1st ANNUAL PAY-PER-CLICK E-TAILER STRESS STUDY

EXECUTIVE SUMMARY

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Proprietary study conducted by the e-tailing group, inc. 4Q 2006 in partnership with NetElixir, Inc.
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THE E-TAILING GROUP 1st ANNUAL PAY-PER-CLICK E-TAILER STRESS STUDY

This presentation contains highlights of findings from the e-tailing group's
1st Annual E-tailer Pay-Per-Click Stress Study
conducted in the 4th Quarter of 2006 in conjunction with NetElixir, Inc.

As always, we thank those who took time to share their insights.
We value their input and learn from their experiences.

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I. SURVEY GOALS & METHODOLOGY

To understand the state of pay-per-click (PPC) marketing including current expenditures, management, and resulting performance benchmarks, the e-tailing group, in conjunction with NetElixir, surveyed approximately 100 e-commerce executives in November 2006 via an online questionnaire.

II. SURVEY SUMMARY

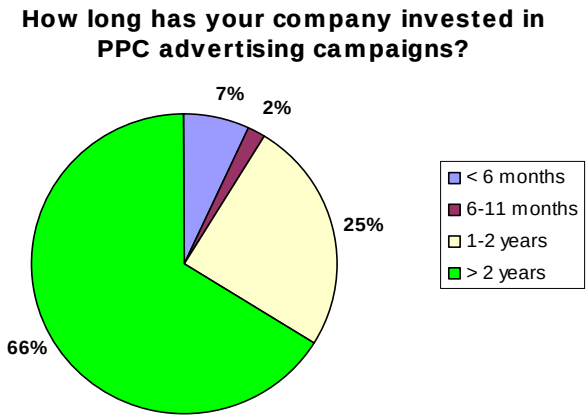
Merchants are vested in pay-per-click marketing but more dedicated resources are needed for growth and improved results.

- Those surveyed consider themselves experienced and sophisticated relative to PPC marketing but may not be garnering the full potential of paid search
- A substantial percentage of advertising budgets is being invested in PPC marketing
- However, having sufficient resources – both financial and personnel – to dedicate to PPC marketing remains a frustration for many merchants
- Management of PPC programs is primarily being handled in-house; followed by a mix of internal/external resources
- Both those using in-house and outsourced management are satisfied with their current position with most measuring campaign success based on ROI
- The reasons given for in-house management – cost, easier; control – need to be evaluated to be sure that the job requirements are not being underestimated
- Whether resources are internal or outsourced is less the issue than if those charged with the responsibility understand the big picture, are well trained/experienced, and are fully dedicated to the very complex task of maximizing return

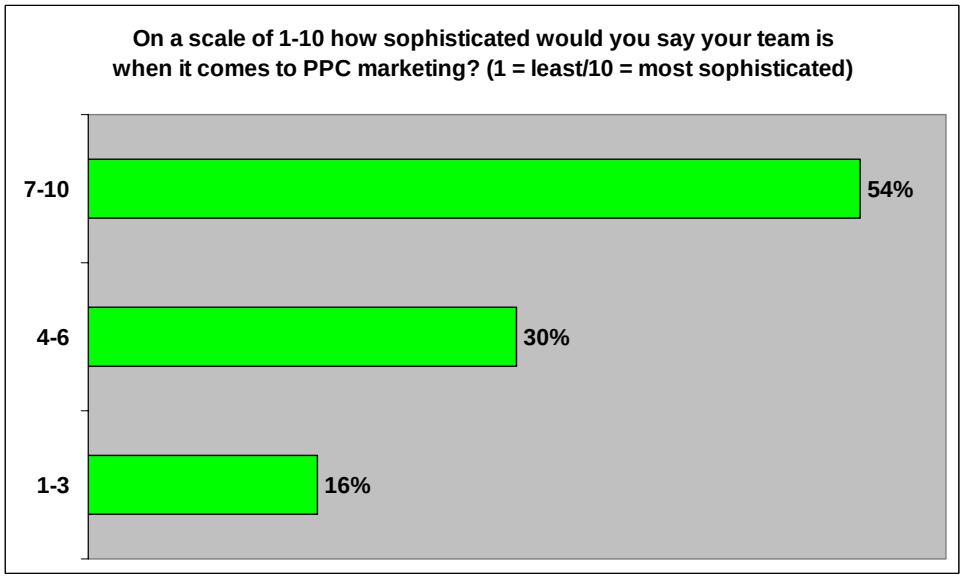
III. SURVEY DETAILS

Seasoned Participants

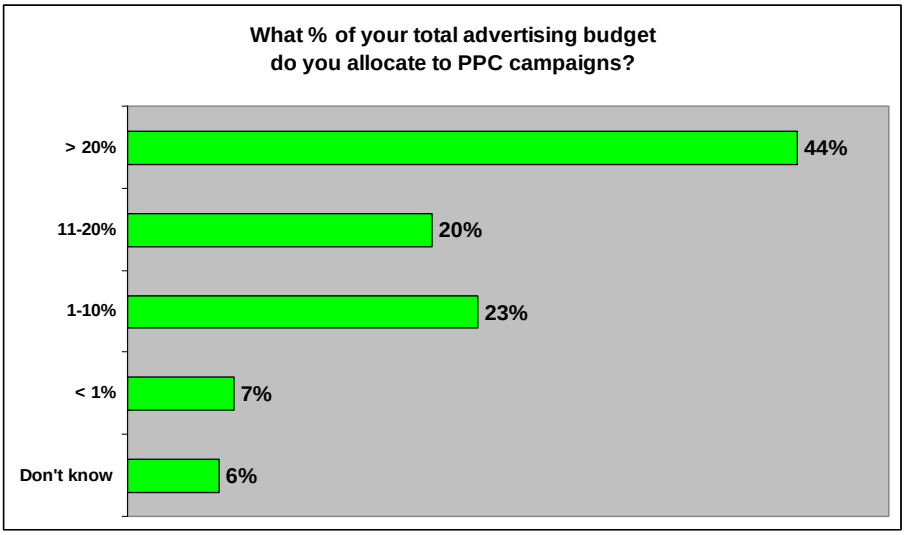
Those surveyed consider themselves experienced, as 66 percent have been investing in PPC for more than two years.

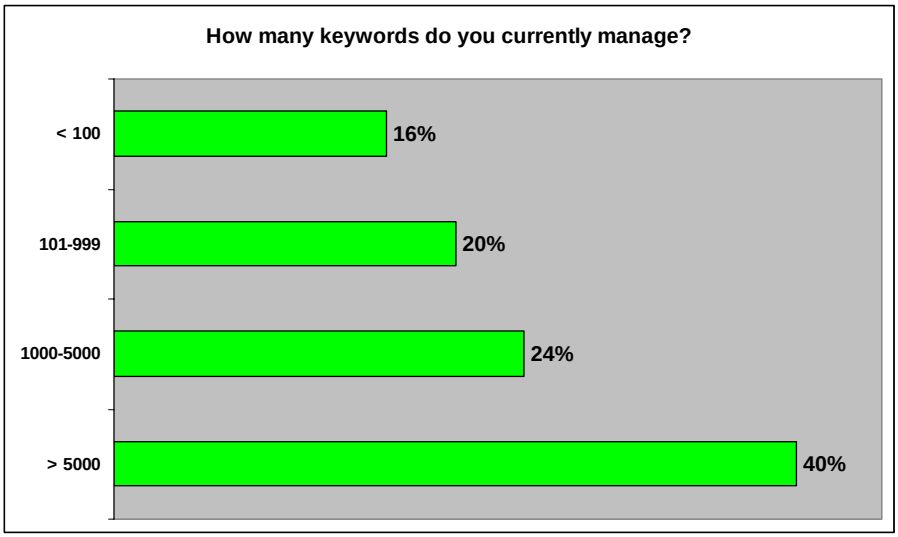


On a scale of 1-10 (with 10 being the most sophisticated), 54 percent rank their team's sophistication at 7 or higher when it comes to PPC marketing.



With 44 percent of those surveyed currently allocating more than one-fifth of their advertising budgets to PPC campaigns and 40 percent managing over 5000 keywords, it is clear that merchants see value in this marketing method.





Not surprisingly, they are also spreading their dollars across the major search engines:

Check the search engines with which you currently run PPC campaigns. (Check all that apply)	
Google	100%
Yahoo	90%
MSN	76%
Ask.com	27%

Resources are Limited

Resource constraints plus limited time availability and skilled personnel to dedicate to PPC were frustrations clearly expressed by these merchants.

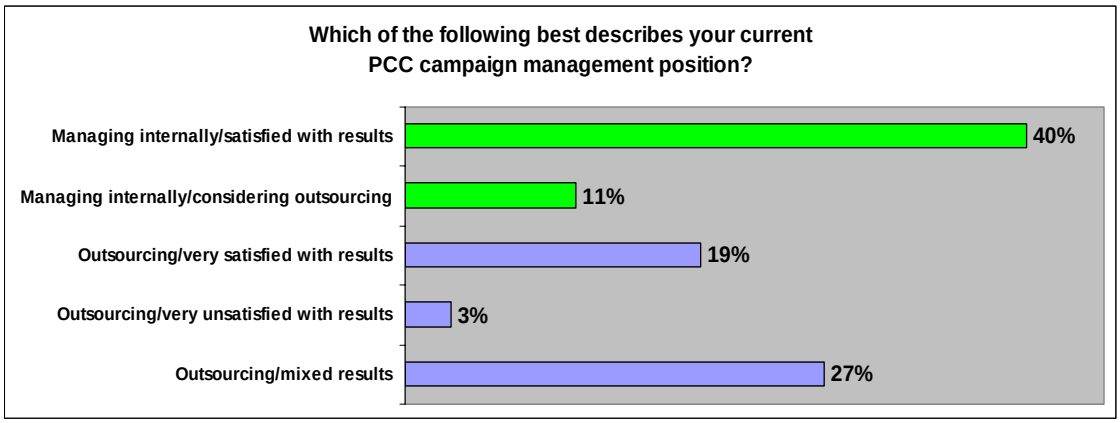
In an open-ended question survey respondents were asked, "If there was one thing your organization could do to improve your PPC management, what would it be?" Their replies concur with the need for more robust management to attain better results.
Following are a few excerpts:

> "*Devote more people and more time to managing the campaigns.*"
>
> *"Dedicate a full-time resource to understanding about PPC; sharing this knowledge with an assistant or a team who can investigate and learn…"*
>
> *"Invest in an analytics program so more time can be allowed for strategy and development of campaigns."*
>
> *"Have more resources in place to manage in more depth; have better training in how to best accomplish a successful PPC campaign in-house, and if not able, then look to outsource it."*

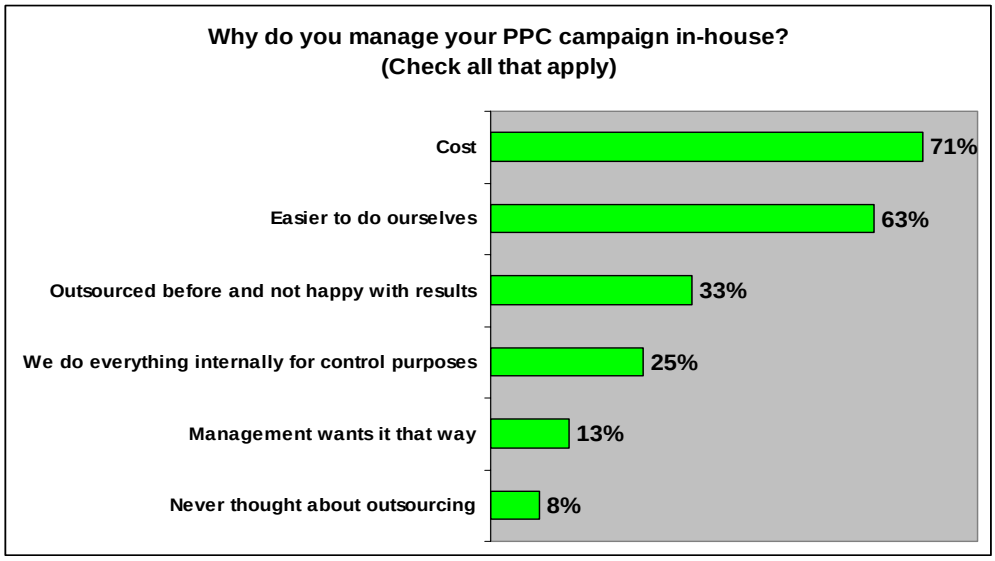
Staffing for PPC Management is a mix of 59 percent internal, 18 percent outsourced, and 23 percent a combination of internal/outsourced.

The time spent managing PPC ranges from less than 5 hours (32%) to 21 or more hours (33%) per week. Unfortunately, of those surveyed, 99 percent have just three or fewer people working on these campaigns in-house.

When asked about their current position, 40 percent, who are managing PPC in-house, expressed satisfaction while 11 percent are considering outsourcing. As charted, satisfaction levels among the 49 percent outsourcing were split with only 3 percent unsatisfied.

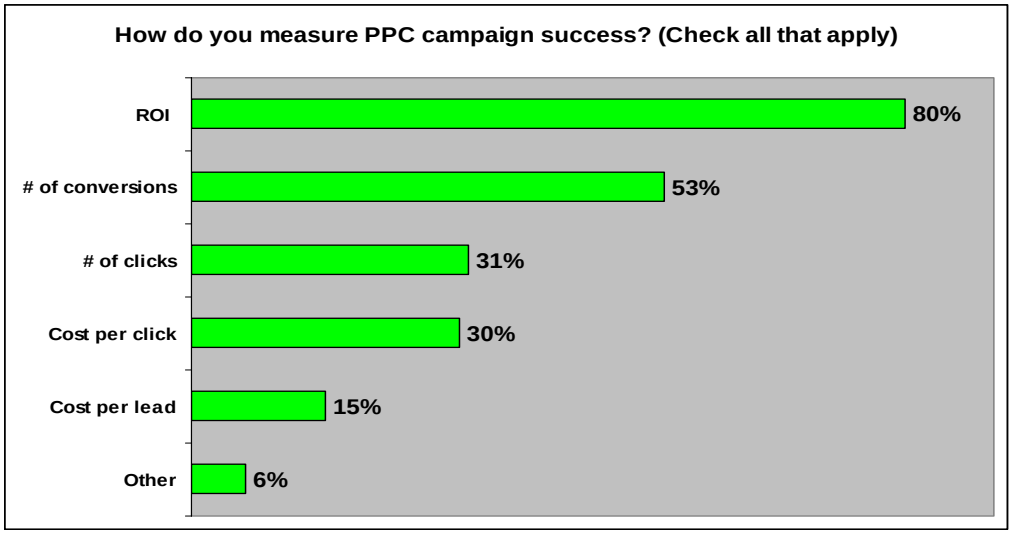


The primary reasons for managing PPC campaigns in-house are cost (71%), easier to do (63%), and control (25%). Additionally, one-third of those surveyed expressed dissatisfaction with prior outsourcing experiences.



Measurement is Essential

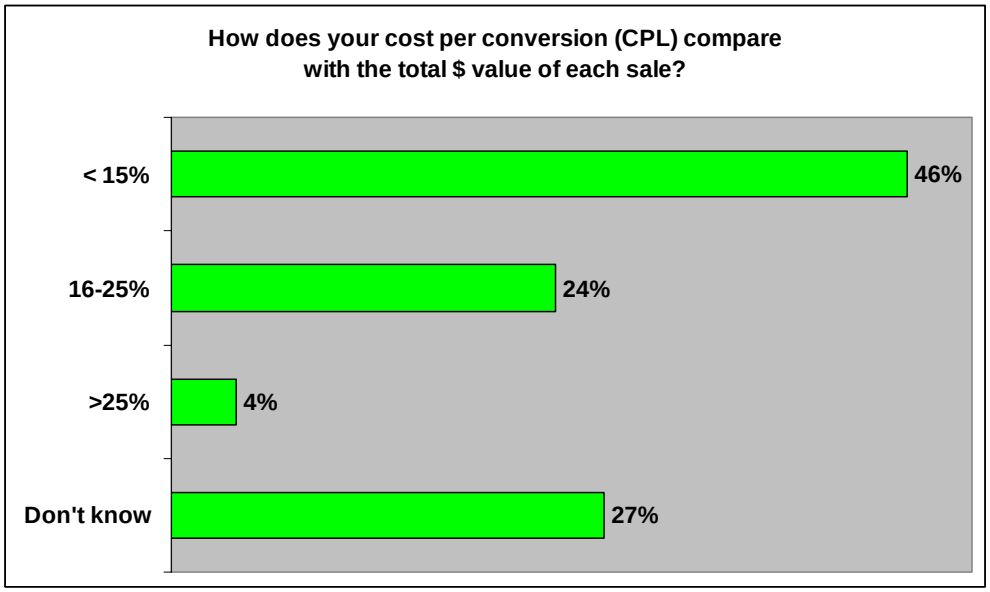
ROI is the primary measurement for success of PPC campaigns for 80 percent of respondents.



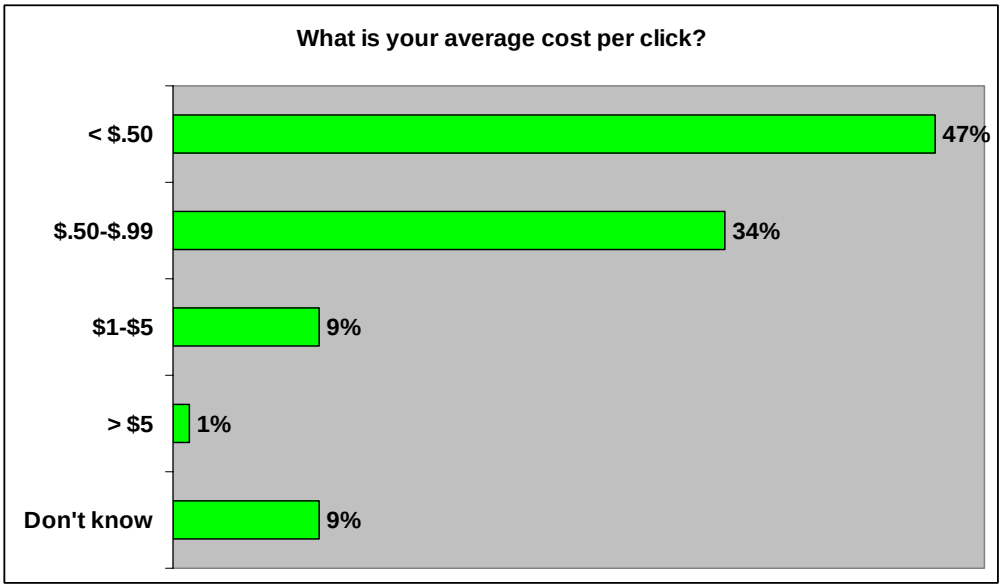
Yet 27 percent reported that they do not know how their cost of conversion compares with the total dollar value of each sale. This would suggest a need for more exacting measurement and analysis as part of the process.

It is important to note that each of these metrics should be benchmarked regularly on a category by category basis:

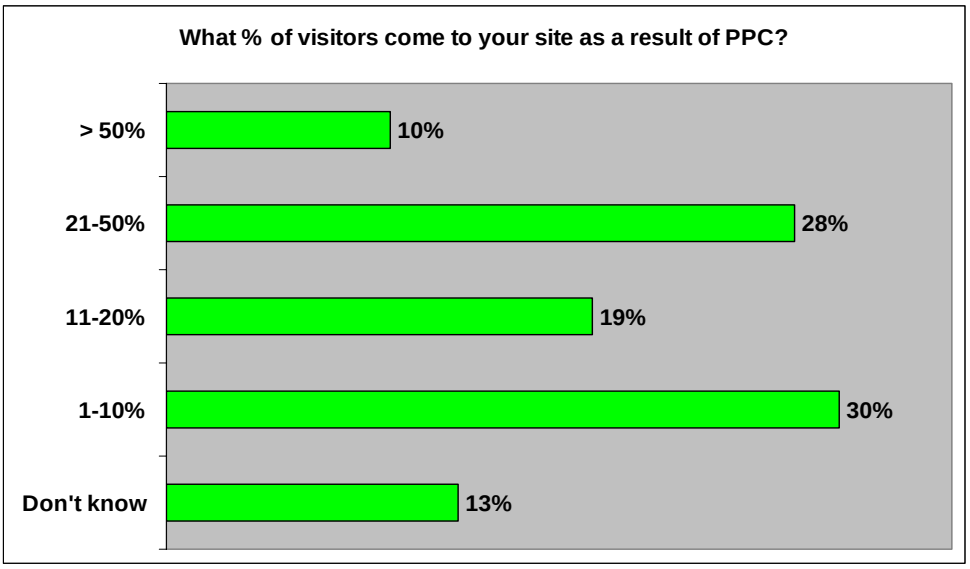
- 46 percent of those surveyed report cost-per-conversion at 15 percent or less than the total value of each sale



- 47 percent of merchants report average cost-per-click of less than $.50



- While 49 percent of sites reported 20 percent of visitors or fewer coming to their sites as a result of PPC, 28 percent reported between 21-50 percent and 13 percent don't know this critical information.



IV. NETELEXIR GUIDELINES FOR OPTIMIZING PCC MANAGEMENT

1. Start with an unrelenting customer focus.
2. Assign dedicated staff with search experience to the task.
3. Provide 24x7x365 operational support.
4. Develop and continually test processes using scalable technology.
5. Make hands-on tools for visibility and control easily accessible.
6. In real-time track, then analyze, interrelated and constantly changing variables:
    a. Keyword selection
    b. Keyword matching
    c. Ad grouping
    d. Ad placement
    e. Ad copy tailoring
    f. Landing page design
    g. Bidding techniques
    h. Click fraud
7. Devote resources to keep up-to-date on the dynamic nature search engines:
    a. Algorithms
    b. Policies and offerings
    c. Bid management tools
    d. Competitive strategies
8. While automated tools help to efficiently manage this complex process, nothing can replace human judgment, resourcefulness, and insight – rely on a mix of both.

V. COMPANY BACKGROUNDS

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 and actionable merchandising solutions to merchants selling online as well as to enabling technology firms.

For more background about this research study or 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.

NetElixir (www.netelixir.com) offers full-service 24x7 management of pay-per-click search marketing campaigns, providing customers with optimal and predictable returns on their search marketing dollars.

For information regarding NetElixer's search engine marketing solutions contact Udayan Bose by phone at 978-266-1399 or via email to udayan@netelixir.com.