

FOUR WAYS FOR
BRANDS **TO SELL MORE**
WITH THEIR WEBSITE



Shopatron



INTRODUCTION

eCommerce is expected to become a \$188 billion dollar industry in 2011. While setting up and managing an eCommerce site may seem daunting for a branded manufacturer, after reading this guide you will find it is easier than you think.

The decision to create a branded eCommerce website isn't based on sales dollars alone. It is also about customer experience. A brand that has spent years growing and perfecting their product line, building long-standing relationships with retailers, and cultivating a reputation within their industry is now being asked to go digital. To some it may feel like a whole new ball game, one they aren't ready to suit up for. The fact of the matter is, there are digital solutions that allow brands to maintain the old-school values and relationships they have relied on all these years, while still answering their customers' calls for the convenience of buying online. To help you make an informed decision, this book will take a look at four major options for turning your existing website traffic into sales, and provide the information and tools you'll need to make a choice that works best for your brand.



DEFINING ECOMMERCE

Technically, “eCommerce” has been around since the ‘70s when it was used primarily for business-to-business transactions. However, it wasn’t until the birth of the World Wide Web in the 90’s, and subsequent security and infrastructure improvements that it became the multi-billion dollar sales channel we are familiar with today.

eCommerce has definitely come a long way. According to eMarketer, 179 million consumers will research products online in 2011, with 83 percent of them making an online purchase.

And Forrester Research forecasts the web will influence 53 percent of all retail sales by 2014, meaning more than half of all retail purchases will be researched and/or completed online.

Research continues to show that the growth of online retail sales will outpace the growth of brick-and-mortar sales moving forward. Another Forrester forecast indicates that eCommerce sales in the U.S. will continue to grow 10 percent annually for the next five years, compared to 2.5 percent for all retail sales. As the web’s influence grows, brands are feeling the pressure to offer products both online and in-store.

Shoppers want it all—the ability to order online and pick up locally, or order at their local store and have the items shipped to their home. Just visit a local Kohl’s or Home Depot store and you will find them more than happy to ship you products that aren’t on their shelves—with no added shipping costs.

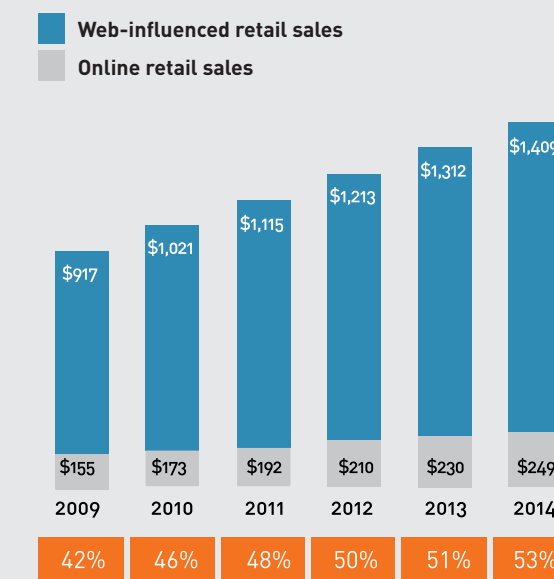
This evolution is natural for industries that embraced eCommerce years ago. Consumer electronics, for example, already has a high percentage of sales taking place online. But other industries have been slower to adopt eCommerce for reasons that include:

- Shipping difficulties (couches are hard to ship)
- Low technical capabilities (a golf pro shop may not use the Internet regularly)
- Security issues (trusting an online sale for a \$10,000 telescope)
- Need for service associated with the sale (tires need to be installed)
- Legal regulations or liability (firearms require a registration process)

But web-savvy customers have forced laggard industries to take online retailing seriously. Consider, for example, the tire industry. As recently as five years ago, few consumers would have considered buying tires online. Today, websites like TireRack.com and TireBuyer.com continue to see their online sales grow as consumers become more and more comfortable with purchasing online.

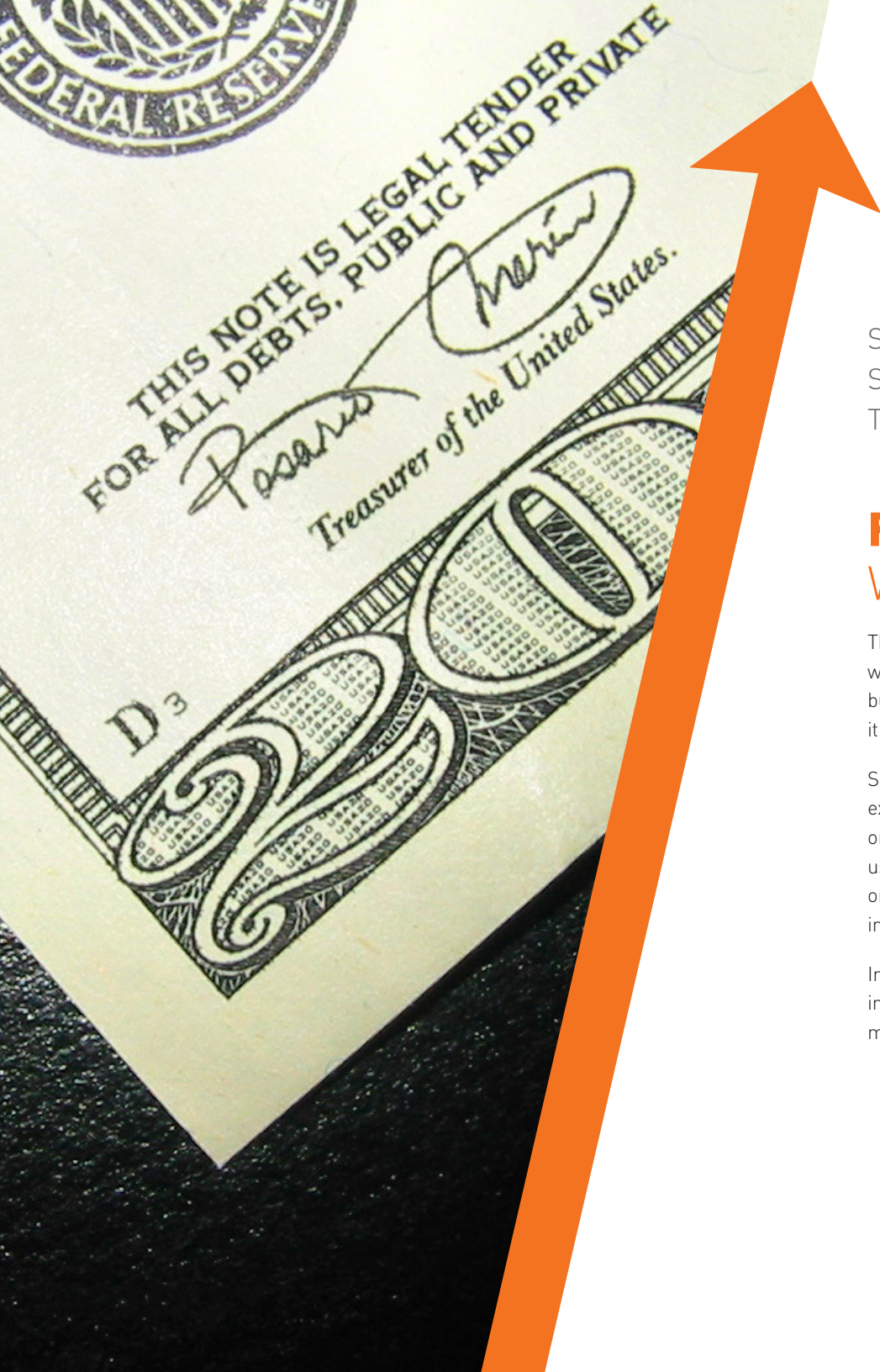
US Online and Web-Influenced Retail Sales, 2009 to 2014

US online and Web-influenced retail sales (\$ billions)



US online and web-influenced retail sales as a % of total sales

Source: Forrester Research Web-Influenced Retail Sales Forecast (12/09)



SO YOU HAVE A BRAND WEBSITE, BUT YOU'RE NOT SURE HOW TO GET STARTED IN ECOMMERCE. LET'S TAKE A LOOK AT YOUR OPTIONS...

FOUR WAYS TO CONVERT BRAND WEBSITE TRAFFIC INTO SALES

There are four primary ways to convert your website traffic into sales. When deciding which of these options to use it is important to consider how it will serve your unique business model, how it meets the needs and expectations of your customers, and how it supports the relationship with your retail partners.

Some manufacturers deploy just one of these strategies: using a dealer locator, for example. Others combine strategies, allowing shoppers to choose whether they visit online retailers, utilize a dealer locator, or buy from the branded online store. Any usability expert will tell you that simplicity is key. Give shoppers too many choices or too many ways to make a purchase, and they can become confused and lose the impulse to buy.

In this document we explore the four options available for converting website traffic into sales. Knowing the pros and cons of each will help you determine a solution that meets your company's needs.

OPTION NO. 1: Dealer Locator

The dealer locator is clearly a useful device for shoppers who are looking for a local retailer to call or visit, but it's often an ineffective solution for converting website traffic into sales, and carries the risk that shoppers referred by one brand's website will end up purchasing a competing brand's product. For this reason, many brands maintain a dealer locator resource option, but introduce an additional solution for more user-friendly online shopping.

It works like this: A shopper selects a product on your site, then clicks the dealer locator page to find the phone numbers, addresses, and, in some cases, the websites of authorized retailers. The shopper then calls individual retailers to ask if they have the product in their size in stock, and if so, at what price. Or, they visit the store directly, hoping to find what they are looking for at the retail location.

Dealer locators are a convenient resource for shoppers looking to find an authorized retailer in their area. They also give brands an opportunity to highlight their authorized retailers on their site.

However, if a brand wants to provide convenience for shoppers looking to purchase a particular product, the dealer locator falls short of online shopper expectations. Shoppers nowadays assume they will be able to find and purchase an item online in only a handful of clicks, or at least quickly locate a store that has their desired item in-stock so they can go there and pick it up. If a shopper visits a retailer's website from the locator, the shopper will then have to navigate a completely new site. Not only will they have to search for their product a second time, they will likely be faced with making a choice between the original product they found on the brand's website, or a competitors' products that are also sold by that retailer – and may even be on sale. The potential for the customer to lose interest because the process is too time consuming, or to purchase a different product altogether, makes dealer locators a less desirable option when it comes to closing sales.

WHY THE DEALER LOCATOR STRATEGY FAILS:

1. Dealers can't be contacted outside of regular business hours, so in many cases the shopper gets frustrated and the sale is lost.
2. Promotions that could drive sales are impossible to execute, since no automation connects your outbound marketing communication to the dealer with inventory.
3. Even if your dealer locator links to a retailer's website, that is available 24/7, the shopper must click multiple times to locate the product again on the new website, dropping conversion rates dramatically.
4. Most dealer locators offer no information about which products are stocked by specific retailers, so the shopper often gives up before finding the product and may purchase another brand.

Store Locator: US and Canada
Select a Search Option below to find a Hero Arts retailer near you.

Search US by Zip Code

Enter US Zip Code and Distance (radius in miles)
Enter US Zip Code
Select Distance:

an ineffective solution for converting web traffic to sales

OPTION NO. 2: Product-to-Product Links

Product-to-product (P2P) links resolve some of the issues inherent to dealer locators. A P2P link connects a shopper directly from the product page on your website to the product page of an online retailer that carries the product. There are a number of advantages to this method: P2P links are conveniently located on the product page and, unlike dealer locator links, don't require the shopper to perform a second search. Because P2P links bring shoppers to a page where they can click once to purchase the product, shoppers who use P2P links are also more likely to complete their purchase.

Online retailers love these P2P links because they drive "free," high-quality traffic to their site. And the higher conversion rate of P2P links results in increased sales for your retail partners who then may commit to purchasing more of your product. Brand-loyal shoppers are also typically more satisfied with the convenience of purchasing online via a P2P link as opposed to hassle of a dealer locator link.

In general, P2P links are a reasonable option for brands looking to sell online. They provide a more direct route for online shoppers to find and purchase their products. However, many brands find they still underperform in converting website traffic directly into sales. Though P2P links are more streamlined, they still require a customer to be referred to an outside site that may be out of stock on the product they are looking for and will likely carry a competitor's alternative. And unfortunately, they are of little to no value for brick-and-mortar retailers that do not have an eCommerce site. Due to this, a P2P strategy often alienates a brand's core, local retailers by passing sales from their local market to an online competitor.

WHY P2P LINKS FAIL:

1. More options cause confusion resulting in conversion loss. Since manufacturers can't appear to favor one retailer over another, they usually list more than one online retailer and the shopper must decide which one to visit. Frequently, just thinking about which link would be best (price, security, availability, delivery time, etc.) causes shoppers to abandon their path to purchase.
2. Outbound consumer promotions do not work across online retailers. For example: if your marketing team wants to email shoppers a new product trial offer on the product launch day, all of your P2P online retailers would have to agree to have the product in stock and to honor the offer. This would require a great deal of effort and cost in addition to cooperation from the retailers.
3. Promotions are especially difficult to coordinate with very large retailers, who often buy new products on cycles that are much slower than a manufacturer's marketers would like. The customized integration that is required so that P2P links can handle these variance can be complicated and cost-prohibitive.
4. P2P links can send business to your competitors. Once the customer clicks on your P2P link, they may land on a page that also highlights similar but competing products. When P2P links are employed, there is no way to be sure the shopper buys your products.

OPTION NO. 3: The Manufacturer Branded Store

In the same way P2P links improve on the dealer locator concept, manufacturer branded eCommerce sites that sell direct to consumers solve some of the issues created by P2P links. A branded online store follows a standard eCommerce model. It allows shoppers to research products and complete their purchase seamlessly without leaving the single, branded website. This is exactly what online shoppers expect. And, because the brand is selling products direct to the consumer, it allows the brand to earn a much larger margin on every sale. Plus, because shoppers don't leave the brand's website, they never encounter alternative product options from competing brands.

With this method, conversion rates are higher than in the previous two examples as consumers need only click once to add the product to their cart. Customers feel more comfortable purchasing products on the branded websites they trust, rather than going through a third-party retail site with no brand recognition. Additionally, this model allows brands internal control over consumer-facing promotions and inventory.

Because the purchase is handled entirely by the brand, they also manage fulfillment. Fulfillment may be run through the brand's warehouse, or through an exclusive third-party fulfillment partner.

From a retail perspective, selling direct online is a great way to make money and satisfy online shoppers. However, most good brands rely on their retail partners for the bulk of their sales. If retailers find, as they often do, that the brand is competing with them by selling online, it discourages them from purchasing additional product, or they may discontinue the brand altogether. (A May 2011 survey conducted by Shopatron indicated that 64 percent of retailers would reduce or cease purchasing from brands that sell direct.) Many brands are weary of disrupting important relationships with their vital distribution outlets, and therefore find themselves weighing the benefits of selling direct online against losing valuable retail channels. While selling direct online serves the needs of the brand and the consumer more effectively than options 1 or 2, it introduces a downside not present in the first two options. Deciding between pleasing their customers or supporting retailers is a dilemma faced by brands worldwide.

WHY THE MANUFACTURER BRANDED STORE FAILS:

1. Retailers are the lifeblood of brands. Cutting them out of the sales process can upset the critical brand-retailer relationship. To placate their retailers, manufacturers selling online direct to consumers often use one or many of the tactics below:
 - Set their pricing higher than average street pricing. This practice also punishes loyal brand shoppers and impacts conversion rates.
 - Do little to no promotion, thus removing an effective marketing tool and lowering online sales volume.
 - Offer a limited selection of products to avoid conflicts with their retailers.
2. A manufacturer branded online store that sells directly to the consumer does not foster brand-retailer relations, thereby eliminating the opportunity to leverage retail stocking or encourage more shelf space with retailers.

OPTION NO. 4:

Manufacturer Branded Store with Retail Integrated Fulfillment

The manufacturer's eCommerce site can drive significantly more sales on-and offline through a retail-integrated fulfillment strategy. Retailer-integrated fulfillment utilizes retailers and dealers as order fulfillment partners for your online orders, which can then be shipped via parcel or picked up in store.

Unlike the first three options, a manufacturer branded online store with retail-integrated fulfillment is the only solution that pleases all three parties involved in the sale—customers, retailers and manufacturers—because it accounts for each of their unique needs. It allows a customer to visit the brand's eCommerce site and easily purchase products, at their convenience. And behind the scenes, the sale is fulfilled by a participating retail partner, helping them move stock and gain new customers.

But a branded manufacturer can benefit from a branded online store with retailer-integrated fulfillment in other ways:

- **Competitive Market Pricing:** True "street" pricing can now be presented on the brand website. Retailers don't mind if your website sends them sales that deliver reasonable profit margins.
- **Broader Inventory:** Manufacturers can present the complete line of products on the website, even those no longer in stock in the warehouse, because retailer inventories are also part of the available inventory.

- **Remarketing Opportunities:** Retailers get the online sales, while manufacturers capture consumer data, which can be used for subsequent marketing and promotional efforts through email or other channels.
- **Brand-Directed Promotions:** Manufacturers can utilize promotions without restriction, because retailers benefit from any increased sales and profits delivered by the promotions.

Retailer-integrated fulfillment also strengthens retailer relationships and leverages those relationships in three ways:

1. Retailers stock more inventory to win a larger percentage of orders, and then use the same stock for increased in-store selling.
2. Online shoppers enjoy the convenience of buying online and picking up their orders locally. According to a recent Harris Interactive study, 32 percent of online shoppers have picked up an online order at a local store.
3. Conversion rates are increased 10-15 percent by offering in-store pickup as a delivery option for convenience-minded shoppers.

HOW IT WORKS

A step-by-step look at the Shopatron process

1. In a retail-integrated eCommerce system like Shopatron, a customer is able to purchase products directly on the brand's website.
2. That purchase is then sent as a new order into an order exchange system (such as Shopatron's Coex Freedom), where it is made available to all participating retailers that carry those products.
3. If the customer has selected a product that requires in-store pickup, the order can automatically be assigned to a local retailer. If the item can be shipped to the customer, the exchange can find a store with the item in stock and assign the order based on location. In either case, the order is assigned to a local retailer for fulfillment.
4. The retailer then picks, packs and ships the items to the customer, or hosts the customer in-store to pick up their order. The retailer can then provide all advice, installation and setup, as well as benefit from add-on sales of accessories at pickup time.
5. After the order has been fulfilled, the retailer is paid.

This simple process links the best of online commerce with a time-tested offline purchase process that works well for customers, retailers and manufacturers.

By leveraging an existing retail partner network and traditional processes, manufacturers can sell almost anything online. Online sales challenges, such as shipping a boat to a customer or handling legal requirements for firearm purchases, are solved through the existing retail channel.



1

CoexFreedom
Shopatron OPEN Order Exchange

2



3



4



5

ADVANTAGES OF RETAIL INTEGRATION

ONLINE SALES MADE SIMPLE.

Leveraging retail distribution for online purchases couldn't be simpler. The stock is available and your retailers know best how to serve consumers.

EASY SETUP.

Rather than completely overhauling your current distribution processes, retail-integrated eCommerce utilizes the existing distribution channels—only retail integration does it better and has more growth potential.

CONTROL CUSTOMER EXPERIENCE.

By selling directly on the brand website, a great brand can control the customer experience throughout the buying process. Additionally, you are connecting customers to a trusted, authorized retailer, so you can rest assured their experience will be a positive one.

SUPPORT YOUR RETAILERS.

Retail integration not only eliminates channel conflict, it turns it into channel support. The brand collects the orders and passes **closed sales** directly to their retailer base for fulfillment. Instead of allowing online sales to detract from local dealers, it transforms the Internet into a two-way street that helps retailers grow their business.

IN-STORE PICKUP.

With retail integration, brands can ship to customer homes or offer in-store pickup, which, in many cases, is more convenient and inexpensive for customers. Shoppers can order online and be alerted when their items are ready for pickup at the closest authorized dealer. The shopper does not have to search local stores to find the product they already know they want. Shipping is free. Consumers love this option, which leads to higher online sales. For retailers, in-store pickup brings additional foot traffic, creating add-on sale opportunities and greater inventory turnover.

PROVIDE HANDS-ON SERVICE.

Authorized retailers can provide assembly, customization or technical expertise with authorized, knowledgeable experts. This provides a guaranteed level of quality that protects the brand.

BUILD BRAND LOYALTY.

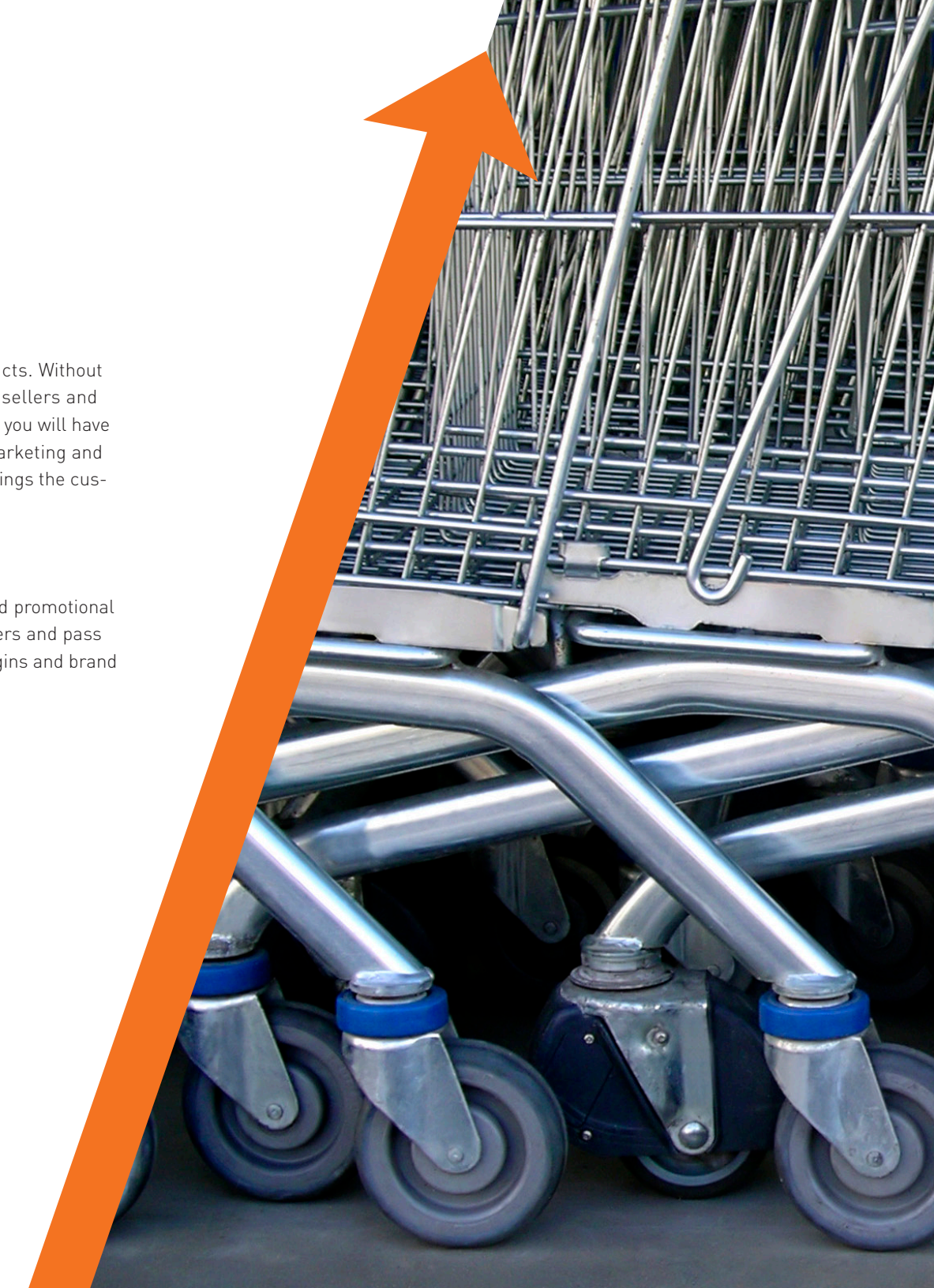
Shoppers feel most comfortable ordering directly from the brand and picking up their order at a local authorized dealer. They can ask questions and get advice on everything from installation to recommended accessories. This type of shopping experience not only improves relationships with customers but also solidifies brand perception for both the manufacturer and the retailer.

STRENGTHEN BRAND RECOGNITION.

A brand website provides an authorized online outlet for your products. Without this resource, customers may research and buy from unauthorized sellers and third parties like eBay. And after the customer purchases on your site, you will have their contact information to keep in touch with them through email marketing and other channels. Retail integration not only supports the dealer but brings the customer closer to the brand.

LEVERAGE MARKETING OPPORTUNITIES.

Working closely with your dealers provides increased marketing and promotional opportunities for your brand. You can offer discounts to end consumers and pass discounts to your retailers in a coordinated way to protect overall margins and brand pricing, while promoting your brand and increasing sales.



ROI EXAMPLES

ONLINE SALES ASSUMPTIONS	YEAR 1	YEAR 2	YEAR 3
Top Line Revenue for Company or Division	\$1,000,000	\$5,000,000	\$10,000,000
Shopatron Online Store's % of Total Sales	X 2.00%	X 3.50%	X 5.00%
ANTICIPATED SALES OF SHOPATRON ONLINE STORES	= A \$20,000	= B \$175,000	= C \$500,000

Assumptions re: Rev Source #1

	A	B	C
	\$20,000	\$175,000	\$500,000
% of Shopatron Online Store Sales Fulfilled by Existing Retailers	X 70%	X 80%	X 80%
Total Dollar Amount Fulfilled by Retailers	= \$14,000	= \$140,000	= \$400,000
Assumed Impact on Retailers Wholesale Purchase	X 50%	X 50%	X 50%
Increased Wholesale Purchases Due to Increased Dealer Stocking (Item 2)	= D \$7,000	= E \$70,000	= F \$200,000

Assumptions re: Rev Source #2

	A	B	C
	\$20,000	\$175,000	\$500,000
% of Shopatron Online Store Sales Fulfilled Directly by Manufacturer	X 25%	X 10%	X 10%
Increased Top-Line Sales for Manufacturer	= G \$5,000	= H \$17,500	= I \$50,000

Assumptions re: Rev Source #3

	A	B	C
	\$20,000	\$175,000	\$500,000
% of Shopatron Online Store Sales Fulfilled Through NEW Retailers	X 5%	X 10%	X 10%
Total Dollar Amount Fulfilled by Retailers	= \$1,000	= \$17,500	= \$50,000
Assumed Impact on Retailer Wholesale Purchases	X 200%	X 200%	X 200%
Increased Wholesale Purchases Due to Increased Dealer Stocking (Item 2)	= J \$2,000	= K \$35,000	= L \$100,000

Summary of Top Line Revenue Generated Through Shopatron Program

AREAS OF REVENUE IMPACT	YEAR 1 AMOUNT	YEAR 2 AMOUNT	YEAR 3 AMOUNT
1. More sales to existing retailers	D \$7,000	E \$70,000	F \$200,000
2. More sales because of direct sales*	+ G \$5,000	+ H \$17,500	+ I \$50,000
3. More sales to new retailers	+ J \$2,000	+ K \$35,000	+ L \$100,000
TOTAL TOP-LINE REVENUE BENEFIT	= \$14,000	= \$122,500	= \$350,000

Blue Items = Data Inputs
 Black Items = Calculated Values
 * = Margin larger on these sales

ROI WORKSHEET

ONLINE SALES ASSUMPTIONS	YEAR 1	YEAR 2	YEAR 3
Top Line Revenue for Company or Division			
Shopatron Online Store's % of Total Sales	X 2.00%	X 3.50%	X 5.00%
ANTICIPATED SALES OF SHOPATRON ONLINE STORES	= A	= B	= C

Enter Your Numbers Here

Assumptions re: Rev Source #1

	A	B	C
% of Shopatron Online Store Sales Fulfilled Existing Retailers	X 70%	X 80%	X 80%
Total Dollar Amount Fulfilled by Retailers	=		
Assumed Impact on Retailers Wholesale Purchase	X 50%	X 50%	X 50%
Increased Wholesale Purchases Due to Increased Dealer Stocking (Item 2)	= D	= E	= F

Assumptions re: Rev Source #2

	A	B	C
% of Shopatron Online Store Sales Fulfilled Directly by Manufacturer	X 25%	X 10%	X 10%
Increased Top-Line Sales for Manufacturer	= G	= H	= I

Assumptions re: Rev Source #3

	A	B	C
% of Shopatron Online Store Sales Fulfilled Through NEW Retailers	X 5%	X 10%	X 10%
Total Dollar Amount Fulfilled by Retailers	=	=	=
Assumed Impact on Retailer Wholesale Purchases	X 200%	X 200%	X 200%
Increased Wholesale Purchases Due to Increased Dealer Stocking (Item 2)	= J	= K	= L

Summary of Top Line Revenue Generated Through Shopatron Program

AREAS OF REVENUE IMPACT	YEAR 1 AMOUNT	YEAR 2 AMOUNT	YEAR 3 AMOUNT
1. More sales to existing retailers	D	E	F
2. More sales because of direct sales*	+ G	+ H	+ I
3. More sales to new retailers	+ J	+ K	+ L
TOTAL TOP-LINE REVENUE BENEFIT	=	=	=

COMPARISON CHART

MANUFACTURER WEBSITES				
Traffic-to-Sales Conversion Options	BASIC DEALER LOCATOR	PRODUCT TO PRODUCT LINKS	MANUFACTURER BRANDED ONLINE STORE	MANUFACTURER BRANDED ONLINE STORE + RETAILER-INTEGRATED FULFILLMENT
Promotional Limitations	EXTREMELY LIMITED	LIMITED BY EXECUTION COMPLEXITY	LIMITED BY CONFLICT WITH RETAILERS	VIRTUALLY UNLIMITED INCREASED SELECTION
Conversion Loss Factors	TOO MANY STEPS TO BUY	CHOOSING A RETAILER ----- BUY A COMPETITOR'S PRODUCT	SELECTION ----- PRICING	SELECTION INCREASED SELECTION ----- PRICING BETTER PRICING
Leverage Opportunities		LEVERAGE LINKS FOR BETTER POS		RETAILERS STOCK MORE ----- IN-STORE PICKUP INCREASES CONVERSION 10-15%
Measurable Success	\$	\$\$	\$\$\$	\$\$\$\$

HOW TO REACH US

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