Absolunet.

Q1 2018

CANADIAN ECOMMERCE INDEX

How Canadian retailers performed during the first quarter of 2018

What's Covered

A Strong Start to 2018

The first quarter of 2018 saw Canadian retailers continue to bridge the eCommerce gap with US retail and reach a higher level of digital maturity - as did Canadian consumers.

This Canada/US scale remains true, albeit many retailers are bridging the 3-year gap faster than before, as several metrics in this index will suggest.

Having said that, Canada remains a different market than the US, with different brand, geographical, demographic and logistical realities, including higher shipping costs in many provinces.

eCommerce Growth

Just about every performance metric showed year-over-year (YoY) growth during the quarter, which measured performance and progress from January 1st to March 31st. This growth highlights that digital is moving beyond eCommerce alone, becoming an overall strategic concern for retailers.

How Canadian retailers performed.

The gap between Canada's eCommerce numbers have traditionally mirrored US eCommerce, adjusted to scale for population differences, and offset 3 years; (ex: where the US was in 2016, Canadian eCommerce would reach in 2019).

As Canadian consumers become increasingly digital, the retailers who are providing more complete omnichannel experiences are being rewarded with traffic and sales across devices and from multiple sources.

We hope you can put the Q1-2018 Canadian eCommerce Index to good use.

> " Canadian consumers continue to shift to digital / omnichannel and strong Q1 KPIs suggest that retailers in the index are positioning themselves well for the rest of the year. "
>
> - Charles Desjardins, Absolunet Partner + Executive Vice-President

How to Use This Index

The 2018 Q1 CANADIAN ECOMMERCE INDEX provides summarized takeaways from the aggregated and anonymized data from Absolunet's Canadian retail clients for which useable data was available, including complete verifiable numbers from the first quarter of 2018 (Q1-2018) as well as the same period in 2017, for comparison purposes (measuring progress is key to achieving eCommerce growth targets).

The collective year-over-year (YoY) data from 33 Canadian retailers was used to create this report. When necessary, outliers have been highlighted when one merchant's results in a given metric were so strong that they swayed the average, in which case comparable results are provided in order to help readers benchmark their own results and/or projections.

What it is

This INDEX is a complete and unbiased representation of Canadian retailers' eCommerce performance during Q1 of 2018. Multiple sectors and verticals are involved and the results are meant to provide a general impression of the state of Canadian eCommerce, from a performance metrics/KPI standpoint.

What it isn't

This INDEX isn't a "be-all-end-all" statistical confirmation of eCommerce performance. Reported figures and KPI must be taken in a generalized context as, for the most part, they do not separate sectors or industries, regional differences, eCommerce maturity levels, digital advertising budgets and other factors that may significantly affect one type of retailer's metrics over another (apparel vs. luxury vs. sporting goods, for example).

How to use the information

This report is intended to provide reliable insight into Canadian eCommerce and to help retailers get a measurable idea of how their eCommerce KPI compare to other Canadian retailers for the given period.

Being able to benchmark performance against a credible source of information can help identify opportunities and raise awareness of issues that need to be addressed.

For retailers newer to eCommerce, these metrics provide targets and references; every performance metric in here should be measured, along with several others.

Traffic

Much like store traffic, online traffic is an essential eCommerce KPI; simply put, no traffic, no sales.

Mobile traffic is increasing at a staggering rate, YOY, demonstrating that retailers who don't have an eCommerce experience optimized for mobile are losing out.

If the pace of growth exhibited in Q1-2018 is maintained throughout the year, 2018 may be a record year for Canadian retailers in regards to eCommerce traffic and, subsequently, the importance of digital in their roadmap. Traffic is as much about webrooming, price-shopping and discovery as it is about conversion.

Methodology

Traffic was measured by counting **all** sessions between January 1st 2018 and March 31st 2018 as recorded by Google Analytics. Year over year evolution was measured by comparing the same data from the same merchants over the same period for 2017.

By Device

Mobile almost 50% of eCommerce traffic

Traffic from mobile devices represented almost half of all traffic in Q1 at 48.6% taking traffic share from desktop and tablet - the latter still had a surprising 17.1% of all recorded eCommerce traffic.
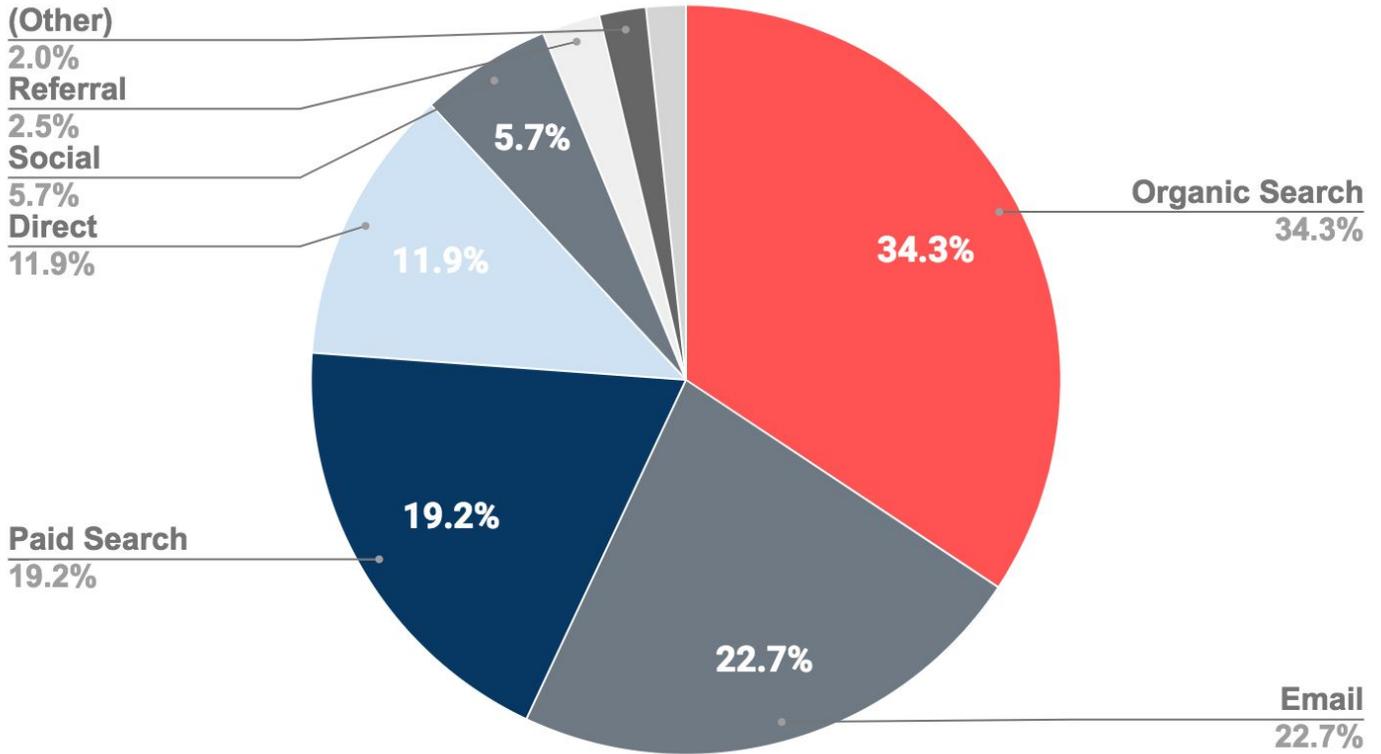

TABLET
17.1%

MOBILE
48.6%

DESKTOP
34.3%
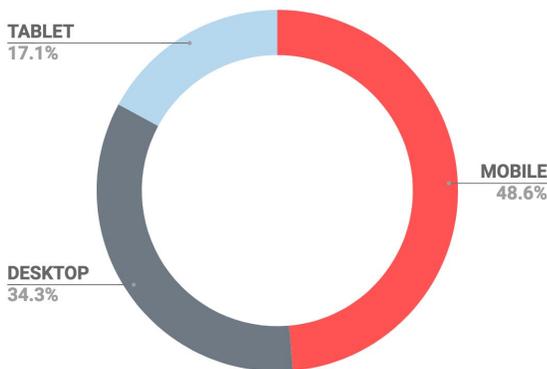
Growth

Traffic rose 24% YoY

Q1 Traffic was 24% higher in 2018. eMarketer data shows that Q1 is typically the slowest-growing quarter[1] - making Q2 and Q3 the best times to make changes and optimizations before implementing a pre-holiday code-freeze.

+24%

Q1-2017   Q1-2018

Traffic

(Other)
2.0%
Referral
2.5%
Social
5.7%
Direct
11.9%

5.7%

Organic Search
34.3%

34.3%

11.9%

19.2%

Paid Search
19.2%

22.7%

Email
22.7%

Sources of Traffic

Organic search remains the biggest source of traffic for canadian retailers, followed by **email**, **paid search** and **direct**.

Combined, these 4 sources add up to nearly 90% of all website traffic in Q1. This is consistent across quarters and the majority of merchants in the index.

Highest Converting Channels?

Among the top 4 traffic sources, **paid search** had the highest conversion rate (CVR) at 1.22%, followed closely by **organic search** with 1.1% and Email with 0.9%.

Among the 2nd tier of traffic sources, **referrals** had a CVR 1.4%.

Key Takeaways

Canadian consumers are clear about what they shop for: **organic** and **paid search** often signal product-specific searches with strong intent, whereas **direct** and **email** highlight the retail brands they trust and look to for browsing and discovery.

Actionable insight: Paid search is the fastest-growing source of traffic, growing 59% year-over-year.

Conversion Rate (CVR).

Conversion rates (CVR) for Canadian retailers grew **10.16%** compared to Q1 2017.

+10.16%

Mobile CVR is up 26%, though desktop, which also saw CVR improve, is still king for conversions. Digital commerce must be optimized for all 3 major device types.

CVR BY DEVICE

	MOBILE	DESKTOP	TABLET
Year-Over-Year Change	+26.0%	+8.8%	+14.7%
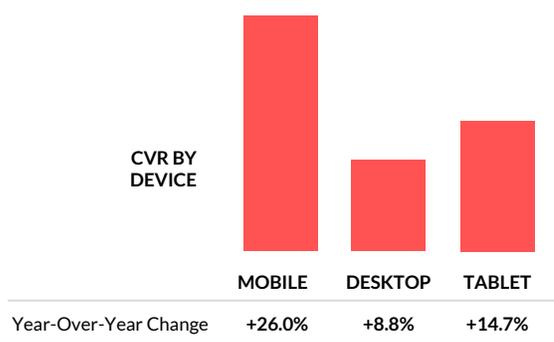
Key Takeaways

Compared to Q1-2017, CVR increased on every device with mobile growing fastest of all, as Canadian shoppers become more comfortable with mobile checkout - and as retailers provide a better, more user-friendly mobile experience.

This overall CVR increase suggests a certain eCommerce maturity from both Canadian consumers and retailers.

Benchmarking should be done with retailers in the same sector, as CVR varies wildly from one sector to another.

We also recommend retailers measure revenue per session along with conversion rate.
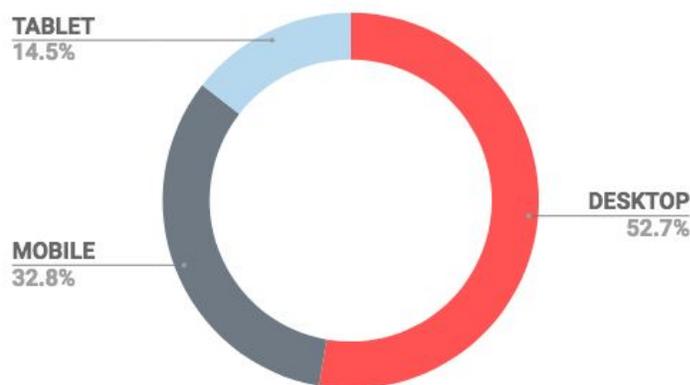
As mobile checkout continues to improve, we expect mobile CVR to bridge the gap with desktop CVR within a year or two.

Transactions

Total transactions **increased 24.2%** in Q1, as Canadians increasingly complete their purchases digitally.


By Device: Desktop still rules, though its share of transactions should **fall below 50% by the end of the year**.

Mobile transactions grew 75.8% since last year and we expect this growth rate to continue throughout 2018. The mobile customer journey is becoming increasingly critical for retailers.

Average Order Value (AOV)

Legend: Q1-2017 (grey), Q1-2018 (red). Categories: Mobile, Desktop, Tablet.
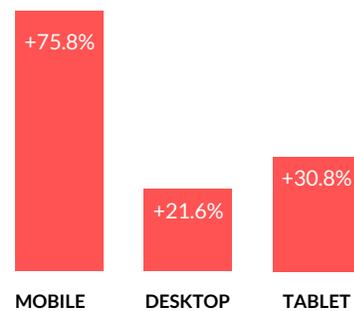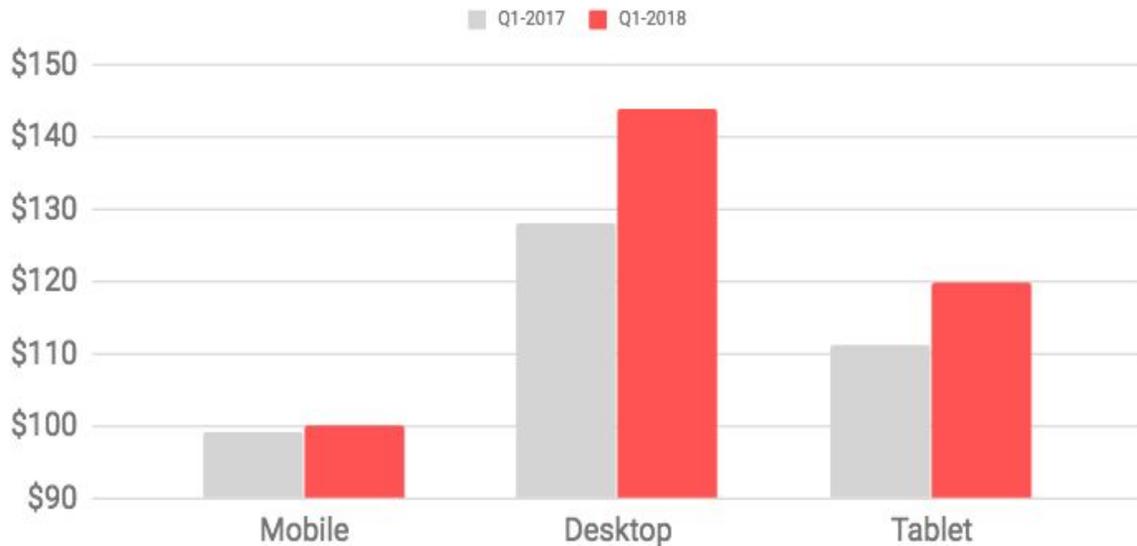
Q1 AOV: $126.15
($156.03, excluding an outlier)

Average order value was up 6.71% in Q1, reaching $126.15, continuing the trend from previous quarters and up from the $122.60 AOV recorded during the 2017 Holiday Season.
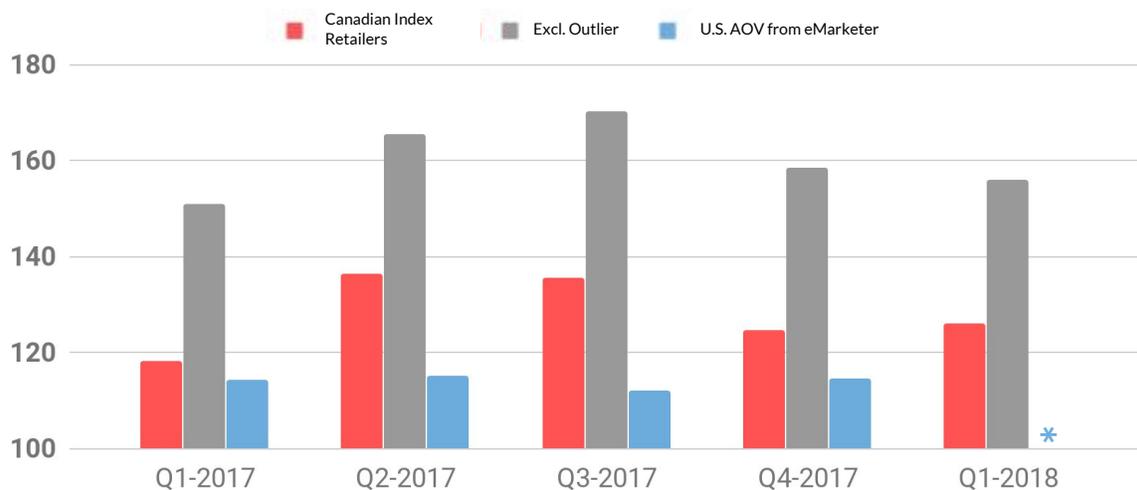
Outlier: one merchant's high volume and low AOV lowered the overall average, which reached $156 when their results were removed, highlighted below in **grey**. In **blue**, eMarketer's reported AOV for U.S. eCommerce in 2017 (*U.S. Q1-2018 data was not available as of this index's publication date.)*

Canada's AOV still higher than U.S.

By device, comparing Q1-2017 to Q1-2018:

- **Desktop** was up 12.3%
- **Tablet** grew 7.6% and
- **Mobile** was up 1.1%.

AOV should continue its steady rise, though as Canadian shipping options allow merchants to offer free shipping and lower free shipping thresholds, AOV may go down to match US averages, slightly below $120 in 2017, according to eMarketer[1].


Legend: Canadian Index Retailers (red), Excl. Outlier (grey), U.S. AOV from eMarketer (blue). Categories: Q1-2017, Q2-2017, Q3-2017, Q4-2017, Q1-2018.

Absolunet – 2018 Q1 Canadian Retailer Benchmark
1 - https://performance-na1.emarketer.com/channel/59edf49fbfce890eb411f097/598b2886aaf61c0ed030349a

Revenue

Q1 revenue from eCommerce sales increased 45.97% compared to Q1-2017.

+45.97%

Share of Revenue:
Desktop generated 60% of eCommerce revenue, while mobile's share grew 75% YoY and will continue to increase.

TABLET
13.8%

MOBILE
26.0%
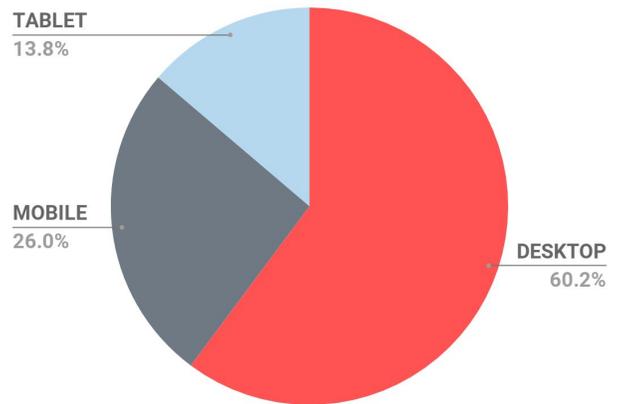
DESKTOP
60.2%

Per device revenue growth:
Mobile is exploding (+77%) though desktop is also showing great improvement - even tablet is up 40% - as consumers from all demographics shift their purchasing habits to digital.

+77.7%

+36.6%

+40.8%

MOBILE   DESKTOP   TABLET
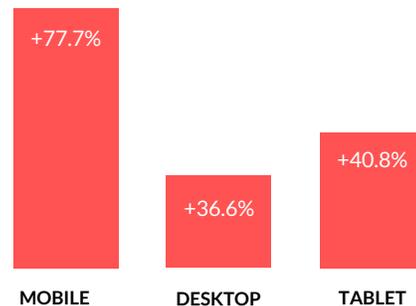
Methodology

In conducting the research for this report, the authors compiled data from Google Analytics to analyze the Key Performance Indicators of 33 of Absolunet's Canadian retail clients for whom verifiable performance data was available for the complete Q1 period in both 2018 and 2017.

For this INDEX, the Q1 period (or period of measurement) is from January 1st 2018 to March 31st 2018 inclusively. References to "Full Year" are from january 1st 2017 to December 31st 2017, unless otherwise specified. When comparing year-over-year or "YoY" the exact same dates were used from 2017, with data collection methods, retailers and algorithms being identical.

Performance data was extracted from Google Analytics and may provide slight differences with data from the eCommerce platform used by a given merchant (Magento, Sitecore, etc.), though any gaps would not be significant for the purpose of this report.

Simply put, our goal is to provide accurate and actionable information.

Disclaimer

Past performance may not be indicative of future results. Therefore you should not assume that the future performance of any specific eCommerce investment will be profitable or equal to corresponding past performance levels.

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About
Absolunet.

A North-American eCommerce Agency

Absolunet helps North-American manufacturers, distributors and merchants bridge the gap between how they sell and what customers expect in the digital economy.

Absolunet is an eCommerce agency and integrator with 200+ people obsessed with delivering results, creating ROI-producing (and award-winning) eCommerce experiences since 1999.

Known for its annual Top 10 eCommerce Trends report, Absolunet is a certified Magento Enterprise Solution Partner and is Magento's fastest-growing North-American partner, as well as being a Sitecore "Gold" partner and InSite Platinum partner.

Get started

We help retailers use digital to move more merchandise, understand their customers and manage with better oversight.

What we do:

- Strategy + Analysis: from exploration to audit to eCommerce business plan.

- User Experience Design: customer-centric, frictionless and profitable interfaces.

- Implementation + Integration: making it all work together

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