THE UK'S TOP 40 ONLINE RETAILERS SUFFER A DECLINE IN CUSTOMER SATISFACTION

THE FORESEE EXPERIENCE INDEX (FXI) (2013 UK RETAIL EDITION)

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WHY THE ONLINE EXPERIENCE FOR UK SHOPPERS MATTERS MORE THAN EVER

The fastest sales growth for 13 years was reported for the UK's online retailers in September 2013[1], indicating that records stand to be broken once again in this year's key Christmas shopping period.

As competition heats up between the UK's online retail giants, the quest for customer satisfaction is more mission-critical than ever.
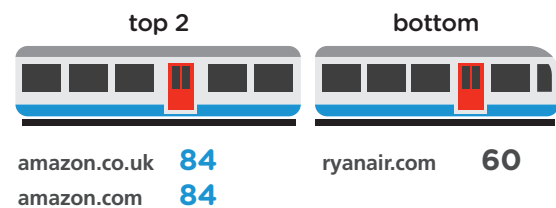
BUT CUSTOMER SATISFACTION LEVELS ARE **SLIPPING** BEHIND THE GROWTH OF ONLINE RETAIL

Customer satisfaction levels appear to have peaked in 2012, as the **ForeSee Experience Index (FXI): 2013 UK Retail Edition** records its first fall since 2007. If online customers are proving harder to please, this represents an enormous opportunity to strengthen loyalty for those retailers that can build a satisfaction lead over their competitors.

ONLY THE **BEST** IS GOOD ENOUGH

The quality and service expectations of the great majority of shoppers are set by their experience of the best performers. The revenues and profits of those retailers delivering average or below-average scores will continue to lag behind, unless they can improve customer satisfaction levels.

top 2

amazon.co.uk   **84**
amazon.com   **84**

bottom

ryanair.com   **60**

SATISFACTION MAKES ALL THE DIFFERENCE

When compared with less-satisfied website visitors, highly satisfied visitors are more profitable customers, as they are:

61% more committed to the brand overall

63% more likely to purchase from the retailer online

70% more likely to recommend the retailer

61% more likely to purchase from the retailer next time

[1] Retail Sales Index, IMRG/Capgemini

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INTRODUCTION

TOP 40 UK ONLINE RETAILERS SEE FIRST-EVER DECLINE IN AGGREGATE CUSTOMER SATISFACTION

REPORT BACKGROUND

This is the seventh consecutive year that we have conducted this research, an analysis of customer satisfaction levels and trends for the UK's 40 leading online retailers during the Christmas shopping season.

The ForeSee Experience Index (FXI): 2013 UK Retail Edition uses a technology that goes beyond what anyone else has done before to offer predictive and actionable insights so executives know exactly how their websites are doing and how they can improve.

The revealing data the report contains – the result of more than 10,000 customer surveys collected during the months of November and December – provides year-on-year comparisons of satisfaction with and between individual retailers. This is particularly significant because our methodology is a proven predictor of financial performance, not to mention future customer behaviours such as visits, purchases and recommendations. In other words, customer satisfaction is a vital business metric with a powerful causal link to future revenues and profits.

THE BUSINESS ENVIRONMENT

Today, the UK is arguably the number one Internet shopping nation in the world. A 2013 EU study has found that 82% of the country's Internet users regularly shop online, the highest proportion among all 28 member states. At the same time, the rapid takeoff of online food and grocery shopping in the UK has reportedly moved it ahead of the US overall.[2]

This makes it especially disturbing to see a fall in satisfaction levels among UK online shoppers in this year's report (down from an aggregate score of 74 in 2012 to 73 this year). But it is perhaps even more worrying that only two retailers (5% of the measured list) break through the recognised 80-point indicator of customer experience excellence. By contrast, around one-third of the largest retailers in the US typically score 80 or above.

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[2] *Mail Online*, 17 October 2013

This is particularly significant because of the powerful and quantifiable relationship between a positive customer experience and increased loyalty, sales and recommendations. In fact, the predictive capabilities of the ForeSee® CXA^{SM} methodology that underlie this report show that, based on likelihood scores, highly satisfied visitors to retail websites in the UK are:

> 61% more committed to the brand

> 63% more likely to buy from the retailer online

> 51% more likely to purchase from them offline

> 70% more likely to recommend the retailer

> 61% more likely to purchase from them next time

> 52% more likely to return to the site

Given such benefits, it's not surprising that ForeSee research has shown that every one-point increase in satisfaction translates into a 10.6% growth in a retailer's online revenues. Retailers that are seeing declining or flat scores are leaving money on the table that with an improved customer experience they would be able to convert into revenue.

On the one hand, this underlines the seriousness of the situation for those retailers whose satisfaction scores are average, below average or declining. On the other, it highlights the enormous opportunity for sales growth and competitive advantage there to be seized by any retailer that can achieve an above-average customer satisfaction score or break through the elusive 80-point barrier.

But this year's report is not all about the decline in aggregate satisfaction levels. Other factors it reveals include:

> **Merchandise remains the key discriminating factor for improving future customer experiences.**
Analysing customer experience can provide clear direction on retailers' improvement priorities; for the second year running, the appeal, variety and availability of merchandise emerged as the top priority (for 23, or 58%, of the companies), followed by the freshness, accuracy and quality of content. However, all priorities – merchandise, content, price and functionality – are powerful determinants of satisfaction on which retailers should focus for improved loyalty, sales and profits.

> **More retailers score above average than in 2012.** Despite the one-point slip in aggregate satisfaction, 21 retailers scored above the average mark of 73 in 2013 (comparing positively with the 11 that managed to exceed it in 2012). While this might be put down to the lower average score, 13 retailers in 2013 actually outperformed last year's average of 74 as well.

BUSINESS-CRITICAL CONSIDERATIONS

In short, customer satisfaction and the loyalty it engenders are fundamental business issues that offer UK online retailers a clear route towards significant improvement. This report demonstrates to business leaders that understanding their customers' needs and expectations is critical to thriving in an increasingly competitive business environment.

Consider the lessons learned recently by Tesco. Displeased with a Tesco store's slowness to stock shelves and its employees' apparent indifference, a shopper posted a blog called "The worst place on Earth" about his experience. Instead of ignoring the unflattering attention, Tesco filled the shelves and hired new employees. Tesco Chairman Richard Broadbent acknowledged the realities of the new retail landscape by saying that the company with the best relationship with its customers – and not the best product – will win.

This example illustrates how, in a transparent, multichannel environment where an increasing proportion of shoppers have grown up with the Internet as part of their lives – both as a retail channel and a communications medium – doing everything you can to build loyalty is the most effective means of preventing customers from deserting to the competition. During the peak Christmas shopping season, when so many retailers receive a substantial proportion of their annual revenues, this factor is more important than ever.

FORESEE IN THE UK

This is the seventh consecutive year that ForeSee has produced this research. Following the initial Index launch, ForeSee caught the attention of many leading online retailers who use ForeSee's customer experience analytics to help improve their customer experience programmes.

The UK team provides skillful expertise through committed teams of local researchers, client service professionals, and a sales team who truly understand the customer satisfaction challenges facing online retailers in the UK. Having built a reputation for providing actionable analytics and cross-platform analysis capabilities, the teams work closely with clients to help companies prioritise improvements for maximum impact. ForeSee works not only with online retail in the UK, but across channels (including mobile, contact centres, stores and web) and across industries.

If you're interested in measuring the experience of your customers so you can benchmark against these companies, or if you'd like more information on deeper analysis into the customer experience for the segments with the greatest impact on your business, please call our London office on +44 (0) 203 697 2332 or email Chris.Stroud@foresee.com.

1 Sycamore Court
Royal Oak Yard
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BY THE NUMBERS: UK ONLINE
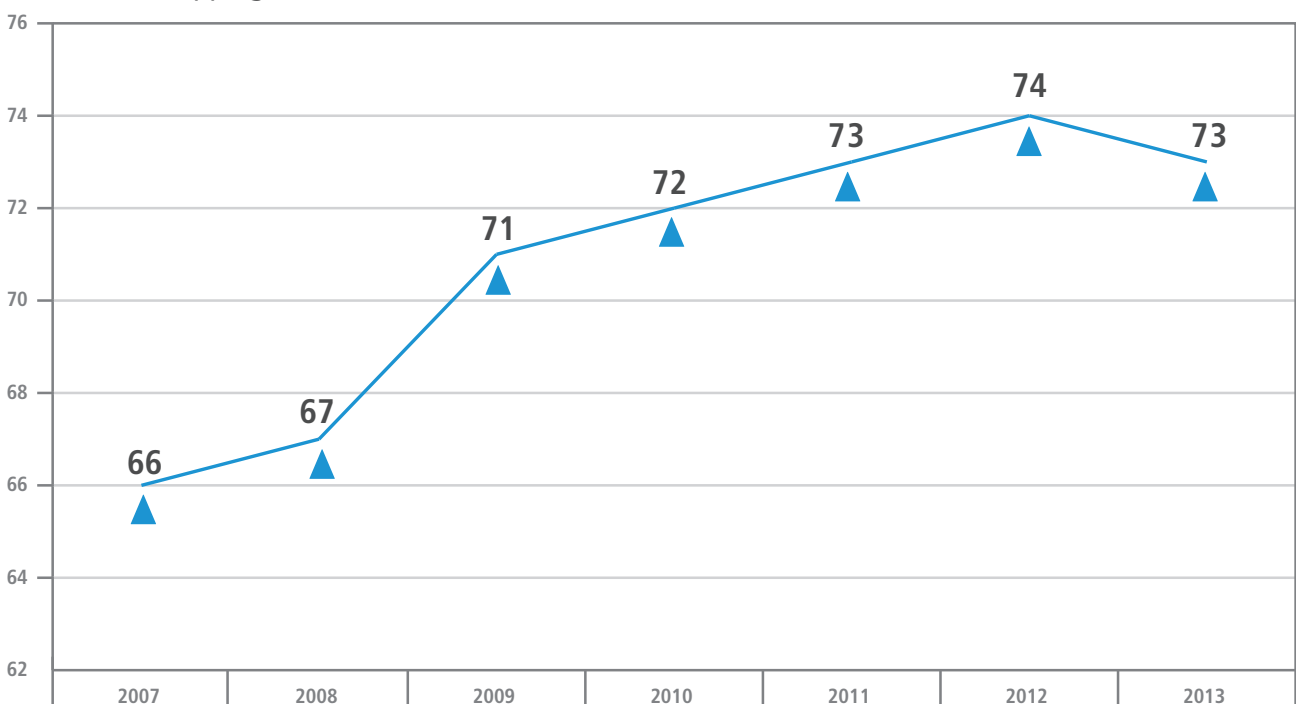## RETAILER SATISFACTION SCORES

Satisfaction shows a slight decline. This is the first fall in online customer satisfaction since the survey launched in 2007, albeit by a single point from 74 to 73. This follows a consistent single-point, year-on-year increase between 2009 and 2013, which was markedly slower than the four-point jump recorded between 2008 and 2009. It is possible that the fall in 2013, not to mention slowing growth in satisfaction for the preceding few years, is an outcome of the higher expectations of an increasingly sophisticated and hard-to-please marketplace.

Although a one-point decline might not seem important, the direct effect that satisfaction has on revenues and profitability means that even this slight reversal of fortune has the potential for significant negative impact. Research among US retailers has shown that a one-point increase in satisfaction translates into a 10.6% increase in revenues generated on the Web, suggesting a potentially major loss of value for UK online retailers should this decline persist.

Figure 1

OVERALL SATISFACTION TREND
(Online Shopping in the UK)

High-level analysis of individual online retailer scores (Figure 2 on page 8) shows:

> **The Leaders:** Only two online retailers featured in the report break through the 80-point satisfaction level, which is generally accepted as the mark of excellence in ForeSee terms. Both these organisations are Amazon companies, with Amazon.co.uk and Amazon.com tying on a score of 84. While this is a strong result for both, the UK site's score represents a relatively significant two-point decline, suggesting work might be required to prevent the situation from worsening further over the next 12 months. Last year, the two leaders were joined on 80 or higher by only John Lewis. This year they stand alone as John Lewis has slipped to 79 in third place, but still a full 10 points clear of its debut score in 2007. Apple (which at 78 has improved its score by seven points since 2008) and Marks & Spencer (up by two points this year to 77) complete the top five.

> **The Most Improved:** Netflix, which last year was close to the bottom of the annual satisfaction ranking, surged ahead in 2013 by a statistically significant three points to 71. It is joined as our joint top-improver by Ikea, which also moved up by three points from 73 to 76. Of the two companies that improved their position by two points, British Airways moved from 72 to 74, building strongly on the two-point improvement it also recorded in 2012. The other is Marks & Spencer (see Leaders, above).

> **The Decliners:** More sites failed to break through the 70-point barrier in 2013, up to six from just three in 2012. Ryanair has propped up the bottom of the table since its 61-point debut in 2010. It showed signs of positive momentum the following year when it improved by three points. It has slipped back since then, however, and this year records its worst score to date of just 60. There is a yawning eight-point gap to the three next-worst performers. These include B&Q, whose diy.com website has now lost almost all its gains from 2012 when it was the joint top improver. (That said, B&Q's 15-point improvement since 2007 has nonetheless been impressive.) The fact that Ryanair remains isolated at the bottom is surely a major cause for concern on the part of its management and investors alike, particularly in view of the massive loss in potential revenues and profits that such a performance represents.

> **Mind the (Satisfaction) Gap:** While the 24-point gap between the top 40's best performers (Amazon's UK and US sites) and Ryanair is one point narrower than 2012's 25-point margin, the picture is still somewhat skewed by Ryanair's continuing poor performance. Take the company out of the picture, and the gap narrows to just 16 points, although this is clearly still a major divergence in the performance of the UK's industry-leading businesses. This year's average customer satisfaction figure of 73 is down from the record 74 achieved in 2012. However, this year 21 of the top 40 online retailers exceed the average performance, as compared with just 11 last year. In fact, a total of 13 retailers also exceed last year's average in 2013, demonstrating that there are several individual success stories among the companies featured in the survey.

The individual scores of the UK's top 40 online retailers during the 2013 Christmas shopping season follow:

Figure 2

		2013 Customer Satisfaction Scores for the Top 40 Retail Websites in the UK*								
IMRG Rank	Website	Satisfaction 2007	Satisfaction 2008	Satisfaction 2009	Satisfaction 2010	Satisfaction 2011	Satisfaction 2012	Satisfaction 2013	Point Change '12-'13	Point Change Since First Measured '07-'13
4	amazon.com	NA	NA	NA	84	82	84	84	0	0
1	amazon.co.uk	75	78	83	83	85	86	84	-2	9
10	johnlewis.com	69	68	77	78	80	80	79	-1	10
2	apple.com	NA	71	76	75	78	77	78	1	7
6	marksandspencer.com	70	68	73	78	77	75	77	2	7
18	direct.ASDA.com	64	NA	NA	72	74	77	76	-1	12
34	ikea.com	NA	NA	70	72	71	73	76	3	6
3	argos.co.uk	67	70	73	77	77	75	75	0	8
36	boots.com	NA	68	70	69	73	74	75	1	7
9	debenhams.com	63	61	71	73	72	76	75	-1	12
15	direct.tesco.com	69	65	72	72	73	74	75	1	6
12	newlook.com	NA	NA	73	72	72	74	75	1	2
5	next.co.uk	67	66	70	69	72	73	75	2	8
37	ASDA.co.uk	64	69	73	76	74	76	74	-2	10
32	britishairways.com	NA	NA	NA	70	70	72	74	2	4
25	cineworld.co.uk	NA	NA	NA	75	72	74	74	0	-1

2013 Customer Satisfaction Scores for the Top 40 Retail Websites in the UK* (continued from page 8)

IMRG Rank	Website	Satisfaction 2007	Satisfaction 2008	Satisfaction 2009	Satisfaction 2010	Satisfaction 2011	Satisfaction 2012	Satisfaction 2013	Point Change '12-'13	Point Change Since First Measured '07-'13
29	houseoffraser.co.uk	NA	NA	NA	NA	72	73	74	1	2
33	sportsdirect.com	NA	NA	NA	72	72	74	74	0	2
8	tesco.com	NA	NA	NA	73	75	76	74	-2	1
13	thomson.co.uk	NA	NA	NA	71	72	73	74	1	3
38	travelrepublic.co.uk	NA	NA	NA	NA	NA	74	74	0	0
7	ASOS.com	67	70	74	73	73	73	73	0	6
40	onthebeach.co.uk	NA	NA	NA	NA	NA	NA	73	new	new
23	riverisland.com	61	63	69	72	71	72	73	1	12
26	laterooms.com	NA	NA	NA	NA	NA	NA	72	new	new
14	lovefilm.com	NA	NA	NA	76	72	74	72	-2	-4
16	thetrainline.com	NA	NA	NA	69	74	74	72	-2	3
27	very.co.uk	NA	NA	NA	67	NA	72	72	0	5
21	easyjet.com	NA	NA	NA	72	71	73	71	-2	-1
28	expedia.co.uk	NA	NA	NA	72	70	72	71	-1	-1
31	halfords.com	NA	NA	67	NA	NA	NA	71	NA	4
11	Netflix.com	NA	NA	NA	NA	NA	68	71	3	3
20	currys.co.uk	60	60	66	69	73	72	70	-2	10
24	topshop.com	NA	NA	70	69	70	71	70	-1	1
35	homebase.co.uk	NA	NA	67	67	69	71	69	-2	2
19	thomascook.com	NA	NA	NA	70	69	71	69	-2	-1
17	diy.com	53	60	65	65	67	71	68	-3	15
30	lastminute.com	NA	NA	NA	68	69	70	68	-2	0
39	ticketmaster.co.uk	NA	NA	65	64	NA	69	68	-1	4
22	ryanair.com	NA	NA	NA	61	64	61	60	-1	-1

* The composition of the FXI has changed considerably over the years. In 2007 and 2008, we measured only the top 30 retailers.
In 2009, 2010, 2011, 2012, and 2013 we measured the top 40. The list of top retailers has also changed over time as companies have slipped
into and out of the top 40, and in 2010, we synchronised our list selection with the IMRG Experian Hitwise Hot 100 Retailer list, which is
a ranking of UK online retailers based on site traffic.

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PUTTING THE SCORES IN CONTEXT

There are four main benchmarks we can use to contextualise the performance of online retailers and determine whether their performance is leading the pack or falling short:

1. **Comparison to the aggregate index for UK online retailers.** In a competitive economy and the transparent online world, where competitors are just a couple of clicks away, recording an average or lower score is to risk loyalty and reputation, sales and share. This year, three companies are right on the average score of 73, while another 16 fall below the average benchmark. We would suggest that working to enhance customer satisfaction is one of the most easily identifiable business improvement measures available to these companies.

2. **Comparison to UK top performers.** There must be very few UK online shoppers who have never visited or bought from Amazon, becoming familiar with the standards set by the best in the business and having their expectations set accordingly high. This year's two-point decline by amazon.co.uk, however, suggests that not even the leading performers can afford any complacency when it comes to customer satisfaction.

3. **Comparison with direct competitors.** Perhaps the most telling comparison of all, this enables retailers (and their competitors) to rate their performance directly against that of companies selling similar products or services. The two key categories this year (those with five or more representatives in the listing for which we calculate average scores) are Travel and Tourism (with an average score of 71) and Mass Merchants (whose 76 average was driven by the performance of Amazon, John Lewis and Marks & Spencer). With just four entries, Apparel and Accessories does not qualify for a category average score this year. See pages 11–12 for a list of company scores by category.

4. **Comparison to same-channel competitors.** This year, the performance of Internet pure play companies declined for the first time since 2010, with a one-point fall to 73. Interestingly, bricks-and-mortar retailers hit an all-time high with a score of 74, which suggests that they are responding positively to the very real threat that growing online sales represent to their business.

Figure 3

Satisfaction Scores by Channel Category

Channel Category	Description	2012 Satisfaction	2013 Satisfaction
Web Only	Retailers selling only online	74	73
Retail Chain	Retailers whose main sales channel is brick-and-mortar stores	73	74

SCORES BY CATEGORY

Like last year, 13 companies of the 40 listed are Mass Merchants. While their aggregate score of 76 leads the way, this is still a one-point decline from the 77 recorded in 2012 and the two preceding years. Five of the top six companies on the list are Mass Merchants, although only four of them (both Amazon sites, John Lewis and Marks & Spencer) actually record an above-average score for the sector. All the others (including ASDA, which is precisely on the average mark) are in danger of being uncompetitive with their better-performing peers. Very.co.uk props up the group.

Figure 4

Satisfaction Scores for Mass Merchant Websites

Mass Merchants	Satisfaction
Average	**76**
amazon.com	84
amazon.co.uk	84
johnlewis.com	79
marksandspencer.com	77
direct.asda.com	76
direct.tesco.com	75
argos.co.uk	75
next.co.uk	75
debenhams.com	75
tesco.com	74
ASDA.co.uk	74
houseoffraser.co.uk	74
very.co.uk	72

The Travel and Tourism sector's representation among the top 40 has grown since 2012, up from nine to 11 companies. At 71, its aggregate score is unchanged – while this is clearly dragged down by the inclusion of Ryanair, even British Airways, Thomson and Travel Republic which jointly top the list score only 74, a single point above the entire sample's aggregate score and a full two points below the average for Mass Merchants. This suggests that there are significant business growth opportunities open to competitors in this category which can significantly outperform their peers.

A number of other product categories contain between one and four entries, as follows.

Figure 5

Satisfaction Scores for Travel and Tourism Retail Websites

Travel and Tourism	Satisfaction
Average	71
britishairways.com	74
thomson.co.uk	74
travelrepublic.co.uk	74
onthebeach.co.uk	73
thetrainline.com	72
laterooms.com	72
expedia.co.uk	71
easyjet.com	71
thomascook.com	69
lastminute.com	68
ryanair.com	60

Figure 6

Satisfaction Scores for Other Categories

Product Category	Website	Satisfaction
Computers and Electronics	apple.com	78
Housewares and Home Furnishings	ikea.com	76
Health and Beauty	boots.com	75
Apparel and Accessories	newlook.com	75
Content, Media, and Entertainment	cineworld.co.uk	74
Sporting Goods	sportsdirect.com	74
Apparel and Accessories	ASOS.com	73
Apparel and Accessories	riverisland.com	73
Books/Movies/Videos	lovefilm.com	72
Specialty/Non-Apparel	halfords.com	71
Books/Movies/Videos	netflix.com	71
Computers and Electronics	currys.co.uk	70
Apparel and Accessories	topshop.com	70
Hardware and Home Improvements	homebase.co.uk	69
Hardware and Home Improvements	diy.com	68
Content, Media, and Entertainment	ticketmaster.co.uk	68

Eight members of this 16-strong group deliver an average or above score, but only Apple (78) and Ikea (76) even approach the global standard of excellence that is set at 80 points.

CUSTOMER SATISFACTION MEASUREMENT: A SCIENCE WITH PROFOUND FINANCIAL IMPLICATIONS

Online retailers tend to know a lot about what customers and shoppers have already done: which pages they clicked on, where they came from, how much they spent and what they abandoned in their basket. What has been missing from analytics data is accurate and reliable information on shoppers' future behaviours. What are they likely to do next, and what can we do to influence those decisions?

The ForeSee CXA methodology (see page 20) used to conduct this study shows the causal relationships between satisfaction and customers' future behaviours that lead to a company's financial success. After all, what good is high satisfaction unless it has a proven impact on customers' likelihood to buy online, buy offline, recommend the company or return to the website? Why should a company put resources into increasing satisfaction unless there is a demonstrable payoff?

The methodology recognises that satisfaction itself is not the only desired result, but that raising satisfaction has the greatest impact on future customer behaviours. In other words, customer satisfaction, when measured using a scientific and rigorous methodology, translates to financial success. Extensive research shows that customer satisfaction drives future stock prices and performance over time.

Figure 7: Satisfaction Predicts Future Customer Behaviour
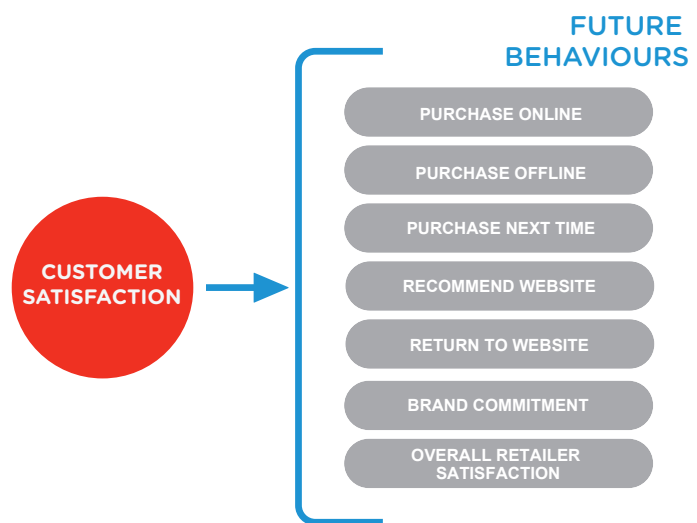
The impact of customer satisfaction on an online retailer's business is quite clear. Based on this study of more than 10,000 visitors to at least one of the top 40 retail websites in the UK, a satisfied shopper is far more likely to return, purchase (in channel and out of channel), remain loyal and engage in positive word of mouth recommendations than a dissatisfied shopper. For many business leaders, this finding makes intuitive sense, but ForeSee's technology quantifies the value and impact of a satisfied online shopper on a retailer's overall business operations.

As shown in Figure 8, customer satisfaction leads to:

> **Future Purchase:** Compared with shoppers who are *dissatisfied* with an online shopping experience (rating their satisfaction at 69 or lower), shoppers who are *highly satisfied* (rating their satisfaction at 80 or higher) report being 63% more likely to make another purchase from the retailer online and 51% more likely to make a future purchase in another channel (store or contact centre).

> **Loyalty and Market Share:** UK Christmas shoppers who are highly satisfied say they are 61% more likely to buy from that retailer the next time they shop for similar merchandise (a good metric for customer loyalty), 61% more committed to the brand and 52% more likely to return to the website.

> **Positive Word of Mouth Recommendations:** Highly satisfied shoppers say they are 70% more likely to recommend a retailer's website to a friend, family member or colleague than are dissatisfied shoppers.

Figure 8

Satisfied Customers Are More Likely to Purchase, Be Loyal and Recommend

Likely Future Behaviour	Respondents Scoring Satisfaction 80+ (Highly Satisfied)	Respondents Scoring Satisfaction 69 or Lower (Dissatisfied)	% Difference Between Highly Satisfied & Dissatisfied
Brand Commitment	87	54	61%
In-Channel Purchase	88	54	63%
Other-Channel Purchase	74	49	51%
Purchase Next Time	90	56	61%
Recommend Company	90	53	70%
Retailer Satisfaction	91	57	60%
Return	93	61	52%

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These metrics are not theoretical. They are scientific calculations of likely future behaviours of actual shoppers who visited at least one of the top 40 online retailers in the UK during the 2013 Christmas season. This data shows the crucial impact of the online shopping channel on overall business cannot be ignored. One of the best ways to increase desired consumer behaviour is by improving customer satisfaction.

These concepts hold true at the individual company level as well. The Amazon UK website has a satisfaction score of 84; ryanair.com has a satisfaction score of 60, which is 24 points lower. When compared with visitors to ryanair.com, visitors to amazon.co.uk report being:

> 40% more committed to the brand

> 33% more likely to purchase online

> 46% more likely to recommend the company

> 26% more likely to return

It would be a significant feat for Ryanair to raise satisfaction by 24 points, but if it resulted in increases to brand loyalty, sales, and recommendations, it would be well worth the effort, especially if targeted improvements could be made on areas that would have the greatest return on investment.

## HOW TO IMPROVE ONLINE CUSTOMER SATISFACTION

As shown in Figure 8, satisfied shoppers are more loyal, more likely to recommend and more likely to purchase from that retailer in the future. Once the predictive nature of online satisfaction is understood, the natural next question is: How can we increase satisfaction so that shoppers are even more likely to buy, recommend and return?

The technology-based methodology used for this study measures several key elements of online satisfaction. Improving these elements in ways that matter to site visitors and customers leads to increased satisfaction.

The elements of the experience that will have the greatest impact on overall satisfaction (and therefore on future behaviours, both online and offline) differ for each retailer. Our methodology is also able to determine the impact of a wider range of more detailed elements for specific websites when consumers are surveyed immediately after a site experience.

Figure 9 shows four high-level elements measured in this study: merchandise, functionality, content and price. These elements have been measured in broad strokes for the purposes of this study.

Figure 9: Elements Affecting Online Retail Customer Satisfaction

ELEMENTS

MERCHANDISE

FUNCTIONALITY

CONTENT

PRICE

CUSTOMER SATISFACTION
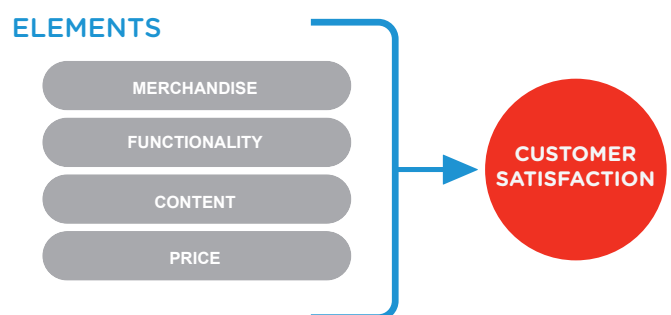
The methodology used in this study quantifies which elements have the greatest impact on overall satisfaction, regardless of how much shoppers like or dislike an individual element. Often, the highest priority element with the greatest ability to affect satisfaction is not the lowest scoring one.

This capability to go beyond what a shopper says matters. The ability to discover what actually does matter is what differentiates the ForeSee methodology from others.

Figure 10 shows how this prioritisation capability works. Each website is rated on the four measured elements of the online shopping experience. John Lewis's website gets a relatively high score in Merchandise (80) and its lowest score in Price (75). If we stopped there, we would assume John Lewis's merchandise is just fine but that prices need improvement.

However, when we add in the capability to rank elements in terms of their true priority, a different picture emerges. If John Lewis wants to improve its online customer satisfaction score, and therefore improve customers' likelihood to return, recommend, buy again, etc., its actual top priority for improvement is Merchandise, even though this was John Lewis's second-highest-scoring element. This finding does not make intuitive sense; if customers love the merchandise and hate the prices, why should John Lewis improve the merchandise and leave the prices alone?

The methodology, using a proprietary structural equation model, is able to go beyond self-reported importance to identify what has the most influence on satisfaction. The true power of understanding priorities is apparent when companies are able to look at how priorities differ for visitor segments. For example, John Lewis may have different priorities to appeal to first-time versus repeat visitors, men versus women or people who spend over or under certain thresholds.

Results are not always counterintuitive. Sometimes the lowest-scoring element is the top priority. Many retailers discover when they deploy the ForeSee methodology on their own websites that they would have been improving the wrong areas had they relied solely on raw customer data or unsophisticated methods of data analysis to guide improvement efforts.

One of the most striking examples of this tendency to focus on the wrong elements of the customer experience is a focus on prices. In fact, most of the companies in Figure 10 registered price as the lowest scoring element, which might lead them to believe they need to make adjustments to prices in order to increase customer satisfaction. However, price is not a top priority for any of them. Among this general set of elements, Amazon and John Lewis both register Merchandise as a top priority, even though they score very well in Merchandise. For Netflix and Ryanair, Merchandise was the top priority last year, but this year it's Website Functionality. Even for discount retailer Ikea, known for its reasonable prices, Price is the fourth priority element. Ikea's main concern for improving the overall experience should be focusing on Content.

Figure 10

Top Priority Elements for Improvement

Website Element Scores (Top Priority Rank)				
Company Name	Satisfaction	Content	Functionality	Merchandise	Price
amazon.com	84	82 (3)	83 (4)	86 (1)	83 (2)
johnlewis.com	79	81 (2)	77 (4)	80 (1)	75 (3)
ikea.com	76	77 (1)	75 (3)	77 (2)	77 (4)
netflix.com	71	73 (2)	74 (1)	72 (2)	76 (4)
ryanair.com	60	65 (4)	62 (1)	64 (3)	65 (2)

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These findings underscore how much retail companies' site visitors can differ. There is no standardised paint-by-numbers approach to e-commerce. By understanding the impact of specific aspects of their own website on overall satisfaction, online retailers can save costly investments in upgrades that have little influence on satisfaction and behaviour and can instead focus their efforts on the changes that matter to consumers. Imagine if all the companies in Figure 10 rallied around efforts to lower prices, because surveys show that customers are dissatisfied in that area. They would be focused on the wrong thing.

Figure 11

Top Priority Elements for Improving Satisfaction

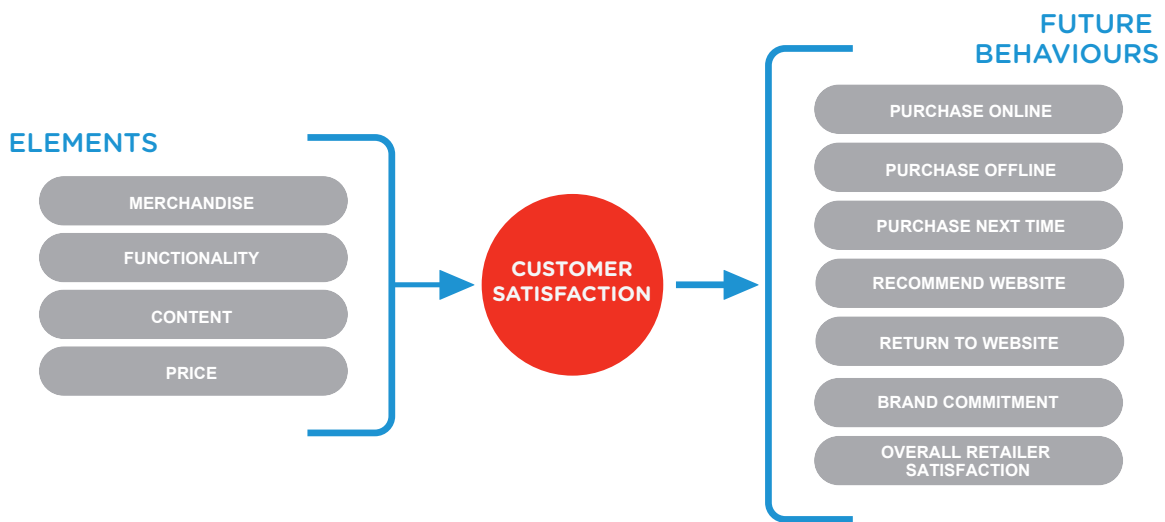| Element	What It Means	Websites that Should Prioritise the Element*
Price	Perceptions of the fairness and competitiveness of an online retailer's prices.	Among the elements measured in this research, price is the top priority element for only one site (3%): topshop.com.
Merchandise	The appeal, variety, and availability of products on the website.	Among the elements measured in this research, merchandise is the top priority element for 23 sites (58%): amazon.com, apple.com, argos.co.uk, ASDA.com, direct.ASDA.com, ASOS.com, boots.com, debenhams.com, halfords.com, houseoffraser.co.uk, johnlewis.com, laterooms.com, lovefilm.com, newlook.com, next.co.uk, riverisland.com, sportsdirect.com, tesco.com, direct.tesco.com, thetrainline.com, thomson.co.uk, very.co.uk, and marksandspencer.com.
Website Functionality	The usefulness, convenience, and variety of online features available to site visitors.	Among the elements measured in this research, web functionality is the top priority element for six sites (15%): expedia.co.uk, lastminute.com, netflix.com, onthebeach.co.uk, ryanair.com, and ticketmaster.co.uk.
Content	Perceptions of accuracy, quality, and freshness of information on the website.	Among the elements measured in this research, content is the top priority element for 10 sites (25%): amazon.co.uk, cineworld.co.uk, easyjet.com, diy.com, thomascook.com, homebase.co.uk, ikea.com, britishairways.com, currys.co.uk, and travelrepublic.co.uk.

*This analysis is based on aggregate site visitor data generally collected a few weeks after a site visit. Companies would be well served to measure immediately after a web experience and examine key customer segments in order to gather more detailed site improvement prioritisation information for first-time vs. repeat visitors, men vs. women, higher-income shoppers vs. lower-income shoppers, buyers vs. browsers, etc.

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PUTTING THE PIECES TOGETHER

The model at the core of this research methodology reveals that in order to increase shoppers' future behaviours – their likelihood to purchase, return and recommend – retailers need to increase overall satisfaction. Retailers can only begin to prioritise website enhancements and business decisions that will generate the greatest return on their investment when they understand how specific website elements will increase overall satisfaction. The ForeSee CXA methodology offers invaluable insight in an increasingly competitive economy where customers have a variety of online and offline retail options from which to choose.

Figure 12: The Customer Satisfaction Model

ELEMENTS

- MERCHANDISE
- FUNCTIONALITY
- CONTENT
- PRICE

CUSTOMER SATISFACTION

FUTURE BEHAVIOURS

- PURCHASE ONLINE
- PURCHASE OFFLINE
- PURCHASE NEXT TIME
- RECOMMEND WEBSITE
- RETURN TO WEBSITE
- BRAND COMMITMENT
- OVERALL RETAILER SATISFACTION

MEASUREMENT METHODOLOGY

The ForeSee Experience Index uses the ForeSee CXA methodology to measure satisfaction with the customer experience with the top 40 UK retail brands, as ranked by IMRG Experian Hitwise Hot 100 Retailer list. The satisfaction scores in this specific report reflect data collected from November 18th to December 5th and cover more than 10,000 surveys collected. The predictive ForeSee CXA methodology measures the customer experience and the likelihood of customers to engage in desired future behaviours such as retention, purchase more and recommend. Satisfaction data was collected from a nationwide panel of more than 460,000 consumer households that have agreed to participate in opt-in surveys provided by Global Market Insite (GMI).

ABOUT THE FORESEE CXA METHODOLOGY

The ForeSee CXA methodology is a statistical engine that measures the customer experience and utilises cause-and-effect modelling to radically change the way that organisations make critical business investments and decisions.

Backed by three decades of rigorous scientific research, the ForeSee CXA methodology has a rich heritage of highly diagnostic performance measurements coupled with sensitive improvement prescriptions and powerful prognostic capabilities through:

1. validated cause-and-effect theoretical frameworks based on consumer-behaviour theory, psychometrics and statistics

2. voice-of-customer input from surveys

3. leading-edge analysis using the latest structural equations modelling algorithm

The ForeSee CXA methodology measures and statistically links the three levels of a customer's thought process that occur after an experience with a product or service:

1. perceptions of the performance of various facets of the product and/or service experience

2. overall attitudinal evaluation of the experience (e.g., customer satisfaction)

3. future behaviour intentions toward the product or service in question

Organisations across industries in both the public and private sectors have been using the ForeSee CXA methodology for more than ten years to link the customer experience to the bottom line so that executives and managers can confidently optimise the efforts that will achieve desired business objectives.

ABOUT THE AUTHOR

As president and CEO of ForeSee and author of *Innovating Analytics – Word of Mouth Index: How the Next Generation of Net Promoter Can Increase Sales and Drive Business Results* (Wiley, September 2013), and *Managing Forward: How to Move from Measuring the Past to Managing the Future*, **Larry Freed** is an expert on customer satisfaction and authors dozens of research papers and reports on the subject every year.

Freed speaks extensively on the topic at private- and public-sector industry events and has been quoted in numerous publications and media outlets, including CNN, the *Wall Street Journal*, the *Washington Post*, the *New York Times*, *Investor's Business Daily*, *Internet Retailer*, *Internet Retailing*, *Multichannel Merchant*, *DM News*, *Computerworld*, *Federal Computer Week* and *Government Executive*, among many others.

ABOUT THE RESEARCH TEAM

Julie Anderson, research analyst at ForeSee, has more than 14 years of consulting and research experience in public and private organisations with a focus on large-scale data analytics. Through her work as a research analyst, she has extensive experience with the ForeSee CXA methodology and in providing voice-of-customer analytics, with a special focus on digital analytics.

ABOUT FORESEE

As a pioneer in customer experience analytics, ForeSee continuously measures satisfaction and delivers powerful insights on where to prioritise improvements for maximum impact. ForeSee applies its trusted technology across channels and customer touch points, including websites, call centres, brick-and-mortar locations, mobile experiences and social media interactions. Because the proven ForeSee CXA methodology measures satisfaction in a manner that is predictive of customer loyalty, purchase behaviour and future financial success, executives and managers are able to drive future success by confidently prioritising the efforts that they know will achieve business goals.

Working across the public and private sectors, with deep expertise in a range of business and consumer industries, ForeSee combines the best in customer satisfaction measurement, proven predictive analytics, actionable usability analysis and rich observational data to work with large and small organisations around the world. The results of measuring success through customers' eyes are better outcomes for businesses and a better experience for consumers.

ForeSee is a privately held company headquartered in Ann Arbor, Michigan, with offices in London, Toronto, New York, Los Angeles and Atlanta. Visit us at www.foresee.com for customer experience solutions and original research.