Demandware Shopping Index

2015 Q3

Analyzing the activity of over 250 million shoppers worldwide, this report measures digital commerce growth and the trends and sources that are driving that growth. As shoppers evolve their shopping patterns, it is critical for retailers to change their approach to servicing shoppers and guiding their experience. More than ever before, that experience must be seamless across channels and devices.

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move faster, grow faster

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Demandware Shopping Index: 2015 Q3

The Demandware Shopping Index measures digital commerce growth and is based on an analysis of the shopping activity of over 250 million shoppers worldwide. This index considers shopper frequency, conversion, average order values and net change in shoppers.

SHOPPER SPEND

16% The product of shopper frequency, conversion and average order value contributes **16% of the growth** in digital commerce.

Shopping Attraction: 84%

The change in number of shoppers visiting a site contributes 84% of the growth in digital commerce.

Shopping Index: +25%

Shopper Spend: 16%

The product of shopper frequency, conversion and average order value contributes 16% of the growth in digital commerce.

SHOPPING ATTRACTION

The change in number of shoppers visiting a site provides **84% of the growth** in digital commerce. **84%**

The shopping index is not indicative of Demandware's operational performance or its reported financial metrics, including GMV growth and comparable GMV growth. The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014 and activity of registered users.

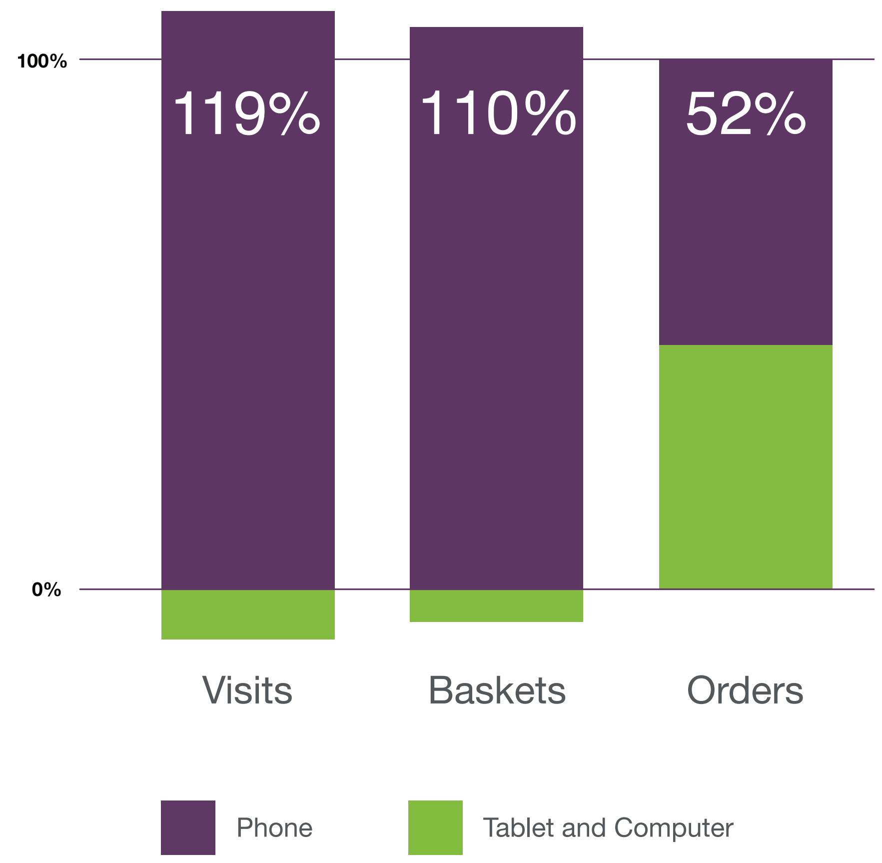
Shopping Behavior Makes a Sharp Turn Towards Phones

Pockets and purses are where all the action is happening as, once again, phones are the primary source of growth for visits and baskets and now orders too. In fact, phones are the ONLY device showing gains in traffic, accounting for 119% of the growth in visits. Tablets and computers provided fewer visits year over year, down 1% and 19% respectively. This trend continues into the basket, with phones driving 110% of the growth, and tablets, -1%, and computers, -9%, both providing fewer net baskets.

What Really Matters

Remember when tablets were going to take over digital commerce? Instead, phones are proving to be the preferred shopping device. Retailers take note, phone-first is not a luxury, it's a requirement. The experience must be designed for mobile, which means quick load times, full-feature sites as well as symmetry across devices and into both your marketing and commerce experiences.

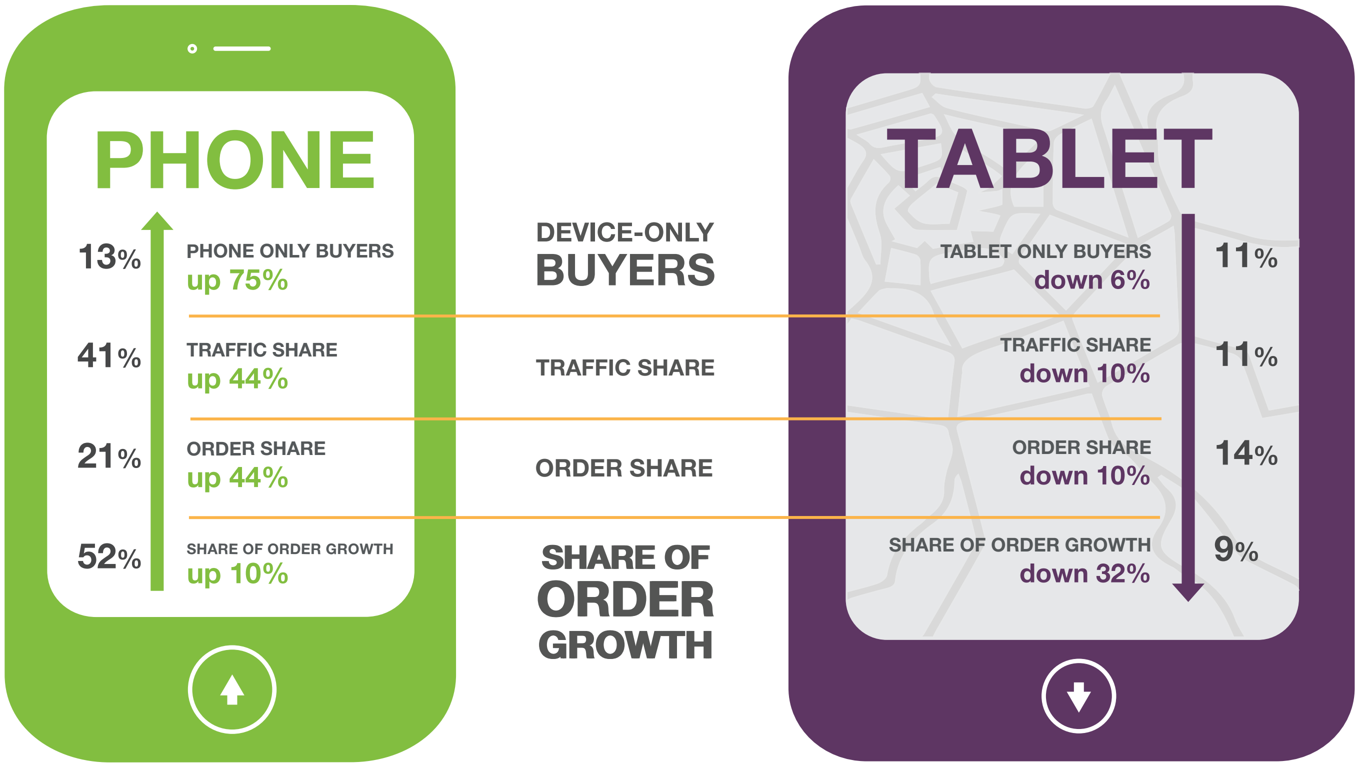
Device Contribution on Digital Commerce Growth Metrics



The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014.

A Tale of Two Devices

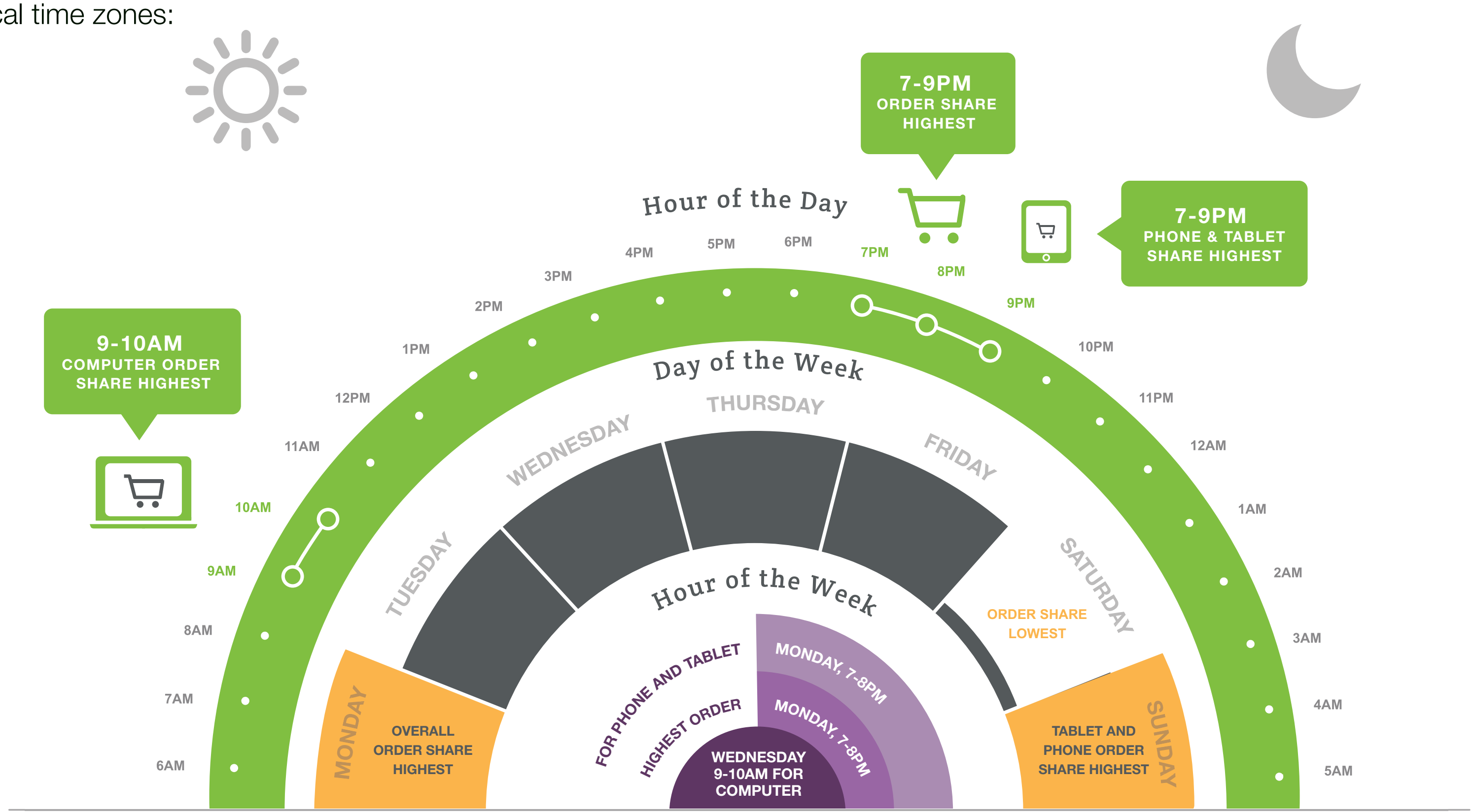
Shoppers continue to vote with their thumbs and are increasingly choosing phones as their shopping device. Meanwhile, just as quickly as phones rose in prominence, tablets are falling. Tablet share peaked near 15% of visits in early 2014, but is since off 22%, as the ‘middle-child’ device now holds just 11% of all traffic and is falling. Here’s a look at the differing directions of these tap devices.



The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014.

When Are Shoppers Most Active?

Dayparting, the practice of dividing the day into several segments and providing specific content/messaging for each segment, provides enormous potential to capture a consumer's attention (and spur a call to action) at just the right time. It's therefore imperative for retailers to know precisely when their shoppers are active. Here, for the first time in the Demandware Shopping Index, are those peak times, normalized to local time zones:



What Really Matters

Driving traffic, especially productive traffic, will continue to be a primary focus for retailers. That said, any intelligence that helps them target and market to consumers will be explored. Those who successfully leverage competitive weapons like dayparting and data science, which take important nuances into account, as well as device preferences, merchandising assortment and promotions, will come out on top.

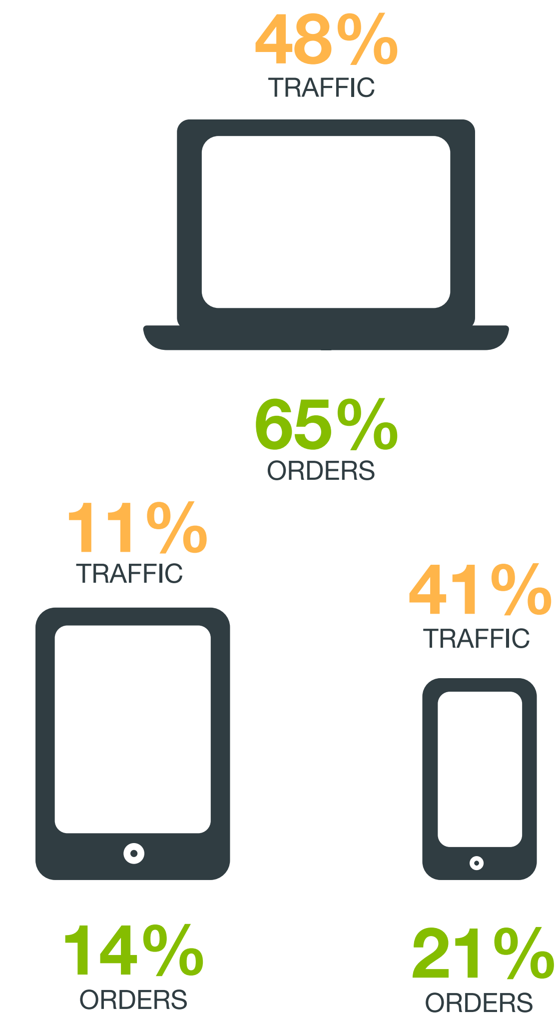
The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014 and is normalized to local time.

Device Trends

The great market share shift continues, with phones taking a greater chunk of share from both computers and tablets. In an astonishingly short period of time, phones are on the verge of overtaking computers as the biggest traffic-driving device. All told, both order share and visit share are up 44%, globally, on phones. Cross-device shopping once again increased, up 14% year-over-year, driven primarily by shoppers shopping across both computer and phone. Tablets continue their downward trend, with share receding due to a net loss in visits YoY.

What Really Matters

While most agree that a unified shopping experience across devices is vital, retailers must go beyond the content of the pages and aim for greater cross-device recognition and personalization. Those who can seamlessly bridge shopping actions like carting and merchandising preferences will win shopper respect, and orders.



Global Traffic and Order Share by Device

For country-specific values, see appendix.

The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014.
Percentages are rounded and may not always sum to 100%.

Time on Site

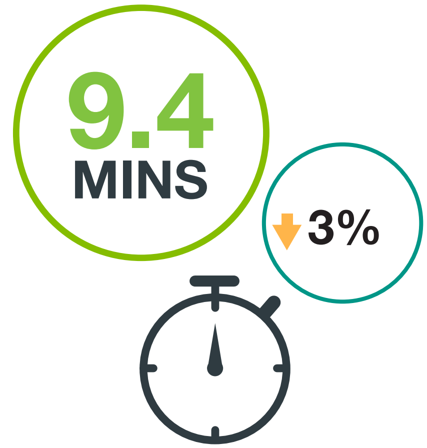
Consumers have fully and completely integrated phones into their daily lives, filling previously hollow micro moments (standing in line, waiting at a red light) browsing on phones. But this ensures a higher degree of ‘shopping interruption,’ a trend we see on phones especially with the rise of short-duration visits and decreases in overall time spent on site per visit.

What Really Matters

With session duration falling, retailers must not only initiate a call to action but also make that action as frictionless as possible. Buyable Pins from Pinterest and Twitter Buy Now serve as good examples of mobile channels serving as one-touch points (of sale) that facilitate the buying process.

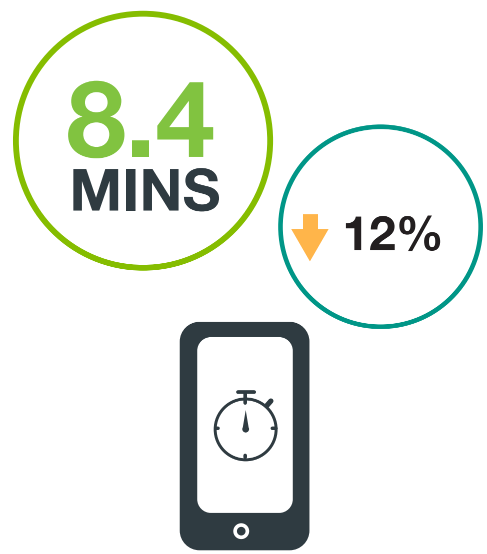
AVERAGE TIME PER VISIT, Q3 2015 (GLOBAL)

9.4 mins, down 28%



AVERAGE TIME PER PHONE VISIT, Q3 2015 (GLOBAL)

8.5 mins, down 37%



For country-specific values, see appendix.

The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014.

Shopping Activity

This was a very productive quarter for shoppers, as order growth outpaced visit growth to yield more efficient shopping journeys. At the same time, the trailing twelve months still show a trend towards higher basket rates and visit inflation due to cross device shopping.

What Really Matters

Aggregate and top line metrics will continue to be important for retailers looking to gauge their performance. However, instead of simply examining overall change in these metrics, retailers should look to frame their business performance around the shopper. In doing so, the true story of shopper activity will point to and identify opportunities to increase shopper spend and frequency.

Above metrics are global. For country-specific values, see appendix.

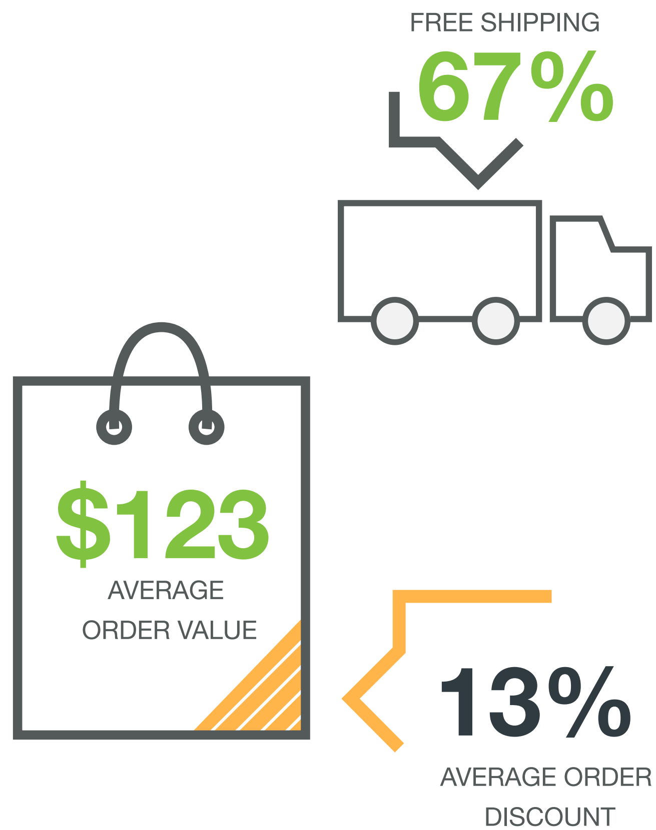
The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014.

Order Value & Discounts

Shoppers continue to seek, and find, discounts and free shipping. The rate of discount creep is slow, signaling a strong overall market. While discounts will undoubtedly increase quarter over quarter as retailers prepare for the peak shopping season, the reasonable levels of discounting in Q3 should help to keep discount levels from spiking too dramatically.

WHAT REALLY MATTERS:

While discounts remained relatively flat and free shipping ticked up only slightly compared to Q2, retailers continue to feel the pinch of providing both to their shoppers. Stores are proving to be an asset, both for fulfilling orders and accepting returns – both of which can help guard against margin loss and towards stronger profitability.

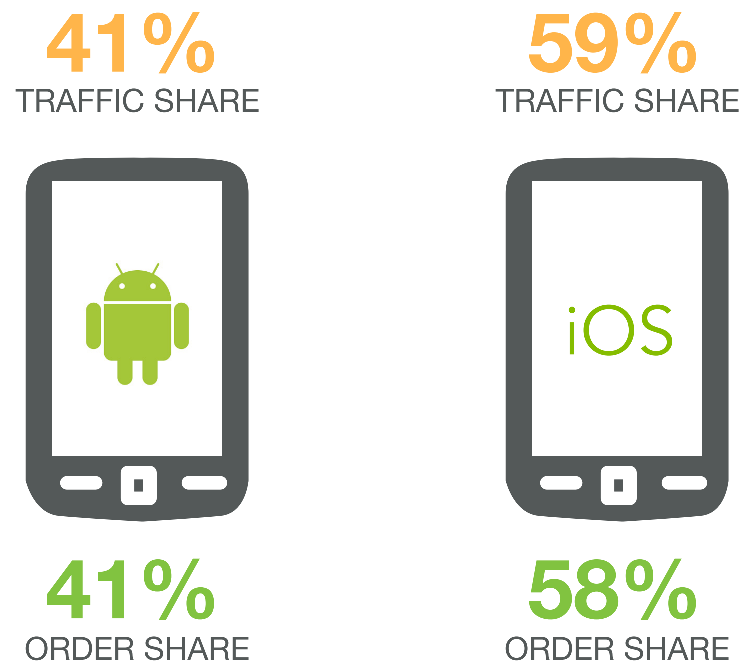


Above metrics are global. For country-specific values, see appendix.

The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014. Discount rate is calculated as the discount on merchandise purchased and does not include items previously marked down.

Operating System: Phones

iPhones extended their lead over Android, pulling slightly farther away in the battle for visit and order share, while maintaining its lead in average order value.



Global Traffic and Order Share, by Operating System

For country-specific values, see appendix.

The analysis reflects a comparison of digital commerce sites transacting in Q3 2015 and Q3 2014. Percentages are not exhaustive of all operating systems and do not sum to 100%. Android is a trademark of Google Inc. iOS is a trademark of Apple Inc.

About the Shopping Index

- This comprehensive report analyzes activity of over 250 million shoppers worldwide to identify trends and opportunities for retailers to elevate the shopper experience and grow revenue. The Demandware Shopping Index measures the pace of digital shopping growth, assigning a numerical value to crucial shopper metrics.

- As a leader in enterprise digital commerce with more than 1,300 global retail sites running on Demandware Commerce and processing billions of dollars in gross merchandise value, Demandware is uniquely positioned to offer actionable insights into shopping behavior.

- The Demandware Shopping Index is published quarterly. Data footnotes are noted inline throughout the report to provide additional clarity on the analysis.

- The shopping index is not indicative of Demandware's operational performance or its reported financial metrics including GMV growth and comparable GMV growth.

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Appendix

Device Trends

Traffic and Order Share by Device, Q3 2015 v. Q3 2014

Traffic Share	2015 Q3			2014 Q3			YoY		
Country	**Computer**	**Tablet**	**Mobile**	**Computer**	**Tablet**	**Mobile**	**Computer - YoY**	**Tablet - YoY**	**Phone - YoY**
Global	48%	11%	41%	58%	13%	29%	-18%	-14%	43%
USA	48%	9%	43%	57%	12%	31%	-16%	-21%	37%
UK	40%	20%	40%	50%	23%	28%	-20%	-10%	44%
Germany	54%	12%	33%	67%	12%	21%	-19%	5%	58%
France	52%	9%	39%	71%	9%	21%	-26%	7%	87%
Canada	47%	15%	38%	59%	16%	25%	-20%	-5%	49%
Vertical	**Computer**	**Tablet**	**Mobile**	**Computer**	**Tablet**	**Mobile**	**Computer - YoY**	**Tablet - YoY**	**Phone - YoY**
Active Apparel	49%	8%	43%	60%	10%	30%	-19%	-16%	44%
General Apparel	49%	11%	40%	62%	12%	26%	-21%	-11%	55%
Luxury Apparel	49%	11%	40%	54%	15%	32%	-9%	-25%	27%
Health & Beauty	47%	8%	45%	52%	9%	39%	-9%	-14%	15%
Home	45%	14%	41%	60%	16%	25%	-25%	-13%	69%

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Device Trends

Traffic and Order Share by Device, Q3 2015 v. Q3 2014

Order Share	2015 Q3			2014 Q3			YoY		
Country	Computer	Tablet	Phone	Computer	Tablet	Phone	Computer - YoY	Tablet - YoY	Phone - YoY
Global	65%	14%	21%	71%	15%	13%	-9%	-8%	57%
USA	70%	11%	19%	74%	13%	13%	-6%	-16%	51%
UK	49%	23%	29%	57%	23%	19%	-15%	-3%	48%
Germany	70%	13%	17%	77%	13%	10%	-10%	2%	72%
France	73%	10%	17%	78%	11%	11%	-7%	-9%	58%
Canada	65%	16%	19%	74%	17%	10%	-12%	-3%	96%
Vertical	Computer	Tablet	Phone	Computer	Tablet	Phone	Computer - YoY	Tablet - YoY	Phone - YoY
Active Apparel	69%	11%	21%	76%	12%	12%	-10%	-10%	71%
General Apparel	68%	13%	19%	73%	15%	12%	-8%	-10%	60%
Luxury Apparel	65%	15%	20%	70%	17%	13%	-7%	-16%	58%
Health & Beauty	70%	11%	20%	74%	12%	13%	-6%	-14%	49%
Home	57%	17%	26%	65%	17%	18%	-13%	2%	45%

Appendix

Time on Site, by device

Visit Duration in Minutes, Q3 2015 v. Q3 2014

	Computer			Tablet			Phone		
Country	**2015 Q3**	**2014 Q3**	**YoY**	**2015 Q3**	**2014 Q3**	**YoY**	**2015 Q3**	**2014 Q3**	**YoY**
Global	10.0	9.6	4%	10.4	10.5	-1%	8.4	9.5	-12%
USA	9.5	9.9	-4%	9.9	9.9	0%	8.2	9.3	-11%
UK	11.4	10.5	9%	12.1	12.3	-1%	8.7	10.3	-15%
Germany	10.0	8.4	20%	10.0	9.7	3%	8.6	9.5	-10%
France	8.9	8.3	7%	9.3	9.9	-6%	7.6	9.2	-18%
Canada	10.2	8.3	23%	9.0	8.8	2%	8.0	8.4	-5%
Vertical	**2015 Q3**	**2014 Q3**	**YoY**	**2015 Q3**	**2014 Q3**	**YoY**	**2015 Q3**	**2014 Q3**	**YoY**
Active Apparel	11.7	10.7	9%	11.0	11.4	-3%	8.7	10.2	-15%
General Apparel	10.4	10.0	4%	10.4	10.6	-2%	8.8	10.2	-14%
Luxury Apparel	8.4	8.9	-5%	9.6	10.3	-7%	7.3	8.9	-18%
Health & Beauty	7.2	7.0	2%	8.2	8.9	-8%	6.8	7.1	-5%
Home	9.9	9.5	4%	10.2	9.6	6%	8.6	8.5	2%

Appendix

Shopping Activity Q3 2015 v. Q3 2014

Country	Δ Visits	Δ Baskets	Δ Orders
Global	16%	14%	25%
USA	15%	13%	24%
UK	12%	8%	25%
Germany	6%	2%	8%
France	4%	32%	40%
Canada	40%	51%	52%

Vertical	Δ Visits	Δ Baskets	Δ Orders
Active Apparel	27%	15%	24%
General Apparel	14%	20%	28%
Luxury Apparel	28%	18%	35%
Health & Beauty	11%	5%	14%
Home	15%	-2%	21%

Order Value and Discount, Q3 2015

Country	AOV	Discount Rate-Merch	Free Shipping Order Share
Global	$123	13%	67%
USA	$118	17%	63%
UK	£66	6%	69%
Germany	€148	5%	78%
France	€75	15%	75%
Canada	$117 (CAD)	28%	62%

Vertical	AOV	Discount Rate-Merch	Free Shipping Order Share
Active Apparel	$104	19%	72%
General Apparel	$122	16%	69%
Luxury Apparel	$319	8%	70%
Health & Beauty	$83	16%	78%
Home	$93	10%	54%

Appendix

Operating System

Traffic and Order Share by Operating System, Q3 2015 v. Q3 2014

Traffic Share	2015 Q3		2014 Q3		YoY	
Country	**Android**	**iOS**	**Android**	**iOS**	**Android - YoY**	**iOS - YoY**
Global	41%	59%	46%	53%	-11%	10%
USA	38%	62%	43%	56%	-13%	10%
UK	38%	62%	41%	58%	-7%	6%
Germany	57%	42%	63%	37%	-9%	16%
France	48%	52%	53%	47%	-9%	11%
Canada	37%	63%	38%	62%	-1%	1%
Vertical	**Android**	**iOS**	**Android**	**iOS**	**Android - YoY**	**iOS - YoY**
Active Apparel	49%	51%	55%	45%	-10%	13%
General Apparel	40%	60%	45%	55%	-10%	9%
Luxury Apparel	26%	74%	30%	70%	-12%	5%
Health & Beauty	40%	60%	52%	48%	-24%	26%
Home	41%	59%	45%	55%	-8%	7%

Appendix

Operating System: Phones

Traffic and Order Share by Operating System, Q3 2015 v. Q3 2014

Order Share	2015 Q3		2014 Q3		YoY	
Country	**Android**	**iOS**	**Android**	**iOS**	**Android - YoY**	**iOS - YoY**
Global	41%	58%	45%	55%	-7%	6%
USA	37%	62%	40%	60%	-7%	5%
UK	39%	60%	42%	58%	-7%	5%
Germany	61%	39%	67%	33%	-8%	16%
France	47%	53%	55%	44%	-15%	19%
Canada	35%	65%	36%	63%	-4%	3%
Vertical	**Android**	**iOS**	**Android**	**iOS**	**Android - YoY**	**iOS - YoY**
Active Apparel	43%	57%	49%	51%	-13%	13%
General Apparel	43%	57%	46%	54%	-6%	5%
Luxury Apparel	19%	81%	21%	79%	-12%	3%
Health & Beauty	34%	66%	39%	61%	-15%	9%
Home	47%	52%	48%	52%	-1%	1%