

[a21 papers: ecommerce trends 2011]

[some thoughts from sam frazier, agenda21's seo analyst]

One of the main trends the industry will see in 2011 is a change in the way in which brands view, analyse and draw insights from visitors on their sites: equating to an increase in the amount spent on web analytics. Online retailers are among the few in the online space that are starting to question the quality of their traffic that agencies are driving to their sites through digital channels. The spending on internal analytics staff has been slowly increasing since 2009 and **41% of companies surveyed stated they would increase their web analytics budget in 2010** (source: Lynchpin report 2009).

Some would even argue that the glory days of rapid online traffic and sales growth are over and a more pragmatic business model is emerging, where commercial value is more important than ever. It always should have been, but the scrutiny from "the Board" is only now increasing and web managers need to be smarter in the way they control ROI. As well as this, we are starting to see a pragmatic shift in the way consumers are spending their time online: they are becoming savvier, using price comparison sites and discount aggregators. In 2011, there will surely be more resource dedicated to website optimisation, using web analytics, voice-of-customer and testing to improve KPI targets. As consumers become more sophisticated in their use of digital media, site owners need to make greater efforts to understand their behaviour.

[how are some retailers doing this, or not?]

For the purposes of this short paper, we've looked at two famous online retailers. Amazon is a company that is renowned for its use of clickstream, statistical analysis and a dynamic approach to tracking online consumer behaviour. They exploit two enormous advantages that internet retailing has over other channels: the ability to experiment and fail at an extremely low cost, combined with the increasing levels of personalisation possible.

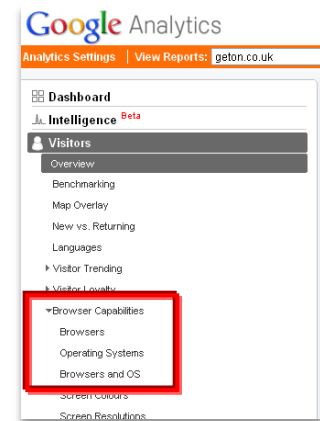


Sites that attempt to answer questions about products, prices, shipping and landing page layout, based on gut feel, will often inevitably fail. Conversely, Amazon has an embedded culture of testing, where they allow the customer to make the decisions that will ultimately lead to increases in conversions. This is done by relentless A/B and multivariate testing and continuous improvement on conversion rates. During these tests, different users are displayed different content via a piece of javascript and then the technology (Amazon use Google's Website Optimizer) records the conversions. In an A/B test, two separate pages are served; in a multivariate test, combinations of different elements are served. These elements may include different copy, buttons, pictures, videos or layout, or it may be other elements such as shipping options, or even the price of the product. Conversion rates are measured, the top converting elements are kept, the least performing ones removed and they are left with a higher converting page than before the test started. With Amazon, the tests happen almost continuously, ensuring that their site is constantly evolving in response to consumer preferences.

The second reason that Amazon has dominated for so long lies in the way in which they display personalised recommendations to their users. To do this, they build relationship maps of product inventory and attributes, capture consumer intent and measure the performance of the recommendations, creating a real time-feedback loop that constantly optimizes them on a per placement and per page basis. It is Amazon's holistic approach to web analytics, testing philosophy and serving targeted content that has resulted in them being market leaders in the ecommerce space.

From one extreme to another: from one company that is exploiting actionable insights from their analytics to another that is seemingly ignoring them and suffering as a consequence. Brian Clifton, author of the book *Advanced Web Metrics*, recently wrote a post to estimate the financial value of this very issue. During an attempt to book a flight using the Google Chrome browser, he noticed that the website failed to render. He then used a sample size of 2.5m visitors for the month of September to estimate Google Chrome's market share, which he found to be 11.6%. A sample of 20m visitors from our clients' sites shows an average of 12.8% (source: *Google Analytics and Omniture*). Other industry reports show [11.9%](#), [19%](#), [7.17%](#), [14.1%](#).

According to [Google Adplanner](#), EasyJet.com's website received approximately 1.8m unique visitors from the UK for September 2010 (that means 208,980 visitors using Google Chrome, if we use the 11.61% figure). Therefore, one could argue that the number of failed EasyJet bookings for visitors using Chrome is 4,180 compared to 36,000 successful ones, based on an online travel industry conversion rate of 2%. So, this equates to roughly 10% failed visits, owing to a failure in rendering the site for all browsers. While there may be a myriad of other much more volatile and important factors that could affect the industry overall (e.g. strike action or natural disasters), 10% is still an extremely high figure, considering what an easy fix this would be. So, how much might this issue have cost EasyJet? Flightline.co.uk states that the average revenue per seat for EasyJet seat is c.£50. So, if we were to assume that each booking has a return flight element: £100 x 4,180 failed bookings equates to a £418,000 loss for September 2010, or £13,933 loss per day.



The difference between the two sites' approaches does seem strange. On the one hand we have Amazon: relentlessly testing content and serving an ever more personalised shopping experience. On the other, we have EasyJet: seemingly failing to notice something as basic as conversions from different browsers. The fact is that there is no way that EasyJet did not know that their site was not rendering in Chrome, especially as they have invested in a universal container tag management system (Tagman). Clifton's calculations show what the loss to EasyJet would be if their users, upon being confronted with the page not loading, left the conversion process. However, I think this assumption holds little relevancy here. Due to the nature of EasyJet's customers and their extremely price inelastic demand for cheap holidays – even if they were confronted with an error for a page, they would more than likely continue to pursue conversion via another browser. They know that, because of their faith in EasyJet's low prices, they are still likely still get the best deal. Amazon's success, however, is highly dependent on that level of personalisation and optimisation, which the company secures through their investment in analytics.

[could Facebook change all or any of this?]

Since Facebook released their Open Graph via the Facebook API, an enormous wealth of personal data from over 500m web users has become at the disposal of anyone who requests it. Many online retailers are in fact using the data to create personalised "featured products", based on what the visitor's friends "Like". This is likely to set ecommerce conversion rates sky rocketing; instilling an element of trust where a visitor sees that his/her friends have purchased from a particular retailer. This opens up an enormous opportunity for personalising shopping experiences for online consumers at minimal cost. Interestingly enough, this is technology that Amazon is yet to adopt. How long before other retailers, such as US technology store Best Buy, adopt this technology and chip away at heels of the likes of Amazon?