Enhanced Customer Experience:
A Benchmark Study

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Having conquered their initial fears about the security of Internet commerce, consumers today are embracing the convenience and selection that online shopping provides. Buyers are logging on to select gifts for relatives, pay bills, manage their finances, check their children's report cards, make contributions, book travel, and even date.

According to Forrester, consumer e-commerce in the U.S. is forecast to reach US$329 billion by 2010—increasing to 13 percent of all retail sales.[1] It also forecasts that by 2010, almost half of all U.S. households will shop online, up from 39 percent in 2005. And by 2008, 75 percent of U.S. Internet users will access the Internet over broadband connections.[2]

But what do these trends mean to U.S. retailers? And how can companies capitalize on these developments to grow not only their online sales but their in-store transactions as well?

To answer these questions, the Cisco Internet Business Solutions Group (IBSG) benchmarked 20 major U.S. retail Websites, and purchased items on each site to compare back-end processes of these businesses. Included were the top 10 U.S. Web retailers (by revenue) in 2004, several of the nation's leading big-box and discount retailers, along with half a dozen chief e-tailers.

A Customer Perspective

Taking a consumer's point of view, each Website was evaluated from an "outside in" perspective to measure the buyer's experience throughout the entire shopping lifecycle. With more than 70 discrete attributes gauged in total, the assessment focused on fundamental issues, such as ease of use, personalization, and content. It also rated elements such as the reliability of transactions and the level of interaction possible between the consumer and retailer and the consumer and other shoppers.

Who's Leading, Challenging, or Following?

For online consumers, some aspects of a company's Website are non-negotiable, "must have" characteristics. Known as foundational capabilities, these include ease of use, limited personalization, some free content, and secure, reliable transactional processes.

Emerging capabilities are the more sophisticated aspects that take the user experience to a new level, both in terms of convenience and satisfaction. Functionality related to enhanced personalization, user-driven content, and interaction with the site and other shoppers are among the leading capabilities provided by Web retailers today.

[1] Forrester Research, "U.S. E-Commerce: 2005 to 2010," September 2005
[2] Forrester Research, "The State of Consumers and Technology: Benchmark 2005," July 2005

As indicated in the following chart, the "Leaders" in both the foundational and emerging capabilities are those that provide a compelling online experience while also performing well in back-office processes such as shipping, returns processing, and so on. Amazon.com, Cabela's, Best Buy, REI, and Sears are delivering quality in both areas. These companies integrate their on- and offline channels by providing rich, dynamic information about their stores online, which gives users visibility into store inventory and allows them to order online and pick up or return items to store locations.

FIGURE 1

Relative Ranking Across All Capabilities

Source: Cisco IBSG, 2006

Relative Ranking Across All Capabilities

The "Challengers" are retailers that excel at the emerging capabilities and perform reasonably well in foundational capabilities. Companies such as Dell, Wal-Mart, Home Depot, Office Depot, and QVC integrate customer service clearly into their overall site design, provide product- and price-comparison tools, use video and rich media, and offer exceptional interactive functionality (such as Click-to-Chat).

Businesses that are strong but not exceptional in the foundational or emerging capabilities are "Followers." Since channel integration is an important consideration in both the foundational and emerging capabilities, most of the e-tailers without stores fall into this category (Blue Nile and Netflix), but so do several of the 2004 top 10 U.S. Web retailers (Staples and HPShopping).

Top Retailers With "Must Have" Capabilities

Some of the companies benchmarked clearly excelled in one category or the other (foundational or emerging). As noted, foundational capabilities skew toward ease of use and transactional functions, but also include limited functionality in personalization, free content, and interaction. The leaders in overall foundational capabilities include an interesting mix of midsized retailers as well as one notable e-tailer. (See Figure 2.)

FIGURE 2

Top-Ranking Retailers in "Foundational Capabilities"

Top Retailer	Rankings	Foundational Capabilities
Cabela's	1	Strong search; links to stores and catalog; deep product information
BEST BUY	2	Strongest transactional player; easy to buy and best end-to-end experience
amazon.com	3	Navigation and search are strong; extensive use of suggested items; easy, one-screen checkout
REI www.rei.com	4	Balanced player with rich member-oriented content; ability to order online and pick up in store a plus
Sears	5	Solid use of gift registries, wish lists, and integration with the store, particularly in-store pickup

Source: Cisco IBSG, 2006

These e-commerce experts are moving beyond ease of use to create a much more compelling customer experience online, offering extensive company and third-party content to inform the purchase decision and enhance the shopping experience.

When looking at foundational capabilities overall, we also find:

- Every company is cross-selling and up-selling by proactively suggesting related items.

- Amazon.com, JCPenney, Target, and Wal-Mart allow users to search for gifts by age, gender, or event.

- Cabela's takes the search function one step further and allows users to browse by other user-defined criteria (such as hobby).

- 81 percent actively solicit customer feedback at multiple points throughout the site.

- 57 percent have gift registries or wish lists (Amazon.com, Cabela's, and Wal-Mart scored the highest).

- 57 percent allow users to order online and pick up at the store (Best Buy, Office Depot, REI, Sears, and Amazon.com scored the maximum points).

Leading the Way With Online Extras

Surprisingly, in the category of emerging capabilities, only one widely known Web innovator—Amazon.com—ranked in the top five, while more traditional brick-and-mortar retailers closely followed. (See Figure 3.)

By moving beyond transactions to interactions—engaging more frequently and in a more dynamic manner with their customers—these retailers are setting the standard in their respective segments. To keep up, competitors will need to follow suit and provide numerous ways for shoppers to interact with their sites, from customizing items to providing feedback to the corporation.

When looking at the emerging capabilities in personalization and content, we noted the following:

- 67 percent allow consumers to shop all or part of the site in at least two languages. Best Buy, HPShopping, Home Depot, and Office Depot score highest.

- 67 percent offer suggested services (such as product installation), with Amazon.com, Best Buy, JCPenney, HPShopping, Newegg, Sears, Sony Style, and Wal-Mart topping the list.

- 52 percent use online video to help sell products or services, or to enrich the user's experience. Cabela's, Dell, and QVC score highly but are closely followed by Home Depot, Netflix, Office Depot, Sears, Target, and Wal-Mart.

FIGURE 3

Top-Ranking Retailers in "Emerging Capabilities"

Top Retailer	Rankings	Emerging Capabilities
amazon.com	1	Personalization tools allow customers to define shopping experience
Cabela's	2	Extensive content, including video and seamless links to third-party content
WAL★MART ALWAYS LOW PRICES Always	3	Compare prices online; check store inventory and item availability; online video/music
Office DEPOT	4	Compare prices online, shop in your language, Click-to-Chat, seamless integration with third-party offerings
THE HOME DEPOT	5	Shop in your language, compare prices online, user-driven product customization and virtualization

Source: Cisco IBSG, 2006

- 48 percent allow shoppers to compare prices online.

- 48 percent provide some level of visibility into store inventory availability.

Another emerging trend is how these companies are facilitating a customer community by enabling users to interact with other "community members" who frequent the same site. They're accomplishing this by offering gift registries and "send to a friend" options, by posting reviews of products and services offered on the site, and through other creative ideas.

While not all brands or business models may consider this social networking essential to their site, traditional retailers are clearly beginning to tap into this online phenomenon to drive frequency of visits and customer reach:

- 48 percent provide user-driven product customization or virtualization, with JCPenney, Home Depot, and Sears providing the most robust functionality.

- 48 percent publish a calendar of events for in-store activities.

- 43 percent allow customers to shop with a friend or e-mail product information from the site directly to a friend.

- 33 percent allow users to post and view customer reviews.

- 28 percent provide the option to Click-to-Chat or Click-to-Talk.

Who Will Win in the Future?

Growing the online channel successfully and rapidly begins with the time-honored business practices of understanding the customer and differentiating the product or service. Clearly, online retailers must provide ease of use (site design, navigation, search) and bullet-proof transaction capabilities to support the shipping, billing, and customer service/returns requirements.

The rich content some Web retailers provide today—ranging from deep product information and guided selling tools to video demonstrations of products in use—will become commonplace tomorrow. In the future, more companies will combine rich content with enhanced interaction capabilities to encourage visitors to visit their sites more frequently, and to linger longer while there.

To be successful, retail executives responsible for growing sales—whether it's through the online channel or through integration of the online channel with the stores—must do the following:

1. Keep a vigilant eye on what competitors are offering

2. Stay close to customers to understand their unique needs and preferences

3. Constantly look for better ways to improve their sites' ease of use while also providing deeper, richer multimedia content

4. Create meaningful ways for shoppers to interact with the company and each other when on the site

With online sales growing five times faster than store sales, retail executives must create a compelling online customer experience and continually explore innovative ways to use their sites to drive sales to and through the stores via improved channel integration.

While foundational capabilities enabled many retailers to be successful on the Web initially, it will be the emerging capabilities—content, interaction, and channel integration—that will determine the top U.S. Web retailers by 2010. These will be the companies providing the best customer experience, both online and in the store.

Companies Benchmarked	
Amazon.com	Netflix
Best Buy	Newegg
Blue Nile	Office Depot
Cabela's	QVC
CDW	Sears
Costco	Sony Style
Dell	Staples
JCPenney	Target
HPShopping	REI
Home Depot	Wal-Mart

APPENDIX

Cabela's

Hunting, Fishing, and Clicking

How Cabelas.com enhances the online customer experience

For retailers today, an "enhanced customer experience" is the Holy Grail. After focusing on cutting costs, accelerating supply chains, and integrating back-office systems, retailers have recognized that attracting and retaining customers is critical in a climate where gaining market share is the name of the game. There is no doubt providing a positive customer experience is the key to developing loyalty and growing top-line sales, but how can retailers enhance their customers' online experience? One retailer, Cabela's, exemplifies the four basic attributes of a truly pleasurable online shopping experience:

Know your customer: Cabela's proclaims itself to be the world's foremost outfitter for hunters and fishermen, and cabelas.com is attuned to fulfilling their needs. The Website's Store Locator identifies not only the street address of a location, but the GPS coordinates as well. Local hunting, fishing, and camping links are also provided, along with a schedule of hunting and fishing classes and programs in the area.

Cover the basics—flawlessly: Cabelas.com understands the importance of getting the foundational elements right. The site provides multiple search options, making it easier for customers to find just the right hunting and fishing gear. Buyers are apprised of each phase of the shipping process, and when the product arrives, it's personally signed with a thank-you from the person who packed it. Returns are made simple with shipping labels and step-by-step instructions provided as part of the shipping materials.

Engage customers with compelling content: Cabelas.com clearly appeals to its core constituents by providing hunting and fishing updates on a state-by-state basis, with links to state Fish & Game Websites. Prior to purchasing, customers can access a library of product videos; compare product features, functions and prices; and review field-test information, all which helps them feel more informed during the buying process.

Build and serve your customers' communities: Cabela's builds community among its customers by enabling them to submit reviews of products they've purchased. In addition, Cabelas.com encourages interaction by hosting talk forums where customers share perspectives and insights about their favorite hobbies. The site's FAQ section solicits feedback to ensure the information provided meets the needs of customers.

All of the above, plus strong multichannel integration with its brick-and-mortar stores, enable Cabela's to offer a shopping experience that exceeds customers' expectations. From their Cabela's Club loyalty program to the consistent look and feel across their Website, stores, and catalog, Cabela's is the leader in providing a seamless shopping experience for those who are passionate about hunting and fishing.

Argos

A Retailer in Your Pocket?

Multichannel retailing is a hot—but frequently elusive—topic among retailers today. JCPenney observes that customers who shop all their channels annually spend more than four times the amount spent by customers who shop only one channel. But how can other retailers drive their store and catalog customers to the Web—and Web customers back to the store?

Argos Website provides a seamless store/Web/catalog experience

While Argos is not included in the benchmark study, U.S. Web retailers should take a close look at how this U.K. merchant has driven multichannel retailing to new heights. More than 25 percent of the company's sales are made via direct channels, and over 40 percent of direct orders are picked up in store. Once a sleepy brand, Argos is now a retail powerhouse—the United Kingdom's biggest general merchandise retailer, with the top position in toys, watches, furniture, and kitchen appliances.

Argos.co.uk offers valuable tools on its site to enable channel integration: a Price & Stock Checker allows customers to enter catalog item numbers and research availability and pricing in stores near their postal code. For each item listed on the site, customers can indicate their preference to have the article delivered to their home or reserved for in-store pick-up. In addition, the "Check and Reserve" option allows customers to check inventory at a local store and then hold the item until the end of the day without purchasing it. Customers can use the phone, the store, the catalog—and even text messaging—to purchase items. To order through text messaging, a shopper simply sends a text message to Argos with the catalog number and store number (available on the back of the catalog or online), and the company responds with a reservation number. The company offers further mobile shopping through the Vodaphone Live! mobile phone shopping site.

In store, Argos also reinforces its multichannel strategy. It has designated Call and Collect locations specifically for fulfilling direct orders; in other stores it offers QuickPay kiosks where customers can enter catalog numbers of items on their shopping lists and pick up their merchandise on-site. If customers have previously placed items on hold at the store, they can also use these QuickPay kiosks to retrieve their orders.

No matter the channel—catalog, store, or Web—Argos continually demonstrates its offers customers a tailor-made shopping experience. In their search for best practices in multichannel retailing, U.S. retailers should take a look across the pond.

FIGURE 4

Argos.co.uk offers a wide variety of ordering and delivery options

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