



*Practical Know-How & Case Studies*

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SAMPLE

# Ecommerce Benchmark Guide 2006

**311 Charts & Tables**

**23 Eyetracking Heatmaps**

Note: This is an authorized excerpt from the full 289-page Ecommerce Guide. To download the entire Guide, go to:

<http://www.SherpaStore.com>

or call 877-895-1717

## Publisher's Introduction

Welcome to the first edition of the newest member of MarketingSherpa's annual Benchmark Guide series – Ecommerce.

As with our other Benchmark Guides, the goal is to create a true \*compendium\* of all the useful data that's out there for marketers in the field. We've included findings from 94 third-party studies, as well as real-life data from over 1,100 ecommerce marketers from Amazon to Zappos who are among MarketingSherpa's readers. Then we did our own partnered research studies and lab tests to fill in the chinks.

What you won't find: five-year forecasts. You see, this Guide isn't projections for venture capitalists; it's practical 2006 data for ecommerce marketers.

You may want to reallocate your traffic-generation activities for better ROI. You're authorizing website design changes and need data to help with decisions. You want to know if your current shopping cart abandonment rates meet norms. You're wondering what ecommerce-specific data is for email and search marketing ... and you're probably wondering which metrics your peers are seeing when they look at their in-house reports every day.

In addition to all the basic ecommerce stats you'd expect, we've included four exclusive new research studies in this Guide:

### *#1. MarketingSherpa's Ecommerce Benchmark Survey*

1,101 real-life marketers revealed their own tactical, results and budgeting data for this extensive survey fielded in late February 2006. Everyone contributed data for the good of the community and to discover more about how they matched up with their peers. The results are fascinating.

### *#2. MarketingSherpa's Ecommerce Eyetracking Study*

You'll find 23 four-color "heatmaps" in this Guide, the results of our lab tests conducted in March 2006. Our goal was to determine how typical ecommerce shoppers' eyes actually "see" when they look at a home page, a category page, a merchandise/product page, and internal site search results. This kind of data can revolutionize the way you make wireframe, layout and graphic design decisions for your site. (Especially when it comes to debates over images.)

Sites included in this all-new study:

Amazon	Dell.com
Apple.com	eBay
Best Buy	QVC
Bombay	Wal-Mart
Circuit City	

### *#3. MarketingSherpa's Ecommerce 100 Study*

Discover the results of MarketingSherpa's "road tests" of 100 typical ecommerce sites. We signed up for email, used search and customer service tools, and eyed home-page design to determine what the norm is these days.

### *#4. MarketingSherpa & Directions Research Online Shopper Survey*

Last, but not least, we surveyed 1,120 real-life online shoppers for their opinions. Includes data on when they decide to use shopping comparison sites, what makes them trust a retailer enough to complete a purchase, what they're most annoyed with ecommerce sites about, and how heavy online shoppers differ in attitudes and behavior from the rest.

All in all, you've got more than 311 charts and eyetracking heatmaps in your hands. And if, by chance, the number you're looking for isn't in there, please let us know at [feedback@marketingsherpa.com](mailto:feedback@marketingsherpa.com) (yes, a real human being responds to email from that address every business day!) That way we're armed with your requests as we begin to research next year's edition. You, as always, are in the driver's seat for the MarketingSherpa research team.

My best wishes for your profitable 2006,



Anne Holland  
Publisher, MarketingSherpa Inc.

# MarketingSherpa's 2006 Ecommerce Data Highlights

Last year US ecommerce sales grew by an estimated 24.6%.

This was not at all unexpected – ecommerce has been growing by roughly the same amount for the past eight quarters. No matter how delightful eight straight quarters of healthy growth might sound, the fact is, we at MarketingSherpa suspect the industry could do much, much better.

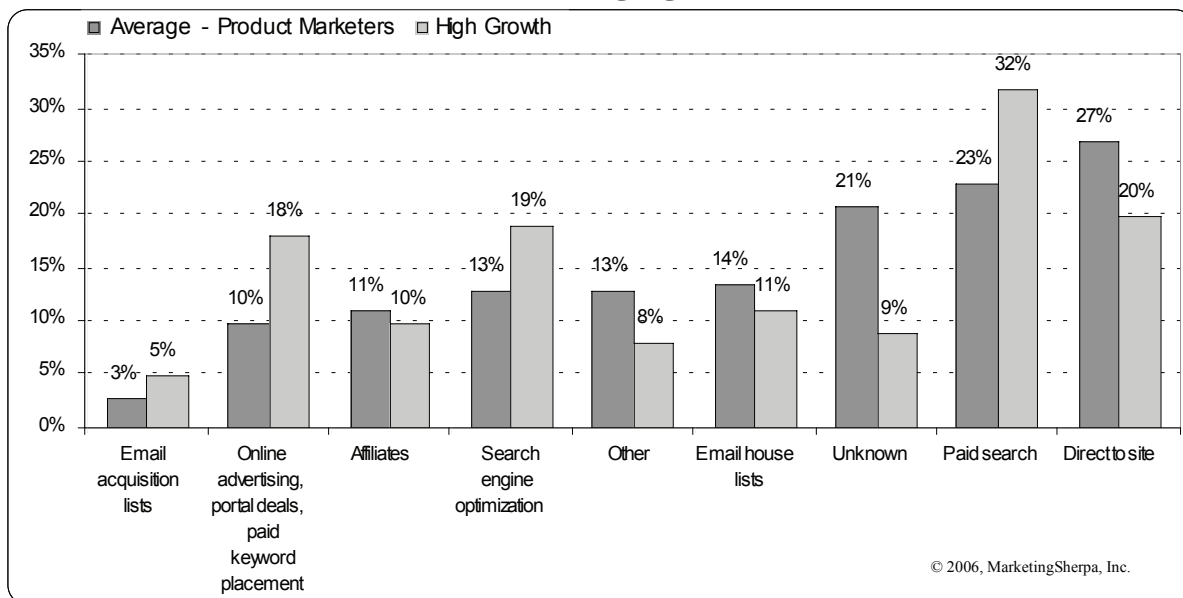
Why? Partly because although \$143 billion in estimated annual sales sounds like a great deal of money, it's just 2.4% of overall US retail sales. That's a drop in the bucket. Makes us remember the hundreds, if not thousands, of business plans typed up in the dot-com boom days when it seemed like VCs would give money to almost anyone who could say, "If we only get 5% of this huge market, we'll go public and laugh all the way to the bank!" Well, all we can say to Internet retail is – you're not there yet. Not even close.

Our Benchmark Guide research team has conducted a series of surveys, studies and lab tests to help enable the industry to take the next growth spurt. Here is a sampling of some of the results we think every ecommerce site and multichannel retailer should be aware of:

## Highlight #1. Growing site traffic

Remember the days when a portal deal/Super Bowl ad combo deal was the key to every Internet retailer's growth strategy? As you can see from the chart below, these days retailers have a much healthier balance of many traffic sources.

**Chart: Sources for Website visitors for High-growth merchants**



“High-Growth” merchants here are defined as those with more than a 10% per year growth in total orders. It’s important to note that high growth doesn’t necessarily mean high profits – or any profits at all.

However, these high-growth merchants are spending more wisely than their brethren in days of yore. Tellingly, they measure traffic sources so carefully that they only have a 9% “white-mail” rate (not knowing where traffic came from.) In comparison, average-growth merchants are clearly not measuring heavily enough, with a 21% white-mail rate.

Overall, average-growth merchants tend to rely perhaps too heavily on their brand’s fame and customer loyalty – customers typing in their URL directly. In comparison high-growth merchants tend to invest more aggressively in most areas of outbound new traffic marketing.

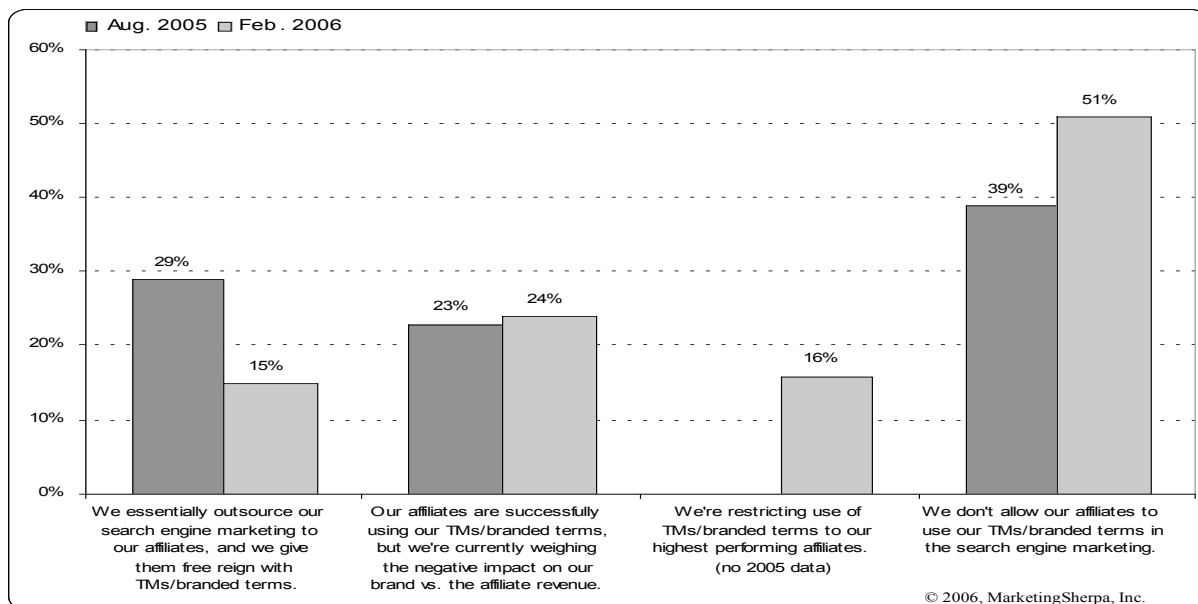
## Highlight #2. Affiliates and search marketing: drama continues

Over the past two years, MarketingSherpa has tracked a precipitous slide in merchant-affiliate relations. First, prompted by CAN-SPAM and email reputation concerns, merchants battened down the hatches regarding use of email. Many stopped affiliates from doing any email at all, others only allowed select “super-affiliates” such as famous-name coupon sites to continue emailing.

As you can see from the chart below, next the wall slammed down for search as well. As search marketing moved from a little-known mystery to a mainstream tactic, retailers woke up to the fact that many affiliates sent them traffic wholly and exclusively from search campaigns.

Then everyone started to worry – why should I pay commissions on a tactic I could do myself in-house? Why should I compete with my own affiliates at keyword auctions? What if an affiliate’s site bumps mine out of the top 10? And so on....

### Chart: Affiliates, trademarks and SEM policies



Worth noting – some larger retailers we know of have switched from allowing affiliates free reign with search marketing to instead letting one hand-picked search marketing vendor handle everything ... on a performance basis. This is good for a chuckle, because performance marketing is the same thing (for most intents and purposes) as affiliate marketing. Unfortunately though, by only allowing one vendor the right to run search ads, these retailers have damaged their capability to dominate the results page with multiple listings, which our data clearly indicates is one of the keys to true success.

In the end, search and affiliate marketing is more complex than some retailers appear to realize. Knee-jerk rules cutting off affiliates from search marketing may hurt you just as much (or perhaps more) than blindly allowing everyone to do whatever they want in search.

Plus, merchants' growing antipathy toward affiliates would explain the trend we've seen overall in affiliate marketing to swing away from retailers (because they are hard to work with and not as profitable) to focusing on lead generation campaigns for personal finance, automotive, real estate, and online entertainment brands. In short, the retailing world's loss has been the consumer lead generation world's gain.

### Highlight #3. Eyetracking study heatmaps



Source: MarketingSherpa Ecommerce Eyetracking Study 2006

One of the most avidly awaited sections of every MarketingSherpa Benchmark Guide is our Eyetracking Lab Results. For this report we examined nine famous-name sites from Amazon to Wal-Mart (yes, including eBay.)

There were many lessons about the ever-present “golden triangle” of attention, importance of image size (larger is not always better), which copy would be read the most (above the fold as you guessed), where people click (not always on clickable hotlinks) and how online shoppers view category pages (more intense scrutiny than you may think.) We also uncovered a few mysteries, the biggest of which was: Why is Apple.com’s copy viewed far more intensely (especially below the fold) than anyone else’s? However, perhaps the biggest lesson of all is represented here by a sample of the study we conducted on Wal-Mart’s home page.

We asked our lab subjects to browse this site with a (fictional) budget of \$200 they could spend on anything that caught their eye. Well, guess what caught their eye? The search box mostly. A few clicked on tabs or left-hand navigation links. Almost none strayed below the fold, and none above the fold paid much attention to merchandising nor did they click on any promotion above the fold.

Lesson – online shopping is not yet a “browsing” activity. Unlike brick and mortar shoppers who may enter stores especially in malls as an entertainment activity (“Let’s go see what they have in here”), online shoppers are much more directed, even when they have no more direction than “spend some money.” People don’t seem to be looking around much. Online shoppers are \*blinker\* by their goals.

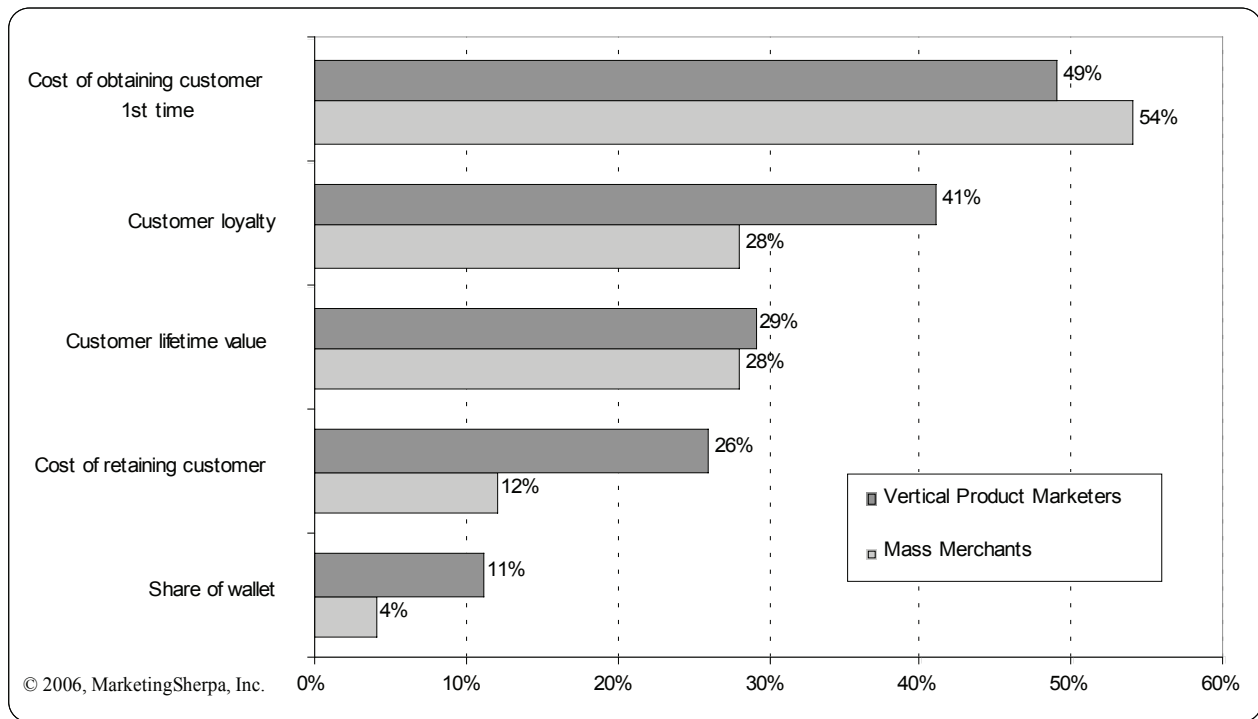
In fact, you could say these online shoppers’ eyes treated ecommerce sites in a remarkably similar fashion to the way we’ve seen their eyes treat search engine results. Store as search tool versus shopping as entertainment – that’s a big change especially for apparel and consumer electronics retailers.

### **Highlight #4. Retention and loyalty data still under-measured**

Despite the fact that everyone in this business knows that returning customers are the key to profitability, fewer than 50% of merchants we surveyed said they track loyalty, lifetime value, or retention costs.

Mass merchants, who were more likely to be multichannel marketers, were the least likely to track these ROI indicators. Given the amount many have invested in offline loyalty campaigns, clubs, and cards for their brick and mortar experience, this is a disheartening trend online.

**Chart: Retail Metrics Tracked – Mass Merchants vs. Product Marketers**



The lack of loyalty-tracking data also calls into question the efficacy of ecommerce sites' wholehearted rush into paid search marketing. Surveyed merchants told us aside from re-vamps and improvements to their own Web sites, paid search marketing had the largest share of marketing budget. This ranged from 23.1% for merchants with flat/declining growth to 31% of budget for high-growth merchants.

We cannot imagine a classic catalog firm or direct mail circulation expert ever investing in a campaign without tracking resulting customer value for at least a year if not three years, and investing in retention marketing quite heavily to boot. It saddens us that this mail order legacy has not translated to the Web yet.

Until ecommerce sites set their focus on retention and loyalty, their profitability is in jeopardy, especially as the costs of the ads that fuel new shopper growth continue to rise.

### **Highlight #5. Consumers speak out – what's handicapping ecommerce growth?**

In addition to extensive shopper demographic and behavior data in Chapter Four, we've included our new exclusive "MarketingSherpa & Directions Research Online Shopper Study." Here's one sample of the type of data you can expect from it:

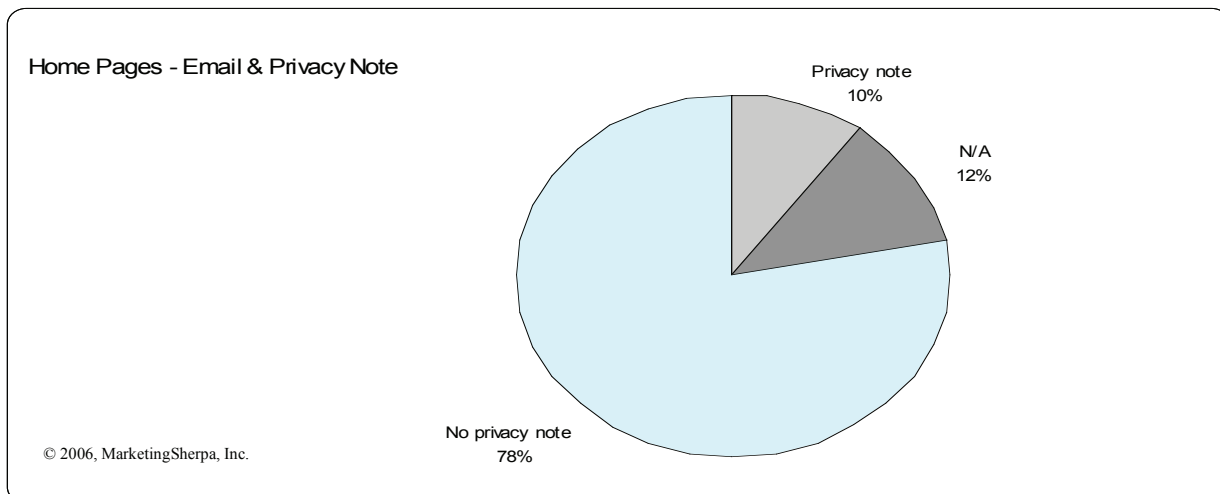
**Chart: What's in the way of more online shopping?  
Heavy vs. Average Shoppers**



Naturally the heartening news here is the difference in attitude between heavy versus average online shoppers. More experienced shoppers tend to be less fearful about possible problems. As average shoppers in turn become more experienced, we can expect a matching rise in conversion rates.

In the meantime, these stats are an excellent source of ideas for a/b tests to lessen your shopping cart abandonment rates. While we often see general guarantee copy and credit card security info within the check-out process, we rarely see merchants including reassuring blurbs on their Easy Returns/Refunds Policy.

**Chart: Do Retailers Link Email Fields With Privacy Notes?**



Also, as you can see from the chart above with results from MarketingSherpa's examination of 100 retail Web sites, only 10% of retailers offered an email opt-in on their home page along with a privacy hotlink placed immediately next to the form.

That's pretty startling in this day and age when (a) retailers recognize their house email list is an incredibly profitable messaging medium and (b) MarketingSherpa's run data for more than two years prove a privacy link next to the form field can improve opt-in rates.

This public disregard for consumers' privacy concerns indicates why "sharing personal info" is the biggest factor that consumers say keeps them doing more online shopping. Bear in mind, other data indicates clearly that consumers don't mind giving their email address and other contact info to retailers. They just prefer to be reassured first about what will be done with it.

Will "Your email privacy is assured" hotlinks begin sprouting up next to opt-in boxes on home pages and in carts now that we've revealed this data? We can only hope. ■

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