

10 top stores put to the test

What makes a successful online retailer? Revolution tries out some of the online giants to figure out why they're attracting customers, and then parting them from their money

Just because Wall Street held a barbecue of internet retailers the other week doesn't mean the internet is dead as a retail medium. People are still shopping online, and will continue to do so in growing numbers. But it is becoming clear that in many sectors not all the current retailers are going to survive. They are insufficiently differentiated, and in many cases the brick and mortar world is biting back with its own online offerings.

So what makes a winning internet retailer? What is it that makes people buy things from one store and not another? It's a question that has been exercising retailers ever since retailing was just dusty market squares in mud-walled villages. And you only have to look at the number of stores that go out of business in main streets and local malls every year to know that we don't have all the answers yet, by any means. And online, things are more complicated, because the elements that make people prefer one store to another in the physical world do not necessarily have the same importance online.

Shopping is as much about the experience of buying things as it is about the products you're buying. In the brick-and-mortar world, it's everything from the layout of the store, the signposting and lighting, to the smiles on the faces of the shop assistants. Online, the essential ingredients of the shopping experience are to do with web site navigation, ease of finding what you're looking for, the clarity of reassurance that your personal and credit card details are secure, how well the business handles queries or unusual requests, and other related issues.

Internet retailers have to figure out new rules, and they're all still learning. But some are definitely doing better than others. The question is why. We decided to take 10 of the top internet retailers and try them out firsthand.

We talked to them to find out a little bit about their marketing strategy, how they're attracting customers and turning them into cash. And where possible, we bought something. But as you'll see, that was an occasion easier said than done. In the process we tried to figure out whether they're living up to the promise of their marketing, and how. And where they have a physical world presence, how comfortably does their online business sit with that? What is it that they're doing well? What can other retailers learn from them?

You may well disagree with some of our choices. This is not a league table, and choosing who to write about for reports like this is always somewhat subjective. These aren't flawless online stores (in this game nobody's perfect), but each is a giant in its space, with a powerhouse brand and serious numbers of customers. All of them are doing things that we think are interesting, so no matter what your line of business, we think they're worth your spending a bit of time with.

EBAY

Proposition

Founded by the supportive husband of a Pez dispenser collector, eBay's mission is simple: "We help people trade practically anything on Earth." And with some four million items on sale on any given day, practically everything is just what consumers will find. The company has grown profitable with its online version of the classic auction model: a commission on every single item sold on the site.

The company acquired San Francisco-based traditional auctioneer Butterfield & Butterfield in the fall of last year. The resulting auctions of high-end items have been joined

by other niche plays, such as eBay Motors, a collaboration with Autotrader.com. Local auctions mean more yard-sale level merchandise is now available and further serve to erode classified advertising revenues for local newspapers. People are selling all types of household items through the site.

As perhaps the original online business-to-business trading service, the company has also sought to cash in on the investor cachet of an explicit B-to-B play. "eBay Business Exchange is a natural evolution of the eBay business model, enabling businesses to obtain new, used and refurbished business merchandise and providing businesses of varying sizes a targeted way to reach buyers of business items," says eBay chief operating officer Brian Swette.

Marketing

eBay built its user base during The Great Beanie Baby Craze. Indeed, tens of thousands of its daily auctions are still accounted for by Beanie Baby traders. The site consistently tops Media Metrix's ranking of e-commerce destinations. An online-centric approach to building its brand has concentrated on affiliate stores, where other online retailers (including Buy.com) are able to offer a co-branded version of the auction site, putting auctions of their own products to the fore.

User Experience

Buying and selling on eBay is not for the fainthearted. The site's huge number of concurrent auctions make navigation a nightmare. eBay does a good job of enabling searches and making popular categories easy to access. But registration is close to indispensable, and over 10 million have already signed up. A My eBay page is a necessity for tracking multiple auctions. And for the truly active (and addicted), eBay a-go-go is a service for wireless devices that lets traders keep track of when they are outbid, when a bid has been successful and when an item sells.

While online fraud remains at a level comparable with traditional sales channels, every user who has lied about his or her age, hair color or profession in an online chatroom will feel justified in worrying about buying on eBay. But those worries are dissipated by eBay's user-feedback feature: sellers are ranked according to the comments of previous customers, indicating whether they were satisfied or not.

Mark Dolley

AMAZON

Proposition

Amazon is still based on "our founding commitment to customer satisfaction and the delivery of an educational and inspiring shopping experience." It has, however, thrown in a dozen new categories since it started as a

books-only site in 1996. With the boast of Earth's Biggest Selection to uphold, this marriage of selection and service is watched from Wall Street to Main Street.

Amazon puts its money where its mouth is. All of its 13 product areas offer a well-presented and wide array of brands, price points and personalities. For example, the look and feel of the art and collectibles site is more upscale than the book area. But the same accessible layout and graphic scheme pervades.

"We want to be less about push and more about inviting the consumer in," says marketing director Bill Curry. "We have a rich amount of information that helps consumers find what they want, rather than having someone tell them what they should buy."

What Amazon.com will tell consumers about next is anyone's guess. The company has actively added new categories and services. About the only hot e-commerce area they've stayed out of is financial services. Stay tuned.

Marketing

Amazon has built arguably the most extensive and active affiliate network of any online retailer. It is the official book retailer of Excite@Home and the official link for Yahoo!Search, as well as myriad other revenue producing alliances. Because it has expanded into so many areas, it has a huge audience target to hit. Marketing is accomplished more through specific areas than through the overall site. For example, full-page ads in regional Sunday newspaper book review sections only advertise the site's book business. The kitchen store may find its best audience in women 35 to 54 years of age, but the music audience may skew much younger. According to Curry, the site experience has to be a key marketing element to make sure the wide audience comes back to Amazon. "The nature of the business is that we want to get to anyone who is online and has a credit card," he says. "The individual areas need to appeal to each demographic group through their offerings and the way the site is navigated."

User Experience

We decided to take Amazon up on its claims by searching for a recent record release from a critically acclaimed but under-distributed artist, Neko Case. The site definitely invites more than pushes, as Curry says. After registering information (privacy policy plainly displayed), we entered "Neko Case" in the search box and got a quick page featuring the artist's most recent release, *Furnace Room Lullaby*. The page showed many different ways to learn about the artist and the release. Front and center were reviews from Amazon staff. More intelligent, complete and absent of hype were the user reviews.

When we clicked the selection into the shopping cart and hit continue to place the order, it was clear the order was "secure" and stored on Amazon's servers. Everything about the process was clearly explained, including what to expect in terms of shipping times and costs. On the final

order confirmation page, big thank you messages were prominently posted at the top and the bottom. And you could even sign up for more information via email on artists like Neko Case.

John Gaffney

PRICELINE

Proposition

Priceline's value to online consumers is based on a business model protected by US Patent No. 5,794,207. Granted in 1998, it reads: "The present invention allows prospective buyers of goods and services to communicate a binding purchase offer globally to potential sellers, for sellers conveniently to search for relevant buyer purchase offers, and for sellers potentially to bind a buyer to a contract based on the buyer's purchase offer." In plain terms, it's a name-your-price model, where you can trade off naming a lower price against the correspondingly lower chance of getting what you want.

The company's initial focus was airline tickets. By signing up 34 airlines, Priceline was able to provide compelling deals on domestic and international fares and claims to have picked up some three percent of the US leisure fare market.

But even on the airline front, Priceline has found itself challenged by Microsoft's Expedia.com. Showing scant regard for Priceline's patent, Expedia.com offers an identical service, its Flight Price Matcher ("Flights At A Price You Like: Yours!").

Expansion has brought new categories of goods and services to Priceline's home page, including hotel stays, cars, mortgages and even groceries and telephone calls. "Further down the line, we'll add cruises, vacation packages and more. You can also expect priceline.com to begin its international expansion, beginning with Asia, later this year," says CEO Dan Schulman.

Despite charging a commission on every successful bid, the venture remains unprofitable.

Marketing

Priceline's advertising will forever be remembered for two things: making William Shatner very rich, and resurrecting radio as a means to promote dot-coms. The company combined Shatner's well-known voice with the bombardment of an uncluttered medium to earn almost overnight recognition.

Shatner cleverly chose to emulate savvy Silicon Valley landlords and take payment in equity, netting him an eight figure sum. With national radio now overrun by dot-com commercials, Priceline's more recent campaigns (still featuring Shatner) have concentrated on national TV. Local cable buys have been added in markets where the company offers specific services, such as its WebHouse Club grocery shopping scheme.

User Experience

Bidding on Priceline is no guarantee of satisfaction. In measuring its own success, the company looks at "reasonable" bids falling within 30 percent of the regular price for a product or service. In the first quarter of 2000, it was only able to satisfy 43.5 percent of those bids.

Even where users win on price, they lose on convenience. Online status checking, real-time online customer support and other helpful features abound. But to achieve maximum scalability with minimum investment, Priceline.com makes consumers sweat for their savings. For instance, first-time grocery buyers must compile their list, make their bids, pay up via credit card and then wait for a WebHouse Club Card to arrive in the mail before trekking to a participating store.

Mark Dolley

BUY.COM

Proposition

Buy.com was started as one of the truly visionary business models of the web. Its premise was one of buying computer hardware and software from Ingram Micro (a wholesaler that supplies many other dot-coms) and then selling those products at a loss. The company hoped to make up that loss with revenues from advertising shown to its customers as they shopped. Now though, post reality check, the company is regularly mentioned in reports of impending dot-com demise.

In fairness, the company widely diversified its offering. Books, CDs and DVDs form part of an online superstore that now numbers some 850,000-plus SKUs. But it still relies heavily on Ingram Micro as a supplier (for all its books, for example), and competition has driven margins to razor-thin levels. With a low price guarantee, Buy.com locked itself into the business of stacking product high and selling it cheap, though this is no bad thing for the consumer.

International expansion has seen Buy.com affiliates open in the UK, Australia and Canada. The company has also gone beyond the web, with a compact version of the store accessible on various wireless devices, including the Palm VII and Sprint PCS phones with the Wireless Web option. "Buy.com is increasing its presence within the wireless sector, says CEO Greg Hawkins. "We're catering to the growing number of consumers, professionals and corporations that recognize the importance of extending data access into the mobile, wireless internet environment."

Marketing

Buy.com tried it all: from billboards to banners and even Super Bowl ads. And not without success. The company has served more than two million unique customers. Unfortunately, those customers proved costly to acquire and as

fickle as one might imagine for a store whose main claim has been cheapness.

User Experience

Buy.com's eSearch facility, combined with separate store departments for the main categories (book, computers, music etc.), make navigation relatively easy. But with such a breadth of items, Buy.com doesn't offer the depth of product descriptions users of other sites take for granted. Try buying a book, and you'll only find detailed information for the top 25 sellers. Lower down the list, you'll be lucky to find a one-line synopsis.

Shipping times, a key piece of information determining online purchases, are present throughout Buy.com. And for those who want to make extra sure, an ordertracker is available. The company boasts about its Anytime Customer Service, and a telephone call in the middle of the night was answered within two minutes.

Mark Dolley

EGGHEAD

Proposition

The name "Egghead" enjoys almost 70 percent brand recognition among online users, largely the by-product of Egghead's brick and mortar days gone by. The firm wants to parlay that advantage into a top place in the hierarchy of web retailers.

"We want to become the leading internet destination for technology products and services," says Bari Abdul, senior VP of marketing for the site. While online retailers have been aggressive in their fight for supremacy over the book and toy categories, which together represent a \$25-billion-a-year industry, there still is no clear online leader in the \$150-billion-a-year computer supplies market, Abdul says. Egghead may soon be able to claim that crown for itself. In 1999 it was the third-largest e-commerce site by sales volume after Amazon and Buy.com, with some \$515 million in sales.

Marketing

The site's advertising promotes the idea of a "computer store inside a computer." Its print campaign has targeted the *Wall Street Journal*, *USA Today* and business publications such as *Inc.* and *Entrepreneur* magazine. Online ads have appeared on small-business sites and at portals such as CNET and ZDNet.

Egghead also sends out 20 million emails a month to its 3.7 million users who registered for email. These messages feature promotions such as private auctions that are listed only through email and five-percent-off deals on superstore sales.

The big sell here is variety. The site includes a retail "superstore," an auction area and a "Smart Deals" section offering surplus and overstock items at deep discounts.

"Most important is the selection," says Abdul. "At egghead.com we have up to 50,000 of the latest products on the site every day, and at the auction site we have about 10,000 more daily."

User Experience

This variety of offerings comes as the result of a deal last fall in which the auction site OnSale.com bought out Egghead and the OnSale.com leadership effectively took over management of the site.

On a recent test drive, we found variety—Egghead's chief selling point—to also be the site's main weakness. With no specific product in mind, we found it difficult to get a clear sense of what was available on the site. The superstore listed three categories of goods—computer products, software and electronics—each with a dozen or so subcategories to navigate. The auction half of the house has four categories, including (and we found this mystifying) travel and sports and fitness.

These seemingly mismatched offerings are perhaps part of a larger plan. Egghead wants to be the site of choice for small- and home-based business operators, and these categories may be aimed at that market. More logical is the site's plan to leap into the office products market this spring. "They need a place that they can go to get information and also get huge selection and good customer service. That is what the market is looking for," Abdul says.

Functionality on this sprawling site is sufficient. A search feature allows shoppers to track down products simultaneously in the retail store, in auctions and in the discount shop. If you know what you are looking for, that is helpful. In the travel section we found a large Samsonite suitcase that was going for \$60, reduced from \$150. It shipped the day after we ordered and arrived six business days later—a genuine bargain.

Adam Katz-Stone

TRAVELOCITY

Proposition

In March of this year Travelocity was the 30th most active site on the web, with over seven million unique visitors, according to the research group Media Metrix. The site's proud parents say they offer "a new way to plan and buy travel."

That phrase comes from Mike Stacy, senior VP of marketing, who explained that Travelocity is all about empowering consumers to research and plan their personal travel itineraries and vacation plans.

"All the airlines, all the hotels and vacation packages are surrounded by destination content information, and that presents a much different customer experience than you find in the traditional world," he says. "The consumer now is in control."

Marketing

Travelocity's TV ad campaign hawks the "control" message with emotional visuals. A grandfather arrives to see a new baby for the first time. A woman in the tropics awaits her lover.

In the online realm, Travelocity's innovative banner ads allow users to enter an origination city through an ad and immediately receive a list of the day's lowest fares to 10 or 15 destinations. The banner appears on all the major portals, at college sites and at financial sites.

With a target audience of 35- to 45-year-old homeowners whose income tops \$75,000 per household, Travelocity seems to have a working formula. In 1998 the site did \$285 million in gross sales. In 1999 the gross topped \$1.1 billion, and in the first quarter of this year sales had already topped \$500 million.

User Experience

We went to www.Travelocity.com to book a weekend room in Virginia Beach. This should have been easy, but it was not. Since we already knew where we wanted to go, we took control by going straight to "Find/Reserve a Hotel" and entered the city and state: Virginia Beach, VA.

Travelocity could not find that city, so we went to another site to track down the ZIP code for the resort town and then tried again, still without success. Eventually we queried Travelocity to search for a hotel "near a point of interest" and—lo and behold—the search engine recognized Virginia Beach as a point of interest.

Asked about the problem, a customer service representative said on the phone that the hotel booking tool gets a little funky sometimes. This is disappointing, but perhaps not surprising, since Travelocity has set its sights chiefly on the competitive arena of air travel bookings.

Stacy touted as a unique feature a "best fare finder," in which a traveler may enter a desired destination and get a report back detailing the lowest available airfares. Likewise, the "alternate airports" feature will search out less expensive fares that can be obtained by flying into nearby airports and then calculate the mileage from those airports to the traveler's destination.

Still, you'd think they could find Virginia Beach.

Adam Katz-Stone

TOYSRUS

Proposition

Despite some well-publicized stumbles last holiday season, Toysrus.com still finds itself the best-positioned toy e-commerce site going forward. As a division of the global Toys 'R' Us retail chain, Toysrus.com is able to leverage its parent company's incredible name recognition as well as its skills in managing inventories, giving it a huge advantage over pure online retailers such as eToys.

"They just have great brand awareness," notes Jupiter Communications Ken Cassar, in predicting Toysrus.com will likely lead online toy retailers this year.

Toysrus.com's weaknesses are the same ones faced by toy retailers in general—it is a seasonal and hits-driven business. The site will do as much as 70 percent of its annual revenues during the fourth quarter. That puts a lot of pressure on all aspects of Toysrus.com, from site management to fulfillment. Last year, Toysrus.com ended up alienating some consumers by failing to fulfill orders by Christmas. The site has since built two additional fulfillment centers to better meet surges in seasonal demand.

Marketing

The best thing Toysrus.com has going for its brand values. Plain and simple, Toys 'R' Us is the best known name in the lucrative US toy retail sector. "Our Q scores, measuring popularity and awareness, rank Toys 'R' Us equal with the likes of Disney and McDonalds," boasts John Barbour, CEO of Toysrus.com.

Toys 'R' Us leverages that stellar brand equity by including the site's URL in newspaper circulars and other advertisements, generating 50 million impressions during the last post-Thanksgiving shopping period. The URL is also displayed on in-store signage and shopping bags.

"All of these bricks and mortar assets allow us to spend far less on the important aspects of marketing and customer acquisition costs—which gives us a much faster track to profitability than pure online toy retailers," Barbour says.

User experience

The Toysrus.com interface is very clean looking with lots of white space to facilitate fast load times. Consumers can search for items by age group, brand, category (i.e. dolls, games) and character and theme. This search function appears on every page within the site, as does a selection of channels that include video games, Pokemon Central and collectibles. Products are displayed with age range and a small thumbnail picture, with more information available at a single click. Toysrus.com also offers "The Toy Guy," who provides brief reviews of products.

Toysrus.com offers a reasonably helpful FAQ page, as well as the ability to check on the status of an order. Customer service can be accessed through both email and 1-800 number. Both were required during initial attempts to shop, since the screen froze several times during the shipping and billing process. The site's technical support blamed the problem on later versions of the Netscape Navigator browser, adding that it was being addressed. A later attempt using Internet Explorer was completely free of problems.

David Ward

BARNES & NOBLE

Proposition

Barnes and Noble may be the internet's best example to date of using an offline brand to build an online business. Barnesandnoble.com is constructed on the brand's offline strengths, plain and simple. Barnes & Noble was the first book superstore and the first retail brand name in the book business. Since launching its online business in May 1997, it fought through the challenge of Amazon.com to become the sixth largest e-commerce site, according to Media Metrix.

Marketing

By the company's own admission, it does not do a lot in the way of unique branding for the site, or even the promise of a unique internet experience. Like its competitors in this space B&N relies heavily on affiliate marketing. In 1998 it launched a mybnlink.com program with BeFree, which essentially made every user an affiliate. For example, if you recommend a book via email to 20 of your friends and they all buy it from BarnesandNoble.com, you get 10 percent of the total revenue generated. The site relies heavily on brick and mortar power to drive online business. One recent promotion gave consumers a 10 percent discount on any online purchase in return for filling out a demographic information card in the store. B&N maintains strategic alliances with major Web portals and content sites, such as AOL, Lycos and MSN.

User Experience

More than its competitors, Barnes & Noble's approach seems to be aimed at the 35- to 54-year-old demographic. The day we shopped, users could pre-order *The Beatles Anthology* book, not due until late summer at best, but certainly an attention-getter for this age group. The featured music entry was Carly Simon's new record, when the site could easily have opted for the new Britney Spears or Pearl Jam records, released on that very day. It is definitely book-centric. Other product lines seem to get minimal attention. Links from the home page directed readers to subsets of book interests such as the Discover New Writers program and the wildly successful Oprah's Book Club. (Both are also in-store features.)

The site was unique in its grouping of books by winners of various literary awards. We clicked on the IMPAC Dublin Literary Prize and found a great description of the winner, a novel called *Wide Open* by Nicola Barker.

Upon ordering, the site seems to become more of an AOL affiliate than Barnes & Noble. Orders are handled by a co-branded AOL Quick Checkout system. New York City customers were urged to take advantage of a new home or office delivery service.

John Gaffney

CDNOW

Proposition

CDNow is trying to stress the "now" in its company's name. After making a living off its first-mover status for the past three years, the company has repositioned its brand. The site is now more in step with the broadband era of music e-commerce, content and community. In fact, its new tagline is: "Never miss a beat."

"We want to be a music destination. Buying a CD is only part of that," says senior brand marketing director Sam Liss. "We're looking to offer the user specificity. We're not looking to be the Wal-Mart of the internet. We're looking to offer an immersive experience that will make it easier for the user to find the product they're looking for and learn a lot about other product available on the way."

Marketing

CDNOW is in a state of transition financially, and that will affect its marketing plans. It has put a lot of PR muscle behind its new interview section and other broadband applications. It has also been chastised by some analysts for overpaying for some extensive portal deals. Time Warner and Sony will explore a broader strategic relationship with the company and have committed \$51 million to it. CDNOW has also hired an investment banker, Allen & Company, to investigate other strategic opportunities and partnerships.

User Experience

CDNOW gets a number one with a bullet for being a fun site to surf. The company's vision of a "destination site" for music is executed with an obsessive attention to detail, presenting literally dozens of informational and commerce choices on the home page alone.

The day we shopped, the page had a broad array of artists featured (from Matchbox 20 to Jeff Buckley to Primal Scream) in the new release section. Album reviews were broken out by editor's picks, staff picks and featured reviews. Our favorite was the artist's pick, where an artist picks their top 10 records.

Looking for jazz selections, we opted for pianist Kenny Barron's picks. On the jump page his picks and an audio sample were listed together. We listened to a mid-1960s McCoy Tyner record titled *Inception*, which had a great smoky club feel.

Meanwhile, we found something else that will help CDNOW appeal to music fans: the company sells vinyl records, where available. But they're more expensive than compact discs.

The order process seemed suspiciously similar to Amazon.com's, both in the graphic interface and the actual process. One segment of the process that could stand more direct explanation is one of supreme importance: the availability of the product is not listed until you place your

order. So if an item is backordered, the customer has no information, unless he or she calls the help line, as to when it will be delivered.

John Gaffney

DELL

Proposition

Founded in 1984 as a direct supplier of built-to-order computers Dell had long realized the importance of efficient fulfillment, billing and customer service even before the advent of e-commerce and the formation of Dell.com.

Thanks in part to a growing e-commerce business, Dell current ranks number two in the PC market, with a market capitalization of \$130 billion and more than 35,000 employees. Dell.com now generates nearly \$40 million dollars each day, a growing percentage of which is in high-end business-to-business services and infrastructure offerings.

Over the past year Dell.com intensified its efforts in the consumer space with Dell Gigabuy, which carries both PC and consumer electronics products such as digital cameras. It also launched the Dell4Me.com initiative to raise consumer awareness about the site's ability to provide everything from PCs to an ISP service. "It gives people a reason to visit the site more than once a year," comments Jupiter analyst Cassar.

Marketing

Dell.com leverages its direct mail channel to drive traffic for the web site. Catalogs sent to businesses and homes carry the URL on the cover and on inside pages. Dell.com also maintains its brand identity through print advertising in business, trade and technical publications.

Dell offers one of the most recognizable names in computing, one that many home consumers have already come in contact with at the office. "Dell projects the image of being a leader in providing customers customized solutions for their computing and internet needs," says company spokesman Bryant Hilton, adding that TV advertising is primarily the vehicle for corporate branding campaigns. Dell has also aggressively paired with companies such as America Online in promotions.

User Experience

Shopping at Dell.com is a utilitarian experience. Pages often have a cluttered look, but information is easily retrievable. The home page has multiple channels that segment users: consumers are directed to one section while government customers are sent to another. Though Dell.com primarily highlights its own products, especially in the build-to-order segment, the Gigabuy section has over 30,000 offerings, many from brands other than Dell. The site features a selection of exclusives, as well as a top-10 list chosen by customers. The most popular items were products such as laser printers, reflecting the site's business audience.

Dell.com customers can search through categories such as printers/scanners and software and accessories, or use a keyword to locate what they want. There were no attempts at cross- or up-selling, but the site does allow you to group four products together for comparison shopping. With its foundation in direct mail, Dell.com excels in fulfillment. A CD writer ordered on Sunday evening arrived on our doorstep Thursday morning via standard delivery. Repeat customers have the option of one-click checkout, and all customers have the ability to monitor the status of their order. Customer service consists of FAQs as well as an e-mail section.

David Ward