NOSTO FASHION REPORT H1 2019

The State of Fashion Ecommerce in 2019

GLOBAL DATA, TRENDS, & INSIGHTS

Contents

INTRODUCTION	5
EXECUTIVE SUMMARY: KEY GLOBAL INSIGHTS	6
TRAFFIC SHARE	8
REVENUE PER VISIT	10
AVERAGE BASKET SIZE	14
CONVERSION RATE	16
AVERAGE ORDER VALUE	20
CART ABANDONMENT RATE	22
TIME SPENT PER VISIT	24
REFERENCES	26

Introduction

It's an exciting time in the world of fashion ecommerce. While retail powerhouses like Amazon continue to dominate non-fashion categories globally, they've yet to crack the code of how to successfully replicate the online fashion shopping experience.

At the same time, many retail markets are experiencing a direct-to-consumer renaissance across a number of categories, including fashion. Many new brands are adopting an "online first" mentality to address increasing consumer desire for personalized experiences. enabled by an ever-increasing marketing technology landscape.

These twin trends create a golden opportunity for fashion retailers to build long-term, 1-to-1 direct relationships with consumers. And with annual consumption in emerging markets nearing $30 trillion by 2025, fashion brands and retailers have an even bigger opportunity to mark their territory in the ecommerce space within the next 3-5 years.[1]

To help fashion ecommerce companies capture this opportunity, we've analyzed granular consumer behavior from 1.2 billion site visits across a wide cross-section of growth-stage online stores within the fashion industry. This set of merchants is composed of retailers who used the Nosto platform throughout the whole of 2018, and were selected based on their sales profile in order get an indicative sample of insights. 95% of these merchants generate online sales between €500k and €30m.

From this visit data, we've analyzed and benchmarked 7 key metrics on an annual and monthly basis, broken out by mobile and desktop devices:

- Traffic share by device
- Revenue per visit (RPV)
- Basket size
- Conversion rate (CR)
- Average order value (AOV)
- Cart abandonment rate (CAR)
- Time spent per visit

Data is also analyzed both on a global and regional level, showcasing individual performance mainly across the regions of North America, United Kingdom, Nordics (includes Denmark, Finland, Norway, and Sweden), France and DACH (Germany, Austria and Switzerland).

Executive Summary: Key Global Insights

1. Revenue per visit for fashion ecommerce is growing everywhere - on desktop and mobile.

Between Q1 and Q4 of 2018, average revenue per visit (RPV) increased globally by 33% on desktop and 38% on mobile. While the biggest seasonal spike occurred in November around Black Friday / Cyber Monday (BFCM), every region yielded a higher RPV by the end of the year.

Interestingly, conversion rates (CR) increased over time (over 2018, mobile CR increased from 1.2% to 1.5% while desktop CR increased from 2.2% to 2.7%). Global cart abandonment rates (CAR), however, remained relatively stable with only a slight spike around BFCM: this implies that higher conversion rates are not moving inversely with cart abandonment rates.

What this means: Altogether, this suggests that fashion retailers should put a heavy focus on improving personalization to drive upsell and cross-sell (which will increase average order values and drive even more improvements in RPV) as opposed to optimizing the purchase of items already in their shopping carts.

2. Fashion ecommerce has hit the mobile tipping point globally - and fashion retailers need to adjust.

Traffic share was already mobile dominant going into 2018: median traffic share averaged 55% in Q1 and increased to 62% in Q4. While converting customers on mobile devices has had its fair share of challenges[2], in 2018, we saw Q4 mobile revenue share exceed desktop at 46% vs. 44%, compared to mobile share in Q1 of 37% and desktop of 50% (the remaining traffic derives from tablet devices).

Meanwhile, average order values (AOV) on mobile and desktop devices are getting closer (globally mobile AOV is 86% of desktop, and 94% in North America). Despite this, RPV on mobile is still smaller than desktop (averaging 52% globally), with the Nordic region topping out with RPVs on mobile at 69% of desktop.

What this means: This points to an interesting opportunity broadly for fashion merchants. All else being equal, as mobile traffic and average order value increase, an increase in conversion rates will have an outsize effect on revenue per visit and ultimately profitability.

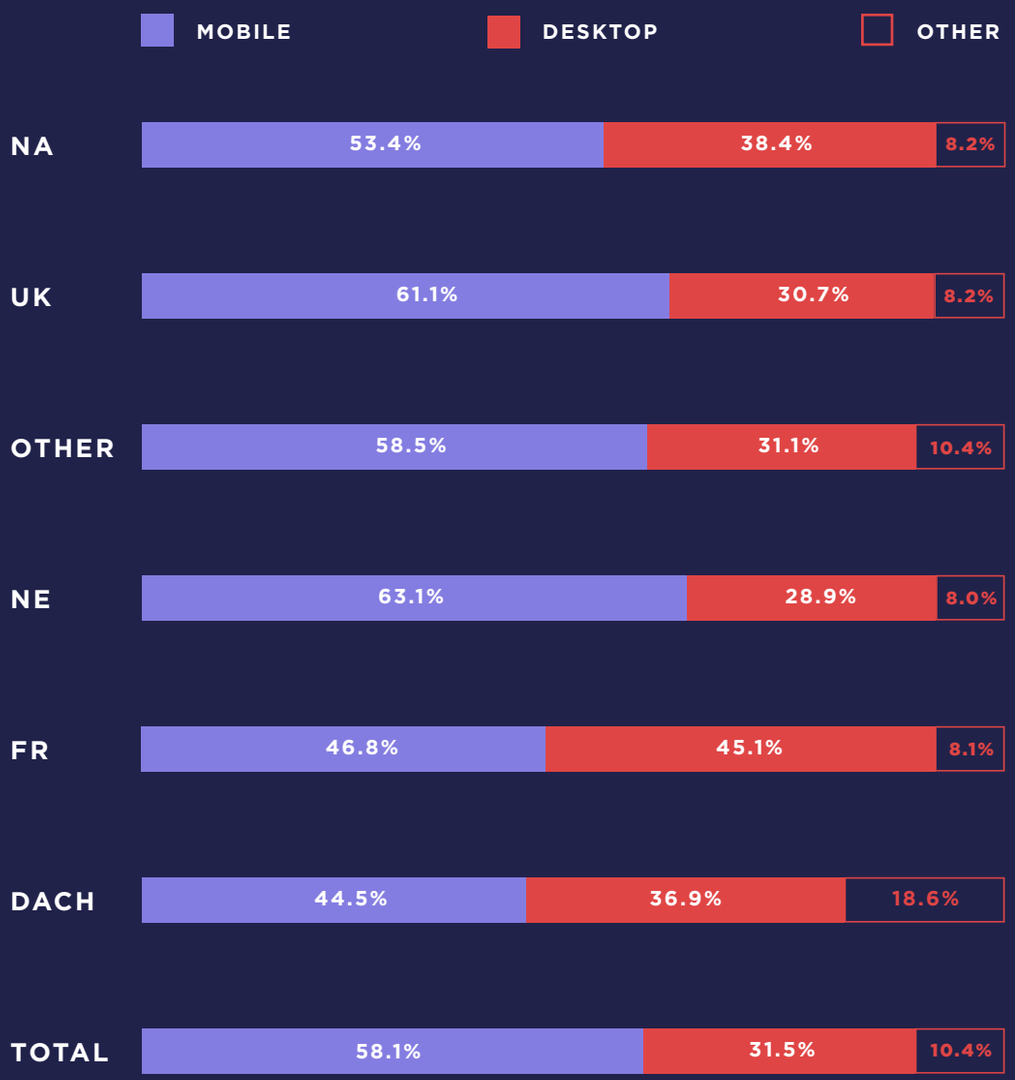
3. Fashion shoppers aren't changing their browsing behavior much - however...

While revenue share and mobile traffic share continue to grow noticeably, average time per shopping session remained flat on both mobile (an average of 165 seconds in Q1 and 163 seconds in Q4 - a statistically insignificant difference) and desktop (242 and 239 seconds, respectively). Likewise, consumers aren't abandoning carts at a significantly lower rate (82% in Q1 and 80% in Q4).

What this means: As more fashion shoppers increase the percentage of their shopping sessions on mobile, their average time spent shopping digitally decreases, as mobile sessions are shorter. Given the limitations of product visibility on mobile devices, maximizing this precious amount of consumer attention for greater conversion requires intelligent personalization of both product selection and context experiences.

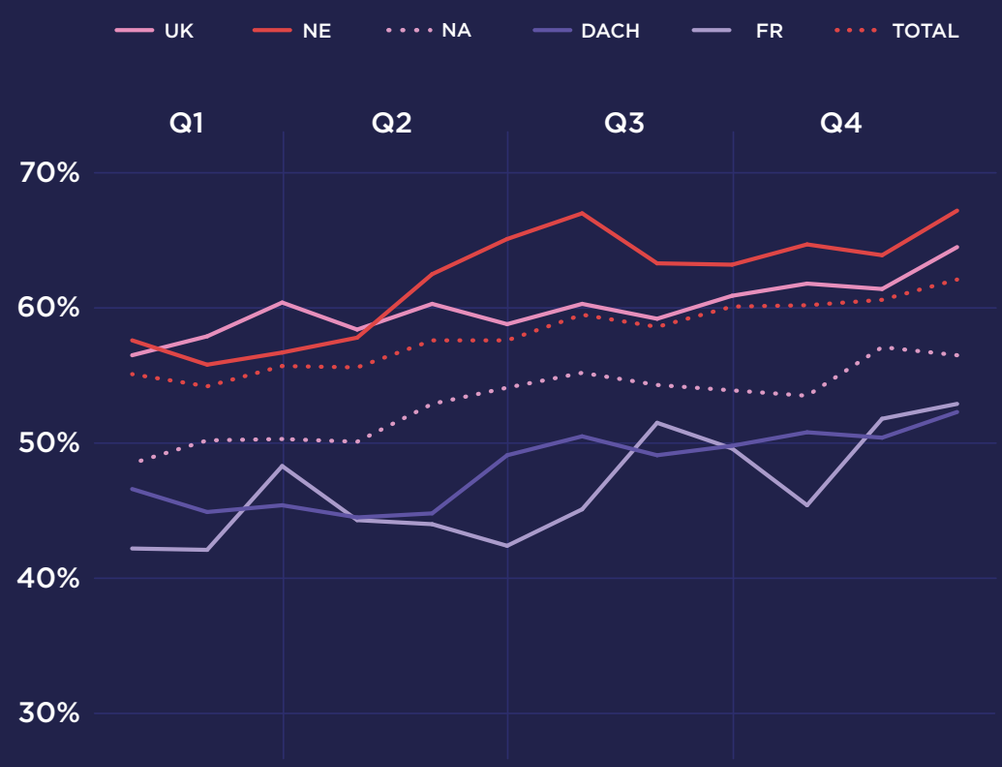
Traffic Share

HOW IT'S MEASURED:
MEDIAN PERCENTAGE OF TRAFFIC TO A WEBSTORE BY DEVICE TYPE (MOBILE, DESKTOP)



NA = North America **UK** = United Kingdom **NE** = Northern Europe **FR** = France **DACH** = Germany, Austria, Switzerland

MONTHLY MOBILE TRAFFIC SHARE [%]



Global traffic share to fashion merchants continues to be dominated by smartphones: by the end of 2018, median mobile traffic share averaged 62% — a 5% increase from Q1. And while smartphones have ruled the traffic sector over the last few years[3], revenue share has historically lagged — until now.

By Q4, mobile revenue share clocked in at 46% (a 9% increase from Q1) while desktop averaged 44% in Q4 – a 6% decrease from the start of 2018.

For consumers in the Nordic region (NE), smartphones play a significant role in driving the ecommerce experience. High mobile penetration (an average of 88%) and network speeds (95-97%) are among the possible catalysts for the highest mobile traffic percentage (63%) compared to other regions.[4] NE summer vacation patterns — where consumers often abandon their desktop computers for up to 4 weeks — may also play into the summer mobile traffic spike. However, this trend is not exclusive to the Nordic region as summer months typically yield global spikes in site traffic.

Other regions with majority mobile traffic share in fashion ecommerce are the UK (61%) and North America (53%), while retailers across DACH and France struggle to drive traffic to mobile devices (45% and 47%, respectively).

Revenue Per Visit

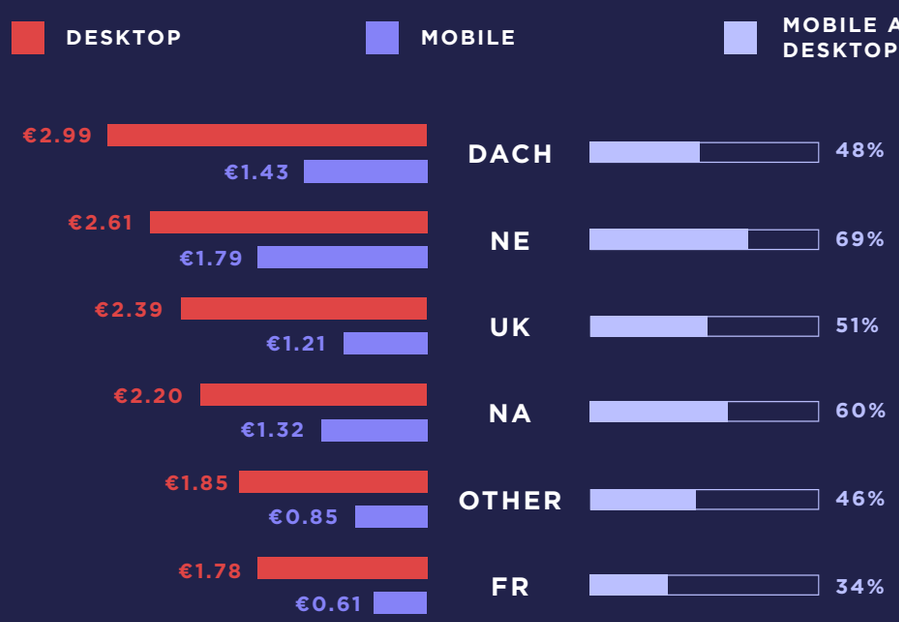
HOW IT'S MEASURED:
AVERAGE ORDER VALUE X CONVERSION RATE

Globally, desktop is still generating the highest RPV €2.39, whereas mobile lags behind at €1.25.

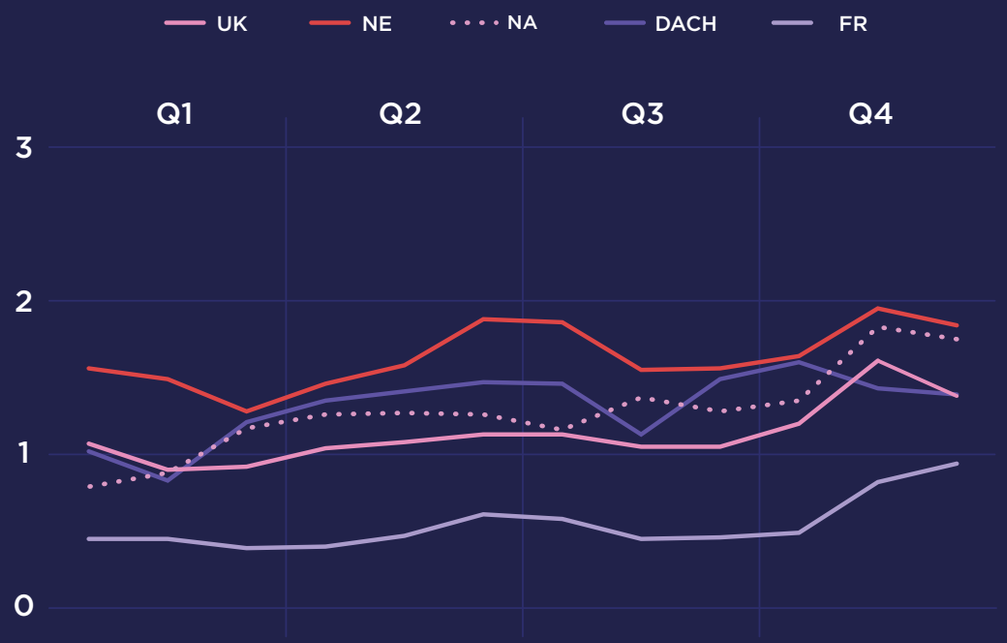
Between Q1 and Q4 of 2018, fashion ecommerce merchants globally saw a 33% increase in average revenue per visit (RPV) on desktop and a 38% increase on mobile devices. One potential catalyst for this increase (though certainly not the sole reason) was November's Black Friday/Cyber Monday weekend — one of retail's most anticipated shopping periods of the year — which yielded the biggest seasonal spike of 2018.

French retailers generated the lowest RPV on mobile (€0.61), falling behind the Nordic region (€1.79) DACH (€1.43) and North America (€1.32) - the result of France falling behind other regions in both conversion rate and average order value on mobile.

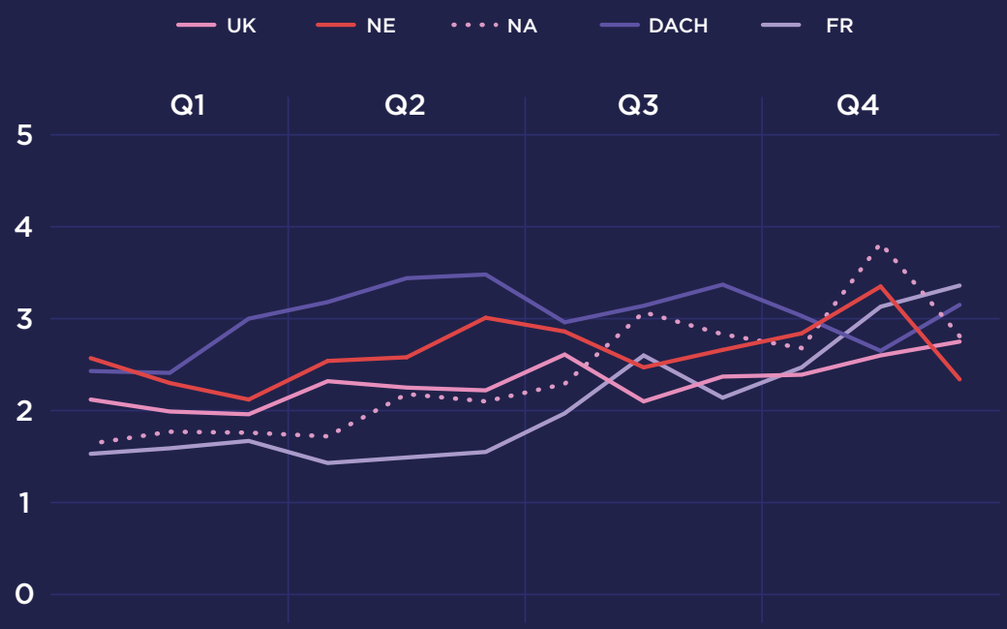
While RPV is generally higher on desktop than on mobile in all regions, DACH saw an exceptionally high RPV on desktop (€2.99) — indicating that DACH consumers are more committed to shopping online via desktop. Although mobile commerce is present in this region (1/3 of purchases are made on mobile devices[5]), there are still a few factors that deter consumers from turning to their smartphones: such as reluctance to share their personal data and a suggested lack of focus on optimizing the mobile shopping experience in this region.



MONTHLY REVENUE PER VISIT [€] - MOBILE



MONTHLY REVENUE PER VISIT [€] - DESKTOP



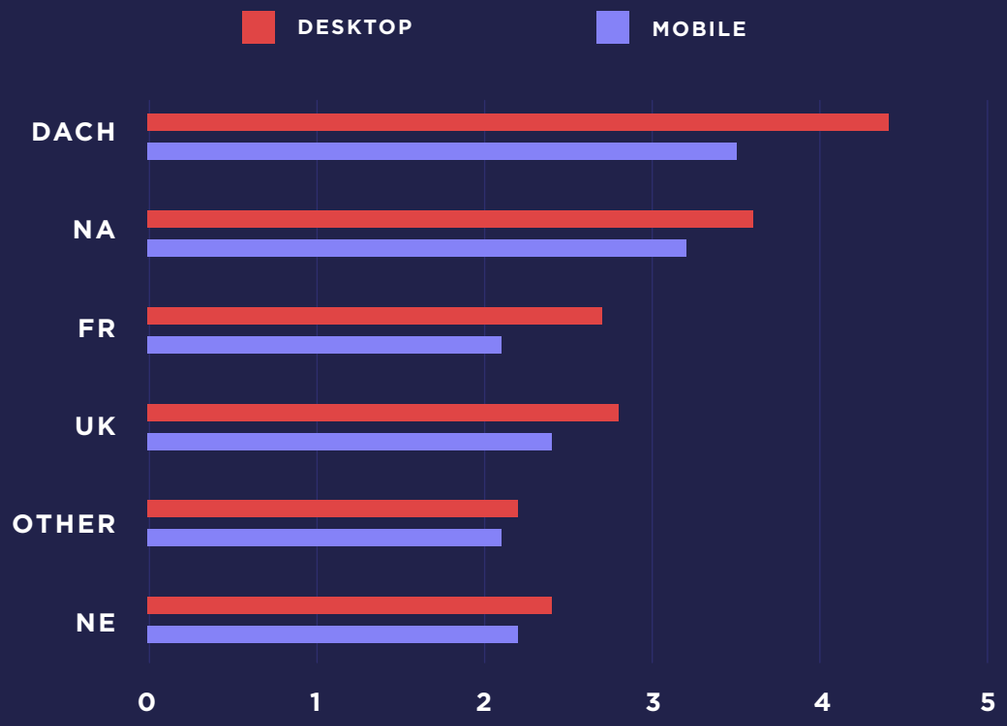
BETWEEN Q1 AND Q4 OF 2018, FASHION ECOMMERCE MERCHANTS GLOBALLY SAW A 33% INCREASE IN AVERAGE REVENUE PER VISIT (RPV) ON DESKTOP AND A 38% INCREASE ON MOBILE DEVICES.

Average Basket Size

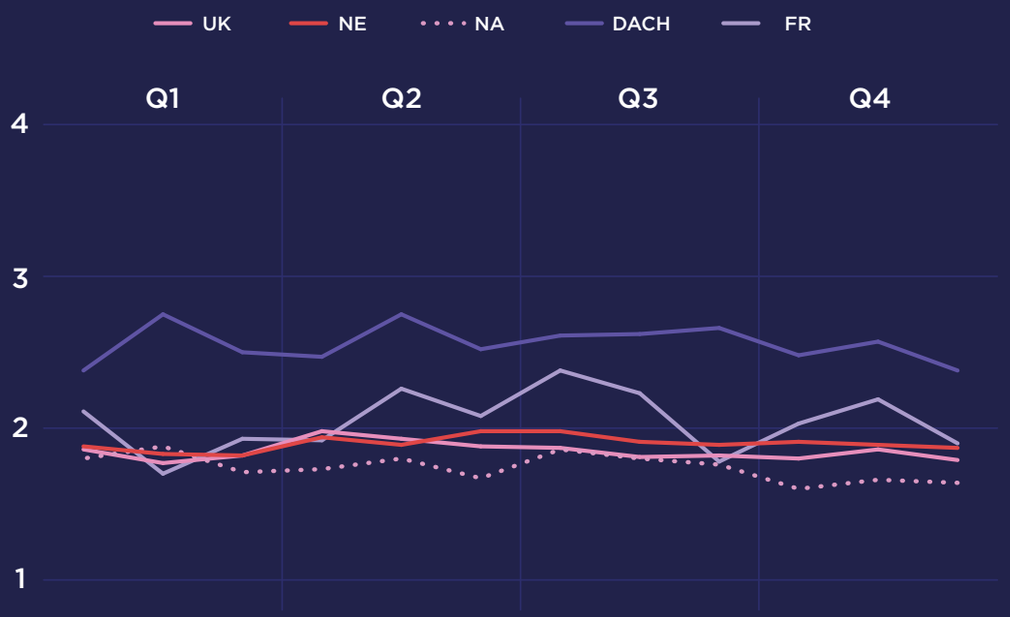
HOW IT'S MEASURED:
TOTAL UNITS SOLD ÷ NUMBER OF INVOICES

Unsurprisingly, the global average basket size was higher on desktop (2.45) versus mobile (2.13). On a regional level, global average basket size across DACH was highest on desktop (4.4) AND on mobile (3.5) relative to the world. Overall, DACH countries averaged the highest basket size (3.8), with Germany averaging the highest share of population (53%) that returns online purchases[6]. The correlation: German regulations protecting consumer rights and behavior allow shoppers to buy multiple colors and sizes and easily return unwanted items[7]. Shipping costs also come into play, with Germany averaging €20 - the third highest in the EU). This suggests that these consumers may also be willing to shop more products per session to cut down on this cost.

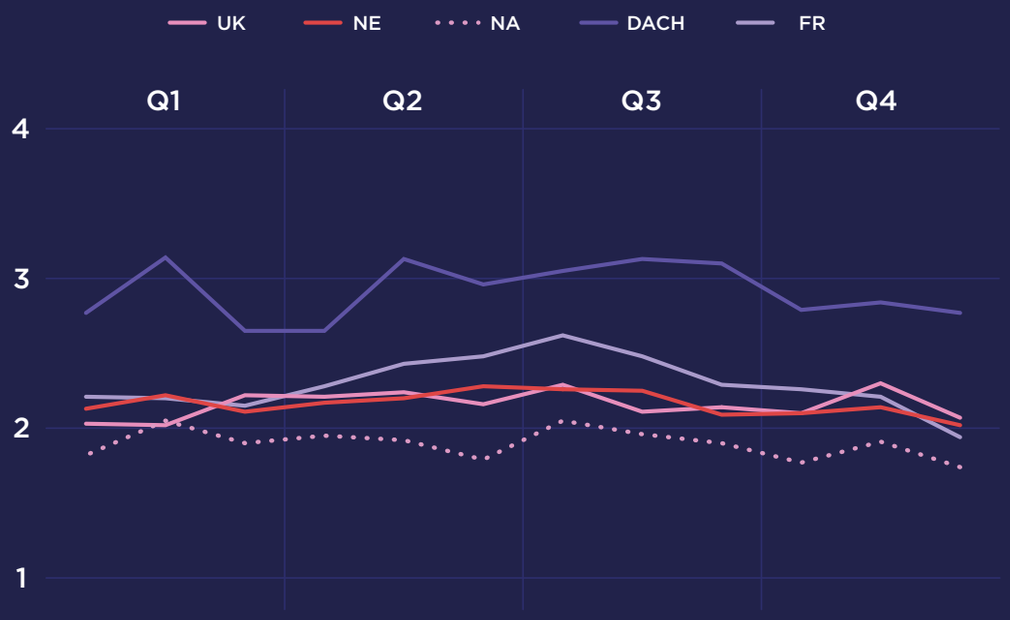
Meanwhile, in the Nordic region a contrast is revealed: while this region yielded the lowest basket size compared to other regions, RPV on mobile was highest of all analyzed regions and mobile share of traffic is strong. This suggests that shoppers in this region are prone to buying fewer, more expensive items on multiple occasions rather than purchasing more items per session.



AVERAGE BASKET SIZE [#] - MOBILE



AVERAGE BASKET SIZE [#] - DESKTOP



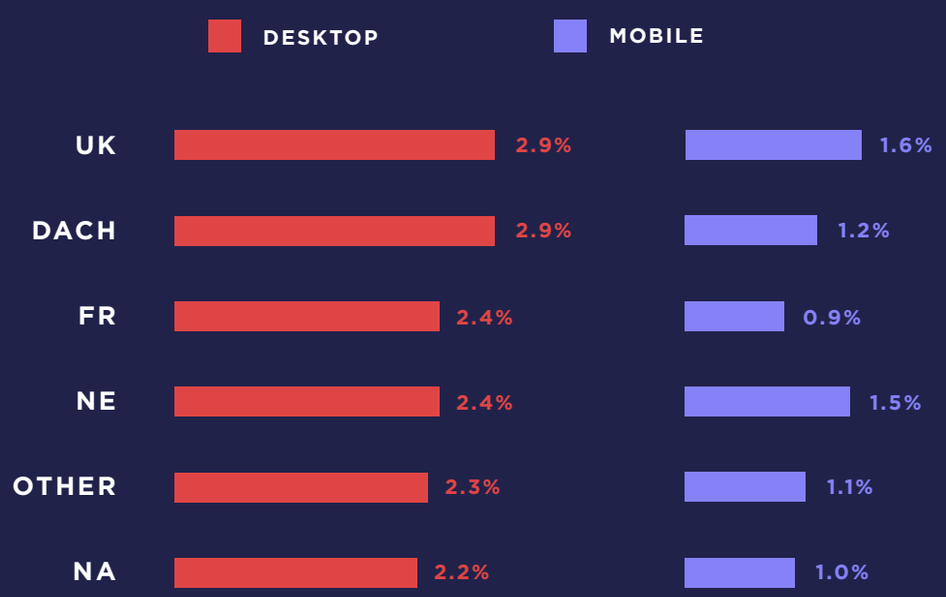
Conversion Rate

HOW IT'S MEASURED:
(CONVERSIONS / TOTAL VISITORS) X 100%

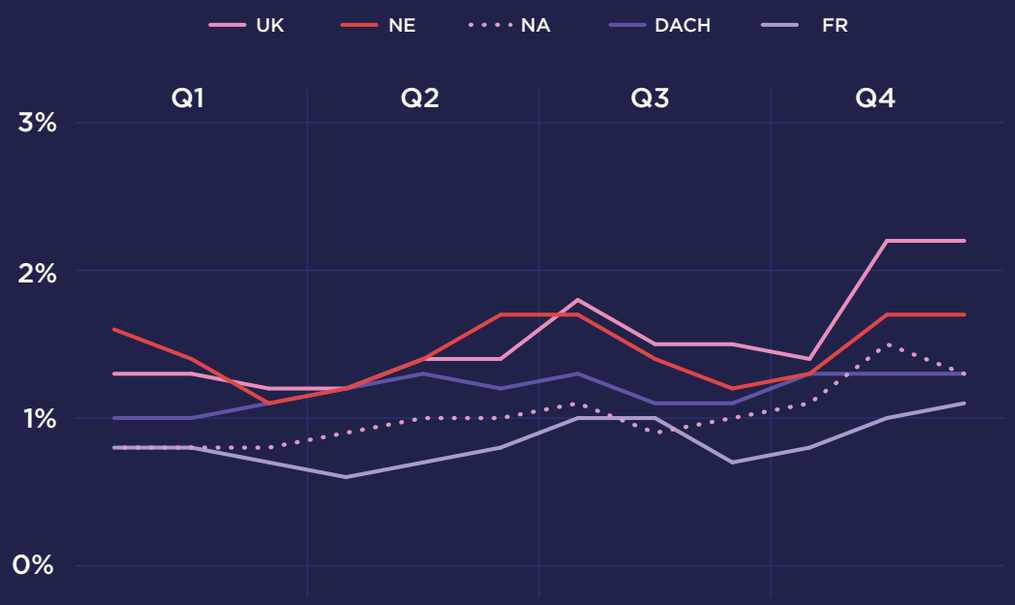
Globally, conversion rate on desktop was the highest at 2.44% vs. 1.32% on mobile. Fashion retailers continue to steadily improve customer conversion rate, with a 21% increase over 2018. This can be driven by factors such as:

- **Improvements in the usage of personalization solutions across the shopping experience**
- **Improvements in customer segmentation and targeting of offers to inspire a purchase**

Fashion retailers in the UK yielded an average range RPV and a relatively low basket size compared to other regions, but they do lead the fashion ecommerce scene in terms of customer conversion: conversion rates were highest on both desktop (2.9%) and mobile (1.6%) when compared the rest of Europe and North America. In turn, North America yielded the lowest conversion rates on desktop (2.2%) while consumers in France yielded the lowest conversion rates on mobile (0.9%). Retailers across the UK are leading the way in terms of mobile conversion — specifically around the holiday season. UK mobile conversion rates jumped to 2.2% between November and December (a 57% increase from a January-October's average of 1.4%).



CONVERSION RATE [%] - MOBILE



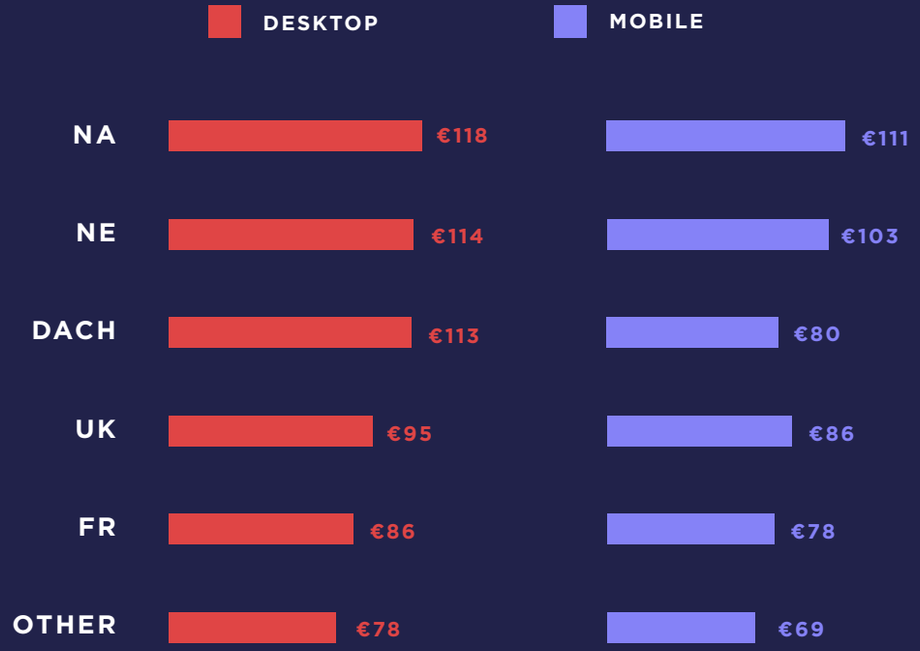
GLOBALLY, FASHION RETAILERS CONTINUE TO STEADILY IMPROVE CUSTOMER CONVERSION RATE, WITH A 21% INCREASE OVER 2018

Average Order Value

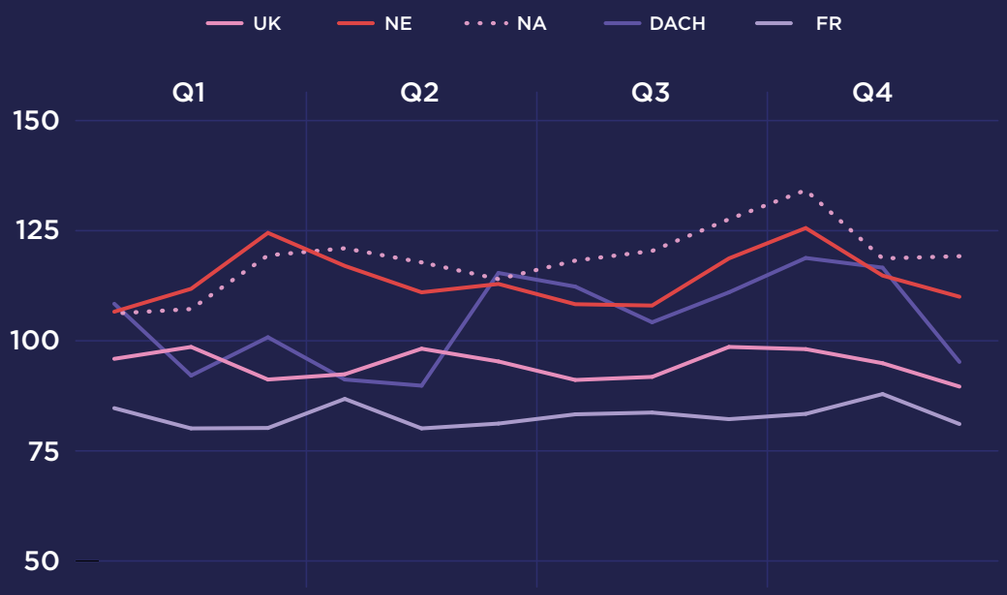
Globally, average order value (AOV) was dominant on desktop at €104 with mobile AOV averaging €90. North America led all other regions on both mobile (€118) and desktop (€111). An interesting phenomenon is the shrinking gap between desktop and mobile AOV in the North American market: mobile AOV is at 94% of desktop AOV, and is smallest percentage-wise relative to all other regions.

We saw previously that the gap between desktop and mobile revenue per visit is still noticeable, which implies that this is predominantly a function of the lower conversion rates between device types in this region. If fashion merchants in North America can improve mobile conversion rates, it will have a significant effect on revenue per visit with such high mobile average order values.

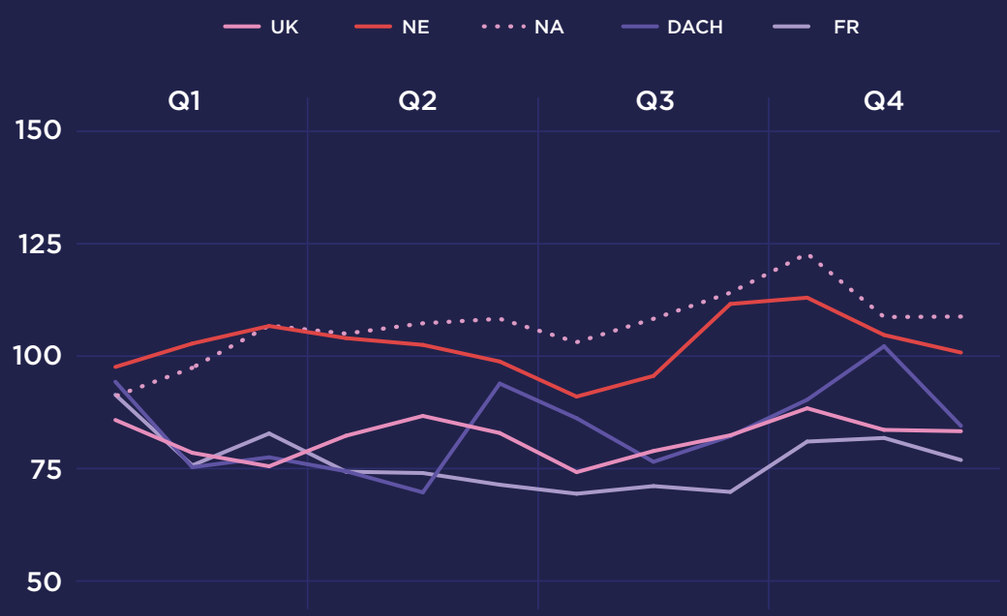
Notably, DACH has high desktop AOVs but low mobile AOVs, and as expected DACH RPV was highest on desktop as well. When looking broadly at the regions on a monthly basis, it's apparent that AOV is relatively flat on desktop, slightly increasing over time on mobile, and both device types see a seasonal spike around Black Friday / Cyber Monday.



AVERAGE ORDER VALUE [€] - DESKTOP



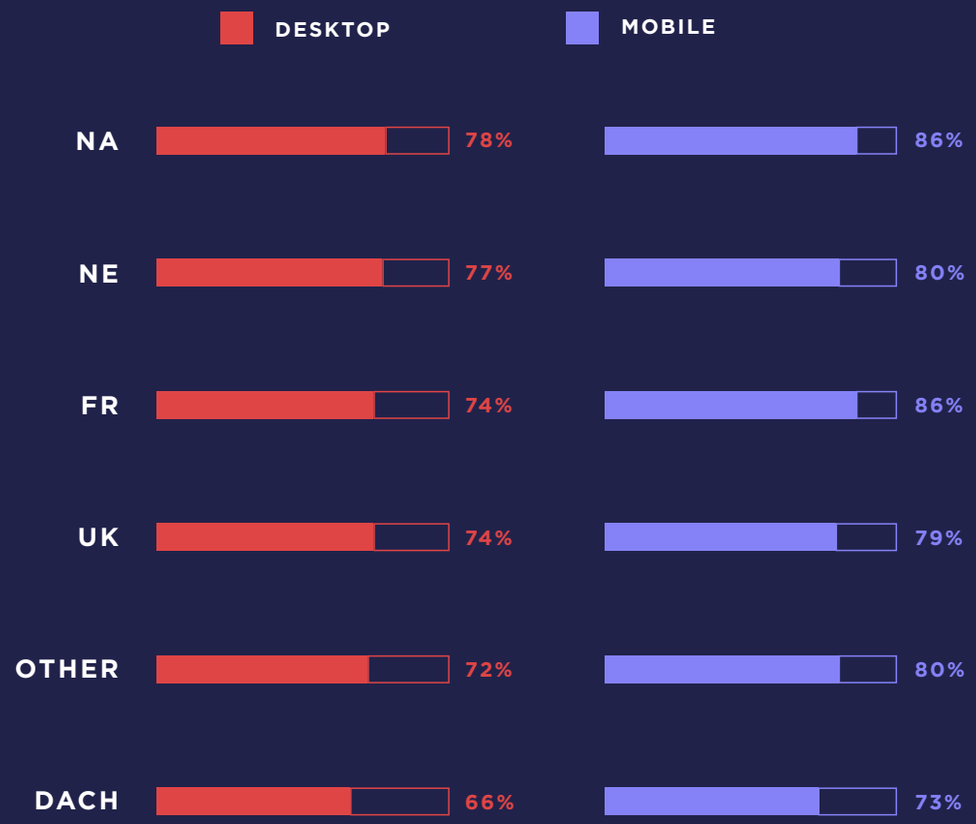
AVERAGE ORDER VALUE [€] - MOBILE



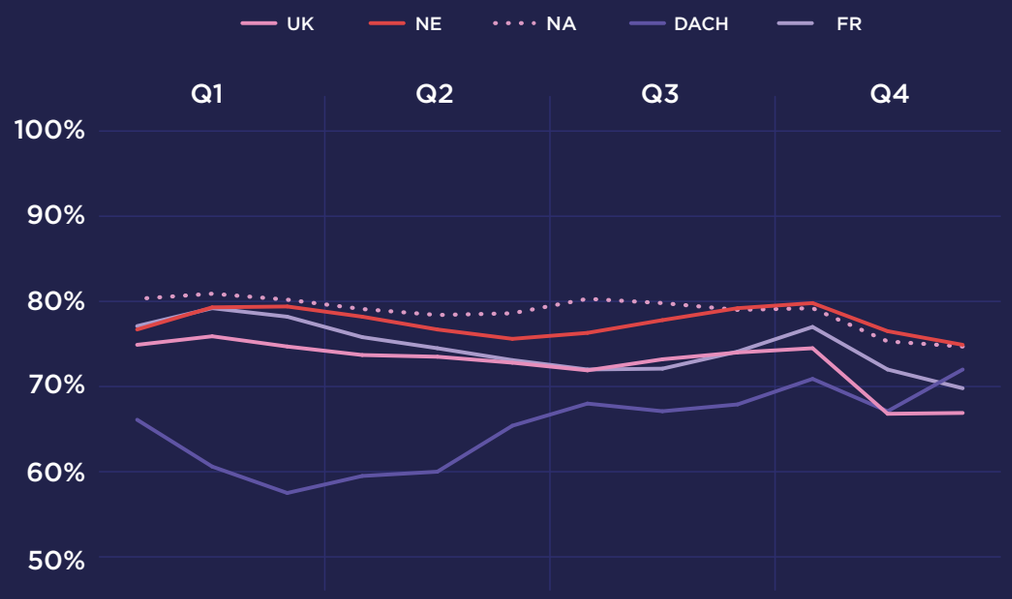
Cart Abandonment Rate

Overall, cart abandonment rates (CAR) were relatively stable throughout 2018, and most regions are relatively clustered together. Globally, we saw a 80% cart abandonment rate on mobile and 74% on desktop.

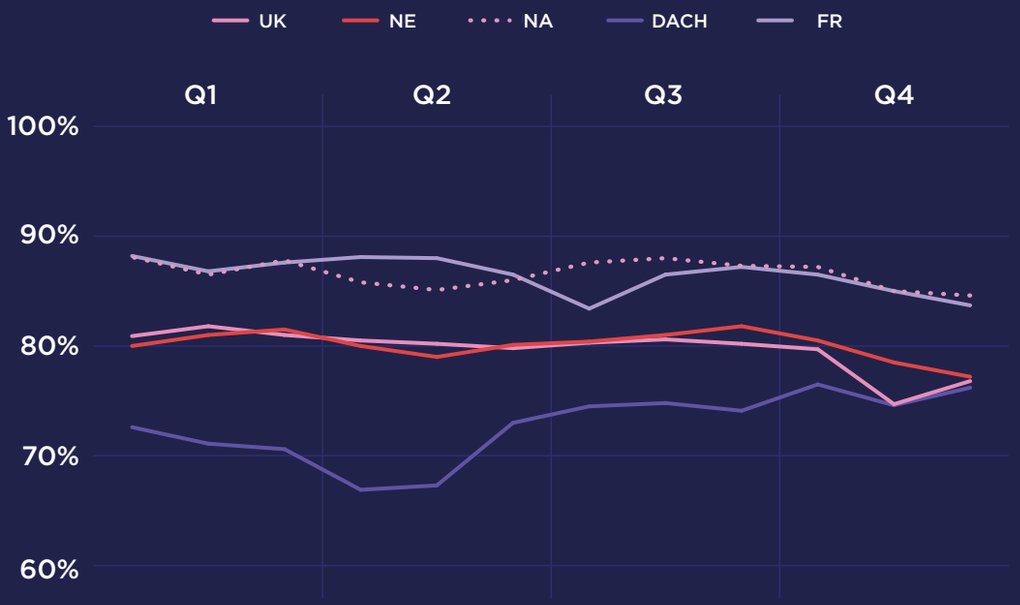
However, DACH is the one outlier — it yielded the lowest CAR on both desktop and mobile. These consumers appear to be "committed shoppers" — if they add something to cart, they are most likely to end up making a purchase. As mentioned in section 3 (Average Basket Size), German consumers are prone to returning products — and with the highest basket size of all regions, evidence of a prevalent "buy many sizes, return the ones that don't fit" phenomenon becomes noticeable. These same consumers are also known to be very brand focused and loyal to the brands they love and trust: two-thirds of them are prone to sticking with a brand they favor above all others.[8]



CART ABANDONMENT RATE [%] - DESKTOP



CART ABANDONMENT RATE [%] - MOBILE



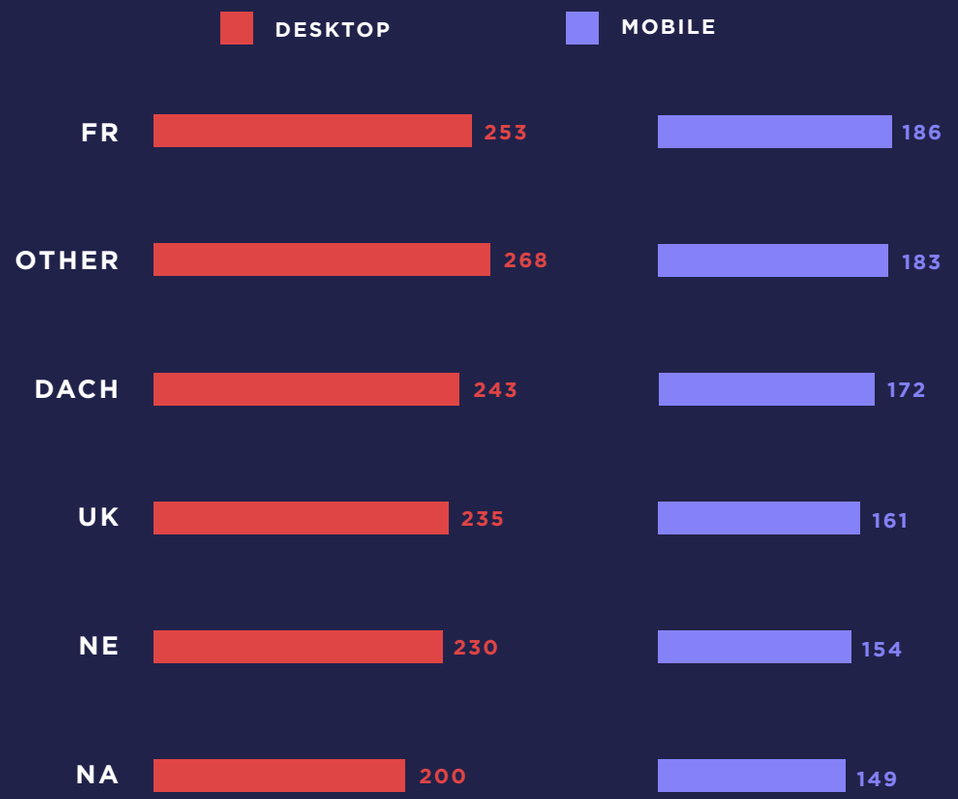
Time Spent Per Visit

Globally on average fashion shoppers browse for 164 seconds when they visit a site on mobile - and 239 seconds on desktop.

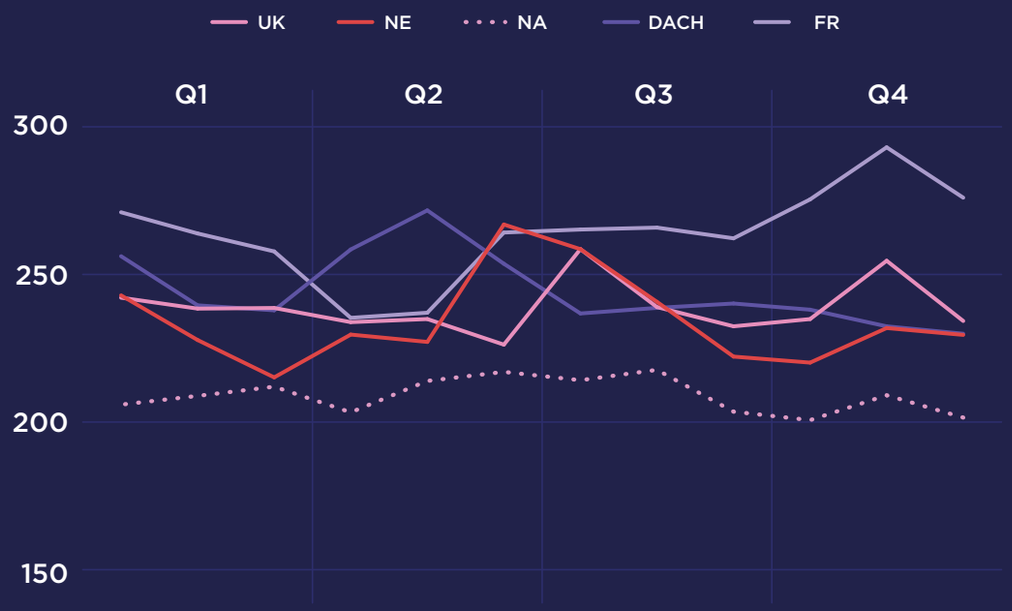
2018 yielded no massive or unexpected changes in average visit times. However, one interesting note is that North American fashion consumers generated the lowest visit time across all devices — yet they had the highest AOV. So while they may have the shortest online shopping attention span, they're actually the most efficient online shoppers.

Consumer behavior on mobile in France is also worth noting: it produced the lowest conversion rates (0.9%), the lowest revenue per visitor (€0.61), and the lowest average order value (€78).

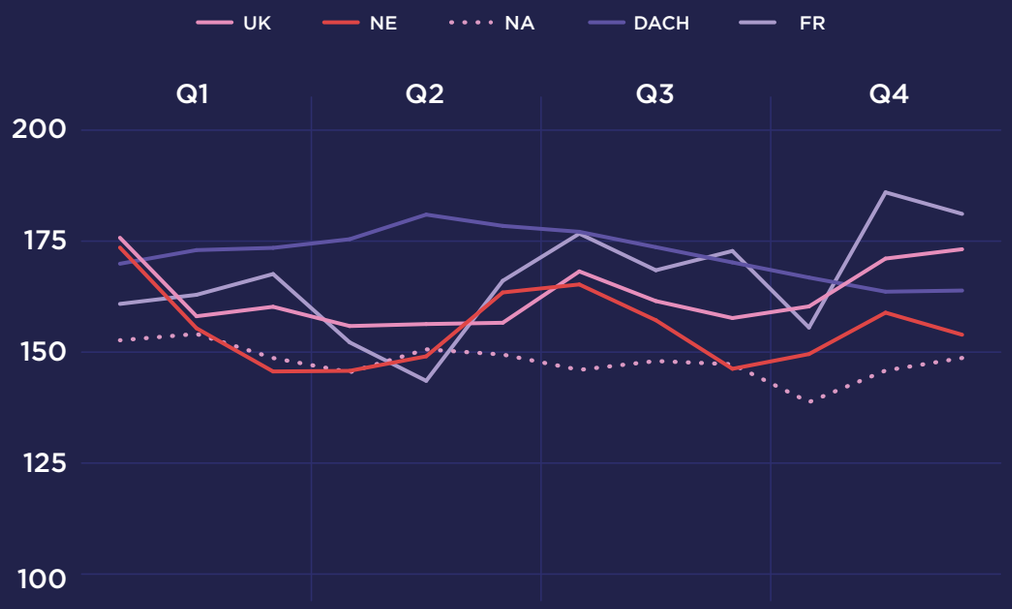
The catch: these consumers had the longest visit times (186 seconds), which is 25% higher than their North American peers. These signs indicate that French consumers prefer "digital window shopping" more than consumers in other regions.



TIME SPENT PER VISIT [SECONDS] - DESKTOP



TIME SPENT PER VISIT [SECONDS] - MOBILE



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