

Ecommerce Benchmark Guide 2007

229 Charts, Tables
& Eyetracking Heatmaps

EXCERPT

Note: This is an authorized excerpt from the full 294-page Ecommerce Benchmark Guide 2007.
To download the entire Guide, go to: <http://www.SherpaStore.com> or call 877-895-1717

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Editor's Note

Welcome to the 2007 edition of our Ecommerce Benchmark Guide. You'll find 223 charts and tables (98% brand new since last year) and six new color eyetracking heatmaps. The goal is to provide practical stats and guidelines at your fingertips so you can:

- Raise shopper-to-buyer conversions, as well as buyer lifetime value
- Lower shopping cart abandons
- Improve search engine marketing ROI, despite rising costs
- Perk up email opens, clicks and conversions
- Compare your marketing stats to your peers
- Get marketing test and site revamp ideas approved by management

Where did we get all of these stats, metrics and guidelines from? Four places, all based in real-life:

#1. 2007 MarketingSherpa Surveys and Audits of Your Peers – America's Top Ecommerce Marketers

Our thanks to the 1,913 ecommerce marketers who took our fairly extensive survey this January, revealing their real-life budgeting strategies, traffic-driving tactics and conversion data. We think this is the world's largest survey ever of ecommerce marketers. And, the resulting data is phenomenal.

In addition, our research team conducted an audit of 250 US ecommerce sites, including the largest ones as well as the more entrepreneurial ones. We signed up for your email, used your customer service tools and reviewed your home page features to see what the norm is for 2007. Plus, given how critical search marketing is for driving ecommerce traffic, we examined your status by industry (e.g., apparel, home electronics, etc.) in both organic (SEO) and paid search listings.

#2. Three New MarketingSherpa Surveys of Online Shoppers

In a new series of three surveys, conducted in partnership with Prospectiv, Guidester and Survey Sampling, we asked a total of 2,449 adult (18+) online shoppers everything from:

- How they research and determine which sites to shop on
- What is the first activity they do when landing at your site
- What factors make them leave your site without buying
- Whether customer (peer) reviews make a difference in their buying decisions
- How often they like to receive email from a typical ecommerce site
- How they feel about special offers in transactional emails they get from you

#3. New Eyetracking Lab Tests of Five Famous Sites

You will find six colorful “heatmaps” in this Guide, the results of our eyetracking lab tests conducted in February 2007. Our goal was to determine what typical ecommerce shoppers’ eyes actually “see” when they navigate through a site – especially on all-critical category pages. This kind of data is very useful for your Web design team.

Sites included in this all-new study: Best Buy, Circuit City, Furniture.com, QVC and Wal-Mart.

#4. “Best of” Study Results from 30 Independent Research Organizations

Next, we filled out any holes with “Best Of” data from more than 30 organizations, such as Coremetrics, comScore and Nielsen//NetRatings. Much of this data is previously unpublished, generously gathered by these organizations at our request because we hoped you would find it useful.

All in all, you have nearly 300 pages packed with 223 charts and tables and six eyetracking heatmaps in your hands. If, however, the number you’re looking for isn’t here, please let us know at [feedback\(at\)marketingsherpa\(dot\)com](mailto:feedback(at)marketingsherpa(dot)com) (yes, a real human being responds to email from that address every business day!)

That way, we’re armed with your requests as we begin research on next year’s edition. You, as always are in the driver’s seat for the MarketingSherpa research team.

My best wishes for your profitable 2007.



Tad Clarke
Editorial Director, MarketingSherpa Inc.

MarketingSherpa 2007 Ecommerce Data Highlights

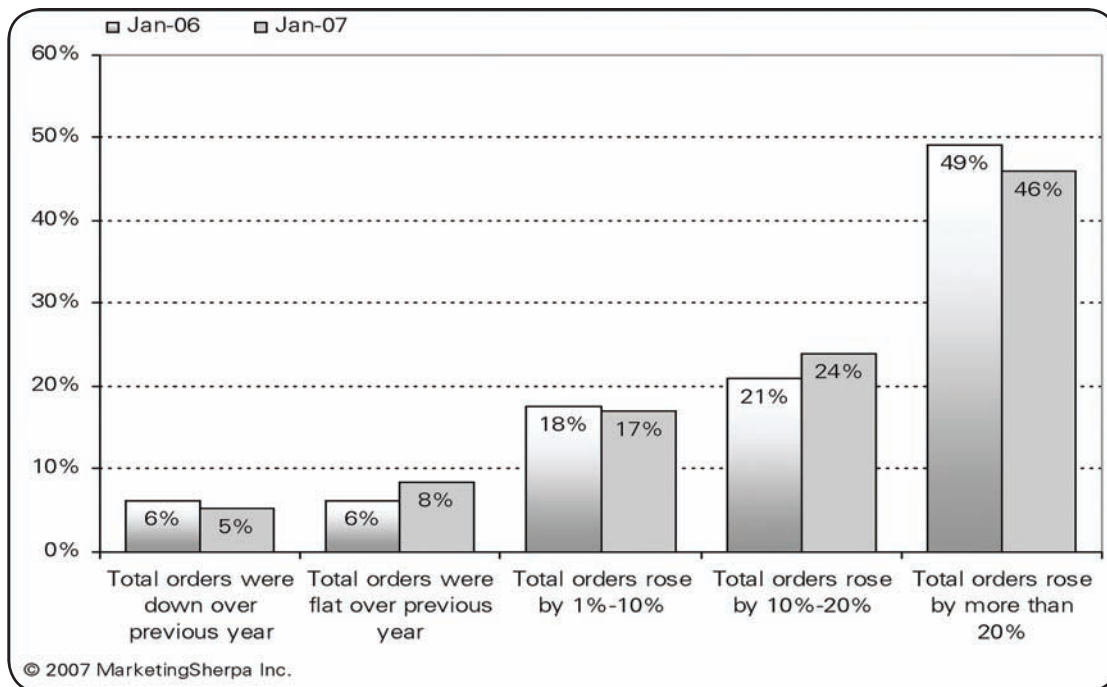
Before you dive into the 223 charts and tables and six new eyetracking heatmaps included in MarketingSherpa's Ecommerce Benchmark Guide 2007, here is our overview of the most important (and sometimes surprising) points for ecommerce marketers.

The good news: 2006 was another banner year for ecommerce, as the industry continued another year of 25% growth. By fourth quarter, online sales finally reached 3% of the total retail industry, up from under 1% five years ago. At \$29.73 billion, it's a nice chunk of change. Plus, multichannel customers, buying offline and online, are often your biggest accounts; they make both sides of the equation more profitable.

We say "profitable" for a reason because, as you can see from this year-over-year data below, the era of hypergrowth may be slightly slowing in the US. We can no longer rely on large numbers of new consumers suddenly converting to online buying – US consumers have had a decade to make the transition.

Plus, competition continues to ratchet up with more retailers – not to mention brands selling direct – entering the Internet space each week.

Chart: Ecommerce Site Growth in Number of Orders 2005-2006



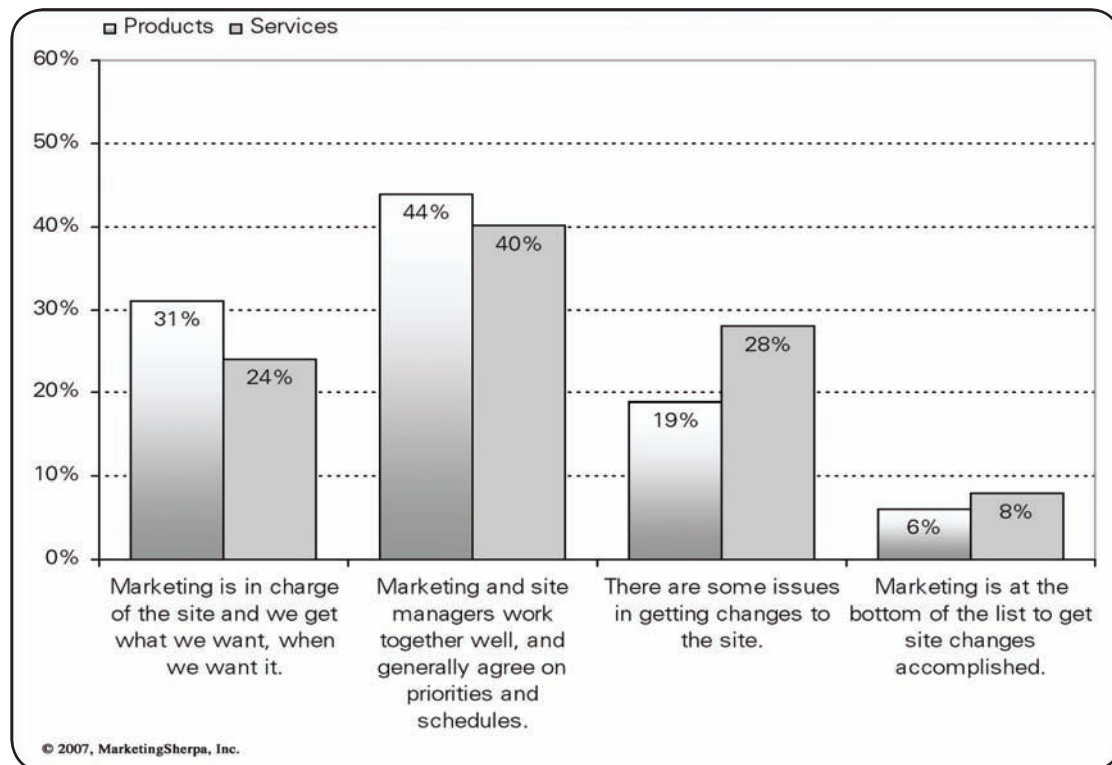
Source: MarketingSherpa, Ecommerce Benchmark Survey, January 2007

Methodology: The survey was floated to select MarketingSherpa reader segments on Jan. 9 and closed on Jan. 17 after collecting 1,913 qualified responses. Telephone interviews were conducted with selected respondents.

Now, true ecommerce success (i.e., higher conversion rates, larger average order sizes, more repeat buying and longer account lifetimes) begins to rest more and more on the shoulders of marketing. And, as we've all learned over the years, most marketing-driven gains are a matter of steady incremental test-driven improvements and not big showy one-off campaigns.

This means that your relationship with your tech department (or whoever controls the site design and test management) is mission critical to continued gains. So, naturally, we asked ecommerce marketers how they were getting along with the tech team.

Chart: How Well Do Marketing and Technology Work Together on Ecommerce Web Sites?



Source: MarketingSherpa, Ecommerce Benchmark Survey, January 2007

Methodology: The survey was floated to select MarketingSherpa reader segments on Jan. 9 and closed on Jan. 17 after collecting 1,913 qualified responses. Telephone interviews were conducted with selected respondents.

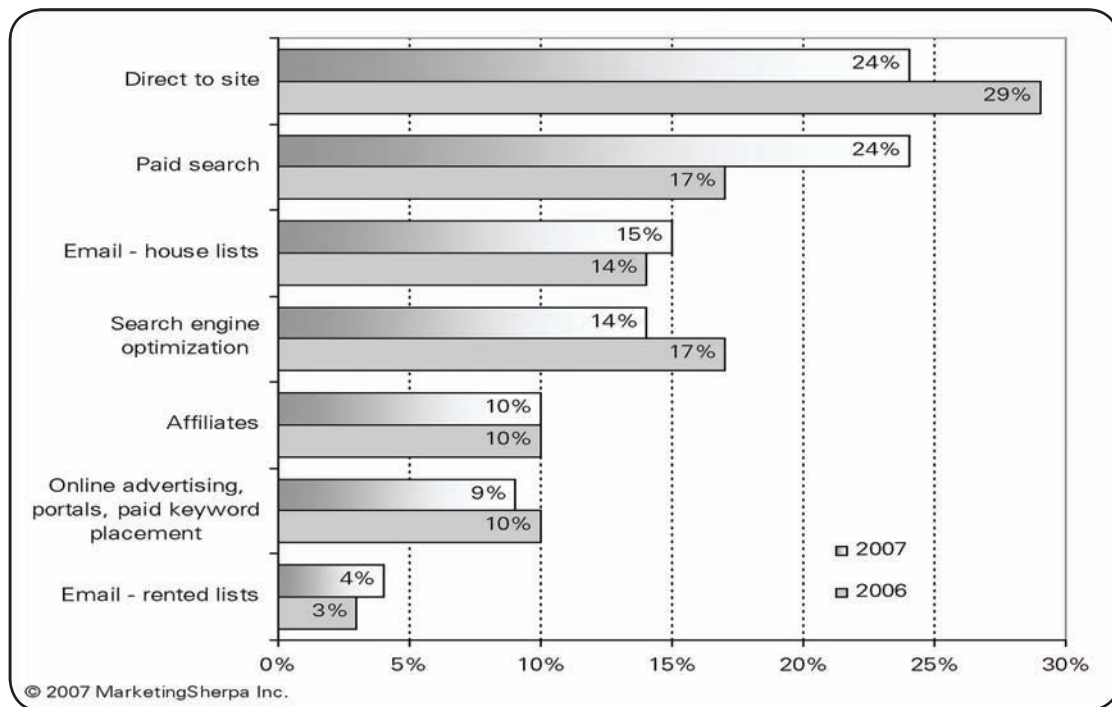
Why did we segment out the segmentation marketers from the average ecommerce marketers here? Because segmentation increases relevancy, and relevancy can dramatically increase conversion and purchase rates. Example: offering an autographed baseball to baseball fans vs general sports fans.

Segmentation activities, which can include heavy Web analytics and database management, also often require great marketing-technology relations. You're hamstrung without the tech department at your back. As you can see here, segmentation marketers are far happier and far more unhappy than typical marketers. We suspect this condition stems from their corporate environment.

If ecommerce marketers work for an ecommerce-centric company where management has fully bought into the value of the Internet, the technology team are more likely to be extremely helpful to marketing. If, however, the marketer is working “down the hall” in the Web department, which is only one of many larger channels, the tech team may not make his or her needs a priority.

The latter situation must be frustrating, especially for marketers who need to prove the Internet’s worth to their own organizations in order to get more tech resources. They’re in a bit of a catch-22 situation. This explains why we’ve seen a steady rise in outsourced testing and advanced marketing vendors who can do everything from multivariate testing to abandoned shopping cart email campaigns for marketers at traditional companies who can’t get tech support internally.

Chart: Traffic Sources for Ecommerce Website Visitors 2006 vs 2007



Source: MarketingSherpa, Ecommerce Benchmark Survey, January 2007

If you’re having a hard time getting a budget for the personnel or technology you need to The chart above is an average across all the marketers we surveyed (1,101 in 2006 and 1,913 in 2007) so it’s important to note that we did see significant variations in individual answers on the paid search vs organic search front. Generally sites either leaned heavily toward search engine optimization, with up to 40% of traffic coming from organic clicks, or the opposite with up to 40% of traffic coming from paid clicks.

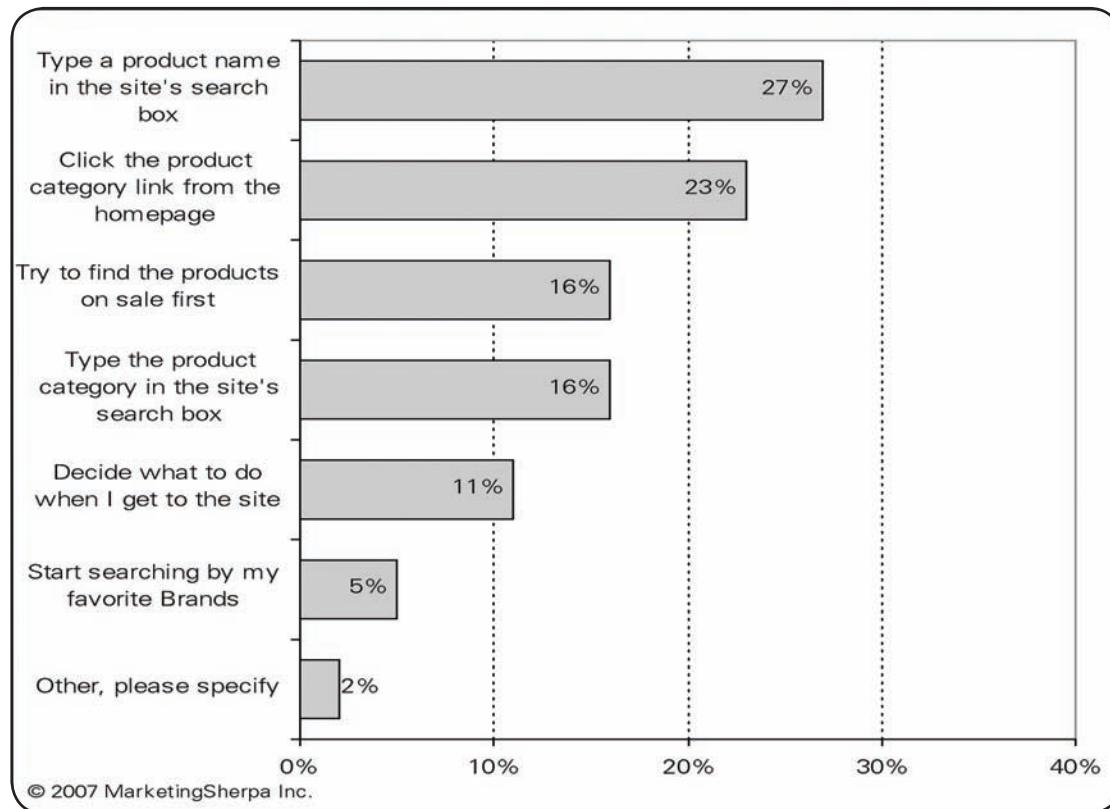
Our take: organic and paid clicks convert at fairly similar rates. If you can get a good organic ranking for critical keywords, your resulting traffic will be far higher than all but top position paid campaigns on the exact same keywords. Therefore, if you can shift

traffic to SEO, it's better for your traffic volume and cost per click.

MarketingSherpa's observational study of paid vs organic placement for ecommerce sites showed that this challenge is being met completely differently by vertical. Entire groups of retailers, such as apparel, have profoundly different SEO vs PPC habits than other groups, such as consumer electronics. Reasons range from the competitive landscape to the prevalence of badly optimized sites in particular industries.

On the other hand, the percent of traffic driven from email house lists (campaigns sent to your own opt-in list of buyers and prospects) is remarkably steady across all sectors and sites. This spells opportunity. House email campaigns can get extremely high ROI, often better than search campaigns (which makes sense since email opt-ins include past purchasers). Sites willing to push the envelope aggressively and get email response beyond the norm can stand out in a field where everyone appears to be "average."

Chart: What's the First Thing Consumers Do When They Arrive at a Retail Site?



Source: MarketingSherpa and Guidester, Online Shopping Research Survey, January 2007

Methodology: MarketingSherpa surveyed an audience of online Americans in January 2007 via Guidester and received 428 responses from adults who were nationally representative.

Wonder what consumers do when they first arrive at your site ... or your competitor's site? Well, their activities are split pretty evenly: 43% go to the site's internal search box and look for a product or a category while 39% use page-based navigation, such as tabs, menus and sales copy.

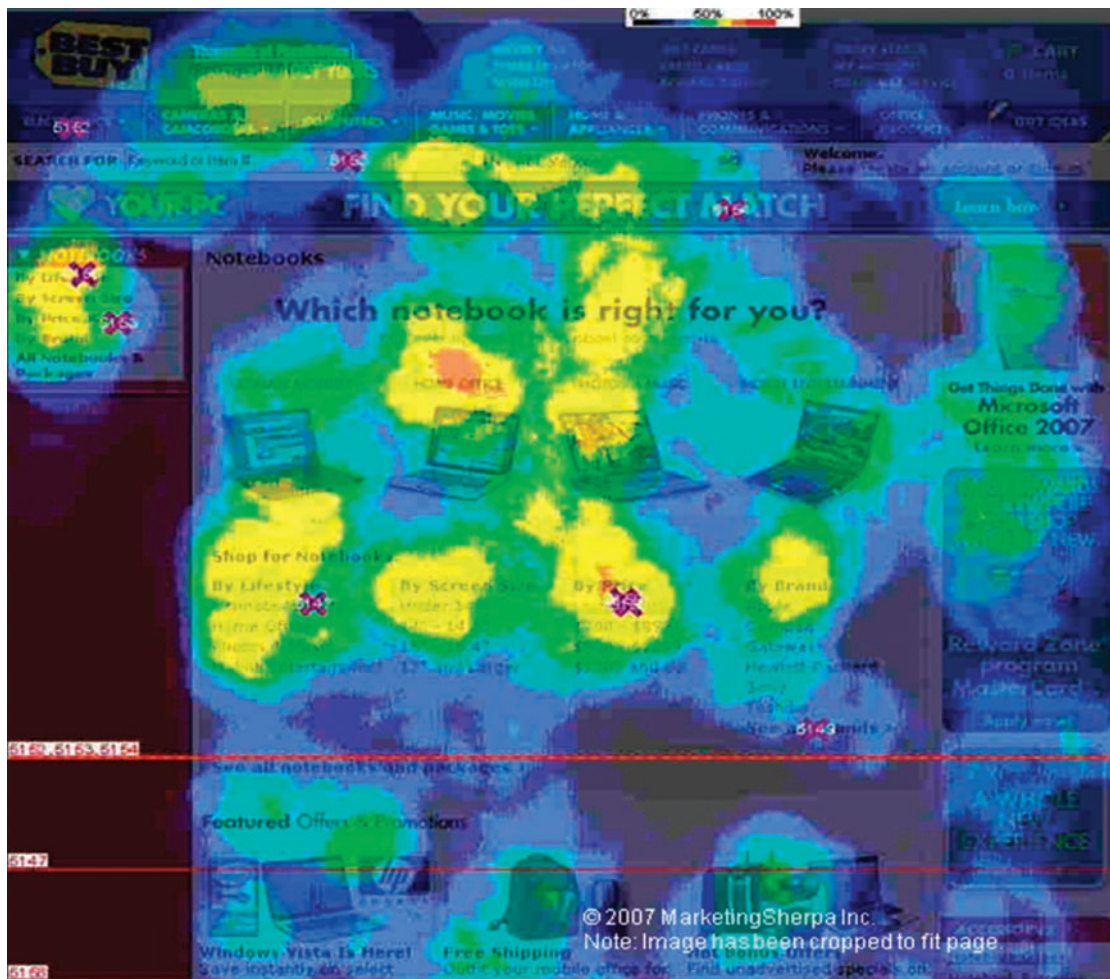
This means that if you don't spend as much time tweaking your internal search functionality and design as you do your home page marketing efforts, you're missing out.

You'll see further data in this Benchmark Guide regarding the efficacy and strategies for improving your internal search landing pages. Six factors we recommend testing as soon as possible include:

1. Number of answers displayed
2. Horizontal vs vertical display
3. Broadness of answers (i.e., search result explicitness)
4. Relevancy of top answers
5. Size of images
6. Copy (including price/offer)

Biggest key – if a shopper makes a typo in your internal search box or searches for something you do offer, but by a slightly different name than you call it (i.e., “coat” vs “outerwear”), what will your search results present to them? For sites big and small, the answer can be an embarrassing “Zero Results.”

Heatmap: BestBuy Category Navigation Page



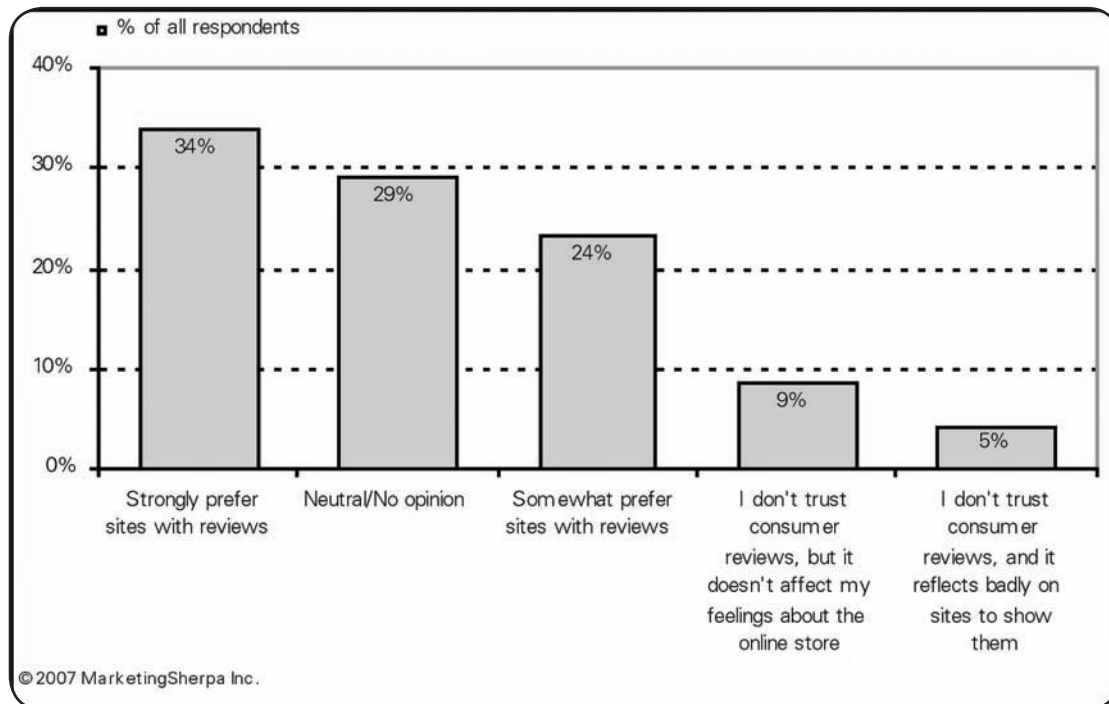
Source: MarketingSherpa, Ecommerce Eyetracking Study Year Two, February 2007

Category pages are mission critical, especially because so many marketers use them as general term search landing pages. Are your category pages designed as conversion machines?

We showed our eyetracking focus group the above category page and asked them about the different ways of sorting results, requesting to rank the most useful. They said they most liked the option of searching with the menus because the menus were intuitive, easy to use and accurate.

Brand and price were a virtual tie for most useful. Screen size came in third, while lifestyle and “show all options” ranked fourth and fifth. Although the “shop by lifestyle” feature rated poorly, members of the focus group found it to be a “love it” or “hate it” option. Half the group thought it was necessary, but the other half didn’t care about it. No one was in the middle. Still, since it didn’t impede these shoppers’ experience, it’s a valuable feature to have for those who want it.

Chart: Consumers Prefer Sites With Customer Reviews



Source: MarketingSherpa and Prospectiv, Online Shopping and Email Relationships, January 2007
 Methodology: A survey was fielded to members of the Eversave.com customer panel on Feb. 2 and closed on Feb. 5 after receiving 698 responses.

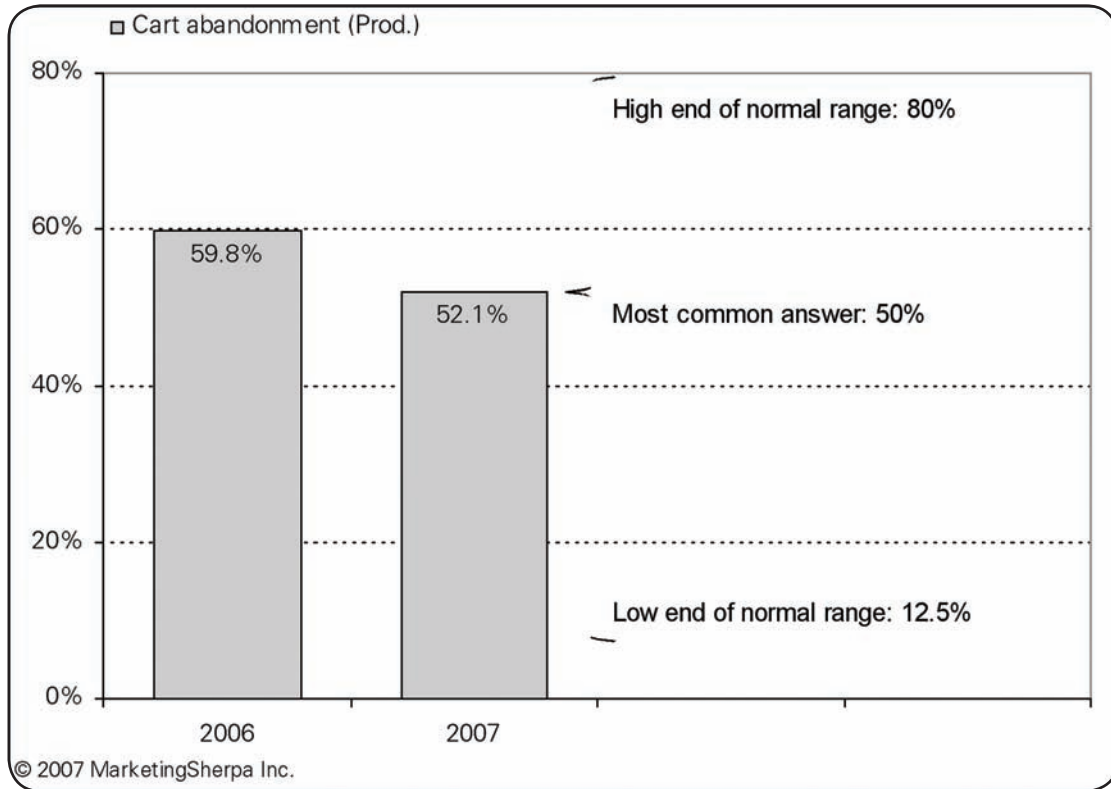
The majority of consumers we surveyed prefer sites with peer-written product reviews: 58% “strongly” or “somewhat” prefer sites that include reviews, while only 14% don’t trust them. We suspect the latter to be even lower in the real world since the presence of well-organized reviews would seem unlikely to discourage a shopper in the act of conducting product research or purchasing.

Because of the interest in reviews, we decided to see just how reliable some of these reviewed

products were. So, we looked at Consumer Reports' top- and bottom-ranked products in several categories and then went to several review sites to see how they fared. For more on this, turn to one of the several Special Reports in the Guide.

Reviews not only help conversions but also drive traffic. Example, after A/B testing, PETCO added their "Paws" reviews to email templates for nearly all outgoing campaigns to house lists.

Chart: Shopping Cart Abandonment 2006 vs 2007



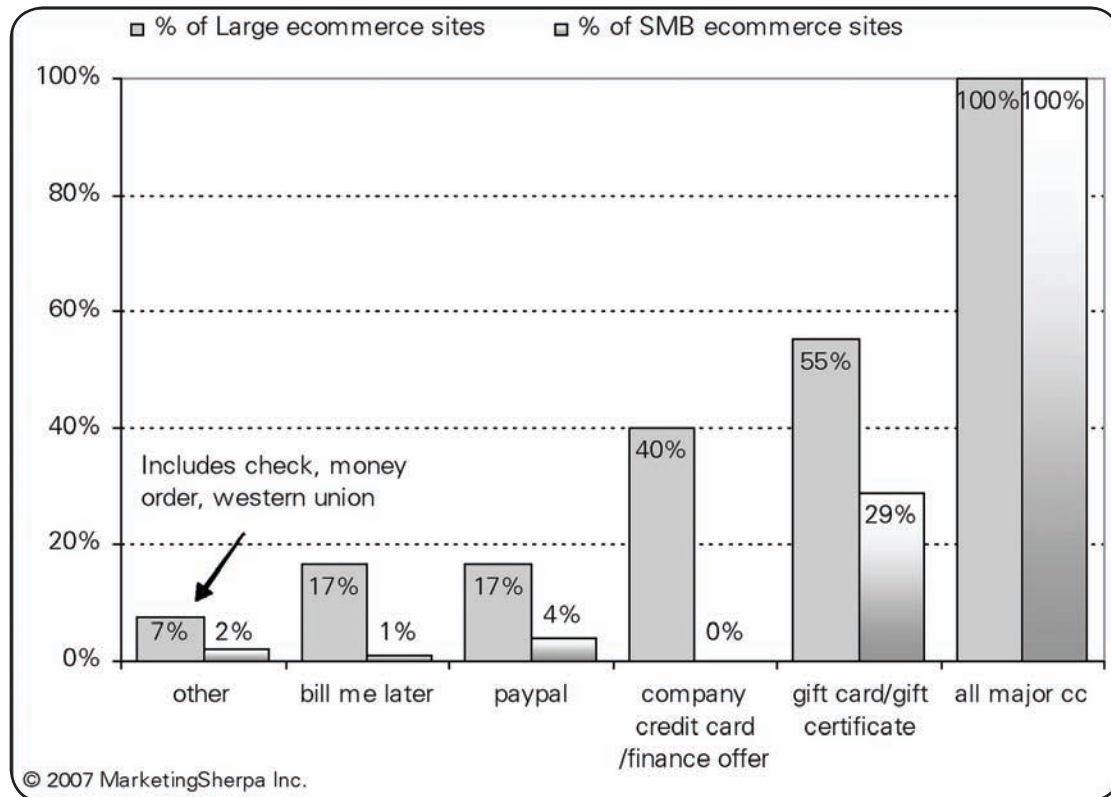
Source: MarketingSherpa, Ecommerce Benchmark Survey, January 2007

Methodology: The survey was floated to select MarketingSherpa reader segments on Jan. 9 and closed on Jan. 17 after collecting 1,913 qualified responses. Telephone interviews were conducted with selected respondents.

We're very happily shocked. Shopping cart abandonment rates dropped 7.7 percentage points for product marketers from 2006 to 2007. What caused this tremendous shift?

In the past, carts were more a function of the tech team than of marketing. Marketing and merchandising got the shopper all the way to the cart, and then tech took over. However, over the past two years, we've seen a surge in marketers tweaking cart design. In fact, when we asked them which test brought the biggest ROI in 2006, 57% revealed it was shopping cart design and functionality.

As marketers continue to test and refine carts, we expect this abandonment rate to continue dropping. It will never be zero, but we would be happy with 25%-30% in the end. Now that's a goal to shoot for!

Chart: Alternative Payment Options Attract New Customers

Source: MarketingSherpa, Ecommerce 250 Audit, February 2007

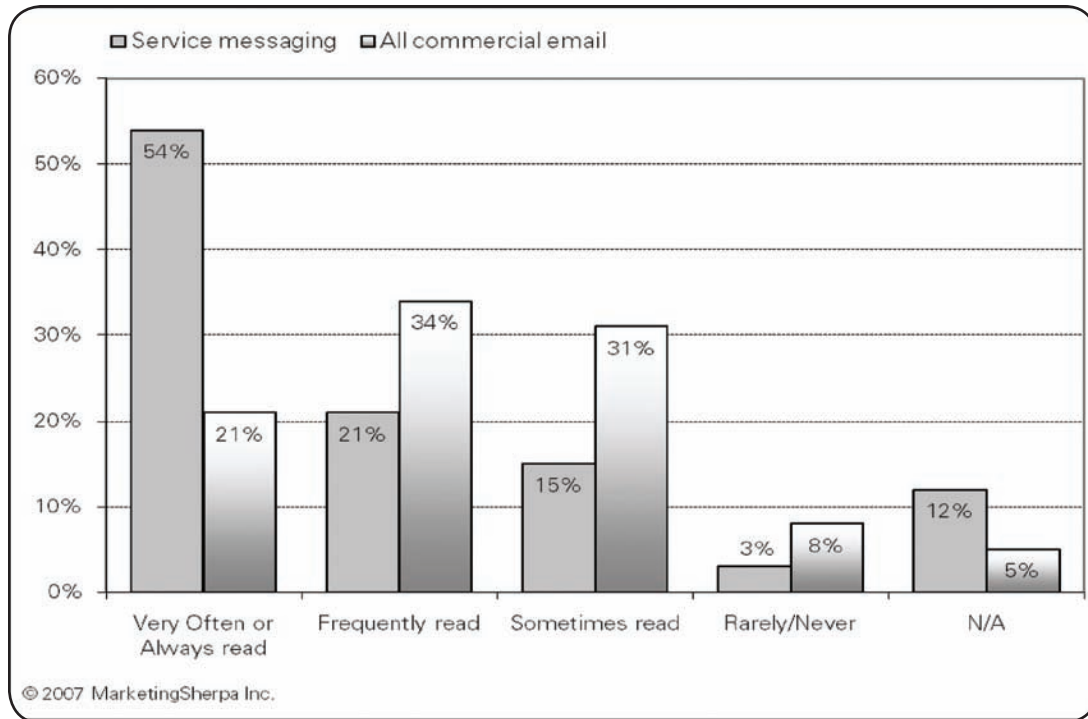
Methodology: MarketingSherpa analysts interacted with the marketing and merchandising of 250 ecommerce Web sites between Dec. 1, 2006 and Jan. 15, 2007. Sites were selected from national brands as well as small- to medium-sized organizations distributed across a variety of product and service categories.

Perhaps one reason the shopping cart abandon rate dropped as much as it did is because consumers have more payment options to choose from. A few years ago, online purchases were paid solely by credit cards. Today, those choices have multiplied: 17% of the large ecommerce Web sites we studied in our audit between Dec. 1, 2006, and Jan. 15, 2007, accept PayPal and Bill Me Later options.

For merchants, this is good news because these service charges are lower than the amount that the credit card companies charge; plus, it brings new groups of potential customers – those who want to defer payments or those who are concerned about their privacy, which, according to some data, may include as much as 30% of the online population.

In interviews with companies that added PayPal, Bill Me Later and Secure E-bill options, we found that the most intriguing aspect has been their appeal to attract customers new to the retailer and, sometimes, new to online shopping.

B-to-B ecommerce marketers have a particularly large opportunity in the bill-me-later realm. For example, eBay marketers have informed us that many larger business purchases on the site, including multimillion dollar planes, are made via staggered payments. By the way, if you have a particular interest in B-to-B ecommerce, see our special section in Chapter Four.

Chart: Service-Related Emails Are Opened & Read

Source: MarketingSherpa, StrongMail and Survey Sampling International, Transactional Email and Marketing Study, January 2007

Methodology: A survey of 1,323 consumers was fielded on Jan. 19 and closed on Jan. 25. The respondents were members of Survey Sampling International's online consumer panel and are representative of the U.S. online population over age 18.

Consumers say they are far more likely to read transactional emails, such as shipping and receipt notices from your site, than your sales promotions. A marketing opportunity exists here ... if you're careful about how you do it.

What we're seeing is that the key to successfully including marketing with service messaging is execution. Those recipients who are in the neutral to negative camp can be positively influenced by proper handling of the information. We also found that younger consumers are significantly less concerned about the mixing of marketing and service messaging, but they're the first to unsubscribe if they feel mistreated.

Strikingly, only a few ecommerce verticals have rolled out promotional offers in transactional emails. These include travel and rewards-related programs. Apparel, consumer electronics, books/entertainment, housewares and many other verticals have a great deal of catching up to do. If Orbitz is selling rental cars from plane receipts, why can't Apple sell accessories from iPod receipts? Among the non-travel marketers now testing transactional promotions, Sprint Nextel, who report results beyond expectations for cell phones and related offers.

In summary, while it's delightful to be working in an industry that's seen steady 25% year-over-year growth for years on end, don't rest on your laurels. By continuing to test and upgrade your marketing tactics, using some of the data in this Benchmark Guide for inspiration, we think you can do better than average. Far better, in fact.

It's time to be an ecommerce marketing hero. Are you up for it? ■

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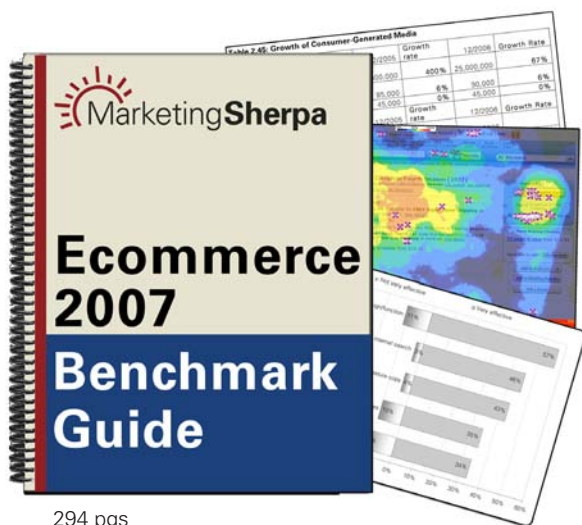
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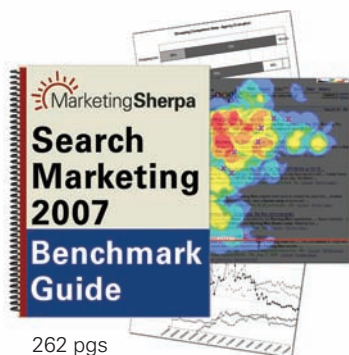


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