



Spring 2008 Top 100 Online Retail Satisfaction Index Additional Findings

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Online and multi-channel retailers cannot succeed without satisfying their customers, especially in a down economy. Recent research showed that when measured using the scientific methodology of the University of Michigan's American Customer Satisfaction Index (ACSI), customer satisfaction is a significant driver of loyalty and sales. When compared to shoppers with low satisfaction, highly satisfied online shoppers are:

- 69% more likely to purchase from the retailer next time they're in the market to purchase similar merchandise
- 75% more likely to purchase online
- 42% more likely purchase offline
- 75% more likely to recommend the retailer

Customer satisfaction is a key performance indicator that successful, competitive companies cannot afford to ignore.

Recognizing the importance of the satisfaction metric to online retailers, ForeSee Results conducts a twice-yearly study of shopper satisfaction with leading retailers by sales volume as identified by *Internet Retailer* in the *Top 500 Guide*. The ForeSee Results *Top 100 Online Retail Satisfaction Index* uses the methodology of the ACSI, the most credible and accurate methodology available.

ForeSee Results previously released a report including individual scores for the Top 100 online retailers (on the ACSI's 100-point scale), which provides a high-level view of customer satisfaction by retailer and within product categories. There are also separate reports available on the Apparel/Accessories e-retail category and the Computer/Electronics e-retail category. All reports can be downloaded at www.foreseeresults.com.

As we have continued to mine the Top 100 data, we have uncovered additional findings that may be of value or interest to e-retailers trying to have a proactive impact on customers' loyalty and purchase intent. This report includes data on the following topics:

- *Customer acquisition source*: which kinds of online marketing initiatives drive the best quality site traffic?
- *Free shipping*: is free shipping a valuable investment for online retailers? How common has the practice become?
- *Customer reviews*: how common have customer reviews become on e-retail sites and are they a feature with good ROI for e-tailers?
- *Gift card redemption*: the redemption of gift cards online is an opportunity to win the loyalty and business of new customers; are e-retailers making the most of this opportunity?
- *Competitive research*: how many sites, on average, do customers visit before making a purchase? How much research are customers doing through other channels?
- *Expected spending*: are consumers planning to spend more or less online as the economy slows? What are the biggest factors impacting their desire to shop online?

Customer Acquisition Source: Promotional Emails Work

Online retailers invest heavily to drive shoppers to their websites. E-retailers can use clickstream analytics to get a sense of the *quantity* of traffic driven by different customer acquisition such as promotional emails, search engine marketing, shopping aggregators and advertisements. However, customer satisfaction measurement can show which acquisition methods drive the best *quality* traffic: shoppers that are the most satisfied, most likely to buy and most likely to recommend. Key research findings on customer acquisition sources include:

- *Promotional emails work.* Twenty-six percent of online shoppers went to the site because they received a promotional email from the retailer. This group had a strong satisfaction score of 76, and was more likely to purchase online, purchase offline, and recommend the retailer than were shoppers driven from any of the other measured acquisition sources.
- *Search engines and shopping comparison sites bring first-time visitors who are significantly less satisfied and less likely to buy.* Only 15% of shoppers came because of an internet search and only 5% came because of a shopping comparison site, and these visitors tend to be much less likely to purchase or recommend the retailer's site.

Free Shipping Offers Drive Satisfaction and Loyalty

Shoppers say that free shipping influences their decision to purchase from a company.

- *Free shipping drives satisfaction and likelihood to purchase.* On average, customers who saw a free shipping offer were 11% more satisfied than those that didn't, 14% more likely to purchase online and 12% more likely to recommend the retailer's website.
- *Free shipping is far from ubiquitous and could still be a competitive advantage for some e-retailers.* Only 19% of visitors to the top 100 e-retailers recalled seeing a free shipping offer. Thirty-six percent of visitors said they didn't see one, and 45% couldn't remember seeing one. Some retail product categories seem to have adapted free shipping offers as standard more readily than others. The categories that had the highest customer recall of free shipping offers were Books/CDs/DVDs and Health/Beauty e-retailers. The categories with the lowest customer recall of free shipping offers were Housewares/Home Furnishings and Sporting Goods.

Customer Reviews Provide Competitive Advantage

Retail websites that offer customer product reviews have a competitive advantage, while sites that don't are missing an opportunity to drive satisfaction and loyalty. Based on our research, shoppers care more about customer reviews during the holiday shopping season than they do the rest of the year, probably because they are more likely to be buying products with which they are unfamiliar during the holidays.

- *Less than one-third of sites offer customer reviews.* Twenty-nine percent of shoppers recall seeing reviews, 16% did not, and 55% couldn't remember seeing them. Customer reviews present an opportunity for e-retailers to be on the leading edge of this innovation, if not the "bleeding edge."

- *Customer product reviews drive satisfaction and loyalty and provide a competitive advantage for sites that offer them.* Customers that remember seeing reviews were 11% more satisfied and 11% more likely to purchase from the retailer the next time they are in the market for similar merchandise than were people who didn't see reviews.
- *Customer reviews help convert first-time buyers:* Customer reviews are a powerful influencer of the purchase decision for the critical group of first-time buyers, who represent potential additional revenue stream and long-term loyalty.

Gift Card Redemption is Area of Opportunity for Retailers

Shoppers who redeemed gift cards were much less likely to be satisfied with the retail website than those that did not use a gift card, likely because their decision to shop was not based on reputation, price, or merchandise, but because they were given a gift. There could also be issues with how easy e-retailers make it to redeem gift cards online, which could be impacting satisfaction.

The data below indicates that e-retailers in this industry are not doing as much as they could be to use gift card redemption as a way to make additional sales and win the loyalty of new shoppers who might not otherwise be coming to the site.

- Of those who redeemed a gift card online, just over a third spent more than the value of the gift card, meaning retailers could do more to encourage add-ons and extra purchases.
- Of first-time visitors who purchased, those who did *not* redeem a gift card were more satisfied and more likely to purchase next time than those who *did* redeem a gift card. In general, gift card redemption negatively affected satisfaction and loyalty.
- About one third (32%) of all purchasers redeemed a gift card. This is likely a higher-than-average proportion, given timing of this research (post-holiday).
- Shoppers coming to a website to redeem a gift card present an opportunity for e-tailers to capture new, loyal customers. Specific changes can be made (that may differ by site) to satisfy and retain this promising group of shoppers.

Competitive Research: Not as Frequent as E-Retailers Assume

One of the things shoppers cite most often as a reason to shop online instead of offline is the ability to easily comparison shop. Yet our survey showed that almost half (48%) of all shoppers hadn't visited any other sites before completing their purchase. Only 16% visited three or more sites before making a purchase. The Computers/Electronics category had the highest number of shoppers visiting multiple sites before buying.

Satisfaction and loyalty tends to be higher among two seemingly incongruous groups: those who didn't visit any other sites before buying and those who visited three or more other sites. People who visited one or two other websites had the lowest satisfaction. One possible explanation is that buy-

ers who do not cross-shop at all are more satisfied because they completed their purchase quickly and efficiently and probably had some familiarity with the company before purchasing. Buyers who cross-shop on four or five other sites are also satisfied that their extensive research has resulted in the right product at the right price. However, buyers who cross shop at one or two other sites have a longer-than-desired purchase process but may not be completely confident in the product/price, the worst of both worlds.

Attaining high levels of satisfaction can help increase loyalty and reduce cross-shopping among those who aren't big comparison shoppers, and increase return visits and sales among those who do a great deal of cross-shopping to satisfy their need to fully research a purchase.

Online Spending Will Increase, Offline Spending Much Less So

To gauge the impact of current economic conditions on future spending, we asked shoppers whether they planned to spend more this year than last year. One third of survey respondents said they plan to spend more online in 2008 than they did in 2007, and their satisfaction scores were up to 13% higher than those who planned to spend less. About half of respondents plan to spend about the same this year, and only 13% expect to spend less.

People who plan to spend more are the ideal target audience for online retailers for obvious reasons. Individual retailers can segment customer satisfaction according to this group so they can make sure they are satisfying the most profitable customers rather than (or in addition to) the "squeaky wheel."

In terms of projected offline spending, nearly 60% of shoppers said they plan to spend about the same amount as last year, 26% plan to spend less and only 16% said they would spend more offline. This means that the online channel holds considerably greater opportunity to capture sales in a tight economy, so retailers should focus even more resources on delivering a highly satisfying online experience.

The main factors cited by shoppers when asked whether their 2008 spending would increase or decrease were the state of their personal finances, gas prices, online prices and the general economic outlook.

About the Author

Larry Freed is an expert on website effectiveness and online customer satisfaction. He is also President and CEO of ForeSee Results, a market leader in customer satisfaction measurement on the web, which utilizes the methodology of the American Customer Satisfaction Index.

Why Customer Satisfaction Matters

Customer satisfaction, the focus of the *Top 100 Online Retail Satisfaction Index* research, is a critical performance metric and success metric for online and multi-channel retailers. Academic research and corporate experience shows that satisfied customers are more loyal, more likely to engage in positive word of mouth recommendations and more likely to buy in the future. This study contributes to the evidence that improving satisfaction will lead to improved financial performance.

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

As the leader in online customer satisfaction measurement, ForeSee Results captures and analyzes online voice of customer data to help organizations increase sales, loyalty, recommendations and website value. Using the methodology of the University of Michigan's American Customer Satisfaction Index (ACSI), ForeSee Results identifies the improvements to websites and other online initiatives with the greatest ROI. With over 25 million survey responses collected to date and benchmarks across dozens of industries, ForeSee Results offers unparalleled expertise in customer satisfaction measurement and management particularly in the retail category, with over 75 retail measures in ForeSee benchmarks. ForeSee Results, a privately held company, is located in Ann Arbor, Michigan and on the web at www.ForeSeeResults.com.

About the Top 100 Online Retail Satisfaction Index

The Top 100 Online Retail Satisfaction Index measures browser satisfaction with the top 100 online retailers by sales volume from the 2008 *Internet Retailer* Top 500 Guide. Satisfaction data was collected through FGI Research's SmartPanel—a nationwide group of 1.6 million consumer households that have agreed to participate in opt-in surveys—and analyzed using the methodology of the University of Michigan's American Customer Satisfaction Index. During early spring 2008, ForeSee Results collected data from over 24,000 respondents who had visited the top 100 online retail sites within the previous two weeks but didn't necessarily make a purchase.

The ACSI is a leading economic indicator and a cross-industry benchmark of customer satisfaction for seven economic sectors, more than 45 industries and nearly 200 major companies in the United States, measuring approximately 45% of the U.S. gross domestic product. Applied to the web, the ACSI methodology goes beyond accurately assessing current satisfaction to predict how improving online customer satisfaction will foster future behaviors tied to loyalty, such as future purchases.

About FGI Research

FGI Research is a leading provider of market research and information solutions that improve the speed, accuracy and impact of business decisions. By combining proven research methods, trusted online sample, and advanced analytics and communications, FGI delivers to end users and marketing research firms immediate and actionable information to decision makers throughout their respective enterprises. FGI offers a premier suite of online research solutions under the SmartPanel™ family of specialty and proprietary custom research panels. For additional information visit www.fgiresearch.com.