Five Profit-Driving Online Merchandising Tips

A report from Zobrist Consulting Group

Introduction

As US annual eCommerce sales pass $500 billion dollars for the first time and become increasingly important to the overall retail industry, building a strong, effective web presence using online merchandising best practices becomes critical to future success.[1] As the eCommerce sphere has matured and become more competitive, online merchandising has increased in prevalence and sophistication. However, many companies are still struggling to manage their inventory, monitor analytics, and capture the greatest number of customers due to the limitations of their tools. With more effective systems that allow them to more precisely use their data, companies can improve their productivity, increase sales, and reduce costs.

Understanding effective merchandising

In order to improve year over year, retailers, merchandisers, and eCommerce VPs need to understand how to effectively use online merchandising to make more sales at higher margins, acquire new customers, decrease attrition, and improve customer satisfaction. Building an eCommerce website isn't simply about listing products, it's about creating a friendly, intuitive experience for the customer in which they can easily locate products they want, that they are likely to buy, and that are in stock. This means that retailers must be able to consistently analyze customer buying habits, rearrange their online inventory for maximum exposure of in-stock, popular, and high-margin items, and easily make adjustments to their site layout on a regular basis.

This guide will help companies understand how to more effectively use online merchandising to increase market share and drive profits in online stores.

> *"Building an eCommerce website isn't simply about listing products, it's about creating a friendly, intuitive experience for the customer..."*

1. Inventory Management

"Products that sit 'above the fold' on your website, should be in stock."

Many businesses don't place enough value on the relationship between product organization and their current inventory. This creates a significant problem when the first thing customers see on a site are items that aren't currently available. Customers are significantly less likely to complete a purchase when the items they want are out-of-stock.[2] This can lead to lost sales, frustration for customers, and logistical problems for companies. Web users spend over 80% of their time above the fold on websites, only visiting other parts of the site less than a fifth of the time.[3]

Retailers cannot afford to waste above the fold real estate on products customers can't even buy. In order to prevent customers from becoming discouraged and abandoning the site, out of stock inventory should be merchandised lower on the page and only in-stock items should be featured above the fold.

This should also apply to particular product details. Retailers should have not only the ability to manage inventory at the item level, but also specific sizes, types, and colors of items. This can be accomplished only with tools that provide comprehensive inventory data and that allow users to quickly reorganize products as inventory fluctuates.

Effects on sales

Customers are also much less likely to have a satisfactory shopping experience when many of the most visible items on a site are out-of-stock. It can be an incredibly frustrating experience for a customer to find something that they want and not be able to purchase it. Even in cases where the site provides the option for customers to back-order out-of-stock items, it can still lead to less than optimal experiences when shipping times are delayed or orders are canceled. Customers consistently report lower levels of satisfaction when they must wait longer for items.

Omni-channel management

Omni-channel sales are becoming increasingly important for eCommerce businesses. There is growing evidence that consumers prefer the option of being able to buy a retailer's products from multiple channels. 71% of respondents to a recent survey said that the ability to view information online about products available in-store was important to them, and shoppers who buy products both in-store and online have an estimated 30% higher lifetime value than those who only buy in only one channel.[4,5]

Of course, achieving sales across multiple channels requires more robust inventory management. The complex interaction between sales on the site, sales on third-party online platforms, and sales in retail locations can make effectively overseeing inventory even more challenging. In order to better manage this problem, businesses need to be able to easily view their inventories and make real-time decisions when inventory needs to be shifted across channels.

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2. Analytics

"Are you merchandizing and optimizing according to your analytic data?"

The ability to gather large sets of data and perform complex analytics has drastically changed business across countless industries, making companies more efficient, better prepared for change, and better able to serve their customers. eCommerce retailers that want to stay competitive in the coming years cannot afford to ignore this trend. One survey found that 89% of business leaders thought that data and analysis will revolutionize business operations in the same way the Internet did and 79% said that companies that do not embrace data will be uncompetitive in the future.[6]

But how can eCommerce companies make the most use of analytics, and which data points are most critical to success?

Key Data Points

- **Conversion Rates**
  Understanding how likely a customer is to purchase a product after viewing it is critical to a company's marketing and merchandising efforts. This metric allows companies to more easily determine whether product photography is effective, if the copy needs to be adjusted, or if a product should be more prominently featured on the site.

- **Abandonment Rates**
  Reducing shopping cart abandonment rates is a major challenge in eCommerce. The average business has an abandonment rate of 68.3% and any reduction can translate directly to more sales.[7] In order to effectively improve this, businesses must closely monitor changes in the rate and understand why abandonment is occurring. This might entail making adjustments to the checkout process, adjusting shipping rates, or engaging in an email campaign to encourage customers to complete their purchase.

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- **Profit Margins**
  Being able to easily see the profit margins of specific products is important to eCommerce for two reasons. The first is that it allows companies to determine the deepest discount they can offer while still maintaining adequate levels of profitability. The second is that it provides insight into which products should be featured prominently on the site, which should be discontinued, and which should be more heavily advertised.

  This statistic can be particularly useful when used in conjunction with total product sales and conversion rates. By looking at the profit margin coupled with these statistics, merchandisers can ensure that their most profitable and highest selling products are in a place where customers can easily find them.

- **Total Sales**

  Another key data point is the total sales of each specific product. This can provide a general overview of how each item is performing and is a particularly powerful piece of information when combined with other statistics.

The importance of simple eCommerce analytics solutions

Although most companies agree that analytics is a critical part of good business, many still fail to implement systems that allow them to easily act on data. In order for analytics to be most effective, companies must be able to access them easily and act on them promptly. This necessitates a simple, streamlined system that allows users to view data and make changes to their website. Effective merchandising tools should provide clear analytics directly incorporated into product information. This allows users to easily make judgments about which products to feature on the site and what functionality should be implemented to improve sales and customer experience.
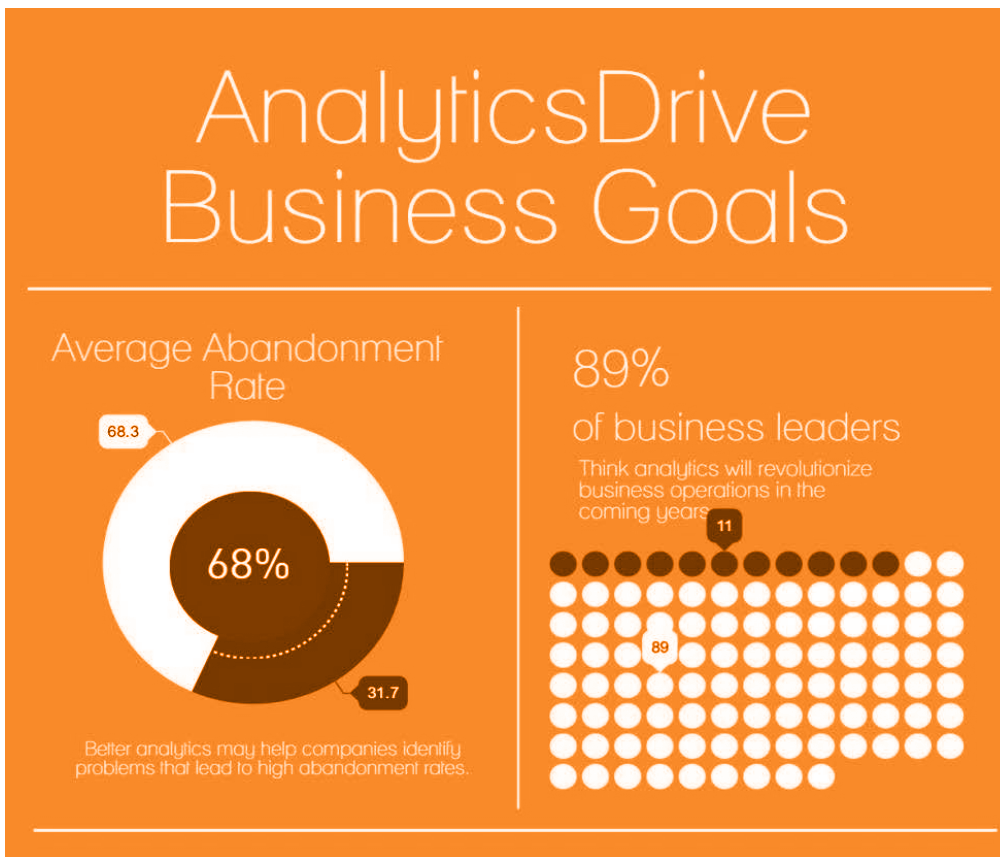
3. Social Listening

"Understand the buzz around your products and use that information to capture more sales."

Social media has grown into one of the dominant forms of communication in the modern era, so its role in eCommerce is critical. Companies must capitalize on this trend by using data gathered on social media sites to make more informed decisions about how to merchandise their products. It is important to pay close attention to the general buzz surrounding products, promoting items that are generating interest and lowering items that are not.

This makes it easier for users to locate items they have heard about on social media, potentially increasing sales and improving customer satisfaction.

"What people say about products online can have a significant effect on sales, particularly in close social networks dominated by friends and family, such as Facebook."

Effects of social media on eCommerce

In a survey conducted by advertising research firm Nielsen, 84% of respondents said that they trust recommendations from people they know when making purchases, and 68% said they trust consumer opinions online. That's compared to only 48% who said they trusted web video ads and ads on social networks.[8]

Clearly, what people say about products online can have a significant effect on sales, particularly in close social networks dominated by friends and family, such as Facebook.

Based on these statistics, it is likely that social media buzz can have a larger effect on sales than marketing campaigns conducted by the company. This seems to be borne out in academic research, which finds that the number of social media mentions for specific products has a significant positive correlation to the sales of that specific product.

With Smart Merchandiser, a company can see how many likes and tweets a particular product is getting and adjust position accordingly. And the merchandiser can see all the tweets related to each product.[9]
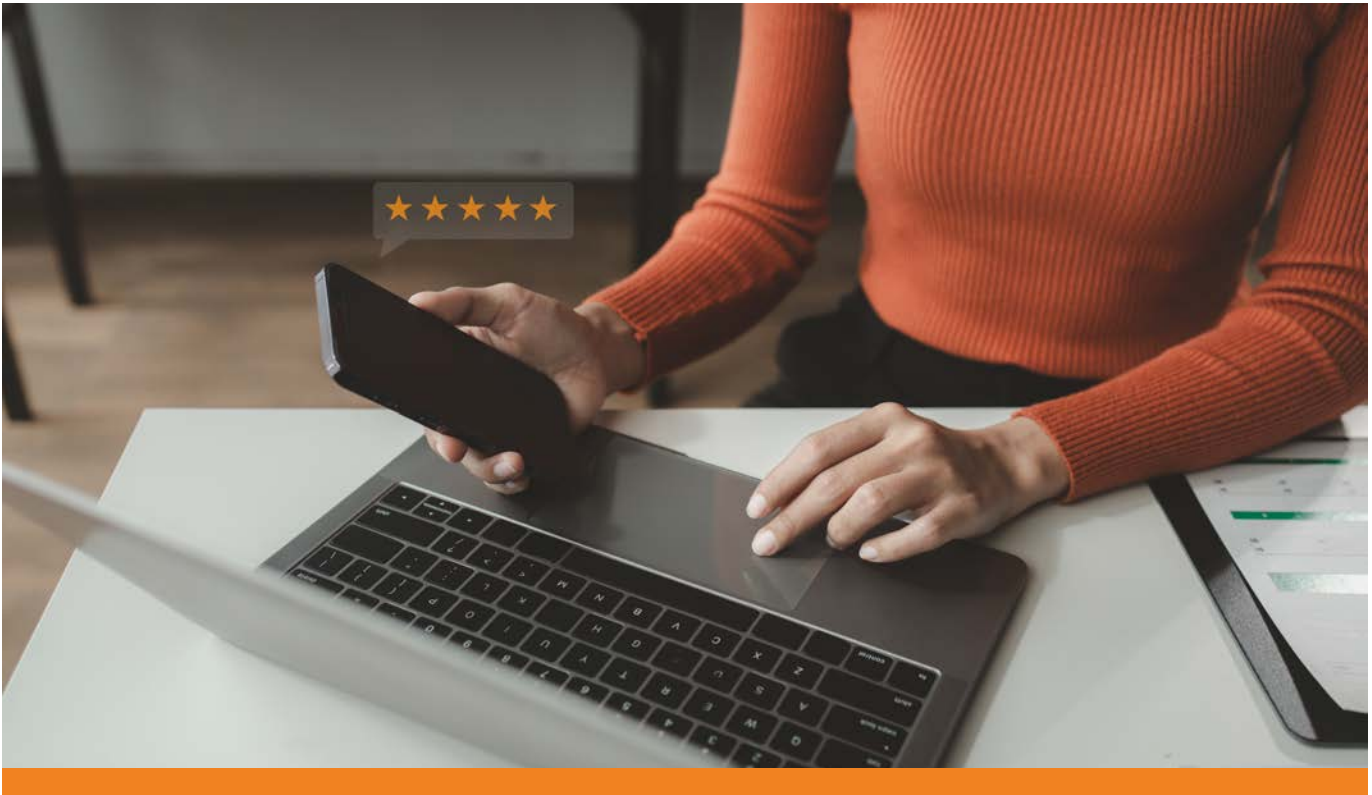
4. Ratings & Reviews

"Act quickly and decisively on customer feedback."

Much like social media, ratings and reviews can have a significant impact on the sales of individual products and brand value as a whole. Research shows that 91% of people regularly or occasionally read online reviews, and 84% trust online reviews as much as a personal recommendation.[10] Companies must take these reviews seriously and act on them promptly to manage spikes in sales after positive reviews or customer satisfaction fallout after negative reviews.

This necessitates having a clear picture of what people are saying online and using that information to take decisive action that addresses any issues and puts more focus on highly rated products.

Reviews affect sales

The internet has made it easier than ever for customers to locate a wealth of information on products and services that they consider purchasing. One of the most important components of this information gathering process is the customer review. 72% of consumers report that they will only purchase an item online if it has positive reviews and 88% of consumers trust online reviews as much as personal recommendations.[11]

It is clear from these statistics that reviews can have a major impact on the buying habits of customers. This matters to eCommerce businesses because it is important to have highly-rated items featured prominently on the site, both to generate an overall positive impression of the store and to increase sales.

"72% of consumers report that they will only purchase an item online if it has positive reviews..."

Effective review response is critical

Aside from increasing sales, reviews are also an effective way for customers to communicate their experience to businesses. This can provide the company with valuable information and help them mitigate any negative perceptions that might result from the release of an inferior product or other similar negative events.

Effective negative review responses:

- **Address customer problems**
  One of the most effective ways to mitigate negative feedback is through quick, generous customer service. Providing refunds, discounts, or other compensation when customers have bad experiences can significantly reduce the likelihood that they will spread negative information.

- Up to 24% of customers will continue to seek out a retailer for two years after a positive customer service experience. By comparison, 39% will explicitly avoid a retailer for two years after a negative experience.[12] Leaving a good final impression can mean the difference between a lost customer and a lifelong customer.

- **Provide updates and address inaccuracies**
  When a product has many negative reviews, it is important to keep customers updated about the steps taken to improve issues. When problems have been resolved, let customers know by making notes on negative reviews. This tactic is also important when negative reviews spread misinformation about a product.

- **Ask customers to leave reviews**
  There is strong evidence that customers tend to leave more positive reviews when asked to do so rather than when they choose to do so of their own volition. Companies that request reviews receive an average of only 7% negative reviews (1 to 2 stars) compared to 53% when no such request is made.[13]

5. Color Management

"Display the right colors and sequence according to popularity."

Presenting products in the right way can have a significant impact on sales, customer satisfaction, and brand perceptions. For apparel and shoe retailers, one of the most important components of this presentation is color. Featuring popular colors and organizing color swatches can have a major impact on customer click-through rates and ultimately sales.

Color placement affects sales

85% of customers say color is a primary reason why they buy particular products. [14] Clearly color is a major factor in product sales, and companies must carefully choose which colors they use to represent specific products. In order to make effective choices in this area, companies must have detailed breakdowns of conversion rates and sales by color, and be able to easily switch out featured swatches and images in order to match the most popular colors. This allows them to capitalize on trends and improve their click-through and conversion rates.

Pay attention to inventory

Color management is also a critical part of inventory management. Although there might be available stock for an item, that stock might only be available in specific colors. Using an out-of-stock color as the primary product image can result in missed sales and unsatisfied customers. Businesses need an easy way to quickly identify out-of-stock colors and make adjustments to the site as needed.

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Conclusion

Effective online merchandising is a core function of any eCommerce enterprise. Hitting sales targets, improving year over year, and outmatching the competition are all dependent on how effectively a company merchandises and acts on data. Selecting the right products to feature above the fold, organizing them by preferred colors, and using analytics, social media, and user reviews to make better decisions is extremely important to drive sales and increase market share.

Creating a user-friendly, data-driven site is crucial to success as the eCommerce sphere becomes more competitive. Unfortunately, many merchandisers and eCommerce VPs are overwhelmed by these tasks and don't have a simple way to act on data effectively. The information in this guide provides a roadmap to merchandising success, but it's still up to the retailer to actually act on it.

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How Smart Merchandiser can help

Smart Merchandiser is a powerful, easy-to-use tool that enables eCommerce companies to more easily implement effective merchandising on their site. It provides a point-and-click catalog, color, attribute, and inventory management. It also features integrated analytics, with the ability to program customized automation based on real-world data and social media awareness to provide insight into the latest trends. This allows companies to increase conversion rates by as much as 20% while simultaneously improving productivity by as much as 70%.

Smart Merchandiser makes powerful eCommerce merchandising faster and easier.
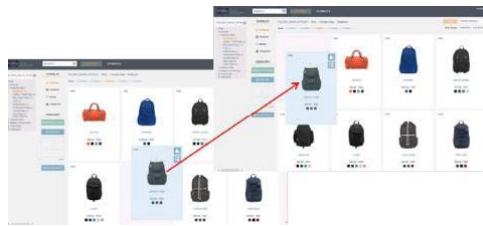
The drag and drop visual interface makes reordering merchandise simple.
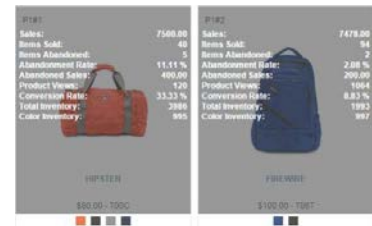
Get data about sales, inventory, and more at a glance.

Key Features

- **Highly Visual Interface** - Unlike many other solutions, Smart Merchandiser is built with a highly visual UI that integrates analytics with thumbnails, allowing users to make fast decisions about which products to feature. Simple drag and drop tools also allow users to easily rearrange products.

- **Social Media Awareness** - Smart Merchandiser allows users to easily monitor Facebook likes, Twitter mentions, and ratings and reviews of each product.

- **Attribute and Color Management** - Easily add, remove, and manage colors, materials, and other key attributes with the click of a button.

- **Inventory Management** - Oversee and optimize inventory levels in the online storefront and across channels.

- **Catalog Management** - Sequence, copy, add and remove items through a simple, intuitive interface.

- **Advanced Business Rules** - Optimize your category pages automatically with our sequencing rules. Combine multiple rules around conversion rate, sales, inventory and more to ensure for precise online merchandising.

- **Heat map** - The Heat Map feature gives you a visual map of which products are selling on fire, and which ones are not so hot. It also enables you to move the HOT products to the top, etc.

If you'd like to learn more about how Smart Merchandiser can help you implement the tips in this guide, contact us today.

contactus@smartmerchandiser.com
smartmerchandiser.com

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