HOLIDAY READINESS GUIDE FOR ECOMMERCE

Prepared by the e-tailing group
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INTRODUCTION

It's Summer, but for retailers with a critical web presence — the holiday season is upon us!

Economic conditions are improving and customers are gaining confidence with consumer spending trending up. Ecommerce will likely be the beneficiary of improved spending as **forecasts suggest a 10% growth[1] in web sales while US retail sales are only poised to see 3–4% gains.[2]**

Consumers continue to shift their spending to the web for its convenience, price savings, and efficiencies so ensuring you have all the elements in place to meet growing consumer demand will best position your company for holiday selling.

This white paper is all about **Internet Gifting Essentials** as it is critical that merchants ready their sites from both a performance and selling perspective. Based on the e-tailing group's Annual Mystery Shopping Survey, highlighted Internet gifting essentials were present in three-out-of-four of the 100 websites (EG100) we surveyed last holiday season. Those include gift cards and gift centers (both almost universal) and a gift message, a prerequisite that enables gift givers to personalize their selections. The holiday shipping deadline has also become a staple as keeping consumers abreast of accurate delivery details to avert aggravation is a growing concern among merchants.

Beyond these essentials, merchandising products from the gift center to visibility across key pages on the site plus messaging from a promotional and customer service point-of-view must be put in play. Lastly, a slow website or a site that scales poorly can be a retailer's Achilles' heel ultimately sending your customers to your competitors. The following recommendations suggest opportunities to optimize holiday selling and will be supported with commentary, tactical direction, and statistical references from the e-tailing group or other industry research. Supporting site examples will bring each concept to life.

1 eMarketer, 2010

2 NRF, 2010

FEATURE	% PENETRATION		
	EG100 4Q09	EG100 4Q08	EG100 4Q07
Gift Certificate/Card	90%	92%	95%
Gift Center (Beyond Gift Suggestions)	87%	91%	91%
Gift Message Available	74%	78%	69%
Holiday Shipping Deadline	74%	89%	90%

TEST YOUR SITE CAPABILITIES AND PERFORMANCE IN ADVANCE OF THE SEASON, AND DO ONGOING MONITORING THROUGHOUT THE YEAR

The best merchandising won't matter if your site falters from interruptions and performance issues. Poor performance in online service delivery will adversely impact KPIs and customer interest in engagement or transacting on your site will be reduced and subsequent visits unrealized.
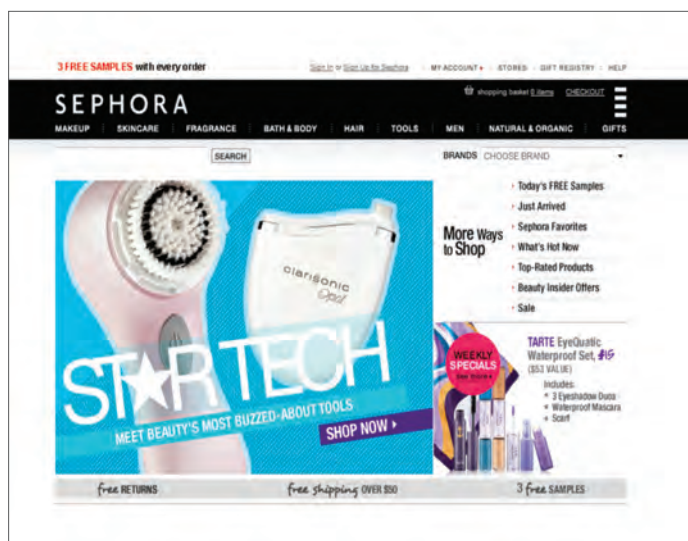
Your website not only needs to be ready to handle any increase in traffic without crashing, but all of your site elements (transactions, videos, etc.) need to perform well so visitors stay on your site and complete their action. You have to make sure your investment in superior merchandising and powerful promotions doesn't go to waste. Load testing helps you identify bottlenecks, get an idea of of how much traffic your site can handle, and get any new applications ready for launch. Ongoing external performance monitoring helps you make sure all of your visitors from around the world are having a good experience with your site, every moment of every day. It also helps you tweak and improve performance to be more competitive. There have been a number of studies done that show site performance correlating to revenue, so these site improvements are a good investment, helping you keep your customers from abandoning your site to go to your competitors.

positioning relevant product recommendations in the cart and post-order to optimize sales. Giving products a starring role can also come about by taking advantage of traditional tactics and twists on such selling including showcasing top sellers or new product. Top rated products that share the customer vantage point have been found to be very potent among today's buyers. Sephora is a site to emulate as they combine many of these features in the "More Ways to Shop" theme on their home page including Just Arrived, Sephora Favorites, What's Hot Now, and Top-Rated Product.

MAKE IN-STOCK PRODUCT THE STAR

Merchants must walk a fine line to balance customer demand with inventory investment. Shopping has always been about the "right" product at the right price, but being in-stock may be a point-of-differentiation in today's commodity-driven world. Of those surveyed in our Mindset of a Multi-Channel Shopper Holiday '09 Research, 70% indicated that when they do encounter products out-of-stock they will go directly to a competitor's site; a merchant's worst nightmare. Letting your shoppers know your status on both the product and shopping cart pages is an ideal starting point.

Simultaneously invest in marketing strategies that support your requisite inventory investment. Allocate significant real estate to showcase that product, starting with the home page and extending to category and search results pages as well as

DEPLOY A DEDICATED GIFT CENTER WITH ROBUST MERCHANDISING

Gift givers have come to expect a location on your site where they can purchase gifts for all occasions and the variety of recipients found on one's holiday shopping list. L.L. Bean exemplifies how merchants have an opportunity to deliver an experience that provides one-stop shopping for gift giving. Gift givers can find something to meet these needs via shop by price-point links along with the all-important gift card, touted here as "the gift that always fits." Consumers should also be able to find holiday delivery timing, allaying any concerns they may have of getting product delivered on time to friends and family.

THE GIFT CARD IS THE GIFT THAT SHOULD KEEP ON GIVING

The gift card is the ultimate in no-brainer purchasing for consumers with 90% of the EG100 currently making them available on their sites. Consumers prefer choice relative to type and redemption options where today 90% offer to mail the card and unfortunately only 60% offer digital delivery though we expect to see further evolution per the year-over-year patterns charted. Additionally consumers prefer cross-channel redemption options so merchants should strive to accommodate both format and channel flexibility. One interesting gift card innovation comes in the ability to personalize and customize the experience as seen in the Border's example where visitors can choose from an array of house designs or design their own card, resulting in a much richer gift for the recipient and a more satisfying consumer shopping experience.


FEATURE	% PENETRATION		
	EG100 4Q09	EG100 4Q08	EG100 4Q07
Gift Certificate/ Card	90%	92%	95%
Mailed Certificates	90%*	90%*	91%*
Electronic Certificates	60%*	53%*	56%*
Redeemable online	98%*	96%*	94%*
Redeemable in store	91%*	85%*	91%*
Ability to Personalize/ Customize	19%*	N/A	N/A

*Subset of 100 merchants
N/A = not tracked in that survey edition

FACILITATE WISH LIST BUILDING

Relative to value ranking of website gifting tools our Mindset of a Multi-Channel Shopper Research gave gift centers top billing at 49% but also revealed a strong showing for wish lists at 48%. This indicates that the tool, borne of the ecommerce world, has evolved into an important consumer asset with further growth penetration expected this holiday season. Wish lists continue to gain in popularity among consumers and are especially desirable among the gift giver population. Furthermore, 4Q09 Mystery Shopping penetration among the EG100 saw year-over-year increases from 49% to 56%, confirming its growing deployment. We encourage merchants where gifting is core to their business to evaluate if wish list functionality can propel existing customers to create lists and first-time buyers to convert into loyal customers.
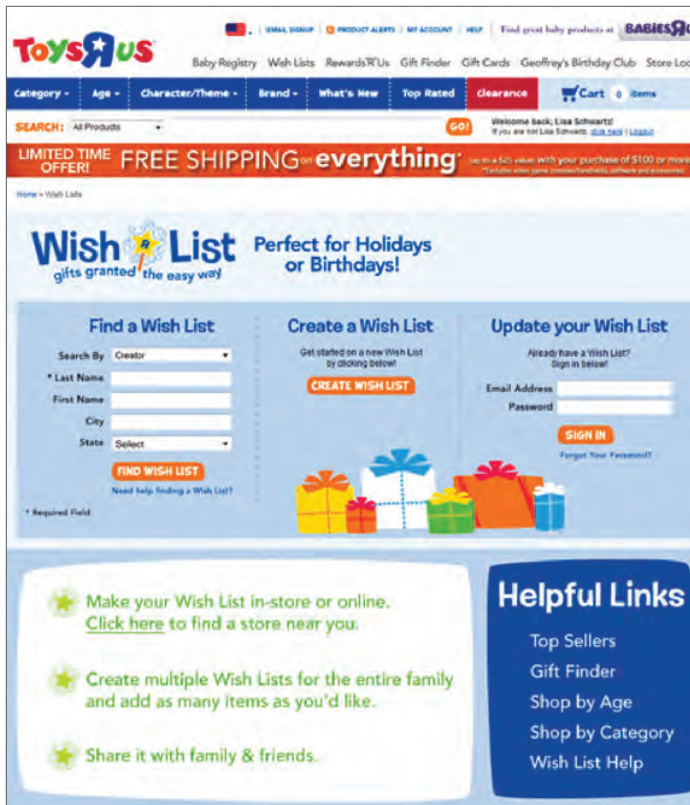
Toys 'R Us powers their wish list presentation with an attractive interface that gives clear direction to users. One can quickly find, create or update a wish list. Tips are wisely shared including cross-channel wish list creation capabilities. Helpful links are merchandising-driven beginning with top sellers, then subsequent options help find the right product by age and category.

CREATIVE PROMOTIONS INSPIRE

Out-of-the box thinking is mandatory to compete with the savviest of merchants. There are a myriad of tactics that will appeal to one's customer base so testing and tweaking is in order to take advantage of all the tools at hand. Promotions are now a factor year-round as web shoppers are always just one-click from a better deal. A look at the penetration of promotional tactics from our own Mystery Shopping can provide initial direction prior to consideration specifically for your brand.

FEATURE OR FUNCTIONALITY	% PENETRATION		
	EG100 4Q09	EG100 4Q08	EG 100 4Q07
Limited Hour Specials (Lunch Time, 4 Hour)	40%	42%	18%
Internet Only Sales/Specials	24%*	19%*	23%*
In-Store Only Sales/Specials	23%*	N/A	N/A
Online Outlet/ Clearance Area	83%	86%	72%
Gift with Purchase	46%	44%	62%
Sweepstakes/ Contests	42%	43%	32%
Other (PWP, Other Promotions)	36%	35%	26%
Buy More/ Save More	27%	20%	N/A

*Subset of 100 merchants
N/A = not tracked in that survey edition

After early-bird October tactics, Post-Thanksgiving Cyber Monday kicks off the online season. Kohl's targets their customers with a combination of online-only exclusive deals plus emphasis on limited-time offers to kick-off a 25-day customer communication program. Other opportunities can range from deal-of-the-day to assortment bundling that allows one to shield pricing for competitive purposes. Traditional standards from Buy More/Save More to take an extra percentage off one's total purchase and other threshold opportunities are brought to bear in this well designed email that is sure to engage.

SET YOUR FREE SHIPPING THEN MESSAGE ACCORDINGLY ONSITE AND VIA EMAIL

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Urban Outfitters is true to their brand with a clever twist on Free Shipping imagery. They follow the threshold model looking for orders that exceed $75. This late November email deployment was timed perfectly for Black Friday and Cyber Monday and sets the tone for the rest of season. The link to stocking stuffers ensures direct access to gifts where reinforcement of their free returns and exchanges will be welcome by their customers.

ONSITE GIFTING VISIBILITY GARNERS CUSTOMER ATTENTION

Successful gifting is the outcome of smart planning. From Black Friday to Cyber Monday and post-Christmas your organization should have a calendar of promotions ready to put into action. Additionally, as the season progresses alternatives should be in your hip-pocket in case results are unsatisfactory and goals not met. This calendar should ideally include promotions for early-bird selling through holiday clearance sales which are an important source of year-end traffic. Early January is an opportune time to showcase new products in hopes of maintaining margin during this period of heavy markdowns for many a merchant. As part

of this calendar, we encourage all merchants to augment gifting tactics with targeted onsite placement during the fourth-quarter. Visibility tactics can include any or all of the following depending on the importance of gifting to your overall business:

- Gift certificate positioned in universal navigation and select other locations
- Top navigation link with holiday color or with holiday design treatment
- Recommendations of gift product, services or tools from the home page to the product page or via shopping cart

POST ORDER GIFTING ENHANCEMENT POWERS RETURN VISITS

There are a multitude of opportunities for merchants to tout gift cards and an array of methods for consideration. Today's merchants continue to embrace merchandising once shoppers have checked out with year-over-year growth making this effort a standard for smart sellers.

FEATURE OR FUNCTIONALITY	% PENETRATION		
	EG100 4Q09	EG100 4Q08	EG100 4Q07
Shopping Cart Confirmation Merchandising	51%	37%	48%*
Order Confirmation Merchandising	68%*	55%*	46%*
Shipping Confirmation Merchandising	63%*	45%*	37%*

Williams-Sonoma's order confirmation marries both customer service and merchandising. It includes clear links to track one's order along with a visible 800# and customer service hours of operation. They do not miss taking advantage of this often opened email to suggest a gift card or encourage shoppers to peruse new or recently added items within their store. Ratcheting up your communiqués through HTML, along with consistent branding across channels should deliver optimal results.
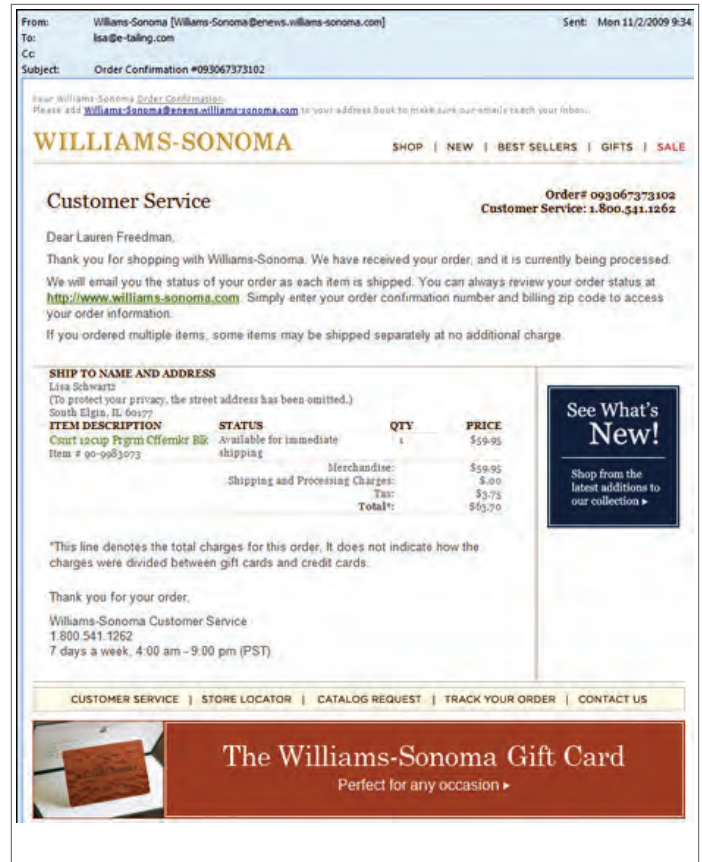
CUSTOMER SERVICE SHOULD BE A DIFFERENTIATIOR

Strong customer service starts with onsite tools that can be self-service in nature. Comprehensive contact information coupled with complete details delineated by FAQs should be your starting point. If you have not reviewed these pages since the site's inception, now is the time for a second look. Additionally, ensure that your customer service representatives respond swiftly to all email queries and are well trained in both product knowledge and corporate protocol.

Customers have heightened expectations that often stem from last minute purchasing. Most often these frustrations center on merchants failing to communicate effectively when products are delayed. Based on last year's Mystery Shopping the average delivery time on orders placed via standard delivery was 4.05 days, down from 4.76 in 2008. It is critical to monitor this benchmark as merchants from Amazon to Zappos are setting a high bar from a fulfillment perspective. Competing with next day delivery combined with free shipping can be very challenging where industry delivery times are constantly shrinking while consumer expectations expand. One's holiday shipping deadline should be displayed starting with the home page and front-and-center within customer service as 74% of merchants did in 4Q09; a practice that we hope becomes a merchant standard this year.

When all else fails or one is challenged by organizational constraints, remember going the extra mile may be your quickest path to retention and loyalty and a true differentiator that can distinguish your brand from its competition.

LAST MINUTE SELLING STRATEGIES DRIVE REVENUES

As time ticks away in the holiday season, merchant thinking shifts to tactics such as digital egift cards and upgraded shipping along with driving traffic to one's stores for multi-channel players. Forever 21 aggregates value prices with gifts under $20 and messages to timely delivery supported by free standard shipping. They even extend customers a free upgrade to expedited shipping when orders are placed by 12/21.

Crate & Barrel extends shipper options with a "2-day gift countdown." They have in place free shipping, a gift card promotion, and a link to last minute gifts. Holiday and gift card links are visible in seasonal red plus they take advantage of traffic to make customers aware of their annual furniture clearance starting the day after Christmas. Rounding out the email is a notation of the closest store to encourage shoppers to visit before and after the holidays.

THE E-TAILING GROUP
HOLIDAY READINESS CHECKLIST

1. **Review your current 4Q plan including performance metrics from last holiday season**

2. **Brainstorm with your entire team and re-prioritize your promotions and gifting strategies based on current business trends**

3. **Perform an end-to-end website assessment focused on scalability, performance, security, and the end-user experience**

4. **Get creative developing compelling tactics that inspire customers to spend freely**

5. **Build-out a calendar that includes all key selling dates and associated merchandising strategies from early-bird to post-holiday**

6. **Evaluate all potential marketing tools taking advantage of traditional tactics including email to more forward thinking social strategies that foster reach**

7. **Test tactics early in order to revisit as the season swings into full gear**

8. **Focus on having products in-stock and when that is not possible communicate with customers about back-order status**

9. **Institute and/or upgrade your gift card offerings to ideally offer them electronically as well as via mail with redemption in all selling channels**

10. **Make delivering best-in-class customer service a priority year-round**

ABOUT THE COMPANIES

About the e-tailing group

The e-tailing group is a niche e-commerce consultancy that helps merchants deliver the right customer experience on their websites and across all of their channels while adeptly assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community and deliver cost-effective thought leadership and lead generation.

Visit **www.e-tailing.com** for more information.

About Neustar

Neustar, Inc. (NYSE: NSR) solves complex communications challenges by providing innovative solutions and directory services that enable trusted communication across networks, applications and enterprises around the world.

Neustar Webmetrics performance monitoring and load testing services allow you to identify and resolve performance issues before customers are impacted. Webmetrics Monitoring provides a more accurate view of end-user performance by using a true Internet Explorer browser. Access your site from over 100 major cities worldwide, simulating transactions such as customer logins and purchase fulfillment. We support the most complex web transactions including Web 2.0, Ajax and plug-in based applications such as Flash, Silverlight and Java Applets. Webmetrics Load Testing services apply pre-defined load to web applications to validate performance, prevent downtime, and get you ready for launch.

Leveraging a unique directory platform and proprietary, patented technologies, Neustar's UltraDNS Services — the company's comprehensive suite of managed DNS offerings — provides a range of infrastructure solutions to organizations that rely on the Internet for their critical business processes, applications and services. Today, UltraDNS Services are used by more than 3,000 enterprises and TLD infrastructure customers worldwide, and currently power the resolution of nearly 20 million global Internet domains.

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