7th Annual Merchant Survey
1st Quarter 2008
Proprietary Study Conducted by the e-tailing group, inc.

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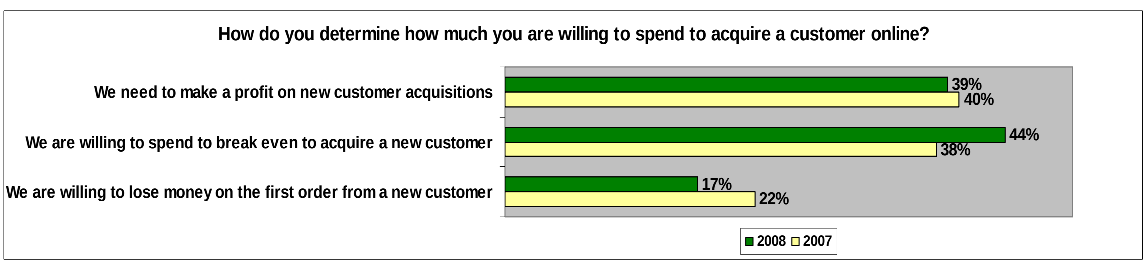
Contact:
Lauren Freedman
the e-tailing group
1444 W. Altgeld
Chicago, IL 60614
773-975-7280
LF@E-TAILING.COM
www.e-tailing.com

the e-tailing group 7th Annual Merchant Survey Reveals a Laser Focus
Merchants Doing More with Less Online; Streamlining for Performance and Profitability

As economic times become more challenging, e-merchants are **re-evaluating** every aspect of their business; reaching back for fundamentals, then **streamlining** for **performance and profitability** according to findings from the e-tailing group's 7th Annual Merchant Survey, completed by over 200 merchants in 1Q '08.

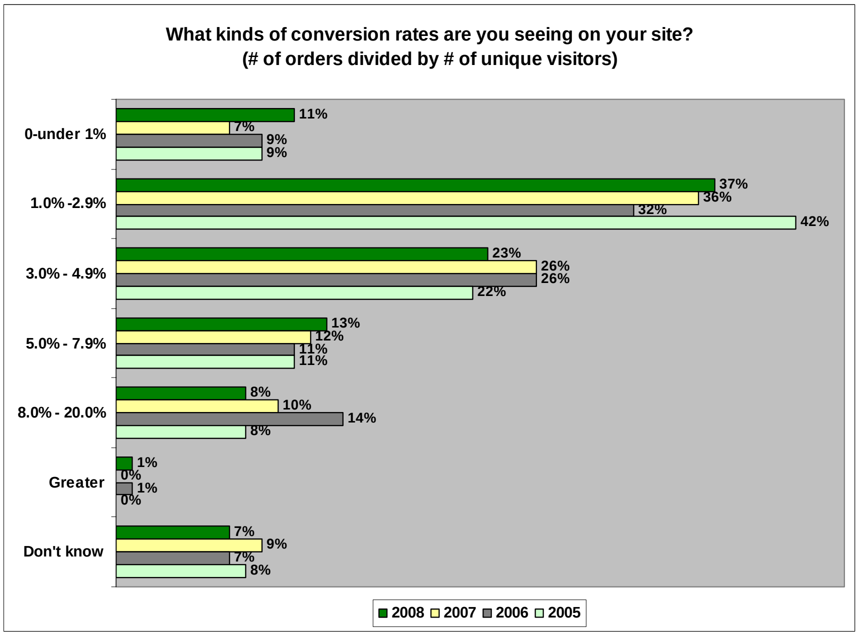
"On all fronts we see a 'split personality' as some merchants aggressively pursue business online and across channels while others, with resource constraints, strive to **do more with less**," summarizes Lauren Freedman, President of the e-tailing group. "Merchants are making the choices that are most germane to their categories and their customers via a **laser focus on critical elements** where strong results and the greatest ROI can be achieved."

Investment Spending
Acquiring and retaining loyal customers is paramount with merchants willing to break even - but not lose money in the process - being that management tends to be less satisfied with the ROI e-commerce is generating while simultaneously the channel's maturity means a flatter growth curve is inevitable.



Using Intelligence to Drive Up Conversion
Today merchants are challenged with driving conversion. As survey results indicate, increasing rates gets harder with **subtle shifts** based on category and site evolution.

Rates of less than 1 percent, up from 7 percent to 11 percent, are indicative of the current online climate. Yet sophisticated merchants or category-centric players are still able to achieve higher conversion.



Merchant "intelligence" is growing via **data** and **testing;** enabling **tactical** strategies, **tweaking** and **tailoring** of the site experience to optimize the customer experience and ultimately site performance. Accordingly merchants are using **behavioral-based merchandising**, driven by **analytics**, to better **target** and serve their customers. Tracking visitor conversion and revenue by source with cart abandonment and search marketing are the metrics most successfully leveraged to **figure out what works.**

Please rank the top 3 impact points where you have been able to leverage your analytics in order of importance from 1-3 with "1" being the most important.			
	Most Important	Neutral	Least Important
Conversion	46%	29%	25%
Shopping cart abandonment rate	41%	28%	31%
Search marketing efforts	40%	35%	25%
User experience	35%	26%	39%
Search results/landing pages	32%	35%	33%
Navigation refinement	30%	24%	46%
Increasing average order size	28%	37%	35%
Identifying product delvelopment opportunities	20%	16%	64%
Category/product classification	17%	64%	19%
Reducing return rates	13%	54%	33%
Email landing pages	10%	42%	48%

Merchandising for Results

As merchandising tactics are fine-tuned to streamline site experiences, those delivering the **most value** tend to facilitate more exacting search, customer convenience, offer suggestive selling/informative content, or appeal to price-driven consumers. Merchants ranked the value of fifty features on a 5-point scale with "5" indicating the highest value. Those charted were ranked very to somewhat valuable (5-3) by 70 percent or more of the respondents.

Top Merchandising Features Rated Very to Somewhat Valuable (5-3)	
Keyword Search	94%
Sales or Specials	90%
Cross-sells	89%
Seasonal Promotions	88%
Email as a Merchandising Vehicle	86%
Free Shipping - Conditional	80%
Top Sellers	78%
What's New	78%
Up-Sells	75%
Alternative Views	74%
Merchandised Search Landing Pages	74%
Advanced Search	73%
Promotional Incentives to Buy	71%
Coupons/Rebates	70%

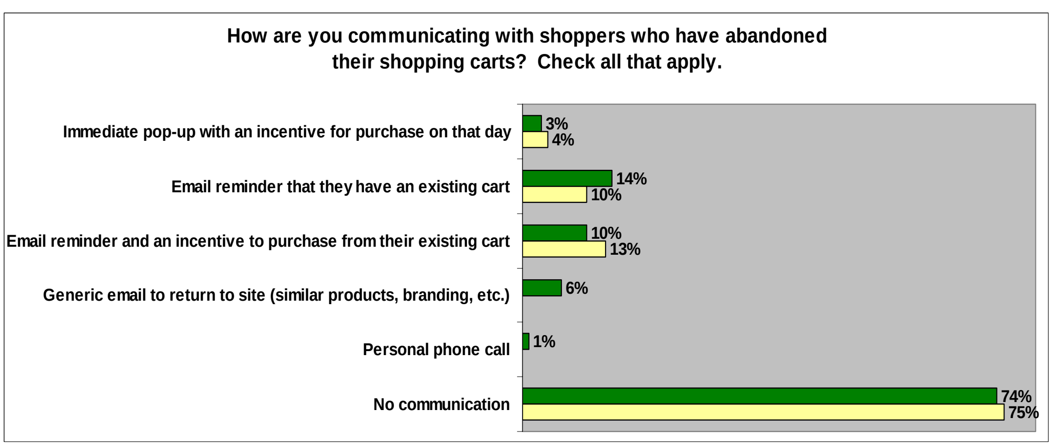
Several established merchandising features, although valued, have **decreased in site presence**, particularly those that may be difficult to **execute relevantly.** Promotionally, Sales and Specials with creative incentives are stalwarts while other tactics see little change or a slight decline in value and site presence – "**keep it simple, efficient and effective**" appears to be the merchant mantra.

Benefiting from the current **socialization** trend, Ratings and Reviews continue their climb (45% vs. 34% last year). Rich Media, although acknowledged for its **experiential** value, has had lower than expected bottom-line impact. Other feature-sets including Gifting and Viral strategies have **stabilized** with little change year-over-year.

In an open question about their greatest merchandising **challenges** in 2008 the continued quest to deliver **customization** and **personalization** based on behavior was pronounced as was a desire to refine/expand product assortments, often via drop-ship.

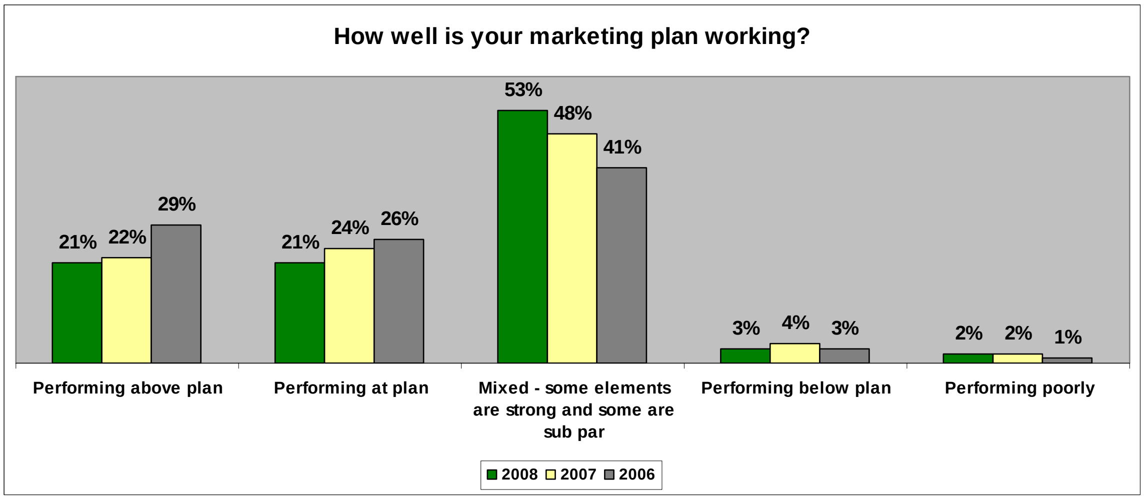
Shopping Cart Abandonment Strategies Evolve

Positively, **shopping cart strategies** are being established with more initiatives relative to holding merchandise and communicating about abandoned carts in place. However, this is an area that still needs attention as 29 percent remain unaware of their shopping cart abandonment rates and 74 percent have no communication with customers who abandon their carts, missing opportunities to save sales.



Marketing for Retention

In support of acquisition/retention strategies the percent of website budget designated for marketing continues to increase while the ratio spent online vs. offline is constant, where merchants indicate mixed performance results.



Direct to URL (27% vs. 30% last year) holds its own as the primary source of e-commerce demand but **SEO** (13% vs. 9% last year) is a growing area in keeping with merchants' need for improving ROI and profitability.

As more sophisticated initiatives are undertaken, customers **acquired online** are now considered to have a **slightly greater lifetime** value than those acquired offline.

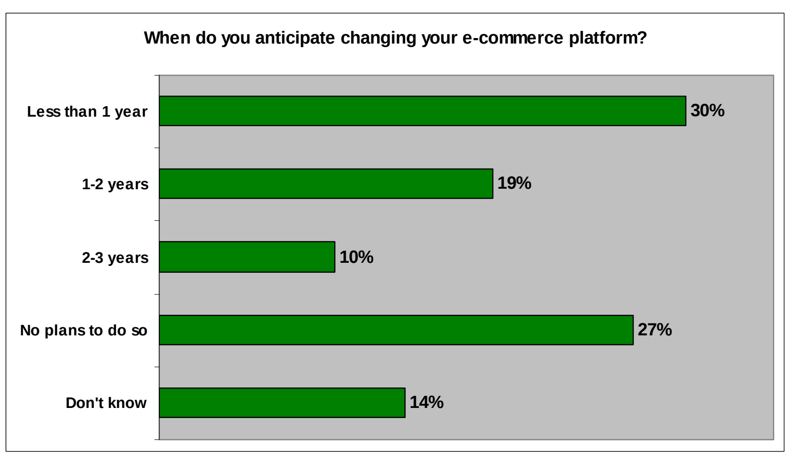
Merchants are re-evaluating **email** communication strategies with **less frequency** and inclusion of **branding**, **cross-channel** or **customer service** messaging as well as limited time promotions, moving beyond overly aggressive campaigns.

The greatest merchant challenge relative to email is to **increase the size** and **improve the segmentation** of their lists; yet the basics - staffing, deliverability, and analysis remain salient concerns.

Improvement Initiatives

While many **performance** initiatives are planned, most are level or down from last year and there is continued emphasis on tweaking/redesign although even fewer plan to add personnel (26% vs. 34%), a consistent issue.

A new query revealed that 59 percent of these merchants plan to change their **e-commerce platform** within three years of which 30 percent plan to do in 2008. This is being necessitated by new technologies that enable greater efficiencies and improved shopping experiences.



“Overall merchants are leveraging analytics to make tactical choices with clean yet comprehensive site experiences,” concludes Freedman. “Results-driven merchandising explores both what’s working and more importantly poor performance; testing and then implementing tactics that drive improvement.”

The e-tailing group’s top “T” list for merchants

1. Deploy **tactical** strategies; from search to content, integrating tools that elevate the user experience, enabling your customers to make the right choices smartly

2. **Tailor** shopping to your category, while differentiating your site to achieve a competitive advantage

3. **Tweak** the feature-sets on your site, streamlining onsite merchandising and the shopping cart to deliver a “simple, efficient, and effective” experience

4. **Target** customers, leveraging analytics and data-driven insights to deliver relevant cross-sells and emails

5. **Track** shopper behavior to wisely build a relationship and keep them coming back via well edited assortments and timely communication

6. **Test** results consistently to be sure you are achieving desired ROI and branding goals

7. Ensure a “**total experience**” that gives consumers confidence to buy - including the right assortment, ample product information and inspiring merchandising

A comprehensive report that summarizes aggregated findings from this survey is 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 2008, 204 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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