Comparison Shopping is a Way of Life

ONSITE COMPETITIVE PRICING (OCP) PAVES THE WAY FOR CONVENIENT AND CONFIDENT SHOPPING

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I. INTRODUCTION

This e-commerce brief highlights results of an e-tailing group/WinBuyer study *Comparison Shopping is a Way of Life*. The study, completed in August '09 examines three critical components of comparison shopping:

1) How invested consumers are in shopping around prior to purchase including time spent and sites visited as part of their typical online shopping behavior.
2) How valuable an onsite price comparison would be and its impact on merchant selection,
3) How customer loyalty is impacted based on making such an application part of one's everyday shopping behavior

The evolution of comparison shopping

Consumers have always been inclined to price shop as haggling for the best price has been part of marketplaces since ancient times. The Internet has upped the ante on price comparison with technology fueling the hunt for the best price as our survey clearly demonstrated. With the click of a mouse a customer can find the same products a merchant sells; often at a better price. Though price may only be one of the variables in making a purchase decision, we all know that it is one of the most important.

Initially consumers embraced price comparison engines (CSEs) as exemplified by the mission statements of these three top players with minimal distinctions:

CSE	Mission Statement
Shopping.com	To help consumers anywhere use the power of information to easily find, compare and buy anything online – in less time and for the best price!
Shopzilla	Helps shoppers find the best value for virtually anything they want to buy from thousands of online retailers.
PriceGrabber	Our unique shopping site offers extensive inventory at the lowest prices by comparing products, product reviews and merchant deals for all of your shopping needs.

The barrier to entry has shifted once again as a result of Google now offering comparison functionality through Google Products. Under this scenario they are allowing merchants to send product feeds for free; making it more difficult for CSEs to compete in today's comparison climate. At the same time CSEs are seeing increasing cost-per-click expenses on Google and their dependency on Google to drive further exacerbates this problem.

OCP- The Onsite Comparative Pricing Solution

Now we are seeing the next evolution of comparison shopping, where competitive pricing is made available directly on a merchant's site. The dynamics have changed with prices clearly in context on the product page, the key point customer decision-making.

Shoppers no longer need to leave a retailer's site to get a sense of competitive pricing. While industry leaders including Amazon and Buy.com are providing this customer convenience on their product pages, technology solutions companies like WinBuyer are enabling other e-commerce sites to also experience the benefits of OCP through their own proprietary technology engine; offering a cost-effective alternative to building one's own solution.

This report showcases a series of examples reflecting onsite price comparison (OCP) shopping and how consumers today can take advantage of such technology. As merchants look to understand if this kind of application is right for their business, we have included a series of questions that can be asked to ensure value for your brand. Lastly, once a merchant concludes that such an application is appropriate for their brand, a "build vs. buy" chart facilitates decision-making guidance.

> **Whether or not, your products and categories are ripe for shopping and comparison prices, understanding consumer behavior will always be very valuable and consideration of evolving onsite comparison technology important.**

II. EXECUTIVE SUMMARY

> **Shoppers positively perceive a retailer that shows competitors' prices**
> **on their website - as convenience, complete information, and time savings**
> **are important to their online experience.**

Consumers are invested in finding the lowest price

- 94% of online shoppers invest time to find the lowest price for commodity products

- 36% spend 30+ minutes comparison shopping before making a decision on purchasing a commodity product; 65% spend 16+ minutes doing so

- 51% visit 4+ sites before finalizing a purchase

- Efficiency of price comparison and the ability to merely Google it, check Amazon's prices or visit a few competitors is core to current consumer shopping behavior

- TCO (total cost including shipping and handling) and product price are the two most important influencers for online purchase decisions

Time and money savings drive consumer interest in on-site competitive pricing comparison tools such as WinBuyer

- 57% like the convenience of having the information on the product page while over 40% believe it would save them both money and time

- 63% rate comparing competitive prices onsite very to somewhat valuable; 1 in 3 shoppers give this capability a "10"

- 58% would expect all retailers of commodity products to incorporate this kind of **Onsite Comparative Pricing** tool into their shopping experience

Merchant credibility and loyalty grows with onsite comparison product usage

- 78% would be likely to return to a retailer that shows competitors' prices on their website; 36% would be much more loyal

- Factoring other variables beyond price, 84% would check out other sites and then consider returning to the original retailer

- 52% of consumers would find on-site competitive pricing credible

- 53% of consumers would no longer feel compelled to comparison shop elsewhere
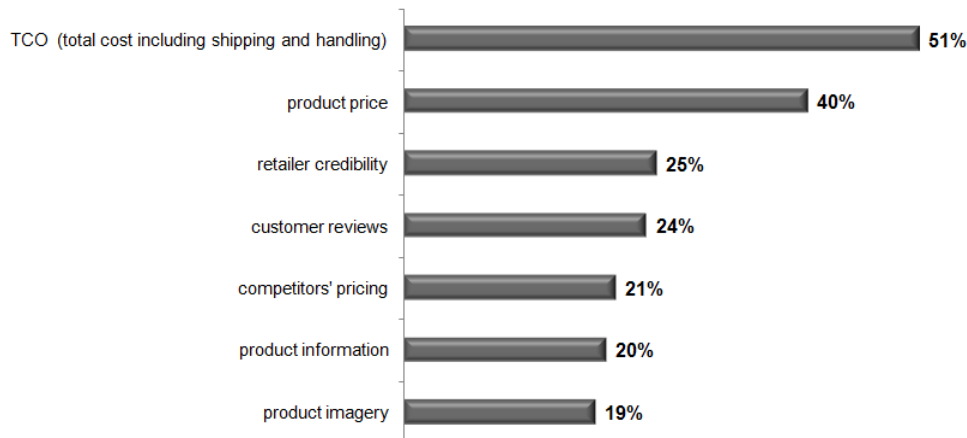
III. RESEARCH FINDINGS

In this price conscious age, 94% of online shoppers invest time to find the lowest price for commodity products according to the new e-tailing group/WinBuyer research study **"Comparison Shopping is a Way of Life."** Feedback from 1,025 frequent online shoppers who completed an online survey confirm that streamlining this activity via onsite comparative pricing (OCP) presents an **opportunity for merchants to improve conversion and garner excellent online retention** by showing competitive prices on the product detail page during a key customer decision-making time.

Savvy consumers are using the Internet to find value, particularly when shopping for commodity products. Efficiency of price comparison and the ability to merely Google it, check Amazon's prices or visit a few competitors is core to today's consumer shopping behavior.

Throughout their comparison shopping consumers seek out TCO (total cost including shipping and handling) and product price, named the two most important influencers for online purchase decisions.

Rank each of these elements to prioritize them in terms of influencing your purchase decision for a product online where "7" is the most important influencer and "1" is the least important.

CHARTED: TOP 2 MOST IMPORTANT INFLUENCERS

| Element	Percentage
TCO (total cost including shipping and handling)	51%
product price	40%
retailer credibility	25%
customer reviews	24%
competitors' pricing	21%
product information	20%
product imagery	19%

When comparison shopping, 36% of these consumers are spending over one-half hour comparison shopping before making a decision on purchasing a commodity product and 65% are spending 16 minutes or more doing so. **With onsite comparative pricing (OCP) shopper time can be better spent on a merchant's site purchasing additional product.**

Before making a decision about where to purchase a commodity item online (i.e. HP Printer, Cuisinart pot, Iams pet food), how much time do you typically spend comparison shopping for the best price?

greater than 30 minutes	36%
16-30 minutes	29%
6-15 minutes	26%
1-5 minutes	6%
I don't comparison shop	3%
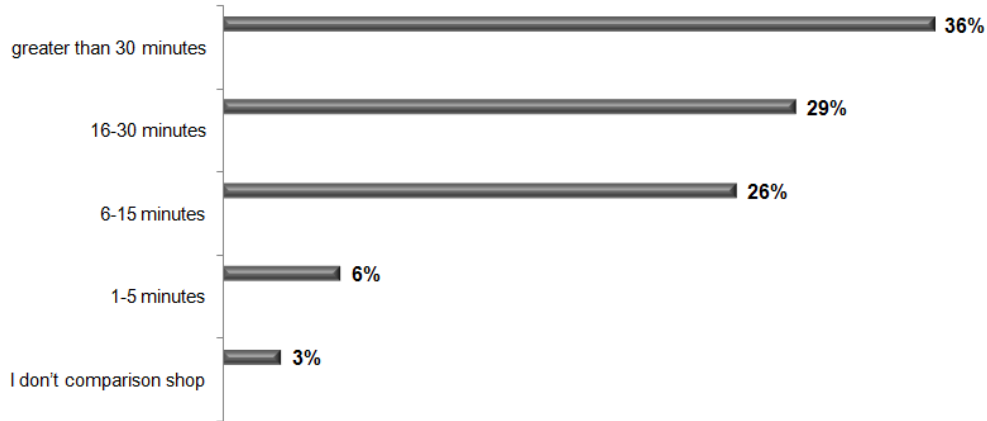
As 95% of these online shoppers currently visit at least two websites before finalizing a purchase and 51% check out four or more sites, **onsite applications like WinBuyer would help customers save time in their quest for the lowest priced products.**

Before making a decision about where to purchase a commodity item online, how many sites do you typically look at beyond the site from which you ultimately buy?

none	1	2-3	4-5	more than 5
2%	3%	44%	32%	19%
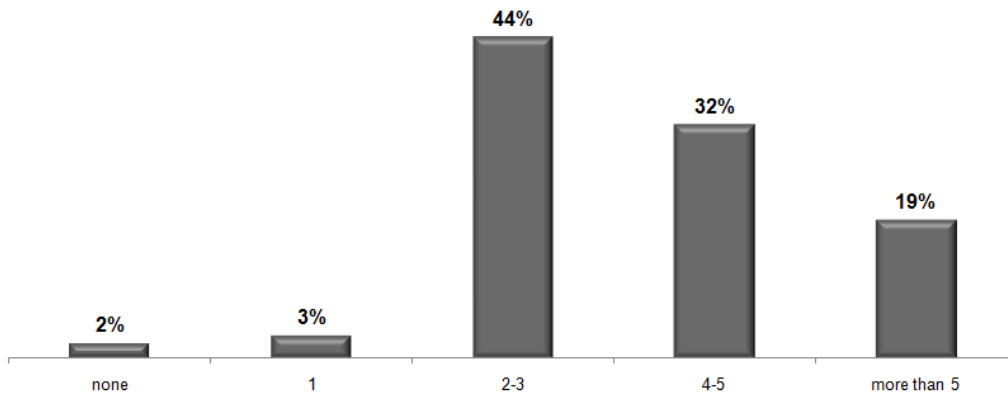
Onsite comparisons favored when seeking the lowest price online

When comparison shopping, 63% of these consumers rate comparing competitive prices **onsite** very to somewhat valuable. On the consumer value scale, 1 in 3 shoppers give the capability of rating competitive prices without leaving a retailer's website a "10."
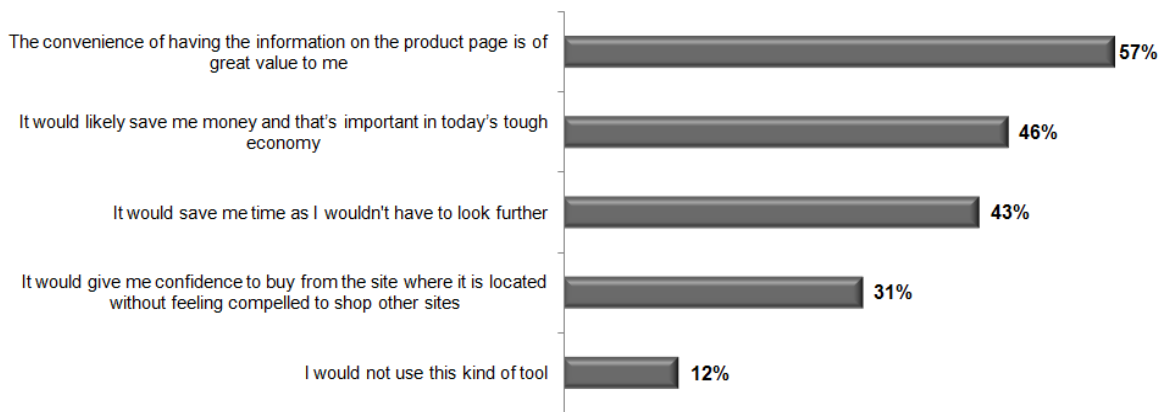
On a scale of 1-10 where "10" is very valuable and "1" is not at all valuable, how valuable would it be for you to compare the price of a product with competitors' pricing without leaving a retailer's site?

10 very valuable	9	8	7	6	5	4	3	2	1 not at all valuable
33%	11%	19%	14%	8%	8%	2%	2%	1%	2%
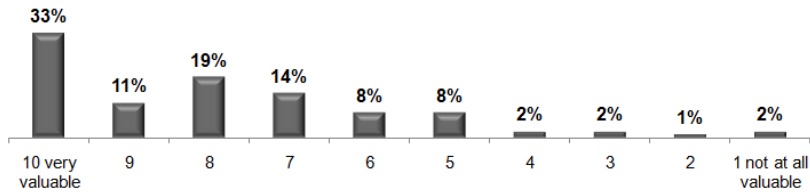
Product page competitor price comparisons aid retention

The **convenience** of having the information on the **product page** is important to 57% while over 43% believe this capability would **save them both money and time**. One in three consumers also feel that this kind of tool would **increase their confidence in buying from the site on which it was found.**

I would likely use this comparison tool for the following reasons. Check all that apply.

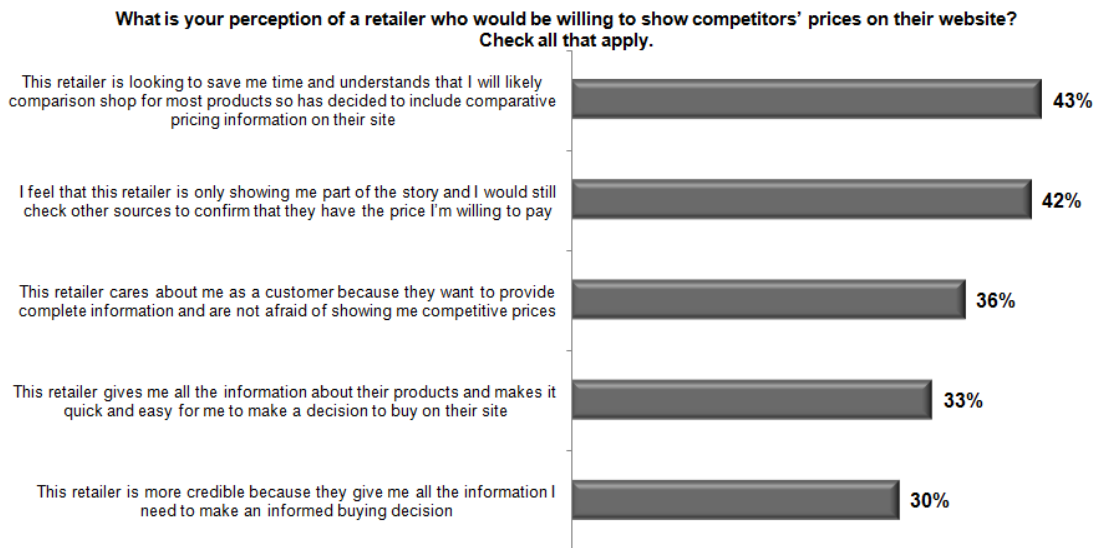|	
The convenience of having the information on the product page is of great value to me	57%
It would likely save me money and that's important in today's tough economy	46%
It would save me time as I wouldn't have to look further	43%
It would give me confidence to buy from the site where it is located without feeling compelled to shop other sites	31%
I would not use this kind of tool	12%

With such benefits in place, over one-half (53%) of those surveyed would be less compelled to comparison shop elsewhere if they could access competitors' pricing from a retailer's website.

How likely would you be to abandon the process of seeking out a comparison shopping engine or other competitive retailers to further check prices when competitive prices were shown on a retailer's site?
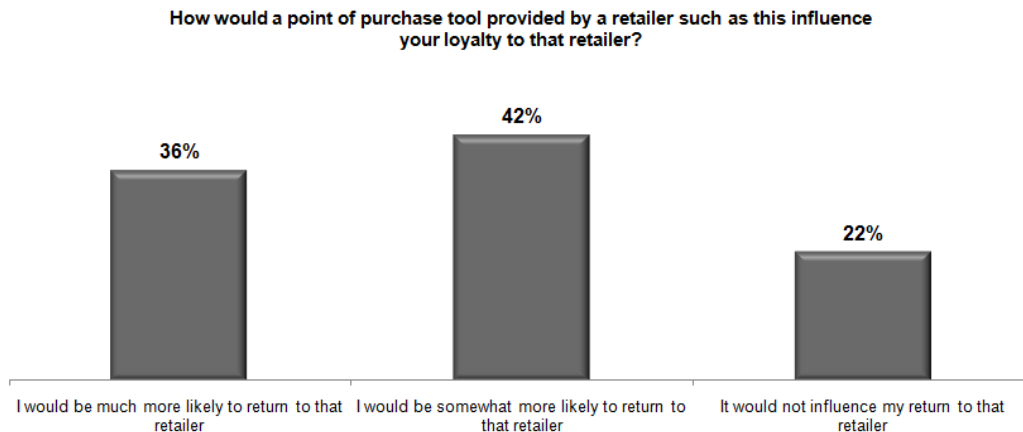
Highly likely	Somewhat likely	Not a factor	Somewhat unlikely	Not at all likely
11%	42%	22%	17%	8%
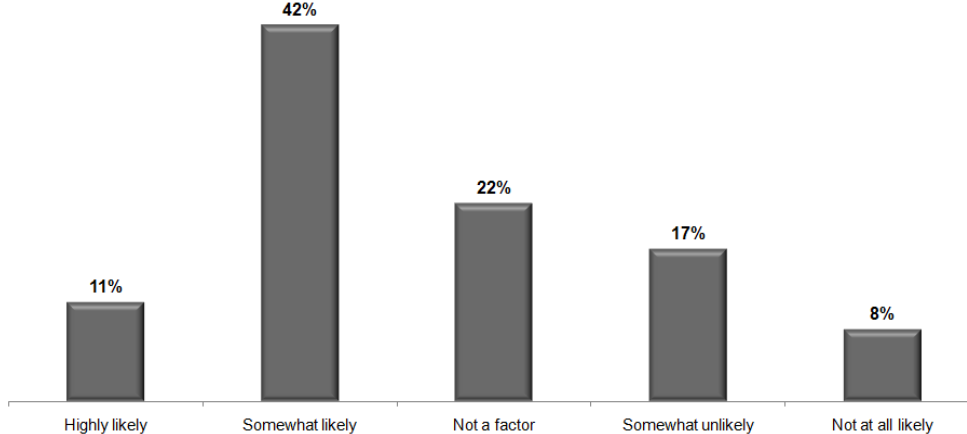
Merchant credibility and loyalty grows with onsite comparison product usage

From the merchant perspective, this survey dispels the notion that displaying competitive prices will encourage customers to abandon that retailer and go to a competitor. Conversely, findings provide assurance that 78% would likely return to a retailer that shows competitors' prices on their website and 36% would be much more loyal to that merchant.
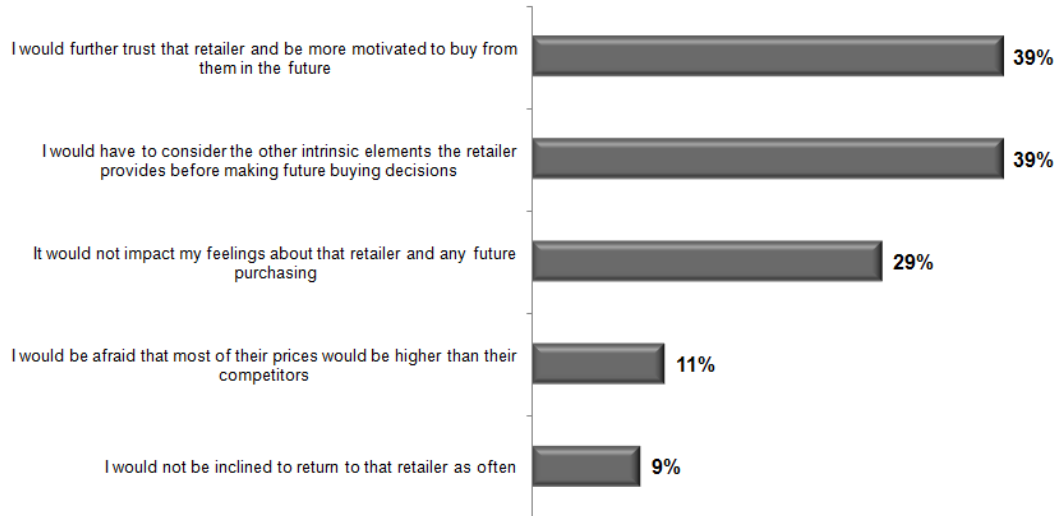
What is your perception of a retailer who would be willing to show competitors' prices on their website? Check all that apply.

This retailer is looking to save me time and understands that I will likely comparison shop for most products so has decided to include comparative pricing information on their site	43%
I feel that this retailer is only showing me part of the story and I would still check other sources to confirm that they have the price I'm willing to pay	42%
This retailer cares about me as a customer because they want to provide complete information and are not afraid of showing me competitive prices	36%
This retailer gives me all the information about their products and makes it quick and easy for me to make a decision to buy on their site	33%
This retailer is more credible because they give me all the information I need to make an informed buying decision	30%

Specifically looking at how such a tool would impact loyalty, 78% responded that they would be more likely to return to a retailer that shows competitors' prices on their website.

How would a point of purchase tool provided by a retailer such as this influence your loyalty to that retailer?

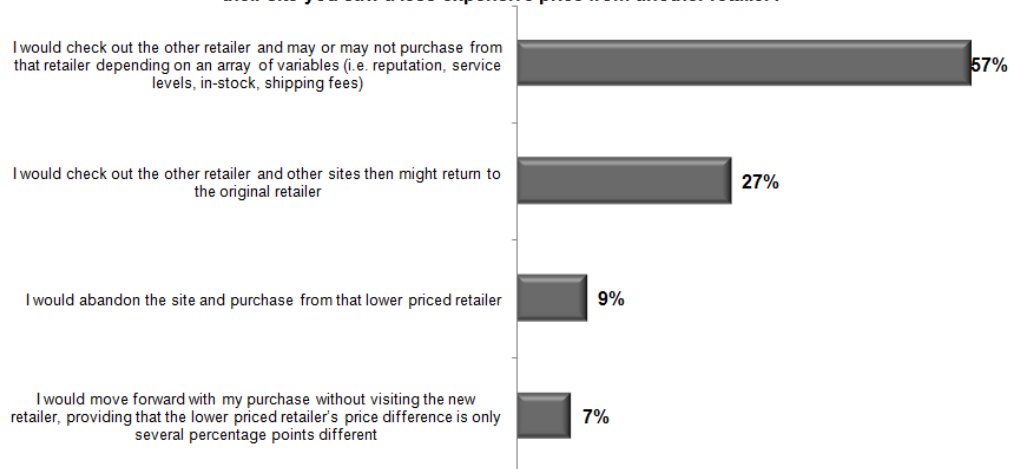| I would be much more likely to return to that retailer	I would be somewhat more likely to return to that retailer	It would not influence my return to that retailer
36%	42%	22%

Supporting deployment of this application, even when competitive prices shown are lower, 39% would further trust and be motivated to buy from that retailer again. Intrinsic elements beyond price would also be a factor for 4 in 10 online shoppers.

If you encounter a scenario like this example where competitor prices are less expensive, how would your perception of that retailer be impacted? Check all that apply.
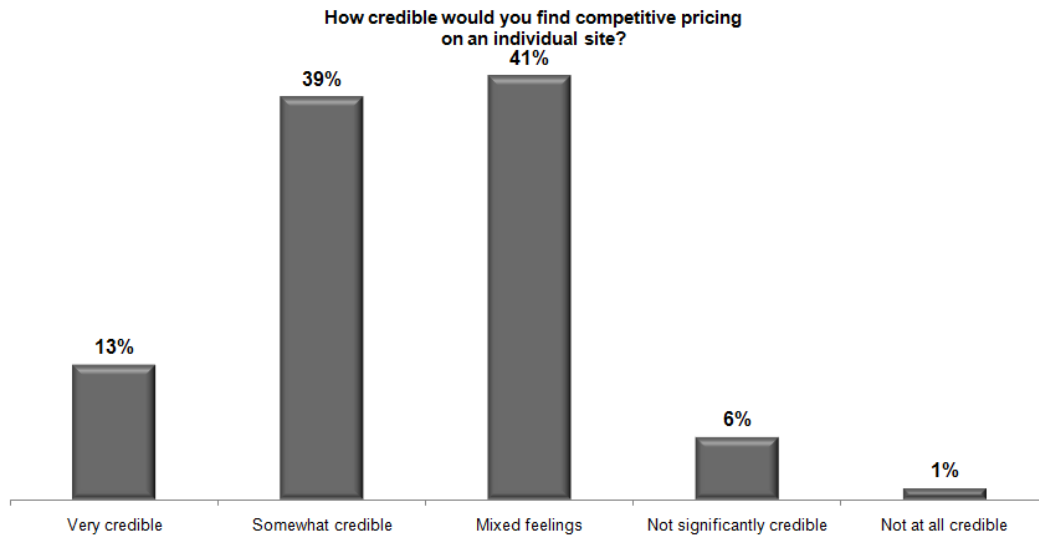
I would further trust that retailer and be more motivated to buy from them in the future	39%
I would have to consider the other intrinsic elements the retailer provides before making future buying decisions	39%
It would not impact my feelings about that retailer and any future purchasing	29%
I would be afraid that most of their prices would be higher than their competitors	11%
I would not be inclined to return to that retailer as often	9%

With variables beyond price impacting their final decision, 84% would check out other sites and then consider returning to the original retailer. Just 9% would abandon a site that showed lower competitive prices.

What would be your typical reaction if you were shopping at a particular retailer and on their site you saw a less expensive price from another retailer?

I would check out the other retailer and may or may not purchase from that retailer depending on an array of variables (i.e. reputation, service levels, in-stock, shipping fees)	57%
I would check out the other retailer and other sites then might return to the original retailer	27%
I would abandon the site and purchase from that lower priced retailer	9%
I would move forward with my purchase without visiting the new retailer, providing that the lower priced retailer's price difference is only several percentage points different	7%

A majority (52%) of these online shoppers believe that competitive pricing on an individual site would be credible. Understandably many remain neutral on the question of credibility until they experience proof-of-concept but only 7% expressed doubt relative to the credibility of this model.

How credible would you find competitive pricing on an individual site?

Very credible	Somewhat credible	Mixed feelings	Not significantly credible	Not at all credible
13%	39%	41%	6%	1%

Looking ahead, 58% would expect all retailers of commodity products to incorporate this kind of competitive comparison pricing tool into their shopping experience.

Knowing that such a comparison capability exists for online retailers, I would expect that all retailers of commodity products would incorporate this into their shopping experience. Which of the following represents your degree of agreement.

Strongly agree	Somewhat agree	Not a factor either way	Somewhat disagree	Strongly disagree
16%	42%	27%	12%	3%
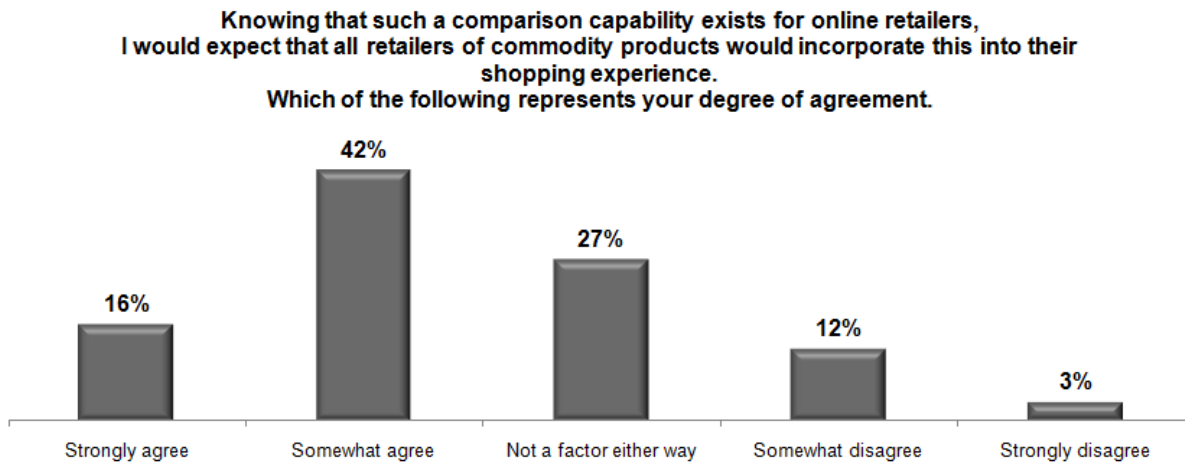
The findings speak for themselves - consumer inclination is to compare products and prices in hopes of finding the right item at the right price.

The web's valued role, as a time and money-savings tool, can now be extended even further with WinBuyer's onsite comparative pricing (OCP).

Such comparison capabilities are ripe for many retailers that are embracing consumer demands for comprehensive information in support of a confident buying decision.

Survey methodology and demographics

An online questionnaire was completed by 1,025 adults (51% female/49% male) who shopped online 4 or more times during the past year; spending over $500.

What is your age?

Age	Percentage
18-24	12%
25-34	22%
35-44	25%
45-54	19%
55-64	13%
65+	9%

Which of the following best represents your combined annual household income before taxes?

Income	Percentage
Under $25,000	7%
$25,000-$35,000	6%
$35,001-$50,000	12%
$50,001-$75,000	25%
$75,001-$100,000	20%
More than $100,000	24%
Prefer not to respond	6%

What is the highest level of education that you have completed to date?

Education	Percentage
High school graduate	8%
Some college, but no degree	26%
College graduate	34%
Some graduate school	9%
Post-graduate degree	22%
Prefer not to respond	1%

How many children 18 years of age or younger are living at home with you?

Children	Percentage
None	64%
1	16%
2	14%
3	4%
4 or more	2%

IV. MERCHANT SHOWCASE

The following showcase will help visualize the continuum of options for comparison shopping. They range from portal-based comparison shopping engines (CSEs) to both build and buy OCP models, plus their corresponding onsite locations as shown via product page execution.

Shopping.com Digital Camera Comparison and Sort Results

Shoppers utilize a comparison shopping engine (CSE) to find product offsite, taking advantage of filtering and sort functionality.

Gamequest Spiderman Video Product Page

Shoppers can immediately compare prices of any given product from a series of third-party merchants directly from the product page. Of note, although in the example shown the comparative pricing was all lower than GameQuest's featured price, this merchant gained customer trust and experienced a lift in sales from shoppers who appreciated seeing the options yet preferred to shop here.

Buy.Com Acer Viewsonic Monitor Product Page

Shoppers can immediately compare prices of any given product at a series of competitors directly from the product page.

Boaters World Garmin Product Page

When product is out of stock or a search returns null results, retailers suggest merchants with availability providing a service to shoppers and in return the sending merchant receives an affiliate fee.

V. Q/A TO SIZE UP COMPARISON SHOPPING NEEDS

1) **Do you compete mainly on price or do you have other values that are important to the customer such as brand, service, and warranty that customers evaluate when comparing your site to others?**
2) **Are the products you sell frequently price shopped by consumers?**
3) **Do you have significant competitors for the products that you sell?**
4) **Do your customers research your products/categories prior to making purchase decisions?**
5) **Would your customers benefit from seeing competitor products on your website?**
6) **Are you looking to avoid customers leaving your site because they're hunting around for better prices?**
7) **Are your customers abandoning your site because you don't offer onsite comparison pricing?**

VI. BUILD VS. BUY DECISION-MAKING GRID

The following factors must be taken into consideration prior to making a build vs. buy decision. With software continually evolving and pricing more desirable than ever before, we find that that today many merchants are opting to buy versus build.

This option certainly allows merchants to take advantage of quick deployment without ceding much control. Looking ahead they can continually take advantage of an application's evolution throughout the product life-cycle.

Factors to Consider	Build	Buy
Cost	Expensive	Inexpensive
Product/ Merchant Coverage	More limited	Very extensive
Deployment Time	Lengthy	Minimal
ROI	Poor	Positive
Core Technology	Extensive Investment to build sophisticated technology and IP	Sophisticated technology and engine in place
Feed/ Data Management	Extensive time and technology requirements	Inclusive
Business Rules	Time investment likely limits extent of customization	Customizable with package
Application Evolution	Limited; can be expensive to evolve	Continual Upgrades

about us

the e-tailing group

The e-tailing group, inc. serves as the multi-channel merchant's eye, bringing a merchant's sensibility to evolving the multichannel shopping experience. A Chicago-based consultancy, they provide practical strategic perspectives and actionable merchandising solutions to merchants selling online as well as to enabling technology firms.

For more background about this research study or additional information on the e-tailing group, inc. please contact.

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WinBuyer provides retailers with an Onsite Comparative Pricing (OCP) application, which enables retailers to accelerate consumer purchase behavior by embedding comparative shopping information into a retailer's site at the point of sale. Over 150 merchants are realizing how WinBuyer can benefit them through increased sales conversion, greater average order size, improved site stickiness and enhanced consumer confidence. WinBuyer was founded in 2005 and is headquartered in Tel Aviv, Israel, with offices in Scottsdale, Arizona and London, England.

For additional information on WinBuyer Inc., please contact us.

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