

EPIC REPORT

E-commerce Performance Indicators
and Confidence Report

2017 | Q1

E-COMMERCE PERFORMANCE INDICATORS AND CONFIDENCE REPORT

2017 | Q1

Online retailing continues to prove its resilience with strong growth year after year even as segments of offline retail struggle to keep the lights on.

The opportunities for e-commerce have never been greater. At the same time, consumer expectations for relevance, price and fulfillment speed—among other challenges—make competition fierce for online and multichannel merchants of all sizes, in all regions.

In this *inaugural* EPIC Report, SLI Systems provides e-commerce industry survey findings from more than 200 e-commerce professionals around the globe. In addition, as a global leader and provider of cloud-based e-commerce solutions and services for mid- to enterprise-size Internet retailers and B2B sites, SLI Systems is able to share analyses of search trends and consumer

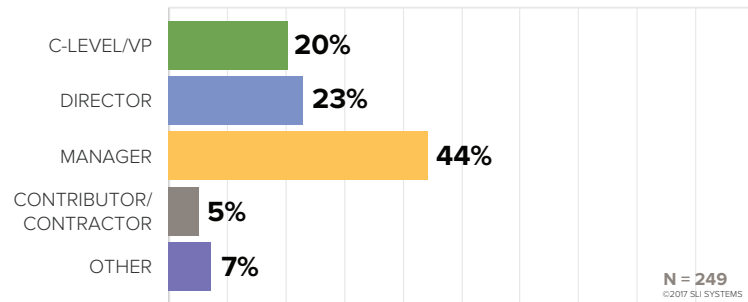
behavior from more than 600 leading retail websites worldwide.

The SLI Systems EPIC Report includes:

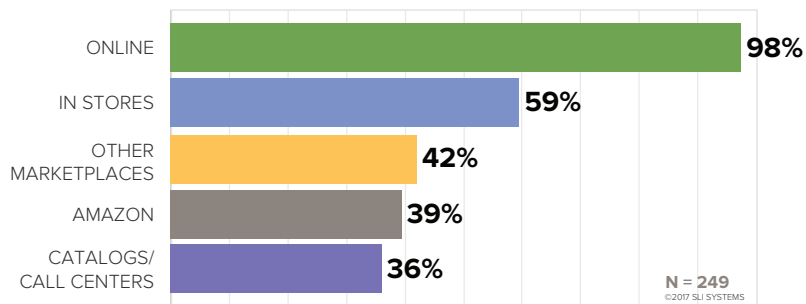
- 1. Respondent Overview:** Company, level, role, regions, channels, sales and SKUs
- 2. Confidence and Performance Indicators:** Quarterly and annual growth strategies, year-over-year comparisons of common e-commerce KPIs and top priorities
- 3. Top of Mind:** A look at the anticipated business impact of a new U.S. presidential administration from domestic and international points of view
- 4. Search Trend Analysis:** Benchmarking the average number of words in a site search query

E-COMMERCE EXPERTS WEIGH IN

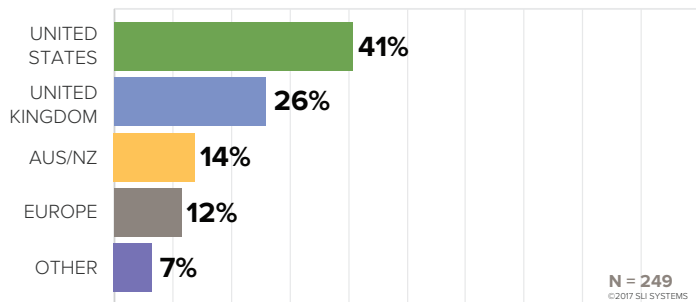
What is your role?



Which channels do you use to sell your products?



Where is your company headquartered?



30 countries represented

Managers, Directors and VPs Respond

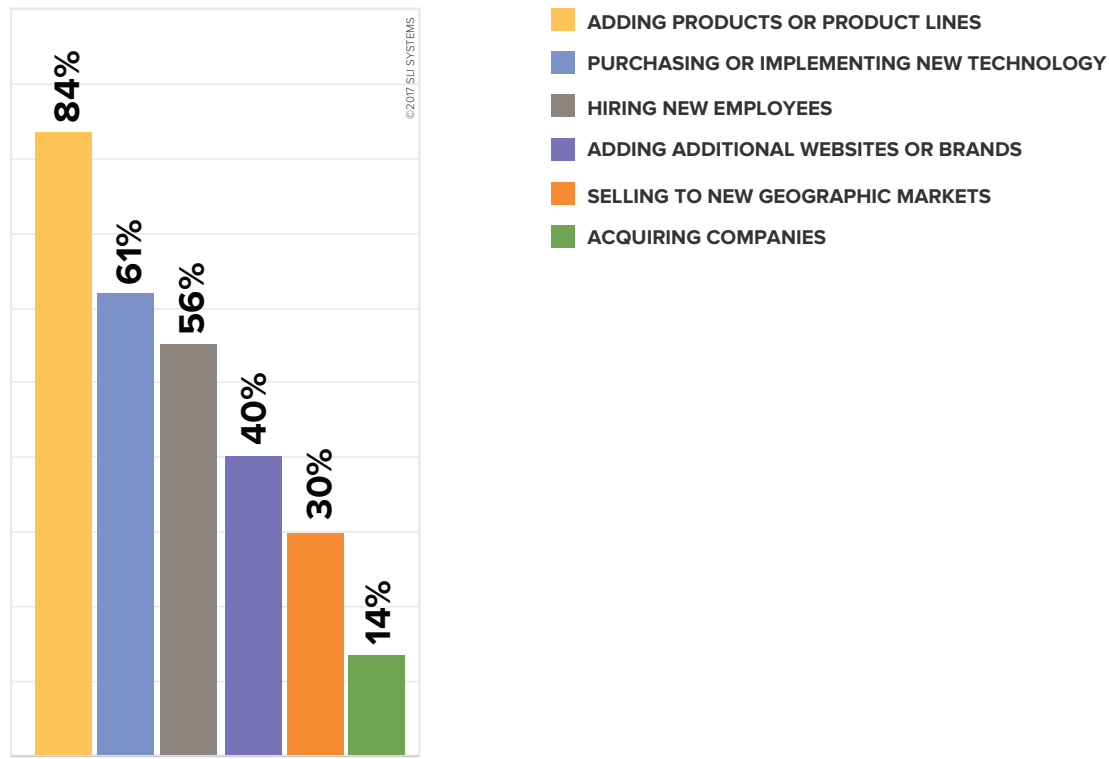
SLI Systems received qualified (online merchant / non-vendor or consultant) responses to the survey from more than 200 retail industry professionals representing 30 countries worldwide. The majority of respondents are with companies headquartered in the U.S., UK, Australia and New Zealand, as well as other countries in Europe. All respondents sell goods or services online, with almost 60% selling in stores, 36% selling via catalogs and call centers, and 42% selling on at least one marketplace, offering a healthy mix of omnichannel business models.

Organizations spanned a wide array of industries, with apparel, home furnishings/housewares and electronics/computers most represented this quarter. Respondents spanned job functions, from marketing to operations, with the largest concentration (43%) working in e-commerce, followed by marketing roles. Eighty-seven percent of respondents work in a manager position or above, with 20% representing VP- or C-Level positions.

Thirty-eight percent of respondents reported their company's total annual sales to be above \$50 million with 22% generating between \$11 and \$50 million annually. Approximately 59% of respondents' businesses sell between 1,000 to 50,000 SKUs, with 20% selling more than 50,000 SKUs.

ONLINE RETAILERS ARE CONFIDENT OF GROWTH

Is your company expanding in any of the following ways this quarter?



Is your company expanding in any of the following ways this quarter? Select all that apply. Leave blank if none apply. N = 201

94% plan to grow this quarter

Hiring Expected Across Regions

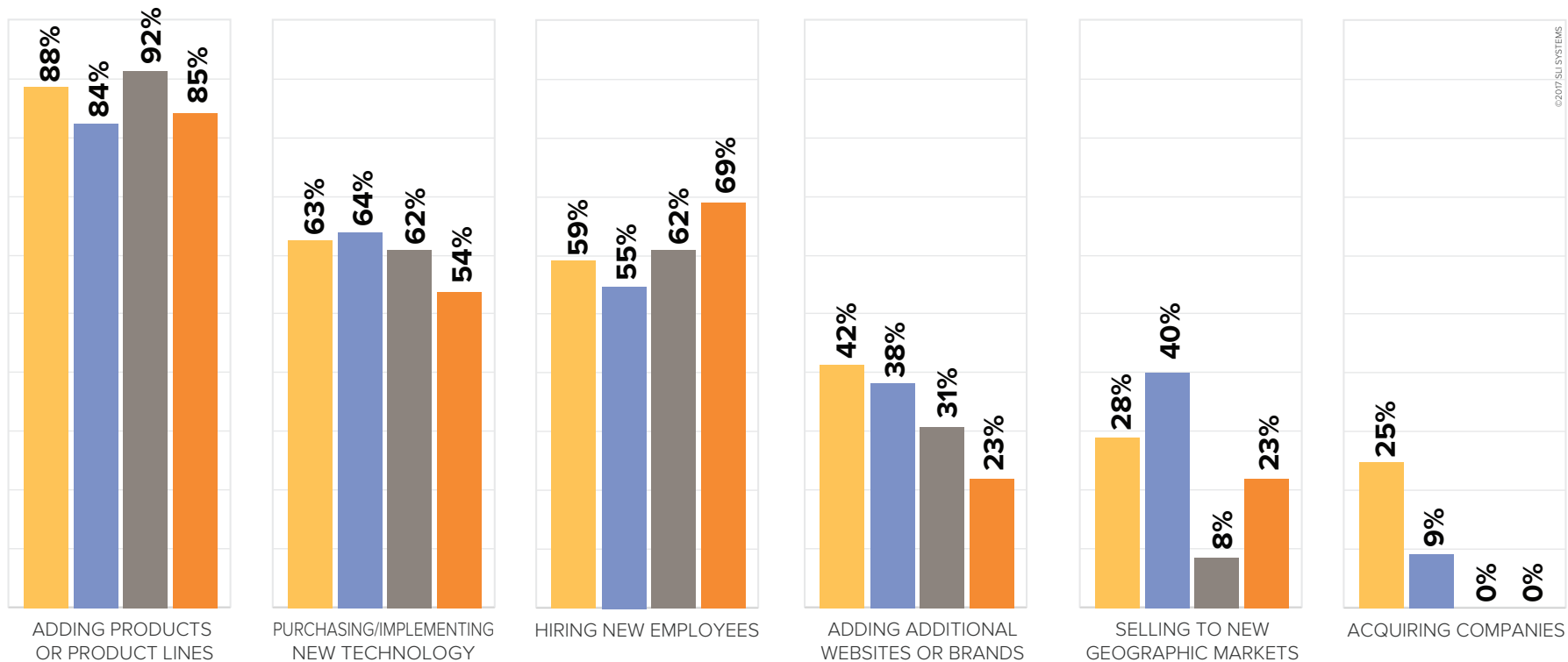
How bullish are online retailers as they head into 2017? To gauge confidence, SLI asked about areas for planned growth during the first quarter and found great news. Eighty-four percent of respondents plan to **expand the number of products or product lines offered**, 56% are **hiring new employees** and 61% are purchasing or implementing new technology. Approximately 14% of the respondents reported their organizations are **acquiring one or multiple companies** in the first quarter.

Cross tabulation by region, however, showed some clear distinctions in acquisition and geographic expansion. For instance, nearly 25% of U.S.-based respondents report their businesses are **acquiring** this quarter,

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E-COMMERCE CONFIDENCE IS STRONG GLOBALLY

- UNITED STATES
- UNITED KINGDOM
- AUSTRALIA
- NEW ZEALAND



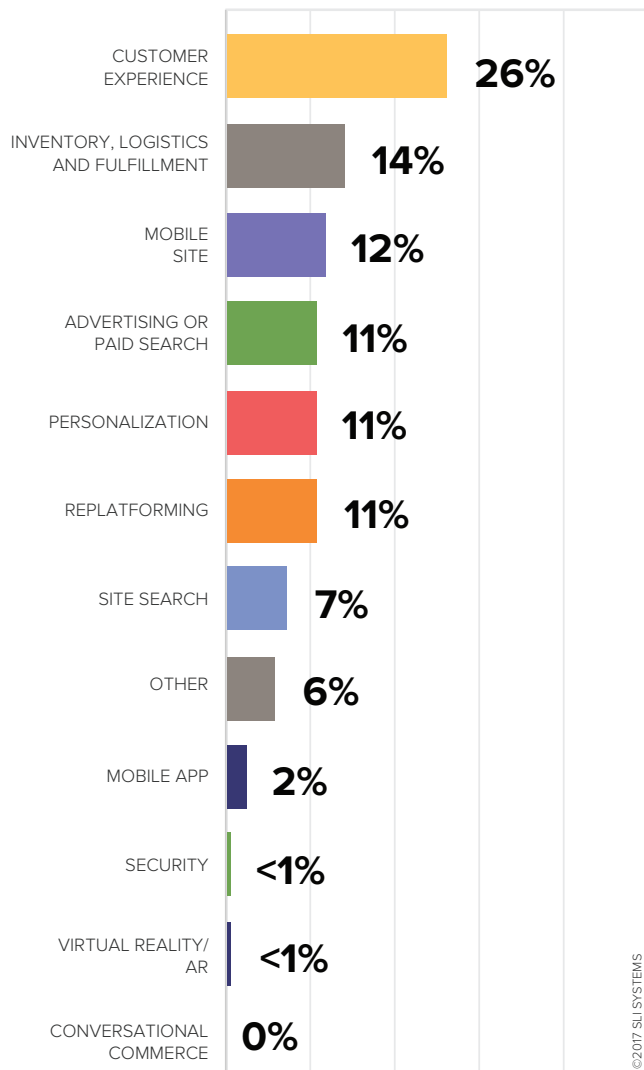
Is your company expanding in any of the following ways this quarter? Select all that apply. Leave blank if none apply. N = 174

▶ continued from page 4

compared to UK's 9% who are planning acquisitions. When asked about **selling to new geographic markets**, 40% of UK respondents are expanding, compared with 28% of U.S. respondents and a mere 8% of respondents in Australia.

Hiring plans were generally in sync among respondents. An average of 61% of those headquartered in each of the most-represented regions in the study—U.S., UK, Australia and New Zealand—reported hiring new employees during Q1 2017.

CUSTOMER EXPERIENCE IS KING



What is your most important initiative this quarter for online retail business in 2017? Choose one. N = 214

Logistics Still Need Work

When asked to select the single most important initiative for their online retail business this quarter, in first place was **Customer Experience**, garnering the top spot from 26% of all respondents. The second-most-important initiative was **Inventory, Logistics and Fulfillment** (14%). Mobile site was third (12%), followed by a three-way tie for fourth place, with 11% of respondents selecting **Personalization, Advertising or Paid Search, or Replatforming**.

And mobile? Simply put, sites trump apps. Among those who cited mobile initiatives as their top for the quarter, the group selected **Mobile Site** six times more than those who cited **Mobile App**. This is perhaps driven by consumer demand for a streamlined shopping experience directly from mobile browsers, rather than downloadable retailer apps they may only occasionally use.

Mobile site chosen **6x** more than mobile app

Geographically, **Customer Experience** was cited as the top initiative for the quarter by those based in the UK (24%), U.S. (30%) and New Zealand (38%). In the U.S., **Personalization and Inventory, Logistics and Fulfillment** were tied for second place with 14% of respondents choosing each category. In the UK, second place went to **Mobile Site** (17%) and third place went to **Advertising or Paid Search** (16%).

Worth noting, in Australia, where Amazon reportedly plans to open a new marketplace, **Advertising or Paid Search** came in as the top online retail initiative for the quarter with 27%.

THE IMPORTANCE OF
VIRTUAL REALITY
IS NOT YET A REALITY.

GREAT EXPECTATIONS FOR KEY BENCHMARKS

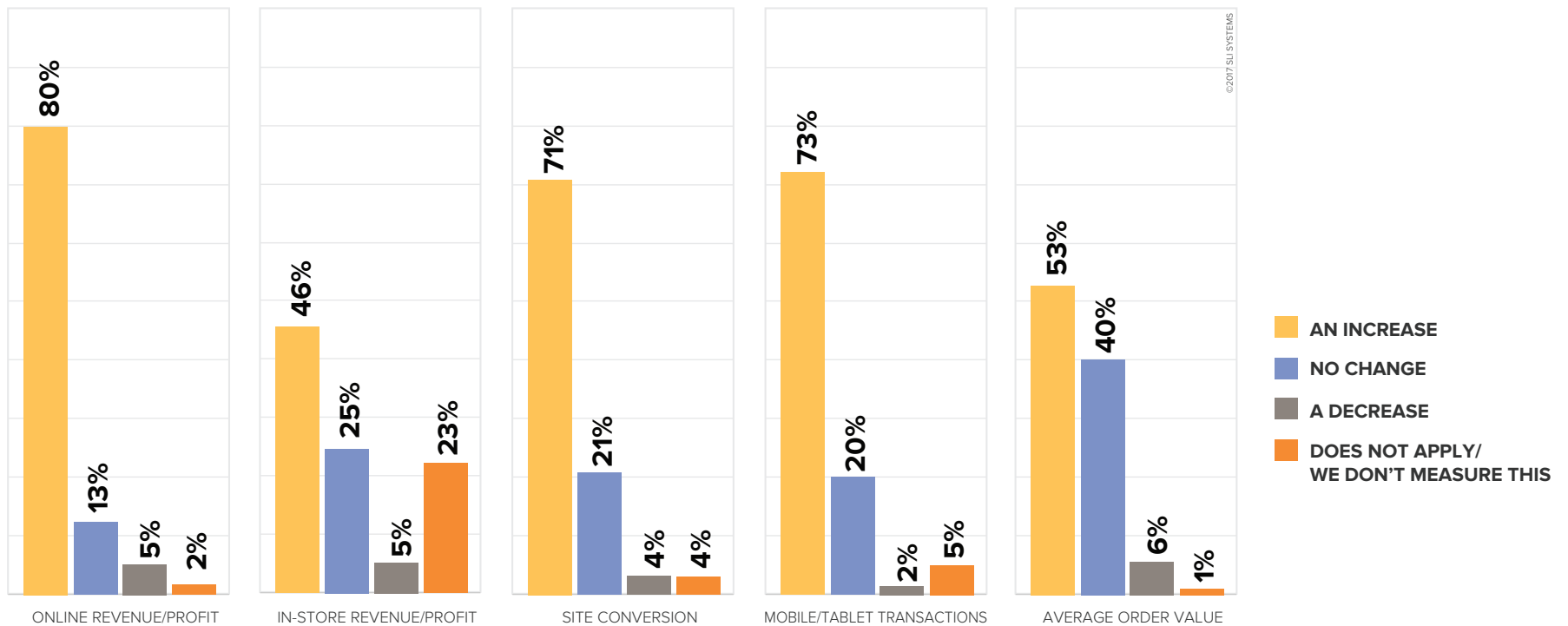
Compared to the same quarter last year, what results do you expect for the following key benchmarks this quarter?

73% expect an increase in mobile transactions

Bets On Site Traffic

When respondents were asked about **expected results this quarter compared to the same quarter last year** for an array of performance indicators, the vast majority cited performance increases across the board.

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Compared to the same quarter last year, what results do you expect for the following key benchmarks this quarter? N = 214

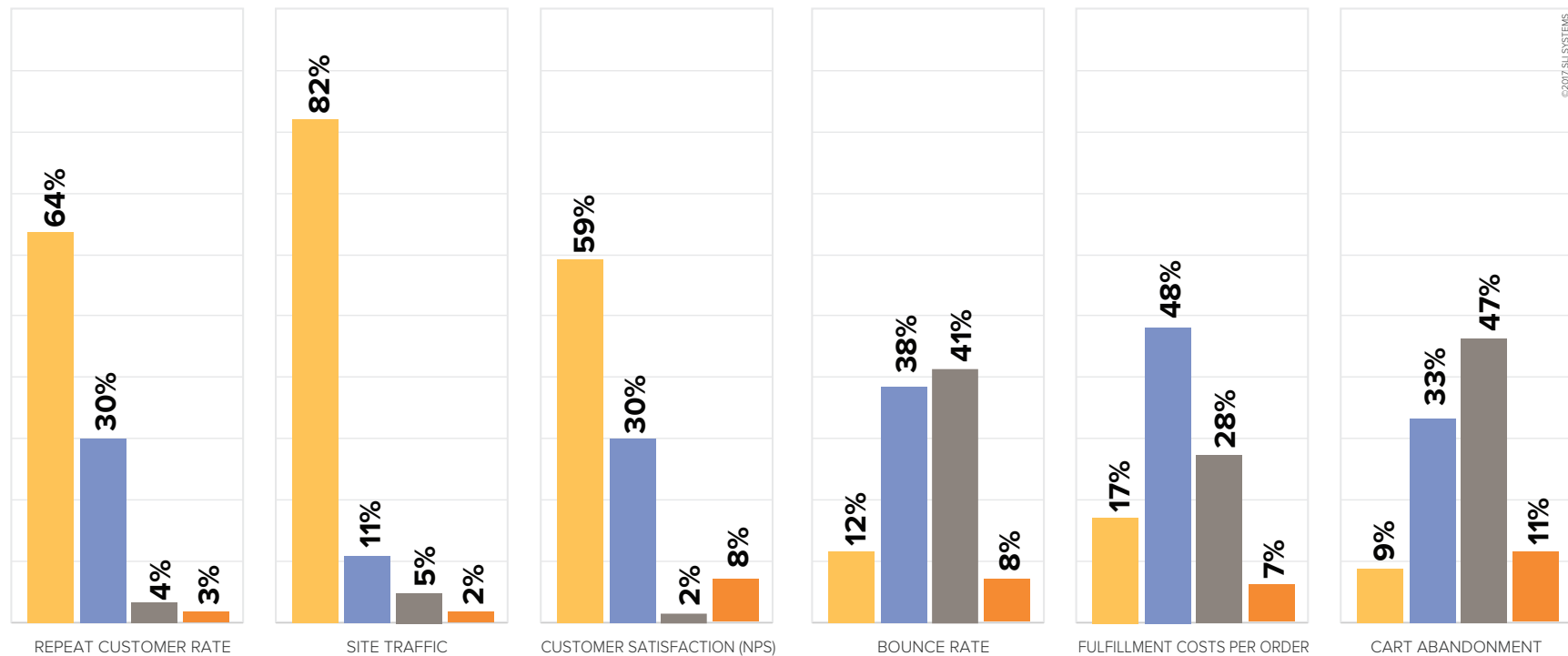
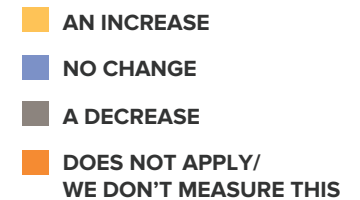
PERFORMANCE INDICATORS

► Eighty-two percent of retailers reported an **expected increase in site traffic**, followed by 80% anticipating an **increase in online revenues and profits** this quarter. Forty-six percent reported an expected increase in their in-store revenues.

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More than 70% of respondents expect a **site conversion** increase and 73% expect an **increase in mobile transactions**, indicating consumers are increasingly comfortable making purchases from their smartphones and tablets.

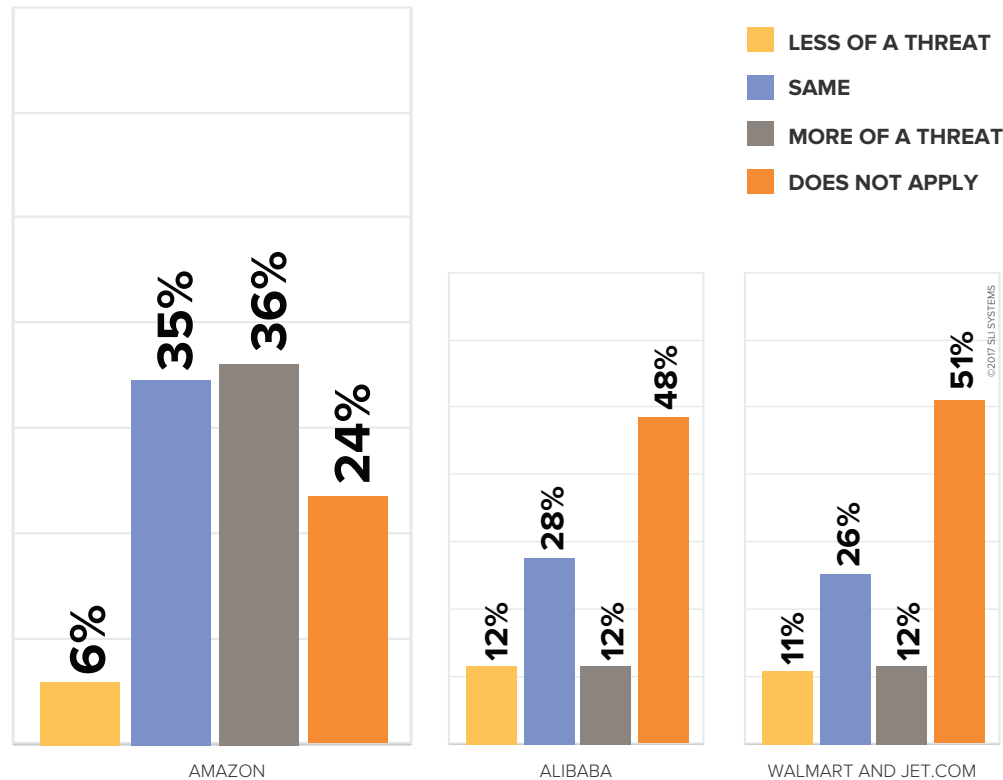
The numbers look positive for other e-commerce KPIs as well. Respondents anticipate significant decreases in **cart abandonment rates** (47%) and **bounce rate** (41%), with 76% expecting either a decrease or no change in their **fulfillment costs per order** this quarter as compared to the same quarter in 2016.



Compared to the same quarter last year, what results do you expect for the following key benchmarks this quarter? N = 214

GIANTS CONTINUE TO THREATEN E-COMMERCE BUSINESSES

Do you consider the following companies to be more or less of a competitive threat to your online business compared to the same quarter last year?



Do you consider the following companies to be more or less of a competitive threat to your online business compared to the same quarter last year? N = 214 (Charts reflect global response.)

47% of AU retailers see Amazon as more of a threat

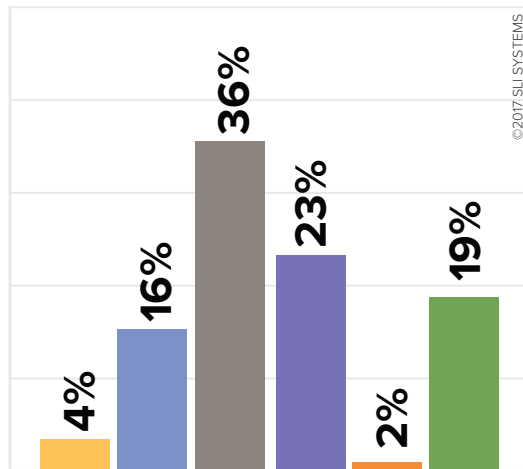
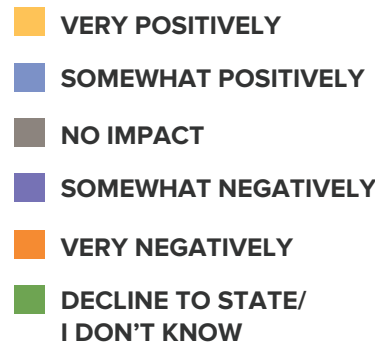
Only 6% Say Amazon Is Less of a Threat

Amazon continues to challenge online businesses worldwide. Only 6% of all respondents feel **Amazon** poses *less* of a competitive threat. Thirty-two percent of U.S. respondents and 38% of those in the UK report that Amazon is more of a competitive threat compared to the same quarter last year.

Eighteen percent of U.S. respondents view **Walmart and Jet.com** as more of a threat. Globally, a majority of respondents in the UK (67%), Australia (60%) and New Zealand (62%) said the American-made big-box retailer was not a threat to their online business.

In APAC, 20% of Australia-based and 31% of New Zealand-based merchants view **Alibaba** as more of competitive threat to their online business in Q1 2017 compared to the same quarter last year. Australian merchants seem to be feeling marketplace heat a bit more than others with 47% also citing increased competition from Amazon.

ONLINE MERCHANTS EXPRESS MIXED FEELINGS ABOUT NEW U.S. PRESIDENTIAL ADMINISTRATION



How do you expect the new United States presidential administration to impact your online business in 2017? N = 190 (Chart reflects global response.)

To understand the impact, if any, of a new presidency in the U.S., SLI asked participants, “How do you expect the **new United States presidential administration to impact your online business in 2017?**”

The response was mixed. Thirty-one percent of U.S.-based merchants feel the administration will somewhat or very *positively* impact their online businesses, where 35% expect it to somewhat or very *negatively* impact their businesses.

In the UK, 23% of respondents stated the new U.S. administration will have a somewhat or very negative impact, versus 6% stating somewhat or very *positive* impact. The impact in New Zealand and Australia is expected to be minimal with 58% and 64%, respectively, citing no impact.

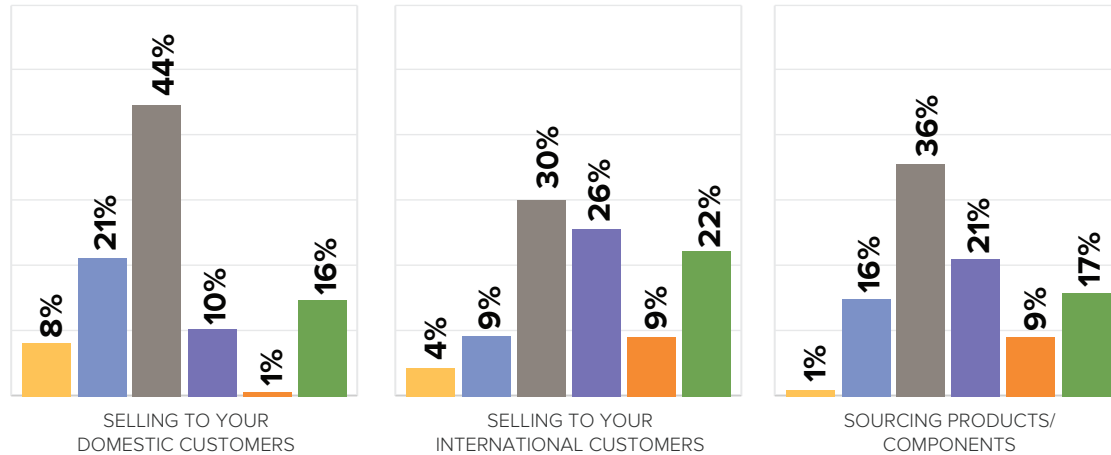
When asked about the impact of the new U.S. administration on an array of business aspects, the majority

of those from the UK, Australia and New Zealand chose “no impact” or “decline to state / I don’t know” as their response.

U.S.-based respondents were more opinionated when it came to answering this question (charts on page 11). Forty-three percent expect the administration to have a somewhat or very **positive** impact on **corporate taxes**. When asked about **selling to international customers**, 35% expect the impact to be somewhat or very **negative**.

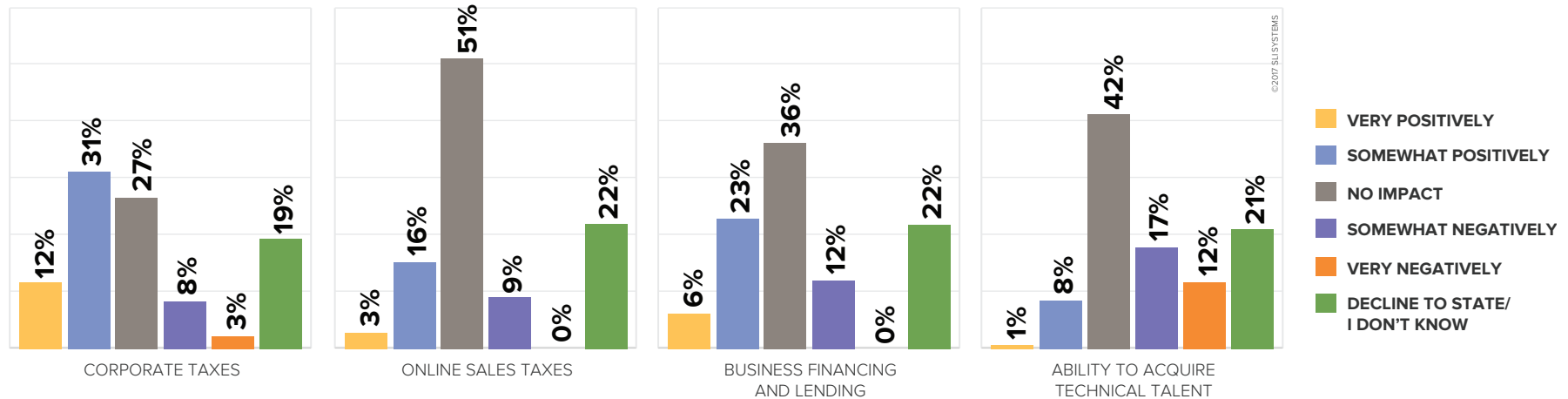
However, even in the U.S., “**no impact**” was chosen more than negative or positive responses for the following categories: **selling to your domestic customers** (44%), **sourcing products / components** (36%), **online sales taxes** (51%), **business financing and lending** (36%) and **ability to acquire technical talent** (42%).

BUSINESS AS (MOSTLY) USUAL FOR U.S. RETAILERS



U.S. RETAILERS ANTICIPATE:

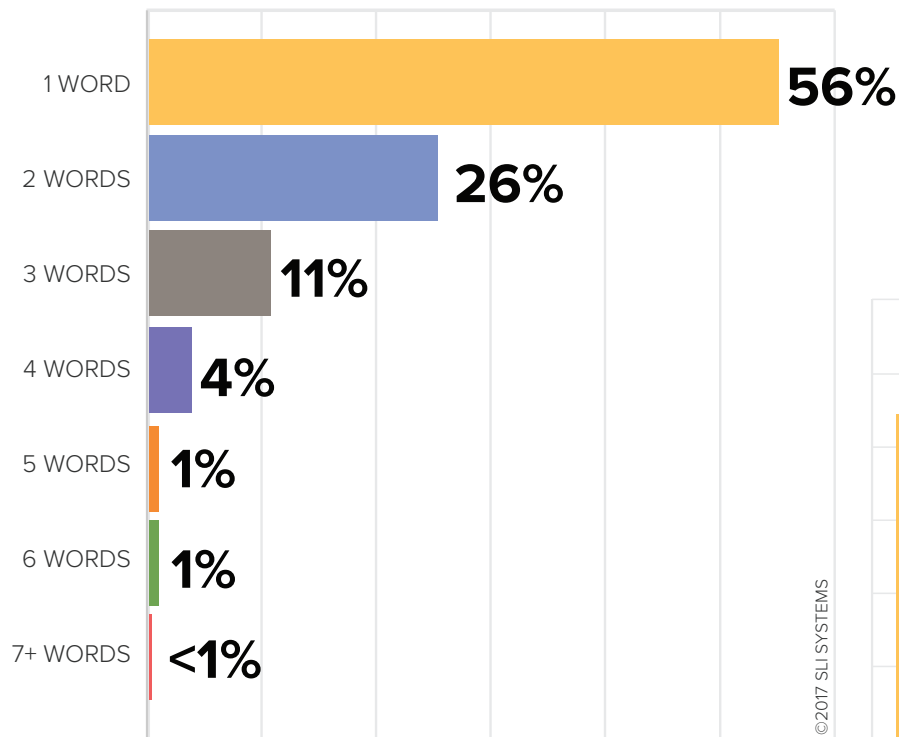
- + positive impact on corporate taxes (43%)
- negative impact on selling internationally (35%)
- ✓ no impact on online sales taxes (51%)



How do you expect the new United States presidential administration to impact the following aspects of your business? N = 77 (U.S. respondents only)

E-COMMERCE SITE SEARCH QUERIES ARE GETTING SHORTER

How many words are in an average site search query?



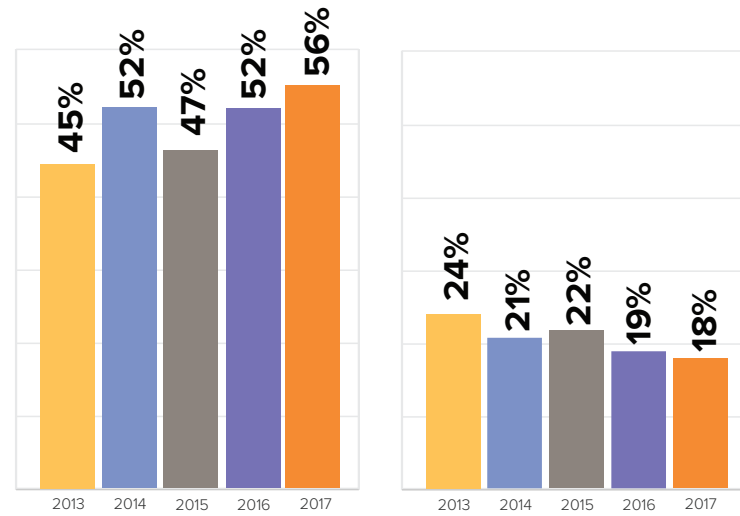
SEARCH LENGTH IN 2017

Shoppers expect relevant results right away

More Than Half of Searchers Use One Word

Shoppers use the search box to tell retailers exactly what they are looking for. So SLI wanted to find out how many words they use. Turns out, not many.

We analyzed a global sample of more than 1.5 billion queries during the last 4+ years to see if we could spot a trend. The number of searches with three or more words is decreasing while the number of one-word searches is increasing.



ONE-WORD SEARCHES

SEARCHES WITH 3 OR MORE WORDS

Methodology

Results in this report are from an electronic survey conducted between February 6, 2017 to March 6, 2017. Findings in this report represent the opinions of the survey respondents only and are not intended to represent the opinions of SLI Systems or its employees.

For the Search Trend Analysis section of this report, we analyzed a sample group of 1,518,283,711 search queries. The sample was generated by looking at searches from SLI Systems clients every second week spanning from January 2013 to March 19, 2017. We defined a “word” as a group of letters and/or numbers in a search query separated from other letters/numbers by a space.

Percentages cited from both the survey and search trend analysis reflect rounding, up or down, to whole numbers.

About SLI Systems

SLI Systems (SLI.NZ) accelerates e-commerce for the world's top retailers by generating more traffic, converting shoppers into buyers and maximizing order values through solutions that improve site search, navigation, mobile, merchandising, personalization, recommendations and SEO. SLI is the most chosen SaaS-based site search provider to Internet Retailer Top 1,000 retailers.

The SLI Buyer Engine™ is a cloud-based, machine-learning platform that predicts what your shopper is most likely to buy, shortening the path to purchase. The SLI Commerce Console™ organizes key sales insight and tuning capabilities into one easy-to-use cloud-based console. SLI Systems operates on five continents, powering more than 600 websites and offering solutions in 20 languages. For more information, visit www.sli-systems.com. © 2017 SLI SYSTEMS

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