Recession forces new focus in e-commerce marketing

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(AP) -- Online retailers are shifting their marketing from traditional advertising to less expensive tools like Facebook.com and Twitter and e-mail as they seek market share or just work to retain customers, according to an industry study being released Tuesday.

Conducted by Internet analysis firm Forrester Research for Shop.org - the online arm of the trade group National Retail Federation - the survey found that merchants believe online business is better suited to withstand an economic downturn than physical stores or catalogs, though they acknowledge challenges for both.

The study involved 117 online retailers polled between Feb. 18 and April 1.

The companies, which Shop.org didn't name, reported scaling back hiring and their increasingly expensive search marketing programs, which include paying for top billing in the results consumers see for their Web searches. Online merchants whose business is beating expectations will likely fuel much of the e-commerce investments in the coming months, the survey found.

"Online retailers want ... to be more efficient in getting a bigger bang for the buck," said Scott Silverman, executive director of Shop.org.

Developing social media marketing requires some investment in personnel, he said, but many merchants see big opportunities to spread a positive message about their brand for relatively low cost.

A growing number of stores and manufacturers, including Wal-Mart Stores Inc. and General Mills Inc., for example, are encouraging bloggers to test their products and write about them on their sites.

"They're like ambassadors," Silverman said.

Silverman said businesses active online remain optimistic.

"It's safe to say that it continues to be a bright spot in the economy," he said.

They have seen their average total purchase decline, he said, but shoppers are increasingly turning to the Internet for deals.

Forrester Research forecast in January that total U.S. online sales, where growth has been slowing for a few years, will increase 11 percent to $156.1 billion in 2009, compared with a 13 percent gain in 2008.

For 2010, Forrester projects 13 percent growth, and then 10 percent growth in 2011, 9 percent in 2012 and 8 percent in 2013. The figures exclude online travel sales.

About 30 percent of the surveyed retailers expect to cut their spending on Web operations for the year, while 24 percent said they would increase it and 46 percent said they would spend as planned, according to the study.

Online retailers said they are focused on e-mail marketing, which almost 90 percent listed as a top priority. But that doesn't mean shoppers should expect to be bombarded with even more spam in coming months.

Silverman said retailers are getting more sophisticated about using e-mail to attract and retain specific customers already known to them. Almost three-fourths of the surveyed retailers plan to send targeted e-mails based on customers' stated preferences or past purchases.

With questions lingering about the sales potential for marketing in social media like blogs and social networks, the study found that companies that are growing faster than expected are more likely to embrace such initiatives. Of 20 retailers whose business has beat expectations, 12 said they were going to invest more in social marketing initiatives this year.

Among retailers that expect to cut spending on their online business this year, only 24 percent plan to cut spending on social media, indicating a willingness to experiment in this emerging area, the study says.

"Everyone feels that there is a lot of potential, and they want to be in the game," he added.

As for overhauling technology or developing programs where customers can pick up items ordered online from stores, half the retailers faring well said they would pursue such large initiatives this year.

Retailers faring less well said they plan to seek "quick wins" instead and delay large initiatives, according to the study.