

➤ a higher state of eCommerce

INFOPIA



How Analytics is Driving Multi-Channel Online Selling

➤ As eCommerce continues to evolve, so must online retailers. In the beginning, selling on your own website was enough—and basically all you could do. Tracking your performance was fairly easy by simply looking at your website traffic and transaction data. Now, eCommerce is more sophisticated in many ways and includes a myriad of online selling channels such as Amazon, eBay, Overstock and many other e-marketplaces.

These multiple online channels exponentially raise the complexity of analyzing an online retailer's performance. First, the business needs to gather data from its online channels. Next, the business faces not only the daunting task of analyzing a massive amount of data, but also analyzing across all online channels to understand how their moving parts fit together, how the business is successful, and where it can improve.

While a portion is an art form, most of online selling is a science. The science of business intelligence and analytics helps online retailers continually manage new market challenges. This White Paper explains how focusing on the correct strategic objectives and utilizing analytics can provide a roadmap for your operations within a multi-channel, online selling environment.

The familiar saying goes, “what you don't measure, you can't improve.” Without measuring and analyzing performance, business strategy is a guessing game. We'll discuss the steps to help you understand your current business objectives, to identify Key Performance Indicators (KPIs), and to track them on a continual basis. Only after these steps are taken, can the wealth of data be properly mined, leveraged and converted

into clear, actionable facts and information to help you make better decisions and drive your business forward.

ONLINE RETAILING ANALYTICS 101

What are KPIs? Key Performance Indicators are quantifiable metrics that reflect an organization's performance on its goals and objectives. In other words, a KPI ties directly to a strategic objective your business wants to achieve such as revenue growth, profitability, market expansion, cost reduction, etc.

By closely monitoring KPIs, you can continually refine your eCommerce selling strategy and execution. Depending on the goal, you might address the following areas when evaluating your performance: inventory management, marketplace listing management, check-out processes, and customer management. You might also consider the “Four P's”— Product, Price, Place, and Promotion.

Effective KPIs tell merchants where to focus their energy. For example, certain KPIs focus on the operational performance of daily activities such as order fulfillment, daily revenue, inventory and listing status. Other KPIs focus on strategic performance such as sales-channel

profitability, valuable-customer sources and best-listing strategies.

MAPPING KPIs TO BUSINESS OBJECTIVES

Data alone is not very useful without context, interpretation and filtering. Effective KPIs bridge the gap between the eCommerce analytics data and the business objectives to determine what works, what does not, and where to concentrate your efforts to improve business. Therefore, your KPIs must be correctly aligned with your business objectives.

To determine your current business objectives, you need to answer two key questions:

1. What is my business trying to accomplish?
2. What defines success for my online selling efforts?

The following examples illustrate how different online business objectives translate into KPIs:

Objective: Lead Generation

Capture information about a visitor to use in future marketing activities and communications.

POSSIBLE KPIs: *Leads, cost-per-lead, conversion rate, registrations, newsletter sign-ups, partner referrals, price quotes, demo quotes, collateral downloads, etc.*

Objective: Customer Support

Quickly and successfully answer customer questions. Address

customer problems online.

POSSIBLE KPIs: *Visits, unique visitors, web inquires, web inquires-per-visit, percentage of successful support inquires, call center volume, customer satisfaction index, etc.*

Objective: Content & Advertising

Attract repeat visitors who explore the site in-depth.

POSSIBLE KPIs: *Page views, visits and unique visitors (reach), average page views per visit, conversion rate (actions/visit), subscriptions, registrations, logins, cancellations, etc.*

Objective: Online Selling

Maximize exposure to prospects. Drive online sales.

POSSIBLE KPIs: *Revenues, orders, profit, conversion rate, revenue-per-visit, profit-per-visit, average order value, etc.*

Once your business objectives are defined, determining the right KPIs is straightforward. However, be aware that as your business objectives evolve over time, their respective KPIs should evolve as well – especially any crucial KPI that defines success for your business. Online-selling success can be defined by various parameters: maximum revenue, maximum profit, maximum inventory turnover, and so on. Some online retailers focus on maximizing revenue verses maximizing profitability during various times of the year. As the underlying data becomes easily accessible, activities and decisions are better adjusted to determine accurate KPIs.

FOUR STEPS TO TRANSLATE OBJECTIVES & KPIs INTO ACTION

With a basic understanding of online retailing analytics and customer activity, how can an online retailer translate this information into a plan of action? The following four steps will help you take action on the information that already exists within your business:

1. Business Performance

Start by looking at the KPIs and how they relate to your business objectives. Examine the KPI results. Are they at acceptable levels? How are they trending? Are they going up or down?

What KPIs should tell you about your business:

REVENUES. Are they increasing at the rate you expect?

PROFITABILITY. Are you making a good margin?

CUSTOMER GROWTH. How many new verses existing customers?

PRODUCT TURNOVER. How quickly are you moving inventory?

2. Cause and Effect

Now comes the hard part: determining what is driving a KPI's performance. This important information tells you how to take action.

Some causes for online selling KPI performance:

WRONG PRODUCT. Is your product not wanted? Is it presented poorly?

RIGHT MARKETPLACE. Are you focusing on the wrong market-

places? Are you paying too much in fees?

INEFFECTIVE PROMOTION. Are your promotions reaching the target audiences? Are they utilized in the buying process?

ORDER EXECUTION. Do customers abandon their shopping cart in the checkout process?

3. Improvement

This step is about taking action. Analyze the KPI drivers and decide how to adjust them to maximize KPI performance.

The following examples are possible actions to take on KPI drivers:

MARKETPLACES. Change your mix of marketplaces.

LISTINGS. Use different products and price mixes.

CUSTOMER SERVICE. Create better checkout processes and customer communication.

WEBSITE. Coordinate your website in conjunction with other marketplaces.

4. Track Progress

Tracking your progress brings the process full-circle. To fully understand how your business is performing, you must continuously and systematically cycle through your defined KPIs utilizing the four-step analytics process.

DATA, DATA EVERYWHERE: GETTING TO THE RIGHT INFORMATION

The vast amount of data must be filtered to deliver the right

information needed to measure the KPIs. Then, the data must be presented in an easy-to-understand format. The information should be delivered with two critical considerations in mind.

1. Different presentation to different users

Some users look for fast facts, while others need to access deep data analysis. An intuitive user interface and easy access to the right information are critical factors. The following presentation tools are available in Marketplace Manager and are part of Infopia Analytics: DASHBOARD. Easy-to-read pulse of overall company performance for products, listings, revenue, marketplaces, promotions and other areas.

INSIGHT REPORTS. Drill-down of the areas above provides additional data and interplay among these areas for greater decision-making support.

DATA EXPORTS. Detailed exports from the data warehouse deliver a complete data set for deeper evaluation of business performance.

2. Comprehensive information across business and periods of time

Information from current and historical business activities should be part of your data set. This information should include a complete view of your online business:

TOTAL ECOMMERCE BUSINESS

Start with inventory all the way through the final payment.

ALL ONLINE SALES CHANNELS

Include the website and all utilized online marketplaces.

CUSTOMER LIFETIME VALUE

Acquire new customers and repeat-customer orders.

CRITICAL KPIs FOR MULTI-CHANNEL, ONLINE SELLING

The following list is a practical guide for the KPIs that should be tracked when driving a multi-channel, online selling business. These KPIs have been collected by Infopia through years of experience with multitudes of various online retailers. They can provide a starting point for any online retailer looking to make the most of online selling analytics.

Overall Business Performance

The following KPIs provide an excellent high-level overview of the business in all areas of online selling. They help drive priorities by identifying which of the following areas need closer examination:

- Most Profitable Products
- Most Profitable Marketplaces
- New vs. Returning Customers
- Most Profitable Listings
- Most Profitable Coupons
- Most Profitable Campaigns

Online Sales Activity

KPIs that provide insight into the online sales funnel show the level of activity and success at various stages of the online selling process:

- Visitors & Conversions
- Page and Listing Views
- Orders

Shopping Carts
Up-sell Orders

Listing by Marketplace
Duration View

Marketplace View
Lifetime Value

Product Performance

KPIs that examine top performing products by profitability, sales numbers, gross merchandise value (GMV), and total revenue, while adding additional metrics for review:

- Product Profitability
- Top Sales Revenue
- Top Close Rates

Listings Performance

KPIs that show product performance across several marketplaces, including what days and times are best for your listings:

- Listing Turnover
- Listing Profitability

Marketplace Performance

KPIs that show where you have the most activity, where you make the most money, and how much it costs to close a sale:

- Marketplace Sales Activity
- Marketplace Profitability
- Average Cost per Order
- Marketplace Listing Turnover

Customer Insight

KPIs that show where your customers buy, where you acquire them, and how much they spend:

- Customer Scorecard
- Geographic View

Campaign & Coupons Performance

KPIs that indicate the effectiveness of ad campaigns, including clicks, orders and conversion. Learn how often your coupons are used, what the opportunity cost is, and which customers are using them:

- Campaign Conversion Percentage
- Campaign Activity – number of clicks, orders
- Coupon Conversion Percentage
- Coupon Activity – number of clicks, orders

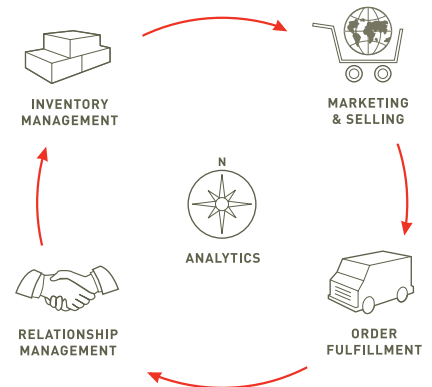


IMPROVING PERFORMANCE BEGINS WITH KNOWLEDGE

As we've discussed, you can't improve what you don't measure. Taking the time to identify and utilize KPIs as discussed above will streamline the process of analyzing data across multiple online sales channels. By using this type of analytics information as part of your business operations you will have a complete view or a "holistic approach" to managing your eCommerce business strategy, and you will improve your ability to capture and retain business. To effectively use analytics remember to do the following:

1. Examine your Business Performance using KPIs.
2. Understand Cause and Effect on KPIs.
3. Use the information to make Improvements.
4. Continue to Track Your Progress.

By matching powerful KPIs with your business objectives, you can make smarter, timelier business decisions that have the power to increase your bottom line.



For information about Infopia Analytics, part of the industry-leading Marketplace Manager solution suite—visit www.infopia.com or call 888.337.6352.

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