

Online Holiday Shopping 2002: Europe Fuels Worldwide Growth

Question

Will online buying totals grow in the fourth quarter of 2002 despite downturns in many economies worldwide?

Answer

Yes. Worldwide, online buying will reach US\$38.2 billion in the fourth quarter of 2002, a 48% increase over the same period in 2001. E-commerce is still a small part of total retail sales, so growth is less a function of retail ups and downs and more a function of the experience of Internet users and the maturity of Internet retailers.

European outlook

Growth will occur in all regions, with Europe leading the way. For the first time, Europeans will spend more money online this holiday season than North Americans (\$15.8 billion vs. \$15.7 billion).

- Gains in Europe are fueled by companies integrating mail order and Web presence (e.g., in the United Kingdom, Next for clothing and Hamleys for toys). Multichannel usage—browsing printed catalogs and then ordering online—is increasingly popular.
- Despite great strides, Europe has room to improve. Broadband Internet access is spreading, spurred in part by lower prices. However, narrowband is still the norm, and many Europeans remain unfamiliar with what broadband is and what it can do.

North American outlook

Online holiday buying in the United States is influenced by two related and counterbalancing consumer trends. First is the mainstreaming of Internet use and online buying; second is the maturation but slowing growth of the Internet users base.

- More and more experienced users are online. GartnerG2 research shows that use of the Internet for buying correlates with extended use of the Web over time.
- With over 108 million Americans using the Internet since 1999 or before, the built-in experience base is now quite high. Over 77 million U.S. adults now buy products online throughout the year.

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“Go where the market is: Europe is a huge online opportunity. Be prepared to serve those markets like never before.”



- New user growth is slowing. Consequently, less of the increase in online holiday spending will come from the supply of “new recruits” simply because there are fewer of them.

The continuing evolution of the Internet is fueling the growth here. The Web is moving from a niche channel for pure-play online retailers to a fully integrated channel for established retailers, in both the brick-and-mortar and catalog segments. Consumers’ successful experience in online buying over the past two holiday seasons has encouraged their continued use of the Internet for gift buying. Online availability of familiar brick-and-mortar and catalog merchants also reinforces the use of the Web for holiday buying.

Asia Pacific outlook

Growth in Asia Pacific will be modest. A rapid influx of new Internet users, primarily in China and India, will drive that growth. However, several inhibitors accompany the rise in Internet use.

- New users in India and China are much younger on average (the vast majority are between the ages of 15 and 25) and have lower per-capita income ranges than the mature, heavily penetrated markets in the region.
- Customer loyalty and purchase frequency have been severely funneled to a few leading domestic and global brand sites this year. As a vestige of dot-com fallout, online stores in the region have continued to fail faster than they are being replaced.
- In most areas, weak economies have curtailed consumer buying power, leading to some retrenchment of online buying potential toward physical discount stores in the mass retail market.

Actions to take

Retailers: As fourth quarter online buying grows, review your resource allocation to online direct sales and online partner channels.

- Be prepared for heavy traffic in Europe, mostly browsers in Asia Pacific, and expectations of flawless customer satisfaction worldwide.
- Have your integrated customer service and call centers ready to handle customer expectations *now*. Returns policies and capabilities (integrated between online and physical stores, if you’re multichannel) must be tested and ready by 31 October.
- Exploit Japanese catalog mailing lists with targeted e-mail campaigns, attracting new and return customers to holiday-specific sites.

Retailers should be prepared for a fourth quarter online shopping onslaught, in spite of the global recession. Markets are still maturing, so specific attention should be on flawless execution for return customers. Go where the market is: Europe is a huge online opportunity this year. Be prepared to serve those markets like never before.

Table 1: Online holiday forecast, Q4 2002 (\$US in billions)

	Q4 2000	Q4 2001	Q4 2002	2001-2002 growth	Percent of worldwide 2002 sales
North America	\$9.13	\$11.86	\$15.66	32.1%	41.0%
Europe	\$6.15	\$9.03	\$15.77	74.7%	41.3%
Asia Pacific (excluding Japan)	\$1.60	\$2.46	\$3.32	35.0%	8.7%
Japan	\$0.83	\$1.40	\$1.93	37.7%	5.0%
Rest of world	\$0.52	\$0.99	\$1.52	53.3%	4.0%
Worldwide total	\$18.23	\$25.74	\$38.20	48.4%	100.0%

Note: Figures exclude travel-related purchases and movie and event ticket sales.
Source: GartnerG2, September 2002

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Q&A: [2001 Worldwide Online Holiday Shopping Forecast](#)

By Michael Cruz (24 October 2001)

Report: [Online Forecast: PCs Still Power U.S. E-commerce](#)

By Michael Cruz (27 February 2002)

Data Tables

An Excel file, [Online Holiday Shopping Forecast, Q4 2002](#), is available for download.

Methodology

This report is the result of discussions with various vendors, online research and GartnerG2's forecast team. GartnerG2 builds its e-commerce forecasts from its regular surveys of thousands of consumers. Total dollars spent on e-commerce are derived from data on the number of online buyers, the number of transactions per buyer and the average amount spent per transaction in 14 retail categories. Projected growth of these factors is determined by an s-curve methodology that takes into account trends in previous data, market assumptions, supplier projections and secondary data sources such as the U.S. Census Bureau.

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