



**6th Annual Merchant Survey
1st Quarter 2007**

Proprietary Study Conducted by the e-tailing group, inc.

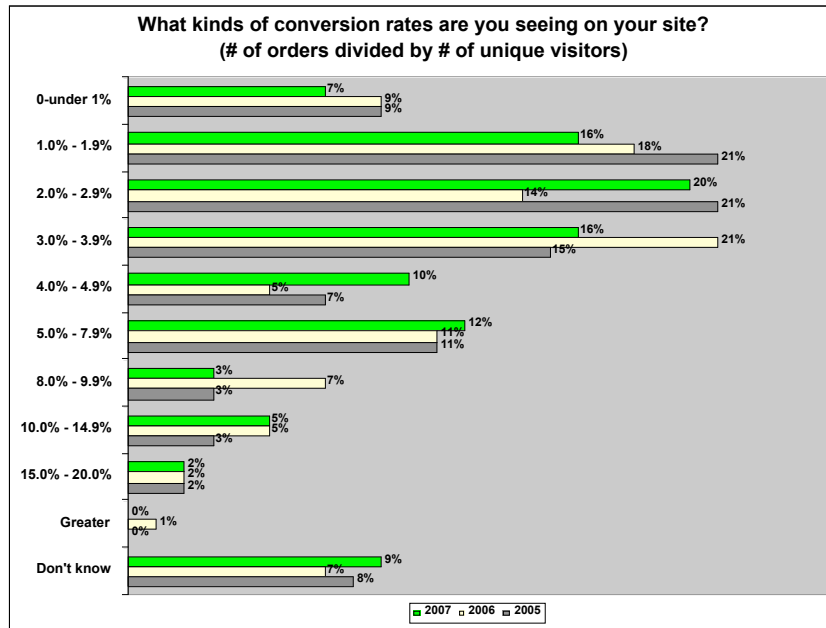
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**Who's Minding Today's Sophisticated Online Store?
Results of the e-tailing group 6th Annual Merchant Survey Reveal the Next Merchant Priorities**

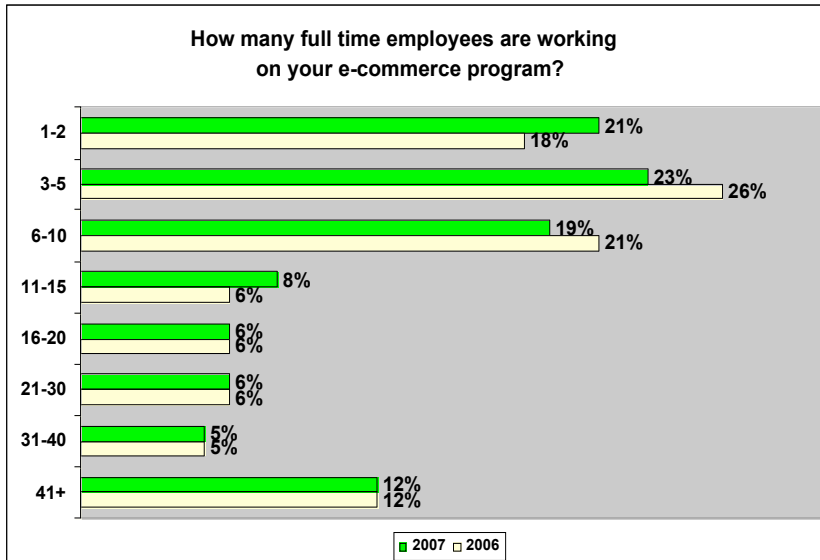
Results of the e-tailing group's 6th Annual Merchant Survey illustrate how much harder it is getting for online merchants to move the needle relative to conversion and ROI. Driving the right traffic to the store, increasing sales, and fostering retention all require more targeted tactics enabled via more sophisticated analytics and data mining.

Current **conversion rates** average in the 2-3 percent range but fluctuate between 1-5 percent depending upon category and site evolution with some subtle shifts in the 4-8 percent ranges.



Merchants were given a forum to openly express themselves about the greatest merchandising challenges they wish to solve in 2007 – the **top three** being associated with segmentation/personalization, inventory assortments and data/analytics.

“Examination of initiatives being planned to improve website performance reveals an impressive list. But, most telling is that only 34 percent of the surveyed merchants intend to increase personnel, which makes us wonder just who will be minding the online store,” observes Lauren Freedman, President of the e-tailing group. “While management is focused on profitability, financial and personnel resources are not increasing commensurately to handle the tasks necessary for growth.”



Core to analytics are the issues of having the right data on a timely schedule, formatted for usability, and then having skilled staff to interpret the metrics down to a granular level; ultimately communicating within the organization resulting in actionable business strategies.

However, analytical review is limited, with 80 percent of merchants devoting twenty hours or less per week to reviewing site metrics.



Merchandising

Meanwhile merchants are using everything in their merchandising arsenal – pulling out all of the stops to meet customer expectations with an array of tactics where there is an increased presence of almost every one of the 50 benchmarked features.

Many valued features are today’s standards including exemplary service, streamlined navigation or category essentials, but best-in-class merchants are pushing ahead with initiatives that enhance the customer experience from rich media to community to customization.

Top Ten Merchandising Features Ranked Very to Somewhat Valuable	
Keyword Search	96%
Email as a Merchandising Vehicle	95%
Sales or Specials	89%
Seasonal Promotions	89%
Cross-sells	89%
Free/Conditional Free Shipping	84%
Search Landing Pages that are Merchandised	83%
Top Sellers	83%
What's New	81%
Up-Sells	81%

Shopping Cart Abandonment

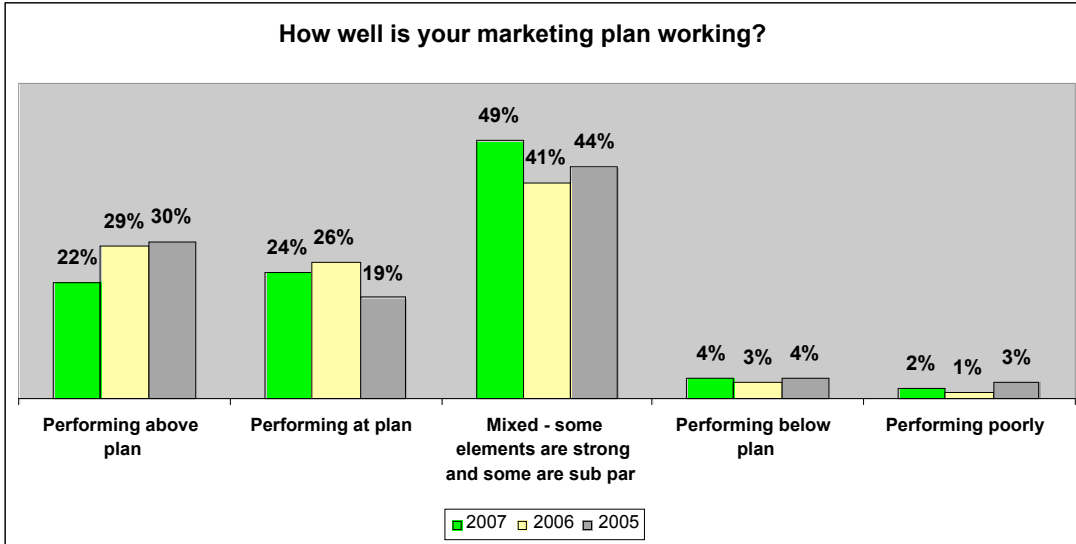
New questions examining the issues surrounding shopping cart abandonment find that policy standards have not yet been established as 29 percent currently do not hold merchandise in carts, 27 percent hold it for 1-3 months, and the balance range from 30 minutes to indefinitely.

As 75 percent of these merchants may be losing sales by not communicating with shoppers who have abandoned their shopping carts, there is a clear opportunity to use abandonment as a means to connect with shoppers, though privacy issues must be kept in mind.



Marketing

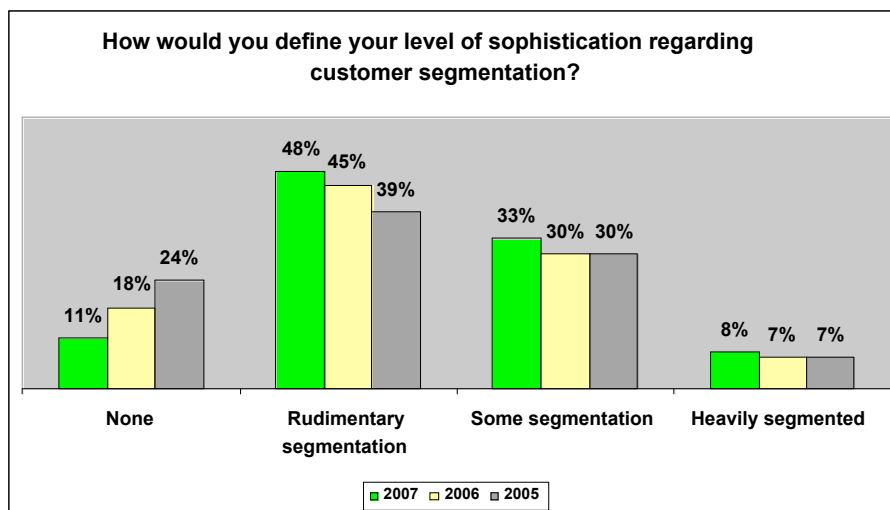
A greater percentage of website sales budget is being designated for marketing (29% vs. 27% last year) and budgets continue to be spent 3:1 online vs. offline. Marketing performance is tougher too with more mixed results (49%) plus less above plan (22%) or at plan (24%).



There is no consensus about the lifetime value of customers and the majority of merchants still want to make a profit or at least break even when acquiring new customers – a notion which may require flexibility in order to change the status quo.

Email continues to play an important role as the low cost of implementation has proven to impact both conversion and retention; frequency dramatically increases but content remains centered on branding and traditional/promotional merchandising to drive incremental revenue and increase purchase frequency.

With the greatest email challenges related to conversion, list size, deliverability and data analysis, segmentation and personalization are at long last emerging as key steps being taken to improve email performance – and merchant sophistication in this area is also showing gains.



When it comes to retention and loyalty, efforts to keep customers top-of-mind and build relationships are at the forefront– with email being the #1 way they choose to re-engage, reinforce, and retain.



**the e-tailing group's
Five Steps for Minding the 'Sophisticated' Online Store**

- 1. Understand that providing quality service, robust feature sets, and operational dexterity – along with depth and breadth of the right product is a given in the customer's mind**
- 2. Start with proactive planning, skilled resources and sophisticated technology - do not presume growth will transpire without dedicated funding and personnel**
- 3. Know your customer and your competition, use this knowledge to provide a one-stop shopping experience with the requisite tools and merchandising tactics, accessible through technology**
- 4. Leverage analytics where personalization and segmentation will ultimately drive bottom-line results**
- 5. Delving into the details will reveal ample opportunities for improvement to drive sales and maintain desired profitability**

This year, for the first time, the e-tailing group is making a comprehensive report that summarizes aggregated findings from this survey available for purchase. It is \$595 via PayPal or credit card. Those interested may contact Lauren Freedman, by emailing lf@e-tailing.com or by phone 773-975-7280.

the e-tailing group, inc. serves as the multi-channel merchant's eye,
bringing a merchant's sensibility to evolving the multi-channel shopping experience.
A Chicago-based consultancy, they provide practical strategic perspectives
and actionable merchandising solutions
to merchants selling online as well as to enabling technology firms.

Survey Methodology: In the first quarter of 2007, 167 merchants responded to 40 questions related to [trends in strategy, merchandising and marketing online](#). For more background about this research study or for additional information on the e-tailing group, inc. please contact Lauren Freedman at lf@e-tailing.com or visit the e-tailing group website www.e-tailing.com.

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