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ECOMMERCE KPIs:
SEVEN WAYS TO MEASURE
SCALABILITY AND SUCCESS

WHITE PAPER

The ecommerce world is competitive and crowded, with thousands of sites duking it out for customers and sales. But what's the best way to measure scale and determine success?

Historically, ecommerce stores measured success through sales, revenue, traffic, items sold, and myriad other factors. But those measurements are false starts, and can be incredibly misleading. For example, your store may sell items that carry a price tag of $200,000, so selling one item would show a significant revenue boost, but on only a single item sold. Conversely, if you sell small items with a sub-$1 price tag, the sale of 1,000 of those times in one fell swoop could also distort the numbers.

So what should you measure to determine success and scale for your ecommerce store?

Here are seven metrics that all ecommerce shops should pay close attention to.

1 Add To Carts Per Minute

The most effective way to measure how well an ecommerce store will scale is to measure the number of "add to cart" events per minute—that's every time a customer adds an item to their online shopping cart. Add to carts per minute, or ATCPM, effectively measure an ecommerce site's ability to scale. ATCPM creates a new standard for measuring because it adds consistency and focus to galvanize a team.

For ecommerce stores, it's important to calibrate your site monitoring so you can measure the volume of add to carts

per minute. You should be able to see them daily, weekly, and monthly for average days and during spikes. There are a number of monitoring tools available to help you determine your average ATCPM. The next step is to predict your site's growth needs. You can do this by making an educated guess based on current volume, using historical traffic data, or consulting with industry peers.

Determining the right amount of ATCPM will ensure that your site can withstand a major sale day, like Cyber Monday or Black Friday, and keep all customers happy, engaged, and, most importantly, buying.

Hosting your ecommerce site on a reliable, scalable, and fast platform can help improve the amount of add to carts per minute your ecommerce store can support.

2 Cost Of Acquiring Customer (CAC)

The adage "it costs money to make money" rings true in the world of ecommerce. There is a cost associated with every customer you bring to your site—it's called the Cost of Acquiring Customer, or CAC. The CAC looks at how much you spent in time and dollars to get a customer to buy on your site, and accounts for the marketing costs like creating content, social posts, paid ads, SEO, and other aspects required to get them there.

CAC looks at what it costs your business to get one customer—the lower the cost, the better. For example, if you spent $1,000 on marketing in one year and acquired 100 new customers, your CAC is $10. The trick is to keep your CAC as low as possible, and to have it decrease over time—a low CAC is a sign of success.

A lot of factors can affect your CAC. Here is a thorough article that looks at how to dissect the cost of customer acquisition.

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3 Conversion Rate

Your site's conversion rate shows you how many of your site visitors completed a purchase. It's a fairly simple mathematical formula that determines the percentage of people who come to your site and end up making a purchase. You want your conversion rate to be high, and to increase over time. For example, if three out of every 100 visitors complete a purchase, your conversion rate is 3 percent, which is actually the industry average, according to Forrester Research.

Conversion rate is the ultimate measure of your ecommerce store's success, as it directly influences your bottom line. Knowing your conversion rate is incredibly important and should be used to influence how you market to prospects and potential customers.

Methods known to improve conversion rate include using quality content, targeted promotions, better site search and navigation, personalization, user generated content like reviews and recommendations, and click-to-call capabilities.

4 Shopping Cart Abandonment

Shopping cart abandoners are the ones that got away, and are the bane of ecommerce store operators. Once visitors add items to their cart, getting them to pay for those items is the next hurdle. Shopping cart abandonment happens when a visitor loads their shopping cart with items, but doesn't complete the purchase, thus reducing your conversion rate and increasing your CAC.

A shopping cart abandonment rate of 50 percent means that 50 out of 100 customers with items in their shopping cart leave without completing the purchase. The Baymard Institute estimates that on average more than 68 percent of shoppers leave an online store with items in their shopping carts.

There are several ways to reduce shopping cart abandonment. Check out this white paper 11 Ecommerce Tips To Reduce Shopping Cart Abandonment for some preventative measures you can take to decrease your ecommerce store's shopping cart abandonment rate. Some suggestions include offering free shipping, sending retargeting emails, and enabling an express checkout.

5 Average Order Value (AOV)

Do you know how much each individual order brings into your ecommerce store? No? Then you don't know your average order value (AOV). Average order value tells you the dollar value of, you guessed it, each order. You want a high AOV. Say you have an AOV of $20, that means you make $200 from 10 orders.

The industry average AOV is around $180, Forrester Research notes.

Keeping tabs on your AOV lets you determine how much revenue you can generate based on your traffic and conversion rates, and whether you need to invest more heavily in one or the other…or both.

There are a number of ways to boost your AOV, such as adding limits to free shipping, offering first-time shopper discounts, bundling products, special discounts, and more.

6 Customer Lifetime Value (LTV)

Customer lifetime value measures the total revenue a customer will generate during a lifetime. It's a metric that any successful ecommerce store pays close attention to, as it's a sign of brand loyalty.

Calculating lifetime value is a fairly intricate mathematical formula. Kissmetrics did a great job of explaining it in this nifty infographic.

You can increase customer LTV through upselling and cross-selling opportunities, personalization, offering various channels for customer service and support, and by rewarding customer loyalty.

7 Churn

Ecommerce store operators all want to reduce churn, which measures the percentage of customers who buy and then don't come back to your site. You want your churn rate to be as low as possible. For example, if you have a churn rate of 75 percent, that means 75 out of 100 customers never come back to your site after making a purchase. A low churn rate means customers return and buy again and again.

A lower churn rate results in a higher customer lifetime value and is a sign that your ecommerce business is healthy. Some ways to reduce churn include talking to and listening to your customers, offering targeted promotions and discounts, and implementing personalization.

Conclusion

Those are seven of the dozens of metrics and measurements you should track if you run an ecommerce store. They'll help you determine if your store is successful, or if it needs some fine tuning to improve your ATCPM, CAC, AOV, LTV, and so on.

Want to improve conversion rates, cost of acquiring customers, and lifetime value while reducing shopping cart abandonment and churn? WP Engine offers a fast, secure, and highly scalable platform to make your ecommerce store a sales success.
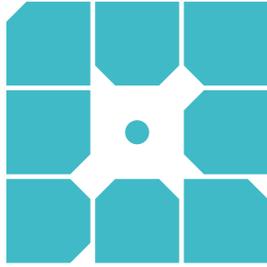
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About WP Engine

WP Engine powers amazing digital experiences for websites and applications built on WordPress. The company's premium managed hosting platform provides the performance, reliability and security required by the biggest brands in the world, while remaining affordable and intuitive enough for smaller businesses and individuals. Companies of all sizes rely on WP Engine's award-winning customer service team to quickly solve technical problems and create a world-class customer experience. Founded in 2010, WP Engine is headquartered in Austin, Texas and has offices in San Francisco, California, San Antonio, Texas, and London, England.