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THE ESSENTIAL GUIDE TO
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THE ESSENTIAL GUIDE TO BEST PRACTICES IN eCOMMERCE

Foreword	04
20 Tips for Lowering Shopping Cart Abandonment	06
Getting Personal: How HP and OfficeMax Target E-mail.....	16
The Web Analytics Riddle	22
Fighting Off the e-Threats	26
Searching for Searchers	34
E-mail Marketing Survey	42
Case Study: DMA Site Registration Click-Through	50
Case Study: Designer Linens Outlet	58
Additional Resources	63
About the Experts	64
About Internet Retailer	66
About WebTrends	66

FORWORD

By BRENT HIEGGELKE, Vice President of Marketing, WebTrends Inc.

Web Analytics:

Mission critical to eCommerce Success

The growth of eCommerce continues at an impressive rate. During the last months of 2005, sales online grew 30 percent over the same period in 2004. The internet is the fastest growing sales channel—eMarketer estimates that US online retail sales rose by 25 percent overall in 2005. To capitalize on this channel, it's vital that you have an accurate analytics solution in place in order to understand and optimize your merchandising, marketing and site operations efforts.

As your customers become more comfortable spending money online, they provide you with a wealth of data about themselves, their shopping habits and buying patterns. This is where web site analytics comes in. Leading retailers use analytics to improve their web sites and make marketing decisions that improve the bottom line by delivering products customers want, and deliver great customer service.

Understanding Customer Behavior

Understanding your customers is one of the keys to creating a successful web site. A web analytics solution will help you know more about your customers and prospects and give you the tools to improve their experience on your site. Web analysis delivers answers to important questions such as:

- Which marketing promotions, such as free shipping, really drive increased sales?
- Which paid and organic search words are converting into more sales, and which ones aren't working?

- Which offline promotions are driving online sales? How is the web affecting offline sales?
- Which customer segments are the most valuable? Which have the potential to grow into more valuable customers?
- Where do prospects abandon purchases? Why? How much lost opportunity do they represent? What will your return be if you invest in fixing the problems you've uncovered?

Unlock your eCommerce Potential

2005 was a banner year for online retailers. While the web has its limitations—customers can't touch the cashmere sweater, or try on the gold watch—these factors are becoming less and less important. Customers are finding that the web offers a more personalized, interactive, and engaging shopping experience, and the most convenient one imaginable, too.

As you're reading through this guide, consider your organization's use of web analytics. Do you use analytics to enable a continuous process of improving your results? Doing so can have a dramatic impact on your bottom line. For example, you'll read about how Designer Linens Outlet was able to decrease marketing costs by 23.7 percent while boosting overall sales by 3.5 percent. By testing different options available for shipping, they were able to increase shopping cart conversion by over 20 percent. Imagine what accurate and actionable web analysis can mean for your site.

Enjoy the Guide

WebTrends is proud to present the Click to Buy guide with our sponsor, Internet Retailer, and we share in their mission to help eCommerce sites perform better. We've reached out to partners and experts across the industry and combed through the rich archives on Internet Retailer spanning the last two years to pull together these timeless articles and insights from respected authors.

20 Tips for Lowering Shopping Cart Abandonment

by BRYAN EISENBERG

From *Call to Action* by Bryan and Jeffrey Eisenberg



Shopping cart abandonment is a significant problem. In some market verticals, between 65 and 75 percent of shoppers abandon their online shopping carts before completing the checkout process. Here are 20 tips to help you reduce your shopping cart abandonment rate.

1. Check how many steps are in your checkout process.

This is usually a prime “knee jerk” target for results, but we have found that the number of steps in the checkout process is not all that critical. We were able to bring one client’s checkout process down from 6 steps to 1, but we found no correlation between the abandonment rate to the reduced number of steps. Once people found what they came for, they took the time and found a way to checkout no matter how many steps were involved. Should you change the number of steps? Not necessarily! It may not be worth the time, effort and expense of trying to reduce the steps in the checkout process. Try some of these other ideas first.

2. Include a “Progress Indicator”

(e.g., “Step 2 of 5”) on each checkout page.

No matter how many steps you have in your checkout process, keep shoppers oriented by letting them know exactly where they are in the checkout process by step number. Be sure to clearly label the task to be completed at each step. Always give them an opportunity to review what they did in the previous steps and a way to return to their current step if they do go back.

3. Provide a link back to the product.

When an item is placed in the shopping cart, include a link back to the product page, so shoppers can easily jump back to make sure they have selected the right item. Your own experience probably parallels ours. Recently, shopping for a CD/DVD printer, we wanted to know how many and what color cartridges come with the printer. It wasn't obvious where we should click to review what came with the printer so we had to navigate using our back button till we were able to get our questions answered. Not all consumers are willing to take on this navigational challenge and choose to abandon their carts.

4. Add pictures inside the basket.

Just as adding a link back to the product details page inside the checkout process reduces abandonment, placing a thumbnail image of the product inside the basket can increase conversions by as much as 10 percent.

5. Provide shipping costs as early in the process as possible.

If possible, you can even provide an estimated cost while they browse. Your visitors want to buy; they just want the answers to all their questions when they want it; and total cost is one of those critical questions. Also, if the shipping information is the same as the billing information, include a box that shoppers can check to

automatically to fill in the same information. Don't waste their time while testing their keyboard skills.

6. Show stock availability on the product page.

Shoppers should not have to wait until checkout to find out that a product is out of stock. One thing that we also like to see, is “Estimated Delivery Date” or “this product usually ships in x days.” Deal with the “I want it now!” mentality, and let them know when they should expect to get their product.

7. Make it obvious what to click next.

Include a prominent “Next Step” or “Continue with Checkout” button on each checkout page. If possible give the shopper a visual cue as to where they are in the process. Make the button you want them to click next the most obvious. One top 50 e-tailer mistakenly placed visually similar “remove from cart” and “checkout” buttons right next to each other. As you can imagine, many people click before they read. At this site they ended up clearing their cart, and when they went to checkout found nothing in their shopping cart and immediately abandoned the site in frustration.

8. Make it easy for the shopper to edit their shopping cart.

If a product comes in multiple sizes or colors, make it easy to select or change values in the shopping cart. How many times have you bought a pair of slacks online and wanted the same pants in two different colors? Make it easy for your consumers to add to and edit the contents of their shopping carts. It should be simple to change quantities or options, or delete an item from the shopping cart.

9. Make it your fault.

If information is missing or filled out incorrectly during checkout, give a meaningful error message that is obvious and distinctly visible. It

should clearly tell your visitor what needs to be corrected. The tone should intimate that the system was unable to understand what they entered, not that they made a foolish mistake.

10. Let shoppers know that you are a real entity.

Checkout is the time when people's concerns start to flare up. Let them know you are a real company by giving full contact info during the checkout process.

11. Give the visitor the option to call.

If visitors have a problem during checkout or just feel uncomfortable using their credit card online, give them a phone number to call. Track it with a separate toll-free number (or phone number) than from the rest of your site. This will help you track, evaluate and understand shoppers' needs and behaviors. While you are at it, why not give them a fax-order form so they can complete their order by fax, if they prefer.

12. Make it always about your new customer.

Make the focus of the checkout process easier for your new visitor with whom you do not yet have a relationship than your registered customer. It is much harder to acquire a new customer than to keep selling to loyal customers. Registered customers will find a way to sign in (if they don't already have a cookie), but don't make the registration and log-in a barrier to new visitors finding their way to check out.

13. Add third-party reinforcement messages.

VeriSign, BBB, or logos of credit cards have either greatly boosted conversion rates or kept them neutral. In other words, they never hurt. HACKER SAFE (www.scanalert.com) certification seems to be helping clients all across the board especially in sites with larger

average order sizes. They claim a 15.7 percent average increase in orders—directly attributable to earning the HACKER SAFE certification.

14. Present coupon codes carefully.

Be careful how you handle these, you don't want to decrease your conversion rate. You might want to think carefully about where you present this option and how you label it. Coupons should add to the experience, not create doubt for those who may not be shopping with a coupon.

15. Deal with pricing issues head-on.

If you sell name brand products and your store is price competitive or truly provides better value, why not try a 'Lowest Price Match' Guarantee?

16. GTC: Get the cash.

Offer more payment options and add other ways to collect the cash. Offer visitors the option to pay by check, PayPal or any other means.

17. Offer point of action reassurance.

Check how often information critical to your customer's buying decision gets buried in tiny type at the bottom of the page or in some place where it's not immediately visible when the need to know is foremost in the customer's mind. If you walk into a store, it's fairly easy to find out product warranty information. You can read the box at hand or chat with a salesperson. Online, give your customers this same option at the POA (Point of Action), when they would figuratively be examining that box. Link right there to product warranties, your company's specific policies, testimonials, even optional extended service plans. Right there!

Maybe you take them to the information or perhaps give it to them in a pop-up. At the exact point when your customer has to start filling in a form with personal information, reassure the customer that privacy is sacred to you. At the point the customer might be curious about your company's shipping costs, make them concretely available. Just when the customer is wondering whether or not it is possible to return the item if it doesn't suit, make it clear that you have a no-questions-asked return policy. Make the best use of your assurances at the right time and place.

18. Track your mistakes.

Develop a system that keeps you notified of errors during your checkout process. One client noticed a portion of their visitors had cookies turned off. He developed a cookie-less checkout option and his conversion rate and sales jumped.

19. Save it for them.

We know customers often leave a shopping cart with items in it, but they do return sometimes. Don't be overly concerned if visitors leave items behind. Just plan on doing your best to give them a reason and reminder to return and complete the sale. You may have the ability to save the cart for them or e-mail them that they left items in their cart and can complete their order when they are ready. This can be done online at your web site or through the telephone with IVR (Interactive Voice Response). Remember, if they've gotten to the shopping cart, they are most likely considering the purchase.

20. When all else fails, survey.

Try an exit survey (think of it as an 'objectionator') if people abandon your checkout. Try offering them an incentive to complete your survey or even save their cart. They may tell you why they didn't complete their order.

These 20 tips can help you reduce your shopping cart abandonment. Of course, every site is different and has its own environment and issues. Don't overly obsess about abandonment rates, since many people simply use the shopping cart as a placeholder for considering purchases of interest to them. These tips help you focus on those whose intent it is to check out and purchase, but who may have questions, doubts or obstacles holding them back. Some of these tips will result in dramatic improvements and others might not do much. The only way to find out is to test each. Remember, the only way to improve your conversion rate is one step at a time.

Putting the Tips into Action on Your Site: It's All about Testing and Metrics

The Butterfly Effect, familiar from Chaos Theory, grants the power to cause a hurricane in China to a butterfly flapping its wings in New Mexico. If the butterfly had not flapped its wings at just the right point in space/time, the hurricane would not have happened. This theory should be familiar ground for Internet marketers for as experience has shown, small changes can lead to drastic changes in results. It is often the very small variations, infinitesimally minute, possibly unobserved, like the butterfly flapping its wings, that can have extraordinary impact on the final outcome.

Make no assumptions that any of the basic elements of your shopping cart, such as buttons, background colors or a couple of words, are unimportant. Many marketers treat these as incidental design decisions, but they actually can't be ignored as they are all part of your persuasive architecture.

How do you know what elements are important? Test everything! And then keep testing some more (sometimes what made a dramatic impact one week can fizzle out the next). The process we advocate

is an ongoing system-wide process of measuring, testing and optimizing for conversion. This will provide those little victories that lead to the winning edge. “The winning edge” is what makes a winner a winner whether the winner is your web site or an athletic team. The winning edge is what will determine if your site is a winner or a loser, whether it engages your traffic to take the action you want (converts, or not). Remember, no detail is too small. Everything on your site and every element of your shopping cart either adds to or detracts from its ability to convert your traffic.

What Should Be Measured?

There are just ten business metrics an e-tailer must track to measure performance: visitors, conversion rate, sales, average sale, gross revenue, margin, gross profit, overhead, net profit and growth. Of these ten metrics that you need to track, only these five are key metrics:

- Visitors
- Conversion rate
- Average sale
- Margin
- Overhead

Why are these five the key metrics and not the other five? Simply because the key metrics are the only ones you can do anything about. You have absolutely no control over the other five metrics. They are simply the mathematical results of the key metrics. By exercising control over the key metrics, you can improve your business. The starting point is to make the decision and then put someone in charge. Then, establish and use a “system” for measuring, testing and optimizing your web site. Using a system can help you:

- Get more and better qualified visitors
- Learn what visitors really want
- Present better and increase your conversion rate
- Price more accurately
- Increase the effectiveness of your merchandizing
- Understand your errors and learn from your mistakes
- Train others

It makes good business sense to use such a system. Did you know there are still many businesses that measure their key metrics offline but don't do the same online? They don't know how many visitors their web site gets in a given month and have no idea how many visitors made a purchase. Without this information, they have no idea if it is the persuasive architecture—the sales—of their web site or the marketing that is working or not working. This information is far more important than the forensic data of revenue and net profit that come after the results.

Getting Personal:

How HP and OfficeMax dig deep into the detail to target e-mail campaigns

By LINDA PUNCH, From *Internet Retailer*
November 2005



Computer retailer Hewlett-Packard Co., hoping to increase customer loyalty and repeat purchases among business customers, in late 2001 set out to develop personalized e-mail. Using information from its product registration database, it started sending personalized e-mail messages to customers. Later, using customer information generated by the e-mail, it added account specific e-newsletters and web portals.

Now HP is reaping the rewards. Average revenue per business customer has increased by more than 300 percent and customers receiving account-specific e-newsletters are 1.5 to 3 times more likely to click on a link than those receiving non-targeted e-newsletters.

Doubling open rates

Personalization on the consumer side has brought similar results. A recent product-specific demand -generation campaign produced a

200 percent improvement in click-through rates and a 1,100 percent increase in direct revenue, HP says.

HP isn't the only retailer to experience success with targeted e-mail. At OfficeMax Inc., personalized e-mail campaigns produced three to seven times the revenue of broad, unpersonalized campaigns.

With personalized e-mail, OfficeMax's open rates nearly doubled, click-through rates were 50 percent higher and conversions were 20 percent higher than with unpersonalized e-mail, says Mike Hotz, manager of e-mail marketing for OfficeMax small business. "People who see content that's relevant are more likely to open that next e-mail," he says.

HP's and OfficeMax's results with personalized e-mail are not unique. A JupiterResearch survey of 250 e-mail marketers found that personalized campaigns overwhelmingly outperform broadcast mailings. For example, nearly twice as many marketers using targeted lifecycle campaigns—such as birthday or product replenishment messages—achieved conversion rates of 5 percent or more compared with marketers pushing simple limited time offers.

But while retailers using personalized e-mail campaigns are attaining improved results, many still haven't gotten the message, Jupiter says. Few marketers rank relevance as a top-three e-mail marketing goal, even though 60 percent of consumers who make immediate purchases from e-mail messages did so because the messages contained products they were already considering, Jupiter reports in its May 2005 study *The ROI of E-mail Relevance*.

Jupiter's survey found that 24 percent of marketers don't use any personalization, and of those that do, 84 percent only personalize

salutations. Only 11 percent used contextually relevant messages driven by segmentation, triggering and targeting of content. Small and large companies are equally uninterested: 36 percent of companies with annual revenues of less than \$1 million and 25 percent of companies with revenues of \$50 million or more don't personalize e-mail.

Step-by-step process

And only 33 percent of the larger companies took personalization beyond the salutation, Jupiter says. "If you just change a name, you're not doing anything more than sending an e-mail," says Chuck Davis, vice president of solutions and services at e-mail marketing services provider BlueHornet Networks Inc.

The backbone of HP's personalization campaigns is a database that it built in a step-by-step process, says Stephanie Acker-Moy, vice president of Internet and marketing services. Using customer information from product registration, HP offered to send updates on recently acquired products in exchange for customers subscribing to an e-newsletter, Acker-Moy says. "With newsletters, people were willing to give us more information about themselves," she says. "We also saw what people clicked on and what promotions and which content they were interested in."

Based on that customer response, HP expanded the content of the e-newsletter to include solution information, rather than just promotions, then added personalized web portals to go along with the newsletters. The web sites then became a vehicle to get more e-mail sign ups.

On the consumer side, HP also uses the product-registration database as a step-off point for personalization. "At the onset, we already know quite a bit about our customers," says Wendy Cole,

e-marketing manager for HP's imaging and printing group. "We know what product they own, what model they own, and how long they've owned it."

In addition, HP uses a profile database hosted by e-mail provider Yesmail as well as self-reported information gleaned from periodic e-mail surveys of customers and information from HPShopping.com, she says. Surveys typically ask about printing and purchasing behavior, channel preference and satisfaction with HP's services.

An engaged audience

HP uses the surveys for trend analysis and gets response rates in the double-digits, indicating an engaged audience, Cole says. "We're able to overlay that with profile characteristics that enable us to home in for targeting purposes," she says.

HP online activity centers—portals that offer ideas for using computers—also help create customer profiles. For example, customers who own digital cameras would register for an online print project involving digital photography, Cole says. "We could really tailor the messaging in the offers to that audience," she says.

OfficeMax uses personalized e-mail promotions for both consumer and business. OfficeMax, an e-Dialog Inc. client, looks at a number of factors, including when a customer made a purchase, the frequency of purchases and the types of products purchased. It also checks whether a customer has purchased in one or multiple categories and tracks browsing behavior.

"If a customer bought a product that has common accessories that go with it, we'll pitch those accessories," Hotz says. "We're not wasting their time with things they're not interested in."

E-mail on target

To develop the most relevant content, retailers need technology that can gather and analyze customer information generated by opt-in pages, web site behavior and other methods. Then retailers must learn how to use the data, something many have not mastered. "I see retailers with a rich set of data at their disposal and yet not use it in their targeting and their messaging," says Dave Lewis, StrongMail Systems Inc.'s vice president of marketing.

Retailers also have to be able to create e-mail templates for different messages. That requires time and money, both of which often are in short supply for many online merchants. "A lot of the second tier just don't have the resources," says Loren McDonald, vice president of marketing for EmailLabs.

But retailers will have to find those resources if they want their e-mail campaigns to succeed. With consumers' e-mail inboxes flooded with messages, they are less forgiving of untargeted e-mail. "Despite the extra costs, it more than pays for itself," Hotz says.

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The Web Analytics Riddle: How to make the data mean something

By MARY WAGNER, *From Internet Retailer*
October 2004



If a tree falls in a forest and there's no one there to hear it, does it make a sound? And if web analytics data fail to reach those in the retail organization that need to see them in a form they can actually use, has all that spending on analytics had any positive impact? Not enough of one, contends Jupiter Research Inc. analyst Eric Peterson, which is one reason analytics providers are offering a new form of reporting based on key performance indicators that strives to make web analytics reports more palatable with information that managers can act on.

Sharing the Wealth

According to Peterson, who detailed the problem and the opportunity in a Jupiter report, Key Performance Indicators—Using

Analytics to Drive Action, a surprisingly large number of companies that do business online don't even bother to distribute data generated by their web analytics to key departments that could use it. Only 19 percent of the companies surveyed regularly distribute analytics data to merchandising departments for review. Only 53 percent of companies said their marketing team reviews analytics data, and only 41 percent said executives review web analytics data.

"Most companies fail to distribute key web metrics frequently, deeply, or broadly enough to appreciate their full benefit," concludes Peterson. While Jupiter's survey included companies in industry sectors beyond retail, Peterson contends the numbers would likely differ little for a retailer-only pool because the same issues that hinder data distribution and use span industries. Take senior executives, for example. "More often than not, if you give a long report to executives they are not going to read it. They want the bottom line. KPIs are a great way to convey that," he says.

Key performance indicators are analytics data on metrics selected to illustrate specific aspects of site performance against specific business goals. According to Peterson, KPI-based reporting shrinks volumes of data into targeted reports consisting of a limited set of data points that convey significant, regularly updated information about how the business is doing against the defined goal. The reporting is associated with a plan of action geared to getting and keeping the selected metrics within range.

Maximizing ROI

Most top-tier analytics vendors have added some capacity to customize reporting in this format, with the execution of the application ranging from good to so-so, Peterson says. But even if an analytics product has the technology in place to support KPI

reporting, infrastructure is only half the battle. Setting up KPI reports still requires human intelligence to define business goals and map the metrics and reporting against them. That's where the help extended by an analytics vendor's professional services group begins to differentiate one product from another, Peterson believes.

The overriding metric on any KPI reporting program should be how well it maximizes a retailer's ROI on its web analytics investment, he adds. "The idea is that if you can put the data in front of enough people in a small enough way so they will think about it and make it easy enough to understand, you bring more minds to bear on a problem," he says. "If you staff properly and think critically about reporting and selecting the vendor with the underlying technology, you can be tremendously successful in using analytics to improve your business."

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Fighting Off the e-Threats

As crooks phish for consumer IDs, retailers play cyber cop to protect consumer confidence

By PAUL DEMERY, From *Internet Retailer*

August 2005



To keep a step ahead of the bad guys on the Internet, Ezzie Schaff tries to greet them coming and going. Schaff is vice president of risk management for jewelry retailer Ice.com, where the average order value is close to \$200, and he's come to realize that it's best to engage criminals at multiple points—wherever they try to steal customer identities, for instance, or use that information to make fraudulent purchases. Because if he doesn't, the thugs will win and consumer confidence in online retailing will sink.

"Twenty-four hours a day, seven days a week, we're constantly searching out new methods to prevent fraud," Schaff says. His methods so far include using software that monitors the web to find spoofed Ice.com domains before criminals can use the brand in e-mail phishing schemes that try to steal customer account information, and using a system that flags suspicious transactions and requires the credit-card-wielding would-be purchaser to answer questions that only the authentic credit card holder is likely to know.

On constant alert

Ice.com has already used its risk-management tools and policies to thwart one attempted phishing project before it could do any damage to its brand, and it has identified and halted more than 300 orders suspected of fraud this year alone, Schaff says. But though Ice.com has so far avoided an effective fraud attack, it isn't taking anything for granted. "It's never happened yet, because we're on our toes constantly," Schaff says.

Welcome to the new age of cyber crime. The Internet is no longer just a place for garden-variety crime in which criminals use stolen credit card accounts to make fraudulent purchases, or usually honest consumers dishonestly deny they made a transaction, or whiz kids get their kicks by proving they can crack into consumer databases.

The web has become a base for organized criminals who use the open nature of the web and e-mail systems to steal, or phish for, consumer account information while posing as legitimate retailers and banks, mimicking well-known web sites like eBay.com. They sell the information they gather to other criminals or use it themselves to make fraudulent transactions.

Though top-of-mind recently among many retailers and fraud-fighters, e-mail phishing is only one of several new-age forms of cyber crime. Criminals are also finding ways to plant malicious software onto web sites and computers to capture information, including keystrokes that enter passwords, for use in future fraudulent transactions. Ken Leonard, CEO of ScanAlert Inc., a company that tests web sites for network holes that can let hackers steal information, says that 30 percent of his clients have network vulnerabilities when they first sign up for service. "The hackers are very busy," he says.

Evidence is mounting that the new age of cyber-crime is having an impact on retail e-commerce. Research and advisory firm Gartner Inc. reports that one out of three online shoppers in a survey of 5,000 U.S. adults is buying fewer items due to concerns about online fraud, and that 75 percent are more cautious about where they shop online.

Another study released this summer by the Cyber Security Industry Alliance found that 48 percent of consumers are avoiding shopping online due to fears that criminals might steal their personal financial information.

Nervous consumers

"Consumers are rightfully nervous and that will definitely impact online commerce," says Avivah Litan, vice president and research director at Gartner and author of its online fraud study. She adds that retailers can't take for granted that surging growth in online transactions will continue. "Security by retailers will have to tighten up," she says. "They need to spend more on security and prove to consumers that their sites are secure."

The Anti-Phishing Working Group, a security watchdog organization that monitors phishing and other forms of cyber crime and works on related security measures, estimates that 2,000 to 3,500 people per day fall victim to e-mail phishing scams, out of 75-100 million phishing e-mails sent every day. The total value of losses is estimated from \$500 million to more than \$1 billion, according to multiple studies.

Dave Jevans, chairman of The Anti-Phishing Working Group, narrows it down to \$750 million to \$1 billion. The average loss incurred by individual victims is about \$1,200, he says. Gartner's survey shows losses of a slightly different scale: in the 12 months prior to the May 2005 survey, 1.2 million consumers lost \$929 million due to phishing e-mails, for an average of \$775.

Whatever the precise number, criminals are stepping up their efforts to make the losses even bigger. In the 12 months ended in May 2005, 73 million consumers received e-mail phishing attacks, up 28 percent from 57 million during the 12-month period ended in April 2004, according to the Gartner report.

The relatively new phenomenon of phishing attacks, however, is not necessarily consumers' biggest worry regarding online security, the Gartner study says. It notes that nearly twice as many consumers worry more about thieves stealing private credit reports and other sensitive financial data from consumer databases. In a major recent attack, criminals broke into computer records of more than 40 million credit accounts held at the Tucson, Ariz., credit card processing center of CardSystems Solutions Inc. Security vulnerabilities in the processor's network allowed criminals to access cardholder data for MasterCard, Visa and other credit card accounts.

While consumers may worry more about hacked databases, criminals are quick to link together multiple forms of cyber crime—often starting with e-mail phishing. CardSystems said it took immediate action to fix its network security breach. But within days after the breach was publicized, consumers began receiving phishing attacks purportedly from legitimate credit card companies advising them to re-submit their account information to guard against fraudulent use of their accounts. Phishers were clearly playing off consumers' fears that were raised by the thefts.

Beyond naiveté

Key to the motivation and success driving the criminal element is the scale of the Internet: with millions of targets that can be instantly hit through e-mail, criminals need only a tiny percentage of responses to reap substantial rewards. And because they can change their targets and attacks so easily and quickly, they can usually avoid having their

own identities and locations discovered by authorities before moving on to new attacks.

To security experts, the state of cyber crime has evolved to the point where consumers and retailers must take several levels of precaution and maintain constant guard against fraud, carrying the same level of wariness of anyone who lives with common street crime. "The Internet was built on a foundation of trust, but today that's pretty naïve," says Craig Spiezel, director of industry and business strategy for the technology care and safety group at Microsoft Corp. "But there's no silver bullet to fight fraud. The web retailer needs to have solutions across the board."

Moreover, it isn't only the largest retailers and brand names that need to guard against phishing and other forms of fraud, experts say. With the biggest targets like eBay, PayPal and banks taking steps to stop fraud, criminals are looking at other, less-guarded targets. "Fraud acts like an air bubble; you push it here, it goes there," says Ori Eisen, CEO and founder of risk management firm The 41st Parameter and a former director of anti-fraud efforts for American Express Co. and VeriSign Inc. "We need to run faster today just to stay ahead of the bad guys."

To guard against phishing and related "pharming" attacks, which spoof web site domain names and try to get consumers to enter account information on fraudulent sites that appear to be legitimate, experts encourage retailers to look to certain crime-fighting areas: Consumer and employee education to maintain a clear distinction between legitimate and illegitimate e-mail and web sites

- Technology, including web monitoring software and services, that identify when a brand's identity is being stolen and used to create a fictitious web site
- Sharing of fraud and fraud-fighting information among retailers

- Technology to prevent criminals from making online purchases with stolen financial account information

Clear communications

Consumer and employee education starts with procedures for clearly stating on a retailer's web site its policies about communicating with customers. Standard retail policy should be that merchants never ask customers to enter account information by linking to a site through an e-mail message, experts say.

Yet the popularity of e-mail as a marketing tool still leaves some retailers with their guard down. "You need to educate marketing and IT departments how not to send e-mails that look like phishing, like sending e-mail that's not from your own domain name or sending e-mail that asks customers to click a link in the e-mail to update their account information," Jevans says. "We've seen quite a lot of retailers doing that. But if they keep sending e-mail that looks like phish, they're training their customers to respond to phish."

Other aspects of consumer and employee education include deploying standard operating policies like displaying "https" in web addresses and Secure Sockets Layer lock icons and third-party security seals to present a secure image. In addition, marketers should follow e-mail authentication methods under systems such as Microsoft's SenderID, under which marketers register IP addresses authorized to send e-mail under its name.

In fact, criminals don't even need to capture complete account information. Because many consumers use the same log-in and passwords for multiple web sites, criminals know that by simply earning the log-in and password that a consumer uses to enter any web site, they can use that same information to enter financial

sites under the same consumer's name, proceeding to capture more sensitive credit card account information. The spoils for the criminals can be as basic as a quick \$10 for each consumer identity package they sell to other criminals.

The Anti-Phishing Working Group and TRUSTe, a web site security certification firm, conducted in June the first "Phish Fry" Consumer Education Summit. Indeed, even TRUSTe has had its logo used in phishing attacks, says executive director and president Fran Maier, who chairs the consumer education committee at the APWG. "We're getting phished along with eBay and PayPal, so one of our responses has been to take a leadership role in consumer education," she says.

Ever vigilant

Efforts to overcome phishing and other methods of fraud may never be completely successful, experts say, because the business case—the ease of launching and changing attacks and the size of potential rewards—is too attractive to too many criminals. But there is reason to have hope, Jevans says, particularly as ISPs, retailers and law enforcement agencies cooperate in sharing information and using the latest fraud-prevention tools. "There may never be a complete technological solution, but we can make online fraud a lot harder to do," he says.

The trick is to never let down your guard, says Schaff of Ice.com. In addition to using technology and active risk management staff to catch phishers wherever they pose a threat, Ice uses Ambrion Software to conduct constant internal tests of its web site firewalls and e-mail filters and also retains an outside auditing firm to conduct manual audits of its security systems. "Criminals are getting more sophisticated, but we, too, can be trend-setters," Schaff says.

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Searching for Searchers:

In hiring search marketing expertise, it's a seller's market

By MARK BROHAN, *From Internet Retailer*
November 2005



As the search engine marketing manager at Overstock.com, Doug Sundahl is the type of seasoned professional web retailers can't seem to find and hire fast enough. Sundahl, who started Overstock's search engine marketing program from scratch four years ago, routinely receives phone calls from recruiters with openings at other retailing companies and interactive advertising agencies.

"Having a background in search engine marketing is definitely a stepping stone to career advancement," says Sundahl, who isn't looking for a new job. For now, he's happy at Overstock, where he manages a search engine marketing program with four full-time employees, a multi-million dollar advertising budget and several hundred thousand keywords and phrases. "Search is becoming more prominent within our organization and there is opportunity for search engine marketing professionals to grow into bigger roles at Overstock," says Sundahl, director of internal marketing.

Scouring trade shows

Overstock knows full well the value of keeping its search engine professionals motivated and well compensated. And that's a lesson other retailers and search engine marketing firms are learning as well.

These days it's a seller's market for experienced search engine marketing professionals. As a result, retailers and agencies are scouring trade shows and online job boards for candidates, luring talent away from the competition or building search programs from scratch with promising workers and managers from all types of professional backgrounds, including advertising sales reps, warehouse managers and even professional dog handlers. "For search engine marketing professionals, especially in retailing, the job environment is wide open," says Kevin Lee, chairman of the Search Engine Marketing Professional Organization and executive chairman of search-marketing company Did-It.com.

In the early days of Internet retailing, experienced programmers, web developers and e-commerce managers were the object of bidding wars as retailers and Internet start-up companies competed for their services. Now recruiters see a similar hot job market in search engine marketing. In particular high demand are marketing managers, account executives, pay-per-click specialists and organic-search specialists with a retailing background. "With the right background, a candidate with retailing experience, a proven track record and management ability can pretty much write their own ticket," Lee says.

Top dollar

Today web retailers and interactive marketing agencies are paying top dollar for search engine marketing professionals. The starting annual base pay for mid-level search engine professionals is \$45,000 to \$60,000 and it goes up to \$80,000 to \$100,000 for program or department managers. "A good professional with an excellent record can easily receive a job offer with a six-figure base and a lucrative bonus based on performance," says Dana Todd, SEMPO president and principal of SiteLab International Inc. "The big challenge is finding enough qualified candidates and giving them enough incentives to make them want to come and stay."

Given the relatively new status of search as a digital marketing and advertising channel, recruiters can't pinpoint the number of available search engine marketing jobs in retailing. But it's clear that many retailers with online operations are in a hiring mode. For instance, Amazon.com has three openings for marketing managers and specialists who will work on search projects, while Benchmark Brands, which operates FootSmart.com, is looking for five e-commerce employees with search-related skills. Other retailers in need of search marketing professionals include Bellacor.com Inc., an online retailer of lighting and home products, which is looking for an online marketing coordinator with search responsibilities; AllPosters.com Inc., which is in need of a pay-per-click specialist; and Burlington Coat Factory Warehouse Corp., looking for an online marketing manager with search engine responsibilities.

The need for managers, account executives and specialists at firms that provide search engine marketing services to web retailers is even more acute. Avenue A|Razorfish, an interactive services agency, has multiple regional openings for search engine marketing professionals. Icrossing Inc., another interactive services provider, is expecting to hire as many as 35 search professionals in the next several months and has openings for account executives, optimization specialists and search intelligence specialists.

"Marketing managers are realizing that search is growing because it's an advertising vehicle that gets results," says Sara Holoubek, chief strategy officer, corporate development, for icrossing. "Companies, including retailers, are reallocating resources to search and adding search engine marketing as a dedicated category in their advertising budgets."

Both sides of the brain

For search marketing department managers, most web retailers

are looking for applicants with hands-on experience building and optimizing campaigns on Google, Yahoo and other search engines, a good understanding of online and offline consumer behavior and the ability to analyze large sets of data and manage an advertising budget. Their specific job responsibilities include developing and maintaining customer acquisition programs for paid and organic listings, creating keyword bid management and optimization strategies, maintaining and expanding a keyword inventory, and analyzing customer traffic using web analytics.

“You can hire a specialist to run the mechanics of a program, but a good search engine manager, the kind of manager this industry needs to develop more of, needs to think out of both sides of the brain,” says Gordon Magee, Internet marketing and analysis manager for pets supply retailer Drs. Foster & Smith Inc., which uses three staffers to manage paid and organic search engine marketing campaigns. “What’s really in demand is someone who can read the data, draw conclusions and make marketing changes that deliver results. You can teach someone the mechanics, but not to be an intuitive thinker.”

In general, web retailers are eager to hire search engine marketing employees with a minimum of three years of experience in search marketing. But given the limited pool of employees with both search and retailing experience, a growing number of web merchants and agencies are filling positions by promoting from within.

For instance, eBags Inc. is developing a unit of three to four full-time employees, all found within the company, who will concentrate on generating better natural search results for eBags.com and several other e-commerce sites. They all already have experience working on eBags’ interactive marketing programs or have marketing and data analysis backgrounds that can be applied to natural search.

Quick change

With a new natural-search unit, eBags will have a full-time manager, who used to spend half-time on search and who will concentrate on drafting and implementing new strategies; a specialist promoted from within who will write search copy and track keyword density and site optimization; and a web developer who can work with the IT department to make changes to the home page and product pages based on natural search results.

eBags went inside because it is putting its new natural-search program on a development fast track and didn’t want to spend time conducting a national search or hiring an outside agency. “Search is changing so fast that the best employees to bring to the new natural search unit were people we already had in-house,” says Christopher Seahorn, eBags senior director of marketing. “We found the right people internally and that’s important because they can grow as the new unit grows and they already know the ins and outs of how we operate.”

Today if retailers can’t find enough seasoned search engine marketing professionals or aren’t able to promote internally, they look to another alternative: hiring promising, but inexperienced, employees and training them from the ground up. Oneupweb, a search engine optimization company, frequently hires talented newcomers and trains them to be account executives and marketing managers with good results, says director of marketing Rachel North. “A year ago we hired an advertising sales representative, trained him on our system and paired him with someone who is experienced,” North says. “Today that employee is a search engine marketing manager who is responsible for several accounts and doing very well.” Drs. Foster & Smith is also filling all of its search positions internally. It has three full-time employees working on search engine marketing, including a reports manager, a search analyst and a

pay-per-click specialist who also functions as an e-mail campaign manager. And not all came from search—or even marketing—backgrounds. Matt Stelter, paid-search coordinator, who conducts the company's pay-per-click campaigns and maintains the inventory of keywords, used to work in Drs. Foster & Smith's warehouse and is a professional dog handler.

"The fact that he worked in distribution gave him an excellent working knowledge of our company and who better than a dog handler, who shows dogs professionally, would know how to bid on keywords and phrases that would pique the interest of pet owners," Magee says.

The right general traits

Drs. Foster & Smith hired its search unit based on an employee's skills and interests. For instance, the employee who coordinates and puts together search-related reports using various database and spreadsheet tools already had a background in writing and researching catalog codes. The e-mail coordinator also works on search-related analysis based on her knowledge and use of web analytics and customer segmentation. "With search engine marketing you can train people for new positions, but the trick is looking for employees with the right general characteristics who are up for a new challenge," Magee says.

Search engine marketing is expected to change at a dynamic pace in the years to come and that means web retailers and interactive marketing firms will continue to hire professionals at a brisk pace. "There are constant changes happening with language, algorithms, vertical search and tools," says Robert Murray, president of search marketing company iProspect.com Inc. "There is a good opportunity for those who want to learn and keep learning these new skills to advance to higher positions."

iProspect plans to hire at least 10 search engine marketing professionals in the short term, including paid and natural search specialists, and as many as 30 in the next year. Most of the openings for specialists will go to general candidates with good customer service and business backgrounds who want to learn search engine marketing.

New specialists receive about a week's training on search engine marketing basics and spend about three months learning and working on iProspect's proprietary search engine bidding and campaign tracking technology platform. "The hardest part of the program is recruiting," Murray says.

A huge rush

Attracting search engine talent with more money and other perks is one way to find qualified professionals. Overstock, for instance, uses performance-based bonuses and stock options to keep its search engine marketing professionals content.

But search engine marketing is also a developing profession that's attracting more specialists and managers who want to be a part of a new and evolving marketing channel. "Whether you are a search engine marketer or an account executive, there is a great sense of satisfaction in being able to quantify your contribution to a company," Sundahl says. "There is a huge rush in looking at the quarterly financials and knowing that you had an impact."

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E-mail Marketing Survey:

Why e-retailers are expanding their e-mail marketing

By JACK LOVE, From *Internet Retailer*
April 2005



On the surface, e-mail marketing has a lot of strikes against it. There's the controversy over spam and the new regulations against it. There's the widely held belief that legitimate e-mail promotions are lost in a blizzard of illegitimate e-blasting and are therefore less effective than they once were. And a new *Internet Retailer* survey of e-retailers shows that the overwhelming majority online merchants—71 percent to be exact—attribute less than 10 percent of their retail web sales to the e-mail marketing they do.

Nonetheless, that same survey shows that 68 percent of e-retailers are doing more e-mail marketing this year than the year before and the majority of those surveyed believe e-mail marketing is as or more

effective than other forms of web site marketing. The explanation for this dichotomy appears to be found in the fact that e-mail is seen as an extremely effective way of communicating with online shoppers, even if that communication does not result in a sale that can be attributed to an online sale. Furthermore, the low cost of e-mail marketing makes it an extremely “effective” sales generator measured in terms of return on investment, if not in absolute sales.

The survey is the second in a new series of web-based surveys on e-retailing that *Internet Retailer* is conducting in partnership with Web Surveyor, which provides the web-based survey solution used to conduct the surveys and tally the answers of all respondents. Participation in the e-mail marketing survey was offered in the first week of March 2005 to all 32,000 opt-in subscribers of *IRNewsLink*, *Internet Retailer's* daily e-mail newsletter. Fully 355 subscribers, or slightly more than 1 percent of *IRN's* subscriber base, spent the three minutes necessary to answer the survey's 15 questions and submit them. All individual responses to *Internet Retailer's* e-retail surveys are strictly confidential and are not distributed; only the summary results are published.

Those responding to the survey on e-mail marketing proportionately represent a broad cross section of the web-based retailing industry—and least on the basis of size—and as such the survey fairly reflects the prevailing attitudes on e-mail marketing held by all online merchants. Slightly more than 13 percent of respondents operate retail sites with more than \$25 million in annual sales, 25 percent have annual online sales between \$4 and \$25 million, 17 percent between \$1 and \$3 million and the remaining 45 percent have web sales of under \$1 million.

Despite the fact that their promotional e-mails must rise above an ever growing amount of spam to get noticed and despite their

belief that e-mail marketing generates a small percentage of their online sales, the majority of those surveyed are stepping up their e-mail marketing this year for two related reasons: their retail web businesses and Internet customer bases are growing and e-mail offers perhaps the best means for communicating with online shoppers. Fully 38 percent of respondents who are expanding their e-mail marketing say they are doing so in response to the growth of their online retail businesses, and nearly the same percentage attribute their e-mail marketing expansion as an effort to establish a closer relationship with online shoppers.

The commitment to expanding e-mail marketing varies depending on the size of e-retail businesses that respondents oversee. Clearly, larger e-retailers are ramping up their e-mail programs faster than the smaller online merchants. For example, 82 percent of online merchants with annual web sales in excess of \$25 million report they are expanding their e-mail marketing programs this year. That figure drops to about 60 percent for e-retailers with web sales under \$3 million. And the number one reason provided by the bigger e-retailers for expanding e-mail marketing programs is the rapid growth of their retail web operations. By comparison, 46 percent of merchants with online sales under \$1 million say their expansion of e-mail marketing is an effort to stay in closer touch with customers, making that easily the primary reason small e-retailers cite for their expansion of e-mail marketing.

Just as significant as the two main reasons given by e-retailers for the growth of their e-mail marketing programs are the reasons that are rarely cited for e-mail expansion. Only 2 percent of respondents who are e-mailing more this year give as their reason the desire to get noticed above the spam, and another 2 percent say they are e-mailing more because they are attempting to overcome declining

response rates. And only 9 percent who are e-mailing more this year say they are doing so because e-mail is more effective than other methods of marketing their retail web sites.

The growth of spam and the legal risks of spamming are affecting those 13 percent of survey respondents who report that they have cut back their e-mail marketing this year. Among that group, about a third explain their e-mail cutbacks as a response to declining e-mail response rates that they attribute directly to the growth of spamming. And another 24 percent of those cutting back e-mail marketing this year report doing so out of fears of the legal risks associated with spamming.

Other key findings from the survey include the following:

- E-mail is as or more effective than other forms of marketing retail web sites, but the measure of effectiveness is not necessarily online sales. E-mail appears to be seen by e-retailers as an extremely effective way of maintaining a relationship with their web-based customers. A striking 49 percent of respondents say e-mail marketing is more effective than other forms of marketing of web sites; only 27 percent say it's less effective.
- E-mail marketing is not a significant web sales generator for most e-retailers. The perception of e-retailers that e-mail marketing is highly effective would seem to indicate that their e-mail marketing programs contribute a high percentage of their online sales. Curiously, the respondents to the survey say otherwise. Fully 57 percent report that e-mail marketing accounts for less than 10 percent of their online sales, while just under 10 percent say it accounts for 25 percent of web sales. By comparison, about one-third of all respondents to last month's Internet Retailer survey on search engine marketing attributed 30 percent or more of their web sales to SEM.

- Will more e-mailing improve online sales? E-mail's contribution to online sales does increase fairly significantly for e-retailers who mail much more frequently than most.

For example, online merchants who blast more than one e-mail a week to their customers attribute more of their sales to e-mail marketing. Fully 56 percent of this group report that e-mail marketing generates between 10 percent and 25 percent of their web-based retail sales. That percentage response declines steadily for e-retailing groups which mail less frequently and drops all the way down to 15 percent for online merchants which e-mail their customers less than once a month. These results, however, are not compelling enough to contradict the overall perception that e-mailing appears to be more effective in maintaining relationships with customers through communication than it is a direct generator of sales, and they suggest that more frequent e-mail marketing probably will not achieve for e-retailers the sales generation they get from SEM.

- The perceived effectiveness of e-mail marketing may be related to its cost. In addition to e-mail's effectiveness in enhancing customer relationships, another factor may well explain the dichotomy between the high overall effectiveness rating given to e-mail marketing and its perceived low sales generating potential: it's cheap to undertake. E-retailers can spend thousands on SEM, but e-mails can be sent out for next to nothing. In fact, 71 percent of respondents say they spend less than 10 percent of the marketing budgets of their e-retail business on e-mail marketing.
- Higher e-mailing frequency is linked to higher response rates. Nearly 45 percent of respondents report that they send promotional e-mails out at the rate of only one per month or less. Yet,

e-retailers who blast promotional messages more frequently than that also report much higher response rates (percentage of e-mail messages that are clicked on by recipients) than less frequent mailers. For example, nearly 40 percent of e-retailers who send out more than one e-mail promotion per week report response rates of 5 percent or more. By comparison, only 18 percent of online merchants who use e-mail marketing less than once a month hit response rates of 5 percent or higher. However, the most effective e-mailing frequency may be two to three times per month. Exactly half of survey respondents in that group say they experience e-mail response rates of 5 percent or higher.

- Higher response rates also mean higher conversion rates. E-retailers who mail more frequently and thereby achieve higher response rates also report higher conversion rates (the percentage of opened e-mail promotions that generate a sale). Nearly 75 percent of respondents who report response rates of less than 1 percent also report conversion rates of under 2 percent. Conversely, more than 70 percent of e-retailers who report response rates in excess of 3 percent to their e-mail campaigns also report conversion rates of 3 percent or higher. Thus, while other marketing methods may generate more overall web sales, the key to maximizing the sales potential of e-mail marketing appears to be doing it more frequently.
- Response rates are increasing, not declining. It might stand to reason that the growth in both legitimate and illegal e-mail marketing is leading to a general deterioration in response rates to e-mail programs. According to respondents to the survey, the opposite is true. Almost 45 percent of respondent to the survey say the response rates to their e-mail marketing campaigns are climbing; only 16 percent report a downward trend. The rest say response rates are holding steady. Furthermore, the trend in improving

response rates is evident across all e-mail frequency groupings—from the more than weekly to the less than monthly.

- Most e-retailers mail strictly to in-house e-mail lists. The low cost of e-mail marketing is in part the result that e-retailers rarely rent lists from outside brokers or list owners, preferring instead to mail exclusively to the in-house e-mail lists consisting of their own customers. An overwhelming majority (88 percent) of respondents say they do not use outside lists in the e-mail marketing of their retail web sites, and this percentage did not vary significantly according to the size of the respondent's online business. The renting of lists that takes place in the B2B marketing world appears not to be a factor in the retail e-commerce industry.

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Case Study:

DMA Site Registration Click-Through

By **ROBERT BLAKELEY**
December, 2005



Tracking click-through helps us understand how easy it is for customers to use our web site—it also helps us understand how customers interact with our site: how easy it is for customers to complete a process, where the roadblocks are, and where to focus our efforts on improving the customer experience.

The customer experience on the web is often undervalued. Research suggests that for every dollar spent on improving the visual design or style of a site, there is virtually no improvement in sales. However, a dollar spent on improving the behavioral interactions with a site will return \$50 to \$100. A customer's online experience also has an impact on how they feel about your company. That feeling determines whether or not they want to do business with you.

The Direct Marketing Association has a site registration system that provides user names and passwords to our online customers. While

we use our log-on to restrict some content to our members, we also allow non-members to access information if they register with the site. This is fairly common for both associations and commercial web sites. For the DMA, it is our most significant source of new prospects and critical to our business. We took a look at our customer's interaction with that registration system by looking at click-through.

The Registration Process

The DMA creates 24,000 new web accounts per year. Of those, some are member accounts and some are non-member accounts. As an association, we are interested in the members. Those folks are engaged customers. As marketers, we are interested in the non-members. Those are engaged prospects. Knowing this, we are able to more effectively target and recruit these prospects to make them into customers, reducing our acquisition costs.

Obtaining a web account is a multi-step process. When a person wants a web account, we must first see if they are already in our database and, if not, add them. Then we must provide them with a user name and password.

- First, to see if the person is already a customer, we ask for some identifying information such as their e-mail address, their name and zip code, or their customer number.
- When the customer submits this initial information, we look for matches in our database. We provide a list of those matches and the customer selects which person they are. This matching helps minimize duplicate records. (Duplicate records created in this process run 0.7 percent of records created.)
- If the customer is new to the database, we ask them to fill out our new customer form with their contact and company information. If the customer exists, we make sure they have an e-mail address on file.

- If the company information provided by the new customer matches a company already existing in the database, we ask them to verify if their employer is indeed that company.
- Next we ask the registrant to select a user name. When they submit their chosen user name, we send the customer their password via e-mail.
- The final step in the process requests some optional demographic information.

There was concern among DMA staff that the process was too long and too complicated. There were calls for a redesign of the whole process, to be done by our marketing department or by an outside consultant. We decided to first take a look at what customer's were really doing.

The Click-Through

Take a look at the August through October click-through figures for the steps above:

PAGE	TOTAL VISITORS	VISITOR CLICK-THROUGH	% VISITOR CLICK-THROUGH
Get A Web Account - Begin Page	12,850	6,589	51.28%
Existing Customer List	6,157	5,813	94.41%
Provide E-mail, No E-mail On File	108	105	97.22%
New Customer Form	4,208	3,686	87.60%
Existing Company List For New Customers	700	700	100.00%
Choose User Name	4,613	4,410	95.60%
Optional Demographic Info	4,410	3,863	87.60%

The average conversion rate for this period is 70 percent. We measure conversion by those who both started the process (submitting their identifying information) and received a Web account. Some 1,232 people who began the process already had a web account. If those are subtracted, the overall conversion rate is 82 percent.

Although most pages have a click-through rate in the 90th percentile, the cumulative abandonment makes for a conversion rate at the 70th percentile. This cumulative loss is inherent with any multi-step process. The more you ask a customer to do, the more the perceived benefit must be to be worth their time to do it. In addition, it is stressful for the customer to fill out an online form. Every step in the process, every input field or selection in every step increases the chance of error. The effect is that asking more decreases your conversion rate.

Another example of this is the conversion rate of the new customer relative to the existing customer. It costs us about 6.5 percent in conversions to have a new customer fill out contact information relative to the existing customer. The difference is that we are asking more of the new customer. The lesson: Ask only what is necessary to complete the task at hand.

By contrast, 87 percent of registrants fill out the optional demographic information. We placed this information at the end of the process, after we provide the account. We did not want this optional information to impact our conversions. Nevertheless, this is a high click-through rate for optional demographics. We believe that is, in part, due to placing it at the end of the process. Having already succeeded in the primary task, people are more willing to engage in this “low risk” activity.

The page with the lowest conversion rate, and the page with the greatest potential for improvement, is the very first page. For every 10 additional customers we get to begin the process, seven will complete it and get a Web account. This page has a click-through rate of 51 percent. The lower click-through for beginning a process is typical. We believe this tells us that it is harder to get people to begin something than to finish. In other words, there is a built-in start penalty. However, that does not entirely account for the low rate.

Customer feedback has pointed to two potential areas for improvement. First, we can clarify the benefit. Why should someone get a web account? Second, there appears to be a misunderstanding about who can get a web account. We allow existing customers to identify themselves using their customer number. Seeing the customer number field has led potential new customers to believe they must already be a customer to obtain a Web account.

Our approach was to do AB testing on this page and incrementally make measured changes. We kept what improved response and discarded what had no effect or a negative effect. The key here was to test one change at a time to be able to evaluate the impact: Control your variables. We were able to increase the conversion for this page by 6 percent.

A second page with potential for improvement is the new customer form. For every 10 additional people who complete this form, 9.5 will get a web account. In addition, most of the people requesting a web account are new. Thus this page has a greater potential of increasing the overall conversion rate than getting more people to begin the process.

On the other hand, if we look at our company-matching page, we see we have a 100 percent conversion rate. No matter what this page looks like, no matter what the copy says, there is no possible advantage to changing it.

By looking at the click-through rates, you can see how we have been able to follow our customer's behaviors and target our efforts to increase our conversions. Calls for a complete redesign of the process, an expensive undertaking, disappeared.

The success of this story is in what we did not do. By looking at what the customer was actually doing rather than relying on personal opinion, we were able to avoid an expensive and arbitrary redesign effort. On the web, numbers can tell you if the world is indeed flat or round. What numbers don't always answer is why. The best way to find out the why is to actively watch and ask customers in a focus group. These can be expensive and time consuming, but often necessary to understanding what the numbers are really saying.

Case Study:

Designer Linens Outlet

By JOSH MANNION

December 2005



With e-commerce as the primary mode of business, Designer Linens Outlet (www.designerlinensoutlet.com) is continually seeking ways to implement web analytics best practices. The online retailer of discounted designer linens has experienced drastic results from improvements made to its site and marketing campaigns over the past year.

Designer Linens Outlet enlisted the consultants at Stratigent in conjunction with WebTrends technology to maximize the results being generated from the web site. Specifically, the following best practices were used as part of the optimization process:

- Identifying key performance indicators
- Establishing historical baseline measures for all key performance indicators
- Creating a robust methodology for tracking all online marketing campaigns
- Leveraging first-party cookies as their method of visitor identification
- Performing scientific testing and measurement

Key Performance Indicators:

Identifying key performance indicators (KPIs), metrics which gauge the performance of a site's main processes and functions, was a critical first step in order to improve the overall business performance of Designer Linens Outlet's web presence. Stratigent helped Designer Linens Outlet to determine that the following be the most significant KPIs:

- Overall site conversion rate
- Shopping cart conversion rate
- Newsletter sign-up conversion rate

- Percent of visits from return visitors
- Percent of orders from repeat purchasers
- Revenue dollar per marketing dollar spent

Stratigent and Designer Linens Outlet began evaluating these and other metrics while taking into consideration other information such as site changes, promotional offers, merchandising, marketing mix, and seasonality to gain an accurate view of the site's performance. The KPIs allowed Stratigent to present an overview of site performance and trends without inundating Designer Linens Outlet's web team with non-actionable data.

Baseline Measures

After identifying the KPIs, baseline measures had to be established. Baseline measures serve as an essential reference point in order to determine whether KPIs are being affected negatively or positively by changes made to the site or marketing campaigns. Stratigent conducted a site-wide historical analysis to determine the past performance of KPIs, which provided Designer Linens Outlet with the baseline measures that would be used to evaluate the future performance of the KPIs.

Marketing Campaign Tracking and Analysis

In order to track online marketing campaigns, Stratigent helped Designer Linens Outlet to create a means in which to identify which visits result from specific marketing campaigns. In this circumstance, Stratigent helped Designer Linens Outlet to simply set a query string variable on the incoming link from the campaign creative. For example, company abc.com would link the campaign creative to **www.abc.com?WT.mc_id=0001** for campaign 0001. The variable **WT.mc_id** is the WebTrends default variable for tracking marketing campaigns, however, any variable name can be used with some

customization. If a unique landing page is used for identifying visits from a campaign, this same variable can be set somewhere within the page code, or within the WebTrends interface. However, it is best practice to attempt to utilize a single variable name across all marketing campaigns to simplify reporting and analysis.

For example, Designer Linens Outlet has utilized the variable name mcode to track all pay-per-click, shopping search, newsletter e-mailings, and affiliate ads. In this manner they are able to not only see which mcodes are most recent for purchasers, but also count the number of mcodes seen in the purchaser's lifetime.

By undertaking these and other best practices in the tracking of online and offline marketing, Stratigent has empowered Designer Linens Outlet with the information needed to optimize its mix of marketing promotions. Working with Stratigent to eliminate poorly performing campaigns, Designer Linens Outlet was able to decrease marketing costs by 23.7 percent while boosting overall sales by 3.5 percent.

First Party Cookies

Designer Linens Outlet observed that 18 percent of their site visitors were rejecting their third party cookies, leading to inaccuracy in some crucial metrics. Working with Stratigent, Designer Linens Outlet implemented a switch to the WebTrends' first-party cookie solution. Within a month, Designer Linens Outlet saw a vast improvement in their cookie rejection rate; it decreased to a 0.5 percent rejection rate. This has allowed Stratigent and Designer Linens Outlet to track visitors and attribute revenue more accurately across marketing campaigns.

As a result of being able to more accurately target customers with

appropriate marketing tactics, Designer Linens Outlet's marketing team observed a 45.6 percent increase in orders from returning visitors and revenue attributed to campaigns from returning visitors increased 24.1 percent.

Scientific Testing and Measurement

Stratigent's iterative approach to scientific testing and measurement utilized by the Designer Linens Outlet team has furthered knowledge of site visitors and what drives them to convert. Designer Linens Outlet has made a practice of conducting scientific tests to compare things such as landing page performance, page layout changes, and navigational structure and options. With WebTrends in place to track conversion through the test cells, Stratigent is able to accurately evaluate and draw meaningful conclusions. Examples of some successes from scientific testing include:

- By testing different offers on the home page, Designer Linens Outlet observed a 79.2 percent difference in overall conversion rates between the best and worst performing marketing promotions. By identifying which promotions were most effective, Designer Linens Outlet was able to reallocate marketing spend and increase site-wide conversion rates by 30.4 percent.
- By testing the concept of offering different shipping options, Designer Linens Outlet was also able to increase shopping cart conversion by 20.1 percent.

Designer Linens Outlet has implemented many best practices to improve their online business performance. With the guidance provided by Stratigent consultants and the tools provided by WebTrends, Designer Linens Outlet now finds themselves set up to undertake additional site testing and conversion rate optimization, while having available the foundation of online data that is crucial to business.

ADDITIONAL RESOURCES

As the worldwide leader in web analytics, WebTrends offers a full range of educational resources to help ensure your long-term success. Be sure to check them out at webtrends.com

ACCURACY BEST PRACTICES: WebTrends recently announced the industry's first and only true First party cookie solution for hosted web analytics. Learn more about how to implement accuracy best practices for your organization.

WEBTRENDS RETAIL TOPIC ZONE: An extensive library of educational guides, white papers, case studies and other resources for retailers, many of which are authored by industry experts, are waiting for you to explore in the WebTrends Resource Center and Retail Topic Zone.

WORLDWIDE SEMINAR SERIES: WebTrends regularly conducts free half-day seminars worldwide and thus far has educated more than 11,000 people in 60 countries across 6 continents. Watch our web site to see where we will be next.

WEBTRENDS USER GROUPS: With user groups in more than 25 cities, this is your opportunity to meet with colleagues and share best practices. Check for a city near you.

TRAINING & CONSULTING SERVICES: WebTrends also offers a full range of educational classes, training courses and strategic business consulting services to help ensure broader adoption of web analytics across your organization and accelerate your return on investment.

ABOUT THE EXPERTS

BRYAN EISENBERG is co-founder and chief persuasion officer of marketing consulting firm Future Now. Since 1998, Future Now specializes in training and consulting on how to increase the conversion rates of Web sites, landing pages, e-mail, and marketing campaigns so that prospects make purchases, subscribe, register, make referrals or accomplish whatever goals meet the client's business objectives. Bryan is a member of the Asilomar Institute for Information Architecture, Usability Professionals' Association, and the American Society for Quality. He is also one of the founders and Chairman of the Web Analytics Association.

For more information, visit: www.futurenowinc.com

JOSH MANNION, founder of Stratigent, LLC, is a recognized leader in the web analytics. He is also active in industry development as the Membership Co-Chair of the Web Analytics Association.

Josh was also founder Strategic Thinking, which focused on improving educational and work performance through a mastery of chess. He also applied his analytical skills at Fidelity Investments conducting web site usability studies and helping create a strategic vision and technology plan for the retail division.

Josh has a Management Science degree from MIT with emphasis in Information Technology. There he researched web site usability & online trading optimization. Josh played chess professionally, attaining the International Master title and is currently ranked 47th in the US.

JACK LOVE is publisher of *Internet Retailer* and president of Vertical Web Media. He is the former president of Faulkner & Gray, a leading publisher of business magazines, newsletters and directories and sponsor of major trade shows. He was a senior editor at Business Week before starting the company that became Faulkner & Gray in 1982.

MARK BROHAN is research director at *Internet Retailer*. He was the founding editor of Internet Retailer in 1999 and has held various senior editorial positions with Faulkner & Gray, a leading publisher of trade magazines covering technology and business strategies.

PAUL DEMERY is managing editor of *Internet Retailer*, a position he has held since 2002. He previously was editor of Electronic Commerce World.

LINDA PUNCH is senior editor of *Internet Retailer*. She previously held a number of senior editorial positions with Credit Card Management, the leading magazine covering the card-based payments industry.

MARY WAGNER is senior editor of Internet Retailer, a position she has held since 2000. She has extensive experience writing for business magazines.

ROBERT BLAKELEY is Director of Internet Development for the Direct Marketing Association in New York City. He has worked in the Internet industry for 11 years and has worked with many companies and government agencies to improve their web sites. These include the International Council of Shopping Centers, Atlantic City and the City University of New York.

ABOUT US

WebTrends: Thousands of web-smart organizations worldwide, including more than half of the Fortune and Global 500, depend on WebTrends to improve their web site conversions and optimize their marketing performance for maximum return on investment. As the worldwide market leader for web analytics and marketing performance management, WebTrends has become the trusted standard not only for award-winning technology, but also for a full range of consulting services and unmatched industry expertise. By delivering accurate and actionable metrics through both on-demand and software options, WebTrends ensures that its customers are positioned for both immediate and long-term success with a solution that can adapt to ever-changing business and technical requirements.

For more information, visit www.webtrends.com

ABOUT INTERNET RETAILER

IR2006 Conference: Internet Retailer 2006 Conference & Exhibition is the world's largest e-retailing conference and the only event in web retailing that draws speakers and attendees from all corners of the online retailing market, including retail chains, catalog firms, web-only merchants and consumer branded manufacturers. The 2006 show, which will be held at in Chicago on June 5-7, will feature 75 expert speakers in 45 conference sessions and more than 150 exhibitors in the largest exhibition of e-retailing technology ever assembled. And stay tuned for future conferences, too. Online registration is available at www.internetretailer.com/ir2006.

Internet Retailer: Internet Retailer magazine is the nation's leading information provider for the e-retailing industry with a monthly circulation of more than 37,000 e-retailing professionals in retail chains, catalog firms, web-only merchants and consumer manufacturers. The magazine covers all aspects of the Internet's role in retailing, including online merchandising and marketing, multi-channel integration and supply chain management.

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