



Creating A Memorable First Impression: How To Better—And Instantly—Connect With Online Shoppers

Electronic Commerce: Embedded in Our Lives

Electronic commerce is not some new killer application armed with the promise of making Internet users' lives easier and more convenient. E-commerce is now, in fact, a part of everyday life for many consumers and an important aspect of today's business. Although some holdouts exist, most Internet users have moved past their initial fears of conducting business online. The fact of the matter is: Internet users have been ardent consumers of e-commerce products and services for a while now, buoyed by a growing number of shoppers in South Korea, Europe, Japan and the United States.

However, e-commerce has evolved along the way. In today's world, the term e-commerce no longer refers to the simple practice of buying computer software and hardware. It now encompasses every-day shopping.

Online shopping has been one of the fastest growing sectors of Internet activity.¹ According to Nielsen Global Online Survey, more than 85 percent of the world's online population has made a purchase online—increasing the market for online shopping by as much as 40 percent. Similarly, a Pew Internet & American Life Project report shows Americans are increasingly likely to use the Internet to purchase products or services or to obtain information about them. In fact, two-thirds of Americans with online access have shopped online and found it was convenient (78 percent) and saved time (68 percent).²

Furthermore, the economic crisis is only accelerating this trend as shoppers shift their focus from brick-and-mortar stores to the Internet. With this type of economy, many consumers use the web to search for discounts, bouncing quickly from site to site, and often going into stores only to buy after researching online. In fact, many e-retailers realize an opportunity to appeal to increasingly price-sensitive consumers at a time when physical stores are cutting back on inventory or closing altogether. While there were nearly 1.1 million retail stores in the United States alone in early 2008, according to the Bureau of Labor Statistics, 148,000 of them closed during the course of the year, the most since 2001, according to the International Council of Shopping Centers.³

On the other hand, online retail is not totally unaffected by the economic downside—a 4.9 percent decline in fourth quarter web sales reported in 2008 by the U.S. Commerce Department is proof of that.⁴ However, some signs indicate Internet sales will continue to grow during recessionary periods. Last December, for example, U.K. online sales were up by 30 percent, compared with the previous year—even as sales in stores fell by 1.4 percent.⁵ And e-commerce managers are being cautious with their spending, seeking simple, cost-effective methods to enhance their online customer experience and create a more memorable first-time impression.

This whitepaper discusses how companies can incorporate Internet Protocol (IP) Intelligence—the wealth of information gleaned from a customer’s IP address—into their e-commerce initiatives to better—and instantly—connect with online shoppers. Strategies discussed in the paper include those aimed at decreasing website abandonment and increasing time spent on sites; driving both online and offline sales; and strategically addressing a growing international audience base.

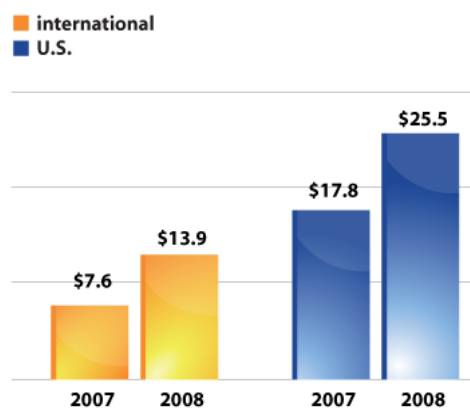
Online Sales Show Resiliency, Trends Indicate Growth

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Online sales are holding steady in spite of the faltering economy during the last year. The Census Bureau of The Department of Commerce (DOC) estimated total online sales rose 4.6 percent in 2008,

reaching \$133.6 billion. Even though total 2008 retail sales decreased from 2007, online purchases accounted for a larger percentage of those sales. E-commerce purchases accounted for 3.3 percent of total sales in 2008 as opposed to 3.2 percent in 2007.⁶

International and U.S. e-commerce sales Amounts In Millions



E-commerce sales can get an additional boost for those companies choosing to diversify into foreign markets. American Apparel Inc., one of the fastest-growing Top-500 consumer brand manufacturers according to *Internet Retailer*, operates 260 stores in 19 countries and has spent two years building web stores for shoppers in Australia, Canada, Europe, Japan and South Korea. As a result, international e-commerce sales increased 82.9 percent to \$13.9 million in 2008 from \$7.6 million in 2007 while U.S. online sales grew year over year 43.3 percent to \$25.5 million from \$17.8 million.⁷

Although forecasts for U.S. retail e-commerce sales (excluding travel) indicate a contraction by as much as 0.4 percent in 2009 and a decrease in revenue to \$133 billion, *eMarketer*, a leading resource

for Internet research and trend analysis, predicts online sales will return to the double-digit growth rates seen prior to 2008 once the economy starts to improve.⁸ Forrester Research, Inc., an independent business and technology research company, predicts online retail and travel in Western Europe alone will reach 129 billion in 2009 and will grow to 203 billion by 2014—similarly returning to double-digit growth rates.⁹

Ongoing growth in e-commerce only reinforces the fact that researching products and shopping online has now become a commonplace experience for many consumers:

- 81 percent of U.S. online users have used the Internet to do research about a product they are thinking about buying, with 20 percent doing this on the typical day;¹⁰
- 55 percent of German online users have purchased a product online, such as books, music, or clothing;¹¹ and
- 70 percent of Indians and more than 60 percent of Irish have bought or made an airline travel reservation online.¹²

Whether today’s e-commerce consumers are direct shoppers (those who know what they want and shop quickly for it), bargain hunters or information seekers, they more than likely will start their online shopping in one of two places: at a specific merchant’s website or on a comparison shopping site.

With the average user’s time spent visiting websites clocked in seconds, not minutes, companies have only a short window of opportunity to make a direct connection with visitors.

You Only Get One Chance to Make a Good First Impression

Research shows many time-pressed shoppers are turning to the Internet to quickly and conveniently find the information and products they are looking for—whether

to buy on the spot or to make an informed decision when shopping offline. Accordingly, site usability plays a huge role in attracting and retaining the attention of online buyers. Retailers that cannot create an instant connection with shoppers will more than likely be left holding the bag as customers and prospects take their business elsewhere.

Although the Internet now makes it possible for consumers globally to shop online, many companies are beginning to understand that merely constructing a website does not mean an instantaneous spike in sales. E-businesses have come to realize the importance of engaging the global customer in a way that has previously been difficult in cyberspace. By implementing technologies with strong geolocation capabilities, online enterprises can now stock their virtual shelves with goods and services that meet users' needs based on geographic location as well as interact with customers on a local level—much like the offline world.

When analyzing the role of location in the offline world and the way it affects products, pricing, promotion and distribution, it makes sense to present online shoppers with merchandise and information that is relevant to where they live. For example, seasonal items may actually have a longer shelf life in certain regions, so why not keep cold weather gear on virtual shelves for visitors from the north or highlight bikinis during the month of December for visitors from Miami? Additionally, for international retailers, why not show the rest of the world that the site caters to a global audience by automatically redirecting users to a country-specific website or presenting pricing in native currency? Merchants can also proactively drive offline sales by highlighting the nearest retail locations or presenting coupons for in-store use based on a shopper's geographic location.

With the online business world clamoring for new and better ways to expand reach at a relatively low cost while enhancing end users' web experience, technology

promises to deliver an in-depth view of the Internet that will allow for more tailored messaging and content by illustrating the inter-relationship of geography and e-commerce.

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Digital Element's IP Intelligence and geolocation technology, in particular, can empower organizations to bring crucial offline decision-making factors to the world of online commerce. By identifying information about online visitors and shoppers such as where they are located, e-merchants can serve relevant merchandise, content and promotions—in real-time. In today's crowded retail space, making a good first impression—one that shows that a company is working to make life easier for its online audience—can go a long way in decreasing shopping cart abandonment and increasing repeat site visitors.

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Reach Out and Touch the “Untouchables”

Reaching out to consumers online involves a complex myriad of steps that begins with the first customer “touch.” Instead of simply trying to sell something online, businesses are vying for ongoing consumer dollars and loyalty, which involves engaging the customer in a way that can be difficult in cyberspace. Companies can improve their e-business practices and use their online channel to perform a multitude of tasks, quite simply, by making the first online interaction a meaningful one.

One marketing tactic that has been missing in the online world is the ability to effectively reach out to consumers without first asking for something in return. For example, in the current e-business world, for users to receive information that matches their unique tastes, they are required to give away a piece of themselves in the form of personally identifiable information such as name, age, etc. And, more often than not, consumers are unwilling to part with such valuable—and personal—information for fear that it will be mishandled or sold to a third party.

But, what if companies could reach out to customers without asking for anything in return and begin the relationship process from the moment they visit a website? Though impossible in the past, this new type of business intelligence—IP Intelligence—can improve the way companies begin growing their long-term customer relationships.

Tap Into the New Business Intelligence

IP Intelligence provides comprehensive information about an online user such as geographic location (country, region, state, city and zip code), as well as connection speed, Internet Service Provider (ISP),

language, domain name, demographics, and more—all based on a user's IP address.

By utilizing IP Intelligence, enterprises now have a way to reach out to an untapped and previously hard-to-reach online audience—the unregistered user—and begin to build a solid relationship by offering products, services or useful information that appeal to the user where it matters most—close to home.

Previously, there had not been a way to reliably extract such information about online users unless they provided the information. Not to mention, using third-party databases and other such methods to gain customer insight have proven less than accurate. Some widely used techniques such as cookies, which plant a small file on the user's computer to trace online activity, are considered extremely invasive by a growing number of Internet users who are turning them off to avoid being watched by "Big Brother."

By utilizing IP Intelligence, enterprises now have a way to reach out to an untapped and previously hard-to-reach online audience—the unregistered user—and begin to build a solid relationship by offering products, services or useful information that appeal to the user where it matters most—close to home. For example, if a prospect visits an online retailer for the first time, chances are it is a hit-or-miss experience as to whether or not products shown online match the tastes of the visitor. But with IP Intelligence, enterprises have a much better shot at automatically targeting the user in a way that is relevant, such as showing localized promotions, offering community-based information and services, or serving up rich media content if the IP-address—or user—is deemed to have a high-speed connection.

IP Intelligence Offers Multiple Solutions for E-Merchants

Whether used as a standalone technology or as part of an enterprise platform, IP Intelligence provides benefits across multiple e-commerce applications.

Content Localization

Because e-tailers have an estimated eight seconds to make a good impression online, they need the ability to present visitors with customized content on the fly to help simplify and enhance the customer experience. For example, an outdoor outfitter may present promotions on goose-down parkas to those visitors from Chicago (in the middle of winter) instead of top-of-the-line swimwear. That same retailer may also automatically show the nearest retail location instead of asking users to "Select a Store."

For big-box retailers, IP Intelligence allows them to automatically set pricing regionally. And, as retailers continue the trend of building social networks within their websites, they will need a mechanism to deliver customized content (i.e. information, products, coupons, promotions, etc.) that resonates within these socialized communities as well as regionally-based buyer groups.

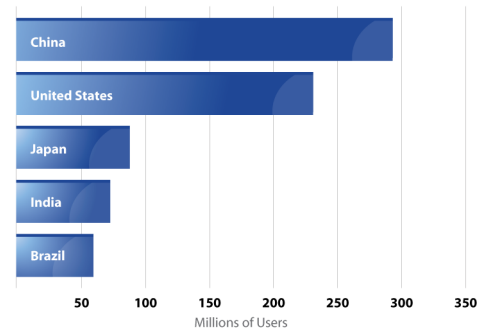
Language

Research demonstrates that shoppers are three times more likely to buy products from websites in their native languages, while two-thirds of online shoppers will immediately click away from a site in another language.

With the demographics of the web shifting away from the United States, and hence English, a language gap has developed

for companies offering global e-commerce websites.

Internet Top Five
Highest Number of Users



IP Intelligence enables companies to expand e-commerce across cultures and markets by offering a solution that recognizes an end user's location and automatically delivers content that is specific to their location in their preferred language.

Speak The Language

Speak to your customer with IP Intelligence



By offering web content to end users in their native languages, e-businesses are able to drive the e-commerce process. In fact, research demonstrates that shoppers are three times more likely to buy products from websites in their native languages, while two-thirds of online shoppers will immediately click away from a site in another language. If an online business does not make language accommodations, it will more than likely shut out a large percentage of its global purchasing population.

Taxes and Tariffs

Tariffs and taxes vary from country to country, and the challenge of compliance has been an ongoing problem for the e-commerce industry. For example, the European Union (EU) value added tax (VAT) rules require non-EU vendors selling electronically supplied goods and services to EU consumers to determine and charge VAT based on a customer's country of residence. Global e-commerce vendors can now turn to IP Intelligence technology to automatically pinpoint the geographic location of online customers based on the information provided by their IP address once they log on to a website.

The benefit is twofold here. Online shoppers are more informed about the impact of such tariffs that many times significantly drive up the cost of products and services. And, by taking advantage of accuracy rates of well over 99 percent at a country level and more than 95 percent at a city level worldwide, e-businesses can be confident that they are complying with such regulatory issues.

Currency

Just as important as providing language-specific content, so, too, is the need for any global e-tailer to offer currency-specific pricing to enhance the success of its international sales revenues. The true challenge comes as international online businesses try and quote prices to customers in multiple currencies that remain in a constant state of fluctuation in today's volatile, global economy.

However, this is no longer an issue. IP Intelligence enables online businesses to automatically sell their products and services in local currencies without risk. For example, a foreign exchange solution not only enables American online merchants to automatically display guaranteed, final prices in local currencies, but also allows them to receive exact and expected payments in U.S. dollars—without foreign exchange risks and associated costs.

Fraud

IP Intelligence enhances the value of existing Internet risk management solutions by establishing a real-time authentication check-point

Fraud continues to be an enormous concern for e-businesses in a global marketplace; the percentage of fraudulent transactions worldwide has increased significantly in the last several years. According to the Internet Crime Complaint Center (IC³), the United States is the largest source of complaints, followed by the United Kingdom, Nigeria, Canada, and China. In the United States alone, the number of complaints hit an all time high in 2008, an increase of 33 percent over 2007, according to IC³. The report also estimated dollar loss relating to these complaints at \$265 million.¹³

Unlike the traditional offline world where banks often absorb the cost of fraudulent credit card transactions, online merchants are typically responsible for these charges.

IP Intelligence enhances the value of existing Internet risk management solutions by establishing a real-time authentication check-point that allows e-tailers to either be alerted to specific countries with a high rate of fraud in order to completely investigate potentially illegal transactions prior to completion or to automatically reject orders from questionable overseas IP origination points.

Digital Rights Management

Online merchants are confronted by a variety of national laws, especially those that relate to exclusive Internet distribution rights for digital media assets. With traditional media, specific distribution companies divide distribution rights based on geography, but until now, it has been a challenge for e-businesses to erect geographic distribution borders on the

borderless Internet.

Without the ability to establish territorial rights, companies would be limited in their ability to distribute products because there would be no way to enforce access rights. Yet, with IP Intelligence technology, companies can now administer their online businesses successfully by addressing content issues such as copyrights and syndication by permitting or restricting access to their products based on the location of website visitors.

Today's Website Is Tomorrow's Salesperson

By using IP Intelligence to more effectively reach this key consumer segment in new and meaningful ways, e-businesses can gain a "first-touch" advantage and begin building a solid relationship based on delivering relevant content and then fostering a permission-based information exchange with their online users—ultimately turning today's website into tomorrow's salesperson.

IP intelligence is becoming a pervasive technology, fundamentally reshaping e-commerce applications and associated transactions.

So, in deploying a global e-commerce initiative, it is important to remember that customers can be from anywhere in the world via the Internet and that languages and customs are different everywhere. By automatically building IP Intelligence into an e-commerce platform, companies can gain an advantage as they begin to build solid, global relationships based on connecting with consumers within the parameters of when, where and how they want to

be reached as well as providing relevant, personalized information that resonates with their culture and lifestyle.

While the online channel is simply one piece in the development of long-term customer relationships, it is becoming increasingly important as more and more consumers turn to the Internet as a primary source of information and research. By using IP Intelligence to more effectively reach this key consumer segment in new and meaningful ways, e-businesses can gain a “first-touch” advantage and begin building a solid relationship based on delivering relevant content and then fostering a permission-based information exchange with their online users—ultimately turning today’s website into tomorrow’s salesperson.

About Digital Element

Founded in 1999, Digital Element is the industry pioneer of IP Intelligence, a non-invasive, privacy-sensitive technology that automatically uncovers geographic information, connection speed, domain name, ISP, language and other characteristics about online users based solely on their IP addresses. This knowledge enables online businesses to customize content for more accurate and profitable

online interactions, making it ideal for targeted advertising, content localization, geographic rights management, local search and enhanced analytics. Digital Element’s patented IP Intelligence solution with its exceedingly accurate geolocation capabilities is used by industry-leading advertising networks, web publishers, search engines, social networks, e-tailers, analytics platforms, and online enterprises around the world to revolutionize the way people experience the Internet.

Digital Element is a business unit of Digital Envoy, part of Landmark Interactive, a Landmark Media Enterprises Company. For more information about Digital Element, visit www.digital-element.net.

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⁶Ibid.

⁷Brohan, Mark, “The Top 500 Guide,” Internet Retailer, June 2009.

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⁹Bracewell-Lewis, Victoria, “Western Europe Online Retail and Travel Forecast, 2008 to 2014,” Forrester Research, Inc., March 16, 2009.

¹⁰Pew, op cit.

¹¹The Nielson Company, op cit.

¹²Ibid.

¹³Internet Crime Complaint Center, “2008 Internet Crime Report,” 2008.

Scenario:

A website visitor logs on from Boston, Ma., and chooses the item he wants (Super Capacity Washer). By integrating IP Intelligence into your real-time inventory management system, the shopper could automatically be shown the stores closest to his geographical location. Also, indicating whether the item is in-stock and available for the “Pick Up in Store” option eliminates the need for the customer to wait on the product—potentially causing a lost sale.