
B2C eCommerce Trends for 2011

Focus on the User Experience in a Multichannel World

EXECUTIVE SUMMARY

Online retailers reported substantial economic improvement in 2010. As a result in the coming year, they will need to navigate the rapidly evolving world of eCommerce and the convergence of channels. Engaging with consumers in the multichannel world has become complex. A sophisticated consumer demands user-centric, anytime/anywhere information, and expects that their experience on a mobile device, online, or in-store be interchangeable – and on their terms. Both merchandisers and technical teams are now tasked with managing the growing landscape of programs and supporting technologies – with continually evolving best practices. The multichannel world requires retailers to manage a cohesive user experience across customer touch points as different tools and different groups drive different user experiences. Retailers must balance managing these challenges internally while delivering engaging, consistent, channel-optimized user experiences – the key investment area for 2011.

ABOUT THE SURVEY

In December 2010, Endeca conducted the B2C eCommerce Trends for 2011 survey to help businesses gain actionable insight into the evolving nature of eCommerce. The survey captures business results from the last calendar year and provides visibility into areas of investment in 2011. Responses were gathered from 430 eCommerce professionals from leading retail, media and consumer manufacturing organizations. 70% of respondents identified themselves as business-oriented professionals, with the remaining 30% indicating a technical role. Of those surveyed, comprised mostly of Internet Retailer Top 500 companies, the largest representation was from apparel, consumer electronics, general merchandisers, media, food and drug, and specialty brand organizations.

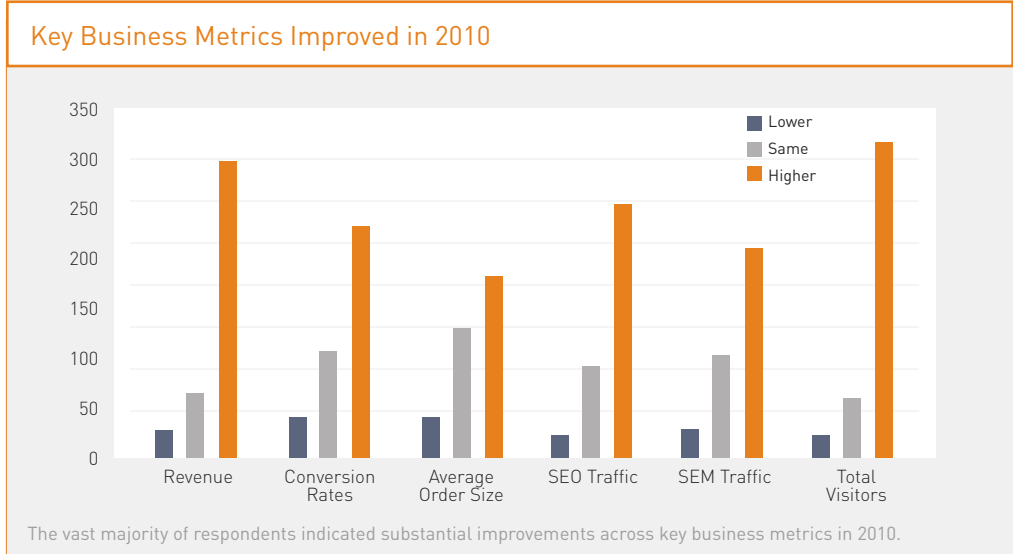
ONLINE REVENUE, TRAFFIC, CONVERSION RATES, ORDER VALUES UP SUBSTANTIALLY

Although the recession lingers, 2010 showed a substantial improvement over 2009 in all key business metrics. 72% of survey respondents reported that online revenue was up over the previous year. 77% percent of retailers reported higher total traffic, with 61% seeing more natural traffic and 50% reporting higher traffic from paid search programs (SEM), suggesting that search programs are reaching new levels of sophistication. Retailers are more effectively guiding and influencing shoppers, reflected by higher conversion rates and

larger average order values. Shopping cart abandonment remains a major issue with one-third of respondents citing stagnant drop-off rates from the previous year and difficulty gaining visibility into how to convert visitors.

**2010 RESULTS UP
– IN A BIG WAY**

72% of respondents say revenue is up, 77% report higher traffic volume, and 44% noted higher average order values.



ECOMMERCE ORGANIZATIONS BALANCED NEW ACQUISITION AND RETENTION STRATEGIES DURING RECESSION

During recent economic difficulties, the majority of online retailers said growing market share was their top area of focus, followed by cultivating the most valuable members of their customer base with retention and loyalty programs. The third area of focus in the last 24 months has been an investment in the user experience to drive more frequent, higher-value transactions. Protecting margin and initiating social programs rounded out the top five areas of focus during the economic downturn.

ORGANIZATIONS HAVE INVESTED MORE IN CUSTOMER-FACING TECHNOLOGIES IN LAST 18 MONTHS

When asked to select all areas of investment over the last 18 months, social programs and Web site analytics each captured 68% of responses, followed by email marketing, video, and user reviews. This trend in web analytics investment remains – and will continue to remain – consistent based on SaaS pricing models required to maintain services. Roughly one-third of respondents indicated some investment in mobile apps, a mobile Web site, or a recommendations engine. Capturing lower counts were internal-facing technologies, including multichannel integration and merchandising tools.

LOOKING AHEAD

ONLINE RETAILERS NOW FORCED TO JUGGLE MULTIPLE CHANNELS AND NEW PROGRAMS

Consumers are demanding new ways to engage, but this is quickly creating an unmanageable number of customer entry points for retailers to manage. The emergence of multichannel eCommerce has presented complexities in managing a unified user experience. Difficulties identified by survey respondents include:

- > **Delivering Consistent (but Nuanced) User Experiences** 47% of those surveyed said they have difficulty delivering an integrated multichannel experience. Different tools and different teams are driving different user experiences online, on mobile devices, within social forums, and in-store. Retailers are struggling with delivering the same content, product inventory, features, and overall experience optimized appropriately for the growing channel assortment.
- > **A Growing Number of Tools, Technologies, Skill Sets** A quarter of respondents indicated that the new skills required to manage the growing number of technologies has become a major problem. An array of technologies (controlled by different groups) is delivering elements of the user experience that are then cobbled together with rigid tools. This trend may lead to greater experience fragmentation across channels, and can even create a splintered user experience within the same environment – where multiple technologies are driving different portions of a single Web page.
- > **Determining ROI From Emerging Programs** Consumers are demanding social programs and multichannel features that retailers must deliver to remain competitive, but 35% say determining measurable value of new programs is difficult. Retailers are defining new metrics to measure successes going forward, including new customer acquisition, volume of user generated content, and time spent on site.

MAJORITY OF ONLINE RETAILERS IDENTIFY INVESTMENT IN USER EXPERIENCE TOP PRIORITY

When asked to identify the top three areas for investment in 2011, respondents overwhelmingly indicated customer-facing experience enhancements that turn browsers into buyers.

- > **Investment in User Experience Largest Opportunity to Drive Additional Revenue** Answering the demand for tailored user experiences, 64% of online retailers reported that optimizing the user experience (with features like enhanced search, navigation, product content, and overall ease of use) was their top priority for 2011. Aside from navigation enhancements, retailers are also adding confidence-building elements that drive transactions like user reviews, communities, and personalization to further enrich the user experience.

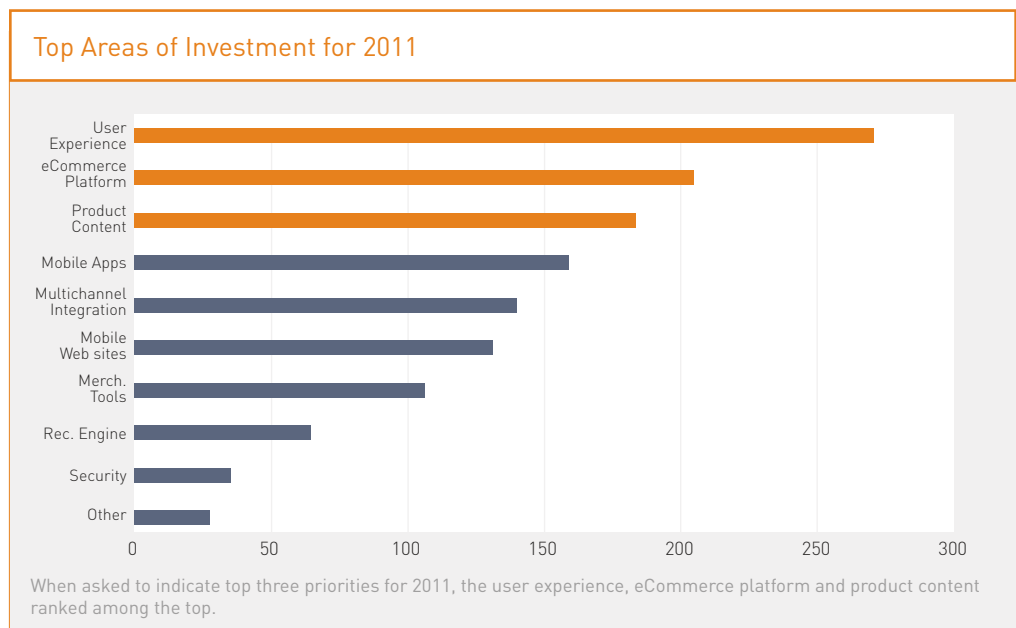
DOING THE MULTICHANNEL MATH

Engaging customers has grown increasingly complex with multiple touch points and experiences to manage.

WHERE B2C COMPANIES WILL INVEST IN 2011

The user experience, building out eCommerce platform capabilities, and improving product content ranked among the top three investment areas.

- > **Half Investing in eCommerce Platform** 48% reported investment in an eCommerce platform as a top priority. While this metric is well above the industry standard (25%), this outcome may suggest that substantial improvements must be made in order to deliver differentiated user experiences in a scalable way.
- > **Improving and Leveraging Product Content a Top Priority** 44% of the survey respondents mentioned building out complete product content (like images, data, video, user guides, etc) and purposing it across channels as a top priority for 2011.



FOR NEW AREAS OF INVESTMENT, MOBILE RANKS NUMBER ONE

MOBILE IS MAINSTREAM

95% of those surveyed have allotted budget for mobile programs in 2011.

Having a mobile program is no longer up for debate. Less than 5% of respondents reported no plans for mobile initiatives in the next 12 months. eCommerce is rushing to capitalize on the billions up for grabs in the mobile channel with 35% stating they have a mobile program in place and will continue to invest in it over the next year. 30% percent are in the early stages of implementation, and 25% are currently investigating options with the goal of having a live mobile program in 2011.

- > **More Retailers Investing in Apps Over Mobile Web in 2011** 38% of retailers reported mobile apps as a top investment, while 31% indicated investment in mobile Web. The trend towards apps in retail remains consistent, with retailers investing more in the user experience of app environments, and then delivering a mobile-optimized Web site to meet the greater volume of browser-based traffic.

INTERNAL BOTTLENECKS HINDERING SUCCESS

45% of retailers are struggling to integrate best-of-breed solutions, and get to market faster.

- > **Social Programs Remain a Top Priority** 47% of retailers are answering the demand for social programs like Facebook integration, enhanced user reviews, and communities. While social programs are a must-have in today's user experiences, one-third report difficulty determining ROI from social programs.
- > **Emerging Initiatives Like A/B Testing, Open APIs Enter the Scene** 36% of retailers report A/B testing as a new area of investment with the promise of promoting proven content and products to consumers. Allowing developers to create more experiences across channels by making open APIs available are an experimental area that 16% of respondents will be investing in this year.

HALF STRUGGLE TO UNDERSTAND WHEN TO USE RIGHT TECHNOLOGY, INTEGRATE BEST-OF-BREED SOLUTIONS

As online capabilities grow, so have the tools and vendor engagements required to support programs and features. 45% said integrating technologies is difficult for technical teams managing a growing backlog, but is also arduous for business teams who attempt to deliver cohesive user experiences. Retailers are struggling to understand when to use the right technology, and how to easily integrate best-of-breed solutions. Other significant pain points identified included:

- > **Difficulties Getting Users to Complete Transactions** The inability to engage visitors immediately with a relevant experience makes bounce rate a major issue for 25% of respondents. After getting shoppers to add items to their cart, getting them to transact remains a challenge, with 30% citing cart abandonment as a major issue. eCommerce organizations are struggling to keep visitors onsite and deliver content they need to transact with confidence.
- > **Solving the SEO Puzzle Still Painful** While natural and paid search traffic is up significantly, the inner workings of Google are still a black box to many; with 29% of those surveyed indicating that SEO is an area requiring significant improvement. According to the Marketing Sherpa, 70-85% of all consumers start their first product research on Google, so retailers are forced to get SEO right.
- > **Time to Market as a Major Area for Improvement** 25% of respondents indicated that technology and workflow bottlenecks are greatly inhibiting their ability to get to market quickly with more campaigns and updated Web pages. Retailers are investigating new tools that allow for greater flexibility and simplified integration of technologies and content to more easily – and quickly – deliver better user experiences.

SUMMARY

eCommerce organizations have a unique opportunity to capture consumer wallet share if they can deliver consistent experiences and enable multichannel eCommerce behaviors before their competitors. Success will be reliant on honing efforts around a user-centric customer experience, narrowing focus to the most valuable programs, and electing the right technology strategy that will allow internal teams to deliver optimized experiences in a scalable way. Areas to watch are the emergence of multichannel behavior, mobile as the cross-channel link, and tools that will allow retailers not only to integrate with new content and programs, but also grant the flexibility to merchandise at the most effective points in the user experience.

THE ENDECA COMMERCE SUITE

The Endeca Commerce Suite powers the site search and merchandising experience for 45 of the Top 100 retail sites, delivering relevant content and promotions that dramatically increase conversion rates. The Endeca Commerce Suite gives business users the tools needed to change and control how content is presented in order to continually increase sales and order values. To learn more about the Endeca Commerce Suite and our unique approach to merchandising, download the Endeca Commerce Suite Whitepaper, or email us at info@endeca.com

FOR MORE INFORMATION

If you would like to learn how Endeca can help you deliver a dynamic retail experience, contact us today at [617.674.6300](tel:617.674.6300).

You can also check out customer success stories and read more whitepapers in our online resource center on endeca.com, or visit the Endeca eBusiness Facets blog eBusinessfacets.com for fresh ideas in eCommerce.



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