

What Retailers Need To Know About Online Holiday Shopping

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Upbeat picture for online despite continued economic uncertainty

Despite signs that the economic recovery is losing steam, the outlook for online holiday sales remains positive.

Still, the uncertain economy does pose complex challenges for retailers' holiday season preparations.

How they manage inventory will be a critical success factor, so smart retailers are working more closely with supply-channel partners to deal with different consumer-demand scenarios.

"Retail ecommerce experts are optimistic about the prospects for online holiday sales this year," said Jeffrey Grau, eMarketer senior analyst and author of the new report, "Online Holiday Shopping Preview: What Retailers Need to Know." "However, they also admit that it is hard to predict what will happen because of so much economic uncertainty."

One reason for optimism is that online sales have been growing in the months leading up to the holidays.

July 2010 sales grew 10.9% year over year, according to MasterCard Advisors' "SpendingPulse" report, which provides estimates for retail sales from all payment forms, not just MasterCard cards.

Also, the US Census Bureau reported that retail ecommerce sales were solid in Q2 2010, growing an estimated 13.7% year over year, a slight decline from 14.2% growth in Q1 2010.

Ecommerce growth stands in stark contrast to overall retail spending, which was flat in July, MasterCard said.

"Holiday shoppers will be careful with their money this year, just as they have been the past two seasons," said Grau.

An early pre-holiday survey of consumers, conducted in July 2010 by BIGresearch, revealed the strategies consumers plan to use to save money on holiday gifts.

Besides spending less and buying fewer gifts, they will do more comparison shopping and researching on the internet before buying online or in-store.

"There are many preparatory steps online retailers can take in the weeks leading up to the holiday shopping season," said Grau. "For example, they should stay up to date on the many changes taking place with search engines like Google and Bing and explore the best ways to capitalize on them."

"They can test their website performance for the large traffic volumes expected," he said. "They can set up gift centers to stimulate purchase ideas. And they can develop new email marketing strategies by analyzing purchase behavior from the past few holiday seasons."

The full report, "Online Holiday Shopping Preview: What Retailers Need to Know," also answers these key questions:

- * What is the outlook for online holiday sales?
- * How has online holiday shopping behavior evolved?
- * What can online retailers still do to prepare for the holiday season?

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