

the e-tailing group 8th Annual Merchant Survey
Profiting in Turbulent Times by Optimizing eCommerce:
Tweaking, Testing and Targeting the Channel

the e-tailing group

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commentary

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"Optimization" was the buzzword from the 190 senior level merchants with e-commerce responsibility who completed the e-tailing group's 8th Annual Merchant Survey in 1Q 2009. "Looking to the Internet for elusive sales, these merchants recognize that the online channel is core to multi-channel success," explains Lauren Freedman, President of the e-tailing group. "However, the pressure for performance is greater than it has ever been as senior management seeks profits while customers demand more from every e-commerce experience."

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Downward revenue trend for the first time

Over one-third (34%) of surveyed merchants anticipate that their Internet revenues will be down or flat in 2009 versus 2008 which is a trend to monitor as in the past this channel has consistently delivered year-over-year growth. The balance of respondents continue to see growth but most (39%) project revenues up in just the 1%-15% range.

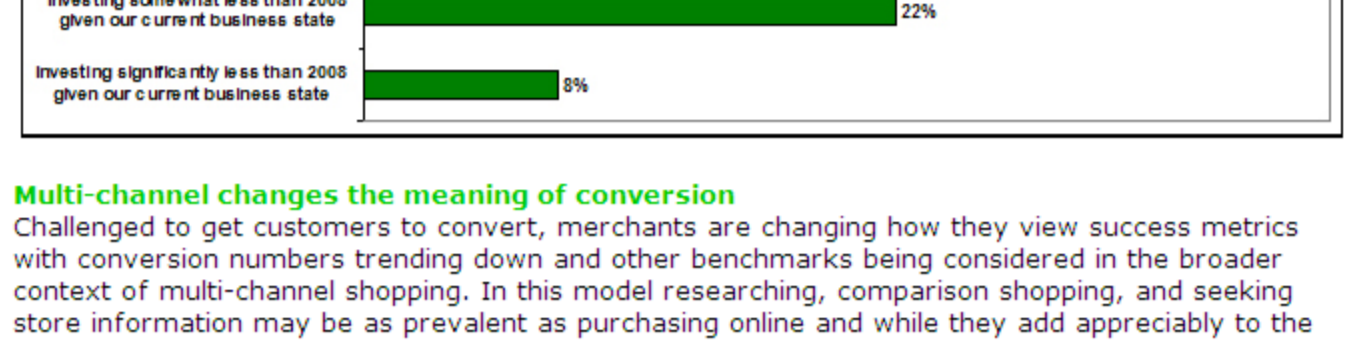
Profitability is the #1 strategic goal

Management dissatisfaction with ROI and dropping conversion rates has resulted in shifting strategic goals with merchants placing greater emphasis on profitability. Cost-effective customer acquisition and retention along with the customer experience play critical supporting roles. Versus prior years more merchants also report improving KPIs (key performance indicators) and resources (the time, people and funding to get things done) as very important to their strategic goals.

results
a look at the numbers

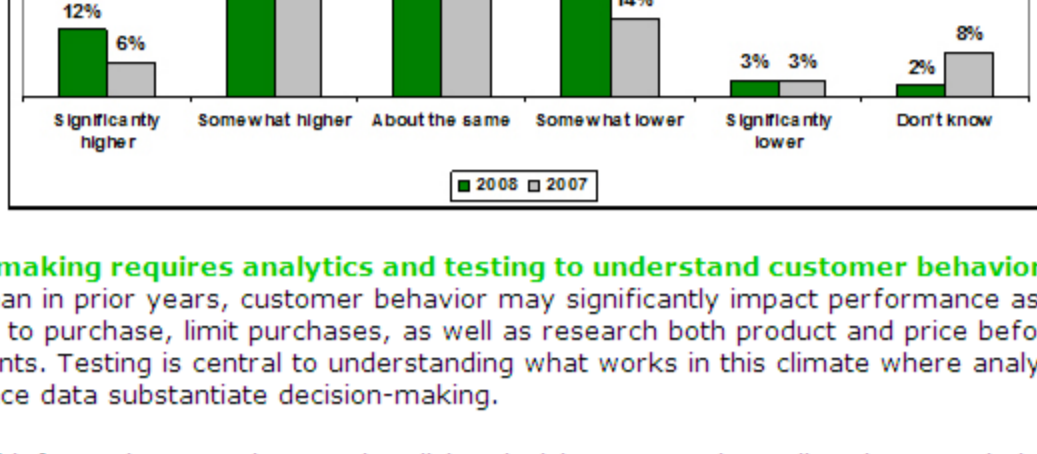
Investment in e-commerce is critical for growth

Profitability means scrutinizing achievement of desired revenue goals and being diligent regarding cost savings. An ROI mentality prevails with resources stretched and budgets cut, forcing merchants to operate more efficiently. Yet 70 percent of those surveyed still intend to invest the same or somewhat more in e-commerce as they did last year as it is the fastest growing part of their business.



Multi-channel changes the meaning of conversion

Challenged to get customers to convert, merchants are changing how they view success metrics with conversion numbers trending down and other benchmarks being considered in the broader context of multi-channel shopping. In this model researching, comparison shopping, and seeking store information may be as prevalent as purchasing online and while they add appreciably to the customer/merchant relationship their impact is not factored into conversion numbers.



Decision-making requires analytics and testing to understand customer behavior

More so than in prior years, customer behavior may significantly impact performance as shoppers are slower to purchase, limit purchases, as well as research both product and price before making commitments. Testing is central to understanding what works in this climate where analytics and performance data substantiate decision-making.

Sources of information to make merchandising decisions now universally rely on analytics (92%) followed by sales history (73%). There is also a growing dependency on conversion data for 68 percent of surveyed merchants this year versus 53 percent last year along with customer ratings/reviews cited by 39 percent versus 28 percent in '08. Competitive benchmarking, a new metric in this survey, is being used as an information source by one-half of the respondents.

Initiatives planned for website improvement as merchants tweak for results

As merchants tweak their sites for optimal performance and ROI there is continued emphasis on targeted email, refining onsite search and upgrading site design including enhancing onsite merchandising.



Two other areas showed substantial change in focus 2009 vs. 2008: enhancing customer service gained ground (43% vs. 32%) while increased personnel declined (15% vs. 26%) as doing more with less is apparent.

Tangentially, the following diverse initiatives, added to the survey this year, reflect the current merchants' mindset as they look in every direction for site improvement:

- 51% A/B Testing
- 44% Social Networking
- 39% Content Management
- 39% Alternative Payments

Retention tactics are on par with improvement initiatives

When it comes to customer retention, site redesign/enhancements (58%) is the top ranking merchandising and navigational tactic along with pricing/promotional strategies (50%).

Beyond exemplary customer service (47%), top ranking customer service tactics include targeted and/or segmented email campaigns (41%) along with streamlined checkout (31%). It is clear that merchants are aligned in their thinking regarding success in 2009.

Relevant merchandising features gain endorsement

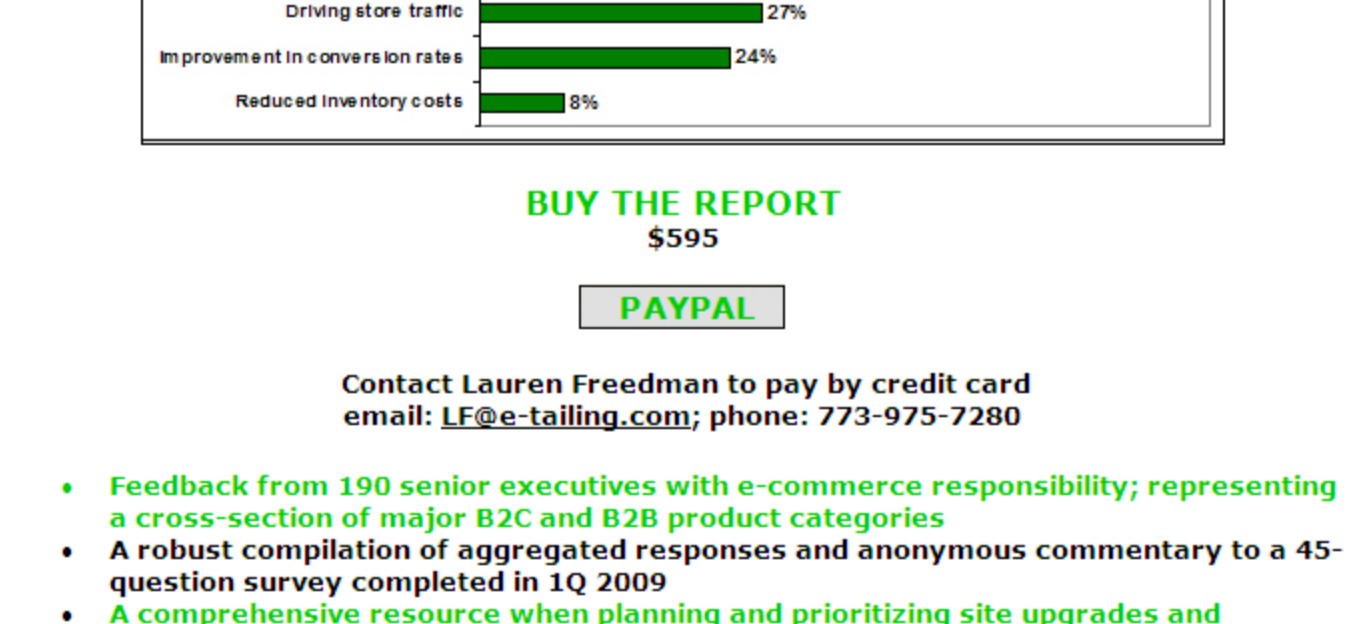
As in past years, in this survey merchants were asked to rate the value of over fifty merchandising features and functionality. Versus 2008 little change was seen in the order of ranking but the most relevant metrics did receive greater endorsement. The top five ranking features as "very to somewhat valuable" are charted here.

Ranking of Features	Very to Somewhat Valuable	
	2009	2008
Keyword Search	94%	94%
Sales or Specials	93%	90%
Cross-sells	92%	89%
Email as a Merchandising Vehicle	90%	86%
Seasonal Promotions	88%	88%

Targeting via email for engagement

Targeting and segmentation are the order of the day onsite and particularly via email as merchants ratchet up efforts from personalized to triggered email including abandonment efforts.

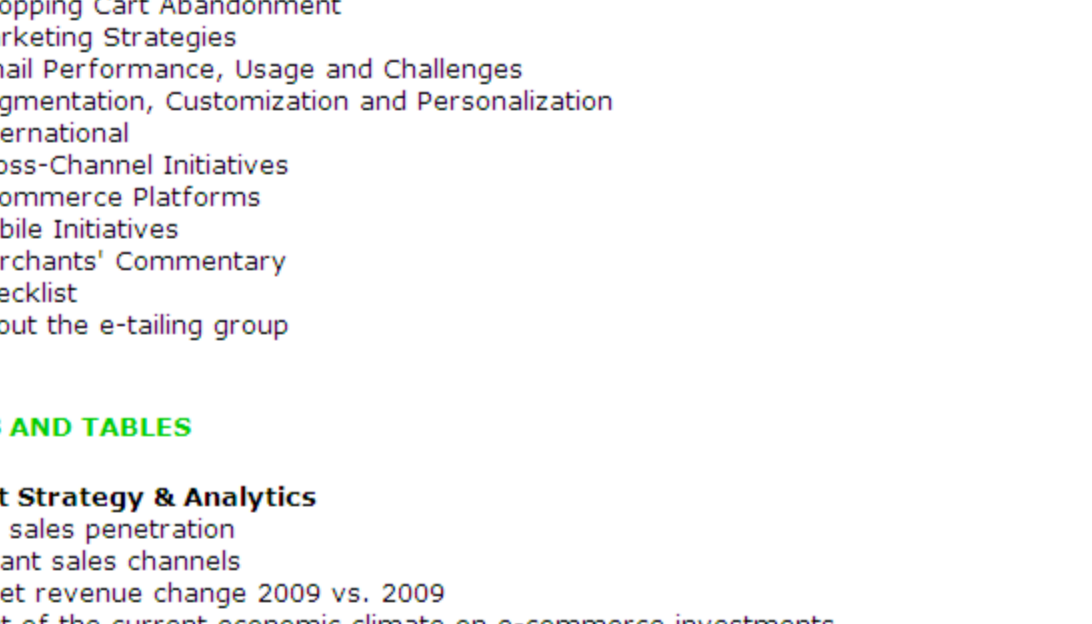
Looking at the steps merchants are taking to improve email performance, better segmentation is noted by 76 percent versus 59 percent in 2008. Compelling messaging (80%) and improved creative (73%) are also at the forefront as they seek further engagement with customers. Here too we see the increased focus on analytics with A/B testing a factor for 64 percent versus 49 percent last year.



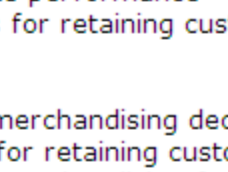
Cross-channel is top-of-mind for retailers

Multi-channel engagement models support a multitude of elevated merchant opportunities. As new KPIs embrace customer demand for a seamless shopping experience, 67 percent of surveyed merchants already have coordinated marketing programs across channels in place.

Along with incremental sales, most multi/cross-channel initiatives focus on delivering greater customer service, meeting expectations and ideally result in more long-term loyalty.



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- Feedback from 190 senior executives with e-commerce responsibility; representing a cross-section of major B2C and B2B product categories
- A robust compilation of aggregated responses and anonymous commentary to a 45-question survey completed in 1Q 2009
- A comprehensive resource when planning and prioritizing site upgrades and enhancements
- A reference source for strategy, merchandising and marketing trends online
- More charts and tables for benchmarking website performance than any prior e-tailing group Merchant Survey (57 vs. 43 in '08)
- Insights from the e-tailing group's 15 years of e-commerce and 50+ years of retail experience

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CHARTS AND TABLES

Internet Strategy & Analytics

- Online sales penetration
- Merchant sales channels
- Internet revenue change 2009 vs. 2009
- Impact of the current economic climate on e-commerce investments
- Dedicated employee costs
- Management satisfaction levels
- Current and year-over-year conversion rates
- Rankings of strategic goal initiatives
- Initiatives planned for improving website performance
- Marketing and customer service tactics for retaining customers
- Contribution of gifting to overall sales

Merchandising

- Sources of information used to make merchandising decisions
- Merchandising and navigational tactics for retaining customers
- Rankings of value and presence of 52 merchandising features
 - o Search
 - o Visualization/Rich Media
 - o Product/Content Features
 - o Multi-Product Selling
 - o Promotional Tactics
 - o Seasonal/Gifting Features
 - o Customer Service
 - o Suggestive Selling
 - o Viral Strategies
 - o Email as a Merchandising/Customer Service Vehicle
 - o Customization/Personalization
 - o Cross-Channel
- Rich media impact
- Gifting vs. personal consumption as a percent of sales
- Up-sell/Cross-sell contributions to overall website revenue
- Overall-sell/cross-sell conversion rates on product pages and in the shopping cart
- Policies on merchandise left in the cart
- Communication tactics post cart abandonment
- Current cart abandonment rates

Marketing

- Sources of e-commerce demand
- Customer acquisition expenditure determination
- Email frequency and content
- Rankings of top email uses and challenges
- Improving email performance
- Level of customer segmentation sophistication
- Personalization defined
- Merchandising products to personalize them on the web
- Shipping/selling internationally

Cross-Channel

- Time frame for coordinating marketing across channels
- Timeline for providing cross-channel features including in-store pickup
- Measuring cross-channel behavior
- Integrating the web into the store experience
- Advantages of offering multi-channel/cross-channel conveniences

eCommerce Platforms

- Timeline to change e-commerce platforms
- Consideration when looking to switching platforms
- Ranking of most important criteria in selecting a new platform

Mobile Initiatives

- Current customer engagement in mobile
- Level of involvement with mobile merchandising and marketing

Merchants' Commentary

- Areas of focus

who we are

The e-tailing group, inc. serves as the multi-channel merchant's eye, bringing a merchant's sensibility to evolving the multi-channel shopping experience. A Chicago-based consultancy, they provide practical strategic perspectives and actionable merchandising solutions to merchants selling online as well as to enabling technology firms.

For more background about this research study, including a list of merchants surveyed or for additional information on the e-tailing group, inc. please contact Lauren Freedman at LF@e-tailing.com or visit the e-tailing group website www.e-tailing.com.