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Challenges and Best Practices for Achieving Online Shopper Loyalty
A Look Inside the E-Commerce Consumer Experience

Introduction

The Internet has revolutionized the way people shop. According to the United States Census Bureau e-commerce sales in the U.S. for the year 2006 were estimated at $108.7 billion; an increase of 23.5 percent from U.S. e-commerce sales in 2005. Just during the last quarter of 2006, e-commerce retail sales were estimated at $29.3 billion.

There is enormous opportunity for businesses to cash in on this rapidly expanding market. Today, e-commerce sales account for only 3 percent of total retail sales, up from only 0.6 percent in 1999. As businesses establish their e-commerce solutions, it is imperative that they understand how the online environment has morphed into the current online shopping landscape – and how it will continue to evolve.

Between March 29 and April 12, DoubleClick Performics, in association with the shopper-centric, e-commerce consultants at the e-tailing group, inc., conducted market research to gather feedback from 1,000 online shoppers who spend at least $500 annually and make online purchases four times per year or more to educate merchants on challenges and best practices for establishing online consumer loyalty.

In utilizing findings from the Consumer Loyalty Survey, merchants will improve their online strategy and will be better suited to identify and improve key factors that impact merchant loyalty, including: what customers want, why customers return to a particular Web site and the deterrents for shopping on a particular Web site.

The Online Shopper Profile

A look at the current online landscape
E-commerce sales are steadily increasing year-over-year. Today, people do not just purchase books and event tickets online; they place take-out orders at work and order pet accessories for home-delivery. There is an influx in the number of online shoppers with an expanded menu of offerings.

Additionally, the number of online shoppers will continue to increase as consumers gain online shopping familiarity and confidence. Today, there are many areas with a strong base of consumers, including, clothing and accessories, books and magazines, music, DVD, video, computer hardware and software and toys and video games.

While many online shopping categories are gaining in popularity, such as consumer electronics, entertainment, gifts and collectibles, health and beauty items and gift card and certificates, there are also areas with potential for growth, including, furniture and home and garden, pet supplies, sporting goods, jewelry and watches and food.

What is Loyalty?

Overview

As these product categories continue to grow and evolve, it is essential that merchants identify and understand the reasons consumers do or do not utilize particular e-commerce Web sites. These factors include, detailed information on what customers want, why customers return to a particular Web site and the deterrents for purchasing from a particular merchant online.

Online Shopping by Product Category

Clothing and accessories	67%
Books/Magazines	67%
Music/DVD/Video	65%
Computer HD or SW	55%
Toys, Video games	50%
Consumer Electronics	48%
Tickets (movies, concerts, theatre)	43%
Gifts and Collectables	42%
Health & beauty items	38%
Gift Card/Certificates	38%
Furniture, home & garden	29%
Pet supplies	26%
Sporting goods	23%
Jewelry/watches	22%
Food	22%
Other	9%

What customers want?

Prior to making an online purchase, seven out of 10 consumers shop multiple Web sites to find the site offering the best deal. These consumers want to feel they are getting the best value when buying online. This value includes, getting a good price, great service and a varied mix of product, plus a feeling that buying online saves them money. When rating the features impacting loyalty to a merchant, consumers made it clear that price is the most important factor.

As more and more consumers become computer and search savvy, and rely on the Internet for shopping, merchants must consider the most valuable and effective marketing strategy. From search engines to comparison engines to coupon sites, merchants must have a greater understanding of their key customer mindset to ensure the effectiveness of their marketing efforts. For example, respondents to the Consumer Loyalty Survey showed:

> o 68 percent 'search directly for a specific item at a merchant site where I like to shop'
> o Four of 10 (42 percent) 'price shop a product via comparison engines'
> o One-third (36 percent) 'buy from sites that offer points or rewards'

The respondents' self descriptions reinforce their stated shopping behaviors with nearly half describing their loyalty to merchants across channels (store, Web, catalog) as 'somewhat loyal to certain merchants based on a combination of good value, superior service, and the right mix of product.' Not surprisingly, 'saving money' was ranked as the number one factor to impact loyalty to any particular merchant by 44 percent of those surveyed. By highlighting savings on the landing page or optimizing and personalizing the search experience for each consumer, merchants have an opportunity to grow their brand loyalty.

FEATURES OF FREQUENT BUYER/LOYALTY PROGRAMS RANKED BY IMPORTANCE

	top box		top-2 boxes
Discounts	53%	Discounts	84%
Coupons	35%	Coupons	67%
View/Redeem Rewards	34%	View/Redeem Rewards	63%
Network of Participants	26%	Network of Participants	58%
Special Offers	21%	Special Offers	49%
Invites to Events	14%	Personalized Comm	37%
Personalized Comm	13%	Invites to Events	34%

This is further reinforced by the number of online shoppers who belong to frequent buyer and loyalty programs. Program features such as discounts, 'members only' specials, and flexible reward redemption opportunities are favored by these online shoppers. These features provide members with the feeling that belonging to a loyalty program saves them money.

While online shoppers do feel that personalized email communications, invitations to events, and special offers are less important, if tied to a discount or coupon, email invitations and special events could become more significant benefits of membership in a program.

While only 36 percent claimed to 'buy from sites that offer points or rewards' and just 14 percent said they 'shop where they have loyalty rewards,' 70 percent of respondents surveyed belong to a frequent buyer/loyalty program. Merchants have an opportunity to grow brand loyalty with their members by offering what is most important to them – discounts. Rather than barraging brand loyalty program members with coupons via e-mail, merchants can optimize their sites offering discounts on landing pages or coupons upon checkout.

Why customers return

To ensure shoppers are repeat customers, merchants need to create an online experience that gives shoppers a feeling that buying online saves them money. Free shipping, rebates/coupons, and clearance pricing (via an online outlet) rank high among promotional tactics that shoppers find important when deciding to go back to a Web site.

Customer service features that online shoppers find important include privacy policies and guarantees. By highlighting these features on the check out page, merchants can assure shoppers that they are safe-guarding confidential information and will replace or repair products purchased via a particular Web site. Order tracking is another vital feature that keeps customers coming back to a Web site where they have shopped before.

A Web site that includes favored content features, such as customer ratings and reviews, and provides the ability to compare the capabilities of similar products will keep customers coming back.

• Customer Service - Every online customer wants to save money and time while purchasing from a robust inventory of product. It is essential though, that merchants recognize the opportunity to go beyond pure price and time saving benefits and improve their competitive advantage by focusing on customer service. Customer service plays an important role with shoppers when deciding to go back to a Web site. The most important areas that merchants should focus on when highlighting their customer service expertise include:

- • Online order tracking
- • Guarantee and privacy
- • Email alerts (when prices have dropped or previously backordered products are available)
- • Live help available
- • In-store returns

FEATURES BRINGING SHOPPERS BACK TO A WEB SITE

	top box		top-2 boxes
Free/Flat Shipping	66%	Free/Flat Shipping	92%
Privacy Policies/Guar	56%	Privacy Policies/Guar	83%
Order Tracking	56%	Order Tracking	88%
Rebates/Coupons	43%	Rebates/Coupons	76%
Online Outlet	39%	Online Outlet	75%
Customer Reviews	37%	Customer Reviews	74%
Comparison Capabilities	30%	Comparison Capabilities	73%
Price/Product Alerts	30%	Price/Product Alerts	63%
Live Help	30%	Live Help	58%
In-Store Returns	29%	In-Store Returns	58%
Express Checkout	24%	Express Checkout	52%
Wish Lists	19%	How to Guides	51%
Internet Only Specials	19%	Internet Only Specials	50%
How to Guides	17%	Exclusives	49%
Exclusives	16%	Wish Lists	48%
In-Store Pickup	14%	Recently Viewed Items	46%
Recently Viewed Items	13%	In-store Pickup	37%
Replenishment	7%	Replenishment	22%

• Custom Content and Tools - Merchants also have the opportunity to increase customer loyalty by developing custom tools and content that address the needs of their visitors. With a majority of shoppers influenced by other customer ratings, merchants can both grow their loyalty with new and current customers by offering online customer feedback and ratings. As comparison shopping continues to grow in importance to online shoppers, merchants can increase the effectiveness of their search marketing campaign by strategically purchasing key search terms on major comparison shopping Web site.

• Personalized Merchandising Tools – When personalizing the online shopping experience for their customers, merchants offer options such as wish lists, exclusives and recently viewed options – all of which were least important, based on the Consumer Loyalty Survey. On the other hand, roughly 6 in 10 respondents (59 percent) indicated that personalization techniques that 'provide special offers based on my prior purchases' impact the likelihood to buy again from a specific merchant, and forty percent indicated that 'personal information stored with a merchant' has some influence. It is by offering personalized information or choice based on consumers' past purchasing behavior and product searches that merchants continue to retain customers.

• Promotional Tactics – Promotional tactics continue to fare well among online shoppers, specifically those that address money savings. For example, consumers feel that receiving 'free or conditional free shipping' was very important by 66 percent, based on the Consumer Loyalty Survey. Other important features included rebates/coupons, and online outlet/clearance areas

Deterrents for purchasing from a merchant online

As companies strive to provide a competitive online shopping environment, it is necessary to acknowledge the factors most important to consumers and demonstrate the ways in which they are exceeding expectations to promote an enjoyable customer experience. Not surprisingly, online shoppers will not revisit merchant Web sites based on a poor customer experience, higher prices than competitors, late deliveries of products and inconvenient return policies.

Outlook for Online Shopping

According to the September 14, 2005, Forrester Research, "US eCommerce: 2005 to 2010; A Five-Year Forecast and Analysis of US Online Retail Sales,"` online retail sales, defined as business to consumer sales of goods, including auctions and travel, will grow from $172 billion in 2005 to $329 billion in 2010.

As consumers increase shopping-related activities and sellers compete to innovate and keep them engaged, online sales will enjoy a solid 14 percent compounded annual growth rate through 2010.

In order to attract and engage consumers, online merchants will continue to invest in search engine and affiliate marketing and optimization.

They will also focus Web site development on interactive technologies and selling tactics in order to engage consumers, garner feedback, and provide a credible venue for real time customer product reviews, comparison shopping and order tracking.

As mobility gains in popularity, mobile technologies companies will collaborate with Web site developers to ensure e-commerce purchasing is as user-friendly on mobile devices as it is behind the screen of a computer. This will bring virtual stores to the hands of the consumers no matter their location.

Delivery timing and execution will also improve. As consumers continue to operate in a fast-paced world of instant gratification, consumers will demand a more speedy delivery of goods.

In order to continue to build loyalty among consumers, it is important that merchants stay abreast of the evolving e-commerce environment and utilize best practices to encourage a user-friendly and enjoyable customer experience.

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About DoubleClick Performics

At DoubleClick Performics we are constantly thinking forward about search and affiliate marketing. We do not merely anticipate the future of digital performance marketing; we are committed to the innovation and insights that create it. Our comprehensive suite of services provides advertisers with world-class solutions that combine technology, intelligence, experience and service that cannot be found anywhere else.

Whether it is affiliate marketing, paid or natural search, since 1998 DoubleClick Performics is dedicated to understanding the impulses and actions of the online consumer. DoubleClick Performics ensures that our clients' marketing investments are more efficient and more effective, and our integrated approach to service delivers superior results across multiple channels.