



**10 Ways “Online” Will
Change Life** for Brands
and Retailers in 2012



Introduction

If you're still not convinced that eCommerce is a necessity for your brand, read on.

Internet Retailer estimates that current online retail sales account for 8% of all retail sales, totaling about \$135 billion. And according to Goldman Sachs, retail eCommerce will grow at five times the rate of traditional retail commerce, reaching roughly \$624 billion by 2020.

While those numbers speak volumes, they don't even include sales that are influenced by the web but ultimately completed offline. Forrester Research estimates that nearly 70% of online adults prefer to research products online and that web-influenced sales will account for 51% of all retail purchases by 2013.

When you look at these stats, it's pretty clear we are seeing a shift in the way people shop. It's undeniable. If you aren't serious about online, you are alienating at least half of your customers, and if you aren't selling online, each year that goes by you will be giving up more and more sales dollars.

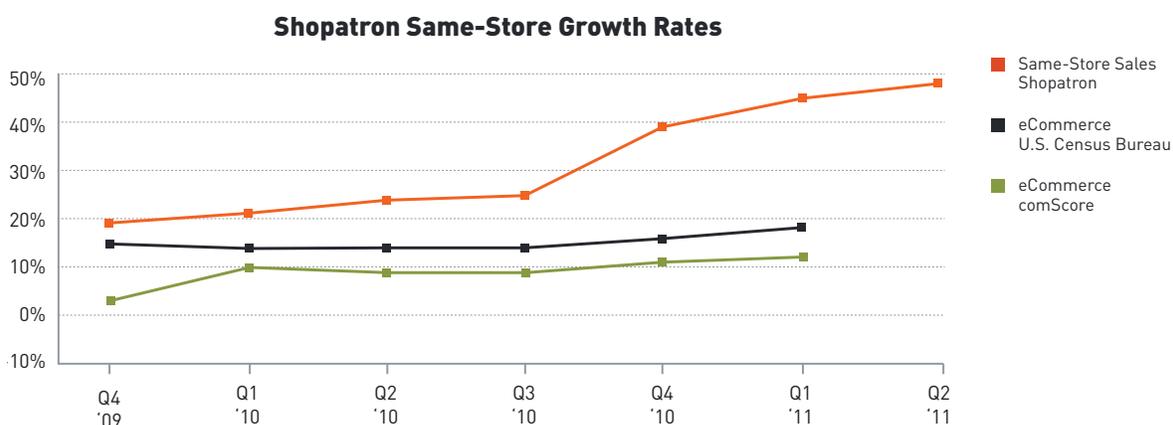
The theme for the future of retail is "no boundaries." Forward-looking brands and retailers are creating a new, universal shopping environment for consumers, giving the green light for their customers to shop across all channels. You wanna buy online? No problem. In-store? Certainly! You wanna shop online while in the store? Of course! Buy it online and pick it up at the store? You can do that, too.

If your sales strategy doesn't meet the growing "no boundaries" expectations of customers, you are effectively roadblocking potential sales and frustrating shoppers. This whitepaper highlights 10 critical ways that "no boundaries" eCommerce will influence the way you do business in the next year, whether you're ready for the changes or not.

Reason #1: Sales Volume

As noted above, eCommerce sales are predicted to grow at five times the rate of traditional commerce. With Goldman Sachs predicting eCommerce to grow to \$624 billion in 2020, more of your overall sales volume will be influenced by eCommerce directly and indirectly. It's no wonder the financial services firm foresees heavy investment in technology by those in the retail sector that want to keep up with this growth.

At Shopatron we have seen stronger than average growth in eCommerce sales for the branded manufacturers we service. In 2011, we saw average same-store sales for brands on our platform grow between 29% and 43% per quarter. This far outpaces retail eCommerce sales in general, which, according to comScore, grew 13% in Q3 2011. Shopatron's big sales increases have been fueled by stronger growth in branded manufacturer eCommerce in particular, and growth in industries new to eCommerce such as automotive, music, marine, and furniture.



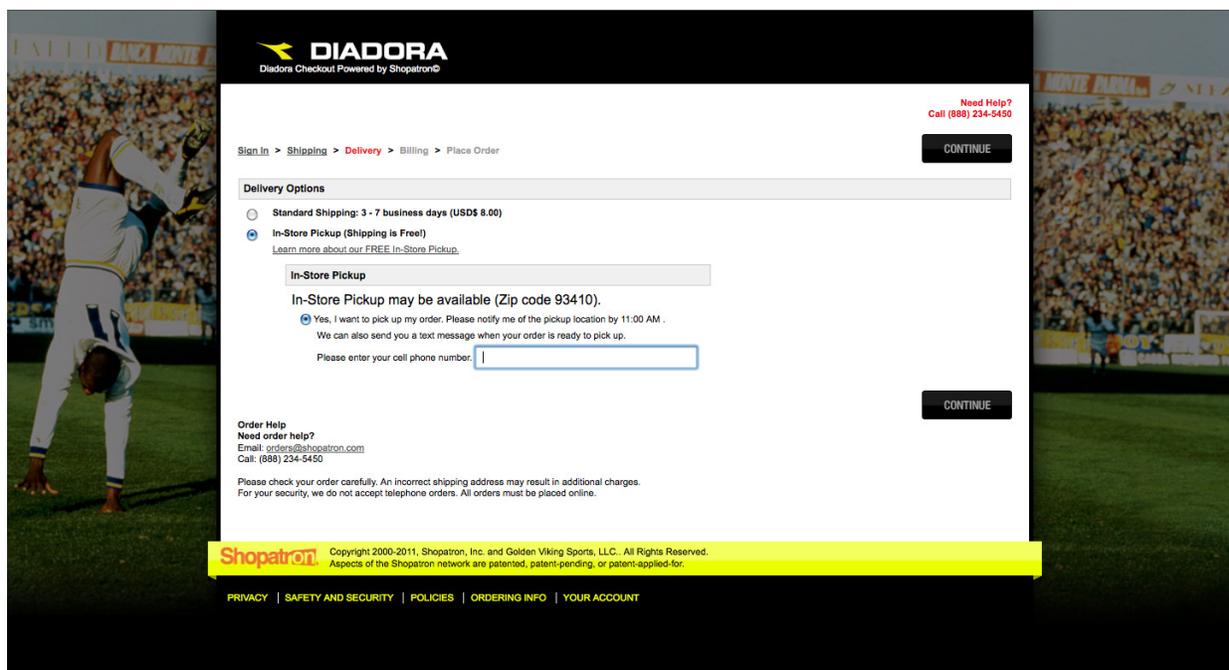
If increasing sales is one of your targets for 2012, start selling online.

Reason #2: In-Store Pickup

There is a reason major retailers like Home Depot and Toys-R-Us recently launched in-store pickup for online orders. They've seen how successful the program is for Walmart, Staples, Nordstrom, Best Buy and others. Customers love it, and they want more of it.

For brands that sell through retail locations nationwide, offering customers in-store pickup is a great feature that gets you high marks in customer service and gives customers more reasons—time-saving convenience and no shipping costs—to come back to your site for subsequent purchases. The competition is stiff out there, and additional features like in-store pickup and ship-to-store help boost sales and conversions.

For retailers, in-store pickup has even more benefits. Customers coming into the store to pick up their online orders generally add to their purchases while they're in the store. It's a combination of "get it while I'm here" reasoning and smart in-store merchandising. Walmart reported that customers picking up online orders in the store buy additional products 60% of the time. And in 2010, Ace Hardware saw 73% of their online orders fulfilled through their heavily promoted ship-to-store option. Like Walmart, Ace Hardware also reports that customers using ship-to-store spend more money, with 33% of them picking up additional items when they go to the store to pick up their order. At Shopatron, in-store pickup is enabling online sales of products from car tires to bicycles which could not be sold using a traditional home-delivery model. We see interest in in-store pickup steadily growing from brands, retailers and consumers.



For improved customer loyalty and conversions, integrating your online and in-store experiences should take priority on your to-do list.

Reason #3: Tax Equality

Tax changes and reforms will soon put local and out-of-state retailers on a level tax playing field, with both having to collect sales tax. That means both parties will have to rely on good old sales and marketing principles to get and retain customers.

Equalizing the tax burden means out-of-state retailers will no longer be able to offer customers that tantalizing tax-free discount. Without that discount, local retailers are going to look just as good, if not better in shoppers' eyes because of in-store pickup options. (Already, two-thirds of online buyers ranked retail stores as their preferred shopping channel, according to Forrester Research's report, "Retail Channel Surfers Prefer to Buy Online.")

This little readjustment in the eCommerce trajectory will be the first of many that show eCommerce isn't going to completely replace traditional brick-and-mortar sales. Rather, the two channels will evolve into a single "no boundaries" experience. In this environment, brands, online retailers and brick-and-mortar retailers will be best served by working together to maximize sales.

The removal of the no-tax subsidy for online retailers will give local retailers an equal chance online, bringing back the importance of "location" in retail.

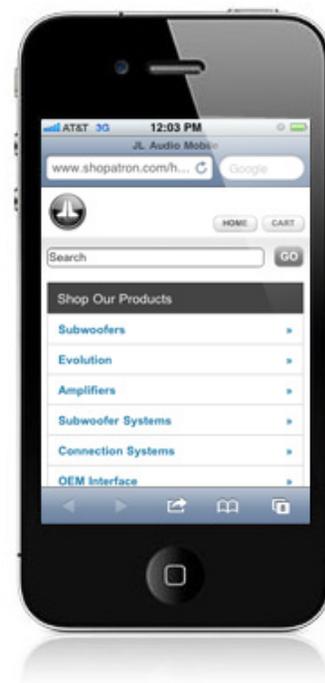
Reason #4: **Mobile Revolution**

Mobile really does put the world at people's fingertips. People are using mobile to learn more about your products, find stores that sell your products, and compare pricing while in-store. According to a comScore report, 18.7 million people were already looking at retail content using their mobile phones in Q2 2011. And in 2010, Hubspot reported that 38% of mobile consumers made a retail purchase from their device. The rollout of smart phones and expansion of Wi-Fi availability will continue to break down the barriers between online shopping and in-store shopping.

Remember, it's not just about purchasing, it's about visibility and availability. From 2009 to 2010, Hubspot reported that the percentage of shoppers using mobile devices to research product information while in store increased 78% to nearly 50% of shoppers. That means all of your efforts to drive visitors to your retail locations can be potentially undermined 50% of the time if you don't have a mobile presence that further reinforces your messaging. In fact, an E-Tailing Group survey found 25% of respondents said they were likely to use their mobile device to make a purchase from an online retailer while standing in a different retail store.

At the same time, this mobile revolution is a boon for brands. Shoppers are no longer limited to styles and sizes that local retailers choose to stock in their store. Like that jacket, but want it in blue in a size large? No problem. Just go online right from the dressing room and order it to be delivered to your home. Consumers now get access to a brand's complete product line, no matter what their retailers choose to stock.

It's also about "no boundaries" marketing. Text, SMS, Push (from Apps) and location-based marketing are coming into their own as mobile, web and in-store sales find a common ground. Reaching out to customers through their mobile devices at home, in the store or even when they are in the neighborhood will become less of a novelty and more of a necessity for influencing sales.

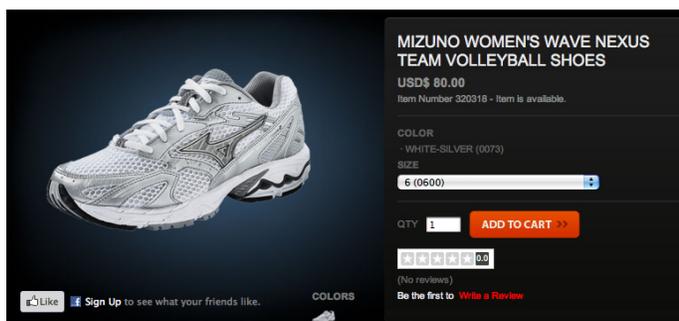


A mobile optimized website and marketing plan is imperative for your brand in 2012.

Reason #5: Product Availability

Brand-loyal shoppers want to buy from brands online. They like you, they know you, and they trust you. They don't want to buy from "Steve's Online Emporium." They don't know Steve and they definitely don't want to give Steve their credit card number.

According to Forrester Research, over 58% of shoppers begin their product research at the branded manufacturer's website. Those that don't usually use search engines to find products. And with Google's current search algorithm, your brand website should come up as the first result in a search for your brand name, giving shoppers exactly what they want in step one of their shopping process.



What this means is that most people shopping for your brand arrive on your website. And if you've done your homework, they will easily find the product information, pricing, availability, reviews, videos and 360° imagery they need to make their purchase decision with confidence. They are primed for purchase, credit card information at the ready. In fact, Forrester Research reported that more than 50% of manufacturer site visitors intend to purchase the product they are researching within 30 days.

Then what? Can they complete their purchase from you, the brand they know and trust? Or are you complicating what has thus far been a simple shopping experience for the consumer by sending them elsewhere in the hope they can find and buy the product in the style, size and color they want?

If they can't buy from your branded website, you are essentially telling your loyal customers, "no, I don't really want your business." Customers will no longer take "no" for an answer in 2012.

Make it a goal for your brand to start telling customers "yes" for online sales.

Reason #6: Retailer Revolt

The more branded manufacturers begin selling direct to consumers online, the more retailers are going to feel the pinch and resent those sales being pulled out of their stores. In a 2009 Survey of Shopatron retailers, 51% of respondents said they would reduce or cease buying from brands that decide to sell online direct to consumers. In 2011, that number went up to 64% of retailers. Next year it will be even higher.

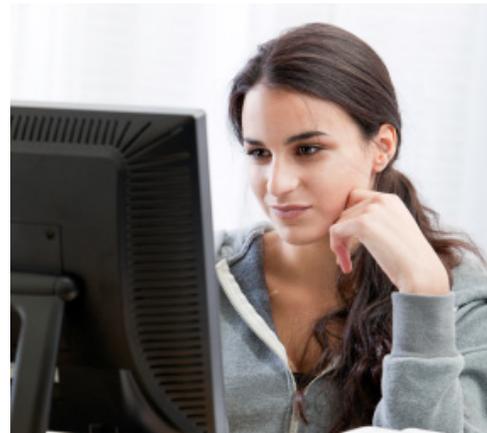
Remember the sales volume projections we cited above? Even though retail eCommerce sales are at \$135 billion and growing, they are still currently only 8% of all retail sales. That means your traditional retailers still provide over 90% of your sales. While it's clear you need an eCommerce strategy, it is equally clear that the strategy must complement

your retail distribution strategy rather than undermine it. As eCommerce continues to grow, retailers are going to take notice, and, as demonstrated in our retailer survey, they won't stand for brands "stealing" customers by selling direct.

Integrate your online sales with your retail channel to keep retailers happy and increase sales through both channels.

Reason #7: **Pre-Commerce**

The yellow brick road that leads most shoppers to their final purchase is paved in HTML code. In 2011, eMarketer estimates that 179 million people will use the web to research products online. And a recent The E-tailing Group survey found 79% of respondents said they spent half of their product research time online, up 29% percentage points from the same survey in 2010. And, as noted earlier, Forrester predicts that more than half of your sales will be impacted by your brand's web presence.



What does this all mean? It means you need to be in all the places consumers might be looking for you. And you need to be there with the information that sells your products. Your branded website needs to have extensive, marketing-driven product content, imagery, videos, consumer reviews, prominently displayed product awards, and also something that gives shoppers a reason to complete their purchase with you, rather than shopping around. Maybe that means special shipping offers, reviews that highlight your level of customer service or special promotions.

But it doesn't end there. You also need to encourage reviews on external shopping and price comparison sites, social networks, and even your retail partner sites. The goal is to give shoppers the information they need, where they want to view it, in order to create the confidence they need to make the final purchase. When money is tight, purchasing decisions are that much harder to make.

Make a note to audit your brand's web presence before the new year, making sure your information is complete and omnipresent.

Reason #8: **Extend Marketing**

One of the goals of marketing is to reach more people, in more ways, more effectively. Are you taking advantage of all the ways you can reach out to consumers in today's world? The web and mobile have added a new set of opportunities: email marketing, SMS messaging, location-based alerts, social marketing, gaming, pay-per-click, re-targeted advertising, and search optimization.

As we know, it takes multiple impressions to have an impact. However, you don't want to pollute the cyber airways with self-promotional materials that will lead to mass un-subscription. Take care to give shoppers good, personalized information that addresses their needs ("inbound marketing"). And break up the monotony by splashing in something fun now and again, and surprising them with news about your company that may matter to them (like a holiday email newsletter that talks about your charitable efforts and encourages them to do their part).

Your consumer demographics will dictate which channel you focus the bulk of your efforts on, but it's important to consider all of them, and try them to see what works best.

Incorporate any or all of the above tactics into your 2012 marketing plans to effectively reach more consumers, more effectively.

Reason #9: Social Commerce

In case you didn't get the memo, Facebook and Twitter aren't just for kids and college students anymore. Facebook has more than 750 million users worldwide, making it one of the most powerful marketing tools available today. And according to a recent ROI survey, more than half of the users surveyed said they are more likely to purchase, mention or recommend a company's products if they are a fan or follower on the company's social network site.

While actual purchases made through Facebook stores have yet to reach buzz-worthy volume, studies show inbound links from both Facebook and Twitter can result in solid shopping conversions and larger cart volumes. Plus, we believe 2012 will witness the maturation of social commerce as these incredibly powerful platforms (Facebook, Twitter, LinkedIn) build more trust, become more integrated with external eCommerce sites and find more ways to capitalize on their dominant presence.



For the sake of your business, resolve to "Like" social networking by year's end.

Reason #10: iCommerce

No, we don't mean iPhone commerce (we put that under mobile). We are talking about integrated commerce. Forrester Research is calling it "agile commerce" and has declared it the overarching trend in the future of retail commerce as a whole.

So what is it? It's basically the practice of uniting all former sales channels: retail stores, social sites, your website, mobile, etc. They all need to be active, interconnected and seamlessly refer to one another. You know how memorable amazing service can be, right? Where you can ask the bellhop at your hotel about the dinner specials, and the towel guy at the swimming pool is willing to pick up the phone and check to see if your room has been cleaned yet. Integrated commerce provides that rare but wonderful "resort" experience, completely free of frustration and full of satisfaction.

That's what customers want in a shopping experience. Technology has made it possible for consumers to have all that, and now they expect it. Imagine your amazement when trying to locate a business online only to find they don't have a website. Or your frustration when you are looking for directions to someplace using your mobile phone, and they don't have a listing in Google.

Now imagine the satisfying experience of buying a product in the following manner. You are in a store and have located a product you want. The price point is high enough that you want to check out some customer reviews before purchasing. A sales associate notices your fiddling around and helps you find a wealth of reviews and product information via their branded app or mobile website. But, alas, they don't have the exact model you want in stock. Now the sales associate leads you to a kiosk to check inventory. There you are able to complete the purchase in-store and opt to ship the correct item to your home, saving you another trip back to the store.

While this scenario seemed revolutionary when the first few brands like Apple and Kohl's started doing it, it's going to become standard operating procedure. Customers want help. They want service. They want a white-gloved hand to guide them so they can purchase with confidence and ease, and better brands and retailers are giving it to them.

In 2012, give customers a hand, and they're likely to keep a hold of it.

Conclusion

The web, mobile, social and eCommerce are changing retail commerce as we know it. "Online" is the moon, and commerce is the sea. Your business can't turn its back on a force that powerful without being washed away. Look at what eCommerce has done to travel agencies if you need an example. Take the "no boundaries" approach to heart and you will be prepared to conquer the future.

About Shopatron

Founded in 2001, Shopatron is still the only eCommerce platform that allows branded manufacturers to sell online and have those orders fulfilled using local distributors and retailers. The result is an eCommerce system that not only grows sales online and in stores, but is also easy to implement and more cost effective than developing in-house.

After working for 10 years with more than 1,000 brands and 18,000 retailers in over 35 industries, Shopatron has provided eCommerce solutions to everyone from small startups to international brands that require multi-language and multi-currency support across multiple continents. Shopatron clients include Suzuki, Kawasaki, Polaroid, Mizuno, Ducati, JL Audio and Sport Chalet.

With Shopatron's solution for branded manufacturers, Coex Freedom, brands sell on their website and send those orders to their retail partners for fulfillment. This solution eliminates channel conflict, builds retailer relationships, grows distribution and increases overall sales for the brand. Shopatron's solution for multi-channel retailers, Coex Private, allows retailers to fulfill orders from all inventory centers, including both retail stores and distribution centers. Shopatron's distributed order management model also enables in-store pickup and ship-to-store capabilities that drive traffic into brick-and-mortar locations for additional services and add-on sales.

Contact Shopatron at 866-625-5050, consulting@shopatron.com or visit us at ecommerce.shopatron.com for additional eCommerce resources such as whitepapers, surveys, videos, webinars and blogs.

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