



The Two Waves of Online Abandonment: The 2007 Harris Interactive Survey of Online Customer Behavior, Sponsored by Tealeaf®

A primer on the necessity of enterprise-wide Customer Experience Management

In August 2007, Harris Interactive conducted the third annual survey of online consumer behavior¹, sponsored by Tealeaf, the leader in online Customer Experience Management. All survey respondents had to have conducted either a shopping (retail), travel, banking or insurance transaction within the prior year. The survey once again continued to illustrate the extent of issues consumers encounter when transacting online and also quantified the significant business impact of these issues. As in previous years, the survey focused on website issues, the behaviors users take after experiencing website issues, the types of site obstacles which have the greatest impact to the business, and the overall effect these customer experience problems have on brand and loyalty.

The 2007 survey also focused for the first time on the impact of poor customer service on consumers who attempt to have their website issues resolved by call/contact centers after experiencing them.

Ecommerce continues to grow, with online growth rates outpacing offline growth rates in most industries dramatically. The Internet channel is becoming a (if not the) primary channel for many businesses. For these businesses, the web is mission-critical. The below points illustrate the growth and adoption of the web in the key verticals covered by the Harris Survey:

- 2007 online retail sales at \$157.4 billion expected to grow to \$271.6 billion (9% of retail sales overall) by 2011 ("US Retail eCommerce Forecast", Forrester Research, Inc., 2006-2011, May 2007),
- 2007 US and Europe online leisure travel sales of \$142 billion, growing to \$213.8 billion in 2010, with 83% of leisure travel and 90% of business travel booked

¹ **Survey Methodology**

Harris Interactive® fielded the online survey on behalf of Tealeaf Technology, Inc. between August 13 and August 21, 2007 among nationwide cross-sections of 2,420 adults aged 18+ in the United States who are online. The data were weighted to be representative of the total online U.S. adult population on the basis of region, age within gender, education, household income, and race/ethnicity. The data were weighted to be representative of the population of online adults in each country. In theory, with probability samples of this size, one can say with 95 percent certainty that the results for the sample has a sampling error of plus or minus 2 percentage points. Sampling error for data based on sub-samples may be higher and would vary. This online sample is not a probability sample and therefore no theoretical sampling error can be calculated

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online (“Humanizing The Digital Travel Experience”, Forrester Research, Inc., August 2007)

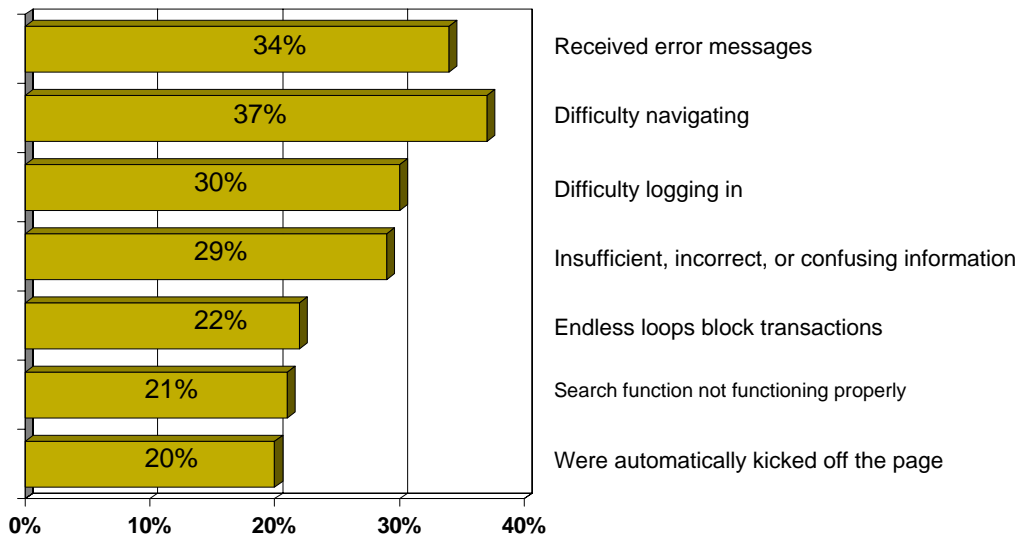
- 86 million US households banking online, growing 55% over the next five years
- \$71 billion in online insurance sales, with 90% of insurance site visitors completing an application.

We will explore the key findings of the survey and some conclusions below:

Result: 9 out of 10 consumers experienced an issue that caused them to abandon a transaction.

For the third year running, nearly 90% of users responded that they had experienced an issue that caused them to abandon a transaction. This rate of “failure” is extremely high and is not improving—in fact, it’s actually getting worse. Considering there are significantly more users and transactions every year, with a consistent rate of failure, the number of individuals and transactions adversely affected by issues each year is actually increasing. This is in contrast to the maturity of both the web as a channel and of the customer and their growing “near-dial tone” expectations.

The chart below breaks out the types of issues consumers reported experiencing—from technical, functional, and business process-oriented, to usability and site design-related. Collectively, however, they all have one commonality—they all forced the consumer to abandon the transaction.



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"We process thousands of online transactions each day. Delivering a seamless customer experience is absolutely critical. With Tealeaf's step-by-step insight into every interaction, we can quickly pinpoint usability problems and take the necessary corrective actions to effectively meet every one of our customers' needs."

– Tom Mercer, Vice President of Marketing, Unitrin Direct

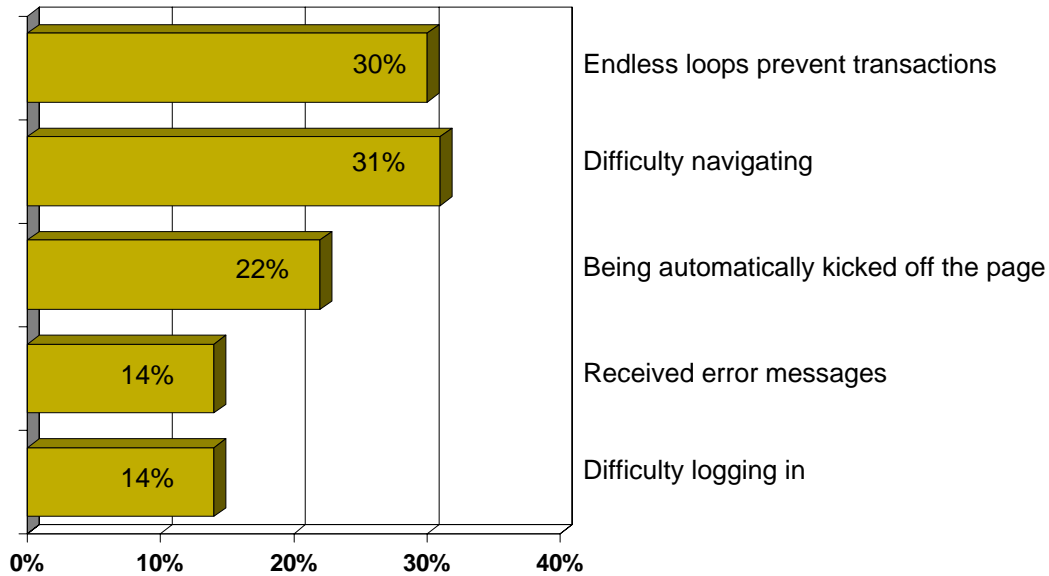
Result: 42% of users who experience issues permanently switch to a competitor or abandon the transaction entirely.

The business impact of site obstacles is significant. Of users surveyed, 42% said that upon experiencing even one issue they abandoned the transaction, permanently switching to a competitor or not transacting online at all. This is the “first wave” of abandonment. This growing intolerance of the user to any obstacle illustrates the user’s increasing maturity and their expectation that doing business online should be seamless. Users are no longer willing to accept intermittent or confusing website experiences. According to Zenith OptiMedia, \$24.5 billion will be spent in 2007 on online advertising. These dollars are largely spent to deliver qualified potential customers to ecommerce sites. If these qualified customers have a bad customer experience on your site, they will simply take their business elsewhere, online or off, which essentially means your advertising and marketing dollars are driving revenue for your competition.

Further, the way people shop online has fundamentally changed. With the advent of sophisticated search engines, aggregation sites and “bots,” finding an alternative source for the product or service a consumer wishes to buy is often as simple as a single mouse click.

According to the survey results, certain types of obstacles were found to be more likely to cause abandonment than others. The chart below highlights the top issues that led to abandonment, after a user experienced them only one time:

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Interestingly, many companies continue to focus their customer experience efforts on trying to deliver faster response times and better page performance. Yet ironically, in each of the three years the survey has been conducted, less than 3% of users abandon due to slow page response time, a small percentage when compared to the other issues cited.

"Esurance relies on a web-based infrastructure to service 100% of our customers and deliver our sales. With Tealeaf, we now have the ability to give our web applications a grade based on a comparison of the number of customer completions and pre-defined business goals. Tealeaf has had a dramatic impact on our business, enabling us to improve the success rates of our applications and significantly reduce the time it takes to pinpoint, analyze, and respond to web-application problems."

– Marj Hutchings, Director of Internet Operations, Esurance

Result: 53% of users who experience website issues contact the company's call/contact center.

A surprisingly large number of respondents said that after experiencing an issue while transacting online, they contacted the company in order to try and resolve the issue. However, the survey data illustrates that most contact call/centers are fundamentally ill equipped to handle the needs of online customers.

Result: 49% of users who contact a company after experiencing a web-related issue were still unable to have that issue resolved.

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More than half of all customers were unable to receive resolution after contacting a company, highlighting the disconnect that typically exists between the call/contact center and the website. Most service agents are not equipped with either an understanding of site functionality or tools to provide even basic service to online customers. In fact, the following two data points clearly illustrate these challenges:

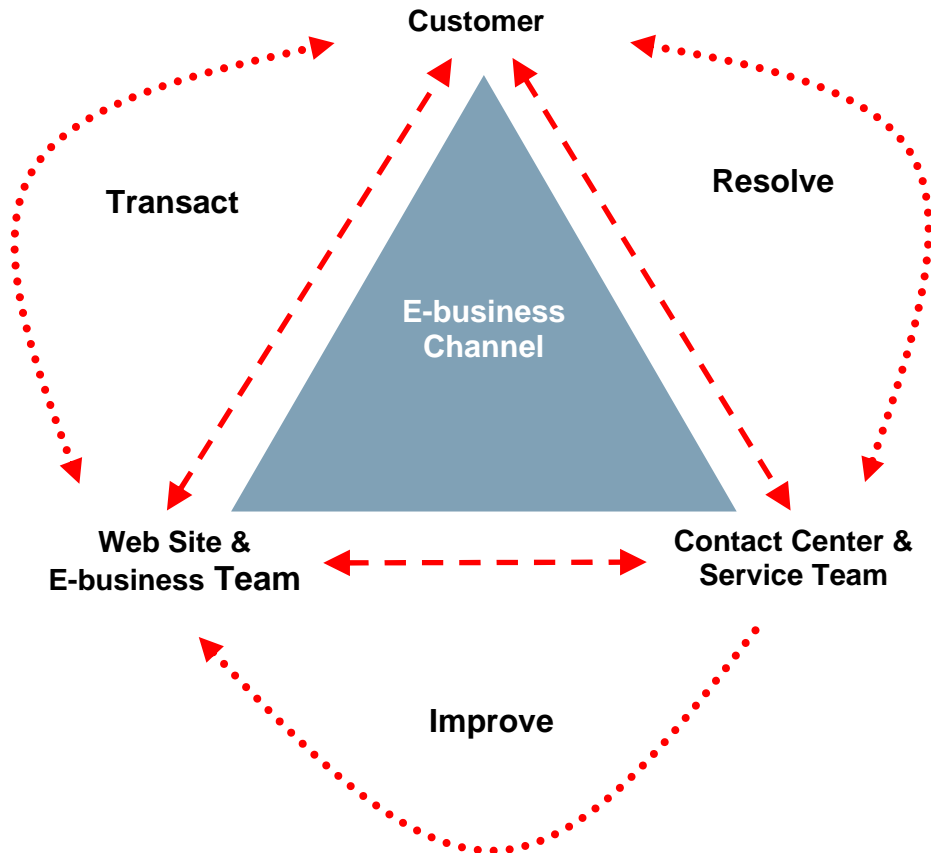
Result: *68% of users who contacted a company's call/contact center after experiencing a web-related issue found that the service agent was not knowledgeable about the website.*

Result: *70% of users who contacted a company's call/contact center after experiencing a web-related issue found that the service agent was not knowledgeable about their particular issue.*

A 2006 study by the SQM Group showed that a customer is four times more likely to “churn” if their issue is not resolved in their first interaction with a call/contact center. When a website customer contacts a company after experiencing an issue, they are effectively already in their second interaction with that company (the first happening online as “self-service”), so they are far more likely to churn than other customers.

Unfortunately, the majority of call centers do not have the visibility, tools, and processes required to deliver positive customer service experiences to their website customers. This has led to a vicious cycle of “pain” for both the consumer and the company. The customer is unable to transact or to get resolution, the call/contact center is unable to effectively service the customer, which is their mission, and there is no effective feedback mechanism between the customer service organization and the ebusiness team to empower the company to eliminate these types of issues going forward. The next chart describes this continuum:

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The negative business impact of this online customer service deficiency is dramatic, effectively becoming the “second wave” of abandonment, as identified by the Harris Survey.

Result: *52% of consumers who experience bad customer service after contacting a company due to a web-related issue stop doing business with the company entirely. A full 76% either stopped doing business entirely, decreased the amount of business they do with the company, or lodged a complaint with the Better Business Bureau.*

"Before Tealeaf, we had no specific information to help address a customer's issues when they called in. With Tealeaf our agents now have immediate access to online customer sessions. This has totally changed the way we handle customer issues— it now allows us to serve our customer's needs at the first point of contact. Every customer service team should have Tealeaf."

– Lynette Montgomery, vice president of eCommerce, Levenger

Online businesses face a “triple threat.” As the survey data once again illustrates, the extent of website issues continues at an alarming rate, with the number of individual users and transactions affected increasing dramatically as ecommerce continues to grow at an accelerated pace.

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The first threat (the “first wave” of abandonment) is very real, with 42% of users saying they abandon or switch when they experience even one issue. These users have little tolerance for failure today and that tolerance will only continue to decrease until leading ebusinesses focus their attention and budgets on improving the customer experience on the website and in the online support centers. Consumers expect the online channel to work as well as offline channels such as storefronts, branches, catalogs and agents with 82% saying they expected the online experience to be the same as the offline.

The second threat (the “second wave” of abandonment) is significant and is newly identified by the 2007 Harris Survey. The heightened rate of churn for online customers – with 52% saying they stop doing business with the company entirely and a full 76% who either stopped doing business entirely, decreased the amount of business they do with the company, or lodged a complaint with the Better Business Bureau is a serious threat to online businesses that demands that call/contact centers be equipped to handle the needs of online consumers, or risk losing them to competition permanently, since the tolerance for poor customer service after web-related issues is extremely low.

The third threat is just as challenging, and perhaps even more risky. This is the threat to your brand loyalty. One interesting example the survey identified is that the single most important factor to consumers in doing business online was website security. However, the survey also found site issues to seriously undermine consumer confidence, specifically relative to online security and privacy concerns.

Result: 92% of the users surveyed responded that when they experience a web-related issue they immediately question the ability of that site to keep their private information secure.

This is expected, people are very concerned with Internet privacy and security. Issues with the most basic site functions naturally cause them to question the security capabilities of the site.

This is one scenario of how customer experience challenges can have a drastic impact on your company—it is all about perceptions, and perceptions are easily formed and difficult to change in the online world. For example, the proliferation of message boards, blogs, and social networking sites makes it so a dissatisfied customer’s experience can be posted publicly for all the world to see, forever.

"Relaunching Hawaiian's entire website was a major undertaking, especially given the dynamic nature of the site due to each customer's unique travel needs. The insights delivered by Tealeaf remove any 'guesswork,' and ensure that our enhanced online features and functionality are delivered on time and most effectively — just as we expect this airline to perform everyday in the offline world,"

– Rick Peterson, vice president marketing and sales, Hawaiian Airlines

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Summary

Ecommerce is growing and increasingly the web is becoming the preferred vehicle for conducting business with consumers and other businesses

Website glitches and bad customer service are putting online sales at risk and sending potential customers into the arms of competitors. The proliferation of websites has made it easier for online consumers to be finicky, switching to a competitor when they encounter a confusing site or an error message, instead of working through it. Further, the support centers are not equipped to respond effectively to the needs of the online customer causing a second wave of abandonment. The impact to online business is significant and can't be ignored.

The Challenge

The fact that the web reduces a two-way interaction between a business and its customer to nothing more than a datastream is both wonderful for reach, scalability, and profitability and challenging because it forces companies into a disconnect, as they no longer are able to be face-to-face with their most valuable asset, their customers. Really, the web is the first form of business where this disconnection exists. And when customers' expectations are not met, the competition is just a click away.

To be competitive in the online world, businesses need to focus on improving the online customer experience.

The key to that is visibility. Visibility is the first step in helping you solve such difficult questions as:

- Why are conversion rates down?
- Why are site visits up, but order sizes are down?
- Why do we constantly get complaints about service from our customers when all metrics appear good?
- Why did they have that problem?

These questions may seem hard to answer because of the lack of insight. Executives use web analytics, systems metrics, performance reports, and call logs to try and answer these questions. But simply giving you data about "what is happening" on your site is only the beginning—you need to know why it is happening in order to make a change to the customer experience. Data points about customers cannot replace the qualitative layer of analysis—what did the customer actually see and do, and why?

The Solution: Visibility. Insight. Answers.

Visibility is the missing link between your business and your customers. In the context of Customer Experience Management, visibility is defined as the ability to see your customers—every one of their unique interactions with your site, for every customer,

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Once you have captured all of that data, the key is to expose relevant information—insight. Insight must be in the form of qualitative analysis. When you ask "why are conversion rates down today?" isn't the most relevant answer found in customers' actions, to understand not only where they abandoned, but why they did not convert?

Finally, once you have the visibility, and the insight, the next step is to make that insight actionable—answers. Answers to the questions you have and the ability to rapidly isolate and eliminate anything that is forcing those customers to abandon. By understanding not only where abandonment occurs, but also why, you can remove the obstacles that get in too many customer's way, successfully completing more transactions, improving conversion rates and retaining more customers through better service, just as they expect.

About Tealeaf

Tealeaf is the leading provider of online customer experience management solutions. Tealeaf's CX family of solutions provides unprecedented enterprise-wide visibility into every user's unique online interactions. This "360-degree view" of the online customer experience enables a clear and consistent understanding of the customer for ebusiness, IT, customer service and legal and compliance executives and their organizations. Tealeaf's customers include 8 of the 10 largest banks, more than 1/3 of all retailers with more than \$100 million in online revenue, 40 of the largest property and casualty insurance firms and more than 20 leading travel providers as well as leaders in pharmaceuticals, telecommunications, transportation and logistics and manufacturing.

"Tealeaf is an industry pioneer, as well as a unique proposition in the business-oriented end user monitoring space. From the company's original solution, which analyzed abandoned transactions on Ebusiness sites, Tealeaf has spawned a series of solutions that target specific business views - becoming the unchallenged leader in customer behavior analysis."

– The Forrester Wave: Appliance-Based End-User Experience Monitoring, Q2 2007
(June 2007)

Tealeaf was named the winner of the 2006 Eweek Excellence Award in the strategic Ebusiness Foundations category.

Founded in 1999, Tealeaf is headquartered in San Francisco, California, and is a privately held independent spin-off of SAP.