

View from the Top: E-Commerce grows up

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Do search engines make online shopping easier?

Many industry watchers consider this year as the 10th anniversary of e-commerce. Internet access is now nearly ubiquitous in the United States with rapidly proliferating high-speed connectivity from cable, DSL and even wireless. This has led to tremendous growth in e-commerce, and in the last two years broadband connectivity has made online sales skyrocket. This year the forecast is for online retail to approach \$110 billion with online travel excluded. Even so, last year online performance at \$89 billion was only a miniscule 4.6 percent of total retail revenue, leaving plenty of room for further growth.

For myriads of online surfers, jumping on a search engine is now the favorite starting point. Consumers are quickly realizing that search engines like Google and Yahoo! Search are the best tools for them to find Web sites and information about everything. Inevitably, this consumer familiarity has led to search engines also being the predominant shopping tool.

But are search engines really helping consumers shop better, or are they in the way?

Without a better option, certainly using search engines is understandable. Let's take a look at one of the online retail categories, event tickets, to examine if search engines help consumers shop better or if there really is an opportunity for a better solution.

Buying tickets for concerts, sporting events, theater and performing arts

would seem to be a natural for migration to the Internet. Instead of standing in line at a box office or engaging in a frustrating phone wait by calling an 800 number, the Internet is more efficient and user friendly. Forrester Research estimates that online event-ticket revenue reached \$5.4 billion last year and forecasts significant growth for this year as well. In fact, the research firm estimates that last year more than one-third of the consumers purchased a ticket online.

Typically, "hot" events are sold out very quickly in most metropolitan areas. A majority of the fans read about an event only after all of the tickets to their favorite event are sold out. Nevertheless, tickets to the same event would invariably be available for sale from the robust secondary market. Nationwide there are now well over 1,000 ticket-broker firms that constitute the bulk of this secondary market. The larger brokers are professional organizations and belong to the National Association of Ticket Brokers (www.natb.org). These brokers bring capital to bear to buy hard to get tickets from the box offices and from season-ticket holders so they can sell them to the consumers at higher prices, generating profits. In addition, individual ticket holders sometimes sell their tickets because they are unable to attend the event. The Internet brought a new way to the broker community to be able to reach consumers. Marketplaces like eBay and online classified sites like Craigslist also offered more online options for the individuals and smaller brokers to more easily sell their tickets. But is the online world much more efficient than the offline counterpart with the current set of search tools?

Let us consider the case of Anne, an ardent fan of the Irish band U2. Early this summer she read about the band's U.S. tour and wanted to see them live in concert when they came to New York City. However, busy with her work, she did not remember to get tickets when the box office opened. Unfortunately when next she checked for the concert in Madison Square Garden in October, there were no tickets available from

the official online box-office sales site. She was forced to look in the secondary market because she did not want to miss out on seeing the band live. Without the Internet, she would have had to scan through newspapers and yellow pages for individuals selling tickets and ticket brokers and call to find out what tickets were available for the specific event. The Internet made things somewhat simpler, but now there are a lot more places to look making it more arduous to find the best choice. There are several hundred online broker sites, and in addition, there are also marketplace sites and classified sites with tickets for sale. Anne needs a way to find all the available tickets to the U2 Madison Square Garden concert across all of the sites and then compare the various options -- prices, seating location and seller -- to decide which one she should buy. Can search engines help her find the right ticket to buy?

She started with a search engine and typed in "U2 tickets." The search results were a set of links that pointed to various broker sites all across the Web as well as a set of sponsored, or advertisement links to more broker sites -- roughly about 20 sites in total, one-fifth of the total number of broker sites. The links from the search-engine results only pointed to the Web sites of the brokers and did not specifically say if the sites had tickets to the New York event. Hence, she had to click through to each one of the sites and then search the sites again for her event. Some of the sites had tickets available, and she had to note down her options -- seating locations and prices. From this sprinkling of sites, she could not get a full picture of the tickets still available for the show. Specifically, she did not find links to the other 80 broker sites and the marketplace and classified sites. Tickets for sale on eBay and on classified sites like Craigslist often have more attractive prices, as many of the tickets listed there are from other fans. But searching sites like eBay and Craigslist for tickets to a specific event is equally hard and tedious.

While the search engine at least helped Anne find some of the Web sites,

it did not help her find all of the sites with tickets, and it definitely did not help her actually see what tickets were for sale on those Web sites. Even using the search engine she had to spend a lot more time and energy, and she quite probably did not find the best available option. As we can see from this example, other than providing an advertising channel for interested merchants, search engines do not help much in shopping.

If search engines are not very effective for specific tasks like shopping, what technology will be more efficient and how will the consumer dynamics change? The television market is a good analogy on how the search market might evolve. At first, with only over-the-air broadcasts there were just three major channels, and people had to watch whatever was on them. These three networks catered to a very broad audience and therefore did not specialize their programming in any way. Then with the widespread adoption of cable across the United States, many more channels came into existence -- all of them specializing in different vertical areas such as sports, music and news. Now there are hundreds of channels catering to every segment of consumer audience. This type of specialization has already started in Internet search with the advent of vertical search engines. Consumers will quickly realize the value of these vertical-search services in providing efficiency for the tasks like shopping that they do on the Internet. As fans like Anne discover such solutions, they will take to them like fish to water.

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