



MCM OUTLOOK

ECOMMERCE

Customer Expectations Fuel Ecommerce Growth

BY TIM PARRY

The 2013 holiday season showed excellent growth for ecommerce—including some shattered Cyber Weekend sales records. Holiday ecommerce sales grew 9.3% in 2013, according to the National Retail Federation, and are expected to grow another 9% to 12% in 2014.

The NRF's 2014 holiday prediction may be on target, based on current ecommerce growth trends. In May, Walmart, Nordstrom and J.C. Penney all reported their quarterly sales growth was faster than that of Amazon.com. What makes that even more impressive: Amazon saw 23% year-over-year sales growth for the comparative quarter.

So how are merchants adapting to a customer landscape that is shifting its buying power to ecommerce? Here's a snapshot look at Multichannel Merchant's MCM Outlook 2014 survey, which was fielded from Feb. 10 to March 10, and drew 1,281 respondents. Of those respondents, 470 identified themselves as a merchant or a retailer.

Replatforming and Redesigning with a Purpose

The majority of merchant respondents (56%) said they plan to redesign their ecommerce site within the next 12 months. And while 64.7% of respondents said they are looking to update or refresh the look of their sites, 52.9% said they are looking to go with a responsive design.

Ryan Gripp, ecommerce and digital marketing manager for skin care merchant H2O Plus, said his company is exploring redesign options for a new user experience. But H2O Plus wants to design for mobile first, and then layer additional options for its desktop and tablet versions.

"While responsive design is the fad right now, it doesn't always serve the best possible user experience," Gripp said. "It's a compromise and easy to pitch to the c-level suite and other executives. But we like to ask ourselves is this the best experience for our customer? How can we make it better?"

Jaimey Wilman, director of marketing at Action Bag Company, said the B2B merchant is currently going through a redesign, and that the redesign will be responsive.

"The ability to have a user-friendly site no matter what device is being used is quickly becoming a requirement," Wilman said.

From the back-end perspective, Wilman said system interrogation is another enhancement that is in process. The better it can have all its data in one place—hence, have a big data strategy—the more likely it will provide a personalized experience.

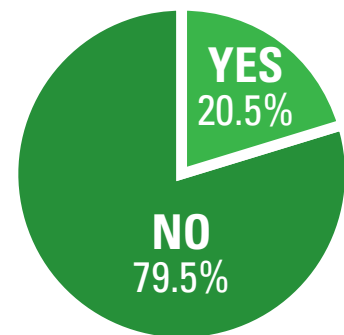
Although big data and personalization have been major industry buzz words for a few years now, just 31.1% of respondents said increased use of personalization is one of the top three reasons they are doing a redesign.

Meanwhile, 78.4% of respondents said they have not invested in big data, and 70.8% said they have no plans to invest in big data in 2014.

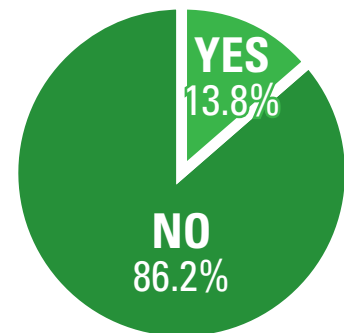
But Wilman is a fan of big data. "Data is the marketer's gold mine, but if it is segmented in silos and hard to connect the pieces, then a marketer is operating a bit blind," Wilman said. "The ability to access data in an efficient way will provide new customer insights to drive more meaningful and faster campaign creation."

Ian MacDonald, ecommerce manager at Silver Star Brands, said his company is in the process of redesigning its flagship MilesKimball.com site. MacDonald said

Do you have a smartphone app?



Do you have a tablet app?



that it's obvious when you arrive that the site is dated, but surprising, this has been okay with its existing customer base. But like 52.9% of MCM Outlook 2014 respondents, MacDonald says increasing conversion rates is one of its top three goals for its redesign.

"But we recently started to watch our new visitors and shoppers who arrived via non-branded search terms and that conversion rate is terrible," MacDonald said. "Therefore, we need to redesign to boost

the conversion rate of new and potential customers, because new customers are where the growth opportunity is.”

Victor Castro, director of ecommerce with Zachy’s Fine Wine & Liquor, said his company is in the middle of replatforming, and that the goal is to have the site ready for future add-ons and enhancements.

“The main goal is to set up the right base for growth; a platform that will allow us to plug in or develop whatever new technologies may come into play in the future, as well as setting us up for implementing the current leading marketing and merchandising initiatives,” Castro said.

The Amazon Effect

Is Amazon your friend, or your enemy? Or for that matter, is Amazon your frenemy?

Amazon is no longer the elephant in the room. Merchants acknowledge that Amazon has an effect on their business—and they have to either compete with the ecommerce giant, or join forces with it.

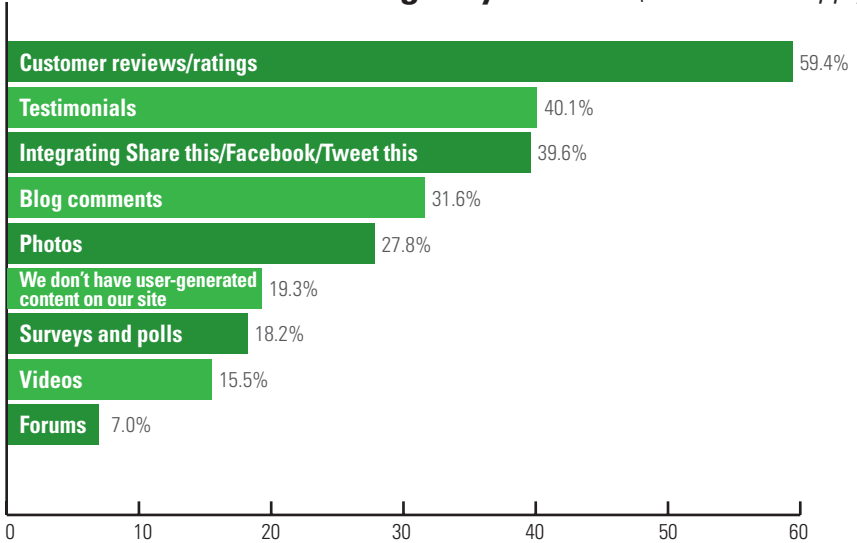
Chris Brenner, vice president of PetSolutions.com, said Amazon’s biggest impact on his business is low prices. However, in 2014, he has noticed Amazon increasing its prices and dropping SKUs that are unprofitable, in an attempt to turn a reasonable profit.

“One of the biggest things people need to realize is that [if you sell on the Amazon marketplace], Amazon uses your sales history to determine what products they should carry,” Brenner said. “They get this information from both third parties listing on their site and from Amazon payment services that they encourage people to put on their own site.”

And maybe that is keeping merchants from using Amazon as a marketplace channel. Just 13.4% of MCM Outlook 2014 respondents said they are selling via the Amazon marketplace.

But H2O Plus’ Gripp acknowledges the importance of partnering with Amazon. “We definitely have an Amazon strategy in place and it is an important part of our overall ecommerce strategy,” Gripp said.

What kind of user-generated content are you including on your site? (Select all that apply)



On a scale of 1-10, with 10 being most valuable, how would you rate the value of each of the following to your ecommerce strategy?



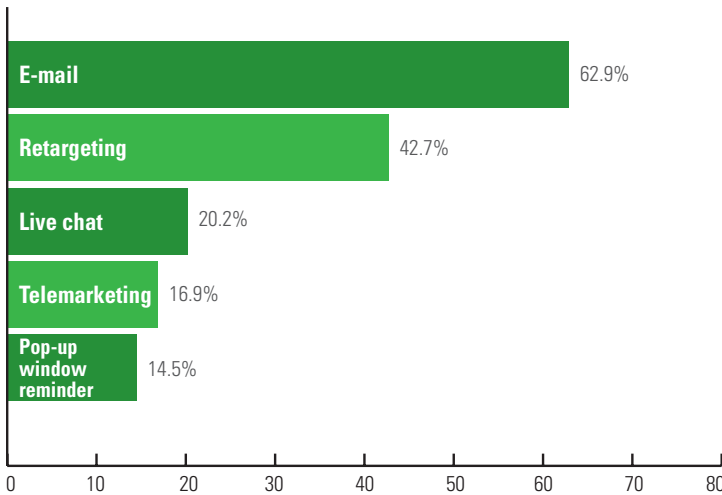
“The demographics of Amazon Prime customers align nicely with our product portfolio of luxury skincare goods.”

Silver Star Brands’ MacDonald said he was surprised at how few respondents said they sell via the Amazon marketplace. Yes,

he’s concerned about sharing data with Amazon, but also recognizes the big-picture opportunity.

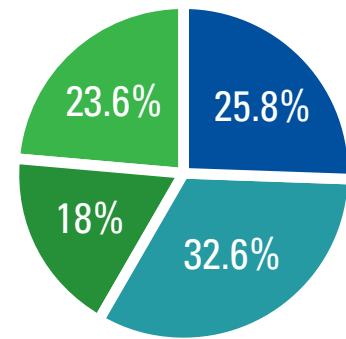
In addition to selling on the marketplace, MacDonald said Silver Star Brands uses Amazon for product ads and for

How are you marketing to shopping-cart abandoners?
(Select all that apply)



What has been the effect of Amazon on your business?

- Have had to offer more competitive pricing
- Pressure to offer free shipping
- Pressure to ship faster
- Have had to sell in the marketplaces



Checkout by Amazon, which he said is a must for mobile commerce.

“Amazon has been great, we’ve seen it as a source of incremental, profitable revenue,” MacDonald said. “It’s also helped us gain new customers who are not catalog buyers.”

Just more than a quarter of MCM Outlook 2014 respondents said the effect Amazon has on ecommerce has made them offer more competitive pricing, and 21.3% said they have felt pressure to offer free shipping. Nearly 16% said they have felt pressure to ship faster, thanks to Amazon Prime.

Abandoned Cart Recovery

Without an abandon strategy, you are leaving money on the table. But on a scale of 1 to 10, with 10 being the most important, MCM Outlook 2014 rated “marketing to shopping cart abandoners” a 5.5.

Almost two-fifth of respondents (39.3%) said they do not send emails to shopping cart abandoners. Yet respondents, on average, said that 32% of all shopping carts are abandoned.

By now, most marketers have D2C initiatives that include a shopping cart abandonment strategy.

“It’s the low hanging fruit similar to big add-to-cart buttons and simple usability efforts,” said Reid Greenberg, director of ecommerce and consumer engagement with Seventh Generation.

Greenberg said paying close attention to cart completion rates can reveal key usability red flags, site design issues or policies such as shipping charges, slow load time or too many steps in the check-out process.

“It is also important not to dive down

the abandonment rabbit hole blindly, but use it as part of your holistic user flow tool kit combined with site traffic, AOV and conversion rates,” Greenberg said. “Shoppers also tend to rely on the cart as a list builder and come back later to either purchase online or even in store.”

Of those MCM Outlook 2014 merchant respondents who said they have an abandoned cart strategy, 62.9% said they reach out to abandoners via email, and 42.7% use retargeting ads.

Action Bags’ Wilman said an email is more direct and can offer a promotion to spur the conversion, while remarketing ads are a reminder when a customer is not usually expecting them. Both efforts remind the potential buyer of items they took time to research and add to their cart.

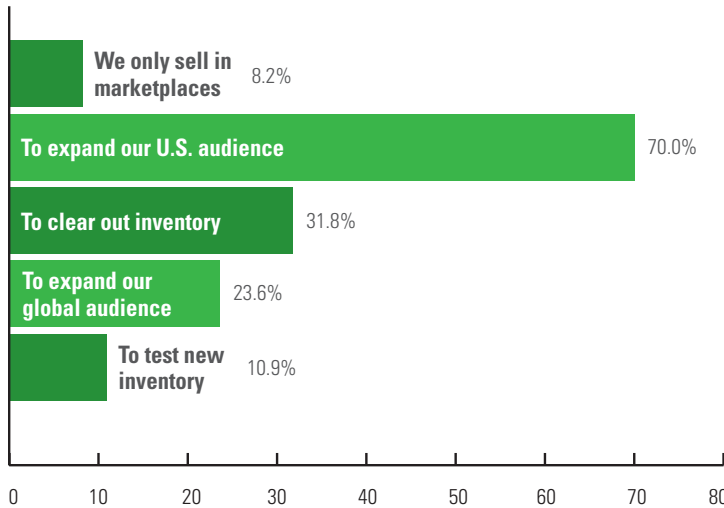
“By seeing the item they took time to review, they might think about their desire for the item and potentially complete the sale,” Wilman said. “Offers such as free shipping can also help drive the order completion.”

MacDonald said retargeting and abandoned cart emails both perform well as long as you have a solid strategy and manage the programs.

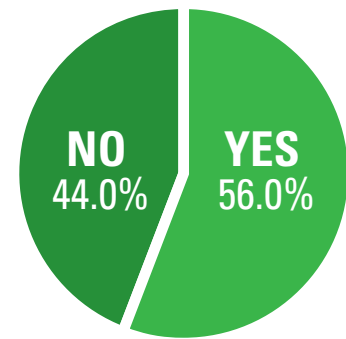
“These are definitely not set it and forget it channels,” MacDonald said. “And I’ve seen wildly different performance across

“The ability to have a user-friendly site no matter what device is being use is quickly becoming a requirement.” — Jaimey Wilman, director of marketing, Action Bag Company

How are you using the marketplaces? *(Select all that apply)*



Are you planning to redesign your Website in the next 12 months?



retargeting networks. Some have huge scale but terrible conversion. Others, minuscule reach but a great conversion rate. Some provide a robust reporting interface. Others force you to rely on an account manager to run reports. And everything in between.”

Email Grows Up

Marketing to shopping cart abandoners was not extremely valuable to MCM Outlook 2014 respondents, but email marketing did top the list. On a scale of 1 to 10, with 10 being most important, respondents rated email an 8.1.

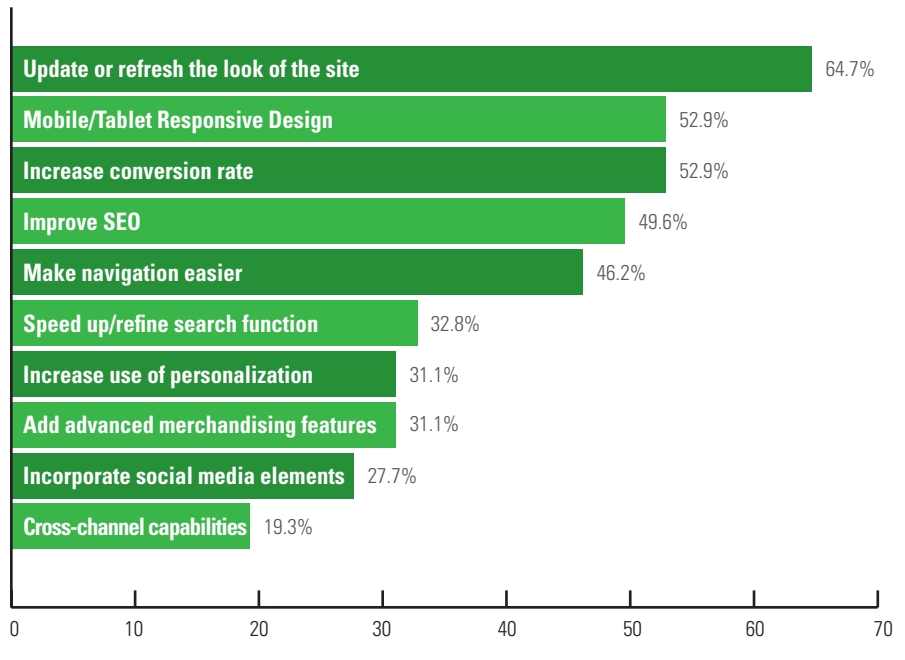
Like catalogs, many so-called experts touted that email marketing would die as social began to scale. This couldn't be further from the truth, said Seventh Generation's Greenberg.

“Social media still commands much of our attention, but at the same time, we do have a robust direct email relationship with many of our fans,” Greenberg said. “They have opted in to receive our informational content as it provides value and important literature to better their lives.”

Instead of batch and blast email campaigns, Gripp said H2O Plus sends targeted messages based off viewed, clicked and purchase history, incorporating personalized product selections based on the user's profile.

If yes, what are the top three goals of your redesign?

(Select all that apply)



“The open, click and conversion rates have significantly improved with the change in email marketing, and we continue to explore other ideas around making ‘you got mail’ fun again,” Gripp said.

Wilman said Action Bags' email marketing program has also evolved from promotional blasts to highly targeted messages.

“Email continues to be an important part of our strategy because you can create timely and relevant messages to customers, requestors, shopping cart abandoners and beyond,” Wilman said. “Technology continues to change how people access and engage with email and something we are focused on growing with.” ■