

4th QUARTER 2006 - ONLINE CUSTOMER SERVICE RESEARCH

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



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Online Customer Service Excellence: the e-tailing group Awards Top Performing E-Sites

January 9, 2007 Chicago, IL: Nine merchants have been recognized for excelling at online customer service based on the e-tailing group's 9th Annual Mystery Shopping Study.

"We took a three-pronged look at customer service in 2006 by benchmarking **call center** contact in addition to auditing **online** metrics and **email** to the merchant. **Live chat**, where available, was examined as a fourth communication option," explained Lauren Freedman, President, the e-tailing group.

"An overarching take-away from this study is that, in their quest for efficiency and profitability, merchants are aggressively embracing self service online. However," she emphasized, "it is imperative that self service should not replace customer service to fully maximize the capabilities of the web as a sales channel."

Of the 100 sites shopped throughout the 4th Quarter of 2006, those listed met all of the criteria established relative to customer service and communication. "Five of these sites are deserving of particular acknowledgment as they are among those merchants that we have also recognized in prior years," noted Freedman.

Top Performing B2C Sites for Online Customer Service in 2006

(alphabetical order, * indicates multi-year winners)

Ann Taylor*
Bluefly*
babystyle
Crutchfield*
Golfsmith
J.Crew*
J.Jill
Nordstrom*
Williams-Sonoma

"This year marks our introduction of a physical award for 'e-tailing excellence.' Each of these merchants will be presented with an engraved cube along with a companion annual icon to be utilized online and in print," announced Freedman. "Everyone at the e-tailing group joins me in congratulating them on their achievement."

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Methodology and Benchmarking Criteria

To qualify as “top performing” each of the 100 merchants was ranked using benchmarking criteria extrapolated directly from results of the survey. The top merchants for online customer service were revealed via a process whereby sites were systematically eliminated for not possessing “must have” criteria in the following order of importance:

1. 800 or toll-free telephone number
2. Keyword search
3. Correctly answer e-mail question within 25 hours; providing a specific answer
4. Four or fewer days to receive package
5. Six or fewer clicks to checkout
6. Real time inventory in shopping cart or product page
7. Online shipping status
8. Order confirmation in shopping cart
9. Email order confirmation sent with order number included
10. Recommended products/features in shopping process
11. Display customer service hours
12. Holiday shopping deadline

Four metrics from the survey are charted here to demonstrate the exemplary performance of these top sites for customer service versus the average of the 100 sites shopped.

CUSTOMER SERVICE LEADERS VS. THE E-TAILING GROUP 100 SITES				
Merchant	1st search page relevancy (1-5, 5 = best)	Hours to answer email	# of clicks from selection of product through checkout	Business days to receive Item
Ann Taylor	5	8.15	5	3
Bluefly	5	.58	5	4
babystyle	5	8.03	6	2
Crutchfield	5	4.00	4	3
Golfsmith	5	1.93	5	2
J.Crew	5	3.63	3	3
J.Jill	5	.66	5	3
Nordstrom	4	3.15	4	4
Williams-Sonoma	5	7.70	4	3
Average of all sites shopped with these features	4.8 (97 sites)	23.79 (100 sites)	5.23 (100 sites)	4.6 (99 sites)
<i>Source: the e-tailing group 9th Annual Mystery Shopping Study</i>				

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Key Customer Service Metrics

Following are highlights of customer service metrics based on all 100 sites shopped during this 9th Annual Mystery Shopping Survey. While much has stabilized there is still room for improvement and more focus on what best serves the customer.

Information:

After hovering in the 90% range for several years, the presence of an **800/toll free telephone number** is finally universally found on 100% of the sites shopped. Unfortunately its visibility is not always optimal including frequently not being found on home pages. More sites (97% vs. 92% last year) also offer additional **contact information**.

Other informational metrics tracked remained consistent year-over-year 2006/2005 including listing online **customer service hours** (75%/76%), **guarantees** (62%/62%), and **FAQs** (74%/73%).

Indicative of the proficiency of online shoppers, fewer sites are providing **1st time user tips** (22% vs. 26% last year).

Call Center Contact (NEW FEATURE SET):

An in-depth evaluation of the **call center communication** experience was added to this year's study. Initial **phone message quality/length** was ranked on a 1-5 scale with 5 being the best. The 97 sites offering these messages averaged 4.0 but prompts could be improved with more opportunity for general queries other than placing orders and returns. As charted, **hold times** to reach agents were minimal.

HOLD TIME TO REACH APPROPRIATE CALL CENTER REPRESENTATIVE (After Initial Menu)	
None	35%
Under 1 minute	47%
1 – 2 minutes	8%
2.01 – 5 minutes	6%
Over 7 minutes	4%
<i>Source: the e-tailing group 9th Annual Mystery Shopping Study (97 sites)</i>	

Disappointingly the **overall customer experience**, also ranked on a 1-5 scale, just averaged 3.5 as customer service representatives were too often simply computer operators reading information from pre-formatted scripts. They did not seem to have adequate product knowledge training plus, as charted, there is also room for improvement with CSR attitude and efficiency.

THE CALL CENTER CONTACT EXPERIENCE	
Overall customer experience (1-5/5=best)	3.5
CSR attitude (1-3/3=friendly)	2.5
CSR efficiency (1-3/3=very efficient)	2.4
CSR product knowledge (1-3/3=knowledgeable)	2.3
CSR stated their name	88%
CSR ask/call customer by name	12%
CSR promoted specials	3%
<i>Source: the e-tailing group 9th Annual Mystery Shopping Study (95 sites)</i>	

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Communication:

The average time to **respond to emails** we sent asking a customer service question improved this year, averaging just under 24 hours vs. 30 hours last year and 26 hours consistently for the prior two years of this study. As automation replaces true personal communication, the number of these responses that are "**personalized**" in the **salutation** continues to increase (76% vs. 69% last year). Yet despite receipt of correct answers, **just** slightly less frequently (74% vs. 76% last year), their quality is deteriorating with automation.

Live chat makes further inroads. While the technology is improving, with the feature more frequently in **working order**, one-quarter of customer service representatives (CSRs) are still not able to correctly **answer questions** posed. **The overall quality** of the service remains static at a "fair" level but the **average time to chat** increased by more than a minute versus last year, most likely a result of multi-tasking on the part of CSRs.

LIVE CHAT	4Q 2006	4Q 2005	4Q 2004
Available	29%	27%	24%
In working order	97%	89%	92%
Question answered	75%	75%	86%
Average time to chat	8.14 minutes	7.29 minutes	12.2 minutes
Quality of service (1-5/5=best)	3.89	3.88	4.10

Source: the e-tailing group 9th Annual Mystery Shopping Study (varied subsets of sites)

Added to this year's study is the feature **Click2Call**, now on just 3% of the sites that offer live chat but one that may be an "up and comer" worthy of tracking. Also of note were pro-active chat applications whereby the feature **pop-ups** without prompting to offer assistance in the midst of the shopping process as well as increased functionality to provide post-chat **transcripts** via email.

The Shopping Cart ('06 NEW METRICS)

Recognizing the importance of the shopping cart in the order process, this year there is increased survey focus here to benchmark both customer efficiency and merchandising initiatives.

Newly tracked, **perpetual shopping carts** are now found on more than half the sites (55%). Although many are rather basic, more sophisticated versions are emerging. **Google Checkout** (7%) is another feature to watch for growing penetration as incentives are offered for usage on all sites offering it. Overall **deferred payment plans** gained significant presence on 35% of the sites vs. 15% in 4Q '05 with even greater usage in categories selling high-ticket products.

Universally **immediate order confirmations** were provided in the shopping cart. Working to maximize then close the sale, and avoid returns, merchants are also deploying such tactics as:

- Taking the customer **directly to the cart** once product has been added there (72%)
- Including **pictures of products** in the shopping cart (74%)
- **Recommending products** in the shopping cart (72%)

The Shopping Process from Inventory and Shipping

As merchants strive to improve the user experience, **real-time inventory** is now wisely utilized on 83% of sites surveyed, up from 76% last year; positioned on the **product page** (83%) and in the **shopping cart** (75%).

Maturation of the online shopping is most evident as **clicks to checkout** (5.2 vs. 5.3 last year) shows little change year over year. Another convenience tool, **online shipping status**, is constant with 4Q '05 at 97% penetration. The average number of **business days to receive products** is also stable at 4.6 days vs. 4.5 days last year and 4.4 days the year prior.

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International

Selling online internationally has been identified as a growth area, though the sites surveyed indicate slow movement in that direction 2006 vs. 2005, given the inherent challenges.

- **Multi-national site entry** (21% vs. 18%)
- **Ability to shop in another language** (24% vs. 21%)
- **International shipping – beyond Japan and Canada** (29% vs. 28%)

Post Order Communication:

Just as last year, 96% of the sites sent **post-order email confirmations** but many more chose **HTML formatting** (52% vs. 33% 4Q '05) as robust visuals better promote the brand and spur shoppers to buy. Accordingly, 45% vs. 35% last year, elected to include **merchandising tactics** in those emails. Conversely, inclusion of **customer service messaging** dropped to 85% from 95% last year, which we find of some concern.

Lastly, the **returns process** still offers significant opportunity as few merchants are offering customers helpful tools from **online return forms** (17%) to **prepaid return labels** (22%) to **smart labels** (5%).

Checklist for Excelling at Online Customer Communication

"We believe that the communication component can be a differential in customer service and offer this essential checklist of areas where we observed room for improvement among the merchants surveyed," related Freedman.

1. It is not enough to provide an 800/toll free number if it cannot be easily accessed – starting on the home page.
2. Similarly, complete contact information should be provided and easily visible.
3. Call center representatives need to be trained on products, operational functions and a customer-centric attitude.
4. If all CSRs cannot be product experts, designate specialists who can handle issues beyond order placement or return.
5. If you offer live chat, make sure that the service quality and team is intact.
6. Be aware of and test new tactics (i.e. Click2Call, perpetual shopping carts, Google checkout).
7. Use email to communicate customer service capability as well as merchandising messaging throughout the order process.
8. Make returns easy for customer as it goes a long way toward retention.

In summary Ms. Freedman, stressing concern for the emphasis on self-service vs. customer service, cautions merchants that "efficiency is not always effective." Customer service's impact on retention should therefore be top of mind for any best-in-class merchant.

About the e-tailing group, inc.

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.

For more background about this research study, including a list of merchants surveyed 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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