

BUSINESS TECHNOLOGY

Web Sites Want You to Stick Around

Technology Tools Help Firms Improve 'Customer Experience'

BY MYLENE MANGALINDAN

AS THE NUMBER of people who are new to the Internet dwindles and Web advertising costs increase, more companies are trying to retain their existing customers on the Web, rather than simply winning new ones.

To do that, companies are turning to a host of technology tools—from measurement software to services that track Web-surfing behavior—to monitor the “customer experience” that consumers have when they interact with and make purchases on Web sites.

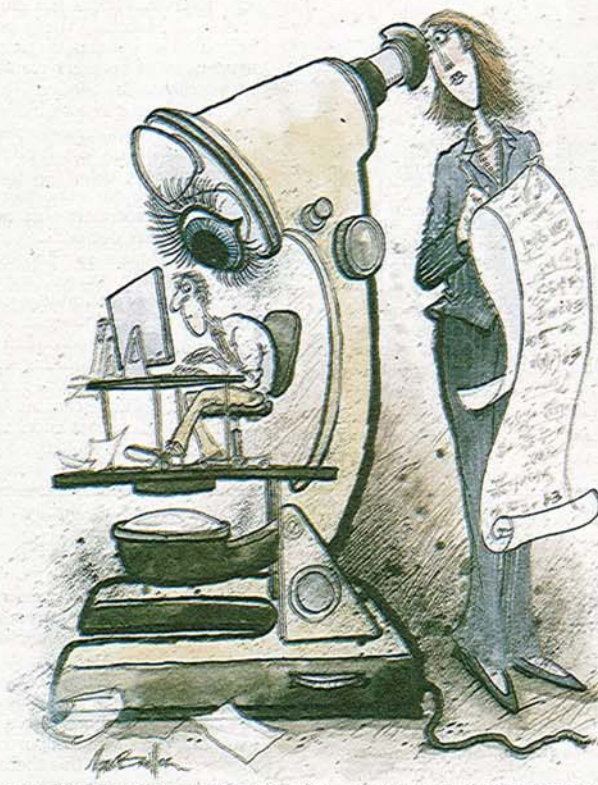
U.S. Airways Group Inc. is one company now using such tools. After merging with America West Holdings Corp., the airline tried to better understand the mishmash of data it collected from its Web site. While the airline's Web analysts could see how many consumers were shopping for flights on the combined company's Web site, the analysts didn't know why some shoppers weren't booking tickets.

So late last year, U.S. Airways deployed software from TeaLeaf Technology Inc., a San Francisco company spun out of software maker SAP AG. The software revealed that many customers were typing in their frequent-flier numbers incorrectly, entering the letter “O” instead of the number zero. When the Web site couldn't process an order, it notified customers they had inserted an error without being more specific.

TeaLeaf's technology allowed airline employees to replay and review screen shots of the Web site when customers encountered this problem. After discovering the error's source, the Tempe, Ariz., airline adjusted its site to notify users that they had entered their frequent-flier number inaccurately so customers could re-enter that information.

“The success rate [of customers with this error that went on to purchase tickets] went almost to 100% after that,” says Joe Beery, US Airways's senior vice president and chief information officer. “We absolutely want to give our customers the best possible experience so they continue to fly with us.”

Apart from TeaLeaf, companies such as Coremetrics and Omniture Inc. also provide software that helps track what visitors do on Web sites. In-



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teractive service agencies like Microsoft Corp.'s Avenue AI Razorfish will help analyze customer behavior to develop Web sites and set online marketing strategy. Meanwhile, ForeSee Results and iPerceptions make measurement tools that track online customer satisfaction. And software companies such as Kana Software Inc. provide search capabilities on Web sites to help customers find answers to their questions.

Interest in such “customer experience” tech tools is high. In a recent survey of 287 companies, 91% of respondents at U.S. companies said customer experience will be very important or critical to their 2008 Internet efforts, up from 85% last year, according to market researcher Forrester Research.

Another study last week from trade group Shop.org and Forrester found that online retailers are allocating 21% of their total 2008 marketing budgets

to online customer retention. Many companies realize that consumers making transactions on their Web sites are a mouse-click away from patronizing a rival. And consumers themselves are better informed and more experienced with the Internet—32% of Web shoppers have been online for seven years—so their expectations are higher, says Forrester analyst Megan Burns.

Using these “customer experience” tech tools, companies can't only better monitor customers but also lower customer-service costs by promoting do-it-yourself service through their Web sites. “You can drive costs down by sending people to a Web site rather than a call center,” says Mitchell Kramer, senior vice president at Boston consultancy Patricia Seybold Group.

Typically, companies spend \$200,000 to \$400,000 to buy and implement customer-oriented software, though they can spend less initially if

they are buying software-as-a-service, Mr. Kramer says. While cost-savings vary, companies have said that “customer experience” technology results in a 10% to 20% reduction in customer calls to companies' call centers, he adds.

Still, there are some pitfalls to consider when tapping this type of technology. Many of these tech tools require continuous monitoring, analysis and refinement, Mr. Kramer says. Some companies don't specify clearly what they are analyzing, nor do they consider the total cost of what they're trying to accomplish, which could result in more staff or effort to keep them running. Companies need to determine what they're going to do with the data they're collecting so they have an action plan for how to use it.

Nonetheless, companies can track their users' Web behavior so their communication with customers is more meaningful and profitable. Sporting-gear retailer Bass Pro Shops Inc., for one, had embraced email as a way of communicating with customers and encouraging repeat purchases. While it was concerned with bombarding customers with too many emails, the Springfield, Mo., company didn't want to remove names from its email list.

So in late 2006, it turned to technology from Coremetrics, a closely held company in San Mateo, Calif., to tailor the emails it sends to its customers. Coremetrics's software-as-a-service technology tells Bass Pro what products its users looked at on its Web site and what products they put into their shopping carts. That way, the retailer could reduce the number of emails it sends out and make them more targeted to users' interests.

Pricing for this type of Coremetrics service varies depending on volume, starting at an average annual cost of \$24,000 for smaller Web sites with implementation expenses of \$5,000 in the first year. For larger sites, the costs average between \$60,000 and \$140,000 a year.

The upshot: Bass Pro saw an increase of more than 10% in revenue from sales related to email, compared with the previous year, says John Squire, Coremetrics's chief strategy officer. Bass Pro also reduced the number of customers asking to remove their names from the company's mailing list. A Bass Pro executive confirmed the retailer is using Coremetrics's products but declined to comment further.