The Merchantry Report: The State of Online Marketplaces 2012

Based on Mystery Shopping Results and Analysis

By the e-tailing group

Commissioned by Merchantry

I. THE STATE OF MARKETPLACES

Why Research Now?

Consumer expectations for shopping online have certainly risen over the lifetime of online purchasing along with the level of sophistication shoppers are experiencing across many of their favorite retail sites. As more consumers report being comfortable making purchases via marketplaces, Merchantry reached out to the e-tailing group and together we decided that now was the ideal time to assess the consumer experience of searching and shopping marketplaces across the web. With a 15-year track record and knowing that "retail is always in the details," we jointly constructed an extensive, first-of-its-kind survey to share with the industry. Contrast and comparison with traditional retailer experiences would be the cornerstone of the research while an in-depth look at merchandising and customer service would secure supporting insights. In summary, our hope was to survey the current state of online marketplaces and establish benchmark data for the Merchantry client-supporting Marketplace Success Team and the industry at large.

II. RESEARCH METHODOLOGY AND PROCESSES

Methodology

After a thorough review of more than 20 retailers with a marketplace component, we settled on 12 retailers for which a set of standardized metrics could be tested to establish the current state of marketplace customer experiences.

Retailers

Amazon.com	Kohls	Sears
Barnes & Noble	Newegg.com	ShopNBC
Best Buy	OneStopPlus.com	Tiger Direct
Buy.com	Overstock.com	Walmart

e-tailing group process

The process started with identification of a series of marketplace products followed by search, merchandising, shopping and customer service in order to get a 360-degree view of the shopping experience. In aggregate, 134 metrics were part of the overall study and distributed as detailed below:

- Identified 5 marketplace items for 12 retailers that had marketplaces
- Completed 60 searches to identify marketplace exposure
- Compared merchandising tactics for marketplace versus retail (shipping, gifting, cross-channel)
- Evaluated marketplace product information and communication (description, price, details, warranty, rich media, social)
- Detailed customer service information (contact information, inventory, order, tracking)
- Placed 12 orders purchasing two items from each retailer noting shopping cart experience (shipping, promotion, package, post-order communication)
- Contacted each marketplace merchant via email, phone and live chat (when available), detailing the experience

III. MARKETPLACE RESEARCH TOPLINE FINDINGS AND REFLECTIONS

Each of the following sections begins with a look at the current scenario that consumers face when shopping traditional retailers, as there are clearly established expectations that consumers anticipate from their shopping experiences. From there, we outlined the state of marketplace shopping as experienced during our research from five vantage points. Simultaneously, we included several comparisons based on 4Q11 EG100 merchants for perspective purposes. As retailers consider adding marketplaces to their existing infrastructures, they can assess how best to close the gap and where incremental changes will benefit their brands and their customers. Closing out with e-tailing group (EG) food-for-thought commentary in each section provides perspective on these opportunities and more importantly they can impact decision-making and future development efforts.

I. SHOPPING TOOLS

A. Current Retail Expectation

Retailers have worked tirelessly to expand the range of options they make available to shoppers as they peruse the site making choices about online shopping, cross-channel purchasing or saving information in support of return visits.

B. Marketplace Research Findings

Our findings indicate that retailers have not chosen to extend many of the merchandising tools that are standard for e-commerce. Marketplace products are often “stepchildren” and do not receive the same range of options which may frustrate shoppers when faced with roadblocks.

- Marketplace products can be added to a wishlist only 39% of the time compared to 83% of the time for retail products
- Gift registry: 50% vs. 100%
- Free shipping extended when merchant makes available: 33%
- Two out of five potential international shippers extended capability to marketplace product
- Warranties were not offered on marketplace items
- Cross-channel services are not in place for pickup or returns
- Ratings are universal where all generic items are populated; however, just under half of marketplace items featured ratings
- Social tools see some adoption in marketplaces vs. retail products with comparables for like functionality (39% vs. 92%) and sharing functionality (27% vs. 87%)

C. EG Food-for-Thought:

- ✓ Understand features and functionality that are perceived as standards given high penetration or consumer acceptance vs. those that may be considered “nice to have”
- ✓ Determine which merchandising tactics may be most desirable and roadmap a strategy to add these features to the site experience
- ✓ Prioritize features after conducting an ROI analysis for each enhancement

II. PRODUCT INFORMATION

A. Current Retail Expectation

Final product selections are influenced by a range of factors that often begin with price and peer-based sentiment (product and supplier-oriented), which continues to see strong consumer acceptance. Consumers have become accustomed to robust product information as the knowledge gained in the process aids decision-making. This includes a combination of copy or visual imagery to deliver a complete product point-of-view. Existing retailer relationships based on past experiences or onsite perceptions can also factor into those decisions.

B. Marketplace Research Findings
Marketplace product information is often incomplete which can aggravate consumers evaluating product and merchant selection, particularly in comparison to best-in-class retail presentations

- Descriptions were above average at 2.44/3 where 3 is in-depth
- Overall information is a mixed bag where display presence ranged from zoom (82%) to item condition (28%)
- On average retailers presented just over 3 images where quality was acceptable at a 2.4/3 where 3 = best. For those with multiple views, the majority (93%) appear to be in the same format.
- 1 in 5 product pages had enhanced guides or videos
- Only 1 in 2 stated who sold the item
- 1 in 5 items had multiple prices shown from varying merchants; the marketplace price was higher twice as often
- 1 in 4 items were offered by multiple suppliers with 8.6 supplied listings on average
- From a communication perspective, marketplace supplier ratings were almost omnipresent (93%); shipping cost differences were communicated on 2 out of 3 items; shipping time differences were communicated on just over half (53%) of the items

C. EG Food-For-Thought

- ✓ Provide as much information regarding a product starting with robust copy
- ✓ Present all available imagery to foster a "tactile" perspective
- ✓ Add supplier information from ratings to logistical elements to support marketplace purchasing

III. SHOPPING CARTS

A. Current Retail Expectation
Shopping carts are now streamlined to quickly drive shoppers through the funnel with efficiency and confidence-building messaging. Clarity of information related to pricing sees refined presentation as retailers remove any roadblocks that may lead to shopping cart abandonment. Savvy retailers seize opportunities to merchandise beyond the initial selection to drive up the average order value. At a minimum, shoppers have come to expect in-stock inventory status along with the ability to track orders.

B. Marketplace Research Findings
Shopping carts are not optimized where challenges exist for purchasing standalone merchandise or a combination of retail/marketplace products. Essential tools are not universally present and shipping information doesn't always disclose desired information.

- Product page real-time inventory is universal though inventory levels and processing times are not often shown
- Of those sites that supply real-time inventory in the shopping cart, display of processing time is significant at 81% at the cart level
- Retailers do not offer warranties through their marketplaces at either the product page level nor at the shopping cart
- Coupons/promotion codes can be added on 2 out of 3 sites though marketplace merchants alert shoppers only 25% of the time
- Most often, shipping costs are aggregated by total order and shipping methods are broken out by item
- Average number of clicks to checkout for marketplaces is 5.17 as compared to 4.83 in the EG100

C. EG Food-For Thought

- ✓ At a minimum, include stock status on product pages and via the shopping cart

- ✓ Integrate couponing/promotion codes mindful of cost-conscious consumers aggressively shopping online
- ✓ Be transparent with shipping information to avert abandonment at this critical juncture

IV. CUSTOMER SERVICE

A. Current Retail Expectation

Significant improvements have been made in logistics relative to online shopping where delivery times continue to decline and on-site information and package contents include all the details a shopper may need to purchase or return product. Greater emphasis has also been placed on the packages to include simplified processes and requisite information to process a return. Every opportunity to communicate through post-order confirmations has been seized in order to keep shoppers in the loop as they await their purchases with merchandising an added bonus.

B. Marketplace Research Findings

Customer service is not always up to industry standards making this an important area of focus for the retailer.

- ➢ Average number of days to receive product was high at 4.57 vs. 3.4 days for the EG100
- ➢ Returns can be challenging as not all merchants include optimal information (how to return, who to return to) forcing consumers back to the website
- ➢ Tracking is in place for merchants (100%) and most marketplace supplied orders (92%)
- ➢ Packing slips contained a phone number for the marketplace owner 67% of the time and a phone number for the supplier 45% of the time
- ➢ Packing slips, when included in the packages, represented the retailer's brand only half the time
- ➢ The supplier is not always the same as the shipper, causing confusion for the buyer
- ➢ Post-order confirmations are a mixed bag, as marketplaces don't always include sold-by information on Thank You pages (70%)

C. EG Food-for-Thought

- ✓ Review packing slips to ensure they have the basics, including supplier information, contact us details and clear return instructions so shoppers remember the right merchant
- ✓ Work to expedite shipping as it can be a competitive advantage in today's time-sensitive climate

V. COMMUNICATION

A. Current Retail Expectation

Consumers have a myriad of reasons that they need to be in touch with the retailer – from delivery to product information concerns. When on-site information is robust it can certainly be relied on to answer many consumer questions, however, it's not sufficient to cover all issues for everyone. Shoppers expect timely responses to email queries (under 24 hours) and knowledgeable customer service representatives who can competently handle an array of issues. For many consumers, live chat is now becoming the contact method of choice as shoppers multi-task and prefer the flexibility and convenience of instant gratification.

B. Marketplace Research Findings

Communication can be challenging as shoppers seek information about suppliers and products throughout their shopping experience.

- ➢ Email responses were incomplete or they redirected customers to the supplier/ manufacturer more than half the time (55%)
- ➢ During calls to customer service, representatives' knowledge was limited at 1.75/3 where 3 is in-depth

- ➢ "Click-to-chat" was available on 1 of 2 sites but experience was not always up to par
- ➢ Only half of retailers have valuable About Supplier pages

C. EG Food-for-Thought

- ✓ Evaluate and extend the level of information consumers receive relative to supplier brands as many suppliers won't likely be household names
- ✓ Be timely in your response to satisfy shopper needs or they may seek out competitors
- ✓ Train personnel in both product and customer service-related queries in order to cover the full range of questions that may arise

IV. 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. For more background about our research or for additional information on the e-tailing group, inc. please contact Lauren Freedman via email at LF@e-tailing.com, by phone to 773-975-7280 or visit the e-tailing group website www.e-tailing.com.

About Merchantry

Merchantry provides an eCommerce software-as-a-service (SaaS) solution that empowers retailers and media organizations to generate new revenue streams by building online marketplaces. Its extensible technology infrastructure coupled with its streamlined merchant onboarding enables expedited implementation of marketplaces. By offering product inventory supplied by third-party merchants, revenue is increased, while investment and risk is minimized. Merchantry delivers market-leading capabilities for some of the largest retail and media brands in North America and Europe. The company is headquartered in New York and has a regional office in London. For more information, visit http://www.merchantry.com.