

2012 E-Retail Industry Recap

The surprising facts you need to know for
your 2013 website strategy

Looking Back to Get Ahead

The Internet Retailer Top 500 Overview is out, and provides significant online data marketers need to have at their fingertips, including a few surprises and take-action information. For example:

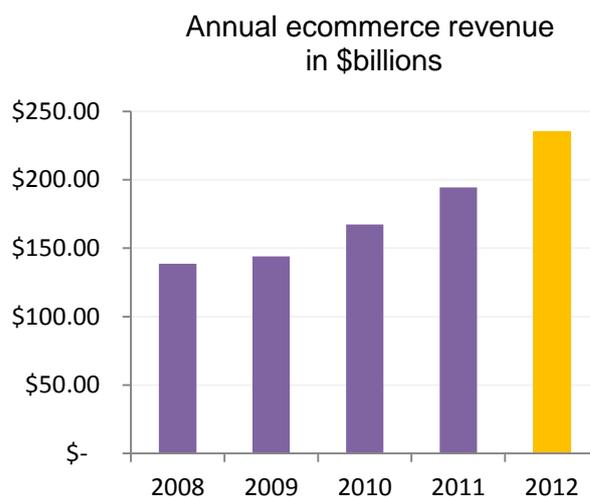
- Online retail is now nearly a \$200 billion industry, growing at 16.1% last year alone
- The top 500 web-only retailers grew by 32%, faster than any other merchant type
- The web was the fastest-growing channel for almost 90% of retail chains
- Average conversion rates are staying flat across the board at roughly 3.2%

The Facts You Need

Web retail has been growing exponentially year after year, grabbing market share from traditional brick-and-mortar retailers. It has long been recognized that **online retailers should be taking mobile and social shoppers more seriously**. Similarly, the thought that gut-instinct-based web marketing is out, and tactical marketing based on big data is in should be given more weight.

The E-Retail Boom

Internet Retailer has now delivered the facts to back up these opinions. While U.S. retail sales grew 5.6% last year (to \$2.73 trillion), online retail grew 16.1% (to \$194.3 billion). Furthermore, **the top 500 web-only retailers grew faster than any other merchant type**: 32% in 2011 to \$73.39 billion (of which Amazon is responsible for \$48.08 billion or almost 65 %!).



Chain retailers grew their web-based sales by 14.68%, but still lost overall traction in market share against the top web-only merchants. This is why big-name retail chains like

Nordstrom, Kohls, and Lowes are planning on sinking billions this year into ecommerce infrastructure upgrades, and considering closing physical stores. In fact, **the web was the fastest-growing channel for almost 90% of retail chains**, with online sales accounting for 20% of total sales for many traditional retailers – and 30% for household names like Staples, OfficeMax, Office Depot, and others.

The Rise of Mobile

It has also now been confirmed (and can be proved to skeptics) that mobile retail is on the rise. One leader, **a catalog operator called QVC, saw overall sales jump 25.6% last year, in large part, as a result of the site's focus on consumers shopping from mobile phones and tablets.** QVC reported that some \$380 million of its \$2.16 billion in online sales (almost 20%) came from mobile users.

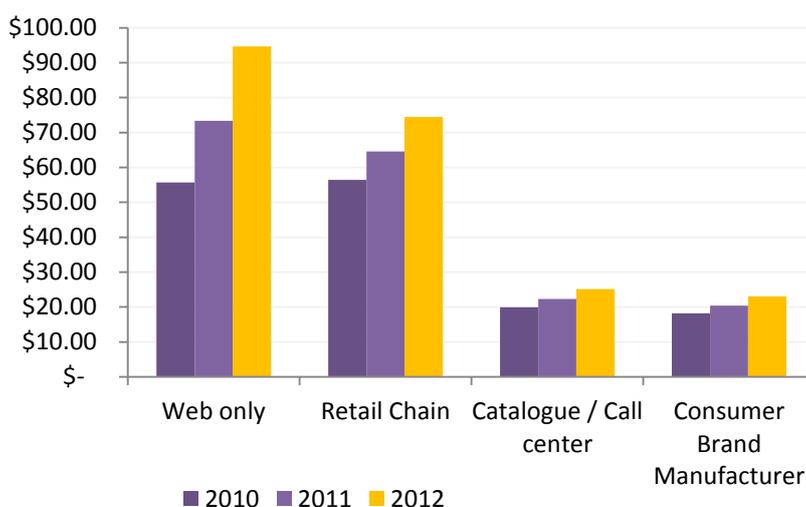
The Facts that Will Surprise You

The “big numbers” in the Top 500 Overview are powerful. But some of the more obscure numbers tell an equally compelling story.

The Fastest-Growing Web Retailer

The fastest-growing web retailer – ranked only #440 in overall sales – is a web-only niche fashion marketer called Jackthreads.com. The company grew sales a whopping 359% in 2011 by focusing solely on its target market (fashion-conscious young men), and engaging new prospects via smart social media marketing – ex. offering a \$10 discount for a member whose Facebook product “Like” leads to a purchase by another shopper. This teaches us not only the importance of laser-focused

Revenue by retail store type



niche marketing (even for companies targeting multiple segments), but also the true value of social media as a tool for growth (hint: “Likes” are not enough!).

Traffic vs. Sales for Brick-and-Mortar Retailers

Bucking the sales figures (14.68% growth in web sales), traditional retailers have seen growth of almost 30% in monthly unique site visitors, as compared to only 9% monthly growth for web-only retailers. **Why more traffic, but lower sales?** According to analysts, this marked growth is **partly the result of comparison shopping** (consumers checking the retailer site prior to leaving home) **and partly due to actual in-store surfing** (consumers checking out merchandise pricing and characteristics while actually in the store).

Takeaway for Chain Retailers

Chain retailers should leverage physical brand presence, while optimizing web user experience towards conversions, i.e. **offer in-store online discounts to help customers that don't really want to go somewhere else**, or create social programs that engage consumers in-store, to throw out just a few ideas.

The Facts You Really Need to Act On

One of the most resounding messages in this year's Top 500 Overview is also one of the most intuitive, but paradoxically one of the most difficult to leverage and act on: **brand and user experience are measurably driving online sales.**

Radical Consumer Behavior

The web has brought about a radical, irrefutable change in consumer behavior. Digitally-connected shoppers regularly research products, comparison shop, and discuss both merchandise and merchants with thousands of other consumers. In fact, this trend may be playing a role in **keeping conversion rates flat** (average 3.22%, up from 3.18% last year – Amazon had 4.0%) – **as potential customers spend more time shopping, but less time buying, on more sites.**

Consumer Empowerment = More Profits

The most successful brands are embracing this new-found consumer power and are in fact empowering consumers themselves. Brands that are trusted partners are on the rise. These brands sincerely try to help consumers in their decision-making; however, they also invest serious resources in cross-device user experience optimization. They realize that **while online user experience is always about providing consumers with the most relevant products at the most competitive prices, it is also (and arguably equally importantly) about innovatively engaging consumers and streamlining the shopping experience.** Basically, what drove McDonald's to install indoor playgrounds in fast-food restaurants is finally resounding in online retail: the more you can give customers what they really need in a fun, friendly and easy-to-use manner, the more profitable it is.

The One Question

That is a lot of promising information for this year, and hopefully the numbers get better next year as well. Nevertheless, the one question web retailers should be asking themselves at least ten times a day has not changed from last year: **did my competitors learn faster, and put it into practice better than I did?**

Next steps...

Questions?

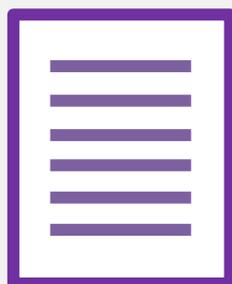
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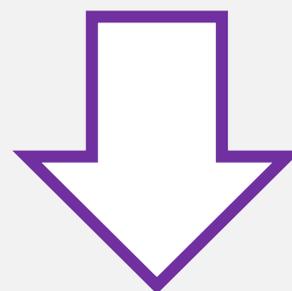
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