

Contact:
Lauren Freedman
The e-tailing group
773-975-7280 phone
lf@e-tailing.com

"THE MERCHANT SPEAKS": THE E-TAILING GROUP STUDY FINDS E-TAILERS FRUSTRATED BY WEBSITE METRICS AND ROI MEASUREMENT

14 percent of retailers unaware of online customer conversion rates; 43 percent can't cite shopping cart abandonment rates

Chicago, IL – April 16, 2003 – The e-tailing group, inc., a provider of merchant-centric e-commerce consulting services, today released "The Merchant Speaks," a new survey that indicates e-commerce features and functionality to drive bottom line results remains a top merchant priority. Implementing the improvements necessary to address these priorities is often tough in the current resource-constrained climate. Plus as e-commerce has moved from marginal to mainstream over the past few years, many retailers and catalogers selling online have been faced with the challenge of adapting legacy software and systems, often from companies that did not survive the technology market downturn.

Based on feedback from more than 200 senior executives who completed the e-tailing group's 1Q 2003 questionnaire, "The Merchant Speaks" highlights the fact that retailers are faced with an ever-increasing need for more relevant statistical measurement in order to justify the return on investment (ROI) of merchandising and marketing initiatives. Delivering these tools cost-effectively, however, continues to be an ongoing challenge.

"Merchants are investing in the tools that help customers efficiently find what they want, enable smart browsing, timely and targeted communication and simplified ordering," said Lauren Freedman, president of the e-tailing group, inc. "Unfortunately many of the sites now in need of platform upgrades or new servers launched with platforms that did not survive the recent technology demise. Others are kludged together with a mix of proprietary legacy systems and off-the-shelf software solutions. Either way these sites are forced to invest in improving their backbone before they can even consider other initiatives."

Other key top-line findings reported in "The Merchant Speaks," include the following:

- ♦ **Measurement.** Site activity/traffic and sales are still the primary measurement tools for 84% of the sites surveyed. While some e-commerce metrics are being analyzed by retailers, most are not. The fact that 14% of respondents could not identify customer conversion rates and nearly half (43%) could not provide shopping cart abandonment numbers indicates a need for better measurement and reporting structures.
- ♦ **Email.** In light of the huge amount of "spam" that is flooding email in-boxes, many merchants are reassessing email frequency to send fewer, more targeted messages to key customers. Eighty percent of surveyed merchants use email for store or product promotions, and 70% use email to highlight full-price products or seasonal messaging. While email has been shown to be an ideal branding vehicle, only 40% of respondents used email for this purpose. Opt-in and opt-out strategies are used in varying ways

“The Merchant Speaks” (e-tailing group) Press Release, Page 2.

depending upon specific objectives: 37% elect to have customers opt-in, 19% prefer opt-out and 40% use a combination of both.

- ♦ **Merchandising.** When asked to rank certain site features relative to their business, merchants focused on Cross-sells/Up-sells (50%), Personalization (50%), Improved Search (35%) and Live Customer Service (25%).
- ♦ **Technology.** Retailers also reported on their top three technology initiatives for 2003; they were: Platform Improvements, from new servers to upgrades; Order Processing, including order management, history, invoicing and confirmations; Performance Enhancements, such as site look/feel, page redesign and navigation.

Several future challenges were identified within the e-tailing group’s “The Merchant Speaks” report, among these were the following:

- **Resource constraints** – from budgets to personnel the need for more resources to optimize e-commerce was almost universal
- **Relationship to catalog/retail channels** – overcoming fiefdoms to achieve cross-channel initiatives that deliver seamless shopping experiences continues
- **Technology Issues** – prioritizing, sourcing, funding and maintaining the tools to support website evolution is a constant effort
- **Branding** – using the Web and e-mail for brand building as well as promotional purposes takes a corporate commitment
- **Future Direction** – integrating e-commerce into the strategic goals of the overall company as a cost-containment vehicle as well as a revenue generating channel presents the ultimate challenge

“The Merchant Speaks” supports the e-tailing group client projects providing industry benchmarks and insights along with e-commerce best practices. For more information about the study or to obtain an electronic executive summary please visit www.e-tailing.com.

About the e-tailing group, inc.

Founded in 1994, the e-tailing group, inc. is an “in the trenches” e-commerce consulting firm working with merchants to optimize their merchandising and customer service tools. The e-tailing group’s mission is to leverage the art of merchandising to improve the online consumer’s shopping experience. The group’s expertise has been applied to client strategies for such leading companies as Toys’R’Us, Scholastic, PBS, Kodak, Intel, MSN, USA Today, Eastern Mountain Sports, The Vitamin Shoppe, Deal-Time, Blue Martini and the National Housewares Manufacturers Association. In addition to consulting, the e-tailing group’s proprietary Mystery Shopping and Merchandising Surveys help to set standards for industry performance across the retail and catalog sectors. The e-tailing group has developed the Direct Marketing Association’s E-Commerce Seminar Series and its leadership are featured speakers at many industry events. For more information, visit the e-tailing group at <http://www.e-tailing.com>.

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