

TECHNOLOGY

Closing the Deal at the Virtual Checkout Counter

By CLAIRE CAIN MILLER

Shoppers rarely drive to the mall, load up their carts and then abandon them in the middle of the store. On the Web, though, it happens all the time.

In online stores, it is much easier for shoppers to fill their virtual shopping carts — and much easier for them to get distracted by an e-mail message or comparison shopping on other sites. Then there are the design flaws and technical glitches that can get in the way of closing a sale.

These problems have been around since online shopping was invented, but they have taken on more urgency in the last year as consumer spending has shriveled. So e-commerce companies are trying a variety of techniques to push shoppers through the virtual checkout line.

There are still plenty of people browsing online, but not so many buyers. In the second quarter, the number of visitors to e-commerce sites who eventually bought something shrank for most sites from the year before, by as much as 30 percent for Zappos.com and 26 percent for Gap, according to comScore.

“It’s pretty clear that people are looking at more alternatives, evaluating more options, getting better prices — but not buying,” said Gian M. Fulgoni, executive chairman of comScore.

Shoppers spent \$130 billion online in the last year, according to comScore. But e-commerce sites missed out on billions more because customers abandoned their carts once they ran into problems while checking out, according to Tealeaf, a company that makes software to help e-commerce sites monitor customers’ behavior.

“The small transactions add up,” said Rebecca Ward, chief executive of Tealeaf, whose customers include Wal-Mart and Best Buy. “This is revenue that people really wanted to commit to the company and were unable to do it, and it often ends up being in the millions of dollars.”



MICHAEL APPLETON FOR THE NEW YORK TIMES

Matt Raines, vice president for technology at Bluefly, says the site needs to make it easy for shoppers to finish the transaction.

Many shoppers fill their carts just to keep track of things they like or to check shipping rates and taxes, with little intention to buy. While there is no industrywide data, some e-commerce companies estimate that only about 3 percent of shoppers who visit an e-commerce site buy something, and when they do load their shopping carts, as many as two-thirds abandon them.

One of the biggest reasons people procrastinate more when shopping online is the fear of regret, said Dan Ariely, a professor of behavioral economics at Duke, a visiting professor at M.I.T. and author of the book “Predictably Irrational.”

It is much simpler online than offline to discover that an item you bought yesterday is on sale somewhere else today. In fact, he said, people often spend more time researching a product after buying it online than before, to prove that they

should not regret the purchase.

Online retailers do a few things to fight this inclination. Zappos.com and Overstock.com inject urgency by alerting customers when an item they have put it in their shopping cart is almost sold out.

“The Internet gives us this ability to kind of have wish lists — you can look at 15 products, throw them in your cart and then sleep on it,” said Stormy D. Simon, senior vice president for branding and customer care at Overstock.com. “We incentivize them.”

Other sites have developed a new, extreme version of limited-time sales. Gilt offers items for 36 hours or until they run out, and Neiman Marcus runs two-hour, online-only sales.

“All these strategies get people to fear that they will regret not acting” instead of acting, Mr. Ariely said.

Customer reviews can also nudge

would-be shoppers who are on the fence about making a purchase. A company called Bazaarvoice helps e-commerce customers, like Macy's and Dell, publish user reviews and ratings on their sites. For a customer unsure about new shoes or a new sofa, social validation can make the difference.

Some sites try to make the check-out process easier by offering alternative ways to pay. Bill Me Later, which eBay bought last year for \$820 million, lets people click one button to check out. Later, they get a bill in the mail.

TrialPay, a start-up company, lets people get a product free if they buy another product. A shopper can buy WinZip software online for \$29.95, for example, or get it free by signing up for Netflix. Then Netflix pays TrialPay for bringing in the new customer.

Though the Web makes it easier for shoppers to abandon their carts, it also makes it easier for shops to track would-be customers and encourage them to buy.

"In the real world, the jeweler or optician has no way of knowing who I was or how to get me back in the store, but online you can do all that, which is why it's such an amazing retail opportunity," said Saul Klein, a partner at Index Ventures, which has invested in e-com-

merce companies, including TrialPay.

Index has also backed a start-up called Criteo, which lets e-commerce sites "follow" visitors who leave without making a purchase and show them banner ads when they visit another site. Say a shopper has been perusing digital cameras on a consumer electronics site, then goes to lunch. Later, he checks the headlines on a news site, where he is shown an ad for the digital camera site, luring him back.

People pile up the shopping cart, but then hesitate to buy.

Some e-commerce sites encourage shoppers to log in before they fill their carts. Then, if they leave, the site can send them an e-mail message reminding them that their cart is still there and perhaps offering a carrot, like free ship-

ping. Tealeaf's software can identify each registered shopper who got to a certain point in the buying process before giving up.

It also alerts shopping sites about technical problems that might otherwise have been invisible. A month ago, the clothing retailer Bluefly realized that some international shoppers were unable to check out. Using Tealeaf's software, Bluefly discovered that the glitch had been there for a year. Instead of reporting the problem, customers had simply been leaving the site without making the purchase.

After Bluefly fixed the problem, revenue from international shoppers increased 10 percent in a month, and Matt Raines, Bluefly's vice president for technology, estimated that the fix would result in \$1.1 million in additional revenue this year.

Bluefly also runs daily promotions and timed sales and shows Bluefly ads to previous visitors when they are on other sites. It is starting to offer customers the option to save the items in their cart to buy later, and is considering running customer reviews.

"When customers are trying to purchase something, we need to do everything in our power to make sure they can do it," Mr. Raines said.