

The importance of Conversion Rate

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What is Conversion Rate (CR)? A definition

In electronic commerce, conversion marketing is:

- **the act of converting site visitors into paying customers.**

However, different sites may consider a "conversion" to be some sort of result other than a sale (we don't 😊).

We consider today → orderds – therefore sales

Others definition of CR

One example of a conversion event other than a sale is:

- if a customer were to abandon an online shopping cart, the company could market a special offer, for example, free shipping, to convert the visitor into a paying customer.
- A company may also try to recover the abandoner through an online engagement method such as proactive chat in an attempt to assist the customer through the purchase process.[2]

Throughout the funnel



A simple formula?

$$\text{Conversion Rate (\%)} = \frac{\text{N total orders}}{\text{Total Visitors}} \times 100$$

A simple formula?

$$\text{Conversion Rate (\%)} = \frac{1.000}{100.000} \times 100$$

1 %

An Example - how much we spend to reach 100.000 Visits?

CostPerClick= 0,30 Cents CHF

Costs per 100.000 visits= 30.000 CHF

CR 1% = 1 order every 100 visitors

Total sales 1000 orders

AvarageBasketValue - example fashion 100 CHF

Total sales 100 x 1000= 100.000 CHF

An Example - what about margin?

CPC= 0,30 Cents CHF

Costs per 100.000 visits= 30.000 CHF

CR 1% (1 order every 100 visitors)

Total sales 1000 orders

ABV - example fashion 100 CHF

Total sales 100 x 1000= 100.000

Margin on product? 70%

- **Margin 1000 orders= 70.000 CHF**

Therefore

- **cost per marketing 30.000 CHF**
- **Net Margin 40.000 CHF**

Profitability of sales is driven by

- CR = 1%
- CPC = 0.30
- Average order value = 100 CHF
- Margin % = 70%

And if CR is 0.4%?

- $CR = 0,4$
- Orders = 400
- Sales = $100 \text{ CHF} \times 400 = 40.0000$
- Margins = $70\% \text{ for } 40.000 = 28.000$
- Marketing costs = 30.000

Ecommerce doesn't work ? - 2.000 CHF

The power of Conversion Rate

CPC= 0,30 Cents CHF

Visits: 100.000

CR



CR 1%

Orders 1000

ABV 100

Sales 100.000

CR 2%

Orders 2000

ABV 100

Sales 200.000

How to improve conversion rate?

Findings

- Ecommerce is marketing and margins – NOT only product and branding
- No marketing - No sales
- eCommerce is NOT cheap story