



3rd Annual Mindset of the Multi-Channel Shopper Holiday Study

November 2008

How to Finesse this High-Stakes Holiday Season (and the year ahead)		
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i. State of the Multi-channel Industry - Holiday 2008

It is obviously a tense time for merchants with challenged consumers clutching their purse strings. As credit tightens, the stock market is in turmoil, and retail bankruptcies proliferate, traditional holiday '08 sales are expected to be up a meager 2.2 percent versus 4 percent in '07. Important categories including apparel, accessories, and home goods are projected to face particularly difficult times.¹

Fourth quarter '08 is expected to be the weakest holiday season in 17 years with sales up just 1.5 percent compared with 1.2 percent in 1991.² For the first time, even gift card sales are anticipated being down 5 percent to \$25 billion.³

The good news is that online sales are projected to grow 9 percent in 2008 - low by industry standards but a lot stronger than total sales.² Annual 2008 eCommerce sales will reach \$158.3 billion, up from \$136 billion in 2007 with a 12 percent online sales average annual growth rate from 2007-2012 predicted.⁴

It is important to note that consumer growth of new shoppers coming online is projected to be just 3.1 percent as 193 million US Internet users (2/3rds of the population) already frequent the web.⁵ Accordingly, merchants will need to sharpen both their customer acquisition and retention skills.

ii. A Message to Merchants - Introduction

Holiday 2008 consumers will embrace the Internet for shopping more than ever, given its ability to deliver convenience, value, and time savings. Value spending will definitely be the mantra as these multi-tasking consumers monitor the web to get the best deals. Gift buying will be particularly affected by this propensity for shopping smart, as consumers preview online to get the most for their money. Multi-channel merchants who respond to their demands will be the ones that survive and prosper. It is imperative that practical solutions be deployed wisely throughout the holiday season and into 2009.

The objective of this report is to translate what consumers told us about their holiday shopping intentions into actionable tactics. Findings from the e-tailing group's *3rd Annual Mindset of the Multi-Channel Shopper Holiday Survey* have been organized in support of "nine practical plays" along with website and email examples to illustrate best-in-class strategies and execution. All of us at the e-tailing group and our survey sponsor, ATG, sincerely hope this report provides timely guidelines for how to finesse this high-stakes holiday season (and the year ahead).

Happy Holidays!

the e-tailing group and ATG

¹ NRF

² TNS Retail Forward

³ Archstone Consulting/Chicago Tribune

⁴ US Department of Commerce

⁵ eMarketer

iii. Survey Methodology and Sample

Over 1,000 adults (66% female/34% male) who shop online four or more times per year, spending \$500+ annually, completed an online survey.

Household income

- 21% under \$50,000
- 45% \$50,000 - \$100,000
- 29% more than \$100,000
- 5% prefer not to respond

Education

- 21% some high school/college
- 24% college graduate
- 21% some graduate school
- 29% post-graduate degree
- 5% prefer not to respond

Age range

- 34% age 25-44
- 30% age 45-54
- 28% age 55-64
- 8% age 65+

Presence of children age 18 or younger

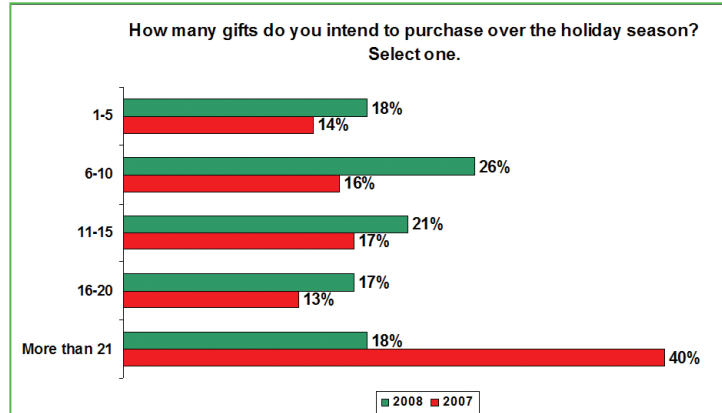
- 67% none
- 28% 1-2
- 5% 3 or more

iv. Survey Summary

- **Today's tough economy means less spending**
 - Consumers plan to buy fewer holiday gifts with the average number of gifts down from 16+ to 11-15
 - 52% plan to spend less than last year given the unstable economic climate
- **Although these consumers plan to buy fewer gifts and spend less for those gifts, more are using the web to research and shop smart with online purchasing levels equal to last year**
 - 72% plan to research products online prior to purchasing vs. 65% in 2007
 - 49% of those surveyed intend to do their holiday gift buying online; 44% in-store
- **Convenience and efficiency have made shoppers more comfortable with the online channel, evidenced by more products being sold across a broader range of categories as well as increased usage of tools and information**
 - For 42% vs. 30% last year, 11%-50% of online holiday spending will be for gift cards
 - 35% vs. 25% last year have shopped online from someone else's wish list 3+ times
- **Influencers when buying gifts online are topped by promotions, search, and customer service based on a ranking of 36 features where free shipping tops the list**
- **Post-holiday spending is likely to be less than or equal to last year with gift card redemption split between immediate (41%) and longer range (55%) intentions**
- **Shopping via mobile and social sites is not yet a factor to be prioritized by mainstream merchants**

v. Holiday '08 Gifting Plans

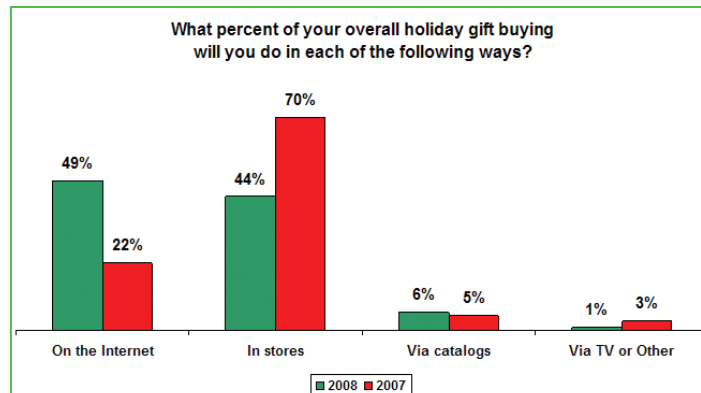
Reflecting the tight economy, consumers intend to buy fewer holiday gifts, as evidenced by 64 percent planning to buy 6-20 gifts versus 46 percent in that range last year.



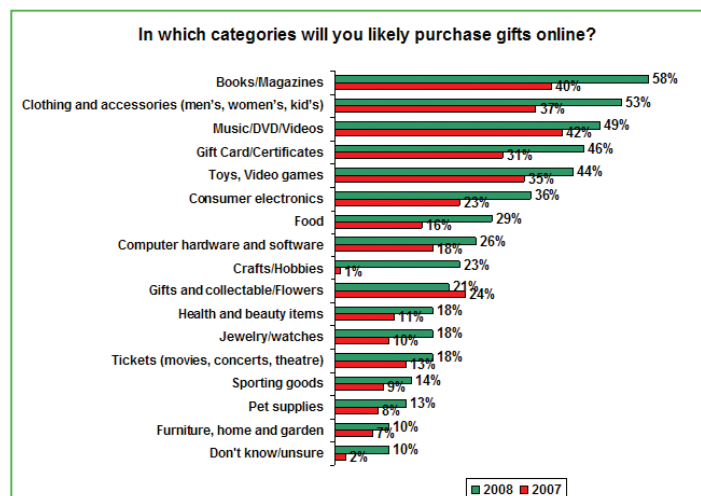
We initially inquired "How do you see the current economic climate impacting your overall holiday spending?" Specifically we asked whether they will be spending more, less or about the same amount than last year on holiday gifts. In line with expected belt tightening, a majority of these consumers (52%) reported that they plan to spend less for the gifts that they do purchase. Just 22 percent of those surveyed had this intent last year. Respondents planning to spend about the same tallied 44 percent this year, down substantially from last year's 68 percent.

The web is the channel of choice

On a positive note for eCommerce, the web will assume a more prominent role as 90 percent of those surveyed intend to do holiday shopping online this year. In fact, for the first time the web has surpassed the store as the preferred way for multi-channel shoppers to purchase holiday gifts (49% Internet/44% in-store).



When doing their gift shopping online, these shoppers are more comfortable and apt to buy more, across a broader range of categories. Most are looking to purchase: books/magazines (58%), clothing/accessories (53%), and music/dvds/videos (49%).



vi. Nine Practical Plays

The play book of merchant-musts to stay the course this holiday season (and beyond) starts with these nine opportunities from knowing one's customer through remembering post-Christmas. The balance of this report will expand upon each critical tactic, including specific factual findings from our survey, merchant examples, and a closing checklist that wraps up our holiday recommendations.

1. Know today's multi-channel customer
2. Engage and inspire
3. Gift
4. Guide
5. Promote
6. Personalize
7. React
8. Service and support
9. Remember post-Christmas

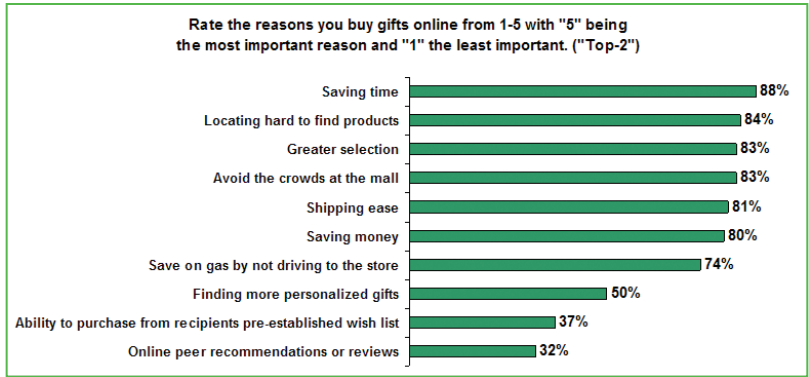
1. Know today's multi-channel customer

A precursor to smart merchandising is an understanding of how customers shop. Tactics should appeal to each of these profiles with a mix of traditional and promotional ploys that seamlessly reach across all selling channels. It is important to remember that some customers can belong to multiple groups simultaneously (i.e. an enthusiast can easily be a deal seeker as well and last-minute could also be a likely scenario). Knowing one's customers allows merchants to better **target and personalize their selling strategies to optimize conversion and long-term customer loyalty.**

Cross-Channel Convenience Seeker	"I prefer to research online and purchase at my local store"
Surgical Shopper	"It's crazy busy this holiday season and the web is Sooo convenient"
Deal Seeker	"I'm all about efficiency and the tools online help me make the right decision"
Enthusiast	"I'm looking for the best prices and the best deals"
Gifter	"I shop certain distinct categories and love to know what's new and what's hot"
Last Minute	"I'm a gifter extraordinaire and need the right tools to find the right products and the extra touches that simplify my life"
	"I'll wait until the big sales late in the season"

The reasons for buying gifts online focus on convenience, efficiency, and value.

A look at the reasons shoppers head online for gifts reveals that **saving time** (88%), **locating hard to find products** (84%), **greater selection** (83%), and **avoiding the crowds at the mall** (83%) are noted most often.



Surprisingly **saving money** (80%) does not head the list, which is a signal to merchants that although promotions are important, a well designed site experience and depth/breath of desired products cannot be overlooked. Far too often merchants believe that it's all about the deal when in fact, year-over-year, convenience continues to be the customer driver.

While 81 percent rank **shipping ease** a "top-two" in importance when gift buying on the web, among those who do not plan to buy more online this year **high shipping charges** are by far the greatest deterrent for 78 percent versus 58 percent last year. It will be interesting to monitor the state of free shipping to see if the downward sales projections push merchants to deploy this tactic more frequently than in the past.

Perusing responses to the other options for this query reveals that overall shoppers are becoming more comfortable with the channel whether browsing, providing credit card information, or researching.



Top tool sets center on promotions, search, and customer service

To understand which features are the most important or influential when buying gifts online we asked shoppers to rank these thirty-six features. Among the ten rated most highly the count breaks out with (4) promotional, (3) search and, (3) customer service tactics. This is another indicator that the optimal shopping experience needs to include a balanced mix of features and functionality that appeal to all shopper types.

Promotionally, beyond the free shipping and sales/specials, it is notable that free returns and coupons/rebates made this short-list indicative of the consumer's focus on saving where ever they can.

Preferred **search** elements unique to online shopping include keyword search, search result sorts, and advanced search, which all contribute to best-in-class efficiency.

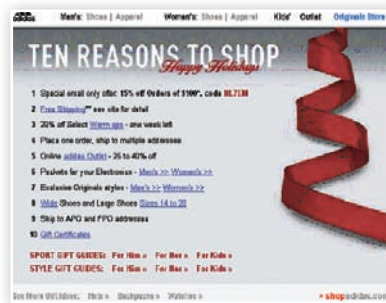
From a **customer service** perspective contact information and a toll-free number are communication essentials plus a newer feature, the perpetual shopping cart, rates as very important for its contribution to shopping ease.

Features rated 1-5 as the most important or influential when buying gifts online. (1 = most and 5 = least)				
Rank	Feature	Top 2		Tool set
		2008	2007	
1	Free Shipping with Purchase	95%	87%	Promotional
2	Keyword Search	86%	80%	Search
3	Clearly displayed and easily sortable search results	84%	na	Search
4	Sales and Specials	83%	76%	Promotional
5	Free Returns	82%	na	Promotional
6	Accessible contact information	81%	na	Customer Service
7	800/Toll-free phone #	75%	77%	Customer Service
8	Coupons and/or Rebates	74%	76%	Promotional
9	Advanced Search	72%	67%	Search
10	Perpetual Shopping Cart	72%	69%	Customer Service
11	% off Products or Categories	72%	na	Promotional
12	Product comparison capabilities	70%	67%	Content Tools
13	Alternative product views	67%	na	Content Tools
14	Limited Time offers	62%	57%	Promotional
15	Peer ratings and reviews	60%	60%	Content Tools
16	Frequent Buyer/Loyalty Programs	60%	55%	Merchandising
17	Free Gift with Purchase	58%	62%	Promotional
18	What's New	58%	55%	Merchandising
19	Gift Certificate/Gift Card	55%	47%	Gifting Tools
20	Gift Message	55%	39%	Gifting Tools
21	QuickShop	54%	50%	Search
22	Multiple Ship-to Addresses	53%	41%	Gifting Tools
23	Click to Chat	48%	na	Customer Service
24	Buy More, Save More	48%	na	Promotional
25	Recommendations based on previous purchase or other criteria	44%	na	Content Tools
26	Click to Call	44%	na	Customer Service
27	Guides/How to information	42%	38%	Content Tools
28	Brand or Manufacturer Boutiques	40%	40%	Merchandising
29	Hold Gifts to ship later	37%	30%	Gifting Tools
30	Wish List	35%	31%	Gifting Tools
31	Gift Suggestions	35%	30%	Gifting Tools
32	Top Sellers	35%	42%	Merchandising
33	Store Addresses	34%	27%	Gifting Tools
34	Product videos	31%	25%	Content Tools
35	Gift Center	30%	31%	Gifting Tools
36	Gift Wrap/Box	29%	20%	Gifting Tools

Messaging to the customers and the times is critical

These two emails are prime examples of how merchants can be **promotional while maintaining branding**. Adidas's email subject line is "5% & 20% offers + Free Shipping." "Ten Reasons to Shop" then enumerates promotional, traditional merchandising, and customer service reasons to shop this merchant for holiday gifts with links embedded to learn more. Recipient Gift Guides are offered by Sport and by Style and for the still undecided "more gift ideas" complete the messaging.

With a subject line "Help the environment, plus a gift for you!" Origins' timely email connects shopping online with free recyclable gift wrapping to being environmentally smart. Prominently featured "forward to a friend" encourages viral reach while relationship building is fostered by the closing: "Happy Holidays from your friends at Origins.com."



2. Engage and Inspire

Be creative through visualization of the season's favorites, taking advantage of tried and true tactics

Traditional merchandising features foster loyalty and aid decision-making for online shoppers starting with frequent buyer programs (60%) and what's new (58%), both of which are increasingly influential. In today's tough times, tactics that center on retention will pay off with loyal multi-channel customers. Where category-appropriate, brand boutiques (40%) hold their own year-over-year. Despite a decline in the number who view top sellers as very/somewhat influential when buying gifts online (35% vs. 42%), we believe they have persuasive merit for those who like knowing their purchase is a popular one.

shopper ranking: merchandising features very/somewhat influential when buying gifts online	2008	2007
Frequent buyer/loyalty programs	60%	55%
What's new	58%	55%
Brand or manufacturer boutiques	40%	40%
Top sellers	35%	42%

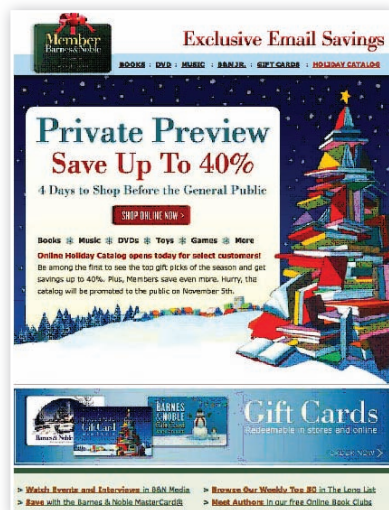
Coach sent this email (subject line New November Product Online & In Stores Today) with enticing photography to highlight seasonal trends in key categories. As an accommodation, a cross-channel link enables shoppers to "find the Coach store near you." Past experience at Coach confirms that consistent merchandising deployment online and at retail results in a powerful brand message.

From babystyle an email subject line “Can’t Miss Gifts: 20% off + Free Shipping” delivers messaging “you can’t go wrong with these best sellers,” giving shoppers confidence to buy. A limited time “sitewide” sale with conditional free shipping provides the call to action. Visuals depict a range of product categories to broaden appeal.



Barnes & Noble email “Private Preview - Save up to 40% in our Online Holiday Catalog” touts an exclusive promotion that gives members greater discounts for four days prior to the sale being announced to the general public. This tactic is sure to up the ROI as it makes loyal customers feel recognized and special. Also of note are prominently featured gift cards and links that provide quick navigation to other site features.

Neiman Marcus rewards loyalty members with free shipping and 1,000 bonus points for a limited time in an email where the straightforward email subject line promises, “Double InCircle points on great gifts for him.” Categories are visually represented by brands with which this merchant’s customers will identify for their status and popularity. Elite customers are once again rewarded for their loyalty to the store and its vendors.



3. Gift

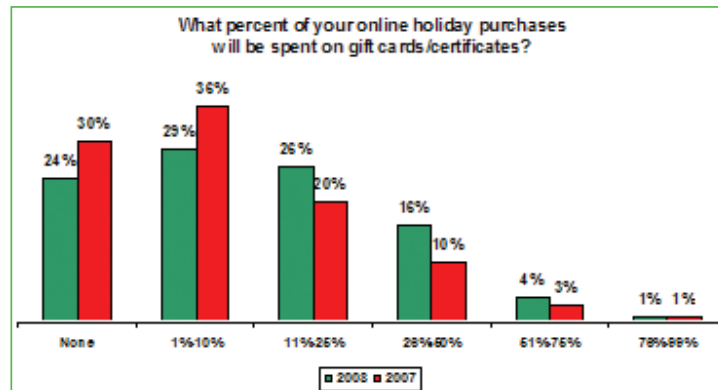
Ensure that your site offers the conveniences consumers seek to quickly find the right gifts while delivering time savings for today's harried shopper

Efficient gifting tools edge up in importance, with convenience driving usage. More than half the shoppers surveyed this year rank gift certificates/cards, messages, and multiple ship-to addresses as very to somewhat important when buying gifts online. Among the other metrics charted, impressive year-over year increases are seen for the convenience of holding gifts to ship later (37% vs. 30%) and the practicality of storing addresses (34% vs. 27%). These findings remind us of the convenience customers seek as they continue gravitating to the online channel, particularly for gifting.

shopper ranking: gifting tools very/somewhat important when buying gifts online	2008	2007
Gift certificate/card	55%	47%
Gift message	55%	39%
Multiple ship-to addresses	53%	41%
Hold gifts to ship later	37%	30%
Wish list	35%	31%
Gift suggestions	35%	30%
Store addresses	34%	27%
Gift center	30%	31%
Gift wrap/box	29%	20%

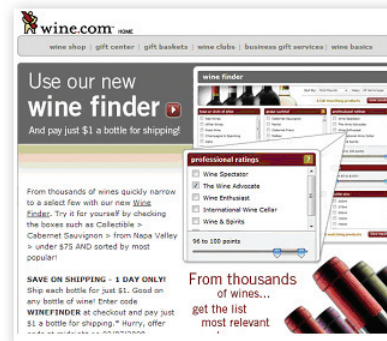
In addition to efficiency, free shipping provides the incentive to buy more gift cards/certificates online with 42 percent of those surveyed intending them to account for 11-50 percent of online holiday purchases versus 30 percent last year.

One interesting twist is that spending on gift cards is expected to center on essential needs such as gas and household expenditures according to Archstone Consulting.



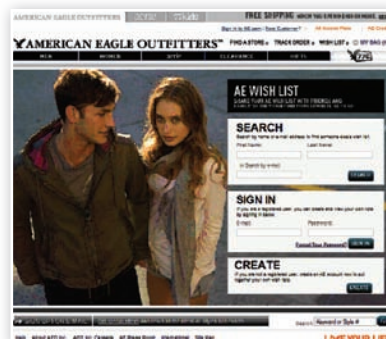
“Go Christmas Shopping @ Cabela’s,” states this email subject line where a Christmas Shoppe features a variety of links sure to appeal to different customer types. While the overall visual effect is festive, a strong off-price offer at the bottom hypes the lowest prices of the year on eight new “one shot deals” every day - a perfect balance of traditional and promotional messaging.

wine.com’s email subject line, “Introducing Wine Finder + Get Buck-a-Bottle Shipping” debuts a helpful tool that simplifies decision making while reinforcing the depth of choice available. This editing tool also removes the only remaining barrier in a category known to baffle even the savviest buyers. Their one day shipping offer encourages immediacy.



More consumers are conveniently shopping online from someone else’s wish list. In fact 34 percent indicated that they have done so three or more times versus 25 percent last year.

American Eagle Outfitters’ onsite wish list management is efficiently presented on one page including search, sign-in, and create. The header and footer include other helpful links to find a store, track orders, and opt-in for email while a conditional free shipping offer tops the page of this well-rounded presentation.



Visibility is paramount

Here we examine two comprehensive onsite gift idea pages that provide all shopper types with both suggestive selling and informative content where visibility and creativity coexist.

Staples' links to gift suggestions are organized by price, recipient, category, and more while custom products provide unique offerings. Shoppers can learn about free delivery or click-through to find a local store. "My Frequent Orders" adds a personal dimension that makes shopping easier while fostering replenishment, with best sellers rounding out the page.

Brookstone's links enable shopping by price, recipient, occasion, what's new, best sellers, exclusives, and stocking stuffers. Plus, three top selling gifts are visually featured. Promotional tactics include buy 2 and save as well as a special on holiday décor or free shipping. Their holiday delivery schedule is prominently displayed in a banner and chart, clearly explaining cut-off dates and options.



4. Guide

Tools that help shoppers search, find, and learn about the products and categories they desire at the prices they want to pay are optimal; Remember, old-fashioned customer service can go a long way

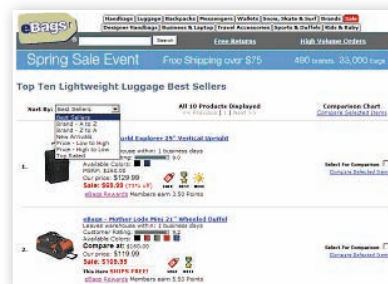
This year 72 percent of our survey respondents plan to research products online prior to purchasing them as gifts, whereas last year only 65 percent were sure this was their plan of action. To meet this need, **robust search capabilities are essential** and often serve as a customer’s starting point on any given site.

All of the following features have increased in importance year-over-year. Knowing that keyword search (86%) and easily sorted results (84%) rank 2 and 3 out of the thirty-six features surveyed, merchants should be sure they are presenting them with relevancy and clarity. Customers are intolerant of any inefficiency relative to search which behooves merchants to invest in supporting technologies that go beyond simple keyword search.

shopper ranking: search capabilities very/somewhat important when buying gifts online	2008	2007
Keyword search	86%	80%
Clearly displayed and easily sorted search results	84%	na
Advanced search	72%	67%
QuickShop	54%	50%

Crutchfield’s well-merchandised search results are organized by category, top sellers, and articles from their learning center. The number of items in each category is stated with an option to see all, so shoppers can quickly key in on desired products. Price-driven shoppers will like the icons that indicate which items are on sale. And should one need more help, “custom-tailored advice” offered via live chat, email, or phone is prominently featured at the top of the page.

eBags well-merchandised sort criteria includes best sellers, brand A-Z/Z-A, new arrivals, price low-high/ high-low, and top rated with the option to view all or browse in a linear fashion. A comparison engine makes the page even more user-friendly. Value appeal is present via conditional free shipping, free returns, and volume orders. Balancing out their messaging is a branding assortment statement - “490 brands. 33,000 bags.”



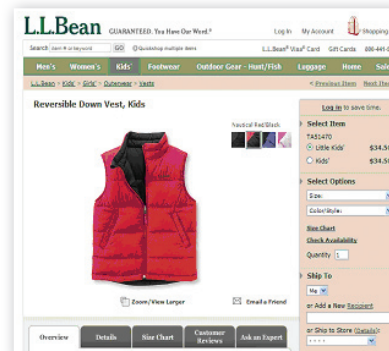
Consumers are embracing expanded information available online via custom content and tools

Merchants who have invested in improving this area are seeing bottom-line results as **the better the quality of these tools, the greater consumer acceptance and usage** will be. Clear favorites start with product compare plus the rising and rich alternative product images; both give customers confidence to buy particularly in more tactile categories. Peer reviews remain important since customers often value this point of view over that of the merchant. The ability to personalize plays a growing role as well where technology fosters adoption.

shopper ranking: custom content & tools very/somewhat important when buying gifts online	2008	2007
Product comparison capabilities	70%	67%
Alternative product views	67%	na
Peer ratings and reviews	60%	60%
Recommendations based on previous purchase or other criteria	44%	na
Guides/how-to information	42%	38%
Product videos	31%	25%

A robust product page is where custom content and tools are most effective as evidenced by these examples. Best Buy relies on customer reviews, alternative views, and a video excerpt to add sizzle to their selling. Understanding that their customer is multi-channel, both shipping and store pickup details are clearly spelled out – including convenient stores where the item is available. Eager not to lose a sale, there is the option of adding to wish list or to cart. We particularly like how they have highlighted sale and free shipping by aggregating them under the header “Special Offers.” And in this economy, featuring the outlet center atop the page is a smart move too.

The tabbed format on L.L.Bean’s product page reveals: overview, details, size chart, customer reviews, and ask an expert. Product enhancement tools include zoom, larger view, and color view. Real time inventory and ship-to options by recipient or to store make their customer service strongly coexist with best-in-class merchandising elements.



Road Runner Sports deserves kudos for their product compare feature. The “Shoe Dog” selector tool narrows recommendations based on six product-specific criteria, with results explained and products labeled to match. Shoppers also have the option to make brand or price the primary search criteria. Merchandising banners set off each product (i.e. new, new colors, sale) giving merchants an opportunity to further tailor the customer experience. A VIP frequent buyer program is pushed in three locations plus VIP prices are listed for each product, reinforcing their rewards model differentiation. Finessing the page is branding as the “World’s Largest Running Store” coupled with a limited time free shipping offer to round out this specialty store strategy.

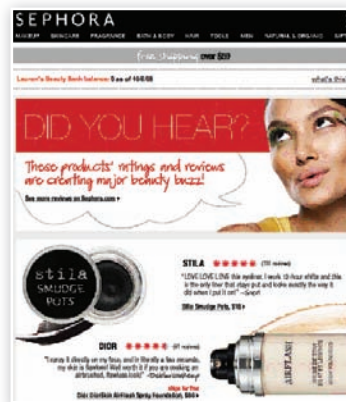
Sur La Table’s email subject line, “The Perfect Turkey Starts with the Right Tools,” presents a guide in the form of a checklist that links to products needed for turkey preparation. An exclusive item is featured and recipes provide value-added content. At the bottom of the page three items from the checklist are visually depicted with one “new” and one a special offer. This multi-product approach should convince shoppers that their Thanksgiving will not be complete unless they have purchased multiple products to be truly ready.



Web 2.0 tools improve the shopping experience

Beauty enthusiasts will certainly be in the know with peer-based recommendations that inspire conversion. “Top Reviews! Fans rate faves,” exclaims the subject line on an email from Sephora where reviews provide sell copy for featured products and a link to the site accesses even more reviewed products. Their “Beauty Bank frequent shopper balance” tops the page with a “what’s this?” link to explain the program. Not to miss the promotional appeal, conditional free shipping on orders over \$50 is positioned right below the logo and main menu - go for it!

eToys takes a cue from social networking by integrating video into the shopping experience via product demos that facilitate customer confidence. They use an icon to draw attention to the product demonstration video on their robust product page that includes all of the requisite features - pricing detail, real-time inventory, shipping estimate, action options, similar items, reviews, age appropriateness, deferred billing, zoom, and an in-depth description.



5. Promote

Tough times mandate promotional creativity that encourages buying, despite the economy

In this volatile economy **promotional features are musts** to drive gifting sales online. Free shipping (95%) and sales/specials (83%) are among the most influential factors (ranking 1 and 4 respectively out of 36), but newly tracked free returns (82%) stresses accommodating customer convenience, which is a primary motivation for shopping via the Internet. It is likely that the “limited” time factor will be utilized heavily throughout the season to inspire customer conversion. Merchants should vigilantly monitor promotions, considering they will likely be elevated as the season progresses to save unmet margin goals.

shopper ranking: promotional features very/somewhat influential when buying gifts online	2008	2007
Free shipping with purchase	95%	87%
Sales and specials	83%	76%
Free returns	82%	na
Coupons and/or rebates	74%	76%
% off products or categories	72%	na
Limited time offers	62%	57%
Free gift with purchase	58%	62%
Buy more; save more	48%	na

Timely promotional emails launch right after Thanksgiving

Messaging to the mindset of the consumer is ideal while the holiday shopping countdown heats up. The Container Store’s email subject line states, “Thanksgiving Dinner’s Over! Get a Jump on Holiday Shopping! FREE SHIPPING on all Stocking Stuffers.” It is an early call to action via limited time free shipping on select items when orders total \$100+ with convenient links to shop, locate a store, or go directly to “savings.”

JCPenney’s email subject line, “Give Thanks for FREE Shipping,” leads recipients to conditional free shipping on orders of \$49+. A featured link to the holiday collection plus banner links to gifts/registry and all product categories enable shopping without delay. The duo of a customer favorite and convenience inspiring messaging should be a winning combination.



With the subject line, "Perfect Present #1: \$25 for You," Frontgate introduces 10 days of exclusive offers via email. Present #1, visualized as a gift card, is a \$25 online credit for the gifter good for two days. A creative secondary visual of gift boxes across the page bottom reveals surprise offers on stated dates. This clever creative serves the merchant well, enabling a series-oriented strategy during peak selling days.

Harry & David's email subject line, "Hurry! You have only hours left to SAVE 20% on select gourmet gifts!" was sent on the day of their one-day sale offering 20% savings on a selection of "most popular gifts." Here too smart use of real estate showcases four featured gift bundles at bottom of the page and a link enables shopping the entire collection. In a category where popular products represent a significant portion of the business they provide shoppers with selections that seal the sale.



Today's credit-strapped consumer is seeking alternatives where 26 percent of consumers consider payment options before purchasing according to Jupiter Research. Oriental Trading uses the subject line, "Buy Now, Pay Later, Plus Get Free Shipping" to entice value-driven shoppers with deferred payment and free shipping. The "Only 3 Weeks 'til Christmas" headline provides the call to action and stocking stuffers as low as 6¢ per piece add a hard-to-resist deal.

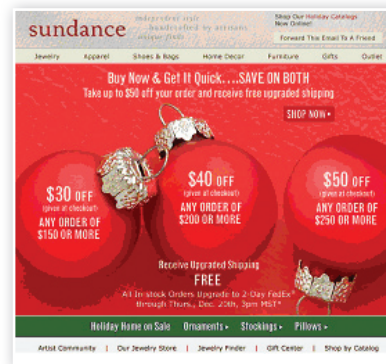
Merchants must take full advantage of their outlet offerings by employing sophisticated selling techniques beyond the full price assortment. Orvis announces, "7-Day Tent Sale in Progress" for their outlet's limited time sale offering "more than 166 sale items" which are delineated by category in the email. Progressive discounts throughout the week promise an extra 20%-40% off sale prices and free standard shipping is given on all orders placed by November 25th.



Multiple promotional tactics appeal to a variety of shopper types

Toys“R”Us sent this cross-channel email with the subject line, “Wednesday Preview: 12 Days of Christmas In-Store Plus 1-Day Sale” to tout free shipping on select toy orders of \$49+ with hundreds of newly eligible items shoppers can elect to purchase online as well as 12 days of deals in-store - tomorrow’s being a half-off sale. This email embraces the shopper type identified early in this report that prefers to make holiday purchases in a store. Messaging also encourages recipients to sign up for the merchant’s proprietary credit card with a 15% off incentive, check out their Birthday Club for frequent shoppers, and lastly share their charity-of-choice via a request to donate to Toys for Tots in the spirit of the season.

The subject line, “Hurry...Up to \$50 Off, Free Upgraded Shipping Too” definitely positions Sundance’s email as promotional and offers a buy more/save more plus upgrade to 2-day FedEx through December 20th at 3PM MST. Shoppers receive savings without being penalized by the dreaded last-minute shipping charges. Sundance reinforces the strategy but also appeals to others with links to shop by category, a home sale, access artists, use their jewelry finder, and more.



6. Personalize

Provide relevant recommendations onsite and via email to drive conversion and increase average order value

On their product page j.jill shows large thumbnail photos of tops to suggest items that match the featured skirt. Their promotional tactic, buy more/save more, adds interest in recommended items as customers seek a deal. Gifting options include boxing and personalized gift messages. Merchants must ensure product recommendation relevancy, particularly at the product page juncture where the end goal is an increased average order value (aov).

Cooking.com's shopping cart recommendations strive for the last minute impulse buy via special offers and a coupon for a shipping discount on qualifying purchases. Note the survey asking for feedback on improving the checkout experience. Top of the page placement ensures customer visibility and optimally added items to bolster the basket size.



Post-order, Amazon.com makes recommendations based on both "customers like you" and prior purchases. In an effort to make suggestions more relevant, "why this recommendation is for you" links to a window that enables customers to manage how the item is used for future personalized recommendations. Their algorithm-based approach delivers relevancy and often inspires shoppers to consider making purchases; taking advantage of their one-click checkout and free shipping at very low dollar thresholds.



7. React

Monitor the season and adjust email campaigns to reflect your business performance, your category, and retail

It is essential to review email frequency to **optimize tactical performance** with an understanding of category norms. For example, in the e-tailing group's *10th Annual Mystery Shopping Study*, conducted in 4Q '07, Apparel accounted for 22 percent of email volume and 17 percent of the stores whereas Department Stores represented a larger percent of the study in 2007 than 2006 and saw the greatest decline in volume (-1.27 average emails per week). We would expect that email usage will remain a critical part of every merchant's strategy this holiday season. Should current trends continue, promotions will likely be elevated throughout the season as the most price-conscious shoppers will have the patience to wait for "final" markdowns.

Category	2007 average # emails per week	% of Study	2006 average # emails per week	% of Study
Department Stores (5)	2.10	7%	3.37	5%
Books/Music/Media (4)	1.96	5%	1.92	5%
Apparel (17)	1.84	22%	1.8	15%
Gifting (9)	1.82	11%	1.62	11%
Sporting Goods (7)	1.82	9%	1.35	6%
Health & Beauty (5)	1.65	6%	1.47	5%
Accessories/Shoes (11)	1.54	12%	1.58	9%
Drugstores (3)	1.50	3%	.88	4%
Technology (8)	1.29	7%	1.04	10%
Pets (2)	1.29	2%	.75	2%
Home/Garden (14)	1.01	10%	1.59	13%
Mass Merchants (8)	.76	4%	1.52	8%
Toys/Games (5)	.63	2%	1.47	5%
Office Supplies (2)	.04	0%	.75	2%

Think last-minute to accommodate procrastinators

Gift cards are the ultimate in last-minute "no brainer" purchasing. Onsite all of DSW's gift card options and management tools are aggregated onto a single page where customers can conveniently check balances or reload cards as well as order standard or custom designed mailed cards and online e-cards. Design your own card enables customers to customize with their own photos. Adding a personal touch is an anticipated trend during these challenging times, according to gift card providers.

With an email subject line, "There's still time to come bearing bliss with an e-card," Bliss' message directly to procrastinators gets the job done even if it is last-minute. Such a tactic can be used at least through Christmas Day. Creatively, their category menu draws attention to "gifts" by highlighting the word in red text.



Email effectively drives store traffic

Merchants must be vigilant in driving store traffic particularly late in the season, as 93 percent of retail sales are still transacted in the stores, according to NRF. Customers hopefully will get caught up in the spirit of the season, making multiple purchases to swiftly complete their gift lists.

Urban Outfitters' email with a subject line, "Get what you REALLY wanted...Shop The Winter Sale!" reveals a message that is bold and to the point with a link to their store locator. Links also enable recipients to shop online by category and sale or to check out their blog, well positioned for their younger audience.

An email with the subject line, "Dear Last-Minute Shopper: we've got you covered" presents an Internet deal of up to 20% savings on a hot category for Circuit City. The footer suggests in-store pick up with a guarantee that if an order is not ready within 24 minutes of the stated pickup time, the customer receives a \$24 gift card. Further reinforcing cross-channel shopping, the header links to their weekly ad and weekly sweepstakes.



While this survey found 46 percent undecided about intent to purchase online for pickup in-store during the upcoming holiday season, in another e-tailing group survey, conducted earlier this year, 55 percent reported having purchased a product online for in-store pick-up. We believe the last-minute factor will greatly impact usage of this service knowing that proven incremental purchases at the store are a win-win for the merchant community.

8. Service and support

Taking care of the customer is a sure way to retain shoppers now and in the future

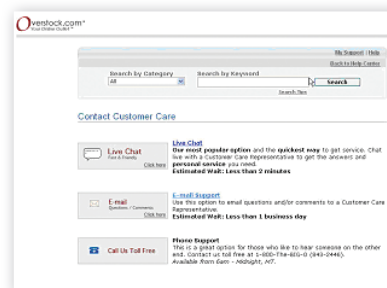
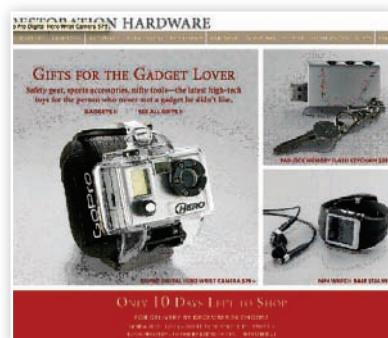
While product inspires, service seals the sale and is a key retention tactic as shoppers have long memories when it comes to poor service. With retail challenging, there will likely be cutbacks in personnel and early indications from our 4th quarter mystery shopping already point to weakened customer service. Tools that **foster accessible customer service** should be merchant “must-haves,” starting with contact information (81%) and a free phone number (75%), which are long-term differentiators. Customer service must be clearly presented and well messaged on site, via email, and in-store to garner customer recognition. Click to call and click to chat options enable a consistent customer experience from the web to the phone channel because they enable agents to seamlessly pick-up the order in progress.

shopper ranking: customer service very/somewhat important when buying gifts online	2008	2007
Accessible contact information	81%	76%
800 or toll-free phone number	75%	77%
Perpetual shopping cart	72%	69%
Click to chat	48%	See Live help
Click to call	44%	help
Live help	See above	69%

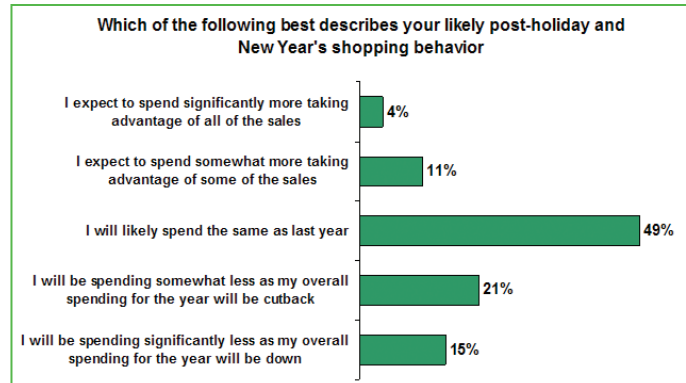
Essential customer service should be relayed via email as well as onsite

“Our Favorite Gadgets and Gizmos. Only 10 Days Left to Shop,” reads the subject line on an email from Restoration Hardware where the messaging wisely features shipping cut-offs for 12/24 delivery. Playing to different customer preferences one can choose a link to shop for “Gadgets” or “All Gifts.”

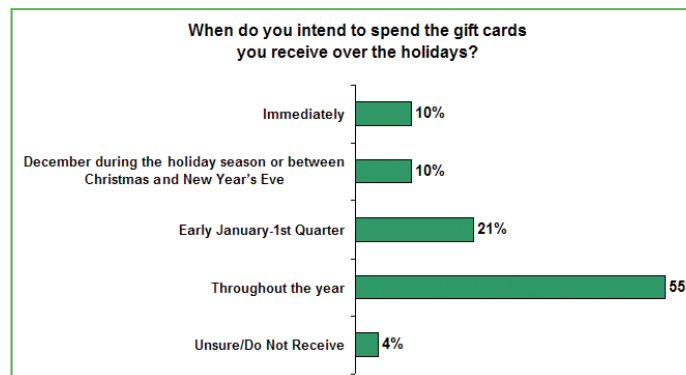
Overstock.com’s onsite contact options for support let shoppers choose their contact method - live chat, email, toll-free phone. Each option explains when to use it, estimated wait, and when it is available. It is this kind of choice that attracts today’s demanding consumers.



9. Remember post-Christmas



Post-holiday purchasing will likely taper off with 85 percent of customers surveyed planning to spend the same or less than last year. Accordingly, initiatives to capture these limited dollars should be part of every merchant's planning. As the economic climate and election will severely impact the season, flexibility and "hip-pocket" strategies must be available more than in prior years.



While 55 percent will redeem gift cards throughout the year, 41 percent have more immediate intentions, reinforcing the importance of continuing merchandising momentum right into the New Year. Visibility in multiple locations will be the optimal strategy as a reminder to cash in and ideally spend beyond the card value.

Post-holiday branding strategies look back with thanks and ahead via resolutions

PetSmart uses the email subject line, “Thank you and best wishes for 2008” to send a heartfelt thank you for past business - with free shipping on orders of \$50+ and category links to start shopping.

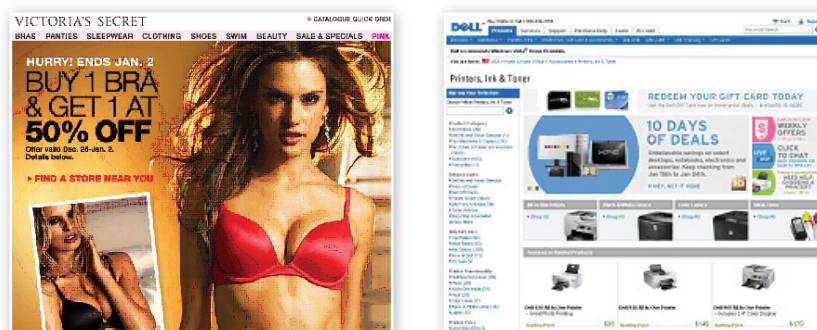
The Apple Store’s email subject line, “Start 2008 off right with great iPod gear” uses New Year’s resolutions to provide a timely theme for products that match activities. Here “Resolution #1: Go to the gym more often” showcases a “personal trainer” and a “workout buddy.”



Post-holiday promotions maintain the momentum

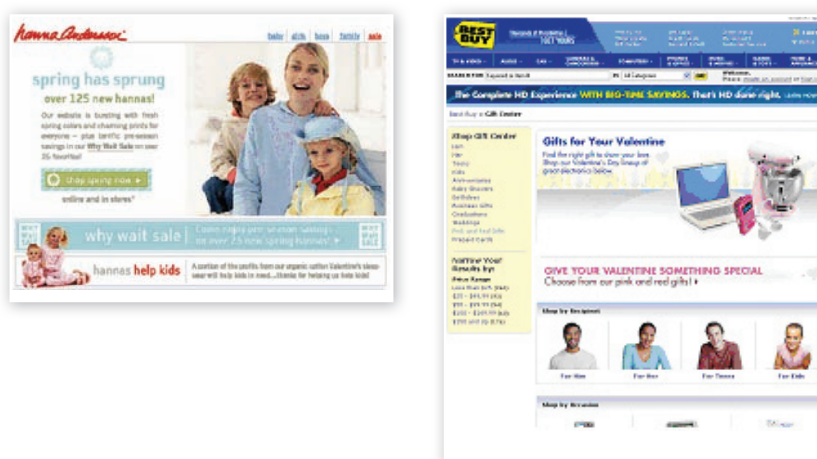
Victoria's Secret's email subject line, "Buy One Bra, Get Another at 50% Off! Details Inside" is timed to welcome the New Year with a great deal - a BOGO offer valid 12/26-1/2. Find a store near you is prominently featured as well in hopes of bringing customers back to a retail locale.

Onsite Dell suggests, "Redeem your gift card today," then presents 10 days of deals from 1/15 to 1/24 plus weekly offers. Also featured - live chat (with available hours noted) and their Printer Learning Center for help choosing a printer (appropriately positioned on this Printer, Inks & Toner category page). Their visual treatment truly stands out among merchants.



Hanna Anderson's email subject line, "All New Spring Website, over 125 New Hannas, and Savings Too!" serves as an introduction to what's new with assurance that there is a lot to see. Links to shop spring now online or in-store are central to the layout. Their "Why Wait" pre-season sale on 25+ favorites speaks to the value-shopper and there is charitable appeal, too, with a portion of profits from one collection helping kids in need. Such tactics provide merchants with opportunities to balance sale and full-price shopping.

Merchants must quickly regroup and remerchandise to be ready for the 2009 selling season. Best Buy's Valentine Gift Center is a prime example that gifts by recipient, occasion, price, and sale work beyond the Christmas season, plus pink and red products are creatively aggregated for timely allure.



vii. What's to come?

Mobile and social shopping are not yet factors

Based on all the buzz, we asked survey respondents about their experiences shopping via mobile phones and social networking sites. Admittedly we were talking to an audience aged 25 + but their responses indicate that these areas are not yet a priority for the mainstream as 92 percent told us they do not receive or look at mobile messages.

These shoppers have also given limited consideration to using their mobile phones to enhance the store experience with more than 70 percent of those surveyed not at all likely to use their phones to look up reviews, shipping or prices nor access coupons or information when in-store.

But we never say never when it comes to the adoption of new technology so we will continue to monitor these areas and report back to merchant and consumer constituencies. Meanwhile, unless your customer is extremely young and an early adopter, we think there are other priorities to be addressed relative to improving the multi-channel shopping experience.

viii. Checklist for pre/post holiday shopping

1. Invest in best-in-class search functionality with relevant results clearly displayed and easily sorted
2. Use a variety of promotional tactics to keep your site fresh while offering good value
3. Keep shipping charges fair and ensure customers understand the pricing
4. Promote free or conditional free shipping as often as possible while maintaining margins
5. If customers pay for returns, evaluate offering free returns for the holiday selling period
6. Remember to make your contact information and phone # easily accessible
7. Provide category-centric content and tools that make your site top-of-mind for researching
8. Tout hard-to-find products, broad selections, and unique gift ideas
9. Rely on traditional merchandising tactics to aid decision-making (i.e. what's new, top sellers)
10. Focus on gifting features that add convenience and efficiency to the shopping process
11. Offer gift cards/certificates ideally redeemable via all of your sales channels
12. Enable wish list functionality and provide personal incentives to customers who use them to shop for others (i.e. % off your next purchase)
13. Consider offering in-store pickup for last minute gifts even if just for a pre-edited selection of products
14. Plan strong post-Christmas events to capitalize on holiday cash and gift card redemptions
15. Ensure that gifting is visible throughout your onsite and post-order communications

about us

the e-tailing group

The e-tailing group, inc. serves as the multi-channel merchant's eye, bringing a merchant's sensibility to evolving the multi-channel (online) shopping experience. A Chicago-based consultancy, they provide practical strategic perspectives and actionable merchandising solutions to merchants selling online as well as to enabling technology firms.

For more background about this research study or additional information on the e-tailing group, inc. please contact Lauren Freedman via email to LF@e-tailing.com or visit the e-tailing group website www.e-tailing.com.



A trusted, global specialist in e-commerce, ATG (Art Technology Group, Inc., NASDAQ: ARTG) has spent the last decade focused on helping the world's premier brands maximize the success of their online businesses. The ATG Commerce application suite is the top-rated platform by industry analysts for powering highly personalized, efficient and effective e-commerce sites. The company's platform-neutral e-commerce optimization services can be easily added to any Web site to increase conversions and reduce abandonment. These services include ATG Recommendations and eStara Connections.

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November 2008

