12 for 2012:

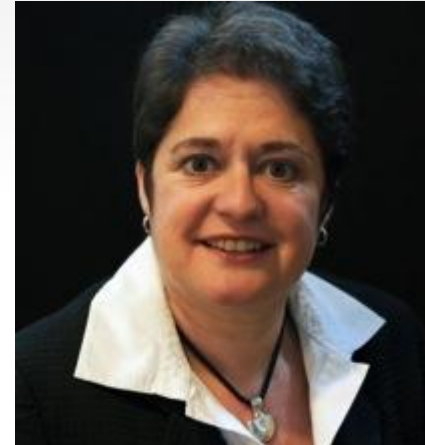# Succeeding in Multi-Channel Commerce

August 17, 2011

Welcome!

This webinar, hosted by Acquity Group and the e-tailing group,
12 for 2012: Succeeding in Multi-Channel Commerce
will begin shortly.

» Q&A will be taken through the GoToWebinar Questions panel, and answered at the end of the session

» Concluding the session, you will receive a copy of the full whitepaper

Today's Presenters

» Lauren Freedman, President

the e-tailing group

www.e-tailing.com

» Mark Rein, Portfolio Director

Acquity Group

www.acquitygroup.com

About Acquity Group

A leading multi-channel commerce and digital marketing company, with a multi-disciplinary approach that brings together strategy, design, and technology.

Headquartered in Chicago with 10 offices across the globe,including Los Angeles, New York, Dallas, San Francisco, Seattle, Shanghai and Beijing.

Over 400 seasoned professionals.

AdvertisingAge

Top 5 U.S Digital Agency

MVA
2010 MEDIA
VANGUARD AWARDS

BtoB
Top Agency Award 2010

IMA WINNER

About the e-tailing group

The Voice of Cross-Channel Merchandising
Straight talk from "in-the-trenches" online merchandising experts

- » 16 years e-commerce consulting
- » Author, It's Just Shopping
- » 50+ years traditional retail and catalog experience
- » Fortune 500 client projects ranging from strategic planning, merchandising, marketing, to technology development and messaging
- » Cross-category projects spanning specialty retail to departments
- » Proprietary research studies on mystery shopping, merchandising, mobile and consumer behavior

Today's Agenda

I.   The State of eCommerce

II. 12 for 2012

» The Consumer

» Product Assortment

» The Amazon Factor

» Merchandising

» Digital Assets

» Cross-Channel

» Mobile

» Social

» Analytics & Testing

The State of eCommerce

The State of eCommerce

» Total U.S. e-commerce sales increased year over year 14.8% to $165.4 billion from $144.1 billion according to U.S. Department of Commerce

» Comscore reports $38 billion in Q1 2011 U.S. Retail e-commerce spending, up 12 percent vs. year ago which was roughly double that observed at offline retail

» Consumers have high expectations for online shopping fueled by evolved experiences and operational excellence exhibited by the best merchants

» Merchants face a continuous barrage of opportunities where prioritization based on one's brand, customer, assortment and selling strategies are all prerequisites for success

» Velocity and the pace of change is daunting in a resource-challenged retail environment

» Introduction of new channels including social and mobile open up access and expand marketing complexity

» The retail store footprint is being reconsidered with store closings, downsizing and internationalization in play

» Explosion of and sophistication of devices including smartphones and tablets and their impact on browse and buy behavior is significant

12 for 2012

12

FOR 2012

Succeeding in Multi-Channel Commerce

By Lauren Freedman, President, the e-tailing group | Sponsored by Acquity Group

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THE CONSUMER

In 2010 the consumer went from King to Dictator and not in a negative way. The expectation of what satisfied someone a year ago is not the same today.

First And Foremost, Shoppers Are More Value Driven

Retailers realize people will research, find a product of interest and simply cut and paste the sku number into Google in search of the best price elsewhere.
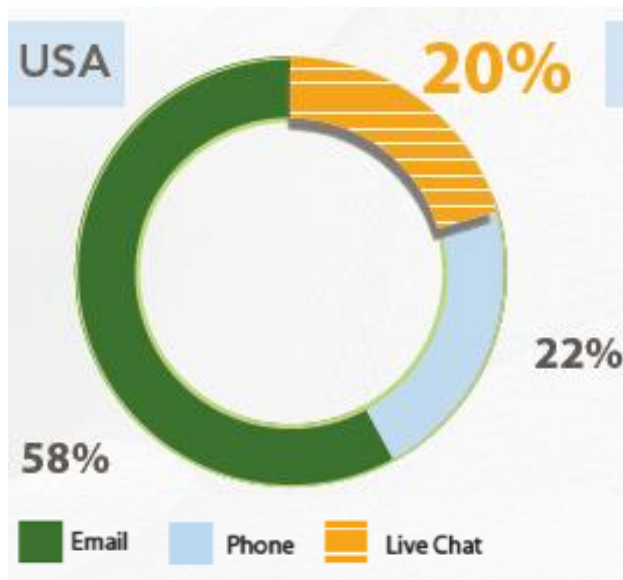
Merchants must sharpen their pencils to retain customers against a diverse array of competitors.
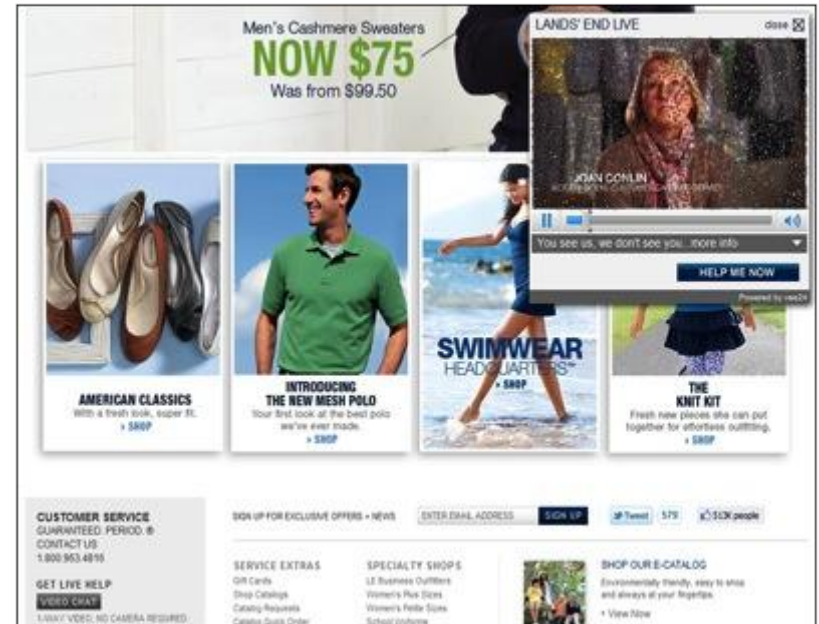
…and More Tech Savvy: 1 in 5 Choose Live Chat

20% said Live Chat, 22% said Phone, and 58% said email

What is your preferred method of communicating with an online retailer?

Bold Chat Effectiveness Survey; 2011

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…with Higher Expectations from a Product Point-of-View

"Product differentiation is critical where retailers must have unique, new, exclusive and/or discounted product otherwise they will find themselves competing only on price.

Coincidentally these kinds of assortment adjustments often result in higher margins and are predominant reasons savvy retailers have shifted towards a higher percentage of private label goods."

James Connell, Vice President
eCommerce and Marketing, Roots

….and Demanding Where Service is a Differentiator

"Service should be seen partially as a marketing expense in order to retain customers with greater value forthcoming relative to other marketing spends. Today it's important to price sharply and pass on great deals to one's customer seizing a 'get it while it lasts' mentality. That formula funds the service cost of providing 'raving fan' service and is not the huge expense many executives believe it to be."

Brad Wolansky, CEO
The Golf Warehouse

PRODUCT ASSORTMENT

Consumers have embraced broad online assortments from basics to luxury goods.

Product Still Rules When It Comes To Retail

Beyond branding, the strength of one's assortment should not be underestimated. It's important we develop our Destination XL for the big and tall man which is predicated on a wide selection of clothing. Our breadth of selection and inherent knowledge of our demographic is what allows us to better compete against bigger players who are looking to take a piece of everyone's business.

Dennis Hernreich, COO/CFO
Casual Male Retail Group (CMRG)

Pre-shopping Demands Comprehensive Assortments And Content

"Consumers are justifying their chosen retailer through pre-shopping behavior patterns where they desire comprehensive information to make informed buying decisions."

Karyn King, Senior Manager Site Development & Operations, *Staples.com*

The Long Tail is Important in Many Categories

With 100,000 skus today, the long tail is an intrinsic part of our model. We are also rapidly expanding both category and assortment based on the evolving relationship we all have with our cars, perceptive that some people seem to live in their cars.

Howard Blumenthal, Director, eCommerce Platform Solutions,
Advance Auto Parts

The Need to Personalize to Perform Adds a New Dimension

We have always been a customer-focused organization and have taken the commitment one step further by appointing a customer insights team.

Having rich data on coop members including where and how they shop and what they buy, REI can market smarter by taking advantage of analytics and cross-channel behavior with a goal of being more relevant to all customers.

Ben Viscon, eCommerce Manager of Merchandising and Marketing,
REI

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THE AMAZON FACTOR

"We must look for ways to give our customers something to come back for versus the convenience of going to Amazon."

Amazon Dominance Continues

Amazon grew sales to $34.20 billion in 2010, a 39.5% increase from 2009

The Merchant Speaks: The Amazon Factor

» "We want to gain more brand loyalty by offering a huge, well-priced selection with the best customer service around. We're a small company and can provide the one-on-one personal attention that cannot be experienced at the big companies."

Sporting Goods Manufacturer

» Not all businesses are necessarily competing with Amazon. One should assess if there is enough pie to go around and at the same time be looking at referral sites. In this case, their customers tend to continually and primarily visit competitive department stores so Amazon does not dominate Belk's thinking.

Ivy Chin, SVP of eCommerce at Belk

The Merchant Speaks: The Amazon Factor

» Lenovo is the first PC major manufacturer to implement Checkout with Amazon and views Amazon as a way to expand their consumer presence. "We will partner to offer a convenient and familiar checkout experience. In addition we can better target and segment, taking advantage of Amazon's personalization prowess, onsite and via email.

Lewis Broadnax, Executive Director, Lenovo.com Sales & Marketing

» "Knowing that we can't compete with Amazon on their own terms and can't imitate it comes down to taking the best customer experience and applying it to our business. Differentiation of product, exclusives, and loyalty programs can help lock in that frequency. This coupled with sophisticated CRM tools all work to provide the advantages merchants need in today's selling environment."

Specialty Department Store

MERCHANDISING

Everything needs to be easily understood, from clarity of offers that peak shopper interest to streamlined cart checkout.

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Tactical Selection Impacts Conversion and ROI

Top rated merchandising/navigational and marketing/customer service tactics for customer retention with "5" being the most important to your strategy and "1" being the least important.					
Search engine marketing	90%	Faster site load time	70%	A/B, multi-variate or other usability testing	56%
Exemplary customer service	88%	The "right" in-stock assortment	69%	Emails to minimize cart abandonment	53%
Analytics evaluation to see what works	88%	Email that utilizes an array of tactics sent on pre-established frequency	69%	Retargeting/display ad	53%
Site redesign or enhancements that improve the customer experience and navigation	85%	"My Account" features like stored addresses or shopping lists to encourage return visits	66%	Social media elevation	49%
Making it easier to find products with enhanced onsite search relevance, sort options, and/or landing page optimization	78%	Faster fulfillment/shipping to the customer	66%	Alternative payment methods	48%
Targeted and/or segmented email marketing campaigns	77%	Rich media or related tools (zoom, alternative views, audio, video, etc.) that engender consumer confidence	66%	Inventory stock status notification	48%
Pricing or promotional strategies from free shipping to private sales directed to current customers	74%	Editorial content, expert reviews, user-generated content, and/or other helpful tools to position your site as a "go-to" expert	62%	Elevated brand differentiation	43%
Streamlined checkout	73%	Personalization strategies including placement of up-sells/cross-sells	61%	Frequent shopper programs	31%
				Proactive chat	30%

Source: the e-tailing group 10th Annual Merchant Survey, 2011

Start with Simplicity

"One should start with simplicity as today's consumer is demanding more and basically looking for you to 'get out of my way' when it comes to shopping." This means paying attention to key elements that impose no obstacles to buying, starting with making it easy to find what you're looking for, so guided navigation and product attribute-driven approaches serve most merchants well.

John Rogers, VP/GM of eCommerce
Under Armour

Support Your Brand with Information

Crutchfield is looking to better expose and explain, in ways that make sense, how today's consumer electronics really work (i.e. your new TV will sync to your wireless network and stream Netflix). Improved explanations should result in higher conversion and satisfaction.

Todd Cabell, Sr. Manager, Web Strategy
Crutchfield.com

Videos are Consumer Confidence Builders

On our videos of private label product, 52% of people are still watching at 200 seconds. This is powerful and gives potential customers a better feel for the product instead of debating in their minds why they would pay $179 for a particular bag.

Peter Cobb, Sr. VP Marketing/Cofounder
eBags

Video's ability to further inspire finds an 88% penetration among EG100 sites

the e-tailing group Mystery Shopping Survey; 2010

DIGITAL ASSETS

The growth of web technologies requires merchants to be conscious of how they create and manage their digital assets.

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The Content Volume Challenge

Companies are organizationally, process and technically challenged to manage the volume of internal and external content needed to increase product assortment for exclusive and non-exclusive brands while supporting multiple device presentation formats.

Initial Challenge

Evolved Challenge

Internal Content Increasing for Website

» How do I manage the pace of change of seasonal products, accessories, product bundles?

» How do I manage the classifications and product attributes to be relevant for search?

Internal and External Content Increasing for Distribution to Multiple Web Properties and Emerging Devices

» How do I manage the sheer volume of external images, video, and marketing assets without increasing fixed costs?

» How do I manage the product content and attributes to achieve content relevancy?

Focus Areas

Retailers respond to the evolving multi-screen challenges by focusing on the following four components:

Brand and Relevance

The brand and the marketing need to be presented properly and aligned for each device/screen.

Content and Consistency

The ability to easily distribute content across screens.

Measurement

Companies need to measure across screens and touchpoints to know how their different screen solutions are yielding the outcomes they want.

Development

Different platforms tend to utilize different types of code. Using different agencies for different screens results in different code bases for each platform. This produces significant code base management challenges.
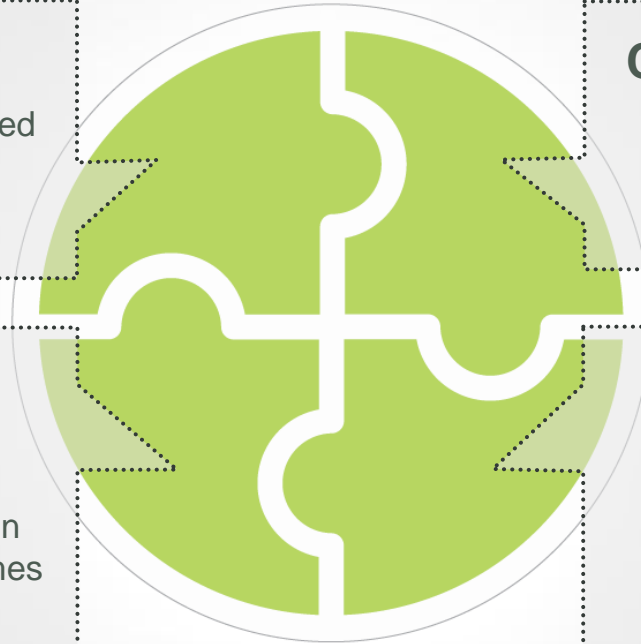
Retailers are beginning to consider content management platforms to better manage the multi-screen situation.

CROSS-CHANNEL

Leading retailers recognize the differentiation a well-managed customer experience can deliver, and are working to ensure that they engage their customers in a manner that is appropriate to the customer, the brand and the channel.

Merchants Place Greater Emphasis On Cross-channel Performance

**Rate your level of agreement with each of the following statements relative to your company's current integration of cross-channel initiatives.
(Strongly to somewhat agree charted)**

Statement	Percentage
Branding is consistently deployed across channels	74%
Inventory is shared and similar across channels	60%
Promotions are consistently marketed across channels	60%
Marketing and advertising programs are led by one team	59%
IT directives are headed by one individual across the…	59%
Management has a strategic cross-channel lens	55%
Merchandising is a singularly focused initiative that sets…	45%
Benchmark and KPIs are in place to measure cross-channel…	43%
Cross-channel compensation structures are in place	37%

Source: the e-tailing group's Annual Merchant Survey; 2011

Companies Must Work Harder To Make A Single Statement

Patagonia has taken the logical next step to maintain consistency by hiring an Executive VP to oversee all channels. There is much to be addressed as we press to figure out social media, test Lookbooks on Facebook and Twitter, and all the while expand wholesale. There will be immeasurable challenges and opportunities for this individual but the value to the company should be powerful.

Kevin Churchill, Director of Merchandise
Patagonia
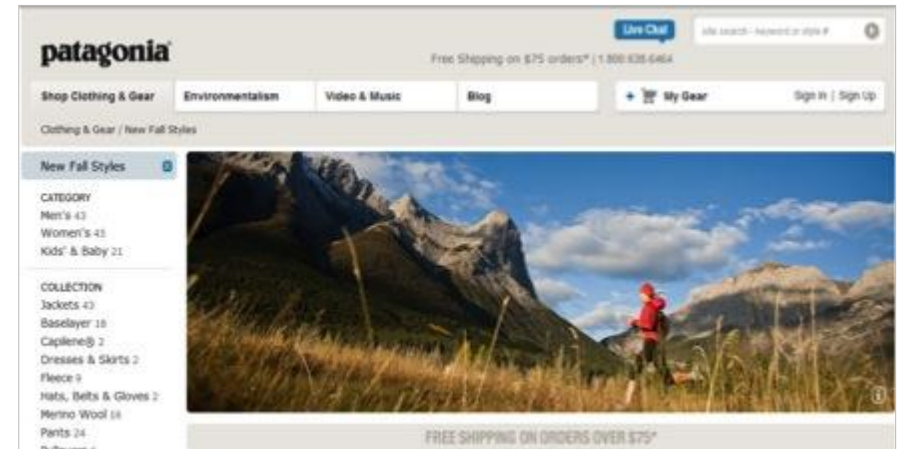
Goal Alignment Across The Enterprise Coupled With A Supporting Backend Infrastructure Must Be In Place

"80% of web traffic is looking for stores thus shared revenue allows us to do more than sell on the website. This means potentially doing something different as we will be less conversion-focused and more cross-channel and marketing-driven. By observing our visitor interactions and the competitive landscape, our website can best deliver against customer expectations where we will continue to differentiate in customer experience and service on which we pride ourselves."

Ben Viscon, eCommerce Manager of Merchandising and Marketing, *REI*

More Channels to Connect to Customers

"Shoppers now are bringing competitive data inside the retailer's four walls in unprecedented ways. They can scan bar codes to get competitive prices from Amazon and others which turns control upside down. This empowered consumer is two-clicks from ordering from somewhere else while standing in your store whereas in the past they may not have left your store without making a purchase."

John Lazarchic, VP eCommerce
Petco

When visiting physical retail stores how likely are you to partake in the following behavior with your smartphone?	Frequently/ Often	Sometimes	Rarely/ Never
Check for product ratings and reviews	26%	23%	51%
Look for competitive pricing at Amazon	29%	20%	51%
Look for competitive prices on products at retailers online other than Amazon	26%	21%	53%
Look for competitive prices on comparison shopping engines (PriceGrabber, Shopping.com, etc.)	20%	18%	62%
Access promotional coupons for redemption at the store	31%	20%	49%
Scan bar codes and compare prices to other retailers	24%	17%	59%
Scan bar codes to learn more about a specific product (product information, product images, video, etc.)	22%	17%	61%
Look on a retailer's website for product beyond what they carry in the store	27%	20%	53%
Check-in using ShopKick to receive reward points for visiting retail stores	13%	12	75%
Make a purchase on your phone at another retailer	15%	13%	72%

MOBILE

Connecting with consumers via mobile is driving technology adoption fueling evolving cross-channel behavior.

Consumers Embrace New Shopping Channels

» By 2013 more mobile phones will be shipped globally than desktop and laptop computers combined (Mobile Internet Retailer Summit)

» US mobile shopping sales volume will reach $9 billion in 2011 compared to $2.4 billion in 2010 and $1.2 billion in 2009 (InMobi)

Mobile Makes Important Inroads Among Merchants

Which mobile and SMS capabilities does your company employ or plan to employ?	Employ Today	Plan to Employ in the Next 12 Months	Considering for Future, Beyond 1 Year	No Plans to Employ
mCommerce site	25%	34%	22%	19%
Android application	9%	22%	23%	46%
Blackberry application	8%	14%	22%	56%
iPhone application	20%	20%	26%	34%
SMS	14%	22%	24%	40%
Mobile usage within the retail store via associates	5%	13%	18%	64%
Mobile as an opt-in preference via email or checkout	10%	19%	24%	47%
Opt-in promotion codes in print advertising	7%	12%	24%	57%

Merchants Embrace Tablet Opportunities Given Consumer Interest and Performance Results

69% of tablet owners report that their most recent shopping experiences via these devices was significantly to somewhat better than shopping with their smartphones

How would you rate the shopping experience on the iPad or Tablet versus your mobile phone?

| Response	Percent
Significantly better	39%
Somewhat better	30%
About the same	17%
Somewhat worse	2%
Significantly worse	1%
Don't shop on both devices	6%
Don't own both devices	5%
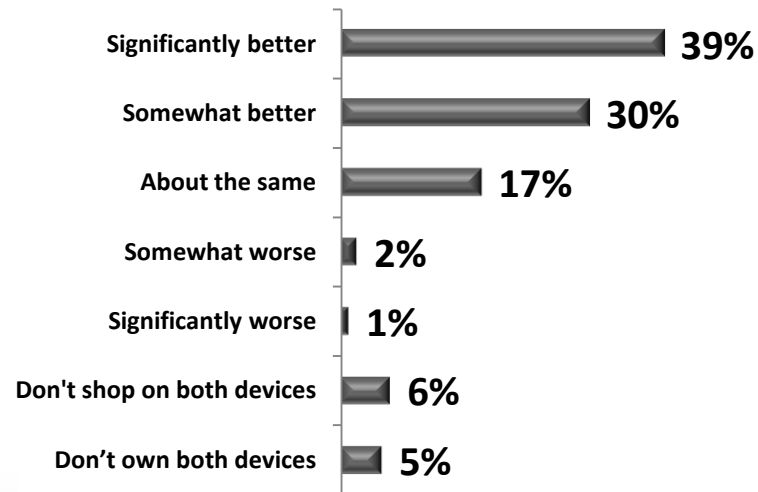
CoffeeTable/e-tailing group Mobile Shopping Survey; 2011

SMS Fuels Promotional Play

Jos A. Bank sees SMS/texting of promotions to business customers and is analyzing their tech structure to support these initiatives.

Pete Zophy, DVP of eCommerce
Jos. A. Bank
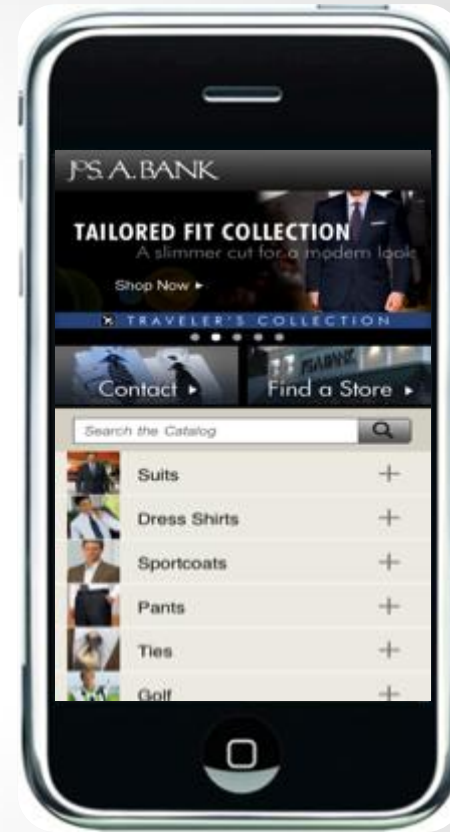
Mobile is about Future Growth

Mobile is about future growth though their traffic today from mobile browsers is fairly high with 5-10% month-over-month growth in the mobile channel. Despite being a small piece now, it will represent mid-single digits by 2012.

I expect a combination of mobile tactics to reach the customer pre-shopping and while in the store, encouraging them to be more aggressive on the transaction front.

John Lazarchic, VP eCommerce
Petco
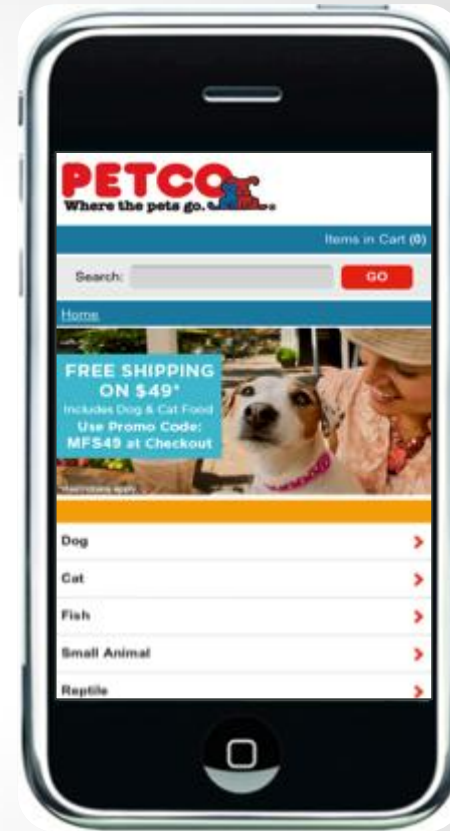
SOCIAL

Social is quickly changing the eCommerce landscape where an R&D mentality pervades retailer thinking.

Consumers Embrace New Shopping Channels

- » More than 750 million active users
- » 50% of our active users log on to Facebook in any given day
- » Average user has 130 friends
- » People spend over 700 billion minutes per month on Facebook

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Tracking Social Insights Drives Future Decision-making

We are fostering interaction by picking out topics for discussion and listening for ideas and feedback; leveraging social insights and realizing SEO benefits as well. Through tracking of all referring traffic we look at sharing influence and engagement. We are strong believers that what you can track you can measure and optimize.

Dawn Wayt, VP Marketing
American Greetings Interactive

Smartly Connecting Through Social Means Understanding Your Customer

"Social gives us the ability to talk about brand in the path of purchase, harnessing the power of the social space to monetize sales. Fashion in the South demands a different level of editorial engagement where we must be careful how we introduce commerce. This can mean starting conversations on Facebook then moving to Belk's website to go where the customers are congregating."

Ivy Chin, SVP, eCommerce
Belk
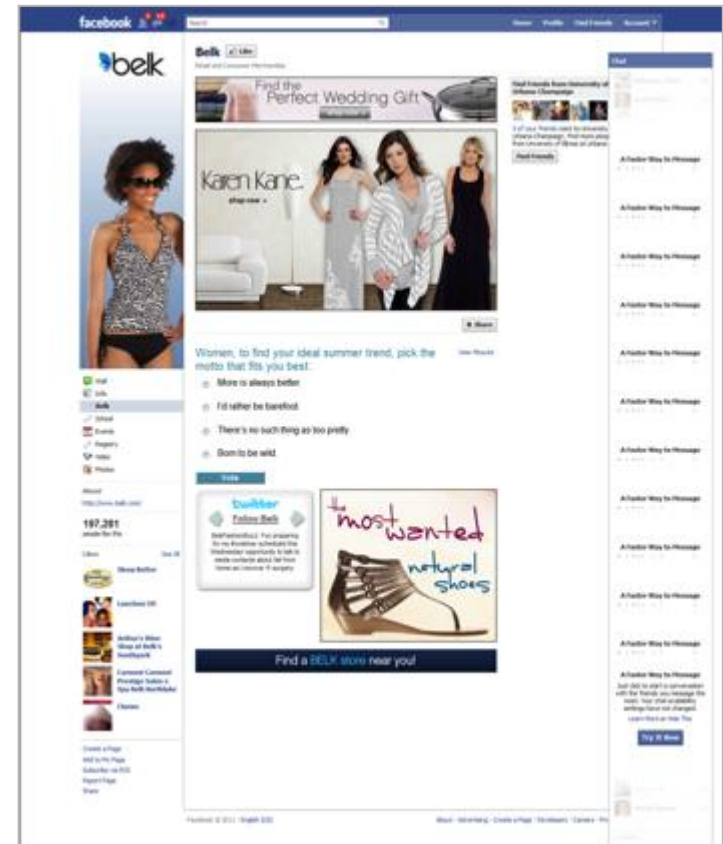
Social Fosters Relationship Building

"It's another way to reach out to stores and customers and the feedback loop is powerful. It allows us to build a base of fans, to learn what sets us apart and to build relationships with customers. Our how-to videos are strong there as well."

Howard Blumenthal, Director
eCommerce Platform Solutions
Advance Auto Parts
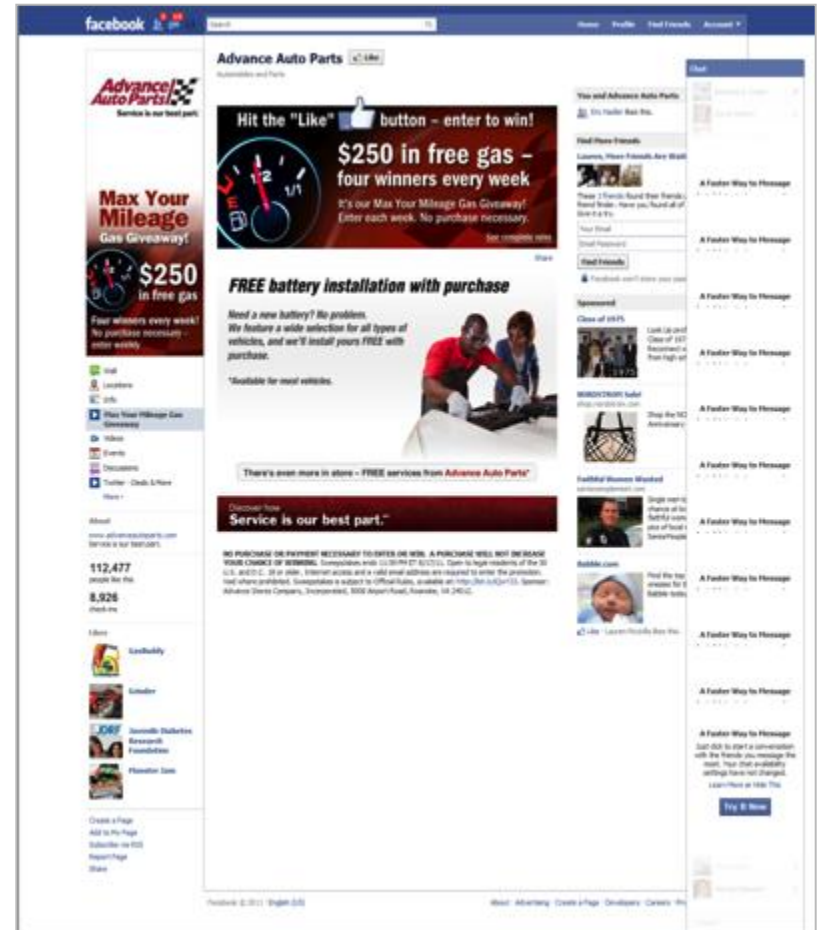
ANALYTICS & TESTING

Good data is the basis of optimization and it must be actionable.

A Myriad Of Testing Opportunities Exist

**Which of the following have you tested in 2010?
Check all that apply.**

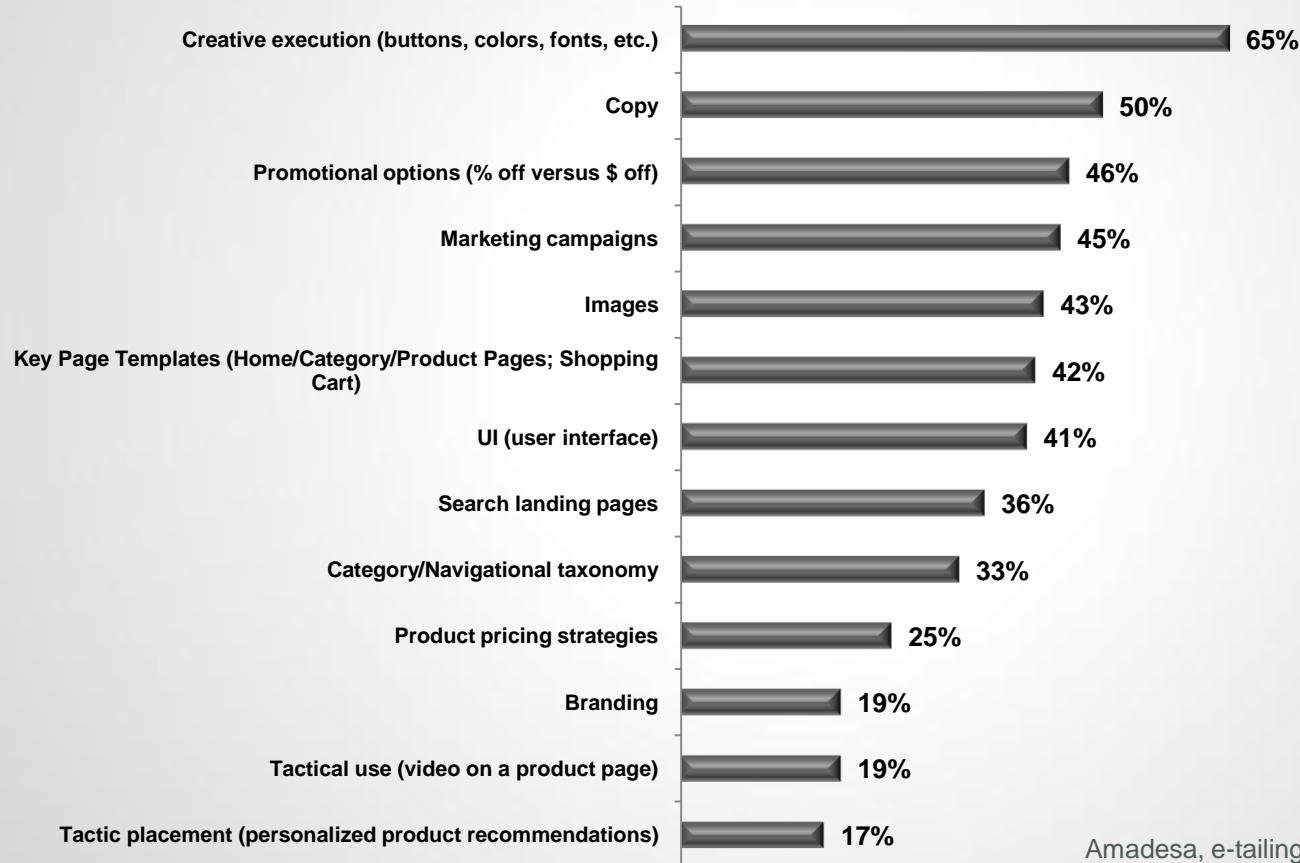| Category	Percentage
Creative execution (buttons, colors, fonts, etc.)	65%
Copy	50%
Promotional options (% off versus $ off)	46%
Marketing campaigns	45%
Images	43%
Key Page Templates (Home/Category/Product Pages; Shopping Cart)	42%
UI (user interface)	41%
Search landing pages	36%
Category/Navigational taxonomy	33%
Product pricing strategies	25%
Branding	19%
Tactical use (video on a product page)	19%
Tactic placement (personalized product recommendations)	17%

Amadesa, e-tailing group Testing Survey; 2010

The Merchant Speaks: Testing

Analyzing load times and restructuring how the site loads has been extremely critical particularly when using third-party vendors for different site functions. Having a custom platform means all must work in sync and it's a prerequisite for working with any given vendor."

Cathy McManus, Marketing Director
Stacks and Stacks

Usability testing is recommended for any enhancement because retailers are simply too close to objectively provide such input. "Exhaust usability until UI is right" is a lesson that should be adopted by all.

Merchants must create a "**one brand**" experience across all of their channels accommodating today's evolved customer.

Q & A

Thank you!

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