



WHITE PAPER

10 Best Practices for Online Merchandising

With thousands of companies selling products online to both businesses and consumers, it takes more than nice site design and a shopping cart to be competitive and profitable. Today, we know that effective site search leads to more people finding what they're looking for—and therefore, higher conversion rates. Increasingly, however, online merchants are realizing it takes expert merchandising strategies—and easy execution of those strategies—to keep shoppers engaged, and not only achieve higher conversion rates as a result, but bigger orders too.

Merchandising has many meanings. To Omniture, merchandising is the way online and multi-channel businesses expose or present products optimally for selling—it's about active-selling. Of course, it's also about the findability of products, and leveraging search technology in a way that is quite unique to eCommerce. It is a mix of art and science that includes metrics-driven merchandising, seasonal strategies and individual promotional practices. Merchandising includes site layout, banners and, most importantly, effective use of search and browse results.

Online merchandising allows merchandisers to create and replicate brick and mortar product presentation techniques that previously were too time-consuming and labor intensive to execute online. Omniture Merchandising puts this power to merchandise effectively in the hands of business users so they can easily impact the behavior of their site to keep up with changing business needs and merchandising strategies. Omniture Merchandising does this by combining unparalleled merchandising tools, such as proven an effective product finding and selection technologies and various product promotion options in an intuitive, easy-to-use interface. As a result, online retail sites powered by Omniture Merchandising deliver consistently better shopping experiences based on business-specific merchandising strategies and rules.

Technology is only as good as the techniques and best practices that are used in the implementation of the technology. In addition to delivering solutions with years of built-in eCommerce expertise and best practices, Omniture Merchandising partners with our customers to share online merchandising expertise. This paper highlights Omniture Merchandising best practices—best practices agreed upon by industry analysts and retailers—and how Omniture Merchandising solutions help companies successfully sell and merchandise online.

Omniture Merchandising best practices are listed below. Regardless of what you sell, these best practices should comprise your unique merchandising mix.

- 1 Matching Buyer Intentions and Merchant Goals: Sell more items by making sure your customers can find what they're looking for, and what you want to sell them.
- 2 Get in the Zone: Enhance usability and sales with Omniture Merchandising zones™.
- 3 Sell Up and Sell Down: Increase margins with up-selling while you clear out inventory with down-selling.
- 4 Cross-Sell—Don't Leave Money on the Table: Increase shopping cart size with cross-selling.
- 5 Don't Keep Your Great Deals a Secret: Promote free shipping, sales and other special offers with strategically placed banners.
- 6 Make it Easy for Them to Buy: Create a more targeted shopping experience with dynamic landing pages.
- 7 Promote YOUR Best Choices: Promote specific products within search and browse results.
- 8 Let Your Products Merchandise Themselves: Promote products based on results, not behavior.
- 9 Merchandise by the Numbers: Promote products based on business rules and sales metrics.
- 10 Know Thy Customer: Base promotions on customer segmentation.

1. MATCHING BUYER INTENTIONS AND MERCHANT GOALS

Many people think that when you go from a totally navigational shopping experience to a search box, you lose control of what the customer does. You can no longer walk them through the shopping experience, from a category down to specific products. Yet studies have shown that roughly 50% of people prefer to navigate through a site, while 50% prefer to use the search box. Remember, regardless of how shoppers start interacting with your site, they're starting a dialog; they're expressing their interest in or desire for a particular type of product. How can you control the shopping experience, but still give 100% of your shoppers an experience that's rewarding for both of you? You need a merchandising system that was designed both delivering satisfying results to shoppers, but also one that will help you meet your goals as a merchant.

Search that sells, or searchandising as it is sometimes called, provides a product-finding experience that delivers results that you can control, along with a method of helping shoppers narrow choices to get to a buying decision quickly. And one other thing: it also lets you optimize your catalog content so you can merchandise your products the way you need to.

Understanding What Shoppers Want

In online retailing, every shopper interaction is an opportunity to merchandise—it starts with turning each customer click and query into a sales opportunity. To do this, you need search that balances the quality of search—the ranking and relevancy of search results—with the ability to control what products appear where in the list. Omniture Merchandising's patented core technology provides both the quality and control needed to convert search to sales: presenting the right search results with minimal noise or irrelevant results. In addition, Omniture Merchandising includes rich, out-of-the-box linguistics capabilities that correct misspellings and use synonyms to ensure that your shoppers' requests are successful regardless of spelling errors or terminology. Also, packaged domain dictionaries provide synonyms for particular product areas such as electronics, apparel, health & beauty, colors, housewares and more. This eliminates the need for business managers to create a customized list of synonyms to match customer terminology to the products in the online catalog.

Help Your Shoppers Make Decisions

Often, online shoppers don't know where to start looking on your site for what they want—or even how to ask for it! Dynamic product refinements let you take them by the hand and guide them through your virtual aisles, dramatically increasing conversion rates. Refinements allow shoppers to make selections based on the decision-making criteria that are most important to them: price; color; brand; style; or even customer rating.

Take the example of a customer looking for 'diver watches', but doesn't know that is what they're called. So he just searches for 'watches.' In addition to a result list of watches, the search returns general attributes such as brand, price, and gender, along with refinements specific to watches, such as waterproof, warranty or strap type. By clicking on waterproof, he finds the diver watches he was looking for. Similarly, a search for 'blenders' shows refinements specific to a buying decision for blenders, such as capacity and speed along with brand and price. Allowing shoppers to narrow their selections by attributes helps them find products that fit their buying criteria and make buying decisions quickly.

2. GET INTO THE ZONE

In brick and mortar stores, the layout of departments, aisles and the placement of products has the potential to dramatically increase—or decrease—sales. The same is true in online merchandising. When it comes to converting clicks to sales, site layout—the correct use of merchandising zones—can significantly affect uplift. Where a promotion or related products are presented can be as important as what is presented.

Merchandising zones are distinct areas on an online retail site—from product pages through checkout—that are populated with gift suggestions, related products, product substitutions or promotional content such as banner ads. Using Omniture Merchandising's intuitive merchandising console, business users can determine when and where to use merchandising zones to up-sell, cross-sell and promote products—replicating the end-cap and impulse tower experience from traditional retailing.

3. SELL UP AND SELL DOWN

Up-selling customers with higher margin and best-selling items is a tried and true merchandising strategy in traditional retailing. Similarly, sales people are often incented to down-sell sale-priced items in order to clear out end-of season or discontinued items.

With Omniture Merchandising up-selling and down-selling online are easily accomplished. Zones for suggested products can present items hand-selected by a merchandiser or driven by back-end metrics such as price, inventory levels and date, while best-seller zones typically push popular items with high conversion rates. Other ideas for these zones might be to promote New Arrival or Best Value product offerings.

4. CROSS-SELL: DON'T LEAVE MONEY ON THE TABLE

Today's online shoppers will go to different stores or sites to buy different products, despite the fact that all the items they need may be available at the first online store they visited. Or they may purchase a product that requires certain accessories in order to work. An example would be a DVD player that the shopper doesn't know requires cables that are purchased separately. Either way, if you don't capture that business, your site is leaving money on the table for your competition to grab (after all, they're just a click away!).

Cross-selling related products is another Omniture Merchandising best practice. With Omniture Merchandising, hand-selected or metrics-driven items can be featured throughout the online shopping experience—from product pages and search results pages to the check-out process—to ensure you capture as much of each shopper’s business as possible. So when a shopper searches for DVD players, the required cables can be promoted beside the results list, DVD cleaners can be recommended on the product pages and the latest movies available on DVD can be presented when the shopper checks out.

5. DON'T KEEP YOUR DEALS A SECRET

Special offers intended to attract customers and increase sales aren’t much good if shoppers don’t know about them. Instead of generating sales and differentiating you from the competition, they simply come as a nice surprise to shoppers who would have made the purchase anyway. For example, the ‘Free Shipping’ banner shown in the previous screen can be deployed as a site-wide promotion that encourages shoppers to fill their shopping carts and complete their purchases, while other banners or promotional content can be used to advertise more specific offers on targeted pages. In the example below, a business rule is created to display a Baby Phat brand promotion when Baby Phat products appear in the search and navigation results, superseding the ‘Free Shipping’ banner.

With Omniture Merchandising, these banners are easily and strategically placed on pages by business users. Business users can easily create and edit business rules to schedule and control the behavior of banners based on merchandising strategies and end-user search and navigation behavior.

6. MAKE IT EASY FOR THEM TO BUY

In a brick and mortar retail environment you can create a can’t turn down product display to encourage customers to buy. How do you replicate this online? With Omniture Merchandising, you have something better: dynamic landing pages. Landing pages are the perfect way for merchandisers to deliver a customized shopping experience focused on brand, category, product type, season, promotional campaign, customer segment or channel segment. For example, a dynamic landing page could be implemented to promote the Fossil brand when people search for watches or when a result set contains Fossil watches. Or at an online automotive store, a dynamic landing page could be implemented to present the safety awards a minivan has received.

Similarly, dynamic landing pages can dramatically increase the conversion rate of email marketing campaigns. For example, a Fossil watch promotional email could include a link to the Fossil landing page that includes a specific set of products and promotions, driving shoppers directly to what you want them to purchase instead of to your homepage or an individual product page. Landing pages also help retailers get more out of their search engine marketing dollars by engaging shoppers with the right products and content from the moment they arrive at their online store.

7. PROMOTE YOUR BEST CHOICES

In online retailing the most relevant product to a shopper’s query—by search engine standards—may not be the product you’d most like them to buy. In addition to the merchandising zones, product promotions can be accomplished through business rules that simply push specific products or groups of products to the top of the shopper’s product results. Or, these groups can be represented as categories or refinements in the product navigation bar. A retailer may want to suggest a group of random products not currently linked to a category or refinement.

Promotion by Category

Products can be merchandised according to their category or subcategory, such as computing, electrical, fashion, and school wear. In a search for 'bags', for example, backpacks can be promoted to the top of the results through a scheduled business rule that promotes the school wear category.

Promotion by Refinement

Refinements are dynamic product attributes, including brand, size, style, price and product ratings that group products logically when they're presented in response to a shopper's request. When presented in the dynamic navigation menu they can dramatically increase conversion rates and shopping cart size. With Omniture Merchandising, your merchandisers can control the display order of refinements and the products returned in results sets with easily created business rules. Depending on your merchandising strategy, refinement groups can promote products globally or within categories and departments. For example, a merchandiser could create a business rule to promote Panasonic products site-wide across all departments, such as Audio & TV, Home, Computing, and Gifts. In the following example, Panasonic is promoted to the top of the brand refinement options, as well as in the actual results set in a search for 'microwave ovens'.

8. LET YOUR PRODUCTS MERCHANDISE THEMSELVES

Wouldn't it be nice to take the guess work out of merchandising? Anticipating the myriad ways shoppers might go about looking for your products is a near impossible task. Omniture Merchandising is designed to help overcome this challenge. Results-based merchandising strategies are triggered by the actual results of a product searches and product browsing behavior. In other words, it does not matter what steps a shopper takes. If results match certain criteria, then a promotion is automatically triggered. For example, results-based merchandising can be utilized in the following scenarios:

- » Results Contain: the results contain specific products, such as a type of product or a brand. This can be configured for a certain percentage of matching products, such as over 50% of all results
- » Department or Category: the results are from a specific department or category. This is useful when doing a promotion for house brands or other popular brands that are cross-department or cross-category
- » No Results Found: no results match the query
- » Low Results Sets: the result count is a specific number, such as less than 5

Merchandising for Results Contain

Take the example of a merchandiser who knows that short sleeve polo shirts are popular during the summer season. Every time polo shirts appear in a results set, the merchandiser wants to promote them to the top. Unfortunately, it is usually too complicated and time-consuming for the merchandiser to create business rules addressing every unique search and browse scenario that could return a product, brand, or merchandising action (e.g. banner). In the polo shirt example, the merchandiser would need to create a multitude of rules for searches on 'shirts', 'men's shirts', 'polo' and browsing by fashion > mens > shirts.

With Omniture Merchandising results-based merchandising, business rules are triggered by the content or structure of the results set, such as the inclusion of polo shirts, or an empty results set. In the polo shirt example, one Omniture Merchandising results-based merchandising strategy is created to promote polo shirts at the top of the results set anytime polo shirts appear in the results, regardless of how the shopper generated those results.

Results Contain merchandising can also be used to automatically do brand promotions. Where the majority of the results are from a specific brand like Nike, a Nike banner can be displayed and Nike products pushed into the up-sell zones and to the top of a product results list.

Merchandising for a Department or Category

Merchandising strategies can also be implemented when the results set contains a majority of products within a particular department or category. Take the example of a merchandiser who wants to display a promotional DKNY bedding banner, but only if the majority of the results are DKNY products from the Bed & Bath department. However, DKNY includes products that span across multiple departments, such as Women's, Bed & Bath, Beauty, and Jewelry. With Omniture Merchandising, the merchandiser can quickly create a single rule to display the banner if, and only if, the majority of results are DKNY Bed & Bath products.

Alternatives to No Results Found

When a search yields no results, a dead end No Results Found is traditionally displayed to users—and the opportunity to make a sale can be lost. results-based merchandising allows a No Results Found page to be turned into a selling opportunity. As an alternative to no results, the merchandiser can keep shoppers engaged by:

- » Guiding customers to other products and areas of the site
- » Suggesting alternative products
- » Promoting clearance or seasonal products
- » Displaying advertisements or promotions

Rather than dead-ending the shopper looking for 'orange Nike sneakers' with a static 'No results found', the solution could present alternatives, such as 'Nike sneakers' or orange Nike products. In addition, the merchandiser can present other sale and promotional banners to prompt the user to continue shopping, lowering abandonment rates.

Merchandising for Low Results Sets

Search and browse results sets sometimes yield few products in the results set. Like No Results Found, results sets with limited options can send shoppers elsewhere. Savvy merchandisers use Omniture Merchandising results-based merchandising to complement low number results sets with alternative products, additional banners and promotions. Business rules can also be created to remove default navigation from low results sets. Scenarios of low results rules are the following:

- » If there is only one result for a search, take the shopper directly to the product page
- » If there are less than 10 results and they are all one page, remove the refinement options

9. MERCHANDISING BY THE NUMBERS

Metrics-Driven Merchandising™ strategies account for much of the science in merchandising. They use external data and scheduling to score products and tune search results according to dynamic external data sources and strategy timeline. External data sources and information include Web analytics (e.g. conversion rates, related products, best sellers) and back-end sales and financial data like gross margin, shipping location, and inventory levels.

An example of a Metrics-Driven Merchandising strategy is the complete cycle of seasonal products, such as sandals, shorts or swimwear. At the beginning of spring, a merchandising manager pushes higher margin sandals to the top of the results list to increase sales. The search 'sandals' is scored primarily using gross margin information. In the middle of the season, the merchandiser wants to promote best-selling items, determined by external Web analytics data. Towards the end of the sandal season, the merchandiser starts to promote the sandals with the highest inventory—based primarily on back-end ERP information.

10. KNOW THY CUSTOMER

Sometimes it's okay to stereotype. In the case of merchandising, it's both useful and necessary. Understanding how to sell to specific customer segments can increase your ability to convert shoppers into repeat customers. And how your shoppers interact with you and your products can tell you a lot about what they are likely to buy. In addition to interpreting customer requests and browsing activity and making merchandising assumptions based on that insight, Omniture Merchandising utilizes external customer and channel segmentation and personalization information to merchandise to specialized customer groups.

Customer segments can include types of shoppers, such as soccer moms and high fashion shoppers, or special sizes such as plus sizes and petite sizes. Segments can also be used to identify referring channels, including Google AdWords and affiliate partners. For example, a search for 'bags' can yield very different results depending on the customer searching for bags. For high fashion shoppers, who are usually looking for the latest and greatest fashion trends, Omniture Merchandising delivers designer handbags. For soccer moms, who are typically looking for sports gear and children's products, Omniture Merchandising delivers children's schoolbags.

Omniture Merchandising helps online retail merchandising managers maximize site selling effectiveness and optimize the shopper experience by exposing the best product choices and making them easy to find. To learn more, visit www.omniture.com



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