

Study Finds Online Retailers Optimistic

Despite an economy arguably in recession, most online retailers remain cautiously optimistic about how their businesses will perform during the next 12 months, according to a Shop.org study conducted by Forrester Research Inc.

Posted: Monday, September 29, 2008, 12:50 p.m., EDT

Despite an economy arguably in recession, most online retailers remain cautiously optimistic about how their businesses will perform during the next 12 months, according to a Shop.org study conducted by Forrester Research Inc. The State of Retailing Online 2008: Profitability, Economy, and Multichannel Report, the third of a three-part series, found that 72 percent of online retailers believe the online channel is better suited to withstand an economic slowdown than offline channels.

The reason for retailers' optimism is two-fold, according to Scott Silverman, executive director of Shop.org. First, online shopping historically outperformed in-store shopping in terms of growth. Secondly, online shopping draws in customers because of its value and convenience.

"We continue to see shopping shifting to online," Silverman said. "People who want to save money can go online do comparison shopping. We're also seeing that people are more inclined to shop online as opposed to driving to store as a way to save money on gas. Even if they don't do their buying online, customers are using the Internet to do research to put together shopping trips."

The report, which was released mid-September by Shop.org, a division of National Retail Federation, drew from two surveys conducted throughout the year. The first survey, fielded in February/March, had 125 retailer respondents and the second survey, fielded in June/July, had 63.

According to the report, about one third, or 35 percent, of online retailers surveyed said they anticipate their online business to perform better than expected in the next 12 months. Another third, or 33 percent, anticipate that their online business will perform the same as expected. Thirty-seven percent of those surveyed, however, said they have lowered their expectations for their online business performance in the next 12 months.

The report advised that online retailers must still execute well to capture sales. Additionally, it cautioned that those sales might not be the highest margin revenue due to increased input costs and the pressure to offer promotions, such as free shipping.

The report noted that online retailers still must creating cohesive customer experiences among multiple sales channels. Multi-channel retailers report that half of online customers also shop in the company's stores or through its catalogs, exemplifying why online employees need a vested interest in the stores' performance and vice versa. The report recommended that online retailers devise practical, measurable goals and incentives to motivate employees in all parts of the company — whether they work directly with the web or not — to promote sales in all channels the retailer offers.

The report is available to Shop.org members and can be purchased directly at their website. Forrester RoleView clients can access the report directly on the Forrester website starting Oct. 17.