

Online and the credit crunch

Recent statistics, published by analysts IMRG, show British shoppers spent £26.5 billion online in the first six months of 2008. That is 17p in every pound a rise of 38 per cent from the same period in 2007. Although August 2008 saw a 10% drop in sales over July internet shopping transactions were still up 15.6% compared to last year and shoppers spent more than £4.4 billion.



Given the credit crunch and all that it means or may mean for business what does that indicate?

Well, according to the pundits, online sales are expected to remain strong despite the slowdown in the economy. They say that customers are being tempted into online shopping by rising fuel costs,

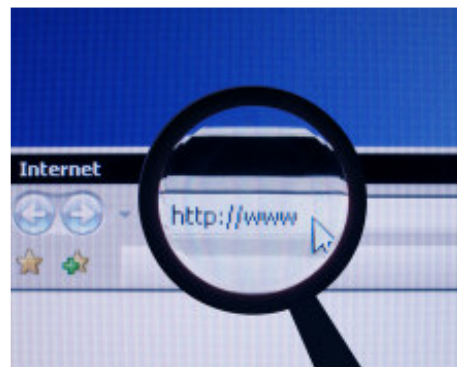
falling disposable income and because they believe online retailing is more sustainable. Additionally price comparison sites lead online shoppers to the cheapest deals so consumers can buy essentials more cheaply online. This leaves a bit more to spend on leisure, holidays, electronics and other 'non-essentials'.

According to Mike Petevinos, head of consulting for retail analysts Capgemini UK:

"Whilst online retail is not immune to the credit crunch, it is showing greater resilience than the high street. The online channel continues to grow its share of retail spend thanks to the traditional drivers of convenience and choice but these drivers appear to be magnified by the current economic environment. The ability to research and make more informed sensitivity is a key advantage of the online channel. The results for August demonstrate the maturing of e-retail. Online sales are starting to mirror more closely seasonal retail patterns, experiencing a dip in August for the second year running. We predict between 30 and 50 percent of all retail will be online in the next 5 years. This is because, as online reaches 20% of all retail sales, retailers experience a tipping point which forces them to seriously rethink the future viability of their business model. We have seen this happen for books, music/DVDs and electricals and as the industry as a whole reaches this tipping point in 2008, more categories are sure to follow."

IMRG and Capgemini are not alone in their predictions. Verdict, the retail analysts also forecast that online retail sales would reach £44.9bn by 2012.

Verdict say: "some of this is 'cannibalisation' - people buying via their computers what they would previously have gone to shops for. There is still a need and place for physical locations - the key is to ensure that synergies with online retailing are exploited to drive footfall to stores, but having an Internet presence is vital. Giving the consumer choice by establishing strong links between the in-store and online offer is now essential and online will find itself



extremely well-placed to capitalise on the falling consumer confidence and lower levels of disposable income currently impacting the retail market.”

PayPal also predict similar numbers. They say that by 2010, one in five purchases will take place on the internet and that online consumer spending will reach £39 billion by 2010. The company has warned businesses to start trading online now or risk missing out on potentially huge profits. Carl Olav Scheible, Head of Merchant Services at PayPal said: "Over the past few years we've seen the internet gradually eating away at the high street. By 2010, we expect substantial sums previously spent on the high street to have moved online.”



So, if you are involved in retail what do you need to do to capitalise on the opportunities presented by the web?

Here are our suggestions.

Get an ecommerce website

D’uh. Yes it is true. Some retailers don’t have a site and many don’t have an

ecommerce site. Yet compared with the cost of rent and rates the costs for a really good site are very small.

Economize and optimise

We have mentioned search engine optimization frequently in our newsletters and in times of economic uncertainty it’s even more important to maximize good traffic. And optimization is not just about the traffic received, page views and time on site it’s also about the funnel all the way through the site to the checkout and payment.

Sponsor a click

Plenty of people are fearful of pay per click and have ‘wasted’ a lot of money on it. OK, if you want to be a DIY plumber and electrician go ahead, but remember to call in the professionals once the bodge is likely to ‘set the house on fire and flood it too!’

Actually it’s pure direct marketing and anyone can understand the principles:

- Price £100
- Margin 50% = £50
- Cost of sales marketing allowance 50% = £25
- Conversion rate for leads 10%
- Maximum average cost per lead £2.50

but it’s pulling the right levers that make it work.

Affiliate – get people to join your club

As we said last month “Like all marketing programmes, affiliate marketing is no panacea and requires dedication and hard work from all the parties, but there is plenty of research to show that when it is done properly it has very good ROI for all parties involved.”

Affiliate marketing has one more benefit in troubled times it allows you to grow your business with no upfront cost - you only pay per sale.

Don't fail – use email

Your customer list is one of your most valuable assets and email marketing is very cost effective. Use it not just to “sell, sell, sell” but to build a relationship with your customers, add value with interesting offers and cement their loyalty.

Make them smile – go mobile



57 billion text messages were sent in 2007 in the UK. In May 2008 6.5 billion were sent. That's looking like over 70 billion messages in 2008. As we say on our texting page use text marketing if:

- You like to be able to communicate instantly with your customers and contacts.
- You think any of your customers have ever forgotten an important occasion.
- You want to increase brand awareness and provide additional revenue streams for your business.
- You want an edge that the vast majority of other advertisers just don't use.

Service the customer perfectly

Online customer service can be dire and yet service is what keeps customers coming back for more.

When you are online can you easily find the price, terms, address and phone number or email address of the company? Are they hidden away? Does that annoy you? If it annoys you the surely it's the same for your customers?

Make it easy for them to be able to communicate with you directly and quickly. That's by phone, email, online chat and even the good old fashioned mail.

Even more important make sure your staff know what they're talking about and that you provide quick delivery, simple refund procedures and a feeling that they are special and not just ££££ signs in your till.