The Impact of Web Performance on E-Retail Success

Your Web site is the online face of your company, representing your brand and all that it stands for. You want your customers and distributors to interact with you via the Web—because that's often their preference and because it's cost-effective for you—in a way that leaves them feeling good about your company. One of the critical components of a Web site is its performance. Let's face it—you can pull out all the stops to build out your site, put in place the most sophisticated back-end systems, and spend lots of marketing dollars driving consumers and partners to your site, but if it doesn't perform well, what's the point?

Would You Stand for This?

- Your customers, distributors, or employees cannot open the front door to your corporate headquarters.
- Your sales or customer service representatives cannot be contacted.
- The line is so long at your retail store that customers get frustrated and leave.

Any serious retailer would not stand for even one of these scenarios. Customers remember a bad shopping experience and often never return, which is why you ensure that all the systems that support your customers, distributors, and employees are in place and working effectively. Shouldn't you do the same when it comes to your e-business?
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A Return on Your Investment

Smart retailers understand the importance of incorporating the Web into their overall presence and business processes—it is a competitive necessity. Understandably, these companies have spent significant dollars to build sites that both reflect the company's brands and meet the needs of customers and partners. According to Jupiter, even a “brochureware” site costs $500,000 to $2,500,000 per year to build and maintain. Likewise, the majority of commercial sites, which are more complex than brochureware sites, cost $2,500,000 to $10,000,000 per year; extremely complex sites can cost up to $100,000,000 per year.

While leveraging the Internet offers unprecedented opportunities for retailers to reach new consumers and to take advantage of an additional distribution channel, these same businesses cannot reliably conduct e-commerce, build their brands, serve ads and high-end product shots, and achieve a return on investment if the underlying infrastructure is unstable. The instability and unpredictability of the Internet's performance can have a negative impact on the relationship between retailers and their customers—if site performance suffers, customers will refuse to use the site and will instead choose an alternate higher-cost channel for access to your business or, even worse, they will go to a competitor's business. By the same token, a high-performing Web site translates into customer satisfaction, which can be correlated to increased purchase conversion, customer loyalty, and increased market share. To ensure e-business success, your company's Web site must perform well.

eBags originally chose Akamai’s services in 1999 and continues to receive many benefits, including: a 15% improvement in visitor-to-buyer conversion rate, a 4.97% reduction in cart abandonment rate, and an 8.86% improvement in add-to-cart rate. By delivering eBags site from more than 15,000 servers in over 1,000 leading networks, including AOL, Akamai has provided an extension of eBags’ own Web infrastructure to ensure that eBags communicates effectively with every shopper on every visit.

Web Site Performance Matters

Let’s assume someone has ten minutes to spend at your Web site: some are able to access 10+ pages, while some can’t stand the wait and give up after two requests. If page speed were to be increased by as little as five times, these visitors would have the ability to view 50+ pages during the same short session, ensuring a better user experience—critical to your efforts to acquire and retain customers and distributors.

Increasing page performance reduces the likelihood of bailout, boosts the likelihood of multiple page views and purchases, increases cross-sell conversion opportunities and leaves impressions that are worthy of return visits. On the Web, the experience is the brand, and you want to offer the best one possible.

There is ample reason to care about Web site performance. Consider the following:

Online revenues are expected to rise, but sites must be high-performing to capture sales.

- A 50% degradation in performance leads to a 25% reduction in conversions —Jupiter Research
- Online consumer sales will grow to $155.6 billion by 2005 —eMarketer
- Of online shoppers surveyed, 51% percent stated site performance/speed as having an influence on their buying behavior —Vividence
- 92% percent of online consumers use the Internet to shop and/or purchase online —The NPD Group Inc.
More and more offline purchases are being influenced by online activity.

- 70%+ of consumers do pre-purchase research on the Web — Forrester Research
- Consumers currently spend approximately $5 off-line for every $1 they spend online as a direct result of online research — Jupiter Research
- The second most popular activity online is searching for product or service information. — US Department of Commerce
- “Multichannel retailers reported that 46% of their online customers also purchase offline, and conversely, 17% of their offline customers purchase online. In addition to direct online sales, these retailers reported that the Web influences 15% of their offline sales.” — Shop.org

Customer acquisition and loyalty are just as important online as off.

- 28% of Web users do not return to a company’s Web site if it does not perform sufficiently well, and a further 6% do not even go to the affiliated retail store anymore. — Boston Consulting Group
- Repeat customers spend 67% more and are more profitable. — Bain & Company
- When companies identify and respond to loyal customers, they reduce their customer acquisition costs by 27%. — Jupiter Research
- On average, a highly influential Internet user relates a positive experience to 11 people, but a negative experience to 17 people, a 55% difference. — Burson-Marsteller and Roper Starch Worldwide
- It costs 3- to 5-times more in marketing costs to acquire a new customer than it does to keep an existing one. — Davidow and Uttal
- A 5% increase in customer retention yields an increase in profits between 25%-100%. — Bain & Company

The performance of your company’s Web site can directly impact brand perception and loyalty.

- Nearly 50% of Internet users have stopped using a preferred site for some amount of time because of slow download times and poor customer experience. — Jupiter Research
- “Many consumers who become frustrated with an online site... blame the retailer, not the Internet.” — Boston Consulting Group
- “[O]rganizations must ensure that the Web site is engineered to deliver the best possible experience for each customer. Without this quality of experience, the Web site can damage the overall brand image of the company.” — META Group

There is a clear link between Web site performance and site abandonment.

- When a site experiences an outage, 9% of online customers permanently abandon the site, and 48% of site users establish a relationship with a competitor. — Jupiter Research
- There is a nearly 50% relationship between performance and site abandonment—i.e., a 10% decrease in site leads to a 5% increase in site abandonment. — Zona
- Not only does page performance determine whether or not visitors hang out at given sites, it directly influences their attitudes towards returning—58% note performance as a key determinant as to whether they’ll visit again. — Forrester Research
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Why Your Web Site Alone Isn’t Enough

The Internet is a network of networks with over 12,000 networks and no central controlling body. The design of the Internet creates four different bottlenecks: first mile (i.e. your company’s Web site), network peering points, transport backbones, and last mile delivery*. These bottlenecks must be addressed in your e-retail strategy to achieve acceptable performance. Unfortunately, a centrally-hosted or mirrored Web site cannot address these issues—your company’s Web infrastructure sits at the first mile. This centralized model of Internet content serving requires that all user requests and data travel through several networks and, therefore, encounter all four types of core Internet bottlenecks, in order to reach their destinations.

Due to this model, the entire Internet slows down during peak traffic times such as 7 a.m. – 7 p.m. Most Web users have been frustrated by Internet bottlenecks, and the inconvenience they present. In a networked world, information bottlenecks are a mission-critical problem that compromise the massive investments businesses make to build their centrally-hosted or mirrored Web sites. Internet performance problems mean that retailers will not realize the expected results from their e-retail sites, since the consumers’ experience of the Web sites is limited by the performance of the Internet itself.

Poor image quality, along with slow-loading Web pages were the reasons 64% of survey respondents said they didn’t complete online purchases; 55% of consumers faced with poor image quality and problematic downloads reported they either gave up on their desired purchase or bought from the competition. —Greenfield Online survey

How Akamai Improves Web Site Performance

Fortunately, this unacceptable end result can be avoided by complementing centralized Web sites with edge delivery services, a much more scalable model of distributing information and services to end users. In edge delivery, the content of each Web site is available from multiple servers located at the edge of the Internet. Edge delivery solves the first mile bottleneck by eliminating the central point from which all data must be retrieved. By making each Web site’s content available at multiple servers, each Web site’s capacity is no longer limited by the capacity of a single network link.

Akamai has developed innovative technologies and methods to address all four Internet bottlenecks and thus allow on demand access to all networked information and processes for an optimal site visitor experience. Combined, these technologies and methods form the Akamai Platform**, the world’s largest, globally distributed computing network that ensures the highest levels of Web site availability, reliability, security, and performance. Hundreds of leading companies and government agencies worldwide rely upon this globally distributed platform to deliver their Web site content and applications. The Akamai Platform provides the foundation for Akamai’s flagship offering—EdgeSuite, which provides a suite of services to address such issues as business continuity, integrated marketing, and site delivery—all built around technology to ensure optimal Web site performance.

“In many cases, new application initiatives are canceled due to lack of infrastructure resources. re-evaluate these initiatives in light of Akamai’s ability to enhance performance without infrastructure investment.” —Yankee Group

* For more on the four Internet bottlenecks, see Akamai’s “Internet Bottlenecks” white paper.

** Refer to the Akamai EdgeSuite Service Description for details on the Akamai Platform.
Akamai Customer Results

- The performance of Yahoo!’s site, one of the most popular sites in the world, was increased by 400%, helping it retain its top ranking month after month, and thus enabling it to increase revenues from its business partners.
- Akamai saved VictoriasSecret.com about $1 million in infrastructure enhancements, enabling their development team to concentrate on functional enhancements that would allow them to grow their online business even more.
- A world-leading hospitality brand accelerated delivery of dynamic content by 20-30%, enabling more online reservations to be completed.
- Ticketmaster was immediately able to serve 70% more ads, deliver pages 100% faster, and thus transact more business, all while saving over $1,000,000 on planned infrastructure expenditures.
- Tower Records saw 400% faster page downloads immediately upon using Akamai’s distributed Web applications infrastructure. The improved quality of the customer experience translated into 6% increased revenue. At the same time, an optimized application infrastructure allows $2,000,000 of savings in data center build-out costs.
- Sony Ericsson reduced dealer locator application response time by over 400% worldwide, supporting Sony Ericsson’s goal of driving site-to-store traffic through a high quality online customer experience.
- Logitech shortened time-to-market for implementing and deploying a marketing program to promote a new product line.

Act Now—Performance Matters!

Capture Online Revenue Growth

Can you afford not to join these Akamai customers in delivering the optimal experience for your customers and distributors, all while saving on infrastructure costs and generating more revenues? Well-informed retailers realize the intrinsic value of tying the Web site into overall business objectives.

- “In Q4 2002, over 60 million online shoppers purchased $13 billion worth of goods over the internet.” —eMarketer
- “This holiday season (2003), 81% of online buyers, more than 62 million adults, expect to do some of their holiday shopping online.” —GartnerG2
- “By 2006, more than one-half of all domestic sales in product categories such as PCs, software, travel, electronics, and automotive will be directly influenced by online information.” —Jupiter Research
- “Online consumer sales will grow to $155.6 billion by 2005, more than doubling from $75.1 billion at the end of 2002.” —eMarketer
- “Between 2002 and 2006, the number of [Web] leisure travel bookers will increase more than 37%.” —Forrester Research
- “Among the 200 largest North American retailers, online sales have grown from 5% of total sales in 2000 to 12% by year-end 2002.” —Deloitte & Touche Tohmatsu
- “Total annual [ecommerce] sales were $73.2 billion in 2002, up 38 percent versus 2001.” —comScore

Other Akamai retail customers include:
1-800-FLOWERS
Barnes & Noble
Best Buy
Columbia House
J.C. Penney
J. Crew
Kohl’s
Lands’ End
L.L. Bean
Nordstrom
REI
Saks Fifth Avenue
Sephora
Sharper Image
Staples
Talbots
Target

“Extending our infrastructure across Akamai’s platform saved us significant costs that would have been necessary in purchasing new equipment, re-negotiating our ISP contract—essentially upgrading our entire infrastructure—all to handle the traffic, representing over 72 million page views presented during the event.”
—Logitech
About Akamai

Akamai® is The Business Internet. We provide solutions for predictable, scalable, and secure e-business, without the cost of building out infrastructure. Customers rely on Akamai’s on demand platform, the world’s largest, to extend their Web operations anywhere, anytime—increasing productivity, expanding global reach, and ultimately growing revenue. Akamai’s unique management capabilities empower organizations with enterprise-class control of their e-business to manage applications and information easier, more cost effectively, and with greater insight. Headquartered in Cambridge, Massachusetts, Akamai’s industry-leading services, matched with world-class customer care, are used by hundreds of today’s most successful enterprises and government agencies worldwide. For more information, visit www.akamai.com.

Contact Akamai today for a free evaluation of how Akamai’s solutions can help your company grow online revenues and reduce e-business costs.