

A Case for e-commerce

by Bruce A. Love

Over the holidays, I heard family and friends discussing online purchases they made this year. They offered a variety of explanations for why they made purchases over the Internet. Reduced shopping time, instant access to a wide selection of merchandise, and avoiding holiday traffic, crowds, and snowy roads were just a few of the reasons given. Of course, some of us shop online because it is simply so much fun!

There are many good excuses for shopping online. There are also many good reasons for selling online! Consider the following:

- E-commerce markets are not bound by geographical constraints. You can sell to customers anywhere in the world if you want to.
- E-stores are open 24/7. Unmanned stores can (and do) process orders placed at 3 in the morning.
- Sales are not dependent upon local economic conditions.
- Internet shoppers are not adversely affected by inclement weather, long lines, and traffic jams.
- With e-commerce, you avoid high rent and utility bills associated with traditional “bricks and mortar” stores.
- E-commerce distribution channels are flattened (fewer middle men). This translates into potentially higher profits.
- Websites provide an efficient method with which to communicate with customers. They often serve as a virtual brochure and help to project a professional image for your company.
- Barriers to entry into e-commerce are relatively small.
- Shoplifting? What’s that?

There is no doubt that “e-tailing” is still in its infancy. Domestic online sales are only about 2% of total retail sales. The growth of e-

commerce, as a percentage of total retail, however, has increased steadily at a rate of 22% per year since 1999. In the third quarter of 2003, e-tail sales were \$13.3 billion, up 27.0 percent from the third quarter of 2002. Similar growth is expected for the fourth quarter of 2003. These statistics demonstrate that e-stores are not a fad, but a trend on which retailers can rely.

This fall, I had the privilege of monitoring the online sales of an e-store we built for a client. The store officially opened in September, though it was far from complete at the time. On opening day, the store looked like the virtual equivalent of a traditional store with unpainted wallboard and only half of the inventory on the shelves. By early November, however, sales in the new e-store had exceeded the cost to design, build, and host the store. By early December, total revenues had exceeded total costs. A profit was realized! Renovations and improvements continue to be made to enhance the overall “charm of the store” and to improve the shopping experience, but the benefits of e-commerce are now quite obvious.

E-commerce is not appropriate for every retailer. Some businesses rely on local clientele and would never benefit by trying to sell to customers outside of their immediate geographic region. If you feel, however, that a larger volume of sales is desirable, and that customers from distant lands would be interested in your merchandise, you should start planning for the 2004 Christmas season in January. By doing so, when the snows return next fall, you will be ready for business in your new e-store and gleefully singing carols:

***Oh the weather outside is frightful
But the fire is so delightful
And since we've no place to go,
Let us sell, let us sell, let us sell!***

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