



20410 Town Center Lane
Suite 220
Cupertino, CA 95014
408.213.5062 Tel
408.255.6104 Fax
www.webpartner.com

Customer Experience Management

Executive Summary

"eBusiness is not just transactions. The value comes in how you make it easy for customers to do business with you."

Patricia Seybold,
President, Patricia Seybold Group

The Web offers tremendous potential for merchants and consumers, such as access to information and transactions in real time. Yet, it's no secret that for all its potential, using the Web can be a frustrating experience. Online customer's expectations of web performance have grown over the years. Now, veteran and neophyte web users alike expect their online experience to meet or exceed their shopping experiences in the brick and mortar world. For e-businesses, making sure their web site meets or exceeds those expectations is what managing the online customer experience is about.

This white paper addresses key issues, ideas and strategies for business managers to consider in the management of the online customer experience.

- 1. The State of E-Commerce and the Online Customer Experience**
- 2. Is Traffic a Measure of Online Success?**
- 3. Defining and Measuring Customer Experience: What Do Customers Really Want?**
- 4. Customer Experience Influencers: What are the Fundamental Satisfaction Drivers?**
- 5. Web Site Performance: Is the Store Open and Are the Aisles Clear?**
- 6. The Benefits of Being a CE-Centric Business**

I. The State of E-Commerce and the Online Consumer Experience

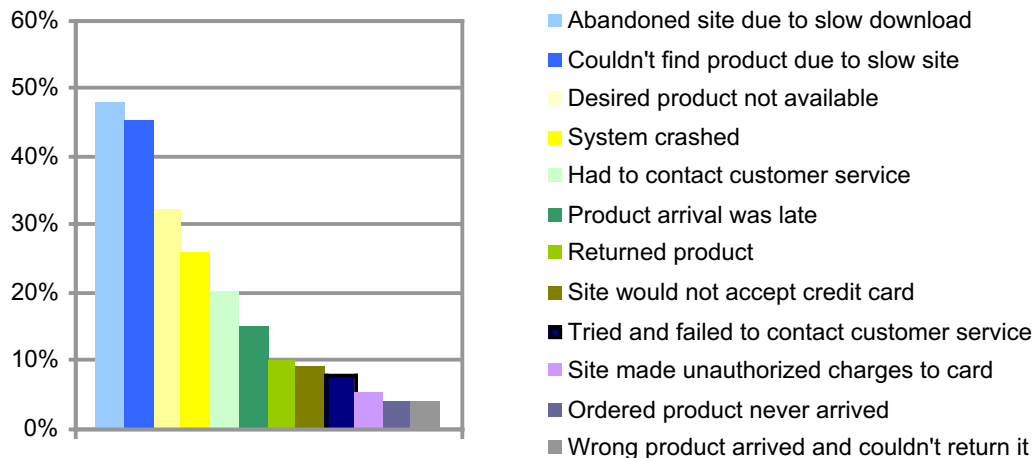
It's clear that the Web is not always a joy to use. Consider some recent metrics demonstrating this fact:

- Up to 36% of online shoppers experience connection or download trouble ¹
- 42% of users abandon online transactions for traditional channels ²
- 32% of shopping carts are abandoned ³
- More than 25% of online transactions can't be completed ⁴

And while there are certainly customers trying to reach you online (73% of experienced Web users rank the Internet over brick & mortar and catalog shopping ⁵), when they don't reach you, they leave. 35% of web users who experience problems leave the site for another ⁶. How long will your business survive if you are losing 1 out of 3 customers?

According to a 1999 Zona Research study, after waiting 8 seconds for your site to download, most surfers go elsewhere. This figure is now considered to be more in the range of 4-5 seconds. But that's not the worst of it: for every loyal customer you lose, you need 5 new ones before you have another long-term one. And for online businesses, the cost of acquiring new customers is calculated at between six to ten times more than servicing an existing one.

Since the cost for switching vendors is so low of online customers, retaining customers becomes at least as, if not more important, to online businesses than attracting new ones. It's clear that if you are going to survive e-commerce, you need to think fast. The Web experience is, at a basic level, about speed. The expectation is that ultimately the Web will lead to anything, anytime, anywhere. And if that is far from reality at the moment, it is not far from the actual expectations of Web users today. As the graph here demonstrates, the major reason online purchases are abandoned is impatience on the part of the customer.



Source: Boston Consulting Group ⁷

Whether it's a slow download, inability to quickly find what they want, or because what they want is not immediately available, speed and immediate gratification are key success factors for online survival.

2. Is Traffic a Measure of Online Success?

Up until recently, the supposed model for online success was simply driving traffic to your site. But driving a lot of traffic to your site through advertising dollars without consideration of the customer experience of visitors can not only be a wasted investment, but also damage the brand of even the most established click-and-mortar businesses.

¹ Cyberatlas, [Experienced Internet Shoppers Satisfied with Online Shopping](#), January 13, 2000

² Zona Research, Zona Research's Online Shopping Report, 1999

³ eMarketer [E-Commerce: B2C Report](#)

⁴ Cyberatlas, [One-Quarter of Attempted Holiday E-Commerce Purchases Fail](#), December 22, 1999

⁵ Cyberatlas, Experienced Internet Shoppers Satisfied with Online Shopping, January 13, 2000

⁶ Ibid.

⁷ TheStandard, [Close Encounters with E-Commerce](#), April 3, 2000

⁸ Cyberatlas, [The Dot-Com Sky is Falling](#), April 11, 2000

Consider, for example, the failure of the Toys-R-Us site to keep up with the high traffic during the 1999 holiday season, or the poor performance of the Victoria's Secret web site during a promotion linked with the Super Bowl of 2000. Although these sites had succeeded in attracting visitors, these instances provide classic examples of the fact that traffic alone is an inadequate measure of customer experience.

In fact, a Forrester Research study recently suggested that most dot-com retailers will be non-existent in the next two years and that "in order to survive in the online retail battleground, firms will need to redirect extravagant branding investments into three categories of hard assets, defined by scale, service, and speed."⁸ . The ongoing measurement and monitoring of the online customer experience are essential components in maintaining scalability, service and speed. As a company's web business grows, measuring and analyzing web site performance and its potential impact on a customer's experience, is essential to determine whether acceptable levels of service and speed are met.

While advertising by online businesses in 2000 has grown more than 100% over 1999, according to eStats, the average visitor/buyer conversion rate has declined from the 1999 figure of 2.7%. Meanwhile, web site performance has not significantly improved to keep up with the demands imposed by increased use of streaming media and animation. The average download time of the WebPartner 100 benchmark group (an index group comprised of a cross-section of leading web sites) was 11.15 seconds in 2000, well above the often-quoted maximum acceptable level of 8 seconds.

It's clear then that no matter how many people you drive to your site, if it isn't designed for optimal customer experience, your advertising dollars have been wasted. Your site should allow visitors to get the information they seek, appear professionally designed, be fully functional, load quickly and address all barriers to sales that your customers may have. One of the main reasons this is necessary is that customers won't be letting you know how dissatisfied they are. Consider the following:

- Only 4% of dissatisfied customers will tell you so. 96% quietly go away⁹
- 91% of customers that leave you for a competitor never come back to your business¹⁰
- Cost of customer acquisition is \$82 for a pure player, \$38 for click and mortar¹¹

The implication that 87% of your dissatisfied customers could be permanently leaving you for your competitor is a frightening reminder of how expensive it is for an online business to ignore customer experience.

3. Defining and Measuring Customer Experience: What Do Customers Really Want?

In the above sections, we have mentioned what surveys of online customers have indicated they want: fast delivery of content (fast download), easy-to-find product, and availability of product. But, like everything else on the Net, customer expectations are a moving target.

It is important to consider the origin of customer expectations in order to anticipate future expectations and to fully comprehend how high customer expectations are. Observation of consumer behavior indicates that their satisfaction is not a result of the fact that your product works (that is the least that is expected), but that it exceeds expectations. If we apply this to the customer experience, a base test of performance for web business managers is that their site is available 24/7, and the more stringent litmus test would be that their web site exceeds customer expectations in speed of response and ease of use.

Studies have shown that online visitors actively seek those sites that deliver an experience that exceeds their minimal expectations. One study found that 75% of people were going online to search for information about their hobbies or a purchase they intended to make. This points to the fact that people who are online are goal oriented, and not aimlessly surfing for an eye-catching web site. Providing a customer experience that exceeds expectations with responsiveness, assurance and empathy addresses the needs of such customers and makes it more likely that web site hits are meaningful ones.

With all that businesses could be doing to improve their customer experience, it appears few businesses focus on it: for example, only 36% of managers polled mentioned ease-of-use as a site design goal.¹² And while it is assumed that convenience is the competitive advantage of the web-based business, 35% of shoppers report bad experiences

⁹ Technical Assistance Resource Project

¹⁰ Ibid

¹¹ About.com, [The Six Groups of Online Consumers](#)

¹² Creative Good, [White Paper One](#), p. 13

purchasing online, such as credit card fraud.¹³ It is clear from statistics illustrating the challenges of shopping online that customer experience management has not received the attention it merits.

One obvious problem is that it is not apparent to most businesses how to measure customer experience. According to Forrester Research, of 50 Global 2,500 companies polled, the following were the top metrics used to measure their website's success:¹⁴

Hits	82%
Page views	80%
Session length	66%
Visitor count	64%
Ad Banner click-throughs	38%
Sales or revenues	34%
Registered user visits	24%
Look-to-Buy ratio	12%

Measuring hits does not tell you whether customers are satisfied, whether their visit was successful, or whether the website is helping the company succeed in its business goals.

4. Customer Experience Influencers: What are the Fundamental Satisfaction Drivers?

Yahoo, Amazon and Dell Computer are examples of sites that take advantage of the interactivity of the web to provide an enhanced user experience. The popularity of these sites illustrates well the value of exceeding customer expectations with responsiveness, assurance and empathy. For example, Yahoo provides rapidly loading pages by minimizing large images and files to download, all these sites offer prominent and highly intuitive navigation to areas on their site where users can accomplish their goals, and all offer highly useful content and tools to users. In the case of Dell, their configuration tool, the Ask Dudley knowledge base FAQ, and the Dell Talk area illustrate the use of customer-assuring interactivity. In addition, both Yahoo and Amazon feature a high degree of user customization of content through features such as MyYahoo or Amazon's product suggestion tool.

Listed below are some key influencers of customer experience in an online business.

Reliability

The least your customers expect from your website is that it is always available. As was seen in the Boston Consulting Group study above, most transactions are abandoned due to slow download. Therefore, your site needs to have 100% uptime and consistently acceptable download speed. And since customer experience on your site doesn't end on your home page, you need to be mindful of actual traffic patterns on your site to determine what areas to monitor most frequently.

Usability

According to a study by Forrester Research, nearly 50% of online shoppers consider difficult navigation the primary barrier to an online purchase¹⁵. If your customers can't get to your product, they can't buy it. Have you thought about your site's mission critical page? Have you analyzed traffic patterns on your site to know how visitors are truly using your site? Are there particular pages where you want the customer to end up? Then consider designing the navigability towards those pages, as well as ensuring that they are the most carefully monitored.

Meaningful, value-added content

One way to exceed expectations is to provide content that is meaningful to your customer base, even if it is not directly related to purchase of your product. A fast loading site with highly intuitive navigation gives users the sense that the site is designed for optimal user experience. But customized content, subsites, valuable third party links and timely information about new products provides a sense that the site is more than a sales channel for the merchant: it is a vehicle for a shared knowledge base addressing the informational needs of visitors.

Assurance

The virtual environment of the Web makes it even more critical for businesses to nurture multiple channels of communication with their customer base. Online businesses that are customer-centric in their approach focus on building communities of users, thereby fostering an environment of assurance.

¹³ eMarketer, [Return-Shipping Fees and Other eConsumer Woes](#), 29 August 2000

¹⁴ Forrester Research, [Measuring Web Success](#), November 1999

¹⁵ Forrester Research, [Why Most Websites Fail](#), September 1998

Empathy

Responding to customer concerns or problems in a consistently empathetic manner lets them know that they are dealing with real human beings, not virtual ones. The ability to interact in real-time with a sales person and get an immediate response, whether it is to ask a question or share a concern, is key to a customer's brick-and-mortar shopping experience and no less critical for online shoppers.

5. Website Performance: Is the Store Open and Are the Aisles Clear?

As the above attests, good customer experience allows the user to accomplish goals quickly and easily on a web site. And while measuring the success of a site by tracking metrics relevant to the business, such as conversion rate and average order size, is essential, the basic performance of the site cannot be ignored.

Below are some top considerations for business managers when assessing whether a web site has been built with a customer's goals in mind:

Speed (download and response)

According to some sources, customer expectations for download speed are now around four seconds on any type of connection¹⁶. Aesthetic considerations continue to influence site design but far more important is a growing recognition that function dictates form in this new medium. The Web experience, as mentioned previously in this paper, is essentially about speed and about a consumer's expectation to get to anything at anytime and anywhere - FAST. Speed is a key influencer of how quickly your customer can get to your online store, navigate through it and accomplish a transaction. Making sure that basic expectation is met is the first measure of online success.

Some techniques for increasing speed are as follows:

- Minimizing size of images and remotely served images
- Load balancing
- Remote caching
- Distributing and managing traffic among various servers (web servers, database servers, application servers)

Navigability

The ability to easily browse and explore a store and at all times, without human aid, know where you are and where you're headed is key to the offline shopping experience, whether at a grocery store or a mall. Online customers bring a similar expectation to their Web experience. Some factors that affect navigability are:

- Prominence and placement: where are the continue/buy buttons placed? Are they easy to find?
- Site structure: how "deep" is a site and how many pages does a customer have to navigate to accomplish an objective?
- Use of 'white space' on the page: is the design too cluttered and overshadowing the navigation?

Organization

Brick and mortar stores have made a fine art of merchandising. Goods at a store are displayed in intuitive and logical groupings and reflect a keen understanding of customer shopping behavior. Online businesses need to take a similar approach when building their web site and let customer goals drive the design as well as the organization of content.

Questions to ask include:

- Who are our target customers?
- Why are these customers really visiting the site?
- What browsers and systems are they using?
- How do they expect to accomplish their goals on the site?
- What is the success rate of goal accomplishment? (Aside from conversion rate, this can be measured through transaction monitoring and analysis of error messages.)

A bottom line argument for the above suggestions is borne out in a recent study showing a high correlation between performance (response time, accessibility, page load time and real-time database update) and which sites customers patronize.¹⁷

¹⁶ [Fast Is No Longer Fast Enough](#), Information Week Online, June 6, 2000

¹⁷ E-Business Advisor, 4/13/00

These performance suggestions might occasionally be applied to the homepage, but the online user experience does end there. The following are site-wide areas that must be measured and optimized to ensure a positive customer experience:

Mission critical pages

The page that makes meeting the goal possible must be flawless and perform all the time. Customers will not forgive you for making it impossible for them to realize their basic goals.

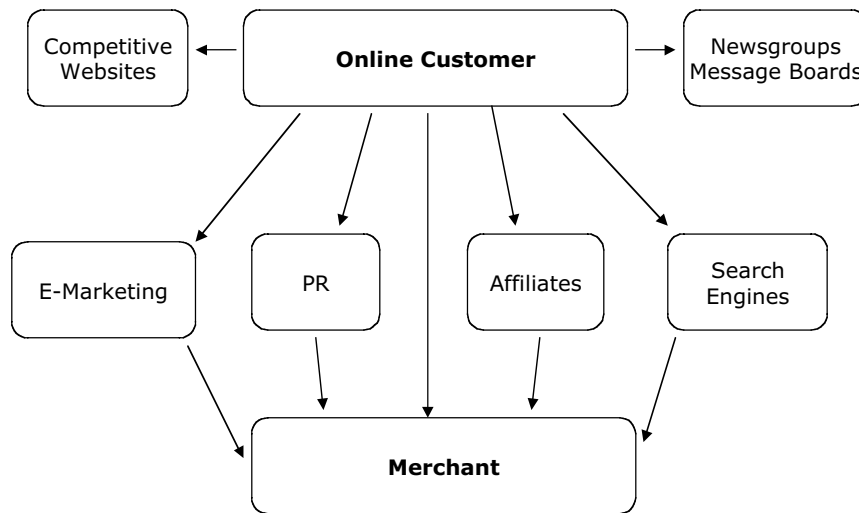
Personalization opportunities

A website that sells a product or service is competing against a brick & mortar salesperson who can learn about and anticipate the customer’s tastes. Cultivating long-term online relationships may often mean giving customers the opportunity to interact with humans. An example is the way in which Dell enables customers to get information by fax or through their customer service representatives. In fact, 90% of online transactions at Dell require human intervention. The result is long-term revenue streams. Dell is addressing a problem that is widespread among the online community: more than half of respondents in a survey of online customers required interaction with a customer service representative.¹⁸

Your extended web relationships

Every path to your site will result in a customer experience. These channels should be considered part of your extended site and be monitored for performance. Your site performance management tool should accommodate monitoring a number of URLs. Consider all the possible customer paths in the following diagram and it becomes apparent why it is critical to monitor and benchmark more than just your homepage.

**Product/Service Roadmap
From Customer Intention to Online Purchase**



This diagram illustrates a more holistic approach to thinking of your online customer than simply looking at what happens on your homepage. It shows how the online experience on your site can very well be part of a larger experience in the customer’s mind that begins elsewhere. Consideration of all the channels by which your customer reaches you provides insight into how to address their needs once they are at your site. At a minimum, you should be monitoring the many pages on your site by which customers can enter, as well as your affiliate sites.

6. The Benefits of Being a Customer Experience-Centric Business

It is unlikely that it will become cheaper to acquire new customers as online competition increases and customers form online loyalties through established shopping habits. Therefore, it pays for e-businesses to invest in customer

¹⁸ Intelligent Enterprise, May 15, 2000, p.12

experience now. Making customer experience management a priority in your online business will enable you to measure the effectiveness of management decisions and deploy resources more effectively. Here are some of the benefits of improving the online customer experience:

- Increased customer loyalty
- Viral marketing benefits through positive word of mouth customer anecdotes
While offline customers typically share their experiences with businesses with every one out of ten acquaintances, in the online world they can tell thousands through sites such as epinions.com or productopia.com.
- Maximize return on web site expenditures
- Strong equity in your online brand

Ensuring success in your online business is a continuous improvement loop of monitoring and measuring online customer experience, implementing corrective procedures where needed, and testing results from those corrections. The industry today offers a wealth of tools (both software packages as well as web-based automated services and specialized professional consulting services). These solutions offer both quantitative metrics as well as qualitative assessments of the online consumer experience and behavior.

Online merchants, whether in the business-to-consumer or business-to-business markets, who leverage their understanding of the online customer experience into living e-business practices, will ultimately be the best positioned in the race for securing customer loyalty and e-commerce dollars.

Contact

Karen Ferrigno
650.356.5221
kferrigno@wilsonmchenry.com
Wilson McHenry Company

Supriya Venkat
408.213.5025
svenkat@webpartner.com
WebPartner