

Why advocacy matters to online retailers

Customer focus can mean greater loyalty and financial returns are in store

Online retailing is the fastest-growing industry segment and many are finding success there, with sales expected to comprise 10 percent of total U.S. retail sales by 2011, up from 7 percent in 2007.¹ But a recent IBM Institute for Business Value study of nearly 2,500 U.S. online shoppers shows that most retailers fall short when it comes to pleasing customers. To reap the financial benefits of customer advocacy, retailers will need to integrate and apply customer insights across all business operations to improve convenience, customer service and the overall online store experience.

Even as shoppers turn increasingly toward the Internet, most online retailers are struggling to establish customer advocacy. Consumers defined as “Advocates” are those who recommend their primary retailer to others, buy more from that retailer as new products become available and stay with that retailer even when new competitors appear. The two other consumer attitude segments are Antagonists and Apathetics. Antagonists are those customers who actively dislike their primary retailer, while Apathetics are indifferent.

The IBM Institute for Business Value sought to better understand which online retail stores have the most Advocates and identify the attributes that most influence advocacy in this segment.

Among our most compelling survey results, we found that:

- Online retailers have yet to optimize customer relationships – only 20 percent of the online customers we surveyed are Advocates.
- Advocates spend 30 percent more online per year than Antagonists
- Advocates spend 33 percent more of their total shopping dollars online than Antagonists
- Advocates’ spending increases 27 percent more year to year with their preferred online retailers than Antagonists
- The value of 24/7 convenience is well-recognized, but customer service and the online experience are also critical to creating Advocates
- The online customer experience cannot be viewed in isolation; cross-channel consistency is vital.

Creating more Advocates

Our study findings showed that Advocates value convenience, customer service and having a “pleasant and enjoyable” online store experience as the top attributes of their primary online retailer (see Figure). Rounding out the top five are two attributes categorized under assortment: “Product selection is fresh and new” and “Always find brand and styles that meet needs and preferences.”

To achieve advocacy, online retailers need a deep understanding of their core customers’ expectations and must focus on the key attributes that transform a shopper into an Advocate. In order to keep customers on the path to purchase, online retailers cannot miss the mark when it comes to enabling cross-channel services and a seamless integration that delivers convenience, customer service and a superior store experience – eliminating price as the dominant decision making factor.

Applying customer insight across shopping channels has become a mandate for growth throughout the retail industry and for the online retailer in particular. By turning more shoppers into Advocates, retailers will be positioned for greater financial benefits.



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Reference

1 Forrester Research. "The Web's Impact on In-Store Sales: U.S. Cross-Channel Sales, 2006-2012." June 1, 2007.

FIGURE 1.
How Advocates, Apathetics and Antagonists ranked their primary online retailer on selected attributes.

	Advocates		Apathetics/Antagonists	
	% strongly agree	Attributes	% strongly agree	
Convenience	98	Online retailer makes it easy to shop	55	60
Customer service	96	Happy with service from online store employees	47	55
Store experience	95	Pleasant and enjoyable to shop online retailer	49	54
Assortment	92	Product selection is fresh and new	41	48
	91	Always find brands and styles to meet needs and preferences	40	51
Product availability	82	Products I want are always available	36	45
Multichannel	79	Offers valuable services on Web site	38	48
	65	Easy to return products in store or online	28	37
Customer insight	73	Seeks my opinion and feedback	26	36
Promotions	71	Sends relevant promotions that I often use	25	35
Customer service	70	Employees are knowledgeable and quick to help	28	36

Note: Percentages represent those who "strongly agree" (scores of 8 to 10) that the attribute applies to their primary online retailer, n = 2, 474.

Source: 2007 IBM CFE Online Retailer Study.

How can IBM help?

- **Strategy and Change** – Help to address changing customer buying behaviors, organizational structure and metrics, and customer-centric processes.
- **Retail Industry Solutions** – Solutions to address multi-channel retailing, merchandising and supply chain, total store, and retail performance analytics.
- **Retail Industry Offerings** – Innovative and market-leading offerings to support the retail industry, including but not exclusive to merchandise operations strategy, next generation e-commerce, kiosk business solutions and customer analytics.

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