



**{ MAKING SENSE OF THE HYPE THROUGH  
Q2 MOBILE TRAFFIC TRENDS }**



Are you wrestling with the key decision of whether to invest in a mobile e-commerce website experience?

This paper clearly outlines why the question you should be asking yourself is “When do we go mobile?” rather than “Should we go mobile?”

To give you a sense of the reality vs mobile media hype, you’ll see a YOY Q2 comparison for mobile traffic trends.

We’ll also present our in-depth research findings on mobile site adoption, conversions, AOVs and search advertising so you can see why all ecommerce businesses should consider mobile advertising regardless of their mobile experience.

Plus, find strategic questions to help you evaluate whether investing in a mobile experience is the right move for your business, now and during the fiercely competitive Q4 holiday season.

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## EXECUTIVE SUMMARY

“Mobile” has been a buzz word in ecommerce marketing for the past several years as the Google Trends graphs below clearly indicate.

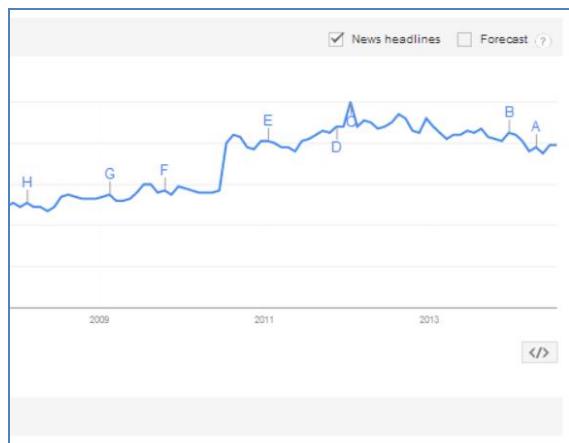


Figure 1 Google Trends for "mobile"

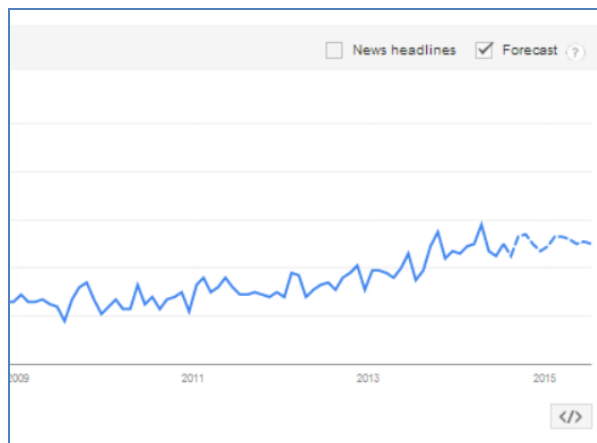


Figure 2 Google Trends for "cross device"

It's understandable for marketers and senior executives to become enamored with the buzz when you read statistics like these:

- *U.S. adults now spend more time on the Internet on smartphones than on PCs, research giant Nielsen finds.*
- *87% of smartphone and/or tablet owners use their devices to shop.*
- *Americans use on average 3+ devices to access the web ...53% of digital media time on mobile devices<sup>1</sup>.*
- *Mobile e-commerce grew 50% year-over-year.*
- *Mobile accounted for more than one in four US e-commerce orders this holiday season [2013].*
- *Tablet/smartphone share of e-commerce orders grew from 8% in 2012 to 11% in 2013.*
- *iOS devices made up 83% of mobile e-commerce sales.*
- *65% of marketing emails were opened on mobile devices during Q4 2013.*
- *More than half of Amazon customers shopped using a mobile device this holiday<sup>2</sup>.*

However, some clients are wrestling with whether to invest in mobile, and we wanted to get a sense of the reality vs the buzz.

<sup>1</sup> MASTER CROSS-DEVICE ADVERTISING IN ABOUT 10 MINUTES – Conversant whitepaper, 2014

<sup>2</sup> MERCHANT SURVEY 2014 – the e-tailing group



So we did a Q2 YOY comparison of mobile traffic trends based on a sample of our client base. The sampling rate was 33% and the data set included hundreds of millions of sessions.

After analyzing the data, the key question for ecommerce sites that don't have a mobile-friendly user experience should be "When do we go mobile?" not "Should we go mobile?"

Here's why:

1. Mobile friendly user experience improves mobile conversion rates.
2. Mobile friendly user experiences appear to "cure" AOV degradation.
3. Paid Search Mobile traffic converts at significantly higher rates than other Mobile traffic.
4. 4 out of 10 sites have mobile-friendly user sites, with almost half already planning the next evolution of their mobile experience.

Read on for more critical research findings as well as for the strategic questions retailers should be considering to help guide their initial mobile investment decisions.



## MOBILE TRAFFIC GROWTH

Mobile is clearly the fastest growing segment of web traffic as the data from statcounter and our client sample indicates. However, our data and other published benchmarks suggest that part of this phenomenon is the law of small numbers.

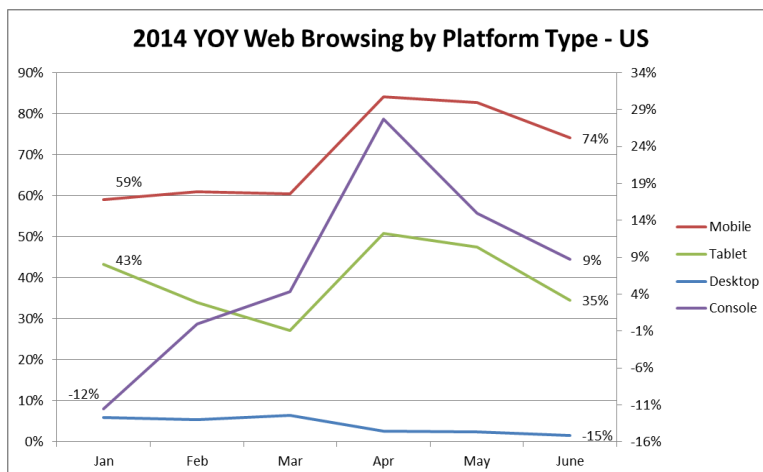


Figure 3 Based on Page views - statcounter.com

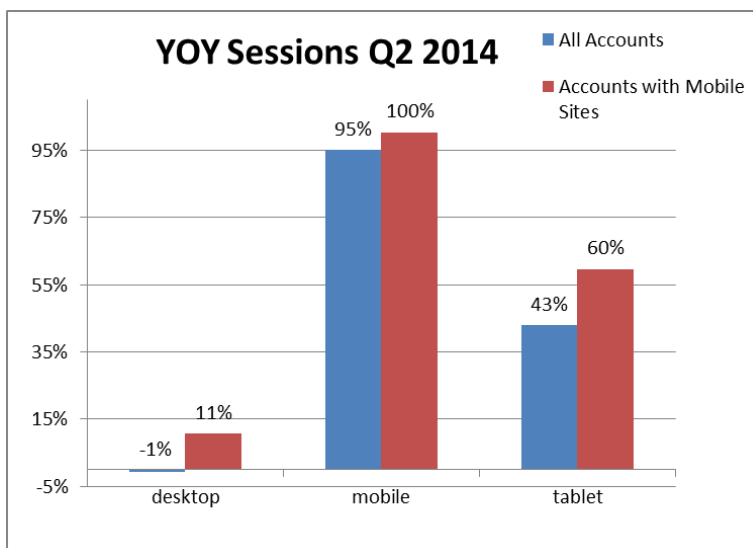


Figure 4 Session Based, NetElixir Client Sample



## TRAFFIC SHARE BY DEVICE

Mobile traffic share varies from 6% to 27% of all traffic.

When you look at the traffic share by device in Figure 5, you see the law of small numbers in action.

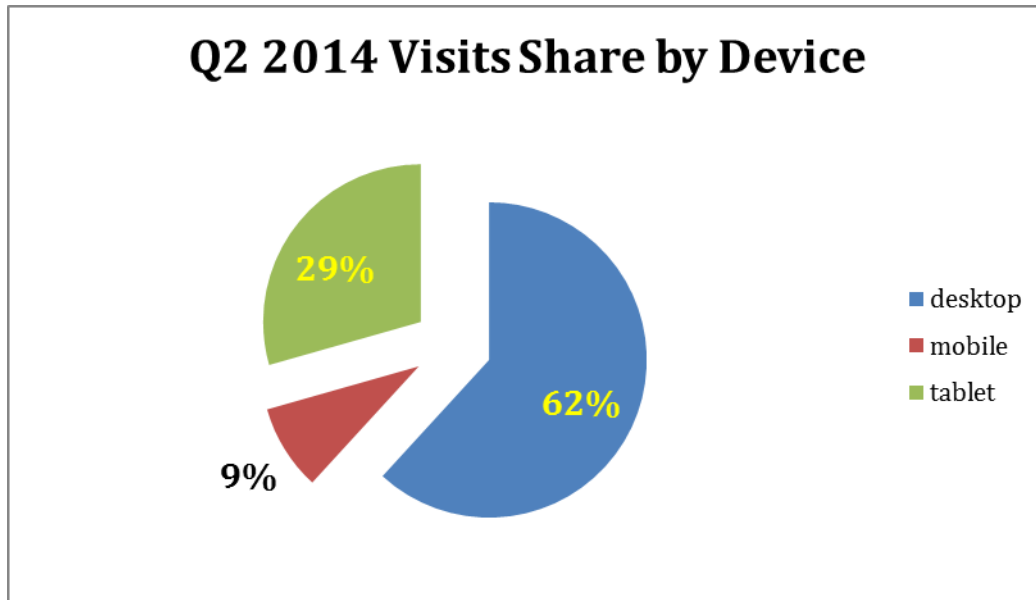


Figure 5 Session Based, NetElixir Client Sample

In Q2, mobile traffic was less than 10%, while non-desktop (smartphones + tablets) totaled 29% of visits.

While the 9% mobile traffic share was almost double the previous year, when making your mobile investment decisions, you need to understand the potential impact on your business. After all, it's about the math.



## THE LAW OF SMALL NUMBERS & MOBILE INVESTMENTS

Let's say you are deciding whether it is more profitable to invest in desktop or non-desktop medium, and your session share is similar to the Q2 mix for our client sample (See column 1 below). And let's assume that investing in desktop will increase conversion rates by 10%. In order for a non-desktop investment to have the same impact, your conversion rate would have to increase by approximately 42%. If you look at mobile only, conversions would have to almost double (188% increase) to match the expected purchase lift the 10% increase in desktop conversions provides.

	session			new			
	share	conv rate	xaction index	new conv rate	xaction index	change in xactions	chg in conv rate
desktop	62%	5.41%	33	6.0%	37	3.34	10%
mobile	9%	2.02%	2	5.8%	5	3.34	188%
non dt	38%	2.11%	8	3.0%	11	3.34	42%

Table 1 – Conversion Rate Impact Comparison

A real-life example of this small-numbers phenomenon saw one firm show an 86% increase in mobile conversion rates and a 23% gain in mobile visitors. These are substantial increases, yet mobile revenue only constituted slightly more than 1% of total income. For the entire dataset, mobile revenue average contribution was just 4% and ranged from .01% to 14%.



## PAID TRAFFIC SHARE BY DEVICE

Mobile traffic is more important in the Paid Search segment, regardless of the mobile-friendly experience.

Mobile plays a more important role in Paid Traffic than sitewide traffic, as Q2 saw 15% of paid visits from mobile devices.

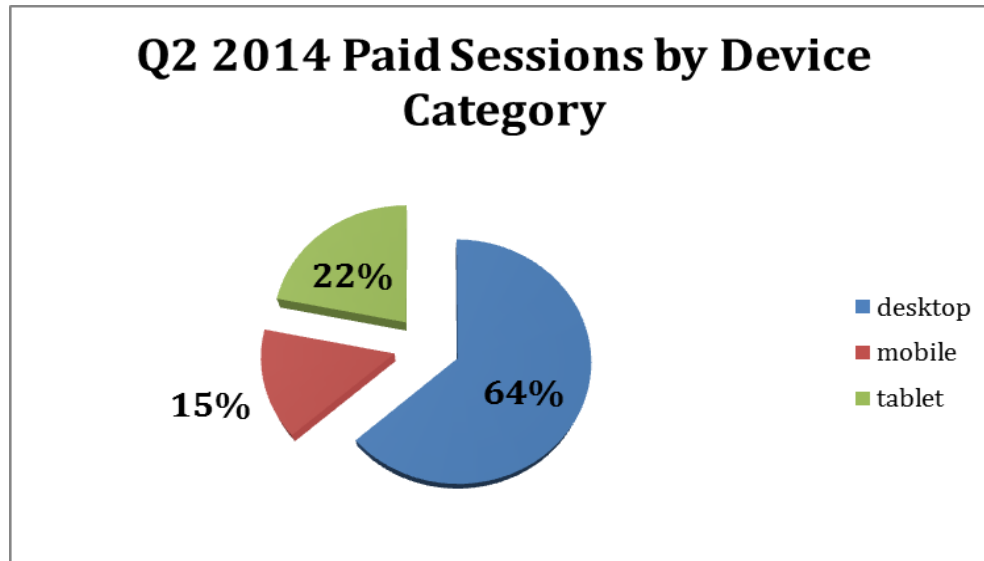


Figure 6 Paid Search Sessions by Device Category

Given that this statistic greatly depends on mobile advertising strategy, the range varies dramatically, with the lowest contribution to Paid Traffic at 2.3% and the maximum at 24.6%. Interestingly, the percentage of Mobile Paid Traffic did not vary dramatically for clients with a mobile-friendly experience vs. those without. By mobile friendly, we mean either a dedicated mobile site (i.e. m.domainname.com or domainname.com/mobile/) or a responsive design site.





## MOBILE CONVERSION RATES

Here are the conversion rates by device for the YOY Q2 period.

	All Accounts		Mobile Friendly Accounts		Accounts Without Mobile Friendly Sites	
	2014	2013	2014	2013	2014	2013
All Traffic	4.04	3.62	4.47	3.95	1.61	1.68
Desktop	5.41	4.58	6.22	5.22	2.16	2.07
Mobile	2.02	1.42	2.67	1.91	.37	.25
Tablet	2.19	1.95	2.54	2.19	1.1	1.09

Table 2 Conversion Rates by Device Category

Even with mobile friendly experiences, conversion rates of non-PC users remain far short of PC users.

Mobile's conversion rate growth of 42% YOY was by far the fastest. In addition, our dataset shows a conversion rate for mobile-friendly sites of 2.67%,

which is over 7x greater than accounts without mobile-friendly experiences.

We do have to apply the caveat that comparing conversion rates is always tricky because it's virtually impossible to create 2 segments of identical businesses.

In order to control for these business differences, we indexed the conversion rates to the overall sitewide conversion rate. The data showed that businesses with a mobile-friendly experience had a mobile conversion rate of 60%, while those without only had a 23% mobile conversion rate.

In addition, the conversion rates for mobile friendly sites improved YOY for both the absolute number and indexed to the sitewide rates.

This clearly shows the type of impact a mobile-friendly user experience can have towards converting mobile users.



	All Accounts		Mobile Friendly		Non-Mobile Friendly	
	2014	2013	2014	2013	2014	2013
all traffic	100%	100%	100%	100%	100%	100%
desktop	134%	127%	139%	132%	134%	123%
mobile	50%	39%	60%	48%	23%	15%
tablet	54%	54%	57%	55%	68%	65%

Table 3 Conversion Rates by Device Category Indexed to Total Conversion Rate

Sites without a mobile friendly experience could have increased Q2 revenue by 5% with a mobile friendly site.

If we go a step further and revisit our point earlier about the timing of mobile investments, the data shows that the business with non-mobile friendly sites would have seen a 5.2% increase in revenue if they had implemented a mobile friendly experience. We used the indexed value ratio of 2.6 to

increase the conversion rate from .37% to .97% and held AOV and sessions constant.



## PAID TRAFFIC CONVERSION RATES

Mobile Paid Search Conversion Rates are more than 30% higher than All Traffic Mobile Conversion Rate.

The theory that users who click on paid search ads are predisposed towards conversion seems to hold true when you look at mobile conversion rates from Paid Traffic. The Paid Search Mobile Conversion

Rate for the entire dataset is 32% higher than the conversion rate for all mobile traffic. Looking at the mobile friendly experience, the increase is 34%.

	All Accounts		Mobile Friendly		Non-Mobile Friendly	
	2014	2013	2014	2013	2014	2013
All Traffic	5.26%	4.66%	4.87%	5.00%	1.51%	1.46%
Desktop	6.43%	5.33%	6.11%	5.70%	1.88%	1.69%
Mobile	2.68%	2.25%	3.59%	3.17%	0.41%	0.18%
Tablet	2.52%	2.30%	2.22%	2.04%	1.05%	0.95%

Table 4 Paid Search Conversion Rates by Device Category

Not only are the actual values higher, but when you apply the indexing idea to these rates, you see an increase in all 3 mobile segments.

	All Accounts		Mobile Friendly		Non-Mobile Friendly	
	2014	2013	2014	2013	2014	2013
All Traffic	100%	100%	100%	100%	100%	100%
Desktop	122%	114%	125%	114%	124%	116%
Mobile	51%	48%	74%	63%	27%	12%
Tablet	48%	49%	46%	41%	70%	65%

Table 5 Paid Search Conversion Rates by Device Category Indexed to Total Conversion Rate



## AOV TRENDS

### AOV VS CONVERSION RATES

Sites selling bigger ticket purchase items have more difficult challenges converting mobile visitors.

One hypothesis we had going into this study was that there is a negative correlation between average order value and conversion rates. The theory being that higher average order values reflect more considered

and lengthy purchase decisions. This theory was partially validated, as the correlation factor for all visits and AOV was fairly strong at -.25. Not surprisingly, for mobile traffic, the correlation was stronger at -.44. The AOV in our dataset ranged from \$29 to \$573.

However, when we removed the outlier \$573 AOV site from the mix, the maximum AOV drops all the way to \$215. As you might anticipate, the correlation between AOV and conversion rate deteriorated. For all traffic, the factor was -.05, which is still the negative correlation you might expect, but considerably weaker. What was interesting to note is that the mobile traffic's correlation factor was still fairly strong at -.39. So one possible conclusion is that businesses that sell more expensive, highly considered purchases have additional challenges when it comes to making users comfortable pulling the conversion trigger on a mobile device.

### AOV BY DEVICE

Mobile friendly user experiences appear to pose a cure for AOV degradation among mobile users.

When you compare AOVs by device, our data indicates that having a mobile friendly experience can achieve AOV levels that are just as good as or even slightly higher than desktop shoppers. In addition, non-mobile friendly sites appear to have a negative impact on the

basket size of mobile shoppers.

Q2 2014	Mobile Friendly	Non-Mobile Friendly
All Traffic	\$70	\$145
Desktop	\$72	\$147
Mobile	\$73	\$103
Tablet	\$53	\$137

Table 6 Average Order Value (AOV) by Device Category



## PAID TRAFFIC AOV BY DEVICE CATEGORY

The same AOV pattern appears in the paid traffic results. Mobile AOV for mobile friendly sites is significantly higher than both the overall and desktop AOV. In the non-mobile friendly segment, we see the same significant drop-off in AOV in the mobile segment.

Q2 2014	Mobile Friendly	Non-Mobile Friendly
All Traffic	\$63	\$116
Desktop	\$64	\$117
Mobile	\$74	\$72
Tablet	\$49	\$119

Table 7 Paid Search Traffic Average Order Value (AOV) by Device Category

## MOBILE SEARCH ADVERTISING

The average mobile bid adjustment for mobile-friendly segment is -41%.

We found some interesting findings when we looked at the mobile search advertising practices from our sample.

1. All clients had almost all of their paid search ads eligible for mobile search placement.
2. Clients with mobile friendly sites were more likely to have mobile bid adjustments set up for their campaigns. Mobile friendly sites had 46% of their paid campaigns with a mobile bid adjustment vs just 14% for those without a mobile friendly experience.
3. Clients with mobile friendly sites were less likely to have campaigns with a positive mobile bid adjustment, with 17% having positive mobile bid adjustment vs 41% for the non-mobile friendly segment.
4. Subsequently, the mobile friendly segment had a deeper average mobile bid adjustment of -41% vs the non-mobile friendly segment's average of just -1.1%.

For businesses that don't have a mobile site and have set their mobile bid adjustments to -100% in their AdWords accounts, there are a few important takeaways from our dataset.

1. Paid Search mobile visitors convert at a significantly higher rate than non-Paid Search mobile visitors, even for clients without an optimal mobile user experience.

2. When considering the timing and investment level to either launch a dedicated mobile site or a responsive design site, don't forget to consider the incremental growth enabling mobile search advertising can deliver. In our data set, the maximum contribution to Q2 revenue that *mobile paid search traffic* contributed was 9% while the average was 3%.
3. If your current mobile AOV falls short of your sitewide AOV, like our non-mobile friendly segment experiences, make sure to consider the possible AOV lift you may get in that segment from implementing a more friendly experience.

## MOBILE FRIENDLY SITE ADOPTION

Given both the complexity etailers face in deciding when and how to invest in experiences for a specific device and the potential competitive disadvantage a non-mobile friendly site may pose, we decided to benchmark the current adoption rate of a mobile-friendly user experience among our client base and their competitors. Figure 7 represents what we found.

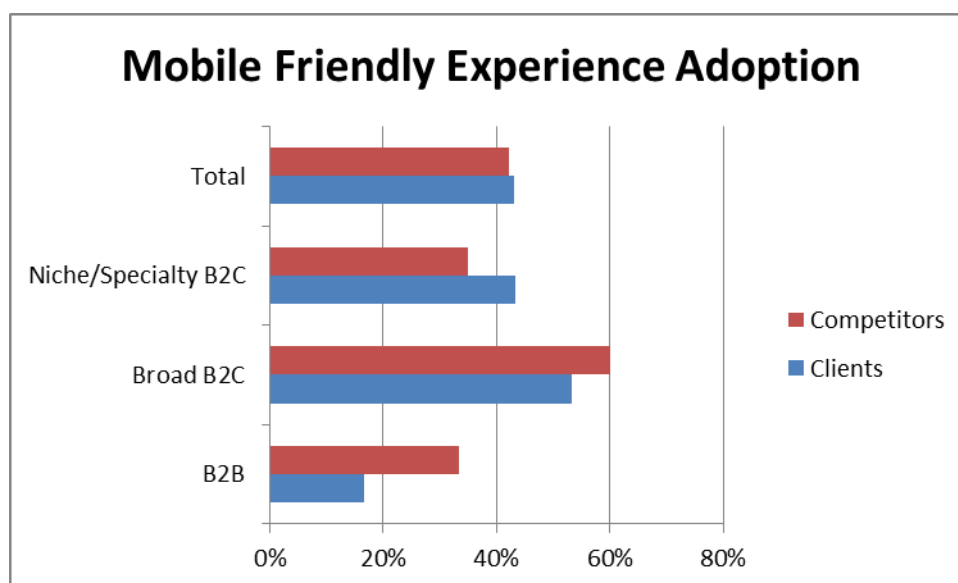


Figure 6 Mobile Friendly User Experience Adoption Rates

A little more than 4 out of 10 sites were mobile friendly and the rate among our clients and competitors was very close. Not surprisingly, when you look at the type of audience the business targets, you see differences in the adoption rate that are understandable. For example, B2B businesses' adoption of a mobile friendly experience was 28% vs broad-based consumer businesses adoption at 58%.



## MOBILE-FRIENDLY USER EXPERIENCE – A COMPETITIVE NECESSITY

Long term, we don't thinketailers (B2C particularly) can survive without a mobile-friendly user experience. For those businesses that don't have a mobile friendly site, it's a question of *"when"* rather than *"if"*.

In fact, the complexity of non-PC browsing behavior threatens to distort the competitive landscape the Internet has represented for the past 15 years or so. In the past, small, start-up players could compete with deep-pocketed brands by having a better site experience and SEO. Now, it is clear that companies with deep pockets have a potential advantage because of their ability to fund smartphone-specific user experiences, tablet-specific user experiences, and PC-specific experiences.

## STRATEGIC QUESTIONS FOR E-COMMERCE SITES WITH A NON-MOBILE FRIENDLY USER EXPERIENCE

Here are a few questions to consider when planning the timing of your mobile website investment.

### MOBILE TRAFFIC TRENDS

- How important are non-PC users to your traffic and what are the various trends?
- How does your mobile conversion rate and AOV compare to your desktop rate?
- How important is mobile to your industry?
- How many of your competitors have mobile presences already?

### Q4 HOLIDAY PLANS

- Can you launch a fully functional mobile user experience in time for the holidays?
  - If not, can you deliver limited functionality that addresses most common tasks your mobile users are performing on your site?
  - Can services like mshopper or shopify help you get to a mobile site faster?
- Are there opportunities to increase conversions among PC or tablet users that could have a more profitable impact or are easier to implement?<sup>i</sup>

### MOBILE SITE VS MOBILE APP

Studies show the majority of people prefer mobile apps over mobile web browsing, especially when they have an established relationship with the brand. But...

- Is a mobile app a faster time-to-market option?
- Is the nature of your business better suited to having a mobile app?
- Are the majority of your Q4 customers repeat customers?
- Do you get a lot of one-time, gift type purchases during Q4?



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<sup>i</sup> Atetail east, one of the keynotes started with the speaker demonstrating how a particular etailer's product detail pages did not work with his iPad in the same way it worked from a PC.