

Commerce in Cyberspace Revisited

By Linda C. McCormack

The Spring 1997 *Business Alert* article entitled "Commerce in Cyberspace! Is it Reality or only Hype?" discussed the future of electronic commerce and the possibility of the Internet becoming a powerful tool with which to sell goods and services. We can now answer that question; commerce in cyberspace is a reality. Great changes have occurred in the way people view shopping over the Internet.



The 1998 holiday season was the first year that the Internet became a popular vehicle with which people chose to do their holiday shopping. A New York Times/CBS poll of 1,026 adults showed that seven percent had purchased holiday gifts on the Internet in 1998. The 1999 poll revealed that the number had grown to seventeen percent. A study released by Shop.org, the trade association of online retailers, and the Boston Consulting Group (BCG), shows a 300% increase in revenues by online retailers from this holiday season to last (www.shop.org).

Electronic commerce is growing by leaps and bounds; this became especially evident during the 1999 holiday shopping season. More and more people seemed to decide that the Internet was the way to shop for that holiday gift. What sites were visited the most? According to a press release by Media Metrix (www.mediametrix.com), a company that measures actual Internet and Digital Media audience usage, toy and "bricks and mortar" sites were the

most popular online shopping sites. "Brick and mortar" sites are Internet sites that also have physical stores such as www.jcpenny.com, www.barnesandnoble.com and www.gap.com. The public seems to feel more comfortable shopping at name brand stores, the stores that they ordinarily would have shopped at in person.

Why is shopping on the Internet becoming so popular? A study released in February 1999 by PC Data Online stated that sixty-three percent of the respondents claimed that convenience was the main reason they did their holiday shopping online (www.pcdataline.com). Consumers saw shopping on the Internet as a way to bypass long lines in traditional stores and holiday hordes at the mall. Shopping online has become so popular that the Better Business Bureau includes online shopping tips and the Draft of the Code of Online Business Practices on their website (www.bbonline.org). While Consumer Reports Online (www.consumerreports.org) provides e-ratings of online companies for their subscribers.

Who shops online? According to the PC Data Online study forty percent of online purchases are made by households in the twenty-four to thirty-four age range, thirty-three percent are made by the thirty-five to forty-four age group. Less than ten percent of the online purchases were made by households over sixty-five. The study also claimed that the affluent were more likely to purchase online. Consumers making over \$50,000 accounted for over forty percent of the online purchases; while consumers making between \$35,000 to \$50,000 made over twenty-five percent of the purchases.

This is not to say that there are not any hassles with online shopping. The newspapers are filled with stories about disgruntled consumers. In 1998, websites that crashed were the main problem for Internet merchants. In 1999, the major dilemma was delivering ordered items on time. The toy sites such as Toys"R"Us and eToys seemed to have difficulty fulfilling their orders. In fact, order fulfillment became such a problem that three days prior to Christmas

Toys”R”Us stated that up to five percent of their orders would not arrive by the holiday. That left many parents irate and children disappointed.

The other complaint of unhappy consumers was the lack of customer service. A research report released by IT market analysts firm Datamonitor stated that less than one percent of all e-commerce sites offer live customer assistance. The report also stated that e-retailers are aware of the need for improved customer service and are taking steps to rectify this problem. The companies that started as catalog marketers seemed to have the least amount of trouble crossing over to become e-merchants. These companies have the advantage of experience with order fulfillment, customer service and product display using non-traditional media.

Despite the growth of online buying, a study by NFO Research Inc. stated that three-fourths of consumers haven’t purchased any products via the Internet. Privacy and security concerns are said to be the main reason for the hesitancy to shop online. This is not an unfounded fear in light of the recent extortion attempt by an Internet hacker. The hacker stole credit card numbers from an Internet music retailer, CD Universe, and posted the numbers on a website after a failed blackmail attempt. It remains to be seen if the number of credit card fraud grows with the increased volume of Internet shopping.

Security concerns and delivery problems aside, most Internet consumers seem to be satisfied with their online shopping experience. A new survey of 3004 Internet shoppers by PC Data Online and Goldman, Sachs & Co. reports that ninety-seven percent of those surveyed said that their experience met or exceeded their expectations. If this year and last is any indication of the future of electronic commerce, then it looks like commerce in cyberspace is here to stay.



RECENT PROJECTS

From a management consulting firm:

“Can you supply a list of the top international insurance companies for wholesale and retail brokerage, risk

management, and underwriting?”

Through the use of publisher contacts and an extensive in-house collection of trade journals, the CBR was able to provide recent lists from several sources including *Business Insurance* and *National Underwriter*.

Cost of this project: \$281.00

From a Web consultant:

“We need to find out about the current rates charged for advertising on various Internet gateways, and the costs involved in sponsorship agreements. Is there anything available?”

The CBR surveyed the major Internet gateways and related sites to cull the required information.

Cost of this project: \$500.00

From a consultant for non-profit organizations:

“I am advising a client seeking funding for schools for the hearing impaired. Can you provide information on foundations who have a record of giving in this area?”

Through an online search of commercial databases, the CBR located a list of foundations funding schools for the hearing impaired.

Cost of this project: \$120.00

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