

E-COMMERCE 'REVOLUTION' CONTINUES TO GROW

It's still 14 weeks before Christmas, but who's counting? Evidently, a lot of people ranging from shoppers to merchants, both in the brick-and-mortar world and the cyber world of the Internet. Of course, many will wait until the last minute to do their shopping, whether it is through the courtesy of a mall or a mouse.

A recent study indicated that about 15 percent of Internet usage involves e-commerce. **Last year, a new e-commerce record was set with non-travel (retail) spending surpassing \$102.1 billion, thereby eclipsing the 2005 total by more than \$20 billion.** With travel expenditures added, online spending in 2006 exceeded \$170.8 billion. More than a quarter of the expenditures occurred during the end-of-the-year holiday season.

In the first two quarters of 2007, e-commerce retail spending, which represents about 3.3 percent of total retail sales, surpassed \$55.1 billion, with the April-June period at 23 percent over the 2nd quarter of 2006. With travel added, online spending for the first six months of this year reached nearly \$95 billion. This amount puts overall online e-commerce on a course to set another record for 2007.

The hike in e-commerce is due to many factors, but perhaps the most notable one is growth in the online population, which has been experiencing 8.2 percent annual expansion in the past several years.

During that timeframe, because of the favorable economy, annual U.S. online retail sales per person also climbed rapidly. About 63 percent of online purchases are made by women, and people with children are more likely to shop online than those without children. Interestingly, English is the preferred language of just 35.2 percent of Internet users worldwide. Chinese follows at 13.7 percent, then Spanish at 9.0 percent, Japanese 8.4 percent, and German 6.9 percent.

The Internet, of course, is not only good for purchasing, it is also an important tool for product browsing and comparing, often the first two steps taken by online consumers before they buy. Some **89 percent of consumers seek information**

about products online. According to a survey sponsored by Google, approximately 63 percent of people who do product searches usually end up purchasing offline in a physical store.

And what are the popular e-commerce searches? They include travel arrangements, computers and related products, apparel and accessories, office supplies and consumer packaged goods. Video games, consoles and accessories continue to be the most desired e-commerce categories. Other well-used online sites include those that advertise sports and fitness equipment; electronics; event tickets; jewelry and watches; furniture and appliances; music, movies and videos; and books and magazines.

Brick-and-mortar fallout

Has online shopping harmed the business of brick and mortar stores? Most definitely. Some have closed due at least in part to the heavy competition from computer outlets. Others have adapted and reinvented themselves, some even creating online opportunities for their products within their own confines. Many have also benefited from the greater efficiency associated with "pre-shopping" online before purchasing in stores. Virtually all have been forced to be more price competitive.

A unique sidebar associated with online previewing and in-store purchasing is that **on average those who "pre-shop" spend upwards of 41 percent more than customers who do not take advantage of this kind of opportunity.**

Of course, many people continue to resist the ongoing e-commerce "revolution," either because of unfamiliarity or the lack of a computer, or perhaps because of a desire for the more personal and "touch and feel" operation within a store. Even so, each year, with the improvement and expansion of online offerings, holdouts are becoming fewer and fewer, especially with the holiday season fast approaching.

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