Advancing Digital Commerce Capabilities to Drive Financial Value
Perspective and Benchmarking Framework
Digital commerce is the single most dynamic retail channel with new game-changing trends unfolding in fast intervals.

**Digital Commerce Trends**

**Social Media**
- Social media (Twitter, YouTube, Facebook) for bi-directional communication with customers

**Mobile Commerce**
- Second spring of m-commerce through rise of smartphones
- Both via mobile sites and apps

**Social Commerce**
- Individual offers based on social profile
- Integration of shop frontend into Facebook

**Multi-Channel**
- Integration of all channels (online, phone, bricks-and-mortar)
- Inclusion of steps: explore, shop, service

**Cloud Commerce**
- Individual offers based on personal cloud (e.g., music)
- Both from home and in shops (e.g., record store)

**Process and Platform Implications**

- Dedicated social media team
- Introduction of special Facebook offers
- Functionality for scanning social media content

- Templates to cater to small screen needs
- Applications development and integration with platform

- Linking product and service offerings with likes and interests
- Development of “light” shops for website integration

- Full integration of online platform and backend across all channels
- Need to shift from make to buy

- Integration with own cloud platform or collaboration with third party cloud providers

Source: Booz & Company
Recent developments include customer interaction through social media, mobile commerce, and social commerce.

Did You Know: Digital Commerce?

- Trust recommendations from people they know
- Spend more online after recommendations
- The expected social commerce revenue in the United States by 2015: US$30 billion
- 56% of Facebook users are female

1 in 4 U.S. online shoppers has posted product reviews online

P&G sold 1,000 diapers in 1 hour on Facebook

GAP achieved US$11 million revenue in 1 day with Groupon

U.S. e-commerce Sales (in US$ billion):

- 2011: 197
- 2012: 218
- 2013: 240
- 2014: 259
- 2015: 279

Source: Booz & Company
A company’s online presence remains at the heart of these developments and requires continuous improvement and overhaul.

**Digital Commerce Trends of Digital Commerce Leaders**

**STAPLES**
- Customer ratings and reviews to provide trusted shopping guidance
- Power users and “verified buyers” create credibility
- Assessing products by several dimensions, pros/cons, and best uses
- ...by improving the big-screen experience

**AMAZON**
- Smartphone apps to browse and shop the full range from the mobile
- Focus on most important information in mobile app
- Transparency through price comparison with barcode scanner
- ... by following customers wherever they go

**1-800 FLOWERS**
- Functional online shop in Facebook to send real flowers to virtual friends
- Offers coupons to customers who become “fans” of the service, thereby promoting it to friends
- Marketplace within Facebook: fully functional e-commerce platform
- ... by venturing into the “social parallel universe”

Source: Booz & Company
We tested digital commerce functionalities in extensive market research to identify those with the highest relevance to customers.

**Website Features and Digital Commerce Functionalities**

1. **Ratings & Reviews** 65%
2. **Search & Filter** 58%
3. **Check-Out** 58%
4. **My Account** 57%
5. **Shopping Cart** 57%
6. **Recognition** 54%
7. **Product Comparison** 54%
8. **Offers & Promotions** 54%
9. **Shopping Experience** 50%
10. **Advisor** 46%
11. **Cross & Up-Selling** 45%
12. **Support** 45%
13. **Consistency** 40%
14. **Payment Options** 36%
15. **Order Mgmt & Delivery** 36%

- Website features are the visible dimension of digital commerce capabilities.
- These features represent the tools and systems dimensions of a capability and are relevant for the attractiveness of websites to consumers.
- To be able to offer these features, companies also need to build up the necessary skills, create the required organizational structure, and introduce the underlying processes.

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1) Proprietary Booz & Company Market Research (survey question: Please rank the following based on how important they are to you in an e-commerce website.)

Source: Booz & Company
A set of established digital commerce KPIs helps to quantitatively assess performance and improvement economics

<table>
<thead>
<tr>
<th>KPI</th>
<th>Description</th>
<th>KPI-Improving Functionalities (Examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Visitors</td>
<td>Number of different users visiting the website</td>
<td>Ratings &amp; Reviews, Product Comparison, Offers &amp; Promotions</td>
</tr>
<tr>
<td>Average Dwell Time</td>
<td>Average time a visitor spends on the website</td>
<td>Ratings &amp; Reviews, Product Comparison, Advisor</td>
</tr>
<tr>
<td>Average Cart Size</td>
<td>Average amount spent per order</td>
<td>Ratings &amp; Reviews, Cross &amp; Up-Selling, Offers &amp; Promotions</td>
</tr>
<tr>
<td>Conversion Rate</td>
<td>Number of sales per number of site visits</td>
<td>Cross &amp; Up-Selling, Payment Options, Check-Out</td>
</tr>
<tr>
<td>Monthly Return Visitors</td>
<td>Ratio between total visits and unique visits</td>
<td>Shopping Experience, Offers &amp; Promotions, Order Mgmt &amp; Delivery</td>
</tr>
</tbody>
</table>

- All depicted KPIs have high economic relevance for online retailers …
- … while conversion rate is by far the most sought after
- However, conversion rate does not tell the fully story and thus needs to be combined with other KPIs – example:
  - Relevant content may reduce conversion, as visitors gather information rather than buy.
  - Relevant content may however increase visits and average cart size, counteracting the reduction in conversion rate

Source: Booz & Company
KPIs vary significantly from category to category — this implies significant potential to transfer best practices across industries

**Examples**

- **Conversion Rate**
  - Conversion ranks from merely 0.3% to almost 20%, some reach up to 30%
  - Conversion can improve by involving customers, having an engaging showroom, and providing an optimized order process
  - Small increases can have huge impacts on the bottom line

- **Average Dwell Time**
  - Average dwell time differs from some seconds to up to 20 minutes
  - Rich multimedia content, customer participation, a broad portfolio, and configurable products keep (potential) customers on the website
  - Users staying longer are more likely to convert and spend more on average

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1) Values for Conversion Rate: Dell: 1%, Amazon: 4%, Vistaprint: 6.5%, Staples: 10%, 1-800 flowers: 17%
2) Values for Average Dwell Time: Levi’s: 1 min, Apple: 5 min, Staples: 7.5 min, Amazon: 10 min, QVC: 14 min, jewelry television: 20.5 min

Source: Top 500 Guide, Econsultancy, Booz & Company Analysis
Digital commerce functionalities significantly improve individual KPIs and thereby are important drivers of financial value.

We have in-depth research on the relationship between digital commerce functionalities (e.g., user-friendly product display, recognition and personalization, express checkout) and typical KPIs (e.g., unique visitors, conversion rate).

The results indicate substantial financial upside potential through implementing digital commerce functionalities, as indicated by the increased unique visitor and return visitor numbers, higher average cart size, and improved conversion rates.

Due to inspiration seekers, platforms with user-friendly product displays (e.g., 360° spin, zoom) have lower conversion rates (-7%) than the overall average. However, this is compensated by higher unique (+29%) and return visitors (+6%) who spend more time on the online platform (+7%).

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Data: The study is based on data gathered from the Top 500 Guide, entailing records for the Top 500 and Second 500 leading North American online retailers.

We bring a tried and tested toolkit to baseline digital commerce capabilities

Digital Commerce Capability Assessment Modules

- **Purchase Funnel**: These are modules that drive a particular element of the frontend experience for the customer during the purchase process.

- **Design**: These are key decisions that need to be designed into the platform upfront, as they have significant requirements on foundational elements and impact most if not all elements in the purchase funnel.

- **Foundation**: These are critical enablers that need to be available to support the purchase funnel and design elements.

- **Capability assessment modules** were designed with a view toward their ability to be managed as stand-alone projects in a sequential platform upgrade.

Source: Booz & Company
The framework breaks down 5 top-level groups into 17 modules with 191 specifications for a rich and well-grounded assessment.

Digital Commerce Capability Assessment—Details

Groups
1. Foundation
2. Design
3. Interact & Get Support
4. Search & Shop
5. Explore

Modules
1. Shop, Buy, Receive & Use
2. Interact & Get Support
3. Design
4. Foundation

Dimensions
Specifications

Source: Booz & Company
For an initial evaluation of a player’s digital commerce capabilities, we assess the 12 modules that are accessible outside-in ...

### Results of Outside-In Evaluation—Summary View

<table>
<thead>
<tr>
<th>Purchase Funnel</th>
<th>Exploration</th>
<th>Shop, Buy, Receive &amp; Use</th>
<th>Interact &amp; Get Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1a Showroom</td>
<td>2a Offers &amp; Promos</td>
<td>3a User Engagement</td>
</tr>
<tr>
<td>1b Account Management</td>
<td>2b Order</td>
<td>3b Support</td>
<td></td>
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<tr>
<td>1c Marketing Channels &amp; Shop Link</td>
<td>2c Post-Order Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2a Offers &amp; Promos</td>
<td>3b Support</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>3a User Engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4a User Interface &amp; Navigation</td>
<td>4d SEO</td>
<td></td>
</tr>
<tr>
<td>4b Segmentation &amp; Targeting</td>
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<tr>
<td>4c Multi-Channel</td>
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### Evaluation Dimensions and Specifications “Account Management”

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Specification</th>
<th>Evaluation</th>
</tr>
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<tbody>
<tr>
<td>Authentication</td>
<td>Single vs. Multiple</td>
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<tr>
<td>Persistence</td>
<td></td>
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<tr>
<td>Registration Process</td>
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<tr>
<td>User ID &amp; Password</td>
<td></td>
<td>Marginal Performer</td>
</tr>
<tr>
<td>Registration Confirmation</td>
<td></td>
<td>Minimal Capability</td>
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<tr>
<td>MyAccount</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Navigation &amp; Structure</td>
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<tr>
<td>Integrated Search &amp; Filter</td>
<td></td>
<td></td>
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<tr>
<td>Visibility</td>
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Note: “Foundation” cannot be assessed outside-in
Source: Booz & Company
... and provide a sense of a player’s competitive position through comparison with our benchmarking database for these 12 modules

**Client (Score: 38.9)**
Client offers good multi-channel experience but lags behind regarding showroom and navigation.

**Competitor 1 (Score: 40.0)**
Competitor 1 presents good offers and promotions but lags behind in some other dimensions.

**Competitor 2 (Score: 39.4)**
With intuitive user interface and navigation, website still provides potential in other dimensions.

**Competitor 3 (Score: 48.0)**
Competitor 3 provides a well-rounded shopping experience to customers.

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**Note:** “Foundation” cannot be assessed outside-in.

**Source:** Booz & Company
In addition to benchmark scores, rich qualitative assessments versus best-in-class examples help derive actionable conclusions.
Ultimately, e-commerce initiatives should deliver a fact-driven target-state design, covering technology and operating model.
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