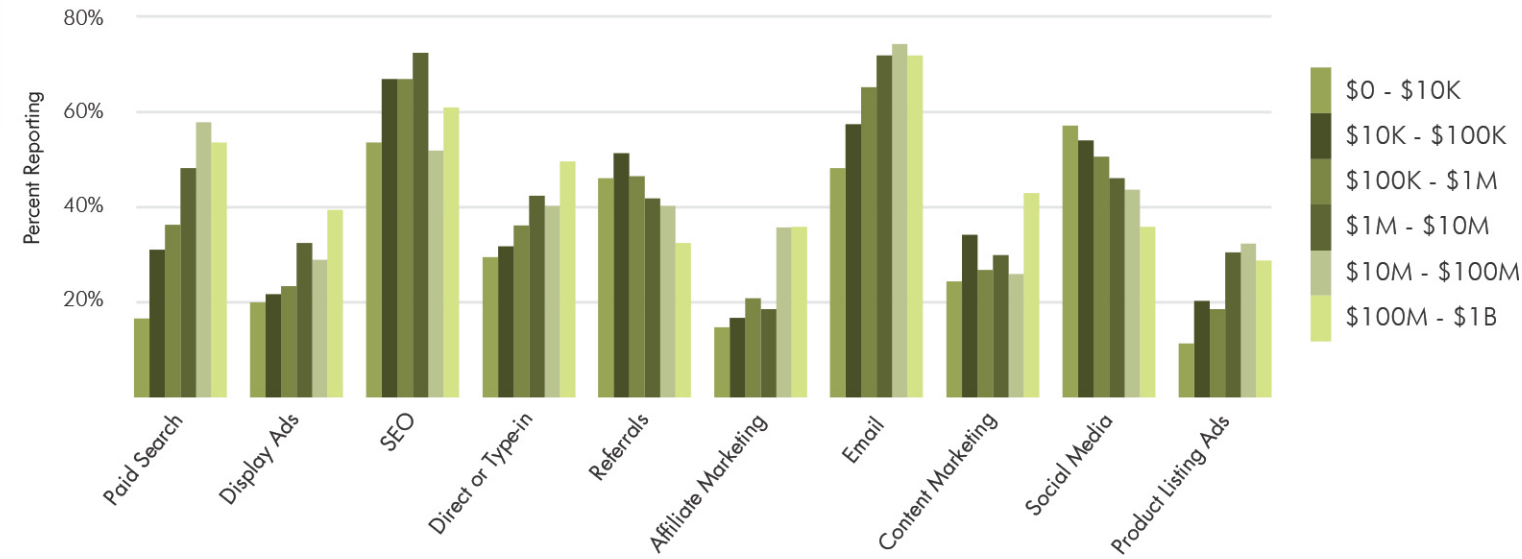
Consequently, this has also increased the need to manage integrated marketing communications effectively<sup>2</sup> to understand how these emerging technologies are impacting customer traffic.

To help us further understand how these channels are producing e-commerce traffic, we asked respondents which of their marketing channels were producing their highest volumes of traffic.

- Apparel, Footwear and Accessories
- Gifts and Specialty
- Home and Garden
- Health and Beauty
- Electronics
- Computer Software and Video Games
- Business Services
- Sports and Outdoors
- Publishing, Media and Entertainment
- Jewelry

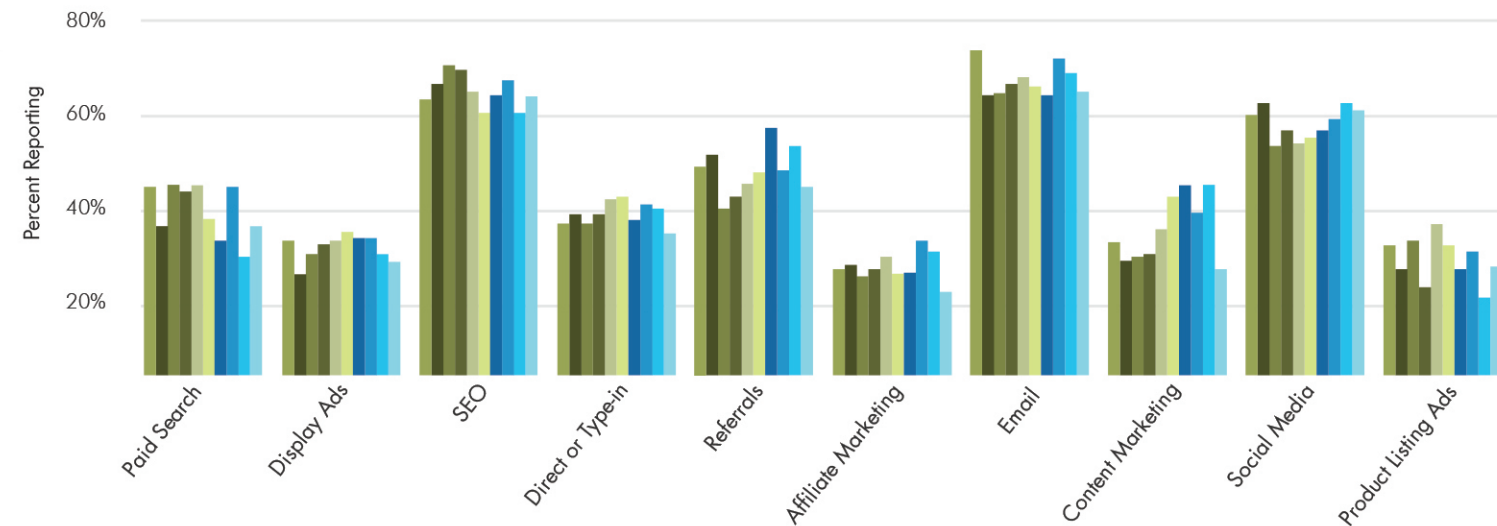
## 1.19 Channels that Drive Significant Traffic (by Revenue)

Email marketing and organic search were the most frequent sources of e-commerce traffic for respondents across all revenue ranges, while channels such as affiliate marketing and content marketing were less frequently used.



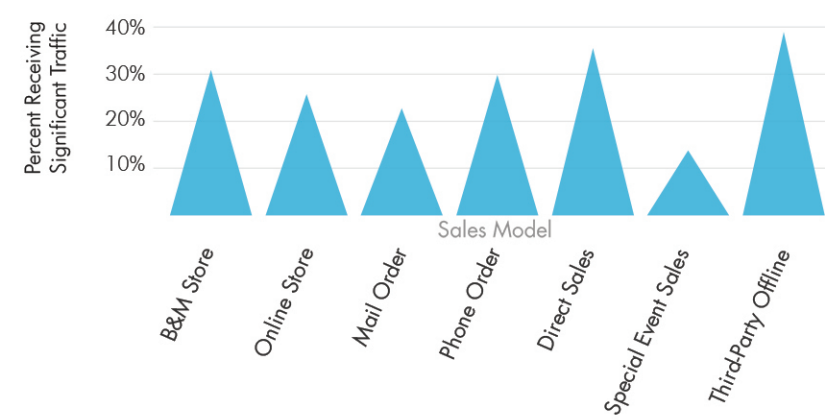
## 1.20 Channels that Drive Significant Traffic (by Product Type)

The percentage receiving significant traffic from each channel was consistent across most product types. Prominent exceptions were an increased percentage of companies using email in the apparel market and an increased percentage using referrals in business services. Content marketing was used less often by some product types like jewelry and gifts than others like publishing, computer software and business services.



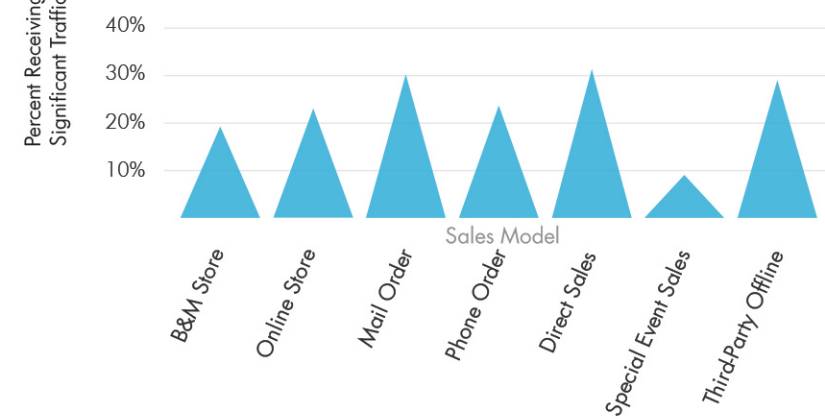
## 1.21 Significant Traffic from PPC

Companies using third-party offline sales frequently drew traffic from PPC ads (39%), while only 14% of companies using trade shows reported significant traffic from PPC ads.



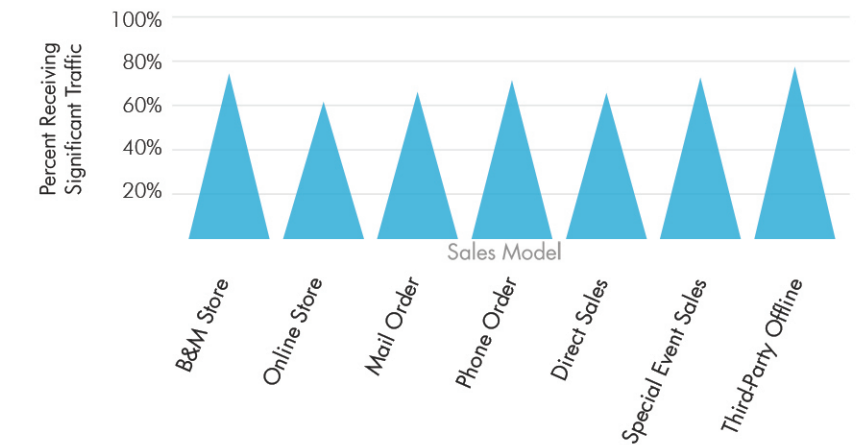
## 1.23 Significant Traffic from Content Marketing

Respondents from companies making direct sales through representatives, mail order sales and third-party offline sales were found the most likely to receive significant traffic from content marketing.



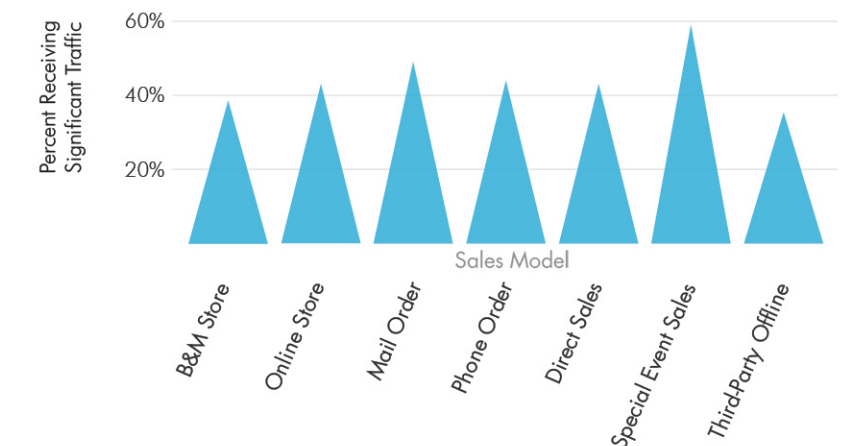
## 1.22 Significant Traffic from Organic Search

Roughly 74% of brick-and-mortar stores frequently received traffic from organic search, as customers likely utilize search to find store locations.



## 1.24 Significant Traffic from Social Media

Less than half (43%) of companies with online stores reported seeing significant traffic from social media.



## What You Need to Understand

E-commerce companies continue to receive traffic from proven sources – email and organic search – while tactics like content marketing remain infrequently used. Emerging technologies are also creating new opportunities to engage customers through social media, yet ROI in the space remains difficult to quantify.<sup>3</sup> This will likely be a paramount challenge in the future for marketers to solve as social media continues to grow.

1. Roland T. Rust et al. "Measuring Marketing Productivity: Current Knowledge and Future Directions," *Journal of Marketing* 68, no. 10 (2004): 84.  
 2. Kaushik, Avinash. "Best Social Media Metrics: Conversation, Amplification, Applause, Economic Value," *Occam's Razor* (blog), <http://www.kaushik.net/avinash/best-social-media-metrics-conversation-amplification-applause-economic-value/>.  
 3. Kaushik, Avinash. "Best Social Media Metrics: Conversation, Amplification, Applause, Economic Value," *Occam's Razor* (blog), <http://www.kaushik.net/avinash/best-social-media-metrics-conversation-amplification-applause-economic-value/>.

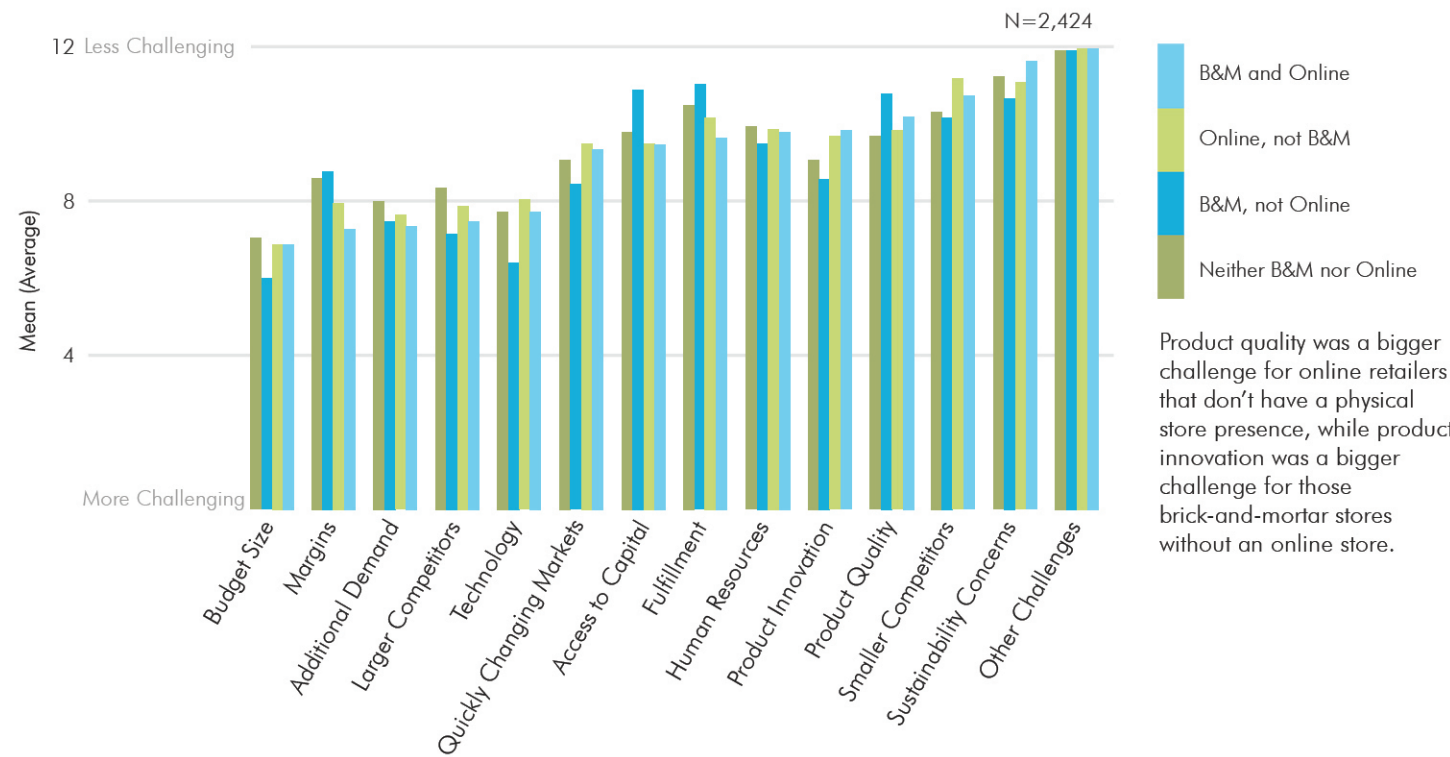
## How do Companies Using Online Stores Differ from Those with Brick-and-mortar Stores?

Companies with traditional brick-and-mortar (B&M) stores could be perceived to have certain advantages over online-only stores. For example, multiple physical locations could allow for faster order fulfillment.

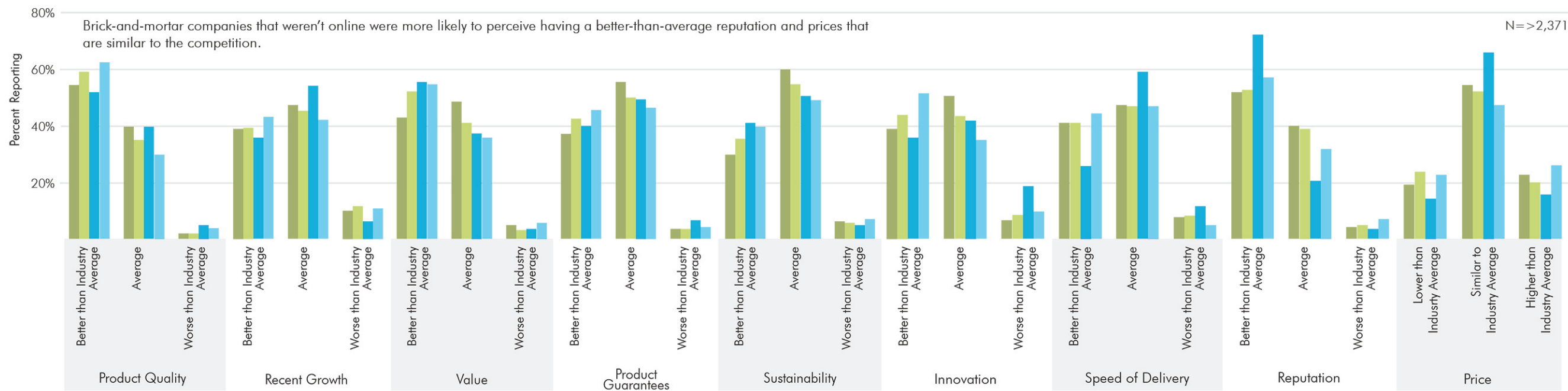
However, online-only companies may be more focused and adept at selling online and less weighed down by legacy products or processes.

To get a sense of the state of the difference between online-only companies versus companies with physical locations and an e-commerce presence, we explored these topics deeper in the Benchmark Study.

### 1.25 Barriers to Growth (by Store Presence)

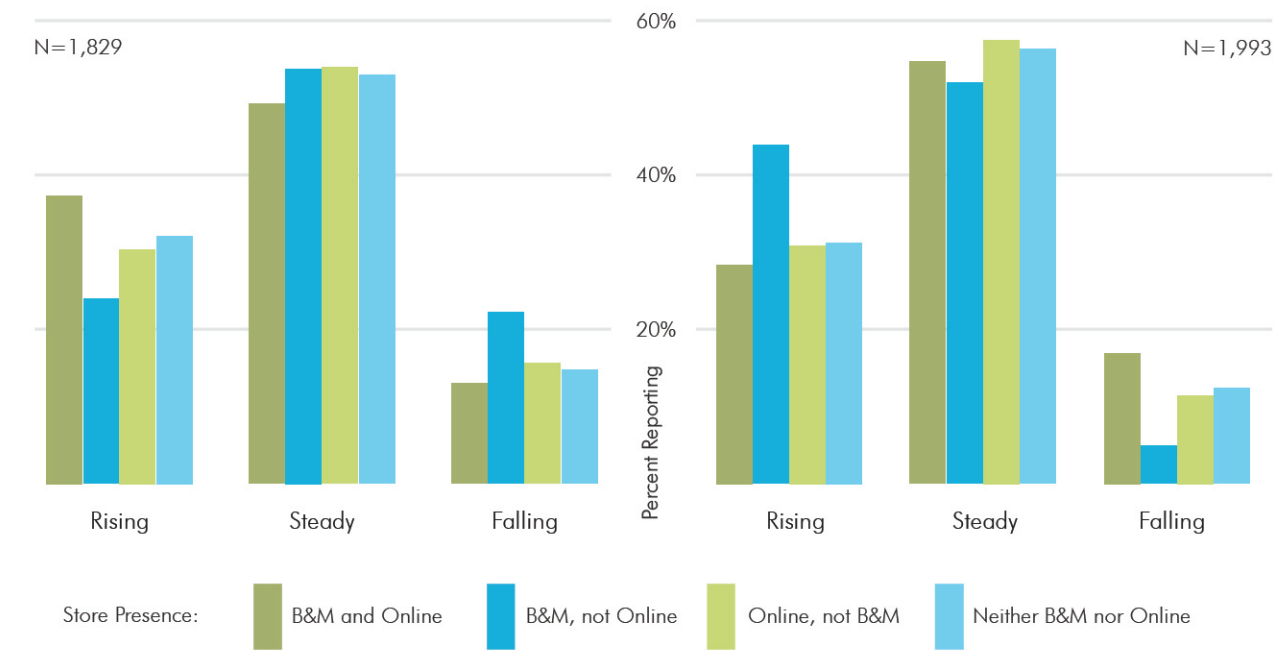


### 1.28 Is Brick-and-mortar Presence a Differentiator?



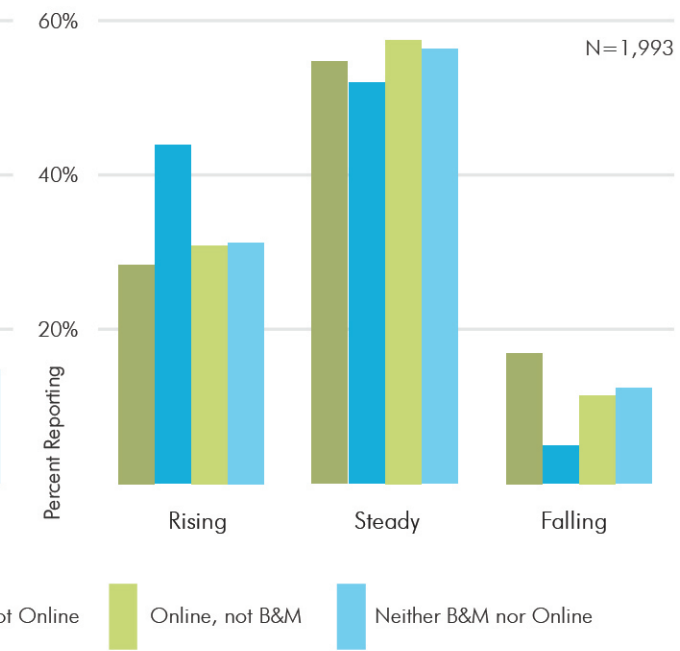
### 1.26 Trends in Cost of Customer Acquisition

Brick-and-mortar retailers without an online store were more likely to have a falling cost of customer acquisition, but those with both types of stores often saw a rising cost of customer acquisition.



### 1.27 Trends in Gross Margin

Brick-and-mortar stores without an online presence were most likely to have a rising gross margin.



## What You Need to Understand

While retailers that had a physical presence without an online store were more likely to have a rising gross margin, these companies were also more likely to have a falling cost of customer acquisition. This is, in some ways, counterintuitive. One might think that a B&M, which tends to be more expensive than an online store to operate, would not result in this trend.

However, does the B&M help the retailer convey a more powerful value proposition? Does it also improve trust and reduce anxiety? Is that why we are seeing this trend?

Surprisingly, a B&M did not appear to help with perceived speed of delivery, but it did bring up issues with innovation that could be caused by the significant investment required to stock and market new, innovative products across a chain of retail locations.

Retailers that had an online store with or without physical locations were ahead in a category that could be the key to future success – these companies were more likely to be innovative when compared to companies with a physical store but no online store. Another possible reason for this difference may be technology challenges, as evidenced by this response to the Benchmark Study survey:

“Our biggest challenge is antiquated infrastructure, especially in our brick-and-mortar stores. It is tough to become a true omnichannel retailer when your systems are installed on 49-year-old, custom-built software.”

# What are Critical Characteristics of Successful E-commerce Companies Today?

While every e-commerce company wants "success," there is not one clear definition of what makes a company successful. For example, high growth in sales may come from discounting. Low margins may be due to a long-term growth strategy outweighing short-term profits.

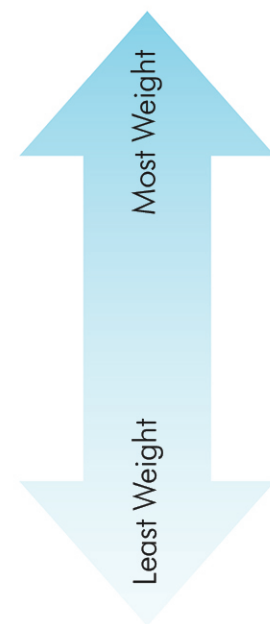
To define success for this Benchmark Study, the pre-survey literature review identified key factors to consider (listed in the table on this page). Relative- and trend-based factors were used consistently for both small and large enterprises.

These factors were then adjusted to a uniform scale with certain undesirable responses scored below zero.

Scores were weighted, compensating for missing data, with the most important factors, like financial metrics, given the most weight in the model. Each respondent with sufficient available data was then tagged with a success score that theoretically could range from -4.4 to 17.8; however, actual scores ranged from -0.4 to 14.

These charts show how all of the critical characteristics in the model ranked separately.

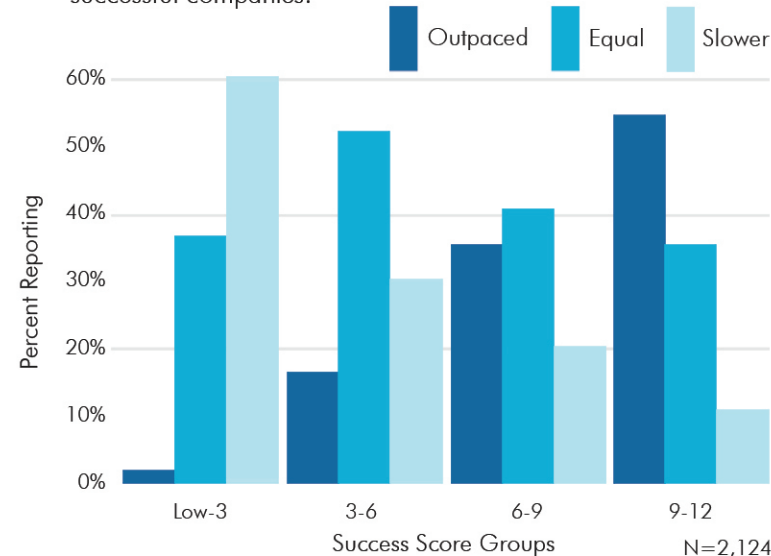
## Success Model Factors



- YOY difference in annual and e-commerce revenue
- Margin percentage
- Number of orders trend
- Market share
- ROI for marketing spend
- Measurement of reputation
- Value compared to competitors
- Delivery speed compared to competitors
- Acquisition cost per customer trend
- Site change frequency based on customer feedback
- Number of steps in checkout process
- Product guarantees compared to competition

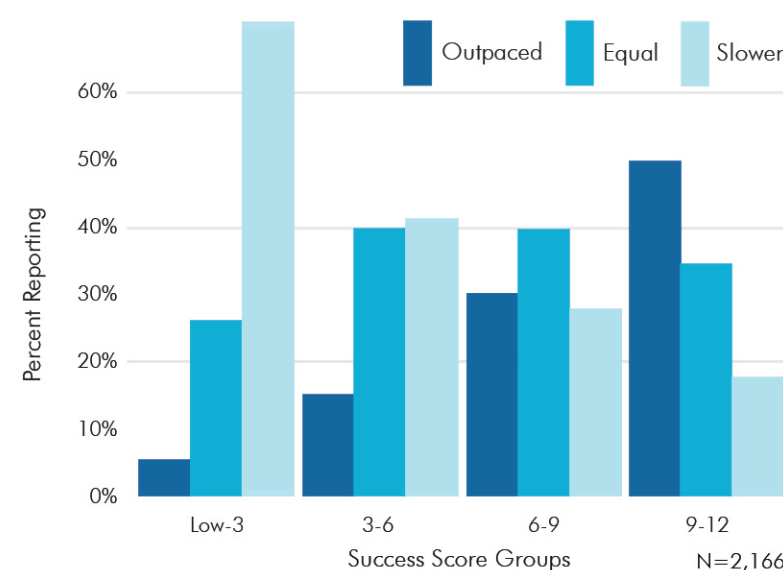
### 1.30 Are the Most Successful Companies Outpacing Their Industry's Revenue Growth?

Revenue growth compared to industry has a high correlation to success. In the next charts, we'll see the practices common to successful companies.



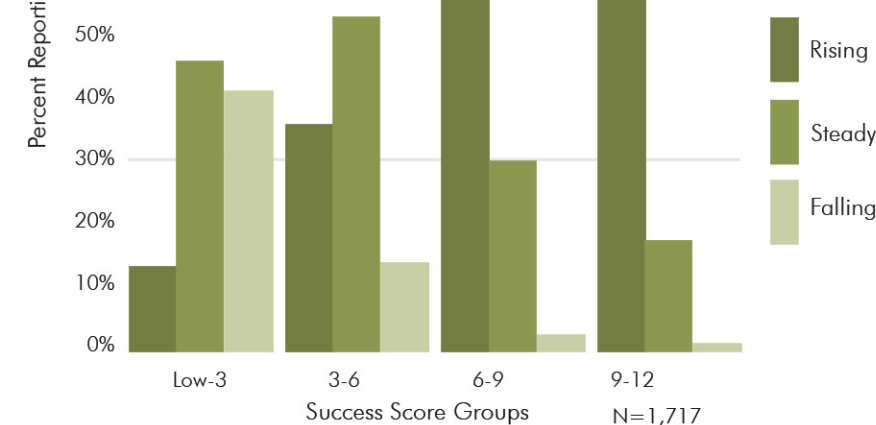
### 1.31 Are the Most Successful Companies Outpacing Their Revenue Growth Goals?

Another element of success was outpacing revenue goals.



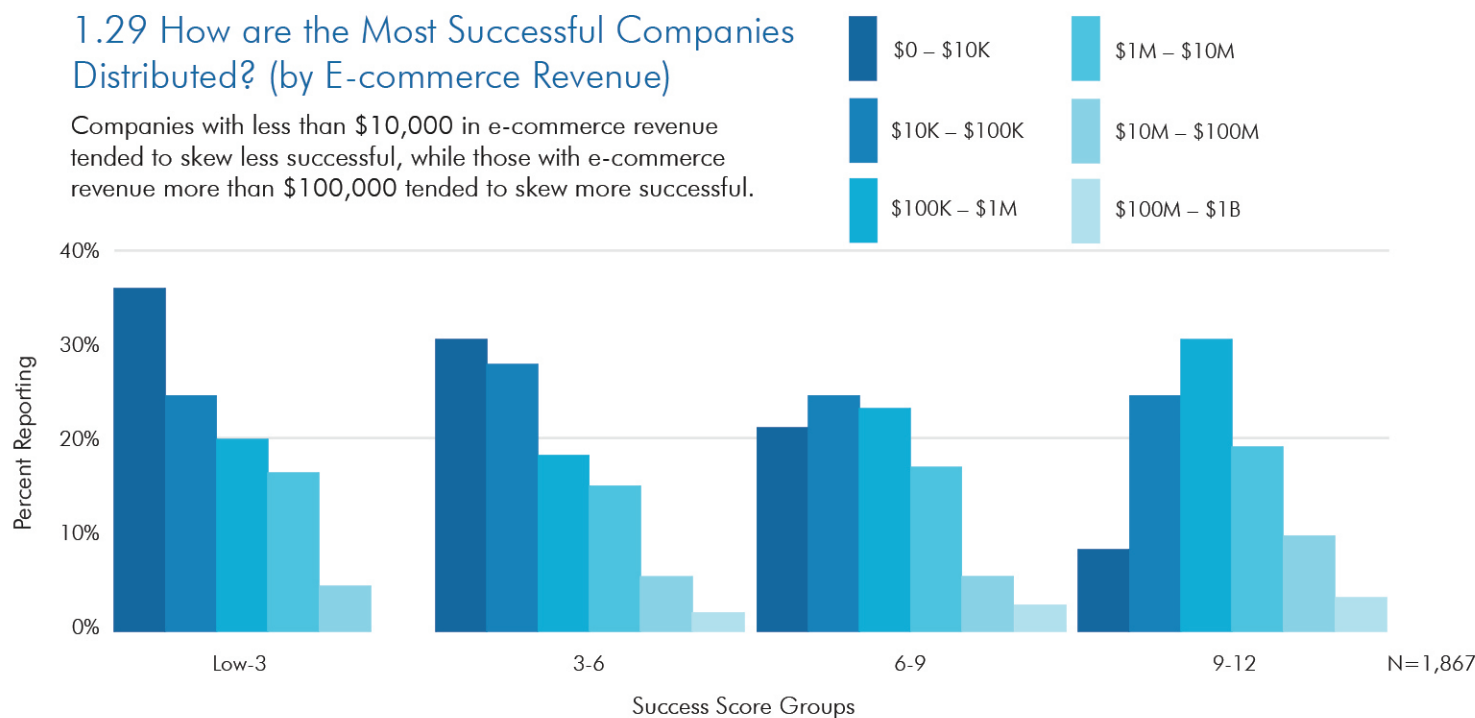
### 1.32 Are the Most Successful Companies Experiencing Changes in Daily Site Visits?

The more successful e-commerce companies were also considerably more likely to have rising site traffic. This is more strongly correlated to success score than revenue growth.



### 1.29 How are the Most Successful Companies Distributed? (by E-commerce Revenue)

Companies with less than \$10,000 in e-commerce revenue tended to skew less successful, while those with e-commerce revenue more than \$100,000 tended to skew more successful.



### 1.33 Are Successful Companies Changing Marketing Budgets?

The more successful companies tend to be increasing or maintaining marketing spend.



## What You Need to Understand

While there are many avenues to success, two key factors identified in these charts are marketing spend and daily site visitors. This won't be surprising to many marketers, but it is likely a nice reassurance to what they already know. Namely, it takes money to make money. Also, it takes traffic to ultimately sell products.

When you look at the charts on this page, you are likely struck by a very surprising discovery from this Benchmark Study – revenue has the weakest correlation with success. Even some companies with very little e-commerce revenue were in the most successful group, as this marketer explained in a survey response:

"We're internally funded with no outside capital. We've developed our marketing strategies and Internet presence based on a 'shoe string' budget. The availability of high-quality e-commerce platforms ... combined with the information gained from analytics ... has proven to be an invaluable asset to our success."

## What Strategies are Successful E-commerce Marketers Employing?

The MarketingSherpa E-commerce Benchmark Study is split into three chapters – aimed at each level in the organization that is essential to e-commerce company success.

In this section, we focus on questions that can help the director set strategy for his or her department.

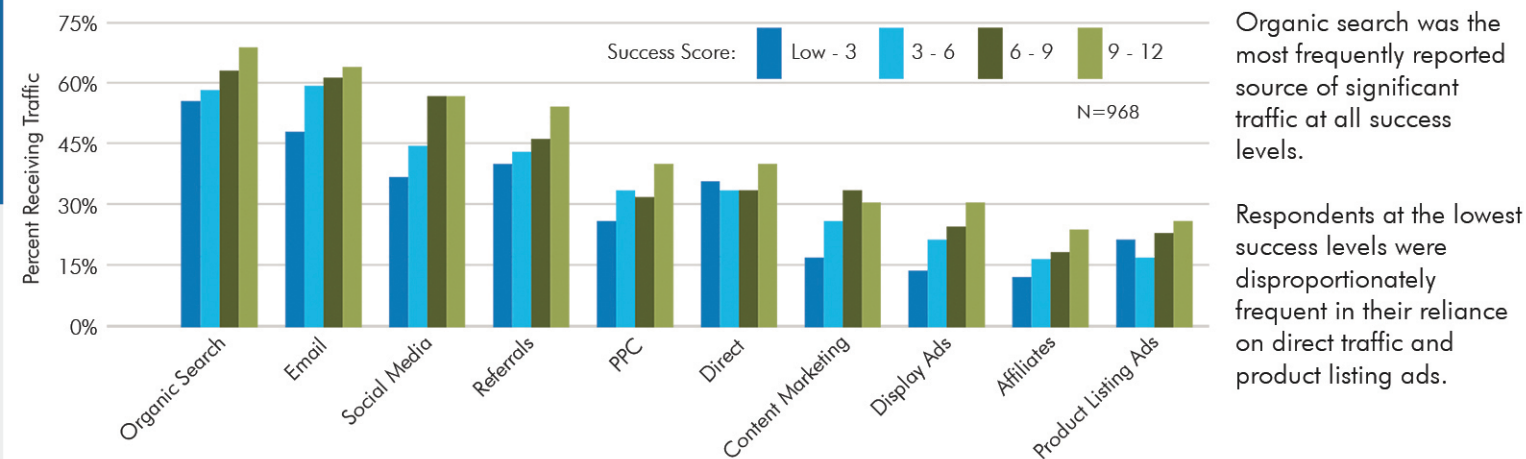
This is no easy task. As one marketer replied in the Benchmark Study, “Still learning how to advertise and create a strategy that gets results.”

To help you achieve results, we’re sharing data on marketing spend, channels, which departments control certain functions, and testing and optimization strategy, among other topics.

As you go through each question in this chapter, you’ll also find a “What You Need to Understand” section to help you put the information into practice.

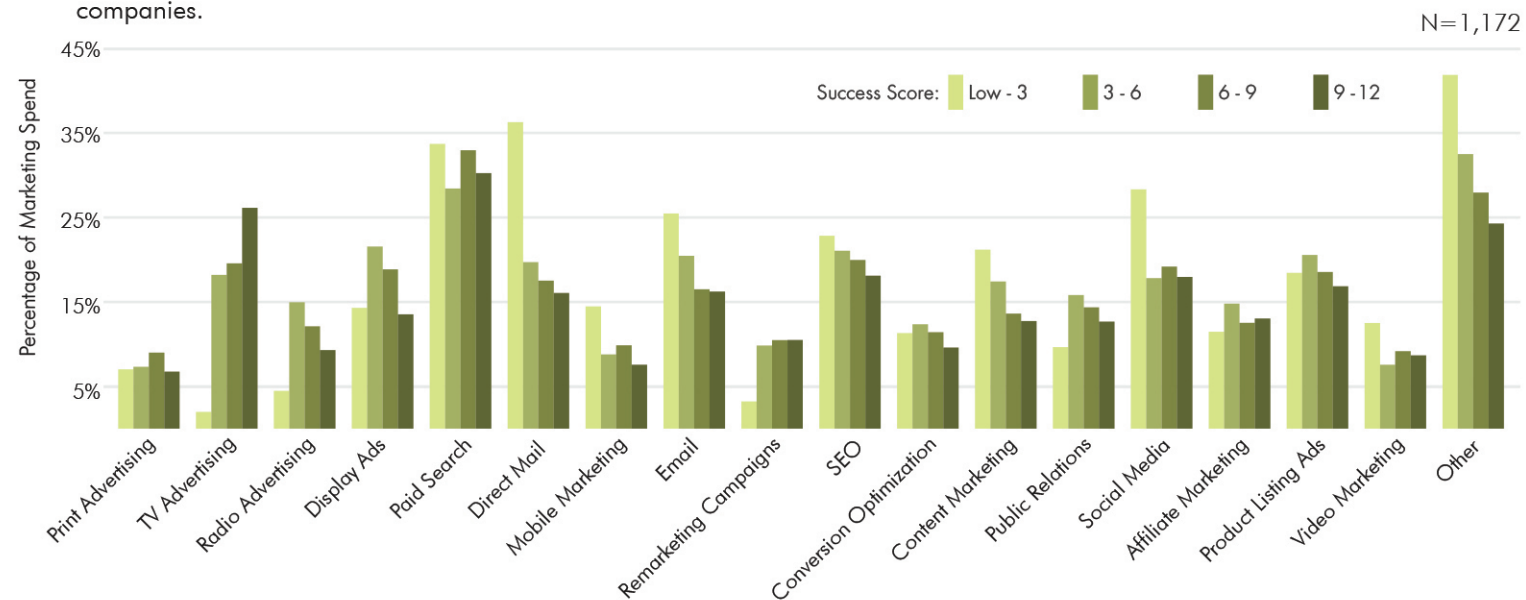


### 2.12 Which Channels do E-commerce Companies Receive Traffic From? (by Success Score)



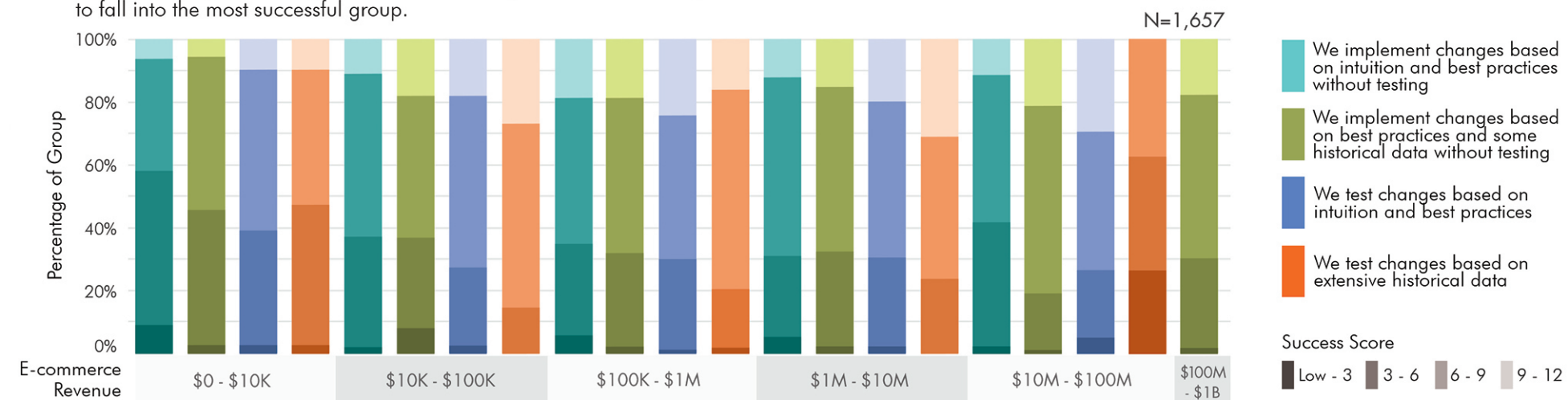
### 2.4 How Much of the Marketing Budget is Spent on Each Channel? (by Success Score)

One question we wanted to explore was the impact of marketing spend on a company’s “success” in e-commerce. To define success for this Benchmark Study, the pre-survey literature review identified key factors to consider. These factors were then weighted with the most important factors, like financial metrics, given the most weight in the model. Each respondent was then tagged with a success score and groups were created. Based on this approach to success scoring, paid search, television, email, search engine optimization (SEO) and social media were the channels with the highest mean budget spent in the 9-12 success score range. Low-success companies spent more on average on social media, direct mail and other channels not listed here than high-success companies.



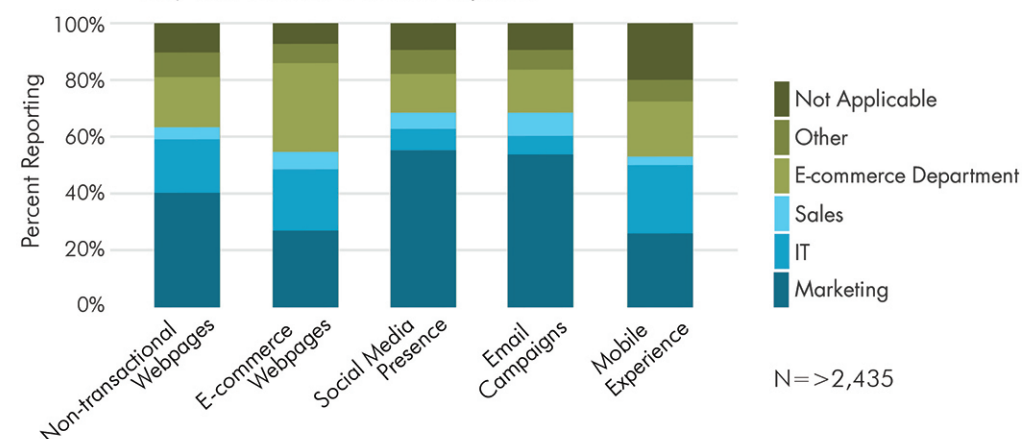
### 2.17 How are Testing and Optimization Strategies Being Implemented? (by Overall Revenue and Success Score)

In all revenue groups except \$100K - \$1M, companies that test changes based on extensive historical data were the most likely to fall into the most successful group.



### 2.20 Which Departments Own Aspects of the Online Presence?

Marketing most frequently controls less technically challenging aspects of the company’s presence (email campaigns, social media, etc.). Specialized e-commerce or IT departments are more likely to control complex aspects (e-commerce, mobile sites, etc.) than the less technical aspects.



## What You Need to Understand

It’s easy for the marketing director to fall into the trap of chasing the buzz – that is, invest in and shape a strategy around the hot topic of the moment.

This strategy can be successful. As one Benchmark Study survey respondent said about much-hyped social media, “We plan to aggressively pursue the social media platforms to tell the world about our product. This strategy will provide us with the most exposure for our marketing dollar.”

As we see from the data, however, the less successful companies are the ones that tend to invest more in social media. But the respondent didn’t stop there and went on to say, “We will then selectively choose where to place more traditional media buys based on analytics and data from the social media campaigns.”

This strategy could be key, especially if it involves testing. Companies that replied “We test changes based on extensive historical data” were unlikely to be low-success companies.

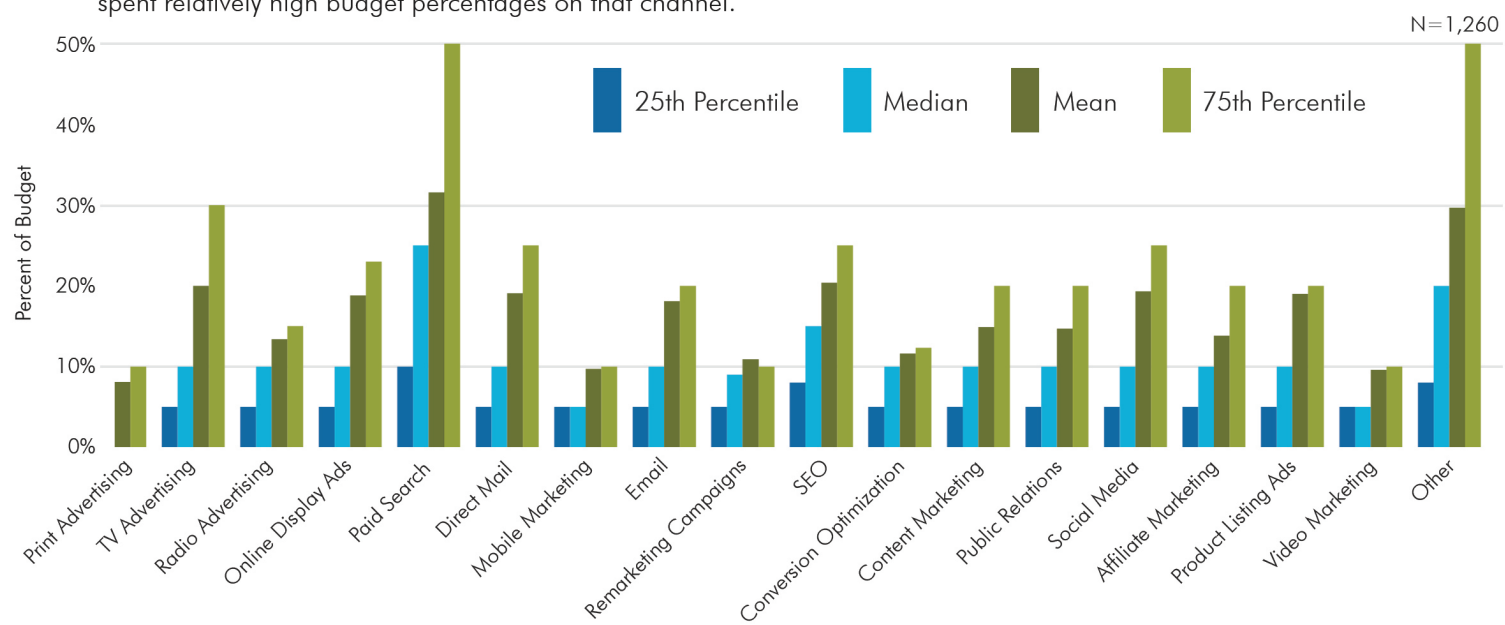
## Where are Successful E-commerce Companies Investing Marketing Budgets?

How companies allocate budgets across marketing channels is key to adapting to consumer behaviors that continually change.

To help us further understand how marketers are investing their budgets, we asked respondents where they were spending.

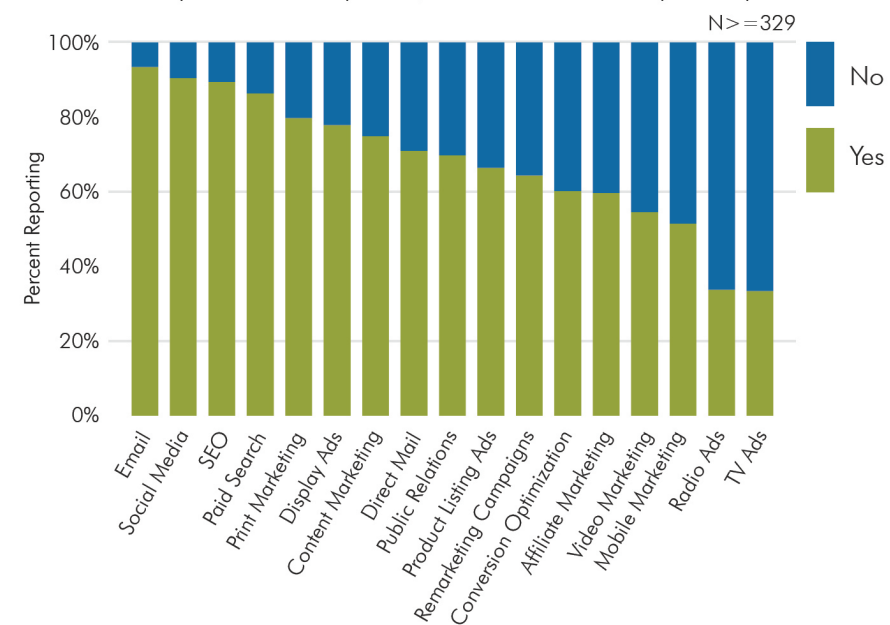
### 2.1 How Much of the Marketing Budget is Spent on Each Channel?

For those respondents using paid search, 25% spent more than 75% of their budget on that channel. Most channels received 10% or less budgeting from half the companies using the channel. Companies using a channel not mentioned in the survey spent relatively high budget percentages on that channel.



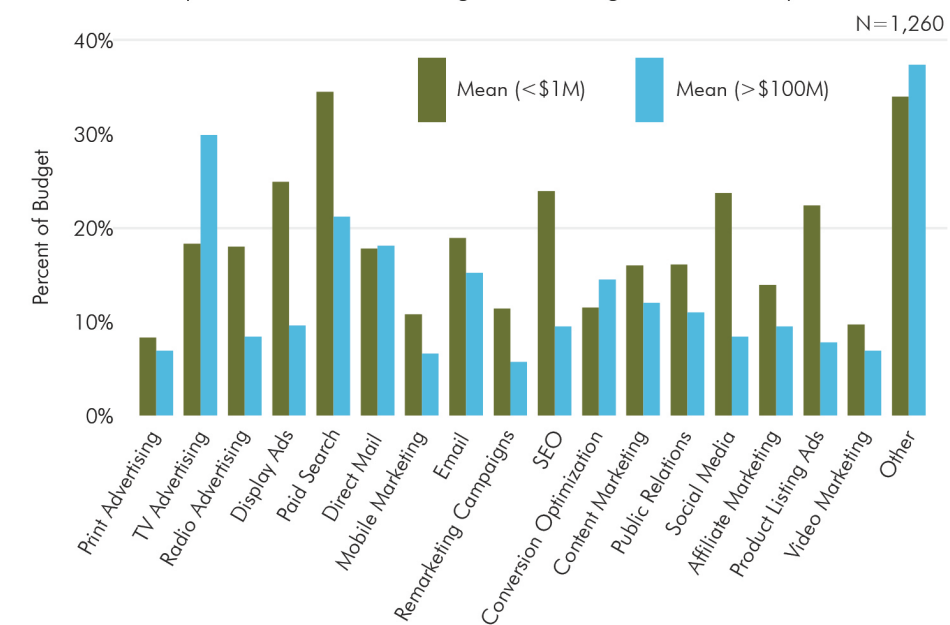
### 2.2 Which Channels are E-commerce Companies Investing In?

Email marketing was the channel in which the most respondents spent part of their budget. Television and radio advertising were used by the least companies, at 33% and 34% respectively.



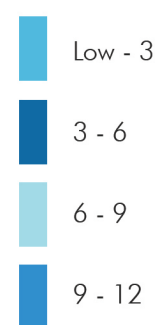
### 2.3 How Much of the Marketing Budget is Spent on Each Channel? (by Overall Revenue)

Respondents from low-revenue companies reported a “double-down” spending average on SEO (roughly 24%) versus high-revenue counterparts who spent around 10% of budgets on average in the same space.

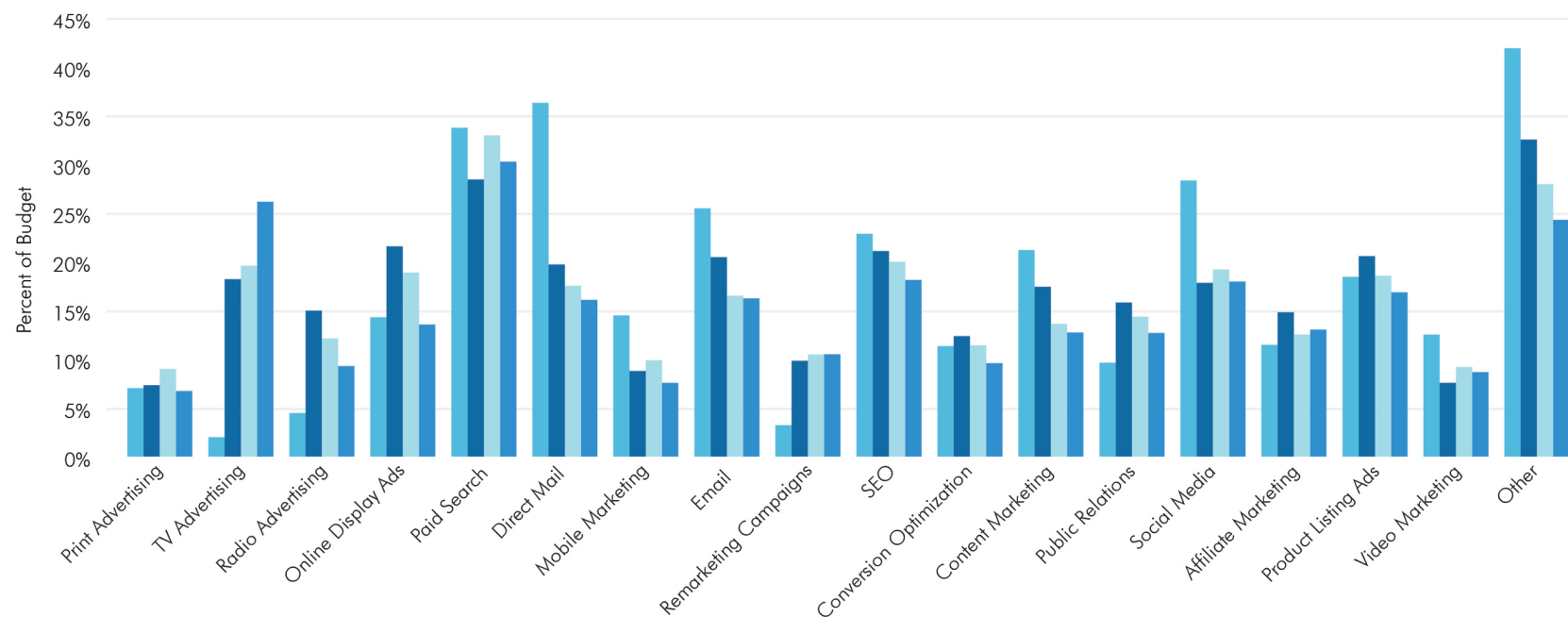


### 2.4 How Much of the Marketing Budget is Spent on Each Channel? (by Success Score)

Success Score:



N=1,172



One question we wanted to explore was the impact of marketing spend on a company’s “success” in e-commerce.

To define success for this Benchmark Study, the pre-survey literature review identified key factors to consider. These factors were then weighted with the most important factors, like financial metrics, given the most weight in the model.

Each respondent was then tagged with a success score and groups were created.

Based on this approach to success scoring, paid search, television, email, search engine optimization (SEO) and social media were the primary channels with the highest mean budget spent in the 9-12 range.

Low-success companies spent more on average on social media and direct mail than high-success companies.

### What You Need to Understand

Marketing budgets in e-commerce continue to focus heavily on channels with the potential to return high volumes of customer traffic – email, SEO and, for a select few, television advertising.

One interesting point to consider is although both low- and high-revenue e-commerce companies have shifted away from marketing spends within the traditional mediums of radio and television in favor of adopting digital channels, budgets for mobile marketing remains relatively low.



# What is the Average ROI on Marketing Spend?

ROI of marketing spend can be one of the most difficult metrics to track accurately. Academic literature suggests one cause for this is that marketing managers often struggle to uncover and confidently support the cause and effect relationships between marketing spend and performance outcome.<sup>1</sup>

To help us further understand this relationship, we asked respondents about their average ROI on marketing spend.

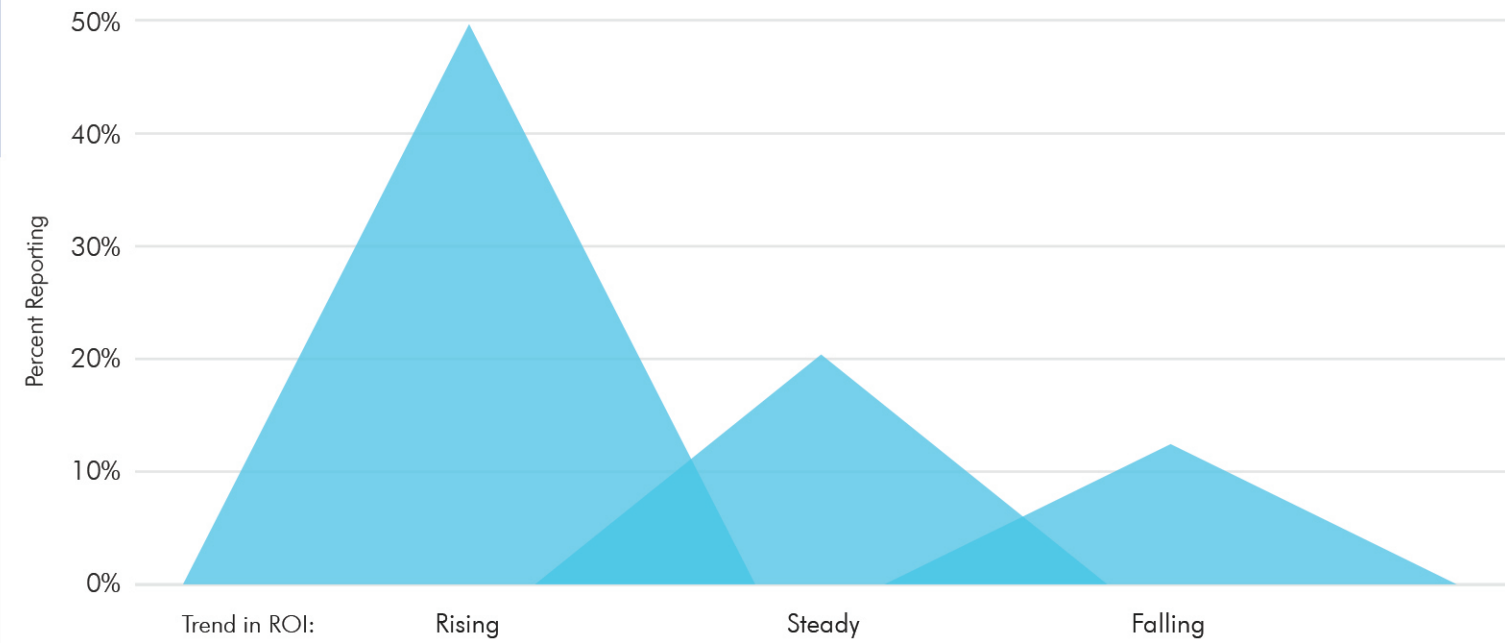
Median (50th Percentile)

When respondents were separated by total e-commerce revenue, respondents in the more than \$1M - \$10M and more than \$10M - \$100M revenue range saw equally high median returns on their marketing investments.

## 2.5 ROI on Marketing Spend (by Trend)

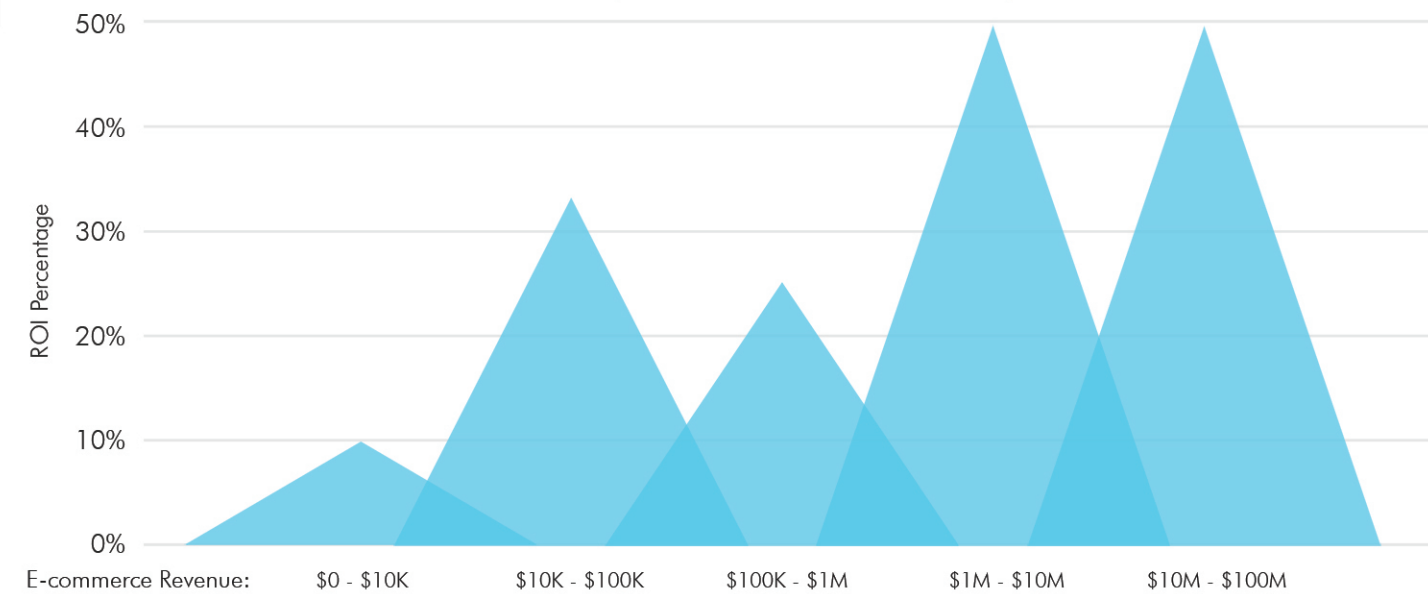
Most respondents reported that their ROI on marketing spend is rising.

Median (50th Percentile) N=168



## 2.7 ROI on Marketing Spend (by E-commerce Revenue)

N=199

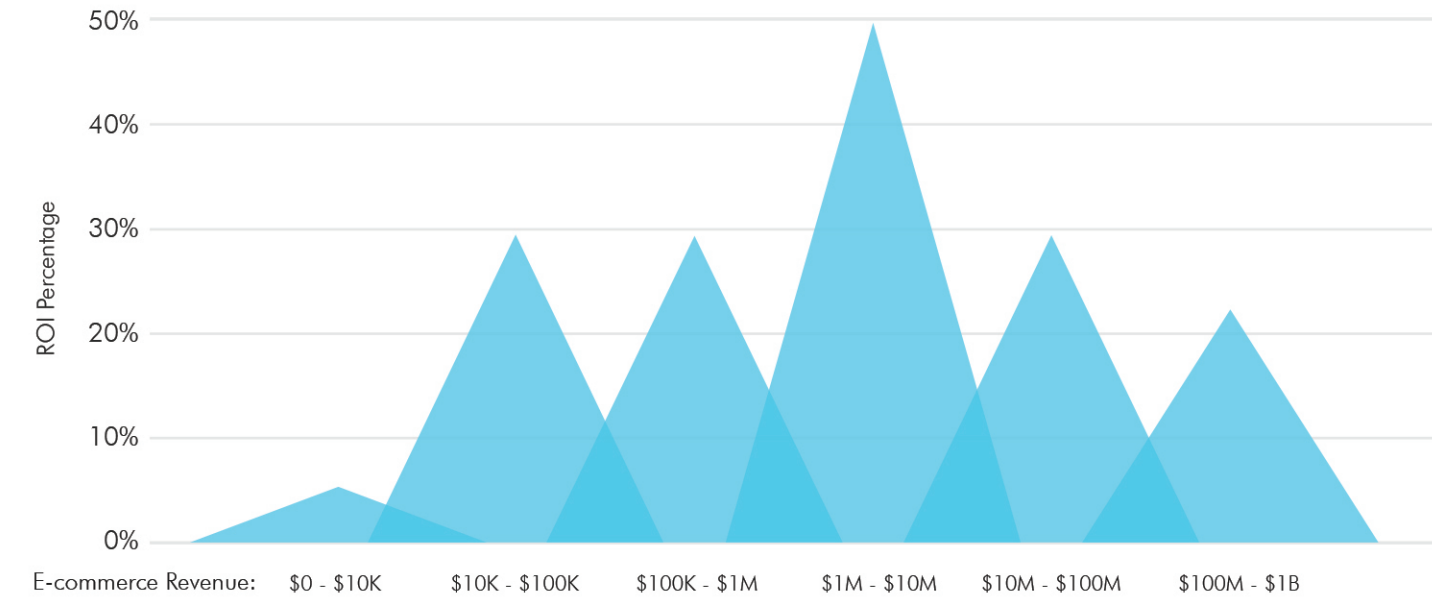


## 2.6 ROI on Marketing Spend (by Overall Revenue)

N=206

Median (50th Percentile)

Respondents in the more than \$1M - \$10M revenue range saw the highest median returns on marketing investments when overall revenue was taken into consideration. The businesses with the lowest revenue saw the lowest median returns.



**50%**  
 Respondents in the more than \$1M - \$10M revenue range saw median returns on marketing investments of around 50% when all-channel revenue was taken into consideration.

## What You Need to Understand

The majority of marketers continue to see steady or increasing return on their marketing investments. Not shown in a chart in this Benchmark Study is the interesting finding that ROI was more often rising for those with the highest ROI and falling for those with the lowest ROI.

1. Neil A. Morgan, Bruce H. Clark, and Rich Gooner, "Marketing productivity, marketing audits, and systems for marketing performance assessment: Integrating multiple perspectives," *Journal of Business Research* 55, no. 5 (2002): 366.

## How does the Competitive Landscape Shift as an E-commerce Company's Market Share Grows?

E-commerce sales have been growing worldwide.<sup>1</sup>

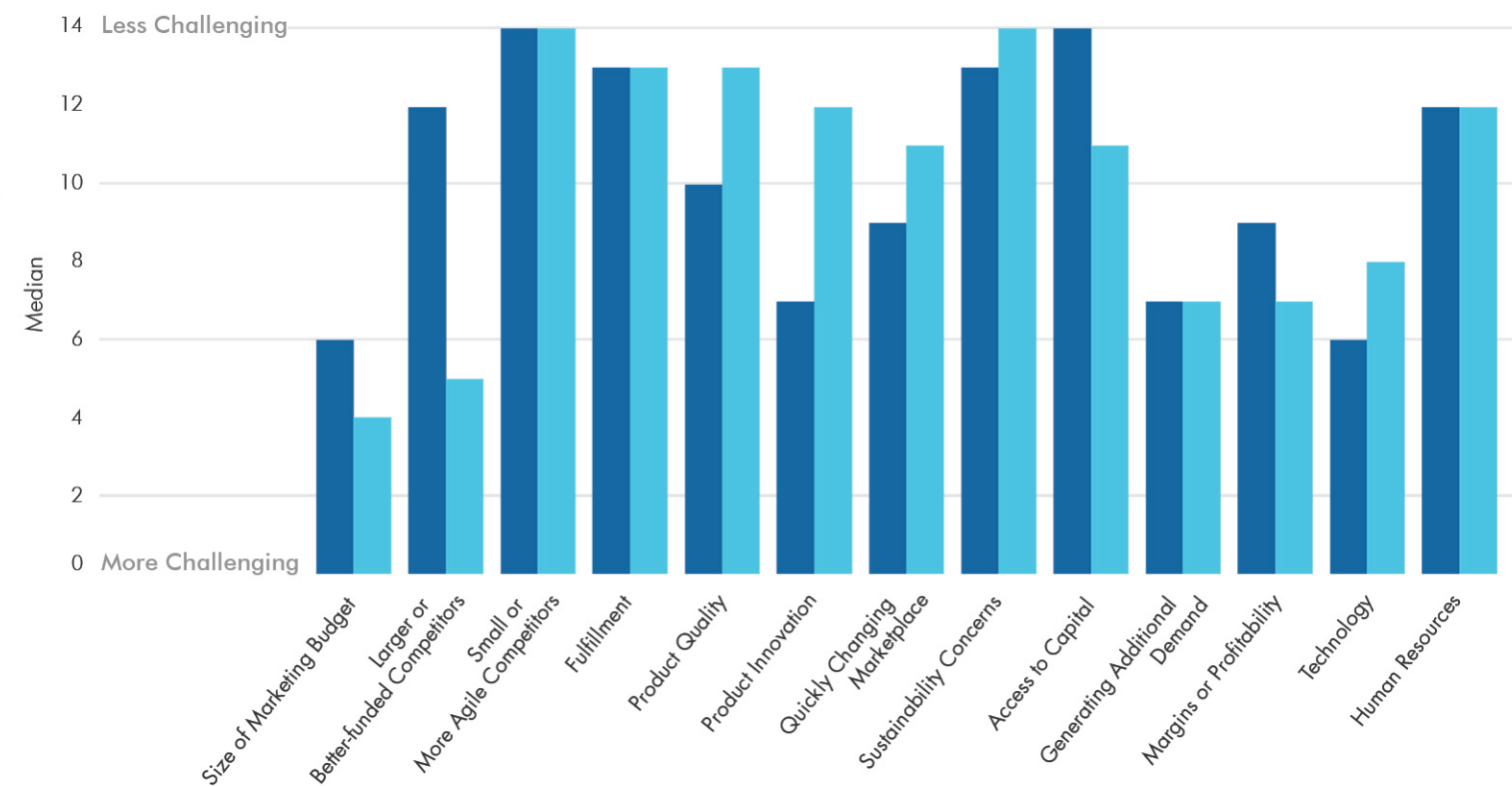
How does that growth affect e-commerce companies? In our pre-survey background interviews, company size was identified as a factor that differentiates e-commerce companies:

"There is increasing sophistication and increasing size of the major retailers that are out there. They're getting better at what they do, more scientific at what they do ... they're not necessarily these kinds of big boats that are hard to navigate or hard to turn around. They're very agile even though they're really large." – Neal Sharma, Chief Executive Officer and Principal, DEG

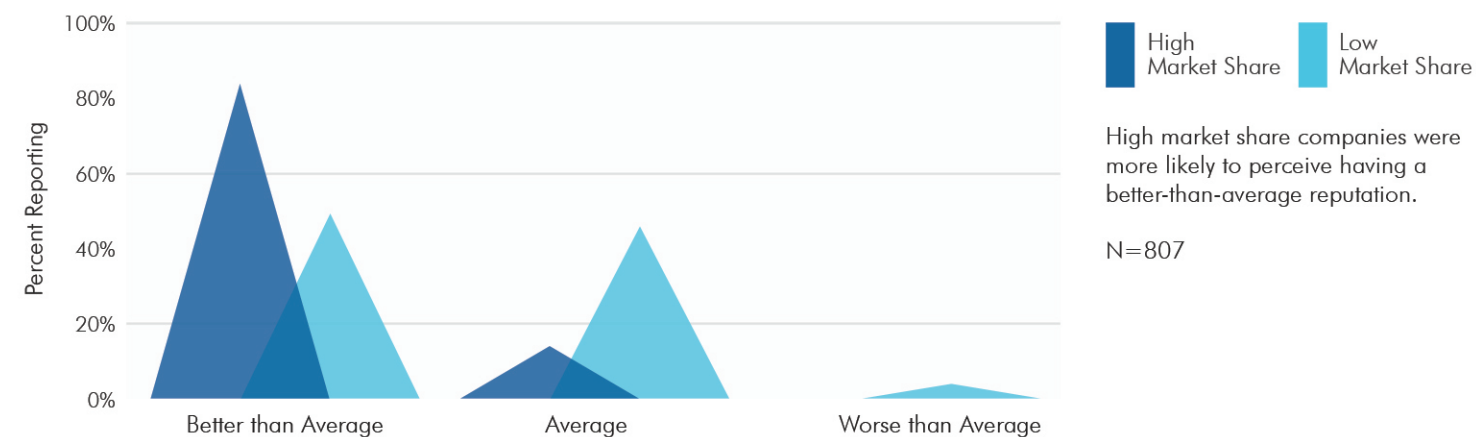
In this research, we sought to identify some of those differences to help inform strategy as e-commerce companies grow. In these charts, we specifically looked at median scores of low and high market share companies to better understand the impacts of growth on challenges and competition.

### 2.8 How do Challenges Change as E-commerce Companies Increase Market Share?

Product innovation and quality are bigger challenges for high market share companies. Low market share companies were much more concerned with competing with larger competitors' marketing clout.



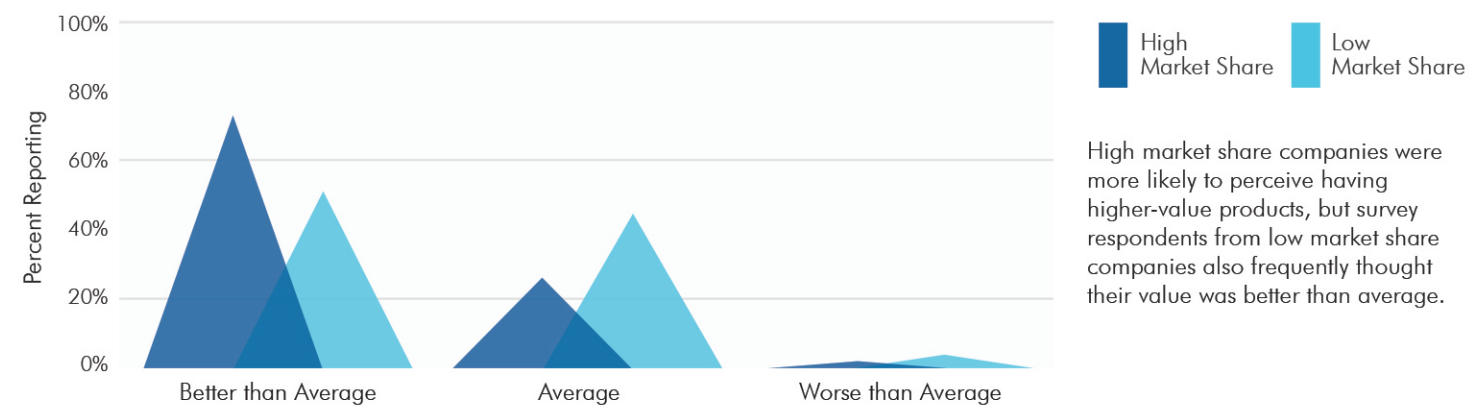
### 2.9 How does Perceived Reputation Change as Market Share Changes?



High market share companies were more likely to perceive having a better-than-average reputation.

### 2.10 How does Perceived Product Value Change as Market Share Changes?

N=802



High market share companies were more likely to perceive having higher-value products, but survey respondents from low market share companies also frequently thought their value was better than average.

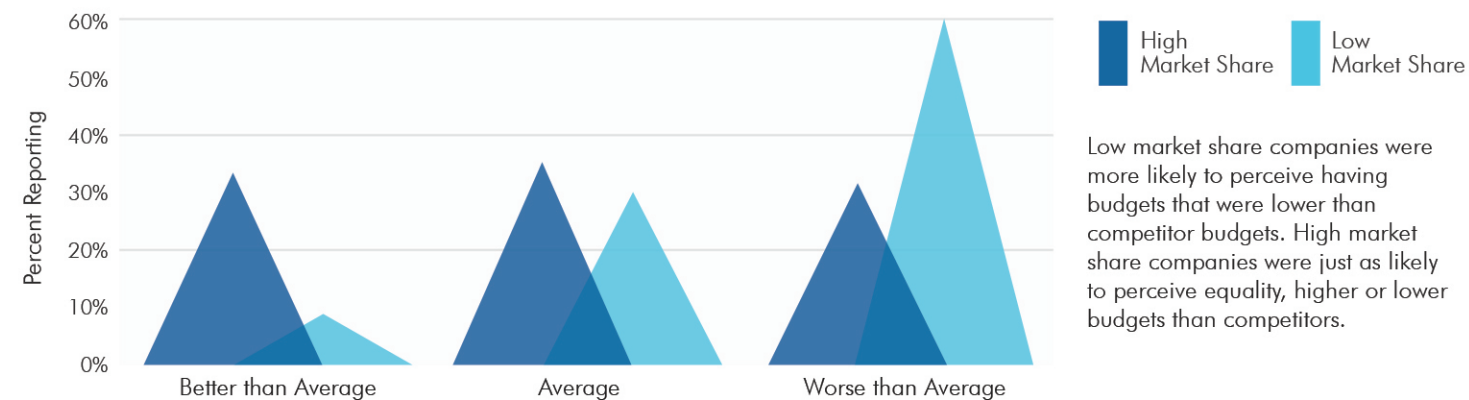


"There is increasing sophistication and increasing size of the major retailers that are out there. They're getting better at what they do, more scientific at what they do ... they're not necessarily these kinds of big boats that are hard to navigate or hard to turn around. They're very agile even though they're really large."

– Neal Sharma, Chief Executive Officer and Principal, DEG

### 2.11 How does Perceived Marketing Budget Change as Market Share Changes?

N=816



Low market share companies were more likely to perceive having budgets that were lower than competitor budgets. High market share companies were just as likely to perceive equality, higher or lower budgets than competitors.

## What You Need to Understand

How do you become a high market share company? What steps should you take to grow? One factor that would help is being able to increase your marketing budget with the goal of spreading and improving your reputation, a sentiment echoed by this marketer's response:

"Need to advertise and grow market share. We now have a company that manages our [pay-per-click advertising]."

But beyond that investment, there should be a focus on delivering value to the customer. Are marketers resting on their laurels? As the proverb states, "Pride goeth before destruction, and an haughty spirit before a fall."

How often companies make changes based on customer feedback or evaluate customer service responsiveness is not all that different between these groups. E-commerce companies may want to take this bit of advice from Lin Shearer, Head of Product Marketing - Magento Enterprise, eBay:

"How much time do you spend thinking about customer service and customer experience online and offline? There's a whole discipline now coalescing around customer experience."

1. "Global B2C Ecommerce Sales to Hit \$1.5 Trillion This Year Driven by Growth in Emerging Markets," eMarketer, February 3, 2014, <http://www.emarketer.com/Article/Global-B2C-Ecommerce-Sales-Hit-1.5-Trillion-This-Year-Driven-by-Growth-Emerging-Markets/1010575#RUeUyH35BShITWEB.99>

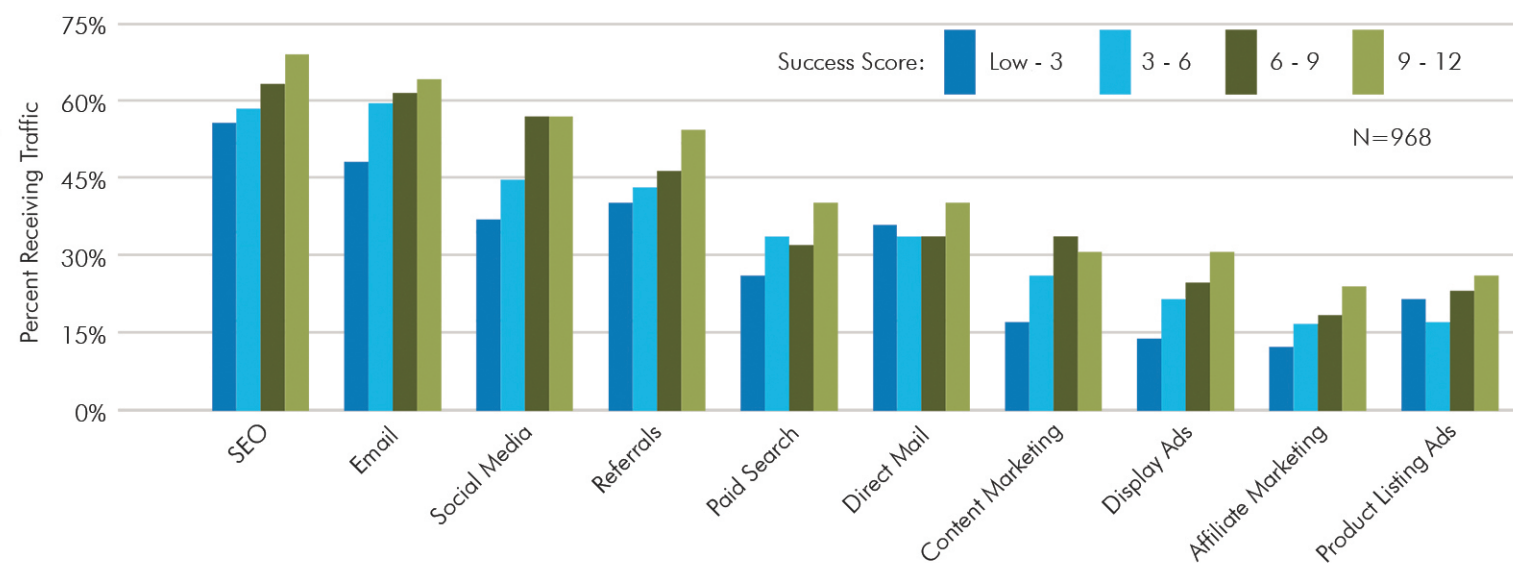
## How do Successful E-commerce Companies Manage Marketing Channels?

Research on marketing resource allocation suggests a continued need for marketing managers to optimize their investment decisions across marketing channels<sup>1</sup> to maximize profitability across market segments.

Consequently, we asked respondents about traffic, significant challenges and how they compared to competitors to help us gain a holistic understanding of how successful e-commerce companies are managing marketing channels.

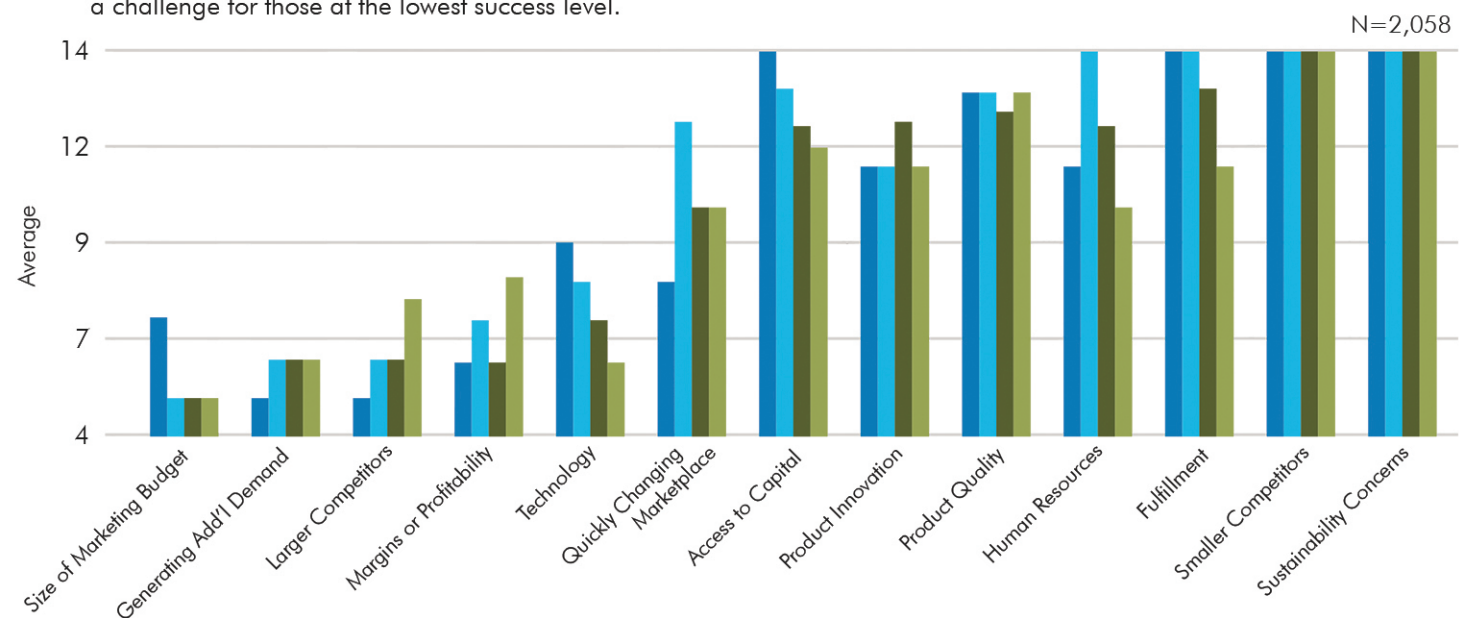
### 2.12 Which Channels do E-commerce Companies Receive Traffic from? (by Success Score)

Organic search was the most frequently reported source of significant traffic at all success levels. Respondents at the lowest success levels were disproportionately frequent in their reliance on direct traffic and product listing ads.



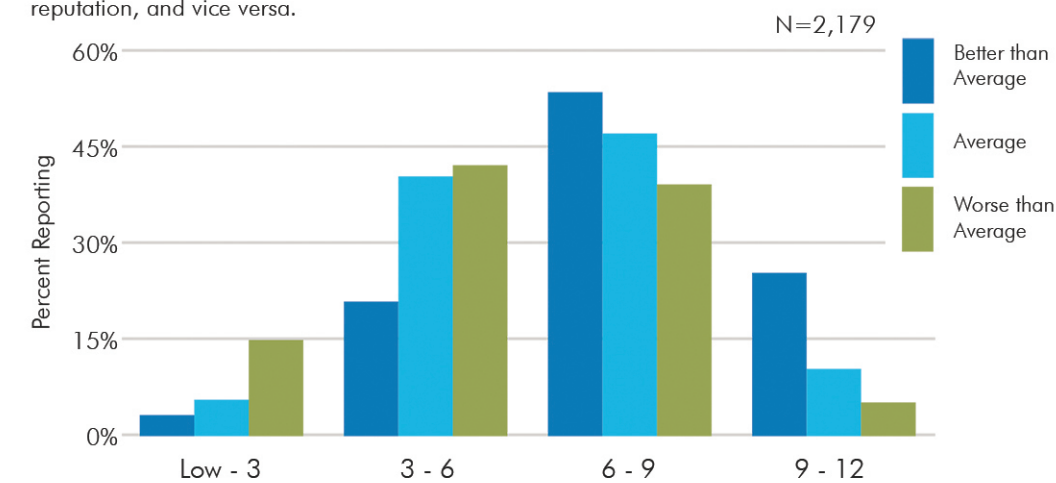
### 2.13 Which Challenges do Companies Face? (by Success Score)

One significant challenge reported consistently in our Benchmark Studies has been the size of marketing budgets as marketers often feel a perceived sense of being tasked to do more with dwindling resources, yet this was perceived as less of a challenge for those at the lowest success level.



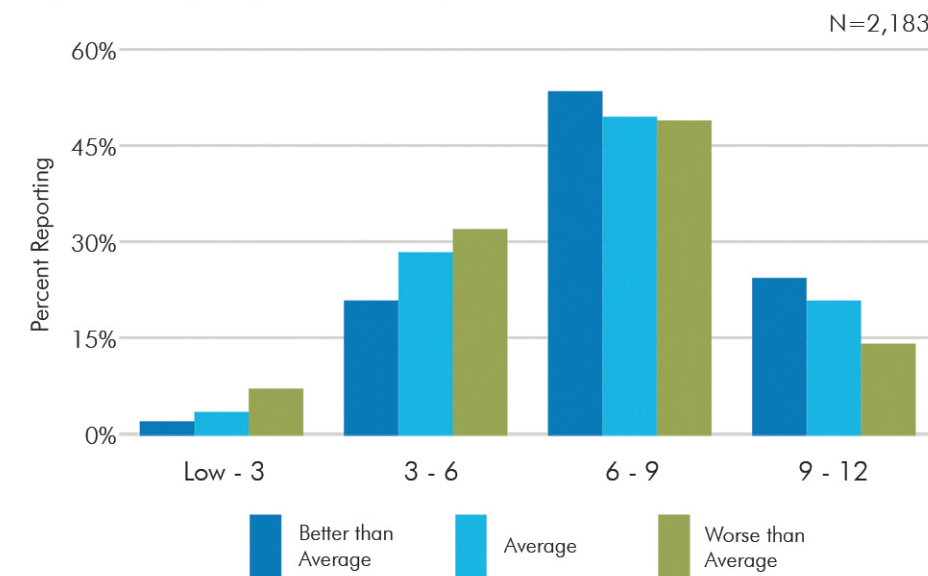
### 2.14 How do Successful and Unsuccessful E-commerce Companies Perceive Their Reputation? (by Success Score)

Respondents with high success scores were more likely to report better-than-average reputation, and vice versa.



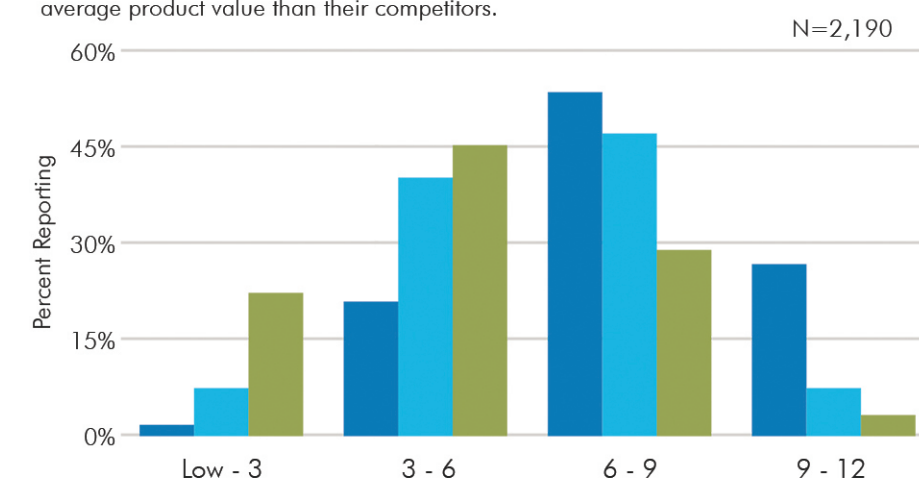
### 2.16 How do E-commerce Companies Perceive Their Marketing Budget? (by Success Score)

Not surprisingly, respondents with high success scores were slightly more likely to report higher marketing budgets than their competitors.



### 2.15 How do E-commerce Companies Perceive Their Product Value? (by Success Score)

Respondents with high success scores were also more likely to report better-than-average product value than their competitors.



## What You Need to Understand

Marketers continue to perceive their lack of available financial and technological resources as a challenge amidst the need to maximize their returns on investment.

"We have focused primarily on higher conversion and lower cost of acquisition channels and cut off channels [that] do not convert," stated an anonymous survey respondent.

Companies that are already successful according to the success score, which is based largely on financial metrics and upward or improving trajectories, perceive fewer challenges from margins and better-funded competitors, as respondents rated themselves well against their competitors and as recipients of traffic from a wide variety of sources.

Those respondents with low success scores, however, may receive fewer sources of traffic and perceive a greater challenge from better-funded competitors, demand generation and technology, rating themselves worse than their competitors in many ways.

1. Roland T. Rust et al. "Measuring Marketing Productivity: Current Knowledge and Future Directions," *Journal of Marketing* 68, no. 10 (2004): 84-85.

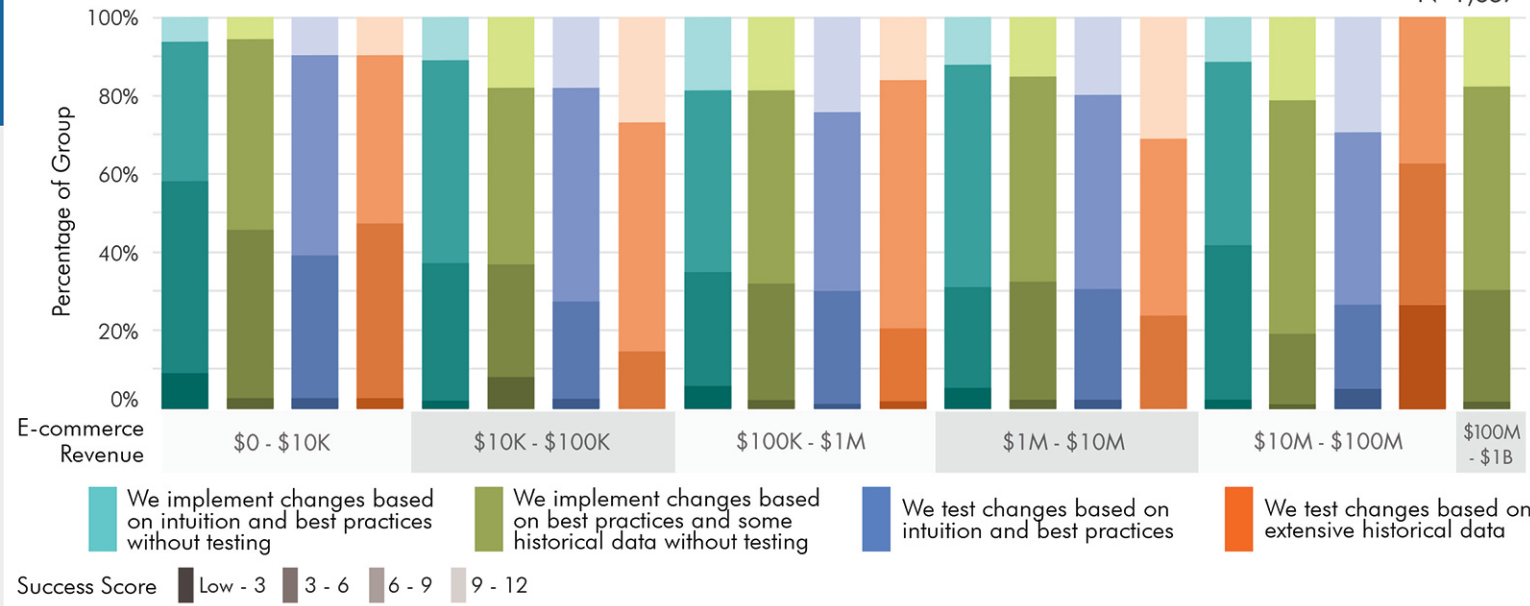
# How Should Management Styles and Approaches Change as E-commerce Companies Grow?

As companies grow, adaptations to an organization's process and strategy are inevitable.<sup>1</sup>

To help us understand how respondents are successfully managing growth in e-commerce, we asked how they approach measuring performance, testing and optimization.

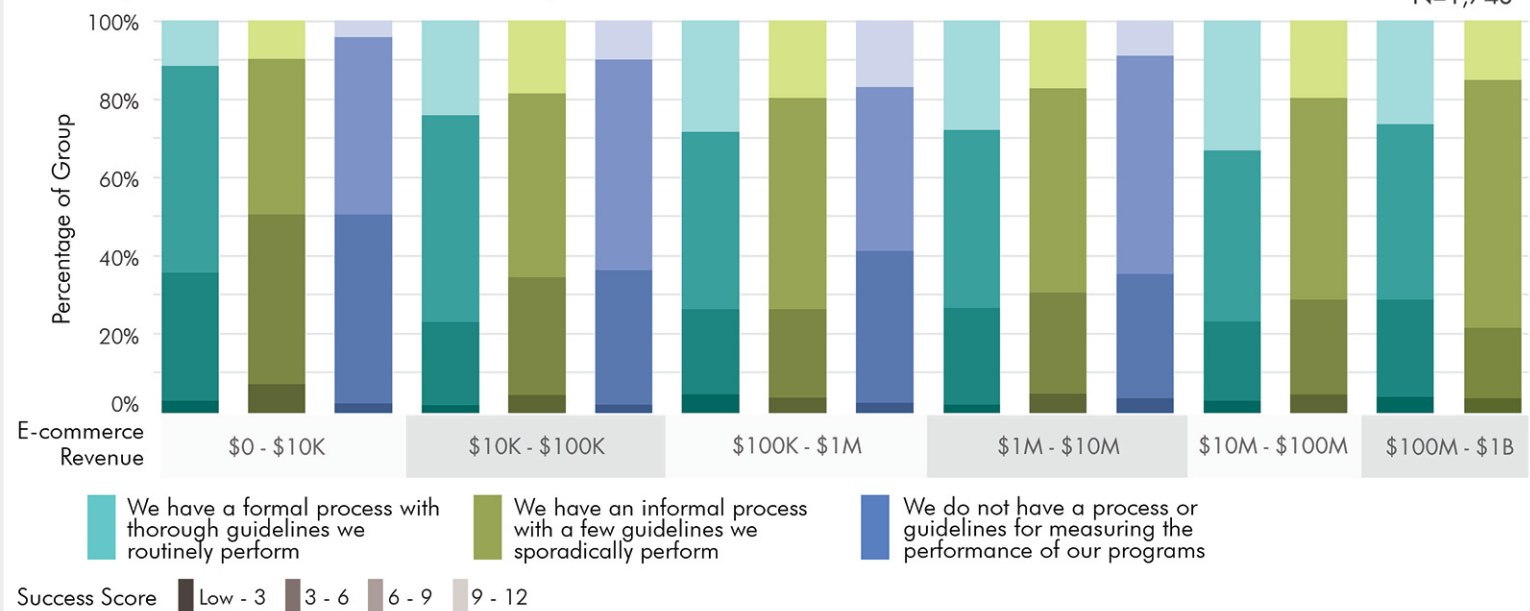
## 2.17 How are Testing and Optimization Strategies Being Implemented? (by Overall Revenue and Success Score)

In all revenue groups except \$100K - \$1M, companies that test changes based on extensive historical data were the most likely to fall into the most successful group. N=1,657



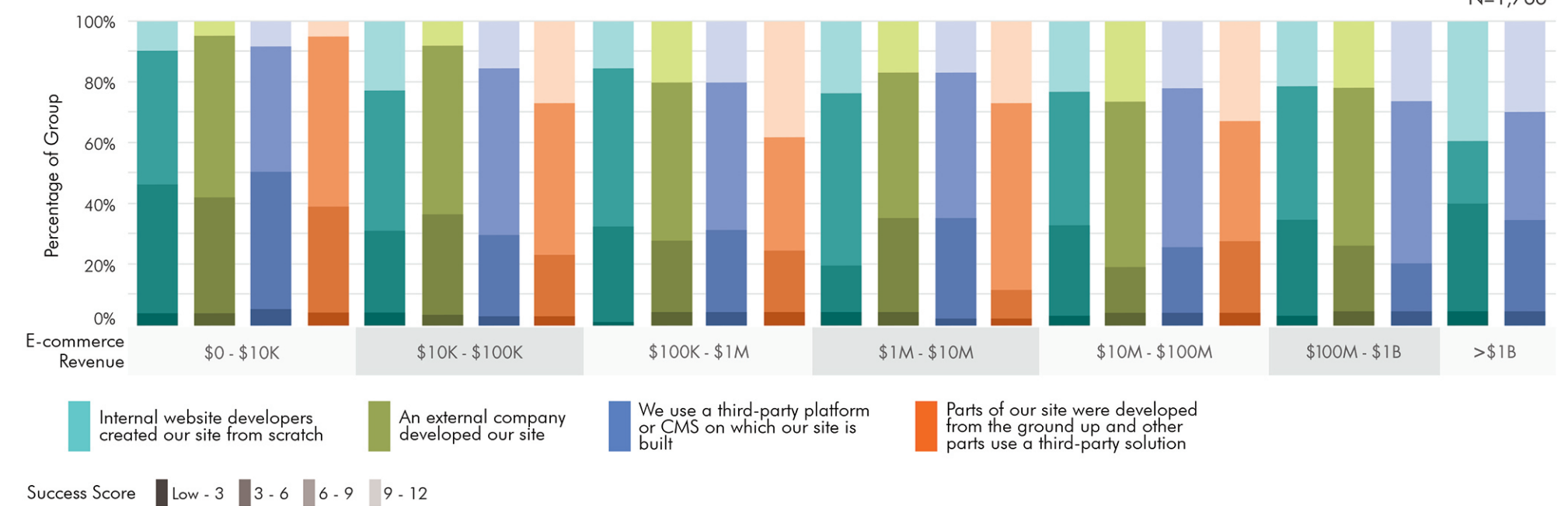
## 2.19 How are Marketing Campaigns Being Measured? (by Overall Revenue and Success Score)

Respondents with a formal measurement process saw the most success. N=1,743



## 2.18 How are Websites Being Created? (by E-commerce Revenue and Success Score)

The method by which a site was built does not seem to closely correlate with success score. Although not all the data points were at the same level, there was not a significant trend when results were separated by site development strategy. N=1,766



## What You Need to Understand

Customer loyalty is built in part on the performance of your website.

As a company grows, two factors coupled together will play huge roles in delivering improvements to customer experience and financial performance. First, e-commerce marketers must have adequate development capabilities. Second, they also need a testing and optimization program that uses formal measurement processes and extensive customer data to drive insight.

1. Assion Lawson-Body, Lori Willoughby, and Kinvi Logossah, "Developing an Instrument for Measuring E-Commerce Dimensions," *The Journal of Computer Information Systems* 51, no. 2 (2010): 4.

# Which Departments Own E-commerce Marketing Functions as Companies Grow?

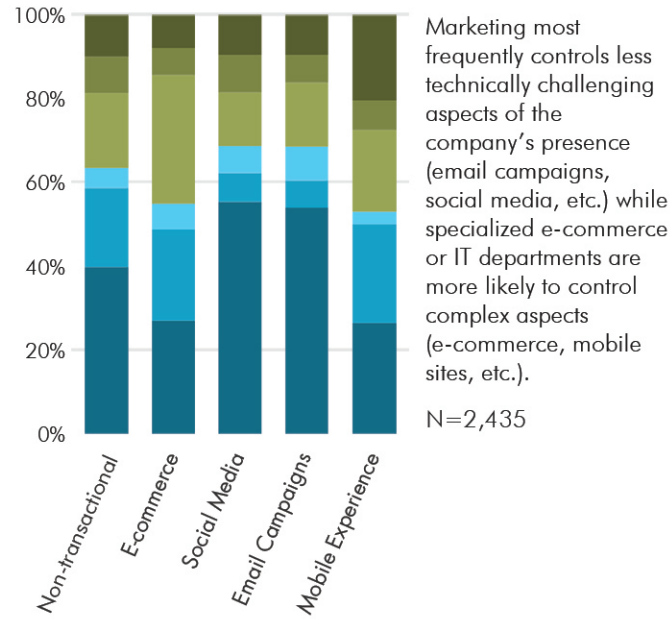
A common question we have received at MarketingSherpa is:

“Should [function] reside in [department A] or [department B]?”

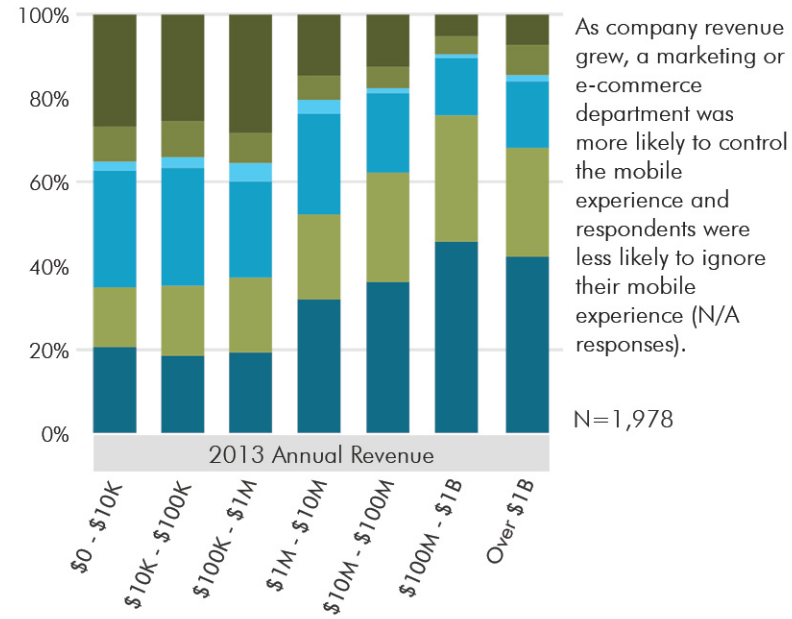
While small e-commerce companies may have the proverbial “marketer with many hats” overseeing and often executing on various discrete functions, as companies grow, departments gain the resources to professionalize marketing functions, thereby presenting directors with the above dilemma.

In these charts, we took a closer look at how these functions change with company size.

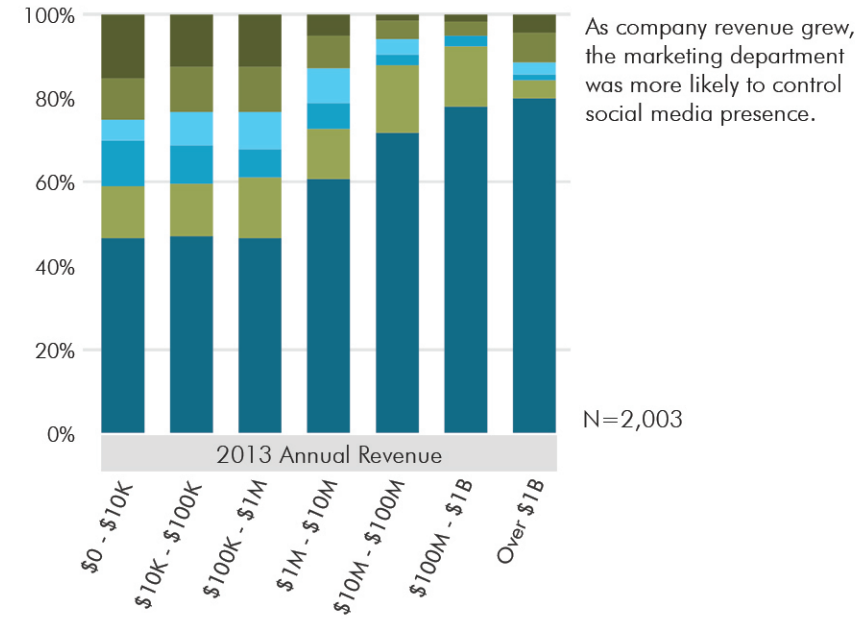
## 2.20 Which Departments Own Aspects of the Online Presence? (by Overall Revenue)



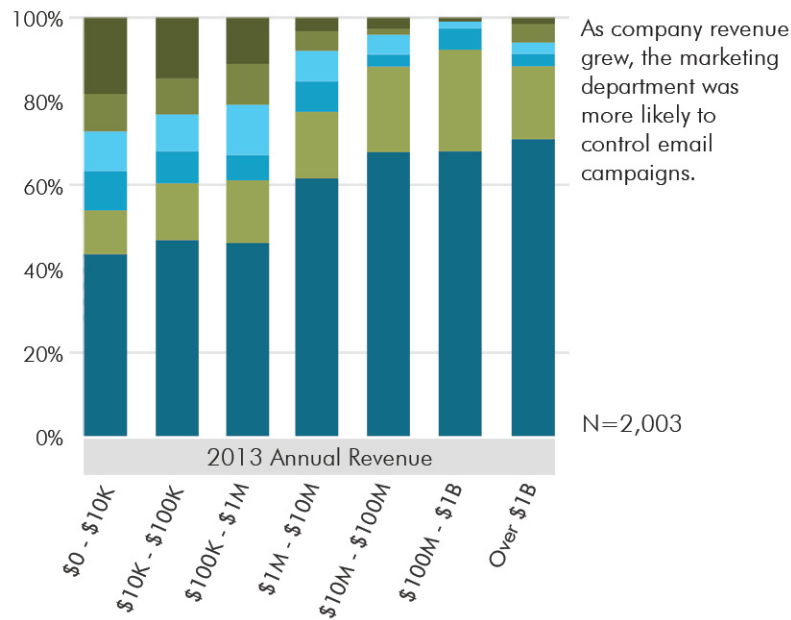
## 2.21 Which Departments Own Mobile Experience? (by Overall Revenue)



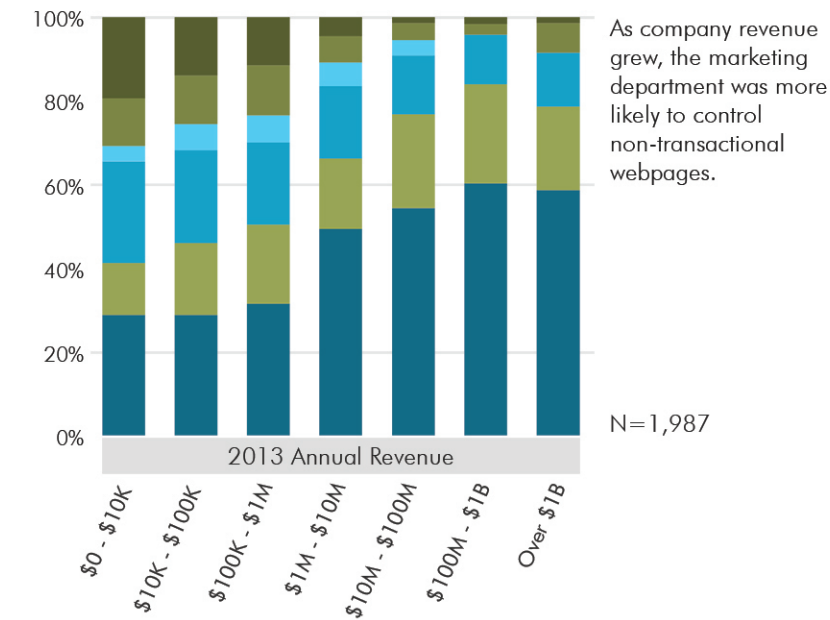
## 2.22 Which Departments Own Social Media Presence? (by Overall Revenue)



## 2.23 Which Departments Own Email Campaigns? (by Overall Revenue)



## 2.24 Which Departments Own Non-transactional Webpages? (by Overall Revenue)



## What You Need to Understand

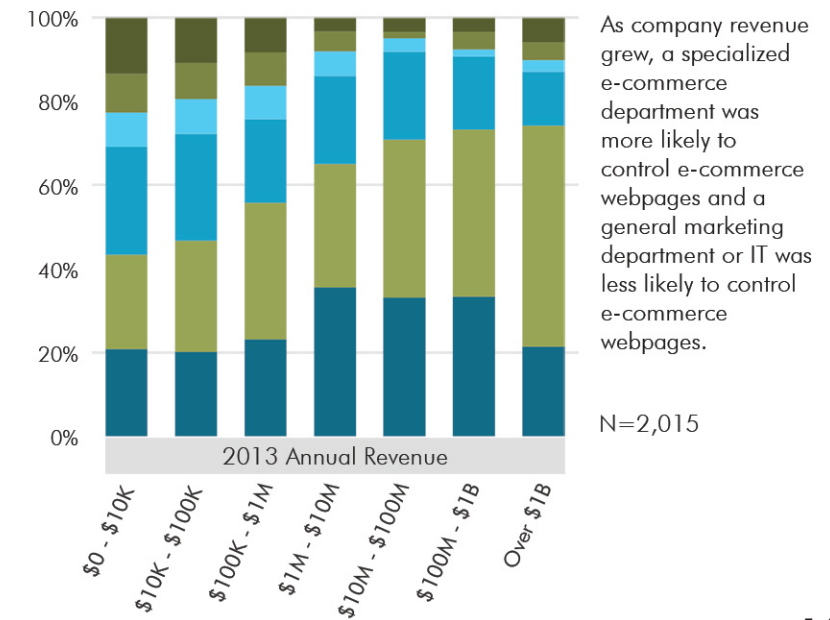
There is a relationship between company revenue and which departments control marketing functions.

Responsibility is spread between departments in lower-revenue companies possibly based on where the appropriate expertise is located, while control is consolidated in higher-revenue companies into the marketing and e-commerce organizations.

This could be intended to present a more consistent message to the prospect.

E-commerce is done by its own department more and more as annual revenue increases. The percentage of companies where Marketing controls e-commerce stays relatively flat from \$1M to \$1B in revenue, but the other categories lose ground to the e-commerce department.

## 2.25 Which Departments Own E-commerce Webpages? (by Overall Revenue)



# What Level of Planning and Expertise do the Most Advanced Organizations Utilize?

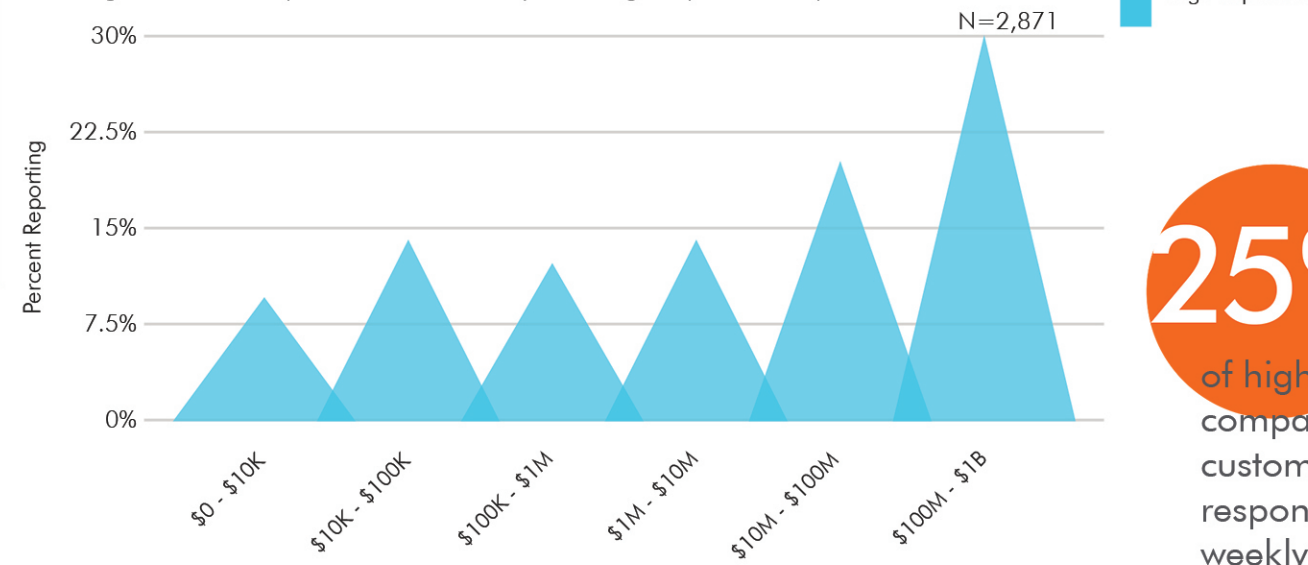
What factors help differentiate e-commerce sites? According to our pre-survey research, the shopping experience was an important factor:

“Your e-commerce website with its usability and its simplicity sometimes can lead to a value proposition because now you are a better shopping experience.”  
 – Linda Bustos, Director of E-commerce Research, Elastic Path Software

The pre-survey literature review indicated that a formal process is integral to continued success, which we tested through the Benchmark Study, as represented in these charts. To do so, we identified high-expertise companies, which are companies that are measuring and monitoring the performance of sites and marketing organizations proactively, regularly and consciously, and where the average marketer has the training to use those measurements without outside assistance.

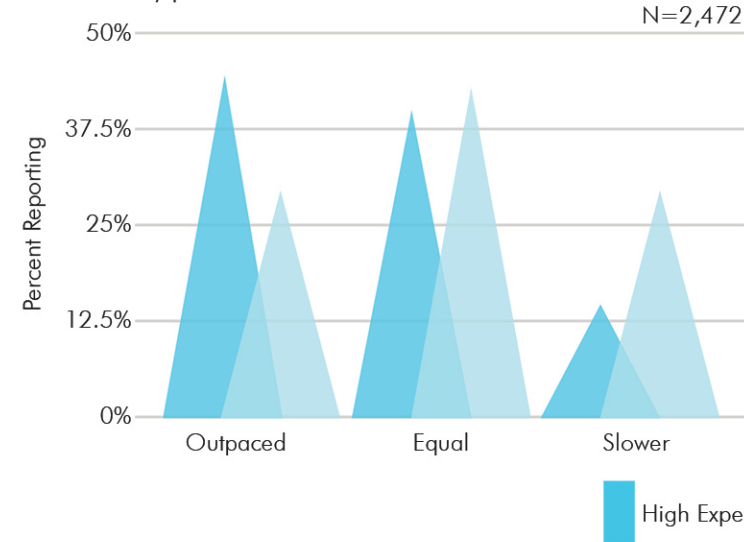
## 2.26 How does Expertise Relate to Revenue?

High-revenue companies are more likely to be high-expertise companies as well.



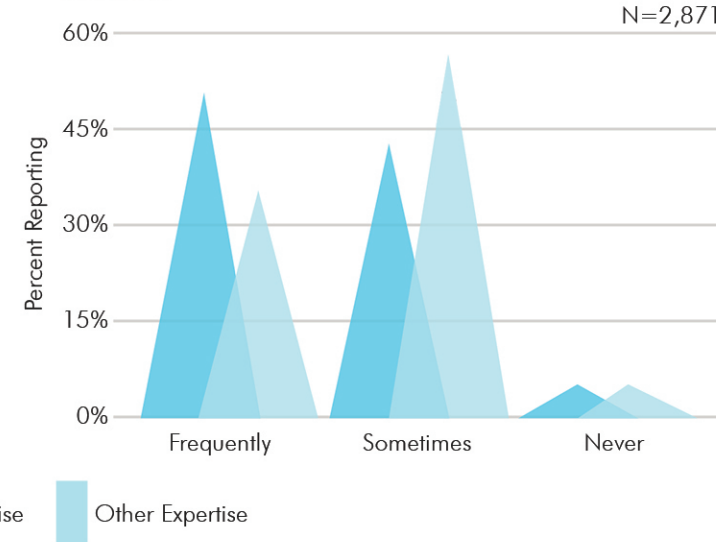
## 2.27 How did Companies with Advanced Measurement Programs Grow Versus Competitors?

Revenue growth of high-expertise companies outpaced industry peers.



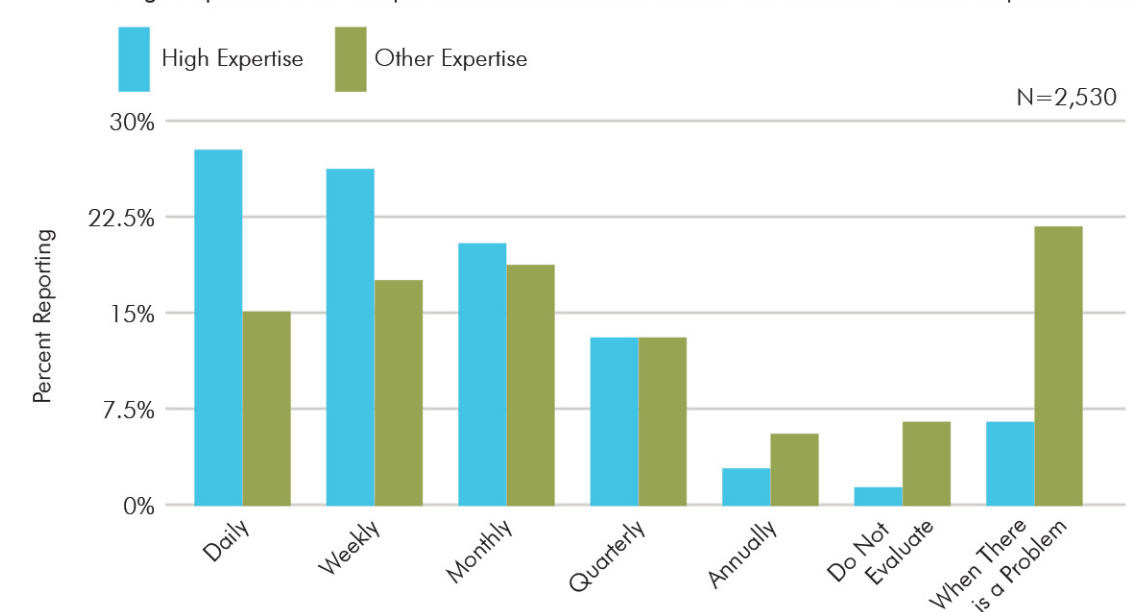
## 2.28 How Often do Organizations with Advanced Measurement Programs Make Site Changes Based on Customer Feedback?

High-expertise companies are more responsive to customer feedback.



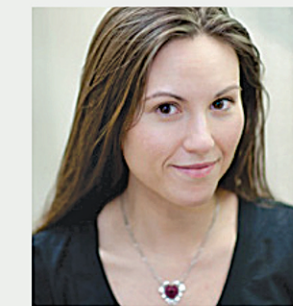
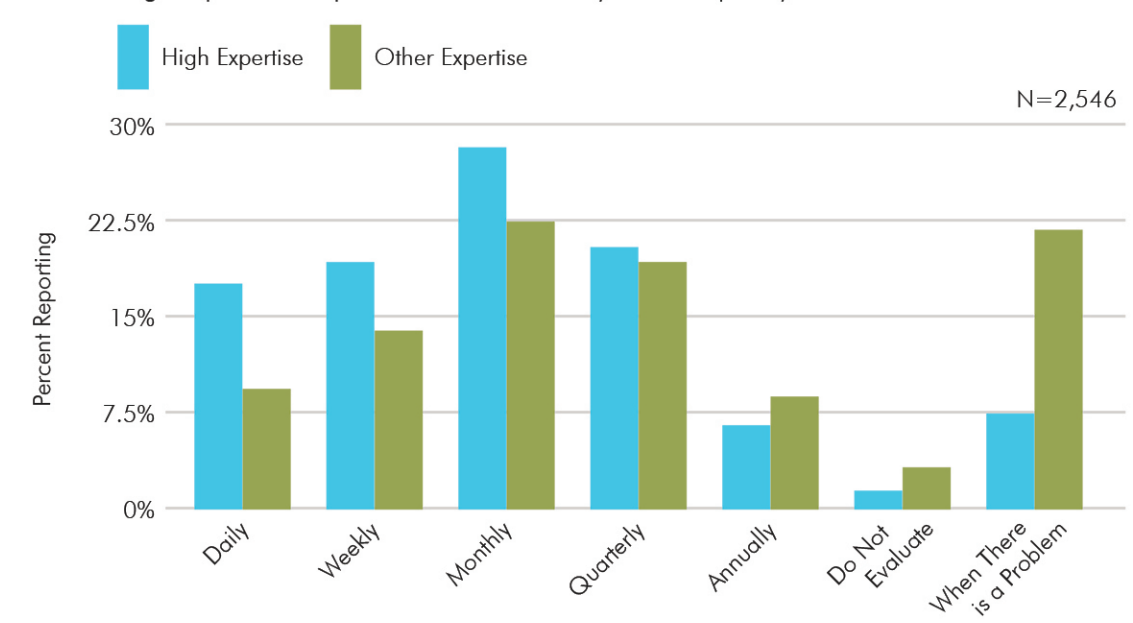
## 2.29 How Often do Organizations with Advanced Measurement Programs Evaluate Customer Service?

High-expertise level companies are much more focused on customer service responsiveness.



## 2.30 How Often do Organizations with Advanced Measurement Programs Evaluate Webpage Usability?

High-expertise companies evaluate usability more frequently.



“Your e-commerce website with its usability and its simplicity sometimes can lead to a value proposition because now you are a better shopping experience.”

– Linda Bustos, Director of E-commerce Research, Elastic Path Software

## What You Need to Understand

High-expertise companies’ revenue growth tends to outpace competitors in the same industry, which indicates a group that many marketers would like to emulate.

The literature review suggested that having a formal process by which you evaluate your processes is integral to your continued success. This makes sense, given high-expertise companies are likely to have marketers that are well-trained in analytics and have a system by which they evaluate and plan their marketing efforts.

These companies make changes based on customer feedback that might affect all aspects of the business including sales, marketing, product and other business practices. Through this system of feedback, the marketing organization should be able to optimize the company’s performance. From a look at the growth of the high-expertise companies in comparison to the other expertise levels, these companies have outpaced both revenue goals and corresponding industry revenue growth rates.

## Which Marketing Tactics are Successful E-commerce Marketers Leveraging?

The *MarketingSherpa E-commerce Benchmark Study* is split into three sections – each aimed to deliver key insights that are essential to success in e-commerce.

In this section, we focus on questions that can help marketing managers execute tactics for his or her products, stores and overall company.

To help you achieve results, we're sharing data on product page elements, channels, website development strategy and analytics, among other topics.

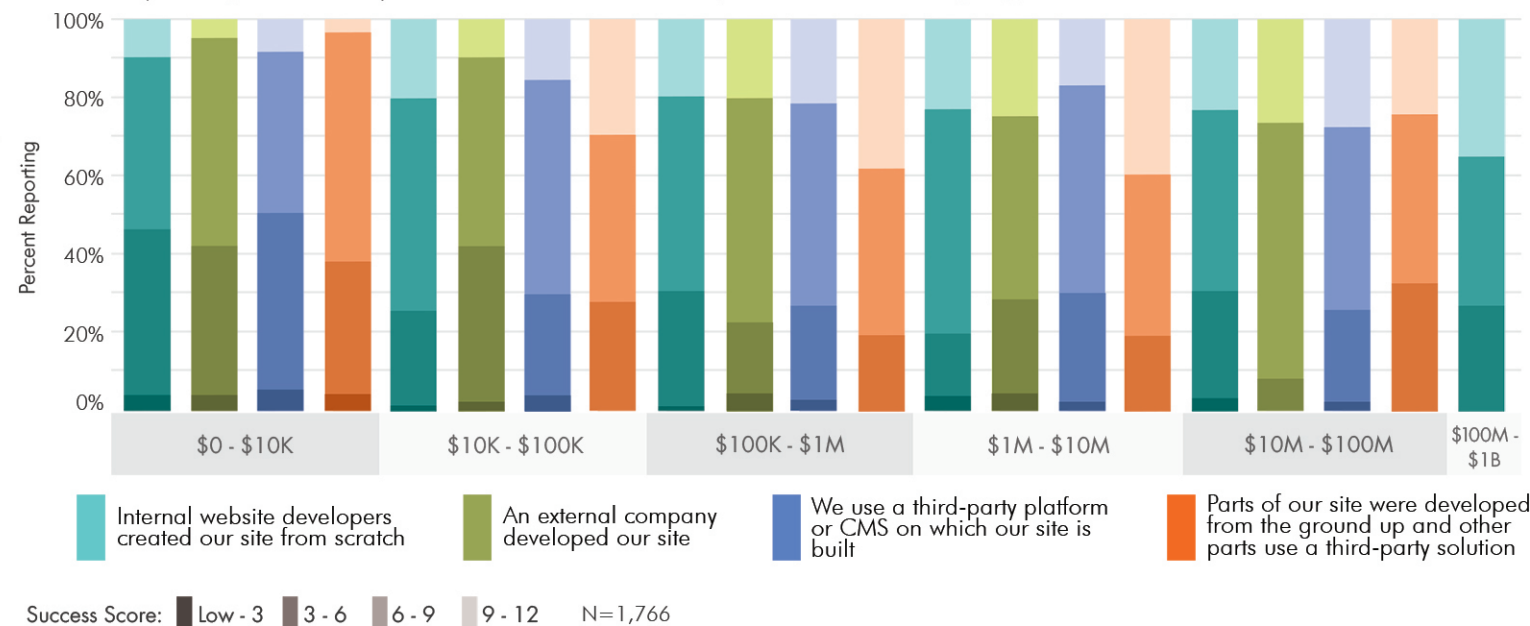
As you go through each question in this chapter, you'll also find a "What You Need to Understand" section to help you put the information into practice.



Click to share these key e-commerce strategies

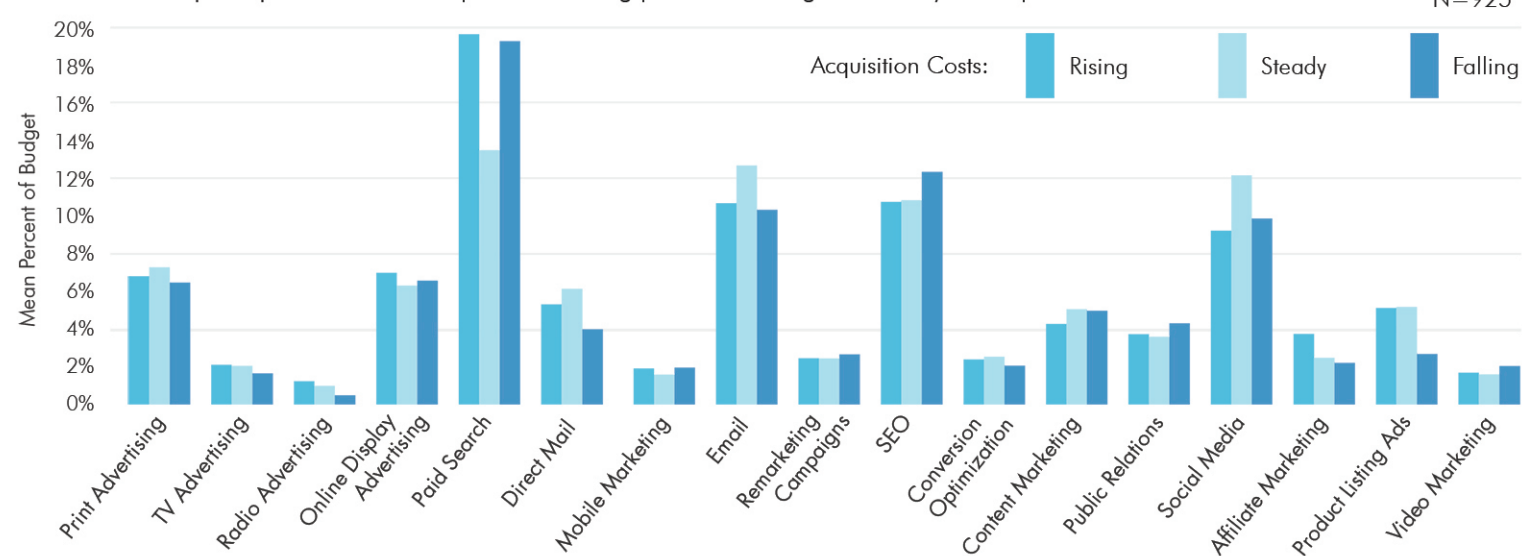
### 3.1.1 Web Development Approach (by E-commerce Revenue and Success Score)

Respondents who reported e-commerce revenue over \$10K, using a combination of internal development and a third-party system had a high likelihood of being in the top success score group (9-12). Internal development is increasingly successful (scores greater than 6) as e-commerce revenue rises, until the over \$10M group, in which it is least successful.



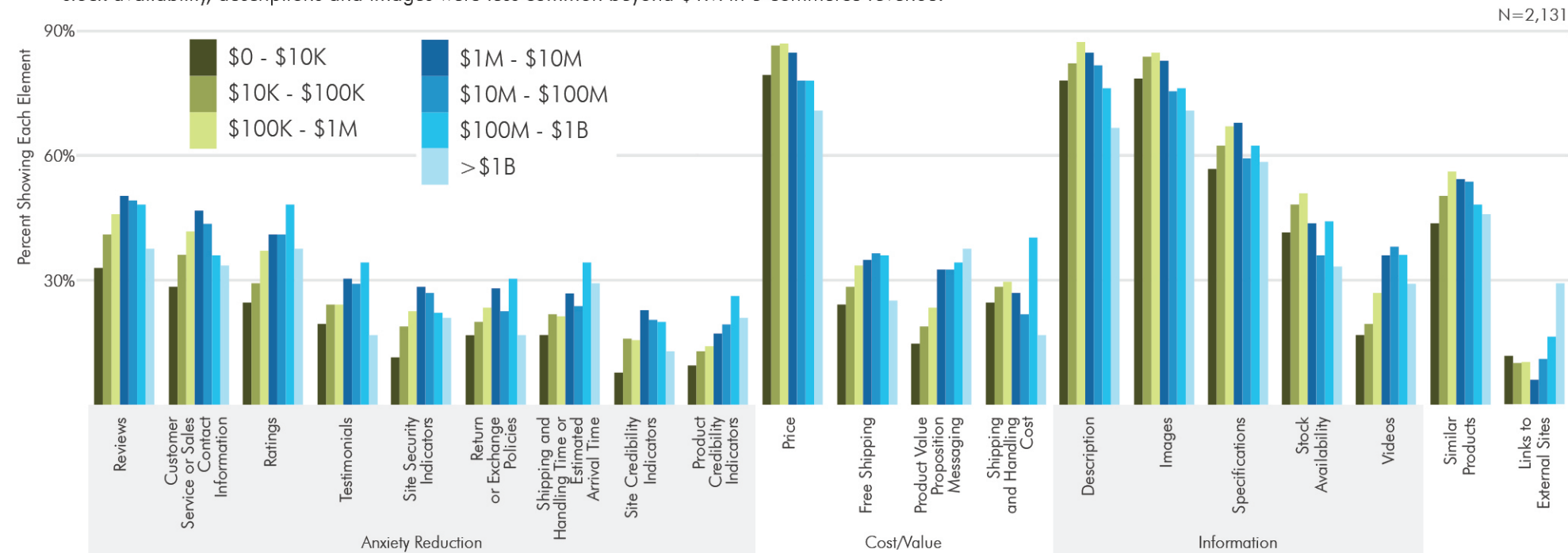
### 3.7 Budget Spend on Each Channel (by Cost per Acquisition Trend)

Companies with changing customer acquisition costs have higher spending on paid search than those with steady costs. This is perhaps due to the competitive bidding process leading to volatility in the paid search market.



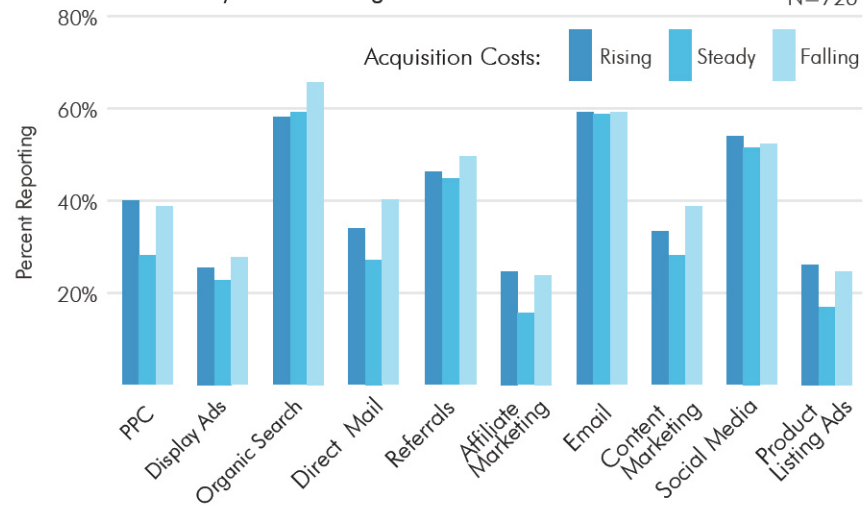
### 3.2 What do E-commerce Companies Show on Their Product Pages? (by E-commerce Revenue)

Ratings, testimonials, product credibility indicators, product value proposition messaging and videos were increasingly common as e-commerce revenue rose, while price, stock availability, descriptions and images were less common beyond \$1M in e-commerce revenue.



### 3.5 Channel Use (by Acquisition Cost Trend)

Respondents with decreasing acquisition costs were slightly more likely to rely on organic search or content marketing than those with steady or increasing costs.



### What You Need to Understand

Marketers at e-commerce companies with rising revenue invested slightly less of their budget in SEO and relied on organic search slightly less than companies with steady or falling revenue.

As one Benchmark Study survey respondent said, "In recent years, with shifts to Google's algorithm, we have realized that this is not the best path to follow since different indicators could mean you lose a significant amount of your sales. Since, we have shifted toward researching traditional marketing and sales tactics (digital-based) to fill in the gaps created with these shifts."

The data points to the benefit of control. Companies that invest significant budget in organic or paid search inherently have less control over the outcome of marketing efforts. Similarly, highly successful companies more often had site development strategies flexible enough to integrate the best of both internal development (which gives marketers more control) and a third-party system.

## What Elements do Successful E-commerce Companies Employ on Product Pages?

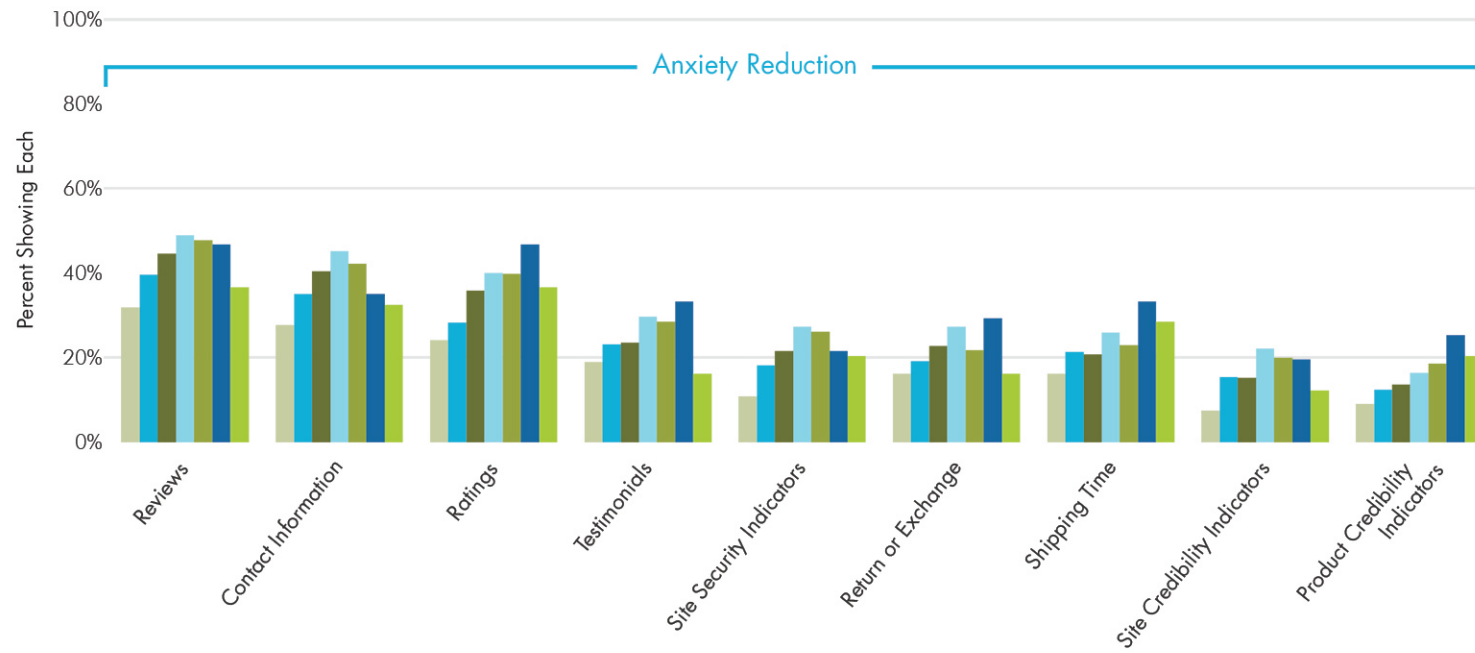
In our pre-survey literature review, we found that researchers suggest that price competition in e-commerce has a direct impact on customer loyalty. As a result, price strategy should be considered in website deployment because most of the time, customers are price driven.<sup>1</sup>

To help us further understand what approach successful e-commerce companies employ on product pages, we asked which elements are being displayed.

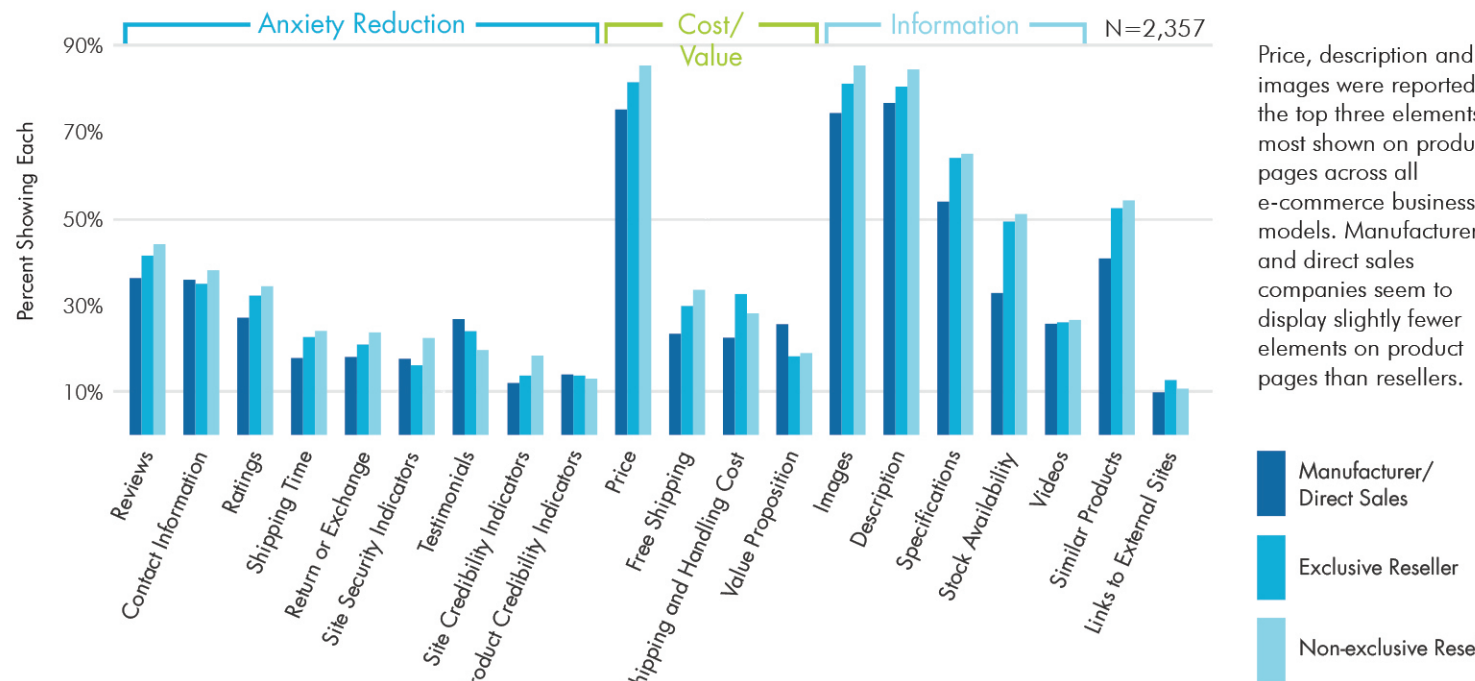
<sup>1</sup> Lian Wei, "Success Factors for Transactional E-commerce Websites: an Investigation Focusing on Technical and Business Contexts," *Master of Computing* (2012): 136.

### 3.1 What do E-commerce Companies Show on Their Product Pages? (by E-commerce Revenue)

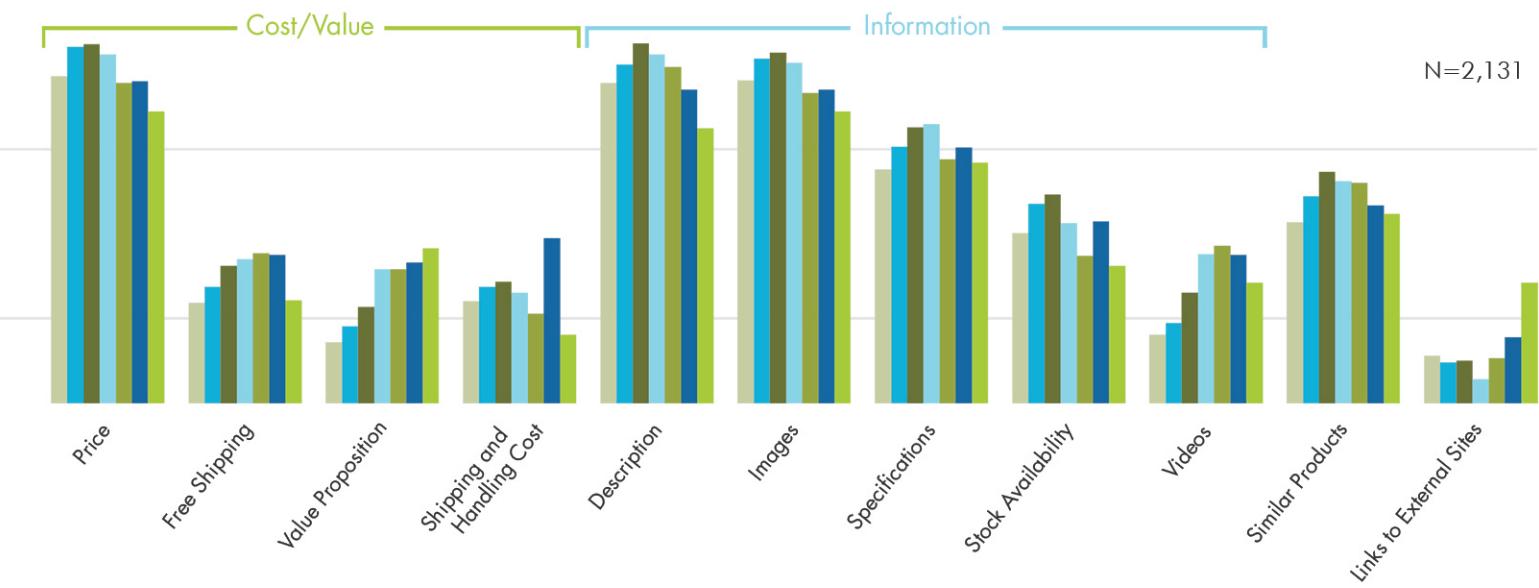
Ratings, testimonials, product credibility indicators, product value proposition messaging and videos were increasingly common as e-commerce revenue rose, while price, stock availability, descriptions and images were less common beyond \$1M in e-commerce revenue.



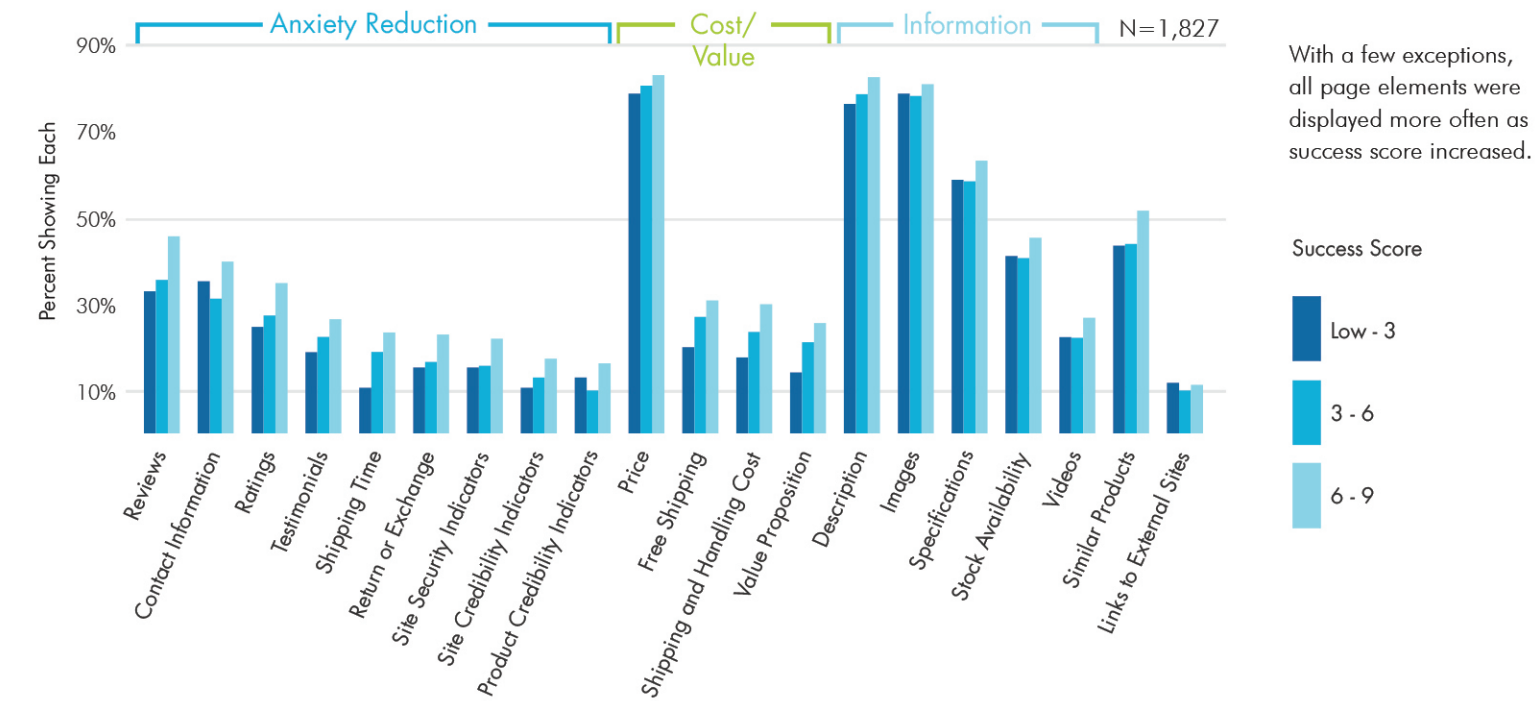
### 3.2 What do E-commerce Companies Show on Their Product Pages? (by Business Model)



\$0 - \$10K Over \$10K - \$100K \$100K - \$1M \$1M - \$10M \$10M - \$100M \$100M - \$1B Over \$1B



### 3.3 What do Successful and Unsuccessful E-commerce Companies Show on Their Product Pages?



## What You Need to Understand

Although price was consistently present on e-commerce product pages, supporting elements of descriptions and images are needed to effectively communicate the non-monetary aspects of value to price-driven consumers. Each company needs to choose the elements on its product pages to fully express its product's value proposition and address any concerns that could be held by its prospective customers.



According to Ryan Phelan, Vice President of Global Email Strategy, Axiom Digital Impact, how much you know about customers will play a role in how successfully you communicate value with them.

"The successful companies that I see out there have a key sense of data and use it to advance their programs and customer insight."



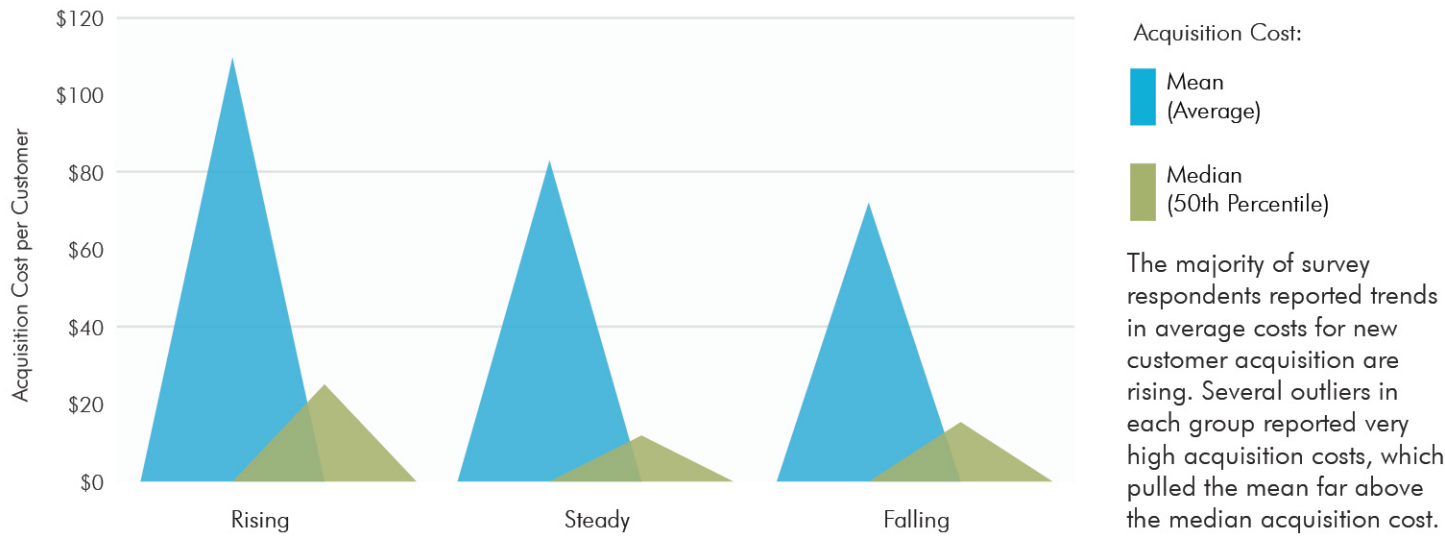
# How are E-commerce Marketers Attracting New Customers?

Academic research suggests new customer acquisition is a key measurement in assessing the performance of an e-commerce website.<sup>1</sup>

To help us further understand customer acquisition cost trends in e-commerce, we asked respondents whether their costs were rising, holding steady or falling in 2013.

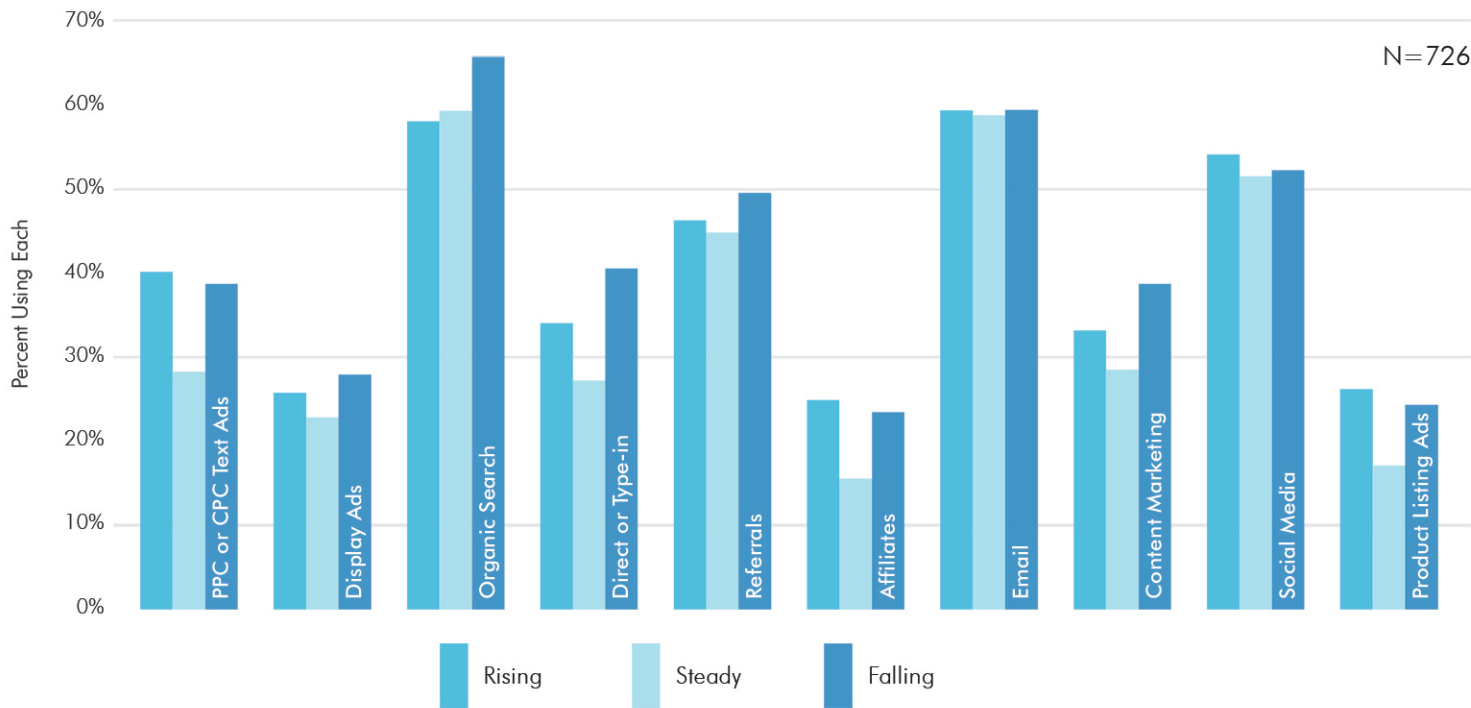
1. Ahmad Ghandour, George Benwell, and Kenneth R. Deans, "Measuring the Performance of eCommerce Websites – An Owner's Perspective," *Pacific Asia Journal of the Association for Information Systems* 3, no. 1 (2011): 1-27.

## 3.4 Acquisition Cost per Customer (by Trend)

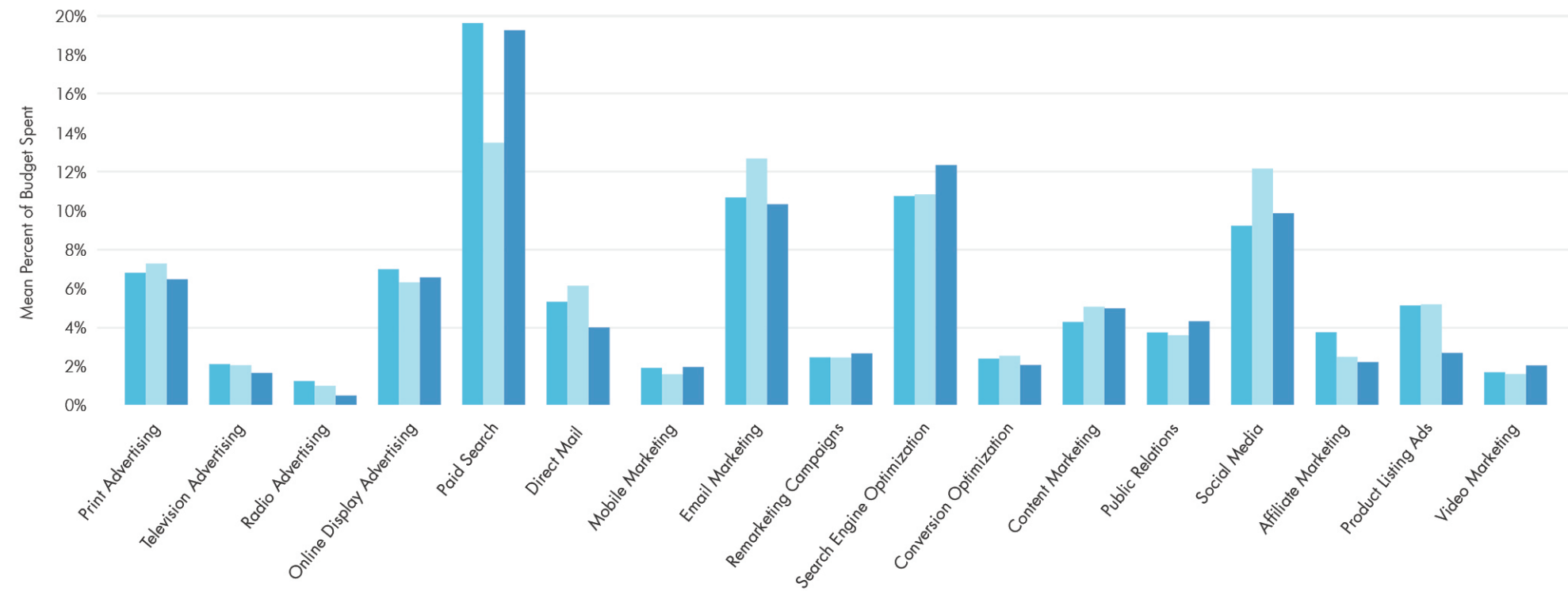


## 3.6 Budget Spend on Each Channel (by Cost per Acquisition Trend)

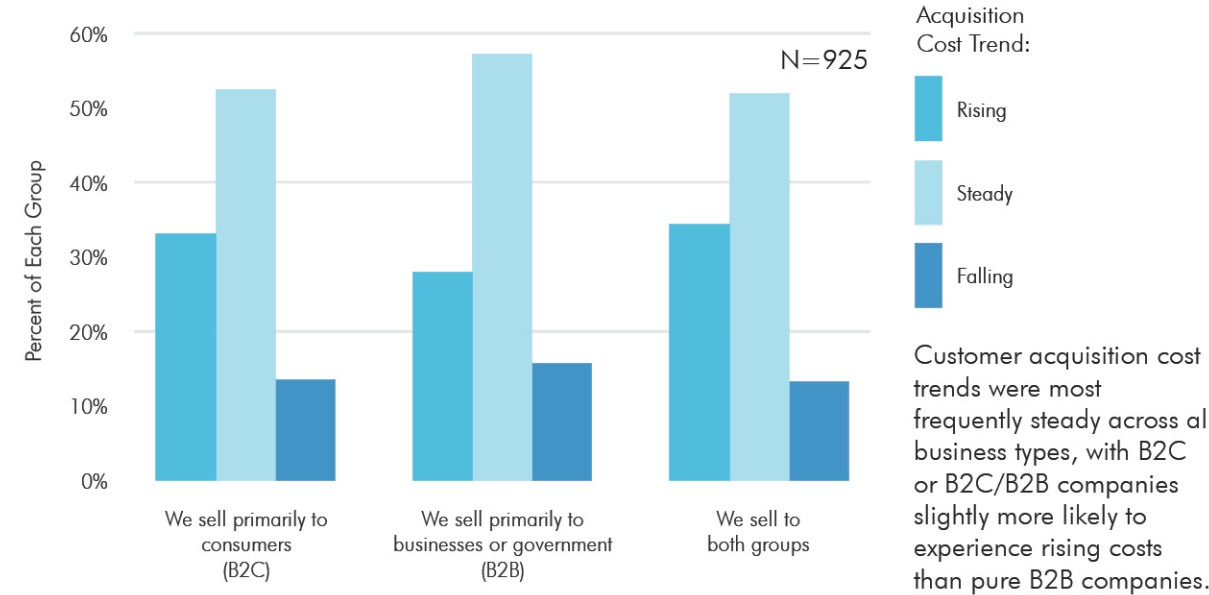
Respondents with decreasing acquisition costs were slightly more likely to rely on organic search or content marketing than those with steady or increasing costs.



## 3.5 Channel Use (by Acquisition Cost Trend)



## 3.7 How is Cost of Acquisition Changing in Primary Sales Channels?



## What You Need to Understand

The cost of customer acquisition is rising, especially for B2C and paid search users. Respondents with changing costs are slightly more likely to use all of the channels than those whose costs are steady.

One point to consider is how e-commerce companies will employ customer retention strategies since it is inherently cheaper to keep existing customers than to find new ones.

## How are E-commerce Marketers Building Their Websites?

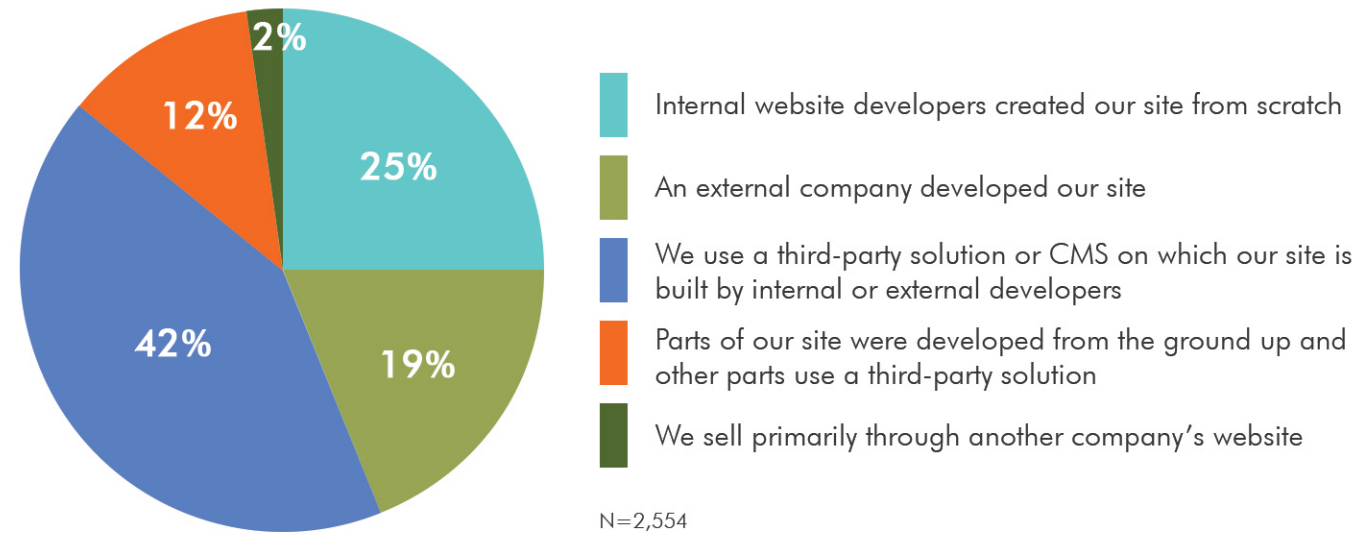
Academic researchers suggest that as the current business environment becomes more competitive, the time frame of a website development project also becomes critical to the success of a final product.<sup>1</sup>

To help you understand what strategies marketers are using to build their websites, we asked respondents how they approached development.

1. Lian Wei, "Success Factors for Transactional e-commerce Websites: an Investigation Focusing on Technical and Business contexts," *Master of Computing* (2012): 28-29.

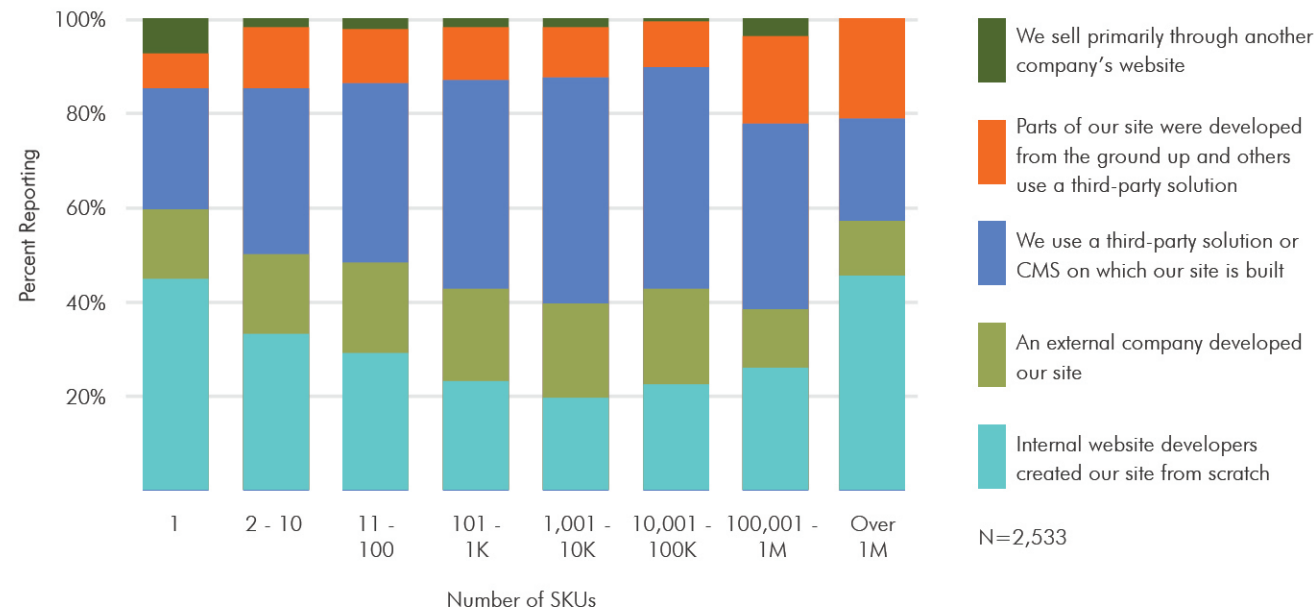
### 3.8 Web Development Approach

Nearly half (42%) of respondents reported using third-party solutions or content management systems (CMS) built by internal or external developers as their site development strategy. This may have been affected by the sampling of a portion of the data from a mailing list for a third-party solution (see Methodology for more information on sampling procedures for this study).



### 3.10 Web Development Approach (by Number of SKUs)

As the volume of SKUs increased, development strategies shifted from internal development to third-party solutions, until the volume reached a critical mass around 100K SKUs, after which ground-up development or a combination of both strategies were increasingly common.



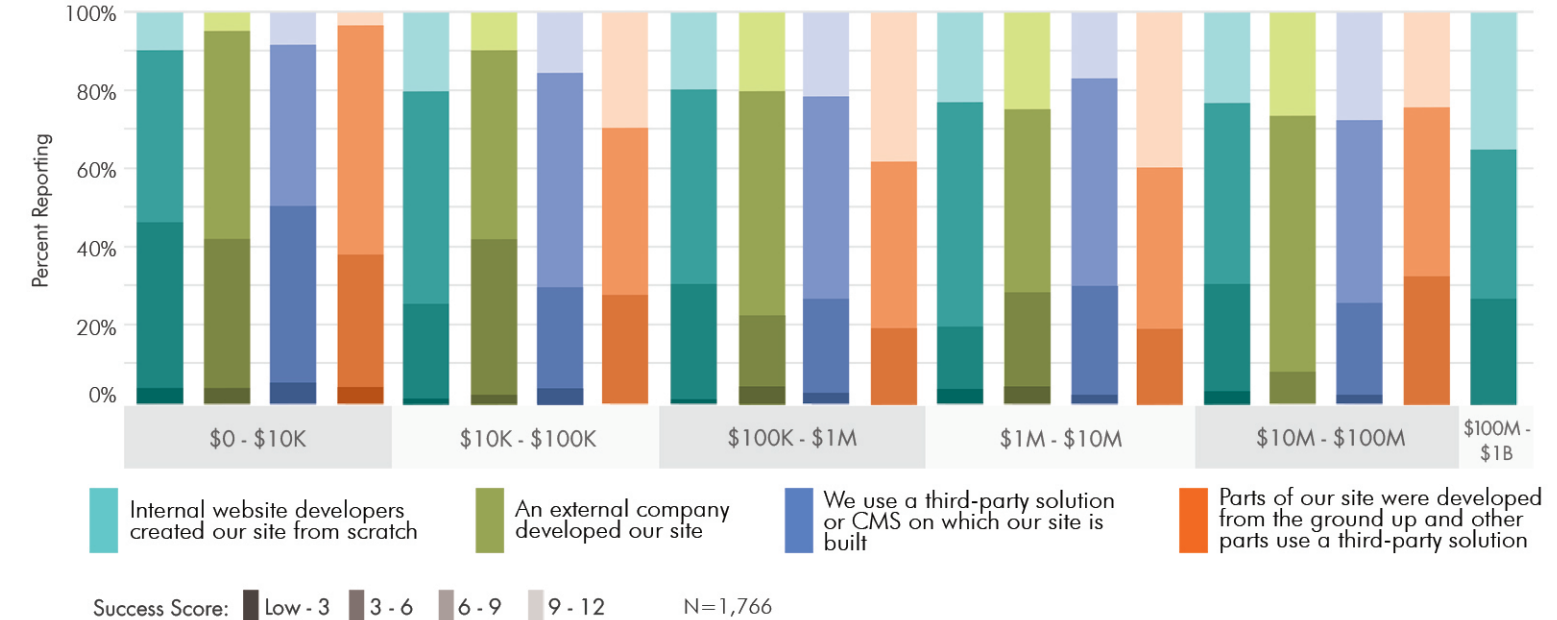
### 3.9 Web Development Approach (by E-commerce Revenue)

Respondents with over \$100M in e-commerce revenue reported use of an external company for site development less frequently while they increasingly used ground-up development.



### 3.11 Web Development Approach (by E-commerce Revenue and Success Score)

Respondents who reported e-commerce revenue over \$10K, using a combination of internal development and a third-party system, had a high likelihood of being in the top success score group (9-12). Internal development is increasingly successful (scores greater than 6) as e-commerce revenue rises, until the over \$10M group, in which it is least successful.



## What You Need to Understand

Website strategies for companies change as the number of products and e-commerce revenue increases.

This would suggest that as companies grow and offer more products, the development solution to accommodate those additional offerings is also changing.

Third-party platforms may not be ideal for the complex needs of some companies with extremely high numbers of products and high e-commerce revenue, as shown by increases in combination and in-house development in the highest groups of Charts 3.9 and 3.10.

These companies may have passed a threshold where full-scale internal custom development is no longer cost prohibitive.

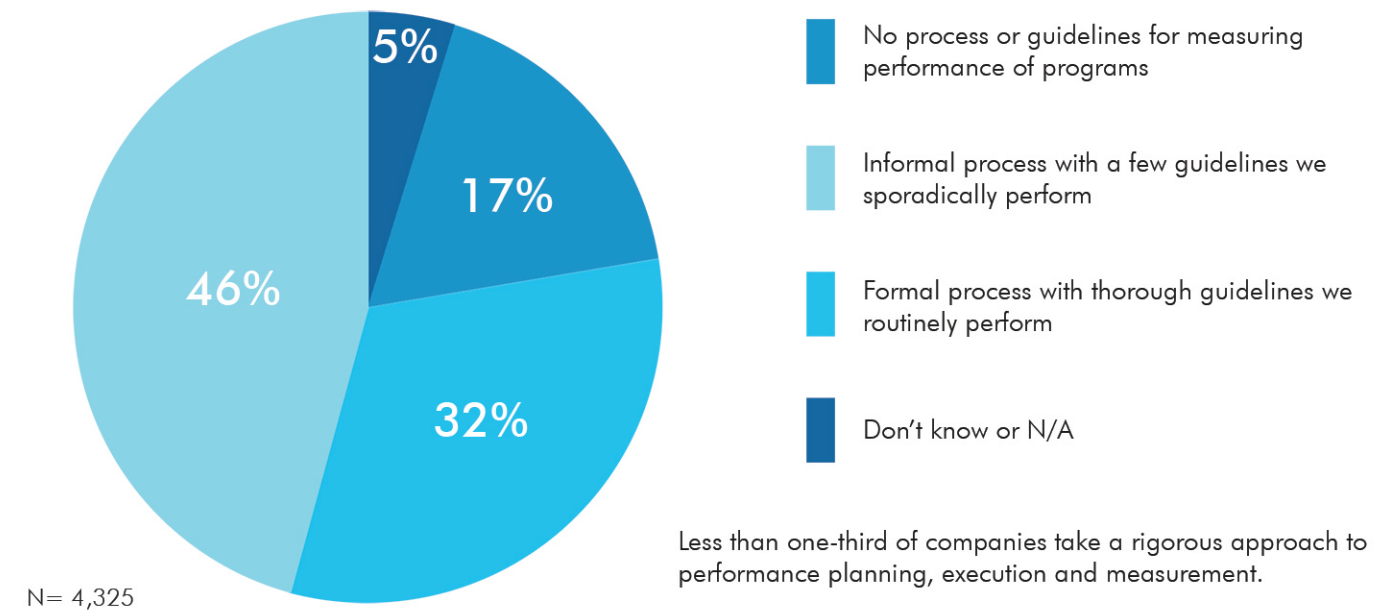
## How are E-commerce Marketers Obtaining Insights from Their Data?

E-commerce is able to produce more data than brick-and-mortar retailers because every element of the purchase process – from initial consideration to final purchase – can be tracked on some level.

In addition, this data can be used to formulate customer theory. With an understanding of why customers behave in certain ways, their preferences and motivations can inform testing of new e-commerce experiences. Split testing or other techniques can be used to determine if the changes resulted in actual performance differences.

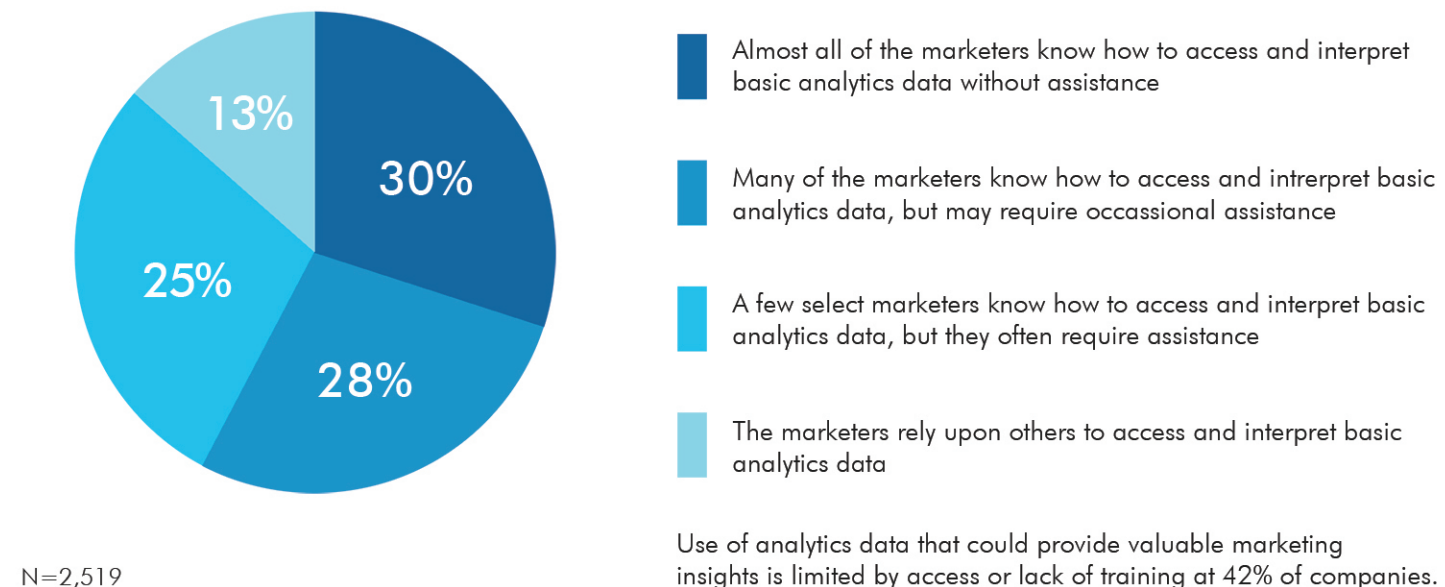
To determine how rigorously e-commerce companies are using these tracking and testing abilities, we explored these topics in the Benchmark Study survey.

### 3.12 How are E-commerce Companies Approaching Analytics?



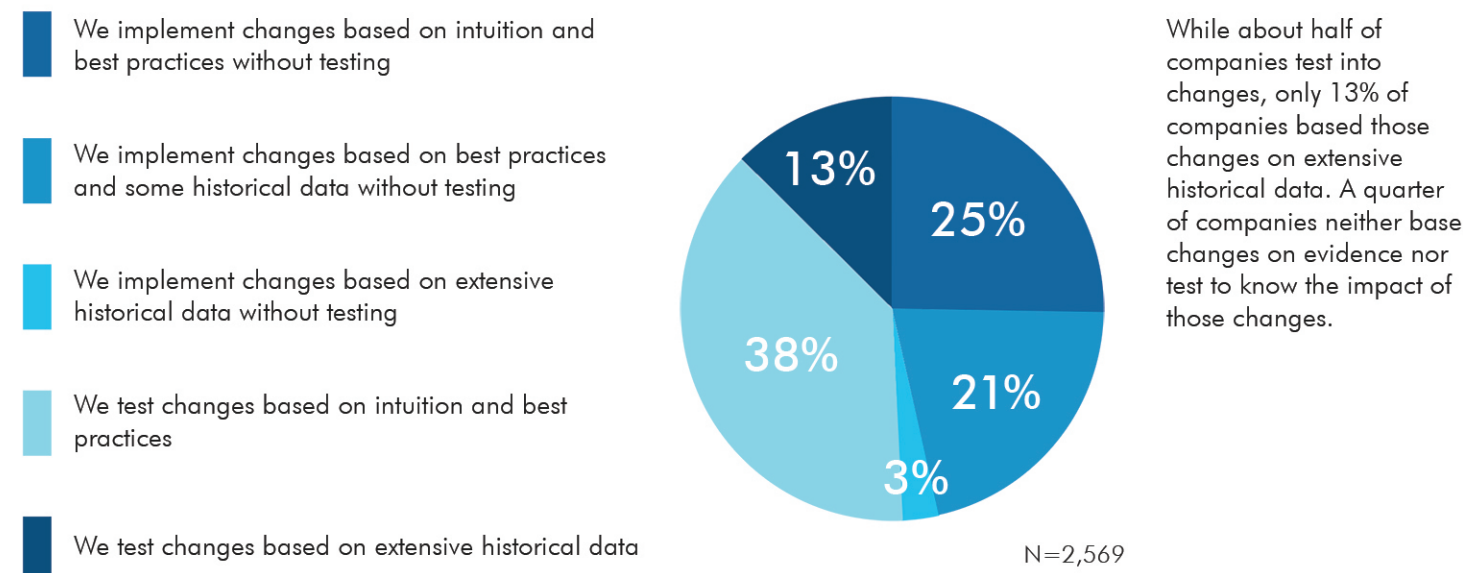
Less than one-third of companies take a rigorous approach to performance planning, execution and measurement.

### 3.13 How Much Analytics Expertise do Marketers Have?



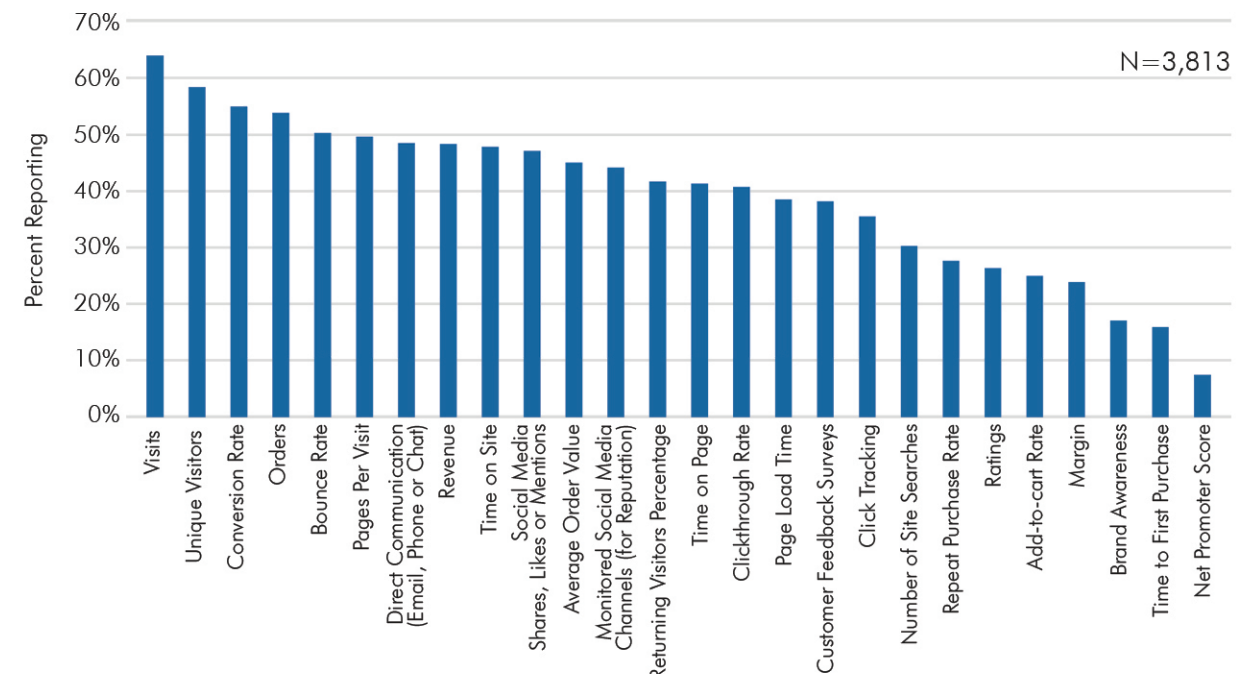
Use of analytics data that could provide valuable marketing insights is limited by access or lack of training at 42% of companies.

### 3.14 How are E-commerce Companies Approaching Testing and Optimization?



While about half of companies test into changes, only 13% of companies based those changes on extensive historical data. A quarter of companies neither base changes on evidence nor test to know the impact of those changes.

### 3.15 Which Metrics do Companies Monitor Regularly?



Companies tend to monitor the easier-to-track, top-of-the-funnel and order data rather than often insightful purchase process metrics like add-to-cart rate or click tracking.

## What You Need to Understand

While selling online allows companies to track a plethora of data, and there is no shortage of tools and platforms available to help marketers track and test, a rigorous process is only brought to bear for a minority of e-commerce companies. Agencies and marketers that desire a more rigorous process may share in this respondent's lamentation:

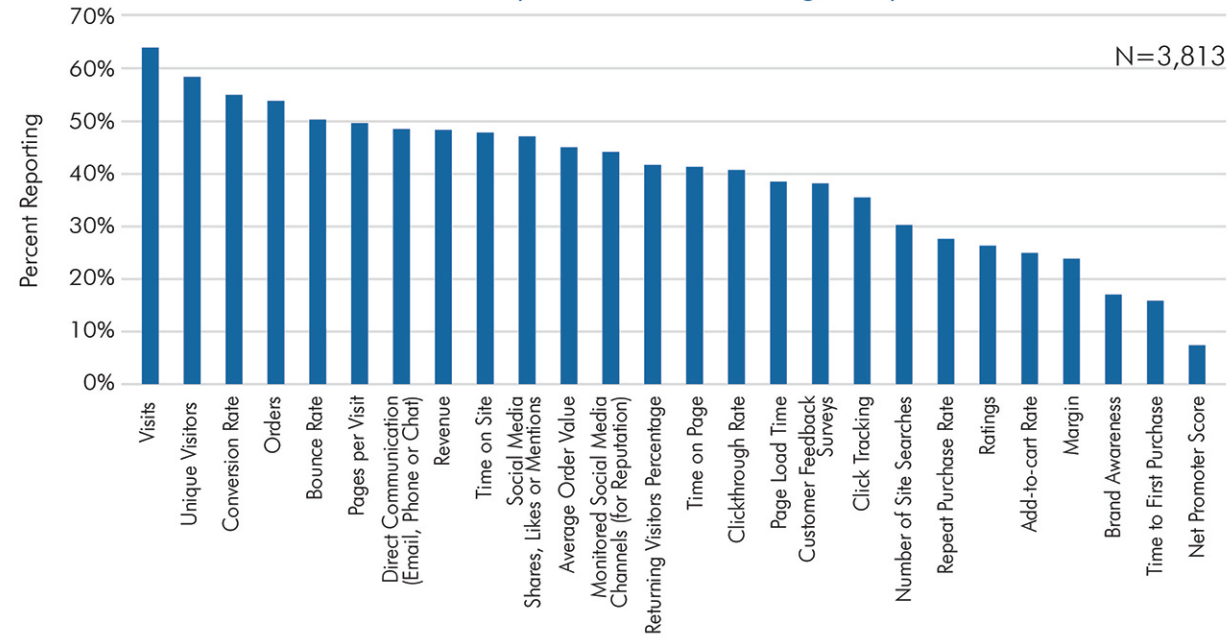
"Most of our clients only want a website. Almost all of our clients have no understanding of the importance of creating a strategic marketing plan that integrates the website as a part of a traffic and conversion process. They also don't understand the need to aggressively market across multiple media to drive traffic and build their database so that the website can work for them. Most just want the site built and wait for the flood of customers to come flooding in. They also don't understand the value and benefits of analytical tools on the back-end to measure results and to modify marketing campaigns and testing for better conversion." – Anonymous survey respondent

## Which Metrics are Being Tracked Most (or Least) in E-commerce?

Research has indicated that clickstream data is critical to assess website activity and user behavior.<sup>1</sup>

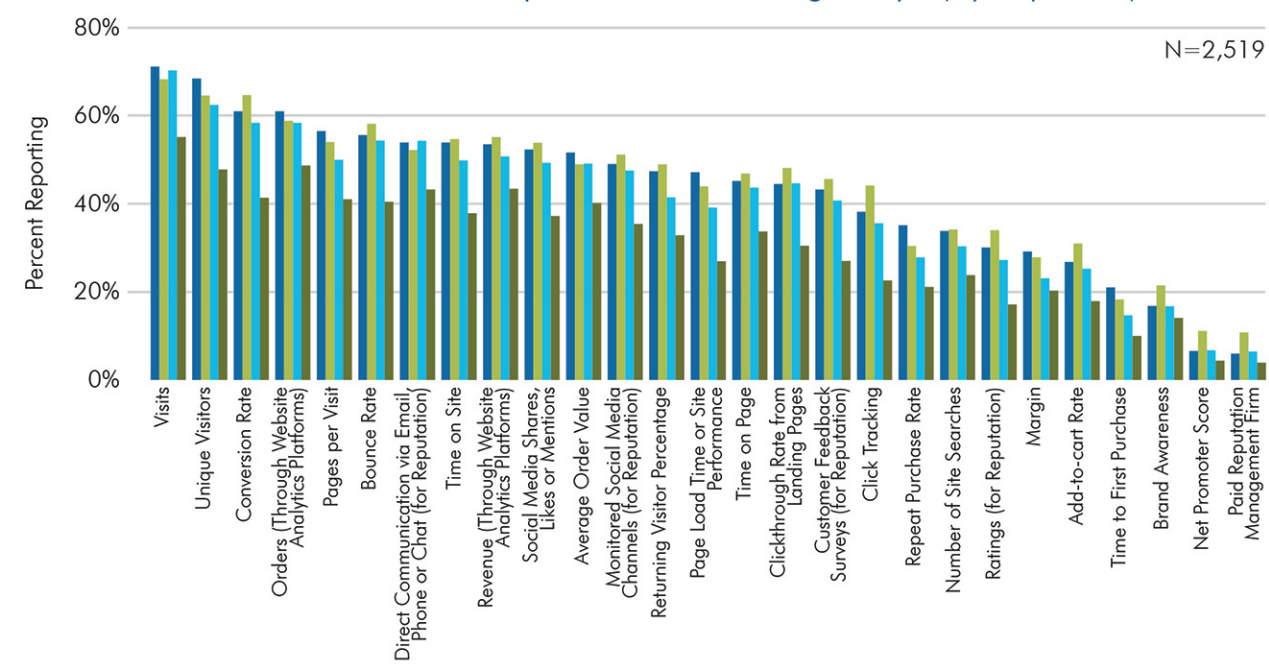
Therefore, to help you understand what challenges marketers are facing in analytics, we asked respondents about their measurement strategies to gain insight into how they approach analytics.

### 3.16 Which Metrics do Companies Monitor Regularly?



Nearly 60% of respondents reported tracking conversion rate while slightly less than half (42%) reported tracking returning visitor percentage. Add-to-cart rate, a metric useful in assessing whether customers are abandoning the site or during the checkout process, is only tracked by 26% of respondents.

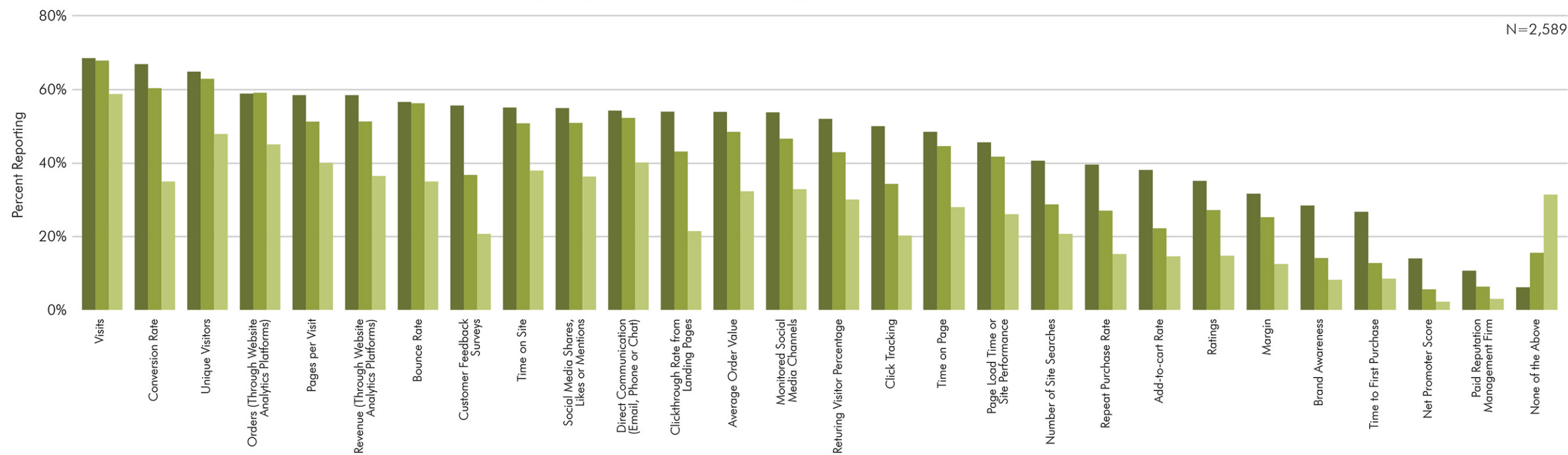
### 3.17 Which Metrics do Companies Monitor Regularly? (by Expertise)



Marketers who relied on others to access and interpret data for them tracked all variables significantly less often than those able to access metrics independently. Through a lack of training or access, they lose key insights into customer behaviors on their sites.

- Almost all of the marketers know how to access and interpret basic analytics data without assistance
- Many of the marketers know how to access and interpret basic analytics data, but may require occasional assistance
- A few select marketers know how to access and interpret basic analytics data, but they often require assistance
- The marketers rely upon others to access and interpret basic analytics data

### 3.18 Which Metrics do Companies Monitor Regularly? (by Measurement Strategy)



Visits to the site was also the most frequently tracked metric across all monitoring strategies. Respondents with a formal measurement process in place monitored customer feedback surveys, click activity and several other metrics much more often than those with informal or nonexistent processes.

Those without a process in place were significantly less likely to monitor metrics that require calculation or processing, like conversion rate, clickthrough rate or surveys than metrics available by default in analytics platforms, like visits or orders.

## What You Need to Understand

Insights from clickstream data are becoming increasingly essential to understanding customer behavior as sales cycles become more complex, yet the majority of sophisticated metrics are not being monitored.

One point to consider is the role that organizational goals, customer acquisition and choice of channel attribution model may have on how data is being collected, reported and interpreted.

1. Ahmad Ghandour, George Benwell, and Kenneth R. Deans, "Measuring the Performance of eCommerce Websites – An Owner's Perspective," *Pacific Asia Journal of the Association for Information Systems* 3, no. 1 (2011): 6.

# Where do Successful E-commerce Companies Complete Transactions?

Prior research suggests that marketers with an understanding of consumer behavior can enhance customer satisfaction and retail performance.<sup>1</sup>

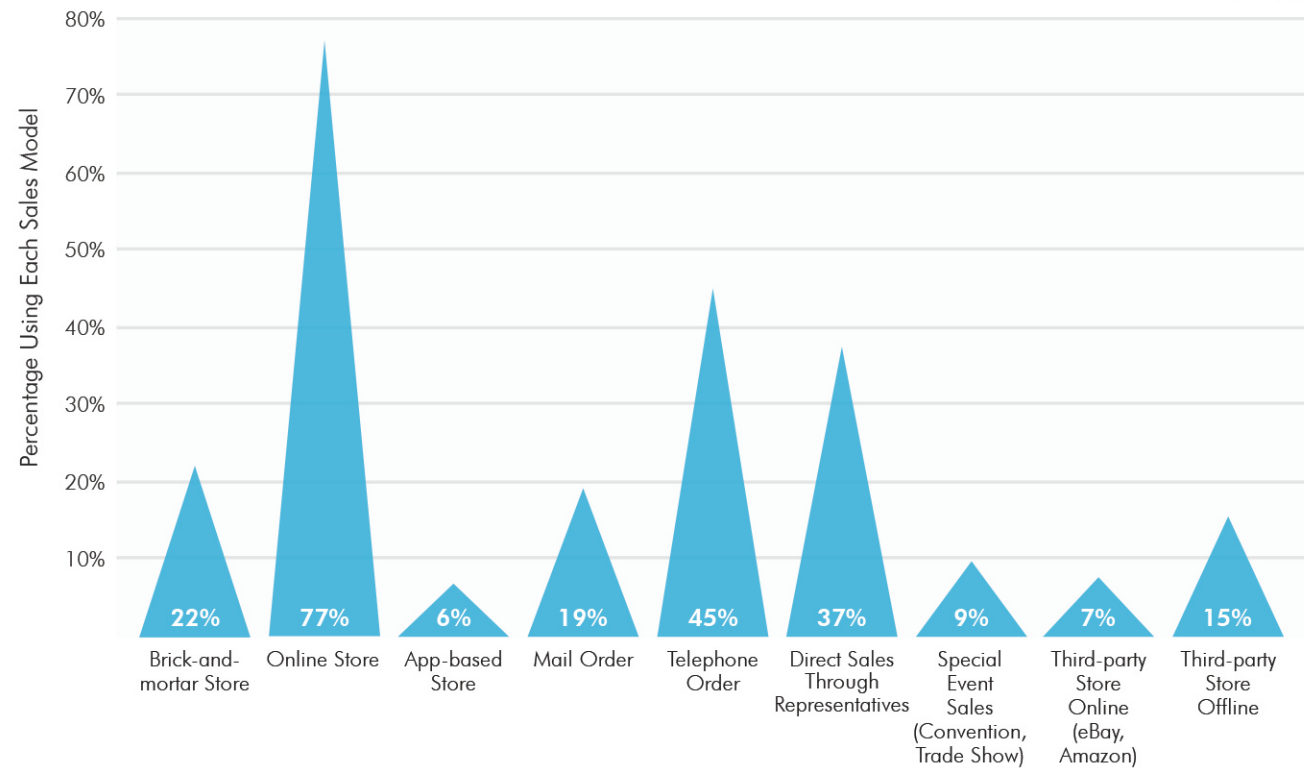
Consequently, to better understand customer behavior in context of transaction venue, we asked respondents about their approach to sales models to help you determine where e-commerce companies are completing transactions.

1. Ahmad Ghandour, George Benwell, and Kenneth R. Deans, "Measuring the Performance of eCommerce Websites – An Owner's Perspective," *Pacific Asia Journal of the Association for Information Systems* 3, no. 1 (2011): 6.

## 3.19 Transaction Method(s)

The majority of respondents (77%) reported online stores as one of their sales models.

N=331



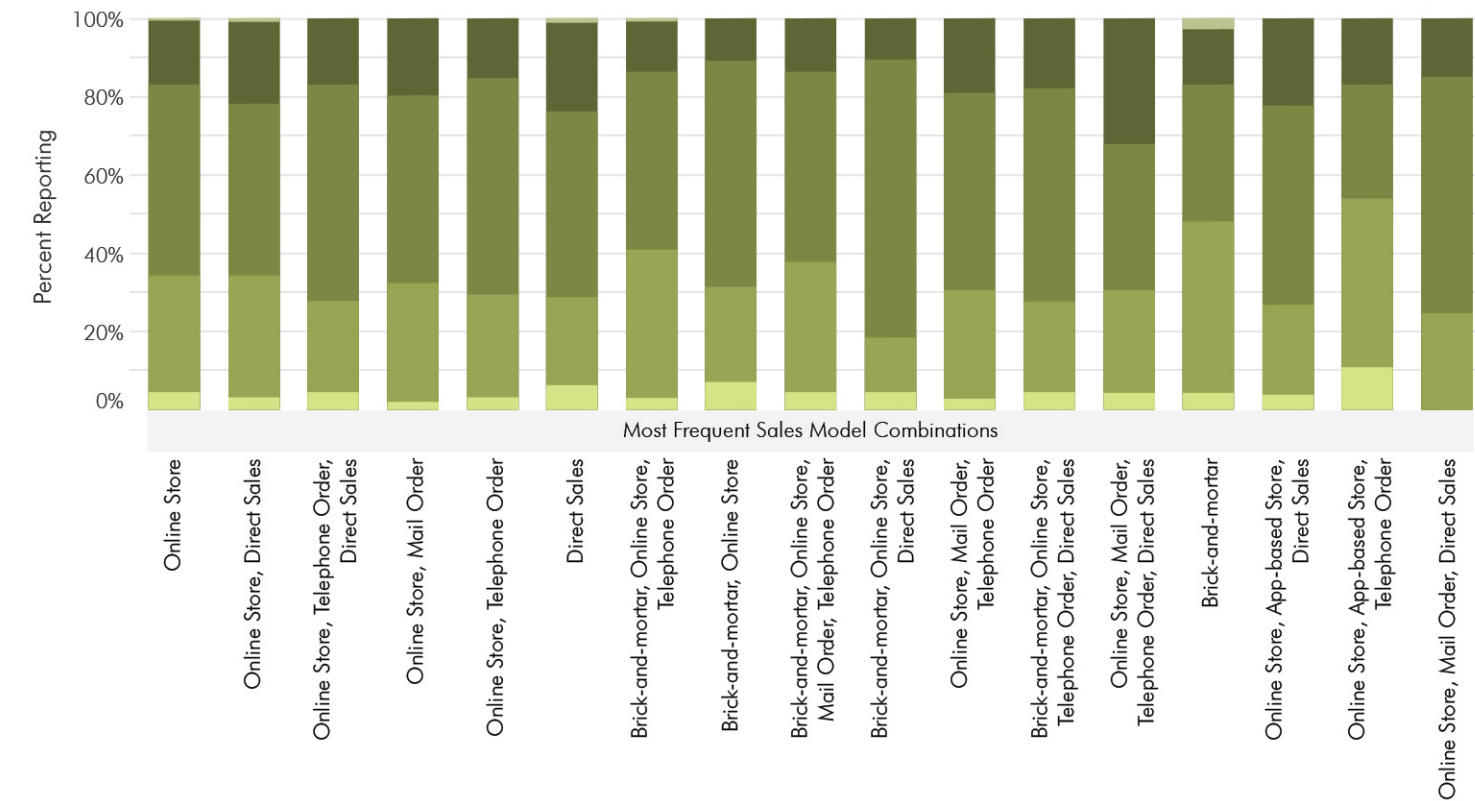
## 3.20 Transaction Method(s) (by Overall Revenue)

N=2,988



## 3.21 Transaction Method(s) (by Success Score)

N=1,943



Respondents who reported using a combination of online store, mail order, telephone order and direct sales were most likely to receive a success score of 9 or above.

Online stores were also reported as the venue most used across all revenue segments. However, the percentage using online stores fell as revenue increased. At more than \$1B, there were almost as many using direct sales as online stores.

Overall Revenue:



## What You Need to Understand

It was no surprise the majority of e-commerce companies are completing transactions online.

One point to consider is that ultimately no sales model proved to be more successful than others. The implication of this suggests that venue is perhaps second in importance to a dynamic customer experience.

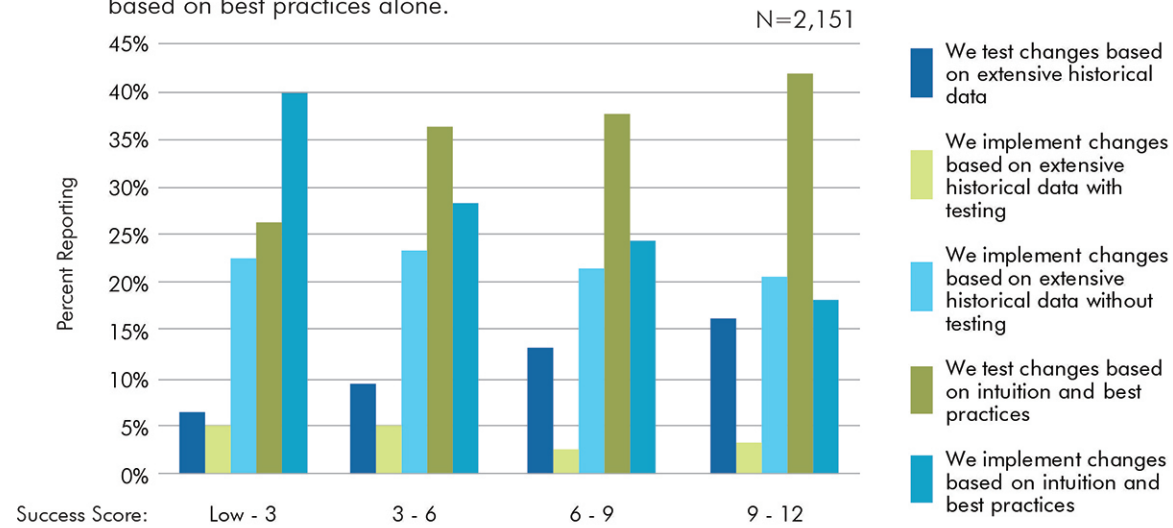
## What are the Impacts of Testing and Optimization on E-commerce?

Testing and optimization are vital to learning more about your existing customers.

To help you better understand how companies are approaching customer theory development, we asked respondents about their process for testing and how they used historical customer data.

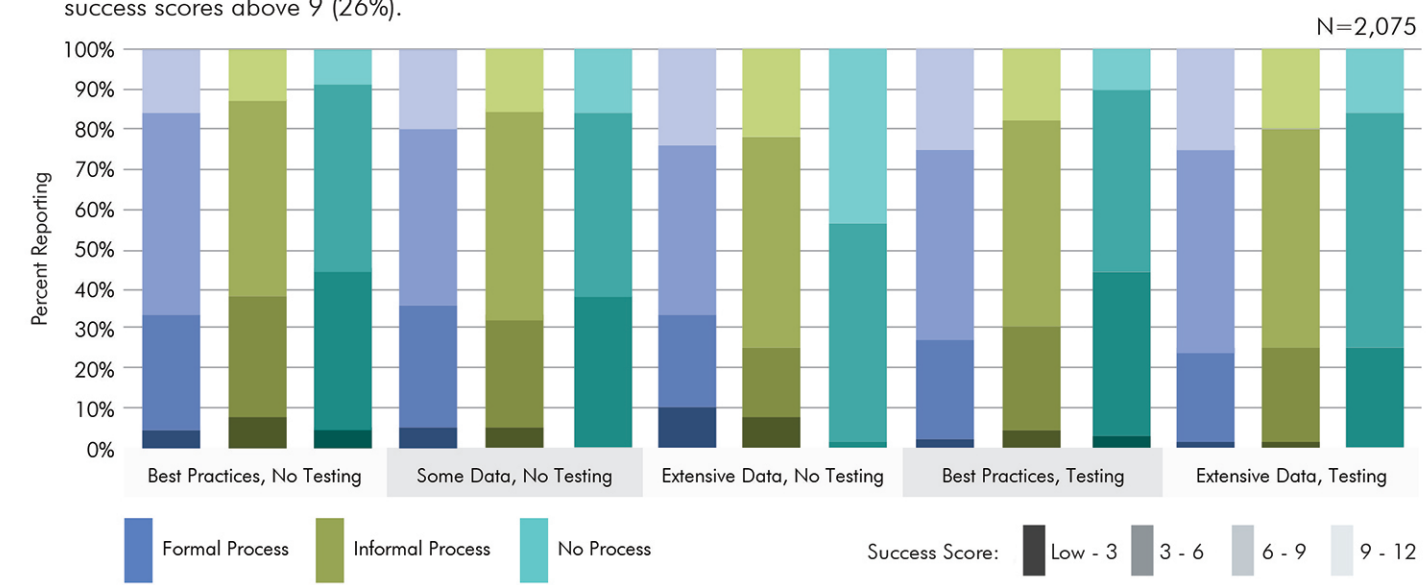
### 3.22 How are Successful and Unsuccessful E-commerce Companies Approaching Online Testing?

As success score rises, companies are more likely to test and less likely to implement changes based on best practices alone.



### 3.24 How are Successful E-commerce Companies Approaching Online Testing? (by Measurement Maturity)

Those using a formal measurement process and testing based on extensive historical data had the highest frequency of success scores above 9 (26%).



## What You Need to Understand

Testing and optimization strategies continue to increase in complexity as more companies use analytics insight to better serve customers.

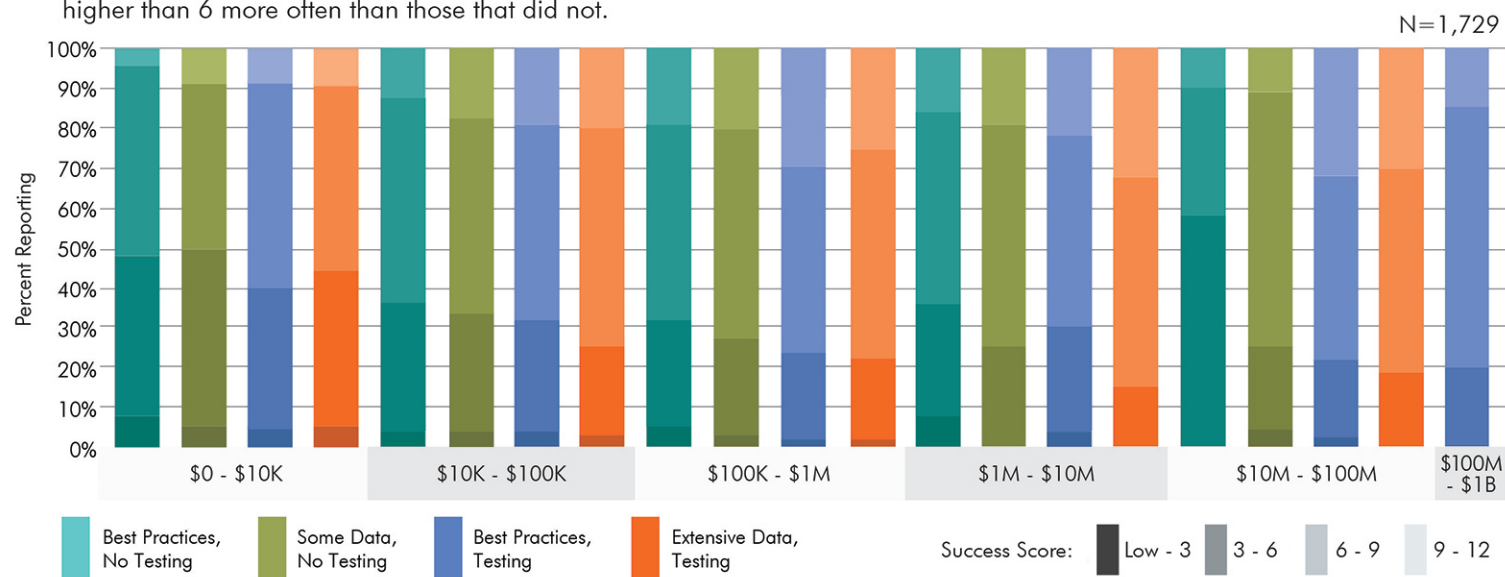
Although testing and optimization practices are being increasingly adopted by companies, one in four organizations continue to utilize guesswork as the driver of change.

One point to consider is how testing and optimization will impact future competitive advantages.

As more customer data and increasingly sophisticated analytics become available for companies to leverage, the ability to improve the customer experience will be determined by customer insight.

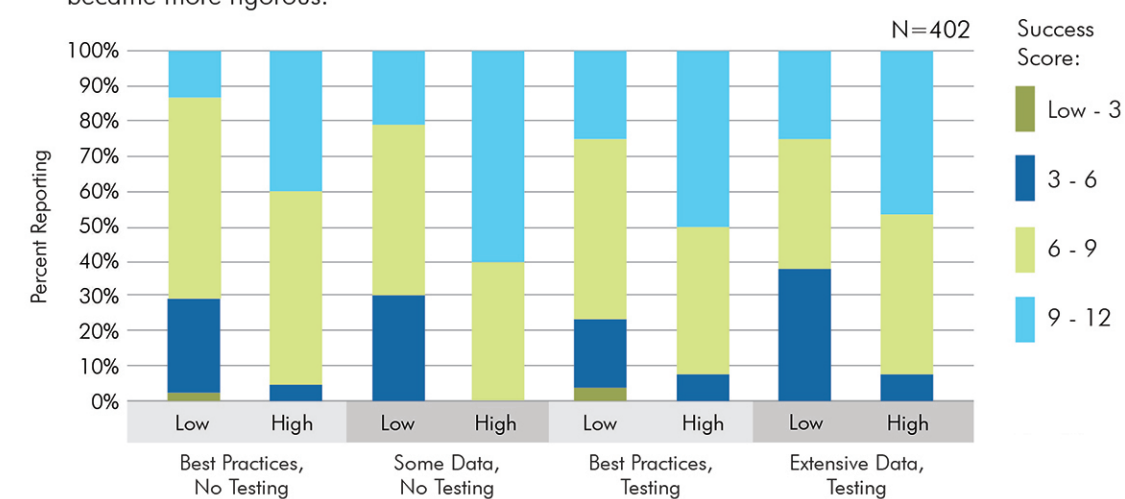
### 3.23 How are Successful E-commerce Companies Approaching Online Testing? (by E-commerce Revenue)

Companies over \$10K in revenue that reported testing changes based on extensive historical data received success scores higher than 6 more often than those that did not.



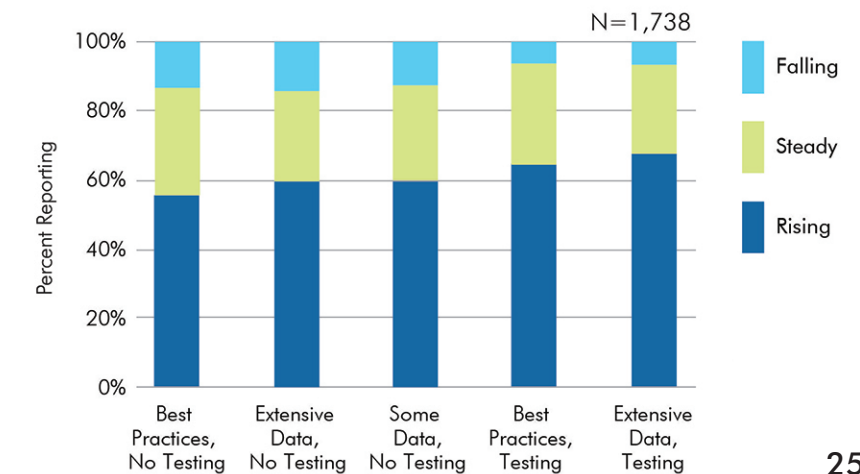
### 3.25 How are Successful E-commerce Companies Approaching Online Testing? (by Margin and Measurement Maturity)

Low-margin companies more frequently received high success scores as their testing practices became more rigorous.



### 3.26 What Online Testing Strategies are E-commerce Companies Using? (by Order Volume Trend)

Respondents who reported testing using extensive historical data also more frequently reported having a rising trend in orders.



## What Efforts are Companies Making to be Customer-centric?

In the pre-survey literature review, we found that researchers had focused on several areas in evaluations of e-commerce success:

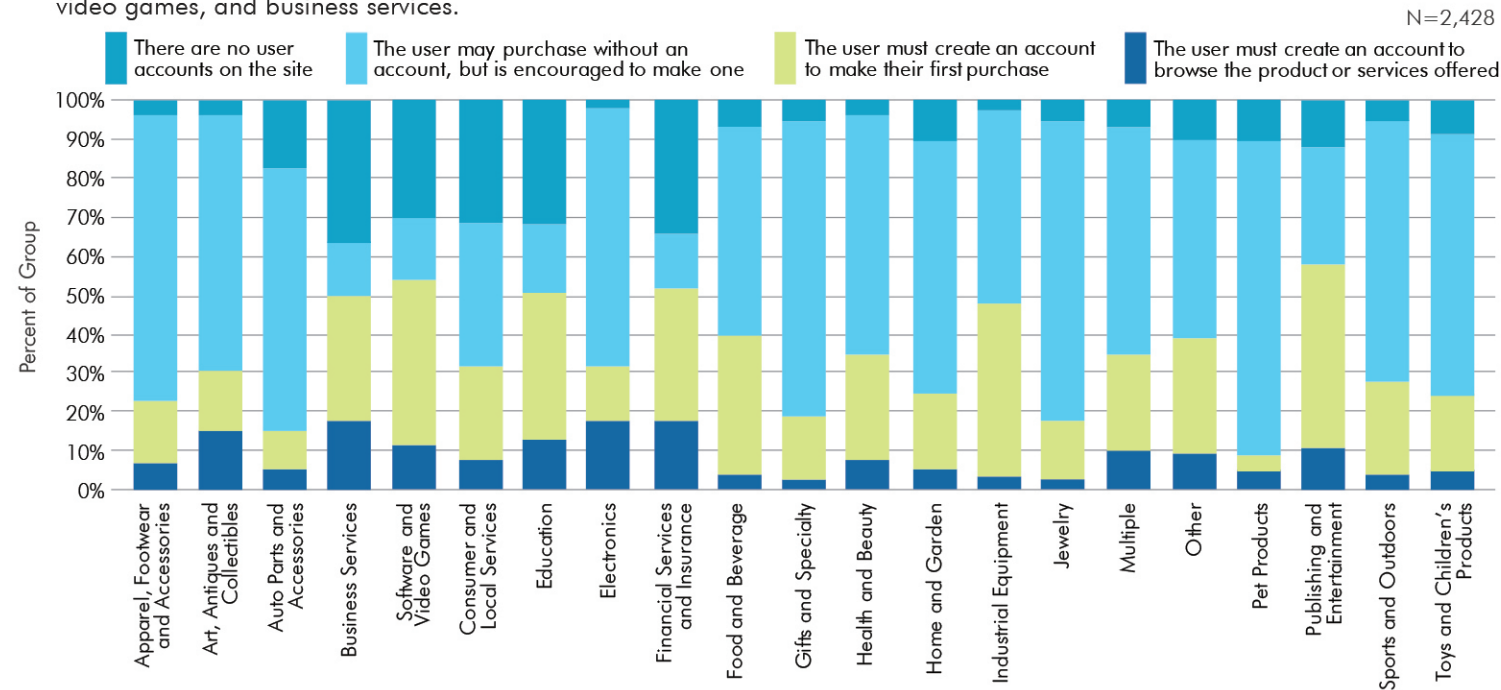
- Company revenue/profit
- Quality of site design/performance
- Customer feedback/experience

In theory, high performance in one should correlate to high performance in another. Do they? Or do sites produce significant revenue while providing a poor user experience, or perform well on a technical level while not meeting the demands of users?

To find out, we compared an overall, computed success score (see page 17) with customer centricity practices to discover the relationship between success and these practices.

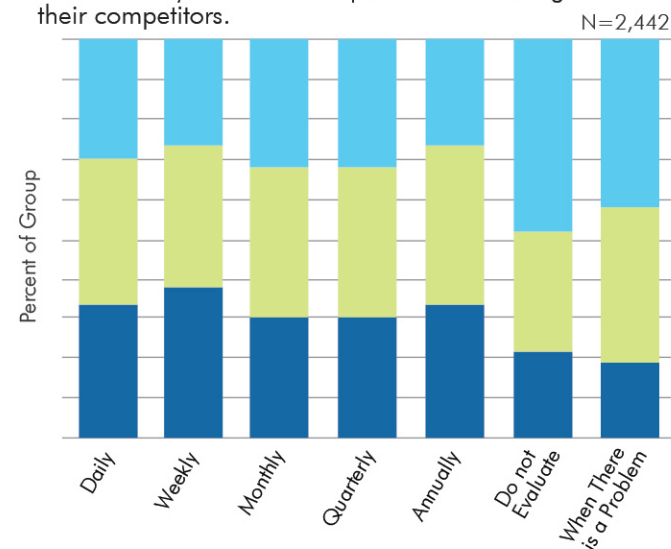
### 3.27 User Account Experience (by Product Type)

Most e-commerce companies do not force customers to create an account to purchase. The requirement of an account was most prevalent, however, for companies selling publishing, industrial equipment, education, financial services, computer software and video games, and business services.



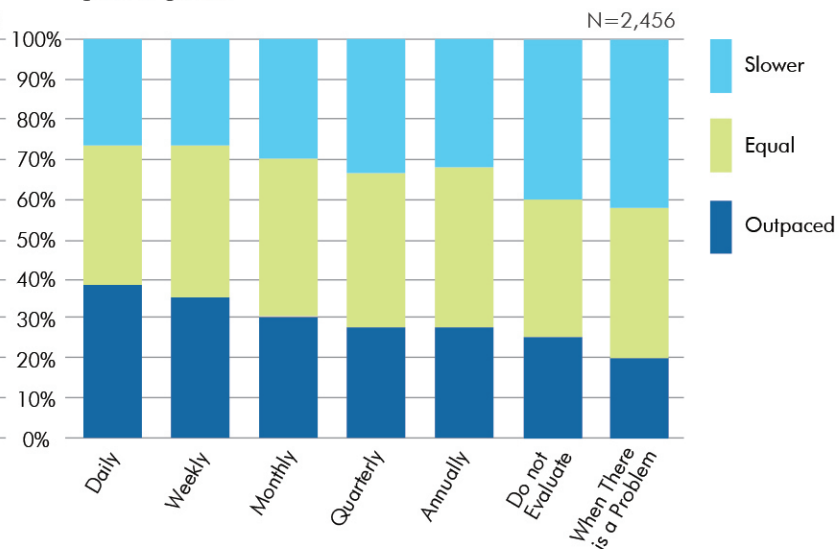
### 3.29 How does Revenue Growth Relate to Frequency of Customer Service Evaluation?

Companies that do not evaluate their customer service responsiveness or evaluate only when there is a problem are less likely to meet or outpace the revenue growth of their competitors.



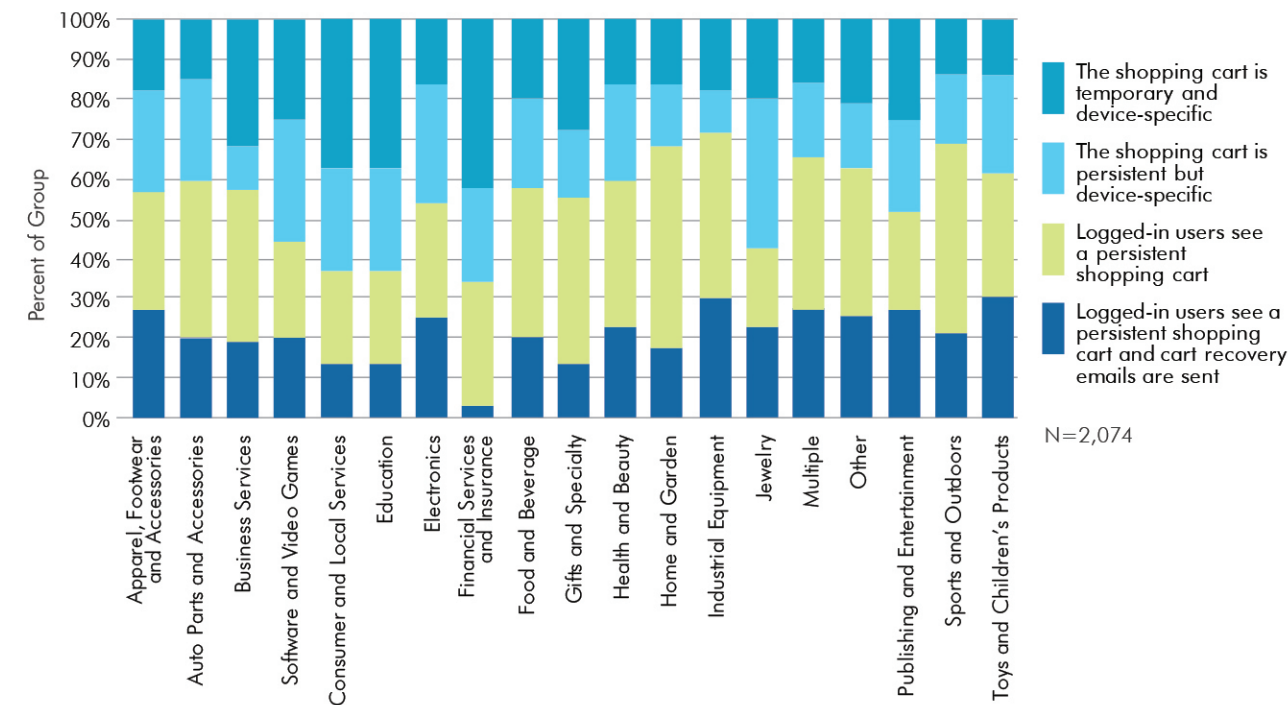
### 3.30 How does Revenue Growth Relate to Frequency of Site Usability Evaluation?

The more frequently companies evaluated usability, the more likely those companies would outpace revenue growth goals.



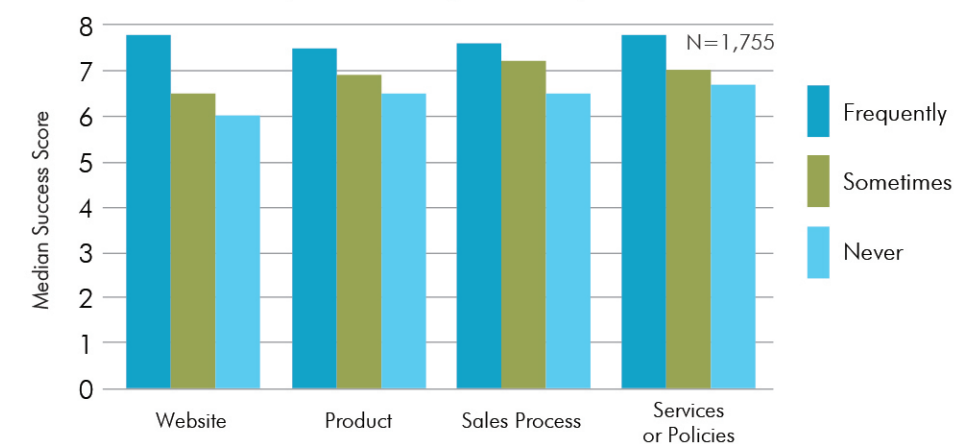
### 3.28 Checkout Experience (by Product Type)

There was variability among industries for shopping cart type, with companies selling industrial equipment products the most likely to allow logged-in customers to see a persistent shopping cart. Temporary carts are relatively unpopular in most industries, as they are not compatible with multi-session shopping behaviors.



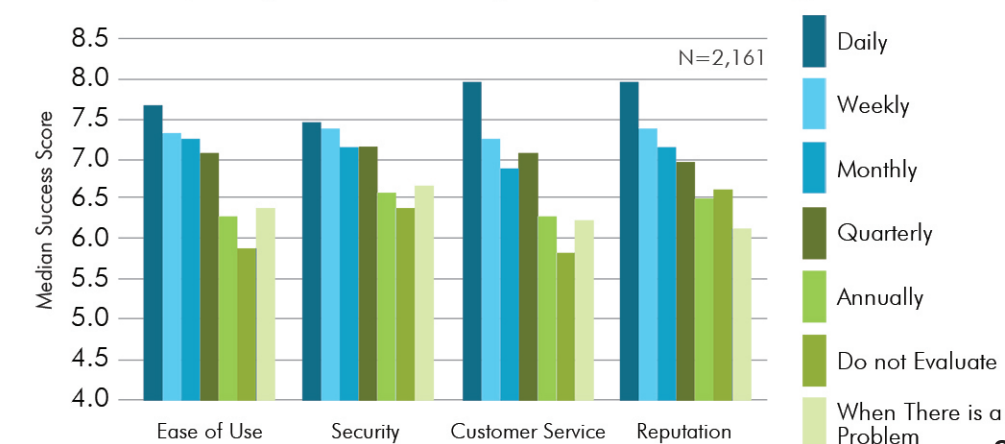
### 3.31 How Successful are Companies that Frequently Evaluate Customer Experience?

The more frequently e-commerce companies make changes based on customer feedback, the more likely those companies will be successful.



### 3.32 How does Customer Responsiveness Correlate with Success?

Frequency of evaluation across a number of factors correlated to overall success. Less than quarterly evaluation led to significantly lower-than-average success levels.



## What You Need to Understand

While marketers have heard a rising tide of advice to create more customer-centric companies, product offerings, websites and sales processes, it is useful to see that the evidence supports this advice.

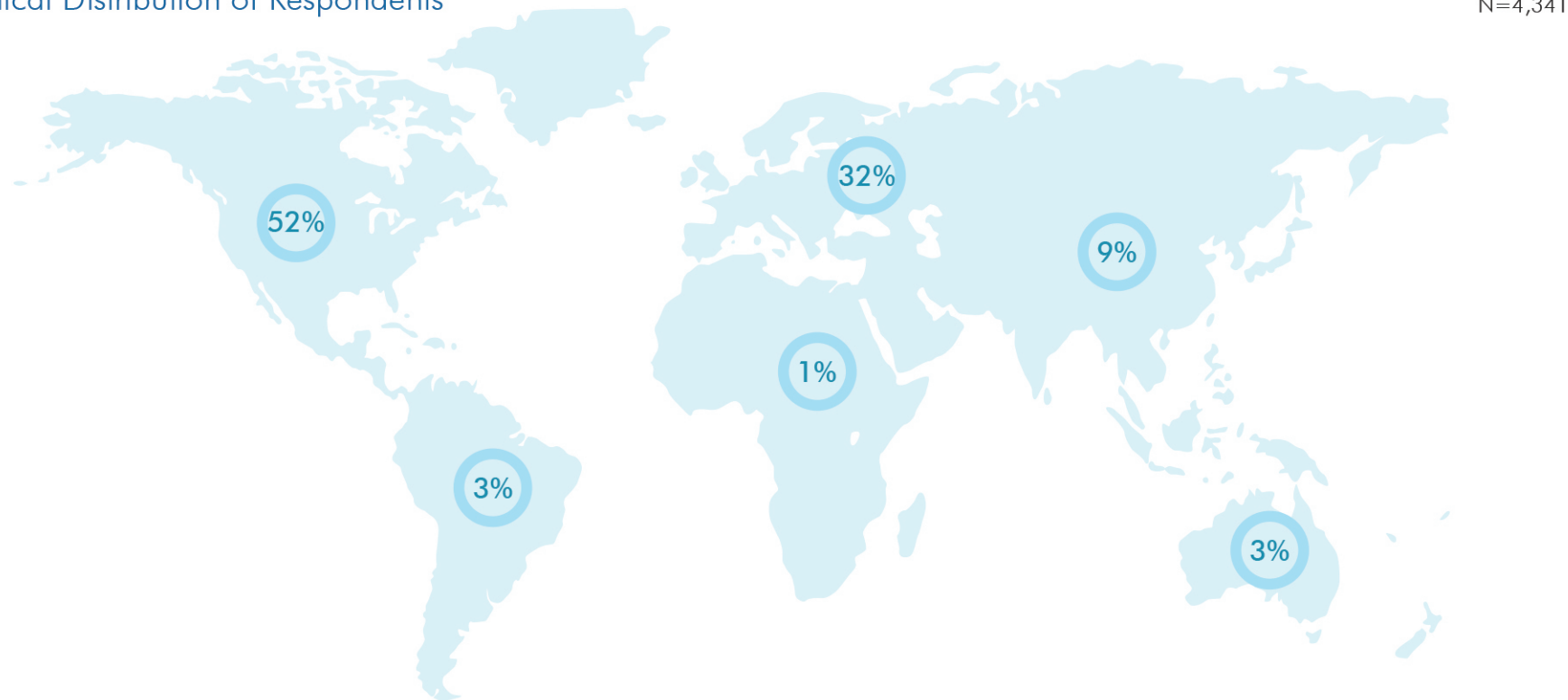
By and large, companies that were most responsive and focused on customer needs were the most successful, perhaps because this group was able to better retain customers the most, as this respondent implied:

"If you give [a] better experience to your customer for online shopping, then they will never likely go anywhere. Let's make them [a] little lazy and make things easier for them. And for that, you have to give [the] best online shopping experience." – Anonymous survey respondent

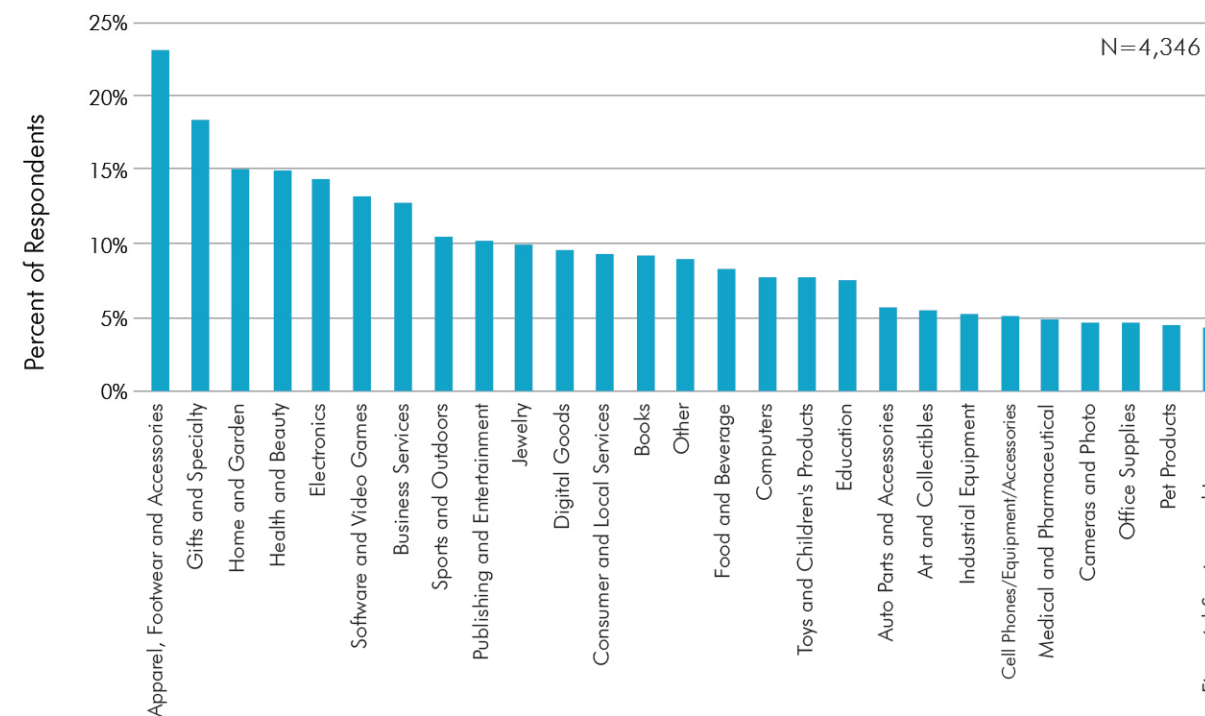
In addition, most products being sold are using a customer-friendly process of not requiring account sign-up, and a slight majority of companies in most product categories offer persistent shopping carts so that users can easily recall their desired items in subsequent visits.

# FIRMOGRAPHICS

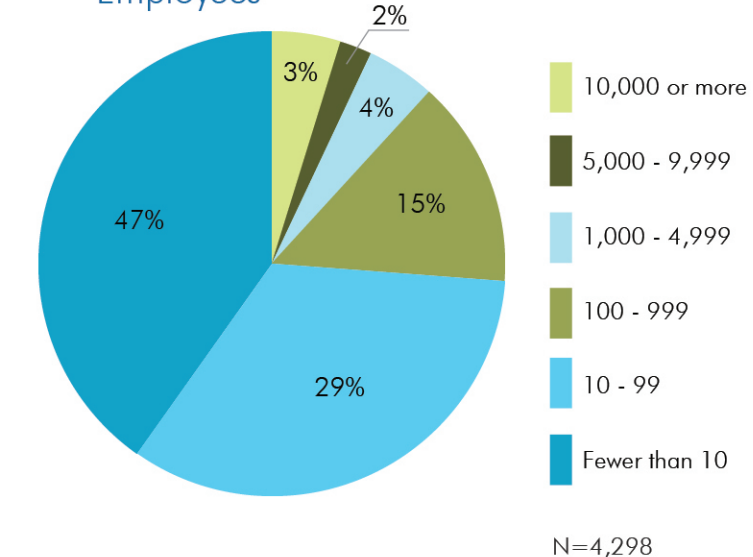
Geographical Distribution of Respondents



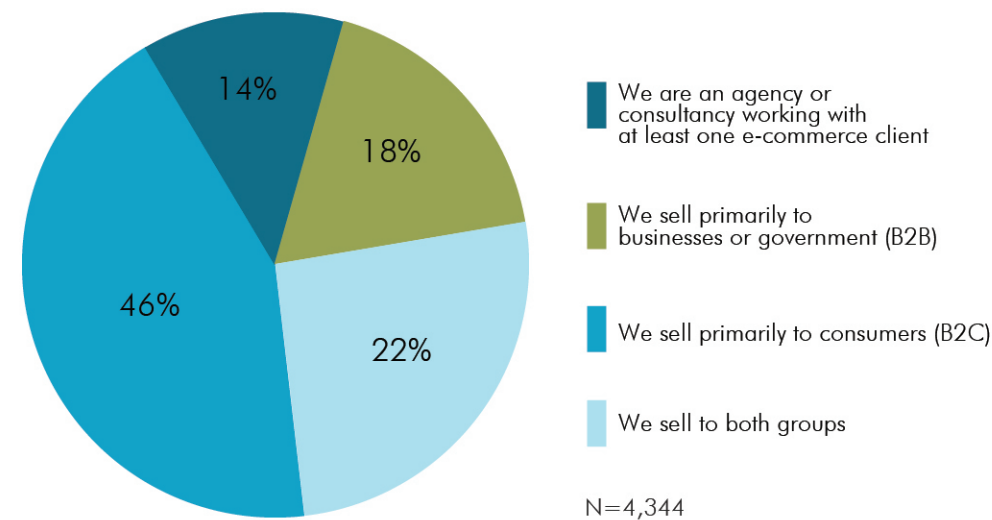
Distribution by Product Categories Sold Through E-commerce



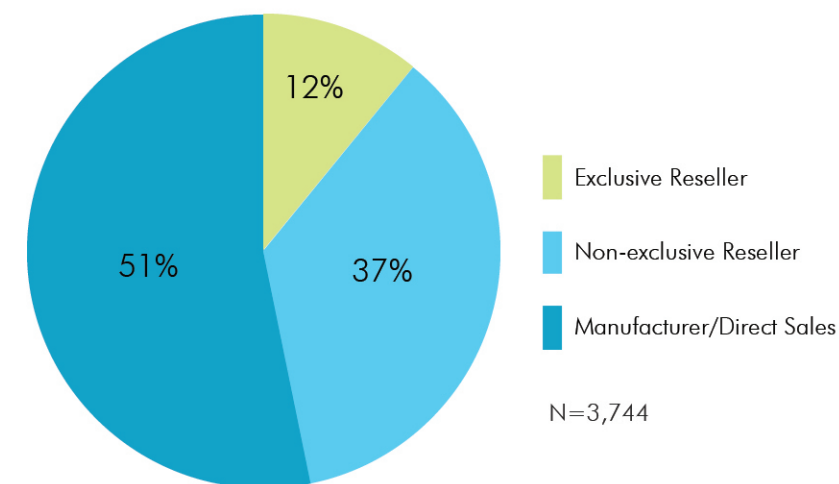
Distribution of Respondents by Number of Employees



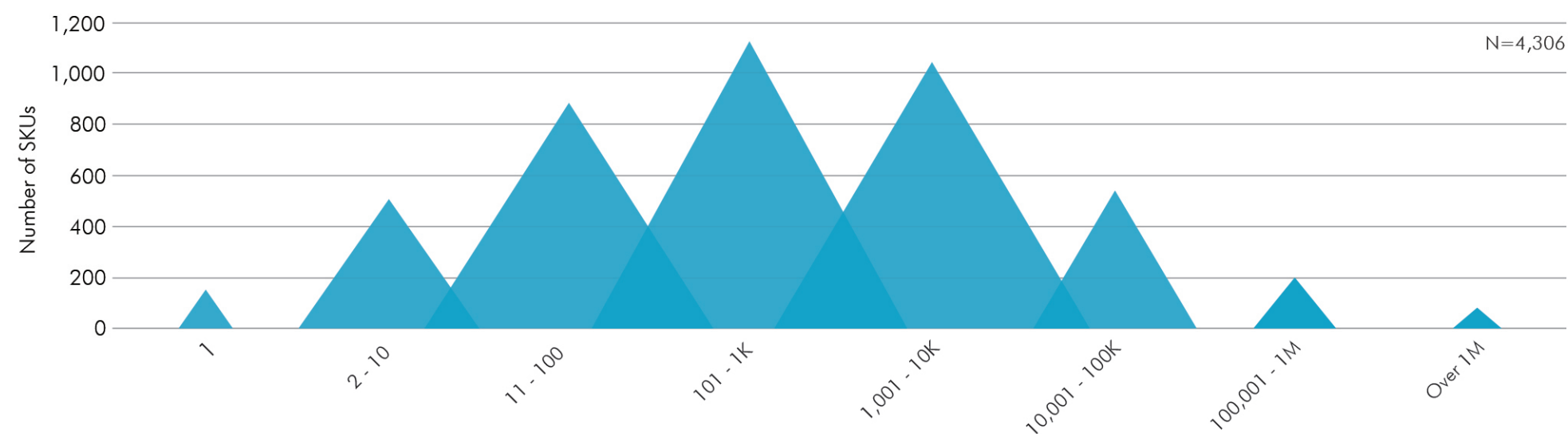
Distribution of Respondents by Primary Sales Channel



Distribution of Respondents by Business Model



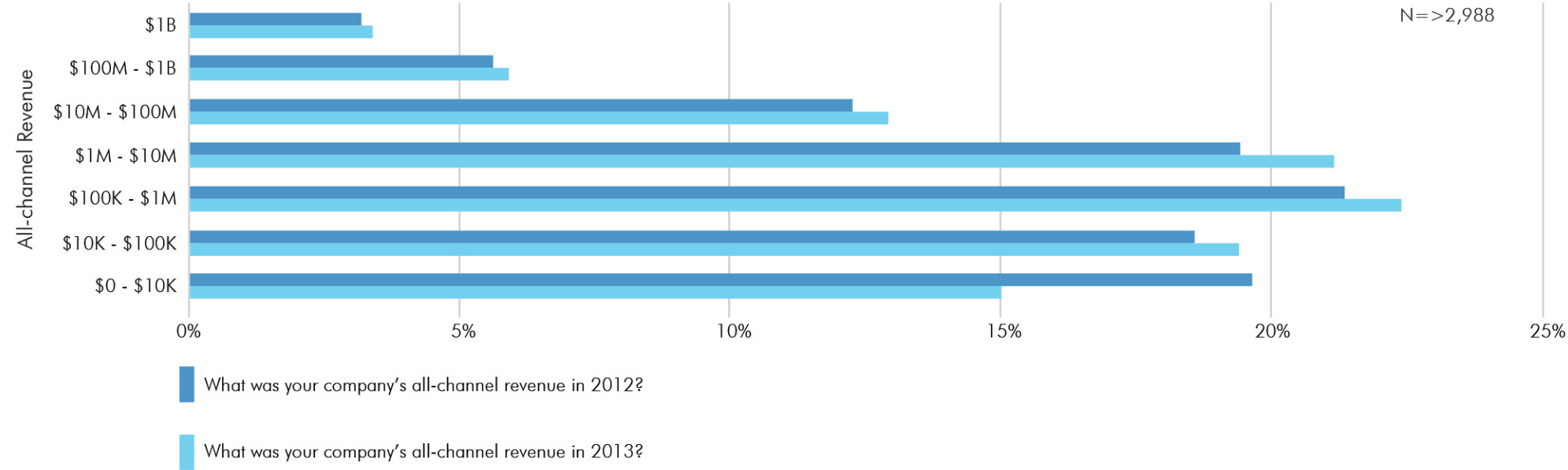
Distribution of Respondents by Number of SKUs



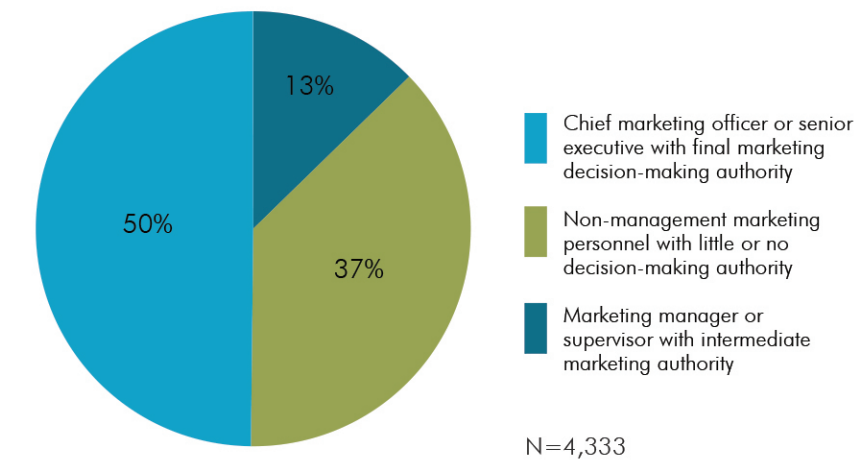


# FIRMOGRAPHICS

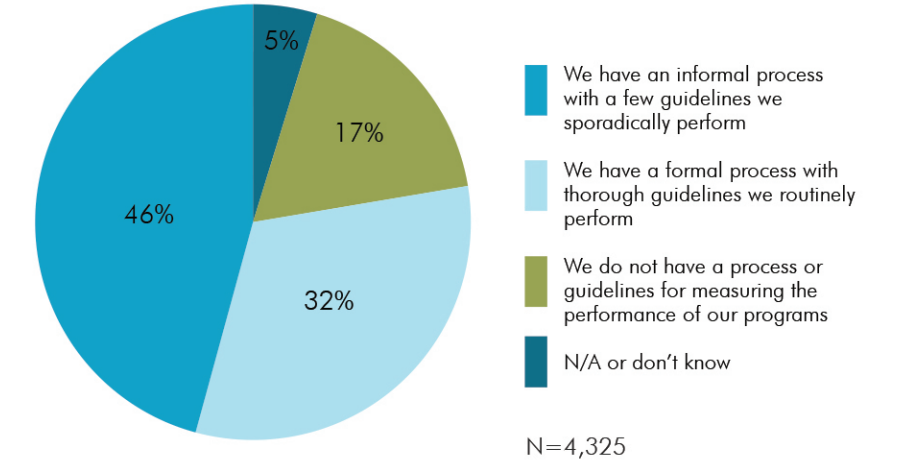
### Distribution of Respondents by All-channel Revenue



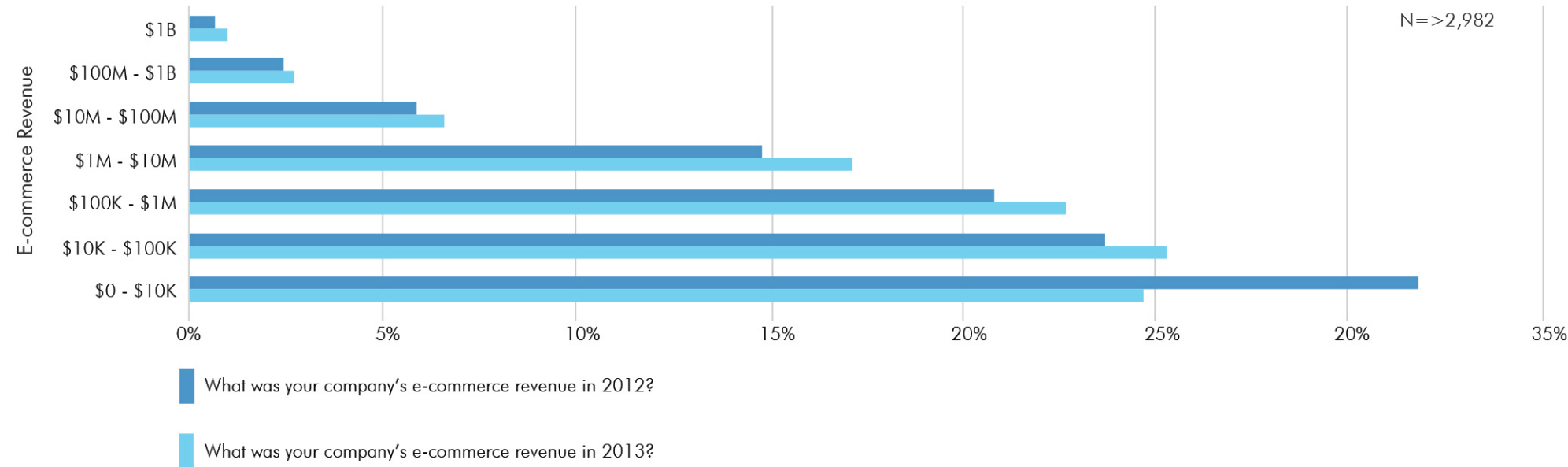
### Distribution of Respondents by Decision-making Authority



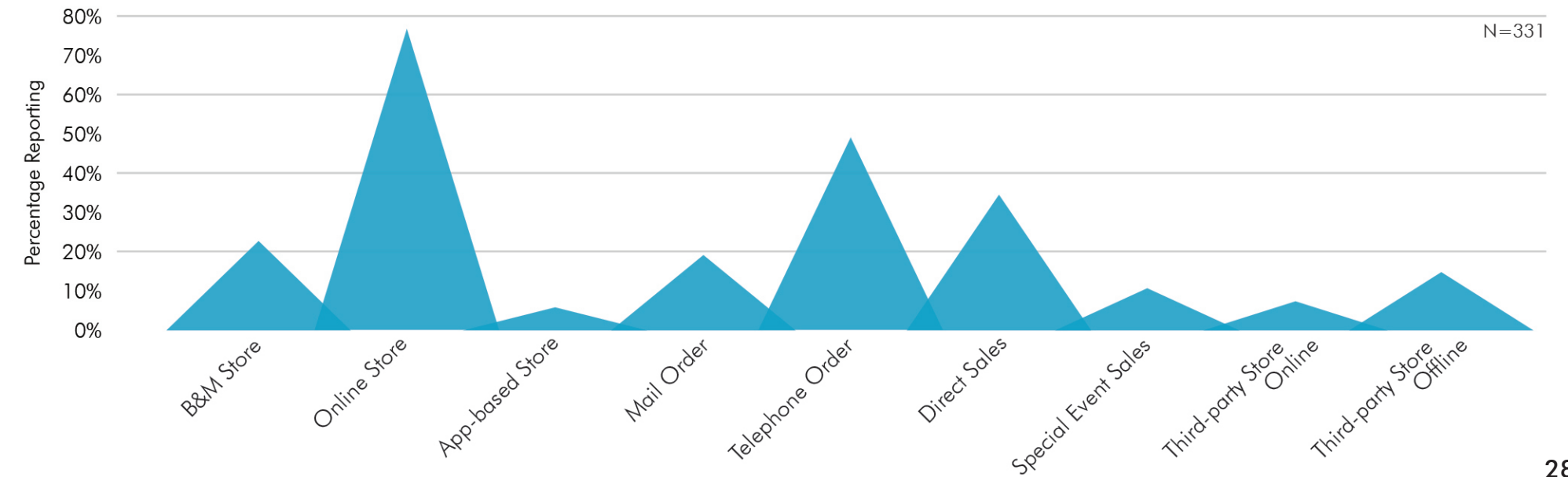
### Distribution of Respondents by Marketing Process



### Distribution of Respondents by E-commerce Revenue



### Distribution of Respondents by Sales Models Used



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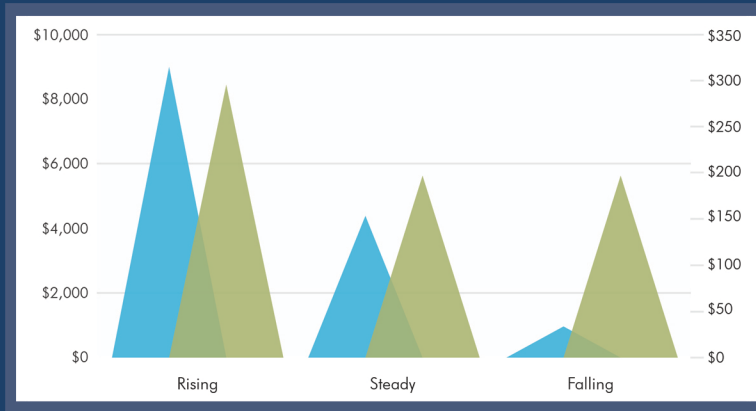
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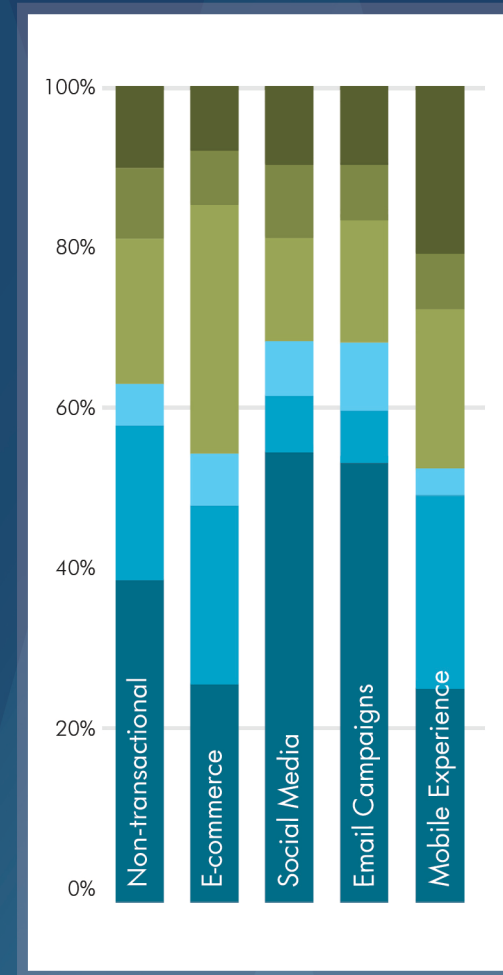


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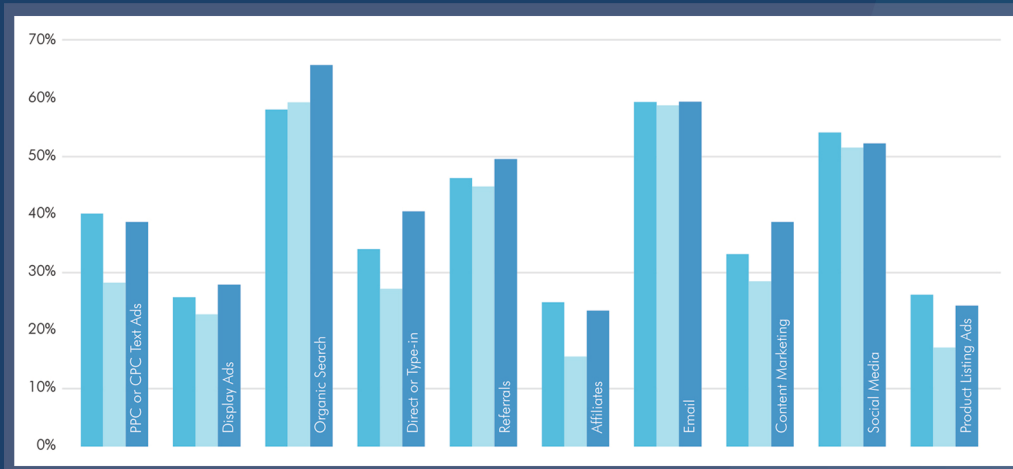
Lifetime Customer Value: How are overall metrics trending?  
See chart 1.9 on page 9



Which Departments Own Aspects of the Online Presence? See chart 2.20 on page 31



Budget Spend on each Channel: How are e-commerce marketers attracting new customers? See chart 3.6 on page 39



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