

THE FAVORITE 50

Consumers' most preferred online retailers remain relatively constant by SANDY SMITH

The world of online retail may seem like the Wild West, with new contenders arriving on the scene every day.

But while the competition constantly shifts, the top tier of consumers' favorite online retailers remains stable.

There is little significant movement among the top 10 favorites in this ninth annual consumer survey conducted by Prosper Insights & Analytics, and the full list includes only six relative newcomers. All this allows for greater understanding about what motivates shoppers, where they like to shop and what methods retailers use to draw them in — and it's all been represented in recent research.

So what does it all say — and more importantly, what does it all mean?

Pam Goodfellow, director of consumer insights for Prosper, provides a deeper look at two new surveys: one assesses shoppers' favorite online retail sites; the other looks at consumer behavior. Each provides a clear message about where online retailing is today, as well as the fact that consumers still have their "favorites."

"These are some of the biggest names in retail anyway," Goodfellow says. "These are safer retailers for a lot of consumers to visit. Younger consumers are a little more trusting when it comes to online shopping. For Boomers or someone a little older, consumers see these as safe retailers when it comes to online shopping."

MIGHTY AMAZON

It's no surprise that Amazon continues to dominate among all age groups, even increasing its share slightly. Millennials ranked it even higher.

Walmart.com ranks second, though its share dropped slightly from 2014; Walmart ranks higher among Millennials than it does among Boomers.

Does this mean Amazon has a lock on online retailing? Goodfellow points to Walmart's



Nordstrom jumped five places on this year's Favorite 50 list to No. 12.

status as the top bricks-and-mortar retailer. Still, "Walmart has its issues competing with Amazon," she says. "For the foreseeable future, Amazon will be the one to beat. But that's the interesting part of retail: It's always changing."

There are newcomers who hope to chip away at both retailers' dominance. Take Jet, which is tackling both Amazon and warehouse clubs. But Amazon has something that could make that challenging. "Ama-

Biggest Movers

Up:

1. H&M	+18
2. Ross Stores	+12
3. (tie) T.J. Maxx, Yahoo	+11
5. (tie) Banana Republic, Costco, Forever 21	+8

Down:

1. Lane Bryant	-22
2. Eddie Bauer	-14
3. (tie) Bing, Zulily	-9
5. (tie) Lowe's, QVC	-7

Source: Prosper Insights & Analytics Monthly Consumer Survey, June 2015

Favorite 50 Online Retail Stores

RANK	SITE	CHANGE FROM 2014	RANK	SITE	CHANGE FROM 2014
1	Amazon*	-	26	Victoria's Secret	-1
2	Walmart*	-	27	H&M	+18
3	Best Buy	+2	28	Yahoo*	+11
4	eBay*	-1	29	Ross Stores	+12
5	Kohl's*	-1	30	Zulily	-9
6	Macy's*	-	31	Zappos	-5
7	Target*	-	32	Blair	+1
8	JCPenney*	-	33	Nike	-2
9	Google*	+1	34	Banana Republic	+8
10	Sears*	-1	35	Haband	+5
11	Old Navy	-	36	Chico's	N.R.
12	Nordstrom*	+5	37	J.Crew	-1
13	Express	+6	38	Bed Bath and Beyond	-6
14	L.L.Bean	-2	39	T.J. Maxx*	+11
15	Lands End	-2	40	Belk	-5
16	Forever 21	+8	41	Dillard's	+3
17	Gap	+5	42	Lane Bryant	-22
18	Kmart*	-	43	Talbots	N.R.
19	American Eagle Outfitters	-5	44	The Children's Place	N.R.
20	Costco*	+8	45	Jos. A. Bank	N.R.
21	Woman Within	+6	46	Roaman's	N.R.
22	Lowe's	-7	47	Bing*	-9
23	QVC*	-7	48	Eddie Bauer	-14
24	The Home Depot	-1	49	Wayfair	-6
25	Overstock*	+4	50	LOFT	N.R.

Source: Prosper Insights & Analytics Monthly Consumer Survey, June 2015

*Merchants mentioned for both apparel and non-apparel.
N.R.: Did not rank in Top 50 in 2014.



Amazon's culture of innovation helps cultivate a sense of customer loyalty.

zon has really collected a loyal shopper base,” Goodfellow says. “Their history in customer service speaks for itself.”

Even if Amazon Prime Day drew mixed reviews, “It goes to show that Amazon is still trying out different things and still testing,” she says.

One final thought on Amazon: It increased its share slightly, largely taking it from Walmart and JCPenney, Goodfellow believes. “It’s not a huge difference. But it shows that people are still discovering Amazon.”

BACK IN THE GAME

It might be easy to gloss over Best Buy’s move to No. 3 on the list of favorites. The increase — from 6.1 percent to 6.8 percent — is relatively small, though it could signal a solution to an even bigger concern: showrooming.

“That had a lot of analysts wondering what the future was going to look like for Best Buy,” Goodfellow says. “With a focus on customer service and all the price matching that they’re now doing, it has brought some consumers back into the fold. The move into the top three this year is significant as part of the turnaround effort to get shoppers back in stores and online and getting them through the checkout.”

KEY INITIATIVES IN DIGITAL RETAIL

Attracting new visitors and then converting them to customers is the ultimate goal of online retailers, of course. But the “State of Retailing Online 2015: Marketing and Merchandising” report finds key differences in how they’re tackling that goal.

The research, conducted by Forrester in conjunction with Shop.org and Bizrate Insights, includes statistics based on retailer size and length of time in business. Overall, “I think the industry is still talking about a lot of the same issues we have been for the last decade: optimizing email, finding new customers and personalization,” says Sucharita Mulpuru, Forrester’s vice president and principal analyst and lead author of the report.

“There are some newer areas like content creation and attribution models which are different,” she says, “Mobile has also added more complexity to everything.”

That complexity has led to increased spending across almost all aspects of online marketing, including Facebook and display advertising — particularly remarketing and behavioral targeting, Mulpuru notes. “Those are areas of growth. Online marketplaces are also growing, especially for smaller merchants. The only real areas of decline are in areas like shopping portals, which have been bad performers for years.”

The “State of Retailing Online 2015” provides a number of benchmarks that companies can use to compare their efforts. More broadly, though, a few overarching trends emerged.

Spending is up

The average budget for web marketing is about 6 percent of revenue. But medium-sized online retailers — with a marketing budget of about \$5.9 million — spend a significantly higher portion: 9 percent of revenue. Retailers in business between four and 10 years and branded manufacturers spend about 8 percent. Very large retailers — with an average marketing budget of \$127 million — spend about 3 percent of revenue.

Where are all those dollars going? Search and email, primarily, thanks to the relatively low cost-per-order at \$15 and \$6, respectively. Combined, they earn about half of the marketing budgets. They’re also considered the most effective. Search engine marketing (58 percent) and search engine optimization (55 percent) just edge out email marketing with 52 percent.

“It’s a very competitive online environment, but merchants have also been better about optimizing sites for natural search and have improved their organic traffic,” Mulpuru says. “People still are likely to use Google, and com-

panies that have a good natural and paid search effort are the ones that will do best with this. Some companies have very effective search programs, so that is what encourages others to invest in this channel as well.”

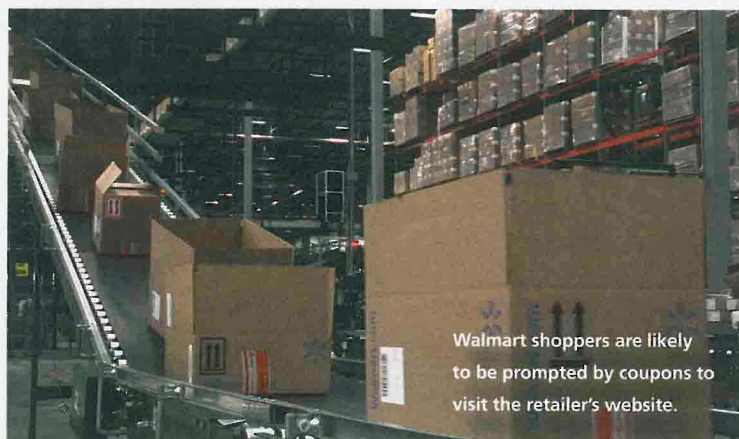
Social media marketing

While SEO and SEM continue to be the most effective tactics and earn the largest share of budgets, the trend points to the power of social media marketing. Some 58 percent of those surveyed said they would spend more on social in 2015 than in 2014 — out-ranking growth in SEO spending. Only SEM spending was expected to be higher, with 63 percent of those surveyed saying they’d spend more on mobile and desktop SEM.

Facebook earns the biggest portion of these added dollars, with half of those who plan to spend more devoting it to the social media behemoth. Facebook also ranked seventh on the list of most effective customer acquisition techniques.

While social media in general is expensive — with a cost per order of \$28 — the brand awareness is powerful, especially for smaller merchants. These smaller merchants attribute about 19 percent of marketing budgets to social efforts.

Driving traffic to retailers’ websites



Walmart shoppers are likely to be prompted by coupons to visit the retailer’s website.

Looking more deeply into the data reveals several interesting nuggets on the differences between Amazon, Best Buy and Walmart online shoppers. Those who shop at Best Buy and Walmart are more likely to have triggers that drive them to the website: coupons for Walmart shoppers and a cable TV ad for Best Buy shoppers, for example.

In fact, most of the triggering events — such as seeing an online ad or text message — are more likely to move a Walmart or Best Buy shopper to the online store than Amazon shoppers.

Face-to-face communication drives shoppers

is more effective than sales conversions, though. About 45 percent say Facebook is sending more web visitors, compared to 32 percent who had more sales. Other social media channels — Pinterest, Instagram, Twitter, YouTube and Snapchat — also deliver more traffic than sales.

Risk-free experimentation

Online is something of a hydra: Just when marketers think they have figured out a plan, a new trend emerges. That has created an environment of constant experimentation, but not necessarily with marketing dollars. Rather than create new programs, the survey found that most retailers are more likely to refine existing programs like Facebook or affiliates. Those who are experimenting are hardly on the cutting edge, trying out podcast advertising, Amazon ad placements and geofencing around stores.

Still, that doesn't mean that marketers aren't looking for something new. Online marketplaces and retargeting are growing. They rank fifth and sixth, respectively, on the list of most effective acquisition techniques, and at averages of \$14 and \$10 they are more cost-effective than other methods. Consequently, retailers that invest in marketplaces attribute 16 percent of the marketing budgets there, while

those that invest in remarketing/retargeting spend about 13 percent.

Mobile marketing growth

Merchants say that an average of one-third of all web traffic comes from smartphones, though the averages for large retailers (47 percent), store-based retailers (44 percent) and brand manufacturers (45 percent) are much higher.

Consequently, mobile is drawing a larger portion of the marketing pie. Some 58 percent say they'll spend more on smartphone marketing efforts in 2015 than they did in 2014, while 47 percent said they'd spend more on tablet marketing. Only 3 percent expected to spend less on either, with the remainder unsure or spending the same. Most of that is spent on paid search to drive mobile shopping (52 percent), mobile email optimization (46 percent) and paid search to drive store shopping (37 percent).

How effectively mobile — or any other marketing effort, for that matter — works remains a bit of a mystery, since a third of retailers say they still use "last-touch" models to allocate credit to marketing. Only 22 percent have resolved device attribution in marketing efforts.

Better merchandising

Site merchandising efforts are

getting a boost this year too, with 63 percent of respondents saying they'll increase budget and 49 percent intending to increase staff. Site redesign is the top area of focus: Those surveyed said their sites were outdated, or they wanted to create a more seamless experience between desktop and mobile.

This will mean improved product pages, an area of keen focus for shoppers. Some 34 percent of those surveyed said they would concentrate on this effort for their desktop sites, while 27 percent said they'd do so for smartphones. Improving the checkout experience for mobile shopping was cited as the third priority for merchandising improvements.

Some 70 percent of merchants said they were investing in content improvement this year, with video topping the list of investments.

In general, the strategy for success differs: Mulpuru notes that the largest merchants spend the smallest percentage of revenue on marketing, for instance. "This implies that they get some scale from being online and can reduce some of their interactive acquisition costs, or maybe they invest it in free shipping instead of media," she says. "Smaller merchants need to use tactics like online marketplaces and paid social programs to grow."

equally to the three sites. Amazon shoppers are more likely to be triggered by reading an article than shoppers at the other two online stores.

"Amazon shoppers are just logging on to Amazon," Goodfellow says. "There is a more direct connection with Amazon.com."

Despite the stability at the top, there were some interesting moves just outside the top 10. Nordstrom jumped from No. 17 to No. 12. "They made a big impact with Nordstrom Rack with Millennial shoppers," she says. "That plays into their move this year."

Other specialty retailers also moved up: For-

ever 21 jumped from No. 24 to No. 16 and Gap moved from No. 22 to No. 17. "Both show the influence of younger shoppers," Goodfellow says.

Millennials also pushed stores like Forever 21, Express and Old Navy into the top 10 for their age group.

"Millennials point to more specific preferences," she says. "Boomers have the big traditional retailers plus Google. When you name Google as one of those preferred sites, there's not much preference there. Boomers are still looking around. They don't have the loyalty that some of the younger shoppers do."



Best Buy shoppers are the most mobile-savvy and more likely to ask for a price match.

Hello, Goodbye

Retailers making initial or return appearances (2015 rank):

Chico's	(36)
Talbots	(43)
The Children's Place	(44)
Jos. A. Bank	(45)
Roaman's	(46)
LOFT	(50)

Retailers that didn't return (2014 rank):

Newegg	(30)
OneStopPlus (now Full Beauty)	(37)
Groupon	(46)
Sam's Club	(47)
Nomorerack (now Choxi)	(48)
Torrid	(49)

Source: Prosper Insights & Analytics Monthly Consumer Survey, June 2015

SHOPPING PREFERENCES

In addition to the rankings, the data shows several key insights about shoppers in general. It's probably no surprise that Best Buy shoppers are the most mobile-savvy. But what may be surprising is those same shoppers are more likely to compare prices or ask for a price match, and are the most likely to look at another retailer's website while in the store.

And it's likely no surprise that big-ticket electronics or appliances are most likely to drive a shopper into a store. "You want to play around with it or ask an expert to explain it," Goodfellow says.

"It's definitely an advantage for Best Buy, which has really been trying to play up the customer service and expert advice."

Younger shoppers are more likely to compare prices using mobile devices. "As consumers increasingly integrate smartphones and tablets into their lives, more people will jump in the boat as far as making sure that they're watching prices during every facet of the purchase process," she says.

While Amazon remains far and away the retailer to beat at online shopping, Goodfellow sees a larger trend. "It's the big retailers that are still winning online," she says. "They have the most name recognition and probably feel the most secure. I'm not saying that the specialty retailers aren't secure. But there's a comfort when you can go to a name like Walmart versus a lesser-known site. If you're a smaller player in the retail field, look to the top 10 as the ones who set the standard for shoppers and maybe adopt some best practices from what these retailers do." **STORES**

Sandy Smith grew up working in her family's grocery store, where the only handheld was a pricemaker with labels.

METHODOLOGY

The Favorite 50 is a list of e-commerce websites ranked by the consumers who use them. Worthington, Ohio-based Prosper Insights & Analytics asked two open-

ended, write-in questions about online shopping of 6,431 adult consumers:

- What website do you shop most often for apparel items?
- What website do you

shop most often for non-apparel items?

No merchants' names were listed or suggested, and the list was compiled by ranking online retailers in order of total mentions.

Some of the listed companies are not retailers in the traditional sense, but because consumers don't make such distinctions they are included in the Favorite 50.