

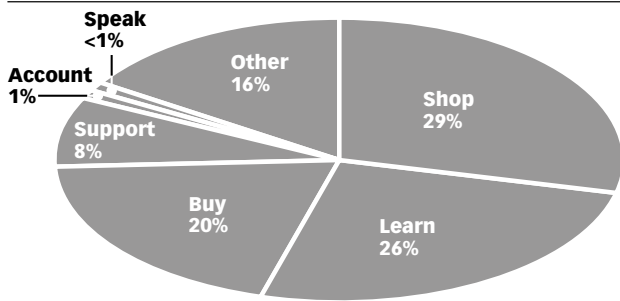


Curated Ecommerce:

How Less Can Be More for Shoppers

Executive Summary: As the internet matures and expands, the number of choices available to users grows exponentially. Invariably, more solutions arise to tame the clutter. In the early days of the web, portals like Yahoo! touted hand-picked sites bundled into browsable categories. Over time, though, human curation has all but been replaced by algorithm-based searching.

Reason for Visiting a Retail Ecommerce Site According to Internet Users in North America, Q3 2011
% of respondents



Note: numbers may not add up to 100% due to rounding
Source: iPerceptions, "Retail/E-Commerce Industry Report, Q3 2011," Dec 15, 2011

135793 www.eMarketer.com

Yet most trends go in cycles, and this is proving true for ecommerce. Despite retailers' quest for the ultimate Netflix-style automated personalized recommendation system, and Facebook's promise of using its "Open Graph" to pair people to products with precision, there has been a simultaneous rise in hand-picked item selections and online retail models that offer less instead of more.

Bombarded with choice, shoppers are turning to editorial guidance from magazine-style retail sites like Net-a-Porter, exploring new brands through subscription clubs like Birchbox, learning about trusted products via expert and celebrity recommendations on sites like OpenSky, and finding the joy of social discovery at places like Pinterest, where the likeminded can share interests visually.

Brands and retailers can adopt methods from these approaches to acquire customers, increase sales and maintain loyalty. It is possible to pare down the shopping experience and create personal connections to add value.

Key Questions

- Why would shoppers prefer a smaller selection of products?
- How does curated ecommerce work?
- What do brands and retailers need to know about curated ecommerce?

| | |
|------------------------------|----|
| The eMarketer View | 2 |
| How Less Can Be More | 2 |
| Challenges and Opportunities | 3 |
| Types of Curated Ecommerce | 6 |
| Conclusions | 15 |
| eMarketer Interviews | 16 |
| Related eMarketer Reports | 17 |
| Related Links | 17 |
| About eMarketer | 17 |



The eMarketer View

Curated ecommerce is becoming recognized by both retailers and shoppers for its simplicity and ability to help fill an online void. There will always be a place for comprehensive, multicategory retail sites, but fine-tuned collections enhanced by personal touches also perform a necessary function in the ecommerce ecosystem.

Though they may not articulate it, shoppers can be overwhelmed by choice. Failure to convert can be attributed to countless factors, but one common online buying complaint is not being able to find what one was looking for. Whether the fault of poor merchandising, limited product detail, confusing display or too many options, a typical browse or search will not always bring up the desired results. An abundance of products does not automatically translate to sales, which is why retailers are exploring new ways of connecting shoppers to their catalog.

Aspects of curated commerce are new tweaks on old practices. Celebrity endorsements, book-of-the-month clubs, finely tuned product selections and expert advice have long been used to sell products, so the techniques are not unproven. What is new is how they are being translated to the web, with its greater capacity for immediacy and ability to enable sharing and socializing between customers, brands, retailers and tastemakers.

First impressions matter. Functionality and price will always be important, but curation creates a distinct point of view and re-contextualizes products in more focused ways. With a pared-down product offering and a highly visual style, brand identity is laid bare and conveyed within seconds. More thought may have to be given to target audiences—or ways to personalize for each segment—than on an all-purpose retail site.

Curation is an extension, not a replacement. As with daily deals, flash sales and Facebook commerce, for most established retailers curation will be an additional tool. Adding a layer of discovery, subscription opportunities or editorial content can enhance what is already on offer, creating a richer shopping experience.

How Less Can Be More

Anyone who has visited a well-stocked supermarket knows that choice can be overwhelming. Potato chips in every imaginable flavor can take up an entire aisle and a once-basic foodstuff like yogurt now comes in innumerable varieties. Fat free, 2% or 5%? American or Greek? Fruit on the bottom or on the side? Unless a shopper is routinized, always sticks to a list and never diverges from familiar items, decisions will have to be made.

Freed from the restrictions of shelf space, online stores can showcase more products than even the largest suburban supermarket. Zappos, for example, had over 33,000 pairs of women's shoes in stock as of February 2012, pushing the decision-making process to new levels of complexity. Many shoppers like a wide selection and are savvy enough to browse and search effectively, but, frequently, overabundance can be paralyzing—especially when a consumer does not know exactly what they want.

Though it may seem counterintuitive, less can be more for shoppers. This concept has been called “the paradox of choice” by Swarthmore College professor Barry Schwartz, who posits that eliminating choice can reduce shopping anxiety.

Columbia Business School professor Sheena Iyengar co-authored a paper, “Choice is Demotivating: Can One Desire Too Much of a Good Thing?” that details an oft-cited psychology experiment. On separate occasions shoppers were presented with a booth displaying jam samples, one with 24, one with only six. More shoppers stopped at the plentiful exhibition (60% vs. 40%), however, only 3% of those who tried a jam from the extensive selection went on to make a purchase while 30% of those who tasted from the smaller group ultimately bought a jar.

This idea of culling product offerings to attract shoppers has been utilized by retailers of many stripes. On one end of the spectrum, tightly curated collections have been the presentation of choice for high-end boutiques with well-spaced racks bearing a limited number of sizes and styles. This signals luxury and a very specific point of view that the target audience is meant to identify with (and those turned off are presumed to return to the cornucopia of the shopping mall).

On the lower end of the scale, a grocery store like Trader Joe's also curates heavily, and is known for low prices and its private label products. Shoppers may find no more than two types of peanut butter or rice, because the experience is not about endless variety and comparison shopping; consumers trust Trader Joe's to choose for them a mix of competitively priced staples and a few interesting comparable products.

What these two examples share is the sense of discovery they provide. While core items may always be available, certain stock changes periodically, spurring repeat visits to see what is new or featured. It is the in-store equivalent of an online browse, as opposed to a keyword search.

Retail sites can take a cue from brick-and-mortar and consider their product selections more carefully. Just because a company *can* stock thousands of SKUs does not mean that it should. Not all ecommerce needs to be exhaustive.

“When you actually show people fewer products—fewer but better products, with more context—they buy them, and repeat and buy them again, and recommend them to their friends. They don't return them.”

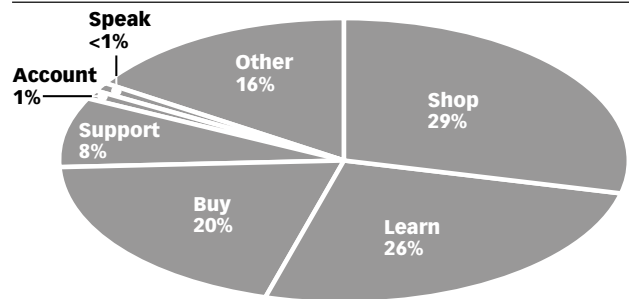
—John Caplan, CEO of OpenSky, in an interview with eMarketer, February 2, 2012

Challenges and Opportunities

Though the terms are often used interchangeably, it is important to understand the distinction between online shoppers and buyers, especially as it relates to the impact of curated ecommerce. Where curation is most valuable is in the earlier stages of the purchase process when consumers are still making decisions, researching and discovering new products.

Consumers at this stage are the largest group of visitors to ecommerce sites. According to a Q3 2011 survey by iPerceptions, a majority (55%) of internet users came to online retail sites to shop or otherwise learn. Only 20% arrived with the intention to buy.

Reason for Visiting a Retail Ecommerce Site According to Internet Users in North America, Q3 2011
% of respondents



Note: numbers may not add up to 100% due to rounding
Source: iPerceptions, "Retail/E-Commerce Industry Report, Q3 2011," Dec 15, 2011

135793

www.eMarketer.com

There will be variation in the discovery process depending on the type of product shopped for or researched. Online, discovery tends to be more visual and items like apparel or home decor elicit a more gut response, while product description and multiple versions are more important for things like computers or cameras.

“There are categories where you do want to present almost everything to the consumer, those where things are very catalogable, with attributes that are easy to search like electronics. Then there are categories such as soft goods where browsing behavior and discovery is really important.”

—Sandra Oh Lin, founder and CEO of Kiwi Crate, in an interview with eMarketer, February 7, 2012

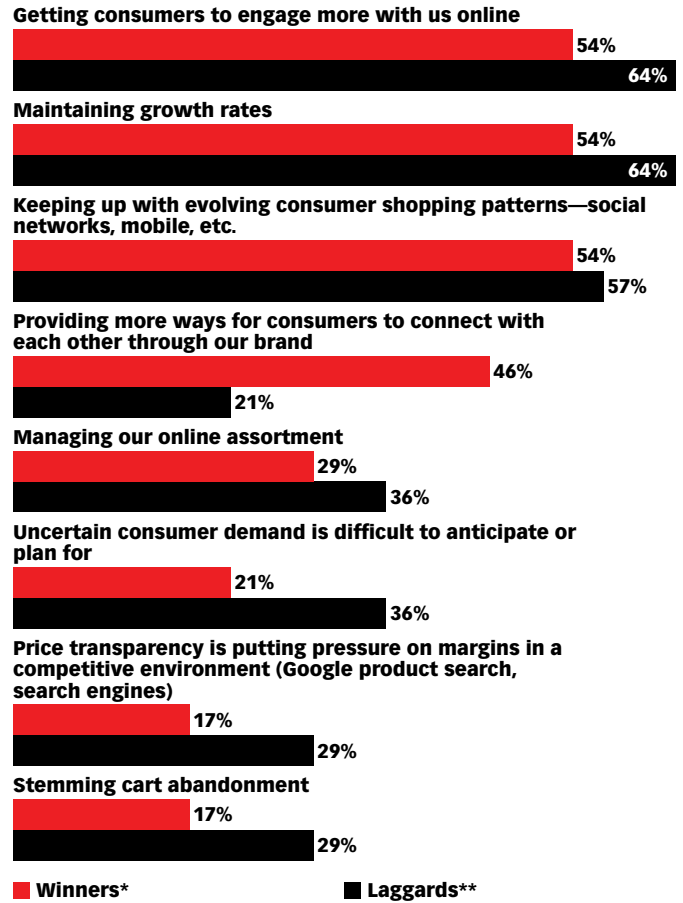
Tapping into this openness during the browsing and research stages and making an emotional appeal with strong imagery and a simple premise also has the potential to disrupt the rising tyranny of the comparison shopper, particularly those using mobile devices. Surprise and excitement can create a desire that softens price sensitivity.

During a panel discussion at the January 2012 National Retail Federation’s Big Show, Paul Schottmiller, senior director of global retail and consumer products at Cisco Systems, linked the discovery phase to combatting “showrooming.” He explained: “If you can catch people earlier in the decision process, in phases we call discovery and inspiration, then if you’re providing them that guided selling, either in person or through some of your online tools, it does somewhat alleviate some of the pricing pressure that we’ll see otherwise when people are simply shopping.”

Both high-performing and less-successful online retailers struggle to keep up with the evolving habits of shoppers. Even the retailers deemed “winners” in a January 2012 RSR Research survey cited this as a leading challenge. Social and mobile commerce were mentioned explicitly, though a consumer interest in emerging forms of ecommerce would also fall under this category.

Leading Business Challenges When Implementing Ecommerce Strategies According to Retailers Worldwide, Dec 2011

% of respondents in each group



Note: respondents were asked to choose their top three challenges; *retailers with annual sales growth of 4%+; **retailers with annual sales growth of <4%
 Source: Retail Systems Research (RSR), "eCommerce 2012: Back to the Future," Jan 26, 2012

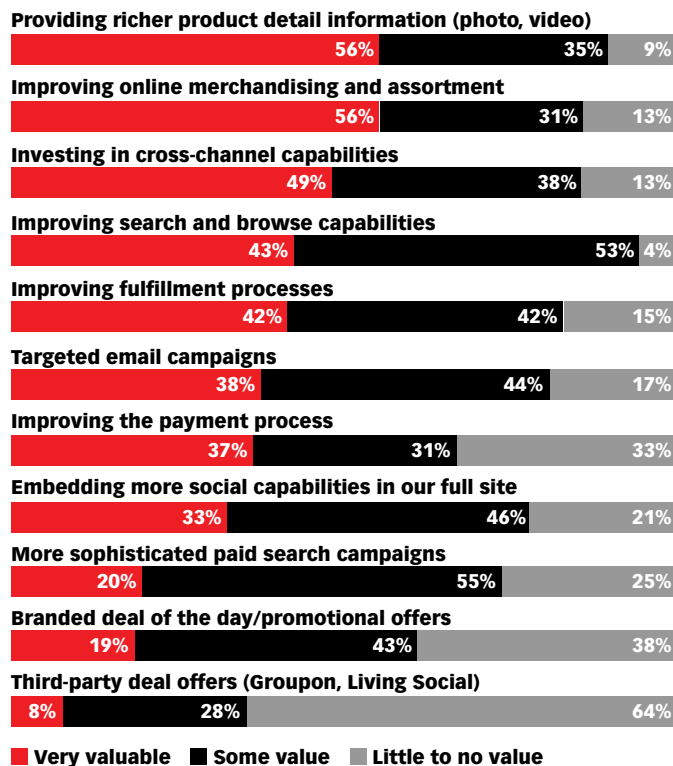
137396

www.eMarketer.com

Eighty-seven percent of these retailers stated that improving online merchandising was valuable. Getting a product assortment right for shoppers tied with offering richer product details for the most valuable opportunity; both were considered very valuable by a majority of respondents.

Value of Select Ecommerce Opportunities According to Retailers Worldwide, Dec 2011

% of total



Note: numbers may not add up to 100% due to rounding
 Source: Retail Systems Research (RSR), "eCommerce 2012: Back to the Future," Jan 26, 2012

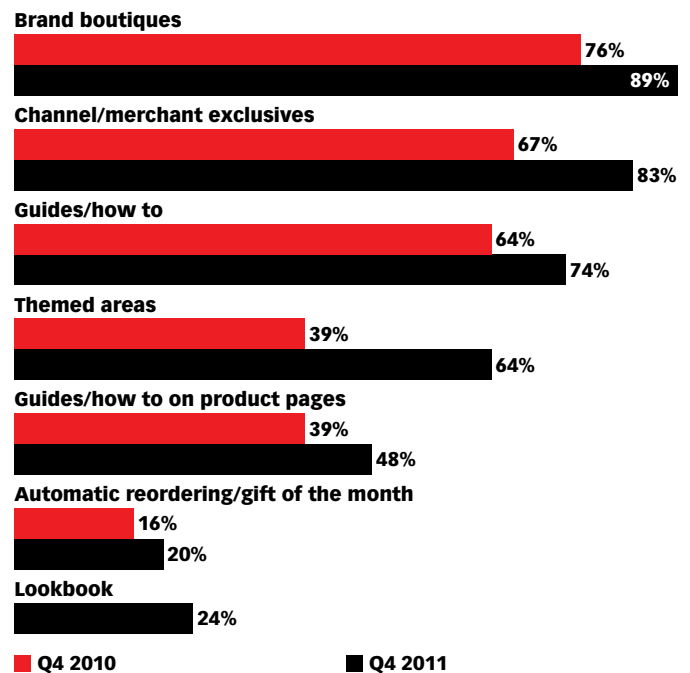
137397 www.eMarketer.com

At the most basic, richer product details could mean more photos, views or engaging copy. On the next level it could take the form of demo or behind-the-scenes videos, related articles and style guides.

Online retailers are increasingly seizing new merchandising opportunities. Sites surveyed by the e-tailing group in Q4 2011 saw greater penetration of curation tactics over the previous year. Organizing items into branded sections was the leading approach (89%) and the similar concept of grouping products into themed areas experienced a 64% increase in adoption, the largest of all.

Online Retail Merchandising Tactics Used by US Retailers, Q4 2010 & Q4 2011

% of sites studied



Source: the e-tailing group, "14th Annual Mystery Shopping Study," provided to eMarketer, Jan 25, 2012

137430 www.eMarketer.com

The use of lookbooks entered the study for the first time, with nearly a quarter of retail sites now highlighting trends editorially. Guides and how-tos showed up on both product pages and throughout the sites with increased frequency, and gift-of-the-month clubs saw a small bump.

Retailers, it seems, are acknowledging the value of enhanced merchandising and curation.

Types of Curated Ecommerce

In ecommerce, curation can be articulated many ways, with overlap among the four categories outlined in this report: editorial and ecommerce, subscription clubs, tastemakers and social curation. What is consistent is the theme that less can be more when shoppers are given guidance, new ideas, or are inspired by others.

Brands and retailers can adapt aspects of curation to suit their needs. Shoppers are accustomed to turning to others for advice and recommendations, and looking to retailers to fill this need is a natural extension online.

“Social commerce is about our friends curating products for us. They find the things we trust and provide recommendations and so we’re more likely to buy from them. Curated commerce is effectively the same thing, just being done by brands and services.” —Tristan Watson, CEO of Love Your Larder, in an interview with eMarketer, February 7, 2012

Editorial and Ecommerce

While there has always been a relationship between editorial and advertising—traditionally content could not exist without ad dollars—the two worlds operated under the guise of being separate. With the arrival of shopping-focused print magazines like InStyle in the ‘90s and Lucky a decade later, publications functioning as buying guides became more prevalent. And as magazines have created online counterparts, it was almost inevitable that the line between editorial and ecommerce would erode further.

Over the past few years, a number of formats have arisen, from ecommerce sites creating their own engaging content beyond product descriptions to partnerships with existing publications to media companies jumping straight into online retailing. Here are a few examples of how editorial and ecommerce are merging:

- In December 2011 **Zappos** launched a monthly magazine app for the iPad called **ZN**, with styling ideas from a partnership with street style blog Lookbook.nu, and featuring gift guides and the ability to purchase spotlighted items directly in-app. As an incentive to encourage downloads, shoppers who buy via ZN receive free next-day shipping.
- One of the many Gilt Groupe offshoots, **Gilt Taste**, devoted to food and wine, was a departure for the fashion-focused company when it premiered in April 2011 with former Gourmet magazine editor-in-chief Ruth Reichl as editorial advisor. Products range from luxuries, such as a Mangalista pork-of-the-month club starting at \$199 for three months, to a package of homespun artisanal whoopee pies. A section labeled Stories houses culinary essays and recipes from respected chefs and journalists with an unobtrusive sidebar highlighting related ingredients for sale, occasionally with discounts on those called Editors’ Picks.

“Content and commerce, the mingling of it, really makes sense to me ... You have a normal magazine and you create editorial, and then it gets surrounded by ads for a lot of things you don’t like. Here we have to be involved in what we’re selling as well.”

—Ruth Reichl, editorial advisor for Gilt Taste, as quoted in WWD, May 25, 2011

Mr Porter and Net-a-Porter: His and Hers Editorial Ecommerce



Online luxury-fashion retailer Net-a-Porter's weekly editorial component, simply referred to as "the magazine," emulates a stylish glossy with colorful layouts and engaging copy. Content ranges from four-page spreads showcasing Karl Lagerfeld's new collection, bolstered by a video where the German designer interviews himself, to commentary on what actresses have been wearing on the red carpet. Links are often embedded from featured apparel to the Net-a-Porter ecommerce site so readers can buy the looks on the spot.

Mr Porter, launched in February 2011 for men and helmed by former Esquire UK editor Jeremy Langmead, is a distinct counterpart with a very different feel. Net-a-Porter's founder, Natalie Massenet, explained to The New York Times: "We didn't want to simply include a men's tab on Net-a-Porter."



This editorial section, called The Journal, resembles an understated broadsheet with plenty of white space, black-and-white photography and line drawings. The content is more tangentially related to fashion than for the women's version. Articles in a recent issue included an interview with artist David Hockney accompanied by a slide show on how to shop five of his looks from an equal number of vintage photographs, and an all text "How to Propose" piece with a photo gallery of rings that were informational-only, with no shopping links. Ecommerce only came into play below that, with the suggested outfit for proposing (Yves Saint Laurent blazer, APC jeans and John Lobb oxford shoes) available for purchase online.

One key difference from Net-a-Porter is that with biweekly Mr Porter, browsers can jump straight to a Shop the Journal option to buy from that issue's curated ecommerce selection and bypass the Read the Journal link.

Women receive the opposite treatment on Net-a-Porter; instead of further paring down the shopping experience, they've enhanced it with a shoppable iPad magazine.

What Brands and Retailers Need to Know

The traditional separation of content and advertising is something to be aware of, but not to get hung up on. Most of the industry experts eMarketer interviewed did not see this as a major conflict for shoppers. Maureen Mullen, director of research and advisory services at L2 Think Tank, told eMarketer in a January 2012 interview, "A consumer is looking to most efficiently identify products and I don't think they really care where that experience is occurring." She added, "Media companies have kind of gotten lost in that age-old separation of editorial and advertising issue, and, frankly, it's really slowed them down."

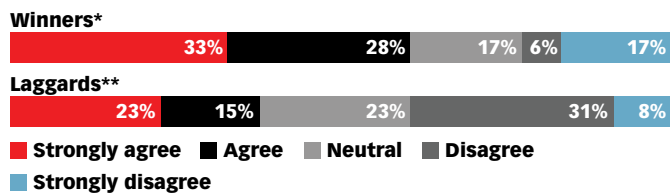
The rise of mobile is further blurring the lines between editorial and ecommerce. Forty-one percent of tablet users shop through their tablet device at least weekly, according to a January 2012 Zmags report. And tablet owners would like more nontraditional opportunities to shop, based on the findings of an October 2011 GfK MRI survey. Seventy percent of tablet owners surveyed told the company they "would like to be able to buy items by clicking ads in a digital magazine." Tablet owners want to be able to buy through magazines, and the popularity of handheld devices is changing the perception of what editorial means.

It is easier for online retail sites to function like media companies than for publishers to leap into ecommerce.

JCPenney's January 2012 rebranding shift saw the demise of two joint ecommerce efforts with Hearst publications that had only premiered two months before. CladMen.com, a men's fashion site that used style advice from Esquire, and GiftingGrace.com, which partnered with Redbook, O and Good Housekeeping to provide gift ideas, are being closed to focus on the retail stores. Though the department store seems to be backing away from ecommerce ventures, it is still moving in the direction of tighter curation. JCPenney's brick-and-mortar locations will be organized as branded boutiques within the store rather than the traditional everything-by-category, lumped-together approach.

Retailers identified as having higher sales in a January 2012 RSR Research survey were more likely to agree that they could make additional money as a media property than the less successful retailers.

Retailers Worldwide Who Believe Their Ecommerce Sites Have the Potential to Also Make Money as a Media Property, Dec 2011



Note: numbers may not add up to 100% due to rounding; *retailers with annual sales growth of 4%+; **retailers with annual sales growth of <4%
 Source: Retail Systems Research (RSR), "eCommerce 2012: Back to the Future," Jan 26, 2012

137398

www.eMarketer.com

"While brands have done a great job of being media companies, media companies have struggled to figure out this retail side of the equation."

— Maureen Mullen, director of research and advisory services at L2 Think Tank, in an interview with eMarketer, January 26, 2012

Subscription Clubs

Reminiscent of yesteryear's record and book clubs, subscription commerce has reinvigorated a once-popular practice. Now, shoppers are receiving apparel, make-up, toys, artisanal food and more directly to their door on a scheduled basis.

Within the framework of periodic subscriptions, there is a good deal of variance in offerings and pricing. Some services play off the element of surprise and discovery, while others personalize contents based on user preferences with quizzes to assess individual taste. Some send samples in hopes of triggering future full-size purchases, while others ship unique products that can't be found elsewhere.

The practice has been so well-received by shoppers that startups like Memberly have arisen to help small businesses and individuals run their own monthly subscription programs.

"Signing up to a trusted service that can go out and find the products that you've never heard of, but are really good quality, is something which really appeals to people. So it's that combination of curation, being trusted, and convenience, as well, that works." —Tristan Watson, CEO of Love Your Larder, in an interview with eMarketer, February 7, 2012

Shoes and beauty products have become established subscription commerce categories, though companies are regularly emerging to fill new niches. Here are few examples:

- Founded in 2010 and the recipient of \$10.5 million in funding in August 2011 and with 45,000 subscribers at that time, **Birchbox**, a beauty samples service, is a leader in this increasingly crowded space. For \$10 a month subscribers receive four to five beauty product samples, a key component that differs from most other categories, which typically rely strictly on full sizes. Subscribers can purchase full-sized products on the Birchbox site where they can earn points for these buys, as well as for referring friends. The company also has an editorial component with "The Magazine" where shoppers can watch hair-styling videos and read interviews with beauty bloggers.
- **ShoeDazzle** is just one of many subscription clubs focused on footwear. Shoppers take a style quiz and are given personalized shoe, handbag and jewelry recommendations on the first of each month that they can select from for \$39.99 apiece. Stylists and celebrities like Kim Kardashian are regular designers while guest stars like Denise Richards and Carmen Electra have contributed one-off designs for charity.
- **Manpacks**, selling basics like underwear, socks and razors, is billed as an alternative to the department store and called "girlfriend approved," positioning it as a solution for men who don't like to shop and potentially a gift from women in their lives. The site includes both an editorial and educational aspect, explaining how long underwear lasts and how many pairs are needed, which, unsurprisingly, jibes with the club's every-three-months schedule.

What Brands and Retailers Need to Know

Sales are locked-in and predictable. With a certain number of known subscribers, retailers not only have stable and steady revenue, but can get their merchandising right. “I think the concepts around Birchbox and ShoeDazzle are so appealing for a brand or a retailer, regardless of price point, because it’s a recurring-revenue business model that consumers get addicted to. And it works really well on the web,” said L2 Think Tank’s Mullen.

Personalization adds value. Whether it’s through a quiz or survey, finding out about subscriber preferences can create a better product and experience. Someone who hates nuts won’t want peanut brittle in their food box, no matter how exquisite it may be, and a woman who only wears flats won’t appreciate a shoe service that only markets platform pumps. “Put a lot of emphasis on making a really good match between the product and the person ... knowing as much about the customer as you can certainly helps in being a great curator,” Markus Rauschnabel, founder of mom- and baby-products site Bluum, told eMarketer in a February 2012 interview.

Post-purchase word-of-mouth potential is strong. The customer relationship doesn’t stop after the sale. There are entire blogs devoted to reviewing beauty boxes, and vloggers also post videos of their monthly scores to share and compare with other subscribers. Social media only amplifies the viral nature. On the flip side, products must stay fresh and relevant to maintain loyalty. Customers can cancel at any time. And those bloggers who cheerlead are just as quick to criticize when a new package doesn’t live up to their expectations.

Communicate value and transparency up front. Some may have bad memories of last-century clubs with sneaky pricing and a need to jump through hoops to cancel. Newer versions should be explicit about how customers will be charged and what their opt-out choices are—many sites now let users skip a month if they do not like the preview. “What happened during those days with companies like Columbia House is that people got trapped in these clubs. When we were looking at what the big evolution of the model was, we realized that, in the social commerce model, people were looking for total transparency and the ability to control their purchase decision,” said John Volturo, CMO of BeachMint, in a December 2011 [interview with eMarketer](#).

Working with subscription clubs can gain new customers and insights. Introducing brands, particularly smaller or newer ones, to an established subscriber base is a great way to gain exposure and valuable feedback, particularly compared to traditional sampling programs. “If you’re at Macy’s and you buy something in the beauty department and they drop two samples in your bag, the brands never hear back about those samples and whether the customer liked them or wanted them,” Bluum’s Rauschnabel said.

Some categories are oversaturated while other niches have not been tapped. Just because subscription clubs seem to be dominated by beauty and apparel, there is no reason why the model cannot work with other verticals. Kiwi Crate’s Oh Lin told eMarketer, “If you think about the arts-and-crafts market, it’s significant. I think the Craft & Hobby Association earns \$30 billion-plus annually. It’s a huge market and it’s incredibly fragmented. Only 3% of it is online, so shopping means going to the store. Some of the largest players, like Michaels, don’t even have an ecommerce presence.”

Small pleasures can go far in a down economy. Some women may not be willing to shell out \$25 for an organic body lotion or \$50 for a bottle of perfume, but can enjoy miniature versions for a fraction of the cost. And the same could be said for jewelry and apparel, which while at a higher price point than samples, are manufactured in bulk exclusively for subscription clubs. As a result, consumers can receive steep discounts.

Tastemakers

From acne solution Proactiv’s rampant use of celebrity testimonials from young stars like Justin Bieber and Katy Perry to the frenzy drummed up by Oprah and her “Favorite Things” to the continued success of QVC and HSN, the endorsements of the famous are a marketing mainstay.

And fame has been democratized and become hyper-specific thanks to the internet’s long tail. People can be stars in their own realms of sports, music, media, fashion and design while remaining unknown to others outside the industry. And select bloggers are now experts in their own right.

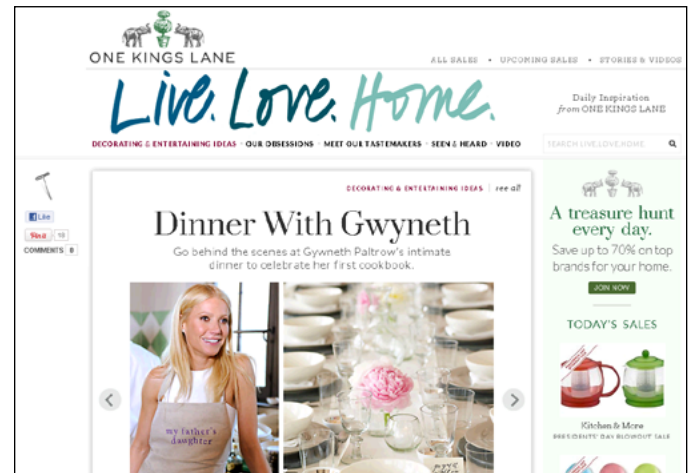
Recently, tastemakers of all types have been used to curate collections on social shopping sites, adding an extra layer of influence. Here are some examples:

- Described as a social network for shopping, **OpenSky** users join and gain access to a large number of curators that include household names as well as experts in their field, primarily food, design and home decor. For example, Martha Stewart may endorse a Breville Die-Cast Hemisphere Elite Juicer while baker and cookbook author Dorrie Greenspan touts a set of Opinel folding knives. Shoppers must connect with the tastemaker to view prices and buy products. Integrated with Facebook, reviews on the social network are pulled into the site. On average, shoppers make at least 12 purchases a year and over 65% are repeat customers. The items featured are intended to be exemplary in their class, not an exhaustive list but a quality one.

OpenSky's Caplan explained the premise to eMarketer: "If you search for a wok on Amazon, there are nearly 6,000 woks. OpenSky has one wok for sale, and it's sold by Ming Tsai, best-selling author, restaurateur and chef, and television host of "East Meets West," and it is the best wok. And there's content that he's made about how to use it and recipes of things to make in your wok. Now, that's a better way to shop if you're interested in cooking with a wok than a search engine and an endless catalog."

- In February 2012 **Gap** produced Styld.by, a digital catalog showcasing select products from the retailer styled by five fashion blogs. Each photo may feature a single Gap item like a trenchcoat or chinos with a link to the ecommerce site and the ability to share to Facebook, Twitter, Stumbleupon, Tumblr or Pinterest. More in-the-know shoppers may appreciate seeing spins from bloggers they are familiar with, while others may enjoy seeing apparel in a new or unexpected context on women who are not models. Instead of clothing that could be perceived as basic laid out in a typical ecommerce grid formation, the styling treats the items as a blank canvas and lends a creative edge without looking forced.
- **BeachMint**, a celebrity-driven/subscription model hybrid, pairs stars like the Olsen twins and Kate Bosworth with stylists to create item-focused sites. For instance, on StyleMint, Ashley and Mary-Kate sell T-shirts with a changing roster of guest stylists like editors from Teen Vogue, and on JewelMint, Bosworth is paired with celebrity stylist Cher Coulter to design jewelry collections. Shoppers take a quiz to identify their personal style and each month are presented with a virtual showroom of items intended to match their tastes. After making a choice, the \$29.99 selection is sent with free shipping.

Spotlight: Gwyneth Paltrow Does Dinner on One Kings Lane



As part of the launch of her cookbook, "My Father's Daughter," actress and goop newsletter publisher Gwyneth Paltrow partnered with home decor flash-sales website One Kings Lane to curate a one-day sale. Prior to the sale, Paltrow hosted an A-list dinner party where she cooked recipes from her book for guests like actress Cameron Diaz and chef Mario Batali. The products she chose, from the cookware to the table settings, were then sold on One Kings Lane under Paltrow's seal of approval.

One Kings Lane often features well-known tastemakers such as Alice Waters, chef and owner of Berkeley's seminal slow-food restaurant, Chez Panisse, as well as prominent design bloggers, to curate collections on its site. The appearance by Paltrow was particularly well received, according to Doug Mack, CEO of One Kings Lane. "Guest curators can provide a level of endorsement that's helpful beyond what we provide," Mack said.

In addition to One Kings Lane's marketing of the sale, Paltrow promoted the event to her goop newsletter audience and her Twitter follower base of 500,000. Not only did the event attract droves of members to the one-day sale, but it spurred new member registrations. Mack said, "Gwyneth Paltrow's curation drew in more traffic, more sales and more new shoppers vs. what we would have expected if we didn't have her as the curator for the event."

Metrics for One Kings Lane's "Gwyneth's Guide" Tastemaker Tag Sale Event, April 14, 2011

340% average lift* in items purchased

250% lift* in the number of unique shoppers

220% lift* in the number of unique new shoppers

Note: *compared to other noncurated Tastemaker Tag Sale events
Source: eMarketer interview with One Kings Lane, Feb 9, 2012

137302

www.eMarketer.com

Paltrow's sale was significant in giving awareness to home and kitchen brands such as Canvas Home tableware. "When you marry a known personality with lesser-known products and treasures, you really see some of the magic happen," Mack said.

One Kings Lane both reaches out to and fields requests for guest curators on a regular basis. "It goes back to the core premise of curation in that we need to have a sharp edge on who really makes sense to work with and who doesn't," Mack said. "Otherwise, your curation gets diluted."

In addition to working with renowned designers and decorators, One Kings Lane is innovating upon its model with events like container sales, movie set sales and estate sales.

What Brands and Retailers Need to Know

Authenticity is key. While not everyone would believe that Kim Kardashian is actually designing her own footwear for subscription club ShoeDazzle, it's not unimaginable that other tastemakers are more hands-on with merchandising and content creation. "Some of the other business models are really licensing agreements with celebrities, but the celebrity doesn't really do anything except lend their picture," said OpenSky's Caplan. "On OpenSky Martha's tweeting and answering questions. She's at the front of the store. She's not just on the billboard."

Know your audience. Consumers can have a strong reaction, positive or negative, to a tastemaker, so it is essential to not alienate an intended audience. And many, when asked, claim they aren't even swayed by celebrities. A May 2011 Adweek/Harris Interactive poll found that 77% of Americans would be no more or less likely to buy a product if endorsed by a celebrity; only 4% would be more positively inclined.

However, not everyone is aware or willing to admit how influenced they have been by a celebrity, which is similar to consumers claiming not be influenced by advertising in general. It is hard to gauge the power of subtle exposures like seeing stars wearing particular items or coming across online mentions of bold-face names.

Nielsen found that among active social media users, nearly one-third (32%) were following a celebrity. And Fleishman-Hillard and Hearst Magazines discovered that while celebrity influence over purchase decisions is not as compelling as product recommendations from friends and family, it still makes an impact on 37% of millennial women and nearly one-quarter of Gen X females.

Attitudes Toward Shopping and Purchase Decisions Among US Female Internet Users, by Generation, Sep 2011

% of respondents

| | Millennials | Generation X | Baby boomers | Seniors |
|---|-------------|--------------|--------------|---------|
| Having someone I know and trust make a purchase recommendation for me is a great comfort | 88% | 80% | 77% | 73% |
| I have purchased or not purchased a particular product or brand because of something a friend or family member told me | 84% | 79% | 73% | 67% |
| I enjoy shopping | 77% | 69% | 60% | 53% |
| I feel it is my responsibility to help friends and family make smart purchase decisions | 73% | 53% | 51% | 44% |
| With all the communication tools available to me and how much I share with others, I am an influential information source | 69% | 49% | 41% | 27% |
| Shopping is more like a game to me than a chore | 66% | 50% | 41% | 33% |
| I regularly influence friends and family to buy or not buy a particular product or service | 61% | 46% | 36% | 29% |
| Using social network sites to share my shopping and product experiences makes me feel empowered | 51% | 33% | 19% | 9% |
| Using social network sites has made it easier for me to decide on what to buy | 49% | 35% | 19% | 14% |
| I prefer buying items on the internet instead of purchasing them in a store | 47% | 36% | 29% | 20% |
| I take notice of the clothes and products that are used by celebrities | 37% | 23% | 13% | 6% |

Source: Fleishman-Hillard and Hearst Magazines, "Game Changers: Women Defining the New American Marketplace" conducted by Ipsos Mendelsohn, Jan 24, 2012

136379

www.eMarketer.com

Do not hitch your wagon to a single star. Even with huge fan bases, admirers can be fickle and tastes change rapidly. Brian Lee, co-founder & chairman of Shoedazzle, explained at the February 2012 Social Commerce Summit that while using Kim Kardashian initially brought in subscribers, the company had to eventually branch out to other notable names to keep consumers interested.

Connect with customers more deeply. When a company sells fewer products, it may have the chance to involve shoppers more. "We've included users and empowered them, whether it's naming a product, showing them what a sketch of a product looks like early on, getting them invested in any way possible in the process, and being so transparent. With a lot of companies you don't necessarily get to see behind the scenes, especially with celebrities," said Ara Katz, vice president of creative and celebrity partnerships at BeachMint, in a December 2011 interview with eMarketer.

Social Curation

Arguably one of the most talked-about forms of online curation, thanks to the meteoric rise of Pinterest, social curation relies on the passions of a site's users to spark the curiosity of others. Social curation differs from editorial and ecommerce and subscription clubs, and shares more with the use of tastemakers, playing on the idea that anyone can aggregate collections in their area of interest and develop a following—from a high-profile beauty blogger to the office worker obsessed with modern architecture to the student who photographs everything she eats.

Despite recent attention, this isn't exactly a brand new concept. Social shopping sites like Polyvore, Kaboodle and Wists have existed since last decade. Much of the newfound popularity stems from the mass adoption of Facebook and a growing comfort level with social networking in general. Saving an image of a shoe and sharing it online in 2007 was the domain of a more web-savvy, hardcore online shopper. Now, that behavior is more natural, and aided by simplified, visual sites and mobile apps.

Social curation is more about social discovery and tapping into the power of likeminded consumers than a top-down approach dictated by a brand or retailer. And yet at its core, social curation still relies on limited collections with a very specific point of view. For instance, shoppers can browse clothing by color on Amazon once a specific category has been chosen, but pages of green dresses may not provide the same inspiration as a diverse set of housewares, makeup and apparel displayed in a more specific turquoise and cream, created by a user focused on that color combination. User-generated collections are so specific that they have the ability to tap into needs that are not easily articulated by the shopper—or rendered on most ecommerce sites.

Nearly one-quarter of social media users in a May 2011 Knowledge Networks survey discovered new products through social media, a 14% increase over the previous year.

US Social Media Users Who Say Social Media Influences Their Purchase Decisions, May 2011

millions and % change vs. 2010

Discover new brands or products through social media

23.1 (14%)

Refer to social media to learn about a brand or product I'm not familiar with

22.5 (9%)

Opinions in social media have strong influence on my purchase decisions

17.8 (19%)

Always refer to social media before making purchase decisions

15.1 (29%)

Note: ages 13-80

Source: Knowledge Networks and MediaPost Communications, "The Faces of Social Media – Wave 2," June 14, 2011

133299

www.eMarketer.com

And companies are having success with encouraging social sharing. Enabling sharing to social sites was one of the most effective social media marketing channels in a 2011 survey by Adobe. More specifically, the presence of sharable user-created collections for purchase was cited by 22% of respondents.

Very Effective Social Media Marketing Channels According to Companies in North America, 2011

% of respondents

| | |
|---|-----|
| Hosting own video portal (user-generated and company content) | 31% |
| Social sharing (post to social networking and bookmarking sites, e.g., Facebook, Myspace) | 30% |
| User comments and reviews | 30% |
| User ratings and rankings | 30% |
| Collaborative custom product design (items, sets, outfits, etc.) | 29% |
| Live chat/instant messaging | 29% |
| Content distribution (publish video and assets to social portals, e.g., YouTube, Facebook wall) | 29% |
| User-designed merchandise available for purchase | 26% |
| User-generated visual content (images, video, audio) | 25% |
| Branded social community pages (e.g., Facebook, Myspace, Twitter) | 25% |
| URL and web widget viral sharing (embed on other sites, blogs, etc.) | 24% |
| Facebook "like" | 22% |
| User-created collections for sharing and purchase (e.g., outfits, furniture) | 22% |
| Email friend | 20% |
| Blogs or microblogs | 20% |
| Desktop widgets | 19% |
| Wikis | 19% |
| Co-shopping and browsing online with an expert or friends | 17% |
| RSS/subscribe to feeds | 15% |
| Mashups | 15% |

Note: actual or expected effectiveness

Source: Adobe, "2011 Survey: Digital Marketing in the Next Decade," April 28, 2011

127904

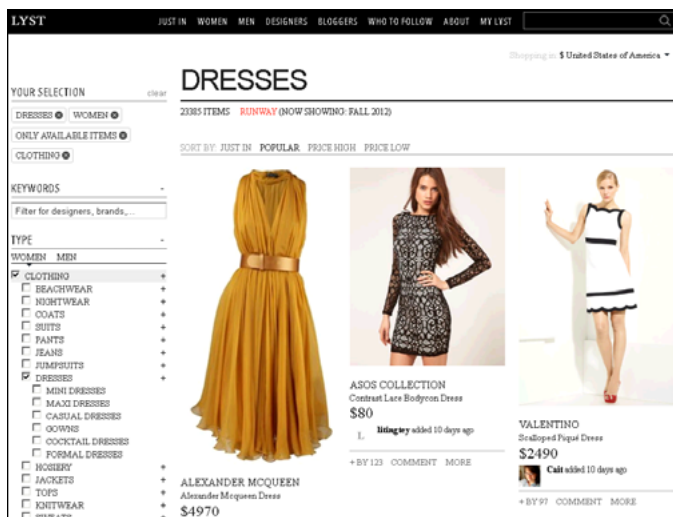
www.eMarketer.com

For more about social curation, see the eMarketer report, [“Beyond Facebook and Twitter: Visually Focused Social Sites See Growing Interest”](#)

This is a category to watch, as rapid entries in the space find ways to monetize platforms and differentiate themselves from each other. Here is a selection of sites:

- Founded in March 2010, **Pinterest**, an online pinboard for sharing images, has a broad appeal that is mainstreaming rapidly. Initially promoted via design blogs giving out invite codes, the early aesthetic read like an upscale boutique and became a place where users could browse tightly focused collections of often obscure brands. As the audience grows, a more casual, predominantly female user is emerging, which uses the service as a virtual scrapbook to pin baby photos, inspirational quotes and plan weddings. **Svpply** and **Fancy** are considered competitors of Pinterest, but differ because shoppers can buy the items featured in user-posted photos. In February 2012 Fancy emerged with a new business model that will allow users to buy directly within the site rather than be redirected to an online retailer.
- Though fashion has dominated social discovery, other niches are also being fulfilled. **Goodreads** is for sharing books and **Olioboard** is for interior design. Restaurant dishes can be captured and shared on mobile app **Foodspotting**, while countless visually focused recipe-sharing sites exist; **TasteSpotting**, **Foodily** and **foodgawker** are just a few.

Lyst Fashions a Site That’s More Than Virtual Window Shopping



Closer to Polyvore than Pinterest, Lyst, launched in April 2011, is explicitly about enabling fashion purchases. Currently, the site works with a mix of designer brands and retailers, including Barneys New York and Harrods as well as lower-priced ones like American Apparel and Topshop, that receive sales commissions. With offices in NYC and London, the participants are primarily from America and the UK.

Users can follow individuals, bloggers, magazines, designers and stores, and view their feeds (aka lysty) of apparel and accessories like a visual newsfeed. On a practical note, shoppers are alerted when a product in their lyst goes on sale.

Upping the social aspect, shoppers can also be rewarded for their taste by creating collections where they group items by invented themes like Grunge Shoes or Animal Instinct. If someone purchases via one of these collections, the lyst creator gets a commission. Fashion bloggers are particularly courted and encouraged to connect their blogs to Lyst, which means that posts using Lyst product links are pushed onto the site and also earn a commission. Additionally, each friend referred to the Blogger Connect program earns the referrer \$10.

CEO Chris Morton has found that two types of shoppers have flocked to Lyst. One is a little older, probably in her thirties, lives in a bigger city and is responsible for the roughly \$300 average order size. She might not be familiar with fashion bloggers but follows style magazines on Lyst to get ideas. And she is looking for actionable inspiration.

“That existing lowest-common-denominator, broadcast way of presenting fashion products to people needs to be replaced with a personalized approach, and that makes the success rate higher, the conversion rate higher, and really appeals to that first demographic of women who find it’s just a more efficient and easy way to shop than having to go to four different retailers,” Morton told eMarketer.

The other set is younger and more likely to follow bloggers, shop for less-pricey contemporary items and be more active with creating content, uploading photos and interacting with others.

“If I am in this younger-women demographic, I can put four Jason Wu dresses in my Lyst, and that gives me a sense of ownership,” Morton explained. “That lets me broadcast and tell people that if money were no object, this is what I’d have, this is what I’d be wearing. And I think that’s quite a powerful mechanism for that sort of aspirational shopper.”

What Brands and Retailers Need to Know

Refrain from being too blatant with branding. This is about social discovery, not the hard sell. In addition to product photos, users might be more interested in seeing things about a company that they didn't previously know or being surprised in other ways. Enid Hwang, community manager at Pinterest told eMarketer in a December 2011 interview, "Pinterest is really a way for people to express a little bit more about themselves. For instance, Whole Foods has a board devoted to one of their charity organizations, which is something that I didn't even really know about until I was looking at their account."

Forward-thinking brands can maintain their cred, while stragglers can bolster theirs. Retailers with a reputation for being on-trend know they need to be early adopters to meet consumer expectations. In an interview with eMarketer, Mallory Andrews, SVP of sales promotion, marketing and public relations at Bergdorf Goodman, noted that it was a given that the luxury retailer would be on Tumblr, Hunch, Instagram and Pinterest, not just Facebook and Twitter. "In the same way that we're considered a fashion authority and a leader, it's important that our social media presence reflects that as well," she explained.

Meanwhile retailers like Lowe's and Land's End—not the first names synonymous with cutting edge—were also quick to explore social curation. This move could only have helped their online presence and gave them a jump-start on amassing followers.

Make it easy for users to share your content. By using strong visuals to showcase products, brands increase their chances of shoppers coveting and sharing merchandise elsewhere. Stock photography won't be as compelling as a unique shot. Along with the Google+ button, Pinterest's "Pin It" has become more visible on sites and is being given equal prominence to Facebook and Twitter. Anyone can add this badge to encourage one-click Pinterest sharing.

Social curation is a form of social CRM (customer relationship management). Searching to see how users view a brand can work as an instant online focus group, and the results may be surprising. Teenagers could be posting images of funky, orthopedic shoes intended for older women or exotic fruit promoted for healthful properties could be featured as a cocktail ingredient. Shoppers adding their own context to products can provide a window into consumer thinking.

Visual products work better. Aesthetically pleasing objects create great first impressions, which is why consumer goods are more sharable than products where specs can matter more than design, like electronics or appliances. Brands can get creative in less obvious categories, though, and market with backstories rather than attempting to trigger instant conversions. General Electric isn't posting photos of light bulbs on Pinterest; the company has created boards like one titled Badass Machines to highlight GE-driven technology like a solar-powered carousel and Instagram shots of commercial aviation engines from plants around the world.

Social sharing is not a traditional advertising vehicle. Currently, affiliate marketing is the common way that brands and retailers are making money through partnerships and referral traffic. And if statistics from firms are to be believed, Pinterest's share is growing rapidly. Shareaholic cited a 44% increase in referral traffic from December 2011 to January 2012 to 3.6% overall, more than Google+, LinkedIn and YouTube combined.

How Will Curated Ecommerce Evolve?

As it relates to online sales, curation is still in the early stages. The concept stands to gain prominence, though, as retailers strive to get closer to what consumers want and seek new ways to make shopping more personalized.

Maureen Mullen

Director of Research and Advisory Services

L2 Think Tank

"The influence process and the purchase process are only going to become more closely connected, and a lot of that is going to be around curation. Thinking about how as a brand or a retailer you can put yourself as close to that piece of influence as possible and make it as easy as possible to purchase your brand or to purchase from your retail site or in-store experience, is only going to make your business stronger."

John Doyle

Vice President, Strategy Director, Interactive

Cramer-Krasselt

"Now there are digital collections of things that indicate how satisfied I am with them—ratings, reviews, things sucked in almost automatically that could create a huge level of influence. Basically this would be the next step of a company like Bazaarvoice or any of the typical ratings platforms, but just done in a more human and sort of curated way that could be very powerful."

Blair Lyon

Vice President, Marketing

Monetate

“We want to get the right message to the right person at the right time. That means that I need to hide, insert, overlay and elevate different products and categories and ideas and content at different times to different people based on where they are and what they’re doing and what their past behaviors are. We have to create—and customers are demanding it—more and more every day: a more relevant experience that’s smarter, that learns based on what they’ve done in the past and where they’ve come from. And marketers need to start embracing how they are going to do that, what their priorities are and how they’re going to measure which types of tactics and campaigns are successful and which ones aren’t.”

Doug Mack

CEO

One Kings Lane

“There can be only so many companies, long term, in the curated market and the curated flash-sales market, and we definitely see category winners evolving. Different consumers will have different interests. Somebody may be interested in home, they may be interested in travel, they may be interested in apparel, and they’ll begin to develop loyalties to the vertical leaders in those markets. And then, the me-too sites, those that are trying to compete within many, many different categories, those that are kind of fifth place in the market are going to wither away, because they’re just not going to see the audience interest in their given topic. So, at the end of the day, consumers will be excited about having relationships with somewhere around five sites that they feel are centered around a topic of interest for them.”

Conclusions

Shoppers do not mind smaller selections if it helps them find what they are looking for. There is truth in the quality over quantity mantra. In order for a model to work in which fewer products are offered, consumers will have to trust in the curator’s choices. The more successful brands and retailers will be able to identify the best items for their customers.

Curation requires a degree of collaboration. Whether it involves a magazine, celebrity, blogger or designer, most forms of curation hinge on outside input. New relationships can provide expertise and fresh perspectives for brands and retailers accustomed to an established point of view.

A personal touch will not replace personalization. The future of ecommerce will be based on increasingly precise recommendations, and more sophisticated automation promises to complement the hand-picked approach. Shopping patterns can be analyzed to serve up more targeted results to consumers and at the same time merchandise can be highly curated and enhanced by richer product detail, context and backstories.

eMarketer Interviews

Case Study: Pinterest Provides Outlet for Fashion Retailer



Mallory Andrews

Senior Vice President of Sales, Promotions, Marketing and Public Relations

Bergdorf Goodman

Interview conducted on January 18, 2012

Trust is Core to Curate Ecommerce Model



John Caplan

CEO

OpenSky

Interview conducted on February 2, 2012

Marrying Personality and Products Yields Results in Retail



Doug Mack

CEO

One Kings Lane

Interview conducted on February 9, 2012

BeachMint Brings Commerce and Celebrity Curation to Facebook



John Volturo

CMO

BeachMint

Interview conducted on December 8, 2011



John Doyle

Vice President, Strategy Director, Interactive

Cramer-Krasselt

Interview conducted on January 26, 2012



Enid Hwang

Community Manager

Pinterest

Interview conducted on December 13, 2011



Blair Lyon

Vice President, Marketing

Monetate

Interview conducted on February 15, 2012



Chris Morton

CEO

Lyst

Interview conducted on February 3, 2012



Maureen Mullen

Director of Research and Advisory Services

L2 Think Tank

Interview conducted January 26, 2012



Sandra Oh Lin

CEO

Kiwi Crate

Interview conducted February 7, 2012



Markus Rauschnabel

Co-Founder and CEO

Bluum

Interview conducted February 7, 2012



Sebastian Reichelt

Co-Founder, COO and CTO

Bluum

Interview conducted February 7, 2012



Tristan Watson

CEO

Love Your Larder

Interview conducted February 7, 2012



Rob Yoegel

Content Marketing Director

Monetate

Interview conducted on February 15, 2012

Related eMarketer Reports

[Beyond Facebook and Twitter: Visually Focused Social Sites See Growing Interest](#)

[Facebook Commerce: Reaching Shoppers Where They Socialize](#)

[How Brands Co-Create Value with Customers](#)

Related Links

[Adobe](#)

[Bluum](#)

[the e-tailing group](#)

[Fleishman-Hillard](#)

[iPerceptions](#)

[Kiwi Crate](#)

[Knowledge Networks](#)

[Love Your Larder](#)

[L2 Think Tank](#)

[Lyst](#)

[Monetate](#)

[One Kings Lane](#)

[OpenSky](#)

[RSR Research](#)

About eMarketer

eMarketer publishes data, analysis and insights on digital marketing, media and commerce. We do this by gathering information from many sources, filtering it, and putting it into perspective. For more than a decade, leading companies have trusted this approach, and have relied on eMarketer to help them make better business decisions.

Benefits

Companies rely on eMarketer to:

- **Save time and resources** by getting the right information, quickly.
- **Validate media decisions** with reliable data to ensure productive investments.
- **Educate teams and senior executives** on the latest digital marketing topics.
- **Evaluate emerging trends** instantly and maintain competitive advantage.
- **Deliver impactful presentations** with facts, figures and charts in a variety of downloadable formats.

Make your business smarter and more efficient. Become an eMarketer client today by calling 800-405-0844 (outside of the US and Canada, call 001-212-763-6010) or emailing sales@emarketer.com.

Editorial and Production Contributors

Nicole Perrin

Cliff Annicelli

Dana Hill

Joanne DiCamillo

Stephanie Gehrsitz

Allison Smith

Associate Editorial Director

Senior Copy Editor

Director of Production

Production Artist

Production Artist

Director of Charts