

# Gas prices to increase online shopping

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Online holiday shopping is poised for strong growth this year, among other factors helped along by higher gas prices.

Several retail analyst groups -- Goldman, Sachs & Co., Nielsen/NetRatings and Harris Interactive -- said Monday they would be jointly tracking online sales during the holiday season, adding that predictions were for a solid cyber-selling season.

The companies said that factors driving consumers to make online purchases this year include: convenience of online product research and comparison shopping, competitive pricing, Web-only sales promotions and gas prices.

"Online sales should see robust growth this holiday season, partially aided by rising gas and heating prices, as consumers seek to maximize their holiday budgets," said Heather Dougherty, senior Retail analyst, Nielsen//NetRatings. "Multi-channel retailers will look to capitalize on the trend toward the online sales channel by incentivizing holiday buyers through discounts, reduced or free shipping for guaranteed on-time delivery, and gifts with purchases."

She added, "Additionally, retailers are providing a more streamlined online shopping experience, offering gift recommendations and broad product selection not only to entice online purchasing, but also to help consumers research purchases and shop more efficiently offline."

Retailers are also offering personalized products and online/offline gift-card redemption to further stimulate shoppers into making online

purchases throughout the holiday season.

The joint group of analyst firms said that product categories poised for growth this holiday season include:

- Computers and consumer electronics, as shoppers utilize comparison shopping tools to price the latest must-have gadgets.
- Toys and games, as a consistently strong product category with children and parents.
- Apparel, based upon previous online purchasing experiences and a greater selection of products and sizes available online.
- Books, music and DVDs, driven by popular holiday releases and affordable price points.
- Gift cards, encouraged by online/offline redemptions for last-minute gift ideas.

"From a historical perspective, it will be interesting to see if this coming season's research will show a dramatic shift in the holiday gift budget designated for online purchases," said Karen Chiarelli, vice president of Technology Research, Harris Interactive. "Each year has seen the addition of more tenured shoppers and improved consumer satisfaction, which stands to increase again this year."

Holiday shopping jumped by 25 percent year-over-year for the 2004 holiday season, with shoppers spending a record \$23.2 billion online, excluding travel.

Clothing was the biggest seller online last holiday season, with spending on apparel/clothing hitting \$3.8 billion, or 16 percent of total online

revenue, followed by toys/video games generating \$2.5 billion, or 11 percent of total online revenue.

Consumer-electronics purchases made a strong showing with online shoppers spending \$2.3 billion, or 10 percent of total online revenue.

Poll results show that satisfaction with online shopping still remains a weak spot with only 37 percent of online consumers reporting they "were very satisfied" with the 2004 Web shopping experience.

This year will be the fifth annual series of 2005 Holiday eSpending Reports conducted by Goldman, Nielsen and Harris. Developed jointly by the three companies, the eSpending Report examines dollar spending by market segment and tracks consumer attitudes and motivations driving online shopping behavior. The eSpending Report is based on a weekly national survey of approximately 1,000 randomly selected online shoppers.

"The fifth annual proprietary eSpending survey will provide important data points that will enable us to assess online consumer spending levels, drivers of preference, and levels of satisfaction throughout the holiday season," said Anthony Noto, Internet and Entertainment analyst, Goldman Sachs.

"We expect solid sales growth during the holiday season, benefiting from the continued secular shift to online shopping. However, we also anticipate increased levels of competition among pure play online commerce companies, brick and mortar companies, and comparison shopping companies."

In a separate recent survey, the National Retail Federation said that total holiday shopping would increase by 5 percent from last year to over \$435 billion.

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