C H A P T E R   1

New Rules of Engagement

What am I doing wrong? I guess they don't have it," Charlotte muttered to herself while she attempted to hide her frustration. The fact is the major retail website Charlotte was exploring did have the product she was looking for; she just couldn't find it.

Charlotte is representative of hundreds of shoppers who participated in major task-analysis research conducted by Hewlett-Packard Company over the years to understand the customer challenges of online shopping. The scenario for her task was simple: "Your printer is out of ink. Go to this website, and find and purchase what you need to get it going again."

Charlotte knew exactly what she was looking for. The product was a popular item in its category, and the online merchant had it on the website. But she still got lost several times during her search and needed to start over from the home page. She spent nearly 15 minutes searching just to come up empty-handed before aborting the task. She was visibly agitated with the experience, and, at the end of the allotted time, she said she would never shop at that online store again.

In an actual situation while shopping from her home computer, she would most likely be surrounded by normal, everyday distractions that would cause the task to take even longer. She would have spent only a fraction of the time on the original website before clicking to another for a more satisfying shopping experience.

You must realize that customers won't shop on websites that are difficult or that take too long to use. Can you blame them?

After analyzing the results at hand, we identified two key problems with the website in the example:

- Charlotte did not use the website the way the developers intended.
- The top-selling, routinely needed item for which she was searching was buried too deep within the website.

On the surface, these two problems seem simple. But after diving down into their root causes, observing customers and analyzing research, this example is symptomatic of a widespread e-commerce problem: applying old design rules to a new medium.

> "If customers can't find it, they can't buy it."
> —*Dr. Jakob Nielsen, Web Usability Expert*

You must also realize that customers in research settings represent only a fraction of real shopping customers and the trouble they have finding and selecting products in online stores.

The Trouble with Websites

Many websites have products that people can't find. It is clear that a big gap exists between how online stores are organized and how customers want to shop for products. This results in unsuccessful searches and abandoned shopping carts. Shoppers give up when they can't find what they are looking for easily and quickly.

Most websites lack a customer-focused approach. Web developers often design e-commerce websites that are database driven rather than customer driven. Database-driven websites are organized around products that an online store has for sale and are designed for efficiencies of code. Customer-driven websites are based on how a customer shops for the products on the website and are designed after understanding customer needs.

Fundamentally, e-commerce and online shopping are new paradigms, while traditional methodologies and principles—the old rules—are applied. These old rules and techniques haven't translated well to this new type of store and have not provided shoppers with an intuitive shopping model. As a result, customers can't accomplish simple tasks such as finding popular products on major websites.

Online stores were historically developed by taking existing information and importing it into a website. Most websites are designed to allow shopping for one product with little consideration for multiple product purchases. This approach does not work successfully and customers expect more from this new technology. Information should be specially developed and tailored to online shopping and must be kept current.

Costs of Poor Usability

Do you know how much poor usability costs? Most online stores know how much it costs to run the business. They even know how much money they save by creating more efficient, database-driven stores. But few recognize how much they lose in the long run if a website does not meet basic customer usability needs.

Poor Usability Cost Factor

What does poor usability cost the customer in time and frustration? Let's look at a couple of examples.

In the opening example, Charlotte attempted to find a common product on a website and spent 15 minutes before aborting the task. The same task on another website took her less than 60 seconds. The second site had been developed by applying customer-centered design principles and techniques revealed throughout this book.

Charlotte and other shoppers tested that day spent an average of 9.5 minutes on the same task on the first website and an average of 1.1 minutes on the second website. Multiply eight shoppers times 9.5 minutes, and you get a total of 76 minutes. Compare 76 minutes with 8.8 minutes total on the second website. Imagine the amount of time spent by 1,000 new customers shopping for the same item on the first website. Which site would you choose to shop?

But wait, there's more. When the shoppers were asked if they would be inclined to purchase from the first website, all said that they would not because of their unsuccessful experiences. They would, however, purchase from the second website—because it was easier.

The cost of poor usability is the total number of customers who attempt—and fail—to find a product on a website. It's also the cost of the item they failed to find and purchase, the missed opportunity for additional sales, and the lifetime value of the customer, which is discussed in Chapter 2.

Compounding Navigational Mistakes

Consider another example that illustrates how navigation mistakes compound. Web store navigation is a sequential process. Usually, there is only one correct way to successfully navigate—by clicking links—from the home page to the destination product page when searching for a known product. Each new page displayed in the process requires the shopper to make a correct choice and click to the next page in the sequence. Each page in the sequence invites a chance for an incorrect choice. The more pages in the sequence, the more chances there are for a shopper to make an incorrect click.

The problem compounds each step of the way, especially when shoppers unknowingly make several incorrect choices. This causes them to use trial and error methods until they are successful, are forced to start over at the home page, or just click to another store.

Take, for example, a navigation consisting of six sequential pages, starting at the home page with 24 links, page 2 with 17 links, page 3 with 12 links, page 4 with 17 links, page 5 with 36 links, and page 6, the destination product detail page. The total number of clicks is 106. If you compound that by three—the incorrect click, back-up click, then choose another click—there is a potential of 318 incorrect choices.

How many clicks do you think the shopper is willing to make before abandoning the shopping cart?

Customer Opportunity Costs

When a customer spends time searching a website for a known product, it takes up time he could spend doing something else. That "something else" is the opportunity cost. Time spent searching adds up. Collectively, unacceptable shopping experiences give online shopping a bad reputation.

A word of mouth endorsement is a powerful tool. A friend's opinion or recommendation carries more weight than traditional advertising. It can also be a detriment to your company when people have unsatisfying experiences with your website. They won't hesitate to let their friends or business acquaintances know when asked about good shopping websites.

Customer-Centric Vision

Customer-centered design draws from successful usability engineering methodologies typically applied to software product design. At its foundation, usability engineering employs user-centered design principles. Successful software product design starts with user insight and needs. These needs determine the product design so that software products are easy and intuitive to "operate."

Customer-centered design starts with the user-centered design approach and then carefully balances and blends relevant customer behavior data from shopping research and behavioral studies. It integrates the value of the shopped product, business factors that drive profitability, customer needs, the uniqueness of the shelf, and other business factors.

Applying this approach optimizes web store design and benefits the business, the customer, and the manufacturer. The customer enjoys a superior shopping experience that enables him to easily find, select, and purchase products and services. The merchant maximizes the online shelf for profitability and attracts and retains "customers" instead of "buyers." Buyers typically "price-shop," but customers are willing to potentially pay more in return for customer service and trust in the merchant. The manufacturers' products and brands are represented in the best possible manner.

The motto in retailing used to be "the customer is always right." Stiff competition and intense focus on profitability required a shift to shorter-term, sales-oriented store goals. While profitability is essential to the survival of a business, customers have been lost in the process. Consumers are now required to take more responsibility for shopping services that were routinely provided by the store. Depending on the outlet, these include unloading carts at the checkout counter, marking prices on products, and even scanning their own purchases into the cash register. Customers prefer to shop where they can find their selections quickly, where they enjoy shopping, where they receive added service, and where they perceive value.

Customer-centered design not only integrates and balances customer shopping goals with store business goals, it also places the emphasis on the customer experience. Customers want to be able to find what they need but they also want to be entertained and enjoy the shopping experience. The merchant's goals are satisfied as well: attract and retain customers and sell products

profitably. It's important to make sure that the merchant's goals don't unintentionally interfere with the customer's goals.

The online merchant must provide a value proposition, the right product mix, and the right experience to increase sales and achieve customer loyalty and return visits. To stay in business, stores must focus on profitability, product, category margins, and overall sales as economic success factors. They must also achieve operational excellence in managing the technology infrastructures and supply chain efficiencies. These metrics will be achieved by securing a strong customer base.

Online customers' needs are not different from traditional retail customers' needs. They are focused on time, convenience, getting the most value for their money, and ease of purchasing a product. They are similarly interested in the availability of quality products. Balancing the needs of the business with the needs of the customer requires intimate knowledge of both groups. Understanding customer segments is discussed in Chapter 2.

So What's New?

The world changed with Internet adoption. Online stores emerged as an entirely new marketplace. Shoppers changed their shopping habits as new choices and an abundance of information became available. Marketplaces morphed and traditional channels of distribution blurred as new entrants came onto the scene creating a new competitive environment. With the adoption of the Internet came the following new factors influencing shopping:

- Online stores displayed products on a new kind of "shelf."
- Hybrid online stores emerged from traditional organizations and skill sets.
- The marketplace focused increasingly on alternative channels.
- The Internet reinforced the importance of a global marketplace.
- The online renaissance created a new awareness of information as a shopping driver.

Given this new environment, it's important to take a fresh look at the features the online store offers and the factors that influence it. These new shopping methods require the merchant to play by new rules.

A New Kind of "Shelf"

The online store is a hybrid with traditional influences. An online store is neither a typical catalog nor a retail store. It's a combination of both—plus added technology brings the capability to present products in brand new ways. The online store has evolved into its own organism and the following five factors are part of its inherent nature:

- The online store is a software product.
- The online store is a product catalog.

- The online store is a retail shopping experience.
- The online store is a communications vehicle.
- The online store is virtual sales representative.

Some of these factors have influenced online shopping as e-merchants have tapped their value. The next few chapters explore these influences in depth so you can understand how to apply each to add value and determine what to leave behind.

The Online Store Is a Software Product

Many of the early online stores were designed by advertising agencies. In reality, the online store is a software product and requires the same rigor that is employed by software product development processes and methodologies. This is now being recognized as development is beginning to transfer to IT professionals who have the required skill set and now develop the infrastructure and make technology decisions. Many online stores have proprietary architectures because few off-the-shelf applications can handle the specific needs of the larger businesses and customer bases. At the core of software product development is the lifecycle that includes usability engineering throughout the process, as shown in Figure 1-1.
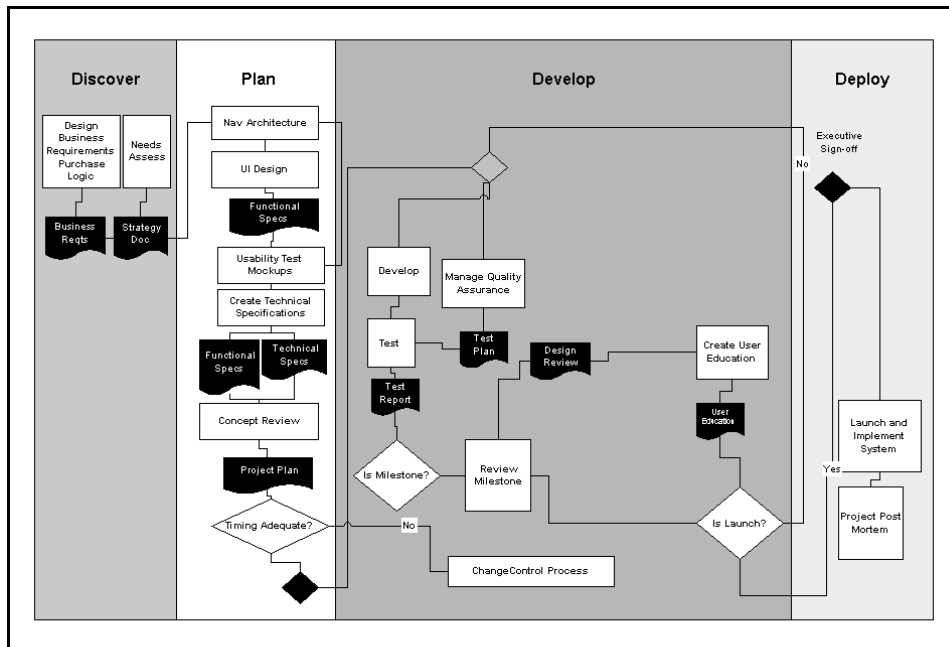

Figure 1–1 The software development lifecycle.

Chart used with permission courtesy of Luminor

The typical software development cycle is a rigorous process that begins with investigation, moves through design and development, and continues into implementation. Three essential components of the online store are the database, the user interface, and the server architecture and machines on which the first two reside and run. The development team looks at the most efficient methods of managing these components. The product and content database is always in flux as new products are added, old ones are taken out, prices change, and promotions are added to stimulate sales.

Customer needs influence the operational elements of the user interface and determine the intuitiveness of the navigational models. It is critical to the usability of an online store for the designers and developers to know and understand customer needs, current behaviors, and how consumers shop the virtual "aisles." Chapter 2 discusses what you need to know about your customers, including behaviors and shopping preferences.

Managing the complexities of the database and the need to keep current with customer preferences in the user interface should result in continual pulsing of the website. Usability measurements that will help monitor the pulse are discussed in Chapter 6.

The Online Store Is a Product Catalog

E-commerce websites have deep roots in the direct marketing catalog business. Web store organization reflects the "table-of-contents" model from this industry, one that is based on product categories and sub-categories. Even though e-commerce is identified as a new channel, it's very similar to the older, traditional mail order and catalog channels. It borrows from these established industries while adding a brand new interface. While the "shelf" is different, the system that shoppers employ to select their products is very much the same. Unfortunately, many of the more attractive attributes of catalogs have not been incorporated into web shopping. Effective and leverageable principles and techniques from the direct marketing catalog business are provided in Chapter 4.

Many e-commerce sites today are an extension of company internal electronic product catalogs. These catalog databases are often transferred "as is" to a website without adjusting to the medium. Although this may be the most expedient way to get a list of products online, customer research indicates that online shoppers are confused by the catalog-type organization and frustrated with the shopping experience. These catalogs also often include internal industry jargon and internal product part numbers that are not recognizable by consumers.

The Online Store Is a Retail Shopping Experience

Customers are more familiar with a retail shopping experience than with a catalog or online purchase transaction. Because most websites are electronic versions of traditional printed product catalogs, it is necessary to apply the cataloger's best techniques. But it is just as important—and possibly even more important—to understand and apply retail shopping expertise because the customer is most familiar with shopping in traditional retail stores. The best practices in retail will be discussed in depth in Chapter 3.

Customers struggle with knowing which routes to take when they enter an online store. Retail shopping behaviors give clues to how customers shop for products, thus enabling a more intuitive store navigation model that easily guides them from the home page to their destination product detail page.

The Online Store Is a Communications Vehicle

The online store started out subsidizing its business through advertisements and eventually became an electronic billboard. In practicality, the ad space interferes with customers' shopping tasks. Customer research reveals that customers learn to ignore these ads and attempt to stay focused. Customers won't continue using a website if the ads become too prevalent and—to many customers—annoying.

Online stores have unique advantages over traditional retail and direct marketing channels for advertising a broad range of categories that reach more targeted customers inexpensively. Balancing ads with navigational elements that help customers complete tasks is a skill. New techniques and unique capabilities of the online store are discussed in Chapter 5. Overused ad and promotional boxes create obstacles for customers to overcome before completing the next step in their shopping process.

It's important to recognize that the main communications influence online is information. The web is used as a resource for virtually every subject. Manufacturers and e-merchants should provide customers with their brand promise and differentiate their products and services. Shoppers will make purchase decisions based on product attributes and services, but also on the strength of the brand.

The Online Store Is a Virtual Sales Representative

What if you could control everything that was said and presented by your sales staff? An online store makes this possible. It acts as a floor sales rep and as an inbound/outbound sales force. It has the ability to combine information and sales.

Around the world, the most influential retail in-store customer touch point is a retail sales associate's recommendations. Store sales personnel cannot reliably provide customers with all key product features and benefits due to a number of factors. Most are inexperienced and do not receive the appropriate training. These employees usually receive low salaries, and employee turnover rates are high.

Many sales reps must cover a broad range of categories and products, frequently with short lifecycles, and products are replaced consistently with new versions or new styles. Also, only brief encounters with customers are permitted because there are typically others waiting to ask questions.

The web store can also act as an inbound and outbound sales force. The web's ability to provide consistent and accurate information is a benefit over traditional retailing. Accurate content also shortens the purchase decision process by providing detailed information and recommendations. But how many stores provide recommended choices instead of simply listing

everything they have for sale? This places the entire burden of choice on the customer. For some products, that is acceptable, but for more complicated technology products, customers rely on experts to make recommendations. A customer-focused viewpoint revolves around understanding products and services to help customers make decisions and provides them with sales assistance online through effective content. Chapter 5 discusses new techniques for facilitating sales.

A New Kind of Shopper

Shoppers are more knowledgeable than ever before. The Internet allows access to information that was previously unavailable to them. They also have more places to shop—retail stores, online stores, catalogs, and TV shopping networks.

To customers, shopping is shopping. They have ingrained knowledge that doesn't often transfer easily between the kinds of stores they shop, unless these stores are designed to be familiar. Each store has a unique format, yet customers seek consistency from format to format. Intuitive store design is based on how people shop for products and applies that knowledge to the store plan.

People shop on the web because they seek information about products to purchase and because it's convenient. Sometimes they will then purchase from an online store and become a customer instead of a shopper. Or they may purchase at retail or from a catalog. Regardless of where they actually make the purchase, their experience with an online store in seeking information determines whether or not they would purchase from that store either now or in the future.

A company that sells through multiple channels, for example, online stores, catalogs, and retail store outlets, is particularly affected. These days, customers can do their "shopping homework" online, and then go to the retail store just to pick up the item.

Integrated Shopping Behaviors

This new online shelf integrates historical shelves, the customer, and the new frontier. Now with more options, customers decide where and when to purchase a product—and the choices continue to grow. Today's customers have many shopping alternatives. Their experience extends from retail, TV, and catalog to online shopping. Traditional retail, however, is still by far the most dominant influence.

Customers don't think about the type of shelf they buy from or the process they use. Even within the retail channel, consumers don't necessarily focus on the type of store they visit. If they have a particular need, they will go to Costco, for example, to find it. They don't consciously think about visiting a club store. It's natural for customers to think of purchasing a toaster at Wal-Mart. But it's rare for a consumer, in her search for a toaster, to identify "a mass merchandiser" as her target retailer.

That's why shelf integration must be transparent to customers. Their only concern is finding their product, getting a good value, and obtaining good service.

The Role of Product

Product plays a critical role in the online business's value proposition, in effective web store merchandising, and in the customer's ability to find and select specific items. But not all products are created equal. Most web stores, however, treat them the same when they list the products with only one-line descriptions.

The customer's relationship to the product is also important. As more customers become more experienced with shopping for a product, they will choose stores where the shopping process is the easiest. The Internet opened doors to scarce, unique, and hard-to-find items. It also changed the marketplace and added auction websites, allowing anyone to have an online "garage sale" of used items or to shop a worldwide "flea market."

Store product mix complicates online merchandising and influences the web design and navigation models that ultimately lead customers to the products they seek. Knowing the product and category value determines appropriate placement levels in the web store category hierarchies. Product knowledge as it relates to the total store performance, to other product performance, or to other category performance requires analysis to regulate profitability.

Other factors influencing web store design are product complexities, characteristics, and lifecycles. Many people research complex products online where the information is more in depth than retail sales help can provide, but they ultimately purchase at retail. Some products are shopped for frequently and routinely, while others are a one-time purchase. Still others are planned or impulse purchases.

Intimate product knowledge and customer insight determines the appropriate product mix for an online store. Product knowledge also brings organization to the category and online store and will better reflect customer-driven needs. Product brand, category value, and even product usage influence how products should be merchandised. Product information must be blended with target customer information relative to how people shop. Only then can successful navigation models be designed. Products, category market structures, and valuation are discussed in depth in Chapter 3.

The Morphing Marketplace

Markets and customers affect website organization, design, and navigation models. The blurring of channels and complexity of choices makes it a science to match up the right sales channel with the right market for the right customer. Channels are still evolving, but niche websites make it possible to target customers with specific products.

The marketplace and channels of distribution have experienced rapid change over the past few years. Not too long ago, traditional major channels were simple and had distinct customer bases and value propositions. The following is a list and description of major traditional channels:

Retail: Retail stores are shopped primarily by home, home office, and small-business consumers. These are physical "brick and mortar" buildings with broad or specific category and product assortments. There are also variations, such as "big box" super stores, department stores, consumer electronics stores, mass merchants, convenience stores, grocery stores, "mom and pop" sole proprietorships, specialty stores, club or membership stores, and discount or outlet stores. Their value is in their proximity to the customer, convenience, entertainment value, and ability to offer immediate gratification. They have a steady product mix and seasonal product offerings, and they offer special promotions.

Business Direct: These companies provide both products and services and operate predominately on a contract basis with businesses. They often provide a printed catalog containing a broad range of products and cater to calendar-budgeted purchases.

Direct Mail: Direct mail companies provide targeted printed catalogs, letters, and brochures to home and small-office consumers. These "retail in the mail" catalogs and mailings cover a wide variety of products such as clothing and jewelry, food, furniture, home furnishings, and computers and peripherals, and they generate both planned and impulse purchases.

Wholesale/Distribution: These businesses act as a "middle man" and serve as a hub for small to large business customers. They buy products from manufacturers and resell them through printed catalogs or showrooms with true wholesale prices. They receive truckloads and pallets of products from the manufacturer but ship smaller boxes, pallets, and truckloads to retailers and other channels of distribution.

Brokers: These companies are the intermediaries to business customers and provide services and sales to grocers and other industries. Some of their primary products are perishable goods, which they move through the channels quickly.

Pure-play Internet: These companies have only one selling motion—online. They provide public websites to home and small-office consumers (B2C) and to businesses, corporations, and enterprises (B2B). In some cases, they provide non-public websites, extranets, to larger companies. Internet companies can carry all products and are "perceived" to have low cost structures and prices. They have an additional value proposition in providing a broader product offering than retail or catalogs due to their virtually unlimited shelf space. They also can economically carry hard-to-find items.

Manufacturer-Direct: Many manufacturers have branded retail outlets for home consumers. These stores offer products such as clothing and housewares. They typically carry quality products and feature a trusted brand name.

Historically, reseller transactions were based on one-to-one mapping to the customer. Mail order companies sent out catalogs to customer's homes, people shopped in retail stores for products, and business-direct companies sold to big corporations under contracts.

In the past few years, some retail businesses sought to increase their reach to customers by adding an additional selling motion to their channel mix, such as a catalog. Now, with expanded technology capabilities and public and commercial adoption of the Internet, most businesses are adding e-commerce to their mix. Current marketplace trends are for single-channel businesses to become multi-channel businesses. These new hybrid models cause traditionally distinct channel models to blur and new combinations such as "clicks and mortar," a combination of retail and online sales, to develop. These new models are shown in Figure 1-2.

Although the percentage of the overall business is still small, sales are shifting online from other selling motions as businesses find efficiencies and transactional cost savings over traditional selling venues. It is also now possible to have multiple web properties in the selling mix. These properties target niche or specific markets. There is also a downward trend in the number of pure-play e-tailers as they merge and form alliances with other businesses to survive.
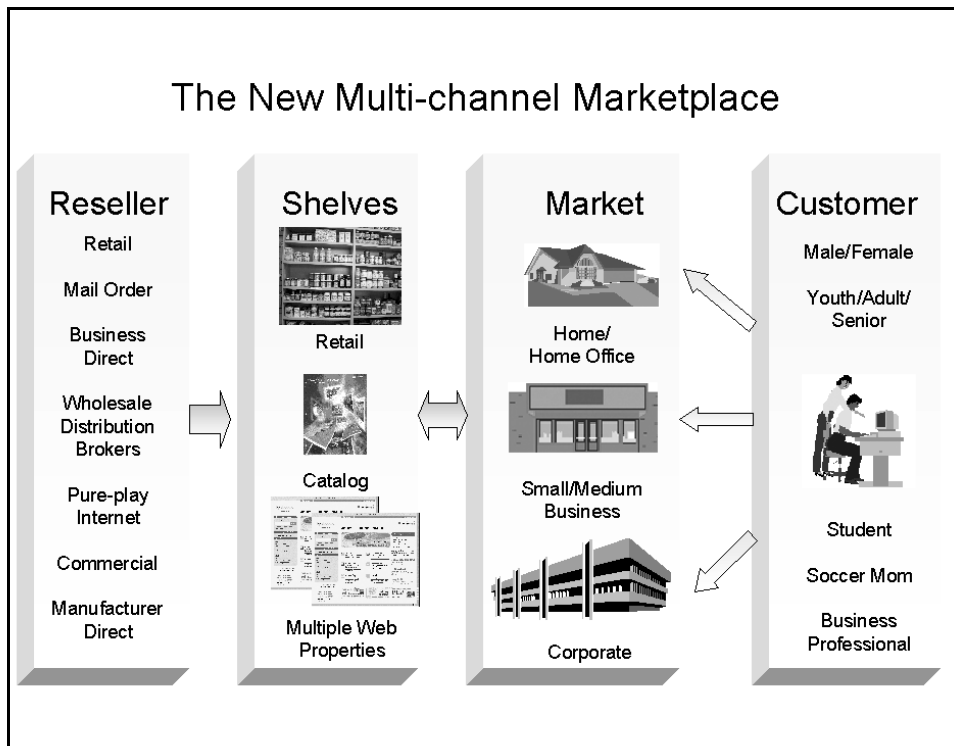

Figure 1–2 Traditional channels, selling motions, markets, and customer models blur.

Each customer can represent multiple customer segments. Not only do multiple selling motions complicate business models for the merchant, but the customer segment models are also complicated because many of the sales channels were created based on shopping needs for the home, home-office, micro-business, medium-sized-business, corporate, and enterprise markets. Unfortunately for stores, customers don't necessarily segment themselves the same way retailers might want them to as they work through their business plans.

As customers and their needs change, the channels and shopping experiences also change. For example, with the adoption of business purchasing via the web, home consumers are influenced—because all business customers are also home consumers. When a business customer shops online for office needs, she can also shop for personal items. Every point of contact that a customer makes with a "shelf" is an opportunity for the reseller to gain a loyal, multi-segmented, and multi-channel purchasing customer.

Managing Multiple Stores and Shelves

In the process of selling through one channel, it's important to consider all the other selling motions. At any given time, customers can have access to any one of the stores—whether they are physical, virtual, or in print. Multiple channels spawn additional stores, and the proliferation creates a variety of ways to purchase a product. To the customer, each of these is just another shelf on which a product is displayed. It doesn't matter if it is a retail shelf, a catalog shelf, an e-shelf, or a TV broadcast (shopping network) shelf.

Most consumers will shop through multiple stores to buy products and services. It is evident that online shopping directly influences offline purchases. Online activities shorten the purchase process by providing to the shopper decision-making information that may not be found on the store floor. The shopper then decides from which store to purchase.

Many businesses are moving toward balance and integration to maximize sales, product mix, and customer experience across all of the individual offerings. At the same time, many businesses are not. The value of a multi-channel shopper appears to be greater than that of single-channel shoppers. Shopping research indicates that consumers shopping multiple channels are more likely to be loyal and spend more. On the flip side, a disappointing online experience can taint the entire store brand in the customer's mind and may affect future purchases at the retail store.

Practicing "integrated shelf management" is a critical business practice for today's marketplace. This technique presents each shelf or store in the same way regardless of the channel. The benefit is to present a company as a unified entity to the consumer, regardless of the type of store in which the customer shops. Figure 1-3 shows the similarities of the different types of "stores" from a customer's viewpoint.

Customers become uncomfortable when shopping experiences stray too far from the familiar—and the most familiar experience is the traditional retail store. For example, web stores have random, multiple entry points through links. Customers "get lost" by dropping into the middle of a web store via some of those links. For years, retail stores have studied and designed

Retail	Catalog	Online
Physical building, mall	Printed paper	Systems, content databases, and graphical user interfaces
Access by car, on foot, public transportation	Access anywhere; phone, fax, or mail is available	Access by PC and other devices
Store front	Cover	Home page
Store entrances, fixed	Multiple, random	Multiple, random
Store map	Table of contents/index	Site map
Aisles	Catalog sections	Category links
Shelf	Catalog page	Web page (category page)
Product (package or SKU)	Image and description	Web page (product detail page)
Planograms	Category product page layouts	Web page organization
Fixtures	Pictures and type	Images and presentation
End cap	Front and back covers, prime positions, boxed features	Featured positions, brand and specialty stores
Traffic flow patterns	Reading and catalog access patterns	Sequential navigation models/direct search
Merchandising	Graphic design elements	Graphic design elements
Check out counter	Order form/fax/telephone	e-check out/telephone
Shopping basket	Order form	e-shopping cart/order list
Stockrooms, warehouses, distribution centers	Virtual warehouses, distribution centers	Virtual warehouses, distribution centers
Pick up in store	Receive in mail/delivery	Receive in mail/delivery
Point of sale data	Order data	Real-time point of sale data
Conversion rates	Conversion rates	Conversion rates/hits

Figure 1–3 Different kinds of "stores" have similar components.

traffic flow patterns to help customers navigate through their stores. Not all retail stores are successful in guiding customers, yet studying these elements will give you assistance as you create familiar online traffic flow patterns—navigation models—that can help customers find products. Customer retail experiences are discussed in Chapter 4.

A New Kind of Business

As retail stores added catalogs and/or the Internet to their channel mix, they initially feared cannibalization of customers and sales by the new organizations within their own companies. Also, most corporate structures created profit and loss silos within the organization, intending to effectively measure each type of store. In actuality, it set up the sister channels and stores to compete against each other for customer sales, internal resources, and power. There was no top-level support for integration.

What results from this model is *dis*integration, when individual stores have no incentive to share their best practices and information or leverage promotions to their sister stores. A few businesses now recognize the importance of integration across all of their stores to maximize sales, marketing activities, customer experiences, infrastructure and supply chain efficiencies, and overall corporate profits. They are creating and applying new business models that recognize integration to create a whole that is greater than the sum of the individual parts.

A fundamental integrated marketing principle determines that every point of contact with a customer is a chance to communicate coordinated, consistent messages. Multiple *impressions*

result in a higher chance of action including product purchase. Common representation across a business's multiple-channel shelves also maximizes its brand and marketing programs or activities.

Integrating models can solve home or business delivery obstacles. For example, some retailers allow customers to find, select, and purchase online and then go into the retail store to pick up the products. Other businesses enable customers to return a web-purchased product to a retail outlet or make it easy to return the item. Nordstrom's provides a postage-paid, return envelope and clear return instructions with each new order. Returned items can be simply put into the envelope and conveniently placed in any U.S. mailbox, even from home.

In some major metropolitan areas, store trucks deliver the merchandise to a business customer's location. In New York City and other densely populated locales, Mercanti Systems offers a retail/Internet model in which the customer can shop online and then pick up paid-for merchandise at a special no-wait window at the store—even while walking home from work. This capability works just as conveniently in less urban environments—for example, while driving home from work or running family errands.

Integrating Multiple Web Properties

With channel alliances and mergers, some businesses ended up with multiple web properties. These properties can consist of a variety of public Internet e-commerce websites catering to consumer, business, community, or niche markets. They can also be *intranets—*providing information and content to internal "customers" in an organization, users of the information—or e*xtranets—*providing private access to another business for commerce, content, information, or service.

Integrating and centralizing systems optimizes resources, minimizes redundancies, and provides consistent information and common deployment of information. One data source can serve the variety of websites in a company's domain. This saves resources and provides consistency of information that is "served up" from one source to many websites. Commerce, community, product information and training, and technical support websites can be served by one web server farm. This is the future of the Internet.

Who's Minding the Store?

Which department in your organization is responsible for the customer experience? Along with a new business must come a new dynamic within the organization itself. There are many people and many departments that make up an online store and most are organized in functional areas. Yet, in most companies, no central group is responsible for the customer experience.

Even though there is no official responsibility, everyone has an influence on the customer. Each department—buyers, merchandisers, marketing departments, and IT departments—impact the online store. However, internal measurements can conflict with successful customer navigation requirements. For example, buyers may be measured on product margins, IT departments may be measured on efficiencies of code and ease of database maintenance, and marketing departments on how much advertising space is sold and revenue brought in. Translated online,

buyers would promote higher margin products, IT might develop practical yet non-intuitive navigation models, and marketing would create advertising and promotional boxes on the web. These all could directly conflict with customer navigation and purchasing tasks.

Not only do the goals conflict with the customer experience, but they also conflict with each other. Collapsing department boundaries and integrating teams across the traditional boundaries will foster a website that more easily creates the right balance of influencing factors for the store. It takes all people and departments in an online store to make a good online organization that recognizes the value of the customer experience. The organization needs support from the top to achieve a website that is a balance of customer focus and store business drivers.

Competing in the New Marketplace

Your competition is not just another online store—nor is it just retail, nor just catalog. Today, it's every store, and tomorrow it will increase even more. The more you know about your competition, the more you'll know about how to acquire and retain customers.

Understanding your competition will help you position yourself in the marketplace. You'll need to know their financial positions, their customer value propositions, and how target customers view them. Are their suppliers reliable? What solutions do they offer the customer? How big is an online competitor? The Internet hides the size of businesses, unlike a physical retail store. It is difficult to know whether a given company is a large enterprise or a home-based company.

Customers have a basic level of online shopping expectation, which sets the bar. The most successful and popular online stores today are raising that bar as they integrate emerging technologies and refine website design to accommodate shopper preferences. Every day, expectations grow higher and the bar continues to move. There is no room for complacency in today's business environment. The competition is only a click away.

The online store must differentiate itself from all channels and all competitors. The most difficult task is to create a truly unique website. Retail stores that are the most memorable provide something that other retailers do not. Wal-Mart's success is attributable, in part, to the company's strategy to build stores in smaller towns and cities. Consumers found the stores to be accessible and convenient.

Nordstrom differentiates through its special service and store ambience. Online, Amazon.com doesn't just list titles of books. It gives customers access to excerpts of books and even allows individual consumer comments and reviews. Online merchants each need a unique position in the marketplace.

Integrating into Global Markets

Many e-commerce businesses selling to international audiences have recognized the need for country-specific websites that are based on products, customs, languages, and cultural influences. In many cases, countries will have unique retail shopping experiences that are part of the

makeup of the people in that country. These considerations need to be factored into website design and development. As a rule, one global e-commerce website does not fit all.

While some consumer online shopping trends are global, it is good practice not to rely on those trends but to heavily consider each country's specific insights. For example, although mostly men purchase online worldwide, in the U.S. more women are shopping and purchasing online. This has changed over the past few years and demands a demographic refresher for many U.S. e-commerce websites designed in the years when men were the dominant online shoppers. While this trend is true for the U.S., other countries may not yet be ready for women-focused shopping websites. In new business channels, there will be early evolutionary behavioral changes until the model becomes more mature and becomes integrated into the culture.

A country's economic environment and culture affect online shopping adoption cycles. Each culture and each industry fosters different adoption cycles. Technology's early adopters, for instance, were predominantly male. In some countries, students lead Internet adoption. Determining the adoption cycle for each environment must precede Internet design.

Similarly, global issues such as currency conversion, taxation, and privacy laws need to be researched before launching a website. Internet-related laws and regulations, as well as commerce in general, tend to change rapidly.

Specific country trends in online shopping, products, and demographics of the target customers must be monitored to ensure the website design keeps up with changes in the country and in the marketplace.

Finding the Niche

Web merchants, bricks-and-mortar retailers, and catalogers are all vying for the same customer. In order to succeed, each will need to establish a channel value proposition. The customer is at the center of the decision.

What attribute will be the most important? Will it be price, convenience, experiential shopping, entertainment, service, or something else? Because each channel is superior in at least one of these, the customer will not believe that a single channel can provide everything. Providing a singular focus, however, doesn't mean that the other issues don't matter. Delivering as many as possible will be key.

Because customers shop in more than one channel, resellers will have to share sales. But they don't want to lose customers from their channels due to mistakes they make. The game is theirs to win or lose.

The New Rules of the Online Renaissance

E-commerce is moving into a new era, a renewal of consumer faith in this evolving channel. This channel is also moving into a reawakening of the need for customer-focused practices and considerations to survive and thrive in the new marketplace.

Fulfilling customer expectations, providing product value, and applying excellent usability engineering factors all contribute to a successful online shopping experience for customers. Unfortunately, most online shopping experiences do not yet meet the basic retail customer's shopping expectations. For people to shop online, the experience has to be on par or better than at retail. An improved and intuitive website is dependent on holistic integration of the following actions:

- Begin with the end in mind. Thoroughly understand your customers: who they are, what they expect, what they fear, and other psychographic considerations. Also understand what their pleasant—and unpleasant—shopping experiences are at retail, via catalog, at other online stores, and wherever else your web store's products are sold. Understand the roadblocks to purchasing. It's not just about how shoppers navigate the page today. It's also about how they shopped last year for the item and the year before that. Customer knowledge will be discussed in Chapter 2.
- Bridge the gap between web store design and customer expectations. Most online stores start with the products they currently have, not with how the customer expects to shop for them. Just because you have a good process does not mean that you are meeting customer requirements. While online stores are streamlined in hierarchies and schematics, you cannot anticipate the way the customer wants to navigate unless you ask. Apply customer-centered design principles and methodologies to your web store modifications or design. These will be discussed in Chapters 6 and 7.
- Factor in the value of products both to your customers and to your business profitability. Some products represent destination categories, and some are impulse purchases. Understand how each category operates and which creates the highest value.
- Integrate and balance knowledge of customers, channels, and products. There is no magic elixir. The solution lies in the ability to unify these factors and to create improved websites.
- Proliferate and cross-pollinate this integrated knowledge throughout your entire organization: marketing, IT departments, web design, and purchasing. Web developers should step into the shoes—and functions—of the buyers and merchandisers. Buyers and merchandisers should understand usability engineering methodologies and be ready to apply customer-centered design principles along with their recommendations on product mix. Understand the challenges facing everyone in the organization.

Each person in an e-commerce organization must be conscious of the multiple roles required to make an e-business work. You must be a marketer, a businessperson, a web designer, a shopper, and much more. Chances for success increase by taking a three-dimensional look at everyone's role in the organization and unlocking the secrets of traditional retail and catalog merchandising and human factors engineering. It requires an optimal balance of customer needs, store business drivers, and product knowledge, as shown in Figure 1-4.
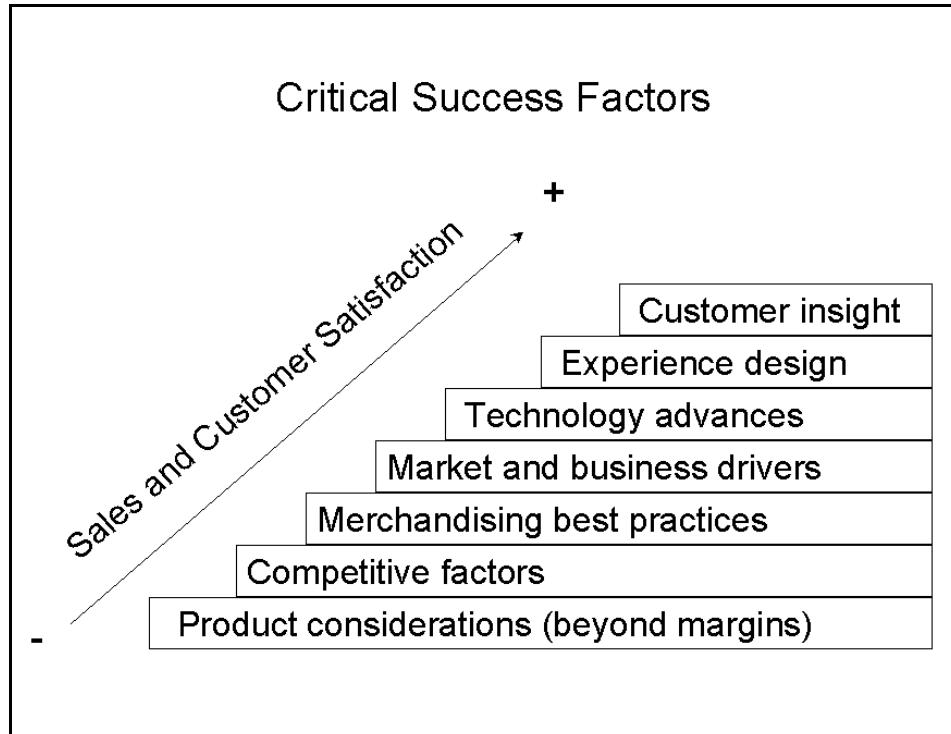
Critical Success Factors

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Sales and Customer Satisfaction

Customer insight

Experience design

Technology advances

Market and business drivers

Merchandising best practices

Competitive factors

Product considerations (beyond margins)

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Figure 1–4 Sales and customer satisfaction increase when factors are combined.

As e-commerce enters this new era, short-term business models move from being product-centric to long-term category marketing solutions and from being store-centric to being customer-centric. There is a revitalized focus on cultivating long-term customer relationships. This book presents new rules that replace old methods. It's about intuitive navigation for the customer, relevant content, and effective merchandising techniques that are uniquely tailored for the electronic world. It's also about managing the delicate balance between the needs of the customer and the needs of the online merchant.

With the dawn of a new era, this online renaissance requires fresh perspectives and thinking. But, you have to do more than just have new rules; they must be applied.

- Understand your customers…*intimately*.
- Tap into best practices and successful methodologies and techniques from retailing, cataloging, and e-tailing…and *integrate them*.
- Apply customer-centered design usability engineering methodologies to your new or improved web store…and *keep doing it—it's not a one-time event*.
- Understand that sales are a result of everything else you do…*and sales are a measure of how well you've done it*.
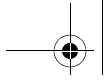
As Mark Twain said, "Even if you're on the right track, you'll get run over if you just sit there."

Today, the only way to win is to focus on the customer. The days of cutting corners, sacrificing the consumer for increased profitability, and providing minimal service are over if companies want to succeed. The new era is all about providing the quality products the customer wants, where and when he wants them, along with superior service and convenience. Even if the investment is a little higher, profitability will increase with improved customer loyalty and higher revenue. The next chapter will give you an in-depth view of the customer.