February 10, 2011

Discovery Phase
Summary of Findings

CLIENT.com

BLITZ

1. Our goals for Discovery
2. What we did
3. What we learned
4. What it means
5. What's next

Our Goals for Discovery

» Validate business and communication objectives with key stakeholders

» Form a deep understanding of the context of the market and the category

» Understand how CLIENT relates to its competitors in the market

» Find the best of the best features, content, experiences in the CE space and across all industries

» Develop the initial features matrix—and the prioritization criteria for determining where to focus our efforts in 2012

What did we do?

Competitive Analysis

Where are the best-of-breed experiences online?

+400 Potential features ID'd

+20 Sites Reviewed

Market Research

What trends are emerging around how people research, purchase, and own CE

+100 Reports Analyzed

Mintel
Forrester
Proquest
Comscore
The NPD Group
Internet Retailer

Consumer Survey

Do actual users validate the market research and comp. analysis findings?

48 Web/Tech Savvy Shoppers

Survey style format
Approximately 20 minutes
Friends and family
Non-scientific (used as a check against other inputs)

Stakeholder Interviews

Where are key stakeholders aligned with respect to business objectives?

+17 Interviews (one hour)

RESEARCH FINDINGS

Detailed reports of ALL our findings across all our inputs

- Competitive Analysis
- Market Research
- Consumer Survey
- Stakeholder Interviews

Organized along our **5 EXPERIENCE PILLARS**

Experience Pillars

Provide an organizing principle to help us understand our research; serve as a "North Star" for future design effort.

1. **BRAND**
Accurately reflect brand positioning and values across all media

2. **RESEARCH**
Help consumer learn about, understand, and compare products

3. **PRODUCT SELECTION**
Help consumers find the mix of products for their unique needs

4. **PURCHASE/SHOP**
Provide the right mix of tools to facilitate transactions (direct and retail)

5. **OWNERSHIP**
Elevate post-purchase experience (shipping, warranty, accessories, service, etc.)

1.

BRAND

BRAND
STAKEHOLDER INTERVIEWS

CLIENT is not cheap, everyone else is too expensive.

–William Wang

WHAT WE HEARD

Change perception of CLIENT—from the Costco/Walmart “cheap” TV, to “the best value in Consumer Electronics”

Establish CLIENT as a CE brand with a focus on entertainment, and with the connected “ecosystem” of products to prove that promise

Create a more consistent and managed message at retail

Develop CLIENT.com as a central location for branded content, communication and education in order to give content longer life and create a reason for the CLIENT community to return to CLIENT.com

BRAND
RESEARCH FINDINGS

Perceived quality is among the biggest drivers of perceived brand image in CE

IT'S NOT (JUST) ABOUT PRICE

Study concluded that consumer electronic retailers should not rely on competitiveness of price and instead need to strive to become recognized by consumers for delivering value in other ways.

QUALITY CONTENT BREEDS TRUST

Higher product quality information is positively related to trust and trust in turn is positively related to purchase intentions.

BRAND PERCEPTION DEPENDS ON PERCEIVED QUALITY

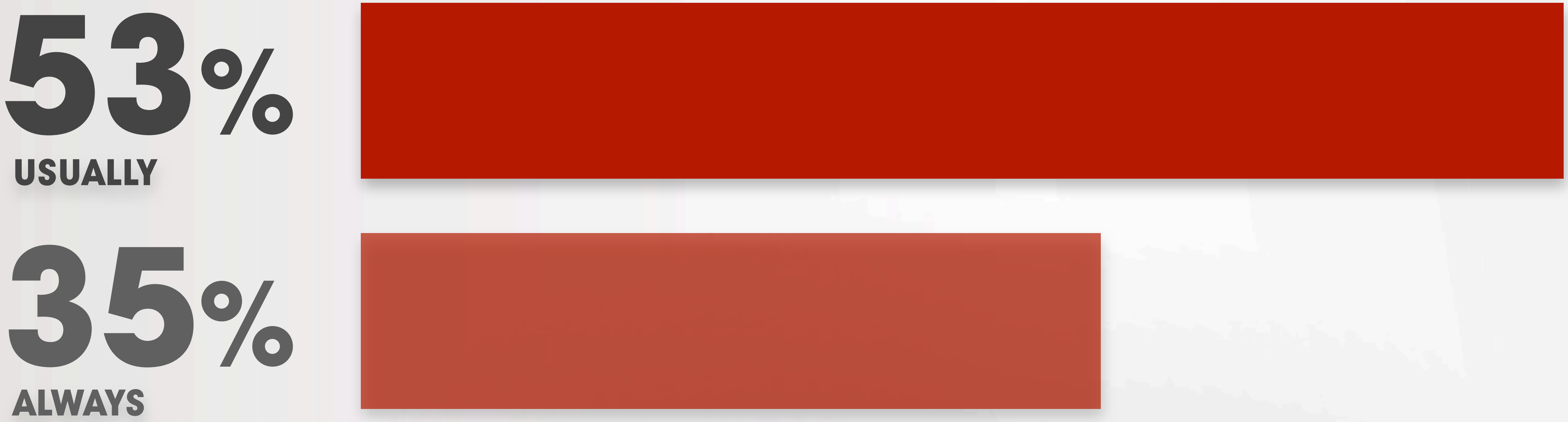
Perceived product quality is among the biggest drivers of perceived brand image in the CE space.

USE PROMOTIONS WISELY

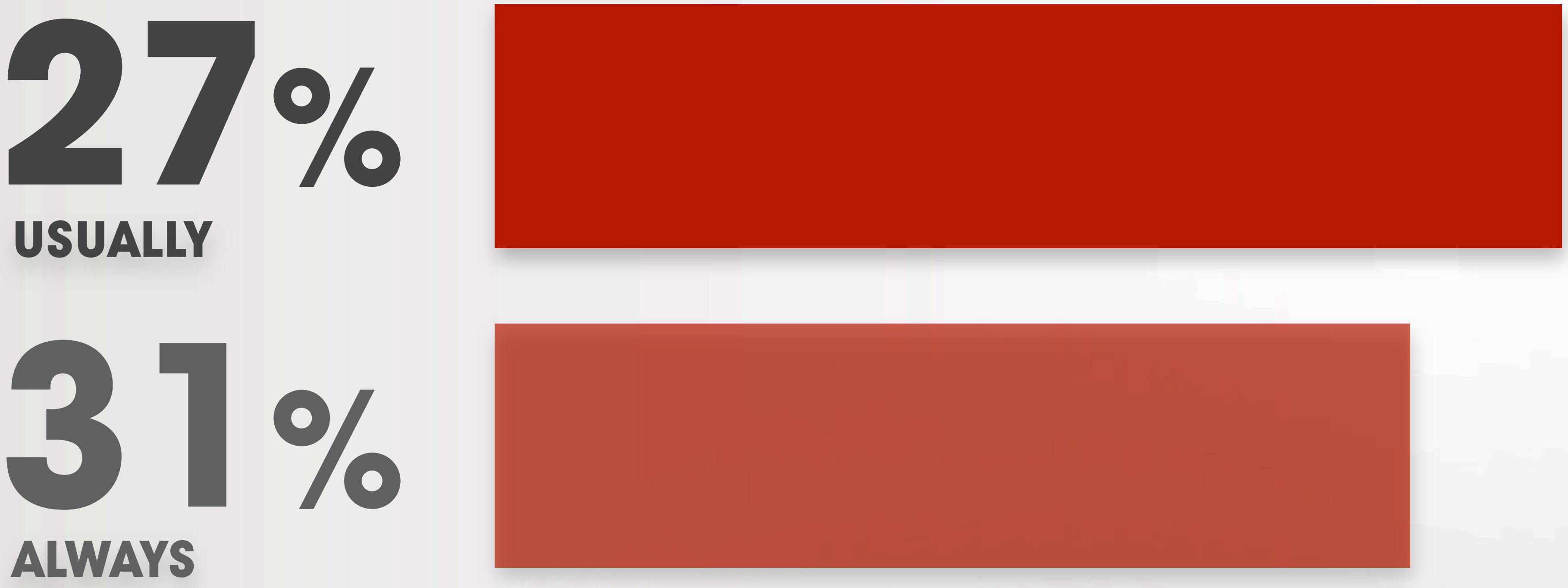
The repeated use of monetary promotions lower a consumers internal reference price for an item. Non-monetary promotions have more favorable effects on brand attitude.

BRAND
SURVEY RESULTS

I am familiar with the quality of the brand that manufactures the product I am interested in purchasing.



A manufacturer's website that reflects their brand values influences my decision.



BRAND
BOTTOM LINE

As CLIENT continues to expand into products beyond TVs, and retailers outside of Walmart and club stores, the ability to differentiate on benefits other than price will become critical, particularly in the PC market.

CLIENT.com isn't primarily a platform for brand awareness, but rather an opportunity to influence brand perception.

2.

RESEARCH

RESEARCH
STAKEHOLDER INTERVIEWS

We need to find a way to consistently demonstrate to consumers that at $2k the CLIENT product *is* superior to Sony/Samsung at $3k in the high-end market. Online experience needs to LOOK like a $3k product.

–John Schindler

WHAT WE HEARD

Get credit from consumers for the thoughtful engineering that goes into all of our products; help people understand how new features are relevant to them

Simplify communication of product offerings so that customers know EXACTLY what they are looking for, what they will get and what else they might need to complete the experience

Clearly articulate how CLIENT products are superior to competitors, regardless of price

RESEARCH
RESEARCH FINDINGS

A familiar pattern emerges:

PROBLEM RECOGNITION

↓

INFORMATION SEARCH

↓

EVALUATION/ COMPARISON

↓

PURCHASE DECISION

↓

POST-PURCHASE EVALUATION

19%

Of consumer electronics and computer shoppers start their shopping process at a retail web site.

18%

Of consumer electronics and computer shoppers start by using a search engine.

13%

Of consumer electronics and computer shoppers start at a manufacturer's web site.

MAXIMIZING VALUE…

Consumers determine perceived value as they search for product information and consider alternatives; richer and deeper product information facilitates consumer feelings about value

…AND THE VALUE OF DELIGHT

Users are much more likely to purchase when they can learn about a product or technology through a pleasurable, playful, and entertaining experience

A PICTURE IS WORTH 1,000 WORDS

If online shoppers find the digital product images to be effective in reducing product risk and/or increasing shopping enjoyment they will be more likely to adopt the innovation.

LEARNING BY DOING

Interactive technology demos are proven to result in stronger purchase intentions than passive presentations of product content

RESEARCH REDUCES PURCHASE ANXIETY

Insufficient information on a products' attributes and a shoppers' inability to evaluate the quality of the product online creates anxiety about a purchase—*how do I know I'm buying the right one??*

PRODUCT REVIEWS ARE TABLE STAKES CONTENT

65% of survey respondents indicated that online reviews are "Very Important" in the evaluation of a consumer electronic product, with 0% selecting not important

RESEARCH
SURVEY RESULTS

3rd parties heavily influence purchase behavior:

65%

PRODUCT REVIEWS

Respondents citing product reviews as "very important"

43%

FRIENDS/FAMILY REVIEWS

Respondents citing friends/ family reviews as "very important"

35%

CONSUMER REPORTS & BLOGS

Respondents citing CR and Blogs as "very important"

RESEARCH
BOTTOM LINE

Electronics are a big-ticket purchase and consumers need to complete thorough research to feel confident about their decision. CLIENT has an opportunity to best its competitors by offering a superior breadth and depth of product content, revealing more and more detail progressively, as the consumer asks for it.

3.

PRODUCT SELECTION

PRODUCT SELECTION
STAKEHOLDER INTERVIEWS

Product selection should feel like CLIENT knew what you needed and became a partner and ally in getting you to that product.

–Laynie Newsome

WHAT WE HEARD

Create a fun and easy way for customers to find the right product for their unique needs

Communicate that CLIENT is a lifestyle technology curator that offers a compelling array of products for a connected entertainment ecosystem

Develop a smarter way to make relevant product recommendations

Create mobile experience to close the sale for CLIENT at point of purchase by facilitating customer service calls

PRODUCT SELECTION
RESEARCH FINDINGS

KICKING THE TIRES

Product virtualization techniques online allows shoppers to “try” basic functions of the products as if it were right in front of them, reducing anxiety about a purchase decision.

ENTERTAINMENT = USEFULNESS

Perceived entertainment had a stronger positive relationship than the perceived usefulness, where perceived usefulness positively correlated to increased purchase intent.

CONSIDER THE SECOND SCREEN

A recent Mintel study found that a third of respondents were interested in upgrading the TV in their house—their secondary TV. About half of respondents keep a TV in the bedroom while nearly 20% keep a TV in the kitchen.

BIG TV’s USUALLY BELONG TO BIG FAMILIES

Households with children are much more likely to own a TV over 50 inches, and more likely to have spent more than $1,000 on a new TV set.

PRODUCT SELECTION
SURVEY RESULTS

Q.

What is the most important thing you look for in a good shopping experience?

A.

Easy to find the product I want (84%)

Helpful/knowledgeable staff (43%)

Q.

How do you compare products of the same brand?

A.

Tech specs and features (86%)
Ratings and reviews (73%)

PRODUCT SELECTION
BOTTOM LINE

The CLIENT product line is broad and diverse, but minor differences between similar SKU's, driven by retailer needs, make it harder for consumers to find exactly the right product for them. Consumers expect intuitive ways to find product details in a model of progressive discovery.

4.

PURCHASE/SHOP

PURCHASE/SHOP
STAKEHOLDER INTERVIEWS

98% of CLIENT revenue is from brick & mortar, while eCommerce is a big company initiative we need to be very careful to not jeopardize retail relationships.

–Colin Gregor

WHAT WE HEARD

Utilize site to drive sales in all channels, while still maintaining retailer agnostic appearance

Direct sales through CLIENT.com may be the future, but current direct eCommerce focus is for pre-order items that do not have wide retail adoption yet (PC, Cinema Wide) and B-stock product without cannibalizing from potential A-stock buyers

Create a more secure and easy online shopping experience for CLIENT.com direct eCommerce

PURCHASE/SHOP
RESEARCH FINDINGS

CE PURCHASE ANXIETY

CE eCommerce is experiencing slower growth (7% vs 17% growth for apparel for 2008); this is attributed to high cost, risk and the desire of the consumer to physically inspect the item

THE STORE IS PART OF THE PURCHASE

In considering service and support, some consumers may be as concerned with the quality of the retailer as with the product itself

SERVICE SELLS

Touch points with real human beings affect purchase intention; Forrester estimates that the click-to-call and click-to-chat features boost average order values by about 23%

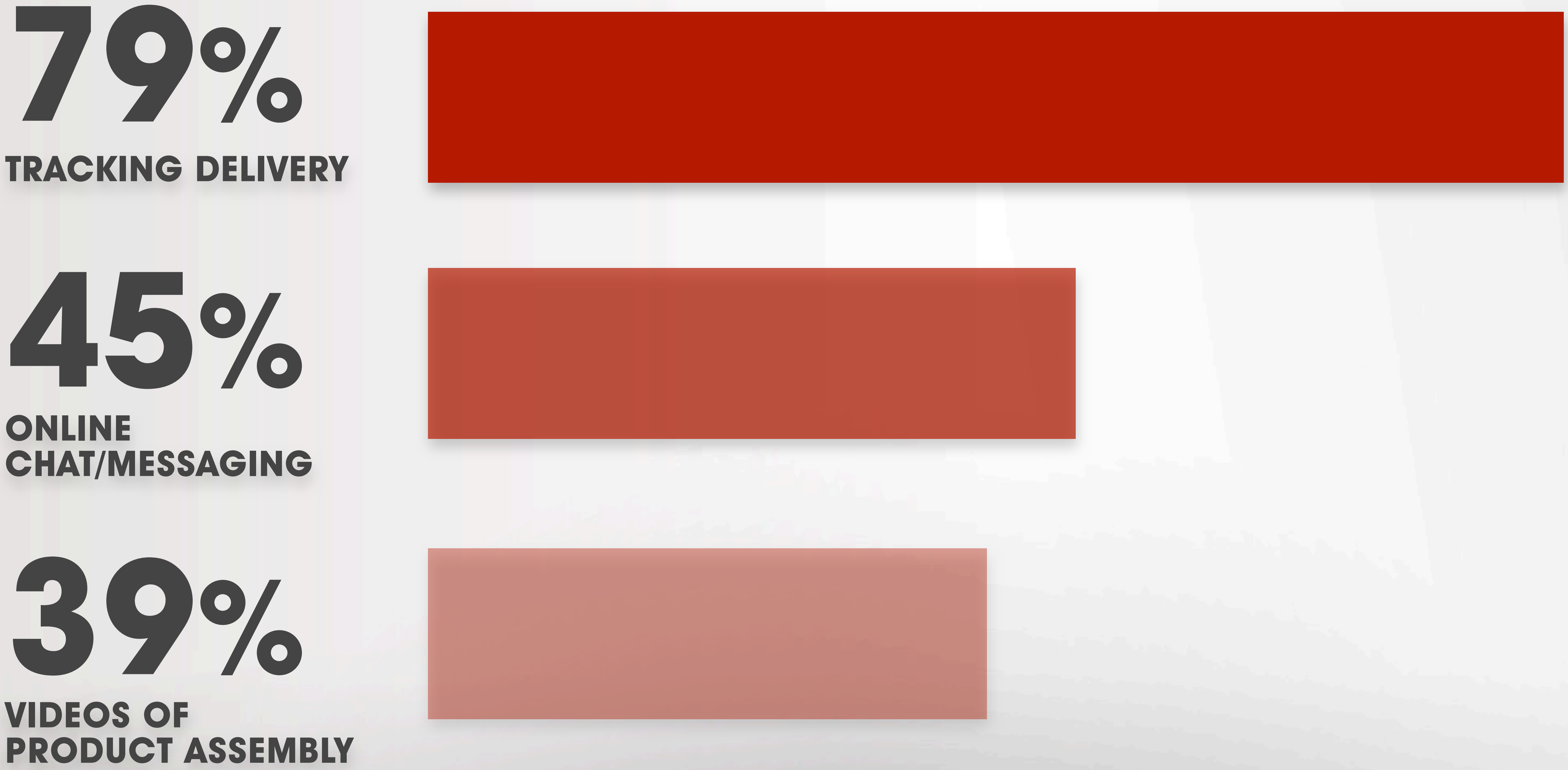
PAYPAL CONVERSION IS HIGH

In the comScore analysis conducted from Dec. 2010 through Feb. 2011, customers choosing PayPal Express Checkout completed 59.1% of their purchases compared with 27.5% for those customers choosing non-PayPal methods.

Shoppers' views on buying consumer electronics online

Product	Research %	Buy %
Computer	66	34
Digital Camera	57	30
Television	56	19
Tablet	56	29
Mobile Phone	52	23
Software	51	34
Printer	50	24
Home Audio	48	20

Top Three Customer Service Features



PURCHASE/SHOP
SURVEY RESULTS

Incentives that drive my decision to use a specific retailer

Incentives	Decision %
Rewards Program	18
Free Shipping	85
Coupons	61
Interest-free Credit	8
Package Deals (bundles)	33

PURCHASE/SHOP
BOTTOM LINE

Just because most consumers won't purchase at CLIENT.com doesn't mean the shopping experience any less important. But it does shift the focus: from the transaction itself to supporting features and tools that facilitate a transaction: Drive to store. Click to chat. Click to call. Shop in store. Local inventory.

5.

OWNERSHIP

OWNERSHIP
STAKEHOLDER INTERVIEWS

CLIENT spends a ton of money in acquiring a new customer, need a better way of retaining those customers after acquisition, not to lose them.

–William Wang

WHAT WE HEARD

CLIENT spends a lot of money to acquire new customers, need to utilize the web better to KEEP them in the CLIENT brand

Utilize web to reduce call center volume for easy product fixes

Create ownership community and contacts to establish more meaningful leads for selling additional product

OWNERSHIP
RESEARCH FINDINGS

OWNERS BECOME ADVOCATES

Many consumer electronics brands have been successful in building product advocates and reducing load on paid customer service by creating online communities.

SERVICE > PRICE

2009 to 2010 saw an 18% drop in the number of survey responders who chose a new product vendor based on price – with 54% of those 2010 responders noting that they were unwilling to compromise level of customer service, product options or quality in exchange for lower price.

SUPPORT TOOLS

66% said online customer support tools such as live chat and self-service options like FAQ improved the level of customer service.

Features that drive consumers to use online help:

- Live 24x7 chat with a product expert or customer support representative (52%)
- <u>Personalized, secure login that remembers my preferences and product model numbers</u> (43%)
- Searchable database with summaries of videos, online manuals, etc. (35%)
- Instructional step-by-step video demonstrating how a product is used, assembled or installed (31%)
- Forum to chat/IM/discuss topics live with other users (13%)
- Mobile support information so I can get support while I am away from my desktop computer (11%)

OWNERSHIP
SURVEY RESULTS

Q.

What resources do you use when setting up a new product?

A.

Product manual (86%)
Product website customer support (65%)

Q.

What resources do you use if you experience a problem with your CE product?

A.

Product website customer support (78%)

Product forums (65%)

If you register products, why?

93%

PRODUCT WARRANTY

63%

SOFTWARE UPDATES/PRODUCT NOTICES

If you don't register products, why not?

78%

TOO HARD OR TIME-CONSUMING

61%

DON'T UNDERSTAND THE BENEFITS

Q.

What type of information do you find useful from companies from which you purchase products?

A.

Coupons, discounts, special offers (61%)

Info on products I own (41%)

OWNERSHIP
BOTTOM LINE

Post purchase support is one of the biggest drivers of repeat purchases, even more than price. But support isn't just customer service. It is about providing a suite of useful resources for product owners, from active community forums to product information to relevant promotions.

THANKS!