



## The 1<sup>st</sup> Annual Top-Line Technology Survey

### EXECUTIVE SUMMARY

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## THE E-TAILING GROUP 1<sup>ST</sup> ANNUAL TOP-LINE TECHNOLOGY SURVEY

This presentation contains highlights of findings from *the e-tailing group's* 1<sup>st</sup> Annual Top-Line Technology Survey conducted in the 2nd Quarter of 2005 in conjunction with Venda, Inc.

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

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### I. SURVEY GOALS

Today with ROI and profitability core merchant objectives – and a tactical approach essential – we believe it is timely to take a closer look at how merchants are gauging their technology platforms.

In this survey 160 senior executives with responsibility for ecommerce technology share their perspectives with a goal of gaining a better understanding about how merchants select and use technology solutions.

#### **The questions asked focused on:**

- What technologies they use today
- What factors go into selection of a platform
- General satisfaction levels
- Lessons learned that can be applied when choosing an eCommerce solution

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**II. SURVEY SUMMARY**

**Technology is in flux**

- As eCommerce has evolved, merchants' technology needs have changed to accommodate multi-channel selling and ever more demanding "channel agnostic" customers
- To remain competitive merchants must deliver best-in-class merchandising and exemplary customer experiences – at a cost that keeps the bottom line intact
- 55% of the merchants surveyed indicated that they are very or somewhat likely to make a change to their technology platform
- Lessons learned focused on thorough pre-planning, professional project management, in-depth research, diligent vendor evaluation, and realistic platform criteria
- In these tactical times a technology platform that meets key needs of scalability and flexibility is essential
- More merchants are looking at the operating advantages of outsourced solutions but they also want to retain control and contain costs

**III. PROFILE OF PARTICIPANTS**

Products and services sold include key B2C and B2B categories:

What are the primary product/service categories that you are currently selling online? Check all that apply.			
<b>Apparel</b>	<b>34%</b>	<b>Technology</b>	<b>9%</b>
<b>Home &amp; Garden</b>	<b>29%</b>	<b>Business to Business</b>	<b>8%</b>
<b>Accessories/Jewelry</b>	<b>25%</b>	<b>Business Services</b>	<b>5%</b>
<b>Books/Music/Video</b>	<b>20%</b>	<b>Automotive</b>	<b>4%</b>
<b>Toys/Kids</b>	<b>19%</b>	<b>Department Store</b>	<b>4%</b>
<b>Health &amp; Beauty</b>	<b>15%</b>	<b>Mass Merchant</b>	<b>4%</b>
<b>Consumer Electronics</b>	<b>14%</b>	<b>Pets</b>	<b>4%</b>
<b>Gifting/Greeting Cards</b>	<b>13%</b>	<b>Financial/Insurance</b>	<b>3%</b>
<b>Collectables</b>	<b>11%</b>	<b>Membership Services</b>	<b>3%</b>
<b>Food &amp; Beverage</b>	<b>11%</b>	<b>Marketing Services</b>	<b>3%</b>
<b>Computer Hardware/Software/ Peripherals</b>	<b>10%</b>	<b>Drugstore</b>	<b>2%</b>
<b>Office Supplies/Furniture</b>	<b>10%</b>	<b>Medical/Health Services</b>	<b>2%</b>
<b>Sporting Goods</b>	<b>9%</b>	<b>Communication</b>	<b>1%</b>

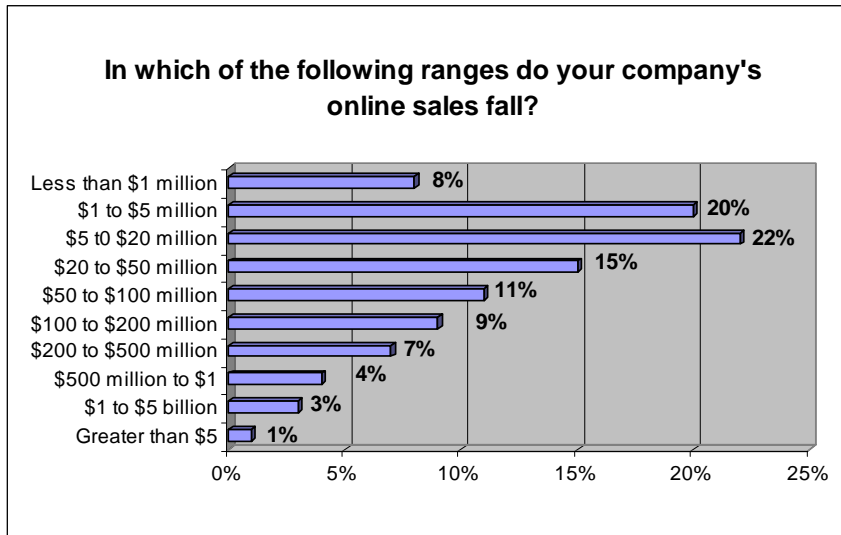
Cross-section of annual company sales volume:

- 28% under \$5M
- 22% \$5 - \$20M
- 26% \$20 - \$100M
- 16% \$100 - \$500

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Profile of Survey Participants continued:

**Annual eCommerce budgets spread from 18% under \$100,000 – to 25% spending \$3 million plus:**

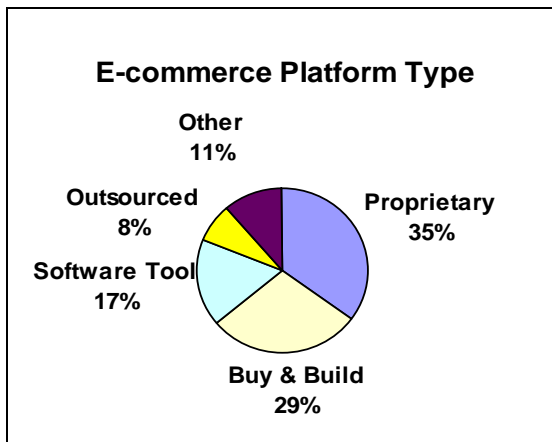


**Budgets typically correspond to online sales status**

- A majority of companies with sales under \$20M have annual eCommerce budgets under \$500,000
- \$5-\$100M split budgets likely based on platform selection, overall company size and sku count
- A majority of the larger firms are investing over \$1M

**IV. SURVEY DETAILS**

**There is no universal platform of choice. Proprietary tools top the list.**



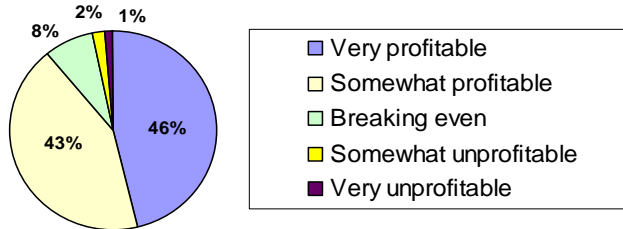
- Current eCommerce platforms include:
  - 35% proprietary
  - 29% buy and build solutions
  - 17% software tools
  - 8% outsourced platforms
  - 11% other solutions
- Merchants use a range of solutions typically dependent on:
  - eCommerce initiation
  - Channel landscape
  - Initial \$ allocated to eCommerce
  - Overall service requirements
  - Level of interest in outsourcing

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**eCommerce sites are profitable but have room for improvement.**

- Just 46% are very profitable; 43% somewhat profitable

**From a strict P&L assessment, would you say your e-commerce efforts are:**



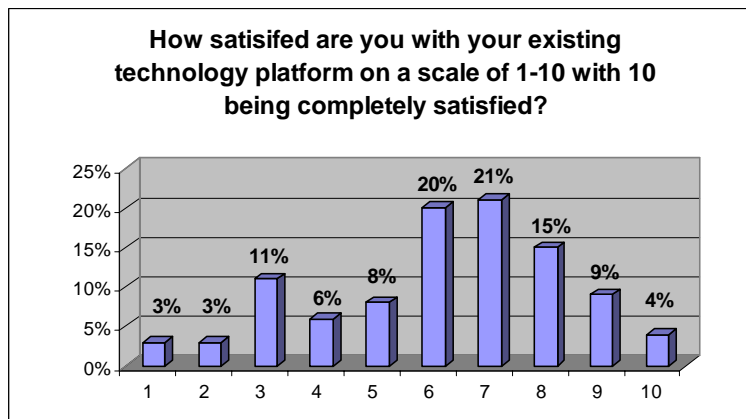
**A majority of respondents are not pleased with their existing eCommerce technology.**

- 39% believe they have received good value; 36% indicate that investments to date are “a mixed bag”

How would you best describe your existing eCommerce technology to date?	
We have received good value for our money	39%
A mixed bag: we made some good investments and some that were poor and just didn't pan out	36%
We'd like to totally scrap our existing system and start all over again	15%
We have so much money and resources invested at this point that we have no choice but to stick with our current platform	9%
Too early to tell	1%

**Complete or unlimited satisfaction is difficult to come by.**

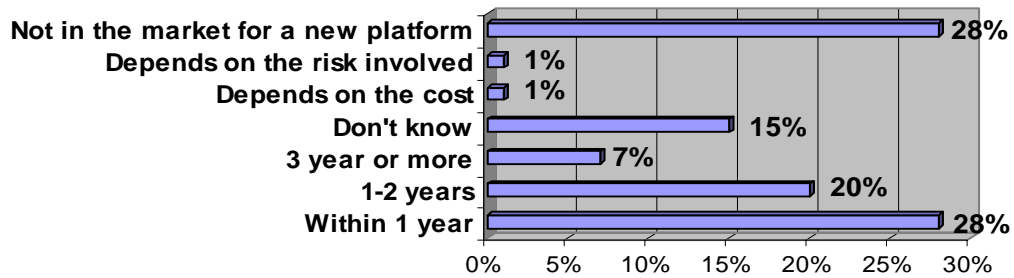
- The majority of merchants are in the 3-10 satisfaction range on a scale of ten (with ten being completely satisfied). **Just under one-third express some degree of dissatisfaction.**



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Almost 50% of merchants are looking to swap out platforms within two years.

**How soon are you anticipating a platform change?**



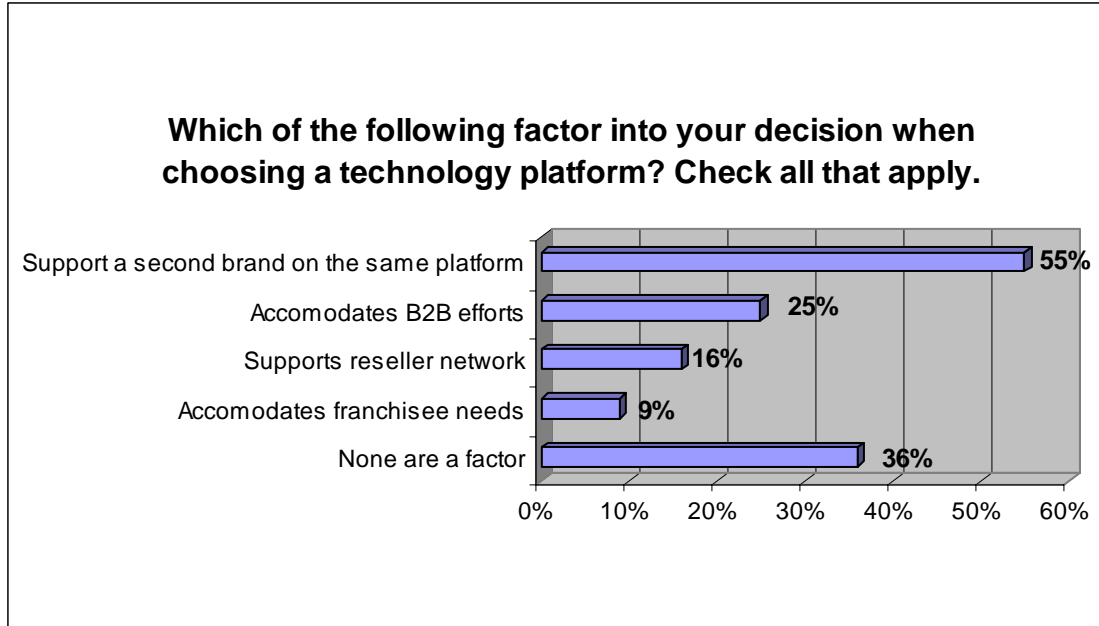
Features/functionality, cost, reliability/stability, merchant control and flexibility are the business factors that most merchants consider when evaluating a new platform.

When evaluating a new platform, how would you rank each of the following business factors or elements in your overall decision? Please rank 1-5 with 1 being the most important factor and 5 being the least important.	
Business factor	# of responses
Features/functionality	107
Cost	96
Reliability/stability	91
Merchant control	71
Platform flexibility	63
Reporting analytics	57
Hosting capabilities	27
Time to market	23
Fulfillment capability	22

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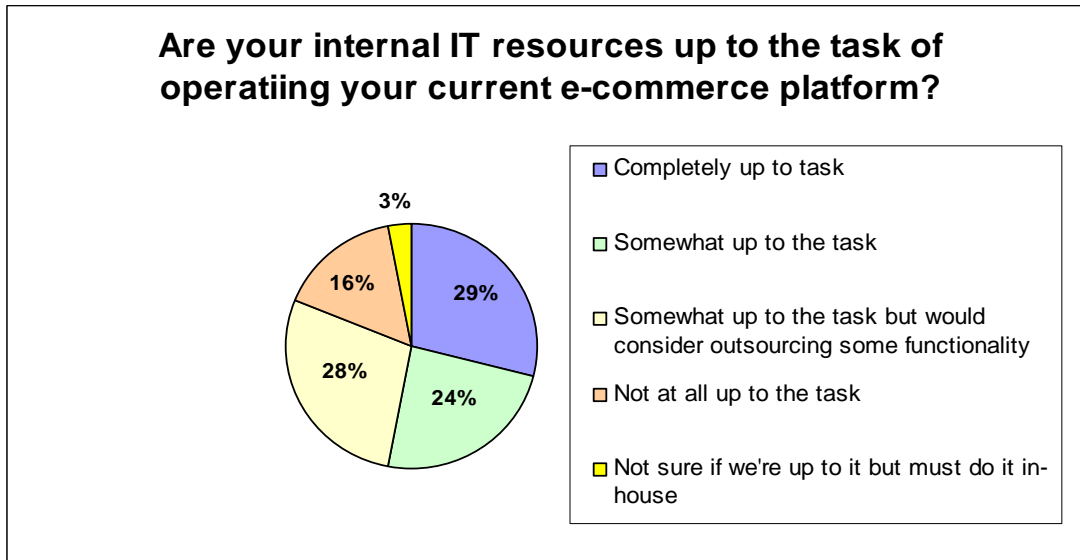
## Multi-faceted needs impact platform selection.

- Of the issues charted, support of a second brand on the same platform factors into the choice of technology platform for 55% of the merchants surveyed



Considering the importance of IT for delivering best-in-class eCommerce, it is of concern that only 29% feel they are completely up to the task of operating current platforms internally.

- Beyond hosting, outsourced solutions also need to offer specialized expertise



**V. LESSONS LEARNED**

**In an open-ended question merchants shared the top three lessons learned that a company should consider when in the process of selecting a new eCommerce platform.**

**Thorough preplanning and professional project management are essential.**

1. Justify, review and work at controlling costs but anticipate overages
2. Define all goals and requirements
3. Consider an RFP process – but keep it focused
4. Work as a team with other departments and management to see needs from their perspective and get buy-in
5. Hone project management skills
6. Attention to details is essential
7. Allow adequate time for the process – then double whatever you plan
8. Acquire the right in-house and outsourced resources – then plan for more
9. Be realistic

**Research must be in-depth.**

1. Research both vendors and end users
2. Focus on vendors that are proven, established, and stable
3. Check references and referrals – go beyond those suggested by a vendor
4. Understand all of your options and the trends relative to a proprietary solution, outsourcing and customization
5. Investigate integration and control needs/issues
6. Assess the competitive landscape
7. Evaluate all associated costs – internal and outsourced

**Diligent vendor evaluation is a critical.**

1. Negotiate – understand extras and add-ons; ask for proof of concept
2. Evaluate their staffing including account management, customer service, and technical support
3. Be aware of process and the time it takes them to make updates or changes
4. Get details about their programs for training your in-house staff
5. Ask if their packages have marketing components to promote your site

**Platform criteria need to be realistic.**

1. KISS! Simplicity is essential - do not try to re-invent the wheel
2. Scalability – the #1 lesson learned is to allow for growth
3. Flexibility – 2nd and echoed is the need for stability, reliability, and performance
4. Features and functionality – including multi-channel capabilities – come next --- with caution to never preempt flexibility
5. Testing and measurement - from the tools to analytics

**VI. THE E-TAILING GROUP'S "10Cs"**

Understanding that "the only constant is change" we offer this checklist of "10 Cs" for merchants to keep top of mind as they strive for affordable best-in-class eCommerce:

1. Be comprehensive in assessing your needs
2. Be clear in defining your requirements
3. Be collaborative with internal teams and external partners
4. Be cognizant of costs
5. Be competitive
6. Be conscientious
7. Be consumer responsive
8. Be a good communicator
9. Be in control
10. Be a comparison shopper

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### **VII. COMPANY BACKGROUNDS**

On July 19<sup>th</sup> at 1:00 PM EDT a free Webinar will be hosted by the e-tailing group and Venda to review more details from this survey. Register at [www.venda.com/webinar](http://www.venda.com/webinar) or call 888-878-3632.

Methodology of "The 1<sup>st</sup> Annual Top-Line Technology Survey" including a profile of participants and their product categories as well as additional background on the e-tailing group inc. may be obtained at [www.e-tailing.com](http://www.e-tailing.com), by contacting Lauren Freedman via email at [lf@e-tailing.com](mailto:lf@e-tailing.com) or by phone 773-975-7280.

#### **ABOUT THE E-TAILING GROUP, INC.**

Founded in 1994, with the belief that new technologies enable promotion of products/services for the ultimate customer reach, the e-tailing group, inc. is a shopper-centric e-commerce consulting firm. The firm's expertise and point of differentiation is their merchant mentality that fosters development of e-commerce as a distribution channel. Their mission is to leverage the art of merchandising to improve customers' multi-channel shopping experiences. Customized merchandising programs, innovative e-commerce solutions and go-to-market strategies for online merchants and related technologies/services, optimize implementation of multi-channel merchandising and customer service tools. In addition to consulting, the e-tailing group's proprietary surveys help to set cross-channel standards for industry performance.

#### **ABOUT VENDA**

Venda delivers on-demand eCommerce to some of the world's leading retailers and manufacturers, including Virgin Megastore, Panasonic, Universal Group, Tommy Hilfiger, Ted Baker and Xerox. The Company's complete eCommerce platform combines flexibility, reliability and scalability with the operating advantages of an outsourced service. Multi-lingual and multi-currency capable, Venda's B2B, B2C and B2E solutions provide "best of the web" capabilities to mid-tier and Fortune 1000 companies. For more information about Venda, contact Bernardine Wu at [bwu@venda.com](mailto:bwu@venda.com) or 1.888.US VENDA (1.888.878.3632).