

Online shopping revolution?

January 8 2010, By Sandra M. Jones

The battle for the shrinking American budget is moving online this year with a vengeance.

While the [recession](#) took its toll on shopping centers and strip malls around the country, the [economic downturn](#) has left the Internet poised to enter 2010 as a larger force in retail.

Newly frugal shoppers are turning to the Internet in droves to compare prices, hunt for bargains, download coupons and seek advice from fellow shoppers. Retailers, weary from years of building sprees, are diverting capital away from physical storefronts and to their Web sites, investing in the technology to make online shopping easier, faster and cheaper.

Look no further than Walmart Stores Inc. for a sign that online shopping, historically only 5 percent of U.S. retail [sales](#), is about to get a whole lot bigger. The world's largest retailer announced late last year that it plans to unleash its economic might on its decade-old but often neglected Web site, walmart.com, intent on toppling Amazon.com Inc. from its perch as the world's largest online merchant.

"There's no question the Internet has gone from being a curious sidebar to a main event," said Mark Cohen, marketing professor at Columbia Business School in New York and former chairman and CEO of Sears Canada Inc. "Customers are becoming completely comfortable with doing business on the Net and receiving things in short order. This year is going to be a very good year for online shopping, tempered only by the negative effect of the economy."

Online sales, excluding travel, had been growing at a roughly 20 percent to 25 percent annual clip for much of the decade, before slowing to a 6 percent gain in 2008, according to ComScore Inc., a digital market research firm. Growth came to a halt last year.

When ComScore releases its year-end data this week, 2009 online sales are expected to remain about even with 2008 at \$130 billion. That would make it the first year online sales have failed to expand. For the year through Dec. 27, sales fell 0.28 percent, said Andrew Lipsman, ComScore's director of industry analysis.

After tumbling in the second and third quarters of 2009 as consumers went into hiding, online sales rebounded to post a 5 percent gain for the holiday season from Nov. 1 through Christmas Eve, ComScore said. The strong finish bodes well for 2010. Lipsman expects online sales to return to "reasonably healthy growth rates" this year.

Some experts say Internet sales reached a turning point over the holidays. Black Friday, or the day after Thanksgiving, typically has been a day for physical stores to shine with early-bird specials that entice shoppers to stand in line for hours until stores open their doors at dawn.

But last year the big national chains -- including Walmart, J.C. Penney and Best Buy -- grabbed a piece of the doorbuster promotions by offering "screenbuster" sales online for shoppers who wanted to stay home. The cyber activity spurred a record \$595 million in online spending that day, an 11 percent gain over Black Friday 2008, ComScore said. Meanwhile, Amazon, [Walmart](#) and Best Buy saw their Web site traffic soar more than 20 percent on Black Friday from the year-ago period, the firm said.

There was a time when big brick-and-mortar retailers looked askance at their online divisions, figuring stores should receive most of the

company's resources and attention because they generate the bulk of the sales. No longer. Traditional chain stores are starting to recognize what Amazon long has known: The benefit of selling products online reaches far beyond dollars.

Web sites are a treasure trove of information about shopping behaviors and purchasing preferences. Retailers can track what each customer buys and use that information to target discounts and suggest products, said Lauren Freedman, president of the E-tailing Group Inc.

"At the end of the day, everyone is afraid of Amazon because they are so aggressive from a technical standpoint," Freedman said. "They own all this information on the (shoppers), so they have the ability to market based on buying patterns."

Online data firm Forrester Research said that the Web influenced \$937 billion in U.S. store sales in 2009, a figure projected to reach \$1.3 trillion by 2013, or about one-third of total retail sales.

"I know this is an overused phrase, but it really is a perfect storm," said Sucharita Mulpuru, retail analyst at Forrester. "People want to find the cheapest products. Most households have broadband, and there are a lot more devices with access to the Web.

"As retailers see more dollars shift in that direction and consumers spend more time online, it makes sense to invest in the Web channel."

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