

E-Tailing Becomes Mainstream, Despite Sluggish Online Sales

Adam Sarner

Although Web retail sales didn't grow much during the 2001 holiday shopping season, consumer e-commerce is now a mainstream retail channel. E-tailers should make the Web an integral part of their selling strategies.

NEWS ANALYSIS

Event

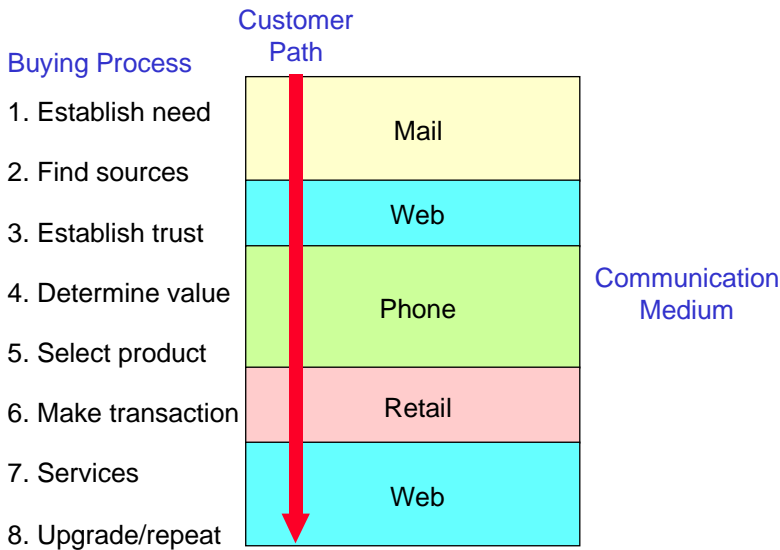
U.S. online retailers recently reported slower growth in sales during the 2001 holiday shopping season compared with 2000. In 2001, overall U.S. retail sales have fallen somewhat compared with 2000.

Analysis

The numbers don't tell the real story with business-to-consumer (B2C) Web commerce. Web retailers have done a lot of work behind the scenes to make the Internet a viable channel by addressing the problems that turned off consumers during e-tailing's first wave of popularity:

- **Web commerce has a more reasonable set of expectations.** Many dot-com companies boasted that they would put traditional stores out of business. Remember all those Web grocers? Like most of their dot-com peers, most went out of business or were taken over by traditional grocers. They now form the online channel to complement physical supermarkets. Likewise, e-tailers seldom think of themselves as the entire sales channel. But they aren't disappearing altogether, either. Instead, they form one part of a larger selling strategy.
- **The Web strengthens other channels and makes a multichannel approach more effective.** You can buy something online and return it at the store, or browse in the store and make the transaction online. The Web improves the buying process for consumers (see Figure 1). When a Web channel is done right, retailers benefit from the multiple interactions with customers and potential customers.
- **Retail Web sites have gotten better at execution.** They're doing a better job of fulfillment and dealing with tricky problems such as merchandise returns. They also are better at delivering on their promises to consumers. For the 2001 holiday shopping season, you won't see as many people complaining that the toys they bought for Christmas didn't show up or that duplicated orders went through. Web retailers have also begun to implement CRM technology that improves their relationships with customers.

Figure 1. The Buying Process From the Customer's Perspective



Source: Gartner Research

Although online sales did not grow exponentially in 2001, they continue to rise. In addition, consumers and retailers increasingly will rely on the Web as one of many channels through which they can interact with each other.

Accordingly, B2C firms should stop viewing the Web as experimental or as a stand-alone channel. Instead, they should view the Web as a mainstream channel, and need to integrate the Web with physical stores, the call center and catalogs in a comprehensive channel strategy. Web retailers with the best prospects for long-term success will invest in linking customer interactions together to enhance consumers' buying process.

Analytical Source: Adam Sarner, Marketing Knowledge & Technology

Need to Know: Reference Material and Recommended Reading

- “Better Web Usability Can Boost Holiday Sales by \$10 Billion” (FT-14-8259). To maximize online holiday season sales, e-tailers should conduct a usability audit to focus on uncovering and remedying defects in the online shopping experience. **By Joel Wecksell**
- “CRM: Getting Beyond Conventional Wisdom With Analytics” (CS-14-7189). Many enterprises mistakenly think that data mining must involve high-powered applications. In many cases, a simple analysis of the data can yield significant benefit. **By Adam Sarner**

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