



## UGC, CGC: The Hot New Buzzwords Both Online and Off by Jessica Ellington



## MARKET WATCH

### LAYS OFF AROUND 500 EMPLOYEES

**ARK.** — Dillard's announced a staff reduction of approximately 500 employees as part of its ongoing effort to reduce operating expenses, on Nov. 24. The work force reduction affects approximately 60 associates in Clark, Ark.

Dillard's employs approximately 60,000 associates nationwide and approximately 6,000 associates in the Little Rock area.

The company's third-quarter sales for the period ended Nov. 1, were \$1.48 billion, a decrease from \$1.63 billion in 2007. In-store sales decreased 9%.

### GAINERS For 2 weeks ended 11/26/08

Apples	21.10%
Paris	9.62
Stores	8.75
Market	8.63
	8.48

### LOSERS For 2 weeks ended 11/26/08

Beer	(58.99%)
Entertainment	(58.42)
	(53.95)
	(49.01)
	(48.27)

### MAJOR INDICES

	Close 11/26/08	Net Change	% Change
New York Stock Exchange (NYSE)	5,375.38	(258.90)	(4.60)%
Jones Industrial Average (DJIA)	8,479.47	(205.05)	(2.36)
Nasdaq Composite (NASDAQ)	1,464.73	(90.44)	(5.82)
S&P 500 (SP500)	857.39	(36.00)	(4.03)

Source: RT research

### INSIDER TRADES

#### STOCKS BOUGHT

**BEAR:** Grace Nichols, director, bought 100 shares on Nov. 24 at \$1.13, now owns 100.

**BUYING GOODS:** William Colombo, officer, bought 50,000 shares on Nov. 25 at \$11, now owns 293,558 shares.

**BUYING SHARES:** James Breyer, director, bought 100 shares on Nov. 18 at \$52.66 to \$53.11, 4,904 shares.

#### STOCKS SOLD

**SELLING:** Akre Capital Management, bought 19,000 shares on Nov. 24 at \$9.57, 218,401 shares.

Ward Larsen, officer, sold 4,179 shares on Nov. 18 at \$2.79 to \$2.82, now 3 shares.

James Olson, director, sold 2,000 shares on Nov. 13 at \$14.62, now owns 0 shares.

FOR REAL-TIME MARKET DATA: [retailingtoday.com/stocks/index.cfm](http://retailingtoday.com/stocks/index.cfm)

# UGC, CGC: the hot new buzz words both online and off

## 'Reviewing' purchase decisions

BY JESSICA ELLINGTON FOR RETAILING TODAY

**NATIONWIDE RT REPORT** — The booming influx of discussion forums, blogs, social networking sites and review portals on the Internet is creating an increase in consumer reliance on User Generated Content in making product and service purchase decisions.

Consumers always have sought out opinions and insights on products and services, but their resources were limited. Now, the Internet provides a seemingly endless supply of information. Consumers can go online to tap into the collective experiences of hundreds, even thousands, of people who are just like them through UGC.

According to a recent study conducted by Leo J. Shapiro & Associates, nearly half (48%) of all Americans have searched online for information or advice before purchasing a product or service in the past year, and rate UGC three times more influential than TV advertising.

"Consumers feel a high level of trust when consulting UGC because each review reflects a real person relating a real experience with the product," says Owen Shapiro, vp of LJS. "They're looking to other consumers to help weigh their options."

But UGC is more than just a tool; consumers are developing a research system that guides them through the entire buying process. Initially used to narrow choices in a given category, consumers may visit a retail Web site that posts reviews to see which brands or models are reviewed positively and also meet their criteria for price, quality, size, etc. Then, UGC is used to research each product individually: Is it a good value for the money? Will it last? Are there any surprises? Consumers are looking for reasons to keep or desert each product on their lists.

For big-ticket items, consumers also may visit a retail location to experience the product. A great deal can be learned from the Internet, but people want to see, hear, touch and, in some cases, even smell a product, themselves.

Regardless of the perceived confidence in a product choice, there always is some level of insecurity in that decision. For many consumers, UGC provides that final litmus test to feeling that they made the right choice or avoided the wrong one. At the end of the buying process, consumers are seeking out the extreme comments, both positive and negative. Negative comments carry a lot of weight, and as little as a single negative comment can cause the consumer to sway and move on to another product.

The study also discovered that the most attractive group of consumers are seeking UGC the most often: educated, affluent consumers within the high-consumption age group (35-54). Having access to this group can help reveal fresh insights behind why they choose to buy or not buy.

Technology is evolving and it is allowing companies to mine and analyze this natural, unsolicited data. But in some cases, the data is delivering an unexpected outcome that helps identify emerging issues, and these issues may be the very reason consumers are not becoming customers. Take, for instance, a company whose product was packaged in a box that became damaged during the shipping process and caused customers to have concerns regarding the condition of the product inside.

Even though the product was completely unharmed, those customers posted reviews detailing their concerns. The company was quickly alerted to the situation through UGC data and in return was able to address the concern immediately by replacing the shipping material, saving the company considerable revenue.

Companies must understand the gap between what they believe their brand is providing and what consumers say the brand is providing. UGC is bridging that gap, but it also is altering the buying process and causing the pendulum to swing. A brand is no longer owned by a company—it is owned by customer perceptions. ■

## CGC brings five-star benefits

SPECIAL REPORT

**NEW YORK** — In the ever-evolving world of online retailing, where the complexities of selling product via digital media is drawing a healthy share of innovative thinking and best practices, the market for consumer-generated content has never been hotter. Usually in the form of product reviews or customer-created Q&A, CGC is quickly evolving into a must-have tool for online retailers—and for good reason:

No tool in a merchant's arsenal is more effective in contributing to the conversion of sales than CGC.

Bazaarvoice, an Austin, Texas-based firm specializing in CGC, has found that online products supported with a high number of customer reviews experience higher increases in sales conversion and other key performance metrics than those without. Given this effectiveness, one might think all products sold online would be supported by CGC. The problem is that most retailers don't generate their own content. Rather, their vendor partners supply it for them—an expense they are usually more than willing to

incur, knowing they will likely reap the benefits at checkout.

"A well thought-out, user-generated channel marketing strategy can increase virtual 'shelf space,' consumer trust and conversion rates, and, most of all, it can help a manufacturer's product stand out from its competition," said Bazaarvoice CEO Sam Decker.

Decker cited Kingston, an independent memory manufacturer that syndicated customer reviews gathered on its site to OfficeDepot.com. The company saw an increase in average review volume from one review per product to 10, as well as a 92% increase in overall conversion for all Kingston products sold on the site.

Customer reviews also can influence intent to buy, a metric Decker says is especially important for retailers and manufacturers that don't sell directly on their sites. Recent analysis by Bazaarvoice of Cars.com and a consumer products brand revealed that items with reviews drove behaviors that implied intent to buy, such as searching for a specific purchase location or looking for financing options.

Similarly, community Q&A enables consumers to ask and answer questions about products or categories within the purchase path of a Web site. Auto parts retailer JCWhitney added the function to its site, where question topics range from technical specifications to opinions about one brand or product versus another. Such Q&A helps set realistic expectations for consumers and has lowered product return rates for JCWhitney. The company found that for products with more than 20 questions and answers, 80% showed a reduction in product return rates, with an average 23% decrease in product return rates.

Retailers with this functionality do well to get manufacturers involved to help answer product-specific questions. Manufacturers can provide trustworthy, complete information about specifications, giving consumers the best source of information on such issues. Multiple requests or questions can indicate a need for a product modification or add-on, which can drive new revenue opportunities.

One key to JCWhitney's success is that it actively engages with its vendors, having recently invited 200 top suppliers to its headquarters to introduce them to UGC opportunities. Suppliers were shown how to answer JCWhitney customer-generated questions and were introduced to the opportunity to host user-generated Q&A on their own Web sites for syndication into JCWhitney.com.

The real proof of the effectiveness of UGC is that it has been shown to work in brick-and-mortar retail space, too. Retailers are starting to use five-star ratings on merchandise tags and in-store signage. Authentic customer reviews, it turns out, make trustworthy, compelling promotional copy, regardless of the selling medium.

To contact Bazaarvoice CEO Sam Decker to find out more about CGC, send an email to [info@bazaarvoice.com](mailto:info@bazaarvoice.com). ■

