Online shopping cart abandonment rates have skyrocketed in recent years, thanks to savvy online shoppers who are proficient at scouring the Internet for the best deals before making a purchase. As a consequence, online retailers are losing billions of dollars in revenue. Conventional wisdom calls on remarketing efforts and improving checkout processes to convert online browsers into buyers. But are there more effective ways to address the issue? This white paper examines how companies can utilize competitive price intelligence to limit abandonment, increase revenue and – most importantly – improve brand loyalty over the long run.
Reckless Abandonment

Online abandonment – the practice of a consumer logging on to a retail site, adding items to his/her online shopping cart and then exiting before making a purchase – is one of the biggest, most expensive challenges facing online retailers today. The ultimate costs in lost revenue and decreased brand loyalty run in the billions.

Few online retailers are immune from the problem. According to Forrester Research, 88 percent of consumers have fully abandoned an online shopping cart without completing a transaction\(^1\). Digital Trends confirms the issue, pointing out in an instructive infographic that one in four online retailers report higher shopping cart abandonment rates in 2010 than in 2009\(^2\).

The obvious consequence of online abandonment is lost revenue. Yet, the more subtle, long-term effect on a company’s brand is equally troubling. Over time, as consumers consistently go to a retailer’s site but abandon their potential purchases, a negative impression emerges in the consumer’s mind. The shopper begins to believe that the online store does not have competitive offerings, and is not worth adding to the list of sites he/she uses to comparison shop. Eventually, consumer trust in the e-retailer diminishes, eroding brand integrity and resulting in even greater lost revenue over the long haul.

Triangle of Transparency

Online shoppers abandon shopping carts for many reasons. Among them, according to Digital Trends’ data, are the following.

- Shipping and handling costs (44%)
- Not ready to purchase the product (41%)
- Wanted to compare prices on other sites (27%)
- Item was priced too high (25%)

Behind the wealth of reasons is the situation known as price transparency – the state in which price comparisons on countless products and services are available to consumers 24 hours a day, seven days a week.

As the Internet has created consumers who are increasingly savvy and demanding over the past decade, online shoppers have perfected their virtual window shopping techniques. Today’s uber-connected customers do their research and know how to find the best value. They not only shop for price, but also take into account product availability, shipping charges, product reviews, taxes, and e-tailer reviews and rankings.

They readily comparison shop for any or all of these criteria across a myriad of websites – viewing product pages or placing items in shopping carts – while they continue to search for a better deal before arriving at a final decision and making a purchase. Smart phones and other mobile devices that contribute to the “always-connected” state only contribute to the issue and heighten the level of price transparency\(^3\).

Online retailers have long understood that they need to be in line with competitors’ pricing. But today’s price-transparent world forces a new paradigm, requiring e-tailers to know not only what their competitors are offering, but also what their well-researched, savvy customers are seeing when they research and shop online. This “triangle of transparency” – where retailers, competitors and customers all have a clear picture of the competitive pricing landscape – is the reality in today’s online marketplace. Retailers must actively participate in the price-transparent marketplace order to compete and win customers.

Counterattacking Abandonment

So what is an online retailer to do? Conventional wisdom calls on remarketing – sending an email or series of emails to the shopper reminding him or her of the stranded shopping cart items – as a conversion tactic. In order for this technique to serve as a viable consideration, however, the retailer must request a customer e-mail address before a shopper leaves the checkout page. The customer also must comply with valid information, and retailers must time remarketing e-mail messages just right.

Furthermore, retailers seem resistant to utilize the remarketing approach, in large part due to legitimate concerns about privacy, return on investment, and the fear of alienating potential customers by barraging them with e-mail messages and/or pop up ads. In fact, only 13 percent of the companies on the Internet Retailer 500 list have an active shopping cart abandonment remarketing campaign in place\(^4\).

Other options, as identified by Digital Today, can include improvements to a company’s website checkout process. Tactics such as showing delivery and payment options upfront, offering a break on shipping fees, and providing additional options for ordering through the customer service department are considerations.
Enter Market Price Intelligence

Remarketing, checkout improvement and other tactics all can help address the issue of online shopping cart abandonment. But online retailers who want to attack abandonment at its core – and not simply treat the symptoms of it – are turning to improving their price intelligence.

Rapidly becoming a best practice, price intelligence refers to computer-based systems that identify, compare and analyze pricing and other revenue-impacting data for a business’s own operations as well as its competitors – data that is critical to making informed pricing decisions. Providing the ability to instantly evaluate the market impact that competitor price changes create, price intelligence allows management to gain a deep understanding of what each change means for margin and market share.

And, as Christian Koestler, president and CEO of Lixto, has stated, price isn’t the only consideration for savvy consumers. Just as important is the qualitative information consumers use in their decision-making. Today’s price intelligence systems can incorporate rates, rankings, product availability, shipping charges and other qualitative information for the online retailers. “In short,” said Koestler, “price intelligence lets retailers see what their competitors are offering, as well as everything their customers see when they are researching and shopping online.”

Effective price intelligence arms online retailers with sound data analysis so that they can make highly responsive decisions, and thereby maximize their benefit to their customers.

• Conduct sophisticated what-if and meet/beat analysis.
• Recognize and act on major market events and opportunities.
• Paint a more accurate picture of competitor pricing positions.
• Obtain a window into consumers’ opinions and perceptions of competitor goods.
• Define the best price responses.

Are Online Retailers the Only Ones Feeling Abandoned?

Online retailers have plenty of company when it comes to consumers adding items to a shopping cart and then leaving before making a purchase. The hotel industry, in particular, must deal with the same problem, the same increasingly savvy consumers and the same issues of price transparency.

The hotel industry’s “look-to-book” ratio is a benchmark that correlates online to shopping cart abandonment, comparing the number of people who visit a booking or hotel website to the number who actually complete a reservation. Little difference exists between buying a product online and making an online reservation, with both requiring the use of a credit card and a commitment to make a purchase.

Look-to-book ratios can be staggering. They are growing at a rate of 40 percent. Some experts have estimated the overall hotel industry look-to-book ratio at approximately 65/35. In other words, for every 10 people who visit a site, only an average of 3.5 make a reservation.

To improve their ratios, more and more booking sites and hotel chains worldwide are moving to advanced price intelligence systems, moving beyond the traditional method of manual data collection to track competitive offerings. Price intelligence in the hotel industry provides information on the product attributes that matter most to revenue managers who must establish and implement pricing strategy, and does so at the most granular level.

Typical data ranges from room rate and type to meal plans, taxes and service fees, and cancellation policies. Advanced systems offer local currency conversion information, time series analysis, meet/beat ratios and automated rate parity compliance communications. These systems also are monitoring guest rankings and reviews, and other critical quality measures.
While remarketing and checkout improvement are tactics to help improve online abandonment, many companies are turning to price intelligence, creating highly responsive sites that maximize customer benefits while keeping the brand strong.

Building the Brand

As companies use price intelligence to leverage their insight into market pricing, terms and dynamics, they can significantly decrease abandonment rates and increase sales. In turn, they create and enhance a positive impression with consumers that their website is the place to shop. By consistently providing the best offerings, an e-tailer that effectively utilizes market price intelligence can build a loyal following of consumers who come to that site first, trusting that the company always offers the most competitive deals on the Internet. Ultimately, shoppers will abandon not their online shopping carts, but also their desire to look elsewhere for a better value.

Today’s connected world means consumers will continue to comparison shop, scouring the web on mobile devices and computers for the best deals and prices. Retailers that want to lower abandonment rates, increase sales and revenue, and build a reputation with online shoppers for being the trusted place to find the most competitive offerings can find short-term and long-term value in improving their price intelligence.

Notes


Driving operational performance with competitive price visibility.

To learn more about the Lixto Price Intelligence Suite for the consumer products industry, contact us today.

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