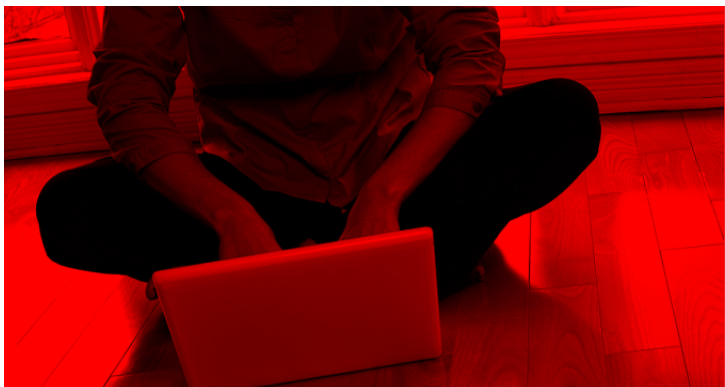


Optimizing the E-Commerce Experience

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Optimizing the E-Commerce Experience

Overview: Well into its second decade of life, e-commerce is growing up. It is no longer an ancillary channel or strategy. Business-to-consumer (B2C) and business-to-business (B2B) companies across a range of industries and sectors are now making e-commerce core to the way they do business. Many are dropping the “e” altogether, as the once-rigid line between online and offline sales becomes permanently blurred.

Not surprisingly, online purveyors are upgrading their e-commerce platforms and making investments in next-generation technologies to enable cross-channel selling, segmentation and personalization, better search and navigation, and more. While platform upgrades occur every few years as new technology comes to market, online businesses also recognize the importance of *optimizing* what they have today with add-on services that do not require major overhauls.

A new category of online business optimization services has emerged that can be “bolted on” to existing sites and platforms—like rings around a planet—to boost online revenues and performance without major investments. While e-commerce optimization services vary in what they help businesses achieve, they share a common trait: optimizing the online experience for each and every consumer to maximize potential revenues and profits.

“Over the past five years, e-commerce companies have begun realizing it’s all about the consumer,” Brian Kalma, director of user experience at footwear and apparel seller Zappos.com, told eMarketer. “There is so much that can benefit the consumer—and companies have begun listening.”

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The Optimization Outlook

Optimization services are on-demand software-as-a-service (SaaS) technologies that add dynamic, real-time capabilities to existing online platforms. Over the past two years, increasing numbers of e-commerce companies have turned to SaaS optimization services as quick solutions that deliver immediate value at low cost.

What are Optimization Services?

Optimization services are add-on, SaaS products that can rapidly enhance an e-commerce company's existing Website or platform. Because optimization services are leased as on-demand services, they may be quickly implemented and deliver fast time to value.

Optimization services, while alike in their ultimate goal and delivery mechanism, address a wide range of needs. Some of the most popular optimization services are pinpointed search functions, click-to-call and click-to-chat services, and the ability to offer personalized product reviews and recommendations.

According to a 2009 report from AMR Research titled "Evolution to Third-Generation Systems," 43% of companies in the under-\$100-million segment plan to upgrade or add functionality to their first- or second-generation systems over the next year. Fifteen percent of those in the \$100 million to \$999 million range plan the same types of upgrades, as do 21% of companies that generate more than \$1 billion annually.

Since optimization services are leased and added to existing sites rather than licensed or developed in-house, implementation is rapid and more cost-effective than revamping an entire e-commerce platform or investing in building or deploying products directly. Monthly fees for optimization services can range from a few hundred dollars to tens of thousands, depending on the size of the site, the value delivered and the number of services the customer has leased.

Applicable Segments for Optimization

E-commerce today goes well beyond online retail. Businesses across a range of industries, both B2C and business-to-business (B2B), now understand they are e-commerce players. As the online channel becomes core and growth in traditional channels slows, these businesses can use optimization services to gain competitive advantage and propel online revenues.

The four most common sectors where SaaS tools are helping to optimize e-commerce include:

- Retailers, wholesalers and consumer manufacturers that sell physical or digital products directly through an online store
- Online travel, hospitality and leisure sites that sell online reservations and tickets
- Online finance, insurance, cable, wireless and other service providers that sell and support services and subscriptions online
- Online yellow pages, real estate, auction sites and other directories that connect buyers and sellers but may not directly process transactions

Not surprisingly, these sectors are also among the largest and fastest-growing segments of e-commerce. comScore's February 2009 "State of the U.S. Online Retail Economy Report" found that online B2C retail and travel sales combined grew by 6%, hitting \$221 billion in 2008. The lion's share—\$130 billion—came from retail. The remaining \$91 billion was generated by travel sites.

Applicable Segments for Optimization

Despite the economic challenges of 2008 and 2009, many e-commerce companies are continuing to invest in their businesses. According to online retailers surveyed during Q1 2009 by the e-tailing group, 36% planned to spend more this year than last; 26% said they would invest about the same amount as they did in 2008.

Change in E-Commerce Investments due to the Economy According to US Online Retailers, Q1 2009 (% of respondents)

Investing somewhat more than 2008 as e-commerce is the fastest-growing part of our business

36%

Investing about the same as 2008

26%

Investing somewhat less than 2008 given our current business state

22%

Investing significantly less than 2008 given our current business state

8%

No change

8%

Source: the e-tailing group, "8th Annual Merchant Survey," provided to eMarketer, April 2009

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Forrester Research found in December 2008 that better search functions, product recommendations/personalization and interactive support (such as click-to-call/click-to-chat) were among the top technologies that businesses worldwide planned to implement. Search was near the top of the list, with 36% of businesses planning minor upgrades and 21% considering major overhauls. SaaS tools are an increasingly common way to offer these technologies.

E-Commerce Technologies that Businesses Worldwide Plan to Implement in the Next Year, December 2008 (% of respondents)

	First-time purchase	Minor upgrade	Major upgrade	No plans	Don't know
Web analytics	4%	38%	19%	36%	4%
Search	0%	36%	21%	38%	6%
Web content management	8%	25%	21%	38%	9%
Product recommendations/personalization	8%	25%	15%	42%	11%
Interactive support (e.g., chat, click-to-call)	11%	25%	8%	47%	9%
Order management	2%	9%	21%	57%	11%
Alternative payments	6%	23%	8%	53%	11%
Other	13%	25%	38%	13%	13%

Note: n=53 e-business and channel strategy managers
Source: Forrester Research, "Global eBusiness and Channel Strategy Professional Online Survey," December 2008 as cited in Forrester Research, "The Recession's Impact On 2009 eBusiness Plans," February 2009 as cited by Research Recap, February 23, 2009

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Leading Optimization Applications

Optimization services perform a range of functions for many types of online businesses. This section of the white paper zeroes in on some of the areas where optimization is most important—and most profitable—to successful e-commerce operators. It also provides short case studies that explain how individual businesses have applied specific services to help reach primary e-commerce goals.

Content Targeting and Testing

One of the most important metrics e-commerce companies look at each day is online traffic. They generate traffic through a variety of marketing efforts, including search marketing, affiliate marketing, banner and rich media ads, and an array of offline strategies.

Savvy marketers, however, are focusing e-commerce efforts on what happens after the click. They are looking to optimize campaigns to turn more visitors into customers. And they are doing this through on-demand services that help convert more traffic into sales and leads.

Content targeting and testing tools are a hot area—they help target the right content based on visitors' incoming keyword or URL, segment or other criteria, and test different approaches to optimize results.

According to a survey conducted by the Web Analytics Association between October and December 2008, "targeting and segmentation" and "A/B and multivariate testing" ranked second and third in terms of areas of knowledge that Web analytics users were looking to improve.

Areas of Knowledge that Web Analytics Users Worldwide* Would Most Like to Improve, October-December 2008 (% of respondents)

Measuring Web 2.0 technologies	60.8%
Targeting and segmentation	57.2%
A/B and multivariate testing	49.8%
Natural search marketing or SEO	48.6%
Paid search marketing	41.2%
Campaign management	37.8%
Content management	35.8%
Creating custom reports	34.0%
E-mail marketing	32.2%
Affiliate marketing	29.1%

Note: n=444; *North America (61%), Europe, Middle East and Africa (26%), Asia-Pacific (11%) and Latin America (2%)
Source: Web Analytics Association, "Outlook 2009: Survey Report," provided to eMarketer, January 7, 2009

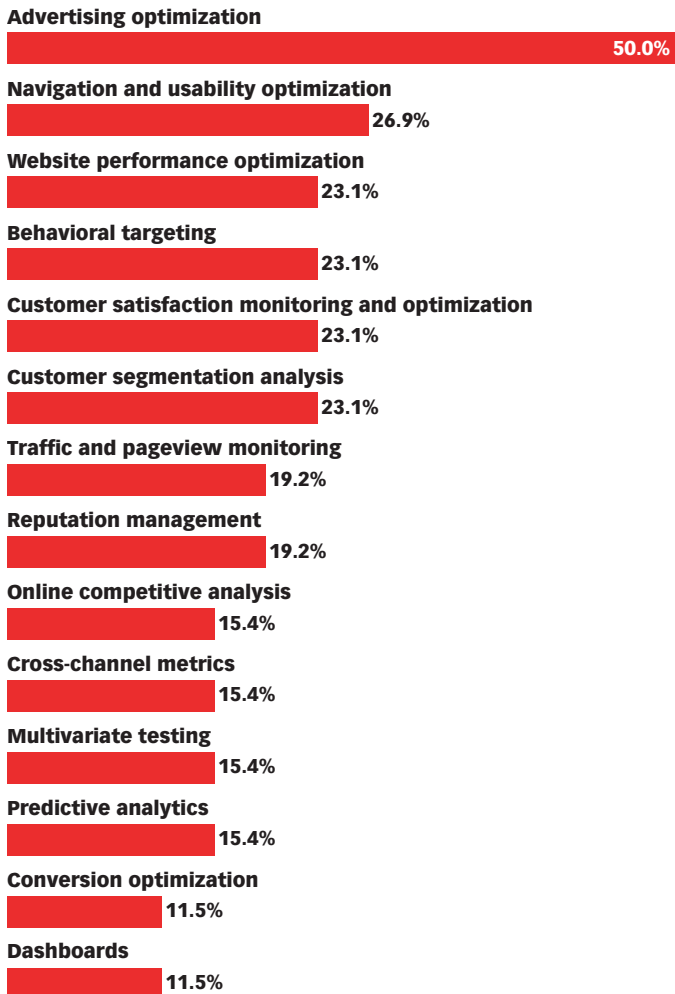
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Leading Optimization Applications

A Q1 2009 study by the eMetrics Marketing Optimization Summit found that behavioral targeting, customer segmentation analysis and multivariate testing were among the top technologies marketers were outsourcing this year, indicating how on-demand solutions are becoming a preferred way of monitoring targeting and testing.

Campaign Optimization Services and Functions Outsourced by Marketers Worldwide*, Q1 2009 (% of respondents)



Note: *North America (76.1%), Europe (12.7%), Asia (4.2%) and other (7.0%)
Source: eMetrics Marketing Optimization Summit, "Measuring Success Today," April 22, 2009

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E-Tales

■ **ApartmentGuide.com** used a multivariate testing application called Sitespect to test multiple user interface treatments. Since different content is targeted at different people, the application optimizes leads and conversion rates. Since installing Sitespect eight months ago, ApartmentGuide.com has doubled the number of leads it forwards to rental offices, vice president John DeLatte told eMarketer. The company was also ranked as one of Hitwise's top 20 e-commerce sites in June 2009. ApartmentGuide.com doubled its leads:

- A multivariate application tests different user interfaces.
- All 800-number leads are tracked via call tracking technology.
- Location searches are supplemented with Google Maps.
- An iPhone app can be accessed via GPS button.

Call Tracking

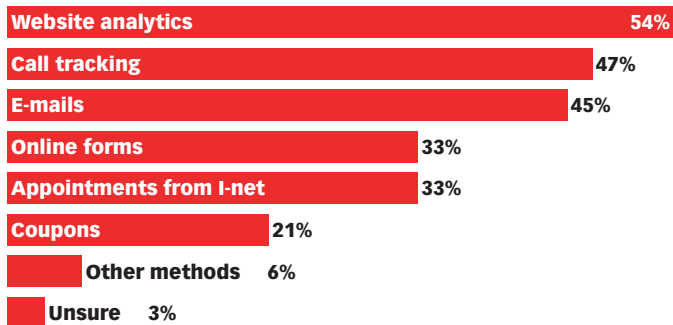
Another way marketers are helping to optimize traffic and increase return on their marketing spend is with next-generation call tracking technology. A few years ago, the click-through rate was the main method of evaluating the success of online marketing campaigns. Today, the rise of post-click marketing is driving on-demand lead tracking services, such as call tracking, which tell marketers exactly how much traffic from each campaign is converted into actual sales and leads.

On real estate sites, for example, call tracking monitors and measures inbound phone responses to brokers' and agents' Websites, property listings and marketing campaigns, including online ads, print ads and paid search. Placing the same call tracking numbers on print campaigns enables real estate professionals to evaluate the effectiveness of direct mail, print ads, yard signs and other types of direct-response advertising.

Leading Optimization Applications

In a September 2008 study conducted by Sterling Market Intelligence for Marchex, call tracking ranked second only to Web analytics among methods US national advertisers and agencies are using to measure the success of local advertising.

Local Advertising Success Metrics Measured by US National Advertisers and Agencies, September 2008 (% of respondents)



Source: Marchex, Inc. "Local Online Advertising: Strategies and Tactics Every Company Should Know" conducted by Sterling Market Intelligence, October 1, 2008

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E-Tales

■ **ApartmentGuide.com** is using eStara call tracking technology from ATG, which replaces standard phone numbers with trackable local and long-distance numbers and helps it measure performance. The company views the toll-free number as a "currency system," explained Mr. DeLatte, "in that tracking proves the value of advertising to property owners."

■ **ThomasNet**, the No. 1 purchasing destination for industrial buyers, sought to enhance its Web traffic by strengthening its ability to articulate the site's value for advertisers. ThomasNet uses eStara call tracking from ATG to assign a local or toll-free number to advertiser listings posted on its site.

ATG measures (in real time) the inbound phone responses each advertiser receives. ThomasNet can then generate a report for each of its customers with call metrics as well as contact details for every caller, including name, phone number and ZIP code. This provides valuable buyer intelligence while ensuring no lead is lost.

"The addition of call tracking features enables Homes.com advertisers to track and measure leads and results from both online and phone inquiries. More importantly, call tracking data and reporting will enable agents and brokers to keep a closer eye on their lead opportunities and advance the follow-up and conversion of that home buyer." —Jason Doyle, vice president and general manager, Homes.com

Personalized Ratings and Recommendations

Personalization is another category of e-commerce optimization that helps increase conversion rates by dynamically tailoring the online experience for each and every visitor. While many businesses are building segmentation and scenario-based personalization into their core e-commerce platforms, on-demand optimization services go a step further by "microtargeting" the online experience based on the specific clicks and behavior of each visitor.

Product recommendations are a popular optimization service being added by e-commerce sites to personalize and tailor the online experience. Until recently, only e-commerce behemoths such as Netflix and Amazon.com could afford to provide personalized product recommendations. Growth of SaaS solutions—along with the number of e-commerce vendors offering them—has made personalization attainable for all online businesses.

Many e-commerce companies that have implemented on-demand personalization said sales have increased dramatically because more leads are converted into transactions. Still, only 27.6% of online retailers offer personalized product recommendations, according to an August 2008 study from Internet Retailer. Many said first-generation technologies have not met expectations.

US Online Retailers that Offer Personalized Product Recommendations on E-Commerce Site, August 2008 (% of respondents)



Note: n=124

Source: Internet Retailer, "Emerging Technology" conducted by Vovici Corporation, September 2008

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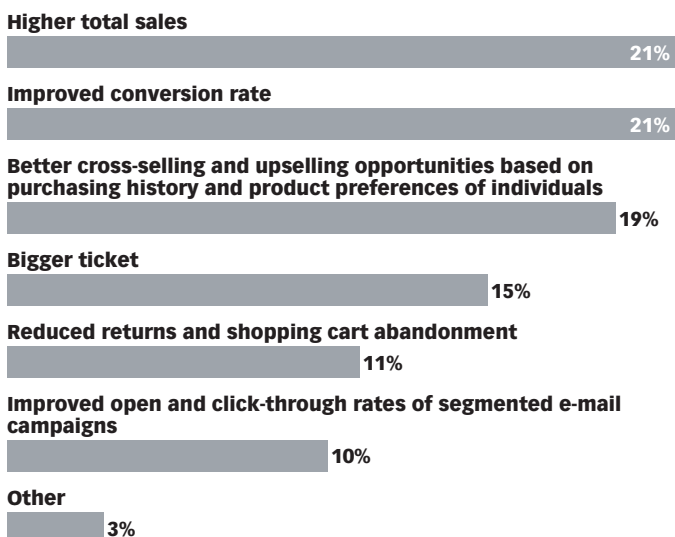
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Types of recommendations solutions vary. The most common involve suggesting a product or service that is similar to the one the consumer is looking at in terms of style, usability or other characteristics. Some features remember shoppers' preferences or previous purchases, list the site's top sellers or have a "tell a friend" button that transmits product information. In a sense, on-demand recommendation features can become the in-store salespeople of the online world, recommending items based on the behavior and preferences of each visitor.

Internet Retailer also found that 21% of companies queried said that personalized product recommendation solutions can improve sales. Another 21% said these products increase conversion rates and 19% believed they improve cross-selling. If a clothing item does not come in the size a customer needs, for example, that person may opt for a secondary suggested item of similar style.

Benefits to US Online Retailers that Offer Personalized Product Recommendations on E-Commerce Site, August 2008 (% of respondents)



Source: Internet Retailer, "Emerging Technology" conducted by Vovici Corporation, September 2008

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Personalization yields the best results when it tracks multiple consumer behaviors, Jack Aaronson, CEO of the Aaronson Group and a former Barnes & Noble executive, told eMarketer in March 2009. In addition to tracking what books a purchaser of a particular title bought, for example, algorithms can factor in other sales motivators. This could involve layering in research regarding what was most important to consumers—say, subject versus author.

Some personalization functions go beyond making product or service suggestions—they track people's time and attention spans. Many consumers, for example, spend more time browsing Websites on weekends than on weekdays. On weekdays, they want to find what they need and leave the site; weekend browsing is more leisurely. According to a July 2009 BusinessWeek article on personalized recommendations, sites can "adjust to [shoppers'] rhythms, leading shoppers on a leisurely stroll on Saturday afternoon, and sending them hurtling toward checkout on Monday morning."

Personalized ratings and reviews are another way of optimizing the online experience by allowing users to contribute their own content to help others make decisions. Businesses can easily add ratings and reviews as on-demand solutions, relying on vendors to deliver the technology and outsource the monitoring of content.

Many e-commerce companies today allow consumers to write and post comments and reviews. In addition to providing guidelines for other shoppers, this can help resolve problems related to products or services supplied by third parties.

One e-tailing executive said that some of his product manufacturers resolved merchandise issues after consumers wrote negative reviews. In other instances, the e-tailer removed disappointing SKUs from its site. The company always posts a notice explaining a problem's resolution. "This helps with consumer confidence and conversions," the executive added.

According to Forrester Research (December 2008), apparel, footwear and accessories ranked fourth among the retail categories for which consumers find reviews most helpful. Their survey of 2,890 US Internet users indicated that 47% benefited from the feature in this product category alone.

E-Tales

■ **Zappos.com**, often considered a benchmark in e-commerce efficiency, found that customer reviews reduce returns. Shoppers may indicate, say, that a shoe runs small or does not look nice with pleated pants.

■ **Netflix** factors in movie plots as well as movie categories rented before it makes recommendations. A consumer who rented "Goodfellas," for example, might not like all crime movies. But if the customer gives high ratings to both "Goodfellas" and "The Godfather," as Steve Swasey, Netflix's vice president of communications, told eMarketer in March 2009, that person very likely enjoys epic movies with a crime base and immigrant theme.

Netflix cross-references consumer ratings, which provide more accurate predictions about what people will like, said Mr. Swasey. He added that 60% of Netflix members regularly rate movies.

■ **Tommy Hilfiger** added a SaaS-based recommendations service from ATG in fall 2008. Based on a predictive algorithm, the tool uses product data, site structure and shoppers' current and past behaviors to make suggestions.

Prior to implementation, Tommy Hilfiger had been creating hard-coded product recommendations to stimulate cross-sells. Information was based on what the company was trying to sell rather than what visitors wanted. The same suggestions were made to every shopper. The approach was time-consuming and was not helping sales.

Within 30 days of deployment, 16% of total online revenues were being impacted by the new tool, according to information provided by Tommy Hilfiger. That figure jumped to 30% when the site began to use the service to automate and personalize other parts of its online merchandise, such as top sellers and gift guides.

Checkout frequency increased threefold among Tommy Hilfiger shoppers who interacted with the ATG Recommendations product.

■ **OpenTable** is a repository of restaurant opinions and information. It runs customer reviews and partners with hundreds of Websites as well as with the online properties of local newspapers. Thus, consumers do not have to read myriad blogs. The transaction facilitator allows diners to place real-time reservations and search for restaurants by geography, price and cuisine. Success is measured by how many restaurant seats are filled, said Ann Shepherd, vice president of marketing, in a December 2008 eMarketer interview.

Live Help

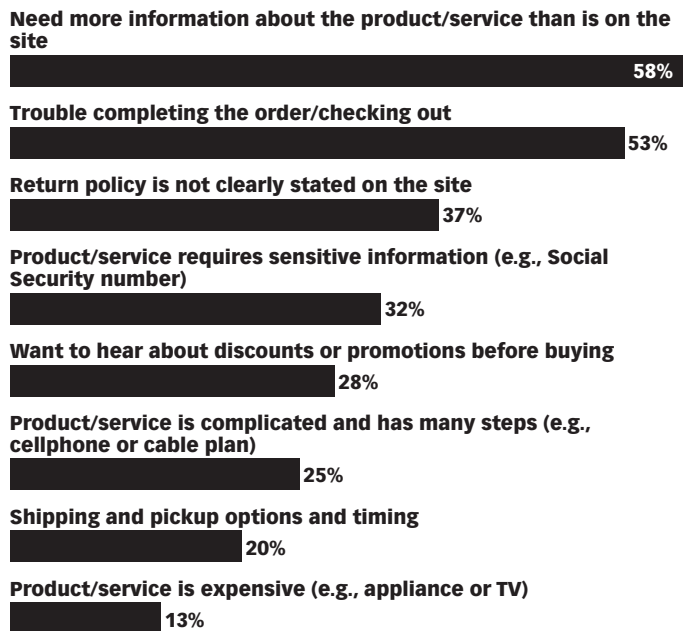
In the early years of e-commerce, the pervasive school of thought was to eliminate human involvement from online transactions as much as possible. Contact methods were often difficult to find or use. Many sites only offered a toll-free number or e-mail address to help would-be buyers obtain answers to questions, requiring them to "switch" channels or wait for a response. This approach is rapidly changing.

Today's e-commerce companies realize the benefit of direct, timely assistance to close more online sales and improve loyalty. Online customers, they now acknowledge, should be treated as well as guests who are physically present. This has become even more important during challenging economic times, particularly when it comes to holding on to existing customers.

"As the pool of new online buyers begins to dry up," said Jeffrey Grau, senior analyst at eMarketer, "Web retailers will focus on strategies that help them retain customers, such as improving customer service."

Factors that drive consumers to seek assistance include the need for additional information (58%) and confusion about how to place an order (53%), according to respondents to a June 2009 ATG survey. Some 37% of online shoppers said they seek help when return policies are not clearly stated.

Factors that Would Cause US Online Shoppers to Seek Live Assistance When Making a Purchase Online, June 2009 (% of respondents)



Note: respondents were asked to choose up to three choices
Source: ATG, "Customer Service Survey," provided to eMarketer, June 25, 2009

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A JCPenney study found that "highly satisfied" customers make 11% more purchases, as reported in the BusinessWeek article. In the magazine's own customer service survey of 1,033 readers, poor telephone service emerged as the biggest complaint (54.8%). In the words of one reader, "the purgatory of [being put on] hold is the most annoying experience." Another noted that "there is no steering wheel to bang."

More and more e-commerce companies are implementing click-to-chat and click-to-call services as on-demand optimization services. Both services solve the problem of 800-numbers and e-mail by allowing consumers to get live assistance while they are online.

Click-to-chat creates a live text interchange between the consumer and e-commerce company. With chat, customer service personnel can split their time among several customers, cutting down wait times.

Leading Optimization Applications

Click-to-call allows shoppers to click a button, type in their phone number and receive a direct call from a customer service representative. There is no "on hold" period and they do not have to navigate annoying touch-tone telephone menus. Like chat, click-to-call allows agents to see where users are on a Website and browse with them to help close more sales and improve service.

Click-to-chat and click-to-call are each useful in different situations. In June 2009, ATG found that US online shoppers preferred live help over the phone via click-to-call when dealing with sensitive or complicated information, technical problems or a large amount of money. For simpler queries, such as those about order status, promotional information, shipping options or cheaper services, live chat was the preferred customer service option.

Preferred Live Assistance Method (Call* vs. Chat**) for Select Online Shopping Scenarios According to US Online Shoppers, June 2009 (% of respondents)

	Call*	Chat**
Making a purchase or applying for a service that costs \$500+	78%	22%
Making a purchase or applying for a service that requires sensitive/private information (e.g., Social Security number)	78%	22%
Need complicated information on product/service to purchase or apply online	71%	29%
Making a purchase or applying for a service that costs between \$100-\$500	67%	33%
I'm having trouble completing my order	67%	33%
I can't log in to my account	64%	36%
I have a question about the status of my order	48%	52%
Making a purchase or applying for a service that costs less than \$100	47%	53%
I want to ask about the return/refund policy	44%	56%
I want to hear about discounts or promotions	44%	56%
I want to ask about shipping and pickup options	41%	59%
Need basic information on product/service to purchase or apply online	40%	60%

Note: *clicking a button or accepting a proactive invitation to have a customer service representative call you; **clicking a button or accepting a proactive invitation to initiate a text chat interaction with a customer service representative

Source: ATG, "Customer Service Survey," provided to eMarketer, June 25, 2009

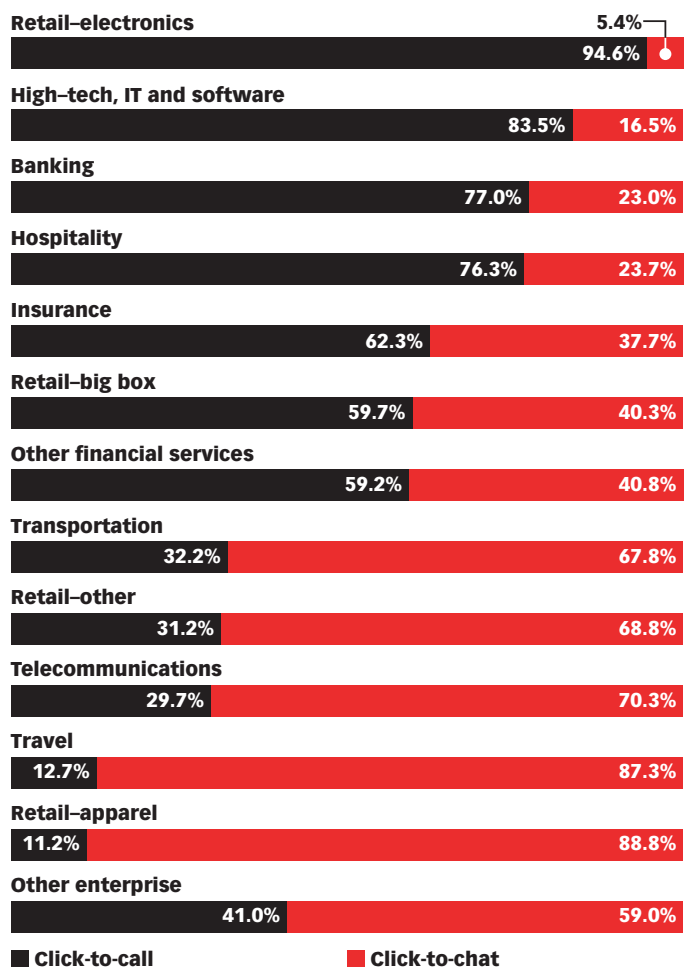
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In a 12-month study that began in June 2008, ATG found that many businesses used integrated click-to-call and click-to-chat solutions. Yet some industries tend to field more calls than chats, including retail electronics (94.6% versus 5.4%), high-tech IT/software (83.5% versus 16.5%), banking (77.0% versus 23.0%) and hospitality (76.3% versus 23.7%).

Click-to-chat outpaces click-to-call in apparel (88.8% versus 11.2%), travel (87.3% versus 12.7%) and telecommunications (70.3% versus 29.7%).

Click-to-Call vs. Click-to-Chat Live Help Usage According to ATG Clients Worldwide, by Industry, June 2008-June 2009 (% of total)



Note: based on 400,537,392 click-to-chat and click-to-call sessions for 806 implementations among ATG clients in Asia Pacific, Europe and North America

Source: ATG with eMarketer calculations, July 2009

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According to BusinessWeek, travel companies that employ both technologies include Continental Airlines and Expedia; BMW, Best Buy and Louis Vuitton use both on the e-tailing side.

E-Tales

■ **Zappos.com** views the telephone as a primary means of consumer interaction. Many calls come from novice online shoppers who wind up placing orders over the phone. “While phone orders are in the single digits, they are a few percentage points of daily sales,” said Mr. Kalma. “The site is the lead generator. I don’t think most e-commerce companies put enough effort into phone service.”

“What better way to measure efforts than to talk to your customers? [The phone] is a branding opportunity, not an expense.”

—Brian Kalma, director of user experience, Zappos.com

■ **HSBC Card Services** implemented eStara Click to Call from ATG about seven years ago. Two years ago, it launched the complementary eStara Click to Chat. It uses click-to-call to communicate with customers who are on its site and need help with transactions. It also uses the feature to target existing customers with new service offers. When an invitation icon pops up, interested consumers can have a representative call them right away. The feature does not send more invites than HSBC can respond to. Therefore, people are not kept on hold, said Shane Herrell, HSBC’s vice president of digital marketing, tools and technology, in an interview with eMarketer.

Click-to-call is paired with co-browsing at HSBC. Many customers use the latter feature when they are having trouble navigating or filling out a form. The co-browse function allows the rep to see, with the customer’s permission, what the customer is viewing on the Website. Chat has also carved inroads among prospective customers with poor credit or those with loan delinquencies who may be uncomfortable talking to a live person.

■ **Wells Fargo** conducts about 30% of its online business via telephone. When customers click to call, the call is routed through Internet protocols rather than traditional copper wire. The automated technology is faster and costs about \$1.50 per call, said Doug Loots, marketing strategy manager with Wells Fargo’s consumer lending business. Before the product was implemented two years ago, calls used to cost about \$3.

Click to Call is popular among loan applicants. Contact time is about 10 seconds following completion of an online application. Booking rates have improved by 40% because fewer people disconnect. “Before,” said Mr. Loots, “they would click to apply and a loan officer would call them the next day.”

Targeted E-Mail Marketing

While converting new visitors into customers is a key focus of e-commerce companies, getting existing customers to buy again is just as important, as it often costs less than acquiring new customers. E-mail marketing tools—delivered as on-demand solutions—are the primary way companies drive repeat traffic and purchases, and cross-sell or upsell existing customers.

Leading e-commerce companies are taking e-mail marketing a step further with new optimization services that tailor and target the right offers to e-mail recipients. Using complex algorithms, they layer in past purchasing behavior, demographics and other factors that generate e-mails for specific customers. E-mails may include special offers for certain people—say, customers who spent more than \$200 over the past year. Or a site selling sporting goods may only target past purchasers of camping equipment.

Not many online businesses use these targeting functions. In April 2009, the e-tailing group found that 16% of e-commerce companies sent personalized e-mails based on past customer behavior. Still, this figure was up from 11% in 2008.

Website and E-Mail Personalization Features Among US Online Retailers, 2008 & 2009 (% of respondents)

	2008	2009
Post-order e-mails are sent based on past purchases	17%	23%
Site greets returning customers by name	18%	20%
Our e-mails are very personalized based on past customer behavior	11%	16%
Site dynamically shows product based on past customer purchases	8%	9%
We provide a limited amount of personalization	33%	45%
We intend to add personalization in 2009	44%	34%
We have no personalization and don't anticipate adding such functionality this year	20%	14%

Source: the e-tailing group, "8th Annual Merchant Survey," provided to eMarketer, April 2009

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According to a Forrester Research study cited by MarketingVOX in June 2009, e-mail marketing spending in the US will reach \$2 billion by 2014—almost double the projected spend of \$1.2 billion for 2009. Retention e-mails (those sent with consumer consent) will account for more than one-third of all marketing messages sent to shoppers. Within five years, consumers will opt in to receive 9,000 e-mail marketing messages annually.

In a recent study, the e-tailing group found that 83% of e-commerce companies believed e-mail drives incremental revenue; 74% said it improved purchasing frequency; 72% (unchanged from 2008) believed it increases store and catalog purchasing; and 60% said e-mail helps acquire new customers.

Important* Uses of E-Mail Marketing According to US Online Retailers, 2008 & 2009 (% of respondents)

	2008	2009
Drive incremental revenue	74%	83%
Increase purchase frequency	76%	74%
Increase purchasing from your catalog or store	72%	72%
Acquire new customers	58%	60%
Sell seasonal product	49%	56%
Improve loyalty	58%	55%
Reactivate customers	53%	48%
Reinforce your brand proposition	49%	41%
Increase average order	49%	39%
Liquidate product	34%	34%

Note: *rated as "very important," "somewhat important" or "important"
 Source: the e-tailing group, "8th Annual Merchant Survey," provided to eMarketer, April 2009

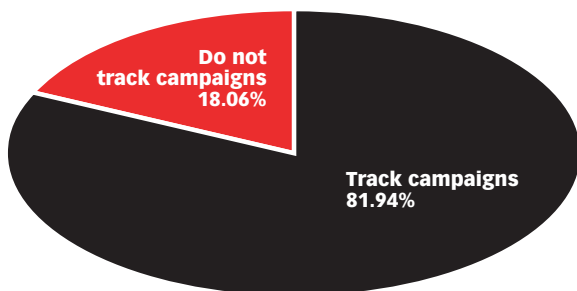
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SaaS-supported functions are rapidly becoming part of the e-mail equation. According to an April 2009 Gartner report, the SaaS model for e-mail solutions should represent 20% of the commercial e-mail market by the end of 2012; in 2007, it accounted for only 1%. Gartner research vice president Matt Cain noted that the earliest adopters of the e-mail SaaS model are small or medium-sized businesses.

To reap the full benefits of any e-mail marketing initiative, e-commerce companies need to track and measure consumer activities and utilize the results. This is often easier said than done. In a February–March 2009 study, eROI found that 18.06% of e-mail marketers do not track open rates, click rates and open-to-click ratios—the three most important e-mail marketing metrics. The top reasons cited for not tracking campaigns were lack of knowledge and budget constraints.

US E-Mail Marketers Who Track E-Mail Campaign Results, February-March 2009 (% of respondents)



Source: eROI, "Use of Analytics in E-Mail Marketing Campaigns," March 20, 2009

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E-Tales

■ **Zappos.com's** shoppers can choose the types of e-mail they want to receive. A consumer may only want e-mails about dresses, for example, said Mr. Kalma. The company also sends generalized e-mails about promotions and special products. Zappos hopes to further personalize this area.

■ **Diapers.com** sends e-mails to customers who have abandoned online shopping carts, reported DMNews in September 2008. The reminder is sent a few days after the abandonment occurs. During a one-month period, the e-mails generated a 48% higher open rate and a 78% higher click-through rate than e-mails used during previous campaigns. Net conversion rate was 6.5%, a full 129% higher than figures generated by past endeavors.

■ **HSBC** sends outbound e-mails to consumers who sent inbound e-mails. Outbound e-mails focus on specific services, such as balance transfers, insurance or special rates for people who sign up for a loan by a certain date.

■ **Scentsiments.com**, an online fragrance seller, began emphasizing customer-centric features in August 2008. Using a recommendations tool, customer data is used to make product suggestions and send personalized e-mails.

Click-through rates have doubled. Overall site revenues increased by 11% and sales of the most popular item went up by 56%. Open rates are 30% and conversion rates are 16%, said CEO Howard Wyner. Customers also receive an e-mail reminder when an out-of-stock product comes in.

■ **Wells Fargo** periodically e-mails customers who do business with other banks. If somebody has a checking account with Wells Fargo and a loan with another institution, that person might receive an e-mail invitation to "refinance" with Wells Fargo, said Mr. Loots. The message could also be about loan consolidation and making lower payments.

The Future of Optimization

Over the next decade, e-commerce will continue to evolve as companies mix and meld channels, technologies and strategies. A financial services company, for example, might find a new use for a feature that has mainly been used by apparel e-tailers.

Mobile commerce in particular should play a huge role, especially in service areas such as travel, finance and real estate. Avis already offers an iPhone application for airport location reservations. 1-800-FLOWERS' Mobile Gift Center provides BlackBerry users with last-minute gift-giving options. And Wells Fargo Online Mobile Banking lets consumers pay bills via cellphone. Within a few years, Mr. Loots believes, mobile commerce will be one of Wells Fargo's biggest channels.

Video is another growing area. In August, Zappos.com began using video as part of its product suggestion function. Video allows consumers to view a moving image of a product paired with other apparel, shoes or accessories. Clickable text links let shoppers obtain more information. Another video function lets guests submit their own product videos. Mr. Kalma believes engagement will be close to 20% on pages with video. "If a consumer takes the time to open a video and look at it, why not bring it to the next level by layering on metadata that makes it clickable?" he asked. "By letting a formal wedding shoe description turn into a complete outfit with bag and dress, we bring more product to more people more quickly."

The use of social media to connect with customers and optimize customer interactions is expected to continue gaining momentum. More than one-half of Web retailers surveyed already use five of 10 identified community or social media tools, and only tiny percentages had no plans to use them later. Facebook fan pages were most popular, followed by Twitter and customer reviews. Some retailers, for example, are posting Click to Call and Click to Chat options on their Facebook pages—optimizing across multiple channels.

Across mobile, video and social media, SaaS products will provide e-commerce companies with a quick, affordable and customer-centric means of reaching more people with more personalized information. The implementation of these technologies will allow e-commerce players to offer a truly consistent experience to customers across all commerce channels.

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A trusted, global specialist in e-commerce, ATG (Art Technology Group, Inc., NASDAQ: ARTG) has spent the last decade focused on helping the world's premier brands maximize the success of their online businesses.

The [ATG Commerce Suite](#) is the top-rated cross-channel commerce solution for powering highly personalized, efficient and effective e-commerce sites. ATG also services multiple industries with ATG Optimization Services, which offer the flexibility to target visitors with the right offer at the right time in the right channel—using automation, business rules and human interaction—to drive profitable sales. These platform-neutral SaaS-based services like [Click to Call](#), [Click to Chat](#), [Call Tracking](#) and [Automated Recommendations](#), help businesses lift online revenue quickly, easily and measurably by converting more visitors into customers.

ATG customers include progressive, innovative online brands like Apartmentguide.com, AT&T, Best Buy, Continental Airlines, CVS, Dell, Expedia, France Telecom, Hilton, HSBC, Jenny Craig, Macy's, Microsoft, Neiman Marcus, PayPal, Procter & Gamble, Sears, Target, Tommy Hilfiger, Vodafone, and Wells Fargo. For more information, please visit <http://www.atg.com>.

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