



BY TIMOTHY DENMAN

TOP 10 E-COMMERCE RETAILERS

IMPROVED USER EXPERIENCE CONTRIBUTES TO DIGITAL SHOPPING'S METEORIC RISE

Thanks to an influx of user friendly technology and lightning quick fulfilment options retailers' digital sales are soaring. In fact, sales for Q1 2016 increased 3.7% over Q4 2015 numbers, and 15.2% year-over-year, according to Department of Commerce statistics. Prompted by these impressive numbers *RIS News* decided to dig deeper into the performance of the top e-commerce retailers, ranking them across seven key metrics. The financial results are in line with industry performance standards — 34 segment leaders were examined, and all but four enjoyed year-over-year web sales increases, with the average bump a staggering 19.5%. The report also takes into account site performance, employee satisfaction, social authenticity and more. Congratulations to Nike for topping the list and to all of the retailers that made the ranking.

RANK	E-COMMERCE RETAILER	Stock Price Change Year-Over-Year	Web Sales Growth Year-Over-Year	Performance Score	CEO Ranking	Employee Satisfaction	E-Commerce	Social Authenticity	Total Score
1	Nike	22.5%	30.4%	67	96%	3.9	69.0%	90.6%	37
2	Wayfair	34.6%	85.2%	69	87%	3.4	80.9%	85.5%	38
3	Apple	-12.4%	18.2%	74	95%	4.0	56.3%	92.9%	51
4	Costco	4.0%	19.6%	69	92%	4.0	76.1%	58.8%	52
5	Etsy	-71.0%	23.6%	69	89%	4.3	91.9%	94.8%	58
6	Lowe's	1.8%	39.9%	70	71%	3.5	78.0%	59.7%	64
7	Amazon	59.5%	16.3%	65	81%	3.4	61.8%	90.5%	71
8	Target	0.3%	32.9%	69	74%	3.3	63.9%	88.0%	72
9	Best Buy	-14.2%	13.3%	64	82%	3.5	72.6%	58.7%	97
10	Home Depot	17.4%	24.1%	73	79%	3.4	34.5%	37.3%	103

1 Nike

Nike edged out second place-finisher Wayfair to claim the top spot in the ranking. The athletic shoe and apparel powerhouse finished in the top 10 in six of the seven metrics examined, including a first-place finish in CEO ranking and third place in social authenticity. Among the brand's most impressive statistics is its 30% rise in online sales year-over-year. The meteoric rise in web revenue shows no signs of slowing down, with a 56% growth in online sales reported in Q3 2016. Nike is clearly leading the charge in the digital arena and continues to innovate to further enhance shoppers' connection to the brand. To champion its digital efforts Nike named Adam Sussman as its first ever chief digital officer in February 2016.

2 Wayfair

The e-commerce giant has enjoyed a widely successful year of unprecedented sales growth. Its 85.2% growth in online revenue year-over-year is far and away the best result of any of the e-commerce companies examined in this ranking, more than doubling the metric's second-place finisher Lowes. In addition to its segment-best revenue growth, the retailer finished in second place in stock price per-

formance year-over-year with a 34.5% increase in share value. Wayfair finished in third place in the e-commerce metric which examines a retailer's ability to provide consistency, speed, simplicity and connectivity with its customers. In Q1 2016 the retailer reported that its current active customer base is over 6.1 million consumers, and that its direct retail business nearly doubled with 93% growth year-over-year.

3 Apple

Apple was powered to third place in this ranking thanks to second-place finishes in the performance, employee satisfaction and social authenticity metrics. The retailer's brick-and-mortar stores are often cited as shining examples of a differentiated shopping experience, and its high e-commerce performance score shows that shoppers are enjoying a unique experience online as well. In fact, the manufacturer's and retailer's e-commerce portal is averaging over 175 million visits per month, driven in most part by its customers' strong affiliation for the brand and its products. There are over 1 billion active Apple devices in use worldwide, and iPhone users have a 95% loyalty rate, the highest for any smartphone on the market.

The Customer Value of Great E-Commerce

By Gary A. Williams



How much is a successful e-commerce site worth to a company? The short answers are 8.5% more pricing power with consumers and 5.1% more economic profit for your company. These are the differences between the averages of the top and bottom five e-commerce sites in our rankings. They hold true whether we are looking at the top/bottom 10 or top/bottom half of the rankings, albeit slightly lower as the segments get bigger.

So the next question is: Why do customers value one e-commerce site over another? The default and easy answers are the site's products and brands. No doubt these figure into a customer's initial decision to come to a site, but they don't fully explain a customer's willingness to purchase using the site.

Competitive data, where customers force rank the performance of a company vis-à-vis their rivals, shows that three key factors overwhelming contribute to their purchasing decision. The first is obvious: Availability. These are the table stakes for being in e-commerce, where customers expect every product to be in stock and available within a reasonable time frame.

The next two critical factors driving customer value are not so intuitive, primarily because they both involve negative emotions. The first is safety of doing business with you. This explains 26% of the contribution to a company's economic profit. Some retailers may believe that being a large or well-known brand equates to customers feeling safe. But competitive data destroys that theory. Etsy and Wayfair, both ranked in the top 5, are much smaller and less well-known than Apple, Costco and Nike (the remainder of the top 5).

The final factor is fear. Not to be confused with safety/security, this is the fear of losing something by not buying from your company. This could be the loss of time, money or even status. Harnessing this powerful customer emotion contributes 17% to your economic profit. The goal here is to create vested customers (not hostages) that see the benefit of continuous purchases from you.

Having a superior e-commerce site pays, and pays well when done right.

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4 Costco

Costco made its bones coupling discount pricing with a unique in-store experience that reinforced the brand's buy-in-bulk value proposition. In addition to its thriving brick-and-mortar network, the retailer has been operating its e-commerce channel since 1998, and currently has over 51 million unique visitors per month. Costco's web revenue has been increasing at nearly 20% for the past three years as the retailer continues to diversify its online assortment and dedicate additional resources to its online business. With the recent launch of Costco Online in Korea and Taiwan the big-box retailer's online channel is now available in six countries including the US, Canada, UK and Mexico. Costco tied with Apple for second place in the customer satisfaction metric — the retailer is well-known for its generous wages and employee benefit package.

5 Etsy

While Etsy is certainly gaining popularity among those that appreciate hand-crafted goods, it is not making any friends on Wall Street. The retailer suffered through a 71% decrease in share price over the past year, and a 69% drop from its IPO in April 2015. While its stock has struggled there is reason to be optimistic on that front — the retailer beat revenue and earnings expectations in Q1, producing an uptick in share value. While Etsy had the poorest stock performance among those retailers examined in this report, it finished in first place in three key categories to earn its fifth-place finish: employee satisfaction, e-commerce and social authenticity. Etsy's employees and their customers have proven to have a strong affinity for the brand helping grow its sales by 23.6% year-over-year.

6 Lowe's

Lowe's was powered to its sixth-place finish thanks to a 39.9% year-over-year increase in web sales, which was the second best bump observed in this important metric. The do-it-yourself retailer has made significant investments over the past year to improve its online customer experience, evidenced by its fourth-place finish in the e-commerce category which ranks a retailer's ability to constantly meet consumer expectations. The upgrades to Lowe's e-commerce channel include a more customer friendly interface, enhanced video content and deeper product descriptions. The retailer's Lowe's for Pros program is performing above expectations and it has upgraded the usability of the site functions to make it easier for professional tradesmen to shop for materials and supplies online.

7 Amazon

While it is no surprise that the e-commerce giant made this ranking, it is a little perplexing as to why it didn't come in higher on the list. Although Amazon finished in the top half in every one of the seven metrics explored, it only scored in the top five in two categories: stock price and social authenticity. The retailer turned in a 59.5% year-over-year increase in share price, which was good for first overall. Investors continue to be enamored with Amazon's revenue stream, which crested the \$100 billion mark for the first time in 2015. Amazon's share price has grown at an accelerated pace as the retailer continues to capture online market share, in fact over the past six years stock prices have increased seven fold.

8 Target

While the lion's share of sales still occur at the store level for Target — web sales accounted for just 3.4% of total revenue in 2015 — sales in the online space increased 32.9% last year, third best in this ranking. Other notable results that helped Target secure a spot in the top 10 were sixth-place finishes in both performance score and social authenticity. Target is investing heavily in the digital experience both online and in-store, and continues to pour money into its supply chain infrastructure to shorten last mile fulfillment timelines. To help keep the retailer's e-commerce offerings on the cutting edge Target recently announced that Jason Goldberger will be its first every chief digital officer and president, Target.com. He will be responsible for enhancing the current online shopping experience and developing new digital capabilities.

9 Best Buy

Best Buy's online sales growth of 13.3% year-over-year ranks in the bottom third among those retailers examined for this report. Although its year-over-year sales haven't increased at the rate of some of the other retailers on this list, it has certainly increased at an accelerated rate as of late. In fact, in its latest quarterly earnings release the electronics retailer reported an increase in domestic online revenue of 23.9%, the biggest increase the retailer has enjoyed in two years. To help facilitate this growth, Best Buy has invested aggressively over the past three years in the online experience to improve its e-commerce site's search, product information, research tools, checkout tools, mobile experience and fulfillment options.

10 Home Depot

Home Depot is best known for its sprawling brick-and-mortar stores that seemingly have every product a home owner or professional could need for their home improvement project. But the retailer is not content with its physical footprint, and is dedicated to growing its online channel, which accounts for nearly \$5 billion in revenue yearly. In Q1 2016 online sales increased by 21.5%, thanks in no small part to the retailer's focus on quick and easy fulfillment methods. Forty percent of the retailer's digital shoppers opt to pick up their online orders in-store. In addition to its highly successful buy online pick up in store initiative, Home Depot is in the midst of a chain-wide rollout out of buy online, deliver from store capabilities, which it plans to have fully deployed by year's end. **RIS**

Methodology

To compile the Top 10 E-Commerce Retailers list *RIS News* examined the top publically-traded retailers in the segment. Seven key metrics were used to compare the companies: stock price change year-over-year, web sales change year-over-year, performance score, CEO ranking, employee satisfaction, e-commerce and social authenticity. For stock price change, share price on March 31, 2015 and March 31, 2016 were compared — with the exception of Etsy whose analysis began on its IPO date, April 16, 2015. The web sales change and performance score information were acquired from *Internet Retailer's* annual "Top 500 Guide." The performance score is a proprietary scoring system that ranks an online retailer's success compared to its segment and the industry at large. Glassdoor.com's survey results were utilized for the CEO and employee satisfaction ratings. The e-commerce score and performance score were compiled by our research partner wRatings. The e-commerce score ranks a retailer's ability to meet shopper expectations. The performance score measures a retailer's ability to deliver timely, genuine interactions with its customers.

For each category, retailers were ranked from best to worst. The retailer with the best score in a category received one point. A perfect overall score would be seven. After ranking all seven metrics the e-commerce retailer with the lowest combined score, Nike, was declared the winner.