

THE COMPLETE PACKAGE

BY CLINTON WILDER

With the temperature climbing toward 85 degrees and the late August sun browning the scenic hills nearby, not many people in Napa, Calif., were thinking about Christmas shopping. But the managers and employees of Wine.com certainly were, as they moved into a new 101,000-square-foot distribution center designed to handle 10 times last year's holiday season order volume. But just as important, the online wine seller has greatly expanded its human capital. Instead of Wine.com's usual 40 call-center representatives, it will have 250 for the holidays.

"Last year, customers were willing to cut us a little slack for the novelty of buying online. That's gone," says Peter Granoff, Wine.com's senior VP and general manager. "This year is really make-or-break for online merchants."

With the novelty of the Internet worn off, online shoppers will expect a lot more than fast Web sites and timely delivery this holiday season

Like thousands of other companies now selling to consumers on the Web, Wine.com has been pouring in time, money, and effort all year to gear up for the holiday rush. The three major E-commerce market-research firms, Forrester Research, Gartner Group, and Jupiter Communications, predict that North American consumers will buy \$9 billion to \$10.7 billion worth of products online this holiday season, up as much as 100% from last year.

But volume is only part of the story. Think holiday E-commerce is all about server uptime and timely delivery? This year, that's just the price of admission. Customers' expectations for a quality Web shopping experience will reach an all-time high this gift-buying season. Online merchants need to offer additional features that shoppers can't find at the mall—as well as top-notch customer service every step of the way. Buying online just because it's new, cool, and easy is yesterday's news. The message is clear: Convenience isn't enough.

That's why Sears, Roebuck and Co. has taught 850 store managers how to help customers research products or buy through Sears.com using in-store kiosks; why CDNow Inc. offers the ability to customize a CD online, right down to the album title and liner notes; and why about 60 of Lands' End Inc.'s 3,000 call-center reps are "Specialty Shoppers" available to help Web buyers with special requests or questions via phone or live online chat. A sample of every product that Lands' End sells online is stored in the Specialty Shoppers area, so

David Duggan

reps can see and touch the item they're discussing.

"Shopping online can be kind of a lonely experience, compared to a store," says Tracy Schmit, a business Internet analyst at Lands' End, in Dodgeville, Wis. "We're trying to close that gap with a live person to help you with a recommendation."

Lands' End has the right idea, because the competition isn't just other Web sites, but other shopping channels. "Overall, the cumulative shopping experience has to be better online than in the store for the Web to be the preferred buying medium," says Regina Connell, managing director of customer insight and experience for E-business integrator Proxicom Inc. "It can't just be that you can do the commerce transaction online—there has to be more."

What differentiates online merchants most, say E-retailers and analysts, is a personalized shopping experience that you won't find in a crowded mall on the day after Thanksgiving. Assistance in finding the right gift for the right person at the right price is obviously invaluable for high-end merchants such as the jeweler Tiffany & Co. or custom beauty-products seller Reflect.com, but it's no less important for smaller-ticket items such as instructional toys.

SmarterKids.com Inc. in Needham, Mass., has invested much of its technology budget in building online applications—which it's trying to patent—that help its 250,000 customers select gifts for kids from infants to teen-agers. Its Gift Finder, written in Microsoft Visual Basic and Active Server Pages with a SQL Server database, pulls up gift suggestions by age, interest, and price. So far, that's similar to a helpful sales clerk. But another application, called Grade Expectations, written with input from teachers and childhood development experts, helps parents compare their child's local curriculum with national guidelines and select appropriate products for them.

"Before the Web, there was no way you could cost-effectively address consumers with that level of insight," says Al Noyes, SmarterKids.com's VP of sales and marketing. SmarterKids.com expects to make a whopping 80% of its annual sales in the fourth quarter, and the company is betting that Web-based selection tools will mean more satisfied customers and fewer returns. "Someone is a lot less likely to be disappointed with the product if they're buying from SmarterKids," says CIO Rich Secor.

Personalized and customized are words heard over and over in discussing the experience that E-retailers need to provide. Procter & Gamble Co., in its highest-profile Web initiative to date, has focused its Web retailing strategy on selling completely customized health and beauty products

for women through Reflect.com, a spin off it created in San Francisco, far from P&G's Cincinnati headquarters. This is Reflect.com's first holiday selling season, and it's mindful of the fact that two-thirds of the fragrance industry's sales come at Christmas.

With the exception of \$10,000 offerings from a New York company that caters to celebrities, customized fragrances aren't available in the offline world. Reflect.com—with perfumes starting around \$40—is committed to the proposition that gift shopping on the Web must offer unique products and services, not just simplicity and speed. "The convenience factor is an overblown one, and one that is easily competed with," says Jonathan Grayson, VP of engineering at Reflect.com. "The real selling point of the Web is the benefit of matching personal information so you can be treated as an individual by



INFORMED: The Web lets SmarterKids.com give customers better information before buying, making it likely they'll be happy, says CIO Secor.

experts in the field. We're about to enter the next phase of Web retailing, where convenience isn't enough, and this Christmas is the beginning of it."

Reflect.com customers fill out a detailed questionnaire online for the company to create a customized fragrance, which includes choosing the packaging and labeling along with the product itself. But the company knows that phone support—what it calls Concierge service—is crucial. "Web-site functionality is great, but Concierge is the clincher," Grayson says. "You're talking to experts in the field and they treat you as an individual."

In fact, "concierge" is what Proxicom's Connell calls the fourth "C" that Web merchants need to add to their offering—after content, community, and commerce. "You have to provide that extra level of service, which can

Steven R. Kelle:
Toddlerwatch.
enable Toddlers
now deliver unique



NEED MORE: Convenience isn't enough in the next phase of Web retailing, Reflect.com VP Grayson says.

include gift registries, gift certificates, E-mail notifications about products you want, and loyalty incentives," she says. "You have to offer the data that a good sales associate would: Do you have this product? How long will it take? It's an expensive challenge to offer that value, and many E-commerce sites may not get there quickly."

Online gift certificates offer an illustration of how far

obvious, but in the rush to offer certificates, many sites just didn't build that in," says Don Endres, VP of Internet stored-value programs at CyberSource. Companies including Nike, cookware E-retailer Tavolo, and Ace Hardware's OurHouse.com are using CyberSource's stored-value platform to create online gift certificates.

Sears.com isn't ready to accept regular store-bought gift certificates on its Web site this holiday season, but it is very aware of perhaps the No. 1 imperative for brick-and-mortar retailers selling online: the integration of multiple channels. Sears offers the ability to redeem an online gift certificate in the physical store, and it has taken many steps in the past year to keep its online brand consistent with its ubiquitous real-world presence. "We don't look at online as a separate business," says Dennis Honan, Sears.com's VP and general manager.

In August, Sears brought 850 store managers to corporate headquarters in Hoffman Estates, Ill., to teach them about Sears.com. That included a program on training their own sales clerks how to teach customers to use the Web site, whether via in-store kiosks or at home. Honan says 10% of Sears' big-ticket appliance sales are influenced by Web-site research or purchased online, and Sears sells 38% of the major appliances bought in the United States, easily making it the market-share leader.

The phenomenon of browse-online-but-buy-in-the-store is considered the "dirty little secret" of E-commerce, but it's one that Sears and other brick-and-mortar retailers wholeheartedly embrace. "Because this channel is still so new, it's very hard to predict customers' channel preferences," Honan says. "We want to make it easy for them to buy the way they're most comfortable. When our sales associates see customers coming in with Web printouts, they love it. It makes for a more informed customer."

Sears also made some IT moves in the past year for a more personalized Web site, moving its E-commerce platform for appliances from IBM's Net.Commerce to BroadVision Inc.'s One-to-One Marketing, seen as strong in personalizing and customizing for individual buyers. The BroadVision application runs on Sun Microsystems Web servers and links to Sears' back-end systems for credit, inventory control, accounting, and replenishment. That lets Sears, in some cases, ship a Web-ordered product from a regional distribution center closer to the buyer's home. Sears.com offers in-store returns of Web-bought items, gift registries, gift wrapping, and Web pricing consistent with newspaper-advertised promotions.

Similar examples of brick-and-mortar and Web-site

Consumers' "browse-online-but-buy-in-store" approach may be E-retailing's dirty little secret.

Web sites still have to go. In a recent survey of 9,400 online shoppers conducted by BizRate.com for CyberSource Inc., 77% of shoppers say they don't purchase gift certificates from Web sites, and only 30% say that online certificate offerings are satisfactory. Complaints range from the inability to redeem a Web gift certificate in a physical store (and vice versa) to the plain-text design of certificates that often resemble an E-mail—hardly the look and feel of a special holiday gift.

"Making the certificate graphical seems so simple and

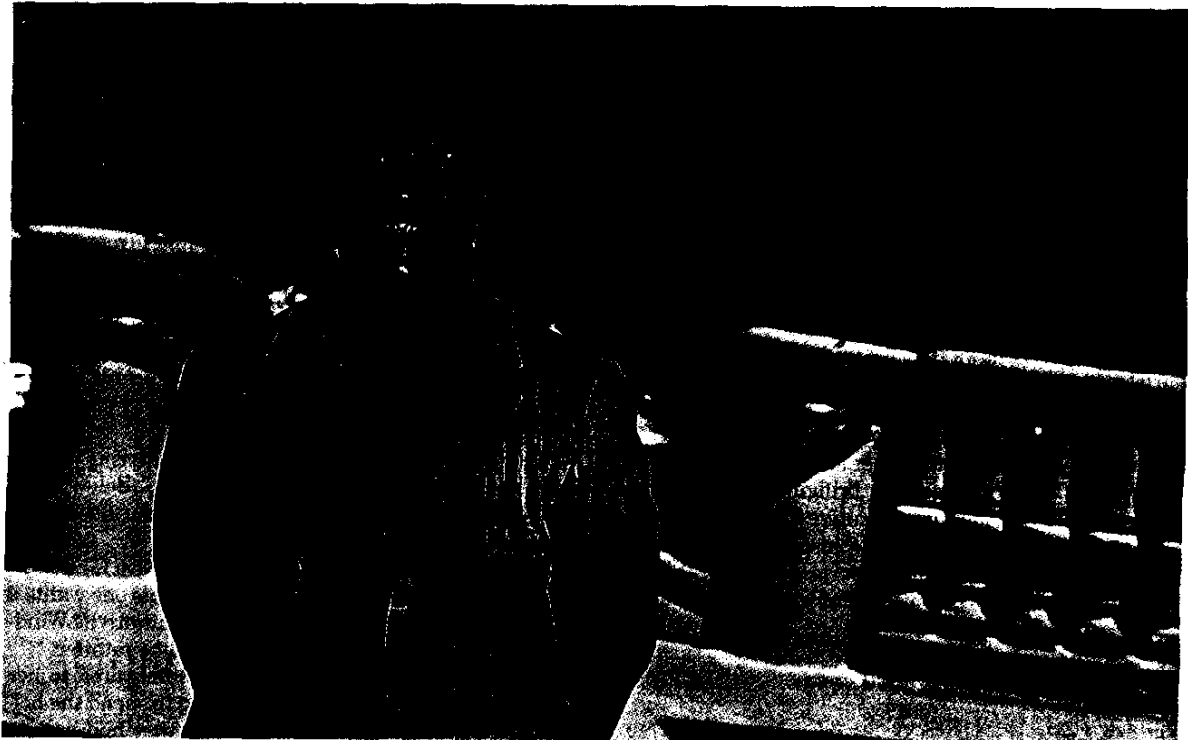
integration abound. Sears rival J.C. Penney Co. moved its E-commerce group inside its \$2 billion catalog business earlier this year and now offers in-store returns for catalog sales as well as Web purchases. Tiffany, while expanding its online product inventory to 1,000 items by Christmas, is also adding instructive content to help buyers with in-store purchases. The Chelsea Interactive unit of Chelsea GCA, operator of 20 high-end outlet malls, is launching Web sites to sell the excess inventory of upscale brands such as Liz Claiborne apparel and Cole-

Haan shoes. "Folks in South Dakota won't have to drive 80 miles to the nearest outlet location," says John Reilly, a Chelsea Interactive VP and chief technology officer.

Established physical-world retail brands are clearly starting to get it. "Last year, a lot of the big brick-and-mortar retailers didn't really take Web commerce seriously and weren't ready to scale," says Laurie Windham, CEO of

expectations. "Brands are increasingly about service, not the product," says Proxicom's Connell. "The ability to buy something, regardless of channel, is key. If I want a sofa and the Web site says it will take four weeks, I'm willing to drive to a store to get it if it's in stock there."

One brick-and-mortar retailer, Dan Howard Maternity of Chicago, has gone so far down this channel-integration path as to rebrand all of its offline locations with its online



TELEPHONE CONTACT: Online ordering hasn't made customer phone calls disappear, CDNow VP Below says.

marketing consulting firm Cognitative Inc. and author of *The Soul Of The New Consumer* (Allworth Press, 2000). "Now they're realizing that most customers are cross-shoppers. You need to think about the entire customer cycle, not just the sales transaction. Where do customers go to start the process? It's often the Web."

At Tiffany.com, virtually everything about the Web site is designed to improve the in-store experience. In November, Tiffany will begin providing employee discounts on Web-bought merchandise. It's intended to reduce visits by Tiffany employees to its stores this holiday season—freeing up sales associates to spend more time with outside customers, mainly at the Short Hills, N.J., store near company headquarters in Parsippany. Tiffany does 45% of its annual business in the fourth quarter.

For a big-ticket, well-thought-out purchase like those made at Tiffany, the Web can be a critical pre-sale information source. "We're really not there to double or triple sales online, but to drive customers to the stores," says Bob Davidson, Tiffany's VP of IT. "If you know what you want when you come in the store, it helps our associates give you quicker service—and lets them spend more time with less-educated customers."

That kind of integration between Web site and store helps meet rising customer convenience and service

brand name, iMaternity (see story, p. RB12).

If multichannel options are so important for the service that holiday shoppers demand, how will the pure-play dot-coms survive? Many have recently done what some observers call the ultimate irony—opened their own brick-and-mortar locations or started publishing paper catalogs.

This online-offline hybrid strategy, a major E-commerce trend of the past year or so, has taken many forms. Allergy and asthma medications retailer Gazoontite.com revised its original business plan and opened a store on San Francisco's trendy Union Street at the same time it launched its Web site. (The company says the store is already profitable, while the Web site isn't.) In September, Kmart Corp. online subsidiary BlueLight.com LLC planted its brick-and-mortar stake across town on Fisherman's Wharf, a place where you'd never find a traditional Kmart. And the ranks of E-retailers who've been mailing out catalogs include Garden.com, Greatfood.com, and gift-seller Red Envelope, as well as Gazoontite.com.

"In the heady early days of E-commerce, there was this notion that dot-com retailers could reinvent retailing and keep people away from the malls. It's not the case," says Mark Wright, chairman and CEO of E-retail market-research firm @Plan Institute for Online Commerce, whose clients include Buy.com, eBay, and Wine.com. "People have

shown that they like to research prices and products online, then get in their cars and drive to the store, or call the catalog. Pure dot-coms will lose these people."

What haven't changed, Wright contends, are the basics. "You can talk buzzwords like customization and personalization all you want, but the customer wants the same thing as 100 years ago," he says. "A good product at a fair price that the store stands behind so that it can be easily returned, no questions asked. Merchandising isn't

Internet retailers know they need to improve the speed and accuracy of E-mail responses.

that complicated. Executing properly is the Mount Everest challenge, and most online sellers haven't achieved it."

Indeed, a key factor behind last year's well-publicized E-commerce product-delivery nightmares was a general neglect of customer service in the rush to win shoppers in bulk and drive site traffic. CDNow, saved from potential insolvency by a \$117 million buyout by Bertelsmann AG earlier this year, knows that it's under the spotlight this Christmas. It was one of several E-retailers fined by the Federal Trade Commission for not living up to 1999 holiday delivery promises. In March, CDNow hired former Canon U.S.A. Inc. VP of customer support Amy Belew as its new VP of customer service, bringing operations and customer service under one executive for the first time.

"I was brought on to integrate customer service at all levels," Belew says. "Customer service has to be there at the front end to see what customers want, not just at the



CHECKERS: Customers use Tiffany's site to research jewelry before going to a store, says VP Davidson.

back end to handle problems or status requests. Frankly, we can promote as much as we want, but the key to success is execution throughout the customer's experience."

Like many E-retailers, CDNow is staffing up one of the most important and overlooked aspects of Web commerce: telephone support. CDNow is adding 80 telephone support reps for the holidays, an increase of 50%, and using software from Kana Communications Inc. (as is Tiffany) to route calls to the most appropriate service rep.

Sears.com established a dedicated call-center section exclusively for Web-site inquiries within its call-center operation in Des Moines, Iowa. For the holidays, Sears.com is increasing phone support personnel from 165 to 250. SmarterKids.com and Lands' End, in addition to a toll-free number, use Cisco Systems' Customer Interaction Suite (formerly Weblines) to let customers launch an instant live chat session with a service rep or request a callback. Lands' End's implementation includes a feature called Shop with a Friend that lets browsers chat online with friends about what to buy.

"The early assumption that online ordering would make the phone call go away was wrong," Belew says. "It's a different kind of phone call, but you absolutely must be there to provide it."

Web sellers also know they need to improve E-mail response speed and accuracy. That's because no one wants a customer to have the experience that Cognitative's Windham did last Christmas with a brand-name retailer.

Windham ordered gifts online to be delivered to her relatives' home where she was traveling to spend the holidays. She specifically chose a retailer that had a store location in the same town to accept returns. The delivery arrived in time for Windham to check and wrap the gifts, but with a note explaining that some items were out of stock—her first notification there was a problem.

"So I still had to run out to the mall on Christmas Eve," she laments. But the company's response to her E-mailed complaint was even worse—a form letter reading "Thank you for your feedback about your good/bad shopping experience with us. Obviously they didn't even read it," Windham says. "This year, I'm going to find somewhere else that has a store in that town."

That E-commerce nightmare before Christmas is something E-retailers are working hard to prevent. WineShopper.com in Napa, which is completing its merger with Wine.com this month, trains customer-service reps for a month on every aspect of wine and the wine industry. That's in addition to a thorough understanding of the site's shopping process, credit-card security, and delivery procedures.

"The search function is fine, but people still like to get on the phone and say, 'Help me find this,'" says Kristen Estheimer, customer-care supervisor at WineShopper.com. "The nature of wine is convivial. People want to talk about it. They might not remember what you said, but they sure will remember how they felt. And that's what makes them come back." IW

More on E-retailing: informationweek.com/808/r/holiday.htm

