the e-tailing group 11th Annual Merchant Survey

Customer Experience Escalation: Making the Right Choices in a Connected World

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STATE OF THE MARKETPLACE

"Upon reviewing findings from our 11th Annual Survey, we are taking a forward thinking stance for 2012," announced Lauren Freedman, President of the e-tailing group. "After 18 years of ecommerce consulting, we anticipate that this will be a chaotic year with retailers **sorting out emerging channels and device growth**; yet all the while relying on their **websites to serve as the mainstay** of the shoppers' experience. Holistic thinking and gaining an understanding of one's evolving customer will be essential to personalize and prioritize experiences in the connected world in which we find ourselves today."

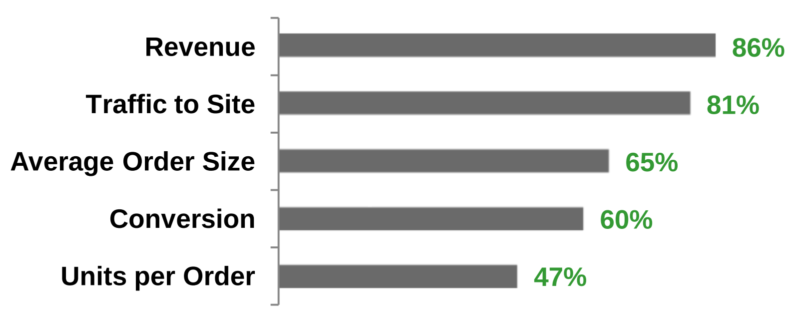
MERCHANT FOCUS

For the 11th consecutive year this comprehensive online survey was fielded in the first quarter to senior executives with responsibility for ecommerce. This year 147 respondents provided valued insights to 55 questions covering critical topics from Internet strategies to channel presence to merchandising and marketing initiatives.

When asked, "What are the top three issues that you will devote the most time to in 2012?", one-third (31%) replied that their focus is on **the customer experience** followed by **marketing** (22%) and **channels** (19%). This certainly makes sense in our omni-channel world where merchants are universally selling on the Internet (99%) and 61% already have an **mcommerce** presence. Notably from a channel perspective, among those surveyed, 86% are **deploying email**, 54% also have a **store channel** and 48% run **catalog-based** business models.

As channels proliferate, investments are on par with 2011. Eight out of ten merchants (81%) report that **senior management is very/somewhat satisfied** with the ROI being generated by ecommerce efforts within their organizations. Key performance metrics being used to track business over the past year (2011) all show increases (significant/somewhat) from 86% of participants for **revenue** to 60% for **conversion** to 47% for **units per order**.

Over the course of the past year (2011), how have the following key metrics been tracking?
(Top-2 Significantly/Somewhat Increased)



TACTICS THAT MATTER

To gain an understanding of the value of specific **merchandising tactics**, 50 features were ranked on a 5-point scale: 5 being very valuable and 1 indicating not at all valuable in driving revenue and results.

Charted at the right are the **most highly valued** features with a top-3 ranking of 90% or more (valuable/somewhat valuable/neutral); every one of which adds to efficiency or contributes to a higher AOV.

Listing of Feature Ranking Very Valuable to Neutral	Top-3 2012
Keyword search	**98%**
Sales/Specials	**95%**
Email as a merchandising vehicle	**94%**
Seasonal promotions	**94%**
What's new	**93%**
Cross-sells	**92%**
Zoom	**92%**
Product ratings and reviews	**91%**
Alternate views	**90%**
Top sellers	**90%**
Up-sells	**90%**

In the chart below, top-3 (very valuable/ somewhat valuable/neutral) rankings reflect the increased impact of **social shopping** via **four new metrics** (Top rated, "Like" on Facebook, Social login and fCommerce).

As a point of definition fcommerce allows consumers to purchase directly from Facebook without having to be redirected to their website.

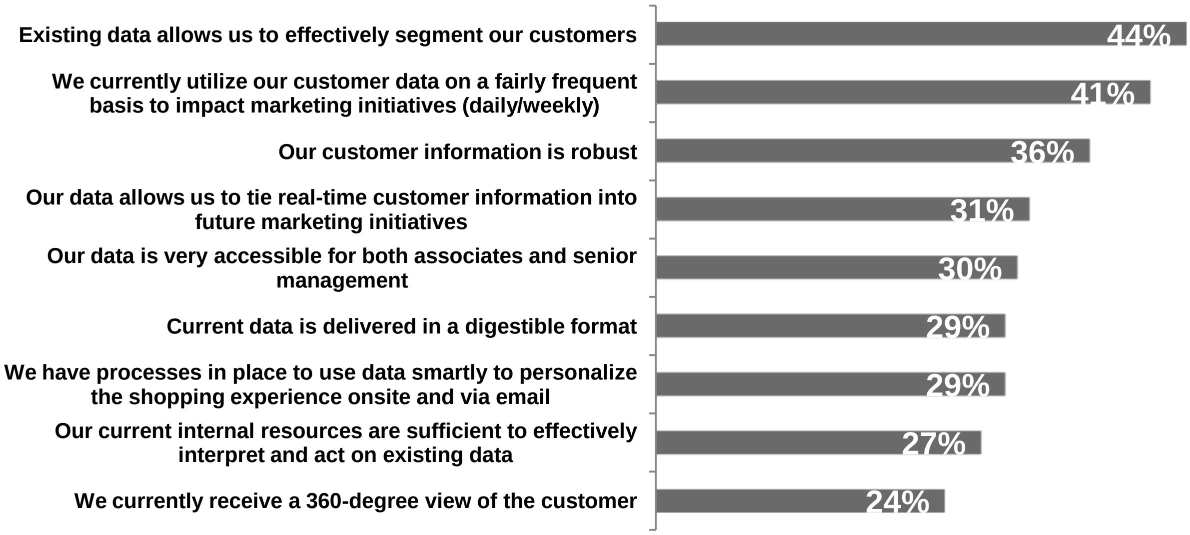
All Features High to Low %	Top-3 2012	Top-3 2011	+/-%
SOCIAL			
Top rated	**87%**	**na**	**na**
"Like" on Facebook	**81%**	**na**	**na**
Social login	**56%**	**na**	**na**
fCommerce	**51%**	**na**	**na**
EMERGING			
Mobile commerce	**85%**	**68%**	**17%**
Live chat	**74%**	**59%**	**15%**
Frequent buyer programs	**68%**	**56%**	**12%**
RICH MEDIA			
Zoom	**92%**	**81%**	**11%**
Video	**86%**	**75%**	**11%**

This chart also illustrates **emerging tactics** based on the highest year-over-year percentage point increases in penetration with **mobile commerce** leading the pack at 17%+. From there tactics that **improve the experience** and **foster loyalty** gain the most ground.

WORKS IN PROGRESS

Data drives decision-making yet information is not in a ready state. In response to queries about one's ability to access **the right data for successful marketing to customers and prospects** unfortunately, across-the-board, levels of strongly/somewhat agree were 44%, at the highest. In fact just 24% levied agreement with having a 360° view of the customer as the ultimate goal should be to know one's customer and subsequently create well integrated, channel agnostic commerce.

When thinking about your ability to access the right data to successfully market to customers and prospects, please indicate your level of agreement on the following aspects.
(Top-2 Strongly/Somewhat Agree)

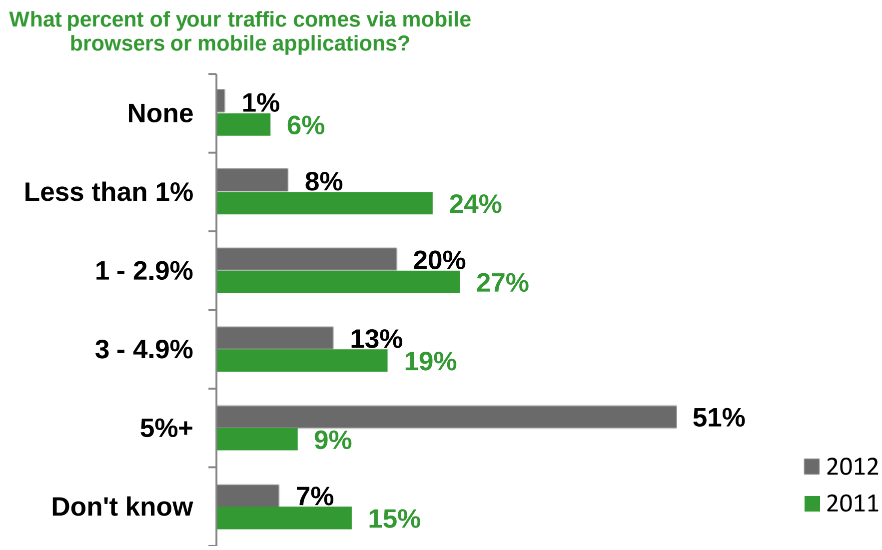


In another question ranking **top merchandising and navigational tactics for customer retention**, overwhelmingly the tactic named most/somewhat important by 93% was "**analytics evaluation to see what works**." Merchants obviously know the importance of data feedback but still need to overcome a plethora of obstacles before being able to access and evaluate this information in a useful manner. While numbers are available, resources are finite and management demanding where the ability to access, digest and share the metrics under the current pace of change is often still challenging for many retailers.

Agreement regarding personalization followed suit with complete/somewhat agreement by 63% to the statement: "Our view of personalization is centered on **segmentation** of shopping groups or types rather than a true one-to-one vision." Positively 61% did agree that, "We will **test a range of strategies** to understand which perform well and best fit with our brand vision." **So, although personalization still centers on one-to-group, retailers are diligent in their testing and execution.**

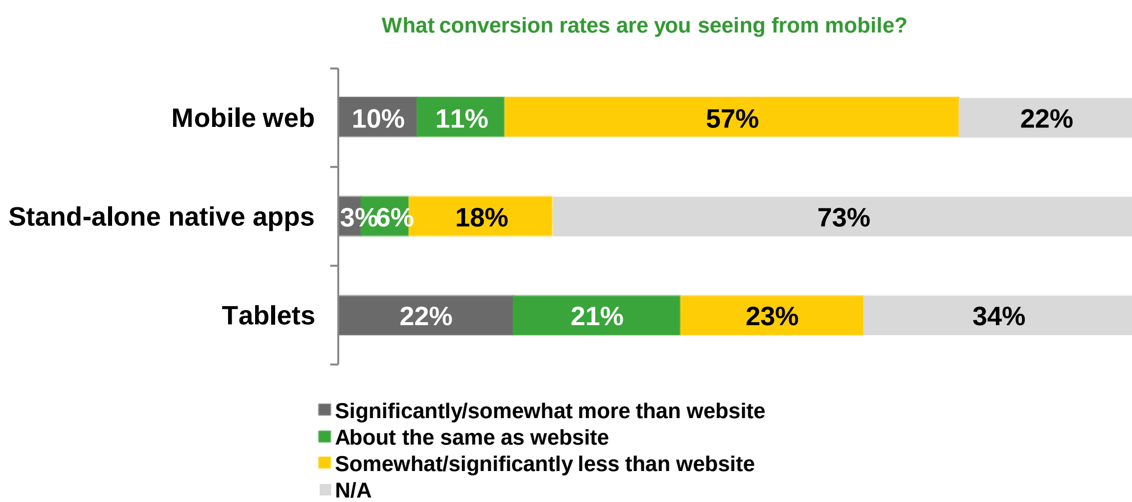
SHIFTING EMPHASIS

Increasing mobile traffic is being seen from connected consumers with more than one-half (51%) reporting 5% or more of **website traffic** now coming from mobile browsers or mobile applications, compared to 9% in 2011.



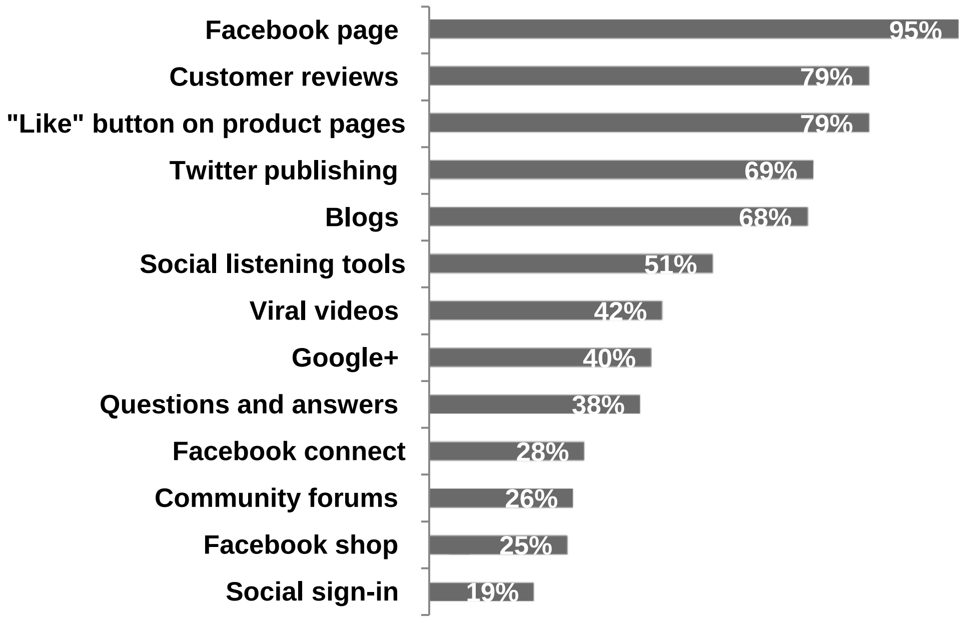
Capitalizing on these traffic patterns over one-third (35%) are garnering **3% or more of their revenues via mobile browsers or mobile applications** while just 10% of the merchants attained a like percentage of sales in this manner last year. Accordingly, merchants are focused on mcommerce with almost **twice as many investing $100,000 or more in mobile** this year versus last year (30% vs. 16%).

These investments will be critical to improving the user experience on mobile devices in order for **conversion rates** to increase. Currently 57% report that, on the mobile web, these rates are somewhat/significantly less than their websites generate. Conversely **tablets**, being easier to browse and buy from, are delivering conversion equal or better than websites for 43% of responders.



Social standards for retailers include Facebook (95%), customer reviews (79%) and the like button (79%) while merchant choice dictates others based on categories sold and customer profiles.

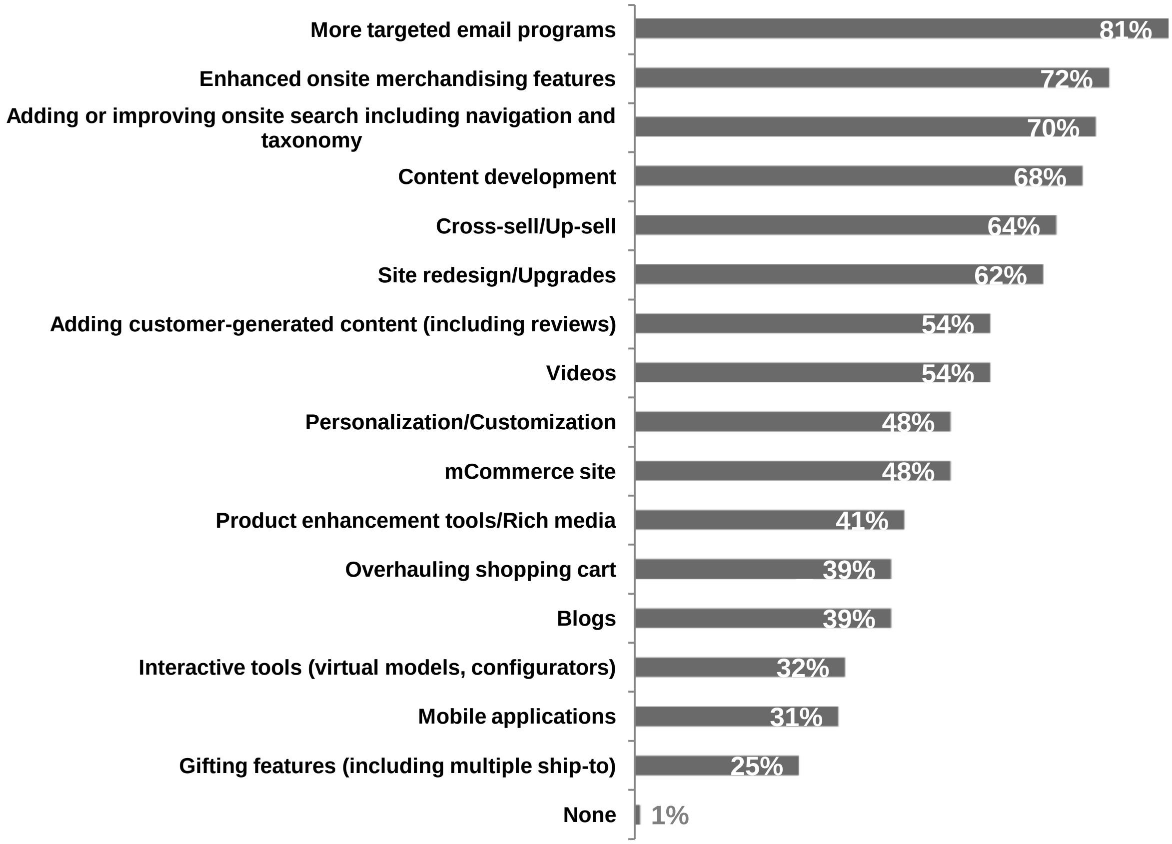
Which community and social media tools does your company employ today or plan to employ?
(Top-2 Employ Today and/or Plan to Evolve in the Next 12 Months)



PLANNED INITIATIVES

In summation, these ecommerce experts checked off what they are planning from this list of sixteen initiatives to improve website performance. More **targeted email** (81%), enhanced **onsite merchandising** (72%) and upgrading **onsite search** (70%) were the most prevalent as they should deliver the biggest bang for the buck. These and many others that rank high on the list, support escalation of the customer experience.

What initiatives are you planning to improve website performance? Check all that apply.



THE E-TAILING GROUP CHECKLIST

1. Think profitability as tactics are prioritized and positioned onsite and beyond
2. Roadmap customer experiences that ensure standards are in place while category-centricity is leveraged as a brand differentiator
3. Maintain a robust roadmap, always assessing and aligning priorities to meet internal goals and exceed customer expectations
4. Continually test a series of merchandising tactics ensuring that your company delivers a superior shopping experience
5. Monitor emerging marketing techniques while maintaining an edge on the essentials
6. Put a personalization plan in place starting with onsite experiences while also moving beyond the site
7. Optimize mobile initiatives to meet customers in their new channel of choice

8. Explore social networks taking advantage of these locations to engage and reach consumers

9. Invest in data in order to understand customer behavior and merchandising performance to best prepare for future marketing demands

10. Measure results and adapt to stand out and thrive in today's dynamic and competitive landscape.

THE COMPANY

Boiler plate per template

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