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Retailers Take a Tip from MySpace

E-commerce sites are letting customers post comments, reviews, and even photos—and finding out a lot about their products in the process

by [Pallavi Gogoi](#)

It has been six months since Macy's opened its Web site to customer comments and reviews, and Peter Sachse, the chairman and chief executive of macys.com, regularly finds himself surprised by what the company is learning from its clientele. The site now gets upward of 350 reviews a day, some full of praise, others with serious concerns.

"ChicChix" tells other shoe buyers that the Jessica Simpson Ladonna pumps run a half-size small, while "jcamp" says Calvin Klein sheets and duvet covers don't need fabric softeners. "Our site has become like a social network. It's the ultimate word of mouth," says Sachse, whose macys.com is a division of Federated Department Stores (FD).

Retailers are taking a page from MySpace. They know that customers, especially the younger and more Net-savvy, want to be heard, and they also want to hear what others like them think. So increasingly, retailers are opening up their Web sites to customers, letting them post product reviews, ratings, and in some cases photos and videos. The result is that customer reviews are emerging as a prime place to visit for online shoppers.

Marketing companies have longed for years to have a window on how consumers use their products, in order to develop product innovations and improve marketing. Procter & Gamble (PG), for example, follows mothers for weeks at a time to see how they use Tide detergent and Olay skin-care creams. P&G has even had women strap video cameras to their heads to see what they do moment by moment.

More Likely to Buy

Now, as more and more retailers have opened up their sites over the past year, they have been able to listen in on conversations that couldn't even take place before. Customer feedback is opening the eyes of the industry, changing the way they market, manufacture, and merchandise. In one recent example from Macy's, consumers complained that a metal toothbrush holder was rusting countertops. Sachse and his staff took notice—and promptly pulled the item from the site.

Customer reviews have long been part of cutting-edge sites like Amazon.com (AMZN) and Netflix (NFLX), but the practice is spreading dramatically these days to a broader array of retailers. By the end of 2006, 43% of e-commerce sites offered customer reviews and ratings, almost double the 23% figure at the end of 2005, according to New York research firm MarketingSherpa.

In a survey of more than 1,300 people, MarketingSherpa also found that as much as 50% of customers aged 18 to 34 have posted a comment or a review on products they have bought or used. "That's substantially more than the 34% who said they have downloaded music files," says Stefan Tornquist, the firm's research director.

A huge part of the reason for this success is the confluence of social computing and the success of sites such as FaceBook, MySpace, and YouTube. People obviously love to chat and share details and snapshots of their lives. And customer reviews let folks do just that. What's more, the reviews empower customers to influence how another person sitting in another corner of the world shops.

Ruled by Ratings

"In the past, people could just share information with their neighbors, but now people can influence the global village by sharing their experiences on the Internet," says Brett Hurt, founder and CEO Austin (Tex.)-based Bazaar Voice, which manages customer reviews for several retailers.

The results have taken many retailers by surprise. Take Petco, which operates 800 pet-supply stores nationally. The site launched customer reviews in October, 2005, and within weeks noticed that folks who clicked on the highest customer-rated products were 49% more likely to buy something. And they spend 63% more than shoppers who clicked on options like "top-sellers" or "lowest-priced."

Petco also noticed that customers are drawn to top customer-rated pet toys and items, even if they weren't necessarily planning to buy them. "Clearly people trust someone else's opinion that is independent of the manufacturer or the retailer," says John Lazarchic, vice-president of e-commerce at Petco, which soon made the customer-rated feature the default search button at the site.

Petco's experience isn't unique. According to a study conducted by eVoc Insights, a customer experience consulting firm, 47% of consumers need to consult reviews before making an online purchase. And 63% of shoppers are more likely to purchase from a site if it has ratings and reviews.

The Good, the Bad, and the Ugly

One reason that most retailers dragged their feet in letting customers post comments and reviews was fear of negative feedback. But Sucharita Mulpuru, a senior retail analyst at Forrester Research ([FORR](#)), found that 80% of all customer reviews on e-commerce sites are positive.

What's more, Petco's Lazarchic says negative reviews not only help the retailer quickly address a defect or a poorly manufactured item, they also help decrease the number of returns. "Customers have lofty ideas of what certain expensive products will do for their pets, and if it doesn't meet their need, they return it," says Lazarchic. "But reviews give a realistic view of a product and its attributes, and people are less likely to return if it doesn't meet imaginary expectations."

Another concern that slowed retailers from getting into the game: They were worried about hiring the staff to manage the surfeit of reviews and the content. "You do want to see the good, bad, and the ugly out there, but most consumers don't want to see profanity or rants," says Patti Freeman

Evans, senior retail analyst at Jupiter Research in New York. In the past 18 months, companies like BazaarVoice and PowerReviews have emerged as leaders among companies that build review functionality for these sites and manage the process for retailers. "These new outfits offer what is essentially plug-and-play," says Evans.

Sometimes, the reviews contain small surprises. For years, outdoor fishing and hunting gear retailer Bass Pro Shops has sold a holder that stores a fish hook when you're not fishing. At \$3.99 for a pack of four, the XPS hook holder wasn't an item the company heard much about. Then Bass Pro Shops opened its Web site to customer feedback and got dozens of complaints about the product with specific details, including one spot where the hook holder tends to crack and how it barely lasted a week for some buyers.

Putting a Face to the Name

It quickly became the worst-rated product on the site. "It was such an inexpensive item that when it broke, people just didn't bother bringing it back or even telling us about the problem, so we never knew about it," says David Seifert, director of operations at Bass Pro Shops in Springfield, Mo. The manufacturer of the hook holder is now fixing the faulty product and will replace it with a new one this summer.

Some online retailers are pushing into MySpace ([NWS](#)) territory. Evogear, which sells snowboards and sports equipment, started letting customers post photos of themselves along with their reviews of the product they were showing off. Now, 25% of the reviews include images. "Once the photos get published on our Web site, customers pass links to their friends, and it takes on its own viral-marketing aspect," says Nathan Decker, director of e-commerce at Seattle-based Evogear. Others, such as Golf Smith, one of the largest golf retailers on the Internet, are in the process of introducing video uploads on their sites, so customers can share their experience with products they buy, à la YouTube.

Back to Print

These online reviews are having quite an effect offline, too. Canadian supermarket chain Loblaw, which started gathering online reviews a year ago, is using the Internet customer ratings and reviews for in-store signs. For instance, the store's in-house President's Choice Vegetable Lasagna was one of the highest-rated frozen foods on its Web site. Now, its stores promote the fact that 160 out of 177 customers gave it 4.5 out of 5 stars, and that 90% of the customers would recommend the product to a friend. The sign also quotes a customer's review: "Even my vegetable-hating 17-year-old son enjoyed it."

Petco's Lazarchic says that his company's physical stores will also soon show the online customer ratings. "Why should a customer in the actual store be left out of ratings?" he asks. After seeing a 500% increase in click-throughs from e-mail that promoted the ratings, Petco now plans to add them to the Sunday circulars that go out with newspapers. Now that's consumer-generated content at its most influential.

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