

## 4th QUARTER 2007 - 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 Names Top Performing E-Sites for Delivering Exemplary Customer Service**

January 15, 2008 Chicago, IL: Eleven merchants have been recognized for excelling at online customer service based on the e-tailing group's 10th Annual Mystery Shopping Study.

"As the online channel matures it is essential for merchants to prioritize exemplary service or growth rates will continue to decline and flatten out," cautions Lauren Freedman, President, the e-tailing group. "Throughout this year's study we clearly saw a divide between merchants that just provide baseline service and those that truly have a customer service culture. Great service leads to loyalty and those merchants who make it the differentiator will profit from their investments," she asserts.

Of the 100 sites shopped throughout the 4th Quarter of 2007, those listed met all of the criteria established relative to customer service and communication.

#### **Top Performing B2C Sites for Online Customer Service in 2007**

(Alphabetical order, \* indicates prior-year winners)

**Blue Nile**

**Container Store**

**Crutchfield\***

**Discovery Channel Store**

**Fossil**

**Golfsmith\***

**Lands' End**

**Polo**

**Pottery Barn**

**REI**

**Zappos**

Four additional sites, including one prior-year winner, met all criteria but did not make the final cut because their toll-free phone numbers were not clearly visible on the home page (present on 63 percent of the 100 sites shopped). "This is a perfect example of a simple to execute customer-centric feature that builds trust and decreases site abandonment," explains Freedman. "Personally I rarely purchase from a merchant that cannot be easily contacted; where it is a bit like 'Where's Waldo' to locate their phone number."

**Armani Exchange**

**Bluefly\***

**Home Depot**

**Nine West**

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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 present and visible on the home page
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 shipping deadline stated

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.

| <b>CUSTOMER SERVICE LEADERS VS. THE E-TAILING GROUP 100 SITES</b> |                                                             |                                      |                                                               |                                      |
|-------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------|--------------------------------------|
| <b>Merchant</b>                                                   | <b>1<sup>st</sup> search page relevancy (1-5, 5 = best)</b> | <b>Hours/minutes to answer email</b> | <b># of clicks from selection of product through checkout</b> | <b>Business days to receive item</b> |
| <b>Blue Nile</b>                                                  | 5.0                                                         | 00:21                                | 5                                                             | 1                                    |
| <b>Container Store</b>                                            | 4.5                                                         | 25:00                                | 6                                                             | 4                                    |
| <b>Crutchfield</b>                                                | 5.0                                                         | 00:19                                | 5                                                             | 4                                    |
| <b>Discovery Channel Store</b>                                    | 5.0                                                         | 00:46                                | 5                                                             | 2                                    |
| <b>Fossil</b>                                                     | 5.0                                                         | 00:43                                | 3                                                             | 2                                    |
| <b>Golfsmith</b>                                                  | 5.0                                                         | 07:46                                | 3                                                             | 2                                    |
| <b>Lands' End</b>                                                 | 5.0                                                         | 02:20                                | 4                                                             | 3                                    |
| <b>Polo</b>                                                       | 5.0                                                         | 03:44                                | 6                                                             | 3                                    |
| <b>Pottery Barn</b>                                               | 5.0                                                         | 02:17                                | 5                                                             | 4                                    |
| <b>REI</b>                                                        | 4.5                                                         | 06:37                                | 4                                                             | 3                                    |
| <b>Zappos</b>                                                     | 3.0                                                         | 00:13                                | 4                                                             | 1                                    |
| <b>Average of all sites shopped with these features</b>           | <b>4.8 (98 sites)</b>                                       | <b>31:23 (95 sites)</b>              | <b>5.26 (100 sites)</b>                                       | <b>4.2 (97 sites)</b>                |

*Source: the e-tailing group 10th Annual Mystery Shopping Study, 2007*

## The Differentiators: Key Customer Service Metrics

Following are highlights of customer service metrics based on all 100 sites shopped during this 10<sup>th</sup> Annual Mystery Shopping Survey with a focus on **efficiency**, **convenience**, **timeliness**, and **customer-centricity** as these are the issues that truly matter to consumers when shopping online.

As seen by the feature penetration percentages (in parentheses with year-over-year for 2007/2006 indicated where available) some of these metrics are becoming universal; others are up-and-coming and merit consideration by merchants as they continuously look to improve the shopping experience.

### Empowering customers to shop and manage their purchases efficiently is step one.

- Comprehensive **FAQs** (83%/74%) help shoppers to quickly understand a site
- **Real time inventory** (86%/83%) lets them know what's available
- Newly tracked **back-in-stock email alerts** (7%) may save a sale
- **Stepped checkout** (90%) and **fast buy** (17%) are two other new metrics that bring efficiency to the order process
- **Online order tracking** (99%/97%) facilitates follow-up without the expense of call-center intervention

### In the service equation convenience is readily apparent in the cart and confirmation.

- Via a **perpetual cart** (72%/55%) shoppers can see what they have selected and how much they have spent without interrupting their flow
- **Pictures of items in one's cart** (74%) assists recall
- **Recap of cart contents in the order confirmation** (77%/76%) is also a useful reminder

Unfortunately there was a notable decline in the number of sites who included customer service **contact information in the order confirmation** (70% versus 85%) - another one of those simple communication gaffs that we find so irresponsible.

### Alternative payment methods may provide convenience but have not yet proliferated.

- **Deferred payment** is an option on just over one-third of the e-tailing 100 sites (37%/35%)
- This year tracking of **PayPal** (22%) was introduced
- **Google checkout** (12%/7%) was revisited and we anticipate its presence to grow further

### Timely post-order communication and product delivery are *almost* universal.

- Fewer sites provided **immediate order confirmations onsite** (95%/100%)
- More **email shipping confirmations** were received (95%/88%)
  - Both are required elements for a best-in-class online order process
- The **number of business days to receive product** continues to decrease (4.18/4.6)

### Customer-centricity puts the shopper at the helm, often via technology innovation.

- The presence of **live help** is increasing (32%/29%)
- Agents are **answering questions correctly** more often (87%/75%)
- The **quality of service** received is inching up; achieving a ranking of 2.56 on a 1-3 scale with 3 being the best versus 2.33 last year.
- Although much less prevalent, **click2call** also increased penetration exponentially (16%/3%)
- **Product related emails**, sent to customer service, were mostly answered correctly (77%/74%)
- **Personalized responses** (84%/81%) consistently outnumbering **auto responders** (16%/19%)

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Self-service tools are welcome when they work but can lead to frustration as we typically found automated responses to be too generic. It also took longer to receive **email replies** this year (an average of 31:23 hours/minutes versus 23:47) which delays shopper gratification where shoppers seek competitive alternatives.

**Hold times** when we called customer service were longer as well, frequently more than one minute (39%/18%). Perhaps this was impacted by the fact that the **average length** of these calls increased year-over-year to 4.10 minutes from 3.56 minutes. As seasoned direct marketers can attest to, the call center is a merchant's connection to the customer and needs constant attention.

### Perceptions impact attaining perfection.

A perception not reflected in the metrics, but true to many of our experiences, is the need for merchant **focus on responding to product-related questions**. This was apparent from "contact us" email options to untrained call center agents.

Ms. Freedman summarizes, "Overall our mystery shoppers concluded that merchants who deliver superior customer service extend that level of quality throughout all of their communication channels - email, chat; call center. Conversely, bad execution seems to suffer across-the-board. Relative to online shopping, it is time to obliterate the obstacles and strive for execution beyond marketing promises and good intentions." The following checklist includes guidelines to reach this end.

### EXECUTION BEYOND MARKETING PROMISES AND GOOD INTENTION The e-tailing group Checklist for Exemplary Online Customer Service

1. Clearly state toll-free/800# on home page as part of universal navigation
2. Ensure inventory is accurate and displayed at both product page and shopping cart
3. Allow for changes in the shopping cart once the checkout process is initiated - without losing all previously entered information
4. Build in tools that facilitate positive customer service experiences (i.e. back-in-stock emails; express checkout)
5. Leverage technology (i.e. live chat, click2call) ensuring proper training that reinforces brand objectives
6. Incorporate product knowledge in customer service training; moving beyond mere customer service issues
7. Create a streamlined, easy way to reach an agent when making a phone inquiry (many of the recorded messages make customers jump through hoops to find an agent)
8. Automate communication effectively and do not deliver blanket answers
9. Assure that post-order communications arrive in a timely manner (some shipping confirmations arrived after receipt of the product)
10. Enable customer service outreach and merchandising within post-order communication
11. Learn from shoppers via surveys and onsite feedback; then make strategic adjustments

### 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](mailto:lf@e-tailing.com) or visit the e-tailing group website [www.e-tailing.com](http://www.e-tailing.com).

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