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# The Emerging Retailer—A Guide for eCommerce Powerplays

*From Small Businesses to Manufacturers—Going Direct to the  
Consumer via the Internet*

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June 2010

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## Table of Contents

- 3 Introduction / Letter From The Author**
- 6 The Business**
  - A. The Brand/Concept Validation
  - B. The Customer
  - C. The Organization
  - D. The People
  - E. The Money
  - F. The Assortment
  - G. The Inventory
  - H. The Customer Service
- 19 The Site Experience**
  - A. Marketing Requirements Document
  - B. Feature Set
  - C. Content
  - D. Data Requirements
- 27 Technology**
  - A. Platform Selection
  - B. Site Development
  - C. Hosting
- 35 Marketing**
  - A. Email
  - B. Paid Search
  - C. Search Engine Optimization (SEO)
  - D. Social Media
  - E. Third Party Marketing/Data Feeds/Affiliates
  - F. Mobile
  - G. Measuring and Testing
- 47 e-tailing group Emerging Retailer Powerplay Checklist**
- 49 About The Companies**

## INTRODUCTION / LETTER FROM THE AUTHOR

eRetail sales will grow by nearly 10% a year through 2013 according to eMarketer while in contrast total U.S. retail sales are only forecasted to see 3-4% gains. For many retailers, eCommerce now represents the lion's share of their revenues while others see acceleration via cross-channel growth significantly impacting the entire enterprise. These facts alone suggest it is essential that most merchants explore, understand, and excel at utilizing this sales channel. **Consumers are choosing to both research and shop via the web** in increasing numbers making a strong web presence is a "must have" for both smaller merchants and global manufacturers. Today's customer shops across a range of retailers online from Amazon to Zappos where high expectations are the rule rather than the exception. They understand and expect sophisticated shopping experiences with elevated service levels, making it more difficult, for most, to compete on a daily basis.

The **selling climate is also challenged** with many manufacturers feeling compromised by retail space constraints, discounting demands, and performance pressures that don't mesh with their internal goals. Given these circumstances manufacturers seize the moment to go **direct-to-consumer (DTC)** in hopes of achieving greater margin. Simultaneously they seek to establish relationships with their customers that have never been realized under traditional channel selling scenarios. This shift in mindset requires talking directly to the end-consumer so the business must adjust its internal compass, currently centered on shipping many products to a few retailers, to instead shipping single products to many consumers. This requires that manufacturers change their thinking and processes to accommodate the complex requirements of a DTC business model in hopes of leveling the playing field and effectively competing online.

Thirdly, **technology is cheaper** today where economies of scale can be better realized. Tools are more robust and the lower cost of entry is appealing for all merchants because sophisticated merchandising and back-end systems can be had at a fraction of what was paid just a few years ago.

While developing a web strategy may be on most manufacturers and emerging retailers "wish list," the intricacies of the web from strategy through service are complex in nature, requiring **due diligence coupled with savvy decision-making**. There is no set blueprint and no single strategy that will meet the needs of each unique business. From the outset, one should not under-estimate the importance of retail know-how along with the nuts and bolts of the business that will need to be applied for online success.



**A strong web presence is a "must have" for both smaller merchants and global manufacturers.**

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**Prioritization must be paramount** as entrepreneurs and businesses with small eCommerce organizations face a long list of elements to build and substantiate marketing to drive their business. Our hope is to bring order to chaos, reining in the endless “to do” list to one that is manageable. There will be pain, not every battle will be won, and the only constant will be change. As one merchant suggested, “If you can’t handle change you should stay out of the kitchen.”

Thus, the goal of this Guide is to suggest the **questions** merchants should be thinking about as they assess real opportunities for their businesses. In the process of developing this handbook, I reached out and talked with over thirty merchants in various stages of eCommerce evolution; from brand name manufacturers to early startups who have built their presence on a great idea and scrappy social media.

The Guide is divided into four core sections that look at the planning cycle of an eCommerce business. Each section will begin with an introduction to frame the issues and highlight lessons learned, followed by a series of “Food-for-Thought” questions merchants must ask themselves to think through all of the issues. We will then wrap up the Guide with a checklist that summarizes critical elements. I believe that a merchant of any size, at any point of evolution in their online business, will find value and insights. Not surprisingly there will always be more questions than answers.

This is a tool to be used by individuals and is also one that I recommend you share with your team and senior management. We don’t pretend that it is all-inclusive but merely a starting point from which you can build and/or evolve your organization, your site, your systems, and your marketing strategies. Our approach is based on both ease of use and access with simplicity setting the tone for usability.

The path to success is unique for every merchant and our team believes it is advisable to seek out partners in the process of building your eBusiness. With technology ever-changing, opportunities and marketing tools take daily twists. There is great complexity at every juncture but discerning companies will encounter a path fraught with fewer obstacles.

Whether you are at ground zero or approaching \$10 or \$20 million, it is always wise to ask for help. Use all resources you can tap into as people truly have an inner entrepreneurial spirit and will be inclined to offer assistance. There are a myriad of trade associations and industry conferences plus the web holds an amazing library of success stories and failures, so you can avoid feeling alone in the process.



**There is great complexity at every juncture but discerning companies will encounter a path fraught with fewer obstacles.**

I want to thank our sponsors, Acquity Group, Magento, and Rackspace for believing in the power of thought leadership; investing precious time and resources to foster the growth of emerging retailers.

Lastly, as you use our Guide, please share any lessons you have learned on your journey or suggest additional Food-for-Thought questions to enhance the content as we hope this tool will continue to grow and evolve with the industry, our businesses, and our customers.

Happy Selling!

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## THE BUSINESS

It is my recommendation that one begin by thinking about the business itself. Being both diligent and honest in the early planning phase will best help you define subsequent requirements. For existing manufacturers, that will involve looking introspectively at the existing brand, assortment, and associated challenges. For startups, it may be more about concept validation and branding to gauge an idea's uniqueness or potential along with requisite opportunities and challenges. As people cannot envision what they don't know, consumer testing may be required to get real information on their needs and potential experiences.

We will address a series of intrinsically related issues in this section:

- A. The Brand/Concept Validation
- B. The Customer
- C. The Organization
- D. The People
- E. The Money
- F. The Assortment
- G. The Inventory
- H. The Customer Service

### A. The Brand/Concept Validation

You need to move beyond following your passion to defining and validating your idea or concept. Competition is fierce so clearly articulating your value proposition and how the Internet can support a new model or new way of doing business will be imperative. Product mix, pricing, and service models may all play important roles. Manufacturers may be faced with specific challenges; particularly the inability to break MAP pricing as they struggle to compete with retail partners who may march to their own markdown cadence. As the web makes it easy to be transparent in this regard, they will have to look to do business through broader assortments and information differentiation, knowing that a strong relationship with partners and customers will be critical to corporate success. New rules will be written (some implied and some implicit) for the role of the Internet and brands where internal discussion regarding marketing strategies will be inevitable. Once validated, concepts will need to be reinforced via the site experience, email communication, and all marketing collateral. The following examples illustrate some of the businesses that I consulted with where challenges and experiences helped frame the discussion.



**Competition is fierce so clearly articulating your value proposition and how the Internet can support a new model... will be imperative.**

1. Product: Selling auto parts currently available at retail and online
  - **Challenge:** differentiation when selling a commodity product
  - **Value Proposition:** comprehensive web experience with robust assortment that solicits customer input under a “community” model to engage visitors, deliver repeat traffic, and an audience destined to prefer buying from a brand where they are part of the community
  - **Site Experience:** category-based information coupled with comprehensive community orientation including tips, how-to guides, and member stories
  
2. Product: Custom handbags for high-end luxury customer seeking individuality
  - **Challenge:** giving customers the confidence to buy an expensive handbag without tactile benefits of an in-store experience; customer needed to feel the customized bags they were creating
  - **Value Proposition:** creating an experience for personalizing a handbag tailored to an individual’s taste
  - **Site Experience:** superior customization tools coupled with visualization elements that truly give customers a “feel” for the product; website would be a joint effort between retail/in-home parties and the web experience
  
3. Product: Branded apparel with current department and specialty store distribution
  - **Challenge:** honoring the retailer relationship yet still achieving desired profit and conversion goals set by management; competing with retail partners for paid search placement
  - **Value Proposition:** creating a unique destination experience where the entire brand assortment is available exceeding best-in-class functionality currently found at retail partners
  - **Approach:** strong site strategy coupled with communication with retailer partners about marketing “rules of the road”

**Food-for-Thought Questions: The Brand/Concept Validation**

- What are the business goals for your website (information dissemination, lead generation, branding, eCommerce, community forum)?
- Will you be selling something that sets you apart and delivers real value for the customer?
- Is your service offering both clear and compelling?
- What is the demand for your products or services? How big is the existing market?
- Should you conduct benchmarking research or focus groups to validate or refute your business proposition?
- Will you look to build a new market or take market share from existing competitors?
- Do you have a strategic plan for growth developed in conjunction with senior management that supports corporate objectives?
- Who are your competitors? What are their strengths and weaknesses?
- If you will be selling a commodity product, how will the site experience or your approach to selling differentiate you from your competitors?
- What will be your pricing mentality (full price, value priced, discounting, liquidation)?
- How will your pricing be structured (competitively, higher prices, lower prices, variable pricing model)?
- Is this a local, regional, national or even international effort in scope?
- Is this a model that will bring customers back frequently (weekly, daily, monthly) or will visits be more sporadic on an annual or “as needed” basis?
- Do you have the right URL reserved or are you willing to pay the necessary price to secure that web address? Have you reviewed potential URLs that incorporate search friendly terms?



## B. The Customer

Know thy customer is essential for both startups and manufacturers. On the startup front, one may not clearly understand the customer. For smaller merchants with a retail presence who are growing their web presence this means understanding that the web customer is also different than those that might shop at their brick and mortar stores. Despite significant corporate intellectual capital, manufacturers may also have limited knowledge of their customers' interests including where and what they currently purchase online which may be different from what sells via their retail channel partners. This can mean translating sizing and fit to US customers instead of following a more "global" pattern, adjusting stock levels to extended sizes being bought online as well as promoting in stock colors beyond traditional seasons. Internal teams will have to shift their thinking away from a B2B mindset to more of a B2C orientation. Additionally, elevated expectations of online customers are continuing to grow in exponential ways, making it difficult to accommodate all customer concerns cost-effectively. Conversely, merchants must be discerning and make choices. As one merchant suggested, "It is important not to romance ourselves out of business by becoming overly euphoric as one might after a one-night stand."



**Elevated expectations of online customers are continuing to grow... making it difficult to accommodate all customer concerns cost-effectively.**

### Food-for-Thought Questions: The Customer

- Who are your customers today from a demographic and psychographic point-of-view?
- What are your customers' expectations regarding shopping online?
- What do they want to do on your site (buy, research, preview before visiting retail store)?
- Will your customer need product immediately or prefer customization options?
- Will your customers be US-based or more of an international clientele? How does this composition impact the site experience, assortment, and stock levels?

## C. The Organization

Once you have written the business plan and believe that plan to be viable, creating an organization plus selecting the right leader and supporting cast will likely be the difference between success and failure. For existing companies who look to create an eCommerce team, developing that team and getting cooperation within the organization will be important prerequisites. It is essential that you know your own organization including any cultural baggage along with business practices and decision-making that would foster the team's performance while simultaneously mitigating any risk elements. One must also explore ways to handle change within an organization,

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especially when many senior level individuals have varying degrees of web interest and knowledge. Understanding that you can't win every battle will make for a more workable scenario. Sagacious advice is to pick and choose which are worth fighting for, and then live comfortably with some of the pain and struggle.

### **Food-for-Thought Questions: The Organization**

- Who will be your internal point-person for eCommerce and champion eCommerce within the organization to overcome any obstacles and as growth targets are met, garner greater investment support?
- What limitations exist that could hinder your team from being successful?
- Are there certain aspects of running an eCommerce business that can benefit from leveraging the existing organization or will such a strategy be tying your future to archaic policies that will not serve eCommerce needs well?
- How will you work with corporate to help them understand your unique needs and to educate senior management regarding the rules of the road for eCommerce?
- Will your business be best served as a separate entity or part of the larger corporate umbrella? What are the pros and cons of each model?
- Have you established and received approval for your business plan and its related goals with senior management?

### **D. The People**

The “people” factor was a topic of concern in almost every interview with the views and visions regarding personnel concerns as varied as the businesses. In the early stages of any business, people resources are typically limited. The entrepreneur's tendency is to want to do everything. Accordingly, those interviewed were emphatic that one must focus both on what you do well and what you enjoy. Defining your responsibility and filling nonessential functions through others or outsourcing will serve most well.

“People are the most important part of the business,” suggested a savvy entrepreneur, emphasizing that you can grow to about \$1M but after that threshold, it's about the people. Therefore it is critical to hire the right people. A sense of humor, flexible yet focused thinking, and an ability to be comfortable with change were cited by those who shared their sentiments. Most decisions are viewed through a short-term lens rather than longer-term thinking where needs tend to be dynamic, making it difficult to truly assess and plan for desired growth.

It is tough however to grow without allocating resources to new projects and online departments are small so choices must be on target. Finding the right team you can afford is no simple feat. Expectations should be set up-front, optimally prescreening via established criteria.

One of the particularly important lessons shared was that emerging retailers cannot afford to ignore critical elements of the business despite having limited resources. Unlike a corporation where there may be a lot of forward thinking, defining the jobs that need to be done will impact survival. While some chose the route of exercising caution, starting small, and proving one's concept; others opted to build the business and support team by following gut instinct along the way. That could include hiring an intern, growing the team organically or even adding professional management over time. Many cautioned not to under estimate the workload and subsequently spread yourself or the team too thin. For most eCommerce businesses, early on you will need to find people who can wear a lot of hats though some tasks require specialized expertise to get the job done. There will be options to hire personnel or to subcontract and it will be important to have flexible contracts in place that can be renegotiated as needed. Rewarding the team and introducing motivating frameworks will also be paramount.

One can only be an expert in so many different areas but choices must be made on seeking generalists, specialists or more hybrid individuals that mesh with current business needs. Advice ranged from "hire for passion or hire a thinker and a doer" to "choose someone with an opinion about business processes who has knowledge of business logic + technology background." It is wise to build a team or pick a partner then outsource core functionality where knowledge is lacking. When outsourcing for complex businesses, find individuals who care about your business and can adequately support your needs. Shared learning must be a prerequisite in order to grow the organization. Troubleshooting to find the right people takes time and due diligence, otherwise turnover and frustration will likely be the order of the day.



**It is wise to build a team... outsource core functionality where knowledge is lacking.**

### **Food-for-Thought Questions: The People**

#### **STRATEGIC**

- Which comes first growing the business or growing the team?
- Is your staffing plan built into the overall P&L?
- What are the core competencies of your team?
- How strong is your internal IT team?

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- As the owner or president, how do you currently allocate your time? Is that the best use of your time? Are you spending enough time marketing your business?
- What can you as an individual or your team reasonably manage and what is better outsourced?

### HIRING

- Do you require jack-of-all-trades or will your company need to secure specialists across pre-defined areas of expertise?
- Do these individuals understand the business and can they visually present your brand and its product well?
- If interviewing for IT folks, how are their verbal and written communication skills as both should be important prerequisites for success?
- Can any of these positions be part-time or must all be full-time?
- What level of experience is required for each position?
- How much risk are you willing to assume regarding new hires and can you train for specific needs or hire for experience to limit risk?
- How will you compensate your employees? Will it be straight salary or will profit sharing be available as an incentive option?
- Will you hire all personnel or subcontract while growing the business including a re-evaluation of potential elements?
- For contract employees, what should be the terms of the contract?
- What is the right mix of questions when interviewing for eCommerce positions?

### E. The Money

Funding is the cornerstone for both start ups and corporate support of existing businesses so money should be discussed and allocated according to the pre-established business plan. In either scenario, you will likely run out of money or time or both, making prudent strategic planning essential. Merchants must determine realistic budgets and estimate how long those investments will need to last. Sources of funding should be discussed to understand the role of investment banks, venture capital or funds secured through corporate initiatives and plans. Think through how much money you need to run the business and how best to finance it. As several entrepreneurs suggested, it is important to establish a “relationship” with a bank. Even if you don’t need the money just yet, eventually you will and your

capital will help fuel the biggest bang for the buck. If you are a manufacturer whose company will be funding the eCommerce endeavor, earmark that money before you begin and for each planned stage of growth because there can be mitigating circumstances that may make it more difficult to secure funds as time progresses should other competing business challenges confront the firm.

### **Food-for-Thought Questions: The Money**

#### **RUNNING THE BUSINESS**

- What will be the likely and/or desired velocity for growth?
- How much money is needed to fund the business in the short-term? In the long-run?
- Financially and resource-wise, will you leverage existing infrastructure, integrate with existing systems or build out eCommerce needs independently?
- If you are a part of a larger corporate entity, how will your sales/revenues be accounted for?
- What level of commitment is the company willing to make to start and effectively compete online?
- Once established and meeting sales goals, can you secure commitment for future internal funds?
- What cash flow requirements do you anticipate particularly given your accepted methods of payment ( i.e. for B2B companies that typically accept only purchase orders or net 30 terms, adding a credit card payment option can quickly improve cash flow)?
- How large is your credit limit on your existing credit cards and can it cover month-to-month expenses (i.e. not all search engines including Google and Yahoo accept credit cards requiring companies to front funds to cover marketing costs on a month-to-month basis)?

#### **FINANCING**

- Is it your goal to self fund the business through revenues or will you require outside funding to grow and be successful?
- What are the pros/cons of borrowing from friends and family to finance the business?
- What would incremental growth opportunities and/or financial tradeoffs be if outside investment was secured?
- At what point in the development of the business should you address financing needs? Should you establish a line of credit in support of unexpected needs?

- What information will you need to supply to the bank in order to be considered for a loan?
- Can your business model support you financially in tough times?

### **F. The Assortment**

A retailer's business begins and ends with product so determining one's assortment is an ongoing concern factoring in both customer needs and your brand. While expectations for the online shopper tend to error on the side of broad selection, at the same time, small and large merchants alike have been able to capitalize on the "long tail" where their competitive edge comes through product and sizing extensions. Despite this reality, you will likely need a base of core product to sustain your customers and keep them coming back. Although stores may face regional challenges, web assortment strategies allow for extended reach and robust assortment models where seasonality is virtually nonexistent online. Multi-branded retailers will find that selecting the right vendor partners for their supply chain requires diligence and continual review via processes that monitor performance.

#### **Food-for-Thought Questions: The Assortment**

- How many items will you sell?
- What is the right mix of product?
- What should be the appropriate range of price points?
- Will your products be mostly full price, closeout or a combination? What are the implications of choosing one strategy over another?
- What kind of inventory turn should you expect from an online business?
- Can your assortment provide a broad enough shopping experience to engage both first-time visitors and customers who frequent your site throughout the year?
- Does your assortment suggest inventory ownership or will drop-ship options be a consideration?
- For multi-brand retailers, how will your vendor partners be selected?
- How will you monitor the assortment to ensure ample margin and contribution?
- How will vendor performance be reviewed to ensure optimized profitability?



**Web assortment strategies allow for extended reach and robust assortment models where seasonality is virtually nonexistent online.**

### G. The Inventory

Inventory has several important components from securing inventory, to initial and maintained levels as well as accuracy and visual presentation. Once each of those has been addressed a merchant will be in a good position to best control this balance sheet asset. A luxury apparel manufacturer reported, “Our biggest challenge was actually our success, ultimately finding ourselves competing more for product against our own stores and our own wholesale channels.”

Ownership of the inventory should be pre-determined as manufacturers face the conundrum of who will own the inventory in a direct-to-consumer model. Inventories must be managed at the SKU level versus tracking on a grand scale or palette level. Choices may include a shared inventory, allocation or outright purchase by the Internet division (directly or indirectly). Some manufacturers cannot replenish their stocks so proper planning to assess the online potential requires acknowledging that the web is truly its own channel. Decisions should also be made about the need for a dedicated web buyer and how to best capitalize on niche sales but most importantly optimizing one’s business with proper inventory strategies will bode well for customer satisfaction and achieving established business objectives. You will need to be able to stock accordingly and assess proper growth levels.

Seasonality is different online which makes the ability to time when products go online a major consideration, particularly for the manufacturer community. While longer lead times may be required to support the department store channel, consumer demands suggest shorter time frames for putting product online. Consumer year-round purchasing, beyond traditional selling seasons and assortments, needs to reflect that reality. Stock maintenance levels require an understanding of promotional tactics to move merchandise as the web has served as an excellent liquidation vehicle from one’s own site, distinct outlets or deal sites in support of those efforts. Should you be a multi-branded retailer, finding partners that understand your philosophy, can be counted on to have inventory, and guarantee new product is desirable. With more merchants seeking drop-shippers to reduce their inventory burden, it is advisable that if you have orders being fulfilled from multiple partners you need a strategy to understand how backorders will be handled. Otherwise you will have higher shipping costs than you anticipated with multiple items being fulfilled at varying times.

One must focus on accounting and inventory structures that support such growth. Accurate inventory is imperative for any business and we caution merchants not to underestimate the amount of time it takes to maintain an in-stock, onsite assortment (particularly as some categories such as specialty foods have a very short selling season).



**Optimizing one’s  
business with  
proper inventory  
strategies will bode  
well for customer  
satisfaction and  
achieving  
established  
business  
objectives.**

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A choice must be made to show all potential products for sale or only that which is currently in-stock. One savvy seller was candid saying in some instances you must, “fake it till you make it. Many workarounds can help determine what you need functionally and then know if providing twice-a-day inventory feeds will be adequate.” Without accurate inventory you are likely facing lost incremental gross margin where product becomes stale and selling opportunities limited. What once sold for a strong markup may only secure pennies-on-the-dollar down the road.

### **Food-for-Thought Questions: The Inventory**

#### **OWNERSHIP/STRATEGIC ISSUES**

- Will you own and house the inventory for your business or allocate inventories via a wholesale division?
- Does your industry support drop-shipping? Will there be additional shipping costs if you have multiple drop-shippers involved in fulfilling a single order?
- Will your assortment be made-to-order, limiting upfront inventory investments?
- Should inventory be integrated and available among channels?

#### **STOCK LEVELS**

- What inventory turns do you seek to achieve?
- How frequently should inventory be replenished?

#### **VISIBILITY**

- Will your website be integrated with your inventory systems? If not, how much time will be required and who will maintain active SKUs on the site?
- How will you handle backorders?
- Will you allow substitutions or simply remove from the order? From the site?

#### **MAINTENANCE**

- What level of sophistication do you require from an inventory management perspective?
- What will your turnaround be for adding product online?

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- How can you leverage data to react quickly to inventory needs given that product is likely available?
- Can you truly be multi-channel, having access to online inventory where associates can place orders online and have product shipped for free in sizes/colors that are unavailable at the store? Which division or both will receive credit for that order?



**“If it’s good or bad you will hear about it from your customers and this alone should keep you honest.”**

### H. The Customer Service

Customer service is more than Business 101; it is critical and should never be an afterthought on the part of any merchant. While initially it may seem like a good idea to contain customer costs given their impact on the bottom-line, this must be thoroughly evaluated prior to making any final decisions. Service can go from an internal nightmare to a differentiation point and doing it right the first time should be the preference. Stellar customer service is the primary reason why many have achieved success status and a warning for those looking to cut corners.

The web today is transparent and as several merchants shared, “If it’s good or bad you will hear about it from your customers and this alone should keep you honest.” Clear and consistent policies that support a startup or global presence should be part of your initial branding, no matter your size. For manufacturers, support costs when going direct increase dramatically and should not be underestimated, particularly given the good will associated with the brand. Relevance and response times on customer queries are not always up to par therefore meeting today’s standards of 24-hour turnaround on emails and knowledgeable Customer Service Reps should be top-of-mind.

Paying attention to customer service means having the appropriate staff relative to the expected volume projected for your business so you can leverage your service value proposition to build trust and retain customers. One must think through the various means that customers will use to connect with your company. They will begin with self-service, ideally through a robust and comprehensive onsite destination. From there taking phone calls is still something to be reckoned with and loads will vary depending on your category, products, brand, and seasonality. The people who answer calls or email queries are the first point-of-contact for your customers so careful selection of these individuals is paramount. For instance, one startup that we interviewed, with higher price points, still had 30% of their calls coming via the phone as their customers were hoping to tap into their knowledge. Product knowledge is imperative and can also positively impact return rates, thus making a focus on this a must

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for every merchant. Once these basics are in place merchants may elect to test live chat, if their situations warrant it, but other support elements should be superior before any additional communication channels are made available.

### **Food-for-Thought Questions: The Customer Service**

#### **CUSTOMER SERVICE POLICIES**

- How will you position customer service to be a differentiator for your brand?
- Will you have a toll-free telephone number?
- Can you offer a “satisfaction guaranteed” promise or will your return policy be limited to 30 days in line with standard fare?
- What will your policies be for prices that are different from one channel to the next as customers desire price matching?
- Will you allow online orders to be returned to your stores?
- Which customer service tools should you invest in to save time?
- What customer service elements must be in place to support an international market?

#### **CUSTOMER QUERIES**

- What level of call volume do you anticipate as there are variances based on brand, category, evolution, and seasonality?
- What hours will you staff your various touch points (call center, site, live chat)?
- How quickly will email queries be answered?
- What incentives will be needed to ensure performance goals are met?
- Can live chat be a cost-effective model for your business and the products you sell?
- How much training will be required to have customer service reps best support your brand?

## THE SITE EXPERIENCE

Merchants must establish a comfort zone from which they can begin, evolve, and maintain a competitive web experience that works within their budgetary constraints yet still has appeal for their customer base as a professional site gives a merchant credibility. Knowing one's customers and defining internal goals for your shopping experience sets the tone. This third section will briefly cover:

- A. Marketing Requirements Documentation
- B. Feature Set
- C. Content
- D. Data Requirements

### A. Marketing Requirements Documentation

Ideally every business should start with Marketing Requirements Documentation (MRD), describing everything the site needs to do, proactively putting the details in writing. One savvy merchant likened these requirements to “drawing a picture of a constellation of needs.” Design, content, and product information are all important elements within this constellation exercise and as such will support the site experience section.

As part of that process merchants should be very explicit about what the site will need to do, remembering that **no detail is too small to mention** where both static requirements as well as changing needs should be identified. While one must possess a certain level of faith, it is also important to question every aspect and review all opportunities. **Describe everything you do and why you do something so future users can also benefit from this knowledge and articulated effort.** Realizing this can be a daunting task, I would recommend that you attack the basics first and then proceed to tackle the bells and whistles.

A tip heard from several merchants is that it can be very valuable to interview the people at your company to garner their insights. This can be accomplished by conducting senior level interviews internally though some have also recommended hiring a person to conduct internal interviews on procedures, variations of tasks, and eCommerce requirements. If you are just starting, reach out to other entrepreneurs, as this exercise can clearly be helpful guiding you through the process. It is also an opportune time to complete a competitive analysis of your category and to note any desired features that may not have made the initial roadmap. Once complete, prioritization is essential as no one is ever able to accomplish everything on their site roadmap.

The process should be ongoing and fluid since the blessing and curse of the web is that anything can change in this 24x7 world. Once the site is live, testing and usability can, and should, be a tool you continually employ to monitor site performance and ensure customer acceptance. Even on a limited budget you still must attend to usability and may want to consider cost-effective strategies like leveraging friends and family, internal team members or offering gift certificates to some of your favorite customers for assisting in this endeavor.

Web design tends to be very personal and as one merchant emphasized, “it cannot and should not be a democracy.” As you move into selection of a design firm or work with your platform company you will want to nail down the wire frames and be thrilled with their look and feel as making changes can be difficult in the latter stages of your website’s development. If you have an existing site, review planned initiatives against the original to ensure all functionality transitions well. Also look competitively to ensure that your vision translates suitably via the new experience.

### **B. Feature Set**

Many consumers have been shopping online for almost ten years and have become accustomed to a certain set of baseline features and functionality. At the same time merchants have learned which features deliver from an ROI perspective and they prioritize elements that fit their brand, category, and shopper needs. Rather than provide an exhaustive list of potential features I have included a chart from our 9th Annual Merchant Survey conducted in 2010 that shows how 150 merchants ranked the value of 50 features from an ROI perspective. It can serve as a reference tool when thinking about what features you might roadmap and subsequently prioritize for your business. From our consulting work and consumer surveys we know that often “less is more,” particularly for startups.

eCommerce is about time-savings and convenience so tools that support customer needs in these areas are most desirable. As an example, onsite search is present on most sites, but the challenge is ensuring adequate sophistication to return relevant results. Category-centric elements should be considered because they are often differentiators for a brand. A word of caution, “It may not pay off to be bleeding edge, especially if you don’t have the basics in place.” This feature evaluation must be an ongoing effort to build a merchandising roadmap and then to continue reprioritizing as consumer interests shift and merchants learn what works successfully for their brand. From one luxury apparel company comes an important piece of advice that I recommend you heed, “If conversion and revenue is your goal, don’t wait for the redesign process as it will be too daunting; fight to get continued reinvestment in to the business.”



**“If conversion and revenue is your goal, don’t wait for the redesign process as it will be too daunting...”**

Ranking of Features Very to Somewhat Valuable (5-3) 2010 vs. 2009					
	2010	2009		2010	2009
Keyword Search	98%	94%	Brand Showcase	59%	52%
Cross-Sells	95%	92%	Online Outlet	59%	51%
Seasonal Promotions	95%	88%	Multiple Ship-To's	57%	55%
Email as a Merchandising Vehicle	94%	90%	Color Change	56%	50%
Sales or Specials	94%	93%	Free Shipping - Conditional	55%	86%
Top Sellers	88%	87%	Free Shipping - Unconditional	55%	61%
Search Landing Pages that are Merchandised	87%	74%	Contests	54%	46%
Up-Sells	87%	81%	Wish Lists	53%	46%
What's New	87%	84%	Blogs	52%	44%
Alternative Views	83%	73%	Limited Hour Promotions	50%	51%
Coupons/Rebates	80%	74%	Community Features	48%	41%
Advanced Search	78%	69%	Frequent Buyer Programs	46%	40%
Exclusives	77%	77%	Product Comparisons	46%	50%
Promotional Incentives to Buy	74%	79%	Live Chat	45%	38%
Zoom	74%	69%	Create Your Own Custom/Personalized Products	43%	36%
Guided Navigation	70%	59%	Pre-Orders	43%	38%
Product Ratings & Reviews	69%	69%	Mobile Applications (new)	41%	na
Category Content '	68%	67%	Deferred Payment Plans	39%	34%
Video	68%	58%	As Advertised	38%	31%
Alternate Payment Methods	66%	54%	Collection Selling (Shop by Outfit/by Solution/View in a Room)	38%	34%
Recently Viewed	64%	57%	Interactive Tools	35%	30%
Sharing via Social Networking	63%	46%	3D Visualization	28%	24%
Email Customer Service Alerts	62%	59%	Gift/Wedding Registry	26%	27%
Gift Center/Suggestions	61%	60%	In-Store Product Locator/Look-Up	24%	24%
Gift Certificates/Cards	60%	55%	In-Store Pickup and/or Returns	22%	32%

**Food-for-Thought Questions: The Site Experience**

**MARKETING REQUIREMENTS DOCUMENTATION**

- Have you defined all marketing requirements?
- Who should interview team members to fully understand the business in order to best document your marketing requirements?
- Should you change internal policies to adjust to web needs or are your polices/approaches sufficient for now?

**DESIGN**

- Who will design the look and feel of the site? Should you leverage your technology provider or seek a different design or agency partner? Are they well suited to integrate with the developer and platform you have selected?

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- Is your product/service image-driven where a “wow” experience is desirable?
- Will your customers be willing to wait for a flash-based experience?
- How do you best keep up with changing technology? What should be adopted? What should be avoided?

### FEATURE SET

- What features are part of your existing site experience or should be part of any startup experience?
- Which elements will serve as differentiators beyond the basics?
- What ROI or standards will you put in place to assess the value of any given feature?
- How will the desired feature set mesh with platform providers?
- How can you maintain a roadmap that notes future feature needs while simultaneously ensuring that existing site features are up to best-in-class standards?

### C. Content

Content can come in many formats and be deployed throughout the site. For purposes of this Guide, we will address brand imagery along with product content and its associated elements including copy, imagery, and rich media applications in support of evolved content. Customers must be inspired via copy and imagery and unfortunately there is no such thing as autopilot when it comes to product information from either a copy or an imagery point-of-view. Fortunately, over the course of the last ten years online merchants have learned that being in the content game reaps revenue rewards. From how-to guides to video product demonstrations, the barrier to entry is quite low today enabling merchants to embellish their sites for more robust customer experiences.

Levels of content needs are typically dictated by one’s category where information-intensive products require extensive information for consumers to make informed buying decisions. Per one merchant I interviewed, “Content can be especially valuable if you know more than anyone in your category and you have a unique ability to find and sell products supplemented with quality information. Your brand’s passion can be better exposed when your relationships with suppliers shine through. Not only will the customers benefit but you, as a merchant, will likely benefit from a SEO perspective.”

Manufacturers are often expected to be the resource expert for the brand, serving as the store for the majority of products sold. Consumers will begin their information gathering education at your site and from there may visit a local retailer so it is essential for your content to be both ample and accurate. You alone will set the tone for the brand, especially given the fact that you will be unable to compete on price alone. Manufacturers are uniquely faced with an imagery challenge as there are typically global concerns with imagery that do not always reflect what is being sold on the site. Connecting with inventory at the product level is essential for the customer. Visuals and timing based on in-stock status must be factored into scheduling and image production requirements. At the same time out-of-stock situations must be monitored to keep imagery fresh. From a copy perspective, many brands have developed a voice that is built for the B2B model and broader global purposes where writing in a consumer voice is now required. The organization is challenged to find an individual or team that can translate the brand's message for the mainstream consumer. Simultaneously the organization must factor in existing licensing and distribution agreements as the site is transparent and customers will want whatever prices and products they see despite country of origin.

Photography can be a very expensive budget line item, particularly for retailers with large SKU counts and/or assortments with high turn. Only by understanding one's brand, category requirements, and customer expectations can a merchant size up their real photography needs as this may not be the place to cut corners. Fashion companies understand that multiple images may be important to selling shoes, clothes or bedding while technology retailers have come to rely on 3D or video demos to give customers relevant decision-making information. Merchants must evaluate potential ROI gains that may come as a result of enhanced photographic assets based on their budget and their category. At this point merchants look to understand whether or not any of these content components should be outsourced or if the internal team can handle the workload in a timely and expeditious fashion. This often leads to a discussion about US or international companies that can assist in these endeavors where costs can vary significantly and tradeoffs must be explored for decision-making that is right for your organization.

### Food-for-Thought Questions: Content

#### STRATEGIC

- Can you use content to differentiate your brand and how is this content best integrated into the site experience?
- What role will category content play on the site (how-to guides, tips, glossaries) and how important will that be to securing customer confidence and driving conversion?



**Connecting with inventory at the product level is essential for the customer.**

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- What are the unique requirements for B2B selling versus B2C?
- What additional content requirements are needed for product feeds on third party sites where you will market your product?
- What level of sophistication should your content management system possess to make content deployment and updates as efficient as possible?
- What content needs can be handled in-house versus outsourced?
- Are there resources available locally that you can tap into to support content needs for expediency purposes?
- When outsourcing, what are the pros and cons of a US-based or off-shore solution?
- Have you considered the balancing act between explaining your business, translating your needs, and managing from afar? When is it best to test such a model?

### **COPY**

- What are the unique requirements for writing for the web versus catalog or even store-based selling?
- How will you inspire shoppers via copy?
- What must you do to ensure that your writing accommodates SEO concerns?
- What level of detail is optimal to support the products you sell?

### **IMAGERY**

- From a product perspective, do your customers like to touch the product prior to purchasing?
- How many pictures/views will be required to tell the full product story?
- How professional must your images be? How do you know when they are good enough for now?
- What is a reasonable photography investment?
- Will lifestyle shots be required or are thumbnails adequate? Are model shots a necessary investment?
- Will zoom or alternative views drive greater conversion and/or minimize returns?
- Can you tap into manufacturers to secure imagery and supplement photography requirements?
- If you are looking for drop-ship providers to secure product images, who will standardize with existing photography and how will you differentiate from other merchants who may be using the same imagery?



#### D. Data Requirements

Data is the underlying plumbing that runs the site. It assumes many different roles and can be very powerful if it is built properly. In my merchant discussions, this was a topic that came up more frequently than most. The lessons learned indicate that the strategic importance of data was often underestimated given its valued informational and marketing roles for both the consumer and the merchant. We live in a Google culture where search is the cornerstone of any eCommerce experience. Without the right initial data foundation, much of what consumers want to do on the site will be impacted. Search will not perform, making proper taxonomy for category classification and attribution for advanced searching a challenge.

A vital task from the outset should also be to capture customer data. That means everything from the ability to collect email and text addresses to setting the tone for communication and relationship building with core customers. Beyond onsite challenges data inadequacies can severely impact landing pages for paid and natural search initiatives.

Marketing initiatives must also be explored as product feeds continue to be a growing part of many a merchant's arsenal. Data needs, as defined by partners, should be factored into set-up strategies. Lastly, another reason data structures and their relationship should not be slighted is the impact of information regarding SEO and its ability to drive cost-effective traffic to one's site.

This is simply the beginning but the list and the lessons that should be heeded are countless. Data must be considered prior to launching or evolving the site experience; the price to be paid after the fact can be draining and debilitating from a personnel and pocketbook perspective.

#### Food-for-Thought Questions: Data Requirements

##### ONSITE

- What data requirements do you need for your site?
- How will your customers search the site?
- How many SKUs will you have on the site?
- Which attributes about the product will you want to capture?
- What levels of refining and sorting are relevant for your category?



**We live in a  
Google culture  
where search is  
the cornerstone of  
any eCommerce  
experience.**

### **MARKETING**

- Who will be the marketing partners for your business?
- How will data be imported? Exported?
- What data requirements exist for marketing product feeds beyond your site?
- How long does it take to set up a product in Amazon or other marketplaces?
- How can you best leverage data to market effectively?
- What data will be required for metatags and title pages in order to optimize SEO efforts?

### **CUSTOMER DATA**

- How will you facilitate the collection of data on the backend in order to make it usable for marketing purposes?
- How will the customer data fields be structured? Will they be open-ended?

## TECHNOLOGY

Diverse technologies are required to support a best-in-class selling experience. There are foundational elements such as your eCommerce solution and Order Management System and a variety of add-ons for specific needs such as image management, onsite search, and ratings and reviews. The greatest frustrations expressed by the merchants whom I interviewed related to the plethora of technology options coupled with the difficulty in truly understanding what each technology can do, if it is appropriate for one's business, and how it integrates into their existing eCommerce ecosystem.

I have observed, and my interviews supported, philosophical differences in how companies and individuals approach their technology decision-making based on a combination of past experience and one's current comfort zone. Sentiments expressed regarding technology ranged from growing into your needs such as, "You don't have to figure out everything right away, particularly on the back-end," to an almost contrarian point-of-view where one should not overestimate their needs instead starting small and then reacting, all the while acknowledging likely challenges. Other merchant insights included expressions along the lines of, "There are lots of moving parts; if you buy the small version you will likely have big switches in the middle of the road." This suggests that one be aware and recognize that, "Know when simple is good enough but also when you grow out of something and set expectations for the sales level when you will likely run into problems." This last piece of advice may in fact be the most important, "Make sure that as business grows you are supported on the technology side as one can do all the marketing but it doesn't matter if one's back-end is bad." Given the diligence duly noted, it is wise to **break out risk, scope, impact, and ROI** in order to assess one's interest in purchasing or licensing a given technology in support of eCommerce needs.

### The People Factor

First and foremost companies must be honest about their skill set as that sets the tone for technology and service needs. There is a continuum of capabilities from manual processes to mixed levels of integration to a fully outsourced model and with each comes a set of factors that must be weighed within the context of one's organization. I have never met a merchant who is not short staffed. Keeping IT teams intact requires patience and understanding including ample motivation as challenges are often not cut and dried. Technology requires support which may be internal, fully outsourced or a joint effort between companies. These partnerships should be explored and the cost of managing systems factored into the total cost of technology ownership. One must assess where internal control is wise and where outsourcing is a better model. As one merchant emphasized, "Try to get as much for free as possible and don't forget there are costs



**"Make sure that as business grows you are supported on the technology side..."**

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associated with outsourcing.” Typically companies outsource hosting as it is mission-critical, and site downtime, while requiring skilled expertise, is not a continual issue demanding staffing at a full-time level. This important area will be covered in further detail later in this section.

### **Food-for-Thought Questions: Technology**

#### **STRATEGIC**

- How much are you currently investing in your eCommerce initiatives?
- What level of investment can you support from a software, hardware, and resource point-of-view?
- Can your current platform achieve stated business goals?
- Do you have a plan for technology purchasing in your business?
- Is your company inclined to look at capitalizing expenses or are annual or monthly expenditures better suited for your business model?
- Are you forward thinking relative to technology and can your company make the necessary investments or do you wish to take a late-adopter stance?
- What can you address today vs. tabling for future consideration?
- How will you justify the web investment from a time and money perspective? How will you sell it to senior management?
- What technologies should you pilot and how do you assess the true cost for any given technology?
- Will a specific technology give you the payback you demand internally and what KPIs are best suited to assist in that evaluation?
- What technologies will work well with your unique brand marketing requirements?
- What economies of scale can be achieved for a multi-branded merchant?
- How long should your platform contract be given the average rate of change among merchants and eCommerce platforms?

#### **PEOPLE**

- What are your core competencies?
- How big is your internal IT team?
- What can your internal teams reasonably manage going forward?

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- Do you have the resources to deliver in a timely fashion?
- Is your IT organization capable of integrating all of the selected point solutions and how will they talk to one another?

### **A. Platform Selection**

Much of the technology decision centers on selecting a platform, making it essential to stay up to speed as new companies and new models continually come into the marketplace with prices characteristically coming down. There was significant feedback from the merchant community that one's current platform or lack of a platform resulted in "getting lost in their own path to growth." Often they did not have the requisite features and functionality yet still wanted to grow the business despite inadequate tools. Unfortunately it's a bit of a chicken and egg issue as merchants acknowledge that "you do not truly know what you need, until you need it" making this a somewhat frustrating fact of technology life.

During these exhaustive interviews merchants expressed thoughts such as, "We had the budget of a small merchant yet required the features of bigger players which our customers have come to expect and as such we needed to find a platform that still incorporated best practices." As a starting point most agreed they underestimated both the expense and the complexity of ecommerce. Several lamented over having outgrown platforms, continually performing workarounds, and the need to acknowledge what you know and what you don't. Generally three variables were always under consideration: cost, time to re-platform, and people requirements to support the platform over time.

Another dimension that came up in my discussions was the cost to update where the initial site was just the beginning; factoring in maintenance demands should be part of overall cost considerations. At the end of the day many a merchant concluded that you still get what you pay for. In technology in particular, we cannot emphasize enough the importance of doing your homework to find out who's doing what right and how you can best adopt it for your organization.

Relative to platform selection many lessons were shared that merchants should heed as they approach their own selection process, though personal issues and unique business scenarios make this a very individual exercise. The following words of wisdom from the merchant community span the spectrum of choices within which you will need to find your own orientation and comfort zone.

- "Start small with a starter package and elevate from there."
- "The sooner you can get the more robust eCommerce technology the better it is."



**As a starting point most agreed they underestimated both the expense and the complexity of ecommerce.**

- “Get a platform that can scale with you.”
- “It’s not always wise to be a thought leader on platform. You don’t need to be an innovator; you just need to make money.”
- “Remember that saving time and efficiencies can be just as important as revenue generation so the admin aspect of any platform will be essential to understand.”

There is no “one size fits all” model as the choices continue to expand for the merchant community, large and small, from custom options to software as a solution (SaaS) to enterprise open source. eCommerce today has a clearer set of feature demands than it ever has in the past, making the differentiation between platforms less significant. Merchants considering open source to support their efforts are drawn to the degree of control they can have over their business versus software as a service or fully custom scenarios and many are choosing a consultative model, working hand-in-hand with developers and integrators to form and support their strategic and back-end requirements. Additionally, enterprise open source solutions such as Magento, layer advanced features, service level agreements and full product support atop the other general benefits of the open model.

Rather than spend money on the platform, some have made a conscious choice to direct their investment toward **differentiators that will drive the business** versus building the basics such as coupon codes and other promotional elements. Additionally more manufacturers are in the market, often with a portfolio of brands across a global marketplace. This requires a model that can be quickly and cost effectively replicated and easily maintained as they find themselves unable to absorb the incremental costs that result under a more traditional model. Communities of support across an array of verticals have sprung up among developers. Over time merchants will likely see a landscape of users that more closely resembles their business, proffering applications that merit retail review.

One savvy merchant who was an eCommerce pioneer in the early 90’s shared what choosing Magento has meant for their multi-branded manufacturer business. “Flexibility and an ability to respond quickly and creatively to marketing demands gave us the ability to say ‘yes’ to initiatives rather than ruling them out of consideration for a myriad of reasons.” The features that are part of an enterprise open source offering grow exponentially as more merchants are part of the ecosystem where the benefits are shared by all. She also expressed that, “You can always figure things out if options are available to you. We own our problems and in the end you must decide if you want to service the community or simply service the enterprise.”



**Merchants considering open source to support their efforts are drawn to the degree of control they can have over their business...**

Having a team that is hands-on and willing to give things a try is integral to success, so being frank about one's capabilities again becomes paramount. A manufacturer interviewed saw this as a "great option for smaller manufacturers with a large number of SKUs because they would not have to put all their money into technical solutions but could rather invest more funds into an agency or integrator that would help drive their business." The risk is mitigated when merchants can couple a flexible, open source model with guaranteed support options and the experience to serve as a partner through development and integration.

### **Test Set**

It will be critical to identify the desired feature set by defining MRDs at the outset of the platform selection process. From there mapping between features and business requirements against those inherent to the platform is optimal to avoid overbuying.

This creative suggestion came from a merchant in the hunt for the right platform: "Begin the process by defining 12 tasks that each platform must perform and then literally complete the assignment using each of the prospective vendors." The exercise is sure to elevate those vendors that best meet the unique requirements you have in mind. Some of his task recommendations included:

- Build an XL spreadsheet as well as a CSV file
- Understand how price changes are handled
- Load product data for 6 items
- Import and export data from the site using various means
- Build a product page
- Purchase a product and understand how inventory will be managed
- Set up a data feed to a 3rd party (i.e. Shopzilla, Froogle)
- Add meta data tags for SEO purposes
- Make minor changes to a series of site elements to assess the user-friendly nature of the platform's back-end tool
- Evaluate the data table requirements relative to your business
- Evaluate customer data and how that is managed once captured

## B. Site Development

There is an ecosystem of support that will be required where neither the cost nor the partner should be taken lightly. Technology in many ways will become a commodity but the consultative aspect of site development will be integral to one's success. You may decide to invest in a technical lead or architect in-house or find that complete outsourcing best fits your business demands. Technical support needs of the team should be weighed and explored to understand the best fit for one's business over both the short and long-term along with cost considerations for each, as well as the potential upside of a vendor support contract.

The next group of players in eCommerce shared a growing sentiment that there are insufficient reasons to make a significant investment in technology until one knows the opportunity. They advocate starting small, scaling, and understanding the upside over a three-year time frame prior to such an undertaking. This stresses the importance of selecting a platform which is flexible and will grow with your business.

Development partners and integrators were cited as being important to initial selection or re-platforming so their retention should not be taken lightly. Often times this firm will play a significant strategic as well as developmental effort, ensuring a smooth transition for your team and your company.

### Food-for-Thought Questions: Platform Selection

#### PLATFORM

- Would you be better off custom building systems vs. trying to reverse engineer an existing system?
- What technology do you need to own vs. where are you better off taking advantage of the software as a service or open source model?
- Are you looking to select point solutions and integrate into a platform or require one-stop shopping?
- Do the platforms you are considering have the right protocol to support your growth plans and anticipated volume?
- What is the platform's financial state and can it be a sound business solution?
- Will there be significant enough features out-of-the box with an ability to customize as needed?
- How robust and accessible is the platform from an admin perspective?
- How flexible will the platform's tools truly be?



**Technology in many ways will become a commodity but the consultative aspect of site development will be integral to one's success.**



- How long have the platforms under consideration been used by similar merchants?
- Are there any global brands with portfolio scenarios that will be developed in the near-term? Long-term?
- What level of documentation is available with the platform?
- How sophisticated are the platform's information forums?
- What annual investment are platforms making to evolve the technology and are the areas of focus commensurate with your vision for growth?
- What level of external development exists to support growth of the platform or model?

### SELECTION

- How many merchants are running on the platform?
- How do they stack-up relative to your category and/or vertical?
- How is the cultural fit with the eCommerce platform which you are considering?
- Does the vendor have a trial period when you can truly test the platform to assess its performance?
- What will the upfront costs be? What will be the annual licensing and maintenance costs to continually upgrade and maintain your site?
- Does the platform support parent/child relationships (i.e. color/size)?

### DEVELOPERS

- How long should it take to develop a site?
- Subsequent to initial development, how much time should be allocated to maintain it?
- What is the sophistication level of the professional services associated with any platform under consideration?
- Should you opt to select a particular platform, are there developers to build and maintain that platform? What is their general availability? How quickly can they respond to your unique needs?
- What are the criteria for and how do you find a reputable developer?
- How often will you update the site? Do you wish to outsource updates, handle them internally or take a combination approach?

- How will any given developer work with you? What are their processes, financial commitment, and level of support?
- Who will be your point person and what is the process should that person leave the company or assume on a different role?

### C. Hosting

It is imperative that eCommerce sites be secure, compliant, scalable, and available all the time. Ensuring these priorities is a factor of infrastructure and the support that runs behind the scenes. Weak links in any aspect of one's site could result in downtime and exploits that may cause harm. Knowing the mission critical nature of most sites for today's retailers, partnering for performance is mandatory in this regard.

Hosting allows in-house IT experts to create opportunities to develop new applications or improve processes that grow, evolve, and differentiate their business without having to manage the day-to-day operations of patching, updates, licenses, etc. Hosting offers a pay-per-use solution and provides flexibility and scalability as your eCommerce business grows, allowing organizations to save on capital expenditures of managing and procuring hardware and allocation money to revenue-generating activities.

### Food-for-Thought Questions: Hosting

#### INTERNAL ASSESSMENT

- Does your IT staff have the knowledge and capacity to handle 24x7 hosting needs?
- Do you have the ability to monitor hosting internally?
- Do you have a team to oversee your site on a 24x7 basis?

#### PROVIDER EVALUATION

- Is the company financially sound?
- Do they honor their guarantee, delivering the uptime you need?
- What is their level of investment in ongoing products and services?
- How clear are their guarantees relative to your business?
- What support staff and expertise will they provide to your business when downtime or other challenges take place?
- What is their range of hosting service?
- Is their support 24x7x365 and available as part of your standard service or will fees apply outside normal business hours?
- Does their hosting solution support today's compliance standards?



**It is imperative  
that eCommerce  
sites be secure,  
compliant,  
scalable, and  
available all  
the time.**

## MARKETING

Marketing is the grease that drives sales and revenues, therefore a good website can only take you so far without it. Conversely it is important not to over-market if your company cannot support the initiatives on the back-end. Merchants must make choices knowing that budgets are often limited and tactical choices plentiful. ROI goals should be thought out in advance of the strategy and KPIs need to be continually measured for bottom-line contribution. As one merchant articulated, “It’s all about the numbers and their respective ROI.” In any business, there is only so much one can give away and still remain profitable. When driving sales via marketing, the tendency is to get overzealous with promotional tactics. Given the nature of the web, nothing is sacred online so this should be monitored internally as well as for any affiliates. Merchants have varying viewpoints relative to shipping and handling; some include these expenses as part of their marketing cost, others consider them as operational line items warranting discussion as part of the overall marketing plan.

Merchants must be **holistic in their thinking in order to decide which set of tools is appropriate for their budget, their revenue goals, and their customer base**. If you are an existing brand your needs will be very different than if you are a pure-play with a new concept or have a twist on delivering an existing business model. Marketing is time consuming and requires a great deal of energy. Though you have heard it many times, “If you build it they will come” is purely myth according to many of those interviewed. Keep in mind that all marketing messages collide at the front door of your website, making it imperative to understand who owns the site and subsequent messaging.

Guerilla tactics can be very effective, so take advantage of ways that deliver more traffic on a shoestring. If you are launching via emerging social media tools such as Facebook and Twitter, a baseline requirement is being open-minded; learning to adjust your plan with performance knowledge. Testing is advisable to find the right mix; further assessing allocation of funds toward achieving desired goals.

Even smaller merchants emphasized building public relations into the initial budget as beyond driving traffic, it adds to the credibility factor. Because product news may also result in driving traffic to competitors, several advised leveraging coverage to build publicity directly for their own stores. Lastly, one merchant suggested that there is still value in “going local” when it comes to press because national targets are more difficult to obtain and subsequently often follow suit.



...There is still value in “going local” when it comes to press because national targets are more difficult to obtain and subsequently often follow suit.

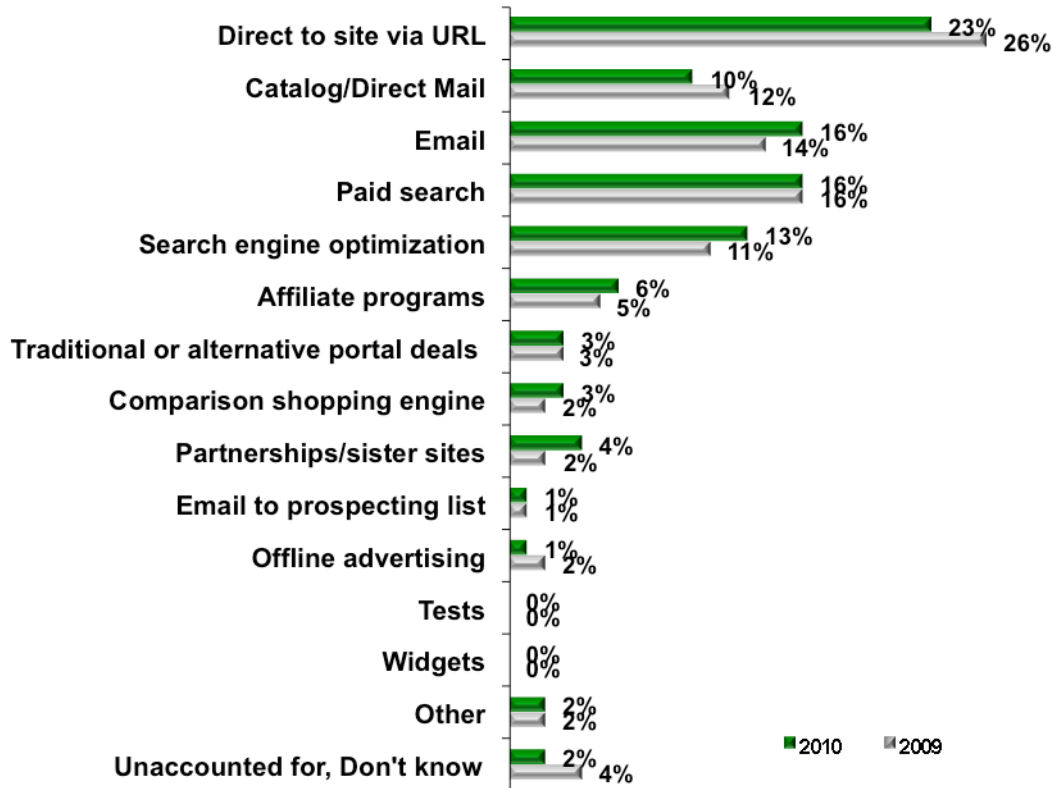
Due to space constraints within this Guide, we will only be able to touch on some primary marketing elements including:

- A. Email
- B. Paid Search
- C. Search Engine Optimization (SEO)
- D. Social Media
- E. Third Party Marketing/Data Feeds/Affiliates
- F. Mobile
- G. Measuring and Testing

Marketing is a specialists' game where the rules are constantly changing, the options are many, and the need to remain up-to-speed vital. Execution choices center on outsourcing to specialists or gaining an in-depth knowledge of how to do this internally. One merchant wisely cautioned, "If your business is all or mostly online and you outsource Pay-per-Click (PPC), you are most likely handing over the keys to your business and its current state; think through the pros and cons of such a decision."

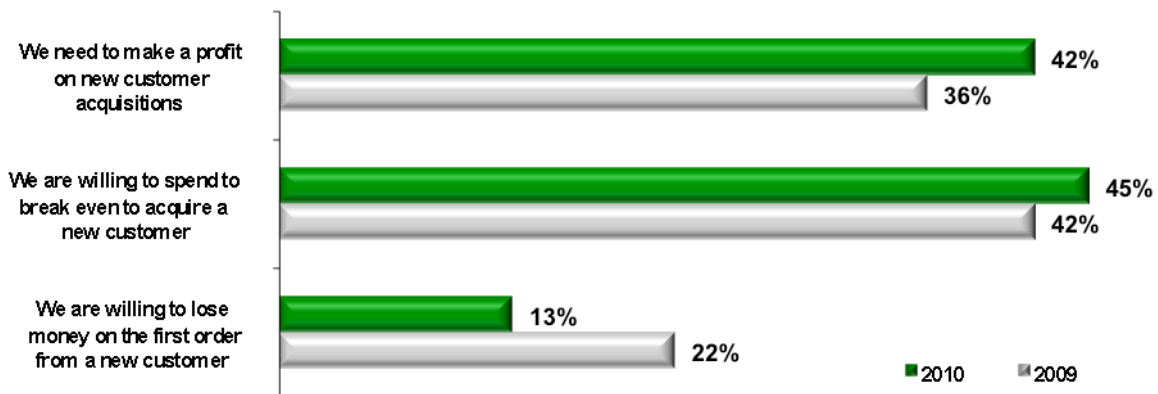
Understanding the channels where revenues are derived (i.e. Amazon drives "x", affiliates get "y") and respective ROI is how your eCommerce business should be run. The following chart from our 9<sup>th</sup> *Annual Merchant Survey* shows how demand was generated from 150+ merchants and may suggest from where you are likely to draw, though channel composition and brand typically impact results.

**What percent of your total e-commerce demand comes via each of the following methods?**



One needs to understand and measure the incremental usage of marketing programs and act accordingly. It is critical to factor in the total number of man-hours to manage any given program as this represents its true cost. Results from the same survey indicate that merchants are beginning to look at **online customer acquisition** as a long-term investment that may not generate immediate ROI but will position you well when the economy recovers.

**How do you determine how much you are willing to spend to acquire a customer online?**



**Food-for-Thought Questions: Marketing**

**STRATEGIC**

- What will be your marketing strategy from day one?
- What percent of sales will you spend on marketing?
- What ROI do you require from your ad spends?
- What percent of your marketing mix should be spent on traditional media versus online means?
- What percent of the business should come via acquisition? Via retention?
- Which marketing tactics will get you the biggest bang for the buck for your products/services?
- How do you balance marketing and testing and when should marketing serve as corporate R&D?
- When is the right time to begin a public relations campaign?
- Are influencers important in your category and if so what is the most cost-effective way to reach those individuals?

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- Does your target market need incentives?
- Should you incent people to talk about you and your company? If so should this be on site, via email as well as via social means?

### TACTICS

- Will paid search be appropriate for your business or too cost-prohibitive?
- Will banner advertising be effective for your brand or lost in the clutter?
- Is your product right for comparison shopping engines (CSEs)?
- Are affiliate programs a viable option and if so what are the pros and cons of building a network?
- Are you going to sell on Amazon and if so what do you need to understand in order to sell effectively in their marketplace?
- If you deploy contests, across which of your marketing channels will they be most effective?
- Are there any creative yet cost-effective tactics that you can use to solidify customer relationships (i.e. handwritten notes to customers, calls from the president)?

### RESOURCES

- What is your internal bandwidth to drive marketing programs? How much time should be allocated to each program?
- How sophisticated is your internal team? Would you be better off to outsource some or all of the marketing initiatives?
- Knowing your limited resources, how can you develop campaigns that can be leveraged across multiple tests and many media outlets?

#### A. Email

As email was one of the earliest and still is one of the most cost-effective marketing strategies, we would expect that merchants will continue using this means to reach their customers. The email process begins with name capture as one needs to grow a list where customers opt-in and ideally are interested in the offers and promotions you put forth. Having a process in place to collect names right out-of-the-gate is optimal. Startups must be concerned with using their small email budget smartly while larger brands may focus on email service provider selection, messaging, and driving incremental revenue in conjunction with brand-building, perhaps choosing a platform with built-in direct marketing capabilities.

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## Food-for-Thought Questions: Email

### STRATEGIC

- How can you leverage email to drive awareness of your brand?
- How frequently will you be sending email?
- What is the existing size of your email file? How quickly do you expect it to grow?
- How will your campaigns be developed?
- Would an email newsletter format have more lasting impact than simple email blasts?
- How and when can triggered email be used effectively (i.e. abandoned carts, product alerts)?
- Can you handle email copywriting needs internally to properly express your brand or is this task better outsourced to a creative firm?
- What range of content will your emails comprise (i.e. full price, branding, coupons, new product introductions, sales, seasonal messaging)?

### NAME CAPTURE

- What information will you want to collect? What will be required and what will be optional?
- Will you incentivize individuals to give you their email address?
- Are there friends who can virally help you grow your list in the early stages of your business?
- How can you collect unique profiling information that enables more targeted marketing opportunities down the road (i.e. birthday, children's ages)?
- Are you leveraging your POS system at retail to collect email addresses?

### EMAIL SERVICE PROVIDER (ESP)

- How do you develop a smart email program that avoids high consumer opt-out rates?
- What level of deliverability should your Email Service Providers (ESPs) achieve?
- How will you handle those tough to deliver email names?
- Who is the right provider to service your email needs? Who is their typical client and how do they compare to your business?
- Can you start with a short-term provider? Who is their largest client and can you scale with this ESP or will you have to switch as your volume grows?



### **B. Paid Search**

Paid search, after direct-to-site traffic, is one of the most important aspects of online marketing. Gaining a thorough understanding of the methodology and subsequently monitoring the ever-changing rules of the road are recommended. There is no single strategy that is right for all merchants where one's category will be an important factor in the budget demands of proper paid search. Competing against big businesses for placement and positioning, a mix of traditional online tactics coupled with out-of-the-box thinking should be put in to play. For manufacturers, some marketing elements will be consistent but often overall growth of the brand at retail will have the greatest impact on growth online. Several people I interviewed frankly admitted that their biggest competitors were their own retail partners bidding against the brand itself. Although it might cause tensions to flare, manufacturers often took the stance, "We should own what we own from a keyword perspective."

#### **Food-for-Thought Questions: Paid Search**

- How much money should be allocated for paid search to ensure brand awareness?
- Do you have unique product that is ideal for purchase that will have a high likelihood to convert from a given search term?
- Will you address PPC at the macro or micro level?
- How do you translate business goals into ad campaigns?
- How can you best map your product catalog to your budget (i.e. 30% inventory dollars are in Brand A, so what is the most effective way to structure ad groupings against inventory allocation and inventory dollars)?
- Which is the right landing page to use for any given campaign?
- From a paid search perspective, what will your policies be regarding resellers and how will they apply to online marketing?
- Can you build paid search policies into wholesale contracts to level the playing field?
- Will you need to use paid search to build up your reputation as manufacturer of record with highest quality score (i.e. official authorized dealer)?
- Who will handle bid management and do you have a sense of how high you can go with your bids as higher margins may not always win relative to paid search?
- Will you take a rules-based or automated approach?
- Have you considered a URL tester tool (i.e. [engineready.com](http://engineready.com)) that finds easy typos and makes sure you are not receiving any 404 errors?



**Competing against big businesses for placement and positioning, a mix of traditional online tactics coupled with out-of-the-box thinking should be put in to play.**

### C. Search Engine Optimization (SEO)

Building a site is just the beginning and search engine optimization is a significant step. Platforms must be capable of and sites must be optimized for search engines as this offers great value, resulting in cost-effective traffic driving. SEO discussions centered on gaining a basic understand of how it works with a number of merchants suggesting merely educating yourself via books and guides available including *SEO for Dummies* and *The Art of SEO* where quick and inexpensive tips for writing and presenting content for the web can be found. Additionally, as I personally learned when recently updating my own small site, you have to do it yourself at the outset to truly understand how it works. Take advantage of available tools, many that in fact are free (i.e. Google Adwords), to understand important terms for your business. At the same time, be aware of the competitive landscape and review their approach to tagging. After setting up the initial structure you can be sure there will be fine tuning and ample opportunity to optimize.

#### Food-for-Thought Questions: SEO

- How can you properly index your site to be search engine friendly?
- What can you do to ensure that your copy is SEO friendly?
- What keywords are relevant or most associated with your business?
- What keyword list elements will you put into the titles? Are your title tags compelling, accurate and appropriate?
- How do those keywords rank?
- Are there words that simultaneously describe the page and effectively help sell product?
- Should you use the assistance of a Google expert in designing an SEO plan?
- What will your internal linking structure/architecture be?
- Will you have faceted navigation?
- What will the URL structure be?
- How easily does your platform support multiple stores/languages?
- How will you handle link building to garner higher SEO placement? Do barter opportunities exist for your brand?
- Are there niche blogs in your category where you would hope to be featured to improve search engine rankings?

#### D. Social Media

As a new year and a new decade are underway, one certainty is continued change in media utilization. Social strategies are at the forefront of this change with consumers rushing to embrace social media in record numbers. Facebook reports 300 million active users worldwide, up from approximately 25 million in 2007 and Twitter's US user base tripled to 18 million in 2009.

For smaller retailers that will never be able to match the marketing budgets of larger competitors, going "social" and scrappy is now a viable option. The cost can be palatable and opportunities endless due to the viral nature of the tools. By simply learning the "rules of the road" for social media you will have a unique opportunity for your brand to create a dialogue with your customers and/or prospects. In many instances, as our own research showed, it is about brand awareness and brand engagement; not merely about revenues.

Opportunities also abound for emerging retailers. Today social efforts are well documented for customer engagement as well as tapping into sales opportunities. No one is a social media expert and wisdom gleaned in my interviews included, "Social is good if someone within the team enjoys it as it demands a degree of frequency in order to resonate with consumers." Additionally, it is seen as having good value for local efforts and lends itself well to sharing real stories about real people. The upside is that much of social media is free. Except for people's time, implementation is quick, easy, and you can operate behind the scenes. Just like all other media, marketing success in social networking starts with trial and error.

#### Food-for-Thought Questions: Social Media

- What are your goals for social media (i.e. buzz, awareness, and sales)?
- Does your customer base use social media?
- Who within your organization is well suited to represent your brand via social media?
- Should you have a Facebook page?
- How can Twitter work for a business like yours?
- Which social tools are right for your business and what is their optimal deployment?
- What frequency should you plan for updating each of these social media tools?
- How can you properly introduce promotions and discounts via social means?



**“Social is good if someone within the team enjoys it as it demands a degree of frequency in order to resonate with consumers.”**

### **E. Third Party Marketing/Data Feeds/Affiliates**

There will be countless opportunities that companies can consider to sell beyond their own site by leveraging other people's traffic. Within the constraints of their business models, manufacturers need to understand and leverage outside opportunities. As they are not typically the lowest price seller, comparison shopping engines (CSEs) are not always a viable option. Additionally larger organizations may face challenges integrating eCommerce within their existing systems, since they are not manually equipped to take the order. One merchant compared the process to "hooking up a Maserati to a horse." Regardless of size, merchants must determine how many margin points will need to be given away and then factor in the bottom-line impact.

#### **Food-for-Thought Questions: Third Party Marketing/ Data Feeds/Affiliates**

- Will you sell in other venues (Amazon, CSEs)?
- What type of margins will you receive when selling via third parties?
- Are you structured to send and receive feeds from third parties?
- What accounting requirements must be in place to accommodate third parties and if not in place how long will it take to set up?
- What are the hidden costs? What are the hidden policies?
- How long does it really take to load data given your existing data structure?
- Will you own the customer?
- What additional requirements should be considered when working with drop-shippers?
- How can you balance automation/manual efforts when you're not big enough to be fully automated?
- Can you bulk load products? Do your products currently have assigned UPC codes?
- How much time will it take internally to set up these feeds?
- Is the ROI worth the effort?
- Is affiliate marketing a good fit with your existing marketing plan?
- What is the optimal commission structure?

- How do you best present the brand and with who should you partner?
- How will promotional codes be handled so as not to cannibalize your own customer?

### **F. Mobile**

Mobile is on many merchants' minds these days with evolving options to make your brand even more accessible; affording you reach that otherwise may not be possible. Exploring its importance for your customer base and placing it in contention for current deployment or future activation will be important given greater merchant and consumer adoption.

#### **Food-for-Thought Questions: Mobile**

- Do your customers want to transact via mobile?
- Should you be thinking mobile in the early phases of your business?
- Are location-based opportunities something that should be on your radar screen?
- What aspects of mobile are right for your business (i.e. commerce, alerts, couponing)?

### **G. Measuring and Testing**

The world of the web is one of building, tweaking, and re-tweaking. Securing baseline analytics gives you a starting point for diagnosing and making the right changes. This can be daunting for merchants so we suggest setting clear goals that are easily defined with pre-established targets in mind. Analytic options range from free such as Google Analytics to more sophisticated solutions along the lines of Omniture. A review of resources to read, review, and react to the learning is as important as the investment one might make. It has been recommended that you pay someone to do the Google Analytics setup and Google Adwords, particularly as you may not know what data you need in six months. This should run no more than \$500 to setup on your site plus proper training is advisable in how to use the tools.

The more aggressive and aware you are of consumer behavior (both purchasing and browsing), the better you will be at making changes to your site. Capture what people are searching for on your site and via your search engines; then match offers accordingly. Although you will need volumes of data to make statistically relevant conclusions, keeping it simple is a savvy approach for both big and small merchants. Despite time constraints one can be sure that without being proactive and measuring performance, you will not be able to optimize the results. Beyond tools already discussed Crazy Egg was

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suggested for simply collecting data about where people are clicking on a page and creating a heat map onsite that might otherwise only be available through more expensive means.

There will be a plethora of testing options and advice focused on the tests you wish to conduct; being sure to keep expenses in check. All discussions and decisions in eCommerce eventually become analytical so having the facts at hand is the logical way to proceed. Remember, if you're not constantly improving, you are likely falling behind. It then becomes important to test and try things, like one merchant who longed to know the top 20 A/B tests every online business should conduct, in hopes of putting those in place.

During the course of my interviews, many helpful tools that are available to merchants were mentioned including usertesting.com where you can follow folks as they move through the site as well as Zoomerang which offers an inexpensive, unlimited survey widget to deploy as needed. Getting feedback through this type of tool, or services like ForeSee Results, provides opportunities to hear directly from your customers and further adjust the site in support of their needs. Such technology also provides a mechanism to ensure that any site changes do not result in declining KPIs and revenue, serving to troubleshoot and triage where this might not otherwise be possible.

### Food-for-Thought Questions: Measuring and Testing

- Do you have the analytical tools in place to measure and forecast?
- Does the platform you currently use or one you are considering have analytics as part of the package?
- What type of individual is best suited to analyze and summarize the findings?
- What KPIs will you measure?
- What else can the website tell you that ordinary retail store data doesn't deliver?
- Do you have actionable and controllable metrics where there is sufficient corporate buy-in to make the necessary changes?
- Are you open to modifying targets as they interact with KPIs?
- Are you able to understand data at the site level while integrating with the call center to get a holistic read on your results?
- How will you comingle the results within the organization to ensure an apples-to-apples comparison?
- How often will you review the results and share those findings with your team and senior management?



**Remember,  
if you're not  
constantly  
improving,  
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## E-TAILING GROUP EMERGING RETAILER POWERPLAY CHECKLIST

You now have the tools in-hand to control your own destiny. As you look to evolve your site experience be mindful and make conscious decisions when something is not worth the effort. Look for time-savers along the way as they may be a means for survival. Be “comfortable” with testing, making mistakes, and fine tuning. Try not to be pressured by the 24x7 power of the web. In order to smartly grow your business, at every turn, rely on your analytics and your experience then apply lessons learned to sell more.

### Business

1. Articulate your brand proposition and validate your business plans prior to launch, continually evolving as the marketplace shifts
2. Know your customer and be clear about supporting and exceeding their expectations
3. Articulate your personnel needs and build an organization that adequately reflects your eCommerce objectives
4. Secure adequate funding internally and/or via outside means
5. Define the right assortment for your brand and your customers
6. Understand the correct stock levels and desired turns with clear online visibility for your customer
7. Deliver exemplary customer service to acquire and more importantly retain customers

### Site Experience

1. Set up an explicit marketing requirements document to drive your eCommerce business
2. Prioritize a set of features that best supports your brand and customer needs while still ensuring sufficient ROI
3. Define content requirements from a category and product point-of-view detailing imagery and copy demands
4. Highlight data requirements to support site foundation and customer marketing initiatives

### Technology

1. Define technology investment necessary to support eBusiness plan and growth trajectory
2. Assess internal IT strengths and limitations along with areas where outsourcing or shared development efforts would be optimal



**In order to smartly grow your business, at every turn, rely on your analytics and your experience.**

3. Determine development platform including the investment and approach to evolve desired eCommerce experience
4. Carefully evaluate partners where choices are good from a cultural and functional point-of-view
5. As part of the platform evaluation, test a series of “must have” functionality to assess true performance
6. Explore hosting demands and ensure the company you select can deliver a secure, compliant, scalable, and always available solution

### **Marketing**

1. Establish a budget for marketing and the methods that best support your unique business
2. Determine KPIs and measurement criteria for evaluating marketing campaigns
3. Weigh potential tactics factoring in budget, customer base, and marketing goals
4. Test tactics on a small scale before full-scale deployment
5. Monitor changing industry trends and test both new and traditional tactics as part of your marketing mix



## ABOUT THE COMPANIES

### Acquity Group

Acquity Group delivers award-winning, tailored solutions to elevate brands and businesses by maximizing the digital channel. Our innovative strategy, marketing & design, IT planning, and commerce & content services are the cornerstone of effective digital communication for today's leading brands. Acquity Group is headquartered in Chicago and has offices in Irvine, CA; Los Angeles, CA; Overland Park, KS; Scottsdale, AZ; and Dallas, TX.

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### the e-tailing group, inc.

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 white paper or for additional information on the e-tailing group, inc. please contact:*

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### Magento

Magento, Inc. is the leading provider of enterprise open source eCommerce platforms and solutions. The Magento platform is a feature-rich, professional Open Source eCommerce platform that offers merchants complete flexibility and control over the presentation, content, and functionality of their online channel. Magento's intuitive administration interface features powerful marketing tools, a catalog-management engine and is SEO optimized to give merchants the power to create sites that provide an unrivaled and rich online shopping experience for their customers, tailored to their unique business needs. Designed to be completely scalable and backed by an extensive support network, Magento is the ultimate eCommerce solution.



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*For more information how Magento is helping thousands of emerging retailers and brands succeed please visit:*

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