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**THE E-TAILING GROUP’S BACK-TO-SCHOOL MYSTERY SHOPPING STUDY GRADES SITES HIGH FOR MERCHANDISING SKILLS**

*An examination of merchandising features and functionality on B2C sites, selling the most relevant Back-to-School product categories, demonstrates how online shopping has evolved to offer customers a more robust experience.*

“As Back-to-school selling is second in revenue only to the holiday period, we believe that year-to-year tracking of these merchant tool sets provides valuable benchmarks,” explained Lauren Freedman, President of *the e-tailing group*. This is the second consecutive year that we have conducted a study during this timeframe. From more correct **Search Results** on 92% TY vs. 89% LY to **dedicated BTS Seasonal Areas** on 68% TY vs. 56% LY, the twenty-five sites shopped (culled from the 100 merchants that we mystery shop online annually during the fourth quarter) are indicative of this channel’s maturation. Additional highlights follow.”

Adaptation of **Established Merchandising Tools**, traditionally used by retailers in other channels to sell suggestively, makes online shopping more familiar and comfortable for customers. Virtual bundling of products is an innovative tool newly tracked this year and one to watch for a growing presence.

| MERCHANDISING FEATURE      | 2004 | 2003 |
|----------------------------|------|------|
| <b>What’s New</b>          | 64%  | 48%  |
| <b>Top Sellers</b>         | 60%  | 48%  |
| <b>Shop by Outfit/Room</b> | 19%  | NA   |

**Promotional Strategies** appeal to the price-driven customers with offers beyond the expected sale/specials. Free shipping overcomes resistance to buy online vs. in-store. Use of the web as a liquidation vehicle is increasing, as it is easier to present and update limited assortments online than in a catalog:

| MERCHANDISING FEATURE                | 2004 | 2003 |
|--------------------------------------|------|------|
| <b>Promotional Strategy</b>          | 56%  | 40%  |
| <b>On-site Outlet</b>                | 48%  | 32%  |
| <b>Free Shipping on All Products</b> | 24%  | 8%   |

**Custom Content** either serves as a virtual salesperson, offering information to help customers make buying decisions or functions as an organizational tool for future purchases.

| MERCHANDISING FEATURE      | 2004 | 2003 |
|----------------------------|------|------|
| <b>Guides/How To</b>       | 72%  | 60%  |
| <b>Shopping/Wish Lists</b> | 48%  | 32%  |

**Multi/Cross Channel** features extend marketing efforts. Of particular note are the increasing numbers of sites offering Affiliate programs, those enabling customers to browse actual catalog pages online and/or sites that reference product advertised in other media.

| MERCHANDISING FEATURE     | 2004 | 2003 |
|---------------------------|------|------|
| <b>Affiliate Programs</b> | 68%  | 48%  |
| <b>Shop the Catalog</b>   | 38%  | 8%   |
| <b>As Advertised</b>      | 36%  | 16%  |

The **Order Process** has been a focus of optimization via features to improve the customer experience. Our recommendation is that merchants also consistently strive to improve the average order size during these critical touch points with more up-sells and/or cross-sells.

| MERCHANDISING FEATURE               | 2004 | 2003 |
|-------------------------------------|------|------|
| <b>Real Time Inventory in Cart</b>  | 90%  | 80%  |
| <b>Order Confirmation in Cart</b>   | 100% | 84%  |
| <b>E-mail Shipping Confirmation</b> | 82%  | 75%  |

**Customer Service** is an area that smart merchants continue to evolve by providing clearly stated information and help throughout the process. The growing use of Live Help – and its improved performance was of note.

| MERCHANDISING FEATURE                | 2004 | 2003 |
|--------------------------------------|------|------|
| <b>List Customer Service Hours</b>   | 72%  | 60%  |
| <b>1<sup>st</sup> Time User Tips</b> | 52%  | 48%  |
| <b>Live Help Available</b>           | 32%  | 20%  |
| <b>Live Help in Working Order</b>    | 63%  | 40%  |



### **the e-tailing group's checklist: Top BTS Merchandising Tools to Prioritize**

1. **Bundling** – Make shopping easy and increase the average order size with suggestive selling by aggregating compatible products together for a single purchase.
2. **Cross-Channel Content** – For customer retention, bridge the virtual chasm with information. Checklists, how-to guides, tips, ratings and reviews all position you as an expert and encourage repeat visits to your site while bringing an element of community to the overall experience. Support the same onsite content in-store to maximize exposure and conversion.
3. **Liquidation** – As price-driven customers abound, design stand-alone outlets on sites. The Internet is the ideal venue with web functionality enabling frequent price and assortment changes.
4. **Marketing** – Extend the impact of marketing campaigns with cross-channel promotions that feature products advertised in newspapers/TV/catalogs on your site and conversely promotes your website in all other channels of distribution/advertising media.
5. **Service** – As evolved merchants continue to up the ante on what defines “service,” merchants must never lose sight of its importance and continually improve upon its execution.
6. **Promotions** – Test a variety of category-centric promotions that tempt your audience to try shopping --- including taking a percentage off a second category purchased or new member incentives upon registration to encourage immediate buying.
7. **Coupons** - Consider adding coupons onsite and via email to retain existing customers. Select the incentive based on category demands and margin structures to ensure success.
8. **Seasonal Promotions** - Leverage the calendar with innovative boutiques that showcase your most appropriate products and promotions.

Merchants included in this study were: Abercrombie, Amazon/Borders, Barnes & Noble, Bed Bath & Beyond, Best Buy, CDW, Circuit City, Crate & Barrel, Dell, eBags, Gap, JC Penney, Lands' End, Nordstrom, Office Depot, Pac Sun, Payless Shoe Source, REI, Sears, Sports Authority, Staples, Target, The Children's Place, The Container Store, Wal-Mart.

*the e-tailing group, inc.* is a Chicago based consultancy that provides strategic and e-commerce merchandising solutions to merchants selling online as well as to firms targeting that market.

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