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E-Commerce Trends for 2012: Mobile and Facebook Take Center Stage as Online Retailers Focus on Customers’ Digital Experiences

Introduction

Online retailers have risen to the economic challenges of the last three years, reporting substantial year-over-year improvements in 2011 over solid 2010 results. And although they continue to face the challenges of navigating the changing world of commerce in a fragile economy, online retailers appear to have a better grasp of managing multiple touchpoints, the latest crazes, and demanding consumer expectations. They need to. Consumer sentiment is lukewarm at best, and with more shoppers dipping into their savings to make purchases, they are mindful of their spending choices.

A 2011 survey of e-commerce professionals in consumer-facing industries shows that online retailers are overcoming these challenges by focusing on their customers, building Websites around them, investing heavily in the customer experience, and promising new areas for engaging shoppers and growing the company's base. Initiatives such as mobile that were a blip on the radar in previous years have taken center stage (and are commanding budget dollars). This compounds a key frustration online retailers face: the integration of multiple technologies, few of which were built for today's evolved use cases. Online organizations are stretched thin to balance back-end challenges while sprinting to deliver engaging, consistent user experiences that capture more mind share and wallet share—the key investment area for 2012. This white paper explains these trends in greater detail.

About the Survey

In November 2011, Endeca (acquired by Oracle in February 2012) conducted the *Trends for 2012 in Business to Consumer (B2C) Commerce* survey to help businesses gain actionable insight into the evolving nature of e-commerce. The survey captures business results from the last calendar year and provides visibility into areas of investment in 2011.

Responses were gathered from 221 e-commerce professionals from leading retail, travel, and consumer manufacturing organizations. Among the respondents, 53 percent identified themselves as business-oriented professionals, 37 percent indicated a technical role, and the remainder had an executive or C-level role. Of those surveyed—representing primarily companies among the top 500 internet retailers—most were from apparel, travel and hospitality, consumer electronics, general merchandisers, and specialty brands.

2011 Year in Review

The survey gives some insight into the trends, changes, and challenges e-commerce faced in 2011.

Amid Year-over-Year Growth for All Key Performance Metrics, Visibility into What's Working Is Subpar

The year 2011 delivered substantial improvements over an already strong 2010 in all key business metrics. Among the survey respondents, 60 percent reported that online revenue was up over the previous year. Furthermore, 69 percent reported higher total traffic, with 47 percent seeing more natural traffic and 43 percent reporting higher traffic from paid search programs or search engine marketing (SEM), suggesting that search remains a main artery for most online business and that investment in a sophisticated strategy remains a focus. Online retailers appear to be more effectively guiding shoppers to their desired goal—with 46 percent reporting higher conversion rates—and are delivering more-targeted merchandising, as evidenced by larger reported average order values. Shopping cart abandonment remains a major issue, with half of the respondents citing stagnant drop-off rates from those of the previous two years, with little insight into how to improve conversions.

A point of hidden frustration came through in the survey responses. "I don't know" was an answer option for each of the performance-related questions. Not knowing the basic metrics was consistently indicated by 13 to 33 percent of the respondents to each question, indicating that despite investment in analytics, there is limited visibility throughout the organization into basic metrics or what's working.

Results are growing exponentially year over year. In 2011, according to 60 percent of the respondents, revenue was up; 69 percent reported higher traffic volume; 38 percent noted higher average order values; and 54 percent saw greater mobile traffic.

Key Business Metrics Improved in 2011

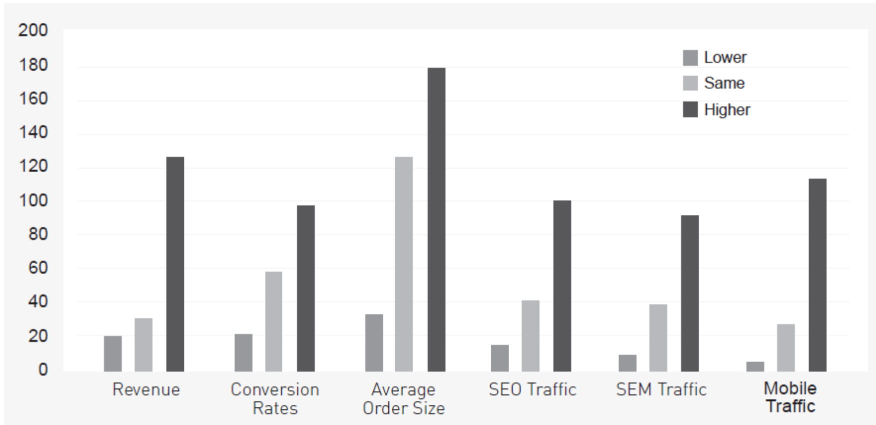

Figure 1. The vast majority of the respondents indicated substantial year-over-year improvements across key business metrics in 2011.

Mobile Was the Game Changer It Was Predicted to Be

Delivering on analyst predictions, 2011 was indeed The Year of Mobile. Not only did mobile sales increase dramatically, with US$6.7 billion in 2011 m-commerce sales, but mobile also proved itself as an incredibly valuable tool for accelerating online and in-store purchases on the customer's terms. Mobile has also served as a catalyst for cross-channel integration. With consumers using mobile Websites and apps in tandem with other touchpoints, 41 percent of the respondents from online organizations plan to invest more resources on the front end of mobile user experiences and integrate mobile with their back-end technology. The success of mobile has not only encouraged organizations to continue investing in it in 2012 but has also led them to ratchet it up by hiring more employees with mobile skills and building on existing programs to find new ways to engage connected consumers.

Consumers Feel the Lack of Back-End Integration

Having interchangeable experiences across touchpoints is becoming a major focus as channels collapse and consumers engage with multiple touchpoints to make a single purchase. When the survey respondents were asked how well their customers could navigate their brand via multiple touchpoints, the results indicated that there is still much work to be done. Only 8 percent reported an "excellent" experience, that their customers could have a consistent experience across all touchpoints; 38 percent rated their experience "good," with two touchpoints integrated; 31 percent said their experience was "fair" and 22 percent said their experience was "poor," with no integrated touchpoints.

To Hedge Against the Weak Economy, Organizations Balanced New Acquisition and Retention Strategies with Investment in Experience

To combat the lingering economic weakness, online retailers focused equally on three areas: growing market share, cultivating their customer bases with loyalty programs, and investing in the user experience. Customer acquisition centered on search strategies and social programs, whereas loyalty programs relied heavily on e-mail marketing and mobile loyalty programs to drive more-frequent, higher-value transactions. Protecting margin and experimenting with new social programs rounded out the top five areas online organizations focused on to protect against economic woes.

Organizations Have Invested More in Customer-Centric and Customer-Facing Technologies, with Mobile and Analytics Leading the Pack

When asked to select all areas of investment over the last 18 months, mobile (68 percent), Website analytics (68 percent), e-mail marketing (53 percent), and social programs (47 percent) topped the list, followed by user reviews (broken out separately from social programs, at 45 percent). Capturing lower percentages were internal-facing technologies, including content management systems (41 percent) and e-commerce platforms (36 percent).

Retailers manually cobble together the front end and the back end. Integrating technologies is the top reported challenge.

Challenges

Online retailers rate the integration of technologies as their primary challenge. Consumers expect to glide seamlessly between a brand's touchpoints for a consistent, relevant experience. And although retailers are finding ways to manage the front-end experience with existing tools, the new world of commerce is quickly creating a proliferation of customer entry points and dialogues that's unmanageable for retailers to handle with traditional technologies. The emergence of multichannel/omnichannel/cross-channel commerce has presented many new complexities, with online retailers citing technology integration as the top pain point in their organization.

Other challenges include

- **Delivering consistent (but nuanced) user experiences.** Among those surveyed, 47 percent said they have difficulty delivering an integrated experience. Different tools and different teams are driving different user experiences online, on mobile devices, within social forums, and at in-store kiosks. Retailers struggle to deliver the same content, product inventory, features, and overall experience optimized appropriately for their growing assortment of touchpoints.
- **A growing number of tools, technologies, and skill sets.** A quarter of the respondents indicated that procuring the new skills required to manage the growing number of technologies has become a major problem. An array of technologies controlled by different groups is delivering elements of the user experience that are then cobbled together with traditional tools that were simply not built for today's commerce. If new technology approaches and organizational structures for more efficiently

scaling for commerce are not investigated, fragmentation across touchpoints and within single experiences will continue.

- **Solving the difficult but critical search engine optimization (SEO) puzzle.** Although natural and paid search traffic is up significantly, the inner workings of Google are still a mystery to many, with 30 percent of the respondents indicating that SEO ranks among the top three pain points in their organization. Plenty of internal and third-party resources are needed to give this incredibly valuable entry point its due attention—even more so as Google updates its algorithms and leaves organizations scrambling to regain lost rankings. But with 70 percent to 85 percent of consumers starting product research on Google, retailers are forced to get SEO right. An uptick in video investment (27 percent of those surveyed) may be related to the latest Google update, which gives more-favorable weighting and organic rankings to sites with related multimedia content.
- **Limited visibility into what's working and what's not**. Unfortunately, many online businesses are operating in the dark. Investment in Web analytics and business intelligence (BI) tools is a critical part of doing business, but 26 percent of the survey respondents said that there is still very limited visibility into what's working and what's not. Although limited knowledge may be partly due to lack of cross-organization communication, there is a gaping hole in making real-time insight and actionable analytics available to members of IT and business teams. To handle the expanding number of touchpoints, the volume and variety of customer information, and usage analytics, organizations will begin investigating agile business intelligence tools and merchandising analytics to offer more-targeted experiences and a more efficient business.
- **Time to market needs major improvement.** Technology and workflow bottlenecks are greatly inhibiting the ability to get to market quickly with revenue-generating campaigns and everyday Website updates, according to 27 percent of the respondents. Retailers are investigating new tools that promote greater flexibility and simplified integration of technologies and content for more easily—and quickly—delivering and scaling better user experiences.

Looking Ahead

The survey provides insights into which investment and initiative trends e-commerce professionals expect to tackle in 2012.

Investment in User Experience Remains a Top Priority; Mobile and Commerce Platforms Get Equal Priority

When asked to identify the top three areas for investment in 2012, the respondents indicated that continued investment in the customer experience was the top priority, followed by mobile and commerce platforms.

- **User experience seen as the largest opportunity to drive additional revenue**. Answering the demand for tailored user experiences, 44 percent of the respondents representing online retailers reported that optimizing the user experience across touchpoints is their top priority for 2012.

- **Planned investment in mobile equals e-commerce platforms.** Mobile and commerce platforms came in second and third, respectively, for planned areas of investment in 2012, with 42 percent of the respondents choosing spending on mobile programs and 41 percent indicating budget for a commerce platform. Mobile has become a key element of doing online business, gaining as much attention as must-haves such as the commerce platform.
- **Social climbs the list as a top investment area.** The survey respondents listed social fourth on the list, with 35 percent citing a planned social investment in 2012. As online organizations aim to build experiences around consumers, they know that social elements are a necessity to further engage the millions of socially active consumers and meet their expectations. Survey respondents regard social programs as both a customer acquisition and retention tool.

Top Areas of Investment for 2012

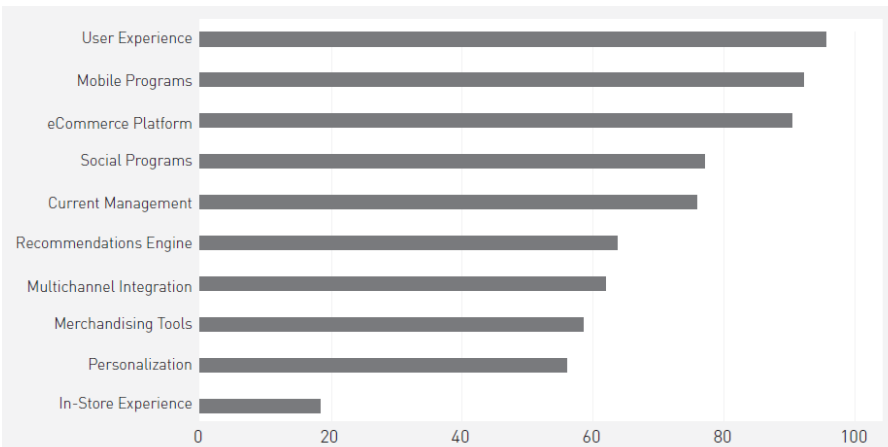

Figure 2. The user experience, mobile programs, and the e-commerce platform were the top three priorities for 2012.

For New Areas of Investment, Facebook Ranks #1, Followed by Mobile and Other Social Programs

Broken out from "other social programs," Facebook takes the top spot for emerging areas to invest in, with 57 percent of the respondents indicating a planned investment in the social networking giant. Behind Facebook, the mobile Web (47 percent), other social programs (such as Twitter or forums, with 43 percent), and mobile apps (43 percent) rank among the top emerging initiatives.

There is a new focus on the mobile Web over apps. Retailers now prioritize mobile-optimized Websites (46 percent) over creating apps (42 percent).

Emerging Initiatives for 2012

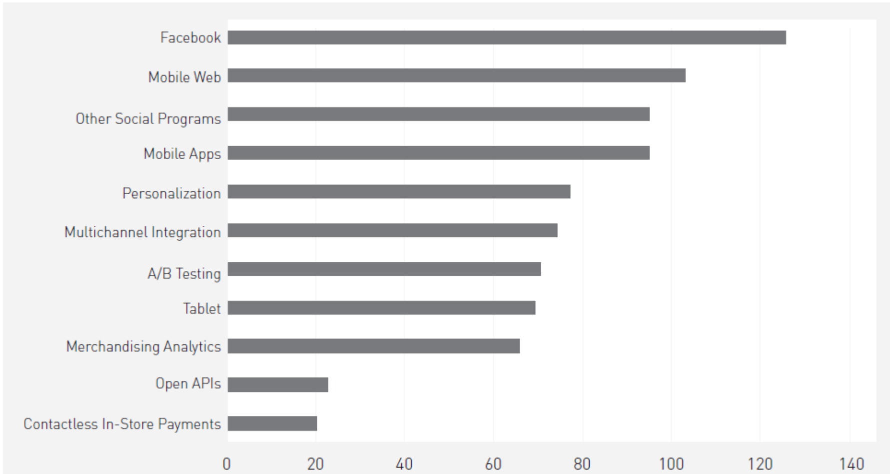

Figure 3. Facebook is the clear winner for areas of new investment, followed by mobile Web and other social programs.

- **Retailers flip mobile priorities—mobile Web over apps in 2012**. Flip-flopping from last year's survey results, investing in a mobile-optimized Website ranked as a higher priority than mobile apps. Last year 38 percent of retailers reported mobile apps as a top investment, with 31 percent choosing mobile Web. In the current survey, 46 percent said they will invest in mobile Web and 42 percent will invest funds in apps. Although apps will continue to be created for engaging interfaces and features, retailers are now focusing on the greater volume of browser-based traffic by providing consistent experiences integrated with the other digital touchpoints that mobile directly supports.
- **Social programs remain a top priority.** Beyond Facebook, 43 percent of retailers are continuing to answer the demand for social programs such as enhanced user reviews and communities. Although social programs are a must-have in today's user experiences, one-third of the respondents still reported difficulty in determining social program ROI.
- **Personalization, A/B testing, and tablet devices round out the emerging initiatives list**. *Personalization* has been broadly defined, but with relevance at the core of a great user experience, personalization remains a consistent focus, with 34 percent of the respondents investing in new personalization initiatives in 2012. Among the respondents, 31 percent of respondents reported A/B testing as a new area of investment with the promise of promoting proven content and products to consumers. Tablet devices made a first appearance on this year's survey, with 31 percent saying they plan to invest in the emerging touchpoint, ranging from in-store deployments for kiosks and associates to consumer-facing apps and experiences that engage big-spender tablet users.
- **Determining emerging programs' ROI is a challenge.** Consumers are demanding social programs and multichannel features that retailers must deliver to remain competitive, but 30 percent said determining the measurable value of new programs is difficult. Retailers are defining new metrics to measure success going forward, including new-customer acquisition, volume of user-generated content, and time spent on a Website.

Conclusion

Online retailers are on the cusp of a totally new way of doing business. They have a unique opportunity to capture consumer mind share and wallet share if they can deliver consistent experiences and enable unique multichannel commerce behaviors before their competitors do. Success will rely on honing efforts to address user-centric customer experiences, narrowing the focus to the most-valuable programs, and electing the right technology strategy that will enable internal teams to deliver optimized experiences scalably. Areas to watch are the emergence of real-time retail analytics, social-enabled commerce, the continued success of mobile, and tools that will enable retailers to scale always-targeted experiences that target merchandising more effectively. As needs surpass what existing technology can support, solutions will collapse into a unified control panel where consistent, optimized cross-channel experiences can be created, managed, and monitored centrally.

Contact Us

For more information about Oracle Endeca Web commerce solutions, visit oracle.com/webcommerce or call +1.800.ORACLE1 to speak to an Oracle representative.

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