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From Reviews to Revenue

*Volume 3: How ratings and reviews impact ecommerce
conversion for Hammacher Schlemmer*

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Introduction

Whether shopping for a new pair of shoes or a hotel for an upcoming vacation, ratings and reviews have become an expected part of the customer journey. PowerReviews research¹ found that 95% of consumers use reviews, and 86% consider them to be an essential part of the purchase journey.

Businesses that choose not to feature ratings and reviews risk losing consumers to a site that does. This is especially true for brands and retailers that must stand out in an increasingly competitive environment, where shoppers have nearly limitless shopping options.

It's clear that reviews hold tremendous value for the consumers reading them. But what value do reviews bring to the brands and retailers that host them on their ecommerce websites?

In order to better understand how reviews impact ecommerce conversion, PowerReviews once again partnered with Northwestern University's Spiegel Digital and Database Research Center to conduct the third part of our continuing research on the value of reviews. For this analysis, Northwestern took a different approach — focusing on the data of one PowerReviews customer: Hammacher Schlemmer.

¹PowerReviews (2014): The Proven Power of Reviews.



Introduction

Hammacher Schlemmer is America's longest running catalog, offering the best, the only, and the unexpected since 1848. The company provides unique products that solve problems or represent the only one of their kind, and backs its products by a rather famous Lifetime Guarantee of Complete Satisfaction. Hammacher Schlemmer's innovative offerings are available through its catalog, online at www.hammacher.com, and at its landmark store on East 57th Street in New York City.

The following report explores the impact of ratings and reviews on online conversion for Hammacher Schlemmer and provides practical recommendations for brands and retailers looking to drive the greatest impact from collecting, displaying, and distributing ratings and reviews.



Overall Conversion Impact



Overall Conversion Impact

The researchers at Northwestern started by taking a broad look at how the online conversion rate of Hammacher Schlemmer's products is impacted as those products start generating and displaying reviews. The team found that on average, the conversion rate of a product on Hammacher Schlemmer's website can increase by as much as 270% as that product begins displaying reviews.

Initial Reviews Have the Biggest Conversion Impact

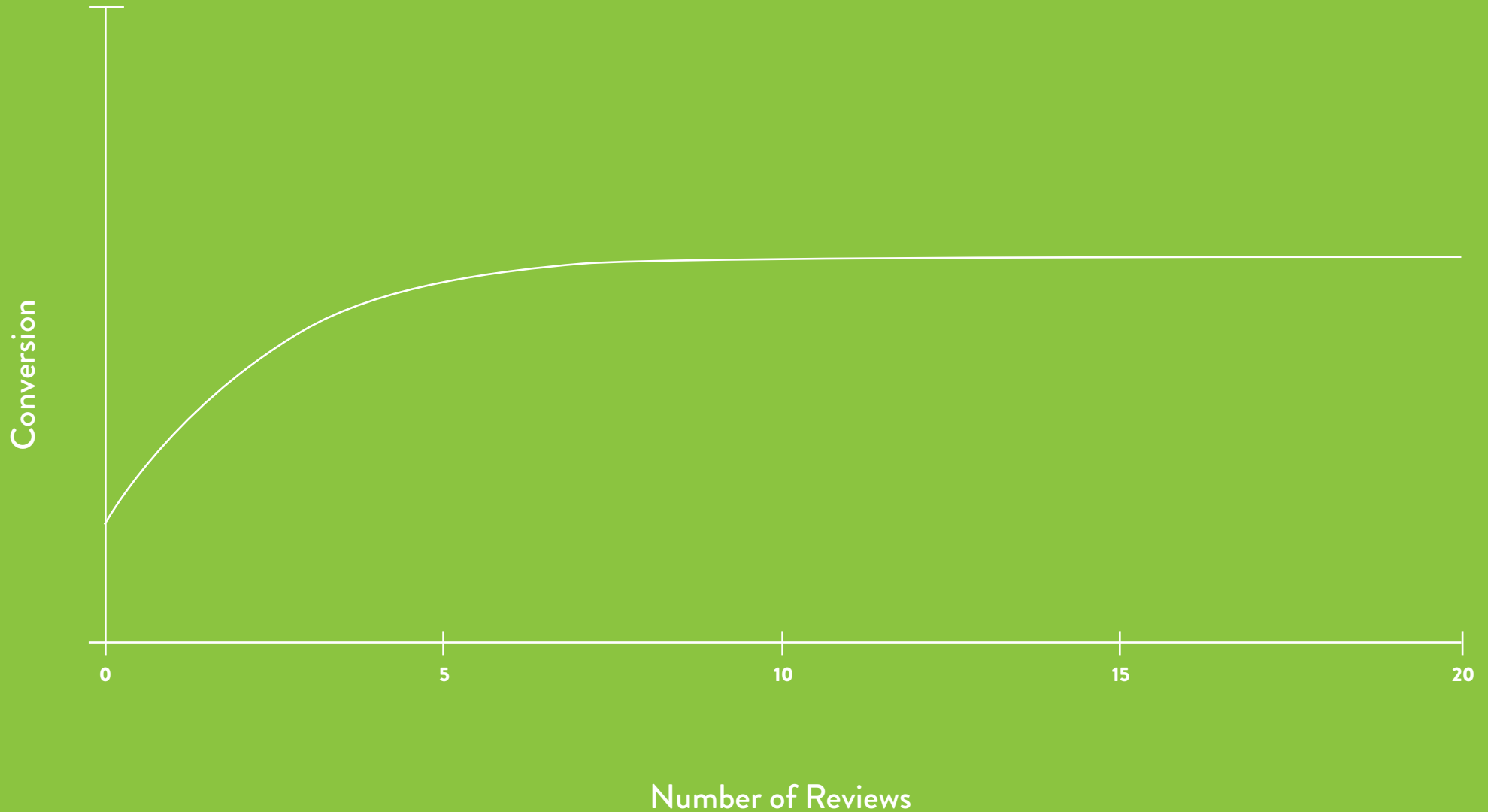
It's easy to assume that the greater the number of reviews for a product, the greater the conversion impact. And this is true for Hammacher Schlemmer—up to a point.

After close examination, the team found that the first five reviews generated for a product on Hammacher Schlemmer's website have the biggest conversion impact for that product. Once a product exceeds five reviews, the marginal value for each additional review decreases. Though additional reviews beyond the initial five certainly have an impact on conversion, the impact isn't as great as the first five reviews. For example, a product that goes from having no reviews to having one review will experience a greater conversion impact than a product that goes from having 15 to 16 reviews.

This finding implies that once a brand or retailer has generated a baseline number of reviews for a given product, it makes sense to focus efforts on collecting reviews for products with few or no reviews.

Impact of Reviews on Conversion

The first five reviews have the greatest impact on online conversion for Hammacher Schlemmer



A woman with long dark hair, wearing a grey sweater, is kneeling in a strawberry field. She is smiling and holding a small red strawberry up to her face. A young child with dark hair, wearing a light-colored sweater and blue jeans, is standing next to her, looking at the strawberry. The field is filled with rows of green strawberry plants. In the background, there is a stone wall and the curved structure of a greenhouse with a translucent covering.

Impact on High and Low Priced Items



Impact on High and Low Priced Items

In an effort to better understand the conversion impact of reviews under various circumstances, the Northwestern team categorized products on Hammacher Schlemmer's website as high or low priced, depending on whether the price of the item was above or below the median price among the studied products.

Conversion Impact is Greater for Higher Priced Products

In line with previous research, Northwestern found that although lower priced products on Hammacher Schlemmer's website have consistently higher conversion rates than their

higher priced counterparts, reviews actually have a greater conversion impact for products that are more expensive.

When a low priced product on Hammacher Schlemmer's website begins displaying reviews, the conversion rate for that product increases up to 190%. However, when a high priced product begins displaying reviews, there is a much higher conversion impact—up to a 380% increase.



Risk is Greater for High Priced Items

Consumers think more about buying products with a higher price tag, as there's an element of risk involved. Reviews help build consumers' confidence by showing them that others have bought a high priced item and had a good experience with it. This confidence boosts the probability that future consumers will buy the product in question.

On the other hand, the monetary risk is lower for low-priced items, which explains why reviews have a smaller conversion impact for products that are less expensive.



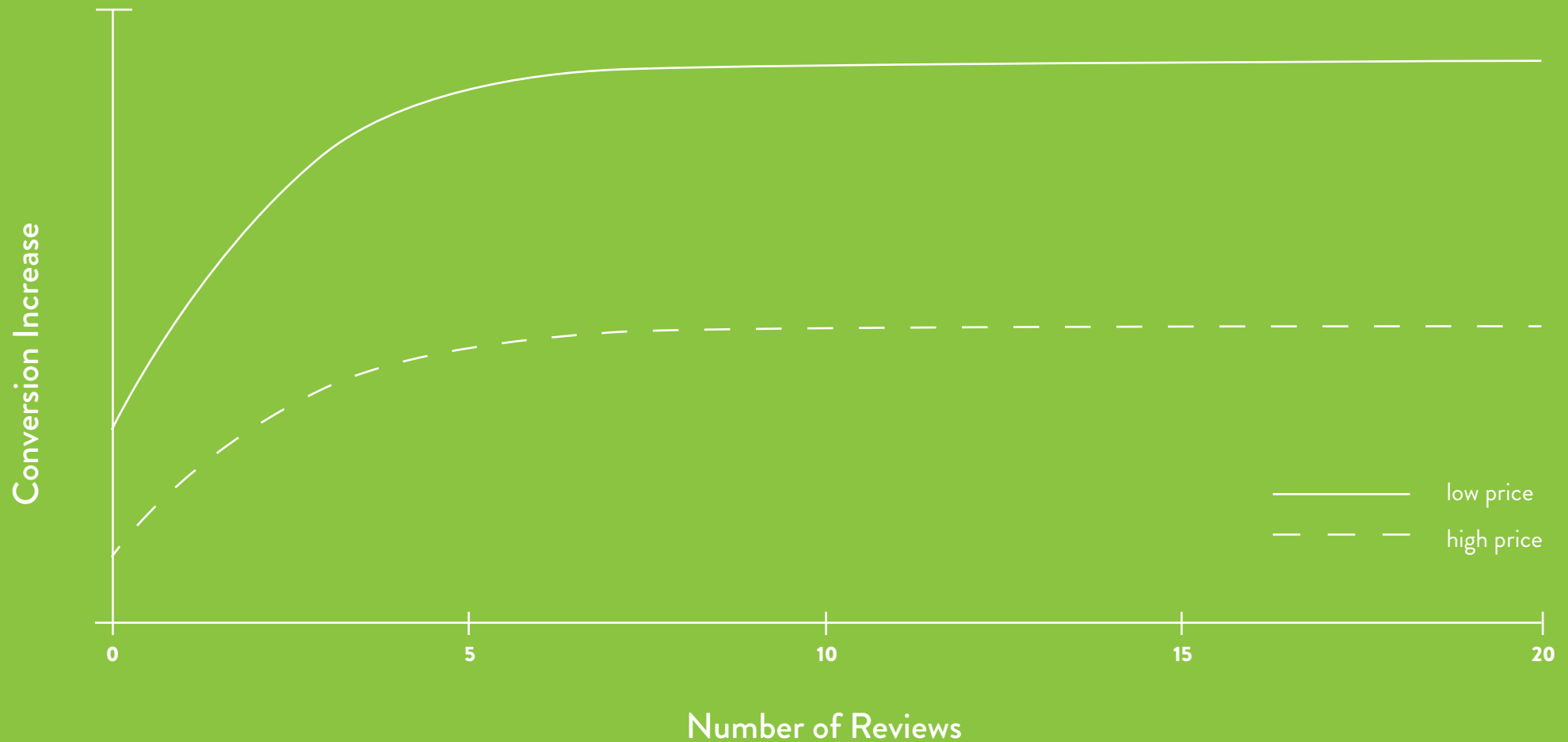
Higher Priced Products Need More Reviews

The team at Northwestern also studied the number of reviews needed for high and low priced items on Hammacher Schlemmer's website in order to see the biggest conversion impact. For high priced items, more reviews are needed to see the full conversion impact. Higher priced items on

Hammacher Schlemmer's website need at least five reviews in order to see the greatest conversion impact, whereas low-priced products only need between two and four reviews to see a significant conversion impact.

Conversion Impact for High and Low Priced Products

Lower priced Hammacher Schlemmer products have a higher conversion rate, but reviews have a greater conversion impact on higher priced products



Four Recommendations for Brands and Retailers

Ratings and reviews are important for consumers. And when a review strategy is executed effectively, reviews can have a big impact for businesses, too. Read on for four recommendations for brands and retailers looking to leverage reviews to experience the biggest conversion impact.

1

Collect and Display Reviews

Displaying a solid stream of reviews on your website will have a significant impact on your website's traffic and conversion. There are several ways to successfully generate reviews, but the most effective is sending a post purchase email, asking shoppers to review recently purchased products. PowerReviews data shows that on average 60% of reviews originate from post purchase emails.

2

Optimize Review Collection and Display

Shoppers are browsing and buying products from a variety of different devices. Make sure the entire write-a-review process — from the post purchase email to the write-a-review form — is mobile friendly. And be sure shoppers can easily find reviews for products, regardless of the device they're using.

3

Focus on Items With a Low Volume of Reviews

For Hammacher Schlemmer, the first reviews for a product have the biggest conversion impact for that product. But those first reviews can be the hardest to generate. Run a report to determine which of your products have a low volume of reviews or no reviews at all, and develop a campaign to collect reviews for those products. In addition to sending post purchase emails asking your shoppers to write reviews for items they've recently purchased, make it easy for consumers to write reviews for all products in a multi-item transaction. By allowing consumers to write reviews for multiple products from a single page, brands and retailers can increase content collection rates up to 400%. Finally, if you have products with high traffic but no reviews, consider a product sampling campaign to generate reviews, which can help build confidence for future shoppers.

4

Prioritize Higher Priced Items, Even Within Low Priced Categories

Consumers are more likely to be influenced by reviews when they're purchasing high priced items — even if those items are within a low priced category. And more reviews must be generated for high priced items in order to see the maximum conversion impact. Segment your products into high and low priced and make it a priority to collect reviews for the higher priced items.

Introducing the experts



Edward C. Malthouse | Research Director

Ed is a research fellow at the Media Management Center, a partnership between Medill and Kellogg. His research interests center on media marketing, database marketing, advertising, new media and integrated marketing communications. He develops statistical models and applies them to large data sets of consumer information to help managers make marketing decisions. Ed is also currently the co-editor of “Medill on Media Engagement.” He was the co-editor of the Journal of Interactive Marketing from 2005-2011. His professional experience includes software engineering for AT&T Laboratories, corporate analytics training for Accenture, BNSF, Digitas, Nuoqi and Capital One, and developing segmentations for Cohorts and Financial Cohorts and Motorola.



Georgios Askalidis | Ph.D. Candidate

Georgios is a fifth year Ph.D. student in the Computer Science Theory and Economics Group at Northwestern University. He spent the summer of 2014 as part of the Data Services and Solutions team of eBay Inc, where he conducted research on fitness wearables users’ behavior and developed product recommendation models. Georgios is also a part-time Research Assistant at Searle Center on Law, Regulation and Economic Growth at Northwestern University, gathering and analyzing data regarding standard setting organizations.



About this Report

This report is based on data from Hammacher Schlemmer. The Northwestern research team conducted an analysis of approximately 15.5 million page views for 1,800 unique products from 7.8 million users over the course of one year (January 4, 2015-January 2, 2016), tracking the number of page views and sales as each product accumulated reviews.

About PowerReviews

PowerReviews works with more than 1,000 global brands and retailers to increase conversion and improve products and the customer experience with ratings and reviews and Q&A software. Ratings and reviews solutions from PowerReviews are essential for consumers as they search and shop online and in-store, and they are proven to increase online site-wide sales up to 17%.

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About Hammacher Schlemmer

Hammacher Schlemmer is America's longest running catalog, offering the best, the only, and the unexpected since 1848. The company provides unique products that solve problems or represent the only one of their kind, and backs its products by a rather famous Lifetime Guarantee of Complete Satisfaction. Hammacher Schlemmer's innovative offerings are available through its catalog, online at www.hammacher.com, and at its landmark store on East 57th Street in New York City.

About Spiegel Digital and Database Research Center

The focus of the Northwestern University Spiegel Digital and Database Research Center is to do evidence-based, data driven analysis to prove the relationship between customer engagement and purchase behavior. The Center's research focuses on consumer behavior in social media and on mobile devices. For more information, visit spiegel.medill.northwestern.edu.

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