

Customer Experience Through Data

How online retailers enhance
core business metrics in 2020

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In a recent Frost & Sullivan survey, 85% of the business decision makers stated “improving customer experience” as the top-rated driver for commercial success. For Online Retail, this would mean that customer experience (CX) should directly influence core business metrics.

In this research, we uncover the exact ways and extent to which streamlined online customer experience enhances the core business metrics in digital retail.

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Many businesses already understand that it's no longer enough to compete on products or services. In our work, we find that how an organization delivers for customers is beginning to be as important as what it delivers.

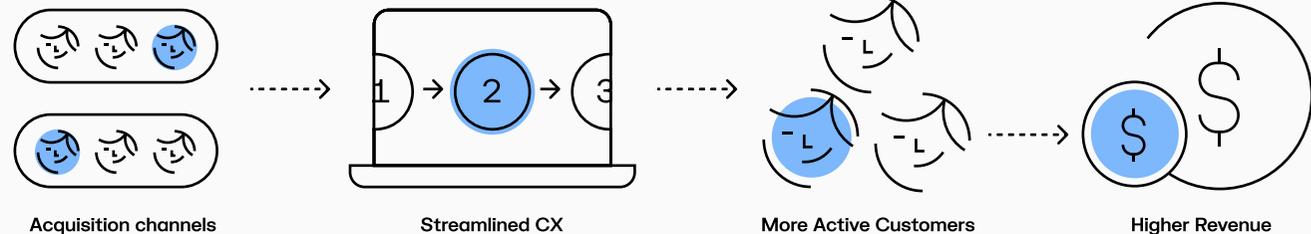
McKinsey

Customer experience: Creating value through transforming customer journeys

Active Customers

Active Customer is a customer that transacts at least once within a certain time frame.

Customer Experience is a multiplier for acquisition channels efficiency.



Online Retailers strive to grow the number of Active Customers at the cost of ever-growing customer acquisition costs (CAC). It's common to stick with the 1/3 or even higher CAC/CLTV ratios, where CLTV stands for Customer Lifetime Value. The ratios vary across different acquisition channels, and when they get excessively large, you can mark a channel as “burnt out” or too expensive to acquire customers from.

In our previous research on elevating online CX, we show that it's largely about web performance. Specifically, optimizing any shopping-related content for the lowest loading times possible. This naturally boosts the number of pages viewed within each shopping session and increases the probability of purchase in line with Average Basket Value (ABV).

Simply put, whichever channel you plug into streamlined CX, its efficiency increases and drives more Active Customers and revenue effect.

Working with CX can help reactivate lost acquisition channels, discover new ones, and optimize the existing setup for performance.

Of course, depending on your choice of technology to optimize CX, the respective revenue effect may vary.

Research topics:

- Average CAC value for online retailers is \$150 in 2019.
 - Average LTV value for online retailers is \$350 in 2019.
-

Total Visits



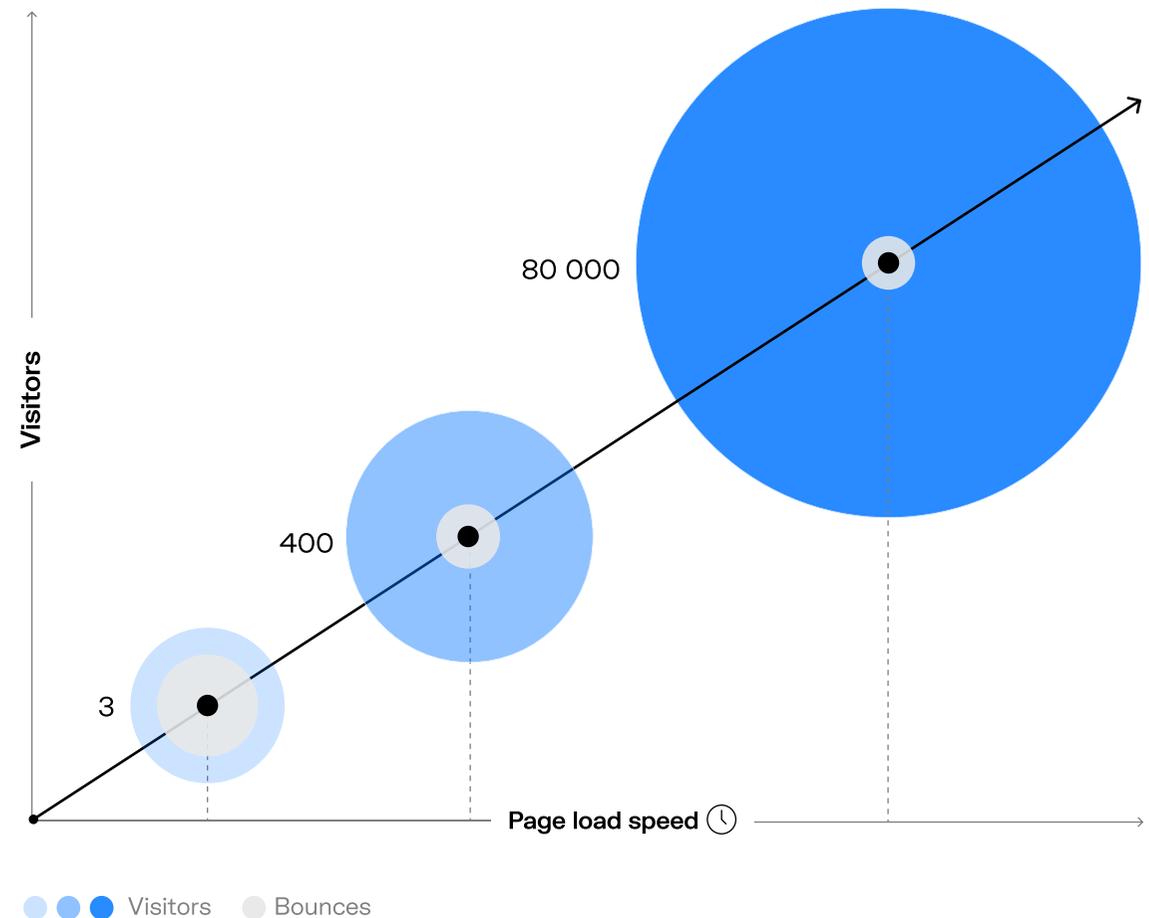
Total Visits is the sum of all site visits to the domain within a certain time period.

Increasing the number of total site visits is another essential demand in online business. When someone navigates to a website, they count as a visitor if they don't bounce off. Depending on the analytics setup, we look at bounces as either customer leaving due to slow page loads or browsing just a single page within a session.

Top-funnel marketing activities, especially single- and omnichannel campaigns, are a common way to increase the number of total visits. We claim that the activities can be optimized by serving better online experiences to retail customers.

Improving the quality of served online experiences is about Web Performance Optimization or WPO. The faster site pages load, the lower gets their respective bounce rate. The positive effect of faster page loads extends further and increases the number of pages viewed within every session.

Streamlined web performance drives more visitors and fewer bounces to your site.



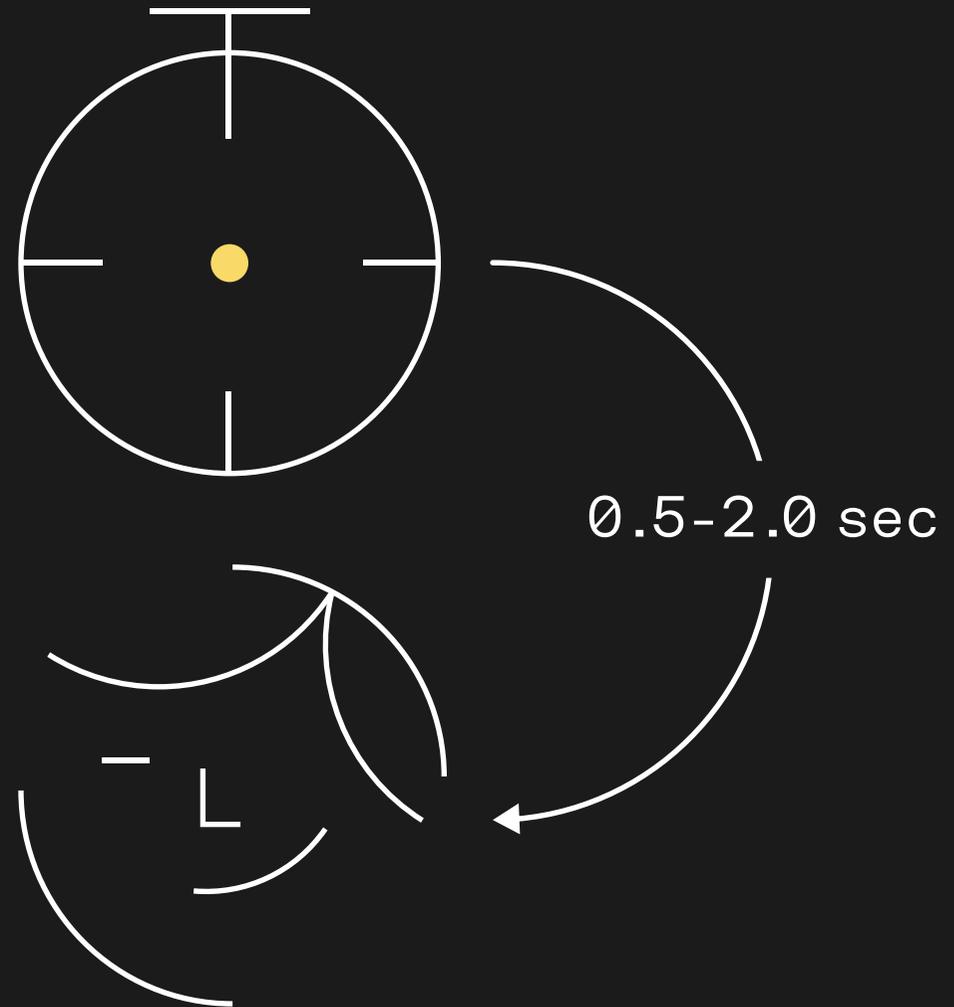
Mobile Device Visits

Mobile Device Visits is the sum of all visits to the domain on mobile devices within a certain time span.

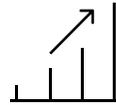
According to SWEOR, online CX issues cost online retailers about \$2.6 billion every year.

Most of the issues refer to mobile experiences with an increasing share of mobile visits (81.90% in 2019 compared to 77.00% in 2018 for ASOS).

Retailers have just two seconds to leave bounces behind and convert visits to shopping sessions.



Market Share



Market share is the percent of total sales in an industry generated by an individual company.

Each online purchase starts with a site visit. Improved CX converts more visits to shopping sessions and increases the probability of purchase by growing the number of pages viewed within every session. This generates more sales and thus positively affects Market Share for an online retailer.

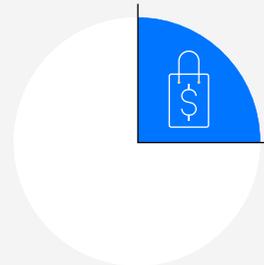
However, there are two more ways CX helps growing the Market Share.

1. It helps conquer more mobile shoppers. Mobile devices are more sensitive to any Web Performance issues, hence handling those allows to acquire and retain such customers.
2. It helps drive more organic traffic. Search engines rank site pages based on their performance. For instance, Google does this with Performance Score, which is a signal of its core ranking algorithm. The faster the page, the higher it gets in search results. Higher search positions naturally drive more clicks and hence organic site visits.

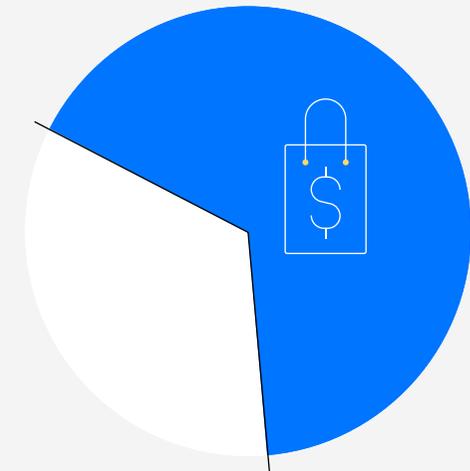
CR Visited → Purchased

An increase in the no-bounce share of desktop and mobile site visits together with better serving mobile customers and improving search visibility grows Market Share. Moreover, faster pages mean more pageviews per session and thus higher probability of purchase. Summing up, online CX directly influences the end-to-end or Group Conversion.

Ordinary site visits

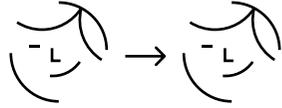


Site visits with optimized CX



Site visits: ○ Bounces ● Customers

NPS

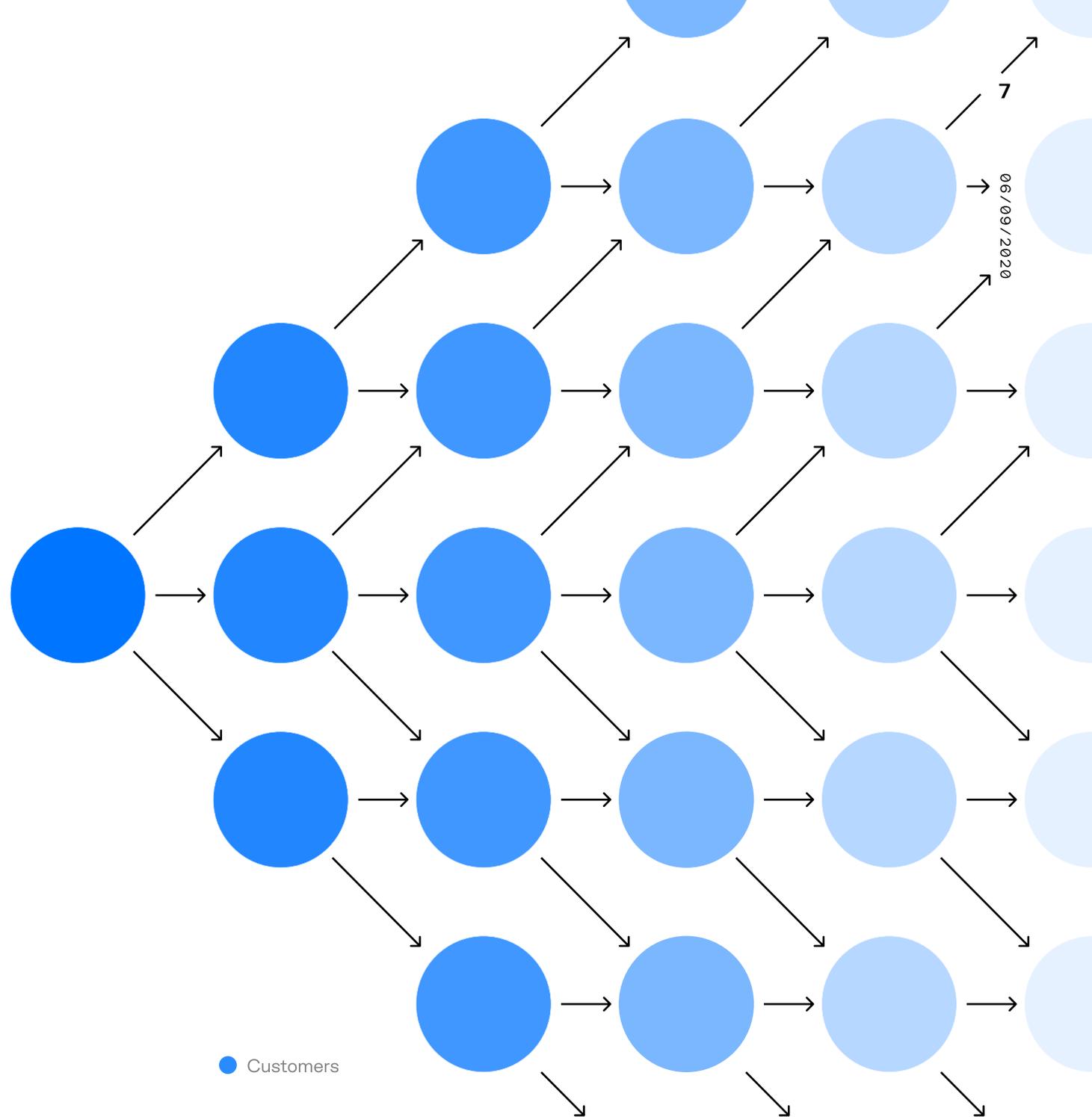


Net Promoter Score or NPS represents the probability of customers recommending your company to their network of peers.

While the concept of Customer Experience in retail spreads way further than digital, it's online where the fastest peer-to-peer interactions take place.

Naturally, good recommendations online follow the respective quality of shopping experiences. From general website performance to bottlenecks with checkout and payment, every aspect affects the promoter score.

Understanding the customer journey and polishing the experiences in every touchpoint improve NPS and have a collateral effect on other metrics.



Customer Experience Through Data

ABV¹, AUB², AOF³

¹ Average Basket Value or ABV is the sum of all unit prices added to the basket, includes taxes like VAT.

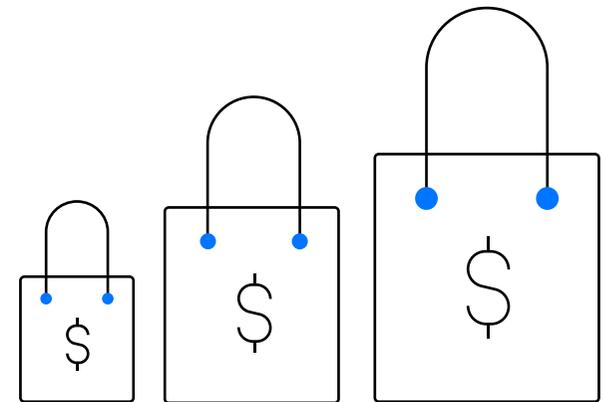
² Average Units per Basket or AUB represents how many units shoppers add to their basket, commonly calculated as Total Units Sold / Total Orders.

³ Average Order Frequency or AOF shows how often customers make purchases and is calculated Total Orders / Active Customers.

As described above, streamlined online CX helps grow Total Visits and Group Conversion. Now, let's take a look at the pirate AAARRR funnel that includes the following steps: Awareness, Acquisition, Activation, Retention, Revenue, and Referral. Growing Total Visits improves Acquisition and higher Group Conversion means having more users around every other funnel step down to Revenue. Considering the positive NPS effect, online CX can also improve the Referral pipeline.

Better online customer experience means having more shopping-related content consumed per session and thus higher probability of purchase. When customers browse through more catalog and product pages, they make more purchases naturally increasing AUB and ABV.

If we take a closer look at AOF, it becomes clear that the metric is closely related with the number of return site visits and NPS.



NPS well correlates with AOF. Return site visits are a function of NPS, and the more shoppers come back, the higher gets their order frequency.

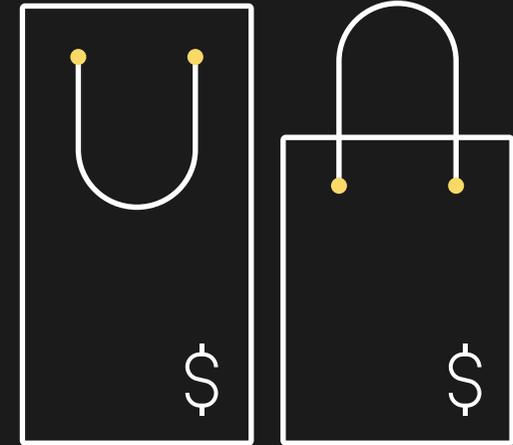
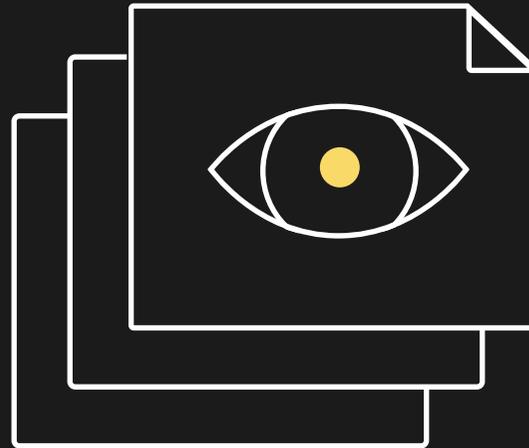
Faster page loading



More product page views per session



More purchases



Again, the faster each catalog or product page loads, the more of them are statistically viewed within each shopping session. The probability of purchase increases. It can be broken down into the probability of adding a product to cart & the probability of successful transaction.

Successful transactions have less to do with web performance than adding units to a basket. The more products you look through, the more items you add to the cart driving the natural increase in ABV, AUB, and the total number of purchases made.

ABV¹, AUB², AOF³

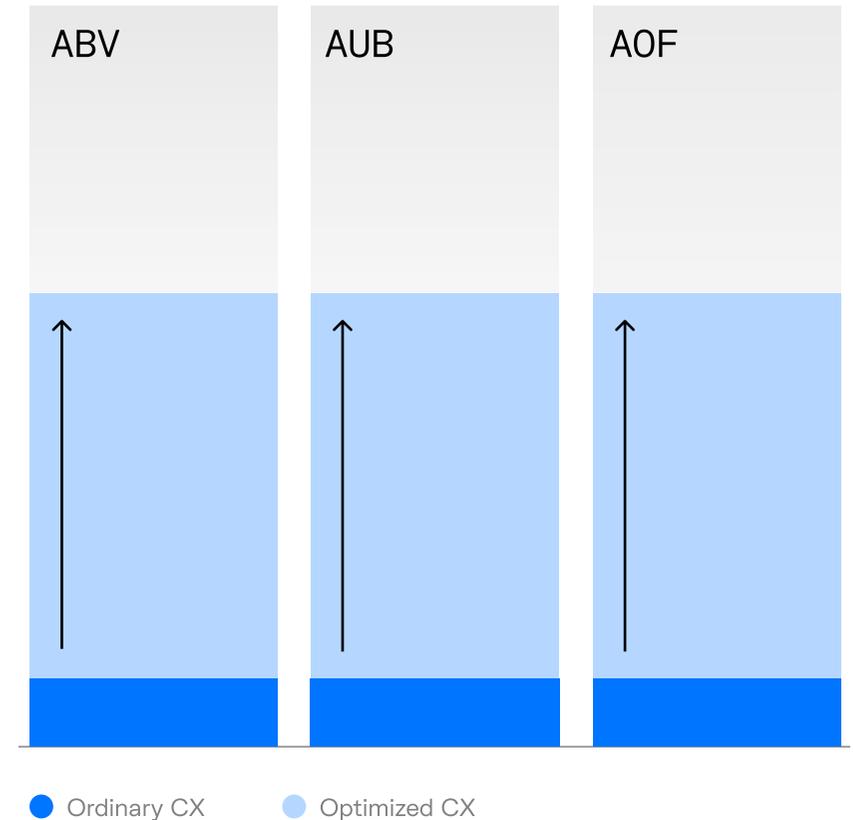
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According to ASOS the 2018-2019 YoY change in ABV, AUB, and AOF was -2%, +2%, and +4% respectively. Online shoppers tend to add slightly more units to their basket with slightly lower price of each individual unit.

Improving the online customer experience in retail has the power to support the revenue trend. When individual unit prices shrink, increasing the consumption of shopping-related content through growing pageviews positively affects the total number of units per basket (AUB) and AOF. This drives an increase in ABV without any unit price manipulations. Indeed, we can create room for lower unit prices and thus enhance the competitive edge.



Online Penetration & Market Share

Online Penetration represents the share of internet users turned into website visitors.

For ASOS alone, the share of mobile device visits grew by 4.9pp between 2018 and 2019 reaching an impressive 81.90%. Mobile touchpoints exist in both off-site and on-site customer journeys.

McKinsey& Company point in their research called “Customer Experience: new capabilities, new audiences, no opportunities,” that now is the time for moving from optimizing individual touchpoints to improving the journey in its full.

Mobile is important and the myriad of respective touchpoints form customer journeys massively guided by a single concept, experience.

77% → 81.90%

The share of mobile device visits for one of the largest online retailers has shown a +4.9% YoY growth.

Technology has handed customers unprecedented power to dictate the rules in purchasing goods and services. Three-quarters of them, research finds, expect “now” service within five minutes of making contact online.

Most online retail customers have about five minutes to

Visit your site without bouncing off

View product pages

Add units to basket

Ask questions

Proceed to a successful checkout

Handle unit delivery

Share their experiences and

give feedback

Online Penetration & Market Share

Page-load time target



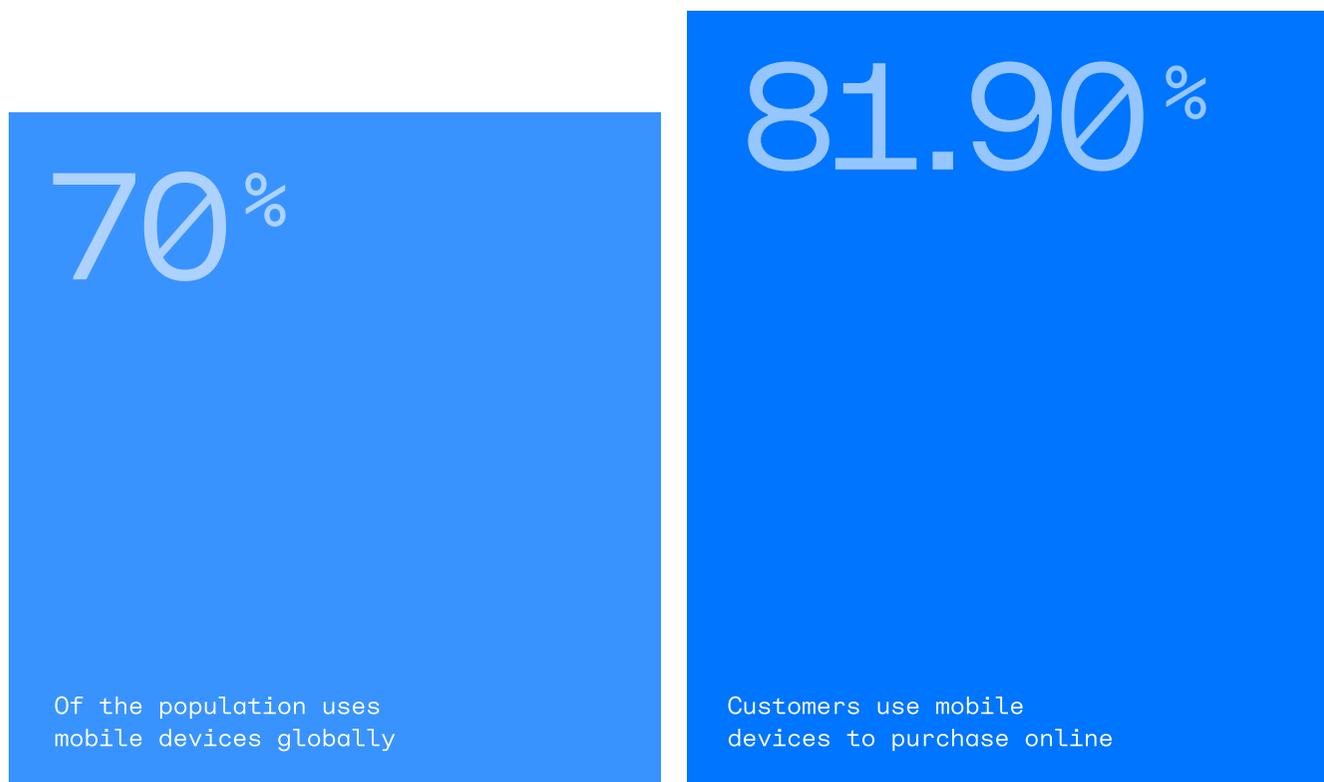
Shopping experiences are continuously getting more demanding. And, if online retailers want nothing to interfere with customers on their journey, they should consider the page-loading time of 0.3 to 2.0 seconds as the current benchmark. It's the borderland between customers spending their time loading pages and interacting with shopping-related content.

In their page-load benchmark for top 2,000 ecommerce websites, Mobify outlines that landing landscape can be optimized with Google's AMP caching mechanics to the loading time of 0.3 seconds.

From there, intermediate catalog and product pages within the on-site customer journey should comply with PWA requirements and take about 0.6 seconds to load.

Reaching the load time of 0.6 seconds on mobile can be very challenging. Here, shopping-related content is the major bottleneck since it mostly consists of images. Hence, the full CX-web performance challenge is about optimizing page layouts, scripts, and image content. In ecommerce, image content takes up over 70% of end-user network bandwidth per page view. This sets image optimization as the low-hanging fruit in improving the web performance, CX, CJ, and uplifting the share of transacting mobile customers.

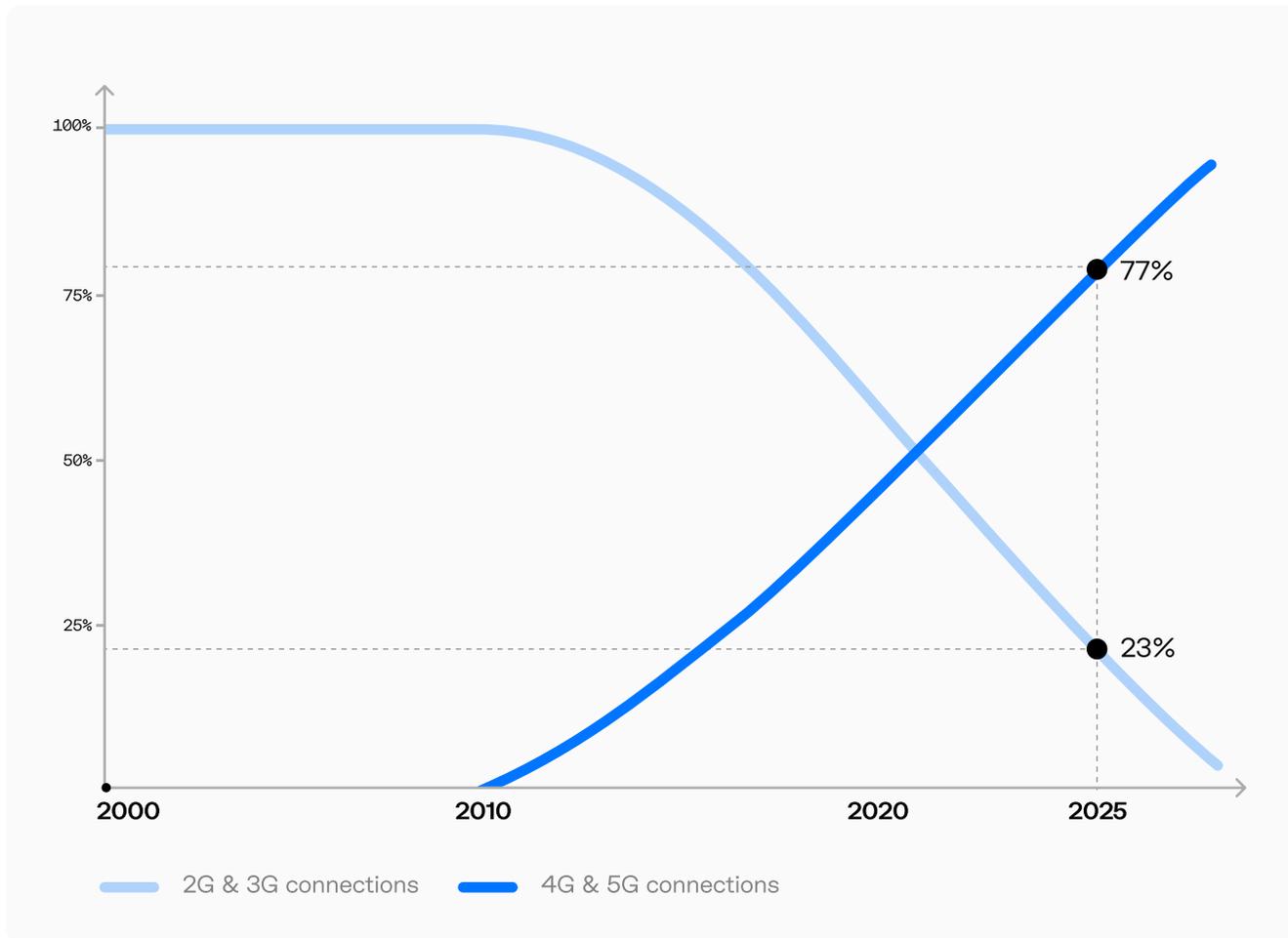
Online Penetration & Market Share



According to GSMA, 49% of the population are connected to the internet, while the global mobile device penetration is over 70%. It's crucial to note that only half (52%) of mobile internet users have access to 4G+ technology. This leaves the other half of the online retail audience with 2G and 3G connections.

Hence, the major challenge is about serving PWA experiences on slow connections. This is a competitive edge opportunity online retail leaders should consider and a core factor in leveraging Online Penetration projected for the 5-year perspective: to optimize mobile customer journey and serve lightweight yet engaging shopping-related content.

Online Penetration & Market Share



Overcoming the technical obstacle of serving streamlined CX over relatively slow 2G and 3G connections within a frame of three to five years will also help increase Market Share for top retailers.

The research by GSMA shows that this point is frontmost in the following regions: Sub Saharan Africa (91% 2G+3G technology share in 2019); MENA (71%); Russia and CIS (67%); Latin America (57%); APAC (52%).

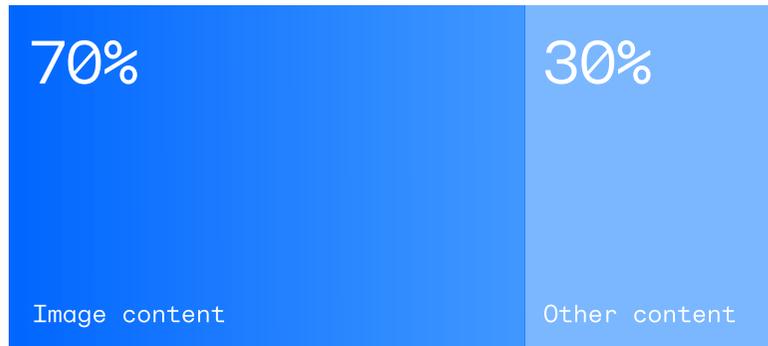
And even though the 2G+3G penetration trend is declining to reach 23% by 2025, improving web performance will help serve consistent page-load times of lower than 2.0 seconds to 2G+3G subscribers and full-fledged PWA experiences to 4G+5G ones.

Distribution Costs ¹ & Technology Costs ²

¹ Distribution Cost represent the expense of selling, advertising, and shipping goods.

² Technology Costs represent expenses associated with the development, acquisition, implementation, deployment, maintenance of assets of technology.

Product page structure



86% → \$\$
Of image content can be optimized Savings

*ASOS annual savings: **\$99.5M**

*2,000 top-performing e-commerce websites: **\$5B** savings yearly

GSMA outlines that the increasing penetration of faster broadband 4G and 5G mobile technology is a monotone curve: the standards will inevitably spread across the globe.

While for carriers this is an opportunity to grow cellular traffic several-fold, for retailers, next-gen broadband standards and increased traffic possess a significant risk of increased technology costs.

From the perspective of optimal Web Performance, enhanced online CX is closely tied with cutting Technology Costs. Since images take up over 70% of catalog and product page bandwidth, they account for roughly the same volume of CDN traffic.

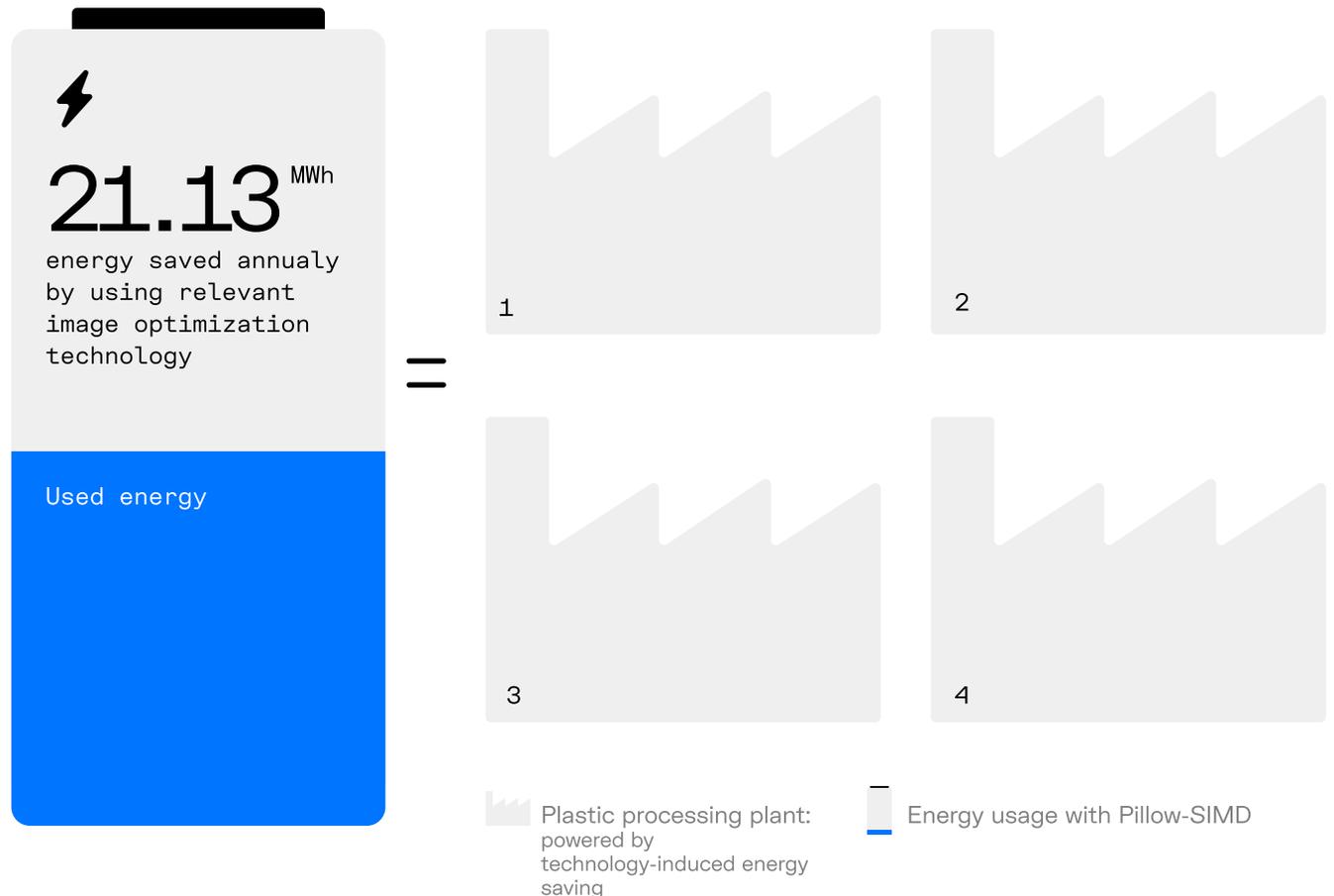
Image content can be optimized by 86% at minimal-to-zero loss in visual quality, and the decrease in CDN traffic volume and cost due to such optimizations can reach 92%. For ASOS alone, this results in about \$99.5M savings on technology costs annually. If we look at the 2000 top-performing e-commerce websites according to Similarweb, the resulting yearly savings reach about \$5B.

Optimizing shopping-related content saves energy

Reducing Technology Costs while streamlining the shopping experiences and improving the core business metrics helps cut the global energy consumption.

Relevant image optimization technology requires less energy than conventional methods.

For instance, replacing every image optimization technology on Earth with Pillow-SIMD can save 21.13 MWh annually. This is enough energy to supply four plastic processing plants.



Distribution Costs & Technology Costs

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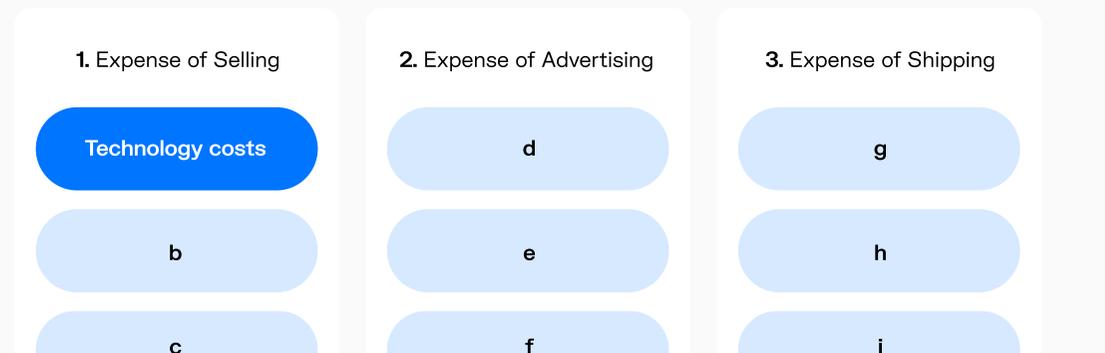
² Technology Costs represent expenses associated with the development, acquisition, implementation, deployment, maintenance of assets of technology.

While shipping costs are not affected by online CX, it helps optimize marketing budgets in two ways:

- 1 Google provides well-performing ad landings with lower cost per click (CPC) values.
- 2 Better performing landing landscape ensures fewer bounces and more website sessions with product page views (according to Neil Patel, every second in page response costs online retail about 7% loss in conversion rates).

If we look at Production Costs from the ASOS perspective, as “total price paid for resources used to manufacture a product or create a service to sell to consumers including raw materials, labor, and overhead,” we’ll see that Marketing Budgets are included in prime costs, and that optimizing them helps decrease production costs thus creating room for better competitive edge.

Distribution costs:



Technology Costs are hierarchically included in the breakdown of Distribution Costs, which can be interpreted as “expense of selling, advertising, shipping.” Technology Costs are included in the prime costs and thus help decrease the “expense of selling.”

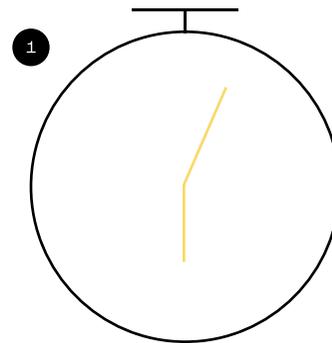
Report powered by Uploadcare

Uploadcare helps online retail improve core business metrics through web performance optimization and enhanced customer experience.

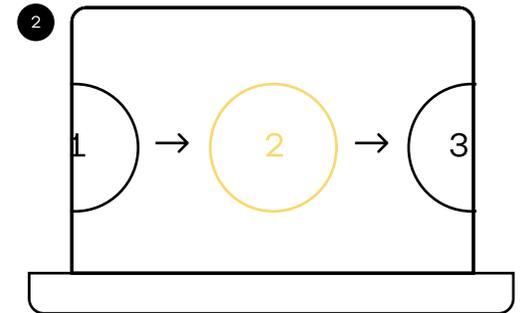
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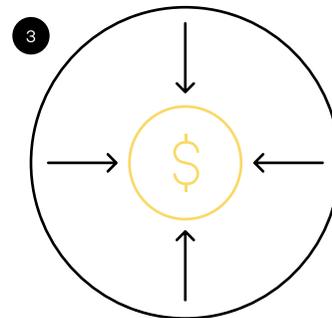
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Website pages load immediately



CX gets streamlined



Costs are optimized



Total ordering increases

→ Customer Experience

Customer experience is the impression a company leaves, resulting in how customers think of the brand, across every stage of the customer journey.

→ Customer Journey

A customer doesn't usually decide to purchase an item immediately after finding out about it for the first time. Usually, customers look at a product or a brand several times before deciding to buy it. Hence, the customer journey is the customer's path, via touchpoints, to their decision to purchase an item.

→ Touchpoints

A touchpoint is any point of interaction with a customer or potential customer at any stage of the customer journey.

→ Single channel strategy

Single channel refers to a producer or retailer's effort to reach customers through only one distribution option

→ Omnichannel strategy

Omnichannel marketing strategy creates a seamless message that adjusts to the customer based on behavior through the sales funnel, providing the ultimate personalized customer experience

→ Organic traffic

Organic traffic describes visits to a website coming from a search engine's organic results and not paid ads.

→ Progressive Web App (PWA)

PWA is a website that looks as if it is a mobile app. They are built to eliminate the need for e-Commerce companies to develop native apps for multiple mobile operating systems.

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What is the LTV/CAC Ratio?
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