



iProspect **Post-Holiday Online Shopping Study**

February 2006



Background

In order to gain a better understanding of how online shoppers were using the Internet during the 2005 holiday season, iProspect partnered with JupiterResearch to field a survey of Internet users that resulted in the iProspect Post-Holiday Online Shopping Study.

Methodology

In January 2006, JupiterResearch designed and fielded a survey to online consumers selected randomly from the Ipsos U.S. online consumer panel. A total of 1,731 individuals responded to the survey. Respondents were asked approximately 25 closed-ended questions about their behaviors and preferences regarding online holiday shopping, wireless services, online dating, and pharmaceutical websites. Respondents received an e-mail invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic and behavioral characteristics to ensure that they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, and market size. Additionally, JupiterResearch took the unconventional step of weighting the data by AOL usage, online tenure and connection speed (broadband versus dial-up), three key determinants of online behavior.

Balancing quotas are derived from JupiterResearch's Internet Population Model which relies on U.S. Census Bureau data and a rich foundation of primary consumer survey research to determine the size, demographics and ethnographics of the U.S. online population. The survey data are fully applicable to the U.S. online population within a confidence interval of plus or minus three percent.

In this survey effort, JupiterResearch worked with its research partner, Ipsos-Insight on the technical tasks of survey fielding, sample building, balancing, and data processing. Ipsos-Insight is one of the largest market research companies in the U.S. and maintains a general research panel of 400,000 households. Ipsos-Insight also has access to the Ipsos U.S. Online Panel, which comprises two million Internet users, offering JupiterResearch an easy way to target and survey current online users. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, to increase survey participation rates, and to permit careful rationing of survey fielding to reduce survey burnout.



Question & Responses

This study focuses on the findings generated from the following question and responses:

1. *When Internet users who researched products online during the 2005 holiday season were asked...*

“Which of the following sites did you use to research products that you bought online or offline during the 2005 holiday season? (Select all that apply)”

The results were as follows:

Merchant site (online store) (e.g. L.L. Bean)	63%
Search engine (e.g. Google, Yahoo! Search)	62%
Manufacturer site (e.g. Ford.com, Maytag.com)	30%
Shopping search engine / comparison site (e.g. Froogle)	26%
Other	14%

2. *When Internet users who researched products online during the 2005 holiday season were asked...*

“During this past holiday season, did you research a product online that you then bought offline (e.g. by phone, in physical store, by mail, etc.)? (Select one)”

The results were as follows:

Yes	47%
No	53%



Executive Summary

The iProspect Post-Holiday Online Shopping Study finds that the vast majority of Internet users research products through the use of search engines. This source far outweighs Internet users researching products on shopping-specific search engines. This finding reinforces the need for online merchants to be easily found in the natural and paid search results of general search engines on both branded and non-branded searches. As of now, shopping-specific search engines appear to be considerably less popular with Internet users than general search engines for researching products online.

In addition, the study finds that nearly half of Internet users research products online that they then buy offline. This is a significant finding because very few online merchants have mechanisms in place to accurately measure the offline impact of their online marketing activities/investments – in effect, to link offline sales to online marketing. As a result, most online marketers inadvertently under-report the total ROI (online and offline) generated by their efforts, ceding credit for revenues which they actually produced to the channels through which the sale took place (in store, via catalog, phone, etc.). In effect, online marketers may be under-budgeting their activities by as much as a half due to this phenomenon.

Within some organizations this phenomenon most certainly results in a misallocation of future marketing budget to those channels through which the sale is taking place, when in fact that budget should be dedicated to the channel which is producing the sale. This finding – which spans all product types/verticals – supports the landmark findings of the December, 2004 [Overture/comScore study](#) that showed that 92% of consumer electronics and computer purchases that resulted from online research took place offline.



Key Findings

- 1. It's vital for online merchants' products to be easily found by Internet users utilizing general search engines to perform their shopping research.**

62% of Internet users utilized general search engines when researching products during the 2005 holiday season.

- 2. While having proven valuable to many merchants' search marketing campaign, shopping-specific search engines have yet to gain the same popularity with Internet users as general search engines.**

26% of Internet users utilized shopping search engines when researching products during the 2005 holiday season.

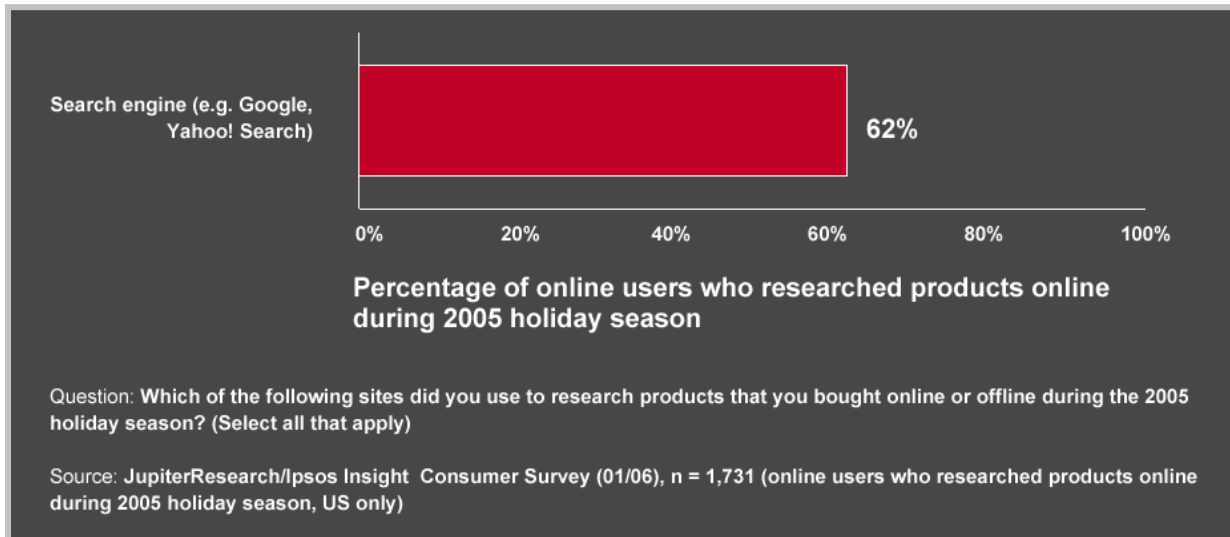
- 3. Nearly half of Internet users research products online that they end up buying offline. This highlights the importance for online marketers to measure offline conversions that are generated by online efforts in order to more effectively manage their campaigns.**

47% of Internet users research products online and then bought them offline during the 2005 holiday shopping season.



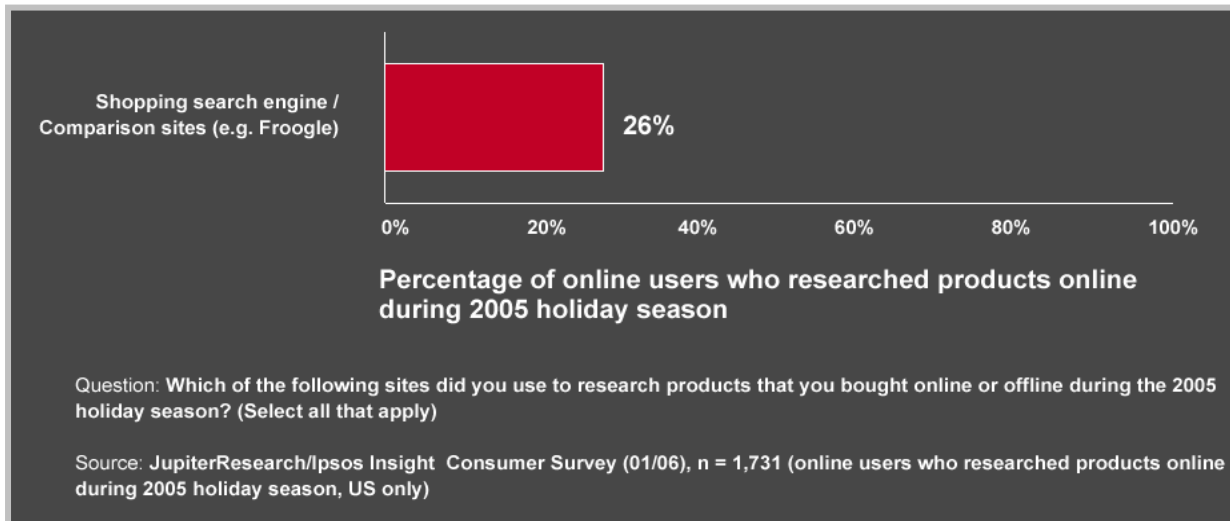
Detailed Findings

1. It's vital for online merchants' products to be easily found by Internet users utilizing the major search engines to perform their shopping research.



It was not surprising to see that 62% of Internet shoppers used the major search engines to research products during the 2005 holiday season. This certainly underscores the need for online merchants' products to be found on both branded and non-branded product searches in both/either the natural and/or paid search results within the major search engines.

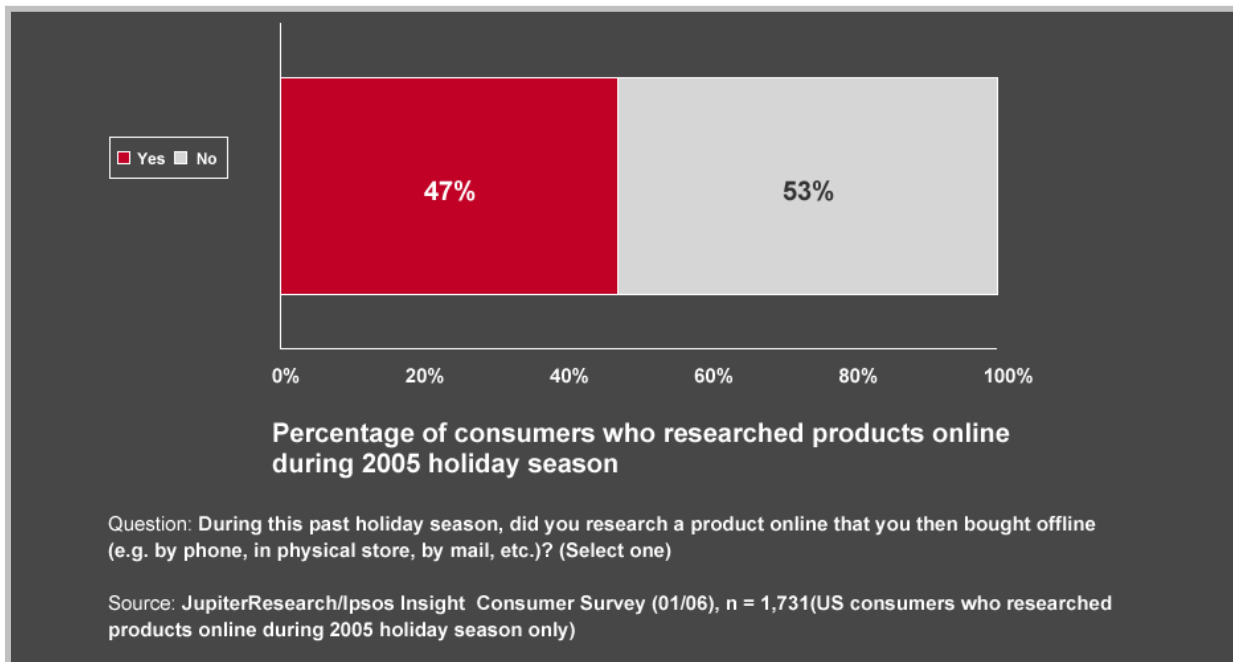
2. While having proven valuable to many merchants' search marketing campaign, shopping-specific search engines have yet to gain the same popularity with Internet users as general search engines.





Given the amount of attention given by the online marketing industry to shopping-specific search engines such as Froogle, Yahoo! Shopping, Shopzilla and Shopping.com – it was surprising to see that only 26% of Internet users researched products on such sites during the 2005 holiday season. What this indicates is that though there may be deals to be had in terms of cost per click prices within these engines, the popularity of shopping engines on the part of Internet users does not yet rival that of the major search engines. Search marketers need to make their own decisions about advertising on shopping sites based on their organizations' critical success metrics (e.g. ROI, CPA, ROAS, etc.) – and how they compare to those produced by the investments with general search engines.

3. Nearly half of Internet users research products online that they end up buying offline. This highlights the importance of online marketers to measure offline conversion that are generated by online efforts in order to more effectively manage their campaigns.



Though it may be surprising to some that nearly one out of every two Internet users (47%) who researches a product online eventually buys that product offline, it is certainly not surprising to many search engine marketing insiders, or to those familiar with the [December, 2004 study](#) published by Overture and comScore Networks. That study found that for the computer and consumer electronics vertical in particular, a full 92% of Internet users purchased a product offline after researching it online.

The implications of this finding to search engine marketers are huge – particularly because so few marketing organizations have mechanisms in place to link what appears to be a significant volume of offline purchases to online marketing efforts. When was the last time you were asked at the cash register whether you researched the product online prior to making your purchase? Or the last time you printed a coupon from a



merchant's website and brought it into the store to claim a discount? Though significant strides have been made in technology that will link search marketing campaigns to telephone conversions by way of unique 800 numbers being served on the website, such systems are still new and are at the early-adopter stage, and only account for a small slice of the total offline conversion pie.

This general absence of systems to link offline purchases to online marketing has three fairly obvious results. First, the ROI being calculated for search engine marketing campaigns – where there is not a system in place to account for offline conversions – is being significantly under-calculated. In fact, this finding would suggest that it is being under-calculated by as much as 50%. Conversely, the ROI of the various offline channels through which the conversions/sales are taking place is artificially high due to the conversions being attributed to those channels which were, in fact, generated by search engine marketing. Finally, as a result of this misattribution of conversions, assessing the effectiveness of online and offline marketing channels is not being done accurately – resulting (at many organizations) in the wrong channels receiving additional budget dollars based on their perceived effectiveness.

This finding serves as a wake-up call to all search engine marketers who do not have systems in place to identify the volume of offline conversions generated by their efforts and their budget. By putting such systems in place, higher ROI can be attributed to search marketing efforts, and as a result, more budget dollars can be devoted to future search campaigns.