

Customer Product Reviews: Key to Driving Satisfaction, Loyalty and Conversion

By: Larry Freed, President and CEO, ForeSee Results

In a retail store, advice on products and brand is never more than an aisle or department away. Associates are available to share their expert opinions, answer questions and help customers decide which products meet their needs. Even other customers sometimes chime in and share their viewpoints and perspectives on the merchandise.

Until recently, this part of the shopping experience was missing from online retail. But, not anymore. With the increasing popularity of customer reviews, another in-store feature has been successfully replicated online. Many retail sites are taking advantage of the transparency of the web to enable customers to post opinions about products on their websites for others to read.

Retail sites that offer customer product reviews currently have a competitive advantage, while sites that don't are missing an opportunity to drive satisfaction and loyalty, according to the results of the *Top 40 Online Retail Satisfaction Index*. This bi-annual research analyzed data collected during the holiday season from visitors to the top 40 retail sites by sales volume (as defined by [Internet Retailer](#)) using the proven methodology of the University of Michigan's American Customer Satisfaction Index (ACSI).

Key Findings:

- Almost half (49%) of online holiday shoppers that bought a product recalled seeing online customer product reviews
- Customer product reviews drive satisfaction and loyalty and provide a competitive advantage for sites that offer them
- Customer product reviews are a powerful influencer of the purchase decision for the critical group of first-time buyers

- Internet pure plays lead adoption of customer product reviews, providing a competitive advantage online over multi-channel merchants

Customer Product Reviews Increase Satisfaction and Loyalty

In our research, 49% of people who bought from one of the top 40 sites in the two weeks prior to the holidays remembered seeing customer product reviews. This group's satisfaction with the online shopping experience was 5% higher than for shoppers that didn't recall customer reviews. More importantly, the availability of customer product reviews drives loyalty. The table below shows how future behaviors tied to loyalty differ for shoppers that reported visiting sites with customer product reviews versus those without.

	Customer Product Reviews Available	No Customer Product Reviews	% Difference
Satisfaction with Website	84	80	5%
Satisfaction with Retailer	86	82	5%
Image of Retailer	88	84	5%
Likelihood to Recommend	85	80	6%
Likelihood to Purchase Online	88	84	5%
Likelihood to Purchase Next Holiday Season	86	82	5%
Likelihood to Purchase Next Time	86	83	4%

Scores are on a 100-point scale.

- *Customer product reviews benefit the retail organization as a whole.* Customers on sites with reviews are 5% more satisfied with the retailer as a whole (not only the web experience) and their image of the retailer is 5% higher than customers on sites without customer product reviews.
- *Customer product reviews have a viral effect,* leading to positive word of mouth recommendations. Shoppers that visited sites with customer product reviews are 6% more likely to recommend the site than shoppers that went to sites without this feature.
- *Customer product reviews impact the bottom line.* Shoppers on sites with customer product reviews were 5% more likely to buy online, 5% more likely to buy from the retailer next holiday season and 4% more likely to purchase from the retailer the next time they are in the market for similar merchandise.

Customer Product Reviews Drive Conversions

Customer product reviews not only drive satisfaction and loyalty, they also directly influence the purchase decision. Our research showed that:

- Of holiday shoppers that bought from sites with reviews, 39% cited the customer product review as the primary factor that influenced the purchase.
- This group's satisfaction score is 21% above the average score of all survey respondents (score of 91 vs. 75). Higher satisfaction leads to loyalty, and purchasers citing reviews as the primary purchase influencer are significantly more likely to purchase from the retailer the next time they buy similar merchandise (score of 92 vs. 74).

Customer product reviews are also a powerful tool for turning browsers into buyers, which is especially critical during the holidays when retailers receive an influx of new visitors to their sites. According to our research:

- Nearly half (42%) of first-time buyers on sites with customer product reviews cited the review as the primary factor influencing the buying decision

Internet Pure Lead Adoption of Customer Product Reviews

Led by industry pioneer Amazon.com, Internet pure plays have adopted customer product reviews faster than other online retailers. Online holiday shoppers recalled customer product reviews at almost three-quarters (72%) of top 40 Internet-only companies.

Reviews give web-only retailers a competitive advantage over multi-channel retailers, where customer product reviews are not as commonplace. Survey respondents remembered reviews at just 42% of top 40 multi-channel sites. As consumers come to expect customer product reviews when shopping online, multi-channel retailers will need to catch up in this critical area to compete on the web.

Manufacturer direct companies face a unique risk in offering – or not offering – product reviews. Some may be hesitant to give customers a forum to talk openly about their own products for fear that the comments may be negative. But, this risk is outweighed by the greater danger of lost sales. Shoppers that want reviews will go to a site that has them, and may very likely buy the product from that site, rather than returning to the manufacturer's site.

Customer Product Reviews: Today's Competitive Advantage, Tomorrow's "Must Have" Feature

As online e-retail evolves, sites struggle to keep ahead of each other by offering new features and functions. Free shipping and online product images are two examples of online shopping services that were once pioneering, but are now expected by savvy online customers.

Today, customer product reviews provide a competitive advantage in terms of creating satisfied and loyal customers. Reviews also influence first-time customers to buy – during the holiday season and beyond.

Like other e-retail innovations, customer product reviews will remain a competitive differentiator for a limited time. Therefore, now is the time for e-retailers to take advantage of this low-cost tool for driving satisfaction and loyalty as part of an overall customer-centric strategy.



Why Satisfaction Matters

Customer satisfaction, the focus of the *Top 40 Online Retail Satisfaction Index* research, is a critical performance metric for online (and offline) organizations. Academic research and corporate experience shows that satisfied customers are more loyal, more likely to engage in positive word of mouth marketing and more likely to buy in the future.

The proven and credible methodology of the University of Michigan's American Customer Satisfaction Index (ACSI) provides a means to quantify the impact of satisfaction on future behaviors tied to loyalty and purchase while providing an accurate benchmark to measure the comparative performance of different online organizations at meeting the needs of their customers.

About ForeSee Results

ForeSee Results is the market leader in online customer satisfaction management and converting satisfaction data into user-driven web development strategies. Using the methodology of the University of Michigan's American Customer Satisfaction Index (ACSI), ForeSee Results scientifically quantifies the elements that drive online customer satisfaction and predicts future behaviors such as purchase, return site visits or referrals. A partial list of retail clients includes Best Buy, Blair, Cabela's, Danskin, Eileen Fisher, Fashion Bug, Gateway, Lane Bryant, Newegg, Overstock, Restoration Hardware and Tower Records. ForeSee Results, a privately held company, is located in Ann Arbor, Michigan and on the web at www.ForeSeeResults.com.

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About the Top 40 Online Retail Satisfaction Index

The *Top 40 Online Retail Satisfaction Index* uses the methodology of the American Customer Satisfaction Index to analyze data collected from visitors to the Top 40 retail websites, as defined by sales volume from the *Internet Retailer* Top 500 Guide. Data was collected through FGI Research's SmartPanel™, a nationwide panel of



approximately 1.6 million consumer households who have agreed to participate in opt-in surveys.

All respondents visited one of the Top 40 retail websites within the past 14 days. Some went on to complete an online purchase; others didn't, meaning the respondent group is defined as "browsers."

The Holiday 2006 edition of the *Top 40 Online Retail Satisfaction Index* is based on approximately 10,500 responses collected from November 28 – December 19, 2006. This data was compared to results from the Holiday 2005 research.

Research results were analyzed on a company-specific level, as well as for three product categories of specific interest: apparel/accessories, computers/electronics and mass merchants.

In addition to the holiday edition, ForeSee Results produces a yearly spring edition of the *Top 40 Online Retail Satisfaction Index*.

This is the third in a series of reports focused on analysis of different aspects of the Holiday 2006 edition of the *Top 40 Online Retail Satisfaction Index*.