



How Consumers Shop Online

A bi-annual study of consumer buying behaviour
and how you can benefit



A White Paper brought to you by ChannelAdvisor.

Executive Summary

The economy continues to change consumers' mindsets about when they should shop, how to shop and eventually what to purchase. One benefit of this trend for online retailers is that consumers continue to spend large amounts of time online as they seek out and take advantage of the best possible deals they can find.

We are building upon a study we published in Q1 2009 that sought to identify how consumers shopped online during the holiday season in 2008. Here we examine how those behaviours have changed and, more importantly, the trends we have identified that your business needs to be preparing for heading into the holiday season.

We discovered that:

1. Consumers are spending about the same amount of time online but are spending less money – scouring the Web for deals that yield higher savings and offer extra value above and beyond low prices.
2. Shoppers don't necessarily realise where they purchase and may not understand how Google Product Search and other comparison shopping engines function.
3. Amazon and eBay are top-of-mind retail brands, but Amazon commands twice the mindshare of eBay.
4. Free shipping and peer ratings/reviews hold more influence over purchasing decisions than they did in 2008.
5. 70 percent of consumers said they regularly purchase from eBay or Amazon.
6. 81 percent of consumers begin their product searches with Google and 11 percent begin with Yahoo – which is an increase of five percentage points in favor of Google, and a six percent decrease in Yahoo usage.
7. Bing is making a quick impact since it launched on May 28, accounting for two percent of searches and 13 percent of respondents already having used Bing Cashback – a share that will grow in light of the recent Yahoo/Microsoft search deal.¹
8. Shoppers are diversifying the comparison shopping engines they use to research products, prices and deals. We discovered some useful trends by comparing consumer behavioural data to actual internal sales data from thousands of online retailers that make up the ChannelAdvisor customer base.

These findings are the result of surveys taken by 824 individuals between the ages of 18 and 65 years old and from 29 states throughout the United States.

Consumers are researching more and are spending less

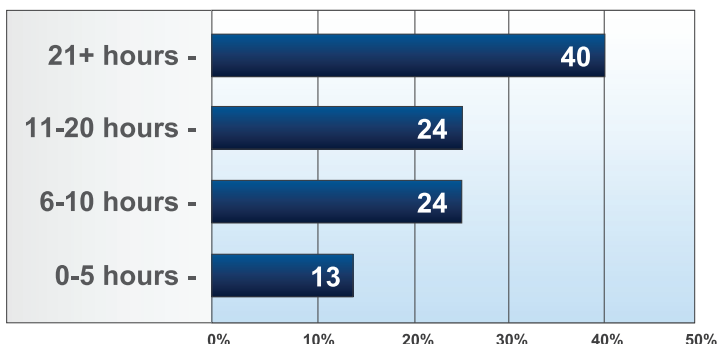
Consumers reported they now spend less money online than they did from our survey in Q1 2009, with 11 percent more consumers reporting they spend \$0-\$20 per month on online purchases. At the same time, consumers reporting they spend over \$76 per month on online purchases declined by nine percent.

This trend coincides with a change in how consumers spend their time online. While we found that consumers did not materially increase or decrease the overall time spent online (seasonality factors like summer vacations no doubt also affect this statistic), browsers are devoting a higher percentage of their time to researching products and prices. This is contributing to a growth in search volume dedicated to online retail,

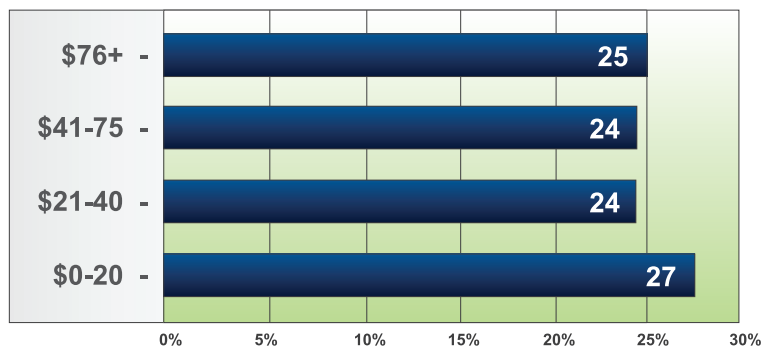
¹<http://www.techcrunch.com/2009/07/29/microsoft-yahoo-search-deal-the-most-important-facts-and-some-opinion/>

the amount of time spent on retail-specific sites (which has increased by nine percent in the past year), and more effort devoted to seeking out coupons and promotions. For example, consumers are using more sophisticated, specific searches to seek out the exact products and deals they want. As a sign of this trend, Google recently reported an eight percent increase in searches comprised of three words or more.²

How much time do you spend online per week?



How much, on average, do you spend on online purchases per month?



Shoppers don't necessarily realise where they buy

Despite spending a higher percentage of their online time devoted to research and deal-seeking, consumers still may not necessarily realise where they make their final purchase – or the sites they used to get there.

When asked where in the past six months they had purchased a product online, 17 percent believed they had actually purchased a product from a major search engine. And when it came to comparison shopping engines, seven percent believed they had purchased a product from Shopping.com, Shopzilla, NexTag or PriceGrabber.

²Sara Kleinberg and David Saul. State of Search 2009. Google presentation. July 15, 2009.

Yet consumers clearly recognised that they bought from eBay, Amazon and Buy.com, with 76 percent of respondents identifying these sites as purchase points.

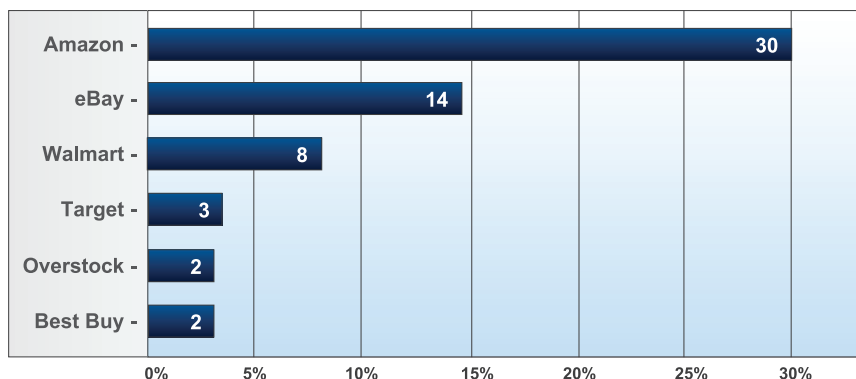
We believe this highlights a persistent trend in multi-channel retailing – shoppers don’t necessarily realise where they buy their products, but they will definitely use all the tools at their disposal to locate the deals they want. Furthermore, just because consumers are able to use tools like comparison shopping engines to find deals, it doesn’t necessarily mean these individuals are aware of the sites they’re using. With consumers laser-focused on the lowest possible prices and best deals available when they are ready to make a purchase, it continues to be imperative for online retailers to have a strong presence on as many channels as possible (search engines, comparison shopping engines, marketplaces, online storefront, affiliates, email). This maximises findability, increases brand awareness and enhances search engine favorability.

eBay and Amazon contribute to 70 percent of purchases

Participants indicated that Amazon is the first online retailer that comes to mind – commanding 30 percent mindshare followed by eBay, Walmart, Target, Overstock and Best Buy.

And when asked from what sites consumers regularly purchased, 70 percent of respondents indicated Amazon and eBay were consistent shopping destinations – with each site ranking very close to each other in terms of purchase regularity.

Online retailer mindshare amongst consumers

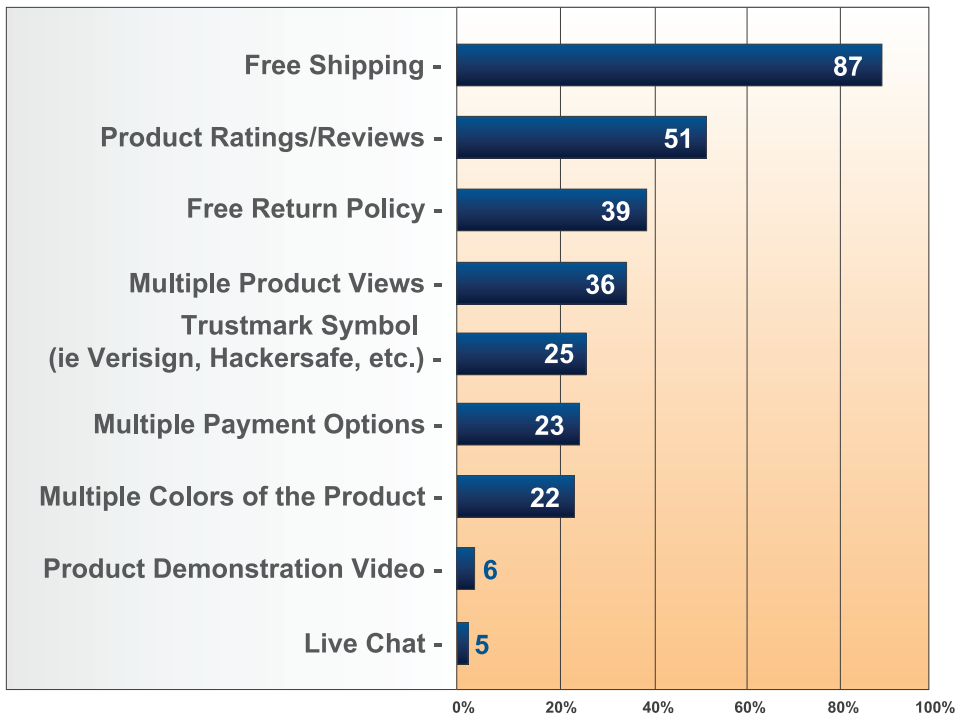


On-site purchases are driven by value enhancers, security features

Free shipping, peer reviews/ratings, free returns and the ability to view products from multiple angles are the most influential purchase drivers on a retailer’s storefront, consumers report. Free shipping and returns have increased the most in influence since our last survey – as did the ability for consumers to verify the validity of a retailer through “trustmarks” such as Hacker Safe, Verisign, etc.

These trends should not be surprising – consumers want to ensure they are maximising their time by purchasing products from retailers that offer the best price and the best value. Furthermore, they want to feel secure in their purchase decision, as evidenced by the increase in influence of rich imaging product views and trustmarks. Consumers not only want to ensure they’re going to receive the product they sought out to purchase, but also want a guarantee that their personal data will be safe.

When shopping for a product online, which of the following influences your purchasing decision?



Search is integral to the purchase decision

Search engines remain the essential starting point on the path to a purchase decision – serving as the originator of product research and deal-seeking.

Our results show that Google has benefited the most from consumers who are spending a greater percentage of their time conducting product research, increasing five percentage points to 81 percent of consumers since Q1 2009 as the place where product-related searches are started.

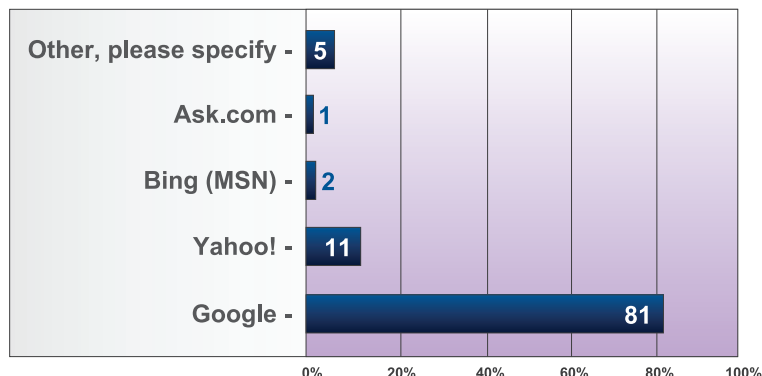
Yahoo's influence, on the other hand, suffered by six percentage points, while Bing has already captured two percent of origination searches. Search engines in general are benefiting from increased query volumes and are driving more visits than ever before. The net result is more visibility for online retailers, deal sites and product research destinations. Advertisers should definitely take advantage of these trends.

It's worth mentioning the newest search contender, Bing, and the news that Bing's ad click rate may be as much as 50 percent higher than Google's and 20 percent higher than Yahoo's.³ One explanation may simply be that Bing users are more willing to click on ads – or that Bing's ad selectivity could be making ads even more relevant to searches, thus increasing the likelihood they'll be clicked.⁴

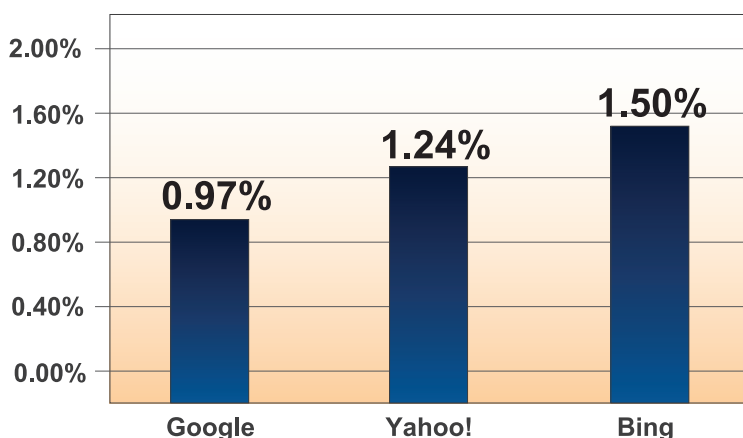
³<http://chitika.com/blog/2009/07/24/chitika-analysis-bing-traffic-vs-google-and-yahoo/>

⁴<http://www.searchmarketing.com/searchmarketing/2009/07/are-your-ads-not-showing-up-on-bingcom.html>

Where do you generally start your searches on the Internet?



Ad Click Rate by Search Engine



*Statistics based on Chitika Network June, 2009

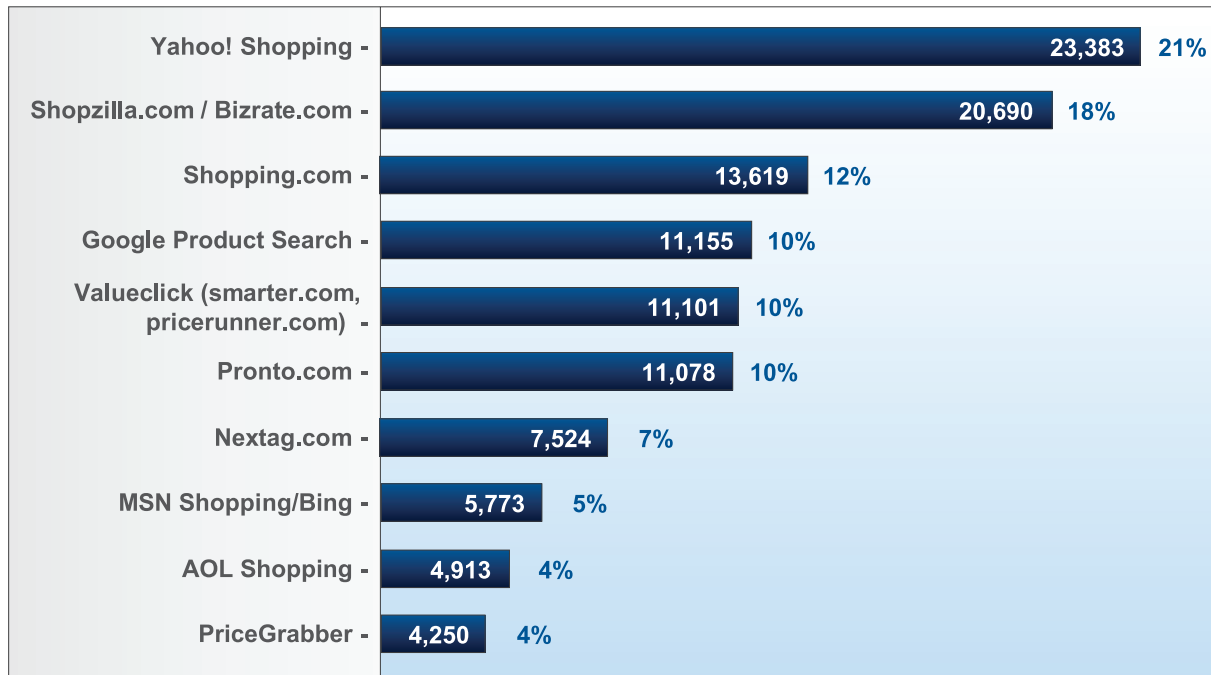
Comparison shopping engines can't be ignored

Comparison shopping engine awareness and usage has remained fairly consistent – including the fact that consumers diversify greatly the sites they use. Shopping.com benefited the most from Q1 2009, as respondents indicated they used the site more often by two percent.

Surprisingly, Yahoo! Shopping and Google Product Search did not rank – we believe this is another example of how unaware consumers are of where they shop or browse. Since both shopping sites are embedded into the search engines, the shopping experience may be seamless enough that the majority of searchers do not realise how they found a product.

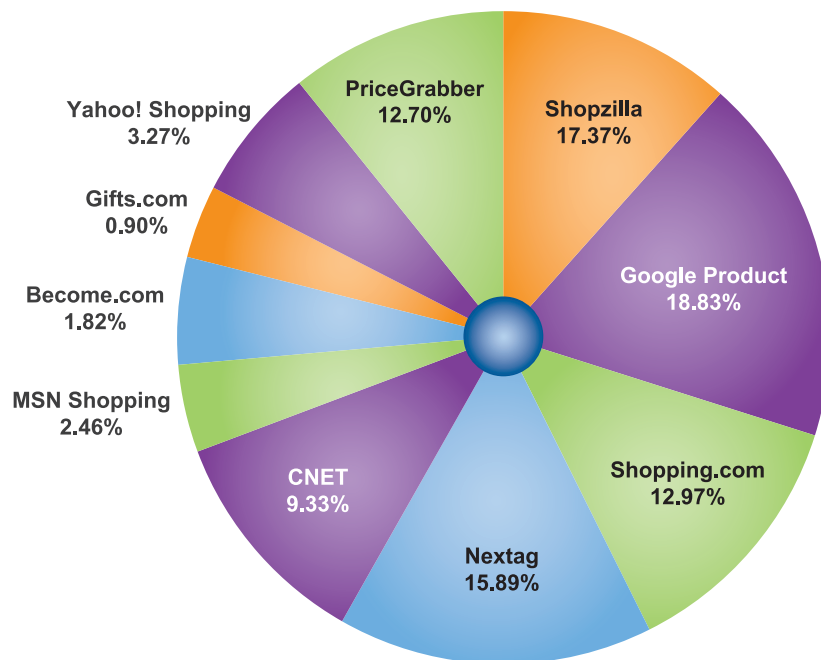
Although consumers aren't attached to specific comparison shopping engines in the same way they're attached to Google, Amazon and eBay, they still play a significant role in product research and purchasing decisions. It's no wonder when you consider the sheer number of comparison shopping sites available for consumers to browse. There are a couple of ways retailers should evaluate comparison shopping engines to determine where energy should be focused. First, you should consider which sites consumers are visiting, ie look at traffic. In the chart below, we see traffic measured by comScore in May of 2009.

Site Traffic measured by comScore in May of 2009



Being aware of where consumers are doing product research is good, but knowing which comparison shopping engines are generating conversions is even better. Here we've taken a look at where ChannelAdvisor customers are seeing sales distributed on comparison shopping engines.

Comparison Shopping Sales of ChannelAdvisor Customers



Conclusion

Consumers are becoming increasingly savvy at using all online channels to conduct research before making buying decisions. From pricing, to coupons, to shipping, to reviews, to brand perception, retailers need to be conscious of how they are viewed from a consumers shopping experience.

We believe that retailers should adopt a sound multi-channel strategy for selling online. With the holidays quickly approaching, online retailers need to ensure they are appealing to cautious consumers in as many ways as possible. Use our key findings to improve ways that you reach and communicate to buyers:

- Consumers are researching more and are spending less.
- Shoppers don't necessarily realise where they buy.
- Amazon and eBay contribute to 70 percent of purchases.
- On-site purchases are driven by value enhancers, security features.
- Search is integral to the purchase decision.
- Comparison shopping engines can't be ignored

Call ChannelAdvisor at 0203 014 2700

ChannelAdvisor helps the world sell online with applications that enable retailers to efficiently distribute their products across multiple online channels, drive shoppers to those products and then convert those shoppers into customers. Our ChannelAdvisor platform empowers retailers to distribute their products across multiple online marketplaces, comparison shopping sites and search engines. With application features such as keyword generation, to in-depth reporting, to our merchandising engine, retailers gain the tools they need to easily fine tune and analyze their marketing efforts to drive more shoppers to their products. Rich media offerings and storefront applications enable them to provide an engaging online shopping experience that represents their brand and is optimized to convert shoppers into customers.