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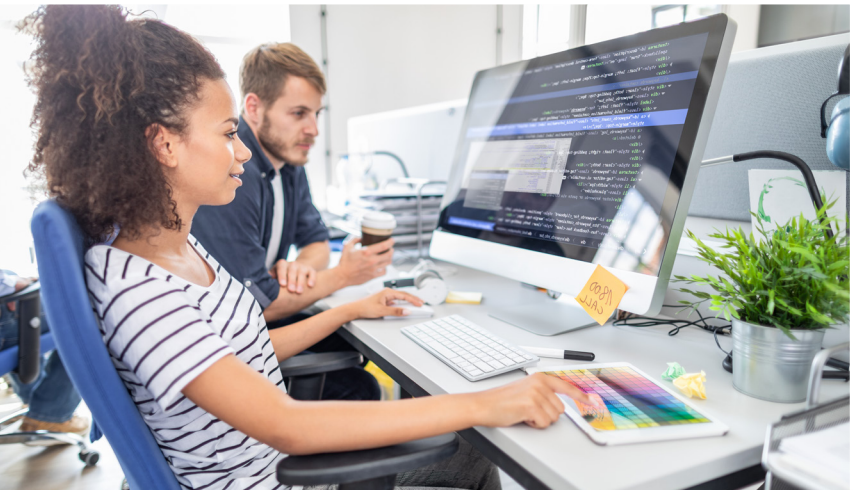
DIGITAL COMMERCE 360 RETAIL

April 2023

CONVERSION RATES FOR RETAIL:

BEST PRACTICES AND HOW TO IMPROVE ROI



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CONVERSIONS MAY HAVE HIT A CEILING. IT'S TIME FOR RETAILERS TO UP THEIR GAME

Ecommerce has changed much about the way merchants sell and how shoppers buy. But the single most fundamental change is that shoppers in the digital age have an infinite number of choices about what and from whom to buy.

Once a shopper arrives on a retailer's website or app, a struggle begins to convert the potential customer into a satisfied customer.

Driving conversions is as much art as it is science. And a look at the conversion landscape of 2022 shows that art and science may have reached a ceiling. Conversion rates are largely unchanged from the prior year. And there seems to be little in the data to suggest that rates will move much one way or another in 2023.

So, the challenge for retailers now is to hold the line while seeking incremental gains.

In this report, we look at several types of online experiences that prompt a shopper to buy.

Product offerings are among the more crucial factors driving conversions. If a retailer doesn't have what a shopper wants or if that shopper simply can't find an item, then obviously that shopper's visit won't convert to a sale. A robust internal search

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engine is key. Similarly, having helpful product descriptions and reviews can help shoppers make more informed decisions and gain confidence in their purchases.

Customer service is another key factor that drives conversions. Whether it's through live chat, phone or email support, having knowledgeable customer service representatives available to answer questions and assist with any issues can make all the difference in a consumer's online shopping experience.

Website design also plays a crucial role in conversions. Both aesthetics and functionality are important factors that can make or break conversions. No shopper will linger long on a site that crashes or loads slowly. Intuitive navigation helps shoppers find what they need quickly and easily without becoming frustrated or overwhelmed by too many choices or competing visuals. Additionally, a well-designed app or mobile-friendly version of a website is essential for retailers in 2023.

Price and shipping are also key factors that drive conversions. A range of money-oriented conditions must be in place to foster conversion, starting with free shipping, the right price, and promotions. The right price drives conversion for 66% of the 1,060 online shoppers Digital Commerce 360 and Bizrate Insights surveyed in January 2023.

The **payment and checkout experience** is also crucial. Shoppers have come to expect varied payment options. They want to choose among credit card companies, fintech vendors such as PayPal or Venmo, buy-now-pay-later providers like Affirm, and more. And generally speaking, shoppers are frustrated by a slow-loading checkout page. Yet recent data suggests shoppers are remarkably tolerant of slower checkout experiences if they help prevent fraud.

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TAP INTO YOUR CURRENT TECH STACK FEATURES TO BOOST CONVERSION RATES

An executive conversation with **Piyush Patel,** chief strategic business development officer, Algolia

In this volatile economy, organizations of all sizes are tightening their purse strings. At the start of the pandemic, many had made huge investments in the latest ecommerce technology, but are still struggling to reach their conversion rate goals. In a time when budgets are already stretched, rather than invest in additional technology to try to meet ecommerce goals, Piyush Patel — chief strategic business development officer at Algolia — discusses how companies should leverage the full potential of their current tech stacks to boost conversion rates.

What are some of the best strategies retailers use to boost conversions today?

Because most retailers aren't able to make additional technology investments now, they should be focusing on how their current business goals align with the technology investments they've already made. Then, they should ensure their internal teams are aligned to leverage that technology to meet those goals. For example, if your marketing team is running a campaign to drive traffic to your site for jeans, but your merchandisers aren't optimizing the site search for jeans, then there's a disconnect that negatively affects spend to conversions.

How have these strategies to increase conversion rates changed in recent years?

With budget tightening, retailers — and their technology partners like Algolia — are now focusing on what drives the most value.

1. AI is a game-changer because it allows us to look at and leverage data in a more meaningful way. With massive amounts of data flowing into platforms comes the ability to understand and leverage it.

2. There have been declines in big transformation projects, which has provided the time to sit back and assess. Initially, there was this knee-jerk reaction to do everything in the interest of growth at all costs, but now retailers are more focused on their KPIs and achieving them efficiently.

How important are website design, personalization, descriptive product content, payment options and checkout flow to conversion rates?

These are all important to the customer journey. But what's most important depends on the individual retailer. Retailers need to look at what parts of their customer journey aren't working — from search to checkout to payments to returns — and improve those pieces so the entire path continues to improve over time. Removing friction from the user experience throughout plays such a critical role.

What are the biggest challenges retailers face when implementing strategies to boost conversions?

Because so many tools have come out to address this problem, retailers have too many options to consider, and that can be paralyzing. This focus on ecommerce and optimization came about so fast that organizations didn't have a chance to be new at it, then learn and grow. Setting the right KPIs, instrumenting their systems to get the right telemetry so they can act in a data driven manner are key ways to drive more efficient investment.

Analytics is crucial to optimizing the user experience, and retailers need to understand the role it plays. With many retailers moving toward data insights and API approaches, they need to have a good analytics framework to gather the insights they want and put them to use.

How can they overcome these challenges?

First, look at what you have right now in your tech stack and how they all play together. See what and how best to leverage your toolset to drive those business goals.

Second, move toward more of a data and AI-driven user experience. Most of the tools and technologies a customer uses right now already have those capabilities built in. They just need to be explored a little more, and teams need to be trained how to best use them.

Algolia helps retailers do just that — understand the features within their current tech stack and then leverage them to create a better user experience and ultimately boost conversions. When you give an engine like Algolia the right data and signals, it takes a lot of manual work and guessing out of delivering highly relevant and converting experience. Deliver what your users want, make it easier for you to do and optimize your spend — these are the key things brands need to be focused on right now.

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LIVESTREAMING: A RETAILER CASE STUDY

Natori invests in livestreaming to appeal to new generation of customers.

Will livestreaming ever be as big in the U.S. as it is in China?

"Absolutely not," says Ken Natori, president of The Natori Co.

"But, for us, from an ecommerce perspective, it is important to be an early adopter of livestreaming," he says.

If Natori didn't believe that before his company began livestreaming, he does now.

The conversion rate during Natori's inaugural live selling event on Oct. 6, 2022, was more than double compared to a typical day. This includes shoppers that viewed the stream live or as a replay. The average visitors to the site also doubled during the livestream event (live and replays).

The retailer's second

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livestreaming event, on Oct. 22, featured stylist Engie Hassan, who promoted her favorite looks. Viewers were able to live chat during the session and ask questions about products. While Hassan presented, Natori employees answered shoppers' questions in real time via chat.

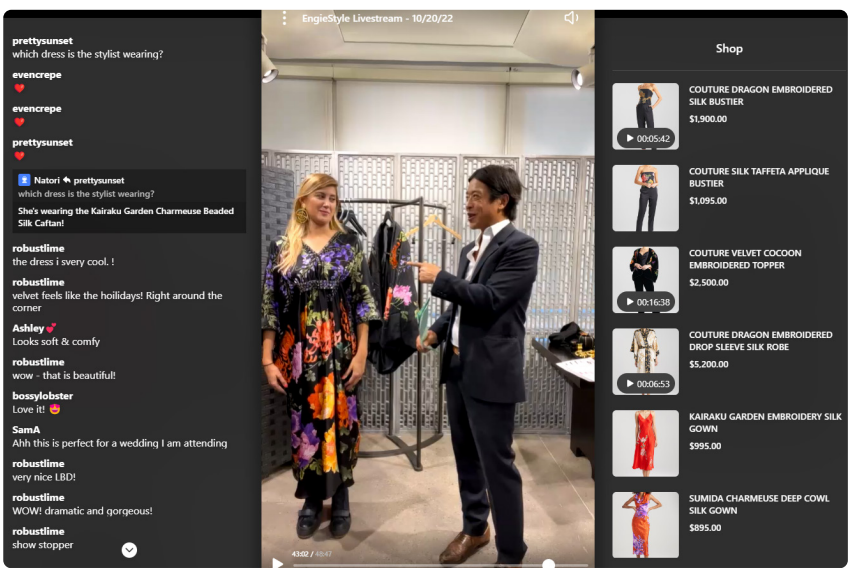
Hassan has 173,000 followers on her Instagram account, EngieStyle, and has tagged Natori on various posts where her clients are wearing the brand's items among other designers.

"It was great to have an outside stylist come on and cross-promote in front of our respective audiences," Natori says.

Online sales were slightly lower than the first livestreaming event. But that was to be expected, Ken Natori says, because the first event featured founder and CEO Josie Natori, Ken's mother.

Average order value did not change much between the two sessions. But, conversion for livestream viewers remained higher compared with non-livestream viewers, Ken Natori says.

Natori is investing in livestreaming to connect with a new generation of shoppers. The brand selected video commerce vendor Firework to launch livestreaming. The retailer livestreams events from its own website. Natori continues commissioning social media influencers to help shoppers connect with the brand.



During Natori's Oct. 22, 2022, livestreaming event with stylist Engie Hassan, shoppers could chat and ask questions in real time.

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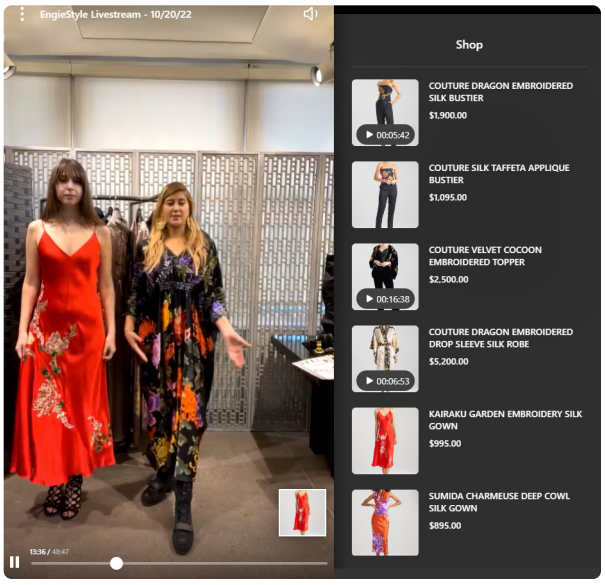
Live shopping isn't a go-to option for U.S. consumers. But that's starting to change, according to the Digital Commerce 360 and Bizrate Insights post-holiday survey of 1,023 online shoppers in January 2023. 9% of surveyed holiday shoppers watched livestreaming of products. And 4% of respondents said they'd like more livestreaming from retailers in 2023 to lead them to buy more online.



"It was great to have an outside stylist come on and cross-promote in front of our respective audiences," says Ken Natori, president of The Natori Co.

The next phase for Natori is to simulcast live on its own website and via Instagram Live and Facebook Live, he says. This is particularly helpful when appealing to younger shoppers, Natori says.

"These last couple of months have been about getting the technology right and figuring out execution," he says. "Once that's more of a smooth-running ship, we are certainly going to try to promote it more."

The retailer wants to expand its brand from its sleepwear, bras and underwear to become an East-meets-West lifestyle brand, Ken Natori says. Influencers are tasked with getting the word out, he says.

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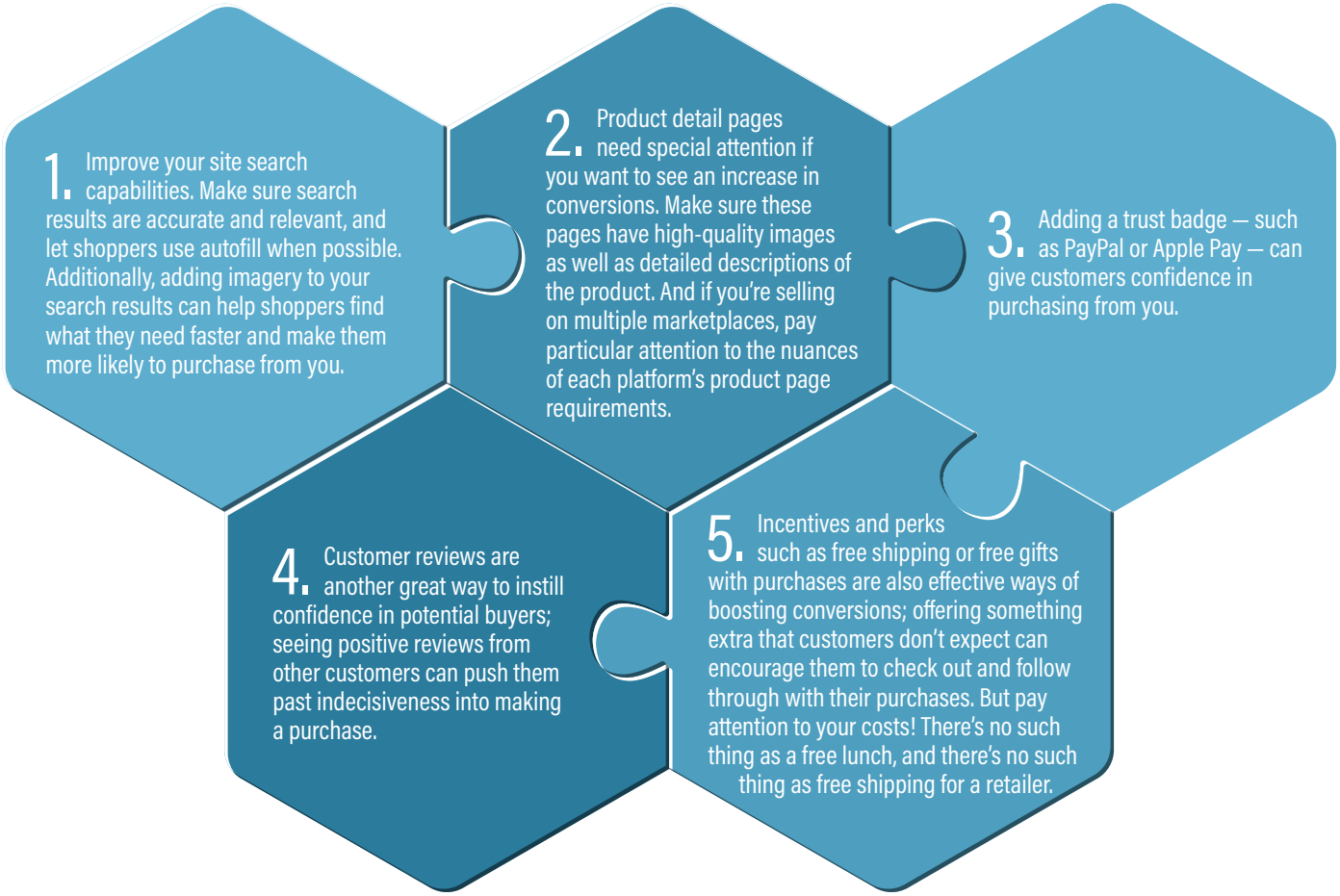
FIVE EASY PIECES TO BUILD HIGHER CONVERSIONS



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CONCLUSION

Ecommerce has changed much about the way merchants sell and how shoppers buy. But the single most fundamental change is that shoppers in the digital age have an infinite number of choices about what and from whom to buy.

Marketing is about getting a potential customer to consider a purchase. Advertising, search-engine optimization (SEO) and more are aimed at bringing a shopper to a website or app.

Once that shopper arrives, an entirely new fight begins to convert the potential customer into a satisfied customer.

Driving conversions is as much art as it is science. And a look at the conversion landscape of 2022 shows that art and science may have reached a ceiling. Conversion rates are largely unchanged from the prior year. And there seems to be little in the data to suggest that rates will move much one way or another in 2023.

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Digital Commerce 360, formerly Internet Retailer, has been a global leader in retail and B2B ecommerce research and media for over two decades. Our organization provides daily news, trend analysis, and competitive data to a vast community of executives, retailers, financial firms, manufacturers and more. Our team of experienced journalists and researchers publish a multitude of products each year, including dozens of research reports, newsletters, charts and infographics, webinars, live events, and data on thousands of ecommerce companies through its Digital Commerce 360 Research brand. We also founded groundbreaking ecommerce products and events, including Internet Retailer magazine, the Top 500 Guide, the Internet Retailer Conference & Exhibition (IRCE) and, most recently, the EnvisionB2B Conference & Exhibition.

ABOUT DIGITAL COMMERCE 360 RESEARCH

Digital Commerce 360 Research tracks hundreds of metrics on thousands of online retail companies around the world, including critical data metrics like web sales and traffic, conversion rates, AOV and the technology providers that power their businesses. We publish our analysis of the data in numerous annual reports on timely ecommerce topics like marketplaces, omnichannel, platforms, and many more. In addition, our robust custom research department is skilled at creating personalized projects — including reports, surveys, raw data pulls and more — to support retailers, consultants, financial analysts and technology providers meet their goals.

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