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E-Commerce spending will rise 11% to \$156.1 billion this year, study says

Web sales, including event and movie tickets, will grow 11% to \$156.1 billion in 2009, according to the State of Retailing Online 2009: Marketing Report. Four out of five retailers say the web is better suited than offline retail to endure the recession.

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Despite the economic downturn, e-commerce sales, including event and movie tickets, will grow about 11% to \$156.1 billion this year from \$141.3 billion in 2008, according to the first installment of the three-part State of Retailing Online 2009: Marketing Report from research and consulting firm Forrester Research and Shop.org, the online retail arm of the National Retail Federation, a merchant trade association. Four out of five retailers say the web is better suited than offline retail to withstand the recession.

E-commerce sales grew 13% from 2007 to 2008, the report says. Online sales will account for 6% of total retail sales this year, up from 5% last year.

While Internet sales growth continues to outpace traditional retail sales, 54% of online retailers expect overall retail growth to slow during the next 12 months, and 57% acknowledge the economy is hurting their bottom line, according to the survey.

Although many retailers expect lower sales, however, four out of five surveyed online retailers think the web is better suited than other channels to withstand the recession and one-third say the downturn has helped them capture greater market share, the study found. Retailers report that their conversion rates continue to hover between 3% and 3.5% as they have for years.

“Retailers everywhere are trying to get their arms around a pullback in consumer spending, and online retailers are no exception,” says Scott Silverman, Shop.org executive director. “Online retailers are trying to weather this economic storm by doing more with less, making smart spending decisions, and leveraging effective, affordable tactics like e-mail to grow their businesses.”

30% of the 117 online retailers surveyed for the study are spending less than originally planned on web retail operations this year, according to the study. Among retailers cutting costs, 88% will scale back hiring and staffing plans and 56% will spend less on search.

However, retailers that see the economy as an opportunity to increase market share are proceeding with new initiatives. 46% have no plans to cut back original budgets while 24% will spend more on their online business than originally planned. Companies planning to spend more will increase investments in areas such as search (80%), e-mail (65%) and social marketing (60%).

A majority of retailers (88%) listed e-mail as a high priority for the year, largely to retain customers, the study found. 71% plan to send segmented e-mails to customers based on stated preferences and purchase data. In addition, 55% will use e-mails to highlight new product availability and to extend invitations to

participate in surveys or gather customer feedback, while 53% will use e-mails to feature online-only promotions.

Other highlights of the report include:

- Search engine marketing is most often mentioned among effective acquisition tactics (83%), followed by organic traffic (51%) and affiliate programs (41%).
- E-mail is the most mentioned successful tactic overall (cited by 89%), followed by pay-for-performance search placement (80%) and SEO/natural search (53%).
- Retailers with more than \$100 million in online sales manage an average of 1.13 million paid search terms, on average pay 51 cents per click, and realize on average \$5.29 in revenue per click.
- Retailers with between \$10 million and \$100 million in online sales manage on average 210,462 search terms, on average pay 44 cents per click, and realize on average \$19.87 in revenue per click.
- Retailers with less than \$10 million in online sales manage on average 23,466 search terms, on average pay 52 cents per click, and realize on average \$11.37 in paid revenue per click.