

Click Consult E-Commerce Average Order Value Proportionality to Conversion Rate

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Background

From managing websites and advertising campaigns in tow, we invariably are asked to project Return on Investment figures. Sometimes this can be very difficult and if clients do not have an Analytics package to track their online performance, this can be even more problematic.

If a client comes to us today and says they have a website, have an AOV of £200 but does not know the conversion rate or have Google Analytics installed, then we use a guesstimated conversion rate. From this we can project the revenue if we know the site visitors, therefore can project what revenue we can drive based on increased investment in either SEO or PPC.

Objectives

The guesstimation of conversion rate is something that we want to get away from. Depending on the results of this white paper, the objective is to prove that firstly there is a correlation between Average Order Value (AOV) and conversion rate.

Secondly, we hope that this correlation can be used for future reference to help, not just Click Consult, but all search marketers with projections, either for themselves or for clients.

Methodology

We use Google Analytics on a daily basis and find an invaluable tool. All Average Order Values and Conversion Rates have been gathered through Google Analytics for this study. Data from our clients' Google Analytics' Accounts remains completely confidential. Specific numbers will not be presented in this case study, however graphs will be. No client names will be named.

These are just UK based stats. They are also ecommerce only (obviously) so not looking at contact forms filled out and the conversion rate of lead to sale. We are also look at the last 30 days data from today's date (17th February 2011).

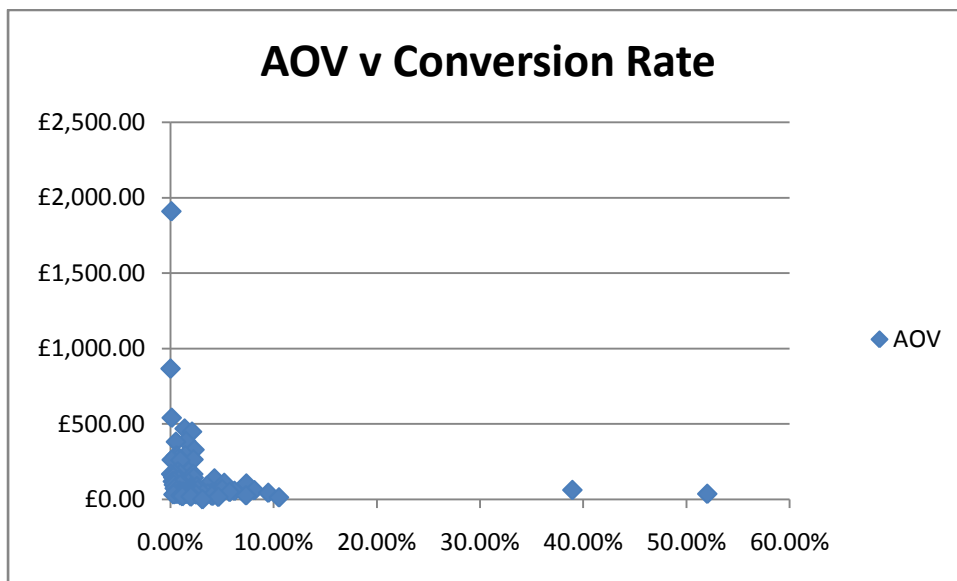
There must also be complete AOV and conversion rate data for the full 30 days period otherwise.

Any website without full data for last 30 days were not included in the study to avoid skewing statistics.

Results and Analysis

In total we pulled average order values and matching conversion rates from 85 separate websites.

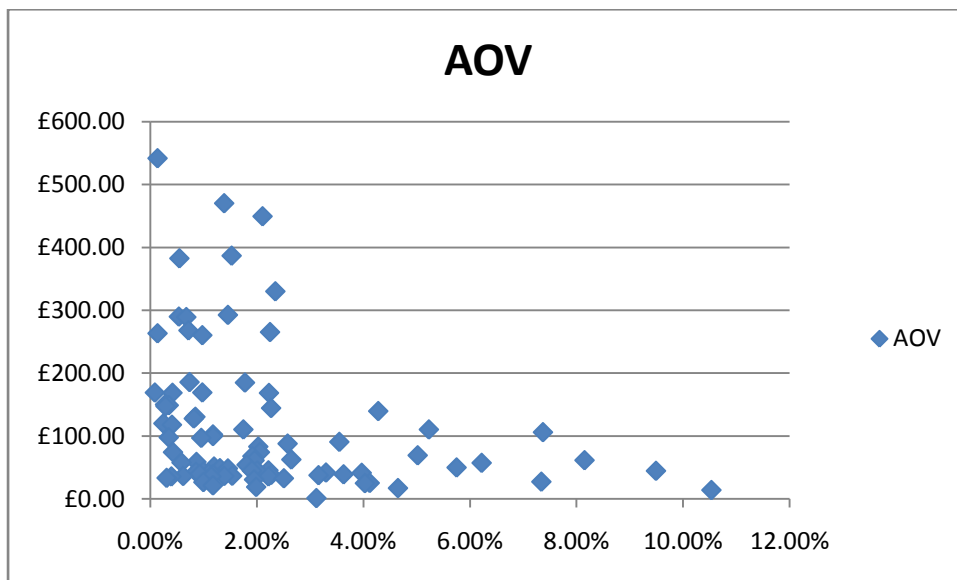
Here is a scatter graph showing all data in raw format, plotting AOV against Conversion rate



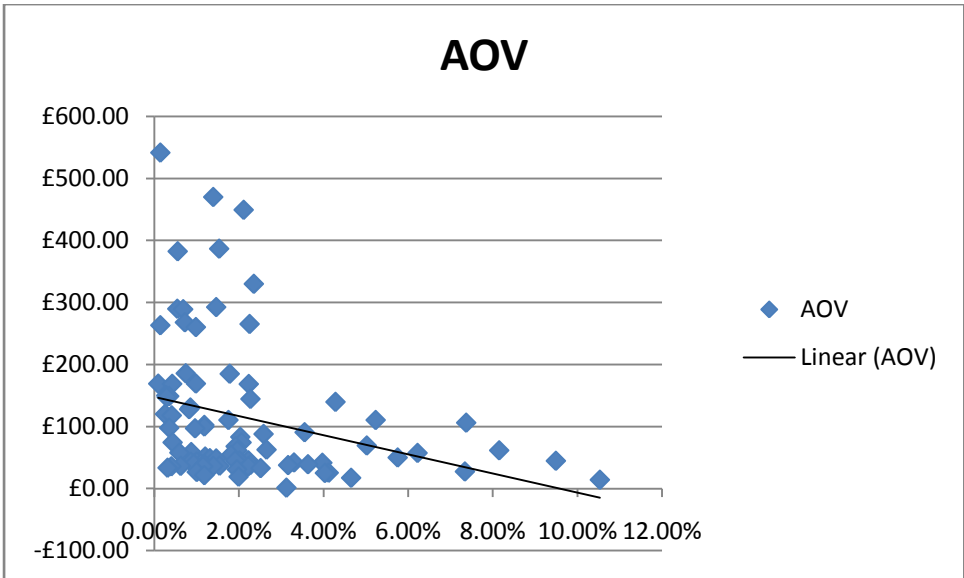
This obviously doesn't tell us much!

There are two heads, one on the AOV and one on the conversion rate where they are skewing the data. There is a conversion rate at 38% and another at 52% so will remove these and their corresponding AOV. Same again with the AOVs at £500, £900 and £1900.

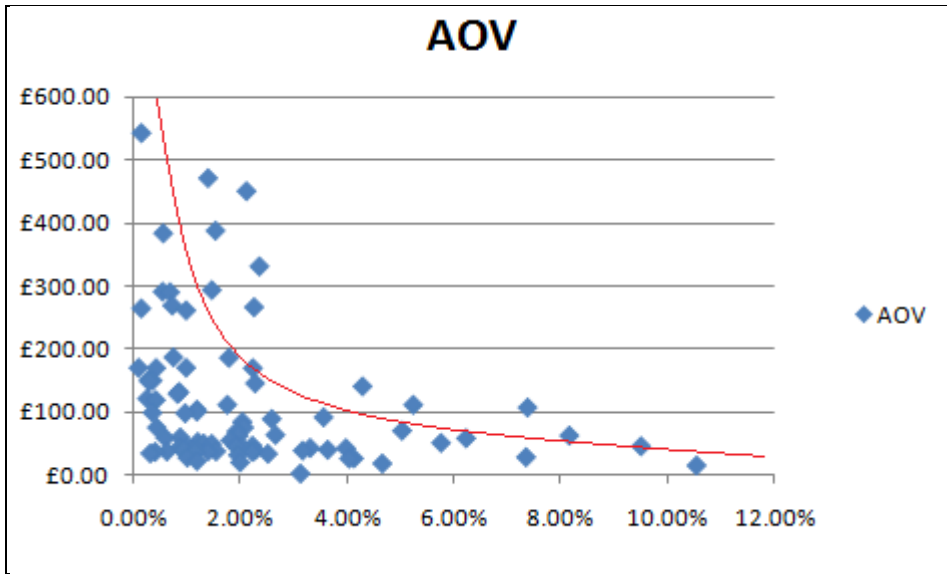
That gives me this:



Not much of a correlation, however starting to shape up how I thought. Lets add a trend line:



It is reasonably safe to say that this shows a correlation. As Average Order Value increases conversion rate decreases. However based on the spread of results this looks like an inverse exponential correlation. I have added the following trend line.



This trend line fits much better and takes into consideration the head in the middle, and the two long tails in regards to AOV and Conversion rate.

Correlation between AOV and conversion rate is something we notice on a daily basis if we look at extremes. With a higher product value there is more consideration made by the purchaser, therefore we see visitors browsers, visitors who click on the website and not purchase and in turn this lowers the conversion rate. With a lower Average Order Values of £10 and below, given the right consumer traffic to the website, conversion rates should easily be upwards of 5%.

There is a strong link between purchasing intent or the consideration involved and the AOV. One thing this analysis does not do is look at data by industry. For example, let's look at online clothing retail.

The average order value for general clothing and apparel is £40. We have a few clothes retailers with that AOV that are in the above scatter graph. However, based on the correlation of low order values given higher conversion rates you would then assume this would fit towards the top end of the conversion rate spread. Not so. Conversion rates for all clothing clients I have seen over the past 10 years average 1%. The reason for this is because of the high consideration that people make when purchasing clothes. Analytical people reading the data only would consider this odd, however all of us know it is common human functionality to buy something to look good in!

Another limitation is not looking at different product values and their conversion rate. With this study we have looked at websites as a whole. Some websites in this study have up to 5000 different products, however we are taking a AOV and conv rate for the whole site.

Two final limitations to consider are we do not account for traffic quality in this analysis or the usability of the website to convert traffic into sales.

Conclusion

Based on all the limitations that have arisen in the study we may not have seen any correlation at all. However, in Conclusion we determine that there is an inversely exponential relationship between conversion rate and AOV when reviewing data across all industries. We determine that as your average order value increases the conversion rate decreases.

If we are to determine a more specific correlation we must review the relevance of traffic, the usability of the website, and the consumer intent and consideration involved which differs by industry.

These are measures, at present, only humans can determine.