

Key Performance Indicators in E-commerce



Key performance indicators (KPIs) are a mode to measure and monitor the performance of an organization, business unit, department or specified activity. They are focused on activities that are critical to the success of the business. It is not to be confused with Key Result Indicators (KRIs), Result Indicators (RIs) and Performance Indicators (KIs), which serve slightly different purposes.

How to choose KPIs

KPIs have to be chosen carefully in order to give valuable information. On one hand, the target has to be defined clearly to choose the correct measure. Once, this has been defined, the adequate KPIs have to be chosen. These should be defined in a way that is understandable, measurable and meaningful. So, there must be a strong link between the activity measured and the input factor observed. This depends very much on the department and the specific activity in question, because a KPI should tell the manager in the end, what actions need to take place.

To give an example: The number of parts rejected due to low quality would not serve to indicate performance in Marketing, but might be very valuable to quality control or supplier evaluation. They might give information whether new frame agreements with the suppliers give a positive impulse on the delivered quality or if more drastic actions have to be considered.

SMART objectives as known from project management also apply in this case. Ideally, KPIs should be **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**imely.

These modes of performance measurement are often linked to performance improvement projects. Usually, the [Web Controlling Objectives](#) are not only to measure the performance of a certain activity to indicate the status-quo, but to measure actual improvement or effectiveness and efficiency over a period of time. The number of visitors of an online store could indicate the effectiveness of a Marketing activity, a mailing, for instance.

Examples

There are many ways to measure performance and effectiveness of activities in [E-commerce](#). Here are some examples (compare *Sostre, Le Claire*, p. 197f):

- Conversion rate - classed as either [order conversion rate \(OCR\)](#) or [buyer conversion rate \(BCR\)](#) - the probability that a visitor will end up purchasing something on the site
- [New account sign-ups](#) - number of new customers creating an account
- [Ratio of new to returning visitors](#) - number of new visitors versus existing customers

- Ratio new to returning visitors - number of new visitors on the site each week
- [Average order value](#) - revenue per customer
- Average number of items - number of items per visit
- Conversion rate per campaign - probability that a customer will end up purchasing a certain product(s) based on a specific Marketing campaign linked to this product
- Page "stickiness" - the success rate of retaining a visitor, who arrived on the landing page
- [Time spent per visit](#) - average time spent on the site by the customer each visit
- Revenue Per User (RPU) - ratio used to express the profitability of a company on a per-user basis: $RPU = \text{total revenue} / \text{total customers}$ ¹⁾

But performance in E-commerce is not only linked to visitors and customers and their purchase behavior, but also to system availability, for instance. Measuring total availability of a website or [Online Shop](#) gives information on the quality and reaction time of IT services. Meantime Between Failure or Meantime To Repair are popular indicators in IT, but also frequently used in production and other departments.

References

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Bibliography

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[Revenue Per User \(RPU\)](#). *investopedia.com*. Accessed January 6, 2012

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