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Netflix tops online satifsaction list

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Sometime it can hurt to be too successful, or so some online retailers might start to think. For now, though, it seems that companies focused purely on selling via the Internet are more successful at the e-retailing business than their conventional counterparts that have started selling online.

Granted, there has been growing concern about online retailers running out of steam soon. For instance, earlier this week investment bank J.P. Morgan downgraded its rating of online retailing giant Amazon.com to "underweight" from a "neutral" recommendation, leading the company's share price to fall 2.6 percent, as it expects the company's growth to not be as robust as the rest of the online retailing market.

Therein lies the problem for Amazon. Having been the pioneer of online selling from its beginnings focusing on books, the group has rapidly expanded to become the biggest virtual store in the world. Since its inception, Amazon has been a trailblazer in the way companies distribute goods, but these days, even traditional brick-and-mortar companies are getting into the online distribution business and competing head-on with Amazon and similar Internet-based companies.

Still, it seems for now that companies that solely operate online continue to have a distinct advantage over their more traditional counterparts that have recently starting selling via the World Wide Web. According to a survey by ForeSee Results and FGI Research, which focus on analyzing Internet businesses, even though online revenues for companies is up, overall customer satisfaction is down about 4 percent from last spring.

Their top 40 online retail satisfaction index came in at 73.5 for the 2005 holiday season, down from 76.7.

"High satisfaction scores -- how happy people are with all aspects of the online experience when they visit a site -- have been proven to correlate directly and tightly to likelihood to return, recommend, and buy," the survey reported.

The highest-scoring online company was Netflix, which rents out DVDs with a score of 84 out of a possible 100, followed by Amazon with 82. Both companies solely do business on the Internet.

Still, the third-highest ranking company was LL Bean, which started off as an outdoors goods seller in Maine and continues to have stores across the United States and beyond, as well as online, followed by television shopping network QVC's Internet division.

Meanwhile, the lowest-scoring companies were all conventional retailers with an online unit on the side, namely CompUSA, Kmart and Sears.

"During the holidays, it's more important than ever to do a good job at meeting and exceeding the needs and expectations of those new and infrequent online shoppers because you've paid more to attract this audience, you have so many more of them, and the stakes are so much higher," said Larry Freed, chief executive of ForeSee Results. "Retailers' inability to satisfy this segment of online holiday shoppers translates into what we call a 'lost loyalty conversion opportunity.' They could be turning new visitors into frequent visitors and then into loyal customers; instead, less satisfied shoppers may turn to a competitor or a more expensive channel," said Freed.

"We don't expect to see people shopping less online overall as a result of lower satisfaction with the top 40 retailers," added Freed. "We do expect for people's loyalty to those specific retailers to suffer as a result of their expectations not being met. Every time a top retailer drops in satisfaction there is a chink in the armor and a tremendous opportunity for smaller, less well-known e-tailers to make inroads."