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**Buyers Drive The Process Online But The Lowest Price Isn't All They Want**

By B.L. Ochman

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Online buyers' ability to comparison shop — aided by a vast array of shopping bots — has turned traditional retailing on its head. But are low prices all customers want? No way!

Some web-wise merchants have responded to the Internet's new retail rules retailers by including comparison shopping on their own sites, others put their heads in the sand. Leading the list of slow to get online retailers is Home Depot who, according to the Aug 16 issue of Fortune, recently issued "a Godfather-esque" directive to its suppliers selling goods online. The gist of it was stop selling online or you won't be selling to us.

"Dear Vendor," the May 19 letter began, "It is important for you to be aware of Home Depot's current position on its'(sic) vendors competing with the company via e-commerce direct to consumer distribution. We think it is short-sighted for vendors to ignore the added value that our retail stores contribute to the sale of their products....We recognize that a vendor has the right to sell through whatever distribution channels it desires. However, we too have the right to be selective in the vendors we select and we trust that you can understand that a company may be hesitant to do business with its competitors."

What Home Depot really is worried about is its customers going straight to the manufacturer and bypassing Home Depot.

Going head to head with Home Depot won't be simple for any company. Stanley Tools, for one, has scrapped its e-commerce plans in the face of Home Depot's threat. After all, Home Depot is one of the "category killers" who put thousands of mom and pop hardware stores out of business."Who's to say," Fortune reporter Katrina Brooker muses, "that it can't do the same to pesky suppliers with dot.com dreams?" Web shoppers, that's who!

Several factors come into play:

oOnline shopping does not provide instant gratification. Sometimes, all a customer wants is to buy

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something and use it right now

- oPeople are still willing to pay more for superior service, even online
- oFew retailers will be able (or want) long term, to sustain prices so low they cannot make a profit
- oAlthough low prices might bring customers to a site, discounts alone won't necessarily keep them there or convince them to return
- oOnline, a store that provides complete information from a variety of sources can be more valuable than a single site that provides only its own or partial information.

Online comparison shopping is available at a wide range of sites. These sites promise "you'll never miss a sale again;" "40 – 60% off retail in 13 categories;" daily or weekly sales updates; and email bargain newsletters tailored to your shopping interests. Some claim to scan 50 million products.

Each of these services is powered by shopping bot software. Some even provide shoppers with the ability to search, compare and buy in a secure e-commerce environment. The majority accept advertising, but a few, like Price Scan claim to be unbiased and objective because they eschew advertising. Some online shoppers, no doubt, study the information on these price comparison sites before they make a buying decision. Then there is everyone else.

What makes a shopper decide that price isn't all that matters? Extraordinary service — the very same quality that allows some stores to charge more for their items because they make shopping convenient, pleasant and reliable — still can win over price. Superior service makes fancy cars, designer duds and luxury travel appealing. It also allows L.L. Bean, Nordstrom's, and a handful of other merchants able to charge more for their products than bargain merchandisers selling essentially the same goods. And great service is not going out of style any time soon.

In terms of costs, online retailers seem to have obvious advantages over bricks and mortar retailers. Traditional retailers need to spend \$3 to \$5 million to open a store. They usually can only pull from a 25 mile radius, meaning they need to make a fair margin. While online merchants can set up shop for less, and sell internationally, many have set prices so low that it is impossible for them to make a profit. Therefore, the good deals consumers now expect won't be sustainable over the long haul. Only the ones with the deepest pockets can hold out, and one begins to wonder why they would want to.

Retailers are dealing with online sales in different ways. Barnes & Noble made the mistake of not being first in their category to get online. Like so many other traditional merchants, they finally realized they could not afford to ignore the brand reinforcement of the Internet. Now they charge more for the same books in their bricks and mortar stores where overhead prohibits Amazon-like bargain prices. It seems they are betting that the instant gratification of talking to informed sales help and being immediately able to read a selected book in soft in-store chairs is worth a higher price. They may be right.

Meanwhile, like Amazon, a handful of online merchants realize that they need to emphasize superior service. Although low prices might bring a customer to a site, discounts along won't necessarily keep them there or get them to return. "We recognize we're a price leader, but we don't say to ourselves every day, 'Let's just slash and burn,'" says online electronics retailer NECX' director of operations Brian Marley. "I think it would be irresponsible for all of us just to compete on price, without doing the

heavy lifting that goes into creating a value-added service," Marley told The New York Times.

One very innovative online approach comes from Fruit of the Loom, which provides not only its own t-shirts and underwear but also its competitors inside its e-commerce storefront. The company got 24 of the nation's top 30 t-shirt wholesalers in the \$5 billion industry to commit to its electronic commerce platform. Fruit of the Loom provides consulting and software to t-shirt wholesalers setting up online stores. The stores' customers then search for t-shirts from any number of manufacturers. Fruit of the Loom only demands that its products are the first replacement option offered when another company is out of stock. Online, a store that provides complete information from a variety of sources can be more valuable than a single site that provides only its own or partial information.

NECX lets customers compare their prices to other stores on the same item. Customers were comparing prices anyway, they reasoned, why not help them. The result? NECX is losing customers but making money. Sales are up 20% even though the comparison engine is the site's most common point of departure.

Still, bricks and mortar merchants have the distinct advantage of giving customers what they want

when they want it — an experience that can supercede low price. Online shopping, no matter how pleasant, cannot (yet!) provide the immediate reward of buying something and then wearing or using it an hour later.

There is a long way to go before Internet commerce shakes out. At this point I'm betting that at end of the road the lowest price won't be the winner.

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## **How Is The Weekly Spot Uranium Price Calculated?**

**By James Finch**

Summary: Find out from the Ux Consulting president exactly how the spot price of uranium is calculated every week. It's not so simple. It impacts uranium investors worldwide.

Trading in the uranium market is done by a very small number of players. After all, there are about 440 nuclear reactors worldwide, a few dozen trading firms, fuel managers, and a relatively small number of utilities who participate in the actual buying of uranium. It's the front end of the nuclear fuel cycle. Without it, nuclear reactors shut down. The uranium price has been skyrocketing since Christmas week 2000, with no end in sight. Forecasts range from \$50/pound to well above \$100/pound. Few believe the spot uranium price will go lower in the near future.

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It's become a fun game. Every Tuesday night (Monday afternoon, if you are a subscriber to the Ux Consulting), you will see the spot uranium price posted on the company's front webpage. Moments later, the Yahoo and other Internet chat boards light up with commentary about the current uranium price and where it might head next. The spoiler is that TradeTech LLC issues its spot uranium price on Friday to subscribers and to the general public on Sunday night. Investors have been betting on the price swings of their favorite junior uranium stocks (more leverage, more risk/reward) by trying to second-guess the uranium spot price. Now, you can find out exactly how Ux C arrives at their weekly spot uranium price, from the president of Ux C, himself: Jeff Combs.

StockInterview: How does Ux Consulting arrive at your weekly spot uranium price?

Jeff Combs: We have a pretty specific definition. What we're looking for is the lowest offer of which we are aware, at around the time we publish the price. The quantity being offered has to meet certain parameters. It has to be a certain size transaction within a certain timeframe. So we're not really trying to cover transactions, per se. Obviously, where there is a transaction that takes place, there's an offer embodied in that. We're really trying to capture where the market is going based on current offers, rather than where it has been.

StockInterview: So is your published spot price more of a predictor than an actual trade?

Jeff Combs: It's a predictor only in the sense that the next deal is likely to be done at the lowest offer price if the market is working efficiently. It's like in the stock market where the lowest offer price will be taken first, although the stock market is a lot more efficient than the uranium market. Thus, we aren't predicting the price of the next deal per se, but reporting the lowest offer price, which is an indication of where the sell side of the market is at that point in time.

StockInterview: So the weekly published spot uranium price is not based upon an actual sale of uranium that took place that past week?

Jeff Combs: Since it's more of a forward-looking concept, the sale - that is, the coming together of buyer and seller - hasn't necessarily taken place. But the level of the lowest offer indicates where the market is at that point in time. The sale itself shouldn't deviate much, if any, from the offer price. This is especially true in a sellers' market, where buyers don't have much negotiating power. But it's also true in a buyers' market, as sellers are looking to offer an attractive enough price to encourage the buyer to

take the material.

James Finch contributes to

and other publications. Read the rest of this

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